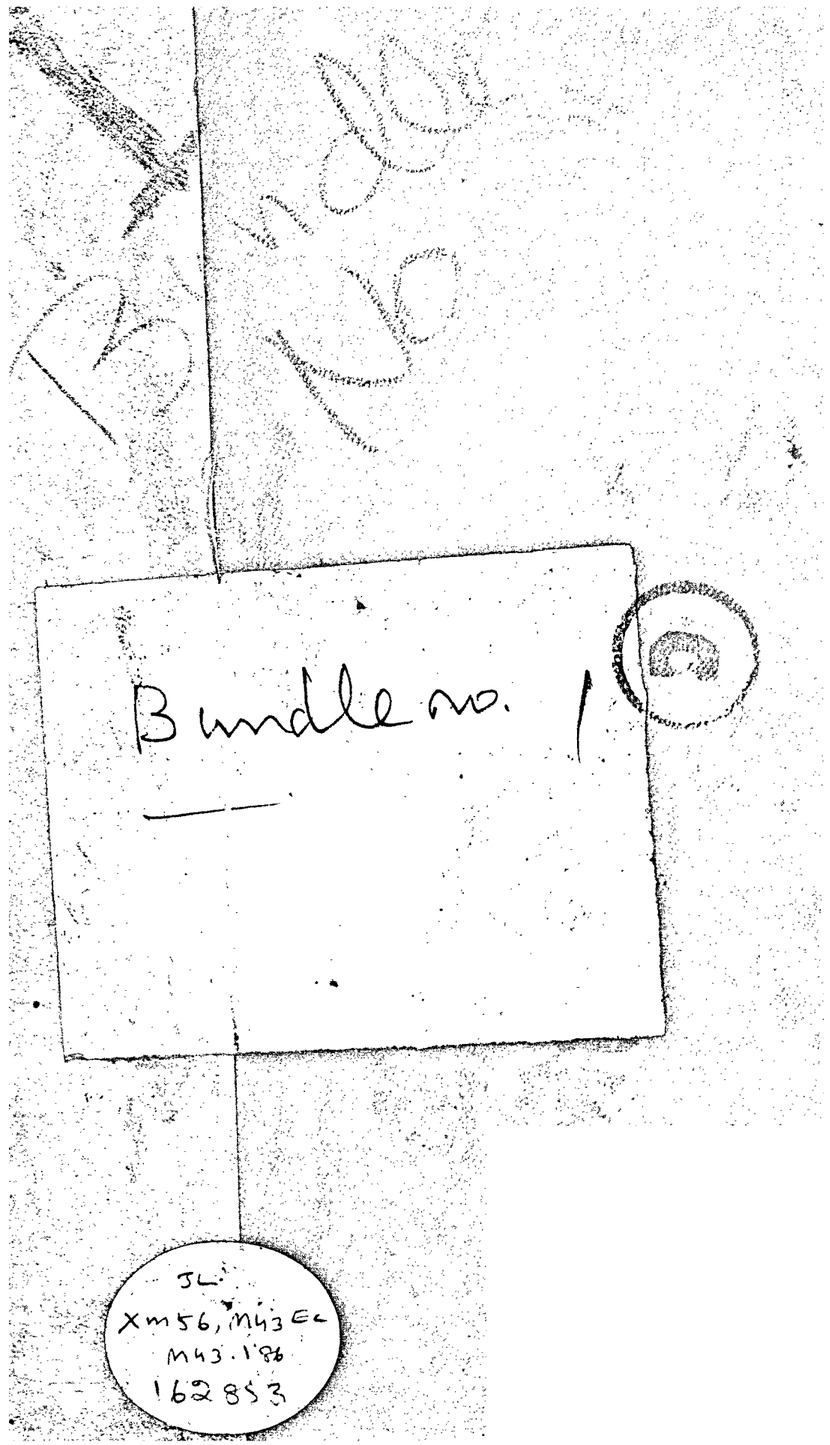

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GOVERNMENT OF MADRAS

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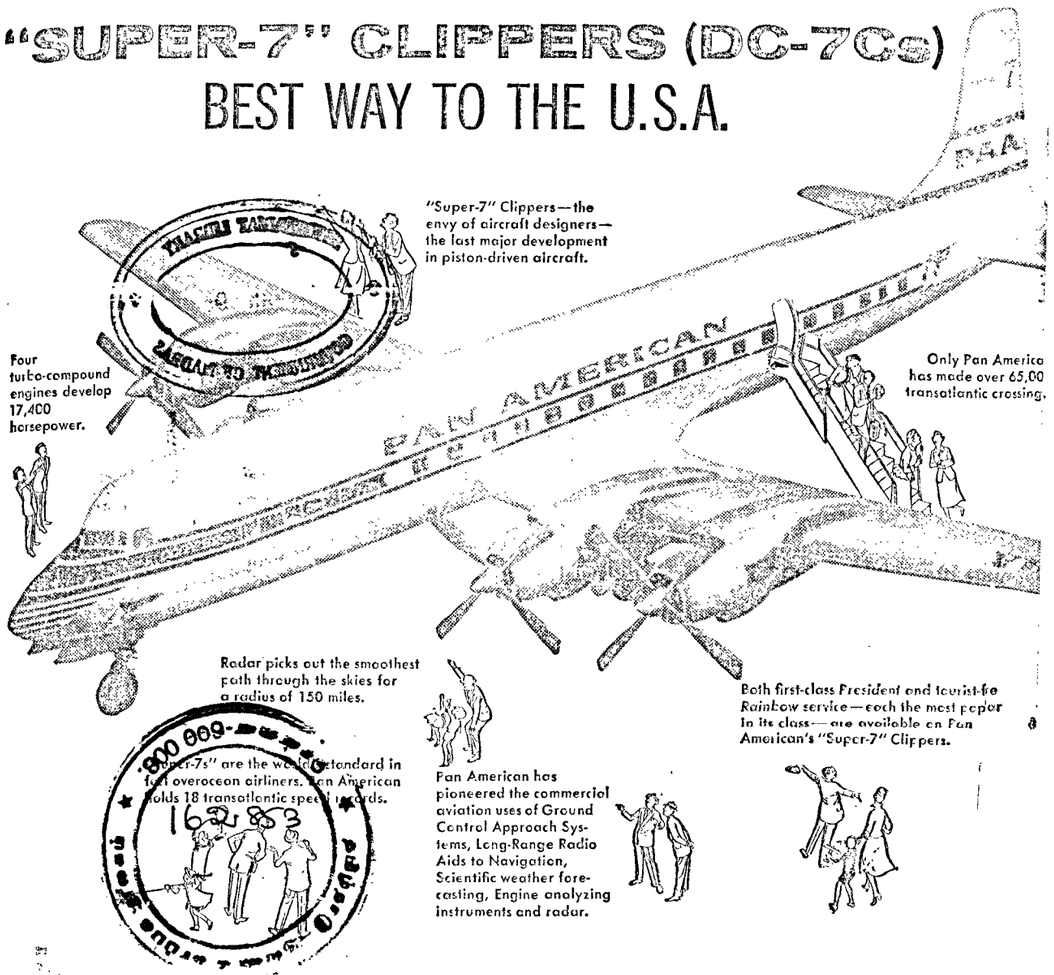
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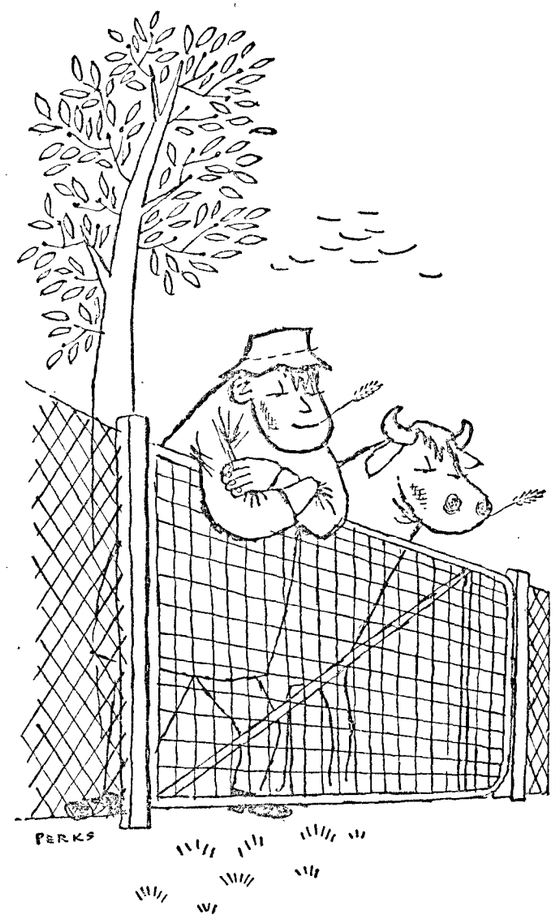
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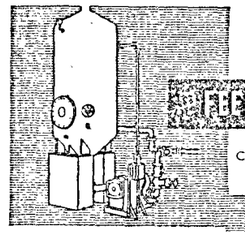
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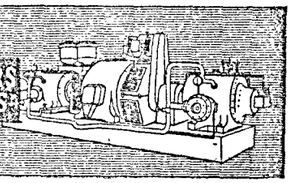


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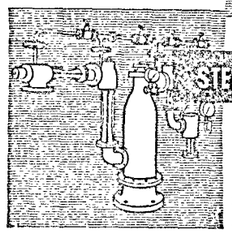
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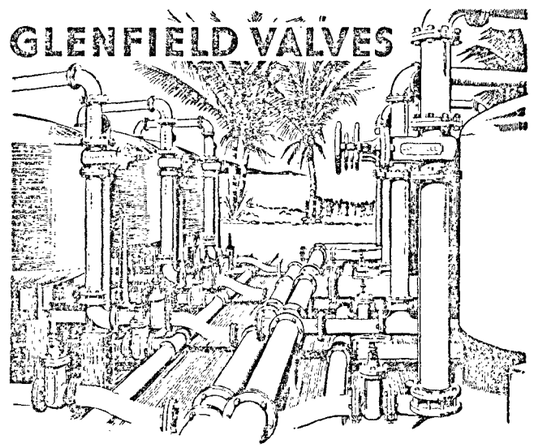


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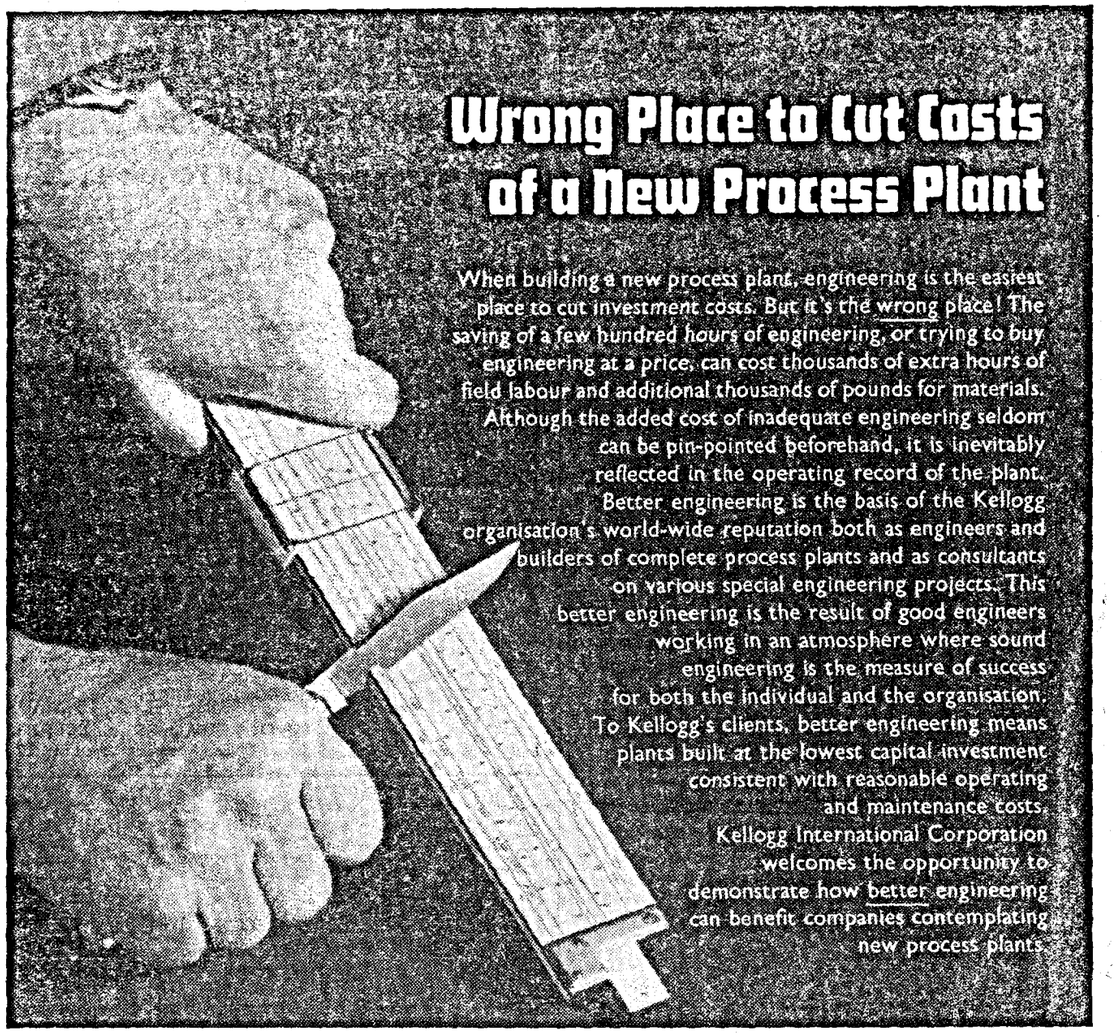
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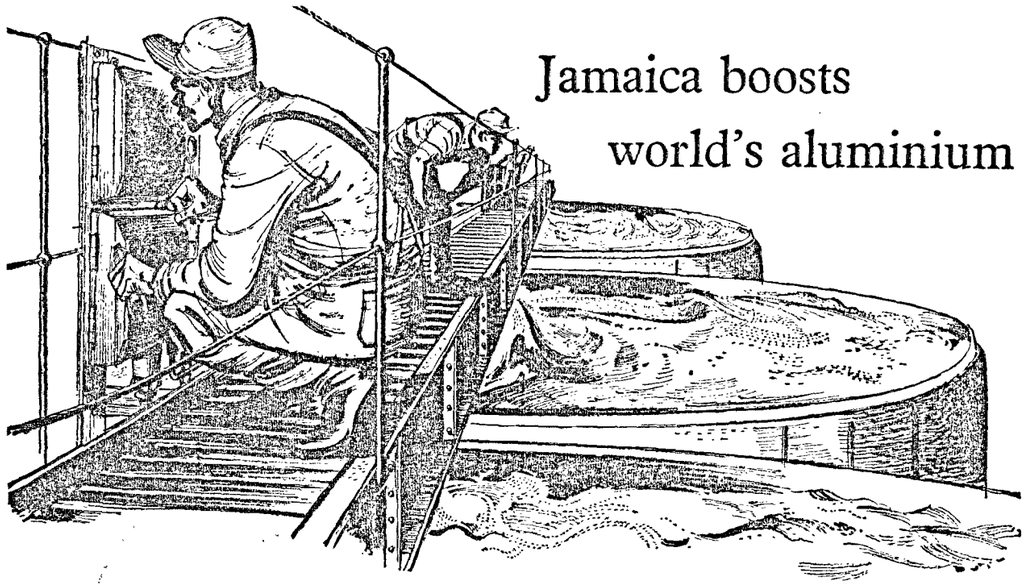
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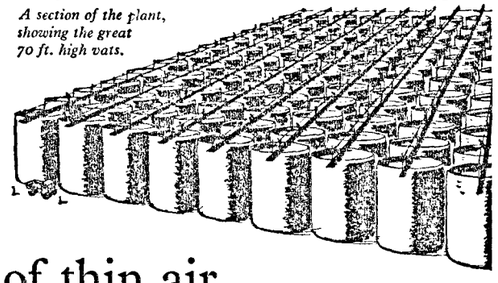
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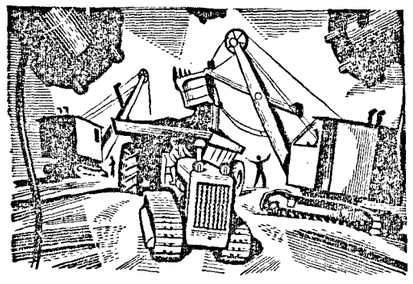
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The world's aluminium supplies depend on the ore bauxite, from which alumina, the oxide of aluminium, is extracted. One of the largest newly discovered sources of high quality bauxite is in Jamaica, where Alumina Jamaica Limited, fully owned subsidiary of Aluminium Limited, started production in 1953. It is estimated that by 1958 Jamaica's yearly output of alumina will have been raised from 230,000 to as much as 800,000 tons. In the alumina plant in Jamaica the first stages of processing bauxite involve mixing with caustic soda in large vats, 40 ft. diameter at the top and 70 ft. deep. There are 120 of these vats, forming a solid block. An important part of this process is the agitation of the liquid by passing compressed air through it from the giant Atlas Copco compressors, of which six have now been supplied.

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The Economist

JANUARY 4, 1958

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Prospects for 1958

WHAT'S to become of the British economy this year depends less upon what happens inside it, and more upon external circumstances which Britain can do nearly nothing to influence, than at any time since the war. This is only formally because the Government last autumn committed itself to adjust the internal economy strictly and wholly in accordance with the external value of the currency. It is more because in doing so the Treasury has fully extended itself in a posture of rigid but precarious respectability: in the short run it can do little more that would strengthen sterling, and dare do nothing that would weaken it. But the main reason is that most trends in the world economy at the opening of 1958 are at least mildly threatening.

No assessment of prospects for the British economy in 1958, therefore, can proceed from the nice calculation of less or more resources available at home with which analysts have usually begun such guesswork in recent years. Towards the close of the greatest capital investment boom in its history, British industry is still producing hardly any more than it was three years ago; nobody can doubt that the economy has capacity and to spare for all the home demand that the Government could conceivably afford to unleash, and for more exports than British industry is likely to be able to sell this year. The dependence of this country upon world demand, upon world capital movements, and upon foreign confidence in sterling has never been more plain; and this New Year series of articles upon the economic outlook for 1958 must begin in this week's first instalment with these dominant external influences upon the level of British demand and activity.

In the closing stages of 1957 signs have been abundant that expansion in the world economy is tending to level off. World trade has appeared still to be growing, but much more slowly than a few months ago. In many industrial countries production is now slipping, or running level, or rising with much less steam behind it. The housing boom is past; industrial investment, though still very high, is hardly rising; defence spending has been tending downwards in most western countries, at least on pre-sputnik appropriations. World demand for commodities has already fallen enough to cut the incomes of primary producing countries significantly.

Yet in most of these western countries costs—primarily labour costs—have still been rising in 1957, and wage increases in particular have still been sapping the value of money. Thus it is that most treasuries, with reason, have consciously entered a period of incipient deflation with their steering gear set over against inflation—or against rises in prices that have outlasted anything that might be called inflation in strict demand and supply terms. All, again with reason, will be reluctant to bring the tiller hard over too soon—aware that this very reluctance could strengthen or prolong a short-term deflationary turn, but aware too that the long-run problem of the world economy since the war has been

inflation. For Britain, little choice offers itself; any relaxation of the current policy, unless and until the rest of the world starts reflating, could bring sterling under fire again.

Whether deflation in the world economy sets in will depend primarily upon the American recession: how deep, and how long. Nobody expects the rest of the world to ride this out as well as it did the last one. Outside the United States, at any rate, 1958 is not 1953: Germany and other western countries are not so voraciously expanding their demand for imports. The key evidence must first be sought across the Atlantic.

Report from America

There is no lack of evidence from America —much of it conflicting. Here is our Washington correspondent's preliminary sifting:

FOR ONE reason or another, neither of the two post-war recessions in the United States developed the cumulative downward pressures required for a full-scale depression. As recession number three gets under way in familiar style, there appears still to be a pervasive confidence—both among the volatile investors on Wall Street and the academic sages making their annual forecasts—that it too will be halted before the downward spiral can take hold. Despite the disappointments of the past four months, it is to 1953-54, not to 1929 or even 1938, that most commentators are looking back and saying that the United States has been here before.

The best single measure of the extent of the 1957 recession to date is the decline in the seasonally adjusted index of industrial production: from 145 in August (1947-49 average is 100) to 139 in November. This is a drop of 4 per cent, and it has occurred at about the same pace as the decline in the last third of 1953; at that time the decline "bottomed out" in the following summer after reaching 10 per cent. Unemployment rose this November to 3,200,000 which, when seasonally adjusted, amounted to 5.1 per cent of the labour force; the total seems certain to reach or exceed 4 million in February or thereabouts on seasonal grounds alone. The depressed signs are everywhere one looks, and usually on something like the 1953-54 scale: steel operating at around 60 per cent of capacity, lay-offs in the automobile industry as sales of 1958 models get off to a sluggish start, freight car loadings consistently about 15 per cent lower than in the same week a year earlier, new orders of manufacturers drifting downward month after month in a gentle slide.

Of perhaps the greatest immediate significance is the fact that a general liquidation of inventories has at last begun; in October, for the first month since December of 1954, the total book value of manufacturing and trade stocks declined. This new element accounts for some of the drop in industrial production in the last few months; it is the element that could be of greatest immediate danger to overseas countries' export earnings, but some commentators in America read it rather as a factor that could help to prepare the way for subsequent upturn. Both previous recessions have been in large measure inventory recessions, which by definition cannot last forever. Professor Slichter of Harvard lays so much emphasis on this point that he is already on record with a forecast that the final quarter of 1957 has been the low point of the recession. He bases his argument on the probability that no quarter of 1958 will see a rate of disinvestment in inventories as great as these last three months.

But Mr Slichter's is an exceptional view. Most other forecasters are less cheerful. Both government and non-government surveys agree that there may be a decline, ranging from 5 to 10 per cent, in business expenditures on new plant and equipment in 1958 as compared with their 1957 record. Some people believe that housing activity, spurred by somewhat easier credit conditions, may advance slightly from the sluggish 1957 level, but the homebuilders themselves are more sceptical. The government has officially forecast another small increase in total construction, but this can be misleading. Included in the totals are large increases in school and highway construction—the very increases that lead to forecasts of higher state and local spending, which are also cited as an optimistic element. The optimists, in short, cannot have this factor both ways. Little "help" is expected from foreign trade, —in other words (perhaps fortunately for the outside world) no great upsurge is expected in American selling abroad, but drastic declines in American exports are not foreseen either. The consumer thus remains, as always, the key to the outlook outside the government sector. Perhaps the most general forecast about the American consumer is that he will continue to spend, at best, about the same portion of his disposable income as he has been spending for the last two years; and this income has begun to drift lower.

ALL eyes, then, turn to Washington, where the authorities are moving very gently on to a less restrictive tack. Even before the budget, the Administration has made two token anti-recession moves. It has reactivated the "lease-purchase" programme for constructing new government buildings worth about $100 million, and it has unfrozen $177 million in housing funds voted by Congress but until now not released to the housing agencies. The latter action will permit an early start on perhaps $150 million of military and co-operative housing that otherwise would not have been undertaken. But it is the post-sputnik defence budget that is properly the centre of attention. Three different elements in it need to be disentwined.

(1) Quite apart from the new budget, there will be a marked increase in new military orders in the first half of 1958. This is because the economy drive of last summer produced a near-halt in placing orders with the funds voted this year by Congress; as a result in the first four months (i.e., July-October) of the current fiscal year only about $2.7 billion out of a planned total of $14 billion in orders had been placed. These orders will now go out in a rush.

(2) There is the "new obligational authority" side of the next budget, which is quite distinct from the expenditure side. It corresponds to the new appropriations to be requested of Congress, and is the best determinant of the rate of placing new orders (not the full payment for them) in the next fiscal year beginning in July. It is likely to rise to $41 or $42 billion, compared with a total of $36 billion approved by Congress this year and $38.5 billion requested. If anything, Congress next year will probably increase the amount of the request.

(3) The expenditure figure itself in the fiscal year beginning next July will rise less steeply. The estimate is likely to be around $40 billion, an increase of only a little over $1 billion from the expected total of $38.5 billion in the current fiscal year.

Taken together, these three factors add up to some boost for the economy—although perhaps more to a confidence-inspiring placement of new orders than to an early efflux of dollars from the Treasury. Outside of defence, the budget is likely to be unexciting in economic terms. The total of non-security spending will probably be a shade under the estimate for the current fiscal year. On the revenue side, there has been no talk whatever, as yet, of a tax cut as an anti-recession device. The budget as a whole seems likely to be essentially in balance.

Down in Mr Martin's domain—despite the much-heralded reduction in the discount rate from 3½ to 3 per cent, and some helpful open market operations—the Federal Reserve has by no means yet swung to an easy-money policy. The banks are still under some restrictive pressure. This is in sharp contrast to 1953, when a formal policy of "active ease" was adopted almost before the recession had begun. Mr Martin and his colleagues are convinced that they pursued easy money too eagerly and too long in 1953-54, and that this was a leading cause of the subsequent 1956-57 price inflation. The market for Government bonds has already anticipated a much greater degree of ease than now exists, and it may be right. But if in January the Federal Reserve fails to let natural seasonal forces produce a marked easing in the market, bonds are due for a severe tumble. Each week there have been rumours of another dramatic move by the Federal Reserve, such as a reduction in the banks' reserve requirements or another cut in the discount rate, but each week the "Fed" preserves its calm silence. It may be that it is merely saving its dramatic weapons for use in steps as the recession develops, but the increasingly nervous money market wishes it were sure of this.

* * *

SO MUCH for our American correspondent's report. Three judgments can perhaps legitimately be hazarded after it. First, the apparently blithe lack of fear in America that this might be another 1929 is an important element which, if maintained, should still prevent it from becoming a 1929; there has been no glimmer yet of the crisis of confidence that could turn the mild recessional into a rout. Secondly, the extreme optimists, who believe that the worst is already over, have some arguments on their side: the extent to which a run-down in American inventories has already occurred, and the bunching of 1957-58 military orders into this second half of the fiscal year, had not been generally recognised on this side of the Atlantic. Thirdly, however, if the balance of argument is taken to be against a check to the downturn early in the new year—and most commentators seem to assume that it is—then it is very difficult to see why the recession should not outlast the summer. The prospect for mid-year does not look particularly reflationary. And the question that must echo like a raven's croak through the City of London and the British Treasury's chambers in 1958 is whether an American recession of even a relatively gentle sort might not be of very serious consequence to sterling.

Sterling in a Straitjacket

Against this international background, what prospects does 1958 offer for Britain's trade, and for sterling?

IN official and unofficial prognostications about sterling's prospect, there has perhaps been too much emphasis on the effect that an American recession may or may not exert on the *current* account of the sterling area. This current account is compounded of two elements—Britain's own surplus or deficit, and that of the overseas sterling area. In six of the last eight years—the exceptions were 1951 and 1955—Britain itself has run a surplus of between £188 million and £300 million each year. On present indications, it should remain within that range in 1958; indeed, there seems no obvious reason at the moment why the 1958 surplus should be below the £250 million or more that has probably been earned in 1957. The import price index in October was already 4½ per cent below the 1957 average; that alone, if continued through 1958, would cut Britain's import bill by some £175 million a year. In addition, the fall in commodity prices had not by October worked its way fully into

the import price index, and British industry's stocks of imported materials do not seem likely to be significantly increased so long as commodity prices look as if they might fall still further.

It would not be surprising, therefore, if the total cut in the import bill in 1958 came to £300 million or so. It would require about an 8 per cent fall in export receipts to wash the effects of that away. Some fall in export volume and also in Britain's invisible receipts—because of the slump in shipping freights and lower dividends from overseas raw material producers—is very likely. But, as of now, it requires very gloomy juggling with the estimates to assume that these losses will necessarily more than—or even entirely—offset Britain's prospective savings on import account.

While Britain has generally run a current surplus since the end of 1951, the overseas sterling area has done the reverse. In five of the six years between 1951 and 1956 it ran deficits—ranging between £87 million and £197 million a year.* In the first half of 1957, the overseas sterling area managed to secure a surplus of £34 million on this basis of calculation, but in the second half of the year it is presumably likely to have returned to a deficit at an annual rate of over £100 million again. In 1958, on present trends, everybody will expect its deficit to be still bigger; but by how much? It would not be surprising if it went above the overseas sterling area's second worst postwar deficit of £197 million, in the commodity slump year of 1952; it might even approach its worst postwar record of £273 million in the American recession year of 1949.

Without over-much reliance on the clouded crystal, a rough guess may now be attempted. On the assumptions that the American recession does not go very much further than our Washington correspondent seems to expect, and that there is "friendly co-operation" about dollar import restraint at the coming Commonwealth economic conference in Canada, the overseas sterling area's current deficit in 1958 should not be much above £250 million, and Britain's current surplus should be of around the same order. The total current account of the whole sterling area would then be in approximate balance.

UNFORTUNATELY, however, as the experience of the last few years has shown, a balance on current account is not necessarily the thing that most matters. Between the end of 1954 and the middle of 1957, the total current surplus of the sterling area was just under £100 million; but the gold and dollar reserves (including the drawing on the International Monetary Fund) *fell* by £336 million—indicating a net loss on capital account of some £436 million. In the second half of 1957, the sterling area as a whole was probably still in current surplus; but the gold and dollar reserves (including the drawing on the American Export-Import Bank) had fallen by £159 million by end-November, and there was then only £780 million left. Since the end of 1954, in other words, an intermittent flight from sterling has been on. The question on which Britain's immediate prosperity may hang is whether in 1958—when the accounts of the whole sterling area may be in balance rather than surplus—anything is likely to set the flight in progress again.

At any one time, three factors determine the likelihood of a flight from sterling. One, of course, is the opportunity given to foreign speculators for fleeing. Some commentators are assuming that there should be less opportunity for such speculation in 1958, because foreigners' working balances in sterling are said to be already at a level that is too low for commercial comfort. But the figure for net sterling balances can be misleading; it is the borrowers of sterling, not merely the holders of it, who can cause a lot of the trouble. The experience of 1957 strongly suggests that whenever there seems to be a prospect that some international currency—such as the D-mark—might be up-valued, speculators will flock to borrow some other currency which can be converted into it; and the pattern of exchange controls both in the speculators' own countries and in Britain now often makes borrowing in London the easiest option. It can then be with the sterling area's exiguous gold and dollar reserves that foreign speculators *font leurs jeux*.

The second factor that could determine whether there will be a capital strain on sterling in 1958 is, therefore, whether there is likely to be what might be called a casino attitude towards exchange rates, and a scrambling for scarce currencies, at any time during the year. To an uncomfortable extent, control over this factor may not be in Britain's hands. The two currencies about which Britain must be most afraid of "appreciation talk" and scarcity value in 1958 are probably again the dollar and the D-mark.

THE possibility of a world shortage of dollars in 1958 is obvious; even a continuation of the American recession on its present mild scale seems likely to widen the world dollar gap that has already appeared. The possibility of a continuation of Germany's exorbitant export surplus has tended to be forgotten in the past two months because of the recent check to the accumulation of German exchange reserves; but that check may be largely a short-term backflow from Germany's excessive speculative accumulation up to mid-September. On commercial account, Germany, like the United Kingdom, should gain in 1958 from the fall in prices of the raw materials it imports; the evident slowing down of its own domestic investment boom may make its producers of capital goods even more eager to search for markets abroad; and, even if Germany suffers from bigger wage increases than Britain this winter (which seems, on the whole, likely), there is some reason to fear that German exports might fare better than Britain's quality goods within a dipping volume of world trade.

If a growing American export surplus and a continuing German export surplus should cause an intensified shortage of dollars and marks in 1958—and if a world in desperate search for these scarce currencies found the easiest door to them through still greater use of its transferable sterling—then Mr Thorneycroft would face an awkward new year. It is a year in which more seems likely to be heard of unofficial suggestions for reinforcing the world's liquid reserves and, in particular, for lifting some of the burden of providing second-line liquidity for the world from the shoulders of sterling on to, say, some wider clearing union system. But at the moment Mr Thorneycroft's policy seems to be to sit tight, to hope that nothing so dislocating as an acute scarcity of dollars and marks will in fact occur—and to rely, meanwhile, on the one factor in the foreign exchange situation which he regards as under his control.

This third factor is the degree of foreign confidence in sterling itself. It is the emotive effect on foreign confidence of price inflation here that makes the resistance to general wage increases this winter all-important; every foreign speculator's eye is now focused on that struggle. Clearly, too, the need to maintain confidence in sterling provides a very strong case against any early reduction in Bank rate; since high interest rates have a direct effect on foreigners' use and abuse of sterling, by making it more profitable to hold money in London and less profitable to borrow here, dear money is now the best weapon of internal discipline for Britain to use. What about the budget next April, if signs of internal deflation have by then appeared within the British economy? It is to the prospect for this, and for demand within the British economy, that this series of articles will turn next week.

*These rough figures are derived by combining the overseas sterling area's deficit with Britain (as shown in British balance of payments white papers) with the "balance of inter-area transfers" to the overseas sterling area as shown in those papers.

A Sort of Twilight

The craggy realities that must underlie any eventual deal on disarmament can be discerned even through the current fog of talk.

"MOST men of business," wrote Bagehot, "love a sort of twilight." He was writing, in "The English Constitution," of the members of the House of Commons in the 1860s—of men distrustful of dogma, always seeking a little room for manœuvre. The cap fits the western nations of today as they consider the next phase in international policy. There is a general recoil from rigidity, an instinctive groping for elbow room. The lively public debate about when and how to negotiate with the Soviet rulers, about the scope and terms of such negotiations, and about the chances of their bearing fruit, has been fanned rather than damped by the meeting of the Atlantic allies' heads of government—whose unanimous declaration itself left much scope for manœuvre.

But twilight is not the same thing as fog. Twilight in the sense of room for discussion, of flexibility (not indecision), of readiness to look at new ideas (not, however, to clutch at them just because they are new), is a natural and needful phenomenon in free societies. Mental fog is not; and a lot of it has crept into the debate on negotiation, disarmament, disengagement and the like, irritating the defenders of familiar arguments (whose ideas, if static, are at least clear), and also the proponents of new ones (who find themselves lumped together with the fog-merchants and condemned with them).

Fog now enshrouds not only the whole "summit" concept, but also the cautious suggestions of Mr Kennan, who is being appreciatively quoted by Moscow and branded by some western critics as a "soft line" man, although his professed goal is to roll back the Russians out of Eastern Europe, his main military thesis is massive retaliation. Fog obscures the fact that military disengagement in Europe raises not just a simple issue of pros and cons, but the much trickier question how. Fog distorts and exaggerates the importance of the bickering about how many governments should join in disarmament talks. In the end, all these things are determined by underlying realities. And however small or localised the first steps that may be thought practicable, they too have to be related to those realities.

It is time to attempt a brief catalogue of the underlying realities, for even those that seem to have been lost to sight retain all their power to determine what is possible and what is not. Take first the position of the communist powers. Russia now has or will soon have nuclear rockets that could reach America. Its exultant rulers (or ruler) are in no mood to sacrifice any important interest for the sake of disarmament—though this mood may change before long, less because of American piling up of new weapons than because of the piling up of stiff bills on Mr Khrushchev's desk. Russia has also two great allies: China and secrecy. China, which reinforces the Soviet advantage in manpower while still depending on Soviet munitions, cannot be excluded either from a disarmament plan or from any calculation of relative military strengths, and its international status must in time be accepted for that reason alone. An equally important military factor, too

often omitted from discussion of the arms problem, is the top-secret state that Stalin built on Tsarist foundations. Whoever rules Russia, free from the attentions of a watchful press, a legal opposition and an articulate, informed public opinion, enjoys so many advantages denied to democratic governments that they cannot stake their peoples' fate on a gentleman's agreement or solemn exchange of pledges with him.

Against this must be set the fact that Russia's nominal allies in Europe are in reality restive prisoners. In contrast, the public bickering between the allied nations of the West, and of non-communist Asia, is a recurrent reminder that they are allies by their own choice. A withdrawal of American protection would demoralise them ; but no western Budapest is sullenly waiting for the departure of the last alien tank to give the signal for a rising. Russia's long-range rockets have altered the western allies' relationships by bringing North America into the exposed front-line area alongside Western Europe ; offsetting the military reversal, there is the prospect of a new sense of solidarity based on a clear community of interest. In the wake of the sputniks there has also come a more widespread realisation of the impossibility of attaining a decisive military superiority over the communist powers ; a realisation that—failing general disarmament—the allies' choice is limited to maintaining either an adequate deterrent (which, it cannot be too often or too loudly emphasised, is indispensable) or an inadequate one (which would be ruinous). If new contentions have broken out among the allies, some at least of the old ones are evaporating.

THE two big power groups are not, however, alone in the world. Among the basic realities must also be counted the existence of the " uncommitted " group of states, and of elements within the allied nations inclined toward this group's views. Ironically, although the uncommitted neutrals could not hope to survive a global communist victory, their barbs are mostly directed against the democratic allies. In part this reflects Asian and African anti-colonial sentiment ; in part, a half-conscious recognition that peoples under communist rule are too well sealed off to be open to persuasion ; but it also reflects the fact that geography and politics have compelled the West to rely on methods of defence which the neutrals automatically dislike. The communist powers could dispense with formal alliances, for they have far more compulsive bonds ; the free allies cannot. Again, the geographical remoteness of the United States makes the alliances of which it is the core embarrassingly dependent on a system of far-flung bases, and on the development of nuclear weapons as a counter-balance to the human masses which the communist powers could quickly deploy in conventional warfare in Europe or Asia. And it is alliances, foreign bases, and nuclear explosions that particularly scandalise the uncommitted states.

All these considerations have to be borne in mind by the western governments as they complete and co-ordinate their replies to Marshal Bulganin's latest message—which will also be in some sort replies to Mr Khrushchev's speech in the Supreme Soviet, to that body's declarations, and to the Polish proposal for a central European zone free of nuclear weapons. In Paris last month, the Atlantic allies declared themselves ready to examine any disarmament proposals from any source, and to engage in any form of negotiation that held out hope of progress. Mr Selwyn Lloyd has specifically cited the Polish proposals, Dr Adenauer the Bulganin letter, as worthy of careful examination ; Mr Dulles speaks of a " determination to continue probing." The allies were already committed, in the far-off summer days before the sputniks, to an offer to stop both making and testing nuclear weapons—an offer which the Russians have not yet even discussed seriously. The United Nations' disarmament commission has been enlarged as a result of Soviet complaints ; the Russians want it still larger, but whether they now boycott it is of scant importance (except for the possible effects on Russia's reputation for zeal about disarmament), for doors to alternative forums for negotiation are being carefully propped ajar. Elements of compromise exist. The problem is to devise incentives that may induce the powers to start fitting these elements together.

CLEAR incentives exist for the West, strained by economic burdens and forebodings, nervous about its own missiles as well as about Russia's, inherently eager (indeed, over-eager) for relaxation, anxious to cut a peaceful figure in the eyes of the uncommitted and to find funds for development in Asia and Africa as well as at home. In Russia's case, however, the equation of incentives is harder to work out. The economic burden of maintaining both new weapons and conventional forces, of meeting demands both from China and from satellite states which can no longer be treated simply as milch-cows, is increasingly hard for even a dictator to reconcile with the growing demands of the Soviet population itself. As to fear of war itself, Mr Khrushchev sometimes acts as if he were almost sure that he can indulge in his own brand of brinkmanship without inviting catastrophic reactions ; but he can hardly be quite sure. And he faces the fact that his monopoly of inter-continental rockets will be short-lived.

But for Russia there are also obvious disincentives. The inspection that must form part of any worthwhile disarmament plan would cause particularly sharp pangs in the top-secret state (and even the amount of free circulation by foreign inspectors needed to secure a European zone free of nuclear arms might have unsettling effects in Czechoslovakia or East Germany). Any settlement involving the Red Army's withdrawal from Eastern Europe would mean the sacrifice not merely of military positions but of satellite regimes. A settlement that led to genuine relaxation and security would rob Moscow of its best loved propaganda themes ; it could no longer incite Asians and Africans against a militarist, imperialist, aggressive West, nor exploit particular fears and suspicions to divide the allies themselves. And the fact must be faced that Soviet divisive tactics are still paying rich enough dividends to make Mr Khrushchev very loth indeed to jettison them.

It is in this last respect that most can be done to bring nearer the day when substantial progress toward disarmament will become possible. As long as the Russians can hope to achieve through the free world's divisions much the same gains as its unilateral disarmament would bring them, there will not be much prospect of their coming to any conference table, on any level, in any mood to compromise. The road to an eventual accommodation with the communist powers leads through a whole series of necessary accommodations between the Atlantic allies, resolved as they must be to be strong and vigilant together, and between them and other free nations ; and even the first modest steps, now being canvassed, in the direction of limited discussion of limited possibilities with the Russians, need to be scrutinised not only for their relevance to an east-west *détente,* but also with a keen eye to their impact on the unity of the free world.

Leftovers of Empire

What is to become of the small colonies dotted over the world when the big and viable ones become independent ? A rump British empire, like Spain's ? Or can these islands and provinces be married off in ways that make sense to them, and friends for us, as well as tidying up the map ?

ONE of the inconveniences of dissolving an empire on which the sun did not set is the disposal of the penumbra of minor territories after the big slabs of red on the map have been given, or have taken, independence. The strings of islands, the mid-ocean bomb-sites, the bits of mainland which appear to interrupt the continuity of other peoples' coastlines may fit very well into a world-wide structure of imperial power. But without it, they make the second part of the term " Commonwealth and Empire " look rather like the second wheel of a penny farthing bicycle.

The briefest survey of their size and resources makes clear that they cannot hope to become sovereign states and members of the United Nations. Many solutions have been proposed to give them an appropriate place in a brave new non-colonial world, but, surprising as it may seem, this is not necessarily as easy as making nation-states of Ghana, Nigeria or even Uganda. In particular it is complicated by the misapprehension of certain other countries that what has been happening is not, in fact, the evolution of a new entity in world affairs, the Commonwealth, but rather a gigantic sale of ex-British property, and that the remnants are shortly to be had at knockdown prices in the bargain basement.

Cyprus has for some time looked like a bit of curtain material over which two angry ladies (Greece and Turkey) are fighting ; there is an ominous sound of rending. Other ladies have also had their eye on choice bits: Chile and Argentina planning to partition the Falklands and dependencies ; Guatemala desperate to get British Honduras before a bigger lady, Mexico, makes off with it. Yemen feels nearly as sure of getting Aden as China is of Hongkong. If the sale really is on, and any of these new imperialists get their bargains, other contestants may confidently be expected to appear.

Already this attitude has spread to the neighbours of other run-down empires. India got Pondicherry, and feels sure of Goa if it tugs hard enough. Indonesia does not care what damage she suffers in the melée if she can get West Irian. Just as Spain is reaching out for Gibraltar, Morocco has made a grab at its bankrupt imperial stock in West Africa. Spain is much incensed ; perhaps, like other colony-owners, it will now realise that imperialists ought to stand together. Most colonial powers indeed blame Britain for starting the trouble ; but what is sauce for Gibraltar or Hongkong is sauce for Ifni or Macao.

THERE are, of course, Britons who would hang on to the remnants of the Empire as tenaciously as Spain to Ifni or Portugal to Macao. Most people, however, instinctively feel that to keep a full-dress colonial office going to run the minor territories, after all the big and viable regions have become Commonwealth countries, would be not only undignified but incredibly impolitic. It would be to court the continued accusation of being " colonialist " both in Russian and in American circles without actually having any worthwhile colonies ; the distinguishing feature of the minor territories, of course, is that most of them need substantial subsidies to meet their budgetary needs, and will need more as time goes on.

THE SMALL COLONIES

Territory	Population	Area (sq. m.)	Territory	Population	Area (sq. m.)
Hongkong ...	2,440,000	391	Bahamas	95,500	4,400
Singapore	1,264,000	224	Br. Honduras.	79,000	8,866
Aden	788,000	225,000	Brunei	65,300	2,226
Somaliland ...	640,000	68,000	Tonga	53,800	269
Sarawak	614,000	47,071	Bermuda.....	40,800	21
Mauritius	543,000	809	Gilbert Islands	40,800	369
Cyprus	520,000	3,572	Seychelles....	38,700	156
Br. Guiana ...	485,000	83,000	Gibraltar.....	24,900	2
North Borneo	364,000	29,387	St. Helena....	4,880	47
Fiji	339,000	7,040	Rodrigues....	14,000	42
Malta	314,000	122	Virgin Islands.	7,680	67
Gambia	281,000	4,003	Falklands.....	4,618	3,590
Zanzibar	274,000	1,020	Tristan	280	38
Solomon Is....	99,500	11,000	Pitcairn	120	2

No question of selling them, as the Danes sold their West Indian islands, arises. But the question of what is to be done about them is important. As the table shows, no single simple solution will suffice for territories of such variety—but none of which can hope to stand alone, being either small, poor and overpopulated, or large, underdeveloped and poor.

The Colonial Office set up a committee to work out solutions long ago, but the fact that its recommendations (if it made any) have not been published, suggests that it found none that were very satisfactory. The Labour party has published its proposals, of which the most notable was the suggestion that the pre-Statute of Westminster concept of "Dominion status" should be revived and conferred on all colonies which desired to manage their own affairs, but which were too tiny to afford defence forces, *corps diplomatiques* and other trappings of sovereignty.

Undoubtedly some provision for a series of island San Marinos or Monacos will have to be made; indeed, the Maldive Republic is a prototype. But before this point is reached every effort ought to be made to link small islands and minor provinces with larger entities in a way that will give them a share in a real, rather than a fictitious sovereign status, access to adequate economic resources and a fair field for the exercise of the talent of their outstanding citizens.

Federation is, of course, the tried and tested constitutional device. Thus by great efforts the West Indies have been combined into a fair-sized if farflung maritime confederation. But it is most unfortunate that so many British minor territories in the western hemisphere have either refused to join, or were not brought in. Thus British Guiana and Honduras and the Virgin Islands have stayed out (though invited) and Bermuda and Bahamas were not invited. A possible federation which would solve the difficult problem of Singapore, would be one between the independent Federation of Malaya and the British territories of North Borneo, and Singapore, whose big Chinese population would not then outweigh the Malays. If this is not done, Indonesia will probably ultimately stretch out her hand for these states; as Senegal will towards the Gambia if it is not combined, in a miniature Pakistan, with Sierra Leone. The device of integration with Britain, proposed for Malta, does not seem likely to be used for other territories—if, indeed, now for it; the bogy of British MPs that a wedge of "colonial members" will be inserted in Westminster fades with every fresh row with Mr Mintoff.

But when all the possibilities of federating ex-British areas have been exhausted, we should surely not shrink from making effective political units by political combination with non-British areas, where this can be done. This idea will be anathema to many. It will set precedents which will bring in the bargain-hunters in force. But there are regions where it is the obvious answer to problems that face the west as a whole. In Somaliland, the objective should clearly be a union of the British, French and trustee territories, in a single viable Somaliland (otherwise not only will Ethiopia try to pick them up piecemeal but there will also be trouble from Arabia). Again, if British Guiana will not go in with the Federation of the West Indies, a union of the three Guianas—British, French and Dutch—may be the ultimate solution (Venezuela, for racial reasons, does not covet them). Such solutions demand a readiness of other ex-imperial powers to wind up their affairs in good order which at present is not very perceptible.

Even with good progress along these lines, there will still be territories left over. The will of the local inhabitants must always be reckoned first, and some of them are extremely attached to the British connection, colonial as it may be. Many are likely to demand independence, and a seat at the Commonwealth premiers' conference, without the remotest idea of the cost. Even Sierra Leone, which is clearly set on the road to sovereign status, must face this; and some Sierra Leoneans are beginning to talk of a merger with Liberia, with which they have ties of history, tribe and language (though none of political institutions). But Mauritius is obviously too small, and so, too, is Zanzibar. A Federation of the Pacific seems unfeasible. What is to be done, ultimately, about these? What, too, is to be done about the "fortress colonies"?

For the remoter islands and areas there are various possibilities—of which condominium arrangements with other Commonwealth countries may be most worth exploring. Australia in the past has shown as much reluctance to shoulder responsibilities for the Pacific archipelagos as South Africa has shown eagerness to take over Bechuanaland, Basutoland and Swaziland. But Australia may change its mind; this would be far better than bringing the United Nations into their administration. For the fortress colonies two things should be borne in mind. The first is that strategic needs change—Bermuda was a naval base once; the second is that some remote area may acquire military importance in conditions now unforeseen (cf Antarctica). Britain should not hang on to what it no longer needs; but it should not idly give to others what it or the west may come to need.

Beyond this, one other point is clear. In any reorganising of the minor colonial territories we should seek to give their peoples lasting regard for the West. Prestige should not stand in the way. This is a doctrine that should be argued patiently in Paris, The Hague, Lisbon and Madrid—and also in Washington. One obvious goal in the evolution of the Commonwealth is to kill anti-colonialist myths in the United States—myths that hamper co-operation in many fields. And we should take time by the forelock; for radical thinking cannot be rushed, and the larger colonial territories are moving fast to independence—and towards the Bandung block.

NOTES OF THE WEEK

MALTA

Brainstorm

Rarely can a politician have pulled down his own house on his head with quite such abandon as has Mr Dom Mintoff this week. A fortnight ago he appeared to have put himself in an ideal position to continue his manœuvres to squeeze something very near "equivalence" for Malta out of the weary and browbeaten Colonial Office. He had squashed the Malta General Workers' Union, which had dared criticise him for accepting any possibility of temporary unemployment among dockyard workers; he had swung the opposition behind himself in demanding maintenance of the dockyard—which implied that it was now less well placed to oppose integration; he not only had substantial concessions from the Colonial Office in his pocket, but he knew there were more to come. Quite how well he had done out of the long-drawn negotiations on the terms of integration was only revealed in the letter which Mr Lennox-Boyd sent him this week, in a last-minute effort to prevent the Maltese parliament from accepting Mr Mintoff's motion to "sever all ties," unless Britain undertook to maintain any displaced dockyard workers until they were found alternative employment.

In pressing this motion to acceptance *nem con* in his parliament, Mr Mintoff has cast away every card in his hand, in what can only be regarded as a fatal—to him—brainstorm. It is not even against integration as such, or against any proposition to close the dockyard, that he has carried his absurd and constitutionally meaningless motion; he has carried it solely against British refusals to guarantee to keep 140 dock workers on full pay until they are re-employed. He has made this demand precisely when unemployment in dockyards, aircraft factories and elsewhere is appearing in Britain itself, where there are no such guarantees; and he has chosen for this display of truculence the moment when plans were being made to put down a Nato oil storage facility, and when British industrialists were being invited to set up factories, in Malta. For good measure, in the debate he again abused the Americans, who spend $1 million a year in Malta, and who, after the last Mintoffian insults, were with difficulty persuaded by the Colonial Office to stay on.

The proper British retort to Mr Mintoff is, quite simply, to threaten to let him have his own way about severing ties with this country. The Navy is doubtful about its need for the Malta dockyard in a year or two. The door to a dockyardless, Natoless, sterlingless, dollarless and neutralised independence for the island should therefore be politely held open. In the nature of things, it would take some time for the British establishment there to be wound up; but let there be no talk about Malta being turned into another Cyprus in the meantime, because that would only hurry the British on their way, which Mr Mintoff does not really desire. Because he does not really desire it, things are unlikely to come to the dramatic pass of disintegration; the storm over this week's extraordinary display of bad temper is much more likely eventually to blow over. But the right immediate tactics for the Colonial Office to discuss with the governor, Sir Robert Laycock, who is hot foot for London, seem clear. Let Mr Mintoff be left in no doubt that he is demanding from Britain too high a price for something that Britain does not much want.

ISLE OF WIGHT

Redundancy's Other Island

Those who think that there is justice in Mr Mintoff's demands for full and unchanging employment in Malta should presumably consider that the Isle of Wight County Council now has even more reason to sever all ties with Britain. Redundancy in the Saunders Roe aircraft works, as a result of the scrapping of the SR 177 project (further discussed in Business Notes on page 61), faces the island, whose total population is 100,000, with serious unemployment. Some 450 men were laid off last August, of whom perhaps 80 have found work on the mainland. Another 1,000 will be unemployed at the end of January, with the prospect of more. In all, the new sackings may eventually amount to some 5 per cent of the island's insured working force of about 30,000; that would double the proportion of unemployed in the island—which is already far above the national average (partly, of course, because employment in a seaside area is always seasonal). And these bare figures do not tell the full story. Although three-quarters of the island's workers are engaged in holiday resort pursuits, trade and commerce—plus some 2,500-odd in agriculture—Saunders Roe, hitherto employing over 3,000, has accounted for half its *industrial* employment; the island also has one medium-sized shipyard and a number of small boat-building slipways. The loss of over 1,000 Saunders Roe wage packets weekly could have a disproportionate multiplier effect on local trade, particularly in the winter months.

Foreseeing trouble, the county council some time ago set up an industrial information service, in the hope of attracting new factories; but this has not so far had many inquiries. In some ways, this is surprising. One would have thought that the Isle of Wight was that rare thing: an area with some pool of unemployed labour, which—unlike the grimmer and older development areas—would have certain personal locational attractions to the business man (and his wife). The skilled men now thrown out of work will have no difficulty in getting new jobs if they emigrate to the Midlands; but in a seaside area where more workers than usual own their houses—and have often based their family economics on the prospect of letting part of them in the summer—emigration is not easy. This is not a case for Government succour by disbursement of cash; but it is a case for use by the island's—and by national—authorities of every possible means of advertisement for attracting industry. They should show Mr Mintoff how.

CYPRUS

Sir Hugh Reports

After four weeks spent energetically and valiantly probing the situation in Cyprus, Sir Hugh Foot has returned to London to report his findings to the Government. Whatever the outcome of these discussions in London, the new Governor has gone far, by his gestures of good will and by going out and about among the people, towards creating the sort of atmosphere on the island in which progress towards a settlement might be possible. Indeed, he has himself more than once sought to damp down dangerous optimism ; he has appealed to the Cypriots not to be misled by wild speculations and not to expect any sudden ready-made miracle.

Sir Hugh is right to be cautious. On his arrival in London on Tuesday, he said that it would not help to be "official and half-hearted" and that in searching for the right road out of the present deadlock he himself was in favour of taking risks. But will this invigorating attitude stimulate the ministers and officials in Downing Street and Whitehall to seek a fresh way out of the present blind alley? And even if the need for a new approach is accepted, it will be very difficult to decide exactly what it should be. At a time when change is in the air the interested parties are naturally staking their claims high. No doubt Sir Hugh Foot found ordinary Cypriots desperately anxious that the crisis should be ended, but all the various protagonists—Mr Menderes in Ankara, Archbishop Makarios in Athens and Colonel Grivas in his Cypriot hide-out—are still striking defiantly uncompromising attitudes.

It is becoming clearer than ever that no progress with the Cypriots is possible unless the Archbishop is brought back into the picture, and eventually allowed to return to the island. The rub is how to do this without causing a disastrous explosion in Ankara. Yet it would be tragic if continued, and even heightened, deadlock between Greece and Turkey were to rule out the attempt to take advantage of the better atmosphere in the island. Unlikely as it may seem at the moment, progress on the Cypriot front may turn out to be the only way of facilitating progress on the international one.

COMMONWEALTH

Visit to Five Sisters

Mr Macmillan will be the first British Prime Minister ever to visit the Antipodean and Asian members of the Commonwealth while in office. It may come as something of a shock to many people to realise that this is so. The Prime Minister himself has let it be known that he wants his tour to symbolise the abandoning of the outdated assumption that personal contact between Commonwealth premiers ought always to be centred on London. His thinking and his gesture are heartening. They should pave the way to a further step toward full recognition that the Commonwealth countries are in fact what they have long been constitutionally, an equal sisterhood of nations. How soon will it be found possible to hold a full meeting of Commonwealth premiers in a capital other than London?

When Mr Macmillan's tour was first suggested, it was naturally welcomed as a further contribution to the reknitting of ties between Britain and the Asian sister states. Now, however, it may turn out to be even more timely in another respect. New Zealand has not only acquired a new Labour government, but has also been driven to reimpose full-scale licensing of imports (its problems are further discussed in a Business Note on page 56). The closeness of this remotest realm's relations with Britain is apt to be too easily taken for granted here ; and New Zealanders who are already resentful of Britain's failure to help them out of their economic troubles are, justifiably, all the more indignant when they get the impression that their affairs are not even getting any serious attention in London. Mr Macmillan's visit ought at least to dispel that unfortunate impression. And it is picturesquely apt that he should be journeying towards Wellington at a moment when British and New Zealand explorers are struggling to link hands across the South Pole.

INDONESIA

Sukarno's Strenuous Rest-Cure

The conflicting announcements about President Sukarno's travelling plans suggest a tug-o'-war in which the advantage is sometimes with the president, sometimes with those who would like to put some restraint on his self-injuring nationalism. Three weeks ago the story was that he had to have a rest in a friendly neighbouring country, "in order to be completely detached from his daily activities." Now the restful stay abroad has become a strenuous jaunt to India, Pakistan, Egypt, Ceylon and Japan. This suggests either that he was not very tired in the first place or else that he has made a remarkably swift recovery.

In turn, two equally valid guesses suggest themselves. One is that he is being edged out by those who feel that a return to official sanity would be easier in his absence ; the other, that he has regained full control and is sufficiently confident to spend the next few weeks abroad. It is clear, however, that the extreme anti-Dutch measures he has initiated in the past few weeks are not universally accepted in Jakarta. Thus Dr Hatta, the moderate former vice-president, has criticised the anti-Dutch measures—on economic grounds—in a magazine article.

Dissenting voices are, however, few. The general mood in Jakarta is of bravado and those who are not with the extremists tend to be regarded as un-Indonesian. This mood, in which hysteria plays a part, explains the series of bellicose measures announced in the past fortnight. The claim of sovereignty over all waters between the Indonesian islands has been followed by the proclamation of a "state of war"; a request—which has been turned down—that Dutch warships be denied the use of Singapore harbour ; and now, a measure empowering the army to conscript civilian experts —a law that could apparently apply to British or other foreign nationals as well as to Dutchmen.

In addition, it has been revealed that Indonesia plans to buy arms from the communist block unless American ones are made available. This belligerent sequence comes at a time of fresh rebellion in the Celebes and when Java and other islands face an acute shortage of rice owing to the seizure of Dutch ships on the inter-island run. The new arrangement under which Japanese shipowners will lend 75,000 tons of shipping to Indonesia for six months may at least have the virtue of alleviating the hunger and distress caused by the government's actions.

WAGES

Bus Politics

When representatives of the Transport and General Workers' Union came back to see representatives of London Transport on the last day before the Christmas holiday, both sides decided to postpone action about the London bus pay dispute for two weeks. London Transport formally agreed to "reconsider" its previous refusal to grant any wage increase, and said that it would issue a final reply on Tuesday of next week. When that reply is issued, it should—and presumably will—be a reiteration of the previous flat rejection. What happens then?

There is no reason why outside observers—or London Transport—should be frightened of the threat of a London bus strike or overtime ban ; indeed, there is a strong case for saying that London Transport would have been wise to issue on Christmas Eve a prompt refusal of any "reconsideration" of its previous announcement. It is very doubtful whether a London bus strike would succeed under present conditions ; the fate of the hospital workers' unsuccessful overtime ban confirms that the unions are not well placed to secure gains through direct action at this time. The possibility that the unions might turn the flank of wage restraint in 1958 by successful pleading in some arbitration court has always seemed greater than the possibility that they might break through the front by strikes. The leaders of the transport union are well aware of this, which is why they would still like to refer the London bus dispute to arbitration, if they dare.

The question is whether they will dare. The militants in the London bus garages still look upon reference to arbitration as a strategy of weakness rather than of cunning ; they have said that they will have none of it. Personal reputations in the union have therefore become involved, and Mr Cousins is reported to be about to take charge of the negotiations himself. One guess at his strategy is that he might threaten or start direct action, but with the object of ending it as soon as possible by reference to some arbitration court. If this is the course he chooses, the test case in the battle against wage inflation may at last be about to arrive. It may be much better for the national economy that it should arrive in this way—with the dispute about this very thinly supported claim of the London busmen brought to a head in about mid-January—than that the test should be delayed until the Railway Staffs National Tribunal hands down its recommendations for railwaymen at end-February or thereabouts.

NON-WORKING HOURS

The Lost Day of Christmas

Nineteen fifty-seven was a bad year for industrial disputes in Britain. They caused the loss of 8.4 million working days, a total four times greater than for 1956 and the highest for any year since the general strike. Put in this way, the figures sound frightening. But there are 23 million people at work in Britain, so even in 1957 only a little over a third of a day per worker was lost through strikes ; and an end-of-the-year calculation may help those who regard strikes as such disasters to put their fears into perspective. It is possible that, in purely economic terms, the loss of production caused by strikes in 1957 was no greater than the loss caused by the fact that Christmas and Boxing Day fell on Wednesday and Thursday—with the result that many people made a very long weekend of it, and stayed away from work on the Friday as well.

It is impossible to compile any precise statistics about how many did so. Many people were absentees with permission. When London Transport contacted about a thousand firms to find if they would need buses to take their men to work on Friday, 70 per cent replied that they would not. The main line stations reported a much bigger reflux from holiday on the Sunday night than on Boxing Day. Some workers in some firms, such as Fords, worked on a Saturday before Christmas to make up time ; but extra overtime to make up earnings is also common after a strike. Probably, the Friday was even more commonly a holiday for the white-collared man than for the factory operative. Among the unluckier workers, Friday was a full working day for most of those in basic industries, such as electricity generating, steel and agriculture ; railway services were normal except on the eastern region ; and the coal-miners were expected to work their ordinary shifts, although attendance figures show that many of them did not. Retailers were open throughout the country, largely to supply those who had been eaten out of house and home at Christmas, and one big store in central London got smartly away to its winter sale. But the general figure for official—and French—leave in almost every activity is known to have been high.

ACTS OF PARLIAMENT

Into Force

As usual each New Year's Day, a number of new orders and Acts of Parliament came into force on Wednesday. The most publicised and welcome order was, of course, that reducing the charge for some telephone calls. The most important of the Acts which have now reached their appointed day were the Occupiers Liability Act, the Advertisement (Hire Purchase) Act, and the Baking Industry (Hours of Work) Act. The Occupiers Liability Act makes a tidier and less anomalous definition of the degree of care which an owner of premises must take under his liability in tort in respect of visitors, and also his liability arising out of his obligations under repair. Most householders are, or ought to be, covered by insurance policies against the damages they may have to pay if the charlady slips up on a carelessly left piece of his soap ; the "trespassers" now covered by the act will also be covered by most householders' policies. The Advertisement (HP) Act was a private member's bill which won government support ; it makes an attempt to ensure that the terms of a hire purchase contract are clearly set forth, so that firms cannot use a prominently displayed single clause in such a contract to create misleading ideas—of, for example, cheapness of the goods offered. (The "Yours for two shillings!" type of notice.) It stipulates that the cash price must also be stated.

The one regrettable newcomer is undoubtedly the Baking Act. It was put on the statute book in 1954, but its operation was specifically deferred for three or four years (the Minister wisely chose four years, at his discretion), in order to give the industry time to reorganise. In effect, among other restrictions, it provides that a "night bakery"

may not employ its bakers at night more than 26 weeks in the year; and it gets round the incidental difficulty that this means that all workers must be able to make cakes, which are baked by day in cooling ovens, by permitting the bread and cake-making activities of a firm to be treated as two separate establishments. It is presumed that during the period between the passing of the bill and its coming into operation, bakers have been trained as cake-makers (a skilled job). The Act, even with the reorganisation done during the period of grace, will bear heavily on the small bakery. It exemplifies the growing British principle that work is to be regarded as something done in fixed hours, between about 8 am and 6 pm. This would not be a bad principle if the conclusion drawn was that work done at other times would have to be paid for, under the normal processes of labour bargaining, at special overtime rates. But the principle of this Act is that some work most appropriately done "out of standard hours" should not now, by legislative decree, be done at all. As for the consumer, if he does not like staler or more tardily delivered morning bread, he must apparently lump it; or else—in a phrase not previously recognised as symptomatic of social egalitarianism—let him eat cake.

EUROPE

Capital Candidates

On New Year's Day, the much-celebrated European common market treaty came officially into force. When the foreign ministers of the six signatories meet next week, they will therefore face two urgent decisions—who is going to head the executive bodies of their new communities, and where they are to be set up. The site has lately become a lively diplomatic issue. Brussels, Strasbourg, Paris, Milan, and Luxemburg would all like to be the future "European capital." All command a measure of national support, for, whatever their other virtues, the European administrators will certainly provide off-season sustenance for hotelliers, foreign exchange, and a stable source of revenue for shops.

The argument is one which Britain can hardly ignore, for the city where the headquarters of the common market settles will have to be the centre of the wider free trade area too. The political and economic centres of the two overlapping groups must be in one place. Nor can the Coal and Steel Community, whose energy policy must merge with Euratom's, and whose market for steel and coal must fit into the broader common market, remain apart. The site the Six choose for their new institutions will become in time the political and economic heart of all the European organisations.

With Nato and OEEC already there, Paris has always seemed a natural centre for the new bodies too. But the eyes of the Six are turning towards Brussels, Luxemburg and Strasbourg. Of these Brussels seems the obvious choice. The new European organisations will be blighted if they are set up in a provincial backwater; they need to be based in a cosmopolitan capital city, where the live currents of Europe's political and economic life can be felt.

For some time it has seemed likely that the permanent head of the commission of Euratom would be a Frenchman, that a German would head the High Authority of the Coal and Steel Community, and that the president of the vital commission of the common market would come from one of the Low Countries. If Brussels is to be the "capital," a Dutchman will probably get the job, and Mr Mansholt, who has just resigned from the ministry of agriculture, is evidently a favourite. At first this seems a strange choice. A liberal approach appears essential if the common market is to work; and Mr Mansholt has a background of "dirigisme." However, he is not inflexible in his approach, and he has always been a keen advocate of the free trade area.

EGYPT

Resumption of Talks

This weekend the British Government will propose to Egypt a date for resuming the Rome talks which were suspended on December 12th. The discussions will probably reopen before the middle of this month, for both governments wish to avoid any further delay and a Cairo report of the official Middle East news agency suggests that President Nasser is willing to offer a helpful compromise on the outstanding issue.

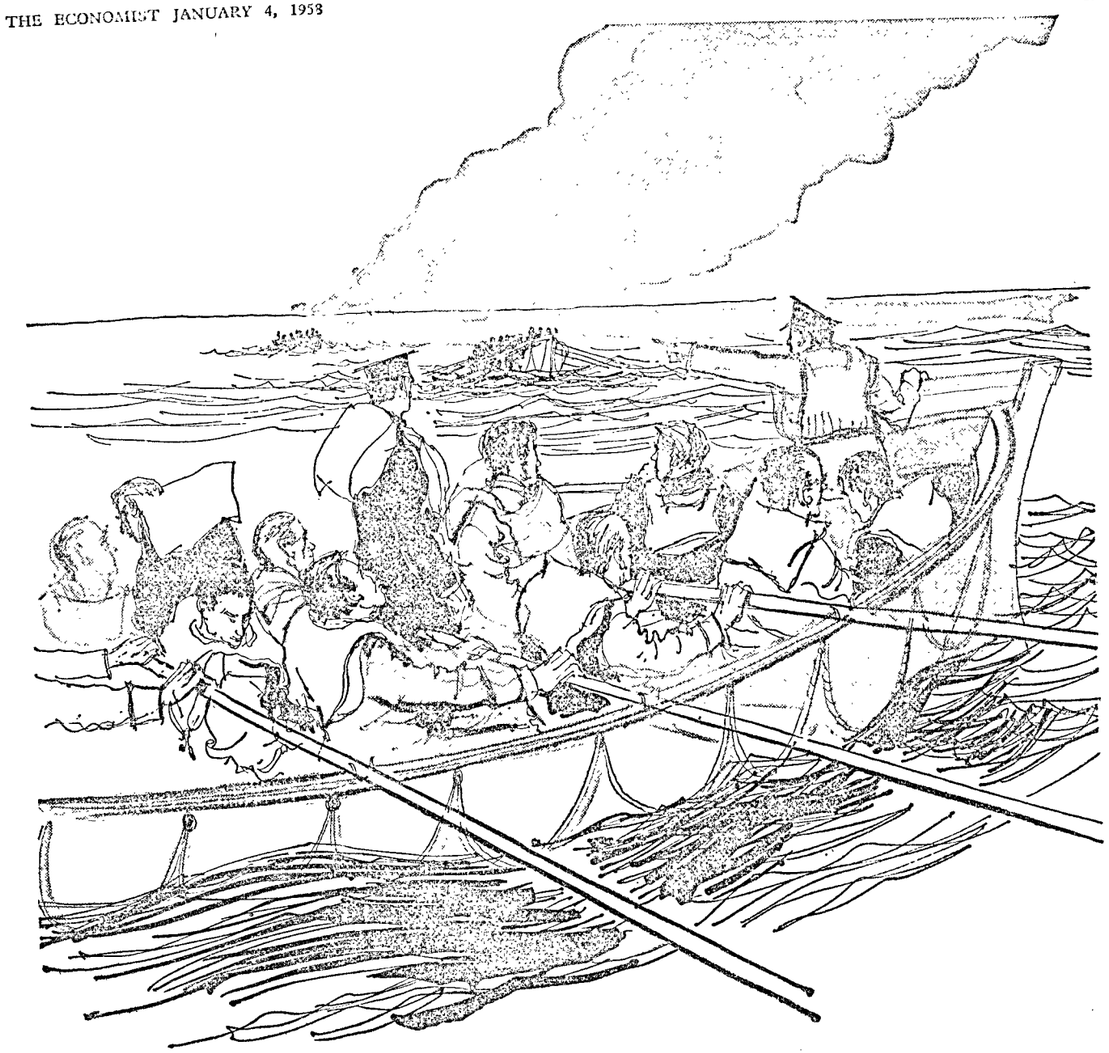
The Rome negotiations, which are concerned with financial claims and counter-claims arising from the Suez crisis, reached an impasse in December over the valuation of British property held in Egypt. The Egyptian side chose to consider the British proposal for a neutral referee as an infringement of sovereignty. According to the Cairo agency report, it is now willing to accept the services of experts from neutral countries in cases of dispute, as long as both countries approve the individuals called in. Although this proposed compromise seems only to apply to property that has been "Egyptianised," that is, seized, and leaves aside the large volume of property which has been sequestered and may be subject to claims regarding loss or damage, it does go some way towards meeting the difficulty over valuation. The prospects for a settlement are therefore that much brighter.

Every argument is now in favour of a quick settlement leading to a prompt resumption of diplomatic relations. The Suez intervention would no doubt have compelled Britain to becoming modesty in the Middle East in any case, but to continue into the second year without diplomatic posts in three countries of this sensitive region, where Britain still has vital interests, is excessively retiring. Syria, which has no real cause to maintain the diplomatic break, is no doubt awaiting Egypt's lead; and Saudi Arabia might well choose to forget for a moment the Buraimi dispute rather than stand alone against the British connection. President Nasser, for his part, must realise that it is not to his advantage to be so dependent on the Soviet block; and there is some evidence, despite the roll of left-wing drums at the Afro-Asian conference in Cairo, that he would like to climb back into the saddle of his neutral hobby-horse.

BAGHDAD PACT

Who Goes Where?

Mr Dulles will for the first time head the delegation of American observers at the ministerial council of the Baghdad pact in Ankara on January 27th; but, according to reports from Washington, the State Department attaches



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Desolate scene, and mercifully so rare. When fate or the elements take toll, skill and precaution are the sole recourse of man.

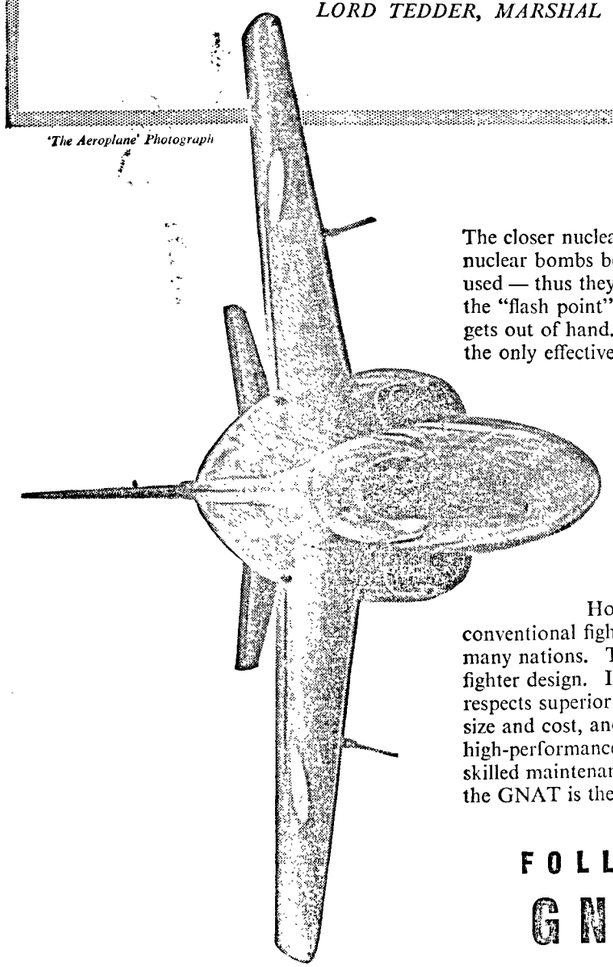
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LORD TEDDER, MARSHAL OF THE ROYAL AIR FORCE
2 June 1957



'The Aeroplane' Photograph

The closer nuclear parity approaches, and the more devastating nuclear bombs become, the less likely it is that these bombs will be used — thus they lose all value as deterrents to local conflict. Yet the "flash point" of nuclear war may well be the local one which gets out of hand. Strong and flexible conventional force remains the only effective deterrent to local conflict, and the air component must be the first consideration.

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no special importance to the matter. In fact, said its spokesman, Mr Dulles had always wished to attend meetings of the council but had just been too busy. Now that he has only to consider sputniks, missiles, the reconditioning of Nato, the prospects of talks with Russia, and the generally uncertain state of the free world, it appears that he has leisure for the jaunt.

What is this all about? The American objection to the pact at the outset was simply that it did not seem to be a stabilising factor in the Middle East, or in short, that Egypt and Syria did not like it. Since then, it has joined the committees of the pact and subscribed to its funds. It has, furthermore, drummed up an anti-communist alignment in the region more forcibly than ever the pact did. The western commitment implicit in the pact, which was the principal reason for Arab opposition to it, is now identified with United States policy more than with that of any other country. What cause has Mr Dulles now to boggle at membership and to disclaim mock-modestly the importance of his distinguished presence at its council?

One might argue logically against American membership of the Baghdad pact, but no longer in favour of this shaky hand stretched from the Potomac to the Tigris. The United States so obviously supports the pact that it should enter into full membership. Indeed, it would naturally be assumed, from the fact that Mr Dulles is going to Ankara, that the United States intended to do so—were it not that his spokesman has said that there is no such plan. The truth is that at the root of this indecision about the Baghdad pact, this manner of being of it but not in it, lies the general hesitancy of United States policy in the Middle East.

TRADE UNIONS AND EDUCATION

To School until Sixteen?

THE Trades Union Congress, like a number of other bodies, has been offering its advice to the Central Advisory Council for Education in England and Wales, which is studying the large question of how children should be educated between the ages of 15 and 18. One might have expected trade unionists to be particularly interested in the subject of apprenticeship, the present system of which has recently been questioned because it has the effect of obliging boys to leave school before they are sixteen. But the TUC's statement, published last week, says nothing on this point, and is mainly confined to unexceptionable generalisations.

On one controversial point, however, it takes a line of its own. It puts only second in its list the establishment of "county colleges," which, when the 1944 Education Act comes fully into force, are intended to give compulsory part-time education, on one day a week, to young people between the school leaving age and eighteen. It feels that to raise the school leaving age to sixteen is the more urgent reform. The association of local authorities' education committees has taken the opposite view.

This is a problem for thoughtful debate. It is possible that the TUC is right, and not only because—as might be expected—its proposed order of priorities would bring the greater theoretical equality. What middle class parent, after all, would allow his child to leave school at fifteen? Moreover, there is not much evidence as yet of how effective an education county colleges could give in their one day a week, or where the right kind of teacher could be found. Against this, those who are kept whole-time at school against their will, especially if they are none too bright, may make poor use of the time and public money expended. The last year until fifteen is not always well used as it is—perhaps because the parents are impatient to have a juvenile earner in the family, perhaps because the pupil leaves almost the very minute he or she is fifteen even if this happens in the middle of the school year. The proper course may be to recognise that the enactment of compulsory education until sixteen is a most desirable ideal; but to precede it, and then to combine it, with other measures designed to ensure that the last year of schooling is of higher quality.

AGRICULTURE

Farm Improvement

OF the various ways in which public funds can be used for the benefit of agriculture, much the least vulnerable to economic objection is the grant of funds for long-term improvements to land and fixed equipment—the partial assumption by the state of a necessary role which taxation has made disproportionately onerous to the individual landowner. Since Part II of the Agriculture Act of 1957 came into operation last September, the minister has had power to make grants of one-third of the capital cost of such improvements; plans are submitted in the first instance to the regional officers and judged for approval, after inspection of the land or buildings concerned, by the County Agricultural Advisory Committees. By the end of November, it is now announced, more than 17,000 proposals had been received for England and Wales; 2,691 had been formally approved and a further 3,280 were ready for approval subject to the submission of detailed plans and tenders; 2,164 had been rejected, withdrawn, revoked or lapsed; the rest—approximately half the total—remained "under consideration" to try the patience of the would-be improvers.

This is not too bad a record; the initiation of any scheme of this kind is bound to produce a rush of applicants and a consequent queue. The standards by which an improvement plan is accepted or rejected are necessarily rather vague and a matter of local judgment. Is the work such as a reasonable landowner would undertake either on his own behalf or that of a tenant? Will the farm, as improved, be capable of yielding a "livelihood" (i.e., an agricultural labourer's wage) to a competent husbandman? This last question is a prickly one; the struggling small man who cannot get a grant precisely because he is small and struggling understandably feels aggrieved. Natural as this feeling may be, however, it could justify a relaxation of standards only if the aim of the scheme were (like so much of the tangle of privileges now bedevilling European agricultural policy) to preserve at practically any cost the way of life of a traditional peasantry.

Whatever may be said of France, Germany or Austria, there could be no possible justification for actively encouraging high-cost splinter holdings in Britain. The answer for the very small man is not a very small farm yielding a national-assistance-standard income, but a job and an allotment. Indeed, one of the most economically promising provisions of the Act is that allowing grants to be made, on application, towards the legal costs of amalgamating

small farms. Any measure which, without compulsion and without reducing the total of land under cultivation, might shorten agriculture's long tail of high-cost producers, is a step in the right direction. This measure seems to be working reasonably well.

THE UNIVERSITIES

Who Wins Open Scholarships?

THE Oxford and Cambridge open scholarship results announced last week have called forth press comment that the public schools, as usual, have carried off most of these much coveted awards. This is true, but many of the victorious schools are not what are commonly thought of as public schools at all. They are members of the Headmasters' Conference, as all the public schools are, but that conference includes many different types of school. The list published last week showed that about 70 per cent of the open scholarships and exhibitions went to candidates from Headmasters' Conference schools; but within this 70 per cent, about 18 per cent were direct grant day schools (which made a very good showing), and 12 per cent were schools which, although members of the HMC, were aided or maintained by local authorities. The four schools at the head of the list were Manchester Grammar School (21 awards), Winchester (17), Dulwich College and Nottingham High School (14 each).

Local authority schools that are not members of the conference won only 30 per cent of the awards. Even if one makes up this total to 42 per cent (by adding in the 12 per cent of awards won by their aided schools, mentioned above), the local authority schools made a poor showing in relation to their numbers: they contain some 250,000 children between 15 and 18, compared with the 90,000 or so who are being educated in public, direct grant and independent schools officially recognised as efficient. But again the reasons are not as simple as they might seem. For those who go to the university from the council schools there is no financial advantage in winning a college open scholarship once one has won a county award or state scholarship, because the amount of the latter is then cut. Moreover college scholarship examinations are taken in March or December, and are therefore likely to mean spending an extra two or three terms at school after taking the General Certificate at A level, on which the county or state-scholarships are given. Many a boy will naturally opt for going up to university, or being out in the world, a year earlier. But the public schools and the good direct grant schools set such store by their record in these open scholarships that they put pressure on boys to stay the extra time to take the examinations—even though the result may be a small exhibition whose total value over three years (even if it is not means-tested away) will not equal half the cost of an extra year at a public school.

MIGRATION

Travel Made Easier

A LION'S share of credit for having shifted nearly all the Hungarian refugees from Austria and Jugoslavia must go to the Intergovernmental Committee for European Migration. This organisation was started in 1951 to help the movement of Europeans to countries with more room. Its basic function is to organise cheap, regular transport and to be the cashier for the money that member governments contribute towards assisted migration. But it has consistently done more than was laid down in its original brief, and when the flight from Hungary burst upon Europe, it collected all the money it could lay hands on, whether earmarked for other purposes or not, and set about clearing the refugee camps. Now all the refugees who fled to Austria and wanted to move on have done so. A few months ago it looked as if it would be much more difficult to find permanent homes for the 20,000 that escaped to Jugoslavia, and it is a tribute to ICEM's efficiency that only 1,500 now remain in camps.

Apart from the Hungarians, the committee has helped to transplant some 650,000 people. These are principally Italians and Germans, with a large sprinkling of Austrians, Greeks and Dutch. They go, in order of preference, to Australia, the United States, Canada, Argentina, Brazil and Venezuela. Since the movement benefits both sides, contributions are paid willingly and the ICEM only has to pass the hat round its members in emergencies. Twenty-seven countries belong; about half of these are sympathetic onlookers, not much affected by migration themselves. Britain stands out as the only important western nation that has always refused to join; successive British governments have said that they could not afford the obligatory contribution to administrative expenses.

The committee's overwhelming difficulty is that the receiving countries, being short of technicians, are offered unskilled labourers. In an effort to put things right, the ICEM has been experimenting with vocational training courses for prospective emigrants, and has also sent job-finding missions out to the receiving countries. Soon these extra-mural activities will be put on an official footing and expanded. Delegates from six member governments will be meeting in Washington in February to reconsider the work and purpose of the committee in the light of economic changes and the development needs of immigration countries. They are bound to approve and encourage ICEM's alchemy in turning the unemployed and the unskilled into the skilled and the wanted.

AFRO-ASIANS

Cairo Roundelay

FIVE hundred delegates from 42 countries, gathered in Cairo for the Afro-Asian conference, found safe common ground in condemning the hoary sins of the West. Colonialism, imperialism (defined by an Egyptian spokesman as the modern form of colonialism through capital investment) and racial discrimination are fusty enough topics, but the conference's moral indignation was stimulated by the presence of delegates from British and French colonies—and by the absence of others who had been stopped from coming.

Otherwise, the forty or so logs were by no means all being rolled in the same direction. Delegates from the dependent territories, and from countries like North Vietnam and North Korea, had come to air their own specific grievances. The Soviet delegates were resolved to show that they were all Asian brothers under their carefully selected darkish skins, but that Russia, having pulled itself up by its bootstraps, could now help its less fortunate brethren. It seems that they even contrived to leave the impression that they had promised all sorts and varieties of Russian aid, guaranteed stringless—despite the fact that their own published record gives no sign that they promised any. But they did not have it all their own way, and at one point they were on the brink of some awkward questioning about their own empire when the Cypriots suggested a general resolution on people's right to self-determination.

The Egyptians also have found the conference an embarrassment as well as an opportunity. They welcomed the acceptance of Cairo as a central meeting place. The new Afro-Asian Peoples' Solidarity Council will now be based there, and Egypt will nominate its secretary-general. But participation in a communist front group has no place in President Nasser's balancing tricks between east and west, and the conference paid less than lip-service to the "positive neutralism" that Colonel Anwer el-Sadat underlined in his speech of welcome.

Worth Nailing Down

One of the more practical things to come out of the meeting was the decision to hold a Cairo meeting of Afro-Asian chambers of commerce towards the end of 1958. At first the economic committee tossed about the fashionable idea of a common market, but presumably got discouraged by the prospect of adjusting tariffs between countries as differently placed as Oman, Chad and the Soviet Union. The final resolution was a loosely worded boost for economic co-operation and increased trade wrapped round the recognition that every state has a right to nationalise its assets. Co-operation between countries with the same interests, rather than an ambitious portmanteau scheme, would obviously be a step forward. But the overwhelming economic problem in underdeveloped countries is the lack of outside money; the Afro-Asian states would do well to nail down Russia's airy promises.

TRADE UNIONS

Not Tennis Clubs

A FABIAN research pamphlet*, published just before Christmas, looks into the law of trade unions. Legally, a British trade union is a voluntary, unincorporated association on a par with a lawn-tennis club. Its rules, in so far as they concern the mutual rights and duties of its members, are accordingly its own affair. A member who suffers damage because a rule has been broken to his detriment may invoke the law of the land for redress (provided his union is, like most, registered; if it is not, he may find even this limited redress harder). But if his grievance, however extreme, arises not from the breach but from the due application of the rule, the law can do nothing for him. If he did not wish to be subject to the rule whose workings have injured him, it is held that he should not have joined the "voluntary" organisation concerned.

This distinction and others are explained for the layman in the pamphlet. A useful job of clarification is well done. The real lesson of the pamphlet, however, is that a fearful confusion subsists, at least among the left-minded, about what unions are and ought to be. Were they genuinely voluntary, on the tennis club model, then the present state of the law as it affects their relationship with individual members would be reasonably satisfactory. (Their powers of coercion against the public in general might still be open to question.) But union membership is not, over a large part of industry, voluntary in any sense, let alone the tennis club sense; and according to the Labour view it should become less, not more, a matter of individual choice. Entry into any wage-earning employment ought ideally, they say, to imply membership of the appropriate union as surely as birth implies nationality; the non-union worker should be as rare a bird as the stateless person, and his lot should be no less uncomfortable.

This is at least a coherent idea, detestable as it may be to the liberal mind. But only an extraordinary mental incoherence could simultaneously approve that ideal—or the approximation to it already reached wherever the closed shop is established—and the degree of legal unconcern appropriate to the internal arrangements of a tennis club. The nearer trade unionism approaches to its ideal of comprehensiveness, the more inescapably important becomes, in the life of every worker, his relationship with his union; and the more necessary it is, as a result, that the rules governing that relationship should be both just, as justice is understood in other contexts, and compatible with his civic duties outside the union. That is not a matter to be determined by each union for itself; one way or another, the law must judge not only the application of the rules but the rules themselves. The unions and their champions may not like the idea; but they cannot for ever have it both ways. A free society should not encourage them to think that they can.

* "Trade Unions and the Individual." By Cyril Grunfeld. Fabian Society. 33 pages. 3s.

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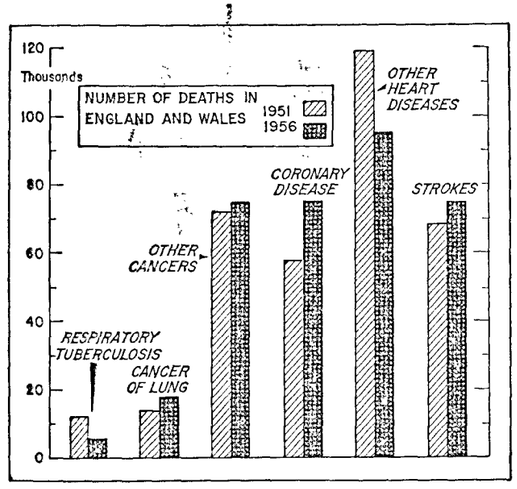
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VITAL STATISTICS

Of What We Die

A GENERATION ago there were in England and Wales between three and four thousand deaths a year from diphtheria. In 1956, according to the Ministry of Health's belated annual report, there were 56 cases and 8 deaths, the lowest totals ever recorded. The disease has, in fact, been for all practical purposes eliminated, but the Ministry's report emphasises the continuing importance of maintaining a high level of immunisation among school-children.

Tuberculosis, another disease that used to take a heavy toll of the young, also shows a spectacular decline in mortality. As the diagram shows, deaths from respiratory tuberculosis in 1956 were only 40 per cent of the number registered as recently as five years previously. Conversely,



deaths from cancer have gone up in the same period, but it is worth noting that much the greater part of the total increase is accounted for by deaths from cancer of the lung; these numbered 18,186 in 1956, compared with 13,247 in 1951. Another notable and steady rise has occurred in deaths from coronary disease. Deaths from all causes in 1956, at 521,331, were 28,000 fewer than five years earlier, but about half of this decline can be explained by deaths in the influenza epidemic of 1951.

JAPAN AND KOREA

Face Well Lost

JAPAN, whose reviving authority in world affairs was symbolised by its entry into the Security Council on New Year's Day, also ended the old year in good style. An agreement, signed on December 31st, has brought its long quarrel with South Korea a step nearer to a conclusion. The negotiations that have been dragging on interminably about the citizens of each country whom the other is holding in detention camps, have now been concluded. Discussions broke down several times in the past because neither side was willing to forgo claims unacceptable to the other; it appears to be the Japanese who have at last climbed down. They have granted the Koreans their point that, whereas Korean nationals who entered Japan illegally after the war and are now held in detention camps are to be deported to Korea, the 400-odd Koreans in the camps who were brought to Japan before 1945 (when Korea was under Japanese occupation) are to be released and, reasonably enough, allowed to stay in Japan. In return the Koreans will release the Japanese fishermen they hold at Pusan, who have completed the prison sentences imposed on them for fishing within the vast stretch of water off Korea which President Rhee has marked off as his country's private property; the Japanese, however, have not insisted on the return of the fishermen who have not yet completed their sentences, though they regard these sentences as illegal.

This should provide the evidence of Japanese "sincerity" for which the Koreans have plaintively been asking, and talks can now be resumed on the other points at issue between the two countries. There is scope for give and take by both sides here. The "Rhee line" has caused much hardship to fishing villages on the Japanese coast opposite Korea. Plans were announced in Tokyo last month for sending extra patrol boats into the area to protect fishing vessels working across the line. The Koreans promise to "resist force with force." Before firing breaks out, they might consider whether they would agree to let the Japanse do at least a little rationed fishing within the waters that, by common international standards, ought to be free to all. The Japanese, for their part, have in the past made huge claims for compensation for the ex-Japanese property in South Korea which was seized by the allies in 1945 (and most of which was, anyhow, destroyed in the Korean war). Mr Kishi's government has shown signs of understanding that, if Japan is to keep its economy viable by doing more trade with its Asian neighbours, it must clear away the ill-will left by the last war. By giving way on comparatively minor points, as it is doing with Korea, it will in the end gain more than it loses.

ISRAEL

German Herrings?

ISRAEL'S reported plan to shop for arms in Germany has a baffling sound. The cabinet leak has blown the scheme sky high, but it has not so far revealed what arms the Israelis hoped to get or why they expected the Germans to provide them. About three weeks ago, Dr Josephtal, the secretary-general of Mapai, went to call on Dr Adenauer. On his heels, Mr Ben-Gurion apparently arranged to dispatch a "leading personality"—Israeli newspapers have printed without comment the photograph of Major-General Dayan, the chief of staff—to find out whether the Germans could supply arms. Some of this information was leaked to *Lamerhav,* the left-wing Achduth Avoda party's daily newspaper, and the mission was cancelled. Instead, a less eminent personality, Mr Shimon Peres, the director-general of the defence ministry, spent a couple of days in Bonn immediately after Christmas.

Bonn spokesmen say they are mystified by the whole affair. Germany has to import most of the weapons for its own army, and even if there were any arms to spare—which there are not—Israel would be one of the last countries to receive them. The German government made it known that it will use its constitutional powers to stop private firms from selling weapons to areas that are "the centre of acute conflict." Equipment that could be used either in peace or war might get into Israel under the reparations agreement, but Mr Ben-Gurion, when explaining his action to the Knesset on Christmas Eve, specifically mentioned the need for defensive weapons for use against Egypt's Soviet submarines.

The most plausible explanation offered seems to be that all this talk of anti-submarine devices and other secret weapons was no more than a rather clumsy red herring trailed before the Knesset. The left-wing parties acknowledge that arms must be got from whoever will sell them; their real fear, described by our correspondent in Tel Aviv on page 45, is closer alignment with the West. The prime minister may have wanted to take their minds off Dr Josephtal's visit to Bonn just before the Nato meeting. At that time it looked as if Mr Menderes of Turkey was going to enjoin his Nato colleagues to return to the ten-year-old UN resolution on Palestine, and Dr Josephtal was probably briefed for some discreet lobbying. Several cabinet members apparently found out about this meeting only after it had taken place, and were strongly critical of the prime minister's high-handedness.

*

Even without this new flap, full diplomatic relations between Israel and Germany are not an immediate possibility. At present, Germany has no official representative in Israel, although there are Israeli reparations and consular offices in Cologne. The Israelis have painfully got around to admitting that businesslike relations with Germany would be more useful than distasteful; it is now the Germans, afraid of doing anything that might provoke the Arabs into recognising the East German government, who are going slow. Their known nervousness makes the arms deal story sound doubly fantastic—and brings out the detective in every commentator.

RELEASED PRISONERS

The Public's Part

THE Central After-Care Association is statutorily concerned with the care and supervision of certain classes of prisoners—mainly those released on licence from corrective training or preventive detention; it exercises similar functions for certain long-term prisoners who accept after-care voluntarily. It is also responsible for the after-care of young men and women released from borstal institutions. The depressing feature of its report for 1956 is the proportion of cases in the association's care who are reconvicted within a year or so after they have been discharged from prison.

Of the long-term prisoners, the "star" and other selected prisoners naturally make the best showing; the association is also right to be pleased that only a third of its men discharged from Dartmoor in 1954, all of them former old lags before they were sentenced to Dartmoor, had been reconvicted by the end of 1956. On the other hand, for those discharged from local prisons the proportion was 43 per cent, and of those released from corrective training in 1954, half had been reconvicted two years later. It is even more disappointing that roughly half also both of borstal cases and of young prisoners discharged to the association's care had been reconvicted by the end of 1956.

The Central After-Care Association has to take what it is given, and if the prisons and borstals are not discharging their inmates fit to lead a life free from crime, the association is not primarily to blame when things begin to go wrong. But its report also points to another reason for failure. Even were the prison system as good as could be devised, its efforts at reforming prisoners will always be unavailing if society is unwilling to accept them back. The association's report mentions, particularly, the difficulty it has in finding somewhere for prisoners and borstal boys to live on their discharge. There are also other ways in which the public can help: employers can offer jobs; trade unions can accept into membership those who have completed trade training courses during their detention; social organisations can welcome ex-prisoners as members; everyone can treat them as human beings. Society sends criminals to prison; if it does not want them to return there again and again and at vast public expense, it has to play its part in their rehabilitation.

The Economist

JANUARY 2, 1858

THE HIGH PRICE OF EDUCATION

Mr Thackeray, in his speech to the commercial travellers last Saturday, and *The Times* in commenting on his remarks, have complained not a little of the increasing cost of education, and *The Times* has attributed it in great degree to causes affecting rather the apparent than the real value of the education given. . . . Where £40 per annum was, a generation ago, the average cost of a lad's boarding-school education, even up to the age of 11 and 15, the "two little heroes" of 6 and 7, whose not very peculiar case Mr Thackeray cites, each costs his father £75 per annum; so that the expense of education would *appear,* in some cases, to be more than doubled. This unpleasant result is attributed by *The Times* to accidental causes—the weakness of parental anxiety, and the dexterity of professional teachers in appealing to that anxiety on its weakest side. Parents have more confidence, it is fancied, in the "earnestness" of men who take a high remuneration for their toil. . . . Now, first we extremely doubt whether the cost of mere teaching *has* risen much of late years. The school usher, the private teacher, the country curate, and the dissenting minister, with an education that would have fitted them to go to the bar had they the means—still receive pittances less than those of the better class of artizans. . . . It is otherwise, however, with the cost of the particular sort of education gained at *boarding schools,* which bears no due proportion to the expense of day schools. This has no doubt increased very rapidly of late years. . . . The price of teaching has not risen, but teaching is now much more generally separated, and more easily separable, from domestic superintendence than it was. . . . The teacher can "utilise" his talent, if he will, without opening a boarding school—and the privacy of domestic life is far more highly valued than in former days. If, therefore, he not only teaches but receives pupils into his house, he does so only for the same reason for which cadets go out to India, or merchants' clerks to Batavia—in the hope of realising a competence which will enable him to give up the occupation altogether after some twenty years' work. . . . Boarding-school superintendence is something much more responsible and much less easy and agreeable than mere teaching, and any one who enters upon it naturally looks for a rate of payment proportioned to the magnitude of the private sacrifices he makes.



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LETTERS

The Sterling System

SIR—The gravest threat to our economic destiny, implicit in the policy of liberalisation and convertibility which destroyed the economic and commercial coherence of the sterling area, was that the burden of capital requirements would prove intolerable because it would become one-sided. The reaction to this in Britain would endanger the financial ties that bind the Sterling Commonwealth together (it is significant that Mr Bandaranaike and other overseas statesmen should come out in favour of the sterling system at the precise moment when it seems to lose its adherents in this country).

This is precisely what has happened. In the recent controversy—including your two articles—the economic aspects of the sterling system were completely ignored. The conclusion was, then, inevitable that the maintenance of that system in its present form was far too costly, and that the same sort of exchange control should be enforced on payments to sterling countries as is in effect in respect to other areas.

The argument that the present status is profitable to Britain does not hold water. The answer to those who say in favour of it that the invisible income of the City is over £100 million per annum is that an overwhelming part of that income—80 to 90 per cent being insurance, specialised banking services, etc.—would be maintained under any system of exchange control. The loss of the remainder is incomparably smaller than the costs in terms of increased rates of interest, and worsened terms of trade inflicted on us by liberalisation. In any case, if the maintenance of the present system requires, as you say, a "tough" policy of dear money, we shall lose most of the banking business—short and long term—to other more favourably placed centres.

Moreover, it was this policy which has caused untold losses to our dependent territories through the depreciation of their reserves invested in gilt edged. Their present determination to repatriate their reserves was partly caused by these losses. The endeavour of the Bank of England to enforce a continuation of this policy through limiting the scope of the newly established central banks will, in the end, merely have the opposite result. The revulsion will carry the newly independent territories farther away from Britain than is either desirable or—even now—inevitable.

The question of sterling must not in fact be posed in financial or banking terms because those must distort the discussion. Whether this country can "afford" to give assistance through capital exports to a large extent depends on what sort of commercial arrangements exist between this country and the co-members of the sterling system (just as it is erroneous to discuss the uses of our current export surplus without taking into account that a large part of it is due to our exports of capital). What we cannot afford is the capital export to the US or Canada which does not improve our export (or import) capacity. It is the Kuwait and, more recently, the "soft dollar" gap which we cannot afford: it was this sort of capital export after 1925 which really choked British recovery and not the revaluation of the pound of that year. The starvation of British industry of capital resulted in a relative decline of productivity and made readjustment to the prewar parity impossible. The danger is even greater now.

What must be envisaged is a slow rebuilding of a co-operative economic unity in the sterling area which permits us to discharge our debts without causing undue strain on our terms of trade or, through dear money, ending our economic expansion.

Exclusive attention to the purely banking aspects of the sterling system have blinded people to the great economic possibilities. The fact that people begin to realise how powerful an advantage is offered by a preferential system such as the European common market might perhaps persuade them to revise their views of the sterling area which provided this country with unique advantages in respect to over half of its exports—which were surrendered without any counter concession in the dogmatic drive towards convertibility.—Yours faithfully, T. BALOGH

Lowes water Hall,
Cumberland

★

SIR—Your question whether it is in Britain's economic interest to maintain the unlimited freedom of sterling balances and their convertibility at virtually official rates cannot be answered by an unqualified "No." One of the fundamental causes of the long-term distrust of sterling abroad is based on the belief that we are trying to do too much. But there are other factors.

First, it is believed that a further devaluation of the French franc is inevitable and that this will be followed by devaluation of the principal European currencies, except possibly the Deutschemark and the Swiss franc.

Secondly, credit restrictions in their own countries impose upon non-residents the alternative of selling either their sterling or their dollar holdings. Conversion of a great number of European and other currencies into dollars, particularly for capital account, is not as simple as it looks. It is much easier, particularly if tax problems are involved, to move into dollars via sterling. In these circumstances, the dollar rate for transferable sterling has become the support price of the "marché parallèle" of a great part of the world.

Thirdly, the Malayan and Ghanaian sterling balances are of relatively recent origin. Ghana in particular is embarking upon an ambitious programme of industrialisation. The possession of American and German equipment has today become almost a matter of national honour in under-developed countries. Australia has now put imports from the US and the UK on the same basis. Ratification of the Australian trade agreement with Japan would open its markets to Japanese imports.

These are not all the benefits accruing to non-residents. They are entitled to buy transferable sterling at a discount and use it for the purchase of sterling commodities. For non-residents the sterling discount is therefore tantamount to an export subsidy. Residents cannot use their foreign exchange revenue to purchase sterling at a discount. The utilisation of our hard currency income for the purchase of transferable sterling would reduce the foreign exchange offerings to the Bank of England, but it would not reduce the net amount of hard currency remaining available to this country.

Any reduction of the inflationary pressure at home will make sterling that much less vulnerable abroad. But the world is faced with liquidity and transfer problems that are caused by political developments over which economic policies have little control. I do not advocate a retreat from sterling's present responsibilities, whether on capital or current account. I submit, however, two points for consideration. First, our present sterling policy *vis-à-vis* non-residents should not be maintained without a clear-cut understanding with the principal central and international institutions on the movement of funds out of this country and, in particular, on the maintenance of their working balances. Secondly, there is no reason to deprive residents of their rights to purchase transferable sterling.—Yours faithfully,

London, S.W.1 GEORG TUGENDHAT

Labour Party

SIR—Periodically the "XYZ Club" attracts attention in the press and I note you refer to it in your issue of December 28th as a "dining-group formed exclusively of the better educated—and better breeched—members of the party." The political correspondent of a Sunday newspaper described it a fortnight ago in almost similar terms, as an "exclusive dining-club," formed in the inter-war years "by followers of the late Mr Harold Laski's brand of socialism." The implication of most comments is that this is a wealthy clique of socialist dilettanti too much favoured by the leadership of the party.

May I, as the founder of this "club," be permitted to give a few facts about it? I started it over 25 years ago, in 1931, with the object of creating some link between the Labour party and the City. Apart from such relations as existed between Snowden and the Governor of the Bank, the Labour leaders of those days had absolutely no contact with City leaders and little

knowledge of the machinery of the City, a state of affairs that seemed to me ridiculous and also to hold dangers for the future. The original members were all men in responsible positions in the financial world, none were politicians, all gave a great deal of time and effort to the objects of the "club." At an early stage regular discussions began with those Labour leaders concerned with financial problems and we were joined by two or three young but distinguished academic economists. Apart from wartime interruptions, regular meetings have continued right up to the present time, but the chief value of the "club" still lies in the opportunity it affords of a frank exchange of views on current problems between Labour and the City.

Membership has naturally varied over the years. It is only exclusive in the sense that for purposes of practical discussion numbers must be limited. It is in no sense wealthy and only half the members belong to either House. I would only add for the record that the leader of the party is unfortunately a very rare attendant.—Yours faithfully,
Aylesbury H. VAUGHAN BERRY

Export Insurance

SIR—In your article last week, you state that the Section I side of the business of the Export Credits Guarantee Department is run on strictly commercial lines, the premium charged being calculated to cover the risk assumed. This is only partly true for the good reason that, while the commercial aspect of an export credit risk, that is to say the risk of insolvency of the importer, is to some extent susceptible to premium rating, the political aspect is certainly not.

Insurance against loss due to the insolvency of commercial debtors relies on careful selection and control of a good spread of individual risks and premiums based on experience; so called insurance against non-payment for exports due to political causes, exchange transfer restrictions, war and so on is not true insurance, because the risks are much too concentrated, even on a world-wide basis, to permit the law of averages to operate. If this were not the case, private enterprise could and would provide the facilities which are now only available with the backing of the state.

The premiums charged by the ECGD are intended to cover administration expenses and to enable normal commercial losses to be paid while leaving a surplus for building up funds to meet a political crisis. Nevertheless, it can only be a matter of pure chance whether the premiums are adequate, excessive or inadequate for the last of these purposes.

So far as the political aspects of export credit risks are concerned, there is much to be said for a system of control by selection of the countries to be guaranteed with a universal flat rate of commission to cover administration expenses. The argument that this would be the equivalent of an export subsidy seems to me to be fallacious. There is no question of providing money to cheapen exports; what is provided is protection by the state against contingencies of a political nature which are beyond the scope of private enterprise.

You also state in your article that it is not considered feasible to hand over the ECGD's Section I business to private enterprise. I would agree with that so long as the department combines the guaranteeing of political risks with the insurance of commercial risks, and it should be appreciated that not all exporters require the dual cover. If, on the contrary, the department were to confine its activities to guaranteeing political risks on a flat commission basis, either directly for exporters or by way of reinsurance of private enterprise, I believe the latter would be able to look after short term commercial risks in a flexible and efficient manner.—Yours faithfully, A. N. PATRICK
Trade Indemnity Company

American Railroads

SIR—The article in your American Survey of December 7 leads me to suggest that condensation may be the thief of enlightenment, although it is the law of journalism as well as of judicial opinion-writing. District Judge Clary, in his opinion in the antitrust suit between the truckers (American for "road hauliers") and the railroads, condensed 6,000 pages of evidence and 968 exhibits into his 200 pages, and thereby managed to create the impression that there was only one side to this important case. Your article, however, undertook to condense his 200 pages into one of your pages and thereby left hardly a shred even of those indications that Judge Clary gave that there was much to be said on both sides of the case.

He found from the evidence that the plaintiff truckers had engaged in practically all the techniques and offensive acts of a very hot propaganda shooting war with which they charged their competitors, the railroads. The principal difference the judge relied on was that the truckers had done the same things more brazenly, without much bothering to hide themselves, whereas the railroads, through Carl Byoir, had been more sophisticated and hidden themselves more behind "false fronts." But he found that the truckers had spent large sums of money subsidising the campaigns of political candidates and influencing legislatures and had been so successful that they had won "hands down" before the Pennsylvania legislature. The railroads were only able to prevail in the last ditch, before the Governor.

Why then did Judge Clary hold that the truckers had not violated the antitrust laws and dismiss the railroads' counterclaims? He based this holding on a finding alien to the principles of the antitrust laws—that the truckers, in committing those same acts, had subjectively intended only to help themselves and not to injure the railroads, whereas, in his view, the railroads had committed the same acts with a primary intent to injure the truckers and not merely to defend themselves. But the controlling principle in this field always has been that a party is legally held to have intended the reasonably foreseeable consequences of his acts and cannot be held to contend that he had no subjective intent to inflict those consequences on an injured party. Judge Clary completely overlooked that principle.

Moreover, this was a suit in equity. But equity, English and American, has always had another controlling doctrine, that no relief will be granted to a plaintiff who does not "come into equity with clean hands." Judge Clary also completely overlooked that doctrine. He did not even undertake to hold that the hands of the plaintiff truckers were clean; indeed, his own findings conclusively show that they were dirty with the same dirt he held to have grimed the hands of the defendant railroads. All he held was that subjectively the truckers had no injurious intent. This is perhaps the only equity suit of record in which plaintiffs have had their dirty hands excused merely upon their profession that their hearts were pure. I conclude that perhaps condensation, as well as democracy, can be manipulated.—Yours faithfully, SIDNEY S. ALDERMAN
Washington

Bolivian Development

SIR—In the first paragraph of a letter in your issue of December 21st, Dr Keenleyside misquotes my words and then hints that I am prejudiced; but neither he nor Mr W. W. Morton (in your issue of December 7th), who also served in the UN team in Bolivia, deny that the republic is worse off today than when the technical assistance programme began seven years ago. This failure to come to grips with economic decline they qualify or think excusable. It may well be so—though they say it "as shouldn't"—but it does not disprove the point which was the only object of my letter of November 30th, namely, that the Bolivian case cannot reasonably be cited to justify a repetition of the experiment in the "new democracies." These, as you say in the article "How to Guide a Democrat," need top-level consultant engineers and advisers. I wrote also to point out that this country specialises in that type of service, and it will be a double injustice if they are to be ousted by international civil servants. That is what the Bolivian case demonstrated.

By "fettered and distracted" in the choice of personnel, I meant that the UN must give ear to all member countries with equal attention—a criterion inimical not only to the optimum in forming technical teams, but (alas) also to the evaluation of their performance.

To take care of its vital duty of international conciliation the United Nations needs all the prestige it can get: whilst that issue is so much in doubt it should risk no credit in sideshows.—Yours faithfully, J. GARNETT LOMAX
London, S.W.1

BOOKS

Banking Colossus

Lloyds Bank in the History of English Banking

By R. S. Sayers.
Oxford University Press. 381 pages. 35s.

THIS book is not to be taken lightly. Its bulk and weight alone determine that; the style of its content adds emphasis. For it is not always easy going. Indeed the earnest reader, plunged into the opening chapter, must wonder what is in store as Professor Sayers skips hither and darts thither, picking up pieces of the jigsaw puzzle and letting them fall again with bewildering rapidity. Here, as also in the final chapter, the crying need is for a chart, or series of charts, to show amalgamations of the vast number of small banks that welded themselves into the present giant institution.

This is not a banking history on the lines of the classic accounts written twenty years ago. Mr Sayers has tended to use the records of Lloyds Bank to supplement existing knowledge. This has to some extent been forced on him by the absence of records lost through "the salvage campaigns of two wars and the bombs of one." The effect, however, has been to upset the balance. Great detail, testifying to the intensive research that has preceded the writing of the book, is mingled with sparsity; and one must wonder whether a whole chapter devoted to two West End banks is not a disproportionate use of space, despite the considerable interest attaching to Cox and Co., as army agents, and to Herries, Farquhar and Co. as pioneers of travellers' cheques.

There is, as one would expect, much of value to the student and much to absorb the general reader. The story really develops from the foundation of Taylors and Lloyd in Birmingham in 1765, although at least two banks later absorbed reach back to Restoration London. At that time banking was often the ancillary business of traders, manufacturers and mining concerns; the inspirer of this bank, Sampson Lloyd II, made his money from the iron trade. Ten years after its formation, the bank had as its customers a wide variety of tradesmen; and an interesting sidelight on social conditions then current is that women customers numbered twenty-five per cent of the total.

The history of an institution such as Lloyds Bank must develop from the personalities of its leaders and the efficiency of their staffs. The Lloyd family itself has been rich in men of acumen, drive and discretion. Sampson Lloyd II, a Quaker, married twice, and both marriages contributed to the second generation of bankers; it is probably because of the particular genius of one of his sons, Charles, that the bank survived to its present eminence. He was the dominant figure at the end of the eighteenth century and the beginning of the nineteenth. An outstanding personality of a later generation was Howard Lloyd, general manager from 1871 until 1902. Under his guidance the bank blossomed forth into a system of many units, although surely Mr Sayers errs when he says that during these thirty-one years it was "transformed from a private bank with a single office into a joint stock bank with 267 branches"; the bank had already begun to digest other banks before 1871.

Lloyds became a joint stock company in its centenary year, and thereafter amalgamations and absorptions took place rapidly; gradually the hub of the bank moved from Birmingham to London. It was indicative of the bank's growing national importance that Spencer Phillips, chairman from 1898 to 1909, became the first to use the annual meeting as an occasion for substantial commentary on the economic affairs of the nation. His predecessor, however, had in 1891 struck a note that every banker today will echo, for he told the annual general meeting that he did "not believe that a Chancellor of the Exchequer or any other government officer can manage our business half as well as we can manage it ourselves." *Plus ça change. . . .*

The book has two serious shortcomings. First, the story virtually finishes about 1923. There are only fleeting references to later happenings; the consolidation after amalgamations ended and the developments in techniques and practice in changing decades, of supreme interest to all categories of readers, are shunned. Secondly, it does less than justice to the proud institution whose story it sets out to tell. It lacks comprehensiveness. The jigsaw is not made in its entirety, and the complete picture is not seen; only certain parts of it. In all fairness to the author, he could not be expected to assemble and evaluate material that was lost; but one wonders whether, in being enabled to write about "what I liked and in the way I liked," he has made the best use of available data. He has indeed brought a scholarly approach to his subject. At the same time he has shown a clinical detachment, and there remains a final feeling of regret that the writing of this history was not entrusted to someone, possibly in the bank itself, who would have been less dispassionately disposed to the institution and who would have infused warmth, colour and virility into a story that is well worth telling.

Economic Breakthrough

Studies in Economic Development

By Alfred Bonné.
Routledge and Kegan Paul. 294 pages. 32s.

An International Trade in Managerial Skills

By J. S. Fforde.
Blackwell. 153 pages. 18s. 6d.

The Political Economy of Growth

By Paul A. Baran.
Calder. 308 pages. 30s.

HISTORY never quite repeats itself; the problems faced by the underdeveloped countries of the mid-twentieth century are not identical with those which confronted Britain when first launched on the rapids of the Industrial Revolution. Yet there are enough common elements (demographic explosion; dire physical poverty made less tolerable by insecurity, social uprooting, and the spectacle of widening inequality; political tension; conflicting ethics and analyses) to give meaning to the question "What did eighteenth and nineteenth century Europe have that Asia, Africa and Latin America have not?"

Professor Alfred Bonné's "Studies in Economic Development" asks it almost in so many words; he concludes that the crucial lack is the tradition of innovating entrepreneurship. Given a sufficient entrepreneurial leaven (and the necessary conditions of peace and security under the law) development is self-sustaining and, despite fluctuations, cumulative; failing that leaven, stagnation continues in the economy at large, whatever may happen in the enclaves of foreign enterprise geared to the foreigner's requirements. To get development going, enterprise must be "implanted"; the state must play the entrepreneur's part. The immediate results may be, indeed probably will be, uneconomic; hope lies in the educational effect as managers learn to manage, technicians practise their skills, and workers acquire the necessary habits of regularity and co-operation.

"Implantation" alone is not enough. There must be due attention to the "infrastructure" of education, health, communications, transport; natural leanings towards the spectacular (which is apt to lead to the neglect of agriculture) must be firmly resisted; social obstacles must be firmly tackled—traditions of graft and nepotism, immobilism or nomadism, obsolete systems of land tenure and the power relationships accompanying them; there must be a proper concern for particular local circumstances. But if these conditions are fulfilled, "implanted" development will put down roots and achieve independence of state support. Because of the initial sacrifices involved, the extreme difficulty of forming capital out of an inadequate margin of resources, and the growth of population, aid from the wealthier nations is imperative; but there is no need to envisage a permanent parasitism. Given a concentrated effort, the newly developing areas should do

better, not worse, than the Europe of the Industrial Revolution.

For all its "ifs," this is a stimulating and fruitful thesis. Unfortunately, it is embedded in a forbidding mass of ill-digested, ill-presented, and frequently incompatible material. Statistical tables contradict one another and the text; far too much evidence, presented as contemporary, is out of date. The book appears to have been written around 1951, far from adequately revised about 1955, and becalmed in the press ever since. (The Indian First Five-Year Plan is enthusiastically described, so is the Turkish development programme; of the consequential difficulties besetting both countries for the last two years, not a word.) Along with much repetition there are yawning gaps; nothing on the Colombo Plan, nothing on FAO's Technical Assistance. The style is tortuous, verbose, often ungrammatical, sometimes downright incomprehensible. All this is the more a pity since Professor Bonné has long, if geographically limited, firsthand experience of his subject.

How would nineteenth-century Britain have fared had it been able to draw on the expertise of twentieth-century technicians and managers from, say, America? Chasing such a hare is a luxury; and in any case the parallel for many of the underdeveloped areas is rather with the England of Edward III than with that of 1750-1820. Mr J. S. Fforde has produced an interesting and practical study of the various ways, ranging from individual recruitment for a once-for-all advisory job, through "joint enterprise," to permanent establishment of agencies and firms, by which British expertise can be put at the disposal of newly developing countries and used to foster their own citizens' advancement. He has much that is both sensible and humanly perceptive to say; but his anxiety not to offend anyone anywhere is so extreme that the reader unable to translate, from experience, his anonymous generalities and abstractions into concrete terms may well be thoroughly baffled.

Professor Baran's book is a predictable piece of Marxist orthodoxy, giving the characteristic impression of having been written under dictation from a public address system.

Sound and Fury

Warwick the Kingmaker

By Paul Kendall.
Allen and Unwin. 365 pages. 30s.

THIS is a companion volume to the author's "Richard III," and it is described by the publishers as "every bit as colourful and dynamic as its predecessor." In this they do the book some injustice. The earlier work was swollen with an unendurable rhetoric which has here somewhat abated. There is, it is true, an ominous admission by the author that he has "fleshed out scenes, here and there, with touches of detail which, if not documented for the particular moment, are vouched for by the general customs of the age," and this process of "fleshing out" seems to require a remarkable repertoire of such sentences as:

> The changing times in their working had cast up brilliant personalities to flash in the sunlight of power, but these for all their flamboyant wills, were struggling in the grip of vast nether tides that would sustain some and pull others to destruction.

But in general we must note with pleasure a greater sobriety of language than before, and a more straightforward treatment of the sources. There are no enigmas, real or supposed, in Warwick's career at all comparable with those in the career of Richard III, and our credulity is never strained by fanciful theories to explain his actions. This of course means that Warwick is a less interesting subject, and he remains a man of tinsel to the end.

There is insufficient attention to the governmental problems of the day, to Warwick's real difficulties and material interests; everything moves too much on the plane of pageantry to be convincing. Indeed, so far as the facts of Warwick's life are concerned, it is hard to find anything here which was not duly and drily set out by James Tait in a dozen pages of the "Dictionary of National Biography" sixty years ago. The rest is largely sound and fury. These qualities certainly played a considerable part in the life of the Kingmaker and cannot be ignored, but they quickly become tiresome. The reader longs for some "penny plain"; but having bought his "twopence coloured" he must go through with it to the end. And those who like it that way will no doubt enjoy this book as much as they did the previous one. Nor can anyone be so churlish as not to enjoy the portrait gallery provided by the illustrations. They are the heralds of a great age in the exact observation of the human features, and our regrets are therefore all the greater that Warwick's face, like his character, should be lost to us.

Brought up under Stalin

Child of the Revolution

By Wolfgang Leonhard.
Collins. 447 pages. 25s.

THIS is not yet another book in the series about the God That Failed: Mr Leonhard did not play with communism. He was brought up in Stalin's Russia. Taken to Moscow—from Germany via Sweden—at the age of thirteen, he lived there first in a school for German refugees and then in Russian institutions. Though he was deported to Karaganda at the outbreak of the war, he was shortly after selected for the comintern school (described as a sort of college for red monks) and went back to Moscow to write and broadcast for the German troops. At the age of twenty-three he travelled back to Germany on Herr Ulbricht's staff. He seemed destined for a brilliant career. Yet five years later, in 1950, he escaped from Eastern Germany.

It is not easy to pin down Mr Leonhard's break with Stalinism to a single cause. What makes his book most interesting is that he does not repudiate his former beliefs wholesale, but describes events as they looked to him at the time. He lived in the Soviet Union through the bloody purge of the thirties (his mother was actually sent to a camp); he saw the nauseating zigzags and injustices of stalinist policy. Yet, at that time, he was able to justify them to himself. The blind copying of the Soviet model in Eastern Germany had a more profound effect on the young communist official, and the expulsion of Jugoslavia from the Cominform dashed his hopes that east European countries would be allowed to follow their own road. It was then that he decided to leave.

Impressions of the Soviet world run the risk of being quickly out of date. Some of the things that had shocked the author were subsequently repudiated by Stalin's successors. Even the idea of "separate roads to socialism" was once again revived. But Mr Leonhard's vivid personal reminiscences help one to understand the background to these changes. He shows that western propaganda—using a different language and concerned with different problems—makes no impact on doubting communists. He confirms the view that the communist countries will have to work out their own salvation.

Viceroy and Mahatma

The Viceroyalty of Lord Irwin 1926-1931

By S. Gopal
Oxford University Press. 152 pages. 21s.

Talking of Gandhi

By Francis Watson.
Orient Longmans, Calcutta. 141 pages. Rs.6.

LORD IRWIN took office at one of the most turbulent periods of the nationalist struggle. The end of his predecessor's term had seen a widespread revolt against Dyarchy. The arrival of the Simon Commission to report on further constitutional development let passions loose that evoked answering warmth in the rank and file of the administration. Mahatma Gandhi initiated the boycott of British goods and awoke the masses to political consciousness by his dramatic pilgrimage to the sea to distil salt illicitly, followed by the civil disobedience campaign. Conditions for constitutional advance could hardly have been worse, and if Lord Irwin had contented himself with maintaining order and marking time politically, his reputation would not have been diminished. Instead, he brought off the apparently impossible. For while he enforced law and order and gave the police and the civil service all the support necessary to maintain their morale in trying circumstances, simultaneously he sought with unflagging patience and determination to secure a political settlement. In this, his statesmanship was matched by that of Mahatma Gandhi. What the "half naked faquir" and the British aristocrat had in common was integrity of character, honesty of purpose, and a deep conviction of the importance of spiritual values.

Mr Gopal's readable and scholarly pages suggest that the measure of the greatness of the British viceroy and of the Indian leader lay in two facts: first, each was ready to face courageously the hostility of his own people, and to risk being disowned by them, in order to secure acceptance of the settlement to which he had set his signature; secondly, the settlement contained the embryo of the Government of India Act of 1935 on the foundations of which the structure of independent India was raised in 1947.

That there should have been published within a few days of each other this scholarly appraisal of a great Englishman by an Indian historian, and an outstanding contribution* to the understanding of Mahatma Gandhi's personality and work by a British biographer, is surely concrete evidence of the continuing fruitfulness of the Indo-British partnership.

* To be published in Britain by Longmans in a few months.

Crown and Parliament

King and Commons 1660-1832.

By Betty Kemp.
Macmillan. 168 pages. 16s.

THIS account of some involved passages in the history of the British constitution is presented by Miss Kemp so simply that the complexities of her task remain out of sight. She has restricted herself to a skilful study of one aspect of the development of the machinery of government: the relations between the monarch and the House of Commons from the restoration of Charles II to the Reform Bill. There is comparatively little on the seventeenth century; Charles II and James II preferred ruling without a parliament at all, and William III, leader of his own administration, was preoccupied with the struggle with France. In Miss Kemp's opinion, the accession of George III brought the power of the king and the power of the Commons into balance. She finds the Septennial Act of 1716 of cardinal importance, for it made a seven-year duration for each House of Commons not only the House's legal term, but something that its members soon came to expect as their right: not till 1784 was a House next dissolved before five years, at least, had gone by without a general election. Indeed, as she points out, a Hanoverian king would not as a rule dissolve parliament in order to suit his ministers; he preferred to dissolve his ministries in order to suit his parliament.

This leads Miss Kemp to a discussion of the number and role of "placemen" in the eighteenth-century Commons. These "King's friends," though a necessary prop to any government, were not always a sufficient one, for

> The grant of an office was regarded, on both sides, as a reward for services rendered, not as a guarantee of firm support in the future . . . they were not a political party and they were not united in support of a particular policy.

However, most of the places which these placemen held were abolished, or made incompatible with membership of parliament, in the last fifty years of Miss Kemp's period; as she reminds her readers, these were in fact fifty years of substantial administrative reform, designed to promote efficiency.

Short though this book is, it is somewhat repetitive; and it would have benefited from fuller treatment of the financial questions that came in the end to subordinate the king to the commons. The style is usually clear, but there are some constructions, such as "the development towards . . . the abandonment of the idea that . . .", which must make Fowler turn in his grave.

Russia Left Dark

The Soviet System of Government

By John N. Hazard.
The University of Chicago Press. London: *Cambridge University Press.* 267 pages. 30s.

IN his introduction to this, the first volume of a new series, the Chicago Library of Comparative Politics, its general editor Professor Roy Macridis makes an astonishing statement. He says that those writing in this "field have tended to shy away from generalisations and hypotheses and to avoid interpretative studies of the dynamics of a system." This suggests either that Mr Macridis has a rather limited acquaintance with the literature, or that he has an arbitrary concept about what the field of comparative politics may be. It is true that Professor Hazard provides one generalisation that is intended both to assist an understanding of the Soviet system and to enable the phenomena it exhibits to be used for comparative purposes. He considers that the best way to look at the system is to see it as a democracy into which a number of undemocratic "counterweights" have been introduced in order to prevent it from getting out of the control of the leadership.

But this does not get us very far forward compared with more conventional explanations, and one suspects that the real reason is that the dynamism of the system, which consists in a three-way play between the forces of ideology, personality and social development, can best be explained historically, and that history is anathema to the political scientists of the stricter American school. The omission of Mr E. H. Carr's four volumes from a bibliography specifically limited to works in English is perhaps significant. More significant still is the fact that when Mr Hazard is forced by his material to handle it historically, he does so with such obvious lack of ease as to distort the whole purport of what he is trying to convey. This is equally true whether he is dealing with the establishment of the original central institutions, the development of management and control in industry and agriculture, and disputes over the role of the trade unions or the nationalities question.

Mr Hazard enjoys a deserved reputation on the basis of his studies of the social material provided by Soviet court proceedings, and he is most successful in the present volume when dealing with aspects of Soviet affairs that can be dealt with through such material or through that provided by the interrogation of Soviet defectors. But little of this material is relevant to the study of the "system of government" as this phrase is usually understood. Here the material which would permit an intimate study is admittedly difficult to come by and interpret; but there is at least the foundation provided by the basic legislation of the Soviet state and by its major policy statements, and this has been inadequately assimilated. The book would not, for example, give much help to a student trying to disentangle what is serious in Khrushchev's programme of industrial reorganisation, nor assist him in using the budget as a method of interpreting economic or political trends. Indeed, except in relation to Soviet "federalism," finance goes unmentioned; the novice might believe that the Soviet citizen was not a taxpayer at all. Similarly, the nature and conditions of employment in the state bureaucracy appear only as a parenthesis in the discussion of education.

Generalisations and hypotheses may be as fruitful in politics as in other studies, but the prerequisite of comparative work is to establish the facts. It may be that the space allotted was insufficient; it may be that the elimination of footnotes allowed the author to rely on his memory when establishing a reference would have put him right; it may simply be that Mr Macridis chose the wrong author. Before this ambitious series gets much further he would be well advised to think again.

Individual in Society

The Tension of Citizenship: *Private Man and Public Duty.*

By H. Mark Roelofs.
New York: *Rinehart and Co.* 278 pages. $4.00.

FROM the history of western political theory, from Aristotle to St. Augustine, Professor Roelofs unravels three notions of citizenship which, he contends, flow continuously into modern democratic theory. These are the Greek idea, which presupposes full and active participation in communal life; the Hebraic, assuming loyal service of the community; and the Christian-Roman idea, involving the two divergent notions of individual privacy, or "inner life," and membership of a universal brotherhood of man. Whereas the first two bind the individual to the community, the third insists upon some measure of independence for each citizen from his community. From the interplay of all three concepts can be evolved, he asserts,

a sound theoretical basis for reconciling the tension between public and private duties of men in modern democratic society.

There is little original in this analysis. It is a more portentous way of describing what has often enough been described as a dual necessity to consider "man in society" and to respect individual freedom. Thus far the argument is little more than a peg on which to hang an account of the not unfamiliar evolution of political ideas before 1500. It has point only if, by applying the results of this analysis to modern society, a more comprehensive theory of democracy can be devised. This is what Professor Roelofs attempts in the second part of the book. But because he skips much too lightly over the really formative period of modern democratic ideas in the seventeenth and eighteenth centuries, and even in the more interesting discussion of American individualism fails to apply his argument with enough rigour or in enough concrete detail, his whole thesis largely misses fire. The book contains some insight, a good deal of learning, and an obvious sincerity of purpose. The questions it raises are usually the right questions, but the answers to them are too often tenuous, unconvincing or trite. It is less by historical description of origins and evolution, and more by practical ingenuity and development of social organisations, that modern democratic principles are likely to evolve in the twentieth century.

Faith Undiminished

A New Birth of Freedom? *World Communism Since Stalin.*

By K. Zilliacus.
Secker and Warburg. 286 pages. 21s.

On finishing this book it is tempting, although unkind, to reflect that it cannot have been very hard work to write it. For Mr Zilliacus quotes profusely and at length from the communist press and from the speeches of communist leaders. He also fills up a great deal of space with lengthy summaries of what Mr Khrushchev, Marshal Tito and other leading communists told him when he paid a round of visits to Moscow, Belgrade, Prague and Warsaw (but not Budapest) in the autumn of 1956. Some of these talks are quite interesting as far as they go. But there is little in this book about developments in the communist world that a reasonably diligent reader of the daily press would not already have learnt for himself.

What the book provides is a view of these developments as seen from Mr Zilliacus's own particular slant. He himself says, rather disarmingly, that the sensible reader of any controversial book tries to discover the bias of the writer. His own bias is well known. In this book, under the impact of the 20th Soviet congress, it emerges in a rather curious and elliptical way. Mr Zilliacus has seen the light about Stalinism and roundly condemns all its manifestations. He acknowledges the lack of freedom and political democracy in the communist countries and states fairly the communists' dilemma—how to give more political freedom without jeopardising the monopoly of power of the communist party.

But he remains extraordinarily optimistic about the future of communism. And he makes the astonishing assertion that what the West really objects to about communist countries is not that they have produced "some pretty horrifying police regimes" and failed to develop democracy, but "the fact that they are building a new society"; he maintains, moreover, that these societies have "enormous vitality" and that those who are building them "are sustained by a power of faith that cannot be matched in the West." Mr Zilliacus, who has drawn such comfort from destalinisation and the 20th Soviet congress, really should not turn such a blind eye to the lessons of the Hungarian revolt.

SHORTER NOTICES

Histoire des Relations Internationales: *Vol. VII. Les Crises du XXème Siècle. I. 1914-1929.*

By P. Renouvin.
Hachette, Paris. 384 pages. 1,200 francs.

The latest volume in Professor Renouvin's series, and the third to be contributed by the general editor himself, is written with the same clarity and economy as its predecessors, and makes use of the same wide range of monographic material in many languages. It is confessedly a textbook rather than an essay at personal interpretation; but there are very few good textbooks on the period—the common tendency to begin with 1919 instead of 1914 is very noxious from the teaching point of view—and Professor Renouvin's book should be welcome to undergraduates and their teachers. It devotes less space to institutional arrangements, and more to economics and diplomacy, than most Anglo-Saxon works on the League period, but this is not necessarily a fault. It also makes plain the impact of world developments upon European politics; but the author's treatment of Soviet-German relations, written without the benefit of Dr Gerald Freund's recent book, is insufficient on the military side.

Bank of Canada Operations 1935-54: *No. 5 Canadian Studies in Economics*

By Dr E. P. Neufeld.
University of Toronto Press. London: *Cumberlege.* 230 pages. 30s.

This succinct and enlightening survey of how, since its inception in 1935, the Bank of Canada has attained its present importance fills a long felt gap. Beginning with a penetrating analysis of the bank's position "in a system of responsible government," Dr Neufeld goes on to an equally revealing discussion of its objectives, and the techniques it has used in attempting to realise them. He traces the evolution of the bank's policies and operations through three periods. Before the war there was no conflict between the three major responsibilities of the bank as fiscal agent for the federal government, as public debt manager, and as monetary manager. During the war years all aspects of policy were subordinated to the necessity for "channelling real resources to the war effort." In the postwar period "harmony between debt management and monetary management ceased to exist" and the bank had to adapt its policies to an unprecedented situation of full employment and inflationary problems.

The bank's operations have been remarkably effective subject to limitations imposed by Canada's close relationships with the United States, involving as these do formidable capital movements, balance of payments problems and exchange rate complications. This careful analysis of the way in which the Bank of Canada forged "appropriate tools" and established "essential prestige" for its work will be of great interest to anyone concerned with current Canadian financial and economic problems, and it adds a useful and illuminating chapter to the literature of central banking.

Annual Abstract of Statistics No. 94 1957

Central Statistical Office.
Her Majesty's Stationery Office. 322 pages. £1 1s.

Unchanged in price since 1952, this new volume of British statistics contains as usual a wealth of information on subjects such as population, social services, employment, production, trades and the various financial fields. Most tables give figures for postwar years up to 1956 and, where possible, a prewar year is also included. Few changes in content have been made since last year's issue, but a new table showing annual average wholesale prices of a number of commodities since 1950 is to be welcomed.

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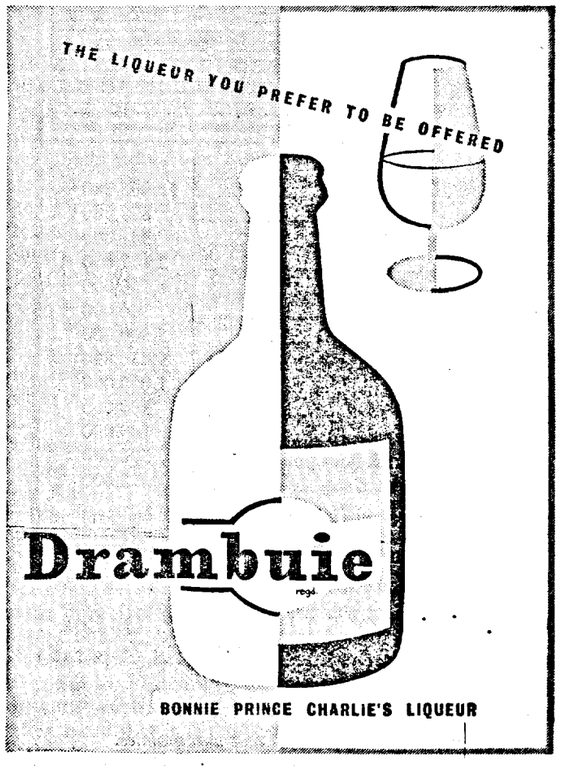
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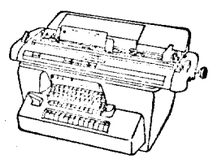
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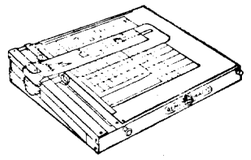
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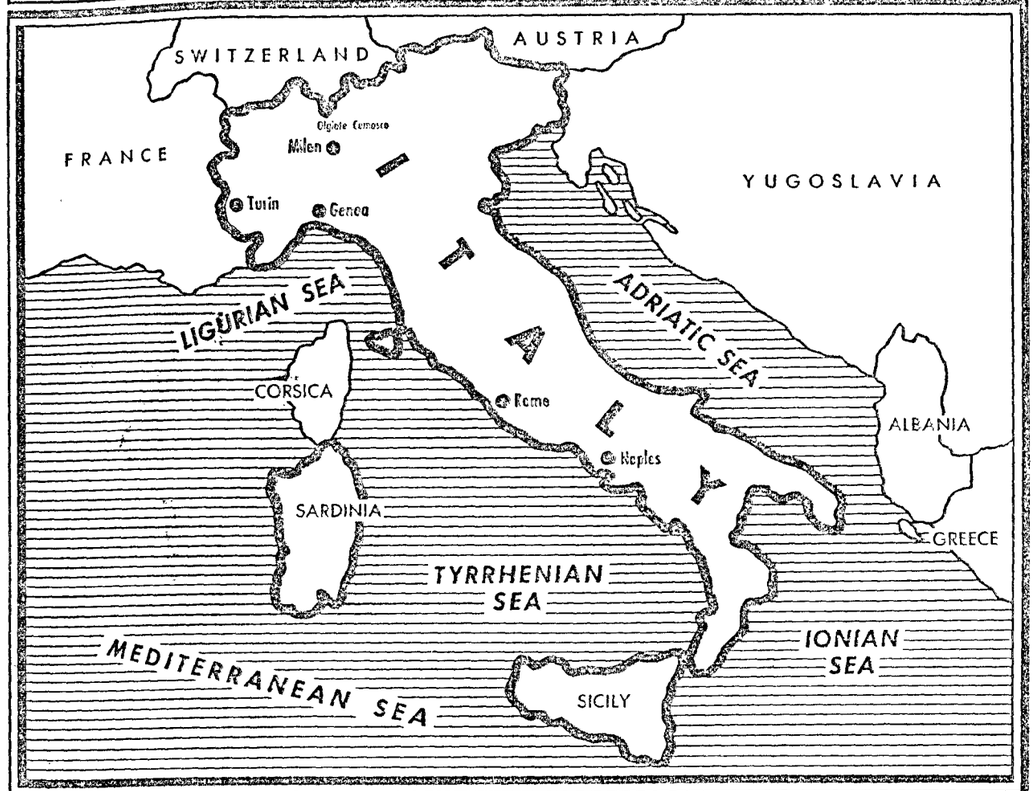
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Resident population	48,324,000
Density per square mile	415
NATIONAL INCOME	
Total net ($ million)	18,862
Average per capita	$390
EMPLOYMENT	
Working population (economically active)	19,577,280
male	14,663,427
female	4,913,853

DOMESTIC DATA	
Number of homes	12,065,240
Cars in use (personal)	879,000
(business)	341,000
Telephones	2,187,000
Radios	6,750,000
Television sets	300,000
*Sewing machines	5,000,000
Homes wired for electricity	9,436,894
*Refrigerators	1,000,000
*Washing Machines	300,000
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Exploding Cities

FROM A SPECIAL CORRESPONDENT

Of the many explosions during the past ten years it is the least earsplitting which has had the most profound effect on the life of the average American. This "metropolitan explosion," almost unnoticed until recently, has left cities blighted, set off a mass flight to the suburbs, made the motor car an essential of existence and raised the "urbanite" proportion of the population to 65 per cent of the whole 170 million. But the last year has yielded a crescendo of warnings about the dire effects of unplanned growth and brought metropolitan disintegration into the national spotlight.

The rapid and haphazard urbanisation of today is threatening two cherished American institutions: the small town and the wide open spaces. While the American welcomes the amenities of the city, his way of life has always been somewhat wistfully oriented to the small town which originally gave it birth and which since then has given shape and impetus to the suburban dream. But nowadays the urban refugee will quite possibly find himself in the next city before he has achieved the green periphery he is seeking. Towns have become cities overnight and, along the east and west coasts and in heavily populated areas in the middle west, cities have spilled over their boundaries and are growing together to form "urban regions." In the past the recognised urban unit has been the standard metropolitan area, consisting of a "core" with 50,000 or more people and the surrounding counties which are integrated with it for administrative purposes. Actually this may add up to several large cities and include parts of several states as it does most obviously in the New York metropolitan area. The urban region is an amorphous agglomeration of two or more adjacent metropolitan areas which, however, are unintegrated and form no political or administrative unit. Of the nineteen urban regions, the largest stretches continuously along the northeast coast to form a single 600-mile linear city, over-riding boundaries and scrambling existing resources, facilities and jurisdictions. Covering 5 per cent of the area of the country, it houses 20 per cent of the population.

The prodigal using up of land, when the vertical city topples into the horizontal suburb, is robbing Americans of the reassuring certainty that, if progress gets out of hand, there is always the possibility of making a fresh start in the wide open spaces, a luxury now disappearing at an estimated rate of 1.1 million acres a year. Before long their dinner tables may also be robbed, for the growing population will have eaten up the surpluses of farm products—or so some prophets predict. Speculative real estate practices often mean that it is the best farm land which is used for housing developments, and highways are covering crops with concrete. A factory or government office when laid out flat in the suburbs, with adequate parking space, may require 30 times as much land as before, and the former occupants of a block of apartment houses can fill a development covering miles. Three million more people and a million more houses in the United States every year are dynamite when at the same time cities are crowded and the cost of living in them is becoming astronomical. From 1950 to 1956, the population of the suburbs grew six times faster than that of the almost static central cities, and since 1954 almost 70 per cent of all permits for housing and industrial building have been for the suburbs.

It is the automobile, however, that really set off the metropolitan explosion and that is now compounding its problems. The volume of traffic on city streets, up 70 per cent since the war, is choking urban centres. Outside, where two cars to each family is almost a necessity, every mile of super-highway swallows 50 or 60 acres, and every foot of length added by the car manufacturers adds miles to the bumper-to-bumper traffic jams which frustrate commuters and police daily. It has been found that in some areas, notably Los Angeles, more highways generate more traffic instead of alleviating congestion. At a recent symposium an impressive array of experts laid stress on the importance of relating the new federal highway system to metropolitan planning, now lagging far behind. Finally, the automobile has crippled the city by carrying off the cream of the taxpayers to live in the suburbs.

Many of the difficulties which plague cities today stem from the exodus of the middle class with its resources of money and leadership and the influx of low-income families and minority groups with their expensive problems of social welfare. Speculators and landlords have kept the values of city properties artificially high, thus forcing up the density of population in slum areas, making it difficult to do business profitably in decaying commercial districts and increasing the cost of slum clearance programmes. Industrial and commercial enterprises have followed the well-to-do private residents, seeking lower costs and more space on the outskirts of the city. With higher taxes now yielding less revenue, the city has yet to assume increased responsibility for the whole metropolitan area and provide for the daily influx of commuters whose financial and civic allegiance is given to the suburbs.

The factors which have brought blight to the city are already sprouting outside where, like crabgrass on suburban lawns, they spread farther and faster. Where city land can absorb 400 to 500 people an acre, a density of 100 in the suburbs may produce slums, and the uniformity of a housing development tends to hasten its deterioration. Suburban communities have been unable to revamp their often rudimentary governmental machinery and increase their borrowing authority fast enough to assimilate and provide facilities for the deluge. In one suburban area, the population grew

by 38 per cent in seven years, while the indebtedness of the local government jumped by 232 per cent. Satellite communities fight with each other and with their parent cities to attract lucrative but well-mannered industries, so that soaring taxes on residential property can be stabilised, while at the same time pressure mounts for the land to be kept clear for parks and playgrounds.

Meanwhile high government officials are meeting informally under presidential auspices to seek methods of solving the knottier metropolitan problems; among authoritative suggestions made during 1957 for dealing with the threat of an asphalt jungle was one for a "nation-wide urban planning project" to consider the tangled developments which are making American cities "obsolete" and another for a Federal Department of Urban Affairs headed by a member of the Cabinet. The existing Federal Housing Administrator has warned cities that, if they have not made an urban renewal plan by 1960, they will be facing municipal bankruptcy by 1965. Delay in tackling slum, traffic, revenue and other crucial matters accelerates not only the process of disintegration, but also the loss of the resources without which it cannot be fought.

Much of the apathy about the metropolitan explosion is often attributed to the supposed American aversion to planning anything not dedicated to a specific purpose; no one has apparently decided what the purpose of a city is. Now, however, the idea seems to be taking hold, both in print and in concrete, that it should be a cultural centre attracting the intellectual and artistic flower of the nation to a Utopian existence. Some cities have made impressive starts on urban renewal along these lines and on the construction of inspiring city centres. Given enough enthusiasm, the American city could presumably become as efficient and decorative a machine as the automobile.

This is the first of a series of articles; others will describe in more detail some of the administrative and social questions arising from the way in which the United States is outgrowing its cities.

Fire under the President

HOWEVER useful the President's trip to Paris may have been, his appearance on television with Mr Dulles on his return was a sad anti-climax. If the purpose was to show the President in full control of American foreign policy, it failed lamentably. Mr Eisenhower was cast in a minor part, as a self-conscious listener to one of the Secretary of State's less inspired scripts. The let-down was all the greater because of the expectation that the President might use this occasion to tell Americans what they must do, and even do without, to catch up with the Russians. This expectation owed a good deal to the Gaither report, a sizzling document on the future defence of America which was submitted to the National Security Council on November 7th, and which has been smouldering ever since. As a top secret NSC paper, not even the Senate sub-committee can, technically, be allowed to see a copy. But Washington being what it is, and the men who wrote the report being determined that it should not be buried in the files, most of its sensational conclusions have now leaked to the press.

The influential businessmen and eminent scientists who unanimously agreed on the report cannot be altogether brushed aside; they have the ear of the Vice President and much support from enlightened members of the financial community who have been among the President's strongest supporters. But the White House may fairly complain that the Gaither group exceeded its brief, which was to make recommendations about atomic bomb shelters. Broadening its task almost beyond recognition, it concluded that the Soviet Union stands a good chance of gaining such a military lead by 1961 that it could then destroy or neutralise the United States. To prevent this, the report demands sharp increases in military spending, rising from the present $38 billion a year to $46 billion by 1960, and many other costly programmes besides. Next week the first of a series of private Rockefeller studies will also conclude that the United States is in "mortal danger" and will recommend big increases in defence spending.

The President is said personally to favour a big bold programme, but to be convinced that the country would never foot the bill unless it were gripped by war fever or the kind of panic that the publication of the Gaither report might produce. But now that its main conclusions are known, the President will be expected to discuss them candidly next week in his Message on the State of the Union. He will have to be convincing if Congress and the country are to accept an increase of $2 billion or less in defence spending as adequate, particularly after this week's statement from Mr Wilson, the former Secretary of Defence, that Mr Eisenhower himself insisted on past economies because he feared political trouble.

Dollars for India

WASHINGTON, DC

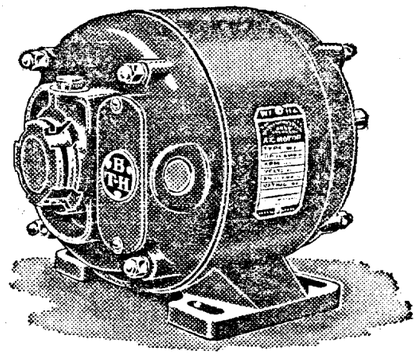
ALTHOUGH there is strong support within the Administration for providing substantial help to save India's second five-year plan, it has been decided that it would be unwise to put a special "aid-to-India" Bill up to Congress. Not only might it be defeated but, even if it passed in some form, this might be only after a rancid debate that might destroy the good will the Bill was expected to create. Furthermore, the Administration would find it very embarrassing to explain to a stout military ally such as Turkey, which has recently been told that it was impossible to put a special $300 million aid Bill through Congress for its benefit, why neutralist India had been able to talk its way to the front of the queue.

India's needs are too great for more than a relatively small part of them to be met out of the Development Loan Fund, which Congress created last spring, but to which it gave a first instalment of only $300 million. The present policy, therefore, is to scrape together a bundle of small subventions: $100 million, perhaps, from the loan fund; a second substantial slice of surplus American food, with the rupees generated from its sale lent back to India for development; and a loan from the Export-Import Bank. The proposal to replenish the bank's resources by $2 billion, which the President announced at Paris, may enable the United States to do much more for India than has hitherto been thought likely. On the other hand, this expansion of the bank's activities may complicate the already uneasy relationship between the bank and the loan fund and endanger the latter's usefulness.

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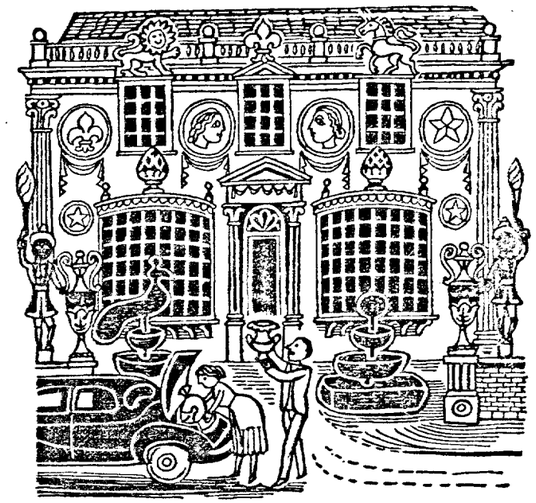
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The Curious Affair at Curio Corner

AUBREY CABRIOLE-QUINT loves everything that is old. Old houses—for he has restored Curio Corner (still known in the village as 'the old Rectory') to a more-than-Georgian splendour. Old furniture—for it brings him a more-than-modest income. And old-fashioned business methods—for he drives a ferocious bargain, and always deals in cash.

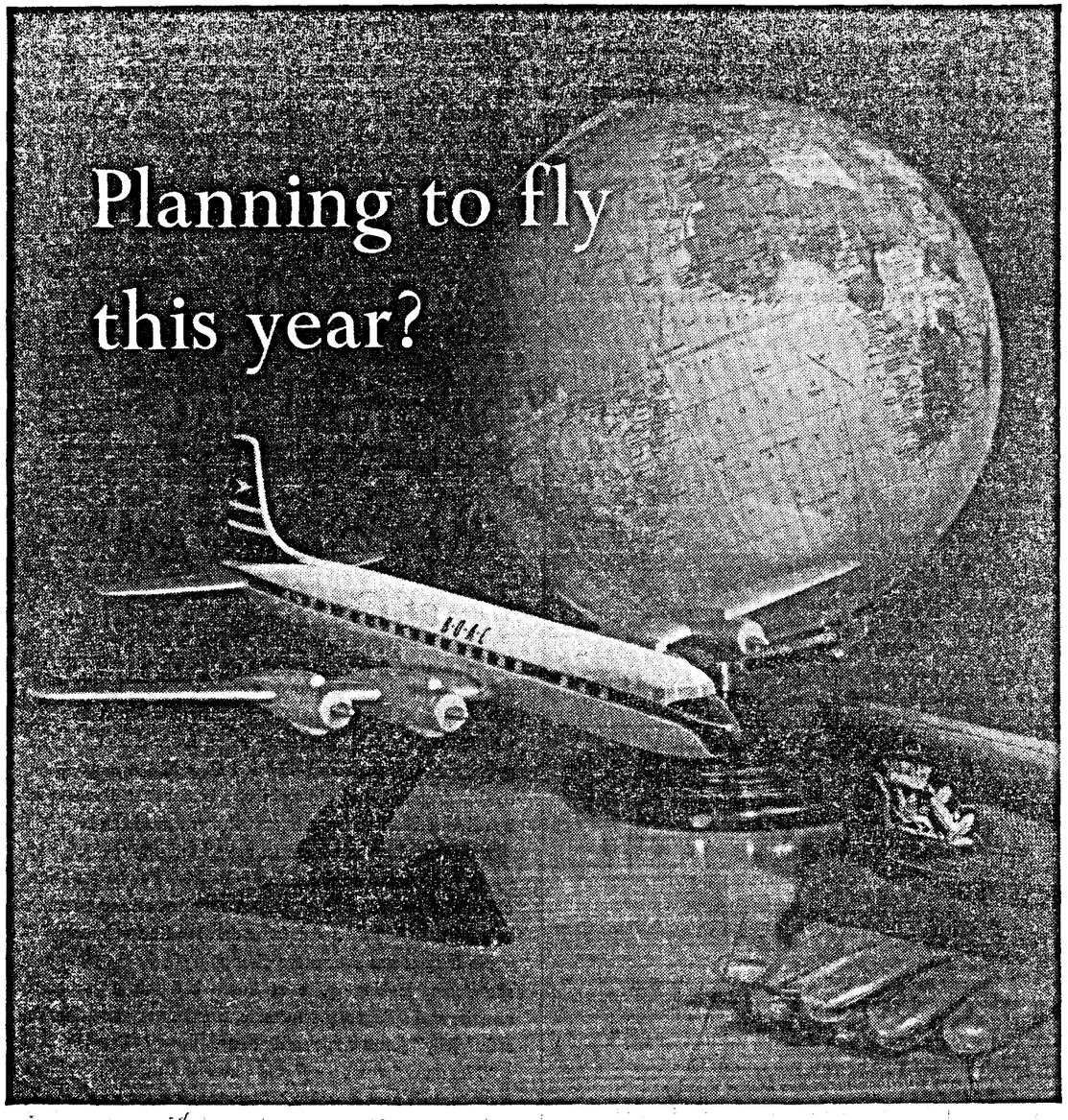
These amiable characteristics brought him to the notice of "Jelly" Jones, the celebrated safe-breaker. For he too loves old things—untraceable banknotes and all small and portable valuables. So he paid a visit (after dark) to Curio Corner.

No burglar was ever more disappointed. In the cluttered showroom, looking quite at home between a Jacobean armoire and a Regency rent table, stood a very new Chubb safe. "Jelly" Jones crept softly away.

"Not much harm done," said Cabriole-Quint to the police complacently next morning. "I long ago learned that there is nothing so worthless as an antique safe. Now excuse me—I must get some of the latest Chubb window catches."

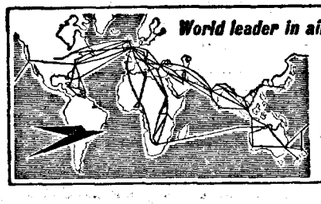
Incidentally, you too can get Chubb locks and catches from most well-stocked ironmongers. For safes, fire protection equipment and the more specialised products of our art, seek out a Chubb branch office, or write to Chubb & Son's Lock and Safe Co. Ltd., 175-176, Tottenham Court Road, London, W.1. (MUSeum 5822).

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Unlike the bank, which raises its money from the Treasury at 3½ to 3⅝ per cent and lends it to foreign governments and private individuals at 5¾ to 6 per cent, repayable in dollars, the fund is meant to be a "bank of last resort." It is to make "soft loans" when money for promising projects in under-developed countries can be raised from no other source. Local currencies can be used to repay the principal—over as much as forty years—and the interest, which will normally be about half that charged by the bank. The money, unlike that advanced by the bank, which must be spent on American goods, can be used in the cheapest market.

The loan fund has only just begun to creak into operation with the appointment of Mr Dempster McIntosh as its manager. This is not a moment too soon, since Congress expects to hear what it is doing with its first $300 million before deciding whether to appropriate the rest of the $925 million authorised. For the first year, at any rate, this is likely to undo much of value of the main concession which a jealous Congress made to enable longer-term planning: that the fund need not spend all its appropriation in one year. Moreover, in the interests of political discretion, it will probably have to distribute its favours widely; India cannot be given the lion's share.

FORTUNATELY, since the visit to Washington of Mr Krishnamachari, the Indian Finance Minister, there has been a pronounced thaw in the mutual frostiness of India and the bank. Previously the bank had tended to think of India as a poor credit risk because of its unsympathetic attitude towards private enterprise, while India has looked askance at the bank because its loans involved the obligation to buy expensive American materials. But Mr Krishnamachari cannot now afford to be too choosy about the conditions under which he gets his foreign currency. During his visit, to avoid embarrassing his hosts, he did not make any formal request for a loan. Instead, he spoke quietly but impressively to groups of influential officials, businessmen and journalists. His was the "oriental soft sell," the opposite side of a coin more normally showing to Americans the Mephistophelian features of Mr Krishna Menon. While India's friends in the American press were still attacking the Administration for placing unrealistic emphasis on giving help to private enterprise, India's Finance Minister was telling his hosts that the help he was asking would mainly be directed into the private sector.

Evidently this has had some effect. A full-scale mission from the Export-Import Bank was due to leave for India on New Year's Day in order to survey the prospects. The interest of the bank carries two substantial advantages: it is the agency in the foreign field most likely to be given the full amount it needs by Congress, and its specific operations are not normally debated in detail. On the other hand, if the bank's field, which hitherto has been confined mainly to Latin America and Europe, is to overlap that of the loan fund, this may strengthen the natural tendency of Mr Waugh, the president of the bank, to urge cautious policies on the fund. He is in a strong position to do so since, to placate Congress, he was made a member of the fund's three-man loan committee. The early decisions of this body will necessarily be somewhat distorted by the need to make a good political record. But they will be critically scrutinised by all who are worried about the need for an effective answer to the Russian economic offensive.

Education for Survival

THE Russian moons have set a tide flowing which may at last float federal aid to education over the reefs of racial prejudice, indifference and political conservatism on which formerly it has come to grief. So, at least, the Administration seemed to feel when it gave priority this week, among its legislative proposals, to a completely new scheme which would emphasise students, teachers, and teaching, particularly in the sciences, rather than the school buildings for which aid has been asked, and denied, in the past. The whole four-year emergency programme would cost about $1 billion—a little less than was proposed for school construction—and $225 million or so would be spent in the next fiscal year.

Of the total, about a fifth is for direct federal scholarships. Ten thousand, worth about $750 each, will be divided among the states, according to population, in each of the four years and awarded to gifted high school students who otherwise could not afford to go to college. There will also be about 5,000 graduate scholarships to encourage scientists to train for college teaching, and matching grants for graduate schools. In awarding the undergraduate scholarships some preference will be given to students with a grounding in mathematics and the sciences, but the emphasis will be on further training for the gifted, whatever their speciality. Every year about 200,000 of the ablest high school students fail to continue their education. Federal help will also be forthcoming for centres to train teachers of foreign languages and for the expansion of the work of the National Science Foundation in improving the quality of scientific training, teaching, and research. The rest of the money—apparently about half the total—will go to states which are willing to spend an equal amount on tests to identify gifted high school students and persuade them to go to college, and on improving science teaching and laboratories and the salaries of science teachers.

This emphasis on participation by the states and on the purely temporary nature of the programme is to reassure those who genuinely fear that federal aid means federal control of education, and to disarm the conservatives who suspect that a new permanent load is being placed upon the Budget and the federal taxpayer. Such concessions may help the Bill through Congress, but they are a great disappointment to educators who had set their sights on a federal programme ten times as big, which would permit the doubling of most teachers' salaries. The present modest, piecemeal scheme seems likely to increase the demands on the colleges without helping them to find the teachers or equipment they need for the 3 million students who are already enrolled.

Wealthy—and Wise?

FORTY-EIGHT more voices have been added to the chorus of advice telling the United States how it should set about the tasks of the future. They belong to a distinguished panel of experts, from both America and abroad, who were asked by the Committee for Economic Development to say what they thought to be the most important economic problem confronting the country in the next twenty years. The CED, which is composed of 150 men and women prominent in business and education, aims to

encourage economic research and education and to guide American economic policy into what it considers to be paths of healthy progress. Its political centre of gravity lies probably in the Eisenhower wing of the Republican party; it was established partly in order to balance the conservative influence of the National Association of Manufacturers. The present symposium, which was conducted with the aid of a grant from the Ford Foundation, represents a collection of individual views, not a policy statement by the committee itself. The views it has sponsored, however, have a notably liberal ring.

More than a third of those who submitted papers said they thought that aid to poorer countries was the most urgent problem facing America. None, despite the clouds now hanging over the American economy, placed the possibility of a depression at the top of their list, and only eight were primarily concerned about the perils of inflation. A remarkably high proportion of the contributors put the emphasis, not on the preservation or expansion of the wealth of Americans, but on the need to persuade them to spend it wisely. Some of those who advocated foreign aid as the best outlet for American plenty showed awareness of the political problems that a prolonged distribution of *largesse* is liable to create. The fact that American dollars too often carry with them Americans, and at least the appearance of American influence, is a difficulty that has also been exercising the Administration. It is discussing whether it should replace a good many of the American technicians working on aid projects overseas with locally recruited substitutes; Mr Nixon is said to have decided on his recent world tour that the presence of some Americans caused more resentment than they were worth. American diplomats in Asia and the Middle East are said to be fighting his view.

Even among the CED's contributors who dwelt on American domestic needs there was a powerful body of opinion which thought that redistribution of riches, rather than their further accumulation, was the principal task to be tackled. Several papers urged that attention be given to the removal of the social and geographical "pockets of poverty" that survive in the United States and to the betterment of sprawling and congested urban areas. Declarations of this kind will give point to the growing sentiment that America ought to divert more of its resources from personal consumption to improving its public services.

Delay in Dallas

THE next crisis in the struggle over racial integration in southern schools had been expected this month, in Dallas, Texas. But now the Circuit Court of Appeals has delayed indefinitely the order, made last September by Judge Atwell, which required that Negro pupils be admitted to white schools when the next term began on January 27th. The Appeals Court decided that the 88-year-old Judge Atwell had acted hastily and unreasonably and that he had not fulfilled his legal duty of paying due regard to local conditions when he set a date for integration; he had held no hearings and had allowed the Dallas school authorities no time in which to prepare a plan for orderly integration—something which they say they will do by next summer. A disorderly failure to integrate might not have been unwelcome to Judge Atwell, who believes that the Supreme Court exceeded its powers and stepped from the legal into the sociological field when it made its historic ruling on the schools in 1954. His September order requiring immediate integration was issued in what looked like a fit of pique after the Appeals Court had reversed his two earlier refusals to force the Dallas authorities to integrate their schools.

About one-sixth of the 100,000 schoolchildren in Dallas are Negro; it is a place with a strong southern outlook but it is also a prosperous growing city, a financial and industrial centre of a wealthy state, which has had a heavy influx of new residents from the North recently. For this reason it had been regarded as a test case and also because, if the school authorities had been obliged to carry out Judge Atwell's order, they would have risked losing their share—about $1.5 million a year—of funds from the state. The legislature has decided that any school integration which has not been approved by local voters will be penalised in this way and the judge had allowed no time for the necessary referendum.

The Texas Legislature recently went even farther in its defiance of the Supreme Court and authorised the closing of any school where troops were needed to keep order, as they have been since last autumn in Little Rock, Arkansas. There the last of the regular soldiers were withdrawn over a month ago, but National Guardsmen—territorial troops—remain outside the Central High School and will have to stay, according to Governor Faubus, as long as the nine controversial Negro children continue to attend classes. But he has hailed the Dallas decision as showing a way out of the stalemate he has brought on Little Rock, for there the school board, itself quite ready for integration, never appealed for a postponement of the local court order which required that Negro children be allowed to attend white schools last September. Now, Mr Faubus thinks, the board should follow Dallas's example and appeal in its turn.

Oil for the Trade Act

PRESIDENT EISENHOWER'S Christmas present to Canada was hardly that of a good neighbour. By extending "voluntary" restrictions on imports of oil to the five western states on Christmas Eve he deprived the hopeful young petroleum industry on Canada's west coast of part of its nearest and most promising market—and one that had been expected to expand rapidly—in Washington and Oregon, states which produce no oil of their own. Not surprisingly Ottawa has protested bitterly against the new restrictions. Where Canada is concerned these cannot even shelter behind the excuse of being necessary to the national security for, in the event of war, Canadian oil would be as available to the United States as its own domestic supplies. Therefore, if imports are being curtailed, as is officially claimed, in order to encourage the development of plentiful reserves at home for use in case of an emergency, then the restrictions should not affect Canada. The same argument can be applied to Venezuela, although to a lesser degree since oil from there comes to the United States by sea. This other important supplier of petroleum to the west coast has also protested, but rather more politely than Canada.

The real consideration in the minds of the President and his advisers was not of course the national security, but the renewal of the Reciprocal Trade Agreements Act. Three years ago an attempt by friends of American oil

producers to write mandatory quotas on imports into the Act was only frustrated by the Administration's undertaking to deal with the situation under its discretionary powers to ease the impact of tariff reductions which fall too heavily on American industries. This year the protectionists are expected to concentrate on an effort to take these discretionary powers away from the President and to put more rigid provisions directly into the Act. He will find it difficult to win this battle unless he can show that he has in fact used the discretionary powers to help American industries.

Certainly last summer's attempt to help domestic oil producers could easily have been made to look ineffective if the restrictions on imports had not been extended to the west coast, originally excluded because it does not produce enough oil for its own use. At that time the Administration suggested that imports of 275,000 barrels a day would be a suitable quantity for the region; in fact, importers have been planning to bring in 348,000 barrels a day during the first half of this year. The importing companies which have been trying to make up on the west coast for some of the markets lost elsewhere in the United States as a result of the restrictions there have themselves to blame that imports to that region, too, have now been cut—to 220,000 barrels a day.

Angel on Broadway

FROM A CORRESPONDENT IN NEW YORK

ON Thanksgiving evening, November 28th, when the curtain fell on the first performance of *Look Homeward, Angel,* a new play based on the novel by Thomas Wolfe, it was obvious that the producer, Mr Bloomgarden, had a smash hit on his hands. Its success has brightened a rather dull season in the theatre. Of the more than thirty plays which have arrived in New York since September, only a handful have been well received, and even these have aroused no great enthusiasm.

This is not unusual; the great hit is always rare. During the average Broadway season, which runs from September to June, about eighty dramas, musicals, revues and comedies come to town, but only about fifteen win sufficient critical, popular and financial success to justify their occupying one of the 28 theatres which are all that are left of the eighty that New York had twenty years ago. In that period, the average cost of production has more than tripled. The cost of putting on a straight play today runs to more than $80,000, while some musicals take more than $350,000. Thirty years ago, 264 plays were produced in a single season. Now there are too many plays clamouring for too few theatres for Broadway to have room for anything but the most overwhelming kind of success.

The birth of a play is a risky business, from every point of view. But the possible rewards are high enough to make the gamble tempting to many. Last year, for example, 10 million theatre-goers spent a record $37 million on tickets for the 86 productions on Broadway, the traditional theatrical district; how many people spent how much to attend the 72 plays produced off-Broadway is anybody's guess. While most of the shows soon close and cost their backers most or all of their investment, some make fortunes. *Abie's Irish Rose,* for instance, returned $2 million for each $1,000 invested; *Tobacco Road* earned $215,000 for each $1,000 put up by its backers; and there are others which have been almost as lucrative. Such fabulous profits were earned, for the most part, during the nineteen-thirties and earlier, when costs of production were much lower than they are today. But even now some shows, such as *My Fair Lady,* are gold-mines.

This is likely to be the case with *Look Homeward, Angel.* While most Broadway dramas use only one set, and cost about $80,000, *Look Homeward, Angel,* has two sets and a very large cast for a straight play. As a result, it was calculated that $125,000 would be needed for the show, with a 25 per cent overcall (the right to ask backers to find an additional 25 per cent above the original investment). Seventy investors put up an average of $2,150 apiece, and just before rehearsals began a group known as Theatre 200 Inc. contributed $50,000 and was taken in as co-producer. But several weeks before the opening, the *Angel's* backers were relieved to hear a clamour for tickets, as rumours of the play's quality began to circulate. The advance sale soon stood at more than $300,000. Theatre parties were busily buying up the entire house for specific evenings, and the ticket agents hurried to stock up.

Within a few days, *Look Homeward, Angel,* was sold out until well into the spring. Its weekly takings will be more than $40,000, while the actors' salaries, royalties and other operating expenses amount to about $26,000 a week. Thus within ten weeks the play will have earned enough to repay its "angels" and begin returning profits. Every ten weeks thereafter, as long as it plays to capacity audiences in New York, these backers will double their money. Moreover, they will share in the profits of performances staged outside New York, and in the returns if the play is sold to Hollywood.

WHILE *Look Homeward, Angel,* is attracting a great deal of attention, another aspect of the New York theatre is exciting almost as much interest as the Broadway stage. This is off-Broadway—that collection of small theatrical companies which produce plays in basements, attics, churches and any other available space in Greenwich Village, along the east side, on the west side and all around the town. There is a growing interest in the theatre—from both sides of the footlights—despite the decline in the number of plays produced on Broadway and the continually mounting cost of tickets. Actors Equity, the performers' trade union, notes that its membership in the past five years has risen from 6,000 to nearly 10,000. And all these actors are looking for places to show what they can do.

Several years ago groups of performers, directors and other theatre people began to produce former hits, near-hits and the classics on small stages before small audiences in Greenwich Village, New York's Bohemia. The success of one of these groups—Circle in the Square—put the off-Broadway stage on the theatrical map. The critics and the public were enthusiastic over its productions of such plays as Tennessee Williams's *Summer and Smoke,* Calder Willingham's *End as a Man,* and Eugene O'Neill's *The Iceman Cometh,* now the longest running show in New York. As with all the off-Broadway companies, the actors were young, well-trained professionals seeking to make their names; out of this group alone have come some of today's biggest stars.

In 1955-56 about 46 plays were produced off-Broadway, compared with over 80 in the established theatrical district. Last year the numbers were nearly even and this year

Broadway may have to take second place. Some groups, such as Circle in the Square, have tended to concentrate on old plays by established modern authors ; others, such as the Phoenix, have assembled casts studded with stars from Hollywood and Broadway and produced a variety of plays ranging from Shakespeare to new shows ; still others have experimented with dramas and musicals which have not been able to gain a hearing on Broadway ; and the Shakespearwrights have had resounding successes.

The costs of these off-Broadway shows can be kept very low. Many are "theatres in the round"—with the stage in the centre of the audience—which demand little scenery. They use small and inexpensive theatres, thus saving on rent. And they pay their actors very little—between $30 and $40 a week, instead of the salaries which on Broadway may reach thousands of dollars a week. Companies with such low costs are able to perform before small houses of 200 people or less and still earn tidy profits. And they are also able to take chances on new and unusual shows, old plays which failed on Broadway, and the classics—all things which are too great a financial risk for the major producers in the established theatres.

In the last year it has become fashionable to beat a path to these out-of-the-way theatres. The ticket agents have for some time been handling seats for such small theatres as the Phœnix and Circle in the Square, but until recently they have boycotted the groups performing the classics. Just a few weeks ago the agents began to sell, at their centrally placed mid-town offices, tickets to the Shakespearwrights' production of *Julius Caesar*, which has won much favour from the critics. And they are selling all the tickets they can get, despite the facts that the play is by Shakespeare, who has never gone well in New York, and that the names of the actors are unknown on Broadway.

Hoosier Hatchets

WASHINGTON, DC

SENATOR JENNER'S decision to give up the life in Washington that he was finding so distasteful and to go back to practising law in his home town has, in the artless words of his colleague, Senator Capehart, "split the Republican party down the middle" in Indiana and offered the local Democrats an unexpected prospect of success. Hoosier politics—the Hoosiers being the traditional name for the inhabitants of Indiana—are predominantly Republican, almost invariably conservative, highly professional, particularist and personal, and often very savage for impenetrable local reasons. Among the state's Republicans there are two main factions, the right wing associated with Mr Charles Halleck, the deputy leader of the Republican minority in the House of Representatives, and the extreme right wing, to which Senator Jenner and the present Governor, Mr Handley, belong. There was once a "middle of the road" group headed by the previous Governor, Mr Craig, but like nearly all the younger Republican leaders picked out by President Eisenhower during his first term as showing particular promise, Mr Craig is now an extinct political force.

Indiana's Republican party has one very special characteristic: its leading members regularly predict each other's defeat at the hands of the Democrats. Senator Capehart expressed confidence that Senator Jenner would be defeated in 1952 ; but Mr Jenner, who is probably Mr Eisenhower's most implacable foe, shared in the President's electoral triumph. In 1956 he returned the compliment by stating openly that Mr Capehart, who was then up for re-election, would lose by a margin of 200,000 votes. Mr Capehart won by 212,000. Before Mr Jenner announced his retirement, both his fellow Senator and Mr Craig had been saying that his defeat was certain next year. However, practically everybody else, including most of the Democrats, felt sure that he would win.

Governor Handley, who shares most of Senator Jenner's extreme views but does not normally express them in the same hysterical language, would like to succeed him in the Senate. But last week a microphone inadvertently left on in a closed meeting of the Republican party's leaders in the state relayed to delighted reporters the outspoken opposition of Senator Capehart and Mr Halleck. These now pass, in the absence of the genuine article, as the leaders of the Eisenhower Republicans.

SENATOR CAPEHART, a round, bumbling business man who made his fortune from juke boxes and high fidelity, has never maintained allegiance to any one faction, but at different times has hitch-hiked with them all. Although he once described Mr Eisenhower as "the Democrats' choice as Republican candidate," he has lately taken to speaking up in the Senate in defence of the President's policies. Mr Halleck, a political mechanic of some skill and great seniority, has represented himself ever since the President took office as being the archetypal "Ike man" and has been accepted in the White House on his own valuation, although he sabotages any liberal measure on the President's programme whenever he feels he can get away with it. His prestige in Indiana is high, and most factions would probably rally round him if he were willing to accept the Senate nomination. But for many long years he has been eating his heart out in bitterness waiting for Mr Martin to retire from the party leadership in the House of Representatives. This would make Mr Halleck the Speaker if the Republicans won control of Congress. He would be unlikely to abandon these rewards of his long service in the House for the sake of becoming a very junior Senator.

Indiana is one of the few states which still nominate candidates for important offices at party conventions instead of by primary elections. From the eavesdropped exchanges it is apparent that there will be a major battle at the convention next summer between supporters of the national Republican Administration and those of the state Republican Administration.

The most immediate beneficiary of these differences is likely to be Mr Paul Butler, the national chairman of the Democratic party, who is a Hoosier and has been toying with the idea of running for the Senate next year. Although Democrats are seldom elected in Indiana, Mr Butler is a hard-hitting campaigner and Senator Jenner's retirement makes his prospects much more tempting. His candidature would not be universally welcome to Hoosier Democrats ; two old-style politicians, Mr McKinney and Mr McHale, cronies of Mr Truman's whom Mr Butler tossed out of the leadership of the state party, have been intriguing against him ever since. But it is possible that they may grudgingly accept his senatorial ambitions as the price to be paid for his departure from high party office.

THE WORLD OVERSEAS

The Two Faces of France

FROM OUR PARIS CORRESPONDENT

THIS New Year is a good time for stock-taking in France, partly because the country's crisis is so spectacular and should reach a climax in the coming months and partly also because 1957 and 1956 together form the main watershed of French affairs since the war. In these two years the French Union has been tossing in what looked like death throes in Algeria, throwing out disastrous metastases at Suez and in political life in Paris, yet renewing itself in black Africa with reforms that point to a new kind of commonwealth. France itself has seen the culmination and end of its greatest boom since the early years of the century, and this has made possible the common market and a probably decisive step towards European unity. Finally, oil discoveries in the Sahara have symbolised both oversea troubles and technical rejuvenation. Seen from a distance, France's progress looks like that of a bicyclist careering madly downhill. Nearer at hand, the motion resembles a seesaw with the weight of a political past turned to lead at one end and the strength of a new economic and social vitality at the other. The year 1958 will probably decide which tips the balance.

The rate of growth of French output since 1953 has equalled Germany's and has outstripped that of all other European countries. Although big industry has raised production 45 per cent in four years, the figures matter less than the changes of attitudes that expansion has brought. France has not experienced such progress for a generation —a generation that had suffered continuously from inflation, or unemployment, or humiliation in war. Peeling stucco on grey city walls had become the apt symbol of a great country fallen on evil times. As the American, Mr John E. Sawyer, pointed out in an acute essay written in the forties: "industrialism has not realised its potential in France. . . . French society has accordingly experienced far more of the social problems of industrialisation than of its economic product."

The stormy thirties and forties assumed that only violent change from left or right could save France. The nineteen-fifties have at last provided some of the counterbalancing "economic product." In 1956, for the first time in years, the best French manufactures reached the top international class. French methods of electrification of railways have been adopted in Britain and India. French mining engineers are modernising the Japanese mines. The Renault Dauphine in a single year has become the nearest rival to the Volkswagen in America. French aircraft, dams, and electronic telecommunications have become respected on the world markets. French industry still has innumerable dark recesses of defeatist traditionalism, but the climate has changed. Executives of a younger generation have reached the top in business, and some, like M. Felix Gaillard, in politics. For many bankers and industrialists whose peasant-like self-defeating caution was formerly notorious, expansion has now become a fetish—to the exclusion, even, of common sense—in dealing with the trade crisis. As for the wage-earner, his position advanced more in France between 1953 and 1956 than in almost any other country. Recent inflation has probably cut two years out of this progress, but meanwhile the attitude of the trade unions has changed. Their vitality, sapped by political strife and strikes in the nineteen-forties, has been revived by chances of bread and butter bargaining, instead of ideological stone-throwing. Even the student today is said to be far less ideological and more concerned with facts than his recent predecessor. Rising population, a bountiful agriculture easily improved, and the new sources of energy which will gradually wipe out the old handicap of poor coal seams, give France every prospect of acquiring a fertile modern economy. Inside every Frenchman there is a Jules Verne crying for release. Beneath the disgust with government and the humiliation over repeated retreats, there is a strong hidden tide of optimism in the country. For all the mental reservations one can make, the acceptance of the common market has involved for France a bigger revaluation, not only of Germany, but of itself, than is usually realised.

Curiously, all this progress has been achieved against the grain of the anachronistic obsessions of French political life. Algeria today is the walking ghost of the past which the French have not laid. The government's condoning of tortures and the harrying of domestic critics—and the lack of any loud protesting echo in the country—are only the most flagrant signs of a dangerous political rot. The last two years have brought out all the nationalism fermented by the defeat of 1940 ; all the Frenchman's heroic notions of honour, which make him see even colonial wars as a kind of single combat in which calculations of expediency are despicable ; and all the far from heroic permutations of the party political round. The emotional confusions have been clearer on the sidelines of Algeria than on the Algerian field itself. The antagonism of race in Algeria is, after all, only equalled in South Africa, and that kind of tension is the hardest in the world to relax ; but the preference for attitudes over realities is patent when it comes to views on foreign intervention or on the trade crisis. The French have constantly suspected the foreigner, especially the American, lusting, as it is supposed, for Sahara oil, of trying to oust France from North Africa. In fact the French have had an unbelievably favourable international climate. The Russians, the Americans, the Tunisians and Moroccans, the French African negroes, and even India and the United Nations, all for varying reasons have been reluctant to aggravate France's difficulties. If ever a country had a free hand it has been France.

Reluctance to face issues is equally clear over the trade gap. Because of the boom French governments were able for a time to run the war without reaching into the French-

man's sensitive pocket, but the price was a steady erosion of foreign exchange reserves which governments, with their usual taste for brinkmanship, never resisted till they were hanging over the precipice. Yet you still hear innumerable speakers insisting on expansion at all cost. It is the irresponsible refusal of the parties to give up their slogans for a programme, and their incapacity to see Algeria or the financial crisis whole, that make plausible the fears that 1958 may see the end of the regime.

On the threshold of 1958 there are two Frances. One is the utilitarian aggregate of private citizens, who are moving fast into the twentieth century, and who are impatient of the rising prices associated increasingly with Algeria which hamper further prosperity. The other is those same citizens and the army as heirs to a nineteenth-century empire and a nineteenth-century view of the world, who are ashamed to give way to guerrillas in Algeria—and, it must be added, to "abandon" their kin. The pessimist says that in 1958 the economic crisis will intensify the passions of the Algerian struggle and pave the way for a coup d'état. This seems less likely than the optimist's hope that the pressure of rebellion in Algeria, and of austerity or rising prices or both, will bring opinion down to earth, loosen M. Mollet's grip on the Socialists, and incline Parliament towards negotiations. But there is still a third possibility. The government claims to be winning a military victory over the rebels, and hopes to staunch inflation as well, at least in part by cutting investment. The danger of such a "victory" would be that, without allowing one soldier to be released from the Algerian vigil, it would encourage the Right in its refusal of reforms, and postpone all economic expansion in preparation for the common market. The year 1958 would then break a French renascence simply by perpetuating the political spinelessness of the last two years.

Canada: the Candid Ally

FROM OUR CORRESPONDENT IN OTTAWA

THE curious ambivalence which characterises in one form or another the relations of all the Nato countries with the United States takes a particularly sharp form in Canada. In defence matters no other country lies in such a close American embrace: defence against air attack is planned as though the two countries were one. When the Canadian ministers returned from the Nato meeting in Paris, they found waiting for them a proposal, already worked out by officials of the two governments, for building new bases in northern Canada from which tanker-planes of the US Air Force could take off to refuel the strategic bombers. A refusal is hardly possible. The Conservative government placed the last formal coping stone on the integration of air defence commands last summer, when it sent Air Marshal Slemon, former chief of the air staff, to Colorado Springs as "deputy" to the commanding American general. But if there is any truth in all the standard policy utterances, an even more vital part of Canada's air defence lies in maintaining the nuclear deterrent of the Strategic Air Command.

Yet for all the submissiveness to United States requirements for the defence of the North American continent, Canada's constant, underlying uneasiness about American diplomatic and political views reached a new intensity before, during and after the Nato meetings. It is becoming more outspoken. In reaction from negative policies towards Russia, Canadians are increasingly convinced that results could be obtained from patient and painstaking diplomatic dealings with Russia. In oversimplified form, the feeling growing here—and taking on a new sharp edge of irritation with Washington—is now coming close to denying the fundamental premise of American policy. The Americans, it is said here, behave as though Mr Khrushchev and his colleagues were merely waiting for a favourable opportunity to launch war upon the United States. The military men in the Pentagon are therefore striving constantly to increase their forces. But Canadians are less and less inclined to believe that the present regime in Moscow has any intention of making war, even if it has a passing superiority in weapons. From defence planners on the western side (led by the Pentagon generals but with a fair following from other countries) comes the fear that Russia's rockets might enable it to knock out the United States retaliatory force before it could get into action, and thus remove the stalemate of mutual capacity for destruction. But from the Russian side, it is noted here, there is not the slightest sign that anybody believes that the American power of retaliation has been removed. Neither in public nor in private do the Russian leaders talk as though their missiles had ended the stalemate, or given them potential immunity from nuclear attack.

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All this had made the Canadian government somewhat sceptical about the urgent need to rush missiles or nuclear stockpiles into Europe. And even if the Pentagon's case was stronger than they believe it is, Canadians still would say that the political case against scattering nuclear armament around the world is far stronger than the Americans seem to have realised. At the Nato meeting in Paris, Canada was just about the first to object to Washington's first proposal of what should be done—a proposal that seemed to be based on the belief that the one thing the world wanted was a great demonstration of increasing Nato power to counterbalance the "sputnik craze." Nothing could have appeared here to be more out of touch with the facts. The one thing most of the world feared, it appeared to Canadians, was another panic American rush to get more nuclear weapons more widely distributed and more closely threatening Russia.

Soundings that were immediately made in the other Nato capitals suggested that, while some fresh military measures might have to be taken, Nato's object must be to set them in a framework of closer co-operation and peaceful intentions. Agreement was general, and nowhere warmer than in Bonn. Dr Adenauer's role, both in regard to Mr Bulganin's letter and at the Nato meeting itself, is very highly praised in Ottawa. His insistence that the Bulganin letter must be explored corresponds entirely to Canadian views. Even if there were nothing else in it worth attention, the proposal for a nuclear no-man's-land of Poland, Czechoslovakia and both parts of Germany simply had to be taken seriously. It is believed here that the idea did originate with the Warsaw government, and it is known that the Poles are pressing it as hard as they can. For them, and for the West, it is believed that this may be the only way of avoiding the permanent establishment of Russian military forces throughout eastern Europe. To put missiles into West Germany, in other words, might mean the permanent subjugation of eastern Europe.

This is the really serious, vital question left by the Nato meeting, as it is seen here; and thankful prayers are offered that Dr Adenauer and Herr von Brentano are parties to the decision as well as Mr Dulles and General Norstad. To spread more nuclear devices through other countries such as Turkey or Italy or France would, it is agreed, matter less. But grave doubts are still felt about the wisdom of doing so. The worst case, after Germany, is thought to be Turkey. Any sober political calculation must relate the stationing of nuclear weapons in Germany to the prospects of achieving a Middle Eastern settlement: it cannot merely accept the soldier's eagerness to get launching sites as near to Russia as possible. And how the chance of a Middle East settlement could be improved by putting nuclear armament into the hands of the Turks, sober observers here cannot see.

Nato's move towards closer military integration, specially the talk about co-ordinated production, is welcomed: so, even more warmly, is the work of the scientific committee. But the value of the proposed steps can hardly be judged until they are worked out in practical form. Meanwhile there remains the depressing fear that, for all the wordy talk of the final declaration, the United States has not really come close to the belief in political and diplomatic efforts which Mr Pearson and his successor, Mr Smith, have both expressed. When they contemplate the Washington policy-makers Canadians are getting unhappily near to adapting the saying of the Duke of Wellington: "I don't know what the Russians will think of them; but, by God, they frighten me."

Israeli Tangle

FROM OUR CORRESPONDENT IN TEL AVIV

AFTER a fortnight of dreary negotiations between the coalition partners Mr Ben-Gurion resigned on Tuesday; this involved the resignation of the whole cabinet. The crisis started when Achduth Avoda made public the government's intention of sending a "high-ranking personality" to Bonn, thus knocking the mission on the head for the time being. Mr Ben-Gurion told the Knesset later that the purpose of the mission was to sound the west Germans on the possibility of obtaining certain defensive weapons. He indicated that these weapons were necessary because of the Russian submarines that Egypt had bought last summer.

In his letter of resignation the prime minister accused Achduth Avoda of publishing cabinet secrets. That party, and Mapam too, have indignantly denied these Mapai accusations; they stress that arms may and should be bought wherever possible, provided no political strings are attached. This provision is all-important for neutralist Mapam, which stubbornly maintains that Mr Ben-Gurion is not just interested in collective cabinet responsibility, but brought on the crisis in order to clear the way for far-reaching new political plans. Both left-wing parties and some other circles stress that Russia's increased hostility would outweigh the advantages of additional arms and that Israel's security depends on a four-power agreement in the Middle East. They argue that the road to such an agreement, although very difficult at present, might be completely blocked by whatever sort of arms deal with Bonn is contemplated. Thus the cabinet crisis was precipitated not only by Achduth Avoda's unauthorised publication of the Bonn mission, but also by deep differences of opinion over foreign policy within the coalition.

Mr Ben-Gurion is now trying to form a new government. There is a possibility of a small coalition composed of Mapai, with forty seats in the Knesset, Hapoel Hamizrachi, with eleven seats, and the Progressives with five seats. Assuming that the five Arabs who go along with Mapai would vote with the government, this would furnish a total of sixty-one in a parliament of 120 members. This small majority would be strengthened by the tacit backing of the orthodox Agudath Israel. The inclusion of the General Zionists in the cabinet is considered unlikely at present, but experience has shown that surprises are always possible in party negotiations.

If the formation of a coalition should prove too difficult, the possibility of holding new elections would come up. Some newspapers are already advocating this course. They point out that the last coalition, made up of three Labour parties, Progressives and Hapoel Hamizrachi, represented the will of the people according to the results of the elections in the summer of 1955, but that conditions have changed completely in the meantime and the common platform of the coalition partners has been eroded by recent international events. Mapai, however, appears not to relish the prospect of going to the country in the near future. It wants to concentrate on the celebrations for the tenth anniversary of the state, beginning in April and scheduled to last for the whole year. Moreover, new elections might be delayed beyond the statutory 170 days because the voters' registers are not up to date. The minister of the interior revealed that at least eight months would be needed to prepare the registers.

According to Israeli parliamentary custom, the outgoing government remains in power as long as no new cabinet has been formed. Thus the ministers whom Mr Ben-Gurion wishes to get rid of remain at their posts as long as no new government is formed. This may spur the prime minister in his negotiations.

Soviet Economy in Transition

"FIVE-YEAR-PLAN" is a term that Russia has given to the world. But the word itself will soon be dropped from the Soviet vocabulary. From 1959 Soviet economic planning is to be geared to seven-year periods. The current year, for which the plan and budget were approved last week by the Supreme Soviet, will, therefore, be a year of transition. It will be so in more senses than one. Mr Khrushchev's managerial reform is still being put into practice and the process of decentralisation still goes on. Mr Zverev, in his budget speech, announced that the individual republics will have much bigger funds at their disposal than before. Mr Kuzmin, the new chief planner, proclaimed that the plan now covers only the main targets so that more scope is left for the regional economic councils. A draft plan for 1959 is also being prepared so as to provide time for counter-proposals from below. The planning machine is clearly being overhauled.

All this foreshadows important changes in method. The contents of the plan and the budget, on the other hand, do not indicate any great changes in economic policy. On the revenue side of the budget the share of the turnover tax, levied mostly on consumer goods, will be somewhat increased; the planners seem to expect a rise in consump-

tion of nearly 10 per cent. The increase in revenue from the profits tax should reflect higher production by the state enterprises. The decline in direct taxation, never very important in the Soviet Union, is due to a lifting of the "tax on bachelors" and other small concessions on income tax. Finally, the almost total disappearance of revenue from state loans confirms the fact that this form of forced saving is coming to an end in Russia.

SOVIET BASIC PRODUCTION
(mn. tons)

	1955	1957	1958 plan	1960 original plan
Coal	391	452	478	593
Electricity*	170	210	231	329
Crude oil	71	98	112	135
Crude steel	45·3	51·1	53·6	68·3

* Billion kWh.

More than two-fifths of the budgetary expenditure now goes into economic development. In the growing industrial investment more has been earmarked for such modern branches as chemicals and plastics; for gas and oil; for more mining of scarce iron ore; and, as usual, for machine-building. Social expenditure now accounts for just over one-third of the total. Most of the increase is due to higher pensions. But scientific research and education are also getting a bigger slice. The Russians have not been made dizzy by their high-flying sputniks. Indeed, one of their leading scientists, the academician Nesmeyanov, addressing the Supreme Soviet, mixed praise for the Russian achievement with blame for various shortcomings, particularly for the antiquated equipment in some branches of industry. He freely admitted that in certain scientific fields the Soviet Union still lags behind the United States. The educational drive, however, is in full swing. One figure will be enough to illustrate it: 1.34 million pupils—or about one half of the young people in the relevant age group—are expected

SOVIET BUDGET
(bn. roubles)

	1957 (est.)	Per cent	1957 (act.)	Per cent	1958 (est.)*	Per cent
Revenue:						
Turnover tax	273·3	45·1	274·7	44·7	300·5	46·8
Profits tax	116·0	19·8	‡	‡	130·3	20·3
Direct tax	51·5	8·3	53·2	8·6	49·8	7·8
State loan	25·6	4·3	‡	‡	4·6	0·7
Other†	144·8	23·5	‡	‡	156·7	24·4
Total	617·2	100·0	614·5	100·0	641·9	100·0
Expenditure:						
Grants to national economy	244·1	40·4	220·5	36·9	257·2	41·0
Social and cultural services	188·2	31·1	198·2	33·1	212·8	33·9
Defence	96·7	16·0	‡	‡	96·3	15·3
Administration	11·9	2·0	‡	‡	12·0	1·9
Other§	63·7	10·5	‡	‡	49·4	7·9
Total	604·6	100·0	598·2	100·0	627·7	100·0

* Revenue: total raised to 643·0 billion roubles. Expenditure: revised figures. † Including insurance funds, collective farm taxes and profits of MTS. ‡ Figure not available. § Including interest and premiums on bonds; advances to banks.

to matriculate in the current year. Finally, defence expenditure remains almost unchanged, though its share in the total is slightly reduced.

According to the figures given by Mr Kuzmin, Soviet gross industrial production rose last year by 10 per cent—that is, faster than planned. National income, on the other hand, increased less than scheduled, by only 6 per cent. A small harvest largely accounts for this. Mr Khrushchev's programme for developing the virgin lands miscarried last year and the poor grain crop will affect his schemes for livestock breeding.

In the current year industrial output is to increase by 7.6 per cent, with heavy industry continuing to advance faster than light. The slow rate of growth in the steel industry confirms the diagnosis that progress here is hindered by a shortage of ore; indeed, the mining of more iron ore has now been fixed as one of the most urgent tasks. In fuel and power—particularly in oil, gas and electricity—progress is more rapid. Mr Kuzmin was less generous with information about the consumer goods industries. The wages of Russia's lower paid workers have been increased, pensions have gone up, sales are expected to climb substantially, but output of consumer goods is to be only six per cent higher than last year.

For Russia's town population the best piece of news is concerned with housing; 1958 should be the second year running in which house-building has been stepped up by more than a quarter. In 1957 48 million square metres of new floor space were provided in the towns; this year the target is 61 million metres. This is still very little to meet the huge demand, but nearly one square yard per person is a welcome Christmas gift token for Russia's horribly overcrowded town dwellers.

There may be a faintly encouraging international aspect to all this. Mr Khrushchev may be relying on his agricultural schemes to give the Russians a better diet. What they want above all, however, is better accommodation and those industrial consumer goods that are no longer a luxury in advanced western countries. But to provide these in substantially greater quantity it is necessary to reorganise the pattern of production. Mr Khrushchev told the Supreme Soviet that, as long as there is no agreement on disarmament, the Soviet Union will continue to produce the latest weapons; it will, however, try not to overburden the country's economy. In any case, this year's very slight cut in defence spending will certainly not be enough to release resources for a still bigger housing drive or for other consumer investment, both of which would help Mr Khrushchev to consolidate his position. He knows perfectly well that the Russian people do not live by sputniks alone.

South Africa's Races Confer

FROM OUR CORRESPONDENT IN SOUTH AFRICA

For over 300 years white and non-white have lived together in South Africa; and so ingrained is race separation and so unquestioned the white man's political domination, that when 300 men and women of all races—European, African, Coloured and Asian—recently took part in a conference in Johannesburg to seek a common solution to the country's complex and burning problems, it made history as the first gathering of its kind.

The conference had its origin in the challenging invitation of a body seldom heard of, the Interdenominational African Ministers' Federation, which decided, at its annual meeting a year ago, that the future of South Africa lay not in isolationism or a policy of Africa for the Africans, and still less in Nationalist apartheid, but in co-operation between all races. The gathering was organised by the federation and by individuals from a wide variety of organisations. It was attended, in all cases in their individual capacities, by leading churchmen of various denominations, with the notable exception of the powerful Dutch Reformed Church, university teachers and a representative selection of politically minded individuals whose affiliations do not preclude them from multi-racial contact or action. This eliminated some anti-white organisations as well as the Nationalists and the United party. The African and Indian Congress movements were strongly represented, and so was the left-wing Congress of Democrats. It is significant, however, that the conference was not in any way dominated by left-wing opinion. And the fact that such a diverse collection of individuals was able to meet within a few months of the passing of the Native Laws Amendment Act, which seeks to reduce inter-racial contact to a minimum, was in itself a hopeful and significant achievement.

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The most difficult decision concerned political rights, and after lengthy discussion and some hesitation, the conference recorded its belief that only universal adult suffrage on a common roll can meet the needs and aspirations of the people of South Africa. But while accepting as their fundamental aim the creation of a common society, the delegates appreciated "that there is disagreement as to the ways and means of achieving the transition from white supremacy to a non-racial democracy in which these franchise rights may be exercised." Without being able to agree on the speed and the methods of achieving their aim, the participants felt that they should start working immediately "towards the achievement of the goal of a universal adult suffrage." Basic human rights, it was felt, should be safeguarded in a Bill of Rights, which should be an integral part of the constitution. The conference drew attention to the danger of a "headlong collision between the forces of white domination and those of counter-domination," and felt that South Africa must now choose between a common society or the "bitter conflict between these two wills to dominate." The days of white supremacy, it believed, are past, while apartheid simply condemns all people to an "unnatural life of vigilance, anxiety and fear."

The present educational policy that seeks to perpetuate white domination, accentuate ethnic differences and resuscitate tribal nationalism was condemned, and the day when compulsory segregation in schools is ended was envisaged as a prelude to the establishment of a peaceful multi-racial society. All colour bars in industry, as well as discriminatory labour restrictions based on colour, should be abolished, and workers should be entitled to a living wage according to civilised standards. When the conference turned to religion it took its stand on the conviction that "all men are made in the image of God for a divine purpose, possessed, therefore, of an inviolable personal dignity, irrespective of race, colour or culture." From there it followed naturally that the conference agreed that "any good society must guarantee civil rights to its citizens, and that these civil rights are fundamental to human freedom." To withhold civil rights for reasons of race or colour or creed "is a violation of moral principles and civilised standards," and the conference was urged to elect a standing committee to "publicise the pernicious effects of the denial of civil rights involved in the pass and other discriminatory laws, and to encourage united opposition to laws withholding civil rights."

What did the conference achieve? It demonstrated, by its adoption of the Universal Declaration of Human Rights, that not all South Africans are out of step with world opinion. It showed, too, that despite years of frustration, conflict and naked discrimination, despite race prejudices instilled from the cradle to the grave, it is still possible for some South Africans to meet in an atmosphere of reason and goodwill to discuss their conflicting ideas and aspirations. Finally, it showed the measure of real ability possessed by the educated Asian and African communities.

The conference is unlikely to produce any short-term political results. The overwhelming majority of whites would be horrified at the thought of giving the vote to non-whites on anything approaching universal franchise; and many of the other conference decisions would be rejected out of hand by the white electorate. That, however, will not deter the organising committee from carrying on with its work, although it is not clear precisely what action is to be taken or what tasks tackled. Attempts are to be made to broaden the base of the sponsoring organisation and to establish a fully representative continuation committee; in particular, approaches will be made to the Afrikaans churches and the Nationalist-inspired South African Bureau of Racial Affairs. It is doubtful whether these will succeed.

Even if Bishop Reeves of Johannesburg was being over-optimistic in saying that the conference might well go down in history as "the beginning of the turning of the tide in South Africa," the fact that it took place at all is important. It was certainly held at a time when the Nationalists are less optimistic and certain about apartheid than ever before, and when an American missionary, Dr Ray Phillips, had just said, after forty years' work in Johannesburg, that he hoped he was witnessing the death-throes of apartheid. But it is not only Nationalist opinion that is the stumbling block: it is white opinion. That is where the conference might have its most important effect; in opening the eyes of South Africans to the grim realities of the race situation and the urgency of doing something positive about it.

Prelude to Singapore's Independence

FROM OUR CORRESPONDENT IN SINGAPORE

On December 11th, Sir William Goode, KCMG, was installed as the last Governor and Commander-in-Chief of the Colony of Singapore. Seventeen colonial predecessors had been installed before him but none will succeed him. In former years a governor would have been flanked on such an occasion by a group of officers in white colonial uniform. On this last occasion there was only one other officer behind him in the full dress of the Malayan civil service. The rest of his council were elected ministers of the coalition in power and behind them were ranged the elected representatives of the parties in opposition. The atmosphere was friendly, and the Chief Minister, Mr Lim Yew-hock, made a welcoming speech in which his English education was apparent—even to the extent of a quotation from Lewis Carroll. Present but silent was Mr Lee Kuan-yew, leader of the People's Action Party. Absent was Mr David Marshall, Singapore's first Chief Minister and leader now of the Workers' Party.

From the classical portico of the Victoria Hall those who left after the ceremony could glimpse the sea and, beyond it, the dark outline of islands to the south. These are in

Indonesia, and some may have wondered for a moment at the contrast between the peace and order of Singapore and the growing chaos in Java, Sumatra and Celebes. The events of the succeeding weeks have not abated the chaos but they have lessened the contrast. For the stream of Dutch and Eurasian refugees now reaching Singapore, and being humanely received there, has inspired Mr Lee Kuan-yew to observe, in the Legislative Assembly, that the Indonesian example in nationalising colonial-owned firms is one that might well be followed in Singapore.

The voice of an opposition leader may not seem important in itself, but the recent municipal election results lend a new significance to the PAP attitude. They seem to foreshadow what may be the results of this year's general election. There have been rumours, it is true, of a coming coalition between the Labour Front, now the majority party, and the PAP. But even were this coalition to become effective, it is likely that the PAP will be the dominant partner. It must be remembered, furthermore, that Mr Lee Kuan-yew, with his talk of expropriation, represents the right wing of a party of which the left wing leaders are detained for sedition.

The details of this recent election to the City Council do not reveal a burning interest in local politics, for the 165,526 people who voted comprised only 32.9 per cent of the municipal electorate. This was partly due to rain and partly to the fact that perhaps 100,000 names on the register were those of voters who had moved since registration to some other address. There is little reason, however, to suppose that a higher percentage of voters would have produced a different result. As things were, the PAP had a clear victory with 13 seats out of the 32, and the Labour Front only got four seats. Of the candidates elected, 22 were Chinese, 4 Indian, 3 Eurasian and 3 Malay. Of the PAP members elected all but two are Chinese.

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These results are to be interpreted in the light of the previous agreement between the Labour Front and PAP to avoid any direct trial of strength. Thus the Labour Front contested 16 seats and PAP contested 14 of the other seats. They did not compete with each other, but the results announced provide a contrast not only in the number of seats gained—13 as compared with four—but also between the total votes cast and between the majorities achieved. The PAP polled 49,100 votes, while the Labour Front could claim only 26,395. Contesting all thirty-two constituencies, the Liberal-Socialists (a right-wing coalition) polled 53,593 as against the 88,506 votes recorded for the three left wing parties combined. The effect of Mr David Marshall's splitting of the Labour Front was to deprive that party of 13,000 votes and four seats ; his fifth candidate failing, significantly, to beat a PAP opponent. As regards the majorities, ten of the successful PAP candidates had majorities of over 1,000 and only one a majority as low as 401. Of the successful Liberal-Socialist candidates, none had a majority of 700 and three had majorities of under 200. The PAP leaders can point out to the leaders of the Labour Front that PAP could have gained the four constituencies which the Labour Front lost to the Liberal-Socialists, and at least one other seat lost to an Independent. The victory of the PAP would seem to be complete.

As a preview of what may be expected to happen in the general election this municipal election is probably not inaccurate. There are rural constituencies outside the city limits of Singapore, and in most countries the rural vote tends to be conservative. It is doubtful, however, whether this is true of Singapore, where the rural voters include, for example, the employees of the naval base and where the actual rustics are few. If the effect of the general election is to cut Singapore off from Britain, and as effectually from Malaya, its future would seem to be dark indeed.

More Aid for Spain?

FROM OUR CORRESPONDENT IN MADRID

GENERAL FRANCO wants to raise the rent. This seems the likeliest explanation of the invitation that Mr Dulles received to visit Madrid for a talk on his way home from the Nato meeting in Paris. The Russian sputniks, the trouble in Ifni, and a relentlessly worsening economic crisis have tilted out of balance the bases-for-aid agreements signed with the United States in 1953—or so Madrid believes. Therefore reappraisal is necessary and the Americans should not be too much surprised if what the Generalissimo wanted to discuss with the American Secretary of State turns out to have been a substantial increase in economic aid.

Before the Russians launched their first sputnik, the Franco regime was already glumly dissatisfied with the amount of economic assistance received from the United States ; in its various forms, this has amounted to some $700 million. And now that the Russians have demonstrated that they possess long-range guided missiles which the Americans have so far failed to develop successfully, the uncomfortable feeling of having made a bad bargain has become almost unbearable. The Soviet rockets have drastically increased the risks which Spain accepted when it entered into the bases agreements with the United States. At the same time, as the Americans themselves have pointed out, the Strategic Air Command's overseas bases are more vital than ever, since its nuclear bombers will have to be the free world's main deterrent against Soviet aggression until such time as western ICBMs are produced. In Spain the American air force has moved on to the four air bases which are now in their final construction phase and are sufficiently advanced to be available for operational use in case of emergency. Like the other overseas installations, the Spanish bases compensate somewhat for the American lag in long-range supersonic rockets by placing jet bombers within closer striking distance of Soviet targets.

In the Spanish view the increased importance of the bases, and the greater risk that they involve for Spain, justify a "readjustment" of the American agreements. Madrid underscored this sentiment by publishing, on the day of Mr Dulles's arrival from Paris, the text of Mr Bulganin's note to the Spanish government. This note warned Spain of the dangers of having American bases on its soil.

The implications (not publicised) of the Ifni trouble are also of grave concern to the Franco government. What if the fighting breaks out again, spreads to other Spanish territories bordering on Morocco, and drags on for months ? Spain's economy is in no state to take on an African war of prolonged duration. Possible disasters, such as the massacre of Spanish nationals living in Morocco's northern zone, could affect political stability at home, and it was Spain's political stability, as well as its strategic position, that attracted the Pentagon when it was looking for bases.

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THE BUSINESS WORLD

Steel below Capacity

CAPACITY is a word that means different things to different steel industries. In the United States it has a quite specific meaning : for any year, it represents the tonnage of crude steel that could be produced in a normal working year, allowing for holidays and furnace "down time" but assuming maximum demand for every last ton of it, from all the plant that American steelmakers have in operation on January 1st of that year. In reality, new plant will be coming in all through the year—recently, the American capacity has been rising by about 5-6 million tons each year. So towards the end of any year, if business is good, the industry can operate at well over 100 per cent of capacity : and even if it is not the operating rate will be rather flattering. But on January 1st of the next year comes the industry's moment of truth. This January, since December rates of operation were only around 65 per cent of the January 1, 1957 "capacity" of 133.5 million short tons, the truth has looked particularly ugly : the 1958 capacity will be about 140 million short tons, which would alone pull the weekly operating rate down to about 60 per cent. Such a rate must nowadays bring many companies below the break-even point.

STEEL SUPPLIES, 1956 & 1957

Supply	1956	Est. 1957
Home production	20·6	21·7
Re-usable material and supply from producers' stocks	+0·1	+0·1
Imports	1·8	0·9
Total supply	22·5	22·7
Disposals		
Home consumption	18·6	18·5
Consumers' and merchants' stock change	+0·6	+0·2
Exports	3·3	4·0
Total disposals	22·5	22·7

For the British steel industry, capacity has no such precise and practical meaning. Many steelmakers here, indeed, think that is as it should be ; and certainly the conceptual difficulties of measuring furnace capacity, taking into account different mixes of materials, are considerable, even if one stops short of the endless intricacies of trying to rate rolling mills or whole integrated plants. In practice, the British industry has hardly talked about capacity* for several years ; it has not needed to. Its first postwar development plan, in 1946, did propose an increase of capacity to 16 million ingot tons, which at an operating rate of 94 per cent then considered by the industry a satisfactorily "high rate of utilisation" would give 15 million tons of crude steel. In the event, the targets for both capacity and output were altered and surpassed (by the introduction of continuous working as well as the installation of actual new plant). The industry has been able to record actual figures of steadily rising production rather than offer calculations about potential output. Formally, ratings of plant capacity do survive in the pricing formulae of the Iron and Steel Board, and the board did to some extent talk in terms of capacity in its special report on development last summer. But when the industry said it would have the capacity to produce 22.4 million ingot tons last year, and 23½ million tons this year, it was not offering some theoretical measure of maximum potential output from its mills : these, corresponding to the "high rate of utilisation," were the tonnages that British steelmakers would have been glad to produce.

They did not succeed in 1957 ; and in 1958 they do not expect to. Final figures for 1957 are not yet ready, but production was probably just under 21.7 million ingot tons. In November the industry's furnaces could probably have turned out more than 445,000 ingot tons a week : in fact, the weekly rate was about 429,200 ingot tons. Against the possibility of 23½ million ingot tons this year, the industry does not now expect to be able to sell much more than 22 million tons.

* Except in technical discussions at Geneva, where the Economic Commission for Europe is trying to reach some working definitions for the word

For last year Britain used slightly less steel than in 1956; and, though the rate of steel consumption in the last few months may have been a little higher than 12 months before, the British Iron and Steel Federation expects that the tightened credit squeeze will mean "some check to the use of steel at home" in the first half of 1958 and no "marked upturn . . . before the closing months of the year." It does not expect buoyancy in consumer durables, particularly the motor industry, fully to offset the effects of tighter credit on investment, which is a heavy steel user. Moreover, the effect of lower steel consumption on actual steel buying in 1957 was reduced by further increases in consumers' steel stocks (now representing some four months' consumption). The industry as yet sees no sign that consumers are running down these stocks, which must inevitably overhang the market; but they certainly cannot count upon much further stockbuilding. "At the worst," the federation concludes in its quarterly review, "deliveries to the home market should not fall by more than, say, 5 per cent." That "worst," it should be noted, would imply the running down of steel stocks. If it were to occur, the industry's hope of a small increase in output would go by the board: production might be down to not much over 21 million ingot tons.

SOME of the margin opening between flagging home demand and continually accruing steel capacity can be taken up by cutting steel imports. In 1957 these represented nearly a million ingot tons of steel: the industry is cancelling or stretching out its own orders from abroad, and though the motor manufacturers are still having to import some of their sheet, it may be possible to halve steel imports this year. Another expedient, obviously, will be to increase steel exports: this may be harder. The industry pushed up its export tonnage by no less than 20 per cent in 1957, in a steadily softening market. International prices have fallen: continental exporters such as Belgium are fighting hard for the business, and though American steelmakers do not ordinarily cut prices abroad when home demand is slack, they may come under greater pressure yet to run their capacity at a profitable rate of operations. Export premiums have been sharply reduced, though on plate and sheet, for example, they are still significant.

Britain has already closed down a fringe of obsolete plant that can no longer compete, mainly in Welsh tinplate (see page 63). An output "somewhat exceeding 22 million ingot tons" this year would still represent 90 per cent or more of full capacity working and this would be a comfortably profitable rate. Even "at the worst" the industry should still be operating at about the rate that is assumed in working out the controlled prices so as to offer a standard margin of profit to all but the highest-cost producers. But 1958 offers little hope of a rate as high as the steelmakers have enjoyed for several years past. Profit margins on home sales must come under pressure from overheads: and the fat is being squeezed out of export prices. After many mean years, steel companies this year have disgorged higher dividends: in this lean new year, fewer of them seem likely to have the chance.

Power from Fusion

The Government will make a statement on the control of thermonuclear reactions by the end of the month. This article describes the background of the scientific work to turn the principle of the H-bomb into power.

TWELVE months from now it should be possible to classify the outstanding scientific event in each of the three preceding years:—

1956 ... opening of Calder Hall
1957 ... launching of Sputnik
1958 ... control of fusion

Each is an exotic flower grown on a poisonous military plant—two nursed to maturity in this country and one in the Soviet Union. To decide which of the three will have the greatest impact on society and on the world's economies will need more than twelve months; but controlled thermonuclear fusion, with its promise of immense power and unlimited fuel from the sea, has the fairy-tale appeal of a cornucopia that lesser mortals miss in the chilly prospect of a journey to the stars. But is it more than a fairy-tale? The technical difficulties in the way of thermonuclear power look far more forbidding than those which faced the designers of Calder Hall.

There is no reason to believe that the fusion process will prove any easier, cheaper, or simpler to harness than atomic fission has been—rather the contrary. The stakes, however, are higher. If the Government's statement later this month shows that the experiments in Britain towards the control of fusion have been successful, the bid for hydrogen power will be on. How long it will take to bridge the gap between a successful laboratory experiment and a working commercial power station is another story. What can sensibly be said at this stage is something about the way the scientists might go about it and about the fitting of a fusion power system into an existing electricity network.

Fusion might be said to be an unnatural process compared with fission. Atomic fission involves the break-up of large, heavy and already rather unstable atoms. There is a natural predisposition for atoms to disintegrate, and a natural repugnance for them to

combine. The technical difficulty about bringing the fusion process into useful service is to overcome the strong natural revulsion of the nucleus of one atom for the nucleus of another. The key to the whole fusion process, whether in a hydrogen bomb or in hydrogen power, rests on bringing atoms, or rather their nuclei, sufficiently close for them to fuse together into one slightly larger atom. The positive electric charge carried by the nucleus of every atom is doing everything in its power to keep it apart from its neighbour. Extraordinary effort is needed to overcome the strength of this electrical repulsion, and the only workable approach that the scientists have found is to imitate the sun where fusion is going on all the time, and create temperatures of 100 million degrees, and for preference nearer 1,000 million degrees. (There is no such problem in an H-bomb where fusion is started by the intense heat of a fission explosion; an A-bomb acts as a percussion cap.) Fusion will start at temperatures from a million degrees upwards, but it will not happen at a fast enough rate to present a useful source of power until the temperature is brought much nearer the 100 million degree mark.

ALL the mechanical, engineering and metallurgical problems connected with harnessing H-power stem from this point; scientists are forcing atoms to do something that is basically unnatural to them and fantastic temperatures are required to bring the reaction about. Having decided that great heat is the only environment in which fusion can occur, scientists then have to find methods of raising—and even more difficult of holding—these fabulous temperatures. The creation of high temperatures has presented the greatest difficulty. It is easy enough to provide sufficient electric voltage for the purpose; the difficulty is to stop heat from being lost and thus preventing the build up of the temperature inside the container to a level that will sustain fusion.

Between 1948, when research into fusion first began, and the summer of 1957, scientists at Harwell managed to reach temperatures of 200,000 degrees centigrade; scientists in Russia reached temperatures of nearly one million degrees. The system on which they were working was a relatively simple one. The hydrogen atoms used for fusion are in the form of a gas. If an electric current is put through the gas scientists can create what they call a "pinch" effect. In practical terms, it means that the gas collects in a dense column down the centre of the container without touching the walls, and so subjects it to the full effect of the high temperature. If the container is in the form of a tube, joined at its two ends—like a ring-shaped doughnut—the current exerts its maximum effect on the gas. But the "pinch" effect is not a neat and tidy phenomenon. One of the vital tricks in controlling fusion lies in knowing just how to apply a magnetic field to the gas column in a way that irons out its instabilities and makes it flow smoothly. The second, even more vital, one is to know how to hold the high temperatures long enough to heat the gas to the point where fusion occurs. It may be necessary to keep those temperatures building up for anything up to a second, but the higher they get (from 100 million degrees upwards) the sooner fusion begins.

Several small doughnuts have been built at Los Alamos in the United States; one is working in France; but the biggest has been constructed at Harwell and this came into operation only last summer. This is the apparatus known as Zeta, and it is now believed to be the fact that since the autumn controlled fusion of hydrogen atoms has been brought about in this plant. The temperatures reached are most unlikely to be high enough to give useful power, they probably lie somewhere between 1 and 5 million degrees centigrade which is cool by fusion standards although sufficient to bring it about. But these experiments have demonstrated that Harwell's scientists have mastered the difficult tricks of controlling the gas column and raising and keeping high temperatures. This is the knowledge that other countries are seeking, and though it sounds unromantic it is the basis for the current belief that Britain leads the world in the control of fusion. Controlled fusion is not possible without this knowledge.

A power station based on this type of controlled fusion might consist of a battery of such doughnuts, although some scientists think a single one would suffice, since it is potentially capable of releasing a million megawatts of heat in a single pulse. H-power is essentially a pulsed system; whereas the fuel charge in a conventional atomic power station lasts from three to five years, the gas within a doughnut is burnt up in a second or less, after which it has to be recharged with new gas and the voltage reapplied to bring it up to fusion temperatures. It follows that fusion power stations would be heavy consumers of their own electricity.

IN theory, and using the ideal fuels for fusion (which are not necessarily the cheapest or the easiest to use) it should be possible to get a power gain 100 times as great as that required to start the reaction. But the engineers who are seriously studying the possibility of fusion systems do not think that they will be able to get anything like this gain in practice. They are beginning to doubt whether a fusion power station producing electricity alone would be any more efficient than they hope ordinary atomic power stations will become.

A fusion power station could, however, do much more than produce electricity. It could also manufacture nuclear fuels in the same way that they will be manufactured in the "breeder" reactor being built at Dounreay—only at a much faster rate. The breeding process is triggered off by the small atomic particles that are released by both fission and fusion alike. At Dounreay and plants of that type a high proportion of these particles are needed to keep the reactor working, and only the balance is used for "breeding." In a

fusion plant, the whole lot would be available for breeding in almost unlimited abundance. A fusion power station could be looked on as a large-scale nuclear fuel factory, exporting quite a useful net surplus of electricity into the grid, but manufacturing meanwhile large quantities of uranium and plutonium out of normally useless materials and feeding these into a network of conventional atomic power stations. In the first stage, therefore, the economics of fusion may well depend on integrating fusion power stations into a network of conventional nuclear stations, which will depend on it for their cheap fuel supply. If there is a rapid development of fusion, breeders of the Dounreay type may never be built for commercial use.

The most exciting prospect that H-power holds out is the direct production of electricity. There is a distinct possibility that fusion can be harnessed to the direct generation of electricity, without all the cumbersome intervention of heat exchangers, boilers, steam raising and turbines. Scienfists argue in this way: after the gas inside the doughnut has been "pinched" by the electric current into a dense thin column, fusion takes place and under the heat of fusion, the pinched gas expands. Could this expansion of the gas be used as a means of feeding back power into the transformer that supplied the original voltage for heating the gas? If so, it should be able to feed back a good deal more power than the transformer originally put into the doughnut. Fusion is the first source of power to suggest that this kind of direct electricity generation may be even theoretically possible. It is the philosophers' stone for which electrical engineers have searched for generations. It would represent so radical an advance in power production that all existing standards would become meaningless. And it could be achieved using a fuel as cheap and abundant as sea water. No one can say at the beginning of 1958 how long it will take to reach this power millennium nor how great are the engineering difficulties that lie in its way. But this year, in this country, at what was 12 years years ago a disused airfield called Harwell, the first steps are being taken on that road.

BUSINESS NOTES

BEA's JET

Mr Jones in Muddy Waters

THE Minister of Supply, in his role as technical adviser to British European Airways, finds himself in some of the muddiest reaches of the aircraft industry, where three manufacturers are fighting with no holds barred for one of the few big plums in a shrinking aircraft market. Until the water clears, it will be difficult to judge how far the Minister himself has become involved in the skirmish at a time when he would be much better advised to stay high and dry on the bank.

The order under dispute is for a medium-range jet airliner for British European Airways, and Mr Jones's present predicament rises from an understandable difficulty in satisfying himself that either of the three contestants really have the type of resources needed to develop and build this aircraft as a private venture. These fall under three headings: design ability, liquid capital, and a good production record.

The three contestants, A. V. Roe, of the Hawker Siddeley Group, the Bristol Aeroplane Company and de Havilland, soon narrowed to two, and in the spring the Bristol design with the company's Olympus engine seemed to be in the lead. But by late summer BEA's engineers had settled in favour of the de Havilland aircraft with a Rolls-Royce engine, and they advised the corporation accordingly. The board of BEA accepted their advice.

This would normally have been the end of the matter, but the Ministry of Supply had decided that the aircraft must be financed as a private venture without any government assistance. There had to be some evidence, therefore, that whichever company had the order also had the capital resources needed to carry it out. The lowest figure for which this could be done is about £10 million; taking tooling and production into account, the total might be nearer £20 million.

Moves and Counter Moves

IN preparing its bid for BEA, the de Havilland Company also made tentative arrangements with other manufacturers, notably Bristol, but also Fairey, Handley Page, Hunting and others, to sub-contract extensively to them; and when the government's refusal to finance the aircraft's development was made known, de Havilland worked out a scheme by which these associated companies would provide some of the finance for development. Much of its own contribution was expected to come from sales of aircraft that are now on its order book. There are indications that the Ministry rejected this scheme out of hand just before Christmas on the grounds that it was not convinced the resources shown were adequate.

Within the past few days, shortly after this hitch in the contract arrangements began to be known in the industry, the two unsuccessful competitors made a strong countermove. Bristol and Hawker Siddeley announced the formation of a new joint company to build the jet airliner to Bristol's design, this time with whatever engines the customer was to choose. Bristol therefore has a double hedge. It has yet to be shown that either of these companies, the one heavily involved in Britannia production and the other with a collection of new interests to digest, is in any better position to take on a fresh commitment requiring large sums of capital than is de Havilland and its partners.

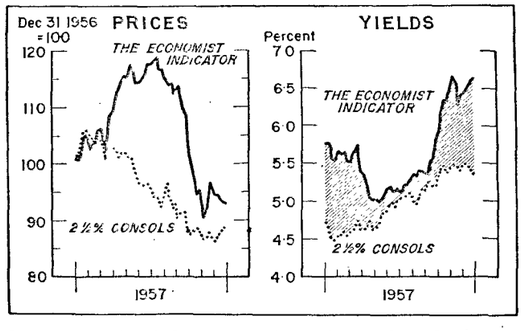
The Bristol-Hawker Siddeley counter-proposal is made, moreover, with the knowledge that the Bristol design has been rejected by BEA engineers and for reasons that go deeper than the choice of engines. In the present confusion there is some danger of BEA's interests being pushed to one side. It would not be the first example of pressure being applied by a government department to influence the buying policy of the two air corporations. The decision to use a jet fleet on medium-range operations such as BEA's has not been an easy one to take, which makes the suitability of the aircraft for the work in mind of the highest importance. The Ministry of Supply will find itself in an extremely unpleasant situation if it deliberately blocks the placing of an order with de Havilland and its associates and then attempts to channel it towards a competing group on the sole ground that the latter has a better chance of finding the capital—a matter on which the Ministry of Supply is hardly the best judge. What happens if such pressure makes BEA's board drop the idea of a new jet order altogether and make do with the Comets that it has already bought?

IN THE MARKET

The Crystal Ball

"THIS," the investor will grumble as he glances down his battle-scarred gilt-edged list, "is where I came in." The similarities between the opening days of 1958 and those of 1957 are too close to be overlooked: the crack in prices in the previous autumn; the brisk recovery in an oversold market as the new year opened; the fact that the Government broker was obviously selling his wares like hot cakes and would soon need a new issue to replenish his shelf; the equally obvious fact that the authorities believed that they had the market under control; and the confidence in the City that the next move in Bank rate must be downward. The investor, alas, also remembers last year's sequel. Before February was out Bank rate had indeed been reduced and the market rally was spent. By May it was plain that the authorities had lost their grip and by the end of September the pound had been saved from disaster by the narrowest of margins.

But history never repeats itself exactly. There is a world of difference between the infant 1957 born with Wall Street rising, Montreal booming, and inflation on the home



front, and the infant 1958 born in straitened circumstances. The difference concerns the holder of ordinary shares as much as the investor in gilt-edged. So now the equity holder surveying *The Economist* indicator is wondering even more nervously: "Is this where I ought to get out?"

Certainly *The Economist* indicator standing about 20 per cent below last year's peak and still probably edging downwards offers little encouragement. And a flood of planned new issues promises to restrain both the industrial and the gilt-edged markets. For once in a decade the chances on the gilt-edged side seem brighter than on the industrial, especially at a moment when the Government broker has run out of his popular Conversion 4½ per cent 1962—and the first gilt-edged issue is not for the British Government, but for the Federation of Rhodesia. More of investors' funds may move into the gilt-edged market. Offers of ordinary shares may be more critically scrutinised. It may also be right to look again at existing portfolios of industrials and to say goodbye to some old favourites in the capital goods industries. But this is a time for watchful hope, not an occasion for indiscriminate selling of well-chosen equities.

Floodtide of Issues

LAST year, according to the Midland Bank's figures, £383 million was raised in new capital issues; one broker was concerned with others in about £225 million of them. These are remarkable figures—bigger and certainly better than in the 1928 new issue boom. And there is every sign that the flood will continue, spurred on by a natural anxiety to launch some of the smaller issues before the giant issue from Shell soaks up much of the investible funds.

With the Newcastle 6 per cent loan standing at a premium of 1⅝ on the issue price of 99½, the terms on which the Federation of Rhodesia and Nyasaland (which has an unlucky new issue record) is coming to the market indicate an anxiety to make sure of success this time. The Federation is to issue £10 million 6 per cent stock 1976-79 at 96, offering a running yield of £6 5s. per cent and a gross redemption yield to the latest date of £6 7s. 1d. per cent.

Industrial borrowers are numerous and bidding high. Babcock and Wilcox, the engineering group heavily engaged in atomic power, is to make a two-tier issue. It will raise about £2 million on a debenture to be offered on terms to be announced to existing shareholders. Another £1,800,000 will be raised by a "rights" issue of 1,881,099 ordinary shares of £1 each at par in the ratio of one for every four held. The directors predict a dividend of 13 per cent on the new capital (as opposed to 15 per cent paid on the existing capital). The market's response to such an issue was inevitable: the existing units tumbled by 5s. 9d. to 52s. 3d.

British Timken has followed the same course; with the prediction of a maintained dividend of 10 per cent, it has offered 1 million ordinary shares of £1 each at par in the ratio of one for three. Ex-rights and ex-dividend, the old shares were quoted at 41s. 9d. An issue combining in effect scrip with cash is not the only device: Colvilles' issue to be underwritten next week will consist of about £6 million of convertible stock with a 6 per cent coupon. For a steel company a high coupon stock with rights to convert into the equity gives the best available financial and political hedge.

FOREIGN EXCHANGE

Sterling at $2.81

STERLING celebrated the turn of the year by rising to $2.81—its highest rate since May, 1956. This rate held for a short time both in London and in New York on the last

day of the old year. It slipped back fractionally and then moved up to $2.81⅛, the highest rate since as long ago as August 1954. The sharp rise followed the withdrawal of the authorities from the market where they had previously been taking in dollars in substantial amounts and so preventing the rate from rising. Their withdrawal seems to indicate satisfaction with the inflow of dollars and other foreign currencies in the earlier part of the month, and suggests some assurance that the reserve figure published after this issue went to press has been approximately up to the standard of the previous month. November, it will be recalled, showed a true dollar surplus of over $70 million. Transferable sterling has also been firm with the rate touching $2.7920. Sterling has also strengthened against Canadian dollars, the cross rate for which in terms of US dollars has moved below 101.50. But sterling this week has been weak against most EPU currencies.

PRODUCTION

Level as Ever

INDUSTRIAL output in November seems to have been a little higher than during the worst of the influenza epidemic in October, rather lower than in September, and about 2½ per cent down from last year's highest rate of production, which—allowing for seasonal factors seems to have come in June. During the first eleven months, the official index of production averaged 138 in 1957 as against 137 in 1956: for the year as a whole, output will probably have been about 1½ per cent higher than the year before, and roughly back to the level of 1955. The minor upturn of output last summer, due largely to the resilience of recovery in the motor industry, seems to have subsided, and most indications suggest a very slight decline in the level of total activity this winter.

The motor industry is as active as ever: in November output of cars was 32 per cent higher than in the very bad November of 1956 and commercial vehicle output 29 per cent up. It is in certain capital goods industries, and in particular in industries supplying building, that the weaknesses in are now being recorded: production of bricks was 8 per cent down and of cement 9 per cent down on a year before. Coalmining and sulphuric acid—a key indicator for many sectors of industry—showed declines in output: steel production was no more than 1 per cent over the level of November 1956. In engineering, it took some time for the motor recovery to bring about a corresponding revival among suppliers of semi-finished material and components. The decline in new ordering of industrial capital equipment is now beginning to affect production of certain types of machinery. Manufacturing output as a whole is slightly below the levels of late 1955.

INDUSTRIAL OUTPUT
(seasonally adjusted)

	1956	1957
January	138	136
February	136	137
March	137	137
April	137	137
May	136	140
June	133	142
July	136	139
August	134	137
September	137	140
October	136	136
November	137	138–139
December	136	...

NEW ZEALAND

Drastic Import Curb

EVEN though New Zealand takes only about 4 per cent of Britain's total exports, Britain supplies over half New Zealand's imports. The drastic curb on imports announced by the Prime Minister, Mr Walter Nash, on Wednesday, must therefore impinge sharply on British trade with the Dominion. In the almost complete absence of detail as to how the new controls will work it seems likely that textile exports to the New Zealand market will be seriously affected. All imports according to the announcement are made subject to licensing, trading banks granting exchange only against an import licence obtained from the Customs department. Exchange would, the Prime Minister said, be found for the basic foodstuffs—wheat, tea, coffee and dried fruits and there are to be allocations for other items. But on some less essential imports, soap, footwear, leather goods, woollen piece goods, and carpets, he proposed not to "waste funds."

	1955	1956	1957*
UK exports to New Zealand (£ mn.)	139·1	127·9	139·0
Per cent of total British exports	4·6	3·9	4·1
Main commodities (£'000) :—			
Woollen yarns and fabrics	4,810	3,997	4,533
Cotton yarns and fabrics	6,983	6,008	6,702
Synthetic fibre yarns and fabrics	3,315	3,083	3,201
Miscellaneous textile manufactures	9,523	8,335	9,185
Of which : Carpets	2,209	1,434	1,922
Clothing, footwear, etc.	2,135	2,601	2,795
Cars and commercial vehicles	17,342	13,775	15,310
Electric machinery	12,319	10,491	11,718
Beverages	2,241	2,405	2,189
Proportion of New Zealand imports from UK sources	55·0	53·6	—

* Eleven months at annual rate.

The immediate cause of these distressing cuts has been a rapid deterioration in New Zealand's balance of payments. Mr Nash gave the figures of the Dominion's total overseas balances—£83 million at the beginning of October and £45·5 million on Christmas day, and the figures seem to bear out his statement that his country had been living beyond its means, and must drastically cut spending in 1958. All experts will also agree with his deduction that to meet the present situation by overseas borrowing (of which he would have needed £50 million) is not possible in the present state of the London capital market. He did not add what is equally important—that it would not be possible in any state of the London or any other money market without New Zealand itself taking steps to redress the unbalance in its payments. It is indeed of minor consequence whether the present Labour Government is right in blaming its predecessor for the present trouble, or whether the decline in commodity prices, which affects New Zealand's produce is not a root cause. It is important that New Zealand has decided at heavy cost to redress the balance and that it has put aside the facile but disastrous alternative of devaluation.

OIL SHARES

News from Royal Dutch

A FEW copies are now available in London of the preliminary American prospectus for the Royal Dutch Company's issue of 7,602,285 ordinary shares as rights in

the ratio of one for eight at a price still to be fixed. For students of oil this massive document contains data that have not hitherto been revealed. For dabblers in the market enough is now disclosed about the dollar/guilder side of the operation to make it possible to hazard a guess about the shape of the sterling—"Shell" Transport—side of the operation. The 60:40 division between Royal Dutch and Shell is to hold good for the provision of capital as well as for the allocation of profit. So if, for example, the Royal Dutch issue were fixed at $30 to raise £80 million—which is the usual and apparently reasonable market guess—"Shell" Transport would have to raise about £54 million. For that purpose one for eight at £5 10s. would raise a little too much and one for ten at £6 not quite enough. Lists for the Royal Dutch issue are to remain open from January 18th until February 10th. So there is every chance of the two issues overlapping in point of time. Shareholders in Royal Dutch have the option of subscribing either in dollars or in guilders. Six London merchant banks, Rothschilds, Barings, Hambros, Lazards, Morgan Grenfells, and Schroeders are in the underwriting syndicate.

Much that is interesting about the structure of the Royal Dutch-Shell group is now revealed. For example Shell Venezuela's interest in the Mene Grande production is 25 per cent and of this one third is under contract to Canadian Eagle in which Shell has a 20.92 per cent interest. The figures also show how the group's income and its oil reserves are divided between the Western hemisphere and the Middle East. No less than 63 per cent of the group's net income in the first nine months of 1957 was earned in the Western hemisphere, compared with only 44 per cent three years earlier. Excluding royalty oil, over two-thirds of the group's production and purchases of crude oil in the first nine months of 1957 were made in the Western hemisphere, and little more than 20 per cent in the Middle East. On the other hand, nearly 60 per cent of the group's net proved reserves of crude oil are in the Middle East. Indeed if supplies arising during the next 69 years from the group's contract with Gulf Kuwait are included, the Middle Eastern proportion rises to nearly 80 per cent.

Capital expenditure of the Royal Dutch-Shell group runs high. For the first three quarters of 1957 it was £273 million and the prospectus names the seemingly disproportionate figure of £400 million for the full year and about the same figure for 1958. It shows also the rough geographical division of the total of £1,781 million expended in the 5¾ years ended September 30th. It was 35 per cent United States, 27 per cent other Western hemisphere, and 38 per cent Europe and the East.

Ultramar and the Speculators

FOR the success of these big issues the steadier tone that has now developed among oil shares and the clearing up of some of the speculative accounts is a good augury. Speculative weakness in the oil share market has shown itself not nearly so much among the oil giants, Shell, BP and Burmah as in a smaller gambling counter—Ultramar, whose shares in the ten days before Christmas fell 9s. 3d. to 58s. This company exploits an oilfield of eastern Venezuela jointly with the Texas company, and has always attracted the speculators. Even in 1948 when it was still in the development stage and when many difficulties and disappointments lay before it the 10s. ordinary shares reached 86s. Now with the bulk of its once very big debts repaid and shareholders in receipt not of a dividend, but of two 10 per cent distributions from capital reserve, the speculators have again burned their fingers.

The company has gone out of its way to deny that there were any aspects of its business that would account for the share movements. Therefore apart from any cutbacks that Ultramar, like other oil producers, may expect to suffer if oil is in surplus, the set-back seems to be founded wholly on the troubles of the speculators. There has been selling, some of it from America possibly designed to establish tax losses. There has also been a proper tendency in the market to discourage operators who keep their positions open from account to account by selling for cash and buying for new time. Quite a volume of these "cash and new" transactions took place at the beginning of the last account on December 11th. Some operators may since have been warned that it would be less easy in future. Finally the uncovering of this speculation in Ultramar owes much to the closing of a big protected bear account for 25,000 shares a few weeks ago. The market seems to have felt that the operator was being paid too much for consenting not to deliver his stock. The recovery to 60s. 3d., well held despite the trouble in Venezuela, does not necessarily mean that all the speculators are out, but it does suggest that the market is now healthier.

SHIPBUILDING

Excuses for Stagnation

IN spite of considerable increases in supplies of shipbuilding plate last year, British shipyards managed to build and complete fewer vessels, with a slightly smaller combined gross registered tonnage than in 1956. Final figures are not yet available, but the latest estimate of total completions in 1957 is a shade under 1.45 million tons, which compares with 1.46 million tons in 1956, and a total building capacity estimated by the industry itself of about 1¾ million tons.

The industry is still putting the blame for its disappointing performances partly upon steel suppliers for not meeting its every requirement, particularly as to the sequence of plate deliveries by grade and size; and partly on its labour force for the production losses and dislocation of schedules caused by the general stoppage of work last spring, by local interruptions throughout most of the year, and by restrictive practices such as footling disputes over demarcation. It bemoans, also, the shortage of certain grades of skilled labour, which it ascribes to the general "condition of full employment" in the country. There is some substance in all these excuses. But they do certainly not add up to a wholly convincing explanation of why, with bigger orders than ever, the industry's output has not increased at all during the last two years.

With orders stretching well beyond 1960, a shortage of certain specialised labour would seem to suggest better pay to attract, and retain, the extra men shipbuilders want. Steel supplies improved further in the second half of last year—well after the general stoppage of work—yet shipbuilding output was lower than in the last six months of 1956, and shipbuilders' stocks of steel have continued to rise. And, after all these years, surely the industry's management ought to have made further headway sorting out its problems with the labour it has got.

The slow rate of production, and the depressed shipping freight market, has not yet led to any more cancellations

of orders than the industry normally experiences. But the rate of new ordering has dropped, from nearly 2½ million tons in 1956 to not quite 1.7 million tons last year. This brought the industry's total order book down a little from the peak of last summer to just over 6¼ million tons of new ships at the end of December.

CINEMAS

Attendances and the Levy

AN "unprecedented decline in attendances" at cinemas and the "penal entertainments tax" are the reasons Mr John Davis of the Rank Organisation quotes for the pruning of Rank's film production plans during the next six months. One is not so sure of the "penal entertainments tax," which after being cut last budget, certainly now takes no more out of the cinema industry than taxation removes from its principal new competitor—the television industry. But the decline in cinema going in the last few months has certainly been startling. Board of Trade returns show a drop of 7½ per cent on 1956 attendances in the first quarter of last year and a decline of 19 per cent in the second quarter; the industry's tax committee has now stated that the figures for the third quarter, which are due out next week, will show a drop of 20½ per cent and that in the first seven weeks of the fourth quarter of 1957 attendances were down by 25 per cent. It looks as though cinema attendances last year came to only 900 million, compared with 1,100 million in 1956 and 1,276 million in 1954, and that box office receipts may have fallen below £100 million for the first time since the war.

This sudden increase in the rate of decline in cinema going, which is prevalent throughout the country and only slightly more serious in the newer commercial television areas—television and the relative content of current television and cinema programmes incidentally are not mentioned in the Rank statement—has upset the Board of Trade's calculations for the new statutory levy upon exhibitors for the aid of British film makers. The government took the unusual step last year of writing into the Cinematograph Films Act the precise sum that this levy should produce during its first year, which began last October. The Board of Trade took account of the declining cinema market in fixing the rate of levy that would produce the figure in the statute book—£3¾ million, against £2.7 million in the last few years—but evidently it did not expect the rate of decline that has taken place. On the present flow of receipts the levy may produce not quite £2½ million by next October. As the Board is obliged by this Act to ensure that film makers get £3¾ million from the levy, presumably it may have to step up the percentage impost on box office takings; to be made palatable to exhibitors, that might require the Chancellor to make a further concession in entertainments tax next April sufficient at least to offset this higher rate.

COMMODITIES

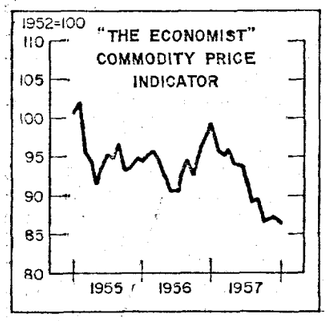
Not at the Bottom?

THE general level of commodity prices as measured by *The Economist* indicator fell almost continuously through last year and finished about 13 per cent down. Prices of leading commodities given in the table show that the whole run, with the outstanding exception of cocoa, joined in the fall. What has happened, however, is never a certain guide to what is going to happen. Commodities are now at their lowest levels for four years, and they have just suffered a steep fall; but a further steep fall may be less likely since some prices have reached levels at which production will be curtailed.

COMMODITY PRICES

Commodity	Unit	End-1955	End-1956	End-1957	Per cent. fall or rise end-1957 compared with end-1956
Tin	£ per ton	833½	782½	730½	6·6
Copper	£ per ton	400½	263½	180½	32·8
Zinc	£ per ton	100⅜	102⅝	61⅛	40·4
Lead	£ per ton	120½	116½	72½	37·8
Rubber	d. per lb	37⅜	31 15/16	24⅛	23·3
Cotton (US futures)	d. per lb	27·40	26·85	26·55	1·1
Wool (futures)	d. per lb	105½	136	108⅜	20·3
Sisal (East African)	£ per ton	85	75½	73	3·3
Whale oil	£ per ton	87½	95	82½	13·2
Sugar (fas Cuba)	cents per lb	3·23	4·90	3·85	21·4
Cocoa	sh. per cwt	244½	192	305½	+ 59·1
Wheat (cif UK)	£ per ton	30/ 6/6	32/ 9/9	27/15/6	14·5
Maize (cif UK)	£ per ton	24/11/9	27/13/9	21/ 3/9	23·5
Barley (cif UK)	£ per ton	25/ 7/–	28/ 7/9	20/ 5/–	29·7
Shellac (futures)	sh. per cwt	358½	292½	176	39·8

Some of the causes of falling commodities are plainly transient; the aftermath of the uprush at the time of Suez and some sales from the British strategic stock come into that class. Two other causes are likely to be more enduring—the return of output from heavy capital investment made in mining when metal prices were high and the fact that the American strategic stockpile has ceased to absorb commodities. The last and most vital cause—industrial recession in America — must also be transient, but when will it pass? Merchants, industrial consumers and investors will find it impossible to build firm conclusions on such quicksands. All that they can firmly conclude is that the full effects of the fall that has already taken place have not yet worked through the economy. Neither the prosperity of the primary producing countries, nor the profit and dividends of the mining and plantation companies, nor the balance sheets of consuming companies in this country and elsewhere yet fully reflect what has happened. It is a fair supposition that stock losses will affect the accounting results of many companies this year, and that there will be no great haste on the part of industrial consumers to rebuild their stocks of primary raw materials.



Copper Sale Postponed

AT the end of the year the Board of Trade announced its decision to postpone again the sale of the 27,000 tons of surplus copper from the British stockpile. A further announcement will be made when it is decided to resume

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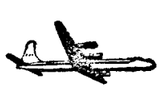
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sales. The decision to postpone selling is obviously right. Hardly anyone would suggest that it would be good either for the market or for the public purse to force on the market a valuable block of copper at a moment of obvious surplus. But the fact that postponement is necessary underlines the continuing threat to the commodity markets of the British stockpile and still more the American stockpile. In total the amounts of metals which the British stockpile is releasing are quite big enough to depress a weak market. The transactions in non-ferrous metals are listed below:

Copper: 65,000 tons sold between 1955 and 1956; 36,000 tons sold between November, 1956, and March, 1957; sale of 27,000 tons now postponed.
Tin: 2,500 tons announced as available; none yet sold.
Lead: 30,000 tons sold between March and November, 1957; 20,000 tons available, of which 7,200 tons are being sold between now and mid-1958 at 1,200 tons a month.
Zinc: 27,000 tons available, of which 9,000 tons are being sold in the three months December, 1957, to February, 1958.

In addition there have been important releases of other commodities, particularly of wool (of which between 80,000 and 100,000 bales are being sold in the year ending in March) and of timber.

Both the British and the American governments are fully aware of their obligation to conduct stockpile operations with a minimum disturbance to markets. But Commonwealth primary producers and British markets have so much more to fear from the American stockpile than the Americans have to fear from the British that it is essential that the British Government's example should be impeccable. What would be the effect on the economy of Malaya if the American stockpile, relying on American industrial advice, were to use its great power to depress rubber and tin, as it has sometimes been accused of doing? These huge stocks of commodities are inevitably a great obstacle to normal trading however carefully they are turned over. Just because governments have it in their power to distort markets, neither traders nor industrialists will hold more stock than they must.

DEFENCE ORDERS

The Last Fighter

With the belated cancellation of the small Saunders Roe SR 177, it is now certain that the English Electric P.1 and the frequently forgotten Folland Gnat are the last fighter aircraft to be built in this country—always excepting the perennial de Havilland Vampire trainer which small air forces use as fighter, bomber or strike aircraft as circumstances dictate. It seems to have been overlooked that the cancellation of the SR 177 is not a retrograde step so much as a sign of progress, and material proof of the Air Ministry's current belief that it has become easier and cheaper to build a primitive guided missile than a manned aircraft for the same role. The SR 177 was designed much on the lines of the small Continental fighters whose function is to climb after their targets with the speed of a missile (the SR 177 would have flown at least twice the speed of sound, the French Trident can climb at that speed). Such an aircraft might have been invaluable had it been a year or so earlier, but the SR 177 was lagging somewhat behind schedule, and the guided missiles which replace it are already on the production lines.

The Air Ministry had at no time placed or showed any signs of placing an order for the aircraft and the Defence White Paper last April deliberately omitted any reference to it. The Ministry of Supply clung, however, to the project and financed it for a further nine months partly because it seemed to be shaping well, partly in the hope that orders from the Navy and from foreign customers might still justify tooling for production. The Germans did not buy the aircraft; the Navy did, but its order alone is not big enough to justify the cost of developing a fighter as intricate and complicated as this. Nevertheless, the fact that the fighter was cancelled at a time when the Navy has no early prospect of anti-aircraft guided missiles, raises doubts about how long the Ministry of Defence in fact intends to keep its carrier fleet.

The Ministry of Supply now faces heavy cancellation charges, which will eat up a good deal of the savings expected from stopping further work on the aircraft. It is odd, however, to find that the Ministry which is most in touch with technical developments should have clung for so long to an obsolete project. It is too early yet to reckon the saving of the country's finest young men that will follow on the decision to ground the pilot and use an unmanned missile in his place. The toll of life, even in peacetime in the RAF, and among test pilots, is considerable, and this kind of cost should be balanced against the effect of local, and probably transitory, unemployment on the Isle of Wight.

THE REVENUE

All Square above the Line

The last quarter of the financial year—the months of January, February and March—are the tax gatherer's harvest season. Notoriously deductions based on the first three quarters of the fiscal year (which yield less than half the taxes on income) can be wide of the final result and this year, after Bank rate, the cost of servicing the debt in the last quarter must be high. Nevertheless the nine months figures to December 31st seem to show the above-line accounts to be running roughly as estimated in the budget, and the below-line accounts to be running much worse than those estimates.

BUDGET ESTIMATES AND THE NINE-MONTHS OUT-TURN

	April 1 to Dec. 31, 1957	Change on April to end Dec., 1956	Budget estimate for full year 1957–58	Expected change in full year on 1956–57 out-turn
Revenue:				
Income tax	867·1	+ 66·1	2,176·3	+ 62·1
Surtax	53·1	− 0·2	149·0	− 9·0
Death duties	126·2	+ 5·5	170·0	+ 1·0
Stamps	50·1	+ 4·2	60·0	− 3·0
Profits tax†	195·2	+ 42·2	255·0	+ 55·0
Other inland revenue	0·2	...	0·5	− 0·1
Customs	918·7	+ 9·4	1,204·3	+ 5·4
Excise	704·1	+ 28·8	912·9	+ 11·2
Post office (net)	0·6	− 2·7	20·0	+ 15·5
Other revenue	201·9	− 5·0	341·0	− 6·9
Total ordinary revenue	3,117·1	+148·4	5,288·9	+131·1
Expenditure:				
Debt service	497·3	− 72·8	640·0	− 70·6
Sinking funds	25·5	+ 0·2	38·0	+ 1·0
Other consolidated funds	53·3	+ 3·0	79·0	+ 3·0
Supply services	2,984·9	+ 77·3	4,070·0	+ 25·6
Total ordinary expenditure	3,561·0	+ 7·6	4,827·0	− 41·2
Above-line balance	−443·9	+140·8*	+461·9	+172·3
Net below-line outlays	453·6	+110·8	587·0	− 34·0
Total deficit	897·5	− 30·0	125·1	−206·3

† Comprises profits tax, excess profits tax and levy. *Reduced deficit.

Above the line the budget looked for a surplus of £426

million, £172 million greater than a year ago: it is in fact running £142 million greater. Income tax has been yielding what was expected from it, and profits tax (including the EPT and the EPL back logs) is a little below estimate; expected to yield £55 million more—the actual yield was only £42 million more. Money incomes clearly have risen and offset the cost to the Exchequer of enlarged earned income and certain other reliefs. Customs and excise duty, estimated to yield £16.6 million more, are actually up by £38.2 million, while the Post Office, contributing about £3 million less than the year before, had by December 31st only just begun to reflect the increased postal charges.

In total, ordinary revenue has been *£148 million higher* than a year earlier, against an estimated increase of £131 million. That the surplus above the line does not fully reflect this improvement is largely due to unexpectedly high expenditure on the supply services. They were expected to cost £26 million more in a full year. To date the increase is £77 million.

Weakness down below

CAPITAL outlays below the line were estimated in the budget at £587 million, £34 million below those of the previous year. So far they are running £121 million up on the corresponding period of last year. The significance of the shortfall may not be great. Much of it reflects the cost of financing the capital expenditures of the nationalised industries. And it was not until August, 1956, following a budget decision of that year that the Treasury cut those boards off from the market and undertook to finance their necessary capital expenditure itself, so that there are probably some initial distortions in the comparison. In the first threequarters of 1956 the Treasury provided £26 million for the National Coal Board (which has never been under the obligation of raising its own finance by issuing stock) and a net £154 million for the others. Comparable figures this year have been £88 million for the Coal Board and £231 million for the others. The difference—£139 million—accounts for most of the £155 million shortfall below the estimates.

NICKEL

Supply Meets Demand

LAST year saw the end of the shortage of nickel. Supplies in the free world, running at about 490 million lbs, as compared with 450 million lbs in 1956, came into "close balance" with demand. The phrase is that of Dr John F. Thompson, the chairman of International Nickel, whose production of about 290 million lbs of nickel dominates the market. Supplies increased at the moment when demand for defence purposes was sharply reduced and when the United States Government began trying to dispose of the nickel it was receiving under contract for its stockpile. That nickel was offered to industry at premium prices (ranging between 88 cents to 116 cents a lb, as compared with International Nickel's price of 74 cents) and in the last quarter of the year a "large portion" of the premium priced metal was not taken up.

By the end of the year there was more than sufficient nickel at the market price for civilian requirements in the United States. Supplies this year should be raised by a further increase in production, and are expected to exceed market demand in that country. For the free world as a whole, Dr Thompson expects another "close balance," but some nickel, he says, will still be offered at premium prices.

Is this merely a temporary equilibrium? By 1961, Dr Thompson estimates nickel production capacity at between 650 million and 675 million lbs a year. During the period of shortage many substitutes for nickel in alloys were found. There is thus a market for nickel to win back and International Nickel has always considered that there are many new uses to which the metal can be put.

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ATOMIC ENERGY

Atomic Aid to Italy

THE terms of the agreement on atomic aid signed last week between this country and Italy are of more than purely local interest. They are widely being regarded as a prototype of those on which Britain is prepared to do business with countries buying nuclear power stations from British manufacturers. Italy is the first to have taken positive steps towards placing such an order, a letter of intent was given to the Nuclear Power Plant Company a few weeks ago. Other potential customers, as well as competitors, will note that the terms are generous. They cover a wide range of technical help, not only in building reactors and training staff, but in building ancillary plants for manufacturing fuel elements and for treating them when they come from the reactor. Since these plants cost from £5 to £10 million apiece, a country is unlikely to wish to build them until it has embarked on atomic energy on a really large scale, but it would be quite on the cards for Italy, for example, to set up a fuel treatment plant to meet the joint needs of all Euratom countries.

Perhaps the biggest difference between the British and American pattern of atomic trade is that Britain is prepared to sell fuel outright, whereas the Americans will only lease it. Several countries find the concept of leasing tolerable for research reactors, but unacceptable when the fuel is for so important an installation as a base load power station. Some consternation has also been aroused in the United States by the discovery that Britain, or rather the Atomic Energy Authority, is not only prepared to sell fuel outright, but also to guarantee the life and performance of the fuel elements. Since these are the most vulnerable components of any big reactor, such a guarantee gives the customer a comforting degree of protection against either failure of the rod or failure of the fuel itself to give as much heat as expected. When a charge of fuel costs £5 million, even a small error could be expensive. So far the US atomic authorities have steadily refused to give any such guarantee, and in the coming months US manufacturers may find this a considerable handicap in the export markets.

WOOD PULP

Scandinavian Prices Cut

PAPERMAKERS are paying £2 a ton less for their main raw material, Scandinavian wood pulp, from January 1st. Prices are normally negotiated over six months and the present reductions apply for the first half of 1958. Mechanical pulp, from which newsprint is made, costs after this reduction £30 a ton, cif. Bleached chemical pulp, used for high quality paper, is priced at around £58; unbleached kraft, the chief material for bag and wrapping paper, at £45. The immediate cause of the fall in prices—the sharpest since the Korea bubble was pricked in 1952—has been the weakening of the British market for paper. Britain is much the most important buyer of Scandinavian pulp, absorbing about two-fifths of Scandinavian exports. Manufacturers of newsprint and magazine paper overestimated demand for advertising space in 1957 and therefore bought too much mechanical pulp in 1956. Manufacturers of other paper found that demand did not expand sufficiently to match the enlarged capacity. Dear money added its share in cutting British imports from 1,817,000 tons in the first eleven months of 1956 to 1,747,000 tons in the same period of 1957.

In consequence pulp mills in Scandinavia have been forced to reduce output of mechanical pulp—which even a year ago was still scarce. Beyond the British-Scandinavian scene there is also the prospect of a mounting surplus of wood pulp in North America. Years of scarcity and highly profitable prices have fostered rapid expansion of capacity in both Canada and the United States, and the completion of much new capacity coincides with the onset of recession in America. Whether the reduction in prices paid by papermakers in this country will be passed on to the customers is open to doubt; they are faced with higher costs in other directions.

TINPLATE

Only Three Mills Matter

AT the end of this week, when the three hand tinplate mills of the Upper Forest and Worcester Steel and Tinplate Works, near Swansea, suspend production for the second time this winter, there will be only five hand tinplate works, with 15 mills between them, still in production. All the rest of the 200 hand mills that were operating five years ago have since closed down, 30 of them in the first half of 1957 and 60 since last June. It is likely, too, that the remaining 15 will have gone out of production within the next few months, though a few that produce certain special types of hot dipped plate may be able to get by for a while longer.

Last year, with below average crops, was not a good year for canners, but the softness of home demand for tinplate only partly accounts for this dramatic sweeping away of the remaining South Wales hand mills. The last year or so has seen, in effect, the addition of 1½ large strip mills, producing better average quality material, to the tinplate industry's capacity, with the extensions at Ebbw Vale, the first of the three modern tinplate strip mills, and the running-in of the latest one—Velindre. Trostre also has been able to turn out more; it is now producing at the rate of more than 400,000 tons a year. The three strip mills together produced 820,000 tons of tinplate in the first eleven months of 1957, against 642,500 tons in the whole of 1956. In the same periods hand mill output fell from 265,500 tons to 160,000 tons.

Thus 1957, which saw tinplate output exceeding a million tons for the first time, also witnessed the virtual disappearance of the old type of hand mill and the concentration of the industry into three large plants in South Wales. These three plants could reach their full combined capacity of some 1.2 million tons a year by the latter half of 1958, though new tinning capacity may not come in as rapidly, and in any case demand is unlikely to grow to match this potential expansion of output. Exports of tinplate rose by a third to 400,000 tons last year; a further but smaller increase is expected this year, though French and now American tinplate producers have been penetrating more deeply into Britain's overseas markets. The prospects for home consumption seem somewhat better now that the industry's customers have got their stocks down to more manageable levels. But total deliveries in 1958 are not likely to rise as far as the industry's enlarged capacity could manage—and the chances that the hand mills can make yet another comeback this year woud seem to be nil.

BUILDING SOCIETIES

Halifax Mortgage Rates

BORROWERS from the Halifax Building Society who took their mortgages before July 1, 1956, have received notice that from April 1st their interest will be raised to 6 per cent. By this step the Halifax abolishes a concession to old borrowers that most other societies have already discarded and brings all its mortgages into line with the rate of interest charged to old and new borrowers by most building societies. It will affect about 200,000 (nearly two-thirds) of the society's borrowers. For nearly all of them it involves an increase of only ¼ per cent though there are a few outstanding mortgages, mostly for tiny amounts, at present paying 5 per cent or 5½ per cent, and they too will be brought up to 6 per cent.

It must be assumed that the Halifax will not move its rates charged to new borrowers and paid to shareholders unless the rest of the movement does so. What it does now is to bring in a fairly substantial block of extra income from existing mortgages on which the gap between the interest charged and the cost of the money can have left hardly any room for strengthening reserves. Since the society has enjoyed a good inflow of investment money in recent months, has been lending freely (though not to satisfy completely the demand for mortgages) and wishes to continue doing so, it is a fair guess that some shrinkage in the ratio of reserves to total assets must have occurred, even though the balance sheet on January 31st may show an increase in their size. The society now lays its hands on an additional income that should gradually rebuild the reserve ratio.

The Halifax increase comes at a moment when the building societies generally are trying to avoid any increase in

on hand for yarn than for four years past. They have acted by acquiring a number of new subsidiaries, scattered across the various sectors of the textile trade, by developing the production of synthetic fibre yarns, by going into the expanding market for tufted carpets and by planning further schemes of modernisation. And it is the new subsidiaries and new ventures that are primarily responsible for the improvement in earnings.

While Lancashire Cotton seems intent on broadening the base of its activities, **Cyril Lord Ltd.** (which has also gone into the tufted carpet industry, selling directly to consumers) appears to be narrowing its activities. Its immediate financial concern is to reduce its bank overdraft; on June 1st this stood at over £1,100,000 but since then it has been reduced by about £200,000. The company is selling off its retail shops, which specialised in the company's own fabrics, and it has partially severed another close contact with the retail trade by closing down its merchanting division—though merchant converting seemed to many to be the foundation of its business. This has led to a terminal and non-recurring loss of £211,919 which represents about two thirds of the fall from £656,697 to £354,721 in trading profits for the year to June 1st. Cyril Lord Ltd will in future concentrate upon spinning (which has been profitable) and limited weaving (which Mr Cyril Lord admits has been unprofitable) but it will retain an indirect interest in merchanting through its ownership of 42 per cent of the equity of Silmyra Fabrics; Cyril Lord Ltd purchased that interest for £129,136 but on June 1st it had a market value of only £34,485.

The directors of **Fine Spinners**, having reported a period of "good trading" in the six months to September 30th, a maintained interim ordinary dividend of 5 per cent and "a satisfactory order book," draw attention to the Government's financial restrictions which they suggest, by forcing traders to cut their commitments, have added to the cotton industry's worries. *Plus ça change, plus c'est la même chose* seems to be a just comment on Lancashire's grievances.

CANADIAN PACIFIC

FOR 1956, Canadian Pacific paid a dividend of $1.75 per $25 ordinary share. In the six previous years the dividend remained unchanged at $1.50 and for 1957 the dividend has been brought back to this rate. As the Canadian boom tailed off investors anticipated that the extra dividend of 25 cents paid in 1956 would not be repeated. The president of Canadian Pacific, Mr N. R. Crump, sums up 1957 in these words: "the adverse effect of the decline in Canada's economic growth in 1957 was reflected in a sharp decline in railway traffic." But Canadian Pacific is still planning its development and modernisation programmes on long-term growth prospects.

In the period January-October, the company's railway revenues fell by $13,800,000; within this total, rail passenger receipts were up by $800,000 but freight traffic receipts were down by $11,400,000 and other rail receipts by $3,200,000. As a result over the year the company's return on net railway investment will be below the "unsatisfactory rate" of 3.2 per cent recorded in 1956. In commenting on these results Mr Crump refers to the slow down in residential construction and to "a wide adjustment in inventories" which resulted in a smaller volume of freight traffic in a broad range of commodities; to a sharp fall in grain traffic, reflecting the decline in exports; and to a strike of locomotive firemen in January.

The $25 ordinary units of Canadian Pacific are much more than simple railway equities for the company has big interests in shipping, air transport, hotels and minerals. But this is a stock bound to the fortunes of the Canadian economy and since July, the peak of the boom in dollar securities, the price in London has come down from $75½ to $43½ and it now yields 6.2 per cent.

London Stock Exchange

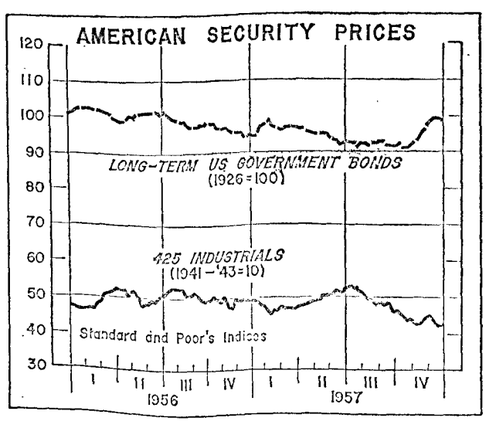
FIRST DEALINGS:	Dec. 11	Jan. 1	Jan. 15
LAST DEALINGS:	Dec 31	Jan 14	Jan. 28
ACCOUNT DAY:	Jan. 7	Jan. 21	Feb. 4

SINCE the Christmas break business has remained at a low level, but prices have remained firm. The improvement in gilt-edged gathered pace on the rise in sterling and the fall in US interest rates; 4½ per cent Conversion 1962 gained 1/32 to 95 1/32 on the cessation of official selling and 3½ per cent War Loan improved by ½ to 63⅛.

Bank shares made small gains in anticipation of the results; insurance shares made much larger gains, Prudential "A" rising 1⅜ to 38½ and Commercial Union 3s. 9d. to 73s. 9d. Industrial stocks were mainly firm, with stores making fresh gains, but electrical stocks remained weak. Redundancies in the cinema industry caused a general fall in cinema shares on Wednesday, Rank Organisation ordinary shares losing 3d. to 6s. Among aircraft producers de Havilland dropped 10½d. to 16s. 3d. and Fairey Aviation 9d. to 16s. 6d.; Bristol Aeroplane made a small gain to 14s. 3d.

Leading oil stocks rallied after earlier dullness and Shell made an overall gain of 3s. 1½d. to 145s. 7½d. Kaffirs were consistently firm and made good gains on Wednesday; Western Holdings rose to a peak of 91s. 3d. and Winkelbank advanced 10½d. to 17s. 10½d.

***The Economist* Ordinary Share Indicator has been re-based on December 31, 1957, and linked back to the original base (average 1953=100). The merger of Courtaulds and British Celanese reduced the stocks in the Indicator to 49; the number has been restored to 50 by the inclusion of Furness Withy £1 units.**



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957/8	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
Dec. 4	178·3	6·44				
„ 11	177·2	6·54				
„ 18	175·9	6·60				
„ 31	175·7	6·63	225·0 (July 10)	171·2 (Nov. 6)	210·4 (Jan. 4)	170·0 (Nov. 28)
Jan. 1	175·9	6·64				

"Financial Times" Indices

1957/8	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956	1957
		%		%		High 207·6 (July 9)	High 203·6 (Jan. 3)
Dec. 24	164·7	6·69	87·56	5·38	3,957		
„ 27	165·1	6·67	87·47	5·38	2,460		
„ 30	165·1	6·67	87·49	5·38	6,294	Low	Low
„ 31	165·3	6·67	87·62	5·37	6,828	159·0	161·5
Jan. 1	165·6	6·65	87·69	5·35	5,536	(Nov. 6)	(Nov. 29)

Bases:—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Dec. 24, 1957	Price, Jan. 1, 1958	Net Yield, Jan. 1, 1958 §	Gross Yield, Jan. 1, 1958
					£ s. d.	£ s. d.
97⅛	93½	War Loan 3%....1955–59	96 1/16	96⅛	3 16 8	5 6 1
93 3/32	87⅛	Funding 2½%....1956–61	90 13/32	90⅜	4 8 5	5 12 6
99 3/32	98 3/32	Conversion 4%....1957–58	99 3/32	99⅛	4 1 11	6 0 3
97 1/32	94 1/32	Conversion 2½....1958–59	96¼	96 3/32	4 6 9	5 3 7
95⅛	90½	Exchequer 2½.....1960	93	93¼	4 7 0	5 8 2
97⅛	92⅛	Exchequer 3%.....1960	95⅛	95 7/32	3 16 11	5 7 5
99 3/32	93	Conversion 4½%.....1962	95⅛	95 1/32	3 11 0	5 14 2
89⅜	84⅜	Savings Bds. 3%..1955–65	84⅜	84⅜	4 3 8	5 13 7
84⅜	77	Funding 3%.....1959–69	77⅜	77⅜	4 5 6	5 15 10
92⅜	84 11/16	Funding 4%.....1960–90	86¼	86⅛	2 19 7	4 17 9
81⅜	74	Savings Bds. 3%..1960–70	75 3/16	75⅛	4 6 5	5 17 9
94 3/32	87⅜	Exchequer 3%....1962–63	88¼	88⅜	4 1 11	5 9 7
89 3/32	83	Exchequer 2½%..1963–64	84⅛	84⅜	4 6 2	5 10 3
83 3/32	77⅛	Savings Bds. 2½%.1964–67	78 3/16	78⅜	4 5 6	5 10 6
77⅜	67⅜	Savings Bds. 3%..1965–75	70	70⅜	4 3 4	5 16 3
84⅜	78⅛	Funding 3%.....1966–68	78⅛*	78 11/16*	4 4 7	5 13 7
95⅜	91⅛	Victory 4%.....1920–76	92 11/16	93	3 4 7	5 2 2
88 3/16	80⅜	Conversion 3½%.....1969	82 11/16	82⅜	4 0 6	5 15 3
81⅛	69⅛	Treasury 3½%....1977–80	71	71⅛	3 19 6	5 16 10
80	68	Treasury 3½%....1979–81	71⅛	71⅛	3 19 2	5 17 6
71⅞	57⅜	Redemption 3%..1986–96	59 3/16	60	3 14 0	5 11 8
80⅜	63½	Funding 3½%..1999–2004	64 1/16*	64⅜*	3 11 10	5 13 7
81 11/16	68	Consols 4% after Feb. 1957	69 1/16*	69⅛*	3 6 0	5 14 7
75	60⅜	War Loan 3½% after 1952	62⅜	63⅛	3 3 11	5 11 0
75½	58⅜	Conv. 3½% after Apr. 1961	62 11/16	63⅛	3 4 3	5 12 6
65⅞	51⅜	Treas. 5% after Apr. 1966	54⅛	54⅜	3 3 10	5 11 7
55 1/16	45	Consols 2½%.....	46 1/16*	46⅜*	3 1 8	5 7 3
55 1/16	44	Treas. 2½% after Apr. 1975	46⅛	46 3/16	3 2 7	5 9 6
96⅛	88⅜	Br. Electric 4½%..1967–69	92⅛	92¼	3 10 3	5 12 6
80 1/16	70	Br. Electric 3%...1968–73	71⅜	72¼	4 5 5	5 17 5
78⅛	66	Br. Electric 3%...1974–77	68⅛	68⅜	4 3 1	5 16 3
92 7/16	79⅜	Br. Electric 4½%..1974–79	82 3/16	83⅛	3 12 2	5 13 11
81 11/16	69⅜	Br. Electric 3½%..1976–79	71⅛	72⅛	3 18 11	5 16 1
90⅛	81	Br. Gas 4%.....1969–72	83 3/16	82½*	3 17 3	5 15 6
87⅞	78	Br. Gas 3½%.....1969–71	80 3/16	80⅛	3 19 2	5 14 4
72⅞	58⅞	Br. Gas 3%.....1990–95	60 3/16	60⅜	3 14 2	5 11 4
80 1/16	70	Br. Transport 3%..1968–73	71⅜	72⅛	4 5 5	5 17 5
83⅜	77⅛	Br. Transport 4%..1972–77	78⅜	79⅛	3 16 0	5 15 7
72⅛	59	Br. Transport 3%..1978–88	60 11/16*	61	3 18 8	5 14 5

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Dec. 24, 1957	Price, Jan. 1, 1958	Yield, Jan. 1, 1958
					£ s. d.
92⅞	82	Agric. Mortgage 5%.....1959–89	82⅞*	82⅜	6 6 0
81⅜	75	Australia 3½%.....1965–69	77⅛	76⅛*	6 6 0
97⅛	91½	Birmingham 5%.....1973–75	93	93	5 13 2
100⅝	91	East Africa 5½%.....1977–83	92⅛	92⅜	6 6 0
105½	96	L.C.C. 5½%.....1977–81	98⅛	98⅜	5 12 6
69½	54⅛	Met. Water Board 'B' 3% 1934–2003	55⅝	56	5 16 4
87½	77	New Zealand 4%.....1976–78	77⅞	78	5 18 5
75⅜	67⅜	S. Rhodesia 2½%.....1965–70	69⅜	69⅜	5 16 0
87	72⅜	German 7% (Br. Enfaced 5%)..1924	84⅜	84⅜	...
169⅜	147½	Japan 5% (Enfaced).....1907	156⅜	160	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Dec. 24, 1957	Price, Jan. 1, 1958	Yield, Jan. 1, 1958
		% %	BANKS & DISCOUNT			£ s. d.
30/9	19/6	9 c	4 a Bk. Ldn. & S. Amer. £1	26/6	28/–	6 8 7
47/3	40/–	7 b	6 a Barclays Bank.....£1	42/–	42/6	6 2 4
35/3	27/6	4 a	4 b Barclays D.C.O. ...£1	29/6	29/6	5 8 6
42/6	34/6	7½ b	7½ a Chartered Bank....£1	35/6	35/6	8 9 0
51/3	42/9	7 b	6¼ a Lloyds Bank £1	44/–	44/3	6 2 6
66/7½	58/–	9 b	9 a Midland Bank £1	61/6	62/–	5 16 2
40/6	28/6	5 b	5 a Nat. Discount 'B' ..£1	35/–	35/–	5 14 3
51/6	39/3	6¼ b	6¼ a Union Discount....£1	45/6	44/9	5 11 9
			INSURANCE			
86/4½	61/7½	43½ b	30 a Commercial Union 5/–	70/–	73/9	4 19 6
177/6	102/6	87½ b	40 a Legal & General ..5/–	112/6	117/6	4 4 0
22½	17½	†50 b	†20 a Pearl.....£1	18½	18½	6 11 7
46	34½	†125 c	†132½ c Prudential 'A' £1	36½	38½	5 11 0
			BREWERIES, ETC.			
130/–	105/6	10 a	36 b Bass £1	129/4½	125/7½*	7 6 3
25/9	19/7½	18¾ c	7½ a Distillers.....6/8	21/–	20/9⅝	6 0 5
44/9	36/–	10 a	15 b Guinness.....10/–	40/–	39/–*	6 8 2
87/3	63/6	8 a	17 b Whitbread 'A' £1	80/–	80/–	6 0 0
			MOTORS & AIRCRAFT			
21/6	11/9	6½ b	3½ a Bristol Aeroplane 10/–	14/1½	14/3	7 0 4
8/7½	6/–	12½ c	12½ c British Motor.....5/–	6/11½	7/1½	8 15 5
40/–	29/3	5 b	3 a Ford Motor £1	32/1½	32/3	4 19 2
45/9	27/6	3 a	7 b Hawker Siddeley....£1	31/–	30/6	6 11 2
53/–	41/9	10 c	12½ c Leyland Motors....£1	42/–	42/3	5 18 5
121/–	90/7½	15 b	5 a Rolls-Royce.....£1	92/1½	90/7½	4 8 3
9/1½	5/11½	8 c	8 c Standard Motor....5/–	6/10½	7/–	5 14 3

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Dec. 24, 1957	Price, Jan. 1, 1958	Yield, Jan. 1, 1958
		% %	STEEL & ENGINEERING			£ s. d.
83/–	52/–	8 b	7 a Babcock & Wilcox..£1	58/–	52/3	5 14 10
29/3	20/–	4 a	6 b Dorman Long £1	22/6	22/3*	8 19 9
56/6	41/9	10 b	5 a Guest Keen N'fold..£1	46/–	47/9	5 13 0
76/4½	50/6	†5 b	†4 a Alfred Herbert £1	58/3	57/6	5 8 11
59/–	40/–	7 b	4 a Metal Box £1	43/–*	43/6	5 1 3
34/–	19/–	3 a	8 b Stewarts & Lloyds..£1	22/3	21/–*	10 9 8
81/–	52/–	11 b	5 a Swan Hunter.....£1	56/6	56/6*	5 13 3
24/1½	18/–	4 a	7½ b United Steel.....£1	21/1½	19/10½*	11 13 0
46/–	29/3	7½ b	2½ a Vickers.....£1	30/–	30/–	6 13 6
			ELECTRICAL			
72/3	47/6	15 c	7½ a Assoc. Elec. Inds...£1	47/9	48/3	6 4 6
55/–	39/4½	8½ b	4 a Br. Ins. Callenders..£1	39/10½	40/1½	6 4 8
32/6	24/–	4 3½ c	14⅝ a Decca Record 4/–	26/6	26/6	6 12 1
36/3	24/–	15 c	15 c Elect. & Mus. Inds. 10/–	27/3	28/9	5 4 6
64/9	47/3	10 b	4 a English Electric ...£1	47/6	47/–	5 19 2
59/–	37/9	4½ a	8 b General Electric ...£1	38/–	38/3	6 10 0
			TEXTILES			
24/1½	14/–	6 b	3 a Bradford Dyers....£1	16/6	16/3	11 1 6
28/–	21/1½	6½ b	2½ a Coats, J. & P. £1	21/1½	21/3	8 6 8
37/9	20/10½	6 b	3 a Courtaulds £1	21/1½	21/1½	8 10 6
38/7½	31/10½	5 a	12½ b Lancashire Cotton..£1	36/–	34/7½*	10 2 3
41/7½	30/10½	2½ a	12½ b Patons & Baldwins..£1	35/4½	35/4½	8 9 8
			SHOPS & STORES			
24/6	13/9	16 c	3 a Boots Pure Drug..5/–	18/6	19/3	4 3 2
42/10½	31/4½	7½ a	20 b Debenhams 10/–	36/3	38/–	7 4 10
55/7½	33/3	50 b	15 a Gt. Universal 'A'..5/–	40/–	41/1½	7 18 0
57/3	30/3	20 b	10 c Marks & Spen. 'A' 5/–	41/3	41/10½	3 11 8
30/3	19/3	20 b	12½ a United Drapery...5/–	24/3	24/10½	6 10 8
49/–	37/10½	26⅔ b	13½ a Woolworth.....5/–	40/–	41/–	4 17 8
			SHIPPING			
47/9	30/6	11 b	6½ a Brit. & Com'wealth 10/–	33/–	33/–	5 6 1
27/9	17/6	8 b	2 a Cunard £1	18/–	18/–	11 2 2
48/10½	28/3	9⅜ c	10½ c Furness Withy.....£1	31/3	31/–	6 19 5
38/–	23/9	5 b	3 a P. & O. Deferred....£1	23/9	24/–	6 13 5
			MISCELLANEOUS			
36/10½	24/9	22½ c	9 a Allied Bakeries 'A' 5/–	26/3*	27/–	5 11 1
50/3	29/9	6 b	3 a Assoc. Port. Cem....£1	33/3	33/–	5 9 0
27/9	18/6	32½ c	10 a Beecham Group...5/–	27/4½	27/6	5 18 3
47/9	26/3	8 b	4½ a Bowater Paper £1	27/9	26/9	9 7 0
68/10½	38/–	8 b	4 a Br. Aluminium £1	41/3	41/3	5 16 6
46/4½	35/–	†15 c	†9½ a Br. Amer. Tob. ..10/–	37/6	37/9	6 18 3
25/–	17/4½	17½ b	7½ a B.E.T. 'A' Defd...5/–	18/6	19/9	6 6 8
39/–	29/6	6 b	4 a Br. Oxygen £1	32/3	32/–	6 5 0
21/10½	15/3	7½ b	3 a Dunlop Rubber..10/–	16/6	17/–	6 3 8
46/6	36/1½	6 b	4 a Imp. Chemical.....£1	37/6	39/–	5 2 8
50/6	36/–	12½ b	8½ a Imp. Tobacco £1	38/9	39/3	10 14 0
36/9	27/3	2½ a	5 b J. Lucas (Inds.).....£1	28/–	28/6	5 5 2
19/3	12/4½	22½ c	5 a Monsanto Chem...5/–	13/6	13/6	5 0 0
18/3	13/9	5 a	5 b Ranks.....10/–	13/10½	13/9*	7 5 5
55/6	29/9	10 b	5 a A. E. Reed.....£1	30/–	30/–	10 0 0
15/10½	11/3	20 c	22½ c Sears Holdings 'A' 5/–	12/6	13/–	8 13 1
70/3	54/10½	41 a	12 b Tate & Lyle.....£1	54/10½*	55/4½	5 19 3
70/9	50/–	7½ a	7½ b Tube Investments..£1	52/3	53/3	5 12 8
13/6	51/–	22½ a	12½ b Turner & Newall...£1	55/11*	55/–	5 9 0
114/6	71/9	11½ b	6 a Unilever Ltd.....£1	71/9	74/–	4 14 8
102/–	65/6	14½ b	4 a Utd. Dominions Tr..£1	77/–	77/–	4 16 0
44/–	27/6	†10 b	†4½ a United Molasses .10/–	28/1½	28/–	8 16 0
			OIL			
173/7½	87/6	†10 b	†5 a British Petroleum..£1	88/9	88/9	5 17 8
119/4½	70/7½	17½ b	†5 a Burmah £1	71/10½	71/10½	6 5 2
£25	£14⅜	17½ b	7½ a Royal Dutch....20 fl.	£15	£15½	3 0 0
218/3	136/10½	†153½ b	†5 a Shell £1	142/6	145/7½	4 9 8
104/–	55/–	...	... Ultramar 10/–	58/6	60/6	...
			MINES, ETC.			
137/6	115/–	50 b	20 a Anglo-American .10/–	126/10½	126/3	5 10 11
29/–	20/3	†2½ a	†10 b Cons. Tea & Lands..£1	20/6	20/7½	21 1 10
92/6	48/6	15 b	6¼ a Cons. Zinc Corp. ...£1	48/9	49/6	8 11 8
113/1½	81/3	120 b	80 a De Beers Def. Reg. 5/–	81/3	82/6	12 2 4
83/9	56/10½	...	20 a Free State Geduld..5/–	81/3	82/6	...
12/10½	7/3	30 c	10 a London Tin 4/–	7/3	7/4½	16 5 4
56/7½	45/–	50 a	50 b President Brand ..5/–	49/3	50/4½	9 18 6
24/9	13/10½	8¾ c	16⅜ b Rho. Selection Tst. 5/–	14/3	14/1½	8 17 0
42½	23½	50 a	175 b Rhokana Corp. £1	24½	25	9 0 0
55/–	41/–	30 b	12½ a United Sua Betong..£1	48/3	47/6	17 12 4
88/4½	58/12	40 a	60 b Western Holdings..5/–	87/6	91/3	5 9 7

New York Closing Prices

	Dec. 24	Dec. 31		Dec. 24	Dec. 31		Dec. 24	Dec. 31
	$	$		$	$		$	$
Aluminium Ltd.	28⅞	28⅝	Crown Zeller...	45⅜	45⅝	Penns. R.R...	11⅞	11⅜
Am. Smelting..	35⅛	35⅛	DuPont de Nm.	176⅜	176⅞	Sears Roebuck	25	25⅛
Amer. Tel.	165⅛	167⅛	Ford Motors...	37⅞	37⅛	Shell Oil	68⅛	68
Am. Viscose...	25⅜	25⅛	Gen. Elect....	58⅝	61⅛	Std. Oil of N.J.	49⅛	49⅞
Anaconda.....	40⅛	40⅛	Gen. Motors...	33⅜	33⅛	U.S. Steel.....	49⅛	51⅜
Beth. Steel...	35	36⅜	Int'l. Nickel..	70⅞	70⅞	Western Union	14⅞	14⅜
Can. Pacific ..	22⅛	21¼	National Dist.	20⅛	20⅜	West'house E.	60⅛	63⅛
Chrysler	54⅜	52⅞	N.Y. Central .	14⅛	13⅞	Woolworth	35⅜	36⅛

* Ex dividend. † Tax free. ‡ Assumed average life approx. 10 years. § Less tax at 8s. 6d. in £. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 100%. (e) To earliest date. (f) Flat yield. (g) On 24%. (h) On 13½%. (i) On 22½%. (j) After Rhodesian tax. (k) On 20%. (l) To latest date.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared

World Trade ..... October 12th

British		Overseas	
Prices and Wages.....	This week	Western Europe :	
Production and Consumption	Dec. 7th	Production and Trade.....	Dec. 21st
Manpower.....	Dec. 14th	British Commonwealth	Dec. 7th
External Trade.....	Dec. 21st	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	Dec. 14th
Industrial Profits	Oct. 12th	United States	This week

Prices and Wages

	Unit	1954	1955	1956	1956			1957 (a)			
		mid-June			Dec. 11	Dec. 18	Dec. 27	Dec. 10	Dec. 17	Dec. 23	Dec. 31
WORLD PRICES											
Commodity Price Indicator :											
All items	1952=100	99	93	91	98	98	98	86	86	86	87
Food	"	119·6	92·0	90·8	98·5	99·0	98·7	93·5	92·2	92·4	94.1
Fibres	"	83·7	83·2	81·5	94·5	94·9	94·2	83·1	83·8	84·1	84.4
Metals	"	81·5	95·7	95·8	93·4	95·1	95·1	67·9	68·5	68·3	68.1
Other items	"	93·5	106·9	96·1	105·3	105·6	107·3	100·0	97·5	98·9	98.4
		Monthly averages			1956			1957			
BRITISH WHOLESALE PRICES		1954	1955	1956	Sept.	Oct.	Nov.	Aug.	Sept.	Oct.	Nov.
Materials used in :	June 30, 1949=100										
Non-food manufacturing (excl. fuel).	"	143·5	152·4	156·2	157·1	155·4	159·3	154·2	151·2	148·8	145·3
Mechanical engineering	"	150·4	168·1	177·3	178·7	177·8	178·6	187·9	187·5	187·0	185·9
Electrical machinery	"	160·5	185·7	190·0	188·1	185·8	186·6	183·0	180·7	179·4	179·5
Building and civil engineering	"	131·4	137·3	142·4	143·2	143·1	143·3	147·8	148·0	147·9	147·8
House building	"	130·7	137·1	142·3	143·0	143·2	143·4	147·0	146·9	146·9	146·8
Products of :											
Non-food manufacturing (excl. fuel).	"	125·5	129·6	133·8	136·5	136·5	136·7	140·2	141·0	141·3	141·3
Food manufacturing	"	139·1	143·9	148·1	147·7	150·9	151·7	153·1	153·4	151·0	150·7
Commodities :											
Cotton, raw	"	155·0	149·7	154·0	153·2	153·5	157·1	142·6	140·2	137·8	131·8
Wool, raw	"	160·8	142·0	145·3	156·3	152·8	158·3	166·1	157·6	148·5	149·8
Rubber, No. 1 RSS, one month future	"	197·9	329·9	234·2	230·4	268·6	309·8	268·0	250·8	248·6	229·0
Softwood, imported	"	145·0	154·9	155·9	155·6	155·4	155·9	156·4	156·0	156·0	156·0
Copper, ex-warehouse	"	213·4	295·7	280·5	259·2	242·9	239·5	180·3	167·8	160·2	161·4
UK RETAIL PRICES	Jan. 17, 1956=100										
All items(1)	"	...	...	102·0	102·1	102·7	103·1	106·4	106·1	107·1	107·7
Food	"	...	...	102·2	100·8	101·8	102·5	106·9	104·8	104·7	104·8
All items	1938=100	232	242	254	254	256	257	265	264	267	268
Food	"	239	257	269	265	268	270	281	276	275	276
Rent and rates	"	134	138	145	146	147	148	155	156	161	163
Clothing	"	255	256	263	263	264	264	267	268	269	269
Fuel and light	"	216	228	251	253	254	259	268	271	273	236
Household durable goods	"	284	288	303	309	309	309	307	307	309	309
Drink	"	257	260	264	266	268	268	273	273	276	276
Tobacco	"	387	389	411	418	418	418	418	428	428	428
Purchasing power of £ (based on all consumer spending)	1938=100	41	39	38	38	38	37	36	36	36	36
UK TERMS OF TRADE											
Import prices :											
All items	1954=100	100	103	105	104	106	107	105	104	103	103
Food, drink and tobacco	"	100	101	101	99	103	104	100	100	98	96
Basic materials	"	100	104	106	107	107	109	109	107	107	107
Export prices :											
All items	"	100	102	106	107	107	107	112	112	111	111
All manufactures	"	100	102	106	107	107	106	111	111	111	111
Metals	"	100	104	112	111	111	112	115	116	117	117
Engineering products	"	100	103	107	109	109	109	114	114	113	114
Textiles (excluding clothing)	"	100	100	99	101	100	98	102	102	104	102
Terms of trade :											
Ratio of import to export prices	"	100	101	99	97	99	100	94	93	93	93
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	86·1	127·7	157·0	158·1	153·6	171·4	86·9	81·6	80·7	82·3
UK WAGES											
Weekly wage rates :	Jan. 31, 1956=100										
All workers(3)	"	...	...	104·7	105·0	106·0	106·3	111·4	111·5	111·8	111·9
Men	"	...	...	104·7	105·0	106·0	106·2	111·4	111·5	111·8	111·9
Women	"	...	...	104·2	105·7	105·9	106·2	111·0	111·1	111·4	111·8
	Sept., 1939=100										
All workers	"	236	252	272	275	275	276	290	290	291	291
Weekly earnings : (4)											
All workers	s. d.	171 9	187 2	200 8	...	200 8	...	204 7[5]	...	...	...
Men	"	204 5	222 11	237 11	...	237 11	...	241 6[5]	...	...	...
Women	"	108 2	115 5	123 2	...	123 2	...	125 10[5]	...	...	...
	Oct., 1938=100										
All workers	"	323	351	377	...	377	...	384[5]	...	...	...
Men	"	296	323	345	...	345	...	350[5]	...	...	...
Women	"	333	355	379	...	379	...	387[6]	...	...	...

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561 (4) Surveys made twice a year; annual figures relate to October survey. (5) Figures relate to April survey (6) Revised figures for Nov. 26th were :—all items 86, food 93·4 and fibres 85·1.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1956 prices
	1947-49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	46·69
1955	110·7	89·6	114·5	110·9	103·7	120·0	119	102	117	304·6	76·52	77·69
1956	114·3	88·4	116·2	111·7	105·5	121·7	123	107	115	345·0	79·99	79·99
1957, July	118·2	92·8	120·8	117·4	106·5	125·5	124	110	113	361·8	82·18	79·02
" August	118·4	93·0	121·0	117·9	106·6	125·7	122	111	110	343·2	82·80	79·54
" September	118·0	91·0	121·1	117·0	107·3	126·3	124	112	111	327·9	82·99	79·64
" October	117·8	91·5	121·1	116·4	107·7	126·6	...	...	...	306·4	82·56	79·23
" November	118·0	91·9	121·6	116·0	107·9	126·8	...	...	...	301·8	82·32	...

PRODUCTION AND MANPOWER

	Gross national product	Total industrial production	Manufacturing production						Building	Civilian employment [1]		
			Durable goods			Non-durable goods						
	Seasonally adjusted annual rate		Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals and petroleum products	New construction; seasonally adjusted annual rates	Total labour force	Total employment	Unemployed as % of labour force
	$ billion	Index 1947-49=100; seasonally adjusted							$ billion	thousands		% rate
1939	91·1	58	49	54	47	66	80	49	8·2	55,230	45,750	17·2
1955	391·7	139	155	140	203	126	109	159	44·6	65,847	63,193	4·0
1956	414·7	143	159	138	199	129	108	167	46·1	67,530	64,979	3·8
1957, July	439·0	144	161	132	210	130	104	173	46·0	70,228	67,221	4·3
" August		145	162	126	209	131	105	174	47·3	68,994	66,385	3·8
" September		144	159	131	205	132	107	174	47·7	68,225	65,674	3·7
" October	...	141	154	127	201	130	103	172	48·5	68,513	66,005	3·7
" November	...	139	153	123	203	128	101	170	48·5	68,061	64,873	4·7

TRADE

	Personal consumption Annual rates	All business [2]		Total retail [2]		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res.	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1948=100	
1939	67·6	10·8	20·1	3·5	5·5	190	€2	41	260	139	76	53
1955	254·4	52·3	81·7	15·3	23·9	945	237	231	1,285	782	134	120
1956	267·2	54·8	89·1	15·8	23·9	1,043	256	250	1,589	911	143	141
1957, May	278·9[5]	56·8	90·6	16·6	23·9	1,091	269	259	1,799	1,034	148	157
" June		56·4	90·7	16·8	24·1	979	248	233	1,767	1,004	133	156
" July		57·4	91·0	17·0	24·1	1,138	290	248	1,675	995	154	147
" August	283·6	57·0	91·3	17·0	24·3	1,044	281	234	1,665	1,007	143	145
" September		56·3	91·3	16·9	24·4	1,010	279	220	1,527	883	137	132
" October	...	55·7	91·0	16·7[6]	24·2	...	...	...	1,659	970	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics [3]		Budget expenditure [4]		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds [7]	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion; end of period		$ billion		Per cent per annum		
1929	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	— 3·9	0·023	...	3·01
1955	305·9	217·3	11·9	38·65	29·02	78·3	82·6	64·6	— 4·2	1·753	2·80	3·06
1956	326·9	234·8	11·6	41·86	31·55	74·8	90·3	66·5	+ 1·6	2·658	3·06	3·36
1957, June	344·8	248·0	11·7	42·49	32·01	72·3	93·3	6·3	+ 5·4	3·316	3·61	3·91
" July	346·2	248·8	12·0	42·59	32·97	73·0	92·3	6·3	— 3·3	3·105	3·63	3·99
" August	346·8	249·7	11·7	43·13	33·30	73·1	92·8	5·9	— 0·8	3·404	3·63	4·10
" September	346·6	249·5	11·7	43·27	33·42	72·9	93·4	5·7	+ 1·6	3·578	3·72	4·12
" October	345·9	248·1	11·4	43·27	33·50	74·9	93·0	6·5	— 3·4	3·591	3·84	4·10
" November	345·4	247·2	11·4	...	...	...	...	...	...	3·337	3·64	4·08

(1) 1939 figures calculated on the basis of a smaller sample. From January, 1957, as a result of a change in definition some 200,000 to 300,000 persons temporarily laid off or waiting to start new jobs formerly classed as employed are subsequently classed as unemployed. (2) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (3) All commercial banks. (4) Annual figures are total for the fiscal year ended June 30th. (5) Figure for second quarter. (6) Estimate for November: $16·6 billion. (7) Bonds due or callable from 10 to 20 years.

Financial Statistics

EXCHEQUER RETURNS

For the 10 days ended December 31 1957, there was an "above-line" deficit (after allowing for Sinking Funds) of £13,527,000 compared with a deficit of £39,540,000 in the previous week and a deficit of £65,139,000 in the corresponding period of last year. There was a net expenditure "below-line" of £42,356,000, leaving a total deficit from April 1st of £897,534,000 (£927,470,000 in 1956–57).

£'000	Estimate 1957–58	April 1, 1956, to Dec. 31, 1956	April 1, 1957 to Dec. 31 1957	9 days ended Dec. 31, 1956	10 days ended Dec. 31, 1957
Ord. Revenue					
Income Tax	2176,250	801,002	867,075	32,102	28,265
Surtax	149,000	53,500	53,100	2,300	2,000
Death Duties	170,000	120,700	126,200	1,500	3,100
Stamps	60,000	45,900	50,100	800	1,600
Profits Tax, EPT & EPL	255,000	153,000	195,200	5,500	2,700
Other Inland Rev. Duties	500	210	150	...	...
Total Inland Rev.	2810,750	1174,112	1291 825	40,202	37,665
Customs	1204 250	909,256	918,701	18,954	26,696
Excise	912,850	575,335	704,125	21,975	19,915
Total Customs and Excise	2117,100	1584.591	1622,826	40,929	46,611
Motor Duties	93,000	26.417	30.151	964	1,145
PO (Net Receipts)	20,000	3,250	600	*Dr.* 3,550	*Dr.* 300
Broadcast Licences	31,000	19,600	21,200	3,200	3,200
Sundry Loans	32,000	30,315	27,651	...	...
Miscellaneous	185,000	130,439	122,854	1,242	9,798
Total	**5288,850**	**2968 724**	**3117,084**	**82,987**	**98,118**
Ord. Expenditure					
Debt Interest	640,000	570,197	497,310	45,021	8.369
Payments to N. Ireland Exchequer	69,000	44,802	47,653	2,811	3 028
Other Cons. Fund	10,000	5,502	5,635	49	32
Supply Services	4072,282	2907 601	2984,915	39,694	100027
Total	**4791,282**	**3528,103**	**3535,513**	**147576**	**111455**
Sinking Funds	38,000	25,276	25,527	550	130
"Above-line" Surplus or Deficit	**584,655**	**443,956**	**65,139**	**13,527**	
"Below-line" Net Expenditure	342,815	453,578	34,924	42,356	
Total Surplus or Deficit	**927,470**	**897,534**	**100063**	**55,883**	
Net Receipts from					
Tax Reserve Certificates	194,521	178,661	18,605	15,565	
Savings Certificates	48,000	−14,100	−2409	−800	
Defence Bonds	−33,395	−26,718	−1108	−551	
Premium Savings Bonds	51,500	55.080	700	370	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1956					
Dec. 31	4,959·5		234·6	4·0	5,198·1
1957					
Sept. 30	4,888·9		273·0	...	5,161·9
Oct. 5	3,110·0	1,715·5	202·6	...	5,028·1
" 12	3,110·0	1,742·9	220·0	...	5,072·9
" 19	3,120·0	1,772·9	214·0	...	5,106·9
" 26	3,140·0	1,792·1	199·4	...	5,131·5
Nov. 2	3,170·0	1,774·5	190·1	2·8	5,137·4
" 9	3,210·0	1,744·6	201·7	...	5,156·3
" 16	3,260·0	2,188·8	231·9	...	5,680·7
" 23	3,500·0	2,158·2	197·0	...	5,655·2
" 30	3,340·0	2,148·6	182·5	4·8	5,675·9
Dec. 7	3,380·0	2,140·3	189·2	6·0	5,715·5
" 14	3,410·0	2,181·2	193 6	...	5,734·8
" 21	3,440·0	2,228·1	192·4	...	5,860·4
" 30	5,684·7		218·4	...	5,903·1

THE MONEY MARKET

THE year end money squeeze was not felt until Monday, December 30th, when institutions other than the banks heavily recalled their loans to the market, forcing two or three houses to borrow from the Bank at the penal rate. On Tuesday the rate on over-night loans ranged up to 6½ per cent, but the following day the rate fell below 5 per cent.

At the Treasury bill tender on Friday last week the discount market raised its common bid for 91-day bills by 4d., to £98 8s. 2d. No 63-day bills were offered —£50 million of them were allotted at the previous tender—and this more than accounted for the increase by £40 million, to £260 million, in the allotment of longer bills.

Total applications at £409.2 million compare with applications in the previous week for £52.8 million of 63-day bills and for £351.1 million of 91-day bills, the market securing 54 per cent of its common-price applications, excluding the bills taken up on Friday. Three months from then will be Good Friday, and applications for that day were allotted in full. The average rate fell 1s. 4.03d. to £6 7s. 5.91d. per cent. The rate for 91-day bills has now been declining for over two months.

The United States Treasury bill rate rose again, this time from 3.140 to 3.174 per cent. Throughout the week sterling has been above parity against the US dollar.

LONDON MONEY RATES

	%		%
Bank rate (from 5% 19·9·57)	7	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	6⅛ 6¼
Bank	5	3 months	6⅛ 6¼
Discount houses	5	4 months	6⅛ 6¼
Money		6 months	6⅛ 6¼
Day-to-Day	4½ 5¾		
Short periods	6¼	Fine trade bills:	
Treas. bills 2 months	6⅛	3 months	7½ 8
3 months	6⅛	4 months	7½ 8
		6 months	7½ 9

BANK OF ENGLAND RETURNS

(£ million)	Jan. 2, 1957	Dec. 25, 1957	Jan. 1, 1958
*Issue Department**:			
Notes in circulation	1,968·9	2,128·0	2,092·1
Notes in banking dept.	56·4	22·4	58·2
Govt. debt and securities*	2,021·2	2,146·2	2,146·3
Other securities	0·8	0·4	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	18·0	9·8	14·6
Bankers	212·4	199·5	192·8
Others	75·3	81·9	78·8
Total	305·7	291·2	286·2
Securities:			
Government	203·2	241·4	194·9
Discounts and advances	45·3	21·0	26·7
Other	17·0	22·2	22·2
Total	265·5	284·6	243·8
Banking department reserve	58·4	24·8	60·6
	%	%	%
"Proportion"	19·0	8·5	21·1

* Government debt is £11,015,000, capital £14,553,000. Fiduciary issue increased to £2,150 million from £2,100 million on December 18, 1957.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1956	*91 Day*		s. d.	%
Dec. 28	270·0	372·5	97 1·81	68
1957				
Sept. 27	270·0	399·8	132 1·19	55
Oct. 4	260·0	403·7	132 1·31	47
" 11	260·0	416·4	132 0·23	41
" 18	270·0	408·4	132 0·56	47
" 25	260·0	431·1	132 0·74	37
	91 Day *63 Day*			
Nov. 1	220·0 40·0	419·3	131 10·53	47
" 8	230·0† 40·0	434·0	131 8·42	29
" 15	210·0 40·0	426·1	131 7·45	23
" 22	210·0 50·0	423·6	129 5·71	47
" 29	230·0 50·0	390·7	129 2·27	61
Dec. 6	240·0† 50·0	430·7	129 1·45	39
" 13	230·0 50·0	414·8	129 1·21	45
" 20	220·0 50·0	405·9	128 9·94	52
	91 Day			
" 27	260·0	409·2	127 5·91	54

* On December 27th tenders for 91 day bills at £98 8s. 2d. secured 54 per cent, higher tenders being allotted in full. The offering this week was for £260 mn. at 91 day bills. †Allotment cut by £10 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: January 1	Market Rates: Spot: December 24	December 27	December 28	December 30	December 31	January 1
United States $	2·78–2·82	2·80⅜–2·80½	2·80⅜–2·80⅝	2·80⅜–2·80⅜	2·80⅜–2·80⅝	2·80⅜–2·81	2·80⅜–2·81
Canadian $	...	2·75⅜–2·75⅝	2·76 3/16–2·76 5/16	2·76 3/16–2·76 5/16	2·76⅜–2·76½	2·76⅜–2·76½	2·76 3/16–2·76 5/16
French Fr.	1167·18–1184·82	1172–1172½	1175–1175½	1174½–1174½	1174½–1175	1175½–1175½	1176–1176½
Swiss Fr.	12·15 9/16–12·33 9/16	12·24–12·24½	12·24½–12·25	12·24½–12·24½	12·24½–12·25⅛	12·25–12·25½	12·25⅛–12·25⅜
Belgian Fr.	138·95–141·05	139·82½–139·87½	139·87½–139·92½	139·85–139·90	139·82½–139·87½	139·75–139·80	139·82½–139·87½
Dutch Gld.	10·56–10·72	10·58½–10·58⅝	10·58⅝–10·59¼	10·56⅞–10·59⅛	10·56–10·56⅛	10·58½–10·58⅝	10·59–10·59⅛
W. Ger. D-Mk.	11·67 9/16–11·84 3/16	11·75–11·75½	11·75–11·75½	11·75–11·75½	11·75½–11·75½	11·75½–11·75½	11·75½–11·75⅝
Portuguese Esc.	79·90–81·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15
Italian Lire	1736⅝–1762½	1748½–1748⅞	1750¼–1751	1751–1751½	1753–1753½	1754–1754½	1754–1754¾
Swedish Kr.	14·37½–14·59⅜	14·46½–14·47	14·47–14·47¼	14·47⅜–14·47⅝	14·48⅛–14·49⅛	14·49⅜–14·49½	14·49⅞–14·50⅛
Danish Kr.	19·19½–19·48½	19·34⅜–19·34⅝	19·33½–19·34½	19·33⅝–19·33⅞	19·34–19·34½	19·33½–19·33½	19·33½–19·33⅝
Norwegian Kr.	19·85–20·15	20·00⅛–20·00½	19·99½–20·00⅛	19·99½–20·00⅛	20·00⅛–20·00⅜	20·00⅛–20·00⅜	20·00⅛–20·00⅜
One Month Forward Rates							
United States $		⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅜–½c. pm	¼–½c. pm
Canadian $		⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	¼–⅜c. pm	⅜–½c. pm	¼–½c. pm
French Fr.		3 6 dis	3 6 dis	4 7 dis	4 7 dis	4 7 dis	3 6 dis
Swiss Fr.		3-2½c. pm	3-2½c. pm	3-2½c. pm	3-2½c. pm	3½-3c. pm	3½-3c. pm
Belgian Fr.		⅛–¼ pm	⅛–¼ pm	⅛–¼c. pm	¼–⅜c. pm	¼–⅜ pm	¼–⅜ pm
Dutch Gld.		½–1c. pm	½–1c. pm	½–1c. pm	¾–1c. pm	½–1c. pm	½–1c. pm par
W. Ger. D-Mk.		2¾–2½pf. pm	2¾–2½pf. pm	3–2½pf. pm	3–2½pf. pm	3–2½pf. pm	3–2½pf. pm
Italian Lire		1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis
Swedish Kr.		20 pm–par	20 pm–par	20 pm–par	20 pm–par	20 pm–par	20 pm–par
Danish Kr.		3 10 pm	3 10 pm	3—10 pm	3 10 pm	3½ pm–par	3½ pm–par
Norwegian Kr.		20 pm–par	20 pm–par	20 pm–par	20 pm–par	10 pm–par	10 pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/7½	...	...	249/4½	249/3	...

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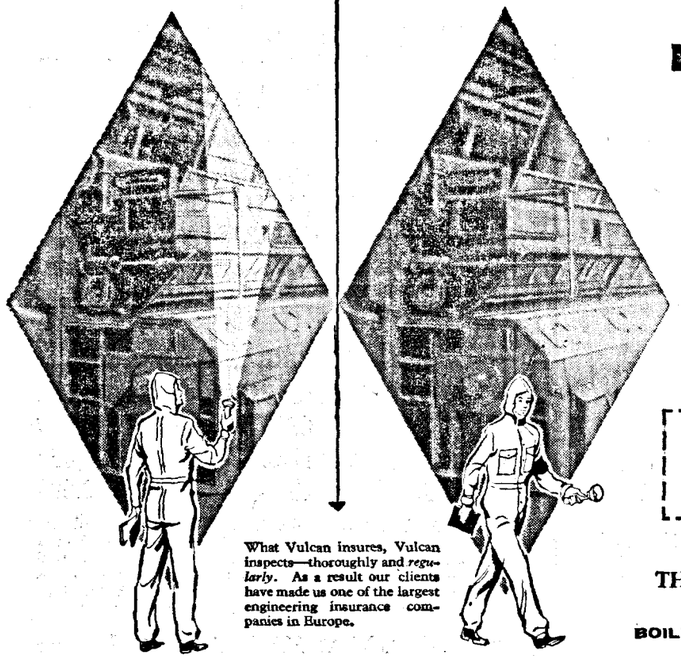
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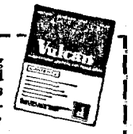
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COMPANY MEETINGS

OK BAZAARS (1929)

(Incorporated in the Union of South Africa)

INCREASED NET PROFIT

SUBSTANTIAL EXTENSIONS TO BRANCHES

The twenty-eighth annual general meeting of shareholders of OK Bazaars (1929), Limited, was held on December 31st at OK Buildings, corner Eloff, Pritchard and President Streets, Johannesburg, Mr S. Cohen (chairman and joint managing director) presiding.

The following is the directors' report circulated with the accounts for the year ended June 30, 1957:

CAPITAL

The Share Capital of the Company appears in the Balance Sheet at the same total as last year.

PROFIT

The net profit of the parent Company for the year under review after providing for all expenses and taxation was £1,071,202 as compared with £943,800 for the previous year. The amount available for allocation and appropriation in the accounts of the parent Company has been dealt with as set out below:

1956			1957
£		£	£
2,114,257	Balance brought forward from previous year		2,144,046
943,800	*Add :* Profit for the Year		1,071,202
3,058,057			3,215,248
	Deduct : Preference dividends	75,400	
	Interim dividend of 20 per cent, declared 13th June, 1957, since paid	168,870	
	Second Interim dividend of 2½ per cent, declared 15th November, 1957, payable 24th December, 1957	21,109	
268,488			265,379
2,789,569			2,949,869
350,000	*Deduct :* Transfer to Capital Reserve		500,000
2,439,569	Balance		2,449,869
	Which your Directors recommend be dealt with as follows :		
	For the payment of a final dividend of 40 per cent on 31st January, 1958 (making a distribution for the year of 62½ per cent, as compared with 60 per cent for 1956) to holders of Ordinary, "A" Ordinary and "B" Ordinary Shares		
295,523			337,741
£2,144,046	Balance to be carried forward		£2,112,128

The second interim dividend of 2½ per cent payable on December 24, 1957, was declared to avoid the incidence of Undistributed Profits Tax.

CONSOLIDATED ACCOUNTS

Shareholders are referred to the Consolidated Accounts of the Company and its Subsidiaries which show the position of the Group as a whole. The Consolidated Net Profit, after deducting all expenses, taxation, interests of outside shareholders and preliminary expenses of certain subsidiary companies, is £1,249,373 which compares with £1,153,283 for 1956. Provision for the replacement, renewals and modernisation of shop fittings and equipment has in this year's Balance Sheet been increased by an amount of £69,131. This provision has been made in conformity with our policy of modernising our shop lay-out and sales presentation. The trading stocks on hand were increased by £1,406,339 in order to provide for the new branches and for the increased turnover of existing stores.

The following statistics are given for the information of shareholders:

	1953	1954	1955	1956	1957
	£	£	£	£	£
Preference Capital	1,040,000	1,040,000	1,040,000	1,340,000	1,340,000
Ordinary Capital	651,000	651,000	651,000	844,000	844,000
Reserves and Unappropriated Profits	5,976,000	6,271,000	6,953,000	8,703,000	9,347,000
Totals	7,667,000	7,962,000	8,644,000	10,887,000	11,531,000
Profits after tax	834,000	853,000	966,000	1,153,000	1,254,000
Percentage of profits of above totals	10·88	10·71	11·17	10·59	10·88
Preference Dividends paid	57,000	57,000	57,000	57,000	75,000
Profits attributable to Ordinary Shareholders	777,000	796,000	909,000	1,096,000	1,179,000
Dividends to Ordinary Shareholders :					
Amount	326,000	390,000	390,000	507,000	528,000
Per share	2s. 6d.	3s. 0d.	3s. 0d.	3s. 0d.	3s. 1½d.
Profits retained	451,000	406,000	519,000	589,000	651,000

The £2,616,000 profits retained in the business over the above five years have assisted the Company in extending its activities.

DEVELOPMENT

The new Durban shop was completed in July, 1957, and the shopping facilities now provided in this important city are unsurpassed. Substantial extensions and alterations have been made to our Pretoria, Welkom and Bloemfontein branches. New branches at Kitwe (Northern Rhodesia) and Orange Grove (Johannesburg) will be completed in this financial year and a new branch to be completed in July, 1958, is in the course of construction at Randfontein to replace our present store which is inadequate. Considerable extensions are now in hand to the present store in Klerksdorp (Transvaal), which town is rapidly expanding as a gold and uranium producing centre; preparations are well advanced for the erection of a new branch at Florida (Transvaal). It is hoped that before the close of the current financial year, building operations will have commenced on our new store at Rosebank (Johannesburg). We have discontinued the business formerly known as Paramount Stores (Johannesburg) and we now trade as "CTC Bazaars" in the same premises which have been modernised. Last year we reported the arrangements made with Federated Stores Limited in regard to the adjacent sites at Port Elizabeth, Salisbury and East London. Work is in progress at Port Elizabeth and it is expected to be completed in 1959 and the Salisbury project will commence early in 1958. Extensions to the East London branch have been deferred. Similar arrangements have been made with Federated Stores Limited in regard to Johannesburg and Wynberg (Cape) where sites adjoining our branches have been acquired for extension purposes. Capital outlays will be required for these extensions, as well as for alterations to certain other stores on long term leases, the major portion of which will be recovered from Federated Stores Limited over a period of years. At June 30, 1957, the amount of such recoverable outlays was £271,581, as reflected in the Accounts.

DIRECTORS

The retiring Directors are Messrs. James Cranko and Stanley Cohen, who being eligible, offer themselves for re-election.

GENERAL

We again take this opportunity of complimenting South African manufacturers on the continued improvement of their products which constitute the major portion of our requirements.

We extend to all members of the staff our thanks and appreciation for their continued loyal co-operation and efficient services. This year, as in previous years, bonuses were paid to the staff.

The report and accounts were adopted and the dividend as recommended was approved.

The retiring directors were re-elected and the remuneration of the auditors, Messrs Peat, Marwick, Mitchell & Co. was fixed.

TURNER & NEWALL LIMITED

SATISFACTORY TRADING RESULTS

INCREASINGLY COMPETITIVE CONDITIONS

The Annual General Meeting of Turner & Newall Limited will be held on January 21, 1958, at the Chartered Accountants' Hall, Manchester, when it is expected that Sir Walker Shepherd, the Chairman of the Company, will preside.

Sir Walker Shepherd's Statement to the Stockholders has been circulated to them with the Report and Accounts, and, after dealing with the accounts of the Company, it contains a detailed review of the Company's operations during the year to September 30, 1957, both at home and abroad.

The following are extracts from the Statement:

ASBESTOS TEXTILES

Despite increasingly competitive conditions in both home and export markets, coupled with reduced demand for textile-based brake lining materials, the trade of Turner Brothers Asbestos Company Limited in asbestos textile products was maintained during the year at a satisfactory level. A further expansion of export turnover was achieved, establishing a new record, and overseas demand in this field continues generally buoyant. Mainly as a result of substantial contracts from the National Coal Board for fire-resisting conveyor belting, output from the Company's belting factory at Hindley Green showed a considerable increase over any previous year. Trading conditions, however, in the belting field also became strongly competitive as the year progressed, so that the financial results were less favourable than might have been anticipated.

Further steady progress has been made with the modernisation and enlargement of the Rochdale factory, and also with the transfer of various important manufacturing processes to the new asbestos textile and plastics factory at Hindley Green. The benefits are being felt progressively as the work proceeds, but the full effect will only become apparent when these transitional factors cease. One advantage which has already accrued from the transfer programme has been the partial relaxation of pressure on the Leeds factory of J. W. Roberts Limited, which continued to make a useful though diminishing contribution to asbestos textile production, while maintaining its output of fibres processed for other purposes. The Company's postion in the field of Sprayed "Limpet" Asbestos and "Ferobestos" technical plastics has been further consolidated, and steady development is confidently anticipated.

BRAKE AND CLUTCH LININGS

Whilst the export sales of Ferodo Limited attained a new high level, home market turnover was slightly below the record figure of last year, mainly due to the effects of the Suez crisis. This had significant repercussions in the automotive field, and the Company was able to avoid redundancies amongst its workpeople only because of the cushioning effect of its expansion into markets outside the motor trade. It is the Company's policy to continue energetically with the development of activities in such markets. Rising costs have been a problem during the year, but it has been possible to increase factory efficiency by major reorganisations of plant and improved techniques. Against the general trend, selling prices have not been increased. The immediate outlook in the home market is naturally uncertain as the Company has reason to know that, in times of dear money and restriction of credit, the motor trade is invariably amongst the first to suffer. Backed by extensive patent protection both at home and abroad, the Company has expanded its range of heavy duty friction materials by the introduction of sintered metallic products. Research facilities are being expanded by the construction of a new building wherein under one roof will be housed all research activities —laboratories, testing facilities, experimental production workshops and administration. Also during the year the Company has arranged for the construction of its own test track for vehicles at a location close to its factory.

ASBESTOS CEMENT

Falling demand, and the resultant intensified competition, have been experienced by Turners Asbestos Cement Company, Limited, in both home and overseas markets; under these circumstances it is satisfactory that this Company has reported results which are very similar to those for the previous year. Political and economic difficulties have had an adverse effect in a number of important export markets; at home the restriction of finance for capital development is progressively affecting the building and civil engineering industries which are important customers for the products of the Company. New products have been developed and marketed to meet the changing demands of the building industry, in particular in relation to fire resistance and insulation against wasteful loss of heat. Current trading continues at a satisfactory level, but maintenance of this situation is clearly dependent upon some easing of national financial difficulties.

CHEMICAL AND INSULATION

The factories of The Washington Chemical Company, Limited, operated at high capacity throughout the year, with a sales turnover considerably in excess of that of the previous year. Increasing costs of production resulted, however, in reduced profit margins, whilst export business, although demand was strong, remained very competitive. Good progress was made with the factory modernisation and enlargement schemes, whilst research work on the Company's products and processes proceeded favourably. Newalls Insulation Company, Limited, also experienced a satisfactory year, with turnover approximating to the record figures reported last year.

EXPORT TRADE IN GENERAL

The development of export turnover by our manufacturing companies located in the United Kingdom has varied in degree; this is only natural since the type and nature of the products which they are able to offer overseas buyers cover a very wide range of industries. Whilst the total volume of export business has not fully equalled the record figures of the previous year, which, as I stated at the time, were beginning to be influenced by the political situation, the difference is not very great and is completely understandable in the circumstances.

DIRECTORS

Since the date of our last Annual General Meeting, Mr George Wilson resigned from the Board with effect from January 31, 1957. He had been troubled by ill health, and his retirement from the Board, whilst not unexpected, has meant the severing of the last link after a lifetime of service to our Organisation. We wish him well for the future, and record the Board's appreciation of his long and valuable service. During the year four new Directors were appointed in the persons of Messrs R. M. Bateman, N. A. Morling, G. S. Sutcliffe and J. A. E. Clogg. All of these gentlemen have been in the service of our Organisation for many years, in most cases almost entirely in the section of our Organisation which is operated through the medium of the subsidiary company or companies of which they are now respectively Chairmen. In my view their appointment represents a considerable strengthening of our Board.

DIVIDEND ON ORDINARY STOCK

This year your Board recommend a final dividend on the Ordinary Stock of 12½ per cent, making, with the interim dividend already paid, a total distribution equivalent to 15 per cent for the year on the Issued Capital as it now exists. This compares with last year's total distribution of 27½ per cent on the old Capital, or 13¾ per cent on the present Issued Capital. Although, since the close of the financial year under review, the downward tendency in business still continues, the Aggregate Net Profit for the year to September 30, 1957, before Taxation, was slightly higher than that for the previous year, due mainly to the substantially improved results of the overseas companies, and this fact has enabled your Board to recommend this small increase in distribution.

FUTURE PROSPECTS

In my statement of last year I indicated your Board's anticipation that the Group would remain prosperous, but at a level which, so far as we could then see, was likely to be rather lower than that which we had experienced during the two preceding years. This forecast is in process of being fulfilled, although its full effect cannot be observed or deduced from the figures of the financial year which ended on September 30, 1957. The second half of that financial year was less satisfactory in its results than the first half, and so far as can be foreseen at present the conditions which obtained during the second half of the financial year 1956-57 are likely to be maintained, and possibly somewhat intensified, during the whole of the now current financial year. In so far, therefore, as forecasting is possible under conditions of acute uncertainty in many directions, I would repeat that we expect the year now in progress to yield reasonably satisfactory results, but on a lower level than has been our experience in recent years. We are, however, completely confident that our Company, and our industry, has satisfactory future prospects, and significant scope for development; we do not propose to be deterred in any way, in our constant forward planning for expansion, by conditions which, for the time being, are likely to give us less material reward than has been the case during the years of postwar boom.

THE PLESSEY COMPANY

(Manufacturers of Components for the Electrical and Mechanical Engineering Trades)

PROFITS HELD DESPITE RISING COSTS

MANUFACTURING AGREEMENTS WITH AMERICA PLAY AN INCREASINGLY IMPORTANT ROLE

INCREASE IN NOMINAL SHARE CAPITAL

The thirty-third annual general meeting of The Plessey Company Limited was held on December 30th in London, Mr A. G. Clark (chairman and managing director) presiding.

The Secretary (Mr W. F. Cross, BA) read the report of the auditors.

The following is the statement by the Chairman which had been circulated with the report and accounts:

We now submit accounts for the year to June 30, 1957. At £1,548,305 the profit for the year compares with £1,544,712 for the year to June 30, 1956. For a somewhat difficult year, during which adequate profit margins became steadily more difficult to obtain I consider the result may be regarded as satisfactory. Profit margins have been lower because we have endeavoured, where practicable, to hold prices steady in spite of rising costs. Notwithstanding these difficulties we are convinced that business is to be had, provided the necessary effort is made to get it, and we organise ourselves flexibly enough to cope with the changing conditions.

As you know, a considerable part of our work is for Government Departments, particularly for the Admiralty and the Ministry of Supply, and although there are inevitably fluctuations in their requirements from us which must cause some dislocation in our production facilities, nevertheless we would place on record our appreciation of the high degree of understanding which we always encounter in these departments and which we feel sure is unsurpassed in the departments of any other Government in the world.

We have always been firm believers in co-operation across the Atlantic and it is now over a quarter of a century since our first Licence with an American Corporation was signed. Today we have twenty such Agreements whereby we enjoy the benefits of American techniques or they enjoy ours; these Agreements cover a wide range of equipment, components, or raw materials.

Additionally, we have specialised since the latter part of the war, in the translation of American manufacturing data, specifications and drawings into our own language for manufacture of American products in this country. This process, known as "Anglicisation," will be playing an increasingly important role in our business lives.

Today our turnover covers many products in many fields, of which radio and television are only two. This diversification necessitated some time ago the decentralisation of our Organisation into a number of Groups and Divisions operating in factories in various parts of the country.

AIRCRAFT AND AUTOMOTIVE GROUP

In the Aircraft field we have continued to make progress as suppliers of high grade Mechanical and Electrical Equipments to the Government and the Aircraft Industry. No aircraft of British origin flies today which does not include equipment of our design and manufacture, and spares and servicing arrangements have been made throughout the world in support of the outstanding export achievements of our aircraft and engine manufacturers.

The use of hydraulic power in the Agricultural, Earth Moving and Lifting Gear Industries has greatly increased in recent years and in this connection we have been active in developing hydraulic systems in conjunction with the vehicle manufacturers. This work has now been consolidated in our Industrial Hydraulics Division which is self-contained and well equipped from the point of view of technical development and manufacturing facilities.

ELECTRONICS GROUP

The Electronics Group is concerned not only with Radio and Television, but also with Telecommunications, where we are making a substantial contribution to the equipments of all three Fighting Services under the auspices of the Admiralty and the Ministry of Supply.

This Group is now extending its endeavours into the field of Industrial Electronics where one of the main characteristics is the necessity for the most up-to-dare techniques.

COMPONENTS GROUP

The past year has shown a steady improvement in all the Divisions of the Components Group. Research and Development is being continuously carried out in product design, as well as in mechanisation and improved methods of manufacture in order to widen our range of products and reduce costs.

This year has seen the establishment of a new factory in this field at Havant.

PLESSEY NUCLEONICS LIMITED

By virtue of our experience in mechanical, electrical and electronic engineering problems, we were able, early on, to provide a basic team of engineers to enter the Atomic Energy field and this resulted in 1956 in the formation of Plessey Nucleonics Limited, a self-contained subsidiary company engaged entirely in the nuclear field. It is in business on a broad basis designing and manufacturing control equipments for use in the new atomic power stations and their first major installation, the Calder Hall Fuel Element Monitoring System, has been in successful service for more than a year.

PLESSEY DEVELOPMENT COMPANY

It has been our policy to introduce to this country new products under agreement with manufacturers overseas.

To assist in the development of these manufacturing interests we have brought certain of them together under one general control in their early stages of development until they are able to operate as separate Divisions.

Shareholders will have seen in the Press during the year that we have concluded an agreement with The Philco Corporation of Philadelphia for the manufacture in this country of transistors and semiconductors, and to this end we have formed a new Company known as Semiconductors Limited.

INTERNATIONAL COMPANY

Plessey International Limited is steadily increasing its direct exports and during the Financial Year in question has reached an all time record.

NEW PREMISES

In addition to the factory for transistors which we are erecting at Swindon, the Swindon Corporation are erecting for us on their new Trading Estate a factory of over 350,000 sq ft and we place on record our appreciation of the close co-operation and understanding that exists with the Corporation.

We are ever mindful of the Government's call for assistance in fighting inflation and we propose in the future to pursue even more energetically our long established policy of creating yardsticks for our people at every level, from shop floor to Board room—gearing rewards to results—and thus ensuring the continuance of the real effort which we find so richly forthcoming from all spheres and levels of our own organisation.

I would like to take this opportunity to remind our shareholders that if they know of any keen young men who wish to progress in various spheres in our line of business, we will be only too happy to see them to find out whether there is any opening which is suitable for their talents. Our Company Secretary is ready to deal with any such applications as may be forthcoming.

We are calling an Extraordinary General Meeting to follow the Annual General Meeting at which we will ask you to authorise an increase in our nominal share capital by £1 million represented by 2 million additional Ordinary shares of 10s. each. At the present time the only unissued capital is £215,000 in Second Preference shares. We consider it desirable to ask for your approval to their creation so that they may be available for issue as and when the interests of the Company require.

The report and accounts were adopted, the retiring Directors, Mr B. G. W. Attwood and Mr M. W. Clark were re-elected, and the remuneration of the auditors, Messrs Deloitte, Plender, Griffiths & Company, was fixed.

At the subsequent Extraordinary General Meeting, the increase in the nominal share capital of the Company, as mentioned, was approved.

ARTHUR GUINNESS SON AND COMPANY LIMITED

STATEMENT BY THE EARL OF IVEAGH, KG, CB, CMG

The Annual General Meeting of Arthur Guinness Son and Company Limited will be held on January 15, 1958, at Park Royal Brewery, London, N.W.10.

The following is an extract from the statement by the Chairman, the Earl of Iveagh, KG, CB, CMG, which has been circulated with the Report and Accounts :

The year again ended with increased profits and sales, exports being particularly good, and in the brewing group new records were established. Total group profits before taxation were £7,461,000 against £7,007,000 for the previous year. After holding our prices unchanged against rising costs for six years, our diminishing profit margin compelled us to raise our wholesale prices in the United Kingdom and Northern Ireland.

Since the end of the year under review the Government's financial measures in the United Kingdom have begun to show their influence. We shall give the utmost assistance, as stability in prices and costs is the basis of prosperity and the standard of living. An easy trading year was not anticipated and the battle against inflation must have unpleasant effects.

The increase in net profit at £3,493,978 against £3,029,754 was largely due to the transfer of control of our Dublin Company to Ireland, the tax provision in 1956/57 being about £250,000 lighter than normally.

In these circumstances the Board decided that an increase in total dividend could not be recommended. This policy permits increases in contingency reserves and reinforces the position against future possibilities. The five-year summary at the end of the Accounts this year showed a progressively strengthening position ; the retained profits had been largely used to develop the business.

TRANSFER OF CONTROL OF DUBLIN COMPANY TO IRELAND

The transfer of control became effective on October 1, 1957, and involved the division of the Pension Fund into two separate funds. This completed the reorganisation which had been in hand for some years.

RECORD OVERSEAS SALES

The Export Company had a record year and the results had since continued to be most satisfactory. Ale brewing had been discontinued in USA and interests were confined to the export trade. Though on a small scale, ale brewing in Ireland had been promising. The new "Phoenix" ale had been successfully established in most of the country.

CANNED GUINNESS

Through adding a seventh mash tun at Park Royal Brewery, there had been increased efficiency and closer quality control. The introduction of Canned Guinness had been popular, particularly in the holiday season, but higher costs militated against its being taken up in a large way.

RESEARCH

There had been considerable research into the methods of brewing, quality and cost being the two great objectives. In Ireland work on improving the quality of malting barley had continued.

CONFECTIONERY GROUP

The William Nuttall group showed a small decreased profit though sales increased. In this more competitive market, success depended on good selling and quality. The 20 per cent minority stockholding of this group had been acquired.

It is proposed to recommend the payment of final dividends on January 16, 1958, of 3 per cent on the Preference Stock and 15 per cent on the Ordinary Stock, both less Income Tax.

Staff and Employees are receiving a bonus of one month's pay.

THE LANCASHIRE COTTON CORPORATION LIMITED

SUBSTANTIALLY IMPROVED RESULTS

MR R. M. LEE ON POLICY OF EXPANSION

The Twenty-ninth Annual General Meeting of The Lancashire Cotton Corporation Limited will be held in Manchester on January 23, 1958.

The following is an extract from a Statement circulated by Mr R. M. Lee, the Chairman, with the Accounts for the year ended October 31, 1957:

ACCOUNTS

It is always a pleasant duty for a Chairman to be able to report to stockholders an increase in profits, and I am very gratified that I am able to do so this year. As you will observe from the Consolidated Profit and Loss Account, the Group Trading Profit amounts to £4,021,239, compared with £2,929,715 last year.

We have allocated to General Reserve £500,000, which brings the total of this Reserve to £7 million. We have also allocated £750,000 to Replacement of Fixed Assets Reserve, and this Reserve now totals £4,650,000.

The Board has decided to recommend a final dividend of 12½ per cent less tax, on the Ordinary Stock, which is the same as last year, and which, with the interim dividend of 5 per cent less tax, paid in August, gives a total of 17½ per cent less tax, for the year. The interim dividend absorbed £232,675 and the dividend now recommended absorbs £581,686. After deducting the net Preference dividend of £345, the amount carried forward is £1,032,173 of which £76,444 is retained in the accounts of our subsidiaries.

We have continued our policy of expanding our activities, and to this end during the year we have acquired all the capital of Tulliallan Fabrics Limited, R. P. Lawson & Sons Limited (and its subsidiary, A. Brooks & Company Limited), and Willow Bank Mills (Holdings) Limited.

Since the end of our financial year we have made two other purchases, namely the Dowry Spinning Company (Holdings) Limited and Richard Barnes' Sons Limited.

YARN AND CLOTH IMPORTS

Last year I referred to the importation of yarn and cloth, free of duty, from India, Hongkong and Pakistan, and to the mission which was visiting these countries, at the suggestion of Sir Anthony Eden. I regret to state that the mission was unable to secure a satisfactory agreement and subsequent efforts have not yet produced a solution. Meanwhile these imports have continued and increased. The increase is, of course, solely based upon cheaper prices resulting from artificially low raw cotton prices, low wages rates, and an abundant supply of labour. Latterly imports of grey cloth from China have commenced and have attained alarming proportions.

These imports from behind the iron curtain are obviously made at "political" prices, unrelated to actual costs of production. Too often these facts are ignored and the industry is exhorted by those not in it to increase efficiency of production. In an industry such as ours, composed of hundreds of factories, it must of course include some where machinery and equipment are not of the most modern, but it also includes many mills which are at least as modern as any in the world. The United Kingdom cotton textile industry was the first industry in the world to apply mass production techniques, and it has continued in the forefront of progress through the efforts of the many private research departments which are maintained, and of the British Cotton Industry Research Association, to which the industry makes large contributions.

The solution regarding these cheap imports is therefore mainly a political one.

EUROPEAN FREE TRADE AREA

We have always had a substantial market for yarn exports to the Continent of Europe, and we can reasonably expect that the Free Trade Area will enhance our opportunities for yarn exports.

The situation regarding our customers, cloth manufacturers and knitters, is, however, more complex. In some cases no doubt the Free Trade Area will offer additional opportunities for exports, but undoubtedly it will expose many of our customers to severe competition in the home trade.

It should be a matter of the first importance for our Government to ensure that such Continental competition is based on fair practices and does not contain any element of subsidy ; for example, we must insist that our competitors do not have access to raw cotton from their Colonial sources at prices lower than we can obtain. It will also be of the utmost importance that the "definitions of origin" are such as to prevent the European market being flooded with textiles produced from Asiatic yarn or grey cloth.

YARN SPINNERS' ASSOCIATION

In previous years I have referred to the Yarn Spinners' Association and to the solid advantages which this Association has conferred upon the whole industry.

In May, 1957, the Yarn Spinners' Agreement was referred to the Restrictive Practices Court by the Registrar, and for some time intensive work has been going on in preparing the Association's case for submission to the Court.

BRITISH OVERSEAS MINING ASSOCIATION

NEED FOR EXTENDING THE SCOPE OF OTC LEGISLATION

The twelfth ordinary general meeting of British Overseas Mining Association was held on December 30, 1957, at 49 Moorgate, London, E.C.

Mr A. M. Baer, the President, who was in the chair, in the course of his speech said :

The provisions of the Overseas Trade Corporation legislation go some way towards satisfying the claims which the Association has consistently advanced on behalf of the overseas mining industry, particularly where United Kingdom operating companies are concerned, and to that extent they may be regarded as the culmination of the unremitting efforts of our Taxation Committee, to which the industry is undoubtedly indebted.

The present organisation of the overseas mining industry is, however, a very complex structure comprising many types of company. Some of these, such as the mining finance houses and holding and co-ordinating companies of various descriptions, which are responsible for the organisation and financing of the greater part of modern mineral exploration and development, do not at present qualify for OTC benefits.

The Association understands the desire of the tax authorities to move cautiously with this new departure in United Kingdom tax legislation, but hopes that, with experience of its application, the Government will find it possible to extend its scope to include these sections of the overseas mining industry.

The claims of two such sections have been put forward in a letter which the Association has recently addressed to the Chancellor of the Exchequer. This letter suggests, firstly, that, when a company not itself carrying on a trade has non-resident subsidiaries which are not carrying on a trade in the United Kingdom, dividends from those subsidiaries should be treated as OTC trading income, and, secondly, that when an Overseas Trade Corporation holds, as a trading interest and not merely as a portfolio investment, not less than 25 per cent of the ordinary shares in another company which carries on a trade outside the United Kingdom not excluded under Section 24(3) of the Finance Act, 1957, dividends from that other company should qualify as OTC trading income.

As regards the present legislation, the Association recognises the need for careful scrutiny of claims for OTC status and the application of certain tests for determining the validity of such claims. If, however, these tests are applied too rigidly, the position of some mining companies of the very type for which, in the Association's view, the OTC provisions were designed may be prejudiced and the Association has drawn the attention of the Inland Revenue to this possibility.

PLAN FOR EXTENDING SCHOLARSHIP FACILITIES

At our General Meeting in December last, my predecessor as President referred to the need for taking steps to ensure that the influx into the Schools of Mines and Universities of young men offering themselves for training in such subjects as mining engineering, geology and extractive metallurgy, is maintained at a level sufficient for the anticipated needs of the overseas mining industry.

A Working Party, which was set up to make a comprehensive study of this problem, recommended, amongst other measures, that the scholarship facilities at present offered by the industry should be expanded. This recommendation has been accepted and the Association has decided to establish a Central Scholarship Fund.

A number of the larger companies and groups of companies have already promised generous financial support and a general appeal will shortly be issued to members of the Association inviting them to contribute.

It is important that new entrants into the industry shall be of the best available quality and I believe that, in order to attract young men of the right type and to encourage them to qualify for a university degree, provision should be made in the new scholarship scheme for giving adequate assistance to students who would be debarred under "means tests" from accepting scholarships offered by the State and other sources.

A Committee has been appointed to consider details of the new scheme and it is hoped that an announcement will be made on the subject early in the New Year.

METAL STATISTICS

The British Bureau of Non-Ferrous Metal Statistics continues to render a valuable service to the mining and metal industries. The statistical information given in its monthly Bulletin was substantially expanded in 1956 and this expansion has been consolidated during the past year. The Bureau's expenditure is closely controlled and there has been a small but welcome increase during 1957 in its revenue both from advertising and from new subscriptions.

The report for the year ended September 30, 1957, was unanimously adopted.

Mr Clifford Waite was elected president and Mr A. V. Conrad vice-president for the ensuing year, and the proceedings terminated with a vote of thanks to the retiring president.

ALBION DROP FORGINGS

The fifty-sixth annual general meeting of Albion Drop Forgings Company Limited was held on December 19th at the registered offices, Coventry, Mr J. L. Brockhouse, MA (the chairman), presiding.

The following is an extract from his circulated statement: Although the trading profit this year is rather lower than that of last year, the overall result is not unsatisfactory. During the first half of the year profits were seriously affected by the special surcharge on oil and the curtailment of requirements by the principal Motor Companies. I am pleased to state, however, that at the present time production is running at a peak figure and the order book is satisfactory.

During the year your Company has entered into an association with Kobenhavns Saenksedie of Denmark. The agreement governing the association provides for an exchange of technical advice and the development of the drop forging market in Scandinavia. Your Company has already received some worthwhile orders from this area, and looks forward to a profitable and interesting development as a result of this association.

It is a significant fact for those considering the potentialities of the European Free Market, that we find we are competitive with our European neighbours in the production and supply of semi-finished products such as drop forgings. Your Subsidiary Company, Bretts Patent Lifter Company Limited, has enjoyed a good year.

Subject to the general conditions of trade in the Country I am satisfied that we can expect good trading returns during this current year.

The report was adopted.

J. BROCKHOUSE & CO.

IMPROVED TRADING RESULTS

The sixtieth annual general meeting of J. Brockhouse & Company Limited was held on December 18th at West Bromwich, Mr J. L. Brockhouse, MA (chairman and managing director), presiding.

In his circulated statement the chairman again reported an increase in net profits.

The Overseas Subsidiary Companies had made a substantial contribution but the trading profit of the Home Companies showed a small reduction.

Having outlined the exceptional items of expense incurred during the year, without which the Company would have shown an improved trading result at home as well as abroad, Mr Brockhouse stated:

"Looking at the Group as a whole, our current order position must be regarded as satisfactory, and I can see no reason why our general level of activity should not continue at the present rate and I am optimistic enough to think that it will increase."

Commenting upon labour problems within industry, he continued:

"Undoubtedly there would be a great deal more confidence if the threats of labour troubles were removed, but I believe that this presents a great opportunity to the Employers' Organisations, and particularly those covering the engineering field, to meet the Trade Unions concerned and thrash out an agreement to cover at least another twelve months."

The report was adopted and a total dividend of 8½ per cent on the Ordinary Stock for the year was approved.

LANKA PLANTATIONS

RECORD CROP

The seventy-seventh annual general meeting of The Lanka Plantations Company Limited was held on December 30th, in London, Mr W. R. T. Picton-Warlow, MBE, chairman, presiding.

The following are extracts from his circulated statement for the year ended June 30, 1957:

The past season has been a satisfactory one. The crop from the Company's estates amounted to 2,295,238 lb. That of the subsidiary company, Deaculla Tea Estate Company Limited, amounted to 350,720 lb. The crop from The Lanka Plantations Company's estates, was again a record one. The cost of production for the Group amounted to 28.70d. per lb.

Export duty has remained constant throughout the year at 65 cents, or approximately 11¼d. per lb. This is a very high figure as compared with that of other tea producing countries. Fortunately this company's high grown teas have secured reasonably good prices, and the company has been able to show a satisfactory profit in spite of this very heavy duty.

The accounts show a net profit of £76,047, against £139,268 for the previous season. After providing £47,214 for taxation and £25 retained by the subsidiary company, there remains £28,807 to which should be added £3,800 in respect of tax provisions no longer required and the balance from 1955-56 of £10,675, making £43,282 to be appropriated. Your Directors recommend a final dividend of 25 per cent, making 30 per cent for the year.

The report and accounts were adopted.

R. A. LISTER & COMPANY LIMITED

In the course of his Statement to the Shareholders, the Chairman, Sir Percy Lister, said:

Once again from the Consolidated Accounts you will, I am sure, have noted with satisfaction that the financial year ending September 30th last has been another record year for your Group of Companies.

The year in question had not progressed far before the Suez crisis and its repercussions had to be faced. Your undertakings were, at that time, some forty per cent through the completion of a very substantial Egyptian Government contract, and in justifiable anticipation of increased business in the Middle East we had incurred forward commitments in that area. I am pleased to advise you that we have since completed the Egyptian contract and liquidated the commitments aforementioned.

The repercussions of this crisis are, of course, still with us, and spread from Casablanca to Pakistan to the detriment of the whole world and the world in general. It is to be hoped that wise and co-operative statesmanship will bring sanity and with it prosperity to the peoples of these rich and potentially very prosperous lands.

Your directors have donated the diesel engines for the power station of the American University of Beyrouth. In this most modern and up-to-date University young Arab engineers, who will have an influence in the shaping of the Arab world at the years ahead, will be able to get valuable experience therefrom.

The financial policy of the past has found your undertakings, at a time when liquid money is required and yet for reasons well understood difficult and expensive to obtain, in a satisfactory liquid position. However, in this regard it must be anticipated that the credit requirements both in the home and overseas markets, will make the demand for money still greater. Any broadening of the scope of the Export Credits Guarantee Department could alleviate these problems materially.

Your Directors, in addition to maintaining the Dividend on the same basis as has pertained since the increase of capital in 1954, have thought it wise to increase the Dividend Equalisation Account by £50,000, bringing this Reserve to £200,000. We have also transferred £150,000 to General Reserve, bringing this Reserve up to £850,000, and there is left £556,519 to be carried forward on the Profit and Loss Account.

Consistent with the progressive development of your Group's undertakings, two new companies have been created during the year under review namely, the Lister Blackstone Rail Traction Company which will concentrate on this growing section of your activities and should still further develop the outlet for your Diesel Engines for an application for which they are eminently suitable.

The second is the opening of your German Company, Lister Blackstone GmbH. We hope that this new Company will prove of value to our old and potential clients in Germany, a market in which the purchasing power is steadily growing.

Your Company has given noteworthy leads in recent years in its efforts to minimise the inflationary tendency in regard to prices, and we believe that today as never before was it so necessary to stabilise existing prices so that shareholders and employees at all levels may enjoy the full benefits of their capital investment and their greater productivity. These they will never enjoy if the vicious spiral and inflation is allowed to continue.

The wisdom of the policy which promotes the purchasing power of what is in the pay packet or the *dividend envelope* is worth far more than the fictitious and fallacious policy of advocating more and more in the pay packet or dividend envelope, knowing that its purchasing power gets less and less to a point where our currency and competitive ability are imperilled.

During the year under review your Directors have decided upon a revision to the pension schemes put into operation in times when the purchasing value of our money was substantially greater than it is today. The revised basis approved by your Board will permit of pension provision to present and future pensioners more in keeping with current conditions and with what you would wish.

KENDALL AND GENT LIMITED

(Machine Tool Makers)

ELECTRONICS IN FUTURE DEVELOPMENTS

The ordinary general meeting of Kendall and Gent Limited was held on December 20th at Victoria Works, Gorton, Manchester, Mr F. C. Mosley (Chairman and Managing Director) presided, and in his speech, said: The net profit is £82,601, and we are again making full provision for taxation by reserving £39,000. Your Directors recommend placing £5,000 to General Reserve Fund, and to increase the carry forward to £58,909. Capital Reserves remain at £20,000.

The interim dividend paid was at the same rate as last year, and it is now recommended that the final dividend of 10 per cent be maintained with a bonus of 5 per cent making a total of 20 per cent less tax for the year.

The past year was most difficult, but in spite of the engineering strike, a slightly increased output was achieved by improved methods. Wage awards made the difficulty of obtaining overseas orders more acute, but the order book was maintained at a satisfactory level.

The strike also affected the Subsidiary Company, but production is now back to a normal level.

Our investment in our Sales Organisation, the Associated British Machine Tool Makers Limited, shown in the Balance Sheet at £10,372, is a very low figure indeed. The powerful world-wide sales organisation of ABMTM allows us to devote a greater proportion of our energies to perfecting our products, keeping ahead in design, and striving to give our customers the best possible service.

During the past year we have embarked upon an intensive programme of re-designing to further improve the technical advantages of our products. For example, we have built a number of new machines incorporating some of the latest electronic devices available to the Machine Tool Industry, and the field of electronics will undoubtedly be of increasing importance in our future developments.

Since the war, there has been a marked increase in the size and complication of our products. This year we have to produce a machine weighing approximately 400 tons. These large machines strain our plant resources, and if the trend continues, we shall be forced to consider the installation of heavier and larger equipment.

The report was adopted, and the total distribution of 20 per cent for the year was approved.

KEPITIGALLA RUBBER ESTATES

The fifty-first annual general meeting of the Kepitigalla Rubber Estates Limited was held on December 31st in London, Mr Chas. H. Wright, chairman, presiding.

The following is an excerpt from his circulated statement for the year ended March 31, 1957: I voice the hope that your company will slowly and perceptibly grow in stature from the springboard of the estate from which it derives its name.

In August last the penal rates of rubber export duty and cesses which had persisted in an amount of 48.53 cts (8.7d.) per lb from January 1st of this year were reduced to more realistic levels in an amount of 29.53 (5.3 pence). But I would venture to suggest that the present rates of duty and cesses absorbing just over 5½d. per lb are still far too onerous for the industry to bear at the present price level.

It is the responsibility of all Governments not only to maintain but to improve the standard of living of their peoples, a responsibility which for its fulfilment in the case of territories dependent in the main on revenues stemming from the soil assuredly calls for a progressive increase in the acreage under cultivation, matched at the same time by an increased productivity of the acreage in hand. But neither objectives are attainable if indirect and direct taxation are to remain so onerous as to discourage the investment of new capital for such purpose or make possible the ploughing back of capital generated from the old. The appropriation of so penal a sum as that levied last year by way of export duty and cesses in an amount of £37,414 on this company's produce income of £142,692 is surely sufficient proof of the urgent need for revising the whole structure of export duties and cesses in Ceylon. But should you destroy the substance you destroy the shadow at the same time, and I submit unreservedly for the deliberations of all those concerned with the future of Ceylon that the maximum impost which Ceylon rubber producers can afford to pay by way of export duty and cesses without inviting nemesis is contained in an amount of 10 cts per lb with a rubber price up to 2s. 6d. per lb; it is a matter of simple accountancy to verify such a statement.

The report and accounts were adopted.

AIR SUBSCRIPTION RATES

	Airmail	Air Freight*
Australia	£10 6s	—
Canada	—	$25 or £9
Ceylon	£9 0s	—
China	£10 6s	—
East Africa	£9 0s	£7 10s
Egypt	£7 15s	£6 10s
Europe	£6 0s	—
Ghana	£9 0s	£6 10s
Gibraltar, Malta	£5 0s	—
Hongkong	—	£8 15s
India	£9 0s	£7 10s
Indonesia	£9 0s	—
Iran, Iraq	£7 15s	—
Israel	£7 15s	—
Japan	£10 6s	—
Jordan	£7 15s	—
Lebanon	£7 15s	—
Malaya	£9 0s	—
New Zealand	£10 6s	—
Nigeria	£9 0s	£6 10s
Pakistan	£9 0s	—
Philippines	£10 6s	—
Rhodesia (N. and S.)	£9 0s	—
South Africa	£9 0s	£7 10s
South America	£9 0s	—
Sudan	£7 15s	£6 15s
U.S.A.	—	$25 or £9
West Indies	£9 0s	—

* Approx. 24 hours slower than airmail

APPOINTMENTS

THE VACUUM PHYSICS DIVISION of STANDARD TELECOMMUNICATION LABORATORIES invite applications from suitably qualified and experienced MATHEMATICIANS, PHYSICISTS, ENGINEERS and ASSISTANTS for work involved in long term research in the following fields:—

Generation of millimetre radiation.
Electron optics.
Design of high power centimetric oscillators.

Applicants are expected to be capable of original work in one or more of these fields and publication of results is encouraged.

The Company bears the entire cost of its schemes for pensions, sickness and accident, which include provisions for the benefit of employees' dependants.

Write to Mr. P. J. Rogers, Personnel Manager, STANDARD TELECOMMUNICATION LABORATORIES Limited, Progress Way, Great Cambridge Road, Enfield, Middlesex, who will arrange an informal interview.
Expenses of travel will be met.

LONDON ELECTRICITY BOARD
DEPUTY SECRETARY

The London Electricity Board invite applications for the appointment of Deputy Secretary.

Candidates should have wide experience of secretarial and administrative work with public authorities, preferably have a technical supply industry.

The appointment will be made on Grade 9, S.O.—C.O. of the National Joint Managerial Agreement, the salary being within the range £2,760-£2,960 p.a. plus £150 p.a. London Area Allowance.

Applications, stating age, qualifications, experience and present position and salary, should be forwarded to the Secretary, London Electricity Board, 46 New Broad Street, London, E.C.2, by January 16, 1958. Ref. No. 3419 BXD.

CHARTERED ACCOUNTANT aged thirty to forty with approach with economics degree required for subsidiary office, country, New South Wales; accommodation in Sydney. Apply, with full details, to Messrs. J. Farrell, Solicitor, Bligh Street, Sydney, New South Wales, Australia.

A SENIOR PHYSICIST is required to act as DEPARTMENT HEAD in the VACUUM PHYSICS DIVISION of STANDARD TELECOMMUNICATION LABORATORIES. [illegible] physics applied to communication [illegible] of work [illegible] of classical electron physics, [illegible] and secondary emission [illegible] Research ability is more [illegible] The Company bears the entire cost of its schemes for pensions, sickness and accident, which include provisions for the benefit of employees' dependants.

Write to Mr. P. J. Rogers, Personnel Manager, STANDARD TELECOMMUNICATION LABORATORIES Limited, Progress Way, Great Cambridge Road, Enfield, Middlesex, who will arrange an informal interview.
Expenses of travel will be met.

IMPERIAL CHEMICAL INDUSTRIES LIMITED, Plastics Division, has a VACANCY at the Headquarters in Welwyn Garden City for an ASSISTANT in the OFFICE OF HEADS STUDY SECTION. Applications are invited from either Arts graduates with at least a second class honours degree or candidates who have had a certain commercial training and hold a qualification in accountancy or economics. The duties comprise the analysis of commercial methods and techniques including operative surveys into commercial organisation and systems.—Apply, giving full particulars, to the Staff Manager, Imperial Chemical Industries Limited, Plastics Division, Black Fan Road, Welwyn Garden City, Herts.

A CAREER IN MARKET RESEARCH

Attractive openings in our Market Research Department are open to men and women under 30 years of age for active outdoor work with interesting variety and scope of all kinds in connection with our Market Research surveys. The work can involve considerable travel throughout Great Britain; good hotel accommodation is arranged.

This is not a selling job.

Applicants for these positions should be prepared to undergo a short course of training in Preston, Manchester, Sheffield, Tadcaster, Birmingham, Bristol and Cardiff. Their wives must possess a good standard of education, pleasing personality and appearance and ability to drive.

The Company provides a minimum gross remuneration of £500 per annum and pays expenses when away on Company business.

Applicants should write, giving full details, and enclose a self-addressed letter "Market Research Interviewer," to the Personnel Officer, Petfoods Limited, Melton Mowbray, Leicestershire.

HOOVER LIMITED is looking for a young man or [illegible] interested in a progressive career in market research. He must [illegible] and Organisation Department. [illegible] essential. Knowledge of foreign [illegible] and design of [illegible] Apply in writing to the Supervisor of Appointments, Hoover Ltd., Perivale, Greenford, Middlesex.

WESTMINSTER BANK LIMITED required by Merchant Bankers Foreign Department: Work would primarily [illegible] extracting and arranging of economic and investment material.—Please write, stating age, experience and qualifications, to Box DI 92 c/o 95 Bishopsgate, E.C.2.

A LARGE EXPANDING AND PROGRESSING ENGINEERING GROUP is required on the Civil Engineering Construction of Dams, Barrages, Tunnels, Power Stations and Irrigation Schemes in India, Pakistan and Ceylon, to appoint a Contract Manager Steelworks at Durgapur in India. The Contract Manager Steelworks at Durgapur in India. The Contract will be for 3½ years, at a salary of £2,000 per annum tax free, £600 free passages for wife and children, paid leave, free passages for bonus, free medical attention, paid leave, free passages for wife and children, paid leave, free medical attention, paid leave, free passages for bonus, free medical attention and furnished accommodation at reasonable rentals and furnished accommodation at a reasonable rentals and furnished accommodation.

Applicants should have had at least 3 years' experience on major projects either with Consulting Engineers or Contractors.

Apply, giving full personal details and details of qualifications and experience, to:

THE CEMENTATION COMPANY LTD.,
Dunganur Project,
20 Albert Embankment,
London, S.E.11.

QUALIFIED ACCOUNTANT with wide experience required for professional appointment in Central Africa. Administrative ability, energy and initiative essential. Exceptional prospects for a man with these qualities. Sound knowledge of French necessary.—Box 604, c/o Walter Judd Ltd., 47 Gresham Street, E.C.2.

OVERSEAS TECHNICAL SALES REPRESENTATIVE

ARMSTRONG SIDDELEY (BROCKWORTH) Ltd., Diesel Engine Division, invite applications for the position of Overseas Technical Sales Representative. It is essential that the successful applicant has extensive experience of overseas markets with particular emphasis on South East Asia. He must be prepared to travel as required in the course of his duties. He must also have a sound knowledge of all aspects of small Diesel engines and their installation. Applications, stating age, qualifications, experience and salary required, will be treated in the strictest confidence and should be addressed to the Personnel Manager, Armstrong Siddeley (Brockworth) Ltd., Diesel Engine Division, Hucclecote, Glos.

MARKET RESEARCH ASSISTANT with some years' practical experience of research procedures in industry or in advertising, required by the Planning and Organisation Department of Hoover Limited. Knowledge of foreign languages an advantage but not essential. This is a well paid and progressive position.—Apply, in writing, to the Employment Officer, Hoover Limited, Perivale, Greenford, Middlesex.

H. J. HEINZ CO. LTD. require an Economics Graduate, 22/30, to work in their Sales Research Department. The work embraces the extraction and assessment of broad economic data with particular reference to the food industry. A liking for analytical work is essential. This is an opportunity to obtain an interesting position in an expanding industry and suitably qualified candidates should send details of experience, etc., to [illegible], London, N.W.10.

ACCOUNTANT required by GOVERNMENT of NORTHERN NIGERIA for service with BASIC NATIVE AUTHORITY. Appointment on contract for one tour of 12-21 months in first instance. Salary according to experience, in scale (including Inducement Addition) £1,170 rising to £1,824 a year. Gratuity at rate of £150 a year. Clothing Allowance £45. Free passages for officer and wife. Assistance towards children's passages and grant up to £288 annually for children's maintenance. Liberal leave on full salary. Candidates must possess recognised professional qualification and be familiar with organisation of Public Utilities, particularly the Financial aspect. Some experience of statutory accounting in Local Government Officers' superannuation rights can be preserved under 1952 interchange Rules.—Write to the Crown Agents, 4 Millbank, London, S.W.1, stating age, name in block letters, full qualifications and experience and quote MHB/44039/EN.

UNIVERSITY OF ADELAIDE
SOUTH AUSTRALIA

The increased financial support for the University to be provided by the State and Commonwealth Governments following their general approval of the report of the Murray Committee on Australian Universities makes it possible for the University at once to invite applications for the following appointment at the new salary scale quoted below:—

LECTURER IN ECONOMICS

The new salary scale for a lecturer is £A1,420—£90 (7) —£2,050 p.a. Superannuation is provided on the F.S.S.U. basis. The actual salary within the scale will be fixed in relation to the qualifications and experience of the successful candidate.

General terms of appointment may be had from the Registrar of the University or from the Secretary of the Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1. Those will include particulars of general duties, tenure, study leave, promotion, and travelling expenses. A potential candidate in Great Britain may borrow from the Secretary of the A.U.B.C. a coloured film illustrating the University including the Waite Institute and the city and surroundings of Adelaide. The University Calendar may be consulted in the Library of any University which is a member of the A.U.B.C. Further information about the University or about any particular post will gladly be supplied on request to the Registrar.

Applications must include particulars of age, nationality, married status, academic record, teaching qualifications, war service (if any), and present position; a list of publications; copies of testimonials; the names and addresses of two referees of whom completed enquiries may be made; a recent photograph; and a medical certificate of good health. They should be lodged in duplicate with the Registrar of the University, Adelaide, South Australia, not later than February 15, 1958.

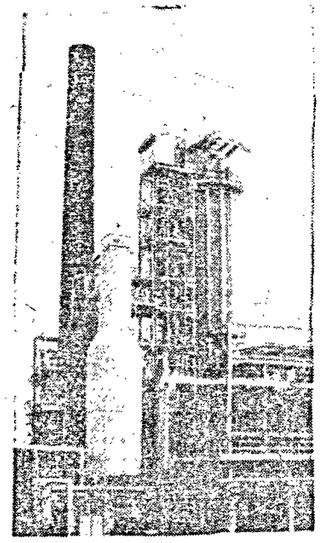
TREASURY INSPECTOR required by HONG KONG GOVERNMENT on probation for 3 years with prospects of permanency. Salary scale including Inducement Pay for single men: £1,200-£1,440 (1) (2)-£1,680 (3) (4)-£1,824 (5) (6)-£1,968 (7) (8)-£2,112 (9) (10)-£2,256 (11) (12)-£2,400 (13) (14)-£2,544 (15) (16)-£2,688 (17) (18)-£2,832 (19) (20)-£2,976 (21) (22)-£3,120 (23) (24)-£3,264 (25) (26)-£3,408 (27) (28)-£3,552 (29) (30)-£3,696 (31) (32)-£3,840 (33) (34)-£3,984 (35) (36)-£4,128 (37) (38)-£4,272 (39) (40)-£4,416 (41) (42)-£4,560 (43) (44)-£4,704 (45) (46)-£4,848 (47) (48)-£4,992 (49) (50)-£5,136 (51) (52)-£5,280 (53) (54)-£5,424 (55) (56)-£5,568 (57) (58)-£5,712 (59) (60)-£5,856 (61) (62)-£6,000 (63) (64)-£6,144 (65) (66)-£6,288 (67) (68)-£6,432 (69) (70)-£6,576 (71) (72)-£6,720 (73) (74)-£6,864 (75) (76)-£7,008 (77) (78)-£7,152 (79) (80)-£7,296 (81) (82)-£7,440 (83) (84)-£7,584 (85) (86)-£7,728 (87) (88)-£7,872 (89) (90)-£8,016 (91) (92)-£8,160 (93) (94)-£8,304 (95) (96)-£8,448 (97) (98)-£8,592 (99) (100)-£8,736 (101) (102)-£8,880 (103) (104)-£9,024 (105) (106)-£9,168 (107) (108)-£9,312 (109) (110)-£9,456 (111) (112)-£9,600 (113) (114)-£9,744 (115) (116)-£9,888 (117) (118)-£10,032 (119) (120)-£10,176 (121) (122)-£10,320 (123) (124)-£10,464 (125) (126)-£10,608 (127) (128)-£10,752 (129) (130)-£10,896 (131) (132)-£11,040 (133) (134)-£11,184 (135) (136)-£11,328 (137) (138)-£11,472 (139) (140)-£11,616 (141) (142)-£11,760 (143) (144)-£11,904 (145) (146)-£12,048 (147) (148)-£12,192 (149) (150)-£12,336 (151) (152)-£12,480 (153) (154)-£12,624 (155) (156)-£12,768 (157) (158)-£12,912 (159) (160)-£13,056 (161) (162)-£13,200 (163) (164)-£13,344 (165) (166)-£13,488 (167) (168)-£13,632 (169) (170)-£13,776 (171) (172)-£13,920 (173) (174)-£14,064 (175) (176)-£14,208 (177) (178)-£14,352 (179) (180)-£14,496 (181) (182)-£14,640 (183) (184)-£14,784 (185) (186)-£14,928 (187) (188)-£15,072 (189) (190)-£15,216 (191) (192)-£15,360 (193) (194)-£15,504 (195) (196)-£15,648 (197) (198)-£15,792 (199) (200)-£15,936 (201) (202)-£16,080 (203) (204)-£16,224 (205) (206)-£16,368 (207) (208)-£16,512 (209) (210)-£16,656 (211) (212)-£16,800 (213) (214)-£16,944 (215) (216)-£17,088 (217) (218)-£17,232 (219) (220)-£17,376 (221) (222)-£17,520 (223) (224)-£17,664 (225) (226)-£17,808 (227) (228)-£17,952 (229) (230)-£18,096 (231) (232)-£18,240 (233) (234)-£18,384 (235) (236)-£18,528 (237) (238)-£18,672 (239) (240)-£18,816 (241) (242)-£18,960 (243) (244)-£19,104 (245) (246)-£19,248 (247) (248)-£19,392 (249) (250)-£19,536 (251) (252)-£19,680 (253) (254)-£19,824 (255) (256)-£19,968 (257) (258)-£20,112 (259) (260)-£20,256 (261) (262)-£20,400 (263) (264)-£20,544 (265) (266)-£20,688 (267) (268)-£20,832 (269) (270)-£20,976 (271) (272)-£21,120 (273) (274)-£21,264 (275) (276)-£21,408 (277) (278)-£21,552 (279) (280)-£21,696 (281) (282)-£21,840 (283) (284)-£21,984 (285) (286)-£22,128 (287) (288)-£22,272 (289) (290)-£22,416 (291) (292)-£22,560 (293) (294)-£22,704 (295) (296)-£22,848 (297) (298)-£22,992 (299) (300)-£23,136 (301) (302)-£23,280 (303) (304)-£23,424 (305) (306)-£23,568 (307) (308)-£23,712 (309) (310)-£23,856 (311) (312)-£24,000 (313) (314)-£24,144 (315) (316)-£24,288 (317) (318)-£24,432 (319) (320)-£24,576 (321) (322)-£24,720 (323) (324)-£24,864 (325) (326)-£25,008 (327) (328)-£25,152 (329) (330)-£25,296 (331) (332)-£25,440 (333) (334)-£25,584 (335) (336)-£25,728 (337) (338)-£25,872 (339) (340)-£26,016 (341) (342)-£26,160 (343) (344)-£26,304 (345) (346)-£26,448 (347) (348)-£26,592 (349) (350)-£26,736 (351) (352)-£26,880 (353) (354)-£27,024 (355) (356)-£27,168 (357) (358)-£27,312 (359) (360)-£27,456 (361) (362)-£27,600 (363) (364)-£27,744 (365) (366)-£27,888 (367) (368)-£28,032 (369) (370)-£28,176 (371) (372)-£28,320 (373) (374)-£28,464 (375) (376)-£28,608 (377) (378)-£28,752 (379) (380)-£28,896 (381) (382)-£29,040 (383) (384)-£29,184 (385) (386)-£29,328 (387) (388)-£29,472 (389) (390)-£29,616 (391) (392)-£29,760 (393) (394)-£29,904 (395) (396)-£30,048 (397) (398)-£30,192 (399) (400)-£30,336 (401) (402)-£30,480 (403) (404)-£30,624 (405) (406)-£30,768 (407) (408)-£30,912 (409) (410)-£31,056 (411) (412)-£31,200 (413) (414)-£31,344 (415) (416)-£31,488 (417) (418)-£31,632 (419) (420)-£31,776 (421) (422)-£31,920 (423) (424)-£32,064 (425) (426)-£32,208 (427) (428)-£32,352 (429) (430)-£32,496 (431) (432)-£32,640 (433) (434)-£32,784 (435) (436)-£32,928 (437) (438)-£33,072 (439) (440)-£33,216 (441) (442)-£33,360 (443) (444)-£33,504 (445) (446)-£33,648 (447) (448)-£33,792 (449) (450)-£33,936 (451) (452)-£34,080 (453) (454)-£34,224 (455) (456)-£34,368 (457) (458)-£34,512 (459) (460)-£34,656 (461) (462)-£34,800 (463) (464)-£34,944 (465) (466)-£35,088 (467) (468)-£35,232 (469) (470)-£35,376 (471) (472)-£35,520 (473) (474)-£35,664 (475) (476)-£35,808 (477) (478)-£35,952 (479) (480)-£36,096 (481) (482)-£36,240 (483) (484)-£36,384 (485) (486)-£36,528 (487) (488)-£36,672 (489) (490)-£36,816 (491) (492)-£36,960 (493) (494)-£37,104 (495) (496)-£37,248 (497) (498)-£37,392 (499) (500)-£37,536 (501) (502)-£37,680 (503) (504)-£37,824 (505) (506)-£37,968 (507) (508)-£38,112 (509) 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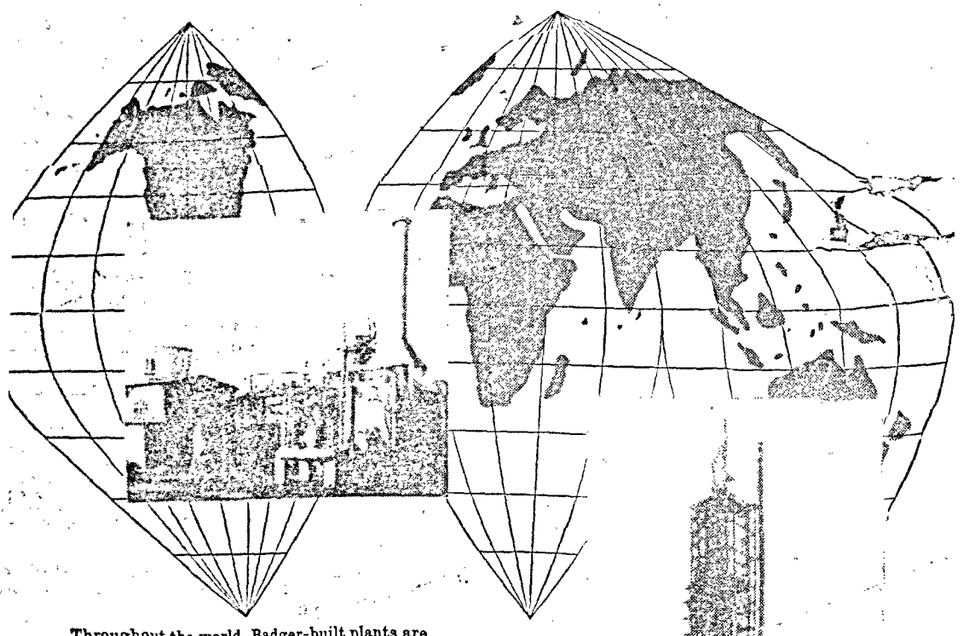
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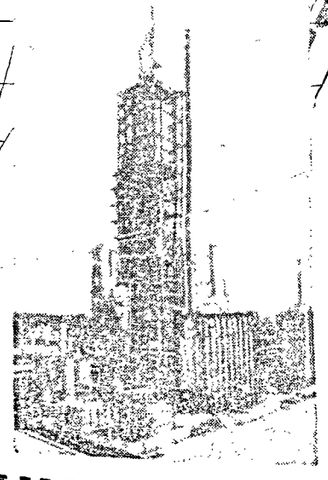
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AIR EDITION

The Economist

JANUARY 11, 1958 ONE SHILLING AND SIXPENCE FOUNDED 1843

A Principle Worth a Chancellor?

(page 89).

PROSPECTS FOR 1958

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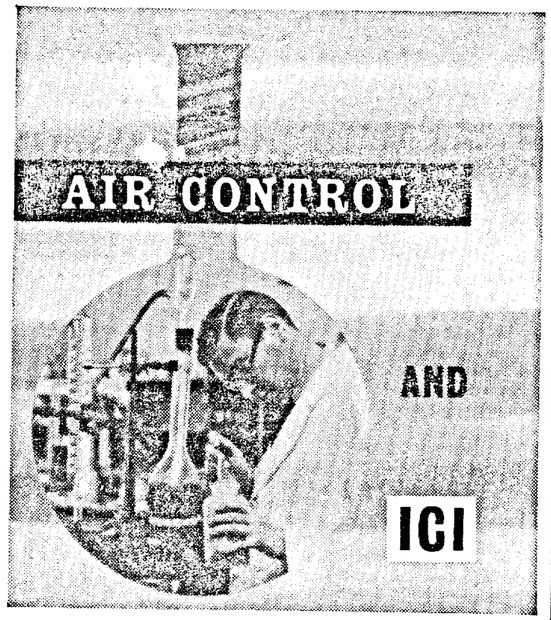
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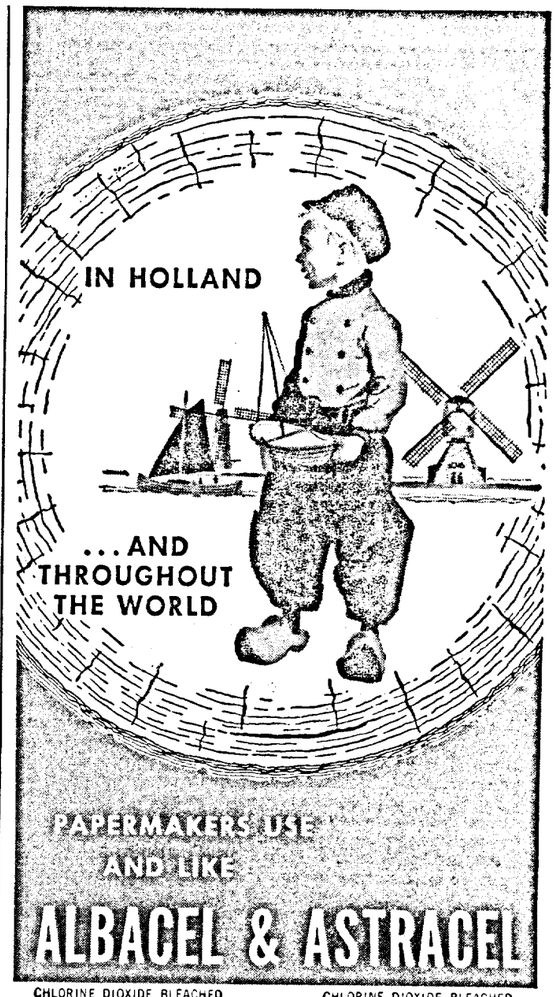
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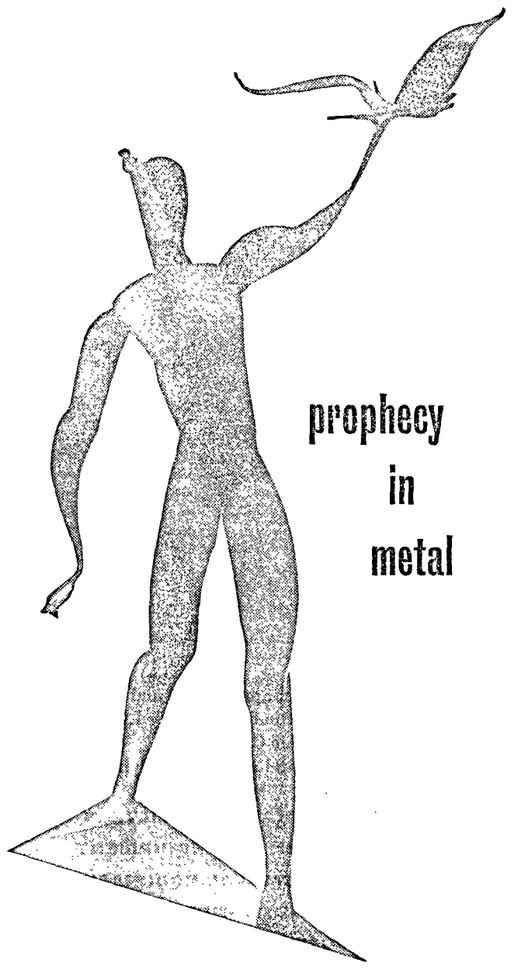
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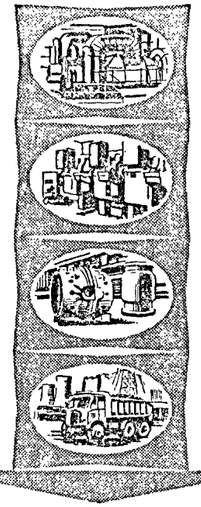
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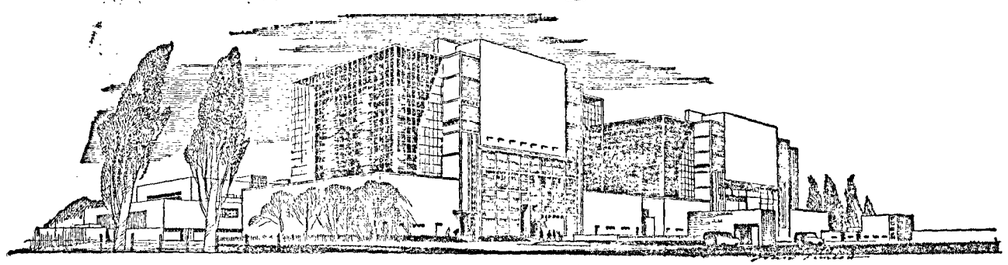


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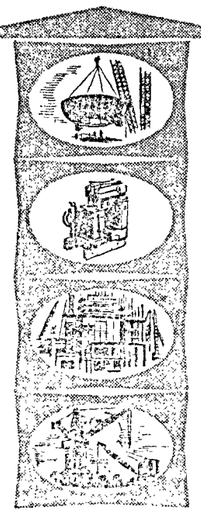
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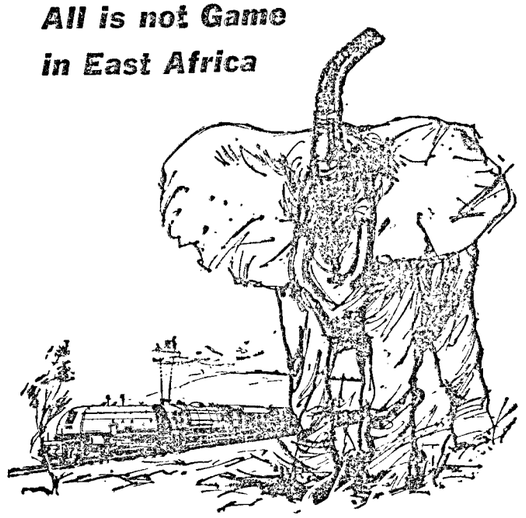
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United States Government securities	185,381,480
State and municipal bonds and notes	32,015,523
Other bonds and securities	14,470,515
Loans and bills purchased	385,196,102
Accrued interest, accounts receivable, etc.	6,710,429
Stock of the Federal Reserve Bank	1,950,000
Investments in Morgan Grenfell & Co. Limited, Morgan & Cie. Incorporated, and 15 Broad Street Corporation	5,660,000
Banking house	3,000,000
Liability of customers on letters of credit and acceptances	21,454,844
	$876,053,503

LIABILITIES

Deposits: U. S. Government	$ 31,138,832
All other	692,484,080
Official checks outstanding	35,830,078
	$759,452,990
Accounts payable, reserve for taxes, etc.	11,967,058
Acceptances outstanding and letters of credit issued	22,636,292
Capital—350,000 shares	35,000,000
Surplus	30,000,000
Undivided profits	16,997,163
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The Economist

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A Principle Worth a Chancellor?

THE resignation of Mr Thorneycroft and his two political juniors at the Treasury promises Mr Macmillan no happy returns on his first anniversary as Prime Minister. The need is to ensure that it does not promise even more unhappy consequences for the currency. The first thing to make clear—indeed it had better be made very clear, in view of present dangers to sterling—is that this has been primarily a politicians' and administrators', not an economists', quarrel. The disagreements that have lately appeared among some economists—about whether Britain should relax its defences against inflation in order to fight possible recession, and whether the maintenance of sterling as a world banking currency is worth the strains this is said to impose upon economic policy—have played no direct part in the fall-out.

They might have been suspected of playing more part if Mr Thorneycroft's successor had been anybody other than the conservative and orthodox Mr Heathcoat Amory. But the new Chancellor is known to be as firm an advocate as the old of the need for strengthening sterling and achieving a stable internal price level. When he said in his inaugural statement that these "are the dominating aims of the Government's economic policies, and nothing whatever will take precedence over them," there is every reason to suppose that he spoke from his own opinions, from a large majority Cabinet decision and not merely from the most convenient book.

It follows that Mr Thorneycroft has resigned on a matter which did not concern fundamental ends, but only £50 million of means—although perhaps much more than that measure of exasperation. Conservatives were divided this week whether he had thereby shown himself a man of rare resolution or merely of peculiar punctilio. The fairest judgment may be two-thirds of the one and one-third of the other. Mr Thorneycroft deserves support in two respects, and specifically against the Prime Minister. First, it is a minister's duty to resign if he differs from his colleagues on a fundamental matter of judgment affecting even means, not just ends, in his own department; the British political system works best that way, and it would work worst if there were any further obeisance to the notion—implicit in Mr Macmillan's sharp letter this week—that a minister ought to stay on to implement a policy with which he disagrees, out of loyalty to the old team. Even if Mr Thorneycroft's ideas were quite wrong, his action, in a Government and Parliament where politicians have too usually been professional sheep, would deserve to be hailed as democratically refreshing.

Secondly, however, the Prime Minister's letter did raise one issue which many beside Mr Thorneycroft would regard as a resignation-worthy point of principle, not just a matter for understandable differences of judgment. There should be no sympathy—no sympathy whatever—with Mr Macmillan's argument that parts of government expenditure cannot be cut because this would make more difficult "the task of

those who have the responsibility of working for wage restraint." Wage rises do not depend on the excuses that trade unions may put up for them, such as the intolerability of their members having to pay an extra 2d. a day for school meals; they depend on the amount of money available for meeting them, and that would be reduced, not expanded, by a cut in net government expenditure. If Mr Thorneycroft had resigned to rub this argument home, or in an effort very significantly to reduce the proportion of national income absorbed by government expenditure, then he would deserve unmitigated congratulation.

THE suspicion that gives some pause to the congratulation, however, is that Mr Thorneycroft did not resign solely for these sweeping and sensible reasons. It seems very possible that he resigned also in consequence of one of those administrative imbroglios in which it is very difficult to distinguish between a principle and departmental *amour propre*. The present system of preparing government estimates—initially, the various departments present them, and then some official in the Treasury trims—contains familiar seeds of administrative conflict. It leads to the cynical but widely heard assertion in Whitehall that second secretaries in the Treasury are currently the most powerful men in the country. The strains are particularly great when those second secretaries are working to a rigid formula; this year the Treasury formula was that government current expenditure in 1958-59 should be no higher than in 1957-58. Such a formula, of course, when regarded impartially, has precious little in logic to recommend it. Whether government expenditure in 1958-59 should be higher or lower than the newly-agreed estimates will propose—probably it should be lower—ought to depend on the standard of social services decided upon as a long-term policy and the number of people likely to call on those social services next year. This has no direct and easy connection with the amount actually spent in 1957-58, when the number of school-children, old age pensioners, university pupils and others has been lower than those whose needs will have to be met in 1958-59.

Nevertheless, this "1957 ceiling" was the formula Mr Thorneycroft had applied in the case of fixed investment by the nationalised industries and of private bank advances. He had his eyes on a similar target for government current expenditure, and it is easy to see how he could have convinced himself that foreign holders of sterling had their eyes on that target, too. In this, he was probably wrong. Foreign bankers did not even know that this was what he was trying to do. To have kept government current expenditure down to within £50 million of the 1957-58 total, despite the rise in prices since the beginning of that year, implies—as an article on page 129 points out—a significant saving in real terms. This could fairly have been presented to the foreign speculator as a confidence-inspiring factor, while Mr Thorneycroft's resignation is clearly a confidence-sapping one.

By Sunday last, however, the position which had apparently been reached was that, after trimming by the Treasury and then by the Cabinet itself, all but these last £50 million of economies had been agreed. To have taken this last bite would have required deliberate changes of policy, of the sort that would need to be announced (as were last year's health service increases) at the time the estimates were presented. There are pragmatic grounds for arguing that special announcements of very small economies of what might be called this "school meals" sort, which take on the appearance of an extra budget, do not really give confidence to the foreign speculator; they rather serve notice on him that continuing economic anxiety persists. On balance, many sensible people would cast a vote against Mr Thorneycroft on this point. But it was apparently when a majority of the Cabinet did thus vote against him, on what he believed to be his own departmental affair, and at the end of a bitter struggle with other ministries in which Treasury officials had regarded their formula (and even prestige) to be at stake, that he marched out of the Government.

SO much for the personalities and prejudices involved. They matter not mainly for themselves, but because of their implications for future policies and politics. For the future of economic policy, the reaction of foreigners to Mr Thorneycroft's resignation will be all-important; in the first two days that reaction has been bad, but not calamitous, for sterling. Once Mr Heathcoat Amory has surmounted this disturbance, there is no reason to suppose that he will be quicker to relax the squeeze than Mr Thorneycroft would have been. Indeed, there are three reasons for suggesting that he may be even more cautious and stern. After this week's assurances that there is to be no change in policy, he will be under some public and political necessity even with his audience at home to match (or at least not contradict) his words with deeds, and to counter the inevitable suspicion that this may be the start of a retreat from resolution. He has a reputation to make (where Mr Thorneycroft merely had one not to lose) with the foreign speculators; and the early tendency for a modest and inexperienced politician must be to walk warily with his own civil servants when stepping into a martyr's shoes within a bereaved and bruised department. For some time to come when faced with alternative decisions, one tough and the other less tough, Mr Heathcoat Amory seems very likely to feel that he will have to take the tough one. About the implications of his accession for longer term policy, it is too early to speak; he will not have had time to think about that himself.

THE RESIGNATION

Other aspects of Mr Thorneycroft's resignation are discussed in Notes of the Week on pages 96 and 97, and in the second instalment of our feature, "Prospects for 1958," on page 129.

In the political field, an obvious analogy is between 1958 and 1951. Mr Thorneycroft has resigned because there are not to be certain fractional economies in the social services; Mr Bevan resigned because there had been. The emotional impact on the extreme wings of the two parties could be rather similar. The effect on the Labour Government in 1951 was that, having got rid of Mr Bevan, it quickly embraced more Bevanism; its decision to impose a freeze on dividends followed within three and a half months. A general election followed within six, and Labour split into warring factions when it went into Opposition.

One's guess, however, is that the Conservatives will avoid all three developments. Some ministers may now be eager not to give fresh offence to the party right wing, for example on colonial affairs; but this Government absorbed Lord Salisbury's resignation without any visible change of its general course, and it should be able to absorb Mr Thorneycroft's also. Moreover, in one field of policy which will please the right wing, in saying "No" to the trade unions, government policy is in any case almost bound to be more firm. It therefore seems very unlikely that Mr Macmillan will be driven by exasperation with his own party into holding a general election this year. Even those Tories who have supported Mr Thorneycroft in wanting a little quicker unemployment, do not favour quicker unemployment for themselves. There must be more doubt about the long-term shape of the Conservative party when it does get into Opposition; but that, if it happens, is probably still nearly two years off.

By then, too, the political consequences of this week's explosion may have been overshadowed by one by-product of it that has attracted surprisingly little comment. Mr Thorneycroft, for all his qualities (which are many, if not great), has never looked really like a potential Prime Minister and party leader; most people will agree that the Foreign Secretary does not either. The accession of Mr Heathcoat Amory into one of the two principal operative departments of state introduces an element of promise and speculation which Mr Macmillan's government has hitherto lacked. This stable and level-headed West Country manufacturer is in the tradition from which builders of Conservative unity are made; he may suffer no disadvantage from entering into the highest places at a moment of party crisis, at the beginning of a period of not inconsiderable personal opportunity for famous service to the nation, and with no ringing of bells.

A Passage to Asia

The Prime Minister's tour should help clear the way to better understanding between Britain and Asia—but the way is still a long one.

AFTER the much publicised Cairo conference of Asian and African "delegates" loud with plaints against Europe, the same instigators might just as profitably work up a complementary meeting at Strasbourg—a meeting at which Dutchmen ejected from their homes in Indonesia, Britons with still vivid memories of both Japanese and North Korean prison camps, Belgian and Italian nuns scarred by years of imprisonment in Chinese jails, would be induced to rehearse their sufferings and grievances. As at Cairo, ancient as well as modern wrongs could be aired; Arab colonialism in Spain and Portugal, the devastation of Europe by Mongol and Tartar aggressors, the ravaging of Italy by the African, Hannibal. Even the silliest clutching at emotional straws would contribute towards the aim, so desirable for the communist powers and—as Cairo showed—so acceptable to many non-communists, of envenoming relations between the West and the Asian-African world.

It is, of course, heartening to see how much organisation and effort have to be put into the envenoming job. Perfectly genuine grievances are, after all, abundant. Europeans, Asians and Africans have inflicted, and in some places are still inflicting, almost as much suffering upon each other as, say, Europeans have inflicted upon other Europeans, Asians upon other Asians, Africans upon other Africans. Plenty of dry tinder lies ready to the hand of the political incendiary; it is sometimes surprising that he has so much trouble getting it to make a satisfactory blaze.

What of the fire brigade? In Britain, it is apt to be an axiom of faith that the Commonwealth is the world's strongest defence against the threat of a decisive schism between the West and Afro-Asia. The first Commonwealth tour ever undertaken by a British Prime Minister makes this a timely moment to examine such assumptions. Just how strong are the ties between Britain and the Asian countries that Mr Macmillan is now visiting?

A DECADE has passed since the Commonwealth's great transformation; India and Pakistan celebrated the tenth anniversary of their independence in August, Ceylon will do the same next month. It has been anything but a tranquil decade. Dozens of issues have divided the sister nations: South African racialist policies, relations with communist China, Kashmir,

European free trade projects, the Indian minority in Ceylon, south-east Asian defence, Palestine, colonial conflicts ranging from North Africa to New Guinea by way of Kenya and Goa. London is no longer a cornucopia of capital; the gravitational pulls of the "Bandung" club, of Peking, of Washington, and of Europe strain the old ties in various ways; the Suez Canal conflict nearly broke them. Yet through all this the Commonwealth ties have held.

They may yet snap. True, the erosion of Britain's colonial empire is progressively removing certain obvious sources of friction. But the corresponding increase in the number of sovereign Commonwealth countries simultaneously promotes a multiplicity of different interests. The new Malaya's interests, for example, do not correspond precisely to those of any of its sister nations. The feuds between India and Pakistan are only the most obvious instance of the kind of rift which, although more localised than a schism between occident and orient, can gravely damage the Commonwealth's fabric. True, it has shown a mystified world how the most bitter resentments can be regularly set aside so that practical collaboration can proceed. Even after an acrid United Nations debate in which they have voted on opposite sides, Commonwealth

representatives will still meet in weekly conclave. Their relationship does not depend on reconciliation; they have learnt the secret of quarrelling without shutting the door. But such secrets can be lost. Even the best regulated family quarrel can lead to somebody stamping out in a huff.

HAPPY families, in fact, are not just born that way; they have to be kept happy. The quickest way to imperil harmony is to take it for granted. The Suez crisis illustrated this dramatically; many people in this country showed a quite inexplicable surprise when the Asian sister states reacted violently against the shock that the British Government sprang on them. But mere neglect, while less dramatic, can also be deadly; so, too, can be even the appearance of neglect. In the case of Mr Macmillan's current visits in Asia, it may be argued that Mr Macmillan has had many previous opportunities of meeting Indian, Pakistani, and Ceylonese political leaders; that he will have little time either to learn or to explain anything; that there are countless other forms of contact available, such as last month's Commonwealth parliamentary conference in Delhi. So there are, but they are not enough.

In Asia and Africa the personal gesture carries even more political weight than in the West. Messrs Khrushchev, Bulganin and Chou En-lai have flatteringly and effectively wooed south Asian opinion by making successive tours; even now, Mr Macmillan's visit to Delhi has to be dovetailed with those of the Indonesian President, the Czechoslovak premier, and Ho Chi Minh. The endless flux of statesmen round the world may seem comic, or irritating, or exhaustingly wasteful of precious energies; but the game is on, and no one can afford to play dummy.

Yet top-level travel is no substitute either for policy or for the fostering of understanding on lower levels. However warm Mr Macmillian's welcome in Asia, however harmonious the echoes of his visits, there should be no illusion that thereafter mutual comprehension between free Asia and Britain will cease to require sustained efforts—on both sides. The Prime Minister's imaginative venture, like the basic Commonwealth bond itself, cannot do more than clear the way for these efforts. More is involved than just arguing the tosses of the moment. In Britain, there still needs to be fostered a general recognition that ultimate harmony with the Afro-Asian world will call for the rooting out of racial discrimination in every form; and we are a long way from that yet. In Asia, the crying need would seem to be a wider realisation that no retreating imperial power that has its tail endlessly tweaked can be expected to show unbroken patience—and to submit with grace to the simultaneous milking of its udders. But most important of all is the need for recognition of the jeopardy into which disaster for either half of the free world would plunge the other. That is a lesson which has yet to be fully taken to heart either in the West or in Asia.

The Economist

JANUARY 9, 1858

INDEPENDENT MEMBERS

We must keep a large class of constituencies open for what we may call *general* interests—constituencies where neither land nor capital nor labour demand an exclusive tone and bias in the politics of the candidate who presents himself. Otherwise we shall tend more and more to a representative system which admits only locally *concentrated* interests to an audience, and excludes those, quite as important, which are weakened by being spread widely over the country. It is because the secondary boroughs return men of no fixed type, but of all types,—because they return the men whose politics are free from the stamp of strongly-marked constituencies—the men who may mediate between the various interests and so become emphatically *statesmen*, that we should deplore as the most obvious degeneracy in our representative system, any change which should apportion members in proportion to the numbers of the electing constituencies. You cannot, as a rule, persuade the great electoral constituencies to elect likely men for the service of the State. They elect them for their *own* service,—which means the service of one very important but also exclusive element in the State. This is not so with the secondary boroughs. There is no sufficiently preponderating influence there. Personal qualities, —minor interests,—*general* interests tell greatly on the election. A great engineer, or an economist, or a philanthropist, or a scientific man, or an educational reformer, has a good chance of election without being devoted to any one of the three great political interests. Such, then, is our reason in favour of preserving to the secondary boroughs their present predominance in the political system of England. . . . We do not wish to see any diminution in the political influence of those constituencies which are comparatively impartial as regards land, labour, and capital,—which are identified with none of them,—which from time to time elect men who are bound up with various interests less able to make themselves heard.

Ice and Fire

One squabble has already broken out in Antarctica. International rivalries, and the advance of science, may bring more serious ones in the future.

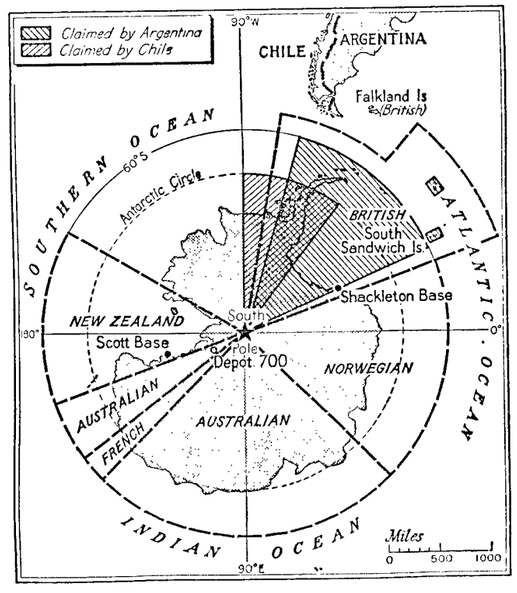
ANTARCTICA is no longer for the penguins. Man has arrived in numbers, and an unaccustomed heat is already stealing across the frozen expanses. The dispute that has broken out between Dr Fuchs and Sir Edmund Hillary, conducted at long range with the ultimate weapon of intercontinental telegrams, is unlikely to be the last international argument over the region. About Sir Edmund's actions there seem to be two things that can fairly be said on the evidence available to those outside Antarctica.

The substance of his argument, as distinct from the manner in which he has tried to get it accepted, carries a good deal of weight. Dr Fuchs's party, in its laborious progress towards the pole, is at present basking in what passes for high summer at the bottom of the world. These fair conditions are likely to come to an end by late February or early March, when the blizzards that killed Scott will close in again. Even if Dr Fuchs can keep up his comparatively fast pace of the last few days, he will probably not reach the pole before about January 18th. He then has another 1,200-odd miles to accomplish if he wants to complete the passage to Scott Base on the other side of the continent. If this takes him as long as it took Sir Edmund, when the latter was heading for the pole, he will not reach safety until the beginning of April; and even if, at the most improbably optimistic estimate, he maintains his recent 30-mile-a-day pace all the way (across terrain some of which made Sir Edmund go much more slowly, and probably in worse weather than he had) it would still take Dr Fuchs until the end of February.

There is thus going to be a period, of anything from a few days to several weeks, in which Dr Fuchs's party may be exposed to considerable danger, and in which it might be very difficult even for modern methods of rescue to find him and extract him from the snowstorms. If Sir Edmund had confined himself to saying this, and then waiting in his appointed post at Depot 700 until the matter had been thrashed out, he could not be criticised. He is apparently not to blame for the fact that the quarrel became public, for the leakage occurred in New Zealand. Nor is his independent sprint to the south pole relevant to the main issue; although it was not part of the expedition's plan, and although it left a taste of melodramatic opportunism, it would not have prevented him from returning to Depot 700 and performing his main task, to guide the commander of the expedition from there to Scott Base. Where he seems to have offended is in what looks very like an attempt to force his views on Dr Fuchs and the committee that controls the expedition—by rejecting Dr Fuchs's request to wait at the pole for him, by going back to Scott Base and by invoking the "concern" of the American expedition at the pole, which it is up to the Americans, if they feel it, to express for themselves.

After all, there is no need for a final decision until Dr Fuchs reaches the pole and can see how much time he has left. Sir Edmund's party would meanwhile have been in no danger. If Dr Fuchs and the London committee then agree that the risk is a manageable one, Sir Edmund's responsibility is to go as far back along the line of march to the pole as is necessary to help the main party safely home. He now seems to have accepted this; and it is to be hoped that Dr Fuchs will not be stung into carrying out his threat to go it alone.

IN the end it may turn out that this dispute reflected little more than the difference between British and New Zealand ideas about the lengths to which a subordinate can go in pressing his views on his leader. The world will be lucky if Antarctica is vexed by no more earnest matters than this. At a time when everyone is wondering what the Russians will do next, and sure that, whatever it is, they will do it sooner than expected, it is natural that the West should look uneasily



at the enigmatic red star lately erected by a Soviet sailor on an uninhabited British island in the South Sandwich group. There is a gentleman's agreement that neither the Russians nor anyone else taking part

in the International Geophysical Year will make any claims to territory on the basis of the survey work they are doing; but a determined sense of national interest can find as many holes in this sort of injunction as in a colander. In particular, wary eyes in a good many foreign ministries must be watching the wide slice of Antarctica which no one has yet claimed.

Australia, New Zealand and South Africa, hitherto comfortable in the knowledge that geography has confined the Soviet Union to the northern half of the world, would be concerned if Russia were to lay a claim that might, conceivably, one day lead to intercontinental missiles poking their snouts out of southern icefields. Western naval planners, wondering what to do if bombs blocked the Panama canal, might well feel alarm at a Russian base within striking distance of the route round Cape Horn. American scientists, fearing that the Russians are ahead of them in long-range weather control, may be forgiven for shivering at the thought of antarctic winds across the Great Plains.

The Americans might be tempted to forestall these unpleasant possibilities by claiming the remaining wedge of no-man's-ice for themselves. The trouble is that this would almost certainly sting the Russians into a counter-claim, which they could make all the more virtuously because the United States has an IGY base there (and could thus be accused of violating the gentlemen's agreement) whereas the Russians have not. As an alternative, it has been suggested that the Americans might extend a kind of Monroe doctrine to Antarctica. But, although President Monroe in his day could rest confident in the effectiveness of his warning to European powers not to interfere with the American continent, his successor today is perfectly aware that there would be very great risks in attempting to stop the Russians setting down on an unpeopled coast.

A third school of thought is in favour of removing the whole region as far as possible from national rivalries by putting it under United Nations control. However, this, too, has its snags. If it were done by turning the present claimants into UN trustees, the Russians might still be tempted to demand a slice of the cake, even though the icing of total ownership had been removed, in order to extract what plums they could from qualified control. And if the whole continent were simply turned over to the United Nations, that body would then have to get its members to agree on a way of administering—and protecting from marauders—a territory in which some of them discerned desirable private benefits.

These problems are not yet urgent. The International Geophysical Year is proceeding fairly amicably on its course, the only major squabble having occurred where it was least expected. It is likely that science will have to advance a little further before man can make full use—for better or worse—of Antarctica. But the one generalisation it is safe to make at the moment is that science, at least in the Soviet Union, is advancing faster than anyone thought. There are many reasons why Moscow might one day think it desirable to extend an arm into the half of the world from which it has hitherto been excluded. Nationalism can strike sparks even in that frosty climate, and it will be surprising if all the nations fold their tents and go quietly home when the present surveys are concluded. Antarctica's native inhabitants, on seeing the tractor marks in the snow, may well raise their flippers and ask themselves what will happen next.

Gilded Youth



The money, manners and morals of modern British teenagers are subjected to some statistical scrutiny—and also the very different prospect for teenagers in five to ten years' time.

THE teenage generation of today is a source of sociological mystification, personal indignation and a good deal of plain, blunt envy to their elders. The picture usually conjured up is one of boys in string ties and crepe soles, girls in tight jeans and dazzle socks; most of them shiftless, uninterested in self-improvement, and with much more money than is good for them; an increasing number sexually promiscuous at altogether precocious ages, and with a bigger minority of criminal bad hats than any generation in Britain before. These impressions are usually based on personal inexperience, and are then either specifically supported or hotly refuted by those with personal experience of particular groups of teenagers under or out of their control. Yet the statistical material for more accurate generalities exists; it is worth burrowing through it in order to find out whether the young men and girls of today have cause to be angry—or whether they are a generation whom the rest of us should get angry about.

In 1957, there were just over three million girls and boys aged between 16 and 21 in the United Kingdom, of whom roughly 2½ million were at work. 300,000 were at school or university, and 250,000 were doing national service. Of those at work, three-quarters had left school at the earliest possible moment, that is between 15 and 16. But just because they did so, it is by no means true to say that their education stopped short then; the argument that this generation is less

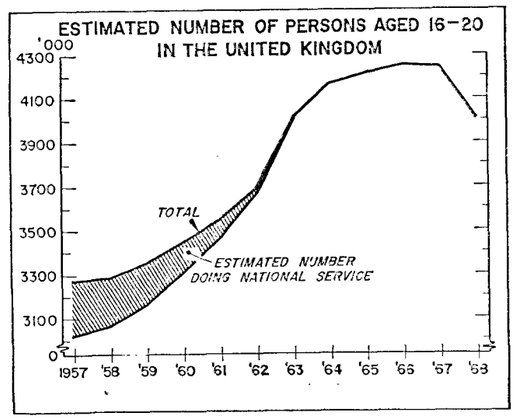
interested in self-improvement than its fathers and elder brothers does not hold water. Thirty-seven per cent of all boys leaving school at 15 now go on to take an apprenticeship to a skilled trade, which means attending evening classes once or twice a week, and probably spending a day a week at a technical institute as well; the apprenticeship courses concerned last in most cases for five years.

The chances to learn a skill vary widely from industry to industry and from firm to firm, depending on the facilities available and the willingness of employers to allow time off for study. In engineering and shipbuilding, 90 per cent of boys are released for this purpose; in mining, 55 per cent. At the other end of the scale, agriculture and distribution release less than 5 per cent of their young employees. These predominantly unskilled trades tend to have a higher job turnover than those in which skill is demanded; but the record as a whole is not one of irresponsible job leaving. Nearly half the boys who start a job at 15 are still there at 18; and slightly less than another third change their job only once during this time.

Girls look on their working life as less important than boys, and, if secretarial courses are excluded, only 8 per cent. do any further training after they leave school. Most go instead into unskilled work, primarily into the distributivetrades, which absorb a third of all girls entering employment; other popular industries are clothing, textiles and food, drink and tobacco. But in spite of the rather suspicious attitude that many employers and trade unionists have towards women at work, they form a larger and more stable part of the total labour force than is often supposed. In 1956 around a third of all workers in Britain were women and girls, half of whom were married.

So much for accusions of a dead-end mentality and of greater shiftlessness than twenty years ago. The common impression of greater affluence among teenagers is much more usually true. Since before the war earnings for boys and girls have soared. Taking 1938 as a base year (100), the index of weekly earnings in industry in April, 1957, was 454 for girls and 402 for boys; this compares with 387 for women and 350 for men. In other words, boys have done better than men, and girls better than women, by around 15 per cent in each case. Putting these indices into money terms, the average wage for a boy under 21 in industry today is £5 5s., and for a girl under 18 £4 4s.; while outside industry they often seem to have done as well, if not better, than this. A secretary from a college taking her first job can expect £6 10s. a week, against 25s. to 30s. before the war, and shop assistants' pay has risen almost as much. In real terms (i.e., after making allonce for the rise in the cost of living), the average teenage boy factory workers seems to be 55 per cent better off than before the war, and the girl secretary can be asuch as 75 per cent better off; this compares with a rise in living standards of 35 per cent for the male industrial worker and 7 per cent for the community as a whole.

In all probability, the rise in teenagers' casual spending money has been greater still. A main reason for this—and a major feature of the present British social scene—is the sudden, temporary and quite unwonted prosperity that can now strike the British working family as most of its children pass into their teens. To take a fairly extreme case. A family with four boys and one girl between the ages of 9 and 14, where the father earned the 1951 average industrial wage of £8 3s. a week, would have had to live on £475 a year (including family allowances) then. Today, if all the children are at work and the father earns today's average industrial wage, the family will have an income of £1,840 a year net of income tax. That, incidentally, is the equivalent of a before-tax income of £2,050 a year for the family of similar size with only one breadwinner. The change in living standards is so abrupt and, because the children will soon float off into matrimony, so temporary, that comparatively little adjustment is made in



expenditure on essentials (including the rent, which is probably still subsidised); a lot of the extra money is therefore left with the teenagers for their luxuries. Hence the full dance halls, the huge sales of "pop" records, the expensive teddy boy or teddy girl clothes, the juvenile drunkenness figures and the rest.

Another result, of course, is that the young can afford to marry earlier; in 1955, one in ten girls, and one in forty boys, got married before they were 21, proportions in both cases double those for 1938. But although increased earnings may be one reason for earlier marriages, it is certainly not the only one. Another can be inferred from the fact that 54 per cent. of all girls who married before 21 and had children in the first two years of marriage did so within less than nine months of their wedding day. Unfortunately, too, in spite of all this wealth, the recent trend of crime among the teenagers has been markedly upwards—especially in robbery and housebreaking, which lead to three-quarters of juvenile convictions. In 1956, one

out of 91 boys between 16 and 21 was found guilty of an indictable offence, and since many cases never reach the courts, the proportion of boys breaking the law during the year was probably nearer one in 50. This is at least three times the crime rate for men, and one of the more gloomy aspects of the coming teenage bulge looks like being the need, between now and 1964, to expand borstal facilities very considerably.

THE prosperity of teenagers—and of families with teenage children—provides a strong case for looking at the incidence of tax rates at different stages of the ordinary family's life; perhaps taxes should not be graduated according to individual incomes earned, but only according to incomes available per member of the family. One reason why nothing has been done about this, however, may be that part of the problem of excessively gilded youth looks like being very temporary. As the diagram shows, the number of people between 16 and 21 will increase by a million in the next decade, and the number reaching the labour market will expand still faster if national service is ended. Even in the next five years, the number starting work is expected to rise by 40 per cent, while trends in office automation and self-service shops may hit at the demand for labour in jobs in which a high percentage of juveniles are employed. It seems unlikely, therefore, that the wages of young people will rise in the next ten years by anything like as much as they have done since the war. In real terms, they are quite likely to fall.

This may be no bad thing. But it only emphasises the pressing problem of how best to make use of this influx of young people; if properly trained, they could go a long way towards providing the technicians and skilled workers which Britain so much needs. Unfortunately this is nothing like so easy as it sounds. Apart from the difficulty of finding sufficient instructors, the craft unions use apprenticeship schemes largely as a method of restricting entry into their trade, and they have no wish to see them expanded. Even if the unions would agree, many small businesses (and some large ones) are unwilling to release employees for training.

Another, less tangible, challenge will be how to give these young people a chance to deveop any qualities of leadership they may possess. This will be all the more important now that national service which could give a boy a chance to show his mettle outside his job, is to be abolished. There is going to be scope here for much more work along the lines of the youth club organisation, the Outward Bound schools, and so on. Teenagers in the fifties have been lucky; teenagers in the sixties will be more numerous, probably less blatantly prosperous, and many may have a chip on their shoulders in consequence. To save them from being a much more real problem than their elders is a challenge that the country does not look at all ready to meet.

NOTES OF THE WEEK

MR THORNEYCROFT'S RESIGNATION

The New Team

PROBABLY the choice of Mr Heathcoat Amory as Chancellor was determined simply by the fact that he was the senior minister whom Mr Macmillan had marked out as next in line for appointment to one of the really top posts. It is also true, however, that the resolute supporters of disinflation among the civil servants at the Treasury may well have welcomed him as the Conservative minister most nearly in Mr Thorneycroft's image; after all, he served his apprenticeship in economic management under Mr Thorneycroft at the Board of Trade. Among the other possible condidates, Mr Macleod might have been regarded as too keen on encouraging expansion, as distinct from containing inflation; Mr Maudling might seem too expert an economist in his own right; Sir David Eccles might have been regarded as a difficult choice for other reasons. So Mr Heathcoat Amory comes to Great George Street with the maximum of goodwill possible in the circumstances. He will have the benefit of intermittent economic advice from Mr Maudling, who already has three other jobs; indeed Mr Maudling's present role of revolving round Whitehall like a sputnik is one that ould seem to the outsider to be oddly uncomfortable and eroic. The new Chancellor's only other political aide, as financial Secretary, is to be Mr Simon, Mr Butler's form bright young man at the Home Office, and the Consentives' first rising discovery among their lawyers for sometime (the last man who was usually given that appellation as the present Foreign Secretary). Mr Simon's inquiring mind will presumably be turned mainly, not to matters of high policy, but to details of expenditure and tax reform; there is room for such a mind, particularly if it is oi prepared to be beastly to the Inland Revenue.

To fill the gaps caused by Mr Hthcoat Amory's promotion, two personable middle-rank conservative politicians, Mr Hare and Mr Soames, go to t Ministries of Agriculture and War respectively. Mr H takes up office uncomfortably near the time for the anal farm price review; he may be helped, though he ou not to be, by the fact that Mr Heathcoat Amory is no the gamekeeper turned from poacher. Unfortunately, th is an objection of principle to be entered against Mr H's appointment. Surely it is a mistake to appoint a Conserive Minister of Agriculture who is not only a dairy farr himself but sits for a conceivably marginal (majority 90) agricultural constituency?

Without New Revolt?

WHILE Mr Macmillan was blandly describing the resignation of the entire political team at the Treasury as "local difficulties" which had recently caused him a "little anxiety," the rest of the Government was laying on the biggest public relations drive one can remember to explain why the explosion had occurred. The dominant point made—in public speeches, in personal talks, and in Lord Hailsham's anxious message to Conservative constituency organisations—was that the quarrel implies no retreat by the Government from a stern policy to defend sterling. The argument was about means not ends.

Mr Thorneycroft's most obvious targets, for the £40 to £50 million of additional economies he wanted to secure would have been the £70 million odd a year that is still spent on subsidising school meals, welfare milk, national milk, cod-liver oil and the like; perhaps because stringent cuts here would have affected agriculture as well as social policy, however, a rearrangement (which would have meant a cut) in the system of family allowances, and an increase in national insurance contributions, were also put up for consideration. The Cabinet's main objection to this list was the very bad one that it might affect the "climate" for wage claims. This was reinforced, however, by an exasperated feeling that the whole quarrel was in some way a quarrel *de minimis*. It seemed odd to the Cabinet that a Chancellor should resign because of a dispute about less than £50 million of planned government expenditure—especially when it is remembered that in the five full fiscal years of Conservative power planned government expenditure has differed from actual eventual government expenditure by an average of £150 million a year (sometimes up, sometimes down) anyway. Moreover, the ceiling for the coming year's investment by the nationalised industries was a figure of £1,500 million guessed by the Treasury for such expenditure in 1957; there are signs that it may have been an over-estimate of actual past expenditure and that there was some "give" written into the figures. The ceiling which Mr Thorneycroft demanded for government current expenditure, and for which he has now resigned, was a ceiling to be set by a figure in which there was no give at all.

Thus, perhaps unfairly, is the case for saying that Mr Thorneycroft protested too much. And, however unfair, it is a case which, on present evidence, seems likely to be accepted without great revolt by Conservatives in the constituencies and on the back benches in Parliament. Mr Butler is reported to have told a correspondent on Tuesday that, by and large, the "rocks of the party—the chairmen of committees and so on—seem to be behind the Government." The Government had not been at all sure that they would be on Monday night.

EAST-WEST RELATIONS

Why Did He Say It?

MR MACMILLAN'S broadcast last Saturday was of a kind to evoke the question "Why did he say it?" rather than the question "What did he say?" What he said was that in pursuit of some agreement with the Russians for disarmament and the relief of tension,

> We could start by a solemn pact of non-aggression. It would do no harm. It might do good.

Could we? No one can tell for certain, but it seems more probable that anything like a general pact would have to come after, not before, the armaments race had been slowed down and the asperities of the cold war tempered. This, or something more like it, was evidently what the Foreign Office wished the Prime Minister had said, for it explained on Monday that "what he was really saying" was that "such a pact, to complete the agreements, might do some good."

However, the Prime Minister chose his words, and it is not hard to conjecture that he had his reasons for choosing them. The climate of feeling in Europe has lately been such that other men, certainly not less closely identified with the military solidarity of Nato than he, have been finding it expedient to express a readiness to explore ground for possible western agreement with the Russians. Dr Adenauer, with his unequalled feeling for the German climate, is one. This country is no exception; why should it be? But Mr Macmillan had a more specific reason for making his affirmation of willingness to talk and "perhaps," as he said, "to get the path ready for a meeting of heads of government." Just about to set off for India, he may well have thought it useful to indicate before he went that his mind is not as tightly shut against ideas of compromise, or as dominated by preoccupations of military preponderance, as people in Asia assume the minds of western statesmen to be.

There is always a risk that such an indication may rock the boat of western solidarity, but it need not; it "may even do good." On the other hand, to treat Mr Macmillan's *obiter dictum* as a substantial stroke of statesmanship would be altogether out of proportion. Western leaders, and (let it be hoped) Russian leaders, too, will probably go on groping aloud for ways out of the wood; but this particular way of the non-aggression pact has been advertised by the Russians before; it is not going to catch on now.

How Many are Left?

BECAUSE the total strength of the Russian armed forces has never been divulged, the reductions which the Russians announce from time to time do not make the impression in the West that might be expected. The latest cut, of 300,000 men, to be carried out by the end of the year, was announced on Monday; there have been previous announcements of reductions, in August 1955 of 640,000, and in May 1956, of 1,200,000 men. The Soviet deputy foreign minister, who made the announcement on Monday, refused to say whether the number of Russians under arms would now be brought below the three million mark. This reticence is rather curious, since according to western intelligence estimates, the number of men in the Soviet armed forces should now stand (before the cuts) at some 3,200,000—provided, that is, that the previously announced cuts have really been carried out, a point which the West has no means of checking, and on which the figures from communist sources cast some doubt.

Lacking adequate or reliable information about Soviet armed manpower, the West suspects, probably rightly, that the Russians do not intend to lose their preponderance. Yet the shortage of civilian manpower, which the low birth-rate during the war years is beginning to make more acute, must make the Russian leaders anxious to get men back into the factories and on to the land. Their present lead in

long-range weapons presumably allows them to feel they can do so more safely; while the West's post-sputnik reappraisal of defence planning and of policy towards Russia makes this a good moment to squeeze the maximum propaganda effect out of the cuts.

With so much talk of disengagement in central Europe in the air, it is not surprising that the Russians specifically announced the withdrawal and disbandment of 41,000 men from Germany and of 17,000 from Hungary. They are presenting this to the world as proof that they want the idea of disengagement to be taken seriously. Yet the cuts still leave strong forces behind. In Eastern Germany there will still be around 17 Soviet divisions; while there will still be more than twice as many Soviet soldiers in Hungary as there were before October, 1956. Mr Kadar is nowhere near redeeming his promise to get rid of all Russian troops.

BUSES

Lower Sights

WEDNESDAY'S talks on the London busmen's pay claim were an interesting anti-climax. This was the third time London Transport had met the union representatives to say that it would not give a pay increase this year. The two sides spent six hours discussing whether London Transport really meant it. The final decision was to refer the dispute to Sir Wilfred Neden, the Chief Industrial Commissioner at the Ministry of Labour; he is being asked by the union if he can suggest any machinery of investigation through which negotiations might be resumed.

The union's decision to call in Sir Wilfred Neden, instead of to call a strike, has two implications. The first, of course, is that any machinery of investigation is bound to be a machinery for some delay; the union is still eager not to be the first on to the battlements in the wages struggle this winter. The second point, however, is that all the union seems to be thinking of now is an increase for some of its members, not necessarily all of them. It wants some examination of the fact that certain groups of London busmen—for example, the crews of buses in Central London—have done worse than other groups in recent annual pay awards. This is a notable lowering of Mr Cousins's sights. Even with these lower sights, however, he should not be allowed to hit his target. This is not only because of the consequences that a rise for even some London busmen could have on all other pay awards; the need for a standstill is reinforced by London Transport's present commercial quandary, especially in central London.

Empty Seats

LONDON TRANSPORT'S commercial reasons for refusing any pay increase to its busmen were revealed by a statement from its chairman last weekend. Sir John Elliot announced that London's buses and underground trains are now carrying half a million people a day less than they were at this time last year, and that total travel by public transport is now 16 per cent below the level for 1950. Buses, which carry half of their passengers on the 3d. minimum fare, are particularly affected. As late as 1952 the minimum charge was still 1½d.; it went up to 2d. in that year, to 2½d. in 1955, and to 3d. in 1957. There is now quite strong evidence that the demand for bus journeys, at any rate over short distances, is elastic. Midland Red, the largest provincial bus company, has just recognised this by reducing its minimum fares by ½d.

That step would probably help in London too. But London Transport's principal emphasis is being laid on competition from private cars, which not only reduce the number of passengers carried, and thus raise costs, but also force buses to work over routes so packed with traffic that people find it quicker to walk short distances than to take a 3d. ride. It is to the problem of relieving traffic congestion that London Transport's main efforts are now turned. A good deal is being achieved along these lines. Bus routes are being localised so that more buses travel to and from central London, but less travel through it; vigorous steps are being taken by inspectors to stop bunching; and last month, the world's first electronic system for bus control, BESI, was put into operation on Route 74. But buses in central London, where much of the short distance travelling is done, still average only 7½ mph; and indiscriminate parking, which causes so much of the trouble, continues as before, while the test case for meters in Mayfair drags on for month after month.

The problem of private parking in London will obviously have to be tackled some day soon, preferably by vigorous use of the meter system; but meanwhile London Transport has its own part to play in removing the congestion from which it suffers, but which it also very largely creates. In few large foreign cities that one can think of is the casual traveller so profusely served by buses, travelling in almost every direction, as he is in central London. If the number of buses running in daytime through, say, Piccadilly and the Strand were cut by a half, would that make London Transport better off or worse off? If it would make it better off, then by all means axe the schedule.

AFRO-ASIANS

Cairo's Permanent Guests

THE first meeting of the new Afro-Asian People's Solidarity Council was held in Cairo over the weekend. This body theoretically represents the "delegates" who attended the recent conference in that city, the majority of whom, in turn, represent nobody but themselves. The council is not, however, as significant a legacy of the conference as the permanent secretariat that is being set up in Cairo. The Russian and Chinese secretaries will not, numerically, swamp their eight colleagues, but, as they enjoy the full support of powerful states, they will automatically carry greater weight than the genuinely non-official secretaries. In short, Russia has gained what must have been its main objectives in sponsoring the conference from behind the scenes: acceptance as an "Afro-Asian" nation, and a recognised office for the further dissemination of propaganda in Africa and Asia (through the journal to be published by the secretariat.)

A Soviet success of a more dramatic order was the "unconditional" offer of aid that made headlines throughout the non-communist world. In *The Economist* last week it was pointed out that Russia's own record made no mention of a promise of aid. Chapter and verse are worth giving. There is no doubt that a verbal offer was made by Mr Arzumanian, one of the Soviet delegates, for it was reported by the international news agencies from Cairo, with circumstantial references to the applause that greeted it. On the other hand, the Tass agency report of Mr Arzumanian's speech as it appeared in *Pravda* of December 29th, and as it was distributed in English, made no mention of a Russian offer. But elsewhere in the same issue of *Pravda* the offer was put into the mouth of Mr Arzumanian—in a quotation from the Egyptian newspaper *Al Gomhouria*. One inference could be that Mr Arzumanian spoke out of turn; another, that the Russians, while out for world headlines, had no intention of leaving the offer on the formal record.

President Nasser, who drew dividends from the conference in the shape of resolutions condemning "imperialism" in Algeria, Cyprus and other areas in which he has displayed interest, cannot, however, have been entirely pleased by the dominant role played by the communists. Indeed, he is credibly reported to have complained to the Egyptian delegates that things were getting out of hand. In the long run, he may find the activity of the new secretariat in Cairo an onerous price to pay for Afro-Asian "leadership."

MIDDLE EAST

Well-Advertised Money

A LEISURELY seven weeks after General Amer, the Egyptian war minister, returned from the Soviet Union brandishing the promise of economic aid, Dr Aziz Sidky, the minister of industry, has gone off to Moscow to fix the details. The Russians have promised Egypt credit up to £62 million—and the Czechs have put their name down for another £20 million—towards a five-year plan of industrial development. However, when it comes to signing the agreement, the Russians may follow the precedent they set with Syria and decline to commit themselves to a sum. Repayment, at 2½ per cent interest, will not apparently start until 1963, when the plan should theoretically be completed, and will then be spread over twelve years.

The Egyptian plan in its most ambitious form has been estimated to cost about £230 million, of which £160 million would have to be in foreign currency. If the plan were the Egyptian government's only major commitment, it would be easier to see how it could foot its share of the bill. But there is also the question of compensation for the Suez Canal company shareholders—and President Nasser has not dropped the idea of building the Aswan High Dam. When he opened the National Assembly in July, he said that plans were complete for the first five-year stage of the dam project. This would cost £60 million, of which £28 million would be in foreign currency, taken from the proceeds from the Suez Canal.

The burden on the Syrian economy if its development programme is carried through is even more unrealistic. The seven-year programme for developing electric power, irrigation, communications and mineral deposits is estimated to cost £200 million. The Russians have never said publicly how much of this they will provide, but reports from Damascus say that the ratio of foreign to Syrian currency will be 6 to 14. This would mean that the Russians contribute £60 million and the Syrians, in the form of labour and local materials, £140 million. (The Czechoslovak loan of £60 million for factory equipment is for the second stage of economic development, and would not apparently be used to help finance the nineteen projects in the Soviet agreement.) In 1956 the Syrians spent £1½ million on economic development (and a good deal of this was in the end diverted to defence) out of a budget of £36 million. It is clear that overwhelmingly more money is needed if the seven-year plan is to be carried out.

The Russians have contrived to leave the impression that not only are they paying the lion's share of the Syrian scheme, but that all the credit will be automatically available. But the truth is that each individual project has to be approved by Russian technicians, and only then is the credit for that project advanced. This could mean that the completion of the Syrian loan—and presumably of the Egyptian too—depends on the continuing good will of the Soviet Union.

MALTA

Mr Mintoff Unrepentant

MR MINTOFF has made an adroit reply to the message which the Colonial Secretary sent to him with the request that it be read during the debate on the resolution to "break the ties" with Britain because of dockyard redundancies. The men dismissed a few weeks ago have providentially been re-absorbed (as Mr Mintoff knew they would be) in civil work, and an adventitious ship repairing contract ensures that other dockyard redundancies will be taken up for the time being. As there is to be no immediate unemployment, Mr Mintoff is able to extricate himself neatly with the cool announcement that though the resolution is to remain on the record, it will not be implemented "so long as Britain keeps faith with her pledge of keeping intact the level of employment." This pledge, like the constitutional power of the Malta government to cut ties, has been invented by Mr Mintoff, and Mr Lennox-Boyd should jump on it with both feet hard and at once. No such pledge has been given, or could be given; the most that has been done—and that is probably far too much—is to undertake that employment in the dockyard will not fall below 12,000 for three years. But if this trick is not nailed, Mr Mintoff may go on from here to declare that Britain has promised to keep every Maltese in a job to the end of time.

Equally insidious is Mr Mintoff's demand for "new negotiations." Negotiations have been going on for two years, and upon every conceivable issue. What Mr Mintoff is asking for in fact is still more money and more concessions on top of those already granted; though his suggestion that these negotiations be undertaken "in a spirit of give and take without predetermined formulas" will induce wry smiles in the Colonial Office. Does that mean that Mr Mintoff will give up the all-embracing formula of "equivalence"? Nor should he be allowed to get away with his lengthy smear of the British Government, which is plainly as much directed at maintaining his grip on the Maltese people as at impressing British opinion. As our correspondent points out on page 124, Mr Lennox-Boyd's message showed many Maltese that Britain could be tried too far. Nothing should be done to efface that impression. Mr Lennox-Boyd should not go "urgently" to Malta to make "amends" for the "upheaval" which defence changes entail for Malta's economy by "adopting remedies that ensure the survival of the people

of Malta." Britain's cheque-book should stay in Mr Heathcoat Amory's pocket, and Mr Mintoff should be challenged to accept the generous terms already conceded for integration, or kindly to reveal to the Maltese some scheme of his own manufacture which guarantees perpetual full employment without British aid.

HOTELS

An Economic Paradox

THE January number of *Design*—which is devoted to the special needs of the hotel industry in architecture, furniture and equipment—slips from æsthetics to economics and raises questions of considerable public and commercial interest. More travel, whether for business or pleasure, means a bigger demand for hotel accommodation. The British Travel and Holidays Association, with its eye on the tourist trade, notes an imminent doubling of trans-Atlantic air capacity; it is estimated that there will be 50 per cent more cars in Europe three years hence; whatever may be Britain's share of the implied growth of tourist travel, and however vulnerable tourism may be to short-term recession (holiday spending, an eminently elastic item in most personal budgets, takes a disproportionate knock from any general fall in incomes), the long-term market looks exceedingly buoyant.

On the face of it, therefore, the hotel industry should offer an outstandingly profitable field for investment. In fact, a mere handful of new hotels have been built in Britain since the war, and the experts whose discussion is summarised in *Design* take an almost unanimously gloomy view of their prospects. Modernisation is a better bet, and has provided 500 new rooms in London alone; but this compares with a shortage, estimated by the BTHA, of ten times as many. Even modernisation is expensive, and the higher the proportion of tourist to "commercial" trade the more forbidding becomes the problem of the dead season.

There are ways of alleviating these difficulties. One is to aim at the right target—*de luxe* or tourist-class trade as the case may be—with standards of accommodation, food and service all in keeping. Another, perhaps the most hopeful for new construction, is the lucrative letting by hotels of one or more lower floors for shops and offices. Another, of course, is sheer ingenuity in the maximum use of space. Another, rather wistfully recommended by *Design's* experts, is the lowering of equipment costs by specialisation and by longer runs in the relevant industries.

The truth is, however, that the by no means cheap prices of British hotels have only been kept from rising even higher, in face of the running costs imposed by the Catering Wages Act, by what amounts to continuous raiding of the industry's amortisation and obsolescence funds. The new and ultimately inescapable level of costs is as much a fact as the new level of demand. Whether the industry should be subsidised, directly or indirectly, in the interests of its status as No. 1 dollar earner, is a question of national policy; such subsidies would be on an exact economic par with those devices which, when applied to goods, have been internationally condemned and (on paper anyway) renounced. Failing subsidy, hotel owners and travellers alike might as well face the fact that charges must rise—indeed ought to rise—very substantially. To talk in the same breath of "shortage" and the impossibility of meeting it without loss is economic nonsense.

INTERNATIONAL MONETARY FUND

Bailing Out France

FRANCE expects a lot from M. Monnet's visit to Washington—the release of the remaining $262.5 million of its quota in the International Monetary Fund and a loan of some $200 million from the Export-Import Bank. The French hope that these loans, together with their own efforts to put their house in order, will tide them over their exchange difficulties in 1958; especially if they can obtain as well a large further extension of credit facilities in the European Payments Union.

France's hopes may well be satisfied and its day of reckoning put off once more. But there is no doubt that the French loans are causing a good deal of heart-searching both in the United States Administration and in the International Monetary Fund. The liquid resources of the IMF are low. There is a danger that if France goes away satisfied, other importunate customers like India and Japan will be difficult to refuse. The IMF was of course designed in part to tide countries over temporary exchange difficulties. But it was not intended to promote inflation or sustained imprudent policies of expansion. As the exchange problems of a number of countries have become urgent in the past year, discussion about the role of such international sources of finance has grown.

One of the main weaknesses of the IMF in the past seems to have been the automatic nature of the credit facilities it provides. Each country has a quota; each has tended to regard this as a reserve on which it can automatically draw. The IMF might well be able to play a more active part in keeping the flow of international payments going if it had greater discretionary powers to raise money from countries that have plenty of foreign exchange and lend it to those that have not. But such loans have only a limited value unless they can be used as a means of pressing for more prudent policies in the borrowing country and to strengthen the hand of the international institution acting for the world trading community.

At one time it seemed that the present "liquidity" crisis in several countries might provide an opportunity to move in this direction. There has been talk of a new severity in the grant of the second half of IMF quotas, linked with a more vigorous effort to compel countries to put their domestic affairs in shape. But when France asks for cash it can use its political weakness as an overriding argument: the danger of communism, or of an anti-communist *coup*. The IMF and the EPU may find themselves forced to depart from strict economic precepts on political grounds.

ECONOMIC PROSPECT

Europe Marks Time

ECONOMIC growth in Europe, as in Britain, is slowing down. Throughout the first nine months of last year the rate of industrial growth slackened; since the summer the trend has continued. Outside the United Kingdom, the most notable slackening has been in western Germany. There, partly through a check to exports, industrial production has been running only some 5 per cent higher than a year before, considerably less than the record figures of earlier years. But the pace in other European countries, too, has eased.

The timing of the slowdown has varied from one country to another. The easing of the investment boom has made itself felt most notably in steel and some branches of engineering. Countries like Belgium, and in some measure Germany, being highly dependent on the international market for those products, have felt the pinch. Belgian output may actually have fallen. Those countries that had been forced to adopt restrictive policies for balance-of-payments reasons—the Netherlands and Sweden, for example—seem to have been affected first by the slower rate of growth. France, pursuing growth at any foreign exchange cost, and Italy, were the two main exceptions to the summer check. But in both those countries the weakening of demand abroad, and in France import restrictions, have brought a marked hesitation in the last few months.

The economy of western Europe is not in recession; the

Strategic and Tactical

THE words "strategic" and "tactical" are beginning to be used very loosely and confusingly in relation to thermonuclear weapons. In the past, strategy and tactics related not to weapons, but to objectives in warfare—the first referring broadly to the grand design, or possibly to particular campaigns, the second to methods of winning particular battles or manœuvres. The same *weapons*, infantry, cavalry, artillery or ships, were employed both in strategy or tactics. By derivation, a "strategic weapon" has now become a weapon that can be used to further strategy in war—which means in effect a weapon which is used against an enemy's war-making potential—whether its industries, or its economic organisation, or its will to fight on. Until the coming of atomic bombs, there were no "strategic weapons," only the use of weapons strategically (for example, the use of warships to enforce economic blockade).

The question arises now only because of the very wide-ranging explosive effects of modern weapons, which often cannot be confined precisely to any battlefield or tactical target. Even so, the old classification by use and not by nature still holds. A large proportion of these modern devices, whether explosive or infective, could still be used *either* in a strategic *or* in a tactical role—according to how they are delivered. The following classification may serve to show that labels cannot be pinned on any weapon *easily*.

I. WEAPONS

1. **Bacteriological weapons.** These are almost wholly strategic, in the sense that they could hardly be used in a battle at all.

2. **Gases.** In the past these have only been used tactically—to win battles. The improved modern versions are still mainly suitable in such uses, whether alone or in conjunction with atomic weapons, but they could in quantity be used strategically—i.e. against industrial concentrations, etc.

3. **Atomic Warheads.** These can, irrespective of size, all be used in tactical as well as strategic roles: e.g. a megaton bomb could be dropped on a fleet at sea as the most economic weapon to destroy it; a nominal (Hiroshima-size) bomb can be used equally to destroy cities or military formations on land; a "low yield" bomb could be used strategically in the sense of being used to destroy a particular strategic target—such as the War Office or the Pentagon; but its main role would be as an economical substitute for a normal artillery barrage by sea or land, or for a pattern of anti-aircraft shells.

II. MEANS OF DELIVERY

1. **Long range** ballistic rockets (US *Atlas, Titan,* 5,000-6,000 miles). These are almost certainly suited to strategic roles only—for wrecking industrial cities and the fabric of organised society.* Normally they are expected to have atomic warheads but could conceivably deliver (1) and (2) above as well, but hardly in quantities large enough to justify the cost.

2. **Intermediate range** ballistic rockets (US Army *Thor, Jupiter,* US Navy *Polaris, Triton,* British Missile X). All these seem also to have a strategic role; the shorter range is merely an interim stage of (1), or adapted to delivery from nearer bases. *But* they could have a battle role—e.g. against the known position of fleets, armies, air bases and even launching sites when more accurate.*

3. **Short range** ground-to-ground missiles of both the ballistic and aerodynamic types. The very short range varieties (US *Honest John, Corporal, Sergeant,* 50 miles, and *Redstone,* 200 miles)* are tactical weapons in the modern setting (though in the smaller military arenas of even 50 years ago they would have been deemed strategic). Weapons that carry 700-1,000 miles (US *Matador, Regulus*)* have both roles, according to the nature of the conflict and their own location. In a limited conflict, if such is possible, they could presumably knock out the vital zones of both contestants; even in a big war, they could make a strategic contribution.

4. **Atomic Cannon.** US*. Having a range of only 20 miles, these are confined to tactical roles by land or sea.

5. **Ground-to-air** (US *Nike-Hercules*)* (US *Talos,* and air-to-air *Genie*): tactical.

6. **Air-to-ground** missiles, or "stand-off bombs" although inherently short range, are designed primarily for use with bombers on strategic missions, lengthening their range and enabling them to avoid defences.

7. **"Air breathing"** long-range robot aircraft (US *Snark,* 5,000 miles) are suited to strategic roles only.

8. **Long range** air strike forces—might seem to have only strategic significance, but again if these were sent from a distance merely to redress a battle situation in a place where other means of delivery could not be employed so well, they could have a tactical role. V-bombers attacked, if inaccurately, the Egyptian forces on the Suez Canal in November, 1956.

9. **Intermediate range** air strike forces; they have obvious tactical roles, however armed; but they can have strategic roles, if armed with hydrogen or even "normal" bombs in quantity if (*a*) they are located near enough to the enemy's homeland; (*b*) their range can be lengthened because the crews are sacrificed; (*c*) they are refuelled in air; (*d*) they carry a flying missile which lengthens their range enough.

10. **Short range** strike forces: tactical.

It follows from all this that what counts is the way in which weapons and delivery vehicles are used, their location, and their number. (Enough A-bombs, dropped together, add up to one H-bomb.) No hard and fast line can be drawn. Once a state has the atomic bomb its ability to influence the strategic balance of power, as distinct from the tactical course of a battle, depends on what means of delivery it possesses. And the whole argument is still theoretical, not to say academic, even though the words "strategical" and "tactical" are so much bandied about; to the recipient of the latest explosives, it is a distinction without a difference. And to the expert, though the strategic results of dropping two "nominal" atomic bombs on Japan are known, it is still surmise what would happen if an attempt were made to use these weapons tactically.

* Denotes that Russians are known to have weapons in this class, with atomic warheads.

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labour market is still tight in many countries, and there is not much productive capacity unemployed outside the United Kingdom. Some sectors of industry, notably cars and a number of other consumer industries, are still working at full speed. Still, Europe is tending to mark time; a new impulse may be needed before the boom can resume.

EDUCATION

Heads Together

WELL-TO-DO parents burdened with intelligent families must have pricked up their ears last week when Mr A. H. Jennings told the conference of the Incorporated Association of Headmasters (the state schools equivalent of the Headmasters Conference) of what looked like a new way of getting round the means test if their children win a local authority scholarship to the university. Mr Jennings is reported to have told of a father who went to a solicitor and legally disowned his son, in order that the local authority, finding him without means of any kind, would be compelled to give him a full grant on the strength of the scholarship which he had won. Unfortunately, if Mr Jennings's story is really true, it seems that the father must have pulled a fast one. The law of disinheritance does not really seem to enter into this matter. In common law, parents' responsibility for children terminates at sixteen, and the means test is apparently not tied to any legal definition of parent. If a school leaver gets a scholarship, the local authority requires from the parent, guardian or other relative *in loco parentis* the buff form duly filled in with a statement of means. In rare cases orphans do fill in their own buff forms, but it seems open to a local authority, if it finds that an orphan has a rich relative, to require this next-of-kin, or even remote-of-kin, to fill in the form. It is up to the scholarship-winner to possess form-filling parents or guardians.

If an actual case of a local authority increasing its grant to a "disinherited" winner of a university scholarship has occurred, this was certainly not one of *force majeure*; local authorities give or withhold at their own discretion—and there is little uniformity about the way they do so. Hard bullying by a determined parent sometimes yields a bigger grant; presumably this is all that must have happened in the case Mr Jennings quoted.

The headmasters attacked the rigidities of the educational system at many points, and with many telling quotes. Thus "children today have three parents—Mummy, Daddy and Telly." And the story was told of one headmaster who had recently informed a certain examining board that he would not submit any more candidates to it, because he got more passes from another board. This last point—about the unevenness of the standard of examining for GCE—is one of which the Ministry of Education is ruefully aware.

PUBLISHING

No End of Books

A RECORD total of 20,719 new titles were published in Britain last year, including a marked revival in new fiction. Publishers are a little too quick to bewail this, associating a flood of new books with the ebb in sales that characterised the thirties. As the table below suggests, 1956 was a remarkably prosperous year for publishers. It may be that the increase in titles—and in reprints—which occured in 1957 was a natural reaction to bumper sales then.

	Personal expenditure on books (£ mn.)		Publishers' turnover † (£ mn.)	New titles published †		
	Current prices	1948 prices	Current prices	Total	Reprints and new editions	Fiction
1937	...	...	10·5	17,137	5,810	5,097
1938	10	15	10·7	16,219	5,307	...
1952	39	34	42·8	18,741	5,428	4,181
1953	40	35	44·9	18,257	5,523	4,301
1954	40	35	46·3	19,188	5,846	4,204
1955	44	37	49·4	19,962	5,770	3,702
1956	50	43	56·7	19,107	5,302	3,443
1957	...	...	*	20,719	5,921	3,737

* In the first quarter of 1957, publishers' turnover was £13·8 million, compared with £11·95 million in corresponding quarter of 1956.

† Turnover statistics compiled by the Publishers' Association; titles by *The Bookseller*.

The figures in the first three columns of the table are interesting. The increase in book-buying since before the war has been much greater than most people would have suspected. So has the pace of the increase since the relative doldrums of 1952-54. The truth is that books have stood up to the steady development of other media of entertainment and instruction extraordinarily well; and there is further ground for satisfaction in the fact that—taking a very rough and perhaps misleading average—the price of books fell in 1956. Even compared with 1938, books have risen by less than 80 per cent in price.

VENEZUELA

Shifting Sands

FAULTY organisation and bad security made the New Year rising in Venezuela misfire. The government got advance warning of the plot, and when the air force led off at Maracay, the air base fifty miles from Caracas, it got only limited and unconcerted support from the army; the navy made no move at all. With several service chiefs in prison and other leaders of the revolt in refuge in Colombia, President Pérez Jiménez can claim that all is calm. But the revolt has shown that in spite of his pampering of the officers, some of them at least are restive. The myth that the armed services are firmly on the side of the president is exploded.

The president over-reached himself last month by holding a plebiscite instead of presidential elections. The government claimed that 2.3 million people said "yes" to another five-year term of office for the president; 500,000 said "no." Both the substance of the plebiscite and its form were an insult to the Venezuelan electors' intelligence, of a kind for which the accumulating national wealth does not compensate. The regime has already been under fire from the Roman Catholic hierarchy; the Archbishop of Caracas has formally denounced in a pastoral letter the maldistribution of oil revenues. Although the causes are as different as the two presidents themselves, this addition of ecclesiastical censure to military discontent recalls the omens that preceded the fall of General Perón. An abortive air force rising signalled the revolution that ousted the Argentine dictator—who may now be fearing that his Caracas retreat is less secure than it looked.

All this is an unfortunate prelude to what is believed to be the first visit to Latin America by a British President of the Board of Trade. Sir David Eccles is due to arrive in Caracas on Sunday. British governments have long appeared to regard Latin America as half off the map, but the oil pinch a year ago gave a reminder of the riches of Venezuela. Sir David Eccles is right to cultivate friends in Latin America; on sands as shifting as those in Caracas just now he may find it unusually hard to know where to put his feet.

ISRAEL

Mysterious Ways

TO dissolve a coalition and then to re-form it with no change at all is a curious manœuvre. Mr Ben-Gurion and his cabinet, including the two Achduth Avoda ministers who were in disgrace last week, are all back in their places. The coalition has reiterated its belief in collective responsibility and has bound itself to vote for all government measures. Although the prime minister has dropped his insistence that indiscreet ministers should be dismissed if two-thirds of the cabinet agree that they should be, the official secrets act is to be given some new tentacles that will stretch over the press as well as over the cabinet. In exchange, the prime minister has apparently promised to tell his ministers what he is doing before, rather than after, he does it.

The coalition is predominantly left-wing, but with some parties considerably further to the left than others. The prime minister's moderate labour party Mapai accepts Israel's western connections as the basis of any realistic foreign policy; Achduth Avoda and, more particularly, Mapam, toy with the neutralism that seems to give the Arabs a better lever than Israel in world affairs. The prime minister, perhaps anticipating a cabinet flare-up over foreign alignments, may have decided to have the crisis in his own way, in his own time. Contriving to blanket the division about foreign policy, he chose instead that the crisis should occur on the narrow and uncontroversial issue of spilt cabinet secrets. The left-wing parties were outmanœuvred. They may have been preparing to jump off Mr Ben-Gurion's wagon some time before next year's elections, but they obviously concluded that a reputation for unreliability was no ticket on which to go into opposition.

Election manœuvres may explain the upheaval. But it is difficult not to speculate on other reasons for Mr Ben-Gurion deciding, at this time, to consolidate his position. He may just have wanted to chasten the supporters of neutralism. But arms that Israel cannot get itself are piling up in the surrounding states. The more the western powers shrink from contact with the Jewish state, the more Israel is thrown back on its own resources.

UNITED NATIONS

A Conflict of Loyalties

FRESH representations by refugee Hungarians have again drawn attention to the curious case of Mr Bang-Jensen, who was suspended from his post in the United Nations Secretariat a month ago. Last year this Danish official served as deputy secretary to the committee appointed by the Assembly to report on Russia's action in Hungary. Some of the refugees who testified before it, understandably afraid that Mr Kadar's thugs would take reprisals against their relatives and friends, agreed to speak only on condition that their identities were kept secret. Mr Bang-Jensen apparently promised some of them that he would not divulge their names to any other persion whatsoever; he believes that they would have refused to testify without this specific personal assurance. He has taken the relevant documents into his own custody and refused to entrust them to that of the secretariat; hence his suspension.

Mr Hammarskjöld's consequent dilemma is painful. No organisation can let its employees remove and retain its official records, however high their motives for doing so. Although Mr Bang-Jensen has been copiously reassured that no communist, or indeed any other, member of the Secretariat, would have access to the names of the anonymous witnesses—it has been suggested that the papers should be sealed and locked away under the supervision of Mr Andersen, the Danish chairman of the committee, and of the secretary-general himself—he has so far maintained his stand, and has engaged lawyers to argue his case. An official inquiry has been set on foot, but it would tax the powers of a moral philosopher to say who is really right and who wrong in this matter. Mr Bang-Jensen originally erred in giving a promise inconsistent with his sworn loyalty to the international organisation. But one must respect a man who jeopardises his career for honest humanitarian reasons; and it has to be conceded that, however watertight Mr Hammarskjöld's precautions might be, the United Nations may some day change its procedures (and will some day change its secretary-general), while, on the other hand, police-state regimes tend to have elephantine memories, infinite patience, and inexorable vindictiveness.

UGANDA

Calmer Counsels

IT does not now look as if the resignation of two members of the Uganda Legislative Council will spark a crisis in the territory. It is true that the Buganda electoral college and the Busoga district council have refused immediately to elect successors. But Busoga has agreed to hold direct elections later this year, which means that one will automatically be elected then; while the obduracy of Buganda is not being carried as far as had at one time been supposed. Its other four members have not resigned.

The more demagogic of the two Uganda parties, the Uganda National Congress, has condemned this small show of non-co-operation on the sensible grounds that constitutional progress can only be achieved in the Uganda Legislature, not outside it; admittedly, its main motive in this statement is a desire to discredit the United Congress, which it regards as a breakaway and traditionalist body. Both organisations, nevertheless, have as their objective an increase in the number of African representative members, now 18 in a house of 60, all of which they want to be elected. Meanwhile the government has made some show of giving greater weight to African opinion in the Legislature by appointing a speaker to preside over the house in place of the Governor, by withdrawing the Resident for Buganda from it, and by adding three new backbench members, all Africans, two to vote in place of the governor (who had an ordinary and casting vote) and one in place of the Resident. These members will vote for the government on a confidence motion—but not necessarily at other times. When the Kabaka of Buganda makes his forthcoming brief private visit to Britain, polite efforts may be made to persuade him to look at Buganda's cantankerous attitude in a new perspective.

CO-OPERATIVES

Lost Impetus

". . . and the best shop to shop is the Co-op shop!" So sang Gracie Fields, long ago. Non-members of the co-operative movement, and probably the majority of members, generally get no further in the forming of an opinion than agreement or disagreement—variously qualified according to the goods they have in mind—with Gracie Fields. The wider co-operative ideal lost its momentum long ago; merged in Labour politics, nibbled by apathy, discouraged by the failure of many producers' co-operative ventures, it preserves what seems to the outsider to be an anæmic and inconspicuous existence.

The uphill job of keeping the co-operative dream—as distinct from the solidly prosperous co-operative trading organisation—alive and recognisable belongs to the Co-operative Union, which has just published a handbook on Co-operative Education.* The topics treated include technical training for employees; conferences, lectures, classes, informal study groups, and cultural activities, for members; the education of consumers as such; the Co-operative Youth Movement; and committee and secretarial procedure. There is much good practical sense in almost every chapter—though that on the youth movement affords glimpses into a decidedly weird underworld of cranks. There is nothing, however, which could not equally be found in the ordinary run of commercial "How To . . ." sub-literature, the circulars of a summer school of any denomination, or the house organ of a reasonably enlightened large firm. Significantly, the binding (though solid) is nasty, the printing dull, the layout ugly, the style undistinguished, and the illustrations abysmal.

And these last points surely underline the whole problem. Why the co-operative movement, while honourably avoiding both outright shoddiness and the production of anything in anyway deleterious, should provide so many examples of dowdy hideousness in display, packaging, print, and some of its other activities is a question not to be answered offhand by a reference to its notoriously sub-standard top salaries. It seems likelier that these are the outward and visible signs of an inward and spiritual fustiness. Among the British working class today the live-minded and the idealistic, the rebellious, the devoted, the unconventionally creative, the gifted in organisation and democratic leadership, have other and more attractive openings for their aspirations; to say nothing of the creaming-off process, ominous to the whole working class movement, which now recruits the brightest of each rising generation to the professional classes. Somewhere along the line, the co-operative channel has got silted up; its educational impetus, on the evidence of this book, is unlikely to be great enough to set the tide running again.

ARGENTINA

Shopping in Moscow

An Argentine economic mission is expected to leave this weekend for a round of visits in the Soviet Union and East Europe. The mission is armed with a credit balance of $30 million, the hope of additional loans and a long shopping list. The credit is a hangover from various trade agreements with the Soviet empire that fizzled out when General Perón was removed. But Buenos Aires is believed to have set its sights high. The republic's economic recovery hangs on increased energy supply, and one of the provisional government's most intractable problems has been to borrow the money to develop oil resources without compromising the state fuel and power monopoly.

A couple of months ago the Export-Import bank again refused to lend Argentina any more money, on the ground that its dollar balance was already too deeply in the red. But Argentina can only get straight by cutting its oil imports. The truth is that nationalised power concerns are as great an anathema to Washington as the suggestion of some kind of oil partnership is to Buenos Aires.

So President Aramburu has turned to Moscow. If he is successful several other Latin American republics may follow his lead, for although Brazil has been much luckier than Argentina in borrowing western money, it too maintains a state oil monopoly. Moscow is bound to welcome any such chance of establishing influence in the western hemisphere. But it may not be entirely fanciful to speculate whether the Soviet Union is not particularly interested in Argentina because of Argentina's proximity to Antarctica and its claims there.

* Co-operative Education: A Handbook of Practical Guidance for Co-operative Educationists. Co-operative Union Ltd., Publications Department. 233 pages. 6s. 6d.

SHORTER NOTE

Britain's appeal to Nato on the issue of support payments for the Rhine army has had a first limited success. The Nato council, considering a report from three independent experts which it appointed to examine the question, has decided that payments difficulties justify Britain "in appealing to her allies for help." The Council has not suggested how such help should be granted; bilateral negotiations with Germany, which will presumably be the main source of it, may still be arduous. But Nato has now given its support to the one really telling British argument in this dispute—the economic one. Perhaps its specific endorsement of the British case will make it possible to break away from the earlier arrangement whereby any help to Britain was automatically accompanied by a proportional help to France and America too—a link which inevitably made it more difficult for the Germans to make concessions.

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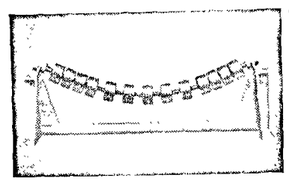
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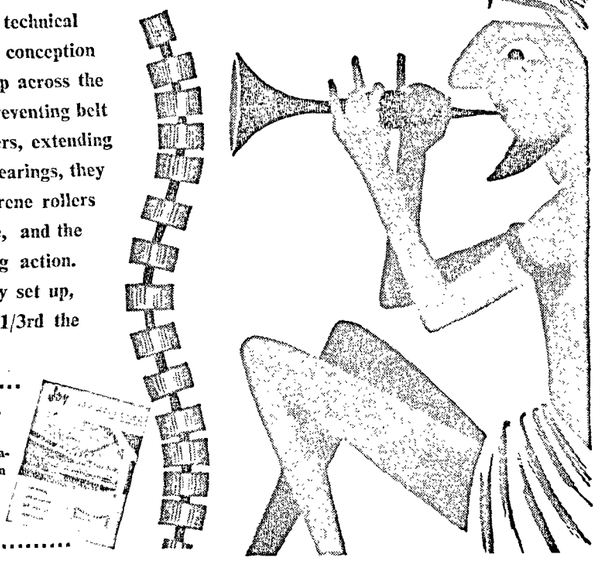
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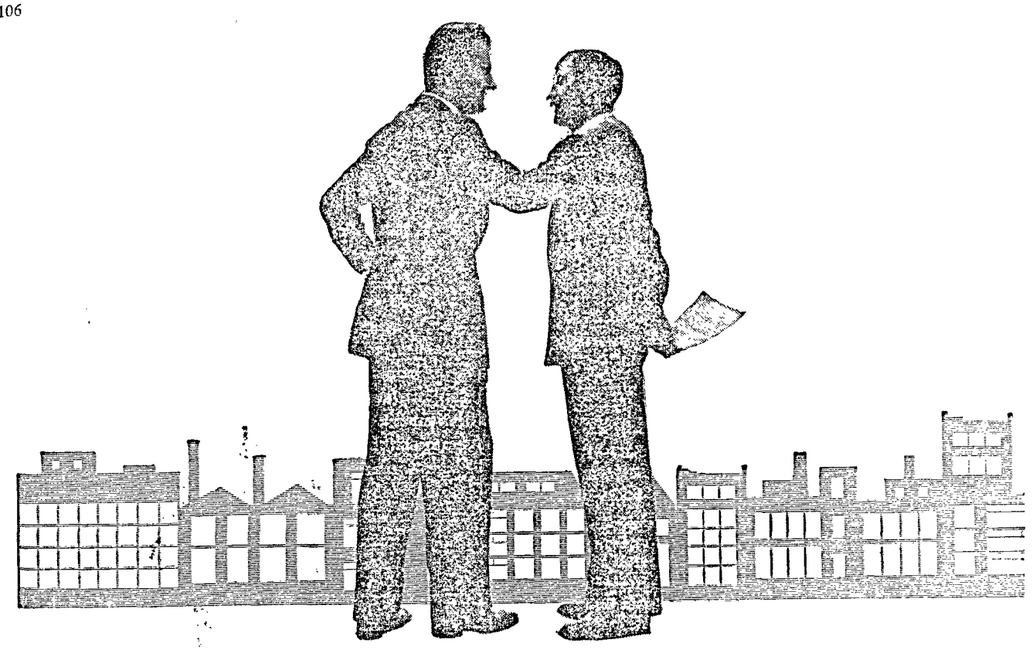
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LETTERS

Food Prices

SIR—It is unfortunate that your inherent bias against the farmer has crept into your two recent articles on how to cut prices. In the second of these you compare the 1 per cent increase in food prices in the United States since 1951 with the 36 per cent increase in Britain. While generously not blaming agricultural producers "for all, or even most" of this difference you leave a strong impression on your readers that the prices that the British farmers receive are the main cause for high food prices. You apparently forget that food does not pass direct from the farmer to the table without intervening middlemen, all of whom perform services and take profits. You also seem to ignore the fact that little more than half of our food requirements are produced by British farmers, the rest coming from overseas. These two factors together mean that a reduction of 10 per cent in the price to the British farmer would mean a reduction of only 2½ per cent in the cost of food to the consumer—assuming that processors', wholesalers' and retailers' margins remained the same and the price of imported food did likewise.

In fact in the last four years the British farmer has received increases for his barley, sugar beet and fat cattle; but for commodities which to him are far more important, wheat, potatoes, milk, pigs and eggs, he is now receiving significantly less than he did four years ago. And for the most important single item, milk, in spite of rising production costs, the guaranteed price is virtually the same as four years ago, but because of higher production, the price actually received by the farmer is somewhat lower. It is also well to realise that in spite of an increased production of 10 per cent since 1951 farming profits have fallen from £349 million to £342 million. In terms of purchasing power this means a considerably larger decline.

I therefore suggest that anybody who is interested in reducing the cost of food to the consumer should not concentrate his attention solely on the home producer but should turn it especially to those who come between the producer and the consumer. A perusal of the accounts of many of the most important firms engaged in such businesses will show, in contrast to farm accounts, a very substantial rise in profits over the same period.—Yours faithfully,

Cambridge H. D. WALSTON

Luxury Cars

SIR—Your motoring correspondent states a startling theory when he tells us that "now that Rolls-Royce has fitted automatic transmission and power steering . . . its leadership is re-established."

Automatic transmission was introduced by General Motors in 1939 and had been in widespread use for about 14 years before Rolls started building it under licence. Following foreign rivals after a safe interval seems a quaint formula for re-establishing leadership.

What will be said when Rolls adopts air suspension, press-button window operation, six-way press-button seat adjustment, automatic headlamp dipping, wrap-around windscreens, air-conditioning, and self-tuning radio? Will your contributor find these refinements a further cause for unending satisfaction at the Rolls details? Most American models have some of these devices already, and the "regardless of expense" ones have them all.

Nearly all the advances in every department of motor-car design are at present being made in America, and while this is so, it is silly to talk of the finest car being built in Britain.—Yours faithfully, H. A. FIELDHOUSE

*London, W.*14

Arbitration

SIR—I am truly sorry that I unintentionally misrepresented Mr Einzig's case by omitting the words "tend to" from my summary. He did, of course, say that "in the absence of such compensation"—viz., an arbitrator's award of a money wage increase—"wages would tend to recover their former purchasing power through a decline in prices."

To the extent that the phrase is significant, however, it would seem to me that Mr Einzig's advice is invalidated. It was that arbitrators wishing to compensate a given fall in real wages are "in a position to restore real wages by deciding against the increase of money wages. Should they adopt this attitude the decline in real wages would prove to be purely temporary." To the extent that reduced demand only tends to reduce prices, however, real income will only tend to be restored, and arbitrators should take account of the difference by making a money award. This is not stated.

Mr Einzig criticises those instances of price rises which I suggested would not be cancelled out by price reductions even if wages were held. They were price increases due to the removal of subsidies; to higher import prices; to lower output in preference to lower prices; and to higher defence expenditure. Although I am diffident in tackling an acknowledged authority on his own ground, it seems that even on his own analysis there is a strong chance of a shift in real income from one section of the community to the others as substitution and supply/demand elasticities work out. In the fourth case he concedes that there would be no price reduction, but wage restraint would prevent an accentuation of the rise. Maybe so—but why should the burden of resisting that part of the inflationary pressure due to higher defence costs be centred on those whose income is subject to arbitration? This would be unjust and only discredit the system. In the other cases it seems equally improper and, in the long run, impracticable to use arbitrators to assist in adverse transfers of real income, no matter how disinflationary these may be.

Of course, I do not favour non-stop wage increases, yet I am suspicious of any proposal which looks like introducing a tighter or less sympathetic determination of wages in what remains in other respects a free economy. This is, I think, the position of most other active trade unionists. We do not like a free market economy much, but so many economists insist upon its virtues that we do not see why they should be denied to us alone. Many would consider some form of control of wages as part of a general plan, but not, as now, in order to cope with the consequences of unrestrained freedom in other spheres and Government financing.—Yours faithfully, JAMES TINN

Co. Durham

Veto Versified

Your own Correspondent has failed to take note
Of certain arrangements regarding the vote
To be taken whenever decisions are needed
Providing how crime can be safely impeded.
The Council's appointed to deal with the tangle,
But one of the members accomplished a wangle,
And gave its dependent a permanent seat.
Its rival protested, and, not to be beat,
Demanded that one of the members could foil
The plan for preventing to come to the boil
The trouble the criminal state should be making.
They called it the veto, and so it is taking
The power from the Council for most of the time.
Another great body may deal with a crime.
It's called the Assembly, and may recommend
Any state to behave, but that is the end.
Decisions are made, one vote to each state.
No effort is made with a view to equate
The number of people supporting the matter,
So twelve per cent carries the day with a clatter,
If measured by states, no matter how small.
So hampered these bodies have had a great fall,
And all the Queen's horses and all the Queen's men
Will be needed to set up our Uno again.

Birkenhead F. A. ROBINSON

[*This letter is evoked by the United Nations Ballad in our issue of December* 21*st.*—EDITOR.]

BOOKS

Men and Machines

A History of Technology, Volume III: *From the Rennaissance to the Industrial Revolution, c. 1500-1750.*

Edited by Charles Singer, E. J. Holmyard, A. R. Hall and Trevor I. Williams. *Oxford University Press.* 766 pages. £8 8s.

THE volumes of the "History of Technology" continue to appear at a speed that is rare for works of collaborative scholarship, and their interest heightens as they approach modern times. The second volume covered two millennia in which technical gains were small; this one covers two and a half centuries in which technical progress became a distinguishing feature of European society. The editors do full justice to those branches of technology where no important advances were made—agricultural implements, for example, and town planning; and they do not neglect those achievements which were spectacular but fruitless—the fantastically figured fabrics or the massive exuberantly decorated wooden ships, the climax of a line of evolution without a future. But the technology of these centuries was made to be studied *sub specie futuri* and interest is naturally focused on those developments which led to the threshold of the Industrial Revolution.

Technology in this period owed curiously little to contemporary developments in scientific theory. Navigation and cartography, here ably discussed by Professor E. G. R. Taylor, were of course indebted to mathematics, and clocks were improved by analysis of the properties of the pendulum. But, in most fields, progress depended on the ingenuity of the craftsman, not the research of the scientist. Even the construction of bridges, ships and houses drew little upon contemporary mathematics, even when the architect was, like Wren, himself a scientist. Nor was war as powerful a stimulus to technology as one might expect from the enormous incentive to achieve the slight margin of superiority that wins battles. As Mr A. R. Hall shows in a brilliant chapter, gunners could make no effective use of the advances in the mathematics of ballistics because their weapons were so clumsily made. Engineering and chemistry were not revolutionised by the demands of war in the seventeenth century; it was warfare that was revolutionised in the nineteenth century by independent developments in technology.

But if the inspiration of science and war was so fitful, what was the impetus behind technical progress in this period? Why did invention push ahead in some fields and lie dormant in others? Why did the millwright lag so far behind the makers of watches and scientific instruments, and why was mechanical science more successful in exploring the heavens than in improving the earth? Among the many fine illustrations there is a diagram of Huygen's first pendulum clock, a mechanism of great complexity and precision, and a plate of an intricate and beautiful sixteenth-century gunner's level; placed alongside the clumsy, ponderous machines for crushing ore and raising water, one would suppose they belonged to an entirely different epoch of civilisation.

The editors, of design, have eschewed such questions. The forte of the volume is the description of processes and instruments. It is a more rewarding task for this period than for earlier or later times, for methods of operation no longer have to be inferred from archæological evidence—there are ample printed descriptions—but they are still simple and slow to change, so that the whole range of productive techniques can be made intelligible to the non-scientific layman. This work of description is magnificently done; almost without exception the writers expound the technical detail with authority and lucidity, whether they have had practical experience of the crafts they write about—for example, Mr Clapham on printing, and Mr Angus-Butterworth and Mr Charleston on glass-making—or are economic historians like Mr A. P. Usher, or historians of science like Mr Derek Price who contributes two admirable chapters on precision instruments.

What one misses in this feast of technological exposition is a systematic examination of the influences that determined the form and speed of development. Although most of these influences may themselves have been technical, in the sense that certain problems were riper for solution than others, some were economic. As Mr Hall says, "inventors have always been attracted by large markets," and it was the potential mass demand for cotton textiles that sustained the rapidity of invention in this industry. The nature of costs influenced the direction of technical improvement, as Mr Naish implies when, in an excellent chapter on ships and shipbuilding, he suggests that the rising cost of large crews was among the factors that enforced the abandonment of the galley in favour of the broadbeamed sailing ship. Yet other influences were social, and on the sociology of invention there is now a large literature, some of it in a form that can be used to illuminate technological change, for example, Mr Gilfillan's study of the ship.

The history of technology, if it is to be a history and not an encyclopædia, should surely take account of all these influences. Nowadays technology makes the pace; it speeds ahead under its own impulsions, and social and economic institutions adapt themselves as best they may. But in the centuries covered by this volume technology did not make its own history, and it needs a combined operation by technologists, economists and sociologists to trace to their source the springs of technical progress. Will not the editors in their next volume, which is to cover the Industrial Revolution, abandon their self-denying ordinance and give us analysis as well as description?

More About Bureaucracy

Central Administration in Britain

By W. J. M. Mackenzie and J. W. Grove. *Longmans.* 487 pages. 30s.

THIS is an exceptionally good addition to the flow of books about the civil service. The authors describe it, fairly but modestly, as "primarily a text-book, a systematic exposition of what is already known"; and they say that their object is descriptive rather than critical. The atmosphere, as may be gathered from this prospectus, is that of the Natural History Museum rather than of the Nature Reserve; but it is the present-day museum, not all skulls and skeletons, but with each fowl stuffed in a lifelike posture and posed against a fair representation of its natural habitat. It is extraordinarily comprehensive and exact; the few criticisms which the authors allow themselves are very sensible; and the style is admirable. It is not just a reference book; it can be read right through. The only detectable fault, in the ground that they cover, is that their treatment of finance is rather formal and could be improved.

There are only two criticisms that can be made of the book, and both stem from the title. First, a minor matter: it refers to "Britain," but is in fact almost entirely about England and Wales. That hardly matters, provided patriotic Scottish purchasers are warned. The other is much more serious. The authors claim to describe central administration, but in fact they describe the civil service. Apart from a short historical excursus and occasional side-references, departmental ministers appear briefly at page 191 as an appendage to a section on their private secretaries, and are then lost to view till page 334 where they reappear, collectivised, in a chapter on the Cabinet. It is the contemporary fashion to play civil servants up and ministers down, and this may be due to the number of academicians who served in the civil service during the war, when the machine was on top; but seldom have ministers been put so comprehensively in the sack.

This impression is enhanced by the arrangement of the book. The first part deals with the internal affairs of the civil service, with nothing omitted, right down to sick leave and provincial differentiation; the next with the organisation of departments (ministers practically ignored); then on to central control, including the Cabinet but also the Stationery Office; and only at the end does one come on the relations between the administration and Parliament, the courts and the public. It is rather like reading Hamlet the wrong way round without the Prince of Denmark.

In fact—let it be stated for the hundredth time—the most important man in any department is the minister, and his influence, if he is a strong one, reaches right through. The department exists to carry out his responsibilities in the way that he wants this done. In wartime things change, and the departmental minister loses importance as much as the war leader gains it; but in time of peace there is no such unity of purpose or leadership, and administration reverts to its proper place as a branch of politics.

The book is so good in all respects but this that one hopes that it will reach many editions; and in the process, perhaps, it will be turned inside out and the little button restored to the top. Meantime, it should certainly be read, but with this reservation. The jacket says that "the purpose of this book is to organise and present the available material in a way likely to be useful to second or third year students of political science and to working administrators at home and abroad." So far as the latter class of readers is concerned, who can supply their own political background, the authors succeed triumphantly; but the former may be a bit bemused by the trees and misled about the shape of the wood.

Perplexing Island

The Land of Look Behind. *A Study of Jamaica*

By Mona Macmillan. *Faber.* 224 pages. 21s.

MORE books have been written about the West Indies than is really good for them; a prospective visitor who searches the library shelves for information will arrive with hopelessly muddled advance impressions. Mrs Macmillan spent a year in Jamaica as the wife of a visiting professor, and she is not entirely to blame if her own impressions of that perplexing island are also muddled and contradictory. For, though the language is English and there are many English habits and traditions, these superficial similarities are probably more of a barrier than a help when it comes to trying to understand the people and what they are really doing. Mrs Macmillan obviously found the effort depressing, and the picture she gives is on the whole gloomy. Certainly Jamaica has its gloomy side, and the cricket and the calypsoes are in part a form of escapism from the realities of slums, poverty and depression. But it is not really quite so gloomy as Mrs Macmillan paints it.

One feels that the only real contacts she made were with the critical (but often very liberal-minded) whites of Kingston and the sugar estates. For the rest, she conscientiously visited the slums and the villages and genuinely tried to understand their problems, but her approach was that of a social worker coming to the people from outside; the result was that she was more alarmed by what she found than she need have been. Consequently she tends to underrate the considerable elements of vigour to be found among Jamaicans of most ages and groups. Kingston and the University College of the West Indies are the leading intellectual centre of the islands, but she gives this side of life little attention. Nor did she seem to notice the remarkable development of the periodical press, which plays a major part in the building up of a Jamaican (and Caribbean) cultural consciousness.

Kingston clearly did not accept her, but that was because she seems not to have accepted Kingston; she was too anxious to delve into the shady side without **really** comprehending it. Jamaica, like most of the Caribbean, is a place where one is forgiven for being white provided one loses one's white self-consciousness. This is what Mrs Macmillan failed to do, and this is why her book, though full of useful information, does not truly present an island which at one and the same time attracts the foreigner and drives the best of its own people away. For the really sad thing is that the vigorous elements are the most anxious to seek new lives elsewhere.

Towards a European Currency

Europe and the Money Muddle: *From Bilateralism to Near Convertibility 1947-56*

By Robert Triffin. *Yale University Press.* London: *Oxford University Press.* 351 pages. 40s.

AT a time when hopes of further European integration are high yet overshadowed by growing currency difficulties, Professor Triffin's study of Europe's monetary experience in the past twelve years is apposite. His book rambles over too much ground for comfort, but his theme is valid. It is that regional monetary co-operation, above all in Europe, has proved remarkably rewarding, prompting economic growth, freeing payments and trade in the area and in the end doing more to bring the western trading world to the threshold of a broader convertibility than the more ambitious attempts to rush the fence on a world wide basis. The star of the book is, quite properly, the European Payments Union, which provides so many revealing object lessons on how the real common interest of a group of countries in a free effective system of multilateral trade and payments can be canalised through wise institutional arrangements. The moral of the book is that, in a world where domestic policy brings pressures to bear on international payments which the nineteenth century never knew, virtual convertibility cannot be achieved merely by restoring international market mechanisms; it can come only through the further evolution of institutions like EPU and OEEC which, side-by-side with the working of the market, draw together separate national economic policies.

Not everyone will agree with Professor Triffin's historical analysis—his cheerful view of the dollar gap for instance. Its reopening since Suez has given the pessimists plenty of ammunition. But his picture of the enormous underlying improvement in Europe's dollar position since 1949 gets in proper perspective the relatively modest loss of reserves which the rest of the world has lately suffered. His long treatment of the evolution of European countries after the war towards greater monetary stability is also apt today; he brings out clearly the straightforward relation between domestic liquidity in each country and the balance of payments.

The main interest of Professor Triffin's book, however, lies in his suggestions for the future. It has long been clear that if the common market or the free trade area are realised, they will imply the evolution of something like a European currency. Professor Triffin expounds some of the stages by which this might occur. The first and vital stage would be to transform EPU into a European Clearing House, in which all central banks would be required to keep their European currency holdings, and perhaps a proportion of their other gold and exchange reserves too. Settlements in Europe would be made by the debiting and crediting of the central

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banks' accounts. The holding of common reserves would enormously strengthen European currencies against speculative movements, and increase effective international reserves in relation to the volume of trade. Later, Professor Triffin suggests, European currencies might be given reciprocal intercirculation privileges; exchange guarantees in terms of the EPU unit might be legalised. In time common rules governing currency issue and banking credit would be adopted, with central banks under the supervision of a European Monetary Authority.

When Professor Triffin was writing his book, one of his main worries about all this was the aloofness of the United Kingdom and the problem of linking sterling with such European schemes. Today Britain is seeking closer links with the rest of Europe with a new sincerity, while the pros and cons of maintaining the sterling area system are being much debated in this country. The encouraging feature of Professor Triffin's suggestions is that they confront Britain not with a choice between sterling and Europe but with a road which may allow the sterling area to evolve in a constructive new direction.

Border Book

Ulster and the Irish Republic

By William A. Carson.
Cleland. 57 pages. 3s.

THIS book is described on its dust-jacket as "a brief survey of Irish Republican propaganda and an exposure of its fallacies." The reader will know what to expect; and he will not be disappointed. It was possibly a mistake to let him know the purpose of the book before he could even open its pages; but Mr Carson is content to preach to the faithful and let the heretics go. He should not worry about that; most publications on the other side make the same mistake. An Irish reviewer may be pardoned some regret that those living north and south of the border should devote so much energy to slanging each other. The regret is tempered by the reflection that few people will read either side: the Irish border is not one of the great issues of humanity. The Republic, in spite of Mr Carson, is not really a badly run country: Lord Brookeborough, in spite of all that is said in College Green on Sunday evenings, is not a western version of Mr Kadar.

The shortcomings of the Republic are described in great detail and with a wealth of quotation, often from pietistic journals circulating in Dublin which one would not have expected to have been eagerly read in Belfast. These quotations from periodicals and speeches of public men might suggest that there is considerable liberty of thought and speech south of the border; but it is doubtful if that is the impression which the quotations are intended to convey. It is pretty certain that a Dublin propagandist would not find similar gems in the speeches of Ulster Unionists. This may prove that everything is perfect in the Six Counties; or it may be that no one can ever say anything there for fear of, not rocking, but sinking the boat. The Republic after all can and does change its government: the Six Counties have no such felicity.

This book will be so unsuccessful in Dublin that southern writers may at last realise that their publications are equally useless in Belfast. Their appeals to national unity ignore the number of truculent people living around Belfast who refuse to be run from Dublin—or, in certain circumstances, from London though Mr Carson naturally does not dwell on that. On his side, he argues from the premise of greater prosperity, which has always been irrelevant to Anglo-Irish issues, and ignores the fact that some parts of the Six Counties have voted so steadily to be let out that their case would have been considered long ago had they belonged to any European country other than the United Kingdom. This should be the border book to end all border books.

Rambles Round Australia

People for Australia

By A. Lodewyckx.
Melbourne: *Cheshire.* London: *Angus and Robertson.* 230 pages. 30s.

Reflections on Australian Foreign Policy

By F. W. Eggleston.
Melbourne: *Cheshire.* London: *Angus and Robertson.* 216 pages. 30s.

The Australian Commonwealth

By Brian Fitzpatrick.
Melbourne: *Cheshire.* London: *Angus and Robertson.* 337 pages. 30s.

THESE three books suggest the perhaps unfair generalisation that Australians are not yet good at writing broadbrow books about public affairs. They can write treatises, such as S. J. Butlin's "Foundations of the Australian Monetary System," but they do not seem to have mastered the art of the popular book about economics or politics, which argues forcefully and is written plainly. The common fault of these three is that they will not stick to the point: they ramble, they digresss, they quote unnecessary figures and authorities.

"People for Australia" is a passionate appeal for changes in the Australian attitude towards immigration from Europe and coloured countries, and also for a new approach towards intensive cultivation in the well-watered areas. There is a good argument to be put here, but to be effective it would need to attack Australian prejudices in terms of the structure of beliefs and attitudes which is characteristic of the country. Instead, Mr Ledewyckx maintains a ragged running fire against economists, demographers, geographers and others who have been pessimistic about Australia's carrying capacity: he quotes interminably, but he does not clinch his argument.

"Reflections on Australian Foreign Policy" is the posthumous work of a diplomat who served his country well, and wished to set down his thoughts when he was too old and ill for active work. It should not be judged too harshly. But it is a most disappointing book, ill-named, discursive, out of date and inconclusive.

The least worthy of the three, however, is "The Australian Commonwealth." Written in a style so involved as sometimes to be unintelligible, it is a parade of hobby-horses with no other connection than that they have all been ridden by the author. For those already acquainted with Australian life and history, it has moments of amusement, even of discovery; but these are forgotten in long periods of annoyance at the author's smug assurance that only he and his associates have shown any patriotism, altruism or understanding. On almost every page Mr Fitzpatrick deserts the opportunity to tell a straightforward story in order to ride one of his hobby-horses down a blind alley.

SHORTER NOTICE

Climate and Economic Development in the Tropics

By Douglas H. K. Lee.
Published for the Council on Foreign Relations by *Harper*, New York. 200 pages. *London: Oxford University Press, 28s.*

Professor Lee's book has been published under the auspices of the Council on Foreign Relations, an American "non-profit institution devoted to the study of international aspects of American political, economic, and strategic problems." Recognising that the United States "now occupies a critical position in relation to these less developed countries of the free world"—the underdeveloped tropics—the council has encouraged this study in human ecology, as an inquiry into why the tropics are underdeveloped and what factors are at work impeding progress. Uncle Sam needs the intellectual and learned equipment for shouldering his burden.

In different sections there is an analysis of the effects of climate on agriculture, animal production, human health and efficiency, and industry. Professor Lee breaks little new ground, and his book suffers from being alternately too specialised and too elementary, but it is valuable for its assembly of relevant statistics and other factual information, its formulation of practical problems that need investigation, and its cautiously hopeful outlook that the difficulties are not invincible, and that few climatic factors in the tropics are absolutely incapable of manipulation.

BOOKS RECEIVED

DESKBOOK OF CORRECT ENGLISH.
By Michael West and P. F. Kimber. *Longmans.* 191 pages. 10s. 6d.

WHITAKER'S ALMANACK 1958.
Over 1,190 pages. 18s. 6d.

HUMAN AND SOCIAL IMPACT OF TECHNOLOGICAL CHANGE IN PAKISTAN. *Two volumes.*
By A. F. A. Husain. *Oxford University Press.* Volume I, 404 pages. 12s. 6d. Volume II, 344 pages. 7s. 6d. Both volumes 17s. 6d.

HOSPITALS YEAR BOOK 1958.
Institute of Hospital Administrators. 1,112 pages. 55s.

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Municipal and Other Public Securities	7,232,658.14
Other Securities	7,793,895.54
Loans and Discounts	264,822,759.93
Banking Houses	7,260,109.11
Customers' Liability for Acceptances	14,322,741.10
Accrued Interest and Other Resources	3,161,920.92
	$587,842,051.54

LIABILITIES

Capital (160,000 Shares—$100 Par)	$ 16,000,000.00
Surplus	24,000,000.00
Undivided Profits	4,940,890.68
Reserve for Contingencies	2,143,927.72
Dividend Payable January 2, 1958	560,000.00
Deposits	517,762,328.93
Acceptances	15,116,009.96
Reserve for Taxes, Interest, etc.	5,181,748.73
Other Liabilities	2,137,145.52
	$587,842,051.54

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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Challenge to Congress

WASHINGTON, DC

As Congress formally re-assembled this week, there was much brave talk from Democratic Senators about taking over the lead from a waning Administration. But the truth of the matter is that the whole machinery of American government has got stuck and the chances of the Legislature re-starting it are not good. Congress is too divided in purpose to take the place of the President, the one unifying element in the American system. And no one expects very much any more from the direction of Mr Eisenhower. Unless his health gives way, however, he will be—to borrow a phrase—the best President the United States will have for another three long years. The challenge facing the Democrats who control Congress is how to offer constructive criticism, with all proper regard for party advantage, without at the same time adding to the present partial paralysis of the Administration.

The pattern of this session will obviously not be quite the same as last year's. Thanks to the Russian satellites, there will be no general drive for economy forcing the President to retreat, as he did in 1957, before an apparently spontaneous revolt against a big Budget. There is unlikely to be a domestic issue which generates so many intense feelings as did the Civil Rights Act of 1957. Since 1958 is a year in which all members of the House of Representatives and a third of the Senators have to face elections, at which they will want to boast of what they have done for the voters, it is unfortunate that many of the controversial issues clamouring for early attention are of more immediate interest to foreign governments. These include the extension of the Trade Agreements Act, which would otherwise expire on June 30th; American participation in the Organisation for Trade Co-operation; the completion of the endowment of the new foreign aid agency; the International Development Fund; and the amendment of the Atomic Energy Act to permit pooling of scientific information with America's allies. Of these, the last probably has the best chance of passing in reasonably satisfactory form.

America's humiliation over the satellites is apparently going to produce two main types of proposal: projects for the reorganisation of the Defence Department, to get quicker decisions and lessen inter-service rivalry; and plans for extending federal assistance to scientific education. Something on the lines of the Administration's scheme for federal scholarships and funds to match state expenditure on science teaching and aptitude tests in the schools, with more money for the National Science Foundation to spend on basic research, should have a fair chance of being enacted. On the other hand, if Senator Lyndon Johnson's preparedness subcommittee, which is continuing its searching investigation of the inadequacies of America's military posture, should endorse some of the more drastic proposals for structural reforms at the Defence Department, inter-service rivalry is certain to get worse before it gets any better. The Navy is already manœuvring itself into position to fight any moves, such as those just proposed in an unofficial report from the Rockefeller Fund, that would bring the services nearer to unification.

Next year's defence Budget is obviously going to be larger than the current year's, which itself will be raised by a supplementary appropriation. Partly on account of this, partly because revenue is falling short owing to the recession in business, it is now clear that there will be a small deficit this year. The new Budget for the fiscal year ending on June 30, 1959, will provide formally for a small surplus, but few expect it to materialise. Congress will be willing to go as far as the President considers necessary, and perhaps farther, in voting extra money for armaments. Because congressional committees have the power to reopen arguments between service advisers, on which the President and Secretary of Defence have already pronounced, it is in this sphere that Congress may come nearest to carrying out the Democrats' threat to usurp the role of the Administration.

MR DULLES'S foreign policy will certainly come in for a great deal of criticism, but it is not equally sure that this will be much to the point. The fact that Mr Dulles is now universally distrusted by friends, neutrals and foes abroad has become very widely understood. This even led that cold-blooded political manipulator, Mr Thomas Dewey, the former Governor of New York, to tell the President shortly before his last illness that Mr Dulles ought to be retired immediately. There are those who think this is likely to happen. But the weight of the evidence seems to be against them. As his health, energy and popularity decline, Mr Eisenhower is becoming increasingly dependent on the formidable technical resources of his Secretary of State.

After years of appeasing the neo-isolationist Republicans who were until recently his chief critics in Congress, Mr Dulles is finding it difficult to adjust himself to the appeasement of the internationalist Democrats who are now his principal worry. But the sorry fact is that even these Democrats are not really supplying the country with a debate on the great issues of foreign policy. Not one Senator of standing has the imagination or daring to raise such issues as those propounded by Mr George Kennan in his famous BBC lectures, not even Senator Humphrey of Minnesota, who is perhaps better equipped by talents and instincts to give a lead than any of his colleagues.

Only Mr Harold Stassen, of those in high places, seems disposed to challenge Mr Dulles's policy of not dealing with the Russians until the United States has regained a "position of strength" and the Russians have proved their good faith by "deeds not words." Mr Stassen, one of the

most original and creative members of the Administration, but a man unfortunately as mistrusted at home as Mr Dulles is abroad, has been shunted on one side in the development of the American position on disarmament, although he is still nominally responsible for it. He is now planning to bring his differences with Mr Dulles to a head, so that he may resign on an issue of principle. This might give him a good send-off in his effort to make a political comeback by being elected Governor of Pennsylvania. So politically discredited a figure is not, however, likely to make much of an impact on the public at this late date.

What is much more likely to happen is that, while Senator Fulbright and other Democrats on the Senate Foreign Relations Committee are abusing Mr Dulles for forfeiting the confidence of America's allies, other members of Congress will be stripping American policy of such imaginative and non-military features as it possesses. Nothing is more discouraging at the start of this new year than to note the number of prominent Senators and Representatives who are returning to the capital determined to find more money for missiles by cutting foreign economic aid. Perhaps the Vice President, Mr Nixon—his arm strengthened by the freshly released report from the State Department on the Russian economic offensives—can rouse the country to the need to counter the threat on this front as well. Perhaps Senator Lyndon Johnson, when he has completed his work with the preparedness subcommittee, will broaden his conception of the part which Congress should play in spurring on the Administration to do great deeds. But if nothing new is to be expected from the Administration this year, it must be confessed that on the eve of the session it does not seem very likely to emerge from Congress either.

Chief Trouble

For weeks all the American democratic processes have been working overtime to find out what ails the country's military system and to set up standards for judging the adequacy of the remedies which the President will be proposing in his State of the Union message while this issue of *The Economist* is in the press. But the only diagnosis which has actually been published, just in time to crystallise the arguments as Congress returns to Washington, is the Rockefeller Report, unofficial but prepared by a group of respected and well-informed experts. The group is particularly concerned lest the United States, by concentrating on new weapons, is losing the ability to fight a limited war, but it believes that shortcomings in preparations for both this type of war and for an all-out conflict can be overcome by strengthening allied co-operation; by a substantial increase in defence expenditure, of $3 billion a year for several years, an amount which the national economy can afford, according to the report; and by basic changes in defence organisation to correct the inefficiencies arising out of inter-service rivalry.

The report does not go so far as to advocate the complete amalgamation of the three services—Army, Navy and Air Force—which some believe to be essential in the age of missiles, but it does recommend a system which would in effect leave these services with no separate existence at the operational level and which would establish a chain of command running directly from the President to the commander in the field through the chairman of the Joint Chiefs of Staff. He would become the principal military adviser to the Secretary of Defence, an elevation over the Chiefs of Staff from the other branches which is now forbidden by law. Much of the evidence heard by Congress in recent weeks has pointed in a similar direction, including that of the Army's energetic egg-head, General Gavin, who has now resigned from the service in order that he may express his views freely.

Indeed, ever since the present defence organisation was set up in 1947, greater centralisation, some form of general staff, has been urged by many—among them General Eisenhower himself—as an essential development if the so-called unification of the armed forces is to become effective. But first reactions to the Rockefeller Report, cutting right across party lines, show that not even the sputnik has drowned the fears and prejudices which led originally to the present time-wasting and inefficient compromise which puts all three services on an equal and competitive basis. The most far-reaching objection to the Rockefeller proposals is that the concentration of so much power in one Chief of Staff would take the ultimate control out of civilian hands and make a dictatorship possible. So opens one of 1958's great debates.

What's Good for Ford

The Chevrolet division of General Motors will once more be able to claim, as it has for 21 years, that it is "first in production and sales." But the 1957 results show that the rival Ford was behind by only 132 cars in the big production race and, when the final figures for domestic retail sales and registrations come out next month, it may well prove to be ahead, by a bumper-length, in these more vital statistics. Factory sales—to which Chevrolet will refer—include exports. Inside America, Ford cars were out-selling Chevrolets, GM's low-priced entry, during the first eleven months of the year and, although the attractive new Chevrolet introduced this autumn stepped on the accelerator as 1957 closed, it was doubtful whether it could overtake Ford's lead. Even in production, Ford cars accounted for 31 per cent of the 1957 total, compared with 28.7 per cent in 1956, while GM fell from 52.7 to 46 per cent. The smallest of the big three, the Chrysler Corporation, showed the greatest burst of speed—an improvement over its own performance in 1956 of 40 per cent. It provided 20 per cent of the automobiles assembled, against 15 per cent in 1956. Of the two small independents, the American Motors Corporation owed an improvement to the popularity of its small Rambler, while the Studebaker-Packard Corporation, with only about 1 per cent of the market, seemed to be facing a year of do-or-die in 1958.

How Detroit divides the pie, however, is of less importance to economists than its size. Last year, for the fourth time, the industry turned out more than 6 million cars: 6,115,000, or 5 per cent more than in 1956. Now everyone who is trying to plumb the depths of the present recession will be watching anxiously for the return of the traditional spring upturn in sales. So far, Detroit is picking its way rather cautiously into 1958, tailoring its production to demand, which failed to respond vigorously to the introduction of the new models, and looking ahead rather ner-

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ASSETS		LIABILITIES		
Cash and Due from Banks	$2,001,534,526	Deposits		$6,884,520,209
U.S. Government Obligations	1,151,802,281	Foreign Funds Borrowed		3,831,055
State, Municipal and Other Securities	405,825,982	Reserve for Taxes		50,602,815
Mortgages	189,386,247	Other Liabilities		54,521,903
Loans	3,737,123,272	Acceptances Outstanding	$231,049,318	
Customers' Acceptance Liability	212,510,693	*Less: In Portfolio*	*12,916,864*	
Banking Houses	54,763,205			218,132,454
Other Assets	56,838,320	Capital Funds:—		
		Capital Stock (13,090,000 Shares—$12.50 Par)	$163,625,000	
		Surplus	350,000,000	
		Undivided Profits	84,551,090	
				598,176,090
	$7,809,784,526			$7,809,784,526

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Loans	1,448,257,250.48
State and Municipal Securities	19,833,613.16
Other Securities and Investments	21,429,835.67
Banking Premises	22,063,268.70
Accrued Interest, Accounts Receivable, etc.	9,607,535.87
Customers' Liability on Acceptances	60,020,986.89
	$2,910,512,836.21

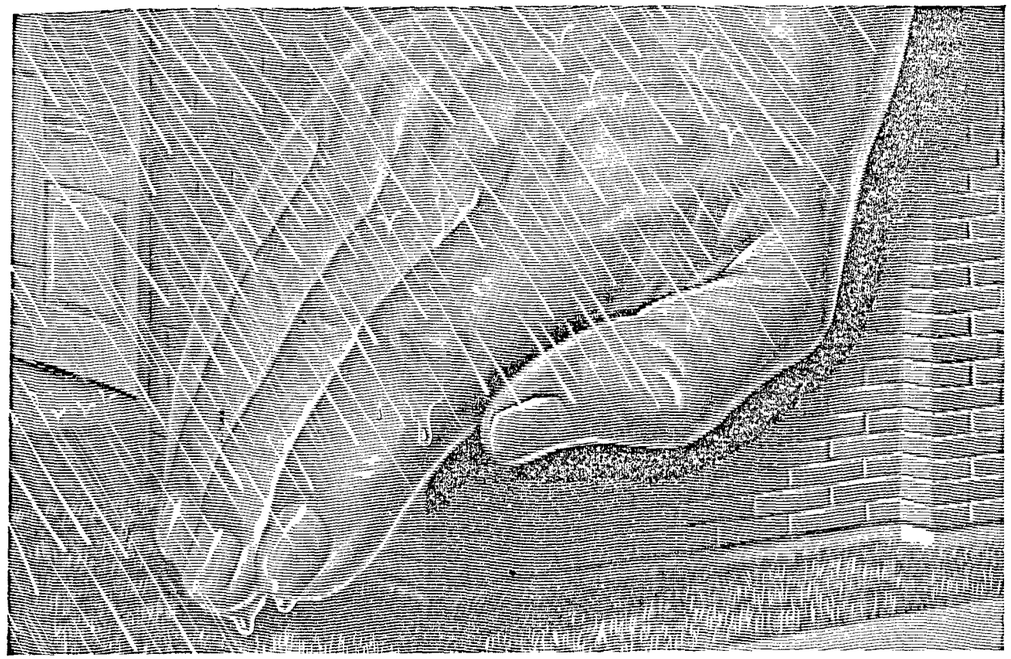
LIABILITIES

Capital (par value $10 per share)	$40,299,500.00	
Surplus	160,000,000.00	
Undivided Profits	56,439,887.12	
		256,739,387.12
Dividend Payable January 15		3,022,462.50
Deposits		2,556,159,289.70
Reserve for Taxes, Accrued Expenses, etc.		27,945,391.91
Acceptances Outstanding	68,745,598.73	
Less Amount in Portfolio	5,769,699.85	
		62,975,898.88
Other Liabilities		3,670,406.10
		$2,910,512,836.21

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vously to the negotiations with the Automobile Workers' Union for a new contract to take the place of the expiring five-year one. Mr Curtice, the president of General Motors, fears that the hesitation of purchasers to pay today's higher prices may mean that only 5.5 million of Detroit's cars will be sold to Americans this year compared with 5.8 million in 1957. Mr Henry Ford looks through rosier spectacles and sees a strong underlying demand, particularly from people who bought on hire purchase in 1955 and who have just finished paying off this debt. But he had a happier 1957 than Mr Curtice.

Khrushchev Pluvius

AFTER the intercontinental missile, the prospect of intercontinental siege by weather: Americans, with their quickened respect for Soviet science, have discovered another weapon which Mr Khrushchev may one day hold over their heads. An advisory committee set up by Congress four years ago to investigate the possibility of increasing rainfall by "seeding" clouds gave its final report to the President last week, and took the opportunity to repeat some of the recent warnings from other American scientists that in the future the United States might find itself flooded or parched at the whim of weather-makers in the Kremlin. But it is not yet clear how the Russians might influence the rainfall in America even if they wanted to.

Most of the known research into weather control has been concerned with fairly localised improvements designed to benefit the country concerned. The American advisory committee has confirmed that it is possible to increase rainfall in specific areas by a tenth or a fifth by seeding clouds (injecting them from above or below with silver iodide or particles of dry ice); this proportion is big enough to make the process an economic proposition. Another American project is looking into the mechanics of hurricanes, and there are hopes that they can be tempered or diverted from their course by bombarding them with silver iodide or by burning fuel oil in their path at sea. The Russians, for their part, are experimenting with a way of opening up frozen wastes to agriculture by coating them with a dark dust that would increase their intake of solar radiation.

However, the science is still in its infancy, and it is suspected that the present pattern of the world's weather

Code for Teen-agers

FROM A CORRESPONDENT IN OREGON

THE majority of American youngsters, who never see the inside of a police court, are fed up with the universal coupling of the words "juvenile" and "delinquency." They admit to being juvenile, but they resent the implication that all are subject to the aberrations of the few. Recently more than 400 boys and girls of high school age convened in the legislative chamber of the Oregon State Capitol at Salem to express this resentment constructively. Selected by their schoolmates as delegates to the first Oregon Youth Conference, they represented student bodies from all sections of the state and had come to Salem to debate a Teen-agers' Code, a detailed guide to upright living, drafted not by adults, but by the youngsters themselves. A Youth Planning Council Committee, composed of representatives of state-wide youth organisations, such as Hi-Y (the high school affiliate of the Young Men's Christian Association), had spent the past year drawing up the code.

The chairman of this committee, from a high school in Portland, also presided at the Salem meeting. But neither he nor the few adults in attendance restricted the discussion or influenced the decisions of the young delegates. Indeed, not many adults would have dared to suggest some of the stringent regulations with which the Oregon teen-agers unanimously bound themselves at the meeting.

Chaperones should always be in evidence at youngsters' parties, they resolved high-mindedly. To crash a party — to come uninvited — was branded as inexcusable. There is "no place in the well-ordered party," the code reads, for "lights out!" The delegates were equally austere in establishing standards for drinking, smoking, driving and dating. They went even further than the committee which had drafted the code, favouring more forceful state laws restricting the sale of tobacco and spirits to persons under eighteen years old.

The Salem conference added a citizenship section to the code.

> Young people should realise that they have a responsibility to the group of which they are a part.

The delegates also enlarged on the basic rule which serves as a preamble to the code. As drafted, the rule read as follows:

> Students and parents should inform each other of their whereabouts while away from home. Parents should know what their sons and daughters are doing and with whom they are spending their time, and also should know what time their young people return home.

The delegates at Salem, after discussion, added the following sentence:

> A proper attitude consisting of co-operation, respect and love should exist between parents and youth.

Then they went on to approve the code, which contains, among other things, the following guides to conduct for youngsters—and, in some cases, for their parents:

> Finances should be planned together (between parents and children).
>
> The home should be the centre of young people's social activity.
>
> The home should be offered and encouraged as a possible place for dating. Parents should co-operate by providing an agreeable measure of privacy. Public entertainment puts a strain on young people's finances.
>
> Parental consent for the driving privilege should be based on:
>
> (1) possession of a driver's licence,
> (2) young people's proof of ability to control themselves and the car,
> (3) a healthy attitude regarding the lives, rights and welfare of others.
>
> No one has the moral or legal right to serve any alcoholic beverages to other people's children.
>
> Young people should understand that it is not a disgrace to decline an alcoholic drink.

An adult reporter who covered the Salem gathering saw no potential delinquents in the young people who attended the conference, none of the slighted and friendless who turn to crime to attract attention. Those present conducted themselves gravely and decorously in the deliberative sessions and in the evening social hour that closed the conference. At the latter affair, the lights remained bright throughout the evening and there was no work at all for the chaperones. Some sceptical adults may consider on this evidence that the delegates to the conference are no more representative of American youth than are the delinquents. The proof of the pudding, for Oregon parents at least, will be in the practical application of the code, now prominently displayed on many kitchen bulletin boards in the state.

depends on a very delicate balance of natural forces—so delicate, indeed, that an erupting pimple of fire on the sun's surface may influence the course of hurricanes and that, according to one American physicist, the heat given out by automobile exhausts and factory chimneys may melt enough polar ice to raise the oceans by forty feet in the next half-century. But more rain in one part of the world may mean less in another, and changes in the Arctic or Antarctic might send floods round the world. In particular, any country that could alter significantly the amount of solar radiation absorbed by the earth—by the Soviet "dark dust" technique, or by modifying the sun's evaporative effect on the sea—might start a chain of events that would permanently affect atmospheric currents and ocean streams. Whether such processes could ever be controlled accurately enough to be used as a weapon is another matter; but American meteorologists who have visited the Soviet Union have been deeply impressed by the work and money their Russian colleagues are putting into the problems of the weather.

Missiles on the Line

FROM A SPECIAL CORRESPONDENT

PERHAPS the most significant sign of the acceleration of military effort which followed the simultaneous arrival in Washington of the sputniks and a new Secretary of Defence was the decision at the end of November that two intermediate range ballistic missiles, both capable of carrying a thermonuclear warhead 1,500 miles, should go into production immediately. Until then it had been intended that, after an orderly and leisurely testing of the Army's Jupiter and the Air Force's Thor, one would be chosen as the only IRBM to be produced in quantity. Evidently the latest trials of both of them had been unexpectedly—and conveniently—successful and had led the experts to believe that any remaining deficiencies would be corrected on the production line and would not involve redesigning the missile itself. But this does not explain why two weapons are being developed for one purpose. The answer lies more in the belief of responsible officials that competition spurs researchers to achieve the best results than in the rivalry between the Army and the Air Force for the right to have the IRBM; incidentally a third 1,500-mile missile, the Polaris, is under development by the Navy for use from submarines.

The propelling systems of both the Thor and Jupiter are the same—a Rocketdyne engine of about 165,000 pounds thrust, originally designed for the now abandoned Navaho missile; it also constitutes half the engine to be employed in the Atlas, the 5,000-mile intercontinental missile. Outwardly the Thor and the Jupiter are almost identical, the pictures showing only larger tail-flanges in the case of the former. The differences between them are largely in the nose-cone and in the method of guidance, the two other main elements in such missiles.

The nose-cone diffuses pressure waves to overcome superheating from air friction, and thus permits re-entry into the earth's atmosphere. There are variations in the bluntness, the material and the internal construction of nose-cones; two schools of design are represented in the Thor and the Jupiter and both work. The actual differences between these nose-cones are naturally secret; even more so are the differences between the systems of guidance of the two missiles, which are the very heart of these weapons. Both employ inertial (that is, pre-set) guidance. In addition to gyroscopic stabilizers to maintain the exact angle of fire, small gimbal-mounted rockets at the tail to assist the stabilizers, automatic cut-offs of fuel supply at the predetermined moment and the normal correctives of any major ballistic missile, there is presumably in both cases a control to correct direction. The difference between the two may lie in the frequency and thoroughness of these essential controls; perhaps it concerns the degree of complexity in the instrument, which determines the all-important degree of reliability. Insufficient precision might lead to a very bad miss of the target, while excessively delicate adjustment might make the whole thing less rugged and bring disaster of another kind.

A further difference is that the Thor, following the Air Force's usual theory, was designed within the private aircraft industry as the first of its type, so that the testing of all its components singly and in combination constitutes a large task. Jupiter, a child of Army artillery practice, has grown up in a military arsenal; the well-tested principles of the 50-mile Corporal missile of years ago were adapted to the larger, 300-mile, Redstone missile, these to the test-vehicle Jupiter C and these in turn to the 1,500-mile Jupiter. The Jupiter's Army friends insist that this means that its reliability is more fully assured than is that of the Thor.

The telling consideration behind the order for putting both missiles into production without further delay was, of course, the time-factor, the need to get some IRBMs to Europe by the end of this year, almost regardless of cost. Obviously two production lines can produce results faster than one. The Douglas Aircraft Company has now been working on the Thor for some time and is said to be able to produce two to four a month now and perhaps thirty a month by mid-year. The Chrysler Corporation, which has now, after some criticised delay, been given the contract for the Jupiter, already has a similar Redstone assembly line in operation, and is tooling up quickly for large-scale output of the new missile.

In the making of IRBMs there will not be the profusion which has been traditional in war production. The cost of a single such missile has been put at $2 million, although it might be reduced to as little as $500,000 by mass production. But a missile is designed for just one journey, not, like an aircraft, for many flights. Obviously, somewhat more quantitative restraint must be shown in producing them than there is in the making of 155 mm. shells.

Consumers' Balance Sheet

EVEN with the fall in earnings during the last months of 1957, the year's total for personal incomes after taxes is expected to be about 5 per cent above 1956 and to amount to roughly $300 billion. Consumers spent rather more of these incomes than in 1956 so that the proportion saved will be less than last year's 7 per cent. But, according to an estimate in the December issue of the *Survey of Current Business*, the net total added to savings was only just below last year's postwar record of $20 billion. About $11 billion went into savings accounts in banks, over $1 billion more than last year, but this was offset by a decrease in holdings of government savings bonds. People invested in corporate

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Condensed Statement of Condition, December 31, 1957

RESOURCES

Cash on Hand, in Federal Reserve Bank, and Due from Banks and Bankers		$601,308,471.22
U.S. Government Obligations		525,408,071.05
Loans and Bills Purchased		1,609,992,035.90
Public Securities	$84,187,995.35	
Stock of Federal Reserve Bank	9,600,000.00	
Other Securities	28,044,236.49	
Credits Granted on Acceptances	57,344,371.63	
Accrued Interest, Accounts Receivable, etc.	25,751,362.12	
Real Estate Bonds and Mortgages	12,151,234.03	
		217,079,199.62
Bank Premises		13,605,273.82
Total Resources		$2,967,393,051.61

LIABILITIES

Capital (6,000,000 shares $20 par)	$120,000,000.00	
Surplus Fund	200,000,000.00	
Undivided Profits	92,808,019.32	
Total Capital Funds		$412,808,019.32
Deposits		2,438,414,143.90
Foreign Funds Borrowed		150,000.00
Acceptances	$73,533,661.80	
Less: Own Acceptances Held for Investment	13,759,299.81	
	$59,774,361.99	
Dividend Payable January 15, 1958:		
Regular	4,800,000.00	
Extra	4,800,000.00	
Items in Transit with Foreign Branches	3,191,953.47	
Reserve for Expenses and Taxes	23,073,763.23	
Other Liabilities	20,380,809.70	
		116,020,888.39
Total Liabilities		$2,967,393,051.61

Securities carried at $186,360,889.64 in the above statement are pledged to qualify for fiduciary powers, to secure public moneys as required by law, and for other purposes.

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Condensed Statement of Condition December 31, 1957

(Figures of Overseas Branches are as of December 24, 1957)

RESOURCES

Cash and Due from Banks	$1,850,658,364.57
United States Government Securities and Securities Guaranteed by the Government	1,873,880,684.95
Federal Agency Securities	114,084,739.81
State, County, and Municipal Securities	615,224,494.07
Other Securities	139,340,429.60
Loans Guaranteed or Insured by the United States Government or its Agencies	1,345,072,437.40
Other Loans and Discounts	4,209,711,583.91
Bank Premises, Fixtures, etc.	115,159,169.02
Customers' Liability on Letters of Credit, etc.	318,278,678.02
Accrued Interest and Other Resources	57,739,009.77
TOTAL RESOURCES	**$10,639,149,591.12**

LIABILITIES

Capital	$160,000,000.00	
Surplus	290,000,000.00	
Undivided Profits and Reserves	133,021,220.77	
TOTAL CAPITAL FUNDS		$583,021,220.77
Reserve for Possible Loan Losses		90,926,400.83
DEPOSITS Demand	$4,790,055,035.50	
DEPOSITS Savings and Time	4,734,061,687.15	9,524,116,722.65
Liability for Letters of Credit, etc.		320,828,328.30
Reserve for Interest, Taxes, etc.		120,256,918.57
TOTAL LIABILITIES		**$10,639,149,591.12**

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Condensed Statement of Condition December 31, 1957

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(Branch figures are as of December 24, 1957)

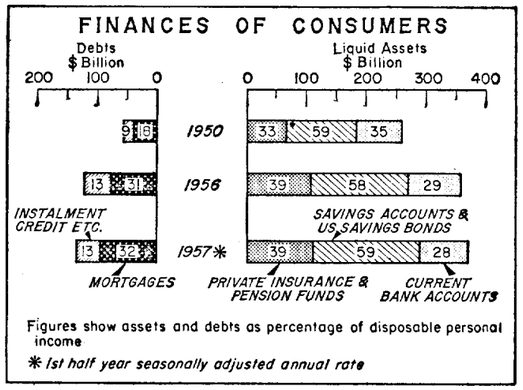
RESOURCES

Cash and Due from Banks	$107,755,854.74
United States Government Obligations	9,734,347.21
Other Securities	18,353,830.67
Loans and Discounts	139,124,212.06
Customers' Liability on Letters of Credit, etc.	173,730,622.03
Accrued Interest and Other Resources	2,520,123.75
TOTAL RESOURCES	**$451,218,990.46**

LIABILITIES

Capital	$34,000,000.00
Surplus	6,600,000.00
Undivided Profits	1,205,241.61
TOTAL CAPITAL FUNDS	$41,805,241.61
Reserve for possible Loan Losses	2,128,329.59
Deposits	227,897,803.93
Liability for Letters of Credit, etc.	176,199,088.02
Reserve for Interest, Taxes, etc.	3,188,527.31
TOTAL LIABILITIES	**$451,218,990.46**

stocks at the record annual rate of $11½ billion during the first half of 1957; although the volume of such investment is thought to have fallen off later, the final increase for the year is likely to be above 1956's $9 billion. The various forms of insurance also continued to increase during 1957, but not quite so fast as in 1956. This also applies to holdings of fixed assets, largely because of the difficulty of



borrowing money to buy houses as a result of the general shortage of credit.

On the other side of the balance sheet this shortage also meant that mortgage debt grew more slowly in 1957; the amount outstanding increased during the year by about $8½ billion, compared with $11 billion in 1956. The peak of expansion so far was in 1955 and this is true also of instalment borrowing; the amount of the latter outstanding expanded in that year by $6½ billion, while last year the total went up by only about $2½ billion. Hire purchasing of durable goods other than motor cars slowed down in 1957, reflecting a shift of consumers' interest to non-durable goods and services, not usually bought on the instalment plan. But more and more shops are setting up some form of revolving credit scheme, although these still account for less than 10 per cent of total instalment credit. Fewer people bought cars on credit in 1957 than in 1956, but the total of loans for this purpose went up because the cars bought were more expensive. Personal loans continued to expand steadily as they have done for some years. The December issue of the *Federal Reserve Bulletin* reports that roughly half the families in the United States are repaying instalments debts of some sort, with as much as 20 per cent of their incomes frequently being taken for this purpose. So far it is seldom suggested that this type of borrowing may have got out of hand, although in recent months it has been becoming more difficult to collect on these debts.

Season Ticket for Taxes

WITH more and more members of the middle classes moving out to the suburbs, the problem of the vanishing taxpayer, who enjoys the amenities and services provided by the big city but makes no contribution to them, has become increasingly serious for states and towns struggling with the high cost of government. Denver in Colorado, for example, needs money to balance its budget and to provide new schools and better city services; it has been hoping to find it by becoming the 41st city to adopt an income tax. But this would have fallen both on the 514,000 residents of Denver proper and on the 270,000 who live in the suburbs which are included in Metropolitan Denver. The suburban third had no vote, but protested so vigorously that Denverites turned the tax down, though by such a small margin that it may be adopted when the city finds a less inept Mayor.

Other complications arise when cities like New York and Boston draw workers from neighbouring states which are lucky enough to have escaped the income tax; there are seventeen in this condition of backward blessedness. Since 1919 New York State has firmly taxed the income earned inside its boundaries by residents of New Jersey and Connecticut; two years ago Massachusetts passed a similar law. The right to levy such "taxation without representation" has been upheld by the Supreme Court, but only if it is not discriminatory. The Governors of New Jersey and Connecticut are now reviving the complaint that the New York law does discriminate against 170,000 commuters, by not allowing them all the deductions which can be claimed by native New Yorkers. One study suggests that they pay 45 per cent more than similar taxpayers who live in New York.

The Governor of New York, Mr Harriman, has agreed to discuss the grievance, but he is not likely to be accommodating about a tax which brings in $26 million in a year when he may have to allow other taxes to rise. New Jersey and Rhode Island are seeking a constitutional amendment which would forbid states from casting their tax nets outside their own boundaries. But a constitutional amendment is at best a time-consuming remedy. The aggrieved states would be in a stronger position to reach a reciprocal arrangement if they had an income tax of their own. Stay-at-homes in those states, however, may well feel that this is too big a price to pay.

SHORTER NOTES

The new Civil Rights Commission, which Congress authorised last summer, was finally sworn in late last week after Mr Hannah, the president of Michigan State College, and a strong foe of racial discrimination, agreed to accept the chairmanship resigned by Justice Reed as incompatible with his judicial duties. The commission's job is to investigate denials of Negro rights and to recommend any changes in the law which it feels are needed. It has until September, 1959, to report, assuming that the careful balance of northern and southern members gets the commission over the preliminary hurdle of Senate confirmation.

* * *

New York last week became the first city in the country to extend its ban on racial discrimination in public housing to the much larger private sector. Both political parties thus recognised—in principle—that the growing Negro and Puerto Rican elements in the great melting pot have equal rights to shelter. But it will be a long time before this victory of principle brings the walls of the coloured ghettoes tumbling down in fact, even if the Courts reject the appeals of private property owners when the measure becomes law in April.

THE WORLD OVERSEAS

The Three Princes of Laos

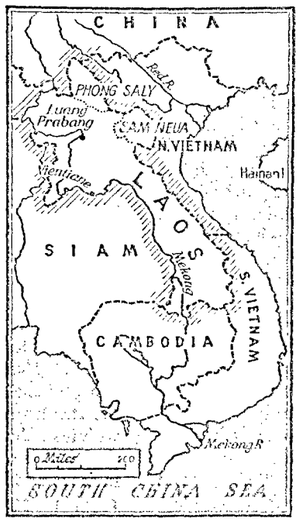
FROM OUR CORRESPONDENT RECENTLY IN LAOS

IT is too soon yet to lay firm odds on the dangerous gamble of compromise which the three princely brothers of Laos, who once bitterly distrusted one another, have now decided to play in this "Land of a Million Elephants." Prince Petsarath, the eldest brother (67) and chief adviser to the ancient king, and Prince Souvanna Phouma (51), the perennial prime minister, are privately anti-communist but anxiously neutralist. Prince Souphanouvong (44), the renegade to communism and leader of the Pathet Lao (guerrilla "Free Lao" movement), has been allowed, since July, 1956, to act as spokesman for the Viet Minh Communists, who have armed and master-minded the Pathet Lao rebellion in the jungles of northern Laos. (All the indications suggest that Mao Tse-tung has been content to grant the Viet Minh full operational authority.)

There are those in Vientiane and Luang Prabang who deny that the urbane Prince Souphanouvong—a brilliant engineer trained and, it is said, snubbed at the Sorbonne—is a real communist; they say that he is under the influence of his wife, a communist party member, and that he is anti-French rather than pro-communist. However, he certainly would not have enjoyed the full support and enthusiastic endorsement of Hanoi throughout the negotiations unless he was at least serving communist ends efficiently.

No one knows why, after six years, the communists agreed to accept temporary and superficial peace in the two northern Laotian provinces of Sam Neua (or Houaphanh) and Phong Saly, which had become virtually part of communist North Vietnam. The Royalist government had no prospect of stamping out the jungle terrorism. Yet under the revised and stiffened terms of compromise submitted by the prime minister, Prince Souvanna, in October, Prince Souphanouvong agreed, almost eagerly, that his seven or eight thousand guerrillas would lay down their arms, swear allegiance to the king and return to their loyal communities. (Only an estimated 10 per cent live in Sam Neua and Phong Saly.) Two Pathet Lao battalions (1,500 men), selected by the communists, will actually be integrated into the Royal Laotian army. On their side, the former rebels will be allowed to form a "democratic" party (Neo Lao Haksat, or "National Patriotic Front"), and Prince Souphanouvong and his right-hand political adviser in the deadlocked jungle war, Phoumi Vongvichit, have joined the government.

Prince Petsarath and the prime minister insist that they can safely quarantine and sterilise the red poison which they are accepting into the Laotian bloodstream. Their tough and gallant army Chief of Staff, Colonel Ouan Rathikoun, who himself fought with the Pathet Lao as a sergeant against the French, reckons that it will take him two years to reindoctrinate all the guerrillas. He proposes to isolate his 1,500 communist recruits in a "training camp" for at least six months; his manner certainly conveys the impression that he will be no naïve or mild corrector of subversive tactics. Whether Petsarath and Souvanna will unflinchingly support his vigorous reindoctrination and brainwashing in reverse is perhaps not so certain.



The undefeated guerillas, who are now marching with their small arms, grenades and rice ration into the check-points in Sam Neua and Phong Saly, bear themselves like victors. Their morale is high—not to say cocky. Colonel Ouan claims that only three or four hundred are dangerous hard-core communists. The rebels with whom I was able to talk in the dust and heat of Sam Neua all parroted the party line. For example, they said that they had no objection to His Majesty King Sisavang Vong as a person or an institution "at present," but added that they would deal with him as seemed necessary, desirable or useful when they had taken over the government. They obviously believed that the gamble in integration had been a straightcut victory for their side. My western interpreter, who has lived in Laos for twenty years, said wryly: "These are not the easy-going Laotians I know; something horrible has happened to them; they are hard strangers." The hand-picked elements who will be accepted into the Royal Laotian army train regularly under arms, chanting communist songs; the observer suspects that even Colonel Ouan will not have an easy time with them.

Integration should officially be completed by the end of next week. There are still doubts whether all the guerrillas will come in. Certainly most of their heavy equipment is not being handed over, as pledged; it has either been returned to North Vietnam or buried in the jungle. Mountain tracks and approaches to waterholes are still littered with American mines, seized in Hanoi or at Dien Bien Phu. The guerrillas scattered them indiscriminately and women and children are still being maimed or killed. "They had better not try to send any of the guerrillas home through this village," one Royal Laotian paratrooper said to me; "the women would tear them leg from leg."

The vexed question of wasted and misused American aid to Laos is at present under searching examination. Inside Laos, American policy is now in wise, prudent and experienced hands—both diplomatic and economic. There are reports, which the American authorities on the spot cannot, of course, discuss, that Washington hopes to induce the Royal Laotian government to accept a bold scheme of monetary reform, which will end the multi-exchange-rate scandals. Under this proposal, the rotten and manipulated local *kip* would be converted into virtually hard currency, backed by the Laos government's own ample dollar holdings in New York ($24 million), stabilised at an exchange rate of perhaps 100 to the dollar (instead of the absurd official rate of 35 and the ruling black rate of around 85) and, on this sound basis, would become redeemable and freely convertible currency on world markets.

Prince Petsarath, an intelligent and subtle personality, who remained in voluntary exile in Siam long after his brother Souvanna returned to Laos and his other brother Souphanouvong went over to the Communists, declared frankly to me that his anti-communist influence would be weakened if American aid were reduced. It is reasonable to assume that he personally would support the proposed monetary reform.

The success of the risky but perhaps inevitable Laotian gamble must depend on dogged patience, as well as immediate firmness, by the two elder brothers. Laos is geographically and literally a wedge driven sharply through the heart of South-East Asia. If the Communists succeed in controlling this wedge by expanding infiltration instead of deadlocked and limited terrorism, the common frontiers of Burma, South Vietnam, Siam and Cambodia are all menaced. A reversal here for non-communist forces would threaten all South-East Asia. It is, one must report, too early yet to call the odds on the gamble; but, watching the confident and defiant guerrillas march in to "submit" to integration, while Radio Peking and Hanoi both applaud, it is easy to be pessimistic.

A German Miracle Man

FROM OUR BONN CORRESPONDENT

ALTHOUGH they will often gently chide loose reference to the "German miracle," west German economists and business men seem none the less to be just as often at a loss themselves for apter definition. Swallowing their initial pedantry, they will presently be heard compromising for convenience' sake with the "*so-called* miracle." The truth is, they do in fact still find something rather wondrous about it; all the more when they are members of firms long rich and powerful, contemplating the rise to rivalship of individuals whose resources ten years ago lay chiefly in themselves.

Granted that Rudolf Oetker, now owner of Germany's largest merchant fleet, inherited a lucrative blancmange and baking-powder business whose profits fattened during the lean years when housewives were desperately preoccupied with the conundrum of turning out meals. But Hermann Krages was an obscure timber merchant in 1948 when he began to engage in the speculations that have since made him a much-watched giant of the financial world; and the entrepreneur Willy Schlieker, now ruling shipping and industrial kingdoms on the Rhine and the Elbe, set out even less materially equipped to make his fortune.

Another of these individuals who, exploiting the unique opportunity for new beginnings afforded by defeat, have made wealth and a name at home and abroad within the space of a decade, has lately been expanding his empire still farther, to the astonishment of older hands engaged in the same game. The name is Grundig, and it has become as familiar in its particular commercial arena as the names of Telefunken, Siemens, and AEG. Before the war Max Grundig ran a modest, double-windowed radio shop at Fürth, near Nuremburg. Today, Herr Grundig at fifty is sole owner of Europe's largest radio factory and makes some 70 per cent of all the tape-recording machines in use throughout the world. He employs 20,000 workers. In 1958 he anticipates a turnover in the neighbourhood of DM500 million.

★

During the war Herr Grundig was detailed to turn out component parts for Wehrmacht signalling equipment for assembly by AEG. He was allotted some prisoners of war, who, grateful for decent treatment, protected his stores from looting in 1945. Those precious stores made a start of some sort possible. But at that time German industry was forbidden to manufacture such luxuries as radio sets. Grundig, well aware of the demand, hit upon the profitable idea of getting past the law by producing a make-it-yourself radio kit. Nominally a toy intended only for boys—he gave it the nursery name of "Heinzelmann"—Herr Grundig's box of parts provided the buyer with all the components of a working radio except the valves. It was left to daddy to get hold of the valves—which he invariably was able to do without much difficulty on the all-embracing black market. So hot was the demand that Grundig manufactured over 100,000 Heinzelmann kits during the few months left before the German radio industry was permitted to return to normal production. He ploughed all profits back into his expanding factory at Fürth. In 1948 he was in a position to bring out his first complete set, the *Weltklang*. By 1950 his 150 workers had become a thousand. By May, 1952, they had made between them a million apparatuses of one sort or another.

Today Herr Grundig's seven factories, which are all in Bavaria, are disgorging 120,000 apparatuses monthly, and total production has reached nearly five and a half million. Factory I at Fürth, which is the firm's general headquarters, manufactures radio and television sets and measuring instruments. Factories II and III at Nuremberg turn out tape-recording machines and dictaphones. Factories IV and V, at Georgensgmünd and Augsburg, make most of the wooden cabinets required by the other factories. Factory VI at Dachau specialises in portable radio sets and small cabinets. Factory VII, which was opened at Bayreuth last autumn, produces tape-recorders. (The Bayreuth site was chosen because there is labour still be found in that part of western Germany, particularly among women, from whom Grundig has always drawn as much as 70 per cent of his total labour force. Average wage for a five-day week is DM75.)

Apart from the singular chances of postwar upheaval, and his own assets of strong nerves and robust constitution, Herr Grundig attributes his success chiefly to his canny sense of what people want. He studies their requirements with elaborate care. This self-made millionaire still insists on opening all the firm's mail himself every morning. Many of the letters he reads from beginning to end; the remainder

he quickly tastes. While he is so engaged, from 8.30 to 10, no one may interrupt him. Later he makes up generously for this inviolate seclusion. He has laid it down that every one of his employees has the right to come and see him so long as the visit is relevant to the firm's business. And every evening of the week except Saturday and Sunday he holds council with his departmental chiefs. To help ease the atmosphere the conference is held at a round table laid with sandwiches, Bavarian beer, and Franconian wine. (Grundig is a Frank and proud of it.)

What of the future? Can Grundig keep it up in less miraculous times? He is sure he can and is making all the dispositions he deems necessary. He has lately bought controlling interests in the Triumph and Adler Works with the intention of switching them over from the production of bicycles to that of office machinery, including electric typewriters and adding machines. And, although he does not expect to increase output much farther, he is confident that the seven Grundig factories are going to be fully busy for several years to come. To keep abreast of competition Herr Grundig employs a staff of 250 on automation alone—for application both on the production lines and in the administrative offices. Five hundred scientists and technicians are engaged wholly on research—into colour television for instance, which is expected to be a commercial proposition in five years' time. A portable television set has just been perfected which is going into production this spring. Grundig's most highly paid research workers are giving their minds to problems of industrial television, involving the application of television to such ends as oil drilling and the measurement of metals during processing. As he has been from the start, Herr Grundig is very confident indeed.

Truce or Force in Malta?

FROM A CORRESPONDENT

Malta, Tuesday

YET another unsightly patch has been temporarily applied to hold together the fabric of Anglo-Maltese relationships. Since Mr Mintoff's Socialist administration was elected to office early in 1955, on a ticket of either "integration" or "self-determination," crisis has followed crisis. The island has never been so consistently in the headlines since the heroic days of World War Two. Mr Mintoff's "either-or" has been characteristic of his shotgun tactics ever since the 1949 ultimatum. In his handling of the latest showdown, involving the discharge of 130 dock workers, he has shown no sign that he is prepared to abandon these tactics in favour of a policy of give and take.

This unpalatable fact is perhaps the blackest cloud looming on the horizon of Anglo-Maltese relations. The Maltese parliament has unanimously resolved, at Mr Mintoff's bidding, to absolve Malta from its obligations to Britain and from those hitherto assumed towards its allies until "the British Government gives a guarantee that the number of their employees in Malta will not diminish before there is alternative employment for those discharged." Her Majesty's Government has given no such guarantee and the authority granted by the Malta parliament to Mr Mintoff still holds good. Mr Mintoff is thus armed with unanimous parliamentary authorisation, as well as with his electoral manifesto, to impose his own conditions or else.

This situation creates a constitutional curiosity in the Commonwealth, since Her Majesty's Maltese ministers are sworn to perform their constitutional duties, while at the same time making reservations that exonerate them from the responsibilities of office. The Colonial Office may prefer to test this bridge when it has to cross it. If so, Mr Mintoff is able to assure himself of one important tactical advantage. The bridge will have to be crossed if and when he decides—and if the Maltese premier is clumsy in his diplomacy, he is by no means a beginner as a tactician.

Mr Mintoff excels in producing unforeseeable situations. Unfortunately, foreseeable friction between Britain and Malta seems likely too. In his latest message to the Maltese prime minister Mr Lennox-Boyd divulged for the first time that Mr Mintoff was informed that he could not be provided with any more money this year. Mr Mintoff has done nothing to adjust his financial arrangements accordingly. During the last three years he has received a generous flow of financial and technical aid. Yet Anglo-Maltese relations have never been under the same persistent stresses and strains as in recent years. Mr Lennox-Boyd has not minced his words in indicating that the Maltese premier has not behaved in the spirit of the declaration of July, 1955.



The Colonial Secretary's two straightforward messages—one for the consumption of the Malta parliament, the second for the Maltese public at large—have succeeded in dispelling much of the artificial fog that was obscuring the Maltese industrial scene. The British Government's decision to stand firm, and to honour its "obligation of keeping the Maltese people informed," caused Maltese public opinion to stop and think and to harbour second thoughts on the recent trend of events. Mr Mintoff has been held responsible for the fact that the 130 discharges, over which so much has been said, were basically due to the Malta government's delay in agreeing to the installation of a Nato underground oil storage system. Dockyard workers have been assured that their own jobs are reasonably secure for the next three years. They have come to realise that much of the goodwill shown by Britain during the protracted integration talks over the last three years, is still unpublicised. They see the nationalist opposition apathetic and speechless in face of recent developments, and this is an added factor making for a possible split in the nationalist ranks.

These are all factors contributing towards a new political realignment; the shift of political forces is likely to be pronounced because it is realised that Maltese democracy will not be able to survive unless a stronger, more vocal and more aggressive opposition comes into being. Opinion on this matter has been growing harder for many months. On the other hand, Mr Mintoff's position is still formidable enough to make the Malta Labour party confident that it can dominate immediate developments. The foremost advantage enjoyed by Mr Mintoff is the fact that the British-owned local broadcast system (Rediffusion) does not allow any opposition views to be heard in Malta, and this under the agreement between the Maltese and British Governments. The second important fact is that the 18,000-strong general workers' union is a captive of the Labour party and in the past has repeatedly allowed trade union funds to be used for political purposes. Finally, there is a nagging fear that Mr Mintoff will, as in the past, resort to force to press his own views. The incident last year when he ordered government employees to damage Rediffusion property and to suspend the island's broadcasting system is by no means forgotten.

French Hopes of Solvency

FROM OUR PARIS CORRESPONDENT

THE first practical proof of the common market's existence, the first cut in tariffs, is due only next New Year. The capacity of France to balance its payments by that time is of critical importance for the European community. For this reason, M. Jean Monnet's prospects of success in his trip to Washington this weekend to negotiate a dollar loan to carry France over the next year are a European concern. At the moment the feeling is growing in Paris that, despite Algeria, the tide in the balance-of-payments crisis is probably turning. True, inflation continues. Industrial production, including housing, reached a new peak in November of 153 points (1953=100). The cost-of-living index went up by more than 2 per cent in the same month. The new year has begun with an increase in the national minimum wage and the announcements of higher fares on the railways and Métro and of higher prices for various foodstuffs. There is little doubt that prices must continue to rise till February or March on their present impetus.

Yet other symptoms are probably more telling. France's deficit in the EPU in December was the lowest since 1955 (17.6 million dollars). This has been obtained, of course, only by restricting all imports. But other signs confirm the trend. The franc, which at the end of the last government crisis had fallen as low as 507 to the dollar on the unofficial market, as against the official rate of 420, has risen again to 467. The labour market, perhaps the biggest single reflector of inflation, has relaxed considerably of recent weeks, partly as a result of heavy immigration (150,000 foreign workers, mostly Italian, came into France in 1957), partly as a result of the employers' belief that the boom is really ending. This in turn is linked with the investment cuts in the budget, which will particularly affect public works such as hydro-electric schemes. The budget, trimmed to the potential dollar and mark lenders' specifications, and passed by the Assembly on time—this is becoming a habit—reduces the deficit from 1,000 billion francs in 1957 to 600 billion francs, of smaller value, in 1958. To this must be added the credit restrictions applied by the Bank of France, especially on housing; though real building outputs should not fall, because contractors formerly wasted time and money taking on more sites than they could finish in order to get the initial credits for opening them. Further, inflationary spending has recently been fed largely by the faster turn-around of money, not by an increase in circulation. If, with returning confidence in the franc, the velocity of circulation falls, higher prices will produce a lack of liquid money which should itself be deflationary. The government forecast that production will rise 1 per cent or 2 per cent in 1958 really means that it will mildly decline from recent levels, as these, extended over a year, would produce an increase of 3 per cent or more.

It is also striking that the unions have not reacted as violently to higher prices as the traditions of French inflation, or the preliminary warning strikes of October, led your sedentary correspondent to believe. This marks an important change in French social psychology, and may well be linked not only to the end of certainty of over-full employment, but also to the desire to hold on to gains rather than risk trouble. Food prices in February, March and April (the critical months for vegetables) may well be decisive in settling whether France frees itself or not from the grip of inflation; they are the prices to which the French housewife is most sensitive. It is not, in any case, unreasonable of M. Gaillard to hope to curb inflation by the summer. That alone cannot solve the export problem; present plans provide for no more than a 5 per cent increase in exports, which may be hard enough to obtain with high French prices in a world recession, even a slight one.

France will therefore need the $400 or $500 million which are hoped for from the IMF and EPU. But it might be possible to relax some of the quotas before the beginning of next year, and then to take part, at least formally, in the first round of "customs disarmament" in the common market. "Formally," because the treaty itself permits the French to impose special import duties, up to 15 per cent, to "compensate" for the freeing of quotas; and those duties would cancel out the tariff cuts if not the quota relaxations. The French prospect for the first stage in the common market thus remains far from rosy; but the worst fears, that France would not only benefit from concessions but live apart in a kind of self-exclusion from the European context, may be proved wrong. The conditions attached to foreign aid will almost certainly be a spur to France to put its house in order. But the present efforts are also a sign of the first effects of the common market itself in making Frenchmen realise that political motives (which they appreciate) as well as economic ones (which they always tend to discount) make a healthy franc indispensable.

No Capital for Europe Yet

FROM OUR PARIS CORRESPONDENT

NO one will accuse Europe's industries of cartel-mindedness if they show half the competitive spirit in the common market that some of the foreign ministers of the Six have displayed in the scramble for the lucrative honour of housing Europe's "capital." The motives for concentrating all the communities, the old ECSC as well as the new common market and Euratom—a principle to which all six governments at least pay lip-service—are practical: ease of communication, and of consultation between communities. But above all they are political: the sponsors of European unity believe that together the communities will have magnetic force as presumptive ministries of tomorrow's federation, whereas separately they might fade into merely technocratic secretariats. But the motives of the Belgians and Luxemburgers seem to have been commercial. Rumour has it that the Belgian foreign minister, spurred to the pursuit of successes by the coming elections,

promised the Germans, and the Italians, and the Dutch, that he would support whatever candidate each might put up for president of the common market's executive commission, if each in turn backed the claim of Brussels to be the capital. The Belgians also seemed to have a gentleman's agreement with the Luxemburgers, to leave the Coal and Steel Community in the Grand Duchy. M. Bech, premier, foreign minister and minister for viticulture of Luxemburg, has vetoed any move to take the ECSC away, ignoring the commitment he undertook when the High Authority first went to Luxemburg. On the other hand, he was not willing to welcome all the communities, unless all his five partners insisted, for fear Luxemburg should be overrun "as a nation." The Italians generously offered four capitals, Milan, Turin, Monza and Stresa ; but they did not press the point. Since the ministers had to be unanimous, it is not surprising that they took refuge in a dilatory compromise, deciding to decide on the first of June after consulting the new, enlarged European Assembly, the presidents of the new Commissions, and even "town planners."

But one should not generalise too much from all this bazaar haggling. The ministers have balanced it by a good choice of men for the commissions both of the common market and of Euratom (over which the brilliant M. Louis Armand will preside). It is an event in itself that the French should readily accept a German as president of the common market commission—even if he is a man so closely associated with Community Europe as Professor Hallstein. Also, he will have at least three outstandingly able colleagues in the nine-man commission: the recently resigned Dutch agricultural minister, Mr Mansholt, the Belgian economic minister, M. Jean Rey, and the French ex-secretary-general of the OEEC, M. Robert Marjolin. This is important.

The Dutch, French, Germans and Italians did succeed, too, in getting a compromise that favours a single capital in principle. They have passed the buck for deciding the temporary location of the commission (until June 1st) to Professor Hallstein and M. Armand, who will almost certainly choose Luxemburg to keep the communities together. If M. Bech, as some people believe, is really anxious not to have all the communities in Luxemburg, he may by then be ready to compound for the departure of the ECSC ; if not, possession is nine points of the law.

New Zealand Tightens its Belt

FROM OUR CORRESPONDENT IN WELLINGTON

WHEN the Labour party, after eight years in opposition, returned to office in New Zealand on November 30th, it was already clear that something would have to be done to check the run on the country's overseas reserves. Already before the election these had been reduced to not much over £50 million ; and by December 18th when the last Reserve Bank summary was issued, they had been run down to £49 million, of which just under £34 million was either held in gold or invested in London sterling securities. Actually the run-down had been gathering momentum for nearly a year. At the end of 1956, reserves were down to just over £60 million : the year before they stood at nearly £76 million.

With a margin of barely £15 million with which to meet the continuing run and to provide for the country's requirements until payments for its exports begin to accumulate again in March, the new administration had no choice but to take drastic action; and it was unlikely to look for any alternative policy because the type of action indicated was one to which it was already predisposed. It reimposed import licensing from January 1st and reduced the intake of a number of major imports by percentages ranging from 25 for unassembled motor cars, to 50 for carpets and linoleum. Other imports considered to be in the luxury or non-essential classes were either deprived of an exchange allocation altogether, or placed in a category in which individual claims must be established on their merits. The new schedule makes few or no cuts at the moment in imports of necessary raw materials, essential clothing, foodstuffs and plant ; but it relies heavily on New Zealand industries to fill some of the gaps.

★

Mr Nash would not have been human, or a politician, if he had not pointed to the previous National government's responsibility for the situation. In an effort, no doubt, to regain some of its popularity before the elections, the National party cabinet allowed its already limp credit squeeze to be so far relaxed that apprehensive importers, intent on covering themselves against the effects of a change of government, were allowed to pile up orders to an unprecedented extent. The run on reserves was further aggravated by rumours of devaluation. But nothing effective had been done before the elections, either by the government or by the Reserve Bank, to check the trend. At the same time, Mr Nash does not explain how he proposes to try to reconcile the inflationary influences inherent in Labour's policy with strict import restrictions. One supplementary measure —price control—obviously cannot be avoided. But the new Labour administration may have learned some lessons from the unpopularity which its predilection for controls earned for it towards the end of its earlier tenure of office ; and in consequence it may tread circumspectly. It will be encouraged to do this by the knowledge that its present majority is only three and is likely to be reduced to two after the Clutha by-election on January 15th.

It is extremely unlikely that the decision to restore import controls, which, it is acknowledged, must affect British exporters heavily, is in any way dictated by feelings of resentment over Britain's inability or refusal to provide greater protection for New Zealand's exports. The plain fact is that the Labour decision was inescapable and that if the National party had been returned, it, too, would probably have had to do something similar.

No indication has been given whether the new controls are likely to be temporary, though a good case could be made for maintaining them only until the reserves are restored to the margin suggested by the 1955 Royal Commission on Monetary Affairs—six months' normal import requirements. The margin just now is considerably less than six weeks. Mr Nash will undoubtedly have this answer ready for Mr Macmillan when he comes. It will be a difficult answer for Mr Macmillan to counter, particularly as Mr Nash and his administration can with justice disclaim a good deal of the responsibility for a decision that makes it necessary to put the country, almost at the peak of prosperity, on short commons. Mr Nash is unlikely to forget that the inescapable facts have greatly strengthened his bargaining position in any future trade negotiations with Britain.

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S. M. BAILEY, *1st Refrigeration Engineer Officer on board the* P & O *ship*, CHUSAN.

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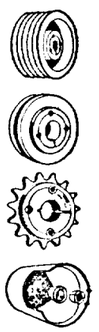


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THE BUSINESS WORLD

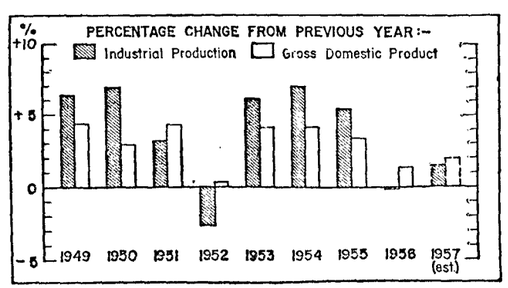
PROSPECTS FOR 1958

While the Policy Lasts

Last September Mr Thorneycroft put sterling first: his successor is formally committed to do the same. It was argued in these columns last week that this commitment precludes any shift of policy that could be interpreted abroad as a weakening of that determination, unless and until signs of deflation in the world outside become plainer and much more generally recognised. Mr Thorneycroft, that is to say, could not have afforded to reflate home demand until foreign example might have made reflation thoroughly respectable. His departure lays upon Mr Heathcoat Amory the need for even greater regard for foreign confidence in sterling.

It is politically realistic as well as economically convenient, even now, to begin any appraisal of the economy's internal prospects for 1958 from the assumption that in principle, if not in precise mathematics, Mr Thorneycroft's policy must remain unchanged for the time being. Internally, its objective remains a stable price level: until signs of that stability become apparent—primarily in the price of labour—the policy will have passed no real test at all before searching foreign eyes. The mere time-table of wage negotiation means that success in this first trial could not be demonstrated—if success it turns out to be—much before Budget time: and even then the engineering wage claim cannot begin to be negotiated before May.

What economic prospects does the policy offer Britain during this short or long period of enforced restraint? Statistics, with their usual timelag, happen at the outset of this year to offer the forecaster practically no help at all: very few of them as yet cover periods recent enough for the tighter measures of mid-September to have worked through at all. The tightening of credit did not check hire-purchase business or demand for new cars: industrial production, which had already levelled off after its short rise in the early summer, showed no significant decline; unemployment turned upward, but fractionally. The trends in the economy from which one must extrapolate for 1958 were for the most part manifest before September 19, 1957: what happened then seems to have ensured their continuance, only more so.



These trends of autumn 1957 were: a levelling off in the high rate of fixed investment, and an expectation of some slight decline; a continued moderate rise in consumption, particularly of motoring and of durable goods, possibly slackening a little towards the end of the year; a slight reduction in current expenditure by public authorities, particularly as compared in the second half year with the high cost of Suez; higher exports of goods and services, but no longer rising as fast; and a high but again declining rate of addition to stocks and work in progress. In aggregate demand, over the year, these may have represented an increase of perhaps £450 million (at 1956 prices): with little change from the 1956 rate of surplus in the current balance of payments, the rise in internal

demand seems to have been met entirely from an increase of about 2 per cent in the country's gross domestic production. Industrial output did not increase so much—it was up about 1½ per cent—but non-industrial output (principally services) may have grown rather more. In recent years, the courses of industrial and total production have often diverged slightly: "non-goods production" is less volatile than industry but recently it has been equally in need of labour, and two years of disinflation have given its service trades more chance to expand their employment and output.

The tightening of the squeeze in September must be expected further to have decelerated the remaining growth in these major sectors of demand. Over the full year of 1958, one would expect consumption to rise very little if restraint continues. By the end of 1957, prices seem to have risen roughly enough to take up the margin of extra disposable income from pay increases conceded last spring and summer, and overtime earnings are already being thinned out somewhat. Rents have risen for a very large proportion of tenants; along with less secure expectations of steady increases in income, and following a year of rapid growth in hire purchase debt, there may come some slackening of the growth in spending on cars and other capital equipment for the family. Prices, however, should become more stable; any increase in wages and salaries this year will offer a less evanescent increase in purchasing power. As a rough figure, one might postulate an increase of only about £100-150 million—roughly one per cent—in consumption this year as a result of this policy.

THE private investment boom has clearly passed its peak in Britain, and house-building, private as well as public, seems certain to decline this year. One should not interpret the last Chancellor's "money ceiling" on total public investment (which was never fully explained) too cautiously: some adjustment was made for rises in prices up to September, and total state-controlled investment was probably somewhat below the nominal "ceiling" of £1,500 million at the time. Public investment in 1958, therefore, is likely to be roughly as large in real terms as it was in 1957 with a slight margin to take care of further rises in prices. But one must now accept private industry's own (pre-September) expectations of a decline in 1958. So investment must be expected to slip downwards: and over the year one might count upon some very slight decline—say rather more than one per cent, or about £50 million in demand—in total fixed investment during the next twelve months.

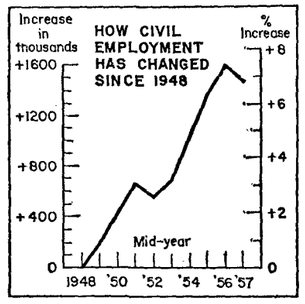
The "less than one per cent increase" in money terms in Government estimates for the next financial year, over which Mr Thorneycroft and his Treasury colleagues found it necessary to resign, suggests in real terms a somewhat greater cut in public authorities' current demands upon the economy than outside analysts might have guessed. During the past year the prices of the goods and services which public authorities buy has been rising: so that to secure the same volume of current demand upon the economy might have required an increase of, say, 2-3 per cent in money estimates based upon current price levels. Estimates less than one per cent higher, in money terms, imply a reduction of current public demand upon the economy in 1958 of, say, 1-2 per cent—say £50 million or rather more.

If reductions in home demand in 1958 could readily be offset by the diversion of the corresponding output into overseas markets, production might be maintained and the current surplus greatly increased, with substantial benefit to the reserves. But this year, as was argued last week, there are more indications of some fall in exports than of any significant rise. Import demand from the sterling area is already being cut down by reductions in several countries' current income from primary commodities. India's rate of import for its development programme will remain high, but "inessential imports" are being strictly limited, in view of the near exhaustion of its balances; other Commonwealth countries have far larger sterling balances, but for the immediate future less ambitious development plans. Expansion in Europe has slowed down enough already to reduce its demand for British imports. Exports to the United States, one of the brighter features of our trade in 1957, are high and may remain so even in a mild American recession, simply because the amounts concerned, for example of British cars, are hardly large enough for American producers to bother with. Canada, also, should take more of its exports from Britain in 1958; but its own economic prospects, while raw material prices and American demand remain depressed, are not favourable. The heavy fall in import prices, in any case, seems likely to improve Britain's current balance of payments in 1958: but some fall in exports of goods and services—perhaps £150-200 million in real terms—seems probable.

A SLACKENING in general demand throughout the economy probably implies some "involuntary stockbuilding" in 1957—the piling up of unsaleable finished goods and work in progress. Nevertheless, the cost of holding stocks has been sharply increased by higher interest rates; few people think that commodity prices have yet reached bottom; and there is every reason for caution in forward ordering. Moreover, the fragmentary indications available imply that there may have been a substantial net increase in stocks last year. There seems no logical reason to expect much further net accumulation of stocks in 1958 while restraint is maintained; and there are possibilities of quite substantial reductions. At the least the rate of stockbulding must be greatly reduced this year, by £150 million or so. But even a levelling off, or a minor reduction, in the heavy volume of stocks that overhangs the economy, as compared with the apparently substantial accumulation in 1957, could represent a really significant reduction in demand upon the economy—say £300-£400 million.

A full year of continued restraint, on this analysis, might mean a net reduction in demand of, say, £150 million in real terms from consumption, fixed investment, government current expenditure and exports combined; added to which, a halt in the net accumulation of stocks and work in progress could reduce aggregate demand in the British economy in 1958 by twice as much again. The result could be a fall of £250-£550 million in demand upon the country's productive resources: allowing for the assumed fall in imports, this might mean a reduction of about one or two per cent in the total national output and of about 2-3 per cent in industrial production, where the cuts would mainly be felt.

Such a decline in output could eventually mean a reduction of about a quarter of a million in civil employment, which was already steadily running throughout 1957 about 100,000 people lower than in 1956. How many of the no longer employed would show up on the unemployment registers is hard to guess, since these have not recently reflected the full reduction in the working force: but the proportion of the labour force unemployed might go up from its present 1½ per cent to more than 2 per cent. Demand for labour in general would have softened considerably—though it would take far more deflation than this to soften demand for skilled men and technologists. What would be more important to most wage-earners might be very substantial reductions in overtime earnings in many industries.



THESE prospects are hardly those of general inflation, with demand outrunning the nation's capacity to supply it. But the disinflationary influences of the past two years, reducing output below what could be achieved from expanding capacity and employment below the 1955-56 levels, but not significantly increasing unemployment, have not been sufficient to check the ordinary recognition signals of inflation—rising prices. Wages have continued to rise; manufacturers have found it possible to increase prices for their branded goods although their demand, and of late the prices of their raw materials, have been falling. Restrictive practices have been strongly in evidence on both sides of industry: the unions have been able to impose featherbedding and under-employment, while industrialists have ironically used what is as yet the only tangible result of a new act aimed against restrictive practices to strengthen their individual legal sanctions against anyone willing to cut the prices of their products. To check these rises in price is the internal aim of the Government's tighter policy: until it appears to be working, foreign distrust of Britain's chronically inflationary economy can hardly be allayed.

It is still possible to hope that this year's wage awards need give away practically nothing at all: there is little chance that the increases will be more than 2-3 per cent. If so, it should be possible to present this abroad as the moderate success which it undoubtedly would represent for the policy Mr Thorneycroft laid down. There seems little danger, at any rate, of the 5 per cent standard of wage increases that would spell defeat for the policy; and in two to three months' time this first obstacle in checking rises in internal prices may demonstrably have been surmounted.

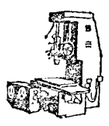
Circumstances in the world economy, as well as the effectiveness of restraints within Britain, will then determine whether a British Chancellor will be able to afford next April to inject some moderate stimulant into internal demand without forfeiting foreign confidence in sterling. It ought not to be considered a disreputable objective, for example, to hold production level in Britain, rather than to squeeze it down. It seems very doubtful whether the early reduction in Bank rate that is being counselled in various quarters would be expedient or wise: if the new Chancellor finds in three months' time that he is justified in a little reflation, it would be best done through the budget. Some stimulus to private investment decisions in late 1958 and in 1959—perhaps through investment allowances, which have a fiscal time-lag built in that might be ideal for the uncertain circumstances of 1958—would be the first claimant. Any stimulus to consumption might best be given in the lower half of the direct tax range.

But no very large relaxation in the ruling policy is likely or can be afforded while sterling retains so little underlying foreign confidence and is supported by so slender a reserve—unless world deflation should patently be spreading outward from a deeper and longer American recession than most economists have yet any firm reasons to fear. Nor is that, indeed, likely to become apparent before midsummer. Whatever could be afforded in the budget might begin to edge consumption up in the second half of this year. It could not significantly affect private investment, or for that matter public, before 1959. There is comparatively little that the Government could do to influence exports; nor to moderate any run on stocks (though it might stop embarrassing disposals from its own stocks of strategic materials). Certainly it cannot this year afford to increase its own demands upon the economy. Another year of fairly level production seems about the best hope one can make out for the British economy—provided the foreigner is prepared to allow us that modest aim.

The Industrial Prospect

Crystal-gazing about the course of demand in the economy is inevitably done in general terms: but it affects particular industries. How can Britain's key industries be expected to fare in 1958?

OVERLOADING of the metal-using industries has been a recurrent feature of Britain's postwar inflation; anxiety about the load upon these **engineering** industries, particularly those producing plant and machinery, is now a recurrent concern in the Treasury. In practice, during the recent investment boom these machinery producers have managed an impressive increase in output—roughly 20 per cent since 1954—thus providing for a substantial increase in exports as well as for the wave of industrial investment at home. This was achieved after years of comparatively low investment in their own industries: but capacity for manufacturing capital equipment can to a considerable extent be "shared" by extensive subcontracting, and not all the producers of industrial machinery have been busy at quite the same time. This year, their order books are well below the level that frightened Whitehall in early 1956; their output which may have risen 2-3 per cent in 1957 is still high; demand upon them seems certain to decline further during next year, and their deliveries may run down somewhat.



Home investment has been taking about 30 per cent of the output of all the metal-using industries, and exports roughly the same proportion. Cars and durable equipment for consumers account for no more than 10 per cent of these industries' final output (though perhaps for a substantial proportion of the intermediate engineering products used inside the industry); defence, after the latest round of cuts, may account for even less. The prospect of a year in which total investment slips a little and industrial investment rather more; in which exports probably fall too; and in which defence demand continues to decline somewhat, suggests that the metal-using industries as a whole might be down by 2-3 per cent, in line with industry as a whole, even if some expansion in consumer demand for metal goods goes on.

The main element of increase in this engineering field last year was the remarkable resilience of the motor industry: no sector seems likely to manage such a dramatic individual increase during 1958, though motors are hopeful of some further increase.

APART from engineering, the main supplier of investment goods in the economy is **building and constructional engineering**: towards the close of an investment boom, one would expect construction to be declining rather in advance of the supply of equipment, and this industry's activity had already turned downward before the end of 1957. Public money pays for just over half of all new building work: so the Government's stated intention to keep public investment expenditures to the same level for the next two years may indeed offer the building industry extra work on other public investment, such as the roads programme, railways, hospitals, schools, and water and sewerage to offset part of the £30 million reduction in public housebuilding. But private spending on new construction, on the other hand, seems certain to turn downward. Fewer private houses will be built; together with the smaller local authority programme this will probably mean about 275,000 houses against 300,000 in 1957. Industrial building will also decline. But private expenditure on other forms of new buildings, which accounts for about a quarter of all new private construction, has been growing rapidly: thus spending rose by a sixth in 1957, and may still rise a little this year.

Altogether, then, total spending on new construction seems likely to show a small downward trend in 1958, in real terms. Repairs and maintenance expenditures may also drop further, though whether the Rent Act is going to lead to any significant increase in house repairs is uncertain and maintenance of industrial buildings is a postponeable item in times of tight money.



The recession that builders have been confidently predicting for their industry for the last couple of years may actually occur in 1958. Last year, though the full year's figures are not yet out, building output probably increased further by about 4 per cent in value and up to one per cent in volume. This year the prospect is of some slight decline in volume and possibly of levelling out of the total value of output as well.

THE **motor** industry has rebounded strongly out of the pit of its recession twelve months ago. 1957 opened gloomily with petrol rationing cutting further a home market already severely damped down by the Government's fiscal measures, and overseas shipments hampered by the closure of the Suez Canal and by the general shortage of shipping. By the end of the year, however, all parts of the industry, even including commercial vehicles, were running with throttle wide open (though still short of full capacity). Car output probably reached 850,000 (against 707,600 in 1956), commercial vehicle production totalled 275,000-280,000 (against 287,300), and wheeled tractor output was up to a record 145,000-150,000 (against 108,500).



This year vehicle production should rise a little further. Car output should top 900,000, just beating the 1955 total, even though manufacturers now have the capacity to produce more than a million cars. They will have a full spring selling season at home this year, unclouded by anxieties about petrol supplies, but while they can probably count on no change up or down in purchase tax and hire purchase controls, there is unlikely to be any more money to spend on new cars, particularly by business which is still a large customer. Exports should top last year's record 400,000; the growth of American sales (now easily the largest overseas market) should continue under the impetus of the wider distribution systems of Ford and Vauxhall. Elsewhere exports may not show much change, except in Australia and New Zealand and other Commonwealth primary producers where sales will be lower.

For vans and lorries, 1958 may also bring slightly larger sales, perhaps up to 300,000. Exports are not likely to be any easier to achieve nor are hauliers and industry likely to spend much more at home, though they may have to make up long-postponed replacement programmes. With three new models in production, tractor sales should be higher, though this year's gains will be smaller than last year's. The fall in farm commodity prices is bound to have an effect on overseas sales outside Europe: British and European farmers also may become choosier about tractor replacement. If all three sections of the vehicle industry are able to produce between them in 1958 as many vehicles as they did in 1955—1,360,000—they will have done well.

NO British industry has yet been prepared to discuss economic prospects for 1958 more coldbloodedly than the producers of **steel**—who are uncomfortably conscious that a steel sword weighing over 4 million tons hangs above their production estimates. British steel customers and merchants have that much steel in stock; as yet they have shown no signs of running it down. But if consumers should begin to cut stocks, they could cut the industry's planned production by three-quarters of a million ingot tons quite rapidly, bringing about a 5 per cent fall in home deliveries from the record level of 1957.

Even if they do not, the industry does not hope to sell much more steel than the 21.6 million ingot tons it sold in 1957—perhaps a little over 22 million tons. Demand from the motor industry may go on increasing, necessitating imports of steel sheet; extra plate for shipbuilders to make no more ships out of will continue to be in demand. But other steel for investment goods will become less easy to sell; and the already softer export market will offer the industry less fat to live on from the export premiums it has been earning in recent years.

Capacity in this industry continued to grow during the period of reduced consumption in early 1957, and is still growing this year; it will not all be fully used. The practical output next year could be 23½ million ingot tons; but the demand might be for little more than 21 million ingot tons. These are not the easiest commercial circumstances in which to go on investing about £100-120 million a year or to raise the money, as steelmakers are discovering.



IF the **coalmining** industry were free to tell the country, "We will supply all the coal you can use this year and next winter, and sell what we can abroad, but we can't afford to produce coal for stock. Don't complain about our output unless you're prepared to buy more," it would be in its healthiest commercial situation since nationalisation. In 1958, it is about 3 million tons of large coal—plus a large pile of politics—short of this freedom. The extra 6 million tons of coal it put in stock during 1957, when home consumption fell by 5 million tons, does not include enough of its scarcest resource—large coal.

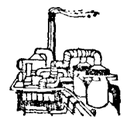
The Coal Board enters 1958 with absenteeism markedly higher than before it abandoned the attendance condition upon payment of the weekly bonus; production after June last year, when that concession was given, was in disappointing contrast to its "best-ever" performance in the first five months of 1957. Final output was, this year, 223,640,000 tons, with 210,060,000 tons of it from the mines: this deepmined production was virtually unchanged from 1956. Sir James Bowman hopes mined output in 1958 may reach 212-214 million tons.



But for the first time in twenty years, coal output is beginning to depend somewhat upon the course of demand, at any rate for qualities of output; the board is certainly no longer interested in getting the last possible ton of unsaleable coal out of the highest-cost mine. Last year's fall in demand, it thinks, was due more to warm weather than to continued stagnation in industrial output; so a decline in industrial output and demand for industrial coal this year could still leave total demand unaltered even if the weather turns round.

CERTAIN general **chemicals** such as sulphuric acid generally follow the general level of industrial activity: chemical production as a whole does not, and since the war has expanded much more than the rest of industry. Exports can exert an influence quite separate from the course of home demand; and some parts of the industry, buoyed up by their own inherent growth, have continued to expand regardless of what may be happening in other chemicals. Both of these other influences were at work last year. Overseas sales were up by about 8 per cent over the year as a whole and petroleum chemicals production was stepped up further to meet the still growing demand for plastics materials, some of the man-made fibres, and other products. As a result production of chemicals rose further while total industrial output only just topped the 1956 level.

The second half of 1957, however, saw a marked slackening in both exports and total chemical production, and the guess of the industry is that the growth in its overseas sales will continue to slow down in 1958. The bulk of its shipments go to the Commonwealth and other countries in Africa and Asia that are not likely to import much more than in 1957. The petroleum chemicals side is also likely to expand less rapidly this year; plastics output, which appeared likely to top 400,000 tons for the first time in 1957, will feel the pinch of slackening industrial and personal spending during the present year. So 1958 may bring chemical output rather more into line with the rest of industrial activity. The small rise expected in the output of metal users and motors and the drop in building will affect sales of solvents and paints. The further decline in textiles will likewise mean a softening of demand for dyestuffs and, possibly, for most man-made fibres. Pharmaceuticals will be cut if the Health Service estimates are down, and if the farmers suffer any drop in their incomes fertiliser demand may also be down. The heavier inorganic chemicals have already weakened with the slip in industrial activity towards the end of 1957.



ALL the major industries that serve the consumer directly had a share of extra spending early in 1957; roughly the same seems likely to happen to any increase in 1958. Moreover, there seems less prospect this year that extra income will quickly be eroded by increases in prices. Any further slight fall in food prices may mean more to spend on food and other items, but higher housing expenditures (rents, primarily) and no doubt increased fuel and light charges will pre-empt some of this extra spending.

The boom in consumer durables, which has more than made good ground lost in 1956, is bound to slacken off soon, as the total of hire purchase debt mounts up. Sales should still go on rising, but probably much less rampantly, and as exports, which are still lower than in 1955, are unlikely to be any easier than last year, production is not likely to climb markedly. Over a sizeable number of items of durable equipment—cookers, washing machines, and vacuum cleaners—output is still below 1955 levels. Should the new Chancellor decide to relax restraint somewhat on consumer demand later in the year, these industries might be among those that gain.

The food trades can at least be assured that their total market is unlikely to decline—in volume. But any significant drop in overtime earnings or increase in unemployment may lead to the cutting out of some of the frills and the housewife being rather more discriminating about the more expensive foods. Both drink and tobacco, even at present prices, always seem to get a share of any extra money that is going. Beer sales are still rising steadily and tobacco sales have now got over their budget palpitations of two years ago. About clothing, in another year of standstill, it is harder to guess; spending at home may show some slight increase, but textile production, with a difficult year for exports, is hardly likely to grow.

BUSINESS NOTES

IN THE MARKETS

Assessing the Changes

JUDGED by market prices the City's first reactions to the clean sweep at the Treasury appear to be small. But that is not because the financial community has failed to realise that something that may be most important has occurred. It is rather that City opinion is sharply divided into two schools of roughly equal weight. In the acid test of prices sterling took a sharp dip and recovered; gilt edged stocks took a small fall and rallied, and so did industrial shares. On balance over the week ended on Wednesday *The Economist* indicator is slightly up at 176.5 against 175.9, though the *Financial Times* industrial index shows a small move in the opposite direction, from 165.6 to 165.2. The *Financial Times* index of Government stocks has on balance risen from 79.40 to 79.65, though more than the whole of that rise occurred before the event. On the dip in gilt-edged that occurred on Tuesday morning jobbers were able to pick up some cheap stock and were glad to adjust their books after a prolonged rise.

One City view, held widely by those who are chiefly concerned with gilt edged, is that the departure of the firm hand at the Treasury is a most unhappy event, that it must react badly abroad, and that it reveals a difference of emphasis in policy that must have been running for some time between Mr Thorneycroft and his colleagues. On that view, if a widespread loss of confidence is to be avoided it will be necessary for the City end of the control system to lean over backwards to show no sign of weakness, so that 7 per cent Bank rate is likely to last longer. The other view, more prevalent on the industrial side of the market and among those specialising in new issues, seems to be that the differences between Mr Thorneycroft and his colleagues were marginal, and that with quite minor modifications it should be possible to settle for the policy without the Chancellor. Events will show which school is right.

£500 Million Exchequer Issue

CALCULATIONS that the Government's next funding operation could not be delayed for long after the Government broker had run out of his supply of Conversion 4½ per cent stock (1962) have proved correct. The issue was announced on Thursday of £500 million 5½ per cent Exchequer Stock 1966 at 99½. Lists open and close next Tuesday; payment in full is required on application and the first interest coupon of 13s. 1d. per cent will be paid on March 15th. The news was well received in the gilt-edged market which judged the terms well adjusted to the present level of prices. Exact comparison is difficult as there is not another "short" with a coupon as high as 5½ per cent. The running yield of £5 10s. 9d. per cent and the redemption yield to the single date of £5 11s. 6d. per cent ought to prove attractive.

The purpose of the operation, which was clearly planned sometime before the changes at the Exchequer, is threefold. The Government broker's shelves will be replenished, for nothing like the whole of the £500 million will be taken outside the departments. The banks, it is hoped, may also find the new stock attractive. And at the best it might be that some holders of the maturing 4 per cent Conversion stock due for redemption on June 15th next will be tempted to sell and buy the new one. Obviously one of the main short-term objectives of financial policy now is to gain control of the £592 million of that maturing stock, and to persuade the holders into longer dated securities.

There is no lack of other new issues. The Federation of Rhodesia, so often unlucky with its new issues, opened its lists on the morning of Mr Thorneycroft's departure. The £10 million issue of 6 per cent stock (1976-79) at £96 instead of being over three times subscribed, as had seemed certain, was just comfortably covered, applicants up to £25,000 receiving full allotment and the larger ones 54 per cent of their applications—the stags had withdrawn but the new stock opened at ¼ discount. The rights offer by Richardsons, Westgarth of £3½ million 6 per cent convertible unsecured loan stock (1976-81) at £99 was an outstanding success; dealings started on Thursday at 3¾ premium and rose further as the day progressed. "Shell" Transport has now decided that the basis of its rights offer is to be one for ten; the issue price will be decided later, but the market is guessing that a one in ten ratio would not provide enough money unless it is in the region of £5 10s. per share.

STERLING

Under New Management

STERLING took the changes at the Treasury with commendable and surprising calm. The pound came under pressure on Tuesday when the rate against the US dollar dropped from $2.81¼ to $2.80⅞ and the transferable rate from $2.7920 to $2.7895. But since then the rates have recovered to $2.81⅛ and $2.7915, respectively. Though there may have been official support on Tuesday's thin market it must have been quite small. Most Continental currencies moved against sterling on Tuesday, but the pendulum was swinging the other way again later in the week. In EPU currencies there is a fairly persistent offering of D-marks as forward purchases made many months ago mature: the speculators are covering and taking their losses.

Technically sterling is strong at the moment. At this time of the year there is always a commercial demand and as working balances by countries outside the sterling area have not been restored to their normal levels, these commercial requirements are being satisfied by hand to mouth buying. This has helped sterling to withstand the impact of this week's political shocks. Dealers in the market are now asking whether the reconstitution of working balances and the return to more normal "leads and lags" in sterling, both of which were under way until the political changes were announced, will continue at the same rate now that sterling is under new bosses at the Treasury.

ATOMIC ENERGY

The Unseen Hazard

MUCH of the latent public anxiety about the dangers of atomic energy, says Sir Alexander Fleck in his report on the health and safety organisation of the Atomic Energy Authority, "arises from the knowledge that exposure to radiation is not immediately recognisable by any of the senses." But he goes on to say that "the public may be assured that the precautions which are applied are extremely elaborate." The practical safety measures taken by the AEA have been outstandingly successful: there has been no case yet of death or serious injury from radiation to any member of the staff.

The committee was therefore less concerned with immediate safety measures, which are sound enough, than with the means of making them as near fool-proof as possible. One of the secrets of the AEA's outstandingly successful record of research and development is its loose-knit, almost casual, method of organisation. But the same decentralisation of responsibility is not a sound way of safeguarding public health. Starting at the top, the Fleck committee recommends that the Atomic Energy Office, that exclusive subdepartment of 18 which comes under the Prime Minister, should assume responsibility for co-ordinating all the government departments and research bodies that are concerned with radiation hazards. This would relieve the Atomic Energy Authority of much of the responsibility for public health which should not properly fall to it, but which it assumed in default of anyone else. The handling of the Windscale accident showed its serious limitations for such a task.

The trouble is to find the men. The committee recommends that the health experts dealing with medical risks of contamination, and the safety experts dealing with the engineering safeguards to prevent it, should be merged at each point into a single organisation, preferably under a man with medical qualifications. This will have to be done, but at present such men simply do not exist in the numbers required. They are scarce inside the authority, and scarcer still outside it. It would take, on the committee's estimate, 18 months' full-time study to train a health physicist in radiation hazards. How many medical officers of health could be spared for so long? Yet the committee emphasises that they, their senior medical staff, the factory inspectors, the sanitary and water engineers, industrial nurses, health visitors and the police must all acquire some working knowledge of this new industrial hazard, because atomic power and radioactive materials are going to become part of the warp and woof of our daily life. This training should be carried out by the AEA, as part of its general responsibilities and service to the country. It is impossible to quarrel with the logic of this conclusion; but the ordinary man will draw a deep breath at the scale of the training operation that would be needed. Sir Alexander has established a principle of public safeguard; but further, much more detailed, inquiry will be needed before it can be implemented.

BANKING RESULTS

Bank Profits Falling

THE dividend season for the big banks has yielded no surprises. Every one of the "Big Seven" has either maintained its distribution for 1957 at the 1956 rate or has fulfilled the forecast of somewhat higher payments made at the time of its capital simplification carried through during the year. There were no fewer than five such capital schemes—those of the Midland, National Provincial, Westminster, Martins and District banks—and the biggest effect upon dividends occurred in the Westminster and National Provincial. In terms of the former capital the Westminster's *distribution* was increased from 16 to 18 per cent and that of the National Provincial from 18 per cent to 19.8 per cent (on the former partly-paid shares) and to 21 per cent (on the remainder of the equity).* In both these banks the disclosed additional cost (not counting the extra tax cost) was slightly over £100,000.

BANK PROFITS AND DIVIDENDS, 1954–57

	1954	1955	1956	1957	Change in 1957
	£	£	£	£	%
Barclays	2,549,399 12	2,645,381 12	2,917,112 12	2,861,407 12	−1·9
Lloyds	2,186,072 12	2,322,439 12	2,541,793 13	2,502,391 13	−1·6
Midland	2,397,597 18	2,654,110 18	2,888,443 18	2,846,687 18·4*	−1·4
Nat. Provincial	1,827,044 18	1,882,139 18	2,030,483 18	2,061,966 19·8*	+1·6
Westminster	1,623,197 16	1,708,316 16	1,865,050 16	1,852,481 18	−0·7
"Big Five" Total	10,583,309	11,212,385	12,242,881	12,124,932	−0·9
Martins	918,477 17½	930,616 17½	944,780 17½	901,402 18*	−4·6
District	588,863 20	636,784 20	663,060 20	672,960 21*	+1·5
"Big Seven" Total	12,090,649	12,779,785	13,850,721	13,699,294	−1·1

* Effective rates on largest category of former capital. Effective rates on all categories as follows:- Midland: £12 partly paid, 18.4%; £2 10s., 18.6%; £1, 18.9%. National Provincial: £5 partly paid, 19.8%; £1, 21%. Martins: £20 partly paid, 18%; £1, 18¾%. District: £5 partly paid, 21%; £1 "B", 21%; £1 "C", 22%.

While money rates have reached their highest points for many years, most of the banks suffered a slight reduction in their disclosed profits from the bumper amounts reported for 1956. As the accompanying table shows, the declines range from 0.7 per cent for the Westminster Bank to just under 2 per cent for Barclays and 4½ per cent for Martins; exceptionally, the National Provincial and the District both show increases of roughly 1½ per cent. These two banks (and also Martins, among the Big Seven) have consistently adhered to the tradition of writing down their investments to (or below) market value. It seems hardly conceivable that further provisions have not had to be made on this account during 1957, in spite of the relative firmness of the very shortest stocks.

The downward tendency of published profits seems to have taken some people by surprise; but the average level of money rates through 1957 was only a little above that for 1956 (because of the reduction of Bank rate from 5½ to 5 per cent in early February). Such advantage as this increase brought to the banks by way of higher gross returns from their interest-earning assets was more or less offset by the sharp rise in the cost of interest on deposit accounts and by the further increase in the cost of staff and administration. The cost of deposit interest is now extremely burdensome; since the rise in Bank rate to 7 per cent last September, there has been a further marked switch of funds from the non-interest-bearing current accounts to deposit accounts, now carrying 5 per cent interest. The banks during 1957 have had the benefit of some increase in the average

volume of deposits (by about 2 per cent, almost restoring the 1955 average), of a moderate expansion in banking turnover, and of some recovery in the average volume of advances, which reversed their 1956 trend. Now the renewed tightening of the squeeze is curtailing advances again ; in the interests of disinflation, it is to be hoped that it will curtail deposits and banking turnover also. The banks cannot count in 1958 upon profits as good as in 1957.

DISCOUNT HOUSES

Casualties of 7 per cent

CONTRARY to popular belief, professional money dealers are always badly hit by dearer money—at least by its first impact. September's bludgeon of 7 per cent hit no-one harder than the discount houses. Bills bought at 4¼ per cent discount had to be sold at 6½ per cent discount, while the market values of bond portfolios took a further sharp knock. For 1955, not one of the big three of the London discount market, which also happen to be the houses that make up their books to the end of December, could show a true profit, but merely a "balance" after transfers from contingency reserves. For 1957 that has not been necessary ; though two aspects of valuation by the National Discount appear disturbing. Both the Union Discount, the giant of the market, and Alexanders show reductions in net profits, the Union from £420,769 to about £415,000 and Alexanders from £65,400 to £50,900. The Union maintains its dividend at its old rate of 12 per cent and the National Discount maintains its rate at 10 per cent (cut from 12 per cent in 1955) ; but Alexanders makes a further cut—to 5 per cent, after 7½ per cent in the two previous years and 12½ per cent before 1955.

Alexanders has again made a provision from profits towards the depreciation of its bonds ; its disclosed depreciation is reduced from £2.6 million to £2.3 million. The Union Discount can continue to show its bonds below market value, covering the whole depreciation from inner reserves. But the National Discount, the one house to show an increase in profits—from £202,103 to £208,117—shows a significant widening in its uncovered depreciation, from £2.5 million to £3.1 million. The intended implication is presumably that current profits rose but that depreciation on the portfolio also increased. That does not seem to have been the experience of other big houses in 1957—though experience of different houses does of course vary. Market value of their bonds, although well below the levels of mid-summer, are not on the whole below the levels of end-1956 : the discount houses today hold for the most part only very short dated bonds, to which a year's progress to maturity makes a big difference. The chief exception is the popular high-coupon 4½ per cent Conversion, down nearly 3 per cent on the year.

In their trading operations, the discount houses have done badly in bonds ; in the first half of the year as money rates were falling, running margins looked better, but since September, with average money costs around 5½-5⅝ per cent, every bond in the list has been carried at a running loss. Experience with bills has been almost the opposite. Margins between the cost of the money borrowed and the yield on the bill were pushed low while the market was expecting reductions in Bank rate ; but since 7 per cent running margins have been excellent—at first around ⅞ per cent, and lately, as the bill rate has fallen from near 6⅝ per cent to 6 7/16 per cent, margins have still reached ⅝-¾ per cent. Losses on bills in portfolio in September have been offset, at least in part. The net effect of these conflicting influences of 1957 appears to have differed in individual houses ; the profit figures of both the Union and Alexanders may be taken to imply that profit from current trading was less favourable than in 1956 ; on the other hand, the capital depreciation may be smaller now than a year ago.

The National's Valuation

BOTH the computation of profit and the valuation of the bond portfolio adopted by the National Discount mark a departure from previous years, and from normal practice. The "balance of profit" for the year was arrived at "after including the excess of amounts added to the book values of securities for customary amortisation of discounts on short-dated securities purchased below redemption values over a provision made towards securities depreciation" and after profits tax. Presumably, this "amortisation" implies a notional appreciation of book values of securities purchased under par; and it appears to be unrelated to market value. Part of this future redemption profit is included in the balance of current profit—although the year's realised losses from sales of securities are charged on contingencies and not on current profits.

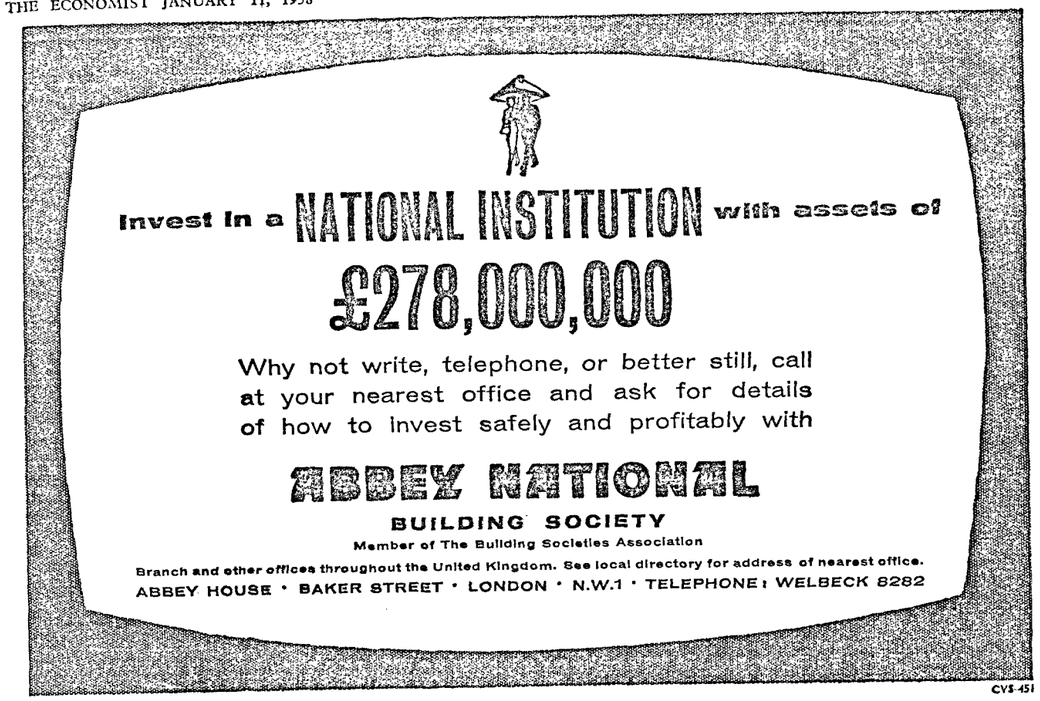
The effect of this practice is to raise the book value of the bond portfolio not only above market value but also above cost. The valuation is changed from "at or under cost and below redemption values" (the form adopted by the banks and discount houses in recent years that have disclosed depreciation in market value) to "at cost plus a proportion of discounts on short-dated securities purchased below redemption values." The change in practice could be one influence in the increase in the disclosed depreciation, noted above. No further information on these practices has been forthcoming. It is earnestly to be hoped that the changes, which are described in words of less than pellucid clarity, will be fully expained in the full balance sheet and justified in the chairman's report.

BEA'S JETS

Mr Watkinson and Mr Jones

THE Minister of Transport has now become the key figure in the unhappy BEA jet airliner dispute. It is Mr Watkinson who will say, probably in the next day or so, whether or not British European Airways is to carry out its original intention of last August, to order a jet airliner from de Havilland. But the issue has already gone beyond the conflicting technical merits of the two aircraft designed by de Havilland and by the Bristol Aeroplane Company. (Part of the Hawker Siddeley Group is to co-operate in manufacture with Bristol ; their own Avro design was turned down some time ago.) It now presents one of those recurring test cases of the Government's attitude towards civil aviation. The central issue is whether the Government is prepared to accept the judgment of the two nationalised air corporations on how they should run their businesses as commercial undertakings. An airline is as good as the aircraft it operates ; its freedom to order the equipment that it judges to be best suited to its services should not be inhibited save for reasons of decisive and demonstrable national interest.

Sir Thomas Sopwith did not pull his punches at the



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Deft flicks of small levers control tons of glowing metal in the first stage of rolling at Lackenby. When it is finished the Universal Beam Mill will produce steel beams in all shapes and sizes.



Stanley Curphey (right), steelworks superintendent, talks with Jack Smith, chairman of the Lackenby Trade Union branch. Friendly contact at man-to-man level may explain the absence of industrial strife.

Tomorrow clamours for steel —and the steel is coming

By GRAHAM HUTTON

Demand for steel is advancing. Atomic power stations; fly-over road junctions; new, more complicated equipment for the world's industries; our own industries—all clamour for steel. To meet this challenge, the Steel Industry has planned to raise steel output by another third by 1962. What does this mean in terms of men and money?

THE legendary site of the Garden of Eden is in Iraq. There the supposed Tree of Knowledge is shored-up on a girder of steel like bridges and buildings throughout the world bearing the names "Dorman Long." I thought I would go to the steel mills whence it came.

From old works in Middlesbrough this famous concern has spread down-Tees, modernising, expanding. High-capacity automatic ore-unloaders were the first step in post-war progress. Then came the open-hearth steel plant at Lackenby, two large blast-furnaces, and a blooming mill and medium section mill. The post-war developments of Dorman Long alone required investment of about £60 millions.

One building three-fifths of a mile long

The biggest project, due for completion this year, is the first of its kind in this country. It is a combined Universal Beam and Heavy Section mill. It will roll out solid beams of steel in one piece in their proper shapes, to hold anything from bridges to skyscrapers. It is three-fifths of a mile long – one building.

You quickly see that millions of pounds go into incredibly complex apparatus. Electronic computers; gigantic shafts and universal-joints to drive rollers; massive rollers and cooling-beds.

But money has to *come* from somewhere. Steel prices (which are fixed by the State-established Iron and Steel Board) are calculated to furnish some of the new capital required out of profits. But taxes take about 50% of profits. So one-third of the capital required will probably have to be raised from people's savings in the open market.

If you sink a lot of profits and other savings in costly equipment you must see that it earns its keep and a fair return on those savings. That thought keeps steel companies on their toes. And that is where Management comes in.

What does good Management do?

At Dorman Long, production rose over 50% from 1946 to 1952. More continuous use of plant meant that Management could take on 12% more workpeople, raise pay, improve deliveries, yet keep costs below the average rate of rise – even *before* the Lackenby plant began production in 1953. Meanwhile the new ore-preparation plant cut costs and helped to increase output. It knocked 15% off the coke needed to make a ton of iron. Better use of all capital led to better pay, more employment, better service.

Management means men. Industrial relations in steel are *probably the best in* all industry. Apart from the General Strike in 1926 there has been no official strike by the Iron and Steel Trades Confederation for 50 years. Modern apparatus demands *more* skilled labour, not less. Dorman Long were the first company in the steel industry to introduce the "sandwich" course to train supervisors and managers. They offer outstanding employees all the Company's support, and turn them into managers. After 20 years of such industrial democracy, Dorman Long are reaping a fine crop of talents, trained "all round the shop." Management in steel knows its men. It has to.

Like all "human interest stories," this story has no elaborate plot. Like them, it is never-ending. Human brains invent new uses for steel every day. Britain's Iron and Steel Industry is abreast, if not ahead, of those of America or Germany. Its relations with workpeople, customers and suppliers, are excellent. It has made ambitious plans, and is swiftly fulfilling them. Steel is serving us well.

This personal report was invited by the British Iron and Steel Federation, which believes that everyone in Britain should know the facts about steel, and about the men and organisations that make it.

Hawker Siddeley Group's annual general meeting on Wednesday. He said that "talk of the technical superiority of one aircraft on paper over another is nonsense." But swinging blows of this kind do little to advance the argument. Two competing aircraft are likely to be superficially identical if they are both designed to meet the same specification; and with the exception of the engines, these two may be near enough alike. What an airline weighs when it buys an aircraft off the drawing board is not so much the design as the design team offering it and the company behind it; in this case BEA's engineers have expressed a clear preference for de Havilland. The Ministry of Supply considers that the financial and production resources of the Bristol-Hawker Siddeley group, the formation of which was announced a few days ago, are superior to those of de Havilland (which would also work with Bristol and other companies if its aircraft was chosen) and has thrown its full weight against giving the order to de Havilland. But airlines themselves have to take a company's production record into account before they give it an order and British European Airways should be as capable of weighing the ability of a company to produce a new aircraft as it is of deciding whether this is the new aircraft that meets their needs. Conceivably the corporation could make a mistake, but that is the responsibility of BEA's board. If as airline operators they feel justified in rejecting the urgent advice of the Ministry of Supply (whose arguments are controversial enough) it is their public duty to do so. Mr Jones's wish to have fewer and stronger units in the aircraft industry is one that all reasonable people will share. But that aim will not be advanced by exerting leverage on BEA. The customer should have his own say.

GOLD RESERVE

Another Modest Gain

RELIEF, but not rejoicing, followed the rise of $88 million in the gold and dollar reserves at the end of December. At $2,273 million, the reserves show a rise of $423 million from the low point of $1,850 million touched at the end of September; of this increase more than half ($250 million) comes from the October drawing from the Export-Import Bank. The reserves even show a modest rise of $140 million over 1957 as a whole, but that rise is wholly illusory; it was much more than covered by the British drawing on the Export-Import Bank plus the Indian drawings on the International Monetary Fund; the true dollar deficit for the year exceeded $400 million. In December the waiver was exercised, so that the figures for that month contain only insignificant exceptional items—about $15 million in all, including the $7½ million regular quarterly repayment on the Canadian interest free loan. There is always room for some difference of view about the treatment of small recurrent capital items such as this and the $3 million monthly funding payment on the EPU debt. The complexity of the calculation probably explains the rejection of a recent request from a leading firm of jobbers in the gilt-edged market for weekly figures of gold movements.

On balance, the fairest computation of the true dollar balance in December, counting the European Payments Union settlements against the months in which they accrued, instead of against the months in which they were paid, was $83 million—compared with $71 million in November and $141 million in October. The true dollar surplus was $295 million over the last three months of 1957. This compares with a dollar loss in the previous three months of $628 million or, if allowance be made for the exceptional German deposits in that period, a loss of well over $750 million.

As it happens, the gold figures at the end of last year show neatly how far the economy had recovered at the moment of the Chancellor's departure. Gold has flowed in regularly for three months—ever since the decisive action of September 19th. But less than half of the damage suffered last summer had been made good when the pilot left the helm, and a long stretch of difficult navigation still lies ahead. Among the aspects of the monthly gold movements that are still far from satisfactory is the persisting deficit with EPU—£6.1 million last month, against £1 million in November. About a third of the December deficit represented interest on Britain's accumulated deficit; another influence may have been end-of-the-year window-dressing by foreign banks and other institutions that hold balances in London. But it seems that much less than the whole of last summer's bear drive against sterling can yet have been reversed.

	True dollar balance in period* $mn	Actual change in reserves $mn	Reserves at end of period $mn
January–June	− 77	*+ 248*	*2,381*
July	− 32	− 14	2,367
August	−300	−225	2,142
September	−296	−292	1,850
October	+141	+243	2,093
November	+ 71	+ 92	2,185
December	+ 83	+ 88	2,273
1957 year	−410	+140	2,273

* Adjusting for one month lag in settlement of EPU balance, for known special payments (but not regular quarterly or monthly ones) and credits from IMF, Export-Import Bank, etc.; no adjustment is made for Germany's deposit of £75 millions in the summer months.

STEEL SHARES

Investing in Political Fireworks

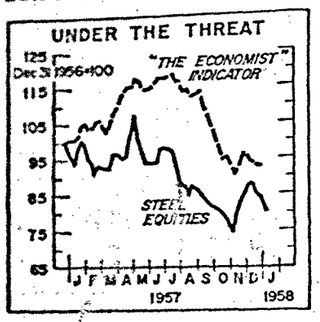
TWO years and five months still lie ahead before a general election must be held; steel shares have already been a political market for a year. The chart shows how they diverged last year from the general line of *The Economist* indicator as they came under two related political pressures —the fear of investors that their shares will be taken from them at unsatisfactory prices and the fear that the companies will find it hard to raise the money they need from investors exposed to that risk. Indeed, the fall has gone so far that the investor might now find a worse hole. Other stocks, too, will fall if a government pledged to nationalisation comes in.

	Issue date	Issue price	Current price	Current yield
United Steel	November, 1953	25/– 17/8§	19/9*	11·7
Lancashire Steel	January, 1954	22/–	24/3	9·9
Stewarts and Lloyds	June, 1954	35/– 17/6‡	21/1½*	10·4
John Summers	October, 1954	24/6 23/–†	24/1½*	11·6
Dorman Long	November, 1954	22/6	22/–*	9·1
Colvilles	January, 1955	26/–	25/7½*	10·2
Steel Co. of Wales	March, 1957	20/–	15/9*	10·2

Adjusted for :—* Ex dividend. † Rights issue. ‡ Scrip issue. § Rights and scrip issue.

Steel company chairmen are unanimous in their hatred and fear of nationalisation, but far from unanimous as to how the political hand should be played. At the one extreme, Mr A. G. Stewart makes a most vocal appeal to

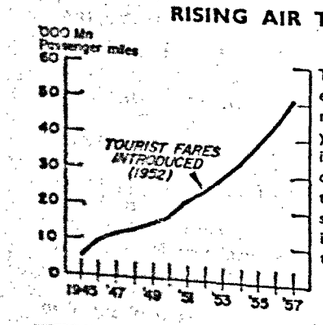
the public. He has tried public advertisement, and he now invites a resolution from the shareholders of Stewarts and Lloyds backing any action the directors take to oppose nationalisation. At the other extreme the chairman of South Durham leaves the subject severely alone. Between those extremes comes a reasoned statement by Sir Ellis Hunter, of Dorman Long, showing that the industry under private ownership is harmonious and progressive, and an appeal by Mr Harald Peake, of Steel Company of Wales, for a truce of at least five years during which the industry would be kept out of politics. The public controversy school now led by Stewarts and Lloyds and by Sir Walter Benton Jones, of United Steel must presumably feel that a public anti-nationalisation campaign will do no harm and might do good. But these two spokesmen are exceptions to the general line taken by other steel chairmen on nationalisation—to emphasise the positive achievements of the industry under private enterprise, rather than enter into premature political controversy.



It is recognised that the task before the steel industry is not only to sell steel but also to borrow money. Already money for steel has to be tempted out. The terms on which South Durham is borrowing from Finance Corporation for Industry involve a costless and automatically profitable option extending until 1967 and therefore at least into the life of the third parliament from now. The option is at par, which is both below the current price of 23s. 9d. and much below the theoretical re-nationalisation price of 27s. 6d. The terms on which Colvilles will raise £6 million from the public (with preferential allotment to stockholders) are a 6 per cent convertible debenture stock 1978-81 at £99, which is not over-generous but obviously intended to be worth about par, irrespective of the option to convert into ordinary stock.

The option starts in March next year at 27s. 6d. (only 1s. 6d. above the present price) and the conversion price rises gradually to 30s. 11d. in 1963. It therefore covers at least a parliament and a half.

RISING AIR TRAFFIC



The airlines' passenger traffic, excluding Russia and China, rose by some 16 per cent last year. Next April, the airlines introduce third class services on the North Atlantic. Will this give them another boost such as they enjoyed from the introduction of second class tourist fares six years ago?

(Source: ICAO)

ANTI-DUMPING

Silicones in the Dumps

It is unfortunate that the first anti-dumping order made by the Board of Trade should have been published within days of the inauguration of the European Common Market, and should have been made against a French company. European industry is not likely to take this as a gesture of British goodwill. British industry, on the other hand, seems cheered by this evidence that the Board of Trade does intend to use last year's Customs Duties Act to take special steps against dumping by foreign manufacturers.

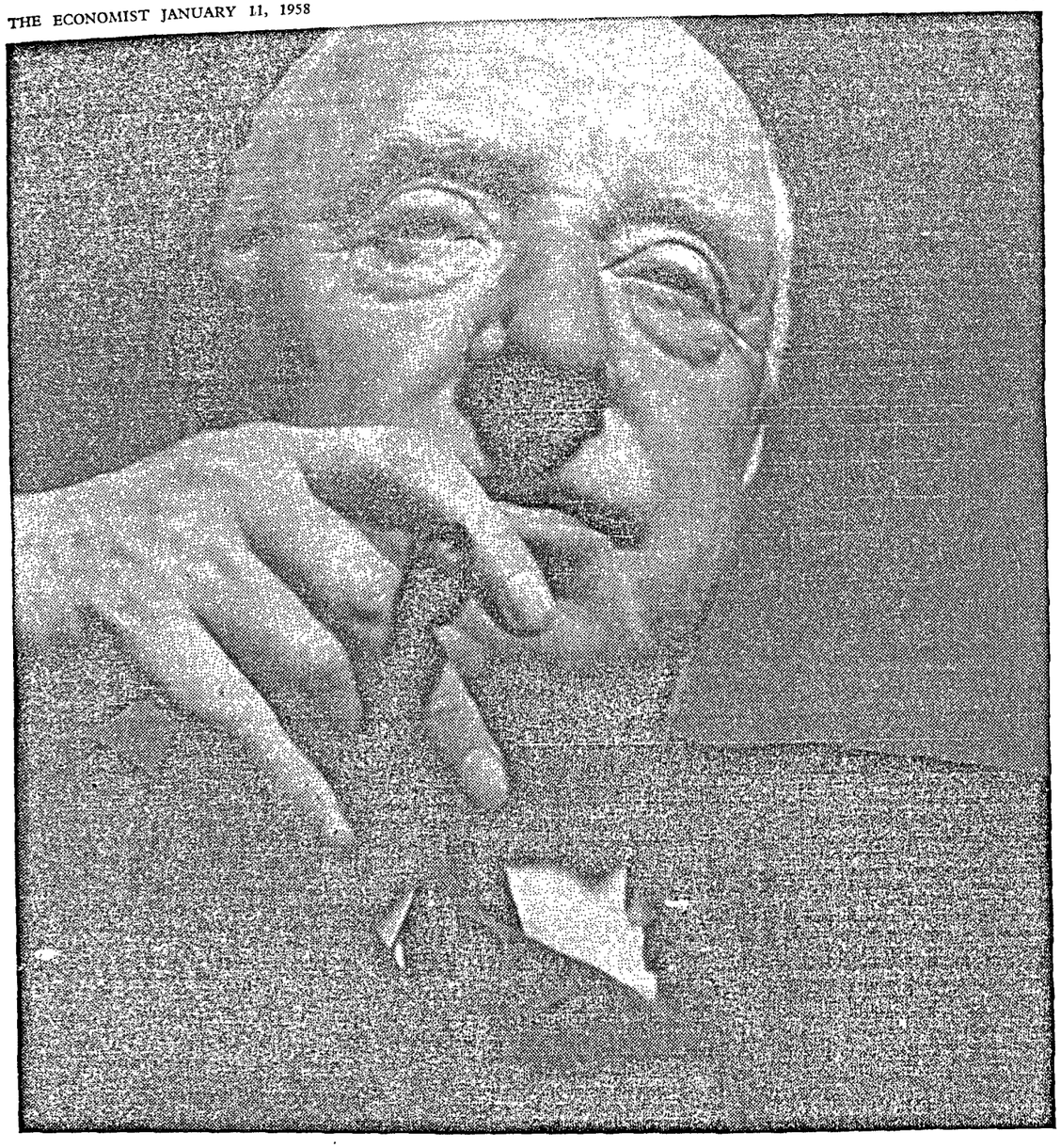
The steps taken in this case amount to a special anti-dumping duty of 4s. a pound imposed on silicone fluids manufactured by the important *Société des Usines Chimiques Rhone-Poulenc*. This is no case of a small British industry complaining against a foreign bully. The two companies who protested to the Board of Trade—and they alone make silicones in this country—are Imperial Chemical Industries and Albright and Wilson. Each complained separately that their home sales were suffering from the import of French silicones into this country at prices substantially below those ruling in France.

Silicones are an intriguing class of chemicals, based in theory on silica, but made in fact from synthesised gases. They come in a variety of forms, fluids being the most common, but they also include solids and emulsions. The defence industries use special products like silicone rubbers and greases because they stand up to extreme temperature changes; other industries use them as "special property" additives, for example to plastics and polishes, to textiles for waterproofing, to paper and baking tins to prevent sticking. Silicones were developed in the United States, and were first manufactured about eight years ago in this country by Albright and Wilson, and in 1955 by ICI, both using American techniques. In the late forties, the Board of Trade was anxious to see silicone manufacture established in this country, and that may in part explain its willingness now to protect two powerful concerns against a foreign competitor. Albright and Wilson's sales first began to suffer noticeably in the second half of 1956; and both companies had lodged a formal complaint by the spring of 1957. Meanwhile, imports from France almost wholly replaced imports from the United States, which started to run down as soon as the British factories got into production. Between 1953, when imports were almost wholly American, and last year, when they were largely French, the average value of silicone imports of all types fell from about £1.4 per pound to a little over £1 per pound; imports in recent years have averaged about 500,000 pounds. The effect of the new duty should be at least partly offset by the devaluation of the franc but a watch will need to be kept that British industry does not badger the Board of Trade to use its anti-dumping powers as a handy substitute for tariff protection.

PROFITS

Profits Marking Time

Most of the 482 companies whose reports are included in *The Economist's* analysis for the last quarter of 1957 closed their financial years between June 30th and Sep-

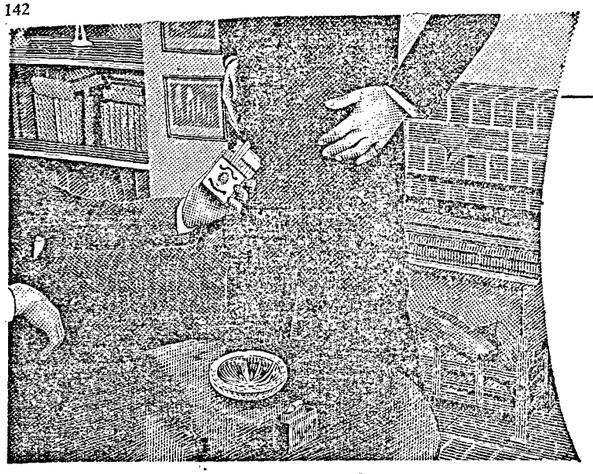


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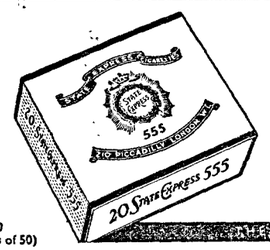


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P.1003

tember 30th. The trading profits of these companies rose by about 4¾ per cent, by £14.6 million to £323 million—a lower rate than the 5½ per cent increase reported in the previous quarter. Earnings, after tax, on the ordinary capital of the 482 companies rose by about £5½ million to nearly £110 million and net ordinary dividends increased by about £3 million to £40½ million. Expressed as a gross rate per cent on issued ordinary capital, these dividend payments represent a very slight drop in the rate of return, from 15.5 to 15.4 per cent. The usual detailed statistics will be published in next week's issue.

It is apparent that the increase in total profits is due largely to bigger earnings in such consumption trades as brewing and food and confectionery; profits of the capital goods industries show little change. Even before the latest squeeze earnings showed no real buoyancy: the extra £5½ million in net earnings came from an additional investment of £110 million in net assets.

DIAMONDS

Gems and Industrials

THE Russians have announced a second big diamond find, though they have still to show diamonds from their first find in Siberia; and the Central Selling Organisation, which markets between 80 and 85 per cent of the free world's diamonds, has announced another record in sales. Over the last five years the figures are as follows:

	Gems £ mill.	Industrials £ mill.	Total £ mill.
1953	43·3	17·8	61·1
1954	45·6	16·5	62·1
1955	50·3	24·0	74·3
1956	50·5	24·0	74·5
1957	52·8	24·0	76·8

The latest record owes something to the increase in gem prices and in a few grades of industrials (including crushing boart). Sales were beginning to fall off in the last quarter of the year as business activity in the United States began to slow down, and the strike of diamond-cutters in Antwerp did not help. Even so, sales of industrial stones have kept up despite the cessation of buying by the United States stockpile. There are signs that the market is softening for this the hardest of all materials. Personalities count for much in this industry, and the world's diamond market has suffered the double shock of the deaths recently of Sir Ernest Oppenheimer and this week of Dr John Williamson.

MOTOR EXPORTS

Prospects after the Cuts

NEW ZEALAND is the first of the motor industry's overseas markets to cut imports since the fall in commodity prices received major attention. The new import quotas cover a wide range of goods besides motors but vehicle exporters appear likely to be the hardest hit here, though just how far this year's vehicle shipments are to be reduced is still a little uncertain. The announcement spoke of a 25 per cent cut in the original, unspecified quota for 1958 for unassembled vehicles and a 50 per cent reduction in the number of assembled vehicles. Presumably the original 1958 quotas would have allowed larger imports than last year's 50,000. It also appears that imports of vans and lorries are now to be licensed as well and will come out of the new overall 1958 quota. One Wellington source has suggested that these measures will mean an import of vehicles this year of about 35,000, a reduction of some 30 per cent.

Fortunately the motor industry is now somewhat less "at risk" in these markets in the southern hemisphere that are liable to fluctuate so from year to year. Shipments to Australia (which has not yet officially cut back imports) and New Zealand accounted last year for only a seventh of total car exports, while two years ago they took more than a quarter. They are still important buyers, but both the United States and South Africa are now bigger, and sales in Canada last year were ahead of those in Australia, formerly the largest single market. With nearly 100,000 cars shipped to the United States—and 85,000 sold there—last year, British exporters had a remarkably good year, the first of the new Ford and Vauxhall American distribution networks. Most foreign cars did well there and registrations of all imported cars doubled to about 3 per cent of the total. This marginal sale, which is nonetheless important to European manufacturers, and consists largely of "second" cars bought by motorists on the two coasts, should enable foreign makes to prosper further this year even if domestic models sell less well. British manufacturers are hoping to do so, and also to keep up their recent progress in some of the key "third" markets in Europe, such as Sweden (where 20,000 British cars were exported last year) and Belgium. But this country's car exports are still heavily directed towards countries with fluctuating primary product incomes, and 1958 shipments to all markets are not likely greatly to exceed last year's record 400,000.

WHALE OIL

New Antarctic Season

AGAIN the Antarctic whaling season, which started this week, consists of 20 expeditions—nine Norwegian, six Japanese, three British, one Dutch and one Russian. The only changes compared with last year are that one Norwegian land station will not function in 1958, and that the South African expedition now flies the Japanese flag. Again, as last year, the maximum catch allowed by international agreement is 14,500 "blue whale units"; a blue whale unit is one blue whale, or two fin whales or two and a half humpback whales. All the expeditions are parties to the agreement, though proposals for international observers on board to enforce it are still under consideration.

The outlook for the campaign that will end in March depends on two imponderables—the yield of the whales to be caught and the troubles in Indonesia, which threaten to reduce world supplies of vegetable oils. Last year the expeditions were fortunate: the yield of the whales killed was high and the rise in commodity prices resulting from the Suez episode made it possible to sell about 150,000 tons of whale oil at between £90 and £93 a ton. Since then the price of whale oil has fallen. It touched £75 a ton at the end of September. But the most recent sale under the influence of the Indonesian crisis was just under £80 a ton. No expedition has yet sold any part of its 1958 catch in advance.

LIFE ASSURANCE

Record New Business

ONCE again the life offices have done more new business than ever before. The life offices' associations put the new ordinary life sums assured in 1957 by 72 offices at £1,330 million, representing an increase of 12 per cent on the 1956 total of £1,190 million. In 1956 the total of new sums assured rose by 11 per cent and in 1955 by 14 per cent. Industrial life assurance also had a record year, new sums assured so far reported having risen by £27 million to £330 million.

These are global figures, but last year's buoyancy in ordinary life sums assured seems to owe more to individual contracts than to new group life cover. The overseas contribution (which represents about 15 per cent of new sums assured) has been fully maintained. Yearly premiums paid in 1957 for annuities will have topped the £100 million mark (compared with £275 million in assurances). But new assured pensions by deferred annuities may be no larger than in 1956 and this pause in business may owe something to the publicity given to the Labour party's pension plan. "Millard Tucker" pension policies for the self-employed got off to a slow start in 1956 and the silence of many of the offices about their more recent experience suggests there has been little, if any, quickening of the pace—though there may be a last-minute rush this spring under the dispensation that allows the first premium (for 1956-57) to qualify for tax relief provided it is paid before April 5, 1958.

Personal savings through the life offices are not measured by the new business secured but by the growth of their funds. Last year these funds will have grown by upwards of £250 million. These funds were subjected to the blast of the fall in Stock Exchange prices and an average portfolio of life and annuity assets probably suffered a fall of about 4 per cent in market values last year. But as the life funds have continued to grow and as assets are matched against liabilities as they emerge, the life offices were under no compulsion to sell their holdings. Their funds have not been permanently scarred, even though their investment reserves may have been temporarily depleted.

ORDINARY LIFE NET NEW BUSINESS
(Net Sums Assured £ million)

Office	1955	1956	1957	Office	1955	1956	1957	Office	1955	1956	1957
Alliance	10·2	11·3	12·2*	Licenses & General	1·5	1·3	1·4	Prov. Assoc. of London	12·2	13·4	12·0*
Atlas	7·4	9·5	9·8*	Life Assn. of Scotland	3·3	3·5	3·7	Prov. Mutual	7·8	9·6	10·8*
Avon	0·9	0·7	1·5	Liverpool & Lond. & Globe	10·8	12·0	13·4	Prudential	154·1	176·4	217·0*
Beacon	8·7	13·3	11·9	Liverpool Victoria	6·6	5·8	5·7	Refuge	16·4	17·6	17·7
Britannic	7·6	8·2	7·9	London & Manchester	4·8	5·3	5·6	Reliance Mutual	1·2	1·3	1·5
Caledonian	3·9	4·3	6·0*	London Assurance	8·9	10·5	10·0*	Royal	19·5	24·0	28·1
Canada Life†	10·2	12·5	14·8	London Life	4·8	4·4	5·4	Royal Exchange	9·6	9·5	10·9
Clerical, Medical & General	9·8	10·1	10·4*	Manufacturers' Life†	11·9	13·6	15·6	Royal London	10·3	10·6	13·1
Colonial Mutual†	11·2	15·0	15·8	Marine & General	2·9	3·1	3·0	Scottish Amicable	12·1	12·8	14·1
Commercial Union	22·7	22·0	24·1*	Mercantile & General	21·0	25·5	27·5*	Scottish Equitable	5·9	5·6	6·7*
Confederation Life†	5·3	5·5	6·0*	Midland Employers'	1·9	2·2	2·4	Scottish Life	8·8	9·0	10·4*
Co-operative	29·8	23·7	30·0	National & Colonial	2·8	2·5	1·9*	Scottish Mutual	4·5	5·2	6·2
Crusader	5·9‡	5·0‡	7·0‡	National Farmers' Union	5·9	5·6	6·3	Scottish Provident	9·7	11·1	11·5
Eagle Star	59·7	61·8	62·0*	National Mutual	2·4	2·6	3·1	Scottish Union & National	6·4	7·8	7·7*
Equitable	5·6	5·3	7·0	Nat. Mutual of Australasia†	4·6	5·8	7·1	Scottish Widows'	20·2	26·2	26·3*
Equity & Law	12·3	10·5	12·2	National Provident	6·4	6·9	7·8*	Standard	46·3	54·5	63·1
Friends' Provident	29·1	29·8	38·3	N. British & Mercantile	13·8	14·4	15·9*	Sun Life	55·7	56·1	60·8
General Life	8·4	9·3	10·9	Northern	26·9	29·0	32·0*	U.K. Provident	9·6	10·5	11·7
Gresham Life	12·0	12·5	12·2	Norwich Union	68·3	70·3	77·0*	University Life	1·2	1·1	1·4
Guardian	15·1	17·3	25·0	Pearl	29·9	33·1	38·1	Wesleyan & General	5·1	4·4	4·7
Law Union & Rock	6·8	6·7	7·2	Phoenix	10·1	8·9	10·7	Yorkshire	22·6	24·1	25·6*
Legal & General	115·0	137·1	143·3								

* Approximation. † U.K. business only—the figures for the other offices are global. ‡ Gross.

WORLD OIL PRODUCTION

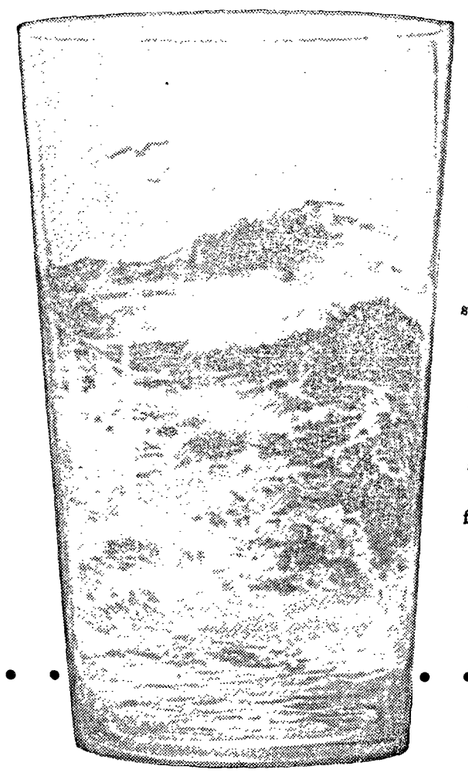
Expansion below Average

IN spite of the Suez affair, production of crude oil in the free world in 1957, at 768 million tons, was 29 million tons or 4 per cent higher than in 1956. But this increase, held down by the sluggish demand both in the United States and elsewhere towards the end of the year, was smaller than the average increase since 1950, which exceeded 6 per cent. Production in the United States, although roughly the same as in 1956, was a million barrels a day (equivalent to an annual rate of 50 million tons) lower towards the end of the year than it was in March, the peak month of the "oil lift" to Europe. A combination of slackening industrial output and mild weather held back domestic demand in the United States, which still consumes over half the world's oil, to an increase of only one per cent over 1956. Affected by this, by a weak market in Canada as well, and by increased competition from Venezuelan and Middle Eastern producers who were helped, towards the end of the year, by the slump in tanker freight rates, output in Canada rose by little more than a million tons to 24.5 million tons. Venezuela, on the other hand, produced 17 million tons more in 1957 than in 1956, and output fell less sharply there than in the United States after the Suez emergency ended. In December Venezuela's output was running at only 400,000 barrels a day below the peak output achieved in June 1957, and was still well above the pre-Suez rate.

In the Middle East, despite the Suez interruptions, output rose slightly in 1957 as a whole, by a little over 4 million tons. Persia was the principal gainer, with a rise of 5 million tons, and Iraq the principal loser, with a fall of 10 million tons caused by the damage to IPC's pipelines. Kuwait, the leading producer in the Middle East, produced more than 57 million tons in 1957, compared with Saudi Arabia's 49 million tons—and Venezuela's 146 million tons.

Stocks at the beginning of 1958 were high throughout the world. This year, US domestic demand may rise by two to three per cent, but this is expected to be more

To any town thinking of drinking sea water—



Mad idea? Not a bit of it. Go mad *if you drink it?* Nonsense. Not today; not with modern evaporators; certainly not with the newly developed Richardsons Westgarth evaporator. This tidy and compact piece of plant will distill for you—from sea water—anything up to 250 tons of fresh water every hour. And by fresh we mean crystal clear, far purer and softer than good drinking water supplies.

Of course, large sea water evaporators are not, in themselves, anything new; Richardsons Westgarth and many other people have been building them for years. But this latest R.W. evaporator is the result of a radically different approach in design. It is indeed *something* quite new in its simplicity of operation, relatively low first cost, and ability to go on delivering full output—without having to be shut down for cleaning—for months or years on end and with almost negligible attention and maintenance. Fresh water from sea water now becomes *feasible* economically where cost had hitherto put it out of court.

THE RICHARDSONS WESTGARTH GROUP

that is to say

THE NORTH EASTERN MARINE ENGINEERING CO. LTD. — RICHARDSONS WESTGARTH (HARTLEPOOL) LTD.

PARSONS MARINE TURBINE CO. LTD. — THE HUMBER GRAVING DOCK & ENGINEERING CO. LTD.

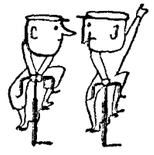
GEORGE CLARK & NORTH EASTERN MARINE (SUNDERLAND) LTD. — RICHARDSONS WESTGARTH ATOMIC LTD.

ASSOCIATED COMPANY: ATOMIC POWER CONSTRUCTIONS LTD.

RICHARDSONS, WESTGARTH & CO. LTD., WALLSEND, NORTHUMBERLAND



the things they say!

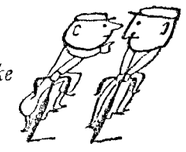


This is the Age of the Common Man, all right!

Maybe, but even today I doubt if the worker gets a proper stake in industry.

Things are changing, though.

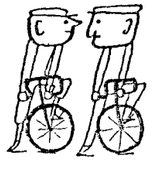
Not that I've noticed.

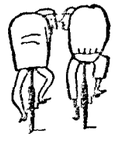


Well, quite a number of concerns now have profit-sharing schemes, and some—like I.C.I.'s—also enable their employees to become stockholders.

Yes, but these schemes are only smokescreens. The bosses simply depress wages to find the money to pay for them.

That's where you're wrong. I.C.I. workers get the wages that have been negotiated on their behalf by seventeen Trade Unions. Any benefits they receive under the Company's profit-sharing scheme are over and above what they get in their pay envelopes.





Yes, but I.C.I. isn't Santa Claus. If the wages don't suffer, something else must—amenities or something.

Wrong again, friend. I.C.I.'s policy has led to a steady improvement in the service conditions of its employees, and the profit-sharing scheme is just another example. From now on, the employees are going forward with the stockholders as joint partners in their own efficient and expanding business.

ICI

J

than offset by a decline in exports, and the Department of the Interior predicts that the output of crude oil in the United States will fall by nearly two per cent. Demand in the Eastern Hemisphere should continue to rise faster, but the rate of increase, like that in the United States itself, is largely dependent on the course of the American economy. The prospect is again one of a less than average increase in world oil output in 1958—while the net addition to productive capacity, especially in Venezuela and the Middle East, is likely to be exceptionally large.

NATIONAL SAVINGS

Savings Tide Runs Out

DISAPPOINTMENT must surely be felt about the "national" savings figures for the calendar year 1957. Lord Mackintosh of Halifax, chairman of the National Savings Committee, put the net savings figure at £76 million (against £128 million in 1956). His figure must therefore have been struck excluding the repayment of defence bonds on maturity. If these are included the year's final figure for net national savings (savings, plus accrued interest, less withdrawals) was, as the table shows, £55 million, against £80 million in 1956.

NET NATIONAL SAVINGS
(Calendar years)
(£'000s)

	1954	1955	1956	1957
National Savings Certs.	+34,100	+32,350	+56,300	+ 9,900
Defence Bonds	+36,244	+32,514	+ 7,325	− 8,142
Post Office Savings	−60,009	−71,656	−52,616	−49,236
T.S.B.	+24,148	+ 2,676	+15,293	+17,860
Premium Bonds	...	...	+51,500	+68,560
	+34,483	− 4,114	+77,802	+38,942
Nett interest accrued	+86,836	+81,403	+49,746	+37,352
Defence Bonds—repaid on maturity	31,629	43,309	47,354	20,814
Totals*	+89,690	+33,980	+80,194	+55,480

* Excluding quoted Government securities bought through the G.P.O.

Lord Mackintosh summed up the savings result of last year by saying: "In the first half-year we seemed set for record figures, but afterwards the tightening of the credit squeeze, rising interest rates and increased spending made further progress increasingly difficult." This seems to underline the basic fact that the shift in interest rates in September left the rates on the small savings media—those of the National Savings Committee and those of the building societies—almost alone unaltered. The time for a new appraisal with new incentives to saving must surely have arrived.

BULLION

Bigger Gold Turnover

TURNOVER in the London gold market is believed to have risen by about 20 per cent in 1957. This is the estimate of Mocatta and Goldsmid; given the reduction both of private hoarding and of direct speculation in gold, their annual report attributes increased activity in the London market particularly to the European central banks. Whenever the sterling price of gold is appreciably below the equivalent of $35 per ounce central banks with deficits in EPU meet them by buying gold rather than dollars, for in these settlements gold as well as currencies is reckoned at par of exchange.

Mocatta and Goldsmid report that after the repayment of lend-lease silver by the British Government had been completed, the authorities in London became sellers of silver extracted from the old coinage. They estimate that the amount of silver obtained in 1957 from that source was in the neighbourhood of 12 million ounces. This happens to coincide with the estimated turnover in the "essential market," that is the silver required for authorised industrial uses. The coinage demand for silver has shrunk to a shadow of its former self; during the past year only two mints—those of Vienna and Stockholm—bought silver in London.

CYCLES

Mounting Scooter Sales

SINCE the beginning of last year the Board of Trade has been recording scooters separately in its production figures for cycles—an act of official recognition for this new sector of an established industry that is both useful and timely. It is only two years since the first British models appeared (though five since the Italian *Vespa* was first manufactured here under licence). But already for every four conventional motor cycles that are made in Britain for the home market and for export, rather more than one scooter is now produced—almost entirely for the home market.

	Bicycles Output	Motor cycles Output*	Scooters Output	Scooters Imports	Scooters Total
	('000)	('000)	('000)	('000)	('000)
1953	3,000	154	5·0	1·0	6·0
1954	3,300	180	7·5	3·5	11·0
1955	3,564	178	9·5	18·5	28·0
1956	2,868	125	8·5	24·7	33·2
1957 (9 mths.)	1,838	140	26·7	41·0	67·7

* Including only part of scooter output before 1957.

The new official figures for scooters can be compared only with private estimates for earlier years, but while

MOTOR BUSINESS

The December issue of this quarterly research bulletin for the motor and allied industries is now available. It includes:

THE OUTLOOK FOR 1958
THE ITALIAN MOTOR INDUSTRY
THE MARKET IN THE UNITED STATES FOR EUROPEAN CARS

The Bulletin is fully illustrated by charts, amongst which are:

PRICE INDICES OF USED CARS AND VANS
NEW REGISTRATIONS IN GREAT BRITAIN

For full particulars of this Bulletin apply to:

THE ECONOMIST INTELLIGENCE UNIT LIMITED
22 Ryder Street, St. James's, London, S.W.1.
Whitehall 1511, Ext. 48

bicycle manufacture fell further during 1957 and output of "mopeds" (powered bicycles) and the more conventional kinds of motor cycle rose by about a fifth to a quarter on 1956, scooter production is likely to have jumped fourfold. With bigger imports as well, total sales in Britain were around the 80,000 mark for 1957 as a whole, roughly doubling the numbers on the road a year ago.

Scooters create a new market in mechanised mobility rather than encroach heavily into established ones: probably few of the large number of women scooter owners, for instance, would previously have thought of getting a motor cycle. But the increased popularity of lighter weight machines, including two-strokes, among the younger buyers of motor cycles has not been ignored by manufacturers of either type of two-wheeler. The increased performance and extra power of the new models that scooter makers plan to bring out in 1958 are intended to hit the conventional motor cycle market at its weakest point. Buyers of scooters have a wide selection already: there are some 40 makes, comprising more than 50 models, obtainable in Britain. Nearly 20 of these are made here, but the Italian machines are still well in the lead, with *Lambretta* ahead of *Vespa*. Then probably come the Cyclemaster *Piatti* (designed by an Italian) and the BSA *Dandy* (which at 70 cc, half the size of most scooters, is more in the nature of a light motor cycle). In comparison with some continental countries, the British scooter market is still puny. But it is growing rapidly.

SHORTER NOTES

The Board of Trade is about to dispose of the whole of the remainder of the British stockpile of softwood. This final release of about 55,000 standards will be opened to tender on or about January 24th.

Lord Rank attributes the drop in profits of Ranks Ltd. from £8.1 million to £6.6 million in the year to August 31st to stock losses resulting from the continuous fall in wheat prices after the big rise during the Suez crisis. Profits from animal feeding stuffs also suffered a setback, but profits from the group's bakery interests increased. Results for the first quarter of the current year show a substantial improvement, which Lord Rank expects to continue.

* * *

Last year the total assets of the Abbey National Building Society grew by £20 million to £278 million. Receipts from investors remained practically unchanged at £48.8 million, and £38.6 million (4.2 per cent less than in 1956) was advanced on mortgage. The liquidity ratio remained unchanged at 14.4 per cent and the reserves and carry forward were built up from £9.9 million to £10.6 million.

* * *

The Orange Free State gold mines in the Anglo-American stable have now announced their estimated losses for tax purposes. The figures, which still have to be agreed with the tax authorities, are: Free State Geduld, £16,903,000; Loraine, £14,917,000; President Brand, 3,411,000; President Steyn £11,780,000; Welkom, £15,901,000; Western Holdings, £6,778,000. No tax is payable until these losses, in effect representing capital expenditures, are absorbed by profits.

COMPANY AFFAIRS

Steel's Good Year—and After

THREE factors govern the outlook for steel shares: the threat of nationalisation; the prospect that profits this year will not be so buoyant; and the fact that many companies now have to raise money. Nationalisation and new capital needs are discussed in an earlier note. Together they overshadow the bigger dividends and the immediate economic outlook for the industry. Bigger dividends have been the order of the day this year and in general bigger profits amply justify this. But trading results have been patchy and are likely to be patchier this year. That is inevitable when development programmes are at varying stages of completion. Results will also vary according to the industries that individual steel companies serve. Spokesmen of companies supplying such industries as motor manufacture seem more confident than those chiefly serving the capital goods industries.

Profit margins are likely to be lower and the steel industry as a whole is in for a thinner time than it has recently enjoyed. With profits less buoyant can the companies afford further dividend increases? The cover for present dividends is substantial, even when net profits are calculated, as they are in the accompanying table, after deducting appropriations to replacement reserves. But many steel companies, with their liquid resources already strained by heavier working capital commitments, have massive development programmes to complete and the only present means of financing them would need the heavy support of prior charge capital. Another bout of dividend increases on the recent scale seems unlikely late this year.

Stewarts and Lloyds has spent since the war about £55 million on capital development and intends to spend another £41 million. The chairman, Mr A. G. Stewart, describes that sum as the "minimum expenditure" required if the company is to hold its own in the international tube trade. Some of it will have to be met by borrowing—in the first instance from the banks.

This year, the company's profits will be less buoyant. The chairman says that the home trade in steel tubes shows no sign of improvement and that while the home trade in cast iron pipes should be maintained, export trade may decline. Last year deliveries of steel tubes to industries other than oil were appreciably down. The increase in exports of tubes (especially to the oil industry) was insufficient to take up the slack in the home market and in the latter months of the year some of the plant was on short time. Though the value of sales made by the group rose by about £15.3 million to £129.4 million, trading profits rose by only £2 million to £21 million.

The Steel Company of Wales, the newest, the most heavily capitalised and the last (as yet) to be denationalised, will spend about £52½ million on the third stage of its development programme, designed to bring its annual steel output up to 3 million tons; of that sum it has already spent £10½ million. The company's loan of £28.8 million from the Finance Corporation for Industry has been repaid and it has borrowed £40 million on a 5½ per cent debenture (issued at 98) and £25 million on a 5¾ per cent debenture (also issued at 98) from the Iron & Steel Holding and Realisation Agency. To finance the remainder of their programme, it has already drawn £8½ million from the £40 million facilities with ISHRA. Its fixed interest charges are thus growing rapidly but the chairman, Mr Harald Peake, is confident that this important producer of strip, sheet steel and tinplate will earn not less than £20 million in profits this year and will pay the forecast ordinary dividend of 8 per cent. Last year trading profits rose by £4.8 million to over £19 million.

South Durham Steel and Iron has now announced details of its scheme to build a new integrated steel works. The first phase of this scheme, due to be completed late in 1962, will cost £43 million and the second another £12 million. FCI has agreed to advance the company (at an unspecified rate but presumably running above Bank rate as is usual for FCI loans) up to £22½ million in instalments up to 1967; as part of the agreement FCI has been granted an option to take up 2,000,000 South Durham's £1 ordinary shares at par between October, 1959, and September, 1967. This option could be valuable, if renationalisation does not materialise—and equally if it does, for the shares rank equally with those that were sold to the public at 27s. 6d. Barclays Bank has agreed to make £10 million available for South Durham and, to complete this pyramid of financing, the company has plans (which will ultimately include an issue on the stock market) to borrow another £8 million towards the cost of the second phase of development. More immediately the chairman, Mr B. Chetwynd Talbot, believes there will be no "appreciable diminution" in the company's steel deliveries to the shipbuilding and heavy engineering industries.

Dorman Long has nearly completed its development programme. Outstanding capital commitments are put at £7 million and the company is likely to call up the balance of £5¼ million of its loan from the FCI, making in all £15 million. After charging depreciation, repairs and replacement reserve appropriations, the gross profits earned by the Dorman Long iron and steel divisions fell slightly from £4,550,000 to £4,355,000 but profits earned by its bridge building, engineering and chemical divisions rose briskly from £2,734,000 to £3,863,000. The chairman, Sir Ellis Hunter, says that order books for rolled steel have been "well maintained" but that "it would be optimistic to assume that the effects of the credit squeeze and the high Bank rate will not be felt."

United Steel spent over £16 million, and almost completed a number of its development schemes last year; that development was financed by retained earnings and by the rights issue of ordinary shares early last year. Having got into the queue for new money early, United Steel is one of the few steel companies whose liquid resources match its outstanding capital commitments. The group has spent £81½ million on development since the war and has no longer a massive programme before it.

That may make its shares more attractive to investors than those of companies which still have great programmes to complete and big finance to find. Another attraction is the diversity of the group. Last year, with the introduction of new capital, the group's sales went up from £100.7 million to £117.8 million and its profits before all charges from £14.8 million to £20.4 million. And the chairman, Sir Walter Benton Jones, says that the company's output is "being maintained at full capacity" and its output, with the exception of one or two products of the lighter departments, is finding a ready sale. He is confident that the company will "retain its present proportion of home orders, despite any possible temporary levelling off, or even setback to the market as a whole." He agrees that prices in export markets have softened but still hopes to expand exports.

Thomas Firth and John Brown acquired William Beardmore last year and made a rights issue of ordinary shares to pay for it. The dividend, held at 10 per cent on the increased capital, was one of the few steel dividends not to be increased, but profits before tax rose from £3,227,720 to £3,537,016. The chairman, Sir John Green, does not specify how much of that increase was due to the inclusion of the earnings of William Beardmore. But he does describe the past year as "difficult," materially affected by the engineering strike and by the rise in wages and other costs. This company is closer to the heavy engineering industry than some of the other steel companies and though its order books are "satisfactory" Sir John reports a slowing down in new business and a softening in most of the markets that the company supplies. It might not be able to ride out the period of slackening trade so easily as some of the bigger groups, but it is fortunate in that its liquid resources match its capital commitments.

Lancashire Steel in its preliminary statement reports a fall in its gross trading profits from £3,985,652 to £3,001,826 and in net profits from £1,456,652 to £901,826. The ordinary dividend, however, has been raised from 11 to 12 per cent. The directors attribute the fall in profits to a strike by skilled maintenance men and, more significantly, to "the fact that for seven months of the financial year the company suffered a serious reduction in profit margins on billets, wire rods, bars and light sections which comprise 90 per cent of its products, under price awards determined by the Iron and Steel Board in December 1956." There was a further price award in July, 1957, and that, together with an increase in output, has recently put earnings back to their 1956 level.

STEEL COMPANIES' PROFITS AND ASSETS
(£'000s)

Years to end-September	Dorman Long 1956	Dorman Long 1957	South Durham 1956	South Durham 1957	Steel Co. of Wales 1956	Steel Co. of Wales 1957	Stewarts & Lloyds 1956	Stewarts & Lloyds 1957	Lancashire Steel 1956	Lancashire Steel 1957	United Steel 1956	United Steel 1957
Gross profit	10,736	12,624	3,248	5,153	14,469	19,222	19,031	20,968	3,986	3,002	14,763	20,380
Net profit*	2,424	3,608	1,269	2,210	2,300	2,257	6,431	6,786	1,456	902	5,009	7,746
Ordinary dividends	690	863	368	460	390	1,380	1,006	1,265	285	311	1,006	1,984
Ordinary dividends (per cent)	*8*	*10*	*8*	*10*	...	*8*	*8¼*	*11*	*11*	*12*	*8¼*	*11¼*
Net fixed assets	36,823	48,517	18,256	22,731	119,187	135,852	44,491	50,326	...	...	59,477	72,369
Net current assets	19,233	25,159	2,750	974	10,855	9,059	28,492	31,099	...	...	13,197	23,755
Net liquid assets	1,722	2,495	*Dr. 1,357*	*Dr. 2,649*	243	323	342	*Dr. 794*	...	...	1,987	7,532
Capital commitments†	11,780	7,039	9,483	5,704	28,000	39,000	27,450	40,750	...	...	12,600	9,600

* After transfers to fixed asset replacement reserves. † At balance sheet dates.

CARRERAS

TOBACCO shares remained steady despite the reduction in the ordinary dividend of Carreras from 8¾ to 6 per cent. But the company's 2s. 6d. "B" shares were marked down by 4½d. to 2s. 1½d. to yield 7.1 per cent. Group profits before tax for the year to October 31st fell from £1,197,430 to £1,007,485 and after tax from £780,732 to £605,599; the dividend absorbs £256,701 net. Tobacco is now a most competitive trade and the directors attribute the fall in earnings to lower margins and to "a much greater expenditure" on advertising and sales promotion (the whole of which has been charged in the accounts). The increase in cigarette prices in September came too late to make any material contribution to the year's results.

HAWKER SIDDELEY

THE statement made by the chairman of Hawker Siddeley, Sir Thomas Sopwith, is handsomely illustrated, but it does not contain the hard figures which shareholders need in order to judge the soundness of the group's remarkable expansion. Sir Thomas makes general comments on the value of diversification and reveals that expansion in industries other than aircraft, resulting from the acquisition of the Brush Group and Dosco, has reduced the proportion of the group's net assets committed to aircraft from 85 per cent to 30 per cent in two years. This coincides with the run-down of the group's military order books for aircraft. He also reports that the group's borrowings from banks in Canada have increased, but he does not say what the bank debt now is, nor does he reveal the division of the group's earnings and bank debt. High interest rates have, he admits, checked the plans to raise permanent capital and he hopes for "an improvement in the country's economic conditions" which will give the group the opportunity to do so. Shareholders will hope so too, but many of them would like more facts to go on.

BREWING RESULTS

IN the year to September 30th, the gross trading profits of **Watney, Combe Reid** rose by nearly 23 per cent, by £507,882 to £2,729,310. The ordinary dividend was raised from 20 per cent to 21 per cent. This is some recompense on the money the company has spent on building new public houses and improving old ones, but the credit squeeze has now drastically cut down this programme.

Some of the improvement in earnings has also come from the sale of "Coca-Cola" (which for the first time showed a profit), from the sale of canned beers (especially in export markets) and from the three "motels" the company has opened.

Through its amalgamation with J. W. Green, **Flowers Breweries** can be numbered among those brewers to have grown the fastest in recent years. The advance is still being consolidated. The company has opened new public houses but has also closed down unremunerative ones. It has pushed the sale of its draught "Keg Bitter" on a national scale, spending heavily on advertising. It is concentrating its bottling plant, so as to reduce overheads. Gross trading profits rose by nearly 15 per cent, from £935,972 to £1,076,429, and the ordinary dividend has been raised from 15 to 17 per cent.

DECCA RECORD

AS promised last February when the company made a rights issue of ordinary shares, Decca Record has held its ordinary dividend for the year to March 31, 1957, at 1s. 9d. per 4s. share on the increased capital. The group's sales for the year rose by £4,190,000 to £17,050,000 and its gross profits by £562,000 to £2,360,000. The boom in gramophone records is still on and the group's sales in the first nine months of the current financial year were "considerably greater" than for the same period in 1956.

London Stock Exchange

FIRST DEALINGS:	Jan. 1	Jan. 15	Jan. 29
LAST DEALINGS:	Jan. 14	Jan. 28	Feb. 11
ACCOUNT DAY:	Jan. 21	Feb. 4	Feb. 18

MR THORNEYCROFT'S resignation temporarily checked the advance in gilt-edged stocks. Part of the small losses were made good on Wednesday and prices showed an overall improvement over the week. On Thursday, when the Government announced a £500 million issue of 5½ per cent Exchequer Stock (1966) at 99½ gilt-edged remained firm. The new Rhodesia and Nyasaland loan was oversubscribed, but the stock slipped to ⅝ discount before recovering to ¼ discount when dealings began on Wednesday.

Bank shares eased after the announcement of lower profits, and the reduction in dividend caused a fall of 2s. 6d. to 19s. in Alexanders Discount. The advance in insurance shares suffered a check, but Sun Insurance rose 7s. 6d. to 142s. 6d. and Refuge Assurance "B" 5s. to 105s. while Legal and General lost 2s. 6d. to 115s. Gramophone record producers rose; EMI gained 9d. to 29s. 3d. and Decca 6d. to 27s., before the announcement of its results. Lyons "A" made a gain of 3s. 9d. to 89s. 9d. and Unilever rose 4s. to 78s., the NV shares jumped 5s. to 80s. 3d. Tobacco shares rose in anticipation of dividend declarations and remained reasonably firm after the Carreras results. Steel shares weakened on the political changes. Talk of a rights issue lowered South Durham 1s. 3d. to 23s. 6d.

Shell Transport lost 3s. 9d. to 141s. 10½d. as more details of the forthcoming issue became available. Burmah made good earlier losses and showed an overall rise of 2s. 1½d. to 74s. Diamond producers recovered after the fall that followed reports of Russian discoveries. St. Helena rose 2s. 3d. to 38s. 6d. among Kaffirs. Tanganyika Concessions was outstanding among copper mines, rising 7s. 6d. to 113s. 9d., while Rhodesian Selection Trust gained 9d. to 14s. 10½d.

THE ACTUARIES INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100) Dec. 27, 1956	Nov. 26, 1957	Dec. 31, 1957	Average Yields (per cent) Dec. 27, 1956	Nov. 26, 1957	Dec. 31, 1957
Ordinary Shares :—						
Electrical engineering	132·0	124·9	121·4	5·67	6·11	6·31
Engineering	158·8	149·4	144·0	5·51	6·06	6·30
Motors and aircraft	160·3	147·2	142·0	5·81	6·83	7·05
Chain stores	252·8	302·1	296·7	4·48	4·17	4·26
Cotton textiles	108·4	101·3	101·1	8·26	9·62	9·63
Chemicals	168·9	160·9	164·0	5·66	5·61	5·48
Oil	312·2	299·0	281·5	4·89	6·12	6·48
Shipping	198·9	171·0	163·3	5·54	7·53	7·88
Investment trusts	222·8	233·2	234·4	5·27	5·53	5·50
Industrials :—						
Ordinary (all classes)	140·6	138·1	135·9	6·48	6·89	7·02
Preference	74·0	70·5	71·9	6·18	6·49	6·35
Debenture	70·4	62·9	63·6	5·85	6·54	6·47
Total (capital goods)	151·5	140·8	136·8	5·82	6·51	6·71
Total (consumption goods)	111·0	113·6	112·9	7·40	7·54	7·59
Consols 2½%	72·6	64·5	65·5	4·88	5·50	5·41

STOCK EXCHANGE INDICATORS
"The Economist" Indicator

1957/8	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
Dec. 11	177·2	6·54				
„ 18	175·9	6·60				
„ 31	175·7	6·63				
Jan. 1	175·9	6·64	225·0 (July 10)	171·2 (Nov. 6)	210·4 (Jan. 4)	170·0 (Nov. 28)
„ 8	176·5	6·63				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½ Consols Yield %	Bargains Marked	1956	1957
						High	High
Jan. 1	165·6	6·65	87·60	5·35	5,536	207·6	203·6
„ 2	166·2	6·63	87·61	5·33	6,231	(July 9)	(Jan. 3)
„ 3	166·7	6·61	87·65	5·32	6,889	Low	Low
„ 6	166·1	6·63	87·72	5·31	9,061	159·0	161·5
„ 7	165·3	6·67	87·75	5·32	7,916	(Nov. 6)	(Nov. 29)
„ 8	165·2	6·67	87·83	5·31	7,306		

Bases :—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Jan. 1, 1958	Price, Jan. 8, 1958	Net Yield, Jan. 8, 1958 § £ s. d.	Gross Yield, Jan. 8, 1958 £ s. d.
97 13/16	93 1/2	War Loan 3% ... 1955-59	96 1/2	96 1/16	3 17 7	5 7 4
93 3/32	87 1/2	Funding 2½% ... 1956-61	90 3/8	90 7/16	4 9 11	5 14 2
99 3/32	95 3/32	Conversion 4% ... 1957-58	99 1/32	99 1/32	4 1 11	6 1 11
97 13/32	94 3/32	Conversion 2½% ... 1958-59	96 3/32	96 1/8	4 8 3	5 5 5
95 1/16	90 1/2	Exchequer 2% ... 1960	93 1/32	93 1/32	4 10 8	5 7 7
97 1/2	92 1/2	Exchequer 3% ... 1960	95 3/32	95 5/32	3 17 0	5 7 10
99 3/32	93	Conversion 4½% ... 1962	99 1/32	99 1/32	3 16 8	5 15 0
89 3/32	84 7/16	Savings Bds. 3% 1955-65	83 7/16 *	83 7/16 *	4 5 2	5 12 11
84 1/2	77	Funding 3% ... 1959-69	77 1/8	77 1/8	4 5 10	5 16 4
92 3/8	84 11/16	Funding 4% ... 1960-90	86 3/8	86 1/4	2 19 4	4 17 6
81 1/2	74	Savings Bds. 3% 1960-70	75 1/2	76 1/16	4 5 9	5 17 2
94 5/16	87 3/8	Exchequer 3% ... 1962-63	88 3/8	88 3/8	4 2 3	5 10 0
89 5/16	83	Exchequer 2½% ... 1963-64	84 1/2	84 1/2	4 5 11	5 10 1
83 11/16	77 1/2	Savings Bds. 2½% 1964-67	78 3/8	78 1/2	4 4 11	5 9 11
77 1/4	67 1/2	Savings Bds. 3% 1965-75	70 3/8	69 15/16	4 3 2	5 14 8
84 3/8	78 1/2	Funding 3% ... 1966-68	78 15/16 *	78 1/2 *	4 4 7	5 13 8
95 1/2	91 1/2	Victory 4% ... 1920-76	93	92 1/2	3 5 1	5 2 9
88 1/8	80 3/8	Conversion 3½% ... 1969	82 1/2	82 1/16	4 0 10	5 15 8
81 1/8	69 1/2	Treasury 3½% ... 1977-80	71 1/2	71 1/4	3 19 5	5 16 8
80	68	Treasury 3½% ... 1979-81	71 1/2	70 7/16 *	3 19 4	5 16 4
71 7/8	57 1/2	Redemption 3% ... 1986-96	60	60	3 14 0	5 11 9
80 1/2	63 1/2	Funding 3½% ... 1999-2004	64 1/2 *	64 1/8 *	3 11 9	5 13 6
81 1/2	68	Consols 4% after Feb. 1957	69 1/4 *	69 1/4 *	3 5 8	5 14 1
75	60 1/4	War Loan 3½% after 1952	63 1/2	63 1/4	3 3 10	5 11 4
75 1/2	58 1/2	Conv. 3½% after Apr. 1961	63 1/2	63 1/8	3 4 5	5 12 9
65 3/4	51 1/2	Treas. 3% after Apr. 1966	54 1/2	54 1/2	3 3 7	5 11 2
55 1/8	45	Consols 2½%	46 1/8 *	47	3 1 2	5 6 6
55 1/4	44	Treas. 2½% after Apr. 1975	46 1/8	46 1/8	3 2 2	5 8 10
96 1/4	88 3/8	Br. Electric 4½% 1967-69	92 1/4	90 7/16 *	3 11 7	5 11 9
80 1/8	70	Br. Electric 3% ... 1968-73	72 1/2	72 1/2	4 5 0	5 17 0
78 1/4	66	Br. Electric 3% ... 1974-77	68 1/8	69 1/4	4 2 2	5 15 4
92 1/4	79 1/2	Br. Electric 4½% 1974-79	83 1/2	83 1/2	3 11 6	5 13 2
81 1/8	69 1/2	Br. Electric 3½% 1976-79	72 1/2	72 1/2	3 18 10	5 16 0
90 1/2	81	Br. Gas 4% ... 1969-72	82 1/2 *	82 1/8 *	3 17 1	5 14 11
87 3/4	78	Br. Gas 3½% ... 1969-71	80 1/4	80 1/4	3 19 3	5 14 7
72 1/2	58 1/2	Br. Gas 3% ... 1990-95	60 1/8	60 1/8	3 14 0	5 11 1
80 1/16	70	Br. Transport 3% 1968-73	72 1/4	72 1/8	4 5 0	5 17 0
85 1/8	77 1/2	Br. Transport 4% 1972-77	79 1/4	79 1/8	3 15 3	5 14 9
72 1/8	59	Br. Transport 3% 1978-88	61	61 1/8	3 18 5	5 14 2

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Jan. 1, 1958	Price, Jan. 8, 1958	Yield, Jan. 8, 1958 £ s. d.
92 3/4	82	Agric. Mortgage 5% ... 1959-89	82 1/2	83 1/2	6 4 4
81 1/2	75	Australia 3½% ... 1965-69	76 1/2 *	76 1/2 *	6 6 0
97 1/2	91 1/2	Birmingham 5% ... 1973-75	93	93	5 13 2
100 3/4	91	East Africa 5½% ... 1977-83	92 1/2	92 1/2	6 7 0
105 1/2	96	L.C.C. 5½% ... 1977-81	98 1/2	99 1/2	5 11 9
69 1/2	54 1/2	Met. Water Board 'B' 3% 1934-2003	56	57 1/4	5 15 3
87 1/2	77	New Zealand 4% ... 1976-78	78	78 1/2	5 17 5
75 1/8	67 1/2	S. Rhodesia 2½% ... 1965-70	69 1/2	69 1/2	5 16 0
87	72 1/2	German 7% (Br. Enfaced 5%) ... 1924	84 1/2	83 1/2	...
169 1/2	147 1/2	Japan 5% (Enfaced) ... 1907	160	162	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 1, 1958	Price, Jan. 8, 1958	Yield, Jan. 8, 1958 £ s. d.
		% %	BANKS & DISCOUNT			
30/9	19/6	9 c	4 a Bk. Ldn. & S. Amer. £1	28/-	29/-	6 4 2
47/3	40/-	6 a	6 b Barclays Bank ... £1	42/6	42/3	5 13 8
35/3	27/6	4 a	4 b Barclays D.C.O. ... £1	29/6	29/6	5 8 6
42/6	34/6	7½ b	7½ a Chartered Bank ... £1	35/6	36/-	8 6 8
51/3	42/9	6½ a	6½ b Lloyds Bank ... £1	44/3	43/9	5 18 10
56/7½	58/-	9 a	9 b Midland Bank ... £1	62/-	61/9	5 16 11
30/6	28/6	5 a	5 b Nat. Discount 'B' ... £1	35/-	34/-	5 17 8
51/6	39/3	6½ b	6½ a Union Discount ... £1	44/9	44/-	5 13 8
			INSURANCE			
86/4½	61/7½	43½ b	30 a Commercial Union 5/-	73/9	73/3	5 0 0
117/6	102/6	87½ b	40 a Legal & General ... 5/-	117/6	115/-	4 6 11
22½	17½	†50 b	†20 a Pearl ... £1	18½	18½	6 9 11
46	34½	†125 c	†132½ c Prudential 'A' ... £1	38½	39½	5 16 7
			BREWERIES, ETC.			
120/-	105/6	10 a	36 b Bass ... £1	125/7½ *	125/- *	7 7 3
35/9	19/7½	18½ c	7½ a Distillers ... 6/8	20/9 *	20/1½ *	6 4 2
44/9	36/-	10 a	15 b Guinness ... 10/-	39/- *	39/6 *	6 6 7
87/3	63/6	8 a	17 b Whitbread 'A' ... £1	80/-	79/-	6 1 5
			MOTORS & AIRCRAFT			
21/6	11/9	6½ b	3½ a Bristol Aeroplane 10/-	14/3	13/6	7 8 2
8/7½	6/-	12½ c	12½ c British Motor ... 5/-	7/1½	7/-	8 18 8
40/-	29/3	5 b	3 a Ford Motor ... £1	32/3	32/7½	8 18 0
45/9	27/6	3 a	7 b Hawker Siddeley ... £1	30/6	29/4½	6 16 3
33/-	41/9	10 c	12½ c Leyland Motors ... £1	42/3	42/9	5 17 0
21/-	90/7½	15 b	5 a Rolls-Royce ... £1	90/7½	90/6	4 8 5
9/1½	5/11½	8 c	8 c Standard Motor ... 5/-	7/-	7/-	5 14 3

Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 1, 1958	Price, Jan. 8, 1958	Yield, Jan. 8, 1958 £ s. d.
% %	STEEL & ENGINEERING			
8 b	7 a Babcock & Wilcox ... £1	52/3	52/6	5 14 3
4 a	6 b Dorman Long ... £1	22/3*	22/-*	9 1 10
10 b	5 a Guest Keen N'fold ... £1	47/9	47/-	5 14 10½
†5 b	†4 a Alfred Herbert ... £1	56/9	56/9	5 10 4
7 b	4 a Metal Box ... £1	43/6	43/6	5 1 3
3 a	8 b Stewarts & Lloyds ... £1	21/-*	21 1½*	10 8 3
5 a	5 a Swan Hunter ... £1	56/6*	56/-	5 14 3
4 a	7½ b United Steel ... £1	19 10½*	19/9*	11 13 0
7½ b	2½ a Vickers ... £1	30/-	30/-	6 13 5
	ELECTRICAL			
15 c	7½ a Assoc. Elec. Inds. ... £1	48/3	48/6	6 3 10
8½ b	4 a Br. Ins. Callenders ... £1	40 1½	39 10½	6 6 5
14 7/8 a	29½ b Decca Record ... 4/-	26/6	27/3	6 8 6
15 c	15 c Elect. & Mus. Inds. 10/-	28/9	29/3	5 2 8
10 b	4 a English Electric ... £1	47/-	47/-	5 19 3
4½ a	8 b General Electric ... £1	38/3	38/-	6 11 8
	TEXTILES			
6 b	3 a Bradford Dyers ... £1	16/3	15/10½	11 6 10
6½ b	2½ a Coats, J. & P. ... £1	21/3	21/6	8 2 10
6 b	3 a Courtaulds ... £1	21/1½	21/1½	8 10 6
12½ b	2½ a Lancashire Cotton ... £1	34/7½ *	33/10½ *	10 6 8
5 a	12½ b Patons & Baldwins ... £1	35/4½	34/4½	8 14 8
12½ b	SHOPS & STORES			
16 c	3 a Boots Pure Drug ... 5/-	19/3	19/6	4 2 0
7½ a	20 b Debenhams ... 10/-	38/-	37/6	7 4 10
50 b	15 a Gt. Universal 'A' ... 5/-	41/1½	41/3	7 17 8
20 b	10 a Marks & Spen. 'A' 5/-	41 10½	42/1½	3 11 3
20 b	12½ a United Drapery ... 5/-	24/10½	25/4	6 8 0
26¾ b	13½ a Woolworth ... 5/-	41/-	41/4½	4 16 8
	SHIPPING			
11 b	6½ a Brit. & Com'wealth 10/-	33/-	33/-	5 6 1
7 b	2 a Cunard ... £1	18/-	18/-	11 2 2
9½ c	10½ c Furness Withy ... £1	31/-	31/-	6 19 6
5 b	3 a P. & O. Deferred ... £1	24/-	24/6	6 10 8
	MISCELLANEOUS			
22½ c	9 a Allied Bakeries 'A' 5/-	27/-	27/3	5 10 0½
6 b	3 a Assoc. Port. Cem. ... £1	33/-	32/6	5 10 10
32½ c	10 a Beecham Group ... 5/-	27/6	27/9	5 17 3
8 b	4½ a Bowater Paper ... £1	26/9	27/3	9 3 5
8 b	4 a Br. Aluminium ... £1	41/3	42/-	5 14 3
†15 c	†9½ a Br. Amer. Tob. ... 10/-	37/9	39/6	6 12 3
17½ b	7½ a B.E.T. 'A' Defd. ... 5/-	19/9	20/3	6 3 5
6 b	4 a Br. Oxygen ... £1	32/-	31/3	6 8 0
7½ b	3 a Dunlop Rubber ... 10/-	17/-	16 10½	6 4 5
6 b	4 a Imp. Chemical ... £1	39/-	39/-	5 2 8
12½ b	8½ a Imp. Tobacco ... £1	39/3	40/6	10 7 6
2½ a	5 b J. Lucas (Inds.) ... £1	28/6	28/3	5 6 3
22½ c	5 a Monsanto Chem. ... 5/-	13/6	13/6	5 0 0½
5 a	5 b Ranks ... 10/-	13/9*	14/-*	7 2 10
10 b	5 a A. E. Reed ... £1	30/-	30/-	10 0 0
20 c	22½ c Sears Holdings 'A' 5/-	13/-	13/-	8 13 1
4½ a	12 b Tate & Lyle ... £1	55/4½	55/4½	5 19 3
7½ a	7½ b Tube Investments ... £1	53/3	53/-	5 13 3
2½ a	12½ b Turner & Newall ... £1	55/-	54 10½	5 9 5
11½ b	6 a Unilever Ltd. ... £1	74/-	78/-	4 9 10
14½ b	4 a Utd. Dominions Tr. £1	77/-	77/-	4 16 0
†10 b	†4½ a United Molasses ... 10/-	28/-	27/6	8 19 3
	OIL			
†10 b	†5 a British Petroleum ... £1	88/9	91 10½	5 13 8
17½ b	†5 a Burmah ... £1	71 10½	74/-	6 1 8
17½ b	7½ a Royal Dutch ... 20 fl.	£15½	£15½	3 1 11
†13½ b	†5 a Shell ... £1	145/7½	141 10½	4 12 0
...	Ultramar ... 10/-	60/6	61/-	...
	MINES, ETC.			
50 b	20 a Anglo-American ... 10/-	126/3	122/6	5 14 4
†2½ a	†10 b Cons. Tea & Lands ... £1	20 7½	20/3	21 9 5
15 b	6¼ a Cons. Zinc Corp. ... £1	49/6	50/-	8 10 0
120 b	80 a De Beers Def. Reg. 5/-	82/6	82/6	12 2 4
...	20 a Free State Geduld ... 5/-	82/6	82 6½	...
30 c	10 a London Tin ... 4/-	7 4½	7/4½	16 5 4
50 a	50 b President Brand ... 5/-	50 4½	49 4½	10 2 10
8½ a	16½ b Rho. Selection Tst. 5/-	14 1½	14 10½	8 12 4½
50 a	175 b Rhokana Corp. ... £1	25	24½	9 1 10½
30 b	12½ a United Sua Betong £1	48/3	48/6	17 10 8
40 a	60 b Western Holdings ... 5/-	91/3	89/4½	5 11 11

New York Closing Prices

	Dec. 31 $	Jan. 8 $		Dec. 31 $	Jan. 8 $		Dec. 31 $	Jan. 8 $
Alumin'm Ltd.	28⅝	29½	Crown Zeller..	45⅝	45½	Penns. R.R...	11⅜	12⅝
Am. Smelting..	35¼	39½	DuPontdeNm.	176⅝	177½	Sears Roebuck	25½	25½
Amer. Tel. ...	167½	169⅜	Ford Motors..	37¼	41	Shell Oil	68	68½
Am. Viscose..	25¼	27¼	Gen. Elect....	61¼	62⅜	Std. Oil of N.J.	49⅞	49⅞
Anaconda....	40¼	41⅞	Gen. Motors..	33⅜	36⅝	U.S. Steel....	51⅜	55
Beth. Steel...	36⅜	38⅜	Int'l. Nickel..	70½	72½	Western Union	14½	15⅞
Can. Pacific ..	21½	23½	National Dist.	20⅜	21⅜	West'house E..	63½	63½
Chrysler	52⅝	56½	N.Y. Central .	13⅝	15½	Woolworth ...	36½	40½

‡ Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 100%. (e) To earliest date. (f) Flat yield. (g) On 24%. (h) On 13½%. (i) On 22½%. (j) After Rhodesian tax. (k) On 30%. * To latest date.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared.

World Trade ..... October 12th

British		Overseas	
Prices and Wages.....	Jan. 4th	Western Europe :	
Production and Consumption	This week	Production and Trade.....	Dec. 21st
Manpower.....	Dec. 14th	British Commonwealth	This week
External Trade.....	Dec. 21st	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	Dec. 14th
Industrial Profits	Oct. 12th	United States	Jan. 4th

UK Production and Consumption

M = Monthly averages or calendar months W = Weekly averages Stocks at end of period.

		Unit	Monthly averages 1954	1955	1956	1956 Sept.	Oct.	Nov.	1957 Aug.	Sept.	Oct.	Nov.
INDUSTRIAL PRODUCTION												
Index :												
All industries		1948=100	130	137	136	140	143	145	117	143	143	146-147 [8]
" " *seasonally adjusted*		"	...	...	...	*137*	*136*	*137*	*137*	*140*	*136*	*138-139* [8]
Mining and quarrying		"	110	108	109	110	116	119	81	105	111	...
Building and contracting		"	115	116	123	125 [5]	...	127 [6]	...	...	...	...
Gas, electricity and water		"	145	153	160	144	163	179	133	153	166	...
Manufacturing, total		"	133	142	140	145	147	149	120	149	148	...
" " *seasonally adjusted*		"	...	...	...	*142*	*139*	*140*	*142*	*145*	*141*	...
Engineering, shipbuilding, electrical goods		"	140	155	151	158	158	164	129	164	...	...
Vehicles		"	155	172	160	160	159	165	124	170	...	...
Chemical trades		"	168	179	185	199	191	194	169	192	...	...
Textiles and clothing		"	116	116	117	124	123	121	96	124	...	...
Food, drink and tobacco		"	116	117	121	119	128	133	113	123	...	...
BASIC MATERIALS												
Production of :												
Coal [1] [2]	W	'000 tons	4,298	4,250	4,269	4,255	4,526	4,690	3,192	4,166	4,367	4,615
Pig iron	W	"	229	240	253	253	261	263	273	283	286	282
Steel, ingots and castings	W	"	356	381	397	417	419	426	373	438	438	429
Sulphuric acid	M	"	170·2	174·6	187·2	173·4	184·7	193·3	182·5	188·0	...	...
Newsprint	W	"	11·77	11·91	12·36	12·66	13·59	13·84	11·76	12·80	...	...
Electricity [1]	M	mn. kwh	6,075	6,679	7,263	6,384	7,661	8,271	6,163	7,064	8,089	...
MANUFACTURING												
Textile production :												
Cotton yarns, single	W	mn. lb.	19·17	16·91	16·33	16·25	17·76	18·13	14·52	16·39	17·61	...
Worsted yarn	M	"	18·80	18·48	19·38	19·31	22·74	22·46	14·24	19·14	21·94	...
Rayon and synthetic fibres, total	M	"	37·30 [7]	39·32	40·21	35·53	40·24	41·57	35·17	39·11	41·94	39·90
" " staple fibre	M	"	19·00 [7]	19·94	21·31	18·51	21·64	23·27	17·08	20·19	22·60	21·90
Cotton cloth, woven	W	mn. yds.	38·3	34·3	31·0	30·4	33·3	34·3	31·1	29·3	32·8	...
Wool fabrics, woven	M	mn. sq. yds.	34·5	34·2	33·1	33·7	39·1	37·0	24·0	32·8	35·1	...
Engineering production :												
Passenger cars and chassis	W	'000s	14·51	17·26	13·61	11·95	12·92	13·72	10·45	19·35	19·85	20·99
Commercial vehicles and chassis	W	"	5·07	6·53	5·71	4·91	5·01	5·15	3·20	6·12	6·34	6·74
Metal working machine tools	M	'000 tons	11·39	12·52	12·90	12·96 [5]	...	13 44 [6]	...	...	...	...
Internal combustion engines	M	'000 BHP	356	408	411	368	437	438	288	448	...	...
BUILDING ACTIVITY												
Permanent houses completed : [1]												
Total	M	'000s	28·97	26·42	25·03	25·57	26·78	27·19	23·37	24·13	26·40	26·48
By private builders	M	"	7·55	9·46	10·35	10·92	11·62	11·43	10·65	10·97	11·70	11·23
By local housing authorities	M	"	19·58	15·98	13·86	13·72	14·39	15·08	12·23	12·54	14·06	14·81
Other	M	"	1·83	0·98	0·82	0·93	0·77	0·68	0·49	0·63	0·64	0·45
WHOLESALE SALES [1]												
Textile houses :		Av. value										
Total home sales		1950=100	95	98	101	134	148	127	84	134	141	...
Women's and children's wear		"	96	98	102	138	147	117	89	139	142	...
Men's and boys' wear		"	90	94	99	129	142	130	73	128	137	...
Piece-goods		"	63	62	63	69	66	60	59	75	67	...
RETAIL SALES [1]												
All kinds of business :		Weekly av. value										
All retailers		1950=100	...	140	148	144	152	161	146	151	156	...
Independent retailers		"	...	136	140	136	144	149	141	142	147	...
Multiple retailers		"	...	148	156	151	159	169	160	161	166	...
Co-operative societies		"	...	142	154	155	158	168	153	163	166	...
General department stores		"	...	117	121	116	132	146	102	121	128	...
By kind of shop :												
Food		"	...	148	156	152	156	161	161	160	164	...
Clothing and footwear		"	...	121	127	120	133	141	115	126	131	...
Household goods		"	...	150	153	153	169	180	155	164	174	...
STOCKS												
Basic materials :												
Coal, distributed [1]		'000 tons	15,682	18,340	17,893	19,135	19,055	19,813	18,973	19,613	19,998	20,234
Steel [2]		"	973	1,365	1,573	1,643	1,571	1,527	1,832	1,794	...	...
Copper [4]		"	61·5	76·2	59·6	62·3	58·9	55·9	98·6	100·8	...	...
Sulphur [9]		"	67·2	85·2	102·3	122·9	115·4	123·0	...	...	...	...
Newsprint [10]		"	97·5	105·0	133·6	128·9	131·9	129·5	172·7	171·4	...	...
Textiles :		Av. value										
Wholesale houses, total [1]		1950=100	95	90	95	122	109	107	127	122	109	...
Large retailers, clothing and footwear [1]		"	107	110	118	134	139	142	133	145	150	...

[1] Great Britain. [2] Provisional estimate. [3] Excluding all screening losses normally amounting to around 5,000 tons a week. [4] Excluding government stocks. [5] Average for third quarter. [6] Average for fourth quarter. [7] Rayon and nylon production only. [8] Including filter cake from May, 1956. [9] Revised series; stocks at producers' works of ingots, semi-finished steel and alloy, in terms of ingot equivalent. [10] From January, 1957, excluding newsprint for periodicals and certain other purposes for which stocks at end December, 1956, totalled 19,600 tons.

British Commonwealth

PRODUCTION OF FUEL AND POWER [1]

Monthly averages or calendar months	Coal: Australia	Canada	India	S. Africa	Crude petroleum: Canada	Brunei	Electricity: Australia	Canada	India	N. Zealand	S. Africa
	'000 tons						million kwh				
1948	1,232	1,255	2,511	1,969	139	220	728	3,714	381	204	772
1955	1,606	932	3,185	2,634	1,429	426	1,340	6,358	716	336	1,363
1956	1,608	936	3,285	2,781	1,897	461	1,470	6,807	805	347	1,472
1957, May	1,726	750	3,792	3,011	2,165	...	1,693	7,618	932	412	1,714
" June	1,579	631	3,330	2,707	2,100	...	1,616	6,798	899	424	1,665
" July	1,914	585	3,296	2,898	2,219	...	1,817	7,145	928	462	1,717
" August	1,840	573	3,376	...	2,087	...	1,765	6,919	923	449	1,695
" September	1,825	...	...	...	1,904	...	874	6,964	...	418	...

PRIMARY PRODUCTION [2]

Monthly averages or calendar months	Copper: Canada	N. Rhodesia	Rubber: Ceylon	Malaya	Tin: Malaya	Steel: Australia	Canada	India	S. Africa	Gold: Australia	Canada	S. Africa
	'000 tons									'000 fine ounces		
1948	16·3	17·4	7·9	58·2	4·14	106	238	104	49	73·8	294	965·4
1955	21·6	28·9	7·8	53·3	5·89	184	337	142	130	87·4	378	1,216·9
1956	23·9	32·4	7·9	52·3	6·32	217	395	145	132	85·9	366	1,321·1
1957, July	22·4	28·7	9·6	56·5	5·57	252	382	134	147	105·2	365	1,479·4
" August	24·4	26·9	11·0	56·2	6·50	259	388	137	143	86·4	361	1,459·8
" September	24·7	38·8	9·2	52·9	6·06	249	360	...	...	...	373	1,438·4
" October	24·8	38·4	8·9	55·9	...	252	...	...	...	...	...	1,456·2
" November	...	...	8·9	57·1	...	...	...	...	...	...	...	1,422·5

EXTERNAL TRADE [3]

Monthly averages or calendar months	Australia: Imports	Exports	Canada: Imports	Exports	India: Imports	Exports	New Zealand: Imports	Exports	Pakistan: Imports	Exports	S. Africa [4]: Imports	Exports
	mn. £A		mn. $C		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1948	28·2	33·8	220	259	537	382	10·71	12·27	85·9	136·1	29·5	11·4
1955	70·1	63·4	393	363	588	508	23·93	21·55	90·6	125·4	40·1	30·7
1956	68·2	64·5	475	405	707	501	22·38	22·91	140·9	135·0	41·2	34·4
1957, June	55·9	78·2	454	394	856	483	22·2	24·6	121·5	101·3	45·5	34·0
" July	70·6	71·2	480	449	810	658	24·5	29·4	104·9	78·4	49·5	35·8
" August	67·9	59·8	471	437	...	...	29·4	21·9	128·8	72·8	49·9	36·5
" September	56·9	77·1	447	424	...	...	...	...	...	...	...	...
" October	...	...	481	405	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES [4]

	Gold and Foreign Exchange Holdings: Australia [5]	Canada	India [6]	New Zealand [5]	S. Africa	*Cost of Living*: Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesia
	End of period: mn. US dollars					1953 = 100						
1948	1,265	1,011	3,355 [7]	237	652	56	84	...	75	89 [8]	77	73
1955	835	1,910	1,791	179	368	104	101	90	107	94	105	101
1956	952	1,944	1,360	193	372	110	102	99	111	97	107	105
1957, July	...	1,983	1,129	272	328	113	106	105	114	106	110	108
" August	...	1,955	1,045	271	313		106	106		109	112	107
" September	...	1,899	987	241	302		107	105		109	113	109
" October	...	1,933	934	201	297	...	107	...	...	...	...	...
" November	...	1,904	...	...	287	...	...	...	...	...	...	...

[1] Electricity production in New Zealand represents deliveries only and in Canada, prior to 1957, excludes industrial generation for own use. [2] Copper and tin refer to metal production. [3] General trade (including re-exports) except for Canada, which is special trade only. Imports are cif except for Australia, Canada and S. Africa which are fob; exports are fob. Trade for India includes that going by land; annual figures for India are for 12 months beginning April 1st of year stated and for Australia 12 months ended June 30th. [4] Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for S. Africa and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. [5] Including foreign investments. [6] Including semi-processed gold. Beginning January, 1955, including South-West Africa. [7] In July, 1948, part of holdings was transferred to the State Bank of Pakistan. [8] April, 1948—March, 1949. [9] Including some long-term securities.

Financial Statistics

EXCHEQUER RETURNS

For the 4 days ended January 4, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £40,166,000 compared with a deficit of £13,527,000 in the previous week and a surplus of £35,752,000 in the corresponding period of last year. There was a net expenditure "below-line" of £37,102,000, leaving a total deficit from April 1st of £894,470,000 (£940,926,000 in 1956-57).

£'000	Estimate, 1957-58	April 1, 1956, to Jan. 5, 1957	April 1, 1957, to Jan. 4, 1958	5 days ended Jan 5, 1957	4 days ended Jan. 4, 1958
Ord. Revenue					
Income Tax	2176,250	855,460	906,901	52,458	39,828
Surtax	149,000	66,300	62,100	13,000	9,000
Death Duties	170,000	123,700	128,400	3,000	2,200
Stamps	60,000	46,900	51,000	1,000	900
Profits Tax, EPT & EPL	255,000	158,350	201,700	5,350	6,500
Other Inland Rev. Duties	500	310	150	100	...
Total Inland Rev.	2810,750	1249,020	1350,251	74,908	58,428
Customs	1204,250	925,377	933,405	16,121	14,704
Excise	912,850	680,655	711,470	5,320	7,345
Total Customs and Excise	2117,100	1606,032	1644,875	21,441	22,049
Motor Duties	93,000	34,156	40,489	7,739	10,338
PO (Net Receipts)	20,000	2,500	2,650	*Dr.*750	1,950
Broadcast Licences	31,000	19,600	21,200	...	...
Sundry Loans	32,000	30,358	27,631	43	...
Miscellaneous	185,000	131,089	123,151	650	297
Total	**5288,850**	**3072,755**	**3210,146**	**104032**	**93,062**
Ord. Expenditure					
Debt Interest	640,000	580,805	507,251	10,608	9,941
Payments to N. Ireland Exchequer	69,000	48,246	47,653	3,444	...
Other Cons. Fund	10,000	7,966	7,981	2,464	2,345
Supply Services	4072,282	2958,301	3024,315	50,700	39,400
Total	**4791,282**	**3595,318**	**3587,199**	**67,215**	**51,686**
Sinking Funds	38,000	26,341	26,737	1,065	1,210
"Above-line" Surplus or Deficit	**548,903**	**493,790**	**35,752**	**40,166**	
"Below-line" Net Expenditure	392,023	490,680	49,208	37,102	
Total Surplus or Deficit	**940,926**	**894,470**	**13,458**	**3,064**	
Net Receipts from:					
Tax Reserve Certificates	199,666	203,491	5,415	24,830	
Savings Certificates	48,400	−16,800	400	−2700	
Defence Bonds	−32,792	−27,901	601	−1183	
Premium Savings Bonds	52,300	58,240	800	3,160	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
Jan. 5	3,530·0	1,430·0	245·7	1·8	5,207·5
Oct. 5	3,110·0	1,715·5	202·6	...	5,028·1
" 12	3,110·0	1,742·9	220·0	...	5,072·9
" 19	3,120·0	1,772·9	214·0	...	5,106·9
" 26	3,140·0	1,792·1	199·4	...	5,131·5
Nov. 2	3,170·0	1,774·6	190·1	2·8	5,137·4
" 9	3,210·0	1,744·6	201·7	...	5,156·3
" 16	3,260·0	2,188·8	231·9	...	5,680·7
" 23	3,300·0	2,158·2	197·0	...	5,655·2
" 30	3,340·0	2,143·6	182·5	4·8	5,675·9
Dec. 7	3,380·0	2,140·3	189·2	6·0	5,715·5
" 14	3,410·0	2,181·2	193·8	...	5,784·8
" 21	3,440·0	2,228·1	192·4	...	5,860·4
" 30	5,684·7		218·4	...	5,903·1
1958					
Jan. 4	3,450·0	2,248·9	228·5	...	5,927·4

THE MONEY MARKET

THE Treasury bill rate fell again at the tender on Friday last week; the average rate on the whole allotment was down by 11.21d. to £6 6s. 6.70d. per cent, over ¼ per cent below its level in the month after the rise in Bank rate; the rate has been declining for ten successive weeks. Last week's decline was notably steeper in the rate to outside applicants than to the discount houses: the market raised its common bid for 91-day bills by only 2d., to £98 8s. 4d. per cent, after the rise of 4d. at the previous tender. As a result, bids at the common price were allotted only 44 per cent of applications after 54 per cent the week before. However, the market received a full allotment of its bid (of £98 8s. per cent) for 92-day bills which span Easter Monday.

Credit conditions in Lombard Street in the week to Wednesday were easier; the Bank has given no help through purchases of bills; and no houses have had to take penal loans. Rates on overnight loans have mostly been below 6 per cent, and on Wednesday money from outside banks ranged down to 4½ per cent.

Sterling closed at $2.81¼ on Monday before Mr Thorneycroft resigned. On Tuesday it slipped below $2.81, but recovered later in the day and closed on Wednesday at $2.81⅛, a gain of ⅜c on the week. This movement, together with a fall of 0.01c to $34.99 an ounce, in the dollar price of gold, has led to a decline in the price of gold in London from 249s. 2½d. to 249s.

LONDON MONEY RATES

	%		%
Bank rate (from 5% 19/9/57)	7	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	6⅛-6⅜
Bank	5	3 months	6⅛-6⅜
Discount houses	5	4 months	6⅛-6⅜
Money		6 months	6⅛-6¼
Day-to-Day	4½-6	Fine trade bills:	
Short periods	5⅞	3 months	7⅛-8
Treas. bills 2 months	6 5/16	4 months	7⅛-8
3 months	6 7/16	6 months	7⅛-9

BANK OF ENGLAND RETURNS

(£ million)	Jan. 9, 1957	Jan. 1, 1958	Jan. 8, 1958
Issue Department:*			
Notes in circulation	1,928·4	2,092·1	2,033·7
Notes in banking dept.	47·0	58·2	66·7
Govt. debt and securities*	1,971·3	2,146·3	2,095·2
Other securities	0·7	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	18·5	11·6	10·5
Bankers	219·9	192·8	213·4
Others	74·3	78·8	75·2
Total	312·7	286·2	299·1
Securities:			
Government	253·9	194·9	207·0
Discounts and advances	10·6	26·7	19·1
Other	17·4	22·2	22·0
Total	281·9	243·8	248·1
Banking department reserve	48·9	60·6	63·1
" Proportion "	% 15·6	% 21·1	% 23·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £2,100 million from £2,150 million on January 8th, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Amount (£ million): Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
1957	*91 Day*		s. d.	%
Jan. 4	270·0	406·7	95 9·11	54
Oct. 4	260·0	403·7	132 1·31	47
" 11	260·0	416·4	132 0·23	41
" 18	270·0	408·4	132 0·56	47
" 25	260·0	431·1	132 0·74	37
	91 Day *63 Day*			
Nov. 1	220·0 40·0	419·3	131 10·53	47
" 8	230·0[1] 40·0	434·0	131 8·42	29
" 15	210·0 40·0	426·1	131 7·45	23
" 22	210·0 50·0	425·6	129 5·71	47
" 29	230·0 50·0	390·2	129 2·27	61
Dec. 6	240·0[1] 50·0	430·7	129 1·45	39
" 13	230·0 50·0	414·8	129 1·21	43
" 20	220·0 50·0	403·9	128 9·94	52
	91 Day			
" 27	260·0	409·2	127 5·91	54
1958				
Jan. 3	260·0	405·7	126 6·70	55

* On January 3rd tenders for 91 day bills at £98 8s. 4d. secured 44 per cent, higher tenders being allotted in full. The offering this week was for £260 mn. at 91 day bills. [1] Allotment cut by £10 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: January 8	Market Rates: Spot: January 2	January 3	January 4	January 6	January 7	January 8
United States $	2·78-2·82	2·81-2·81⅛	2·81⅛-2·81⅜	2·81⅜-2·81⅝	2·81⅜-2·81⅝	2·80 31/32-2·81⅛	2·81⅛-2·81⅜
Canadian $	...	2·77⅞-2·77⅞	2·77⅞-2·77⅞	2·78⅛-2·78⅜	2·78⅛-2·78⅜	2·78⅛-2·78⅜	2·78⅛-2·78⅜
French Fr.	1167-18-1184-82	1177-1177½	1177-1177½	1177-1177½	1176⅝-1177⅛	1175⅝-1176	1177½-1177⅝
Swiss Fr.	12·15⅛-12·55⅛	12·25⅞-12·25⅝	12·25⅛-12·26	12·25⅛-12·26⅛	12·26⅛-12·26⅜	12·25⅞-12·26	12·26⅛-12·26⅜
Belgian Fr.	138·95-141·05	139·90-139·95	139·87½-139·92½	139·87½-139·92½	139·90-130·95	139·77½-139·82½	139·82½-139·87½
Dutch Gld.	10·56-10·72	10·60-10·60⅛	10·60-10·60⅛	10·59⅛-10·60⅛	10·59⅛-10·60⅛	10·59⅛-10·59⅝	10·59⅛-10·59⅝
W. Ger. D-Mk.	11·67⅛-11·84½	11·76-11·76⅛	11·76⅛-11·76⅜	11·76⅜-11·76⅝	11·77⅛-11·77⅜	11·76⅛-11·77	11·77⅛-11·77⅜
Portuguese Esc.	79·90-81·10	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15
Italian Lire	1736⅜-1762⅝	1755-1755¼	1755¼-1755⅞	1755-1756	1755-1755¼	1752⅛-1753⅛	1752½-1753⅛
Swedish Kr.	14·37⅜-14·59½	14·50⅜-14·51⅛	14·50⅜-14·51	14·50⅜-14·51⅛	14·51-14·51⅜	14·50⅛-14·50⅜	14·49⅛-14·50⅛
Danish Kr.	19·19½-19·49½	19·33⅛-19·34	19·33⅛-19·34⅛	19·33⅛-19·34⅛	19·34⅛-19·34⅜	19·34⅛-19·35⅛	19·34⅛-19·35⅛
Norwegian Kr.	19·85-20·15	20·00⅛-20·00½	20·00⅛-20·01	20·00⅜-20·01⅛	20·00⅛-20·01⅛	20·00⅛-20·01	20·00⅛-20·01
One Month Forward Rates							
United States $		⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm	⅛-⅜c. pm
Canadian $		⅛-1c. pm	⅛-⅜c. pm	⅛-⅜c. pm	⅜-⅝c. pm	⅜-⅝c. pm	⅛-⅜c. pm
French Fr.		3-6 dis	2-4 dis	2-4 dis	1-4 dis	1-4 dis	1-4 dis
Swiss Fr.		3½-3c. pm	3½-3c. pm	3½-3c. pm	3½-3c. pm	3½-3c. pm	3½-3c. pm
Belgian Fr.		½-⅞ pm	½-⅞ pm	½-⅞ pm	½-⅞ pm	½-⅞ pm	½-⅞ pm
Dutch Gld.		1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par
W. Ger. D-Mk.		3-2½pf. pm	3½-2½pf. pm	3½-2½pf. pm	3½-2½pf. pm	3½-3pf. pm	3½-3pf. pm
Italian Lire		1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis
Swedish Kr.		25 pm-par	25 pm-par	25 pm-par	25 pm-par	25 pm-par	25 pm-par
Danish Kr.		35 pm-par	35 pm-par	35 pm-par	35 pm-par	35 pm-par	3-15 pm
Norwegian Kr.		25 pm-par	25 pm-par	25 pm-par	25 pm-par	25 pm-par	25 pm-par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/2½	249/0½	...	249/0½	249/0½	249/0

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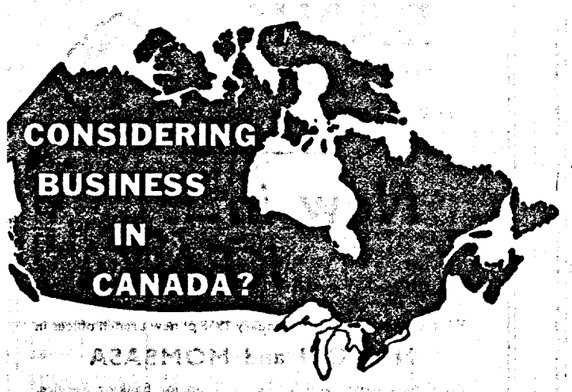
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COMPANY MEETINGS

DORMAN LONG AND COMPANY LIMITED

SIR ELLIS HUNTER'S REVIEW

NEW PLANT BROUGHT INTO COMMISSION

BRIDGE AND STRUCTURAL ENGINEERING ACTIVE

STEEL RE-NATIONALISATION THREAT

The sixty-eighth annual general meeting of Dorman Long and Company Limited will be held in London on Wednesday, January 29, 1958. The following are extracts from the statement by the Chairman and Managing Director, Sir Ellis Hunter, circulated with the report and accounts.

TRADING RESULTS

After charging depreciation based on historical cost, transferring £1,500,000 to the Fixed Assets Replacement Reserve of Dorman Long (Steel) Limited (last year £1,250,000), and charging £675,183 for Provision for Relinings, Repairs and other purposes (last year £440,970), the group profits before taxation amounted to £8,631,977. From this there falls to be deducted the profits of subsidiary companies attributable to outside shareholders, approximately £441,000 before taxation. This leaves approximately £8,191,000 which arose broadly as follows :

	1957		1956	
	Amount £	%	Amount £	%
Bridge building, Engineering and Chemicals	3,836,000	47	2,734,000	38
Iron and Steel.	4,355,000	53	4,550,000	62
	8,191,000	100	7,284,000	100

Profits on bridge building and engineering are taken on the contracts completed in each year and the 1957 results include profits on work commenced in previous years. The fall in 1956 in the profits of the engineering subsidiaries operating in Africa and the Argentine has been more than recovered in 1957.

Increasing costs and the larger size of plant units have necessitated the strengthening of the provision for relinings, repairs and other purposes by setting aside £234,213 more than last year. The effect on capital allowances for Profits Tax purposes of new plants coming into operation has so far been relatively light. During the current financial year and in the following year there will be substantial increases. The charge for depreciation follows the Inland Revenue allowances for Profits Tax purposes and will rise accordingly.

The profits again include substantial credits from increases in prices of trading stocks and the benefit of higher prices for export sales. These have been more than offset by the increase in working capital.

Interest on loan capital has increased substantially owing to the 4½ per cent Unsecured Loan Stock being fully paid for the whole year and further calls during the year on the loan from Finance Corporation for Industry Limited. During the current financial year the balance of this loan will be called up and the interest charge will further increase.

DORMAN LONG (STEEL) LIMITED

The year has been noteworthy for the exceptional amount of new plant brought into commission. This has been carried through with the minimum adverse effect on production from existing units, and congratulations are due to all concerned on the effective way in which it has been accomplished. Developments of this magnitude require a period of some months to run-in equipment, overcome teething troubles, train new personnel and settle down to normal operation.

Good results are already being obtained at the new coke ovens and blast furnaces and our blast furnace practice generally will benefit from the expansion of sinter plant capacity now in hand.

Experience at the new Medium Section Mill at Cleveland has been encouraging and gives promise of good performance when full scale production has been achieved. Installation of plant at the Universal Beam Mill at Lackenby is approaching completion; the Blooming Mill rolled its first ingot in the latter part of September and it is expected that early in 1958 trial rollings of universal beams and columns will begin. Production of blooms is still on a restricted scale but early experience indicates that this, the first rolling mill unit to be brought into operation at Lackenby, will prove to be highly efficient. The billet mill should be completed before the end of the current financial year and the rod, bar and strip mill a few months later.

1958 should see Stage III of our development programme almost completed. It has been fortunate that throughout a long period of heavy expenditure on development and modernisation demand for our products has been well maintained so that our existing plants have been fully employed. The modern and highly efficient units now coming into operation should in time strengthen our competitive position and improve our profit-earning capacity.

Blastfurnace coke output for the year increased by 308,215 tons to 1,210,432 tons and basic iron output was 151,361 tons higher at 1,322,126 tons. Production of ingots increased by 62,267 tons to 2,118,715 tons. Rolled steel would also have shown an increase but owing to a break-down at Britannia works in the latter part of the year it fell by 1,436 tons to 1,498,764 tons. During the year 237,120 tons of ingots were sold to other makers. These sales will fall as our new mill installations are commissioned and our own need for ingots rises.

Generally order books for rolled steel have been well maintained and current consumption is satisfactory. It would be optimistic to assume that the effects of the credit squeeze and the high bank rate will not be felt. If the Government's policy is to succeed there is bound to be a shortening of commitments by consumers in the immediate future. However, if these measures restore the country's economic health, the steel industry will share in the benefits.

RE-NATIONALISATION THREAT

The Socialist Party's declared intention to re-nationalise the steel industry ignores the outstanding contribution the industry has already made to the well-being of the nation and is continuing to make under the supervision of the Iron and Steel Board appointed by the Government.

The industry has modernised and expanded its capacity and, with active co-operation from its employees, has raised production to an exceptional degree. By providing increasing supplies of steel at highly competitive prices, it has, both directly and through exports of manufactured goods by home consumers of steel, done much to fill the gap left by the coal and textile industries in our export trade, thus enabling full employment and a high standard of living to be maintained in this country.

The strength of our competitive position has been established by free enterprise and there are adequate safeguards under the Iron and Steel Act, 1953, to protect the public interest.

The immediate effect of this threat of re-nationalisation is to make it more difficult to secure additional capital for further modernisation and expansion.

Thinking people may well ask why the Socialist Party should seek to disrupt the present arrangements which work so successfully.

The negotiations for the European Free Trade Area should further improve the prospects of full employment in the iron and steel industry and in the steel consuming industries of this country by enlarging their scope in the export markets, but success will depend on maintaining and indeed enhancing the efficiency which the industry's progressive policies have achieved.

ENGINEERING INTERESTS

While our structural engineering interests cannot expect to escape the effects of the Government's restrictions, each of the Companies —Dorman Long (Bridge and Engineering) Ltd., Redpath Brown and Co. Ltd., Tees Side Bridge and Engineering Works Ltd. —has a substantial volume of work on hand and will be able, it is hoped, to maintain a normal rate of activity in 1958.

Dorman Long (Bridge and Engineering) is busy with the fabrication and erection of 30,000 tons of steelwork for Durgapur Steelworks in India. The Bridge Department has work on hand in New Zealand, Iraq, Lagos and Malaya as well as a number of bridge schemes in the United Kingdom.

Redpath Brown is carrying out work in most of the chief industrial centres of Great Britain and has increased by 38 per cent its shipments of fabricated steelwork overseas. Tees Side Bridge and Engineering has secured important contracts in the developing atomic energy field.

Dorman Long (Chemicals) Limited has a highly efficient modern works where major developments completed early in 1957 resulted in notably increased production in all sections.



THE UNITED STEEL COMPANIES LIMITED

Extracts from the Statement by the Chairman on the Accounts for the year ended September 30th 1957.

The directors in their report record the death of Mr. Gerald Steel. In the steel industry and in many walks of life Mr. Steel was widely known and greatly admired, not only for his ability and energy but for his great interest in the lives of men. His work for our Company and the success which it brought is well known and cannot be too highly appreciated, but more than anything else in all ranks of the Company's organisation he will be remembered for himself.

My statement this year after commenting on the most interesting figures in the accounts is divided into three parts. First a kind of stocktaking of the Company's growth and spending from 1945 to 1957; secondly, future prospects; thirdly, what we call Nationalisation.

The report of the directors and the accounts covering the twelve months ended on 30th September 1957 are enclosed with this statement. There is little to say about them for the reason that together with the notes and the schedules they are self-explanatory. They follow the form introduced two years ago, which it is interesting to record received The Accountant Annual Award.

Again it will be the wish of us all to express our thanks and recognition to the staff and employees at all levels for the interest they take in the Company's operations and for their contribution to its success.

Stocktaking 1945-1957

Towards the end of the war we prepared programmes of development on which we started as soon as the war was over. These programmes for the most part have been carried out. As activity increased it became necessary to enlarge them and in these days they are revised each year to cover five forward years.

What has been done and what has been spent has been reported from time to time, but my colleagues join with me in thinking that it will be informative and interesting to our fellow shareholders to substitute a stocktaking review of the post-war period (1945-1957) in place of the customary references to performance in the last completed year.

Generally, the gross book value of the Company's fixed assets is now £95 million. The fact that £81.5 million has been spent since 1945 indicates that a very large part of our plant and machinery is either new or has been modernised in twelve years. The large increase in profits shown this year is a direct result of this very large expenditure.

Outputs of primary products have greatly increased.

	Outputs		
	1945/6 Tons	1956/7 Tons	% Increase
Ironstone	1,931,000	4,868,000	145
Coke	1,021,000	1,592,000	56
Iron	959,000	1,748,000	82
Steel	1,604,000	2,855,000	78

By comparison the total number of men employed exclusively in producing these outputs has increased to a modest extent as shown in the following table:

	1945/6	1956/7	% Increase
Steel, Peech & Tozer	6,845	8,319	21
Samuel Fox & Co. Ltd.	5,183	6,699	27
Appleby-Frodingham	7,901	10,305	30
Workington	3,549	3,546	—
Ore Mines	742	1,581	112
	24,229	30,360	25

Clearly, much greater use has been made of fixed capital investment and in consequence the output per man has risen significantly. This greater use is due partly to the introduction of more efficient plant, and partly to more continuous operation. But in the main the growth in production has followed from extension and modernisation of plant and machinery.

In particular, our stocktaking at the several branches is set out shortly as an appendix to this statement. This appendix records the work done on extension and modernisation and the capital cost of it.

Perhaps the most imposing installations are:
The blast furnace works, including the extensive ore preparation plant at Appleby-Frodingham.
The electric furnaces for extending the making of alloy and stainless steel at Samuel Fox.
The continuous medium width strip mill at Steel, Peech & Tozer.

Future Prospects

The Company's output is being maintained at full capacity and its products find a ready sale, with the exception of one or two of the manufactures of the lighter departments.

Many companies, however, and indeed industries, are looking to the New Year with caution. Although there is nothing disturbing to report so far, the steel industry is consequently in some doubt what the position may look like next spring if monetary restrictions are enforced to a point where industrial production suffers or is only maintained by reductions in stocks.

Nevertheless, the Company is confident that it can retain its present proportion of home orders, despite any possible temporary levelling-off, or even setback to the market as a whole. The products made by the Company cover a wide range and its plant has been virtually renewed since the war. These factors, together with the care that has been taken in the past to spread sales in the various markets for steel both at home and abroad, should now stand us in good stead.

Turning to the field of exports, it has been calculated that about 40 % of the steel produced in this country is exported either in plain form or indirectly in goods made from steel such as motor vehicles, ships and engineering products.

We shall continue to support our customers at home, but with any slackening of the home market we shall endeavour to expand our steel exports, although this market is clearly much more competitive than it has been for many years as a result of which world prices have been falling steadily.

It seems probable, therefore, that the hitherto overwhelming world-wide demand for steel, which has been manifest since the end of the last war, may as a result of widespread disinflationary measures, slacken for the time being. In the long run, however, I am confident that demand must continue to increase, based as it is on new-found uses for steel and on a steady expansion of industrial production which derives from the now conscious and almost general endeavour on the part of Governments to raise their national standards of living.

Nationalisation

The Socialist Party at its conference this autumn issued a statement setting out its policy on future public ownership entitled "Industry and Society".

The statement repeated the intention of the party, if and when it was returned to power, to renationalise steel or as it was put, to restore public ownership in the steel industry.

All who are interested in the steel industry, whether as proprietors or employees must realise that the nationalisation of iron and steel has once more become an urgent question. Accordingly, following the Socialist statement my colleagues and I, as the elected representatives of the proprietors of our Company, believe we should declare their opposition to any further interference with ownership or management of the steel industry.

I shall not waste time in repeating arguments which are well known anyway, because I want to call attention to what is said to be Labour's policy (which truthfully should be called Socialist policy). In it steel is only one thing, but we must rouse ourselves and we must realise that there is no end to the things that are to be nationalised as soon as the socialist element in Parliament has a majority large enough to make new laws.

It would be wrong to dismiss these ideas and aims as crazy or belonging only to the distant future. The programme is serious and it has been formulated by men whose lives are spent in striving to realise these aims.

But first let us see where steel is now. It has been nationalised and it has been denationalised and now the Socialist Party say it should be renationalised.

Why?

On its merits no one wants to nationalise steel. Neither the proprietors nor men employed in making it nor the people who buy it nor the men and women who elect members of parliament although some of these might favour it for reasons which have nothing to do with merits.

But although nobody wants it, the attitude of the Socialist Party and the threat of renationalisation which it broadcasts, psychologically might well undermine the confidence so essential for regular development in all the long chain from the primary products to the infinite variety of intermediate and final products.

If a finger is pointed to the nationalised industries, whether to have nationalised them has been a good thing or a bad thing may be still a matter of opinion. But in the conduct of them since, it has been demonstrated that when nationalised they soon wear political clothes. The Acts by which they were nationalised provide management machinery which it was claimed would make them free of political interference, but in practice it has been found that what is their business becomes the business of Parliament. But steel is very different from the nationalised industries. Steel is a manufacturing and trading activity.

What is steel? It is not just the conversion of iron ore into something which the man in the street calls steel and which in its primary state he has never seen. The companies and persons who make steel work it up into innumerable things used for all kinds of purposes, the building of ships, railways, motor-cars and even small things like pins and needles. Steel cannot be nationalised in isolation. In the nature of things undertakings which make steel must fashion it into many finished or semi-finished things. Not all steel undertakings turn their steel into the same kind of finished things and the finished things in many cases are also made by people who do not make steel.

These undertakings are competing against each other and against the steel industries of the world and their success depends upon flexibility of policy and speed of decision which can only be achieved if the men on the spot have both the responsibility and the authority. Nationalisation of them must inevitably involve centralisation of ultimate responsibility and loss of time. This must mean interference with the executive authority of the management of the industry and the growing reference of decisions to a central body—a central body which cannot be aware of local circumstances and which will, moreover, often operate with its head over its shoulder to observe parliamentary reactions to its operations.

Steel then is not a service but a manufacturing and trading industry. More than this it is an industry which directly and indirectly produces a large proportion of the things which our country exports, in other words it provides a large proportion of the exchange with which we pay for our imports on which we depend for our living to a greater extent than any other major country in the world.

This industry is highly organised in every branch and co-ordinated by means of a central organisation presided over by an independent chairman. In addition, as the result of years of experience in trading, its connections with customers and the goodwill and confidence which it has built up are spread all over the world. Are all these to be set back or lost by transferring the ownership and management of the industry to the State?

On merits there is no reason or even excuse for nationalising the steel industry. The only ground left to the Socialists is their determination to follow the doctrine preached by Karl Marx, 100 years ago, namely, to nationalise "the means of production, distribution and exchange". This can cover so much that it would cause a revolution in the country's economy and would put an end to private ownership of nearly every kind of property.

If we look at the road which the steel industry has travelled since the end of the first world war in 1918 and its ups and downs, it is not very different from the roads which other industries have travelled. It has been a long journey and some ups and downs have been large but all have been influenced by the same trade cycles and by the violent disruptions in the world at large. It cannot be said that it has not held its end up at least as well as others. And it cannot be said that on economic grounds it needs to be succoured by the State.

Sir Hartley Shawcross has recently said in public that industries should not be nationalised for the sake of nationalisation, but only if they were not being conducted efficiently. He went on to say that although the steel industry might have been in such a state it was doubtful whether it was actually so at the time it was nationalised.

How does the industry stand in relation to the State in this year of 1957?

The Act of Parliament by which the steel industry was denationalised in 1953 was not a sale back to the actual parties from whom it had been compulsorily acquired in 1951. It is true that it provided for the sale back to private ownership. Much consideration had been given by Parliament to the form of management and control of the industry after denationalisation and the Act set up machinery for supervision which today may not be remembered by the man in the street. This machinery was a body called the Iron and Steel Board. It is composed largely of members independent of the industry (including the chairman and several steel consumers) and has other members drawn from the employers and the trade unions. The function of the Board is to take care that sufficient iron and steel is provided for the country's needs, that the industry's future plans are adequate, that sufficient raw materials and fuel should be made available, that prices should not be excessive, as well as encouraging research and safety, health and welfare and arranging for joint consultations.

This Board has been in daily operation ever since the Act was passed and the industry works in co-operation with it. In this way the State seems to have all the authority needed in the interest of the State and for the protection of the consumer.

The renationalisation of steel will no doubt be vigorously opposed by shareholders and others who may hold anti-Socialist views. But it should be realised that in the Socialist programme the nationalising of steel is only a beginning. Shareholders in other industries and owners of every kind of property will follow in their turn.

Ownership by the State and management by the State is not just something which is not good or restricts our freedom: it is a bad thing. It is the beginning of communism and logically in time it would convert our country into a state as completely communist as Russia and other eastern states which are either already communist or going that way.

Industry and everybody who depends upon it in their daily lives should do a lot of hard thinking and should really try to understand where the policy of the Socialist Party may lead.

It is dangerous for members of the community who are not particularly interested in the steel industry to think that the nationalisation of steel concerns only the proprietors, that is, the shareholders in steel undertakings. It concerns all because it is a large step forward in a programme which sooner or later will make the State the proprietor of every kind of property and the employer of the whole population. In other words it is a programme which leads to slavery, and we can become slaves without having chains round our necks and wrists and ankles.

If this should seem an exaggeration, it is nevertheless a warning to all of us to think very hard about the Socialist aim to enlarge State ownership and State control and a warning to those who are strangers to steel to be as much concerned about what may happen to them as steel people are concerned to retain their property.

Apathy is an easy path but it leads to descent. State ownership and State control by Act of Parliament mean the loss of personal liberty, which Parliament was established to protect and for which civil wars have been fought even in this country. We are so engrossed in our daily affairs that evolution and even quiet revolution can overtake us while we sleep. If we could all give the aims of the Socialists serious thought we might well find that they are leading to a crisis as far reaching as any in our history.

Final Conclusion

As I said at the beginning of this reference to politics and the steel industry, I have not repeated the many arguments on the merits of the steel industry. I have confined what I had to say to warnings of the danger of the threat by the Socialist Party to renationalise steel. I have gone further than this and said that nationalisation of steel is only a beginning, the nationalisation programme of the Socialist Party is a threat to every industry and is already undermining confidence abroad. And I have added that the programme is a threat to personal freedom.

These threats create a national crisis as important and as serious as any in our history. To say this may seem an ignorant and prejudiced exaggeration. But is it?

STEWARTS AND LLOYDS, LIMITED

A RECORD YEAR FINANCIALLY

TRADING PROSPECTS—A CAUTIOUS NOTE

FINANCING DEVELOPMENT PROJECTS

RE-NATIONALISATION OF IRON AND STEEL INDUSTRY THREAT

"A DISASTER FOR COUNTRY AS A WHOLE"

MR A. G. STEWART'S APPEAL TO SHAREHOLDERS FOR SUPPORT

The sixty-eighth Annual General Meeting of Stewarts and Lloyds Limited will be held in the Merchants' Hall, 30 George Square, Glasgow, on Tuesday, January 28, 1958, at 12.15 p.m. The Accounts for the fifty-two weeks ended September 28, 1957, have been circulated with a statement by Mr A. G. Stewart, the Chairman, which reads as follows:

As Shareholders will have seen from the dividend declaration, this has been a record year financially. The profit of the whole Group amounted to £18,251,000 before tax and before charging £2 million for Fixed Assets Replacement Reserve. The table set out below shows that the increase in the profits of £1,728,000 as compared with the previous year is largely due to the improvement in the earnings of Stewarts and Lloyds Limited as a manufacturing company.

	Profit	Per cent of total profit	Increase	
	£		£	
S. and L. Ltd.	10,987,000	60	1,455,000	15%
Home Subsidiaries	4,619,000	25	86,000	2%
Trade Investments and Overseas Companies	2,645,000	15	187,000	8%
	£18,251,000	100	£1,728,000	

I shall be referring to these figures in later sections of this statement.

TRADING POSITION

The total tonnages dispatched were:

	52 weeks ended September 28, 1957			52 weeks ended September 29, 1956	
	Tons	Per cent of total	Per cent variation on 1955–56	Tons	Per cent of total
Steel Tubes:					
Home, excluding Oil	480,000	50	−15	567,000	58
Oil Industry—*Home*	58,000	6	+23	47,000	5
Export, excluding Oil	198,000	20	+15	172,000	17
Oil Industry—*Export*	233,000	24	+20	195,000	20
	969,000	100	− 1	981,000	100
Spun Iron Pipes and Castings:					
Home	256,000	70	−25	340,000	72
Export	110,000	30	−17	133,000	28
	366,000	100	−23	473,000	100

(a) Stewarts and Lloyds Limited

It will be noticed that 969,000 tons of steel tubes were dispatched in the financial year 1957 compared with 981,000 tons in the previous year. There has thus, at least temporarily, been a halt in the steep increase in steel tube dispatches that occurred in the years 1955 and 1956.

In my address at the Annual General Meeting last year I referred to a falling off in home trade demand for general purpose tubes in sizes up to 4 in. diameter, which comprises the largest single section of our trade. This fall in demand continued throughout the first six months of the year under review, and although demand has steadied since then, it has continued at a relatively low level. There has been a consequent reduction in dispatches of this class of tube in the home trade.

The demand for quality tubes in this size range has been satisfactory, though not so strong as in the previous year. A good share of the business available was secured and orders reached a reasonable level. In the larger size ranges demand continued to be high, but the financial restrictions have recently reduced the amount of merchant buying of this class of tube which was a feature of previous years.

In export markets, demand from the Oil Industry at the beginning of the period was much in excess of our capacity to supply, and although towards the end of the year it became evident that the Oil Industry's requirements throughout the world were being satisfied, our order book remained full. In consequence of our policy of supplying our regular oil company customers to the greatest extent possible, we were unable during the year to offer for other major pipeline projects. You will have seen that our export dispatches to the Oil Industry during the year increased in volume by 20 per cent over those for 1956.

Overseas demand from customers other than the Oil Industry remained fairly steady and we succeeded in increasing our share of the trade.

Notwithstanding the increase in exports, this was not sufficient to take up the slack in home trade demand for general purpose tubes, with the result that some of our tube plants have been on short time during the latter part of the year.

Dispatches of manipulated pressure pipework maintained the record level achieved during the previous year, but owing largely to general financial stringency, demand for low pressure pipework declined substantially and competition has been severe.

Among the most important users of tubes today are Nuclear Power Stations which currently use considerably greater quantities of tubes than conventional power stations of the same capacity. We have orders on our books for a wide variety of tubes and pipework for Nuclear Power Stations amounting to well over £2 million in value.

During the year costs of materials, wages and freights continued to rise, the average increases for the year in comparison with 1956 being 7 per cent on coal and wages, and 4½ per cent on freights. Home trade tube prices increased over the year by an average of 7½ per cent and therefore rather more than kept pace with increasing costs though they fell short of making up the ground lost in recent years. Tube price increases in 1957 were less than increases in steel prices generally.

Our tube works operated in 1957 at 93 per cent of capacity in producing 969,000 tons as compared with 101 per cent of capacity in 1956 when 973,000 tons were produced.

The rise in the earnings attributable to Stewarts and Lloyds as a manufacturing company, despite the slight fall in the total tonnage dispatched in comparison with the previous year, resulted partly from the increased tonnage delivered for export and partly from the improved production from new plants which reflects the benefits derived from our heavy capital expenditure in recent years.

(b) The Stanton Ironworks Co. Limited

The demand for spun and vertically cast iron pipes fell during the year and dispatches were down overall by approximately 25 per cent. The reduction in the export trade was due in particular to interference with contracts on hand for Egypt and to a diminution of trade with India, one of Stanton's best export markets, owing to India's foreign exchange difficulties.

Increased interest was shown in prestressed concrete pipes, dispatches of which were considerably greater than in the previous year. On the other hand, dispatches of concrete products other than prestressed concrete pipes fell by almost 20 per cent below those of 1956, due mainly to the measures introduced to restrict credit.

Total production of pig iron approximated to the level of the previous year, as also did dispatches of foundry iron, but owing to the fall in demand for pipes, furnace capacity became available which was turned over to the production of basic iron for outside sale to steelmakers.

Increases in the cost of materials, wages and freight were much the same as in the case of Stewarts and Lloyds. In spite of absorbing as much as possible of these extra costs by means of production economies, it was necessary during the year to increase the prices of all Stanton's main products. These continuing increases in costs are of considerable concern owing to competition from alternative materials.

(c) Tubewrights, Limited

An outstanding engineering accomplishment in tubular structures by Tubewrights was the building of the roof over the new Admiralty Test Tank at Gosport. This tank is some 2¼ acres in area and was covered in a single span of 220 feet. Their year ended with a record order book.

FUTURE TRADING PROSPECTS

In January, 1957, I said that it was perhaps easier to take a long-term view than to forecast trading conditions for the immediate future, and that although I was confident that in the long term the requirements of our customers at home and overseas would justify the capacity that we have installed and were planning, the short-term position was not so clear cut.

The experience of 1957 has, I think, justified what I said about the short-term position, and those remarks are even more valid today having regard not only to the Government's financial measures for the restriction of expenditure, but also to the general international economic situation.

So far as the prospects for steel tubes in the current year are concerned, the home trade demand shows no sign of improvement.

In the case of cast iron pipes, whilst present indications are that the home trade demand is unlikely to fall in the current year below the level of last year, conditions in the export market are becoming more competitive and it may be difficult to maintain the level of last year's trade. The foundry iron market is weak and shows no sign of reviving, at any rate in the near future.

Taking the UK Group as a whole, what will primarily determine the level of our business will be the condition of international trade, which, quite apart from its direct effect upon our exports, affects the whole industry of this country on which our own home trade depends.

It is a long time since we have faced prospects as uncertain as they are today, but there have been many occasions when the Company has faced similar conditions and far worse ones. I hope, therefore, that these remarks will be accepted as striking simply a cautious note.

We are as well equipped as any of our competitors to respond to market conditions, whether at home or overseas.

In the longer term, given a stable international situation, the Government's measures to check inflation and maintain the value of sterling should lead to a general increase in confidence and an expansion in demand. We look forward in the export trade to a continuing growth of the Oil Industry and of its demand for our products, and we are going ahead with our plans to meet these increased requirements.

DEVELOPMENTS

(a) Ironstone

Production of the Group increased by 9 per cent to 5,700,000 tons.

We are planning to increase our annual ironstone production within the next five years by 1,500,000 tons to meet the anticipated requirements of our blast furnaces. During the past year we have drilled approximately 1,000 exploratory boreholes in order further to prove the extent and quality of the ore.

We have now had some seven years' experience in operating large walking draglines, and one of the new machines of this type which we have on order is designed to remove up to 110 feet of overburden from the ironstone without the use of auxiliary plant. From our experience to date, however, it is clear that a large proportion of our reserves will have to be worked by underground mining.

I have referred previously to the new underground mine which we are developing at Thistleton in Rutland. This is the first major underground ironstone mine to be developed in this part of the Northampton Sand Ironstone Bed, and the problems being encountered show that there is still much to be learned about this type of operation. It would be unwise to count on any substantial increase in production of home ore by underground mining within a short space of time.

It has already been announced that jointly with the United Steel Companies, Limited, we have agreed to a request by the Iron and Steel Board to carry out, as soon as possible, a survey to ascertain the extent, nature and workability of the unproved reserves of the Northampton Sand Ironstone Bed lying in Rutland and South Lincolnshire. We and United Steels have also undertaken that if the results of the survey are satisfactory and if other conditions at the time are favourable, we would proceed to develop this field further with the object of supporting additional iron and steel making capacity to be built and operated by ourselves or others. We consider that it will not be possible to carry matters to this stage by 1962 and that it may be some considerable time thereafter—assuming our conditions to be satisfied—before further capacity based on such ores could be operating.

(b) Blast Furnaces and Coke Ovens

The additional ore preparation equipment at Corby, designed to bring the proportion of sintered home ores used on our blast furnace burdens to 70 per cent and with corresponding technical advantage in utilising the type of home ore now available, is almost ready for service. In due course it is intended to follow up this development, when certain technical features of the new plant have been proved in practice, by the installation of a further sintering unit capable of raising our sinter production to 100 per cent of the ore burden used at the Corby furnaces.

Progress is also being made with the new ore preparation plant at Stanton which we expect to come into operation in 1959.

The construction of the 50 new coke ovens at Corby is proceeding according to schedule.

(c) Steel Works and Rolling Mills

Steel ingot production rose by 41,000 tons over last year's record output. It would have been higher but for the recession in tube demand.

Unfortunately, the tonnage oxygen plant at Corby, which we expected to be in service already, is not yet in operation. Serious delay in the delivery of the plant has forced us to confine our present activity to development trials in the application of oxygen to steel making, and it would appear that the bulk oxygen supply will not now be available until March, 1958.

Further progress has been made with the replacement and reconstruction of the Corby heavy rolling mills.

At Bilston steps are now being taken to instal two additional open hearth furnaces with ancillary equipment. On completion, the ingot capacity at Bilston will increase to 550,000 tons per annum in comparison with the 1957 capacity of some 325,000 tons. It has now been decided to replace the blooming and bar mills by mills of modern design.

On completion of these measures, the Company will have at Bilston, with the new blast furnace already installed, an efficient, integrated iron and steel works for the production of steel suitable for seamless tube manufacture.

At Clydesdale a sixth open hearth furnace and additional casting facilities are under construction, to raise the steel capacity to 300,000 tons per annum for the rotary forge tube plants.

(d) Tube Works

Progress has been made with the second stand for the new rotary forge tube mill and other plant extensions at Clydesdale, most of which will be brought into commission during 1958. The manufacture of electric fusion welded tubes in the larger range of sizes has now commenced at our British Works, Coatbridge. We are proceeding with the installation of an extrusion plant at our Prothero works in the Midlands and production should begin in 1959.

In order to increase our capacity for the production of pipe to meet the expanding needs of the Oil Industry, we have decided, as already announced in the Press, to instal on a site adjacent to the Shotton Works of John Summers & Sons, Limited, an electric resistance weld tube plant. This plant will use strip supplied by Summers and will produce tubes in the size range from 6⅝ in to 16 in o.d.

We have been watching developments in the plastic pipe industry, particularly in so far as its impact on our trade is concerned. We recognise that, in certain limited and specialised fields, the plastic pipe has its application. We have therefore decided to manufacture plastic pipes on a modest scale, and to this end a small plant has been built and is in production.

(e) General

The new laboratories at Corby, for our Department of Research and Technical Development, are progressing satisfactorily.

It is our intention to instal during 1958 at Corby a "Leo" Electronic Computer. This

machine, as its initial duty, will prepare the pay roll for some 7,500 men and provide an analysis for costs purposes. Programmes have been, and are being prepared, for a variety of other work which it is hoped the Computer will undertake for Corby and other branches of the Company.

(f) Obsolete and Redundant Plant

Constant attention requires to be given to the adoption of new processes and to keeping plant and equipment up to date. This involves not only the modernisation of existing plants and the putting down of new ones, but also the scrapping of old plants which have served their time and have become obsolete.

We have recently closed the tube mills at Landore and at Imperial Works, Airdrie. The blast furnaces at New Cransley, near Kettering, have also been closed down. Most of the men who became redundant and were not immediately pensionable are receiving *ex gratia* allowances according to length of service. Those who were pensionable and who had the necessary service qualifications benefit under the Works Pension Fund introduced in July, 1956.

FINANCE

Up to September, 1956, the capital expenditure of the UK Group since the war amounted to £46,500,000. During the year under review expenditure amounted to £8,500,000, giving a total of £55 million. It is stated in the accounts that the balance of schemes approved, including commitments and £917,000 for further investment in The Indian Tube Company (1953) Limited, amounts to the substantial sum of £41 million, but this expenditure will be spread over a number of years. The schemes to which I have already referred indicate the directions in which this money is to be spent. Perhaps I should emphasise that nothing is included in this figure for the possible developments based on the unexplored ironstone areas in Rutland and South Lincolnshire. It will be appreciated from what has been said already that the Company is not committed beyond the exploratory boring programme.

Since the recent restriction of Capital Investment all our schemes and the phasing of the expenditure have been re-examined. The £41 million represents the minimum expenditure we feel we must incur if we are to maintain our position in the international tube trade.

You may well inquire how, under present conditions, the money for this development is to be found.

It has always been the policy of the Company to plough back a considerable proportion of annual profits and thereby finance capital expenditure largely from that source. During the year under review the cash position of the UK Companies worsened to the extent of £1,870,000. This is not perhaps surprising when it is pointed out that some £12,750,000 had to be found for assets of one form or another.

The significance of this is that despite the larger profits, increased borrowing was necessary. As shareholders will know, it is our intention to finance our developments partly by borrowing, but it will be appreciated that the degree of borrowing must increase if the profit level is not maintained. The present state of trade and the current restrictions on borrowing are, therefore, the cause of some concern to your Board. It is not possible at this stage to anticipate exactly how the situation will develop. Our Bankers are willing, as in the past, to provide the necessary facilities, and application has been made to the Capital Issues Committee to enable them to do so.

Dividend

As has already been pointed out, last year's financial results were a record. In recommending a final dividend on the Ordinary Shares of 8 per cent, making 11 per cent for the year, we have in mind the results of last year rather than the prospects for the current year as seen at present. Without wishing to forecast in any way the Company's future dividend, I would however remind you that the cover is substantial.

The profit available for appropriation after allocating £2 million to Fixed Assets Replacement Reserve for the year amounted to ... £6,072,000

Preference Dividend amounted to ...	£316,000	
The allocation to General Reserve is	£3,500,000	
The Ordinary Dividend proposed including the interim, amounts to	£1,265,000	
and		
The unappropriated profits have increased by ...	£991,000	
		£6,072,000

I should add that £2 million has again been transferred from General Reserve to Fixed Assets Replacement Reserve, to bring the total amount allocated over the years to that Reserve more into line with current replacement values.

Shareholders

It may be of interest to give you some indication as to who the shareholders are. In October, 1954, shortly after we were denationalised, we had 12,217 Ordinary shareholders. Some 7,000 of these were shareholders in the Company before nationalisation. Of the 12,217 shareholders, 81 per cent held 500 shares or less. In October, 1957, the number of Ordinary shareholders had risen to 18,395, and 78 per cent held 500 shares or less.

In 1954, 42.5 per cent of the Ordinary shares were held by individuals and in 1957, 47.2 per cent.

These figures indicate that the confidence in the Company shown by the small investor at the time of denationalisation has grown—surely a healthy sign of public approval of free enterprise, when account is taken of the enormous weight of investment in public companies by insurance companies, banks and pension funds, and by public bodies generally.

The Accounts

The accounts are presented in the same form as last year. An additional schedule has been included giving some particulars of the Company's finances over the past ten years. It is hoped that this, and the pictures also provided for the first time, will be appreciated by shareholders.

Apart from the cash position to which I have already referred, an item which might cause interest is the increase amounting to no less than £5 million in the UK Group's stocks. Of this, £2 million is due to cost increases and the balance of £3 million is due to increased quantities. The latter is partly explained by the establishment of steel stocks to ensure that there is no shortage during the period in 1958 when the heavy blooming mill is being replaced.

The charge for Employees' Benefit Fund and Pension Funds at £1,272,000 is £500,000 greater than last year. This is almost entirely due to the Works Pension Fund being in operation for the whole period as compared with three months last year.

OVERSEAS COMPANIES

South Africa

The turnover for the year of Stewarts and Lloyds of South Africa, Limited, and its subsidiary companies showed a further increase to £14,500,000 compared with £13 million last year. There are, however, signs that the results of the current year may fall short of the 1957 record

In February, 1957, an offer of 400,000 5s. Ordinary Shares formerly held by Stewarts and Lloyds, Limited, was made and met with a very good response from the South African public.

Southern Rhodesia

The Que Que tube works of the South African Company's subsidiary in Rhodesia had a moderate year. Production had to be curtailed through lack of demand.

The negotiations whereby The Rhodesian Iron and Steel Company, Limited, in which Stewarts and Lloyds, Limited have an interest, took over the steel works at Que Que from the Southern Rhodesian Government, were satisfactorily concluded during the year. Under the guidance of the Lancashire Steel Corporation Limited, and Stewarts and Lloyds, Limited, progress is being made with the reconstruction of the works.

Australia

The down-turn in home trade demand experienced by our associated companies in Australia persisted throughout the year in some sections of the market. There was a welcome improvement, however, in some other sections and this, combined with increased exports, resulted in the turnover of the group being rather more than maintained at approximately £A31 million. The new financial year has made a good start but export orders are more difficult to obtain.

New Zealand

The tonnage of steel products handled by the New Zealand Companies was well maintained, the turnover being slightly up at £3,200,000. Deliveries both from the United Kingdom and Australia improved, thus assisting to preserve our Companies' share of the New Zealand market.

Canada

Stewarts and Lloyds of Canada, Limited, had a satisfactory year, turnover being considerably above last year's level. Towards the end of the year, however, demand eased off.

India

The Indian Tube Company (1953) Limited had a good year. The output of the continuous weld plant was 36,500 tons.

The electric resistance weld plant and cold strip mill were completed according to programme early in 1957. Production has been limited owing to initial difficulties with strip supplies for this plant. A satisfactory order book has been built up.

Good progress has been made in the erection of the seamless plant.

Stewarts and Lloyds of India, Private Limited had a satisfactory year; the production of fabricated and manipulated pipework again increased.

Eire

Stewarts and Lloyds of Ireland, Limited's first full year of trading was satisfactory, although demand in Eire was not so high as in previous years.

THANKS TO EMPLOYEES—HOME AND OVERSEAS

I would like, on behalf of all Shareholders, to thank all our employees for their work in the past year, and here I refer not only to those in this Country, but all others overseas who keep the flag flying so splendidly.

Over 42,000 men and women are now employed by the Company at home. In addition a considerable number is employed in our overseas subsidiary and associated companies. We are indeed fortunate in the quality, energy, and loyalty of this large body of people.

PROPOSED RE-NATIONALISATION OF THE IRON AND STEEL INDUSTRY

I referred, last year, to the threat of nationalisation. Recently, of course, the Labour Party has reaffirmed this threat to the industry.

Under normal circumstances, I believe it most inadvisable for industry to enter into political controversy; but in this exceptional case, where your Company is threatened, your Directors feel it necessary to fight the issue of nationalisation; and if thereby and to that limited extent, we become involved in politics, it just cannot be helped.

The Labour Party must be well aware that there is little confidence in nationalisation in this country. Many of the general public are thoroughly disillusioned with it: they have seen it in action, they have suffered its cost and witnessed its failures.

Maybe it is for this reason that those politicians who now propose to throw Britain's steel industry back into the battlefield of political strife are not saying very much about it. Perhaps they prefer to do the deed by stealth. Perhaps they feel that once the people fully understand what their intentions are they may lose votes. It is our object to see that the alarm is sounded before it is too late.

The industry is tired of being treated like a shuttlecock. The threats to which it is subjected by the left wing, are doing incalculable harm to the steel industry, both here at home and overseas. One immediate result of the threat of nationalisation is that capital for further expansion becomes more difficult to raise.

We have everything to be proud of in the massive development and expansion of steel. What has been achieved in the last few years in steel is a national triumph.

By every reasonable test that even the most ardent nationaliser could apply, steel is serving the nation well. Prices are among the world's lowest; production has exceeded the most sanguine estimates; labour relations are a model for the rest of industry.

Since the war, the industry has invested about £740 million at current prices in one development after another. One result is that crude steel output has been increased from 12,700,000 tons in 1946 to approximately 21,600,000 in 1957.

This has been achieved largely out of the industry's own resources with the help of the private investor. What more could nationalisation do—save to throw the burden of future investment on to the ordinary taxpayer?

What about the workers? Will they be better off under nationalisation? Wages in the steel industry, I am pleased to say, are above the national average, while strikes are almost unknown. There is harmony and contentment that just does not exist in State undertakings, where the workers find themselves checked and encumbered by red tape. In the coal industry last year (1956) there were 3,771 separate disputes. That is how contented the miners are!

What about the country? Is a State-owned steel industry in the national interest? I cannot believe that the responsible Leaders of our great political parties can, with the experience of nationalisation of other industries, conscientiously believe that nationalisation of the steel industry is the proper course to take in the interests of the prosperity of this country, and I hope that as time goes on, and before it is too late, common sense and wisdom will override party prejudice.

Nationalisation of the steel industry would, in my opinion, be a disaster for the country as a whole.

Of Britain's total exports of £3,172 million per annum more than 50 per cent depends on steel. If progress in steel is blocked, if efficiency is impaired, there will be no hope for this country.

In the case of Stewarts and Lloyds, who rely so much on export trade, there can be no doubt that the difficulties of selling abroad would be greatly increased if our customers had to negotiate with what would be virtually a "Government Department."

I know that many of our friends abroad, with whom we have such valuable technical contacts, would be less willing to come forward and exchange information with Government-owned industry.

In my view, no responsible body has the right to play such a game of political spite and tit-for-tat with the prosperity of the nation.

It is our intention to fight this threat. Following the Labour Party Conference we inserted an advertisement in the Press circulating in the neighbourhood of our works, under the heading: "Should Steel be Re-Nationalised?" This advertisement concluded with the words:

> "We therefore urge all voters, particularly those who support the Labour Party, to call upon their candidates and local organisations to examine again whether the re-nationalisation of the steel tube industry is necessary or desirable in the interests of the country as a whole. Would not such a step hamper the economic progress of this country?"

The existence of a strong Iron and Steel Board provides a general supervision over the industry, sufficient to safeguard the interests of the community, and within this supervision the steel companies should be free to exercise their initiative and enterprise without bureaucratic interference.

When we were nationalised, and it was for just over three years, the effect was not serious as the Iron and Steel Corporation had neither the knowledge nor a sufficiently long term of office to assume active control of the industry. I am, however, certain that, had we continued to be under their control, and Government ownership, the whole machinery of production, research, expansion and marketing would have been slowed down disastrously.

Those who are involved in the management of industries of all sorts in this country are only too well aware of the international difficulties involved in trading, and of the difficulties in running modern industry, and I cannot see how it can be argued that the Government machine is better equipped to carry out this extremely important but difficult task.

Your Board is inviting encouragement from the shareholders in the stand we are taking in seeking to convince public and political opinion, by asking you to pass an ordinary resolution at the Annual General Meeting, in the following terms:

> **"The Ordinary Shareholders of Stewarts and Lloyds, Limited, being of the firm belief that nationalisation of the Iron and Steel Industry in Great Britain would do harm to the Company, its employees and its customers, confirm the power of the Board of Directors to take, and approve the Board of Directors taking, such steps as they consider necessary or desirable to counter such nationalisation."**

I would urge all those who are in agreement with the views I have expressed, but who cannot be present at the meeting, to complete the enclosed proxy form.

COTTON PLANTATIONS LTD.

NEW INVESTMENTS IN RESIDENTIAL PROPERTY

The thirtieth annual general meeting of Cotton Plantations, Ltd., will be held on January 28th at 26 Portland Place, London, W.

The following is the statement by the Chairman, The Marquess of Donegall, which had been circulated with the report and accounts for the year ended December 31, 1956:

As you can see from the Directors' Report herewith my co-Directors and I took office early this year.

The new Board continued with the Company's objects of Financial and Investment Trusts and in February, 1957, the Company acquired the whole share capital in a number of Investment Companies owning, in the main, residential freehold and leasehold properties. The total cost of these Investments was £249,229, part of which was provided by mortgages.

The gross Rental income from these properties exceeds £30,000 per annum, to which must be added the impending benefits of the Rent Act.

PROPERTY SALES

The new Rent Act encouraged the Board to embark on sales to sitting tenants and outside purchasers. These sales in the course of the first six months of trading have provided a net profit (subject to taxation only) of £27,954. In connection with these sales I should mention that the properties sold have realised on an average approximately three times the original cost price to the Company. Since the date of these interim figures the sales have continued and attained as good a result.

It is this encouraging trading profit that has caused your Board to recommend a 7½ per cent interim dividend.

Your Board felt that as we are approaching the result of a further six months of trading that I should mention that we will consider the payment of a final dividend.

In conclusion my Board wish to join with me in expressing our gratitude to all the Executives and Personnel of our Companies for their efforts.

THE STEEL COMPANY OF WALES LIMITED

PROFIT A RECORD IN COMPANY'S HISTORY

COMPLETION OF SECOND DEVELOPMENT PLAN

EXCELLENT PROGRESS AND PROSPECTS OF INCREASED PRODUCTIVITY

MR HARALD PEAKE'S REVIEW OF OPERATIONS

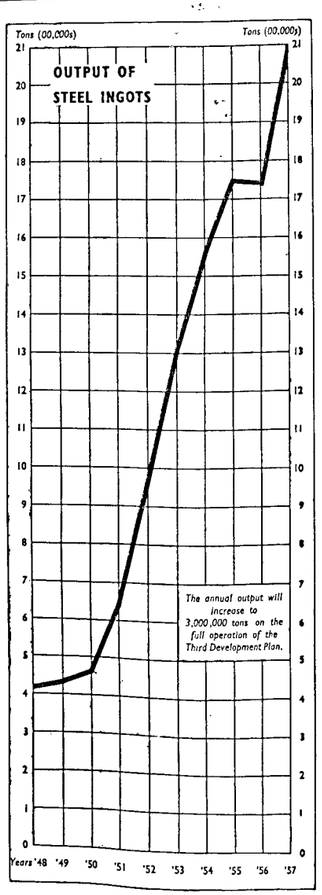
On March 14, 1957, The Iron and Steel Holding and Realisation Agency offered for sale to the public at par 40 million Ordinary Shares of £1 each in the Company. Firm applications for 45,695,000 shares were received and a scaling down of the larger applications took place before allotment. This offer produced the largest amount which had up to that date been raised in the City of London by an issue of one class of shares on one day. 1,778 out of 22,750 eligible members of the staff and of the employees applied for and took up shares under a scheme providing for payment to be spread over a period of two years by means of an interest free loan from the Company. Capital subscribed under this scheme amounted to £248,500.

There are now approximately 29,000 shareholders including one in every twelve persons employed by the Company.

In the prospectus relating to the issue, I stated that the Directors were then "of the opinion that in the absence of unforeseen circumstances, trading profits for the year to September 28, 1957, will be not less than £16 million before depreciation, interest and taxation." It is encouraging to be able to report an actual profit of £18,980,450. This is in excess of the profit for 1955 and is the highest in the history of the Company. The profit for 1956 was affected adversely by reduced production resulting from the embargo on overtime by maintenance craftsmen. The record profit for 1957 is largely due to increased production resulting from the completion of the second development plan and also to improvements in operating.

The value of sales in 1957 was 25 per cent higher than in the previous year. Approximately a quarter of the proceeds of sales were from exports.

The past year has been one of excellent progress in all three divisions.



CAPITAL REORGANISATION

In March, 1957, the authorised capital was increased from £40 million to £60 million. Subsequently 23,063,959 new ordinary shares of £1 each were subscribed in cash at par by the Agency, bringing the issued capital up to £40 million. Shares to this amount were the subject of the offer and sale to the public to which reference has already been made.

Two million and 1 million ordinary shares were taken up, respectively, by Guest, Keen and Nettlefolds Limited and The Metal Box Company Limited. Both companies are substantial customers for our products and the directors welcome them to the share register.

To replace the £15 million 3 per cent First Mortgage Debenture Stock 1952/57, which was repaid at £101 per cent on July 16, 1957, and to repay loans from the Agency and from Finance Corporation for Industry Limited, £40 million 5¼ per cent First Debenture Stock 1980/85 has been created and, subsequently, issued to the Agency at £98 per cent and £25 million 5¼ per cent Second Debenture Stock 1964/87 has also been created and, subsequently, issued to the Agency at £98 per cent.

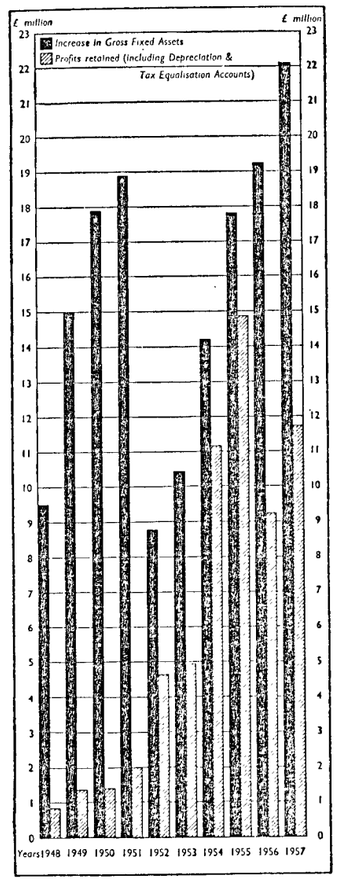
In order to provide funds for the completion of the third development plan and also for additional working capital the Agency have agreed to make or arrange for advances up to £40 million repayable not later than 1964. The amounts drawn against these advances are expected to reach their peak in 1959 and thereafter, depending upon conditions at the time and the actual cost of the work, should be finally repaid in the course of the subsequent three or four years.

By these means all the foreseeable financial requirements of the Company have been secured.

THE ACCOUNTS

In the Consolidated Profit and Loss Account it will be seen that the trading profit is £18,980,450 compared with £14,228,057 in the previous year. As a result of continued heavy spending on capital account the provision for depreciation is higher at £5,659,569 compared with £4,694,488 last year. Interest on Debentures and Loans is higher at £4,164,217 against £3,583,172 owing to higher interest rates. Taxation on profit for the year has increased from £1,950,000 to £4,500,000 as a result of the higher profit and a reduction in the amount of investment allowances.

The balance of profit after taxation is, therefore, £4,656,664 compared with £4,000,397. The directors have allocated



£2,400,000 against £1,700,000 to Fixed Assets Replacement Reserve.

Dividends, less Income Tax, paid and proposed on the ordinary shares will absorb £1,380,000 compared with £389,529 due to the higher amount of capital issued and to the higher rate of dividend. After deducting from the balance of profit brought forward from past years £1,648,459, being the cost of the capital reorganisation and £3,063,959, being the amount of the special dividend which was paid to the Agency on March 5, 1957, there is a balance of profit to be carried forward to next year amounting to £6,066,487 compared with £9,902,241 a year ago.

To summarise the result of the year's trading, the profit of £18,980,450 has been used to the extent of £5,544,217 on interest and dividends, £4,500,000 on taxation and the remainder amounting to £8,936,233 has been retained in the business for provisions for depreciation of assets in use and to meet part of the cost of the second and third development plans.

The main changes in the Consolidated Balance Sheet are related to the capital reorganisation already referred to.

Debtors, creditors and stocks have increased compared with the previous year due to the higher volume of trade and the general increase in prices.

The decrease of £90,000 in trade investments is due to the repayment out of profits of the balance of the loan to Heckett (Wales) Limited.

THIRD DEVELOPMENT PLAN

By the end of the year expenditure amounting to £48 million had been sanctioned by your Board and £10,500,000 had actually been expended in respect of the plan which is now estimated to cost £52,500,000.

In the early months, the greater part of the work and of the expenditure was in connection with the foundations of the larger units.

Now that the foundations are nearly complete, constructional work is going ahead rapidly and there are good prospects of the plan being completed by the end of 1959.

When this development plan is in full operation the Company's steel output will be increased to 3 million tons annually which will be rolled into plates, sheets or tinplates as the market conditions require.

STEEL DIVISION

Production of ingots at 2,095,000 is the highest so far attained. At the end of the year production was running at an annual rate of 2,300,000 tons.

It has been a year of excellent progress in all departments in spite of the consequences of the nationalisation of the Suez Canal. At the year end the only part of the second development plan awaiting completion was a battery of twenty-five coke ovens which has now been brought into production.

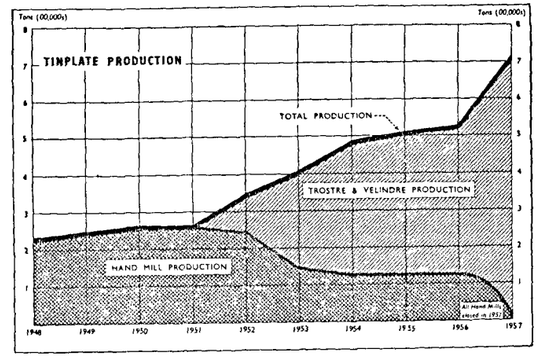
The number employed in the division is approximately 13,500 with a further 3,200 working on the third development plan.

Special attention is being given to training not only of new entrants, but also of foremen and of persons in managerial positions. The results are most encouraging. In this connection numerous visits have been made to North America and to the Continent.

During the year arrangements for research have been reorganised with notable achievements in many directions. The oxygen gun developed at our works for use in open hearth furnaces is now used under licence by other companies at home and abroad.

TINPLATE DIVISION

Production of tinplate was 703,000 tons compared with 536,000 tons in the previous year. The Trostre Works, near Llanelly, which was completed in 1952, has broken all previous records in production. The sister Works at Velindre, near Swansea, which started production in July, 1956, has developed in advance of expectation and is now approaching completion. These two works which are as up to date as any in the world, with their supplementary tinning facilities at Burry, near Llanelly, and Elba, near Swansea, are now able to supply all of our customers at home and abroad with tinplate of the highest quality. Consequently, it has been necessary to close down the remaining old type hand-mills at Gorseinon and Pontardawe in March, Old Castle and King's Dock in June, and Melingriffith, Lydney, Teilo and Mardy in October.



The closing of these mills was inevitable, and, whilst foreseen, it came about rather sooner than had been expected. It is sad to see what may be described as the end of an era and the redundancy of many men and women who have spent the whole of their working lives at these works. Everything that can be done is being done locally to find alternative employment for them, and a measure of success is being achieved in this respect.

The past year is a memorable one, as it marks the end of the importation of tinplate to meet home requirements. The value of tinplate which we have exported to over forty countries amounts to £20 million, and is expected to increase in the current year.

The members of the staff and our workpeople have every reason to be proud of achievements which are so helpful to the national economy.

NEWPORT DIVISION

During the first half of the year the demand for electrical sheets was reduced, but sales of mild steel sheets were well maintained. Subsequently, the consumption of electrical sheets improved, and by the year end it was necessary to work overtime to satisfy regular customers.

The year almost saw the completion of the expenditure of £2 million for the increased production of "Unisil" grain-oriented electrical steel in strip form.

It is likely that some additional expenditure will be necessary in the near future to meet the requirements of a rapidly expanding electrical industry which depends upon Orb Works for more than half of its supplies of electrical sheets.

The vital importance of continuous research is fully realised and our research staff work in close consultation with our customers.

MARKETS

The overall position has been good with higher tonnages sold and increased proceeds of sales of our three main products which are steel sheets, steel plates and tinplates.

The year opened with a reduced demand from the motor trade for steel sheets and the fall continued during the period of petrol rationing which lasted from December 17, 1956 to May 14, 1957. Consequently, it became necessary to find new customers, both at home and abroad, and it is not surprising that such customers expected continued service from us when trade improved. The demand for steel plates and for tinplates at the beginning of the year was strong.

In December, 1956, the Iron and Steel Board authorised increases averaging 6 per cent in the maximum prices of iron and steel products. These increases were related to increases in wages, transport costs, of coal, of maintenance materials and of fuel oil. These increases did not take into consideration the increases resulting from the closing of the Suez Canal and in July, 1957, further increases averaging 7½ per cent were authorised in respect of increases of wages and materials, including fuel oil. It is interesting to note that following the second increase the home prices of sheets, plates and tinplate produced in the United Kingdom were still below those of our competitors on the Continent and in the United States.

While the demand for plates remained firm throughout the year the demand for tinplates eased slightly, just when the production at Velindre was coming along ahead of schedule. The result was that customers who were able to obtain tinplate from the continuous strip mills declined to take delivery of tinplate from the old type hand-mills and the closing of our remaining hand-mills was accelerated. At the present time both Trostre and Velindre are in a position to increase deliveries of tinplate as soon as markets can be found. Great efforts are being made to develop the export trade for tinplate.

In the early summer, the motor industry returned to full-time working and has, subsequently, achieved the highest production in its history. At the present time some importation of sheets from abroad is necessary. It seems likely, however, that when the effects of the blocking of the Suez Canal have passed, and with the rising production at the

existing strip mills, the full requirements of an expanding motor industry can be met from United Kingdom sources.

The time has now come when it is vital in the interests of the shareholders, the workpeople and the customers that there are no further causes for increases in the costs of our products.

LABOUR RELATIONS

Personally, I attach the greatest possible importance to the maintenance of good relations between shareholders, management and workpeople. It is by no means easy to achieve ideal conditions in this respect in a vast company with a labour force which has expanded very rapidly.

The local authorities, with encouragement and assistance from the Company, have worked wonders in the provision of additional houses. Employees have been attracted to our works from a wide area and it takes time for them to get to know their supervisors and neighbours as well as to absorb local traditions.

It is not easy for workers to appreciate what goes on in departments other than their own, and only a very few come into close contact with our finished products. Members of the top management can only be known personally to a small proportion of the total number of persons employed.

The Company negotiates, and has friendly relations, with no less than thirteen trade unions. It is not surprising that the interests of the different unions sometimes come into conflict, and that in meeting the views of one union the Company may displease another.

The Company has done much to meet these difficulties. Our processes, machinery and tools are second-to-none. Conditions in the new works are very good indeed, and the arrangements for transport, feeding, baths and washing, accident prevention and medical attendance are excellent.

Our monthly magazine *The Dragon* is a useful channel of information for keeping our staff and workpeople in touch with each other and with current events affecting the Company.

Since the close of the financial year the directors have announced the institution of a pensions scheme with group life insurance for employees other than members of the staff, for whom provision has already been made. The Company will make a substantial payment into the pension fund to provide pensions for those who have entered the scheme at an advanced age. Arrangements are being made for those who wish to do so to purchase additional pension rights.

It is interesting to note that 17,072, or 76 per cent of our employees, have opened savings accounts under schemes agreed with the trade unions.

My objective is to achieve relations with labour as good as or better than any in the country, and I feel certain that I can count on the co-operation of leaders of all trade unions to this end.

DIRECTORATE

Early in 1957, Mr K. S. Peacock and Mr David J. Young were elected to the Board, and the appointments were duly confirmed at the last Annual General Meeting held on February 14, 1957. Mr Peacock is Chairman of Guest, Keen and Nettlefolds Limited and has a very wide experience in the iron and steel industry. We are very fortunate to secure his services as a director.

Mr Young has been secretary of the Company since its inception and more recently has served as comptroller. He is exceptionally well qualified to fill the post of executive director for finance.

Sir Charles Bruce-Gardner, who joined the Board and was appointed deputy-chairman when the Company was formed, has attained the age of seventy and retires under the provisions of the Companies Act. Sir Charles has a profound knowledge of the iron and steel industry and has been of very great assistance to me. I hope very much that the shareholders will re-elect him for a further period.

Sir Robert Barlow retires by rotation. As Chairman of The Metal Box Company Limited, Sir Robert has a unique knowledge of tinplate and its use. I hope that the shareholders will ensure that his services continue to be available as a director.

The Earl of Dudley, who also retires by rotation, has intimated that for reasons of health he does not seek re-election. He joined the Board in 1952 and has occupied many important posts in industry, including the Presidency of the British Iron and Steel Federation and of The Iron and Steel Institute. We are very sorry to lose the services of a most useful director.

PROSPECTS

The Company is in a good position to take advantage of continued industrial activity at home and abroad. Production at all of our works is likely to increase during this year. Competition in the markets of the world, particularly for tinplate, is becoming keener, and quality and price are more important now than at any time in the history of the Company.

It is encouraging to know that the foreseeable financial requirements of the Company have been provided for, and the directors are grateful to the Iron and Steel Holding and Realisation Agency for making it possible to achieve this objective.

When the offer for sale of the ordinary shares was made in March, 1957, I stated that by January, 1958, "in the absence of unforeseen circumstances and if trading and general economic conditions remain broadly comparable with those of today, the trading profit should then be running at the rate of £20 million per annum. In that event the Directors would expect to be able to recommend dividends totalling 8 per cent, less income tax, for the financial year 1957-58 on the Ordinary capital." At the present time the directors see no reason to modify that expectation.

Among our customers, workpeople and shareholders are persons holding widely divergent political views, and for that reason I think that politics should be kept out of industry. Unfortunately, politics have again been brought into the Iron and Steel Industry, and in the interests of all concerned I should refer briefly to this issue. The points which should be borne in mind are as follows:

(1) In recent years the Industry has an exceptionally good record for increased production at prices which compare favourably with world prices.

(2) Labour relations in the industry are good. Wages in the steel industry are amongst the highest in the country. Conditions for working have improved greatly and will improve further as the industry expands.

(3) The products of the industry, both directly and through other industries, are making a most important contribution to the national exports, and it is essential to the national economy that this should continue and increase.

(4) The profits of the industry make a very large contribution in the form of taxation to the national expenditure.

(5) Developments and expansion schemes costing large amounts are now being planned. These can only be financed out of savings if there is confidence in the future of the industry.

No industry can flourish in a state of uncertainty regarding its future, and when dealing with iron and steel a vigorous and enlightened long-term policy is essential.

I appeal most earnestly to all those who believe in the theory of nationalisation to take now a practical view in the national interest and to agree to a standstill policy in regard to renationalisation for five or, better still, seven years in order to allow the industry time to complete the developments which it has planned and to increase the exports on which the livelihood of our whole population depends.

At the end of the period those in authority can judge the success or failure of ownership and control by the hundreds of thousands of individuals whose names appear on the share registers in the industry.

I do not think that they will have failed.

CORONATION SYNDICATE

The fifty-second annual general meeting of the Company was held in Johannesburg on December 23rd.

Mr J. H. Mitchell, OBE, Chairman of the Company, presided and, in the course of his speech, said: The Group mine working profits have again increased, amounting to £228,853 in comparison with £219,790 for the previous year. The premium on purchase of shares in subsidiary companies amounting to £42,551 has now been written off. At the same time the opportunity has been taken of increasing the Group General Reserve to £145,000. As a result of these adjustments the carry forward to unappropriated profit of the Group has been reduced from £58,100 to £9,483.

I trust you will agree with me that the parent Company's Balance Sheet reflects a very satisfactory financial state of affairs. Subject to your approval, a final distribution of 3¾d. per share will be made.

Arcturus Mine: The working profit was £64,611 before charging depreciation, compared with £61,166 for last year.

Muriel Mine: The Muriel Mine continues to make a substantial contribution to the success of the Group. This year working profits were £134,455 before charging depreciation, compared with £111,307 for last year.

Tebekwe Mine: The Mine has now ceased operations entirely and the property has been placed on a caretaker basis.

The report was adopted and the declaration of Final Dividend No. 11 of 12½ per cent for the year ended June 30, 1957, was confirmed.

SAMUEL OSBORN & COMPANY LIMITED

By a regrettable printer's error on page 1159 of *The Economist* of December 28th, the name of this company appeared incorrectly at the head of the report of the Chairman's speech to shareholders.

ANNUAL REPORT AND STATEMENT OF THE CHAIRMAN

Hawker Siddeley Switches Emphasis to General Industry

SIR THOMAS SOPWITH REVIEWS SUCCESSFUL EXPANSION AND DIVERSIFICATION

ACQUISITION OF BRUSH AND DOSCO

HIGHLIGHTS CHANGES IN GROUP STRUCTURE

WORLD WIDE BUSINESS IS NOW MAINLY INDUSTRIAL

The twenty-second Annual General Meeting of the Hawker Siddeley Group was held on January 8, 1958, at the Dorchester Hotel, London. During the course of his speech the Chairman, Sir Thomas Sopwith, CBE, said:

FINANCE

The profits of the Group for the year ended July 31, 1957, before taxation, amounted to £12,108,483, compared with £12,847,867 last year.

I have on many previous occasions drawn your attention to the necessity to retain substantial funds in the Group. More than £8 million has been spent this year in equipping our companies with up-to-date plant for research and production.

Your Board is recommending a final dividend on the Ordinary Shares of 7 per cent, less tax, making, with the interim dividend already paid, a total dividend for the year of 10 per cent, less tax.

Highlights of the year include:

The acquisition of the Brush Group in the United Kingdom and a 76 per cent interest in the Dominion Steel and Coal Corporation in Canada, has changed the character and structure of the Group. Two years ago the net assets of the Group were divided in the proportion of 85 per cent aviation and 15 per cent industrial. Today, they are roughly 30 per cent aviation and 70 per cent industrial.

The Group's new interests include, among many other things, steel production, shipbuilding and ship repairs, complete power plants for the generation, distribution and utilisation of electricity, marine generating sets, steam turbines, most sizes of diesel engines, coal mining and many kinds of steel structures including bridges and power transmission pylons.

During the year the Group has achieved considerable success in the export field with Hawker "Hunter" fighters, "Sea Hawks," Avro Aircraft CF-100s and "Orenda" engines. Brush has obtained orders for large diesel electric generating sets.

Sir W. G. Armstrong Whitworth Aircraft Limited's "Seaslug," which is the first Naval guided missile to be developed in the United Kingdom, has been fired with success and, we believe, is the first surface-to-air missile in this country to be operated under Service conditions.

The veil of secrecy has been raised in connection with Avro's activities in the weapons field, by the disclosure of its new stand-off bomb. This new weapon, capable of carrying a nuclear head, is the natural and logical armament of all the "V" bombers.

Hawker Siddeley Nuclear Power Co., Limited is now well established and the company has been examining a number of reactor system projects for land and marine use.

The Hawker Siddeley John Brown Nuclear Construction Limited has been formed to act as the focal point for the resources of both groups of companies in this field.

Work is well under way on the Armstrong Whitworth A.W.650 "Freightercoach" and its prospects for sales look promising. Armstrong Siddeley is now actively developing engines for the civil market.

In Canada Avro Aircraft unveiled the "Arrow," a very advanced long-range supersonic interceptor.

Orenda Engines has developed a supersonic turbo-jet, the "Iroquois," which will be used in production versions of the "Arrow" and, it is hoped, in other aircraft. An agreement has been signed for this engine to be manufactured in the United States by the Curtiss-Wright Corporation.

British Railways have ordered a number of diesel-electric locomotives. Twenty have been ordered from The Brush Group Limited and the first of these is now in service.

The Group's current operational types—the Avro "Vulcan" and "Shackleton," Hawker "Hunter" and Gloster "Javelin"—have proved very successful in service with the Royal Air Force.

And now to give you a picture of the new companies that have been acquired.

The Brush Group is engaged in the design and manufacture of diesel engines, diesel-electric generating plant and other power installations for industrial and marine purposes including transformers, turbo-alternators, steam and gas turbines, switchgear, diesel-electric locomotives, fusegear, gas and dual-fuel engines and free piston gasifyers.

This company has nine manufacturing subsidiaries which have been integrated during the last twenty years into a rationalised organisation of power engineers.

In recent years the exports of The Brush Group have exceeded 65 per cent of its annual turnover.

Lack of capital has restricted expenditure on research and development for some years and this in turn has impeded prosperity and progress. Your Board has already commenced to improve that situation so that The Brush Group can begin to take full advantage of its opportunities.

Dominion Steel and Coal Corporation Limited, known as Dosco, is our most recent acquisition.

It has a fully integrated iron and steel plant with about 20 per cent of Canada's prime steel-making capacity, one of North America's important coal deposits, one of the largest iron ore properties, buildings, machinery and equipment, railways, shipyards and steamships.

It employs 25,000 people.

In terms of sales, it means a volume in excess of $200 million. Put this with A. V. Roe Canada's sales and you have a figure in excess of $400 million annually.

Dosco is the biggest single economic unit in Canada's four Atlantic provinces and, in addition, has operations in Montreal, Toronto, and Windsor, Ontario.

In addition, it produces fabricated steel: rails; bars, pipes; railway freight cars; bridges, pylons and other steel structures; and the Dosco Miner for mechanically digging and loading coal. Its output includes steel products ranging from bridges to coat hangers.

About ten years ago the company undertook a major modernisation programme and therefore its plant and equipment is of a very up-to-date nature.

A. V. Roe Canada Limited has now become one of the largest industrial organisations in Canada. It comprises more than 40 subsidiary companies and employs some 47,000 people.

Research and development facilities are being continually improved and it is worth remembering that research on military aircraft often leads to valuable results which may spread throughout many branches of engineering and bring benefits and advantages that were never foreseen when the research was originally started.

He concluded: What is the future outlook for the Group? We have expanded and diversified considerably. We have become one of the leading industrial organisations both in the United Kingdom and in Canada. Although we have diversified we are still in the aircraft industry; and our aircraft factories have work which should keep them busy for some time.

We look forward with confidence in our ability to make good profits in the future, and I think you will agree that with such an industrial spread we should be able to weather any storm.

May I ask you to join me in expressing our sincere thanks to the executives and employees who have made this such a successful year for the Hawker Siddeley Group.

The Report and Accounts were adopted.

ENI

ENTE NAZIONALE IDROCARBURI, ROME, ITALY

(Italian State Corporation for Oil and Natural Gas)

PROFITS EXCEED LIT4,500 million

FOUR TANKERS UNDER CONSTRUCTION

The ENI balance sheet for the year ending April 30, 1957, was published recently. Details of the report of the Board of Directors which accompanies it are set out below:

PROSPECTING AND PRODUCTION ACTIVITIES

The area covered by prospecting permits which the Group had secured in Italian territory, outside those areas where it had exclusive rights, amounted to altogether 3,396,659 acres on April 30, 1957.

In Sicily an agreement in principle was concluded with the Regional Government providing for the issue of prospecting permits to companies set up by ENI in which, in the event of hydrocarbon deposits being found, the Regional Government would acquire a participation of 25 per cent. Important agreements were also concluded in foreign countries. Compagnie Orientale des Pétroles d'Egypte (COPE) was set up in Egypt with 51 per cent of its shares being held by IEOC, a company controlled by ENI, and the balance of 49 per cent being shared by two Egyptian organisations. In Persia AGIP Mineraria concluded an agreement with the National Iranian Oil Company (NIOC) for the establishment, on a basis of full equality, of Società Iraniano-Italiana dei Petroli (SIRIP) which is being given prospecting and exploitation rights in three zones with a total area of app. 8,880 sq. miles.

The Persian State will receive 50 per cent of net profits by way of royalties, taxes and duties. The remaining profit will be shared equally by the two partners. The cost of bringing wells into production, and working them, and of transporting the oil will be borne by SIRIP, whilst prospecting costs will be advanced by AGIP Mineraria and charged to SIRIP in the event of success.

Research and prospecting activities were carried on vigorously during 1956. Geological research in Italy has been almost completed by now both in those areas exclusive to the Company and in the zones covered by prospecting permits obtained before September, 1956. Geophysical surveys carried out in Italy during the year totalled 197 crew-months. Another five crew-months were reached in Somaliland, and twelve crew-months in Spain on account of other companies.

Exploration activity during the year produced important results. In the area exclusive to the Company, eight gas deposits were discovered, including two at Selva and Minerbio (Bologna) which were especially large. Besides, oil was discovered near Busseto (Parma). The wells at Madonna della Croce and La Plaja were the result of the discovery of an extension of the oil deposit at Vallecupa (Pescara) and had reached a daily production of 150 tons by the beginning of 1957. Gas discoveries in Sicily during 1956 and the first few months of 1957 were made at Rizzo, south-east of Castelvetrano, and in the Enna area which AGIP Mineraria is exploring jointly with Snia Viscosa. During the same period, oil was found at Gela, where daily production reached 180 tons during the first few months of 1957, and at Noto. In Egypt, exploration work started on two geological structures on the eastern coast of the Gulf of Suez.

Drilling activity in Italy during 1956 can be summarised as follows: 138 wells were sunk with a total depth of 714,148 ft., which included 57 exploration wells and 81 production wells. Wells sunk in Egypt by IEOC reached a total depth of 83,747 ft., and other boreholes were sunk by constituent companies in Somaliland, France and Libya.

Production of natural gas by *ENI* companies rose to 146,874m. cu. ft. in 1956—an increase of 28,816m. cu. ft. (24 per cent) compared with 1955. This represented 93 per cent of Italian production as a whole. Output during the first four months of 1957 reached 59,505m. cu. ft.

Total output of liquid and liquefiable hydrocarbons in Italy amounted to 134,828 tons during 1956—an increase of 17 per cent over 1955.

In Egypt, IEOC reached a total production of 257,016 tons of crude oil during 1956, compared with 75,000 tons in the preceding year. The rate of production reached 2,700 tons a day halfway through 1957, and will amount to more than 4,000 tons by the end of the year. It is expected that more than one million tons will be shipped to Italy in the course of 1958.

TRANSPORT AND UTILISATION OF NATURAL GAS

The ENI Group had 36 drilling rigs in operation at the end of 1956 without counting those owned by foreign companies in which AGIP Mineraria holds an interest. ENI's gas pipeline network continued to develop during 1956 in step with the growth in the production and consumption of natural gas and reached a total length of 2,706 miles. Another 74.6 miles were either under construction, or already completed but not yet in service, on December 31, 1956.

At the end of last year, consumers directly connected to the networks of SNAM and AMP (industrial users and local authorities) numbered 1,854, as against 1,720 at the end of 1955. Metano Città put three new urban networks into operation during 1956, and another four were being built or about to be taken into service at the end of the year.

In 1956 the ENI Group distributed a total of 153,125m. cu. ft. of natural gas—a figure equivalent to 97.2 per cent of Italian consumption as a whole. In every sector of consumption there were increases in sales, which amounted altogether to an advance of 23.7 per cent over 1955. The relatively biggest increase (41.2 per cent) was achieved as in the previous year by domestic and civilian users, who accounted for 9.8 per cent of the gas distributed. The total calorific value of the natural gas distributed for such purposes was roughly equivalent to that of the whole of the gas produced by gasworks in Italy. At the end of the year, 1.63m. domestic consumers out of a total of 2.45m. for the whole of the country were supplied either partly or wholly with natural gas.

PETROLEUM TRANSPORT

The Group's tanker fleet achieved a total of 4,900 million ton-miles during the year. At the end of 1956 it comprised 11 units with a total deadweight capacity of 118,000 tons, as well as two small units equipped for the transport of liquefied petroleum gas which had been taken into service during the year. Two tankers of 36,000 dwt. each are at present under construction, as well as another two, of 45,000 dwt. each, besides a small unit for the transport of liquefied petroleum gas. The programme of new construction, which will be completed in the course of 1960, will increase the capacity of the fleet at present in service by 176 per cent.

PROCESSING

Large-scale work to extend and improve present equipment was carried out during the year and is still in progress at the Group's refinery at Cortemaggiore, as well as at the Bari and Leghorn refineries run by STANIC and at IROM's refinery at Porto Marghera.

During 1956, the refineries connected with the Group processed 5,410,700 tons of crude oil and residual products, an increase of 8.2 per cent over 1955. The 1956 output was taken up by the Italian home market to the extent of 71 per cent, compared with 62 per cent in 1955 and 55 per cent in 1954.

In 1956 the gasoline extraction plant at Cortemaggiore processed 34,926m. cu. ft. of natural gas and produced 59,120 tons of liquid and liquefiable hydrocarbons.

DISTRIBUTION OF PETROLEUM PRODUCTS

The new 98-100 octane Super-cortemaggiore (RM) petrol was given a most favourable reception by the public.

Sales of fuel oil registered a considerable increase.

The distribution of liquefied petroleum gas showed a further remarkable development. Five bottling plants were taken into service during last year, and work on a further four is about to be completed.

Centralised distribution systems continue to extend, and two urban networks for the distribution of propanised air are functioning at present. Others are being built. Sales of bottled liquid gas (AGIPGAS) rose by 35 per cent and the number of users increased to 2,400,000. Foreign sales are also growing, and a large number of concessionaires is already operating abroad.

PETROCHEMICALS

Work continued during the year on the petrochemical plant at Ravenna, which in its first stage will produce 35,000 tons of synthetic rubber annually, a figure which will rise to 55,000 tons in the second stage. Other products will include 650,000 tons of nitrogenous fertilisers. The plant will utilise as its raw material the natural gas discovered by ENI in the area, and is expected to begin production in a few months' time.

NUCLEAR ENERGY

AGIP Nucleare, a company set up in January, 1957, has already displayed a good deal of activity. Its programme comprises the construction and operation of power stations; secondary activities connected with these stations; the procurement of the necessary raw materials; and the installation of switching gear.

Negotiations were started with important British and American concerns and organisations, and definite agreements reached on co-operation in designing plants to be erected in Italy. This co-operation will provide ENI technicians with particularly valuable experience for future activity in this field in Italy. A start has also been made on organising SIMEA—a company set up jointly with IRI—for the establishment in Southern Italy of a nuclear power station, the second in the line of projects planned by AGIP Nucleare.

MISCELLANEOUS ACTIVITY

In the engineering sector, Nuovo Pignone completed its switch-over to products needed by the oil and chemical industries. The output of compressors and engine-compressor units showed an increase of 45 per cent in 1956. In April, 1957, Nuovo Pignone delivered to AGIP Mineraria the first drilling rig built under licence from Ideco. Another 23 rigs are now under construction.

Favourable prospects are opening for the Group in the field of engineering and the design and erection of industrial plants, and two companies were, therefore, set up in 1955 and 1956—SNAM Montaggi and SNAM Progetti. The former has already carried out or secured important orders in Italy, Egypt, the Netherlands and Pakistan.

GROWING POWER NEEDS

In Italy, energy consumption continued to expand in 1956 at an even faster rate than that which had obtained in the previous year.

Hence the need to intensify its efforts to ensure a growing supply of energy without either endangering its trade balance or raising the cost of production. This can be achieved in three ways—increasing internal output of the traditional sources of energy; participating directly in production from traditional sources of energy abroad; developing a national atomic industry.

PROGRAMMES AND PROSPECTS

ENI's activities to increase the power available in the country are developing in every one of the three directions indicated above: (1) ENI continued to prospect for hydrocarbons throughout Italy in 1956. Apart from the considerable output of natural gas in the Po Valley, they resulted in the extraction of oil at Gela. (2) ENI took the initiative to ensure Italy's participation in the exploitation of oil resources in foreign countries which are much richer in oil, and adapted the traditional relations between the oil undertaking and local governments to the political and economic realities of the present day. (3) ENI has drawn up a nuclear programme, which it proposes to carry out in the next few years.

SUMMARY OF BALANCE SHEET

The Profit and Loss Account at April 30, 1957, showed a net profit of Lit.4,585,974, which the ENI Board proposes to distribute as follows: Lit.917,194,989, or 20 per cent, to the ordinary reserve fund; Lit. 2,980,883,713, or 65 per cent, being the share due to State funds; Lit.687,896,242, or 15 per cent, to finance scientific studies and research into hydrocarbons and other sources of power.

ENI

(Ente Nazionale Idrocarburi)

ROME, ITALY

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED APRIL 30, 1957

EXPENDITURE	Lit.	Lit.
Financial Charges:		
Interest Payable and Misc. Loan Charges	783,775,151	
Interest Payable on ENI Bonds	781,937,643	
Issue Expenses—ENI Bonds	141,098,699	
Misc. Interest and Bank Charges	7,660,479	
		1,714,471,972
Operating Expenses:		
Wages, Salaries, Social Security and Insurance Contributions	311,343,234	
Severance Pay Fund Allocation	35,972,851	
Services	64,697,501	
Laboratories, Studies and Research	90,006,658	
Publicity	11,761,555	
Administrative and General Expenses	43,646,858	
		557,428,657
Taxes:		
Corporate Tax and Tax on Loans	300,000,000	
Tax on ENI-Petrolio Bonds	25,000,000	
Misc. Taxes	1,466,378	
		326,466,378
Amortisation and Depreciation:		
Buildings, Furniture and Equipment	63,613,851	
Natural Gas Bottles	4,647,890	
		68,261,741
Total Expenditure		2,666,628,748
Net Profit for the Financial Year		4,585,974,944
	Lit.	7,252,603,692

RECEIPTS	Lit.	Lit.
Dividends on Participations:		
AGIP	468,000,000	
AGIP Mineraria	1,795,500,000	
ANIC	330,641,910	
SNAM	1,859,902,875	
		4,454,044,785
Interest on Loans		2,467,090,868
Interest on Bank and other Accounts		28,151,191
Coupons and Interest on Misc. Securities		44,830,090
Hire Fees for Gas Bottles owned by ENI		113,147,518
Commissions on Guarantees		101,074,880
Misc. Revenue		44,264,360
	Lit.	7,252,603,692

The President: Enrico Mattei

The Board of Auditors: Romolo Sartori (*Chairman*), Antonio Baglio, Giuseppe Castana, Sergio Ruggeri, Guido Ceccherini.

The Court of Accounts Delegate: Gino Calvari.

SOUTH DURHAM STEEL AND IRON COMPANY LIMITED

GREATER PRODUCTION AND RECORD PROFITS

LARGE-SCALE DEVELOPMENT SCHEMES

A MILLION TONS OF STEEL PLATE PER ANNUM BY 1962

MR B. CHETWYND TALBOT'S REVIEW OF ACTIVITIES

The Fifty-ninth Annual General Meeting of South Durham Steel and Iron Company Limited will be held on January 29th at Caxton Hall, Westminster, S.W.

The following is the statement by Mr B. Chetwynd Talbot, TD (Chairman and Managing Director), which has been circulated with the report and accounts:

In forwarding to you the Report and Accounts for the financial year which ended on September 28, 1957, I include my address to shareholders which will be made at the Company's Annual Meeting in London on January 29, 1958, and which will appear in the Press in advance of that date.

SUBSTANTIAL INCREASE IN PROFITS

I will now explain in detail the causes which have led to a substantial increase in the level of your Company's profits during the last financial year. The gross profit, including £13,392 income from investments and after charging an amount for Directors' Fees, Staff Pensions, etc., of £89,722, amounted to a total for the year of £5,076,680, equivalent to an increase of 59 per cent over the profits earned in the previous financial year. This figure represents a record in the long history of South Durham and has been achieved primarily by the increase in the level of steel production at both West Hartlepool and Cargo Fleet and secondly by the benefits which have been secured during the year of new units of plant coming into production.

In some instances the benefits secured have only been for a short part of the financial year, as difficulties have been encountered by our contractors due to the attitude of labour in completing erection of plant by the dates previously indicated. In addition the past financial year contains profits for the first time from a full year's working of the new 40 ft steel pipe plant at Stockton, to which I refer later in my Remarks in greater detail.

BALANCE SHEET FIGURES

In commenting on the Balance Sheet figures for the past financial year I would draw your attention to the capital expenditure, including routine capital expenditure, amounting to £5,508,717. Of this total approximately 56 per cent was secured from your Company's resources by way of sums set aside for Depreciation and transfers to Reserve. The capital commitments at September 28, 1957, still to be expended on Stage Two Development amount to £5,703,805. The principal items of plant on which this money will be expended comprise at West Hartlepool (i) boiler plant and turbo alternators and (ii) a large diameter blast furnace and ancillary equipment; at Cargo Fleet the principal items include (i) ore discharging facilities on the River Tees, (ii) a large capacity ore stocking ground, (iii) boiler plant and turbo alternators, and (iv) sinter plant. Benefits will be secured from these items of plant as and when they come into active production during the present and subsequent financial years.

Due to increases in the levels of production during the year, to the incidence of the higher levels in costs of raw materials and to the values and amounts of work in progress as compared with September, 1956, stocks and work in progress increased by £1,013,440 to an amount of £6,314,783. For similar reasons Trade Debtors have increased by an amount exceeding £700,000 to a figure of £3,564,347. The amount owing to our Bankers at September 28, 1957, amounted to £2,701,149.

During the last financial year Investment Allowance Reserve has been increased by £450,000 to an amount of £1,380,000 and Replacement of Fixed Assets Reserve by £350,000 to an amount of £950,000. These appropriations are incorporated together with the sum of £1,300,000 transferred to General Reserve as detailed in the Profit and Loss Account.

PLANS TO INCREASE PRODUCTION

In my statement which was circulated with the Report and Accounts for the year ended September 29, 1956, I indicated it was the intention of your Directors to submit proposals to ensure a substantial addition to the level of steel plate production by your Company. I likewise indicated the shortage of steel plates of the larger range of sizes was acute and to avoid the deficiency between supply and demand reaching a serious figure in the next few years action to correct this position was essential.

The Iron and Steel Board gave formal approval on March 26, 1957, to the proposals put forward by your Directors and a public statement was made on March 28, 1957, outlining the major portions of your Directors' policy to secure this object.

NEW INTEGRATED WORKS

A site of approximately 530 acres has been acquired within easy access of the existing West Hartlepool Works of the Company. On this site we shall erect a new integrated steel works designed to operate in conjunction with the existing works so far as concerns the transfer of blast furnace gas and coke oven gas and of raw materials, molten metal and ingots for rolling into plates in the new plate mill.

An important part of the plan is the installation of new rolling equipment comprising (a) a new slabbing mill of the latest design capable of dealing with the whole ingot output of the two plants including the increased tonnage to be secured under the development plan and having reserve capacity for further increases of tonnage at later dates and (b) a new plate mill consisting of two 4-high stands capable of rolling steel plates up to 136 in. wide which are now required by the Shipbuilding and Engineering industries.

FIRST PHASE

Having regard to the magnitude of the project the scheme has been divided into two phases; the first and larger phase will comprise the slabbing and plate mills referred to above together with the installation of (i) a new battery of coke ovens (together with by-product plant) to produce 130,000 tons per annum of blast furnace coke and (ii) a steel melting shop comprising one active mixer and four steel furnaces with an estimated ingot production of 11,000 tons per week. This phase will also include the common services necessary on opening up the new site including roads, sidings and the provision of engineering and maintenance shops and all ancillary services.

The cost of the first phase including a provision for rising prices and the necessary increased working capital is today estimated at £43 million which will be spread over the five years to September 30, 1962. I am glad to be able to tell you that the necessary finance for this phase has been secured and that all required consents and approvals have been given so that this important and necessary scheme can proceed immediately. We have received great co-operation from the Finance Corporation for Industry Limited and from Barclays Bank Limited, our bankers; FCI has entered into an Agreement with us whereby advances up to £22½ million will be made available until September 30, 1967, and the Bank have agreed for a shorter term to increase our borrowing facilities up to £10 million which sums, together with the money to be found from internal sources, principally from retained profits and depreciation provisions, will, we believe, be adequate to finance the peak requirements until the new plant becomes revenue-earning. These borrowings from FCI and Barclays Bank will be secured by Debentures ranking after the Company's publicly held Debenture Stock.

I think it right to place on record that as part of our Agreement with FCI we have granted them an option over 2 million Ordinary Shares of £1 each at par, exercisable on three months' notice between October 1, 1959, and September 30, 1967.

SECOND PHASE

On completion of the first phase of the scheme the new slabbing and plate mills will have a capacity in excess of the output from the primary stages of iron and steel production of the Company from the existing and new plants. A second phase of the development will therefore be devoted to increased iron and steel production to be secured by the installation of two further batteries of coke ovens, additions to the ore handling

plant, a new 27 ft 6 in blast furnace and a further active steel mixer and two additional steel furnaces. This second phase is estimated to cost an additional £12 million including, as before, a provision for rising costs and the necessary additional working capital.

It is our intention to proceed with this second phase as soon as we have arranged for it to be financed. The necessary approvals have been given and consent has been received from HM Treasury to the raising of the sum of £8 million which is the proportion that is estimated to be required. This matter is receiving the attention of your Directors and I hope to be able to announce our plans at an early date.

The Iron and Steel Board are most anxious that the full scheme should be implemented at the earliest date since the provision of an increased tonnage of steel plates is being given high priority. Your Directors are satisfied that these plans are not only in the National interest but also in the best interests of the shareholders.

PROPOSED CAPITAL INCREASE

The completion of these large scale development schemes will depend on delivery and installation of the vast amount of structural steel and intricate plant required but present estimates are that the level of steel plate production should advance by a substantial tonnage during the financial year ending September 1962, with a consequent increase in earning capacity. In the immediate subsequent years under normal conditions the level of earning capacity should increase in accordance with the enhanced levels of production which will be secured.

These large plans for development will necessitate an increase in the borrowing powers of the Directors and also proposing that the Authorised Share Capital of the Company should be increased by £6 million. You will be asked to approve Resolutions to this effect at an Extraordinary General Meeting to be held immediately after the Annual General Meeting on Wednesday, January 29, 1958. So far as the share capital is concerned there is at present in reserve a total of 4 million unclassified shares of £1 each and we are proposing that the reserve should be increased to £10 million by the creation of a further 6 million similar shares. The borrowing powers of the Directors are limited by the present Articles of Association to an amount equal to the aggregate of the paid-up capital of the Company and the Group Reserves. We are proposing that in future the limit for borrowing by the Company and its subsidiaries should be increased to an amount of £50 million.

IMPORTANCE OF LOCATION

In developing an integrated plant of the magnitude I have described a vital factor is the exact location in connection with an existing Works in order to secure every benefit from the many valuable facilities already in operation. The approach in the early stages by your Directors to this problem comprised the use of 110 acres of land, which have been in the possession of your Company for many years, and the removal of 3 million tons of slag to secure a larger area. An early examination of the first of these two considerations provided definite proof that the increase in plate production would for all time be limited to a level of output not commensurate with the capital outlay involved. A further scheme to extend the original area was examined and was finally abandoned on the advice of foundation and soil experts due to irregularities of strata conditions which would have necessitated a costly outlay on piling construction. Your Directors were relieved this latter scheme was abandoned as it comprised the destruction of a substantial amount of modern housing property.

Negotiations were then proceeded with for the purchase of 532 acres of land in the vicinity of the existing West Hartlepool Works and have been completed during the last few months. Examination and testing have given satisfactory proof that the strata conditions are of the requisite standard to support the heavy loads demanded in a modern plant of this nature. The area available for the developments previously referred to constitutes in the opinion of the experts who have examined the plans and drawings a site possessing the greatest potentialities. In this respect it is intended for purposes of identification to refer to these two plants as The North, the existing plant, and The South Iron and Steel Plants of the South Durham Steel & Iron Company, Limited.

TRANSPORT FACILITIES

The South Plant will have immediate access to the main Stockton-West Hartlepool railway of the British Transport Commission and likewise excellent road facilities on trunk roads. The distance from the Hartlepool Docks of the British Transport Commission where facilities already exist for the rapid discharge of 15,000 ton ore carriers is only 3½ miles and the British Transport Commission is already proceeding with work to duplicate the existing berthage facilities to accommodate simultaneously two large capacity ore carriers.

These two plants of your Company are situated in one of the greatest and most important of the Industrial areas in the United Kingdom. The carriage rates to the Shipbuilding and Engineering Works on the North-East Coast, to your Company's Steel Pipe and Constructional Departments at Stockton, and to the Engineering Works further inland, are considerably below the National level, and the reduction in mileage will ensure a quicker turn round by the British Transport Commission of steel carrying wagons.

I have mentioned previously that due to their location it will be possible to link up the services, the supplies of coke oven and blast furnaces gases of the North and the South Plants to form an integrated unit of the highest efficiency of any similar plant in the World. When the benefits of the Full Scheme are obtained during 1962 steel plate production will approximate 1 million tons per annum of heavy, medium and light plates all rolled in two 4-high mills possessing the highest level of efficiency and accuracy. When expenditure of this magnitude is involved, it is always prudent to retain some measure in hand to increase production to an even higher level. This has been the policy which your Directors have applied as far as the potential level of steel plate production is concerned from the new slabbing mill and the 4-high plate mills. On completion of the Full Scheme a further modest expenditure to increase pig iron and ingot production would enable a further reasonable increase in plate production to be achieved.

OPPORTUNITY FOR PLANT CONCENTRATION

Taking into consideration this additional steel plate capacity which can ultimately be secured, in my view a great opportunity now presents itself as advocated in the White Paper issued in the immediate postwar years for the concentration at one plant on the North-East Coast of heavy and medium plate production. To reinforce these remarks it would be in effect a continuation of the policy which has been accepted in other sections of the Iron and Steel Industry for the fullest usage to be made of modern plant possessing the highest level of efficiency.

In the Special Report issued in July, 1957, The Iron and Steel Board indicated the level of ingot production which individual firms should achieve by 1962 and subsequent years. The level of ingot production from the West Hartlepool and Cargo Fleet plants of your Company amounted during the last financial year to 863,000 tons. On the completion of the Full Development Scheme at West Hartlepool the combined ingot production is estimated to rise to an annual level of approximately 2 million tons.

Your Directors are satisfied under normal trading conditions on the completion of the two phases for increasing plate production the amount of capital invested per ton of ingot production will bear favourable comparison with any modern plant producing similar ranges of steel products. Moreover, the expenditure which I have outlined above is for the increase in the level of output of a steel product which, firstly, secures a higher price level than other heavy steel products and, secondly, will enable the potentialities of steel pipe production to be further extended.

In the conclusion of my Remarks on your Company's policy to play an active part in lifting the level of plate production I feel you would like me to place on record the high level of assistance and advice which myself, Mr Williams and your Company's technicians have received both from producers of plant and machinery in this Country and in the USA and from the executives responsible for the operations of such enterprises during recent visits to the USA.

CANADIAN CONTRACTS

I referred earlier in my Remarks to the activities of your Company's Steel Pipe Department at Stockton. Commencing during the latter months of 1955 and concluding in April, 1957, 313 miles equivalent to 87,500 tons of 30 in. diameter steel pipe in 40 feet lengths were produced at Stockton and shipped to Vancouver, British Columbia. This mileage represents 47 per cent of the 662 mileage of the pipe line to convey the natural gas resources from the Dawson Creek area in Alberta and from the Peace River area in British Columbia across the Rocky Mountains to Vancouver and thence into the United States. I attended the inaugural ceremony at Fort St. John on the Peace River on October 7th last when the vast natural gas resources of Alberta and British Columbia were merged for flowing down the 662 miles of this great enterprise. It may interest you to know the completion of this pipe line is considered in British Columbia as a project of equal importance as the linking up with Eastern Canada by the opening of the Canadian Parific Railway in 1885.

Your Company has been engaged since March, 1957, in the execution of the contract with Trans-Canada Pipe Lines, Limited, of its proportion of the 2,200 miles of the even greater project for the conveyance of natural gas from Alberta to Eastern Canada. The tonnage to be manufactured and shipped by your Company between March, 1957 and June, 1959, amounts to 178,000 tons and is equivalent in distance to 636 miles.

The combined value of these two contracts amounts to 52.5 million dollars. It will continue to be the policy of your Directors to keep available from the level of steel pipe production a substantial tonnage for projects in Canada of a similar and important nature.

Concurrently with these two Canadian contracts the Steel Pipe Department has continued to provide substantial tonnages of steel pipes for the principal International Oil Companies. The rate of deliveries in the immediate years ahead will continue to show an increase as compared with the last two years to this World-wide Industry on which the economy of the Free World depends.

OTHER ACTIVITIES

The progress of the activities of your Company in other fields of the supply of structural steelwork in World Markets has proceeded satisfactorily. In Jamaica the supply and erection of the bauxite treating plant at Mandeville for the Aluminium Union Limited has been completed and work has commenced on a new plant at Ewarton. The contract has been entrusted to your Company for the supply of the steelwork for a similar plant in British Guiana.

Important contracts have been secured for specialised steel construction work for oil jetties both in the United Kingdom and in the major oil producing countries in the World.

FUTURE DEMAND

I now turn to the future level of demand for the range of steel products manufactured by your Company and my remarks embrace both Home and Export Markets. In view of the volume of the order books secured in recent years by the Shipbuilding Industry I consider it is unlikely any appreciable diminution in the rate of deliveries of steel products will occur. I feel similar remarks apply to the section of the Heavy Engineering Industry engaged in the manufacture of products containing a large element of steel.

As from January 1, 1958, I am pleased to be able to inform you export licensing has been withdrawn on all heavy steel products manufactured by your Company with the exception of steel plates. It will not be the intention of the Steel Industry to abuse this freedom to export at the expense of home consumers. In certain respects during the imposition of export licensing difficulties were manifest not only to retain our position in traditional markets but also to secure confidence from our friends in World Markets that ultimately reliance could be expected for a reasonable proportion of their steel requirements to be obtained in this Country.

DIVIDEND POLICY

I would refer you to the statement I issued at the end of March last in connection with the policy which your Directors intended to pursue with regard to the annual rates of Dividends during the years the heavy expenditure on capital account will be incurred. Compared with the rate of Dividend postulated in the Offer for Sale dated January 20, 1956, the final payment for the last financial year at 6 per cent together with the Interim Dividend of 4 per cent paid at the end of June 1957, represents an increase of 25 per cent in a period of less than two years. The market prices of all Steel shares, despite the higher Dividends paid by the major Steel Companies, still remain unduly depressed, principally due to reasons outside the control of the Industry.

The Dividend for the year at the rate of 10 per cent is in the opinion of your Directors an equitable distribution and it must be borne in mind persuasion is still being exercised by the Government on all Companies to restrict steep rises in the rate of distribution. It will continue to be the policy of your Directors to maintain the rate of Dividend on the Equity Capital of your Company at an amount in relation to annual profits.

PENSIONS AND LIFE ASSURANCE

During the year negotiations have been concluded and the necessary administration arranged to introduce Pension and Life Assurance Schemes for Male Works Employees in the full time service of the Company and the Schemes will apply as from January 1, 1958. The basic pension is non-contributory but provision is made for the voluntary purchase of additional pension by individuals, which provision has been utilised by a substantial number of the Company's employees. Life Assurance cover is provided under the Scheme and if a member dies on or before normal retiring date his representatives will receive a Life Assurance Benefit of £400.

You will have noted from the Directors' Report The Honourable E. F. Ward was elected a Director of your Company during the year. Mr Ward has great experience with the intricacies of the Steel Industry in Europe and in the USA. I am confident Mr Ward's appointment as an Executive Director will be of great benefit to your Company and I am certain you would wish me to express to Mr Ward every success on his appointment.

During the last year certain valued members of the Staff of your Company have retired. I would like to draw to your notice the fact in many instances the whole of their working life has been spent in the employment of your Company. Over and above the level of pensions secured under the original scheme introduced in 1937 and subsequent amendments thereto, it has been the policy of your Directors to supplement the agreed amount of pension from the sum set aside each year and which is included in the Profit and Loss Account under the heading of the Provision for Supplementary Non-Contributory Pensions. During the last financial year the amount set aside for this purpose has been increased by £20,000 to a figure at the rate of £35,000 per annum.

In concluding my Remarks I would like to place on record the great assistance which has been so willingly given both from the financial and technical aspects in the preparations of our Development Schemes by all members of your Company's Staff. Likewise I desire to pay tribute to the services of our Staff and workpeople during the year and I feel sure we can rely on their continued co-operation in the future.

BARCLAYS BANK DCO

ANNUAL GENERAL MEETING

MR J. S. CROSSLEY'S STATEMENT

The thirty-second Ordinary General Meeting of Barclays Bank DCO was held on January 3rd at 29 Gracechurch Street, London, E.C.

Mr Julian Stanley Crossley (the Chairman) presided.

The Secretary, Mr C. F. S. Pringle, read the notice convening the meeting and the auditors' report to the stockholders.

With the concurrence of the stockholders present, the Report and Accounts and Statement by the Chairman, which had been previously circulated, were taken as read.

Before proceeding with the formal business of the meeting the Chairman referred to the recent death of Sir Ernest Oppenheimer and paid tribute to his memory and to the work he did for Africa. He mentioned that for more than 20 years Sir Ernest had been a Member of the Central Board of the Bank, having previously been a Director of the National Bank of South Africa since 1918. Sir Ernest had only relinquished his directorship in the DCO in 1950 when his place was taken by his son, Mr Harry Oppenheimer.

The Chairman also referred with deep regret to the death of Sir Harold Cartmel-Robinson, CMG, OBE, who had been a member of the Bank's Rhodesian Board since 1949 up to the time of his death. He spoke of Sir Harold's distinguished career in the Northern Rhodesian Administration and mentioned that Sir Harold had been appointed Chief Secretary there in 1945 and acted as Governor during his last year of service. He will be greatly missed by his many friends in Rhodesia as well as in this country.

The Chairman then referred to the appointment of Mr Norman Hyde-Jones as a member of the Bank's Rhodesian Board and to two senior staff appointments since his statement to the Stockholders was printed—that of Mr J. A. Scott as a Local Director of the Ghana and Sierra Leone Board and Mr J. B. Bailey as a Local Director of the Nigeria and Cameroons Board.

GROUNDS FOR CONFIDENCE

The Chairman added that the year covered by the accounts had not been by any means an easy one and the fact that the Bank had emerged as well as it had done from the year now past gave grounds for confidence in the future.

He then moved the adoption of the Report of the Directors and the Statement of Accounts and the payment of a final dividend of 4 per cent actual on £12,932,250 Ordinary stock, making 8 per cent for the year, less income tax at the standard rate of 8s. 6d. in the £.

The motion was seconded by The Honourable Sir Geoffrey Gibbs, Deputy Chairman, and carried.

The retiring directors, Mr Julian Stanley Crossley, Mr Alexander Ludovic Grant and Mr Frederic Seebohm, were re-elected.

On the motion of Sir Frank Newson-Smith, Bart., seconded by Mr T. Bland, the auditors, Messrs Deloitte, Plender, Griffiths & Company, Price, Waterhouse & Company, Peat, Marwick, Mitchell & Company and Cooper Brothers & Company, were re-appointed.

A vote of thanks to the Staff, proposed by Mr A. L. Grant (a Director) and seconded by Mr A. D. Marris, CMG (a Stockholder), was carried unanimously and was responded to by Mr R. D. Smith (a General Manager).

A vote of thanks to the Chairman for presiding at the meeting was proposed by The Right Honourable The Viscount Knollys, GCMG, MBE, DFC, and was unanimously accorded.

BANK OF CEYLON

INTERNATIONAL TRADE: STEPS FOR BROADENING BASE

MEETING EVER-INCREASING DEMAND FOR HIGHER STANDARD OF LIVING

MR H. V. PERERA ON NEED FOR EMPHASIS ON DEVELOPMENT

The annual general meeting of the Bank of Ceylon was held on December 21st at Colombo.

The following is an extract from the statement by the Chairman, Mr H. V. Perera, QC, on the report and accounts for the year ended September 30, 1957: During 1957, Ceylon's economy suffered a set-back and its business climate was hardly conducive to steady economic growth. Our major export products were adversely affected by falling commodity prices, though export earnings maintained the previous year's level owing to increased production resulting from the chance circumstance of good growing conditions relating to agricultural products. The dislocation of trade caused by the Suez Canal closure and the general political unrest in other parts of the world had their inevitable impact on our economy.

External factors apart, our country had its share of internal troubles. Serious civil disorder that might have occurred over the language issue was averted by the basic good sense of the two major communities.

A situation of greater consequence to the country's economic future arising from labour disputes has recently developed. A spate of strikes has seriously affected our main port and disturbed the economic life of the country. The consequent loss to the economy in terms of national income and damage to our development effort will be considerable. Demands for a higher standard of living are justifiable and should be met not so much by increased wages as by increased national output.

The picture, however, is not one of unrelieved gloom. It is brightened by the laying of foundations more broad-based for international trade. Ceylon has widened her circle of friends by establishing diplomatic relations with more countries, and at the same time has strengthened the political and economic ties of the past. The wider circle of friendly nations means an expanding market for our products. It also implies a larger area from which we could select our requirements of capital and consumer goods as well as financial aid and the technical know-how necessary for economic development.

EUROPEAN COMMON MARKET

At the Commonwealth Finance Ministers' Conference held in October, European economic integration and Commonwealth trade relations loomed large in the discussions. I am sure that our Government is giving adequate thought to the possible repercussions of the European Common Market on the country's economy, particularly with regard to the pattern of our foreign trade. We welcome the decision taken at the Conference to assess the opportunities for economic expansion in the less developed countries of the Commonwealth and the requirements of capital and technical assistance needed for the purpose.

FALL IN COMMODITY PRICES

The general fall in commodity prices this year gave rise to much anxiety both at home and abroad. The strain on commodity prices was aggravated by fears of a recession in business in the United States of America and by a steep increase of the Bank Rate in the United Kingdom and by other forms of restriction on credit throughout the world. Tea and rubber producers in Ceylon were embarrassed by the low level of prices for their produce and made unsuccessful bids for reductions in export duties. The decline in our external assets reflected inter alia an adverse trade balance and to some extent the repatriation of the sale proceeds of foreign-owned assets. Following a directive by the Central Bank, commercial banks restricted credit for imports of non-essential goods and for the purchase of properties owned by non-residents.

After reviewing the conditions in the tea, rubber and coconut markets and various aspects of the monetary position, the chairman continued:

ECONOMIC DEVELOPMENT

I have referred earlier to the recent spate of strikes which has made the Government grant considerable increases in living allowances. These increases, unless matched by increased production, must necessarily result in inflation of a serious magnitude causing a further rise in the cost of living and consequently leading to demands for further increases in allowances.

Development requires investment, and investment in turn depends on adequate savings as the availability of foreign capital for investment in the country is limited. Since the increases in living allowances recently granted will swell the purchasing power of those whose propensity to consume is high, it must follow that the developmental efforts of the Government must suffer owing to reduced savings. I am confident that the Government will be bold enough to face realities and find a solution to meet the ever increasing demand for a higher standard of living by placing more emphasis on development than on the distribution of a stagnant national income now showing signs of serious deterioration. The world in general is faced with the problem of population expansion, and Ceylon in particular is much concerned with this problem in view of the fact that the rate of population growth in this country is among the highest in the world. What is required, and what must be aimed at, is not a mere stepping up of production to give a better standard of living to the present population but the raising of production to a level that will provide for the needs of a growing population. It is disquieting to find that the present trend in this country is in the opposite direction. We believe that it is not beyond the capacity of our Government to reverse this trend within the framework of democracy to which it is committed.

BANK OF CEYLON

The assets of your Bank as on September 30, 1957, stood at Rs 742 million, representing an increase of Rs 119 million over the assets figure at the end of the previous financial year.

Advances.—Your Bank continued to provide credit to customers in the form of Commercial Advances, Medium Term Loans matched by Medium Term Deposits, and finance for exports and imports. These advances reached a total of approximately Rs 160 million, an increase of Rs 18 million over the figure of the previous year.

Investments.—The Bank has found itself in a position to assist in the Development schemes of Government and has during the year increased its investment portfolio from Rs 127 million to Rs 154 million, though investments of the banking system as a whole registered a fall. Our holding of Treasury Bills, however, fell from Rs 29 million to Rs 18.8 million. Our investment in the Development Finance Corporation of the face value of Rs 2.8 million is written down in the Balance Sheet to Rs 2.52 million. The valuation of Government and Government guaranteed securities continues to be on the basis of the lower of book or par value.

Deposits.—While the total deposits of all commercial banks dropped by approximately 5 per cent, the total deposits of your Bank increased by just over 7 per cent. After making allowances for hot deposits in our books at the end of the last financial year the deposits held by your Bank constitute over 37 per cent of the total deposits of all commercial banks of this country. Our continued progress in this field is, I venture to think, an indication of the appreciation of our services by depositors, both large and small, and the confidence reposed in your Bank.

Liquidity.—Cash, Loans at Call, Money at Short Notice and Treasury Bills amounted to Rs 159.5 million, constituting 33.9 per cent of total deposits. Our total liquid assets, which include Bills discounted, amounted to Rs 192.6 million. The percentage of liquid assets to total deposits is thus 40.9; the percentage to demand deposits is 62.

PROFITS

In spite of increased turnover the net profits fell in the face of increased operating costs and taxation, from Rs 732,600 to Rs 726,000. An interim dividend of 7½ per cent was paid on June 1, 1957, and your Directors are recommending payment of a final dividend of 7½ per cent making a total of 15 per cent for the year.

Your Directors are recommending the transfer of Rs 350,000 out of current profits to "Other Free General Reserves," which will then stand at Rs 4,850,000. In addition, the Directors have authorised the transfer from Inner Reserves of a sum of Rs 1,150,000 to this account during the current financial year. "Other Free General Reserves" will therefore stand at Rs 6 million. The Capital and published free reserves of your Bank will then aggregate Rs 16.5 million, in addition of course to substantial free inner reserves.

LONDON OFFICE

Our London Office has moved to new and more spacious quarters in Moorgate, which is in the heart of London's financial area. The premises were formally opened by an old and valued friend of the Bank, Sir Claude Corea, who was, as you know, Ceylon's High Commissioner in London at the time.

The report and accounts were adopted.

MERCANTILE CREDIT COMPANY

LARGER PROFITS

The twenty-fourth annual general meeting of Mercantile Credit Company, Limited, was held on January 8th, in London, Sir Mark Turner, chairman, presiding.

The following is an extract from his speech circulated with the report and accounts for the year ended September 30, 1957 :

I should first like to pay tribute to Sir Edward de Stein, who retired in May. Sir Edward has been the principal architect in the creation of Mercantile Credit Company as we know it today, and shareholders and his colleagues on the board owe him a great debt of gratitude.

There will be few who have not realised from newspaper reports based upon Board of Trade returns and other sources that the year covered by the accounts before you must have produced very spasmodic conditions in hire purchase in the United Kingdom.

Despite these changing circumstances, we have, I am glad to say, been able to show for the parent company an increase in its outstandings and profits as compared with 1956.

Owing to the increase in the Bank Rate it was necessary to transfer £55,000 from the total of what would otherwise have been earned during the year under review. This is perhaps a smaller sum than one might have anticipated, but our analysis showed a reduction in average term compared with previous years, and our new level of unearned charges which includes this sum is therefore in proper relationship. For several years past it has been the policy of the company to accept deposits and they now represent an important part of the funds available for our business.

You will see in our consolidated balance sheet under "Current Assets" a new item for Treasury Bills, amounting to approximately £600,000. This could be said to owe its origin to the increasing volume of deposits to which I have referred.

NEW ACQUISITION

I now wish to refer specifically to the recent acquisition this summer of the whole of the Ordinary share capital of United Motor Finance Corporation.

At the time of the amalgamation the outstandings of UMF, as the company is generally known, approximated two and three-quarter millions and these, of course are now incorporated in the group figure in the consolidated balance sheet.

We have recently given notice of our proposal to acquire the whole of the outstanding Preference shares in UMF by an offer to those shareholders to exchange their shares into Preference shares of MCC. We have obtained the consent of the Capital Issues Committee to capitalise £805,500, part of the £913,498 standing to the credit of the share premium account, by the issue to present holders of 5s. stock units of one Ordinary share of 5s. for each 5s. stock unit now held.

OVERSEAS INTERESTS

In Ireland, South Africa and in the Federation of Rhodesia and Nyasaland, we have made progress.

Interprovincial Building Credits, Toronto, in which we obtained a substantial share interest during 1956, continues to make satisfactory progress.

So far as the current year is concerned, our experience to date suggests that we may expect a satisfactory level of business.

APPOINTMENTS

FERRANTI LIMITED

MANAGEMENT ACCOUNTING

Forecasting and Overhead Analysis are two of the aspects of management accounting dealt with by a section of the Ferranti Company covering a most interesting range of products, including ELECTRONIC COMPUTERS, AIRCRAFT EQUIPMENT, PRECISION INSTRUMENTS, AND DOMESTIC APPLIANCES.

A vacancy exists in this section and applications are invited from candidates of about 25 years of age, with an interest in these aspects of industry and able to discuss at all levels data relevant to forecasts of future policy. Some industrial experience would be an advantage.

A graduate might well find in this work a suitable introduction to management accounting.

The Company has a Staff Pension Scheme and an Assurance Scheme for Dependants.

Forms of application can be obtained from T. J. Lunt, Staff Manager, Ferranti Limited, Hollinwood, Lancs. Please quote Ref. J.W.

A PROGRAMMING AND PROGRESSING ENGINEER is required on the Civil Engineering Construction of a Major Steelworks at Durgapur in India. The Contract is for three years, at a salary of £2,000 per annum tax free, with bonus, free medical attention, paid leave, free passages for families and furnished accommodation at a reasonable rent.

Applicants should have had at least 3 years' experience on major projects either with Consulting Engineers or Contractors.

Apply, giving full personal details and details of qualifications and experience, to :

THE CEMENTATION COMPANY LTD.,
Durgapur Project,
20 Albert Embankment,
London, S.E.11.

J. & J. COLMAN LTD., a member of the Reckitt & Colman Holdings Group of Companies, requires a Manager for its Market Research Department. The duties are concerned primarily with foodstuffs, and the appointment involves residence in Norwich. The post demands wide experience in practical field work, and a broad knowledge of statistical methods.—Applications, stating age, qualifications, experience, salary required, should be sent to the Secretary, J. & J. Colman Ltd., Carrow Works, Norwich, Norfolk.

QUALIFIED ACCOUNTANT. A large manufacturing business, with Head Office in London, requires a qualified Accountant, under 30 years of age, with commercial experience and ability to control staff. This position offers a man of exceptional calibre the opportunity to progress to a senior executive position. The commencing salary will be not less than £1,250 per annum and the appointment carries eligibility for free life cover and pension and profit sharing.—Applicants should state full details of qualifications and experience, age and present salary when replying to Box No. 8533.

METROPOLITAN BOROUGHS' ORGANISATION AND METHODS) COMMITTEE require PROGRAMMER to take part in studies of the application of an ELECTRONIC COMPUTER to accounting and clerical work of local authorities and the establishment of a large scale automatic office. 1st or 2nd Class Honours degree (preferably in mathematics) desirable. Full training in programming will be given. Initial salary between £700 and £1,000 according to qualification. Pensionable.—Application form and further particulars from Honorary Clerk, Westminster City Hall, W.C.2. Closing date January 30, 1958.

WORKERS' EDUCATIONAL ASSOCIATION
WEST MIDLAND DISTRICT.
Applications are invited from graduates for the post of ORGANIZING TUTOR in North Warwickshire. Teaching subjects: Industrial Studies or History or P.P.E., though other subjects may be considered. Salary £650 to £1,200.—Details (please enclose stamped addressed envelope) from R. P. B. Davies, M.A., 79, Calthorpe Road, Birmingham, 15.

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG
SOUTH AFRICA

Applications are invited for appointment to a post of SENIOR LECTURER on the staff of the DEPARTMENT OF LOCAL GOVERNMENT AND PUBLIC ADMINISTRATION. Duties are to be assumed as soon as possible.

The salary will be according to the scale £1,200 x £50—£1,500 per annum. In addition, a married man will receive a temporary cost of living allowance, the present rate being £234 per annum. A commencing salary above the minimum notch may be paid on the grounds of special qualifications or experience.

Membership of the University Institutions Provident Fund is compulsory, and membership of the University's Staff Medical Aid Fund is compulsory in the case of an officer who is found eligible in terms of the rules.

Intending applicants are advised to obtain a copy of the Information Sheet relating to this vacancy from the Secretary, Association of Universities of the British Commonwealth, 36, Gordon Square, London, W.C.1.

Applications close, in South Africa and London, on February 20, 1958.

UNIVERSITY OF GLASGOW
STEVENSON LECTURESHIP
IN CITIZENSHIP

The University Court will be considering shortly an appointment to the Stevenson Lectureship in Citizenship, tenable in the first instance for a maximum period of five years from October 1, 1958, or from such later date as may be arranged. The appointment will be full-time. The stipend will be £1,350 x £75—£1,800 per annum, with superannuation. All who may be interested are asked to communicate with the undersigned, who will supply further particulars.

ROBT. T. HUTCHESON,
Secretary of University Court.

HER MAJESTY'S OVERSEAS CIVIL SERVICE
ECONOMISTS/STATISTICIANS, TREASURY, KENYA

Candidates, who must be under 45, should possess an Honours Degree or equivalent in Economics or Economics and Statistics. Experience desirable of economic research or economic administration and previous service in a government organisation an advantage. Some knowledge of handling statistical data and experience in its collection and interpretation is essential. One of these two vacancies requires a knowledge of agricultural economics and experience in an advisory capacity in this or in agricultural research. Duties will include collecting economic and statistical information from various organisations, analysing this information and preparing reports and precis for submission to the Economist to the Treasury.

Appointment will be on probation for the permanent and pensionable establishment, inclusive salary scale £939-£1,863, point of entry determined by experience. Government quarters, if available, at moderate rental. Free passages for officer, wife and family. Income tax at local rates. Generous home leave.

Application forms and further particulars from Director of Recruitment, Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1 (Reference BCD 161/7/01).

ISLE OF WIGHT COUNTY COUNCIL
TECHNICAL COLLEGE

Principal : R. HEWITT, M.Sc., A.F.R.Ae.S., F.R.G.S.

Applications are invited for the following new appointment :

DEPARTMENT OF COMMERCE
Head of Department, Grade I (man or woman).

The post is for a new department of the College which will become operative in September, 1958. Applicants must be well qualified and should have had considerable experience of similar work in a technical college. The successful candidate will be required to take up duty in April, 1958.

Further particulars and forms of application (stamped addressed envelope) may be obtained from the Principal, Technical College, Hunnyhill, Newport, Isle of Wight, to whom they should be returned as early as possible.

A. L. HUTCHINSON,
County Education Officer.

MARKET RESEARCH. A London Advertising agency requires an Assistant in its Research Department. Candidates should preferably be between 25 and 30 and should have either a university degree in Economics and Statistics or practical experience in market research and/or marketing. Some knowledge of advertising practice and particularly media selection would also be an advantage.—Please write to the Secretary, C. R. Casson, Ltd., 6 Aldford Street, W.1.

ACCOUNTANT. Growing group of city import and export merchants seeks services gentleman (28/35), preferably qualified, to undertake reorganisation and running of their mechanised accounts department. Applicants must be hardworking, with initiative, nimble mind. Salary to draw best from staff. Salary about £1,200. Liberal pension scheme. Own staff aware of this advertisement.—Please submit fullest particulars in confidence to Box Z581, c/o Streets, 110, Old Broad Street, E.C.2.

B.E.A. require a CARGO RESEARCH OFFICER. Duties include collection and analysis of statistical data relating to carriage of freight by air and surface and preparation of estimates of future traffic and yield rates. Previous experience in research work essential. Economics degree or equivalent qualification and experience in analysis of statistical information desirable. Commencing salary £1,025, rising to £1,250 p.a.—Written applications to Personnel Officer, Head Office, British European Airways, Keyline House, Ruislip, Middlesex.

HIGH-CLASS SECRETARY of good general education and preferably with knowledge of German required for Director of London Merchant Bank. Attractive emoluments including non-contributory pension scheme.—Please reply, giving details of qualifications and experience, to Box 2591, c/o Streets, 110, Old Broad Street, E.C.2.

WOMAN GRADUATE required by Merchant Bankers for Research Department. Work would primarily involve extracting and arranging of economic and investment material.—Please write, stating age, experience and qualifications, to Box DE/92 c/o 95 Bishopsgate, E.C.2.

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Applications are invited for the position of LECTURER IN ECONOMICS.

The salary for a lecturer is within the range £A1,200—80—£1,750 per annum, plus cost of living adjustment (£70 men, £53 women) and will be subject to deductions under the Superannuation Act. (The current scale of salaries is under revision.) The commencing salary will be fixed according to the qualifications and experience of the successful applicant.

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Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in Australia and London, is February 15, 1958.

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Applications are invited for positions of
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LECTURERS (2) in ACCOUNTANCY.
LECTURER in ECONOMIC HISTORY (Knowledge of American and/or Asian economic history an advantage).
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The new salary scales to operate from January 1, 1958, are as follows :
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Further particulars and information as to the method of application for all posts, except the Research Assistant in Economic History, may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36, Gordon Square, London, W.C.1. Inquiries about the latter post should be sent direct to the Registrar, University of Melbourne, Carlton, N.3, Victoria, Australia.

The closing date for the receipt of applications, in Australia and London, is February 28, 1958.

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TRADES UNION CONGRESS invites applications for Assistant in Social Insurance and Industrial Welfare Department, which besides Social Insurance, Department covers occupational health, welfare and safety. Background knowledge of economic aspects of social legislation desirable.—Further particulars from Sir Vincent Tewson, C.B., 23-28 Great Russell Street, London, W.C.1. Closing date for completed applications January 20th.

CHARTERED ACCOUNTANT aged thirty to forty years preferably with Economics degree required for visitor's office, country, New South Wales, accommodation arranged, fares financed.—Write J. Farrell, Solicitor, Temora, New South Wales, Australia.

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A staff vacancy exists for a suitably qualified and/or gifted young lady to enter this field in a young and expanding concern of electronic control engineers. A degree in engineering, science, maths, psychology, or economics, with interest in statistics, will help. The work involves analysis of operating figures and assessment of management problems in quantitative terms. Adequate guidance, equipment and scope will be given, but not much clerical help. A positive and sympathetic outlook on the terms of industry is essential.—Please write in confidence to the Managing Director, Mr. Richard Steel, Servomex Controls Ltd., Crowborough, Sussex.

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Applications are invited for the above studentships and grants, tenable for one year in the first instance, and renewable for a further period not exceeding two years. The studentships are normally of the value of £350 or £400 per annum. They are offered to candidates who have obtained the degree of Bachelor or Master in this or some other approved University.—Applications should be sent not later than February 15, 1958, to the Registrar, The University, Manchester 13, from whom further particulars and forms of application may be obtained.

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CENTRAL PURCHASING AND CONTRACTS DEPARTMENT

Applications are invited for the post of CHIEF PURCHASING AND CONTRACTS OFFICER. This officer will be responsible for buying the Generating Board's plant and buildings, equipment, materials, stores and services.

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The salary for the post is dependent upon qualifications and experience, but will be of the order of £5,000 p.a.

If you are interested in this important and interesting post please write personally to Mr. Ernest Long, Member for Finance and Administration, Central Electricity Generating Board, Bankside House, London, S.E.1, within 14 days of the appearance of this advertisement.

A SALES MANAGER aged between 30-40 is required by the Brazilian subsidiary of Ferodo Limited for marketing brake linings manufactured locally in the Sao Paulo area. Applicants should preferably be able to speak Portuguese or at least have an aptitude for Latin languages, while previous experience of South American markets and/or motor vehicles will be advantageous. Subject to results the successful candidate may be invited to join the local board in a few years' time. There will be an initial training period of some months in England prior to taking up residence in Sao Paulo.—Write, stating age, experience, &c., to Export Director, FERODO LIMITED, Chapel-en-le-Frith, via Stockport, England.

OVERSEAS TECHNICAL SALES REPRESENTATIVE

ARMSTRONG SIDDELEY (BROCKWORTH) Ltd., Diesel Engine Division, invite applications for the position of Overseas Technical Sales Representative. It is essential that the successful applicant has extensive experience of overseas markets with particular emphasis on South East Asia. He must be prepared to travel as required in the course of his duties. He must also have a sound knowledge of all aspects of small Diesel engines and their installation. Applications, stating age, qualifications, experience and salary required, will be treated in the strictest confidence and should be addressed to the Personnel Manager, Armstrong Siddeley (Brockworth) Ltd., Diesel Engine Division, Hucclecote, Glos.

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CONSULTANT or advisory work in industry (part-time) sought by graduate physiologist, also medically qualified. Food chemistry and general scientific interests, practical imagination, three languages.—Box No. 832.

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THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES. The Scheme of integration between the Institute and the Society of Incorporated Accountants took effect on November 2, 1957. A form of application for registration with the Institute has been sent to articled clerks and bye-law candidates of the Society.

Any articled clerk or bye-law candidate who has not received the form should apply direct to the Secretary of the Institute at Moorgate Place, London, E.C.2.

Have you seen
The Itch ? SEE PAGE 87

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NOTICE IS HEREBY GIVEN that the Transfer Books of the Ordinary and "A" Ordinary Stocks will be closed from Monday, January 27, 1958, to Monday, February 10, 1958, both days inclusive.

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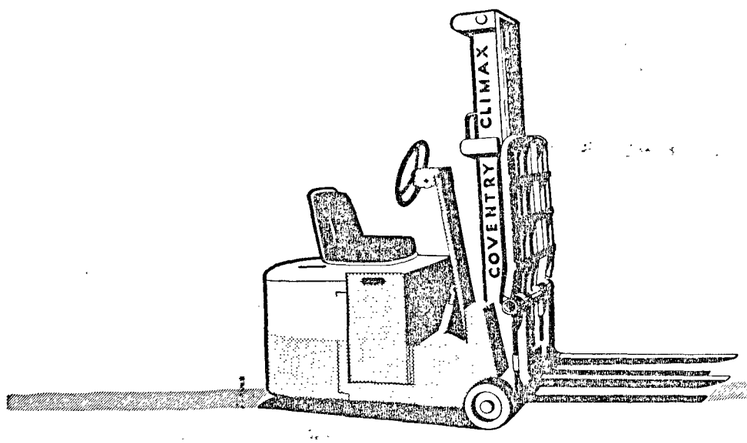
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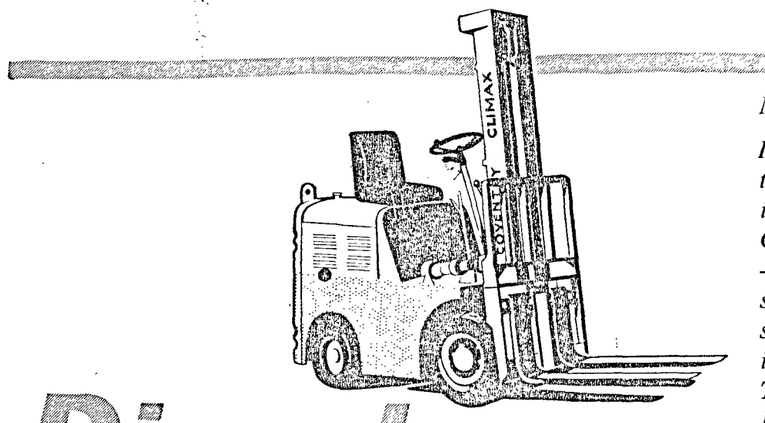
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The Economist

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Mr Thorneycroft's Challenge

The Wages Test

The ex-Chancellor has questioned whether the Government is serious in the fight against inflation. A test is imminent, for public opinion no less than for the Government, over busmen's wages (page 187—188).

PROSPECTS FOR 1958

The third and final article in this series discusses the strategy for the investor in a time of dear money, tough trading and falling commodity prices (page 227).

To the Summit?

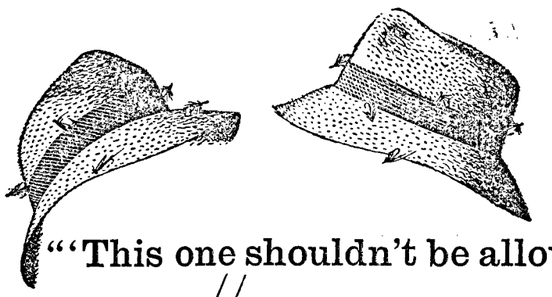
A summit meeting, large or small, seems to be on the way (page 190).

Fifty-Fifty in Oil (page 230).

Do 600 Submarines Matter? (page 192).

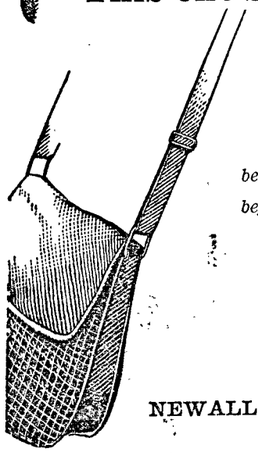
Eisenhower Begins Well (page 211).

Annual Postal Subscription by ordinary mail £4.10s.; Overseas £5; by air see page 271
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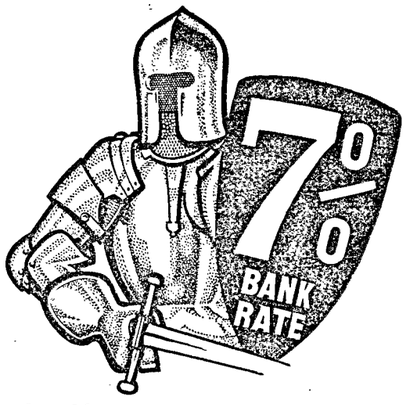


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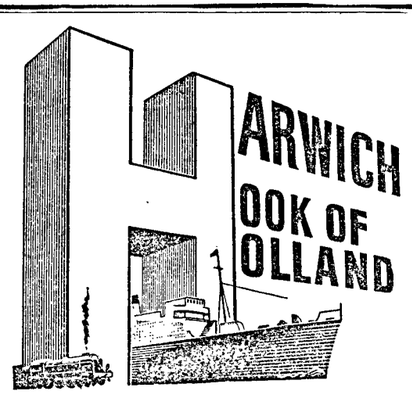
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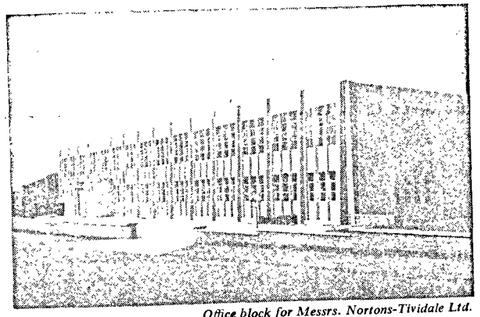
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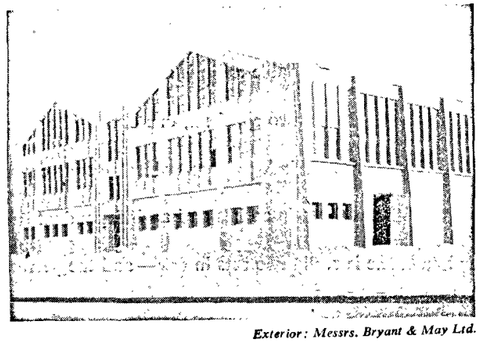
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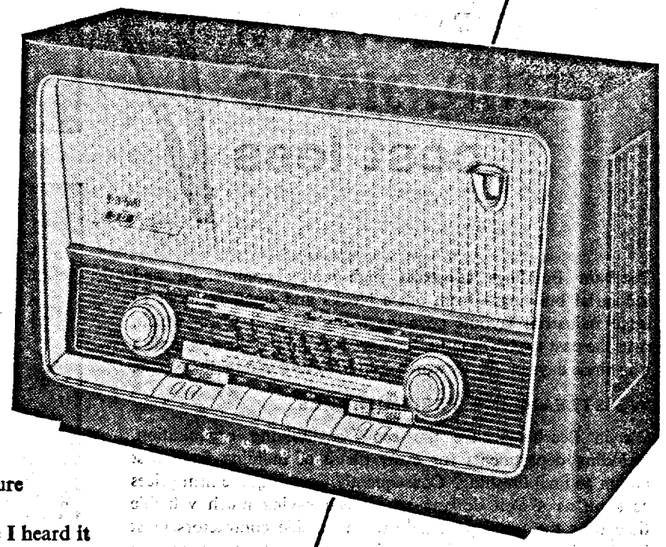
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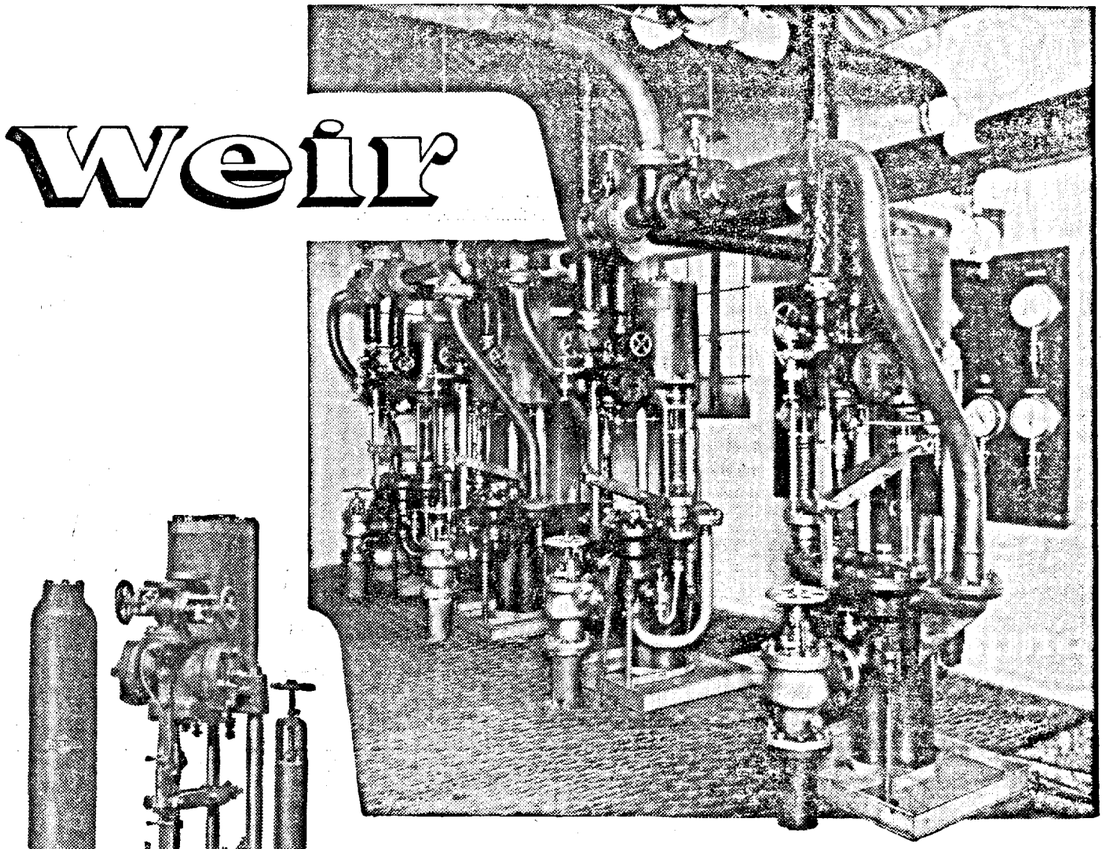
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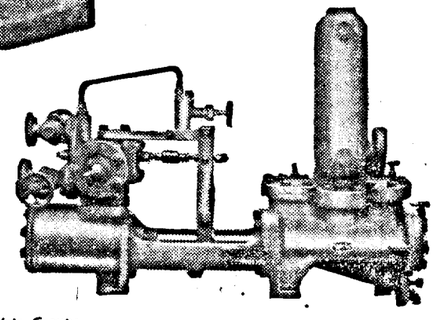
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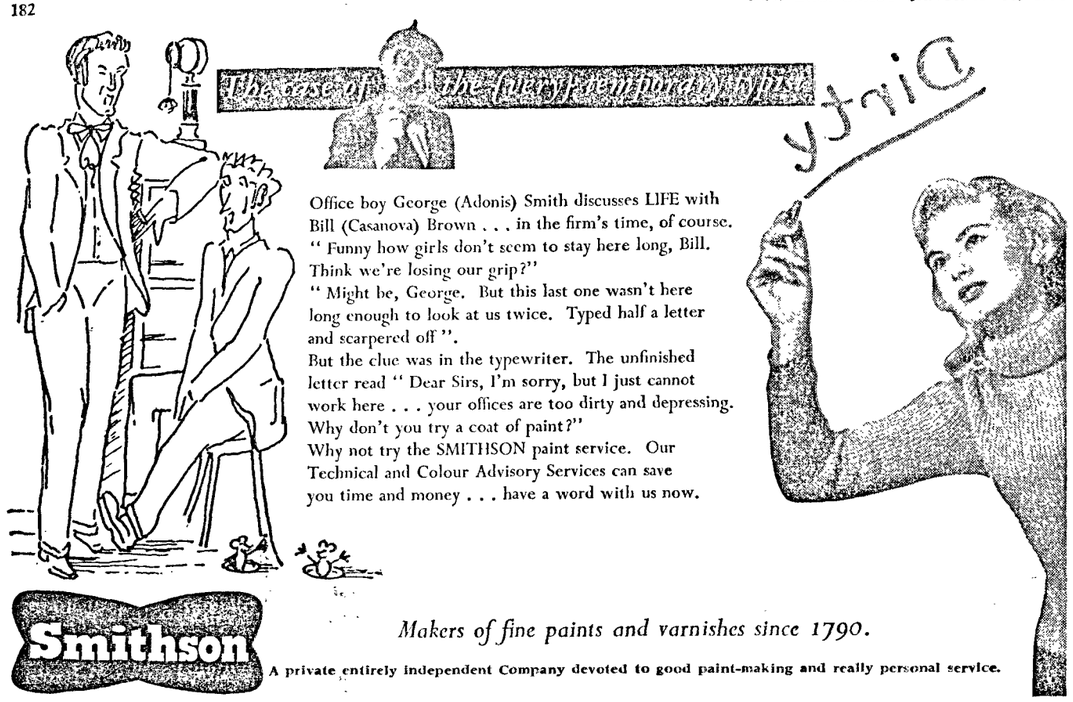
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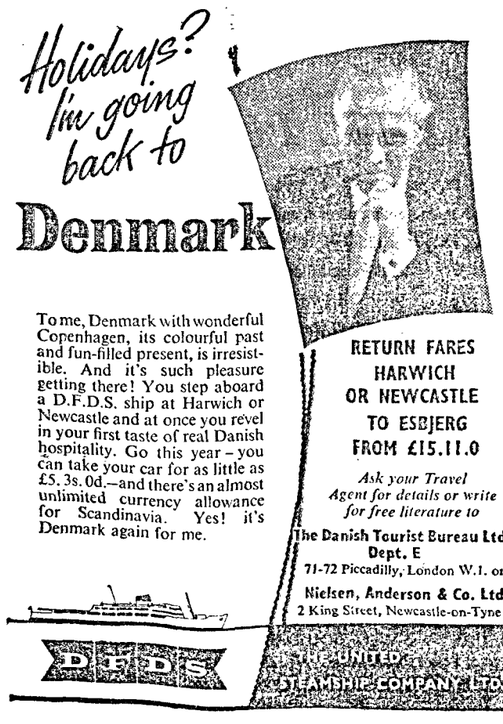


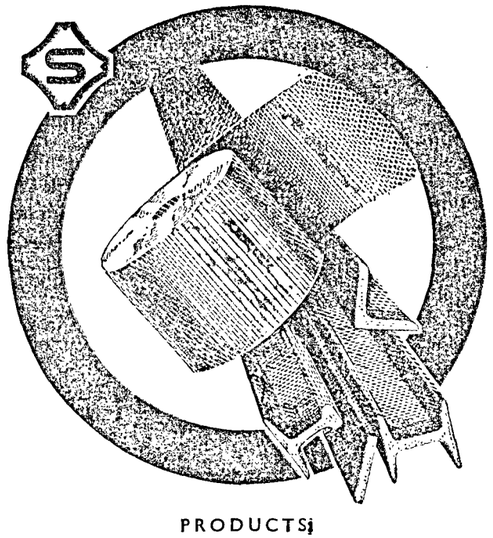
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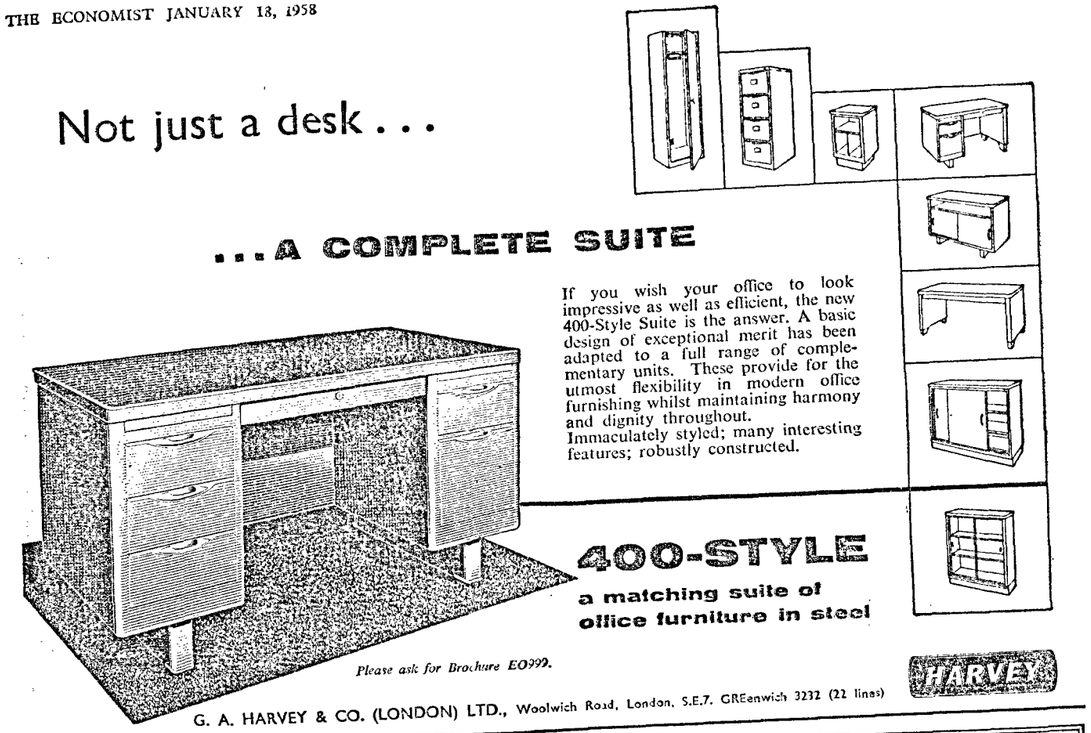
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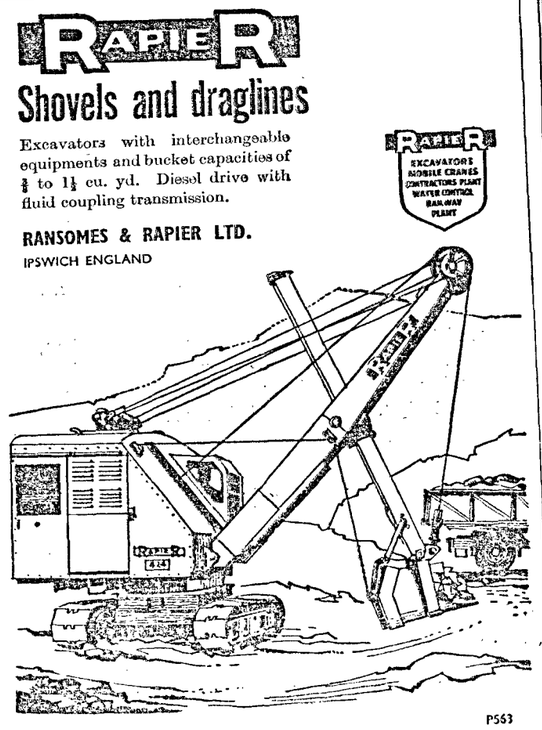
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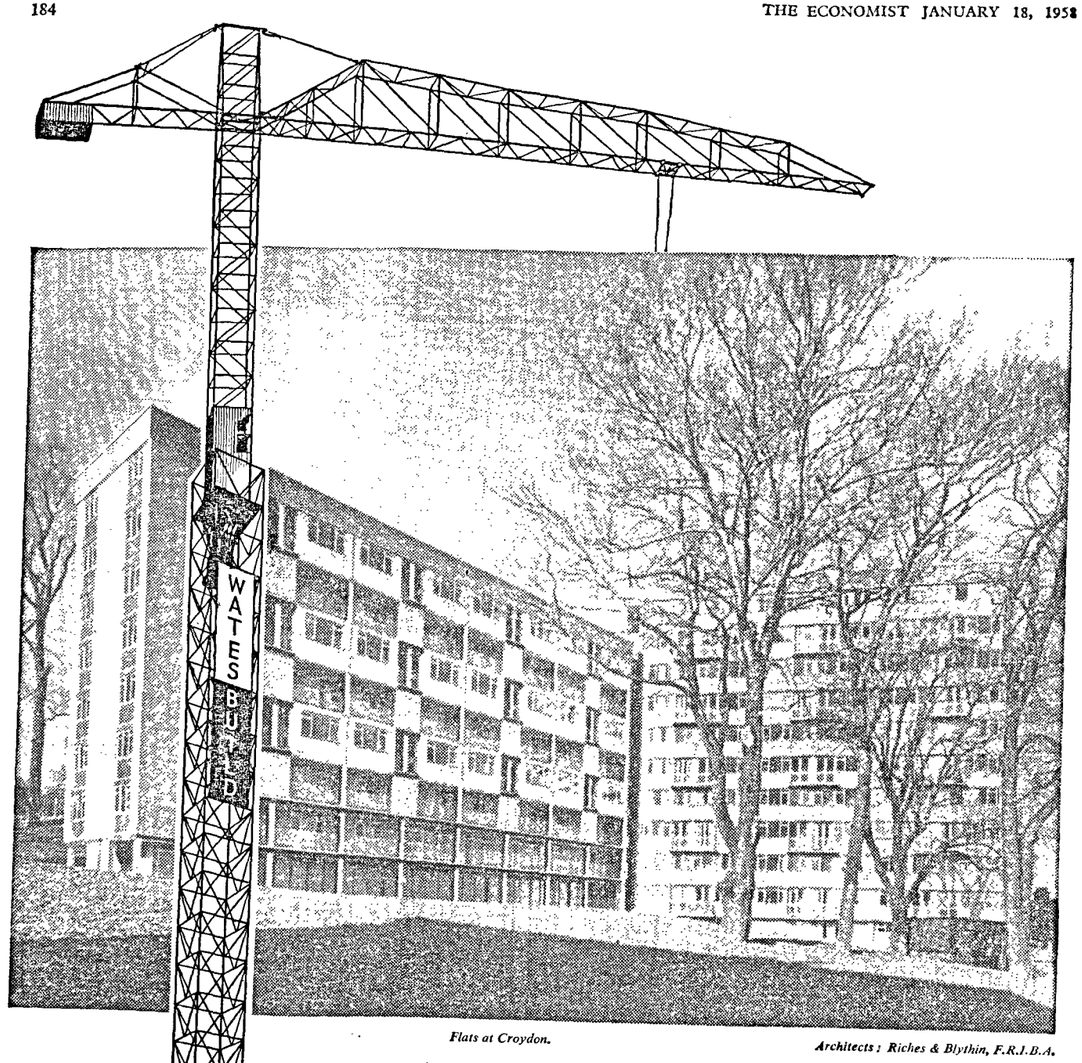

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Mr Thorneycroft's Challenge

"MY colleagues would not agree upon the object of containing next year's expenditure at a level no higher than this." That is the nucleus of Mr Thorneycroft's case for resigning from the Government. The speech in which he made the case to his constituents in Newport was the best he has ever made. It ranks, in its dignity, restraint and simple conviction, among the best of the many past statements of departed ministers. Although it was fitting for his local supporters to hear it, it is a loss that it will not be recorded in Hansard's roster of ex-ministerial statements from the familiar back bench. (Mr Thorneycroft has not decided whether to speak in next week's debate.) To the charge that he deserted the team, the ex-Chancellor's retort is, in effect, that the team deserted him—and the policy which last September they had all approved.

Since September Mr Thorneycroft has construed his duty, and the Government's, quite simply. It was correctly (without thinking too precisely on what species of inflation was in train) to hold down prices and to hold up the pound. The method of doing this, too, was quite simply defined four months ago. It was to hold down the flow of money spending in the coming year, whether private or public, to the flow of spending in the year before. This was the curb put on both public investment programmes and bank advances when Bank rate was put up to seven per cent on September 19th. Precisely the same monetary restraint, Mr Thorneycroft contends, was due, in both equity and expediency, upon Government spending in the year which begins next April; and it was his colleagues' reluctance to clinch this bond, when pruning next year's estimates, that caused him to resign.

In this reckoning, the final fifty million pounds, to be saved perhaps on certain welfare services, was not the real reason for the resignation, but the last straw. That is, Mr Thorneycroft was not bent upon particular economies, but simply upon a final estimate of spending for 1958-59 no larger than, not last year's estimate, but what the actual swollen spending in 1957-58 will turn out to be. (The figures are discussed in a Business Note on page 234.) Where the sacrifice came was not his point; his concern was that it should be made. Earlier, it seems, he sought it, with less than success, in service pay (where he queried the abolition, for political reasons, of conscription) and other defence expenditure. It was, by this account, only accidental that the split came on the social items that were considered later. Mr Thorneycroft's contention is that, if this yardstick of economy is accepted, no sector of spending can be sacrosanct. The false claim by Mr Macmillan and other ministers that social cuts could not be made because they would breed more wage claims is only an added offence against what Mr Thorneycroft believes to have been the agreed doctrine. To the reasonable rebuke that another fifty millions could not possibly determine

whether the country was solvent or "in the red," he replies, equally reasonably, that

> if fifty millions is the figure and is a triviality, could it not be found somewhere out of the five thousand million pounds to keep us straight?

The case is not only cogent but powerful, because he is meeting his colleagues on their own ground. This is not a conflict between two schools of thought. Mr. Thorneycroft's policy was the policy of the Government to which he belonged. He made his statement of September 19th with their full approval: "There can be no remedy for inflation and the steadily rising prices which go with it which does not include, and indeed is not founded upon, a control of the money supply." The question he is asking now is whether the Government still agrees with what it then upheld.

CLEARLY, the members of the Government who remain, after Mr Thorneycroft, Mr Birch and Mr Powell have gone, are not fools or knaves. Mr Thorneycroft is quick to recognise both that the policies which he expounded again on Tuesday were Cabinet policies, not simply his, and that "it is possible to be wrong on issues of this kind." That is why it is so regrettable, not only for the Government but for the nation and the pound, that the parting of the ways came. There are, of course, other arguments. Any arithmetical measure of economic restraint is bound to be imperfect: it is fraught with statistical complications and administrative anomalies and, in terms of actual resources, can be economically unreal, as was seen by many commentators four months ago. It can fairly be argued, too, that the effort by these means to cut back "a range of projects beyond the resources at our command," in order to "remain with profit and honour the centre and heart of a prosperous sterling area," must include a recognition that there is some limit to the liabilities that the sterling area itself can bear; the threat to the pound in September was abroad not at home, and Britain's payments were, and are, in surplus, not in deficit. But it hardly lies in the mouth of ministers to make these protestations. What was accepted by all the Cabinet as sauce for the rest then is sauce, as Mr Thorneycroft says, for the Government now. Lord Hailsham can fairly speak of the need for a reappraisal of the basis of social service financing; but it is not possible for the Government to plead against Mr Thorneycroft's case other kinds of policy.

"One must decide whether one is trying to beat an inflation or a slump." The decision has always to be made afresh as the world scene changes; it will have to be made again. But the Government plumped, with Mr Thorneycroft—and plumped rightly, and indispensably—for inflation as the present danger while the pound is in peril; and a price has to be paid in cut expenditure as well as, for a time, in lost production. That is the familiar and perennial dilemma between short-term necessity and long-term and no less necessary aspiration. Mr Thorneycroft's personal challenge to the Government, while he seeks to lead "no body of revolt," is whether it is still prepared to pay the price; Mr Heathcoat Amory insists, with obvious sincerity, that there has been no change. The immediate challenge (which is the subject of the following article) is whether there is still the determination in the Government and the nation at the imminent testing-point—that is, on the wages front—to stand fast for the first fruits of a policy that seemed to be bringing strength to the pound.

The Wages Test

THE greatest new danger to sterling in the past week has been the reaction of responsible opinion to the latest stage of the London bus dispute. The usual signs have begun to appear of an encouragement to retreat. They are being conditioned upon public opinion in the usual way: through the industrial correspondents of the newspapers, almost certainly after soundings with a public corporation employer. If this movement is to be stopped in its tracks, then the public as a whole will need to recognise exactly what the threat is—and whence.

The important question in the bus dispute is *not* whether this Friday's delegate meeting of London busmen will agree to refer their pay claim to third party "conciliation" or whether they will insist on calling a strike first; the union leaders are recommending the former course because they do not think that a strike would do them any good, but the militants at the somewhat showy mass meeting (there will be one delegate from each of London's 114 bus garages) may conceivably demand the latter. In the broad sweep of Britain's economic history, however, this difference of tactics is unlikely very much to matter. A strike now would cause inconvenience to London commuters, but no significant interference with production; it would do something to deplete union funds; it is arguable whether it would precipitate the dispute into conciliation-cum-arbitration under conditions rather more favourable to some wage increase than now, or whether (as the union leaders themselves apprehend) it would cause sufficient annoyance to queer some of the busmen's pitch. Probably, however, any influence either way would be minimal. Eventually, after or without a strike, somebody sitting round some table is going to make "independent recommendations" which will decide. The crucial question for the future of price stability is what will be the climate of opinion under which that somebody will work?

The first influence upon that climate will be the attitude of London Transport itself; if it is implicitly ready to grant some wage increase to some of its men, then some is very likely to be given. Until now London Transport, encouraged but not ordered by the Government, has resolutely said "No" in public. But a nationalised industry which is in deficit usually does say "No" at the first stage of its annual wage negotiations; past experience has been that it has always said "Yes, partially" later. For the last few weeks those who want to stop inflation have been watching anxiously lest there should be any signs of this usual second stage change of heart. Last Friday they—or what will be widely interpreted as they—appeared. A rush of articles in the daily press suggested that, while all London's bus crews do not deserve a rise, perhaps about 85 per cent of them do.

The 35,000 crewmen of London Transport's "central" red buses, it is being pointed out, have received increases in standard wages since 1939 of only 115 per cent for drivers and 126 per cent for conductors; the 6,000 crews of London's country or green buses—those that serve Guildford, Luton, and so on—have received increases of 155 per cent for drivers and 180 per cent for conductors. (All groups have received larger increases in standard earnings.) But in the disparity between red and green, says the voice of Jacob, there are surely seeds for a compromise. The crewmen of central London may deserve a special increase in view of their special skill; perhaps, it is argued, those who drive London Transport's less important green buses, or its maintenance men around the garages, could this time be left out, or given a lower increase. The official and immediate reaction of the union leaders will no doubt be that an increase given to this majority of their members must be given to all; but they can afford to tap gently at the wedge, because once it is in they know quite well that the rest will follow through after. As Mr Cousins read his newspapers last Friday, he must, like Little Audrey, have laughed and laughed and laughed.

FOR he and we, of course, have been here so many times before. This "special case for these specially deserving skilled workers" of a nationalised industry is an argument which has been pitched at, and then by, the industrial correspondents of the newspapers at about this stage of the annual struggle every year since wage inflation began. Every year it has been accepted in anxious appeasement—whether it has been applied to engine drivers or bus drivers or (after some nationalised industry has first given way) to skilled engineers or whatever other groups of workers are serving as wage inflation's front-runners. Every year, with considerably more regularity than the first cuckoo of spring, newspaper leaders have been published which say, that, while general wage restraint is imperative and lengthy delay desirable, yet for example:

> To the outside observer, it would seem that the skill required and the strain imposed by stopping, starting and threading through the traffic in central London is so great as to justify a fairly substantial differential. . . . By the time . . . investigations were completed it might well be possible to envisage some selective wage increase which would restore to central London busmen a little—it could only be a little—of their previous advantage.

A major question this year had been whether, brave words forgotten and resolutions against flinching thrown away, editors would allow this sort of emollience to appear in their columns in 1958.

They have done so. The passage quoted above appeared in the second leader in *The Times* last Friday, January 10th. A leader in very similar terms also appeared in the *Manchester Guardian* on the same day. Other newspapers have followed, and to pick out these two for special mention is not in any way to accuse them of being particularly blameworthy; indeed, it is to recognise their importance as acknowledged leaders of the sort of public opinion which is often decisive. But there are general and specific reasons, of quite desperate importance for the whole country, why it should not be decisive this time.

THE general reason is obvious. If the door is opened to wage inflation in this first test case, in a nationalised industry that is in deficit, hopes of containing other forms of inflation will thenceforth be vain; the advantages sought by a stern policy, which has held down production for three full years in preparation for this moment, will have been inconsequently thrown away. That general consideration should be the decisive one for policy, even if it were in some airy way "unfair" to London busmen. But is it? Let us get soberly down to the microscope to study this particular case.

The particular reasons which are being prayed in aid of a selective increase in wages for central London busmen are that they have done badly since the war compared with London Transport's minority of country bus crews, compared with other industrial workers, and compared with the competitive pull of the labour market (so that London Transport is said to suffer from a shortage of recruits). The comparison with the green bus crews is true; it is the result of the men's union having demanded each year flat rate increases, with a bias towards lower paid workers, instead of percentage increases, with a bias towards the skilled drivers. But as the central bus crews are in a majority in their section

ESTATE OF THE REALM OR VESTED INTEREST?

Early in February *The Economist* will start a series of articles on the status and problems of British trade unions.

of the union, this is their own fault; it is hardly up to London Transport to compensate them for this fault of theirs, in a year when general wage restraint is essential.

The comparison with other industrial groups is also true, but for a simple economic reason. All over the advanced industrial world, bus driving in cities is a contracting occupation, but in London it has not sufficiently contracted. That is why London Transport is in deficit, while there is still insufficient money to give an average factory worker's wage to each of its too many busmen. And this, too, is why the argument that London Transport is short of more than 2,000 recruits for its red buses is frankly misleading. So long as London Transport is in deficit, and so long as it cannot easily get into surplus by raising its fares (because the demand for bus travel is elastic), there can be no sensible argument that there is a shortage of busmen : there is a superfluity of buses.

The figure of over 2,000 required recruits has in fact been reached by estimating the ideal manning schedules that would be required for London Transport's new spring timetables; the buses on these timetables are to be cut by only 4 per cent below last year's levels—although demand has fallen by much more than that in reaction to last year's rise in fares. The cutting of timetables has not been determined by a decision to take off the streets every bus that is unprofitable; London Transport's aim is rather to provide what its organisers regard as an adequate service, so that too many people will not have to wait too long at the rush hours—and from the number of buses provided at rush hours all else follows.

ONE can understand the attraction of this system for any administrator properly keen on his job. It would be nice for any organiser anywhere to be allowed to run his industry in this way. If the standard of service provided by *The Economist* did not have to be determined by the standard which readers will pay for, but only by the standard which we think would be morally good for them and professionally satisfying to us (with no worries about any deficit), life in this office would become much more expansive; you would not have to wait a week for these words of wisdom just as you do not have to wait a quarter of an hour for a bus, and we would sign up as many correspondents as are marginally desirable in far Cathay. The British economy will never return to balance until it is realised that it is nonsense to run any industry, including any nationalised industry, in comfortable disassociation from market demand in this way. It would be even bigger nonsense to set the pace for wage inflation in 1958 by an attempt so to run London's buses. But unless public opinion can be pulled sharply back from the first familiar stage of incipient annual appeasement —a stage which is now again upon us—this is precisely what seems to be about to be done.

To the Summit?

If the Russians want talks the West cannot refuse. But what is the real Russian intention? And what ought to be the real intention of the West?

FOR all its bland presumption, Mr Bulganin's announcement in letters to nineteen states of his intention to "call" a gargantuan conference of heads of government, which would seek an end to the cold war, is a formidable diplomatic move, not to be brushed off as "nothing new." The western governments can afford neither to dance to the Russian tune to the extent of turning up meekly at Mr Bulganin's conference to discuss his chosen agenda before his chosen audience, nor can they afford to sit tight; for they must know that Mr Bulganin's artless reference to the "ardent wishes of the peoples" is not altogether without basis. As is evident—and as President Eisenhower has already tacitly conceded in his reply last weekend to an earlier Bulganin letter—if the Russians want talks, it is not really possible to refuse. But it is possible, and indeed essential, to insist that any talks be prepared in a serious way and that, if and when they happen, there is a serious agenda to be discussed. This, not stonewalling, is the western diplomatic task for 1958.

In approaching the task the western statesmen are crossing a room in the dark; they are very naturally nervous of knocking over the furniture. As it seems, the Russians want talks; but for what purpose? Is it merely for a propaganda effect—to conciliate their own people, to present themselves as men of peace in uncommitted regions of the world, or to divide public opinion in the West? Is it to set a strategic trap? Or is there a real alarm in Moscow at the apparent drift towards war, and a real desire to insulate the danger-points? The western governments cannot disregard any of these possibilities. They have to guard against the first two; but they have also to adopt a negotiating programme of substance (as distinct from a forensic attitude designed for the press conferences) for the event that the third possibility may prove, after all, to have something at any rate in it. The possession of such a programme will be no guarantee at all that a summit conference would succeed. But, without it, not only would it be a waste of time; it would also be likely to end in the western statesmen being outwitted, or put in the wrong, or induced to accept a bad solution rather than go home with their hands quite empty.

SPECULATION about the kind of practical compromises with Moscow that the West might be prepared to make if and when they proved possible is, therefore, useful and necessary. To foreign ministers, rightly concerned to let no chink appear in western solidarity, such speculation may be uncomfortable. Secretaries of State, past and present, naturally deplore the hetorodox trains of thought set in motion by Mr George Kennan. But the political leaders may console themselves with the fact, becoming constantly more evident, that western solidarity could suffer far more from the general dissatisfaction with a too dogged perseverance in the entrenched cold war positions than it will from novel trains of thought.

If, then, there is to be a summit conference some time, let it, when it comes, be serious. This implies that it should be prepared for, among the western governments as well as between them and the Russians —not necessarily by conferences of foreign ministers, but certainly (and most usefully) by unobtrusive diplomatic work. It implies that no meeting should be held until an agenda is ready for it. It implies that it should have not as many, but as few, participating governments as possible; probably the ideal number would be two, the United States and Russia, each having prepared the ground with its allies beforehand.

In the possibly long interval before the leading men of the western and Communist worlds get to the point of meeting, problems now dormant can become acute; no one can say with complete confidence what topics may thrust themselves forward by then. But, leaving the unforeseen aside, the obvious matters for discussion fall either under the heading of disengagement in Europe, or under the heading of disarmament. The western alliance cannot accept either a degree of disengagement, or a degree of disarmament, that will deprive it of the strength to ensure that a Russian aggression would be suicidal. The task is to make a start on disengagement, and a start on disarmament, on terms that might offer each side a reasonable *quid pro quo* and promise some alleviation of the world crisis in one aspect or another. Possibly the two could be combined; but neither, at this stage, could go very far. What is at present completely obscure is whether the Russians would be interested in measures of either kind sufficiently limited, or sufficiently well balanced, for the West to be able to contemplate them.

The West itself has some reasons for considering again the strategic view of Germany that caused earlier suggestions of disengagement (for instance, Sir Anthony Eden's in 1955) to be dropped as too risky. For one thing, it seems by now unlikely that the German defence contribution will ever play the precise part in the Nato system that was envisaged for it when the military planners recommended it in 1949. The likelihood has diminished that the German forces now being formed for Nato, with or without the allied troops that are stationed in Germany, can provide the kind of defence that would safeguard Europe (except against small-scale encroachment) without recourse to a nuclear war. At the same time, the character of the western defence effort itself is tending to change; it may very well, before long, rest mainly on missiles, and only secondarily on a modest force to hold the ground. Can such a system be adequately stationed in an area that excludes Germany? The answers rest on a complex of technical factors; but western Europe is not, at a glance, so small that it could not.

Then there has been—or should have been—a revision of the western appreciation of the politics of central Europe. Events in 1956 showed beyond serious doubt that the withdrawal of Soviet troops would gravely endanger the Communist regimes in eastern Europe, and in time would bring them down. In west Germany, the political development of ten years has proved the converse: it is no longer plausible to suppose that west Germany would fall a victim to communist subversion (as distinct from Russian attack) if the western allies withdrew their armies. All in all, Europe is now the main, perhaps the only important, region of the world where the West can feel confident that the political forces are working strongly in its favour. Its purpose can reasonably be, therefore, to thin out and detach the military systems to a point at which the peoples of central Europe—beginning with the east Germans; but other east European peoples would quickly follow if they had the chance—can begin to assert their own political will.

A WITHDRAWAL of Nato forces from the Elbe, if it were accompanied by a Soviet withdrawal of equivalent military value, might therefore, in the near future, work in favour of the West. Certainly, there is much less reason for the West to be afraid of it than there was in 1952 when the first treaties of Bonn and Paris were signed. This is assuming that the western allies, including Germany, can reasonably be treated as a single community in their dealings with the Russians, a community held together by stronger common interests than the internal differences within it. It is true that the western allies apart from Germany have another, no longer generally admitted, motive for hesitating to contemplate a future withdrawal: they feared in the past, if they do not fear now, that a united Germany might get out of hand and pursue a divergent national policy of its own. But it is nursing an illusion to suppose that Germany even now is tied to the western allies by anything but its own view of its interest. Neither the occupation nor the four-power system can be restored. The only hopeful course is to

seek to restore Central Europe to political existence, with Germany as its largest component. It goes without saying that this would require Germany's eastern frontiers to be settled.

Most probably the Russians are aware that a change in central Europe would tend to operate to their disadvantage. The political regime of central and eastern Europe depends on the presence of their troops ; this is their weakness. Many Soviet utterances in the last year or two have indicated a marked attachment to the political *status quo*, if only the *status quo* could be made safe. Thus, the Russians may prove not to be interested in disengagement in Germany by itself. What they really want may prove to be Germany divided as it is now, with Russian troops in position to keep the communist regimes clamped on the neck of east central Europe, but with a set of military rules designed to file down the horns of the western defence system. They might easily demand arrangements of that kind—including a prohibited zone for nuclear weapons—in the name of disarmament. The demand would be difficult to resist, but the West ought to resist it except as part of a plan for withdrawal of troops. The natural alternative course for the Russians would be to put their price for a withdrawal of Soviet troops so high—say, an Anglo-American withdrawal from the whole Continent—that agreement would be out of the question.

Plainly the bargaining will be hard, as well as long. There is a basic clash of interests, which can be resolved only if the two sides can eventually persuade each other that the risks of an agreement are on the whole less than the risks involved in going on without any agreement at all. If this happened, it would be because the Russians had grown tired of the danger and strain implicit in maintaining by force a division of Europe that the European peoples—particularly in the eastern half—find unnatural and intolerable, and because the West took heart and remembered its basic source of strength, that it maintains its armies for military purposes alone ; they are not needed to impose a political system.

Do 600 Submarines Matter ?

The western allies have to ask what uses are intended for the very large Russian fleet of submarines, and to concert precautions against them.

THIS may be the right time to ask Mr Sandys to include in the defence white paper due at the end of next month some assessment of the significance of the shoals of Russian submarines, in terms of the realities of atomic warfare. Not long ago the Prime Minister suddenly declared that they were a most serious threat. Yet, in the context of last year's white paper, which left the role of the navy in doubt, they seem to make little sense. The general argument then was that a world war fought with thermonuclear weapons would be so destructive to both sides that the war would end with the atomic assaults. The idea that the second phase would be a broken-backed war fought on with the remaining stockpiles of conventional weapons, which had been put forward in earlier defence statements, was discounted. So the need to spend money preparing to wage it, including submarines and anti-submarine warfare, was discounted, too.

In the light of the argument of last year's defence white paper, that is, the Russians have backed a non-starter in their very large and growing underwater fleet. Can we, therefore, rest content in the belief that the Russian submarines represent one of the other side's white elephants—a fleet planned and built by backward-looking admirals and their German advisers for a type of war already outdated by technology ? Can we continue to run down western anti-submarine defences as irrelevant, on the argument that if war comes you cannot be deader than dead ?

One possibility, certainly, is that the Russians may now regret spending so much on their fleet—or part of it. Mr Khrushchev was recently heard to say that cruisers—Sverdlovs—were obsolete. The rate of submarine-building, too, has slowed. But that may have something to do with the advent of atomic propulsion ; and there is little sign that the Soviet naval men are feeling as pessimistic as the British. The obvious possibility has to be faced that the Soviet strategists are no more convinced by the argument of Mr Sandys's white paper than are Britain's own Nato allies ; they may feel that whatever form atomic war might take, they must be able, in order to administer the *coup de grace* to the West, to sink its supply ships. Another possibility is that, whatever the precise role originally planned for the Soviet navy, it is being adapted to changing conditions —with a role to play in the first phase of any nuclear war. Yet another possibility is that the Russians have uses for their fleet quite apart from any contribution it might make in the nuclear disaster which they hope, as we do, to avoid.

TO consider these various possibilities briefly is the task of this article. The first question is the potentialities of the Soviet fleet. Its exact size is not known ; but it is thought now to consist of 25 cruisers, mostly Sverdlovs designed for commerce-raiding, and nearly five hundred submarines, still being built at such a rate that the final target may be not far short of 600. This would compare with the six surface raiders and 46 submarines with which Hitler began operations in 1939. Eighty per cent of the Russian submarines are long-range ships, of a type superior to the Walther class U-boats which the Germans brought into action, and with which the allied navies were finding it hard to deal, in the last months of the war. They probably have a submerged speed of up to 20 knots and are capable of diving below the 600 feet of the German boats. They are well dispersed and could stay at sea six to nine months without returning to harbour, provisioned by their own supply vessels.

It is generally assumed that, in deciding the shape of their navy in 1947, the Russians realised what an economical weapon the submarine was for the capital invested : a weapon which had twice nearly defeated British sea power and which tied up vast anti-submarine forces. Their only divergence from German theory was in the numbers needed—they multiplied by five or six. The equivalent cost to Britain of maintaining a navy of this size and type would be well over £1,000 million a year. The Russians may argue that their fleet has already diverted huge British and American resources to purely anti-submarine requirements, yet without giving either country any real security from the threat to its communications.

Would communications matter in a nuclear war ? The idea that the Russians were caught on the wrong foot by atomic developments hardly squares with the fact that they in part put on their spurt in submarine construction after 1951—after they had the atomic bomb and were already working on the hydrogen bomb. Possibly the speed of their progress thereafter surprised them. Even so, the Russian navy today seems to enjoy fully competitive conditions with the other services in getting resources. No more Sverdlovs are being built, it is true, but against this it is thought that the Russians will have an atomic submarine by 1961 and then be able to build two or more a year. The atomic submarine is worth many hydrogen peroxide fuelled boats, with its speed of 35 knots, its ability to remain submerged without using a snort, and its ability to cruise for years without refuelling.

SUBMARINES have, in fact, many uses in Russia's strategic position other than that of preparing for a broken-backed war on the sea routes. The first of these is to neutralise the deterrent effect of western aircraft carriers which have atomic strike power. A combined air-undersea operation in the Atlantic and Mediterranean would be particularly dangerous if, for political or military reasons, the West had lost its land atom bases and had to rely on the sea. The development of the missile, however, also gives the Russian navy a directly offensive role never before possessed. Though some experts are doubtful of its value to the Russians, others are clear that the missile-throwing submarine would reinforce the effect of their long-range missiles against America (besides being cheaper) ; it would tie up American warships in coastal defence ; it would also enable the Russians to strike at places still out of even the inter-continental missile's range—the Panama Canal, the South African and Australian coastal cities.

The use of Russian submarines against the western powers would entail all-out atomic war ; but would their use by other states in limited wars do so ? The Russians are supplying submarines to their allies : certainly to the Chinese and Egyptians. They would seem to be a suitable way to employ "volunteer" forces. Since in any limited war the west's supplies and men would have to go by sea this is no light threat ; a dozen "North Korean" submarines handled well would have greatly increased American losses in the Korean conflict.

Finally, there are dividends to be secured by the Russian fleet in the cold war itself. A squadron of Sverdlovs accompanied by submarines on a goodwill tour would make a powerful impression on neutral countries ; it would be hard to match except with carriers. More insidiously, the use of submarines in aiding subversion is seldom discussed ; but when revolt from within is the chosen method for countries separated by sea from the communist land mass, submarines seem to have some very real advantages.

IT is in the light of all these possibilities that collective western naval policy and expenditure must be framed. It is true, of course, that, though the Russians are spending on their navy three times as much as the British on theirs, the Americans are trebling the Russian total again, at £3,800 million a year. But in terms of the equation between submarines and escorts, the Russian fleet certainly is far from outmatched by western naval strength. In a conventional war, it could drain off a very high proportion of western naval strength in convoying, and even so would inflict large losses. If atomic weapons were somehow banned, it is likely that the Russians would at one stroke secure not only superiority on land, but also at sea ; the Russian (and allied communist) fleet adds a complication all of its own to disarmament negotiations.

But against how many of these Russian naval initiatives is it practicable to prepare ? Certainly this country cannot even think of "going it alone" at sea. But, in their concerted naval planning, it is still the protection of sea routes that the western countries have to consider first. What is the minimum risk that can be taken, and the maximum insurance that can be afforded ? And the question has also to be asked what counter-effect on the West's deterrent power at sea the Russian fleet exerts, and if it can be met. These are the matters which Mr Sandys has to settle not only with Lord Mountbatten and his cabinet colleagues but also with his allies ; and the first conclusions should be reported in next month's statement.

NOTES OF THE WEEK

MR THORNEYCROFT'S RESIGNATION

The Backbencher of Monmouth

MR THORNEYCROFT'S speech to the massed ladies of his constituency party was a supremely dignified performance. His had been a hard decision, but he would have felt dissatisfied with himself if he had not taken it, and he stood before them "as a man content." Politically, his expression of loyalty to Mr Macmillan as a backbencher has been taken by the Tory leadership as removing the danger of any splintering off from their party in next Thursday's parliamentary debate; in fact, that danger probably never really existed. But the fervent applause Mr Thorneycroft drew at Newport—and would have drawn for this speech from any Conservative gathering in the country—does serve to intensify the political implications of his resignation. Perhaps those implications can best be assessed as lying about half-way between Labour's cherished belief (which may be much in evidence next week) that the "Tories are breaking up," and Mr Macmillan's expressed hope that he has now left behind him his little "local difficulties."

Mr Macmillan's Government has not suddenly become something which many Conservative backbenchers are likely to revolt against. But it may have become something which many of them may now find it less easy to be inspired by, more tempting to gird at, more respectable to harry on particular issues, a focus for grumbling rather than a rallying symbol of their instinctive convictions. This mood could pass with the appearance of any new issue on which the Government clearly succeeded in doing Labour down in the public estimation; a single great parliamentary occasion to set the Tory order papers fluttering in acclamation behind Mr Macmillan, and Mr Thorneycroft could quickly be politically almost forgotten. But if no such occasion offers itself, if there is merely a continuation of the Prime Minister's recent slide in party popularity, then it is not wholly inconceivable that the life of this Government could gradually come to be barely worth living. Then, and only then, it may be permissible to begin to speculate on the possibility of some foreshortening of this Parliament's allotted two-year span.

CYPRUS

Delayed Decision

SPECULATION has been flooding into the vacuum created by the British Government's delay in making any statement about the future of Cyprus. It has had precious little to go on, but some sober conjecture is possible. From all that Sir Hugh Foot has said and done since he became Governor, it is reasonable to deduce that he came back to London two and a half weeks ago convinced that a positive and determined effort must be made to end the stalemate in the island. He has stayed on in London longer than he originally intended, and it is impossible to avoid the impression that his proposals, whatever they were, have been hotly debated in Whitehall.

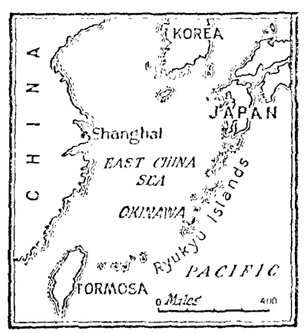
Two factors that might influence some ministers and some officials to cry caution can be picked out. One is the unremitting pressure by the Turkish government to prevent any change in British policy that might, in the Turkish view, endanger the position of the Turkish Cypriots and eventually bring the island under Greek control. The second is the Thorneycroft storm that broke over the Tory party in the middle of Sir Hugh Foot's consultations. The Government must know that any step that risked upsetting the Turks in Ankara would create another storm among the Tory backbenchers at Westminster; and it would naturally be reluctant to add to its domestic difficulties, especially with the Prime Minister out of the country.

At the time of writing it is not known what kind of attempt will be made to reconcile the conflicting interests involved in the Cyprus problem. One can only hope that in the end the Government will not prove too timid to make any attempt at all. To send Sir Hugh back to Cyprus empty-handed after the expectations that have been aroused might well have disastrous consequences. It is not just that it would almost certainly bring the terrorists out again. Even more important and tragic, in the long run, would be the disillusionment of the ordinary Cypriots with Britain's good faith and good intentions.

OKINAWA

The Hot Seat

THE name of Okinawa is beginning to toll the same message for American ears as Cyprus tolls for British: that you cannot damp down the fire of aggrieved nationalism by sitting on it. Last Sunday's election in Naha, the capital of the island, leaves the American administration hot and pained. It was held to choose a new mayor in succession to Mr Senaga, the near-communist whom the Americans went to considerable lengths to displace last year. In the summer, after an election forced on him by his opponents in the city council, Mr Senaga and his supporters came triumphantly back to the council in greater numbers than before. He stayed in office until November, when the American deputy military governor changed the constitution to unseat him. In the latest election he gave his support to a candidate of the far left wing, Mr Kaneji, who also received the blessing of the Japanese Communist party and of Sohyo, the left-wing trade union federation. Mr Kaneji won in a high poll.



His majority was slender, but, since his sole opponent was a Socialist whose criticisms of American policy were only slightly less caustic than his own, the Americans must be perturbed about the temper of the island.

Naha is not the whole of Okinawa, but its city elections are the forum where the islanders' grievances can be expressed most vocally; there is an Okinawan legislature, but the chief executive is American-appointed. The most specific of these grievances concerns the land which the Americans requisition for their base on the island, which is the hub of the defence system in the western Pacific. The islanders want them to take less land and to pay more for what they have. But both candidates in the Naha election also demanded that the Americans name a date by when they intend to hand Okinawa back to Japan. Under the terms of the peace treaty Japan retains only a ghostly "residual sovereignty." All parties in Japan, and Okinawa's most effective politicians, want something more substantial than this. The Americans have undoubtedly brought many good things to the island, from a university to a taste for soft drinks; but material benefits, as other colonists have discovered, are no rival for the glitter of *enosis*. Would the base be any harder to operate, in the long run, if the island were restored to Japan?

UNITED NATIONS

Acorn for a Blasted Oak

SUPPOSING that Mr Khrushchev were to accept the suggestion, made in Mr Eisenhower's letter to Moscow, that Russia and America should limit their use of the right of veto in the United Nations, what would be the effects? The President is proposing a voluntary self-denying agreement, not a revision of the UN Charter; if accepted, his idea could thus be put into effect without any delay. The three other veto-wielding governments, those of Britain, France and Formosa, would be affected only by the force of example; Mr Eisenhower makes no reference to them at all. And he tacitly recognises the unwillingness of any one of the privileged powers to let a really crucial vote in the Security Council go against it. The most he asks from Moscow (or from Congress) is that when seven out of the council's eleven members can agree to suggest how a dispute might be peacefully settled, they should not be prevented from formally recording the fact.

It is not much to ask. The privileged powers would remain free to prevent the council calling for joint resistance to aggression, doing anything else about a breach of the peace or a threatened breach, or even determining that a breach had occurred. They could still block the admission of a new member state, the suspension or expulsion of an offending one, or the election of a secretary-general. They are already unable to prevent the council from discussing a dispute—it can decide to do that by a simple procedural vote—and in the case of disputes, its powers are in any case limited to investigating and making recommendations. Moreover, very few of the bones of contention laid on the council table are labelled "disputes"; appeals more usually take the form of a warning or complaint that the peace is being broken or endangered, which brings a different chapter of the Charter into play.

Russia could therefore accept the proposal without risking more than an occasional mild embarrassment. If it did so, various people who are eager to see some sign, however small, of a new harmony between the powers would be pleased. But it is doubtful whether anything can bring about a shift of authority back from the UN Assembly to the Security Council at this late stage; the habit of taking to the assembly issues that were originally supposed to go to the council has become ingrained, and the 77 member states that wield no veto have little wish to reinforce the position of the privileged five. The almost lifeless skeleton of the council stands like a blasted oak in the background of the UN scene. It would take more than one little experiment with an acorn to restore the sacred grove.

AGRICULTURE

The Farmers' Share

IN all the discussion about cuts in Government expenditure, very little has been said about the item that is bound to show one of the most notable increases above the original estimate this year: because the Government's guarantees of prices to farmers are rigid, and because world prices and some British market prices have fallen, the cost of Exchequer support to agriculture is soaring. The supplementary estimates shortly to be presented under this head are likely to be very large indeed. Despite this, and although the farm price review for the new year will take place next month, Mr Thorneycroft did not list the farmers as an appropriate target for his axe during his otherwise courageous Newport speech. It has been left to Mr Butler, who, among other manifestations of his new lease of life, has made two recent speeches in his own partly agricultural constituency, to foreshadow use of the one very soft weapon of economy immediately available. He has told farmers that "this is surely a year in which you have to balance on your side the undoubted increased costs you have sustained"; and he added that, as the taxpayer now realises that agriculture involves one of the biggest grant-spending items on the estimates side, "farmers' leaders would be wise to approach any negotiations in a spirit of give and take." Preferably, one might add, of give.

But the Government is working within statutorily narrow limits. Under the Agriculture Act of 1957 it can make farmers absorb their own increases in costs up to a total equal to only 2½ per cent of the income guaranteed to them; in effect, this means that they can be made to absorb £30 million or so—after that, they must get in 1958-59, very much against the market trend, an actual increase in their guaranteed prices. The presumption must be that Mr Heathcoat Amory in his new role as gamekeeper will demand—and Mr Hare in his new role as minister enforce—full absorption. It will be a major sign of Government flinching if they do not. Certainly farmers' leaders, in view of the adverse publicity they are going to get when the supplementary estimates are presented, would be unwise to kick too loudly against this.

The second test before Mr Hare, however, will be how he spreads his presumed £30 million of cost absorption among particular products. The maximum cut (or enforced absorption of costs) he can make in the price of any individual commodity is 4 per cent each year. Here, again, Mr Butler propounded what can pass for broadly the right—although almost absurdly gently defined—formula. Farmers "have to reflect whether indefinite price increases are wise or economic in a product which has reached vir-

tually its ceiling in the way of home consumption." Translated out of politicians' language into plain English, this means that the Government should go as far as it statutorily can in cutting the subsidy which it now pays to encourage excess milk to be produced—and to go to waste. If Mr Hare can make these two resolutions—maximum permissible absorption of costs and maximum possible cut in returns for milk—he will have made as promising a debut as the Agricultural Act now allows to him.

UNEMPLOYMENT

The First Redundancy Strike

It is quite clear that unemployment and short-time working are likely to spread in Britain this winter. The year's first redundancy strike, which has just blown up and then blown over in the bicycle industry, is therefore particularly interesting. Bicycle producers, among whom Raleigh Industries and Tube Investments are dominant, have fared badly in recent years. Both home and export demand (thanks partly to American restrictions) have contracted sharply; the industry's output, which was 4 million units in 1951, was only 2.8 million in 1956 and 2.1 million in the first ten months of 1957. It now seems likely to drop still further. As a result, after a period of short-time working, Tube Investments, who make Phillips, Hercules and Norman cycles, decided after Christmas to dismiss eighty of the semi-skilled employees at its Smethwick factory. The area is one which still has plenty of alternative vacancies. The firm, however, announced the sackings without first consulting the unions, who complained that it had thus broken an agreement to negotiate on redundancy. Whether this complaint was justifiable is disputable: the agreement concerned referred to short-period redundancies caused by factory reorganisation, not to overstaffing caused by a fall in trade over a long period.

The men demanded that the notices of dismissal be withdrawn. The firm refused. On January 3rd, therefore, 1,000 men at Smethwick started a strike, which was subsequently recognised as official by the three unions concerned, the Transport and General Workers Union, the Amalgamated Engineering Union and the Society of Metal Mechanics. By this week another 1,000 men had come out in support of the strikers, and a standstill was threatened in the whole of Tube Investments' cycle division. At the eleventh hour on Tuesday, after conciliation by the local office of the Ministry of Labour, a formula was agreed between the firm and the unions. The 80 men stay sacked; they will get compensation equal to an additional week's wages; and there will be a set scale of compensation, at least a fortnight's notice and more "consultation" with the unions when redundancies occur in future. On Thursday, full working was resumed.

Three familiar lessons emerge. First, strikes by people who are still employed, designed to secure the reinstatement of men already sacked, seldom last long; prolonged action of this sort does not accord well with unkind human nature. Secondly, however, in so far as the result of this dispute has been more generous compensation for the dismissed men, it is to be welcomed; the proper economic and social formula for the period of trade recession that probably lies ahead is quicker sackings, swifter labour mobility but large severance pay. Thirdly, therefore, the one doubt to be expressed about the Smethwick peace formula concerns the employers' obligation to carry out more detailed consultation with the unions about redundancy. It is to be hoped that this does not imply a string of future concessions to the unions' instinctive attitude: that workers should not move as the consumer dictates, but that recession should be met by indefinite periods of short-time working.

GERMAN-SOVIET RELATIONS

No Time to Answer

Dr Adenauer and his advisers have been wrestling with a puzzling question this week. Should they answer the first Bulganin letter without taking any notice of the second? Or should they get down to read them both and answer the two together? At this rate, one can only hope that they will not be landed with a third epistle before they have answered either. Mr Bulganin's output has made the diplomatic methods of Bonn as well as other western capitals look a little slow. If Dr Adenauer's new manner at the Nato meeting meant anything, it was that use should at last be made of the diplomatic channel between Moscow and Bonn to sound out the Kremlin for any trace of receptivity. This Fabian approach hardly seems to belong to the world in which grand new proposals—for summit talks of one sort or another, pacts, agreements about outer space—rocket from capital to capital each week.

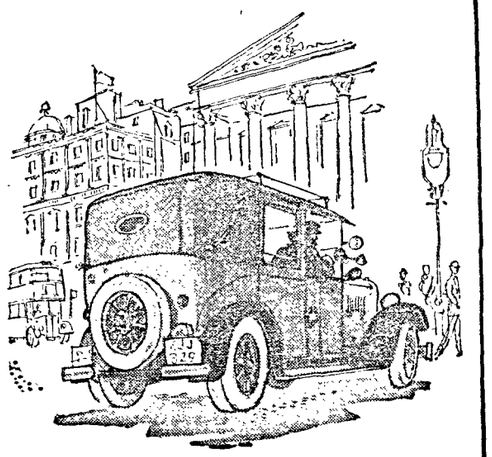
The notion of a slow and patient probing for opportunities to reach limited agreements which might in the end bring a German settlement in sight has its value, but it requires at least a curiosity about Russian intentions which has never been much in evidence in Bonn. Mr Macmillan's casual reference to a non-aggression pact and Mr Selwyn Lloyd's conciliatory mention of the Rapacki plan evidently caused alarm in the Bonn foreign office. Still, the Chancellor himself is aware of the pressure of opinion in Germany as well as elsewhere in Europe towards a more flexible approach to Russia. And his foreign ministry itself is very much divided over such crucial matters as diplomatic relations with the Poles.

In the delicate balance of such decisions, the coming departure of Professor Hallstein from his position as State Secretary at the federal foreign office to the presidency of the commission of the European common market has obvious significance. Professor Hallstein's intellectual gifts will be valuable to the European economic community. But in Bonn's relations with eastern Europe Professor Hallstein's clear and narrow vision and the remarkable fidelity with which he mirrors the instincts of Dr Adenauer have not always been an unqualified asset. Between the Chancellor and the state secretary, the position of Herr von Brentano, the foreign minister, has been uncomfortable.

THE DETERRENT

Virtues of the Missile

Those European countries which are about to play host to a brood of American missiles may have been puzzled by one passage in President Eisenhower's state-of-the-union message to Congress last week. Speaking of the deterrent power wielded by Strategic Air Command through the threat of nuclear retaliation, the President said:



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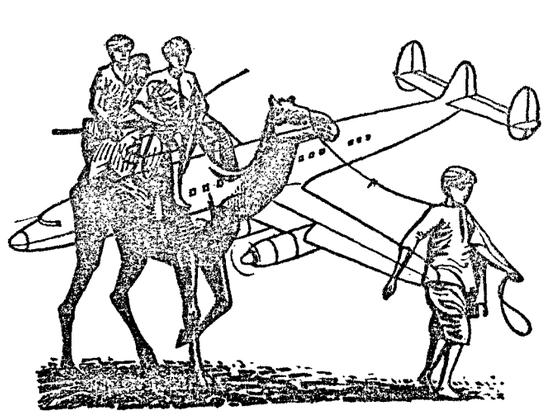
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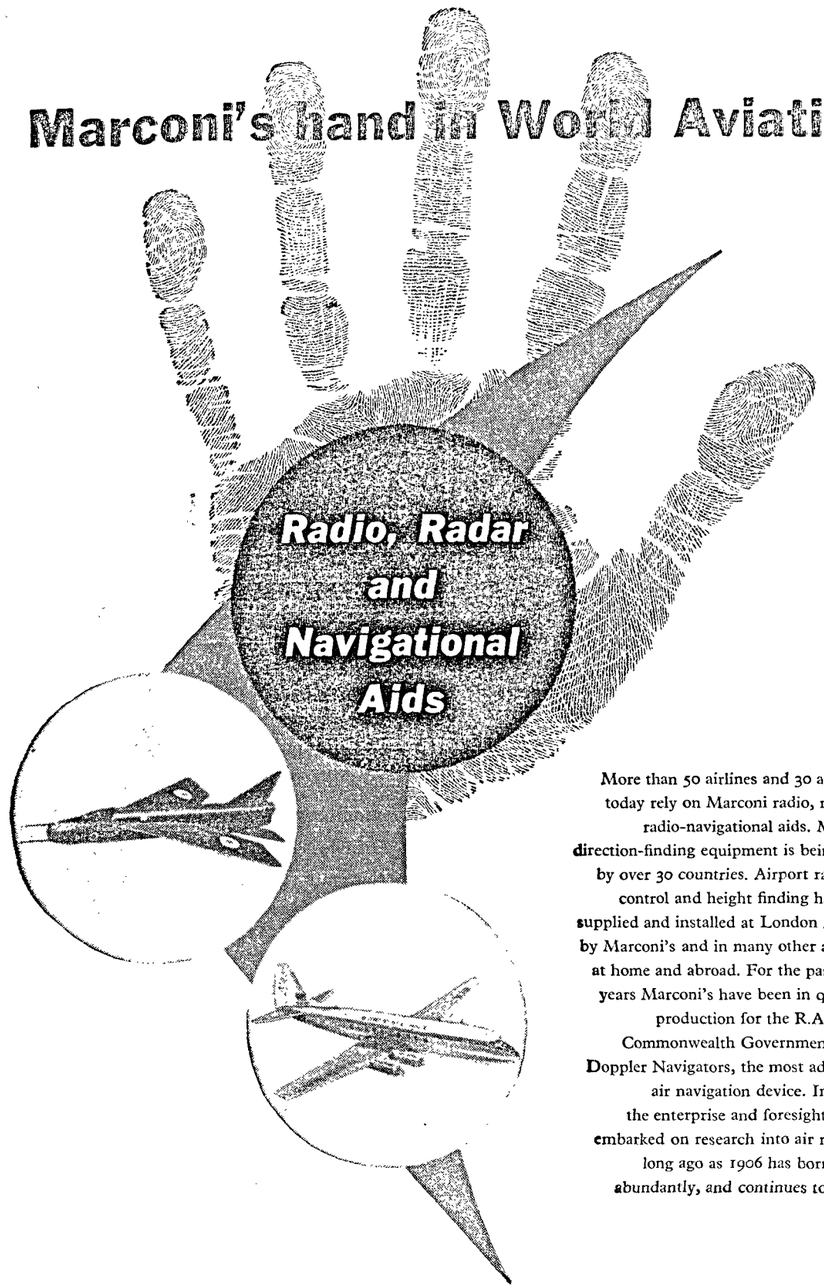
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In that case, European critics of the missile bases may be tempted to ask, why bother about missiles? It used to be thought that the danger from the Russian intercontinental missile was that it could, in one fell swoop, obliterate so many of the Americans' sprawling bomber airfields that the survivors would no longer be able to mount an effective deterrent. If this is not the case, why not leave the job to bombers?

One advantage of the missile is that it is cheaper than the bomber. The intermediate-range missiles that will soon operate from Europe are believed to cost (once research has been paid for) roughly £200,000 apiece, compared with £600,000 for the medium-range British V-bombers; an American B.52 intercontinental bomber comes much dearer still. In theory, of course, aircraft can be used more than once, but a nuclear war might not go on long enough for bombers to come home for another load. Again, launching-sites are less liable to be put out of action than airfields as Russian methods of attack improve. Their storage buildings and control centres are scattered over a wide area, but the launching platform itself is small and less vulnerable than a network of runways.

However, the bombers' chief weakness lies in the Soviet Union's improving system of defensive missiles. The Russians are thought to be already better equipped with these than the Americans; and if they are not yet good enough to knock down so many bombers that the deterrent becomes ineffective, they may soon be. Hence the necessity to mix a certain proportion of missiles into the deterrent before Russia's rapid advance in missile technology makes its main constituent obsolete. The need to bring the missiles to Europe springs less from the loudly proclaimed acquisition of the intercontinental weapon by the Russians than from their quiet progress in defensive equipment.

SOUTHERN RHODESIA

Mr Todd Battles On

MR TODD has briskly called the bluff of his mutinous cabinet, which resigned in its entirety last Saturday as a gesture of no confidence in his leadership. So far from being forced to confess that he could not sail the ship without them, he has promptly signed on a new crew—and, from a liberal and probably also an administrative point of view, a better one. The new Southern Rhodesian ministers, though not experienced in office, present impressive testimony that substantial farming and industrial interests believe that Mr Todd must be backed. It is true that, after the resignation of Sir Patrick Fletcher and his colleagues, Mr Todd was worsted by 12 votes to eight in a caucus meeting of the United Federal party; but five members were absent. Mr Todd, coldly playing for time, has therefore refused to accept the caucus verdict; he has summoned an extraordinary party meeting to thrash matters out on February 8th, before the impending elections. By then he hopes that tempers will have cooled.

When they have cooled, everyone in Southern Rhodesia will have to think out very carefully where he stands. The fate not only of the Southern Rhodesian government, but also of Sir Roy Welensky's federal government, is at stake, for Southern Rhodesian electoral feeling is decisive in the Federation. Mr Todd has always forcefully, sometimes tactlessly, and occasionally overbearingly, led liberal opinion in Southern Rhodesia. To throw him over in favour of Sir Patrick Fletcher now would not only be to vote for dull mediocrity, but would give the world the impression that Southern Rhodesians were irrevocably turning against partnership between the races and towards South Africa. Sir Roy Welensky, for all his personal differences with Mr Todd, is bound to lend him support in this crisis, or the fissure in the territorial section of the party will extend fatally to his own. It seems possible that a substantial part of the Southern Rhodesian electorate will realise how dangerous this would be.

Some split, however, seems certain. The opposition, led territorially by Mr Stockil and federally by Mr Field (whom we have called apartheid-minded, but see his letter on page 205), expects to gain substantially. Fortunately, the racial attitudes of Mr Field are distasteful even to right-wing members of Mr Todd's party. Sir Patrick may yet find that it is he, not Mr Todd, who is for the wilderness. For the sake of Rhodesia's standing in the world such a consummation is to be wished. But it will be a close-run thing; and this week's events are a warning to all liberal critics abroad of men in Sir Roy's and Mr Todd's position. To try to push these best available liberals of southern Africa too fast and too far ahead of the white settlers' racial fears and suspicions is to increase the possibility of pushing them out of office altogether.

ARTIFICIAL INSEMINATION

The Practice and the Law

A JUDGMENT given in a Scottish divorce case last week is bound to provoke questions to the Government, when Parliament reassembles, on its attitude towards artificial insemination. The outspoken condemnation of the practice by the Archbishop of Canterbury on Tuesday will be repeated in demands that it should be forbidden by law.

The Church of England distinguishes, as do other bodies that have pronounced on this subject, between artificial insemination by means of the husband and artificial insemination by means of a donor, and it is the latter, and more frequent, practice that the Archbishop deems morally wrong. It was also the basis of last week's case, the first in Britain in which the court has had to decide whether artificial insemination by a donor without the husband's consent is grounds for a divorce. Although for technical reasons the final judgment in the case has not been given, the judge has declared that, of itself, artificial insemination in these circumstances does not constitute adultery. Thus, even though the wife has committed what many people will think a worse offence against her husband than adultery, he may still have no remedy. Here, surely, is a case for making some change in the law—or, rather, a reinforcement of the powerful arguments for basing divorce law as a whole on judicial assessment of when a marriage has broken down, rather than on legalistic definitions of what is a "matrimonial offence."

A case like this has not been decided before because the few doctors in Britain who undertake the artificial insemination of women normally insist on first having the written consent of both husband and wife. They also recommend complete secrecy, so that the child is registered as the husband's when in fact it is illegitimate. This deception

was roundly attacked by the Archbishop as a particular evil of artificial insemination—yet a church commission has encouraged clergymen to allow deception in the baptismal records of adopted children. The law can properly concern itself with the civil status of the artificially conceived child, just as it has done for the adopted and the illegitimate. If the law is clear, it should be stated, so that married couples and doctors know exactly where they stand; if the law is not clear, it should be made so. But any legal offence should be restricted to such matters as false entries in the register of births; the practice itself should be left as a matter for the individual consciences of married couples and the ethics of the medical profession which might well be given some guidance on when artificial insemination is deemed unethical. Prohibitions on abortion and homosexuality have amply illustrated how easily the law is brought into contempt, and how dangerous its effects can be, when it tries to concern itself with private morality. And those who feel that artificial insemination is too unnatural to be permitted should remember that many people still think this about birth control—and that little more than a hundred years ago anaesthesia in childbirth was widely and fiercely condemned as against nature.

THE SERVICES

Resettlement and Recruitment

THIS week the Ministry of Labour has put out the full details of its impressive scheme to provide every area of the country with a high-powered committee to help resettle redundant service personnel—men and officers, but especially officers—in civil life. One's first question must be whether all the busy business men who are to chair these regional committees will be able to give enough time to the job. Certainly, it seems unlikely that they will be able to interview many ex-servicemen individually; but probably they are not meant to. The actual placing of the men will still be done by the local employment exchanges and through the professional and executive register. The main task of the committees may be to be conversant in general terms with the talent offering, and to use their contacts vigorously to press for its use among the business firms in their areas. Only men of their quality, making a positive nuisance of themselves in places where company directors and senior managers meet, can impart the impulse from the top which may induce more business firms to develop a policy of using ex-officers.

It will also be the task of the committees to select men for business courses; and here a word of warning is necessary. They should not just select men; they should also vet the courses. Though these bridge courses have been put together with the utmost goodwill by the ministry, the services and the local authorities, they are often makeshift; most of them are too short and too superficial to effect that conversion to the psychological feeling of business life which ex-officers need to imbibe from them. It is here that the new committees can do valuable educational work. They should also at once put out general advice on how to apply for business jobs.

As the officers are axed, the new streamlined professional services take shape. A further month's recruiting figures are now out—prudently prefaced by stern warnings to journalists not to base elaborate conclusions on a single month's results. The main figure is, however, on the encouraging side. The number of six-year army enlistments has risen again, this time in an off-peak month, to 831. Disregarding all warnings: these figures would, if sustained month by month, and other things being as assumed in *The Economist's* calculation in the issue of December 7th, produce a regular army in 1961-2 of almost exactly 100,000 other ranks. That compares with the 88,000 deduced from the October figures, and with the 145,000 odd the army thinks it will then want.

EGYPT

Call of "Duty"

AS soon as the British Government proposed that the Anglo-Egyptian talks should resume in Rome, the Egyptian press came out with the statement that Egypt intended to ask for neutral assessment of the damage done by the Anglo-French attack in 1956. The Egyptian Government has confirmed neither this intention, nor its willingness to compromise about the British proposal for a neutral arbiter on British property which Egypt has sequestered or seized; but it is the kind of point on which the Cairo press usually gets close to the mark.

The talks so far have concerned the British property, with the exception of the Canal Zone base; they have excluded the question of damage done to Egypt, perhaps because President Nasser is in a dilemma regarding the damage done by Israel, with which he always refuses to negotiate. It was suggested in Egypt early last year that Britain and France would be asked to foot the Israeli bill, on the ground that all three countries were in collusion. The idea has not since been revived, but even without this high-flying demand the Egyptian claim is so fraught with difficulties that any attempt to press it at this stage would delay a settlement indefinitely. One would imagine, in any case, that Egypt would have to negotiate with Britain and France simultaneously.

In a television interview on July 1st last year, President Nasser remarked that it was the "duty" of Britain and Egypt to resume diplomatic relations. A British Foreign Office spokesman replied at the time that there was "no present intention" to do so, and no doubt President Nasser felt he had been rebuffed in a conciliatory gesture. Although since then the Egyptian attitude, as Colonel Hatem, one of President Nasser's advisers, expressed it in London in the autumn, has been that diplomatic relations cannot be restored until the financial problems are settled, the president's earlier opinion probably still holds good. If he believed that the British Government would be willing to restore relations in advance of a settlement he might very well renew the offer; the matter could easily be put to the test. If the British and French had diplomatic staffs in Cairo it would be very much easier to deal with all the details of a settlement, which may otherwise take an unconscionable time in coming.

UNITED NATIONS

Hell-Bent for Chequers

MR HAMMARSKJÖLD'S flying visit to Chequers has about it an aura of the dramatic, almost the melodramatic. It seems more in Sir Edmund Hillary's line than in that of the hitherto discreet Secretary-General. There is a touch

of Mr Trygve Lie in it, too; it evokes faded memories of the luckless round of visits to major capitals which Mr Hammarskjöld's predecessor paid in 1950—shortly before the Korean war broke out—when he thought that this kind of personal intervention might prove the best solvent for the great power deadlocks over China and other issues. But the present Secretary-General is not stepping so far out of character as to brandish a ten-point programme at his welcoming but slightly puzzled hosts.

Officially, the aim of this week's dash to Britain is no more than a general exchange of views; it is merely a belated substitute for a passing visit to London which Mr Hammarskjöld had hoped to pay on his way back from Gaza after Christmas, and which he is now managing to squeeze in between other, unspecified, engagements. This official version may have gratified people who are so sensitive about Britain's status that they cannot bear the thought of the Secretary-General omitting to come here after he had had corresponding chats with American, French, Israeli, Egyptian and other Arab leaders. It can scarcely have satisfied anybody else. Apart from the Soviet boycott of the UN disarmament talks, there are several Middle Eastern matters about which Mr Hammarskjöld doubtless has urgent suggestions to make and urgent questions to ask.

Whether such an eye-catching descent upon one Foreign Secretary is a wise, or a necessary, procedure is another question. Welcome as he is, Mr Hammarskjöld would have stirred up less speculation if he had fitted his visit into a more deliberate round of consultations on this side of the Atlantic. In the past he has shown little interest in making headlines, and a strong preference for doing business in the kind of privacy which the presence of permanent delegations in New York makes possible. Has some flaw in British diplomatic machinery forced him to switch to more flamboyant methods? Or has the fashionable fever for personal high-level contact infected the Secretary-General?

KASHMIR

Lion at Large

SHEIKH ABDULLAH, the "Lion of Kashmir," was released last week after four years' detention without trial. At least two of the former prime minister's followers were freed at the same time; his other lieutenants who are still in jail will presumably be liberated too if things remain quiet. So far, the lion's first roars have awakened few answering echoes. Mr Bakshi, who was made prime minister after his chief had been arrested in 1953, seems confident that it is now safe to let the angry animal out of the cage. Abdullah's teeth may still be sharp, and bands of his loyal followers have hastened to hail his reappearance; but Bakshi controls the Kashmir Assembly and the National Conference, he has Delhi's blessing, and the generous subsidies provided by India have enabled him to foster a widespread interest in the continued stability of his regime. Wisely, he forbade his police and storm troopers to interfere with the first demonstrations by the released prisoner's followers, which were not impressive. His real difficulties will arise only if Abdullah's partisans, growing in numbers and boldness, clash violently with Bakshi's men and acquire martyrs.

Abdullah's difficulties are more immediate. He is hardly in a position to join hands (except, perhaps, for temporary tactical purposes) with the only other effective opposition group in Indian-held Kashmir, the faction led by Mr Sadiq and Mr Dhar, for its links with communism have become too obvious. Indian bounty has eroded the Kashmiri enthusiasm for independence which Abdullah was imprisoned for inciting. He himself has now declared that independence is impracticable, and instead has echoed the Pakistani demand for a plebiscite. This is grist to Pakistan's mill at a moment when Dr Graham, the United Nations special envoy, is once more discussing the Kashmir question in Delhi and Karachi—in which two capitals Mr Macmillan has meanwhile declined, very properly, to be drawn into taking up a partisan position. But Abdullah originally drew his strength from his being identified neither with India nor with Pakistan, but with the interests of the four million Kashmiris themselves. How many of his supporters will follow him into a straightforward alignment with Pakistan? (And, one is tempted to wonder, how quickly, if Srinagar passed into Pakistani hands, would the restive Abdullah find himself in jail again?) The calculated risk taken in releasing him may pay off.

SOUTH AFRICA

Strydom in Shadow

THE appropriate denials that the state of Mr Strydom's health will prevent him from leading the Nationalist party for long after the approaching general election have been put out; but it appears that the South African prime

The Economist

JANUARY 16, 1858

EDUCATION IN ART

Education, being an artificial want, cannot be, and never has been, left to grow up spontaneously. Man is the better for it, but he must possess it in a certain degree before he can feel the want of it. It is the duty of the ruling powers to procure for it a recognised position among the wants of a community. If this be true of elementary teaching, how much more certainly true must it be of so high a branch of education as art. The mass of the people have to be taught what is beautiful and true before they can look on it admiringly, and derive any real benefit from it. It is, therefore, the duty of a government to exhibit such examples of artistic excellence as shall insensibly train the eye to the appreciation of beauty and the mind to that degree of refinement which such means can produce. . . . Mr Ruskin has lamented the necessity which causes some of our best artists to offer yearly sacrifices of talent at the shrines of wealthy mammas. Who has not sighed over the amount of good painting expended over those interiors where the furniture is so well drawn, and the tea-table looks so cheerful, and the fire so bright? The little girl in flounces, the baby in embroidered robe and sky-blue hood, and the lap-dog, are all well known to us. . . . Thus an ignorant public exercises a baneful influence over modern artists, and Mr Ruskin is perfectly right in insisting upon the general education of the public as one great step towards producing good art. He is also right in advocating a more liberal patronage of art by the Government, who, having the best advice at hand, need never make unwise purchases. Like all men who throw their whole soul into a cause, Mr Ruskin is apt at times to ride his hobby rather hard, and to speak as if the world were made for the artist, and not the artist for the world. But this amount of exclusive earnestness is necessary for the achievement of any great object. Mr Ruskin himself finds that in this world of competition a man must speak loud if he wants to be heard.

minister did not attend recent cabinet meetings, and speculation is rife as to the identity of his successor. Like Dr Malan before him, Mr Strydom came in as a lion and goes out (if indeed he is going out) like a lamb, at least in the view of his right-wing followers. It would be appropriate if the process, which tacks inexorably if in zig-zag fashion towards a republic dominated by *het volk*, continued with Mr Verwoerd. There are, however, other possibles, though they are not necessarily to be classed as moderates. Mr Eric Louw, the external affairs minister, is certainly one, and Dr Dönges is another. There are several sections in the Nationalist party, each with a candidate.

In fact it cannot matter very much in terms of policy who wins the leadership. The Nationalists are deeply committed to repression—primarily of the Africans and Coloureds, but secondarily of the opposition and the English (or cosmopolitan) influences which it exhales—in the long trek towards the promised land, where, in a heavily industrialised, rich, powerful and comfortable South Africa, the simple life and verities of the Afrikaner republics will be retrieved, and the native become once again bucolically content in his own menial place. One measure must therefore be expected to follow another in grim logic—and the next choice would seem to be legislation to strike at the very existence of the African Congress, and certainly additional police powers to prevent semi-passive resistance movements. The measure, however, which seems long overdue—in terms of the programme—seems a tightening of control, which has long been predicted, over the English-language press. But until Afrikaners think that such policies lead only one way—to civil war—their despotism is not likely to hurt the Nationalists electorally. Nor are there great signs of optimism in the United party with the elections now perhaps only two months away.

GROCERIES

Tea without Sympathy

SOME gentleman's agreements are so gentlemanly that they do not even have to be agreed ; this makes their breach a particularly heinous offence. Such is the view of the Midland Council of Grocers' Associations, now up in arms against the " sheer piracy " of the Midland Counties Dairy. This firm's milk roundsmen have taken to offering their customers packets of tea ; the grocers of Wolverhampton have already imposed a boycott on the dairy's goods, and if they have their way it will be made general throughout the area.

No one outside the grocery trade is likely to concede its claim to moral monopoly. Economically, the most that can be said for the grocers is that the multiplying of outlets, the spreading of custom yet thinner between retailers, has a faintly wasteful air. But it is, of course, yet another fruit of the retail price maintenance system which, by preventing low-cost retailers from undercutting their high-cost competitors, keeps turnover low and unit costs high throughout most of retail business. In present social conditions the conclusion to be drawn from the Wolverhampton story is precisely the opposite of what the Midland association would like. Partly thanks to the same restrictive-mindedness, as it affects local authorities and their use of planning powers, the typical housing development of today consists of acres and acres of residential estate virginally untainted by commerce, whose inhabitants must pram-push past anything up to a mile or a mile and a half of other people's front gates before reaching a shopping centre. No doubt the perfect Economic Woman would so order her affairs that, even without an American-style deep freeze, two or three shopping excursions a week would keep her reliably stocked with necessaries ; she would also be openly and irresistibly rebellious against price maintenance, a hawk-eyed seeker-out of cut-price shops and special offers, and, unless physically incapacitated, be entirely disdainful of such expensive sops to incompetence as a daily door-to-door delivery of non-perishable groceries. But Economic Woman is an even more remote abstraction than Economic Man.

Given the " uneconomic " behaviour of the ordinary housewife—her habit of running out of things, her acquiescence in, and indeed preference for, standard prices —the development of door-to-door retailing is a perfectly reasonable and desirable piece of consumer service. And the existing framework of milk distribution is an excellent foundation on which to build. (It would be even better were someone, at long last, to devise a really satisfactory alternative to the heavy and fragile milk-bottle, so that the roundsman could carry a wider line of goods.) If the grocery trade really wants to scotch and limit such developments, its line of attack should be diametrically opposite to that of the Midland association ; it should appeal from the haphazard to the methodical shopper, from the fixed-price addict to the bargain-hunter, from restriction to competition, and make a clean sweep of price maintenance. Few changes of heart are less probable ; and the prospects for " piracy " are correspondingly bright. More jolly rogers, please.

EDUCATION

Means Test in Reverse

IT is a time-honoured principle that private and corporate wealth should be used to alleviate hard cases produced by the rigidities of public policy. In that light may be viewed the scheme—in any other age it would be regarded as a very odd scheme—just announced by three engineering institutions: they are to provide twenty scholarships for deserving but needy boys to do engineering at universities —the qualification being that the parents of these boys must jointly be earning a *minimum* of £2,000 a year. Below this income level, it is argued, there is no major problem from having numerous and intelligent progeny ; the children concerned may hope to be adequately financed if they win state scholarships. But above about £2,000 a year a new form of secondary poverty has appeared for surtax-paying parents when, after providing public school educations for a number of children, these duly get state scholarships and local authority awards to the university—all but £30 a year of which are then means-tested away from them. There is then often no capital left to sink into their further training, no savings having been possible during their schooling.

Clearly, however, twenty scholarships will not go far. How big the need is nobody knows. It is estimated that the cost of abolishing the means test now imposed for all state and local authority awards that are taken up would be £3,000,000 a year (for state scholarships alone, £800,000). What these figures do not show is how many poor little rich children really do refuse to take up scholarships because their parents say that they cannot afford to pay the difference between the value of the award offered and the cost of a university education. Nor does it show

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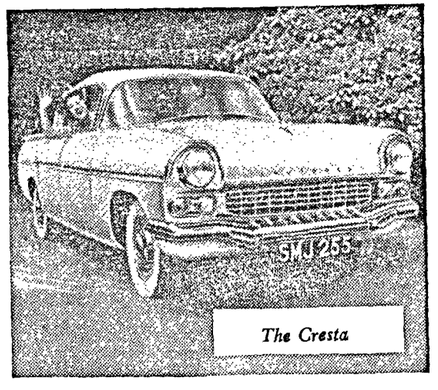
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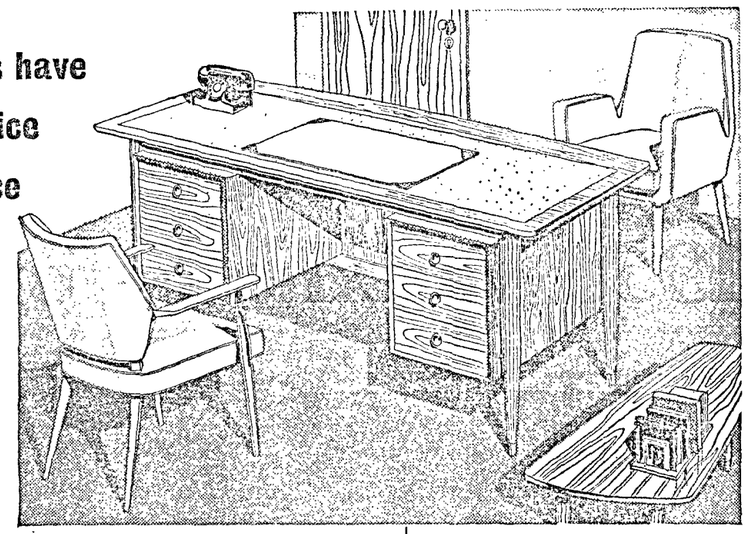
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P.1003

how much hardship really is concealed in the £3 million odd which the parents and grandparents now presumably pay, and which some would like the state to take over.

If the state ever did take it over, the best scheme would undoubtedly be to treat scholarships as earned income secured by the family: to give every award-winner his full grant—but to add it to his parents' earnings for income tax and surtax purposes. This would be an automatic and gentler means test, on which the state would presumably lose considerably less than £3 million a year on balance. It would be a better change to make than tax reliefs for children at public schools. But there is a conflict of economic aims here. A principal reason why a man earning, say, just over £2,500 a year net after tax—and with other commitments—may not be able to keep three children at the university is that he is likely to be paying enough in income tax and surtax to be keeping two other people's children there. Should the object be to help him carry his educational burden, or alleviate his tax burden? A logical principle for reducing taxes would be to introduce more means tests, for other social services, lower down. In that case, however, the only way one could sustain the argument against this university means test would be by saying—perhaps plausibly but still controversially—that a scholarship is a student's earning, not a grant.

ISRAEL

Resettling Arabs

WHILE western governments save their money and watch the Arab refugee problem grow daily more explosive, in Israel first steps are being taken towards compensating the 20,000 Arabs who lost their homes but remained in Israel. These families were, for security reasons, transplanted by the Jewish authorities from their villages on the Jordan border to refugee settlements in Galilee. This week a government committee recommended spending £2 million on their housing and rehabilitation; if the Knesset approves the sum, building should start in the new financial year. However much the refugees may dream of their old homes, their position in Israel is too weak for them to refuse resettlement.

Some 200,000 Arabs remain in Israel. About half of them live in Galilee with Nazareth as their centre; others live along the Jordan border and in the Negev. Except for the displaced tenth, the Arabs have prospered under Jewish rule. Some of the farmers hold less land than before, but most of them are better off for all that; prices of farm products have consistently been high, and modern instruction and better tools have helped the farmers to increase their output. Labourers are earning good money, even though their wages are lower than those paid to Jews doing the same work. Piped water supplies are being laid on to the Arab villages, though slowly; Jewish settlements come first. The government has built new schools, and all the Arab boys, and some of the girls as well, now go to school. But if the Arab farmers are doing better than most Arab farmers do in Arab states, they are quick to notice discrimination between them and their Jewish neighbours.

Arab settlements still come under military rule, with all the paraphernalia of curfews and travel permits that this involves. Normally these regulations are irksome, but not much more; there have, however, been some horrifying examples of abuse of powers. It only takes a few incidents to keep bitterness alive. Communist propaganda makes the most of this, and in the last elections 20 per cent of the Arab voters in Israel voted communist. The scheme to spend £2 million on Arab settlements is a welcome move, and will be the more welcome if its material benefits go hand in hand with an increased willingness to treat the Arabs as equal citizens.

LETTERS

Export Insurance

SIR—Mr Patrick writes with great authority on credit risks and his comments on the working of Export Credits Guarantee Department should be welcomed, as provoking much-needed discussion.

In the matter of transfer or remittance, the chief risk, in the mind of the exporter, is that an overseas country may at very short notice impose new restrictions on payments in sterling by its nationals, and thus delay, for an unforeseeable period, the payment of the exporter's accounts. Most exporters (and Mr Patrick) call this a political risk, but its origins are chiefly in economic conditions which can be studied by anyone who will take the trouble. The Export Credits Guarantee Department (at great expense) watches these conditions all over the world, and is thus able to make an estimate of the way this risk is changing in each overseas country. It can thus modify its premium for that country and the conditions of its guarantee, until it may decline to offer any further cover. Over 20 years its losses on such guarantees have been broadly covered by the relevant premiums.

A ceaselessly fluctuating service such as this cannot be classed as administration or covered by a fixed fee. It calls for as much skill and knowledge as any insurance problem. Mr Patrick will not recognise it as insurance because the risks are too concentrated to permit the law of averages to operate. But insurers carry many risks to which this law does not strictly apply—e.g. hailstorm; and many, in a similar way to E.C.G.D., as an extension of another policy—e.g. the windstorm extension to a fire policy in the USA. And underwriters have, in recent years, written something equivalent to the transfer risk, e.g. on Turkey, without any appreciable spread of such risks.

The subject is technical but, as Mr Patrick implies, it is unfortunate that the insurance world has kept so aloof from export credit risks, and E.C.G.D. so aloof from the insurance world. To bring them together should not be difficult and would be of great benefit to the country.—Yours faithfully,

The Athenæum FRANK NIXON

Rhodesian Politics

SIR—In the November 30th issue of *The Economist*, under the heading "*Central Africa*," there is reference to "the apartheid party of Mr Field."

I assume this means the Dominion Party, of which I am the leader, and would point out that this adjective is quite incorrect as apartheid is not our policy and there is nothing in our constitution, principles or policies to indicate that such is the case.—Yours faithfully,

Southern Rhodesia W. J. FIELD

Solid Fuel by Pipeline

SIR—I have noted the appearance in your issue of November 2nd of a story on American Gilsonite's new slurry pipeline and gilsonite processing plant, along with two letters which question some of the statements made in the news story.

The Gilsonite development has been

fairly well chronicled in the pages of *Chemical Engineering* over the past 16 months, occupying a prominent position in our review this January of the ten top technical trends of the year. Briefly, we credit this project with these "firsts":

(a) First successful operation of a long-distance slurry pipeline. The coal slurry pipeline in Ohio began trial operation a few weeks before the gilsonite line, but has not yet (almost a year later) operated successfully on a sustained basis. A major source of trouble has been improper particle-size distribution. Other solids, including Florida phosphates, have been moved through pipelines as slurries, but these have been over very much shorter distances and without the unusual engineering problems posed by the mountainous terrain of Utah and Colorado.

(b) First large-scale, privately financed project to produce conventional petroleum products from a solid raw material. The SASOL plant in South Africa, as well as the German Bergius and Fischer-Tropsch plants operated during World War II, have been government-financed. In a privately financed project the technical aspects must be executed with sufficient skill to meet the free competition of the marketplace. An example of a project which has met with failure in this respect is the plant at Brownsville, Texas, which used natural gas as basis for Fischer-Tropsch synthesis.—Yours faithfully,

CECIL H. CHILTON
Senior Associate Editor,
Chemical Engineering

Small Colonies

SIR—"*Leftovers of Empire*," in your issue of January 4th, provides a welcome review of some salient features of the present structure and future possibilities. As it involves the lives and destiny of nearly ten million people of vastly varying colour, religion, history and standards of living, it merits the closest examination and some comments and perhaps suggestions.

With the British, freedom is traditional. We do not shun agreeing to independent status. Witness Canada, Australia, New Zealand, and South Africa. One wonders sometimes, however, whether the mid-twentieth century achievement of this millenium by coloured peoples is really compatible with the theory behind the Statute of Westminster.

Much has been said in recent years about the "upsurge of nationalism," but if a fraction of the people to whom it applies have even an inkling of its implications, it must be very small. In other words, it is the timing of independence rather than the principle which can be questioned, and we can only pray that it has not been forced upon a great majority of people too soon through some mistaken political ideology.

With regard to the "remnants" of the British Empire. As you so rightly point out, they can never hope to become sovereign states and members of the United Nations, but, on the other hand, there is little common ground for the settlement of strictly local and domestic problems. They certainly cannot stand alone—dominion status or otherwise. In all the circumstances, therefore, it is difficult to agree with your claim that it would be incredibly impolitic to maintain a colonial administration from London. That Russia or the United States should object to this is hardly relevant. True these colonies need subsidies to meet budgetary requirements for the moment, but there is no reason to dispense with them. Your suggestion that they might be linked with larger entities, while by no means a new idea, is nevertheless worth fuller consideration provided that they are Commonwealth entities. Association with an alien people on the condominium principle is too fraught with political danger and is scarcely likely to make us new friends.

There remains the economic tie. Each of the remnants you cite has an economic potential. The needs common to them all, however, are an assured market and capital for expansion, but to encourage capital from the Commonwealth it is necessary that the Commonwealth at large should be the prime market.

What we need most today is complete freedom of adjustable preferences throughout the entire Commonwealth in order to increase production and stabilise currency balances. Although no two member countries are precisely similar, at least they should have a common economy and the colonial empire could well become the bell on the handle-bar rather than the second wheel of a penny-farthing.—Yours faithfully, E. C. F. R. MACKENZIE
Empire Industries Association

Arbitration

SIR—I am glad that Mr Tinn has now gone some way towards accepting the substance of my theory that in the absence of wage increases the rising trend of prices would tend to become automatically reversed. In your last week's issue he suggests that, since in such circumstances prices do not return precisely to their former level, wage awards should allow for the discrepancy which would otherwise reduce real wages.

This is easier said than done. The ultimate effect of a contraction of demand resulting from a rise in prices unaccompanied by a rise in incomes depends on a variety of incalculable circumstances. Arbitrators are not even in a position to predict the extent of that contraction itself, because it depends on future wage decisions by many other arbitrators or employers.

But, in any case, arbitration can only aim at rough justice. That end could be better served if all wage demands based on price increases and not on previous increases of productivity were rejected. Real wages would then recover at least a large part of their decline, and in the long run they would rise above their previous level. On the other hand, if wage demands are conceded to the full extent of the price increases, real wages would inevitably suffer, because the very act of granting higher wages would cause further price increases. Then, of course, the trade unions put forward fresh wage claims, to compensate their members for the increases in prices caused by their previous wage award. This is exactly what has been happening since the war, and this is what Mr Tinn would like to continue to happen indefinitely.

Would it not be wiser to break the vicious spiral by refusing wage increases based on previous price increases, thereby reversing the trend of prices? This would obviate the need for continuing the credit squeeze, and the resulting increase in the output would justify non-inflationary wage increases. Progress could resume its course if only the unions were prepared to relinquish, purely temporarily, a fraction of what their members have gained since the war.

But Mr Tinn seems to think that it would be improper for arbitrators to try to arrest inflation at such a cost. He is even opposed to the participation of industrial labour in the burden of a rearmament. Let the rest of the community shoulder the entire burden. Amidst full employment an increase in arms expenditure necessarily means a decline in the output of civilian goods. The resulting rise in prices tends to spread the effect over the entire community. But Mr Tinn would like the trade unions to escape their fair share of that effect. Their wages must be raised so that they can continue to maintain their purchases. The rest of the community is thereby condemned to bear also their share of the burden.

In the light of the above considerations Mr Tinn's rhetorical question as to "why should the burden of resisting inflationary pressure through higher defence costs be centred on those whose income is subject to arbitration?" does not ring very convincing.—Yours faithfully, PAUL EINZIG
London, E.C.4

[This correspondence is now closed.]

Crown and Parliament

SIR—Many of your readers must be aware that the significance of the accession of George III is one of the great controversies of modern history—I need cite only Professor Butterfield's recent book, "George III and the Historians." May I, for this reason, refer briefly to one point of substance in your review of my book, "King and Commons, 1660-1832," which appeared in your issue of January 4th? The reviewer states: "In Miss Kemp's opinion, the accession of George III brought the power of the king and the power of the Commons into balance." I do not put forward this opinion in my book, and have not done so elsewhere: it is not, in fact, my opinion.—Yours faithfully,

BETTY KEMP
St Hugh's College, Oxford

[We apologise for this slip. George I was intended where George III appeared in print.]

BOOKS

Destiny Deflated

The Poverty of Historicism

By K. R. Popper.
Routledge and Kegan Paul. 166 pages. 16s.

HUME once said that errors in religion were dangerous but errors in philosophy merely ridiculous. This remark is characteristic of those British philosophers who would dismiss Hegel as a pompous ass after reading only a few chapters and Existentialism as a merely literary movement after seeing a play of Sartre. But Professor Popper is very un-British. He dedicates a book on philosophy to

> the countless men and women of all creeds or nations or races who fell victims to the fascist and communist belief in Inexorable Laws of Historical Destiny.

It is a pity that this book was not published soon after 1945 when its contents appeared in the form of articles in *Economica*. For at that time there was considerable interest in the views of sociologists, like Mannheim, who presented a diagnosis of our time or historians, like Toynbee, who picked out patterns in historical change. Serious intellectuals flirted with Marxism; and planning of a utopian sort was part of public policy. But now all that is changed. Perhaps it was the bomb that did it; perhaps it was inflation and the fate of the Labour governments. Perhaps, even, Professor Popper's "Open Society and Its Enemies" contributed a bit. But, whatever the cause, people in this country do not now need reminding that there is no "meaning" in history or that holistic social experiments are dangerous. They are only too ready to believe that life is one damn thing after another; and they sheer away from utopian proposals for reform. "The Poverty of Historicism" cannot but seem in 1957 rather like the framing of the marriage lines to remind a jaded bride of the end of an affair.

England in 1957 is, thus, not a fitting historical setting for "The Poverty of Historicism." But this detracts little from the sheer philosophical merit of the book. Sociology, to the external observer, often looks very much like a hotch-potch of banal statistics, bad philosophy and grandiose speculation. It never looks much like a science. Indeed, as Professor Popper points out, much of it is the production of naïve misunderstandings of the natural sciences, which have led sociologists either to indulge in imitations of natural science or to set up a different type of science—a historical science studying social wholes and developing laws of their historical evolution that would permit historical predictions, like Marx's prophecies about the fate of capitalism. Professor Popper is at his best in exposing the misunderstanding of the natural sciences from which both these conceptions of social science derive. As a philosopher he has the rare merit of having exciting things to say and saying them in a rigorous manner. Indeed his book abounds in stimulating distinctions: between prophecy and prediction, historical laws and historical trends, theoretical and historical sciences, piecemeal and utopian methods of social reform. His analysis of concepts like "evolution," "social whole" and "intuitive understanding" is most illuminating; so also is his treatment of the role of experiment, observation and quantification in science.

The trouble is, however, that Professor Popper, with an admirable sense of relevance, only deals with these topics in sufficient detail to refute historicism. The reader feels vaguely irritated when the guided missiles impinge upon the gaseous balloons of historicist metaphysics — balloons which Professor Popper admits that he himself has rigged a bit to render them even determinate targets. It is rather like reading Locke's First Treatise, where he elaborately demolished Filmer's Patriarcha. But Locke did proceed to his Second Treatise. Professor Popper should do the same.

Wittgenstein said of psychology that there are experimental methods and conceptual confusion. The same surely is even more true of social science today. It is to be hoped that Professor Popper's astonishing erudition and acumen will soon be employed in helping to advance the struggles of contemporary social science. He has demolished the intellectual case of the enemies of the "Open Society"; but he has shed too little light on the difficulties of its friends.

War Guilt in 1870

Bismarck and the Hohenzollern Candidature for the Spanish Throne. *The Documents in the German Diplomatic Archives*

Edited with an introduction by Georges Bonnin.
Chatto and Windus. 312 pages. 42s.

THESE documents emphasise the conclusions reached over thirty years ago by Professor R. H. Lord in his study of the "Origins of the War of 1870". They are a vitally important introduction to the documents which the Germans allowed Professor Lord to publish and overlap them for only about ten days of July 1870. (Anyone, by the way, hoping at last to find here the original Ems telegram will be disappointed.)

It is already known that King William of Prussia had behaved with dignity and moderation over the matter of the offer of the Spanish throne to his Catholic Sigmaringen cousins, but these newly published documents show him to have been a man of shrewd judgment, a Prussian king who yet genuinely wished to avoid the war with France that he knew to be at stake—in spite of the fact that he must have had a very fair notion of the glittering prizes that such a war could bring. His marginal notes on Bismarck's recommendation, on March 9, 1870, of the Hohenzollern candidature have never been published before; they provide ample evidence of his intelligent scepticism towards Bismarck's assertions.

The king's attitude is the more remarkable by contrast with that of his army chiefs. Both Moltke and Roon were enthusiastic supporters of the plan to make a Hohenzollern king of Spain for military, and, indeed, frankly imperialistic, reasons. The Sigmaringen Archives, which Professor Bonnin has also been able to use, provide fresh proof of this in Prince Karl Anton's account of the so-called Crown Council held in Berlin on March 15, 1870. On that occasion Moltke, like Bismarck, hinted at the desirability of a return to the empire of Charles V, although it was clear that anything of the kind would be an unbearable affront to Napoleon III. It should not be forgotten that Karl of Hohenzollern-Sigmaringen was already king of Rumania.

In some ways the most interesting revelation in this book is the diary kept from May 18 to July 22, 1870, by a Prussian staff major called Max von Versen, who was one of Bismarck's secret agents. Towards the end of April the Hohenzollern candidature had in fact been dropped, thanks mainly to the king's forebodings. But Bismarck needed it; through Bucher and through Versen, who had been in Spain officially to report upon the Spanish Army, he succeeded in working upon the Sigmaringens so that they accepted the Spanish offer after all. "Now I have got things going again," noted Versen on May 25th. (Versen, who should have been on duty in Posen, had been readily made available to Bismarck by Moltke.)

Other documents here released for the first time show to what lengths Bismarck went in order to deceive the king, claiming that it was necessary to keep from him the knowledge of activities that were not a part of official Prussian policy: William, by contrast, showed touching—or was it ironical?—consideration for Bismarck's state of nerves.

Professor Bonnin's introduction to this publication examines the official German attitude towards the secret papers concerning the Hohenzollern candidature in Spain. As late as March 1924 two historians, Rheindorf and Platzhoff, who had been allowed to see the secret files and were then consulted about them, recommended that they should remain unavailable because they were too compromising for Bismarck's

reputation; they felt that the German authorities must not make it possible for anyone to attribute the guilt for 1870 as well as for 1914 to Germany. In 1931 Thimme himself was deliberately deceived by the Foreign Ministry over some German dispatches from Madrid in 1870.

Then and Now in Africa

An African Survey: *Revised edition*

By Lord Hailey.
Oxford University Press. 1676 pages. 105s.

NEARLY twenty years since its original publication, the "African Survey" has been revised by Lord Hailey and re-issued. In spite of the great increase in the volume of information about all aspects of African life in recent years, he has managed to keep well within the limits of the previous volume by using a slightly larger page. The new edition has just under 1,700 pages, compared with over 1,800 in the earlier one, and is easier to read and handle. Though the diligent student may from time to time disinter an odd sentence or two that can be found in the earlier edition, most of the book has been so completely rewritten as to constitute an entirely new work.

One of the most striking differences between the new and the old Hailey is that the old represented, as we can now see, the epitome of an era, written just as that era was about to close. It was dominated by the assumptions of a period within which the colonial rule of Africa was taken for granted and assumed to be likely to exist for an indefinite future, and in which colonial powers were supposed to be, within wide limits, free to implement such policies as they might deem appropriate. Moreover, it was an era in which, by and large, Africa was a "closed shop"—a subject and a sphere of action for specialists. Twenty years later none of these assumptions is even remotely plausible. In 1938, it was possible to organise the greater part of the material in terms, on the one hand, of "indirect rule," the preservation of African society and culture, peasant cultivation of cash crops; and, on the other, of imposed western administrative systems, the destruction of African ways of life and values, the development of the economy by plantation and mining enterprise. It was indeed one of Lord Hailey's great merits in assessing an Africa generally seen in such terms that he came to Africa from an India in which, although the westernisers had defeated the orientalists, they had now lost any aggressive confidence they might once have had. He was thus exceptionally well placed to see the weaknesses as well as the strength of the philosophies of "indirect rule." Of course this dichotomy was not everywhere shared, and we can now see that it was a great over-simplification: but in its place no alternative has yet appeared. The new Hailey is thus confronted, not merely with the great difficulty of being even reasonably up to date in a period of intensely rapid changes, but also with the absence of any accepted framework within which the material it deals with can be organised.

On the whole, Lord Hailey has been successful in removing from the Survey the concentration on "native administration" that characterised the outlook of British Africanists twenty years ago. The section devoted to what is now called, not altogether happily, "The Administration of African Affairs," may seem excessive in the contemporary climate of opinion. But much of the basic instability of Africa today stems from this fact: that the major changes in the personal outlook of Africans that are needed if they are successfully to operate the modern economies and administrations which the colonial powers have set up have been brought about mostly among a relatively small number of people concerned with central operations. They have hardly yet begun so far as concerns the conduct of the day-to-day local affairs of the vast masses. That is the sphere of the administration of African affairs and its long-term importance can hardly be over-emphasised.

Although the Survey is admittedly based on contributions by many hands, Lord Hailey has once again successfully imposed on the whole mass the masterful imprint of his own particular outlook and it is definitely his book and no one else's. Its temper is detached and its tone equable. This personal note, evident throughout, is possibly most clearly exemplified in the pages about "The Rising Spirit of Africanism": "one of the most distinctive features in the picture of postwar Africa" and one whose progress makes it unlikely that one feature which the Survey has in common with its predecessor will be shared by any successor, the fact that the whole of Africa south of the Sahara is seen from Europe and essentially from London.

How to Manage

Managers: *Making or Marring Them*

By Joseph Dean Edwards.
Macdonald and Evans. 232 pages. 17s. 6d.

SOME readers, picking up this book and seeing on the contents page a chapter headed "Your Executive Floor, is it Ticking?", may hastily put it down as "just another one of those." They would be wrong, for Mr Edwards, despite his chapter headings, has written a human, lucid, concise and eminently sensible book about management development. He is, in no sense, original, but managers who have not read any of the other books should find this one worth while and, indeed, they will be lucky because this is rather better written and more helpful than the others.

A major theme is that executive development programmes have become a farce. This statement, so untrue in this country where few companies could be said to have an executive development programme, is the first of many indications that this is an American book—a fact which the British publishers are careful not to mention. (In America the title was "Executives—Making them Click.") This reticence, although understandable, can result in misleading conclusions; for instance, in the chapter called "Future Managers," a number of references are made to surveys of management practice in recruitment, but no indication is given of the country where these surveys were made.

This book, like its counterparts, which are also cashing in on management uncertainty in human relations, prompts the question: "can advice on how to handle people be given effectively through the written word?" The open-minded, conscientious manager, who believes that the development of his subordinates is one of his most important duties, could probably benefit from reading this book, but he is the person who least needs to do so. Will the manager who is a poor coach—and is probably both totally unaware of this weakness and uninterested in it—become any better by reading that he must develop his people individually? We do not know the answer to the question posed at the beginning of this paragraph, but at least, faced by this flood of literature, we should ask it.

Beneath Our Feet

The World of the Soil

By John Russell.
Collins. 226 pages. 25s.

WITH popular attention straying towards cold and sterile space, and the prospect of increasingly large sums of money leaching away in the exploration of its lifelessness, it is a good time to be reminded of that equally little known but infinitely more important world of the soil. We then realise with a deflationary shock that our own life and activity is nothing but the unintended by-product of the life and activity of the inhabitants of "that thin layer of miscellaneous rubbish" which covers the fertile parts of the earth. Mankind's dependence upon them is absolute; it would be ironic if, with gaze fixed on the heavens, it failed to feed its multiplying numbers by omitting to take account of what is happening under its feet.

What really happens under our feet is incessant, fierce and relentless warfare. There are up to five thousand million bacteria in a heaped saltspoonful of good garden soil, voraciously attacking dead organic matter. They are preyed upon by protozoa and other larger entities, which in turn are preyed upon by the just visible insects. Into this mêlée the seedling plant pushes out its roots, and from the litter of the battlefield draws its sustenance. The adventure is not without risk, for there are many organisms that prey upon plants.

A detailed description of the soil inhabitants forms the fascinating centre section of Sir John Russell's book. It is preceded by a brief description of how the soil was formed and is followed by chapters dealing with the control of the soil for agricultural and gardening purposes. Here the chemist in Sir John takes over. The soil inhabitants are relegated to the background and the emphasis is upon the artificial provision of chemicals known to be required for plant growth. Indeed the inexperienced might be left with the impression, which cannot have been intended, that only thirteen elements are needed for plant nutrition. The increasing use of chemical fertilisers in recent years is noted with approval, but as there are, in fact, sufficient of these elements already in the soil (areas of specialised deficiencies apart) to last for hundreds if not thousands of years this approach is questionable on grounds of economics at least; there is a growing body of opinion that considers it questionable on other and more vital grounds as well. A description of how the soil organisms are able, under suitable conditions, to release not only nitrogen but all the other necessary elements, known and unknown, from this vast constantly renewable store would have completed an invaluable work.

Cash for Work

Incentive Payment Systems:
A review of Research and Opinion

By R. Marriott.
Staples Press. 232 pages. 21s.

IT has been taken for granted for many years that the most effective method of obtaining higher production is the use of an incentive payment system. In view of the resistance from workpeople that has often had to be overcome, the continuous friction that is usually produced by payment by results schemes and the high cost of administration, it is surprising that such unquestioning faith has been placed in the efficacy of these methods. Although this survey of incentive payment systems, made at the suggestion of the Department of Scientific and Industrial Research and the Medical Research Council, is far from conclusive, it may well shake the assumptions that have been made by industrial managers for far too long.

There is remarkably little objective evidence to show to what extent financial incentives affect productivity. One of the main reasons for this is the extreme difficulty of isolating the effect of cash incentives from the many other factors that influence human behaviour at work. The author, however, appears to conclude that expert opinion is tending to the view that cash incentives cannot of themselves provide the necessary motivation for workers to reach the optimum level of productivity.

He cites evidence from a number of concerns employing about 50,000 people in the chemical, electrical, mechanical engineering, food and tobacco industries, which have in recent years decided to replace incentive systems with controlled day work. They have done this for the following reasons: the need for a more human method of payment, which would encourage greater worker responsibility and interest in company progress; the need to improve worker relations and morale; the need to get rid of a system of payment that modern methods of production had rendered obsolete; the need to reduce administrative costs; the need to increase operator mobility; pressure from unions; the need to create a new works atmosphere.

The development of automation will compel the management of many firms to re-examine their traditional methods of payment; it is to be hoped that more care and attention will be given to the devising of new methods of wage payment and their introduction than was often given in the past to the adoption of an incentive payment system.

Indian Anecdotes

The Jewel in the Lotus

By B. J. Gould.
Chatto and Windus. 266 pages. 25s.

THE aim of the late Sir Basil Gould was evidently to write a cheerful, anecdotal book that would recall a vanished service and way of life, and would pay warm and graceful tribute to a number of selfless men and women. In this he was admirably successful. His book will give keen pleasure and revive memories, happy, nostalgic, gay and stark, among the dwindling band of retired officers, and their wives, of the Indian Civil and Political Services, and of the Indian and British armies, who served on and beyond the north-western and north-eastern frontiers of India, in remote places whose names fall like the echoes of a romantic trumpet blast on the ear—Malakand, Swat, Chitral, Gilgit, the Khyber Pass, the Tochi valley Waziristan, Afghanistan, Sikkim, Bhutan and Tibet. Sir Basil himself emerges delightfully from his own unpretentious pages as a very Bayard—devoted to the welfare of the peoples among whom he worked, generous, kindhearted, a keen lover of nature, appreciative of flowers, forests, beasts and birds; as zestfully at ease with horse, hounds, rifle and fishing rod as a pre-1939 Englishman should be. His chapters on Sikkim, Bhutan, Tibet and Lhasa—including a unique eye-witness account of the installation of the fourteenth Dalai Lama—are first-rate, colourful and sympathetic.

Admitting that it is a critic's most tiresome failing to reprove an author for not writing the book that the critic would have chosen, one may perhaps be permitted a passing sigh that a man so close to such historic events and personalities as Kitchener and Curzon in feud, Montague and Chelmsford in the birth pangs of reform, the attempted assassination of Lord Hardinge, the third Afghan war, the Faqi of Ipi, the Quetta earthquake, and many more should rarely have any but superficial reflections to make, and should add little to our knowledge or understanding of them.

SHORTER NOTICES

The Birmingham Post 1857-1957

By H. R. G. Whates.
Birmingham Post and Mail. 254 pages. 21s.

In 1857, two years after the abolition of the stamp duty on newspapers, the *Birmingham Post* started as a daily penny paper five days a week—on Saturday the older *Birmingham Journal* was published at twopence. Twelve years later the penny *Post* appeared on Saturdays as well.

In the hundred years since then Birmingham has had an exciting history, as a pioneer in municipal reform and on the national scene when Chamberlain became a national leader. The story of the *Birmingham Post* as the leading local paper throughout this century should also be exciting; yet, as told in this book, it fails to hold the reader. The reason lies in the divided interest. There are two threads running through the book—the story of Birmingham and the domestic story of the *Post*. They are told in alternating chapers, which never quite get to grips with either story. The personalities never come fully to life, not even in the story of the paper's change of politics in following Chamberlain, which led to the dismissal of its liberal editor. The author was handicapped because Sir Charles Hyde gave most of the already meagre records for salvage in the war, and there is consequently little in the way of original sources. There are, however, some good anecdotes.

The Economics of Man-Made Fibres

By Douglas C. Hague.
Duckworth. 315 pages. 30s.

This book is at its best as long as the author, a lecturer in political economy, is drawing on existing written material about the history of the industry, which has been done very painstakingly, with minute attention to the sources of reference. The results of his personal contacts with the industry—based on many visits to firms—are less successful as he not only sometimes gets his facts wrong, but is too prone to draw conclusions, which a less cursory knowledge of the industry could have prevented.

Mr Hague makes a brave attempt in his conclusions to fit the industry into a recognised economic pattern: "The man-made fibres industry has a record of rapid innovation. Is it going too far to ask whether this is because monopolistic and competitive forces are present in the industry in more or less the right proportions?"; "Yet it was the comparatively fierce competition in the textile-yarn field which helped to encourage these two viscose producers to look to the industrial market as a way of escape." Here the author is referring to the entry of Courtaulds and British Enka into the tyre yarn field, and his statement is typical of his speculative conclusions. In fact, it was the war that brought Courtaulds and Enka together in this field in order to ensure a supply of yarn for tyre cord, with the close co-operation of the Ministry of Supply. Mr Hague says that the women's stocking trade has twice changed its raw material, "first abandoning silk for rayon and later for nylon." But the silk stocking trade, which reached record proportions in the 1930s, was a result of the widespread fashion of the 1920s, which came in with rayon, not silk and short skirts.

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U.S. Government Insured F.H.A. Mortgages	68,741,787	Undivided Profits	60,685,826	
State, Municipal and Public Securities	165,874,455			$ 211,075,826
Stock of Federal Reserve Bank	4,511,700	*Reserve for Possible Loan Losses		48,169,583
Other Securities	49,123,595	Reserves for Taxes, Unearned Discount, Interest, etc.		22,645,966
Loans, Bills Purchased and Bankers' Acceptances	1,255,767,526	Dividend Payable January 15, 1958		2,519,500
Mortgages	32,014,643	Outstanding Acceptances		63,863,804
Banking Houses and Equipment	20,172,847	Liability as Endorser on Acceptances and Foreign Bills		31,508,453
Customers' Liability for Acceptances	61,502,799	Other Liabilities		2,248,494
Accrued Interest and Other Resources	9,909,620	Deposits		2,966,201,511
	$3,348,233,137			$3,348,233,137

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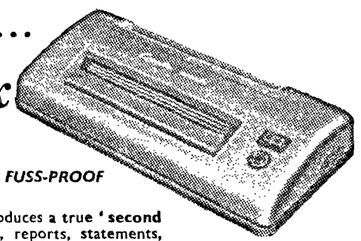
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AMERICAN SURVEY

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Eisenhower Begins Well

WASHINGTON, DC

THE President made a good speech last week. This was such a relief to most members of Congress that they applauded to an abnormal extent and such a surprise to many journalists that they reached for ecstatic phrases to describe it. In this year's message on the State of the Union, delivered in person to a joint session of Congress, the strength of the man was on test as much as the validity of his programme. The temporary dispersal of some of the more shattering doubts about whether the nation's leader had it in him to come to grips with the great crisis of American power induced the *New York Herald Tribune* to declare in a special editorial on the front page that in this speech "the President attained his finest hour."

It was not a great speech. There were no phrases that future generations, or even this one for that matter, will remember. However, it did achieve three most important effects. By leaving out the usual hodge-podge of unrelated proposals, most of them sure to be ignored by Congress in any case, Mr Eisenhower was able to concentrate on the central issues of national security. Thus, though the style of the speech was undistinguished, in the essential passages it achieved a crispness, a unity of theme and a healthy instinct for the cheer-line which enabled a vigorous confident-looking, smiling President to put himself on effective display. Secondly, in the passages dealing with defence, where his listeners were on the alert to detect and repudiate any remaining complacency, the President showed himself abreast of, and on the matter of reorganisation of the Department of Defence possibly slightly in advance of the general demand for a "knocking together of heads." Finally, in the field of foreign economic policy where the President still needs to educate Congress rather than the other way round, Mr Eisenhower went about the task with a will which he has seldom displayed hitherto.

Departing altogether from his usual respectful attitude to other people's opinions, Mr Eisenhower held up to scorn those who "shot down" foreign aid with the slogan of "give-away" rather than with rational arguments. He cleverly linked an admission that he had been caught napping, as his congressional critics had alleged, about the psychological effect of the Russians having the first satellite with an exhortation to Congress not to make an even worse mistake by failing to anticipate the more serious impact of the Soviet economic offensive. And in his peroration he returned to the theme by telling Congress bluntly that

> it makes no sense whatever to spend additional billions on military strength to deter a potential danger and then, by cutting aid and trade programmes, to let the world succumb to a present danger in economic guise.

All these signs of new verve are most welcome, although those who have been observing Mr Eisenhower for the last five years remain sceptical about whether he will follow through on his tough beginning. But there are some favourable omens. The Administration has made a serious effort to get its proposals for trade and foreign aid ready to be tackled early in the congressional session. The President has asked Mr Eric Johnston to drum up a high-level citizens' movement of the kind which has effectively mobilised public opinion on these issues in the past. Two of the leading Democrats, Mr Truman and Mr Stevenson, have been asked to join and Mr Stevenson, doubtless bothered by the tendency of opposition Senators to harp on military needs, is already in Washington quietly attempting to persuade his political friends.

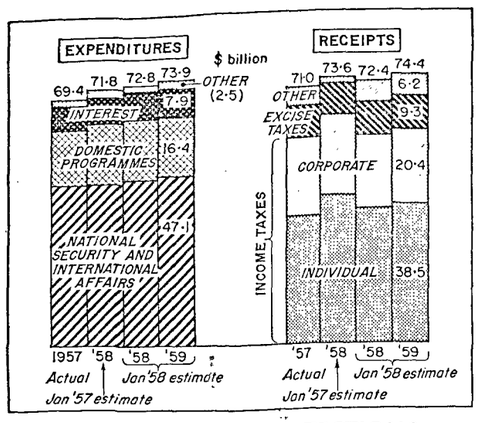
BUT the immediate debate will surge around the adequacy of the President's defence proposals and, since the Budget appeared on Monday, this rather than the speech to Congress is now the central document. This weighty publication contains most of the Administration's legislative programme and enough figures to support almost any viewpoint. The Administration is naturally laying stress on the fact that spending on missiles, military research and the strengthening of the existing nuclear deterrent—all matters of immediate concern in Congress—is to go up by a possible $4.3 billion over that originally planned for the 1958 year, which ends on June 30th. This figure is reached by totalling up a request to Congress for an additional appropriation of $1.3 billion for the current fiscal year, a further increase of $2.5 billion in the 1959 year, which begins next July, and a special $500 million which the President can spend at his discretion on exciting new technological discoveries that cannot be accurately forecast.

Besides this the President has asked for extraordinary power over the sprawling, committee-locked Defence Department, by seeking authority to switch sums up to a total of $2 billion from their appropriated purposes to others which he may consider more pressing. It is hardly surprising that the chairman of the House subcommittee which deals with the defence appropriations protested that this would destroy Congress's power of the purse. A more fundamental complaint comes from the critics who argue that, starting from the actual current rate of military spending and deducting the $1.5 billion which the President hopes to save from the conventional military budget, the genuine increase for the next fiscal year is only $900 million. This they contrast with the cumulative increases of $3 billion a year which the recent Rockefeller report held to be imperative.

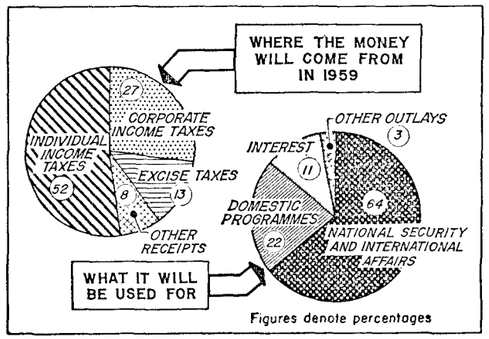
Apart from differences in the use of figures the argument is being conducted according to two different frames of reference. There is, first, the question of whether enough extra money is going to be spent to cut down the time it takes to develop and equip American forces with the large

Budget to Keep the Peace

FISCAL YEARS ENDING ON JUNE 30th

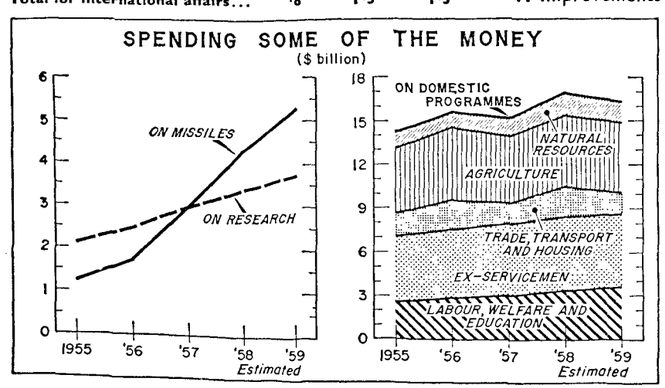


$ billion	1957 actual	1958 estimated Jan., 1957	1958 estimated Jan., 1958	1959 estimated Jan., 1958
Authority to incur new obligations	70·2	73·3	74·4	72·5
Balance of appropriations carried forward at year end	43·7	47·3	40·1	39·9
Surplus (+) or deficit (−) :—				
Budgeted	+1·6	+1·8	− ·4	+ ·5
Cash (includes social security and other trust funds)	+2·1	+3·0	+ ·2	+ ·6
Public debt at year end	270·5	269·2	271·2	271·2



HOW MUCH FOR PROTECTION?

$ billion, rounded figures	1957 actual	1958 estimates	1959 estimates
Defence :			
Army	9·1	9·0	8·9
Navy	10·4	10·6	10·9
Air Force	18·4	18·4	18·7
Other defence activities	·6	·7	1·2
Total	38·4	38·9	39·8
Atomic Energy	2·0	2·3	2·5
Stockpile and defence production	·5	·6	·4
Mutual Security :			
Military assistance	2·4	2·2	2·2
Defence support	1·1	·9	·9
Development loan fund	...	·02	·17
Technical co-operation	·11	·14	·15
Other foreign aid	·34	·45	·46
Total	3·9	3·7	3·9
Export-Import Bank	−·1	·4	·05
Commodities sent abroad	·19	·14	·14
Propaganda abroad	·13	·14	·14
Conduct of foreign affairs	·16	·19	· 2
Total for national security	44·4	44·9	45·8
Total for international affairs	·8	1·5	1·3



WHAT THE PRESIDENT WANTS

In addition to the actual appropriation of funds requested in the Budget for the 1959 fiscal year, the President also asked Congress in its current session to provide for :—

1. Another year of corporate income taxes and excise taxes at present rates.
2. Raising the limit on the public debt from $275 billion to $280 billion.
3. Reorganisation of the defence establishment.
4. Extension of the Reciprocal Trade Agreements Act for five years.
5. American membership in the International Trade Organisation.
6. Exchange of scientific information with allied countries.
7. Improvements in scientific education.
8. Legislation on labour-management relations and trade union funds.
9. Adjustments in ex-servicemen's benefits.
10. Changes in farm programmes, particularly as regards price supports.

Among other less important recommendations, many of which have been made before, are a number of proposals for transferring certain responsibilities from the federal government to state and local governments or to private enterprise and for providing economic returns on federal services and loan programmes.

missiles which will ultimately take over the role of deterring aggression from the superbombers. Related to this are the further questions of whether enough is being done to preserve the present deterrent—by greater dispersal of bases, sharper early warning systems and so forth—and whether the Administration is not being premature in closing the production line of B52 bombers this year before either their manned or unmanned successors are very firmly in being. Since the tongues of so many generals, industrialists and scientists have been unloosed by Senator Johnson's investigating committee there will doubtless be loud appeals against the President's judgment on all these matters.

But then there is the further question whether or not the United States should have highly mobile land forces to fight a limited war as well as long-range thermo-nuclear missiles for a world war. Although the Budget does not explicitly reject the proposition its calculations certainly seem to assume that even greater reliance will be put on the great deterrent. The President has clearly made an effort to carry out his pledge that the new defence effort should be financed by the cutting back of less essential civilian programmes. But even if his suggestions in that direction get through Congress, which seems unlikely, they will not begin to show really significant economies for several years. The one big cut which makes possible the rather frail prediction of a balanced Budget is that of $1½ billion in spending on conventional defence. One concrete effect of this is that the army will be reduced next year by yet one more division to fourteen.

A second article next week will discuss the effect on the national economy of this Budget for the coming 1959 fiscal year which begins on July 1st ; it will also deal with the President's annual economic report.

Mile Nearer the Summit?

NOTHING in the President's State of the Union address won such hearty congressional applause as his promise that he " would go an extra mile with any one " to bring nearer a genuine peace and that any reasonable proposal on disarmament would be considered. Such phrases suggested that if Mr Dulles, the Secretary of State, had one of the President's ears, the other was not entirely closed to the arguments of Mr Stassen, his Adviser on Disarmament, who has been advocating a more positive and flexible response to the Russian initiatives. Mr Stassen, it was thought, would make a final effort to make his ideas prevail when the National Security Council discussed the reply the President was to send to Mr Bulganin's suggestion of another summit conference in two or three months.

In fact, the reply—drafted for the most part by Mr Dulles—reflects hardly any of Mr Stassen's optimism about the Russians' eagerness to reach an agreement or his willingness to meet them half-way by, for example, accepting a ban on nuclear tests without demanding an accompanying agreement to cease producing nuclear weapons. But the letter's reasonable tone, and the readiness of the President to join in a meeting of heads of state, if there is adequate preparation and some hope of substantial agreement, has had a warm reception, even from newspapers and Democrats normally frosty to the " negative " attitude of the Secretary of State. The new proposals, for a joint renunciation of the veto in the Security Council and the insulation of outer space from military exploitation, are regarded as a belated but dramatic grasping of the initiative, even if only in the sphere of propaganda which the Russians usually monopolise. If Mr Stassen sticks to his determination to resign on principle, he may take little political capital with him. Mr Dulles, indeed, is basking in an unusual glow of approval: he made a favourable impression upon influential Democrats when, in his briefing of the Senate Foreign Relations Committee, he put his main emphasis on a quarter new to him : the importance of foreign economic aid to counter the Soviet offensive in the under-developed countries. It will be fortunate if this congressional thaw lasts, since the President's impassioned defence of Mr Dulles at his press conference this week—the first since October—shows that he has no thought of finding a new Secretary of State.

Mr Dulles must also relish the repudiation of Mr George Kennan by Mr Acheson, who was Mr Truman's Secretary of State and remains a respected adviser to the Democrats on foreign policy even though he cannot hope to resume his old post. Last week Mr Acheson insisted that Mr Kennan, once head of the State Department's Policy Planning Staff under the Democrats and the author of the policy of containment, spoke only for himself in advocating a withdrawal of American, Russian, and British troops from central Europe ; Mr Kennan, in the view of his former boss, " never grasped the realities of power relationships." New ideas, it seems, make heavy weather in both parties.

Credit Out a Notch

TO raise the revenues necessary to balance the biggest peace-time Budget, the President counts on an economic rebound, beginning in the second half of this calendar year, which would increase personal incomes by $9 billion. Businessmen who looked to the Budget to help them out of recession may feel, however, that, apart from the increase in military spending, this is a case of faith without public works—faith in dynamic technologies and in the electric effect of a population increase of 3 million every year. For example, instead of offering new schemes to stimulate the building industry, a popular method of turning slump into prosperity, the section of the Budget on housing and slum clearance places its main emphasis on transferring part of the burden, in the years to come, to the states and local communities and to private financing.

Credit, it is true, is being let out a notch. With the fall in the Treasury bill rate, there are lively expectations of a further cut in the discount rate by the Federal Reserve Banks ; already this week the Federal Reserve Board has reduced the margin required for share purchases and short sales from 70 to 50 per cent. And in housing itself, the modest recovery of the last few months is being stimulated by a number of small measures to make it easier for people to find the money for a home. The Federal Housing Administration has relaxed its rule that incomes of people seeking a mortgage must be five times the yearly cost of their house to them ; in some circumstances, the fees connected with completing a purchase may be included in the amount borrowed, so that it is easier to get together the very small down-payment required. The President now proposes that the amount on mortgage which the FHA may insure

should be increased to $30,000. Such concessions will help in a year when prospective home-owners are nervous about their incomes and the weight of debt they are already carrying but, even with the upturn in family formations, due to the war-time rise in the birth-rate which began in 1940, it may take time to lift the rate of housebuilding very far above the million or so of houses and flats which were started in 1957.

For helping cities to clear out their slums and rebuild their blighted centres, the President proposes capital grants of $250 million a year for five years—on condition that, beginning in 1960, the two-thirds of the cost which the federal government now contributes to such projects be reduced gradually to 50 per cent. But last year Congress raised the "urban renewal" grant from the $175 million which the President requested to $350 million, and the mayors now testifying before a congressional sub-committee want the sum raised to $500 million a year for five years—with Washington paying not two-thirds, but four-fifths of the cost. The Budget does not necessarily have the last word.

Better Farming

IMPROVEMENT, according to Mr Benson, the Secretary of Agriculture, was the keynote of conditions on American farms in 1957; for the second year running agricultural income rose, as it had not done since 1947, and the value of farmers' assets was at an all-time high. But there is no evidence of improvement in the generally poor view which farmers and their congressional representatives take of Mr Benson's proposals, being outlined in detail this week, for changing the price support system in order to free farmers to make greater use of their ever-growing productive capacity and to relieve the drain of the present system on the pockets of taxpayers and food-buying housewives. At present price supports account for about three-quarters of the government's annual outlay on agriculture, which for next year is estimated at a total of $4.6 billion, only $300 million less than this year.

However, Congress is expected to look more favourably on two other, less basic farm improvements for which the Administration is asking. There is an element of "we-told-you-so" in the apparent congressional willingness to end the acreage reserve section of the soil bank at the close of this crop year, for it is not long since the legislators nearly forced the Administration to abandon this plan, by which until recently it set great store as a means of reducing the output of surplus crops. Last year, as a result of it, over 20 million acres were kept from producing 2 million bushels of cotton, 6 million hundredweights of rice, 93 million pounds of tobacco, 225 million bushels of maize and 175 million bushels of wheat. But the remaining acres produced record yields and this year, with the drought really broken and with acreage reserve payments now limited to $3,000 a farm, the scheme has lost much of its attraction. The President himself was one of the farmers benefiting from it last year—although by only $2,000, not by the $280,000 which went to one Kansas farmer or the $50,000 each which went to 67 others—but he now believes that more material and lasting profit for each government dollar spent can be obtained from the longer-term conservation reserve section of the soil bank; $450 million is asked for this in 1959, $125 million more than this year.

Since mid-1956, however, the government investment in surplus farm commodities, now valued at about $7 billion, has been reduced by one-sixth and supplies valued at nearly $6 billion have been disposed of. This is largely the result of sales abroad under the Agricultural Trade Development Act, which has much to do with 1957's all-time record, both by value and by quantity, for agricultural exports which came to $4.7 billion worth in that fiscal year. This foreign demand is now falling off but the President has asked for the Act to be extended to mid-1959 and for an increase of $1.5 billion, to $5.5 billion, in the authority to incur losses under it.

Burial of a Worker

AFTER considerable agony and obvious foul play, New York's *Daily Worker* expired on Monday. In a secret meeting held last month the national executive of the American Communist party ordered the paper to close down, whereupon its editor, Mr John Gates, not only refused to obey orders but also announced his defiance to the world. However, the *Worker's* anæmic circulation of 5,000 made it dependent on the party's willingness to continue as blood donor; its infusion ran to a quarter of a million dollars last year. Mr Gates was censured for disobedience and the paper, after prolonging its existence for a week, was finally forced to give up the ghost. Mr Gates has now resigned from the party, calling it a "futile and impotent sect" with an effective membership that he puts at no more than 7,000—less than a tenth of the total it claimed just after the war.

Mr Gates argues that the party could well afford to keep the *Daily Worker* going if it wanted to, and it is plain that the paper has been suppressed chiefly for political reasons. Ever since the Hungarian rising Mr Gates has been the spokesman for the liberal, anti-Stalinist faction among the American Communists. He told the press last week that he dates his change of heart from the years he spent in gaol, convicted under the Smith Act of conspiring to advocate the overthrow of the government, when he "read widely and thought a great deal." Last February, at the party's turbulent convention in New York, he supported a motion criticising the Soviet intervention in Hungary, and he has also been in trouble for printing articles in the *Daily Worker* by apostates like Mr Howard Fast.

A good many sympathisers are likely to follow Mr Gates out of the party, including several members of the *Daily Worker's* staff. The closure of the paper represents a defeat for the liberals who, by hurrying too fast down one of Mr Khrushchev's separate roads to Socialism, found themselves in the dangerous cul-de-sac of "revisionism," the heresy condemned by the recent congress of Communist parties in Moscow. However, it does not represent a full victory for Mr William Foster, the American party's tough old Stalinist leader. At the New York convention last year Mr Foster, though publicly supported by the Russian press, was beaten by an alliance between the Gates faction and a group of middle-of-the-roaders led by Mr Eugene Dennis, the party's former general secretary, who produced a resolution declaring that the Americans would not be bound by Moscow's interpretation of Communist doctrine. The middle-of-the-roaders now seem to have dropped the liberals, but the meeting which decided to close the *Worker* also refused to endorse last November's declaration by the Moscow congress which reasserted the Soviet Union's leadership over Communist parties elsewhere. The United States is evidently not without its Titoists, and there may be fresh quarrels among the few survivors of American Communism.

Kink in the Pipe Lines

THE expanding natural gas industry, which added nearly 2 million customers in 1957 and hopes for nearly three million more by 1960, may burn to serve in vain if the Supreme Court does not soon come to its rescue. The pipe lines through which the gas goes to the consuming centres in the north and west have been tied up in knots by a court decision that they must secure the consent of all the gas companies they supply—an impossible condition—before they can raise the prices they charge. In the past, the Federal Power Commission, which regulates the gas pipe lines, has permitted them to raise their rates while waiting for their applications to be dealt with; the additional income has been held in bond until the approval of the commission was forthcoming.

In November, however, when the city of Memphis appealed against higher rates charged by the United Gas Pipe Line Company, the federal court held that the standard contract signed by all the pipe lines' customers did not give effective advance assent to increases in rates. It decided that the company should have invoked the alternative procedure of asking for a full-scale investigation of its rates by the FPC. This is not only time-consuming and likely to swamp the FPC if applied wholesale; it also does not provide for higher rates while the investigation is going on. The decision may mean that the companies must pay back $200 million or more in recent higher charges.

The FPC, which agrees with the pipe line companies that the ruling would be financially disastrous to them, has asked the Supreme Court to review it as soon as possible; until this is done, it is allowing the companies to raise their rates. Even the pipe lines' customers, after some preliminary rejoicing, are beginning to have cold feet; half-frozen prices may slow down the supplies of natural gas on which consumers and industries now depend. The pipe line companies themselves, frightened of being squeezed between the prices they must pay for gas and those which they can charge, are postponing their plans for expansion; it will not be easy to borrow money for such projects, in any case, until the uncertainty has been dispelled. Chicago is the first victim: a $182 million scheme to expand the supply of natural gas to the middle west has been set aside for the time being.

Wheels in the Wilderness

FROM A SPECIAL CORRESPONDENT

UNTIL recently the national parks have rated low on the list of places where Americans go for the winter holidays which are becoming more popular every year. Nowadays eight out of the twenty-nine parks are open for snow sports, while at the ones in milder climates (such as the Everglades Park in Florida and Hawaii in the Pacific) there are more visitors in the winter than in the summer. Last year the sporting eight had the heaviest winter season in their history, with 361,760 visitors, and the Park Service expects that demand this year will be even greater. New facilities for skiing have been added at Hidden Valley (in the Rocky Mountain National Park) and even Paradise (in the Pacific Northwest) will be improved.

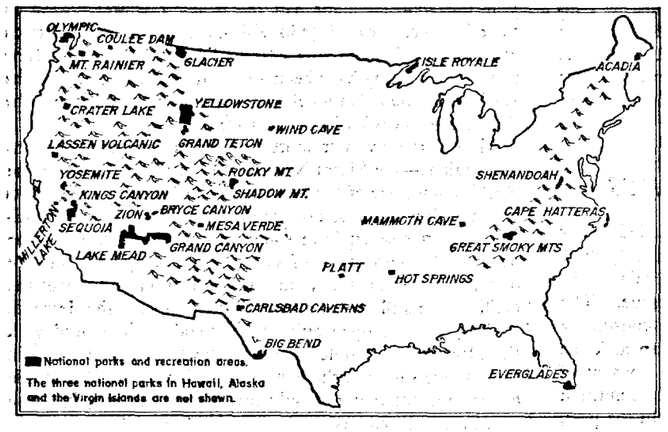
Most of these winter sport areas lie in the western mountain regions—the Sierra Nevadas on the Pacific Coast or the Rockies—but one of them, Shenandoah National Park, offers skiing within easy reach of the District of Columbia. Facilities vary, but seven have some form of ski tow, and some have a full complement of ski teachers, equipment for hire or for sale, cross country ski trails and so on. In places the facilities are still on the amateur side, but so is the demand. At least two are open only at week-ends. Compared with the fifty million people who visit the twenty-nine parks in the average summer, the winter count is very small, but it is a development that not only fills a new demand, but also creates new problems.

If the Park Service is to carry out its glowing promises (made in the project called Mission 66) to gear the park system to the demands of this motor age by its fiftieth anniversary in 1966 and, if that gearing must now include provision for the year-long use of parks which used to be closed for half that time, its budget will need to be reappraised. Last year's appropriation ran to over $60 million and about $2 billion has been the total estimate for the ten-year project.

Of the twenty-five million acres which the National Park Service has under its care, the twenty-nine parks and five recreation areas themselves hold rather more than half. The rest is scattered among 147 other units, nearly all much smaller—national monuments, battlefield sites, national cemeteries, parkways, the parks in the city of Washington. The twenty-nine parks differ widely in age, size and character. The oldest and most famous of them is Yellowstone, carved out of the empty west in 1872. The newest, added only last year, is on St Thomas, in the Virgin Islands of the Caribbean. Most of the parks lie west of the Mississippi River, perhaps because eastern lands were fairly well pre-empted by private owners when the movement started; but the total includes a skyline drive along the tops of Virginian mountains, an island off the coast of Maine, and a million and a quarter acres of swamp, mangrove trees and alligators in Florida, described officially as the "largest remaining subtropical wilderness in the United States."

IT is the duty of the Park Service to guard all of these for the enjoyment of future generations, but it is not an easy duty to fulfil. In the first place, the service is a political agency and is therefore conscious of the need for making friends among the voters; this it does mainly by welcoming visits to its geographical wards. But in the second place, the service is bound by the terms of its guardianship to keep those wards intact and free from human damage. Hence it must be constantly inventing diplomatic ways of saying, "Please come and look, but don't touch."

In the early days of Yellowstone, visitors came in by stage-coach or wagon train, were housed in great caravanseries, and driven in groups to see the geysers, watch the feeding of the grizzly bears and marvel at the mild majesty of erosion in Yellowstone Canyon. Then people were handled in companies; they did little straying and could be ushered in and out of the parks without much danger of damage to



themselves or to the wilderness. But the proliferation of the family motor car has made the problem of control far more complex. With everybody free to wander behind his own internal combustion engine, the authorities have a much harder time protecting both the citizen and the landscape. However, few of the visitors walk much, and most of them stay close to their cars, so that, except for litter (for which litter bags are provided at park entrances) and the peril of fire from a careless cigarette, the basic problem is to control the car. Fortunately most motorists prefer to stay on paved roads and close to shops where Junior can be fed and watered.

In some of the western parks the indomitable picnicker is kept in hand by the roaming black bears; lumbering, loose-jointed beasts, seeming as tame as the ducks in St James Park, they have been taught over the years that humans give food. But even the man who aspires to photograph a bear behind his steering wheel, or the woman eager to give little Susie a ride on a cub's back, will yield to sudden fright. Warned by an untoward gesture or an obscure memory that these big pets are still wild animals, they scramble back into their steel shelters, step on the starter, and leave the wilderness to itself. The 1956 record in one park was seventy-three bear injuries to a million and a quarter visitors, but that small percentage teaches only the injured. On the other hand, the national heritage has a hard time while the name-carvers and the experimentalists who yearn to see whether the blow holes of the geysers will boil an egg amuse themselves and forget the claims of the future.

The responsibility for safeguarding the visitors and making them feel welcome, while at the same time curbing their vandal instincts, falls on the rangers, the naturalists and the various field officers who are trained to be teachers and police officers as well as experts in geology, nature conservation, mountain climbing, first aid and how to build a camp fire in a high wind. They shepherd groups of city boys on their hikes into Yosemite, they quiet the fears of young typists whose first contact with empty space is the breath-taking mule trip down into the Grand Canyon; they manage packhorse trips into the primitive regions of Yellowstone, watch over ski trails, or guide bird lovers through the winding water reaches of the Everglades. The educational demands made on them are not usually profound, but they cover a very wide range and their training is a major preoccupation of the Park Service.

The ten-year project of development called Mission 66 means in many of the parks that the wilderness must be adapted to the motor age, an aim loaded with contradictions. The newest attempt to reconcile these can be seen at Colter Bay, a lakeside reservation in the Grand Teton National Park, which was shown as a model to park superintendents holding their biennial conference about a month ago. Hidden from the road and in sight of peaks that rival the best of the Alps, an organised camping ground offers a variety of accommodation for 3,000 people. Those who come in their own caravans are assigned a parking space with electric current, drinking water and plumbing connections laid on. Those who choose to sleep under canvas get a tent site, a parking space, a campfire with grill for cooking, and toilet facilities just down the path. Group campers are allotted community fire sites with seats and picnic tables. Those who do not trust tents may rent furnished log cabins, while docks are provided for those who bring motor boats on trailers. The centre of this informal village holds an assembly hall, a cafeteria and a set of food shops as well as a governing headquarters.

Obviously Colter Bay is better tuned to the motor age than are the great caravanseries built in the nineteenth century, but the day of the big hotel in the national parks is by no means gone. The Park Service has recently announced a new million-dollar lodge in prospect at Yosemite, extensive hotel improvements for the Grand Canyon and additions at Glacier and Shenandoah; but in Florida it was decided that space in the Everglades National Park was too limited and that additional overnight facilities could better be provided oustide its boundaries. Yet even with such attempts to preserve the wilderness, those who love it for its own sake have a feeling in their bones that its days are limited.

SHORTER NOTES

Last June, there was $6.2 billion worth of materials in the strategic reserve, and 63 of the 76 purchasing programmes had been completed. These are designed to carry the United States through a three-year war, rather than the five-year one originally contemplated when the stockpile was set up. In future, purchases will be smaller, with an emphasis on finished goods rather than raw materials which there might not be time to process, and the most serious question, which a committee is about to answer, may be how to dispose of materials which are not now needed without upsetting already depressed markets.

* * *

In 1956 all the property in the United States subject to local property taxes was assessed at a value of $280 billion. Such taxes provide all but about 10 per cent of local revenues. Of the assessed values, which are often much less than actual market values, more than a half was for non-farm residential property, and a quarter for commercial and industrial property. New York had the largest share, $36 billion, of any state, Vermont the smallest with only $429 million.

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Statement of Condition as of December 31, 1957

ASSETS

Cash and Due from Banks	$1,899,087,995
U.S. Government Obligations	1,156,472,300
State and Municipal Securities	388,845,587
Other Securities	110,759,623
Loans	3,867,671,355
Customers' Acceptance Liability	122,334,561
Federal Reserve Bank Stock	18,600,000
International Banking Corporation	7,000,000
Bank Premises, Furniture and Equipment	40,847,145
Items in Transit with Branches	15,495,482
Other Assets	9,636,833
Total	$7,636,750,881

LIABILITIES

Deposits		$6,692,688,345
Liability on Acceptances and Bills		129,641,006
Due to Foreign Central Banks		6,292,900
Reserves:		
Unearned Income		32,873,784
Taxes and Accrued Expenses		64,675,406
Dividend		8,280,000
Capital	$240,000,000	
(12,000,000 Shares—$20 Par)		
Surplus	380,000,000	
Undivided Profits	82,299,440	
Shareholders' Equity		702,299,440
Total		$7,636,750,881

Figures of Overseas Branches are as of December 23.
$387,489,791 of United States Government Obligations and $7,795,200 of other assets are pledged to secure Public and Trust Deposits and for other *purposes required or permitted by law.*
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ASSETS

Cash and Due from Banks	$49,774,371
U.S. Government Obligations	79,146,632
State and Municipal Securities	23,911,032
Other Securities	2,300,975
Loans	2,342,908
Real Estate Loans and Securities	1
Federal Reserve Bank Stock	600,000
Bank Premises, Furniture and Equipment	2,800,511
Other Assets	5,010,874
Total	$165,887,304

LIABILITIES

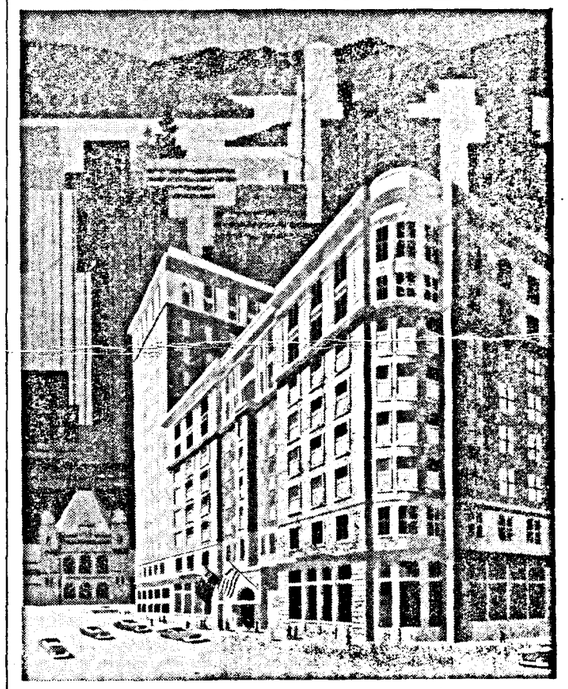
Deposits		$124,176,818
Reserves		8,245,533
(Includes Reserve for Dividend $721,371)		
Capital	$10,000,000	
Surplus	10,000,000	
Undivided Profits	13,464,953	
Shareholders' Equity		33,464,953
Total		$165,887,304

$6,487,480 of United States Government Obligations are pledged to secure Public Deposits and for other purposes required or permitted by law.
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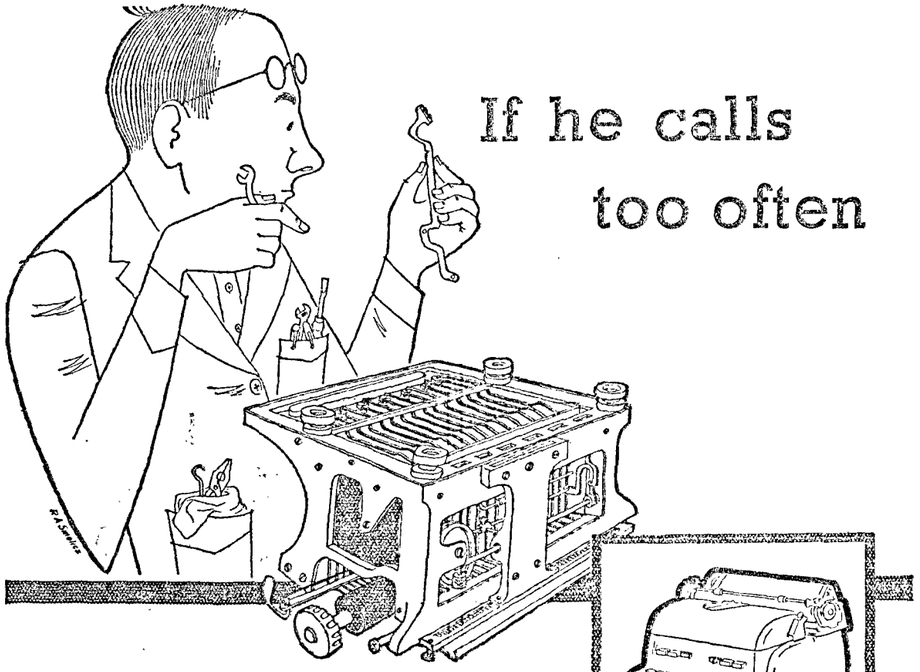
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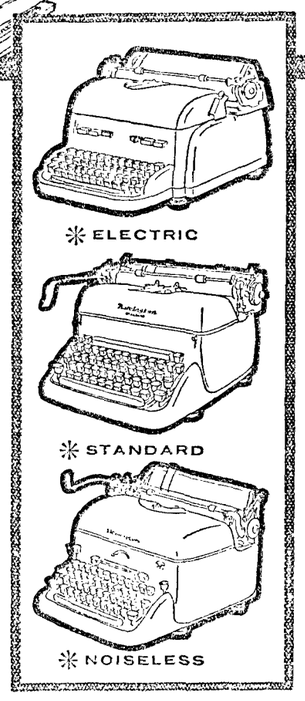
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THE WORLD OVERSEAS

M. Gaillard Tackles Constitutional Reform

FROM OUR PARIS CORRESPONDENT

M. GAILLARD has opened the 1958 political season with a bill of constitutional reforms designed to strengthen the executive against an irresponsible legislature. French politicians are aware of the discredit into which they have fallen in the country, and themselves are weary of crises that lead to so little change. Forty-eight governments between the wars, twenty-five since the Liberation: the total is too much for all but the most fervent "ministrable."

One of M. Gaillard's main proposals is that the premier or, in a crisis, the President should be able to dissolve parliament—instead of the government as a whole having to agree on this. His second main proposal is that an opposition can replace the government only if it first wins a majority for a programme and a premier of its own. In theory, this should prevent conservatives, Poujadists and Communists from unclenching the fists they usually shake at one another to join hands in overthrowing premiers as they overthrew MM. Mollet and Bourgès-Maunoury. If applied strictly, it could make irresponsible votes much harder.

M. Gaillard, however, has already been driven by the conservatives to dilute the mixture : the premier designated by the opposition would not be nominated, but only recommended, to the President. Sceptics already see the opposition putting up fancy premiers and whisking them away immediately their destructive work is done. As for dissolution, the new weapon is probably blunter than it looks : the obstacles have always been practical rather than constitutional. Dissolution has been unpopular since Marshal MacMahon tried to put it to royalist ends in 1877—a point that is not as academic as it sounds in a Republic frequently harried from the far right. Equally cogently, for a working politician, dissolution risks bringing little profit. In going to the country, how can he make a clear-cut issue when a dozen other parties go with him ? M. Edgar Faure discovered this to his cost in the 1956 elections.

So it would be wrong to expect very much from the proposed reforms. The interesting thing is rather that they should be seriously debated at all. They undoubtedly echo a political mood. A few weeks ago, the weekly *L'Express* reported a private meeting of youngish higher civil servants, lawyers and business men. They had gathered to discuss what they could do to stop "the rot." A stranger might assume they talked about Algeria, or disarmament or European unity. But not at all ; their main concern was constitutional reform. The need for more stable government has become an obsession with most Frenchmen close to authority. Fearing that the Fourth Republic is breaking down, yet seeing a new, more dynamic country beginning to flex its muscles, they see the problem as above all one of making the political regime work smoothly.

Again, the stranger might cruelly suggest that they are turning to constitutional reform to evade the Algerian problem, in the same way as the parties negotiated about the outline law for Algeria among themselves rather than with Moslems who might have spoiled their blueprint. At least it would be wiser to revise at once the article in the Constitution which proclaims the "Republic one and indivisible," and is holding up fuller self-government in negro Africa. The stranger might also object, like many Frenchmen, that political opinion in the country is too deeply divided for procedural devices to change the habits of generations, even the disastrous ones. There is no doubt that the Third Republic endorsed Jules Ferry's dictum, "What France needs is weak government." Dominated by peasants, artisans and grocers whose horizon was their parish, this essentially 19th century France, haunted by memories of absolute government before and since the Revolution, stubbornly opposed a strong executive.

Yet there is more than escapism to the preoccupation with constitutional reform. The price of weak government, like prices generally, is rising. M. Gaillard admitted last weekend that ministerial instability not only generates distrust between the government and the governed, but encourages the growth of pressure groups and saps the authority of ministers over their civil servants. A distinguished civil servant, M. Marjolin, last year suggested that it also undermined the quality of the civil service itself. The perpetual crisis of recent years, the pressure and complexity of foreign and economic affairs, have taken the charm out of institutionalised anarchy. France has lost heavily, for example, from its indecision over the European Defence Community, from "empty chairs" at international meetings and from the fact that the Algerian rebels almost publicly hope one premier's word will be retracted by another. Economically, too, the modern world cannot allow France to be divided into 44 million parts, each blithely cultivating his own rural garden. Strong government would probably not have improved France's Algerian policy ; but it might have prevented such a foolhardy economic policy in 1956. Over a long period, it would also probably have done much to prevent the present demoralisation of public opinion.

For these reasons the Fourth Republic has shown more concern than the Third with constitutional reform, though with no better results. The Constitution of 1946 has not succeeded. General de Gaulle's preaching for a presidential system—though it is probably the best for France—has jarred on Republican ears because of its Bonapartist overtones. The "reformette" of 1954 was quite unimportant. But M. Mollet revived interest in reform in 1956 by clearing away some of the Socialist roadblocks to it. As premier he found that the left-wing preference for weak government could hinder a Socialist who saw himself as his country's saviour in a crisis, just as much as a Conservative. The

Fourth Republic still has a *shifting mass* of radical and conservative individualists, the Goodwin Sands of French politics. M. Mendès-France's difficulties with the radicals and the conservatives' behaviour over the outline law for Algeria show that they rarely follow their alleged leaders. A conservative "boss" like M. Duchet and the Socialist boss, M. Mollet, are alike eager for an organised right-wing party—in fact they have agreed that France needs a straight labour-conservative fight. But, even without utopianism, better-disciplined parties would greatly stabilise French politics; bargains between leaders could be firm and not the starting-point for further bargains.

It already seems obvious that once again the traditional party divisions will be too strong for *real changes*. Parliament is returning from its holidays disgruntled and ill at ease. The Socialists dislike easy dissolution. The conservatives have brought up electoral reform, the most controversial of all questions; this will greatly complicate the debate. M. Gaillard has threatened a national referendum, as the constitution permits, if Parliament fails to provide the necessary majority, but has prudently set the summer holidays as the time-limit for the debates.

Is it wise, then, to have announced the need for reforms in the apocalyptic terms M. Gaillard used in his speech last week-end? One of the sources of the Frenchman's mistrust of his rulers is the gap between promise and performance. Another "reformette" will simply feed the conviction that Parliament is the biggest lobby of them all, concerned *with its privileges, not with good government*. The fashion for constitutional reform while Algeria continues to poison politics, and the insufficiency of the reforms themselves, will be taken, as the Gaullists take them, for the despairing efforts of a doomed regime. In fact, they may also be a sign that the new structures of French society must find political expression in more workmanlike methods of government. But that is not necessarily reassuring for the Fourth Republic.

A Change in Bonn

FROM OUR BONN CORRESPONDENT

ALTHOUGH Professor Hallstein's going raises some immediate difficulties in the practical conduct of foreign affairs (he has been State Secretary in the Bonn foreign ministry since it was formed) his appointment as president of the commission for the European economic community has for a variety of reasons kindled a glow of satisfaction on the Rhine. The glow is not least in the bachelor-professor's own, rather lonely bosom. All who have met him during the last *few days have discerned* an unusual aura of contentment emanating from the fifty-six-year-old State Secretary. For over seven years he has devoted his powers with unswerving singleness of mind to the labyrinthine toil of restoring German prestige, influence, and security.

He has neither sought nor achieved personal popularity. On the contrary. He seems entirely to have disregarded frequent public gibes charging him with parsimony and obsequiousness. He has continued to live in his three-room utility flat in Bonn, patiently on call at all times to a chancellor exactingly preoccupied with foreign policy. It is not surprising that Professor Hallstein, accustomed to chilly airs outside the Palais Schaumburg, has been warmed, even a *little excited, by this recognition of his capabilities.*

Unlike some of the much-advertised professors in this land of debased titles, Herr Hallstein has undisputable academic qualifications and has held chairs at Berlin, Rostock, Frankfurt, and Georgetown universities. A specialist in international law and international economic relations, he himself is quite confident of his qualifications for the job of driving Europe to market. *His own favourite* testimonials are the part he played in reviving Frankfurt university after the war, in the bargaining that led to Western European Union and German participation in the Atlantic alliance, and in the highly delicate deal with France, political and economic, over the Saar.

Professor Hallstein is planning to call the constituent meeting of the nine-man commission some time next week. The six months thereafter he expects to spend alternatively in Paris and Luxemburg, trying among other things to induce unanimity on a site for a European headquarters. Now convinced of the necessity of a complementary European free trade area, Herr Hallstein intends to encourage its development as vigorously as he can. He appears genuinely to admire Mr Maudling, and has described the Paymaster-General's approach *to his special* European assignment as "energetic and elegant." Yet he himself thinks that the creation of the free trade area will take longer than some optimists suppose.

Bonn's natural pleasure at this latest trophy of national rehabilitation is all the greater for certain administrative and political opportunities which it is considered to have brought in its train. A successor to Professor Hallstein should be named by the end of next week. Dr Adenauer and Herr von Brentano are giving much careful thought to choosing him; also to finding an additional State Secretary to help despatch the foreign ministry's ever-growing business. The need to broaden the office at the top is being acutely felt. Herr von Brentano and Professor Hallstein have been perforce assiduous travellers and conference-goers. During their frequent absences from Bonn work has piled up obstructively, the Bundestag has felt neglected, and foreign diplomatists have been sometimes at a loss with whom to deal. Until the other day it was generally supposed that Herbert Blankenhorn, the competent and ambitious German representative at Nato headquarters in Paris, would be a likely successor to Professor Hallstein. A markedly brusque official denial, stating that he is still required where he is, has put Herr Blankenhorn out of *the running for the* time being. But he certainly has Dr Adenauer's confidence to an unusual degree. The second state secretary is to pay special attention to expounding foreign policy in the Bundestag. Herr Kiesinger, head of the Bundestag foreign affairs committee, who was cheated of cabinet office in October largely for denominational reasons, is frequently named as a likely candidate.

It is being widely mooted in Bonn that Professor Hallstein's departure comes at what may turn out to be a propitious moment in the tide of foreign affairs. The peculiar national conditions prevailing during his term of office have enabled the unobtrusive State Secretary to exercise an extraordinary influence upon the Chancellor. Fairly or unfairly, Professor Hallstein is credited with having industriously and *expertly set up all the comfortable* legal buttresses supporting Dr Adenauer's hitherto rigidly westward-looking policy. Professor Hallstein is suspected of having been too ready to encourage Dr Adenauer to simplify the issues between east and west and to bring German policy too precisely in line with that of the State Department. It

is being ungratefully recalled that already as a model prisoner-of-war Herr Hallstein distinguished himself in the eyes of his American captors, and that in 1948 he returned to the United States as a guest professor of law at Georgetown. *Undoubtedly the State* Department has come to look upon him as the soundest of the Chancellor's intimate advisers. But there are signs that even Dr Adenauer is beginning to be aware that the time has come for greater manœuvrability and for a fresh bid to establish less menacing relations with the principalities and powers whose western-most line runs through the heart of Germany.

From Parkinson's Case Book

Singapore

SINGAPOREANS who follow events in London, and who have learnt of Mr Thorneycroft's resignation on a point of policy arising from difficulty experienced in balancing the budget, are looking at each other with amazement. For the *limitless wealth of the British Government* has been visibly demonstrated for so long here that the idea of there being a shortage of funds never crosses their minds. When Singapore fell in 1942 its garrison surrendered to a Japanese army of vastly inferior numbers: the generally acceptable explanation was not lack of valour or skill but that the fighting men were so pitifully few compared with cooks, orderlies, batmen, schoolmasters, printers, psychologists and clerks in uniform. This has remained true of the forces since they returned, except that the proportion of fighting men is now lower than ever. On the people who live in Singapore this daily spectacle of extravagance has made an impression which it is now difficult to efface. What, they ask can be the *meaning of this talk of stringency from people who so* obviously have money to burn?

General Headquarters, Far East Land Forces, is rumoured to include an establishment of fifty-six brigadiers. Whatever the truth of this, there are a dozen or more to be seen about. Full colonels are numerous; majors are there literally in hundreds. What they are all doing is a mystery. They are not directing the war in Malaya, for that task has been entrusted to another headquarters on the mainland. They are not concerned with administering the services by which the troops in Malaya are maintained, for that rests with Singapore Base District, another headquarters on the island itself with nearly another thousand officers of its own. They cannot be planning for British armies, for no such army is expected, and apparently none exists.

As if the cost of GHQ, FARELF was not staggering enough in itself, there must be added the cost of the naval base, with its pay-roll for thousands who are not even in uniform. No base could be laid out with more perfection of planning. Few bases could rival its 2,000 acres in mere extent. Nowhere else can exist such amenities and accommodation—barracks, hospitals, houses, schools, playing-fields, swimming pools, clubs. All that is lacking is a fleet. The few vessels that refit there are almost lost in the immensity of the facilities at their disposal. In the King George VI graving dock a destroyer under repair would look like a pebble in a well. But no fleet ever steams into the harbour; indeed, no fleet—save that of Japan—has ever been there at all. And it may now be asked what fleet in the atomic age could venture into the confined waters around Singapore, which afford no room to manœuvre or escape?

Apart from the annual cost, the saving of which would build the Royal Navy several ships, there is the value of the buildings, equipment and land. Were the docks to be handed over to the Harbour Board and the rest to the army, the whole of the Alexandria Base area, now occupied by the army technical services, could be sold for millions; and there would still be barracks and to spare at Selarang, Nee Soon and Blakang Mati, where the site values are less staggering. That this is not done would seem proof enough that money is no object in Whitehall. But if money is no object, why—ask the Singaporeans—should the Chancellor of the Exchequer have resigned?

The Case of the Bishop of Prato

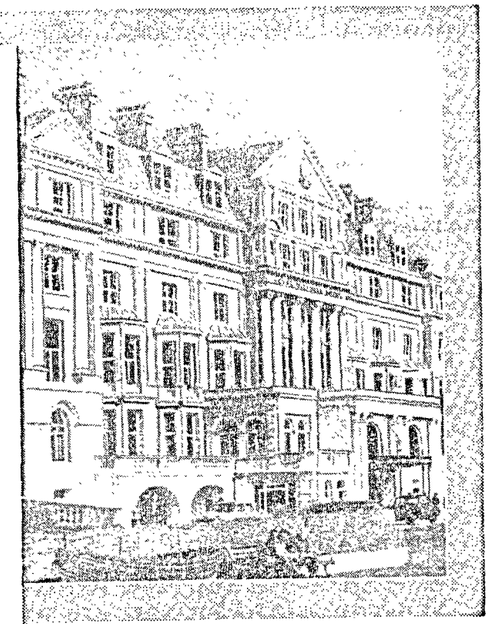
FROM A CORRESPONDENT IN ROME

NEXT week the case against the Bishop of Prato, Monsignor Pietro Fiordelli, is due to be heard in Florence. The bishop has to answer a charge of defamation brought against him by Signor Mauro Bellandi. Last August Monsignor Fiordelli ordered a parish priest in his diocese to read a letter from the pulpit denouncing Signor Bellandi and his wife, who were married in a registry office, as "public concubines and sinners."

When Signor Bellandi cited the bishop, the Italian public was mildly stirred to know what the judges in the court of enquiry would do. Legal opinion in the country, as in the court, was divided, but somewhat to the general surprise, the magistrates decided that the case should be heard. Then, after the cabinet meeting on December 27th, the procurator of the Republic at Florence, who moved that the case should be heard and who should have acted as public prosecutor at the trial, was removed to a superior post at Trent. At the same time the procurator of the court of appeal at Florence, who ordered the case to be transferred from a lower court to the enquiry section of the court of appeal and there moved that it should be dismissed, has been promoted to be president of the court of appeal at Florence. Thus, if the first sentence goes against the bishop, the case will be heard again in a court of appeal whose president has already expressed his opinion in the bishop's favour. To placate an outcry in the press, Signor Gonella, the minister of justice, has been obliged to write letters to a number of papers denying that these promotions have anything to do with this case. The fact remains, as *La Voce Repubblicana* points out, that, after the cabinet meeting on December 27th, the bishop is in a much more favourable position than he was before.

Italian culture is predominantly juridical and everyone, in this nation of lawyers, enjoys a legal argument. But this does not mean that the public is acutely sensitive to constitutional issues. In Cavour's day—and long after—a case like this, could it have arisen, would have raised a strong liberal reaction. Contemporary Italians, on the other hand, are more inclined to discuss the points of legal finesse, for and against the bishop, than to drag forward the great arguments about Church and State. Among other things, the bishop described marriage performed by the officers of the State as "so-called marriage" and said that, for the baptised, this was not marriage at all but "the preparation for a sinful state of concubinage." It may even be doubted whether Monsignor Fiordelli recognises civil marriage as a legal institution for, in his letter, published in the parish bulletin, he refers to Signor Bellandi's wife not as Mrs. Bellandi but as Miss Nunziati. The Italian State has brought no action against the bishop for contempt of its institutions or for inciting to contempt of the law. In the law courts,

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as in Italian drawing rooms and cafés, the only point to be debated is whether or nor he has committed an offence under Italian law by publicly denouncing two people as concubines. Is the word concubine defamatory? Can the opinion of a religious authority defame? And so forth.

In its political aspect the case has aroused some misgiving, mainly because it has occurred under an all Christian Democrat government shortly before the elections. It is not the magistracy, still less the bishop, who is under suspicion but the government. The bishop may be within his rights. The Italian State voluntarily gave up a part of its sovereignty when the Concordat was signed in 1929. The point is that, in the first real conflict concerning the boundary between Church and State the Christian Democrat government has not stood forward to defend the State as it would have done—or so many Italians, both Catholics and non-Catholics, believe—in Signor de Gasperi's time. The case of the Bishop of Prato looks, to the Italian public, suspiciously like the thin edge of the wedge; a foretaste of the sort of thing that is likely to happen if the Christian Democrats obtain an absolute majority at the elections. Why stop at black-listing concubines, it is asked. Black lists of fornicators and blasphemers pinned on the church doors may be the next step towards "moralising" Italian life.

It may be argued that, on the eve of a general election, the Christian Democrat ministers, mindful of the help they will need from the parish priests to procure votes for the party, are not as eager as they would normally be to uphold the authority of the State. But how would they act should the electorate give them a free hand? Liberals, Radicals, Republicans, Social Democrats, Socialists and Communists all attack the Minister of Justice for attempting to manipulate this case, but since all these parties either hope to join in coalition with the Christian Democrats after the elections or else are courting a part of the Catholic electorate, none of them, with the possible exception of the tiny group of Radicals and Republicans, is really prepared to do battle for the State.

The Monarchists have always claimed that the Crown was a counter-authority to the Church and they now say that the others have only themselves to blame for the present dilemma. In reality the Constitution of the Republic intended to devise a safeguard. Articles 104 and 105 prescribe the erection of a Supreme Council of the Magistracy presided over by the President of the Republic and partly elected by Parliament with powers to appoint, promote and remove the higher magistrates. These powers are now exercised by the Council of Ministers as they were under the Fascist government. The case of the Bishop of Prato has drawn attention to this anomaly, and it is safe to predict that the erection of the Supreme Council of the Magistracy will be President Gronchi's main object in the next legislature, just as the creation and consolidation of the Constitutional Court has been his principal object in this.

Back to Normal in Siam

FROM OUR CORRESPONDENT RECENTLY IN BANGKOK

"MARSHAL SARIT slew a dragon, but he is no St George," wrote a western diplomat in Bangkok to his foreign ministry this week, summing up post-election sentiment in Siam. The new strong man, after overthrowing the durable Marshal Pibul Songgram and ruthlessly consolidating his power, now feels confident enough to undertake medical treatment for a lengthy period in the United States. But his choice for prime minister, General Thanom, makes no secret of his conviction that he himself will not remain long in nominal office. Indeed, the only point on which all Siamese parties and commentators are in complete agreement is their hearty endorsement of General Thanom's own modest contention that he has no qualifications for the post.

There has always been an easy-going cynicism about Siamese politics, but even the hardheads were shaken by the celerity and brusqueness with which Marshal Sarit discarded the Unionist party and its leader, Dr Sukit Nimanhemin, who won a majority of votes in the elections last December. True, the Unionists were graciously permitted to join the new party which Marshal Sarit created: the Nationalist Socialists (Chartsangkhom). But even Dr Sukit's opponents believed that he should at least have been given the opportunity to form a government—in alliance, naturally and unavoidably, with the majority block of army-appointed members in the Assembly. Dr Sukit, a scholar and economist of some renown, commented ruefully but realistically: "I neither approve nor disapprove; I merely listen."

The new party includes members of Marshal Pibul's old Seri Manangasila party, who campaigned as "independents" and won re-election because of personal followings. They represent, after all, powerful elements of the old ruling group, which split when Marshal Pibul fled. Marshal Sarit doubtless feels the stronger for their support; as a fair-minded man, he probably concedes also that they should not all be heartlessly deprived of their share of the rackets, rakeoffs and perquisites which they helped so diligently and successfully to develop as one of the foundations of Siamese parliamentarianism.

The Chartsangkhom now musters about 200 of the Assembly's 283 members—elected and appointed. There is not the slightest evidence of any pretence at reform of public venality, and the empiric redistribution of spoils, after Marshal Pibul's downfall, becomes even more nebulous as old familiar faces reappear gratefully at the trough under the ægis of the new party.

One leader who emerged with credit and dignity from the "democratic" burlesque of the elections was Pote Sarasin, the caretaker prime minister, who took office after the September coup. He refused pointblank, under the strongest and angriest pressure from the army, to lead the new government. He insisted that Dr Sukit had won the right at the elections to form a government: "The elections would have no meaning if I, not elected, took office." He has indicated, however, that he may take part in the elections in four years' time, when the constitutional appointment of "second category" members has been abolished. Pote Sarasin's prestige at present stands high among the limited minority of informed Siamese who take an intelligent interest in politics.

Nai Khuang's conservative Democrats, who won 39 seats (against the Unionists' 45), remain doggedly in opposition. Khuang may even find himself in expedient alliance at times with the remnants (12 seats) of Nai Thep's Socialist front. Khuang's conservatives scored well in Bangkok, despite the concentrated campaign for over two years against Seato, American aid and Siam's anti-communist policy. There is still comfort for the West in this popular steadfastness on international matters, although the unchanged political facts of life inside Siam must also be accepted: army domination, corruption and graft.

One final point. There is now no doubt in diplomatic

circles in Bangkok that Marsahl Pibul Songgram is finished. Marshal Sarit's assurance has ended speculation over a possible comeback. The King, it is reported, has been increasingly outspoken in his personal denunciation of the exiled leader, and has even asserted that Marshal Pibul intended to set up an open dictatorship—as distinct from the kind disguised as democracy.

Pressures on Israel's Coalition

FROM OUR CORRESPONDENT IN TEL AVIV

THE Hebrew press is full of cartoons ridiculing the new coalition government, which is exactly the same as the previous one. The same question is asked again and again: why was this crisis necessary, if after three weeks of excitement, negotiations, mutual accusation and speculation everything is as it was before Mr Ben-Gurion's resignation? And how can it be explained that men who were accused of nothing less than sabotaging Israel's defence effort should still remain members of the cabinet?

There is no satisfactory answer to either question. And at this stage it is more profitable to ask a further one: will this cabinet manage to work together harmoniously until the next elections, which are due in 1959? The coalition partners have expressed their willingness to do so. But the Knesset debate that followed the presentation of the new cabinet proved that differences of opinion are as sharp as ever. Mapam sticks to its neutralist conception. Achduth Avoda is opposed to co-operation with "Nazi generals." The rift between the parties on foreign policy runs deep between Mapai and the two left-wing parties.

Difficulties over domestic policy are to be expected too. Income from the bond drives in the United States is less than in former years owing to the American business recession. The $75 million loan by the Export-Import Bank has not yet been granted, although negotiations have been going on for many months, and it is expected that it will be much lower than the original figure. Foreign currency income, it is true, is still considerable; German reparations are at their height and personal restitution payments increase yearly and may reach $50 million in 1958. But time is running short. Everybody agrees that the standard of living is much too high in relation to actual earnings and that thoroughgoing reforms are needed if the shock expected in 1962 when German reparations end is to be cushioned.

This can be done only by increasing productivity, cutting down consumption and pushing exports. This slogan has been repeated *ad nauseam*; but although physical development is impressive and production has risen, the profitability of many enterprises is doubtful as they are kept going by an intricate system of open and disguised subsidies. Every attempt to keep down wages is stubbornly opposed by Mapam and Achduth Avoda, while Mapai, keeping an anxious eye on the prospective voter, is afraid of drastic measures. But the celebrations for the tenth anniversary of the foundation of the State, which are to start in April, will overshadow everything else, and make Mapai more likely to postpone reforms unpalatable to the left-wing parties. The celebrations should, therefore, help to keep the coalition together.

So should the pressure from the opposition parties. One of the orthodox representatives in the Knesset made an illuminating speech in the debate on the new coalition. It showed that the religious group is pressing its demands with the utmost vigour, and that Mr Ben-Gurion would have a very difficult time if he ever had to heed their demands in order to buy their backing in a coalition.

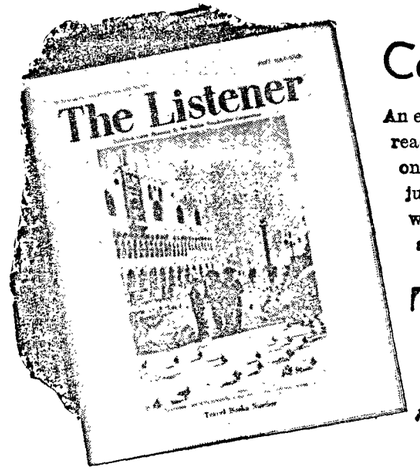
The professed goal of the orthodox parties has always been the recognition of religious law as the law of the land. Even today the authority of the rabbinical courts is far-flung, as far as Jews are concerned. They are married by the Rabbi, divorced by him and buried by a burial society under rabbinical supervision. This set-up still stems from the time of the British Mandate when every community, Jews, Christian and Moslem alike, was left to look after everything concerning personal status. No reform has so far been introduced, although freethinkers complain that under rabbinical law no marriage between a Jew and a Gentile is possible and that some other laws, deriving from a purely patriarchal society, lead to hardship for women. Suggestions that the religious authorities themselves should introduce reforms have met with no response. On the contrary, the religious parties have pressed consistently for concessions, and have successfully forced the municipalities—except "red Haifa"—to suspend public traffic on Saturday; they have also persuaded the Ministry of Transport not to run the railway on the day of rest. In addition, the sale of pork has recently been forbidden in a number of towns and the religious parties press for further concessions, because they know well that many of the new immigrants cling to strict observance of religious customs.

Lately freethinkers in Israel have been shocked into increased watchfulness against orthodox pressure. A fairly large number of Christian women have immigrated from eastern Europe with their Jewish husbands. They have encountered a certain amount of animosity, especially in small villages where bickerings between immigrants from different countries are not unusual. These conflicts were already being discussed in the press when an unfortunate incident focused attention on the problem. The child of a Christian mother and a Jewish father who had died and was refused burial in a Christian cemetery was interred just outside the Jewish cemetery of the village where the parents were living. This brought indignant protests from many quarters and there were proposals to set up municipal burial societies so that the citizen would be freed from the supervision of the rabbinate. Orthodox circles, however, defended the decision of the rabbi who had ordered the separate burial, by citations from religious law. And in the speech in the Knesset already mentioned one of the foremost orthodox representatives denounced in violent terms every attempt to change time-honoured customs, even in the slightest degree, and asked Gentile women who are married to Jews to embrace the Jewish religion because they could not otherwise be integrated into the Jewish community.

The separation of church from state in Israel is, in fact, far from complete. This is not surprising; religious and national traditions are intimately intertwined. The strong pressure of orthodox circles has until now prevented the writing of a formal constitution, for Mapai was convinced that a fight over this very controversial issue would split the community as perhaps no other issue could. But Mr Ben-Gurion knows, too, that the free-thinking section of the public would resist further concessions to orthodoxy.

Correction.—The word "dictaphone," which was used on page 123 of *The Economist* last week in an article on the Grundig enterprises, is a trade name of the Dictaphone Company; the term "dictating machine" should have been used instead.





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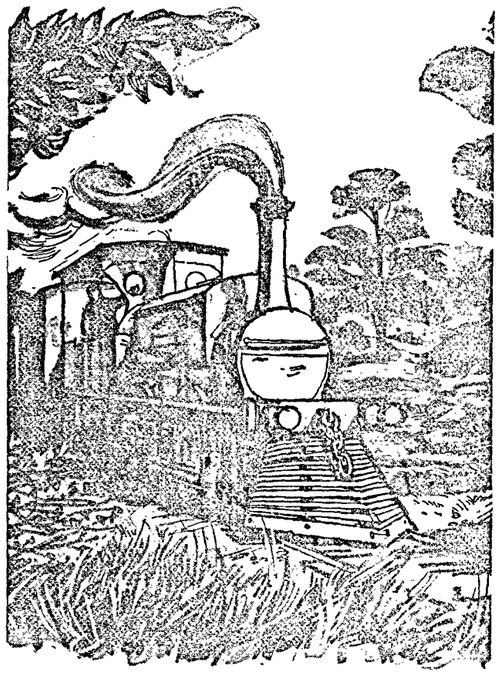
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THE BUSINESS WORLD

PROSPECTS FOR 1958

Thin Ice for Investors

It is safe to predict that this year's Derby winner will be a three year old and not a rhinoceros. The investor at the outset of 1958 lacks any fixed point of certainty. He may hope that sterling this year will be strong enough to ride the autumn squalls. He will pray that America will stop industrial recession developing into serious slump. He must presume that the Government's monetary policy is unchanged. The one certain assumption that he can make is that there will not this year be a boom on the London Stock Exchange. He must try to pick his way through a market more confused and threatening than any since the war.

THE bear market in industrial stocks rests on widespread pressure on profits (not in this country alone); a tailing off in the rate of industrial investment; a world-wide fall in commodity prices; and a flattening out in the volume of world trade that could well turn into a fall. Mr Thorneycroft did not create these facts, though his emphatic decision to defend sterling at all costs determined the shape of the market's reaction to them. Mr Heathcoat Amory cannot abolish them and he, too, proclaims his determination to defend sterling.

Not for more than a generation has the investor been so well paid for avoiding long term investment. That is one of the consequences of 7 per cent Bank rate that cannot be ignored. The investor who decides today to put his money on deposit in a bank at five per cent draws without risk of depreciation a better net return than was earned a mere couple of years ago on many investments since slashed by market depreciation. This explains the growth of bank deposit accounts at the expense of current accounts—at considerable cost to the profits of the banks. If he has £500 or £1,000 in hand, he can place it for six months with a leading hire purchase finance house at 8½ per cent per annum. If he fancies gilt-edged, the shorts will yield him more than the longs. That he is more than usually uninvested must explain part of the phenomenal success of such recent new issues as BP and Newcastle-on-Tyne, for stagging is an ideal short-term adventure for those with spare money. It is strange that this rise in the returns on short-term investment—which ought to be a powerful incentive to saving—has not so far been extended to the investments intended specifically for the small saver. Neither the yield on the "national savings" media nor that on the shares of most building societies has been revised.

A second big change also springs from the decisions of September 19th. The relative attractiveness of fixed interest stocks and of equities has been inverted. Seven per cent Bank rate plus the ceilings on bank advances and on public investment may even have marked the end of a downward drift in gilt-edged that was ten years old. That depends partly on whether Mr Thorneycroft's old policies are

THE PRICE OF MONEY

Gross yields	End 1955 per cent.	End 1956 per cent.	End 1957 per cent.
Consols 2½%	4·42	4·76	5·37
British Transport 3% 1978/88	4·56	5·01	5·73
Bank deposits	2½	3½	5
H.P. deposits	5–5½	6–6½	8–8½
Building Society shares	5·22	6·09	6·09
The Economist Share Indicator	5·01	5·91	6·63

THE PRICE OF COMMODITIES

	£	£	£
Copper (per ton)	396½	268½	180½
Tin (per ton)	834½	782½	730½
Lead (per ton)	121	116½	72½
Rubber (per lb.)	36 7/16d.	32d.	24½d.
Wool tops (64s. per lb.)	110d.	138d.	113d.
The Economist Commodity Indicator (1952=100)	95·3	98·3	86·5

pursued in full force by the new Chancellor. At least it can be agreed that the longer-run outlook for fixed interest stocks is sufficiently brightened, and the outlook for equities sufficiently dimmed, to make the big investment funds that have been steadily switching out of gilt-edged into equities for several years past pause and think.

As soon as economic policy justifies the holder of £100 of 3½ per cent War Loan in the belief that his £2 os. 3d. after tax will buy about as much next year as this, confidence in British Government stocks can be expected to return. It would spread right along the line from Treasury bills to undated stocks. The limitations on Government spending and on finance for the nationalised industries, together with the Government's sales of stock from the official portfolio, would cut the supply of Treasury bills and set the discount market competing more vigorously for short bonds. The banks, limited in their lending, would begin to feel safe in increasing their investments. These processes will at best be slow, but the response to this week's £500 million 5½ per cent Exchequer issue suggests a fair beginning. Cynics are entitled to their doubts after so much gilt has been rubbed off gilt-edged. The prospects looked rosy just a year ago, but disillusion soon followed. Yet the parallels are not very close ; wage inflation at home had not then been tackled ; recession in Canada and the United States had not appeared : and commodity prices stood at a peak.

But even those who believe in the possibility of a firm and gently rising market in gilt-edged and in other fixed interest stocks would agree that a boom in gilt-edged is out of the question. An active policy of funding (to which, presumably Mr Heathcoat Amory is no less committed than his predecessor) presupposes steady sales of gilt-edged from official holdings and the coaxing of investors into longer stocks. That policy certainly sets a limit to any rise. Moreover, there is a long queue of would-be borrowers ; Commonwealth countries and local authorities at home must be allowed to come forward at a rate that will neither destroy the market nor let it run out of hand.

QUITE markedly the outlook for industrial shares has worsened. Looking backwards, it can be seen that profit margins, as shown in *The Economist's* quarterly analysis of profits, have been under the squeeze for more than two years, though less so in some of the consumer goods industries, such as food and brewing, than among the producers of capital goods. Inflation and the clamour for industrial stocks as a hedge against it masked the effects of steadier profits ; but the decisions of last September made it less attractive to hedge against inflation and exposed industry to the triple hazard of dear money, difficult borrowing and a check to industrial expansion. The investor must now concentrate entirely on future earnings.

Falling commodity prices, a real though small increase in unemployment, and a predicted curtailment both of industrial expansion and of international trade, point to harder going industrially this year. Credit restriction may be biting harder before spring is over. The fall of share prices that has already occurred—an average of about 20 per cent from the high point of last summer—discounts some of that harder going. There are many who now argue that the worst of the fall is over, and that Guy Fawkes day of 1957, when the *Financial Times* industrial index stood at 159.0, will prove the true bottom of the market. They can be left to their argument in the certainty that revival is not yet due. It is equally wise to avoid fatuous guesswork about the duration of 7 per cent Bank rate and to rely upon the probability that, whatever the exact rate may be, a fairly long period of dear money cannot be avoided. Lower prices of commodities have bitten hard into the incomes of the overseas sterling countries. They may have to draw further on their reserves and sterling will not be immune from pressure. A strict credit policy will be the natural defence.

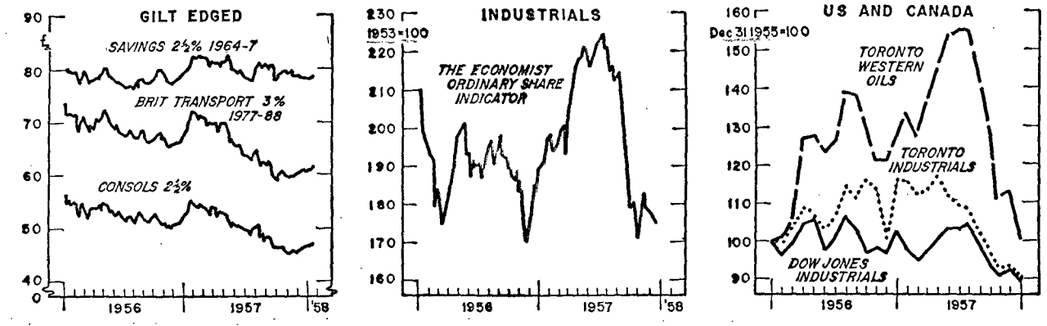
The third main fact that investors must now weigh is the weakening overseas—the fall in the Wall Street and Toronto markets, in world commodity prices and in shipping freights, all springing in part at least from a single source, industrial recession in America. There is no certainty that these movements are yet played out. While that is so—and so long as the public neither here nor abroad distrusts sterling—there will be no rush into Wall Street nor into Canadian shares. One of last year's favourite pastures is no longer luscious.

THIS seems to be a time, then, for careful re-appraisal of existing portfolios of industrial stocks rather than for either adding to holdings or jettisoning wholesale. Some shares may be worth holding just because they have fallen too steeply and one or two because they show a significant rise against the downward trend, but there are also some old favourites that ought to go. In the present state of the industrial market, investors will show increased fondness for that attractive double option, the convertible prior charge. Since the lender now calls the tune, a convertible stock that stands on its own feet as a fixed interest stock yielding something over 6 per cent has to be offered and with it an almost costless right to convert into ordinary shares. These terms may be thought onerous by many companies, but if they want money urgently, they must pay the full rate for it.

It is not the general run of the industrial market, so much as the side lines of equity investment—those markets on the fringe that seem to stand out from the general trend—that are likely to attract attention. They are worth a careful look, even though most investors will not find them suitable for more than limited venturing. Some of the attractive possibilities of yesteryear are not now attractive. The investor will think twice about shipping shares despite their high yields, in the face of lower freight rates and tougher international trade. Oil shares attracted much of last year's speculative activity. Is the outlook for oil as a commodity

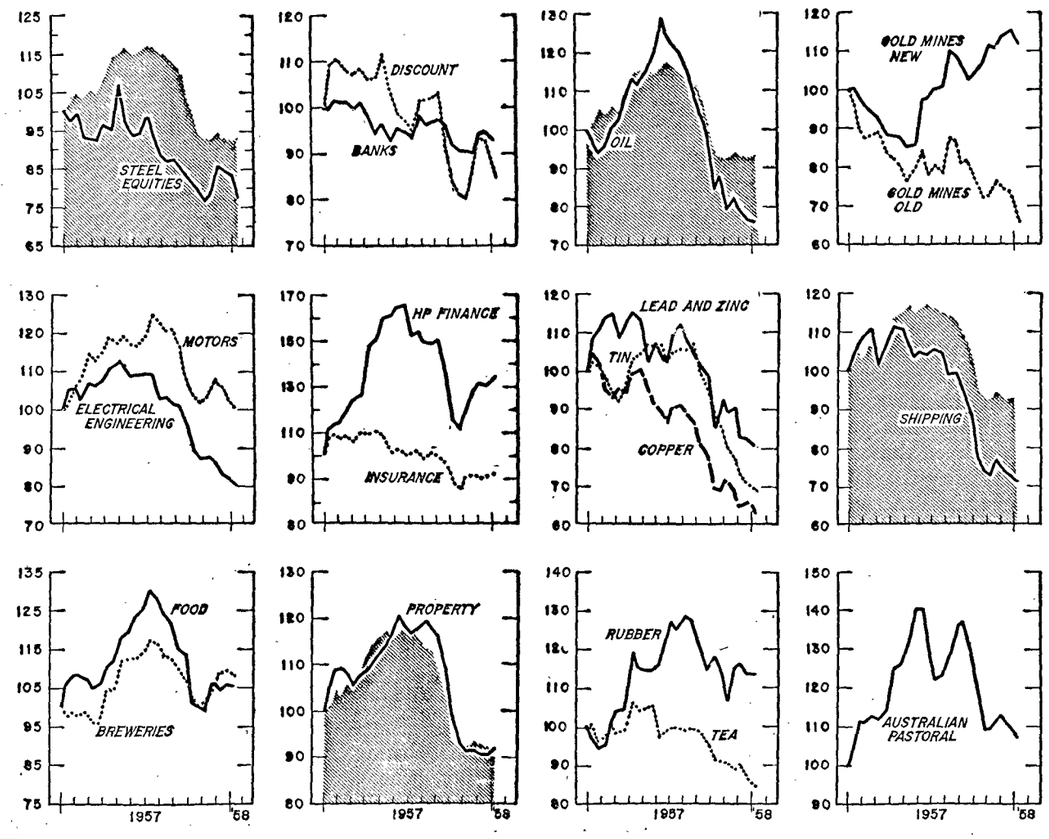
The Bear Market Charted

The fall in industrials has been sharply accentuated by the events of last September, and a falling market in gilt-edged halted by them. Bear markets in industrial stocks in the United States and Canada appear still unchecked.



Side Lines of the Stock Market

Against the background of *The Economist* indicator, which is shown shaded across some of the charts, some of the share groups that stand out of the general run of the market are depicted. The six left hand charts cover home industry, consumption and finance and the six on the right hand cover investment overseas.



good enough to sustain speculative buying in 1958? Or will oil shares not lose some of their following when the big new issues are out of the way? Property shares have reached a low yield basis, and though the main benefits of the Rent Act have still to come the last fraction of the adjustment may be slower going. On the other hand, the trend still seems to favour the hire purchase houses. The value of HP business may shrink this year, but the companies should be able to develop other outlets for their depositors' money.

Nearly all the commodity groups are under the shadow of falling markets. Copper dividends, for example, must be slashed this year, though it will be surprising if, given the cuts in production now arranged, a time for reconsideration does not arrive before the year is out. Active bargain hunting will continue in the rubber share market too, based not on the outlook for rubber but on talk of take-over, of liquidation and of cash distribution. The chosen companies will not be the cream of the market, but those whose net assets and absence of voting control invite a bid. And if British estates operating in Indonesia decide to throw in their hand, break-up possibilities will be there.

Chief among the side shows likely to attract investors this year, however, is the gold share market. It stands as a whole a little lower than a year ago with the *Financial Times* index around 70 against 76½. But that index covers two divergent movements; the established mines of the Rand have been out of favour, while the new companies of the Orange Free State and Far West Rand have been rising briskly. To see a fair risk in the latter it is not necessary to dream of a higher dollar price for gold. No American recession at present foreseen would be sharp enough to make the Americans raise it. The investor who chooses gold shares now is not even seeking currency hedge; he is simply choosing an industry that has not yet reached its peak, but has covered the bulk of its capital commitments. Unless he has deliberately chosen a dying issue in the hope of a satisfactory final break-up, he is looking for rising dividends.

The choices before the investor are therefore three: to maintain a high degree of liquidity; to venture gradually into the gilt-edged market; and to stand on the side lines waiting for the opportunities that must surely develop before the year is out. And as he sweetens his gilt-edged portfolio with a few gold shares he may remember that though gold is the only commodity that never goes up, it is also the only one that never comes down.

Fifty-Fifty in Oil

Terms conceded by Italian and Japanese oil companies in the Middle East appear generous, but do they really threaten the profit-sharing principle observed by the major oil groups?

RECENT agreements between the Persian government and an Italian oil company, and between the Saudi Arabian government and a Japanese concern, have been widely proclaimed as the thin end of the wedge that will smash the equal profit-sharing arrangements now applying to oil production in the Middle East. The principle of an equal division of profits between the country owning the oil resources and the foreign company exploiting them was first established in Venezuela after the second world war; today it prevails in every large producing area. There are some exceptions: countries where little or no oil has been found have tried to entice oil companies into risky exploration by offering them more favourable terms; others, like Italy, have scared foreign oil companies away by legislation that appears to be more onerous than fifty-fifty. In the Middle East, the agreements made by the oil companies provide explicitly or in effect for most-favoured-nation treatment: if a host government is offered better terms or receives a higher revenue per ton from one company, consultations between other companies and their host governments may have to follow. So the question may become critical: Have the Italians and the Japanese conceded better terms than the established producers in Persia and Saudi Arabia?

Much has been made in the Middle East of the Japanese offer of 56 per cent of the "profits." It is easy to represent this as being more generous than 50 per cent. But 56 per cent of what profits? The major international oil groups provide not only a half share of the profits on crude oil production for the governments of Kuwait, Saudi Arabia, Iran, Iraq, Qatar and Bahrain; they also provide the assurance that large profits will be made. It is the world-wide refining, transport, storage, and distribution facilities of the major international oil groups that have made the oil revenues of the Middle Eastern governments as big as they are. Newcomers such as the Italians and the Japanese have less to offer in the way of experience and capital resources; nor, except for some preferential treatment in their own relatively small home markets, do they control important outlets for the crude oil they may produce. That forces them to offer extra lures—more than half of the profits, a participation by the host government in the producing company, or, as is said to be stipulated in the recent Saudi-Japanese agreement, a share of any profits earned outside as well as inside the producing company.

Profit-sharing agreements usually provide for a royalty, generally an eighth of the value of the oil produced, to be paid to the government whether the company makes a profit or not. This assures the government a minimum revenue related to the volume of oil produced. The profit-sharing agreement usually comes into play when the income remaining with the oil company (before it pays income tax to its own government) begins to exceed the total of royalties, local taxes, import duties and other payments to the government of the producing country; income tax is then levied to adjust the total payments by the oil company to one half of its net income. Having handed over half of its net income, the oil company is usually—though not always completely—exempt from all other forms of taxation. Income tax is levied by the British, American or other foreign governments only on the share of the profits retained by the oil company, and the company can offset against this tax liability the income taxes that it pays to the government of the producing country.

THIS sort of arrangement, simple enough in outline, is highly complicated in practice. What is the net income, the "tax base," on which the government's 50 per cent share is to be computed? Is all unproductive exploration expenditure allowed as a charge against income? Is there a depletion allowance, which is deductible from gross income before striking profit? If so, is it the same as in the United States—27½ per cent—or is it lower, entailing a correspondingly higher payment to the government? Over how many years can capital expenditure be amortised? Above all, on what values for the oil are the profits established?

There is plenty of room for argument, and this last question, particularly, has caused many squabbles. In Venezuela, profits are based to a large extent on prices realised on export; in the Middle East, the great bulk of the oil is sold to affiliates of the producing companies on family terms, but governments have insisted on calculating profits at full posted prices, subject, in some cases, to quantity discounts and marketing allowances. If a producing company has to sell below posted prices in order to secure a market, it still has to calculate the government's share of the profits as if the oil had been sold at the full posted price less only the permitted discounts.

The share of the profits is, in any case, only part of the story. To get concessions oil companies have also to accept many other commitments. Companies usually have to pay an annual rental for their prospecting area; if oil is found, the rental is increased, sometimes retroactively. Often, large bonus payments or premiums have to be paid to obtain the concession, followed, in some countries outside the Middle East, by additional lump sum payments on entering the exploitation phase. Many agreements now require the company to refine locally a sizeable share of the crude oil it produces; if it already has refining capacity at its markets, this requirement imposes a heavy extra cost and risk. The commitments that oil companies assume in fifty-fifty deals have been steadily increasing; only by taking them all into account can the total outgoings on the concession be realistically set against the prospective yield.

Seen in this light, the terms conceded to Persia by the Italians and to Saudi Arabia by the Japanese are not as onerous to those oil companies as might at first appear. It is true that the Italians are assuming the entire burden of exploration, while accepting the National Iranian Oil Company as an equal partner in producing and selling any oil they may find. But in return for this they are absolved from all rental or bonus payments, which might well have been more expensive. And the joint company will not have to pay more than half of its profits to the Persian government. On the other hand, the Japanese concession and two of the Italian company's three concessions are offshore, where the cost of drilling a "wildcat" well is exceptionally high; and if the Italians find oil in their third concession, in the interior of Persia, they will then be faced with the heavy cost of constructing a long pipeline to deliver their oil to seaboard. In this sense both newcomers have paid dearly for their concessions. And the sceptic might say that this reduces still further the chance that they will ever make lush profits to divide with their host governments.

More significant may be the clause in the Saudi-Japanese agreement that is said to concede to Saudi Arabia a right to a half of all profits earned on its oil outside the Middle East, "right down to the motorist's petrol tank." Traditionally, most of the profits in an integrated oil operation are made in production; but, as crude oil prices sag under a world surplus of oil, there may be a tendency during the next few years for a larger share of a smaller total profit to be made at the refining and marketing end of the business. If this happened, the desire of the producing countries for a share in the profits earned at later stages would be heightened. Saudi Arabia, for example, in its protracted negotiations with Aramco, wants to profit from a fully integrated producing, refining, transporting and marketing company, whose entire operations would be controlled from Saudi Arabia. The oil companies' compelling objection to such proposals would extend beyond the immediate effect on costs and tax liabilities to the interference of the Middle Eastern governments in the oil companies' day-to-day operations in Europe and in the United States.

A share of the profits, however large the percentage, and however wide the net is cast over activities outside the Middle East, means nothing unless it is related to the volume of sales and to the prices at which those sales are made. Under the existing fifty-fifty arrangements, it is in the oil companies' interests to supply Middle East oil to an increasing share of the markets they control. Yet, while Middle Eastern governments have never been slow to exploit the knowledge that the world cannot do without their oil, they appear to be ignoring the growing surplus of crude oil producing capacity outside the Middle East. New concessions granted recently in Venezuela, for example, have sharply raised that country's export potential; and in the Sahara, in the more distant future, the Middle East

may have a more than marginal competitor. But at the same time the rate of growth in the demand for oil, both in the United States and elsewhere, has slackened off. Even if it recovers, so many new oilfields are being found and developed that for several years, at least, the oil available in the world is likely to be well in excess of the demand for it. Producers in Venezuela, now restricted in their access to the American market, are seeking urgently for new outlets in the Eastern Hemisphere, in competition with Middle East oil. And if the governments in the Middle East insist on raising the oil companies' costs, or on interfering with their commercial operations outside the Middle East, they must not be surprised if the oil companies find the extra supplies from Venezuela—if their dollar cost can be reduced—a more attractive buy.

Nor can the Middle Eastern governments guarantee the growth of their oil revenues, in a period of world oil surplus, by encouraging Italian, Japanese or other independent operators to find and exploit new fields in competition with companies long established in the Middle East. These newcomers will be tempted—if their concession agreements will permit them—to sell below posted prices in an attempt to gatecrash the markets of their established rivals. The upshot of this price competition, once it assumed serious proportions, could be a lower general price level in the Persian Gulf—and now that the American market is effectively insulated against low cost imports, lower prices would bring few extra sales. So the net result would be that all producing interests, governments and companies alike, would be financially worse off. Seen in this economic context, the long-term interests of the Middle Eastern governments lie in keeping operations in their territories commercially attractive to the major oil groups that have the markets. But seen in the more familiar and more emotional context of national prestige, future financial rewards lose some of their lustre. The big question for the oil companies is whether they can go still further than they have gone already in assuaging nationalist pressures, without accepting impossible limits on their power of commercial decision.

BUSINESS NOTES

5½ PER CENT EXCHEQUERS

A Good Response

THE Old Lady of Threadneedle Street is old fashioned with her figures. The argument against announcing the response to an issue of Government stock is simply that those issues are not sold to the public on a single day: one of their main purposes is to replenish the supplies of scrip which the Government broker will use for his selling and switching operations over a period. If therefore the Bank disclosed after a loan such as the issue of £500 million 5½ per cent Exchequer Stock 1966 made this week, that the public had subscribed for X and the Government departments had taken the balance, everyone would know what the Government broker held when dealings started. But the public must be content with the formal statement that applicants for over £5 million received 74 per cent of their applications.

That figure has some meaning. Traditionally the Bank announces allotments of 90 per cent and over when it is disappointed with the response and of below 80 per cent when it is pleased. Outright sales of the new stock (largely to the banks) are believed to have exceeded expectations, and further considerable amounts were sold in exchange for the maturing 4 per cent Conversion issue. That £676 million issue is due for repayment in June, and the authorities are now busy getting control of it. In a dull but by no means weak gilt-edged market the issue received a deserved success. It was considered orthodox, neither forcing the market upwards nor depressing it. Despite the pleasing amount of support it is obvious that the official portfolio holds a large block of the stock, which opened at the issue price of £99½. That price does not attract the Government broker, who would, probably, be willing to sell at a small premium. The prospect that he will remain a potential seller for some time raises an unusual technical point. There is not another Government stock with a coupon as high as 5½ per cent, and buyers may forget that gross interest accumulates at the rate equal to about 1/64th in the price every day. The purists must not therefore accuse the authorities of forcing the market by selling at rising prices.

STEEL DEVELOPMENT

Steadying the Pace?

CONSETT IRON COMPANY this week confirmed what it had hinted some months ago—that for the present it feels able to go ahead only with part of the development programme that the Iron and Steel Board approved in January last year. The project that it then put forward as a major element in the steel industry's 1957-62 development plan comprised new coke ovens, sinter plant, a new blast furnace, melting shop, and a modern 4-high plate mill: it now intends to proceed first with the plate mill and a smaller steel melting shop (using an oxygen-blown Bessemer process). No other steel company has yet specifically announced any postponement or "stretching out" of its fixed investment plans: but so far not many contracts have been announced for the new steelworks plant included in the industry's programme—though some of the orders for basic metallurgical plant, such as blast furnaces, appeared to have been placed even before the board published its report last July.

Last week it was confirmed that the main South Durham plate mill contract had been placed with Davy-United of Sheffield, the country's largest builders of rolling mills: this is a £4 million contract, and Davy-United will engineer

and co-ordinate the supply of plate shearing and finishing equipment. Some smaller orders have been placed in Britain and abroad. But Consett has understandably not yet ordered its new plate mill; Colvilles does not appear to have done so either. And continued uncertainty about whether and where the Government may decide a fourth wide strip mill should be put down is holding in abeyance orders for the developments proposed by Richard Thomas & Baldwins at Newport and Redbourn.

In practice, therefore, some "stretching out," which was always probable, does seem to have begun: Colvilles' prospectus this week, for example, talks of projects shown in the board's special report as due for completion in 1962 as to be carried out "over the next six years." The five-year programme did indeed involve a sharp increase in the pace of steel development—to roughly double the rate of the last decade. Some slight moderation could, indeed, obviate strain on the capacity of those plant manufacturers likely to be most fully engaged—so long as it does not mean in practice first a hiatus in orders and then a rush to get early places in the manufacturers' "queue" of building. In one sense, moreover, delay is narrowing the gap of time between the dates when a fourth strip mill could be completed and when the industry thinks it could be economically employed. But seven per cent and the prospects of slower expansion are not ideal conditions for contemplating very heavy long-period investment: when this and other development projects come to be reviewed in the spring, even further grounds for disagreement could emerge.

SHELL ISSUE

The Terms Fixed

THE price of £5 10s. a share announced on Thursday for "Shell" Transport's one for ten rights issue accords exactly with market expectations. With "Shell" Transport (registered) stock standing in London at Thursday's better price of 142s. the Royal Dutch-Shell giant will get its £120 million of new money it is seeking. The value of the rights for Shell shareholders is about 3s. 9d. per share—sufficiently attractive but not excessively so. It is the prestige of Shell and the fact that it can tap all the main capital markets of the world that will ensure success. The shares will rank for the final dividend for 1957 to be maintained at 2s. 9d. per share tax free (13¾ per cent) again making 18¾ per cent tax free for the year.

What will Burmah Oil do with the rights on its large shareholding in Shell? Burmah as a company will presumably not find it convenient to increase its total investment in Shell and BP. There seem to be three choices: to pass the rights to shareholders as was done with the BP stock issue; to sell other holdings in order to exercise the rights; or to sell the Shell rights.

SUEZ CANAL COMPANY

Something from Suez?

AN active market developed in London in the shares of the Suez Canal Company just after the Christmas decision by the French Government that though the company was now French, transferable francs (on which the exchange rate is about 1,200 to the £) might be used for arbitrage in the shares. This change from the market's previous information brought London some useful arbitrage busines which came to an end when the Paris price fell and the London price rose so as to squeeze out the opportunities for arbitrage. The London price of the capital shares is now at about £49 and the Paris price in approximate parity at 60,000 francs; arbitrage business is at a standstill, but a fair investment demand, encouraged, it is believed, by one of the merchant banks, has sprung up in this country.

That investment demand may increase rather than diminish following the expression of views released in this country by M. Jacques Georges-Picot, the former general manager who has just been appointed chairman and managing director. M. Georges-Picot, who welcomed the negotiations with Egypt, which he expected would start next month or early in March, also expressed the intention of distributing in specie to shareholders a large part of the shares of SIM (Société d'Investissements Mobilières). This is an orthodox investment trust holding nothing but quoted securities with an issued capital of 7,000 million francs in ordinary shares of 10,000 francs each, almost all owned by the parent. Its assets, worth between 20,000 million and 25,000 million francs, represent roughly half the net assets of the Suez Company.

Since M. Georges-Picot also considered it "very probable" that if the compensation negotiations with Egypt were satisfactory "a large part" of the compensation money would be distributed to shareholders, it is obvious that those who have thought that much of the surplus assets of this now over-big investment undertaking ought to be distributed, are on the way to gaining a good deal of their point. The good intentions thus broadly outlined need much closer definition. Are they, for example, contingent on the carrying through of one other objective that M. Georges-Pigot mentioned—the reduction of the present complex capital structure to a single class of shares? The prospect of the Suez Canal as a viable and interesting investment holding, 35 per cent in the Commonwealth and 20 to 25 per cent in North America, has, however, been improved.

BANKERS' SPEECHES

No Comment

THE main interest in this year's round of reviews by the bank chairmen must be in their comments on last September's minor revolution in economic policy—comprising not only 7 per cent Bank rate, but the adoption of a purist approach to inflation, seen as too much money to be checked by no more money. Neither Mr A. W. Tuke of Barclays, nor Sir Harold Bibby of Martins, the two chairmen whose speeches have appeared so far, devote themselves at length to this question; they are silent too on the major questions of theory and mechanics that have come under discussion in the past year, on velocity of circulation and "cost-push" inflation.

Indeed, the bankers do not even suggest that the measures marked a turning point away from customary postwar ills. Sir Harold states that Mr Thorneycroft was to be congratulated on the strength of his measures. He considers that the Government must set the example by achieving a balance in the budget to cover below-line capital expenditures and also permit a "substantial" reduction

in taxation, the disincentive effect of which Sir Harold sees as a major bar to long-term progress. Mr Tuke is a little grudging about the September measures. He sees them as nothing much more drastic than the Macmillan plateau and apparently places little importance on the standstill in advances—they will fall anyway if prices and activity fall, but can hardly do so if prices rise. The standstill in the nationalised industries' capital outlays is, he says, "a mere holding operation." Mr Tuke, too, lays much emphasis on Government expenditure. Commenting, somewhat surprisingly, on Mr Thorneycroft's resignation, he suggests that the increase of £50 million in the estimates should have been offset by a reduction to that extent in capital outlays. Since he wrote within twenty-four hours of the announcement he presumably could not know that the argument was turning not on the original estimates but on those estimates plus known supplementaries.

Both bankers emphasise the danger of continued wage inflation, and Mr Tuke has no time for appeals against the pull of market forces to the unions. But he makes no mention of the impact of 7 per cent and the new Treasury policy in this connection. On the prospect for sterling, Mr Tuke emphasises that the recovery of foreign confidence has still not been spectacular; and he sees as a first priority an increase in the reserves, even at the expense of curtailing "for a time" new overseas investments.

The banks themselves, as last week's profits statements had suggested, were unfavourably hit by the 2 per cent increase in Bank rate, in particular by the big switch from current accounts into interest-bearing deposit accounts, and by the fall in bond prices. Barclays, which again shows investments at under cost and below redemption price, shows a depreciation below market price of 3.4 per cent, virtually the same as at end-1956 but up from 2.7 per cent at mid-1957. Martins again shows investments below market value. Mr Tuke points out that on two occasions in the past year Barclays could take "favourable opportunities" to add a total of £17 million to the investment portfolio; but the present proportion of investments to deposits of 32½ per cent "is higher than we really like it to be," though there is a good supply of early maturities. The balance sheet of the Midland Bank shows a difference between book value of investments and market value of £22 million or 5.1 per cent, compared with 2.5 per cent in mid 1957 and 4.9 per cent a year ago.

BUDGET ESTIMATES

£50 Million Over What?

MR THORNEYCROFT'S quarrel with the Cabinet, it is now clear, turned on a significantly different precept to that implied by the Prime Minister. The Treasury team was fighting not to maintain the estimates for 1958-59 at the level of the Budget estimates for 1956-57, but at the level of those estimates as increased by the supplementary estimates that will have to be presented. This total will be substantially larger than the original estimates.

The quick picture is as follows. Mr Thorneycroft budgeted in April for a reduction in total ordinary expenditure of £41 million—an expected increase of £26 million in supply expenditure being offset by an expected cut of £67 million in consolidated fund payments. The 2 per cent rise in Bank rate in September, adding to the cost of servicing the floating debt, must have upset this latter estimate; on the other hand, there is a saving of £37 million of interest from the deferment of the payment on the North American loans (the deferment for end-1956 was not effected until the current fiscal year, fortifying miscellaneous revenue). Thanks to the 1957 deferment, the saving on debt interest so far is actually already as large as the estimate for the full fiscal year, but the final saving is likely to be smaller.

Supply expenditure is now running £51 million higher than at the corresponding stage of 1956-57, an excess twice that estimated for the full year. The heavy supplementaries now expected—guesses range above £200 million—are bound to comprise substantial further provisions for agricultural subsidies, an automatic consequence of the fall in world prices. They may also be needed for pensions. Spread through all departments will be the impact of last summer's 5 per cent increase in civil service salaries, which is estimated at around £26½ million in the current fiscal year.

The amount of supplementary votes does not, of course, denote the actual excess of total expenditure over the original estimate, since there are normally savings in other votes. However, Mr Thorneycroft's emphasis on the estimates plus supplementaries suggests that the offsetting savings may not be substantial. In 1956-57, when total supplementaries reached £182 million (of which £41 million was for defence, £26 million for the health service, £19 million for education and £16 million for agriculture), offsetting savings reached £56½ million; but these were swollen by Mr Macmillan's long and disappointing search for economies promised in the budget.

FOREIGN EXCHANGE

Japan Sells Sterling

STERLING, now receiving the peak load of a seasonal commercial demand, rose early this week to $2.81 7/16, its best since August, 1954. The improvement was not fully held and the rate is now around $2.81⅛. The dominant influence in the latter part of the week has been the sale of transferable sterling on Japanese account. Until the end of last week Japanese banks could only negotiate their transferable sterling in an insulated domestic market where the rate had dropped below international parity. As from the beginning of this week the Japanese exchange control gave Japanese banks permission to sell transferable sterling in international markets. They did so in sizeable amounts and have pushed the transferable rate down from $2.7915 at the end of last week to $2.7850.

The British Exchange Control which until a week or so ago was being called upon to intervene fairly consistently as a seller in the transferable market so as to prevent the rate for transferable sterling rising to the rate in the official market, has been prepared to let the margin widen again. It would no doubt intervene as a buyer if the margin showed signs of widening to the point at which commodity shunting become profitable. The relapse in transferable sterling has communicated itself to other sterling rates and during the latter part of this week most of the European currencies were moving fractionally against sterling.

The Italian lira rate has shown no response to the latest relaxations in exchange control announced from Rome. The travel allowance for Italians is being raised to 350,000 lira (about £200). In addition Italy is following the lead of



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Basle	12-22nd April
Brussels	17th April-19th October

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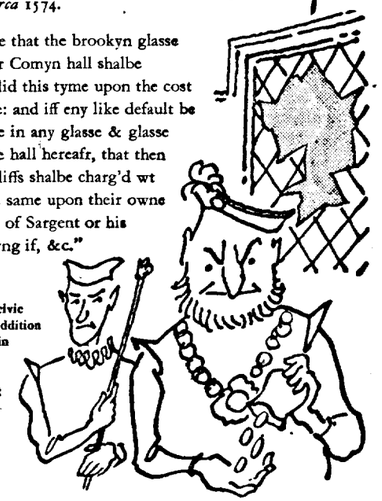
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LIVERPUDLIANA No. 7

Mr Maior & the baliffs in Livrpul

Extracts from the Liverpool precedents (Municipal Records) circa 1574.

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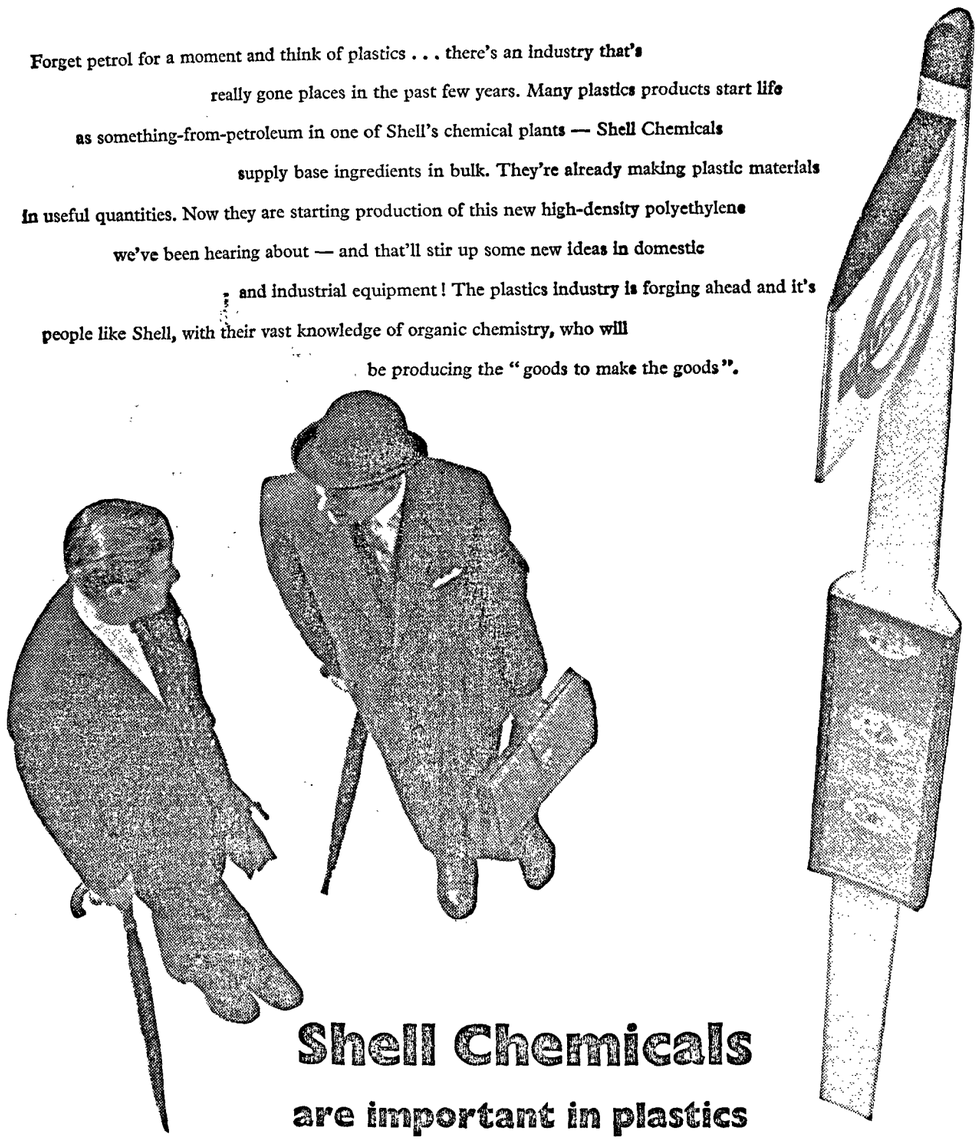
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I'll tell you something else about Shell...

Forget petrol for a moment and think of plastics . . . there's an industry that's really gone places in the past few years. Many plastics products start life as something-from-petroleum in one of Shell's chemical plants — Shell Chemicals supply base ingredients in bulk. They're already making plastic materials in useful quantities. Now they are starting production of this new high-density polyethylene we've been hearing about — and that'll stir up some new ideas in domestic and industrial equipment! The plastics industry is forging ahead and it's people like Shell, with their vast knowledge of organic chemistry, who will be producing the "goods to make the goods".



Shell Chemicals are important in plastics

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Germany, Belgium and the Netherlands in unifying its treatment of non-resident capital accounts. There will be one category of these accounts for both convertible and EPU currency countries. The change is designed to favour the investment of new foreign capital in Italy. The capital accounts will no longer be tied to the type of currency which may have led to their formation. It will be possible to make transfers between capital accounts and both capital and the dividend earned on it will be freely reconvertible into whatever currency the non-resident holder desires.

BUILDING SOCIETIES

New Deposit Scheme

BY an ironical coincidence, on the day after the Building Societies' Association announced there would be no change in borrowing rates the Leicester Permanent Building Society, ranking ninth in the movement, announced a scheme that broke with tradition and the policy of no change. It is paying 3 per cent on deposit accounts, 3½ per cent on shares and 3¾ per cent on subscription shares—all tax free. These rates it leaves unchanged, but to them it now adds a fixed deposit paying 4 per cent tax free (equivalent to £6 19s. 2d. per cent gross at the standard rate). The deposits must stay in for a fixed term of three years, and they can be for any sum ranging between £100 to £2,500; if the depositor dies, however, the executors of his estate will be able to claim an early repayment.

BUILDING SOCIETY ASSETS

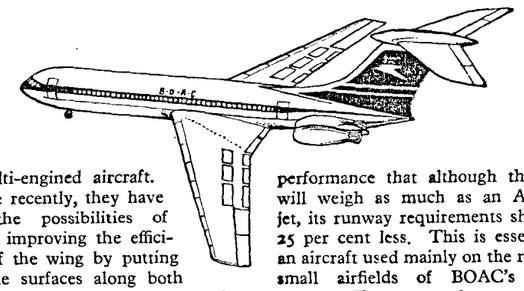
(£ million)

At December 31	Total Assets	Inc. or Dec.	Shares and Deposits	Inc. or Dec.	Mort. Advances	Inc. or Dec.
Abbey National	278·0	+20·0	...	...	38·6	−1·7
Woolwich Equitable	134·5	+6·4	127·5	+5·9	16·4	−0·8
Leek and Moorlands	37·9	+1·8	35·7	+1·5	5·0	nil
Hastings and Thanet	24·3	+3·0	...	...	4·4	+1·1
Temperance Permanent*	38·6	+2·5	35·9	+2·3	4·4	+1·1
Borough	17·1	+0·8	16·0	+1·8	2·3	+0·3
Leicester Permanent	44·4	+2·9	41·2	+2·8	8·0	+1·3

* Worthing Society absorbed during year.

Schemes of this nature are not new, but it is the first time a big society had adapted one. It comes at the time when many societies are publishing their annual

Vickers' New Jet



THE £60 million order that the British Overseas Airways Corporation signed on Tuesday morning for 35 of the biggest airliners ever built in Britain suggests, if it is at all representative of airline thinking, that operators are looking with relief towards a decade of technical consolidation rather than further dramatic change. The Vickers Armstrongs VC10 is not significantly bigger, faster or lighter than either of the two American jet airliners already in production, but its design incorporates refinements that directly measure the lag between the time when it and they went on the drawing board. When BOAC gets its first VC10s, the Douglas and Boeing jets will have been in service for about four years.



Measuring nearly 53 yards from nose to tail, weighing 133 tons, the VC10 should have an edge in performance over its earlier rivals partly through extra engine power and partly from the position of those engines. Designers have known for years that a clean wing, uncluttered by the bulges and excrescences that come from burying engines in its root or hanging them from it in pods like Christmas trimmings, sets up much less drag in flight and gives far better lift at take-off than the type of wing traditionally used on multi-engined aircraft.

More recently, they have seen the possibilities of further improving the efficiency of the wing by putting movable surfaces along both edges, which again cannot be done unless the engines are mounted other than in or on the wing. The only other position for them on a civil airliner, which plainly has no room in the fuselage, is outside on the tail. The French accepted the logic of this several years ago with their *Caravelle* jet airliner (tail view on the left). By last year, most other designers had come round to the same way of thinking. Vickers have put the VC10s four Rolls-Royce Conways in pairs on either side of the tail; Lockheed in America used the same lay-out on the 10-seat Jetstar; and the three companies that submitted designs to British European Airways each used three tail-mounted engines. The drawing on the right shows how A. V. Roe proposed to fit these between a "butterfly" tail; Bristol and de Havilland favour a conventional tail with the middle engine incorporated into the upright fin.

The model of the VC10 shows a wing that is clean and sharply swept, and which incorporates an unexpected number of movable surfaces in the form of flaps on the trailing edge and slotted leading edges. These devices so improve take-off and landing performance that although the VC10 will weigh as much as an American jet, its runway requirements should be 25 per cent less. This is essential on an aircraft used mainly on the relatively small airfields of BOAC's eastern routes. These are the services for which the VC10 was primarily ordered, but its performance has developed since the first paper studies and it is likely to be used much more extensively than is now planned on BOAC's North Atlantic services, where it could carry 152 passengers.

Subsidiary gains from rear-mounted engines are quieter cabins and no jet-stream buffeting of the fuselage; the biggest drawbacks are a great increase in tail weight. The Vickers tail is itself basically a heavy structure; more weight still is added by the stiffening needed to hold the engines in place. The hazard from stones that might be thrown into the engines from the squat undercarriage has still to be measured. The aircraft's engines, being military, will need little extra development, but the airframe cannot cost Vickers much less than £20 million. It marks an attempt to reduce costs by design improvements rather than, as in the past ten years, by spreading rising overheads over a steadily rising number of seats.



figures, which, as the accompanying table shows, reveal a slight growth in assets though nothing like the full mortgage demand has been satisfied. The new Leicester scheme leaves its mortgage rates to existing borrowers unchanged at 5¼ and 5¾ per cent, but new borrowers will have to pay 6½ per cent. The fixed deposit is a move in the right direction for those who believe the capital structure of the building society movement should be altered so as to lengthen the life of their capital liabilities. The move immediately raises the question of transferability. Such fixed deposits can be assigned at a mutually agreed price from one person to another, and there are a few in the movement who would not be adverse to a regular market in such fixed term deposits if they became generally acceptable to the investing public.

RAILWAY FREIGHTS

Using Present Facilities Better

THE railways' hopes of wresting back from the road the freight traffic it has been losing steadily year by year cannot wait ten or more years for the full benefits of modernisation, and the improved methods that would come from re-equipment, to be realised, nor can they rest solely upon the more immediate advantages of commercial freedom that permits freight charges to be more closely allied to actual costs of operation. The more pressing need, examined with some vision and imagination by Mr C. P. Hopkins, general manager of Southern Region, in a paper read to the Institute of Transport this week, is to make more effective use of existing equipment and freight facilities while modernisation gets under way.

Continuous braking, bigger wagons, modern marshalling yards and depots, and improved signalling and communications will mean higher train speeds and quicker service, but "speeds do not of themselves imply regularity or reliability." It is service that counts, and, in Mr Hopkins' view, the railways have no need to wait for improved equipment to increase the reliability and regularity of freight services. In particular, he dislikes the traditional attitude that freight is the great adjustor, priority number two after the passenger has been got through. Industry is now much more sensitive to the "stock" cost of goods delayed in transit—one reason why road fleets have grown so since the war. He would like to see, therefore, a more systematic freight train service, with the gradual development of scheduled services similar to those already built up on a much smaller scale for the movement of exports to the docks and more recently in the Scottish region for general freight.

In short, Mr Hopkins wants the railways to run a general schedule of regular freight runs between marshalling yards, with close-knit feeder services to outlying depots, stations and private sidings (by road as well as rail), and "when required" timings to cope with irregularities in traffic flow. This would involve fuller traffic analyses, more detailed supervision of freight train operations, and more time-table staff. But these changes, he argues, would have to come with modernisation anyway and the benefits of freight scheduling, before the results of new equipment were felt by freight services throughout the country, would outweigh these extra costs. Non-railwaymen are not in a position to test the detailed practicality of these suggestions, but any improvements in the reliability of freight services would certainly strike at the root cause of the loss of goods traffic, the main revenue earner of the Transport Commission, and it is encouraging to find railwaymen thinking actively on these lines.

ALUMINIUM DUMPING

Casting the Net Too Wide?

THE Board of Trade has announced that it is considering a request by the Aluminium Company of Canada, the principal supplier of aluminium to British users, for an anti-dumping duty on imports of Russian aluminium. Imports of Russian aluminium, which have been rising rapidly this year at the expense of those normally supplied by Canadian producers, are said to be offered at prices £10 a ton below the import price of Canadian aluminium.

Can this be proved to amount to dumping, as defined in the Act—and if so, where do the interests of British consumers lie? Goods can be shown to be dumped if the "fair market price" in the country of origin is greater than the export price, and it is this that the Aluminium Company of Canada has apparently undertaken to prove to the satisfaction of the Board of Trade. Considering the state of Western knowledge of Soviet internal pricing, Alcan seems likely to have taken on a difficult task. What allowance for profit is included in the Russian home market price, for example? And at what exchange rate should the home market rouble price be converted into sterling or dollars? There is not much labour cost in aluminium, certainly, but the vast difference between one of the highest standards of living in the world and that of the Russian worker might suggest that some price differential, at least, might be expected between the Russian and the Canadian metal.

Even if dumping, in this sense, could be proved, is it in the national interest that an anti-dumping duty should be imposed, thus raising the price paid by British users of Russian aluminium nearer to the higher prices they have to pay for the Canadian metal? There is no question, in this case, of British producers protesting; indeed, British users of aluminium are gaining from the lower prices. But, under the terms of the act, the Canadian producers have a right to present their case, and the Board of Trade's responsibilities are defined, if rather obliquely. Where no British producers are hurt, the Board must not impose an anti-dumping duty if to do so would conflict with Britain's obligation under the provisions of GATT. By inference, the Board may have an obligation to impose an anti-dumping duty if to do so would enforce the principles agreed on in GATT—one of which is that members should enforce anti-dumping duties in the interests of freely competitive industries in third countries.

AUTOMATIC CONTROL

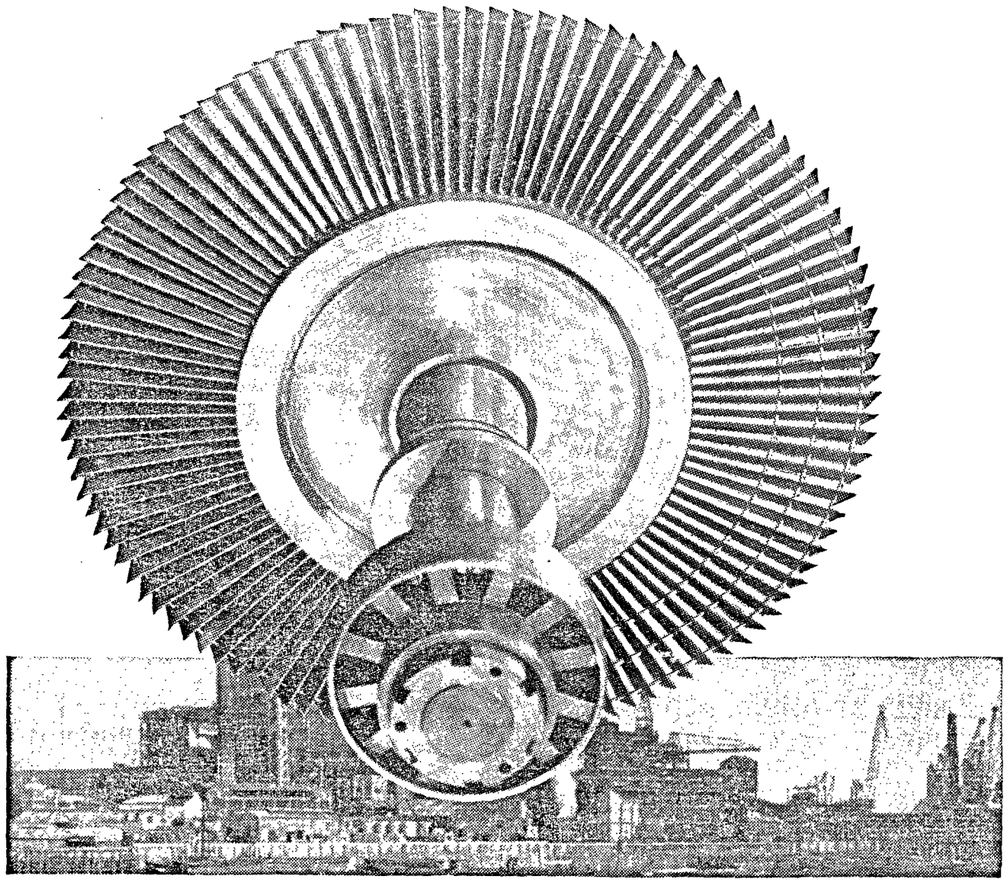
Making Machines Reliable

THE more that automatic controls replace the human operator, the more reliability matters in industrial equipment: yet the electrical and electronic controls themselves become increasingly complex, and complexity is the enemy of reliability. Sir George Barnett, the Chief Inspector of Factories, whose responsibilities impose upon him a more synoptic purview of the state of mechanisation in British

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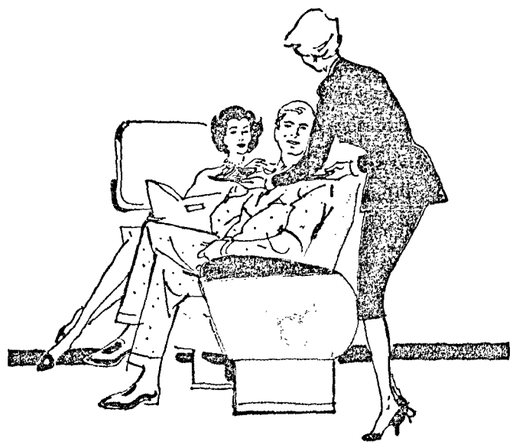
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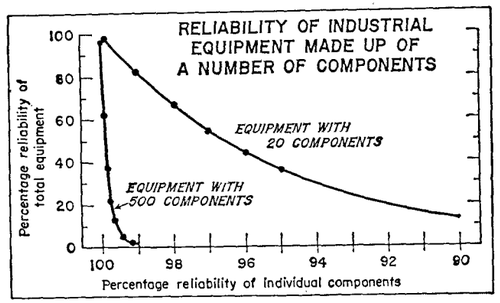
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SCANDINAVIAN AIRLINES SYSTEM

industry than probably anyone else can possess, singles out this point in his annual report (for 1956, published in January, 1958). Reliability of industrial equipment has a direct bearing on safety: many factory accidents are associated with machine failure, and the factory inspectorate is always concerned to stress that equipment should "fail safe"—which is not always certain with photo-electric control equipment, for example.

Reliability in complex equipment requires far greater reliability in the parts from which it is made up. A piece of equipment made up of 20 components each of which is 99 per cent reliable (i.e. only one in 100 fails during the planned life of the equipment) will have a reliability of $(0{\cdot}99)^{20}$, which means that nearly one in five must be expected to fail: as the number of parts increases, the total reliability drops off. For only one piece of equipment containing 500 parts to fail in 200, each individual part needs a failure rate of not more than one in 10,000. With electronic components, these rates are attainable: one company making connectors for military equipment claims that on average only one part fails in 35,000. But achieving them is onerous: it imposes on the designer the need for the utmost simplicity in achieving any purpose, and on the manufacturer the strictest of quality control. Designs without moving parts, such as printed circuits, obviously help: but even these will remain liable to electrical leakage across the insulated surface between conductors, until some moisture-repellant coating is devised.



BRITISH TRADE

The Year's Reckoning

LAST year's trade accounts closed on a respectable, if none too cheerful, note. The December deficit was smaller even than the November gap, but this was due entirely to a decline in imports and not to any spurt in exports, which were also reduced in value. Over the whole year, British exports at £3,326 million and imports at £4,079 million were both 5 per cent higher in value than in 1956. If, however, silver bullion repayments to the United States are excluded from one side of the account and adjustment is made for imports delayed by the Suez Canal blockage on the other, then the rise in money terms was 5½ per cent for exports but only 3½ per cent for imports. On this adjusted basis, the Board of Trade estimates that both imports and exports were about 2 per cent higher in volume in 1957 than in 1956, export prices having risen more than import prices, although the latter, in spite of the sharp fall in recent months, were on the average 1½ per cent higher last year.

Taking into account the fall of 9 per cent in the value of re-exports caused mainly by lower trade in rubber, the visible trade gap (the excess of imports, valued cif, over exports and re-exports, valued fob) rose last year by £52 million to £620 million. All and more than all of this

UNITED KINGDOM TRADE
(£ million)

	Imports cif	Exports fob	Re-exports fob	Trade deficit	Exports to N. America †
Monthly averages or calendar months:					
1956 :—					
4th quarter.	324·2	279·7	13·0	31·4	35·5
1957 :—					
1st quarter.	352·7	278·8	13·0	61·0	32·0
2nd " .	346·9	283·8	10·2	52·9	38·8
3rd " .	332·1	265·6	9·8	56·6	37·5
4th " *	328·1	280·4	11·4	36·3	35·8
October....	353·1	271·8	11·2	70·1	35·4
November..	319·9	286·9	11·0	22·0	38·1
December*.	313·7	282·4	12·2	19·1	34·0
Annual totals					
1956	3,886	3,172	146	568	399
1957	4,079	3,326	133	620	432

* Provisional. † Excluding repayments of silver bullion to the United States amounting to £22 million in 1956 and £7 million in 1957.

widening of the gap is covered by the special factors of silver bullion repayments and carry over of imports. On a true payments basis, moreover, the deficit can have been only a fraction of this magnitude. For the first half of 1957, the trade returns show a deficit of £342 million; with both imports and exports valued fob, the payments deficit was a mere £25 million, a postwar low. Exceptionally high freight charges had to be met in the early part of the year when longer hauls were necessary to avoid the Suez Canal. On a strictly comparative basis it appears that the true trade gap was reduced last year.

It is, of course, the favourable turn in the terms of trade that improved the trading account last year. If exports expand no more in volume than imports then, without any help from prices, the trade gap must grow. On an annual basis, last year's trade accounts are not unsatisfactory and one bright aspect of them is that exports to North America rose more than the average. But the disturbing feature is

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that the margin of expansion in British export trade seems now to have disappeared: in the last quarter of 1957 exports were no greater in volume than in the same months of 1956.

COPPER

More Ten Per Cent Cuts

IT is beginning to look as though the copper producers were acting dangerously late in their efforts to arrest the fall in prices. The proposal for a 10 per cent cut by Chile, followed by a similar cut in the Congo which a month or two ago might have restored confidence in the market, fell on deaf ears. The Chilean announcement was made on the very day that American copper producers had again to reduce their selling prices. Kennecot came down by 2 cents to 25 cents per lb, the custom smelters by ½ a cent to 24½ cents. As a result the effect in the London market of the Chilean reduction has been negligible; there was a little bear covering but cash copper at £173 a ton has scarcely rallied. It is £6 a ton lower than it was at the beginning of the month and nearly £95 a ton lower than a year ago.

In total the amount of reduction already announced is now big. Including the Chilean cut, which at present is only an expression of willingness, and the announcement from Union Minière it will amount in total to over 230,000 tons a year. There is no statement so far from Rhodesian Anglo American, which made an involuntary cut last year. But it is doubtful how far a reduction of the order of 230,000 tons a year, which was the calculated gap between supplies and consumption early in the decline, would now suffice to restore the balance. Some market estimates put the surplus now in the region of 300,000 tons a year. That may be an over-estimate, but there is much stock in the pipe line making the effect on the market of any cuts act slowly. When Sir Ronald Prain told the informal meeting of shareholders of Rhodesian Selection Trust and Roan Antelope in London last week: "We and others in the copper industry must expect leaner times than anything we have experienced for some years" he was saying no more than shareholders ought to have expected.

RADIO INDUSTRY

Enough TV Sets?

THE sudden setback to television sales just before Christmas is the first indication that the television market might be approaching saturation point. Now that roughly one out of every two households has the telly, the replacement market has become an important part of the industry's revenue. It has not been too difficult in the past to persuade customers with a postwar 9 or 12-inch set to replace it with something that was substantially bigger, more sophisticated and offered both channels (it was not worth converting old sets to take the two services, BBC and ITV, even where it was technically possible to do so). But owners of modern sets with medium-sized screens seem in no hurry to change them just for three to five extra inches of cathode tube. Television sales, which had kept up reasonably well during the year and averaged two per cent higher than in 1956, fell back sharply in November to less than three-quarters of their level at the same time a year ago.

One company, at least, seems to believe that the sluggishness of the replacement market is behind this decline. Pye Ltd. has started a short experiment under which dealers will offer in some cases more than twice the normal trade-in value for the company's old 14-inch sets to customers replacing them with a new 21-inch Pye receiver. With sales for the eleven months to the end of November at 1,199,000 sets instead of 1,236,000 at the same period of 1956, other dealers, too, may find that they will have to offer something more generous than the standard £5 to £8 trade-in allowance for old sets to revive their flagging sales.

CONSUMPTION

Personal Spending after Suez

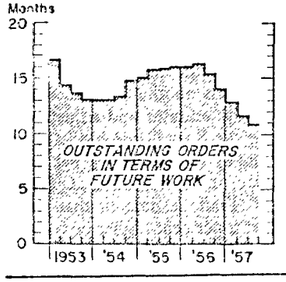
PERSONAL spending last year, in terms of the actual quantities of goods bought, seems to have risen rather more than in 1956, though the rate of increase was certainly still well short of the annual gains of 3-4 per cent achieved since the 1952 recession. The full year's figures will probably not be known until the *Economic Survey* is published, but those for the third quarter, which were published this week, show that the volume of spending up to September was running at about 1½ per cent above the year before, against increases of less than half of 1 per cent in the first nine months of 1956 and of about half of 1 per cent during the whole of that year. In total value, personal consumption last year grew at a slower pace than in 1956, but the rise in the cost of living slackened even more.

PERSONAL SPENDING

	9 months spending (£mn.)	
	1956	1957
Food	3,210	3,298
Drink	630	662
Tobacco	689	724
Housing	833	837
Fuel and light	433	440
Household equipment	649	707
Clothing	933	976
Travel	371	392
Other goods	1,034	1,080
Other services	1,022	1,034
	9,800	10,200

This slight—and possibly temporary—quickening in the growth of real consumption covers the period of the Suez upheaval and the strong revival in spending on household equipment. October retail trade returns suggested a slight faltering in the recovery of expenditure on household durables, but in November both spending on these items and total retail shopping look to have gone ahead again. These quarterly figures show also a return to the previous pattern of spending on public travel, now falling again after the bonus offered by petrol rationing, and on private motoring. This last item is now concealed in the official figures under the heading "Other Goods," which rose in volume

FALLING MACHINE TOOL ORDERS



New orders for machine tools, from British industry as well as from overseas, have been declining for the last 18 months. Deliveries have recently been growing, and total order books have reached their lowest point, in terms of output, since these figures were first collected—and probably since before the Korean rearmament drive.

by more than 6 per cent in the September quarter—when both car sales and motoring expenditure were going well. Food expenditure, which has proved relatively inelastic to increased purchasing power over the years, rising by very small quantities each year since rationing ended, dipped slightly in the third quarter of 1957, but this part of the household budget often shows some erratic changes from one quarter to another. The volume of spending on clothing and tobacco rose rather less than before in the third quarter—not a long enough period to suggest any levelling off—but expenditure on drink was still rising steadily.

OIL

A European Stockpile?

IN its report on the "implications and lessons of the Suez crisis" the oil committee of the OEEC recommends that European countries should consider increasing their oil storage capacity beyond normal working requirements to provide an insurance against any future interruption in oil supplies from the Middle East. Europe began the period of emergency supply last winter with a total of 17.5 million tons of oil in stock, with consumption running at 115-120 million tons a year. Not all of this stock was available for distribution. A large part of it, perhaps two-thirds, was tied up in the industry's working stocks, in transit and elsewhere. At the most acute phase of the crisis Europe's stocks never fell below 13 million tons, though stocks of fuel oil, which was in acutely short supply, dropped more rapidly.

Any addition to these stocks, apart from the increase in working stocks that would have to accompany growth in demand, would be fully available for distribution in an emergency. The drawback to this insurance scheme is its very high capital cost. The OEEC committee estimates that to increase Europe's total storage capacity by the equivalent of only one extra day's consumption and to provide the oil to fill it would cost more than £7 million, apart from maintenance costs. The "three months' strategic reserve" often suggested—though not by OEEC—as a worthwhile insurance against another Suez affair would, on this reckoning, cost well over £600 million—and there is not much scope

No Buoyancy in Profits

THE increase of 4¾ per cent (by £14.6 million to £323 million) in the trading profits of the 482 public companies whose results were published in the last quarter of 1957 shows no real buoyancy of earnings. The increase, slightly smaller than that reported in the third quarter of last year and exactly the same as that reported in the second quarter, springs from an increased investment of fixed and working capital.

There were marked variations in earnings between different industries, as the detailed statistics on pages 252 and 253 show. The biggest increases were reported by cotton (up by 49½ per cent), by electrical manufacturing (up by 30½ per cent) and by breweries and distilleries (up by 14 per cent). The profits of another important group, food and confectionery, were up by 1½ per cent, though the consumer trades as a whole did well. Profits of the capital goods industries, such as engineering and building, show little change. Earnings of the motors, cycles and aircraft group, statistically the biggest in the quarter, were as good as could have been expected for a difficult year.

The increase in the invested capital from which these earnings sprung was substantial. The gross value of fixed assets rose by £150 million, the value of stocks and debtors by £86 million and of other non-liquid assets by £8¾ million. That additional investment was financed by additions of £148 million to depreciation provisions and retained earnings, of £33½ million in new capital issues for cash, of £32 million in creditors and of £9¾ million in other liabilities. The gross liquid assets of the 482 companies rose by £8½ million, but their bank overdrafts rose by no less than £29½ million. There was in fact some call on net liquid resources to pay for this increase in capital investment. It is here that credit restrictions are likely increasingly to bite.

Capital Liabilities and Reserves	482 Companies		Assets	482 Companies		Profit and Loss Account	482 Companies	
	Previous Year	Latest Year		Previous Year	Latest Year		Previous Year	Latest Year
Capital (Parent Companies) :—			**Fixed Assets :—**					
Debenture	125,639	145,348	Land, property and plant	1,140,682	1,290,800	Gross trading profit	308,375	322,958
Preference	156,554	160,503	Less depreciation	354,699	402,337	Income from investments	8,084	9,501
Ordinary	418,272	456,438				Other current income	427	452
	700,465	762,289		785,983	888,463	Non-recurring credits	8,640	12,610
Reserves and Surplus :—						**Total Income**	325,526	345,561
Capital reserves	194,038	227,586						
Revenue reserves and carry forward	466,991	505,605	**Trade Investments**	39,864	86,666	Depreciation	54,681	61,905
						Income tax	106,457	107,978
Total Capital Reserves and Surplus	1,361,494	1,495,480	**Intangible Assets**	43,549	35,063	Profits tax	23,896	27,394
						Directors' emoluments	10,298	10,773
Outside Interests in Subsidiaries	37,851	42,125				Administrative charges	2,096	2,250
						Contingencies, provisions, etc.	6,828	7,183
Current Liabilities and Provisions :—			**Current Assets :—**			Pensions	4,334	4,192
Bank overdrafts and loans	92,347	121,874	Stocks	611,446	645,842	Minority interests	2,261	2,632
Creditors	342,377	374,347	Debtors	418,001	469,477	Loan interest	5,316	6,166
Other current liabilities	204,518	210,865	Gilt-edged securities	41,241	47,044			
Future taxation	108,249	107,313	Other marketable investments	28,220	28,111	Preference dividends	5,026	5,168
Other provisions	20,083	20,078	Cash	198,615	201,416	Profits retained by subsidiaries	27,484	25,334
	767,574	834,477		1,297,523	1,391,890	Ordinary dividends	37,652	40,613
	2,166,919	2,372,082		2,166,919	2,372,082	Reserves (parent company)	35,845	40,765
						Brought in (parent company)	56,339	59,691
						Carried forward (parent company)	59,691	62,879

for reducing the bill by using "natural" underground storage.

The case for increasing oil storage capacity varies, however, from country to country. Britain, for example, is better off for storage capacity in relation to its annual needs than most other European countries, and has the Admiralty's fuel oil stocks to fall back on as a last resort. Several countries already hold, by law, stocks in excess of the normal commercial level. There are, of course, large seasonal variations in oil demand to be provided for, and in the Scandinavian countries stocks have to be built up against the danger that ice may close ports in the winter. Faced with these special considerations, some countries may feel the cost of extra storage capacity worth paying; others, including Britain, may feel that other forms of insurance—supertankers for the Cape run, and the development of new concessions in Venezuela, for example—should provide sufficient breathing space in any future emergency. The cost of extra storage would have to be borne by the consumer in the end, either through higher taxation if governments were to foot the bill, or through higher prices for oil products if they did not.

WOOL

New Zealand Wools Cheaper

The series of London wool sales that began this week with an offering of over 60,000 bales possibly marked one of the crisis points for the course of wool prices. The auctions coincided with the start of the second half of the wool-selling season in Australia, New Zealand and South Africa. And they started with wool people labouring under two grave doubts. Japan's import programme for the season has been sharply cut to about 900,000 bales, against an original programme of 1,300,000 bales; and the rate of consumption in the world as a whole is now roughly estimated by the Committee of London Wool Brokers at 2,800 million lb a year, compared with 3,000 million lb a year in the first half of last year.

The outcome so far is indecisive, but wool prices did not show the steep fall that some had feared. In London this week Australian wools held up moderately well, all being less than 5 per cent below the levels of the previous London sales. New Zealand prices at the outset dropped noticeably, most crossbreds falling by about 7½ per cent. That pattern follows what has been happening in the primary markets, for sharpish falls having been registered at Wanganui and at Auckland, while in Australia prices have been held up by Japanese buying at Sydney and by East European buying at Melbourne.

The development of the markets thus follows approximately the present patchy state of the Yorkshire wool textile industry. By no means the whole of that trade is depressed, and to the general surprise the latest Bradford statistics showed a modest rally of about 2 per cent in the daily rate of raw wool consumption in November after the sharp fall of October. The impression is however current, though it cannot be statistically supported, that Bradford is still reducing stocks. That might go some distance towards offsetting the fact that, largely because of the previous overestimate of the size of the current Australian clip, the quantities coming on the market in Australia in the second half of the season will be less than in the first half.

ADVICE TO CONSUMERS

Two Bodies—or One?

The number of people in this country willing to subscribe to a publication that analyses the merits and drawbacks of particular consumer goods and services is probably quite limited. Even Consumers Union and Consumers' Research in the United States, which have now been active for more than twenty years, still have a total readership of under a million, a mere fraction of the total buying public there. British consumers have recently been provided with two such advisory bodies, each publishing a quarterly bulletin for an annual subscription of 10s., and they have supported both of them with a relatively good start. The Consumer Advisory Council, an adjunct of the British Standards Institution, reports a membership of well over 15,000 for its "Shoppers' Guide," the third number of which appeared last week (plus an estimated 10,000 more through local groups that have become associate members); and the Association for Consumer Research, whose bulletin "Which?" appears for the second time this week end, claims 23,000 subscribers in three months.

But the cost of buying and testing goods—particularly the more expensive kinds of household equipment where advice would be most useful—can be heavy, and so are publishing costs and the expenses of administering organisations with a fairly sizeable individual membership. With a limited potential readership for consumer bulletins—apart from government grants and charitable donations, the sole independent source of revenue for such advisory activities—it is perhaps not surprising that there should already be talk of the desirability of a merger between CAC and CR.

So far the only contact between the two bodies has been of a purely unofficial character between individuals, but as a result of these private approaches CR has decided to make a formal statement to CAC of the terms on which it would be prepared to consider a merger—namely preserving both complete independence, financial and otherwise, of any person or body commercially interested in consumer goods and the standard of testing and reporting it has already developed in "Which?". CAC, which will discuss this at its next council meeting in February, will no doubt reply that it is equally independent, even though some of its finance comes from the industrial membership of BSI (and from the government). Whether the two bodies could agree on a merger on CR's terms seems doubtful. It would seem preferable for the two to continue in competition for a while longer; later, when they are more established and the scale of their activities grows, a merger might be more acceptable.

SHORTER NOTES

The International Bank for Reconstruction and Development has lent the equivalent of $11 million to the privately owned Mexican Light and Power Company. The loan, guaranteed by the Mexican Government, is at 5⅝ per cent and extends over 20 years. Amortisation begins in September, 1959; seven private financial institutions have put up, without the World Bank's guarantee, $1 million of the loan and their *tranche* ranks for the first amortisation maturities.

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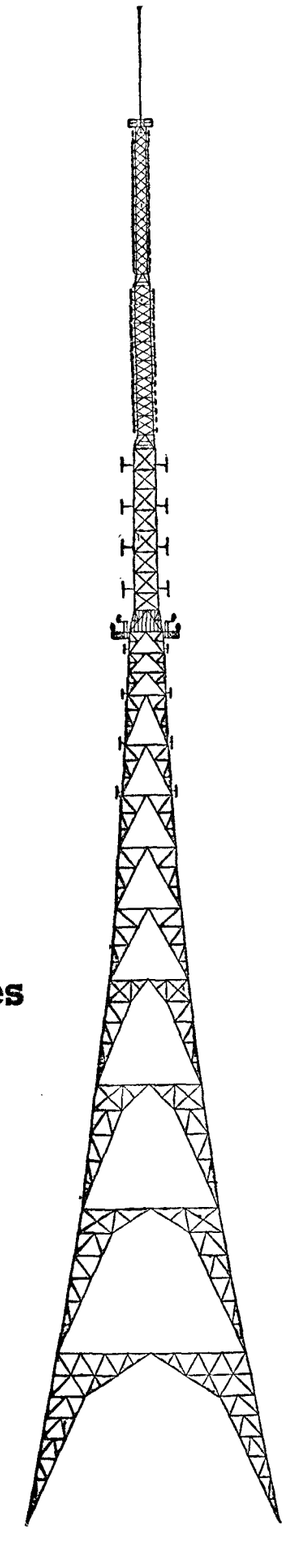
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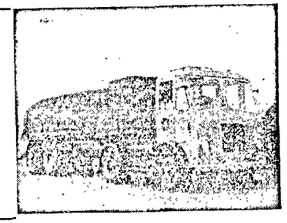
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Most suitable vehicle. This articulated vehicle carries a load of 15/16 tons. Whilst the trailer is loading or unloading, the tractor can be busy elsewhere, helping B.R.S. to give good service at reasonable cost.



British Road Services

Look up your nearest depot in your local telephone directory

Tate and Lyle had to make extensive use last year of loans from the banks and the bill market to finance its big stocks of sugar. The chairman, Mr Ian D. Lyle, now says that with falling sugar prices the burden of stocks will be lessened and that "there seems no immediate necessity to increase the permanent capital of the company."

* * *

Consolidated African Selection Trust, and its subsidiary Sierre Leone Selection Trust, which are the Western African members of the diamond syndicate, qualify as Overseas Trade Corporations with effect from the beginning of this year. This will result in a non-recurring tax saving of £290,000 relating to previous profits and provide savings of British tax on all future trading profits.

* * *

Sir Donald Perrott, financial and administrative director of the Atomic Energy Authority, is expected to go to Windscale next month to look into complaints of the Institution of Professional Civil Servants that some of the staff are aggrieved by the comments made in the official report on the part which reactor operators played in the Windscale fire. Sir Donald's visit follows an offer, which was not taken up, to make representations to a three-man board sitting in London.

COMPANY AFFAIRS

STEEL RESULTS

THE accounts of a further batch of steel companies continue the themes, as in those discussed in these columns last week, of capital development, the immediate market prospect and the threat of nationalisation. All three are major influences on the course of steel shares in Throgmorton Street, and explain why they lagged behind in the rising stock market in the early months of 1957 and led the fall when the market entered its bear phase.

Colvilles, the big Scottish steel company, is broadly based though its production leans, as is inevitable with its proximity to Clydeside, towards plate. It has almost completed the first stage of its development programme; at the end of September it had spent all but £5½ million on this £25 million scheme. The second stage of the scheme, spread over six years, will cost about £40 million and Colvilles has come to the market with a 6 per cent convertible debenture to raise just under £6 million. The rest of the finance it needs will come either from retained earnings or from the banks.

The new plant at Ravenscraig first produced steel ingots in September, and so made no significant contribution to the year's record production. Profits advanced strongly from just under £9 million to over £12 million. In the prospectus for the debenture issue the directors say that trading conditions continued "favourable" in the last quarter of 1957 and that trading results in the current financial year "will not differ materially" from those achieved in 1956-57.

John Summers, which concentrates upon sheet steel and is one of the chief suppliers of the motor industry, is still in the midst of a development programme designed ultimately to bring capacity up to two million tons of ingots a year. Its outstanding capital commitments are of the order of £18 million. The programme has been delayed but in the middle of last year the company raised £4½ million by offering ordinary shares at par. But even after this issue, John Summers like most of the other steel giants is short of liquid funds.

Last year it was able to avoid short time working when the motor industry was slack by exporting steel sheet. The hand mills controlled through its subsidiary, Burnell and Company, were adversely affected, but Summers' consolidated trading profit went up from £9.3 million to over £11 million. Mr Richard Summers is reasonably confident about immediate prospects. The demand for flat steel is "still very brisk" and he sees no cause for concern unless further credit restrictions are imposed. The unintended delay in the Shotton development programme, in fact, helps to keep national production in line with expected demand and Mr Richard Summers suggests that for the time being a "marginal tonnage of sheets" will still have to be imported.

Consett Iron, supplying steel plate for the shipbuilding industry, is being pressed by the Iron and Steel Board to get on with its development programme. Its particular expansion scheme was likely to cost more money than the company feels able to raise; and now the chairman, Mr Clive Cookson, says that it has been decided to go ahead one stage at a time. He does not reveal the cost of the scheme except to say it will require a "considerable amount of new finance." Consett's trading profits advanced from £4.7 million to £5.4 million, and the chairman speaks of a "steady demand for plates for many years to come" from the shipbuilding industry.

Richard Thomas and Baldwins has not yet been denationalised, nor has the argument about a new strip mill been finally resolved. The company owns the oldest continuous strip mill in the country—though that does not mean it is technically much behind the newer plants. Indeed, because this strip mill was installed before the war, its operations (if capital costs are taken into account) must be more profitable than those of the newer mills. But Richard Thomas and Baldwins had also, until recently, a flock of hand mills under its wings. The closing of some of these mills and a reduction in output from the rest must be largely responsible for the fall in the group's trading profit from £10,075,840 to £9,694,407. After appropriations to replacement reserves, the net earnings of the group are down from £2,963,068 to £2,603,440; but the company is paying an unchanged ordinary dividend of 13½ per cent on the ordinary shares, held by the Iron and Steel Holding and Realisation Agency.

STEEL COMPANIES' PROFITS AND ASSETS
(£000's)

	Colvilles		John Summers		Consett Iron	
Year to end-September	1956	1957	1956	1957	1956	1957
Gross profit	8,947	12,038	9,319	11,043	4,704	5,400
Net profit*	2,787	3,192	2,271	2,859	1,008	1,996
Ordinary dividends	633	748	621	983	431	503
Ordinary dividends (per cent)	*11*	*13*	*12*	*14*	*7½*	*8¾*
Net fixed assets	25,952	37,126	33,642	38,341	17,108	17,321
Net current assets	6,549	12,123	9,683	13,970	7,609	9,047
Net liquid assets	*Dr.1,123*	*Dr.1,925*	*Dr. 487*	1,132	2,962	3,161

* After transfers to fixed asset replacement reserves.

BORAX (HOLDINGS)

IN 1955 the growth stock *par excellence* was Borax. American as well as British investors were eager buyers, correctly anticipating far-reaching changes in the company's structure. Those changes did indeed take place and later buying heavily discounted the earnings likely to accrue from the major development programme and the tax savings which arose from the reorganisation of the group.

Now Borax (Holdings) has published its preliminary report for the year to September 30, 1957, and investors can get busy on the arithmetic. The calculations are interesting. First, the coming into production in July of the major development scheme in California does not yet seem to have had any appreciable effect on trading profits. The company calculated that if the reorganisation scheme had been operative throughout the whole of the year to September 30, 1956, the profit would have been £3,974,462. The actual profit in the year to September 30, 1957, was very close—£3,999,495 before depreciation.

Secondly, investors can compare various charges against profits between 1955-56 (when the company was partly in its old and partly in its new form) and 1956-57 (when it was wholly in its new form). They will note that there is some slight saving in tax: the charge is £788,989 (excluding distributed profits tax), compared with £821,947. But they should note too that the depreciation charge is up from £546,651 to £1,000,360; that interest on debentures and unsecured notes is up from £76,923 to £242,619; and that profits attributable to minority interests are up from £155,467 to £677,999.

Most of the latest net profit of £1,437,462 is retained by subsidiaries; the latest dividend of 5¼d. per 5s. share (compared with 5d. per 5s. share) absorbs £452,813 and is paid for out of the accumulated carry forward of the parent company. Earnings, which are subject to seasonal fluctuations, have dragged downwards quarter by quarter and, though shareholders had been warned that the disparity between the final and interim payments would be reduced, they will hardly welcome the unexpected reduction in the final dividend—from 3.8d. to 3.5d. per 5s. unit. Investors knew that it would take time for profits to mature from the development programme. The latest accounts will strengthen that conviction, just as they demonstrate that while growth and reorganisation may produce bigger profits and smaller taxes they can also produce bigger charges of other kinds to be set against these profits. In the meantime the skeleton thin yield of 2.3 per cent on the 5s. deferred units, now standing at 19s., continues to put a big discount on future earnings.

RADIO RENTALS

THE control of hiring order, under which the initial rent on radio and television sets has normally to cover the first nine months of hiring, did not prevent Radio Rentals from achieving a record profit in the year to August 31st. In that year the group's trading profit jumped from £2,695,593 to £3,350,688 and the ordinary dividend was effectively raised from 22½ to 30 per cent. No less conclusive evidence of expanding business is shown in the growth (at cost) of radio and television sets "on or for rental" from £10,390,000 to £13,072,794. Such a rate of expansion leaves the group short of liquid resources but it is its policy to write down its sets quickly and that benefits profits if the sets (as they seem to do) stay out on rent after they have been written down in the company's books.

The chairman, Mr P. Perring-Thoms, says that the increase in profit is due primarily to "expansion and improved efficiency" and that rents and selling prices (for the company is in the hire purchase business too) remain "keenly competitive." Much of the expansion, as might be expected, has come from television rentings and not from radio rentings. Thus far in the current year trading has continued to be "satisfactory" and at 28s. the 5s. units (on which the disparity between the interim and final dividends is to be reduced) yield £5 7s. per cent.

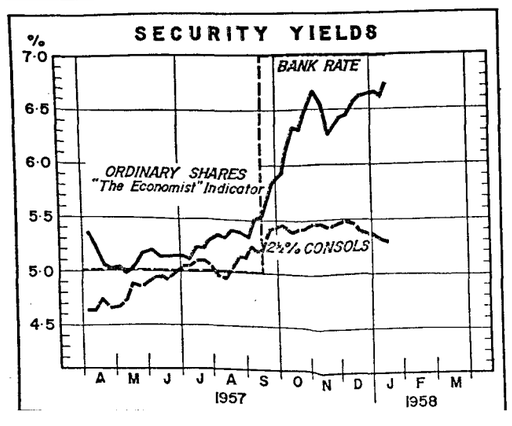
London Stock Exchange

FIRST DEALINGS:	Jan. 1	Jan. 15	Jan. 29
LAST DEALINGS:	Jan. 14	Jan. 28	Feb. 11
ACCOUNT DAY:	Jan. 21	Feb. 4	Feb. 18

THE new Exchequer Stock issue had little effect on other gilt-edged prices, which were firmer on consideration of the reduced trade gap in December and the strength of sterling. The new loan was dealt in around its issue price of 99½ on Wednesday. The rise in short-dated stocks was checked by increasing offers since Tuesday.

Prices of industrial stocks were persistently weak up to the start of the new account on Wednesday, when however widespread but small gains occurred. Over the week *The Economist* indicator dropped by 2.2, but the relaxation of US margin requirements caused further gains on Thursday. Insurance shares relapsed; Sun Insurance fell 10s. to 132s. 6d. and Employers' Liability the same amount to 110s. Birmingham Sound Reproducers was outstanding among electrical stocks, rising 2s. to 33s.; and among the caterers Lyons "A" gained 2s. 6d. to 92s. 3d. There were some weak features among motors and aircraft; Hawker Siddeley lost 1s. 4½d. to 28s. and Rolls-Royce slipped to 87s. 3d. before recovering to 89s. Bowmaker gained 6d. to 23s. 4½d. on the increased payment and United Dominions Trust rose 1s. Shipping shares eased, London and Overseas Freighters falling 9d. further to 17s. 6d. xd. Hudson's Bay recovered on Thursday, but Borax were dull on the results.

Oil shares rebounded on Thursday in anticipation of the Shell group's issue terms, Shell recovering an earlier loss of 3s. 1½d. to 141s. 10½d. Kaffirs had a poor week, losing ground daily, Western Holdings falling 3s. 1½d. in all to 86s. 3d. By contrast diamond producers gained ground, De Beers deferred rising 5s. to 87s. 6d. Copper mines suffered heavy losses, Rhokana declining 1¾ to 23 and Bancroft 1s. 9d. to 14s.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957/8	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
Dec. 18	175·9	6·60				
,, 31	175·7	6·63				
Jan. 1	175·9	6·64				
,, 8	176·5	6·63	225·0 (July 10)	171·2 (Nov. 6)	210·4 (Jan. 4)	170·0 (Nov. 28)
,, 15	174·3	6·72				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956 High	1957 High
		%		%		207·6 (July 9)	203·6 (Jan. 3)
Jan. 8	165·2	6·67	87·83	5·31	7,306		
,, 9	164·7	6·69	87·90	5·29	6,922		
,, 10	163·6	6·74	87·97	5·29	6,983		
,, 13	162·7	6·77	87·98	5·30	8,828		
,, 14	162·7	6·78	88·05	5·30	8,175	Low 159·0 (Nov. 6)	Low 161·5 (Nov. 29)
,, 15	164·0	6·72	88·13	5·29	7,260		

Bases :—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Jan. 8, 1958	Price, Jan. 15 1958	Net Yield, Jan. 15, 1958 § £ s. d.	Gross Yield, Jan. 15, 1958 £ s. d.
97 13/32	93 1/4	War Loan 3%...1955-59	96 1/16	97 3/32	3 15 10	3 5 11
93 23/32	87 1/2	Funding 2½%....1956-61	90 5/16	90 1/2	4 7 11	5 12 4
99 25/32	98 3/32	Conversion 4%...1957-58	99 1/8	99 5/32	4 0 4	6 2 2
97 15/32	94 13/32	Conversion 2%...1958-59	96 13/32	96 13/32	4 7 2	5 4 8
95 7/8	90 1/2	Exchequer 2%.....1960	93 13/32	93 13/32	4 5 2	5 2 2
97 1/8	92 1/2	Exchequer 3%.....1960	95 1/2	95 1/2	3 14 4	5 5 5
99 3/32	93	Conversion 4½%.....1962	95 17/32	95 17/32	3 15 4	5 13 10
89 1/2	84 9/16	Savings Bds. 3%.1955-65	83 5/16 *	83 11/16 *	4 4 6	5 12 4
84 1/2	77	Funding 3%.....1959-69	77 1/16	77 1/16	4 6 0	5 16 6
92 3/4	84 11/16	Funding 4%.....1960-90	86 3/4	86 3/4	9 1 8	11 2 10
81 1/8	74	Savings Bds. 3%.1960-70	76 1/16	75 15/16	2 19 4	4 17 5
94 1/8	87 3/8	Exchequer 3%....1962-63	88 3/8	88 3/8	4 5 7	5 17 1
89 1/8	83	Exchequer 2½%..1963-64	84 1/4	84 1/4	4 2 7	5 10 5
83 1/16	77 1/8	Savings Bds. 2½%.1964-67	78 5/8	78 13/16	4 6 3	5 10 5
77 1/8	67 1/8	Savings Bds. 3%..1965-75	69 1/16	69 1/4	4 5 4	5 10 5
—	—	Exchequer 5½%.....1966	99 3/8	99 3/8	4 2 11	5 11 8
84 3/8	78 1/4	Funding 3%.....1966-68	78 11/16 *	78 11/16 *	3 4 9	5 14 1
95 1/2	91 1/2	Victory 4%.....1920-76	92 5/8	92 5/8	4 1 11	5 14 11
88 5/8	80 3/4	Conversion 3½%.....1969	82 1/16	82 1/16	3 5 2	5 16 2
81 1/4	69 1/2	Treasury 3½%...1977-80	71 1/2	71 1/2	4 6 3	5 16 4
80	68	Treasury 3½%...1979-81	70 1/16 *	70 3/8 *	3 19 1	5 16 2
71 1/2	57 1/8	Redemption 3%..1986-96	60	60 1/8	3 13 7	5 11 2
80 3/8	63 1/2	Funding 3½%..1999-2004	64 1/4 *	64 5/8	3 11 4	5 14 10
81 1/16	68	Consols 4% after Feb. 1957	69 5/8 *	70 1/8 *	3 5 6	5 11 0
75	60 1/4	War Loan 3½% after 1952	63 1/2	63 1/2	3 3 8	5 11 0
75 1/4	58 1/2	Conv. 3½% after Apr. 1961	63 1/4	63 1/8	3 4 3	5 12 6
65 5/8	51 1/2	Treas. 3% after Apr. 1966	54 3/4	55 3/8	3 2 10	5 10 1
55 1/8	45	Consols 2½%.....	47	47 1/4	3 0 11	5 6 0
55 1/16	44	Treas. 2½% after Apr. 1975	46 5/8	46 5/8	3 1 11	5 8 5
96 1/4	88 1/2	Br. Electric 4½%.1967-69	90 1/4 *	90 1/4 *	3 12 5	5 14 8
80 1/16	70	Br. Electric 3%...1968-73	72 3/8	72 3/8	4 4 7	5 16 7
78 1/16	66	Br. Electric 3%...1974-77	69 1/8	69 1/8	4 1 4	5 14 4
92 7/8	79 1/2	Br. Electric 4½%..1974-79	83 3/8	83 1/16	3 11 3	5 13 0
81 11/16	69 3/8	Br. Electric 3½%..1976-79	72 1/4	72 3/8	3 18 5	5 18 7
90 1/2	81	Br. Gas 4%.....1969-72	82 3/8 *	82 3/4 *	3 16 8	5 14 7
87 1/2	78	Br. Gas 3½%.....1969-71	80 1/2	80 3/4	3 19 3	5 14 8
72 3/4	58 3/4	Br. Gas 3%.....1990-95	60 3/8	60 3/4	3 13 10	5 10 10
80 1/8	70	Br. Transport 3%.1968-73	72 3/8	72 3/8	4 4 7	5 16 7
88 5/8	77 1/8	Br. Transport 4%.1972-77	79 1/2	80	3 14 11	5 14 5
72 5/8	59	Br. Transport 3%.1978-88	61 1/8	61 3/8	3 18 3	5 13 11

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Jan. 8, 1958	Price, Jan. 15, 1958	Yield, Jan. 15, 1958 £ s. d.
92 1/2	82	Agric. Mortgage 5%.....1959-89	83 1/2	84	5 19 9
81 1/2	75	Australia 3½%.....1965-69	76 1/2 *	76 1/2	6 6 0
97 1/2	91 1/2	Birmingham 5%.....1973-75	93	93	5 13 2
100 1/2	91	East Africa 5½%.....1977-81	99 1/2	99 1/2	6 7 0
105 1/2	96	L.C.C. 5½%.....1977-81	99 1/2	100	5 10 0
69 1/2	54 1/2	Met. Water Board 'B' 3% 1934-2003	57 1/2	57 1/2	5 17 0
87 1/2	77	New Zealand 4%.....1976-78	78 1/2	78 1/2	5 17 0
75 1/2	67 1/2	S. Rhodesia 2½%.....1965-70	69 1/2	69 1/2	5 16 0
87	72 1/2	German 7% (Br. Enfaced 5%)..1924	83 1/2	83 1/2	...
169 1/2	147 1/2	Japan 5% (Enfaced).....1907	162	163 1/2	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 8, 1958	Price, Jan. 15, 1958	Yield, Jan. 15, 1958 £ s. d.
		% %	BANKS & DISCOUNT			
30/9	19/6	9 c 4 a	Bk. Ldn. & S. Amer.£1	29/-	29/-	6 4 2
47/3	40/-	6 a 6 b	Barclays Bank.....£1	42/3	40/-*	6 0 0
35/3	27/6	4 a 4 b	Barclays D.C.O. ...£1	29/6	29/6	5 8 6
42/6	34/6	7½b 7½a	Chartered Bank....£1	36/-	36/-	5 8 6
51/3	42/9	6½a 6½b	Lloyds Bank £1	43/9	42/9*	6 1 7
66/7½	58/-	9 a 9 b	Midland Bank £1	61/9	60/-*	6 0 0
40/6	28/6	5 a 5 b	Nat. Discount 'B' ..£1	34/-	32/6*	6 3 1
51/6	39/3	6½b 6½a	Union Discount....£1	44/-	43/-	5 16 3
			INSURANCE			
86/4½	61/7½	43½b 30 a	Commercial Union 5/-	73/3	71/3	5 2 11
177/6	102/6	87½b 40 a	Legal & General ..5/-	115/-	115/-	4 6 11
22½	17½	†50 b †20 a	Pearl.....£1	18½	18½	6 12 3
46	34½	†125 c †132½c	Prudential 'A' £1	39½	38½	5 19 3
			BREWERIES, ETC.			
130/-	105/6	10 a 36 b	Bass £1	125/-*	125/-	7 7 3
25/9	19/7½	18¾c 7½a	Distillers.....6/8	20/1½*	19/10½	6 5 10
44/9	36/-	10 a 15 b	Guinness.....10/-	39/6*	39/6	6 6 7
87/3	63/6	8 a 17 b	Whitbread 'A' £1	79/-	79/6	6 0 9
			MOTORS & AIRCRAFT			
21/6	11/9	6½b 3½a	Bristol Aeroplane 10/-	13/6	13/1½	7 12 5
8/7½	6/-	12½c 12½c	British Motor.....5/-	7/-	7/-	8 18 8
40/-	29/3	5 b 3 a	Ford Motor £1	32/7½	31/10½	5 0 5
45/9	27/6	3 a 7 b	Hawker Siddeley...£1	29/4½	28/-	7 2 10
53/-	41/9	10 c 12½c	Leyland Motors....£1	42/9	43/-	5 16 3
121/-	90/7½	15 b 5 a	Rolls-Royce £1	90/6	89/-	4 9 10
9/1½	5/11½	8 c 8 c	Standard Motor...5/-	7/-	7/1½	5 12 3

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 8, 1958	Price, Jan. 15, 1958	Yield, Jan. 15, 1958 £ s. d.
		% %	STEEL & ENGINEERING			
83/-	52/-	8 b 7 a	Babcock & Wilcox..£1	52/6	51/6	5 16 8
29/3	20/-	4 a 6 b	Dorman Long.....£1	22/-*	22/-	9 1 10
56/6	41/9	10 b 5 a	Guest Keen N'fold..£1	47/-	47/-	5 14 10
76/4½	50/6	†5 b †4 a	Alfred Herbert £1	56/9	57/-	5 9 10
59/-	40/-	7 b 4 a	Metal Box £1	43/6	42/6	5 3 8
34/-	19/-	3 a 8 b	Stewarts & Lloyds..£1	21/1½*	21/-	10 9 8
81/-	52/-	11 b 5 a	Swan Hunter.....£1	56/-	55/6	5 15 4
24/1½	18/-	4 a 7½b	United Steel.....£1	19/9*	19/7½	11 14 6
46/-	29/3	7½b 2½a	Vickers £1	30/-	30/3	6 12 3
			ELECTRICAL			
72/3	47/6	15 c 7½a	Assoc. Elec. Inds...£1	48/6	48/3	8 4 5
55/-	39/4½	8½b 4 a	Br. Ins. Callenders.£1	39/10½	39/3	6 7 6
32/6	24/-	14¼a 29½b	Decca Record 4/-	27/3	26/6*	6 12 0
36/3	24/-	15 c 15 c	Elect. & Mus. Inds.10/-	29/3	29/6	5 1 8
64/9	47/3	10 b 4 a	English Electric ...£1	47/-	46/3	6 1 0
59/-	37/9	4½a 8 b	General Electric ...£1	38/-	37/6	6 13 8
			TEXTILES			
24/1½	14/-	6 b 3 a	Bradford Dyers....£1	15/10½	15/6	11 12 4
28/-	21/1½	6½b 2½a	Coats, J. & P. £1	21/6	21/9	8 1 0
37/9	20/10½	6 b 3 a	Courtaulds £1	21/1½	21/10½	8 4 8
38/7½	31/10½	5 a 12½b	Lancashire Cotton. ..£1	33/10½*	33/7½	10 8 3
41/7½	30/10½	12½b 2½a	Patons & Baldwins.£1	34/4½	*32/10½	9 2 8
			SHOPS & STORES			
24/6	13/9	16 c 3 a	Boots Pure Drug..5/-	19/6	18/9	4 5 5
42/10½	31/4½	7½a 20 b	Debenhams 10/-	38/-	37/9	7 6 8
55/7½	33/3	50 b 15 a	Gt. Universal 'A'..5/-	41/3	*39/10½	8 3 0
57/3	30/3	20 b 10 a	Marks & Spen. 'A' 5/-	42/1½	41/9	3 11 10
30/3	19/3	20 b 12½a	United Drapery...5/-	25/4½	24/7½	6 12 0
49/-	37/10½	26¾b 13¾a	Woolworth.....5/-	41/4½	40/9	4 18 3
			SHIPPING			
47/9	30/6	11 b 6¼a	Brit. & Com'wealth10/-	33/-	33/-	5 6 1
27/9	17/6	8 b 2 a	Cunard £1	18/-	17/9	11 5 4
48/10½	28/3	9¾c 10¾c	Furness Withy.....£1	31/-	30/-	7 4 0
38/-	23/9	5 b 3 a	P. & O. Deferred...£1	24/6	24/-	6 13 5
			MISCELLANEOUS			
36/10½	24/9	22¼c 9 a	Allied Bakeries 'A' 5/-	27/3	27/3	5 10 0
50/3	29/9	6 b 3 a	Assoc. Port. Cem...£1	32/6	32/9	5 10 0
27/9	18/6	32½c 10 a	Beecham Group...5/-	27/9	26/10½	6 1 0
47/9	26/3	8 b 4 a	Bowater Paper £1	27/3	27/6	9 1 10
68/10½	38/-	8 b 4 a	Br. Aluminium £1	42/-	43/1½	5 11 5
46/4½	35/-	†15 c †9¾a	Br. Amer. Tob. ...10/-	39/6	40/-	6 5 0
25/-	17/4½	17½b 7½a	B.E.T. 'A' Defd....5/-	20/3	20/-	6 10 0
39/-	29/6	6 b 4 a	Br. Oxygen £1	31/3	30/9	6 8 3
21/10½	15/3	7½b 3 a	Dunlop Rubber..10/-	16/10½	16/4½	6 1 10
46/6	36/1½	6 b 4 a	Imp. Chemical.....£1	38/3	39/-	6 1 10
50/6	36/-	12½b 8¾a	Imp. Tobacco £1	40/6	41/-	10 4 10
36/9	27/3	2½a 5 b	J. Lucas (Inds.)....£1	28/-	28/-	5 7 3
19/3	12/4½	22½c 5 a	Monsanto Chem...5/-	13/6	13/3	5 1 10*
18/3	13/9	5 a 5 b	Ranks.....10/-	14/-	14/-*	7 2 10
55/6	29/9	10 b 5 a	A. E. Reed.....£1	30/-	30/-	10 0 0
15/10½	11/3	20 c 22½c	Sears Holdings 'A' 5/-	13/-	13/3½	8 8 0
70/3	54/10½	4¼a 12 b	Tate & Lyle.....£1	55/4½	54/1½	6 2 0
70/9	50/-	7½a 7½b	Tube Investments..£1	53/-	52/6	5 14 3
73/6	51/-	2½a 12½b	Turner & Newall...£1	54/10½	53/4½	5 12 5
114/6	71/9	11½b 6 a	Unilever Ltd.....£1	78/-	74/4½	4 14 3
102/-	65/6	14½b 4 a	Utd. Dominions Tr..£1	77/-	78/-	4 14 10
44/-	27/6	†10 b †4¼a	United Molasses .10/-	27/6	27/3	9 0 10
			OIL			
173/7½	87/6	†10 b †5 a	British Petroleum..£1	91/10½	90/-	5 16 0
119/4½	70/7½	17½b †5 a	Burmah £1	74/-	73/9	6 2 0
£25	£14⅝	17½b 7½a	Royal Dutch....20 fl.	£15½	£14⅜	3 6 8
218/3	136/10½	†13⅜b †5 a	Shell £1	141/10½	138/9	4 14 0
104/-	55/-	... ...	Ultramar 10/-	61/-	59/3	...
			MINES, ETC.			
137/6	115/-	50 b 20 a	Anglo-American .10/-	122/6	117/6	5 19 0
29/-	20/3	†2½a †10 b	Cons. Tea & Lands..£1	20/3	20/6	21 3 5
92/6	48/6	15 b 6¼a	Cons. Zinc Corp. ...£1	50/-	49/3	8 12 7
113/1½	81/3	120 b 80 a	De Beers Def. Reg. 5/-	82/6	87/6	11 8 7
83/1½	58/7½	... 20 a	Free State Geduld.5/-	82/6‖	80/7½	...
12/10½	7/3	30 c 10 a	London Tin 4/-	7/4½	7/3	16 11 0
56/7½	45/-	50 a 50 b	President Brand ..5/-	49/4½	48/10½	10 4 7
24/9	13/10½	8¼a 16¾b	Rho. Selection Tst. 5/-	14/10½	14/4½	8 14 6
42½	23¾	50 a 175 b	Rhokana Corp. £1	24¾	23	9 15 8
55/-	41/-	30 b 12½a	United Sua Betong..£1	48/6	48/9	17 10 0
88/4½	58/1½	40 a 60 b	Western Holdings.5/-	89/4½	86/3	5 15 10

New York Closing Prices

	Jan. 8 $	Jan. 15 $		Jan. 8 $	Jan. 15 $		Jan. 8 $	Jan. 15 $
Alumin'm Ltd.	29½	28½	Crown Zeller..	45½	46	Penns. R.R....	12½	12½
Am. Smelting.	39½	38⅜	DuPontdeNm.	177⅜	181½	Sears Roebuck	25½	25⅞
Amer. Tel. ...	169⅜	172⅜	Ford Motors..	41	40½	Shell Oil	68½	63⅜
Am. Viscose..	27½	27½	Gen. Elect....	62⅜	62½	Std. Oil of N.J.	49½	50½
Anaconda....	41⅞	41	Gen. Motors..	36⅜	35	U.S. Steel....	55	54½
Beth. Steel...	38⅜	38½	Int'l. Nickel..	72½	72⅝	Western Union	15⅞	16⅛
Can. Pacific ..	23½	25⅛	National Dist.	21⅜	22½	West'house E.	63½	63
Chrysler	56⅞	53⅜	N.Y. Central .	15½	15	Woolworth ...	40½	39⅜

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 100%. (e) To earliest date. (f) Flat yield. (g) On 24 %. (h) On 13½%. (i) On 22½%. (j) After Rhodesian tax. (k) On 30%.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared.

	World Trade	This week

British		Overseas	
Prices and Wages.....	Jan. 4th	Western Europe :	
Production and Consumption	Jan. 11th	Production and Trade.....	Dec. 21st
Manpower.....	Dec. 14th	British Commonwealth	Jan. 11th
External Trade.....	Dec. 21st	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	Dec. 14th
Industrial Profits	This week	United States	Jan. 4th

World Trade

(Million US Dollars)

	Exports (f.o.b.)					Imports (c.i.f.)				
				Annual Rate					Annual Rate	
	1948	1955	1956	Apr. to June, 1957	July to September, 1957	1948	1955	1956	Apr. to June, 1957	July to September, 1957
WORLD										
Total (1)	**54,020**	**84,313**	**93,568**	**100,650**	...	**60,106**	**88,972**	**97,980**	**109,640**	...
STERLING AREA										
Total	**15,029**	**20,504**	**21,784**	**22,875**	...	**18,427**	**23,523**	**24,216**	**26,400**	...
United Kingdom	6,605	8,468	9,292	9,873	9,261	8,370	10,867	10,890	11,739	11,240
UK overseas territories	1,466	2,188	2,443	2,651	...	1,753	2,723	2,995	3,268	...
Hongkong	404	444	563	522	482	523	651	799	913	843
Nigeria	252	371	377	414[3]	...	169	381	427	415[3]	...
Other sterling countries	6,958	9,848	10,049	10,351	...	8,304	9,933	10,331	11,393	...
Australia	1,649	1,748	1,887	2,307	1,881	1,411	2,160	1,937	1,884	1,982
Ceylon	306	407	364	313	362	301	307	342	394	398
Ghana	201	244	222	263	...	121	246	249	283	...
India	1,363	1,276	1,269	1,251	...	1,716	1,413	1,711	2,196	...
Iraq	...	519	477	329[3]	...	183	273	321	343[3]	...
Ireland	199	309	301	349	391	549	572	507	502	466
Kuwait	95[3]	830[3]	840[3]	865[3]	...	...	...	...	...	...
Malaya	829	1,358	1,361	1,309	1,365	842	1,249	1,357	1,400	1,505
New Zealand	493	724	770	815	862[3]	450	802	752	804	905[3]
Northern Rhodesia	115					71				
Nyasaland	17	484	509	508	487[3]	18	435	499	545	615[3]
Southern Rhodesia	99					192				
Pakistan	494	401	340	247	191[3]	312	290	355	442	295[3]
South-West Africa	52	1,059	1,185	1,289	1,224	49	1,482	1,524	1,708	1,752
Union of South Africa	565					1,567				
EUROPE										
Total	**11,461**	**26,060**	**28,530**	**31,259**	...	**17,735**	**29,033**	**33,233**	**37,538**	...
Belgium-Luxemburg	1,690	2,776	3,162	3,252	2,903	2,046	2,830	3,272	3,473	3,306[3]
Denmark	569	1,057	1,112	1,145	1,153[3]	714	1,178	1,311	1,287	1,280[3]
France	2,012	4,911	4,538	5,177	4,652[3]	3,443	4,739	5,553	6,736	5,698[3]
Germany, Federal Republic	...	6,135	7,358	8,450	8,594	...	5,793	6,617	7,254	7,462
Italy	1,077	1,856	2,157	2,465	2,779[3]	1,539	2,711	3,169	3,719	3,344[3]
Netherlands	1,024	2,688	2,862	2,889	3,140	1,871	3,208	3,712	4,078	3,960
Norway	415	633	772	768	794	750	1,090	1,210	1,345	1,164
Sweden	1,107	1,726	1,945	2,199	2,230	1,377	1,997	2,209	2,438	2,314
Switzerland	799	1,307	1,442	1,524	1,526	1,163	1,489	1,766	2,010	1,921
Turkey	197	313	305	378	250	348	498	407	393	405
Total related areas (excl. sterling area)	**2,009**	**3,371**	**3,473**	**3,504**	...	**2,764**	**4,450**	**4,614**	**5,283**	...
Netherlands Antilles	407	803	841	838	...	544	996	1,062	1,199	...
NORTH AMERICA										
Total	**16,022**	**20,337**	**24,378**	**27,253**	**25,428**	**11,082**	**17,525**	**20,022**	**20,934**	**20,330**
United States	12,666	15,553	19,090	21,867	19,652	8,058	12,369	13,752	13,942	13,971
Canada (2)	3,356	4,784	5,288	5,386	5,776	3,024	5,156	6,270	6,992	6,359
LATIN AMERICA										
Total	**6,554**	**8,009**	**8,627**	**8,584**	...	**6,224**	**7,561**	**7,943**	**9,335**	...
Argentina	1,627	929	944	974	...	1,590	1,173	1,128	1,334	...
Brazil	1,173	1,423	1,482	1,080	...	1,134	1,306	1,234	1,520	...
Chile	327	472	542	485[3]	...	269	376	354	416[3]	...
Colombia	289	580	599	451[3]	...	337	669	657	389[3]	...
Cuba	724	607	686	1,101	...	591	633	714	720	...
Mexico	486	807	874	545	...	561	885	1,072	1,198	...
Peru	157	268	308	323	306	168	299	361	454	393
Venezuela	1,040	1,912	2,116	2,453	...	814	1,092	1,249	1,742	...
REST OF THE WORLD										
Total	**2,945**	**6,032**	**6,770**	**7,175**	...	**3,874**	**6,871**	**7,947**	**10,450**	...
Egypt	591	397	409	550	369	663	525	534	507	486
Indonesia	394	932	882	848	...	464	604	856	925	...
Iran	462	...	...	...	...	167	...	...	...	...
Japan	258	2,011	2,501	2,685	3,033	684	2,471	3,230	5,112	4,284

Figures cover general trade as far as possible. Area totals include estimates for countries for which data are not available. Data refer to calendar years. (1) Excludes China (mainland), USSR, and non-reporting countries of Eastern Europe. (2) Including the trade of Newfoundland in 1948, with no adjustment for trade between the two areas. (3) Partly estimated.

Financial Statistics

EXCHEQUER RETURNS

For the week ended January 11, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £135,490,000 compared with a surplus of £40,166,000 in the previous four days and a surplus of £134,584,000 in the corresponding period of last year. There was a net expenditure "below-line" of £11,698,000, leaving a total deficit from April 1st of £770,678,000 (£820,037,000 in 1956–57).

£'000	Estimate, 1957–58	April 1, 1956, to Jan 12, 1957	April 1, 1957, to Jan. 11, 1958	Week ended Jan 12, 1957	Week ended Jan. 11, 1958
Ord. Revenue					
Income Tax	2176,250	1017,215	1056,053	163755	149152
Surtax	149,000	77,800	72,100	11,500	10,000
Death Duties	170,000	126,700	130,500	3,000	2,100
Stamps	60,000	48,400	51,800	1,500	800
Profits Tax, EPT & EPL	255,000	162,850	205,400	4,500	3,700
Other Inland Rev. Duties	500	360	350	50	200
Total Inland Rev.	2810,750	1433,325	1516,203	184305	165952
Customs	1204,250	945,034	953,397	19,657	19,992
Excise	912,850	685,575	715,935	4,920	4,465
Total Customs and Excise	2117,100	1630,609	1669,332	24,577	24,457
Motor Duties	93,000	51,812	58,829	17,656	18,340
PO (Net Receipts)	20,000	2,700	2,350	200	*Dr.200*
Broadcast Licences	31,000	19,600	21,200	...	...
Sundry Loans	32,000	30,482	29,273	124	1,642
Miscellaneous	185,000	131,115	132,060	26	8,909
Total	**5288,850**	**3299,644**	**3429,248**	**226888**	**219101**
Ord. Expenditure					
Debt Interest	640,000	587,349	516,585	6,544	9,334
Payments to N. Ireland Exchequer	69,000	48,246	51,330	...	3,677
Other Cons. Fund	10,000	7,966	7,981	...	...
Supply Services	4072,282	3043,301	3094,115	85,000	69,800
Total	**4791,282**	**3686,862**	**3670,011**	**91,544**	**82,812**
Sinking Funds	58,000	27,101	27,537	760	800
"Above-line" Surplus or Deficit	**414,319**	**268,300**	**134584**	**135490**	
"Below-line" Net Expenditure	405,718	502,378	13,695	11,698	
Total Surplus or Deficit	**820,037**	**770,678**	**120889**	**123792**	
Net Receipts from :					
Tax Reserve Certificates	139,921	167,580	–59745	–35911	
Savings Certificates	50,700	–18,000	2,300	–1200	
Defence Bonds	–33,927	–28,785	–1135	–884	
Premium Savings Bonds	53,700	60,220	1,400	1,980	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
Jan. 12	3,440·0	1,386·3	267·1	...	5,093·5
Oct. 12	3,110·0	1,742·9	220·0	...	5,072·9
„ 19	3,120·0	1,772·9	214·0	...	5,106·9
„ 26	3,140·0	1,792·1	199·4	...	5,131·5
Nov. 2	3,170·0	1,774·6	190·1	1·8	5,137·4
„ 9	3,210·0	1,744·6	201·7	...	5,156·3
„ 16	3,260·0	2,188·8	231·9	...	5,680·7
„ 23	3,300·9	2,158·2	197·0	...	5,656·2
„ 30	3,340·0	2,148·6	182·5	4·8	5,675·9
Dec. 7	3,380·0	2,140·3	189·2	6·0	5,715·5
„ 14	3,410·0	2,181·2	193·6	...	5,784·8
„ 21	3,440·0	2,228·1	192·4	...	5,860·4
„ 30	5,684·7		218·4	...	5,903·1
1958					
Jan. 4	3,450·0	2,248 9	228·5	...	5,927·4
„ 11	3,410·0	2,192·2	237·0	...	5,839·2

THE MONEY MARKET

THE ten weeks' decline in the Treasury bill rate was checked at the tender on Friday last week, when the average rate rose fractionally 0.55d. to £6 6s. 7.25d. per cent. The market maintained its common bid at £98 8s. 4d.—but applications for an unchanged allotment of £260 million fell by £7.0 million, to £398.7 million, and the proportion allotted to tenderers at the common price rose a little from 44 to 45 per cent.

The easier credit conditions of last week continued through Thursday, when balances were unlent, but disappeared over the week-end. The Bank helped the market by large purchases of bills on Saturday, and again on Monday and Tuesday; on each day rates on overnight loans ranged up to 6½ per cent. In addition, four or five houses had to take moderate loans at Bank rate on Monday. However no help or loans were needed on Wednesday, the clearing banks' monthly make up day, and overnight rates of outside banks at the close fell to 5 per cent.

The fiduciary limit to the note issue has again been reduced by £50 million, to £2,050 million. In the three weeks from Christmas Day, the note circulation has declined by £133.2 million; in the corresponding period a year ago it fell by £107.9 million.

The Treasury bill rate in New York fell sharply this week, to 2.591 per cent, more than 1 per cent below its peak three months ago.

LONDON MONEY RATES

	%		%
Bank rate (from 5% 19/9/57)	7	**Discount rates**	
Deposit rates (max.)		Bank bills : 60 days	6⅞–6¾
Bank	5	5 months	6¾–6⅝
Discount houses	5	4 months	6⅝–6½
Money		6 months	6½–6⅜
Day-to-Day	5–6½	Fine trade bills :	
Short periods	5½	3 months	7⅛–⅞
Treas. bills 2 months	6⅝	4 months	7⅛–⅞
3 months	6½	6 months	7⅛–9

BANK OF ENGLAND RETURNS

(£ million)	Jan. 16, 1957	Jan 8, 1958	Jan 15, 1958
Issue Department :*			
Notes in circulation	1,889·8	2,033·7	1,994·8
Notes in banking dept.	35·6	66·7	55·6
Govt. debt and securities*	1,921·3	2,096·2	2,046·3
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department :			
Deposits :			
Public accounts	13·7	10·5	10·4
Bankers	219·0	213·4	209·6
Others	73·3	75·2	74·5
Total	306·0	299·1	294·5
Securities :			
Government	259·3	207·0	200·5
Discounts and advances	10·0	19·1	32·7
Other	17·3	22·0	21·8
Total	286·6	248·1	255·0
Banking department reserve	37·5	69·1	59·0
" Proportion "	12·2	23·0	19·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £2,050 million from £2,100 million on January 15th, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Amount (£ million) Applied for	Three Months' Bills Average Rate of Allotment	Three Months' Bills Allotted at Max. Rate*
1957	*91 Day*		s. d.	%
Jan. 11	260·0[2]	401·4	95 5·30	35
Oct. 11	260·0	416·4	132 0·23	41
„ 18	270·0	408·4	132 0·56	47
„ 25	260·0	431·1	132 0·74	37
	91 Day *63 Day*			
Nov. 1	220·0 40·0	419·3	131 10·53	47
„ 8	230·0[1] 40·0	434·0	131 8·42	29
„ 15	210·0 40·0	426·1	131 7·45	23
„ 22	210·0 50·0	423·6	129 5·71	47
„ 29	230·0 50·0	390·2	129 2·27	61
Dec. 6	240·0[1] 50·0	430·7	129 1·45	39
„ 13	230·0 50·0	414·8	129 1·21	45
„ 20	220·0 50·0	403·9	128 9·94	52
	91 Day			
„ 27	260·0	409·2	127 5·91	54
1958				
Jan 3	260·0	405·7	126 6·70	55
„ 10	260·0	398·7	126 7·25	45

* On January 10th tenders for 91 day bills at £98 8s. 4d. secured 45 per cent, higher tenders being allotted in full. The offering this week was for £260 mn. at 91 day bills. [1] Allotment cut by £10 mn. [2] Allotment cut by £20 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: January 15	Market Rates: Spot: January 9	January 10	January 11	January 13	January 14	January 15
United States $	2·78–2·82	2·81–2·81¼	2·81¼–2·81¼	2·81⅛–2·81⅛	2·81⅛–2·81⅞	2·81⅝–2·81⅞	2·81⅝–2·81⅞
Canadian $	...	2·77½–2·77¾	2·77½–2·77¾	2·78–2·78¼	2·77⅞–2·78⅛	2·77½–2·77¾	2·76⅞–2·77
French Fr.	1167·18–1184·82	1177–1177½	1176½–1176⅝	1176½–1176⅝	1176½–1176⅞	1176⅝–1176⅞	1176⅝–1176⅞
Swiss Fr.	12·15⅜–12·33⅜	12·26½–12·26½	12·26½–12·26½	12·26½–12·26½	12·26–12·26¼	12·25⅞–12·26¼	12·25¼–12·25¼
Belgian Fr.	138·95–141·05	139·82½–139·87½	139·82½–139·87½	139·87½–139·92½	139·90–139·95	139·90–139·95	139·80–139·85
Dutch Gld.	10·56–10·72	10·59½–10·59½	10·59–10·59½	10·58⅝–10·59½	10·58⅞–10·59⅝	10·58⅞–10·59	10·58⅝ 10·58⅞
W. Ger. D-Mk.	11·67⅜–11·84⅜	11·77½–11·77½	11·77½–11·78	11·78–11·78⅛	11·78–11·78⅛	11·78–11·78⅛	11·77½ 11·78
Portuguese Esc.	79·90–81·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15
Italian Lire	17368–17627	17511–17513	17511–1752	17521–17521	17511–17521	17511–1752	17511–17513
Swedish Kr.	14·37⅝–14·59⅜	14·49½–14·50	14·49¼–14·49⅝	14·49½–14·50⅛	14·50–14·50⅜	14150⅝–14·50⅜	14·50⅛ 14·50⅜
Danish Kr.	19·19½–19·48½	19·35–19·35½	19·35–19·35½	19·35½–19·35½	19·35½–19·35½	19·35½–19·35½	19·35½ 19·35½
Norwegian Kr.	19·85–20·15	20·00⅜–20·01	20·00⅜–20·01	20·00⅜–20·01⅛	20·00⅜–20·01⅛	20·00⅜–20·01⅛	20·00⅜–20·01⅛
One Month Forward Rates							
United States $		½–⅝c. pm	½–⅝c. pm	½–⅝c. pm	⅜–½c. pm	⅜–½c. pm	⅜–½c. pm
Canadian $		⅜–¾c. pm	⅜–½c. pm	⅜–½c. pm	⅜–½c. pm	⅜–½c. pm	⅜–½c. pm
French Fr.		par–3 dis	par–3 dis	par–3 dis	par–3 dis	par 2 dis	par–3 dis
Swiss Fr.		3½–3c. pm	3½–3c. pm	3½–3c. pm	3½–2½c. pm	3½–2½c. pm	3½–2½c. pm
Belgian Fr.		½–⅛ pm	½–⅛ pm	½–⅛ pm	½–⅛ pm	½–⅛ pm	½–⅛ pm
Dutch Gld.		1c. pm–par	1c. pm par	1c. pm par	1c. pm par	1c. pm–par	1c. pm par
W. Ger. D-Mk.		3½–3pf. pm	3½–3pf. pm	3½–3pf. pm	3½–2½pf. pm	3½–2½pf. pm	3½–2½pf. pm
Italian Lire		1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis
Swedish Kr.		2o pm–par	2o pm–par	2o pm–par	2o pm–par	2½–1½o pm	2½–1½o pm
Danish Kr.		3–1o pm	3–1o pm	3–1o pm	3–1o pm	4–2o pm	4–2o pm
Norwegian Kr.		2o pm–par	2o pm–par	2o pm–par	2o pm–par	2o pm–par	2o pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/0½	248/11½	..	248/10¾	248/8½	248/10

Industrial Profits and Assets

THE tables below continue the analysis of company balance sheets and profit and loss accounts which was introduced in *The Economist* of January 22, 1949; the figures are discussed on an earlier page in this issue.

Comparative analysis of 482 profit and loss accounts published October - December, 1957 (£'000)

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(30)		(12)		(17)		(10)		(2)		(26)		(53)		(13)	
Year	Prev	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	31,804	36,331	2,626	2,626	30,806	31,274	7,476	7,588	Dr. 58	35	11,491	12,386	28,867	28,246	22,259	23,481
Income from investments	996	1,209	33	35	572	858	18	15	23	46	220	225	679	805	577	713
Other current income	...	...	...	...	71	69	...	1	...	...	...	...	50	18	...	...
Non-recurring credits	368	392	...	5	20	375	612	450	480	...	2	628	270	1,193	1,020	146	155
Total Income	**33,168**	**37,932**	**2,664**	**2,681**	**31,824**	**32,813**	**7,944**	**8,084**	**Dr. 35**	**83**	**12,339**	**12,881**	**30,789**	**30,089**	**22,982**	**24,342**
Depreciation	3,559	3,837	292	303	6,180	7,016	544	584	15	12	2,139	2,348	4,558	5,038	4,143	4,610
Income tax	11,661	13,203	883	872	9,062	9,696	2,871	2,838	12	25	3,852	4,067	9,802	9,401	8,193	8,353
Profits tax	3,356	3,922	238	257	1,776	2,053	888	1,043	3	4	893	1,012	2,193	2,430	1,430	1,779
Directors' emoluments	798	906	235	236	510	531	312	294	17	21	435	512	1,515	1,589	586	625
Administrative charges	150	172	14	12	147	165	132	119	21	26	83	117	217	248	141	194
Contingencies, provisions, etc.	164	56	37	37	1,622	690	34	3	...	21	159	215	276	377	185	13
Pensions	341	360	36	39	698	805	14	55	...	...	233	215	179	170	218	75
Minority interests	230	221	5	4	308	378	248	259	...	...	65	40	2	48	143	141
Loan interest	1,423	1,523	112	122	358	480	143	153	...	...	246	221	162	187	...	66
Preference dividends	730	753	123	123	631	635	281	282	...	...	208	215	194	191	225	241
Profits retained by subsidiaries	1,930	2,836	201	150	2,189	3,239	721	962	Dr. 72	18	959	626	3,503	2,665	1,454	1,285
Ordinary dividends	5,703	6,420	261	259	2,279	2,740	1,156	1,235	6	6	1,471	1,493	3,865	3,970	1,923	2,174
Reserves (parent company)	3,013	3,169	224	295	5,564	3,811	480	172	...	...	1,542	1,737	3,526	4,029	3,845	4,496
Brought in (parent company)	5,331	5,441	571	574	2,207	2,707	1,029	1,149	Dr. 97	Dr. 134	2,239	2,293	6,202	6,999	3,329	3,825
Carried forward (parent company)	5,441	5,595	574	546	2,707	3,281	1,149	1,234	Dr.134	Dr. 184	2,293	2,356	6,999	6,745	3,825	4,082

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(6)		(6)		(14)		(37)		(7)		(89)		(6)		(9)	
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	5,893	6,533	4,939	5,218	10,514	13,716	69,330	69,241	3,541	3,520	47,093	46,657	2,969	3,985	4,744	7,090
Income from investments	231	278	236	255	186	250	764	830	162	210	1,398	1,594	409	561	354	370
Other current income	...	...	...	...	...	...	151	140	...	...	4	8	...	...	...	...
Non-recurring credits	...	7	...	95	25	160	50	1,870	5,192	197	191	1,617	1,797	38	998	471	29
Total Income	**6,131**	**6,811**	**5,270**	**5,498**	**10,860**	**14,016**	**72,115**	**75,403**	**3,900**	**3,921**	**50,112**	**50,056**	**3,422**	**5,544**	**5,569**	**7,489**
Depreciation	809	887	1,061	1,085	1,689	1,969	15,484	19,268	462	559	8,959	9,132	703	694	625	650
Income tax	2,220	2,409	1,422	1,455	3,904	5,165	23,521	21,350	1,339	1,218	16,800	16,300	1,047	1,503	1,557	2,343
Profits tax	465	571	380	389	792	944	4,582	5,135	394	468	3,343	3,703	219	332	638	736
Directors' emoluments	214	244	233	258	520	574	1,422	1,346	133	148	1,983	2,061	68	69	234	265
Administrative charges	10	11	55	28	45	53	193	193	42	52	301	283	24	27	51	33
Contingencies, provisions, etc.	164	...	251	3	124	1,032	632	2,692	191	49	1,908	1,243	21	46	38	45
Pensions	70	12	227	267	41	48	1,864	1,647	8	7	207	243	10	35	58	60
Minority interests	...	...	5	11	99	166	535	720	170	242	196	221	1	1	Dr. 2	5
Loan interest	...	...	151	257	135	219	330	358	40	86	443	552	37	81	232	227
Preference dividends	87	87	142	143	171	171	761	817	153	153	658	668	39	39	42	37
Profits retained by subsidiaries	391	694	49	13	589	1,147	11,131	7,143	79	126	3,336	3,234	Dr. 191	Dr. 29	Dr. 35	370
Ordinary dividends	670	736	579	579	1,271	1,351	7,277	7,453	462	464	5,109	5,361	374	477	1,153	1,167
Reserves (parent company)	871	1,161	629	929	1,005	480	4,221	5,089	29	114	6,907	8,354	796	2,255	1,167	1,550
Brought in (parent company)	1,245	1,405	533	619	4,393	4,868	10,023	10,185	823	1,221	9,311	9,773	575	849	2,553	2,364
Carried forward (parent company)	1,405	1,404	619	700	4,868	5,565	10,185	12,377	1,221	1,456	9,773	8,474	849	863	2,364	2,350

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS 482 Companies	
No. of Companies	(7)		(9)		(9)		(1)		(63)		(18)		(38)			
Year	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Gross trading profit	500	419	2,059	2,588	3,803	4,740	5	57	4,554	3,885	2,967	2,903	10,193	10,479	308,375	322,998
Income from investments	10	11	31	36	231	182	...	...	274	290	130	168	550	560	8,084	9,501
Other current income	...	...	...	...	2	3	...	...	33	61	4	1	106	151	427	452
Non-recurring credits	20	42	107	109	176	63	5	4	416	709	11	82	285	368	8,640	12,610
Total Income	**530**	**472**	**2,197**	**2,733**	**4,212**	**4,988**	**10**	**61**	**5,277**	**4,945**	**3,112**	**3,154**	**11,134**	**11,558**	**325,526**	**345,561**
Depreciation	153	155	342	360	1,654	1,870	13	12	207	273	252	266	838	937	54,681	61,905
Income tax	70	78	665	798	1,003	1,156	...	8	1,748	1,099	1,202	1,217	3,623	3,414	106,457	107,978
Profits tax	29	30	165	234	262	330	...	3	630	554	306	329	914	1,136	23,896	27,394
Directors' emoluments	72	70	204	183	281	302	8	9	114	117	47	52	357	361	10,298	10,773
Administrative charges	21	22	7	8	27	18	3	3	129	135	44	53	239	273	2,096	2,250
Contingencies, provisions, etc.	1	5	52	4	2	4	...	...	592	466	130	61	255	121	6,828	7,183
Pensions	1	1	15	16	17	16	...	...	13	13	14	38	70	70	4,334	4,192
Minority interests	...	...	15	16	Dr. 8	Dr. 50	...	...	7	7	104	109	138	94	2,261	2,632
Loan interest	25	25	85	80	135	135	...	...	27	24	18	14	1,214	1,356	5,316	6,166
Preference dividends	17	21	43	40	125	126	...	...	8	7	20	21	368	398	5,026	5,168
Profits retained by subsidiaries	36	Dr. 12	Dr. 1	278	182	179	...	...	42	Dr. 11	86	73	905	348	27,484	25,336
Ordinary dividends	49	42	250	358	348	444	...	5	1,271	1,499	661	681	1,514	1,699	37,652	40,613
Reserves (parent company)	35	15	315	315	475	515	...	...	507	657	223	247	471	995	35,845	40,788
Brought in (parent company)	387	408	787	827	569	277	Dr. 4	Dr. 18	1,058	1,050	431	436	2,345	2,573	56,339	59,691
Carried forward (parent company)	409	428	827	870	277	220	Dr. 18	3	1,050	1,155	436	430	2,573	2,929	59,691	62,879

* This group includes canals and docks, entertainment, finance and land, hotels and restaurants and warehousing.

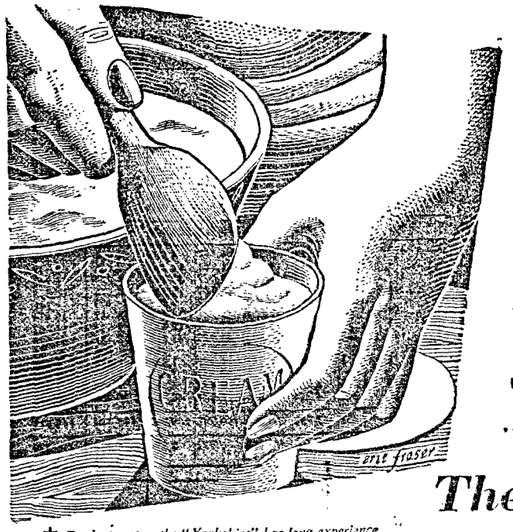
Comparative analysis of 482 balance sheets published October - December, 1957 (£'000)

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(30)		(12)		(17)		(10)		(2)		(26)		(53)		(13)	
Year	Prev.	Latest	Prev.	Latest	Prev	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	189,665	206,169	8,102	8,635	113,650	134,128	31,622	45,205	423	424	40,300	44,532	76,212	85,717	61,350	68,027
Trade investments	4,022	6,339	130	141	4,883	5,134	277	253	310	310	916	903	1,575	1,968	2,801	4,202
Stocks	32,822	36,613	7,390	7,577	72,276	84,584	10,951	11,536	624	516	20,324	22,030	51,885	56,287	36,146	38,614
Debtors	17,934	20,091	2,052	2,467	29,233	31,238	9,864	10,132	207	224	16,427	18,226	37,038	38,050	31,453	33,504
Net balances due to parent company	...	...	...	...	523	467	28	...	171	172	...	...	9	...	484	10
Gilt-edged	6,803	7,079	198	239	1,353	3,006	14	16	...	...	613	84	3,204	2,891	1,056	1,048
Cash	17,842	17,978	1,511	1,853	15,017	12,944	2,063	2,217	15	35	4,733	3,862	21,774	19,799	11,445	17,650
Other marketable investments	567	598	83	82	714	797	335	315	...	...	4,017	4,026	2,418	2,288	2,481	429
Intangible assets	4,389	5,332	508	493	1,275	288	12,815	3,757	711	776	625	633	2,130	2,060	2,158	2,039
Total Assets	**274,044**	**300,199**	**19,974**	**21,487**	**238,924**	**272,586**	**67,969**	**73,431**	**2,461**	**2,457**	**87,955**	**94,296**	**196,245**	**209,060**	**149,374**	**165,523**
Bank overdrafts and loans	1,400	552	862	1,435	17,097	25,569	2,104	3,446	420	354	2,422	3,357	4,117	4,529	4,901	93
Reserve for future income tax	12,585	13,025	1,264	1,303	8,595	8,833	3,542	3,486	11	29	4,415	4,649	11,961	11,280	8,455	8,342
Depreciation and obsolescence	25,691	29,065	1,523	1,780	38,614	42,690	1,107	4,951	114	123	15,944	17,446	29,027	33,240	21,229	25,740
Capital reserves	27,696	31,759	1,379	1,369	19,361	24,229	14,119	11,044	61	61	3,284	3,263	15,780	15,506	18,576	18,353
Other provisions	1,625	1,534	131	120	1,415	1,769	1,099	1,130	...	...	293	300	1,732	1,804	303	241
Creditors	26,386	29,937	2,276	2,563	33,228	36,531	5,555	6,811	59	63	11,446	12,651	22,821	24,206	18,657	19,414
Other current liabilities	16,055	18,586	1,268	1,352	16,182	19,487	5,486	5,909	25	23	5,741	5,888	17,452	18,422	9,253	11,763
Revenue res. and carried forward	47,594	52,652	3,420	3,829	43,862	45,689	10,838	11,861	195	228	18,698	20,803	43,929	47,914	38,481	44,018
Net balances due to subsidiaries	...	...	...	...	4,739	1,829	...	...	...	1	...	...	...	12	106	54
Minority interests	5,009	4,536	105	104	6,558	7,217	5,068	5,419	1	...	1,074	1,049	1,329	1,328	1,676	1,703
Loan capital	34,806	37,212	1,395	1,281	9,302	9,663	3,725	4,048	...	...	4,081	4,078	3,331	3,470	...	7,500
Preference capital	22,226	22,907	3,157	3,157	18,189	18,189	7,740	7,740	1,275	1,275	6,233	6,331	6,442	6,442	7,628	7,627
Ordinary capital	52,971	58,434	3,194	3,194	21,782	30,691	7,586	7,586	300	300	14,324	14,481	38,324	40,907	20,109	20,675
Total Liabilities	**274,044**	**300,199**	**19,974**	**21,487**	**238,924**	**272,586**	**67,969**	**73,431**	**2,461**	**2,457**	**87,955**	**94,296**	**196,245**	**209,060**	**149,374**	**165,523**
Year's Free Scrip Issues	**240**	**2,078**	**487**	**—**	**450**	**8,140**	**—**	**—**	**—**	**—**	**—**	**158**	**972**	**2,396**	**200**	**329**

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(6)		(6)		(14)		(37)		(7)		(89)		(6)		(9)	
Year	Prev	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	18,791	20,221	16,121	18,244	22,896	26,177	233,125	273,389	12,233	15,267	142,154	158,680	13,320	15,537	31,518	32,877
Trade investments	434	391	2,482	2,756	2,861	2,525	3,167	11,747	775	454	5,883	8,528	2,367	3,613	117	177
Stocks	19,934	21,602	9,649	11,248	26,051	27,247	185,321	180,099	2,472	3,165	78,747	86,071	18	24	18,150	17,210
Debtors	6,822	5,106	4,658	4,848	18,391	22,541	94,028	123,131	3,930	4,125	75,324	80,151	1,787	1,495	8,141	8,332
Net balances due to parent company	...	...	...	...	...	...	...	...	...	...	192	162	...	48	713	727
Gilt-edged	745	457	2,347	4,351	257	217	2,159	2,426	1,556	1,249	15,123	18,033	2,048	2,050	103	102
Cash	6,122	6,713	1,103	1,021	4,360	6,477	35,983	34,511	2,527	2,132	36,744	33,214	3,773	4,931	8,979	11,348
Other marketable investments	3,029	3,204	2	2	87	128	1,125	1,712	1,461	1,220	726	758	1,956	3,639	2,684	2,800
Intangible assets	1	...	2,880	2,883	1,966	1,911	2,480	3,039	3,596	3,781	2,812	2,754	...	...	321	268
Total Assets	**55,878**	**57,694**	**39,242**	**45,353**	**76,869**	**87,223**	**557,428**	**630,067**	**28,550**	**31,393**	**357,705**	**388,351**	**25,269**	**31,337**	**70,726**	**73,841**
Bank overdrafts and loans	216	152	2	10	5,136	5,606	20,944	40,697	1,113	930	12,575	14,995	...	...	635	340
Reserve for future income tax	2,115	2,260	2,135	2,173	2,853	2,940	24,216	24,016	1,598	1,720	14,841	14,296	1,183	1,496	521	796
Depreciation and obsolescence	7,525	8,448	5,223	6,108	9,118	10,614	97,890	118,709	4,873	5,309	62,896	61,859	3,986	4,163	10,631	11,070
Capital reserves	4,293	3,071	3,928	3,627	3,892	4,154	13,929	19,852	545	910	34,086	48,851	4,159	6,243	5,486	8,626
Other provisions	114	113	3	3	310	314	3,288	3,711	10	10	6,409	6,019	404	419	4	25
Creditors	6,194	5,610	4,910	4,476	15,788	17,909	105,022	112,932	3,175	4,179	50,573	57,173	2,456	3,011	2,761	3,177
Other current liabilities	14,275	13,740	2,631	2,628	5,541	7,095	49,101	44,079	1,530	1,764	23,980	23,723	1,262	1,845	4,872	5,412
Revenue res. and carried forward	10,758	12,966	4,704	5,707	14,000	15,136	89,768	102,420	4,538	5,026	69,177	64,368	6,159	6,762	21,418	23,155
Net balances due to subsidiaries	44	40	...	...	...	...	...	...	36	27	1,138	815	...	40	...	...
Minority interests	...	...	135	132	810	1,120	7,666	9,668	2,228	2,623	2,929	3,529	4	5	43	49
Loan capital	...	...	3,301	8,219	2,865	4,382	8,586	9,906	1,574	1,565	9,671	10,074	1,387	1,973	5,808	5,644
Preference capital	2,527	2,527	5,363	5,363	5,252	5,250	24,853	27,913	3,861	3,861	19,343	19,403	1,186	1,186	1,851	1,851
Ordinary capital	7,817	7,967	6,907	6,907	11,304	12,703	112,164	116,164	3,469	3,469	50,087	63,246	3,083	4,194	16,696	16,696
Total Liabilities	**55,878**	**57,694**	**39,242**	**45,353**	**76,869**	**87,223**	**557,428**	**630,067**	**28,550**	**31,393**	**357,705**	**388,351**	**25,269**	**31,337**	**70,726**	**73,841**
Year's Free Scrip Issues	**—**	**150**	**100**	**—**	**58**	**1,336**	**16,833**	**450**	**49**	**—**	**2,385**	**11,881**	**—**	**904**	**—**	**—**

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS 482 Companies	
No. of Companies	(7)		(9)		(9)		(1)		(63)		(18)		(38)			
Year	Prev.	Latest	Prev.	Latest	Prev	Latest	Prev.	Latest	Prev	Latest	Prev.	Latest	Prev.	Latest	Prev.	Latest
Fixed assets	3,869	3,936	7,148	7,549	22,769	23,413	170	161	19,756	21,020	8,929	9,457	66,559	72,035	1,140,682	1,290,800
Trade investments	1	4	409	419	1,403	1,275	3	2	660	893	315	462	4,073	4,170	39,864	56,666
Stocks	1,977	2,065	12,063	14,202	11,735	13,029	18	25	1,974	1,958	2,105	2,069	8,814	8,071	611,446	645,842
Debtors	1,048	1,456	4,211	5,012	4,838	5,417	42	76	875	1,006	694	1,085	46,121	49,597	415,118	467,310
Net balances due to parent company	...	...	...	...	529	498	...	...	...	...	...	...	194	70	2,883	2,167
Gilt-edged	64	12	...	...	50	200	...	...	1,672	1,560	1,004	1,049	872	975	41,241	47,044
Cash	263	283	1,675	913	2,129	2,097	...	...	6,863	6,179	4,245	4,020	9,449	11,239	198,615	201,416
Other marketable investments	148	148	...	...	1,918	1,223	...	...	724	717	71	171	3,674	3,854	28,220	28,111
Intangible assets	240	238	410	405	320	386	49	33	29	29	114	114	3,720	3,844	43,549	35,063
Total Assets	**7,610**	**8,142**	**25,916**	**28,500**	**45,691**	**47,538**	**282**	**297**	**32,553**	**33,362**	**17,477**	**18,427**	**143,476**	**153,855**	**2,521,618**	**2,774,419**
Bank overdrafts and loans	529	719	3,003	4,899	1,010	1,671	32	7	30	45	74	88	13,725	12,380	92,347	121,874
Reserve for future income tax	100	77	1,075	1,197	1,705	1,791	...	8	1,773	1,017	894	880	2,412	1,699	108,249	107,313
Depreciation and obsolescence	2,056	2,161	2,866	3,185	5,359	5,834	107	100	2,534	2,692	1,383	1,523	5,003	5,527	354,699	402,337
Capital reserves	509	527	1,294	1,323	7,762	7,885	4	4	3,569	4,344	1,998	1,985	8,328	12,800	194,038	227,586
Other provisions	13	13	33	33	160	165	...	...	1,095	981	59	47	1,583	1,327	20,083	20,078
Creditors	681	760	3,699	2,908	4,303	4,124	45	73	2,169	2,276	935	1,159	19,238	22,404	342,377	374,347
Other current liabilities	262	457	790	1,387	1,761	1,804	1	7	2,386	2,557	2,799	2,913	15,781	17,172	198,434	208,013
Revenue res. and carried forward	1,016	1,020	5,011	5,555	10,097	10,651	...	5	5,215	5,534	3,311	3,663	14,802	16,443	466,991	505,605
Net balances due to subsidiaries	...	...	...	...	...	...	...	...	...	1	...	...	20	34	6,084	2,852
Minority interests	10	10	186	168	728	707	...	...	137	137	747	685	1,408	1,935	37,851	42,125
Loan capital	534	498	1,808	1,694	3,312	3,312	...	...	407	359	366	635	29,380	30,117	125,639	145,348
Preference capital	545	545	1,200	1,200	4,461	4,461	...	...	42	95	635	635	12,545	12,545	156,554	160,503
Ordinary capital	1,355	1,355	4,951	4,951	5,033	5,133	93	93	13,196	13,324	4,276	4,496	19,251	19,472	418,272	456,438
Total Liabilities	**7,610**	**8,142**	**25,916**	**28,500**	**45,691**	**47,538**	**282**	**297**	**32,553**	**33,362**	**17,477**	**18,427**	**143,476**	**153,855**	**2,521,618**	**2,774,419**
Year's Free Scrip Issues	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**194**	**795**	**180**	**250**	**—**	**22,819**	**28,196**

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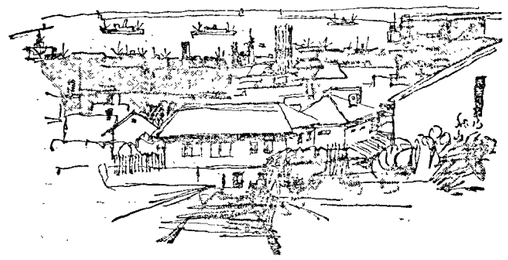
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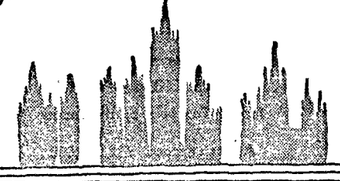
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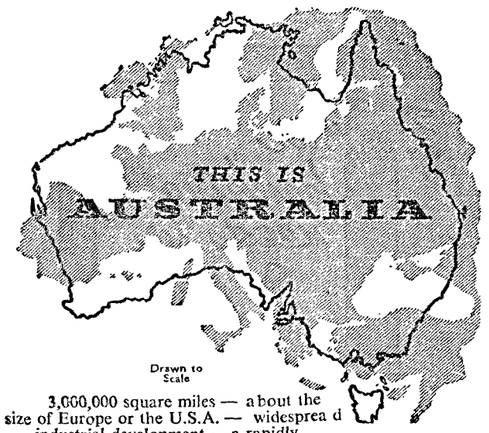
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COMPANY MEETINGS

BARCLAYS BANK LIMITED

GROWTH IN DEPOSITS: COMPETITION FOR SAVINGS

TRADE UNIONS AND WAGE CLAIMS

POUND STERLING: INTERNATIONAL OPERATORS' ACTIVITIES
"A CURIOUS AFTERMATH OF SUEZ"

MR A. W. TUKE ON RECENT HOME ECONOMIC DEVELOPMENTS

The annual general meeting for the year 1958 of the Stockholders of Barclays Bank Limited will be held at the Head Office, 54 Lombard Street, London, E.C.3, on February 5th.

The following is the address by the Chairman, Mr Anthony William Tuke, which has been circulated to Stockholders with the Report and Accounts for the year ended December 31, 1957:

As will be seen from the Report we have during the past year elected three new Directors, Mr Guy Bryan, Mr Francis Fairfax-Cholmeley and Sir Edward Thompson, whom we welcome to our Board and who will submit themselves for the approval of the stockholders during the course of the Annual Meeting. Mr Bryan is our senior executive Local Director in Birmingham and Chairman of our Birmingham Local Board; Mr Fairfax-Cholmeley is the executive Director of Barclays Bank (France) Limited, resident in Paris, and Sir Edward Thompson, who has already been a member of our Birmingham Local Board for seven years, is Chairman of John Thompson Limited and comes to us as a representative of industry in the Midlands. At the close of the Meeting Lord Dudley Gordon will, to our great regret, surrender his seat on the Board on account of his age. He was elected a Director in 1944 and during the intervening years we have learned the value of his advice and of his friendship. We shall miss him very much.

We congratulate our colleague and Vice-Chairman, Mr John Thomson, on two eminent distinctions. The University of Oxford has conferred on him an honorary degree as Doctor of Civil Law in recognition of his services as Deputy High Steward; and he has been appointed Her Majesty's Vice-Lieutenant of the County of Oxford. We also congratulate Sir George Hayter-Hames on the honour of Knighthood which was conferred on him in the Birthday Honours in recognition of his services to Agriculture.

We have appointed as a General Manager Mr F. S. Bedford, who has had experience successively as a Branch Manager in the North of England, as Joint Foreign Manager and as an Assistant General Manager. He takes the place of Mr E. Brimelow, to whose impending retirement from this office and appointment as a Local Director at Pall Mall I referred last year.

THE YEAR'S RESULTS

The results for the past year, which we submit to you, do not differ greatly from those of 1956. After equalising at 6 per cent the interim dividend which was declared in July we are recommending a final dividend of 6 per cent which makes a total of 12 per cent, the same as for 1956. Apart from the last three months, when they have been highly abnormal, money rates were rather lower in 1957 than in 1956, and the upward change which took place in September did not have, on balance, a favourable effect on the year's results. We therefore had to expect a slight fall in our profits, especially having regard to the rapid increase in our expenses in recent years; not only in the principal item of staff remuneration but also in the miscellaneous overheads, from the maintenance of the fabric of our branch offices to the stationery which we use for our daily work. Although we have almost covered these increased charges we are fully alive to the need for economies in our overheads. We may expect that these will come not only from the increased mechanisation of various book-keeping processes, but also from the constant study of labour-saving expedients of every kind. We have a growing department which applies itself to just these matters, not only in theory but also by experiment.

BARCLAYS BANK DCO

Stockholders are well aware that we are deeply interested, not merely financially, in the overseas business of Barclays Bank DCO, which has shown such remarkable progress and has brought us so much satisfaction since it became a member of the Barclay family just over thirty years ago. A substantial, though proportionately small, part of this bank's business was in Egypt, and I had the pleasure of visiting it in the spring of 1956, when the Suez crisis was in the making. When that crisis came to a head, the British staff in Egypt were banished by the Egyptian Government and the Egyptian branches of the bank were sequestrated. On these unhappy incidents I cannot do better than quote from the recent speech of Mr J. S. Crossley, the Chairman of Barclays Bank DCO, to the stockholders of that bank.

. . . We have lost an old and much prized business; many close friends and happy associations have been shut off from us. The history of our Bank in Egypt, the oldest bank in that country and for many years the leading commercial bank, covers nearly a century. There are many today who will remember exceptional services rendered there during the war, but the story in the main has been one of service to the people of Egypt, not to the foreign interests or wealthy merchants and landowners alone, but to many small cultivators and traders throughout the entire country. It would be surprising if all this could be terminated so harshly without causing deep wounds and creating much suffering. Stockholders will, I think, hardly wish me to pass over in silence such an incident involving, amongst other things, the total loss of a remunerative business. Although nothing can restore the damage done, we hope that recognition of our claim for compensation for the events in Egypt will not long be delayed. . . .

In spite of this setback the business generally has continued to prosper, and the loss of the Egyptian deposits has been fully made up within the year through expansion in other areas.

THE CHEQUES ACT 1957

I expressed my views last year on the desirability of introducing legislation for rendering unnecessary the endorsement of the great majority of cheques and similar instruments, and I am glad that this has now been brought about. The Cheques Act, 1957, came into force on October 17th last. This Act will have important and far reaching effects upon the practice of banking. The banks, quite rightly in my opinion, have extended the benefits of this Act as widely as possible, having due regard for their reasonable and proper protection. There is no doubt that it has brought about a very considerable saving to the community at large, even though the financial benefit to the banks may be no more than marginal.

THE IDEAL BANK

Stockholders will have seen references in the Press to the affairs of the Ideal Bank in Birmingham, and to our having come to the rescue of the depositors so that they should not lose any of their money when that bank was obliged to stop payment. The affairs of the Ideal Bank had been conducted with complete propriety, and the depositors had not been tempted by extravagant rates of interest. The directors, deluded perhaps by the propaganda, so prevalent at one time, that cheap money had become a permanent feature of our economy, had invested a large proportion of their funds in long-dated Government stocks and had in some degree neglected the need for adequate liquidity, even in a savings bank. The Ideal Bank thus became a victim of the fall in values which is the counterpart of the high interest rates imposed on the economy in the effort to counteract inflation.

We, for our part, have been taking good care of our liquidity recently, but nevertheless on two occasions during the past year we have found ourselves able to take favourable opportunities of adding to our portfolio of Government investments, which consequently show an increase of £17 million on the year. Our present percentage of investments at 32½ is higher than we really like it to be, and that makes it the more necessary that we should be amply provided with maturities during the next few years. We believe that we are so provided, and that with the effluxion of time, which in this regard is a faithful ally, they will enable us to restore

our liquidity at any moment in case of need without embarrassment.

BANKER'S OBJECTIVES

In the daily conduct of his business a banker always has to hold the balance between two conflicting objectives: to use his resources to the best advantage, and to maintain ample provision for any drawings likely in his judgment to be made by his customers against their deposits. Learned economists will discuss at great length the causes of a rise or fall in these deposits. The practical banker, puzzled perhaps by these erudite lucubrations, pins his faith to what he knows from his experience and can understand, which is that his deposits, and with them his cash, rise and fall day by day with the balance, credit or debit, of his daily clearing account with other banks and the Government.

If on a certain day a banker finds that he has a favourable balance in the clearing of £5 million, the effect, taken in isolation, will be that his cash at the Bank of England will be increased by that amount, and that there will be a corresponding increase in the deposits of his customers or alternatively a decrease in their borrowings; or more probably some unforeseeable combination of the two. He will assume that the money has all gone into deposits and as he needs to keep only 8 per cent of his deposits in cash he will have 92 per cent or £4,600,000 to invest, which he will doubtless employ in the first instance on the money market. If the situation is reversed, as it well may be, on the following day, he will have to find £4,600,000 from his money market assets to make good the fall in his cash, the balance of 8 per cent not being required because he will know that his deposits have returned to their former level. It is true that, when he next takes out his balance sheet, he may find that, apart from the changes which he has foreseen as a result of the daily movements of his clearing account, there has been an increase or decrease in the borrowings of his customers, of which he could not previously have been aware, and a corresponding change in the total of his deposits. Here practice begins to move into the region where theory flourishes, but even so there is nothing that the individual banker can do to increase or decrease the credit balances of one group of his own customers by increasing or decreasing the amounts placed at the disposal of, but not necessarily used by, another group.

A RATHER BETTER THAN AVERAGE RESULT

When inflation is in progress, every bank is likely to find itself taking in money over a period in the clearing and its deposits increasing accordingly; and this growth may not be exactly proportionate as between one bank and another. Any bank which in the long run continues to receive rather more than its proportionate share will find itself by that much less embarrassed when operations undertaken by the Government in furtherance of a credit squeeze reduce the total of deposits in the banking system. In this respect we have been somewhat favoured during the postwar years, as will be seen from the chart which demonstrates the percentage increase in the deposits of the eleven clearing banks, together with our own for comparison, taking 1937 as a base and the monthly averages at yearly intervals.

There is, I suppose, no merit in mere magnitude, but an increased girth is very useful when one is being squeezed. Our figures have not been affected during this period by any adventitious aid nor artificial stimulant, and there is no special reason, that I know of, which has produced for us a result rather better than the average. Such a persistent trend can hardly be fortuitous. A contributory cause is, I am sure, our decentralised method of administration through Local Head Offices, and another may well be our extensive and widening interest in Barclays Bank DCO and in various other banks operating in the overseas territories of the Commonwealth. In the main, however, it must, I believe, reflect the satisfaction of our customers, old and new, with the service given to them by our staff at home, an explanation which I certainly believe to be true.

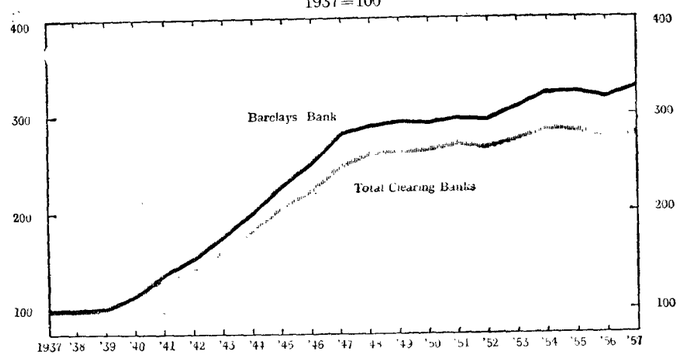
RECORD LEVEL OF DEPOSITS

On the year our deposits have increased by no less than £100 million to a record figure of £1,513 million and £70 million of this has been added in the last six weeks; indeed on the last day we took in unexpectedly £15 million which we were not able to employ fully on the market, with the result that we finished with a wholly abnormal cash ratio of 8.82. Apart from these late movements there were no unusual fluctuations in our total credit balances, but there have been considerable underlying variations in the relationship between current and deposit accounts. In November for example the overall total was unchanged as compared with October, but current balances had fallen by £22 million and deposit accounts had risen correspondingly.

CURRENT, DEPOSIT AND OTHER ACCOUNTS

(ANNUAL AVERAGES OF MONTHLY FIGURES)

1937 = 100



A movement of this kind affects adversely our profit and loss account, since there is no increase in funds available for investment to offset the additional interest payable by us. The individual credit balances, both on current and deposit account, naturally vary enormously, but it is of some interest to note that in Barclays Bank the average balance in each case is just over £500. It must be borne in mind that interest-bearing deposits are of two diametrically different kinds: the savings of private persons, which may be individually small but are in the aggregate very stable, and the deposits of trading companies, which are often individually large but may be very mobile in quality. Within the deposit accounts themselves there is thus an unknown factor. There has been a tendency since rates became high for holders of large individual deposits to transfer their money into Treasury Bills, so that the rise of £22 million in our deposit accounts in November probably understates the amount by which the smaller accounts have increased during this period.

It is not likely, however, that much of this increase represents new savings. The propensity to save is largely a matter of tradition. Traditionally the middle class have been the savers in the past; as a matter of moral principle and because the metaphorical rainy day was always present in their minds. In the past the weekly wage-earner usually had nothing to spare and it was all that he and his wife could do to get from one weekly pay day to the next. The well-to-do nearly always had many obligations and sometimes also quite expensive tastes, so that he found means of spending his money even before the tax-gatherer solved that problem for him and created a new one. Now it is the salaried man who is living from hand to mouth and the money is in the hands of people whose horizon is bounded by their next pay day and who through no fault of their own usually have no tradition behind them to induce them to save. Increased rates of interest appeal to them less than might be expected, because they are not naturally interest-conscious, and although the premium bond has attracted considerable support it does not seem to have taken away any business from the football pools. Making provision for the future rainy day holds little appeal to anyone who knows that there is a welfare man waiting to hold a nice big umbrella over him whenever he needs it; and, thanks to hire purchase, PAYE has come to mean not only pay as you earn but also pay as you enjoy.

SAVINGS

We should like the potential savers of today to make more use of the services of the banks but they have never been much accustomed to doing so, and it would seem that the Government would prefer that they did not acquire the habit. That at least must be presumed to be their motive in refusing to extend to depositors in the banks the exemption from income tax of the first £15 of annual interest on deposits in the Post Office and Trustee Savings Banks. It is true that, from the point of view of curbing inflation, it is better that the Government, if they must borrow, should borrow directly from the citizen rather than indirectly through the banks, but I believe that there will always remain a residue of depositors who prefer dealing with a bank, and if it is right to make special concessions of this kind (which I doubt) it seems a pity to discourage any possible source of savings when the accumulation of capital is so badly needed in the national interest.

Much is done today to dissipate the nation's savings as well as to discourage their accumulation. Innumerable people are forced by inflation to live on their capital but the most notorious and long-standing instance of this dissipation is the dissaving involved in the exaction of an annual capital levy on a part of the population in the form of death duties. Leaving aside any political prejudice about inherited wealth and unearned income, taxes which have to be paid out of capital are inherently unsound because they are a drain on the nation's savings and the capital realised has to be replaced by new savings from some other source.

COMPETITION FOR MONEY

There is today an increasing tendency for organisations other than the Government to take deposits or loans directly from private individuals and companies instead of from the banks. Local authorities frequently finance themselves by this means and even borrow from one another, and other financial institutions such as hire purchase companies advertise freely for deposits, sometimes offering rates of interest which seem unnecessarily high for short term investments if they are of good quality. This raises an important question: whether the banks should attempt to resist this tendency by offering higher rates for money, or even, in the case of hire purchase, by taking a direct interest in the business themselves. To offer higher rates would in any case be futile, in my opinion. There is no sense in the banks' competing for money at rates which make it impossible in present conditions to employ it profitably, and whatever rates we offer, our rivals outside will always bid, like Chu Chin Chow, one dinar more for what they need; in some cases apparently several dinars.

The alternative may be that the banks must face a gradual diminution of their deposits and a change-over to more exclusive dependence on their current account balances for the raw material of their business, a trend which was already apparent during the long period of 2 per cent Bank Rate between 1932 and 1951. Although there may be attractions to the official mind in having as much as possible of the loose money in the private sector of the economy channelled through the banks, through a bottleneck where it can be controlled with the minimum of effort, I feel that we should not accept that view without the closest scrutiny of all its implications.

HIRE PURCHASE FINANCE

The banks have done satisfactory business as lenders to hire purchase companies in the past, but if these companies are going straight to the market it may be better that they should finance themselves entirely independently, and be subjected directly to whatever restrictions may be necessary. They would then rely on the banks only for very temporary accommodation in an emergency, thus conforming to the traditional method of the building societies, with whose business theirs has much in common. A banker must always put the quality of his business first, and must never be tempted to reduce his standards in order to increase his profits or maintain his turnover. *Corruptio optimi pessima.*

AN EVENTFUL YEAR

From a trading and financial point of view 1957 has been a year of fluctuating fortunes. After the debacle of Suez almost anything might have happened. The country mobilised its reserves and metaphorically held its breath. In fact our overseas trade recovered from the shock and dislocation with remarkable rapidity and financially, if not politically, confidence in the Government quickly began to be restored; so much so that in the early months of the year they were able to carry out extensive funding by means of sales of their own securities through the market. They also made a new issue of £300 million very long-dated funding stock, but it is unlikely that much of this was taken by the public at the time and its main purpose was probably to restock the shelves which had been so satisfactorily lightened. Bank Rate had been reduced from 5½ per cent to 5 per cent early in February and in June the repayment of £400 million of stocks then maturing involved a new issue of only £100 million. There was an even more satisfactory manifestation of successful management in the autumn, when a maturity of £500 million was met without the issue of any further stock.

MONETARY AND CREDIT SYSTEM

Mr Thorneycroft announced in the course of his Budget speech in April, that he proposed to appoint a Committee to enquire into the working of the monetary and credit system and to make recommendations. The banks welcome the opportunity of making their contribution towards the evidence on which this advice will be based. It will be noted that the terms of reference are not limited to a report on inflation, but, just as in 1931 the Macmillan Committee reported in the context of deflation and heavy unemployment, so the present enquiry is operating, at any rate at this stage, in the context of overfull employment and inflation. When a Greek dramatist had got himself and his plot into a hopeless tangle it was his habit to have recourse to a device later known as the *deus ex machina*, whose function it was to sweep away the difficulties with a few miraculous strokes. The Chairman of this Committee, Lord Radcliffe, has been asked, not for the first time in his distinguished career, to play the part of the god from the machine. Perhaps the Government had hoped to use the Committee as a stalking horse, from the cover of which they might take action against inflation, and if necessary to treat it as a scapegoat when their actions made them unpopular. If so, they have been disappointed, because the rapid development of the exchange crisis during the past summer has forced them to take action on their own responsibility and it may be that, before the Committee is able to report, the background will have changed.

WAGES AND PRICES

When people discuss the causes of the present inflation they are apt to put much of the blame on the Trade Unions for constantly forcing up wages beyond the point which can be justified by increased production or increased prices. Published statistics show that between 1951 and 1957 (the twelve months ending October in each year) retail prices went up by 32 per cent, wages by no less than 44 per cent and production by only 18 per cent. On these facts wages have well outstripped prices, and production still has a long way to go before any further claims can be justified on that ground. Trade Union leaders are nothing if not realistic, and if they see profits falling it may well be that they will come to the conclusion that the time has arrived to consolidate these very impressive gains and to allow future increases in production to be reflected in reduced prices instead of in increased costs. This would enable those living on fixed incomes to participate in the benefit and would seem to be more in keeping with the Socialist doctrine of fair shares for all. It is interesting to notice that in the last few weeks the Government have adopted this idea and seem to have quietly abandoned their earlier doctrine of wage increases being related to an increased productivity which did not always get beyond promises.

To my mind it is not very sensible to blame the Unions for making these repeated claims. Owing to inflation, the demand for labour has for years past almost continuously exceeded the supply. The Union leaders, being realistic men and remembering how their members suffered when contrary conditions prevailed in the period between the wars, are only following an old capitalist principle, now discredited, of taking full advantage of a market shortage. Naturally they have presented a continuous series of demands, the end of one round merging into the beginning of the next. To be sure each separate claim seems right and proper to those who make it; even if an all-round advance is not justified, everyone honestly (I think that may be the right word) believes that his own case is in some way exceptional. The country bus drivers recently made a complaint that they ought not to be paid thirty shillings a week less than the London drivers. That certainly seemed reasonable enough, and they were granted an increase of eleven shillings. Immediately the London drivers murmured because their differential had been reduced. How very logical, and yet how utterly ridiculous. Special pleadings and misunderstandings are not confined to wage claims. It is just possible that unprejudiced observers do not see as clearly as our staffs and we ourselves do that it has been right to make very substantial increases in bank salaries in recent years.

Up to now employers have been in a difficult position in resisting demands which they have felt to be unreasonable. Apart from the fact that they are almost bound to follow when the Government and the nationalised industries lead the way, they cannot afford to lose key men, or indeed any kind of labour, when their order books are full, which is the usual state of affairs in an inflated economy. And when goods can be sold without any trouble, even at increased prices, at least on the home market, there is not sufficient incentive to apply the maximum efficiency in production. In a sellers' market increased wages or restrictive practices do not necessarily hamper the employer, because he can increase his selling price; they may even serve to increase his profits, just as under a cost-plus system inefficiency adds to the cost and therefore to the "plus."

STERLING SPECULATORS

Although there has been continued inflation at home, our exports have continued to increase and the balance of trade, including the invisibles, has remained favourable. In spite of Suez, there was a realised trading surplus of £125 million in the first six months of 1957 and it appears likely that a further surplus was earned in the second six months. Why, in the face of these favourable influences, did international traders and speculators decide in August that the pound was doomed to devaluation? It is true that the persistent weakness of the Government in facing inflation had made a very bad impression abroad, but there was nothing new in that and I believe that the actions of international operators at this particular time may be attributed to a curious aftermath of Suez. That unhappy incident, which we would all like to forget, and which has been strangely forgotten in the stress of subsequent events, had one outstanding result in the political field, which was to unite Great Britain and France in not very splendid isolation. Politically for a time we had to stand or fall together. It would seem that many people abroad assumed that we were equally involved in a common fate economically, which did not follow at all. It is not just a fanciful idea that this assumption was made. It was asserted categorically to me (not by bankers) both in Germany and Italy during the month of August.

In some respects France is stronger economically than Great Britain; she can, for example, very nearly feed herself, whereas we have to import 50 per cent of our food. France, moreover, does not conduct the most important international money market in the world, which involves such great responsibilities as well as advantages. But against this France has been for years past spending blood and treasure in trying to defend her overseas

possessions, and weakened by this draining of her wealth the franc was unable to withstand the sudden recrudescence of Germany as a powerful creditor nation. The belief that the mark would be upgraded in value, and the franc downgraded, gave ample scope for speculative exchange operations, and it was perhaps not unnatural that the operators overlooked or ignored our relatively favourable trading position which amply justified our authorities in using our reserves freely to meet the crisis. The insufficiency of these reserves is often emphasised. Apart from having to protect sterling against periodical attacks from operators who are mere speculators, they are used to iron out fluctuations in the vast mass of international trade financed in sterling, which is estimated to be in the region of £60 million a day.

When international traders are apprehensive about the value of our currency those who are receiving sterling sell it as soon as they can; on the other hand those who have payments to make in sterling find any pretext they can for postponing them. These "leads and lags," as they are called in financial circles, can exercise great pressure on our reserves. Against the vast mass of trade financed in sterling must be set the total of our first line reserves, $2,273 million; the equivalent of thirteen days' trading only. Even this is twice as much relatively as we held in reserve in gold before the first war and then there was never any question about the value of our own or any other leading currency. However, with our present liabilities, it is essential to increase these reserves, even at the expense of curtailing for a time our new investment overseas.

MR THORNEYCROFT'S PRONOUNCEMENT

After the *de facto*, though not *de jure*, devaluation of the franc in August, the speculative pressure on the pound became intensified and in September the then Chancellor found it necessary to make a pronouncement of his determination to bring inflation at last to a halt and not to entertain any adjustment of the parities of sterling. This pronouncement was accompanied by a statement of policy regarding proposed Government expenditure during 1958 and 1959 and by yet another request to the banks regarding the level of their advances; and his words on these subjects were accompanied by a resounding explosion in Threadneedle Street, Bank Rate being increased from 5 per cent to the almost unprecedented level of 7 per cent. What a change in three short months! For at least two years past the Government have been bombarded by business men with the advice that they should at any cost cut their own expenditure. Unsolicited advice is seldom welcomed, least of all when it is unpalatable, and this case was no exception. Now they have suddenly discovered that the advice was sound, as if by divine revelation; possibly the *deus ex machina* getting to work behind the scenes.

The Chancellor was accused of declaring war on the Trade Unions by deliberately inducing unemployment, but there does not seem to be much prospect of deflation and therefore of reduced employment in what he proposed to do in regard to the expenditure for which he was responsible; nor indeed in what he asked the banks to do about their advances. As for the capital expenditure of central and local government and of the nationalised industries, all that the Chancellor promised was not to allow more expenditure in either 1958 or in 1959 than was spent in 1957; in other words, not to add any more fuel to the fires of inflation as (although it is almost incredible) he had apparently intended to do. A mere holding operation can hardly be regarded as a positive contribution towards solving the problem. On current account the Government's civil and defence expenditure would, he said, be limited, which might have meant anything, and did in fact apparently carry a stricter interpretation in the mouth of Mr Thorneycroft than in the minds of his colleagues in the Cabinet. He did not, in his statement, mention the cost of servicing the national debt, which is bound to be increased with dearer money, and the worst feature of this is that a larger amount of interest has to be paid to overseas holders of certain sterling investments, which increases the strain on our balance of payments.

BANK ADVANCES

The banks, for their part, were told that they must keep their advances in the succeeding twelve months within their level for the twelve months to September last, which they can hardly do if prices rise, but which will happen in the natural course of events if prices continue to fall and industrial activity is reduced; indeed in that event they are likely to fall. All this reads to me like nothing much more drastic than a revival of the doctrine of the Macmillan plateau, which was successfully maintained from April, 1956, until it collapsed in the Suez crisis in the following autumn; and this produced no unemployment problem. There is a sensitive barometer of the labour market in the relationship between unfilled vacancies and registered unemployed, although it undoubtedly understates the real demand.* I have brought up to date the chart of the fluctuations in this relationship which I published two years ago.

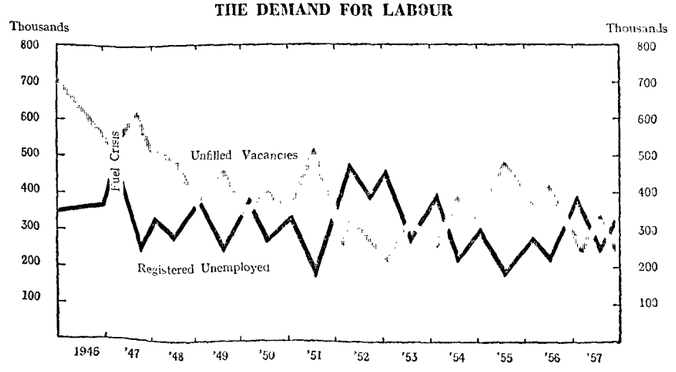
BANK RATE

There remains the question of the effects of the 7 per cent Bank Rate, both external and internal, in so far as they can be distinguished from the effects of the measures as a whole. The external and internal effects are separate, though they interact upon one another. Traditionally a high rate encourages lending and discourages borrowing by foreigners on the London market, and thus serves to correct a disequilibrium on the exchanges. While the latter consideration holds good today, the former cannot make much headway if confidence is lacking. There was a distinct risk that the rise might have been regarded as a sign of desperation, which would have increased the apprehensions of our well-wishers abroad and have whetted the appetites of those who have hoped to make money out of our discomfiture. For better or worse the reaction on the exchanges was likely to be seen immediately, and happily there was in fact a gradual recovery in the value of the pound throughout the first month to above the middle point of $2.80. During the month of October the authorities were able to recover some gold and dollars over the exchanges, but only enough to settle the September deficit in the European Payments Union. On the figures of "leads and lags" which I have given above, this gain represented the equivalent of less than one day's sterling trade, which suggests that those who were "taking a view" decided at that stage to take in some sail but not yet to change course. It may well be that they were waiting to see whether at last the Government would match its brave words with brave deeds. Like the pieman in his dealings with Simple Simon, they were not doing any business on trust. "Show me first your penny." The outcome of November was again satisfactory but by no means spectacular, as it might have been if the outright speculators had decided to cut their losses, and the December result was of the same order. However, confidence has gradually increased, and on the last day of the year the rate touched $2.81 for the first time since May, 1956.

REACTIONS ON BUSINESS ACTIVITY

At home the reactions are always bound to be much slower. There is likely to be an immediate fall in the market prices of fixed interest-bearing securities, and the psychological effect of this may be considerable, especially if the fall is extended to equities as it was on this occasion. Just as when prices are booming people feel rich and are inclined to spend money, so when prices are falling they feel poorer and draw in their horns. There is a large psychological element both in booms and slumps. The reactions on business activity are much more gradual. When orders are given to manufacturers they take weeks or months to fulfil, and it is seldom desirable or even possible to bring capital expenditure to a premature halt even though it would not have been started in the changed conditions. If dear money becomes effective on the home front the result will be that a manufacturer will receive fewer orders and will then himself order less raw material and this will cause him voluntarily to borrow less money from his bank; he will certainly postpone any plan for enlarging his factory which he had been considering in order to meet an expanding market. There have already, during the past year, been signs of lessening activity in the building industry, which is always quick to react to a change in the economic climate. External circumstances also have lately become conducive to a change of outlook in business. There has been a considerable fall in the price of a number of raw materials, especially metals, and this in itself should be reflected in the value of manufacturers' stocks and in the amount of money required to finance a given volume of output. Lower prices should eventually penetrate to the retail trade which would help to release the pressure of inflation in this country and the whole community would then reap the benefit. A fall in prices, if carried too far, would have awkward repercussions on the producers of raw materials and on the economies of the countries from which they come, and at home it would mean that the confidence of business men in continued prosperity would be shaken and industrial activity would be lowered.

THE DEMAND FOR LABOUR



* Barclays Bank, for instance, engages over 1,000 new staff every year, but does not register those vacancies at the Employment Exchanges.

MR THORNEYCROFT'S RESIGNATION

I must finally refer to the resignation of Mr Thorneycroft on a point of principle regarding the estimates of current expenditure for 1958-59, and I do so perforce within twenty-four hours of the astonishing announcement. I find the cause of the quarrel most disturbing. To try to pass off an increase of £50 million in the estimates as being "only a little one" really will not do. Little babies have a way of growing into ugly old men. An increase in the current estimates could surely have been offset by a decrease, instead of a mere holding operation, in the estimates for capital expenditure. The immediate effect on the economy of the expenditure by the Government of £50 million is no different, whether the money is used to make welfare payments on current account or to build schools or power stations on capital account. But in any one year the latter can be reduced by mere postponement, whereas the former cannot. Surely a compromise could have been reached on these lines. But if certain of his colleagues, supported by the Prime Minister, forced the issue by refusing their co-operation, then I would say that Mr Thorneycroft was right to resign and I commend his courage in doing so. Nevertheless, it is a sorry commentary on the manner in which our affairs are conducted.

CHELTENHAM AND GLOUCESTER BUILDING SOCIETY

The Cheltenham and Gloucester Building Society report a satisfactory year.

Assets now amount to £30,274,000, being an increase of £1,603,000. After deducting withdrawals, and allowing for interest added, the total increase in savings in the Society amounted to £1,262,000. A total of £4,410,000 was advanced on mortgage, being an increase of £681,000 over the previous year. It is a source of great satisfaction to the Board that they have been able to increase their loans for house purchase by such a substantial amount during a year when other sources of finance available to would-be home owners have been severely curtailed.

The increase in the Bank rate to 7 per cent resulted in a fall in the market value of the Society's holdings in gilt-edged securities, and the Board have therefore allocated a further £50,000 out of the year's surplus to investment depreciation reserve, bringing this up to £275,000, which more than covers the present market depreciation. All the Society's holdings are in dated stocks which, if held until redemption, will show an ultimate surplus over book value of £172,000.

A further £50,000 has been transferred to General Reserve, and £21,000 carried forward. The total reserves and unappropriated profit now amount to £1,793,000, representing 5.92 per cent of the assets. The Society's liquid assets exceed £4 million, representing 13.4 per cent of the assets.

J. H. FENNER & COMPANY (HOLDINGS) LIMITED

The twenty first ordinary general meeting of this company and subsidiary companies was held on January 13, 1958, at the Queen's Hotel, Leeds. The following extracts are taken from a Joint Statement by Mr C. Bradshaw, FCA, the Chairman, and Mr S. B. Hainsworth, FTI, the Deputy Chairman and Managing Director.

FINANCIAL POSITION

The consolidated net profit of the Group is £449,593 compared with £428,096 for the year ended August 31, 1956. After adding the balance brought forward from the last account of £180,654 and the sum of £66,647 being a reserve for taxation no longer required, the sum of £696,894 has been appropriated as follows: Transfer to Mortgage Debenture Stock Sinking Fund £9,607, Provision for Taxation £225,621, Transfer to Taxation Contingencies £30,000, Dividend on Preference Shares £3,953, Dividend on Ordinary Shares £43,125 leaving a balance to carry forward to next year of £384,588.

The Inland Revenue has granted non-distribution relief for Profits Tax. In certain circumstances, however, tax liability may arise and since your company has always followed a conservative financial policy, a reserve of £30,000 has been made to help to meet any such contingency.

The trading results shown are, in the opinion of your Directors, satisfactory, and for your further information we now comment on the activities of your Companies.

J. H. FENNER & COMPANY LIMITED

Taper-Lock.—As forecast in last year's report, we have now transferred most of our Pulley and Taper-Lock manufacturing equipment to Hull. There have been many difficulties and extra expenses involved in connection with this transfer, but we are convinced that the move we have effected to new and adequate premises with room for expansion will be justified in the end. We report that your Board, which has spent more than £1 million in Hull on buildings, plant, and machinery since the end of the war, is giving careful thought to what extent further development in that city should take place.

Taper-Lock sales continue to expand, both in V-Pulleys and chain sprockets, and the bushes are now available in a complete range of millimetre sizes, thus making them suitable for the Western European markets which are expanding.

Torque-Arm Speed Reducers.—In addition to the six double reduction units, we now have six single reduction boxes Nos. 11 to 16, and have two new larger reduction sizes Nos. 7 and 8 on the way. By our sales efforts, and more particularly because of the excellence of design of this shaft-mounted speed reducer itself, we have found a reasonable market for the device. One of its great advantages is that by using a standard unit with the appropriate Taper-Lock V-Belt drive, any speed within quite a wide range can be obtained exactly. Change to another speed can also be made easily, quickly and at minimum expense.

"Hainsworth" Variable Speed Unit.—The demand for this device, the best of all methods of getting variable speed, expands satisfactorily. During the year the design of the belts and the pulleys has been developed still further and, taken together, these have given us an apparatus with a practically nil complaint rate. There are other new products on the way in our Engineering Division and news of them will be released as they become available for the market.

Premium V-Belts.—Our leadership in the V-Belt field (we are the largest producers of V-Belt drives in the Commonwealth) has been maintained by our being the first to introduce to this country Premium V-Belts with certain man-made fibre pulling cords. These new V-Belts, which deal effectively with heat, oil and static electricity conditions are, in our overseas customers' view, as good as anything being produced in the United States, and that, in our business, is praise indeed.

Fenaplast Colliery Conveyor Belting.—Much has been heard of the use of man-made fibres such as nylon in flame-proof colliery conveyor beltings. Whilst these fibres have certain valuable features, they also have some disadvantages, not the least of which is their high price. Your Company is in a particularly favourable position to utilise whatever yarn or fibre proves most effective, due to the basic advantage of the solid woven type of belt construction allowing a free choice in design. In the long run, however, our view is that the key question will be whether or not the unconventional belt constructions give the National Coal Board value for money in terms of cost of coal carried. Our design staff are keenly aware of this fundamental aspect of the work and every yarn and type of belt construction used has accordingly to merit its acceptance. A vigorous large-scale development programme is behind the continued success of our colliery belting.

J. H. FENNER & COMPANY (OVERSEAS) LIMITED

This Company does the overseas selling of the products of the other Companies. Your Managing Director has been in Australia during the year and was glad to have the opportunity of working with long established friends there.

In South Africa the Fenner Department of our Agents, Messrs Reunert & Lenz Limited, continues to make progress and we have received great encouragement from some of the successes they have achieved. For instance, one of the leading mining groups, covering six very large gold fields, has taken the decision to order its entire V-belt requirements from a single supplier. They have contracted with us, they tell us, because of three reasons, (1) the quality of the Fenner product and the superior life it has given, (2) the advantage of large local Fenner stocks, and (3) competent technical assistance we have been able to give their engineers. In India, J. H. Fenner & Company (India) Limited is responsible for sales from our factory there operated in conjunction with A. & F. Harvey Limited. The production from our Indian factory, Fenner Cockill Limited, is coming round satisfactorily, although there have been delays in getting licences for the basic manufacturing materials required. As these overseas manufacturing enterprises grow, so does the Government of India tend to reduce the import licences they are willing to grant for the same products imported from this country.

Fenner Dodge Limited, formed in conjunction with our friends in the United States, the Dodge Manufacturing Corporation of Mishawaka, Indiana, is proceeding with its development of sales in certain markets outside the United Kingdom.

MARTINS BANK LIMITED

STATEMENT BY THE CHAIRMAN SIR A. HAROLD BIBBY, DSO, DL

RESPONSIBILITIES IN WORLD POLITICS

STEPS FOR A STRONG STERLING

The one hundred and twenty-seventh Annual General Meeting of members of Martins Bank Limited will be held at Head Office, Liverpool, on February 12th. In his statement circulated to members, the Chairman, Sir A. Harold Bibby, DSO, DL, writes:

The net profit for the year ended December 31, 1957, is £901,402 which compares with £944,780 in 1956. Higher rates of interest have attracted large sums from current accounts to deposit accounts on which interest is paid, while income from our investments has not increased. General expenses have increased substantially and the result reflects a narrower margin of profit. In the light of all these conditions the Board consider the result as not unsatisfactory.

A final dividend of 7½ per cent, less income tax, is recommended which with the interim dividend of 7½ per cent makes 15 per cent, less income tax, for the year. This is equivalent to, approximately, 18 per cent on the old capital which last year received 17½ per cent, and is in accordance with the forecast.

In March a scheme was passed by the shareholders for the elimination of the callable and reserve liability on the partly paid shares as the result of which the paid-up capital was increased from £4,315,096 to £5,276,425 10s. by the capitalisation of £961,329 10s. from the published reserves of £6,150,000; the published reserve was then brought back to £5,500,000 by transfer of £311,329 10s. from the Bank's contingency fund.

At the same time, opportunity was taken to make the share capital more widely marketable by sub-dividing the shares into a single class of 5s. and this has been generally appreciated.

After providing for the dividend, appropriations of £200,000 have been made to Staff Superannuation Fund and £250,000 to Premises Redemption from published profits.

Total assets as shown in the comparative balance sheet stand at £366,289,158 (1956—£359,044,484) and customers' funds and other accounts at £334,301,681 (1956—£324,455,334).

We have again deemed it wise to continue to maintain a high degree of liquidity throughout the year, our total liquid resources at December 31st being £137,319,136 (1956—£136,866,747) and the ratio of these resources to our deposits is 41.01 per cent compared with 42.11 per cent. It will be observed that the Bank's investments stand at £88,714,641 as compared with £88,507,564 a year ago and continue to be valued at or under market prices. All British Government securities have fixed maturity dates and the majority mature within six years.

CREDIT RESTRICTION

Our advances of £91,487,280 are increased by £5,505,848 compared with a year ago. There has been no relaxation of the credit squeeze during the year but customers have made greater use of the agreed facilities at their disposal and our experience shows that seasonal and other swings have been more pronounced causing quite substantial fluctuations in borrowing. This is, of course, the type of finance which banks should provide as it is directly related to day-to-day and short term requirements rather than to long term borrowing. The banks in adhering to the various official directives have had to decline many proposals which on strictly banking principles they would have liked to implement. This has caused the determined borrower to go outside his normal banking sources, often paying a high rate of interest, but still obtaining the funds he required. The banks must continue to be given flexibility in handling the multitude of applications received for financial assistance whilst endeavouring to carry out the Government's latest instruction that the general level of overdrafts should be held to the average for the year ended September, 1957. They have exercised with considerable skill a cautious and careful assessment of the needs of customers in direct relationship to the national interest in carrying out the requests to curtail credit of successive Chancellors who have on various occasions thanked the banks for their help and co-operation in the fight against inflation.

THE DIRECTORATE

I have to record with deep regret the death of Mr F. A. Bates, MC, AFC, DL, who had served the Bank well for twenty-three years as a Director, of which nine were as Chairman. As Chairman he guided the destinies of the Bank through all the difficult war years with his wise counsel and firm conviction that principles must never be sacrified for expediency. We miss his wealth of experience and charming personality.

Sir John M. Brocklebank, Bart, has been elected a Deputy Chairman. He has already served the Bank as a Director for nine years and his wide knowledge will be more than ever at our disposal.

During the year Mr Morton D. Oliphant, MBE, TD, has joined the General board. He has already proved a most useful member. This appointment will require confirmation at the Annual General Meeting.

We also welcomed to the London board in December Mr P. G. Walker, whose breadth of experience in business affairs will be most valuable.

We wish to congratulate Viscount Mackintosh, our colleague on our London board, on the further honour conferred upon him by Her Majesty the Queen in her birthday honours.

Following Mr E. H. Denman's retirement after forty-five years of distinguished service to the Bank, Mr E. Norman-Butler has been appointed a Joint General Manager and our chief executive in London. Mr R. Davidson has been promoted Assistant General Manager and Mr H. C. Horton has become Overseas Manager.

Mr L. G. Tunnah has taken over the duties of London District General Manager.

Our staff have continued to give their devoted service which we gratefully acknowledge and for which we tender to them our sincere thanks.

During the year steady progress has been made in affording increased facilities to our customers by opening new branches in areas where we were not previously represented.

Many of our other branches have been improved and modernised thus adding to the convenience and comfort of our customers and staff alike.

The research into electronics continues and further progress has been made in mechanisation and reduction of overhead expenses in routine procedure but the increase in general expenses goes on. During the year in common with other banks there have been substantial basic increases in salaries and wages of our staff, and amongst other things, higher maintenance costs and fuel and light bills have had to be met and the full impact of the increased cost of postages is still to be felt.

In the light of the substantial increases in salaries and wages it has become necessary once again to review the position of our Superannuation Fund. The Actuary calculates that there will be a capital deficiency of £400,000 in the Fund and has advised the restoration of this sum at the earliest possible date. The Board are, therefore, recommending an appropriation of £200,000 out of published profits this year and that a similar sum should be provided next year.

NATO AND WORLD PEACE

The year 1957, while not being so fraught with dramatic episodes as 1956, has reflected the consequences of the events of that previous year.

There has been a change of thought, and now happily of direction, across the Atlantic where our American friends are realising the responsibilities attaching to their role in world politics and are finding that the path is not strewn with roses.

The blind faith reposed in the United Nations Organisation is giving way to a more realistic appreciation of its powers and shortcomings and the feeling is gaining ground that more hope should be placed in NATO rather than UNO to maintain world peace.

UNO, with its wholly disproportionate voting rights on the one hand and the veto on the other, seems incapable of performing the international function for which it was designed as the supreme authority whose recommendations would be universally accepted.

In the absence of an adequate international police force, under present and past conditions, the law abiding submit and the criminals, although convicted, are not even effectively bound over with the result that some powerful nations become impotent and some weak ones impertinent as the Suez incident demonstrated.

Out of the tangle of diplomatic exchanges over the past year and a half the clear thought emerges that earlier there had not been the full understanding and confidence in one another that should exist between ourselves and our friends across the Atlantic and that no real effort had been made on either side to present the facts which alone could bring mutual accord. The visit of Her Majesty and Prince Philip followed by the Prime Minister and Foreign Secretary to the United States has, however, been of immense value in leading to a better understanding between the two great English-speaking nations.

New-born nations are realising that complete independence, which has become almost a religious faith, has disadvantages as well as nationalistic blessings and are appreciating the advantages and security of the Commonwealth fold.

CONFIDENCE IN STERLING

The battle for the stability of the pound is slowly being won but some time must elapse before full consolidation of the recaptured ground can be assured.

The paramount importance of restoring world confidence in the pound is recognised by everyone irrespective of their political creed.

The Government is to be congratulated upon the strength of its measures to control inflation. The use of such a high Bank Rate as 7 per cent is exceptionally severe but has been justified. Nevertheless, it should continue until such time as the green light is clearly seen and this we hope will not be long delayed as such a high rate is not good for business.

It is only through strong action here that the world at large can be convinced beyond doubt that we in this country are determined to live within our income. Only then will full confidence in sterling return and the free international foreign exchange markets, a necessity for international trade, eliminate the heavy speculative movements that have characterised dealings in sterling in recent years.

How are we to demonstrate to the world that we are determined, no matter how painful and inconvenient the process may be, that we will put our own house in order by living within our income?

The Government, the Nationalised Industries and the Local Authorities must set a good example by practising what Ministers so freely preach by drastically cutting their own expenditure. The budget must be balanced both above and below the line by a reduction in expenditure which will also permit a substantial reduction in the heavy burden of taxation. This is a prerequisite to any real recovery and stability.

It is now generally agreed that only increased production can support an increased standard of living in which not only the wage earners but also the whole population of the country must share.

Till now. so many have approved, if not applauded, each individual rise in wages, salaries and remuneration generally and then thrown up their hands in dismay at the logical and inevitable consequence of rising prices.

Each advance without pre-demonstrated proof of increased production, we all know, adds up to further inflation and an automatic rise in the cost of living, both of which all wholeheartedly condemn.

Gestures, paid in advance, are useless. Any advance to higher pay must first be earned and not exchanged for a promise of higher output which more often than not is never fulfilled. It is therefore sincerely to be hoped that the country will not be faced with serious industrial disruption by reason of the pursuit of ill-advised wages claims.

REAL SAVINGS A NECESSITY

The fundamental and inescapable facts remain that increased expenditure on capital investment can only be financed out of real savings and that increased expenditure on consumer goods can only be justified by greatly increased national production, facts which are accepted in communist and capitalist countries alike.

When applying these truths to smaller units such as our own personal and domestic expenditure or to our own businesses it is at once recognised that if we are to remain solvent we must not spend more than we earn. When precisely this same problem is translated into the larger spheres of national and municipal finance, these elementary truths get lost sight of in a haze of argument in which every advocate tries to make a case for his own pet point.

There is a crying need for increased capital expenditure in almost every field of industry and in public works, but this must be limited to the nation's actual and real savings.

There is only one sort of saving. It is the sum of private and industrial earnings in excess of the sum of private and industrial spending and government expenditure on current account.

There is the simple choice whether such savings, from which alone capital investment can be made, shall be made by individuals and industry ploughing back its profits or by forced savings through taxation by the government in power.

To get the former there must not only be an incentive to save but a new attitude towards the saver.

Till our penal rates of taxation are reduced a strong inflationary influence will remain; there will be less inducement to save and less than adequate savings.

To many the saver who accumulates the new capital so essential for expansion is looked upon as a greedy, almost reprehensible, person who should be taxed out of existence during his life and his property confiscated by duties on his death. In fact, he or the industry that saves and ploughs back those savings is the provider of the wherewithal which enables thousands upon thousands of others to earn a good living.

In default of the private and industrial saver, if there are to be savings and further expansion at all, there is only the State with compulsory savings through heavy taxation with all its disincentives and frustration.

If the State takes on the role of compulsory saver to acquire and finance the means of production, it inevitably means rigid control, licences for everything, for imports and exports and, sooner or later, the control and direction of labour as well as of capital, in fact a communist or near communist state.

Those who amiably smile on the elimination of private enterprise would be horrified when they realise that it leads ultimately to the loss of freedom of choice in their employment and to compulsory transfer from one industry and area to another.

The signposts are clearly marked, and it is well that all realise where each road leads and that we choose aright.

THE FREE TRADE AREA

The prospect of the Free Trade Area will entail a sharpening of our competitive ability with the industries within that area if we are to maintain our share of the trade with the member countries and increase our export trade through a larger and wider market.

Here is the chance of a free market of two hundred and fifty million people with all the prospects of increased trade, continued full employment and rising standards of living provided that all the out-dated restrictions of employers and employees alike are swept away and the taxation structure overhauled

MARTINS BANK LIMITED

STATEMENT OF ACCOUNTS, December 31, 1957

LIABILITIES

Capital paid up	£5,276,425
Reserve Fund	5,500,000
Current, deposit and other accounts (including Profit and Loss Account)	334,822,165
Acceptances and engagements on account of customers	20,690,568
	£366,289,158

ASSETS

Cash in hand and at Bank of England	£32,009,163
Balances with, and cheques in course of collection on, other banks in the British Isles	22,631,573
Money at call and at short notice	29,538,000
Balances with banks abroad	428,967
Treasury Bills	73,305,000
Bills discounted	2,466,973
Investments	88,714,641
Advances to customers and other accounts	91,487,280
Martins Bank Executor and Trustee Company (Channel Islands) Limited	100,000
Trade Investments	641,728
Bank Premises	4,275,265
Liability of customers for acceptances and engagements	20,690,568
	£366,289,158

LONDON DISTRICT OFFICE: 68 LOMBARD STREET, E.C.3.
HEAD OFFICE: WATER STREET, LIVERPOOL, 2

to give the adventurous and enterprising the requisite incentives to make the taking of inherent risks at least a worth-while proposition.

Many doubts have been expressed as to the advisability of joining this Free Trade Area, but whatever the disadvantages may be of joining, the disadvantages of not joining are overwhelming as we would shut ourselves out of this enormous market and have to rely on a highly protected and shrunken home market as the springboard for our export trade.

The smaller turnover would mean higher manufacturing costs which might well disqualify us from our export trade however preferential some of that might be.

With our industrial know-how, with our brilliant scientific and engineering achievements and the inherent good sense of the people of this island, there is a great and promising future ahead, but it calls for determination, unselfish co-operation and a realisation that we can only have what in fact we earn in the world markets.

May it be that we face up to the position now rather than wait till our backs are forced against the wall when our fight to regain prosperity would be more difficult and more prolonged.

JOHN SUMMERS & SONS LIMITED

BETTER RESULTS DESPITE DECREASED DEMAND

HOME MARKET AFFECTED BY RESTRICTIONS

WORKS FULLY EMPLOYED

MR RICHARD F. SUMMERS ON STEEL NATIONALISATION

The annual general meeting of John Summers & Sons Limited will be held on February 5th at The Iron & Steel Institute, 4 Grosvenor Gardens, London, S.W.

The following is the statement of the chairman, Mr Richard F. Summers, circulated with the report and accounts for the 52 weeks ended September 28, 1957:

Following my practice of previous years I do not propose to devote much time to the Balance Sheet as I feel that it is in itself largely self-explanatory, and the main points of interest are dealt with in the Directors' Report. I would, however, like to refer to the somewhat better results which we have been able to achieve in spite of the fact that in the early part of the Company's financial year there was a very decided falling off in the demand for our steel in the home market. This was due in large measure to the tightening up by the Government of credit arrangements, and the restriction on the importation of motor cars into some of the Dominions. Thanks to the energy of our Sales organisation, and to the fact that we were able to obtain from the Board of Trade greater freedom in the export licensing arrangements we were able to avoid any short time working. Our long established practice of selling our products in as wide a field as possible also contributed to our ability to keep our works fully employed.

PRODUCTION

The changed conditions did, however, have some adverse effect, and it is gratifying that we were able to improve on our last year's production figures, as is shown in the table set out below, and in spite of these difficulties, increased wages and the rise in the cost of certain raw materials and services, achieve somewhat better trading results.

PRODUCTION FROM SHOTTON AND SHELTON WORKS COMBINED

	This Year	Last Year
	Tons	Tons
Coke	1,142.247	1,078,081
Pig Iron ...	987,239	854,717
Steel Ingots ...	1,292,521	1,208,714

There was a corresponding increase in the total delivery of sheets.

DIVIDEND

I feel sure that shareholders will be pleased at the recommended increase in dividend. In arriving at our decision we had a number of factors to consider, not the least of which was the large amount of capital expenditure to which we are committed, but, as I have said in the past, we are not unmindful of the very natural desire of our shareholders to participate in the increased efficiency and prosperity of the undertaking, and we felt that notwithstanding what has still to be done sufficient progress has been made to justify us in recommending this increase; at the same time we deemed it prudent to retain in the business for future developments a very considerable sum comparable to that put aside in the previous year.

CAPITAL

The other item in the Balance Sheet upon which I should like to comment briefly is the increase in the Ordinary Capital. You will recollect that in May 4,500,000 Ordinary Shares were offered to shareholders at par. We were glad to be able to give our shareholders the opportunity of securing additional shares on these favourable terms. That it was appreciated was borne out by the fact that all but 49,148 shares were taken up under original Allotment Letters.

DEVELOPMENT

We are pressing on with the scheme announced two years ago which is designed to increase steel output at the Shotton works to between 1,600,000 and 1,700,000 ingot tons per annum. The main features of the plan are modifications to our existing steel furnaces, additions to our sinter plant, and a complete modernisation of the hot strip mill, which will more than double its capacity. A very considerable addition is being made to the finishing and despatch departments in order to enable us to cope with the increased output Unfortunately a number of our Contractors are very much behind with their deliveries, and I am afraid that the date on which this new plant will come into operation cannot be before the latter part of 1959. We are, however, satisfied that so far we have no need to revise our estimate of the cost of this plant. In the meantime we shall make every endeavour to keep our existing plant running efficiently, and wherever possible at a higher rate of production.

AGREEMENT WITH STEWARTS AND LLOYDS LIMITED

Some of you may have seen the announcement in the Press that we have entered into an agreement with Messrs Stewarts and Lloyds to supply them with hot rolled strip, which they in turn will make into tubes, very largely for consumption in the oil industry. They are going to erect this tube plant on a site adjacent to our works at Shotton, and it is expected that work on the project will start almost immediately.

This agreement will necessitate increasing the steel production figure which I have mentioned by about 4,000 tons a week, which would bring the annual output at Shotton to nearly 2 million tons. We are satisfied that the modifications which are being carried out to the open hearth furnaces will enable us to produce this extra tonnage. The increase in steel output will of course call for more pig iron from our blast furnaces, and in order to provide this it will be necessary to improve the burden on the furnaces, which will have to be achieved by better ore preparation and by the introduction of yet more sinter plant capacity. The cost of this new equipment is likely to be in the neighbourhood of £3,250,000.

STELVETITE

Last year I referred to the success we had had with our electrolytically coated sheets sold under the name of Zintec, and our tightly coated galvanised sheets sold under the name of Galvatite. I also mentioned the fact that we were working on further types of coating, and you may have seen the announcement in the Press of our new product which is known as Stelvetite. This is a steel sheet coated with a plastic material, which we have developed in conjunction with BX Plastics Limited. It can be supplied in a variety of finishes and colours, and can be welded, pressed, and formed in a great variety of ways. The material has passed its experimental stage, and we are satisfied that we now have sufficient experience to put it into commercial production in the near future. It has aroused very great interest, many thousands of inquiries having been received since our initial announcement. We believe that in due time its application may cover a very wide field

MARKET PROSPECTS

There has been a considerable amount of talk as to what effect the restrictions on credit are likely to have on the steel industry, and the belief is generally held that in some quarters at any rate the very high pressure

to which we have been subjected for the last few years may be somewhat reduced. As far as the flat product side of the industry is concerned the demand is still very brisk, and it is once more a question of having to turn away orders. Naturally we are constantly trying to assess the future trend of demand, and at present we see no reason to expect any marked change. I would, however, add that if there were further restrictions on credit, hire purchase, etc., these might well have an adverse effect on the demand for consumer goods, which would in due course be reflected in a slackening in demand for steel sheets. In 1957 there was a substantial increase in the tonnage of cold reduced sheets produced by the three strip mills in the country. Until the expansion schemes on which these Companies are now engaged are completed it seems likely that a marginal tonnage of sheets will have to be imported so long as demand is maintained at the present level. If there were any falling off in demand presumably these imports would be reduced.

One of the results of the easing of pressure on the strip mills in the early part of the year was that some customers who had previously used sheets rolled on the hand mills were enabled to change over to strip mill sheets. This had an adverse effect on our subsidiary, Burnell & Company, Limited, who operate hand mills, and the management there deserve considerable credit for the fact that in spite of this they were able to keep the plant operating fully.

SHELTON IRON AND STEEL LIMITED

This Company has had a very successful year, and has once more made a useful contribution to the Group results. Whilst the site is somewhat cramped, and much of the plant is old, great ingenuity has been displayed in adapting it to modern requirements, and the whole works has been most efficiently run and maintained. The new sinter plant which is being installed will increase the efficiency and output of the blast furnaces. A very interesting development at these works is the installation of a new electric generator driven by a gas turbine. Whilst the outlook for the future demand for sections and joists is not as bright as that for sheets and plates, the management at the Shelton works are confident that they will be able to maintain their fair share of whatever business is going.

PENSION SCHEMES

For some time past we have been considering the question of providing pensions for our works employees; I am glad to be able to tell you that the Board have now introduced a scheme which will come into operation on April 1st next. Basically it is a non-contributory Pension and Life Assurance scheme, but it contains provisions to enable those who wish, by making personal contributions, to acquire either a higher pension or lump sum on retirement or prior death, or a combination of the two. Whilst the cost of this scheme will be substantial, the Board feel that it will further enhance the very cordial relations which exist between the Management and the men employed in the Group, and I know you will be glad to hear that it has been very well received by all concerned.

At the same time as we introduced this scheme we modified the one which has been in existence for several years for staff employees, to bring it more into line with modern conditions, and to give improved pensions to those who have had long service with the Company. These increased benefits are being provided without requiring any further contributions from the members, and here again the alterations have been received with much satisfaction.

NATIONALISATION

One had hoped that the steel industry might have been freed from political interference, but you will have seen from the statements made by the Socialists that if returned to power it would be their intention once more to subject this great and progressive industry to further political controversy. It is difficult to think of any potent argument as to why it would be more efficient if renationalised, or what benefits would accrue to the nation, or to those who are employed in the industry. It is misleading to compare the steel trade with those other industries which are at present nationalised. They are quite different in character. In most instances the present nationalised undertakings are providing services almost entirely within the the British Isles, whereas the steel trade is a commercial and trading organisation, making a very large variety of products ranging from large castings weighing hundreds of tons to things like hypodermic needles. Steel is used in a very large number of industries, and apart from its direct export a high percentage of the total exports of the country contain at least some portion of steel. These exports go all over the world, and have to be sold in competition with other countries.

The success of the British steel industry both at home and in the overseas markets has been largely due to the initiative and foresight of those who have built it up under private enterprise. They have been free from bureaucratic control, and in a position to take advantage of every situation and make quick decisions when necessary. For many years there has been a large measure of agreement and mutual respect between those who have controlled the destinies of the steel trade and the leaders of the main Unions in the industry. Both have displayed qualities of leadership and sound judgment, with the result that it has prospered, progressed and expanded as fast as, if not faster than, many others. Very great expansion in capacity has taken place in the last ten years; techniques have improved, so has the quality of the products. At the same time the conditions for the men working in the industry have been immeasurably improved. In many cases their tasks have been lightened, and much of the very heavy manual effort required in the past has disappeared altogether. Their remuneration and other benefits have increased, and their security has never been more assured than at the present time.

PROGRESSIVE AND EFFICIENT INDUSTRY

There are many other arguments that could be put forward against the re-nationalisation of the steel industry, but they have been quoted so often that it might be wearisome if I were to repeat them here. I must, however, say that in my opinion considerable harm could be done to the country and the industry by further political disruption. What has already been said has created a great deal of uncertainty; it has made the raising of money by Steel Companies more difficult and unnecessarily costly, and has also had a very depressing effect on the value of steel shares on the Stock Market. Since they were returned to private ownership all the large Companies have spent many millions on expanding and improving their plant, in considerable measure out of moneys set aside by means of Depreciation and transfers to Reserve. The shareholders are entitled one day to reap the benefit from the greatly increased value of their property.

If a Socialist Government should be returned at the next election I would most sincerely hope that they would think very carefully before subjecting this great industry, which has contributed so much to the progress of the nation, to further upheaval and interference. No one can accuse the steel trade of being unpatriotic or narrow minded; it is a happy, progressive and efficient industry, anxious to play its full part in the economy of the nation. Those who say that it is so important that it must be controlled, have their answer in the fact that this is already being done through the medium of the Iron and Steel Board, who have sufficient powers under their constitution to see that everything is done in the best interests of the nation.

TRIBUTE TO EMPLOYEES

In conclusion I should like once more to pay tribute to all the employees of the Company who by their efforts have assisted in its continued progress and development. Much lies ahead to be done, but I know that we have a loyal and efficient team, and that we can, by hard work and co-operation, surmount our difficulties and achieve our objectives.

ALFRED CASE & COMPANY LIMITED

(Non-ferrous Rolled Metal Manufacturers)

The twentieth annual general meeting of Alfred Case & Company Limited was held on January 9th in Birmingham, Mr K. E. West (chairman and managing director) presiding.

The following is his circulated statement:

In my remarks to you on the Accounts to September 30, 1956, I referred to the considerable fluctuations in the prices of our raw materials. During the past year the price of Copper has continued to fall and, in fact, during the trading year under review Copper moved from £292 10s. per ton to £191 per ton. Our profits have been adversely affected by this fall. We are also aware that we are in a far more competitive trading phase. The previous high prices of Copper created substitution of other materials by the consumer. It will be helpful to us if the future price of Copper can be stabilised in the lower range. Firstly, it will encourage consumers to revert to the use of Brass instead of the substitute materials, since some of these alternatives are now much more expensive than the Copper Alloys. Secondly, it will enable us to release some of our funds, which can then be used for capital investment.

Having regard to these difficulties the Directors are of the opinion that the results of the past year's trading are reasonable. After providing for Taxation and for the proposed Dividend of 25 per cent the sum of £13,380 has been added to the carry forward balance in the Profit and Loss Account.

We are continuing our policy of capital outlay for the modernisation of our existing plant in order to keep the Company up to date with competitive productive methods.

It gives me great pleasure again to report that the relations between the Company and its employees continue to be excellent and I thank them all, Management, Staff and Operatives, for their loyalty to the Company throughout the past year

The report was adopted.

WILLIAMS DEACON'S BANK LIMITED

DIFFICULTIES AND PROBLEMS OF 1957

PROGRESS TOWARDS REALISATION OF FREE TRADE AREA

SIR ERIC A. CARPENTER ON INTERNATIONAL AFFAIRS

The Annual General Meeting of Williams Deacon's Bank Limited will be held in Manchester on Thursday, February 13, 1958. The following is the statement by the chairman, Sir Eric A. Carpenter, OBE, on the report and accounts for the year ended December 31, 1957 :

You will see from the Report in your hands that, in November, the Board suffered a great loss by the death of Sir Kenneth Crossley. Sir Kenneth served the Bank continuously as a Director for the long period of 40 years. He will always be remembered by his colleagues for his sound practical approach as well as for his great personal charm. In June, Mr Kenneth Murray, who for almost 16 years had rendered distinguished service to the Bank, decided to retire from the Board. We warmly congratulate him on the well merited honour of Knighthood conferred on him by Her Majesty the Queen in the New Year Honours. I would like to record our deep appreciation of the services of both these Directors, whose long experience and sound judgment have been a great source of strength.

In June, Mr J. H. King retired from the post of General Manager of the Bank and was at the same time elected to a seat on the Board, which appointment you will presently be asked to confirm. Mr King held the position of General Manager with great distinction for the past 13 years, and I should like to place on record our great appreciation of the ability and wisdom with which he conducted the affairs of the Bank. I am very pleased indeed that we shall continue to have the benefit of his experience and advice in his capacity as a Director.

To fill the position of General Manager we have appointed Mr A. H. Allman, and I take this opportunity of wishing him every success in his new office in which I assure him of our wholehearted confidence and support.

THE ACCOUNTS

I will first take the Accounts, from which you will see that Deposits stand at £135,941,026, an increase of £656,138.

On the Assets side, the liquid items, namely Cash, Money at Call and Bills Discounted, amount in total to £48,329,130, or 35 per cent of our Deposits.

British Government Securities stand at £34,954,348. The fall in gilt-edged securities continued during the year, and prices touched new low levels, following the increase in Bank Rate in September, though they have improved a little since. We have, however, continued to value our British Government Securities at market price or less.

Advances at £45,910,255 show a reduction of £3,229,889 as compared with December, 1956.

NET PROFIT

Our Net Profit, after making the usual provisions (which include contributions to Staff Pensions and Widows' and Orphans' Funds and appropriations to Contingencies Account) is £389,976, a decrease of £4,272 on the year. With the balance brought forward of £240,815 this gives a total of £630,791 to be dealt with. After transferring £150,000 to Pension Funds we propose to pay dividends at the rate of 8 per cent on the "A" Shares (making 16 per cent for the year) and 6½ per cent on the "B" Shares (making 12½ per cent for the year, the maximum) and to carry forward £285,830. I feel sure you will agree that these results are satisfactory.

With a view to simplifying the capital structure of the Bank, resolutions have been passed to cancel the uncalled liability on the "A" Shares and to convert the "A" Shares and the "B" Shares into a single class of shares of £1 each. A Petition for the confirmation of this re-arrangement of the capital by the High Court will be presented in due course.

NEW BRANCHES

During the year a Branch has been opened at Leicester and the business of the sub-branch at Bretherton has been transferred to Croston Branch. The number of Offices open therefore remains at 220.

Premises have also been acquired at Bristol, Cardiff, Chester, Leeds, Southampton and Warrington, and branches will be opened there as soon as the necessary alterations can be made.

The opening of these new branches is in accordance with our recent policy of widening the area covered by our system, thus enabling us to provide a better service for our customers which I know is greatly appreciated.

A DIFFICULT YEAR

In the wider sphere of international affairs to which I now turn, it has to be said that 1957 has brought a full complement of problems and difficulties. At the outset we were contending with the problems created by the Egyptian seizure of the Suez Canal, an action in respect of which no just settlement has yet been achieved. The year has seen no progress in the reduction of armaments ; on the contrary, progress has only been in the development of more costly and devastating weapons with their attendant drain on the economic resources of all engaged in the race. In such circumstances, our minds are inevitably pre-occupied as to the motives which prompted the launching of the Russian sputniks now circling the earth and all that they seem to portend. It is sad to reflect also that in Cyprus, though violence has subsided, we appear to be no nearer a permanent settlement. The French have increased troubles to contend with in North Africa, Indonesia is more disturbed than ever, and the Middle East enjoys little of the stability it needs to make the progress which the possession of vast oil resources should bring.

Against this rather gloomy background of international stresses and strains it is good to see that the older democracies in Europe are continuing to make progress towards the realisation of the ideals of a common market and a free trade area. It will be a great achievement on the part of the statesmen of Europe if they can bring the necessarily complicated negotiations to a successful conclusion.

It was never clearer that tolerance is the first requirement in human affairs and that passions, whether inflamed by racial or nationalistic emotions or played upon by outside influences for purely disruptive purposes, are the enemies of orderly progress. It is so much easier to destroy than to build.

The year has been a disturbing one in the economic sphere and the outlook as it ended was not a comfortable one in spite of some favourable factors. It has been dominated, so far as this country is concerned, by the external difficulties of sterling, culminating in the severe loss of gold and dollar reserves necessitating the raising of the Bank Rate to the very high level of 7 per cent in September and the imposition of further restrictions on credit. So high a rate has not been seen since 1920.

The early part of the year was favourable to the gold and dollar reserves and it was felt possible to reduce the Bank Rate from 5½ per cent to 5 per cent in February, though not to lessen the restrictions on credit which have been the banker's portion since 1952. The actual increase in the reserves continued monthly until June, though there were special reasons for some of this and in any case the first half of the year is the more favourable one for sterling.

It was, however, after the turn of the half-year that sterling came under heavy pressure. All that had been gained was lost in July and August and the early part of September.

Since the Chancellor's announcement in September of the Government's determination to maintain the value of sterling, the imposition of a 7 per cent Bank Rate and the further call on the Banks to restrict advances even more firmly, the adverse tide has been stemmed.

Our difficulties arise primarily from a lack of confidence abroad and the fact that sterling is the currency in which over half the world's trade is conducted. It may be that currency weaknesses in France and the very reverse in Germany set in motion the run on sterling, but this would not have happened had there been confidence in our ability to check inflation and so no question of sterling having to be devalued.

HEALTHY ECONOMY

The general state of the economy of this country is healthy, as the trade figures show, but we have a particular responsibility arising from our position as bankers to the sterling area. It is a prime responsibility of a banker to hold adequate liquid resources and reserves. It may be that no country would now willingly shoulder the heavy responsibilities entailed in being bankers to the sterling area, but we have carried them for many years and are in honour bound to bear them still. Though they are more difficult to bear as a result of two world wars, they are not without advantage to us and, having accepted the responsibilities, we must behave as a good banker should.

This means that in running our own affairs we need to exercise restraint so that not only do we not try to get more out of the common pool than we put in, but also that it is clearly seen that we are building up reserves. It may be that in recent years we have been using too much of the resources which have come into our possession to invest abroad, including investment in the underdeveloped areas of the Commonwealth, on a long-term credit basis. This is, of course, quite a laudable thing to do, not without profit to ourselves in the long run, and a thing which, I am sure, all people in these Islands want to do, particularly to the extent of helping those less fortunate than themselves. If, however, at the present time we had these resources in liquid form, moderate though the amount is in proportion to our national product, we should be the better able to fulfil our duties as a banker and the present crisis, which is essentially one of confidence, might not have arisen.

In the long run, nations as well as individuals must live within their incomes, or confidence will disappear, and for that reason the Government are to be congratulated on being willing to take a firm line, unpopular though it may be, involving amongst other things harsh measures in the monetary sphere. The British people can rise to great heights in times of crisis, especially when the crisis is a matter of life itself. This crisis is not a matter of life so much as of mode of living. It can be overcome by co-operation between all sections of the community, with employers and employed acting together to use the available resources of both men and materials to the best advantage. This co-operation has never been more necessary than it will be in the next few months, when the world will be watching closely to see whether wage increases are linked to greater production or are merely another round in the spiral of inflation.

Such things may seem to be remote from the average worker, particularly when he is not engaged in an export industry, but he, too, has a vital part to play in the twin problems of restoring confidence abroad and defeating inflation at home. It is hoped that responsible Trade Union officials will explain to their members the nature of the problems now confronting the nation and persuade them to play their part in making secure what has already been won in the way of improved living standards of which the greatest share since the war has gone to the workers themselves.

THE CREDIT SQUEEZE

I would now like to say a few words about the credit squeeze which has gone on for so long. Immediately after the war the Banks were asked to restrict advances and to give precedence to exports and other desirable projects. The restrictions have been modified from time to time but in the summer of 1955 an actual reduction was called for from certain sections of the community. The latest request is that advances shall not exceed the average amount of the previous 12 months. This again means an actual reduction since the figure of advances at September 1957 was some 5 per cent more than in September 1956.

The Banks have, of course, always carried out to the best of their ability the requests of the authorities though it has not always been easy to do so and will be even less so in the months ahead because of commitments entered into some time ago. On the other hand, a 7 per cent Bank Rate is certainly a strong deterrent to borrowers. It is always distasteful, however, to have to refuse business which, on purely banking grounds, is perfectly satisfactory and to decline to help old friends in perfectly laudable projects which appear to be commercially sound. I would like to place on record our appreciation of the understanding attitude of customers when we have been unable to meet their requests.

The question does arise, however, as to whether too great an emphasis is being laid on monetary measures in the private sector Granted, the Chancellor has recognised that restraint and restriction are essential in the public sector. I think the Banks can justly claim from their records that, throughout the long period that inflation has been with us, they have exercised wise discretion and discipline in the national interest in the employment of their resources. It never has been, and is not now, the province of the Banks to provide capital for long term investment. But the well-being of the economy of the country is dependent upon the skill and enterprise of a vast number of firms, large and small, with varying degrees of access to the capital market. It will be a tragedy if, by the too rigid application of restrictive monetary measures, we stifle the productive enterprise of the smaller firms who have throughout made such a notable contribution to our economy. The Banks can, and should be permitted to, continue to play their constructive and discretionary role in this vital field of enterprise.

It is perhaps not sufficiently realised the extent to which, in the monetary field, there has been an increase in the velocity of circulation. In other words, the existing stock of money has been made to work harder. Can it be that in the application of that process in a broader sense we have the key to the solution of our problems. It cannot be denied that a little more conscientious effort on the part of each one of us in the discharge of our duties in whatever sphere they lie, would make a major contribution to the well-being of our economy at the least cost to ourselves.

The Government are to be commended for their determination to maintain the internal and external value of the pound and their declaration that to achieve it wage increases must be earned by greater production and profits made harder to get. I am sure, however, that our people will respond to a lead which promises an end to constantly rising prices and that the economy will be the healthier for it in the end. It will enable us to face the problems which the European Free Trade Area will make for us, as well as the better to reap its benefits. It will find favour with housewives and especially with pensioners who are the worst sufferers from inflation.

The alternative does not bear a moment's thought. If we cannot discipline ourselves by general agreement the totalitarian states can, and they have shown a frightening efficiency only this last year in the application of their efforts to courses quite unconnected with the material well-being of their own people. Moreover, we cannot repeat the present operation—we must see that it succeeds or it is not too much to say that we shall lose our place in world affairs.

The question is being asked as to how long the present restrictive measures and high Bank Rate should be kept on. There is always a possible danger that the restrictions could be maintained too long and produce something of a recession but it would be foolish for us to relax too soon. It is a little embarrassing in a money sense that the effect of changes in Bank Rate is as much psychological as practical and too much can be read into any individual change by the community at large. The present high rate should be reduced as soon as it safely can be, if only because of the high cost in interest on funds already held here by foreigners and also because crisis rates do not attract new money as they once did—only confidence can do that.

The signs, however, are not wanting that the time for a reverse move is not very far ahead. The hesitancy in the US economy, the fall in commodity prices, the signs here—of which we have received reports from most of the areas in which our Branches are situated—that the monetary medicine is beginning to work, and the distinctly less favourable outlook for shipowners and shipbuilders coupled with the radical changes which seem to be imminent in the aircraft industry, all point to a state of affairs which will need careful watching during the year ahead if we are to avoid quite a major upheaval in the economic sphere.

One change which would be most welcome is the prospect of selling more of our goods to Canada as has been envisaged during the recent visit of the Canadian Trade Mission. This is a particularly happy prospect to me as a member of the Dollar Exports Council.

THE FUTURE

To summarise, I would say I am not fearful of our future, our economy is fundamentally sound and if we will accept and work to the fact that our standard of living cannot be higher than the standard we earn in a highly competitive world, the vista before us can be exciting and full of promise.

CONCLUSION

I would like, in conclusion, to express on behalf of myself and my colleagues on the Board to Mr Allman, the General Manager, to the Assistant General Managers and to all the members of the Staff our best thanks for their devoted services throughout the year and our appreciation of their efficiency and enthusiasm.

JOSHUA HOYLE & SONS

PROGRESSIVE POLICY ON MODERNISATION

The Annual General Meeting of Joshua Hoyle & Sons, Limited, was held on January 9th in Bacup, Mr A. Duckett, JP, the Chairman, presided and in the course of his speech said:

Group trading profit amounted to £542,056 compared with £381,589 in 1956. In a year of intense and severe competition, there has been an upward trend in the Group's turnover, but this has been coupled with a still further narrowing of our margins.

It has long been our view that one of the most practical approaches to the adverse problems confronting us, is that of equipping and maintaining our mills to ensure they have every modern production technique. To this end, we expended a further £320,000 last year, which has brought our expenditure during the past 10 years to over £2 million. Thus, we have the advantage of a complement of machinery of the most recent design.

Our policy has been to introduce the automatic loom in place of the Lancashire loom which has proved increasingly uneconomical as a principal producer of cloth of the type imported. During the period under review, it has been possible to operate most of this automatic machinery to full capacity once again and, to some extent, to employ it in double shift working. This policy we intend to extend further during the coming year and in doing so to produce more economically and, at the same time, overcome the ever-present problem of labour shortage, by offering more remunerative and attractive working conditions.

The report was adopted.

SCOTTISH AGRICULTURAL INDUSTRIES LIMITED

LEITH FERTILISER WORKS IN PRODUCTION

MR W. D. SCOTT'S REVIEW

The Thirtieth Annual General Meeting of Scottish Agricultural Industries Limited was held in the North British Hotel, Edinburgh on January 16th. The Chairman, Mr W. D. Scott, presided. In submitting the Report of the Directors the Chairman said:

You will see from the Report and Accounts sent to you before Christmas that sales for the year 1956-57 were six per cent less at £22.7 million, and that profits, before providing for taxation, were £623,000, compared with £1,041,000 for the previous year.

Several factors contributed to these reductions in turnover and profits. Our new fertiliser Works at Leith started production in the last quarter of the year, giving rise to the substantial expenses inseparable from the commissioning of a new large factory. Working stocks had to be built up and the quality of the bulk production fully tested and confirmed before the flow of goods to the consumers could start. Consequently deliveries, which normally would have been completed in the last three months of the financial year, were postponed and will fall into the current year.

It has already been reported to you that your Board, in further pursuit of its policy of fixing effort on main objectives, decided during the year to go out of the agricultural implements business. This decision was influenced by the fact that we were able to sell the businesses as going concerns to specialists already in the implements field, thus avoiding any unemployment or the cessation of an agricultural service. The process of disposal has, however, involved us in losses on the realisation of stocks, and, moreover, during 1957 prices of both animal feeding stuffs and home-grown cereals fell substantially. The consequential losses on these stocks have been borne in full out of the year's trading profits and we have not drawn upon our stock provision.

Taxation in 1957 does not absorb so high a proportion of the profits as was the case in 1956, because, in consequence of the expenditure on the new plant at Leith, substantial reductions for wear and tear are allowable when computing the total taxation payable.

You will have noticed that debtors have been reduced by some £900,000 as compared with a year ago. This large reduction in working capital, together with profits retained in the business and the depreciation written off fixed assets, has sufficed to cover the heavy expenditure during the year on new plant and equipment. Indeed, the book value of the fixed assets has been increased by almost £1.2 million. Owing to the reduced summer deliveries of fertilisers, to which I have already referred, stocks of fertilisers at September 30, 1957, were higher than at the same date last year.

Your Directors recommend a final Ordinary dividend of five per cent, which, with the Interim dividend of three per cent, makes the same eight per cent total dividend as was paid last year. If you confirm these recommendations, there will be an increase of £271,000 in the reserves appearing in the consolidated balance sheet, which will then total £2,154,000.

CAPITAL EXPENDITURES

The Accounts show that we still have large contractual commitments for capital expenditure, some £575,000 compared with one and a half million pounds last year. The major item is for a storage building which we are erecting on the site of the old Leith factory. This will serve the new Leith Works and will contain not only high speed packing plant but modern mechanical facilities for bulk handling. We expect to complete this building by the summer of 1958. You will be interested to learn that we finished the chief manufacturing units of the new factory in August, several months ahead of the estimated date. At the same time the handling plant, giving direct connection with the deep water berths in Leith Docks, was put into commission, and we now enjoy the advantage of being able to take sea-borne raw materials directly into our factory.

As regards the future, we find no cause in our business for pessimism. If we continue to improve in every way possible the internal efficiency of our business in the face of rising operational costs, we can look forward, with real confidence, to reaping a reward for our expenditure in the recent past.

May I end by reminding you that your business of Scottish Agricultural Industries Limited is the expression of the work done by those employed in it. It is their efforts, both staff and work people, which make it possible for me today to review progress and to express optimism. I want to express our thanks for their loyal and effective service, and I am sure you will wish to support me very cordially in this.

The report and accounts were adopted.

TATE & LYLE, LIMITED

AN ANALYSIS OF INCOME AND EXPENDITURE IN 1957

	£	£	*Proportion of each £1 of Income* s.	d.
GOODS AND SERVICES PURCHASED FROM OUTSIDE :—				
Raw Materials (including Duty, Levy, etc., of £13,438,502)	129,084,499		16	7½
Fuel and Power	1,946,315			3
Packing Materials	4,747,186			7½
Other Refinery Expenses...	1,456,568			2½
Other Expenses, including Advertising (£55,181), Selling and Distribution	4,994,195			7½
		142,228,763		
VALUE ADDED OR NET OUTPUT :—				
Wages, Salaries, National Insurance and Employees' Benefits	7,271,465			11½
Provided for Renewal of Plant and Machinery and Depreciation of other Fixed Assets	1,531,485			2½
United Kingdom Taxation on Profits	2,365,202			3½
Amount placed to Reserves	886,709			1½
Dividends to Ordinary and Preference Stockholders (Net)	872,913			1½
		12,927,774		
TOTAL		£155,156,537	£1	0 0
VALUE OF EXPORT SALES (including £6,470,234 Duty and Levy Drawback, etc.)		44,347,082	5	8½
VALUE OF HOME TRADE SALES AND OTHER INCOME ...		110,809,455	14	3½
TOTAL INCOME ...		£155,156,537	£1	0 0

THE ROYAL BANK OF CANADA

CREEPING INFLATION NOT CAUSED SOLELY BY PRICE-COST SPIRAL

JOINT EFFORT NEEDED TO CHECKMATE TREND, SAYS MR JAMES MUIR

The Eighty-ninth Annual General Meeting of Shareholders of The Royal Bank of Canada was held on Thursday, January 9th, at the Head Office in Montreal. Mr James Muir, Chairman and President, after reviewing the economic trends of the past twelve months, said, "I shall not attempt to determine whether in the gobbledy-gook of economic forecasting we are having a 'recession' or a 'rolling readjustment.' Whatever we call the phenomenon, it is abundantly clear that, though all inflationary forces have not disappeared, we have reached what seems to be the end of the latest inflationary surge. A mild slump at this time should cause little surprise or apprehension; it would be unrealistic to expect our economy to go on expanding indefinitely without some kind of breathing spell."

PRICE ADJUSTMENTS NEEDED

"Lower interest rates do not mean that money has become really 'easy,'" said Mr Muir, "and it is unlikely that the time is yet ripe to adopt either deficit financing by government or easy money policies by the monetary authority and the chartered banks.

"It would seem that now, as in 1953 and 1954, price adjustments are necessary to maintain stability and prosperity at home and to ensure our competitive position in world markets. The fact that lower raw material costs have not been reflected in retail prices means today, as in that earlier period, that we have suffered not only from open inflation but from a concealed inflation of production and distribution costs.

"The process of healthy adjustment would seem now to require the elimination through price reductions of inflated production and distribution costs. A tight money policy has inhibited inflation and has indeed been instrumental in breaking the circle and ending, for a time at least, the round-robin of cost and price increases that can continue indefinitely only if the money supply or the velocity of the monetary circulation is allowed to increase.

CHRONIC INFLATION

"This brings us to a problem that transcends the events of the immediate past: Must we look forward to a gradually rising tide of inflation such as we have witnessed in the years since the Second World War? I am thinking particularly of the chronic type of inflation that monetary and fiscal policy seem unable to reach. The typical kind of inflation usually arises from the fact that business and consumer spending temporarily exceed the supply of goods at current prices or, in the common and useful phrase, we have 'too many dollars chasing too few goods'; but the key word is 'temporarily.' In the past, spending sprees of this kind have been followed by a dull morning-after, a business depression or recession, that brought prices back to a reasonably stable norm. In contrast, the alternately 'creeping and surging' inflation we have been through since the Second World War seems to belong to a different genus. How do we account for the difference? I would suggest a number of possible explanations:

(1) The large governmental budgets of wartime and postwar years, combined with the nature and composition of taxes and expenditures, have made increasingly important certain built-in stabilisers that tend to damp down fluctuations in the national income and expenditure. Thus our *progressive* income tax structure causes government revenues to rise faster than the overall rise in the national money income. Similarly, tax revenues fall faster than the national money income on the down swing. This means that an automatic surplus appears in inflation, an automatic deficit in deflation.

(2) Large liquid holdings by the public after the war have undoubtedly made the task of inflation control more difficult. There are still large sources of liquidity outside the banking system and beyond the direct control of our monetary authorities. These sources of liquidity are especially important in financing consumer credit.

(3) It is sometimes argued that chronic inflation is due to repeated and excessive wage increases in response to successful trade union pressure or perhaps that there are two culprits: successively increasing labour costs and profit margins both in excess of what the traffic can reasonably be expected to bear.

RESTRAINT NEEDED

"This round-robin of cost and price rises is undoubtedly a factor in *any* inflationary situation. But even the best intentions on the part of both labour and management cannot long resist an inflationary environment created by excess spending through the errors or inefficiency of monetary and fiscal management. In such a situation wages would rise even without trade unions to press for them. The employer finds that to increase production in response to rising demands he must bid for labour at a higher price, and even to maintain present production he must resist the efforts of others to raid his labour force. He may often find it necessary to raise prices, but these higher prices can be paid only because the original inflationary environment makes it possible for his customers to pay them. Under these conditions wages and profits rise together, but they are the symptoms rather than the cause of inflation. However, once the circle is broken, by effective monetary and fiscal policy, mutual restraint is clearly in order. Profits fall first and unions might well at this point temper the wind to the shorn lamb. In fact, if we are to obtain not merely full employment and growth, but stability as well, the exercise of restraint in making demands must become the responsibility not only of labour and business, but of electorate and government as well.

PESSIMISM UNWARRANTED

"Today, in contrast to the high spirits and great expectations of a few years ago," concluded Mr Muir, "we find a growing uncertainty and lack of enthusiasm. This is an extreme that we should avoid. After all, we have the same country with the same people, the same enormous natural resources, and the same potential for prosperity and economic growth. There is no reason, therefore, for a pessimism born of a temporary check to the almost unbelievable prosperity and expansion of the past few years. In fact, properly handled, the readjustment that I have previously mentioned may lead to an even greater and healthier prosperity and expansion in the future"

ASSETS EXCEED $3,760,000,000

Mr K. M. Sedgewick, General Manager, commenting on the bank's financial statement, noted that assets had reached the impressive figure of $3,760,544,617, an increase of $189,246,000 during the year and a new high point in Canadian banking history. Capital Funds now stand at more than $202,000,000. The cash position of the bank is strong, assets in this form, coupled with Canadian Government Treasury Bills and Day-to-Day Loans representing 22.57 per cent of the aggregate liabilities to the public. Referring to the bank's extensive organisation abroad, Mr Sedgewick mentioned that in the British West Indies, where important constitutional developments are taking place, the Royal Bank is playing a part in assisting in the economic growth of this newly developing member of the Commonwealth family. "We are in a preferred position to give assistance and counsel to businessmen seeking a share of this attractive and expanding interchange of goods and services," said Mr Sedgewick.

HOULDER LINE LIMITED

The annual general meeting of Houlder Line Limited, will be held on January 31st in London.

In his circulated statement, the chairman, Mr Walter C. Warwick, said that the past year had been one of exceptional difficulty in many directions. Statistics recently published as Freight Indices by the Chamber of Shipping illustrated only too emphatically the very severe reduction that had taken place during recent months.

The trading results of the Company for 1957 were not greatly below the results achieved for the previous year but this was to a considerable extent due to the fact that many of the voyage results included in the Accounts were carried out in the early part of the year when freight and charter rates were much higher than those applicable to the later and current voyages.

Operating costs further increased during recent months with the advance in seafarers' wages which came into operation in July last, and it was unfortunate that those increases coincided with the serious and general collapse of freight markets. He felt that restraint on all sides was essential, with a determination to secure closer collaboration with all sections of Industry, if our present favourable standards of living were to be maintained.

Mr Warwick concluded: Subject to the all-important proviso that we are spared the trouble and tribulation inevitable from strikes, lockouts, etc., we can, I think, face the future with confidence in the knowledge that your Company is well equipped with well-found ships, first-class personnel, substantial Reserves and a sound degree of liquidity.

APPOINTMENTS

The
Common European Market

MAKES US LOOK OUT FOR A RELIABLE

AGENT OR

REPRESENTATIVE

We are producers of seamless drawn Brass, Copper and Aluminium Tubing. Our specialities are ballpen and antenna tubing, tubes for the lamp industry air-conditioning, refrigerators, T.V. aerials, aircraft building, etc.,

Representatives of domestic Brass Mills not handling tubing are also invited to send in their applications with record of experience, banking information, curriculum vitæ and recent photograph to:

STANDARD-WERKE G.m.b.H.

WERL/WESTFALEN,

WESTERN GERMANY

A PROGRAMMING AND PROGRESSING ENGINEER is required on the Civil Engineering Construction of a Major Steelworks at Durgapur in India. The Contract is for three years, at a salary of £2,000 per annum tax free, with bonus, free medical attention, paid leave, free passages for families and furnished accommodation at a reasonable rent.

Applicants should have had at least 3 years' experience on major projects either with Consulting Engineers or Contractors.

Apply, giving full personal details and details of qualifications and experience, to:

THE CEMENTATION COMPANY LTD.,
Durgapur Project,
20 Albert Embankment,
London, S.E.11.

BEECHAM GROUP LIMITED, Consumer Research Division, requires a SENIOR RESEARCH OFFICER who should have experience in planning and interpreting consumer research surveys. The department is expanding and offers excellent opportunities. The company has a non-contributory pension fund and a profit sharing scheme. Candidates should be aged 25/35 and should apply in writing giving details of age, education and experience, to The Personnel Controller, Beecham Group Ltd., Beecham House, Great West Road, Brentford, Middlesex.

A TOP London Advertising Agency specialising in television requires a RESEARCH OFFICER. His responsibilities will include contact with audience measurement companies and interpretation of their results; initiation and execution of research into television advertising communication; the supervision of statistical information service relating to television; a certain amount of marketing research; the presentation of his findings to an occasionally sceptical audience. This is a new position with real opportunity to do original work. Experience in this field an advantage, but not absolutely essential. Age 25-35 years. Salary according to experience, but competitive.

This matter will be handled only by the Managing Director: Please write to him, with full details of experience, qualifications, and salary range, at Box 834.

ASSISTANT MANAGER (male or female) required to take up position on or before February 1, 1958, for administration of the Space Booking, Records, Dispatch, etc. Department of expanding Advertising Contractors. The successful applicant will probably (a) have previous administrative experience and some experience in non-financial records, e.g., stock control, etc.; and (b) be between the ages of 30 and 45. Essential quality is the ability personally and through subordinates to ensure strict method in the maintenance of meticulously accurate records. Some organising ability is also required. This is an executive position with prospects of promotion, and the commencing salary will be within the range of £1,000 to £1,400, according to experience and qualifications.—Write Box 835.

THE UNIVERSITY OF MANCHESTER

Applications are invited from graduates for the post of TUTOR IN SOCIAL ADMINISTRATION in the Department of Social Administration of the Faculty of Economic and Social Studies, in connection with the Selective Recruitment and Training Scheme for Hospital Administrators in Wales and Scotland. The appointment is for three years, in the first instance, with a possibility of a renewal for a further period. The salary per annum will be on one of the following ranges: £700 to £850; £900 to £1,050; initial salary according to qualifications and experience. Membership of F.S.S.U. and Children's Allowance Scheme.—Applications should be sent not later than February 15, 1958, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

UNIVERSITY OF MALAYA

Applications are invited from Honours graduates for (i) Lectureship or (ii) Assistant Lectureship in Economics.
Salary scales: (i) £1,148 x 49—1,442/1,540 x 56—£1,828 per annum; (ii) £1,001 x 49—£1,099 per annum. Entry point according to qualifications and experience. Allowances: expatriation in range £280-£308 per annum, cost of living in range £210—£560 per annum. All paid in Malayan currency. Passages for appointee, wife and children under 12 years. Part-furnished quarters at reasonable rent. Provident Fund Scheme. Applications (airmailing) naming three referees and detailing qualifications and experience by February 15, 1958, to Secretary, Inter-University Council for Higher Education Overseas, 29, Woburn Square, London, W.C.1, from whom further particulars may be obtained.

GHANA INDUSTRIAL DEVELOPMENT CORPORATION

PROJECT OFFICER (ECONOMICS). Applications are invited for this vacant post with the above Corporation.

Candidates should have a recognised degree or equivalent qualification in Economics with at least five years' subsequent practice in trade, commerce or industry in positions of responsibility. Ability to undertake general surveys, market research, and compile statistical data in connection with new industrial projects is essential. Candidates should also be able to appreciate product design and write clear, concise reports with graphical or othe. visual illustrations.

Initial salary will be fixed between £1,000 and £1,500 per annum according to qualifications and experience.

Furnished accommodation at rates £60-£75 per annum. Contract period eighteen months with option for extension. Successful applicant will be required to join Corporation's Provident Fund, employee's contribution being calculated at 7½ per cent and employer's at 17½ per cent of salary.

An officer recruited overseas would receive passages for himself, wife and up to three children below the age of 18, paid leave at the rate of seven days per month and outfit allowance of £30. An interest-free transport loan and other generous allowances are available.

Apply, stating age, qualifications and experience, to the Director of Recruitment, Ghana High Commissioner's Office, 13 Belgrave Square, London, S.W.1.

FERRANTI LIMITED

MANAGEMENT ACCOUNTING

Forecasting and Overhead Analysis are two of the aspects of management accounting dealt with by a section of the Ferranti Company covering a most interesting range of products, including ELECTRONIC COMPUTERS, AIRCRAFT EQUIPMENT, PRECISION INSTRUMENTS, AND DOMESTIC APPLIANCES.

A vacancy exists in this section and applications are invited from candidates of about 25 years of age, with an interest in these aspects of industry and able to discuss at all levels data relevant to forecasts of future policy. Some industrial experience would be an advantage.

A graduate might well find in this work a suitable introduction to management accounting.

The Company has a Staff Pension Scheme and an Assurance Scheme for Dependants.

Forms of application can be obtained from T. J. Lunt, Staff Manager, Ferranti Limited, Hollinwood, Lancs. Please quote Ref. J. W.

NATIONAL HEALTH SERVICE

TRAINING POSTS IN
HOSPITAL ADMINISTRATION

The Minister of Health and the Secretary of State for Scotland invite applications for up to sixteen training posts in hospital administration.

Successful applicants will hold these posts for a maximum of three years, beginning in the autumn of 1958, and will be given practical experience of all branches of hospital administration, together with courses of instruction at the University of Manchester or at the Hospital Administrative Staff College of King Edward's Hospital Fund for London.

A short list of applicants will be called for interview by a Selection Committee.

Applicants should be not more than 30 years of age at September 1 1958, but the Selection Committee has discretion to accept applicants up to 35 years. If *already employed in the hospital service* they should either

(i) be a graduate of a British university; or

(ii) be the holder of a professional qualification acceptable to the Selection Committee; or

(iii) have had at least three years' experience in the hospital service on September 1, 1958, and to have passed at least the intermediate examination for a professional qualification.

If *not employed in the hospital service* they should either

(i) be, in September, 1958, a graduate of a British University; or

(ii) be, in September, 1958, the holder of a professional qualification acceptable to the Selection Committee.

Applicants should have discharged their obligation for national service.

Applications will be considered from students who are due to take their final examinations in 1958.

The salary during the training period begins at £556 (plus a small addition in the London area) with an increment of £20 in the second and third years. Applicants already in the hospital service will retain their present salary scale if higher than this. Training fees will be met.

Further information and application forms can be obtained from University Appointments Boards or by writing to the Secretary, Department of Health for Scotland, St. Andrew's House, Edinburgh, 1, or to the Secretary, Ministry of Health, Savile Row, London, W.1. Applications should be completed and returned to the Secretary, Ministry of Health, *not later than FRIDAY*, February 28, 1958.

RUSKIN COLLEGE, OXFORD, offers a RESEARCH SCHOLARSHIP of £500 per annum, with possibility of accommodation in College, for one or two years beginning October 1958 EITHER for a study of INDUSTRIAL RELATIONS within a particular industry OR for the study of a TRADE UNION or FEDERATION OF UNIONS. Closing date March 10th. Apply Secretary, Ruskin College, Oxford.

UNIVERSITY OF CAMBRIDGE
DEPARTMENT OF ESTATE MANAGEMENT

HAROLD SAMUEL BENEFACTION

The Department of Estate Management proposes to award, from October 1, 1958, grants for research in economic, legal or social matters related to the use, tenure, or development of land.

Essential qualifications: good honours degree in History, Economic History, Economics, Agricultural Economics, or Law, or a degree with a high class in Estate Management, or evidence of likelihood to obtain such a degree not later than July, 1958.

Value of a grant £400 a year, plus University and College fees. Normally tenable for two years.

Particulars from Secretary, Board of Estate Management, 74 Trumpington Street, Cambridge. Completed applications should reach him by February 26th.

A MARKET RESEARCH EXECUTIVE is required by a nationally known company (located in the Southern half of England), which includes among its major activities the production and marketing of commercial and domestic refrigeration equipment. Applications are invited from men who are graduates of Universities in the United Kingdom whose degrees have been obtained in Economics, or in social or business studies, and who have had at least three to four years' post degree experience in Market Research. Age group preferably 28-38. Salary in the range of £1,100-£1,500 per annum, according to age and experience. This is a permanent appointment with sound prospects. There is a Pension Scheme.—Apply in writing, giving full details of career to date, to Urwick, Orr and Partners Limited, Management Consultants, 29 Hertford Street, Park Lane, London, W.1, quoting on the envelope Reference TOD/1228.

ORGANISATION & METHODS

Vacancies exist in the Organisation and Methods Department at Guest, Keen and Nettlefolds (Midlands), Ltd. The Department serves both Divisions of the Company; the Screw Division at Heath Street, Birmingham, and the Bolt and Nut Division at Darlaston, 11 miles away.

The intention is to strengthen the team, whose chief work is the review, establishment and maintenance of the administrative procedures which operate throughout the company. The whole object is to ensure that the clerical service continues to be both effective and economic.

Applicants must be able to show a successful experience in organisation and methods work coupled with a sound educational background. The age bracket is from 28 to 35.

Alternatively, if a younger man with an honours degree can demonstrate a real interest in this work, which calls for an analytical mind and an ability to work with people, he would be given consideration, and, if successful, training in Organisation and Methods Techniques would be arranged.

I.C.W.A. or similar qualifications could be very useful in either category.

There is more than usual scope for advancement and the salary is attractive.

Applicants should write fully to the Personnel Officer, Guest, Keen and Nettlefolds (Midlands), Ltd., Box 24, Heath Street, Birmingham, 18.

STATISTICAL ECONOMIST

required by J. Walter Thompson Company, preferably with some years' experience in the Marketing and Distribution of Consumer Goods and in the employment and interpretation of Market Research statistics.

Completely objective outlook essential. The main function is to study the practical implication and application of statistical and economic data in relation to business problems. The job has scope for growth in influencing the development of the company.

This is an important appointment and will be rewarded accordingly. Age preferably from 28 to 35.

Write Personnel Secretary, J. Walter Thompson Company Limited, 40 Berkeley Square, London, W.1, and mark *Strictly Confidential*.

MINISTRY OF SUPPLY: LABOUR OFFICERS. Applications invited for 7 pensionable posts in the provinces, mainly in Royal Ordnance Factories.

Age at least 25 on August 1, 1957.

Candidates must have a University degree, preferably in social studies, or have taken a recognised course in Personnel Management, and have had some industrial experience in personnel management. Alternatively, applications will be considered from candidates with a Higher School Certificate (or an equivalent qualification) and at least 3 years' experience (10 years' if without academic qualifications) as a practising Personnel or Labour Officer in an industrial undertaking.

All candidates should have a working knowledge of the social services, industrial legislation and methods of joint consultation, and be familiar with day-to-day working problems.

Starting salary £680 (women £623) at age 25 up to £800 (women £735) at age 28. Higher starting salary at 28 or over exceptionally well-qualified men's maximum £1,055. Somewhat higher rates in certain large provincial towns. Women's rates being improved to reach equality with men's rates by 1961. Promotion prospects. Five-day week. Particulars and application forms from Civil Service Commission, 6 Burlington Gardens, London, W.1, quoting No. 4801/58. Application forms to be returned by February 25, 1958.

APPLICATIONS are invited by an organisation with widespread overseas interests for senior post in its London office. Applicants must have had commercial experience, particularly in conducting negotiations and investigations. Age 35/40; contributing pension scheme. Applications, which will be treated as strictly confidential, should give full personal particulars, details of qualifications, experience and previous appointments, and salary required.—Appl. to Box No. 1Q L 9522, A.K. Advg., 212a Shaftesbury Avenue, London, W.C.2.

THE Controller of Research of a Company of international reputation manufacturing a wide range of Scientific Instruments requires a PERSONAL ASSISTANT. This is a post which will offer valuable administrative experience, and offers the prospect of a progressive career with an expanding company. The essential requirements are an Honours Degree in Physics; a lively and enquiring mind and the ability to work harmoniously with colleagues. Suitably qualified young men, who need not have had previous experience, are invited to write, giving full details of their careers to date, to the Chief Personnel Manager, Hilger and Watts Ltd., 98 St. Pancras Way, Camden Road, London, N.W.1.

UNIVERSITY OF GLASGOW
STEVENSON LECTURESHIP
IN CITIZENSHIP

The University Court will be considering shortly an appointment to the Stevenson Lectureship in Citizenship, tenable in the first instance for a maximum period of five years from October 1, 1958, or from such later date as may be arranged. The appointment will be full-time. The stipend will be £1,350 x £75—£1,800 per annum, with superannuation. All who may be interested are asked to communicate with the undersigned, who will supply further particulars.

ROBT. T. HUTCHESON,
Secretary of University Court.

APPOINTMENTS

PERSONNEL ADMINISTRATOR

A large Group of Companies in civil engineering and related fields with headquarters in London, requires an active, ambitious, progressive, qualified PERSONNEL ADMINISTRATOR, between ages 30-35, who is interested in the development of a full-scale personnel programme.

Present personnel functions require further organisation and development and position has excellent prospects with expanding responsibilities. Appointment offers unusual possibilities for successful candidate with good experience.

University degree helpful and I.P.M. membership desirable, but not necessary. Four-figure salary with good prospective increases. Pension plan.

Apply in GUARANTEED STRICTEST CONFIDENCE, stating contact telephone number, details of date and place of birth, education, background, names of firms, positions held with dates and salaries, quoting reference K.P. 2811.

Dr. P. S. de Q. Cabot,
P. S. CABOT & COMPANY,
37-41, BEDFORD ROW,
LONDON, W.C.2.

BRITISH PETROLEUM COMPANY LIMITED has a vacancy for a STATISTICIAN to work at their Research Station at Sunbury-on-Thames, Middlesex. Candidates should have an honours degree in Statistics, or in Mathematics with a diploma in Statistics. They should also have a good basic knowledge of Physics and Chemistry (G.C.E. Advanced Level). Work will include the design and analysis of experiments connected with research at the small scale and pilot plant levels and also with operations on refinery plants. An electronic computer will be available. Non-contributory Pension Fund. Assisted House-Purchase Scheme. Removal expenses and settling-in allowance payable in certain cases. Luncheon Club.—Write, quoting reference H.S.1, to Box 5662, c/o 191, Gresham House, E.C.2.

MARKET RESEARCH ASSISTANT

A Senior Assistant to the Research Manager is required by RCN. Applicants should have at least three years' experience—some of it preferably with an advertising agency. Sound statistical background is essential, plus the ability to initiate surveys and carry them through to completion of final report. This position carries plenty of scope and excellent prospects for the future. Applications, stating age, experience and salary required, should be addressed to:

Research Manager,
RCN Ltd.,
184 Strand,
London, W.C.2.

UNIVERSITY COLLEGE OF GHANA

Applications are invited for Lectureship in Agricultural Organisation and Economy. Post-graduate research experience in Agricultural Economics essential. Salary scale £950 x £50—£1,600 per annum. Entry point determined by qualifications and experience. Family allowance £100 per annum per child (maximum £500 per annum). Outfit allowance. F.S.S.U. Passages for appointee, wife and maximum of five children, on appointment, normal termination and leave. Part-furnished accommodation at rent not exceeding 7.5 per cent. of salary.

Detailed applications (six copies), naming three referees, by February 24, 1958, to Secretary, Inter-University Council for Higher Education Overseas, 29, Woburn Square, London, W.C.1, from whom further particulars may be obtained.

THE UNIVERSITY OF LIVERPOOL

Applications are invited for a Leverhulme Postgraduate Fellowship in any Department of the Faculty of Arts. The Fellowship will be tenable for one year at a value of £550. Applications, three copies, stating age, qualifications and experience, proposed field of research and the names of two referees, should be received not later than March 1, 1958, by the Registrar, from whom further particulars may be obtained.

UNIVERSITY OF EXETER

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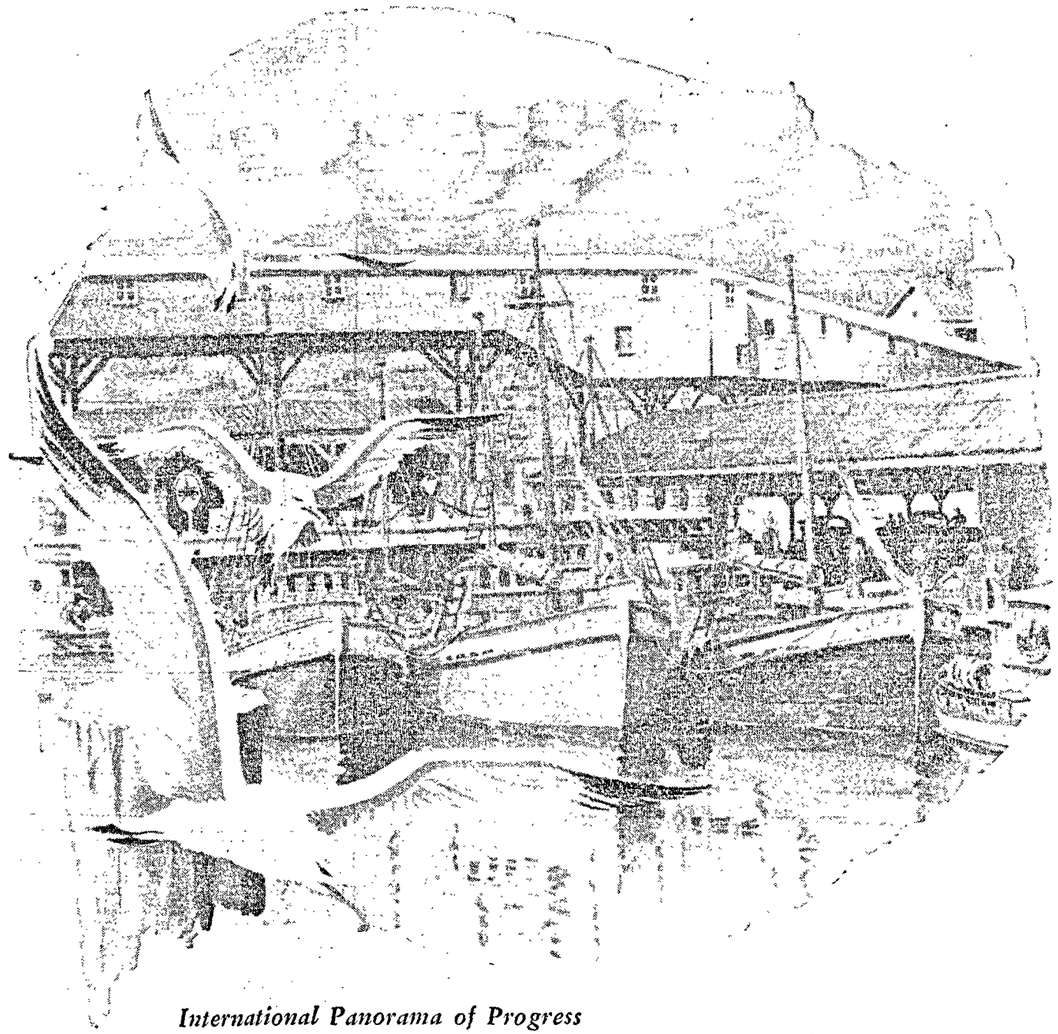
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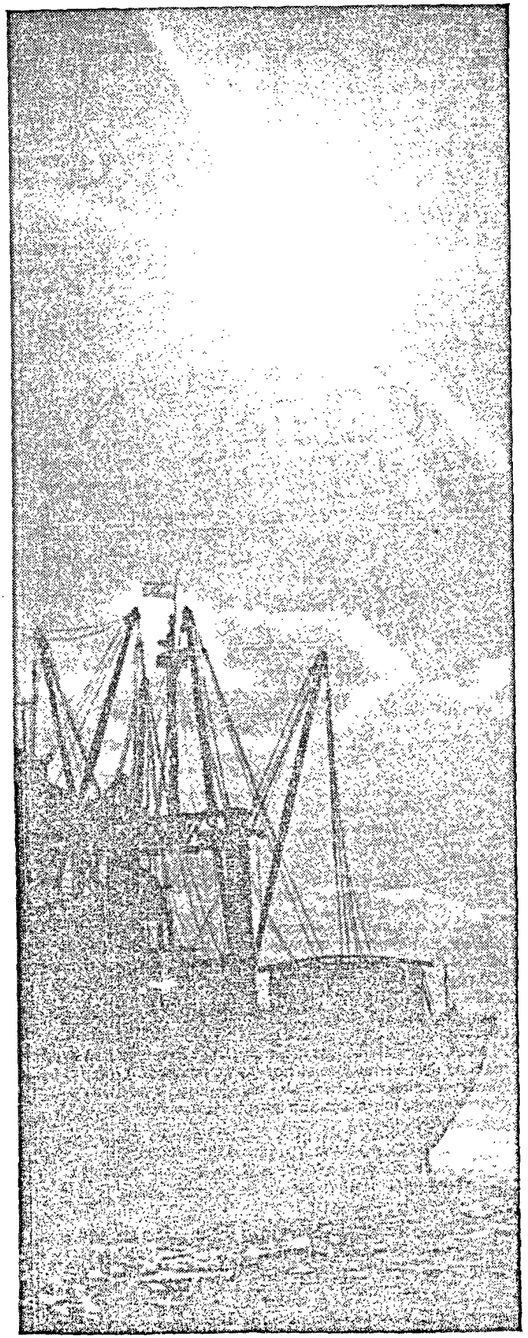
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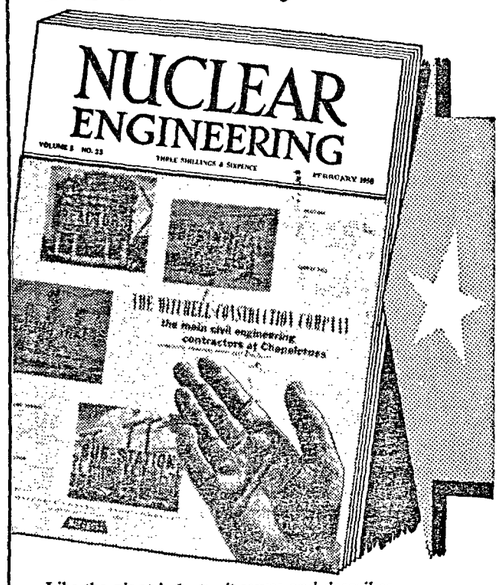
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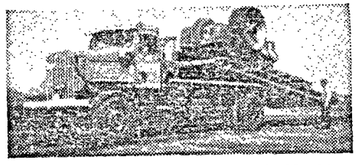
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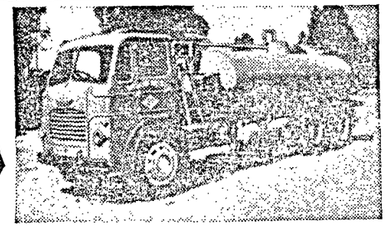


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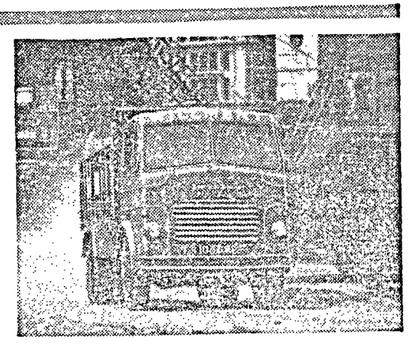
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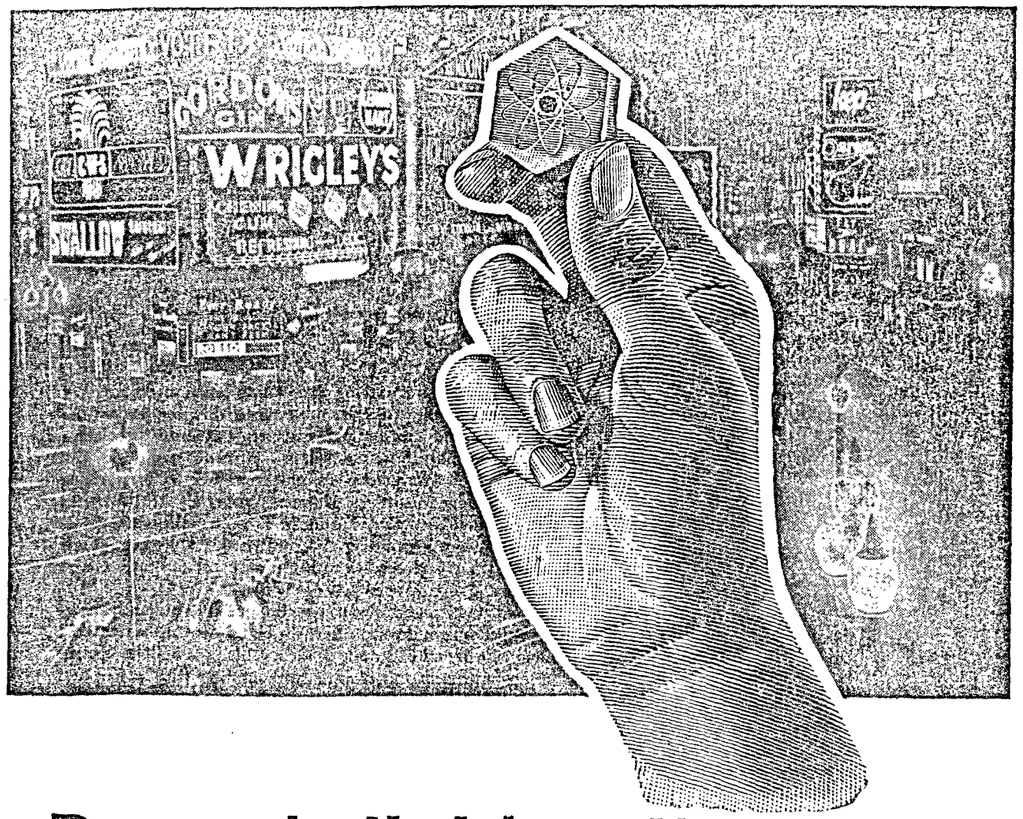
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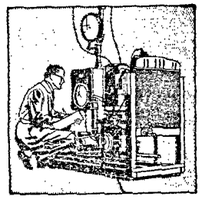
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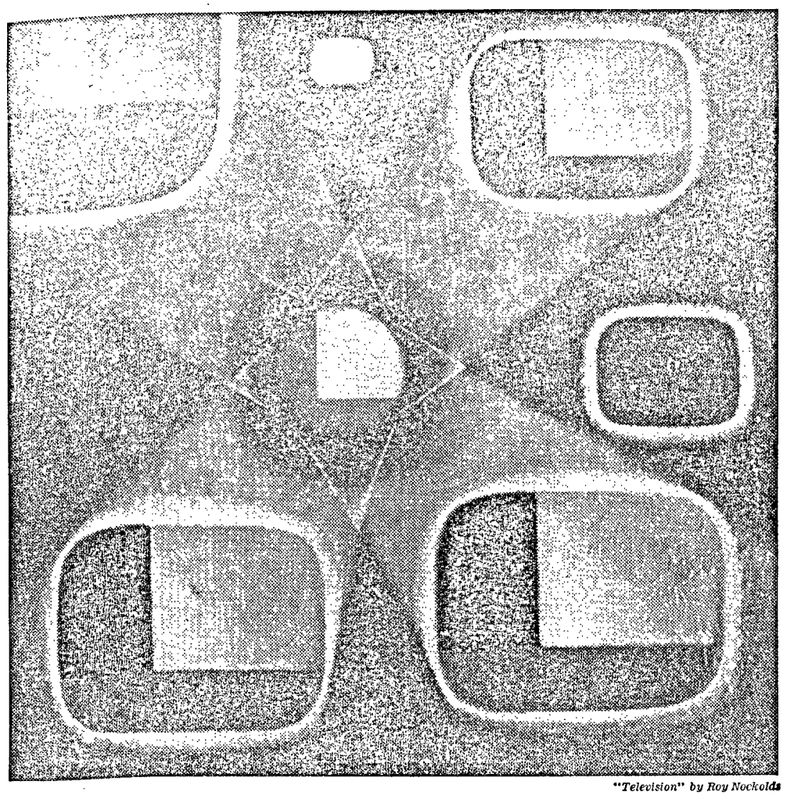


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The Economist

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Politicians' Ramp

THE City can now throw the accusations about a second bankers' ramp back in the politicians' teeth. The sober, careful and detailed report of Lord Justice Parker and his two colleagues goes as far as any document could to fulfil Mr Cameron Cobbold's hope that full inquiry into the allegations of Bank rate leak would "not only maintain, but actually enhance, the reputation of London for financial integrity." All those who participated in, or had any advance knowledge of, any of the policy decisions put into effect on September 19th are given a clean bill of honour. The result should be regarded by the whole country—which depends upon the City's reputation for more of its standard of living than it realises—as the least unsatisfactory result that was possible once the false rumours and the inquiry had been set afoot. But as the wild goose chase for non-existent evidence from Hong Kong to Watford fades into fairy tale history, three serious questions remain. They are questions which the tribunal has specifically and properly left for judgment by other people; they are now the proper subjects for newspaper discussion.

The first question, which Labour in particular should ask itself, is what on earth has happened to British public life that so many wildly damaging innuendoes against the reputations of so many distinguished public figures should have been given currency, with such complete lack of basis and (while the hunt lasted) with such obvious glee. The press and certain gossip-mongers in the stock exchange must bear part of the blame, but there was always a barrier against their hurting personalities by their excesses: they could be sued for libel or slander. The only people who could not be so sued were politicians in Parliament assembled, and from their position of privilege they had a special duty to damp down any plainly unsubstantiatable rumours. Instead, it will be the general opinion that Mr Wilson and his colleagues did all they could to dredge them up.

By the end of the hunt, Labour was actively hoping that some accusations—any accusations—of improbity against Conservatives or City financiers would be proven true. That is the only conclusion which squares with the tone of some of its parliamentary questions and with the desperately clutching interest which Mr Wilson took in stories from the flimsiest sources: sources ranging from Mr Pumphrey on the Woking train, through Sir Leslie Plummer's avid reading of a gossip column, to the report that somebody had "overheard two representatives of Japanese banks in London talking excitedly in Japanese about an impending rise in the Bank rate," and the idea that the trustees of the investment committee of the Ancient Order of Foresters' Friendly Society must have had prior knowledge of the rise in Bank rate because of certain action they took five days after it.

Most of these incidents now raise a smile. But the part of the tribunal's story that clearly still deserves something angrier than

derision is Labour's concerted campaign of smear, from the security of Parliament, against Mr Oliver Poole; in one respect, even after all the evidence was assembled, Mr Wilson made a final effort to carry on this campaign in a minor key before the tribunal itself. In one of its sharpest phrases, the Parker report stigmatises this last throw as being of "no validity."

To pick up these points will be regarded by some as merely to seize any opportunity to be rude to Labour. It is not. They would be of minor moment if they did not mirror a disturbing present trend in British political life, and one of which the Labour offenders themselves would disapprove if they would only pause for a moment from their habitually excessive political excitement to consider it. It has always been almost a duty of party politicians to portray opposing politicians as fools; but it is a new feature for them to go to such lengths to try hopefully to persuade themselves and other people that their opponents are active rogues as well. This is not a trend entirely confined to Labour; some leading Conservatives have privately been guilty of very much the same thing, particularly in their encouragement of innuendoes against colleagues who resigned because of Suez or the estimates. But the new habits represent just the sort of deterioration in public life which a man like Mr Gaitskell should regard it as his function to stop. His attitude in the debate on the report will be carefully watched; he will lose a lot of respect if he allows his colleagues to go on claiming virtue for insisting on the scotching of rumours which everybody knows they themselves fed with their malice.

THE second question which the tribunal has left open to judgment by other people is whether there should be a change in the system of appointments to the court of the Bank of England, because a director "who has other business interests may find himself in a difficult and embarrassing position." Wisely, the tribunal adds:

> Had it been our duty to express an opinion on this matter, we should, before doing so, have required exhaustive evidence as to the advantages and disadvantages of continuing a state of affairs which has so long existed. The criterion, of course, must be the national interest.

The point of view to be immediately stated here is that the national interest would not be well served if the Bank of England were turned into an enclave of whole time public servants, cut off from personal contact with the unnationalised activities of the City which it is largely its job to control and foster. This argument, and the proper degree of independence for the court of the Bank, is discussed more fully on page 325. Here it is necessary only to make one general comment. A potential clash between public and private interests occurs at almost every point of political or economic decision in a democracy; it affects all MPs who also belong to a trade association or trade union, all ministers and civil servants who hold any stocks or shares, indeed anybody who may influence any policy decision who also belongs (as he must) to any particular income group. There is no reason to suppose that directors of the Bank of England cannot reconcile their variant of this clash as well as anybody else. Moreover, the clash at the Bank (unlike some other clashes) is not of the sort liable to influence adversely actions taken by the authorities themselves. It was never really suggested before Lord Justice Parker that the private interests of Bank directors might affect public policy; that is why the wildest allegations before this tribunal were always of less serious import to the national interest than those before the Lynskey tribunal. The allegations —now disproved—were that foreknowledge of public policy might have been used to further private interests, to instigate sales which would have brought no loss to the nation but only to certain stock-jobbers. But it has now been shown, after exhaustive inquiry into a particular instance, that such sales were not instigated. If there was a case for changing the system of appointment of the court before September 19th, when this evidence was not available, the case must logically be regarded as weaker now.

THE third and final point, which the tribunal says is a matter for decision by Parliament alone, is whether ministers were wise to reveal the proposed restrictive financial measures (other than the Bank rate) to certain representatives of the press, including their own party's disguised publishing house, called the Conservative Research Department. The tribunal states merely that it "understands and appreciates" ministers' reasons for doing so.

There is a general question at issue here, to be considered before this particular case. The general question is whether it is more in the national interest that the newspaper articles which, for better or worse, are likely to do most to influence opinion at home and abroad should be written in a hurry on the basis of bare public announcements, or at a more leisurely pace after briefing by the Chancellor behind the scenes. Wisely or unwisely, there has been a trend towards the second system in every major democratic country. The selected press cannot sensibly claim any "rights" in the matter. The question is, surely, simply one of usefulness, for the minister concerned to decide; it is for him to determine whom he can usefully talk to in any particular case either to give or get views or news. As with the court of the Bank, "the criterion, of course, must be the national interest."

The particular national interest which Mr Thorneycroft thought that he was serving on September 18th was to try to enlist support for his policies and through them, as he believed, for sterling. One sort of policy decision of which the press must not be given foreknowledge, however, is any decision which might affect stock prices. For that reason Mr Thorneycroft found that he had to deceive in order to keep

his secret; those who were given this briefing certainly left the Treasury less disposed to expect an increase in Bank rate the next day than they would have been if they had not gone to see him.

It is arguable that this might have had the reverse effect to that which the Chancellor hoped for; journalists might have been humanly annoyed when they discovered that they had been given (necessarily) such a misleading half of the truth. As a cold fact of reporting, however, the support Mr Thorneycroft got for his policies from the so-called responsible press was probably greater than that he got among not dissimilar sorts of people who had not had the advantage of his briefing—witness, the adverse reaction to the Bank rate by a majority of economists at the universities. Looking back, Mr Thorneycroft's public relations tactics seemed to have been fairly successful for the object he had in view. That conclusion is disputable; but the dispute should be recognised to be one about tactics, not about any great principle.

The main lessons, then, that emerge from this whole Bank rate story are that it strengthens the case for an end to the exploitation of parliamentary privilege and for a reassessment by politicians of how far party excitements provide any excuse for abandoning normal decencies in conduct; that it weakens the case for any change in the method of appointment of the court of the Bank; and that Government public relations tactics had better remain a matter for pragmatic decision in each particular case. Let nobody encourage any further wreckage from this politically inspired storm in a teacup.

Glimpse of Eurafrica

Algeria's indigent millions depend for bare subsistence on work unlikely to be obtainable outside France. Is this relationship to be discarded, or to serve as a basis for a logical settlement?

THE biggest anomaly in the relationship between France and Algeria is seldom discerned from Paris. There, the talk is all of day-to-day issues: at present, whether the army can justifiably claim to have mastered the rebellion; how much or how little torture takes place in the prisons of Algiers; whether new arms have given the rebels new unity; whether the Moroccans, as well as the Tunisians, are conniving at the traffic in arms.

Not until the traveller reaches Marseilles does he get the full impact of the paradox. Through that bottleneck, visible before they splay out on their avocations, flow two streams of humanity, travelling one in each direction. The south-bound stream consists of young Frenchmen in uniform, off to fight in order that Algeria may remain an integral part of France. The other consists of young Algerian Moslems, all looking to African leaders who are hot for independence, yet coming north to earn (often in the jobs the young Frenchmen have vacated) so that their families may have enough to eat till next harvest.

The streams converge and pass in silence: have they nothing to say to one another? Is not this macabre cross-traffic evidence of a basis for compromise, if only both sets of participants were to accept it as a symbol that each is following leaders who ask too much?

Throughout the Algerian war, the two have crossed, purposeful as ants, with scarcely a glance at one another, because each has had planted in his head an image that is patriotic, but out of keeping with the hard facts of the second half of this century. The Frenchman has been told that he is preserving the rightful patrimony of fellow-countrymen who have made a success of an African shore that was once derelict; the Algerian, that his lot will be happier if he throws off the status of a dependant on Europe and cleaves to a nation of his own kind and continent. Yet each, if stopped and challenged to think, ought to acknowledge that his nation's first goal is a square deal for all its members—otherwise put, that both favour levelling out the inequalities that at present bedevil the Franco-Algerian scene. Carry this thought a stage further, and each would have to admit that these inequalities cannot be levelled out to his satisfaction either by France's all-out policy of the absorption of Algeria into the French body-politic, or by Algeria's independence policy that exposes it to the risk of losing privileges in France. Both ambitions are excessive.

THE main fact that makes them excessive is soon grasped if, instead of surveying Algeria's population in its two classic groups—its million European *colons* and its eight million African Moslems—it is looked at in a less conventional but more practical light. The true picture is of two social groups. The smaller of these, consisting of the million Europeans and perhaps two million of the Moslems, leads a European-type life based on the chance of a job, some training, regular meals and a prospect of betterment. The other and larger group, six million strong and wholly Moslem, enjoys none of these assets. Indeed, the number of calories it eats per head is falling because of the rate at which it is multiplying. Civilisation has impinged

on it just enough to root out the historic causes of early death (feud, pestilence and famine) but not enough to stop it from breeding against these old eventualities ; its numbers are therefore increasing at the rate of just over 2 per cent per annum—that is, it adds another quarter of a million mouths to its strength every two years but, as at present organised, adds nothing to its productivity. One of its methods of keeping total penury at bay is to utilise the right of citizenship to send breadwinners to France. There were, on the last count in June, about 200,000 Algerians working there ; sometimes there are 400,000 ; these workers (by going short themselves, which makes them less lusty employees than, say, Poles or Italians) use their earnings to keep alive upwards of 2 million otherwise indigent relations. How else are these Algerians to stay alive ?

Viewed in the context of this problem of mounting indigence, France's desire for total integration of Algeria is an overbid ; either the policy must lead to a perpetuation of inequality, and a need to hold down by force an unhappy social and biological situation for which Paris will have accepted responsibility, or else it must entail an effort to right the unbalance—an effort which, to be successful, would demand an outlay so very much larger than anything hitherto attempted that it would be bound by its very size to drag down the standard of life in metropolitan France.

But equally, Algeria's ambitions are excessive to a degree that has so far commanded little attention. The nature of the excess has lately been most sympathetically reviewed in a short and cheap book by a French ethnologist—a book that merits more notice than it has had because of the thought it provokes on the likely course of social development in Africa.* For Algeria's problems are not unique ; they are common to a number of underdeveloped, underprivileged areas (not all of them dependencies or ex-colonies) ; they are one of the results of a civilisation that makes its inroads on the traditional patterns of Africa and Asia spasmodically instead of uniformly and smoothly. What is unique about Algeria's lot is the chance hitherto open to it to earn overseas, as of right, in the way that the Irish or the Italians were able to earn in New York half a century ago. This process at the least keeps men alive and, at best, improves their lot by affording them free access to a "developed" and privileged working community—in Algeria's case, the world of French industry.

Tell an Algerian nationalist that he is at an advantage over the Tunisian or the Egyptian and he will laugh in your face. To him, they are free, whereas he is in chains. He will cut some caper learnt in Cairo that distracts his attention, and is meant to distract yours, from empty bellies and other current facts of life. But he will be wrong. He is wrong because most of the two million Algerian Moslems who have worked their way into the privileged group maintain themselves there only thanks to French enterprises ; and because, of the six million indigents in the underprivileged group, perhaps two million eat fairly regularly thanks to emigrant remittances from France, while the other four million can rely on a French dole of free food or free seed corn when an emergency is critical.

Were their leaders' quarrel with France to grow so acute as to rob the Algerians of these assets, the narrow margin between the majority and ruin would dwindle and might disappear. No one else, stepping in to arrest catastrophe, would be likely to offer openings of the same dimensions as does France, or to provide them so continuously. American net grants of non-military aid to the whole of the Middle East, South Asia and Africa in the fiscal year 1956-57 amounted to almost exactly the same sum (approximately £89 million) as French central government allocations in 1957 for development and budgetary purposes to Algeria alone.

One of the targets dear to most Algerian nationalists is a closer link with Tunisia and Morocco, but if that link were to entail a wider distribution of the privileges at present exclusively available to Algerians in France, Algeria would lose by the bargain. Already, these rivals are appearing on the French labour market under reciprocal arrangements now being reached with the Tunisian and Moroccan governments. If the Moroccan worker proves stouter, or the Tunisian more astute, than his Algerian counterpart, the chances of a livelihood for the latter's family will drop faster than ever.

Is there a way out of the wood ? By the standards of the French ethnologist already quoted, there is none if sentiment for the *colons* causes further French governments to pursue an outdated dream of preserving European privilege ; and there is also none if the Algerian nationalist temper is driven to such a pitch that the leaders forget the considerable outlay required to keep the bulk of their population alive at all. But there are middle courses between the extremes—courses that might yet be manageable if France would accept the Algerian wish for an African nationality, and if Algeria would admit the need for a link with France that preserves for it access to the French labour market until such time as it has converted its present six million paupers into productive persons—a feat it can achieve only by establishing a climate tempting to the French and foreign investor, without whom it cannot found a nation.

Dilemmas mutually confront not only the French cabinet but the nine-man Algerian National Committee. Need both go on striking their present conventional attitudes until it is too late to negotiate a Eurafrican bargain ? The cost to Africans would be psychological concessions ; to France, financial outlay that, while great, would be no greater than the present £2 million a day that is the cost of the war. Is the price too high for the only course that stands a chance of seeing them both through the morass in which each is floundering for lack of a hand outstretched by the other ?

* L'Algérie en 1957. Germaine Tillion. Les Editions de Minuit. Paris, November, 1957. 375 francs.

Germany Shortens Pace

Since 1948 the West German recovery has been one of the main elements in Europe's economic growth. The first question to be asked is whether it is slowing down.

In the past decade the German economy has provided the main thrust in the expansion of industrial Europe. West Germany's industrial production and national income, fed by the influx of eleven million refugees, have more than doubled ; its export industries have returned to a leading place in world markets. The boom has sucked in a remarkable increase in imports. The Federal Republic has become the best customer of France, Italy and Holland ; for some years it has been easily the fastest-growing market for Britain. Will this great expansive drive continue or is the "economic miracle" a thing of the past ?

The past year saw certain warning signs, signs, at least, that the German economy may not go on growing at the great pace of recent years. The real national product grew by some 5-5½ per cent, it is thought, compared with 6 per cent in 1956 and 8 per cent the year before. In the autumn the signs of slackening were particularly marked ; industrial output during the year was only 5.1 per cent greater than a year before and there was a new patchiness in industrial growth not seen since 1952. In the period January-October, output of many engineering products—machine tools, office equipment, electric generators—was actually lower than the year before. Profit margins seem to be narrowing ; several well-known firms, like the big Henschel locomotive and vehicle concern at Kassel, have been in financial difficulties. Business men, who have tended to work on slender liquid resources ever since the currency reform of 1948 wiped out all their assets, are looking more anxiously at their balance sheets. The signs of a slackening pace are real. They inspired the Bundesbank to drop its discount rate by ½ per cent on January 16th.

Some elements in the more gradual German growth are of a long term nature. Slowly, ever so slowly, full employment is creeping in, despite the continuing influx of refugees. Though unemployment in December was actually larger than a year before, shorter working hours tightened the labour market during most of the year. Industrialists now have to think twice about where skilled labour is to come from. Since the spring, too, less building has been done than in 1956 ; industries supplying constructional materials and building machinery are feeling the pinch. Though west Germany still needs two million new homes, the backbone of the re-housing problem has been broken. Housing subsidies may fall, so that the fabulous figure of half a million homes built each year since 1951 may not be repeated after this year. In industry—even in steel and ship-building, where recovery started late—"reconstruction" is long since over. And the great geographic shifts of industry that resulted from the division of Germany—the creation of a new spinning industry to replace the mills of Saxony, and the new western plants making electrical equipment—are largely complete.

Temporary factors also brought a new note of caution to industrial investment last year. Though investment continued to grow, it may have taken a slightly smaller slice of national income than the 23 per cent achieved in 1956. Some industrial investors held up their new spending until the elections were over ; and since the elections new worries have appeared. There is no disposition to cut major investment schemes ; in steel and in chemicals big new plans are going ahead ; but some business men are holding back the timetable of larger projects, waiting and watching the economic portents in the United States.

German industry, like British, is feeling the slackening of export demand both in Europe and overseas. Its highly competitive costs mean that where sales can be won on price, German exporters are not the first to lose ground. But import restrictions have already shut the door of the French market—Germany's best customer—with a clang, and restrictions in India and other countries are making themselves felt. If world trade should slump, a country that earns a fifth of its national income through exports would be hard hit. Then many smaller firms would suffer badly from their lack of liquid capital.

Yet, though mild signs of hesitation can be detected, new expansive forces promise further growth. The chief of these is growing public spending. The small size of Germany's defence bill has long drawn fire from its allies ; even if occupation and support costs are added to the new spending on the Bundeswehr, the slice that defence has taken from the national income has actually fallen since 1950. In the years 1958 to 1961, spending on the Bundeswehr should soar. Costly new weapons mean that "rearmament" may cost some 55 billion marks by 1961, instead of the 45 billion originally estimated. If the target of 340,000 well-armed men for 1961 is to be achieved, well over 30 billion marks (more than £2.5 billion) may have to be spent in the two budget years 1959-1960 and 1960-1961. Indemnities to Jews and other victims of Nazi persecution are also expected to jump up, as well as social spending—for example, the generous pensions, tied to the cost of living, which were granted in the election year. Cuts in housing subsidies and elsewhere may ease the budgetary problem.

But there is no doubt that under Herr Etzel, the new finance minister, the economy will get a greater stimulus from the budget than it did under Herr Schäffer, who garnered large surpluses in relative disregard of industry's pleas for relief.

As more men are called to arms, the industrial labour market will feel the pinch. But the influx of refugees from the Soviet zone may continue to counter this; and the great reserve of labour that still exists on tiny inefficient farms will still stream towards the towns, lured by higher wages. Labour shortage ought not to brake expansion too sharply. The investment industries seem likely to take defence production in their stride; what they cannot fit into their plans with ease will be bought abroad. And shortage of exchange reserves is not likely to check German expansion in the next few years. The two chief limits to growth will be demand abroad and, at home, the extent to which the government will seek expansion even at the risk of some price increases. Both are important limitations.

TODAY, as export orders falter, business men are wondering how much growing domestic demand may compensate for loss of sales abroad. In the last few years consumption of industrial goods has steadily risen. Wages, it is true, are still rising only roughly in step with productivity, despite the gradual tightening of the labour market, and consumption still takes barely 60 per cent of the national cake. It could well take more. Still, in the order books of the investment industries, the plans of German consumer industries—including cars—now form one of the stable elements. German workers are beginning to buy refrigerators, television sets, even cars. They are moving into the revolution in living which their British and American counterparts are already experiencing.

The German economy is unlikely to repeat in the next decade the spectacular growth achieved in the last. But it should still remain a great expansive force at the heart of Europe, achieving increases in national product of the order of 3 to 5 per cent a year. In a country whose capital assets—houses and furniture, fields and roads, as well as factories—suffered crippling losses in the war, a great deal of rewarding investment remains to be done, especially in fuel and transport. In industry, after the uninhibited expansion of recent years, there is still plenty of scope for higher productivity through rationalisation and through more selective investment. Indeed, something of a pause, a narrowing of profit margins, a canalising of investment into the most profitable channels, may be valuable. Germany's main immediate economic problem remains not the danger of recession, but the payments surplus, and the inadequacy of the capital market. These will be discussed in a later article.

Old Bailey  in the Dock

A correspondent propounds the startling theory that since 1834 most trials at the Old Bailey may have been illegal.

IN February, 1953, a man was being tried at the Old Bailey on a charge of robbery with violence, when suddenly the judge came out with an unusual and curious declaration. "I am sitting illegally," he said. And immediately he adjourned the trial till the next day. What had gone wrong? Nothing untoward had apparently happened in the court itself; nothing improper had been said; nothing that it was necessary to say had been left unsaid. The cause of the illegality was simply this. Apart from the judge himself, no alderman of the City of London could be found anywhere in the building of the Old Bailey; and the absence of the alderman was enough in itself to turn the proceedings into a mockery of the law.

For some reason that particular hearing on that particular afternoon had gone on longer than hearings at the Old Bailey usually go on. Instead of rising at four o'clock the judge had sat on till 4.40; and the alderman in attendance, thinking the day's business was over, had gone off to perform his aldermanic duties elsewhere. And apparently his departure from the building had invalidated everything that happened in court from the moment when his feet touched the pavement in the street outside. While he was in the building he had taken no part in the trial; he would in no event have had anything to say; he would not have contributed to the summing-up or been consulted by the judge in the determination of the sentence. He would just have stayed in own room, immersed in whatever business might be engaging his attention at the time. But directly he left the building the river of justice ceased to flow. Thenceforth the trial was *extra legem*.

This strange and supernatural power of sitting in one room and simultaneously administering justice in another is presumed to be given to aldermen of the City of London by the Central Criminal Court Act of 1834—the act which fixes proceedings at the Old Bailey. When a High Court judge visits the City, he takes his place on the bench not as a puisne judge but as a commissioner of *oyer* and *terminer* and as a temporary alderman of the City of London. He discharges his judicial duties exactly as he discharges them in the Strand. He is addressed by the same counsel. He is bound by the same laws of evidence. He offers the same summing-up to the jury. But he is there as a commissioner and an alderman, and his High Court judgeship is temporarily inactive.

Theoretically the judge is not sitting alone for, by the Act of 1834, he must be accompanied in the trial by at least one brother alderman. And this is where the regular alderman, who caused such confusion by going home too soon, came into the picture. There is always in attendance at the Old Bailey a real flesh and blood, whole-time alderman, who walks into the court with the professional judge and for a short time sits near him on the bench. Beautifully dressed and decorative in silk breeches and frills, this City father stops in court for a bit, looking (usually) detached and a little bored; and after a decent period he glides unostentatiously away to his private room outside the court. There he stays till he is wanted in court again. So long as he is in the building, everything is taken to be correct; but let him step out of the building for five minutes and immediately the engine of the law seizes up.

THAT was what happened by mistake in the trial of February, 1953; and four years afterwards (in October, 1957), after the prisoner had almost or completely served his sentence, the case was referred to the Court of Criminal Appeal by the Home Secretary under a section of the Criminal Appeal Act of 1907. The appeal judges dismissed the appeal on the ground (*inter alia*) that no substantial miscarriage of justice had occurred; but they did not decide that the alderman's absence from the building was immaterial. They seemed carefully to avoid that point, and it is pretty clear that they thought the judge at the Old Bailey was right, four years before, when he exclaimed: "I am sitting illegally."

It would not be suggested that in the 1953 trial justice was not done. But doing justice and acting within the law are two different things; and an earnest-minded citizen, as he compares the daily routine of the Central Court with the wording of the act under which it functions, may well feel concerned at the apparent conflict between the two. He may indeed suspect that every trial at the Old Bailey sessions is illegally conducted. This is what the act says:

> It shall be lawful for the justices of the Central Criminal Court *or any two or more of them to inquire of, hear, determine and adjudge all such treasons, murders, felonies*. . . .

That sentence surely is clear enough and its meaning unmistakable. The act does not say that a case may be heard and adjudged by one man sitting in court, so long as another man, unseen and unheard, lurks in the background. The inquiring of, the hearing, the determining, must all be done by at least two justices. And can anyone, stretch the English language as he may, argue that an alderman in the seclusion of a private room is simultaneously inquiring of, hearing and determining actions in three separate courts in other parts of the building? Or is it true that for a century and a quarter men and women have been sent to prison and to the gallows after an illegal trial?

NOTES OF THE WEEK

PARLIAMENT

Smooth Beginnings

CIRCUMSTANCES conspired on Tuesday to give the Government a happier return to Westminster than it had much right to expect. To some extent, of course, Ministers themselves contrived the circumstances; it was they who arranged the debate on the resignations for Thursday, thus ensuring a peaceful debate on Tuesday about the Cayman Islands and Turks and Caicos Islands Bill, and it was they who timed the publication of the Bank rate report for Tuesday afternoon. This report is regarded by delighted Tories as very much one in the eye for Mr Wilson. The Government was helped on Tuesday by a great display of tact by Mr Thorneycroft himself. The ex-Chancellor bustled into the House in the middle of a crowd of members the moment business began. It is quite clear that he did this to avoid any demonstration which might have greeted a later and solitary arrival; even the iron Chancellor would not otherwise thus have condemned himself to sitting through a score of extremely parochial Scottish questions.

These are, of course, early days to say that the Government has weathered the Thorneycroft crisis. Although the ex-Chancellor behaved very handsomely to his colleagues on Tuesday, he looked in ominously good fettle as he settled into the traditional seat of resigned ministers, on the corner of the third bench below the gangway. Nothing that happened on Tuesday could be more than a preliminary skirmish for the main debate on the resignations, which is taking place as this issue of *The Economist* goes to press. But the most important of Tuesday's skirmishes also went well for the Government. This was Mr Amory's first private meeting as Chancellor with the Tory backbenchers. By all accounts, he created a good impression, and for an intriguing reason. He was taken to confirm that the Government's long term thinking about the social services is on the lines of shifting more of the cost away from general taxation and on to the insurance stamp, and on to the consumer in the form of more health service charges. This is now finding favour even in "progressive" Tory circles.

Cuts to Come?

WHAT was not very clear, however, was which of two different operational plans Mr Amory was talking about. It now seems to be generally accepted that the Government has decided, after all, that it wants to introduce its long-term superannuation reforms for the elderly during this Parliament. The belief is that this will include graduated national insurance contributions expressed as a proportion of earnings; and that the scheme will then aim to secure—as Labour's projected superannuation plan pretended to aim to secure—a substantial increase in the insurance fund's surplus during the early years. Conceivably, reform of health service finance might be attempted at the same time—including perhaps a separate weekly stamp for health insurance, marked with some appropriate medical symbol.

The long-term changes in superannuation, however, could not be expected until the parliamentary session starting next October. Meanwhile Mr Amory has his estimates to present next month, and it has been widely advertised that these will be less than £50 million above this year's expected spending. But, making allowance for the rise in prices since the beginning of this financial year, for items of expenditure that rose in the course of this financial year and will have to be borne for a full twelve months in 1958-59, for increases in the number of school-children, for reportedly impending increases in service pay, agricultural support, etc., it is quite clear that the economies which Mr Thorneycroft had secured before he resigned must involve quite a considerable trimming of services. Not all of this trimming can be in defence or administration; some is bound to be in social fields that will cause a political row. Is it possible, in view of Mr Amory's remarks, that an increase in health service charges was among the Thorneycroft proposals which the Cabinet accepted, not among those it rejected? And that it is struggling with the non-Cabinet members concerned about the details of them now?

DISENGAGEMENT

One Zone Too Many

UNLIKE lightning, Mr Bulganin strikes twice in the same place: the tender spot in western public opinion that is responsive to appeals for disengagement. The proposal put forward by the Russians on Tuesday for a Middle Eastern "zone of peace," from which nuclear weapons and missile sites would be banned, follows closely upon their approval of the Polish suggestion of a "denuclearised" area in central Europe. The difference between the two is that a Middle Eastern zone would involve more serious military risks for the West, without the prospect of counterbalancing political advantages that would make these risks worth bearing.

One of the chief aims of the Soviet proposal is clearly to exclude Turkey from the list of countries in which Nato can deploy the six or ten intermediate-range missile squadrons which, in General Norstad's opinion, are necessary to keep the western deterrent effective. In itself, Turkey is not an essential link in the chain of missile bases; but it becomes increasingly desirable to have access to it as other sites within range of Russia are struck off the list. There are good arguments for keeping these weapons out of Germany to keep the possibility of a settlement of the German question open for the future. But the necessary number of sites must be put somewhere. It might even be worth while for the West to leave out Turkey and try to squeeze the sites into the remaining available countries—Holland, Italy, perhaps Cyprus—if the Russian plan offered some corresponding benefit. Does it?

Unlike the Polish proposal for Europe, it applies only to the western side of the fence, since it says nothing about any bases along the Russian side of the Middle Eastern border. However, this is not the main objection. The main thing the West would want in return for its own nuclear self-denial in the area would be a Russian undertaking not to put any more guns into Arab hands. To fix a limit to the size of Middle Eastern armouries would be a gain that might well justify the sacrifice of some potential western missile sites. But it is very unlikely that the Russians would agree to an arms embargo that did not include Turkey, and that did not also secure the removal of the existing American bases in the area. If their price for withholding their armaments from the Arab countries is not merely the West's abstention from new (nuclear) bases but also the demolition of its existing defence, then the price is too high. If European tensions were one day eased, the military importance of the Middle Eastern flank would diminish and a different situation might arise. But it is difficult to see how a genuine "zone of peace" can be established in the Middle East without first coming to a settlement about Europe.

POLAND

Mr Khrushchev Goes a-Hunting

MR KHRUSHCHEV is not normally shy of publicity. His foreign tours are usually arranged in a way likely to hit the headlines. But his trip to Poland last week and his meeting with Mr Gomulka in a hunting lodge were surrounded with utmost secrecy. The bare fact was only revealed after the event by a brief and cryptic communiqué. One reason for the caution and lack of pomp may be connected with the awkward precedent of Mr Khrushchev's visit to Poland in October, 1956, in the company of other Soviet leaders, when he made an abortive attempt to prevent Mr Gomulka's return to power. That piece of unsuccessful blackmail has left a bitter taste. Relations between the two countries have improved since then. Mr Khrushchev has reconciled himself to the existence of the Gomulka regime, while the Poles have made it plain that they will not seek to break away from the Soviet block. Yet it may have been thought that the mood in Warsaw was not yet ready to welcome Mr Khrushchev with any warmth.

The communiqué naturally proclaims that the conversations were friendly. It says nothing about their subject. The Poles have probably raised the question of their economic difficulties. The awkward position of the Polish balance of payments has been made worse by the fall in the international prices of Poland's exports, particularly its exports of coal. A Polish trade mission is now in Moscow discussing the terms for this year's exchanges and it would have been natural for Mr Gomulka to ask for special treatment to meet the emergency. Alternatively, the Poles may have tried to make it clear that their attempts to get American aid are prompted by economic and not political considerations.

But this would not have been enough to send Mr Khrushchev beyond the Soviet frontiers for hunting that he could find in Russia. His Polish trip was determined by more urgent business. It is reported that Mr Gomulka was accompanied by General Spychalski, the Polish minister of defence. The questions raised by any proposal for a great-power agreement involving Soviet troop withdrawals in eastern Europe may well have been discussed. The Russians, whatever their aims, cannot want to get to the summit in blissful ignorance of the risks as well as the gains of a potential bargain. Finally, the two sides must have pondered over the strategic and political implications of what is called the Rapacki plan, the Polish proposal for a nuclear-free zone in central Europe. It may be worth watching whether Mr Khrushchev's mysterious trip will be followed by any variations on this theme.

WAGES

The Economy's Arbitrator

WITH great practical wisdom, the London busmen duly decided last weekend to submit their pay claim to the most flexible possible form of voluntary arbitration. They have asked the Ministry of Labour to appoint a chairman to a three man committee of investigation; the other two members would be recommended respectively by the union and London Transport. In view of the common belief that London Transport may be more willing to be jostled into making some wage increase than other nationalised employers, the chairman appointed by the minister to this investigational committee will have a great responsibility; it is on him that the battle for or against wage inflation this winter may very largely depend. By Thursday afternoon an appointment had still not been announced.

Meanwhile, amid resolute assurances by the other nationalised industries that they will stand firm, and to the sound of lip-smacking among the unions, other wage claims are hastily queuing up behind the busmen's. The most interesting new claim in the past week has been the miners'. In the same week as the Coal Board rejected their claim for a national sick pay scheme and a 40 hour week, they have asked for a 10 shillings a week wage increase; this would exactly offset the rise in the cost of living and national insurance contributions since their last award ten months ago. The main reason why the miners have not asked, as in former years, for more than this is that they want this "cost of living only" claim to go to arbitration as a test case. This would provide the unions in general with a third possible line of attack on the wage restraint policy if anything did happen to delay a settlement of the bus and railway claims, or a final clash over them.

GOVERNMENT CHANGES

Junior Come Lately

OF the three new Government appointments which complete the post-Thorneycroft reshuffle, the most unqualified welcome will be given to the promotion of Mr Robert Allan. As a very able Parliamentary Private Secretary to two successive Prime Ministers (under Sir Anthony Eden he restored this unofficial post to something of its former position of importance), Mr Allan might have expected something more senior than Parliamentary Secretary of the Admiralty. But with his chief (the Earl of Selkirk) sitting in the Lords, he will at least share with a not very commanding Civil Lord all the Admiralty work in the Commons. Mr David Renton's knight's move to Under Secretary at the Home Office presumably reflects Mr Butler's need for a lawyer in that post, and the Whips' need to maintain the National Liberal quota in the Government. Mr Simon, now in Mr Enoch Powell's shoes at the Treasury, had been making a considerable name for himself as Mr Butler's junior. Mr Renton will fill the legal gap left by Mr Simon's departure; it remains to be seen whether he will also fill the gap in imaginative enthusiasm.

The third new appointment is one of the most intriguing there have been for some time. Sir Ian Horobin becomes Parliamentary Secretary to the Ministry of Power at an unusually advanced age for a first tilt at junior office—57—and after a backbench career of often caustic and always right-wing criticism of the Government's presumed weakness both at home and abroad. But the unworthy gibe from the left (based on a physical resemblance) that Sir Ian is really the late Heinrich Himmler, turned Tory MP and in thin disguise, is belied by his record of remarkable courage as a war prisoner of the Japanese and long service in social welfare. When backbench critics are promoted there is always a suspicion that the Government is buying off trouble: that, in this case, the fuel rebels, usually headed by Mr Nabarro, are now to be outfaced by a tartar of an ex-Nabarroite, but speaking from a Government brief. Sir Ian, however, has never seemed likely to stay a member of a Government which fails to live up to his high uncompromising standards. His further progress will be watched by his old comrades on the back benches with some fascination.

VENEZUELA

Filling a Dictator's Shoes

ON Thursday the clouds of censorship that had obscured events in Caracas lifted to permit the release of reports that the dictatorship of President Pérez Jiménez had been overthrown. Some of the clouds of confusion, however, remained. It is clear that the president's struggle to recapture the loyalty of the armed forces—that of the majority of Venezuelan civilians was hopelessly lost—failed sooner than most observers had expected.

Since the abortive rising, spearheaded by air force officers, at the New Year, he had dropped such unpopular members of his cabinet as Senor Vallenilla Lanz, the minister of the interior, and had sought to placate the restive soldiers by strengthening their political position; he had then surmounted, with momentary success, a challenge from his new defence minister, General Fernández; and as recently as last weekend he seemed, on the face of things, to be recovering his grip on the military machine which has been the only real source of power in Venezuela for the past ten years. Now, if the reports that a five-man military junta has established itself are correct, his fellow officers have evidently decided that the president must be thrown overboard to appease a people that has become progressively more restive since he established his one-man rule in 1952.

But have they decided anything else? In other words, is Venezuela reverting to 1952—when a provisional junta, with a puppet civilian at its head but an essentially military character, held power but lacked any long term political objective—or to 1948, when a freely elected government of

the moderate left was in office ? It will be surprising if the military men now manage to join hands with the Acción Democrática leaders of 1945-1948, such as the exiled Romulo Betancourt ; but they might manage to reach an understanding with more conservative politicians, like Sr Caldera, the leader of the Copei party, who is also now in exile. The prospects of a transition to civilian, or partially civilian, government, and the character that such a regime would take on, may very soon be indicated ; the key indicator being which, if any, of the exiles now return to Caracas —as, in similar circumstances, political exiles have lately returned to Buenos Aires and Bogotá.

NEUTRALISTS

Summits are so Bracing

No invalid ever skipped through a convalescent trip so zestfully as Dr Sukarno, the supposedly ailing Indonesian President. The tour of rest and recuperation on which his advisers despatched him earlier this month has sent him hopping nimbly from one congenial haunt of neutralism to another ; so far India, Egypt, Jugoslavia and Syria have been ticked off his list. One of his chief aims has been to enlist support for the Indonesian claim to West New Guinea. The Jugoslavs and the Arabs appear to have been happy to give him moral encouragement in what they look on as a straightforward issue of anti-colonialism ; but Mr Nehru, while declaring in general that colonialism was outmoded, added pointedly that he hoped the West New Guinea problem " would be resolved in a peaceful way."

Like that other distinguished traveller, Mr Macmillan, Dr Sukarno must now be wondering what new troubles await him on his homecoming. The latest development in Indonesia is the defection to the Sumatra rebels of the governor of the central bank, Dr Sjafruddin, who is also a leading member of the Moslem Masjumi party. Indonesia's two most expert economists have now gone over to the rebels (the other is Dr Sumitro, the former minister of finance) and the dissident colonels may now be in a position to set up an independent financial system of their own in the territory they hold.

No doubt Dr Sukarno found a refreshing change of subject in Marshal Tito's suggestion of a " neutral summit " conference to be attended only by the uncommitted countries. This particular summit, more than most, seems to hang in the clouds without visible means of support. It is not clear who would be invited to it. It would not be a purely Afro-Asian affair, since Marshal Tito would be the convener ; nor, apparently, would it include the other European neutrals like Sweden and Austria because, although " unaligned " in terms of military pacts, they are supposed to be too warmly sympathetic to the West to be properly " uncommitted." But every country on Marshal Tito's list has links of some kind, economic or political, with one side or the other, and a search for quintessential uncommittedness is liable to end up with the formula that all are neutrals but some are more neutral than others. Nor is there any obvious purpose for the conference, save that of urging on the two blocks to a summit of their own ; and that can be done just as well by the individual nations concerned. It must be suspected that the chief motive for the suggestion is the feeling of Olympian exhilaration that comes to those who sit on high and reprove the mere mortals tussling in the dust below.

EDUCATION

To Get a More Flexible Block

One of Parliament's main tasks between now and the presentation of the budget is going to be the detailed consideration at committee stage of the Local Government Bill, including the controversial block grant for education. As was argued in these columns on November 23rd, the case against the block grant would be much less strong if some incentive factors could be introduced into it. At the moment the only weighting factors mentioned in the relevant first schedule of the bill (factors to which the ministry will give different weightings for each block grant period) are factors wholly outside each local authority's control, such as the number of children under 15 in its area. If this schedule were amended, it should not be beyond the bounds of administrative ingenuity to weight a block grant formula—so that, for example, grants might increase as authorities get their classes down to a certain national average size, or as they make other educationally desirable improvements. The aim should not be, as under the present percentage grant, to give more Exchequer money to those authorities which already have above-average facilities ; instead, more money should go to those below-average authorities who are making positive efforts to get better.

Some Conservative backbenchers have grasped this point, and are likely to press amendments upon the Government at the committee stage. How best can they do so ? It would probably be a mistake to try to write into the schedule a demand that every conceivable educational reform should be considered as a potential weighting factor. Nobody can be quite sure as this stage which educational reforms will be most desirable all through the 1960s, and the schedule concerned is already too fussy-precise anyway. Some quite general enabling power might permit the Government, for example, to " give weight to factors which might serve to further particular objectives of its educational policy."

This might seem, at first sight, to leave too great powers of discretion in the hands of the minister. But any such amendment could be backed by a demand that the Government will produce a white paper on its proposed system of weighting at the beginning of each block grant period. Parliament could then debate this white paper ; it might indeed become the main educational debate of the year, like the defence debate on the defence white paper. Changes of this sort would be resisted as administratively almost impossible. But that is an argument that can more easily be debated when the first weighting period arrives and all the figures are available. Meanwhile the aim in amending the first schedule to this bill should merely be to keep the formula flexible ; educational reformers can bide their time to win improvements under it.

FARMING

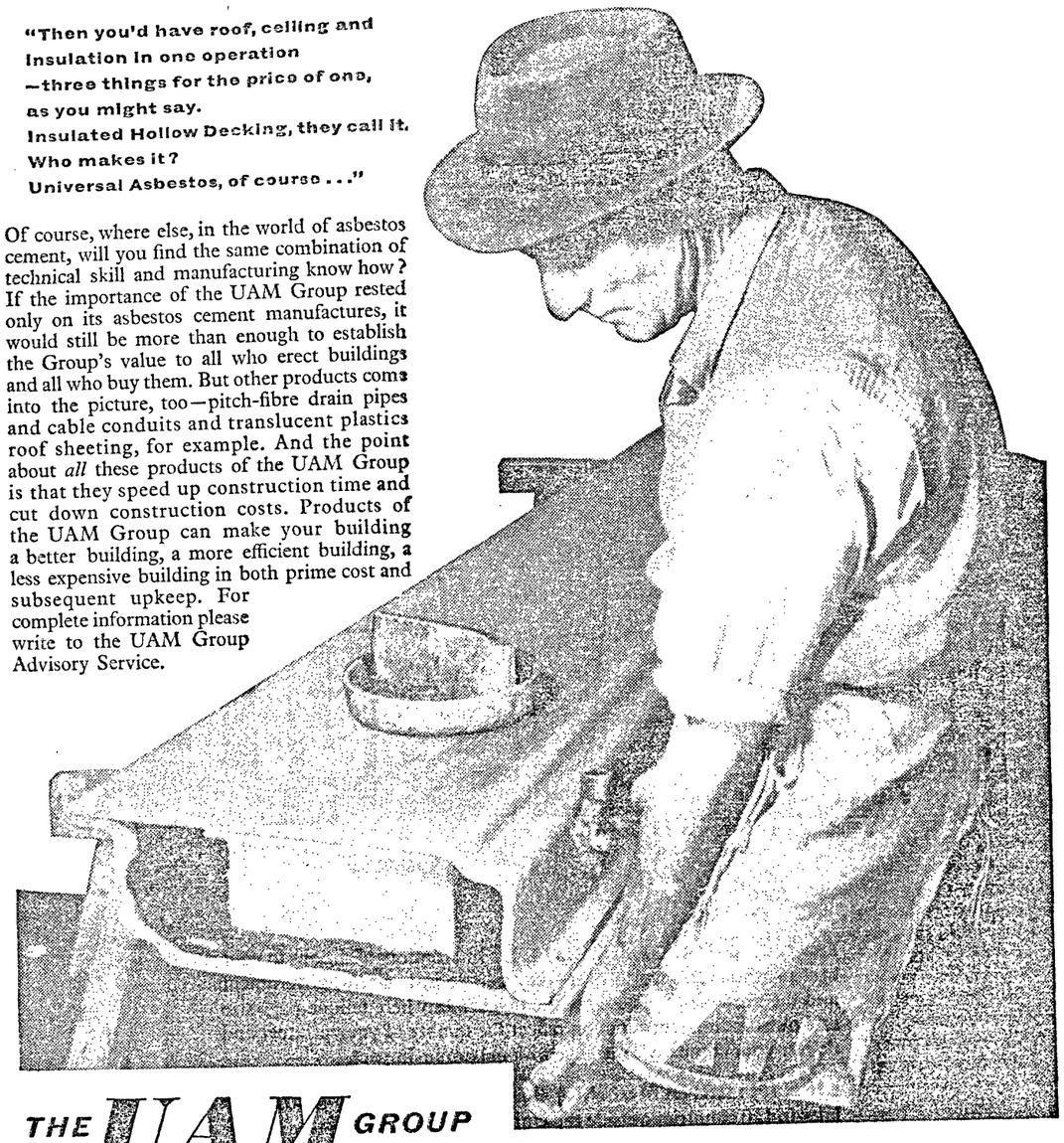
Unjubilant Jubilee

A special correspondent who attended this week's annual general meeting of the National Farmers' Union writes :

The tone of this jubilee meeting ranged from the doleful to the militant. Farming, it was repeatedly agreed *nem. con.*, is on the rocks ; farm incomes are dropping intolerably ; rising costs have been absorbed up to and

This could be over your head

"Then you'd have roof, ceiling and insulation in one operation —three things for the price of one, as you might say. Insulated Hollow Decking, they call it. Who makes it? Universal Asbestos, of course . . ."

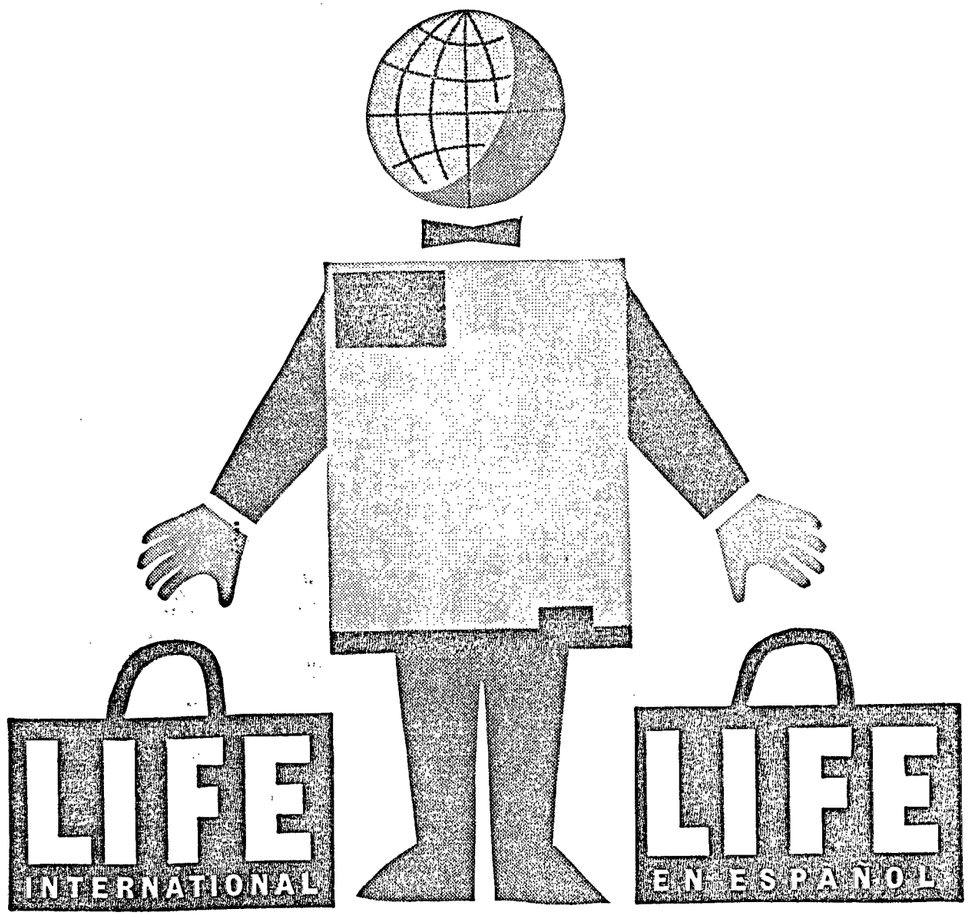


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beyond all reasonable limits; the small farmer is about to disappear, so is the horticulturist; there must be a full recoupment—preferably more than full recoupment—at next month's price review, and in one way or another imports must be cut down. The skill of Sir James Turner—sympathetic, bluff, terse, confidence-inspiring, achieving the almost impossible feat of sounding human over a public-address system—persuaded a stormy meeting not to pass a motion of censure on the Government there and then; instead the motion is to "be on the table," as a sort of ultimate deterrent, until after the price review. But Sir James will be able to present to the Government negotiators an unanswerably truthful picture of angry discontent.

At bottom, it is against the threat of redundancy that the farmers—especially the small farmers—are protesting. Again and again, from Wales, from Norfolk, from Derbyshire and from Devon, indignant speakers more or less consciously revealed their major premise: anyone who is now a farmer has the inalienable right to remain a farmer, any land now farmed is inalienably sacred to farming. How, and at what cost, these rights and sanctities are to be enforced is immaterial; by higher guaranteed prices, cheaper credit, more generous improvement grants, more effective exclusion of imports, or, as hinted in one horticultural resolution, a closed shop; they themselves are unquestionable.

A good deal of grief and much imputation of bad faith could be avoided if it were made unequivocally clear to the farming interest that for any society not willing to fossilise itself for keeps this is a completely unacceptable view. It is at present public policy—agreed by both the main political parties—that Britain's farm output shall be larger than that which pure market forces would determine. No particular component of that output, no particular area, and no particular farmer is, however, sacrosanct. Instead of demanding that each product, each area and each farmer be underwritten without limit, and backing the demand (as did successive speakers at Central Hall) with a farrago of economic nonsense, it would be better for the NFU to concentrate on a common task: that of finding the means which should keep output at the desired higher-than-market level at the least public cost. In that way it would become a force encouraging long-term maintenance of the subsidy policy; it will risk being the reverse if it deteriorates too completely into being merely a short-term pressure group.

THE MEDITERRANEAN

In Troubled Waters

LAST Sunday the *Slovenija*, a Jugoslav ship heading for Casablanca, was intercepted by the French Navy and forcibly brought to the Algerian port of Oran. There she was relieved of 150 tons of arms and ammunition before being allowed to proceed. This incident is more than an episode in an exciting smuggling game. It has already provoked angry exchanges between Paris and Belgrade and has led to a state of tension between the two countries. It also raises awkward questions, both political and legal.

The French naturally insist on the political aspect of the matter. They claim to know that the arms came from Prague and were destined for the FLN (the Algerian rebels). If the claim is true, the case of the *Slovenija* reveals the first instance of communist arms shipments directly intended for the insurgents. On this issue M. Pineau, the foreign minister, commented that France "will use all means to ensure the defence of its troops." The Jugoslavs, on the other hand, stress the legal side of the problem. They are not concerned with the origin of the cargo. The *Slovenija*, they argue, was merely an agent for a Swiss firm and a Moroccan recipient. The ship having been seized on the high seas, the French have committed an act of piracy; they should return the goods and pay compensation.

France's concern over arms that may have been destined for use against its own soldiers is understandable. But the incident emphasises two anomalies in the present French position. One is the fiction that no state of belligerency exists, which prevents the French from invoking the right of search on the high seas. To claim this right, as the French now do, up to 50 miles off their shores in peacetime is to extend the dangerous proposition of a "contiguous zone" perilously far; it is a bad precedent. The relations between France and Algeria's neighbours are the other anomaly (last week's new diplomatic wrangle with Tunisia, following a border incident, was a reminder of the state of tension). Belgrade might well suggest that it is up to the French to prevent arms from crossing Algeria's frontiers with Morocco or Tunisia. And what would have happened if the ship had belonged to a greater power than Jugoslavia? France's North African tangle presents dangerous pitfalls not only for the international lawyers, but for others besides.

DEFENCE

A Community of Three?

CO-OPERATION between the European members of Nato on arms production and development is a necessity. Yet the agreement in principle at Bonn this week by the defence ministers of France, Italy and west Germany, that their three governments will develop and produce arms jointly with a view to standardisation among them, arouses mixed feelings. This looks like the embryo of a three-power arms community. What about the rest? Britain with its developed arms industry clearly has a part to play; Western European Union, the European body which was entrusted in 1954 with the co-ordination of arms production in Europe and with the inspection and control of any arms manufacture in Germany, has not even been informed of what is going on. There has been no mention of nuclear weapons in connection with this week's meeting. But there have earlier been suggestions in France and Germany that the French, or some of them, might wish to enlist German collaboration in the French nuclear programme. Conceivably WEU might be able to control a German nuclear programme, but it is hard to imagine it controlling, in any effective way, a programme in which France and Germany were engaged jointly.

The significance of the new triple alliance can be exaggerated. Meetings between Mr Sandys and the German, Dutch and French ministers of defence had earlier produced joint working parties to co-ordinate arms development. The official British line is that the latest arrangement is but a further step in the same direction. If it is, it seems high time that a management consultant was called in to co-ordinate the co-ordinators. In fact, the inspiration of the new grouping is not wholly amiable. It results in part from French resentment against the Anglo-Saxon powers. The Germans have been reluctant to commit themselves to

backing a French-led counter-block of continental powers. Now, it seems, Dr Adenauer has given his blessing to a grouping which could become a community of three.

One reason for the German plunge may be the growing friction with Britain over the support costs issue. At the same time, it is clear that Anglo-German arms co-operation has not got very far. Some useful work is being done on rockets. But no joint production is yet planned and there are important German arms manufacturers who have never heard of the Anglo-German working group. Excellent technical grounds have been produced for the lack of German arms orders in Britain. The fact remains that a close working relationship between the ministers of defence, and between the manufacturers, of the two countries might have brought different results. Mr Sandys has been too busy fighting battles at home to develop the partnership with the continental allies. It can only be hoped that both the new trinity and Britain will work constructively to broaden the new arrangements into a wider grouping within WEU.

TRADE UNIONS

Starting at the Top

THE outcome of wage demands on the buses and in other occupations which are traditional strongholds of trade unionism will make the stuff of economic history in 1958. But this week there has been another claim that may well be a landmark in the development of trade unionism itself. The Institution of Professional Civil Servants has asked for pay increases varying from £2,350 to £275 a year for the 8,000 scientists employed by the Atomic Energy Authority. The claim for an additional £2,350 a year at the top is the largest ever made by a union ; the claim as a whole would cost £3 million a year if conceded in full and, since the authority has virtually no commercial income, the money would have to be paid directly by the Government. The institute bases its case for the increases on the grounds of the authority's inability to recruit enough men, especially those with the right qualifications for research and for the maintenance of safety ; and it cites the report of the Fleck Committee to support its point. But, as the committee pointed out, the solution to understaffing in atomic work lies as much in providing more training as more pay ; and, in any case, many will feel that what the union calls "the price of the new industrial revolution" has been put unnecessarily high.

However, justified or not, it is the fact that a pay claim for top-level atomic scientists should have been made by a union at all that is the revealing thing. For those who have not looked at recent figures of increases in union membership, it may come as something of a shock to learn that the greatest strides in unionism are now being made among white-collar workers, at a time when total union membership among manual workers is only just holding its own. One potent reason for this has been nationalisation. When white-collar workers are widely scattered in comparatively small groups among different firms unionism is weak ; it is when they come together under one boss that collective bargaining grows. Another factor is that professional organisations of trained white-collar workers—teachers, professional engineers, journalists and the like—have often been formally registered as trade unions for reasons of administrative convenience. But, especially where they now bargain with the Government or a nationalised industry, these trade unions in form have often been turned into very effective bargaining trade unions in reality.

Before the national health service came into being, there was no comparison between the British Medical Association and most normal members of the TUC in the matter of bargaining ; now the association has become as tough as any in its dealings with the Government. The same applies to the farmers, the teachers and many others. Recent union successes in the civil service also suggest that the most fruitful way to recruit white-collar workers is to start by helping those who are already highly paid; it is among clerks in private employment rather than among consultants, scientists and permanent under-secretaries that collective strength is now at its weakest. The £2,350 a year claim at the top by the atom scientists—a claim which would not have been formulated in this way if atomic energy were not nationalised—is a social phenomenon whose significance should not be missed.

STOWAWAYS

The Quality of Mercy

MR BUTLER deserves credit for the curt order which he issued to his over-zealous department to right about turn in the matter of the three families of Hungarian refugees who had stowed away to London on a British vessel from Brazil. Mr Butler also did the approved thing in upholding the motives of his department in trying to evict the families from the country in the first place, and in insisting that any criticism of the force used by the police in arresting them should be directed at himself as the policemen's political chief. This performance of Mr Butler's was so much more liberal than any to which we have got used from former Home Secretaries that it may seem ungracious to follow praise with criticism. But there should be criticism of the parts of Mr Butler's statement which were clearly designed to placate the reactionaries on the Home Office staff. Mr Butler insisted carefully that "the general policy on which we conduct our immigration regulations is right," that the original decision to try to send these people back to Brazil was "in principle correct," and that he will abide by the department's past principles in future.

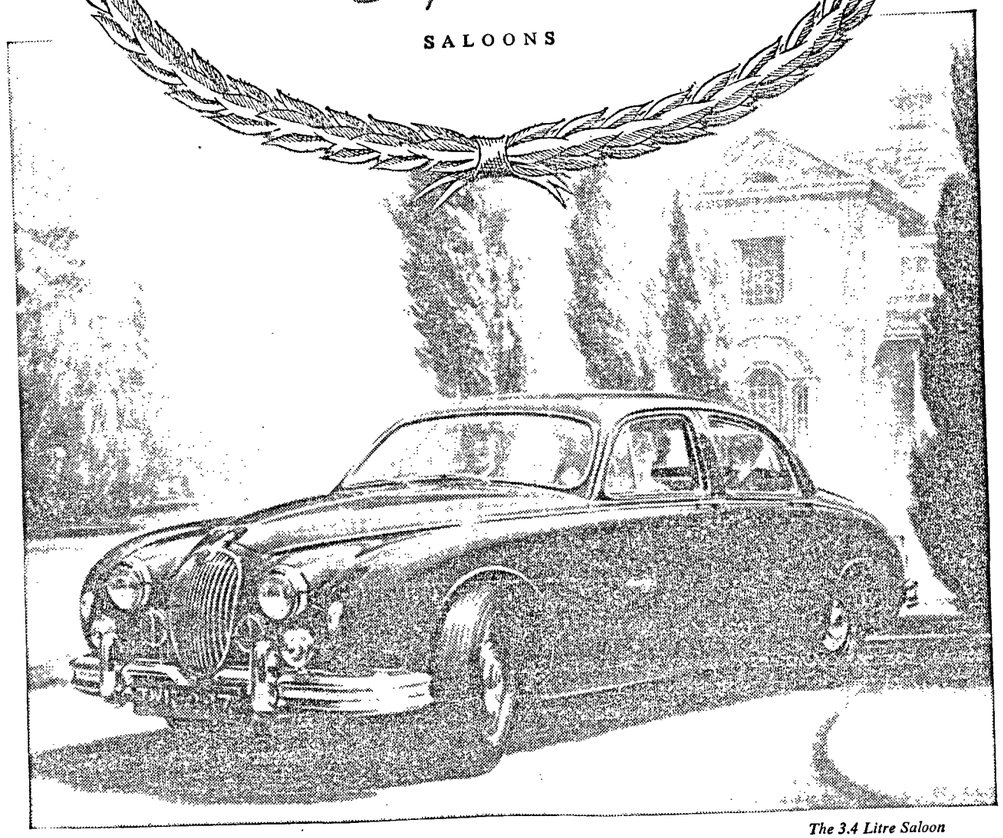
The Aliens Department is a prime example of a department which should never be concerned with rigid principles ; it should always be concerned with men and women. This case of the Hungarian refugees should have been considered from the first solely on its merits. Quite apart from sympathy with them as Hungarians, the fact that one of the women in the party was about to have a baby which was bound to be born a British subject even if she were deported (for the ship is British) should have made the Home Office officials a great deal more circumspect. Instead, the "principles" they followed were clearly, first, their rule book ; secondly, their department's lurking animus against aliens seeking to take the bread out of British mouths ; and, thirdly, the usual anxiety to bundle any stowaways back on the ship they arrived in (thus avoiding undue expense in deporting them later on). The hard-hearted will say these particular Hungarians pulled a fast one. Others will say that sometimes fast ones have to be let through to uphold this country's claim to be civilised and to be an asylum for some at least of the world's more enterprising unfortunates. Mr Butler, who takes the responsibility, should tell this to the aliens department.

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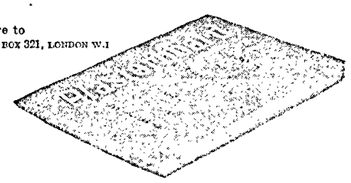
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CTG 2

SYRIA

Rift in the Left Lute

SOME Lebanese newspapers are saying that behind the scenes in Syria there is now acute rivalry between the Baath Party and the communists, whose alliance provides the hard core of the present government. The Baath is said to be aware—rather late in the day—that the communists are out to seize power. It is difficult to estimate how much substance there is in these opinions as long as the parties, the army and the *deuxième bureau* are all mixed up in the politics of the country, but there are some non-Arabs well acquainted with Syria who give credence to them.

The rivalry would not be surprising. The Baath (which means "resurrection" of the greater Arab nation) claims to be socialist but is certainly more nationalist than anything else. Men like Akram Hourani and Salah Bitar, whatever people outside Syria may think of their left-wing opinions, would not willingly be wagged to political extinction by a Moscow-led communist tail. And that fate is possible for them in Syria. Khaled Bikdash, the Levant communist leader, is an able and well-trained political operator of a quality not found elsewhere. He is, for example, not the sort of man President Nasser would knowingly tolerate alongside him.

Unfortunately, Britain and the United States are in no position to take advantage of rivalry inside Syria because they have spent a considerable amount of past effort in assuring themselves of the hatred of the Baathists. In King Abdullah's day it used to be regarded as a good thing when the Baath leaders in Jordan were thrown into desert gaols, and last spring it was essentially the Baath Party leadership that was smashed by King Hussein to the accompaniment of American applause.

The western attitude is not difficult to understand, for the Baathists were awkward people at the best of times. But to start with they were not even socialists, and it was largely because they were ostracised by the western powers that they drifted into alliance with the communists in Syria. The British Government, in fact, either had no contact, or broke, with all the nationalist groups; and that is one reason for the success that Soviet policy has had in the Middle East during the last three years. Nationalists of the Baath type are the only force capable of resisting communism, and Syria will not be saved from undue Soviet influence except by some of the people who are now in alliance with Mr Bikdash. For them to do so, however, two conditions are necessary: they must not feel that the west is implacably opposed to their ideas, and a relationship must be established with them that will permit western advice to season their policies with some experience. Arab neutralism will continue to be pro-Russian until western policies induce it to be otherwise.

PIPELINES

No Promise to Iraq

THE failure of Iraq to get an agreement in Damascus guaranteeing the security of its oil pipelines across Syria indicates the sort of influences now at work inside the Syrian government. Pipelines are still regarded as "imperialist"; there is no strong current of feeling in favour of assuring their security. As Syria's present leaders see it, they might very well have to blow up pipelines, or anything else, yet again for the Arab national cause; they hold that the Iraqi government should be quite willing to lose another £56 million in royalties (as it did when the pipelines were sabotaged by the Syrian army in 1956) for a patriotic reason.

Iraq has in fact not only made more sacrifices for the Arab cause—as when it stopped the flow of its own oil to Haifa during the Palestine war—than any other Arab country; it is perhaps the only one to have made substantial material sacrifices at all. It would make them again if the reason were good enough. But it does not want the Syrian Army to decide unilaterally what is good reason. It has therefore sought since last September an agreement with the Syrian government which would guarantee the flow of oil unless and until both governments agreed it should be stopped. The talks broke down when Syria refused to accept arbitration by the International Court regarding any disputes about the interpretation of the agreement.

The Syrian government, full of Arab patriotism, suggested that the council of the Arab League should be the

The Economist

JANUARY 23, 1858

EMINENT NOVELIST

"The Warden" and "Barchester Towers" raised Mr Trollope to a very promising position among modern novelists. He had attained that degree of eminence at which a new publication becomes a matter of curiosity and interest to the whole novel-reading public. His reputation, however, stood at a critical point. One step in advance would have fixed it as a recognised and established thing, and the slightest falling-off would have materially damaged its half-fledged glory. "The Three Clerks" has not settled the question as might have been expected. It is inferior in many respects to "Barchester Towers," but at the same time it contains indications of higher powers than any that were displayed in that amusing tale. Mr Trollope owed his previous success not only to his smart, but to his really good writing. There was a buoyancy and life about his style, as well as an aptness and precision in all his expressions, that was irresistible. In "The Three Clerks" there is, perhaps, nearly as much "go," but the subtler and more delicate charms of style have sadly decreased. It bears evidences of having been written in haste, and reads as if the author had not given himself time to find the most exact and appropriate expressions for his meaning. This is unpardonable in one who has the power of writing so pointedly and so well. Mr Trollope cannot afford to be careless; such a fault in his case would be suicidal. A good style is in a certain sense synonymous with good matter. . . . As our literary wealth increases, precision of expression becomes more and more important. The broad truths of the world, the truisms, in fact, which admit of loose and manifold expression, we all know by heart. If an author would tell us anything new, he must penetrate into that labyrinth of subtler and less obvious thoughts which elude the touch of the unskilful or hasty pen,—which require to be clothed in well-fitting words in order that we may recognise the pith of their meaning. Now Mr Trollope possesses this power of exact expression to a high degree; any haste or carelessness which leads him to forgo its advantages, detracts materially both from his style and his matter. No one who has read "Barchester Towers" and "The Three Clerks" will fail to observe an unsatisfactory looseness, and consequent superficiality, of thought in the latter, as compared with the former.

arbiter. The Iraq government refused this, well knowing that states without oil are only too willing to vote for sacrifies by those that have it. Thus, if the matter had gone to the Arab League council at the time of the Anglo-French landings at Port Said, the vote might well have been in favour of bigger and better sabotage. On purely practical grounds the Iraqi proposals were in the Syrian interest, since, if accepted, they would have afforded new encouragement to the international oil companies to invest more in their pipeline systems through Syria ; the prospect of arbitration by the Arab League would not give the companies any such confidence. Still, the Iraqis are in a difficult position. They want their oilfields to be exploited more rapidly, and this involves an expansion of pipeline capacity ; yet they cannot let down "sister Syria" by agreeing to new pipelines through Turkey. So long as that is so, Syria holds the whip hand.

ESTATE OF THE REALM OR VESTED INTEREST ?

On February 8th *The Economist* will start a series of articles on the status and problems of British trade unions.

FRANCE

How Much Help?

SILENCE suggests that M. Monnet is not meeting with all the success he hoped for in his efforts to raise money in Washington. The International Monetary Fund, it appears, remains reluctant to release for France the whole of the second half of its quota—$262.5 million. France may not get more than half this remaining sum—or $131.25 million. And the help it gets from the Export-Import Bank will not all be available at once.

French officials' hopes of help from the European Payments Union, however, remain sanguine. They are seeking both a direct loan of $150 million from EPU and a $400 million extension of their "quota." Since three-quarters of EPU deficits are generally paid in gold, and a quarter covered by credit, this extension would mean, in effect, the grant of a further $100 million of credit. About $100 million of the direct loan is expected to come from west Germany, which has already made it clear that it is willing to help France.

The board of EPU, however, is carefully watching proceedings in the IMF. Both bodies are rightly anxious to ensure that their assistance is used by France, not merely to postpone the day of reckoning, but as a bridge on its way back to solvency. If the IMF finds that M. Gaillard's measures do not promise a real solution to France's problems, it will not be easy for the EPU to give way too. No one abroad, after all, can feel any certainty that France is approaching the end of its economic "tunnel" so long as the Algerian war shows no sign of coming to an end.

The choice for EPU is difficult. In the European communities which, it is hoped, will start to operate next year it will have a key role to play as a clearing house, as a source of emergency credit and, through its power over credit, as the main common agent of pressure on members to align their economic policies. Excessive generosity now could weaken the position later on. Yet it remains a political necessity to keep France going.

MENTAL DEFECTIVES

Informal Treatment

ONE major recommendation of one royal commission has actually been put into force within a few months of its being made. This is the proposal of the Percy commission on the lunacy and mental deficiency laws that, wherever possible, defectives should be admitted to mental deficiency hospitals informally, without being subject to compulsory detention and, therefore, certified.

At present, hospitals for the mentally ill can accept "voluntary" (that is, uncertified) patients, but only if the patients in question are capable of expressing a wish to enter hospital for treatment and can sign a form to that effect. They also undertake to give three days' notice of their intention to discharge themselves. Thus, the admission of uncertified patients to these hospitals is bound by the legal formalities laid down in the Mental Treatment Act of 1930. For the hospitals and institutions for mental defectives, on the other hand, there is no legal provision to enable them to accept "voluntary" patients. But this gap in the law relating to mental deficiency is now seen to put mental defectives at an advantage over the mentally ill. For although almost all defectives are at present certified when they enter an institution, there is nothing in the Mental Deficiency Act which says that they have to be. Informal admission and discharge can therefore start forthwith. For the mentally ill, who can enter the mental hospitals only under one or other of the procedures laid down by law, informal treatment will have to await legislation.

★

Defectives already in hospital will have their cases reviewed, and, wherever possible, the powers of detention over them will lapse so that their treatment will henceforward be on an informal basis. But this does not mean that large numbers of them will immediately discharge themselves ; as the Percy commission pointed out, most of them are so simple and childlike that they will accept whatever arrangements are made for them. For the minority of defectives for whom detention in hospital is considered essential for their own protection or the public's, the existing powers of certification will be used. The new arrangement will, however, considerably curtail the system of licence by which some certified mental defectives have been allowed to live in the community, with the order subjecting them to compulsory detention remaining in force so that it can be reapplied at any time. Only a small proportion of defectives are out on licence, but the system, with all the official restrictions it imposes on the private lives of defectives, has often been criticised, particularly by those who are passionately concerned with the liberty of the subject. Few will be sorry if it eventually passes into disuse.

BAHAMAS

The Bay Street Mob Again

ONCE again the peculiar constitutional arrangements in the Bahamas are in the news. Troops have been flown in, and a frigate has arrived, to maintain calm during a strike by coloured hotel workers, dustmen, taximen and shop assistants. The cause was simple enough. The owner-drivers of Nassau's taxis have for long considered that transport to and from the airport was their own, highly profitable, trade ; they resented the introduction of large-scale enterprise in the ferrying of tourists from airport to hotels. Finally they withdrew their cabs, and other workers came out in support. Something like a general strike has developed, and union leaders have not hesitated to fortify the strikers at mass meetings with strong draughts of rhetoric, such as that they are worse treated than negroes in the American south.

This has, quite naturally, led them to remember that they are free British citizens and once again to back demands for a new adult franchise. At present the Bahamas franchise is an extremely low property qualification ; but it is confined to males, and it permits plural voting. A voter with property in several islands or districts has a vote for each ; but to even this up, the vote attaches only to separate freeholds, and this means that however many people live in a building only one tenant may exercise the vote attached to it. The result is that a property-owning oligarchy, known as the Bay Street merchants, in fact controls the Legislature, which has firmly rejected all proposals to liberalise the franchise.



But grievances go deeper ; there is considerable colour discrimination in the Bahamas, and the Bahamanians in heated moments are easily persuaded that adult franchise would cure that. To some degree it might ; but what would the end of discrimination do to the island's tourist trade, which earns $38 million a year ? The tourists are as firmly in favour of segregation as the coloured workers are against it. An abrupt removal of the colour bar might also remove the tourists, leaving the Bahamas to sustain life on the sponge trade. In this matter, the Bahamas are not part of the Commonwealth, but part of North America ; it is their customers, more than the Bay Street mob, who make the rules. But theirs is an archaic constitution, and its anomalies are self-perpetuating ; the strikers' demand for a commission from Britain to report on the island is not unreasonable and should be accepted. Its terms of reference, however, should cover constitutional, social and economic issues, which are inseparable—the islanders would need to understand the implications of any changes that might be made in the name of racial equality.

POLICE

Rationalising Robert

THE first report and evidence of the Select Committee on Estimates, published last week, provides a useful critique of police organisation. The committee did not find any obvious examples of waste of public money. It did make some sensible suggestions—such as that hauliers who involve the police in extra work because they send difficult loads through the streets should pay for the help they get. But the real value of the report is the light it throws on the possibility of so organising police forces that their constabulary (and specials) could be more effectively deployed, thus reducing the "gap" between establishment and actual strengths, and reducing the considerable cost of overtime and recruitment drives.

It is perfectly obvious, as the committee says, that there are too many small police forces. Insufficient use has been made of the provisions of the Police Act, 1946, to combine forces. Since it was passed the total number in England and Wales has fallen only from 131 to 126 ; of these, three are still under 100 in strength, and 58 more under 250. It took publicity consequent on irregularities to induce the small Carmarthenshire and Cardiganshire forces to amalgamate. The tie between a police force and its local area is important, and the committee recognise the ingenuity of administrative arrangements—they are certainly elaborate—for combining a measure of central control and inspection with local autonomy. No practical policeman wants to break this territorial tie, which the locals say is potent in securing recruits and in aiding the prevention and detection of small scale crime. But crime knows no frontiers in the motor age and decentralisation can go too far ; there are for example 16 police forces in the special review area of the Birmingham-Midlands conurbation. The committee was surprised to find how rarely one area called in police from another to meet emergencies—a situation which means, for example, that Blackpool is chronically under-policed in the holiday season. Such elementary co-operation is, in fact, regarded locally almost like "calling in the army" except for purely ceremonial occasions.

There can be little doubt that peak periods of overstrain, and the wide disparity in the ratio of police to indictable offences as between areas, can only be avoided by more amalgamations. The path to that can be paved by such devices as regional crime squads and joint use of services. The problem is where the initiative is to come from at a time when the councillors of even the smallest counties try to hang on to everything they have got. If necessary the Home Office should certainly wield the big stick.

JERUSALEM

Limited Objective

MR HAMMARSKJÖLD'S Colombian mediator, Dr Francisco Urrutia, has scored a quiet success on the Mount Scopus dispute. He has damped a smouldering situation by admitting that some of the provisions of the 1949 armistice agreement between Israel and Jordan were too ambitious. The agreement called on both sides to arrange for the normal use of the "cultural and humanitarian institutions on Mount Scopus." But it was obviously impossible for the Israelis to run a university and a hospital on an enclave inside Jordanian territory. Instead Dr Urrutia has persuaded both governments to revert to the 1948 agreement, which only provided for the demilitarisation of the area and the maintenance of police garrisons. The Secretary-General's own emissaries are to be allowed to inspect the garrisons, and the United Nations is now responsible for controlling the Jewish convoy and for seeing that it gets through. This agreement compares favourably with the method adopted in another dispute on the outskirts of Jerusalem—about the Israeli tree-planting scheme—upon which the Security Council gave a ruling this week.

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LETTERS

600 Submarines

SIR—*The Economist* seems to be the first British paper to make a serious attempt, in "Do 600 Submarines Matter?" in your issue of January 18th, at assessing the meaning of the huge Soviet effort made in building a submarine fleet. However, it appears to me that—as in your "Defence Brief for Nato" of December 7th last—you overlook one very serious strategic contingency, viz., that the Soviet power, as every other continental military power previously, will use its unquestioned and massive superiority in conventional land forces as its main striking bolt—and everything else it has only as powerful auxiliary weapons. The Soviets might be able to arrive on the coasts of the English Channel and the Atlantic before your rocket and nuclear deterrents can come into play. Once they are established there you will be unable to hit them from the air, lest you kill also millions of your allies in the process.

And the huge Soviet superiority in U-boats will then enable them to prevent any allied outflanking attempt by landing in the Scandinavian north or in the Middle Eastern south, as well as unexpected descents by commando or expeditionary forces on unguarded beaches of the Atlantic or the Mediterranean.

There is one further development which, I perfectly into this overall strategic picture, viz. that the Soviets are putting their main effort at developing atomic marine propulsion into giant icebreakers. These have the purpose to keep the north-east passage open to their supply fleets and navy, so that they can switch their naval forces to the east in case an attempt at forcing their eastern backdoors should be made by the United States.

Seen like this, their U-boat fleet makes strategic and tactical sense, and does not appear to be a "non-starter," conceived by "backward-looking admirals."—Yours faithfully, ERNST SCHLOSSER

London, N.8

Export Insurance

SIR—No one has greater authority to express views about export insurance than Sir Frank Nixon, who was the architect of the ECGD before the war; but may I reply to some of the points he makes in his letter?

I agree that the ECGD watches economic conditions all over the world and attempts to control its commitments by varying its rates. This method of control is not always effective, *vide* Brazil a few years ago.

I also agree that insurers carry many risks to which the law of averages does not strictly apply—insurance against loss due to the insolvency of a debtor is one of these and hail and windstorm insurance are others. Nevertheless, I maintain that when it comes to the transfer risk, the odds are incalculable, a fixed fee to cover administration with a margin for contingencies is as good as any fluctuating charge and control can best be effected by turning down risks at the appropriate time.

Finally, I do not want to appear too dogmatic as I believe that everything is to be gained by exchange of ideas between those who hold Sir Frank Nixon's views and those who hold mine.—Yours faithfully, A. N. PATRICK

Trade Indemnity Co. Ltd.

Youth Clubs

SIR—I was interested in your article "Gilded Youth," but whether young people would consider this an appropriate title is a matter of opinion. Though most of your comment is sound, I would question the validity of the statistics relating to the further education of that great majority who leave school at fifteen. While local authority registers may show your 37½ per cent at the beginning of the term, later checks reveal a very different picture. This is perhaps a reflection on the quality of the teaching, or perhaps on the choice of subjects offered.

The increase in crime rate is only to be expected. But your conclusion really poses the basic problem of young people today: the more one converses with them, the more one becomes aware of the tremendous gap between two generations—greater, I suspect, than ever before in history. By and large, they feel that we owe "it" to them and they have been abandoned, or they adopt a cynical attitude to an H-bomb world which we can hardly pretend is irrational.

Nobody with knowledge of the facts will challenge your statement that there is scope for youth club organisations. The problem, however, lies in the paucity of financial support from quarters where it should be forthcoming. Since the beginning of the last war, youth work has been regarded as an integral part of the education service. Education itself has received a raw deal from successive governments, but the unfortunate Youth Service, treated as a Cinderella, receives only £2½ million out of £500 million. In view of the vast job to be done this is not even chicken-feed.

Either we take seriously the implications of the mass of our young people virtually ending their education at the tender age of fifteen, or we ignore the whole problem and scrap an economic nonsense. Indeed, unless we are prepared to accept the fact that the Youth Service is in desperate need of much larger resources, the Government would be well advised to stop frittering away £2½ million.

The existing situation is intolerable. Our Youth Service, always undernourished, is now dying of starvation. It cannot exist without a steady influx of new people with new ideas; yet it is ironical that many outstanding men and women who would gladly join the service are deterred by the primitive training facilities, the complete lack of status, security or prospects, which accompany indigence.

Regarding your suggestion that there may be need, between now and 1964, to expand borstal facilities, no doubt you are aware of the cost of maintaining one boy in a borstal institution? The answer is precisely the same amount as would provide an adequate salary for one trained youth worker. If we gave our young people the Youth Service they need and deserve, delinquency would shrink to negligible proportions, as would other problems which now seem insoluble.—Yours faithfully,

Reigate RICHARD DAVIES

Luxury Cars

SIR—Mr Fieldhouse misunderstands the nature of the Rolls-Royce claim to excellence. It does not consist in rapidly changing models to get in first with some new development. It consists in using developments in engineering only when they have been thoroughly proved by experience, and then making them with such care that they operate more smoothly and reliably on a Rolls-Royce than when made by other firms.

As regards the particular American developments which Mr Fieldhouse mentions, only one relates in the main to the chassis, namely, air suspension. I have not tried a car fitted with air suspension, but it would have to be very remarkable to be more comfortable than the current Rolls-Royce, which can be instantly adjusted for soft or hard suspension by a switch below the wheel, soft for normal use and hard if one finds oneself approaching an awkward corner so fast as to need to check roll.

As regards the standard Silver Cloud, I know of no more perfect combination of grace and dignity of appearance, and to suggest that the vulgar horrors perpetrated by many American firms are superior seems to me to be astonishing. The only possible criticism of the Silver Cloud body is that if one opens the windows at speed there is disturbing wind buffeting in one's ears, but I find the ventilation of the car perfectly controllable with the windows shut, by means of the system of blowing in hot or cold air through ducts under the windscreen and near the floor at front and back.

If one visits the Crewe factory to place an order for a car one does not find an automatic conveyor with men working against time to complete the job before it moves on. One finds a calm quiet atmosphere with no hurry, the object being to do the job right even though it takes longer to make cars that way.

It should be considered, too, that there is first-class after-sale service behind a Rolls-Royce. At all their special retailers there is a department set aside exclusively for Rolls-Royce-Bentley work, staffed by men trained at the works at Crewe. If one sends the car there every five thousand miles everything will be attended to correctly and there is very little to do in between, there being a pedal which lubricates the chassis if given a couple of shots every two hundred miles. Finally, there is a three-year guarantee. All that a car can do for a man, a Rolls-Royce will do, quietly and without fuss.

Lastly there is one curious psychological point about the firm's cars, namely, that many, indeed I think it is most, of the cars are modestly disguised behind a Bentley radiator shell. There is no difference of any kind between a Rolls-Royce Silver Cloud and a Bentley S Series, except the radiator shell and the name, which is altered according to whether the customer dares to admit that he has a Rolls-Royce or whether he prefers to hide humbly behind the Bentley radiator disguise.

How much longer will this bit of inverted snobbery and humbug be thought necessary?—Yours faithfully,

Wolverhampton ROGER H. GASKELL

Scholarships for Surtax Payers

SIR—Your comment on the proposed foundation of scholarships for the higher income groups omits some important factors which might have been mentioned. First, the figure of £2,000 has been bandied about as the limit for supplementation. This is true only for those with no other children. Further, the scale used by the Ministry of Education is one of the few that allows the cost of private school fees (for additional children) to be taken into account. I know of no other case in the social services.

Next, these pupils have already been given an education which gives them preferential entry to the more expensive universities. This has been established beyond doubt by "Early Leaving," published by the Ministry of Education, and by Mr Kelsall's study for the vice-chancellors.

Lastly, the universities are so heavily subsidised by the taxpayer that the fees they charge represent only a small proportion of their costs. In a London medical school about four-fifths of the costs are not borne by fees and the figures are probably not dissimilar for engineering. When to these facts are added your comments that there is no evidence that such funds are needed, that they are a considerable tax-free gift, and that the whole issue of university awards is one of great complexity, one wonders whether the money might not be spent in more fruitful ways than in meeting a non-existent demand and subsidising the comfortably-off.—Yours faithfully,

Oxford JOHN VAIZEY

BOOKS

Unfinished Story in France

The Strange History of Pierre Mendès-France and the Great Conflict over French North Africa.

By Alexander Werth.
Barrie. 428 pages. 30s.

M. MENDÈS-FRANCE cuts a strange figure on the French political scene. He was prime minister for only eight months and yet he is, next to General de Gaulle, France's most famous politician. He commands merely a dozen votes in the assembly, but at each successive political crisis outsiders inquire about his chances. A dangerous "neutralist," say some of his opponents; "the father of German rearmament," reply others. "Gravedigger of the French empire" for some and the potential saviour of French greatness for others, he has been described as the most loved and most hated man in his country.

Mr Werth has used his great knowledge of the French background for the study of this controversial figure. With the help of M. Mendès-France's own reminiscences, he at first provides a brief sketch of his prewar career: a barrister at 21, a Radical deputy for the Eure constituency in Normandy four years later, Mendès was made under-secretary for finance in the second Blum cabinet of 1938. Then Mr Werth describes the war period: imprisonment by Vichy, a daring escape to England and service as an airman with the Free French. General de Gaulle prevailed on him to accept the post of commissioner of finance in the Algiers committee, and he then became minister for economic affairs in the first post-liberation government. But M. Mendès-France advocated a policy of austerity and, when his plans were rejected, he resigned. There followed nine years in the political wilderness.

Mr Werth shows how this principled behaviour, while most of his colleagues were joining in the government's game of musical chairs, earned M. Mendès-France respect and envy. Progressively he emerged, first, as the principal critic of economic cowardice, political *immobilisme* and the handling of Indo-China, and then as an unofficial leader of the opposition. He did not command a majority in the chamber, but in June 1954, after the Dien Bien Phu disaster, he was brought to power on a flood of popular indignation. His eight months' race against the clock is still remembered. First came the successful gamble to bring peace in Indo-China from the Geneva conference within a month. On the morrow, M. Mendès-France brought off another bold stroke: he offered a new deal to Tunisia, taking Marshal Juin along on this trip to silence colonialist critics. But German rearmament could not be tackled in the same way. Since the European Defence Community treaty was rejected and the Paris agreements ratified while he was prime minister, M. Mendès-France gained no friends but made new enemies by his handling of this awkward problem.

Mr Werth has written elsewhere on the EDC controversy, and so skips rapidly over the subject and turns his attention to the other tasks before the Mendès government. With his agenda so full, M. Mendès-France had no time to put his economic policy to the test. Most deputies who had taken part in previous coalitions considered this dynamic newcomer a dangerous intruder. The lobbies—both economic and North African—sounded the alarm. An ugly smear campaign was set in motion and the deputies brought the government down as soon as they thought this could be done with impunity.

Defeated, M. Mendès-France could, like General de Gaulle, have tried to use his undoubted prestige and popularity to organise a Rally. He chose instead to reform and modernise the Radical party—a Sisyphean task as Mr Werth points out. In any case, M. Mendès-France was given very little time as the general election was precipitated by an early dissolution. To counter this stroke, M. Mendès-France formed an alliance—the Republican Front—with the Socialists. No group emerged from the election with a majority and M. Mollet formed the first government of the new chamber. His first move was a disastrous trip to Algiers, where he gave in to the colonialist diehards and abandoned the electoral pledge of the Front. M. Mendès-France remained for a time in the government as a prisoner of his electoral alliance. Then, however, he resigned and resumed his role of Cassandra, warning the rulers about the disastrous effects of their policies. But his voice fell on deaf ears in a period aptly described by Mr Werth as "National Molletism," an era of jingoism that is not yet at an end.

All these events are vividly described by Mr Werth with a wealth of interesting detail drawn from French sources. But since Algeria has become the heart of the matter, he then shifts the scene to North Africa, where he himself spent a couple of months touring the three neighbouring countries. Thus, as Mr Werth's title indicates, we get two books in one. His impressions are always interesting and this Algerian travelogue is worth reading. Yet it distorts the pattern of the book. The reader is left with too many questions unanswered—for instance, about the Algerian war, its

impact on the French economy, the value of M. Mendès-France's solution or his parliamentary prospects. Mr Werth may reply that his hero has not yet said his last word, while the North African conflict will, unfortunately, continue to dominate French politics for a long time to come. It is to be hoped that he will write a sequel—or rather two sequels—to his unfinished stories.

At the Poles

Arctic and Antarctic: *a prospect of the polar regions.*
By G. C. L. Bertram.
Heffer. 123 pages. 21s.

FOR many weeks now the Antarctic has continuously been front-page news. This is unprecedented. It might be thought to be due to the improved communications of modern expeditions. But though that plays a part (and sometimes an unfortunate one), it is nevertheless true that at no previous time in the history of the world has there been so much activity in the polar regions. And equally, as the handling in the daily press of recent polar events testifies, never has there been greater need for some proportion in interpreting this activity.

This is really what Dr Bertram is setting out to do, and he does it very well in the short space he has allotted himself. No one is better qualified. As Director of the Scott Polar Research Institute from 1949 to 1956 he was in touch with a wider variety of polar endeavour than probably anyone else in the world. He has plenty of personal experience of both polar regions, where he has followed his calling as a biologist. These qualifications matter greatly, because his book is no geographical textbook, but both a very personal summary of many of the problems the high latitudes present and judgment upon them. He discusses ably such practical matters as clothing, rations, and the management of dogs, and touches upon the many different transport media that are now available. He writes interestingly on leadership and the psychological difficulties of keeping very close company with a small number of others for a long time. All this is enlivened by evident personal experience, which is not however permitted to unbalance the judgment. Throughout he distinguishes three phases—the "pioneer" before 1914, the "transitional" between the wars, and the "modern" since 1945. The commonest failing today is to think of present developments in terms of the earlier phases. (Sir Edmund Hillary's attainment of the South Pole is an obvious case in point.) The chapter entitled "Polar prospect today" moves on from the practical consideration of living and working in the cold to raise questions of motive and of politics that should be pondered by many outside the fraternity of travellers.

The book is technically a second edition of one first published in 1939, but it has been very considerably rewritten, with many new and excellent illustrations. It is to be thoroughly recommended to all who take more than a passing interest in the events now filling the newspapers.

Last Instalment

Georgian Afternoon
By L. E. Jones.
Hart-Davis. 269 pages. 21s.

IN his last chapter, with his usual mixture of gusto and detachment, Sir Lawrence Jones describes how he came late in life and almost by chance to the joys and excitements of authorship. In describing his books and plays, he modestly stops short of his trilogy of recollections, which has brought him to the knowledge of a far wider public than his previous works can have given him. It is good to know, from what he says, that their success must have given him as much pleasure as it has done to his readers.

The end of "An Edwardian Youth" left him just married and just going into business, with the first war ahead of him. His third book deals with the long years since then, and inevitably makes less of a consistent whole. The making of a man, well told, is always a story with a shape and an end; but, if that man, once made, has many interests and no one thread of activity through life, the picture defocuses when he comes to maturity. This lack of continuity is enhanced by Sir Lawrence's very respectable desire not to write about his family or his surviving friends, so that, as the years advance, the book deals less incisively with other people's personalities. But the author's strong and delightful character shines through from the first page to the last, as it did in his other two volumes. One of his main strengths as an autobiographer is that one likes him so much.

Sir Lawrence has dealt with the problem of form by giving not a continuous story but a series of studies based more on subject than the lapse of time: the war, which he saw as soldier and as prisoner, the City, deerstalking, birds, country life and shooting, such of his friends as are dead, and authorship. To those who read his earlier books, no commendation is needed; to new readers, one need only say that they have three pleasures ahead of them. At the end one feels that one has added to one's acquaintance something completely new: a highly stimulating and individual man who enjoys all the traditional pleasures, but questions them all the time.

Warts and All

A Portrait of Lord Nelson
By Oliver Warner.
Chatto and Windus. 372 pages. 30s.

NELSON was born on September 29, 1758, and the year of the two hundredth anniversary of his birth was not likely to pass unnoticed by naval historians and biographers. Mr Warner is in the van, and has written a book, which, although it adds little of importance to our information about Nelson, does present a portrait of the man, and the admiral, that will be read with profit by both the specialist and the general reader. As the author himself says, the biographer of Nelson must work on material that has been long and widely known; even if, like Mr Warner, he has had access to unused material, he must beware of giving undue stress to the trivial merely because it is new. This, and all the other perils that beset the course of the biographer of a genius who has been the subject both of unrestrained idolatry and sweeping moral condemnation, are skilfully avoided.

As an admiral, Nelson has two main claims to fame. He believed that annihilation of the enemy was the only real victory, and he established a new standard of leadership based on his own high courage and unique ability to inspire the devotion of his subordinates. Along with these virtues went faults which Mr Warner does not conceal: vanity; a tendency to unnecessary heroics; and, on a lesser scale, that professional fault of which one suspects most admirals are guilty—of interfering too much with the working of his flagship. Nelson's early career and the three great victories of the Nile, Copenhagen and Trafalgar are well described, and the general naval and political background deftly filled in. Nelson's achievements would have been impossible without the support of his seniors and the skill and gallantry of his subordinates. Among these, Mr Warner singles out St Vincent and Captain Foley. Until Copenhagen, St Vincent regarded Nelson as an eccentric genius, not necessarily fitted to take the long drawn-out strain of commander-in-chief in the Mediterranean; but the maintenance of the health and morale of his men, and of the efficiency of his ships, during the years of unbroken watching off Toulon proved that Nelson possessed qualities of administrative energy and skill equal in value to his capacity for tactical leadership.

Mr Warner's treatment of Nelson's private life is equally well-balanced. He shows that Nelson had at least one other mistress before Lady Hamilton and, by a skilful use of Nelson's letters to Emma, how she satisfied his passionate and romantic nature in ways beyond the ken of his timid and placid wife. New light is thrown on the attitude of Sir William Hamilton to Nelson's relations with Emma. Hamilton was a man of the eighteenth century world, who had virtually bought Emma from his nephew, Charles Greville, and was under no illusions about what was involved in marrying a highly successful courtesan much younger than himself. He seems to have found a curious consolation in being supplanted by Nelson, for whom he had the strongest admiration and affection. Nothing, however, can hide the suffering which Nelson's infatuation inflicted on his wife; nor can one overlook the hypocritical blindness it produced.

The book is well provided with illustrations and battle-plans, but its inade-

quate system of references is frustrating to anyone wishing to follow up the sources of Mr Warner's information.

A Poet's Symbolism

W. B. Yeats and Tradition
By F. A. C. Wilson.
Gollancz. 286 pages. 25s.

THE publishers assert this to be "as finely imaginative a piece of zetetics" as they can recall. For the reassurance of those whose Greek is rusty or non-existent, this merely means that Mr Wilson is an investigator rather than an evaluating critic, and a very thorough and enthusiastic investigator, too. His contention is that the right interpretation of Yeats's poetry and drama depends upon a knowledge of the tradition within which the poet was working—that ancient system of myths and symbols which has a wider provenance than the Christian scheme of imagery. Yeats never came to terms (as Blake eventually did) with Christianity, so one source of traditional symbols was virtually closed to him; but he could not be content with a private, arbitrary symbolism, and therefore had recourse (like Blake in his experimental years) to the esoteric tradition of Platonism, Neo-platonism, cabbalistic and alchemical learning. Yeats added to this amalgam Celtic folklore and various theosophical doctrines.

There has been some inclination on the part of critics and ordinary readers to dismiss this "system" of his as a farrago of fantasies, apt enough for the poet's purposes, perhaps, but highly eccentric and not worthy of prolonged consideration. Mr Wilson scores over these critics in being a devotee not only of Yeats but of "the perennial philosophy." His book is therefore serious in the best sense. He does really believe that symbolism of an archetypal kind conveys truth; for him, the poet's vision of the human spirit, its progress and destiny, has a vital importance for everyman, and therefore it is worth finding out the exact significance of his terms. Certainly Mr Wilson's researches—concentrated on five late plays and a handful of poems—do reveal an extremely intricate pattern of meaning. Those people who read poetry in the same temper as the orthodox devout search the scriptures will be rewarded; they will find philosophy and doctrine latent in the dramatic and lyrical utterances.

Yeats was a poet who took most earnestly his function as *vates* and seer. If he and Jung are right in their belief that archetypal symbols exist in the collective unconscious, then the response of the reader to traditional symbolist poetry should be deep, immediate and intuitive. How far is it necessary or desirable to expound the symbolism, as Mr Wilson so painstakingly does? A valid answer would be that since Yeats wrote for initiates as well as for the general public, the correct interpretation of his writings was not a matter of indifference to him; it can also be urged that his intimations of immortality were far too valuable to be misunderstood by reason of negligence and ignorance.

Farflung Fur Empire

The North West Company
By Marjorie Wilkins Campbell.
Macmillan. 295 pages. 35s.

THE Trans-Canada Highway is not yet complete, but nearly a hundred and fifty years ago a trans-continental canoe route reached from the St Lawrence 3,000 miles overland to the Pacific coast. It was the lifeline of Montreal's commercial empire, organised and operated with extraordinary efficiency and enterprise by the loose-knit and kaleidoscopic partnership of fur-trader explorers, whose story is told in this book. It is a story of fantastic adventure and high achievement. The Nor' Westers, as remarkable a group of men as any in either history or fiction, rolled back to the Arctic and the Pacific the map that the French explorers had left in 1763 when New France became a British colony. They laid the foundations of modern Canada by establishing the east-west axis of the St Lawrence across the northern half of the continent. They played an important part in the "struggle for the border" as the United States expanded westward.

They were entrepreneurs on a magnificent scale, who used the Indian canoe, dog sled, snow shoe and pemmican to build a trading system that distributed tons of trade goods from London right across the continent to Arctic and Pacific posts and returned argosies of rich furs. Their gay and hardy Canadian *voyageurs* paddled the great brigades of canoes from the St Lawrence across the continent, transporting tremendous loads past falls and rapids and over the heights of land separating the great river systems that served them as highways. It was a formidable task to organise supplies of food and trade goods along the route and to meet requirements at posts thousands of miles, and as much as two years, away. The costs were enormous, involving problems of overheads that drove competition to cut-throat and ruinous extremes, and forced, in the end, a merger in 1821 with the Hudson's Bay Company, which had the advantage of the much shorter routes to the interior from "The Bay." The successes and limitations of the North West Company provide fascinating illustrations of many contemporary problems of enterprise, competition and monopoly.

Mrs Campbell has gathered into a unified whole scattered material about the company, supplementing documents and studies already available with new material. Based on firsthand sources and personal explorations of the Nor' Wester's posts and routes, her record is a lively one; she brings to vivid life the dramatis personae of the economic and political processes with which she is concerned. She is clearly fascinated by the Nor' Westers and their exploits, and her account of the clash with the Hudson's Bay Company is frankly partisan. The book's readability is increased by the fact that its documentation is relegated to a brief "Note on Authorities"; this shows how substantial is the research it is based on.

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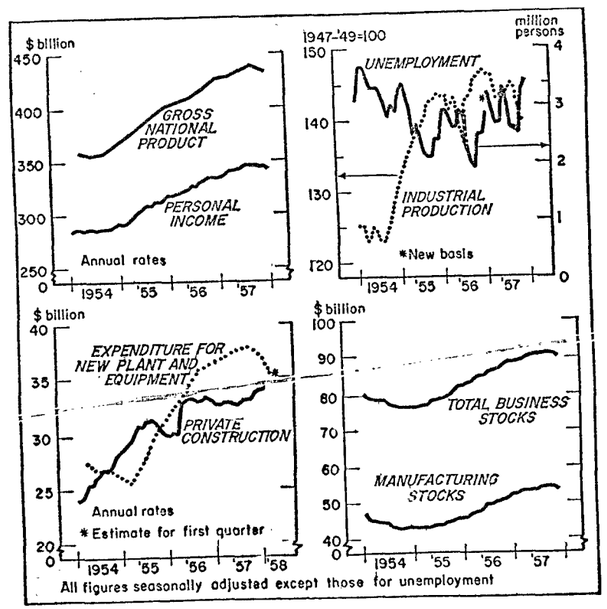
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Beyond the Recession

WASHINGTON, DC

It is now widely accepted that the President's economic advisers are genuinely confident about the outlook for business, and that the optimism expressed in the Budget and in the Economic Report is not just window-dressing to bolster public confidence. The optimism comes opportunely. It is now a foregone conclusion that unemployment this month will reach a postwar record of about 4 million; industrial production has fallen 6 per cent since August; personal incomes, although they have dropped far less steeply than mine and factory output, are already off nearly $4 billion at annual rates, or slightly over 1 per cent. With further downward pressures to be expected from the declining rate of business investment in plant and equipment, from exports, and probably from additional liquidation of stocks, the situation would, on the face of it, invite concern.

But the President's advisers are confident, not only that the recession will be halted, but also that it will be halted by the third quarter of 1958 at the latest, and their reasoning is rather widely accepted in private economic circles. They start with what appears to be a fairly recent factual discovery: that the combined effect of defence spending and of business spending on plant and equipment determines business policy on stocks (leaving out the special case of automobiles). They conclude that, thanks to defence orders, this effect will become positive early in 1958. Thus the liquidation of stocks, which has accounted for the bulk of the decline to date, will by this reckoning soon cease, and the very arithmetic of national income accounting will produce an upturn in the economy. That is, a shift from the liquidation of stocks at an annual rate of $3 billion in the last quarter of 1957 to, say, a neutral position by the second quarter of 1958, with stocks neither rising nor falling, would be the equivalent of a $3 billion stimulus for the economy. In practical terms, it would mean, for example, an operating rate for steel of perhaps 75 per cent of capacity instead of the recent 60 per cent; it would mean that workers were being rehired and incomes rising again.



That is the reasoning in its most general terms. The analysis escapes what appears to be one important flaw by concentrating on defence orders rather than on actual spending for defence. This is not expected to be large enough this year to offset entirely the estimated decline in plant-and-equipment spending in dollar terms. But new defence orders, financed with both old and new appropriations, will be nearly 100 per cent larger in the first half of the calendar year 1958 than they were in the last half of 1957, and for the whole of 1958 will be about $23 billion compared with $17 billion for the whole of 1957. This rise should have important secondary effects on stocks.

To support their analysis, the Economic Report and the Budget mention other upward forces: a certain increase in state and local government spending on such things as highways which, together with defence, will mean that total government outlays, even in dollar terms, will rise more than business investment will fall; the impact of the new technology as a factor in slowing up the decline in business investment; the rise in the population which requires, in effect, that consumers continue to spend a high portion of their incomes (people cannot defer expenditures with a new baby in the house); the present and prospective strength of residential construction, bolstered by a recent government decision to relax credit standards for federally insured mortgages; and finally, easier money. The Administration's advisers, discussing the report, let it be known that they were dissatisfied with the help provided by the central bank and that they felt money should be made much easier. These views were expressed before the latest ¼ per cent reduction in the discount rate announced on Tuesday. But, adequate or not,

the shift in monetary policy up to now has already produced what is probably the steepest rise in bond prices in history. The new reduction in the discount rate still leaves some questions about how aggressively the central bank will pursue easier credit, but it can be expected to step in with even more dramatic action if the economic statistics continue to be gloomy.

AGAINST this background of confidence in the immediate outlook, the Budget and the Economic Report have each provided an interesting, and somewhat ironically timed, assessment of the nature of the problems the country is likely to face after the recession ends. In the Budget the President has proposed perhaps his first genuinely Republican programme: he has asked for a significant degree of disengagement from the welfare state. While details have not been supplied in all cases, the proposal as a whole is striking. Under it the President would actually reduce present programmes, or shift their financing to state and local governments or to private sources of credit, in the fields of farm subsidies, benefits for ex-servicemen, aid to the needy aged, rural electrification, slum clearance, hospital construction, improvement of rivers and harbours, military housing and vocational education.

The savings to the federal Budget from these changes would not begin to materialise until 1960, but that is also the year when the growing defence programme will demand significant increases in actual spending. The President appeared to be saying, though not in so many words, that future spending on national security is going to eat up all the revenues produced by an expanding economy at present tax rates and that, therefore, only a genuine retrenchment in domestic programmes offers any hope of future tax reduction.

It goes without saying that the chances of Congress accepting these proposals are practically non-existent. It is, to begin with, an election year and no members, outside of a handful of orthodox Republicans, would be happy about cutting "civil benefits" which affect large numbers of voters. Moreover, the Democratic party, which controls Congress, prides itself on having invented most of these programmes and will scarcely care to preside over their liquidation or limitation. As in almost every case a positive act of Congress is required to effect the change, the power of delay enjoyed by the chairmen of committees is alone enough to block the way. Nevertheless, the President's suggestions, coming at a time of economic decline, when theoretically he should want to increase rather than decrease federal spending, are a significant measure both of his confidence in the immediate economic outlook and of his belief that only reductions in domestic programmes can halt a perpetual rise in government spending.

Although the Economic Report was written at a time of recession, the problem it stresses is inflation, and specifically wage inflation. The report itself rejects the argument of organised labour that large wage increases are the best way out of the recession. In discussing the report, the President's advisers were even more emphatic. They let it be known that they feel that excessive wage demands, if successful, could be the greatest impediment to recovery. They fear that further increases in prices would stimulate consumer resistance on the one hand, and a resumption of monetary restraint by the central bank on the other.

The President's advisers explicitly accept the possibility, even the likelihood, that this year will see a recession accompanied by rising prices. More gloomily, they foresee the possibility that governmental action to check creeping inflation—which they believe should and must be checked—will, more or less permanently, keep the economy less than fully employed and growing less rapidly than it could and should. They do not pretend to know the solution. But there is little doubt that their concern about this problem of competing claims for income pressed by powerful private interests—business corporations as well as trade unions—is as great as their worry about the current contraction in the economy. It is an anxiety not confined to Washington.

Republicans Down to Earth

TO the 40,000 Republicans who met on Monday at 44 banquets in 27 states to gather strength for next autumn's congressional election campaign and to celebrate the fifth anniversary of President Eisenhower's inauguration, the speech by him which was televised to them all from Chicago must have typified the disappointment and frustration which those five years have brought to the party faithful. The occasion was supposed to inspire the Republicans for what they all know will be the uphill—and many believe the Sisyphean—task of winning control of Congress on November 4th. But Mr Eisenhower's prescription for victory was not even realistic: to define in simple terms what the party stands for—as if the disunited Republicans could agree on any terms—and to sell the party to the voters on its record of bringing the country peace, prosperity and strength—a record which did not help its congressional candidates much in 1954 or 1956 and most of which is now of doubtful validity.

Even worse, from the politicians' point of view, the President asked that the great issue which moves Americans today—the question of the national security—be kept out of the election campaign. But while he took this statesmanlike attitude above the party struggle, his closest adviser, Mr Sherman Adams, giving another of his famous demonstrations of the split Republican personality, came right down to earth, and deep into the political mud, by bitterly blaming the Democrats for every American setback in the international field since Pearl Harbour, particularly—and with some justification, since they were in charge of the Congress which cut appropriations last year—for the recent reductions in military spending.

The President, struggling to balance his Budget, had already shown himself out of touch with the facts of political life by his proposals for reducing farm price supports and outlays on electricity and water development and other public works, which will be particularly damaging to his party if the present economic recession lasts long enough to become another of next November's great issues. Already Republicans in Congress are protesting against these policies, particularly those from western states where feeling runs high on such matters and where the Democrats are counting on many election victories. But they are counting on victories everywhere and, to judge from the unusual number of Republicans who have decided not to defend their seats this year, there is real need for Vice President Nixon's exhortation to his party not to be defeatist.

Mr Reuther's New Model

IN originality and breadth of mind Mr Walter Reuther, the head of the automobile workers' union, has no trade union rival; as an expert in public relations he is also unique. This year's proposals to the motor industry are well up to the standard of daring he has set in the past, but they have an unsubstantial air compared with the solid innovations already to Mr Reuther's credit as a result of previous negotiations: the five year contract agreed in 1950 to preserve labour peace, regular increases to cover rises in productivity and the cost of living, and a much modified form of the guaranteed annual wage. 1958 was to be the year of the four-day week for five days' pay but, with the recession and a poor outlook for car sales, that model was clearly a non-starter, even though it appeals to some trade unionists as a device to "share the work." The four-day week is all too likely to come this year, but accompanied by only four days' pay.

Instead, the agile Mr Reuther has wrapped up his wage demands in a startling suggestion to the "big three" producers: that they should share their "excess profits"—defined as profits before taxes, but after retaining 10 per cent on net capital—with their workers and customers. The two small firms have no profits worth sharing. Without going into the problem of how the companies would pay their taxes—a sign perhaps that the proposal is not to be taken too seriously—Mr Reuther proposes that 25 per cent of the "excess profits" go to the firms' workers and 25 per cent to buyers of cars, leaving 50 per cent for stockholders and executives' bonuses. The managements may protest that this would be inflationary, alien to free enterprise and an invasion of their rights of property but Mr Reuther has taken the opportunity to publicise once more his sense of social responsibility.

The striking wrapping around the wage package may divert attention from the fact that its contents are unsensational. A demand for an increase of 10 cents an hour is justified as non-inflationary on the grounds of increased productivity in general and on the score that purchasing power must be raised to float the country out of its recession. Timely additions to the unemployment benefits paid by employers to supplement state benefits are also sought. But the fact that the motor workers are only thinking in terms of a year's contract—the one which expires in June was for three—is a sign that Mr Reuther does not expect much of it and hopes to return to the bargaining table with stronger cards in 1959.

Case for the Army

FROM A SPECIAL CORRESPONDENT

LIEUTENANT-GENERAL GAVIN'S publicised retirement from the Army, as well as from his post as chief of research and development, was the result of his profound discouragement at the defeat of his cherished plans for a sturdier defence system for the United States. The Army is still committed to the programme for increasing its mobility and flexibility, with light weapons of great firepower and much more efficient transport and communications, but this is certainly not being implemented as rapidly as was recommended. General Gavin expressed views which other forward-looking officers have not yet brought themselves to state publicly, but which seem likely to be elicited from them in the coming congressional hearings on the defence budget.

Last year civilian support for the thesis of these officers came from Dr Kissinger of Harvard, whose book "Nuclear Weapons and Foreign Policy" aroused interest in unexpected quarters. Like the Army's spokesmen, he believes that, because of the deterrent powers of the great missiles, a limited war is now likelier than an all-out war, and that preparations must be made accordingly. Others have pointed out that the impressive anniversary parade in Moscow last November revealed fourteen new weapons intended for the use of the Russian ground forces, some superior to corresponding western types. This proved that the Soviet Union, undeniably bounding forward with the massive weapons, is also providing radical improvements for the traditional forces.

Critical analysts of the budget for the coming fiscal year point out that the additional sums in it for defence are almost all going to massive weapons and related equipment. New contracts worth about $41.1 billion will be negotiated and actual military expenditures are estimated at $39.7 billion, against $38.8 billion now estimated for the current year which ends next June. Of the grand total, $3.3 billion will be spent on missiles, almost half on the big ballistic ones; missiles will get almost half as much as all aircraft combined and about a quarter of all the money for procurement will be devoted to missiles, compared with only 2 per cent in 1953.

The need for this additional expenditure is not questioned, for these are both the great deterrents and the means of massive retaliation. But in spite of the arguments in favour of maintaining readiness for limited war as well, the traditional forces are now losing much of what they had—one Army division (leaving only fourteen), a score of Air Force wings (mainly tactical wings supposedly replaceable by missile squadrons), a number of naval units. Moreover, there has been a slowing-down in procurement of many of the weapons and instruments which are essential to the "modernisation" which has been announced for the Army. It is getting its new M-48 tank at half-speed—only two hundred in the year, with five hundred going to allied countries; only half as many of the new armoured personnel carriers, which are essential to the Army's much publicised mobility, are arriving as had been expected; there is no sign of the needed addition to air transport; and the new all-purpose machine-guns and light rifles are being delivered too slowly by Army standards. All this adds up to a far lesser degree of combat readiness than the Army had contemplated in its planning; allotted $8.9 billion in the new budget, it is the only service which is getting less than last year. Even the reserve elements are to lose 70,000 men—and this may in fact bring more complaints from Congress than the more serious criticisms, for the reserve organisations have much influence on the legislators.

EVEN though spending on research by the services is up by over 10 per cent next year, to $2.1 billion, there is a feeling that the emphasis on having intermediate range missiles by 1959 and inter-continental ones by 1960 has led to some forgetfulness of both 1958 and of, say, 1968. The Army is now getting Hawks and Corporals; but it ought to be developing a new and improved version of the Hawk, and moving faster towards the coming

Sergeant. Moreover, the critics hold, it should also be doing active research and early development work on weapons not even clearly predictable now—precisely as it ought a few years ago to have been much more vigorously at work than it then was on the marvels now coming into existence. This applies particularly to wholly new atomic weapons and, interestingly enough, not to bigger ones, but to smaller ones.

With all the talk of thermonuclear megatons, the public has got into the habit of thinking that a mere kiloton of explosive power—Hiroshima's bomb had seventeen kilotons—is hardly worth developing, although one thousand tons of high explosive in a single package would have been regarded respectfully in pre-Hiroshima days. The fact is that an enlightened Army, thinking of mobility and flexibility and swift punches at just the right spot, could make very good use of a nuclear weapon of one-tenth or, better yet, of one-hundredth of a kiloton—and the atomic technologists are now making these possible. Such weapons could have great, although as yet unassessable, advantages of price, of transportability, of flexibility in the field and of enabling opportunities to be exploited swiftly.

Fair Play for Communism

For seven years the Subversive Activities Control Board has been holding superficially superfluous, but legally necessary, hearings to determine whether the Communist party is a "communist-action organisation" under the Internal Security Act, and whether it should be required to register as such; if the party loses, it will have to make public its list of members, who will then forfeit their rights to passports and other privileges. Twice the board has found against the party; twice its decision has been upset in the courts. The first time the Supreme Court, without ruling on the constitutionality of the Internal Security Act, decided that three of the government witnesses were "tainted" and untrustworthy. Last week the Court of Appeals in Washington decided that the Supreme Court's ruling in the Jencks case applied to hearings before administrative boards as well as to court trials and that it had not been observed by the board.

Mr Jencks was a trade union organiser who was convicted of filing a false anti-Communist affidavit under the Taft-Hartley Act. When the case came to the Supreme Court, it decided that he must have a new trial; his lawyers had not been able to test the veracity of the witnesses against him by comparing their testimony in court with their reports to the Federal Bureau of Investigation. The Department of Justice has now dropped the case against Mr Jencks, not, it maintains, because it was unwilling to comply, but because meanwhile the chief witness against Mr Jencks, the informer Mr Harvey Matusow, had recanted.

The judges last week decided unanimously that "simple justice, the requirements of fair play," demanded that lawyers for the Communist party should have access to the reports of Mrs Mary Markward, one of the government witnesses, who was an agent for the FBI from 1943 to 1949, and whose memory and reputation for truthfulness were questioned. If this decision is not over-ruled by the Supreme Court the government will have the choice of producing these reports or dispensing with Mrs Markward's testimony, and the SACB the prospect of starting a third round of hearings which, if they prove nothing else, show that today the courts guard the rights of Communists as zealously as those of any citizen.

EXPLODING CITIES—II

Race Against Decay

FROM A SPECIAL CORRESPONDENT

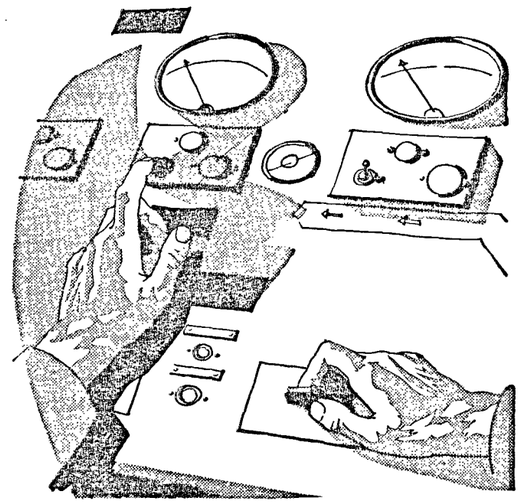
How to make urban pastures greener than suburban ones has become a major concern of city fathers throughout America. In order to stem the flight to the suburbs, and to lure taxpayers back to the blighted cities, new glass and steel office buildings are rising airily in many downtown districts for the first time in twenty years. Jungles of slums have been replaced by cultural centres surrounded by trees and grass and by garden flats to attract parents as good places to bring up children. Proposed through-roads, loops, and cloverleaves promise to sweep away decaying commercial districts while bringing life-giving business to the languishing tradespeople in the centres of the cities.

These are shining prospects, but unfortunately cities still appear to be deteriorating faster than they can be rebuilt. The process of bringing order out of metropolitan chaos seems to be a bootstrap operation, involving enormous amounts of the things most lacking in today's cities—money, housing, unencumbered land and strong administration. Considerable skill with the crystal ball is also needed, since mistakes in urban planning, once they are cast in steel and concrete, are extraordinarily durable as well as costly to correct. They inevitably freeze the shape of the city for years to come.

The belief is growing that, to succeed, rebuilding plans must consider the whole community. But money on this scale is hard to find. Redevelopment schemes are plagued by disputes over responsibility: should they be public or private, state or federal? There is no politically powerful urban block to champion "urbiculture," and farms and highways receive considerably more public support than cities do. The federal government has left few sources of revenue for the local communities to draw upon, to replenish treasuries suffering from the effect of blight upon the tax yield. Aid from the states would be highly desirable, but most State Legislatures are dominated by rural interests which are unmoved by the plight of the cities. Nor are the prospects promising for large-scale private investment until cities can be put on a paying basis. Federal subsidies for the construction of highways and, to a lesser extent, for public housing provide much needed money, but these are piecemeal schemes; for lack of a comprehensive plan, they may increase rather than diminish the pressure of traffic and population in areas where it is least wanted.

The federal urban renewal programme, authorised in the Housing Act of 1949, has been the chief hope of a nation-wide effort to rescue stricken cities. It offers various kinds of financial aid to enlist both government and private enterprise in a simultaneous attack on urban blight and housing shortages. In order to qualify for assistance, cities must produce for federal approval a master plan for developing the community as a whole, including proposals for re-

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constructing existing slum areas and preventing future ones, by adopting adequate building codes. A total of $1.3 billion has been appropriated by Congress for this programme, but the White House has been suspected of considerably less enthusiasm for it than Congress, which itself has just been besieged by hard-pressed city Mayors seeking a ten-year " rock bottom " programme of $350 million a year and an increase in federal participation from two-thirds to four-fifths of the cost of renewal projects.

While the Mayors were expressing their conviction that healthy cities were quite as important to the country's welfare as outer space, the release of this year's " missile " budget dropped an additional bomb on the exploding cities by proposing a reduction in federal aid during the next six years to $200 million a year, at the same time cutting the federal subsidy for individual projects to one-half. Congressional supporters of urban renewal predicted that this would effectively kill " an already crippled programme " and that Congress would produce its own plan.

The urban renewal scheme provides capital grants to cover two-thirds of the net cost of acquiring and clearing slum properties, which are then resold to private interests at a loss for redevelopment assisted by government-insured mortgages. Up to November 30th, a total of $975 million in capital grants had been reserved for 476 renewal projects in almost 300 cities, the projects ranging up to $40 million in cost and several hundred acres in scope. So far, Philadelphia leads in the completion of urban renewal projects using federal funds. The main drag on progress is the years needed to buy the land, since the money cannot be released by the government until then. In the meantime, costs mount, sponsors lose heart and those opposed think up legal difficulties.

WHILE Washington provides incentives and tools, the initiative must come from the cities themselves and depends on an intrepid mayor, actively supported by businessmen, civic organisations, brave investors and ungrudging taxpayers. This combination is rare in today's hard-pressed cities. However, the rewards of successfully reversing the process of decay are varied and dramatic. In New Haven the $200,000 now spent for police, fire protection and welfare in a 42-acre slum area will be halved when the project is completed, while revenues will be almost tripled. In Chicago, the clearance of a district of residential slums for industrial development will pay for itself in two years. At Columbus Circle in New York, the giant Coliseum exhibition hall has turned a former slum into a world attraction. In a different kind of project in New York tall buildings now house twice as many families spaciously as the previous squalid tenements did with a family to a room.

The shortage of adequate housing for people with low incomes is a major obstacle to urban renewal. Inhabitants of areas slated for clearance must be rehoused, but this is not easy when an estimated 400,000 persons a year are flooding into the big cities looking for jobs. Mr Wagner, the Mayor of New York, pointed out to a congressional committee that a single housing development used up almost two-thirds of a normal year's quota of federally subsidised public housing, but eliminated only about 1 per cent of the city's poorest dwellings and improved only 26 out of its 2,000 acres of slums. No additional public housing is provided in the Budget for the year which begins in July, though more liberal mortgage facilities are recommended to help displaced families find private housing. But if they can find no better place, they go to other slums and thus spread the blight.

There is reported to be a trickle of people back to urban life and a growing disillusionment on the part of some with suburban life. Decisions now as to what kind of buildings are built and what kind of transport is provided will determine to a large degree who comes and how. " High rise " luxury apartments attract older, wealthy couples, and " low rise " garden apartments appeal more to younger ones with small children. Already the personality of the American city is changing as its inhabitants change. There has been a decrease in manufacturing jobs and an increase in service jobs in advertising, law and finance. The suburbs can never compete with the city as a breeding place for dollars or as a meeting place for all kinds of people, for the cross fertilisation of ideas.

Railways Without Passengers?

THIRTY railway presidents marched up Capitol Hill last week to warn Congress that bankruptcy was the industry's destination unless the government came to its rescue. They marched down again without anything much more substantial than sympathy. But they left in the lap of Congress a whole casebook of chronic ailments which have become acute with the falling revenues from freight which are characteristic of a recession. The eastern railways which have to carry heavy deficits, even in prosperity, on passenger and particularly on suburban traffic, are especially hard hit. In the country as a whole, the railways lost nearly $400 million on passengers last year. The Pennsylvania Railroad, the largest in the country, expects a total deficit of $5 million in 1958 and smaller lines are proportionately worse off. Maintenance and re-equipment are having to go by the board, a vicious circle which loses more traffic.

The railways want Congress to relieve them of the rigid regulation benting the monopoly they once were, which simply cripples the lines now that they carry less than half the country's freight and only about a third of its passengers. Today the Interstate Commerce Commission will not let them lower freight charges if this would take business from the lorries ; state regulatory agencies delay the abandonment of unprofitable services and empty stations (the New York Central has lost enough on one service, while its case was pending, to buy a new Chevrolet for each indignant commuter) ; the railways are not allowed to diversify by taking to the air or to the roads, and often are refused permission to merge ; they are heavily taxed, but enjoy none of the free government benefits showered on the airlines and road hauliers, their bitter competitors.

Greater economic freedom might satisfy the prosperous freight-carrying railways of the South and the West, but by itself it would not arrest the decline of most of the eastern railways, unless they are allowed to throw their passengers overboard, something which is inconceivable today, although it may come nearly to that in the end. Subsidies, either direct ones for suburban lines, or in the form of government aid to secure new equipment, are favoured

by most of the eastern lines. But government aid looks like the thin end of the wedge of government ownership to luckier railways. This may bedevil a solution when Congress comes to grips—as it soon must—with the problem of whether the railways are worth saving.

Cotton Helps Itself

FROM A CORRESPONDENT IN ARIZONA

A RECORD number of 1,700 cotton men—farmers, ginners, seed crushers, merchants and textile manufacturers—gathered at Phoenix last week for the National Cotton Council's annual conference, held west of the old cotton-growing belt for only the second time. While the womenfolk were being shown the young, fast-growing city of Phoenix and other attractions of dry, sunny Arizona, the men crowded into the conference rooms, lobbies and bars of the Westward Ho Hotel to consider how cotton could expand its markets. But not all the time; the men, too, shared in the lighter side of events, notably a mammoth barbecue complete with Indian dancers and cowboy band.

Since the war American consumption of cotton has been squeezed between two groups of competitors: on one side, the glittering and ever-changing array of durable goods—TV sets, refrigerators and electric mixers—all offered on easy payment terms; on the other, rayon and synthetic fibres and non-woven fabrics like paper, all backed by vigorous sales promotion and research. The result of this—and of the fact that spending on textiles, like spending on food, is relatively inflexible and does not go up proportionately with rising incomes—is that the American public has been devoting a smaller share of its total spending to textiles generally than before the war and a smaller share of its spending on textiles to cotton fabrics.

In the last year or two all sections of the cotton business have begun to realise that more money must be found for sales promotion and research. It is hoped that the council's expenditure on these can be doubled this year; thanks to higher contributions from members, its receipts in 1958 will be nearly $2.5 million, compared with $1.6 million last year. The annual cotton fashion awards, national cotton week, and the Maid of Cotton are now to be reinforced by the launching of a national Little Miss Cotton, who will tour the country with a complete wardrobe of back-to-school clothes made out of cotton.

The makers of rayon and synthetic fibres spend nearly five times as much on research as does the cotton industry, though the volume of their output is only half as large. Moreover, these expenditures are concentrated among a few big companies, while cotton's research efforts are widely diffused among hundreds of mills and other agencies. The council intends to initiate a special programme of research on behalf of the entire industry and, in company with other textiles interests, including producers of synthetic fibres, it is also seeking to expand the market for all woven fabrics. One suggestion is that the textile industry should take a tip from the makers of durable goods and, by more frequent changes of design, style and colour, quicken the obsolescence of its products. According to the head of one retail chain,

> it should be as important to change the draperies, upholstery and floor coverings as to discard a refrigerator that still runs perfectly.

But the council is aware that none of these programmes can be fully effective as long as cotton prices remain relatively high. Though rayon staple, the main competitor, sells at only a few cents a pound less than cotton, a study by the council suggests that, over about two-thirds of the market for cloth, rayon's real price advantage to the spinner, after making allowances for differences in quality, cost of transport and wastage, is from six to ten cents a pound. The need for lower prices and the possibility, if this year's crop is hit by bad weather as was 1957's, of an acute shortage of good quality cotton prompted the directors of the council to take the unprecedented step of proposing a resolution on policy for growing and pricing of raw cotton; thanks to elaborate preparations behind the scenes, this obtained the support of all those present except for a minority of farmers.

The leaders of the council have in mind a system that would allow low-cost farmers to increase the land they may plant to cotton, if they are prepared to accept a substantial cut in the level at which the government supports cotton prices; the high-cost farmers fear that this is the thin end of a wedge which would force them to stop growing cotton altogether. The Administration seems to be thinking along the same lines as the Cotton Council, to judge from the President's agricultural message last week; but reactions to it show that most Congressmen are in sympathy with the views of the high-cost farmers.

SHORTER NOTES

Senator Neely, the Democrat from West Virginia who died last week, will probably be succeeded by a Republican since the Governor of the state, who will appoint a successor to fill the seat for the rest of this session, is a Republican. But this is not so serious for the Democrats as it would have been a few months ago, before Wisconsin's unexpected choice of a Democrat to take Senator McCarthy's place gave them a majority of four votes; they will still have 49 seats to the Republicans 47.

* * *

The steel industry has long felt that there were drawbacks to its policy of assessing activity in the industry primarily by the percentage of capacity being used in a given week, since this figure varies not only with current output but with changes in total capacity; for instance, on this basis an operating rate of 80 per cent this year would yield over 112 million tons of steel, 37 million tons more than would have been produced by operations at that rate in 1948. Therefore in future the American Iron and Steel Institute in its weekly figures will emphasise the actual tonnage produced and the index of 1947-49 production; it feels that this method will give a clearer picture of the real state of the industry.

* * *

This month has seen the peak of a campaign to induce all Americans under forty to have injections of the Salk vaccine against poliomyelitis. There are said to be 37 million people in this age group who have had no injection at all and 44 million who have had only one or two instead of the necessary three doses. Meanwhile, stocks of the vaccine, remaining unused for six months or more, are being destroyed in large quantities.

THE WORLD OVERSEAS

Mr Pearson's Cruel Choice

FROM OUR CORRESPONDENT IN OTTAWA

THE debut of Mr Lester Pearson as leader of the Canadian Liberal party has intensified doubts whether international statesmen can turn into domestic politicians. Mr Pearson's eventual choice as Liberal leader has been a lively possibility ever since he first went into politics in September 1948; it has been a probability since 1952 when he refused to become Secretary-General of Nato and a virtual certainty since the Liberal defeat last June. One section of Liberal MPs and political organisers always preferred Mr Walter Harris, the former finance minister in Mr St. Laurent's cabinet, because he could not be suspected of being aloof from the necessities of local politics; he was, however, eliminated last June when he lost his seat.

The only rival contender for the leadership, therefore, (apart from Mr Maverick, the Presbyterian minister who is mayor and member for Portage La Prairie, Manitoba, and who received one vote) was Mr Paul Martin, the bilingual member from Windsor, Ontario, who was minister of health and welfare under both Mr Mackenzie King and Mr St. Laurent. Before last week's Liberal convention he was expected to withdraw. Instead, he organised a reasonably impressive claque on the lines of American conventions, with large buttons and placards and bands, and he himself embarked on a formidable campaign of handshaking which proved he was no egghead. This put Mr Pearson in a difficult position right from the start. Canadian party conventions are held only when a new leader has to be chosen. This was the Liberals' fourth since 1867. So the constituency delegates, especially those from the more extroverted western areas, arrived eager to promote the influence of "grass" against "brass," as they liked to put it. Discontent with the central direction of the party from its Ottawa headquarters was natural after the election débâcle. It led to the convention insisting on quadrennial policy conventions of the party organisation to meet outside Ottawa.

With delegates in this mood and with Mr Paul Martin setting a tough pace in backslapping, Mr Pearson obviously felt obliged to put up a show for the grassroots too. Nevertheless, his nomination speech still showed some of the egghead. Things he really wanted to say were stated as though in a diplomatic note, mainly by suggestion or implication. Mr Martin immediately followed with a characteristic fighting political speech. Mr Pearson was told he had been a flop, although it made no difference to the voting, which gave him a ten to three majority over Mr Martin. But he must have felt obliged to make an acceptance speech that proved him to be a fighting politician. He made that kind of speech. It appeared to please convention delegates, but a significant number of admirers regretted his determination to show he was not Adlai Stevenson. They picked on various twists which other politicians might have got away with and told him he should not try to be a stump orator.

In this uncertain atmosphere, Mr Pearson had to face a cruel choice when he first appeared as Leader of the Opposition in the House of Commons last Monday. The Liberals had their last chance to move an amendment of no confidence on a supply motion. The trouble was that if they framed a motion which the smaller parties, the CCF and the Social Credit, were likely to support, they could defeat the government and plunge themselves into a general election which the government wants much more than they do. The course Mr Pearson took was to move an amendment in terms which other parties could not accept and which the CCF leader, Mr Coldwell, ridiculed. Mr Pearson invited the government to resign and to recommend giving his own party a chance to form a government without an election. Mr Coldwell pointed out that the Liberals had told the Governor-General in June that they could not carry on the government, and since then they had lost two seats to the Conservatives. It was not surprising that no one voted for Mr Pearson's amendment except 95 Liberals; 150 members from all other parties voted against.

But the vote was mere anticlimax. The real lesson, which seemed all of a piece with the story of last week's convention, lay in the merciless slaughter of Mr Pearson's first speech as Opposition leader. Mr John Diefenbaker gave a display of forensic oratory such as the House of Commons here has not heard in many years. He had correctly anticipated the main lines of Mr Pearson's attack, which were the current unemployment and the alleged deterioration of foreign trade relations. There was admittedly plenty to mock at in the Conservatives' uncertain course in pursuit of a fifteen per cent diversion of trade to Britain. But Mr Pearson had no fresh barbs to add to the goad, and he spent more time deploring the Conservatives' attitude to the United States; he even suggested that the new restriction on oil imports from Canada was a result of it.

Here Mr Pearson was on much weaker ground and Mr Diefenbaker merely read extracts from the speech made by the Liberal leader at San Francisco last July, which appeared to say the same things he was now attacking the Tories for saying. Similarly, it was manifestly unfair to blame the Tories for the present unemployment, which is a result of the end of the boom and had been foreseen well before the Liberals left office. Mr Diefenbaker answered this case with a manœuvre which was devastating in debate but the propriety of which is being questioned. He read a confidential memorandum, written last March by some of the government's expert advisers, which predicted the course events have now followed. Whether it was proper to produce a privileged document in this way may be uncertain. It was certainly unfair to present it as the government's only official

advice, when at the time it was a highly contentious view bitterly opposed by the Bank of Canada and other economists who still considered inflation the greater danger. But as a weapon to destroy Mr Pearson's first major attempt as a fighting political leader, it could not have been better.

Mr Diefenbaker has scored his first overwhelming parliamentary success. His one disappointment is that he evidently will have to choose his own moment for dissolution. It might well come as soon as the business of the present session can be completed. There is only one major bill left and few departmental estimates. Once they are out of the way there is no reason to keep this parliament in being unless it is to meet for the new 1958 session. A minority government has become very tiresome both to itself and to most Canadians. The Conservatives have such a good chance of securing an overall majority that they want to get the election over as soon as possible. On his opening form the Nobel prize winner and expert international negotiator will not present a very formidable challenge on the home front.

Problems of a Dying Parliament

FROM A CORRESPONDENT IN ROME

It is in the last days of a dying parliament that the inadequacies of a written constitution become apparent. As the second legislature of the Italian Republic draws to its end, the gaps in the constitution, which it behoved the government to fill, yawn dangerously at the feet of incautious politicians. The most serious lacunae, for the safety of this still fragile democracy, are the absence of a law establishing the procedure for a referendum and the non-existence of a Superior Council of the Magistracy to guarantee the independence of the judicature. Both institutions are prescribed in the constitution but, since the first is a check on the parliamentary majority and the second restrains the executive, the government parties have never found it in their interest to give them effect. Today, public opinion is alarmed on behalf of the independence of the magistrates. At the same time two issues have arisen which could call for a referendum, but instead of turning its attention to the matter, the government appears to derive a false sense of security from the fact that, without a law to implement it, the referendum does not legally exist.

The two questions which could, in theory, be referred to a referendum are the reform of the Senate and the question whether or not intermediate range missile bases should be installed on Italian territory. The reform of the Senate is a constitutional law which may, if the request is properly formulated, be referred to a referendum within three months of its publication unless it has been approved in both houses by a two-thirds majority. Far from obtaining such approval the Senate Reform Bill has been sent back to the Senate from the Chamber so burdened with amendments that one illustrious jurist has questioned whether it may legally be considered the same Bill. The incipient conflict between the two houses is being turned to account by the Christian Democrats in an effort to induce the President to dissolve the Senate when the Chamber expires this year. The constitution provided that the Chamber should sit for five years and the Senate for six. When the first Chamber expired in March, 1953, a turmoil arose in the Senate over the Electoral Reform Bill; the Speaker resigned, and President Einaudi dissolved the Senate and Chamber together. The attempt to make this a precedent is not likely to have much weight with President Gronchi. The reasons adduced by the Christian Democrats in favour of dissolution make political sense but have little constitutional value and are not acceptable to the Senators themselves. The expense of a second election twelve months after the first, the inconvenience of keeping the country in a state of political excitement, the difficulty for any government of working serenely with such a prospect before it, are arguments which have quite failed to persuade the Senators to reduce their term of office from six years to five. The only reform they are willing to accept is a reduction of the number of electors per Senator from 200,000 to 150,000. All the proposals for a non-elective "integration" of the Senate have been turned down and a rigid conception of caste interests, which overrides normal political divisions, has determined the Senators to reject all but the minimum reform.

Never before has a situation arisen in which the President of the Republic was so completely arbiter. Should the Senate reject the Chamber's amendments to its Bill, as there is every reason to expect, it will be too late to pass the reform in this legislature. The Christian Democrats will clamour for the Senate to be dissolved on the plea of a conflict between the Chambers. This party's effort to recover an absolute majority depends in great measure on the possibility of holding the elections to the Chamber and Senate simultaneously. In a staggered election the Christian Democrats are unlikely to follow up a victory in the Chamber with a similar triumph in the Senate, and if their success in the first election is moderate they will not easily improve their position in the second. The difference to the political future of Italy between a simultaneous and a staggered election may reasonably be considered enormous. It is equally reasonable to suppose that President Gronchi will listen to none but the purely constitutional arguments in favour of either solution.

★

The Communist party threatens to ask for a referendum on the subject of missile bases and says it is collecting the half-million signatures prescribed by the constitution. The government claims to be sitting pretty since, in the absence of an appropriate law, no referendum can be held. Meanwhile the left-wing parties have forced the government to accept a debate on defence and foreign policy next week. They will ask the defence minister and the foreign minister to tell the country squarely what commitments concerning missile bases were accepted by the Italians at the last meeting of the Nato Council. Since no final decision appears to have been taken in Paris, it will not be difficult for the government to answer evasively.

Opinion on defence is divided in the country very much on the lines of the left-wing parties versus all the rest. Such a cleavage, on the eve of a general election, is dangerous since it tends to over-simplify the issues. The Socialists, like the Communists, favour neutralisation, but while the Socialists hold this view on principle, the Communists do so because they believe that a neutral belt suits Moscow. The isolation of these two parties will make it difficult for the Socialists, after the elections, to pull away from the Communists. All the other parties insist on a strong defence policy, missile bases and all. Many Italians believe that Albania has such bases (as well as bases for atomic submarines) already.

In the Christian Democrat party there is a nuance of opinion in favour of greater European independence of America. This is the view of the minister without portfolio, Signor Dino del Bo, who, at the last cabinet meeting, pressed the government to send a more conciliatory and constructive answer to Mr Bulganin. Although Signor del Bo is credited with having obtained a slight attenuation of the Italian message, Signor Zoli's letter is considered here as virtually a *fin de non recevoir*. The leader of an opposite tendency in the party is Signor Taviani, the defence minister, who at the Nato Council urged the European powers to accept the American request for IRBM bases in Europe. No member of the Italian cabinet has expressed enthusiasm for Mr Macmillan's suggestion of a non-aggression pact but this indifference may be attributed to the Italians' suspicion of top level talks from which they are afraid of being excluded. It is difficult to estimate the importance of the cleavage in the Christian Democrat party on the subject of defence. Whichever way individual views incline, the party takes its cue, on the question of East-West relations, and consequently on disarmament, from the recent speech in which the Pope asserted that a dialogue is impossible between people who have no common language.

Long Haul for the Free Trade Area

FROM OUR PARIS CORRESPONDENT

"We heard all this months ago," was the comment of one observer of last week's free trade area talks. Something like that seems to have been the reaction of most of the negotiators at the end of the OEEC meeting. The British memorandum on agriculture had gone down badly with all but the Swiss. This in itself was not a surprise. In fact, the continental reaction was less robust than some had expected. What was depressing was that the debate charged once more down the old beaten paths. There were objections from small countries that the common market system would leave them at the end of the queue for food contracts, and retorts by the Six that the privileges of the common market could only go to those who had subscribed to its obligations, which were not just commercial but primarily political. Many of the negotiators are beginning to feel weary. Will the free trade area talks ever get under way? Is the ministerial procedure wrong? It seemed a good idea in October to bring the ministers together to give them a new stronger impulse. But it already seems apparent that, with a few exceptions like Mr Maudling, the ministers are distrait gentlemen between two trains, with too many other worries at home. The common market took two years to negotiate. The free trade area will need an effort comparable in intensity if not in time. Yet even the argument that such negotiations must be difficult is wearing thin. The need for a poker-face at the bargaining table may be understandable; but at the moment the ministers seem incapable of throwing the dice. In particular, do the French want to?

This question mark explains the relief with which everyone, from Mr Maudling down, has hailed the prospect of the French memorandum to be produced in a month. At last, runs the hope, the French—and their five partners—will begin to commit themselves. Indeed the French negotiators realise that if there were to be no free trade area, the common market itself might not move off to a brilliant start under the handicap of British resentment. But they have to take account of French opinion, especially employer and right-wing opinion, which does not share this anxiety. Their view is that the common market is strong medicine made healthy because there will be European institutions to draw up the prescription, and political unity at the end of convalescence. But the free trade area without the "community" aspects of the common market, is an overdose of the nostrum. Privately, most people holding this view are anxious, despite the renewed Germanophilia of the Right, not to lose touch with Britain. But they would prefer to explore the chances of an association of the common market and Britain, leaving out the smaller countries, whom they regard as at best a complication. This seems the attitude underlying the employers' manifestoes against the free trade area. The conservatives have taken up the cry against the British-style free trade area. As it greatly recommends itself neither to the federalist Europeans in the Assembly nor to the farmers and trade unions, there is no one to gainsay them. On present fears the free trade area would sail straight into a rejection by the Assembly like another European Defence Community.

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To prevent that, the French negotiators have decided they must systematise their own ideas into a counter-proposal. It is too early to know what they will produce, but it looks as if they may resuscitate two old notions. One is that "customs disarmament" in the free trade area should lag a few years behind that in the common market. The other is that the first four-year stage of the area should be clearly mapped out in the pact but that negotiations on the subsequent stages should accompany or follow it. There are hints also that a third idea might surface in the memorandum. French industrialists are more and more insisting on the tremendous advantages Britain would enjoy as a trader and as a magnet for American investments, from its location at the crossroads of two preferential systems, the Commonwealth and the free trade area. They argue Imperial Preference cannot remain taboo. The motor-car makers, for instance, want to sell cars in Australia. If the government decided to take up the demand, the memorandum would have something on Imperial Preference.

If it did, the next weeks would obviously be critical in the negotiations. But it has been apparent for some time that a crisis would be necessary to get real negotiations going. The gap that divides the British conception of the free trade area from that of the Six, is too great to be bridged by minor tinkering with the original proposals. The attempt to produce piecemeal compromises is leading to a welter of escape clauses, the only way of reconciling the British distaste for giving powers to international authorities with the refusal of the Six to go back on their common market approach. Take harmonisation of social charges, which the ministers discussed last week: the British idea is that every time trouble arises from differences in national legislation, the plaintiff may lodge an appeal. But the appeal board cannot impose a solution, nor do governments seem likely to change their procedures.

Instead, there would probably be an escape clause. This is one example among many. At the rate at which they are piling up, the free trade area would become impossible to administer simply because of the number of exceptional situations—and not just French ones. It is necessary, therefore, to go back to a general approach with the French view in one extreme corner and the British in the other to make honest sport of it.

But will it be a match or a brawl? The situation is so fluid at the moment that no one dare say. Certainly no country, least of all the French, wants to be responsible for a breakdown of the talks. Among the Six, both Benelux and Germany are anxious for a free trade area, to keep the common market as open to the world as possible. The Six have also woken up to the fact that they will have to think afresh about the free trade area. For instance, they have now created a committee to produce new ideas on agriculture. And some people argue that the common market commission could, if it would, do much to weld the views of the Six together, and clarify the situation in negotiating on their behalf. But what seems certain is that, though there is admiration for Mr Maudling's ability and flair, few would agree with him that the talks will end by July. One remembers Mr Thorneycroft making just the same rash forecast last year. It would be surprising if the free trade area were ready to leave the starting-line when the common market makes its first tariff cuts next new year.

Athenian Straws in the Wind

FROM A SPECIAL CORRESPONDENT

THERE is an air of unreality about most conversations in Athens on the Cyprus question. Whereas six months ago the British visitor might have been subjected to a histrionic harangue—on the follies of Whitehall or the maladministration of the Harding regime—today he may be received with a slightly synthetic wistfulness, bordering almost on sympathy, as for one who shares the yoke of an intolerable political burden. Almost inevitably there is expressed (in reverent undertone) the pious hope that a "way will be found" to solve the problem—which, one might assume, had been imposed on two hapless but innocent parties by the cruelty of the Fates, rather than incurred by the singular folly of their own policies. Without indulging in over-optimism, it is hard to escape the conclusion that, willy-nilly, a spirit of rapprochement is in the air; which is perhaps another way of saying that the Greeks, are now beginning to get just a little bit tired of the dispute—though of course they would never admit as much.

Within the past ten days there has been a sequence of events which can perhaps be regarded as straws in the wind. Perhaps the most publicised has been the bringing to book of the five Cypriots charged with causing the bomb outrages at the American air base and information library. On the face of it, this may simply appear to be justice taking its course, but it is idle to pretend that on an issue involving Cyprus, which has always been political dynamite for the Karamanlis government, such an action by the public prosecutor does not have political significance. Its importance is heightened by the fact that Archbishop Makarios himself has requested leniency for the culprits "on account of their youth."

Another development which, without causing wide public interest, has caused some slight eye-brow raising among the *cognoscenti*, has been the leading article last Sunday in the influential *Kathimerini*, which is known to reflect closely the thinking in government circles. (In this connection, indeed, its Sunday editorials often have special significance.) On this occasion, the writer criticised both the British and the Turks, in what may be termed the accepted fashion, but at the same time injected, albeit indirectly, a curious reference to the need for Greece itself to take some initiative ... to prevent "complete stagnation" in Cyprus. A phase had perhaps been reached when "something must be done." While too much should not be read into one section of one leading article, there was in this perhaps the obliquest of hints that the Greek government might be prepared to deviate from its hitherto rigid line that the Cyprus problem is essentially one between the British government and the Cypriot people, in which no direct initiative from the Greek government is called for.

The most significant development in recent days, however, has been the strange affair of Mr Pournaras, the head of the Cyprus section of Athens radio. Formerly a leading figure in extreme left-wing circles, and by temperament a political extremist, Pournaras (though then in the Opposition camp) was given charge of Cyprus radio broadcasts on April 1, 1955—curiously, the day that terrorism broke out in the island—and despite rumours of clash and conflict, he held this post until he resigned on January 10th. A few days later he issued to the press the text of his letter of resignation which exposed mercilessly the conflict and embarrassments within the Karamanlis government over the Cyprus issue.

On three previous occasions, Mr Pournaras declares, he offered to resign because the government wanted him to "pull his punches" in his propaganda broadcasts to Cyprus. Each time some factor—or some individual—intervened to make him change his mind (on the third occasion in March of last year it was Archbishop Makarios who averted the rupture). But now, finally, the situation was impossible; he could not concur in any attempt to impose a settlement contrary to the aspirations of the Cyprus people. (What "*settlement*" he is envisaging is, unfortunately, not made clear.) The foreign minister, Mr Averoff, and the minister to the prime minister, Mr Tsatos, were misleading the people by systematically clouding their real intentions on Cyprus. After cataloguing a number of occasions when he was (allegedly) urged to tone down his broadcasts, he winds up with an appeal to the prime minister to "put an end to

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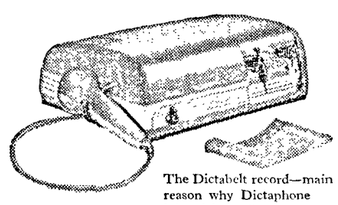
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what is happening in secret in the ministry of foreign affairs and the office of the prime minister." When he explained his motives for resigning, in a letter to the press, he roundly summed up the situation thus: "To avert capitulation on the Cyprus question there must be open, courageous war against the truce-mongers."

It would be unwise to treat this affair as evidence of a major policy shift in Athens. It is true that Mr Karamanlis and Mr Averoff are probably now in a more flexible mood, and there are grounds for believing that this may also be said of Archbishop Makarios (whose move to visit Turkey, it should be noted, took the government by surprise). Likewise it is true that the people as a whole are now perceptibly tired of the Cyprus problem. But, politicians being what they are, the opposition has not yet got tired of baiting the government; this week it launched in parliament a personal attack on Mr Averoff for his alleged mishandling of the Cyprus problem. For some time it looks as if every inch taken by the Karamanlis government towards "meeting the British half-way" will have to be taken with one wary eye over its own shoulder. In the coming weeks a further easing of tension, rather than any speedy alignment of viewpoint, between Athens and London seems the most realistic thing to hope for.

Division over Nile Waters

SAYED MIRGHANY HAMZA is returning to Khartoum to report the failure of his negotiations with the Egyptian government over the division of the Nile waters. For six weeks he has been trying in Cairo to get a new agreement which would give the Sudan rights to more water and would free Egypt to proceed with its High Dam scheme (assuming the money can be found). The precise reasons for the breakdown are not yet known but the politics behind it are clear. The Sudanese government insists that any new Nile waters agreement should come from a conference including the other two riparian territories, Uganda and Ethiopia. Egypt wants a bilateral agreement because it knows that if any disputed points were left to such a conference the countries on the upper reaches would vote with the Sudan.

It is a fair assumption that President Nasser is waiting for the February elections in the Sudan, in the hope that there will be a new government more amenable to Egyptian claims. This is an interesting sidelight on the election situation. The PDP (People's Democratic Party) section of the coalition cabinet is commonly reckoned to be closer to Egypt now than any other party, including the opposition NUP (National Unionist Party), and many people believed that Egypt would back it, even financially, in the elections. But Mirghany Hamza, the most important member of the PDP, is quite clearly not willing to barter any part of Sudan's vital water rights for an electoral advantage.

From whom in the Sudan can Egypt now expect succour? It was the present opposition NUP, led by Sayed Ismail el-Azhary which, after winning the 1954 elections on a policy of unity with Egypt, put the decree of independence through parliament. NUP leaders express extreme distrust of Egypt in private and the Egyptians feel they were double-crossed by the NUP. However, elections are expensive affairs, and the NUP finds itself short of money at the same time as the Egyptians are baulked on their Nile water agreement. Is it totally surprising, then, that last week at an election rally at Wadi Halfa, on the frontier with Egypt, Ismail el-Azhary announced his five-point foreign policy as follows: a bilateral defence pact with Egypt, co-ordination of foreign policy with Egypt, co-ordination of economic and cultural policies with "liberated" Arab countries, boycott of military pacts and in particular the Baghdad Pact, and fidelity to the Bandung resolutions? This programme amounts to less than unity with Egypt, of course, but it shows President Nasser that the NUP's heart is in the right place—at least, until after the elections.

The Revolt against Mr Todd

FROM A CORRESPONDENT IN SOUTHERN RHODESIA

THE cabinet revolt against the Southern Rhodesian prime minister, Mr R. S. Garfield Todd, came as no surprise in Salisbury. Anti-Todd sentiment among Europeans in the Federation has been mounting steadily in the past year. It has arisen not as a result of any unusually "liberal" course of action adopted by Mr Todd, nor even as a consequence of the new Southern Rhodesian Franchise Law, with which his name is invariably linked although it received the overwhelming support of his party caucus—the same caucus that has now turned against him.

The real reason for Mr Todd's unpopularity among right-wing and "right-centre" Europeans lies in the picture of him as being anti-white, pro-black and an ultra-liberal, a picture that has been built up in the public mind partly by a skilfully conducted campaign by opposition elements, including the Dominion party and the Segregation Society, and partly by Mr Todd's own naïve public relations. For Mr Todd has never learnt the basic lesson, mastered years ago by Lord Malvern and Sir Roy Welensky, that a Rhodesian politician can put a significant amount of liberal and progressive legislation on the statute book and still be re-elected, provided that he does not shout about it, and that when he does make a public statement, he emphasises his conservatism and his determination to maintain the high standards of western civilisation. Mr Todd, far from accepting these conditions for political survival in a country that still has an overwhelming European electorate, has allowed his public statements to sound a great deal more liberal than his legislative record has, in fact, been. His position has been further bedevilled by the fact that he began life as a missionary, and missionaries, particularly political missionaries, have been distrusted by Europeans in Southern Africa since the days of the Great Trek from the Cape, when Piet Retief accused them of using "the cloak of religion" while casting "unjustifiable odium" on white settlers.

It is against this background of anti-Todd feeling that the events of recent weeks must be viewed. Mr Todd's four former cabinet ministers and his parliamentary secretary resigned not because they dissented from his legislative policy, which they themselves have helped to shape throughout the past four years, but because they were afraid to face the electorate later this year under the leadership of a man who, they believe, is regarded by a sizeable section of that electorate as an ultra-liberal concerned only with the political and social advancement of Africans. Discussions on these lines first took place within the cabinet in November last year, but were apparently inconclusive. The first hint of renewed trouble came on January 9th when Mr Todd flew back to Salisbury from a coastal holiday in South Africa four days earlier than expected. He was met at the airport by the

acting prime minister, Sir Patrick Fletcher, who said that the cabinet had lost confidence in Mr Todd and were prepared to offer their resignations.

The following day Mr Todd presided over a cabinet meeting which failed to settle the differences. The four "rebels" then offered Mr Todd time to make up his mind before they resigned. All were clearly convinced that the prime minister would have no choice but to resign himself. It came as something of a shock to them when, the next morning—Saturday—Mr Todd telephoned his Treasury minister and asked for the cabinet's resignations in writing as soon as possible, as he intended to meet the press at noon. Their bluff called, the ministers resigned. Mr Todd then gave the news to the press; he added that he himself intended to remain in office and he promised to announce his new cabinet within a week. He said that the issue of his leadership could be settled one way or the other at the end of March at the inaugural congress of the United Federal party. This is the party that was formed last November by the fusion of Sir Roy Welensky's Federal party (the government party in the Federal Parliament) and Mr Todd's United Rhodesia party (the government party in Southern Rhodesia.)

The prime minister met the press again the following night to tell them that he had formed a new cabinet. The question of his continued leadership, he said, would now be referred to a congress of the Southern Rhodesian division of the United Federal party, to be called specially for that purpose early in February. On January 14th the five new cabinet ministers were sworn in. The same day Mr Todd held a five-hour meeting of his caucus, during which he, as caucus chairman, maintained the position that discussion of his leadership was not a matter for the caucus but for the party congress. After five hours of accusation and counter-accusation, thirteen of the twenty members present walked out and issued a declaration of no confidence in the prime minister.

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Mr Todd's position today could scarcely be more precarious. In Parliament he will face at least thirteen "rebel" members of his own party as well as five bitterly anti-Todd Opposition MPs—a minimum of eighteen hostile votes in a House with an effective voting strength of twenty-nine. Mr Todd has arranged to postpone the opening of Parliament from February 4th to February 18th since the party congress will open on February 4th. His chances of surviving this congress are slender. For the first time he will then face, not only representatives of his own United Rhodesia party, which is far from being united behind him, but also the Southern Rhodesian section of the Federal party, which contains some of his sharpest critics.

One of the questions no one has yet attempted to answer is whether Mr Todd will resign the premiership if the congress turns him out as Southern Rhodesian party leader. Some of his recent statements seem to indicate that he will abide by the congress decision, but many political observers in Salisbury believe that he will advise the Governor to dissolve Parliament and call a general election. In some quarters he is being urged to do this now before the resumption of Parliament and before the party congress, on the ground that such a course of action would force Sir Roy Welensky to "come out on his side and save him." Sir Roy has so far remained silent.

If Mr Todd does retire gracefully after a defeat by congress, he is unlikely to be replaced by one of his former colleagues, all of whom have emerged from the crisis with their political reputations slightly tarnished. A compromise candidate is virtually a certainty. The dispute has split the Southern Rhodesian section of the United Federal party from top to bottom, leaving reactionaries and especially the opposition Dominion party rubbing their hands in pleasurable anticipation.

Finns in the Red

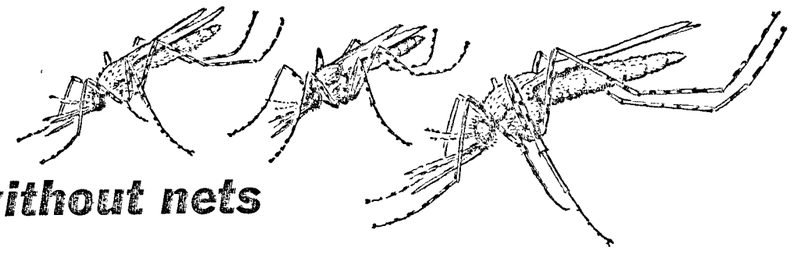
FROM OUR SCANDINAVIAN CORRESPONDENT

FINLAND'S economic crisis has grown graver. The prime minister, Hr. Rainer von Fieandt, has bluntly told the Diet that the exchequer is empty, and that bills are mounting rapidly. Hr von Fieandt, the former Governor of the Bank of Finland who was called in to head the present non-party "government of civil servants" last year, revealed that the drastic step of freezing all state payments, including the salaries of civil servants, had been only narrowly averted.

The finance minister, Hr Hietanen, told the silent Diet that revenue at the end of December showed a deficit of 3,000 million marks (£3½ million) on the estimates, and that increased taxation and cuts in state spending were unavoidable. He submitted proposals to save 10,000 million marks, by reducing pensions, freezing governmental payments for three months and cutting overall state spending by ten per cent. The minister emphasised that even this strong medicine would be no more than a temporary palliative for the ailing Finnish economy. Indeed, it has been calculated that economies of thrice the magnitude envisaged by Hr Hietanen would be necessary to ensure stabilisation. Although the state still has a credit of 1,800 million marks with the central bank, this is only three-quarters of the legal minimum, so that the present situation is already a breach of the constitution.

This desperate situation is the context for the general election which is due to be held in the summer. Once again, the two main non-communist parties, the Socialists and Agrarians, who represent respectively urban workers and rural interests, will be competing for the voters' favour. Although they may be strongly tempted to strike attitudes designed to appeal to sectional interests, there is a feeling that the electorate is wearying of crises. It may well be dangerous to attack the present government and the hopes of economic stability that surround it.

Moreover, both the Socialists and the Agrarians are divided internally by ideological conflicts and personal rivalries, and would undoubtedly dislike being landed with the intractable baby at present squalling in Hr von Fieandt's lap. A continuing crisis would benefit only the already strong Finnish Communist party. With seasonal unemployment at its height, and the effect on prices of the trade liberalisation that followed devaluation in September still not clear, the indications are that Finland's present caretaker government will be able to stay in office and steer a reasonably steady course at least until the elections. Meanwhile, it has negotiated a temporary loan of 4,000 million Finnmarks from the private banks at the penal interest rate of 13 per cent—which only goes to show what a costly matter it is to be poor.



Night without nets

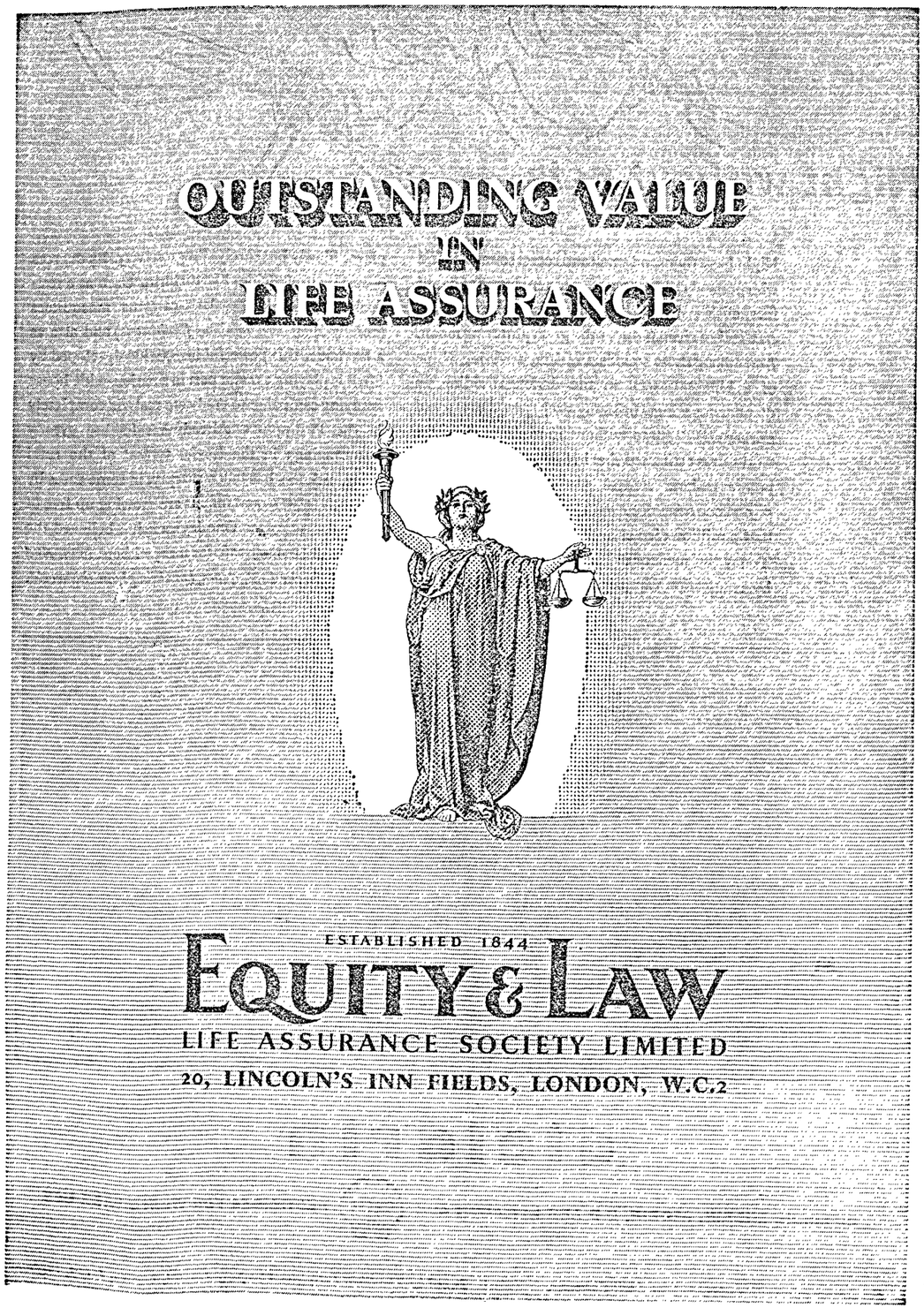
Night has a thousand small and secret sounds. Wind whisper and creak of board, sudden skitter of lizard feet, click and tap, slither and rustle, the ceaseless *crik-crik* of cicadas under the great glittering moon. And among those sounds, the thin, wavering whine of a killer: unseen in the darkness, riding on diaphanous wings, bringing each year disease and misery and death to millions in many parts of the world. It is estimated that in South East Asia alone, before malaria control was introduced, at least 50,000,000 cases occurred annually and that of these half a million died as a direct result of the disease. Today the menace is being driven from the scene by eradication campaigns like that in the Philippines. Slowly but surely. Progressively. By degrees—and by insecticides like dieldrin. Used as a residual spray to kill malaria-carrying mosquitoes (chiefly *Anopheles minimus flavirostris*) and also as a larvicide, this powerful insecticide developed by Shell is playing a major part in a nation-wide house spraying campaign to eradicate malaria completely in the Philippines. Already results are greatly encouraging; in the *barrios* typical of the rural areas, sickness has fallen sharply, in some cases by as much as 75%, and infants are growing up free of the malaria menace. One day soon, it is believed, the night will be made safe for man, without nets. *And not only in the Philippines, but throughout the world.*



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THE BUSINESS WORLD

The Bank of England

THE unequivocal conclusion from the Parker Tribunal that there is no justification for allegations that information about the raising of Bank rate last September was improperly disclosed by any person will do much to restore the City's self-confidence and the regard of overseas financial centres in its probity. Both are needed. Some of the mud slung at the City from Westminster will, unfortunately, stick; it is altogether improbable that the man-in-the-street's view of the City as a place where people in the know do well for themselves will be conclusively changed by the report. The handling of money is not well-regarded these days; and the City as a whole has neglected its opportunities to explain itself to the ordinary man. The small investor and the small bank customer feel remote from it—and that is, to a large extent, the City's own fault and perhaps a fault too late fully to remedy. In evidence before the tribunal transactions by no means extraordinary took on the quality of esoterica and that, to most uninformed opinion, is a patent reason for suspecting them.

No matter has aroused more public concern than the apparently invidious position of the independent directors of the Bank of England. It is most satisfactory that Lord Kindersley and Mr W. J. Keswick have been so clearly absolved from any allegation that they disclosed, either intentionally or unintentionally, any information about the increase in Bank rate on September 19th. Both knew of the possibility, and both knew later of the provisional decision to increase it. Both were involved in decisions affecting the interests of their companies where a slip—much less than a deliberate false step—would have put them on the wrong side of the line of propriety. Both emerge, after the most strenuous test before the tribunal, free of the least suggestion even of inadvertent misbehaviour and therefore entirely clear of any charge that they might have used information gained as directors of the Bank of England for their own ends.

Relief at this conclusion is the greater because, at several points during the hearings, there seemed to be some wonderment at the idea that honourable men can keep in watertight compartments information that they acquire in their different activities. Lord Kindersley put the point frankly, and it has been accepted in the tribunal's report:

> After many years now I have found that I can to my satisfaction divorce the knowledge which I know I have acquired from the Bank of England or one of the other companies, from my normal business judgment . . . I know that it is a difficult thing . . . and I have been in a very awkward situation many a time. If I can avoid discussion . . . I avoid it like the plague, but if I have got to discuss it I have found myself quite capable of doing that.

Yet the point remains. The position of a director of the Bank of England with other business interests—the very interests which qualify him to be a director—may occasionally be difficult and embarrassing. To surmount this, Lord Justice Parker even suggested, might call for "almost superhuman" qualities. Lord Kindersley, ten years a director of the Bank, admitted to ten or twelve occasions on which secret knowledge (not on Bank rate alone) might have been a source of embarrassment. And the report of the tribunal draws attention to the particular case of Mr W. J. Keswick, to whom his colleagues in Hongkong looked for advice on Jardine Matheson's investments which he had a duty to give.

Is this burden unfair? Is it justified, so far as the Bank is concerned, by the benefit of advice and experience that could not be secured in any other way? The report does not express any view, for reasons that must be accepted as wise:

> This raises a general and very important question of policy with which we are clearly not concerned. Had it been our duty to express an opinion on this matter, we should, before doing so, have required exhaustive evidence as to the advantages and disadvantages of continuing a state of affairs which has so long existed. The criterion, of course, must be the national interest.

Many people, less wise, have jumped to the conclusion that there is no longer a proper role for the independent director of the Bank of England. This is, one may hope, a matter that will come within the purview of the Radcliffe Committee; certainly it is rooted in the fundamentals of monetary policy. Put quite shortly, it is one of the principal matters that will in future determine whether the Bank of England itself can continue to assert some effective degree of independent counsel and decision or whether it is to become merely a subordinate agent of Treasury policy.

It is possible to exaggerate both the embarrassment that may sometimes be caused to the outside directors of the Bank and also the direct use that is made of their counsel. The Governor of the Bank admitted that strain is occasionally put on directors from their possession of special knowledge, but in his twenty years' experience on the Court he had not found that it caused frequent difficulty to his colleagues; in any case of uncertainty, a director would consult him or the Deputy Governor about his proper course of action—as, indeed, Mr W. J. Keswick did. Nor is this a problem exclusive to the Bank; it is an everyday occurrence throughout the range of banking and professional practice.

Nor, again, is it something new in the Bank's experience. Bagehot was deeply conscious of the point in the early seventies:

> But in fact the particular interest of single directors is not to be regarded; almost all directors who bring special information labour under a suspicion of interest; they can only have acquired that information in present business, and such business may very possibly be affected for good or evil by the policy of the Bank. But you must not on this account seal up the Bank hermetically against living information; you must make a fair body of directors upon the whole. . . .
>
> (Lombard Street: Chap. VIII.)

Could the point be better put today? If the Bank is to be something more than "a mere operating department of the Treasury"—to quote a phrase used and rejected by the Governor—the quality of decision in the wide range of financial matters on which the Bank acts for or advises the Government (above all, perhaps, in the field of foreign exchange) must flow from precise judgment supported by the widest experience of financial, commercial and industrial life. In the last resort the Bank must conform, as any central bank must, to the sovereign power of government; but apart from the matters in which it exercises a direct responsibility, including the management of the money market and the fixing of Bank rate, there is a wide area in which the Bank, in consultation with and tendering advice to the Government, can, and should, make its influence felt in the formulation of economic policy.

The proximate responsibility in this does indeed fall on the Governor and Deputy Governor. They have the assistance of the four executive directors and the staff. Thus the permanent establishment of the Bank is the predominant force in its decision-making. The other directors are not originators of policy, but they are informed and consulted about major policy proposals. In the Governor's words:

> The directors of the Bank cover between them a very wide range of interests in banking, industry, commerce, trade unions, shipping and insurance. . . . It is quite invaluable to the Governors to be able to draw on this fund of knowledge and experience in formulating policy and to be able to share with the Court responsibility for decisions which must affect sterling throughout the world. . . . If the nature of the Court were to be altered so that it were not to be composed of active practical men of business, or if directors were to become mere figureheads divorced from the real affairs of the Bank, then it is my belief that the utility of the Bank to the public interest, in this country and in the Commonwealth, would disappear.

Good arguments would be needed to overthrow this conclusion—far better ones, indeed, than those that are now being used in favour of making the Bank subordinate without question to the Treasury.

Indeed, the weakness of the present system is not that the Bank still preserves some aspects of independence, but that in practice these are so vestigial. The independent director is the last remaining symbol of an independent Bank. Theoretically, the Court on a Thursday could refuse to endorse a change of Bank rate. Any such change would first have been set in motion by the Governors, agreed to in principle by the Chancellor of the Exchequer and accepted by the Committee of Treasury (acting, as it were, as a subcommittee of the Court) on the preceding day. But in theory the Court could upset it; hence the preparations by the Governor and the Deputy Governor to carry all the directors with them last September in a change critical in both size and timing. Yet, in retrospect, the weakness of a notional power of veto unsupported by any positive opportunity for the directors to play an originating part in the formulation of policy emerges from the proceedings before the tribunal. It took six weeks from August 7th, when the Chancellor of the Exchequer left instructions for a study to be made in the Treasury of the possibility of "bringing about a measure of deflation in the economy" before action on public investment, bank advances and Bank rate was decided. Holidays got in the way; the monetary position continued to be "watched very closely"; consultations proceeded between the Bank and the Treasury in the pattern of a formal dance. It was not so important that a lot of people during these weeks came to know that action was afoot, as that, when the storm that had long been rumbling over sterling finally broke, umbrellas were still furled and had to be opened so desperately to shelter from it.

For the Bank, supported by its outside directors, to propose action that it had reason to apprehend might not be supported by the Government could be held to jeopardise the relations between the two. But such differences have not been unknown; they are natural and it is a good thing that they should be aired from time to time. Perhaps there were differences during those six weeks—with the Bank unwilling to move unless the Government moved too. They do not emerge from the evidence, but when they occur they should be matters on which the Bank ought to feel that it has a duty to the public, and is accountable to it.

As the proceedings before the Parker Tribunal have shown, the public has a close interest in the way the Bank is constituted and served by its directors. But its respect for the Bank is less than it was, simply because the Bank's part in affairs is allowed to appear so negative and subservient. That is not nearly so true of central banks in other countries. It is within the power of the Bank of England to invest itself with greater authority. The Governor should feel more free to explain what the Bank's views are, and its annual report should be a document of substance. So the Bank could develop, not indeed as in any sense a rival power in economic policy-making, but as a more respected coadjutor and source of independent economic opinion. And it is here that the part of the independent director could be of decisive importance.

The City under the Glass

Some of the highlights on the City and its institutions in the 300 pages of proceedings and evidence before the Parker Tribunal are picked out below.

Bank Rate Timing

Never, presumably, will the mechanics of reaching a Bank rate decision be revealed so soon after the event or in such detail. The bare chronology gives its own impression of mounting crisis.

1957

Aug. 7:	Chancellor orders study in the Treasury "to bring about a measure of deflation in the economy."
Aug. 8:	Sir Roger Makins (Joint Permanent Secretary of the Treasury) talks with Governor of the Bank of England at the Treasury.
Aug. 12:	Further talks at Bank of England.
Aug. 22:	Governor and Deputy Governor call at Treasury. Governor gives his views on desirability of rise in the Bank rate.
Aug. 26:	Meeting of Chancellor with Treasury officials to discuss proposed measures.
Aug. 28/29:	Deputy Governor tells Committee of Treasury and Court of Bank of England that Bank rate has not come under discussion with Treasury, but is being kept under review.
Sept. 3:	Deputy Governor writes to Mr W. J. Keswick and two other directors of the Bank out of London "and not expected back for the best part of a fortnight," informing them of discussions on measures to deal with the exchange situation, which might eventually include action on Bank rate, though that was "quite open and undecided." The letters were not to be taken as a warning that they might be recalled to London.
Sept. 4:	Deputy Governor tells Committee of Treasury that discussions are still proceeding. Sees Chancellor in the afternoon to discuss bank advances. Bank rate "just mentioned," but agreed that "the subject did not arise at that stage."
Sept. 6:	Sir Roger Makins talks with Deputy Governor regarding proposed measures "including a possible move in the Bank rate."
Sept. 9:	Meeting of Chancellor, Deputy Governor, Chairman and Deputy Chairman of Committee of London Clearing Banks to discuss restriction of bank advances.
Sept. 11:	Committee of Treasury informed by Deputy Governor of discussions with Chancellor; the programme was "still undecided, but depending on how it went we might have to consider whether there was a part to be played by Bank rate." Deputy Governor discusses with Sir Roger Makins draft statement to be made following week by Chancellor, including no reference to Bank rate. Any recommendation by the Court would have to await return of the Governor (on holiday from Aug. 24 to Sept. 14).
Sept. 12:	Court of the Bank of England informed on discussions. Continuation of talks on bank advances (see Sept. 9).
Sept. 13:	Deputy Governor has "short discussion" with Chancellor on Bank rate; no figure mentioned. Sir Edmund Compton (3rd Secretary, Treasury) prepares paper on consequences of increased Bank rate at different levels.
Sept. 14:	Governor returns from leave and spends 24 hours at Deputy Governor's house.
Sept. 15:	Joined by Mr Parsons, executive director of

Bank for discussion on exchange questions. Meeting with Sir Roger Makins at 5.30 p.m. Join Chancellor and Economic Secretary at 6 p.m. Governor indicates "provisional view" in favour of increase in Bank rate to 7 per cent, and is asked by Chancellor to give the Bank's firm view by the evening of September 16th.

Sept. 16: Governor consults with available directors of the Bank on 2 per cent rise in Bank rate on September 19. Informs Chancellor at 6 p.m. (with Sir Roger Makins and Sir Leslie Rowan in attendance) that Bank considers such an increase desirable. Asked to give arguments for that view. At lunch Deputy Governor mentions to Mr W. J. Keswick possibility of "swingeing" rise in interest rates.

Sept. 17: Arguments presented by Governor. Wording of statement on restriction of bank advances considered. At 9 p.m. Governor discusses with Chancellor his recommendation for 7 per cent Bank rate. Recommendation repeated to Prime Minister, who said "he would not make up his mind whether the Government should agree to the Bank rate being raised and, if so, to what figure, until following morning."

Sept. 18: 11.45 a.m. Sir Roger Makins informs Governor that Government would approve increase. 12.30 p.m. Governor and Deputy Governor recommend to Committee of Treasury (five regular members and two invited directors) for submission to Court on September 19 that Bank rate be raised from 5 per cent to 7 per cent. 4 p.m. Government Broker informed of increase by Chief Cashier.

Sept. 19: Proposal of Committee of Treasury approved by Court at 11.45 a.m.

Did the Jobbers Squeal?

Bagehot says in "Lombard Street" that "all 'City' people make their money by investments for which there are often good argumentative reasons; but they would hardly ever be able, if required before a Parliamentary Committee, to state those reasons." How did the stock market survive this test?

Evidence submitted by the Government broker, Mr Mullins, throws some revealing light on the turnover in gilt-edged securities on September 18th. Almost £16½ million was bought by jobbers and £14 million sold—a balance of £2½ million bought by the market. In addition there seem to have been outright transactions between institutions selling and buying of a further £2 million. That, said the Government broker, was "by no means an abnormal day's turnover." Indeed, a week later turnover amounted to £62 million.

He put the total sales to the market between 2.30 p.m. and the closing of jobbers' offices on September 18th at £4 million. After the Bank rate increase, there was a "considerable amount of talk about selling (on the afternoon of September 18th) by people who knew something." He agreed that jobbers are apt to take knocks, though "probably not of this magnitude"; at the same time the total of £2½ million taken on to jobbers' books did not strike him as a surprising amount at all. The Government broker, incidentally, makes it a rule never to deal on Thursday before Bank rate is announced.

The leading gilt-edged jobbers varied in their view of business that afternoon. Mr Richard Holden, of Francis and Praed, felt that "people who dealt with us . . . knew something more than we did." His partner, Mr Wilfred Barron, having mentioned that at lunchtime "we were all optimistic about the outlook for the market" (it had been firm since the beginning of the week) remarked later in the afternoon in the presence of financial journalists that "someone seems to know more than I do." His firm was then seeing a number of sellers and had no buyers and they had taken a loss.

Chairman: It is right to say that jobbers and the partners in your firm, which is a big firm, would not squeal lightly would they?—No.

You were all very annoyed?—We were annoyed, yes.

Allegations that the jobbers had squealed were clearly encouraged by a letter sent out on September 24th by Mr Percy Spooner, senior partner in the jobbing firm of Wedd and Owen. They bought £165,000 of stock from one firm of brokers and £20,000 from another after 3.30 p.m. on September 18th and decided not to deal any more that day. Mr Spooner was already contemplating the dismantling of his firm, and he admitted that in the letter he "used whatever occurred" as an excuse for doing something which he knew might become necessary in future in any case. The letter stated that the firm had for many years been prepared to deal after hours. "This facility," it said, "has occasionally been abused but never to the extent that it was on the night of Wednesday September 18th last." But Mr. Spooner admitted that he was really taking advantage of these after-hours dealings to secure a necessary reduction in the firm's operations without affecting its credit.

On this part of the evidence, the outsider will conclude that not all jobbers in the gilt-edged market were prepared to grit their teeth and take a loss. They are not to be blamed for ceasing to trade if they think the scales are weighted against them; but the revelations in this section of the evidence demonstrate once again how far the erosion of jobbers' capital has gone, and the personal risks that they run, in these days of heavy taxation, in jobbing in the old commercial way. Even in gilt-edged stocks, the market is often thin to the point of disappearance, and the sudden reversal of the firmer trend of the previous two-and-a-half days as a result of a flow of after-hours selling was a legitimate point of concern to them. Yet the volume of after-hours offerings on September 18th might not have been impossible to accommodate if the stock had been offered during official hours. Nor would it have been likely to attract any attention if the daily turnover of the Stock Exchange was regularly published.

Through Lazards' Swing Doors

Rarely does the outsider have a sight of the working affairs of the merchant banks. Important aspects of the business of Lazard Bros. are revealed in the evidence.

Lazard Brothers conducts its day-to-day affairs through seven managing directors; there are also six other directors who attend monthly board meetings. The seven meet each morning, with Lord Kindersley *primus inter pares*, in informal discussion, and the activities of the house are threefold: acceptances, credits and money; new issue business; and stock business, including investment companies and clients' estates. Lord Kindersley and Mr J. V. O. Macartney-Filgate are responsible for the banking business; Mr P. Horsfall and Mr A. D. Marris are concerned with the industrial and new issue business; Mr T. H. Brand takes "an overall look" at the issue business and with Mr D. Meinertzhagen is responsible for the security business. "When we come to a decision in principle," Lord Kindersley stated, "it is up to *that* partner, *that* partner, or *that* partner to carry it out."

Lazards aim at keeping 50 per cent of call money and other available resources against the deposits placed with them by customers and "they take notice" if the ratio goes down to 40 per cent. Between mid-August and September 12th the ratio was slightly above 40 per cent; on September 19th it had been raised to 61.22 per cent.

On August 22nd deposits totalled £10,658,000 against almost £12 million on July 11th. From that date, there was a sharp drop of £2½ million to September 12th involving the sale of £1 million short-dated gilt-edged and the calling in of £500,000 loans to local authorities. On September 13th, the liquidity ratio against £8 million deposits was 40.72 per cent. If deposits had fallen to £7 million, Mr Brand pointed out, a 50 per cent ratio would have become the minimum for safety. On that day, there was "a common purpose," based on a suggestion by Lord Kindersley, to sell gilt-edged to meet the fall in deposits, though no decision to sell on that day (a Friday) or about the amount. The figure in his own mind to sell was £1,650,000; he was impressed for the need to "do it once and be sure of doing it adequately."

The matter was further discussed by Mr Macartney-Filgate, Mr Meinertzhagen and Mr Marris on September 16th (Mr Brand being away from the office); on September 17th Mr Brand approved the proposal of Mr Meinertzhagen to sell up to £2 million; Lazards sold £1,450,000 on September 17th and 18th and retained holdings amounting to £3,700,000. After the increase in Bank rate, call money was deemed high, and £750,000 of gilt-edged was bought on September 23rd and 24th, reducing the liquidity ratio close to 50 per cent.

Acceptances of bills by Lazards totalled over £12 million. This figure, Mr Macartney-Filgate stated, had a close bearing on the amount of call money that the house kept with the discount market. Lazards would have to pay the bills, whether their clients put them in funds or not; that fact necessitated the keeping of a certain amount of money on call for that purpose. The discount market, which had taken these bills, "have a pretty shrewd idea" of the total volume of the acceptances by any one name. They expect a certain amount of call money to be kept with them, and if it gets too low and remains too low "there might be some comment. Your prestige, your name might suffer. . . ." Against £12 million of acceptances, he would certainly not want to drop below £3 million in call money and would rather have more—particularly in periods of crisis—as a declaration of strength. The discount market would, of course, have no knowledge of the further strength of Lazards represented by its holdings of Treasury and bank bills and gilt-edged.

Royal Exchange Assurance

The Court of directors of the Royal Exchange Assurance meets at 12.30 each Wednesday; it concludes its business at 12.45 and the Treasury Committee meets thereafter. The proceedings in the Treasury Committee on September 18th were closely examined by the Tribunal.

The Investment Secretary of the Royal Exchange Assurance was the only witness to declare that Bank rate ought to have been raised at least a month earlier, to 6 per cent. He, like many others, had written off an increase as a possibility, though not devaluation. In this mind he was concerned with "a serious deterioration in the liquid position" of the Royal Exchange Assurance that had occurred in the three weeks to September 16th and he sought approval from the Treasury Committee on September 18th for sales of investments "to provide fully £500,000 after allowing for large pending departmental settlements and the interim dividend." In the event, stock was sold to realise £1,160,000 out of the REA's total holdings worth more than £20 million. These sales had been carried out by 3.30 p.m.

The commitments included the dividend (£270,000 payable November 6th), departmental settlements (£300,000) the corporation's potential liability under the Vickers issue (£400,000) instalments due on tanker loans (£150,000) a fire loss (involving £250,000 gross) and a bank overdraft (£230,000)—a total of £1,600,000. Many of these items, as the evidence showed, turned out to be considerable over-estimates, and provision appears to have been made already by the accountant for funds to meet the interim dividend. Nor, incidentally, does any allowance appears to have been made in the calculations for the effect of accruing premiums in alleviating a temporary state of illiquidity. It is commonly thought that insurance offices do not make large outright sales of investments (as distinct from switches). It was revealed that the Royal Exchange had in fact previously sold gilt-edged to the extent of £750,000 in January, 1956.

The Vickers Underwriting

Attempts were made to postpone the Vickers' issues of loan stock and ordinary shares in the few days before September 19th.

Morgan, Grenfell and Co. underwrote the Vickers issues formally at 2.30 p.m. on September 16th. Offers of sub-underwriting were then posted and in the hands of the recipients on September 17th. Sub-underwriting was largely completed by 4.30 p.m. on September 18th when Lord

Kindersley called on Lord Bicester, the senior director of Morgan, Grenfell, to discuss the effect of the issue on the market and the effect on City opinion of the issue being allowed to go forward when a severe increase in Bank rate must inevitably overtake it. The issue, it appears, had received Bank approval in August, and underwriting had been discussed informally and sub-underwriting commitments undertaken verbally a week before. The Royal Exchange Assurance underwrote £618,900 of the issues, including £400,000 of the shares, and Lazards underwrote £42,500 loan stock and £50,000 shares.

Lord Kindersley sought authority of the Governor of the Bank—having been told by him at 12.45 p.m. on September 16th of the intention to increase Bank rate—to discuss the Vickers issues with Lord Bicester. He satisfied himself on September 17th that by that time nothing could be done to arrest the issues. If the operation could have been postponed, the underwriters would have been released ; but that could have been done only if the directors of Vickers had sought the approval of their shareholders. Meanwhile they were assured of their money. The underwriters stuck to their commitments, incurred considerable losses, and enhanced the reputation of the City by honouring their bargain. And fortunately the Vickers ordinary shares, though heavily "stuck," have not been too heavy a millstone on the rest of the market.

BUSINESS NOTES

BANKERS' SPEECHES

The Bankers Pronounce

THE statements of the chairmen of the big clearing banks have followed hard on each other this week, completing the annual round begun last week by Mr Tuke of Barclays and Sir Harold Bibby of Martins. Their comments run as usual over over a wide range, with one notable exception. Sir Oliver Franks of Lloyds Bank feels debarred by his membership of the Radcliffe Committee from commenting on domestic monetary developments ; the loss is made good by a thoughtful survey of problems of sterling and international payments.

The bankers generally appear to approve the measures of September last, which have brought no profit to them ; but they are emphatic that the need for these painful bludgeons has arisen from the Government's previous failings, particularly to cut its own expenditure. Lord Monckton, in his maiden speech as chairman of the Midland, points out that the failure of confidence overseas "sprang largely from a perhaps unduly sceptical assessment of the authorities' will and power" to apply corrective action. Sir Thomas Barlow, of the District, approves of the accent on the money supply—"costs and prices cannot spiral upwards without an increasing supply of money"—but Mr Roberts, of the National Provincial, fears that the restriction of the money supply in the private sector both here and in the United States may lead to world recession, which by fostering Government expenditure would in the end lead to further inflation. All the chairmen indeed place great emphasis on government spending ; and Lord Aldenham, of the Westminster, has the same objections as Mr Tuke to financing the nationalised industries by borrowing rather than from their own or Exchequer revenue. The bankers' plans are in line with the demand by Mr Cobbold last autumn that the budget should achieve a balance over all expenditures, below-line included.

The bankers feel, understandably, that the government's shortcomings in its own sphere have consistently placed an unfair burden on themselves, and on the private sector generally. Lord Monckton shows that whereas gross national income, in money terms, had risen by two thirds between 1950 and 1957, credit balances on current accounts had actually fallen slightly.

And he gives a useful new measure of the increasing amount of work to which the stable volume of money has been put—"business turnover," comprising the annual totals of the turnover on current accounts at the Midland Bank, excluding the figures for a few City branches which are heavily affected by purely financial operations. The result shows a rise of 51 per cent between 1950 and 1957 ; Lord Monckton presumes that a similarly constructed index of all the clearing banks would not differ greatly. If the other banks should see their way to presenting such figures, an accurate measure of the velocity of deposits could at last be available.

Weak Spot of Bretton Woods

NOTHING, Sir Oliver Franks points out in the searching analysis he presents to Lloyds Bank's shareholders, can change Britain's dependence on overseas trade ; and in the past 5 years the sterling system has by no means worked to Britain's disadvantage. But it would be wise now to provide "appropriate financial arrangements and incentives" to the Commonwealth holders of the sterling balances to limit the stresses they place on the common system. Sir Oliver suggests that this might be done by maintaining here a combination of high long-term rates and (once the crisis is past) low short-term rates, to discourage the holding of balances in liquid form. This proposal would, of course, have major implications for domestic monetary policy.

Sir Oliver's main fear for the future is that the present system of world payments is ill-equipped to withstand the impact of general world deflationary influences, which may (and Sir Oliver puts it no stronger than that) be replacing the inflationary trends of the postwar years. If they do, the policies followed by creditor countries will be of decisive importance ; and whereas there is always a sanction against excessive deficit, namely bankruptcy, the same is not true of excessive surpluses : "if over-expansionist policies can be suicidal, over-restrictive policies are undoubtedly fratricidal." The most serious weak spot of the Bretton Woods rules is that they provide no means of correcting (though they do provide a sanction against) the obstinate creditor.

Obviously there is at present a danger from both America, if its recession gets worse, and from Germany, if its current surplus and its restrictive domestic policies continue. Germany has a number of choices that would ease its pressure on its neighbours: further trade liberalisation, foreign investment, revaluation, or an increase in domestic consumption. Any country is entitled to choose the remedy it prefers : "but it is not entitled, if it wishes to act as a loyal member of an international system, to reject all of them."

Finally, there is evident need to increase the world's international reserves. Sir Oliver makes two suggestions for special action. The first is a stabilisation loan for sterling, in recognition of sterling's own great contribution to world reserves, and perhaps to permit larger British foreign investment than would otherwise be possible. The second is to give greater resources to the International Monetary Fund, through the deposit of countries' exchange reserves for use by a more independently managed Fund rather than through a general increase in quotas. Sir Oliver has given the world's bankers and finance ministers ample food for thought.

BANKING TREND

Year of Credit Expansion

THE movements shown by the end-year balance sheets of the big banks are in striking contrast to those that most people might expect from a year that saw the imposition of abnormally dear money and tighter directives over credit. Aggregate "net" deposits of the clearing banks (that is, excluding deposits represented by cheques in course of clearing) rose over the year by £211 million to £6,516 million, or by 3.4 per cent. This is the biggest rise since 1953 ; it contrasts with one of £44 million in 1956 and a decline of £298 million in 1955.

This speeding up of credit expansion, moreover, was by no means confined to the period before the emergency measures of last September. In the last quarter of the year bank advances, partly in consequence of the new directive

BANKING TRENDS COMPARED*
(£ million)

At end December	Deposits 1956	Deposits 1957	Advances 1956	Advances 1957	Investments 1956	Investments 1957
Barclays	1,412·9	1,512·6	368·5	377·5	479·2	497·2
Lloyds	1,200·3	1,260·3	336·9	327·3	373·9	372·3
Midland	1,474·6	1,508·0	398·1	398·1	411·8	453·4
National Provincial	816·0	832·2	256·7	240·1	221·1	220·1
Westminster	856·8	889·6	257·9	251·5	242·4	253·2
Martins	324·9	334·8	86·0	91·5	89·1	89·4
District	242·5	254·1	72·9	67·8	72·8	76·4
Williams Deacon's	135·7	136·4	49·1	45·9	38·3	36·0
Glyn Mills	57·1	70·0	21·3	18·9	13·7	13·3
Coutts'	49·4	50·5	16·3	16·7	14·4	11·4
National	85·4	89·5	33·3	33·9	23·7	26·1

* As computed for end-year balance sheets.

but also because of the fall in commodity prices, declined by £70 million, whereas in the similar period of 1956 they rose by £63 million. In spite of this contraction of advances, bank deposits rose during these three months much more than seasonally—by £342 million, compared with £263 million in the final quarter of 1956 and £152 million in 1955. No less than £280 million of the expansion occurred in the last six weeks of 1957 ; the December rise in the seasonally adjusted index of Lloyds Bank, by 2.4 to 109.9, was the largest recorded for a decade. The only part of the year in which credit was less expansionary than in 1956 was that affected by the run on sterling, when the Treasury was receiving large sums in sterling in exchange for its sales of dollars and gold.

The main counterpart of the additional deposits, both over the year and especially over the final quarter, is indeed to be found in those of the banks' assets that mainly reflect borrowings by the Treasury. These liquid assets—comprising cash, loans to the money market, and Treasury and other bills—rose during the quarter by £386 million and over the year by £173 million, compared with only £20 million in 1956. The ratio of these assets to deposits was raised by the year-end to 38.5 per cent, and for most banks was comfortable throughout the year. Thanks to this easy liquidity, the substantial additional advances made during the first half of the year could be financed by the banks without any considerable sales of investments. The £32 million net decline in advances over the year (mainly represented by repayments by the nationalised industries) was, indeed, much more than offset by a net addition to investment portfolios—by £68 million, raising them to some £130 million above the low point reached in August, 1956.

The Treasury's Influence

TWO main influences seem to account for the Treasury's increased borrowings through the banking system, and therefore also for the faster growth of deposits. First, the virtual seizing-up of the gilt-edged market, and the suspicion

LONDON CLEARING BANKS*
(£ million)

At end-December	End-years 1955	1956	1957	% ‡	Change during 1957	Nov. 20-Dec. 31, 1957
Gross Deposits	6,612	6,656	6,929	...	+273	+420
"Net" Deposits†	6,261	6,305	6,516	...	+211	+280
Liquid Assets	2,471	2,941	2,664	38·5	+173	+260
Cash	565	571	601	8·7	+ 29	+ 66
Call money	506	505	525	7·6	+ 21	+113
Treasury bills	1,271	1,275	1,403	20·2	+127	+ 79
Other bills	129	140	135	1·9	− 5	+ 1
Investments and Advances	3,867	3,893	3,930	56·7	+ 37	+ 18
Investments	2,016	1,980	2,049	29·6	+ 68	+ 11
Advances	1,851	1,913	1,881	27·1	− 32	+ 7

* As computed for *monthly* statements. † Excluding items in course of collection. ‡ Assets as a ratio of gross deposits.

of fixed-interest securities generally, during a substantial part of the year made it impossible for the Treasury to finance as large a part of its domestic needs as formerly by sales of securities to the public. Its market sales (including the public take-up of new issues) probably did not quite keep pace with maturities and purchases, in spite of the very large sales achieved in the opening weeks of the year when Bank rate was being talked down. The Treasury's domestic deficit, allowing for National savings, tax certificates and changes in the note circulation, was, however, only a little larger than in 1956.

Secondly, the Treasury's need to borrow sterling was increased by external influences, probably more substantially than in the previous year. Britain's external surplus on current account cannot have been smaller in 1957 than in 1956, and any such surplus tends to increase the Treasury's need for domestic finance—that is, to repay Treasury bills

representing overseas sterling balances that are being run down. Such internal strains from the current surplus may be in some degree offset by the effects of capital pressures against sterling; it is possible that, over 1957 as a whole, the net offset of this kind was smaller than in 1956. That was certainly true of the final quarter, when the speculative movement was in the opposite direction, and thus must have then tended to reinforce the domestic financial strains resulting from the external current account.

MOTOR INDUSTRY

Patterns of Recovery

THE end of the recession in the motor industry has left slightly more of its total output in the hands of the three largest manufacturers. BMC, Ford, and Vauxhall, between them produced not quite 900,000 cars, vans, and lorries during 1957, which was rather more than three-quarters of the total, while two years before, at the height of the boom, the combined share of these three firms was a little under three-quarters. Since 1955, however, two of the three have completed hefty expansion programmes—but as the number of vehicles coming off their assembly lines

VEHICLE PRODUCTION
('000)

	1955	1956	1957
BMC	468	331	450
Ford	307	284	300
Vauxhall	144	123	150
Standard	96	66	(60)
Rootes	120	105	...
Others	92	81	...
Cars	897	708	861
Commercial vehicles	330	287	279
Total	1,227	995	1,140
Home registrations	661	554	570
Exports	527	458	543

has grown only slightly over the two years, this increased net capacity has remained so far largely unused. BMC, which planned for a capacity of 12,500 vehicles a week, or well over 600,000 a year, is currently producing at the weekly rate of about 11,000, and Vauxhall is turning out about a third less than its new annual capacity of 250,000 cars and commercial vehicles. Ford, which weathered the recession rather better than the other two companies, will not benefit from its expansion programme for about another year : it has been producing to capacity since the summer, though a change of commercial models last autumn meant that its total output for the year fell slightly below 1955.

IN THE MARKETS

Australia's Turn Soon

RELIEF and sober satisfaction were the feelings with which the report of the "leak" Tribunal were received in the City. Both the gilt edged and the industrial sides of the market advanced ; the rally in industrials was barely perceptible ; but good business developed in medium and long dated gilt edged stocks, including the 1999-2004 stock. Substantial investors showed by their buying that the report had disposed of a doubt—of an obstacle to business—and that investment policy could now return to its pre-determined course. On Wednesday the *Financial Times* index of Government stocks jumped 0.24 to 80.26.

Discussion therefore reverts to how far the present tendency of the institutions to use a high proportion of their available funds in the gilt-edged market is likely to carry the rise. Is there much risk of the market running out of hand as it did with an unhappy sequel a year ago ? Certainly the official portfolio in the course of its open market funding has sold a large amount of stock recently though it cannot have been selling such great quantities as in the first weeks of last year. The recent issue of 5½ per cent Exchequer stock has also been designed partly to maintain control at the short-medium end of the list. The danger of a weakening of control, which seems slight, exists at the long-dated end of the list. It is certainly not expedient to make a Government issue in that range of dates so soon after the shorter dated issue.

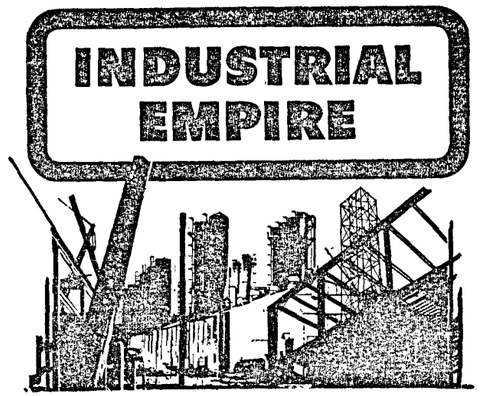
The supply of long dated stocks must therefore be maintained by a succession of smaller issues of trustee status. A few local authorities may be allowed to borrow and will probably be encouraged to stick to the 6 per cent coupon and to long dates. The largest of the forthcoming trustee issues, will, however, be for Australia and will presumably have to be made next month since it will replace £20 million of 3 per cent stock (1955-58) which matures at the beginning of April. Such an issue would fit neatly into the pattern of the gilt edged market provided that it is long dated and at an acceptable price. That should also enable Australia to take advantage of the reviving demand for long dated stocks. Suggestions that Australia might not seek to make a London issue but replace this sterling loan by dollar borrowing are not taken seriously in the market.

The Shell Prospect

ON the industrial side of the market the problem is still to accommodate the run of big capital issues. The £45 million that "Shell" Transport is to raise in the London market by its rights issue of one for ten at 110s. happens to be the largest industrial issue that the London market has ever tackled. It is flanked, also, by the Royal Dutch issue in New York and Amsterdam of one for eight at 30 US dollars (or 114 Dutch florins) raising about £81 million, so that the total sum that the oil giant will take from the capital markets of the world is £126 million. Owing to the difference between London and New York rules it has proved impossible to quote "Shell" Transport "ex rights" until after holders receive the provisional allotment letters to be posted on February 10th. While the Royal Dutch rights are now separately quoted (at around 8s. 3d.) Shell is still quoted "cum rights"; the price of 141s. 10½d. includes rights to the value of just under 3s. per share.

It now seems certain that Burmah Oil will exercise the rights attaching to its large holding of over £3 million in Shell ; the company will thus have to put up about £1,700,000. The market understands that it will do so without either selling from its existing portfolio or having to raise additional capital within a year. That decision must have been taken with due regard to the timing of Burmah's capital requirements in India.

Over the coming months and indeed until the new Shell stock becomes fully paid on May 16th this great issue, on terms good enough to ensure success but without any margin of generosity, must overhang the market. Other big issues will also restrain prices. Babcock and Wilcox has announced



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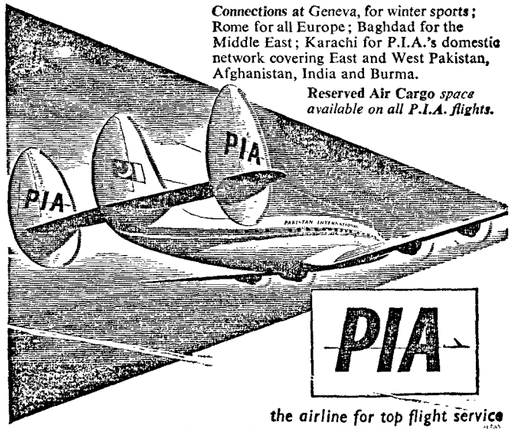
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Advanced... to Trade, Industry, Agriculture and other borrowers **£327 millions**

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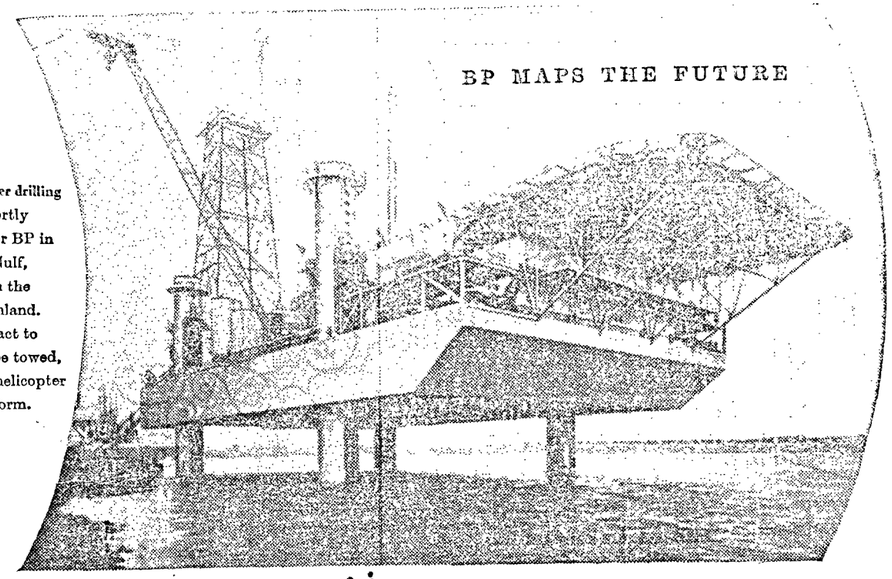
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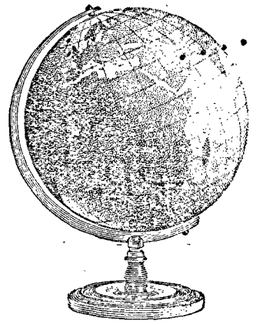
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BP MAPS THE FUTURE



This underwater drilling barge will shortly be at work for BP in the Persian Gulf, 80 miles from the Arabian mainland. The legs retract to enable it to be towed, and it has a helicopter landing platform.



Can oil supplies be doubled in the next ten years?

TODAY THE WORLD is using twice as much oil as in 1946. So far, production has kept pace with demand. At its expected rate of increase, by 1966 demand may well have doubled again. What is being done to meet this situation?

The answer is that exploration in known and suspected oil-bearing areas is proceeding on a colossal scale. In this world-wide operation the BP Group of Companies and its Associates are engaged, in some twenty countries, at an investment cost running into millions of pounds.

BP is also increasing the capacity of its fourteen refineries; adding new vessels to its 2,000,000-ton tanker fleet; expanding its marketing system, which already covers a great sweep of the globe, from Canada through Europe to Asia, to New Zealand.

In 1946 the world used some twenty million tons of BP products; in 1956 fifty-three million.

The ever-increasing demand for oil must be met: no organisation in the world is working harder to meet it than The British Petroleum Company.

THE British Petroleum COMPANY LIMITED

the terms of its debenture issue. It is to be £2 million of 6 per cent stock 1980-83 at £97 and is offered to the company's ordinary and preference shareholders and debenture holders. With a good cover and a gross redemption yield of £4 4s. 8d. per cent the stock should prove attractive. Canadian Pacific Railway Company's issue in Canada of $40 million 15-25 year 5 per cent collateral Trust bonds at 98 does not impinge directly on the London market. But the formation of a new subsidiary—Canadian Pacific Oil and Gas—has attracted the interest of stockholders in this country. It seems to foreshadow that the company will adopt a more forward oil prospecting and developing policy which might one day add a new spice of interest to the ordinary shares.

FUEL CONSUMPTION

A Whiff of Economy?

THIS week's cold snap has set salesmen in the fuel industries rubbing their hands together. Warm weather last year—particularly at the wrong times—overlay all their individual difficulties, such as shortage of large coal within a surplus of small, or in oil the painful recovery after "Suez rationing." Over the year, average temperatures were just over 2 degrees Fahrenheit higher than in 1956 (itself a rather warmer year than the standard set by the 30-year average, 1921-50). Total fuel consumption in 1957 was probably down by 3 per cent.

End-year figures from the National Coal Board show "gross inland consumption" of coal as 212,968,000 tons: after allowance is made for exports and changes in stock of the coke made from some of this coal, the "adjusted consumption" figure will probably come down to 208-209 million tons last year, against 214.5 million tons in 1956. In the first nine months of last year total oil sales inside Britain were a million tons, or 5½ per cent, down on the same months of 1956. Since then sales have recovered enough to suggest that for the year fuel oil sales, at least, may show a small increase; but total sales of petroleum products are fairly certain to be lower than last year. Reckoned in terms of "coal equivalent," total fuel consumption may have been about 246-247 million tons in 1957, against 253.7 million tons in 1956 and 249.8 million tons in 1955.

BURNING LESS COAL

	1956	1957
	(mn. tons)	
Gas	27·8	26·4
Electricity	45·6	46·5
Railways	12·8	12·2
Coke ovens	29·3	30·7
Industry :—		
Iron and steel	6·1	5·6
Engineering and metals	3·5	3·2
Others	29·9	28·7
Domestic	37·9	35·9
Collieries	7·9	7·2
Miscellaneous	17·3	16·5
Gross inland consumption	218·1	213·0

For the fuel industries in general, weather, the lack of expansion in industrial output, and Suez probably offer sufficient explanation of this; but the coal industry in particular must be looking rather more carefully at the levelling out of home coal consumption since 1953-54. Its guess that weather accounted for three million tons of the reduction in coal consumption last year is possibly liberal: in any case, that is probably only about half the total reduction, and industrial output has not been falling. Last year two of the coal conversion industries, electricity and the coke ovens, used about 2¼ million tons more coal than in 1956. Even if one ignores the collieries' own cut in consumption, and excludes the railways and iron and steel making as sectors of the market known to be declining, there was a reduction of more than 6½ million tons, or about 5½ per cent, in demand from the remainder—gas, engineering, "other industries," and domestic coal consumption.

OIL PRICES

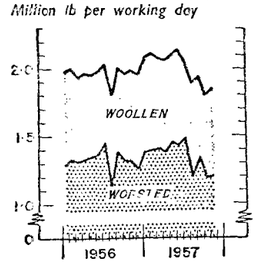
Cheaper Petrol?

RUMOURS of a further reduction in the price of petrol seem premature. There has been no change in the basic fob price of petrol in the US Gulf and Caribbean since petrol prices were last reduced in this country in November. The spot tanker market has collapsed, but the average freight rate paid on oil moving to this country, which is the rate taken into account in deciding on price changes, fell by only 11d. a ton between October 1st and January 1st, and is unlikely to have fallen at any faster rate since then. The gasoline market in the United States is admittedly weak, and refiners there, despite the narrow profit margins to which they are already working, may have to cut petrol prices by a further ¼ cent a gallon. If that should happen, the British motorist could expect a corresponding reduction. But a reduction in the price of petrol in Britain before it falls in the Caribbean would mean that the oil companies had abandoned their cherished "Caribbean-plus" yardstick. The British market for petrol has been weak this year, even since the Suez restrictions were removed; but because of the high tax on petrol, demand can only be stimulated by a price cut where large quantities are bought by a single buyer—in the highly competitive commercial consumer business, where special rebates off the scheduled price are already a common practice.

Fuel oil sales, on the other hand, should benefit from a further price cut. Although the rate of conversions to fuel oil has recovered a little, so that over 1957 as a whole possibly a little more fuel oil has been sold than in 1956, the pre-Suez rate of increase in fuel oil sales has not been regained. Prices to large consumers are already quite heavily "shaded" below the scheduled prices, and, for most uses, fuel oil is now again competitive with coal in price. The price of heavy fuel oil in the US Gulf fell last week by 5 cents a barrel and light fuel oils fell more sharply, at a time of year when the price usually rises, and this fall has not yet been reflected in a further reduction in fuel oil prices in Britain (except for marine diesel). But

BRITISH WOOL CONSUMPTION

Million lb per working day



Source : Wool Industry Bureau of Statistics

The British wool industry seems to have passed its peak; the upper line shows the daily total consumption of raw wool and the lower the consumption in top making. The lower shaded portion therefore depicts activity on the worsted side of the industry and the upper, the woollen side. Other fibres consumed in conjunction with wool are excluded.

British prices were reduced in November rather more than fob prices in the Caribbean; a cut in Caribbean prices now without a corresponding fall here would therefore merely bring British prices back into line with the Caribbean plus formula, which, in the case of fuel oil, a product that still crosses the Atlantic in quite large quantities, is still a reasonable basis for pricing. Colder weather in Europe this week may stimulate fuel oil sales here without a price cut, and indeed the weather, both here and on the eastern seaboard of the United States, still holds the key to fuel oil prices everywhere.

FOREIGN EXCHANGE

Sterling "Ex Leak"

STERLING has been in good commercial demand during the past week, particularly on American account. In the official market the rate has been held at $2.81½. It would have gone bounding towards its ceiling of $2.82 but for sizeable purchases of dollars by the Exchange Equalisation Account. The Bank Rate Tribunal Report has been well received, but to have had little positive effect on business. After Mr Thorneycroft's resignation foreign centres lost interest in the Tribunal's investigations. The reassuring verdict, however, has prevented renewed pressure on sterling that would otherwise have occurred.

The transferable sterling rate has also recovered slightly, reaching $2.79. The Japanese selling of transferable sterling seems to be finished, and there has been a good demand for it from the Continent. Forward sterling against dollars has held steady at around 27/32 premium for one month. This indicates an interest rate of about 3½ per cent per annum, which approximately spans the difference between bill rates in New York and London. The further decline in American interest rates which has been started by the reduction in the Philadelphia Reserve Bank rediscount rate may involve a slight widening of the dollar premium.

Against Continental currencies, however, sterling has barely held its level this week. The position in this group of currencies is still dominated by the exceptional strength of the guilder, which has been getting the advantage of covering of bear accounts. The reduction in The Netherlands Bank rate from 5 per cent to 4½ per cent was another sign of this new found strength. The British Exchange Control appears to have gained very few Continental currencies during the past month. On the evidence of foreign exchange market dealings—as visible to the naked eye—the end of January gold and dollar reserve figures should show an appreciable improvement, though the EPU settlement may be somewhat disappointing.

INTEREST RATES

Cheaper Money Abroad

ONE of the disadvantages of having had to defend sterling tooth and nail last autumn and of having still to nurse it carefully, is that London has become one of the dearest money centres in the world. Another disadvantage is that other countries can now afford to meet incipient recession by easier money while London cannot yet take that risk. As foreign interest rates come down and London rates remain steady the interest differential in favour of London widens. That has begun to happen. This differential does not automatically produce its own anti-body. To the extent that funds brought to London are matched by forward sales of sterling the gold reserve does not in the short run benefit. Three moves in the direction of relaxation must be recorded.

In West Germany the Bundesbank cut its rediscount rate last week from 4 per cent to 3½ per cent. This cut follows the similar reduction made in September when the London Bank rate was raised to 7 per cent. The previous reduction was doubtless a German contribution to the problem of the hot money going into marks and the pressure on sterling. The present move, inspired by a slackening of employment, order books and production, looks more significant. It may mark a move away from the tightly restrictive measures with which Germany has in recent years held its economy in check. The Netherlands, now enjoying the bear covering that follows the pressure on the guilder last summer, reduced its Bank rate on Thursday from 5 per cent to 4½ per cent.

American moves toward offsetting recession have been more complex. Doubtless a reduction in Federal Reserve

BANK RATES

	January 1, 1957	July 1, 1957	Now
	Per cent.		
United States	3	3	2¾–3
Canada	3·92	4·06	3.90
United Kingdom	5½	5	7
Germany	5	4½	3½
Netherlands	3½	3½	4½

rediscount rates has a part to play. The Philadelphia rate has already been cut from 3 per cent to 2¼ per cent and reserve banks in other centres may follow. In doing so they will be loosening the credit screw in the orthodox way, as they did in November when the rate came down from 3½ per cent to 3 per cent. But the American monetary authorities have a variety of weapons in their armoury and they have already used one other: the margin requirement on the New York Stock Exchange was reduced from 70 per cent to 50 per cent, thereby allowing the investor (and speculator) to operate with more borrowed money and less of his own resources. If the move were successful it would show first through Stock Exchange prices, only gradually breeding increased confidence in industry and trade. It must be recorded that the reaction on Stock Exchange prices has so far been modest. Since January 14th, the day before the announcement, the Dow Jones industrial average now at 445.70 has shown a net gain of 3.90, almost all of it secured on the day of the announcement.

OPENCAST COAL

Power to Ravish

NO politician could enjoy introducing permanent legislation to replace the Defence Regulations under which the National Coal Board works coal opencast by stripping the surface from some of Britain's fields, but this week Mr Maudling was reasonably businesslike about the distasteful necessity. Other speakers in the Commons on the second reading of the Opencast Coal Bill dilated more eloquently upon the unpleasantness of what is a brutal though efficient and cheap way of getting coal. Since the last Labour Government had committed itself to the forecast that opencast working would not be needed after 1953,

and the then Conservative Opposition had attacked them for not ending it before, most members were somewhat shamefaced in accepting the new measure. This bill will confer powers upon the Board to obtain, for ten years, "compulsory rights orders" for the use of land over periods of up to ten years; so, in effect, it may authorise opencast mining during 20 years from the time that it becomes law.

Opencast production amounted to 13,582,600 tons last year, and was entirely responsible for the small increase in total coal output, because production from the deep mines fell. About 110 sites are being worked today by civil engineering contractors on behalf of the board. This strip mining is a matter of large-scale earth moving and excavation, performed with heavy mobile equipment and generally operating 24 hours a day: the yearly productivity is about 1,200 tons per man employed, against 295 tons a year for deepmining, and costs are far lower, so that both the contractors and the board make a comfortable profit on it. This coal near the surface is often not of particularly good quality, but as far as size goes it is no worse than deep mining; something over 30 per cent of its output goes into the "large coal" grades.

Rights of protest before land is taken over for compulsory use, of compensation or, at the owner's option, of purchase, are probably more favourable to the landowner under the new bill than under the arrangements the board has recently been making, quite apart from the conditions imposed in the early years of opencast working. The restoration of the land, moreover, is now perhaps about as careful as it could be—the board accepts considerably greater obligations in this respect than most other industries working minerals from the surface. However reasonable these provisions may be, they will not persuade landowners to like the infliction: this rape of the earth, even when inevitable, is not one that anybody can relax and enjoy.

OVERSEAS STERLING AREA

Ghana's Sterling

A LURID gloss has been put on some remarks that K. A. Gbedemah, Minister of Finance in Ghana, made about the new Dominion's sterling balances. What he said when he returned from discussions in London was that plans had been completed "for the better management of the assets, most of which are now invested in British Government stocks." The interpretation which some have chosen to put on these words, namely, that Ghana is about to effect massive conversions of sterling into dollars and other cur-

British Trade in 1957

THE rate of expansion of British exports as a whole slowed down last year. But once again exports to non-sterling countries rose more than exports to the sterling area. If repayments of silver bullion to the United States are excluded, total exports to the dollar area rose 9 per cent in value. Exports to Western Germany, Italy and Belgium were higher than in 1956 but several other OEEC countries bought little, if any more.

Exports of cars and non-electric machinery revived last year after their poor or sluggish showing in 1956. On the other hand, aircraft, ships and boats and railway vehicles, which had been major growth exports in 1956, all declined in 1957. There was a marked slowing down in the rate of growth in the engineering group but the first increase in textile exports since 1951.

Import trade was considerably disturbed by the Suez crisis which delayed from 1956 goods to the value of about £30 million. Two-thirds of the rise of 13 per cent in imports from the dollar area was accounted for by supplementary purchases of dollar petroleum. Imports of finished manufactures showed a strong rise once more. The average price of industrial materials in 1957 was little different from 1956, but rubber was cheaper and the decline in the value of imports of non-ferrous metals can be entirely accounted for by the fall in copper prices.

Imports by Regions

	1957 £ million	% change on 1956
Sterling area	1,551	+ 2·2
Non-sterling area	2,525	+ 6·6
Of which :—		
Dollar area	965	+13·3
OEEC area	969	+ 1·5
Rest of world	590	+ 5·0
Total	4,076	+ 4·9

Where Britain Buys Most
(£ million)

	1956	1957
United States	408	483
Canada	348	320
Australia	236	248
New Zealand	197	183
India	141	158
Sweden	145	157
Kuwait	118	134
Netherlands	137	132
Western Germany*	110	124
Denmark	122	115
France*	112	111
Irish Republic	90	109

* Saar included with France in 1956 but with Western Germany in 1957.

Import* Gains and Losses in 1957

	1957 £ million	% change on 1956
Wheat	124	— 8·6
Meat	309	+ 5·7
Fruit and vegetables	227	— 2·1
Unrefined sugar	144	+43·0
Tobacco	85	+ 6·1
Raw cotton	99	+ 7·1
Raw wool	173	+13·1
Rubber	66	+18·5
Paper and board	70	+ 9·3
Timber	174	+ 8·6
Iron and steel	79	—25·0
Chemicals	110	+ 7·1
Non-ferrous metals	188	—12·6
Petroleum and products	437	+19·6
Machinery	141	+12·2

* Retained imports.

Exports and Re-exports by Regions

	1957 £ million	% change on 1956
Sterling area	1,527	+ 3·9
Non-sterling area	1,932	+ 4·5
Of which :—		
Dollar area	573	+ 5·7
OEEC area	938	+ 4·0
Rest of world	420	+ 3·7
Total	3,458	+ 4·2

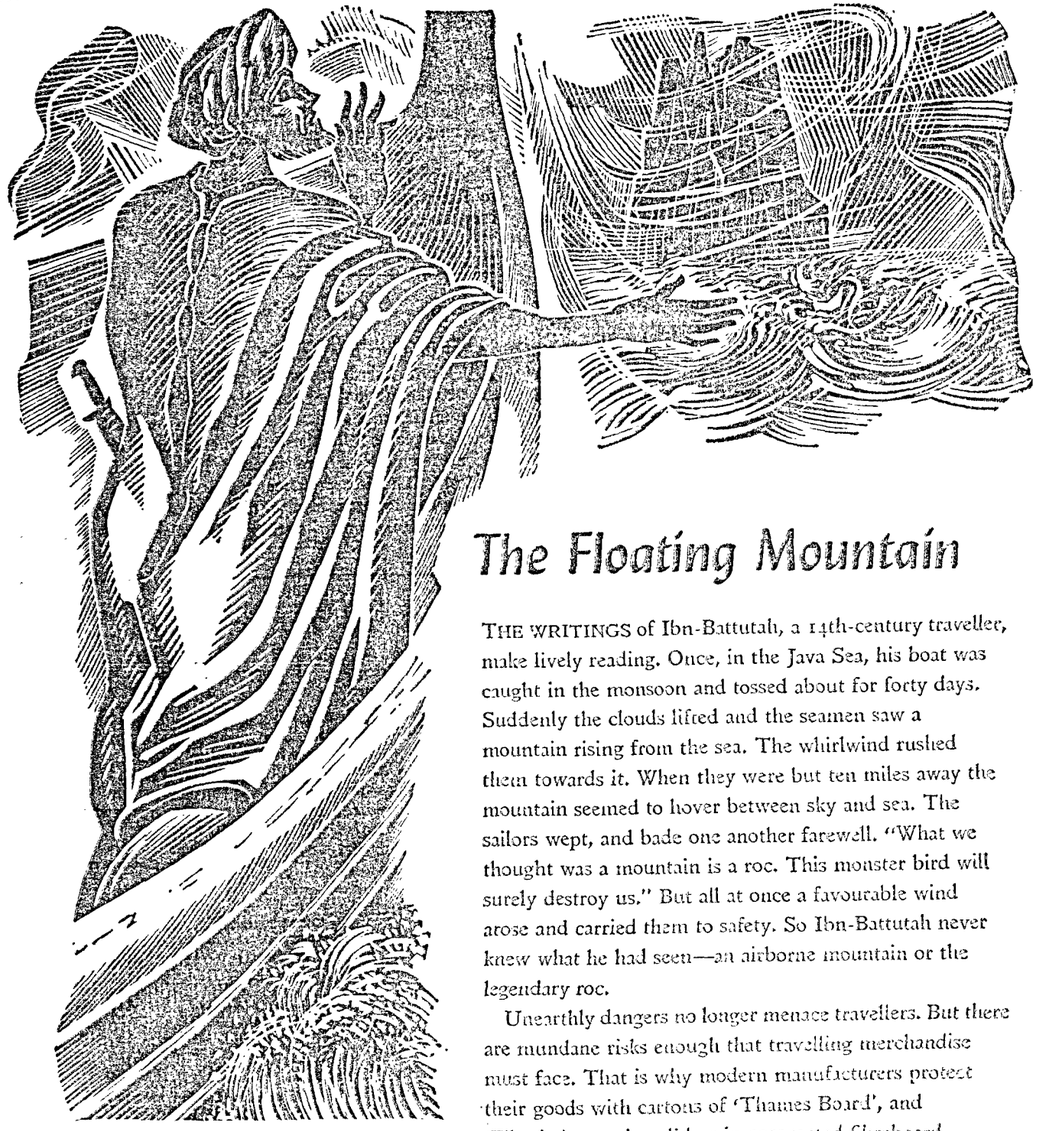
Britain's Best Customers
(£ million)

	1956	1957
United States	237†	252†
Australia	241	238
Canada	182	200
India	170	178
South Africa	156	174
New Zealand	128	141
Western Germany*	111	124
Netherlands	127	123
Sweden	109	114
Irish Republic	109	111
France*	102	102
Denmark	84	87

* Saar included with France in 1956 but with Western Germany in 1957.
† Excluding repayments of silver bullion.

Export Gains and Losses in 1957

	1957 £ million	% change on 1956
Non-electric machinery	561	+11·4
Electric machinery	227	+ 4·8
Motor cars and chassis	158	+31·2
Commercial cars & chassis	85	+ 1·4
Aircraft	70	— 2·8
Ships and boats	79	—15·4
Railway vehicles	42	— 7·3
Iron and steel	213	+23·2
Non-ferrous metals	96	— 6·5
Metal manufactures	168	+ 1·1
Chemicals	267	+ 9·4
Refined petroleum	83	— 9·4
Wool textiles	95	+ 5·8
Cotton textiles	88	— 0·2
Coal	41	— 9·3



Wood engraving by John Farleigh

The Floating Mountain

THE WRITINGS of Ibn-Battutah, a 14th-century traveller, make lively reading. Once, in the Java Sea, his boat was caught in the monsoon and tossed about for forty days. Suddenly the clouds lifted and the seamen saw a mountain rising from the sea. The whirlwind rushed them towards it. When they were but ten miles away the mountain seemed to hover between sky and sea. The sailors wept, and bade one another farewell. "What we thought was a mountain is a roc. This monster bird will surely destroy us." But all at once a favourable wind arose and carried them to safety. So Ibn-Battutah never knew what he had seen—an airborne mountain or the legendary roc.

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rencies and in effect pull out of the sterling area, is without foundation. All that is intended is to transfer the responsibility for the investment of these funds from the Crown Agents to a permanent committee of financial experts, in the main British, who will be appointed by and solely responsible to the Ghana Government. This move is at least not inconsistent with the emergence of Ghana as a self-governing dominion.

Mr Gbedemah referred to sterling balances amounting to nearly £160 million. These are mainly funds accumulated since the end of the war and held by the Cocoa Marketing Board, Pension Funds, and various funds other than the currency reserve. The latest available global figures for Ghana's sterling balances relates unfortunately only to the end of 1955 when they amounted to £215 million, of which £40 million was held by the Currency Board as backing for the currency issue. The present figure of £160 million would compare with the £175 million which was invested for funds other than the currency reserve in 1955. The sterling securities held by the Currency Board will be transferred to the new Central Bank this year, and it may well be that arrangements will later be made for departing from the present practice of 100 per cent sterling cover for the currency. That together with some reshuffling of sterling securities seem to be the only moves under contemplation. One of the reasons for the demand for "better management" of these assets—a phrase that seems wounding to the Crown Agents—may well be their serious depreciation along with other gilt-edged stocks last year, and the consequent desire of the Ghana Government to keep them much shorter-dated in future.

COMMODITY EXPORTS

A New Trade Index

A NEW index measuring the volume of the trade of the overseas sterling area is introduced alongside other statistical material in the current issue of *Economic Trends*. This shows exports from the area doing about as well as those from similar primary producing areas, sharing with them a growth that has failed to keep pace with that of the parts of the world trading in manufactured goods. Between 1950 and 1956 world exports rose about two-thirds in value

TRADE OF THE OVERSEAS STERLING AREA

(Index numbers 1950=100)

	Value of imports	Value of exports including oil	Value of exports excluding oil	Volume of imports	Volume of exports excluding oil
1936 to 1938	21	...	20	...	82
1948	80	...	65	...	88
1950	100	100	100	100	100
1953	118	117	110	104	106
1954	126	119	109	113	107
1955	142	129	118	127	117
1956	150	134	123	132	124
1957, first half...	161	141	134	135	133

and about 45 per cent in volume; the exports of the overseas sterling area in the same period rose 23 per cent in value (or 34 per cent if Middle East oil is included) and about the same, or slightly more, in volume.

The demand for raw materials has, the figures suggest, shrunk in relation to final output of manufactured goods. They might reflect, for example, the spreading of tin more thinly on the tinplate or the growth of synthetic rubber usage. Moreover, industrial countries have increased their domestic production of raw materials and have also been buying more from each other. Thanks to the support of United Kingdom sterling purchases, the overseas sterling area has been feeling this pressure only in the last few years, but in that time it has suffered a marked decline in its share of imports into the main manufacturing countries. There is naturally an obverse of the same medal—the long-term results of industrialisation in the overseas sterling area. Manufactures and semi-manufactures accounted for 19 per cent of the value of domestic exports (excluding oil) in 1950, 21 per cent in 1956. The trend seems to have started towards the export of more highly finished goods rather than raw materials.

OIL TANKERS

More Ships; Less Oil

TANKER freight rates plumbed new depths last week when spot cargoes from the Persian Gulf to the UK/Continent were fixed at about 13s. 6d. a ton (excluding Suez Canal dues of 6s. 3d. a ton). This is a mere quarter of the "normal" rate for the voyage, well below the rate at which even the most modern and efficient vessel can operate at a profit. At the peak of the Suez shortage last year up to £19 a ton was being paid: the freight then represented nearly four times the fob value of the oil, whereas today it amounts to less than a fifth. An owner would accept such unprofitable rates only as an alternative to the even less profitable journey home from the Persian Gulf in ballast, and it would presumably be his intention to lay the ship up at the end of the voyage. Though the spot market has collapsed, the great bulk of independently owned oil tankers are still being operated on quite profitable time charters that still have months or even years to run. The Average Freight Rate Assessment, which includes all tankers in use, still stood at the beginning of January at nearly five times last week's single voyage rate, and is unlikely to have fallen appreciably since then. Paradoxically, while many of the tankers now operating profitably under time charter are old vessels that might well be laid up, several brand new tankers in Norwegian and German yards for which no time charters had previously been arranged have taken one look at the spot market and gone straight from the builder's yard to the laying-up berth. About 2½ million deadweight tons of tankers are now laid up, to say nothing of those temporarily unemployed, and the oil companies, whose re-entry into the market as charterers provides the only hope of an early revival in rates, are still re-letting their own or chartered tonnage.

Short of another closure of the supply routes through the Middle East, there is little in recent forecasts of oil demand in 1958 to encourage tanker owners. Between 1950 and 1956 the world demand for oil was rising at an average rate of 7½ per cent a year; as average tanker hauls lengthened with the increased reliance on the Middle East, the demand for tanker tonnage increased at a faster rate, by 10¼ per cent annually during the same period. Today, few oil companies would put the probable average increase in the world demand for oil between now and 1960 at above 6 per cent a year, and it also seems unlikely that the average length of tanker haul will continue to increase, unless much more reliance is placed on the Cape route to Europe from the Persian Gulf. With over 5 million tons of new tankers due to be delivered in each of the next three years, more cancellations of orders and accelerated scrapping of old tankers can hardly be avoided.

SHIPBUILDING

Writing on the Wall?

PLUNGING tanker freights and berths crowded with laid up tankers must inevitably cast shadows across the shipyards, but, so far as British shipbuilders are concerned, the impact as yet has been small. According to the Shipbuilding Conference, orders for only 15 ships totalling 100,000 gross tons had been cancelled in British yards by the end of the year, and most of these were dry cargo vessels; options not taken up on berths may have accounted for another 100,000 tons. Thus British yards entered 1958 with an order book worth some £1,000 million, comprising 812 ships of 6,828,000 gross tons, nearly 400,000 tons more than they had on the books twelve months earlier. Nearly 1,500,000 tons, however, had been added in the first nine months of the year, and only 180,000 tons were ordered after September, when the slump in the spot tanker market began to look more permanent. Contrary to some reports, the P. & O. has not changed its programme to build some 500,000 dwt of tankers, with the first delivery promised for late 1958—though whether it will be able to find profitable employment for them immediately is another matter.

Foreign yards, especially in the United States and Japan, have felt the wind earlier. New orders by oil companies have more or less balanced deliveries of new ships and cancellations of existing orders, so there has been little change in the total of some 34 million deadweight tons supposed to be under construction or on order throughout the world. No oil companies are known to have cancelled firm orders (though they may have decided against the additional building programmes many of them had under consideration); oil companies can always dispense with chartered tonnage to make way for additions to their own fleets, and may even welcome the opportunity to raise the proportion—which had been falling—of the owned to chartered vessels in their fleets, as a matter of long term policy. But the independent operators, except where they have already secured time charters for vessels not yet delivered, must now forfeit their pound of flesh to the oil companies who provided them with fat pickings last winter. Last week, for example, the Onassis interests were reported to have cancelled a contract to build three 47,750 ton tankers in an American yard; and to judge from the favourable payment terms and short delivery dates now being dangled before unwilling shipowners by Japanese shipbuilders, American yards are not alone in feeling the pinch. Cancellations now could not have much effect on the rate of deliveries from yards before the middle of 1959, at the earliest. So the tanker surplus is bound to become worse for at least the next eighteen months.

MONORAILS

By Air to the Airport

THE main attraction of the project for a monorail link to London airport that a consortium of six British firms have put up to the Minister of Transport is the claim that it has a very strong chance of paying its way. A helicopter service has never seemed likely to do that, nor do the present airport coach services; and the scheme for a rail link, also starting from Victoria station, would cost about £16 million, which would be double the capital expenditure that the consortium Air-Rail, Ltd. expects its project to involve. If the Ministry is satisfied that the monorail would be completely safe and if all the other legal preliminaries are cleared, it could be ready for operation in 1961. By then passenger traffic to and from the airport is expected to have increased from more than 3 million now to over 5 million. If the monorail could secure half of that traffic, Air-Rail reckon that it would more than cover its operating costs and capital charges with a single trip fare of 5s. In addition the monorail would be able to carry freight from the new Victoria air terminal (the cost of which is not included in the £8 million) and any commuter traffic to the airport area.

The two other advantages of a practical and viable monorail service would be its speed and its ability to operate in all kinds of weather. Two parallel concrete rails would run for sixteen miles from Victoria to the airport, following the Southern Region railway as far as Feltham, then cutting across country to the airport. To this spur the rails would be carried on pillars and nearer the airport they could run along the ground. This would give an unimpeded run in each direction at speeds of up to 100 mph, which the first diesel-powered bus-type coaches would be able to do. Signalling and traffic control by an induction relay system would be designed to give the monorail something equivalent to automatic train control, so that fog and darkness would not limit journey speeds.

The monorail system Air-Rail offers to develop is the saddle-type in which the coaches run astride the rail, instead of being under-slung. Originally a British invention, it has recently been taken further by a Swede and tried out for a short distance in Cologne. It runs on tyres with supporting wheels running along the top of the rail and guiding and stabilising wheels on the vertical surfaces; tyres reduce the noise of movement but set, at present, a limit to maximum coach speeds. This Air-Rail coach has a normal set of wheels as well so that it can leave the rail at either end and travel as an ordinary bus. Thirty coaches, to make up ten or more train sets tailored to aircraft loads, would be built to begin with.

EXPORT CREDITS

ECGD's Record Business

A RECORD value of £485.4 million of goods was shipped under insurance granted by the Export Credits Guarantee Department last year. That is 18½ per cent more than in 1956, and a notable achievement with which to face the Speed Committee at present re-examining the Department. But as might be expected the growth eased in the last quarter, falling to a rate only 7 per cent above the 1956 level. There was also a marked difference between the trend of medium-term and of short-term policies.

The insurance of new medium-term transactions—transactions involving credit up to a maximum of about five years—reached a record of £156.6 million during the calendar year. New business in this field—mainly of the capital goods type—was thus double what it was in 1956. On the other hand, the face value of short-term policies outstanding at the end of the year declined by £28.0 million, to £518.6 million, while the average face value of each policy fell by 8 per cent. Since policies are normally taken out a year in advance, this may give some indication of how British exporters of non-capital goods estimate their prospects. Indeed, the high current level of insured exports represents the fulfilment of expectations held in 1956, when the total value of outstanding short-term policies rose by £56.8 million, or nearly 12 per cent, and the average value rose by 6 per cent.

MOTORWAYS

The First 53 Miles

THE speed at which the London-Birmingham motorway, which will run for 53 miles from the St. Albans by-pass to the Dunchurch by-pass near Birmingham, is to be completed is certainly fast. The Ministry of Transport invited tenders for four sections of the motorway with two alternative completion dates, October next year and October, 1960, and has decided to award the contract for all four sections to John Laing, stipulating that each section is to be ready by the earlier of the two dates. As the major excavation work will take Laing most of the rest of this year, the laying of the concrete and the construction of the 62 major bridges will have to be done in little more than ten months. This rate of motorway building will compare very well with the pace of any previous work on the Continent or in North America.

Though the work has to be done in so short a time, the award of the contract to a single firm (which quoted the lowest price for all four sections) will allow that firm to use its equipment and organisation more effectively. Laing, which is one of the largest road builders in Africa—where conditions are admittedly somewhat different—intends to split the work up into the four original sections, with a separate team for each. It has the necessary concreting plant already, and envisages no difficulty in adding to its stock of excavation equipment, recruiting additional labour, or in securing supplies of materials.

But this sudden burst of speed by the Ministry of Transport in its motorway programme causes more surprise. Plans for the London-Birmingham motorway, which will form the southern part of the Y-shaped north-south motorway linking London with Lancashire and Yorkshire, were first announced three years ago and the intervening time has been taken up in various preliminary negotiations and surveying. Both the Preston and Lancaster by-passes, which are small parts of the Lancashire branch of the motorway, are now being built at the rate of two years or more for stretches only nine and eleven miles long. The 21-mile Ross Spur, too, is expected to take 2½ years to build. Would it be merely churlish to think that part of the explanation for this sudden quickening up is that, if this week's contract is completed on time, Mr Watkinson has a good chance of being present as Minister of Transport at the opening of the first long motorway, before the next General Election?

COMPANY AFFAIRS

F. W. WOOLWORTH

THERE was a little buying of the 5s. ordinary shares of F. W. Woolworth before the company's dividend announcement. The small gain in the price was, however, lost when the dividend of 40 per cent for 1957 was announced. It was exactly equivalent, after allowing for the 50 per cent free scrip issue, to the 60 per cent paid for 1956. The 5s. units, now standing at 39s. 7½d., yield just over 5 per cent, a figure which implies that shareholders still expect rising dividends.

Following the revaluation of its properties, the company's provision for depreciation has more than doubled at £312,239 against £680,692. Gross trading profits before deducting that charge have risen from £23,631,594 to £24,752,445, a cheering increase of about 4¾ per cent which must mean an expansion in turnover more than sufficient to offset rising costs. Woolworth's tax bill has risen from £12,313,238 to £12,838,552, and its net profits have edged up from £11,006,117 to £11,233,201. The net ordinary dividend absorbs £7,762,500, but the ordinary earnings cover—about 57 per cent—is high enough to justify those who look for some increase in the dividend one day. But will F. W. Woolworth and other retailers of consumer goods be able to repeat in 1958 their 1957 achievements—achievements which, in part at least, have already been discounted in share prices?

MONTAGUE BURTON

NEW blood was injected into the management of the multiple tailors, Montague Burton, when in 1953, not many months after a bad spell of net trading losses, it absorbed Jackson the Tailor (and in effect Mr Jacobson). Since then the record has been progressive. In the year to August 31st last, the company's gross profits rose by £213,967 to £2,431,113. After tax, net profits rose from £993,535 to £1,063,867. Allowing for the 100 per cent free scrip issue in non-voting "A" ordinary shares the ordinary dividend has been effectively raised from 8¾ to 10 per cent. The new dividend absorbs £256,353 net and is covered over three and a half times; Throgmorton Street was disappointed with the dividend, marking the ordinary units down.

This is a handsome cover but it is not the only reason why both the ordinary and "A" ordinary shares are highly priced. The 10s. ordinary units (that carry votes) stand at 24s. 4½d. and yield only £4 2s. per cent and the 10s. "A" non-voting ordinary units stand at 21s. 10½d. and yield £4 12s. per cent. Yields as low as these are not justified by trading results alone—nor by prospects, on which the fall in wool prices must have some bearing. The yields are low for the same reason that a differential exists between the prices of the voting and non-voting stocks: Montague Burton is the prey of recurrent rumours of possible take-overs. Such rumours, however baseless in fact, have this justification: in recent years, multiple tailoring has been heavily concentrated under the control of two big groups, Great Universal Stores and United Drapery Stores. How long, the rumourmongers ask, can Montague Burton stay independent? Or, indeed, how long is it willing to do so?

STEEL RESULTS

BY coincidence and by contrast, the reports that round off this year's trading results from the iron and steel industry are from companies reporting lower profits. These are the exceptional reports; the other steel giants reported better earnings and dividends. They come from companies which have not been, as many of the others were, massively engaged in development programmes.

Richard Thomas and Baldwins, still nationalised, issues its report to its single shareholder, ISHRA. Tersely, all its directors say about the fall in trading profits from £10,075,840 to £9,694,407 is that it "resulted from various factors, some domestic and some external." But they do mention the closing of hand mills and add that "the position of certain other old-type works owned by the company, including steel works, is under review and some further closures may be necessary."

A continuous galvanising plant at Ebbw Vale and a sheet steel plant in the Midlands accounted for much of

the money spent on capital account last year. Outstanding capital commitments are estimated at about £5,400,000. Because of an increase in stocks and debtors, the group's liquid resources were reduced from £7.1 million to £4.2 million (largely made up of a loan of £3,250,000 to ISHRA) during the year. The group should have no difficulty in meeting its immediate capital commitments, which are small beer for the steel industry and for Richard Thomas and Baldwins. The main question is still whether or not another strip mill is to be built and whether or not RTB is to be concerned in it. Until that issue is resolved, the costly alternative development projects that the company has in mind—and probably its denationalisation—are likely to wait.

Lancashire Steel raised its ordinary dividend from 11 to 14 per cent despite a fall in its gross trading profit from £3,864,930 to £2,861,880. In the full report the directors merely repeat the view they expressed in the preliminary announcement—that the principal cause of the fall in earnings was that the Iron and Steel Board did not allow high enough prices for billets, wire rods, bars and light sections. Since the end of the financial year earnings have improved. During the year the group spent nearly £2,300,000 on capital commitments are estimated at nearly £1,600,000. Lancashire Steel has not, as many other steel companies have, a big development programme to complete and at the end of last September it held about £2,400,000 in liquid assets.

Arthur Lee and Sons is a much smaller concern, making strip steel, wire rods and bright drawn steel bars. It, too, has reported a fall in trading profits—from £1,351,212 to £1,219,247. It has left its ordinary dividend unchanged—at 10 per cent, less tax, plus a tax free bonus of 2½ per cent. In his statement the chairman, Mr G. Wilton Lee, attributes the fall in profits to the recession in the motor industry (the company's biggest customer), to the increase in costs without a "commensurate increase" in controlled selling prices, and to some reduction in orders. But orders, he adds, are now "much healthier than they were a year ago." He looks forward to a "successful year."

WESTINGHOUSE BRAKE AND SIGNAL

SOUND and progressive is not an unfair description of the merits of the £1 ordinary stock units of Westinghouse Brake and Signal. For the year to end-September the ordinary dividend was effectively raised from 9 to 10 per cent, following an advance in gross profits from £1,733,122 to £2,143,466 and in net profits from £741,620 to £888,847. On this dividend the £1 units at 33s. 7½d. xd yield just under 6 per cent.

Last year also witnessed a rights issue of ordinary stock, raising about £3 million. This new money eliminated the bank overdraft of £1¼ million, which had been spent on the group's capital programme; at the end of September the group had net liquid assets of about £725,000, to set against immediate capital commitments of £856,000.

Thus the group is well placed to meet the further demands that will be made on its productive resources this year. Last year, costs were rising but the pressure on profit margins was offset by a bigger volume of production, as new equipment and plant began to make its contribution. Record deliveries were achieved both at home and overseas. Other major factors in bringing about the increase in profits were better results from subsidiaries in the Commonwealth and the elimination of losses made earlier by Douglas (Kingswood), which as well as making brakes and pneumatic control equipment is the manufacturer of "Vespa" scooters in this country. Orders received last year were again a record and the chairman, Mr A. R. S. Nutting, says that the modernisation programme of the British Transport Commission, while it had no material effect on the 1956-57 results, will swell the demand for vacuum brakes and signalling equipment "during 1958 and thereafter." The Westinghouse ordinary stock units should ride through 1958 quite comfortably.

London Stock Exchange

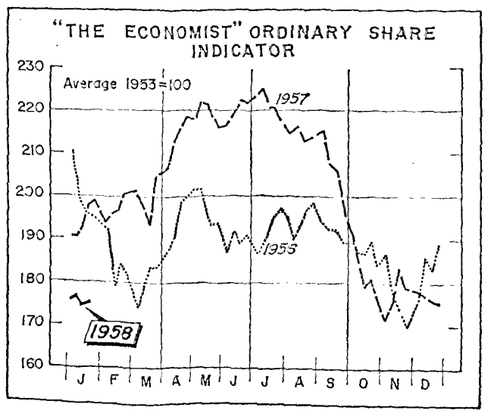
FIRST DEALINGS:	Jan. 15	Jan. 29	Jan. 12
LAST DEALINGS:	Jan. 28	Feb. 11	Jan. 25
ACCOUNT DAY:	Feb. 4	Feb. 18	Mar. 4

PUBLICATION of the "leak" report, lower interest rates abroad, a fall in the Treasury bill rate and another rise in sterling encouraged buyers of gilt-edged stocks after a pause on Tuesday, but prices responded more briskly on Wednesday, lifting the *Financial Times* index of Government securities a further quarter of a point to 80.26, compared with 79.75 a week before. The new Exchequer stock crept up steadily to 99¼ from its issue price of 99½.

Industrial stocks moved uncertainly, last Thursday's improvement giving way to weaker conditions until a rally on Wednesday more than made good the losses. Bank shares gained ground, Barclays rising 1s. 6d. to 41s. 6d.xd. and Lloyds 1s. 9d. to 44s. 6d. But discount houses suffered losses, National Discount "B" falling 2s. 6d. to 30s. xd., and Union Discount 1s. 3d. to 41s. 9d. Following the results, Borax declined to 18s. 1½d. at one time, before recovering to 18s. 4½d. De La Rue gained 1s. 6d to 23s. on the proposed free scrip issue. Record export earnings failed to halt a fall in motor shares. There was a more pronounced slide in aircraft stocks among which Hawker Siddeley slipped a further 1s. 6d. to 26s. 6d. Steel shares stage a sharp recovery on Wednesday; Colvilles convertible debenture, which started at a discount on Monday, rose to its issue price. Shipping shares receded, P & O falling 1s. 3d. to 22s. 9d.

Despite a reaction last Friday, leading oil stocks, with the exception of Burmah, made gains of several shillings, but became uncertain on Thursday. Royal Dutch rights were quoted at 8s. 3d. Platinum shares fell heavily before the passing of the interim dividends, and weakened further on Thursday. Tin producers turned easier, and copper mines drifted lower.

"THE ECONOMIST" ORDINARY SHARE INDICATOR



STOCK EXCHANGE INDICATORS
"The Economist" Indicator

1957/8	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
Dec. 31	175·7	6·63				
Jan. 1	175·9	6·64				
,, 8	176·5	6·63				
,, 15	174·3	6·72	225·0 (July 10)	171·2 (Nov. 6)	210·4 (Jan. 4)	170·0 (Nov. 23)
,, 22	175·3	6·66				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956 High	1956 Low	1957 High	1957 Low
		%		%		207·6 (July 9)		205·8 (Jan. 3)	
Jan. 15	164·0	6·72	88·13	5·29	7,260				
,, 16	164·4	6·70	88·14	5·27	6,573				
,, 17	164·0	6·72	88·36	5·28	6,416	Low	Low	Low	Low
,, 20	163·5	6·74	88·38	5·25	8,792	159·0	161·5	161·5	
,, 21	162·9	6·77	88·38	5·25	6,702	(Nov. 6)	(Nov. 29)	(Nov. 29)	
,, 22	163·9	6·73	88·62	5·20	6,689				

Bases:—*1953=100. † July 1, 1935=100. ‡ 1923=100.

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Jan. 15, 1958	Price, Jan. 22, 1958	Net Yield, Jan. 22, 1958 £ s. d.	Gross Yield, Jan. 22, 1958 £ s. d.
97 12/32	93 1/4	War Loan 3%....1955-59	97 7/32	96 7/32	3 15 2	5 5 8
95 23/32	87 1/4	Funding 2½%....1956-61	90 5/32	91 5/32	4 5 8	5 10 2
99 25/32	98 3/4	Conversion 4%....1957-58	99 3/32	99 3/32	4 0 3	6 4 2
97 15/32	94 11/32	Conversion 2½....1958-59	96 25/32	96 31/32	4 6 8	5 4 6
95 3/16	90 1/2	Exchequer 2½....1960	93 31/32	93 31/32	4 5 6	5 2 8
97 1/2	92 1/2	Exchequer 3%....1960	95 1/2	95 1/2	3 13 2	5 4 6
99 5/16	93	Conversion 4½%....1962	95 15/16	95 15/16	3 14 2	5 12 10
99 1/2	84 5/8	Savings Bds. 3%..1955-65	83 15/16*	84 1/16*	4 3 3	5 11 1
84 1/2	77	Funding 3%....1959-69	77 1/16	77 1/16	4 10 0	5 16 5
85 3/4	84 15/16	Funding 4%....1960-90	86 1/2	87 1/8	8 16 6 / 2 18 8	10 17 10 / 4 16 8
81 1/8	74	Savings Bds. 3%..1960-70	75 1/8	75 1/4*	4 5 8	5 15 5
94 5/8	87 1/8	Exchequer 3%....1962-63	88 1/8	88 1/4	4 2 4	5 10 4
89 3/4	83	Exchequer 2½%..1963-64	84 1/8	84 1/8	4 5 6	5 9 9
33 11/16	77 1/8	Savings Bds. 2½%..1964-67	78 1/16	79 1/8	4 4 9	5 9 10
77 1/4	67 1/2	Savings Bds. 3%..1965-75	69 3/8*	70 1/4*	4 2 3	5 13 9
—	—	Conversion 5½%....1966	99 1/2	99 1/2	3 4 2	5 11 3
84 1/2	78 1/4	Funding 3%....1966-68	78 1/16*	78 3/8*	4 4 7	5 13 10
95 1/2	91 1/2	Victory 4%....1920-76	92 1/2	91 1/4*	3 6 0	5 1 8
88 3/8	80 1/2	Conversion 3½%....1969	82 1/8	81 3/8*	4 0 11	5 14 0
69 1/2	69 1/2	Treasury 3½%...1977-80	71 1/4	72 1/4	4 1 6	5 18 3
69	68	Treasury 3½%...1979-81	70 3/4*	71 1/4*	4 0 6	5 17 2
71 1/2	57 1/8	Redemption 3%..1986-96	60 3/8	61 1/4	3 12 1	5 9 2
63 1/2	63 1/2	Funding 3½%..1999-2004	64 3/8	65 1/8	3 10 10	5 12 4
68	68	Consols 4% after Feb. 1957	70 1/4*	70 1/4*	3 5 2	5 13 4
65	60 1/4	War Loan 3½% after 1952	63 3/8	63 3/8	3 3 4	5 10 6
65 1/2	58 1/2	Conv. 3½% after Apr. 1961	63 1/4	63 1/4	3 3 10	5 11 10
57 1/2	51 1/2	Treas. 3% after Apr. 1966	56 3/8	56 3/8	3 1 9	5 8 2
46 1/2	45	Consols 2½%	47 1/4	48	3 0 0	5 5 4
55 15/16	44	Treas. 2½% after Apr. 1975	46 3/4	47 1/8	3 1 1	5 6 7
96 1/2	88 3/4	Br. Electric 4½%..1967-69	90 1/8*	90 1/8*	3 12 2	5 16 12
79 3/8	70	Br. Electric 3%....1968-73	72 3/8	72 3/8	4 4 2	5 16 2
68	66	Br. Electric 3%....1974-77	69 3/8	70 1/4	4 0 3	5 13 2
82 5/8	79 1/2	Br. Electric 4½%..1974-79	85 1/2	85 1/2	3 9 8	5 11 2
81 15/16	69 1/2	Br. Electric 5½%..1976-79	72 3/8	73 1/2	3 17 5	5 14 5
50 1/2	81	Br. Gas 4%....1969-72	83 3/4*	83 3/4*	3 15 10	5 13 7
87 3/8	78	Br. Gas 3½%....1969-71	80 3/8	80 1/8	3 19 0	5 14 5
72 3/8	53 3/8	Br. Gas 3%....1990-95	60 1/4	61 1/2	3 12 6	5 9 1
80 1/16	70	Br. Transport 3%..1968-73	72 3/8	72 3/8	4 4 2	5 16 2
85 1/2	77 1/2	Br. Transport 4%..1972-77	80	81	3 13 5	5 12 8
72 1/2	59	Br. Transport 3%..1978-88	61 1/2	62 1/4	3 16 7	5 11 10

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Jan. 15, 1958	Price, Jan. 22, 1958	Yield, Jan. 22, 1958 £ s. d.
92 1/2	82	Agric. Mortgage 5%....1959-89	84	84 1/2	6 2 0
81 1/2	75	Australia 3½%....1965-69	76 1/2	76 3/8	6 4 0
97 1/2	91 1/2	Birmingham 5%....1973-75	93	93	5 13 2
100 3/8	91	East Africa 5½%....1977-83	92 1/2	92 7/8	6 5 6
105 3/8	96	L.C.C. 5½%....1917-81	100	100 1/2	5 7 6
69 3/8	54 1/2	Met. Water Board 'B' 3% 1934-2003	57 1/2	58 3/8	5 15 6
87 1/2	77	New Zealand 4%....1976-78	78 3/8	79 1/8	5 16 0
75 3/8	67 3/8	S. Rhodesia 2½%....1965-70	69 3/8	70	6 1 10
87	72 3/8	German 7% (Br. Enfaced 5%)..1924	83 1/4	84 1/4	...
150 1/2	147 1/2	Japan 5% (Enfaced)....1907	163 1/4	163 1/4	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 15, 1958	Price, Jan. 22, 1958	Yield, Jan. 22, 1958 £ s. d.
		% %	BANKS & DISCOUNT			
20/9	19/6	9 c 4 a	Bk. Ldn. & S. Amer. £1	29/-	28/6	6 6 4
47/3	40/-	6 a 6 b	Barclays Bank....£1	40/-*	41/6	5 15 8
35/3	27/6	4 a 4 b	Barclays D.C.O. ...£1	29/6	30/-	5 6 8
42/6	34/6	7½ b 7½ a	Chartered Bank....£1	36/-	37/-	8 2 2
51/3	42/9	6½ a 6½ b	Lloyds Bank £1	42/9*	44/6*	5 16 10
56/7½	58/-	9 a 9 b	Midland Bank £1	60/-*	61/-*	5 18 0
40/6	28/6	5 a 5 b	Nat. Discount 'B' ..£1	32/6*	30/-*	6 13 4
53/6	39/3	6½ a 6½ b	Union Discount....£1	43/-	41/9	5 19 2
			INSURANCE			
68/7½	61/7½	43½ b 30 a	Commercial Union 5/-	71/3	71/3	5 2 11
77/6	102/6	87½ b 40 a	Legal & General ..5/-	115/-	117/6	4 5 2
22½	17½	150 b †20 a	Pearl....£1	18½	18½	6 10 9
46	34½	†125 c †132½ c	Prudential 'A'....£1	38½	38½	5 19 6
			BREWERIES, ETC.			
120/-	105/6	10 a 36 b	Bass....£1	125/-	125/7½	7 2 5
25/9	19/7½	18½ c 7½ a	Distillers....6/8	19/10½	20/3	6 3 5
54/9	36/-	10 a 15 b	Guinness....10/-	39/6	39/3	6 7 4
67/3	63/6	8 a 17 b	Whitbread 'A'....£1	79/6	79/6	6 0 9½
			MOTORS & AIRCRAFT			
21/6	11/9	6½ b 3½ a	Bristol Aeroplane 10/-	13/1½	13/-	7 13 10
8/7½	6/-	12½ c 12½ c	British Motor....5/-	7/-	6/10½	9 1 10
40/-	29/3	5 b 3 a	Ford Motor £1	31/10½	31/9	5 0 10
45/9	27/6	3 a 7 b	Hawker Siddeley....£1	28/-	26/6	7 11 0
53/-	41/9	10 c 12½ c	Leyland Motors....£1	43/-	43/-	5 16 3
21/-	90/7½	15 b 5 a	Rolls-Royce....£1	89/-	90/-	4 8 10
9/1½	5/11½	8 c 8 c	Standard Motor....5/-	7/11	6/10½	5 16 4

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 15, 1958	Price, Jan. 22, 1958	Yield, Jan. 22, 1958 £ s. d.
137/6	115/-	50 b 20 a	Anglo-American .10/-	117/6	117/6	5 19 0
29/-	20/3	†2½ a †10 b	Cons. Tea & Lands..£1	20/6	20/6	21 3 5
52/6	48/6	15 b 6½ a	Cons. Zinc Corp. ...£1	49/3	50/-	8 10 0
113/1½	81/3	120 b 80 a	De Beers Def. Reg. 5/-	87/6	88/1½	11 8 0
83/1½	58/7½	... 20 a	Free State Geduld..5/-	80/7½	78/1½xr	...
12/10½	7/3	30 c 10 a	London Tin 4/-	7/3	7/3	16 11 0
56/7½	45/-	50 b 50 a	President Brand ..5/-	48/10½	48/7½	10 5 7
24/9	13/10½	8½ a 16½ b	Rho. Selection Tst. 5/-	14/4½	14/1½	8 18 0
42½	23½	50 a 175 b	Rhokana Corp. £1	23	22½	10 0 0
55/-	41/-	30 b 12½ a	United Sua Betong..£1	48/9	49/4	17 8 3
88/4½	58/1½	40 a 60 b	Western Holdings .5/-	86/3	86/10½	6 15 0

New York Closing Prices

	Jan. 15 $	Jan. 22 $		Jan. 15 $	Jan. 22 $		Jan. 15 $	Jan. 22 $
Aluminium Ltd.	28½	28½	Crown Zeller..	46	47½	Penns. R.R....	12½	12½
Am. Smelting..	38½	37½	DuPontdeNm.	181½	181½	Sears Roebuck	25½	26½
Amer. Tel....	172½	172½	Ford Motors..	40½	40½	Shell Oil	63½	62½
Am. Viscose..	27½	27½	Gen. Elect....	62½	62½	Std. Oil of N.J.	50½	49½
Anaconda	41	41½	Gen. Motors..	35	35½	U.S. Steel....	54½	54½
Beth. Steel...	38½	39	Int'l. Nickel..	72½	71½	Western Union	16½	16½
Can. Pacific ..	25½	25½	National Dist.	22½	22½	West'house E.	63	63½
Chrysler	53½	53½	N.Y. Central ..	15	15½	Woolworth ...	39½	41

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 100%. (e) To earliest date. (f) Flat yield. (g) On 24 %. (h) On 13½%. (i) On 22½%. (j) After Rhodesian tax. (k) On 30%. (l) To latest date.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared.

World Trade ..... Jan. 18th

British		Overseas	
Prices and Wages.....	Jan. 4th	Western Europe :	
Production and Consumption	Jan. 11th	Production and Trade.....	Dec. 21st
Manpower.....	This week	British Commonwealth	Jan. 11th
External Trade.....	Dec. 21st	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits	Jan. 18th	United States	Jan. 4th

Manpower in Great Britain

	Unit	Monthly averages			1956			1957			
		1954	1955	1956	Oct.	Nov.	Dec.	Sept.	Oct.	Nov.	Dec.
TOTAL MANPOWER (1)											
Working population :											
Total	'000s	23,667	23,912	24,107	24,223	24,225	24,087	24,052	24,055	24,059	...
Men	"	15,974	16,084	16,188	16,245	16,236	16,207	16,140	16,135	16,130	...
Women	"	7,693	7,828	7,919	7,978	7 989	7,880	7,912	7,920	7,929	...
Armed Forces	"	839	803	761	779	775	761	674	665	656	...
Civil employment :											
Total	"	22,604	22,933	23,149	23,191	23,178	22,989	23,107	23,099	23,082	...
Agriculture, forestry and fishing	"	1,074	1,066	1,032	1,025	1,005	994	1,038	1,008	993	...
Mining and quarrying	"	867	862	858	857	858	859	865	865	865	...
Building and contracting	"	1,453	1,486	1,541	1,544	1,533	1,491	1,506	1,500	1,498	...
Distributive trades	"	2,743	2,811	2,870	2,905	2,944	2,904	2,907	2,926	2,966	...
Public administration	"	1,326	1,289	1,300	1,298	1,296	1,294	1,286	1,284	1,282	...
Manufacturing industries	"	8,976	9,206	9,269	9,300	9,296	9,226	9,217	9,237	9,221	...
CHANGES IN EMPLOYMENT (1)											
Increase or decrease since June, 1955 :											
Employees in engineering(2)	"	— 190	...	+ 53	+ 49	+ 50	+ 24	+ 34	+ 44	...	...
" " consumer goods industries(3)	"	+ 13	...	— 9	+ 24	+ 17	— 14	— 35	— 31	...	...
UNEMPLOYMENT											
By duration :											
All durations—total	"	284·8	232·2	257·0	254·1	264 6	297·0	267·4	275·2	316·5	335·5
" " —men	"	184·4	146·7	168·8	160·1	167·5	199·7	184·0	188·8	219·0	235·2
" " —women	"	100·4	85·5	88·2	94·0	97·1	97·3	83·4	86·4	97·6	100·2
Temporary or under 2 weeks—men	"	58·0	51·5	62·7	53·6	52·4	75·4	55·4	55·7	68·5	67·8
" " " —women	"	36·4	36·7	35·5	34·6	33·0	29·8	29·6	30·0	33·4	28·4
Over 8 weeks—men	"	81·7	67·7	65·7	64·8	69·7	73·4	81·7	83·4	89·4	96·2
" " —women	"	37·1	26·5	27·4	26·5	29·8	32·8	26·5	27·6	29·9	33·2
By industry (4) :											
Textiles	%	0·9	1·6	1·4	1·2	1·1	1·0	1·0	1·1	1·2	1·3
Clothing	"	1·3	0·9	1·0	1·0	1·1	1·1	1·0	1·0	1·3	1·4
Vehicles	"	0·5	0·4	1·2	0·8	0·6	2·2	0·6	0·6	0·7	0·7
Engineering, etc.	"	1·1	0·8	0·9	0·9	0·9	0·9	0·9	0·9	1·0	1·1
Coal-mining	"	0·2	0·1	0·1	0·2	0·2	0·2	0·2	0·2	0·3	0·3
Distributive trades	"	1·3	1·0	1·0	1·1	1·1	1·1	1·1	1·1	1·2	1·2
By regions (4) :											
Great Britain	"	1·3	1·1	1·2	1·2	1·2	1·4	1·2	1·3	1·5	1·5
London and South Eastern	"	1·0	0·7	0·8	0·8	0·9	1·2	0·8	0·9	1·0	1·1
Eastern	"	1·2	0·9	1·0	0·8	0·9	1·2	1·0	1·1	1·3	1·5
Southern	"	1·1	0·9	1·0	1·0	1·1	1·2	1·1	1·2	1·4	1·4
South Western	"	1·5	1·2	1·2	1·3	1·5	1·6	1·5	1·7	2·0	2·2
Midland	"	0·6	0·5	1·1	1·0	1·0	1·0	1·0	1·0	1·0	1·0
North Midland	"	0·6	0·5	0·6	0·6	0·6	0·8	0·8	0·8	0·9	1·0
East and West Ridings	"	0·9	0·7	0·8	0·8	0·8	0·9	0·8	0·8	1·0	1·0
North Western	"	1·5	1·4	1·3	1·3	1·3	1·4	1·5	1·4	1·6	1·6
Northern	"	2·2	1·8	1·6	1·5	1·6	1·6	1·4	1·4	1·7	1·8
Scotland	"	2·8	2·4	2·4	2·2	2·3	2·5	2·3	2·2	2·6	2·9
Wales	"	2·5	1·8	2·0	2·2	2·2	2·3	2·3	2·5	2·9	3·0
VACANCIES											
Unfilled vacancies notified to Employment Exchanges (5) :											
Total	'000s	338	382	279	318	300	279	284	274	252	236
Men	"	191	214	152	177	168	152	145	139	128	122
Women	"	147	168	127	141	132	127	139	135	124	114
DISPUTES (6)											
Workers involved	"	37	55	42	59	23	11	42	37	47	...
Working days lost :											
Total	"	205	315	174	196	67	32	118	117	85	...
Mining and quarrying	"	39	93	42	93	33	10	39	35	43	...
Engineering, etc.	"	62	56	85	79	22	17	59	57	26	...
Other industries and services	"	104	166	47	24	12	5	20	24	16	...

(1) Annual figures are for June of each year. (2) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) From June, 1956, onwards comparison with earlier figures is affected by the revocation of the Notification of Vacancies Order, 1952. (6) United Kingdom. (7) Reduction due to discontinued registration of persons losing title to unemployment benefit.

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
WHOLESALE PRICES (1) (1953 = 100)												
1948	42	94	74	65	90[2]	...	78	104	75	66	72	94
1955	108	101	103	98	101	120	101	101	102	104	104	119
1956	110	104	107	102	103	129	101	102	104	109	109	142
1957, July	121	107	105	106	105	131	110	100	108	112	109	...
" August	117	106	104	108	105	130	110	100	107	112	108	...
" September	114	106	104	109	105	129	111	100	107	112	108	...
" October	113	106	103	112	105	...	...	...	...	112	...	...
" November	...	...	103	116	...	...	...	...	...	112	...	...
COST OF LIVING (3) (1953 = 100)												
1948	50[2]	95	81	60	93	63	79	86	78[4]	74	77	89
1955	105	101	106	101	102	122	103	106	106	105	104	119
1956	108	104	111	103	105	126	107	111	108	109	109	136
1957, July	113	107	116	104	107	130	...	113	115	112	114	...
" August	113	107	...	106	107	129	115	113	117	112	113	...
" September	113	108	...	107	107	130	...	113	118	112	114	...
" October	113	108	...	109	108	130	...	114	118	113	115	...
" November	...	108	...	111	...	...	114	...	...	...	...	...
IMPORT PRICES (6) (1953 = 100)												
1948	37	84	84[5]	59	...	...	82	98	85	80	72	113
1955	94	96	98	98	100	118	104	100	97	100	99	103
1956	97	99	102	102	103	124	106	105	100	102	104	...
1957, May	98	104[10]	105[10]	107[10]	108	127	115	113	108	112	109[10]	...
" June	98				106	126	113	114	109	102		...
" July	100	...			109	127	112	110	108	111		...
" August	98	...	102[11]	...	107	130	114	...	105	107	106[11]	...
" September	96	...			104	128	114	...	105	105		...
EXPORT PRICES (6) (1953 = 100)												
1948	42	95	91[5]	68	...	...	78	103	97	84	76	91
1955	102	97	100	95	98	133	101	98	101	107	102	111
1956	105	103	103	99	101	143	96	104	103	115	103	...
1957, May	106	108[10]	100[10]	103[10]	106	137	101	106	110	114	106[10]	...
" June	109				105	135	99	104	110	118		...
" July	104	...			104	142	98	106	106	124		...
" August	109	...	100[11]	...	104	135	98	...	108	116	105[11]	...
" September	103	...			104	139	99	...	106	118		...

TOTAL MONEY SUPPLY (7)

End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas[9]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	'000 mn. kroner	mn. liras
1948	...	154·0	7,110	2,165	11·8	1,984	110·3	1,989	7,285	...	6·27	1,715
1955	28·61	...	7,468	5,969	29·1	8·16	154·7	4,541	9,584	6,656	9·30	4,882
1956	29·71	...	7,633	6,585	31·2	9·17	154·7	4,927	9,227	6,865	9·90	6,031
1957, June	30·23	...	7,674	6,709	31·4	...	154·1	4,797	9,309	6,973	9·33	...
" July	30·71	...	7,668	...	32·1	...	157·1	...	9,429	6,882	8·97	...
" August	31·05	...	7,734	6,885	32·9	...	158·0	...	9,137	6,954	8·83	...
" September	31·30	...	7,615	6,890	34·1	...	162·8	...	9,024	6,586	9·05	...
" October	31·38	...	7,877	...	34·4	...	143·8	...	8,854	6,861	9·22	...

GOLD AND FOREIGN EXCHANGE HOLDINGS (8) (mn. US Dollars)

1948	62	938	84·0	...	295	...	209	539	343	140·6	233	192
1955	361	1,146	133·1	2,076	3,076	210·0	243	1,237	1,277	165·3	470	211
1956	406	1,177	131·1	1,356	4,291	217·5	234	1,308	1,072	178·8	473	230
1957, July	466	1,076	149·5	...	5,087	...	245	1,386	998	191·9	484	317
" August	492	1,078	169·2	...	5,478	...	251	1,442	938	174·3	473	317
" September	500	1,063	158·8	...	5,759	...	253	...	921	178·7	463	311
" October	510	1,072	146·1	...	5,745	...	256	...	972	177·3	469	314
" November	511	1,077	150·6	...	5,711	...	258	...	988	177·1	456	...

(1) Relates to wholesale prices in Athens and Piraeus only for Greece. Figures for Ireland from 1955 onwards are for home-produced goods only. Figures for Germany, F.R. are producers' prices of industrial products. (2) July-December. (3) Relates to prices in capital cities only for Austria, France, Greece and Turkey. Austria and Belgium exclude rent. Denmark includes direct taxes. Figures for Ireland are based on August, 1953=100. (4) Including direct taxes. (5) Including trade with Faroe Islands. (6) Index numbers of unit value which compare the current average value of trade with its value in 1953; they are influenced by changes in the composition of trade as well as price movements. Export prices in Ireland are adjusted for seasonal variations. (7) Deposit money and notes and coins held by business, individuals and foreigners. Except for Greece, holdings of the issuing authority and other banks are excluded. (8) Holdings of the government and central bank at end of period. Foreign exchange figures for Norway exclude government holdings; Netherlands, Norway and Sweden include foreign investments. Ireland includes some long-term securities. (9) Beginning May, 1954, a new drachma equal to 1,000 old drachmas was introduced. (10) Average for second quarter. (11) Average for third quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended January 18, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £105,434,000 compared with a surplus of £135,490,000 in the previous week and a surplus of £129,848,000 in the corresponding period of last year. There was a net expenditure "below-line" of £50,008,000, leaving a total deficit from April 1st of £715,252,000 (£725,512,000 in 1956–57).

£'000	Estimate, 1957-58	April 1, 1956, to Jan. 19, 1957	April 1, 1957, to Jan. 18, 1958	Week ended Jan 19, 1957	Week ended Jan. 18, 1958
Ord. Revenue					
Income Tax	2176,250	1169,173	1196,522	151958	140469
Surtax	149,000	88,500	82,000	10,500	9,900
Death Duties	170,000	130,900	133,500	4,200	3,000
Stamps	60,000	49,500	53,300	1,100	1,500
Profits Tax, EPT & EPL	255,000	165,850	212,700	3,000	7,300
Other Inland Rev. Duties	500	360	350	...	...
Total Inland Rev.	2810,750	1604,083	1678,372	170758	162169
Customs	1204,250	965,757	976,863	20,723	23,466
Excise	912,850	690,300	720,375	4,725	4,440
Total Customs and Excise	2117,100	1656,057	1697,238	25,448	27,906
Motor Duties	93,000	53,284	60,063	1,472	1,234
PO (Net Receipts)	20,000	3,050	550	350	Dr. 1,900
Broadcast Licences	31,000	19,600	21,200	...	...
Sundry Loans	32,000	30,917	29,295	435	22
Miscellaneous	185,000	145,250	138,137	14,135	6,077
Total	**5288,850**	**3512,241**	**3624,855**	**212597**	**195607**
Ord. Expenditure					
Debt Interest	640,000	587,349	518,263	...	1,678
Payments to N. Ireland Exchequer	69,000	48,246	51,331	...	...
Other Cons. Fund	10,000	7,975	8,096	9	115
Supply Services	4072,282	3125,401	3181,915	82,100	87,800
Total	**4791,282**	**3768,971**	**3759,604**	**82,109**	**89,593**
Sinking Funds	38,000	27,741	28,117	640	580
"Above-line" Surplus or Deficit	**—284,471**	**—162,856**	**+129848**	**+105434**
"Below-line" Net Expenditure	441,041	552,386	35,323	50,008
Total Surplus or Deficit	**—725,512**	**—715,252**	**+94,525**	**+55,428**
Net Receipts from:				
Tax Reserve Certificates	83,951	115,198	—55970	—52382
Savings Certificates	53,000	—16,300	2,300	1,700
Defence Bonds	—33,940	—29,357	—13	—572
Premium Savings Bonds	54,800	62,760	1,100	2,540

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957 Jan. 19	3,320·0	1,487·0	244·0	...	5,051·0
Oct. 19	3,120·0	1,772·9	214·0	...	5,106·9
„ 26	3,140·0	1,792·1	199·4	...	5,131·5
Nov. 2	3,170·0	1,774·6	190·1	2·8	5,137·4
„ 9	3,210·0	1,744·6	201·7	...	5,156·3
„ 16	3,260·0	2,188·8	231·9	...	5,680·7
„ 23	3,500·9	2,158·2	197·0	...	5,855·2
„ 30	3,340·0	2,148·6	182·5	4·8	5,675·9
Dec. 7	3,380·0	2,140·3	189·2	6·0	5,715·5
„ 14	3,410·0	2,181·2	193·6	...	5,784·8
„ 21	3,440·0	2,228·1	192·4	...	5,860·4
„ 30	5,634·7		218·4	...	5,993·1
1958 Jan. 4	3,460·0	2,248·9	228·5	...	5,927·4
„ 11	3,410·0	2,192·2	237·0	...	5,839·2
„ 18	3,370·0	1,714·9	250·3	...	5,335·2

THE MONEY MARKET

At the Treasury bill tender on Friday last week the average rate resumed its decline; the rate fell 8.92d., to £6 5s. 10.33d. per cent. The discount market raised its common bid by rather more than expected, by 3d. to £98 8s. 7d. per cent, and the proportion of applications allotted at this price rose from 45 to 52 per cent. This was achieved despite a decline of £20 million to £240 million in the total allotment and a rise of £5.1 million, to £403.8 million, in total applications. Yesterday's tender was for £230 million of bills, £80 million less than maturities, reflecting the inflow of tax revenue.

In the money market, rates on overnight loans have on the whole been easier than the week before; and the Bank gave help through purchases of bills only on Saturday. On Monday, four houses had to take small loans at Bank rate, but some were renewing loans from the week before.

Sterling closed at $2.81¼ on Wednesday, having gained ⅝ c over the week; and since the dollar price of gold has been steady at $35.01 per fine oz, its sterling value has declined—to 248s. 8d. after the fixing on Wednesday, the lowest level since April 21, 1954, shortly after the market was re-opened.

The United States Treasury bill rate has fallen again, from 2.591 to 2.587 per cent. This week the Reserve Bank of Philadelphia cut its rediscount rate from 3 to 2¾ per cent.

LONDON MONEY RATES

	%		%
Bank rate (from 5% 19/9/57)	7	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	6 7/8–6 15/16
Bank	5	3 months	6 7/8–6 15/16
Discount houses	5	4 months	6 7/8–6 15/16
Money		6 months	6 7/8–6 15/16
Day-to-Day	4½–6	Fine trade bills:	
Short periods	5¾	3 months	7⅛–8
Treas. bills 2 months	6 7/8	4 months	7⅛–8
3 months	6 7/8	6 months	7⅛–9

BANK OF ENGLAND RETURNS

(£ million)	Jan. 23, 1957	Jan. 15, 1958	Jan. 22, 1958
Issue Department:			
Notes in circulation	1,867·3	1,991·8	1,966·4
Notes in banking dept.	58·0	55·6	34·0
Govt. debt and securities*	1,921·2	2,046·2	1,996·2
Other securities	0·8	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	14·8	10·4	12·8
Bankers	212·9	209·6	206·4
Others	71·8	74·5	73·5
Total	299·5	294·5	292·7
Securities:			
Government	200·5	200·5	227·8
Discounts and advances	39·7	32·7	25·6
Other	17·7	21·8	21·5
Total	257·9	255·0	274·6
Banking department reserve	60·0	59·0	36·4
	%	%	%
"Proportion"	20·0	19·6	12·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £2,000 million from £2,050 million on January 22nd, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered		Amount (£ million) Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
	91 Days			s. d.	%
1957 Jan. 18	240·0		391·2	93 1·40	63
Oct. 18	270·0		408·4	132 0·56	47
„ 25	260·0		431·1	132 0·74	37
	91 Day	*63 Day*			
Nov. 1	220·0	40·0	419·3	131 10·53	47
„ 8	230·0[1]	40·0	434·0	131 8·42	29
„ 15	210·0	40·0	426·1	131 7·45	23
„ 22	210·0	50·0	423·6	129 5·71	47
„ 29	230·0	50·0	390·2	129 2·27	61
Dec. 6	240·0[1]	50·0	430·7	129 1·45	39
„ 13	230·0	50·0	414·8	129 1·21	45
„ 20	220·0	50·0	403·9	128 9·94	52
	91 Day				
„ 27	260·0		409·2	127 5·91	54
1958 Jan. 3	260·0		405·7	126 6·70	55
„ 10	260·0		398·7	126 7·25	45
„ 17	260·0[2]		403·8	125 10·33	52

* On January 17th tenders for 91 day bills at £98 8s. 7d. secured 52 per cent, higher tenders being allotted in full. The offering this week was for £230 mn. at 91 day bills. [1]Allotment cut by £10 mn. [2]Allotment cut by £20 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: January 22	Market Rates: Spot: January 16	January 17	January 18	January 20	January 21	January 22
United States $	2·78-2·82	2·81⅛-2·81¼	2·81⅛-2·81⅜	2·81⅛-2·81⅜	2·81⅜-2·81½	2·81⅜-2·81⅝	2·81⅜-2·81⅝
Canadian $	...	2·76 15/16-2·76⅞	2·76⅝-2·76¾	2·77⅛-2·77⅜	2·77⅛-2·77⅜	2·76⅛-2·76⅝	2·76⅛-2·76⅜
French Fr.	1167-18–1184-82	1176¼–1176¾	1176¼–1177	1176¼–1177	1177–1177¼	1177¼–1177½	1177¼–1177½
Swiss Fr.	12·15⅜–12·33⅛	12·25¼–12·25⅜	12·25¼–12·25¼	12·25⅜–12·25¼	12·25⅜–12·28	12·25⅜–12·25⅜	12·25⅜–12·25
Belgian Fr.	138·95–141·05	139·72½–139·77½	139·55–139·60	139·55–139·60	139·55–139·60	139·50–139·55	139·52½–139·57½
Dutch Gld.	10·56–10·72	10·58⅝–10·58¾	10·58⅛–10·58⅜	10·58⅛–10·58⅜	10·58⅛–10·58⅜	10·58⅛–10·58⅜	10·58⅛–10·58⅜
W. Ger. D-Mk.	11·67⅛–11·84½	11·77¼–11·78⅛	11·77¼–11·78	11·77¼–11·77½	11·77⅛–11·77⅝	11·77⅛–11·77⅜	11·77⅛–11·77⅜
Portuguese Esc.	79·90–81·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15
Italian Lire	1753½–1762½	1751½–1751¾	1751½–1751¾	1751½–1751¾	1751–1751¼	1751–1751½	1751–1751¼
Swedish Kr.	14·37½–14·59½	14·50–14·50¼	14·49¼–14·50	14·49⅜–14·49⅝	14·49¼–14·49⅜	14·49¼–14·49⅜	14·49¼–14·49⅜
Danish Kr.	19·19½–19·48½	19·35⅜–19·35⅝	19·35⅜–19·35⅝	19·35⅜–19·35⅝	19·35⅜–19·35⅝	19·35⅜–19·35⅝	19·35⅜–19·35⅝
Norwegian Kr.	19·85–20·15	20·00¾–20·01¼	20·00¾–20·01¼	20·00¾–20·01¼	20·00¾–20·01¼	20·00¾–20·01¼	20·00¾–20·01¼
		One Month Forward Rates					
United States $		⅜–⅓c. pm	⅜–⅓c. pm	⅜–⅓c. pm	1–1⅛c. pm	⅝–¾c. pm	⅝–¾c. pm
Canadian $		⅛–⅓c. pm	⅛–⅓c. pm	⅛–⅓c. pm	⅛–⅓c. pm	⅜–½c. pm	⅜–½c. pm
French Fr.		par-2 dis	par-2 dis	par-2 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis
Swiss Fr.		3½–2¾c. pm	3–2¾c. pm	3–2¾c. pm	3–2½c. pm	3½–2½c. pm	3–2½c. pm
Belgian Fr.		½–⅜ pm	½–⅜ pm	⅜ pm-par	⅜ pm-par	⅜ pm-par	⅜ pm
Dutch Gld.		1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	⅝–½c. pm
W. Ger. D-Mk.		3½–2½pf. pm	3–2½pf. pm	3–2¼pf. pm	3–2¼pf. pm	3–2¼pf. pm	3–2¼pf. pm
Italian Lire		1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	2 pm-par	2 pm-par
Swedish Kr.		2½–1½ pm	2½–1½ pm	2½–1½ pm	2–1⅝ pm	2–1⅝ pm	2–1⅝ pm
Danish Kr.		4–2½ pm	4–2½ pm	4–2½ pm	4–2⅝ pm	4–2⅝ pm	4–2⅝ pm
Norwegian Kr.		25 pm-par	25 pm-par	25 pm-par	25 pm-par	25 pm-par	25 pm-par
				Gold Price at Fixing			
Price (s. d. per fine oz.)		249/0½	248/11½	...	248/10½	248/9½	248/8½

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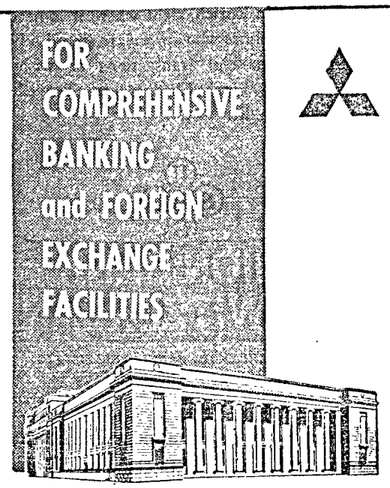
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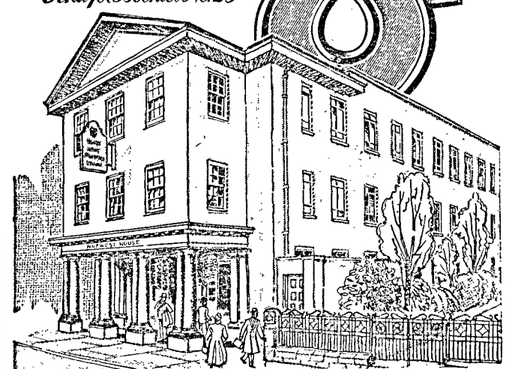
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COMPANY MEETINGS

LLOYDS BANK LIMITED

SIR OLIVER FRANKS ON FREE NATIONS' PROBLEMS

CRITICISMS OF PRESENT FRAMEWORK EXAMINED

RESPONSIBILITIES OF CREDITOR COUNTRIES

NEED FOR ADEQUATE LEVEL OF MONETARY RESERVES

The annual general meeting of Lloyds Bank Limited will be held on February 14th at the Head Office, 71 Lombard Street, London, E.C.

The following is the statement by the chairman, The Right Honourable Sir Oliver Franks, GCMG, KCB, CBE, which has been circulated with the report and accounts for the year 1957.

I have to record with deep regret the death of the Honourable Maurice F. P. Lubbock. He first became a Director in 1932 and throughout his long period of service to the Bank was the friend and valued adviser of us all.

I must also record that Sir Frederick Burrows, GCSI, GCIE, DL, on his reaching 70 years of age does not offer himself for re-election. We shall miss his help and cheerful companionship. He will, however, still be with us as a member of the Eastern Committee of the Board and of the South Wales Local Committee.

We welcome as Directors Mr G. Y. Hinwood, The Right Honourable Lord Lloyd, MBE, and Sir James Turner, LLD. Mr Hinwood has been elected to the Board on his retirement after good service as a Chief General Manager. We are particularly glad that Lord Lloyd has joined us: he, like Mr F. N. Lloyd, is a direct descendant of Sampson Lloyd, our founder. Sir James Turner brings to our counsels a rich knowledge of British agriculture.

Time makes changes inevitable on the Local Committees. At Birmingham I must refer with deep regret to the death of Sir Chad Woodward, DL. Mr A. J. Faux, on his retirement as a Joint General Manager, and Mr Evan Augustus Norton have been appointed to the Committee. In Devon and Cornwall, Mr K. C. H. Rowe, MBE, TD, has joined our Committee. In the North-West I have to report the retirement of Mr R. C. Chapple Gill, who also gave long service as a Director of the Bank from 1924 to 1950. Lieutenant-Colonel Albert Buckley, CBE, DSO, has become Chairman of the North-West Committee. At Salisbury, I must mention the retirement of Mr T. J. Score, and in Yorkshire Sir James Turner has been appointed to the Committee.

Mr E. J. N. Warburton and Mr H. B. Lawson, MC, have been appointed Deputy Chief General Managers on the retirement of Mr Hinwood and Mr C. H. Woolley has been appointed a Joint General Manager in succession to Mr Faux.

I wish to make special reference to the retirement of Mr R. F. E. Whittaker, CB, CBE, TD, as General Manager (Administration). Throughout the post-war decade he gave distinguished service to the Bank in a key position. Mr Whittaker takes our good wishes with him. He has been succeeded by Mr K. L. Boyes, formerly an Assistant General Manager.

PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

The profit for the year, at £2,502,391, is slightly lower, by £39,402, than last year and we propose to repeat the 1956 dividend of 13 per cent per annum.

Although high rates as well as a high degree of activity in all sections of our business have again benefited our earnings, our operating costs continue to rise inexorably. This is true not only of salaries and wages but of all the numerous items which go to make up our other expenses, the latest example being the recent increase in postal and telephone charges. We welcome the small relief which will be afforded us by the abolition of endorsements under the Cheques Act, 1957, and we are taking every possible step to effect economies in other directions, including the increased use of mechanical aids. We operate, however, through nearly 1,800 branches spread throughout the country and aim to provide as high a standard of service in the small office as in the large; at the present level of salaries, banking operations on this scale must of necessity be costly.

I am glad to be able to pay tribute to the efficiency and increasing productivity of the staff of all grades, which have such an important part to play in keeping down our costs. I thank them warmly for their work.

Our loans and advances are lower by some £9 million than they were a year ago. We have played our part in the intensive measures of credit restraint called for by the Chancellor of the Exchequer. The reduction would have been greater but for the two particular categories of lending I referred to in my statement last year. Our advances in the East have expanded along with our general business there, and we have continued to interest ourselves in the important and specialised field of medium-term credits to facilitate the export of major capital goods, a category of advances excluded from the operation of the general restrictions upon bank lending.

British Government securities stand in our balance sheet at £326,285,199, being valued at or under cost and below redemption value. Their market value at December 31, 1957, was £317,103,721, a difference of £9,131,478. We have made no transfer from reserves or profit and loss account to provide for this depreciation. All the securities are redeemable at fixed dates, the majority within ten years, when any depreciation will be recovered. In the ordinary course of business the bulk of our investments is held broadly to maturity; when we need to reduce our portfolio, we usually do so in the very short-dated stocks.

LLOYDS BANK (FOREIGN) LIMITED

This subsidiary company has had a satisfactory year and the directors of that company have declared a dividend of 5 per cent per annum, less income tax, on the share capital held by the parent bank.

Economic conditions in France and the devaluation of the French franc have made banking operations in that country especially difficult in the year under review.

To the staff working in France, Belgium, Switzerland and Monte Carlo I would like to express my warm appreciation of the results achieved by their efforts.

EASTERN BRANCHES

A heavy and sustained demand for bank advances has been a pronounced feature of our operations in India during the past year. Both there and in Pakistan, a shortage of foreign exchange has led to a curtailment of imports, the financing of which is an important part of our business.

Our thanks are due to the Eastern staff for their devoted work in difficult conditions.

THE EXTERNAL PROBLEMS OF STERLING

As I am a member of the Committee under the chairmanship of Lord Radcliffe at present enquiring into the working of the monetary and credit system, I cannot comment upon monetary developments at home during the past year. Instead, I propose to discuss some of our problems, certainly no less important, in the sphere of international payments.

I do not mean to imply that our external problems and our domestic policies can be divided into separate compartments; as Mr Thorneycroft recently pointed out, in the last resort the internal value and the external value of the pound are the same thing. We have now had an external crisis, of one kind or another, in every alternate year since 1947, with the sole exception of 1953—and it is at least suggestive that 1953 was the only "odd" year in this period in which the pressure of demand on the United Kingdom economy had manifestly abated. It was an exceptional feature of the 1957 crisis that this was a year in which the United Kingdom had a substantial surplus in its balance of payments. But we cannot argue from this that our payments difficulties arose purely out of our position as a world banker and had no connection with the state of the United Kingdom economy; for the fear that inflation might continue played a large part in disturbing

international confidence in sterling. If the outside world had been satisfied that our internal policies were sound, there would have been no crisis.

POTENTIAL DANGERS

Unfortunately, it is also true that even if we have no further inflation the future can still hold dangers for us because of the low level of the gold and dollar reserves in relation to our total obligations. To avoid further inflation will not automatically ensure success in the vital task of rebuilding the reserves. Sterling being an international currency, we are necessarily affected by the general climate of world trade. The course of events is bound to depend not only upon our own policies but also, in some considerable degree, upon those followed by other countries, above all by the United States and our fellow-members in the sterling area. It is a disquieting thought that the succession of sterling crises has taken place during a decade of general prosperity and of almost continuous expansion in world trade, supported by the North American boom, by recovery in Europe and by rapid progress in many of the less developed parts of the world. It is unlikely that external conditions will always be so favourable.

Nothing can change our dependence upon overseas trade for a living, but our persistent external difficulties have led to suggestions that we should be better off if we shed our rôle as banker to the sterling area. Again, we have undertaken that the relations between sterling and other currencies will be governed by certain principles agreed by us and other nations at the Bretton Woods conference of 1944. Some argue that this system, which found concrete expression in the establishment of the International Monetary Fund, is not really in our best interests.

It is these criticisms of the present framework of world trade and payments that seem to me worth examining. Do the difficulties, actual or anticipated, in fact arise from defects in the international machinery itself, or are they the result of insufficient co-ordination in the policies of sovereign states? For it is clear that no set of international arrangements—whether it is the sterling area or the Bretton Woods rules—can be expected to stand up well if the members of the system are pursuing national objectives at the expense of general order and stability.

OPERATION OF THE STERLING AREA

First, what of the sterling area? Its essential feature is the use of sterling as an international reserve by the overseas members. This in turn implies the pooling, in the central reserve in London, of gold and foreign exchange earned by the area as a whole. Another essential feature of the system has always been freedom of capital transfers from London to the overseas members of the area.

On the face of it, this system is well designed to promote the interests of its members and of the world economy as a whole. It means that individual sterling countries do not have to keep an exact balance either in their trade with each other or with the outside world, provided that deficits are matched by surpluses elsewhere in the area. The use of sterling as an exchange reserve keeps down competition for the world's limited supplies of monetary gold. Both these features tend to promote the expansion of world trade, as does the natural alliance of the financial machinery of the City of London with the use of a common currency for the settlement of transactions. And that is an objective of special importance to the United Kingdom, as we rely on an expanding market for manufactured goods. For us, too, it is a great advantage that we can earn gold in trade with sterling countries, and are not wholly dependent upon success in working up sales of our goods in dollar markets.

The following table shows in summary form how the system has actually functioned over the five and a half years from the beginning of 1952 to the middle of 1957:

	Jan. 1952 *to* *Dec.* 1955 £m.	*Jan.* 1956 *to* *June* 1957 £m.	*Jan.* 1952 *to* *June* 1957 £m.
THE REST OF THE STERLING AREA had a *current deficit with the U.K.* of	1,024	416	1,440
This was covered as follows:—			
by sales of gold to the UK of	463	325	788
by a surplus with non-sterling countries of ..	308	−15	293
and for the rest by an outflow of capital from the UK (other than additions to sterling balances*) of.....	253[1]	106[2]	359[3]
	1,024	416	1,440
THE UNITED KINGDOM had a current surplus in trade with other sterling countries of	1,024	416	1,440
partially offset by a deficit with other countries of	−437	−46	−483
to give an *over-all current surplus* of	587	370	957
Taking into account drafts on, or repayments to, the International Monetary Fund, etc., of	−97	191	94
we had available for new investment, repayment of debt or additions to gold reserve	490	561	1,051
This was absorbed by:—			
an outflow of capital to sterling countries (other than additions to their sterling balances*) of	253[1]	106[2]	359[3]
repayment of sterling balances held by non-sterling countries to the extent of.....	244	128	372
and other capital transactions with non-sterling countries amounting on balance to.....	70	234	304
	567	468	1,035
Hence, we lost or gained gold to the extent of	**—77**	**93**	**16**
	490	561	1,051

* Additions to sterling balances were (1) £243 millions, (2) £46 millions, (3) £289 millions, making the total outflow of capital from the UK £496 millions, £152 millions and £648 millions respectively.

It will be seen that the overseas members, as is quite proper for a group of developing countries, had an overall deficit during this period of £359 million in their balance of payments, covered by a capital outflow from the United Kingdom. That cannot be considered an undue burden upon this country. So far from running down their sterling holdings, moreover, the overseas members of the area, taken as a group, in fact increased them on balance by nearly £300 million over the period (and, after very slight withdrawals in 1955 and 1956, were adding to them during the first half of 1957). The advantage of the pooling system is manifest. Even the recent heavy withdrawals by India have been largely compensated by the current surpluses of Australia and some other members.

STRESSES AND STRAINS

It is when we look at the United Kingdom section of the accounts that we find evidence of the strains to which the system has been subjected. Over the period, we have been called upon to redeem no less than £372 million of sterling balances held by the outside world and have reduced by £51 million our debt to the European Payments Union. The result is that no more than £16 million of the gold acquired from the overseas sterling countries has been retained in the central reserve. Indeed, but for the timely help of the International Monetary Fund and the waiver of interest payments on the North American loans we should have lost gold heavily on balance. At the same time, it is clear that if the outside world had possessed more confidence in our policies, substantial sums would have been available for the rebuilding of the reserves and for quicker development in the Commonwealth.

This picture contains light as well as shade, for by the middle of 1957 balances held by countries outside the area were already down to a few hundred million. At this level they bulk fairly small when compared with the balances of nearly £3,000 million held by overseas sterling countries. That a large proportion of these latter balances is earmarked for such purposes as currency reserves affords no great comfort, since the example of India has shown that local currency laws can easily be amended. Still, the fact that all the members of the area have a common stake in the preservation of the pound is some safeguard.

COLLECTIVE AND SECTIONAL INTERESTS

The difficulty is that during the next few years the conflict between the collective interest and sectional interests is likely to be acute. From the collective point of view, nothing could be more urgent than to build up the reserves again (and it must be remembered that over the next two or three years we have to repay $560 million to the

International Monetary Fund.) Yet individual governments may find it difficult to believe that any objective can really merit a higher priority than the rapid fulfilment of their own development programmes; and unfortunately these two objectives—physical investment and the rebuilding of the reserves—stand in direct competition with each other.

It may be that the methods of informal consultation that have served us in the past will be proof against such stresses and strains. It may be, on the other hand, that the organisation of the sterling area requires to be tightened. For the unofficial observer it is extremely difficult to judge. What is clear is that the stability of sterling will depend to no small extent upon the co-ordination of the investment plans and general policies of the member countries, including the United Kingdom. In a very general way, no doubt, this is promoted by the periodic exchanges of views at Commonwealth conferences, and by discussions between central banks and within the international organisations. But we ought not to trust to good intentions alone; appropriate financial arrangements and incentives can be of great help.

Until fairly recently, the level of interest rates here offered the overseas members little apparent inducement either to hold on to their sterling balances or to moderate their demands on the London capital market. I suggest that in this respect the authorities should have two objects in mind. The first is a level of long-term rates that will help in preserving a balance between the available savings and the total demands on our capital resources, from home and overseas together. The second is a level of short-term rates (once the crisis is past) that will discourage the holding in short-term form of balances that ought not to be required for some considerable time.

EXCHANGE PARITIES

What of the relationship between sterling and other currencies? Is there any force in the contention that membership of the Bretton Woods system is not to our advantage? Since the prompt action of the International Monetary Fund at the time of Suez did so much to tide us over a major crisis in sterling, it may seem curious that this view should be put forward in this of all countries. To the extent that opposition to the Bretton Woods rules of the game is based upon a positive liking for discrimination and controls, it would seem to me clearly wrong-headed. There is one school of thought, however, which must be taken more seriously. There are those who sincerely desire freedom and expansion in world trade and yet have grave misgivings about one feature of the Bretton Woods system: namely, the maintenance of exchange parities that are altered only at rare intervals, as opposed to rates that are allowed to vary from day to day in response to the pressure of supply and demand in the exchange markets.

On this difficult issue I wish only to draw attention to one or two thoughts. It seems to me that there are some solid arguments in favour of fixed exchange parities that ought not to be overlooked in any assessment of the balance of advantage. There is the consideration that stability, especially of the key currencies, is of great value to overseas traders: indeed, the Bretton Woods rules are an attempt to preserve as much as possible of the stability that was so valuable a feature of the gold standard, while avoiding the threat to employment, under modern conditions, from seeking to defend too high a parity. There is the consideration that a depreciation in the exchange brought about by temporary influences can produce a permanent fall in the value of the currency and that the threat of enforced devaluation may be a more effective spur to action than the downward drift of a floating rate.

Moreover, the proponents of fixed and of floating rates are at one in believing that rates of exchange should be maintained at realistic levels. This means renouncing such practices as the bolstering up of an over-valued currency by import restrictions. It means refraining from competitive depreciation and from retaliating against a devaluation by another member of the system when that is justified by a rise in its cost and price-level. By outlawing beggar-my-neighbour policies of this kind and helping to clear the jungle of exchange restrictions left over from the war, the Bretton Woods system has rendered the world good service, to the benefit of Britain at least as much as any other trading nation.

POSSIBLE DEFLATION AHEAD

To say that the system has served us well hitherto is not, of course, to say that this must always be so. For years past, the chief problems of the world have been those of inflation. There are now some indications, such as the decline in some basic commodities, of a change in the weather. For the time being, the post-war boom in the world as a whole has lost much of its impetus. That being so, our preoccupations during the next phase may become those of deflation rather than inflation. I am not, of course, predicting that this will in fact happen; I merely suggest that we must take the possibility into account. Should the course of events take this direction, it means that, if the Bretton Woods system is to work successfully, the policies followed by creditor countries will be of decisive importance.

It is true that a deficit country persisting in inflationary courses will not only aggravate its own difficulties but tend to infect other members of the system with the inflationary virus. The sanctions against such behaviour, however, are quite strong: the country in question is liable to get into a bad crisis in its balance of payments, involving the loss of gold or other reserves. It is the lack of any sanction of similar strength against over-restrictive policies on the part of surplus countries that is perhaps the least satisfactory of the Bretton Woods rules. There is, of course, the so-called "scarce currency" clause, but a deflationary trend might already be fairly advanced before that became operative and would not necessarily be reversed by it. In the meantime, a country with gold coming in is not absolutely compelled to expand credit; it can sterilise the addition to its exchange reserves and may in this way inflict more damage upon the rest of the world trading community than lies within the power of any deficit country. One might say that, if over-expansionist policies can be suicidal, over-restrictive policies are undoubtedly fratricidal.

CONFLICT OF AIMS

At first sight, it seems plausible to argue that the universal aim of monetary policy, for deficit and surplus countries alike, should be to keep the value of money stable and that if this is achieved there will be no international currency problems. But that is not the case. For a surplus country merely to prevent its price level from falling may not be good enough: there are circumstances in which a country single-mindedly pursuing the goal of internal price stability will exert a deflationary pressure upon the other members of the system.

There is nothing new in this doctrine. Even the old-fashioned gold standard did not mean, as is so often supposed, stability of prices in each individual country. If the supply of gold were about right, the gold standard rules of the game would ensure approximate stability in the value of money throughout the system taken as a whole; but in the typical case that stability would be the result of rising prices in the countries receiving gold, offset by falls elsewhere.

Nowadays, deficit countries will not bring about a major reduction in prices through deflationary policies, for in the industrial countries, at any rate, that could be done only at the cost of heavy and prolonged unemployment. It follows that countries gaining exchange reserves have a greater responsibility than ever to allow money incomes to expand, even if that is not compatible with absolute stability in their internal price levels. The goal of price stability, seemingly so obviously right from the national point of view, may not in all circumstances be consistent with good creditor behaviour from the point of view of the outside world. The obvious retort is that creditor countries will be just as reluctant to see prices rise as deficit countries to see rising unemployment, and many will feel they are just as entitled to refuse to countenance such a policy. In that event, it may be impossible to maintain the existing exchange parities. And the responsibility for a breakdown, provided the deficit countries are avoiding inflation, would in the circumstances we are envisaging rest squarely upon the surplus countries.

We are indeed fortunate that for many years past the United States, which might so easily have become a persistent creditor has avoided placing pressure on the other members of the system. This has been accomplished by the maintenance of a high level of internal prosperity, by the export of capital and for the rest by means of large unilateral transfers which have the effect that part of her exports are received free of payment. Notwithstanding the American boom, however, American exports have recently been outstripping the growth of imports and the American gold stock has been rising. A difficult situation might clearly arise if American imports fell off sharply because the general level of trade was not quite so good for a time.

GERMANY AS A CREDITOR COUNTRY

Meanwhile, we have seen the emergence of another important creditor country in the shape of Germany. There is little disposition in this country to criticise the policies of another nation which has achieved so admirably what we should have been doing ourselves: namely, the rebuilding of its exchange reserves. On the contrary, there is widespread appreciation of the liberalism which animates Germany's economic policies and of the various helpful gestures that have been made to ease the international payments position. Nevertheless, the fact remains that, however justified they may have been hitherto, Germany's monetary and credit policies would be quite inappropriate for a surplus country already in possession of abundant exchange reserves and, unless the German economic position itself changes radically, would threaten to disrupt the whole system of European payments.

It may be that such a fundamental change in the German position is taking place, though the OEEC unequivocally took the view, in its recent study, that "it is unlikely that the overall imbalance between Germany and other Member countries can adequately be brought under control without further action by Germany." Whether this is so or not, we can surely agree upon the considerations that should guide the policies of creditor countries. The most important point is that

the first safeguard against inflation for a country with a large surplus in its balance of payments is not to raise interest rates and restrict credit; it is to expand incomes and allow the external account to swing back into balance again, thus obtaining additional real resources on which the larger money incomes can be spent. Moreover, an expansive credit policy will mean a lowering of interest rates that will at best encourage an outflow of capital and at worst discourage an inflow.

There are in fact three broad lines of action, apart from a liberalisation of commercial policy, which a surplus country can adopt in order to return to a balanced international position. Probably the best solution of all is to re-lend the surplus abroad, as Britain did during the nineteenth century, for in that event there will be no pressure upon the exchange reserves of other countries at all. In Germany's case that solution is hampered by the level of interest rates and the absence of specialised financial institutions. Failing that, the currency could be allowed to appreciate; but this Germany has firmly and finally rejected. The only remaining recourse, if the surplus continued, would be to allow money incomes and the standard of living to rise, even if that meant abandoning the dogma of absolute stability in internal prices. Any country, clearly, is entitled to decide which of these remedies, or which combination of them, it prefers to adopt; but it is not entitled, if it wishes to act as a loyal member of an International system, to reject all of them.

NEED FOR ADEQUATE RESERVES

Another condition for a smooth functioning of the Bretton Woods system is an adequate level of monetary reserves. It is the essence of the Bretton Woods principles that changes in parity should be few and far between and should take place only when the price level in a particular country gets seriously out of line with the world price level. If that is to be achieved ample exchange reserves are indispensable, to enable countries to ride out disturbances to their balances of payments brought about by transitory causes and to ensure that changes of parity are not precipitated by lesser disorders that ought to be corrected by internal measures.

Between 1937 and 1956, world gold reserves rose by no more than one-half ($12.4 billion), and about three-quarters of the increase accrued to the monetary gold stock of the United States. If the world had to rely exclusively upon gold we should have had a shortage of international reserves for many years past, because of the universal rise in costs and prices that took place during the war. The important thing that has happened is an enormous increase, from $2 billion to over $23 billion, in exchange reserves other than gold. In this movement the chief elements have been an accumulation of short-term US dollar assets by the outside world to a total of some $15 billion, the mutual extensions of credit by the members of the Bretton Woods system in the form of the International Monetary Fund quotas and, of course, the growth of sterling balances.

In spite of this the growth of international reserves (since 1937 little more than doubled) has lagged well behind the growth in the money value of world trade (since 1937 nearly quadrupled). Admittedly, this is only another way of saying that the existing reserves have sufficed hitherto to finance an almost continuous expansion in world trade on a rising price level. But the question is whether they are now spread so thinly over the system as a whole that shortage of reserves might aggravate other deflationary tendencies, if these were to accumulate, and a minor recession be magnified into something more.

THE PRESENT PROBLEM

At present, however, the problem centres upon the distribution of existing exchange reserves rather than their absolute magnitude. Nearly half the total is now held by the United States and Germany, though the United States, as we have seen, has large short-term liabilities to the outside world. By contrast, sterling finances perhaps 40 per cent of world trade, yet the United Kingdom reserves are about half those of Germany and less than 4 per cent of the world total.

That is the most important single fact in the world currency situation. Measures to ensure the stability of the sterling area and measures to ensure the smooth working of the Bretton Woods system must alike be directed to the removal of that anomaly. In the first instance, it is the plain duty of the United Kingdom and other sterling countries so to arrange their affairs that a reasonable rate of rebuilding of the reserves takes clear precedence over other objects of policy, however desirable in themselves. This is a task in which nothing will succeed like success: for once the reserves have been raised comfortably above danger level confidence in sterling will revive and funds will flow in again from the outside world.

So long as the reserves are being rebuilt by the painful process of saving out of our current surplus, however, there is some danger that we should be exerting a downward pressure upon world trade as a whole. The internal policies necessary to the accumulation of a reserve must aim at restraining both our imports for current use and the outflow of capital for purposes of physical investment overseas. If the general climate of world trade should cease to be expansionary, it is clearly contrary to the general interest that other deflationary influences should be reinforced in this way.

POWERS OF I.M.F. MIGHT BE WIDENED

Once we have brought about a substantial increase in the reserves by our own efforts, therefore, the question may arise of their being further fortified by some kind of stabilisation operation. This might take any one of a number of forms, but the fundamental fact is that the only ultimate source of dollars is the dollar area. In a recent speech, Vice-President Nixon spoke eloquently of the need for a spectacular increase in the outflow of American capital, especially to the developing nations of the world, and set before the American people as a reasonable goal the doubling or trebling of American investment abroad in the next ten years. It is true that the Vice-President was thinking primarily of private investment. But, as we have seen, the rebuilding of the sterling reserves stands in direct competition with rapid development in the countries of the sterling area. It may be, therefore, that a stabilisation loan for sterling could provide an indirect yet most fruitful means of achieving the ultimate aims he had in mind.

On the other hand, it might be more suitable that an operation of this kind should take an international rather than a national form. In that case, the International Monetary Fund would be the obvious instrument. At present, the credit-creating powers of that institution are rigidly limited by the size of quotas; nor would an all-round increase in quotas be a suitable remedy for the situation we have in mind. There might be general advantage for the world, however, if the Fund could move in the direction of becoming a super-central bank. This implies that the controllers of the Fund should be permitted greater discretion in their operations than is accorded under the present articles. Secondly, it means that countries should be prepared to deposit exchange reserves with the Fund and treat the Fund's certificates of indebtedness as exchange reserves, in the same way that some European countries already treat as part of their exchange reserves their stake in the European Payments Union. By these means it would be possible to expand world exchange reserves on the basis of the existing gold supply, while channelling the additional credit in those directions where it would do most good. And, it may be added, this would be a logical extension of the process of creating "man-made" exchange reserves that has done so much to preserve an expansionary climate for world trade since the war.

POSITION SUMMED UP

To sum up, the problems of the sterling area and of the world economy as a whole are essentially those of reconciling the aims of individual nations and their governments with the general requirements of an international order. They are therefore merely one aspect of the far wider problem which the free nations have to solve: that of adapting their political ideas and political institutions to the facts of their growing interdependence, in economic as in military affairs. By and large, our forms of government are derived from earlier models and make it easy for us to think in terms of national solutions to our problems on lines of self-sufficiency. The order and stability of human society in our lifetime are likely to depend on the skill, resolution and speed with which we reconcile the national texture of political government with the international scale of the pattern of interdependence.

BROOME RUBBER PLANTATIONS

The twenty-fourth annual general meeting of Broome Rubber Plantations Limited was held on January 15th in London, Sir Lionel Smith-Gordon, Bart (the Chairman), presiding.

The following is an extract from his circulated statement:

The trading profit for the year was not as good as for the previous year. The chief reason for this was a fall in production from 3,364,900 lb for 1955/56 to 3,078,200 lb for 1956/57. This shortfall was caused by bad weather in November, 1956, by the cutting out of areas for replanting, and by a series of labour strikes on Broome Estate during the last quarter of the year. At the same time, there was a fall of 1.6d. per lb in the average selling price.

During the year under review we replanted 327 acres, and since then we have completed the replanting of a further 297 acres. Thus we now have over 1,000 acres of young rubber to bring to maturity, but more than half of the total acreage is still under old seedling rubber. The crop for the five months to November 30, 1957, was 1,529,100 lb, against 1,272,000 lb for the same period last year. If we experience normal weather, and there are no unforeseen setbacks, we anticipate that the final crop for the current year will be in the neighbourhood of 3½ million pounds.

The report was adopted and the final dividend of 12½ per cent, making 17½ per cent for the year, was approved.

MIDLAND BANK LIMITED

Changing Economic Situation—A "Crisis of Confidence"

NEED FOR WIDER UNDERSTANDING OF FINANCIAL POLICY

Essentials for Maintaining Sterling's Value in World Markets

VISCOUNT MONCKTON ON COUNTRY'S POLICY OF RESTRAINT AND BANK ADVANCES

The One hundred and twenty-second Annual General Meeting of Midland Bank Limited will be held on February 14th, at the Head Office, Poultry, London, E.C.

The following is an extract from the Statement by the Chairman, The Right Honourable The Viscount Monckton of Brenchley, P.C., K.C.M.G., K.C.V.O., M.C., Q.C., on the report of the directors and balance sheet for the year to December 31, 1957:

On the record of economic affairs, the year 1957 turned out to be more disturbed than at the outset it seemed likely to be. In the early part of the year confidence had been strengthened by passage through the Suez difficulties with less damage to the national economy than had been officially and unofficially foreseen. The February reduction of Bank rate was followed by a fairly reassuring Economic Survey and what might be called a comfortable budget. The barometer was moving towards "set fair."

Quite suddenly, however, it switched to "stormy." A wave of uneasiness, particularly abroad, about the future value of the pound sterling led to a repetition of acute balance of payments difficulties notwithstanding a considerable surplus on current account transactions and an encouraging trend in exports The gold and dollar reserves were drawn down with alarming rapidity. Once again we were caught up in a "crisis of confidence" which demonstrated, not for the first time, that Britain's fine postwar record as trader had been accompanied by over-expansion of her activities as a provider of capital and by the comparative illiquidity of her position as international banker. The impact of the disturbance was thus concentrated on external financial arrangements. Yet the cumulative uneasiness which precipitated it was attributable largely to inferences drawn at home and abroad from the record of events over the past decade and from anxieties about future domestic conditions and policy. To meet this situation, drastic measures were taken in September. The results, judged by the immediately critical tests, were reassuring; but the measures themselves entailed awkward readjustments of business plans and arrangements, and the year ended in an atmosphere of quiet hesitancy.

THE NEED FOR WIDER UNDERSTANDING

When the Bank rate was reduced, last February, both the Chancellor of the Exchequer and the Governor of the Bank of England were at pains to emphasise that the movement did not imply any modification of the restrictive credit policy then in force. Even so, the reduction was widely read as a signal of relaxation, one result being that the banks were faced by an inflow of hitherto pigeon-holed applications for credit which, having regard to the unchanged official requests, they had necessarily to refuse. More important than any embarrassment to the banks is the possibility, suggested by the subsequent course of events, that the misreading of official action at that time may in itself have necessitated more drastic action later on than might otherwise have been necessary. Further, the apparent change of front a few months later made the measures then taken all the more difficult to understand.

A second example is provided by the September measures themselves, embodying the sharp rise in Bank rate, the quantitative restriction of bank advances and a further review of Government and other Government-financed expenditure. The steps thus taken were presented in an atmosphere of acute emergency, created by the rapid draining-away of gold and dollar reserves. In the circumstances a tendency appeared in public discussion to overstress the part played, in precipitating the "crisis," by foreign speculation in sterling. Moreover, it was not sufficiently recognised that overseas opinion sprang largely from a perhaps unduly sceptical assessment of the authorities' will and power to correct conditions threatening further depreciation of the purchasing power of the currency. In the face of such scepticism, official denials of any thought of devaluation proved unavailing until supported by more dramatic action than the domestic business situation, considered by itself, appeared to demand. Accordingly the measures adopted were a subject of some confusion and misunderstanding. It was not easy for the public to grasp, for instance, just why restrictive measures should be necessary at a time when activity in some branches of industry had already shown signs of flagging a little; or why some curtailment of capital outlay should have to be imposed while everybody was agreed that, in the long run, the country's competitive efficiency required still more capital extension and re-equipment in industry. The penalties of the higher level of interest rates, moreover, were all too easy to see—especially the encroachment on the prospective budget surplus on revenue account and the additional outgoings on the balance of payments in respect of interest paid to overseas holders of sterling. Here too, then, the measures taken might have been more generally approved if the reasons for them had been more widely understood.

NEW INVESTIGATIONS

Happily, two welcome developments in the direction of fuller understanding of the monetary system and the way it operates have taken place within the past year. Their timeliness is reinforced by the fact that both steps were announced before the events of September following the run on sterling. The need for comprehensive review of our monetary arrangements was thus realised and acted upon before it received such conspicuous fresh demonstration; and realisation had doubtless been sharpened, and action hastened, by the evidence of misunderstanding of the lowering of Bank rate early in the year.

First, then, a general welcome was given to the appointment of the Radcliffe Committee. Although the major task of this body is to advise the Government on the working of the monetary system, there can be no doubt that the results of its labours will have an important educative influence. There are many things about the monetary system, after all the modifications that have taken place in recent decades in both the system itself and the circumstances in which it operates, that need elucidation. Accordingly, all of us should profit from the findings of the Committee and be stimulated by its recommendations when they appear.

Secondly, and perhaps more directly relevant to the subject of public information, came the setting up of the Council on Prices, Productivity and Incomes. This very small body is something quite new in its form and functions. For one thing, it is not a transitory body designed to examine some particular problem and disband on the completion of its inquiry. It is established rather as a standing committee, with a wide-ranging commission. Moreover, in two respects it is unusual if not unique. The members have been chosen for their individual qualities, and not in any representative capacity; and the task of the Council is not to advise the Government, but to inform the public. The complete objectivity of the Council is manifest, and it can be relied upon to choose wisely the time, manner and subject of its expositions. If, further, it succeeds in formulating its views in a way that appeals to the general public as sensible and forthright, it may come to have a strong and healthy influence upon the trend of opinion and the course of affairs. It is not enough that the authorities should consistently pursue a monetary policy that is thoroughly objective and far-seeing in its purposes and manner of execution; it is necessary also that both policy and measures should manifestly possess these qualities.

BRITAIN'S INTERNATIONAL POSITION

Much of the prevailing confusion and misunderstanding about the matters I have discussed results from imperfect appreciation of the unique international position of our national economy. No country is involved in so intricate and complex a manner and degree as is the United Kingdom in the course of business affairs in other parts of the world; in no highly industrialised country are the factors determining her economic condition and policy more powerfully shaped by external forces. With this fact in mind, developments during the past year give warnings which can only be disregarded at our peril.

First, we have been rightly encouraged by the maintenance, despite all the disturbances to steady expansion of trade, of a substantial surplus on the current balance of payments. Events have shown, however, that the surplus is not as large—taking account of other commitments—as is required to build up a strong international position in terms of the relation between external liabilities and liquid assets. Moreover, the achievement of a surplus, while resulting largely from perseverance and enterprise in overseas markets, has been favoured by a general expansion of world trade, and there are disquieting signs that the expansive process may have reached or be approaching an interval of hesitancy. Doubts about the course of business in the United States in the immediate future, the re-appearance during the past year of the "dollar gap," the difficulties encountered in financing capital projects in under-developed parts of the world, and disturbances of the relations among European currencies—all these things suggest that world conditions as a whole may not be so conducive to the enlargement of British exports in the near future as they have been almost continuously since the end of the war.

To some extent the treatment of disturbances arising from broad international factors is a test of the reality of international collaboration in a world that has devised elaborate machinery for the purpose of action or consultation. In contrast to the intensely nationalistic relations existing between the wars, we have now the working mechanism of the International Monetary Fund, the European Payments Union and the International Bank for Reconstruction and Development, as well as standing organisations for consultation such as the General Agreement on Tariffs and Trade and the Organisation for European Economic Co-operation. Admittedly the scope of such arrangements is limited, and the existence of machinery is no guarantee that it will be operated with such decisive effect as to overcome powerful elements of disturbance. Perhaps, indeed, their chief value lies less in their direct operative results than in the encouragement they give to individual countries to take appropriate measures leading in the same general direction but suited to their own particular circumstances. For ourselves, what is obviously essential in the world conditions now prevailing and as far as can be foreseen is to avoid monetary over-expansion and any further diminution in the real value of the pound which would impair the competitive strength of our industry in overseas markets.

BANK ADVANCES

A year that has brought so much disturbance in financial affairs generally can hardly have been other than difficult for bank management. To a minor extent the pre-occupations of bankers have been with technical matters including the new legislation affecting the treatment of cheques. Mostly, however, they have been directly related to the measures taken by the authorities in pursuit of national policy.

In February, as already noted, the banks were required to maintain their discriminatory standards of judgment towards applications for advances in face of the widespread supposition that the "credit squeeze" had been relaxed. In September they were called upon to adopt an even more restrictive attitude, following the requirement that the average amount of advances during the ensuing year should not exceed that of the preceding twelve months. Accordingly, they were again confronted with the task —which becomes no easier with the lapse of time—of satisfying many credit-worthy customers that the refusal of credit facilities was not of their own choice but was imposed by authority in the national interest. It is not a happy position for a banker to have to sustain for any long period.

The figures of bank advances year by year give some idea of the magnitude of the relative contraction of bank credit, enforced in response to official requests. Whether advances be calculated in relation to national income, as a rough measure of the total turnover of business, or in relation to bank deposits, the proportions are much lower than they were before the war. The movements since 1951 are of particular interest as covering the period in which, while old-established monetary instruments were brought back into use, the practice of officially directed restraint in bank lending was intensified with the addition of quantitative to qualitative "directives." Comparing the figures for 1957 with those for 1951, the national income has expanded by nearly one-half, while bank advances have risen only slightly. As to selectivity, advances to the export and other industries enjoying priority have shown a sustained increase throughout, and those to the remaining branches of industry and trade are roughly unchanged in amount, while advances to other borrowers have undergone a substantial decline which is particularly marked under the heading "personal and professional."

It should not be assumed that these movements, appropriate as they are to the requirements of policy, are wholly to the long-term national advantage. The withholding of credit here and there must have delayed some business development which on its own merits was to be desired on considerations of ultimate benefit to the national economy in a competitive world. Further, there have been many instances in which failure to obtain credit from a bank, for purposes which were officially regarded as standing low in the order of priorities, has been followed by resort to other, largely unregulated and probably less economical sources of finance.

Much has been said by my predecessor in the chair of the difficulties encountered by the banks in enforcing an officially directed policy of extreme restraint; but there are three points I would wish to make on this occasion. The first relates more especially to the "qualitative" requests, expressed in terms of the purpose of borrowing. The requirements of many business borrowers have to be judged in relation to their total financial position, and it is therefore not always easy to deal with an application by reference to any particular requirement of the business. Additional credit for some explicit capital purpose may be refused; but an indirect reaction from the refusal may be a tendency by the customer to use more fully the overdraft facilities he has at his disposal for ordinary day-to-day business operations. To this extent selective credit control may prove to be—as is commonly said of a high Bank rate—a "blunt instrument" of monetary policy.

Secondly we have to reckon with some lack of harmony between the two kinds of official "request." The qualitative requests are not wholly negative; while some purposes for which bank credit may be desired have for the time being to be frowned upon, others are to be favoured in a positive way by ensuring that all necessary facilities shall be available. But the further a quantitative request is pushed, the more difficult it becomes to meet expanding demands of highest priority except by curtailing the borrowings of customers whose needs, on the tests of the selective requests, have a legitimate case against actual reduction.

Finally, just as, on the record of the past six years, successive upward movements of Bank rate have been no more than partially offset by later reductions, so the tendency is for requests to the banks on lending policy to remain in cumulative force. If the best use is to be made, in the long run, of this particular instrument of policy, then there is need for flexibility to be practised in its operation from time to time. There should be some assurance that, as conditions calling for severe restrictions become less exacting, the severity of the restrictions will be promptly relaxed. A phase might indeed come in the economic situation of the country at which restriction of any externally imposed sort upon bank lending could be positively harmful and obstructive to business recovery. We may therefore hope that the authorities will be watchful to ensure that the restraints are lifted, as opportunity offers, to accord with changes in national conditions and prospects.

DEPOSITS AND TURNOVER

Deposits have again shown only a trifling growth, but there composition has changed, a considerable shift having taken place, particularly since September, from current account balances to deposit accounts.

A new contribution to published statistics is included in a table, covering the postwar period, showing broad indices of business activity. A "business turnover" index has been calculated from annual totals of turnover on current accounts with the Midland Bank after deducting the figures of a few branches which are heavily affected by purely financial operations. The figures indicate that business turnover rose faster than national income in the immediate postwar period, with the dismantling of war-time controls and the return of trade in many commodities from Government departments into private hands. Thereafter, the comparatively slower rise may reflect the gradual increase in that part of the national income finding its way into the possession of people not ordinarily operating bank accounts.

For roughly a decade the amount of current account balances has remained on a level, with only small divergences either way; yet business turnover has increased more or less markedly year by year. The same amount of "bank money" has been doing more and more work. It would be difficult, in the light of these figures, to attribute the postwar inflation, as expressed in rising prices, to the availability of bank money, whether in the form of pure credit moneys or of balances newly created by the use of bank advances

EUROPEAN FREE TRADE

We are naturally giving close consideration to possible effects upon our business of the inauguration and development of the European common market and to the implications of the proposed Free Trade Area. These are two distinct though related projects, and we find that industrial and trading customers of the Bank sometimes experience difficulty in obtaining all the information and guidance they need in assessing the likely reactions upon their own businesses and visualising the steps they might take to seize every opportunity of expansion. Within our own Bank we have accumulated much information, both general and particular, which is relevant to such investigations, and on a number of occasions we have been able to provide some assistance. We welcome inquiries relating to these matters and are ready to give them the specialised attention that the details of each case require. The services of experienced officials are available by inquiring at any of our branches.

WESTMINSTER BANK LIMITED

SATISFACTORY EXPANSION OF DEPOSITS

EFFECT OF INCREASED STAFF COSTS

CAUSE OF DRAIN ON COUNTRY'S RESERVES

CHANCELLOR'S "UNPLEASANT AND EXPENSIVE" REMEDIES

LORD ALDENHAM ON PROBLEMS AHEAD

The annual general meeting of Westminster Bank Limited, will be held on February 12th at the Head Office, 41 Lothbury, London, E.C.

The following is the statement by the chairman, The Right Honourable Lord Aldenham, which has been circulated with the report and accounts for the year ended December 31, 1957:

In the course of the year we have lost the services of Sir William Coates through ill health: he has been an admirable Deputy Chairman since 1950. Lieutenant General Lord Weeks also had to leave us on his appointment as Chairman of the Finance Corporation for Industry Limited, and Mr A. G. Stewart is now leaving the Board owing to his other heavy business commitments. We shall greatly miss the benefit of their valuable experience and wise advice.

During 1957 we were very glad to welcome Lord Salisbury on his return to the Board, and also Sir Arthur fforde, the Chairman of the British Broadcasting Corporation, both of whom have had wide experience in many fields. One of our colleagues, Mr W. J. Worboys, received a knighthood in the New Year's Honours list—a well-deserved recognition of his services to the country.

TRIBUTE TO MANAGEMENT

I am glad to tell you that the General Management of the Bank remain unchanged. The results now placed before you are a clear indication of their devoted and untiring efforts on behalf of the Bank.

Mr W. A. Dry, Secretary of the Bank and of Westminster Foreign Bank Limited for the last seventeen years, retired in September and was succeeded by Mr L. R. Murray.

I would like to thank Stockholders and Shareholders for the support given to the Board's proposals for the reorganisation of the Bank's Capital structure. The elimination of the uncalled liability on the shares was desirable, especially as it was accompanied by a considerable strengthening of the paid-up Capital. That the Board have continued to hold the balance true as between "A" Stockholders and "B" Shareholders seems to be indicated by the fact that over 99 per cent of the votes cast by both classes were in favour of the proposals.

FACTORS AFFECTING INCOME AND OUTGOINGS

The Accounts for the year show a decrease of £12,569 in our profits. There have been a number of factors affecting our income and outgoings, among them two Bank rate changes, but our trading result has been mainly influenced by the increase in our Staff costs to which I shall refer later.

We have again transferred £800,000 to Published Reserve, which was reduced by £2,400,000 when, in strengthening our paid-up Capital we capitalised £5,303,243, £2,903,243 of this sum being provided by a transfer from Contingency Account. After payment of the dividends foreshadowed at the time of our Capital reorganisation, and after this transfer of £800,000 to Reserve, our Profit and Loss carryforward is down by some £24,000.

DEPOSITS

Our Current, Deposit and Other Accounts have risen by over £30 million. This is a satisfactory result, particularly as stringent monetary measures have been in force throughout the year and as institutions other than the large Commercial Banks have continued to advertise for Deposits at very high rates. From the point of view of our profit, however, it is as well the Shareholders should know that virtually the whole of this increase is in our customers' Deposit Account balances, upon which we are at present paying interest at the rate of 5 per cent.

Such Deposit Accounts have increased very materially in number as well as in amount. It is noteworthy, although not surprising, that well over half this increase, both in number of accounts and in total balances, has taken place since the rise of 2 per cent in the Bank rate on September 19th, when Deposit interest was similarly increased.

ADVANCES

On the assets side of the balance sheet, Advances have decreased, reflecting the expected pattern in a year in which the credit squeeze has operated throughout and has been reinforced, in the minds of bankers and public alike, by the Chancellor's statement in September and by higher borrowing rates.

The amount we earned on our Loans and Overdrafts during 1957 was only moderately higher than the comparable figure for the previous year, as the higher interest rates ruling during the last 3½ months were accompanied by a decrease in Advances. In the event we were able to make profitable use of the funds so released, and of the increased funds available to us from higher Deposits, by the purchase of Treasury Bills. The rates so earned have lately been favourable and this factor, together with our desire to remain rather more than usually liquid, influenced us towards this means of employing our funds in preference to additional investment on any large scale in short-dated gilt-edged securities, which continue to be subject to material fluctuation in value from time to time.

Investments, however, are, with Advances, our main earning asset, and we have taken a favourable opportunity to add £11 million to our portfolio. You will observe that the deficiency in the market value of our British Government securities was rather greater at the end of 1957 than it was in December, 1956, but, as I have told you in the past, all our Government securities are dated and the great majority will mature within the next few years; thus the deficiency should be more than recovered.

STAFF PAYMENTS

Our largest single item of expenditure—payments made to or for the benefit of our Staff—has risen again. This increase, despite the fact that we have added but a few to our Staff numbers, has been of significant size, due to our making a cash payment to the active Staff in the early part of the year and following this up with the introduction from July 1st of a new basis of remuneration. It is pleasing to record that during the course of the year we have also been able to make some addition to pensions of less than £750 per annum.

These benefits for members of our Staff, both present and past, together with the several other improvements in conditions of service that have been brought into effect during the year, emerge primarily from the many frank discussions which the Board and Management of the Bank have had with the Staff Associations, both Clerical and Non-Clerical.

THE CLERICAL GUILD

You may be interested to learn a little about the Staff Associations in this Bank, and particularly about the Clerical Guild, since the occasional press references which appear on this subject are often misleading and often directed towards the discrediting of a system such as that obtaining in Westminster Bank. The Guild was established in 1919 and is very representative of the clerical Staff at all levels. It enjoys a 70 per cent membership of the total of our active clerical Staff and if one leaves out those with less than three years' service—that is to say, the bracket in which there is a considerable turnover in present conditions—the proportion of possible membership is approximately 80 per cent. It can thus be seen that the Guild is a truly representative body and that its elected representatives, who come along to Head Office on a variety of problems, speak with a great weight of opinion behind them. These meetings, I must say, take place quite frequently and can be called by either the Bank or the Guild. They are conducted in such an atmosphere as to permit of a very full and frank exchange of views on both sides of the table and, although agreement on all points cannot always be achieved, a better understanding of the other side's point of view invariably results. In addition, there is in being a formal Arbitration Agreement completed in 1956 by the Bank and the Guild which can be invoked by either party, although I hope the need will never arise.

The Non-Clerical Staff Association, which was also founded in 1919 and has a membership of 71 per cent, has the same facilities for coming to Head Office in order to discuss its problems.

BRANCH EXTENSION

During the past year we increased our branch representation throughout the country, bringing the total number of banking offices to 1,191. I mentioned in my statement last year that our programme of branch extension had had to be curtailed in view of the economic restrictions then obtaining and, of course, the same stricture has applied during 1957. Our programme, which is based on a great deal of careful research and investigation, is constantly reviewed and it is my hope that when the situation permits we shall be able to advance rather more rapidly than we have done in recent years in order to take every suitable opportunity of expanding our business.

On October 1, 1957, the Foreign Branch of our Bank celebrated its Fiftieth Anniversary and it is therefore particularly gratifying that our foreign business as a whole has continued at a very high level and has again made a handsome contribution to our Bank's profits.

OVERSEAS VISITS

Notable efforts continue to be made by our senior Staff in journeying overseas as ambassadors of the Bank and I am more than ever convinced that this plays a very important part in the furtherance of our desire to be among the leaders in the field of overseas business. In 1957 representatives from the General Management and the Foreign Branch Management covered a great deal of Europe, including the Balkan countries, as well as extensive areas in the Middle and Far East. These visits go a long way to ensuring that Westminster Bank shall lose no ground in the very competitive field of overseas business and I again warmly commend the initiative and efforts of these Officers on the Bank's behalf.

You will have observed that the Report does not on this occasion contain the separate balance sheets and accounts of our subsidiaries. We decided, in the interests of simplicity, that a Report giving particulars of the parent company's affairs together with particulars of the group in the form of a Consolidated Statement would be more suitable and we have accordingly introduced this form for the first time. We hope it will appeal to our Shareholders.

Both Ulster Bank and Westminster Foreign Bank have enjoyed a very satisfactory year's trading and their respective profits have increased significantly.

AFTERMATH OF SUEZ CRISIS

In any review of progress or retrogression made each year it is natural to consider first whether the free nations of the world are any nearer to a lasting peace with the countries behind the Iron Curtain, and it would seem that during 1957 some progress has been made. At the beginning of the year the Suez difficulty had done much damage to the NATO alliance. That damage was to a great extent repaired during the year, and in October the launching of the Russian satellite into outer space shook the NATO countries out of their complacent belief that in all branches of science the Russians still lagged behind, and thus helped to close their ranks.

The blocking of the Suez Canal was believed a year ago to be a much more serious threat to the economic position of this country than in fact it proved to be. It was a great surprise to us all to find that in the first six months of 1957 almost as much had been added to our gold and dollar reserves as had been added in the first six months of 1956; though it must not be forgotten that the first impact of the Suez incident caused a heavy drain on our reserves, even though the damage was much less lasting than we feared.

But in July last the position changed very rapidly and July, August, September saw a drop of £189 million in those reserves, over one-fifth of their total. This was not due to any sudden worsening in the trading position of this country, for we had earned a surplus on our own balance of payments of £200 million in the twelve months ending in June, and it seems probable that we are still earning a surplus at approximately that annual rate.

GOVERNMENT'S ENERGETIC STEPS

The fundamental cause of the drain on our reserves was the widely held belief that those reserves are quite inadequate to support the value of the pound sterling if there is any prolonged distrust in it abroad; and until those reserves are built up, there is always the possibility of the disaster of another devaluation. Energetic steps were taken by the Government to supplement the reserves by credits from the International Monetary Fund and the Export-Import Bank, and most important help was also given by the impartial opinion expressed by Mr Per Jacobsson, the managing director of the International Monetary Fund, that the pound sterling was not overvalued at present rates of exchange. But these credits are loans which in due course must be repaid: they must only be used to give us a breathing space, during which we can build up our real reserves.

Other causes of the fear of devaluation of sterling were the reappearance of the dollar gap, the great and growing improvement in the West German balance of payments, the devaluation of the French franc, and the constant deterioration in the purchasing power of the pound at home. Year after year we are told in Parliament, and indeed we all know to our cost, how far that purchasing power has slipped. Nearly twenty years of continuous inflation have taught us to buy now whatever we want because next year it will be more expensive. Just think what a difference it would make to the Savings Movement if we all felt sure that postponing expenditure would let us buy cheaper.

DRASTIC BANK RATE RISE

On September 19th, drastic action was taken by the Bank of England and by the Chancellor of the Exchequer. Bank rate was put up to 7 per cent, the credit squeeze was tightened, and limits were set to the amounts to be invested by the public sector—the central government, the local authorities and the nationalised industries. All were unpleasant and expensive remedies, which need never have been so severe if remedial action had been taken earlier; but they should help to check and even to reverse the inflationary spiral.

This regret that remedial action was not taken earlier is not just being wise after the event—from the very beginning of the credit squeeze in July, 1955, the banks have made it abundantly clear to the Government that in their view the credit squeeze by the banks without complementary action on the Government side would not be sufficient to halt inflation.

INDUSTRY'S NEED OF CAPITAL

But this limit on investment by the public sector is £1,500 million per annum for each of the next two years. It is surprising to hear that the expenditure of this vast sum has in some quarters been called an investment freeze: rather is it puzzling to know how the money is to be found without further inflation. Taken as a whole the nationalised industries have no true profits to plough back into increased investment: in contrast to the industries in the private sector which have been ploughing back about two-thirds of their net earnings after tax into strengthening their own positions. The April Budget provided for an ordinary surplus of £560 million, most of which (if achieved) could go towards "below the line" capital investment: in addition, there are "small" savings such as Savings Certificates and the like, and there are the "large" savings in the form of Life Assurance and Pension Funds.

But private industry, in spite of all the ploughing back of earnings, also needs fresh capital from the public, witness the £40 million and £41 million which Imperial Chemical Industries and British Petroleum have recently raised. Private industry has a fair claim on some of these savings, and we cannot ignore the needs of Commonwealth borrowers who come to the London market. If the future claims of private industry and of the Commonwealth are also to be met, it really seems that the Chancellor will have to set his sights for public sector capital expenditure rather lower than £1,500 million per annum if he is determined to have no recourse to inflation and thus to maintain a stable pound.

During 1957 it has been heartening to note a continuation of agriculture's contribution to the economy of this country. It is not always realised that just over 3 per cent of our workers produce half the food requirements of our population of fifty million.

BANKS' LOYALTY

There is really no need to put the words credit squeeze in inverted commas nowadays: the thing has been with us for such a lamentably long time. But it must be recorded how loyally the banks as a whole have played their most unwelcome part in maintaining it, when for so much of the time they have watched the Government's deficit financing far outweighing the restriction they themselves have been able to enforce. It would be ungracious to fail to record here our appreciation of the co-operation we have received from our customers in the squeeze.

Last September the Government asked the banks to keep the coming year's average level of advances down to the average of the preceding twelve months and the banks have agreed to try, though it will be unprofitable to us and difficult to achieve. If we do achieve it, I see no reason why we should not subsequently get back to more free competition amongst ourselves, curbed only by the need for each individual bank to conform with the Government request, a curb which we must hope is only temporary.

IMPORTANCE OF STABLE POUND

A most important declaration was made by the Chancellor of the Exchequer in October that "a stable pound is the prerequisite of full employment"; and it would seem that there is a growing acceptance in the country of the view that it is more important to us all to have a stable pound than to have conditions of artificial boom created by inflation. Certainly it is more honest to our creditors abroad.

We are, and have been, spending a larger proportion of our national income on consumer goods, and a smaller proportion on research and improvements to our factories, than have our principal competitors in the export markets: even the lure of Premium Bonds has failed to provide sufficient savings to alter these proportions. For the sake of our future level of production it will be most unfortunate if for lack of savings a limitation on fixed investment in productive assets has to be continued for long.

A further danger to our competitive position lies in the fact that our costs per unit of output have increased in the past few years

more rapidly than those of West Germany and the United States.

BRITAIN'S SHARE OF WORLD TRADE

These two considerations, a lesser proportionate expenditure on new factories and plant, and a greater rise in labour cost per unit of output, may help to explain why our percentage share of total world trade has each year for the past seven years been declining. This fact has been masked by the growth in total world trade, but it will become of increasing importance if in 1958 there is some contraction in the total volume. We cannot ignore the possibility of some contraction under the influence of the recession in North America, and the diminution of the income of primary producing countries such as Australia and New Zealand: both these countries have suffered from falling commodity prices and Australia has experienced adverse seasonal conditions.

The economists tell us that, when the prices of the goods we sell have moved up and the prices of the raw materials we import have moved down, the terms of trade have moved in our favour; but it does not seem to be so much in our favour as all that, when the primary products of Australia and New Zealand fall in value so far that they have to restrict their purchases of our manufactures.

CANADIAN TRADE MISSION

All the more welcome, therefore, was the recent visit of the Canadian Trade Mission, entrusted with the task of switching more of their purchases to this country, in order to enable us to earn more Canadian dollars with which to buy their metals or their surplus wheat. I could wish that we might see a similar mission coming to us from the United States, for we shall need all the US dollars we can earn if, after repaying recent credits, we are also to be able to buy all the commodities we need from them.

Conversely, I would like to see a UK mission visiting Australia and New Zealand with the object of finding what more we can buy from them in order to maintain their ability to buy from us.

EUROPEAN COMMON MARKET

The six "Messina" countries, France, Germany, Italy, Belgium, Holland and Luxembourg, have formally established a Common Market as from the beginning of 1958. Nevertheless, little definite progress has been recorded towards the establishment of a Free Trade Area to include this country and the Scandinavians in agreements with the Common Market countries, although there have been important pronouncements in its favour by the British Government and several detailed studies are being carried out by OEEC committees. There are, of course, countless difficulties in reaching agreement, and there will be hard bargaining on all sides, but it would seem that for all countries concerned the advantages of so large a Free Trade Area must outweigh the disadvantages. Certainly the performance of many of our great industries in the export markets in recent years gives us good grounds for hope that they could more than hold their own in any Free Trade Area.

THREE MAIN ANXIETIES

At the beginning of 1958 three main anxieties remain with us, the maintenance of world peace, the stability of the purchasing power of the pound sterling, and the continuance of our ability to compete in price and quality in the export markets of the world.

CLYDESDALE & NORTH OF SCOTLAND BANK LIMITED

THE FIGHT AGAINST INFLATION: NEED FOR RESOLUTE ACTION

SIR HAROLD E. YARROW ON COUNTRY'S INHERENTLY STRONG POSITION

The 120th Annual General Meeting of Shareholders of Clydesdale & North of Scotland Bank Limited will be held on February 12th in the Head Office, St Vincent Place, Glasgow.

The following are extracts from the circulated statement of the Chairman, Sir Harold E. Yarrow, Baronet, CBE, LLD:

Having regard to the difficult conditions which obtained throughout 1957, the results disclosed are highly satisfactory. Our Deposits at £175,416,371 show an increase of £2,422,383 as compared with last year. Our Note Circulation continues to be influenced by the inflationary trend, and with an increase of £1.1 million on the year it now stands at the new high level of £25.4 million. The total outstanding for Acceptances, Confirmed Credits and Engagements on account of Customers is down this year by £647,000 to a total of £8,763,286. I am pleased to say that our Foreign business continues to expand very satisfactorily and good progress is being made by all our Overseas Branches.

On the Assets side, you will note that we maintain a highly satisfactory level of liquidity. Cash, Balances with Other Banks, Money at Call and Short Notice at London and Treasury Bills amount to £75.7 million and represent 37.7 per cent of our liability to the public in respect of Notes in Circulation and Deposits. Our holding in British Government Securities at £82,049,185 shows a small increase of about £900,000. The Book Value of our Investments at the time of making up our figures was £6.6 million in excess of Market Value. Advances to Customers and Other Accounts at £42,583,726 show an increase on the year of £1.5 million, which follows upon a decrease of over £1 million in the previous year.

Our Net Profit for the year at £486,466 shows an increase of £4,634. Running costs have again shown quite a substantial increase which has been off-set by the income derived from the larger resources at our disposal throughout the year. If the present high rates continue, however, we must expect a downward trend in profits.

The Dividend is maintained at 18 per cent, and we have again allocated £32,500 to the Staff Widows Fund, £100,000 to Staff Pension Fund, and £100,000 to Reserve for Contingencies, which leaves £202,054 to be carried forward to 1958.

CREDIT RESTRICTIONS

Our affairs have again had to be conducted in a regrettable atmosphere of restriction. A year ago I said that I felt the time had come when consideration might be given to relaxing the restraints on lending which the banks have been asked to exercise for so long, and which they have willingly accepted at the request of successive Governments, without regard to the effect upon their earnings. Unfortunately the past twelve months, far from witnessing a move towards this happier state of affairs, have seen the Chancellor of the Exchequer ask the banks on two occasions for even greater restraint.

In spite of the difficulties, however, we must welcome the Government's obvious determination to achieve and maintain stability in the currency, and if the measures now in force meet with success, I would hope that the day may not be far distant when artificial restrictions on lending will be unnecessary and the banks will once again be permitted to play their rightful part in a healthy, expanding economy.

THE NATIONAL ECONOMY

The features of 1957 which stand out most strongly in the affairs of the United Kingdom as a whole are the drain on our reserves which occurred in early autumn and the policies which were initiated at that time to deal with it and to prevent a recurrence.

The cause was not far to seek. It was a lack of confidence in sterling both at home and abroad, and the underlying cause of that lack of confidence was likewise not difficult to discover. It was inflation, a condition in the economy which has given rise to financial crises in one form or another far too frequently since the war.

It is universally agreed that inflation, although favourable in its immediate effect to some sections of the community, is potentially dangerous; it must be eliminated if real progress is to be made. Not everyone is agreed on the action which would best achieve that end. But what is really disappointing is that in the past no determined remedial action has been pressed home.

The steps which were taken last September were, I believe, necessary both as an immediate expedient to reverse the flow of funds abroad because of the speculative drive against the pound, and in the longer run to exorcise inflation from the economy. It is essential to realise that any action which achieved the first objective without securing the second would be largely futile.

The measures taken appear to have been successful in their first objective. It now remains to convince the world at large that we mean to hold our position by achieving the second objective, and we will be believed only when it is seen that our actions are matching our words.

It is the Government's duty to press through its policies to create the climate in which this fight against inflation can be won, and the consequences of failure could be so serious that it has the right to look for the support even of those who may disagree with its policy in detail; employers must be prepared to accept moderate profits and to be satisfied with nothing less than the highest standards of management techniques and the adoption of all the resources placed at their disposal by modern research; and employees must give an honest day's work for an honest day's pay, ready, in particular, to dispense with restrictive practices which are damaging to maximum production, in the knowledge that what they earn, and save, will maintain its value. Our position is inherently strong—I do not think this can be overstressed—and only resolute action is required to establish in the eyes of the world that it is so. What is wanted is less controversy and confusing advice on means, and more concerted action towards securing the agreed ends.

BOWMAKER LIMITED

ALL PREVIOUS RECORDS SURPASSED

The thirtieth annual general meeting of Bowmaker Limited will be held on February 14th, in London.

The following is an extract from the circulated statement of the chairman, Sir Arthur Morse, CBE:

The report and accounts reflect the highest volume of business transacted and the biggest profit in the history of the company, which is particularly satisfactory in the thirtieth year of its existence. Business during the first two months of the financial year was at a low ebb but at the end of December, 1956, restrictions on hire purchase were eased and from January onwards there was a steady increase. Underwriting reached unprecedented proportions in the spring and early summer months and continued at a satisfactory level until the close of the financial year.

In the result the group profit before tax amounted to £750,289 compared with £491,227 in the previous financial year. Taxation requires £356,625 and there remains a group profit after taxation of £393,664. A final dividend of 17½ per cent less tax, making 27½ per cent for the year, is proposed.

Your Board is of the opinion that the reserves of the company have become unduly large in relation to the issued capital and it is, therefore, proposed to apply the sum of £303,500 standing to the credit of share premium account in paying-up in full new ordinary shares of 5s. each and to distribute these shares in the proportion of one new ordinary share for each three ordinary shares of 5s. each held by the shareholders on the register on February 14, 1958. In view of the fact that after the proposed bonus issue all but £36,000 of the existing authorised capital will have been issued, it is proposed to increase the authorised capital of the company from £2 million to £3 million.

After reviewing the progress of the operating subsidiary and associated companies, the statement continued:

FULL UTILISATION OF FINANCIAL RESOURCES

The year under review has involved the full utilisation of our financial resources. In the past we have relied mainly on the generous facilities which we have received from our bankers and from other financial institutions. In present circumstances, however, if, as is our intention, we are to continue to develop our business we must look to a greater volume of deposit money. With this in mind we have, since June last, been inviting new deposits and I am glad to report that this change in policy is already bearing fruit to the extent that in the last six months of 1957 our deposits have increased considerably. A deposit with a well-established finance house provides first-class security with a most attractive rate of interest.

The current financial year is little more than two months old and the flow of business to date has been at a higher rate than in the same period last year. As far as profitability is concerned, the rise in the Bank Rate has inevitably and materially increased interest charges and there is no mitigating factor in respect of agreements entered into prior to the rise. Taking into consideration the overall picture, your Board is of the opinion that the current year's trading should prove satisfactory unless circumstances outside our control adversely affect turnover.

ALEXANDERS DISCOUNT COMPANY

SIR ERIC GORE BROWNE'S STATEMENT

The ninetieth annual general meeting of Alexanders Discount Company Limited will be held on February 13th in London.

The following is the circulated statement by the chairman, Sir Eric Gore Browne, DSO, OBE, TD:

Before dealing with the accounts there is one matter concerning the composition of the Board: it is with very great regret that I have to report the resignation through ill health of Mr Robert Alexander. Mr Alexander has given over forty years of his life to the service of the Company, on the management for 20 years and for 25 years on the Board. He is the great-great-grandson of the founder of the business. We shall miss him much.

Nineteen-fifty-seven, the year for which we now account, was a very difficult one for your Company.

At the beginning of the year the Bank Rate stood at 5½ per cent while the rate for Treasury Bills was about 4¾ per cent. By February 7th, when the Bank Rate was reduced to 5 per cent, the weekly tender rate had fallen to 4⅞ per cent, and, after this reduction in the Bank Rate, the Treasury Bill Rate, starting from 4¾ per cent, at the next tender, fell to 3¾ per cent in early May, and remained fairly steady at around 3¾ per cent until the middle of August. Then the rate rose steeply until it reached 4½ per cent in the middle of September. On the 19th of that month the Bank Rate was raised to 7 per cent and the Treasury Bills, at the first tender thereafter, were allotted at just under 6½ per cent. At the end of the year this rate was 6¾ per cent.

ACTIVITIES OF A DISCOUNT HOUSE

As you know, in addition to its traditional and primary role of buying and selling Bills of Exchange, a secondary role, which through force of circumstances, has of recent years fallen to the lot of the London Discount Market, is to provide a free market in short-dated Government Bonds. Your Company entered the year 1957 with £32¼ million of these Bonds. The fall in their market value, as a result of the varied use of the Bank Rate instrument during recent years, is clearly shown by the figures given in Note 3 of the Balance Sheet which is now before you.

A Discount House makes its living by dealing in differences; by which I mean the margin which obtains at any time between the rate at which it can borrow money from the Banks and the rate at which it can invest that money in the purchase of Bills and of short-dated Government Bonds. The profits which a Discount House can make depend in the main on the width of these margins.

The influence of a steep rise in the Bank Rate on both these elements in its business will be apparent to you. The Market values of short-dated Government Securities suffer serious depreciation in value; the borrowed money by which both Bills and Bonds are financed costs more to the borrower, while the interest on those funds already invested remains the same. This increased burden is, it is true, of shorter duration in respect of the Bill holdings than it is in the case of the Bond holdings.

I hope that what I have said serves to emphasise to you the truth of the statement which I made to you in respect of the 1953 Accounts, "that in fulfilling the present role

ALEXANDERS DISCOUNT COMPANY LIMITED.

Statement of Accounts, December 31, 1957

LIABILITIES

	£	£
Authorised Capital:—		
100,000 Preference Shares of £2 each and 2,400,000 Ordinary Shares of £1 each		2,600,000
Issued Capital:—		
100,000 £2 6% Cumulative Preference Shares, fully paid		200,000
2,400,000 £1 Ordinary Shares, fully paid		2,400,000
		2,600,000
Share Premium Account	533,750	
General Reserve	1,466,250	
Profit and Loss Account	142,000	
		2,142,000
		4,742,000
Loans, Deposits and Sundry Creditors (including liabilities of £98,081,244 secured on certain assets per contra)		99,356,885
Final Dividends (*less* Tax) recommended		37,950
		£104,136,835

Notes:—
1. There is a contingent liability in respect of Bills Re-discounted excluding Treasury bills of £7,665,825.
2. Taxation recoverable to date has been included in these accounts.
3. British Government Securities are included herein at or under cost and below their redemption value. In the aggregate, the amounts thereof exceed their market value at December 31, 1957, by £2,507,523 (1956 £2,612,718). Provision for this difference has not been made and is regarded as unnecessary as all the securities are redeemable at fixed dates.

ASSETS

	£
Balances at Bankers and Cash in Hand	742,854
Bills Discounted (*less* Provision for Rebate)	70,597,862
British Government Securities (quoted) (see Note 3)	31,757,287
Corporation and Dominion Government Securities (quoted)	610,158
Loans on Security and Amounts Receivable	428,674
	£104,136,835

24, LOMBARD STREET, LONDON, E.C.3

of the London Discount Market there is a serious element of risk," and in my statement in respect of the year 1954 you may remember that I told you that the Discount Market as it exists today "is a sensitive instrument and subject to influences over which it has no control and which may at any moment considerably influence its current position."

THE ACCOUNTS

Now if you will turn to the Balance Sheet to which this statement is attached, you will see that your Capital, Share Premium Account and General Reserve, subject to Note 3, remain unchanged, that the balance carried forward is reduced to £142,000, and that our holdings of Government Securities to which I have already referred is £31,757,287, and of Bills is £70,597,862. The Profit and Loss Account shows a profit of £62,900 after providing for rebate and taxation, and after making a provision towards securities depreciation.

As I have so often told you, our dividends must depend on the result of the year's working. On this occasion we propose to recommend a Final Dividend of 3 per cent less tax on the Cumulative Preference Shares, a Final Dividend of 2½ per cent less tax (making 5 per cent less tax for the year) on the Ordinary Shares, and to reduce our carry forward from £167,000 to £142,000. My colleagues and I have had long and anxious deliberations on the rate of dividend which we now propose. I am sure that you will realise that if the Bank Rate continues at its present high level our profits will be seriously and directly affected for some time to come, and that future dividends are in jeopardy. In making our proposal we have in mind two cardinal factors, each of which has a bearing on the future prospects of your Company. The first is that the bulk of our holding of Government Securities is short-dated, and the second is that in spite of the doubts which I have expressed to you before as to the efficacy, in the absence of an Exchange Standard, of the Bank Rate instrument operating in the controlled economy of a Welfare State, there are some grounds for hope that the existing high Bank Rate will not long continue. If only we as a nation can restore, by Government economy, by hard work and the absence of trade disputes, not only national but international confidence in the pound sterling, the fortunes of your Company will once more rest on a sure foundation.

In conclusion I have to thank the Banks for their unfailing support, and Sir Antony Macnaghten, Mr Dawkins and all our staff for their devotion to your interests in these difficult years.

The Trust Company of Cuba

HABANA, CUBA

BOARD OF DIRECTORS

AGUSTIN BATISTA
President and Chairman of the Board
ANTONIO RANGEL
Chairman Executive Committee
JOSE I. DE LA CAMARA
Vice Chairman of the Board
GONZALO R. ARELLANO
President, Por Larrañaga Fábrica de Tabacos, S. A.
JORGE BARROSO
President, Cía. Azucarera Central Cuba
AGUSTIN BATISTA FALLA
Director
JULIO BATISTA
Secretary
JOSE M. BOSCH
President, Cía. Ron Bacardí, S. A.
EUTIMIO FALLA
Director
ALFONSO FANJUL
Vice President, Cuban Trading Company
PAUL MENDOZA
President, Banco Hipotecario Mendoza
JUAN J. MARABOTTO
Vice Chairman Executive Committee
JOSE A. MESTRE
Director
LUIS RANGEL
Vice President
CESAR RODRIGUEZ
President, Almacenes Ultra, S.A.
ALBERTO RODRIGUEZ
Vice President
HUMBERTO SOLIS
Secretary, Solís Entrialgo y Cía., S. A.

CONDENSED STATEMENT OF CONDITION AS OF DECEMBER 31, 1957

ASSETS

Cash on Hand, in Banco Nacional de Cuba and Due from Banks	$66.723,561.84
Republic of Cuba Bonds and Other Public Securities	67.096,000.00
Stock of Banco Nacional de Cuba	519,900.00
Other Securities	3.939,141.78
Loans and Discounts	91.716,378.46
Banking Premises	3.729,649.25
Customers' Liability on Acceptances	2.597,468.31
Items in Transit with Branches	10.047,496.44
Other Assets	2.891,470.19
	$249.261,066.27

LIABILITIES

Deposits		$234.072,528.56
Acceptances under Letters of Credit		2.597,468.31
Other Liabilities		536,388.73
Capital Funds:		
Capital	$5.000,000.00	
Surplus	6.750,000.00	
Undivided Profits	304,680.67	
		12.054,680.67
		$249.261,066.27

DEPOSITS		CAPITAL FUNDS	
December 31, 1957,	$234.072,528.56	December 31, 1957,	$12.054,680.67
December 31, 1956,	201.225,980.23	December 31, 1956,	11.346,999.32

RUSTENBURG PLATINUM MINES LIMITED

(Incorporated in the Union of South Africa)

Statement to Members by the Chairman, Mr. D. A. B. Watson, on the Directors' Report and Accounts for the Year Ended August 31, 1957

(Issued to Members prior to the Twenty-sixth Annual General Meeting to be held in the Board Room, Consolidated Building, corner of Fox and Harrison Streets, Johannesburg, on Thursday, January 30, 1958, at 9.15 a.m.)

The Report of the Directors for the year ended August 31, 1957, reviews in detail the operations of the company during that financial year. Trading results were satisfactory, sales of platinum and by-product metals exceeding those of the previous year. Net revenue before tax amounted to £4.48 million, which was £1.26 million, or nearly 40 per cent, greater than that earned during the previous year.

The appropriation from current profits towards meeting capital expenditure incurred during the year was £224,000. The appropriation to the Stock Realisation Reserve to finance increased stocks of metal in transit, in treatment and in a refined state amounted to £895,000, and the appropriation to General Reserve to finance the increase in the value of stocks of stores and materials was £73,000. The cost of the increase in pipeline and refined stocks of metals and in stores and materials during the past two years has been £1,185,000. An amount of £1.9 million was distributed in dividends during the current year.

The technical programme for the period was carried out as planned and by September, 1957, the mines were in a position to mill at the increased rate of 2.6 million tons per annum as provided for by the 1956/1957 expansion programme.

The shortage of platinum which had prevailed during 1955 and 1956 continued into the early months of the calendar year 1957. Up to the end of February, 1957, marginal supplies of the metal on the open market were commanding prices above the official price quoted by the major platinum refiners. By July demand showed signs of slackening, but it was only three months later, in October, that it became clear that a complete reversal in market conditions was taking place and that the world over-supply of platinum had reached serious proportions. Steps were taken at your company's properties to reduce the current scale of operations to a rate commensurate with the then estimated market requirements for platinum. During November and December, 1957, the position deteriorated further and another and material reduction in the rate of production on the mines was arranged. Members have been advised from time to time by the Board of these changes and of the action taken to meet the changed circumstances. The steep decline in the demand for, and the fall in the price of, platinum during the second half of the calendar year and the consequential adverse effect on the affairs of the company were very considerably greater than had, in August, been regarded as likely from the information then available.

THE PLATINUM MARKET

Demand.—The reduction in demand for platinum has up to the present arisen mainly from the drastic curtailment and, in certain cases, the complete withdrawal of orders placed by oil companies for platinum for use in the platforming process, while recently there has also been some hesitancy on the part of other industrial users. It appears likely that the recent reduction in requirements by all users is largely the result of the economic uncertainty arising from the industrial recession which has developed throughout the world and which has led to a hesitancy on the part of users to proceed with capital programmes and to decisions to carry lower stocks for the time being. There has been, furthermore, a recent trend towards the use by the oil industry of a platinum catalyst containing only 0.3 per cent platinum in preference to the alternative type containing 0.6 per cent platinum and this has had a material bearing on the current reassessment of that industry's requirements. It is a moot point, however, whether the current trend towards the use of the lower grade catalyst will continue; informed opinion is by no means unanimous as to the relative merits of the two forms of catalyst. Members will appreciate the considerable difference the eventual adoption of one or other of these types of catalyst will have upon the demand for platinum.

Prior to embarking upon the recent expansion schemes, exhaustive inquiries were made as to the potential requirements of individual oil refining companies over the five years 1956 to 1960. The figure for such estimated requirements was such as to justify fully the expanded rate of production. In point of fact, various oil refining companies have within the past six months withdrawn from the market some two to three years before their stated inventory requirements have been satisfied.

Price.—As stated, the demand for platinum continued to weaken after the close of this company's financial year and the open market price of the metal moved steadily to lower levels. To meet the competition arising from the prior reductions in the prices quoted by our competitors, the official price of the company's platinum was reduced in two stages during the last three months of the calendar year from the price range of £33-£34 to a range of £27 10s. 0d.-£28 10s. 0d. per ounce, which is the same as that which ruled throughout the major part of the year 1955.

The weakening in price has been caused principally by the very considerable fall in demand as a result of which platinum has been in free supply. Offerings from Russia have continued and, being made in a competitive market, have been at prices lower than those quoted by your company and the other suppliers of platinum of non-Russian origin. Some platinum which had been used as a medium in certain currency transactions has also appeared on the market at similar prices.

The open market price, which is being set mainly by the level at which Russian supplies are offered, is now about £1 per ounce below the present official price range. There is at present no indication that offerings from Russia are diminishing nor of any change in their policy of selling platinum below the official price quoted by the main suppliers of the Western world.

The reduction in the official price of platinum by £5 10s. 0d. per ounce during the current financial year has, of course, made serious inroads upon the profit margin of the company. In our opinion the profitability to a primary producer of the platinum price of £34 per ounce, which this company had maintained throughout the greater part of 1956 and 1957, was reasonable and commensurate with the capital invested in the assets of the company, and the large working capital required to finance the necessary considerable stocks of metals in transit and in treatment at the refineries.

In pursuance of our policy of attempting to maintain a steady level of the platinum price, we did not, in July of this year, immediately follow the downward movements which were initiated by the unofficial quotations and followed by our main competitors. It is in the long-term interests of both producers and consumers to avoid, if possible, the disturbances caused by rapid fluctuations in price in either an upward or downward direction, and it was decided that Rustenburg's price should be maintained until it could be seen whether Russian offerings were likely to continue in the face of a falling price. These did in fact continue at gradually reducing prices and, in order to maintain our competitive position in world markets, the price of Rustenburg metal was reduced in October, 1957, and again in December, 1957.

SALES AND PRODUCTION

Sales of platinum by your company during the first four months of the current financial year amounted to little more than 50 per cent of the average monthly sales during the financial year ended August 31, 1957. There is no indication at present of any improvement in the position.

The completion of the various expansion schemes at the Rustenburg and Union Sections provides the opportunity for considerable flexibility in planning operations. The current scale of operations will, if necessary, be further adjusted from time to time to provide for such changes as may occur in the platinum market, and such adjustments will be made with due regard to the desirability of maintaining this present flexibility.

Reductions in the scale of operations on the mines have unfortunately necessitated the retrenchment of some 650 Europeans and 5,000 Natives since October, 1957. Every effort has been made to minimise the hardship caused by these retrenchments, but the effect on individuals and on the neighbouring districts has been severe.

PROSPECTS OF THE COMPANY

It is not possible at this point of time to make a reliable estimate of trading results for the current year. Any such estimate would have to be based on factors which may change rapidly and materially during the remaining eight months of the financial year.

Net capital expenditure during the year will amount to approximately £400,000, which represents expenditure on such work connected with the 1956/1957 expansion scheme as was in progress at the end of August, 1957, notably in respect of housing and of improvements to the smelter plant, which work was too far advanced to be stopped. If production remains at its present low level, capital expenditure in the financial year 1958/1959 and for several years thereafter will be negligible. If it should prove that a material increase in the present rate of production is justified, certain expenditure on shaft sinking and sundry other items will become necessary at that time. The Directors'

Report for the financial year ended August 31, 1957, made it clear to members that, in addition to providing for current capital expenditure of some £400,000, provision will also have to be made for the sum of £1.7 million outstanding at August 31, 1957, in respect of past capital expenditure. When deciding upon the amount of dividend to be paid in August, 1957, the Board anticipated that the amount required to finance past capital expenditure could be met from profits during the next two years, while at least maintaining the 1957 rate of dividend. As a result of the material changes in the immediate prospects of the company which have taken place since August, the profits earned will be insufficient to carry out this anticipated programme. The period over which appropriations necessary to meet the deficit on capital expenditure will be made will be reconsidered in the light of current profits and of the Board's assessment of the future level of profits from year to year. It will be necessary to give careful consideration to the proper balance between the magnitude of such appropriations deemed prudently necessary to extinguish the deficit in the financial position and the desirability of providing some return to members meanwhile. It is too early to come to any conclusion as to where this balance will lie for the current year.

As I have already stated, the present extensive cut in mine production took place some months after the beginning of the current financial year and mine output will exceed to some extent the present anticipated sales for the year. The cost of producing these additions to stocks which have arisen during the first few months of the financial year will have to be financed. Every effort is being made to regulate production as rapidly as possible to a point where the minimum additions to stocks will result. It is at present expected that there will be a diminution in pipeline stocks of all metals, and an increase in the refined stocks of platinum during the current year.

Additions to stocks and stores over the past two years have absorbed approximately £1.2 million, a figure which can incidentally be compared with the carry forward of expenditure on capital assets amounting to £1.7 million. The necessity to finance this considerable increase in pipeline stocks, together with the necessity to finance further increases anticipated during the current year, at a time when metal prices have fallen and the level of sales has materially decreased, places a considerable strain upon the resources of your company. Taking into account all relevant factors, it is clear that under present conditions the dividend for the current year will be sharply reduced. In view of the uncertainty of the position and the necessity to assess the results for the year as a whole before deciding upon the correct appropriations to be made from current profits, the Board regrets that it is unadvisable to make an interim dividend payment in February, 1958.

As regards the future profitability of your company, I have referred to some factors which have brought about the recent fall in demand for platinum and I think it will be appreciated from the nature of these factors and the speed at which the situation has changed during the past six months how difficult it is to attempt to forecast future levels of supply and demand, a difficulty which is enhanced by the present uncertain prospects for world industrial activity in 1958. When the present economic and technological uncertainties have been resolved, it may well prove to be the case that there will be a recovery in demand for platinum to levels appreciably higher than presently obtaining, but I am not prepared to hazard a guess as to the length of time before such a recovery might take place. In the short term this depends primarily upon the oil industry. In the long term it is, in my opinion, reasonable to assume that the gradual growth in demand for industries other than oil refiners which has continued over the past twenty years will continue in future years.

If it is possible to supply any further information or to make any better assessment of the position at the date of the Annual General Meeting on January 30th, a further statement will be made at that meeting.

The following changes have taken place in the Directorate of the Company since the issue of the Directors' Report :

Mr. P. S. Hammond was appointed a Director of the Company with effect from January 1, 1958, in place of Mr. E. S. Hallett, resigned. The Board places on record its appreciation of the excellent services rendered by Mr. Hallett to the Company since his appointment as a Director in 1947.

Mr. W. M. Walker, who was Alternate Director to Mr. Hallett, has been appointed Alternate Director to Mr. Hammond.

January 22, 1958. D. A. B. WATSON, Chairman.

Registered Office:
Consolidated Building,
Corner of Fox and Harrison Streets,
Johannesburg.

DISTRICT BANK LIMITED

INFLATIONARY TRENDS REFLECTED IN ACCOUNTS

SATISFACTORY INCREASE IN NET PROFIT

SIR THOMAS BARLOW ON WORLD FINANCIAL TENSION

The Chairman, Sir Thomas D. Barlow, GBE, has circulated, with the report and accounts, the following statement to the shareholders of District Bank Limited, prior to the 128th annual general meeting to be held on Friday, February 14th, at the Head Office, Spring Gardens, Manchester:

The Directors learned with great regret of the death last November of Sir Robert Norton Barclay, who preceded me as Chairman and was for so long a distinguished member of the Board. We offer Lady Barclay and all members of the family our deepest sympathy.

Since our last annual meeting we have had pleasure in welcoming two new Directors, Mr Henry P. Bibby and Mr Charles L. Hill, both of whom are well known in industrial circles. Their intimate knowledge of business affairs will be of much value to the Bank.

REORGANISATION OF SHARE CAPITAL

During the year a proposal to merge the Bank's three issues of shares, "A," "B" and "C," into a single class of £1 shares was put into effect with the approval of the Shareholders, after confirmation of the High Court had been received in respect of the reduction of capital involved in the reorganisation.

The free scrip issue made to Shareholders as part of the scheme brought about a capitalisation of reserves and as a result the paid-up capital has been increased from £2,976,423 to £3,988,530 in the form of £1 shares all of one class and all fully paid.

The Directors are of the opinion that this simplified and modernised capital structure, with its elimination of uncalled liability, is of advantage to the Bank and also to the Shareholders who now have a wider market for their shares. This would seem to have been recognised by the overwhelming support that was accorded to the scheme.

THE YEAR'S ACCOUNTS

On reference to the Balance Sheet it will be seen that Current, Deposit and other accounts, which have been running at a higher level throughout most of the year, now total £253 million and exceed last year's figure by £11 million. This change, which follows the general run of banking figures, reflects the persistent inflationary trends of the past twelve months.

As a consequence of the increased deposits, Cash, Money at call and short notice, Treasury Bills and Bills of Exchange, have been augmented and are larger in proportion to our deposits than they were at the end of 1956. These liquid assets represent 39.2 per cent of our liability to depositors.

We have added over £3 million to our holdings of British Government Securities. All of these Securities have a definite date of redemption and a high proportion is repayable within ten years. Investments continue to be shown at a figure which is below their market value.

The fall in our advances is due to a sharp decline in the second half of last year. This trend not only accords with the Chancellor's request to the banks to adopt a tighter lending policy in the national interest but also reflects reductions in traders' stocks due to falling commodity prices and some slackening of activity in certain lines of business. The task of implementing official policy would have been far more difficult for us had our customers not been so understanding and co-operative. We naturally regret the continuance of restrictions on our lendings and will indeed welcome the day when more of our funds can be utilised in financing industry and commerce. Meanwhile our advances continue to be well spread over a wide range of industries, and the figures do not call for any special comment other than that the farmers, who are so indispensable to the country's well-being, are still one of the largest classes of borrowers.

Much of the big increase in the figure for Liabilities of Customers for Acceptances, Confirmed Credits and other obligations is attributable to guarantees in respect of exports of capital goods. This Balance Sheet item also provides some indication of the activities of our Foreign Department. Not surprisingly the changing fortunes of sterling and the generally unsettled state of the exchanges have added considerably to the demands made upon the Department by an increasing number of customers. There was considerable forward exchange trading during the late summer and early autumn, but after the increase in Bank Rate this activity much

slated. The continued expansion of the country's foreign trade was reflected in a higher volume and value of transactions in all sections of the Department.

Our Trustee Department has had another active and successful year. It is pleasing to note that a steadily increasing number of customers and others have appointed the Bank as their Executor or Trustee under Wills. There has also been a constant demand for the services the Department provides by acting as Trustee for Pension Funds and for other types of trusts where continuity of administration is desired, such as new Settlements and Declarations of Trust for the supervision of investments. As we have long felt our expanding business in the Midlands demanded a more personal Trustee service for our customers and beneficiaries in this important area, a branch of the Trustee Department is to be opened within the next two or three months at 38 Hagley Road, Edgbaston, Birmingham.

The higher figure for Bank Property is explained by the purchase of premises and by the rebuilding and extension of some of our existing offices. Last year we opened branches at Edgbaston, Uttoxeter and opposite the University of Manchester.

By continuing their regular visits to branches the General Managers were able to gain a more intimate understanding of the problems presented in different areas by the swiftly changing financial conditions of last year. This local knowledge has also been furthered by the regular conferences which permit a personal exchange of views and experiences between senior branch executives and our higher officials.

PROFIT AND DIVIDENDS

Although Bank Rate is at present standing at the high figure of 7 per cent, the average Bank Rate during 1957 was little above that of 1956. Any additional income from this direction and from the larger turnover of cheques has been almost entirely offset by the greatly increased amount of interest paid to our depositors and by the continued upward pressure of operating costs, due mainly to increased salaries and pensions.

In the circumstances an increase of £9,900 in Net Profit as compared with the figure for the previous year may, I think, be regarded as satisfactory. After making the usual provisions this profit amounts to £672,960 and, including the sum brought forward, there is for disposal £1,147,480. Of this we propose to transfer £500,000 to our General Reserve (now designated Reserve Fund) thus restoring our reserves to £4 million, which was the combined total of the General Reserve and Capital Reserve Share Premium Account prior to the reorganisation of our capital. We are, as forecast, recommending a final dividend this year of 7½ per cent, bringing the total to 15 per cent, which represents an increase over the amount received last year by each of the former classes of Shareholder. After allowing for these dispositions there remains £303,470 to be carried forward to the 1958 Account.

The progress made by the Bank during the past year has not been achieved without keenness and efficiency on the part of the management and staff in dealing with the wide variety of problems which has arisen nor without a sympathetic understanding of the requirements of our customers. Before turning from matters of a domestic nature to those of wider interest I should, therefore, like to express thanks to all concerned for their loyal service.

WORLD FINANCIAL TENSION

After a long period of almost continuous expansion in international trade there has been some slackening in activity, and this has aroused anxiety as to the possibility of a serious decline in business. Lack of confidence has contributed to the recent exchange instability, but the inadequacy of currency reserves of many countries has provided the main reason for this weakness and for the steady accumulation of balance of payments problems.

Such a situation could have been alleviated if these countries receiving a steady influx of gold from their growing export surpluses had not continued to maintain restrictive policies, and if those suffering a loss of reserves had been less dilatory in applying deflationary measures. Because of the present maldistribution of reserves many countries are ill-prepared to withstand the impact of a recession in trade and, even if any recession which may occur does not go very far, there will have to be effective co-ordination of national policies if the international currency mechanism is to be kept working smoothly.

DEFENCE OF STERLING

But that is not to suggest that this country should rely upon external events to extricate it from exchange problems. On the contrary the possibility of mounting tension abroad should make us the more determined to protect sterling by our own exertions. The inflationary forces which are ranged against the pound are not difficult to see. Living beyond our means, or in other words spending too much and saving too little, has been the cause of our exchange crisis: housing, industrial investment and consumption, all desirable in themselves, have combined to create excessive demand and with this cost-inflation. To continue on this lavish course would injure the national economy, irreparably, and we cannot too quickly make such adjustments in our internal affairs as will facilitate the establishment of stable prices and a sound currency.

Meanwhile it is encouraging to note that sterling derived strength from the sharp increase in Bank Rate, and to realise that until the middle of this year it should benefit from favourable payments conditions. A high Bank Rate, however, is costly, even if only reckoned in terms of interest payments on overseas holdings of the National Debt, and the pound will have to be put on a secure basis if we are to make good past losses in reserves and provide a margin for the repayment of debts incurred as a direct result of the crisis. It is understandable, therefore, that other measures have been put into operation to suppress inflation and, since costs and prices cannot spiral upwards without an increasing supply of money, the Chancellor made money not only more expensive but "scarcer to get hold of."

Yet these measures will not be sufficient to strengthen the economy if they do not include a check upon the volume of State expenditure. In these circumstances it is reassuring to have the Government's recent reaffirmation that both its capital and current expenditure will continue to be sternly restricted. This should reduce inflationary demand in the public sector of industry where it is most excessive. Equally important is the reduction of excessive demand in the private sector. In so far as these measures are effective they should materially help to bring incomes into line with output and investment with actual savings.

INVESTMENT AND CONSUMPTION

Technical development, greatly fostered by two world wars, is stimulating new methods of production at such speed that modern machinery, costly in itself, is very liable to rapid obsolescence. For this reason alone the consequences of checking investment must be carefully weighed. Yet with capital so hard to come by and potential demands so great there is really no alternative but to keep our industrial development within practical limits: in other words not to attempt too much too quickly.

The merit of any installation is, in the last resort, to be measured by its capacity to raise production and lower costs. Unfortunately it does not appear that industry as a whole has so far been very successful in this respect. According to a recent issue of the Treasury's "Bulletin for Industry" money incomes rose so much faster than output of goods and services in 1956 that costs per unit of output increased by 6½ per cent, and even for the first half of 1957 there was an increase of 3 per cent. The extent to which wages have been outstripping production can be inferred from these statistics, and, when wages are still engendering so much internal purchasing power, there is real danger that in restricting the growth of total demand we may see more consumed and less invested.

Nothing could create a worse impression in a world anxiously awaiting the outcome of the Government's new measures than that capital investment should be sacrificed to consumer demand, for that would leave this country still wrestling with inflation and lagging behind others in the re-equipment of industry. The most urgent need is to restore the balance between money incomes and output. If this were done we should not only reduce inflation but, by lessening the strain upon industry, should increase the strength of the export trades. Indeed the pound has been so weakened by the recent crisis that we are in no position to countenance a policy that would do less than give support such as this to sterling.

OUR WIDER RESPONSIBILITIES

Such action becomes even more necessary when considered in the light of world conditions. It is true that a continuance of the present fall in commodity prices should hold down the cost of living, thereby removing a powerful pretext for higher wages, and that lower prices for basic materials should reduce production costs, thus making it possible for import requirements to be obtained in exchange for a smaller quantity of exports than hitherto. Yet on balance a downward trend in these prices is more likely to work to this country's disadvantage, since a decline in their earnings would make it increasingly difficult for our best customers to purchase our goods.

As far as the primary producing countries of the Sterling Area are concerned, cheaper commodities have in fact very serious implications for us. With most of Western Europe pursuing less expansive policies and America possibly moving into a recession, the foreign exchange earnings of the overseas sterling countries could be severely reduced. If this should cause them to draw heavily on their London balances a great strain would inevitably be placed on the pound. Then more members of the Commonwealth have become self-governing and, eager for economic development, they too may draw on their balances instead of adding to them.

Burdensome as now appear our responsibilities at the centre of this system, it has to be remembered that the great bulk of world trade depends upon the international character of sterling, and justification for any sacrifice which may have to be made lies in the indirect benefits to exports rather than in the direct benefits to earnings, important as these are, that accrue from this country's traditional functions of banking, merchanting

in commodities, shipping and insurance.

Because of the increasing international stresses to which the pound is subjected there would seem to be a need for greater co-ordination of policies within the Sterling Area. However it is neither by co-ordination nor even by help from countries outside the Area that sterling will regain its full strength. Real and lasting support can clearly come only by building up a current trading surplus commensurate with the country's international responsibilities. Although this is a formidable task, especially when some buyers of British goods are having to restrict imports, it does not impose a policy contrary to our domestic economic interest. The price may be heavy in terms of hard work and self-denial, but is one well worth while in that it contributes to the preservation of multilateral trade upon which the prosperity of the United Kingdom so largely depends.

EXPORTS IN A COMPETITIVE WORLD

When considering this task, encouragement can be derived from the fact that for some years a larger part of the country's total resources has been going into exports and that of these manufactured goods record the biggest gain. But perhaps the most significant change is the growing diversity of our manufactured exports. Although to some extent this is due to our speedier reaction to the shifts of world demand, it is also due to the fact that in this scientific age other countries are increasingly looking to us to supply them with complex technical equipment, particularly in the fields of electronic and atomic development. None the less competition is exceedingly fierce. In these circumstances it is reassuring to know that our export performance in the hardest markets has been very satisfactory and that the recent Canadian Trade Mission was impressed by the standard we have achieved in many fields of industry. May we trust that what they have reported to their fellow-countrymen will bring us an increasing share of a market so rich in potentialities.

Far less satisfactory, though it failed through no fault of its own to reach an understanding, was the Cotton Industry Mission to India, Hong Kong and Pakistan to which I referred in my last Statement. To the continued unrestricted and duty-free inflow of cheap cloth and made-up goods from these centres has had to be added until recently arrivals of increasing quantities of grey cloth from China at prices much below the quotations of efficient producers in this country. The retention of such a large proportion of these goods in the home market now constitutes a threat to the cotton industry infinitely more serious than a year ago. It is greatly to be hoped that the obviously critical situation which has developed will compel a workable solution before long.

But to meet this and other aspects of the keen competition ranged against our textiles much has been accomplished in the field of technical development. The utilisation of new fibres and the production of new yarns, new cloths and new finishes account in part for the moderate improvement in business last year. It should, however, be remembered that the trade has been enjoying the benefit of an active home market due to the inflationary rise in consumers' spending power. In itself this is not a condition to ensure lasting prosperity, and there is every need for taking a cautious view of the future. Although the extent to which the industry can modernise largely depends upon the course of events outside its control, it will be placed in a stronger position in so far as it can, despite the inordinately heavy cost, make use of the many developments in machinery and production that have emerged of recent years.

NATIONAL PROVINCIAL BANK LIMITED

HIGH TRADITION OF PUBLIC SERVICE

ECONOMIC SPHERE : VIOLENT CHANGES AND FLUCTUATIONS

POSITION COMPLICATED BY INTERNATIONAL CLIMATE

MR D. J. ROBARTS ON THE PROBLEM OF PRIORITIES

The one hundred and twenty-fifth annual general meeting of National Provincial Bank Limited will be held on February 13 at the head office, 15 Bishopsgate, London, E.C.2.

The following is the statement by the Chairman (David John Robarts, Esq), which has been circulated with the report and accounts for the year ended December 31, 1957 :

BOARD OF DIRECTORS

We have to record with great sorrow the death of Mr Gerald Steel, CBE, who was elected a Director of the Bank in 1956. Between 1949 and 1957 he also rendered valuable service to the Bank as a Local Director for Sheffield.

We also have to record with great sorrow the death of The Right Honourable Lord Riverdale, GBE, LLD, who had served as a Local Director for Sheffield since 1921 and as a Director of the Bank between 1924 and 1951 ; and also the death of Mr Antony Hubert Gibbs, who was appointed a Local Director for Devonshire of the Union of London and Smiths Bank in 1903 and continued in a similar capacity for this Bank following the amalgamation with the Union of London and Smiths Bank in 1918.

In November last we were glad to welcome to the Board Field-Marshal Sir John Harding, GCB, CBE, DSO, MC, to whom we offer our congratulations on the honour of a Barony which Her Majesty has recently conferred upon him.

We also offer our congratulations to Mr Foster Gotch Robinson, a Director of the Bank, and to Mr Ashley Skelton Ward LLD, a Local Director for Sheffield, on the honour of Knighthood which Her Majesty has been pleased to confer upon them.

During the year we were pleased to announce the election of Sir Douglas S. Branson, KBE, CB, DSO, MC, TD, ADC, DL, MA, and Mr John Hadfield, MSc, ARIC, to seats on the Sheffield Local Board.

REORGANISATION OF THE SHARE CAPITAL OF THE BANK

The Scheme of Arrangement dated February 12, 1957, for the reorganisation and simplification of the capital structure of the Bank was duly approved at the meetings of shareholders held March 21, 1957. The High Court subsequently sanctioned the Scheme and confirmed the reduction of capital extinguishing the uncalled liability on the "A" and "B" shares. As a result of these changes and the application of £1,033,742 of the Bank's Share Premium Account, the paid-up capital of the Bank has been increased from £9,479,420 to £10,513,162 and is represented by a single class of shares of £1 each fully paid.

125TH REPORT AND ACCOUNTS

Shareholders will notice that this is the one hundred and twenty-fifth Report and Accounts of the Bank. To mark this occasion a brief account of the history of the Bank has been included, tracing the major developments throughout the long period during which the National Provincial Bank has maintained its high tradition of public service.

COUTTS AND COMPANY

The Balance Sheet of Coutts and Company as at December 31st last accompanies our own Report and Accounts.

STATEMENT OF ACCOUNTS

The Balance Sheet and Accounts of the Bank together with the Directors' Report are before you.

It will be seen that the liabilities of the Bank to its Current, Deposit and other Account holders at £830,705,869 exceed last year's figures by £16,181,900.

The total of our liquid assets—Cash, Money lent at Call and Short Notice, and Bills—represents 39.6 per cent of our deposit liabilities. This compares with 37.3 per cent twelve months ago.

Investments in securities of, or guaranteed by, the British Government continue to be shown at a figure which is below their market value. The Balance Sheet value of £215,237,902 gives a ratio of 25.9 per cent to Deposits as against 26.5 per cent last year. We hold no undated government securities and the majority of our holdings mature within ten years.

Our Advances stand at £240,093,573 which represents 28.9 per cent of our Deposits. The corresponding figures at December 31, 1956 were £256,730,398 and 31.5 per cent.

PROFIT AND LOSS ACCOUNT

The account shows a net profit for the year of £2,061,966 compared with £2,030,483 for 1956.

Together with the amount brought in of £654,875 there is a balance for disposal of £2,716,841. An interim dividend of 9 per cent has been paid, taking £544,056, leaving available £2,172,785.

It is now proposed to deal with this balance as follows:

To pay a final dividend of 9 per cent	£544,056
To appropriate to Reserve Funds	£1,000,000
This will leave to be carried forward	£628,729

The proposed final dividend of 9 per cent makes, with the interim dividend of 9 per cent paid in July last, a total dividend of 18 per cent in respect of the year 1957.

MANAGEMENT AND STAFF

The satisfactory results which have again been achieved have come from the continued hard work and ability of the Management and Staff both in Head Office and in the branches, and I wish to thank them most sincerely for their efforts and for their unceasing loyalty and devotion.

The proportion of ladies we employ continues to grow and, although we do suffer a substantial turnover in our Lady Staff, a considerable number stay with us, some for many years, and their services are of the utmost value to the Bank.

There is one section of the very varied activities we undertake for our customers which I feel deserves special mention this year, namely the big tasks which have been carried out—and most successfully—by our Registrar's Department under the capable direction of Mr J. D. M. Campbell, our Registrar. One such operation certainly made headline news, namely that of the Convertible Debenture Stock Issue of The British Petroleum Company Limited last month. The response to that Issue was unprecedented in the annals of the City and it entailed the handling by our Registrar's Department, with a very much augmented staff, of over 250,000 application forms. Approximately 170,000 Allotment Letters had to be prepared and the vast majority of these were in the hands of the Post Office for transmission to successful applicants within 60 hours of the basis of allotment being decided. This achievement reflects the highest credit on Mr Campbell, the Officers of his Department and all those members of the Staff (many of whom came from country branches) who were concerned in this vast operation. It is fitting that I should pay this tribute to them.

ECONOMIC CONDITIONS

The past year will be remembered as one of exceptionally violent changes in the financial and economic spheres. The early months of the year were overshadowed by the aftermath of the nationalisation of the Suez Canal and the strains upon our economy thereby created. With the resumption of traffic through the canal, these strains were eased. In February the Bank rate was reduced from 5½ to 5 per cent—a change made necessary by the technical position of the money market, rather than by any significant improvement in the economy of the country. Seven months later, however, under the pressure of adverse developments, Bank rate was raised to 7 per cent, the highest level for 36 years.

The Government's Financial Year 1956-57 closed with a realised deficit, taking into account items both above and below "the line," of £331 million, of which £284 million was due to the new financing arrangements for the nationalised industries. The Chancellor framed his Budget for 1957/58 on the basis of achieving an approximate overall balance of income and expenditure both above and below "the line." This was clearly the right objective and is a fundamental necessity if inflation is to be checked.

The balance of payments for the first six months of 1957 showed a surplus on current account of £125 million, which, though not so good as in the same period of 1956, was not unsatisfactory. Adverse capital movements, however, converted this into a net deficit of £43 million as compared with a net surplus of £85 million in the first half of 1956. The position was disguised by a substantial inflow of dollars from sterling area countries, including dollars drawn from the International Monetary Fund by India, and our gold and dollar reserves increased by nearly $250 million, reaching a total of $2,381 million in June. Then, however, a change of trend set in. The reserves fell by some $530 million between June and September, and it was clear that there was a loss of confidence in the position of sterling. It is not easy to analyse the causes of this change. The devaluation of the French franc and the constant strength of the German mark touched off a considerable pressure against sterling which was not justified by any change in the current trade position. Official pronouncements by the Government did not appear to convince the speculators that going short of sterling was not likely to be a profitable operation, and the Government had to show by appropriate action that their words would be supported by deeds. The raising of Bank rate to 7 per cent and the determination to use our dollar resources and credits to meet speculative pressure proved effective and the exchange rate has improved, with the result that our resources in foreign exchange have shown a recovery.

AN UNEQUIVOCAL STATEMENT OF POLICY

Other active steps were taken by the Government. On the day on which the Bank rate was raised, September 19th, the Chancellor announced that it was the intention to hold down the total of Government investment expenditure instead of allowing it to rise as planned. At the same time, the Chancellor requested the banks to restrict bank lendings to an average level over the following twelve months no higher than that prevailing during the preceding twelve months. Mr Thorneycroft said at the meeting of the International Monetary Fund:

"The purpose of the measures which I announced before leaving London has been to go to what I conceive to be the root of any inflation—namely, the supply of money. Let me repeat what I said: 'There can be no remedy for inflation and the steadily rising prices which go with it which does not include, and indeed is not founded upon, a control of the money supply. So long as it is generally believed that the Government are prepared to see the necessary finance produced to match the upward spiral of costs, inflation will continue and prices will go up.' What is needed to bring it to a halt is for the Government to be prepared to deny the extra cash whatever other painful consequences may follow."

This unequivocal statement of policy clearly impressed responsible opinion at home and abroad: it was undoubtedly an important factor in creating a better sentiment about sterling. In view of this, it is sincerely to be hoped that the recent resignation of Mr Thorneycroft involves no departure from the principles he laid down. Otherwise the slow and difficult process of consolidating the recovery in sterling will be jeopardised.

While foreign markets are not likely to regain full confidence in sterling until there is evidence that the constant increase of wages and costs can be controlled, the recent weakness of sterling was partly the result of capital withdrawals from the sterling balances, especially by India and Pakistan, and to that extent the drawing on credits abroad to meet the strain is not unjustified.

ECONOMIC PRIORITIES

Our domestic problems are complicated by the unsettled state of the international climate, both political and economic. Since the middle of last June there has been a series of shocks to international confidence, and there is no sign as yet of any relaxation of the cold war. As a result, the defence of the free world still entails a burden of expenditure which weighs heavily on the economies of all the democratic countries, and may indeed need to be increased with the constant development of new and costlier types of armament. Defence must clearly have the first claim on our resources. It is, however, the task of Governments to find the finance for this purpose, without inflating their currencies, and, if necessary, to scale down the Budgetary charges devoted to other objects. The maintenance of even the present standard of living depends, first, on the maintenance of peace and, secondly, on the maintenance of a stable currency. After that, the next priority should be the capital required to modernise and expand industrial equipment. The volume of consumption, and the improvement of our standard of life, need to be adjusted to this scale of priorities.

Unfortunately, it is not so easy to arrange priorities in this way. During the past year efforts have been made both in this country and in the United States to curb the inflationary trend. The method adopted in both countries is directed primarily to a restriction of monetary supplies in the private sector of the economy. This has contributed to a fall in international commodity prices and some reduction in investment plans, and it may result in a world-wide recession of business. But this will not necessarily mean the end of inflation—any recession of business will mean a fall in the future yield of taxation, and may cause a demand for further Government expenditure to counter unemployment. Thus the measures adopted to curb inflation may, in the end, lead to further inflation. The inflationary trend is not likely to be overcome unless and until governments are able to cut down the disproportionate share of the national resources which they at present consume, largely for non-productive purposes, and this, in turn, will not be possible until public opinion has been educated to understand that constant demands on the Government for additional expenditure can only end by undermining the economy of the country.

EXPORT BUSINESS

The fall in commodity prices will inevitably tend to make export business with the producing countries more difficult, particularly for capital exports, and will increase the need for medium or longer-term credits for such exports. It is not normally the function of a commercial bank to provide such credits. The Government have, however, agreed that bank credits for this purpose can be guaranteed by the Export Credits Guarantee Department, so that they can be regarded as gilt-edged, so far as the risk of repayment is concerned, up to the amount guaranteed. Moreover, the Government regard such credits as so much in the national interest that they have also agreed that these credits should be excluded from the scope of the credit squeeze. But, however little risk there may be, a commercial bank, with its liability to repay current account balances on demand and deposit account balances at short notice, cannot afford to lock up any but a small proportion of its resources in medium or longer-term credits. Furthermore, it is not easy to justify providing any considerable amount of advances for such purposes when a credit squeeze is being enforced on other customers.

While there are no signs of developments foreshadowing an early end to the credit squeeze, there is little doubt that the measures adopted by the Government in the autumn have brought about a more cautious attitude towards future commitments. It is difficult to be precise in such matters, but

APEX (TRINIDAD) OILFIELDS

The thirty-eighth annual general meeting of Apex (Trinidad) Oilfields, Limited, was held on January 22 in London.

Mr F. R. Cottell (the chairman) said that after provision for development and contingencies and depreciation of fixed assets, net oil revenue was £1,375,000. After providing £690,000 for taxation in Trinidad and the United Kingdom, the net profit for the year was £773,000. The directors recommended a final dividend of 1s. 6d. free of income tax per 5s. unit of stock, making a total dividend of 2s. for the year.

The production for the year was 3,037,000 barrels of crude oil and 3,682,000 gallons of casinghead gasolene. During the year 131,322 feet were drilled. Nineteen wells were drilled in the main field, five in the synclinal area and one in the Cedros area of the south-east peninsula.

The Cedros well was drilled with the deep diesel rig and was carried to a depth of 13,045 feet. The results of testing the sands were disappointing but it was of considerable interest that sands were found in this well within the Lower Cruse Clay which had previously been considered to be without any sand development in this area.

Increases in oil prices and in the company's production for the year were the main reasons for the excellent results, which were achieved despite further additions to its expenses. Some recession in oil prices had however already taken place and if this were accentuated, particularly if accompanied by further substantial increases in costs, it might seriously hamper the company in its operations and in the search to extend the tested areas of the property.

The resolutions before the meeting were carried.

APPOINTMENTS

THE MANUFACTURERS of "CIEL" PREFABRICATED STEEL STRUCTURES and "Middlesex" Prefabricated Timber Buildings require SALES MANAGER (preferably age 35-45), with imagination, initiative and vision, to organise and develop their already established and rapidly expanding home and overseas sales. Successful sales experience in prefabrication or allied industry would be an advantage, as would an extensive knowledge of overseas markets. Remuneration and progress commensurate with the importance of this top appointment awaits the right man with ambition, personality and character.

Applications, in writing, to The Secretary,
J. E. LESSER AND SONS LTD.,
GREEN LANE,
HOUNSLOW, MIDDLESEX.

ORGANISATION & METHODS

Vacancies exist in the Organisation and Methods Department at Guest, Keen and Nettlefolds (Midlands), Ltd. The Department serves both Divisions of the Company; the Screw Division at Heath Street, Birmingham, and the Bolt and Nut Division at Darlaston, 11 miles away.

The intention is to strengthen the team, whose chief work is the review, establishment and maintenance of the administrative procedures which operate throughout the company. The whole object is to ensure that the clerical service continues to be both effective and economic.

Applicants must be able to show a successful experience in organisation and methods work, coupled with a sound educational background. The age bracket is from 28 to 35.

Alternatively, if a younger man with an honours degree can demonstrate a real interest in this work, which qualities for an analytical mind and an ability to work with people, he would be given consideration, and, if successful, training in Organisation and Methods Techniques would be arranged.

I.C.W.A. or similar qualifications could be very useful in either category.

There is more than usual scope for advancement and the salary is attractive.

Applicants should write fully to the Personnel Officer, Guest, Keen and Nettlefolds (Midlands), Ltd., Box 24, Heath Street, Birmingham, 18.

MARKET RESEARCH EXECUTIVE required by well-known London manufacturer of steel factory equipment, to be solely responsible for conduct of research and its interpretation to sales management. Applicants should be aged about 30, and have practical experience of market research. *Starting salary will be in the £800-£1,000 range.*—Apply, with full details, to Company's consultants, who will carry out initial interviews.—Marketing Development Co., Ltd., 12 Grosvenor Place, S.W.1.

MAJOR AMERICAN OIL COMPANY, with world-wide interests, invites applications for the position of SENIOR ECONOMIST in its London organisation. Applicants should have extensive knowledge of economics of European countries. Salary according to experience and qualifications.—Box 852.

STAFF WRITER, under 35, required by London monthly trade journal. Degree in economics and familiarity with international trade desirable. Pension scheme.—Write, giving particulars of languages and writing experience, to Box 836.

LARGE West End Advertising Agency requires Lady Assistant for their Market Research Department. Position involves statistical work on a series of leading accounts. Applicants must be accurate in dealing with figures. Ability to type of value. Previous experience in advertising not essential. A degree or equivalent qualifications in Mathematics or Economics desirable.—Write, stating age, qualifications and salary required, to Box 810.

UNIVERSITY OF LONDON

The Senate invite applications for the Chair of Commerce (with special reference to International Trade), tenable at the London School of Economics and Political Science (salary £2,350 a year, plus £100 London Allowance). Applications (10 copies) must be received not later than February 26, 1958, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars may be obtained.

SINGAPORE: Qualified Accountant wanted for Far Eastern office of world-wide organisation. Vacancy offers interesting experience and wide scope for young and ambitious man seeking employment abroad. Applicant, preferably unmarried and between 25 and 35, would be offered a three-year tour overseas, with option to renew at a salary of $M3,000 per month, plus accommodation.—Applications, stating age, qualifications, experience, present post and salary, to Box 842.

MARKET RESEARCH MANAGER

A Manager is required for Market Information Services Limited. The work involves responsibility, under the Technical Director, for the administration of the company and the technical conduct of the researches which it conducts for its clients. Applicants should have at least four years' practical experience of market research work, mostly consumer field studies. They must possess an academic or professional qualification in statistics, economics or psychology, or any combination of these, and be familiar with the application of these disciplines in their more advanced forms to the solution of marketing problems. They must also be capable of controlling a professional staff and dealing directly with the top management of major clients.

Salary will be commensurate with experience, but will not be less than £1,750 to begin with.

Apply, with full details, to Technical Director, Market Information Services Limited, 24 Brook's Mews, London, W.1.

BRITISH PETROLEUM COMPANY LIMITED has a vacancy for a STATISTICIAN to work at their Research Station at Sunbury-on-Thames, Middlesex. Candidates should have an honours degree in Statistics, or in Mathematics with Statistics as a subject. They should also have a good basic knowledge of Physics and Chemistry (G.C.E. Advanced Level). Work will include the design of experiments connected with research at the small scale and pilot plant levels and also with operations on refinery plants. An electronic computer will be available. Contributory Pension Scheme. Assisted House-Purchase Scheme. Removal expenses and settling-in allowance payable in certain cases. Luncheon Clubs.—Write quoting reference H.S.1, to Box 5662, c/o 191 Gresham House, E.C.2.

THE BRITISH COUNCIL invites applications for: (1) Probation for permanency, open to graduates born after August 30, 1923, ready to serve anywhere. Ref. A 58. (2) English Teaching posts in overseas Universities, Training Colleges and Institutes (mostly in Asia); graduates. Ref. B 58.—Application forms from Personnel Department, 65 Davies Street, London, W.1. (Send stamped addressed label or 9 in. x 6 in. envelope and quote reference.) Closing dates: A 58, March 1st; B 58, February 15th.

BRITISH FILM INSTITUTE. Administrative Assistant required for Secretary's office. Must have both sound knowledge of financial procedures and ability to contribute to the varied activities of the Institute. Salary £400 or £450, by agreement, to start. Applications, marked Personal, to Secretary, 164 Shaftesbury Avenue, W.C.2.

AN INTERNATIONAL ORGANISATION requires a graduate with experience of work on market surveys. The person selected will brief correspondents and prepare surveys for presentation to clients.—Write, with full details of qualifications and experience, to Box 845.

UNIVERSITY OF ABERDEEN

Applications are invited for a Lectureship in Statistics with special interest in Economic Statistics and Econometry. Salary on scale £900 to £1,650 with *appropriate placing*. F.S.S.U. and child allowance.

Applications (eight copies) should be lodged not later than February 24, 1958, with the Secretary, The University, Aberdeen, from whom particulars and forms of application should be obtained.

THE UNIVERSITY OF LEEDS

DEPARTMENT OF SOCIAL STUDIES

Applications are invited from suitably qualified graduates for appointment as Lecturer or Assistant Lecturer in Politics in the Department of Social Studies, at a salary on the scale £900 to £1,650, x £75-£1,650 a year for a Lecturer, or within the range £700-£850 a year for an Assistant Lecturer, according to age, qualifications and experience. Other things being equal, preference will be given to candidates with a special interest in the sociological study of political institutions. —Applications (three copies), stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds, 2 (from whom further particulars may be obtained), not later than February 24, 1958.

A YOUNG MARKETING EXECUTIVE, aged about 25-27, required by well-known London furniture manufacturer to be solely responsible for research and its interpretation to sales management. Applicants should have economic or statistical background and preferably some practical experience. Starting salary, depending upon qualifications, from £700-£800. Contributory pension scheme.—Apply, with full details, marking envelope "Future," to Marketing Development Co., Ltd., 12 Grosvenor Place, London, S.W.1.

THE MILK MARKETING BOARD requires a young Economist (25 to 30) with a degree and some practical experience in applying economic and statistical concepts to industrial and commercial problems. Good salary and prospects for right man. Contributory pension scheme.—Application forms may be obtained from the Personnel Officer (Ref. 208), Milk Marketing Board, Thames Ditton, Surrey.

ORGANISATION & METHODS

A large industrial organisation has two vacancies (one in London, the other in Lancashire) for men aged 24-30 for O. and M. work in administration. Candidates should have had some experience in this field, but a suitable first-class education and a keen interest in the possibilities of improved industrial efficiency are more important.

Applications should state degree or other qualification, and in particular knowledge of *Economics, Mathematics and Electronics.*

Commencing salary, £750 to £1,250, according to experience and *ability*. All applications will be treated in strict confidence.—Apply to Box 846.

A LARGE GROUP OF ENGINEERING COMPANIES has a vacancy in its Statistical and Market Research Department. The duties of the appointment are concerned with factory sales and production statistics and market research. Applications are invited from men between the age of 25-30 years, with either A.I.S. or B.Sc., Econ., with statistics. Preference will be given to candidates with similar experience in the engineering field.—Applications, giving a summary of experience and qualifications, to Box 848.

HOME OFFICE: RESEARCH OFFICER. Post in London for period of three to five years. The appointment may be renewed.

Duties comprise research on Home Office and Prison Commission subjects, particularly on causes of delinquency and treatment of offenders.

Age normally at least 30 on January 1, 1958, but candidates under that age may be considered exceptionally. Candidates must have had sound, practical experience in organisation of social or psychological research or statistical work. They should be under 25 and interested in the application of statistical techniques to business problems. An appropriate degree qualification would be an advantage.—Please apply to Box 844.

UNIVERSITY OF CAMBRIDGE DEPARTMENT OF ESTATE MANAGEMENT

HAROLD SAMUEL BENEFACTION

The Department of Estate Management proposes to award, from October 1, 1958, grants for research in economic, legal or social matters related to the use, tenure, or development of land.

Essential qualifications: good honours degree in History, Economic History, Economics, Agricultural Economics, or Law, or a degree with a high class in Estate Management, or evidence of likelihood to obtain such a degree not later than July, 1958.

Value of a grant £400 a year, plus University and College fees. Normally tenable for two years.

Particulars from Secretary, Board of Estate Management, 74 Trumpington Street, Cambridge. Completed applications should reach him by February 26th.

THE UNIVERSITY OF MANCHESTER

RESEARCH FELLOWSHIP IN ECONOMIC STATISTICS

Applications are invited for the above Fellowship, tenable for one year, with a possible extension to two years. The Fellowship is of a value within the range £1,160-£1,400 per annum, together with approved expenses involved in the Research. Regulations governing the award of the Fellowships and application forms may be obtained from the Registrar, the University, Manchester, 13, to whom all applications should be sent not later than March 31, 1958.

THE UNIVERSITY OF MANCHESTER

HALLSWORTH RESEARCH FELLOWSHIPS

Applications are invited for the above Research Fellowships for advanced work in the field of Political Economy and Political Science. The value of the Fellowships will normally be within the range of £700-£1,500 per annum, according to experience and qualifications. Regulations governing the award of the Fellowships may be obtained from the Registrar, the University, Manchester, 13, to whom applications should be sent not later than March 1, 1958.

APPOINTMENTS

EXECUTIVE DIRECTOR

Lake & Elliot, Limited, Braintree, Essex, wish to appoint an EXECUTIVE DIRECTOR. The Company employs approximately 1,000 people in Iron and Steel Founding, General and Production Engineering. Many developments are taking place.

Applicants should preferably be between 35 and 45 and possess degree or equivalent qualification in Metallurgy or another branch of Science with Metallurgical experience. Management experience would be an advantage.

A substantial salary will be paid to the successful candidate with suitable qualifications; assistance can be given with housing, and there is a long-established superannuation scheme. The present Board of Directors is small, and it is essential that the new Director should work happily with them.

Applicants should send brief details of themselves in confidence to the Managing Director, who will be glad to supply further particulars.

MINE SECRETARY required for large Iron Ore Mine in BRITISH WEST AFRICA, operated by U.K. Company (private company). Applicants must be Chartered or Incorporated Accountants, aged 30-45, with wide commercial and industrial experience (preferably including wage and labour matters). The duties, which include responsibility for the Accounts, Time-keeping, Wages, Stores and Labour Recruitment Departments, and wide in scope, and the candidate sought is one who is a good organiser and capable of giving expert guidance to subordinates. The post is a senior one and carries a salary of £3,000 per annum, plus minimum bonus of 5 per cent, plus, for married man marriage allowance at the rate of £10 per month and children's allowance at the rate of £5 per month for each child under 18. Free furnished accommodation and medical attention. Contributory Pension Scheme with retirement at age 55. Dependants' Income Scheme and free Life Assurance. Tours of duty approximately 15 months, with liberal leave in U.K. and free outward and homeward passages.—Write, giving full particulars of experience, stating age, married or single, to Box TE. 903, c/o 191 Gresham House, E.C.2.

A large manufacturing company has a

MARKET RESEARCH VACANCY

The post, an important one in an expanding section, will give experience of a wide range of problems and considerable opportunity for original thought and initiative. The work, which is in a new and interesting field, involves the processing of data collected from sales surveys (including planning for I.B.M. tabulating equipment), the design of questionnaires and the engineering field.—Applications, giving a summary of experience and qualifications, to Box 848.

A SUBSTANTIAL COMPANY in the Midlands has a vacancy for an ASSISTANT in its Statistical and Market Research Department. The duties of the appointment are concerned with factory sales and production statistics and market research. Applications are invited from men between the age of 25-30 years, with either A.I.S. or B.Sc., Econ., with statistics. Preference will be given to candidates with similar experience in the engineering field.—Applications, giving a summary of experience and qualifications, to Box 848.

AN ASSISTANT is required in the Research Department of a large London Advertising Agency. Applicants (men or women) should be under 25 and interested in the application of statistical techniques to business problems. An appropriate degree qualification would be an advantage.—Please apply to Box 844.

SPECIALIST OFFICER (STATISTICIAN) FEDERATION OF NIGERIA

Candidates should possess a good Honours Degree in mathematics and have had two years' post-graduate experience in statistics as applied to agricultural research. Duties will include the building up and supervising of a statistics branch in the Department of Agricultural Research.

Appointment on contract/gratuity terms, inclusive salary scale £966-£1,824. Gratuity of £25 to £37 10s. for each completed three months of satisfactory service. Furnished quarters when available, at a rent of 8½ per cent of basic salary, subject to a maximum of £150 a year. Free passages for officer on first appointment, duty and leave; also for wife once each tour of service. Assistance in respect of children's passages or allowance in lieu. Income tax at local rates. Generous home leave.

Apply, giving brief particulars, to Director of Recruitment, Colonial Office, London, S.W.1, quoting BCD/63/14/048.

TELEVISION.—Associated TeleVision Ltd. require a young woman graduate as an assistant to the Audience Research Manager and to specialise in television programme research. A sound statistical background with practical experience in a market research department is essential. This is a really interesting job with excellent prospects.—Write, stating age, qualifications, experience and present salary, to G. V. Stacy, Associated TeleVision Ltd., Television House, Kingsway, London, W.C.2.

MIDDLESEX COUNTY COUNCIL

PRINCIPAL PLANNING ASSISTANT APT. IV.—Commencing salary £962; £1,025 on 1/4/1958 to maximum of £1,175, plus London Weighting. In charge of survey and analysis section. Good experience and appropriate qualifications required.

SENIOR PLANNING ASSISTANT.—Special scale, £760 × £40-£1,030, plus London Weighting. Appointment may be made above minimum. Qualification in town planning, geography, economics or other appropriate subject required.

TOWN PLANNING ASSISTANTS APT. II.—Commencing salary £696; £725 from 1/4/58 to maximum of £845, plus London Weighting in each case. Duties include statistical and territorial analysis. Knowledge of town planning, geography, economics or other appropriate subjects required.

All posts: Five-day week. Prescribed conditions.—Application forms from County Planning Officer, 10 Great George Street, S.W.1, returnable by February 8th. (Quote W.813 E.). Canvassing disqualifies.

APPOINTMENTS REQUIRED

PUBLIC COMPANY DIRECTOR of some breadth of experience is wishful of expanding his interests in fields other than those in which he is presently engaged. Considerable experience and the right kind of contacts in most parts of the Commonwealth and North America, and in the better parts of the European Union. Investment not contemplated initially, but interesting activity with a worthwhile end looked for.—Box 850.

B.Sc. (Econ.), ex-Cantab., Dip. and L.S.E., aged 36. Available to interview Rio, Brazil, from March, 1958. Trained Bibliographer, Documentalist, and specialist in information processing. Experienced Salesman, wishes to represent suitable organisation in Office Equipment, or in Printing (Photo) Equipment business, or in fulfilling the above function constructively as methods officer of forward looking organisation.—Box 847.

THE ROYAL BANK OF CANADA

DIVIDEND No. 282

Notice is hereby given that a DIVIDEND of 50 cents per share upon the paid-up capital stock of this Bank has been declared for the current quarter, and will be PAYABLE at the Bank and its branches on and after March 1, 1958, to shareholders of record at the close of business on January 31, 1958.

By Order of the Board.
K. M. SEDGEWICK,
January 22, 1958. General Manager.

ASHANTI GOLDFIELDS CORPORATION LIMITED

Notice is hereby given that the Board of Directors have today recommended a Final Dividend (No. 122) on the Issued Capital of the Corporation at the rate of 1od. per Share, less Income Tax, at 8s. 6d. in the £. This Dividend, which is in respect of the year ended September 30, 1957, to be payable on and after April 3, 1958, to all Shareholders on the Registers on February 13, 1958.

The TRANSFER BOOKS will be CLOSED from February 14, 1958, to February 20, 1958, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board.
E. W. MORGAN, Secretary.
Registered Address:
10 Old Jewry, London, E.C.2.
January 21, 1958.

BIBIANI (1927) LIMITED

Notice is hereby given that the Board of Directors have today recommended a Final Dividend (No. 38) on the Issued Capital of the Company at the rate of 2.4d. per unit of Stock, less Income Tax, at 8s. 6d. in the £. This Dividend, which is in respect of the year ended September 30, 1957, to be payable on and after April 3, 1958, to all Stockholders on the Registers on February 13, 1958.

The TRANSFER BOOKS WILL BE CLOSED from February 14, 1958, to February 20, 1958, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board.
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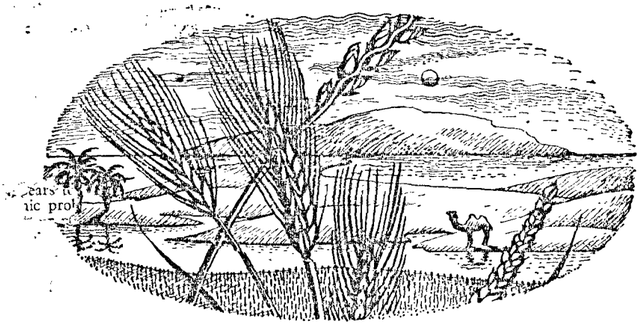
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A Harvest for the Desert

"IN A CAVE ON MOUNT CARMEL, in the Holy Land, Dr. Dorothy Garrod unearthed flint sickles, set in carved bone handles—proof that eight thousand years ago, men harvested grain. On Mount Hermon, to the north, Aaronsohn found the coarse grasses—wild wheat and barley—which these early men had recognised as food.



All those thousands of years ago, long before Abraham and the Patriarchs, these ancestral men realised the virtues of grain. They nibbled the seeds in the ears. They discovered that from those seeds more grasses and more seeds grew; that if they scratched the ground the seeds grew better, and, then, if they chose well-watered soil, as in the river valleys, the grains were more plentiful.

That, not the domestication of animals for pastoral herding, was the beginning of civilisation. When men tilled the ground, they became settlers. Their primitive homesteads grew into villages, villages into towns, and towns into cities. Agriculture led to culture.

Grain husbandry spread up the Danube into Central and Western Europe. Rye and oats began their careers as the weeds in the Levantine wheat and barley fields. By climatic selection, they prevailed as the hardy crops of Northern Europe.

Bread-grains and rice are the world's staple food. With the world's multiplying population, we shall have to double the yield in the next twenty-five years. There are two ways of doing that—by getting bigger crops from existing acreages or by increasing the acreages. The first means better seeds and the second means overcoming the limiting factors of climate.

Plant breeders have known since the beginning of the century how that could be done. The science of genetics has taught how, by patient selection and breeding for the characteristics required, crops can be produced for what would seem impossible conditions. The wheats of the Prairie Provinces of Canada abound in what, sixty years ago, was regarded as a belt too arid for cereals. The climate has not changed. The cereals have been man-adapted.

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Britain's Road Ahead

(page 377)

'an-Arab Challenge to Ankara

The agreement to federate Syria with Egypt may open a new stage in the spread of the Egyptian revolution (page 379).

Mr Amory's Mantle

The first of two articles looks at the deliberate progress of tax reform and puts forward the profits tax for the Chancellor's immediate attention (page 419).

Conurbrummagem?
Should Joseph Chamberlain's city lead a West Midlands federation? (page 380).

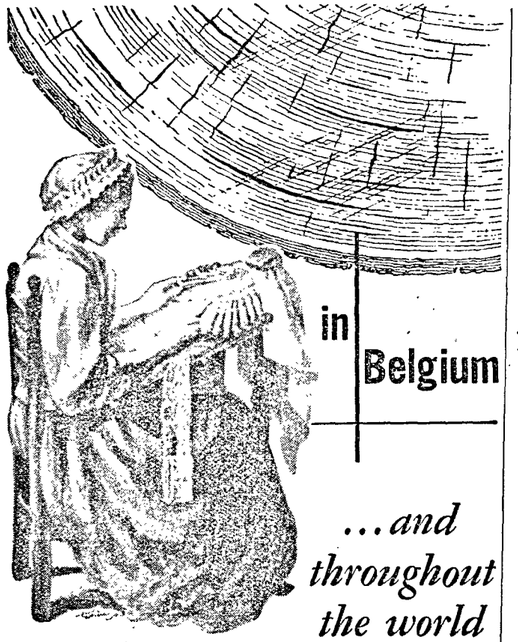
A Roof of One's Own
The cost of buying a house today (page 421).

Zeta (page 431)

The German Surplus
New budgetary and central bank policies in west Germany may not suffice to reverse the trend (page 382).

The Parker Report
Mr Harold Wilson explains (page 396).

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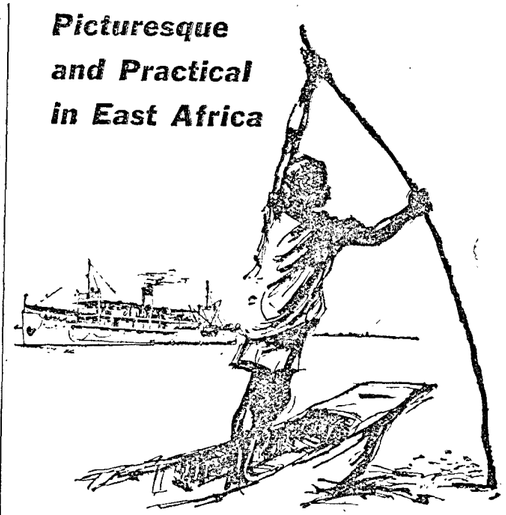
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Parallel with the development of the export and import trade is the establishment of local industries to meet increasing demands for many types of goods, particularly from the African population, which numbers nearly twenty million. Already factories in East Africa are making a long list of commodities—from cement to cigarettes—and accommodation is being prepared for more factories on expanding industrial sites.

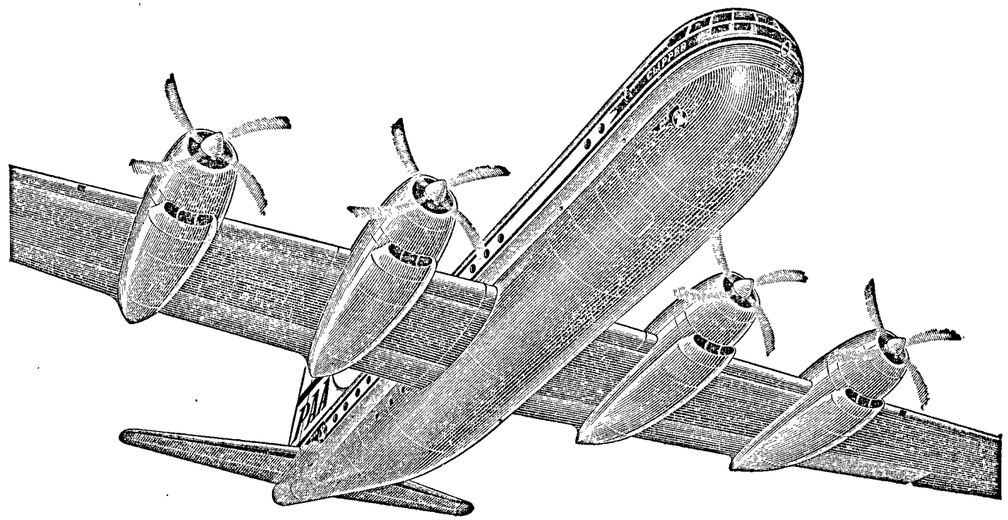
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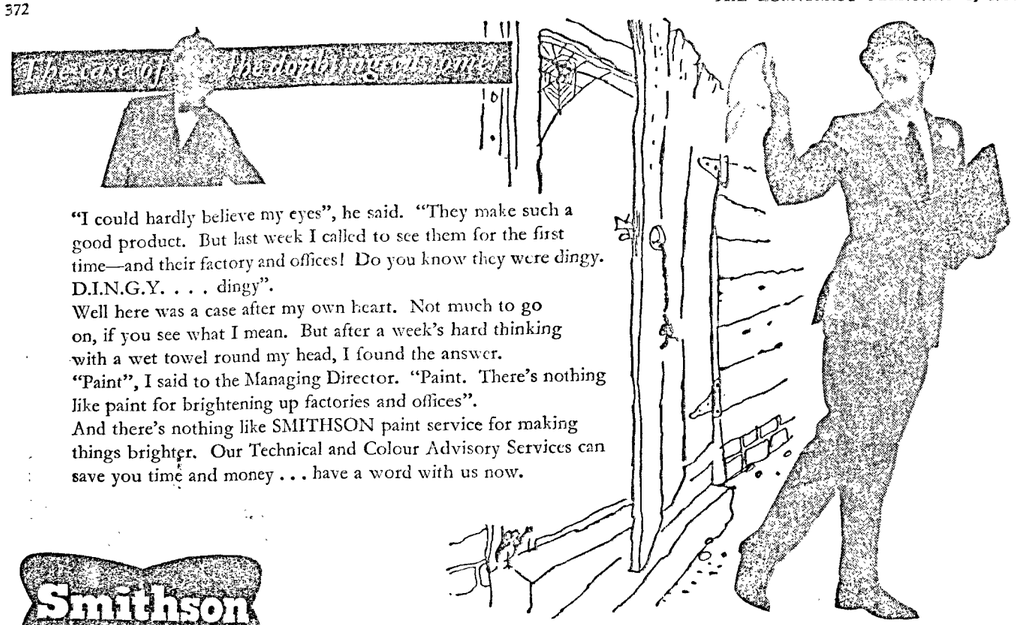
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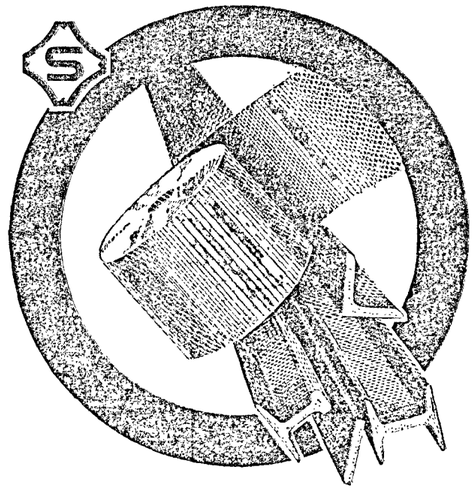
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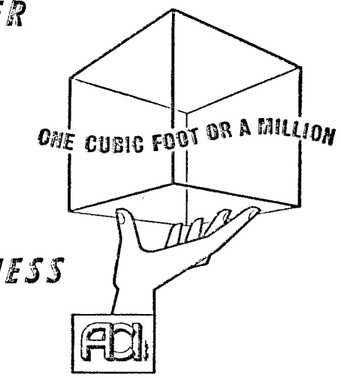


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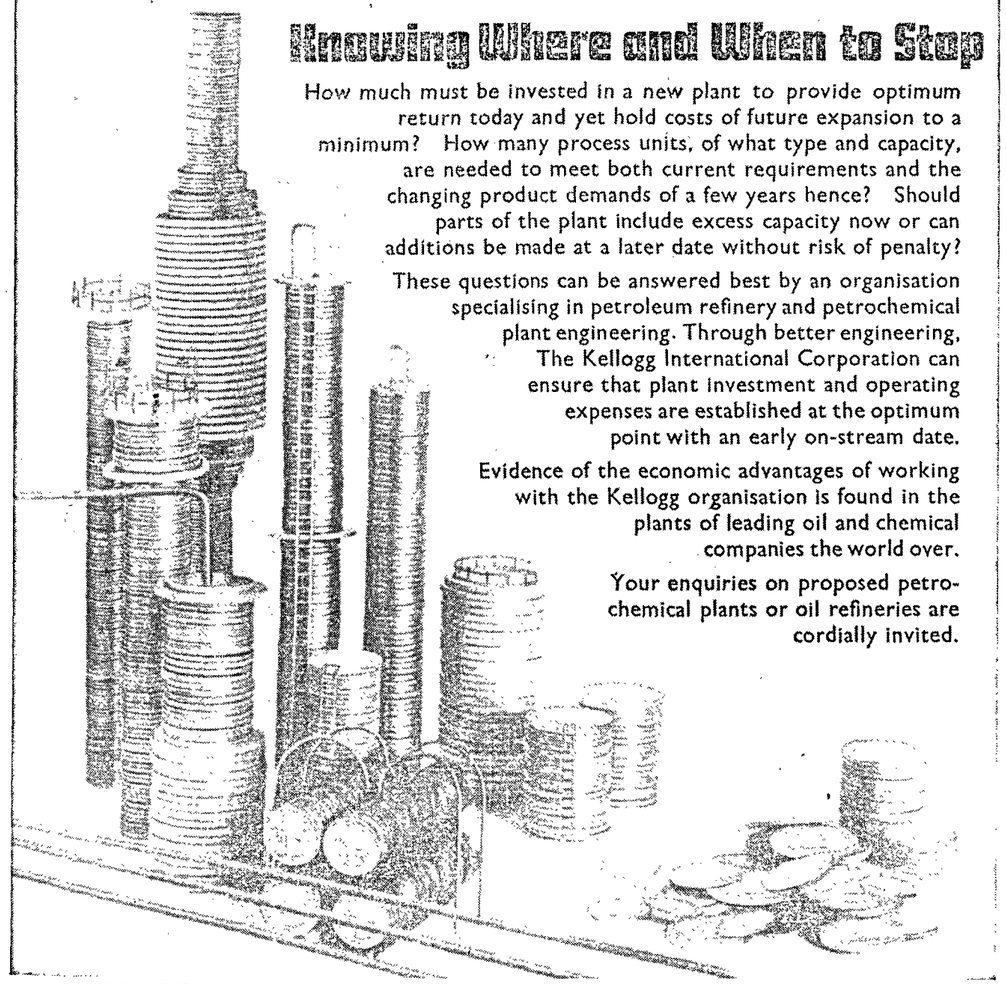
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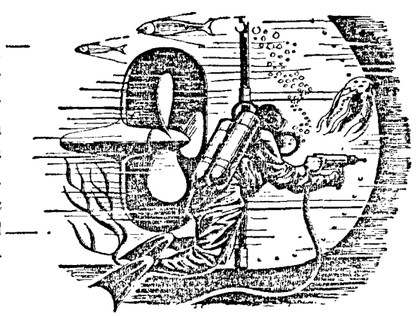
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The Economist

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Britain's Road Ahead

IT is said that the new Chancellor of the Exchequer has already developed a squint. One eye is still sternly fixed, as it surely must be, on the ground in front of his (and the nation's) feet: on "fortifying the value of the pound at home and abroad" and on keeping wage costs within the bounds set by "the general growth of real wealth"; the foe is still inflation. The other eye turns, as it has to do, upward and forward to the road ahead: to the time when, with commitments and resources brought into balance, the growth of real wealth can be resumed and sustained. This country can make its way in the world, and grasp the prizes of the new industrial revolution, only by expanding its product; and before very long the challenge to us and others may be, not inflation, but deflation. How will we get from here to there? The fundamental dilemma, as Mr Thorneycroft told the Commons frankly last week, goes back at least to V-Day and neither party has found the means, or the will, to resolve it. Are we any nearer, after more than a year of Mr Macmillan's post-Suez Government, to succeeding?

The escapade at Suez proved nothing new. It merely showed again that Britain was still trying to play a bigger part in the world than its resources, political, military and financial, could sustain. Mr Macmillan's brief was really very simple: it was to face the facts. And his opportunity was great; after the shock of what had happened, there was the chance of stripping away the illusions, of prestige, pretence and the soft option, which had bedevilled politicians and people alike since the war ended. The chance was then compared in *The Economist* to the way in which a good rider will "collect" his horse before a jump.

How has the chance to fit the country's commitments to the facts been taken? There are two views on this. Some say that the horse has simply been brought to a standstill and, even so, took another tumble last summer. Others, with Mr Thorneycroft as chief and compelling witness, see last summer's tumble as plain fresh proof that the horse is still ruinously over-loaded. Nobody has any clear notion of when the jump forward will be possible and safe. The ex-Chancellor's testimony, as well as that of other recent witnesses, such as Sir Oliver Franks, deserves a second look—in the light of both the Prime Minister's post-Suez brief and Mr Heathcoat Amory's present squint.

Mr Thorneycroft is quite certain that the queue of accepted claims upon the national resources is still far too long: "there is someone left at the end of the queue and that someone is the pound sterling." Specifically, he has cited two inflated claims: defence and welfare. Our undoing, he declares, is the attempt to be both a nuclear power, "matching missile with missile," and a welfare state, as if our wealth were America's. Few will venture to deny the indictment, though some will no doubt be as airily ready to discard defence altogether as others will be to dismantle the social services—according to their views of what is necessary or desirable.

The test, of course, is what is practically possible; and probably the chief criticism of Mr Thorneycroft's list of two pretenders is that it is not long enough. We have been trying to be a nuclear power and a welfare state, he says, "against the background" of seeking to be a world banker and a major overseas investor as well. But the inexorable rule has to be run over these activities, too. Clearly those who would shorten the queue, airily again, by breaking up the sterling area are like Samson, bringing down the pillars. But, as Mr Thorneycroft insists, nothing is sacrosanct: it will be prudent, where we can do it without loss to ourselves or breach of faith to others, to put a limit to the burdens on the sterling system; and, while we are striving to fortify the reserves and to form the capital for our own essential development, to ask what volume of long-term overseas investment we can, in fact, afford.

This was, in the upshot, the counsel given by Sir Oliver Franks in his impressive analysis last week to Lloyds Bank of the problems, and the indispensable virtues, of the sterling system. Duty begins at home; for this crowded trading island there is no short-cut to solvency (a world banker's first and decisive requirement) through the efforts or the sacrifices of people in other countries; and the duty to rebuild the reserves has to take "clear precedence over other objects of policy." The British standard of living is tied to the British balance of payments. But this is a duty that Britain shares with other sterling countries: there is a need for "the co-ordination of investment plans and general policies"; and

> the internal policies necessary to the accumulation of a reserve must aim at restraining both our imports for current use and the outflow of capital for purposes of physical investment overseas.

It is when these measures of self-help are being purposefully pursued by the sterling countries, singly and together, that they can fairly look for the co-operation of the United States, on the lines suggested by Sir Oliver, in raising the total of the world's monetary reserves, as they should be raised, sufficiently to enable trading nations to ride out transitory disturbances.

The truth is that, whatever the aspect of policy that is surveyed (and whatever the arguments about the causes and consequences of Mr Thorneycroft's resignation), the wholesale stocktaking that seemed so imperative a year ago has still not gone either far enough or deep enough. Defence is, indeed, not expendable—the world is still much too dangerous; nor, indeed, is welfare, the fruit of half a century's social revolution, expendable; nor, certainly, is the pound sterling. (The whole aim, in fact, is to find ways of going forward without devaluing the pound.) But, in all our doings, we need to confine what we do to what is within, and will reinforce, our strength. To cling on, for reasons of prestige, pride or political auctioneering, to commitments that tax us too much will be our ruin. In defence it still has to be shown that the Sandys programme of a year ago, for all its famous logic, may not be a false bill of sale, offering us a prestigious share in the great deterrent that will cost too much and avail us, in fact, too little and an insurance in still essential conventional arms that will not, in fact, be forthcoming. In welfare there is no way of turning back on our tracks; but there is a case, and a necessity, with so much accomplished, for limiting the liability, so that the wherewithal to meet it, in the private pocket or the public purse, can be replenished, in the only possible way—by a fresh productive advance.

TRADE UNIONS—TOO MUCH POWER?

Next week *The Economist* will start a series of articles on the status and problems of British trade unions.

THE challenge is to the nation as much as to its rulers. It is the endemic fault of every section of the community, and of every political party, to will the end, whether it be wealth, welfare, peace or a proud diplomacy, without willing the means. Behind any stocktaking of the sort that Britain still needs to complete there are certain quite simple truths. One is that wealth and welfare alike have to be worked for, saved for, and paid for; savings and reserves are the essential margins, and so the stuff, of sustained progress. When Keynes forecast a generation ago that the economic problem might be solved in a century, he laid down two conditions: technical invention and the accumulation of capital, by abstinence from consumption, to make invention fructify. The invention, the skill, the technical know-how, all are at hand. The task is to set resources free, and to provide the incentives, for the new burst forward that will be possible. First responsibility for putting the new enterprise of Britain on firm foundations is the Government's; but its success will rest upon the willingness of the people, as well as politicians, to recognise today the requirements of tomorrow's expansion, to see that the sole basis for Britain's "greatness" is Britain's output, energy and skill.

It would be churlish indeed to deny to Mr Macmillan's Government, through all its vicissitudes, the great credit of taking, courageously, the first compulsory steps to a policy of solvency. The whole argument over Mr Thorneycroft's resignation has not been about the need to rescue the pound or to hold back the rising tide of incomes. It has been about how far first aid for the nation's currency had to go; and in the aftermath Mr Thorneycroft's own insistence that the Government must on no account weaken, whether in spending or over wages, seems likely to prevail. But much more than this essential first aid is wanted. What is needed now, without weakening a fraction on the immediate necessities, is a policy and an attitude for the future, so that the prudence and the self-denial now obligatory can bring in good time the fulfilment of better hopes. It is by not grasping at the shadow of its future that Britain can achieve the substance.

Pan-Arab Challenge to Ankara

The political union of Syria and Egypt may have little practical value, but the idea gnaws at the position of the west and presents it with a pair of paradoxes

MR SELWYN LLOYD and the other members of the Baghdad Pact council, meeting in Ankara in the shadowy comfort of Mr Dulles's presence, have had the opportunity, which seems to have been deliberately given to them, of considering in advance of any formal announcement the decision of Syria and Egypt to proclaim their political union. What union means between two countries which are divided from each other by the sea and by Israel, and which lack any material reason for integration, is doubtless as baffling to the Baghdad Pact ministers as it is to most people. Indeed, it is so easy to see impediments to the marriage of these two states that there is probably a disposition in Ankara to dismiss the plan as nonsense.

This would be a mistake. The effectiveness of the union is not the first consideration in the minds of its sponsors. Until a very few months ago, President Nasser himself, being a practitioner in the craft of political empiricism, considered the plan to be as unpractical as those other pan-Arab extravagances which he has in the past roundly condemned in the Arab League. The important question for the statesmen in Ankara to ask themselves is why President Nasser has changed his mind.

It is not enough simply to say that he welcomes a larger size in presidential domains. What he seems to have decided is that this is the next appropriate step towards the Arab revolution that should be (as he thinks) the logical extension of Egypt's own. Syria has chosen his way, at least in principle. If it is to fall in with his one-party system, the core of the single Syrian party will be the Baath, now in power, which has always stood for Arab unity. What about the other Arab states? Seen from the platform of a successful Egyptian revolution, they are lands that cannot be liberated until they get rid of their ruling class, just as the Egyptian officers got rid of King Farouk and the dominant landowners. And until they are liberated in this way, the concept goes, there cannot be Arab unity or a great Arab nation. The example of union is, therefore, not aimed directly at the Baghdad Pact; it is rather, on Egypt's part, an essay in subversion.

The powerful element in the new move is the appeal of an idea. President Nasser intends the idea of the union of Syria and Egypt to gnaw at those thrones and presidential palaces which seem to him, first, to stand for the old unequal privileges and, second, to seek to preserve those privileges by cleaving, not to the Arab family, but to the chilly infidel hand of foreign chancelleries. He is saying, in effect, to all Arabs—to Palestinians in Jerusalem and Nablus, to the intelligentsia of Iraq and Jordan, to the reflective few in Saudi Arabia and the Moslem nationalists of Lebanon—that their dream of Arab unity can be fulfilled if the parochial and personal interests of rulers give way before the grandeur of Arabism.

Let there be no doubt about it: the Arabs will listen to him. He is saying exactly what people with new access to education, but not yet to privilege, want to hear. Who would have believed, a little while ago, that President Kuwatly would accept second place in Syria to an Egyptian, or that Damascus, with the aura of the Omayyad Caliphate still gracing its minarets, would bow its head to Cairo? Beside this patriotic concept and the strength of its example, any amount of arms or aid brought fresh from the Ankara meeting will ring hollow in the coffin of the pact idea. Whether in practice the union provokes in Syria some homespun jealousies, or whether Egypt is tactful enough to ward against these, makes no difference. King Feisal, King Hussein, King Saud and President Shamoun will be weakened by an example that they cannot follow except at the risk of their own extinction.

The Iraqi government, represented at Ankara, and the rulers of Lebanon, Jordan and Saudi Arabia who have, in one way or another, linked themselves to the west, can be relied on to see this point; and their reaction will be to ask for more aid to strengthen their respective hands. In this way, the union of Syria and Egypt touches the core of the western problem. Do the United States and Britain believe that the Egyptian revolution, which President Nasser personifies, is a transient development? Do they reckon that in basing their policy on a pride of kings they can, for as long as necessary, preserve their vital interests?

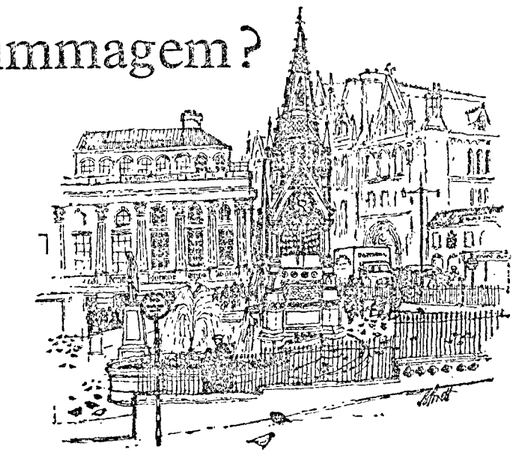
If they do, there are a pair of paradoxes requiring explanation. First, President Nasser was persuaded to accept union by the Baath party of Syria, and it is suggested that both he and it had partly in mind a desire to limit the Soviet-directed Communist Party of the Levant. This is not an absurd supposition, for it is integral to the ideas of President Nasser and the Baath, despite their policies of the past two years, that subservience to Russian influence is as much an offence against the Arab nation as is subjection to western policies. There is the paradox, then, that the Baghdad Pact, a pact intended as a defence against Soviet communism, is threatened by an Arab policy that is itself hostile to Russian penetration.

Second, the only discernible fountain-head of an

appeal to Arab emotions as powerful as Egypt's (or as Egypt-cum-Syria's) would be the educated townsmen of Iraq. This rising middle class is as pan-Arab as anyone else in the region ; at the same time it is too hard-headed, and too wary of Egypt, to be swept away by ideas that are not practical. Yet this very element is at present bottled up by a government which, by silencing it, deprives it of its chance to inject healthy criticism into the whirl of pan-Arab ideas. Here, then, is the second paradox : the prime Arab opponents of President Nasser's policy are muzzling the very elements in the Arab world best able to challenge it. It is reasonable to ask in London and Washington, as well as in Baghdad, whether a policy can be right if it seeks conflict with elements that, otherwise handled, might work in its favour.

Conurbrummagem?

Can Birmingham give a lead to the West Midlands in creating a great new provincial capital? Or will defeatism, parish-pump pettiness, and the preoccupations of the Birmingham business man inhibit civic energies at a decisive moment?



EARLIER this year the City of Birmingham used the democratic, if reactionary, device of a town poll to obtain the yea or nay of the electorate on nine clauses in a bill which the Labour-controlled council wished to promote at Westminster. Among them were clauses giving the council powers to acquire land by summary compulsory purchase, to nominate tenants to private rented houses when vacant, to control the reletting of vacated factories and to operate municipal petrol stations. Just over three per cent of the electorate voted and vetoed the proposals, leaving the Chamber of Commerce, the Conservative-and-Unionist party and *The Birmingham Post* exultant, the Socialists depressed, ninety-seven per cent of the city indifferent, and the sociologists at the University with fresh evidence that the vaunted civic consciousness of Joseph Chamberlain's city is a pious myth.

Behind this municipal interlude lie big issues for Birmingham. They are issues only to be finally thrashed out when Mr Henry Brooke's local government boundary commissioners descend on the West Midlands "special review area" of which Birmingham is the smaller half, the Black Country the larger. It may be confidently predicted that by the time they arrive (the local government bill having duly become law) the traffic jams in the city's undersized, overstrained heart will be still worse ; the housing list will still be 60,000 names long ; industry will still be drawing labour from the surrounding shires, from Wales, from Ireland, from the West Indies ; Tamworth, Lichfield, and Nuneaton will still be refusing to become Birmingham's satellites ; and the dispute about finance for a new town will still embitter relations between the Council House and the Treasury in Whitehall.

It is, of course, true that the commissioners will see visible evidence that Birmingham is wrestling with its problems. The devastation along the route of the new inner ring road will have widened. More of the ten and fifteen storey flats will have gone up in the five great rehabilitation areas which the city opportunely took over under the Town Planning Act, 1947, before this was riddled with safeguards. The rash of "community neighbourhoods" (*alias* council estates) will have spread further over the once-sacrosanct green belt. Edgbaston's stately regency façades will have crumbled further before the inroads of office conversions. For the city is building fast—or as fast as a 24s. 6d. rate (£13 16s. 10d. a head) and a 7 per cent bank rate will allow. The new slums off the Pershore Road, where the coloured people sleep three or more to a room, will have spread, too.

All of which the local government commissioners will find, as the visitor today finds, impressive testimony to the virility of the city. But Birmingham is besieged. On the north and east, it is hemmed in by a hostile region of foundries, mines and slagheaps—and occasional charming towns—inhabited by fierce tribes of Black Country men, speaking lurid Anglo-Saxon dialects which university anthropologists gleefully preserve on tape ; tribes which may war among themselves from Walsall to Dudley, and from West Bromwich Albion to Wolverhampton Wanderers, but are at one in resisting Brummagem imperialism and the inroads of its blue-and-white buses and its pink-and-white planners. They are, too, in unholy alliance with the smug burghers of the Royal Town of Sutton Coldfield. On the south, the stolid ranks of Worcester and Warwickshire county and rural and urban district councillors stand guard ; they mulct the Brummy invaders at every ye olde cafe, but they are determined that there shall be no repetition of the disaster of 1911, when the city's area was enlarged threefold, most of the extra 30,000 acres being captured from them.

THAT area is now, in the opinion of the city planners, virtually full. But the city is not contemplating another grab. Since the war, though its civic motto has remained "Forward" its policy has been "Halt." For ten years Birmingham has sought to stop more industry coming in and attracting population. It has, indeed, encouraged the export of existing industries. One object of the new bill was to give the council the power, when a firm moved, to stop an immigrant firm buying its factory. Another clause was designed to give council tenants first pick of more of the accommodation becoming vacant in the city—so that immigrants would go to the discouragingly far-off end of the waiting list. There is no sorrow at the Broad Street civic centre when a firm upstakes and moves to Belfast, Aycliffe or Weston-super-Mare. What worries the city is, first, the birthrate, which will add 250,000 young people to the population (now 1,180,000) by 1975 or so, and the industrial birthrate—the tendency for 'Erbert Perks, that typical Birmingham mechanic,* to start pressing out buttons on his own account with the Austin Works at Longbridge as about the limit of his ambitions.

To the planners, these tendencies to expansion have reached the limit of a sensible city ; others, who agree that the city is a horrible mess which must be cleared up, feel that the money to do this scientifically can be found only by encouraging, not throttling, industry. This school is far from satisfied that the industrial birthrate is going to be so overwhelming in times of high taxation and of health regulations which prevent a man and his mate setting up a drop-hammer or a few vats in the kitchen. That, they say, was not how Birmingham became great. This school calls for expansion upwards and "sideways," even if it means full industrial rating.

"SIDEWAYS" means into the black as well as the green country and the city politicians of both parties mislike the prospect. They secretly wish to annex Solihull and Sutton Coldfield ; they would accept a slice of Warwickshire. They would also be willing to send delegates to a West Midlands planning board. At a pinch they would set up joint transport and drainage boards with executive powers. But they will not submit to any West Midlands overlordship of the London County Council type—in which they might be outvoted and under which they would be demoted to metropolitan borough status. They have innumerable arguments ready for the local government commissioners when they arrive, of which the best is the undoubted hostility of the sixteen black country authorities to the idea ; indeed they calculate that the energies of the commission will be exhausted in reducing these to four or five.

* 'Erbert Perks, for the record, is a well-known Birmingham mythical character, pronounced AERBUT PAERKS.

But can regional planning in Birmingham and the black country be done adequately by joint boards? Once it is agreed that there is a case for such boards, is not the case conceded for a regional authority with adequate executive powers and finance? Expansion is a regional problem. Now that the bulldozer and the chemical industry have conquered the slagheap, it is clear that the black country's need for rehabilitation dovetails with Birmingham's need for outer suburbs. Any such spread involves better transport, but whether this is to be achieved exclusively by better roads, more buses and car parks (as the Birmingham public works committee and some university experts think) or whether, as many business men and some aldermen think, the area needs an integrated system of road transport and dieselised railways, an adequate programme clearly cannot be planned and financed by any one of the existing authorities. The strait-jacket is administrative, not spatial.

THE politicians, in opposing anything radical, remark disingenuously that the city is already too large, as the three per cent town poll shows ; the icy impersonality of the LCC touch would kill what little civic feeling remains. They shed crocodile tears for the days when a group of public-spirited families, living in the suburbs, led the city. But this is an argument for not letting the city continue in its present form. A series of metropolitan boroughs, under an upper-tier authority, accords far more with the habits of Birmingham people. The lack of night life around Corporation Street is not caused by the difficulty of getting a meal or a drink after 10 p.m. It is hard to get the meal or the drink just because people prefer—when tired of the telly—the local pub, cinema or dance hall to those of the city. Birmingham is probably too near to London to make metropolitan amenities economic. Birmingham's spare brass is spent in the West End.

But any such revolution would mean demotion for those politicians and officials who were not promoted to the West Midlands county council ; and since there would be more of the former than the latter, the opposition will be strong. Birmingham socialists feel that the great momentum of municipal socialism would be slowed if the black country were tacked on. Birmingham Tories fear that their chances of recapturing the city would be spoiled if the weight of black country Labour voters were added—whereas if annexations were confined to Sutton, Solihull and strips of Warwickshire, they would be in. Even now they poll as many votes as Labour in municipal and parliamentary elections, and the city's tradition is liberal, independent, unionist, conservative : anything but socialist. They think it would be anything but socialist today but for the "waste" of Tory votes in the suburbs, and the influx of South Welsh who vote against capitalism, Southern Irish who vote against unionism, and West Indians who vote against the British Empire.

The visitor, in short, is told that for many and

excellent reasons, Conurbrummagem is not on. The city's ambitions are social not economic now—static not expansive; Joseph Chamberlain is dead and 1911 will never come again. Maybe; but it seems a pity—and perhaps the visitor can doubt it. He may doubt that Birmingham could ever be beautiful, but doubt still more that it could be backward. All its history denies it. Today Birmingham needs a leader if it is itself to lead the midlands. A city that gave scope for the energies of Boulton, Watt, Murdoch, Burne-Jones, George Cadbury and Oliver Lodge, to mention a few from its roll of fame, should be able to find a leader when it needs one, even if the party caucus was the major legacy of its best-known citizen.

The German Surplus

Cheaper money and rising public spending mark the end of the era of deflationary policies in west Germany. But a payments surplus will probably persist.

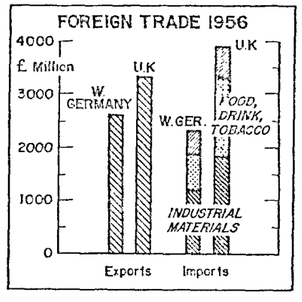
In the fourth quarter of 1957 the pile of gold and foreign assets in the German Bundesbank, which towers so disquietingly over the trade of the non-dollar world, was actually reduced. At the peak of the speculative flow—on September 30th, as the International Monetary Fund met in Washington—the reserves of the Bundesbank, including its credits with the European Payments Union, stood at 23.6 billion marks. By Christmas they had fallen to 22.8 billion marks. In November and December the Federal Republic was in deficit with EPU for the first time since December, 1952. The frightening flood of foreign exchange to Frankfurt, which seemed at one time to threaten the franc, the pound and the whole pattern of European trade, had been reversed. What prospect is there that this reassuring trend will continue in 1958?

The change in the past three months was above all due to the reversal of the avalanche of summer speculation. But capital exports, particularly by public bodies, have also been growing; their volume nearly trebled in 1957, and they may grow further this year. There is little to suggest, however, that the surplus on current account will not continue to grow too; the first marked effect on trade of the modest slackening of the boom described in last week's article has been a sharp dip in prices of material imports, and this will tend to swell the German payments surplus. German exporters of capital goods are certainly meeting checks abroad, but they are responding by redoubled sales efforts in both home and foreign markets. And even if the total payments surplus (5.6 billion marks last year) is halved in 1958, it will still be more than the non-dollar world can bear.

The truth is that some of the basic causes of the surplus persist. In structure, the west German economy is remarkably similar to Britain's, but the excessive protection accorded to an agriculture fostered by past autarkic policies means that Germany is much less dependent than Britain on imports of food—as it is, incidentally, of industrial materials as well. The relative weight in the economy of the investment industries, which have grown with such meteoric speed since 1870, has been accentuated by the division of Germany, giving the western half a strong export position in a developing world.

The investment industries have been stimulated, too, since the war by the high rate of investment which west Germany has achieved and which is rightly cited as the main clue to the German surplus. High investment has brought, in an era of reconstruction, exceptionally rapid gains in productivity, keeping German exporters one jump ahead of their competitors.

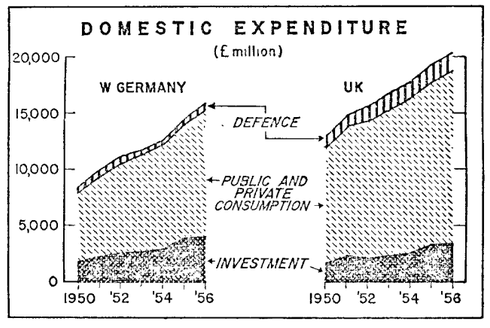
A more dubious, though fashionable, explanation for the German surplus is that German prices are lower than other people's; hence the urgency, it was said in the summer, of a revaluation of the mark. In fact, some food prices in Germany, because of protection, are rather higher than in, say, Britain; and with trade in industrial goods widely liberalised, German industrialists have no reason to quote prices that are more than marginally less than other people's. Despite the similarity in price levels, however, German heavy industry—though not by any means many smaller firms in the tighter branches—does seem to have some cost advantage over many of its competitors, an advantage that has carried its produce widely across the world. The reserve of refugee labour in Germany, and, still more, the dread of inflation which the unions have shared with other Germans, have certainly helped to keep labour costs low. The higher profit margins which the major German export industries have enjoyed in consequence have inspired an insatiable demand for capital for new investment.



The German cost advantage was probably most marked immediately after the Korean boom. Before that the mark could not be described as undervalued. The central bank's timely squeeze and the fact that Germany was alone in not rearming meant that it emerged with its competitive position remarkably

improved, its exporters admirably placed to surge out into foreign markets. The Bundesbank has continued its cautious policies since. Currency reform wiped out the cash of businesses and banks. It has been easy, against this bare backcloth, to squeeze credit hard through interest rates and still more, in the early years, through minimum reserve ratios. In recent years the payments surplus, with its attendant influx of foreign exchange, has tended to neutralise the cost advantage, increasing the money supply and thus tending to push up prices. But the central bank has fought back, seeking to sterilise the flood of cash by restrictive credit policies. Herr Schäffer's deflationary budgets had the same effect on the German money supply and on German costs.

Caught between industry's formidable demand for investment capital and the meagre supply of it outside industry—the old wiped out by currency reform, the new lapped up by deflationary budgets—it is not surprising that the German capital market has been the problem child of the economy from a domestic point of view. The cupboard has been bare; interest rates in the years since 1948 have ranged between 8 and 10 per cent, making nonsense of any notion of large-



scale export of private capital. Just as the payments surplus has been the *bête noire* of the foreigner, so the capital market at home has been the point of tension where the difference between cost levels in Germany and outside has made itself felt.

Both government and Bundesbank are now trying to move in directions that should ease the tensions both on the capital market and in foreign payments. Under Herr Etzel, the budget is no longer mopping up liquid resources, and may even, as the defence bill grows, be in deficit. The drop in discount rate on January 16th was the third since January, 1957, when it stood at 5 per cent. These reductions mark the abandonment of the attempt to neutralise the influx of foreign funds. The cash from abroad has made the banks extremely liquid; in consequence, some money market rates have dropped by as much as 3 per cent, and even rates on the capital market seem to be sinking steadily, though more slowly. German money market rates are in the main still higher than elsewhere, but the rate for treasury bills is now lower than in many European countries; and this has led to important short-term investment by German banks in Brussels and Amsterdam. For the foreigner, indeed, the general fall in interest rates is the most encouraging feature of the German scene, reflecting as it does both the easing of the investment boom and the possibility that in time Germany may be able to invest some of its large savings abroad. With the supply of money relatively slack, significant increases in costs are taking place. This winter, wage costs in Germany are plainly rising faster than in Britain.

It is curious that the world outside Germany should be discussing how to get the Germans to misbehave, how to teach them to inflate, to invest less, when they have with such remarkable skill succeeded in achieving the prerequisites of economic growth—high investment and stable prices—and when they have overcome the vices of inflation and erratic economic development that have dogged modern Germany in the past. Two of the men who have been largely responsible for this achievement, Herr Schäffer, the former finance minister, and Herr Vocke, the president of the Bundesbank, have now left their posts. Germany owes a great deal to their rectitude: to Herr Schäffer's parsimonious guard over the public purse, to the little upright figure of Herr Vocke, with his tremendous moral sense of the social duty of a central bank to keep the money stable.

But these simple values have themselves exacerbated the problems of the German surplus; and two new men, Herr Blessing at the central bank, Herr Etzel at the ministry of finance, have taken over, to form, together with Professor Erhard, a new team. Its members have made plain that they intend to follow in the footsteps of their predecessors, preserving the stability of the currency and fighting inflation, but they do show an increased awareness of the problem. Their task, however, will not be easy. The advance, just announced, to EPU for aid to France demonstrates goodwill, but it is only a stopgap; and private capital export will not occur on a large scale until investment yields abroad are plainly higher than at home. Revaluation has been rejected. It seems, therefore that costs in Germany, above all of wages, may well have to rise further, compared to those elsewhere in Europe, paring profit margins, raising consumption and imports.

Plainly the process of adjustment will be easier for Germany if inflation is avoided elsewhere. Until last year, the choice before its economic leaders seemed a grim one. Had they to abandon the precious stability that had done so much for their economy because their neighbours could not manage their affairs? They have been looking with anxious approval at Mr Thorneycroft's efforts in Britain and at M. Gaillard's endeavours to right the state of France. The very discipline, however, which their neighbours are exerting, in a sense places a new onus on Germany's leaders. They alone, with their cushion of foreign exchange, their cost advantage, their reserves of labour, can take the lead in a renewal of economic expansion in Europe.

NOTES OF THE WEEK

THE WAGES FRONT

A Firm Line

THE refusal of the Ministry of Labour to set up a committee to enquire into the wage claim of the London busmen came as a surprise both to the leaders of the men's union and to London Transport. The two sides had assumed earlier from their talks with the chief industrial commissioner that such an inquiry would be held, and the busmen had seen in it a good chance of getting a pay increase without having to resort to an unpopular and probably unsuccessful strike. They were further encouraged by the rumour that London Transport were prepared to consider a selective increase for the large majority of the busmen who operate in Central London. But after discussions in which the whole cabinet took part, it was decided that in this case the Ministry of Labour's duty as an industrial peacemaker would be inconsistent with the Government wages policy. Full agreement was reached that the machinery of conciliation, which had automatically got to work, should be brought to a stop and the request for an inquiry was firmly, if somewhat awkwardly, turned down. There may have been some fumbling, but there was no flinching in the end.

This was the right decision. The busmen, unlike the railwaymen and the miners, have refused to use the established arbitration procedure—which, however, is still open to them—and from the start it had been impossible to see what new facts a special investigation would have unearthed. The facts are already well known. London Transport's passenger receipts fell steadily during 1957; their costs rose; and they are further than ever from being able to provide from their operating profits their full share of the capital costs that must be met by the British Transport Commission. The Commission itself was thus indirectly involved, the more so because it looks as if it is now facing an unprecedented deficit on its railway operations. If the Ministry of Labour had started an investigation knowing this to be the commercial background, it would have amounted to an admission that there was a case for giving more money to workers whose productivity was falling. This would have opened the door to the 5 million other claimants for wage increases this winter.

There was also every reason why an inquiry—if any inquiry is, in fact, called for—should not have considered the London claim alone. Differentials between London and provincial rates are still in dispute between the busmen themselves and any increase in London would have led to an equivalent demand from outside. The union leaders favour a more concerted policy, and it is just conceivable that the ministry's offer to make a general review of wages in road transport may prod them into action. But if the militants at the busmen's delegate conference next Monday reject this offer, and in the event of their continuing to refuse arbitration, Mr Cousins will have no alternative except to call a ban on overtime or a strike. If he does so, the Government is committed to stand firm. This time the way really does seem to be blocked to any such display of cold feet by the Government as occurred last year at the time of the shipbuilding and engineering strike. It can hope that the public may put up with the inconvenience caused, since a strike, undertaken to intimidate London Transport, could not last long at a time when the cost will fall so much more heavily on the busmen's funds than the economy as a whole, and when sympathy for a wage-claim so poorly founded may be minimal.

ECONOMIC DEBATE

After Resignation, Resolution

THE impression that emerges again from last week's economic debate is that, by his resignation, Mr Thorneycroft has succeeded in making the Government more than ever adherent to his policies. To the pressures on Mr Amory to be stern exerted by the watchful foreigners is now added pressure by Tory MPs themselves. As Mr Thorneycroft sat down at the end of his speech it seemed, as though by some strange optical illusion, that the late Sir Stafford Cripps had descended to sit for more than three hundred Conservative back-bench constituencies. Mr Amory's own speech did draw a little more pointed attention than Mr Thorneycroft might have done to the possibility of recession and to the promise that "when we find we have gained a position in which we can safely resume expansion we shall certainly go ahead with relief and zest." But for the perhaps protracted meanwhile, both Mr Amory and Mr Butler positively fell over themselves to insist that the Government will finish stopping inflation before starting to revive it. "When we need to tighten up," said Mr Amory, "we shall do so." That is the order of the day.

But how? Mr Thorneycroft himself confirmed that higher taxation is fortunately not on the Government's programme. It is, therefore, to cuts in Government expenditure that all Conservatives are looking. The debate confirmed the growing impression that the resignation-inspiring estimates for Government expenditure for 1958-59 was scheduled to be of the order of £50 million higher than the total original and supplementary estimates for this year; as Mr Amory implicitly admitted, this could make them more than £50 million higher than actual expenditure this year—because some under-spendings on particular heads have always been expected. In launching the impression of a "mere fifty million" into public debate, Mr Macmillan was choosing a somewhat misleading standard of comparison. Even to get down to the accepted Cabinet target, however—still more, to get down to the Thorneycroft target which Mr Butler suggested might with "patience" be achieved—sharp cuts in real expenditure will be required.

Two intriguing passages in Mr Thorneycroft's speech were, first, what could be taken as a sidekick at the Government's insistence on Britain having the H-bomb ("it is not a mean thing to be independent in nuclear power, although it may be that in the future nobody is really going to be independent"); and, secondly, his comment on proposals for increasing national insurance contributions ("a new method of paying for the social services may well be right, but it is only a new form of taxation in reality"). This remark prompts speculation that Mr Amory might seek by increases in contributions to achieve some of the elbow-room which Mr Thorneycroft had wanted to achieve by direct cuts.

Shadow Chancellor?

POLITICALLY, even more obviously than economically, the immediate honours have clearly gone to Mr Thorneycroft, who almost ostentatiously aided the zealous but anxious whips in getting a majority of 62 for an "unexceptionable" Government motion. The unexceptionable correctness of his behaviour leaves him in the stronger position to speak his mind at a future date if he feels that his old colleagues are weakening. The congratulations which Tory MPs showered on the ex-chancellor after his eleven-minute speech showed how ready many of them are to put the Government's (and their) economic conscience in his keeping; he emerges, accordingly, as a Cato before whose frown the front bench may wince henceforward.

This sketch of an iron chancellor walking out of a papier mâché cabinet, however, is one which the Government is determined to paint over as rapidly as possible. In Government circles it is being insisted that all the members of the cabinet were equally willing to be tough, and the difference was only upon the selection of the terrain on which the battle should be fought. Mr Thorneycroft (this version goes) wanted to fight on the spending front; the rest of the cabinet wanted to dig in on wages and felt that social service economies would outflank them. Ministers are busy proving this thesis by pointing to the stand against the busmen and to Circular No. 4/58 to the local authorities urging them to economise (in the accurate but rather desperate-sounding phrase "most public authorities could make *some* economies without . . . loss of efficiency"). Mr Thorneycroft's supporters may retort that this is yet another case of the Government insisting that others should do what it is not prepared to do itself. In any case, the evident selling-point in the circular is its long quotation from a speech made by Mr Thorneycroft himself while he was still in the Government, when he said that "wages increases unrelated to, and going far beyond, the general growth of real wealth within the country are by far the greatest danger we have to face." In October, ministers are saying, Mr Thorneycroft helped to man the wages line; he has changed front, not they. Certainly they have not told the local authorities that they must not spend even 1 per cent more than the £1,600 million which they do spend; the circular carefully admits that *some* increases may be inevitable. These ingenious *ex post facto* explanations will not necessarily convince sceptics that Mr Thorneycroft was shed in the cause of toughness on wages. But if the result is toughness, as at the moment it looks like being, Mr Thorneycroft will not have lost one of his political lives in vain.

BAGHDAD PACT

Friends though Divided

AT many moments during the Baghdad Pact Council meeting at Ankara this week, it seemed that the organisation must be at the awkward age, or else losing weight, or, indeed, that it might not be sufficiently infused with the organic matter of common purpose to have acquired proper substance.

All the local delegations had arrived full of hope for bigger and better American economic and military aid for their governments. All felt that they would be surer of the prospect if the United States would join the pact as a full member instead of just sitting on some committees. Mr Dulles disappointed them of the second ambition; he did not satisfy the first when, at the end, he promised them $10 million for telecommunications (which, at present leave vast room for improvement). But he also argued that, if western aid were calculated on the same basis as Soviet aid—a basis which in his judgment glosses over the extensive repayment in commodities the Russians seem to be going to require—the Baghdad Pact countries alone can reckon to have had £780 million from the West in 1957. (By chance, this impressive piece of reckoning was next day capped by the news of a further £70 million of Soviet aid for Egypt.)

But in addition to the American question, each delegation but the Iranian one had at the head of its agenda an item peculiar to its own home circumstances. Each Asian member is cumbered with some parochial interest, or is distraught by some outside pressure, that has nothing to do with the pact's main purpose of combating communism. Examples are Turkey's concern over Cyprus, Pakistan's over Kashmir, and Iraq's over Palestine. The limitation placed upon Iraqi membership of the pact by its government's perpetual need to demonstrate Arab solidarity was well illustrated when, a few days before the meeting, the Iraqi premier felt constrained to tell Parliament that "Iraq is exploiting the Baghdad Pact to the utmost in the interests of the Arab cause." Therefore Nuri Pasha (who, though not in office, mysteriously represented Iraq at Ankara) was not to be deterred by Mr Menderes from linking anti-communism with the need for a Palestine settlement. There followed a barter deal for support in one another's good causes.

The scene suggested that the pact is not yet the instrument its champions hoped it would become. For it is neither America's original "northern tier" nor an extension of Nato able to look to Nato powers, nor yet a local pact made of the solid stuff of purely regional interests. So far, it has served as little more than a friendly and stimulating military and economic club. Friendship and stimulus are never to be despised. But they are the raw materials of pact-making, and not the finished article.

CYPRUS

Twelfth Hour in Cyprus

THE storm clouds have again gathered thick over Cyprus. The Turks in the island have followed the Greek lead and turned against the British. Their demonstrations, timed to coincide with Mr Selwyn Lloyd's visit to Ankara, were inspired by a fear that the undisclosed Foot plan goes further to satisfy Greek aspirations than Turkish. Whether or not the Turkish leaders in Cyprus and in Ankara succeed in preventing fresh outbreaks, the bloodshed already perpetrated inevitably raises fresh barriers to compromise. Moreover, as our correspondent in Nicosia points out on page 410, neither Eoka's present inaction nor its new feud with its left-wing brethren justify hopes that it is any readier than before to forswear violence.

In Ankara, the arguments against partition that Mr Selwyn Lloyd and Sir Hugh Foot have presumably been putting forward appear to have fallen on stone-deaf ears. Mr Zorlu, the foreign minister, asserted on Wednesday that Britain was in effect bound to do nothing without Turkish approval. And Mr Menderes seems to have neatly turned the tables on the British Foreign Secretary by making use of his presence in Ankara to demonstrate more forcefully than ever that Turkey insists on partition. The Turks maintain that they made the maximum possible concession when, instead of claiming sovereignty over the whole island if the British left, they agreed that the island should then be partitioned. So long as they believed that the British would stay, they were content to accept the *status quo*. But now that Britain's long-term intentions are doubtful (and the Labour Party is parading its pro-Greekness), Turkish policy inevitably emphasises more and more strongly that partition is the only solution. Ankara appears to be getting ominously close to the point at which it joins with Athens in demanding that the British must go.

Unfortunately, that is the one thing that, in present circumstances, the British cannot do. Nor can the Government procrastinate much longer over its statement of policy. Whatever it proposes will be strongly opposed by either the Greeks or the Turks—or, most probably, by both ; but as long as it hesitates, both sides will be encouraged to strike their most extreme attitudes. Is it too late to draw on what has always been Britain's greatest asset in Cyprus—the desire of the ordinary Cypriot to be left in peace ?

ROCHDALE BY-ELECTION

A Shetland Pony ?

THE Rochdale by-election looks like being a genuine three-cornered fight. It must be expected, of course, that Labour will win it. Last time a Liberal candidate intervened in Rochdale, in the general election of 1950, Labour took this seat by a majority over the Conservatives equal to some 7½ per cent of the poll. That was the general election in which opinion across the country was so evenly divided that Labour won a majority of only seven in the House of Commons. Most people would assume that sentiment is more anti-Conservative now. But there is also a certain proportion of the public which is now more willing to cast a perhaps quixotic vote for the Liberals. In ninety-nine by-elections out of a hundred, the chance of this vote bringing the Liberal to Westminster is negligible. But there is always liable to be the hundredth case, and the Liberals' optimistic arithmetic at Rochdale is worth study.

ROCHDALE IN THE LAST THREE GENERAL ELECTIONS

Per cent of Poll

	Conservative	Labour	Liberal
1950	37.4	44.9	17.7
1951	50.4	49.6	No candidate
1955	51.5	48.5	No candidate

At Gloucester and Ipswich the Liberals won some 20 per cent of the poll. They must be expected to do even better this time : first, because the Liberal in Rochdale secured a sizeable vote (as the table shows, some 17¾ per cent of the poll) even in 1950, and secondly because Mr Ludovic Kennedy is what might be called a household face (admittedly, the Liberals' 1950 candidate, Mr Roger Fulford, was also no nonentity). How many votes would Mr Kennedy need to win ? A bare minimum winning figure would be 33.4 per cent of the poll ; that could get him home if the other votes were exactly evenly divided between the other two candidates. But this would be a most unlikely statistical accident. A more orthodox assumption—which, as the table shows, is roughly borne out by comparison between the election results in 1950 and 1951—is that for every three votes the Liberals pick up in this sort of area two will come from the Tories and one from Labour. Estimates compiled on this basis suggest that :

(1) If Mr Kennedy got between 36 and 37 per cent of the vote, he might become Rochdale's MP—just beating the Labour candidate at that level and leaving the Tory trailing.
(2) If Mr Kennedy picked up over 31 per cent of the votes he would, while letting Labour in, be likely to precipitate the Tory from the top of the poll to the bottom.

The odds against either of these things happening are perhaps about as great as against a second division club winning the Cup. But the Liberals' outside chance at Rochdale seems to be of that order—not, as more usually with them, of the order of a Shetland pony winning the Derby.

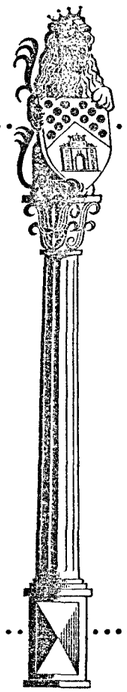
NEWSPAPERS

Press Trespass

EVERY so often the intrusion of journalists upon the victims of private calamity stimulates an outcry that the Press Council, the journalists' trade unions or Parliament should take preventive action. When this happens, it is important that the facts should be put into proper perspective and the real principles plainly restated. First of all, intrusion is often not intrusion: some of the victims are not victims at all, but are either eager to share their troubles for display or, sometimes, commercially minded themselves. Secondly, a large majority of journalists still make their inquiries in decent fashion. And, thirdly, it is a fact that newspaper reporters, even when they use their elbows, do give indispensable publicity to the plight of victims of officialdom (such as Hungarian refugees) and thus uphold the press as the watchdog of individual liberties.

Even so, the evil exists, and is probably growing, and should be curbed—without curbing proper press freedom. A reporter working in present-day competitive conditions too easily confuses the role of watch-dog and peeping tom. Editors of some papers are too ready to insist, sanctimoniously, that the two roles cannot possibly be disentangled ; declaring that if cases such as that of the Hungarians are to be given publicity, the press must have the right to get the spiciest news where it finds it—even in the private lives of unwilling and sorely afflicted people.

The emphatic point to make in all this is that the right of the press to gather news is really not a right but a duty: to tell the public the truth. The right is the public's—to be told the truth—and the duty of the press is to get the news within the framework of the law and without infringing the other rights of individual members of the public. The first of these other rights is that nobody, not even the police, has the right to demand information from any citizen except in the witness box under *sub pœna ;* the law of trespass should fully cover the case of the reporter who forces his way on to private premises or who, having got in, outstays his welcome ; the law dealing with public order should cover botheration in the street ; and the laws of libel and slander should cover any attempts at press black-



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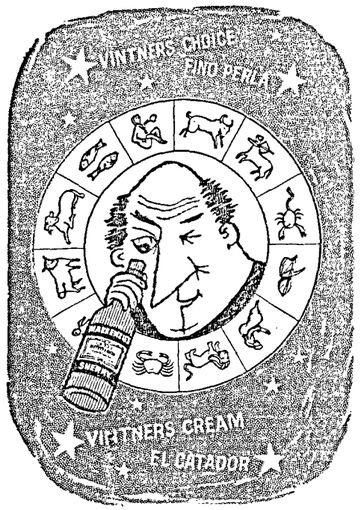
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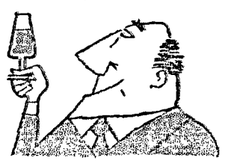
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mail or revenge if these other laws are—as they should be—invoked to the point of calling in the police.

It would be the worst policy to try to curb press intrusiveness by fresh enactments; there are far too many interests who would use this as a cover to prevent the press from getting news on matters of real public interest. What is essential is for the public to know and enforce its existing legal rights. A few cases in which magistrates mete out stiff punishment to offending reporters and cameramen will do far more to put offending editors and their staffs in a frame of mind to pursue a code of proper behaviour than any amount of agitation for new legal penalties or condemnation by the Press Council, though this body should certainly speak up. The *Daily Mirror*, echoing Queen Victoria, has said loudly and encouragingly, that it will be good.

SOVIET UNION

The Minsk Manifesto

THE Soviet countryside is on the eve of a major reform affecting both the forms of ownership and political control. Addressing an agricultural conference at Minsk, Mr Khrushchev revealed that the Soviet leadership intends to dismantle the bastions of the state in the countryside—the machine and tractor stations or MTS—and to transfer their equipment to the collective farms. Up to now the collective farms in the Soviet Union owned only the buildings, light tools and livestock. The land, in principle, belongs to the state, while for the ploughing and harvesting jobs the farmers had to turn to the MTS. There is about one such station for every ten of the 82,000 collective farms in the Soviet Union. The MTS have some 1,750,000 tractors (in 15 hp units) and 450,000 combine harvesters. They employ nearly three million people: all sorts of agricultural experts in addition to drivers and mechanics. By their composition as well as their key position these bodies have been up to now the outposts of state power and party control in rural areas. If Mr Khrushchev's scheme is carried out, they will be reduced to the role of mere repair and servicing stations. Their equipment and staff will go to the farms.

The project is not new. In his last written work—*Economic Problems*, published in 1952—Stalin took two Soviet economists violently to task for propounding exactly the same idea. He described the scheme which Mr Khrushchev has now revived as "a reversion to old backwardness" and an attempt "to turn back the wheel of history." Stalin argued that the farms were not rich enough to buy the equipment, and that only the state could afford the mechanisation of agriculture dictated by technological change. Yet his chief objection was to the transfer of means of production from state to collective ownership. This, he held, would widen the social gap between town and country and would postpone the coming of a communist society.

Mr Khrushchev did not mention Stalin at Minsk. He maintained that the farms are now sufficiently evolved—politically as well as technically—to take over, and he justified the change on grounds of efficiency. As to the ultimate goal of "bridging the gap" Mr Khrushchev may well think that this will be done one day by the spread of state, as opposed to collective, farming. For the moment the question is to get more food from the farmers. The timing of this indirect appeal to their property instinct may be explained by last year's disastrous harvest. The change, however, will take three years, and before it can start it will first be announced by the central committee, then debated in the country, and finally endorsed by the Supreme Soviet—the procedure that was followed for Mr Khrushchev's managerial reform. But this time Mr Khrushchev can rely on the backing of the farming community. This was probably his chief reason in deciding on a far-reaching rural reform.

FREE TRADE AREA

Double-entendre

THE difficulties before the free trade area have rarely been exposed as starkly as they were by the curious dual version of M. Gaillard's speech at Lille. The advance text issued a few hours before the speech said that the French government was "favourable to the perspective" of a free trade area. Once at Lille, however, when he came to make the speech itself the premier voiced a different view:

> the government does not intend to embark on an adventure that might threaten either the economy of the country or the building of Europe that is going on within the Common Market.

The advance text was couched in a tone that the other negotiators in OEEC have come to expect from their French colleagues; there is sturdy opposition on several fundamentals, but a real wish, it seems, to fight through to a solution. The speech itself, on the other hand, reflected the tone of those sections of French opinion which see the free trade area as a hypocritical British plot to divide, and hence to lead, Europe, and to get the best of the two worlds, Europe and the Commonwealth. There is something in the latter criticism. But it tends to ignore the British Government's considerable steps in the direction of the continental point of view; and it is informed by a frightening amount of irrational prejudice.

The pessimism that followed the last meeting of Mr Maudling's committee has perhaps obscured what it has achieved. By compromise and detailed study, the pattern of a free trade area convention is emerging. Talks between smaller groups of countries specially interested in specific problems are playing a useful part. Even on agriculture, where the last meeting produced such an ugly collision of views, the talks in Brussels between Mr Maudling and countries especially interested, like Holland and Denmark, may at least give further precision to the issues. But M. Gaillard, as his experience at Lille shows, has not escaped from his pressure groups. The question is whether he wants to; for the volume of French opinion hostile to the free trade area is very much the product of the leadership it has had.

VENEZUELA

Good Omens from Caracas

FIRST indications from Caracas since the fall of General Pérez Jiménez are that the armed services are not having things all their own way. The officers who decided that the president had become a liability because of the strength of civilian feeling against him might simply have put a new military regime in his place. Instead Admiral

Larrazabal, the leader of the junta, has deferred to Señor Fabricio Ojeda and the other civilian leaders who organised the strike that sealed the president's fate. When they objected to two military members of the junta, one of whom had suppressed the New Year rising at Maracay, Admiral Larrazabal replaced them by two civilians. By doing this he risked the hostility of the older generation of officers to which these fleeting members of the junta belong.

Pressed by Sr Ojeda and his associates, Admiral Larrazabal has promised presidential elections, but these will have to be preceded by elections for a constituent assembly to rewrite the Pérez Jiménez constitution of 1953. The party leaders have either returned from their exile, or are planning to return soon. They seem to be feeling their way towards some kind of united front in the knowledge that dissension between them could give the army an excuse for retaining power. But if an election becomes a reality, the party leaders may find co-operation irksome. This applies particularly to Dr Betancourt's Democratic Action party, which, although banned the longest from the political scene, would have a respectable chance of winning on its own, as it did in 1948.

Behind this web of political and military manœuvre the flow of oil is uninterrupted, and the prices of oil shares have been little affected by the radical change taking place in Venezuela. The disappearance of the strong man is apparently not so much to be dreaded as some of the commercial interests concerned with Latin American trade have at times tended to suppose.

THE LAW OF HOMICIDE

Diminished Responsibility

It does not look as if the introduction into England of the Scottish doctrine of diminished responsibility is taking the question of mental abnormality in murder cases much further. The Homicide Act lays down that a person shall be convicted of manslaughter, not murder, if he was suffering from such abnormality of mind (whether arising from a condition of arrested or retarded development of mind or any inherent causes or induced by disease or injury) as substantially impaired his mental responsibility for his acts. This clause was believed to be intended to cover all those cases of mental disorder that are outside the scope of the McNaghten rules. If the House of Commons, when the Homicide Bill was before it, had known that John Spriggs would nevertheless be sentenced to death and have his appeal rejected, it might have insisted on removing from the clause the phrase in brackets.

During the committee stage of the Bill the Attorney-General said that the phrase was inserted in order to exclude from the clause murderers who killed in a fit of pure bad temper or jealousy with no other evidence of abnormality. Spriggs certainly seems to have shot the barman because he was annoyed at being turned out of a public house ; but he also had a long history of mental trouble for which he had been invalided out of the air force. The prosecution, however, held that as he was of normal intelligence he could not be suffering from abnormality of mind within the meaning of the Homicide Act.

It is not, of course, known whether the jury rejected the defence because it accepted the prosecution's view of what Parliament intended by the Act or because it held that Spriggs's mental trouble was not serious enough to impair his responsibility. But it certainly looks as if the diminished responsibility clause of the Homicide Act is going to turn out in practice much less inclusive than was originally thought and that cases of psychopathy without evidence of mental defect will not be covered by it. Spriggs has been reprieved ; but it was hoped that the reversal of a jury's verdict by the executive in cases of this sort would virtually come to an end once the doctrine of diminished responsibility had become law.

COMMONWEALTH AID

Too Late and Too Little?

Two long-awaited measures for bridging the gap between colonial and Commonwealth status in emergent dependencies passed their second reading in Parliament within the last ten days. One is the Overseas Service bill, dealing with the colonial service, the other the Overseas Resources Development bill, which extends the operations of the Colonial Development Corporation and increases its borrowing powers by £50 million. Neither bill satisfied the knowledgeable but idealistic group of MPs who press from both sides of the House for a more expansive (and expensive) Commonwealth policy. They felt that the legislation which tries to bring an overseas civil service into being comes too late to save the crumbling colonial service, and the finance given to CDC is minute in relation to the need.

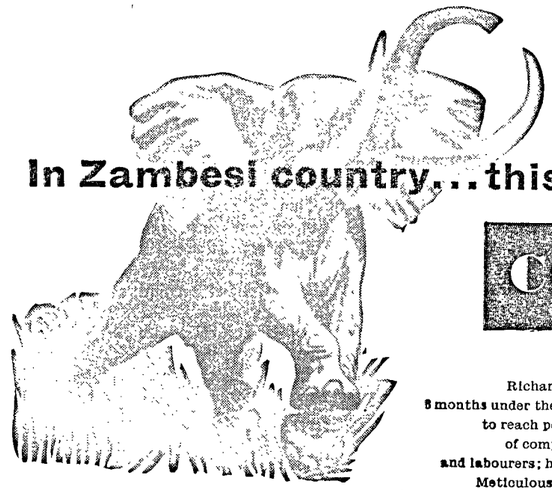
There is truth in both verdicts ; but hard facts are with the Government, which has produced both measures against considerable—and not only Treasury—odds. Of the two measures, the warmest welcome can be given to the Overseas Service bill. Admittedly it does not realise the dreams of a "Commonwealth civil service," first ventilated some years ago in *The Economist*. But it probably took Ghana's hard experience to teach Nigeria the need for the "special list" of British administrators *en disponibilité* ; and until they wanted it, it could not be negotiated. Now that the example has been set, other emergent colonies may follow suit. The trouble however is that very attractive terms of lump-sum compensation are at present inevitably coupled with very uncertain prospects for careers along the only lines that colonial officials have any experience of ; and under these circumstances the recruiting figures which Mr Lennox-Boyd cited were rather better than one might expect.

The shot in the arm for the CDC is a compromise which will probably do little good. The corporation faces the problem of tapering off in countries like Malaya and Ghana, while the needs elsewhere are growing, but the future insecure. Mr Alport was right to emphasise that private external investment was the real mainspring of Commonwealth development. Everything should be done to preach this gospel—with its implications for the policy of newly independent states. Fifty million pounds for CDC's borrowing powers accomplishes little in such terms, but, ironically, it happens to be the sum on which Mr Thorneycroft's resignation is said by the Government to have turned.

SMOKING

How Many Cigarettes?

Smoking is still predominantly a male habit in Britain. About three-quarters of men are smokers but only about two-fifths of women, according to *Statistics of Smoking*, the first of a series of research papers to be published by

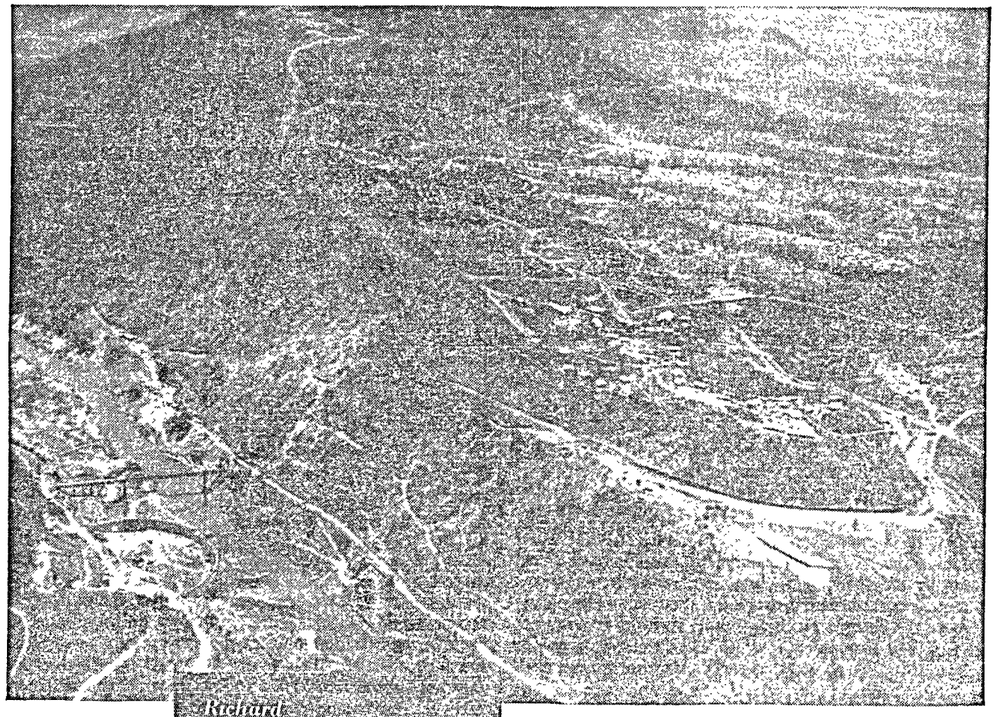


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Consulting architect: Richard Cathcart.
The contract was awarded by the Federal Power Board of Rhodesia and Nyasaland.
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the Tobacco Manufacturers' Standing Committee. One out of every eight men who smoke is addicted to a pipe only; the rest get through on average about 18 cigarettes a day, with 37 per cent of them smoking 20 or more. (About 13 per cent of these cigarette smokers also smoke a pipe.) Women smokers, on the other hand, average only 10 cigarettes a day, and only 14 per cent smoke 20 or more. This means that 70 per cent of all the cigarettes sold in this country are consumed by men.

Yet, according to this report, the increase in cigarette smoking over the last generation has been among women only. Tobacco consumption has fallen from its postwar peak,

SMOKING AT DIFFERENT AGES

Ages	Percentage of smokers		Weekly consumption of cigarettes per cigarette smoker	
	Men	Women	Men	Women
16 – 19	55	33	101½	58½
20 – 24	67	44		
25 – 29	74	47	117	71½
30 – 34	75	57		
35 – 49	78	48	140	80½
50 – 59	79	37	101½	52½
60 and over..	79	29		
All ages	75	41	124	71

Based on the results of surveys carried out in 1956 by Research Services Ltd.

and the consumption of cigarettes per adult (smokers and non-smokers) is said to have been no higher in 1956 among men than it was in 1939. Among women it had become three times as great. More than two-thirds of women smokers in 1956 had started before the age of 25. It is women in their early thirties who are most likely to be smokers today, while the proportion of men who smoke increases slightly with age. If present-day habits continue, therefore, some further increase in cigarette consumption by women must be expected. Inhaling may also be on the increase; the report suggests that not only is this practice with both men and women found more frequently among the heavier smokers, but also among the younger age groups.

The amount you smoke is obviously influenced by taste, income and the time you can give to it. Building workers come at the top of a list classifying men smokers according to their occupation; they smoked nearly half as much again as workers in the clothing industry and the "unoccupied and retired" who came at the bottom of the list. Above-average smokers include transport workers, painters and decorators, miners, and administrators and directors; below-average, agricultural workers, professional and technical men, and clerks.

HUNGARY

Mr Kadar in the Wings

THE cabinet reshuffle in Budapest this week will not make the Hungarians any more reconciled to their communist regime. In their gloom they will be inclined to ignore the changes on the grounds that one communist boss is as bad as another. Mr Kadar's successor as prime minister is Mr Ferenc Münnich, who was formerly number two in the cabinet; he is rather an unknown quantity, although he is believed to be less extreme than some. Mr Antal Apro, who has moved up into Mr Münnich's former seat as first deputy prime minister, is looked upon as a dyed-in-the-wool Stalinist.

But Mr Kadar himself, although he may be stepping out of the limelight, clearly intends to go on directing the show from the wings. His speech of resignation to the Hungarian parliament did not sound like that of a man dropping the reins of power. He retains a seat in the cabinet; and, far more important, he also keeps his key post as first secretary of the party and will devote himself to party work. From all accounts, the new communist party that was pieced together after the old one had disintegrated in the October rising could do with some attention.

The minister of culture, Mr Kallai, has given up his cabinet post in order to help Mr Kadar; he has been given extra-party status by being appointed president of the ostensibly non-party People's Patriotic Front. Mr Kallai is thought to be about the most intelligent of the present Hungarian communist leaders and he is believed to share Mr Kadar's comparatively moderate views (in spite of the ruthless repression of the October revolutionaries) and his leaning towards national communism. If these two men succeed in maintaining their control of the party apparatus and in imposing their views on it, this week's changes in Budapest may turn out to be a significant episode in the ceaseless struggle over power and politics among the Hungarian Communists.

MIDDLE EAST OIL

Kuwait's Choice

AT least three generous bids—one Japanese, one American, and one by Royal Dutch-Shell—are known to have been made for the oil concessions offshore in Kuwait's "undivided half" of the Kuwait-Saudi Arabian neutral zone. A choice between them has been made urgent by the fact that the Saudi Arabian half-interest in the offshore rights of the zone has already been granted by Saudi Arabia to the Japanese, and prospecting can hardly start there until Kuwait agrees. In practice, this means until Kuwait has accepted one of the bids for its half of the offshore concession rights.



The Japanese are known to have offered the Kuwaitis terms identical to those that the Saudi Arabians have already accepted. At first glance, the attraction of these lies in the 56 per cent share of the profits that the Japanese are willing to concede. But a second look reveals an advantage that is in Kuwaiti eyes more important than money. The Japanese are offering to employ Kuwaitis (or if no Kuwaiti is available, Arabs of other nationalities) in many posts in the new development company, including some of the top jobs. In their agreement with the Saudis, the Japanese have also conceded a principle which the Saudis in particular have long sought to see established—that the profit-sharing arrangements shall apply to a fully integrated operation including the marketing of the oil outside the Middle East.

Oil men think that the seabed off Kuwait may well contain some of the richest plums in the Persian Gulf; thus there is a fair chance that any operator with sufficient capital could find and produce oil in quantity.

The Kuwaitis, however, seem to be aware that their revenue depends as much on prices and markets as it does on production and the share of the profits; they realise that small concerns, without established markets of their own, would be handicapped in disposing of any oil they might find. They might be forced to cut prices, and this might set off a general price reduction for Middle East oil which would affect revenues all round.

Against this, the bid made by the Royal Dutch-Shell group, on an equal profit sharing basis, no doubt sweetened by a fat cash bonus and other frills, provides the attractive security of a fully integrated worldwide distributing network, through which any oil found in the new concession could be profitably marketed. There remains the question whether Kuwait and Saudi Arabia, by using the Japanese (or an American independent) to establish new principles, could subsequently get a revision of the existing major company agreements. They might; but it would be a gamble.

NATO

Pseudo-Deputy

THE appointment of General Sir Richard Gale to succeed Field Marshal Montgomery leaves Britain, despite its dwindling proportion of the forces at Saceur's disposal—the withdrawal of another 8,500 men has been agreed by WEU—with one of the top brass jobs in Shape. It is not, however, as important a post as its title suggests, for though British pride has been reluctant to admit it, the real deputy supreme commander has from the inception of Nato been the supreme commander's chief of staff, invariably an American general, while Lord Montgomery was in fact no more than an inspector-general of the forces. This has been, however, a not inconsiderable job. Lord Montgomery was in charge of training, organisation and tactical exercises, and he was accepted by other governments as capable of giving successive supreme commanders fair if frank—very frank—advice about the morale and efficiency of the various forces at his disposal.

Whether this job is now so important, or so obviously a British assignment, is perhaps another matter. Shape is now far more co-ordinated—as well as far larger—than it was. But problems of standardising the arms and simplifying the infrastructure remain; and so do unsettled questions, such as the tactical roles of nuclear weapons, to which General Gale is well qualified to give useful thought. His predecessor had the vision of unified fighting services; General Gale will have the opportunity to push a little nearer to that ideal. His immediate preoccupation, however, is likely to be his chief's—the scarcity of men on the ground. General Gale was a great believer in making the Rhine Army more efficient while cutting it down. Now he will have to advise how to make everybody's forces more efficient; the process which he was the first commander to advocate has spread.

NATIONALISATION

Soundtrack from the Past

THE old-fashioned Socialist made a curious appearance in Edwardian, even Victorian, costume when last week-end Sir Tom O'Brien demanded heads on a charger because of the decline of the film industry. Losses are being made; production is slowing down; technicians are losing their jobs. Sir Tom is not alone—nor, as reports from across the Atlantic show, is the British film industry in general alone—in suffering this classical decline of an outdated form of production. Television is doing to the cinema exactly what the cinema in its time did to the living theatre. The cinema industry can fight back positively with improved technology (big screens and stereophonic sound), with better films, with a booking system to reduce the squalid queueing which makes so unfestive a start to an evening's entertainment at a popular film show, with amenities to help give the cinemagoer a feeling of occasion with which home viewing cannot compete. It also can—and of course does—demand lower entertainments tax and more Government aid to film-making. And in so far as shrinkage is inevitable, it can conduct that painful process with due concern, expressed in agreed procedure, ample notice, and compensation where appropriate, for those workers who must seek new jobs—jobs to which their special skills ought to be adaptable, just as coachmen once became railway guards.

But whatever constructive proposals Sir Tom may feel capable of making on these different aspects of the industry's plight, he cannot, it seems, resist the built-in reflex twitch of the doctrinaire socialist: when in trouble, nationalise. Rationally, he does not favour public ownership and control of the film industry; but since "they" (the present owners and controllers) are failing to provide security and prosperity for his constituents, then "they" should have the industry "taken away from them." Nationalisation, in fact, is as much punishment as panacea. It is not only the featherbedded refuge from the blasts of economic reality, but also the chastisement from on high to be invoked, Isaiah-like, upon the unrighteous. Such feelings have little to do with practical questions of whether, for instance, entertainment duty might yield the Revenue as much at a lower rate or whether there is room for a bigger and better Crown Films Unit. Essentially irrational, they are useful in throwing diagnostic light on the internal troubles of the Labour party and on some of the infirmities afflicting those industries already nationalised. The emotional expectations of infantile security and satisfied wrath sadly conflict with the needs of public enterprise. Sir Tom should try to live more in the real world.

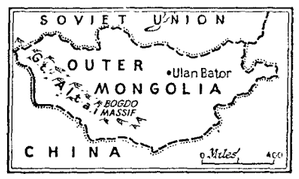
MONGOLIA

The Better 'Ole

SOVIET earthquakes, like Soviet airliners and hydrogen bombs, are now as big as the world's biggest. The Russian announcement about the shock that cracked the Altai mountains in western Mongolia on December 4th puts its strength at Force 11 on the Mercalli scale, which is next to the maximum force and ranks as "catastrophic." That makes it as violent as the San Francisco earthquake of 1906. A Soviet scientist quoted in *Izvestia* describes a central fissure 150 miles long, the birth of new rivers six and seven miles in length, roads twisted out of true, and a yellow pall rising above the whole scene to a height of 4,000 feet. For comparison, he calls on Dante's inferno and the first days of creation. In fact, the Mongolian earthquake was not quite so much out of this world, though it was probably ferocious enough to earn a mention in the encyclopaedias. However, the Soviet leaders may well feel pleased that this latest example of unrest in their territories chose such an ideal spot to manifest itself. There are few

places in Asia where an earthquake would kill fewer people or cause less damage. A communiqué from Ulan Bator last month put the total casualties, in the whole huge upheaval, at only about thirty.

Earthquakes often turn men's minds to higher things. For Voltaire, the great Lisbon disaster of 1755 finally destroyed the belief that it was possible to justify God's way to man in a plain and simple way. It would do no harm if the Mongolian earthquake caused a little thinking about man's own ways. It comes at a time when scientists, both in Russia and elsewhere, are talking of changing weather and geography by flattening mountains with H-bombs, shifting ocean currents and melting polar ice. The point about the events in Mongolia is not so much that nature can still make better bangs and bigger holes than man; it is that human beings are rapidly approaching the stage where they can rival her effects, and therefore that they had better start looking carefully at the things they are about to do. Experiments conducted too hastily or with too little preparation, for purposes of national pride or interest, could have disastrous consequences. Science alone does not (any more than theology does) provide a guarantee that all will be for the best in the best of all possible worlds. Any Dr Pangloss in the Kremlin, please note.



LAOS

A Premier's Selling Tour

THE prime minister of a small neutral country that pays its way only with outside aid, and survives physically only by implied threats of massive retaliation on its behalf, finds it difficult to adopt policies without reference to its protectors and providers. That has been, in substance, the problem facing the government of Laos. Exercising the sovereignty conferred on this land-locked jungle kingdom by the Geneva agreements of 1954 (which ended the Indo-China war), the Laotian prime minister, Prince Souvanna Phouma, signed an agreement with the communist-led Pathet Lao movement last November. As a result, his government regained formal control over two northern provinces that had been ruled by the Pathet Lao, but admitted two Pathet Lao ministers into its own ranks.

After much lobbying Prince Souvanna Phouma secured the unanimous approval of the Laotian national assembly for the November agreement. But it was not enough to have "sold" the agreement to the deputies; in view of the marked displeasure of the Americans, and of the more guarded misgivings of the British and French, the prince has been abroad on a wider "selling" mission. In Paris, three weeks ago, he exuded confidence and minimised the dangers of integrating the Pathet Lao guerrillas and officials into the general community. In London last week, he saw Mr Butler and the Foreign Secretary in a relaxed atmosphere, then went back to Paris, on his way home, to resume interrupted discussions about the position of Laos in the French Union and French economic aid.

It was in Washington, where Prince Souvanna Phouma went after his first Paris visit, that he had the roughest passage. His argument that Buddhism and royalist traditions shielded the Laotian people from communism was met with polite scepticism. He was also asked to comment on embarrassing allegations that American aid was being squandered in speculative currency deals based on the disparity between the official valuation of the Laotian kip (35 to the dollar) and the black market price (90). The prime minister's visit is being followed by financial talks in Washington with the finance minister, Mr Leuam Insisiengmay, and experts from Vientiane.

It is now expected in Washington that the kip will be drastically devalued and that strong controls will be imposed on import licences and other speculative avenues. There is also some talk of providing economic aid in the form of capital goods—hydro-electric stations and industrial equipment. If this talk is followed by action, it will represent a more serious answer to the challenge of Soviet economic aid in Asia than the stream of consumer goods that has been customary.

MONACO

The Prince

ROULETTE does not rhyme with revolution. The victory of the National Union of Independents in last Sunday's elections for Monaco's National Council is certainly a threat to the absolute power of Prince Rainier. Yet, even after Monaco's nuptial alliance with Hollywood, the boldest script-writer would not venture to make this electoral result the inspiration for a vision of blood-stained revolutionaries storming the gaming tables of Monte Carlo, with Princess Grace seeking shelter in the studios, and a sequel entitled "The Misfortunes of Caroline Chérie." Things are not done in this way in the taxpayers' paradise, which provides a setting more suitable for an operetta by Meyerbeer than for a drama by Schiller.

Rainier III, of the house of Grimaldi, is now Europe's last hereditary prince with virtually absolute power. The extent of it was shown in 1955 when, after the bankruptcy of a bank which swallowed up public revenues, the council tried to force the ruler to change his advisers, and failed. The power of the prince was based not so much on the letter of the constitution as on the law of succession. It is provided by treaty that if Monaco should find itself without a heir, the principality would lose its special status and become a part of France. An heirless Prince Rainier could always threaten to abdicate, and with a dramatic *rien ne va plus* stop the roulette wheels spinning and let the French tax-collectors in.

The clash between prince and council was temporarily forgotten in 1956, when Monaco was the stage of the most advertised wedding of the century. A year ago Princess Caroline was born, a great event for a country so vitally dependent on succession. Yet the 1,116 Monacans with a right to vote do not seem to have forgotten, for on Sunday they gave 11 out of the 18 seats in the council to a coalition that advocates constitutional reforms; one of the issues at stake is control over the state's business activities. Now that Monaco has at least an heiress, Prince Rainier's bargaining position has weakened, and we may yet see a Grimaldi in the role of a really constitutional ruler. When absolutism disappears, however, it will be without any cutting off of heads. People who pay no taxes cannot be expected to make revolutions.

BULGARIA

Writers' War

THE recent dismissal of two prominent Bulgarian journalists is a reminder of the running fight against dissident Communist intellectuals that the Bulgarian regime has been waging since the twentieth Soviet party congress. The two journalists who are believed to have been dismissed for their revisionist views are Mr Stefan Stanchev, editor of the government daily, *Otechestven Front*, and Mr Vladimir Topencharov, a member of his staff. Mr Topencharov was dismissed as editor of *Otechestven Front* in May, 1956, after the paper had become openly critical of Bulgaria's Stalinist leaders and after the party daily, *Rabotnichesko Delo*, had attacked him sharply for his "filthy generalisations." Since then Mr Topencharov has toed the party line in public, but is believed to have expressed more liberal views in private and at party meetings.

As elsewhere in eastern Europe, the twentieth Soviet party congress went to the heads of a number of Bulgarian writers, who proceeded to criticise the methods of "socialist realism" and to press for greater freedom of expression. When attacked for their "unhealthy, alien anti-party views" they either took refuge in silence or answered back. Mr Manov, one of the principal dissidents, declared roundly in the official literary journal: "I am unconvinced about the so-called 'viciousness' of my positions."

After Mr Khrushchev's strictures on revisionist writers last summer, the Bulgarian regime increased its efforts to overcome "the deep and irreconcilable differences" on how to portray "Bulgarian socialism." The extent of its failure was revealed in the recently published report of a meeting of party members belonging to the Writers' Union. It shows that the dissidents stuck firmly to their guns and suggests that their influence among other intellectuals is out of all proportion to their numbers. One communist writer complained that it seemed as if a loyal party attitude was a crime.

All this does not mean that the rebellious writers have any appreciable influence in the country as a whole or represent any danger to the regime. But both their stubbornness and the regime's apparent reluctance to deal severely with them are interesting signs of a changed atmosphere even in a country that has had comparatively little change in its Stalinist leadership. When Mr Chervenkov was undisputed boss of Bulgaria, it is unlikely that two writers could have "become notorious throughout Sofia with their anti-party aphorisms and epigrams." Mr Chervenkov, however, is still there behind the scenes, and it remains to be seen whether the dismissals of Mr Stanchev and Mr Topencharov are the prelude to a tougher policy.

SIERRA LEONE

Penultimate Step

PROPOSALS for constitutional change in Sierra Leone have been embodied in a white paper issued in Freetown, and it may be assumed that they have the prior blessing of the Colonial Office. After being debated by the House of Representatives they will no doubt come into force. The nearest parallel to Sierra Leone's status then is that now enjoyed by Northern Nigeria—and which is to be converted into complete regional independence in 1959. In Sierra Leone, as in Northern Nigeria, the Governor's reserve powers become defence, law and order, police, the public service and external affairs (in Northern Nigeria, relations with the federal authority). The Governor still presides, because of his reserve powers, over the Executive Council; this therefore falls just short of full cabinet status. All officials are, however, to retire from it and in all save reserved matters the Governor will act on his ministers' advice. The final stage is complete independence, which in Sierra Leone will mean the status of a (small) sovereign state. This, in fact, cannot be long deferred, even though the country is faced with economic and administrative difficulties which make British aid imperative for a long time. But when Northern Nigeria becomes independent within the Nigerian Federation in 1959, voices will be raised in Sierra Leone for independence too. It is hard to see Sierra Leone lagging much behind the date for full independence for Nigeria as a whole—which Nigerian leaders still insist will be 1960. Soon there will be not one, but two more independent states in West Africa.

The Economist

JANUARY 30, 1858

REPRIEVE FOR RED RIDING HOOD

OUR FAVOURITE FAIRY TALES: *with Three Hundred Pictures.*

By Henry W. Dulcken. Ward and Lock, 158 Fleet Street.

¶ This collection of fairy tales will, we have no doubt, fully realise its title, and become a prime favourite in many a little library. The judiciousness of the selection, the quiet fun which pervades the narrative of these thirteen tales, and the spirit, drollery, and great excellence of the designs that illustrate them, will recommend them to both young and old. Only one among them is a stranger to us. This is a story called the Three Bears, which, the concluding note tells us, is not of such ancient origin as its companions. We suspect that its origin is decidedly modern, and that perhaps its editor would not have far to seek for the author. Be that as it may, this story will be very often turned to by its younger readers on account of the irresistible portraits of the large, middle-sized, and little bear, as well as the humorous way in which it is told. Otherwise it has little title to a place in such honourable company as that of Puss in Boots, Tom Thumb, Jack the Giant Killer, and Beauty and the Beast.

With respect to the treatment these last have met with, we have some few faults to find with Mr Dulcken. Why will he be intrusively moral? When, contrary to all tradition, he saves the life of Little Red Riding Hood, was it only to read her a moral lesson from the mouth of her preserver, the wood-cutter, upon loitering on her errands and keeping evil company, viz., the wolf? Then again, he introduces puns into his stories—things no child ever cared for, and which are quite beneath the dignity of his subject; as are also the modern touches he has put in here and there, the allusions to events of the day, and the names of Gunn-Tuer and Swy-ze as the cooks at the wedding feast of Cinderella and the Prince. Such offences as these shock all our reverential feelings for the delightful studies of our youth, and make us fear that the march of modern education will either sweep away these heir-looms of the nursery altogether, or, worse than all, turn them into instructive lessons with all their wonders and mysterious grandeur carefully explained away. Having relieved our mind of the weight of these objections and fears, we can end as we began, by cordial praise of this pretty and enticing volume.

LETTERS

Politicians' Ramp

SIR—Since the publication of the Bank Rate Tribunal Report I have read a number of articles in a certain section of the press suggesting that the "charges" made by Labour MPs, particularly myself, when calling for an enquiry were flimsy, and unworthy of investigation. I have not troubled to reply to these, since the forthcoming Parliamentary debate will provide the appropriate occasion for the discussion of all such questions. But your own article, in your issue of January 25th, so clearly written with the political, if not personal, malice of which you wrongly accuse me, is one that I feel called upon to correct.

Your main theme—the Parliamentary references—is a matter for the debate and I shall deal with it fully then. But you refer also to "the desperately clutching interest which Mr Wilson took in stories from the flimsiest sources," and specify three. Let me comment on them.

First, "Mr Pumphrey on the Woking train." This had been dealt with by the Lord Chancellor, and in my very full memorandum to the tribunal I did not press it.

Secondly, and thirdly, the references to the Japanese banks, and the Ancient Order of Foresters. In the final paragraph of my memorandum to the tribunal, I said that, inevitably, a large number of rumours had reached me—by telephone calls, and by letters, signed or anonymous. I said—as I had told the Lord Chancellor—that most of these I dismissed as fantastic, including a number referring to individual Ministers to which I refused to give currency, even when under examination by the tribunal. But there were two which reached me—after the Lord Chancellor's investigation—which I thought it my duty to pass on, but for which I could take no responsibility whatsoever: I said they should be easy to check, and if found to be without foundation the tribunal would not need to be bothered with them. Since I expected that my memorandum might be published, I felt it wrong to specify the evidence should it prove there was no case even for investigation, but I gave the Treasury Solicitor the necessary information—the telephone number of a Mr Osborne, who had 'phoned me, in the other case a letter. I repeated I could take no responsibility for either.

Mr Osborne having died before the Treasury Solicitor's representative could contact him, I was asked to outline the statement he had made to me. This I did. In the other case, I avoided, even at the hearing, mentioning the name of the organisation concerned, since that would be unnecessary if the Treasury Solicitor's enquiries showed that there was no case for investigation. It was the Attorney General who insisted on naming the Order of Foresters, and they not unnaturally asked that, having been named, they should be cleared. In neither case, therefore, does your charge against me stand.

Had the Tribunal seen fit to publish my memorandum, instead of quotations from my much-outdated statement to the Lord Chancellor, much of which he had dealt with, two things would have been clear:

> First, that we never have said there was a leak, but only a case for enquiry;
>
> Secondly, that at no time did we make any charges except that (i) it was known outside Government circles the Chancellor was going to make a grave statement on the Thursday, a fact which might lead to speculation; (ii) the then Chancellor had shown impropriety in seeing Conservative Party officials and giving them secret information.

It will hardly be contested that the evidence produced before the tribunal, indeed the report itself, confirmed that there was a case for enquiry, and that the Chancellor's intention to make a statement was known outside. On the question of the late Chancellor's "impropriety" or otherwise, the tribunal has referred this matter back to Parliament; together with the other Parliamentary references to the Chancellor's interview with Mr Poole, these will properly be debated in the House next week.—Yours faithfully,

HAROLD WILSON

House of Commons

Summit Talks

SIR—Your article "To the Summit" is unfortunately rather a masterpiece of wishful thinking. It is certainly probable that the leading western statesmen will have to go to the summit—if only to be able to convince once more their own impatient and understandably frightened people that there is no hope of any acceptable compromise with the Soviet. What the Russian leaders want is, as you rightly admit yourself, a guarantee for the *status quo*. It is a complete illusion to believe that the Russians may ever grow "tired of the danger and strain implicit in maintaining by force a division of Europe." Marxism-Leninism is and remains the *raison d'état* of the Soviet state and its aims are best defined in Stalin's "Problems of Leninism." Soviet policy is based on communist dogma and therefore flexibility is admissible only where no retreat from communist conquest is involved (like in Austria, for instance). The resolutions of the last conference of the world's communist leaders give a very clear warning about Soviet aims and should not be dismissed as ritualism. Bulganin's last letter also plainly excludes any loss of control of the communist regimes established by Russia. Therefore I believe it to be of the utmost importance that the western powers prepare for the worst, meaning their reaction to a breakdown of the summit. Once it is clear that the Russians want to destroy the west—if possible only by cold war—then the west must be prepared to retaliate in kind—within cold war limits. The ugliest truth seems preferable to the finest illusions.—Yours faithfully,

ADAM ROMER

Pinner

Building Societies

SIR—May I ask for space in which to correct two errors in the most recent of your usually well-informed articles on building societies?

It is not correct to say that The Building Societies Association "announced there would be no change in borrowing rates." What the council of the association announced was that it had decided not to make any change for the present in its recommendations to members relating to rates of interest. The council has no power to decide, as your article implies, what the rates paid or charged by building societies shall be; this power resides in the board of directors of each building society.

It is also incorrect to say that interest paid by building societies is "tax free." Income tax (though not surtax) is paid by the society on behalf of the investor under special arrangements with the Board of Inland Revenue. The distinction is material.—Yours faithfully,

C. G. GARRATT-HOLDEN,
Secretary

The Building Societies Association

Scholarships for Surtax Payers

SIR—I think there is more to say about the means test for university education than your comment suggests.

To what age is a parent expected to maintain his child? The means test is applied in respect of children up to 25, including married daughters. There may be real competition between the effort to provide full education for children and that to save for immediately impending retirement.

The so-called "parental contribution" is really an over-riding tax. For parents with incomes around £2,000 per annum it reaches 20-30 per cent of marginal gross income, raising the total tax on such income to between 11s. and 14s. 6d. in the £; 16s. 6d. in a few cases. Do you suggest that tax at this level has no disincentive effect?

You are right in saying that parents of two children at the university *simultaneously* pay no more than for one. But in the much more common case that the children concerned are born more than three years apart, the "parental contribution" has to be paid for each separately.

There are three grades of student involved. Firstly, college scholars, who are likely to be outstanding people; secondly, state scholars, who must have reached a fairly high standard; thirdly, county major grant-holders, whose standards are more variable. The cost of abolishing the means test for the first would be negligible; for the first two groups, only two-thirds of the sum already provided from rates and taxes for the further education of Commonwealth students who are not and do not intend to be residents of this country. Are not our own outstanding people entitled to some consideration too?—Yours faithfully,

DOUGLAS W. FRANKLIN

Sevenoaks

Export Insurance

SIR—Mr Patrick's method of dealing with the transfer risk, if I understood him correctly, would encourage exporters to continue trading with any country overseas, in spite of a persistent deterioration in its exchange position, until, almost overnight, ECGD was compelled to withhold further guarantees.

This would be contrary to established practice in insurance and in the field of credit, contrary to the interests of the department and contrary to the wishes of traders, who desire the department, by constant minor changes, to give them guidance and gentle pressure, rather than brusque refusals.

If, however, some means could be found by which it were possible for Lloyd's underwriters and the insurance companies, if they so desired, to associate themselves with ECGD in the practice of export insurance, solutions to technical questions such as this would gradually emerge from the needs of the business.—Yours faithfully,

FRANK H. NIXON

The Athenæum

Syria

SIR—The term "nationalist" as applied today to the Middle East seems to be given an all too restricted meaning. In the Notes of the Week in your last issue, for example, you say that "the British Government, in fact, either had no contact or broke with all the nationalist groups." That is a grotesque statement. Ever since the Arab Revolt over forty years ago the British Government has had close and continual contacts with Arab nationalists. Indeed, all the British Government's contacts with Arabs have been with nationalists, as every politically minded Arab is a nationalist. To apply the term solely to the Baath is to falsify its meaning.

Whether you are correct in saying that the western powers ostracised the Baath I do not know. But it is easy to say that any foreign group which is bitterly anti-British would not have become so if it had been differently handled. The same has been said of the Mufti, Mussolini and many others. No doubt there is sometimes a measure of truth in the accusation, though it must always be a matter of pure speculation. The difficulty is that by wooing your enemies you are liable to lose your friends.—Yours faithfully,

J. M. TROUTBECK

Horsham

BOOKS

History at Large

The Shaping of the Modern World, 1870-1939: *Volume 1. Ends and Beginnings, the World to 1914.*

By Maurice Bruce.
Hutchinson. 970 pages. 42s.

IF it be true that the peoples of the modern world really are interdependent, that important events anywhere help to shape developments everywhere, and that the world is one as never before, then the writer of world history is confronted with certain technical historiographical problems of structure and method. Can the story be intelligibly told country by country or even continent by continent; and have conventional distinctions between national and international history any structural significance? In the more closely knit texture of world affairs, it may be that the inner dynamics of such great events as the complex interplay between industrialised and colonial peoples, the upheavals and aftermaths of the two world wars, the world economic crisis and the spread of communism, elude the historian's grasp if he clings overmuch to older categories, or even to such increasingly unhelpful divisions of his material as the divisions into political, economic, social, cultural, diplomatic and the rest. He must, if he is to match his methods to the needs of his materials, be ever on the alert against outworn concepts and inflexibility.

Mr Maurice Bruce, Director of Extra-mural Studies in the University of Sheffield, has embarked on the formidable yet useful task of expounding world history between 1870 and 1939 for the benefit of the "many who wish to understand the great historical movements going on around them." In the first of two volumes—and the only volume to appear so far—he concentrates on the period before 1914. Little exception can be taken to his initial date for, as he shows, the years around 1870 form a substantial landmark in modern history. It may be argued, however, that 1939 will be a premature end-date if the world of 1958 is to be adequately interpreted: it is the history of the previous two decades that is always liable to be the blind spot of a rising generation.

His main structural divisions are national ones. He deals first with the major countries of Europe (Germany, Austria-Hungary, Italy, France and Britain), then with the peoples of the British Empire and Commonwealth, and the partition of Africa before 1914, and finally with Russia, the United States, China and Japan. He adds a final chapter on diplomatic history from 1870 to 1914. Some omissions from the list are explained by their being held over for consideration in the second volume (the Balkans, the Near and Middle East, Spain, Portugal and Latin America). But other omissions remain unaccounted for—notably all the Scandinavian countries, the Netherlands and its vast empire in the East Indies, Switzerland, and Persia. This untidiness suggests a defect of organisation that becomes more apparent when it is noted how little is said about the First and Second Internationals, or how the massive growth and movements of population in the world are handled in a fragmentary manner that fails to bring out their tremendous general significance, or how astonishingly little is said about science and technology.

This basic defect is that the author, despite all the high qualities of erudition, factual accuracy, and balanced judgment that adorn the volume, has not from the outset reflected carefully enough upon the technical problems of his task, or found the right balance between conventional political history and the economic and social transformations that transcend political frontiers. His approach yields its best results in the chapters on Austria-Hungary, the Commonwealth, and colonial developments. It is least successful in explaining Europe in general, and in revealing the impact of scientific ideas and discoveries, the interaction of cultural and social trends, or the effects of overseas expansion upon the peoples of Europe. Any study of the "shaping of the world" before 1914 which scarcely mentions Darwin or Freud and offers no systematic exposition of Marxism, which so seriously ignores developments in literature, the arts, or social thinking, and whose index lists 13 substantial references to Bosnia-Herzegovina, but none at all to any Scandinavian nation, has clearly got out of focus. Nor is inclusion of any of these matters in a second volume adequate defence, for the general reader of these 900 pages can hardly be expected to integrate with what is here told any such material embedded in a later 900 pages.

It should be added that the chapter on France has been contributed by Dr K. H. Francis, and those on Russia and prewar diplomacy by Dr William Carr, and that both are very competently done. There are six excellent maps. The book is a mine of useful and reliable information about the mainly political and economic developments of the major countries of the world. Its summaries of Chinese and Japanese history are especially useful. But Mr Bruce has missed an opportunity to turn a useful book into a really important book.

Germany's Tentative Democracy

Democracy in Western Germany

By Richard Hiscocks.
Oxford University Press. 324 pages. 30s.

LAST year's general elections focused attention on the strengths and weaknesses of the young democracy that is emerging in western Germany. They are ably analysed in Professor Hiscocks's book, the first serious attempt to depict the purely political features of the new society in the strip of Germany beside the Rhine. He gives a fair picture of the sound incipient political foundations there: the young people with their new realism; the electorate chary of extremes, polling heavily for sound middle-of-the-road solutions; the high quality of Government in the Länder, which justifies so remarkably the federal element introduced by the allies; the good work of the Bundesrat, or upper house, and of many of the committees of the Bundestag. And he has not missed many of the weaknesses at the centre: the absence of a real capital or indeed of a sense of nationhood; the clumsiness of procedure and behaviour in the Bundestag and its remoteness from the public; the shortcomings of Dr Adenauer's cabinet methods; above all the failure of the Social Democrats to discover the men, ideas and organisation that can qualify them to become an alternative Government—a failure that has been in a sense the complement of the emergence, in the person of Dr Adenauer, of a statesman and politician whose greatness has recovered for Germany self-respect, power and influence in the world, but whose limitations inevitably pose great problems for the lesser men around him.

Although much is static in the German political scene, it is remarkable how much evolution there has been since Mr Hiscocks finished his work a year ago. Spurred by electoral defeat, the reformers within the Social Democratic Party are pressing more vigorously than ever before for changes in the personalities and organisation of their party. Even the Chancellor has shown modest new signs of flexibility; he seems to be making genuine efforts to improve the working of his cabinet, though there are no signs at all that he is yet grappling with the need to groom a successor. Yet the problems Mr Hiscocks describes have not been solved; they are fundamental and lasting.

The book is limited in scope. Although Mr Hiscocks sketches in the political background of German life—its lack of parliamentary traditions, the growth to nationhood under Bismarck, the legacies of Weimar and Hitler—and briefly describes Germany's economic development since the war, he does not convey the drama of the destruction and recovery, the economic and social eruptions that have been the theme of west German postwar life. That, it is true, was not the central intention of his work. But in an era when German politics have seemed so much a by-product of these upheavals and of the struggle for power in the world as a whole, the reader finishes this book with a sense that the tale is incomplete. Nor does it convey the more local dramas and ironies of German political life: the strange mixture of elements—clerical, bureaucratical, social, personal—that mingle in the Bonn skin game; the curious juxtaposition in this unreal capital of high purpose and ability with intriguing cliques and pressure groups and squandered bureaucratic effort—there is no chapter on the role of the *Interessenvertreter* in German political life. "Democracy in Western Germany" is not a work fired by imagination; but within its predetermined limits it sets out methodically and readably a fair and sympathetic picture of the new German policy.

Fiat and Blat in Russia

Factory and Manager in the USSR

By J. S. Berliner.
Harvard University Press. London: *Oxford University Press.* 386 pages. 60s.

THIS book arose out of a series of interviews conducted in Germany after the war with former Soviet industrial administrators. They were undertaken under the auspices of the Harvard project on the Soviet social system. It sets out to answer the question: "What is it like to run a Soviet firm?" Not unexpectedly, the answer turns out to be complicated, for the Soviet manager's job is shown to be both rewarding and frustrating, slapdash and exacting, a treadmill and a poker game. He may get away with the most appalling waste of men and materials; yet he may ruin himself if he obeys the commands of the state too readily and too well.

On the whole, the Soviet manager's pay and power vary with the degree to which his firm can overfulfil the output and other targets set by the higher planning organs. "When . . . a single percentage of reported plan fulfilment may mean a difference of up to 100 per cent in the earnings of managerial personnel, . . . a great strain is placed upon honesty in reporting," the more so as Soviet accountancy seems to be rather less competent by western standards than Soviet technology, and this makes falsification of results difficult to detect. However, even if reported results always corresponded to real ones, more fundamental clashes would still remain. The upper planning organs, acting on behalf of the owner-customer government, are interested in absolute output, while the manager is interested in the relation between the target for output and actual fulfilment. He will, therefore, understate capacity so as to get low targets, and overstate costs, and his requirements for labour and materials, so as to make sure that his firm will fulfil the targets he gets. His superior organs, discounting this in advance, will do the opposite. The resulting game of strategy between those on all levels of the industrial hierarchy is, however, only one of the system's "inherent contradictions." Others are bound up with the sheer impossibility, even in a totalitarian state, of providing for everything by *fiat*.

Where the efficacy of *fiat* ends, that of *blat* begins; and Mr Berliner, in the best two chapters of his book, introduces us to the function of *blat*—of wangling an allocation order, an overplan credit or a spare lorry tyre by give and take, tacit bribery and a friendly pat on the back here and there. The *tolkach*, an engaging character specialising in "setting up *blat*" for his firm in a ministry, supply depot or state bank, and particularly the big city *tolkach*, running *blat* for a whole string of provincial firms, seems as responsible for the fact that things do get done and Soviet industry does deliver the goods, as is the power of the government which is driving it forward by ever scaling up the output targets.

With the facilities available to the government for deciding by *fiat* how much of what shall be consumed, how much shall be saved in what form, and for directing resources to predestined uses, it is natural to ask why the Soviet economy does not perform even better than it does? The corollary is to ask why it works even as well as it does. It was not Mr Berliner's aim to answer these larger questions, but he provides much of the atmosphere and "feel" necessary for an answer. His book, though somewhat wordy, is a most fascinating demonstration of the possibility of other worlds than ours.

Navies at War

Victory at Sea

By P. K. Kemp.
Muller. 283 pages. 30s.

AT a time when there is still argument about the role of the Royal Navy, the publication of this book is opportune. The author, with the Admiralty's approval, has had access both to the preparatory work done for an earlier official project and to the documentary evidence in the Admiralty and other ministries; on this basis he has written an admirably concise account of the influence of sea power on the conduct of the second world war for those who do not wish for the more detailed story of naval operations contained in the official history. The facts presented strongly suggest that the side which commands the sea will not, even in this nuclear age, be defeated.

Because of the neglect of the navy in the years between the wars, in itself the result of the politicians' inability to appreciate the importance of command of the sea, the fleet, and its fleet air arm, entered the second world war inadequate to meet its commitments. Indeed, but for the failure of Hitler to appreciate that in his U-boat arm he had a weapon which, properly handled, supported and maintained, might have strangled England, the Royal Navy would not have gained the breathing space that enabled it to win in the end the battle of the Atlantic and give Britain the chance, with American aid, to rebuild its shattered strength. It was again Hitler's inability to appreciate the importance of the Mediterranean, where the ebb and flow of the land battle was directly related to Britain's ability to base ships, submarines and aircraft at Malta, and so disrupt the Axis supply line to North Africa, that enabled the Allies to retain their hold of the Middle East, the loss of which would have had incalculable results. In the Pacific, the Japanese, who to begin with succeeded in achieving complete command of the sea, misconceived its limitations, and tried to hold an area greater than the rapid American recovery permitted. In the end, to use the author's words, "Allied sea power, stretching its long fingers around the world had both held the ring and set the stage for offence."

It was that sea power which enabled the Anglo-American armies to be put back into Europe and maintained there, and caused the surrender of Japan at a time when it had still in its homeland two million soldiers and more aircraft than when the Japanese had started the war.

Lieutentant Commander Kemp has made a notable contribution to the history of sea warfare. His story is always interesting, and is studded with flashes of humour and passages of stirring prose, the latter nowhere better exemplified than when he describes the gallantry of the men of the Royal Navy in their exertions to succour their sister service in the successive withdrawals from Norway, France, Greece and Crete. Above all he has demonstrated that while the weapons of sea power may change, the principles do not, and that the integrity of sea communications should be a cornerstone of allied strategic planning.

Seats of Power

Parliamentary Sovereignty and the Commonwealth

By Geoffrey Marshall.
Oxford University Press. 280 pages. 35s.

IF parliament is sovereign, as our classical writers have long maintained, what is the validity of legislation about the form and manner of making laws? If no parliament can bind its successor what is the use of legislating about the future action of parliaments? This is the dilemma with which Mr Marshall confronts his readers in the opening chapters of his book. But if parliaments cannot bind themselves, neither can they renounce their sovereignty; they can merely delegate powers with an implied right to resume them. To this *reductio ad absurdum* can the Statute of Westminster be brought. A piece of practical lawmaking with a grandiloquent name, this celebrated act merely relaxed powers previously exercised over certain named Dominions of the Crown for some specific purposes. If the Parliament of the United Kingdom really enjoyed that unlimited sovereignty which Austin ascribed to it on principles derived from Hobbes and Bodin, how could it divest itself of that sovereignty?

From these preliminary skirmishes with political theory Mr Marshall turns to the precise nature of the powers that have actually been transferred to the parliaments in the other Commonwealth countries; he examines "the doctrine of legislative supremacy both institutionally and analytically" in each of these constitutions. This is a formidable topic, and it would be disingenuous to assert that "Parliamentary Sovereignty and the Commonwealth" is easy reading, though Mr Marshall is always clear and sometimes spirited. "The dialectic of this struggle is one which deserves detailed examination," he says, "both as a chapter in the development of the Commonwealth system of government and for the juristic importance of the questions which it has made explicit." Here he is writing particularly of the recent South African crisis, a conflict between "two irreconcilable views as to the nature and limits of parliamentary sovereignty." Having displayed the uncertainties of the theory and compared the formulas which the Commonwealth countries have adopted, he devotes the remaining third part of his book to this one case study. Not only is this a book for the political scientist and the constitutional lawyer; it is also valuable to the student of contemporary history. The comments by jurists on the constitutional struggle, which Mr Marshall arranges and presents with scrupulous impartiality, illuminate the South African political scene and give point to his whole argument.

Whitehall Down Under

The Higher Public Service of the Commonwealth of Australia

By Howard A. Scarrow.
Duke University Press. London: *Cambridge University Press.* 180 pages. 26s.

DR SCARROW, a Fulbright scholar, spent 1952-53 in Canberra. His book is redolent of the atmosphere of that extended and isolated Whitehall, and of the public service (the equivalent of Britain's civil service) which makes up most of its population. Nearly all the distinctive elements are here: the intense competition for promotion; the hundreds of pointless appeals; the laboriously acquired accountancy certificates; the sectarian rivalry and suspicion; the obstinate efforts of staff associations to restrict entry to schoolboys and returned servicemen, the strict bar on married women. Only East Block, West Block, Australian Rules football and the *Canberra Times* are missing.

The paradox of the federal public service is that, although its rank and file have been of the most ordinary calibre, and have used every political resource to keep the plums of the service to themselves, the higher posts have in fact been filled increasingly by men of considerable ability and high attainments. Dr. Scarrow shows how this has come about in recent years through the injection of talent from outside and the limited entry of university graduates. The "graduate goats," as one of their opponents called them in Parliament, have now attained such power that the higher ranks of the service seem likely to be filled exclusively from graduates.

This is a useful book, which needed to be written. It is better on the general character of the service than on the particular part played by the permanent head; but that is perhaps another story. It can be recommended to students, and also to British business men and civil servants who want to know about the men they will meet when they go to negotiate agreements either down under, or on the corner of Aldwych and the Strand.

Greek Thought

In the Beginning.

By W. K. C. Guthrie.
Methuen. 151 pages. 18s.

THE sub-title of this book is "Some Greek views on the origins of life and the early state of man"; it is derived from lectures which Professor Guthrie gave to a primarily non-classical audience, and can be read with profit by anyone who is interested in the development of thought. The book brings out the extent to which the early Greek philosophers were indebted to the myths and popular beliefs of their time. These were a natural starting-point, and, to the

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poetic mind of the Greek, an equally natural way of developing new theories. Fresh ideas were expounded in the form of mythical history or changed versions of existing myths, which the philosopher sometimes believes or more often frankly regards as a parable; and what started as a parable may develop, in later hands, into a myth designed for belief.

This very clear and readable book has one fault for the general reader: Professor Guthrie gives rather too much space to distinguishing between alternative theories, all now demonstrably false, and not enough to analysing the similarities and differences between the Greek modes of thought and our own, or to defining the reasons for their startling progress in this field. But he makes clear, without emphasising, the enormous advantage of the Greek background: a set of imaginative myths, no one of which had any priority of orthodoxy; no tradition of a divine creator; gods who warred with each other, so that a mortal could feel and express a preference—in short, an encouragement to eclecticism and speculation. Every theorist could find some kind of traditional backing for his ideas without greatly twisting the record; and the habit of the time, which allowed each thinker to work out a complete private cosmogony, without rigorous checks at every point in the modern fashion, encouraged that enormous and luxuriant growth of ideas which we are still harvesting.

Rapid Growth

Israel's National Income, 1950-54

By Daniel Creamer and others.
Falk Project for Economic Research in Israel and Central Bureau of Statistics. Special Series No. 57. 115 pages. I£2.000. $2.00.

THIS study of Israel's economic development during the first few years of independence is an outstanding example of the useful results that can be achieved by co-operation between academic economists and government statisticians. The author is an American scholar who directed the Falk Project, an independent research unit operating in Israel with funds provided by a Pennsylvanian Foundation. His collaborators were the staff of the official national income unit. The analytical part of their report accounts for less than half of this slim volume. The remainder is taken up by by the inevitable appendices on the bases of the estimates.

Although it is still too soon to generalise about the broad trends in economic growth in Israel, the record to date is impressive. Real income per head rose appreciably even during 1950-53, when population increased by 30 per cent. It shot up in 1954, when the flow of immigrants slowed to a trickle. Agriculture increased its share in net domestic product to nearly one-seventh by 1954, in spite of the fact that the vast majority of immigrants came from non-agricultural occupations. By the early 1950s Israel occupied a central position on the international scale of average product per head, as calculated by the United Nations Statistical Office, with an average well above that of Italy and more than twice that of Greece or Turkey.

It is an encouraging example for new states to contemplate, but it must be remembered that this is a new country in more than the usual sense of the term. An immigrant population is occupationally more mobile than a settled population and the transformations required of the Israeli population were correspondingly easier than those which economic progress demands of most developing nations. New capital formation was similarly facilitated by the inflow of unrequited transfers (donations from Jewish individuals and communities, immigrants' capital and German reparation), which amounted to more than a quarter of the national income for the quinquennium 1950-54.

This seems to be the beginning of a story of rapid economic growth for a chosen people. But it is too early to be sure.

Giants of Geology

The Earth We Live On

By Ruth Moore.
Cape. 348 pages. 28s.

MISS RUTH MOORE is well known as the author of "Man, Time and Fossils," a bold treatment of modern views on evolution, especially as applied to man. She now turns her skilled attention to an allied but superficially less promising theme, the development of man's knowledge of the origins and composition of the earth beneath his feet. As in the earlier book, there is no attempt to write a detailed history. Instead, the heroes of science, the men who have really changed our ideas on the physical nature of the earth, are singled out, and their lives and scientific achievements presented to the reader in the manner of a good newspaper profile.

The method works best with the earlier stages of science, where there is by now general agreement on who the giants really were. In the stories of men like Werner, Hutton and Cuvier the old battles live again. "Neptunists," who believed that all rocks were deposited in water and that volcanoes were just accidental coal fires, renew their wordy conflicts with "Vulcanists" and "Plutonists," who saw many rocks as originating in the fiery interior of the earth. Lyell once more demolishes the "Diluvialists," who regarded the surface of the earth as the product of the Biblical Flood.

Lyell in particular appears as a turning point of the book. After him, Miss Moore leaves the orthodox history of the science of geology in order to introduce the great geological explorers of North America, and rapidly plunges, by way of the Grand Canyon, into the strange depths of geophysics and geochemistry. It is in these concluding chapters on the contemporary discussion of the origin of the earth and the composition of its interior that Miss Moore's method of organising her material leads to difficulties. The workers are many, and in the midst of active controversy. It is not easy to decide, in a rapidly changing field, who the really significant figures are. Just to carve the present body of knowledge into a number of parcels each labelled with the name of a contemporary (and usually American) scientist is to credit such men with a degree of exclusiveness and originality that they would probably not claim for themselves. Nevertheless, these occasional liberties may be justified, for they help to provide a lively and readable account for the general reader of what might otherwise seem a very dull and obscure subject indeed.

BOOKS RECEIVED

GUIDE TO RESOURCES FOR COMMONWEALTH STUDIES.
By A. R. Hewitt. Published for the Institute of Commonwealth Studies by the *Athlone Press, University of London.* 219 pages. 21s.

LA GRÈCE ET LES NATIONS UNIES.
By S. Calogeropoulos-Stratis and others. Published in the series "National Studies on International Organisation," sponsored by the Carnegie Endowment for International Peace. 190 pages. $3.00.

FEDERATION OF BRITISH INDUSTRIES REGISTER OF BRITISH MANUFACTURERS, 1958.
Kelly's Directories and Iliffe and Sons. 1,138 pages. 42s.

ON THE DECLINE IN THE VALUE OF MONEY.
By R. G. D. Allen.
University of London. *The Athlone Press.* 35 pages. 3s. 6d.

In the 1957 Stamp Memorial lecture, here printed, Professor Allen suggests that the movement in the general level of British retail prices in the postwar years has been dominated by the steady increase in food prices, but there have been persistent rises in the prices of other items, in particular in the cost of fuel and light and in the cost of services.

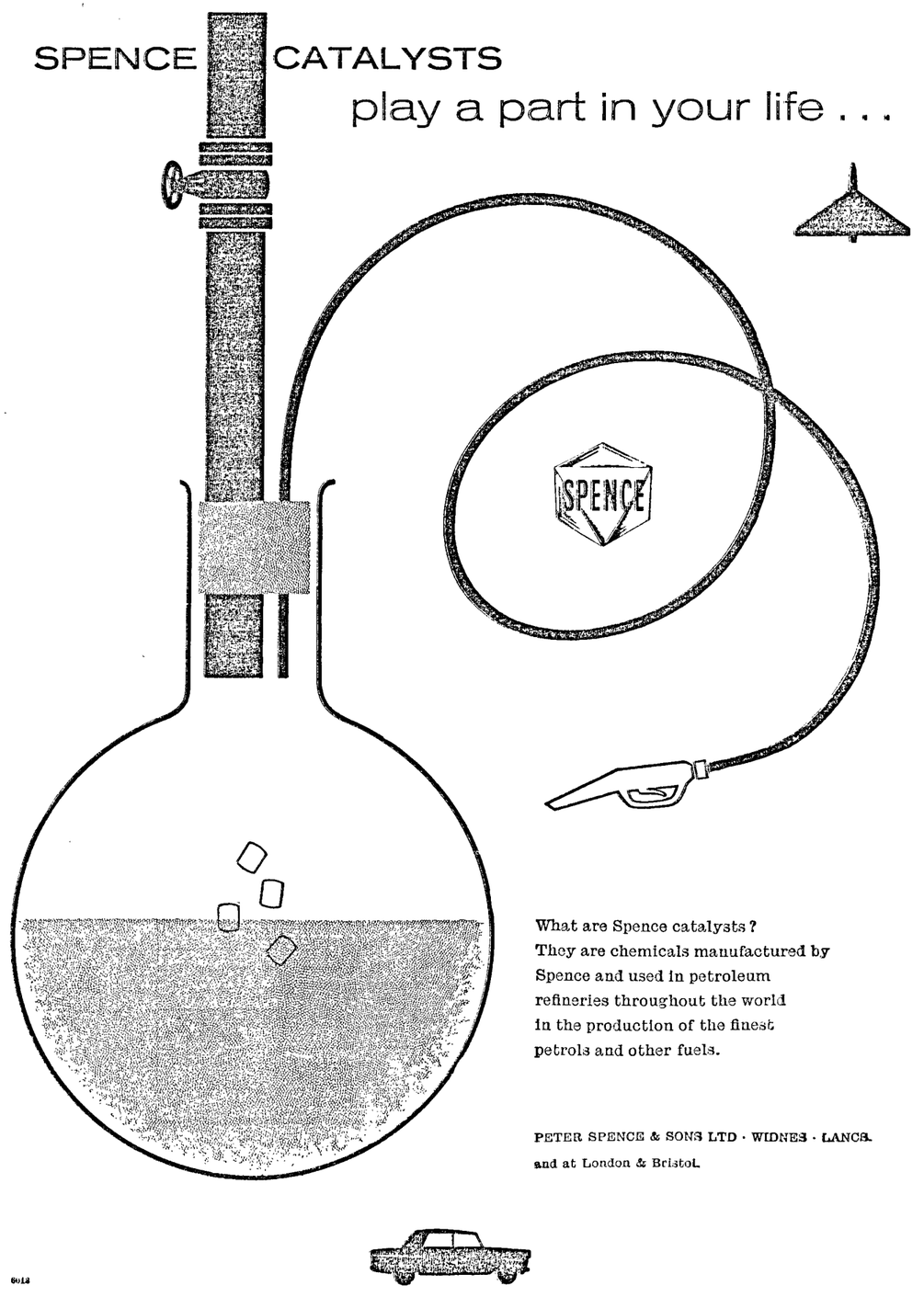
AN ATLAS OF WORLD AFFAIRS.
By Andrew Boyd. *Methuen.* 159 pages. 15s.
Mr Boyd's notes and Mr W. H. Bromage's maps give the reader the essential features, political, economic and geographical, of our changing world. It is not reviewed here as Mr Boyd is a member of *The Economist* staff.

THE INVESTOR'S INDIA YEAR-BOOK, 1957.
Compiled by Place Siddons and Gough. *Orient Longmans Private.* 390 pages. 20 rupees.
Yearbooks for investors may be dull, but they are indispensable. That is not an unkind description of this volume. Its particular usefulness for British investors is the big section devoted to analysing tea and jute companies, though perhaps some Lancashire cotton manufacturers will take more than a passing interest in the analysis of the Indian cotton companies.

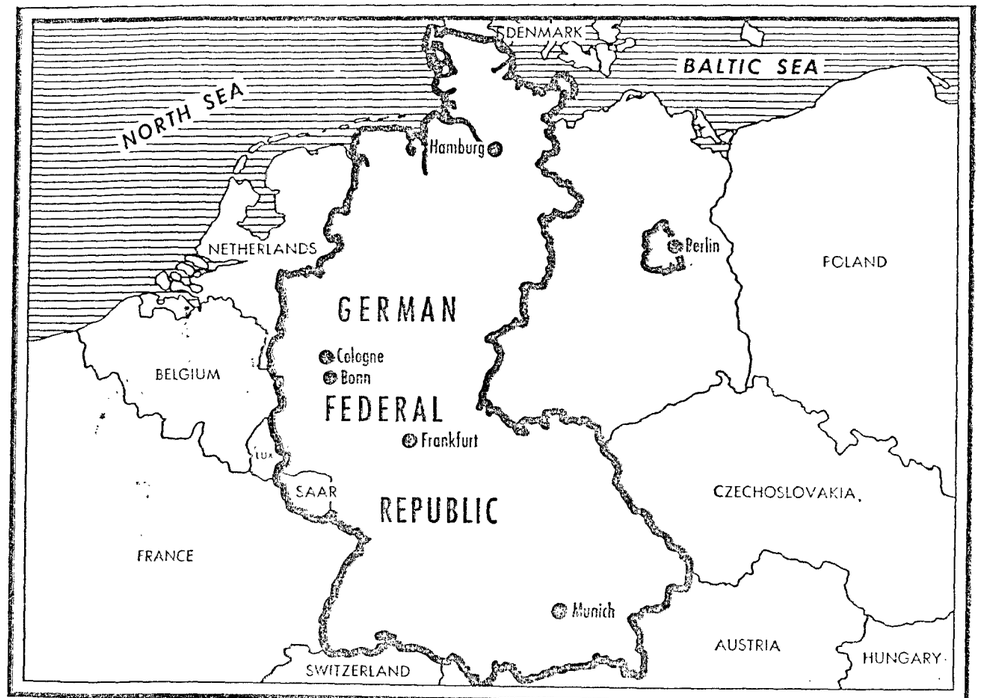
THE MAXIMS OF THE DUC DE ROCHEFOUCAULD.
Translated into English by Constantine Fitz Gibbon. *Wingate.* 173 pages. 15s

SCIENCE FOR ALL: An annotated reading list for the non-specialist. Published for the National Book League by *Cambridge University Press.* 177 pages. 9s. 6d.

JAPAN COMPANY DIRECTORY, 1958. *The Oriental Economist.* 286 pages. Overseas price $7.50, postage inclusive.



Facts about West Germany
(including West Berlin)



Area (square miles-incl. Saar)	95,893
Resident population (incl. Saar)	53,496,000
Density per square mile (incl. Saar)	560
NATIONAL INCOME	
Total net	$41,645,000,000
Average per capita	$836
Money circulation	$3,553,000,000
EMPLOYMENT	
Working population (economically active)	23,078,500
male (German Federal Republic)	14,125,400
female (German Federal Republic)	7,948,600

DOMESTIC DATA	
Number of homes	13,491,000
Homes wired for electricity	13,350,000
Cars in use (incl. Saar) Private	2,587,629
Business	637,241
Telephones	4,585,000
Radios	14,224,000
Television sets	997,000
*Refrigerators	2,400,000
*Washing machines	2,800,000
*Electric irons	10,817,000
*Electric cookers and ovens	4,500,000
*Vacuum cleaners	7,000,000
Sewing machines (incl. Saar)	8,000,000

Sources of data available upon request
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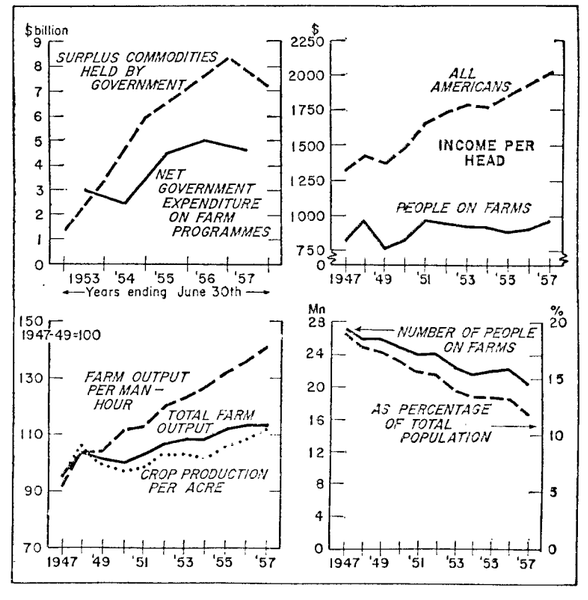
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Sterile Plans for Fertile Farms

WASHINGTON, DC

THE new agricultural proposals which the President sent to Congress two weeks ago were instantly denounced by the leaders of both political parties, demonstrating the impasse which American farm policy has now reached. Just before Christmas, in the scholarly atmosphere of the Joint Economic Subcommittee, successive waves of professors gave massive intellectual support to the view that since the war politicians have been tackling the wrong farm problems in the wrong ways. Yet in the bear pit of the Senate Agriculture Committee two Republicans, Senator Milton Young of North Dakota and Senator Thye, who is going to have a hard time retaining his seat in Minnesota next November, have been taking turns with three Democrats, Senators Ellender, Symington and Humphrey, at heckling and contradicting almost every line of testimony presented by the Secretary of Agriculture, Mr Benson, in favour of the new proposals.

Ever since he took office Mr Benson, who is an elder of the sternly self-reliant Mormon church in Utah, has been campaigning vigorously against the laws he is obliged to administer. These laws, put through Congress by a bipartisan alliance of politicians from the main farming areas, attempt to fix the prices of six "basic non-perishable" crops, ranging from wheat and cotton to peanuts, well above the market price. The result has been to shift vast quantities of these commodities into the government's storage bins, to the great loss of the taxpayer, but without any striking progress towards the declared aim of "farmer's parity"—the old ideal that people on farms should have incomes, and thus standards of living, comparable to those of people in cities. It is one thing to harbour this as an aspiration. It is quite another, as Congress is slowly learning the hard way, to try to make it law by perpetuating the price relationships between farm and non-farm goods that existed half a century ago.



Mr Benson's troubles stem partly from the fact that he has had the temerity to challenge this foolish attempt to restrain a dynamic market system, partly from his failure to be brave enough or candid enough. The great debate of 1954, which did lead eventually to a number of refinements in the system, was unfortunately not fought over reforms that were at all commensurate with the amount of noise and effort required to enact them. In an attempt to break the farmer's dependence on fixed levels of price support, Mr Benson advocated a shift towards a free market that was bold enough to bring him intense unpopularity but too timid to demonstrate the advantages of greater freedom. This has permitted his critics in the Senate to argue with some plausibility that lower prices, so far from being a deterrent to greater production, are in fact an incentive to it. They say, pointing to the way in which output still booms, that as price supports move mildly down the short sliding scale, which is all that anyone proposes at present, the farmer will just slave round the clock harder than ever in order to cover his fixed costs.

The truth of the matter is that the agricultural industry is in the midst of so vast a technological revolution that the efforts of the politicians and the economists are far too puny to restrain its increased output. Dr Paarlberg, the Assistant Secretary of Agriculture and a professional economist, recently conceded that his senatorial critics might be right that the farmer would produce more in times of falling prices if his land was only suitable for one crop; but Dr Paarlberg argued that if the farmer could grow others the price drop would be an incentive to switch his land to them. Unfortunately for this theory, however, there is hardly an item in American agriculture of which there is not an actual or threatened surplus. From the viewpoint of future patterns of con-

sumption, with prospective rises both in population and the standard of living, it would seem good economic advice to switch some resources from producing wheat and cotton to producing hogs and cattle. But although this is in accord with the long-run trend of demand, in the short run any such switch would lead to a collapse of meat prices.

The attempts to obtain greater freedom for the market have in fact been so halting that they prove nothing. Mr Benson and his colleagues are having to rely just as much on academic economics to defend their case in their sixth year of office as they did in their first. To begin with, the flexibility which Mr Benson sought and got to vary price supports for the basic crops was insufficient to demonstrate his case, especially since it was not combined with any really strict control over production. It is true that the acreages planted to these basic crops are being cut back

PRESIDENT EISENHOWER has asked Congress to make the following changes in agricultural legislation:—

1. To strengthen the long-term conservation reserve section of the soil bank, under which whole farms can be taken out of production, and to abandon the short-term acreage reserve section, intended to reduce output of individual crops, which for various reasons has never had a fair trial.
2. To authorise the Secretary of Agriculture to increase acreage allotments by as much as 50 per cent for cotton, wheat, rice, peanuts and tobacco.
3. To eliminate acreage allotments for maize; these have always been difficult to enforce.
4. To abolish the escalator clause under which as surpluses go down price support levels automatically go up, thus encouraging another surplus to accumulate.
5. To widen the range within which price supports may move up or down.
6. To base price supports for cotton on the average quality of the crop; at present they are based on a lower grade.
7. To enlarge the board which advises the Secretary of Agriculture on price supports and acreage allotments.
8. To extend the Agricultural Trade Development and Assistance Act, under which surpluses are sold abroad, for one year and to add $1.5 billion to its authority to make foreign sales.
9. To expand research into industrial uses for farm products.

every year under a formula written into the law. But this formula is not applied with full rigour, since sometimes Congress and sometimes the Secretary of Agriculture have responded to political pressure by fixing floors below which the acreage allotments may not fall whatever the state of supply and demand.

The acreage cuts have therefore been sufficient to encourage farmers to invest heavily in fertiliser but insufficient, given the resultant increase in output from the remaining acres, to make any great dent in supplies of commodities. Moreover, the diverted acres have been devoted largely to growing more sorghums and other feed grains that are in direct competition with price-supported maize. Thus, on the one hand, the cheapness of feed is threatening to bring over-production of cattle and hogs and fresh grief for the farmers who breed them. On the other hand, the existence of these inadequate acreage controls is having the undesirable economic result of interfering with the consolidation of small farms into sizes adequate for the new technology. Furthermore, the acreage allotments themselves tend to become capitalised into land values, so raising the price of land to young men entering the farm industry.

The President's new proposals move somewhat farther in the direction of freedom. The Secretary of Agriculture would be given greater discretion to lower price supports and raise acreage allotments. He would thus be able to experiment with the effects on farm income of lower prices, larger volume and greater elbow room for the farmer to respond to the shifts in the world, as well as in the domestic, market. But the chances of either this scheme or a rival one from the "farm block" being passed at this session of Congress are hardly visible to the naked eye.

A major development at last year's session was the breakdown of the bipartisan coalition, when representatives from the maize-producing areas, which are normally Republican, attempted to get through their own special scheme and were defeated by Democrats who were aggrieved that maize had drawn disproportionate benefits from the government just on the eve of the last election. Moreover, many cotton producers, alarmed by the way their foreign markets have been shrinking until recently and by the loss of business at home to synthetics, have turned sour about the high rigid price supports which formed the common ground of the political alliance between representatives from the regions producing the basic crops. City voters meanwhile have been showing signs of restlessness at the mounting costs of a farm programme which appears able to settle nothing.

Even worse for Mr Benson is the fact that not only is this an election year, but that he has also lost two sources of support on which he has hitherto been able to count. Senator Aiken of Vermont, the senior Republican on the Senate Agriculture Committee, has been alienated by Mr Benson's recent handling of the dairy industry; and the American Farm Bureau Federation, the largest farm organisation in the country and one which has always backed Mr Benson's policies, has decided, reasonably enough, that they have not worked, and is pushing a new formula of its own. At this rate Mr Khrushchev's Russia may yet learn how to produce more than the United States before Mr Eisenhower's America finds out how to produce less.

Defence's Days of Grace

THE President's unexpected appearance at the Department of Defence on a Saturday to discuss its reorganisation has done something to retrieve the unfortunate press conference at which he angered Congress by seeming to be in full retreat from his own determination to stamp out inter-service rivalries. This demonstration of personal interest has helped to win sixty days of grace for the department; Senator Lyndon Johnson, in one more statesmanlike gesture, has pledged that if the Administration submits its plan by March, in time to be acted on this session, as the Secretary of Defence has rather reluctantly promised, the Democrats will wait to examine it before they put forth an official scheme of their own.

But the President will have to keep his shoulder to the wheel if a reorganisation Bill, which is bound to

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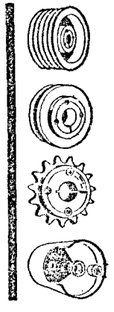
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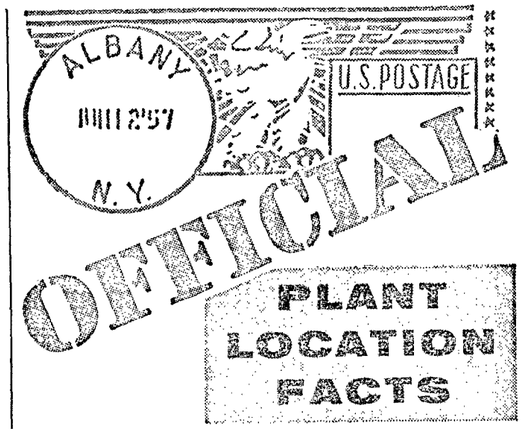
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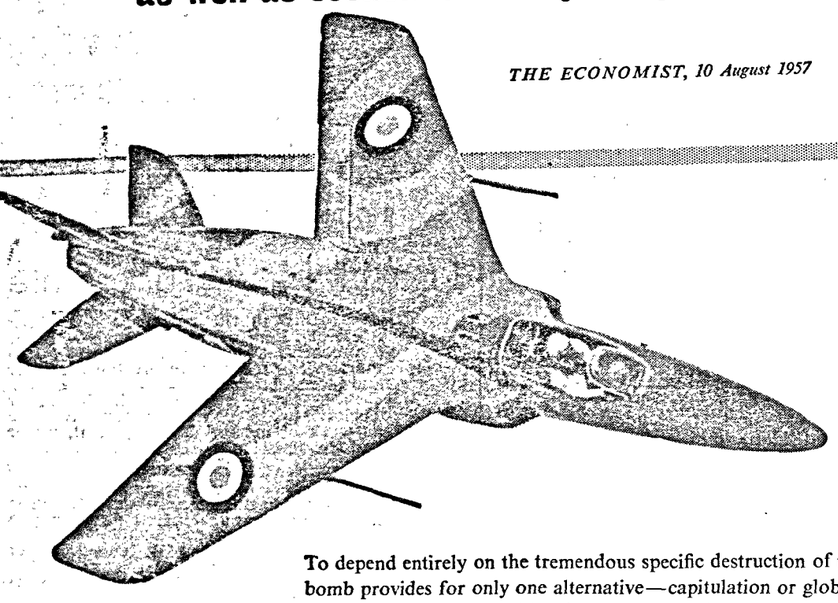
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THE ECONOMIST, 10 August 1957



To depend entirely on the tremendous specific destruction of the nuclear bomb provides for only one alternative—capitulation or global war. It does not take into account British commitments in Nato and elsewhere; or the sporadic raids across ill-defined international frontiers which could become the flashpoints of a third world war. Mobility of conventional forces remains the only effective deterrent to local conflicts.

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roll over many corns, is to be passed. Two powerful Republican conservatives, Senators Knowland and Bridges, have declared their opposition to creating a single Chief of Staff on the "Prussian model"; the idea of greater centralised control is criticised by the Navy as well as by some more disinterested observers who feel that the present system can be made to work and should not be sacrificed to sputnik hysteria. In drawing up a scheme to submit to the President, Mr McElroy, the Secretary of Defence, will have six advisers: the present chairman of the Joint Chiefs of Staff, General Twining, and his two predecessors, Admiral Radford and General Bradley; a former Assistant Secretary of Defence; and two men—Mr Nelson Rockefeller and Mr William Foster—who have been closely associated with recent reports demanding radical changes in the structure of the high command.

Defence reorganisation, to speed the decisions which businessmen say are so hard to pry out of the bureaucracy, is only one of seventeen recommendations reached unanimously by the Senate subcommittee which has just finished investigating the lag in missiles under the astutely non-partisan leadership of Mr Lyndon Johnson. Unlike some of his fellow Democrats, Mr Johnson, the Senate leader, feels that recriminations would make it harder for the Administration, which will be in power for another three years, to catch up with Russia in the "race for survival." But there is a clear hint in the report that Mr Eisenhower will disregard, at his peril, the subcommittee's advice to put forth greater effort on ballistic missiles and defences against them, on strengthening the Strategic Air Command, and on providing more ground and naval forces and more air transport. The unanimous vote in the House to give the Administration the full $1.3 billion it wants as a supplement to this year's defence appropriation shows that Mr Eisenhower has only to ask for the money he needs for ballistic missiles and for the Strategic Air Command.

Money Takes it Easier

WHEN the Federal Reserve Banks began last week to lower their rediscount rates (the amount they charge on loans to other banks) to 2¾ from 3 per cent, the second reduction in just over two months, commercial banks could hardly be expected to cheer. For this change was sure to be reflected in a general fall in other interest rates, and thus to reduce the earnings of banks at a time when their costs have been going up. If the decline in economic activity is to be checked by encouraging business spending, then, according to many bankers, what is needed is not cheaper money, but more money. While it is true that some banks have no spare funds available for additional loans, the broad argument is largely refuted by the latest weekly reports; these show that the volume of business borrowing from banks has been falling more sharply this year than it did in January, 1957, and that supplies of loanable funds are more plentiful than for some time. Moreover, leading banks across the country (although not all of them) were quick to imitate New York's Chase Manhattan Bank, which took the Federal Reserve's hint and at once lowered to 4 per cent the rate which it charges on prime loans—those to the biggest and safest borrowers—and which sets the standard for its other loans. It is significant that, when the Federal Reserve Banks last lowered their rediscount rate, from 3½ to 3 per cent, in November, there was no reduction in the prime rate, then standing at 4½ per cent.

The bankers want the Federal Reserve System to ease the supply of credit, not merely the cost of it, by reducing the reserves which member banks are required to keep with Federal Reserve Banks. Such a move is understood to be coming, although probably not at once. Much more dramatic than a change in the discount rate, it requires careful timing, both because of its practical effect on the money market and because of the psychological impact of such a suggestion from the central bank that the economic situation has taken a sudden serious turn for the worse. Indeed, it may be that fear of accentuating the recession by causing such a chain reaction explains why the rediscount rate is being reduced by only ¼ per cent, instead of the ½ per cent which some experts would have preferred and which, to judge from the downward trend of short-term money rates this week, may come before long. But, however relieved government officials and Congressmen may be that the central bank is at last making money easier, there are still some in the Federal Reserve System who feel that it is moving too fast. The San Francisco Bank has delayed cutting the rediscount rate there to underline its belief that, on the Pacific Coast at least, inflationary pressures are still strong.

Solid Progress

FROM A SPECIAL CORRESPONDENT

ONE of the two technological successes which have now appreciably advanced the expected delivery date of the United States Navy's intermediate range ballistic missile, the 1,500-mile Polaris, was of an importance reaching beyond Polaris itself. This was a real leap forward in the whole field of solid fuels for propelling these missiles, and it thus promises to bring a shift away from the complicated and often unreliable liquid propellants hitherto employed in American planning for IRBMs. This break-through is not in the chemical mixture of the propellant, although there have been very real advances in that respect too, but is a newly found mechanical control for cutting off the supply of fuel at precisely the right time.

The ability to effect such a cut-off simply by the automatic closing of a valve in the supply line was a fundamental and unique virtue of the liquid propellant and was, in fact, the main reason why it was originally decided to develop both the Thor and the Jupiter (the Air Force's and the Army's 1,500-mile missiles) and the Army's 200-mile missile Redstone as users of liquid fuel. The substantial virtues of a solid propellant were not quite enough to outweigh its serious deficiency: because the rate of burning of the entire charge of fuel was not exactly predictable, the time it would take to complete the great ballistic missile's thrust was not absolute. The final impulse might come somewhat earlier or somewhat later than desired and, with even a few seconds' error, the missile with its mighty nuclear warhead might either coast on many miles beyond the target or fall hopelessly short of it.

In the mid-nineteen-fifties the scientific advisers were confident that this problem would be conquered some time, but what was needed was an effective missile as soon as possible; speed was much more important than perfection. In spite of the known defects of the liquid propellant—its

great complexity and hence its unreliability, the need for isolated storage of the fuel (since its leakage and premature mixture could be disastrous), its excessive bulk, the long time it took to prepare the missile for firing—using this fuel would at least provide the Army and the Air Force with a missile fairly soon ; in fact, the Redstone is now at hand, with the Thor and the Jupiter in production and the Atlas and the Titan in sight.

But the United States Navy could not accept the risks which were tolerable for the other services. There is no excessive space on shipboard, and leaking and corroding chemicals are too dangerous to be considered ; quick readiness for firing is necessary, and so are ease of maintenance while at sea and, above all, reliability. The Navy accordingly withdrew from its partnership with the Army in research on the Jupiter and pushed boldly ahead with work on solid propellants to achieve the gratifying results attained with the Polaris in recent months. By 1960 the finished "system" is likely to be ready—a 1,500 mile missile which can be launched from surface or submarine vessel ; a launching device (presumably compressed air) for starting the missile off from under-water ; revolutionary navigational equipment for determining with exactness the submarine's precise position in relation to a distant target ; the nuclear reactor and propulsion ; and a submarine hull in which all these components are wrapped up with due concern for compactness, speed, interior space, ability to dive and change course, and all the other necessities. Even before this "system" is ready, the missile may be available for emergency use with a less perfect combination of facilities.

It is interesting to think what might have been if the American services had not become so bemused after the war with the German scientists' advances with liquid fuel. Had the Navy's scientists, for example, embarked boldly on research into solid propellants a decade earlier, it is conceivable they would have effected their break-through long before 1957, with results that now can only be conjectured. As it is, the Army and the Air Force are beginning to move over into solid fuels. It is not likely that liquid propellants will be abandoned for the very long-range weapons which would in any case operate from fixed locations, but where mobility, to say nothing of simplicity, reliability and speed of operation is of prime importance, the solid fuels are extremely attractive. The Army, seeking a major improvement over the Redstone as a weapon for forces in the field, is at work on a solid-propellant type already christened the Pershing ; it will have a range of perhaps 700 miles and a degree of mobility far exceeding the Redstone's ; this will permit some radical changes in the Army's tactical planning.

Curtain Raiser?

WHILE the summit talks are still wreathed in cloud, some useful work has been accomplished by hard negotiation on the lower slopes during the past three months. Mr Zarubin, the retiring Soviet Ambassador, has crowned his five years in Washington with a two-year agreement on "cultural" exchanges, a term broad enough to cover the Russian wrestlers who lead off the procession, as well as ballet dancers, symphony orchestras, students, professors, doctors, scientists and non-political films and broadcasts. The chief interest of the Russians, however, is in the exchange of industrial and agricultural delegations in technical fields where they have much to learn from America.

The American negotiators had hoped to obtain, in return for the freer flow of peoples sought by the Russians, a freer flow of uncensored news and views, an end to jamming of American broadcasts to Russia, and a removal of restrictions on travel inside the Soviet Union. In this they have failed, although sound and television broadcasts on international political subjects may be exchanged, subject to a veto by either side. But Americans, who have suddenly woken up to what they have been missing through inadequate arrangements for translating Russian scientific papers, now seem to recognise that even one-way traffic may do good if it gives ordinary Russians a first-hand view of the outside world. Last week the President welcomed the idea that private funds should be sought to pay the expenses of large numbers of Russian students in the United States, even if the scheme were not wholly reciprocal. So far, only twenty or thirty graduate students are to be exchanged, the Russian ones going to universities such as Harvard which have departments of Slavonic studies. It is now up to the Russians, who only a few weeks ago suddenly cancelled the visit of two eminent economists, to show that they are not afraid to expose their citizens to capitalist freedom. About five hundred in all may come each year—five times the number of Soviet visitors in 1957.

The popular Mr Zarubin, who is to become a deputy to the Soviet Foreign Minister, created a small stir in Washington by paying two unusual and pointed farewell calls, one on the Vice President, and the other on Mr Nixon's old foe, Mr Stassen. Mr Nixon's political star, unlike Mr Stassen's, is in the ascendant: the Russians may feel he is a man to reckon with if they are to reach agreements, not only on the present exchange programme, which leaves many points to be determined, but in other fields. Mr Stassen, on the other hand, supports the flexible approach to disarmament negotiations which is out of favour in Washington, but which the Russians would like to encourage.

Benefits from Insurance

THE January figures for unemployment are not yet out, but they cannot be far off 4 million ; in the middle of December, there were 3.4 million out of work, 5 per cent of the labour force, and the period of high seasonal unemployment was yet to come. Since then, lay-offs have continued, particularly in the automobile, aircraft, machinery and metal-working industries. One man in thirteen is out of a job in the durable goods industries as a whole. With Easter falling early this year, March will be the test of the economy's powers of recuperation. In the meantime, the Department of Labour has reported that 45 major employment centres, a third of the total, are experiencing the unemployment of 6 per cent or more which makes them "surplus labour" areas and entitles them to special consideration when government contracts are awarded. Foreign businessmen bidding for contracts will also find that in such depressed areas the teeth of the Buy American Act are sharpened ; to be accepted there, foreign offers must be 12 per cent, rather than 6 per cent, lower than the bids of American firms. Unemployment is particularly severe in the Pacific Northwest, in New England, and in important industrial states such as New Jersey, Pennsylvania, and Michigan.

With fewer jobs come shorter working hours and less overtime. Wage and salary payments declined by $2.9 billion, at annual rates, between September and December last year. But the Council of Economic Advisers reports that transfer payments, which include unemployment benefits and assistance allowances, rose by $1.5 billion, also at annual rates, during the same months and thus cushioned the fall in incomes. The states were paying $210 million a month, out of reserves totalling $8.7 billion, to about 2 million workers during December ; early in January the number rose to nearly 3 million.

With the "built-in stabilisers" once more proving their worth, the Administration hopes to make them more effective still. After the last recession, in 1954, Congress admitted 4 million more workers to the system but, even now, only 83 per cent of all non-agricultural wage and salary workers are covered, numbering 43 million out of a total work force of 68 million. Benefits vary widely, from $25 or less a week in Louisiana to $57 in Nevada, but the average is just under $30, compared with average weekly earnings of $83 a week in manufacturing. The Administration feels that benefits should amount to half of weekly earnings and be paid for at least 26 weeks. But as the states foot most of the bill, and as Washington wants them to shoulder a bigger share of other welfare burdens, the hope of better stabilisers may well be deferred.

Labour Marks Time

NEXT week Mr James Hoffa, the notorious head of the teamsters', or lorry drivers', trade union, appears in court once more on charges of having tapped telephone wires ; one juryman refused to agree to his guilt at his first trial last December. Next week also the executive council of the American Federation of Labour and Congress of Industrial Organisations must consider whether to set up a rival trade union for lorry drivers. The present teamsters' union was expelled from the national organisation when it elected Mr Hoffa as its president. That election was challenged by members of the union, but now a settlement has been reached, under which Mr Hoffa's activities as president will be supervised by three monitors. However, this compromise can hardly satisfy the AFL-CIO. The organisation is also going to be forced to consider the cases of several other unions which are being charged, as were the teamsters, with corrupt practices by Senator McClellan's Investigating Committee.

Even if it wished to turn a blind eye to such scandals, which it does not, the AFL-CIO could not afford to do so at this moment, when a number of proposals for stricter regulation of trade unions are before Congress, some of them going much farther than the President's. He wants detailed reports to be published on the financial operations of trade unions, particularly as regards their welfare funds ; this would be welcomed by the AFL-CIO, but it objects to his further proposal, which it argues might lead to the licensing of trade unions, for a special official in the Department of Labour to deal with violations of the reporting requirements. Labour leaders also object to some of the changes—especially tighter restrictions on boycotts and picketing—which the President wants to make in the Taft-Hartley Labour Relations Act.

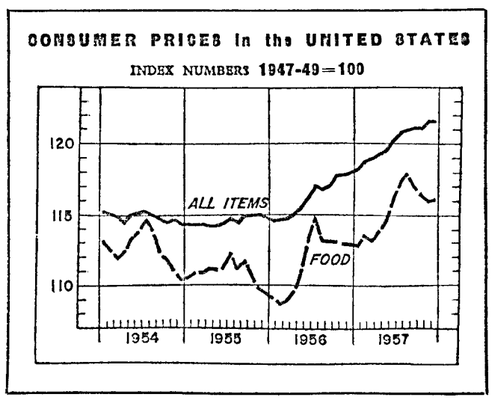
In practice, the unions have little to fear from Congress this year, unless some new sensation draws public attention back to labour matters from its present international preoccupations. Labour legislation inevitably means bitter controversy and lost votes ; it is therefore something which almost everyone prefers to avoid in an election year.

Uranium on its Own

FROM A CORRESPONDENT IN COLORADO

THE American uranium industry is faced, for the first time in its government-nurtured life, with the need to look for commercial markets. The Atomic Energy Commission, until now the industry's sole customer, has plentiful supplies assured for its own needs for the next ten years and is refusing to enter into any more contracts for buying uranium concentrates. The commission's existing contracts expire in 1962, although it has announced that it will continue to buy processed uranium until 1966. Mineable reserves of uranium within the United States are now estimated at 70 million tons, 65 million tons more than five years ago, with a uranium oxide content of 175,000 tons. Mills for treating uranium, existing or under construction, will be able to process 7 million tons a year so that present reserves will keep them going only until about 1968.

Most of these mills are operated by the large mining companies, which have come to control most of the uranium industry after a period during which it was characterised by wildcat exploration and by wild speculation. It would seem to be in the interest of these companies to step up their exploration for new sources of uranium ; the AEC itself is also pressing for this in order that adequate supplies of uranium may be available for the many peaceful uses of atomic energy which are expected to be developed in due course by private industry. Uranium producers have long been warned that the government cannot continue for ever to be the sole purchaser of the metal, but nevertheless the large mining companies are disgruntedly withdrawing their trained teams from the search for uranium and the small independent prospectors, who made most of the original discoveries, are also giving up. Whether this first reaction to the shock of the AEC's announcement will be sustained remains to be seen ; the present disillusionment may perhaps be exaggerated in the hope of inducing the commission to change its mind about leaving uranium entirely without guarantees in eight years' time.



THE WORLD OVERSEAS

Tragic Twists in Cyprus

FROM OUR CORRESPONDENT IN NICOSIA

Wednesday

In the days since Sir Hugh Foot's return from London, Cyprus seems to have turned itself upside down. Instead of hysterical schoolgirls throwing coca-cola bottles at the troops in a juvenile frenzy for *enosis*, envenomed Turks have been fulminating at "British murderers," and left-wing Greeks accusing their right-wing brethren of being "fascist" tyrants. The island, normally an exasperating conundrum, has become an imbroglio of rivalries and vendettas; and, without indulging in alarm and despondency, it is hard to see how in the months ahead violence from one source or another can be averted.

This weird, tense, topsy-turveydom is almost comically illustrated by a Turkish newspaper which, in its revulsion against the British after the tragic Nicosia riots, has declared that the eyes of the Turks have been opened and they are now obliged to support the atrocity allegations levelled against the security forces by "their Greek compatriots." The enotists have had their thunder stolen; but it would be wrong to regard their relative inaction as a mark of new flexibility on the cardinal issues. Nothing has happened to dispel the impression that if a policy statement in the House of Commons does not contain concrete evidence that Britain intends to satisfy Greek Cypriot aspirations (and that, in brass tacks, means at least the return of Archbishop Makarios and negotiations with him), a new campaign of violence will be launched by Eoka. The terrorists have on the whole given the Governor the "credit of time" that he asked for; it would be unrealistic to expect them to go on behaving rationally very much longer.

But for the moment the limelight is on the Turks. If any doubt lingered about the extent to which a rather pedestrian programme of partition—which in the Greek view is a piece of political artificial insemination by Mr Lennox Boyd—has been worked up into a patriotic cause, it has been dispelled by the events of the past week. Yet with the Turks there is always the hope that if saner counsels can prevail in Ankara, these would quickly have repercussions in Nicosia; which cannot be said in quite the same way of Athens *vis à vis* the Greek Cypriots. There are high hopes in Cyprus that the Ankara talks will at least result in some brake being put on the rabble-rousing activities of the Turkish extremists in Nicosia. It is hard to escape the conclusion, however, that the British Government has gone further than it originally intended in giving the Turks a "pledge" on partition, and the Turk once having gained a point does not lightly cede it.

The other major development in the past fortnight is the first open clash since the emergency between the Communists and the Greek nationalists. This is unlikely to erupt into immediate violence, nor to affect greatly the current plans for a settlement, but it is fraught with significance for the future. Officially the Cyprus Communist party (AKEL) is proscribed, but so strong is the communist control of the Pan-Cyprian Federation of Labour (popularly known as "the old trade union") that it is often the instrument of communist policy. The vast majority of its members are not dedicated, indoctrinated Marxists, but are malleable material in the hands of trained leaders. The role of the Left throughout has been an astute rather than a glorious one: it has been watching in the wings. Then for forty-eight hours last week, its able and vigorous leader, Andreas Zhiartides, took the stage himself and came close to being labelled the first man to challenge, not merely Makarios, but Grivas. But for the present this is a title that he vehemently abjures, and his concordat with the Archbishop has been reaffirmed.

The communist leadership in Cyprus is known to have a three-stage programme which may be baldly summarised thus: for the present, with propaganda emphasis on the "unity of the people," the left wing will staunchly support Archbishop Makarios as the leader, but will stake a strong claim to a share in any negotiations which might take place with the British Government—and will not take part in terrorism of its own volition. Secondly, if a period of self-government is inaugurated, the leftists are then likely to press for the formation of "a national front"—a coalition with the Archbishop and the nationalists dedicated to completing "the struggle for freedom"; but they are significantly vague about the delicate matter of distributing portfolios. Thirdly, when *enosis* is achieved, the break will come; the parallel freely cited is the 1945 dissolution of the Churchill government, with Archbishop Makarios the counterpart of Sir Winston Churchill. Thereafter, it is argued, the future of the workers will lie with "progressive elements" in Greece.

The question of bases is unlikely to be stirred up by the Left as an immediate issue, but if and when a national coalition is set up (and this obviously depends on the Archbishop as well as on the Communists) it is safe to assume that the left-wing agitation against Anglo-American "militarism" will give London and Washington a new Cyprus problem to chew over. Meanwhile it has been announced that Mr Zhiartides is going to Athens to confer with the Archbishop. The prospect of these two men locked in close discussion in the Ethnarchy offices is a fascinating one for conjecture. What emerges from their talks might well be in the long run almost as important for the future of Cyprus as this week's talks in Ankara.

OEEC's Nuclear Agency

FROM OUR PARIS CORRESPONDENT

On February 1st, the Organisation for European Economic Co-operation gives birth to its third offspring, after the European Productivity Agency and European Payments Union: the European Nuclear Energy Agency. The number of its executives during the first half-year will probably be around fifteen, and the budget will amount to some £40,000. These modest figures show that the agency does not expect to be a giant; they also express the promoters' wish to be regarded as men of affairs eschewing red tape.

The agency in its time should play three main parts. The first role is that of company promoter in research projects. Arguments for joint European research have been strong ever since nuclear energy came on to the ambiguous stage where politics and technics meet. The immense variety of possible lines of nuclear advance and the resources required to explore the maximum have made joint effort attractive; this idea underlies Euratom, too. The agency plans to build its first joint plant, "Eurochemic," at Mol in Belgium, to be ready in late 1960. This small plant for chemically treating spent fuel has interested twelve OEEC countries, including the Euratom members, who are majority shareholders (this partly explains the location), but not Britain, which has enough capacity of its own. The agency can also adopt plant which governments offer to pool. Britain has offered the homogeneous research reactor that is to be built at Winfrith Heath; Norway proposes its boiling water reactor at Halden, and talks are under way. The British gesture is partly political, but pooling is useful in helping countries to pursue jointly lines of inquiry that they might otherwise drop. The British "homogeneous aqueous" reactor may be the reactor of the future.

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The agency's second role will be as lawyer, drafting European nuclear regulations. It wants a free trade convention for nuclear fuels and equipment—a complex point and somewhat theoretical when governments themselves are involved in the trade. It also hopes to sponsor conventions on public health safeguards, the prevention of accidents, and insurance. Plainly it is useful to standardise rules from the start over the widest possible area. One question, third-party liability, is specially important. Atomic accidents, though rare, can be such that the insurance companies dare not underwrite third-party risks. This has hindered development by industry in America, and could do so elsewhere. The solution might be for governments to assume certain risks; but negotiations will be tricky, especially for accidents which involve more than one country.

The third role of the agency will be as censor of the nuclear morals of the member states. A convention on security controls, still to be ratified, empowers the agency's inspectors to see that no fuels under its supervision are put to military uses. This rule is applied also by the UN atomic agency, and was favoured by Euratom before France made a hole in it by insisting on having its own bombs.

The agency's promoters have certainly shown energy and persistence. In the present beautiful Paris weather they are off like the hounds of spring on winter's traces, first in the field, while the free trade area flounders through committee rooms, and Euratom is shackled to the sick bed of its president, the overworked M. Armand. Yet, behind the surface the agency, too, has been troubled by—indeed partly derives from—the competition between the Six and the rest which is now found wherever the federal and intergovernmental roads cross. Moreover, paradoxically, the agency has materialised so soon partly because Britain has not given it the support lavished on the free trade area. The strength as well as difficulties of the latter come of its being the meeting point of Britain and the Six. The agency is not that. At one time, its champions even expected a British-Euratom association that would bypass it. Britain has shown little interest in "Eurochemic," except to sell equipment and lend experts. It has signed the security control convention, but Winfrith Heath will not produce fissile materials, and in practice the agency will have no inspectors in Britain.

Euratom is not keen on having them either. It wants to assert its own control system, hoping that the United States will recognise this as a sufficient guarantee that American fuels will not go to making bombs. The agency will strive to impose its legal right to "delegate" its control, and Euratom its practical one to carry out its own control without any agency spot-checks. Equally, there seems little chance that the United States will use the agency control in dealings with the Six, even were it not to reach agreement with Euratom; and some Euratomists consider that the British could hardly deal with the Six less directly than America does. If they are right, the agency's control system will be marginal.

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The Euratom countries look mainly to the United States, and to Britain as second producer. They discount smaller European countries, despite respect for achievements like Denmark's Niels Bohr Institute and some Swiss engineering. Not wishing to appear completely uncooperative, they have neither put determined spokes in the agency's wheel nor, certainly, a shoulder behind it. This attitude has strengthened the support for the agency amongst small countries. They fear that bilateral deals with Euratom might turn them into satellites of yet another major atomic power, and in the OEEC's multilateral approach find safety in numbers. Also, neutrals like Sweden, Austria or Switzerland can welcome agency inspectors, where they would baulk at a Euratom badge. And the agency gives countries like Turkey their only chance to participate in nuclear development.

Above all, the agency's champions plead the "eloquence of facts": plant is the thing, and the agency offers some soon. It does not have Euratom's $215 million research dowry over five years ("Eurochemic" and Winfrith Heath will cost $40-$50 million in that time), but has three joint undertakings in view, and perhaps others in the offing. A start on Euratom's ambitious power production programmes will depend on the persuasive power of M. Armand—and American backing; admittedly, both may be great, but Euratom must contend with French budget cuts and the fears of some German power companies about costs. By contrast, the agency has already started, however modestly.

The truth seems to be that the agency, despite gestures about building power stations, is essentially concerned with "infrastructure" and is not really comparable with potentially major producers of nuclear power like Britain, or,

unless it fails to weld the Six, Euratom. Without their backing it may even find it hard to go beyond its beginnings, short-circuited by bilateral deals. But the larger countries cannot consistently refuse the multilateral approach. The extension of research and regulation over the widest area is inherently healthy. There seems room for the agency to play a genuine, if limited, part.

Hamburg Between East and West

FROM OUR BONN CORRESPONDENT

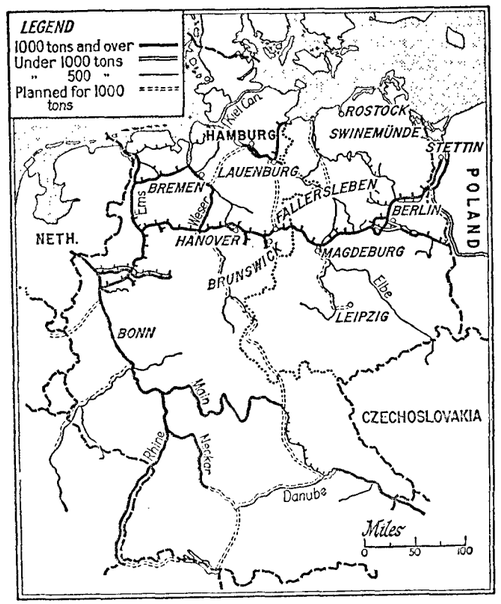
HAMBURG'S natural communications are with central, not western, Europe. The distance from Hamburg to Bonn by road is 270 miles ; to Lauenburg, the nearest crossing point into east Germany, only 27. To Berlin it is 160, to Magdeburg 140, to Leipzig 210, to Poland (which has no direct access to the North Sea) 210, and to Bohemia (altogether coastless) 275 miles. From the port of Hamburg, where distance is measured chiefly by water, it is nicely debatable which, relatively, are the farther away—the mercantile cities of western Germany with which existing links are inadequate, or those of eastern Germany and beyond whose established links with Hamburg, natural and developed, are adequate but at present neglected and obstructed for political reasons.

In the circumstances it is scarcely surprising that in his situation report last month to the newly-elected Hamburg city assembly the usually equable Chief Burgomaster sounded a trifle irked by some of the consequences of the policies pursued in the remote and professedly provisional federal capital. "Bonn"—ever a handy word for impersonal onomatopoeic expostulation—"Bonn," Herr Brauer protested, "should replace its outmodedly rigid foreign policy with new, more malleable and more flexible methods." He urged a "loosening of petrified fronts" and a "dismantling of the iron curtain which robs Hamburg of half its hinterland." Meanwhile the Free and Hansa City would continue to foster an "Elbe policy," aiming at a revival of its traditional traffic with the east and south-east.

Observing the ceaseless movement of cranes and shipping in the port and the many signs of solid wealth within the city, today's visitor cannot but be impressed by Hamburg's recovery and at first slightly puzzled by its cries of alarm. The port's extensive free zone—which provides well-equipped sites for duty-free storage, processing, and transshipment (mainly to Scandinavia and the Baltic)—has never been busier, and seaborne trade has already reached its pre-war volume. Hamburg's regret, it seems, is that things could be better ; its fear, that they may get worse.

Maintaining that proportionately the postwar prosperity of Bremen, Rotterdam, and Antwerp has overtaken its own, Hamburg has disquieting thoughts about its topographical handicap in competing for a share of the European common market's maritime trade. And although traffic with the natural hinterland (except Austria) has slowly revived there are indications that it is beginning to wilt again. The German Democratic Republic, Poland, and Czechoslovakia are running into currency difficulties on account of their trade through Hamburg, and are consequently pressing on all the more determinedly with their plans for developing the east German and Polish ports of Rostock, Swinemunde, and Stettin, by which they hope to be able to avoid dealing with Hamburg almost entirely.

As Herr Brauer recalled, the only really sound solution to Hamburg's problem is to re-open the traditional hinterland. In the names of Hansa, Kennan, and commonsense, he advocated that a beginning to healthier relations between east and west might be made through more active promotion of trade. No one, he pointed out, objected that commerce with Spain implied obeisance to the Falange : no more was the cultivation of east-west trade a profession of sympathy with communism. The government is in a position to reply that the German-Russian trade agreement which has been intermittently in negotiation since last summer is expected to be signed in March or April. Herr Lahr, who leads the German delegation, is about to return

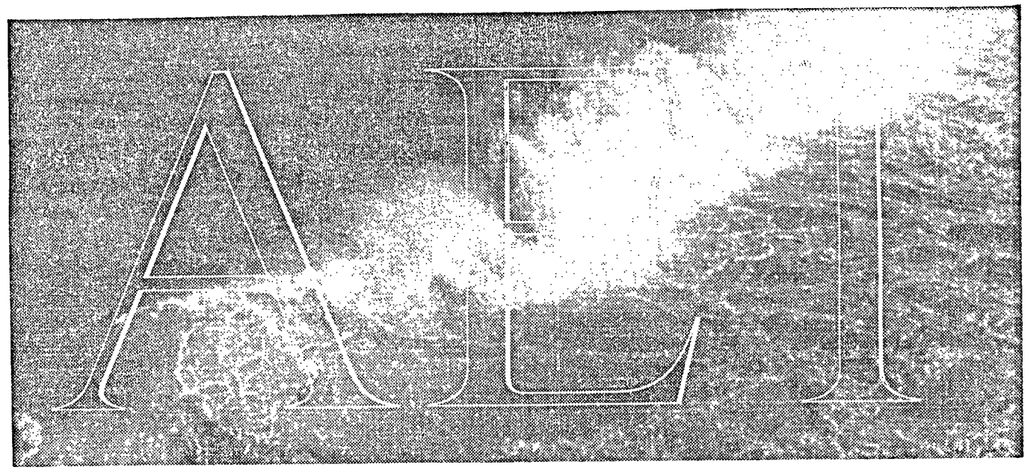


to Moscow to resume the talks. But the volume of trade envisaged—some DM1,000 million each way annually for three years—would bring Hamburg only a fraction of the business it believes it could do once normal trade relations were restored with central and eastern Europe.

Whatever improvements may eventually be brought about, Hamburg's responsible planners must still reckon with the iron curtain remaining implacably where it is, and consequently take the necessary precautions. They are trying to expedite wherever possible all schemes for developing Hamburg's neglected westward communications. The long-projected autobahn to Hanover, connecting Hamburg with the rest of the autobahn system, is at last under construction : some fifteen miles are already in use. Such pressure as can be is being brought to bear on the financially strained federal railways to electrify the main lines to the Ruhr and the south. There is satisfaction that Hamburg, not Frankfurt, has been chosen as the new Lufthansa headquarters.

By far the soundest precaution would be to begin work on the projected North-South Canal, which would link the

H-Power



AEI is helping to harness the power of hydrogen fusion

The Atomic Energy Research Establishment first achieved controlled thermonuclear reactions in an electrical discharge chamber, known as Zeta, at a temperature a thousand times hotter than the sun's surface. AEI is proud that one of its Companies, Metropolitan-Vickers, built and partly designed Zeta. An AEI research team, working for the most part under contract to A.E.R.E. and using a much smaller torus or discharge chamber known as Sceptre III, followed this success with controlled reactions at a temperature of nearly 4 million degrees.

A MILESTONE IN THERMONUCLEAR RESEARCH

The joint statement on thermonuclear research by the U.K. Atomic Energy Authority and the U.S. Atomic Energy Commission does not mean that the goal of electricity generation by this means has been reached: but it does mean that an important milestone has been passed.

The achievement of the teams of scientists at the Atomic Energy Research Establishment, Harwell, and at the Associated Electrical Industries Research Laboratory, Aldermaston Court, has been to fuse pairs of heavy hydrogen atoms together into helium atoms under controlled conditions. During this process energy is emitted in the form of neutrons. This fusion can only take place at immensely high temperatures, and a major problem has been to achieve such temperatures without vaporizing the container in which the reaction occurs.

THERMONUCLEAR 'FUEL' EXTRACTED FROM THE SEA

The high temperatures required were reached by passing an electric current through heavy hydrogen taken from the sea. The hot gas was prevented from coming into contact with the walls of the container by the magnetic field associated with the current, which automatically applied a 'pinch' effect and kept the gas in the centre of the cylinder. To overcome the difficulty of protecting the ends of the cylinder, it was made in the form of a ring or torus. A further problem, that of the instability or 'wriggling' of the discharge in the gas, was solved by applying an external magnetic field parallel to the discharge.

FIRST ZETA, THEN SCEPTRE III

The first apparatus to overcome the various obstacles was the Zero Energy Thermonuclear Assembly (ZETA), constructed and partly designed for the Atomic Energy Research Establishment by Metropolitan-Vickers, an AEI company. A little later a smaller apparatus known as SCEPTRE III was built in the AEI Research Laboratory, and this achieved similar success.

THE CONSTRUCTION OF SCEPTRE III

SCEPTRE III is an aluminium torus made of 12" diameter tubing with a mean ring diameter of 45". It is threaded by an iron core weighing 4 tons. Into this apparatus energies of up to 40,000 joules have been discharged, causing currents of up to 200,000 amperes to flow in the heavy hydrogen gas. Temperatures of nearly 4 million degrees have been reached.

AEI AND NUCLEAR POWER

The prospects of using the power of fusion are, however, still distant and nuclear fission stations will clearly be needed for many years. AEI's leadership in the nuclear field is further illustrated by its part in the building of the Berkeley Nuclear Power Station.

AEI AND THERMAL POWER

43% of the major generating plant put into service in England's coal- and oil-fired stations last year was built by AEI.

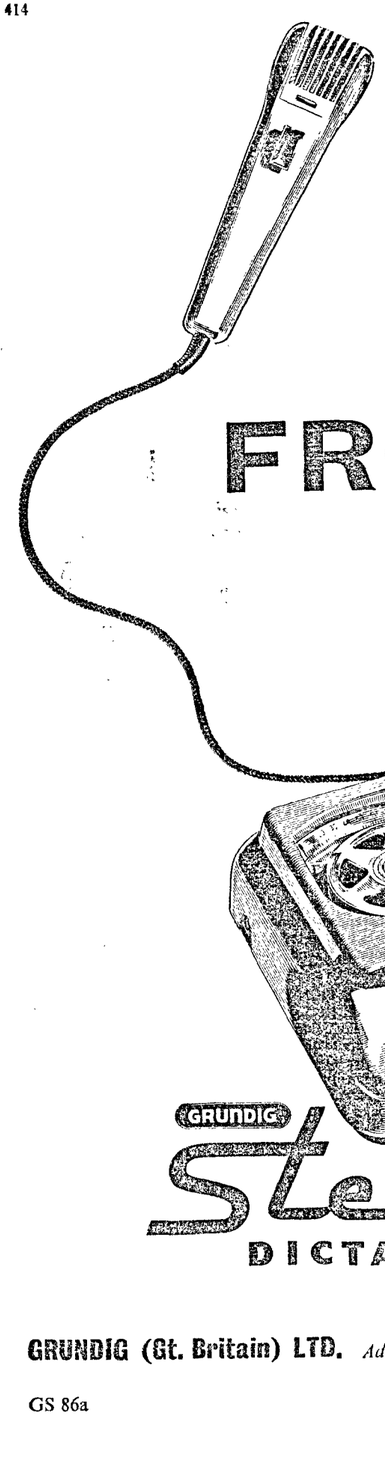
AEI AND WATER POWER

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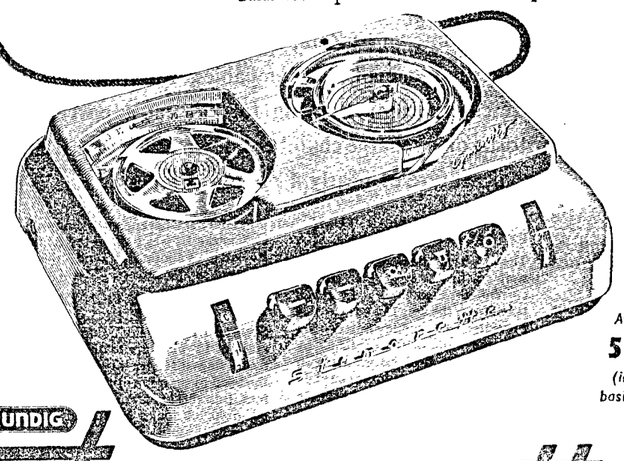
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Elbe just above Hamburg with the strategic east-west Mittelland Canal at Fallersleben, near Brunswick, and thus with the main network of west Germany's vital inland waterways. It was estimated in 1950 that the 70-mile project would cost some DM400 million, including the purchase of the land. Presumably it would now cost rather more, and Hamburg alone cannot foot the bill. To requests for federal funds Bonn replies that all there is to spare at the moment for public works of this kind is going into the canalisation of the river Mosel as promised in the Saar agreement with France. This inescapable political commitment, involving the construction of thirteen locks and the deepening of more than 120 miles of river, is expected to cost DM520 million. Hamburg, it seems, must wait. Meanwhile, by boldly developing its oil refineries and local manufactures, it has already made itself into west Germany's foremost industrial city.

Mr Macmillan in New Zealand

FROM OUR CORRESPONDENT IN WELLINGTON

MR MACMILLAN may well be more popular in the parts of the Commonwealth that he has so far visited than he was in his own country when he left it. He has at any rate left a most favourable impression in New Zealand and not least with the new Labour government which might have been expected to view the Tory prime minister with reservations. He showed a quick understanding and sympathy for New Zealand's problems—which were put to him frankly—, a belief in the future of the developing Commonwealth which has been held here for some time and therefore found ready acceptance, and an easy informality which quickly corrected any popular misconceptions about the unapproachability of British prime ministers. Even the British newspapermen who were accompanying him were surprised by his willingness to submit to press conferences and remarked ruefully that it was not quite the same at home.

He had, of course, no need to try to convert New Zealand's new Labour prime minister, Mr Walter Nash, to a pro-British attitude. Mr Nash has always had that since he came to New Zealand from Kidderminster many years ago and his cabinet feels the same way. Mr Macmillan had one long meeting with the whole cabinet at which he gave what was described as "a most impressive exposition" of the British approach to various world problems and those of the Commonwealth. Later he had separate meetings with Mr Nash himself and with the ministers responsible for economic affairs and defence.

Mr Macmillan devoted little time to any detailed discussion of New Zealand's defence and overseas commitments; these appear to be satisfactory to the British Government and there is no reason whatever to suppose that they will be changed by the present administration. New Zealand politicians, who necessarily have more limited horizons than their British counterparts, undoubtedly benefited from Mr Macmillan's clear and comprehensive fact reporting on his tour and particularly from his references to his Indian impressions and his estimate of the situation in South East Asia.

Whatever misgivings he may have entertained about the state of Anglo-New Zealand trade relations, Mr Macmillan's visit should have reassured him that the sweeping import restrictions imposed by Mr Nash at the beginning of January were in no sense a retaliation against Britain for any alleged lack of sympathy with New Zealand's desire to protect its British market. The Labour government has in fact been at great pains to prove to the country that it had no option about imposing immediate import restrictions if it were to protect its dwindling London reserves; thoughts of anti-British retaliation did not enter into the matter.

Naturally, however, Mr Nash and his advisers took the opportunity of emphasising all the arguments in favour of helping New Zealand's trade that have already been made in London by two successive trade missions, and of pointing out how dependent New Zealand is on its major market. But Mr Nash is quite realistic enough to understand that Mr Macmillan is as limited by his own domestic policies and problems as New Zealand politicians are by theirs, and that little can really be done except to explain New Zealand's overseas marketing worries at first hand and hope that Britain will give the best treatment it can to one of its main food suppliers. No doubt Mr Macmillan was also told that New Zealand will welcome almost as warmly as Britain anything that can be done to bring down the prices of British exports, for the nine per cent increase in the cost of manufactured imports last year played an important part in running down New Zealand's reserves. There was certainly no element of bargaining in the discussions, but rather a recognition on both sides that when New Zealand is in a position to earn more on the British market it will be in a position to spend more.

New Zealand's arguments for a review of the Ottawa Agreement, which were put in London last year by the trade delegation led by Mr Holyoake, were reiterated to Mr Macmillan by Mr Nash. Just before Mr Macmillan departed, the two prime ministers gave a joint press conference at which they announced that preliminary discussions would be held in London in April and May with a view to re-examining the Ottawa Agreement later this year. When this re-examination is undertaken, New Zealand will undoubtedly seek stronger protection margins for its food exports. It is recognised here, however, that a re-examination of the Ottawa Agreement is one thing—but that, in view of the vastly changed conditions of today, a reffirmation and extension of the agreement is quite another.

Israel's Purse Strings

FROM A CORRESPONDENT

HOW far is Israel economically dependent on the United States? Between 1948 and 1956 Israel financed the absorption of more than 850,000 immigrants by importing foreign capital worth $2,400 million. Of this, more than 60 per cent came from the United States. But official American aid to Israel—in the form of grants, Export-Import bank loans and other credit given with State Department approval—amounted to less than $400 million, barely 16 per cent of capital imports.

The lion's share of American aid is unofficial. More than $1,000 million has been transferred to Israel in the form of donations or investments by the Jewish community in

America. This explains Israel's remarkable resilience under State Department pressure a year or so ago. Israel's army could carry out its retreat from the Gaza strip and the Sinai desert at its own pace; the country's economy was not seriously incommoded by the temporary suspension of the grant-in-aid, the postponement of the Export-Import bank loan and the other pressures designed to induce it to obey the United Nations.

During 1956, Israel received $47 million from the sale of overseas bonds, chiefly in America. This was as much as the entire grant-in-aid and American official loans together. The United Jewish Appeal and other donations, mainly from American Jewry, brought in $88 million. The value of German reparation payments also reached $33 million, and another $26 million was transferred to people living in Israel as personal restitution from the West German authorities. Excluding short-term capital movements, Israel's net capital imports in 1956 amounted to some $315 million. The official American contribution was thus less than 15 per cent. Israel was—and still is—economically dependent not on the State Department or the United States Treasury, but on the goodwill of American Jewry and the continued good faith of west Germany.

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There are, of course, means by which the American government could interfere with the flow of private American-Jewish money to Israel. The tax exemption granted to United Jewish Appeal contributions (as to other donations for charitable purposes) could be repealed, or the sale of State of Israel bonds forbidden. But in fact, as was proved during the Suez crisis, neither this administration nor any other is likely to embark on so un-American a course in order to force its will on a small country. Moreover, the American dollar is a free currency, and Americans who wish to transfer it abroad can always find ways of doing so.

Israel's trade with the United States is also not large enough for its dislocation to disrupt the economy. In 1956 only 18 per cent of Israeli exports went to the United States compared with nearly 60 per cent to Western Europe. By far the largest single export to America was polished diamonds, the net value of which is small, since the crude diamonds are imported. The European market, which absorbed Israeli citrus fruit and industrial products, was therefore economically even more important than its visibly overwhelming share would indicate.

Western Europe also sent to Israel almost twice the goods supplied by the United States. Britain, west Germany, France and Finland have gradually emerged as Israel's major European suppliers, and each of these countries has shown in the past that its trading policies are not easily influenced by the State Department. The French, in particular, have been making a serious and successful effort to improve their standing in Israel, both by selling arms and by granting a $45 million credit in francs for the purchase of capital goods required for the development of the Negev desert.

A high percentage of Israel's imports from America consist of wheat, meat and other agricultural commodities which—in the limited quantities Israel requires—are readily obtainable elsewhere. At a pinch, therefore, Israel could bear the limitation of its trade with the United States without suffering more than discomfort. What it could not stand without strain is a highly unlikely eventuality—limitation of its imports of American private capital.

West Indian Manœuvres

FROM A SPECIAL CORRESPONDENT

MR NORMAN MANLEY'S recent decision not to enter federal politics has been received less tragically in Jamaica than outside the West Indies. Like Mr Eric Williams in Trinidad, Mr Manley takes the view that his main task is to look after his own island at a critical stage in its development rather than to play for higher stakes on the federal level while incurring the risk that his People's National Party would be defeated in the next Jamaican elections.

When he announced his decision, Mr Manley spoke of the need to fight anti-federalist forces in Jamaica. This was a polite way of saying that he alone can bring Jamaica round to accepting a political complex in which at first it seems that it would have to give more, economically, than it receives. Opposition to federation does exist in Jamaica, but Mr Manley claims too much in presenting himself as the only true federalist. The general Jamaican reaction is favourable, especially since there had been fear that this island would be stripped of its best men. Mr Manley and other PNP leaders express confidence that Jamaica's interests at the federal level will be capably looked after by a team to be selected shortly. The probable leader of the team, Mr Vivian Blake, is a rising young politician who is sometimes mentioned as an eventual successor to Mr Manley himself.

Meanwhile, negotiations with the Americans over the site for the capital, Chaguramas, are running into heavy weather while anti-American feeling mounts. Great prominence is given in the West Indian press to moves in the United States Senate urging the American government to resist efforts to dislodge the navy from Chaguramas. It is possible that this need for a common front on an issue of major importance is helping to unite the disparate units of the federation over the difficult early stages. But the feeling is also growing that the federation is getting off to a bad start, and the fear is commonly expressed that little interest may be taken in the federal elections when they take place in March. Some such calculation may be present in the minds of Mr Manley and Mr Williams: if federation breaks down, they will still hold the political leadership of their own islands, while if federation succeeds, they can still claim credit for it.

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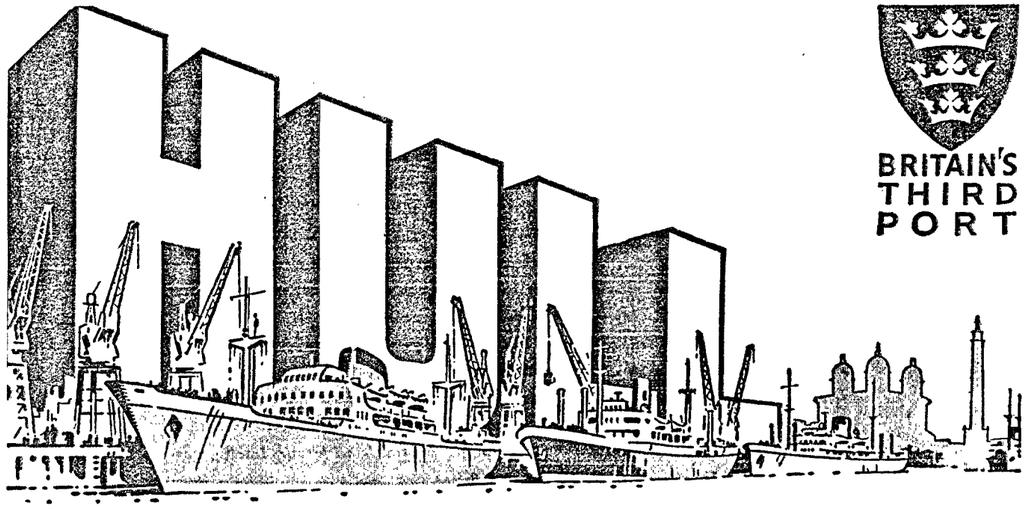
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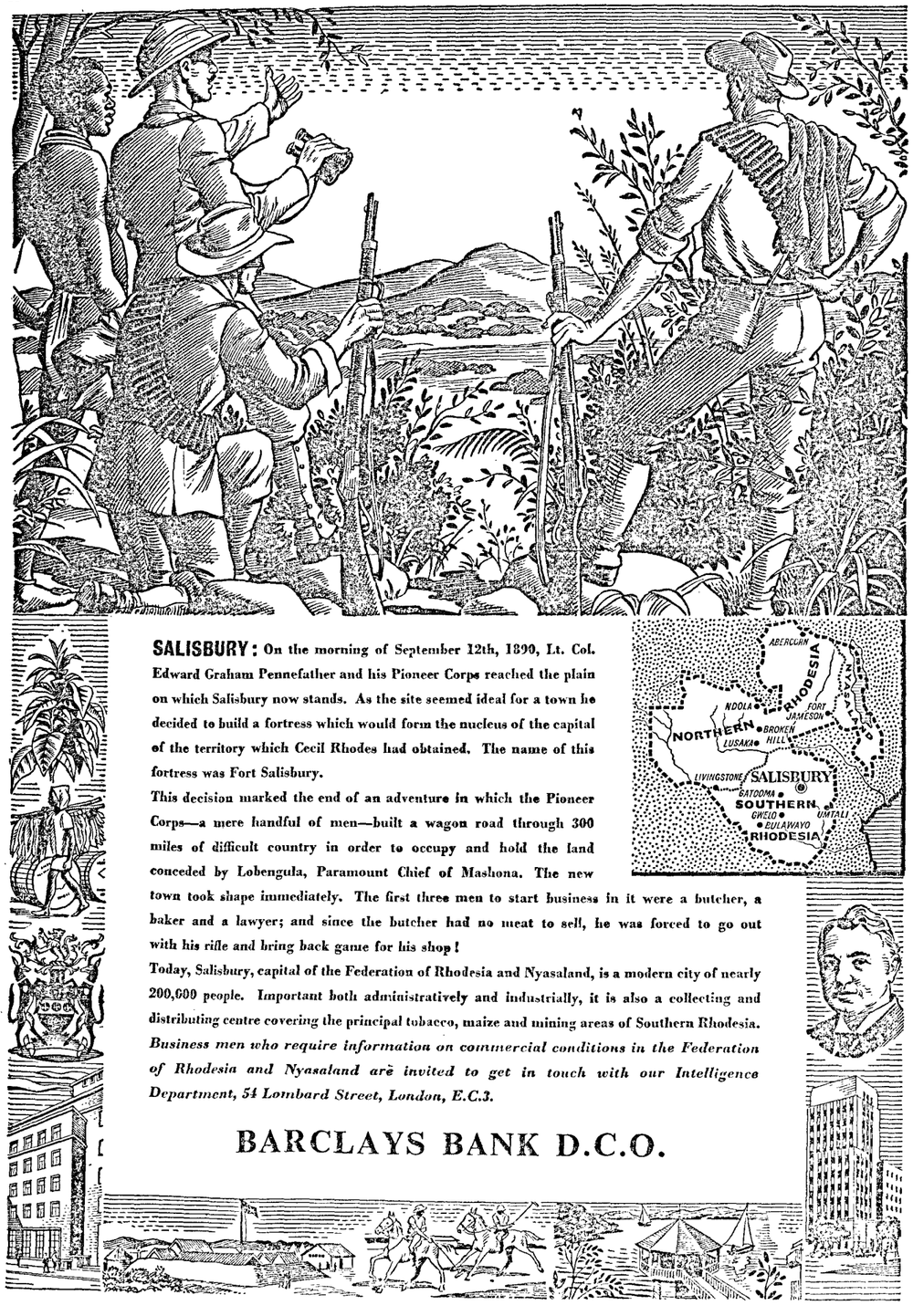
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SALISBURY: On the morning of September 12th, 1890, Lt. Col. Edward Graham Pennefather and his Pioneer Corps reached the plain on which Salisbury now stands. As the site seemed ideal for a town he decided to build a fortress which would form the nucleus of the capital of the territory which Cecil Rhodes had obtained. The name of this fortress was Fort Salisbury.

This decision marked the end of an adventure in which the Pioneer Corps—a mere handful of men—built a wagon road through 300 miles of difficult country in order to occupy and hold the land conceded by Lobengula, Paramount Chief of Mashona. The new town took shape immediately. The first three men to start business in it were a butcher, a baker and a lawyer; and since the butcher had no meat to sell, he was forced to go out with his rifle and bring back game for his shop!

Today, Salisbury, capital of the Federation of Rhodesia and Nyasaland, is a modern city of nearly 200,000 people. Important both administratively and industrially, it is also a collecting and distributing centre covering the principal tobacco, maize and mining areas of Southern Rhodesia.

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THE BUSINESS WORLD

TAXATION REFORM—I

Mr Amory's Mantle

MR HEATHCOAT AMORY, one suspects, feels that he has inherited a hair-shirt from his predecessor. But he has also inherited, down a much longer line of descent, a responsibility to continue, so far as he honestly feels able, the reform of the British tax system. This is a slow job, but no matter for despair. A great deal has in fact been done following the reports of the Tucker Committees and of the Royal Commission, and also by the initiative of the Inland Revenue itself.

The part of the Inland Revenue in tax reform has been important. Under the inspiration of the late Lord Waverley, the Revenue produced the 1945 Income Tax Act which refurbished the tax allowances against the using up of capital. They introduced the initial allowances and the balancing allowances and charges to go with them. The Inland Revenue secured the great extension of the arrangements for the granting of relief in respect of overseas taxation. These began with the restricted Dominion income tax relief that held force from 1922 to 1945; the present system offers relief of overseas taxation on a reciprocal basis with individual overseas countries, and since 1953 full credit has been allowed for overseas tax against tax in the United Kingdom. The Revenue must also be given credit for the Consolidation Act of 1952, uniting some fifty enactments into a single Act and reducing the weight of the statutes from six to one and a half pounds.

But in taxation things do not stand still. The patchwork is spreading again and one could wish for a new consolidation every five years. It is nearly ten years since Sir Stafford Cripps set up the first Millard Tucker Committee to guide him on the taxable capacity of industry in a period of rapidly rising prices. Industry then complained that the 20 per cent initial allowance as it existed in 1949 gave insufficient help. If the Tucker Committee had felt able to give a clear lead it is possible that "replacement costs" would have been adopted for both fiscal and commercial accounting purposes. Unfortunately, the committee concluded: "We are unable to agree with the view that a proper system of computing (taxable) profits must necessarily take into account changes in the value of money." Orthodox accountancy practice had never accepted that proposition either, and conservative accountants may be thinking that falling prices now allow this old controversy to be tossed out of the window—though indeed they do not. But the result is that capital allowances have been governed by expediency. The Tucker Committee recommended that the existing system of initial allowances should be continued in an extended and discriminatory form. Alas, a few days after the issue of the report in 1951 Mr Gaitskell suspended them altogether. They have since been reintroduced, melded with investment allowances, and condemned by the Royal Commission; and everybody regards them as a crude and uncertain way of accounting for inflation.

But the first Tucker Committee covered in their terms of reference the whole field of the taxation of trading profits and of the many valuable recommendations they made, a surprising number have got on to the statute book. Trading losses can now be carried forward indefinitely against profits earned in the same trade, and for the current and the next succeeding year against other income. Terminal losses can be carried back for three years. The losses incurred by some members of a group of companies can be offset against the profits earned by others. All in all, the United Kingdom system for giving tax relief for losses is as comprehensive and equitable as any in the world. The second Tucker Committee reported in 1954 on the taxation of pensions and allied subjects. It provided primarily the frame-work for retirement benefits for the self-employed, thus creating equity out of the previous confusion. This reform was substantially adopted in the

1956 Finance Act together with the exemption from tax of the capital content of purchased annuities.

Finally, there is the Royal Commission which began work in January, 1951, and published its third and final report in June, 1955. Its hundred specific recommendations will provide the draftsmen with material for years to come. Patience is always necessary; one of the recommendations of the 1920 Royal Commission, that cemeteries should be treated as wasting assets for tax purposes, eventually found its way into law thirty-four years later. How seriously will the Chancellor and the Revenue take the reports of the Royal Commission? The 1956 Finance Bill was largely pre-empted for the proposals on pensions for the self-employed, though room and time were found for some rationalisation of the basis of assessment of overseas employments. But in the last Budget a start was made along two lines. First, the dilemma resulting from this country's claim to tax all profits arising here, and also profits of undertakings overseas whose control and management are exercised here, was faced by creating the overseas trade corporation. Secondly, a start was made in personal taxation by dismantling the prehistoric barriers of surtax and earned income relief.

TAKEN together, the achievements of twelve years of effort are impressive: capital allowances; double taxation; the extended allowance of losses and a host of detailed improvements in the assessment of trading profits; retirement benefits for the self-employed; some betterment of personal allowances; and the overseas trading corporation. But a staggering programme of reform already mapped still needs to be carried out. The misfortune is that it is beyond the capacity of the Chancellor, the Revenue, Parliament or tax-payers and their advisers to deal with more than one or two major pieces of fiscal legislation each year. What, then, should have priority?

The Royal Commission was asked to give a list of priorities, but could not do so, because fundamental differences of principle led three of its members to submit a separate memorandum of dissent. So the initiative is largely with the Treasury and with the Inland Revenue. As long ago as May, 1956, the Revenue told the Institute of Chartered Accountants that it could help by suggesting an order of priority for the implementation of the Royal Commission's recommendations. The Institute gave a memorandum to the Chancellor nearly a year ago, and this should provide a useful check-list against future progress. The memorandum breaks down the recommendations into five categories: major and minor recommendations to which the highest priority is attached by the Council of the Institute; recommendations which should be implemented as soon as possible; recommendations which are considered desirable; recommendations on which no view is expressed; and those which the Council does not approve. For good value an additional list is given of changes that the Council supports but which were not dealt with by the Royal Commission.

The major items in the first category are obviously those of immediate practical importance. The expense rules, for both Schedule D and Schedule E, lead the way. Some time ago Mr Thorneycroft asked professional bodies to submit to him examples of the notorious limitation of the Schedule E definition of allowable expenses to those "necessarily incurred in the performance of the duties" so that he might consider them before the budget next April. Next comes the proposal that the hardship caused by progressive taxation where incomes accrue with marked irregularity should be mitigated by averaging. On this the chartered accountants regard a 50 per cent range of fluctuation in incomes as too stringent a qualification for averaging, and would prefer a 20 per cent range—which was in fact used in the relief of earned incomes which fell during the war. Thirdly, the council proposes that capital allowances should be given for commercial buildings—a point that the Royal Commission itself did not regard as urgent. On the valuation of stock the council supports the recommendation that no single method should be imposed on a trader; he should be free to adopt any proper method that is suited to his business, subject to safeguards relating to the effect of a change from one method to another.

Unlike the first Tucker Committee, the Royal Commission thought that a change in the method of charging trading profits, from the previous year to the current year basis, was both feasible and desirable. The Institute, speaking with the authority of a body responsible for unravelling the tangles of the existing system, lends its strong support to this proposition. It also recommends—and surely with reason—that the provisions for charging surtax on the undistributed profits of director-controlled companies should be recast so that they cover not the whole of the undistributed profits, but only that part which it would have been reasonable to distribute. It has yet to be seen whether this proposal has been jettisoned by Mr Thorneycroft's folding up of the Cripps umbrella from August 1st last year. Meanwhile the full rigour of Section 245 applies to director-controlled companies. Finally there is the question of replacement allowances to take care of inflation. This matter was not dealt with by the Royal Commission; indeed, it based its report on the hypothesis of a stable price level. But the accountants come back to it in their list of additional matters. Perhaps they can give a more positive lead by recognising that in commercial accounts an amount set aside to cover a replacement allowance, however calculated, is a cost and not an appropriation.

Expenses, fluctuating incomes, stock valuation, the basis of assessment, capital allowances on commercial buildings, replacement allowances—here is a programme to give the Treasury and the draftsmen full employment for several years. But there remains one further reform more urgent and deserving than all the rest: the reform of the profits tax. To most people this has a priority all of its own, and 1958 ought to be a very good year to deal with it. This tax that nobody loves will be examined more closely next week.

A Roof of One's Own



EVERY seeker after a house goes through the same misery—always after *the* house, the paragon that has never yet been built. The "well-kept garden, stocked with fruit trees," turns on inspection into two currant bushes straggling across a mud patch; the newly hung and proudly displayed wallpaper insults the eye; the plumbing system should be the centrepiece of the Parkes Museum. Finally, after incalculable emotional cost, a "house that will do" is found. The financial costs are calculable and, to the capital-less, not consoling.

As estate agents use the adjective "desirable," it has nothing to do with beauty. A "desirable residence" is a house like thousands of others: "desirable" really means mortgageable. That is the key word for almost all house buyers. The estate agent usually provides his services free to them—and often they include a useful contact with a building society. His charges fall on the vendor: 5 per cent on the first £300, 2½ per cent on the next £4,700, and 1½ per cent on the remainder.

If the estate agent's list fails to attract, one can turn to an architect and build a house that is desired instead of merely desirable. Tripping lightly through the gauntlet of planning consent (not always easy, for the man in the district council office sometimes claims to know best) the man who builds for himself will find that architects' fees start at 10 per cent on £500 or less and run down at ½ per cent per £500 to 6 per cent on over £4,000. Such fees and the price of land (which is expensive on a good building site) will be taken account of in the valuation of the property for mortgage. Many recent mortgage advances have been on newly built houses, but most of these are houses designed and erected by a builder (sometimes using money lent him by a building society), conforming to the worthy but dull standards of a mortgagee's valuer. Building societies are not venturous. They thrive on the conventional houses that they and everyone knows, and it is not easy to secure a suitable advance on a house built to nonconformist taste.

This does not prove that they are stuffy. But, to protect themselves, they must feel reasonably confident that the house will secure a ready sale without an undue fall in its value throughout the life of the mortgage. So they prefer the three- or four-bedroomed house built in the suburbs in the late thirties, or in a postwar building estate. That is where the demand clusters. They do not like the exotic or the old fashioned—the crumbling but underpinned cottage or the commodious but tie-barred Victorian mansion. They will not accept short leases (and they will look only at leases with 30 years still to run after the last repayment). Long leases (some run up to 999 years) they will consider. Apart from his other costs, the mortgagor then pays the ground rent, subject to deduction of tax. They do not like flats, offering mortgages only on modern, self-contained, purpose-built maisonettes (though in Scotland, with its tradition of tenements and wynds, the policy is less restrictive). The tighter money is, the greater is their preference for the commonplace. Their lending depends very much upon the personal credit of the borrower. The rule of thumb is that repayment and interest should not take more than about one-fifth of a purchaser's income. For incomes below £750 and for those in the surtax range (where in fact the income rule seldom needs be applied) the proportion may come down to one-sixth. The rules are not inflexible; much is left to the judgment of the local branch manager, so long as he keeps within his quota.

Having made an offer "subject to contract" for a house on which he can obtain a mortgage, the would-be purchaser is faced with a bill for legal and other costs:—

BILL OF COSTS

Purchase price and valuation	£2,000	£3,000	£4,000	£5,000
Mortgage advance 80 per cent	£1,600	£2,400	£3,200	£4,000
	£ s.	£ s.	£ s.	£ s.
Conveyance fee (registered land)	25 0	35 0	40 0	43 15
Land registry fee	5 0	7 10	10 0	12 10
Conveyance stamp duty	10 0	15 0	40 0	75 0
Mortgage stamp duty	4 0	6 0	8 0	10 0
Mortgage fee	10 10	14 10	18 10	22 10
Search fee, etc., say	3 0	3 0	3 0	3 0
Inspection fee (on mortgagee's behalf)	5 0	7 0	9 0	11 0
Survey fee (on purchaser's behalf)	15 15	21 0	26 5	31 10
Total Costs:— Registered Land	78 5	109 0	154 15	209 5
Conveyance fee (unregistered land)	37 10	52 10	60 0	67 10
Other fees (as above)	48 5	66 10	104 15	153 0
Total Costs:— Unregistered land	85 15	119 0	164 15	220 0

The consolidation of these fees, especially through the composite charges arranged by many mortgagees, may sometimes reduce total costs below the scale fees shown above. But a tricky conveyance will swell the bill. None of these costs should be regarded as inescapable. Regrettably mortgagees do not show the purchaser their valuer's report; and for his own protec-

tion he should secure an independent valuation—or even a more costly full structural survey.

Then come the bills for the incidentals : a life insurance cover on the mortgage (though building societies do not normally insist on such a cover); insurance on the house (normally 2s. 3d. per cent on a comprehensive policy with additional premium for flood risks) ; removal expenses ; repairs (which may be mitigated by a maintenance claim in relief of the Schedule "A" tax assessment) and redecoration ; re-equipment and re-furnishing ; the cost of putting the garden in trim, and so on. There may even be road charges, if the road has not been taken over by the local authority, and these can work out between £4 and £5 a foot, but this is unlikely on newly built property.

THE incidentals are formidable, but the purchaser's chief concern is to know what mortgage he can obtain and what it will cost. "As much as can be got" is the motto of most mortgagors. The normal maximum advances on freehold property with vacant possession (based on the valuation or purchase price, whichever is the lower, and that usually means the valuation) are shown in these figures for a building society currently charging 6 per cent :

THE NORMAL MORTGAGE

Age of Property	Valuation	Normal advance	Normal advance	Maximum term of years	Monthly gross payment at 6 per cent
		Per cent			£ s. d.
Pre-1918...	£750	75	£560	20	4 1 8
"	£4,000	75	£3,000	20	21 17 6
1918-39....	£2,500	80	£2,000	25	13 1 8
"	£3,500	80	£2,800	25	18 6 4
Newly built	£2,500	80	£2,000	25	13 1 8
" "	£4,000	80	£3,200	25	20 18 8

These are typical figures, but some building societies are already charging more than 6 per cent. It is occasionally possible, indeed, to secure advances up to 90 or 95 per cent, either by a mortgagor's deposit of additional security, or under the Macmillan Act (with the local authority guaranteeing the excess advance) or through a mortgage guarantee insurance policy (usually requiring a single premium of 7½ per cent on the excess advance). Even 100 per cent advances are possible when an employer puts up a guarantee for his employee. But with money tight, all mortgages have strict quotas ; a good proportion of first-class risks are being turned away ; advances or the life of the loan are often reduced; priorities are given to existing investors or borrowers of the building society or to business introduced through such contacts as estate agents or builders associated with the particular society. And the older the house, the lower down in the queue comes the borrower.

Rates charged by a building society can be and usually are changed over the life of the loan. Normally this alteration in interest rates is accommodated not by a change in the monthly payment, but by lengthening the period over which the payments are made. When mortgage rates are high and the loan period already long, such an extension may be impossible, since the monthly payment would then contain a negligible repayment of capital and consist almost wholly of interest. As the years pass, the interest element in mortgage payments grows smaller and the capital repayment grows larger.

EXAMPLES OF MONTHLY COSTS

BUILDING SOCIETY MORTGAGE at 6 per cent for 25 years

Year	Gross Interest per £100	Principal per £100
	£ s. d.	£ s. d.
1st ..	6 0 0	1 17 0
5th ..	5 10 3	2 6 9
10th ..	4 14 6	3 2 6
15th ..	3 13 4	4 3 8
20th ..	2 5 0	5 12 0
25th ..	7 2	5 19 6
Total ..	£94 14 8	£100 0 0

BUILDING SOCIETY MORTGAGE at 6½ per cent for 20 years

Year	Gross Interest per £100	Principal per £100
	£ s. d.	£ s. d.
1st ..	6 5 0	2 13 0
5th ..	5 10 0	3 8 0
10th ..	4 6 3	4 11 9
15th ..	2 13 9	6 4 3
20th ..	10 0	8 6 9
Total ..	£77 18 9	£100 0 0

LIFE OFFICE LOAN against an Endowment Policy (without profits) at 6 per cent for 20 years

Age	Amount of Loan	Gross Premium	Net Premium*	Gross Interest	Net Interest*
	£	£ s. d.	£ s. d.	£ s. d.	£ s. d.
25	2,000	7 3 3	5 18 11	10 0 0	5 15 0
25	3,000	10 12 3	8 16 2	15 0 0	8 12 6
30	2,000	7 4 3	5 19 9	10 0 0	5 15 0
30	3,000	10 13 9	8 17 5	15 0 0	8 12 6
35	2,000	7 6 3	6 1 5	10 0 0	5 15 0
35	3,000	10 16 9	8 19 11	15 0 0	8 12 6
40	2,000	7 9 6	6 4 1	10 0 0	5 15 0
40	3,000	11 1 8	9 4 0	15 0 0	8 12 6

* Assuming tax at 8s. 6d in the £

A purchaser can, alternatively, try to secure a fixed interest loan for the full term, with no reduction if rates fall in later years. This he might do through a private lender, or through his local authority, though he will find that its current rate of interest (tied to what the Public Works Loan Board charges) is no less than 7 per cent. Or he can take out an endowment policy with a life office and secure a house purchase loan against it. Neither the endowment premium nor the loan interest will change from one month to another. One life office is currently charging 6 per cent, but will advance only 60 per cent of the valuation ; another offers bigger advances, close to the building societies' limits, but is charging 6½ per cent. The rates, varying from one office to another, are competitive, but endowment premiums increase with the age of the borrower ; the building societies allow for this age factor by limiting either the size or the life of the loan.

COSTS OF THE MORTGAGE

BUILDING SOCIETY

Mortgage Advance	Term years	Rate per cent	Gross Interest	Net Interest*	Total Net Outlays
		£	£	£	£
2,000	25	6	1,895	1,089	3,089
3,000	25	6	2,842	1,634	4,634
2,000	20	6½	1,559	896	2,896
3,000	20	6½	2,338	1,344	4,344

INSURANCE COMPANY

Loan on Endowment Policy (without profits) at 6 per cent for man aged 30 years

Loan	Term years	Net Endowment Premium*	Net Interest*	Total Net Outlays
£		£	£	£
2,000	20	1,437	1,380	2,817
3,000	20	2,129	2,070	4,199
2,000	25	1,383	1,725	3,108
3,000	25	2,043	2,588	4,631

* Assuming tax at 8s. 6d. in £.

Interest on house loans ranks for tax relief. On a building society loan, relief takes the form of a reduction in total taxable income (so that as the interest element in the payment diminishes, the relief and tax coding is adjusted). On loans against an endowment policy (the premiums on which also rank for tax relief under the life assurance rules), tax at the appropriate rate is deducted at source ; that is the borrower pays net interest to the life office. Thus, in comparing costs in the final table, interest and the endowment premium have been shown after tax at 8s. 6d. in the £.

Put in this way, the costs of home ownership, though they do not compare unfavourably with unsubsidised rents, are formidable. But social inertia and rent subsidies are more potent than these costs in explaining why only about one-third of the houses in this country belong to owner-occupiers, compared with nearly two-thirds in North America. Against these costs, the man with capital can set down the interest he loses by using up his capital to make a cash payment for his house. But most house purchasers—mortgages cluster around £2,000 and £2,500—have little capital. They can escape rent only through a mortgage. It is the one and only form of saving—compulsory in a sense—that many people do. But how many of them choose to do so without weighing the full cost of the mortgage, local rates and Schedule A tax ? Yet a growing number think the cost worthwhile to have a roof of their own—or a roof they can truly call their own when the last repayment has been made.

BUSINESS NOTES

IN THE MARKETS

Interest Rates at Work

A STRONG market in sterling and a further rise in gilt-edged, carrying the *Financial Times* index of Government stocks up from 80.26 to 80.58 in the week ended on Wednesday, have been the features of a market in which the widening differential of interest rates between this country and most foreign centres has become an important force. This week's sharp drop in the New York Treasury bill rate has called into being arbitrage business between London and New York. The London bill rate is now 6⅜ per cent and the New York bill rate 2⅞ per cent. The difference of 4 per cent, offset by a premium on the three months' forward dollar equivalent to an interest rate of 3⅝ per cent per annum, leaves a clear margin of about ¼ per cent on covered interest arbitrage between the two centres. This has led to some demand for sterling on American account, and partly explains the firm tone of the official dollar rate at about $2.81½.

Covered arbitrage involves the purchase of British Treasury bills matched by a forward sale of the equivalent sterling. It has little ultimate effect on the British gold and dollar reserves, because the bank which provides the forward dollars covers itself by a purchase of spot dollars. The main factor in the strength of sterling is still the continued commercial demand for sterling from North America, persisting despite the fall of sterling area commodity prices. That demand has been supplemented in the last few days by a little buying of long dated and even undated sterling securities on American account. The combination of these factors would have had a marked effect on the dollar rate, but for the quiet though persistent buying of dollars by the Exchange Equalisation Account, which should find its reflection in the January reserve figures, to be published early next week. Transferable sterling has also been in fair demand, strengthening from $2.7885 to $2.7895.

It is inevitable, as the market begins to see high interest rates in London getting to work and presumably pulling in gold, that people in the City should begin wondering, however prematurely, how long it will be necessary to keep the high interest rates in London pegged. If—the argument runs—the spring and summer are to pass without any relaxation, the tightening, which may become necessary in the autumn, when the seasonal pull is against sterling, could carry London interest rates very high indeed. That kind of thinking helped an industrial share market that seemed sold out to stage a rally with the start of the new account on Wednesday.

THE ECONOMY

A Brighter View of Output

IN the provisional estimates of industrial output for 1957 as a whole that they released this week, the official statisticians have revised upwards their indices for August, October and November, and have forecast a further slight improvement in the level of activity, after making allowance for seasonal factors, in December. These revisions do not significantly affect comparisons between 1956 and 1957—there was an increase, but of only about 1½ per cent, between the averages for the two years. But they tend to contradict the impression given earlier of a possible downward turn in the last few months of the year—a statistical sign which had been in line with the slightly more than seasonal increase in unemployment, the apparently continued shrinkage in the labour force at work, and reports of increased short-time working and redundancy in some industrial areas.

The apparent strength of output in December—seasonally adjusted, it looks at first sight to have been 140-141 per cent of the 1948 level—will have owed much to the remarkable level of production in the motor industry in view of the longer shut-downs than usual during Christmas week. Revisions for the earlier months derive mainly from more favourable assessments of manufacturing output (though not quite as favourable as Mr Butler's in last week's economic debate, when he managed to translate an increase over the first 10 months of about 2 per cent into one of 5 per cent).

Many industries report their output quarterly, not monthly, and some take a long time about it, so that slight revisions of this kind are always liable to be made to the index for several months back. It may be that intermediate engineering activity was being stimulated by demand for motor com-

INDEX OF INDUSTRIAL PRODUCTION
(Seasonally adjusted)
(1948=100)

	All industries 1956	All industries 1957	Manufacturing 1956	Manufacturing 1957
January	138	136	142	139
February	136	137	141	142
March	137	137	141	141
April	137	137	140	140
May	135	140	139	144
June	138	142	141	147
July	136	139	139	141
August	134	138	137	142
September	137	140	142	145
October	136	137	139	141
November	137	140	140	...
December	136	140–141	139	...

ponents: and though new orders are now not so easy to come by, the makers of plant and machinery are still delivering investment goods at a rapid rate. This revised record of production, it is worth noting, would seem to show no net result at all, as yet, from the tightening of the credit squeeze in September: it seems surprising that the timelag should be so long.

Rising National Expenditure

NATIONAL output as a whole, according to estimates of the Central Statistical Office based upon expenditure data, was 5 per cent higher in value in the first nine months of 1957 than in the corresponding months of 1956; after allowing for increased costs and prices, it was 1½ per cent higher in real terms. The whole economy, that is to say, moved precisely in line with industrial production, which would seem to imply a similar expansion in the other half of the economy—in agriculture, transport, communications, public administration, distribution and the service trades. However, what direct evidence there is of the increase in non-industrial output suggests that it was under 1½ per cent:

CHANGES IN EXPENDITURE AND OUTPUT

	Jan.–Sept., 1957 £ mn.	Changes between Jan.–Sept., 1956 and Jan.–Sept., 1957 £ mn.	Changes between Jan.–Sept., 1956 and Jan.–Sept., 1957 %	Estimated real change at constant prices %
Consumers' expenditure	10,200	+400	+4	+1½
Public authorities' current expenditure	2,679	+ 83	+3	−2 to −3
Gross fixed capital formation at home	2,465	+191	+8	+4
Value of physical increase in stocks and work in progress	510	+125	...	...
Exports of goods and services	3,445	+168	+5	+1¼
Total final expenditure at market prices	**19,299**	**+957**	**+5**	**+2**
Met by :—				
Gross domestic product	14,053	+702	+5	+1½
Imports of goods and services	3,357	+181	+6	+3
Net taxes on expenditure	1,889	+ 74	+4	+1½
Final output	**19,299**	**+957**	**+5**	**+2**

there still seems to be some discrepancy between estimates based on expenditure and those based on indicators of production.

Taking into account a 3 per cent rise in the volume of imports of goods and services, the CSO reckons that total resources available in the economy were 2 per cent greater in the first nine months of 1957 than in the same period of 1956. Personal consumption, which accounts for just over half of total demand, rose by 1½ per cent and took the largest slice of these extra resources. At the same time there was a real decline of some 2 to 3 per cent in the current expenditure of public authorities (the decline in central government outlay alone was somewhat greater). Exports rose only 1½ per cent in volume and the biggest increase was that of 4 per cent in fixed investment, heavily concentrated on vehicles. Over the nine months the rate of increase in investment rose in the public sector (particularly in transport and communications) but levelled off in the private sector. By the third quarter of the year private manufacturing industries were investing no more, in real terms, than they had been doing twelve months before.

Stockbuilding, according to this reckoning, seems to have continued throughout the first nine months of 1957, at a high rate: it is believed to have absorbed about one-third of the extra resources. Over the last three years the volume of stocks and work in progress has risen by an eighth—considerably more than the increase in industrial or total output during that time.

Rising Incomes—and Costs

FOR some time the Central Statistical Office has been edging towards estimates of personal income, expenditure and saving: these have now been published as a welcome addition to the latest set of quarterly national accounts. Wages and salaries account for two-thirds of personal income and their quarterly estimation is based on the PAYE tax returns made regularly to the Inland Revenue. From a sample survey of how quarterly figures of pay and tax were related in 1954-55, the CSO has translated the changes since then in total tax receipts each quarter into changes in the payroll, after allowing for any alterations in rates or allowances. Movements from one quarter to the next may be questionable—why, for instance, is there a fall in the second quarter of the year? But comparison between similar periods in one year and the next should give a reasonably accurate picture and this may be broadly true too of the estimates of other forms of personal income, although some of these must involve a fair measure of guesswork.

Wages and salaries once again led the way last year. In the first nine months they were 6 per cent higher than in the same period of 1956 but income from self-employment, rent, dividends, and interest rose by only 2 to 3 per cent and welfare payments by 4 to 5 per cent. (Consumer prices went up 2½ per cent between the two periods.) In total, personal income was 5 per cent higher before tax, 4½ per cent higher after tax. Since consumer spending rose only 4 per cent, it is deduced that people continued to save last year. The figure of saving not only embraces a wide definition but is a residual item and consequently a shaky one. Nevertheless the accounts suggest that personal savings in these nine months were some £100 million above the very high level reached in the same months of 1956.

The provision of these quarterly estimates of wages and salaries, prompts, it may seem ungratefully, the question once again as to whether the British statisticians could not provide monthly payroll figures as do the Americans. The trouble would seem to be that PAYE returns do not all

PERSONAL INCOME AND SPENDING
(£ million)

	Wages and salaries	Total personal income	Taxes & national insurance	Consumer expenditure	"Saving"
1956 1st quarter	2,730	4,120	622	3,087	411
2nd "	2,725	4,251	470	3,318	463
3rd "	2,785	4,264	553	3,395	316
4th "	2,850	4,415	486	3,609	320
1957 1st "	2,905	4,339	674	3,195	470
2nd "	2,870	4,444	502	3,449	493
3rd "	2,960	4,484	586	3,556	342

relate to the same period—some, for instance, will be sent in every four weeks, others every five weeks. It would be a pity, however, if such procedural differences were to kill this idea. But the next step forward from Great George Street seems likely to be the quarterly assessment of company profits which it is hoped will start later this year.

LOMBARD STREET

National Discount Accounts

THE balance sheet and chairman's statement of the National Discount Company do not clear up the points raised by the preliminary profits statement. Commander Level Coke states that the balance of profit is "calculated upon the same principles as heretofore, and after making a provision towards securities depreciation." But there are differences in the descriptions of how profits are struck and in the auditors' certificate, that leave many matters obscure. The 1956 accounts stated that the balance of profit had been struck after "making a provision towards securities depreciation"; the 1957 balance, it is stated, includes "the excess of amounts added to the book values of securities for customary amortisation of discounts on short-dated securities purchased below redemption values over a provision made towards securities depreciation."

The argument of the management appears to be that it has always been the company's practice to write up the values of securities bought below par, anticipating part of future redemption profit, just as it has always been the practice to write down securities bought at a premium. But many people will feel that there is a material difference between a net writing down of the portfolio (as in 1956) and a net writing up, as the latest accounts show, when this writing up coincides with a larger uncovered gap between the market value and the book value of the National's portfolio. The auditors draw attention to the increase in disclosed depreciation, from £2.5 million to £3.1 million (on a bond portfolio reduced from a book value of £83.6 million to £67.9 million); they do not draw attention to what is presumably an element in this widening, the change in the definition of the valuation from "at or under cost and below their redemption values" at the end of 1956 to "at cost plus a proportion of discounts on short-dated securities purchased below redemption values" in the latest balance sheet.

The logic of the National's book-keeping over the years seems to be to disregard fluctuations in capital values which are expected to have no ultimate bearing on the profitability of the business. That is the argument that is brought in to justify the anticipation in 1957 of part of the future redemption profit on the bonds—a system that would equally understate the favourable effect of any downward movement of interest rates. The profit as shown brings into the accounts of a particular year the expected share of a future capital profit that will eventually be realised—provided that the bonds are held to final redemption and the company is not forced to make premature realisations. The average life of the bond portfolio is again stated to be just under three years, and the directors may argue that there is no undue risk in booking an instalment of profit on them, as they did last year. But it is still a profit that is contingent on events, and not one that has been earned in any final sense. Moreover, the National does not charge against current profits the losses realised during the year on sales of securities; it is not easy, indeed, to see how this loss was covered. As defined in the National Discount accounts the profits figure means very little to shareholders or the public; and it would be kind to describe the small increase (from £202,103 to £208,117) shown for a year of admitted difficulty, in which the two other leading houses both show lower profits, as a paradox.

"I Am the Market . . ."

BOTH the Union Discount, the giant of the market, and Alexanders, that also makes up its book at the year end, show, like the National, a reduction in their bond portfolios and an increase in bills. Alexanders shows only a fractional reduction in its securities portfolio, at £31.8 million, and an increase in bills of just over £10 million, to £70.6 million. But the Union shows bills up by £21.4 million, to £185 million, and bonds, at less than market value, down by £14.5 million, to £58.2 million. The chairman, Lord Kennet, refers to the company's aim "in these difficult days with their uncertainties about Bank rate, to trim the ship by reducing our holdings of bonds, in length of maturity and in amount, and by promoting business in bills." The contingent liability on commercial bills rediscounted is up from £21.3 million, to £34.5 million, the highest ever.

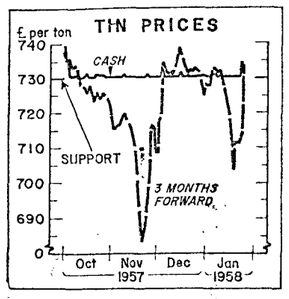
Impressive new information about the business of the Union Discount was also given by the manager, Mr Arthur Trinder, in his evidence before the Bank rate tribunal. The Union's turnover of bonds, Mr Trinder revealed, averaged in 1956 some £31½ million a week; turnover of bills averaged rather more than £88 million a week. Immediately before the Bank rate increase on September 19th, the bond book was between £80 and £85 million. This clearly implies a substantial run down between then and the end of December, part of which presumably resulted from the encashment in November of the maturing 2½ per cent Serial Funding Stock. But sales of some £12 million, Mr Trinder stated, were made in the week following the increase in Bank rate.

Mr Trinder was asked by the Tribunal why, since he himself expected some increase in Bank rate, he sold after and not before. The answer highlights this company's peculiar limitations: "I am the market in certain short bonds, so therefore I have to sit tight and do nothing. . . . The market is not big enough for a company like the Union Discount to move effectively in one day." Technically, when disposing of large blocks of securities, Mr Trinder does not sell: "you do not offer stock; you say to a broker if he sees a buyer will he bid you."

TIN

Tin Council's Firm Decisions

WITH much needed vigour the International Tin Council has fought back a second crisis of confidence in the metal. The chart shows how forward tin was sold down to a discount of more than £27 a ton below the cash price as last week's meeting of the International Tin Council approached. The assumption of those who were selling must have been that the Council would not, or could not, hold the cash price at £730 a ton. There were some grounds for such scepticism: between the last days of November and the end of December the buffer stock had to buy 5,000 tons of tin. In the market there is little doubt that it has continued to take in tin at about 1,000 tons a week in January, and that upwards of 17,000 tons of its buying capacity of just over 23,000 tons must have been committed. To show its firm intention, the Council made four decisions:



(1) It disclosed that it had called up on December 30th the final contribution to the buffer stock, thereby admitting that the buffer stock then held 15,000 tons.

(2) It extended the present quota period during which 27,000 tons may be produced from March 14th to March 31st. That makes the period 3½ months instead of three for the same quota and makes the rate of restriction 40 per cent (60,000 tons per annum) instead of 28½ per cent (just over 40,000 tons per annum).

(3) Exports were fixed for another quarter—April-June, 1958—at the same rate of restriction, i.e., at 23,000 tons for the three months.

(4) Delegates unanimously agreed to recommend their governments to consider the creation of a special fund to be put at the disposal of the buffer stock manager. That implies an addition of undisclosed amount to the buffer's buying power.

TIN OUTPUT QUOTAS

Country	Percentage	Quota 3½ months Dec. 15–Mar. 31 tons	Quota 3 months Apr. 1–June 30 tons
Congo	8·95	2,416	2,059
Bolivia	20·43	5,516	4,697
Indonesia ..	20·43	5,516	4,697
Malaya	37·50	10,625	8,625
Nigeria....	5·34	1,442	1,283
Thailand ...	7·35	1,985	1,690
Total....	100·00	27,000	23,000

On any sort of arithmetic, though not necessarily on every sort of psychology, the Council has done enough to stop the rot. Calculations of the gap between unrestricted supplies and expected consumption range around 30,000 to 40,000 tons a year. Restriction is to be at the rate of 60,000 tons a year. The tin which is now reaching the buffer stock manager in embarrassing quantities represents the reduction of surplus stocks by consumers and supplies that had reached the pipe line before restriction took effect on December 15th. The pipe line should be drained within a couple of months.

Prospects for the Scheme

THERE are many in the tin industry who doubt the wisdom of the decision to make the floor price £730 a ton instead of £640 as originally proposed. A restriction scheme with a low support point is always stronger than one with a high one; the element of defence for the marginal producer at the expense of his more efficient neighbour is less, and the incentive to producers outside the scheme to increase their output is much smaller. But nearly all the critics now see that a retreat on the support point when the scheme is facing its first serious test would kill it. For the moment those who favour a low price policy must be content with the fact that the buffer stock manager has been given permission to sell in the neutral price range starting at £781 a ton—if he gets there.

Tin restriction is now causing unemployment in the producing countries and must be biting hard into profits. Nevertheless, it appears that it can be made to work on two assumptions. First, it must be supposed that the British Government will continue to refrain from sales from the British stockpile, and at this price level the assumption is believed to be well founded. Secondly, it must be assumed that the American stockpile, with holdings of tin which could easily swamp the buffer, will still maintain a benevolent neutrality. Given those two assumptions, confidence among consumers should be gradually restored, but there is a long way to go. America, much the largest consumer, has drastically curtailed its takings of tin from Europe and from Malaya. Shipments to the United States, normally in the region of 5,000 tons a month, dropped in November to 1,380 tons and in December to 1,104 tons.

MOTORS

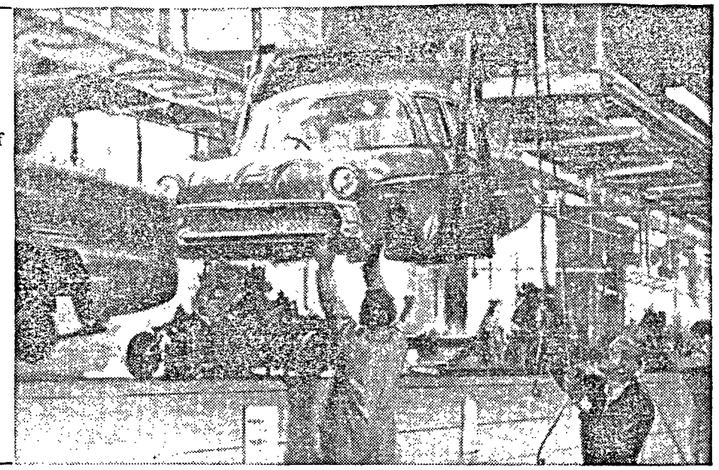
Space for a New Standard

THE only two firm points in the flurry of speculation that has arisen this week over Standard Motor's future plans are that it has rented a factory in Coventry from the Ministry of Supply and that it intends to use it for extra facilities in the further expansion of its car production. Neither is strictly new: in his last annual statement Lord Tedder revealed that the company were negotiating for extra premises for, as he then stated, "the introduction of motor car paint and trim facilities" and that it was working on a new car model programme, for which it had retained the services of the Italian designer Giovanni Michelotti.

What the new factory, which was formerly used by the Daimler organisation and runs to 280,000 square feet, will actually be used for has not yet—so Standard say now—been decided. But the company is up against two major bottlenecks at the moment. The tractor plant at Banner Lane is running virtually at its full capacity of 100,000 a year—actual production has now reached the annual rate of 95,000 tractors—and if that is to be increased significantly more space will have to be found somewhere. And the company's car and commercial vehicle output is now running at the rate of 85,000 a year which is the limit of its own and its sub-contractor's body-making capacity, though well short of Canley's assembly line capacity which could reach 130,000 a year. Whether Standard uses the new plant at Radford to expand its production facilities, or whether it shifts various ancillary departments from Banner Lane and

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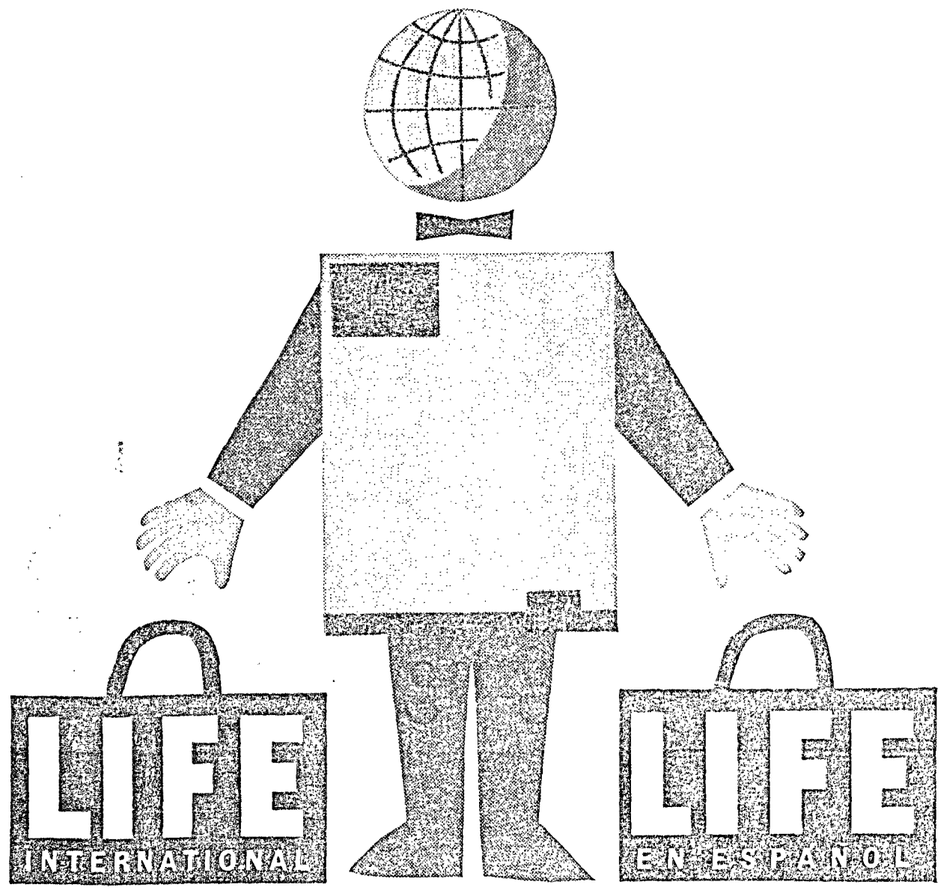
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Conley to Radford so as to keep production nearer the final assembly lines, remains to be seen. The company intends to spend about £1 million over the next two or three years on the whole scheme, and hopes to bring Radford into operation within twelve months.

Guesses about the new car are heavily in favour of a lightweight model with several new engineering features—automatic transmission and independent suspension have been suggested. But Standard is keeping silent: all it is prepared to say is that "the new model has been evolved after intensive world market research, because it is intended for exactly that—the world market."

THE ESTIMATES

£154 Million of Supplementaries

THE story of the estimates, on which Mr Thorneycroft resigned, was not carried any further by last week's economic debate in Parliament, but in one respect the budget accounts were made to look a little better than they seemed before. The expected supplementary estimates for 1957-58 for agriculture were presented only just before the debate, for an amount of nearly £54 million (of which £45 million was attributable to the additional cost of the domestic price guarantees in consequence of the fall in world prices), and the Chancellor stated in the debate that the further supplementaries for 1957-58 to be presented shortly will total about £100 million. The year's gross addition will thus be about £154 million, which is appreciably less than had previously been rumoured. It is now known that part of the addition will be for defence. The underspendings on other votes to be set against the supplementaries will not be known until the end of the year, but the Chancellor emphasised that they will be "considerable." The totals of the defence and civil estimates for 1958-59 are expected to be published towards the end of February.

BANK FIGURES

The Credit Trend

THE statements of the clearing banks for mid-January, following hard on the heels of their end-year balance sheets, suggest that the steepening in the curve of credit expansion reflected by the end-December figures may have been exaggerated by special temporary influences. The January statements also show the extent of addition to the clearing banks' gilt-edged portfolios occasioned by the issue of the 5½ per cent Exchequer Stock. Bank investments rose in the first fortnight of January by £33¾ million; a larger part of that must have been purchases of the 5½ per cent Exchequer stock. The gross take-up of this new issue was surely notably larger than the net figure, since the Government broker was selling it against the maturing 4 per cent Conversion Stock and other bonds.

The banks' net deposits fell by £124 million in the two weeks, following their rise of £211 million in the last six weeks of 1957. The turn-round in gross deposits was still more marked, owing to the swelling of balances in the clearing at the year-end. The best indicator of the latest credit changes is to compare the January with the November statements. In these eight weeks net deposits rose by £156 million, compared with an increase of £135 million a year before; liquid assets were up £132 million, a little less than a year before; and advances fell by £15 million. Borrowers other than the state boards repaid £34 million,

LONDON CLEARING BANKS

	Jan. 15, 1958 (£ million)		Change since Nov. 20, 1957	Change since January, 1957
Deposits	6,709·7		+201·0	+176·4
"Net" Deposits*	6,392·1		+156·2	+168·6
		% †		
Liquid Assets	2,536·1	(37·8)	+132·0	+ 68·8
Cash	550·3	(8·2)	+ 16·2	+ 25·3
Call Money	423·3	(6·3)	+ 11·3	— 42·1
Treasury Bills	1,434·8	(21·4)	+110·7	+131·4
Other Bills	127·7	(1·9)	— 6·2	— 25·7
Risk Assets	3,941·4	(58·7)	+ 30·0	+ 85·2
Investments	2,082·4	(31·0)	+ 45·1	+ 50·2
Advances	1,658·9	(27·6)	— 15·2	— 5·0
State Boards	77·5		+ 19·3	— 17·6
All Other	1,781·4		— 34·5	+ 12·5

* Excluding items in course of collection.
† Ratio of assets to published deposits.

compared with £25 million in 1956-57. This trend of rising liquidity and falling advances apparent since the rise in Bank rate is likely to be sharply reversed in the current weeks as the big tax payments fall due.

ATOMIC APPOINTMENTS

Strengthening the Board

CONSIDERABLE internal reorganisation seems to be going on within the Atomic Energy Authority following fairly sharp criticisms in the first of Sir Alexander Fleck's three reports. The Fleck report, however, merely provided an excuse for making changes which some members at least on the Authority's board believed were long overdue. It was noticeable that when Sir Christopher Hinton left the Authority at the beginning of the winter, his post as director of the industrial group centred at Risley was taken over by his deputy, Sir Leonard Owen, but his seat on the Board was not. Indeed, it remained unfilled until last week, when W. R. J. Cook, the deputy director of the weapons group at Aldermaston, was formally appointed as the director "responsible at Board level for policy questions concerning the Authority's factories and the engineering aspects of the Authority's work."

It was not only Sir Christopher who was carrying out two man-sized jobs. The AEA is divided into three groups—research centred at Harwell, engineering centred at Risley, and weapons at Aldermaston. Both Sir John Cockroft and Sir William Penney, directors of Harwell and Aldermaston respectively, were doubling this executive work with responsibility for policy and planning in these fields. Sir John has now given up the post of director of Harwell to concentrate wholly on research policy, and Sir William Penney will do the same when a replacement can be found for him at Aldermaston. The changes illustrate the transformation that has taken place in atomic energy even since the Authority was formed five years ago. Its plants have completed the metamorphosis from inconsequential, unpredictable adolescence into a middle-aged jog-trot with its occasional bursts of bad temper, as at Windscale. They do not any longer require babying along by the country's foremost scientists, whereas future policy does need their whole-time attention. Particularly difficult questions must be

decided during the next few months about reactor development, and in particular the eventual impact of fusion. Important decisions also need to be taken about the new research centre at Windfrith Heath, how it is to be staffed and what work it should do. Some of these are decisions that should rightly have been taken a year or eighteen months ago. The backlog of work facing the board is considerable.

STEEL

How Not to Get Grabbed

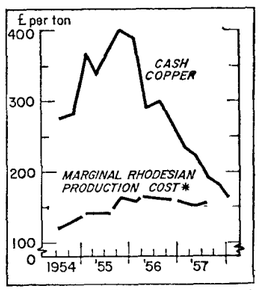
CHAIRMEN of the major steel companies are united in their determination to oppose renationalisation of steel to the last; but somewhat disunited over just how to go about this. Stewarts and Lloyds this week received overwhelming support from their shareholders for the resolution the board had proposed pledging support to a vigorous "Mr Tube" campaign against the Labour party's declared intentions. Dorman Long's board did not itself propose any such resolution, but supplied the wording for one proposed by a shareholder at an informal meeting following upon its annual meeting; and the board of United Steel accepted a similar resolution proposed by one of its shareholders at its annual meeting on Thursday. Sir Walter Benton Jones, in a special statement supplementing his remarks circulated with the company's report and accounts, said "It would be wrong to suppose that companies which have not [asked for a resolution approving of active opposition to nationalisation] will not be equally active. In our case . . . we feel sure we already have the full support of the shareholders for anything we do."

Sir Walter added that the steel companies were going to organise their opposition through "courses which we hope will be co-ordinated." The British Iron & Steel Federation has clearly worked out a broad strategy for propaganda on behalf of private ownership in steel: its current factual prestige advertising, emphasising ambitious plans for expansion, excellent labour relations, and the good impression the industry makes on independent observers, is a model of its non-controversial kind. Clearly there can be more opinions than one about the right places to which one's arguments should be addressed, the tone appropriate at any time, and the time, perhaps, to change one's tone. The federation is clearly disinclined to get into head-on collision too soon with proposals Labour has still never specifically set out: and it is clearly embarrassed about the possibility that "Mr Tube" may believe it essential to do just that and that such views may have more appeal for shareholders than any more fabian tactics in defence of private enterprise in steel. This is strictly a domestic matter for the industry, upon which the sympathetic outsider simply cannot offer useful advice. The predicament is gravely harming the industry's chances of raising capital for expansion, as Labour is well aware; nor will that prevent the party from attacking it for not expanding enough, when the time comes. But it seems doubtful whether Mr Harald Peake's request to the Labour party and the trade unions to decide and disclose their policy soon would necessarily benefit the industry. Labour is committed to the principle of renationalisation, and are unlikely to change that by any decision for the present; the longer it remains uncommitted to any irrevocable pattern, perhaps the better.

COPPER

The Cartel that Never Was

LAST of the important copper groups to agree on a 10 per cent cut in production is Rhodesian Anglo American, which has now decided to reduce its planned output for 1958 by 27,000 tons to 243,000 tons. It will do so in a most ingenious and intelligent way. Its Bancroft mine, which was intended to produce 40,000 tons this year, will cease production for a year. But the other two mines in the group, Nchanga and Rhokana, will not cut output—indeed, they will increase their production by 13,000 tons. By way of compensation to Bancroft they will pay the interest on Bancroft's £3 million of 5 per cent notes and £6½ million of 6 per cent loans; they will also pay the cost of Bancroft's pumping and primary development which will be pushed ahead. Nchanga and Rhokana will thus fare better than they would have done if they had cut production, and Bancroft, which turns out to be a wet mine with a production cost for its first nine months of the order of £400 a ton, will have had a breathing space in which to get its basically valuable property in order. Last year it incurred a loss of £1½ million. It would have had no chance of avoiding a loss this year, and at 10s. 6d. its 5s. shares will become the speculative counters for those who want to take a view of copper cheaply.



* Based on Roan Antelope and excluding replacement.

Concentration of the impact of necessary curtailment on the least efficient producer, an increase in production from those units that can still make profits and preparedness to meet an expanding market when it comes are all features of the Anglo American decision and are all worthy objectives. It remains pertinent to ask: "Ten per cent curtailment below what level?" The Anglo American group restricts 10 per cent below its planned production for 1958. Final figures of actual production for 1957 are not available, but it seems likely that the restricted production for 1958 will exceed by some 10,000 tons the unrestricted production of 1957. Rhodesian Selection Trust, father to the cartel that never was, has virtuously restricted by 10 per cent below actual production for 1956, but has claimed an exception by insisting on a reasonable output for Chibuluma (which was not then producing). It is quite obvious that a total of the voluntary production cuts, from Chile, from the Congo, from most American producers, and from the two Rhodesian groups, mostly nominally of 10 per cent, but all below different datum lines, has no very precise meaning. For what it may be worth, the total seems now to be approaching 250,000 tons. It is significant that producers are trying to close a gap between production and consumption which was calculated to be about 200,000 tons a year ago. That gap must now be wider, and the market still fears that the producers have done too little and too late.

(*Continued on page 432*)

Zero Energy Thermonuclear Apparatus

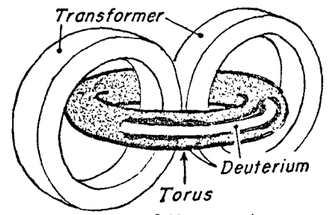
THE scientific papers released on Friday last week show how Britain and the United States stand in relation to each other in thermonuclear research. British scientists claim, to quote Sir John Cockcroft, to be "90 per cent certain" that they have achieved controlled thermonuclear fusion. The Americans do not.

How British scientists have done this, the physical processes they used and the implications of their success were discussed in an article in *The Economist* of January 4th. In the seven scientific papers, two of them British and five American, that have now been published, the following facts emerge:—

1. Serious research in thermonuclear fusion began in Britain in 1947. No work was started in the United States before 1951, and it was not given serious consideration before 1953.

2. The Zeta apparatus at Harwell consists of a hollow ring of ¼ inch gauge aluminium one yard in bore and three in diameter, linked by the iron core of a vast pulse transformer; fifty scientists have been engaged on it; it took two years to build and cost £300,000. Zeta is much bigger than any similar apparatus in the United States. So even is AEI's Sceptre III, which is one-third the size of Zeta and cost £10,000. Most American equipment for thermonuclear research consists of straight tubes of up to 24 inches long which give only limited results. The one ring-shaped (or torus) apparatus used for this research in the United States is the University of California's Perhapsatron; this is a small glass ring two inches in bore.

3. Size has an important bearing on thermonuclear reactions. Extremely high temperatures are needed and they must be held for a reasonable period, ideally for about a second. The trick is



Concentric magnetic fields squeeze hot gas to a dense column floating in middle of the torus, axial fields keep it smooth

to keep the gas in the torus tube from touching the walls of its containing tube. When that happens, its temperature drops immediately and fusion cannot occur. The bigger the bore of tube, the more room is given for the column of gas to avoid the walls.

4. Both countries have reached high temperatures—5 million degrees C in Zeta, nearly 4 million degrees in Sceptre III, and an estimated 6 million degrees in Perhapsatron. High temperatures have been held much longer in the British experiments—on Zeta five-thousandths of a second; and on Sceptre, one two-thousandth. American workers have not yet sustained such extreme temperatures for more than one or two millionths of a second. The difference between these small times is itself immense. British scientists have achieved a substantial measure of control over the hot surging gas used in the fusion process; without such control no workable system for obtaining power from fusion would be conceivable.

5. The first evidence from Zeta that controlled fusion was possible dates from August 30th last year. Sceptre III followed on November 25th. In the United States Perhapsatron began to get high temperatures for much shorter periods on December 17th. The most interesting difference between the results shown by Zeta and Sceptre is that the latter uses only a fraction of the power that Zeta needs; this difference is explained by sharp differences in working pressures and techniques rather than by Sceptre's smaller size.

THE next step is to get much higher temperatures in Zeta, and to design bigger apparatus with about the same bore of tube, but substantially greater diameter, capable of reaching 100 million degrees temperature. Here, it is hoped, may be the forerunner of an actual fusion power system.

Zeta's temperatures are limited at the moment by the amount of current that can be run in to heat the gas. The condensers now installed cannot give more than 200,000 amperes, and extra condensers are being fitted to raise the current to 500,000 amperes. Temperature rises rapidly as current is increased (proportionately to the square of the rise in current), and by this time next year Zeta should be running at 30 million degrees.

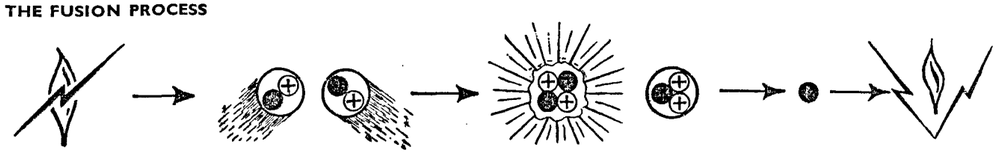
To this, however, there may be one important qualification. One of the most important of the five American papers, a theoretical comment by Professor Spitzer of Princeton on the Zeta results, points out a real discrepancy between what theory says should happen inside Zeta, and the rapid heating that actually takes place. "Some unknown mechanism," he writes, "would appear to be involved," and British scientists are inclined to agree with him. Up till now, this unknown mechanism has been on their side; it may not always be so co-operative.

WHY HEAVY HYDROGEN?



A hydrogen atom has a single positively charged particle balanced by one electron. One in every 3,000 atoms is deuterium or heavy hydrogen. This has a second, uncharged particle in its nucleus. Nuclei repel each other but the presence of the second uncharged particle in the deuterium atom weakens this repulsion and is the starting point for fusion.

THE FUSION PROCESS



Extreme heat causes . . . collisions among deuterons which fuse into . . . helium, release a neutron and three million electron volts of energy.

STOCK EXCHANGE FEES

Refurbishing the "House"

IN Throgmorton Street the shrewd man looks for his hedge against inflation. But the costs of running and improving the services of the Stock Exchange are themselves subject to inflation. Routine costs have risen; provision against the redemption of debentures has to be made; the compensation fund is to be built up to £250,000 in the next six years; publicity demands a growing share of the budget; and in not more than twenty years' time it is hoped to rebuild the London Stock Exchange itself. The Council, therefore, hopes to build up a fund of £1,500,000 which together with a mortgage would finance a building costing £4,500,000.

That is the background to the plans the Council has just announced for increasing the annual income of the Stock Exchange by about £120,000. Two thirds of that sum—£80,000—will be found from members' pockets and the other third—about £40,000—from an increase in quotation fees paid by companies whose securities are quoted on the Stock Exchange. No part of it falls on the main users of the Stock Exchange's facilities—the investing public. The proposed changes are detailed in the accompanying table. They have to be accepted as inevitable for an institution whose business seems likely to be concentrated more and more in the hands of a smaller number of member firms.

Members' Subscription Fees

	Old Rate gns.	New Rate gns.
Active members	40	65
	50	75
	60	80
	85	100
	105	115
Retired members	30	40
	40	50
	50	60
	100	105

Clerks' Subscription Fees

	Old Rate gns.	New Rate gns.
Authorised clerks	30	40
	50	60
	100	110
Unauthorised clerks	15	25
	30	40
Settling room clerks	10	15

Entrance Fees

A member entering the Stock Exchange with three sureties will continue to pay an entrance fee of 1,000 guineas and a member entering with two sureties one of 500 guineas.

The entrance fee for authorised clerks is to be raised from 50 to 60 guineas and for unauthorised clerks from 15 to 20 guineas.

Quotation Fees

Quotation fees for amounts under £1,000,000 remain unchanged, but the flat rate of 500 guineas for amounts over £1,000,000 has been changed to the following scale:—

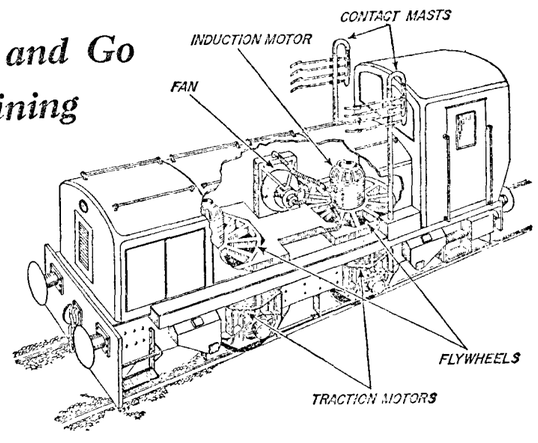
£1 to £2½ mn.	...	750 gns.
£2½ „ £5 „	...	1,000 „
£5 „ £10 „	...	1,500 „
£10 „ £20 „	...	2,000 „
Over £20 mn.	...	2,500 „

SMITHFIELD FIRE

Insurers Count the Cost

THE losses of the fire insurers become news when a great conflagration occurs like the burning out of the poultry section of the Smithfield market. The London insurance market—and the risk is well spread through it—will have to pay the City Corporation, which owns the market, about £1 million; perhaps another £500,000 has been lost in tenants' equipment and stock. This loss may be spectacular,

Push and Go in Mining

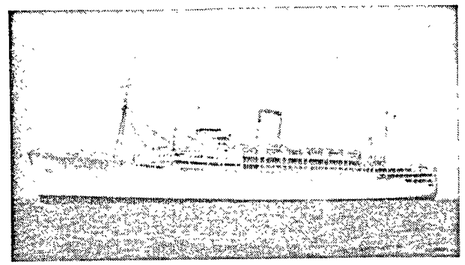


THE idea of putting energy into flywheels so as to harness the spin put into them after the initial charge has been stopped is not new. Nor is the idea of storing energy in a vehicle while it is stationary to drive it when it moves off. The "fireless" locomotive that gets its steam from stationary boilers has been used in shunting yards for many years; so have electric battery delivery vehicles, which function on a similar principle. The two notions come together in miniature in the child's "push and go" toy. Now this combination is being studied for full size vehicles: in Italy in suggestions for an electrogyro bus which would run on city transit services, charging its flywheels at convenient halts; and in this country in an electrogyro locomotive developed by the National Coal Board in conjunction with Sentinels and Oerlikon.

To charge the NCB locomotive a contact mast is swung out to connect with the power supply; the electricity drives two induction motors which set the two 1½-ton flywheels (a tenth of the locomotive's total weight) spinning up to their maximum operating speed of 3,000 rpm. The kinetic energy thus stored in the spin is sufficient, on reconversion into electric power and supplied to the two traction motors, to drive the locomotive for 30 minutes at a speed of 15 mph. It takes about 2½ minutes to charge the locomotive, by which time the equivalent of 18 kWh is stored; about 12 kWh is used by the time the flywheels have slowed down to their minimum operating speed of 1,800 rpm. The locomotive has four forward and four reverse speeds, and the gyros are enveloped in hydrogen at reduced pressure which acts as a coolant and reduces loss of gyro rpm.

The prototype is now undergoing surface trials in Northumberland; if proven technically and economically the construction of a fireproof underground locomotive will probably follow. It will be interesting to compare its practical efficiency with electric vehicles that store power by battery: anything that brings electricity into the field of motive power for vehicles independent of any lines is worth watching.

It's good living on board a P&O ship



One of the most pleasant aspects of a P & O cruise is the high standard of comfort in cabin and public rooms. Here you settle down at once. Everything around you says 'welcome, relax and forget the fretted world for a while'. Your cabin becomes a place of slippered comfort when the excitement of the day is over. Sound sleep prepares you for the delights and experiences of the next day. This 'make yourself at home' feeling sets the key for a truly wonderful holiday that will benefit health and outlook long after the cruise is over.

Ask for the full cruising programme from your local Travel Agent or direct from

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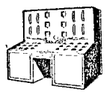
His Future?

This Voluntary Society has 4,500 Boys and Girls in its care (including spastics, diabetics and maladjusted) depending on YOUR HELP

LEGACIES can help us in the years to come.
DONATIONS can help us NOW

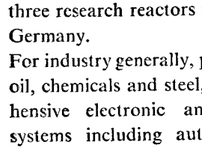
CHURCH OF ENGLAND
CHILDREN'S SOCIETY
formerly WAIFS AND STRAYS
Old Town Hall, Kennington, London, S.E.11

SUNVIC CONTROLS PROGRESS



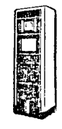
More complex industrial processes — increasing need for competitive efficiency—they both make great demands on control methods and we are continuously perfecting more advanced techniques.

We have developed a unique safety monitoring system for Berkeley, the first commercial nuclear power station, in addition to supplying considerable instrumentation for this and three research reactors in Britain and Western Germany.



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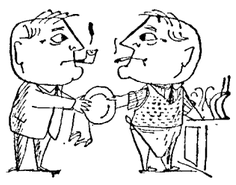
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SC/63



the things they say!



Yes, but is this Profit-Sharing scheme actually doing you I.C.I. people any good?

Judge for yourself! Last year I.C.I. Ordinary Stock worth about £3,500,000 was handed out to more than 50,000 employees.



And one mad rush by everyone to sell their stock for a bit of ready cash, eh?



Far from it. So far, only about a quarter of the stock involved has been sold. Most of our people seem to like the idea of having a personal stake in their own Company.

ICI

AA

but few years pass without some serious fires at home or abroad. As the Smithfield outbreak showed, fires can spread with disconcerting rapidity. Fire prevention in recent years has had to contend with increasing concentration of industrial production and with massive storage in big buildings without adequate fire brakes.

Last year three fires in this country caused damage of more than £1 million. The worst of them—the Jaguar fire at Coventry—cost more than £2 million and exceeded the expected loss on Smithfield. Nevertheless, it is not expected that last year will turn out too badly for fire insurers. Estimated fire damage in Britain and Eire in the first eleven months of 1957 at £24¾ million was slightly less than in the corresponding period of 1956. For each of the previous two years total fire wastage has been about £27½ million.

SCOTTISH BANKS

Charges Raised

SCOTTISH banks have long distinguished themselves from their larger English brethren by maintaining a standardised and published scale of charges to credit customers. From March 1st, in accordance with notice given last May, those charges will be increased. The banks point out that charges have been stable since 1952; meanwhile administrative costs have risen, advances have been held down by official requests, and the rise in interest rates has not been favourable to the Scottish banks, with their high ratio of deposit accounts.

The general increase in charges—which will not apply to the London offices of the Scottish banks—will be rather more than 50 per cent, but the opportunity is being taken of amending the basis of the scale to conform more closely with costs. Current accounts are to be charged at 30s. for each ledger page of 40 entries, debit or credit ; the minimum charge will be 12s. 6d. a half year. As in the past, the charge will be offset by an allowance, increased from 6d. to 9d. for each £100 of the minimum daily credit balance on the account during each calendar month. Accounts that are especially expensive to handle because of unusually large cash transactions or for other reasons will be subject to an additional charge arranged with the customer.

The customer of a Scottish bank may still be slightly better off than many customers of one of the clearing banks. His 9d. an entry compares with a basis of charging that varies considerably, and is often not known to the customer concerned, but is generally believed to average round about 1s. an entry. But by no means all bank accounts in England are charged on ledger entries.

GRAMOPHONE RECORDS

Going Stereophonic

THE BBC's experiments in stereophonic sound can be taken as a curtain raiser for the arrival on the market, probably in about twelve months' time, of the first stereophonic records. "Three-D" tape recordings of the kind used by the BBC have been on the market for several years: these tapes have the sound recorded in two channels rather as a stereoscopic film is photographed from two angles. It takes three pieces of equipment to play them ; a tape deck with a special amplifier and two separate loudspeakers placed at an angle so that their sound meets at a focal point, just as the two images of a 3-D film meet on the screen. This is essentially equipment for the high fidelity enthusiast interested in sound reproduction for its own sake: the tapes cost between £2 and £3 for the equivalent of a long-playing record, and the reproducing equipment runs from £150 to £400. But the record companies have found there is also a prejudice against recordings on tape, which is difficult and delicate to handle. They have devoted considerable ingenuity to finding means of producing a 3-D disc and record players to play it.

The disc itself has not proved difficult. Since the development of plastic materials for long-playing records the limitations associated with the shellac disc have vanished. For stereophonic sound the disc, like the tape, must have two separate sound channels. The stylus now picks up impressions from lateral indentations on the disc ; it is not too difficult to introduce on to the same disc what the companies call "hill and dale" impressions to provide the second sound channel. It is much more complicated to design a pickup head that will operate simultaneously in two directions, laterally and up-and-down, so that it plays both channels at once. This pickup will also have to be able to play conventional records—at each of the three speeds in which they are produced.

EMI have already announced that it might be ready to release limited numbers of stereophonic discs in a year's time, at prices not markedly different from those of stereophonic tapes (of which EMI is almost the only British supplier). Decca is working to roughly the same timetable and expects that records and players for them will already be on sale in the United States this autumn. The most important decision still to be taken is on standardisation of the 3-D system and the pickup heads to play it. This time, the companies hope to avoid the mistakes they made over the introduction of long-playing records where the variety of speeds have resulted in unnecessarily complicated record players. Stereophonic record playing equipment is not going to be bought unless it can handle all makes of stereophonic discs on sale, and all types of conventional "monaural" discs as well. The system must therefore be standardised in advance and accepted by all makers of equipment likely to be used with stereophonic recordings. In an industry where competition of almost primitive ferocity prevails, this could prove the biggest stumbling block of all.

MANPOWER

Recruits from Abroad

AMONG the 188,796 immigrants who took up jobs here last year, and thus started to stamp insurance cards, were two men that the Ministry of Pensions and National Insurance could only classify as having migrated from the Antarctic. They had been there, to further the activities of the International Geophysical Year, for at least the six months that are necessary to break off membership of the National Insurance scheme. Though the Ministry's records of overseas entrants to National Insurance can thus include citizens of this country, formerly employed here, who have been abroad, uninsured by the state, they provide the best estimates available of the accretions to our manpower through overseas immigration.

Last year's total of new overseas card stampers was greater than in 1956, the first year these figures were extracted from the Ministry's files at Newcastle. But this was only because of the arrival of thousands of refugees

from Egypt and Hungary: disregarding these, the additional manpower was rather less than in 1956, 170,769 against 177,272, which is what one would have expected as the news of the easing of Britain's labour shortage began to be noised abroad. There were fewer new arrivals from almost every main parent country—except Eire—and the number of West Indians fell sharply from roughly 29,000 to 18,500. The Irish element continued to flow strongly, probably because the easing of the labour shortage here was

OVERSEAS ENTRANTS TO NATIONAL INSURANCE

	1956	1957
From :—		
Commonwealth countries	28,750	29,900
Colonies, Protectorates, etc.	42,750	29,300
Eire	60,100	63,500
Elsewhere	47,000	61,100
Total	178,600	183,800
Excluding Hungarian and Egyptian refugees	*177,300*	*170,800*

less marked than the worsening of employment chances on the other side of St George's Channel (the Ministry's figures do not include Northern Ireland). The sharp rise in the number of entrants last autumn, for example, was no doubt because they thought there were more potatoes to be picked here last harvest than in Erin. Many of the Irish men and women come here only for the season—the hotel, farming, or building seasons—but some must become permanent members of the labour force, even if only to staunch the decline in the number of domestic servants.

Unfortunately, the Ministry's figures do not show how long these immigrant workers stay here or the industries to which they go. A substantial number of the 93,000 European workers that came here in 1956 and 1957 were admitted for less than twelve months—mainly entertainers and young girls seeking domestic service to learn the language. Others may pass on to other countries, such as at least 6,000 of the 21,000 Hungarians that arrived last winter. Commonwealth immigrants also include many birds of relatively short passage as, for example, young Canadians and Australians seeking experience or husbands and students taking vacation employment. Migration statistics are extremely incomplete; and it is only when, for instance, the closing of the night shift at a Yorkshire textile mill flushed out a hundred Pakistanis and put them on the dole that some of the places immigrants land up in come to official notice. But an impression has been gathered through the various contacts of the official machines with these immigrants that they are not so lacking in skills as is commonly supposed. Numerically, the net balance of manpower migration seems to be outward, and rather more experienced and trained talent may leave than arrives, but the net loss of skill does not appear to be as heavy as is sometimes made out.

HIRE PURCHASE

A New Study

UNDERSTANDING of hire purchase trading will be much assisted by the publication last week of "Hire Purchase in a Free Society,"* a study by the recently formed Institute of Economic Affairs, edited by Mr Ralph Harris and Mr Arthur Seldon. Some of the conclusions are controversial. The authors consider that hire purchase charges are competitive; they doubt whether hire trading is an important independent factor in inflation; they doubt also the efficacy of controls, though they avoid saying explicitly that there should never be any; and they urge that the commercial banks should participate in hire purchase finance. The public will have various views on these matters. But many will be glad that so much relevant information, particularly about the finance houses, their system of charging, and the sources of their funds, has been brought together into a book of reference.

* Hire Purchase in a Free Society, edited by Ralph Harris and Arthur Seldon. Published by the Institute of Economic Affairs 37 pages. 7s. 6d.

SHORTER NOTE

British European Airways estimates that it made a net profit of £1,200,000, after meeting all charges in the calendar year of 1957, the highest it has recorded at this time of the year. The corporation's financial year does not end until March 31st, when there is a good chance that it will show a net profit of at least £1 million, compared with only £216,770 the year before. Much of the improvement is due to the gradual tightening up in organisation that has been going on now for several years.

COMPANY AFFAIRS

CABLE AND WIRELESS (HOLDING)

ONE of the aims of the directors of Cable and Wireless (Holding), now the biggest of the investment trusts, is to attract small investors. They have tried to sustain interest by issuing quarterly earnings reports and by paying quarterly dividends. At the same time they proclaim their intention of leaving the ordinary dividend rate unchanged on the capital to be increased by free scrip issues, thus giving investors a share in growth through a larger nominal holding instead of through a higher rate per cent. The policy has had some success, and the 5s. units are among the least unpopular counters in the neglected investment trust market. For an investment trust, the ordinary dividend is well covered by earnings and the portfolio appears to be well managed.

The trust is not resting on its laurels. It is to raise £1,210,000 by offering as rights 4,840,000 ordinary shares of 5s. each at par in the ratio of one for every five held. This is a big issue for the investment trust market, but currently the shares are quoted at 10s. and at an "ex all" price of 8s. 5½d. the units, on the promise of a maintained dividend of 10 per cent, yield just under 6 per cent. The right time for an investment trust to build up its portfolio is when security prices are depressed.

The new issue is backed by a preliminary statement which shows a growth in gross income last year from £1,093,865 to £1,167,000 and in net earnings from £620,222 to £662,000. The ordinary dividend, absorbing £317,875 net, is left unchanged at 10 per cent. That rate the directors hope to maintain on the new capital although it is to be increased by a 10 per cent free scrip issue as well as by the rights issue.

WHITEHEAD IRON AND STEEL

A COMPARISON of the half yearly statement of Whitehead Iron and Steel Company with the company's preliminary report for the full year to end-September suggests that much of the fall in earnings occurred in the first half of the financial year. Over the full year to September 30th, the group's profits before tax fell from £1,345,857 to £1,004,093—a strikingly good final result seeing that in the six months to March 31st profits had come down from £789,760 to £426,948. In the interim report, the directors attributed the fall in profits to the reduction in demand for cold strip by the motor industry, to a contraction in profit margins and to the sale of a subsidiary, W. A. Baker and Company. Earnings should therefore now be on a more even keel, especially since the increase in steel prices in July, and the directors had no difficulty, in spite of the fall in net profits from £671,593 to £476,633, in maintaining the ordinary dividend at 20 per cent. On that dividend the £1 units at 45s. 6d. yield 8.8 per cent.

HADFIELDS

ESPECIALLY since its acquisition of Millspaugh, the maker of machinery for the paper industry, the business of Hadfields, specialising in castings and forgings, leans more towards heavy engineering than towards steel. Its results for the year to September 29th must be judged as disappointing, for the group's profits before tax have fallen from £1,335,482 to £1,131,734. Yet the gross profits of its subsidiary, Millspaugh, have risen from £411,662 to £536,156. Thus the established casting and forging business seems to have taken a knock. A year ago the chairman showed that the group had a capital financing problem on its hands and, in view of the fall in net profits from £547,532 to £452,486, it comes as no surprise that the ordinary dividend is left unchanged at 9 per cent. The yield on the £1 units at 19s. 3d. is £9 7s. per cent.

ANGLO AMERICAN

THE Anglo American empire is controlled through management agreements and cross directorships, rather than through voting control. That system is common to gold mining. But at every link of the chain of companies Anglo American Corporation has a substantial—usually minority—shareholding. The outside investor can participate either in a single mine, where his risk and his opportunity are both most intense, or in the top company of the pyramid where his risks are spread over a wide range of companies and of minerals. Or, and this is a popular method, he can choose among the various investment trusts within the empire, taking a spread of risks limited to one particular mineral.

Anglo American Investment Trust is such a route into diamonds and South African industrials. Last year its net income was little changed at £3,051,500 (against £3,013,322), and its dividend is maintained at 20s. per £1 share. This is not an unexpected result, as the dividends declared by companies within the Diamond Syndicate—and these make up the trust's income—were largely unchanged.

Orange Free State Investment Trust is the route into the OFS gold mines. Many of these mines moved into the dividend paying stage last year, and the net income of the trust jumped from £742,810 to £1,399,000. Its dividend is raised from 1s. 6d. to 3s. per 10s. share.

West Rand Investment Trust is the route into gold mines in the West Rand and Klerksdorp areas. There, too, bigger dividends have been paid by the mines, and the trust's net income advanced last year from £994,814 to £1,715,000. The dividend was raised from 2s. to 3s. per 10s. share.

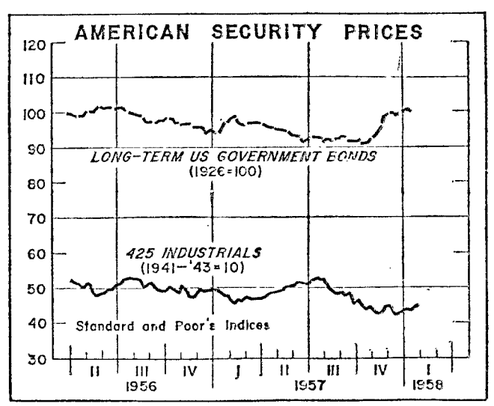
It is instructive to compare the yields offered by these trusts. The yield on the AAIT units, at 15ɪs. 10½d. xd is £13 4s. per cent. That is in line with the high yields on other diamond shares, where there is no expectation of any big increase in income or dividend. The yields offered by the gold investment trust units are much lower, for here there is a firm expectation of better dividends coming from a higher income. The yield of £5 10s. per cent offered by the OFSIT units, at 54s. 6d. xd is lower than the yield of £7 5s. per cent offered by the WRIT units, at 41s. 6d. xd. One reason is that WRIT is participating in the development of Western Ultra Deep, whose potential worth—and, indeed, its full potential cost—is hidden in the future.

London Stock Exchange

FIRST DEALINGS:	Jan. 15	Jan. 29	Feb. 12
LAST DEALINGS:	Jan. 28	Feb. 11	Feb. 25
ACCOUNT DAY:	Feb. 4	Feb. 18	Mar. 4

GOVERNMENT securities made further gains this week, helped by new cuts in foreign interest rates. Among the short dates 3 per cent Exchequer 1960 rose ⅛ to 96⅛, while the new 5½ per cent Exchequer stock improved ⅞ to 100⅛. There was also good investment buying of the longs. War Loan gained ⅜ to 64½ and 3½ per cent Conversion after 1961 rose ¾ to 64⅞. The Funding 3½ per cent (1999-2004) rose ⅜ to 65⅛. The market in industrial stocks, which had been falling persistently, rallied with the new account, under the influence of a sharp rise in gilt-edged prices. Bank and insurance shares rose, Prudential "A" gaining 2 to 40½ over the week. Marks and Spencer's decision to lower certain retail prices caused a fall in store shares, and the report that competitive buying of Mappin and Webb voting shares had ceased led to a fall of 11s. to 27s. 6d. in the ordinary stock, the "A" shares losing 6d. to 18s. De Havilland rose 1s. to 17s. 6d. and Hawker Siddeley improved to 27s. 10½d. on the Swiss order for fighters. Standard Motor made a small gain to 7s. on the report that it will manufacture a new lightweight car. Tobacco shares weakened, following the new report on cancer hazards. Cottons were a poor market on fears of lower sales, Lancashire Cotton losing 2s. 6d. to 32s. 1¾d. Shipping shares declined, Furness Withy falling 1s. 9d. to 27s. 3d.

A steep rise on Friday in Kaffirs, following rumours of an impending change in the American gold price, was quickly reversed on denials. Buffelsfontein weakened 2s. 9d. to 34s. over the week, and Free State Saaiplaas dropped 2s. 10½d. to 12s. on fears of capital requirements. Diamonds held firm, but platinum producers slumped. Reduced quotas for tin exports sent down the prices of tin shares.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1957/8	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
Jan. 1	175·9	6·64				
„ 8	176·5	6·63				
„ 15	174·3	6·72				
„ 22	175·3	6·66	225·0 (July 10)	171·2 (Nov. 6)	210·4 (Jan. 4)	170·0 (Nov. 28)
„ 29	173·6	6·75				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956 High	1957 High
		%		%		207·6 (July 9)	203·6 (Jan. 3)
Jan. 22	163·9	6·73	88·62	5·20	6,689		
„ 23	163·8	6·74	88·64	5·22	7,009		
„ 24	163·4	6·78	88·93	5·22	6,614	Low	Low
„ 27	162·5	6·74	88·96	5·20	9,103	159·0 (Nov. 6)	161·5 (Nov. 29)
„ 28	161·9	6·81	88·96	5·20	7,813		
„ 29	162·6	6·78	89·07	5·19	7,306		

Bases :—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Jan. 22, 1958	Price, Jan. 29, 1958	Net Yield, Jan. 29, 1958 § £ s. d.	Gross Yield, Jan. 29, 1958 § £ s. d.
97 12/32	93 1/2	War Loan 3%....1955–59	96 3/8	96 11/32	3 13 9	5 4 7
93 22/32	87 1/2	Funding 2½%....1956–61	91 1/32	91 13/32	4 4 1	5 8 9
99 3/32	98 3/32	Conversion 4%....1957–58	99 5/32	99 7/32	3 11 8	5 17 8
97 13/32	94 12/32	Conversion 2½....1958–59	96 31/32	97 3/32	4 4 10	5 3 0
97 13/32	90 1/2	Exchequer 2½.....1960	93 31/32	94 3/32	4 3 11	5 1 3
95 1/16	90 1/2	Exchequer 3%.....1960	95 1/2	96 1/32	3 15 5	5 0 6
97 1/2	92 1/2	Conversion 4½%.....1962	95 15/32	96 1/32	3 12 7	5 11 4
94 1/2	93	Savings Bds. 3%.1955–65	84½*	84 1/16*	4 2 10	5 10 9
89 1/2	84 9/16	Funding 3%.....1959–69	77 13/32	78	4 5 6	5 16 2
92 1/2	84 13/16	Funding 4%.....1960–90	87 3/8	87 7/32	8 12 8	10 14 4
					2 18 2	4 16 1
81 5/8	74	Savings Bds. 3%.1960–70	75 1/16*	75 1/16*	4 5 11	5 15 10
94 5/8	87 1/2	Exchequer 3%....1962–63	88 1/2	89 1/2	3 19 3	5 7 3
89 5/8	83	Exchequer 2½%..1963–64	84 1/2	85 1/2	4 2 9	5 7 0
83 1/16	77 1/2	Savings Bds. 2½% 1964–67	79 1/16	79 1/16	4 4 11	5 10 2
77 1/2	67 1/2	Savings Bds. 3%..1965–75	70 1/16*	70 1/16*	4 1 9	5 13 2
—	—	Exchequer 5½%.....1: 6	99 1/2	100 1/16	3 3 6	5 10 7
84 5/8	78 1/2	Funding 3%.....1966–68	78 1/2*	79*	4 4 5	5 13 8
95 1/2	91 1/2	Victory 4%.....1920–76	91 1/2*	91 7/16*	3 6 4	5 2 1
88 5/8	80 1/2	Conversion 3½%.....1969	81 1/2*	81 3/4*	4 1 5	5 14 7
81 1/2	69 1/2	Treasury 3½%....1977–80	72 1/2	73 1/16	3 16 8	5 13 6
80	68	Treasury 3½%....1979–81	71 1/2*	71 1/2*	3 17 5	5 14 3
71 1/2	57 1/2	Redemption 3½%..1986–96	61 1/2	61 1/2	3 11 8	5 8 8
80 5/8	63 1/2	Funding 3½%..1999–2004	65 5/8	65 1/16	3 10 6	5 11 9
81 1/16	68	Consols 4% after Feb. 1957	70 1/8*	71*	3 4 9	5 12 8
75	60 1/2	War Loan 3½% after 1952	63 7/8	64 1/2	3 2 9	5 9 6
75 1/2	58 1/2	Conv. 3½% after Apr. 1961	63 1/2	64 7/16	3 3 1	5 10 8
65 1/2	51 1/2	Treas. 3% after Apr. 1966	56 1/2	56 3/4	3 1 10	5 8 4
55 1/16	45	Consols 2½%.....	48 1/2	48 1/2	2 19 10	5 4 3
55 1/16	45	Treas. 2½% after Apr. 1975	47 1/2	47 1/2	3 1 2	5 7 2
96 1/2	70	Br. Electric 4½%. 1967–69	90 5/8*	90 5/8*	3 12 4	5 12 10
80 1/2	70	Br. Electric 3%...1968–73	72 1/2	72 1/2	4 4 4	5 16 4
78 1/2	66	Br. Electric 3%...1974–77	70 1/2	70 1/2	3 19 5	5 12 3
92 7/16	79 1/2	Br. Electric 4½%.1974–79	85 1/2	85 5/8	3 9 7	5 11 1
81 1/16	69 1/2	Br. Electric 3½%.1976–79	73 1/16	73 1/16	3 16 8	5 13 7
90 1/2	81	Br. Gas 4%.....1969–72	83 3/8*	83 3/8*	3 15 11	5 13 10
87 1/2	78	Br. Gas 3½%.....1969–71	80 1/2	80 5/8	3 19 0	5 14 6
72 1/2	58 1/2	Br. Gas 3%.....1990–95	61 1/2	62 1/2	3 12 0	5 8 6
80 1/16	70	Br. Transport 3%.1968–73	72 1/2	72 1/2	4 4 4	5 16 4
85 1/2	77 1/2	Br. Transport 4%.1972–77	81	81 1/4	3 13 2	5 12 5
72 1/2	59	Br. Transport 3%.1978–88	62 1/2	62 5/8	3 16 5	5 11 9

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Jan. 22, 1958	Price, Jan. 29, 1958	Yield, Jan. 29, 1958 £ s. d.
92 1/2	82	Agric. Mortgage 5%.....1959–89	84 1/2	85	6 1 8
81 1/2	75	Australia 3½%.....1965–69	76 1/2	77 1/2	6 2 3
97 1/2	91 1/2	Birmingham 5%.....1973–75	93	94	5 11 2
100 1/2	91	East Africa 5½%.....1977–83	92 1/2	92 1/2	6 5 6
105 1/2	96	L.C.C. 5½%.....1977–81	100 1/2	100 1/2	5 7 0
69 1/2	54 1/2	Met. Water Board 'B' 3% 1934–2003	58 1/2	58 1/2	5 15 0
87 1/2	77	New Zealand 4%.....1976–78	79 1/2	80 1/2	5 14 0
75 1/2	67 1/2	S. Rhodesia 2½%.....1965–70	70	70 1/2	6 0 0
87	72 1/2	German 7% (Br. Enfaced 5%)..1924	84 1/2	83 1/4	...
169 1/2	147 1/2	Japan 5% (Enfaced).....1907	163 1/2	163 1/2	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 22, 1958	Price, Jan. 29, 1958	Yield, Jan. 29, 1958 £ s. d.
		% %	BANKS & DISCOUNT			
30/9	19/6	9 c	4 a Bk. Ldn. & S. Amer. £1	28/6	28/6	6 6 4
47/3	40/–	6 a	6 b Barclays Bank.....£1	41/6	42/–	5 14 3
35/3	27/6	4 a	4 b Barclays D.C.O. ...£1	30/–	29/6	5 8 6
42/6	34/6	7½ b	7½ a Chartered Bank....£1	37/–	39/6	7 11 11
51/3	42/9	6½ a	6½ b Lloyds Bank £1	44/6*	45/9	5 13 8
66/7½	58/–	9 a	9 b Midland Bank £1	61/–*	60/–	6 0 0
40/6	28/6	5 a	5 b Nat. Discount 'B' ..£1	30/–*	29/6	6 13 7
51/6	39/3	6½ a	6½ b Union Discount....£1	41/9	40/9*	6 2 8
			INSURANCE			
86/4½	61/7½	43½ b	30 a Commercial Union 5/–	71/3	75/–	4 17 9
177/6	102/6	87½ b	40 a Legal & General ..5/–	117/6	123.9	4 0 10
22½	17½	†50 b	†20 a Pearl.....£1	18½	19½	6 6 11
46	34½	†125 c	†132½ c Prudential 'A'.....£1	38½	40½	5 13 1
			BREWERIES, ETC			
32/6	26/4½	10 a	36 b Bass 5/–	31/4½	31/9	7 4 11
25/9	19/7½	18½ c	7½ a Distillers.....6/8	20/3	19/10½	6 5 10
44/9	36/–	10 a	15 b Gunness.....10/–	39/3	39/–	6 3 2
87/3	63/6	8 a	17 b Whitbread 'A'.....£1	79/6	80/–	6 0 0
			MOTORS & AIRCRAFT			
21/6	11/9	6½ b	3½ a Bristol Aeroplane 10/–	13/–	12/9	7 15 10
8/7½	6/–	12½ c	12½ c British Motor.....5/–	6 10½	7/–	8 13 3
40/–	29/3	5 b	3 a Ford Motor £1	31/9	33/3	4 16 3
45/9	27/6	3 a	7 b Hawker Siddeley...£1	26/6	27/3	7 6 10
53/–	41/9	10 c	12½ c Leyland Motors....£1	43/–	43/3	5 15 7
121/–	90/7½	15 b	5 a Rolls Royce.....£1	90/–	90/6	4 8 5
9/1½	5/11½	8 c	8 c Standard Motor...5/–	6/10½	7/–	5 14 4

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 22, 1958	Price, Jan. 29, 1958	Yield, Jan. 29, 1958 £ s. d.
		% %	STEEL & ENGINEERING			
83/–	52/–	8 b	7 a Babcock & Wilcox .£1	49/6	42/9‖	6 1 7m
29/3	20/–	4 a	6 b Dorman Long £1	23/10½	23/10½	8 7 8
56/6	41/9	10 b	5 a Guest Keen N'fold.£1	47/3	47/6	5 13 9¼
76/4½	50/6	†5 b	†4 a Alfred Herbert £1	58/–	58/–	5 8 0
59/–	40/–	7 b	4 a Metal Box £1	41/9	42/9	5 3 0
34/–	19/–	3 a	8 b Stewarts & Lloyds.£1	23/6	22/3	9 17 10
81/–	52/–	11 b	5 a Swan Hunter.....£1	55/6	54/3	5 18 0
24/1½	18/–	4 a	7½ b United Steel.....£1	20/6	20/–	11 10 0
46/–	29/3	7½ b	2½ a Vickers £1	30/–	30/1½	6 12 10
			ELECTRICAL			
72/3	47/6	15 c	7½ a Assoc. Elec. Inds...£1	48/9	48/6	6 3 10
55/–	39/4½	8½ b	4 a Br. Ins. Callenders.£1	40/6	41/9	5 19 10
14 1/16 a	2/–	29½ b	Decca Record 4/–	26/–*	25/9	6 15 9
36/3	24/–	15 c	Elect. & Mus. Inds.10/–	30/6	30/9	4 17 8
64/9	47/3	10 b	4 a English Electric £1	47/6	47/3	5 13 8
59/–	37/9	4½ a	8 b General Electric £1	38/3	38/3	6 10 10
			TEXTILES			
24/1½	14/–	6 b	3 a Bradford Dyers....£1	15/7½	15/6	11 12 4
28/–	21/1½	6½ b	2½ a Coats, J. & P. £1	21/9	21/1½	8 5 8
37/9	20/10½	6 b	3 a Courtaulds £1	21/9	21/3	8 9 5
38/7½	31/10½	5 a	12½ b Lancashire Cotton. .£1	34/7½	32/1½	10 17 10
41/7½	30/10½	12½ b	2½ a Patons & Baldwins.£1	32 4½*	31 10½	9 3 3
			SHOPS & STORES			
24/6	13/9	16 c	3 a Boots Pure Drug..5/–	19/9	20/–	4 0 0
42/10½	31/4½	7½ a	20 b Debenhams 10/–	38/–	37/6	7 6 8
55/7½	33/3	50 b	15 a Gt. Universal 'A'..5/–	40/–*	39/–	8 6 8
57/3	30/3	20 b	10 a Marks & Spen. 'A' 5/–	41/10½	40/9	3 13 8
30/3	19/3	20 b	12½ a United Drapery...5/–	24·9	23/9	6 16 10
49/–	37/10½	13½ a	26½ b Woolworth.....5/–	39/7½	38/–*	5 5 3
			SHIPPING			
47/9	30/6	11 b	6½ a Brit. & Com'wealth10/–	32·9	32/6	5 7 3
27/9	17/6	8 b	2 a Cunard £1	17/–	16·9	11 13 10
48/10½	28/3	9½ c	10½ c Furness Withy.....£1	29/–	27/3	7 13 8
38/–	23/9	5 b	3 a P. & O. Deferred...£1	22·9	22/3	7 3 10
			MISCELLANEOUS			
36/10½	24/9	22½ c	9 a Allied Bakeries 'A' 5/–	27/3	27/3	5 10 0½
50/3	29/9	6 b	3 a Assoc. Port. Cem...£1	32/–	32/–	5 12 8
27/9	18/6	32½ c	10 a Beecham Group...5/–	27/–	26/10½	6 1 0
47/9	26/3	8 b	4½ a Bowater Paper £1	27 9	27,9	9 0 2
68/10½	38/–	8 b	4 a Br. Aluminium £1	44 1½	44/3	5 8 5
46/4½	35/–	†15 c	†9½ a Br. Amer. Tob. ...10/–	40·9	39/7½	6 11 8
25/–	17/4½	17½ b	7½ a B.E.T. 'A' Defd...5/–	20·9	20/–	6 5 0
39/–	29/6	6 b	4 a Br. Oxygen £1	30/–	29·6	6 15 8
21/10½	15/3	7½ b	3 a Dunlop Rubber..10/–	16 4½	16/–	6 11 3
46/6	36/1½	6 b	4 a Imp. Chemical.....£1	38 10½	38·9	5 3 2
50/6	36/–	12½ b	8½ a Imp. Tobacco £1	42/–	40/7½	10 6 10
36/9	27/3	2½ a	5 b J. Lucas (Inds.)....£1	28/–	28.3	5 6 3
19/3	12/4½	22½ c	5 a Monsanto Chem...5/–	13/3	13·6	5 0 0½
18/3	13/9	5 a	5 b Ranks.....10/–	14/–	14/–	7 2 10
55/6	29/9	10 b	5 a A. E. Reed.....£1	29,6	29 9	10 1 8
15/10½	11/3	20 c	22½ c Scars Holdings 'A' 5/–	12/11½	12·9½	8 16 8
70/3	54/10½	4½ a	12 b Tate & Lyle.....£1	52·7½	52 10½	6 4 10
70/9	50/–	7½ a	7½ b Tube Investments..£1	51·9	50/9	5 18 3
73/6	51/–	2½ a	12½ b Turner & Newall...£1	56/–	56/3	5 6 8
114/6	71/9	11½ b	6 a Unilever Ltd.....£1	76/–	77/–	4 10 11
102/–	65/6	14½ b	4 a Utd. Dominions Tr..£1	79/–	81/–	4 11 2
44/–	27/6	†10 b	†4½ a United Molasses .10/–	26,9	26/3	9 7 10
			OIL			
173/7½	87/6	†10 b	†5 a British Petroleum..£1	93.1½	91 10½	5 13 7
119/4½	70/7½	17½ b	†5 a Burmah £1	73/3	71 3	6 6 5
£25	£14½	17½ b	7½ a Royal Dutch....20 fl.	£15‖	£15‖	3 6 0
218/3	136/10½	†13½ b	†5 a Shell £1	141.10½	140 7½	4 12 10
104/–	55/–	...	... Ultramar 10/–	58/–	57/3	...
			MINES, ETC.			
137/6	115/–	50 b	20 a Anglo-American .10/–	117/6	116/3	6 0 5
29/–	20/3	†22½ a	†10 b Cons. Tea & Lands..£1	20.6	20/6	21 3 5
92/6	48/6	15 b	6½ a Cons. Zinc Corp. ...£1	50/–	47·6	8 13 0
113/1½	81/3	120 b	80 a De Beers Def. Reg. 5/–	88.1½	83/9	11 5 5
83/1½	58/7½	...	20 a Free State Geduld.5/–	78·1½	76/3‖	...
12/10½	7/3	30 c	10 a London Tin 4/–	7/3	7/–	17 0 0
56/7½	45/–	50 a	50 b President Brand ..5/–	48 7½	47/10½	10 9 0
24/9	13/10½	8½ a	16½ b Rho. Selection Tst. 5/–	14 1½	14/–	8 13 7
42½	23½	50 a	175 b Rhokana Corp. £1	22½	21½	10 9 5
55/–	41/–	30 b	12½ a United Sua Betong..£1	49·4	49·9	17 1 8
88/4½	53/1½	40 a	60 b Western Holdings.5/–	86.10½	84/4½	5 18 6

New York Closing Prices

	Jan. 22 $	Jan. 29 $		Jan. 22 $	Jan. 29 $		Jan. 22 $	Jan. 29 $
Alumin'm Ltd.	23⅜	23⅜	Crown Zeller..	47⅜	48¼	Penns. R.R...	12⅛	13⅛
Am. Smelting.	37⅜	38⅜	DuPontdeNm.	181⅜	185⅛	Sears Roebuck	26⅜	25⅞
Amer. Tel. ...	172⅛	171¼	Ford Motors..	40⅜	40⅝	Shell Oil	62⅜	60⅜
Am. Viscose..	27⅜	27⅜	Gen. Elect....	62⅜	63⅜	Std. Oil of N.J.	49⅜	51⅛
Anaconda....	41¼	43⅜	Gen. Motors..	35⅜	35⅝	U.S. Steel....	54⅝	56⅛
Beth. Steel...	39	39⅜	Int'l. Nickel..	71⅜	74⅜	Western Union	16⅝	17
Can. Pacific ..	25⅜	25	National Dist.	22⅜	22⅛	Westhouse E..	63¼	65⅛
Chrysler	53⅜	55⅜	N.Y. Central ..	15¼	15⅜	Woolworth...	41	42⅛

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 100%. (e) To earliest date. (f) Flat yield. (g) On 24 %. (h) On 13½%. (i) On 22½%. (j) After Rhodesian tax. (k) On 50%. (l) To latest date. (m) On 13%.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared.

World Trade ..... Jan. 18th

BRITISH		OVERSEAS	
Prices and Wages.....	Jan. 4th	Western Europe :	
Production and Consumption	Jan. 11th	Production and Trade.....	This week
Manpower.....	Jan. 25th	British Commonwealth	Jan. 11th
External Trade.....	This week	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	Jan. 25th
Industrial Profits	Jan. 18th	United States	Jan. 4th

UK External Trade

Imports are valued cif ; exports fob. Total trade unless otherwise stated.

	Unit	Monthly averages 1955	Monthly averages 1956	Monthly averages 1957	1956 Oct.	1956 Nov.	1956 Dec.	1957 Sept.	1957 Oct.	1957 Nov.	1957 Dec.
VALUE											
Imports :											
Total	£ million	323·6	324·1	339·6	354·3	319·6	307·9	308·4	353·1	319·9	313·6
Food, drink and tobacco	,,	120·1	121·0	124·7	139·4	126·4	119·9	112·6	133·2	114·0	117·2
Basic materials	,,	93·7	92·0	97·4	93·7	88·4	88·8	86·4	99·7	87·8	87·1
Mineral fuels and lubricants	,,	34·0	34·5	38·9	36·9	26·2	31·5	37·6	36·1	35·9	34·4
Manufactures	,,	74·7	75·5	77·4	82·7	77·6	66·3	70·3	82·8	80·8	73·4
Exports of UK produce :											
Total	,,	242·1	264·3	277·1	294·9	291·9	253·7	246·3	271·8	286·9	282·4
Manufactures	,,	199·0	218·3	229·5	241·1	238·2	202·9	204·9	222·1	233·5	233·5
Re-exports	,,	9·9	12·2	11·1	12·7	14·8	11·2	9·8	11·2	11·0	12·2
Balance of trade (exports *less* imports)..	,,	− 71·6	− 47·6	− 51·4	− 46·7	− 12·9	− 42·9	− 52·3	− 70·1	− 22·0	− 19·0
VOLUME											
Imports	1954=100	111	111	...	...	110[3]	...	102	122	112	...
Exports	,,	107	114	...	...	120[3]	...	104	113	119	...
BY AREA											
Imports :											
Dollar area—total	£ million	70·1	71·0	80·4	82·5	89·2	72·3	74·3	84·5	76·6	70·5
,, USA	,,	35·0	34·0	40·2	39·9	47·1	40·6	36·1	43·5	36·7	31·9
,, Canada	,,	28·6	29·0	26·7	33·9	33·8	24·8	26·0	27·5	29·0	27·8
Non-sterling OEEC countries	,,	78·4	79·7	80·7	89·3	80·0	71·2	80·3	91·4	84·8	77·6
Sterling area	,,	130·9	126·5	129·2	129·4	109·1	125·2	101·0	124·5	112·9	118·5
Exports :											
Dollar area—total	,,	34·8	45·2	47·7	51·2	53·7	41·5	43·3	45·7	51·4	49·3
,, USA	,,	16·6	21·6	21·5	26·3	26·5	20·2	20·2	20·6	22·9	21·6
,, Canada	,,	12·1	15·2	16·7	16·9	18·5	12·1	14·0	16·3	17·3	14·3
Non-sterling OEEC countries	,,	67·5	75·1	78·2	90·4	84·0	77·1	67·1	78·2	75·6	72·4
Sterling area	,,	120·9	122·4	127·2	131·7	131·2	116·8	116·1	126·6	133·7	135·3
Balance of trade (exports *less* imports) :											
Dollar area	,,	− 35·3	− 25·8	− 32·7	− 31·3	− 35·5	− 30·8	− 31·0	− 38·8	− 25·2	− 21·1
Non-sterling OEEC countries	,,	− 10·9	− 4·6	− 2·5	+ 1·1	+ 4·0	+ 5·9	− 13·2	− 13·2	− 9·2	− 5·2
Sterling area	,,	− 10·0	− 4·1	− 2·0	+ 2·3	+ 22·1	− 8·4	+ 15·1	+ 2·1	+ 20·8	+ 16·9
TRADE IN SELECTED COMMODITIES											
Imports :											
Wheat	'000 tons	374·3	399·6	377·6	422·9	382·0	319·2	323·9	394·8	409·1	419·4
Meat	,,	67·0	72·4	74·1	74·7	83·4	61·2	60·0	64·4	64·0	51·7
Sugar, unrefined	,,	186·2	194·9	235·6	223·0	165·4	243·7	180·9	282·3	216·6	261·5
Raw cotton (1)	,,	24·2	27·1	30·7	24·9	27·6	32·7	27·3	32·2	22·3	25·8
Raw wool, sheep's and lambs' (1)	mn. lb.	55·1	53·5	51·6	35·5	53·9	69·0	14·4	45·7	36·1	53·1
Rubber, natural and synthetic (1)	'000 tons	24·6	18·3	22·7	23·1	1·6	17·2	20·5	31·9	30·3	26·0
Softwood	'000 stds.	140·0	105·8	120·0	137·8	117·5	99·3	148·8	155·5	140·8	102·0
Woodpulp	'000 tons	186·9	183·4	178·2	204·3	202·2	183·9	180·0	189·4	171·8	184·0
Crude petroleum	mn. galls.	601	618	605	685	419	508	642	624	651	618
Exports of UK produce :											
Coal, including bunkers	'000 tons	1,196	836	686	815	881	781	589	647	650	576
Woven piece-goods—cotton	mn.sq.yds	46	40	38	43	43	40	33	34	38	37
,, ,, wool (2)	'000 sq. yds.	8,965	9,102	9,028	10,476	9,708	7,532	6,852	8,037	8,310	8,340
Passenger cars and chassis	number	32,545	28,088	35,523	26,939	26,047	22,337	33,460	37,022	41,081	36,632
Commercial vehicles and chassis	,,	11,656	10,509	10,214	9,365	8,828	7,797	8,188	10,217	11,538	11,005
Agricultural tractors	,,	8,720	7,483	9,414	6,451	7,044	5,006	9,366	11,481	11,412	7,506
Machinery—electrical	£'000	5,158	5,302	5,602	5,561	5,443	4,130	5,360	5,089	6,023	5,358
,, other	,,	34,687	38,657	42,211	40,771	40,933	36,217	35,848	40,870	44,093	44,563
Chemicals, elements and compounds	,,	4,422	4,948	5,219	5,559	5,244	4,761	4,575	5,012	5,224	4,832

(1) Retained imports. (2) Excluding fents from January, 1956. (3) Average for fourth quarter.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION [1] (1953 = 100)												
1948	54	87	82	79	...	52	70	62	70	70	90	69
1955	133	116	112	120	129	130	108	118	118	117	111	124
1956	138	122	111	133	139	134	102	128	124	122	114	128
1957, June	145	122	117	150	148	139	105[6]	135	125	131	125	...
„ July	142	92	77	139	140	147	} 99	{ 147	128	88	62	...
„ August	142	117	116	98	138	146		{ 119	122	125	116	...
„ September	155	122	119	148	149	148		...	124	136	125	...
„ October	...	...	134	150	153	...	...	...	132	134	125	...
VALUE OF EXTERNAL TRADE [2]												
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas[4]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lire
IMPORTS (c. i. f.)												
1948	243	7,249	285	56·08	264[5]	152[4]	11·36	70·36	414	310	413	64·2
1955	1,922	11,790	678	138·23	2,029	955	17·03	141·22	1,016	649	861	116·1
1956	2,110	13,635	755	161·98	2,315	1,159	15·07	165·06	1,175	721	953	95·4
1957, June	2,216	13,619	665	191·56	2,465	1,286	13·14	176·57	1,299	711	995	85·2
„ July	2,435	14,013	735	185·81	2,693	1,708	14·60	184·22	1,363	695	1,040	92·5
„ August	2,366	13,582	739	166·78	2,572	1,273	13·35	166·48	1,216	681	956	87·5
„ September	2,430	13,101	695	159·07	2,567	1,240	13·68	172·58	1,132	708	998	105·8
„ October	2,585	...	823	166·42	2,858	...	15·75	180·33	1,335	667	1,096	97·8
EXPORTS (f. o. b.)												
1948	165	6,171	228	36·18	151[5]	39[4]	4·11	47·99	226	172	332	45·9
1955	1,514	11,566	609	143·26	2,142	457	9·20	96·69	851	377	744	73·1
1956	1,840	13,177	640	132·38	2,571	475	8·95	112·33	906	460	839	71·2
1957, June	2,149	13,321	657	144·57	2,854	237	9·17	124·03	900	412	909	54·5
„ July	2,104	12,325	672	151·39	3,057	224	11·91	146·24	1,024	488	964	52·5
„ August	2,144	10,310	654	130·90	3,084	205	12·00	130·99	834	467	834	57·9
„ September	2,186	13,093	644	134·69	2,865	412	10·87	128·14	1,075	463	1,038	64·5
„ October	2,256	13,981	717	168·50	3,260	...	10·75	162·23	1,123	581	934	48·3
BALANCE												
1948	− 78	− 1,078	− 57	−19·90	− 113	− 113	− 7·25	−22·37	− 188	− 138	− 81	− 18·3
1955	− 408	− 224	− 69	+ 5·03	+ 113	− 498	− 7·83	−44·53	− 165	− 272	− 117	− 43·0
1956	− 270	− 458	− 115	−29·60	+ 256	− 684	− 6·12	−52·73	− 269	− 261	− 114	− 24·2
1957, June	− 67	− 298	+ 2	−46·99	+ 389	− 1,049	− 3·97	−52·54	− 399	− 299	− 86	− 30·7
„ July	− 331	− 1,688	− 63	−34·42	+ 364	− 1,484	− 2·69	−37·98	− 339	− 207	− 76	− 40·0
„ August	− 222	− 2,672	− 85	−35·88	+ 512	− 1,068	− 1·35	−35·49	− 332	− 214	− 72	− 29·6
„ September	− 244	− 8	− 51	−24·38	+ 298	− 828	− 2·81	−44·44	− 107	− 245	+ 40	− 39·3
„ October	− 329	...	− 106	+ 2·08	+ 402	...	− 5·00	−18·10	− 212	− 86	− 102	− 49·5
VOLUME OF EXTERNAL TRADE [3] (1953 = 100)												
IMPORTS												
1948	48	86	59	84	...	...	90	57	64	71	85	46
1955	183	122	120	122	152	135	108	112	140	119	128	91
1956	195	136	129	142	170	156	93	125	158	128	135	...
1957, June	202	132[6]	123[6]	164	174	171	76	131	160	127	142[6]	...
„ July	218	...	}	{ 156	187	225	85	132	169	115	}	{ ...
„ August	216	...	123	{ 140	182	164	77	...	155	116	139	{ ...
„ September	227	...	}	{ 124	187	163	79	...	150	123	}	{ ...
„ October	233	...	...	...	215	...	...	...	173	...	...	...
EXPORTS												
1948	37	69	48	48	...	...	55	66	34	70	69	55
1955	136	127	118	134	142	121	95	123	124	117	115	71
1956	160	136	120	120	165	117	98	147	130	133	127	...
1957, June	181	126[6]	127[6]	127	176	62	97	144	120	115	140[6]	...
„ July	185	...	}	{ 130	190	56	127	161	142	130	}	{ ...
„ August	181	...	127	{ 112	193	53	128	...	120	128	142	{ ...
„ September	194	...	}	{ 106	178	105	114	...	149	130	}	{ ...
„ October	199	...	...	...	205	...	...	...	155	...	...	...

[1] This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark excludes mining; Greece, mining and manufactured gas; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Germany excludes West Berlin. [2] Special trade (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxemburg. Italy includes Trieste. [3] New drachma introduced May 1, 1954 (1 new drachma = 1,000 old drachmas). [4] Thousand million drachmas. [5] Bizonal area. [6] Average for second quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended January 25th, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £124,694,000 compared with a surplus of £105,434,000 in the previous week and a surplus of £151,208,000 in the corresponding period of last year. There was a net surplus "below-line" of £31,698,000, leaving a total deficit from April 1st of £558,859,000 (£576,886,000 in 1956–57).

£'000	Estimate, 1957-58	April 1, 1956, to Jan. 26, 1957	April 1, 1957, to Jan. 25, 1958	Week ended Jan. 26, 1957	Week ended Jan. 25, 1958
Ord. Revenue					
Income Tax	2176,250	1326,684	1336,058	157511	139536
Surtax	149,000	95,300	90,200	8,000	8,200
Death Duties	170,000	133,800	135,500	2,900	1,800
Stamps	60,000	50,500	53,600	1,000	300
Profits Tax, EPT & EPL	255,000	169,050	215,200	3,200	2,500
Other Inland Rev. Duties	500	410	350	50	...
Total Inland Rev.	2810,750	1776,744	1830,708	172661	152336
Customs	1204,250	985,035	997,134	19,278	20,271
Excise	912,850	704,991	726,440	14,691	6,065
Total Customs and Excise	2117,100	1690,026	1723,574	33,969	26,336
Motor Duties	93,000	75,609	82,677	22,325	22,614
PO (Net Receipts)	20,000	5,700	5,400	2,650	4,850
Broadcast Licences	31,000	19,600	21,200	...	...
Sundry Loans	32,000	30,917	29,404	...	109
Miscellaneous	185,000	150,447	139,824	5,197	1,687
Total	**5288,850**	**3749,043**	**3832,787**	**236802**	**207932**
Ord. Expenditure					
Debt Interest	640,000	589,056	525,897	1,707	7,634
Payments to N. Ireland Exchequer	69,000	52,025	54,967	3,779	3,636
Other Cons. Fund	10,000	8,343	8,103	368	7
Supply Services	4072,282	3204,801	3253,725	79,400	71,810
Total	**4791,282**	**3854,225**	**3842,692**	**85,254**	**83,088**
Sinking Funds	38,000	28,081	28,267	340	150
"Above-line" Surplus or Deficit	**133,263**	**38,171**	**151208**	**124694**	
"Below-line" Net Expenditure	443,623	520,688	2,582	*Cr.* *31,698*	
Total Surplus or Deficit	**576,886**	**558,859**	**148626**	**156392**	
Net Receipts from:					
Tax Reserve Certificates	38,717	73,894	45234	41304	
Savings Certificates	55,400	−15,600	2,400	700	
Defence Bonds	−34,582	−30,314	− 642	− 957	
Premium Savings Bonds	55,200	64,880	400	2,120	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
Jan. 26	3,210·0	1,516·5	221·0	...	4,947·5
Oct. 26	3,140·0	1,792·1	199·4	...	5,131·5
Nov. 2	3,170·0	1,774·6	190·1	2·8	5,137·4
„ 9	3,210·0	1,744·6	201·7	...	5,156·3
„ 16	3,260·0	2,188·8	231·9	...	5,680·7
„ 23	3,300·9	2,158·2	197·0	...	5,656·2
„ 30	3,340·0	2,148·6	182·5	4·8	5,675·9
Dec. 7	3,380·0	2,140·3	189·2	6·0	5,715·5
„ 14	3,410·0	2,181·2	193·6	...	5,784·8
„ 21	3,440·0	2,228·1	192·4	...	5,860·4
„ 30	5,684·7		218·4	...	5,903·1
1958					
Jan. 4	3,450·0	2,248·9	228·5	...	5,927·4
„ 11	3,410·0	2,192·2	237·0	...	5,839·2
„ 18	3,370·0	1,714·9	250·3	...	5,335·2
„ 25	3,300·0	1,707·9	208·4	4·8	5,221·0

THE MONEY MARKET

THE allotment of Treasury bills at the tender on Friday last week declined by £10 million, to £230 million, yet total applications rose by £17 million, to £421 million. This follows an increase of £5 million in applications the week before, and may represent in part demand from overseas. The discount market maintained its common bid at £98 8s. 7d. per cent, and the proportion allotted at this price declined from 52 to 24 per cent. The average rate of discount fell by 3·77d. to £6 5s. 6.56d. per cent. On Tuesday the United States Treasury bill rate dropped from 2.587 to 2.202 per cent, its lowest for two years. At yesterday's tender, £210 million of bills will be offered, £60 million in excess of maturities.

The Bank gave fairly large help through purchases of bills on Thursday before last week-end; nonetheless five or six houses had to take small loans at Bank rate. On Friday, when small special help was given, one or two houses were "in" the Bank. This week credit conditions have been transformed, and on Tuesday and Wednesday the Bank mopped up surplus funds by moderate sales of bills.

The dollar price of gold rose by 2c, to $35.03 a fine oz, in the week to Wednesday, while the London price rose by ¼d. to 248s. 9½d. The price of silver declined steadily up to Tuesday, when it reached 76⅛d. an oz spot and 75⅝d. forward.

LONDON MONEY RATES

	%		%
Bank rate (from 5% 19/9/57)	7	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	6⅞–6¾
Bank	5	3 months	6⅞–6¾
Discount houses	5	4 months	6⅞–6¾
Money		6 months	6⅞–6¾
Day-to-Day	5–5½	Fine trade bills:	
Short periods	5½	3 months	7⅛–⅜
Treas. bills 2 months	6⅝	4 months	7⅛–⅜
3 months	6⅝	6 months	7⅛–9

BANK OF ENGLAND RETURNS

(£ million)	Jan. 30, 1957	Jan. 22 1958	Jan. 29, 1958
Issue Department:			
Notes in circulation	1,861·6	1,966·4	1,957·2
Notes in banking dept.	63·7	34·0	43·2
Govt. debt and securities*	1,921·2	1,996·2	1,996·2
Other securities	0·7	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	14·4	12·8	12·2
Bankers	232·1	206·4	205·1
Others	76·0	73·5	74·6
Total	322·5	292·7	291·9
Securities:			
Government	226·4	227·5	218·0
Discounts and advances	34·9	25·6	25·3
Other	17·9	21·5	21·4
Total	279·2	274·6	264·7
Banking department reserve	65·7	36·4	45·6
"Proportion"	20·3	12·4	15·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issued reduced to £2,000 million from £2,050 million on January 22nd. 1958.

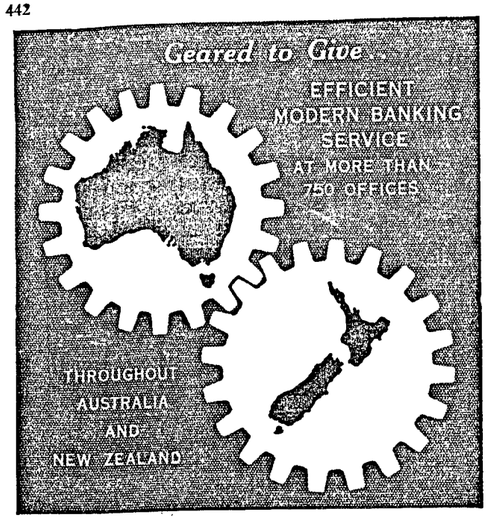
TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1957	*91 Day*		s. d.	%
Jan. 25	200·0[3]	414·0	91 0·81	36
Oct. 25	260·0	431·1	132 0·74	37
	91 Day *63 Day*			
Nov. 1	220·0 40·0	419·3	131 10·53	47
„ 8	230·0[3] 40·0	434·0	131 8·42	29
„ 15	210·0 40·0	426·1	131 7·45	23
„ 22	210·0 50·0	423·6	129 5·71	47
„ 29	230·0 50·0	390·2	129 2·27	61
Dec. 6	240·0[3] 50·0	430·7	129 1·45	39
„ 13	230·0 50·0	414·8	129 1·21	45
„ 20	220·0 50·0	403·9	128 9·94	52
	91 Day			
„ 27	260·0	409·2	127 5·91	54
1958				
Jan. 3	260·0	405·7	126 6·70	55
„ 10	260·0	398·7	126 7·25	45
„ 17	260·0[3]	403·8	125 10·33	52
„ 24	230·0	421·0	125 6·56	24

* On January 24th tenders for 91 day bills at £98 8s. 7d. secured 24 per cent, higher tenders being allotted in full. The offering this week was for £210 mn. at 91 day bills. [1] Allotment cut by £10 mn. [2] Allotment cut by £20 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: January 29	Market Rates: Spot: January 23	January 24	January 25	January 27	January 28	January 29
United States $	2·78–2·82	2·81 1/4–2·81 3/8	2·81 1/2–2·81 5/8	2·81 1/2–2·81 5/8	2·81 7/16–2·81 7/16	2·81 1/2–2·81 5/8	2·81 1/2–2·81 5/8
Canadian $	...	2·76–2·76 1/16	2·75 15/16–2·76 1/16	2·76 1/16–2·76 3/16	2·76–2·76 1/16	2·76–2·76 1/16	2·76 1/16–2·76 1/8
French Fr.	1167·16–1164·83	1178 1178½	1177½ 1177½	1177½ 1177½	1177½ 1177½	1177½ 1177½	1178½ 1178½
Swiss Fr.	12·15 3/8–12·33 3/8	12·26–12·26 1/4	12·26–12·26 1/4	12·26–12·26 1/4	12·25–12·26	12·26 12·26 1/4	12·26 12·26 1/4
Belgian Fr.	138·95–141·05	139·60–139·65	139·62 1/2–139·67 1/2	139·62 1/2–139·67 1/2	139·45–139·50	139·47 1/2–139·52 1/2	139·42 1/2–139·47 1/2
Dutch Gld.	10·56 10·72	10·58 1/2 10·58 7/8	10·58 1/2 10·58 7/8	10·58 1/2–10·58 7/8	10·58 10·58 1/2	10·58 10·58 1/2	10·58 10·58 1/2
W. Ger. D-Mk.	11·67 3/8–11·84 3/8	11·78 11·78 1/2	11·77 1/2–11·78	11·77 1/2–11·77 7/8	11·77 1/2 11·77 7/8	11·77 1/2–11·77 7/8	11·77 1/2–11·77 7/8
Portuguese Esc.	79·90–81·10	80·00–80·15	80·00 80·15	80·00–80·15	80·00–80·15	80·00 80·15	80·00 80·15
Italian Lire	1736 1/2–1762 1/2	1751–1751 1/2	1751 1/2 1751 3/4	1751 1/2 1751 3/4	1750 1/2 1751 1/4	1751 1/4 1751 1/2	1751 1/2–1751 3/4
Swedish Kr.	14·37 1/2–14·53 1/2	14·49 1/2–14·49 3/4	14·49 1/2–14·50	14·49 1/2–14·49 3/4	14·49 1/2–14·49 3/4	14·49 1/2–14·49 3/4	14·49 1/2–14·49 3/4
Danish Kr.	19·15 1/2–19·18 1/2	19·35 1/2–19·36	19·36 1/2–19·36 1/2	19·36 1/2–19·36 1/2	19·35 1/2–19·36	19·36 19·36 1/2	19·36 19·36 1/2
Norwegian Kr.	19·85–20·15	20·00 1/2–20·01 1/2	20·00 1/2–20·01 1/2	20·00 1/2–20·01 1/2	20·00 1/2–20·01	20·00 1/2–20·01 1/2	20·00 1/2–20·01 1/2
One Month Forward Rates							
United States $		1/2–3/4c. pm	1/2–3/4c. pm	1/2–3/4c. pm	1/2–3/4c. pm	1/2–3/4c. pm	1/2–3/4c. pm
Canadian $		1/2–3/4c. pm	1/2–3/4c. pm	1/2–3/4c. pm	1/2–3/4c. pm	1/2–3/4c. pm	1/2–3/4c. pm
French Fr.		par–2 dis	par–2 dis	par 2 dis	par 2 dis	par 2 dis	1 pm–1 dis
Swiss Fr.		3–2 1/2c. pm	3 2 1/2c. pm	3 1/4 2 1/2c. pm	3 1/4–2 1/2c. pm	3 1/4–2 1/2c. pm	3 1/4 2 1/2c. pm
Belgian Fr.		1/4–par	1/4–par	1/4 par	1/4–par	1/4–par	1/4 pm–par
Dutch Gld.		1/4 1c. pm	1/4 1c. pm	1/4–1c. pm	1 1/4–1c. pm	1–1c. pm	1–1c. pm
W. Ger. D-Mk.		3–2 1/2 pf. pm	3–2 1/2 pf. pm	3 2 1/2 pf. pm	3–2 1/2 pf. pm	3–2 1/2 pf. pm	3 2 1/2 pf. pm
Italian Lire		2 par	2 par	2 par	2 par	2 par	2 pm–par
Swedish Kr.		2 1/2 pm	2 1/2 pm	2 1/2 pm	2 1/2 pm	2 1/2 pm	2 1/2 pm
Danish Kr.		4 2 1/2 pm	4 2 1/2 pm	4–2 1/2 pm	4 2 1/2 pm	4 2 1/2 pm	4 2 1/2 pm
Norwegian Kr.		2 1/2 pm–par	2 1/2 pm–par	2 1/2 pm–par	2 1/2 pm–par	2 1/2 pm–par	2 1/2 pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		248/8 1/2	248/9	...	248/9	248/8 1/2	248/9 1/2



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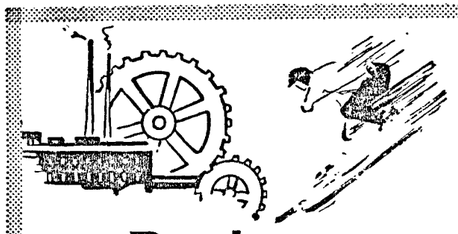
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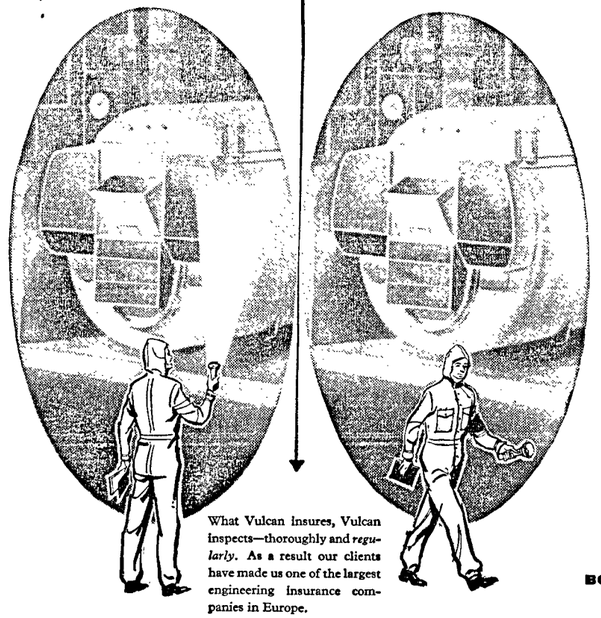
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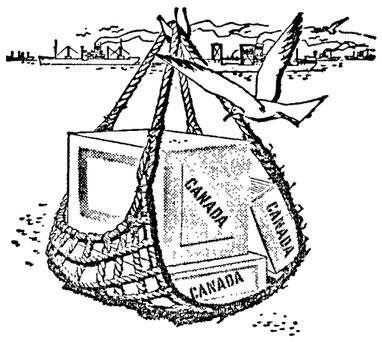
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BAY HALL TRUST LIMITED

Summary of Directors' Report for the year ended 31st December, 1957 and of the accompanying Statement by the Chairman, Sir Charles Hambro, K.B.E., M.C.

The gross revenue amounted to £228,515 compared with £251,950 in 1956. The decrease results from realising certain investments to redeem £772,400 of Debentures at par on 31st December, 1956. Nevertheless, after providing for Taxation, Directors' Fees and other outgoings amounting to £92,271, there is a net profit of £136,244 as compared with £132,417 in the previous year. Adding £130,144 brought forward, the total available for appropriation is £266,388. The Directors have placed £25,000 to General Reserve and recommend a dividend of 17 per cent., less tax, which will absorb £103,063, leaving £138,325 to be carried forward.

Full provision has been made in the Profit and Loss Account for United Kingdom taxation in respect of all income to 31st December, 1957. Double taxation relief allowable to the Company amounting to 5s. 1d. in the £ has been taken into account in arriving at this provision.

At market prices on 31st December, 1957 (or where no market price existed at valuation by the Directors at that date amounting to £305,348), the Investments had an aggregate value of £2,719,410 as compared with their book value of £1,808,142. There is thus an indicated appreciation of £911,268 over book cost.

At the valuations taken at 31st December last, over 92 per cent. of the Investments are situated in the United Kingdom, Union of South Africa and other parts of the British Commonwealth. About 91 per cent. of the Investments are in ordinary stocks and shares and the balance in fixed-interest bearing securities.

COMPANY MEETINGS

STEWARTS AND LLOYDS, LIMITED

"STATE OWNERSHIP": A STEP TOWARDS TOTALITARIAN GOVERNMENT

SHAREHOLDERS OVERWHELMINGLY SUPPORT BOARD'S PROPOSED CAMPAIGN

MR A. G. STEWART ON COMPANY'S FIGHT AGAINST NATIONALISATION

The sixty-eighth annual general meeting of Stewarts and Lloyds, Limited, was held on January 28th in the Merchants' Hall, 30 George Square, Glasgow.

The Chairman, Mr A. G. Stewart, presided and said:

Ladies and Gentlemen, it gives me much pleasure to address this, the sixty-eighth Annual General Meeting of the Company.

After the Auditors' Report had been read the Chairman continued: A copy of the Directors' Report was contained in the copy of the Accounts sent to each shareholder. For the first time a Statement by me has also been included with the Accounts. This, of course, largely takes the place of a speech and I assume you will take all these as read. (Agreed.)

In my Statement under the heading of Finance I mentioned that application had been made to the Capital Issues Committee to enable us to borrow from our Bankers. Authority to borrow up to £10 million was granted on January 13th, for the Treasury's usual period of six months. The question of financing part of our future expenditure by raising permanent capital in one form or another is very much in mind, but I cannot over-emphasise the extent to which the threat of nationalisation complicates this matter.

The six weeks that have elapsed since the issue of the Report and Accounts have provided no evidence of an improvement in the demand for tubes overall. Indeed, in export markets there has been a general decline in requirements. The short-time working at some of our tube works, to which I referred in my Statement, continues. We have succeeded up till now in taking up part of the slack by selling steel in semi-finished form, but production both of iron and of some qualities of steel has had to be slightly curtailed. I have nothing further to add as to trading prospects in the immediate future.

I am now going to propose the resolution to adopt the Report and Accounts. If you have any questions arising out of the Accounts or what I said in my Statement other than about nationalisation, would you ask these questions immediately after the resolution has been proposed and seconded, but please would you reserve any questions about nationalisation until we reach item 5 on the agenda, that is, the Special Business or the resolution on Nationalisation.

The Report and Accounts having been adopted, the dividend and the usual resolutions approved, the Chairman continued: I now turn to the Resolution about State ownership referred to in item 5 of the Notice of the Meeting. I assume that all of you will have read what I said in my Statement on the subject of nationalisation. We are legally advised that the Directors have every right to resist nationalisation. It is, however, the Board's policy to invite the shareholders to support the Board in matters of such major principle and it is for this reason that the Resolution is submitted.

This statement received a lot of publicity. It is our intention, with your support today, to see that the public is fully informed so that it may make up its mind on the subject. My Board and I have received a great deal of encouragement from many sources in the action that we have taken.

THREE PARTICULAR QUESTIONS ANSWERED

There are three particular questions which have been asked and I think should be answered right away.

The first question is—What steps do we in fact propose to take to counter nationalisation?

The answer to this is that we shall endeavour to present our case in whatever manner seems from time to time to be most effective. If we are going to fight a battle, surely it is questionable tactics to disclose our plan of campaign at this stage.

I think, however, that I might take this opportunity of repeating what I said in the BBC programme "At Home and Abroad" earlier this month, that it is not in any way our intention to attack the Labour Party. All we are fighting against is the policy of nationalisation and we hope by provoking argument and discussion to convince not only the supporters of the Labour Party, but those who frame its policy, that nationalisation is both unnecessary and bad.

As I said last year,

Why should any government, with all its many responsibilities, wish to add one further, extraneous, responsibility—one which in my view Government is not equipped to carry and which would lead to the establishment of a huge, bureaucratic machine? This would seem to be just one further step towards Totalitarian Government to which the country, at the moment, seems to be almost unanimously opposed.

A LONG STRIDE TOWARDS COMMUNISM

Some of you may have thought then that my reference to a step towards Totalitarian Government was an exaggeration. But surely there is now no doubt at all that nationalisation of steel and other industries would mean a long stride towards the establishment of Communism in Great Britain. Everyone in this country should bear that danger in mind most earnestly.

The *Daily Worker* recently commented on this prospect with considerable self-satisfaction. That paper referred to a statement by the chairman of another company that nationalisation is "the beginning of Communism and logically in time it would convert our country into a State as completely Communist as Russia and other Eastern States which are either already Communist or going that way."

The *Daily Worker* said: I wouldn't deny one word of that. What worries me is the speed at which time, here in Britain, is slipping underneath our feet.

The second question is—Are we supported in our view by other steelmakers?

The answer to this is "yes," most certainly! Although we appeared to take the initiative in the matter, it should be appreciated that it so happened that mine was the first Statement to be published. I should say that we have received a large measure of support not only from other steelmakers, but from many other industries which are not connected with the steel industry.

The third question is—What do we expect the campaign will cost the Company?

The answer is that I just cannot tell you. All I can say is that the cost will not be excessive and I feel sure you will agree that it will be money well spent.

THE PROXY POSITION

Before the Resolution is proposed and seconded I should let you know what proxies have been lodged. We have at the present time 18,700 shareholders. It is the general experience that a large percentage of shareholders do not, for one reason or another, complete proxy forms. It does, however, seem remarkable to me that only 20 shareholders have lodged proxies against the Resolution. Of these we know that some, whilst utterly opposed to nationalisation, feel that we are mistaken in spending money on this campaign. This surely is a matter of opinion. 8,157 shareholders have lodged proxies in my favour in favour of the Resolution. The actual number of potential votes covered by these proxies is: 11,793,921 FOR the Resolution and 8,465 AGAINST.

Perhaps I should add that on January 27th—that is, a day late—a further 68 proxies were received, all in favour of the Resolution and representing 214,836 votes. Taking the recent bad weather and postal delays into account, it can, therefore, be said that 8,225 shareholders wished to cast 12,008,757 votes in favour of the Resolution. This is surely a remarkable declaration.

The following Resolution was then submitted to the Meeting:

The Ordinary Shareholders of Stewarts and Lloyds, Limited, being of the firm belief that nationalisation of the Iron and Steel Industry in Great Britain would do harm to the Company, its employees and its customers, confirm the power of the Board of Directors to take, and approved the Board of Directors taking, such steps as they consider necessary or desirable to counter such nationalisation.

The Resolution was carried unanimously and the business terminated with a vote of thanks to the Chairman and the Board for their efforts to preserve British industry from state control.

AVELING-BARFORD, LIMITED

DIFFICULT TRADING CONDITIONS

The sixty-third annual general meeting of Aveling-Barford, Limited, was held on January 27th at Grantham, Mr Edward Barford, MC, chairman of the company, presiding.

The following is an extract from the chairman's circulated statement for the year to September 30, 1957:

A year ago I mentioned that orders for our products were being received at a reduced level. I regret to say that this situation persisted during the greater part of the year and production in most of the Company's plants was necessarily restricted.

SUBSIDIARIES' SUCCESS

That the trading profit of the Group is only slightly lower than last year at £683,951 is some satisfaction, and can only be attributable to increased efficiency in our manufacturing processes.

Our subsidiary companies continue to operate successfully, and their steady improvement and expansion requires additional financing by the parent Company.

Abnormal difficulties have been experienced in adjusting our operations to the new conditions which have arisen in many of our markets overseas. For the most part these have been surmounted, but it has been necessary to intensify our efforts in traditional markets while seeking out new, but often less profitable, outlets for our products.

An intensive campaign in Canada over the past eight years is beginning to show satisfactory results. That we have been successful is the best possible tribute to the quality of our products and service.

The developing countries of South America offer today our best potential markets. That we have not achieved the turnover that our efforts and established reputation deserve is not due to neglect. In fact the contrary applies. The stark fact is that a manufacturer can only do as much export business as his country will finance.

NEED FOR CREDIT FACILITIES

Exhortations from Ministerial circles for increased exports, accompanied by platitudinous instructions as to how they can be accomplished, are useless without credit facilities equivalent to those available to foreign competitors. I say that the British Treasury is not authorising the Export Credits Guarantee Department to grant competitive credit terms, and, unless the Government is prepared to take a more enterprising policy, we have no chance of breaking into new markets or even retaining those where we have been established for three-quarters of a century.

At the opening of the current year, in common with others in our industry, we are finding business increasingly difficult to obtain. This is not due to the quality of our products but rather to an almost world-wide recession in our trade. The back-log of orders cannot be regarded as satisfactory and appropriate measures are already in hand to protect our position. We are continuing our policy of new design and our machines of all types are universally accepted as technically sound and reliable. New projects are under review.

The Directors recommend that the Final Dividend should be 7½ per cent, as last year, making a total of 12½ per cent for the full year.

The report and accounts were adopted.

TANGANYIKA CONCESSIONS LIMITED

CAPTAIN CHARLES WATERHOUSE'S REVIEW

SATISFACTORY PROGRESS MAINTAINED

The Annual General Meeting of Tanganyika Concessions Limited was held on January 23, 1958, at the Head Office of the Company, Tanganyika House, Salisbury, Southern Rhodesia, Captain The Right Honourable Charles Waterhouse, MC, DL, the Chairman, presiding.

The following is an extract from his circulated review :

After observing the record profits that have been reported in recent years, it is very gratifying to be able to draw attention to even better results. The accounts in respect of the year ended July 31, 1957, show a record profit of £4,309,796, and the Directors have consequently been pleased to propose for the consideration of Stockholders at the Annual General Meeting a Final Dividend on the Ordinary Stock of 6s. 6d. per unit, which if approved, will make a total dividend of 9s. 6d. per unit for the year. It must be emphasised, however, that these figures result from the operations of the Union Minière du Haut-Katanga and the Benguela Railway Company for the year ended December 31, 1956, and reflect the much higher copper prices then ruling.

In addition, the Board, for the reasons outlined in their report, have recommended a bonus issue of registered Ordinary Stock on the basis of one new Ordinary Stock Unit of 10s. for each Ordinary Stock Unit held on January 31, 1958.

The main source of the Company's revenue has again been the Union Minière du Haut-Katanga, which, because of its excellent results, was able to distribute a dividend of Belgian Francs 2,300 as compared with Belgian Francs 2,200 for the previous year. The Benguela Railway Company also made a substantial contribution by paying the interest for the year on both series of debentures and distributing a dividend of Escudos 16.50 per share, as compared with Escudos 11.00 per share for the previous year. Moreover, in addition to the redemption payment of £202,480 for the year 1956, a further £409,300 of the 4 per cent Income Debentures were redeemed.

CHAIRMAN'S ADDRESS

The Chairman addressed the Meeting as follows :

Since the General Meeting of last year your Company has suffered two heavy misfortunes in the deaths of Mr Godfrey Hutchinson last March, and of Sir Ernest Oppenheimer only a few weeks ago. Mr Hutchinson had already left your Board and been replaced by his son, Mr Robert Hutchinson. Sir Ulick Alexander has resigned from the Chair, Sir Ellis Robins has left Southern Rhodesia, but fortunately both still retain their places on the Board, and I am glad of this chance of expressing our appreciation of their great services. Mr Arthur Crichton, who has been our guide, philosopher and friend over many years, and Sir Alfred Beit have retired from the Board. We are grateful for the work they have done for the Company. We are glad to welcome today Sir Andrew Strachan, who has replaced Sir Ellis Robins as a member of the Board resident in Southern Rhodesia.

In the financial year we are considering, your Company made a record net profit of £4,309,796, which reflects profits earned in 1956 by the Union Minière and by the Benguela Railway Company, which in both cases exceeded any previous record. I must remind you, if indeed you need any such reminder, that in 1956 the average price of copper on the London Metal Market was £328 per ton, while the similar figure for last year, the year 1957, was only £219 per ton, and since then there have been further falls in the price of the metal.

On January 3rd of this year the Union Minière paid an Interim Dividend after taxation of 750 Belgian Francs. Last year that Company paid two Interim Dividends, each of 700 Francs, but we cannot expect a second Interim Dividend in respect of the year 1957. Those engaged in winning copper and other non-ferrous metals are certainly going through a difficult time, but we have every confidence that the knowledge and experience of those in control of the Union Minière will enable that Company to weather this particular economic disturbance with the minimum of discomfort to its shareholders, of which your Company, with a holding of approximately 14 per cent of the issued shares, is one of the principal.

THE BENGUELA RAILWAY COMPANY

The fall in the price of copper is, of course, directly reflected in the freight rates charged by your subsidiary, the Benguela Railway Company, for the transport of the metal, and the figures for 1957 must on that account show a decrease on those for 1956. I am, however, happy to be able to say that other classes of mineral traffic, and especially iron ore from the Province of Angola, have done much to fill this gap, and to increase the Railway's already large contribution to the development of Angola's economy. Two years ago your Chairman, Sir Ulick Alexander, spoke in forthright terms about the Railway, its functions and its future. We may be sure that his words reached far outside this room, for in the last two years the public has begun to realise that the Benguela Railway is far more than a local line, and is in fact one of the main arteries connecting Central Africa with the rest of the civilised world.

The Board and management of the Railway are to be congratulated on the results achieved. The able Chairman, Dr Pinto Basto, is fortunate in having on the Board a group of Portuguese gentlemen with outstanding qualifications, and it is appropriate that I should mention the high honour done to his colleagues, Dr Manuel Fernandes, in his appointment as a Judge of the International Court of Justice at The Hague, and to Dr Supico Pinto, in his appointment as President of the Corporative Chamber which, with the Chamber of Deputies, constitutes the Portuguese Parliament.

In December 1957 the Portuguese Government authorised an increase in the capital of the Benguela Railway from Escudos 330 million to Escudos 660 million. This increase was obtained by revaluing the assets of the Company by Escudos 220 million and by transferring Escudos 110 million from Reserves. Although this transaction in no way increases the earning capacity of the Railway, we feel that our share of the capital increase is some compensation for the debentures subscribed by us which, because the Railway was not earning sufficient profits in past years, were cancelled without payment.

In this context it is well that we should bear in mind that the proposed Capital readjustment of Tanganyika Concessions itself would be no more than a restoration of the reduction made in 1938.

A MAJOR ACHIEVEMENT

As you are aware, we have, through our associated company, Tanganyika Holdings Limited, been contributing since 1953 to the expenditure incurred by Rio Tinto (Northern Rhodesia) Limited in the exploration of approximately 12,000 square miles of territory.

Since the Report and Accounts were issued to Stockholders, Rio Tinto (Northern Rhodesia) Limited have informed us that the results so far achieved in Northern Rhodesia indicate that the methods being used there are soundly conceived and that, although no ore body of economic grade and tonnage has been established, the exploration methods have succeeded in locating mineralised areas. In particular, they regard the identification of the Lower Roan series, where this had not been previously known to occur, as a major achievement, and they have accordingly put forward proposals for further substantial expenditure to be incurred during the next few years. The Boards of your Company and The Zambesia Exploring Company Limited have agreed to continue to provide Tanganyika Holdings Limited with the necessary finance to maintain their contribution to this project.

Your Company's wholly owned subsidiary, Tanganyika Properties (Rhodesia) Limited, has, as you know, a considerable investment in Border Forests (Rhodesia) Limited, who own large forestry estates in the Eastern Districts. I am glad to be able to report favourably on that Company's progress. The planting of the total afforestable area with pines is nearing completion. A saw-mill is in process of erection on one of the Estates, and in due course will produce sawn timber for the market.

In all these matters your Company, its subsidiaries and its associated companies, owe much to the loyal and devoted work of their staffs, and on behalf of the shareholders I offer them my thanks.

The Report and Accounts were adopted, the payment of the final dividend was approved, and the retiring Directors were re-elected. The two Ordinary Resolutions which provided for a bonus issue of Ordinary Stock from the existing unissued capital to be effected by the capitalisation of reserves, and the Special Resolution for the amendment of Article 13 of the Company's Articles of Association were duly passed.

LLOYD'S PACKING WAREHOUSES (HOLDINGS)

SIR ERIC A. CARPENTER'S REVIEW OF ACTIVITIES

The sixty-second Annual General Meeting of Lloyd's Packing Warehouses (Holdings) Limited was held on January 29th in Manchester, Sir Eric A. Carpenter, OBE (the Chairman), presiding.

The following is an extract from his circulated statement:

The Group Trading Profit is £389,404 as against £406,658 for the previous year. After making provision for Taxation £236,396, as against £234,276 last year, there is an Aggregate Net Profit of £153,008 compared with £172,382 a year ago.

Your Directors recommend a final dividend of 7 per cent less tax on the ordinary stock, making 12 per cent less tax for the year.

Current Assets exceed Current Liabilities by £1,474,450 and combined Capital and Revenue Reserves total £1,388,382 as against £1,377,626 a year ago.

The Consolidated Accounts of Regentone Products Limited show a Trading Profit of £94,536 compared with £34,229 for the previous year. After providing a net sum of £35,194 for Taxation and adding £25,154 the balance brought forward from the previous year, £84,496 is carried forward.

DIVISIONAL ACTIVITIES

Packing Division.—A year ago I referred to the necessity of concentrating textile packing in fewer houses. In the year under review benefits have accrued from this concentration, turnover being maintained on a more profitable basis. During the year premises were acquired and fully equipped to cater for a wide range of machinery packing. This service for which it is anticipated there will be an increasing demand only came into full operation towards the end of the year under review.

Paper and Packaging Division.—In a year in which the general experience of the paper industry has not been so satisfactory, it is gratifying to be able to report that the paper manufacturing unit has fully maintained turnover and profits. The paper merchanting and conversion units on the other hand have experienced reduction in turnover and margins.

Timber Division.—In pursuance of the policy I referred to a year ago considerable re-organisation of this Division has been carried out.

Transport Division.—The Transport fleet increased gross earnings but this increase was slightly more than counterbalanced by higher costs of fuel and maintenance.

The Warehousing and forwarding services have shown healthy expansion providing increased gross earnings.

Towel Division.—Since the close of the year under review an agreement has been entered into whereby the Group will sell its interests in J. Smith Hargreaves & Company Limited. While the sale will involve a capital loss on the book value of the investment of approximately £120,000, completion of the sale will liberate some £360,000 of capital which your Directors have every confidence can be employed to much better advantage and at considerably less risk in other spheres.

Regentone Group.—The trading results for the year under review show a substantial improvement over the previous year. Following extensive research prior to production the "RGD" and "Regentone" television models have had a very favourable reception in the market giving promise of further improvement in the trading results of the current year.

Summary.—The continued decline in the demand for the services provided by the Group in respect of cotton goods exports has necessitated considerable re-organisation of the Group's activities. Such re-organisation is costly in itself and disruptive of production and turnover. Your Directors are, however, confident that the re-organisation carried out will improve efficiency and earning power.

The report was adopted.

WATNEY COMBE REID & CO. LIMITED

INCREASED TRADE

The annual general meeting of this company was held on January 24th in London, Mr S. H. Combe, MC, chairman, presiding.

The following is an extract from his circulated statement for the year ended September 30, 1957: Trade for the year showed an increase of just under 5 per cent, which is better than the national average. The most noteworthy feature was the small increase in draught beer sales for the first time for some years. There can be little doubt that your Company's policy in regard to improved public houses has played a considerable part in the satisfactory results of the year.

It is an interesting fact that in terms of the real value of money the price of beer is lower now than it was six years ago. Brewing costs, on the other hand, are four times what they were 20 years ago. To achieve this result, the brewing industry has had to keep profits down.

Last year brewing profits after deduction of taxation and depreciation amounted to £34 million. Of this, £16 to £18 million was required for rebuilding licensed houses and less than £12 million was distributed to ordinary shareholders. For the first time our Subsidiary, Coca-Cola Southern Bottlers Limited, has shown a profit

Our export sales are a record for this Company and a considerable percentage of these sales has been in canned beer.

LICENSED PROPERTIES

In the course of the year thirteen new public houses have been completed on new sites, seven old ones have been rebuilt and thirty-one have been very substantially improved.

At the end of May "The Dover Stage," was opened. This new venture caters primarily for motor coach parties going to and returning from the Continent. In the 18 weeks to the end of September 124 coach parties stayed the night there on their journeys and 131 other coach parties were specially catered for with meals.

The Board are pleased with the results of the other Motel projects, "The New Forest Motel" near Southampton, and "The Devon Motel" on the Exeter By-pass.

FINANCE

The Group trading profit for the year to September 30th last, amounts to £2,729,310, an increase of £507,882 over that for the previous year, an increase which in the opinion of the Board is satisfactory and compares favourably with other Brewers operating in the trading areas covered by our Group.

The Group profit after taxation and after deducting £38,134 attributable to outside shareholders amounts to £990,208.

The drain on our cash and investments has continued. In addition to repairs, alterations and rebuilding of our public houses we have provided further large sums for the modernisation of our Mortlake Brewery. This project will not be completed for at least eighteen months.

The Board recommends that £150,000 be appropriated to the Properties and Plant and Contingencies Reserve, and that a final dividend of 10 per cent and a bonus dividend of 6 per cent be paid, making 21 per cent for the year.

H. & G. SIMONDS, LIMITED

RECORD SALES

The Annual General Meeting of H. & G. Simonds, Limited, was held on January 29th at Reading. General Sir Miles Dempsey, the Chairman, presided.

The following are extracts from his circulated statement.

FINANCE

The balance from trading during the year showed a further advance to £1,085,036, sales of beers and other commodities reaching record levels both in volume and value.

There has been little or no sign of any lessening in the pressure of rising costs. Wages have again been substantially higher; distribution has been more costly, and builders' charges for the repair and decoration of our properties have shown a marked increase.

The profit for the year before charging taxation amounted to £828,001, an increase of £64,025. Taxation requires £476,763, leaving £351,238, compared with £328,119 for the previous year. The Board recommend that the final ordinary dividend for the year be at the rate of 10 per cent which, together with the interim of 2 per cent paid in June, 1957, makes 12 per cent for the year. The equivalent rate for the previous year was 11 per cent.

TRADE

Our sales of beer attained the highest figure so far recorded by the Company.

Export Trade improved, and in this as in our Home Trade, the sale of "Tavern Ale" in cans played an important part. Wine and Spirit sales again expanded.

Trade in the first few weeks of the current year has been maintained at much the same level as twelve months ago. It would be unwise to make any forecasts, but we are hopeful that this state of affairs at least may continue throughout the year.

In common with most of the Brewing Trade, we have done our utmost to combat inflation by holding down prices of our beers. In spite of all the increased costs during the year our prices have, with small exceptions, remained constant, and the increased price now asked for a pint of our beer is remarkably small in comparison with the 1930s, when all these costs are borne in mind.

The close of the year was distinguished for us by a number of successes gained by our beers at the Brewers' Exhibition held in London. The principal award of a Gold Medal was won by our Tavern Ale for the second time in succession, and other prizes were won by entries of both draught and bottled beer from each of our three Breweries.

LICENSED PROPERTIES

During the year we have opened one new public house, the "Britannia," at Bristol, and work has begun on the construction of six others, all of which should be completed by the end of the current year. Of these, three are at Plymouth and one each at Reading, Slough and Newport.

Our hotels and catering department achieved once again a record turnover, and we re-opened the "Bear Hotel" at Maidenhead, which had been completely destroyed by fire, and also the "Tumble Down Dick Hotel," at Farnborough, following substantial re-modelling of the entire premises.

Further expansion of our retail business, trading under the name of Arthur Cooper, took place, and 48 shops now come under its control.

PLANT

Two important schemes have been put in hand involving the construction of substantial new cold storage for beer in Reading, and the installation of new bottling plant, stock rooms and loading bays at Devonport. These improvements are expensive but necessary, and will take approximately three years to complete.

ASSOCIATED COMPANIES

Dividends and interest from our investments overseas again showed an increase.

STAFF

Our relations with staff and employees have continued to be excellent, and once again I thank them, together with our Tenants and Managers, for all they have done.

The report and accounts were adopted, and the retiring director re-elected.

THE STANDARD TRUST

SATISFACTORY REVENUE IMPROVEMENT

The fifty-fifth Annual General Meeting of The Standard Trust Limited will be held on February 21st in London.

The following is the circulated statement by the Chairman, Mr Basil G. Ivory, CA:

Due to further increases in dividends received and the additional funds employed during the year we are able to report a satisfactory improvement in our gross revenue, which has risen by £31,360, to £325,888.

After Debenture Stock Interest, taxation, and all expenses, net revenue has increased by £19,813 to £157,615, and after deducting the Preference dividend the amount available is £138,641, equivalent to earnings of 24.1 per cent on the increased ordinary capital of £1 million compared with 22.9 per cent on the smaller capital last year.

The Directors have transferred £30,000 to General Reserve bringing this up to £380,000 and now recommend an increase to 12 per cent in the final dividend, making 18 per cent for the year. This will leave the carry forward at £88,543, compared with £79,952 brought in.

Appreciation of 44.4 per cent in the valuation of our investments compares with 61.71 per cent a year ago. This decrease has been occasioned by the unsettled condition of markets, both in the United Kingdom and North America, which has been reflected in lower prices for equity shares generally.

The year 1957 witnessed more difficult conditions for industry on both sides of the Atlantic, with greater competition and increased costs having an adverse influence on profits which may well lead to reduced dividend declarations in some cases during the coming year. Government attempts at home to stem the tide of inflation, culminating in a 7 per cent Bank Rate and a ceiling being placed on the capital investment programme, have clouded the outlook still further and it seems likely that the full repercussions from these measures have yet to be experienced. It may well be that a further decline in share prices could be seen before a recovery takes place but there is a sharp division of opinion as to the intensity and duration of the present set-back.

However, scientific progress and the persistent urge to raise living standards throughout the world provide long-term stimulating influences and few people would question the likelihood of ultimate growth, which could spring from the more solid base which we are now attempting to establish. Despite the many uncertainties with which we are faced your Board remain reasonably confident that the current year's revenue will be such as to justify maintenance of the current rate of dividend.

BROOK MOTORS LIMITED

FURTHER EXPANSION OF TRADING

The Eighth Annual General Meeting of Brook Motors Limited was held on January 25th at Huddersfield. Mr Frank V. Brook, the Chairman and Joint Managing Director, presided.

The following is an extract from his statement circulated with the report and accounts:

The improved position shown briefly in the half-yearly report, issued for the first time in June last, has continued through the remainder of the financial year under review. Increased labour costs through further wage awards were partially offset by reductions in certain material prices and to a larger extent through internal production method changes. The turnover was a further record indicating an increase in the ever-widening circle of customers in addition to the continued loyalty of our customers of long standing.

Our direct export trade showed improvements despite restriction difficulties and keen competition in some countries. Additionally our American Company expanded at a satisfactory rate. Their initial sales target, expected to be reached after a five-year period, has already been achieved in four, and with further agency appointments we expect this improvement to continue.

In order to promote better liaison between the American market and the parent company, one of our senior executives, Mr A. E. Hogton, was appointed to the Board of the Brook Motor Corporation in March last.

The new factory for the manufacture of fractional horse-power motors is now completed, and full production should be attained early in 1958. A building of pleasing design has resulted, which will harmonise with the surrounding countryside and offer all modern amenities for the welfare of employees.

A further recent standardisation in the electric motor field has culminated in the introduction of a new design ventilated motor which will also meet the needs of the North American Continent. Other models are being redesigned to the same style which should enhance our opportunities for sales to both home and export customers.

The future is always difficult to prophesy. The introduction of a European Free Trade Area will be a challenge which I consider your Company is in a position to accept. An expansion of trade with the American Continent is contemplated and the establishment of better distribution facilities should increase these prospects.

Staff and employees of the Company have shown great loyalty and enterprise during the past year in helping to achieve the results obtained.

The report and accounts were adopted.

THE NATIONAL BANK OF KUWAIT LIMITED

Established 1952

Under Charter granted by H.H. Shaikh Sir Abdulla Al Salim Al Subah, K.C.M.G., C.I.E., Ruler of Kuwait

BALANCE SHEET as at 31st DECEMBER, 1957

LIABILITIES	Indian Rupees	ASSETS	Indian Rupees
Capital, Authorised, Issued and Paid Up	13,100,000	Cash and Balances with Banks	148,837,704
General Reserve	8,600,000	British Government Treasury Bills	169,291,000
Current, Deposit and Other Accounts (including Provisions for Contingencies)	447,494,600	British and Other Government Securities (at under market value as at 31.12.57)	29,008,076
Dividend Payable	1,441,000	Other Investments at cost	1,000,000
Profit and Loss Account Balance	801,357	Advances to Customers, Bills Discounted and Other Accounts	123,010,177
Confirmed Credits and Guarantees on behalf of Customers, as per contra	60,744,341	Land and Buildings, less amounts written off	200,000
		Liability of Customers for Confirmed Credits and Guarantees, as per contra	60,744,341
		NOTE.—There is a contingent liability of Rupees 1,000,000 in respect of uncalled capital on "Other Investments."	
	532,181,298		532,181,298

AHMED SAOUD ALKHALED, *Chairman.* KHALIFA KHALED GHUNEIM, *Deputy Chairman.* A. E. MEDLYCOTT, *General Manager.*

PROFIT AND LOSS ACCOUNT for the year ended 31st December, 1957

	Indian Rupees		Indian Rupees
Transferred to General Reserve	1,600,000	Profit after charging all expenses, making provisions for contingencies and writing down assets	3,351,941
Provision for payment of dividend of 11%	1,441,000	Balance brought forward from last year	490,416
Balance carried forward	801,357		
	3,842,357		3,842,357

London Correspondents: Midland Bank Limited. Eastern Bank Limited. Chase Manhattan Bank. Lloyds Bank Limited.

New York Correspondents: Irving Trust Company. Chase Manhattan Bank. Bank of America.

Correspondents in all principal countries

A COMPLETE BANKING SERVICE FOR TRANSACTIONS WITH KUWAIT

WILLIAM TIMPSON LIMITED

Manufacturers, Retailers and Repairers of Footwear

YEAR 1957

Issued Capital	£1,875,910	Current Assets	£2,046,245
Reserves	1,303,456	*less* Current Liabilities	1,029,980
			1,016,265
		Fixed Assets at cost *less* Depreciation	2,163,101
	£3,179,366		£3,179,366

Profit for Year 1957		£522,950
Taxation	£328,000	
Dividends	130,130	
Retained in business	64,820	
		£522,950

Extract from the Chairman's Address

The Company has 247 shops and a number of repair factories in England, Scotland and Wales. The factory in Kettering maintained full production throughout the year.

The Company's pension fund now exceeds £800,000 and pension and other payments during the year have been over £54,000.

A bonus of £45,000 has been allocated to employees.

FLOWERS BREWERIES

INCREASED OUTPUT AND SALES

The Sixtieth Annual General Meeting of Flowers Breweries Limited was held at Luton on January 27, 1958, Mr Bernard Dixon, Chairman, presiding. The following are points from his statement:

Your Company again shows a very substantial increase in output relative to the national figures.

The sales of Flowers Keg Bitter have exceeded our expectations, but it will be appreciated that a development such as this takes time effectively to consolidate and become fully profitable. Your Board has deliberately pursued a policy in connection with this product which in effect amounts to the return by way of profit being dependent on a considerable volume of output. The trade of the Group in Bottled Beer continues to increase. Brewmaster, in particular, is meeting with outstanding success.

The extremely rapid increase in sales which has taken place has meant that we have had to finance a considerably increased volume of plant, equipment, stocks and debtors.

The brewing industry is a highly competitive one and we must take our opportunities as they present themselves. This means that we have to prepare our organisation to deal with our anticipated forward position, and in this connection current revenue bears a heavy load of expenditure.

At the close of our financial year, work on new depôts at Reading and Southampton was rapidly reaching completion.

There has been a considerable increase in the sales of Wines and Spirits, and the sales of the Group's own brands of Port and Sherry

under the name of J. & J. E. Phillips have increased by leaps and bounds. The new Bond is operating satisfactorily and has proved a worthwhile investment.

Twelve new licensed premises have been opened or are about to be opened. The capital cost involved has been heavy, but we confidently believe that in the long run they will prove a sound investment. Expenditure on our properties generally has been increased in comparison with the previous year by 20 per cent. This, of course, is a direct charge against profits, but one that should lead to better trade in the future.

In continuance of your Company's policy with regard to advertising, the appropriation has been once again substantially increased.

During the year we acquired all the minority interests in our Subsidiary Companies.

The report and accounts were adopted.

APPOINTMENTS

MACHINE ACCOUNTING

Tootal Broadhurst Lee Co., Ltd., invite applications for the post of

MANAGER

of the

I.B.M. DEPARTMENT

at their Manchester Head Office. *The installation* is a large one, consisting of six tabulators and ancillary equipment, and is used at the present time for sales analysis, accounting work, and the *preparation of orders and invoices.* The post therefore offers considerable scope for a man with *organising* experience in punched card systems and the ability to get the best out of a staff numbering over 70. The job carries an attractive starting salary.—Please apply by letter, giving full details of age, qualifications and previous career, to the Personnel Manager, Tootal Broadhurst Lee Co., Ltd., 56, Oxford Street, Manchester, 1.

BRITISH RAILWAYS RESEARCH DEPARTMENT

VACANCIES for TECHNICAL ASSISTANTS in OPERATIONAL RESEARCH DIVISION in London. An interest in investigational work and some mathematical ability

Commencing salary according to age, etc.—maximum for post £741 per annum.

Superannuation and certain free travel facilities.

Medical.

Applications, stating age, qualifications, etc., to :

SUPERINTENDENTS,
OPERATIONAL RESEARCH DIVISION,
20, EUSTON SQUARE, LONDON, N.W.1.

MARKET RESEARCH ASSISTANT

A Senior Assistant to the Research Manager is required by KEN. Applicants should have at least three years' experience—some of it preferably with an advertising agency. Sound statistical background is essential, plus the ability to initiate surveys and carry them through to completion of final report. This *position carries* plenty of scope and excellent prospects for the future. Applications, stating age, *experience and salary required*, should be addressed to :

Research Manager,
Rumble, Crowther and Nicholas, Ltd.,
184, Strand,
London, W.C.2.

AGRICULTURAL ECONOMIST MALTA

Required to act as *Marketing* Adviser to the Maltese Government.

Candidates must have a *university* degree in Agricultural Economics. Agriculture or Economics and should have had *practical experience in the organisation* of the sales of horticultural produce, local marketing and distribution problems.

The appointment is on temporary terms for four years, with a salary of £1,500 per annum. Free passages for officer, wife and children up to a maximum of five passages in all. Contribution by Government of the employee's share of F.S.S.U. premium.

Appl, giving brief particulars, to Director of Recruitment, Colonial Office, London, S.W.1, quoting BCD 63/19/04.

THE UNIVERSITY OF MANCHESTER

Applications are *invited* from graduates for the post of TUTOR IN SOCIAL ADMINISTRATION, in the Department of Social Administration of the Faculty of Economic and Social Studies, in connection with the Selective Recruitment and Training Scheme for Hospital Administrators in England, Wales and Scotland. The *appointment is for* three years, in the first instance, with a possibility of a renewal for a further period. The salary per annum will be on one of the following ranges : £700 to £850; £900 to £1,050; initial salary according to qualifications and experience. Membership of F.S.S.U. and Children's Allowance Scheme.—Applications should be sent not later than February 15, 1958, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

TELEVISION.—Associated TeleVision Ltd. require a young woman graduate as an assistant to the Audience Research Manager and to specialise in television programme research. A sound statistical background with practical experience in a market research department is essential. This is a really *interesting* job with excellent prospects.—Write, stating age, qualifications, experience and present salary, to G. V. Stacy, Associated TeleVision Ltd., Television House, Kingsway, London, W.C.2.

COST ACCOUNTANT REQUIRED

A.C.W.A. or Qualifying
Required immediately as Assistant to F.C.W.A. Must be practical, energetic, good disciplinarian. Experienced in Standard Costing in Engineering. Plenty of scope and work for the right man.
GOODMANS INDUSTRIES Limited,
Axiom Works, Lancelot Road,
Tel. Wembley 1200.

A NEW and important post has been created in the London Office of a nationally known and fast growing manufacturing Company. Of senior executive status, the work will involve responsibility (with the support of an adequate staff) for the merchandise development and advisory marketing of the entire range of women's and children's clothing. Suitable candidates will have had wide experience in this sector of the textile trade, be well educated preferably to university degree standard, be able to prove a successful trading record possibly in retail store management and possess administrative ability above average. The post will carry a high starting salary and provide a stimulating career and ample scope for advancement.—Applications, which will be *treated in strict confidence, should include full details* of career and should be addressed to Box 853.

TRADE OFFICER required by UGANDA GOVERNMENT, Trade Department, KAMPALA, on probation for two years for permanent and pensionable employment. Commencing salary according to experience in scale (including inducement pay), £879 rising to £1,617 a year. Outfit allowance up to £30. Free passages. Liberal leave on full salary after tour of 30-36 months. Candidates, under 35, must hold G.C.E. "O" Level in five subjects or equivalent and have experience in commerce. Degree in Economics or secretarial qualification an advantage. Duties include administration of import/export controls, *collation of statistics and commercial information*.—Write to the Crown Agents, 4, Millbank, London, S.W.1. *State age, name in block letters, full qualifications* and experience and quote M3A/44527/EN.

MARKET RESEARCH

Precision engineering company in West London *require* assistant for expanding Market *Research Department*. Preference will be given to graduates *in economics*, with statistics as special subject, and some *industrial* or commercial experience, aged 24 to 30. The post calls for analytical skill in handling statistical material and relating the company's activities to trends in the national economy, and offers an excellent opportunity to build a career in a progressive firm. Pension scheme, excellent sports and social facilities.—Write, giving full details, to Box 854.

RESEARCH FELLOWSHIPS OF THE COUNCIL OF EUROPE

The Council of Europe awards annually a number of Fellowships to encourage research into the following subjects, considered in the light of their present-day importance : (a) political, economic, social, educational and scientific problems connected with European integration ; (b) European civilisation (philosophy, history, literature and the arts).

The Selection Committee will meet in Strasbourg at the end of June to make the next awards. The Fellowships will be each of the value of 500,000 French francs and will be tenable for a period of eight months in 1958-1959.

Candidates must be nationals of a Member State of the Council of Europe. An exception, however, is made in favour of refugees from European countries non-Member States of the Council of Europe, *provided* that they are legally resident in the territory of a Member State.

The British Council assists in publicity and recruitment for these Fellowships *in the United Kingdom*.—Further particulars and forms of application, which must be submitted by March 15, 1958, may be obtained from The Controller, Education Division, The British *Council*, 65, Davies Street, London, W.1.

DIRECTOR, with organising experience, preferably with technical knowledge, required for Association for Consumer Research. Salary around £2,000 per annum according to qualifications.—Application forms from 16, Victoria Park Square, E.2, to be returned before February 17th.

THE DURHAM COLLEGES in the University of Durham

Applications are invited for the post of LECTURER IN ECONOMICS in the Department of Social Studies from October 1, 1958. The salary scale attaching to the appointment will be £1,050–£1,650 a year.

Applications, three copies, together with the names of three referees, should be sent not later than March 17, 1958, to the Secretary, 38, North Bailey, Durham, from whom further particulars may be obtained.

UNIVERSITY OF CAMBRIDGE DEPARTMENT OF ESTATE MANAGEMENT

HAROLD SAMUEL BENEFACTION

The Department of Estate Management proposes to award, from October 1, 1958, grants for research in economic, legal or social *matters* related to the use, tenure, or development of land.

Essential qualifications: *good honours degree in* History, Economic History, Economics, Agricultural Economics, or Law, or a degree with a high class in Estate Management, or evidence of likelihood to obtain such a degree not later than *July, 1958*.

Value of a grant £400 a year, plus University and College fees. *Normally* tenable for two years.

Particulars from Secretary, Board of Estate Management, 74 *Trumpington* Street, Cambridge. Completed applications should reach him by February 26th.

FEDERATION OF NIGERIA

STATISTICIAN TO SUPERVISE STAFF TRAINING

Qualifications : Good Honours Degree or other appropriate qualifications in Statistics and appropriate training experience.

Duties : The training of Assistant Statistical Officers to final standard of Association of Incorporated Statisticians ; the officer may also be required to undertake the ordinary duties of a Statistician in the Department.

Terms : Contract/gratuity. Gross emoluments ranging from £870–£1,821. Free passages ; free medical attention. Generous home leave ; low income tax.

Application forms and further particulars from Director of Recruitment, Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1. Quote BCD 59/14/02. Closing date for receipt of initial enquiries February 22, 1958.

OPERATIONAL RESEARCH

Applications are invited for the appointment of a Mathematician/Analyst to become the "Mathematical" member of a small Operational Research team.

This appointment offers stimulating experience *in a pioneer project* on the solution of sales, production, and stock programming problems, and *in continuing* work of great interest and variety.

A good salary will be paid commensurate with ability and experience. The Company operates a generous pension scheme.

Applications should be sent, in confidence, to *Mr F. Sargeant, Head of Operational Research.*

WILMOT BREEDEN, LIMITED,
Amington Road, Birmingham 25.

SINGAPORE : Qualified Accountant wanted for Far Eastern office of world-wide organisation. Vacancy offers interesting experience and wide scope for young and ambitious man seeking employment abroad. Applicant, preferably unmarried and between 25 and 35, would be offered a three-year tour overseas, with option to renew at a salary of $M.900 per month, plus accommodation.—Applications, stating age, *qualifications*, experience, present post and salary, to Box 842.

EMPLOYERS' ORGANISATION in London concerned with the negotiation of wages and conditions at *national level* requires executives, aged 30 to 40, with degree or its equivalent in Economics, and experience of industrial general management.—Write, in confidence, stating age, qualifications and experience, to *Box 855.*

COST AND WORKS ACCOUNTANT

required for
the London Office of

KUWAIT OIL COMPANY

The Company invites *applications from qualified* Cost and Works Accountants for a vacancy on the *Staff of their London Office.*

Applicants must be experienced in examination *and comparison of contracts and tenders*, and presentation of statistical data, and should not be older than 30.

Salary according to experience ; non-contributory Pension Scheme.

Write for application form, giving brief details and quoting LON.28 to Box T/145 c/o 191, Gresham House, E.C.2.

TRAIN FOR TECHNICAL TEACHERS

EXCELLENT CAREER PROSPECTS

Applications are invited from men and women for TRAINING as FULL-TIME TEACHERS OF GENERAL, COMMERCIAL AND PROFESSIONAL SUBJECTS AND/OR OFFICE ARTS (Shorthand, Typewriting, Secretarial work) in TECHNICAL COLLEGES AND SCHOOLS.

The next course of training will begin in *September*, 1958, and end in June, 1959.

Applicants should normally all

(1) be between about 25 and about 45 years of age;

(2) have good commercial experience;

(3) possess one of the following : Professional qualification or degree, Higher National Certificate in Commerce, Advanced Certificates in Shorthand and Typewriting.

MAINTENANCE GRANTS AVAILABLE—NO TUITION FEES.

Write for details and an application form to one of these colleges : The Director (S/1/60, Bolton Training College, Manchester Road, BOLTON ; The Principal (S/1/60, Garnett College, 83 New Kent Road, LONDON, S.E.1; The Director (S/1/60, Huddersfield Training College, Queen Street South, HUDDERSFIELD.

THE UNIVERSITY OF MANCHESTER

RESEARCH STUDENTSHIPS AND RESEARCH GRANTS IN ECONOMIC AND SOCIAL STUDIES

Applications are invited for the above studentships and grants, tenable for one year in the first instance, and renewable for a further period not exceeding two years. The studentships are normally of the value of £350 or £400 per annum. They are offered to candidates who have obtained the degree of Bachelor or Master in this or any other approved University.—Applications should be sent not later than February 15, 1958, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

APPOINTMENTS

EXECUTIVE DIRECTOR

Lake & Elliot Limited, Braintree, Essex, wish to appoint an EXECUTIVE DIRECTOR. The Company employs approximately 1,600 people in Iron and Steel Foundries, General and Production Engineering. Many developments are taking place.

Applicants should preferably be between 35 and 45 and possess degree or equivalent qualification in Metallurgy or another branch of Science with Metallurgical experience. Management experience would be an advantage.

A substantial salary will be paid to the successful candidate with suitable qualifications ; assistance will be given with housing, and there is a long-established superannuation scheme. The present Board of Directors is small, and it is essential that the new Director should work happily with them.

Applicants should send brief details of themselves in confidence to the Managing Director, who will be glad to supply further particulars.

MANAGEMENT CONSULTANCY

Mead Carney and Co., Limited, the British affiliate of the Mead Carney International Corporation of New York invite applications from experienced Management Consultants for appointment to their staff in the United Kingdom and on the Continent of Europe.

Applicants must possess a university degree or equivalent professional qualification, substantial executive experience in industry and a record of successful work as practising Management Consultants particularly in the industrial engineering field.

The contemplated salary range is designed to attract men of the highest calibre and ability and there are excellent opportunities for further advancement.

All applications will be treated in strictest confidence, should contain full details of personal background, qualifications and experience and should be addressed to : The Chairman, Mead Carney and Co., Limited, 42, Hill Street, London, W.1.

PRIVATE SECRETARY. Woman graduate, preferably Economics, required for position as Private Secretary to Managing Director of a large industrial organisation in Birmingham. The candidate selected will be expected to assume considerable responsibility in the collection and presentation of figures and be prepared to undergo an initial period of some months getting to know the industry. An adequate salary will be paid to suitable candidate.—Apply, Box 858.

LARGE MANUFACTURING AND SELLING COMPANY in Brazil has a vacancy in its Personnel Department in Rio de Janeiro. Previous experience of Personnel work and knowledge of Portuguese or Spanish desirable but not essential, age 28-30 years. The appointment offers a permanent interesting career with excellent prospects for the future. United Kingdom leave initially every three years, but every 2½ years in third and subsequent tours. Non-contributory Pensions Scheme.—Apply, in writing, with full particulars of career to date, to Box L.438, Willing's, 362, Gray's Inn Road, London, W.C.1.

AUSTRALIAN NATIONAL UNIVERSITY

CANBERRA

RESEARCH SCHOOL OF PACIFIC STUDIES

Applications are invited for two RESEARCH FELLOWSHIPS in the DEPARTMENT OF ANTHROPOLOGY AND SOCIOLOGY. Appointment carries with it field research in Social Anthropology among primitive and advanced peoples in Australia and neighbouring parts of the world.

Salaries for Research Fellows are within the range £A1,250-£1,850. The appointments will be for three years with a possible extension to the maximum of five years. Reasonable removal expenses will be paid, and superannuation on the Federated Superannuation System for Universities operates is provided.

Further details should be obtained from the Secretary, Association of Universities of the British Commonwealth, 36, Gordon Square, London, W.C.1.

Applications close on *March* 10, 1958.

COMMONWEALTH OF AUSTRALIA

DEPARTMENT OF THE TREASURY

BUDGET AND ACCOUNTING BRANCH CANBERRA

Position : Chief Finance Officer, Grade 2.
Salary : £2,433-£2,763 (Australian currency).
Duties : Direction and control of major investigations and research into accounting systems and procedures, with particular emphasis on development of mechanised accounting and application of electronic equipment.
Qualifications : Degree or Diploma in accountancy or economics or commerce with major in accountancy desirable. Applicants should also possess extensive practical accounting experience, particularly in governmental accounting, experience in investigation and implementation of accounting systems, and in direction of staff employed on this type of work.
Conditions : First-class boat fares for the appointee and dependants (wife and dependant children) will be paid under specified conditions by the Commonwealth of Australia. Housing accommodation may be available.
Applications : The Chief Finance Officer, Australia House, London, W.C.2, by February 24, 1958.

UNIVERSITY OF ST. ANDREWS QUEEN'S COLLEGE, DUNDEE

Lectureship in Statistics

Applications are invited for the post of Lecturer in Statistics (specialising in economic and social statistics) in Queen's College, Dundee. Candidates should normally possess an Honours Degree in Statistics or in Mathematics. Salary scale £900 x £50 to £1,350 x £75 to £1,650, with efficiency bar at £1,350 ; placing on scale according to experience and qualifications. F.S.S.U. and Family Allowance benefits ; a grant towards removal expenses may be made. Eight copies of the application, which should contain the names of three referees, should be lodged with the undersigned not later than April 1, 1958.

PATRICK CUMMING,
Joint Clerk to the University Court.

January, 1958.

MAJOR AMERICAN OIL COMPANY, with world-wide interests, invites applications for the position of SENIOR ECONOMIST in its London organisation. Applicants should have extensive knowledge of economics of European countries. Salary according to experience and qualifications.—Box 852.

APPOINTMENTS REQUIRED

PUBLIC COMPANY DIRECTOR of some breadth of experience is wishful of expanding his interests in fields other than those in which he is presently engaged. Considerable experience and the right kind of contacts in most parts of the Commonwealth and North America, and in the better parts of the European Union.

Investment not contemplated initially, but interesting activity with a worthwhile end looked for.—Box 850.

ADMINISTRATIVE EXECUTIVE (48) with experience in INDIA and TRINIDAD as assistant to General Manager seeks similar post in industry with opportunity for advancement in London or the Tropics. Box 859.

BENGUELA RAILWAY COMPANY

The following preliminary traffic results for the year 1957 compared with the year 1956 have been issued.

		1957			1956
Kilometres run	..	812,994	—	..	5,992,074
No. of Passengers	..	169,975	—	Esc.	16,482,000
International Traffic T.	..	482,294	—	..	117,941,000
Mineral Traffic T.	..	735,959	—	..	240,356,000
Local Traffic T.	..	—	—	..	78,124,000
Other Receipts in Africa	..	—	—	..	10,146,000
Tons (excluding Service Traffic)	.. ..	1,388,288	—	Esc.	463,039,000
Working Expenses in Africa	.. ..	.. ..		Esc.	237,290,000
Net Operating Receipts	.. ..	.. ..		Esc.	225,749,000
		1956			*5,948,616*
Kilometres run	..	827,087	—	Esc.	16,316,000
No. of Passengers	..	276,101	—	..	135,866,000
International Traffic T.	..	444,318	—	..	229,966,000
Mineral Traffic T.	..	702,231	—	..	75,327,000
Local Traffic T.	..	—	—	..	16,856,000
Other Receipts in Africa	..	—	—	..	—
Tons (excluding Service Traffic)	.. ..	1,422,650	—	Esc.	474,331,000
Working Expenses in Africa	.. ..	.. ..		Esc.	220,463,000
Net Operating Receipts	.. ..	.. ..		Esc.	253,868,000

Tanganyika Concessions Limited owns all the Debentures and 90 per cent of the equity of the Benguela Railway.

NOTICE TO INDUSTRIALISTS, FINANCIAL ADVISERS, INVESTMENT AND BANKING HOUSES

IN YOUR COMPANY'S ECONOMY AND THE NATIONAL INTEREST,

why attempt to do your own Research and Development when there is a scarcity of good Development Engineers on the labour market and when your Development Programme is achieved you have a labour surplus which is not used efficiently—Why not use the facilities of this British Company whose prime function is *Project Consultancy* from "incertion of thought" to guarantee of "end product" incorporating :

World Market Research
Project Development and Design
Work and Methods Study
Production Planning and Cost Analysis

We also give a conversion service of American and Foreign Drawings to British Standard Specification and Production Practice and vice versa.

Our Principal is looking forward to meeting you for a general discussion of your problems.—Principals only please write. Box 857.

ABSOLUTELY UNIQUE ! Over the counter New Company Registration Service. £25 complete with Co. Seal/Books, Indemnity, etc.—BUSINESS ECONOMY (TE), 156 Strand, London, W.C.2. (TEM. 8377/8.)

Invest in

CITY OF COVENTRY

Mortgage Loans

(TRUSTEE SECURITIES)

SIX PER CENT FOR TEN YEARS

Special terms will be quoted for loans of £10,000 and over.

For further particulars apply :

CITY TREASURER (C.), COUNCIL HOUSE, COVENTRY.

INVEST WITH THE

MORLEY CORPORATION

In a Trustee Security at 6½ per cent (any period up to FIVE years)

Apply, BOROUGH TREASURER, TOWN HALL, MORLEY, YORKS.

CANFORD CLIFFS, Bournemouth. GREYSTOKE HOTEL. Three Stars. Educated Staff. Best in British tradition for Comfort, Food, Service. Fabulous location—Sands. Panoramic Harbour Views. Secluded Garden, Swimming Pool. Club—Nautical Bar. Book early 1958 Season.

KEEP a good cellar, and you enjoy the esteem of your friends. Keep a supply of El Cid Amontillado, and you enjoy a good sherry—and collect more friends !

SUCCESSFUL TUITION FOR THE B.SC.ECON. DEGREE

Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the two examinations for Lond. Univ. B.Sc.Econ (three if Entrance is included). Moderate fees, instalments. Over 800 Wolsey Hall students passed Lond. Univ. B.Sc.Econ. exams. 1951-56. Prospectus from C. D. PARKER, M.A., LL.D., Director of Studies, Dept. P.16, WOLSEY HALL, OXFORD.

B.SC.(ECON.) LONDON UNIVERSITY

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The Bark and Backbite

The noisy debate on the Parker report raises questions for the future of the British economy—and British politics (page 459).

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Respite for France
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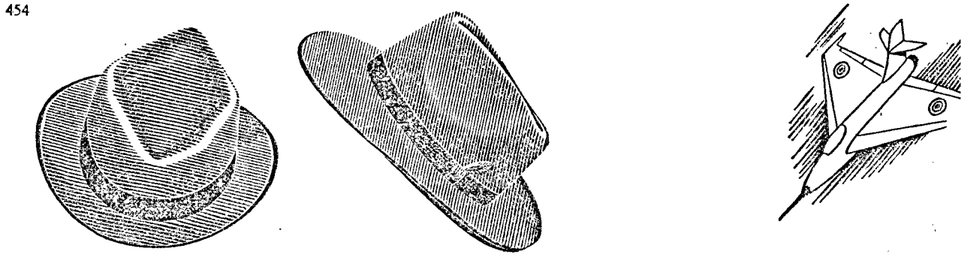
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(page 505)

Britain and the Arabs
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Reform of the profits tax could form part of a more rational system of corporate taxation next April (page 503).

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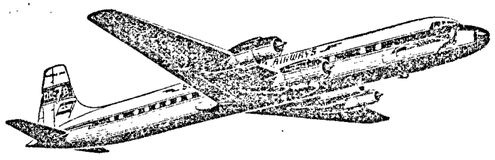
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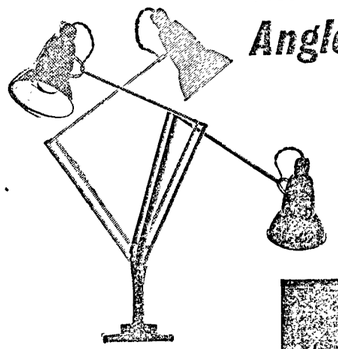
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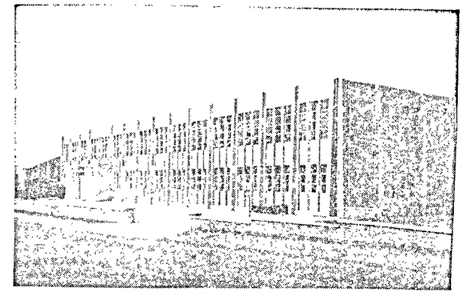
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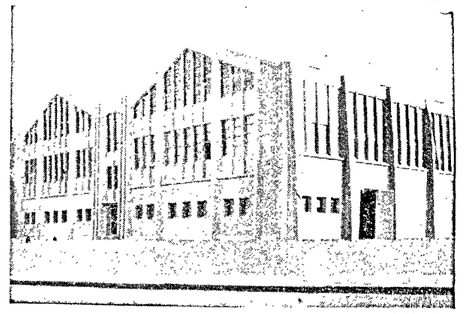
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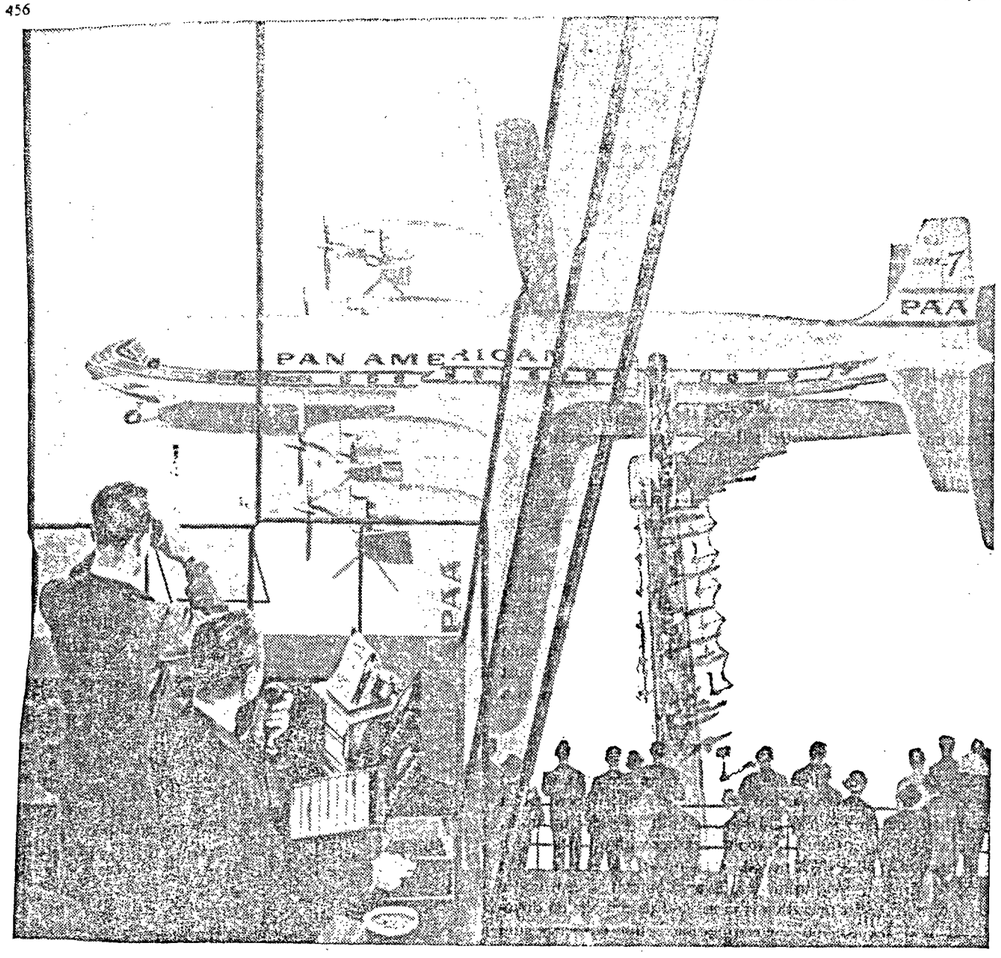
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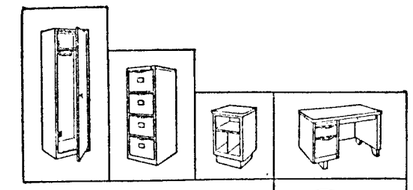
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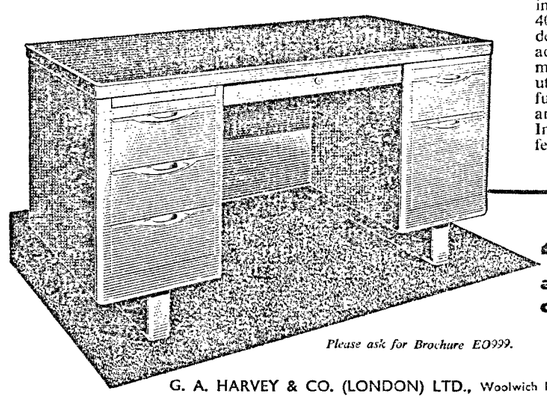
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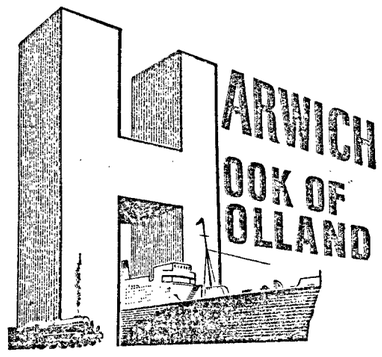
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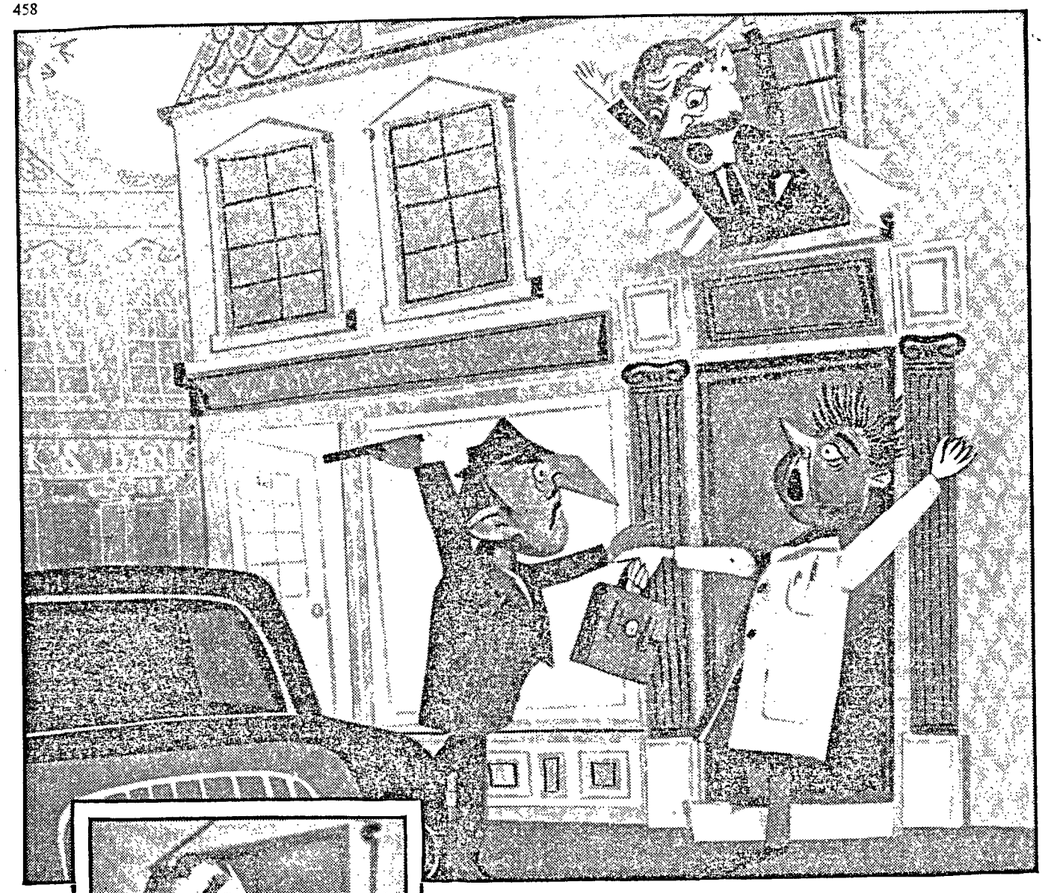
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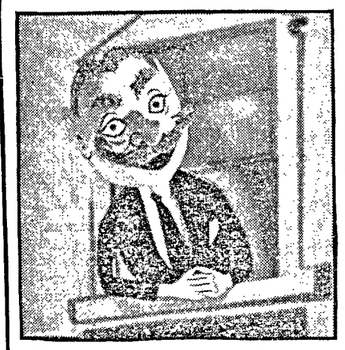
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The Bark and the Backbite

LIKE Shaw's Bulgarian, Mr Harold Wilson does not apologise. He is apparently persuaded that, when he referred to Mr Poole's "vast City interests" in his question whether Mr Thorneycroft had or had not seen the vice-chairman of the Conservative party on the day before Bank rate was raised in September, he intended or implied no calumny; he was, presumably, merely indicating which Mr Poole he meant. This and the other innuendoes echoed during the noisy, nasty debate on the Parker report must now be left with Mr Wilson's—and his party's—conscience. (The calmer theme of the Bank's future direction is discussed on page 507.) But the phrase "vast City interests" is significant for another, and deeply important, reason.

The real crux of Mr Wilson's own skilful and doggedly effective apologia (not apology) came at the end :

> Many of those who gave evidence saw the run on sterling not so much as a national danger as a means to make a profit or to hedge against for the purpose of avoiding a loss.

This was the Labour line throughout the debate and the underlying reason why, in the end, the Opposition even voted against accepting the tribunal's report : however clear-cut the acquittal of individuals, the business of the City, with its higgling and haggling, is in itself culpable. Mr Gordon Walker, who seized the chance of Dr Dalton's absence to prove that he is not so right-minded as is sometimes supposed, made this plain : it was the clash between the City and the national interest that had roused Labour's wrath. Almost alone Mr Gaitskell, who confined himself to justifying the pressure for an inquiry and criticising the Government's fumbling, kept clear of this declaration of, in effect, a state of war between Britain's free markets and the Opposition.

This was very sensible of Mr Gaitskell, who presumably still hopes to lead the next Government. The trouble is that, though he did not say the unwise things, he gave no lead by saying the wise ones. He has to face, quite coldly, two big dangers. The first is that the advent of a Labour Government, or even the prospect of it, may cause the pound to collapse for lack of confidence in the world markets where the pound's worth is judged—which would be a calamity for the nation as well as for Labour. The second, and political, danger Mr Gaitskell has to face is that, simply because of this likelihood, the nation may be persuaded not to risk giving his party a majority. He may say, not unreasonably, that this is unfair : that parliamentary democracy depends upon the parties being able to alternate in power; that the electors ought not to be intimidated by partisan tales of impending disaster; that the Labour party cannot be expected to propound a Conservative policy; but, specifically, that the policy which a Labour Government would in fact pursue is based upon the peaceful (and fruitful) coexistence of private enterprise and public management in the mixed economy which all parties now accept, though they dispute

the frontiers. In short, Labour's bite will be much better than its bark.

But it is by its bark (and its backbite) that Labour will be judged—at home and abroad. That is why this week's debate has been so deplorable, both for Labour and the nation. That is why Mr Gaitskell should have been much more positively sensible. What sort of peaceful coexistence does the Opposition really want with those whom Mr Wilson recently described as "the hard-faced men who have done well out of Tory freedom"? It is true that the mistrust, and the vilification, are often reciprocated. It is not uncommon for Mr Gaitskell himself to be described in some business circles as a renegade, therefore a traitor and even a crook; and it is certainly not exclusively Labour's fault that relations between the Shadow Cabinet and the City are disturbingly poor. All this is lamentable. But is it at all surprising after these revelations of Labour's root-and-branch suspicion and censure of the whole business of buying, selling and making (or losing) money? This is an attitude that has spread like a corrosive poison through latter-day Britain; and, atavistically, the Labour party is still spreading it even when, having won its way to power and had its permanent way in shaping our society, it says it wants to work with private business—and depends on doing so.

Some, on both sides of the feud, will say that the conflict merely reflects the facts: that the Labour party is, implacably, the foe of private business and industry, and should be treated as such; or, alternatively, that socialism, as the ordained repository of the national interest, ought to make no bones about bringing all independent economic decisions under direct constraint. If these were the true premises the consequences for this country, for its economy and for its democracy, would be melancholy indeed. Mr Gaitskell, at any rate, would deny them both. So, too, presumably, would Mr Wilson, though no doubt more ingeniously. Both of them surely remember the perilous blind alley up which Professor Laski led their party a generation ago by his prophecy that, when Labour won a majority at the polls, the vested interests would not accept the electors' verdict—a false prophecy which caused even respectable democrats like Lord Attlee to ponder drastic measures against a resistance movement that never came. It is altogether unlikely, and out of the British character, that even the present taunts could turn the "wolf, wolf" of 1945 into a real wolf after another Labour victory. What is more likely, if the taunts and the two-way feud go on, is that there may not be another 1945; or that, if there is (for the animus against moneymakers is widespread), the first fruits of it, even though the taunted may loyally cooperate, will be something like an economic catastrophe.

Other Side of The Summit

Moscow has endorsed the Rapacki plan for an atom-free zone in Europe. Would it accept any variations on it, if the West were to suggest them?

THE placing of the first American earth satellite in its orbit on February 1st has done something to restore American self-confidence and to put the Russian technological achievements of October and November back into their proper proportion. It has certainly not vitally changed the strategic balance between Russia and the West, and fairly certainly it leaves Russia's foreign policy programme unchanged. From Stalin's day, when Sir Winston Churchill spoke of Russian foreign policy as an enigma, the habit has lingered of thinking of the Russian leaders as secretive, unpredictable men whose purposes are wrapped in mystery. But, while it is still possible to differ about the inner motives of Soviet policy or about its ultimate objectives, its immediate outlines are expounded nowadays with tireless loquacity by Mr Khrushchev, Marshal Bulganin, their colleagues and their spokesmen.

The flood of proposals leaves plenty of ground for scepticism but none for ignorance. Mr Bulganin restated nine topics, which the Russians would like to discuss at a summit meeting, in his latest message to President Eisenhower, delivered on Monday. They do not intend the list to be exclusive. Nor are all the points likely to lead to any fruitful negotiation. The four most interesting items, in order of ascending usefulness, are concerned with ways of easing tension in the Middle East; measures to safeguard both sides against surprise attack; a zone free from atomic weapons in central Europe; and the reduction of foreign troops, presumably in the same area. The Russians would like a meeting in the next two or three months.

Some form of disengagement or thinning-out in central Europe is probably the most serious topic for a meeting at the highest level. There seems to be very little chance of a major agreement on the Middle East, while Mr Khrushchev himself has just told the special correspondent of *The Times* that he does not expect a miraculous global agreement on disarmament or Germany. The Rapacki plan, on the other hand—the Polish proposal for a nuclear-free zone covering the two German states, Poland and Czechoslovakia—might serve as the starting point for discussions which could

ultimately lead to some progress at any rate on these two very issues. But what is the Soviet position?

Evidently the Russians would like, if they could, to secure the nuclear sterilisation of a belt of territory on the west of the Soviet Union without any withdrawal of troops that might leave central Europe free to unfold a political life of its own. One common denominator of all recent Soviet pronouncements has been the emphasis on the permanent nature of the "people's democratic" regimes. The position was summed up in the *Myezhdunarodnaya Zhizn* (International Life), a journal sponsored by the Soviet ministry of foreign affairs, which contrasted the Russian policy aimed at maintaining the political *status quo* with western attempts, doomed to failure, to "restore the *status quo ante bellum*," that is, the position of 1939. Mr Khrushchev elaborated the point at Minsk on January 22nd, warning the West against the illusion that the "internal affairs" of eastern Europe can be discussed.

Simultaneously, Moscow is naturally perturbed at the prospect of rocket bases spreading close to its European frontiers. The Polish plan has, in the Russian view, the advantage of tackling the nuclear and missile question in a limited way without involving, at least in the near future, any political concessions. This is why it has been endorsed by the Russians; and Mr Khrushchev has now given his blessing to any scheme of control and inspection needed to implement it.

THE Rapacki plan envisages the banning not only of rocket bases, but of other nuclear weapons as well. Moscow knows well enough that this would require a complete revision of Nato's strategy. Some of the western politicians who think that the Rapacki plan's other merits justify concessions consider that the plan should be extended so as to include the withdrawal of foreign troops. If these troops are merely there for police operations, there might be a political gain for the West if they were withdrawn on both sides: the west German regime does not rest on American bayonets. Though this proposal has never been made officially, the Russians are ready with an answer. Soviet politicians and Russian newspapers have often made it plain that there can be no question of a Soviet withdrawal from central Europe which would leave American bases in the western part of the continent. Mr Khrushchev's counter to any western proposal about evacuation of troops will be his own suggestion, made to an American television audience and repeated since then on several occasions, for a complete (and completely unacceptable) withdrawal of American troops and bases from Europe, or at least from the European continent.

These two conceptions—the limited plan for an "atom-free" zone and the more ambitious plan for a total evacuation of troops—do not represent the lower and upper limits of one plan. They are the Russian alternatives, to be brought out in turn as the western attitude renders it expedient. Should negotiations for any form of military self-denial in Europe start in earnest, it will be up to the western powers to seek some intermediate solution; and it is here that the Russian position ceases to be clear. What would be the political future of central Europe once the Russian troops were out? Would Moscow accept anything short of a complete American withdrawal? Would it be possible to agree to forgo strategic missiles in the "Rapacki belt" without withdrawing the tactical nuclear weapons that are there already? There is no answer to these or similar questions; the questions have not yet been directly put.

AND yet it is very likely that on this issue Moscow stands as divided as the western capitals. The division is not so much between "peace-lovers" and "warmongers" as between the optimists and the pessimists, the bold and the cautious. One group is reluctant to disturb the present uneasy balance from the fear of incalculable consequences. The other is willing to take risks for the sake of potential greater gains; it is willing to play for higher stakes. Stalin's successors were already faced with a similar dilemma when they took over. The view then prevailed that it was worth while to run the risk of reforming the inherited empire, if only for the sake of its future efficiency. Some of the leaders who backed this view may now consider that what will be lost on the eastern swings will be more than regained on the western roundabouts. Such inner conflicts naturally exist though, as might be expected, they find no direct expression in the Soviet press. The failure of western diplomacy to provide any concrete counter-proposals will not contribute to bring such dissensions into the open.

Moscow has no need for the moment to alter its policy. The present diplomatic offensive gives it the appearance of a stubborn, if as yet unsuccessful, champion of peace. Its effect on popular opinion is to make it more difficult for west European governments to accept American launching-sites. Mr Khrushchev's sigh about the resources which could be released by disarmament sounded serious. Not for a moment, however, should it be concluded that internal economic pressures will force the Russian leaders to alter their foreign policy. Nor is the interest in nuclear disengagement one-sided. The putting of rocket bases on both sides of the Iron Curtain will tend to freeze the political division of Europe, and thus runs counter to the avowed aim of western policy.

The main point, however, is that the Soviet leaders are now sitting in a much more comfortable international position than a year or so ago. Within the Soviet block the tremors from the Hungarian earthquake have calmed down. The process of consolidation has gone a fairly long way and any increase in international tension will only strengthen the pressure for uniformity. Even the reluctant Poles will then have to take their appointed place; freedom within the block is also a function of the international situation.

Externally, too, Russia has recovered from the shock.

The Suez campaign and the continuing war in Algeria have had an impact on Afro-Asian minds which the Hungarian repression did not have. The sputniks brought Russia enormous prestige, and also a new measure of self-confidence. Already active in the Middle East, the Russians are now interesting themselves increasingly in Africa and even in Latin America.

All this goes to show that a western refusal of an invitation to the summit will not paralyse Soviet initiative. A deadlock in Europe will not put a stop to Russian proddings on other fronts. And even in Europe the lack of a general agreement on the abolition of rocket bases will not preclude Soviet efforts to tempt or blackmail individual countries into refusing to accept launching sites for American rockets on their soil. Moscow's suggestion to Italy that such a refusal would be rewarded by a parallel dismantling of similar bases in neighbouring Albania may serve as a model for other offers or warnings tailored to each addressee.

If the western side does eventually go to a summit meeting with concrete and useful proposals that the Russians would be well advised to consider, there will still be no guarantee of an agreement. Mr Khrushchev could still block it by raising questions about American bases outside Europe, or by making the Rapacki plan in Europe conditional on the acceptance of an atom-free zone in the Middle East as well. But an effort at least would have been made, and seen to be made. Possibly some agreement of limited scope might be reached. If it were not, the blame for the European deadlock would be seen to lie with the other side. It is, after all, Russia, not the West, that is determined to preserve the *status quo*. The spiritual heirs of Molotov within the Soviet leadership, the rigid men afraid of change, may even be pinning their hopes today on western reluctance to take the risks of discussion, just as Stalin could once be relied on to close the western ranks.

Respite for France

The windfall of dollars may serve to help the struggle for solvency or merely be used to delay the day of reckoning.

FRANCE will be spared a major crisis in 1958. M. Monnet returns to Paris from Washington with the feeling of a mission well accomplished. Credit to the tune of 655 million dollars—this is more than the French dared to hope for and should more than cover this year's expected payments deficit. The biggest immediate threat to the French economy has receded.

There are two interesting aspects of this operation to rescue the franc. In the first place, it is a combined operation involving not only the United States and the International Monetary Fund, but also the Organisation for European Economic Co-operation acting through the European Payments Union. Secondly, the agreement contains, at least in principle, important economic commitments. The French government had submitted to its prospective creditors a memorandum including specific pledges for the future about key elements of economic policy. By these the French government has bound itself to keep public expenditure below 5,300,000 million francs and the total deficit below 600,000 million francs; to restrict credit, particularly by cutting down medium-term loans; and to avoid further borrowing from the Bank of France. At the same time it has promised to try to lower its import restrictions in the near future.

These guarantees certainly played a part in the negotiation of the French credits. But the decisions were not taken on economic grounds alone. Of the various bodies involved, the IMF was nearest in its behaviour to the detachment of a banker: it gave only what it could hardly refuse. Political considerations connected with "European solidarity" weighed heavily on the EPU councils. The Germans, who provide the bulk of the special funds, were particularly concerned about the immediate future of their new partner. A shock to the French economy and to the Fourth Republic at this stage might have thrown the common market into disarray in the first year of its existence. The desire to give a good start to European integration influenced American generosity as well. The fact that these talks coincided with efforts by the American government to get European bases for its rockets may also have strengthened the hand of the French negotiators. Yet the chief factor in the American decision was undoubtedly the fear of the consequences that a French upheaval, and a possible defection, might have on the American alliance.

Through the latter part of 1957 the western envoys in Paris lived in a state of permanent apprehension. The nightmare which kept them awake may be summarised as follows: absence of foreign exchange would force the French to cut imports so severely that production would be paralysed; widespread unemployment would bring about social unrest and, in combination with tensions over Algeria, would create an extremely explosive situation. From there the versions varied. According to some, the Socialists would be forced into a parliamentary alliance with the Communists, thus making it impossible to continue the series of "Republican" coalition governments. Others envisaged a really revolutionary situation with a *coup d'état* by either of the extremes. Whether these stories were realistic is irrelevant; they cannot now be corroborated or disproved, since the first link in the chain has been removed. They created a state of alarm in the embassies and foreign ministries. The fear of a new French "popular front" accounts partly for the favourable terms obtained by a French government based on a coalition extending from conservatives to socialists.

IT is officially stated that the Algerian conflict was not discussed in the Washington negotiations. Does this mean that the American government (or France's European partners) has underwritten the Lacoste policy in Algeria? Probably not. The creditors apparently hope that if they see to the economics, the politics will took after themselves. There is some logic in this argument. If France sticks to its promises of limited expenditure and credit restriction, it will not be possible to dodge the Algerian issue. The government will have to cut war expenditure or keep down spending in other fields. And the choice for the French nation should no longer be obscured by the inflationary veil.

But the argument is not foolproof. It underestimates the interplay of politics and economics. To suggest that France may not stick to its promises is not to question M. Gaillard's honesty. The walls of many banks could be papered with promissory notes of well-intentioned debtors. In France, if governments propose, parliament disposes. The French difficulty of matching promise and fulfilment is well illustrated by the government's current troubles with constitutional and electoral reform. All parties in M. Gaillard's broad coalition agree in principle on the imperative need to strengthen the executive and ensure its stability. Yet when it comes to concrete proposals, sectional interests prevail over this collectively expressed wish. The dollar loans have strengthened M. Gaillard's hand; they have not ensured him security of tenure.

The French premier has accompanied his announcement of the successful conclusion of negotiations with a warning against any letting up. Economic tensions undoubtedly persist. Even allowing for this new windfall of dollars, French experts estimate that their country's industrial production in the current year will run roughly at the level of the last months of 1957. This means that for the first time in years it will not be possible to solve problems by an important increment in output. Food prices have risen, the pressure of wage demands is growing (real wages fell last year after a long period of substantial gains). To tackle the Algerian question will require a great deal of courage. In these circumstances, local political pulls may still prove stronger than commitments to distant bankers; hope of another overdraft never dies. The temptation for the deputies to let France live beyond its means will be great, and leaders who fight against it may pay the price of loss of office.

Will France use this respite? Will the major crisis be averted or has it merely been put off? French views on that question are sharply divided. Men like M. Monnet, looking proudly back on the postwar modernisation of important sectors of their country's economy and on the exceptionally rapid industrial expansion of the last few years, claim that the recent devaluation, budgetary cuts and credit restrictions have set France "on the road towards financial stability"; and that the dollar tonic will speed it on the way. They hope that by next year France should be solvent and the economic pressures of the common market will then make it impossible to look back. The sceptics, on the other hand, point to the backward parts of the French economy that are still sorely in need of structural change. They are concerned by the persistent political instability, and they derive no comfort from last year's inflationary precedent. Above all, they are perturbed by the unending Algerian war which, after all, costs annually not much less than three times as much as the emergency credits now provide. Their conclusion is that the dollars will simply be used to postpone the day of reckoning.

What France Gets

	$ million
From the European Payments Union	**250**
Consisting of:	
A credit raised from Germany and certain other countries and from the reserves of the Union to be used at French discretion, and worth	150
An increase of $400 million in France's "quota"; only 25 per cent of deficits can normally be covered by credit; the rest must be paid in gold, so this amounts to a credit extension of	100
From the International Monetary Fund:	
Half France's remaining quota of $262.5 million	**131.25**
From the United States	**274**
Consisting of:	
Postponement of repayments of Export-Import loans due this year and next ...	96
Postponement until after 1980 of three annual payments of $30 million each under postwar lend-lease settlements	90
Purchase with francs instead of dollars of surplus cotton	43
Purchase with francs instead of dollars of military equipment for forces stationed in Europe, about	45
Total	**655.25**

Not all the assistance will be available at once. In the worst of cases, the French government could use $547 million to cover commitments this year, $78 million next year, and $30 million in 1960.

Bank managers often have to decide whether shock treatment or gentle coaxing are more suitable in a given case. France's international lenders were this time faced with a similar dilemma. In the next few months they will have opportunities to ponder the virtues and the disadvantages of the two methods. But there will not be much that they can do now that the credits have been given; in the next stage, it will be up to France.

THE TRADE UNIONS

1: How Powerful Are They?

The contemporary question to be asked about the great British trade union movement, after half a century's growth and entrenchment, can be simply put. Is it now a responsible estate of the realm or simply another powerful, and specially privileged, vested interest? The interests which it represents are entirely proper and necessary. Like every other powerful vested interest, however, it will earn and deserve its several privileges, at law and in fact, only if it accepts its responsibilities. To say this is, in principle, unexceptionable. But, first of all, what are the real facts? How powerful are the trade unions? What responsibilities should they accept? It is the purpose of these articles to look objectively at these queries.

At the end of 1956 there were nearly ten million persons—7.8 million men and 1.9 million women—organised in trade unions in Great Britain; they represented about 40 per cent of the whole working population, and about 44 per cent of the employees in civilian jobs. One can compare this with just over six million members in 1938, representing probably just under 30 per cent of the working population—or, alternatively, with 8¼ million in 1920, the prewar high tide mark of trade unionism, before the deep slump in membership of the twenties and early thirties. The main recent growth came while the war was establishing full employment in the British economy. Between 1938 and 1948 union membership grew by more than half. Since then, its growth has levelled off; and since 1951, it has grown proportionately rather less than the total number of persons in jobs in Britain.

But the growth in the unions' effective influence in the British economy is not simply a matter of numbers. Their influence has been enhanced, in the first place, by acceptance of the "tripartite principle" in administrative arrangements dating mainly from the war, ranging from local productivity committees up to the Joint Production Advisory Council and to informal discussions between the Trades Union Congress and cabinets, of whatever colour. The unions' actual bargaining power in the labour market has been reinforced by the extension of publicly regulated negotiation through wages councils, labour boards and arbitration machinery. And they have benefited greatly from the spread of government influence in the economy. Wherever it has gone, into nationalised industries, social services, subsidised agriculture, the government has conceded trade union recognition to all its direct and indirect employees as a matter of course. All these influences, moreover, have tended in the same direction as the continued concentration of membership into the largest unions—towards a greater influence for centralised wage bargaining at the headquarters level, and the "annual round" of key wage decisions which, for 1958, will be shortly upon us.

Yet the main factor that has increased the effective bargaining power of the unions is, quite obviously, the establishment of full employment and the disappearance of any significant reserve of unemployed labour in the postwar period of rapid economic expansion. Labour has become perhaps the scarcest factor of production; naturally, its price has gone up. The trade unions have furnished the instrument which has brought about most of the steady and considerable rise in money wages per head relative to salaries per head or other incomes; but they did not supply the power behind their leverage. In comparison with entirely "unorganised" groups of the population which are hardly in short supply, such as say retired middle-class people or male clerks, the organised workers have certainly gained a substantially larger share of the extra money income generated during expansion. But it is not clear that they have necessarily done so much better than largely unorganised people with high scarcity value in the labour market—such as, say, typists or youngish business executives. The real purchasing power of trade unionists in manual operative jobs will certainly have risen faster than those of their bosses (though not necessarily than those of their bosses' secretaries). But that is simply because, being absolutely so much lower, their incomes are less liable to erosion by tax—which is not within the control of the trade unions.

White Collar Workers

It is too easy, moreover, for middle-class people to think of the "organised worker" simply in terms of the horny-handed manual worker. Since the war, partly by accident, perhaps the most important "growth element" in trade unionism's numbers and bargaining power has been in the white-collar unions. These are still weak in the ordinary commercial office, though in some sections dominated by large groups, such as the banks, their influence is now growing. It is in the government office, and the offices over which the government has recently extended its control—the nationalised industries, and the social services—that the managerial and professional associations have had their main increase in bargaining power.

This process has indeed produced extremely hard bargaining by unions of "independent" professional people and independent employers; the doctors, the dentists, the National Farmers' Union, now negotiate for their whole professions' scale of remuneration with the government. National and local government officials, along with teachers, have exercised appreciable bargaining strength for many years; and the expansion of government-controlled research has enlarged the power of certain professional unions. If nuclear energy had been developed in this country by the great private consortiums now working their passage into it, instead of by the Ministry of Supply and later the United Kingdom Atomic Energy Authority, a number of the key men at the top might be earning far larger salaries than they do now. But it is also likely that there would have been far less effective trade union bargaining for the whole range of administrative and scientific white-collar workers in this field than is represented by the huge wage claim presented last month.

Enhanced bargaining power for the various kinds of middle-class trade unions has given them advantages compared with many of their unorganised white-collar brothers and sisters, though not all. Few of them would in fact be prepared to strike, but they have used the implied threat to do so; nor are their restrictions upon entry, where they exist, less stringent. Yet they have been hard put to it to increase their real purchasing power thereby, against rising costs of living and particularly against taxation. In terms of relative real improvement, it is the manual workers' unions that have had the best of the postwar bargain—and which have been gearwheels in the postwar inflation. Their success in keeping wage rates rising during the recent period of disinflation has caused many to see wage inflation as a virtually autonomous process, and to suggest that this can be checked only by undefined national "wage policies" or by some legislative limitation of their bargaining powers.

Elements of Weakness

As yet, however, there is no real evidence that trade union bargaining power has become so overwhelming as to be independent of the normal forces of supply and demand in the economy. During the last two years of disinflation the price of labour, like the prices of other things in which suppliers have a degree of monopoly, has continued to rise. But these, after all, have been years of high if level production, with the proportion of unemployed people never rising above 1½ per cent. The unions, like many businessmen, have been coasting along upon the momentum of postwar inflation, seeking their sectional ends with such monopoly power as they command. To identify them as the prime movers of inflation, whose economic power can be curbed only by political means is—whatever their present responsibilities may be as a recognised estate of the realm—to exaggerate their real strength. To the cooler observer—as indeed quite obviously to some of the colder-blooded trade union leaders—the present substance of trade union strength displays some elements of deep weakness, in spite of the menacing shadows they have consistently cast across bargaining tables throughout the postwar decade of inflation.

The main mass of manœuvre that the unions can deploy, the numbers of men in the trade unions of manual operatives, has grown much less since the war than the numbers of white-collar people and of women in unions. In certain sectors of the economy—distribution and commercial office work are the two big ones—unionism is very weak. While demand for labour is so high and unemployment is negligible, moreover, the worker in small shops and businesses is in little danger of being sweated and the trade union organiser has few advantages to offer him.

To the fully paid-up union member, such drones are profoundly irritating; so, indeed, is the substantial fringe of his own membership, that is usually in arrear with union dues. If he relates these dues, indeed, to the increase in earning power that workers have enjoyed since before the war, the enthusiast is entitled to argue that union members have had a quite incredibly good bargain. Their average dues per member for unions affiliated to the Trades Union Congress have gone up by only 31 per cent, from £1 16s. 7d. in 1938 to £2 8s. in 1956; in the same period weekly wage rates rose by about 170 per cent and average earnings by 245 per cent, from £3 9s. to £11 17s. 11d. For the price of five or six cigarettes a week, he might say, the worker has been able to count on a steady and considerable rise in money wages and even in real purchasing power, probably without ever once needing to worry about the Joneses or to screw up his nerves to ask for a rise.

The service that trade unions have provided in raising their members' wages, since the war, has thus been cheap at the price: from the point of view of their longer-term interests, indeed, perhaps ridiculously cheap. They have not managed to raise dues in line with actual costs, or to build up reserves against the ultimate sanction of strikes. Those reserves can be counted partly in members' loyalty: they must also be counted in cash. At the end of 1956 on the average, the book value of union funds amounted to about £9 10s. per head of membership, less than a week's earnings for the average man employed in industry. After twenty years of unparalleled success in raising the incomes of their members without strikes, Britain's trade unions find themselves in a position where their

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apparent strength is quite inadequately backed with the financial sinews of solidarity. It has often been argued in these columns that the real cost of strikes to the British economy can be, and has been, grossly exaggerated ; but it would be difficult to exaggerate the cost of a really widespread major strike to even the biggest British trade unions.

This financial weakness of the unions—which is partly, in terms of "market unionism," the result of inadequate union management during the soft years—is now a source of strength for the employer, the government, the international standing of sterling, and for the British consumer in this winter's wage bargaining. To the extent that since the war trade unionism has been riding the wave of full employment, it has become vulnerable ; its power in a showdown has been eroded by the very inflation of which it has been one of the instruments. It could never have been easy for the unions to consolidate adequate financial reserves for bargaining, even during the past easy years. But the attempt might have left them less vulnerable for the first year of bargaining in which they have faced a government committed to halt wage inflation and employers who are now less confident that demand will soon revive.

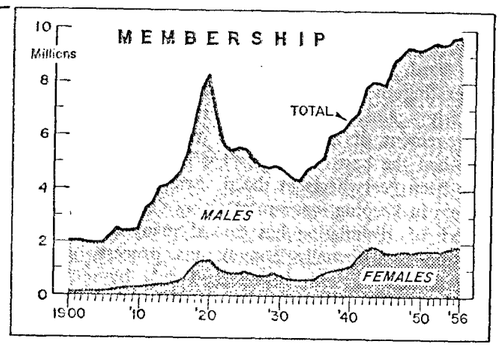
The Reform of Abuses

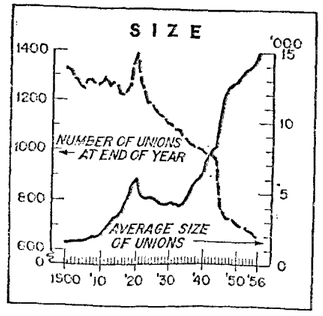
Trade union bargaining power, then, has grown in completeness and in general acceptance since the war ; it has been the cutting edge of the forces of full employment ; but its real strength in a tussle, when employment may be becoming less full, may turn out to be surprisingly weak. And it is worth reflecting, before propounding new structural reforms for the unions, that some of the weakness and the failure to behave like Economic (Trade Union) Man arises directly from the continuing distrust by trade unionists themselves of aggregations of wealth and power, even their own. Structural reforms might better be sought within the Ministry of Labour or the machinery of wage arbitration with which it is now hoist.

Organised bargaining, solely for sectional interests rather than in those of the whole community, is not, of course, peculiar to what is usually known as the working class ; it is, indeed, one of the most pervasive and essential elements of the free economy. Nor, unfortunately, is the use in that bargaining of restrictive practices of one kind and another peculiar to this vested interest. These practices can be, and are, deeply hurtful to the economy—and to the longer-term interests of workers themselves ; they call for eradication by every resource of persuasion and hard bargaining ; they reflect the privilege of trade unions to restrain trade (and production) unpenalised. But it is difficult to see how any government could hope actually to legislate usefully against the more general of them, at the present time. We are, in fact, at too early a stage of the trade union revolution. In the industrial capitalist revolution, which preceded it, company acts came long before restrictive trade practices acts. The possibility of trade union reform to which succeeding articles in this series will turn is based on the belief that we have now reached the proper stage for the equivalent of company acts in the history of trade unionism : that is acts designed not to check trade unionism itself, but to put a stop to abuses by it, unrestrained by the law, of personal liberty and personal choice. The next article will discuss at which points the most common and conspicuous fields for abuse have appeared.

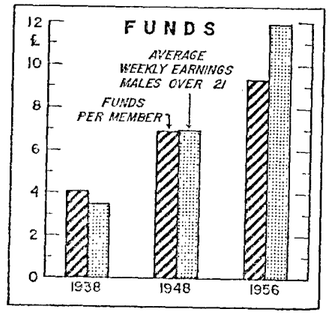
Trade Union Facts

THE first Trades Union Congress was held in 1868: only 120,000 members were represented. Following the Acts of 1871 and 1876 the movement grew and at the beginning of the century total union membership had reached 1¾ million. Membership, as is seen, reached a peak in 1920 when the movement comprised 1,384 separate unions. After the industrial upheaval of the 1920s and the subsequent decline in the Labour party, both number and membership of unions fell until in the early 1930s it was little more than half its 1920 strength. Then came a period of reconstruction which resulted in the growth of larger and more powerful unions. In 1957 there were 185 unions affiliated to the TUC representing 8.3 million workers or about 86 per cent of total union membership.





With the revival in membership came a rise in the financial status of the unions. In 1938 over 35 per cent of their annual expenditure was paid in unemployment, sickness, accident, and superannuation benefits compared with 16 per cent in 1956. To back these services the unions held large financial reserves, considerably more in relation to the changed value of money and the level of wages, than they do at the present time. This in spite of the fact that at the end of 1956 the trade unions held funds mainly in gilt-edged, with a book value of nearly £80 million.



NOTES OF THE WEEK

MISSILES

Strength Through Joy

AN American satellite has at last penetrated the gremlin barrier into realms where hitherto only Soviet moons have swum. Explorer partly restores the international balance of self-esteem ; but it does not affect the balance of military power. The rocket that pushed it into space was a research rocket for the intermediate-range Jupiter, whereas the much larger Russian satellite had a missile of the intercontinental class behind it. The two extra "stages" of Jupiter-C, and the new fuel used to propel it, give it at least twice the range of the standard medium-range missile. If, hypothetically, it were fired for warlike purposes from the American mainland, however, this means no more than that instead of plopping down half-way across the Atlantic it could probably strain about as far as Shannon. The Americans still lag an indeterminate, but lengthy, period behind the Russians in their attempts to get a really long-range weapon. For a time Russian missiles are still going to be able to hit the United States from Soviet territory, while the Americans can only retaliate from bases overseas, which they have to coax their allies into letting them use.

But, if the thrust behind Explorer is not enough to push an American warhead all the way to Moscow, it may push American diplomats a little closer to a summit conference. So long as the Russians had a monopoly of sputniks, there was a widespread feeling in the United States that the American delegates at a summit meeting would be unable to negotiate from the required "position of strength." Even if the new satellite in fact does nothing to alter the military situation, the joyous relief with which American public opinion has greeted it may well provide the necessary feeling of strength. At his press conference on Wednesday, President Eisenhower continued to cast a chill eye on the summit. But the mechanism of events seems to be rolling towards a summit meeting somewhere, sometime. If their new satellite makes the Americans look forward to it more cheerfully, it will be a fresh spur to the West to work out the combined approach to Moscow that is needed.

WAGES POLICY

Staking Their Claims

ON Monday the London busmen decided by the narrowest possible margin to take their claim for a 25s. a week pay increase to arbitration. The tactical struggle that went on before this decision was reached is discussed by our special correspondent on page 468 ; arbitration was, however, in the best interests of both the busmen and their union's leader, Mr Cousins. Their case now goes to the Industrial Court, whose chairman, Sir John Forster, QC, is also chairman of the Railway Staffs National Tribunal, which will hear the railwaymen's claim later this month. Since the other key claim, that of the miners, will not reach arbitration until it is formally rejected by the National Coal Board on February 19th, there will be a pause of about three weeks for each side to gather its forces.

The union position is outwardly a strong one, as is shown by the table of outstanding claims set out below. Two crucial ones, those of the busmen and railwaymen, have already been referred to arbitration. Among the others, the engineers and shipbuilders are likely to ask for more pay as well as a 40-hour week when their standstill agreement ends in March ; the shopworkers are well placed because of the increases given to co-operative workers in November ; the sub-postmasters will be helped by the award on Tuesday of up to 23s. a week to post office engineers. On the other hand, the position of the builders, who got an increase of 1d. an hour automatically this month from their cost of living sliding scale, is weakened by unemployment in the industry. If the prospective claim on behalf of 100,000 dockers is included in the total, the cost of claims as they stand amounts to about £450 million a year, or nearly 6 per cent of the wages bill in 1957.

Union	Claim	Workers affected
Engineers, Shipbuilders	40 hour week	2,500,000
Building operatives	8d. an hour	1,000,000
Retail shop workers	£1 a week	800,000
Clothing workers	6d. an hour	450,000
Day wage miners	10s. a week	400,000
Railwaymen	Substantial	370,000
Road haulage	3s. in the £	200,000
Wool textiles	Substantial	150,000
Transport engineers	Substantial	130,000
Rail shopmen	Substantial	120,000
Electrical supply	Substantial	120,000
Rail salaried staffs	Cost of living increase	90,000
Engine drivers and firemen	2s. in the £	75,000
Police	2s. in the £	70,000
London busmen	25s. a week	53,000
Electrical contracting	Substantial	50,000
Tobacco workers	10s. a week	40,000
Health Service	1s. in the £	40,000
Print (national newspaper)	12½ to 21 per cent.	25,000
Sub-postmasters	2s. in the £	23,000
Atomic scientists	£2,350 to £275 a year	8,000

This is the dammed up weight of claims behind the Government's wages policy. Such pressure may seem too great for the dam, but none of the unions is looking for a direct clash. On the contrary, they are all hanging back, and some claims have been dropped or deferred. The National Union of Railwaymen, for example, has withdrawn its demand for a 40-hour week and the provincial busmen have postponed the wage claim they were to have made

this week. But the weak point in the Government's defences is arbitration and the unions know it. They must be expected to exploit it, if the first awards go in favour of the busmen or the railwaymen.

ARAB FEDERATION

Nasser Spreads North

THE announcement of the union of Egypt and Syria in a United Arab Republic with one flag, one army, and one people was duly made in Cairo last Saturday. This week, both the Egyptian and the Syrian Chambers have received the Syrian nomination for its first president—to wit, Colonel Nasser. This proposal will be submitted to a referendum of the two peoples on February 21st. The extent of the intended fusion is still, however, open to question in important ways. Will the two states merge their diplomatic representation abroad? Will they relinquish one of their seats at the United Nations or still claim the right to two, naming Byelo-Russia and the Ukraine as precedents? The Syrian Minister of Economy has said that economic union would be "studied" and in the meanwhile the trade and payments agreement with Egypt and the Syrian currency will be retained. There seems, therefore, little likelihood of any immediate progress along the bread line.

President Nasser gave the National Assembly a few details about the Republic's proposed constitution; these give him much wider powers over Syria than most people thought the Syrians would swallow. For instance, he is to select the members of a joint National Assembly, on a pattern which must mean that he dissolves all existing Syrian political parties. If this assumption is correct, the union begins to resemble a coup by the Syrian Baath against its communist associates, for Khaled Bikdash, the Secretary of the Levant Communist Party, commented brusquely on January 28th that "no communist party has voluntarily dissolved . . . there will be no need to dissolve political parties." Moscow radio, apart from reporting the union, seemed to be surprised into silence about it.

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The Yemen has given a touch of burlesque by sending a delegation headed by the Crown Prince to Cairo to discuss Yemen's adherence. It is not beyond human ingenuity to find a formula whereby a mediaeval monarchy like that of Yemen could federate with a revolutionary republican regime, but this would hardly enhance the union's air of reality. Neither the Baath nor President Nasser have much good to say of the Yemeni throne, which, to their way of thinking, should be swept away with the rest of the Arab dynasties; yet it is possibly because the throne is shaky that the Crown Prince is hurrying to cling to President Nasser's restored prestige.

Impact of Federation

DESPITE the questions it leaves unanswered, the Cairo announcement has deeply stirred Arab opinion outside Egypt, and has brought social divisions sharply into relief. Broadly speaking, those people whose political, social or economic privilege is founded on the old order are against or doubtful of the union, but there is already evidence of pressure on them from below exerted by common opinion, which is in favour of it. King Hussein, who is the ruler most vulnerable to this pressure, is said to be advocating a counter-union of the monarchies of Jordan, Iraq and Saudi Arabia. It is significant that the Jordan press, which is now under the Palace thumb, was silent for a few days, after which the Jerusalem paper *Falastin* came out in favour of the union of Jordan and Iraq. Ardent advocates of Arab unity, such as Sheikh Youssef Yassin and Sayed Gamal Husseini, who do well as advisers to King Saud, and Dr Fadhel Jamali, of Iraq, have found fault with Syro-Egyptian union. Lebanese business men, both Christians and Moslems, equally have no enthusiasm for it, because if it led to the union of Lebanon and Syria, the economic necessities of Syria as a primary producer would do harm to the free trade system by which Beirut lives. Dr Jamali is right, therefore, when he contends that the union will increase certain divisions in the Arab world.

But he would have been more exact if he had spoken of division between governments; there are few signs of popular division. Indeed, the place where the people do not seem particularly enthusiastic about union is Egypt, and that is because the idea of the Arab nation has much weaker roots on the banks of the Nile than elsewhere in the Middle East. The Iraqi press, which has to be cautious when it praises anything Egyptian, has pointed out that union is the hope of every Arab, that this is the time to revive the call for full unity, and that such unions as that of Syria and Egypt "are only steps towards full Arab union, which will one day embrace us all under one flag." Not wishing to carp, *Al Telegraph* of Beirut, usually considered pro-communist, said the one safe thing: that the union would protect the Arabs against Israel. The Lebanese government, sensitive to the tide of opinion, banned demonstrations in favour of the union.

As often happens, *L'Orient* of Beirut was intelligently analytical in a series of comments. The union, it said, had been born without being born. It was, in essence, a gamble against the pashas of Baghdad and Riyadh, comfortably installed within their palace walls. For various geographical, economic and ethnical reasons, the union might not succeed; "but," said *L'Orient*, "the masses do not reason like sociologists. They are moved by ideas." There is little, at this stage, to add to that comment.

TELEVISION

Will You, Won't You?

THE controversy over the role of television in national party politics has been brought to a rather frothy head by the rumpus over turning the camera loose in Rochdale. So long as the BBC enjoyed a TV and radio monopoly, its hierarchy, if not necessarily its production staff, was more than happy to be rid of the difficult responsibilities of political coverage. Thus, during general elections, the BBC's treatment of the lead news story has been about as detailed as its references to a particularly noisome murder in the headlines—being confined to formal announcements of the polling-date. The only election broadcasts were the carefully rationed plugs of the political parties. Independent television blessedly introduced the element of competition which was always the best hope of bringing this system of polite evasions down with a crash. As current affairs programmes proliferated, admittedly in off-peak times, and more and more MPs and political commentators appeared on the screens, the need for a new assessment grew. At last representatives of the two television concerns went into a huddle with the party leaders at Oxford, emerging with hints that the parties would agree to some lifting of the veil on British voters in the indelicate process of political solicitation in the streets and town halls.

But they were in no hurry, and the Rochdale election caught them before heads of a treaty had been drawn up. Granada's proposal for a bye-election series worried the parties ostensibly on two counts. Under the Representation of the People Act, 1949, might not the cost of a television appearance be charged against a winning candidate's election expenses, and sink him? Might not the programmes contravene the section in the Television Act laying the duty of political impartiality on Independent Television? On the first count, it was felt that even if the other two candidates had appeared the election might still be invalidated—all three having broken the law. On the second, might it not be held that catching the smile of one candidate and the frown of another was partiality? Behind such scruples lurked a vague feeling by all parties that they did not know quite where they stood if they unleashed television on politics.

As recourse to legal advice has caused all objections to fall to the ground, they have had at last to give their permission. But now the alarm has been transferred from the parties and the television concerns to the candidates. Mr Kennedy—and his wife—are photogenic on TV; but then they are tyros in the cut and thrust of politics; they can't have one magnified without the other. The other candidates know what to say—but they may look rather ordinary. It is all a matter of nice calculation—and with everyone playing safe, viewing time is cut down. But the issues remain; with Rochdale the TV ogre has arrived for good, and the parties must work out some not too ridiculous agreement on it.

Busmen in Conclave

MORE than wages policy was involved when the London busmen met last Monday to decide whether their claim for 25s. a week should go to arbitration. On the outcome hung the prestige of Mr Cousins as the leader of the 1,300,000-strong Transport and General Workers Union, the balance between the moderates and the militants in the union, and the course of industrial relations in the first year since the war when the unions have not been handed a round of wage increases on a plate. It was a drama to be played out first by the 13 busmen and union officials on the central committee whose job it was to prepare a resolution for the full conference; later by the full conference of 132 garage delegates whose vote might make industrial history. The press, including your correspondent, had gathered in strength in the draughty hall of Transport House to hear what happened.

The issues were clear to everyone. The Ministry of Labour's rejection of a court of inquiry into the dispute had pushed the busmen's claim ahead of schedule. The railwaymen, who might have supported them in a strike, will not have finished with arbitration until the beginning of March; the coal-miners not until later still. Thus Mr Cousins had to play for time and stall on any direct action for at least a month; better still he hoped to get the men to go to arbitration where they stand a good chance of getting their money (eight shillings is reported to be the minimum they will accept) without unpopularity or the depletion of union funds.

Pitted against him were 30 to 40 busmen's delegates from the red left. Arbitration for them meant not good tactics but bad faith. The Ministry of Labour has thrown mud in the busmen's face, they argued; now we must throw some back. Led by Mr Jones, an ex-Communist from Dalston, they demanded union sanction for a strike. Their view had many sympathisers from amongst the 90 or so uncommitted delegates.

The plan followed by Mr Cousins and his personal (and personable) assistant, Mr Nicholas, as it emerged later, was to recommend arbitration first to the negotiating committee, and then to the delegate conference. In the event of their being outvoted on this, they had another card up their sleeves. They succeeded in getting the strike resolution so padded with procedural problems (it finished up in the form "that the union executive should give plenary powers to authorise a strike *and* a national conference") that there would be time to approach the Ministry of Labour again before any action had to be taken.

The morning was spent in a vain endeavour by Mr Cousins to get the other men on the negotiating committee to agree to recommend arbitration to the delegates in the afternoon. Though he has been built up by the press into a national figure, his guile cut no ice with the busmen's committee. By lunch time the two sides had only agreed to differ. Two resolutions were prepared, one for arbitration and one for a strike. Then everybody, including the 120 or so delegates who had been cooling their heels in a waiting room since 11.30, broke off for lunch.

At lunch everyone seemed in very good spirits, especially Mr Cousins. "No," he said with a smile, "there had been no vote of thanks for the Minister of Labour." "Yes, he hoped everything would turn out satisfactorily." In the Marquis of Granby, the pub opposite Transport House, journalists mingled with the busmen, buttonholing those they knew and eavesdropping. From the talk that was going on, Mr Cousins' chances seemed even either way.

After lunch, both sides put their case in the main hall. It was obvious, from the sandwiches many delegates had with them that this was expected to take time. And so it did. In favour of arbitration, there was the need to keep in step with other industries; the chance of a windfall gain such as the provincial busmen got last July from the Terrington Tribunal when they were given 11s. instead of the 7s. 6d. they would have accepted; and the option open to the busmen to turn down any award they might not like. Against it, and for a strike, were the instincts of many delegates that action was necessarily better than words and that arbitrators were only pawns in the hands of the Tories anyhow. Speech followed speech, with the applause going to the fighters on the left, and at 7 o'clock the resolution to get strike powers was moved. 83 of the 132 delegates voted in favour—just five too few for the two-thirds majority that was required.

The two hours after supper saw angry words from the men whose strike motion had been defeated. But the result was now a foregone conclusion. Mr Cousins repeated his arguments for arbitration and at 10 o'clock his motion was carried by 92 votes to 40. The busmen will take their case to the Industrial Court, which they rejected in December. By their grudging decision, they have in fact furthered their own ends, though whether those of the country as well is something that remains to be seen.

PARLIAMENT

Work Study for Westminster

SETTING up a select committee to investigate ways of improving the procedure of the House of Commons is a belated response to the alarm which has been growing over the effect of the drudgery and "bull" in an MP's life on the vitality of Parliament itself. Whatever claims MPs may make, it has long been clear that the House is not making sensible use of its time. This has repelled the able and left the dull, and the silting up of the House with the dull has made it duller still. The inflow of postwar Tories at the general election of 1950 refreshed the house momentarily, but the stream is running stagnant again. Parliament stands or falls on the intelligence of its members. Mr Butler's recent remark that MPs should merely mirror the commonality of the nation, coming from that source particularly, frighteningly suggested that the House had grown so dull and heavy that it had begun to hug its own mediocrity. What is now needed is an invigorating overhaul.

But how is such an overhaul to make the job of being an MP, even a backbench MP, attractive to abler minds and more agile spirits? Pay and working conditions are important; but beyond these there should be opportunities for constructive work—and at the very least an end to the present deadening monotony of days spent loafing around the lobbies waiting to vote on obscure amendments to obscure bills, which may even be bad for the health. Various improvements were discussed last week, many of them centring upon the idea of making voting less of a chore. Proxy voting has been suggested; and some reformers would go so far as to suggest that for those in the House an appropriate system of electric bells should permit them to vote without interrupting their discussions with constituents or researches in the library.

Again, members could be released from the prisonlike atmosphere of machine politics if the rule were established that a government could only fall on a clear and previously advertised vote of confidence. This would force a minister to argue the merits of his case, and to keep the House interested, instead of relying on the whips. The suggestion that MPs might be allowed to put speeches into *Hansard* without having delivered them (as in the American Congress) may appeal to cynical minds; but it has nothing to commend it. There is much more to be said for a time limit on speeches, and certainly for some curtailment of the right of privy councillors to speak whenever they choose. The American practice of setting up standing committees—for defence, foreign affairs and so on—has also been suggested. This appalled Mr Butler as "absolutely opposite to British constitutional development," though it is not easy to see why such committees need interfere more with the executive than the present Public Accounts Committee and Select Committee on Estimates. They might help, too, to inform public opinion. The object of the exercise is clear: to inject new plasma into the political bloodstream.

Picking the Peers

WHILE Commons procedure is being discussed, the House of Lords is pushing along its own very different line of reform. The Life Peerages Bill this week completed its passage through the Lords without major amendment, and although it may have a lively reception in the Commons, there seems every prospect that it will be on the statute book by the summer. The question will then arise of how the new life peers will be selected, and in this week's final debate in the Lords a number of peers tried to get a little Government elucidation on the sheer *mechanics* of the operation.

The Lord Chancellor insisted (as no one had disputed) that constitutionally only the Prime Minister can advise the Queen who should be ennobled. He undertook, however, that in picking peers designed to swell the ranks of the Labour Opposition, the Prime Minister would "consult" with the Leader of the Opposition, and that "there would not be any limitation on the ability of the Prime Minister to invite people completely independent." The selection of Labour peers should work well enough, but in choosing non-party men, the Prime Minister might well consider Lord Samuel's suggestion that a select committee of the Privy Council should be set up, rather on the lines of the Honours Committee, to advise him how to advise the Queen. The life peerages scheme is almost certainly too narrow and too cautious to give the Lords the rejuvenation it needs, but it will certainly fail if the first batch amounts to no more than coroneted aldermen.

CYPRUS

Cyprus Adrift

IN matters of international concern, diplomatic explanation and persuasion are proper preludes to action, but there are times when it is necessary to act first and do the explaining afterwards. Cyprus has become such a case; and the British Government's apparent failure to realise this is largely responsible for the claim made by the Turkish foreign minister last week that Turkey, in effect, possessed a veto over British action in Cyprus. The Foreign Office made a prompt denial. Yet the fact remains that neither Mr Selwyn Lloyd nor Sir Hugh Foot seems to have made any progress in curing the Turks of the partition-wish. In his speech at Nicosia airport, on his return to the island, Sir Hugh went out of his way to be conciliatory to the Turkish Cypriots and to Ankara; he offered the Greeks none of the reassurance that might have been expected from a Governor of Cyprus returning from Turkey. Dr Kutchuk, the Turkish Cypriot leader, has this week declared roundly that it is no longer any good for the British to stay in the island. Dr Kutchuk's pronouncements are not notable for their accuracy, but since he has only just returned from a month in Ankara himself, he is presumably speaking from a Turkish government brief.

In Cyprus itself peace hangs in the balance. The Turkish leaders in the island and the authorities in Ankara have, to their credit, done their best to prevent any more violent demonstrations; Dr Kutchuk's homecoming on Monday was triumphant but orderly. Yet the distribution of leaflets calling for anti-British "passive resistance" by the Turkish underground organisation is a bad portent. And in a broadcast on Sunday night the Governor revealed that Eoka had made detailed plans to resume violence at any time. Sir Hugh, who went to Cyprus with such a genuine and idealistic desire to bring peace to the island, had to give a stern warning that if terrorism did break out again the security forces would take "every possible step" to crush it; any progress, he has said, would become impossible. It is

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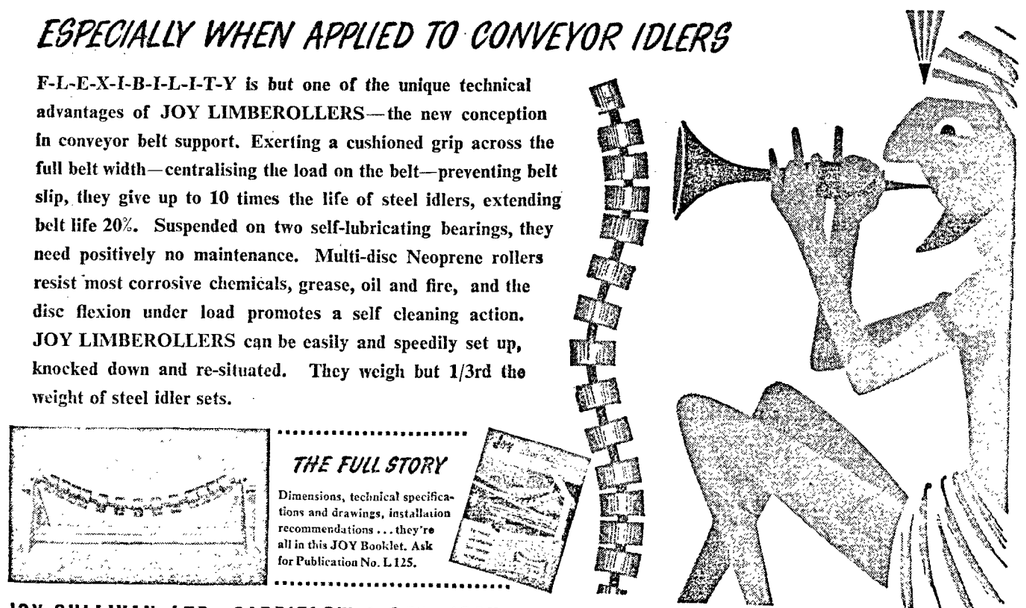
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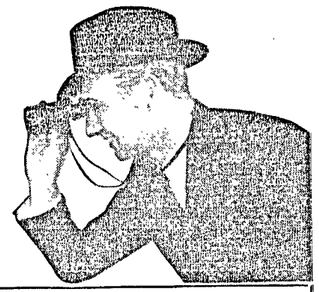
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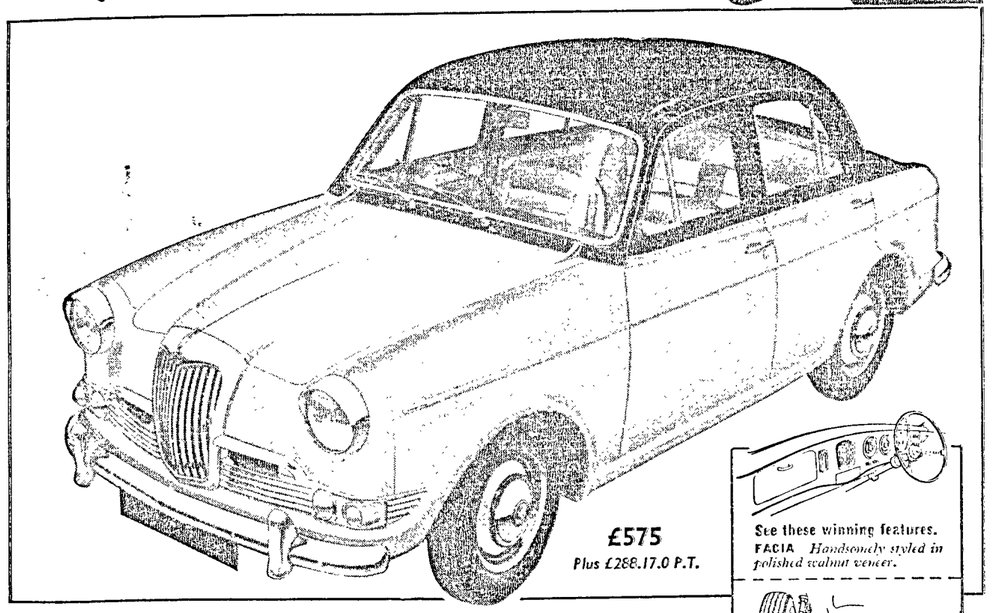
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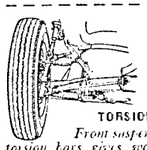
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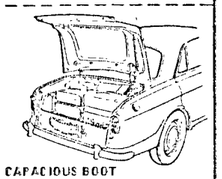


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indeed hard to see how serious disturbances are to be avoided; but at this stage further uncertainty and procrastination in London will only make matters worse.

GERMANY

Herr Etzel's Three Devils

HERR ETZEL, the new west German finance minister, has been working since he took office in October on the approach to three problems—the rise in public spending from rearmament and other causes, the need for fiscal measures to assist the revival of a capital market, and the need for tax reform to simplify the legislative jungle of the tax system generally, through which, in the past, few but the last finance minister himself could find their way. In Herr Etzel's first budget he has sought, with varying success, to tame all three devils.

He has had least success in his efforts to hold back public spending. Ordinary expenditure is expected to rise from 33.8 billion marks in the current fiscal year to 37.7 billion (£3,222 million) in 1958-59, with the defence estimates alone put at £835 million against £750 million this year. In theory, Herr Etzel plans a balanced ordinary budget. But spending this year will be six billion marks more than last year's revenue. Half the gap is supposed to be bridged by rising tax receipts, and the remainder by cash surpluses left over from previous years. A further 1.5 billion marks of extraordinary expenditure—mainly on housing—will have to be covered by loans. In effect Herr Etzel thus expects this year's revenue to fall 4.5 billion marks behind expenditure, a marked change from past surpluses.

A definite start has been made on tax reform. Three main changes have been introduced to help the capital market. Corporation tax on undistributed profits is to be raised, that on distributed profits cut. Facilities for progressive write-offs have been slightly reduced. All this is intended to encourage the distribution to shareholders, instead of the ploughing back, of company profits. There are tax concessions for savers, too. Income tax has been both slashed and simplified. Matrimony will become a really paying proposition, for in future the total income of a married couple will be split in half and each half taxed separately, whether the wife goes out to work or not. Personal and child allowances are raised.

These reliefs will together free some 3 million employed people from tax. Administrative savings—for industry and commerce as well as for the finance offices—will be achieved by the further radical stroke of introducing a uniform rate of tax on incomes below 8,000 marks (£680) a year in place of the progressive graduation which was in force. This will greatly simplify the application of PAYE. There are still some taxes in Germany crying for reform, notably the turnover tax, but Herr Etzel has made a good start in a budget that at last responds to the appeals for expansive policies which international bodies have been levelling at Germany for years.

Support-Cost Fever Again

BRITISH enthusiasm for Herr Etzel's efforts has been somewhat dulled by the absence of any provision for payment of support costs for the British Army of the Rhine. Britain is demanding £50 million for the coming fiscal year, enough to cover the foreign exchange cost of Rhine Army. France is also asking for an unspecified amount of help for the coming fiscal year, and the United States is pressing for £27 million still due to it under this year's arrangements. German ministers, however, have emphatically declared in public that they will not pay a penny in the coming fiscal year. They are willing to help Britain with foreign exchange—indeed, the Bonn government spokesman announced on Wednesday an offer intended to have that effect, for the advance financing of defence purchases, to the tune of £100 million; but they are not willing to help the British budget. Between the stubborn disputants, the position of M. Spaak and of Nato, which is supposed to be arbitrating between them, is not particularly dignified.

Previous bouts of support-cost fever have been accompanied by similar noises off. Each year in the past Herr Schäffer said "never," and each year he paid. But this year the Germans' resistance seems more determined. In the past, with the Bundeswehr far behind schedule, they had no case for refusing. Now, even though the new tax concessions once more give an impression of bulging wealth, defence spending is eating into both budget and national income. The 10 billion marks to be spent on defence in the coming fiscal year will be some 5 per cent of the nation's domestic expenditure. In two years' time the share will rise to 7 per cent, compared with Britain's 8 or 9 per cent today.

The British case is weakened by the fact that reductions in Rhine Army are going steadily forward. 13,500 troops will have left by March; Western European Union has had to accept the fact that a further 8,500 will be gone by mid-1959. At one time this country could argue: pay your money, or the troops go. Now the British Government apparently wants it both ways.

Sooner or later Britain will have to face two realities: that the maintenance of adequate forces in Germany is a British as well as a German interest, and that their cost, once Germany's twelve divisions and air force are in being, will have to be carried by the British budget alone. The price of this annual dispute during the transition is growing ill will and mutual resentment, the effects of which are felt far outside the defence field.

RIGHTS IN LAND

Applying Franks

THE Land Powers (Defence) Bill published last week is a formidable piece of parliamentary draughtsmanship. If it can be taken at its face value, it is one that deserves a warm welcome. It is the first attempt to apply the principles laid down in the Franks report on curbing administrative law. It inserts the right of appeal to the courts at a most sensitive point in the network of administrative power: that is, the power to acquire land for use, temporary or permanent, by the services under the defence regulations, and especially No. 52 of the Defence Regulations, 1939.

At present the services can acquire land under No. 52 without being amenable to any procedure for hearing objections, or to any appeal on matters of law or compensation. In fact, this arbitrary power in peacetime is ameliorated by the practice of the services of holding a public inquiry under the procedure laid down by the Ministry of Housing, as though their proposal were a planning matter. This practice

is, however, extra-statutory and *ex gratia*. In cases which are ruled by the services as either urgent or involving security, they can and do waive it.

The repeal by the new bill of regulations 50, 51, 51-A, 52 and 85 changes this. There is no provision for any summary procedure when service needs are urgent, though if security is involved, the public inquiry may be held in camera. But even now most inquiries are held in private, in order not to draw attention to which of the services' needs for land are regarded as matters of security and which are not. The bill makes it necessary for the services to hold an inquiry if one is demanded, whether they want land for temporary training, or to open up a channel for a pipeline or cable which will be filled in once the pipe or cable is laid, or for permanent uses—such as, presumably, missile bases. Not only must objections be heard ; there is also to be an appeal to the courts if the proper procedure laid down in the bill for acquiring or using land is not observed. The degree of protection which this bill will in fact give the landowner, tenant or citizen will have to be examined very carefully in the committee stages of the bill—for example, with regard to the exceptions made in the schedules to it. But there is a chance that its definition of ministerial powers, and the provision that commissions of inquiry are appointed by the Lord Chancellor, may perhaps mark a turn of the tide of enabling legislation that was fast engulfing individual liberties and the legal defences of private rights.

EAST AFRICA

Damning Mr Davidson

THE Colonial Secretary last week confirmed the decision of the East African governments to refuse entry permits to a well-known political journalist and writer, Mr Basil Davidson, who was on this occasion seeking to enter these territories, under some respectable auspices, for the purposes of an archæological book, commissioned by American publishers. Mr Davidson is already a prohibited immigrant in South Africa, and the Federal government of Rhodesia and Nyasaland has likewise banned him. In the colonial territories themselves the authorities have stuck to their prerogative to give no reasons for barring entry ; there are no facilities for appeal ; and Mr Lennox-Boyd also said "I am not prepared to give any reasons why I have come to my conclusions." Meaningly, he admitted that these were "not because of any association with the party opposite." This seems tantamount to saying that either the Colonial Secretary believes Mr Davidson to be a communist or else that, whether or not that is his view, he is going to uphold the view of the East African officials that Mr Davidson is—at least in South African definitions of the term—an agent of sedition, and that it is inconceivable therefore that such a dangerous agitator should be let loose in East Africa—even to study archæology. These are accusations, or at any rate innuendoes, that should be made explicit—or not made at all.

If Mr Lennox-Boyd himself did not tell the East African governors to keep Mr Davidson out, who did ? It must have been the chief secretaries of the three colonies who deal with immigration and of whom Mr Turnbull, acting governor of Kenya and governor-elect of Tanganyika, is plainly the most influential. These officials are now being backed up by their seniors, the governors, who are now, it is more than surmise to say, finding the affair as distasteful as the Colonial Secretary no doubt does. They know, as he knows, that in Kenya in particular the immigration law under its present arbitrary procedure can be used as a blatantly political instrument—and is indeed deployed against people whose social, no less than political, contacts come under the inevitably censorious eyes of local suburban white society. It is time the Colonial Office pulled up these territories sharply into observing something like the standards of justice, seen to be done as well as done, expected here—which is not asking too much. If Mr Lennox-Boyd is not more forthcoming about his department's supervision of the East African immigration provisions, he should be given a rough time in the debate on the adjournment which is now being sought.

SOUTH AFRICA

Measure for Measure

THE remaining 95 South Africans of all races left in the preliminary investigation of charges of treason after the prosecution dropped its charges against 61, have now been committed for trial. They are now on a capital charge for a crime which is defined with very much less precision than it is in Britain, and even if they are proved not guilty of it, they can still be found guilty of sedition, a lesser crime but also one whose definition is widely drawn, and for which the penalty may be heavy terms of imprisonment. Throughout the hearing their counsel has steadily sought not only to show up the flimsiness of the evidence brought against them, but also to put the law and the government into the dock with them. This is doubtless the best tactic.

South Africans who support the government are enraged at the way in which the trial has been made into a political issue abroad, and even make the absurd accusation that sympathisers outside South Africa who contribute to the defence costs, which are inflated by proceedings dragged out by the prosecution, involve their own governments in an unfriendly act against a Commonwealth state. The fact is that the Union government undertook the trial for political reasons, and still finds that it can use it to serve political ends ; but it may yet, for political reasons, find it worse than an embarrassment. It cannot object if such an exhibition of South African law and legal procedure interests the world. At the same moment the law is thrown into bizarre relief by the sentence of caning on the prime minister's secretary for making overtures to an African woman which might have led to their breaking the first commandment of apartheid as well as the sixth of the older decalogue. Nothing could more vividly illustrate the weird logic of South Africa's "peculiar institution":

> . . . . he arrests him on it,
> And follows close the rigour of the statute,
> To make him an example.

But there is no Duke in disguise in the South African drama to see that justice is not carried to neurotic extremes.

CENTRAL AMERICA

Two Right-wing Victories

ELECTIONS in Costa Rica and Guatemala show Central American democracy at its best and its not so good. President José Figueres, determined to make the Costa Rican elections on Sunday "an example to the Americas," invited the United Nations to send observers. This is the first time that any Latin American republic has opened its polling booths to international supervision. Incomplete returns show that Sr Echandi, the leader of the conservative opposition, has defeated the government candidate, Sr Orlich, but unless he polls 40 per cent of all votes cast there will have to be a run-off vote between the leading two.

The government party lost votes through the overambition of its social and economic programme, which coincided with a run of disastrous floods and crop diseases. If Sr Echandi wins the presidency he will slow down the programme of public works and reverse the policy of nationalisation ; in particular he has promised to allow foreign banks to operate again. He will also play a very different part in Central American affairs. President Figueres was a very frank critic of the less liberal regimes of his neighbours, and San José has become the natural destination of Central American exiles. Sr Echandi, on the other hand, has always criticised the president for "interfering" in the affairs of other states.

★

In Guatemala the government party has been fighting a rearguard battle to avoid handing over power to General Idígoras Fuentes, the leader of the right-wing opposition. There have been two attempts at elections ; the first in October, when the government got its man in, but the public refused to accept results that appeared blatantly rigged. To keep the peace the army declared the elections void and took control. The second elections were held on January 19th, and this time General Idígoras was the acknowledged winner. But since he did not get a clear majority, the Guatemalan congress has to pick the next president from the two leading candidates—who are, officially, the general and the government candidate, Colonel Cruz Salazar, although there is some doubt about the second place.

Congress has been warned that a decision in favour of Colonel Cruz Salazar might precipitate a civil war. The colonel, a sensible young diplomat who can afford to wait for the presidency, has now taken matters into his own hands by agreeing to support General Idígoras in return for a few ministerial posts for his party and an ambassadorship for himself. This compromise, however, is not acceptable to members of the government, who still believe that they can appoint a president against the acknowledged will of the people.

EUROPE

The Pioneers Celebrate

THE two pioneers of customs disarmament in postwar Europe are celebrating this week. After just over a decade together in a tariff union, Holland, Belgium and Luxemburg have solemnised the match in a treaty of economic union to last for fifty years. On February 10th the European Coal and Steel Community comes of age, on its fifth birthday. Gradually, in its first five years of life, tariffs on coal and steel between the member countries have been removed; after February 10th, the treaty will be open to revision as the community faces the new problem of merging into the European Economic Community.

Both the customs union of three small countries and the community of six for coal and steel have taught much to the more ambitious European schemes. But the lessons have been very different. Benelux is a monument to empiricism and to the spirit of free trade—except, notably, in agriculture. It has shown how friendly give and take between the civil servants of member countries, plus a real pulling together of economic policies, can found a partnership. Each new problem—payments difficulties, industries in trouble—has been met either with a practical solution or with a brief protocol. The new treaty largely gives chapter and verse to the working union which already exists.

The coal and steel treaty was far grander at the start, and for those who saw it as the draft constitution of community Europe there have been many disappointments. Still, a common market for coal and steel does now exist and despite all the shortcomings of removing tariffs in two industries alone the economic lessons—in the growth of trade, in the evident stimulus to investment which such growth brings —have been an encouragement to those who seek a more complete European integration. In Luxemburg too there is an invaluable capital of experience on which the European Economic Community can draw.

★

One valuable political lesson has emerged from both experiments. It is that the besetting political peril of such schemes of integration is technocracy ; a bunch of brilliant "European" mandarins whose imaginations leap ahead of their fellow-citizens tends to run the show ; to counter this danger, live parliamentary bodies are needed, deriving political power from the electorate itself. Refreshingly, the parliamentary council, set up in 1955, is taking a more and more active part in Benelux. And of the revisions to the ECSC treaty now on the cards the most important may prove the assembly's demand for greater powers. In the common market, where the technocrats are already settling busily to work and, in time, in a free trade area, the need for an active parliament will be just as great.

FASHION

Discomfort on the Trapeze

EVEN by the frenetic standards normal to the world of *haute couture*, the Dior collection of January, 1958, seems likely to be remembered as quite something. It bowed to a new autocrat of the dressing-table, M. Yves St

MORE OVERSEAS VISITORS



Source: *British Travel and Holidays Association*

Last year, in spite of the difficulties following the Suez crisis, Britain had more overseas visitors than ever before. More than half came from Europe, the largest numbers from France (165,840) and Germany (122,310). Total traffic rose by 6 per cent. between 1956 and 1957, but there were only 3 per cent more visitors from the United States.

Laurent, aged 23 ; it launched a new line, the "trapeze" ; further, as a side effect, it was also the biggest riot to draw publicity ever put on. But will it prove to have re-established the once inexorable dictatorship of high fashion over the female shape ? That the dictatorship has, of late years, almost completely broken down is obvious to any wideawake observer of the contemporary scene. In 1922 any woman who insisted on wearing the skirt lengths and the waistlines of 1918 would have been a self-confessed freak. In 1934 the same description would have applied to anyone still defying, in the tubular kneecap-length garments of 1929, the Gibson Girl revival. Even where handicapped, as in Britain, by clothes rationing, the New Look swept the Old Look out of sight and mind in hardly more than a twelvemonth. Today the repeated and almost united efforts of the *grandes maisons* to abolish waists and busts—efforts which Dior himself initiated, after a false start a year or two earlier, with the "A Line" of 1952—have manifestly failed. The professional and full-time amateur smart sets have indeed enthusiastically continued to play the game according to the seasonally changing rules. But the general run of womankind—and not only the self-consciously unconventional, the unco' serious-minded, and the despairingly dowdy—have with unprecedented obstinacy refused to follow suit.

On the psychology of this refusal Mr James Laver could no doubt say much, though it is hard to link either current high fashion, or its failure to impose itself, with his theory that the waistline moves up and down with Bank rate. Its economic consequences do not yet appear to trouble the serenity (if that is a possible word) of the *grandes maisons ;* but somewhere down the line from creation to mass production some agonising reappraisals are in order. Given a fashion whose ideal wearer is a bosomless, hipless, boneless, stoop-shouldered, chin-poking throwback to 1925, how is it to be interpreted to a feminine public whose aspirations can be reduced to the formula 40-23-36 ? There is one reliable consolation, however, for the popular designer or manufacturer. Rebellious or docile, eager or grudging, his ultimate customer must eventually buy something to wear. His life may be hard, and made harder by sabotage from above. But at least he does not, like that similarly afflicted victim the hat manufacturer, risk losing his market entirely to the producers of home perms.

The Economist

FEBRUARY 6, 1858

SLAVERY IN AMERICA

The institution of slavery has had two distinct series of effects—the one, physical results of the economy of slavery—the other, moral results of the politics of slavery. On the one hand, that slavery may be remunerative, fresh areas of new and fruitful land must continually be taken into cultivation; and on the other hand, the moral consequence of adopting and defending slavery, is that the doctrine of the *destination* of different races for different social positions supersedes gradually all reasoning as to political right. The Southern States have so long accustomed themselves to believe it their destiny (and *therefore* their right) to be masters of one race, that they begin to apply the same doctrine to other cases to which it is nearly as applicable. In the Spanish half-castes of the Isthmus they have found a population feebler and less sagacious than themselves; and what reasons can be shown for the manifest destiny to whip Africans which do not apply with equal force to prove the manifest destiny to subdue half-caste Spaniards into conformity with their will? Once let political right be discussed as a question of destiny—or, in other words, as a question of *might*, for that is what destiny means—and political morality degrades fast. Superior energy is turned into the *justification* instead of the deepest condemnation of tyranny; the possession of political strength is announced as an obvious and adequate motive for destroying weakness, instead of for assisting and guiding it. The pecuniary interests of the South speak loudly for an extended slave-area; the political morality of the South identifies the law of force with the law of justice. When once a *race* loses all reverence for another race on the ground of its own superior capacity, it is a very easy step to the condition of mind in which a *State* loses all reverence for another State as soon as it sees that the latter will be an easy prey. Habits of mind nurtured by domestic institutions are soon transferred to political institutions.

AUCTIONS

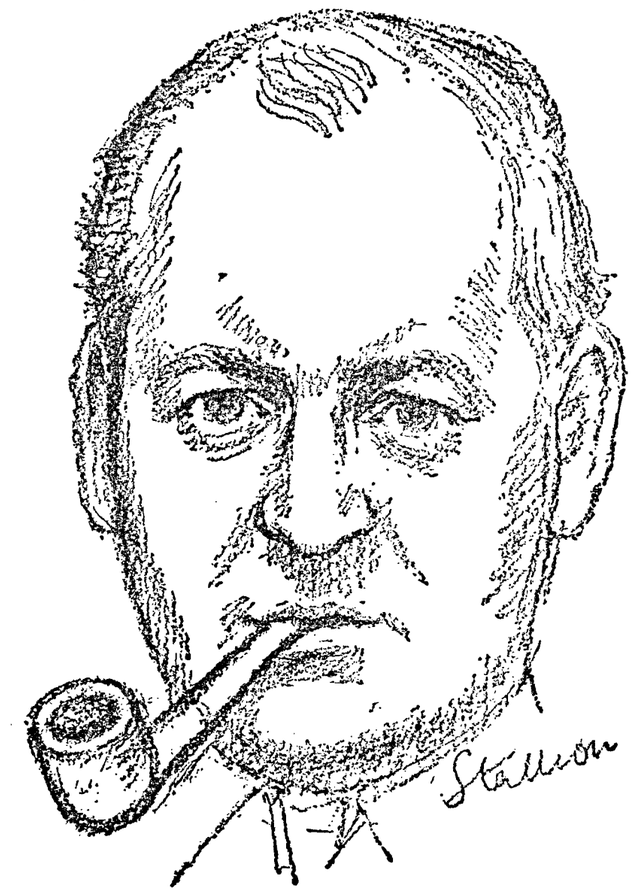
Bargain Hunting

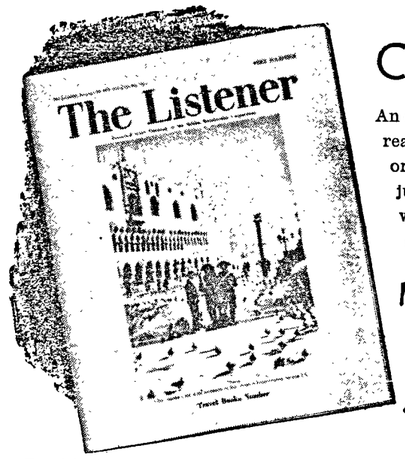
THE report of Knight, Frank and Rutley—the Hanover Square auctioneers—on auction prices in 1957 is an interesting economic document. The prices of top-quality goods—genuine collectors' pieces—are high and still rising. For average-quality goods prices held steady until late summer ; but then, with Bank rate at 7 per cent, dealers began reducing their stocks so that demand and prices fell off sharply. By the end of the year, low-quality goods such as beds, upholstered furniture and large wardrobes—things bought by people who want to furnish their houses rather than by collectors—were at rock-bottom prices. Indeed, they had become virtually unsaleable.

As well as being of interest in themselves, price trends in the saleroom provide a sensitive index of changes in public taste. Secondhand modern furniture has fallen right out of fashion, but small Victorian pieces, and Victoriana in general, attracted more attention in 1957 than for many years. Imitation regency chairs are in vogue. The boom in Georgian and Victorian silver continues, while nineteenth-century genre pictures, "especially ones depicting cardinals in their red dress," fetched good prices. For the prospective buyer or seller, the report gives some prices that were realised for particular items during the year. To choose some at random: price range for mink coats from £100 to £850, for Indian lamb coats £10 to £40 ; Wilton carpet (15 ft by 12 ft) £32, and Kashan carpet (16 ft by 12 ft) £220 ; a Victorian silver tea service of four pieces (80 oz) £62. Prices of unsophisticated goods are now often surprisingly low, and show how many bargains there are open to the collector who buys before the dealers have had a chance to add their large retail margin to the auction price. For this reason, and particularly while Bank rate continues at its present level, anyone who is looking for lower-quality antiques—or who merely wants to furnish his house—would be well advised to attend as many auctions as he can.

* * *

CONURBRUMMAGEM On page 380 of *The Economist*, Birmingham rates were given as "24s. 6d. (£13 16s. 1cd. a head)." This should have read "22s. 6d. (£13 16s. 1cd. a head)."





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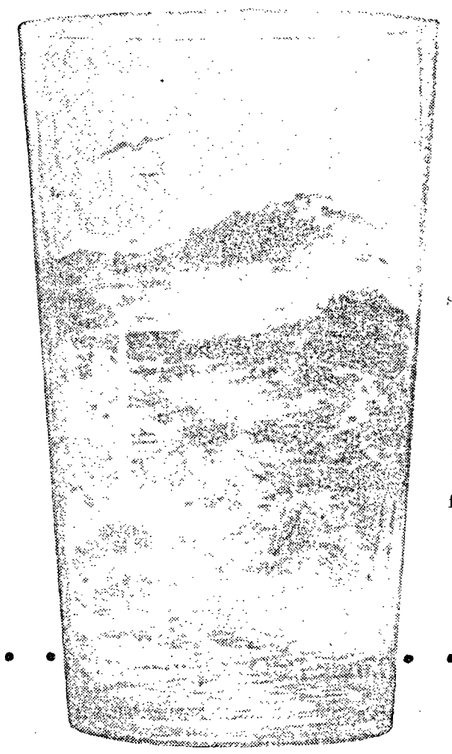
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ABC Average Weekly Net Sales Jan.-June 1957—127,262

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Of course, large sea water evaporators are not, in themselves, anything new; Richardsons Westgarth and many other people have been building them for years. But this latest R.W. evaporator is the result of a radically different approach in design. It is indeed something quite new in its simplicity of operation, relatively low first cost, and ability to go on delivering full output—without having to be shut down for cleaning—for months or years on end and with almost negligible attention and maintenance. Fresh water from sea water now becomes feasible economically where cost had hitherto put it out of court.

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LETTERS

Summit Talks

SIR—In your article "To the Summit?" on January 18th you state that one of Russia's aims in wanting talks may be to divide public opinion in the West. This seems also to be the reason for the West's marked lack of enthusiasm for barren pilgrimages to the summit. Antipathy to "talks" cannot spring from a fear that Western negotiators might be tricked into paying with Nato deeds for Russian words; agreement on this side about the utter irrelevance of Soviet promises is general enough to prevent that. In fact, no Western statesman can seriously believe in the risk of making a bad bargain when, as at present, the reserve prices of the two major parties are obviously so wide apart as to render any bargain wildly improbable. The maximum concession by either side would still fall short of the minimum demanded by the other. The Western dislike of time-wasting summitry is due not to the risk of a disadvantageous deal at Geneva, but to a feeling that even an inconclusive get-together would fill the democracies with a false sense of security. If a cold war atmosphere is needed to call forth the effort and co-operation essential for keeping the Western alliance strong, then a revival of the Geneva spirit is rightly viewed with apprehension. This, basically, is the consensus in the Atlantic chancelleries.

But whose Geneva spirit is more likely to sap whose determination? Is there any good reason for assuming that the Western body politic is receptive, while the Eastern is immune, to its corrosive effect? For one thing, military disengagement would condemn the satellite hierarchies to political and perhaps physical death. Therefore even a slight shortening of the odds against mutual troop withdrawals must have a profound effect on the loyalty to Russia of the security police and party functionaries in the Warsaw Pact countries. The more they doubt the permanence of the Red Army's presence, the more advisable it should seem to them to emulate Gomulka and Tito rather than Ulbricht and Kadar. For another, hearty doses of the Geneva spirit might deprive Mr Khrushchev of important allies in Soviet society proper. So long as a test of strength between Russia and the West seems imminent to them, patriotism restrains the most virile and progressive elements in the Soviet Empire from weakening the central government by pressing for reform and by seeking release from the tortuous irrationalities of communism. A slackening of tension, even if they, too, recognise its transient nature, might well be the signal for them to act and rid themselves of the worst features of the Soviet system before the Geneva lull is over. Yet it is precisely those features which are the chief threat to "peace," and the West can only pin its hopes of long-run safety and calm on a reform of Soviet society and politics. Nothing should therefore be more welcome to it than Mr Bulganin's rash invitation to a round of co-existentialist make-believe at Geneva.—Yours faithfully,

A. E. DE JASAY

Oxford

Parkinson's Case-book

SIR—Parkinson's Law, according to its author, is a law of growth based upon an analysis of the factors by which that growth is controlled; the validity of this recently discovered law resting mainly on statistical proofs.

Those of your readers who were tempted to draw inferences of over-establishment in the two Army Headquarters in Singapore, from reading the learned Professor's case book in your issue of January 18th, would naturally assume that under the tenets of his Law the statistical proof was in his possession.

In fact the margin of error in your correspondent's statistics varies from 500 per cent upwards to 2,000 per cent.

It is rumoured, he says, that GHQ Far East Land Forces, has an establishment of 56 brigadiers. There are eleven.

The following table shows the difference in other statistics given in the article:—

Parkinson's figures	*War Office figures*
For GHQ	
Colonels—"numerous"	19
Majors—"literally in hundreds"	84
For Singapore Base District	
"Nearly another thousand of its own"	Total 46 officers (incl. 1 brigadier, 3 colonels)

—Yours faithfully, A. C. SHORTT,
Director of Public Relations

War Office, S.W.1

Covered Arbitrage

SIR—In your first business note of February 1st you have expounded the doctrine that a capital inflow, if covered against the exchange risk by a forward deal, does not benefit the reserves. This doctrine was referred to with approval in the city notes of *The Times* of February 3rd. To quote your argument:

> Covered arbitrage involves the purchase of British Treasury Bills matched by a forward sale of the equivalent sterling. It has little ultimate effect on the British gold and dollar reserves, because the bank which provides the forward dollars covers itself by a purchase of spot dollars.

Is this not mistaking the shadow for the substance? The bank's ultimate objective is to "marry" forward sales and purchases, but because the forward market is imperfect, particularly for odd maturities, the spot operation is undertaken as a stop-gap to provide immediate cover. If a bank finds that, on balance, it sells more forward dollars than it purchases at the current forward margin, it would not let this continue indefinitely whilst accumulating a growing volume of spot dollars as cover, if only because it can use these dollars less profitably than sterling when, as now, the interest arbitrage advantage lies with London. Beyond a certain point, buying and selling terms will be adjusted until the forward dollar premium widens sufficiently to eliminate excess demand for forward dollars and relieve the banks from having to make *net* purchases of spot dollars in order to cover their forward commitments. If the widening of the forward dollar premium does not breed any sterling bulls, this balancing of demand and supply in the forward market would come about almost entirely through a redistribution of deals between the spot and forward markets, in effect, that is, through "leads" and "lags" in trade and other payments induced by the widening of the forward dollar premium. These would naturally offset the inflow of arbitraging dollars and there would be no gain for the reserves. Since sterling bulls are hard to breed these days, your conclusion may thus be right though for the wrong reasons. But the reasons matter. For let the authorities act as sterling bulls (if they are not doing so already) and support forward sterling at a point which allows an interest arbitrage margin in favour of London, and the reserves would soon reflect the inflow of arbitraging dollars.—Yours faithfully,

London, N.W.3 JOHN SPRAOS

Monorail to Skyport

SIR—The construction of a monorail line to London Airport may seem an imaginative solution to the problem of providing fast transport for air travellers into the centre of London, but its economic value appears slight compared with that of a motorway exit from London to the west. A monorail would only benefit that already subsidised class, the air travellers; a motorway would not only give them fast travel to the airport, but would speed the considerable volume of goods and passenger traffic which travels west from London and its western suburbs. It would also save lives lost in accidents on the existing archaic roads.

The South Wales motorway is planned to pass near London airport; it could be extended as far as Kensington or Victoria. The cost of doing so would probably exceed that of a monorail, though it could be reduced by following the route of the Cromwell Road extension. The economic gain from such a road would be great, in view of the heavy volume of goods traffic carried on the existing roads to the west, and certainly far greater than that from making London more attractive to air travellers.

If it is considered that a motorway would give both benefits, and the monorail only the smaller of these, the relative merits of these alternatives can be seen. Unless the alternative is digging holes in the ground, such a monorail line is a luxury which a country with road communications like Britain's can ill afford.

—Yours faithfully, DAVID SAWERS

Walton-on-Thames

BOOKS

Time for Lamentation

Art in Crisis.

By Hans Sedlmayr.
Hollis and Carter. 266 pages. 35s.

FROM the history of æsthetics and art criticism one might assemble an anthology of despair: a collection of those books, essays and pronouncements in which critics have, in each successive age, proclaimed the downfall of art, the dissolution of the old values and the unloosening of anarchy upon the world. To this recurrent chorus of lamentation, Professor Sedlmayr has added his emphatic voice. In brief, his thesis is this: from 1700 onwards, western art has entered into decline, into a drift from humanity and the just apprehension of man's relationship to God. This decline, already sensible in the proliferation of styles in eighteenth-century architecture, reaches its predestined and harrowing climax in surrealism. The centre of classical vision has not held; the chaotic forces of the unconscious blur and distort the harmonious image of man that had prevailed from antiquity to the renaissance; art is no longer in organic kinship with reality but, rather, in mutiny against it.

The thesis in itself is not new, but the elements of authority Professor Sedlmayr brings to bear upon it are oddly compounded. The great shadow of Spengler looms over his view of human affairs; he invokes the Russian apocalyptics, Berdiaev and Soloviev in particular, to justify his vision of accelerating decline; he seems to draw heavily on Max Nordau's notions of *analogia morbi*—the idea that æsthetic distortions point to a deeper sickness: "One is therefore tempted to seek—and indeed to find—the cause of the world's present condition, so glaringly illuminated by the symbols of its art, in the same basic condition that accompanies the malady of individuals." Finally, there are in this book significant analogies to the æsthetics of Malraux. Both the author and Malraux perceive in Goya the first thorough master of chaos and in modern museums a symptom of the dissociation between the individual work of art and the historical or architectural setting for which it was intended.

However interesting and well argued, a thesis of this order should square with the facts. In order to appropriate Impressionism to his scheme of decline, Professor Sedlmayr feels compelled to say that "in Cézanne an apple has the same physiognomic values as a face." But if this statement means anything, it signifies quite simply that Cézanne painted both apples and human beings with the same totality of insight and technical mastery. One need only look at the great self-portrait of 1875-1877 (now in Winterthur) to realise how eminently Cézanne belongs to a humanistic tradition, how genuinely he was heir to Rembrandt. "Art in Crisis" goes even more wrong with regard to Picasso. Using an obsolete and fragmentary judgment of Berdiaev's, Professor Sedlmayr suggests that Picasso's art has broken both with the patterns of nature and of antiquity. This doubtless applies to certain phases and experimental techniques in Picasso's majestic career, but it is completely irrelevant to many of his major works and to nearly everything he has done since 1945. Over the past decade, in the suites of drawings and lithographs as well as in his ceramics, Picasso has expressed a serene, limpid and extraordinarily classical image of reality. He is a craftsman of line and movement in the ancient sense.

The very core of Professor Sedlmayr's theory is problematic. He infers that the "decline" of art into non-representation can be related to the decay of an active and responsible religious tradition. But it is in the official art of professedly atheist countries, such as Russia or, of late, China, that many of the virtues to which Professor Sedlmayr looks back nostalgically are most faithfully preserved. It is there that we find "classical" renditions of the human figure and landscape; it is there that we find photographic portraiture and the condemnation of Picasso. In the United States, on the contrary, where religious life does continue to play a wide and sanctioned role, modern art at its most experimental is reaching an ever-increasing audience.

The English publisher of this provocative book tells us that it has sold over 100,000 copies in Germany alone. The reasons for its success there may not be altogether reassuring. A heavy streak of nationalism and prophecy runs through it. The references to German painting are surprisingly complimentary. America is cited as the native ground of philistinism or dehumanisation. We are exhorted, in somewhat Toynbeesque terms, to return to God and "the centre." But of the most catastrophic inhumanity in modern history, of the total collapse of values exemplified in Nazism and the concentration camp state, this work makes no mention.

Neutralist and Peacemaker

Wilson the Diplomatist.

By A. S. Link.
Johns Hopkins University Press. London: *Oxford University Press.* 165 pages. 32s.

ANYONE who has read the incisive account of Woodrow Wilson's Mexican policy that appears in the second volume of Professor Link's massive Wilsonian biography will turn to this little volume of lectures with keen expectancy. Here, turning aside momentarily from the detailed narrative of the biography, Professor Link has so far anticipated the findings of his forthcoming volumes as to give us an analysis and interpretation of Wilson's diplomacy in relation to the European war and the peace settlements. He has embarked on the admittedly perilous experiment of doing this in small compass, presenting conclusions without being able to display his full range of evidence, and summarising from details for which the student or the sceptic will have to go elsewhere.

The result is partly successful, partly doubtful. There is one excellent initial chapter on Wilson's character, equipment and habits as a diplomat. When the book moves on to the complicated and (to Europeans particularly) baffling story of Wilsonian neutralism during the years 1914-17, one feels instantly that the process of simplification abundantly justifies itself; Wilson's motives, difficulties and responses emerge with notable clarity. One may feel that not quite enough, perhaps, is allowed for the insidious appeal to Wilson of the role of mediator—a role which neutrality encouraged and belligerency inevitably destroyed—but in general this is the most convincing and illuminating defence of his policy that is to be found, even though to some British readers it may come as a shock to discover how coolly the administration contemplated war with Britain in 1916.

However, when Mr Link goes on to deal with Wilson's peacemaking, doubts arise. Not, one need hardly say, about his mastery of the material in detail, but certainly about his understanding of the European world into which his story moves and, even more seriously, about his grasp of the truly tragic dimensions of the Wilsonian failure. Here Mr Link appears to have nothing fresh to say; worse still he appears to accept uncritically the useless frame of reference within which, since 1919, the Wilsonophiles have chosen to work. What does it mean to excuse Wilson's failure at Versailles on the ground of his no longer having any "power of coercion over Britain and France"? Were these not allies, in fact if not in name? Can the illusion of American innocence, to which Wilson was such a victim, really survive what we now know of the realities of international life in 1919?

At bottom, the true nature of the Wilsonian tragedy, both at Paris and back home, seems to have eluded Mr Link. It was not that Wilson was a good man representing an idealistic country, who was defeated by bad men and cynics. He was much more than this. He was a Promethean figure who thought he could transcend human and national limitations, taking his country and his world with him; the measure of his fall was pre-eminently the measure of his pride.

On and On and UN

The United Nations and Promotion of the General Welfare

By Robert E. Asher, Walter M. Kotschnig, J. F. Green, Emil J. Sady and others. 1,216 pages. 63s. ($8.75).

The United Nations and the Maintenance of International Peace and Security

By Leland M. Goodrich and Anne P. Symons. 709 pages. 43s. ($6).

Proposals for Changes in the United Nations

By Francis O. Wilcox and Carl M. Marcy. 537 pages. 36s. ($5).

All published by the *Brookings Institution*, Washington. London: *Faber.*

ALREADY well past the 2,500-page mark and swimming strongly, the Brookings series of studies on the United Nations is still a long way from shore. As well as the titles listed here, it is eventually to comprise volumes on the evolution of the Charter, on procedure and organisation, on regional security arrangements, and on the specifically American relationship to the United Nations. And the years roll by like great waves, each leaving behind more sargasso for the swimmers to struggle through. However, when complete, the series will be of obvious value both to serious students and to the lay inquirer seeking a good account of the origins and early experience of, say, Gatt, the trusteeship system, or the technical assistance programmes. Meanwhile, the individual volumes each cover their own field more thoroughly than is possible in the available single-volume studies of the United Nations, and more concisely than the full official records. The series will thus fill a gap as well as a shelf.

The Brookings authors, writing from an independent viewpoint, are able to relate UN activities to the real world better than the official chroniclers, whose style is inhibited by the need to avoid offending any member government. They might nevertheless have crisped up their comments a little more without marring the objectivity of their factual accounts. One is relieved to see here and there a cautiously chiding word about, for instance, Unesco. Some of the authors are obviously concerned to be fair to the point of painful restraint; others have failed to use much discrimination, solemnly recording at length such alarming nonsense as the Ely Culbertson plan to force agreement upon Russia by arms. Perhaps, however, it is a good thing to have placed on record so many of the pious injunctions that have been addressed to member governments by the Assembly and the councils without the least effect. United Nations delegates need to learn from their mistakes quite as much as Napoleon ever did.

When the series was launched in 1951 its sponsors may not have fully realised how difficult it was going to prove to keep abreast of a steadily growing body of experience without yielding to elephantiasis. This is particularly suggested by the first of the volumes listed above, which should be lifted only by healthy young students. The institution is to be commended for having thought of publishing separately, in paper covers (unindexed), three of its main parts. These respectively concern, and are titled, the UN and Economic and Social Co-operation (561 pages, 18s. 6d.), the UN and Dependent Peoples (205 pages, 11s.), and the UN and Human Rights (194 pages, 11s.). The remaining pages of the complete volume are devoted to general exposition, comparison, and evaluation, and to an 84-page index.

All for What?

Cleopatra

By Hans Volkmann.
Elek. 244 pages. 25s.

IT is difficult for an amateur to look afresh at the story of Cleopatra and to disentangle love from politics. Most professionals, being by their calling students of politics, tend to play love down. No one can be certain: it is not that evidence is lacking, but that there is too much of it, nearly all slanted by political bias. Any life of Cleopatra must express a personal view. Professor Volkmann's admirably written book gives as reasonable a view as one could ask for. Its sub-title is "a study in politics and propaganda," but he does not underrate the importance of personal feeling.

Primarily, of course, Cleopatra's story is a political one. No stories are told about her of love for love's sake: her marriages, whether nominal (to her brothers) or real (to Caesar—if one may stretch the word marriage—and to Antony), were political. No Ptolemy, and few Roman politicians of the time, married for any other reason. But love sometimes followed: certainly in Antony's case, and almost certainly in Cleopatra's. Such things happen, as the earlier example of Pompey and Julia shows.

The book's main theme is the opposition between Roman ideas and ways, as shown in Octavian's career, and the life of the Hellenistic East, as shown in Cleopatra and, by infection, in Antony. The story is thrilling, and leads to the conclusion that Octavian's utter victory, and the putting of the East in its place for a long time, was as important as contemporaries thought it. The East came back, underground and by many channels, but not before the great and lasting intellectual tradition of the Roman West had been established. If Antony and Cleopatra had won, the development of Europe might have been very different.

Propaganda is a secondary theme, but a necessary one, since nearly all the sources are examples of it. Professor Volkmann makes fascinating use not only of the literary material, but also of the innumerable coins which were

Annual Abstract of Statistics No. 94

A wide selection of the most important statistics covering the national life of the United Kingdom for each of the years 1947 to 1956 and including, where possible, comparisons with a pre-war year. 21s. (*post* 1s. 3d.)

The Colombo Plan

Sixth Report on the Consultative Committee reviewing economic progress to date and outlining the tasks which still lie ahead for the countries of South-East Asia. (Cmnd.315) 6s. (*post* 6d.)

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Rt. Hon.
Anthony Nutting, P.C.
I SAW FOR MYSELF
The Aftermath of Suez
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HOLLIS & CARTER
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struck in the ancient world, to stake a claim, to acknowledge a temporary loyalty or to advance a cause.

The book is excellently translated, as the author himself says in his preface; it is well illustrated (the coin bearing an image of Cleopatra at thirty-five is a revelation: beak-nosed, hard-mouthed, strong-jawed); the maps and genealogical tables are useful; but there is no index.

The Middle Kingdom

The German Policy of Revolutionary France, 1792-1797: *2 volumes*

By Sydney Seymour Biro.
Harvard University Press. London: *Oxford University Press.* 480 pages and 1104 pages. £6.

FEW will dispute the importance in European history of the long dispute between France and Germany over what was for a brief moment in the dark ages the Middle Kingdom of Lotharingia, or fail to acknowledge the crucial importance in that dispute of the French revolutionary wars. The present work, which is a first instalment of a study of France's German policy in that period, is the result of some thirty years of archival research and of study of the huge body of literature that has accumulated around it (and which Mr Biro here discusses in a long bibliographical appendix). The modern fashion for brevity has not tempted Mr Biro; where he finds it necessary or interesting to investigate some part of the political background in France itself, or the personalities, French and German, who played their roles in this incredibly tangled tale, he does not hesitate to do so. Nor does Mr Biro's idiosyncratic style come between the reader and the author's own pronounced opinions on many controversial issues.

Mr Biro's main concern is with foreign policy and its making. He investigates in turn the origin and force of the idea of "natural frontiers," the importance of the Rhine as a possible military barrier for France, and the effect of France's historic struggle with the Habsburgs, newly revived as a result of the Revolution. On the other side, he shows us how the rivalries of the German states played into the hands of the French diplomats and soldiers.

He is sufficiently in tune with the contemporary predilection for economic explanations to be willing to examine at some length what besides history and strategy made the Rhineland appear such attractive booty to the men of the Directory, and, above all, how the principle that war should pay for itself, and even yield a profit, made it difficult to evacuate territory that had once been conquered. Thus French policy shifted between outright annexation and the creation of a subordinate republic or republics that might provide a starting-off point for revolution in the rest of Germany.

Mr Biro is aware that the story as he tells it will hardly satisfy the patriotic school of French historians. When he comes to examine the pre-French elements in the Rhineland, he can hardly help finding among them all those psychological misfits whom we in our own day have come to know as the predestined victims of a quisling movement. Mr Biro is not in fact tempted outside his proper subject, and its place in the development of Franco-German diplomatic relations, to consider whether there are not wider implications to his story; and one is even tempted to suspect, remembering the effect of the French occupation on the Rhinelanders of a subsequent generation, that he may have devalued rather too severely a genuine enthusiasm for liberation from centuries of medieval obscurantism. What would Heine have made of this picture of the French on the Rhine?

But for the reader in the middle of the twentieth century the whole thing will be so familiar in another context that he may forget that it is France and Germany that are involved. Foreign intervention against a revolutionary regime and in a civil war followed by the territorial extension of the revolution's power; the creation of "satellites" through ideological penetration and their maintenance as tributaries to a hungry army; an inextricable confusion of ideology and power politics, generous impulses and sordid brutality; traditional goals clothed in new language—surely we, too, have seen all these things. But if Mr Biro is aware of them the professional conscience of an M.A. Harvard and a D.Phil. Oxon. keeps him quiet. If the distinction made by Oxford's new Regius Professor in his inaugural lecture is a valid one, this is history "professional," not "lay."

Cameras in the Air

Evidence in Camera.

By Constance Babington Smith.
Chatto and Windus. 256 pages. 18s.

FLIGHT Officer Babington Smith specialised in German aircraft, in the use of the stereoscope for examining air photographs of them, and in assessing the evidence obtained. She had no superior in any of the services of the Allies in the war; a fact that the Americans recognised when, after VE Day, she was lent to them to continue in the Pacific war the work that she had done in Europe. Much the most interesting chapters in "Evidence in Camera" are those describing her own work, such as the watch that was kept on developments in German aircraft (especially the jet fighters that at one point caused such havoc among the US daylight bombers). The broad outline of the story of the V1 and V2 investigations is fairly familiar, but in Miss Babington Smith's book the piecing together of the multitude of small bits of evidence is described in absorbing detail. The well-worn comparison with a jigsaw puzzle could never be more apt than in this case.

"Evidence in Camera," however, is not a history only of photographic interpretation; in fact much of the book is devoted to how the pictures were obtained, to the men who flew the aircraft, and to the difficulty in establishing air photographs as an essential source of intelligence. By contrast with some of the wartime enthusiasts for air photography, Miss Babington Smith recognises that photographic interpretation is only one source of intelligence and that its results would frequently have been unusable without the often-maligned "ground information."

The part played by air photography in many well-remembered episodes of the war is here recounted in some detail: the finding of the *Bismarck* and the *Prinz Eugen* at Bergen; the covering of Taranto harbour before the Fleet Air Arm attack (including the identification of a new balloon barrage lying across the proposed course of the attacking aircraft); and the recognition of the first V2 rockets before the Peenemünde raid. These are some of the more dramatic features in the story of the interpreters' work. In addition there was the enormous task of meeting the demands of Bomber Command. The author describes how the reports of unsuccessful raids were at first disbelieved, but how, subsequently, they were "no longer unwelcome (as long as they were worded with tact)".

As this book is intended to explain to the general public how air photography was used, it seems a pity that it included so few vertical photographs, which were the basis of the vast majority of interpretation reports. Some "before and after" photographs of bombed targets would have been of interest.

BOOKS RECEIVED

HEIDEGGER.
By Marjorie Grene. 128 pages.

RIMBAUD.
By C. A. Hackett. 109 pages.

BERGSON.
By Ian W. Alexander. 109 pages.

CLAUDEL.
By Wallace Fowlie. 111 pages.

MARTIN BUBER.
By Arthur Cohen. 110 pages.

These five books are published by *Bowes and Bowes* in the Studies in Modern European Literature and Thought Series at 10s. 6d. each.

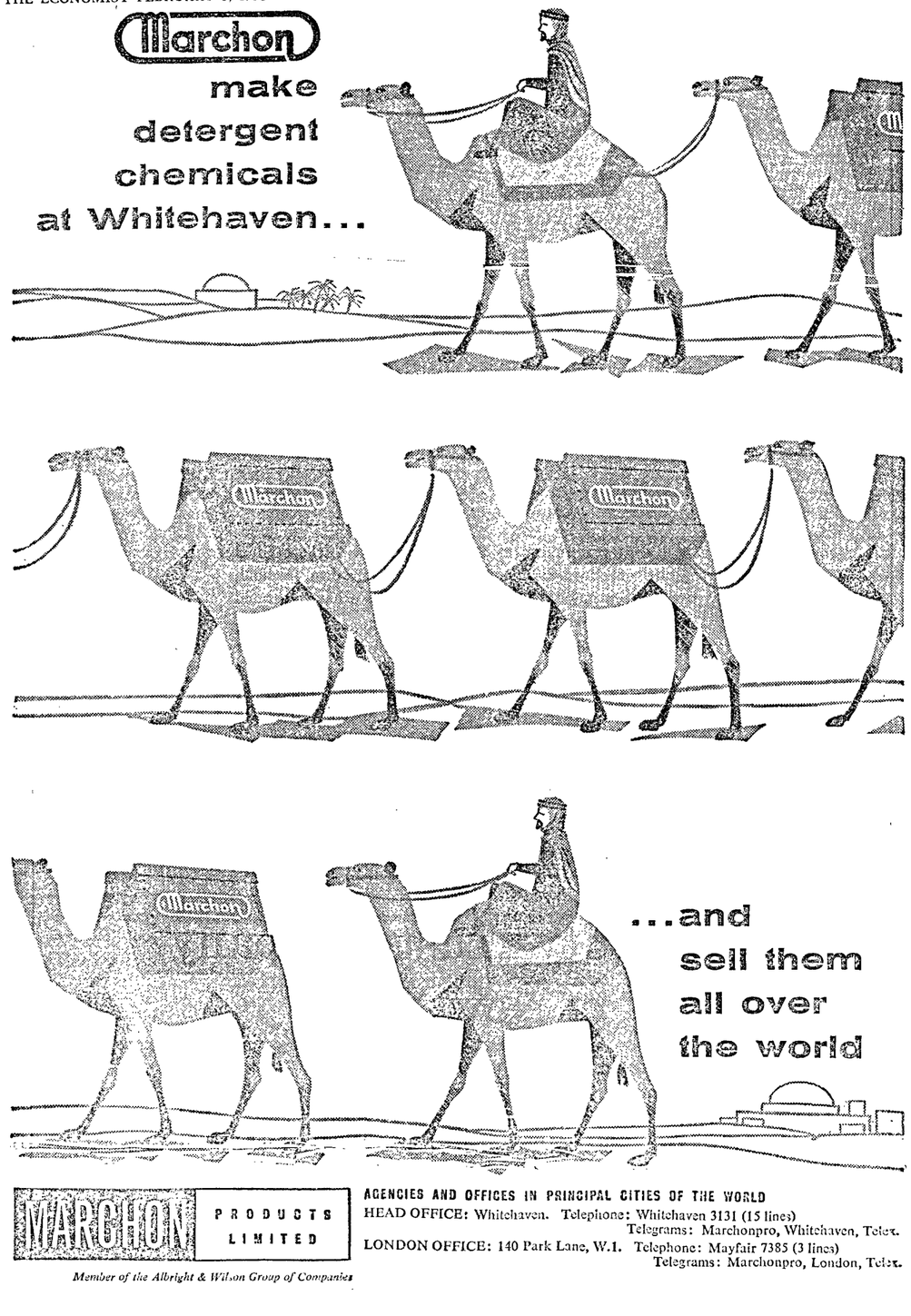
THE BRAZILIAN COTTON MANUFACTURE: *Textile Enterprise in an Underdeveloped Area.* 1850-1950.
By Stanley J. Stein. *Harvard University Press*; London, *Oxford University Press.* 273 pages. 40s.

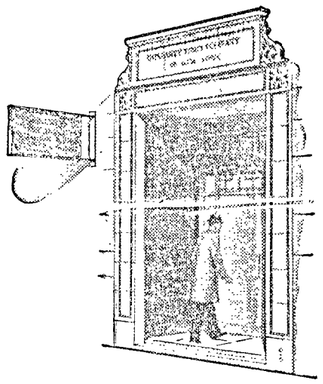
THE YEARBOOK OF THE INTERNATIONAL LAW COMMISSION 1957. *Volume I.*
United Nations. 232 pages. 18s.

SPEED-UP LAW REFORM.
By Robert S. W. Pollard. *The Fabian Society.* 36 pages. 3s.

BRITISH MANUFACTURERS IN AUSTRALIA.
Commonwealth of Australia. Department of Trade, Melbourne. 47 pages.

ECONOMIC OPINION AND POLICY IN CEYLON.
By Henry M. Oliver, Jnr. *Cambridge University Press*, for *Duke University Press.* 345 pages. 26s.





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AMERICAN SURVEY

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Two Faces on Tariffs

WASHINGTON, DC

THE President's message on tariff legislation faces both ways: forward towards freer trade, backward towards closer protection. By a succession of vigorous statements he and his associates are trying to light a fire under Congress that will extract from it a five-year extension of the Reciprocal Trade Agreements Act, in a form which authorises the President to cut tariffs by 25 per cent. They are founding their case on the need to equip the United States with enough bargaining counters to enable it to adjust its policies both to the Soviet economic offensive and to the creation of the European Common Market. At the President's request Mr Eric Johnston, who has served Democratic and Republican Administrations, is organising a bipartisan assault on the local preoccupations of legislators of both parties. Yet the President has dismayed the habitual advocates of reciprocal trade by offering gratuitous concessions to the protectionist opposition in advance of the tough negotiations that are coming in Congress.

Under the present law, which expires on June 30th, Congress's constitutional right to fix tariffs was delegated to the President for three years. In the first year he was allowed to negotiate cuts of 15 per cent, to be carried out in three annual stages, but in the second year he could only agree to reduce a duty by 10 per cent and in the current and last year by an insignificant 5 per cent. The new law, if it were to follow Mr Eisenhower's outline, would be a substantial improvement in these respects. Not only would the President have these powers for an unprecedented five years, but at any time during that period he could agree to the full reduction of 25 per cent, provided it was spaced out over the following three to five years with no cut in any one year exceeding 10 per cent of the existing tariff. In cases where the tariff is already so low as to make such a change negligible, it might be reduced by 3 per cent of the value of the imported article in three annual instalments.

While these proposals offer a fair prospect of future reductions in duties, they do nothing at all to meet the principal complaint of America's trading partners—the uncertainty of American tariff policy. Instead they aggravate it. Not merely does the Administration propose to offer no improvement in the "escape clause" provisions, which were made more irksome in 1955, but it actually proposes to heighten the risk brought by these provisions to imports on which duties have been reduced under the Trade Agreements Act, if it can be shown that they have damaged a domestic industry. At present, when the President agrees with a finding of the Tariff Commission that such damage has occurred, the duty can be raised 50 per cent above that prevailing on January 1, 1945. At the worst this only means returning to the level of the notorious Smoot-Hawley high tariff, since by 1945 the Administration had used up most of its initial authority under the original Trade Agreements Act to cut tariffs in half. But, under the new gesture of appeasement, the President could raise the duty as high as 50 per cent above the level prevailing on July 1, 1934, when the Smoot-Hawley schedule itself was in force.

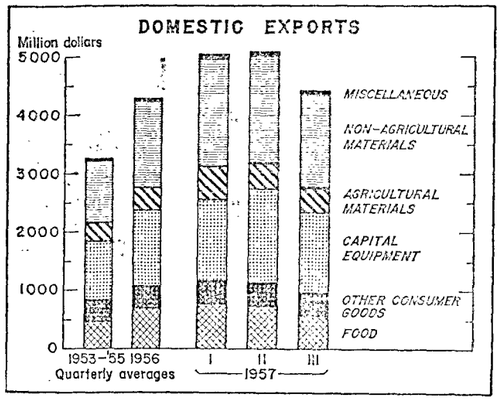
It is believed that this new development is mainly designed to fend off the opposition of the plywood and the lead and zinc industries, which have been demanding import quotas on the ground that the greatest permissible increase in the tariff under the present law would not be enough to do them any good. But, because the Anglo-American Trade Agreement of 1939 was one of the major tariff-cutting agreements between 1934 and 1945, this concession could bring a severe threat to the British dollar export drive. To take an extreme and, one must hope, a far-fetched example, the present duty of $1.35 a proof gallon on Scotch whisky could be raised to $7.50, while under the present law the maximum possible tariff is $3.75.

IT must be conceded, of course, that the Administration has a tough fight on its hands. In the House of Representatives a reasonable Bill will probably emerge from the Ways and Means Committee, although it will be fought to the last bell by that committee's senior Republican members. It is on the floor of the House that it will be in the greatest peril, while in the Senate the stickiest wicket will be in the Finance Committee where the liberals, led by Senator Douglas of Illinois, can be certain of only three votes out of fifteen. Other members, such as Senators Malone of Nevada and Kerr of Oklahoma, qualify, because of the economic interests of their states, for Mr Douglas's definition of "blown-in-the-bottle protectionists." The balance will be held by Senators like Mr Anderson of New Mexico and Mr Bennett of Utah, who are bothered by unemployment in the mines, Mr Carlson of Kansas, who is responsive to the independent oil firms (those without foreign interests), and Mr Byrd, the chairman, who keeps a weather eye on textiles.

In face of these dangers the Administration has shown considerable versatility in attempting to clear the major grievances out of the way before the contest begins. Oil imports are now restrained by voluntary quotas, though at a higher level than the independent producers would like. The Japanese "voluntary self-restraints" on imports of cotton textiles are being re-negotiated. On lead and zinc the President has tried to avoid conceding the principle of compulsory quotas by referring an escape clause plea to the Tariff Commission with what amounts to a directed verdict recommending a large rise in duty. Despite the courteous hearing given to British importers of woollen and worsted fabrics the special import quota on these goods,

which is permitted by the terms of a tariff agreement of 1947, is likely to be in full force again by the time the crucial votes on the Bill are cast in Congress. Although in all but nine of the twenty-seven cases in which injury has been found the President has rejected the recommendation of the Tariff Commission that an escape clause be invoked, he has recently bent over backwards to establish a record of compliance—doubling the tariff on clothes-pegs, for example, at the behest of Senator Flanders, who has one of the "swing" votes on the Senate committee. Presumably Mr Eisenhower thinks this price worth paying if the alternative is, as it might be, the ending of his power to over-rule the commission.

Given the entrenched nature of the opposition, the Administration and its Democratic co-belligerents such as Senator Douglas are wise to concentrate on the new, com-



pelling arguments based on American self-interest which point towards a liberal tariff road. No official speech on the subject fails to cite Mr Khrushchev's challenge to Mr William Randolph Hearst: "we declare war on you in the peaceful field of trade." And in a full dress speech to the Senate this week, Senator Douglas, pointing out that every economic commentator has cited the decline in American exports, becoming more marked as 1957 ended, as one of the reasons for the current recession, explained to his colleagues the important stake American business has in influencing the policies of the European Common Market during its crucial formative years through negotiations for lower duties under the General Agreement on Tariffs and Trade. Finally, for the benefit of his midwestern colleagues, the Senator did not forget to throw in some shrewd references to the new significance which international trade will have in the heart of the country once the St Lawrence Seaway is opened. The next few months will show how such arguments of future interest weigh against the complaints of sick industries here and now in this election year.

Exploring Space

WITH its Explorer circling the earth the Army has been transformed overnight from the Cinderella of the services into the Fairy Godmother of the whole country and the United States is no longer a "have-not" nation. But the small size of the American satellite—thirty pounds compared with the second sputnik's half-ton—and the embarrassing four months during which the Russians soared alone in outer space ensure that there will be no self-satisfaction either in the Administration or among the people at large. That will come only if the Americans are the first to reach the moon—the achievement on which the public imagination and also, it seems, much of the country's scientific effort is now concentrating. But the Explorer's success does give the United States a stronger case for insisting that its hopes for some form of international control of outer space deserve serious consideration. In Washington it is widely rumoured that the President will call a special session of the United Nations and there put his plans before the world.

But first he must have definite plans, based on co-ordinated comprehension of the potentialities and implications of space penetration. The present lack of decision in this field is mainly the result of the proliferation of agencies, military and civilian, official, semi-official and unofficial, which have been dabbling in outer space and many of which have now become rival claimants for authority over its development. It was thought that the necessary leadership might be provided when the President appointed Dr Killian as his scientific adviser but he is apparently not concerning himself with the specifically military aspects of the matter. A possible alternative was offered when the new Secretary of Defence, as one of his first moves, set up an Advance Research Projects Agency. But its activities have been delayed and restricted, for the moment at least, by the resentment of all three services, united for once, at the creation of what would in effect be a fourth and superior service, and more recently by the Senate's doubts about giving the military over-riding authority in such a vast and unknown field.

To do this, according to Senator Anderson and others, would suggest that the United States is more interested in the use of outer space for the destruction than for the benefit of humanity and would make nonsense of American proposals that space should be demilitarised and reserved for peaceful purposes by international agreement. The argument is reminiscent of that which led to the establishment of the independent Atomic Energy Commission after the war; another similar agency may well be recommended by the special Senate committee which is now to explore all aspects of public policy in relation to outer space.

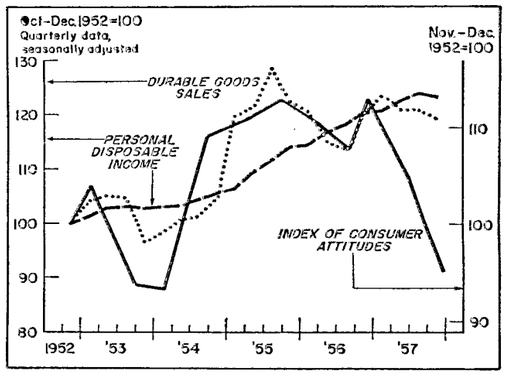
Consumers Wait and See

FROM A CORRESPONDENT IN NEW YORK

THE volume of retail trade has increased so steadily—almost without interruption since the last months of 1954—that it is a shock to shopkeepers when sales do not exceed the corresponding months of the previous year. But this is a shock which they are now facing. Christmas trade, it is true, squeezed ahead of the 1956 record as the result of a buying rush on the last day. But the figures for January will show little, if any, gain over 1957 and sales of durable goods have been especially weak. On a month-to-month comparison retail sales have been declining since August. Clearly the reason for this is not an absolute lack of purchasing power since, although personal incomes have also been falling since August, the total is still higher than

it was a year ago. And even after allowing for price rises, the average family income will buy about as much today as it would have in early 1957. Hire purchase credit is widely available, although the lenders continue to examine the financial status of borrowers carefully and to refuse funds to those regarded as poor risks. Moreover, this year there will be a large increase in the number of families who will finish their payments on existing instalment contracts, and so be eligible for new loans.

Why, therefore, are consumers not buying? There are some who even think that people have literally been frightened out of their normal behaviour by the threats of destruction accompanying the dawn of the space age; certainly it seems to have brought a period of effort and austerity in which many may feel that it is not "the thing" to spend freely. Experts in intellectual circles such as government offices and universities put the blame on industries and advertising agencies for attempting to dress women in unpleasing "sacks" and to sell over-large, over-equipped cars. But, apart from missiles and declining standards of taste, there is also an economic recession, bringing a decline in employment, particularly in factories, which can hardly



fail to have a depressing effect on the outlook of consumers in general, even though the great majority of them are still in work and earning good money.

That this is the real explanation of the falling off in retail trade is largely confirmed by the latest report from the Survey Research Centre at the University of Michigan; its periodic samplings of consumer opinion provide many answers about why people spend more or less than might be expected, and most of the answers have very little to do with styles or sputniks. The Michigan researchers have constructed an index, giving appropriate weight to the replies consumers make when asked general questions about their own financial situation, about their views on the business outlook and on prices of goods, about their plans to buy houses, cars or other durable items. The procedure is under constant attack by purists in economics and statistics. But the fact remains that each time the index of consumer attitudes has made a substantial swing, the sales of consumer durable goods have made a similar swing, above or below the close long-term relationship to incomes.

The survey taken last December showed a drop in consumers' plans for buying so precipitous that it not only explains the poor sales in the fourth quarter of 1957, but also forecasts the likelihood of a bad first quarter for 1958. In addition to a falling-off in the number of persons actually planning to make purchases, there was a sharp increase in the number who said they were "worse off" than a year ago, that now was "a bad time to buy" and that prices were "too high." Concern about the business situation showed up in a surprising number of interviews, and the centre thinks that this explains much of the reluctance to incur new debts by buying houses on mortgage or cars on hire purchase. There has been no significant decline over recent years in the proportion of families who say that they want "new things," but this survey found a decided caution about buying them at this moment.

A very large number of those questioned feel that prices are too high and are likely to remain so for the present; they are evidently postponing their plans for making purchases in the hope that eventually these prices will come down. Here at least most of the economists and marketing experts agree with the consumers. As the President's economic advisers have suggested cautiously, and a good many shopkeepers not so cautiously, what is really needed to move consumer goods today is a drop, or at least a levelling off, in manufacturers' costs and prices. Given this start, competition among retail traders would probably lead to better bargains for consumers, as it did in 1954. Some of the devices begun then are still being tried, but with diminishing effect—discount sales at below published prices, for example. But credit terms, which first became easier in 1954, have now been stretched to the safe maximum. So now there are few ways left by which the retail trader can reduce his effective price unless the manufacturer's price comes down.

There have already been some hints that Detroit may cut car prices before negotiating a new wage agreement with the automobile workers. If cars do become cheaper, other durable goods are likely to follow. Since consumers' incomes are still high, price reductions would not have to be large to stimulate consumer spending. If employment in heavy industry is stabilised during the spring months, if at the same time there are some substantial wage increases, as seems likely, and if on top of all this the consumer finds that prices are not in fact higher but a little lower, then he may think better of 1958 as a "time to buy."

Legislative Oversight

THE operations of the independent regulatory commissions, created by Congress and endowed with legislative, administrative and some judicial powers, are of great public concern; these agencies have immense economic authority over such industries as the railways, air transport, broadcasting, the sale of securities, gas and electric power, and business practices in general. There was everything to be said for the proposal of Mr Rayburn, the Speaker of the House, for an investigation to determine whether, in the twenty years or so since most of these commissions were created, they have carried out the intention of Congress and used their regulatory powers in the public interest. Some fear that the independent agencies have fallen under the sway of the White House; others, including Mr Rayburn, dislike many of Mr Eisenhower's appointments to the commissions and suspect that they are becoming the creatures of the industries they were set up to control.

Unfortunately, the job was placed in the not very

energetic hands of Mr Moulder, the chairman of the ambiguously named Subcommittee on Legislative Oversight, who promptly delegated it to a vigorous, but perhaps over-enthusiastic and inexperienced investigator, Dr Schwartz, who is Professor of Law at New York University. Dr Schwartz's long list of charges of personal misconduct against members of the Federal Communications Commission, which, with some justification, he considered to be the most vulnerable of all, angered the Republican members of the subcommittee and brought Mr Harris, chairman of the parent committee, in at a trot to take control of the investigation. Mr Harris, however, is the author of a Bill—once vetoed by the President—to exempt the producers of natural gas from federal regulation and rumours were soon flying that he had agreed to spike the subcommittee's guns in return for Republican support for his Bill.

In the meantime Dr Schwartz's confidential report had leaked to the press, without the members of the FCC being able to defend themselves against charges that they had accepted favours from firms in the broadcasting industry, fraternised with litigants before the commission and charged the government for expenses which the industry had already paid—a criminal offence if proved. The subcommittee has had no choice but to hear the evidence this week. But it is now very doubtful whether the important matters—the rules which the agencies have drawn up for themselves, the adequacy of the statutes creating them, and the pressures they work under—will receive the impartial and extended treatment they deserve.

Drive It and Leave It

AMERICA'S airmindedness is largely responsible for the current boom in a branch of terrestrial transport—drive-yourself car hire—and the biggest firm in the business, the Hertz Rent-A-Car System, is now coming to Britain so that the increased number of tourists to be brought by cheaper transatlantic flights may enjoy the facilities to which they have become accustomed at home. Many motor-bound Americans prefer to travel by train or air instead of driving themselves hundreds of tedious miles across the country to business appointments or holiday resorts. But an important factor in this preference is that nowadays they can count on finding a hired car waiting at airport or station when they arrive for them to drive as long and as far as they like. It need not even be returned to the place where it was first hired, but can be turned in at the company's office in another city.

Last year about 1,000 new centres were opened, making nearly 4,000 altogether where the 175,000 drive-yourself cars could be hired. Normally advance booking is not necessary and no deposit is required ; charges average about $8 a day with an additional 9 cents a mile. The Hertz System now provides service in over 900 cities, with facilities at 274 railway stations and 360 airports ; the latter place is where about 60 per cent of the car hire business originates. The company has 30,000 cars and 19,000 lorries, some of them leased on a long-term basis ; but over five million rentals a year of passenger cars are made for an hour, a day or a week. Nowadays these hired cars are the latest models and Hertz's purchases for 1958, said to be the largest single order ever given, have provided the flagging car market with some needed encouragement. Altogether from October to April the company is spending $93.5 million on about 20,000 replacements and additions to its fleet ; it is buying mainly the cheaper Fords, Plymouths and Chevrolets but is including a number of more luxurious models—Chryslers, Buicks and even Jaguars. Recently Hertz began to hire out "fly-yourself" aircraft, at 15 cents a mile and $1 an hour.

For some time Hertz facilities have been available in France, Hawaii and various Latin American and Caribbean cities. But the company recently set up an international subsidiary jointly with the world-wide travel agency, the American Express Company, in order to expand its business abroad, already valued at about $4 million a year. Last week's purchase of Daimler Hire Ltd seems to be the first outcome of this new venture.

Shivers in Florida

FROM A CORRESPONDENT IN MIAMI



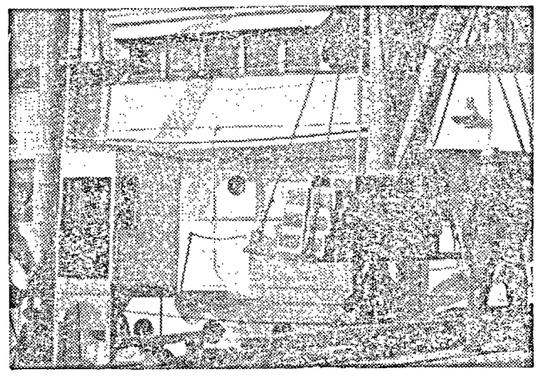
AS a recipe for success "accentuate the positive" is so much a part of life in Florida that it is accentuated even when it takes the form of a failure. The big frost last December brought an estimated loss of $100 million to the citrus fruit crop : the big freeze in January was hailed with the same round figure. Anything less might have suggested that progress was not the official attitude and that Florida was going backward : anything more might have aroused suspicion, even in Florida, since the total citrus fruit crop is commonly valued at $200 million. But with February coming in with the third cold spell of the winter, the weather is becoming even more exaggerated than Florida's estimates. As a matter of fact, the state does stand to lose more than its citrus crop this year for, in spite of continuing efforts to provide a solid under-pinning of industry, Florida's economy still rests chiefly on its climate. It is a precarious base. When the weather is kind, the crops, the Brahma cattle, the tourist trade and the related network of commerce and industry flourish down the length of the long peninsula. When the weather is harsh, as it was late in 1957 and has continued to be during the first weeks of 1958, the whole structure shivers ; everything begins to recede except the adjectives of the state's publicists.

Freezing weather in the fruit groves of the north and floods in the market gardens of the tropical south that rotted the vegetables where they grew were only the beginning. Such news was inevitably followed by the cancelling of reservations in the 379 hotels along Miami Beach and a sharp fall in the number of passengers coming by air, train and road from the chilly north and middle west. A feeling of disaster crept into the service trades and the clothing industry, while the determinedly optimistic local newspapers began to warn their readers that Florida was no longer isolated and that predictions for 1958 were somewhat bearish all over the country.

It is too early to know how lasting the damage of this

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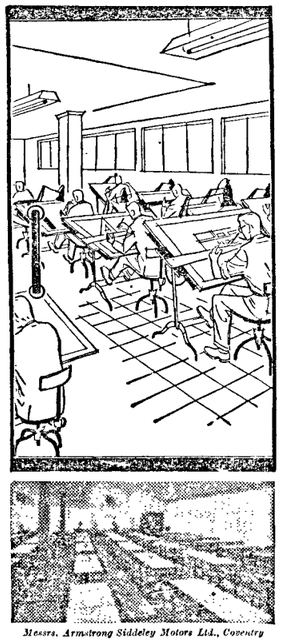
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The Bankers' Dilemma

WHEN the Metropolitan & Suburban Bank decided to open a branch in Harvenage New Town, they were confronted with a grave architectural dilemma.

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winter's double freeze may be to the citrus industry but, after the first cold wave, the smaller growers asked the federal government to purchase ten million boxes of injured fruit at a dollar each ; they were being offered at ten cents a box, containing 90 lb of oranges, in the open market. The Florida Citrus Commission, fearing that the state's good name would be injured if blighted fruit reached northern markets, clapped a two-weeks' embargo on shipments of fruit out of the state and on local sales of any fruit not already in the shops. The crippling effect of such measures was felt not only in terms of undelivered Christmas orders, but more sharply in the appearance of Californian oranges in Miami fruit shops, offered for retail sale at more than ten cents each. This is not the first time that Florida's traditional rival has profited from such a disaster, but the form of the triumph was hard to bear. Nationally, the price of fresh vegetables has soared. Green peppers are reported to sell at 25 cents each in the New York market and green beans at 65 cents a pound.

Serious as this weather has been, it does not mean that Florida is ruined or that the tourist tide on which its life so largely depends is more than temporarily diverted from its hotels, motels and beaches. Extremes and extravagances are a part of the state's history and are accepted as the price of living there. Growth of population, as of vegetation, has become the normal way of life and soon wipes out the memory of disasters such as frost or hurricane. So spectacular is this power of recovery that it telescopes the normal pace of time and turns yesterday into the distant past. By virtue of the fact that Florida was explored and claimed by Spain a full century before the English settled in Massachusetts, the state has the right to call itself old, but in fact it prides itself on being very young. Annexed to the United States in 1821, its mainland reaches flowered with those of its neighbours in Georgia and Alabama, but its long peninsular leg remained mostly in the possession of Indians and alligators until this century. As late as 1902 the small and fever-ridden villages on the east coast got their mail by kindness of the "barefoot postmen" who walked the sands between towns now called Palm Beach and Miami. In that year Flagler's then rickety railway was pushed south and Florida's modern era began.

How that era bloomed into an orgy of real estate speculation in the nineteen-twenties, and how the collapse of that speculation foreshadowed the great stock market crash of 1929, is a tale that is being revived in the present uneasy period. What surprises the visitor coming three decades later is the degree to which the dreams of dead land agents have become the working reality. Coral Gables, which was one of the most flamboyant building estates, is now absorbed into the sprawling giant called Greater Miami, while Miami itself has gained the legal right to become coterminous with the surrounding agricultural boundaries of Dade County, and shows every sign of intending to spread its low houses to the very edge of the swampy Everglades.

Part of this growth represents Miami's share of the swelling tide of winter tourism, but more important is the alleged fact that its permanent population is growing almost twice as fast as its tourist business. The result is a bursting at its more expensive seams—schools and paved streets, sewers, water supply are over-taxed, while the money to pay for more of these facilities gathers less quickly than the people who use them. Because tourist industries and the service trades do not furnish sufficient employment even in good weather, the lavish resort city is engaged in an earnest effort to attract other industries. The important Western Electric and International Paper companies were among "almost two hundred new manufacturing firms" that established bases in Miami in 1957. The local press hails them as "the spark which is necessary to keep the flame of Miami's industrial leadership burning." Meanwhile residential construction dropped 2 per cent from 1956, but non-residential building rose by 53 per cent.

This ferment taxes the through roads as well as the local ones. Partial relief for traffic crowding on the long thin shoestring of US1 was furnished a year ago when the Sunshine State Parkway was opened for 110 miles from Miami to Fort Pierce, which is a third of the way up the coast. Now the demand is heavy for completing the road up to the Georgia state line—a project which would cost $185 million more than the $62 million already spent.

Miami takes little note of Cape Canaveral, where the guided missiles flower or fail to. One of the marked characteristics of the state is an intense and competitive parochialism, and the local press shows less interest in news of missiles than in reports of bitter weather in Chicago or Kansas City. The former may start a temporary business boom near Orlando, but the latter will send the shivering middle westerners down to the sands of Miami Beach, which are carefully cultivated to match the colour of Miami's favourite beverage, pink champagne.

Writing on the Screen

Last month owners of cinemas heard their worst fears confirmed. A report prepared for them by a private research firm, which they failed to keep secret, showed that in the past year and a half the average number of hours Americans spent each week in moving picture theatres had dropped from nearly 400 million to just over 100 million, while the number of hours they spent watching films on television had risen from 86 million to 426 million in the eighteen months ending last December. It was in the autumn of 1956 that hard-pressed producers in Hollywood, to keep themselves afloat, agreed to sell their back-logs of pre-1948 films to television interests, and people began to stay in, rather than go out, to the movies. The value of these "lost admissions"—7 million of them a week—is already put at $10 million a week ; if the recession continues, still more people may economise at the cinemas' expense.

The question now is whether the producers will succumb to offers from television for pictures made since 1948. According to the report, this would constitute a "death blow to the theatres and to production." But Hollywood may not agree. Already the Republic Pictures Corporation has arranged to release 218 of its post-1948 films to television stations affiliated with the National Broadcasting Company for a sum of more than $2 million. Film producers have learned, moreover, that a single super-film often makes profits ten or fifteen times greater than those of the ordinary successful feature. And, although their audience in cinemas may be only 42 million a week, half of what it was ten years ago, there are more than four times as many—204 million—watching films on television every week.

Help for Students—or Colleges?

OF the 43 million Americans receiving formal schooling, approximately 3.4 million are in institutions of higher education. But among the gaps and defects of the educational system brought to the attention of the public by Russian scientific achievements is the fact that every year 200,000 of the ablest high school graduates do not go on to college, many for financial reasons or lack of adequate guidance. To reduce this waste of talent, the Administration has proposed, in its emergency and temporary scheme for education, to award 10,000 college scholarships a year for four years; in Congress Democrats sympathetic to federal aid for education (a good many in both parties still are not) are proposing to increase the number to 40,000 a year for six years. This reflects the American belief that higher education should be available to all who can benefit from it, though not necessarily at four-year liberal arts colleges.

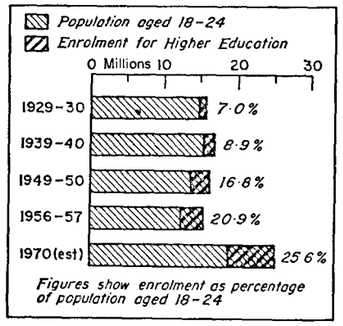
Costs of Going to College

Expenses have doubled since 1940. A recent survey for the Office of Education, covering 15,316 students at 110 of the country's 1,886 colleges and universities, concluded that on the average they spent about $1,493 last year in institutions controlled by the states, compared with an estimate of $747 in 1940, and in private colleges, $2,047 compared with $1,023. The cost of living accounts for five-sixths of the budget at state universities and two-thirds at private colleges, but tuition fees also virtually doubled at both between 1940 and 1950. About half the students surveyed came from families with less than $5,000 a year (about £1,780). In 1953 60 per cent of American families had incomes before federal tax of less than $4,000 a year.

Scholarship aid in the group surveyed covered only about 5 per cent of expenses, student earnings 26 per cent, and loans 1 per cent. For all colleges, scholarship funds amount to about $60 million a year; half of this is concentrated at 50 institutions. While more scholarships are urgently needed, a special presidential committee recently urged federal help to provide work for needy students and strongly endorsed the growing view that, in a society so tolerant of instalment buying, much more use might be made of loans to students. Fees might also be allowed as a tax deduction for poorer families.

The Rising Tide

Heavy as college charges are to many parents, students only pay in fees 47 per cent of the costs of their instruction at private colleges and 18 per cent at the state universities. The colleges, most of which are already overcrowded, are understandably critical of large scholarship programmes unless they are accompanied by grants to cover the colleges' additional costs. Their chief concern is not to increase the student body, but to stop the deterioration in the quality of college education which has begun and which will become much worse unless the institutions are helped to meet the overwhelming demand for higher education expected in the next twelve years or so. Enrolments, which have been rising steadily for six years, are at peak levels although the number of young people aged 18 to 24 is lower than it has been for a generation, because of the low birthrate in the nineteen-thirties. When the war and postwar rise in births reaches the colleges, enrolments will mount steeply, doubling or perhaps even trebling by 1970, when from 6 to 9 million students are expected.



Teachers—the First Priority

The biggest problem today and for the future is to find and keep enough well-qualified teachers. Low pay and competition for graduates from industry is already forcing the colleges to accept teachers with lower academic qualifications. In 1953-54 the median salary of instructors, the beginning teachers, was $4,000, less than the average industrial wage, while the median salary of full professors was $7,000, less than many foremen received. To compete on an equal basis with industry, the colleges need, it is estimated, to pay about $800 million more a year in salaries; this is some measure of the teachers' forced subsidy to higher education. Yet at least 180,000 new teachers will be needed by 1970 to cope with larger enrolments, in addition to the 18,000 needed each year to replace those who die, retire, or leave teaching. The Administration's proposals include grants for graduate schools to expand their facilities and 5,500 graduate fellowships over the next four years, but

without much higher salaries there is n guarantee that even this small drop wi find its way into the bucket. In addition, the President's committee estimates that present facilities, plus foreseeable expansion, will accommodate only 70 per cent of the students expected in 1970; a good deal of money will have to be spent on buildings.

Finding the Money

Some $3 billion is being spent today on higher education, excluding the cost of food and lodging; the table shows where it came from in 1953-54:

	All institutions	Publicly controlled	Privately controlled
	Percentages of Total Current Income		
Student Fees	20·17	10·03	32·94
Federal Government*	12·65	12·09	13·36
State and Local Governments	28·31	49·41	1·79
Endowment Income	4·30	·89	8·58
Gifts	6·45	2·33	11·61
Auxiliary Enterprises	19·45	17·33	22·10
Other	8·67	7·92	9·62
Total Current Income	$2·966 billion	$1·651 billion	$1·315 billion

* Mostly for research.

This total is about ¾ of one per cent of the gross national product of about $360 billion in 1953-54. The same proportion of a gross national product which is expected to reach about $650 billion in 1970 will produce less than $5 billion a year, while the President's committee estimates that about $7 billion will be needed. This amounts to just over one per cent of the expected national product at that time.

Direct federal aid for higher education would be even more difficult to justify to Congress than federal aid for state schools (which Congress has yet to approve), since about 43 per cent of all students attend private colleges and universities. The President's committee only recommended federal aid in certain marginal areas: providing better educational statistics, which are badly needed; the work-study project; slum-clearance funds and low-cost loans for building; payments to cover the whole cost of research undertaken for the government, and larger tax allowances for corporate and individual donors. Such giving, which amounted to over $200 million in 1956, is an unstable source of income but, apart from raising fees, it is the chief hope of private institutions; the public ones will have to rely in the main on much larger contributions from the states. Yet it is noticeable that the Association of American Colleges, representing most of the liberal arts schools, which in the past has always opposed federal aid except in the form of scholarships, was seriously split when it met last month, and some college presidents are saying openly that a direct subsidy for higher education is essential.

THE WORLD OVERSEAS

Britain and the Arabs

FROM OUR SPECIAL CORRESPONDENT

THE efforts of Britain and Egypt to reach a settlement of claims arising from the Suez intervention are a subject of profound interest to the educated public of the Arab Middle East, most of whom are anxious to see a settlement. To anyone who knew at first hand the passion aroused in the Arab countries by the bombing and the Port Said landings, this is one of the most surprising aspects of the region at the moment. The willingness to see British relations with Egypt and Syria restored is common, though in varying degrees, to all sections of political opinion. The Syrian nationalists, holding out on Egypt's behalf for the best terms Egypt can get, may not be impatient for the end of the affair but they want it all the same.

Most British people have found the milder political climate reflected in their personal relations, although, in fact, at the time of the intervention most people who had strong and friendly associations with Arabs or Egyptians found that these survived to a surprising extent the anger provoked by the Anglo-French action. Not a few British people broke bread with their Egyptian friends even as the RAF was bombing the airfields on the outskirts of Cairo. Such occasions were tinged most of all with regret—regret that the British were finished in the Middle East, regret that Egypt and the Arabs *must* finish with a country that could behave like that. This pessimism was excessive. It was hardly likely that the British connection would be finished. But it was clear that a large part of British interests in Egypt would be wiped out and it is still true that the attack on Egypt is neither forgotten nor forgiven anywhere from Alexandria to Baghdad. Yet whatever Britain stands for has survived behind the curtain of wordy abuse that hides the mind of the Arab, perhaps because—in spite of the view of many that Arabs only understand a show of strength—the very fact that the Suez intervention failed has deflated the hate nurtured by Arab political opinion.

The Americans in the Middle East, who have inherited not so much the British position in the region as the animosity which it left behind, have remarked the change with chagrin. An American diplomat, on returning to Beirut to contemplate in tranquillity his visit to Cairo, exclaimed "Anyway, who *did* invade Egypt!" That was some months ago, but ever since the reports from Egypt have revealed a courteous and even friendly attitude to the British residents or visitors, in so far as the British do not collide with the administrative difficulties created for them by the legislation which followed the Suez conflict.

Why should the intolerable offence of military intervention be dulled so soon? In the first place because a lot of water has flowed under the bridges of Thames and Nile since the offence was committed. Secondly, the intelligent Arab, often as he falls into the maw of muddled dictatorships, has a deep respect for the principles of democracy which seem endlessly denied him, either by subservience to the foreigners, as in the past, or by domestic political perversions, as at the present time; he remembers too, with a sidelong glint of admiration, that a substantial section of British opinion opposed the Egyptian policy of the Eden government. Thus, by a curious twist, the affair deposited somewhere at the back of the Arab's cranium one of his few predilections in favour of the British way of life. The most intelligent of all among the Arabs are ready to believe that "imperialism", which they can divine in the most unlikely soil, is now functional rather than fundamental in Britain, a kind of automatic twitch of the muscles in the tired, mature lion.

The passage of time and philosophical wonderment are not in themselves enough to explain the change. They have, at most, rubbed away the sharp edge of Arab anger. Of more importance is the fact that Britain has relinquished primary influence. To some extent the modesty on Britain's part is due to the lack of diplomatic posts in Cairo, Damascus and Riyadh, for it is difficult to be energetic by proxy. But the courteous termination of the treaty with Jordan last spring counted in favour of masterly inactivity. The Arabs have always said, "Take away the bauble of your power position, trust to the hand of friendship." The British were, in their fashion, doing so, although without any confidence in the handclasp. The seizure of Port Said, no matter how Mr Selwyn Lloyd may explain the good intention of it, was not, it is true, a particularly friendly act, but one result of it happened to be a further reduction of power. From the point of view of the Arab nationalist, Britain could nearly qualify for Nirvana, there to await its entry into the heaven inhabited by Indians and Jugoslavs—if Britain were to drop the Baghdad Pact.

Nearly, but not quite. There is still the unforgivable sin of friendship for Israel. And the average Arab feels that Britain is at least holding Mr Dulles's hat while he throws stones at the icon of Nikita Khrushchev, which hangs at the left-hand corner of the nationalist wall. Britain has, on balance, gained as a separate nation (not as a part of the West versus the East) by the comparison made with the conduct of American policy in the Middle East during 1957. While Britain stood aside, the Americans were encouraged to overconfidence by transient approbation of their Suez policy, and they bustled about the region in a manner utterly displeasing to most Arabs, who had no desire to join President Eisenhower in a crusade against communism, disliked the American actions in Jordan, detested the Sixth Fleet's

arrival at Beirut, and were intensely suspicious of the Turkish show of strength on the Syrian border, which they firmly believe to have been instigated by Washington. Of course, Britain usually supported American policy, but the support was mumbled rather than trumpeted, and did not therefore destroy entirely the impression of aloofness.

The measure of good opinion that Britain has salvaged from the Suez wreck is in some ways ephemeral. It could not long survive an active support for American policy in its present untidy form. However unpleasant it may be, the fact is that the Arabs can more easily accept Britain now because they believe that it has not the cash to buy support, the power to enforce obedience, or the urge to subvert. They would turn even more violently than formerly against Britain if they felt that its government was continuing to conduct power politics from a position subservient to America. It would be dangerous to assume that inactivity was in itself masterly and, without taking any initiative, to support from loyalty to an ally all American policies in the Middle East. To the Arabs, love and hate are not mutually exclusive; they can sometimes pity the abject; but they have no use for a second fiddle. There are few things in the world as uncharitable as Arab derision.

The Arab assumes that Britain would like to have a Middle East policy enjoying a degree of goodwill. Of necessity such a policy will be inactive compared with British Middle East policies in the old days. But many intelligent Arabs believe the present situation offers Britain some promise, and that Britain need not, because it is second to America, be subservient. They hope—they do not go so far as to expect—that the British will lead from their position of relative weakness, by bringing some restrain to American policy and introducing benevolent toleration of idiosyncratic arabism.

Mr Diefenbaker Takes a Risk

FROM OUR CORRESPONDENT IN OTTAWA

MR DIEFENBAKER took a calculated risk when he set March 31st as election day. Canada's inevitable winter unemployment, exaggerated this year by slack export industries and declining orders in manufacturing, usually reaches its peak about mid-March. It is almost inevitable that the latest information on employment conditions available on polling day will show more unemployment than at any time since the war, both absolutely and as a proportion of the growing labour force. If it is true that the government in power always gets blamed, whether responsible or not, the Conservatives might have done better to hold off the election until June.

But the desire for an early election gained ascendancy on January 20th when Mr Lester Pearson took over Mr St. Laurent's desk as leader of the Opposition. When his first attempt at a no-confidence motion gave Mr Diefenbaker such an easy debating triumph, two new factors began to dominate Conservative thought. All government members realised, first, that the Liberals did not intend to join the two small parties, the Co-operative Commonwealth Federation (CCF) and the Social Credit party to defeat the government; if Mr Diefenbaker wanted the twenty-third parliament to be dissolved, he would have to advise the Governor-General himself. Secondly, the Conservatives concluded that Mr Pearson's opening appearance discouraged his followers and that the Liberal fighting strength could only grow as the months passed. Mr Diefenbaker kept everybody in a state of suspense until last Saturday, but throughout the two intervening weeks it became increasingly clear that the government's supporters were eager to get back on to the hustings.

The Opposition parties maintain, of course, that Mr Diefenbaker should have carried on, since he could carry the House of Commons unless there was a tactical slip by somebody. Yet both in Parliament and outside, the government's position was increasingly difficult: Mr Diefenbaker called it "intolerable." A house in which the Liberals plus the CCF commanded one less vote than the Conservatives plus the Social Crediters, with two Quebec Independents left over, did not encourage a bold legislative programme—which does not necessarily imply that the Conservatives had one anyway. But even worse was the government's vulnerability to pressure groups, whose clamour seemed to be growing as more and more people realised the government's need to consider policy mainly in terms of votes. For most of the Conservative ministers, if for no one else, an escape from this situation is probably the greatest relief that a dissolution provides.

★

Complaints are also being made that during its seven months' life the government has never produced any kind of budget. When Mr Fleming announced tax cuts in November, he said he expected a surplus of $80 million in the fiscal year ending on election day. In the closing days of parliament he admitted that the budget for 1958-59 will involve a deficit. With increases in expenditure on many fronts and tax revenues declining with the present business slack, this has long been obvious. Next year's deficit, on present plans alone, must be about $500 million. Ironically, past pronouncements by the Conservatives give them alone the right to complain about deficit financing. Most Liberals, taking an orthodox anti-cyclical line, admit that free spending is exactly the right response to the current economic slackness.

The Liberals have announced that their main criticisms will be based on unemployment and foreign trade. Mr Pearson has wisely and honestly said that unemployment would have occurred whichever government had been in power; but he claims that the Liberals would have acted more efficiently to counter it. Complaint about trade starts with the easy task of ridiculing Mr Diefenbaker's talk of a 15 per cent diversion of imports from the United States to Britain when the government had no idea how it was to be done and recoiled in shocked horror from a British proposal for Anglo-Canadian free trade. It continues, on less solid ground, to accuse the Conservatives of disrupting trade with the United States, and even of bringing on American restrictions on oil imports. The Conservatives' reply to all this is that the present employment troubles really stem from the Liberals' failure to understand that the boom was ending a year ago, and the present trade difficulties from their failure to keep Canada's overseas markets.

All this sounds very turgid election material, and no doubt in every constituency livelier issues will be devised. Certainly, Quebec politicians will discover more exciting and intimate things to talk about—and Quebec is vital. The Liberals at the dissolution held 65 out of Quebec's 75 seats and only 41 seats out of 190 in other provinces. The Conservatives had 105 out of 190, but only eight in Quebec. To gain an overall majority they must win at least 20 seats in Quebec, and they hope for at least 30. With Mr St. Laurent no longer leading the Liberals, and with Quebec's natural desire to be on the winning side, they may get that many. But they have no outstanding figure in Quebec. Neither, it is true, have the Liberals, but this may be more serious for the Conservatives, who must break down a tradition of hostility originating from recollections of conscription and ancient imperialism. Most Canadians' fervent wish is to end the parliamentary stalemate, which clearly does not make for good government.

Summit Seen from the Rhine

FROM OUR BONN CORRESPONDENT

BEFORE leaving Bonn for the south of France, where he plans to spend almost the whole of February, Dr Adenauer made it his last business to give his assent to a series of foreign service postings and to broadcast once again to the nation about the aims and the methods of his foreign policy. Both acts, he doubtless hoped, would persuade a mildly radio-drunk electorate that the Federal Republic's relations with this not best of all possible worlds were at any rate safely in the best of possible hands. Both indicated more or less the course which the government expects foreign policy will have to take during the next decade or so. The prospect is frustrating for all patriotic Germans; for those east of the Elbe, it is positively daunting.

The German press and radio are, on the whole, appreciably more serious than their British counterparts. It was possible for the German citizen with sufficient leisure and interest to listen for sixteen consecutive hours to a radio relay of the last Bundestag debate on foreign policy. In a series of hefty instalments most of the dailies thereafter reported all the speeches in full. Both radio and press have since been recording indefatigably the angry afterthoughts of, so far, Dr Adenauer and the two opposition leaders, Herr Ollenhauer and Herr Mende. Thus nobody has an excuse for not being acquainted with the issues presented. Their common impotence in the face of partition is chiefly to blame for the animosity of the professional politicians; remembrance of their democratic obligations—quickened by January reflections on the twenty-fifth anniversary of Hitler's accession to the chancellorship—partly accounts for the patient curiosity of the public. But what have Fritz Meyer and Lieschen Müller made of it all? The Chief Burgomaster of Berlin, Herr Brandt, who is more closely engaged in east-west problems than most Germans, has recorded his surprise that so many persons have been able to express themselves so confidently on affairs of such political and technical complexity.

As usual the clearest, because simplest, assessment of the situation has come from Dr Adenauer. Several times in the course of this protracted parliamentary and extra-parliamentary debate the Chancellor, using on each occasion almost precisely the same words, has surmised that the Soviet Union requires "a pause of ten, twenty, or thirty years" to carry out its own internal tasks. It is the business of the West, Dr Adenauer has reiterated, to confirm this supposition; and, in the meantime, to pursue policies directed towards controlled disarmament and co-existence, hoping that the Soviet leaders will eventually modify their idea that communism must conquer the world. The government's immediate task must be to examine Mr Bulganin's proposals for a summit conference, with the stipulation that preparation must be thoroughgoing.

These are modest expectations. To Dr Adenauer's critics they are defeatist. But, recommending them to come down to earth, he observed in the Bundestag:

> We Germans should not let ourselves suppose that the destiny of the world is in our hands. Unfortunately it is in the hands of the Soviet Union and the United States.

In Dr Adenauer's unshakable opinion—and it must be remembered that he has a mandate from more than half the electorate—Germany's salvation will continue to rest in unwavering adherence to the western alliance. To flirt with the Rapacki plan for including Germany in a stretch of Europe clear of nuclear weapons would be to jeopardise the alliance; for why, he has asked, should America be expected to expose its soldiers stationed in Germany to the fire of nuclear weapons sited in Russia to which they would be powerless to reply? All the evidence suggests that this view is going to prevail. The defence minister, Herr Franz-Josef Strauss, is trying to sugar the distasteful nuclear pill with soothing reassurances: by unhesitatingly fulfilling the requirements of the Atlantic security system, he has argued, and by joining wholeheartedly in west European economic integration, Germany "will not for a third time make the ghastly mistake of taking up a wrong position in world politics" through overestimating its own strength.

Once again the Social Democrats have not been able to put forward any convincing alternative solution to Germany's predicament, and their tentative proposals have been quickly punctured by Mr Khrushchev's and Mr Bulganin's announcements that there would be no place for the German problem on the agenda of a summit conference. But in the Bundestag debate Professor Carlo Schmid to some extent took the Russian leaders' mood into account. "Because they are unimaginative," he protested, "there is no reason why we should be." He urged the promotion of whatever negotiations were possible. Although the alchemists of old had failed to find the gold they sought, they had made some useful discoveries in the process. Why dismiss the Rapacki plan so abruptly out of hand? "It may be," Professor Schmid conjectured, "that we have more in common with Poland than we suppose. We might at least have an ambassador there to try to find out."

Perhaps the government will take some of these proddings to heart. But the new postings in the foreign service, necessitated mainly by the staffing of the common market and Euratom, promise rather consolidation of present policy than experimentation. Herr van Scherpenberg, who succeeds Professor Hallstein as State Secretary, is outstandingly qualified through his experience in the foreign trade department to watch over Germany's deep interest in the common market. Professor Grewe, who is to be ambassador to Washington, has become a diplomatic heavyweight by virtue of his own talents and his closeness to the Chancellor. The emphasis of west German diplomacy, it seems, is to fall still more heavily upon its western functions. Dr Adenauer is unfalteringly confident that he is doing the right thing. So confident, indeed, that in the general post he has not objected to the promotion of two career diplomats (Dr Dittmann to under-secretary of state and Herr Bräutigam to the consulate-generalship at Hongkong) who have come under heavy parliamentary fire in the past for the parts they played in the foreign service of the Third Reich.

Perks from the Pact

BY A CORRESPONDENT

On the whole, the Asian delegates to last week's Baghdad Pact meeting in Ankara could be described as hungry but cheerful—cheerful because the meetings were so amicable and civilised, but hungry for more material benefits. They could be heard commenting, for instance, that Mr Dulles had arrived in Ankara with little to declare but himself. By their standards, his attendance in person at a meeting of a body to which America does not fully belong was a big fuss to make for a small offer ; his down payment of $10 million and the deputy director of the new military planning staff amounted to no more than this. Pakistanis were not the only people to set the figure against the amount of aid India is getting from the West: "Aid without strings," as they remarked, "whereas we are getting strings without aid."

But such strictures are unfair. Pakistan had $84 million worth of American economic aid in 1957, and Iran $63 million. Yet the implied argument remained: "We could have had this as neutrals. What do we get out of membership of this exclusive club to compensate for the political criticism it brings about our ears ?" Turkey is probably the only member state for whom the Pact is a shield against a perennial enemy—Russia.

All that the Baghdad Pact members get, exclusively, are certain organisational benefits, since from the standpoint of individual defence, meaning resistance to Soviet aggression, the Eisenhower Doctrine seems to cover them more fully than does the pact itself. Yet the organisational benefits that are now beginning to develop under the Pact are not negligible, and are about to show results not only in the military but in the economic field.

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Top priority is being given to telecommunications, with their military value in mind, but anyone who has tried to do commercial business on the present network between country and country, or even between city and city, will realise what a boon a proper service will be to the merchant and business communities all along the line. In an area that has throughout history been proverbial for the volume and value of its transit traffic, this development will be of advantage not only to governments but to the private individual.

But, telecommunications apart, the economic planners have been limited in their scope by the sheer physical configuration of the region. There is little natural unity in the vast area that stretches from Bulgaria to the Burmese border, and it is questionable whether the Pact can do much that bilateral aid could not do. The second best opening is in the field of roads and railways. Better land routes from Turkey into Iran, and from Turkey into Iraq, are the most important of the possibilities ; although the ranges that either road or railway must cross, or burrow through, on the way into Iran are no picnic in winter, they are no more impassable than natural obstacles already conquered inside Iran. A highway from Basra to the southern ports that the Iranians so often talk of developing is another attainable end, but would not carry an economic payload if extended to Karachi. Some construction work on Pact road and rail projects will begin this spring. Another benefit already materialising is the convenient machinery, available at the Pact headquarters, for arranging the exchange of specialists between member states. But the lack of any real movement towards economic union was clearly demonstrated when a Turkish proposal for a Middle East OEEC was not even discussed in committee.

Apart from aid under other schemes to individual countries, the Americans have put up, for joint projects directly connected with the pact, about $22,600,000. Of this sum, $18 million is being used for the survey and construction of the telecommunication links already mentioned. Money put up by Britain amounts to £2 million, of which £400,000 will go for improving telephone and radio links between London and the four Asian capitals, and of which £1 million is being spread over five years for technical assistance. Turkey, Iran and Pakistan are providing the rough equivalents of £100,000, £47,000 and £38,000 each.

The practical and humanitarian nature of the British technical assistance programme is impressive. Here are some details: £38,000 for the manufacture of animal vaccines ; £19,000 for developing artificial insemination at cattle-breeding centres in Pakistan ; £35,000 worth of X-ray equipment for tuberculosis centres in the Baghdad Pact countries ; equipment for soil fertility surveys for Pakistan. The Baghdad Nuclear Centre, the first of the economic results of the Pact, is training students in the practical application of nuclear research in such diverse fields as medical diagnosis, oil prospecting, water conservation, plant improvements and—curious but useful in a cradle of civilisation—the dating of antiquities. In collaboration with Iraq and Iran, radio-isotope departments are being set up in the Royal Hospital in Baghdad and the University of Shiraz for the diagnosis and treatment of disease.

In their search for money to carry out the many things they would like to do, the pact members were referred by Mr Dulles to the new Development Loan Fund, which was started last July in the United States with the object of providing money for undeveloped countries on a longer-term basis than normal grant aid. The fund has $300 million at its disposal for the current financial year, and it is expected that Congress will appropriate about $625 million for next. The fund is available for all "less developed friendly countries." It is a good idea in itself. But, looked at from the view of the Baghdad Pact countries who expect privileges, to have to compete with all the other underdeveloped nations of the non-communist world for a share of this limited fund is not quite the same as a direct grant of dollars.

Last Act for Chinese Puppets

Mao Tse-tung has his own brand of "salami tactics"—the process, aptly given its name in communist Hungary, of removing potential trouble-makers slice by slice. In the thrifty Chinese cuisine the luckless trimmings are made to serve over and over again in a whole series of stews. Such has been the fate of the forty-odd ministers and high officials whose formal removal was announced last weekend.

They were mostly leaders of the "bourgeois democratic parties" which since 1950 have been preserved in aspic, applauding the communists' every move and obtaining in return a quota of senior posts. Last May Mao evidently



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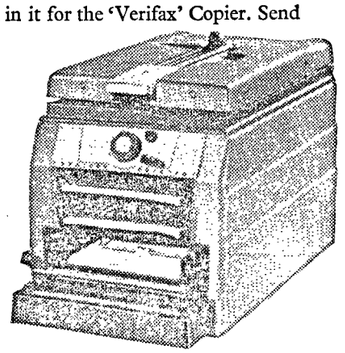
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decided that he no longer needed them. They were made to launch a congress to be devoted to publicly criticising their masters. When their first hesitant sallies provoked no retort (the communists later revealed that they deliberately held their fire to allow the critics to "enmesh themselves in the net spread for them") the bolder mice began to play. Then the cat pounced.

The "anti-Rightist" witch hunt then launched has successfully overlaid the damning criticisms previously aimed at the communists. Individual victims have been systematically "isolated," haled up again and again before meetings of their own cowed colleagues, who fell over each other to denounce them. Their actual offences have long since been lost to sight. What they in fact said was that non-communist ministers and officials ought to be allowed a little real authority, that editors should be allowed to edit, writers to write, and judges to judge—notions which the communists acknowledged to be attractive to many young Chinese. This was not enough, so the victims had to make more and more lurid confessions. (Lo Lung-chi, the minister of forestry, was made to declare: "I studied under the reactionary Professor Laski. I marketed his corrupt theories"). Now, at last, the confessions seem to have been made to match the crime, which the communists defined last July as a plot to "create chaos and seize power."

Lo and his fellow "Rightists" have thus served for seven months as object lessons to all other malcontents, and the muttering has been satisfactorily stilled. The "anti-Rightist" drive has also provided timely scapegoats and diversions during a period of economic strain; the coal shortage is acute, and food and cloth rations are still being trimmed.

Moreover, this looks like the end of the road for the puppet "democratic parties." Their fervent mud-slinging at the "Rightists" in their midst has earned them no respite. As early as August they were warned that only a "drastic transformation" could save them. They redoubled their purgative efforts, only to be told that they were still under Rightist influence, and that as their "economic basis," the vestigial capitalism that survived during the transition years, has now almost vanished, their reason for existence is vanishing too. Pale ghosts bearing such labels as Democratic League or Chiu San Society may linger for a while; but as these "parties" have themselves helped to eliminate those of their leaders who showed any trace of guts, they could now be finally dissolved at any moment by a stroke or two of Mao's brush.

A Cyprus in the Pacific?

FROM OUR SPECIAL CORRESPONDENT LATELY IN OKINAWA

TYPHOONS blowing out of the Pacific periodically inflict severe damage on Okinawa, a scenic tropical island in which Japan has "residual sovereignty" and which is at present administered by the United States. But a recent mayoral election in the island's principal city bruised American prestige more severely than any typhoon could have done. Both candidates strongly criticised the United States, and within a week of the victory of the more anti-American of the two, the island's only pro-American indigenous newspaper closed down.

The election was peaceful, even somnolent. Enviously watched by American Negro soldiers from Alabama, the voters trooped freely to the polls to register their disapproval of the Americans who had introduced democracy as well as military bases. The outcome indicated that, as has happened in some British colonies, the political power thus freely conferred was promptly being transferred by the voters from the American donors in their trim concrete headquarters to hitherto obscure agitators living in back alleys above bicycle shops. As a result, there is now renewed uneasy muttering about Okinawa becoming a "Pacific Cyprus."

It is not as bad as all that, at any rate not yet. The voters, it is true, showed distressingly little sense of responsibility, for in order to express their disapproval of certain American policies, it was scarcely necessary to go out of their way to elect the more stridently anti-American (and communist-supported) of the two candidates. The defeated candidate, Mr Taira, was as anti-American as any reasonably anti-American voter could have wished, and is a Socialist as well, but he did draw the line at standing on a platform that was communist in all but name. His opponent, Mr Kaneshi, drew no such line, and won by a narrow margin. Nevertheless the people of Okinawa are peaceable, amiable, and not really communist-inclined. The American military rulers of Okinawa are equally amiable, and anxious to prove that the island can have democracy and be a Far Eastern Gibraltar as well. Unfortunately they have hitherto proved no match, politically, for their less inhibited antagonists, whose simpler aim is eventually to rid the island of them.

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The High Commissioner, General Moore, is a man of considerable charm and tact, whose position has not been made easier by the apparent inability of his advisers to gauge with any degree of accuracy the consequence of any step they recommend him to take. General Moore precipitated the mayoral election by facilitating the removal of the former Mayor, Mr Senaga, a pro-communist who was opposed by the majority of city assemblymen but who resolutely refused either to compromise with them or get out. Finally turned out, Mr Senaga chose Mr Kaneshi to run in his place, reserving for himself the position of *éminence grise*. General Moore's advisers cunningly calculated that if, just before the election, the city of Naha were enlarged to include a sister town called Mawashi, Mr Kaneshi—and Mr Senaga—could not win. They calculated quite wrongly, for, as it turned out, Mr Kaneshi would have gone down in defeat in Naha alone but picked up more than enough votes in Mawashi to win. For the unsolicited gift of Mawashi, and through it control of the capital city of Naha, Mr Kaneshi and Mr Senaga are duly grateful to the General's inept advisers.

The Americans' position is further complicated by some inevitable confusion, in the new sputnik age, about Okinawa's purely military role. The United States has invested some $600 million in military installations on Okinawa, and is busily building more. Now doubts are creeping in about the island's real usefulness as a base. But the recent transfer from Japan to Okinawa of some thousands of Marines—to make a total American population, including military dependents, of some 55,000—indicates that the island is expected to continue as a base for some time. This is one reason why the island's peasants are resisting proposed "lump-sum" payments for their land. With one-quarter of Okinawa's arable land already in American possession, and with a very high density of

population constantly being increased by the islanders' fecundity, the value of land is bound to rise in proportion to the American's length of stay.

The land problem is of course not the only one. A vast majority, perhaps 80 or 90 per cent, of Okinawans strongly want reversion to Japanese administration. This could be awkward for the United States, but perhaps not as awkward as continued communist burrowing and undermining from within. The remedy, thought well of by General Moore, of a firm declaration by Washington that in no circumstances will Okinawa revert to Japan for at least another generation, would at best be only half a solution, and might even prove worse than none. Perhaps the initial mistake was to try to combine holding a military base with introducing democratic procedures. But if so, the mistake has been made, democracy in Okinawa is on the march, and the feet of the voters are unmistakably straying into communist-oriented paths.

The best answer seems to be a deliberately phased transfer of civil administration from the United States to Japan, beginning now. The island's economy is entirely dependent on American military spending and an unplanned American withdrawal would certainly produce complete economic chaos. Reversion, even by stages, would greatly diminish the appeal of the pro-communists; and it is not improbable that the Japanese government would find more effective ways and means of dealing with them than the Americans have so far been able to do.

Mr Macmillan Down Under

FROM OUR CORRESPONDENT IN AUSTRALIA

SOME had wondered whether the Australians would like the last of the Edwardians, but the answer seems to be that they do. British as they mostly are in origin and affections, they enjoy Mr Macmillan's almost stage version of an English gentleman, but they acknowledge his intellect too.

In this country of sensitive national pride, it was bad luck that when Mr Macmillan's plane landed on an Australian airfield merely to refuel on the way to New Zealand, he slept on unaware that the Minister of Air was there to greet him. He had passed exhausting days in unaccustomed heat and had gone short of sleep because when the day's engagements were over and his hosts had gone to bed he had to start on the papers from London. But some Australian newspapers shrieked national insult. All, however, is now forgotten; he has handled journalists adroitly, with only a mild crack about their courtesy and kindness now that he was out of bed, and he remained good humoured even when they seemed to expect him to compel British migrants and capital to come to Australia. He has made a conscious effort to please. The weary mannerisms of the old world have given place to bouts of handshaking, waving and studied informality. The official party waiting to welcome him at Government House in Canberra were surprised to see him shoot across the lawn to greet a policeman whose wife came from Lady Dorothy's village. At a Queensland barbecue he handed round chops and steaks and at airports he chats with onlookers.

All this is not to be despised, since his impact on the Australian people is an important part of the visit. Fervent royalists, they will be more interested in the arrival of the Queen Mother, but they are gratified that Mr Macmillan was prepared to leave his preoccupations in London. As to the value of the talks, the contacts between officials in London and Canberra are already of the closest. In the Australian Cabinet too, Mr Macmillan keeps in touch with his friends, Mr Menzies and Mr Casey. Nevertheless Australian ministers think it was high time that British premiers had firsthand experience of Australia and of the turbulent Far East, which from the Australian point of view is the near north.

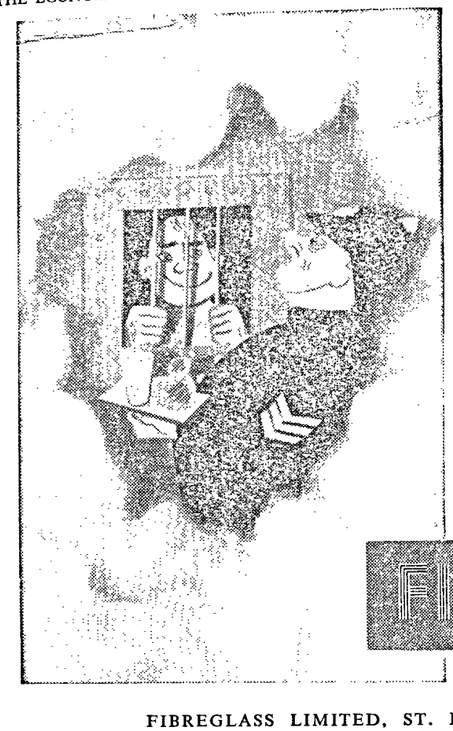
The subjects of Mr Macmillan's talks, therefore, are familiar and the views expressed are known. Mr Menzies and Mr Casey want Mr Macmillan to understand that although Australia, in its search for survival, draws close to America, the British tie is firm. Mr Macmillan, for his part, duly declared that nothing made him angrier than people who say that Australia must choose in its allegiance between Britain and America. The ministers also discussed the situation in south-east Asia, which has been an Australian preoccupation since Singapore fell, and is so more than ever now that several countries might fall into the wrong hands—Singapore, Malaya, Dutch New Guinea, Java. Australia's policy in south-east Asia is to win friends and influence people. An initiator of, and contributor to, the Colombo Plan, it has opened its universities to Asians, thereby atoning somewhat for its insistence on a white Australia.

But although Australia's policy is friendship and economic aid, it is glad of Mr Macmillan's assurance that no economy reductions in British strength in the area are contemplated. In a speech in Melbourne on Wednesday, he said that the British naval force east of Suez would be a task force consisting of one carrier with supporting forces based on Singapore. British manpower might be reduced in south-east Asia but this streamlining would make the force more effective. The conventional forces on the ground would encourage our friends in those countries which "have not been able to establish any strong internal stability". Mr Macmillan also defended India's neutralism as a means of preventing the uncommitted countries from joining the wrong camp.

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Economic affairs have been hardly touched so far. Here Australia is anxious about the repercussions of unilateral British actions. Even the Bank rate makes difficulties for Australian export and investment and Australians want to know what else to expect. They also want to find out what Britain intends to do about the free trade area. They approve of it if agriculture is excluded and they can take the loss of preferences on a few manufactures for the sake of an economically stronger Britain and Europe. But they fear the possible loss of important European markets and the last straw would be the dumping of British farm surpluses in Europe. British subsidies are a sore point already. Australians doubted from the beginning, however, whether Britain could stand firm. In the immediate future, export earnings cause anxiety. Mr Macmillan will be warned that lower wool prices are devouring the export surplus and that this year's level of imports may not be maintained.

These problems await Mr Macmillan when he returns next week to the green boulevards of Canberra, but after a heavy social programme in the state capitals they will be a rest cure.



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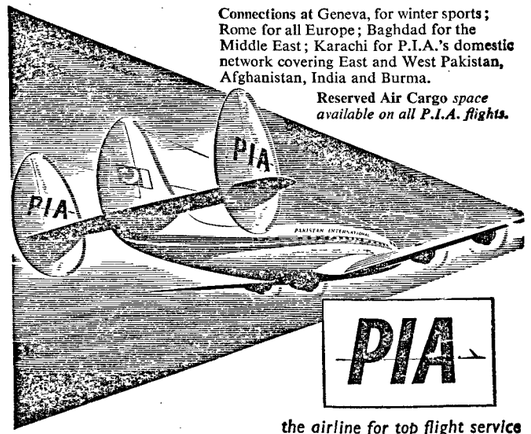
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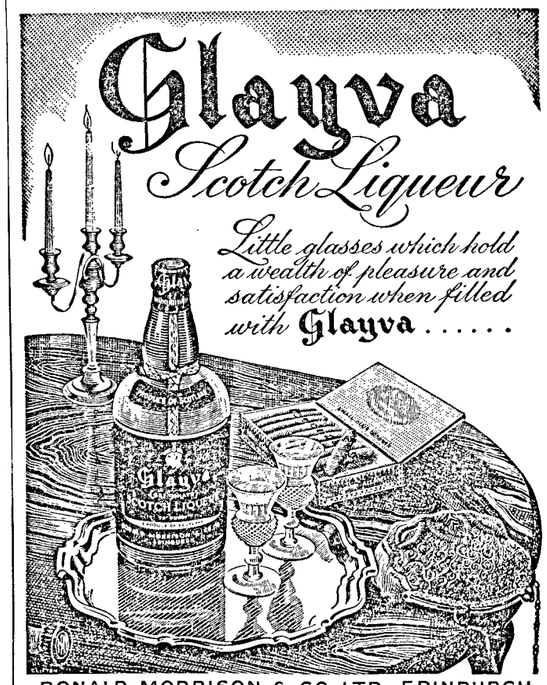
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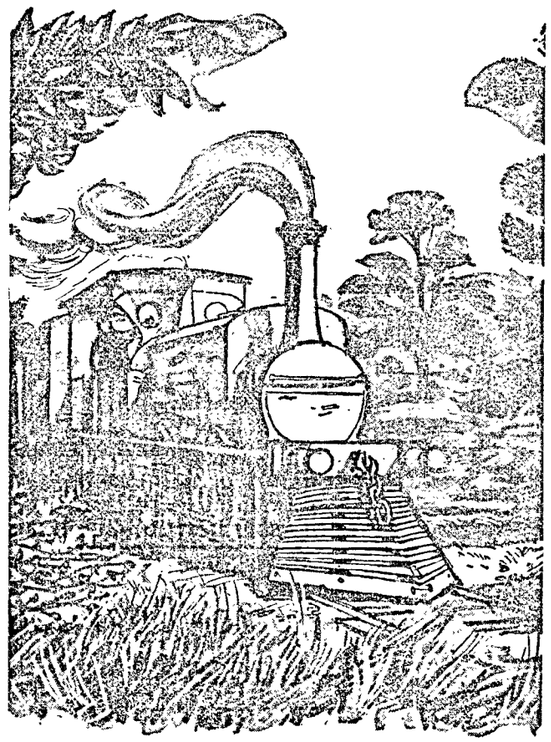
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THE BUSINESS WORLD

TAXATION REFORM—II

The Tax That Nobody Loves

LAST week's article showed that the achievement of taxation reform since the war has been impressive in many ways. But a very great deal remains to be done, and time has become a critical factor. It is quite possible that after the next election the direction of reform will take a new course along lines suggested by that grey eminence of left-wing fiscal thought, Mr Nicholas Kaldor. Gifts taxes, wealth taxes, capital gains taxes, expenditure taxes—the titles alone will send shivers of apprehension down many spines; the reality could be much less terrifying than the prospect, especially if it succeeded in broadening the tax base and reducing the high marginal rates that now have to be levied on the attenuated sources of traditional taxable capacity. But before embarking on these fresh ventures a further effort should be made to exorcise the devils we know and the profits tax certainly comes first.

Twenty-one years old this year, the profits tax is a prize example of untidy expediency and fiscal muddle. It shows pretty well every kind of contradiction: it was a temporary tax which became permanent; it was introduced as a revenue-raiser but became in other hands an economic weapon, the success of which was to be judged by how little, and not by how much, it yielded; it is a tax intended to encourage the building up of reserves, yet its incidence falls directly on those reserves.

But the main objection to profits tax in its present form—a basic tax of 3 per cent on all corporate profits with an additional 27 per cent payable on distributions—is that it is a discriminatory tax on dividends. This element of discrimination was introduced in order to discourage a rise in dividend payments and was designed to counterbalance the plea for wage restraint, the two measures in Sir Stafford Cripps's recipe for countering inflation.

The existence of the differential profits tax has undoubtedly been one of the causes of the relatively modest increase in dividends in the past decade compared with the general rise in earnings—though even the minority members of the Royal Commission doubted whether the absence of higher dividends had made any real difference to inflationary pressure. Indeed, they agreed with their colleagues that the artificial encouragement of the retention of profits by companies was not necessarily an economic advantage and that it would better serve the public interest if companies distributed profits which they could not put to fruitful use so that they could be more effectively invested elsewhere. How many millions of under-used funds lie in the hands of companies whose directors are not prepared to meet the penalty of 27 per cent profits tax if they were distributed as dividends or in liquidation? The take-over bidders are doing something to get these funds put to more fruitful uses. But the crux of the objections to the present form of profits tax still remains. In the words of the minority report: "It makes it more difficult for fast expanding firms to raise funds in the capital market; it strengthens the monopolistic tendencies in the economy; and it encourages wasteful expenditure on behalf of those firms who have more money than they can use."

THERE are many other objections. The burden of profits tax falls on a company's reserves—that is on the equity shareholders. But the weight of the burden is governed quite arbitrarily by the financial structure of a company. It is much heavier if a substantial part of the capital is in the form of preference shares than if it is provided by mortgages or unsecured loans. Hence the moves, of which the Home and Colonial plan is the latest example, to repay preference shares and to replace them with loan stocks. Similarly profits tax dictates to an undesirable extent the methods of raising capital and

the form of capital structures. When the real cost of dividends on ordinary or preference capital is 127 per cent of their nominal gross amount, new financing is bound to be channelled into loans rather than to ordinary or preference shares—and industry is now finding out that the high gearing that is so encouraged becomes more burdensome when profits are falling.

The arrangements for clawing back non-distribution relief are another blot on the profits tax. These complicated and obscure provisions have the general purpose of preventing profits that have been taxed only at the preferential rate from reaching the hands of shareholders until they are charged to the additional tax representing the non-distribution relief previously given. With the present structure and purpose of profits tax these arrangements may indeed be necessary ; but the result is that year by year companies are accumulating heavy potential charges that are uncertain in amount and in operation. Non-distribution relief must amount to some hundreds of millions of pounds. In many cases it will never be clawed back, but remains a clot on the equity, as the lawyers might call it, which cannot be ignored and which bedevils countless legitimate business transactions, such as valuations, liquidations, reconstructions, and security for borrowings. The inequity resulting from the exemption from the differential charge of dividends paid to overseas parent companies is of less general importance, but it cannot be right that when two companies work side by side it should cost one £127 to pay £100 of dividend, and the other only £100 because it is owned by an overseas corporation.

So far as private controlled companies are concerned, the removal of the Chancellor's umbrella has put them right back into the contradiction of 1947, when Sir Stafford Cripps recognised that he could not reasonably bludgeon them into keeping down dividends by use of the profits tax and at the same time bully them into paying out a reasonable amount by threats of surtax directions. Is it possible that Mr Thorneycroft was fully aware that he was recreating this dilemma, and was content to do so because he already had in mind to reform the profits tax next April ? He has not survived the question, but Mr Amory may like to be reminded of it. If all these objections are not already enough, let us throw in for good measure the complexity of the tax and of its computation. Endless complications and a good deal of inequity result from the flow of franked and unfranked investment income from one pocket to another ; avoidance devices are multiplying and against them new counteravoidance laws ; there is increasing difficulty in comparing yields on investments ; and the effects on double taxation relief are a headache.

THIS adds up to a substantial indictment and one that is widely accepted—by the majority and minority of the Royal Commission, by industry and its advisers and, almost certainly, by Somerset House itself. If therefore the Chancellor were able to abolish the differential profits tax in his first budget he would establish his place in fiscal history. He would not, of course, be expected to do so without setting up something to replace it. The present yield of the profits tax is of the order of £250 million a year, and of this much the greater part must flow from the 27 per cent charged on distributions—one more reminder of how fruitful "deterrent" taxes turn out to be. This is not a sum that the Chancellor could be expected to give up just because he had decided that the deterrent was no longer necessary. And the quest for an alternative leads straight to the consideration of the proper relation between corporate and personal taxation which is being increasingly discussed.

This country, unlike most others, has clung to the idea that a company is really a quasi-partnership, paying tax on its profits not so much as a principal but as an agent for the individual shareholders. When the greater part of the profits was distributed as dividends, this concept was convenient enough, and the withholding of tax at the standard rate from the dividends paid was a good example of the principle of deduction at source which is the pride of British fiscal arrangements. Individual shareholders were left to adjust their liabilities in line with their personal circumstances—some paying extra as surtax and others claiming a repayment. In such circumstances it was profitless to discuss whether the standard rate of income tax—that one step on a ladder that stretches from the lowest reduced rate to the highest combined rate of income tax and surtax—was equally appropriate for companies as for individuals.

Now that undistributed corporate profits form the greater part of the whole, this convenient conception no longer holds. A company has profits which do not, either in fact or in law, form part of the individual incomes of its shareholders. Such profits ought to be taxed. The question is how, and at what rate. Mr Kaldor would start afresh and charge them to a corporation profits tax, unrelated to income tax. The majority of the Royal Commission were not prepared to go so far—they examined fully a single-tier tax, and were clearly impressed by its attractions, but they were also concerned about the practical administrative difficulties. In the end, they accepted the necessity of subjecting company profits to a special tax regime representing something more than a mere attempt to collect personal income tax in advance. They recommended that there should be no alteration in the present incidence of income tax, but that the existing profits tax should be simplified by converting it into a flat rate tax on total profits. What this flat rate should be they did not specify, but they presumed that it would be a good deal nearer the lower than the higher of the existing rates. Would a rate in the range of 7½ per cent to 10 per cent be a good guess ?

It would be childlike to suppose that everyone would be equally pleased if the new Chancellor were to accept these recommendations. Companies which have in the past been parsimonious in their dividend policies would pay more ; companies which have created debentures rather than preference capital would still have an advantage, though not nearly such a big one as before. The left wing could be expected to protest against the unlocking of the flood gates of higher dividends, and would demand a capital gains tax to redress the balance. But allowing for all this, it is hard to conceive a more favourable time than 1958 for making this worthwhile reform. There will be plenty of restraint on dividends this year, even without a differential profits tax.

Who Operates Lorries Best?

Business has been enlarging its own fleet of lorries and vans even more rapidly in the last three years. With industrial output level, this has made life more difficult for road haulage contractors.

A YEAR ago the road haulage industry was labouring under the enforced restrictions of fuel rationing, offering the railways, for a few weeks, a brief respite from the long, depressing decline in their freight carryings. Fuel consumption by goods vehicles was cut by a quarter ; many road hauliers operating long trunk routes and some businesses with their own "C" licence fleets got little more than the basic ration of half of normal consumption for petrol-driven lorries and a third of normal for diesel vehicles. But the transfer of goods from road to rail was never as large as the cut in fuel supplies. At the peak of the switch, in February, 1957, ton mileage on British Road Services—since denationalisation heavily concentrated in long distance operations—was only about a quarter less than in the previous February. For the same month the railways reported an increase in total freight ton mileage of only eight per cent on the year before—though this windfall of extra business was probably more important than comparison shows, since their traffic up to the time of Suez had been on a steadily downward trend.

Since before Easter last year that downward trend has been resumed. The latest returns of railway freight ton-mileage, for November last year, show a decline of seven per cent on November, 1956. It is impossible to tell exactly how much of this renewed decline has been due to the recapture of traffic by road transport and how much is because industry has had less goods traffic to offer. For three years now industrial output has remained virtually stationary, with manufacturing production at times somewhat reduced, so one would not expect any significant growth in industry's demand for transport.

In December, however, British Road Services were still carrying rather fewer ton miles than a year before and it is possible that total demand for long-distance freight movement was a little lower. Rate cutting broke out between road hauliers on several trunk routes about eighteen months ago, and the restoration of fuel supplies has not led to any diminution in such competition. Since then there has been no outbreak of bankruptcy among the thousands of small road hauliers—most of whom operate only two or three lorries apiece, and are able to endure economic stringency by cutting down on maintenance and the owners' own "income from self-employment." But there has been quite an outburst about the pressure of rising costs on current freight rates, some of which are described as "hardly any higher than in 1947." Reports of amalgamations among private hauliers have become more frequent. Random reports from hauliers scattered across the country tend to give the impression that business has been less easy to get during the last year. The auguries for industrial activity in 1958 suggest that the present slackness in total goods traffic may continue.

THE fastest growing element in transport of goods as well as of people since the war has been in entirely private transport—in the vehicles owned by individuals and by companies. There has been no slackening in the total amount of goods transport capacity being put on the road by industry itself. In the two years to last summer the total number of licensed goods vehicles rose from nearly 1.1 million to almost 1¼ million ; more than a million of these belonged to manufacturers' and traders' own "C" licensed fleets, which have been growing even more rapidly in the last few years than before. The increase has been fastest in the heavier types of lorry : industry now owns nearly a quarter more "C" licensed lorries with an unladen weight of three tons or more than in mid-1955. Haulage contractors, including the state concern, have been buying these big vehicles too : they run over a quarter more of them than 2-2½ years ago. In the smaller types of lorry and vans the combined state and private haulage fleets have, however, barely increased at all since 1955, while the number of "C" licensed vehicles has grown by about 15 per cent.

This continued preference by industry to move its own goods in its own transport can no longer be ascribed to the faults of nationalisation. British Road Services has been cut down to between a third and a half of its former size and deprived of any limited monopoly on road goods transport that it ever possessed : the transport customer can easily go elsewhere. In practice, there is some evidence that the quality of BRS service, and its economic efficiency, have been improving progressively since it was created. The question is now how far industry wants to use any commercial transport, rail or

road, publicly or privately owned. Industry's own transport facilities have, moreover, been growing quite as fast in the United States (where the system of state control of the activities of private hauliers is at least as restrictive as in Britain). The direct control, flexibility and convenience that a firm gets from its own fleet of lorries, and the presumed reduction in time required to move goods when they have to be moved, have to be weighed against the cost of running a transport department which may well be bigger than the average private hauliers' business, but in which the vehicles will ordinarily have difficulty in securing return loads. But the number of industrialists who think this advantageous on balance continues to grow. A few have even been putting their transport departments into the general haulage business as well—to spread the overheads and fill the idle time of their own fleets.

Many commercial hauliers, accepting the trend towards industry's own transport as inevitable, are making the best of it by hiring out their lorries to manufacturers with or without drivers. Under "A" contract

WHO CONTROLS THE LORRIES

('000)

	Hauliers			Industry and Traders*	Railways	Total
	Private	State	Total			
Three tons and over:–						
Sept., 1952.....	17·5	16·8	34·3	52·1	2·2	88·6
June, 1955.....	31·6	11·4	43·0	63·8	3·2	110·0
Sept., 1957.....	45·9	8·6	54·5	78·1	3·2	135·8
Under three tons:–						
Sept., 1952.....	98·8	22·5	121·3	774·5	12·4	908·2
June, 1955.....	104·6	10·4	115·0	852·5	14·0	981·5
Sept., 1957.....	109·0	6·9	115·9	979·4	14·5	1,109·8
All unladen weights:–						
Sept., 1952.....	116·2	39·3	155·5	826·6	14·7	996·8
June, 1955.....	136·2	21·8	158·0	916·3	17·2	1,091·5
Sept., 1957.....	154·9	15·5	170·4	1,057·5	17·7	1,245·6

* Operated under "C" licences

licences they are permitted to operate lorries exclusively on contract to a particular firm : under "C" hire arrangements they supply the lorry, but the firm employs the driver. The number of "A" contract licences has grown from 13,000 in 1952 to nearly 19,000 in 1955, and to nearly 24,000 last year. Another major element in the growth of the "C" licence fleet has been the development of bulk transport in specialised vehicles : many other industries are following oil with its specialised road tankers, as others have done at sea.

Most of this growth in private, as against commercial transport, has clearly been at the railways' expense ; in the absence of statistics one can only assume that it has also been partly to blame for the greater difficulties which commercial hauliers have lately been experiencing. The consequent squeezing of hauliers' charges on the main trunk routes must, conversely, make the economies of running one's own transport departments less easy to demonstrate, and may put more strain upon the imponderables of convenience and control which in many firms must tip the scale towards carrying one's own goods. When and if the railways start to make significant use of commercial freedom and, more important still, to improve the reliability of their freight services both transport managers and road hauliers may have to do more hard thinking.

Road haulage can at least be thankful that since industrial activity began to level off it has been free of the unsettling effects of political changes. Disposals of the state fleet came to an end in 1955 : British Road Services was left with some 9,500 vehicles in its trunk and general haulage fleets, and another 6,000 in the parcels and other specialist services. Despite this truncation and the effects of fuel rationing last year it is still probably earning enough operating profit to cover its share of the Transport Commission's central charges, and has again been able to use its size to take the lead in technical and operating innovation in the haulage industry. This is still probably the largest road haulage organisation under single control in the world ; in this country its largest competitor possesses not much more than 500 vehicles, and only a handful run more than 200 lorries. But it owns less than 10 per cent of the total number of road goods vehicles plying for hire (though a bigger share of carrying capacity, because its vehicles are generally larger) ; and if the huge number of "C" licensed vehicles is counted in, little more than one per cent of the whole fleet of lorries on British roads

NOBODY knows how big a share of the transport of goods in Britain is handled by each of these competitors—the railways, BRS, commercial haulage operators, and their self-propelled ex-customers. The last official survey, in 1952, is long out of date : one can safely guess that the share carried in industry's own transport, then representing about half the long-distance road transport and 60 per cent of the short, has continued to increase apace. It would be salutary for the three services whose business is transport for hire or reward, if not necessarily encouraging, to know how things look now : and there is certainly a case for the Ministry of Transport to repeat its survey, if not indeed to establish some periodical sample census. When industry is booming, the commercial hauliers, publicly owned or private, can record absolute increases in their business even if their share is dropping : this year, that comfort may be denied them. They will certainly be under economic pressure to tighten up their efficiency. In one prominent aspect of it they are signally failing. Last May, after it had taken more than a decade for the hauliers and their drivers' trades unions to agree how it should be done, the speed limit for commercial vehicles was raised. Neither BRS nor the commercial haulage operators have yet been able to agree to amend their schedules and get any economic benefit from this : the only van and lorry owners who have succeeded seem, once again, to be a few of industry's own transport departments.

BUSINESS NOTES

BANK OF ENGLAND

The Bank's Directors

OUT of this week's rowdy debate on the report of the Parker Tribunal, at least one sound decision emerged—to seek the views of the Radcliffe Committee, which is now enquiring into the working of the monetary and credit system, on the constitution and activities of the Bank of England. That course, as was argued here a fortnight ago, is infinitely wiser than taking what Mr Butler called "snap decisions" about future arrangements at the Bank. Indeed, to attempt any such decision in the present political temperature would be bound to make matters for the Bank worse and not better. The calm and deep thought that this question demands can only come from such a body as the Radcliffe Committee, and it is earnestly to be hoped that its conclusions, taken out of politics, will not be made an occasion for future politicking of the kind that brought no credit to the House of Commons this week.

The direction that ought to be pursued in any revision of the Bank's constitution and activities was briefly sketched in these pages on January 25th. The object ought to be, not a Bank wielding any kind of ultimate power, but a Bank that can contribute as a respected and uncommitted assessor to the Government's responsibilities for economic policy. The aim is neither a "creature" nor an absolute body that is unanswerable to public opinion. Neither extreme would serve democratic ends and effective economic policy ; and neither of the political parties, if they are sensible, would choose one or the other. The lesson of recent years, stretching back long before the disclosures about last September, is that the Bank of England has failed to convey to the public what it was doing and has inevitably suffered in authority and public support. That has not been true of central banks in a number of other countries, where they have been able to play a more effective part in economic decisions arrived at within a democratic framework and in a spirit of more direct accountability to the public. And it seems that there, too, the abilities and sense of public service of "independent" or "uncommitted" directors have been allowed to make a more effective contribution than in this country.

IN THE MARKET

Damp Squib into Skyrocket

OFFICIAL open market policy now shouts for a damper on gilt edged prices. The rally in industrials this week that has carried *The Economist* indicator up by 5.2 to 178.8 was probably technical. The demand for gilt edged is welcome but the rise supported by good investment buying which has carried prices to near to their pre-Bank-rate levels in conjunction with a fall in bill rates to nearly ½ per cent below its post-Bank-rate level, is forcing the authorities to take action to prevent the market from getting beyond their control. The 3½ per cent Funding stock 1999-2004 rose ¼ in the week ended on Wednesday and War loan at 65 shows a rise of ½ per cent. The policy now is to apply a damper, so that the widening disparity between interest rates in this country and in most foreign centres is not allowed to hustle the authorities into relaxing dearer money policy—until they consider the time is suitable.

The damper chosen for the long dated end of the market is the £20 million issue for the London County Council—a 6 per cent stock dated 1975-78 at £99½ giving a gross redemption yield of £6 os. 10d. per cent. This is the largest corporation loan on record, patently brought forward out of turn, and a big loan for Australia is expected shortly to follow it. The authorities calculated that the LCC issue would only just go ; if a little stock was left with the underwriters, it would not on that view have greatly mattered. As this edition of *The Economist* goes to press the result is not known, but it is clear that as an issue it is a great success, and as a damper a dismal failure. Encouraged by a rumour, which proved incorrect, that the Government broker had exhausted his supply of the 3½ per cent 1999-2004 stock, the loan was heavily applied for. Already the cry that the socialist LCC has had to pay too much for its money has been raised. It is an ironical tribute to the acumen of the City experts that the possibility that they calculated wrong has never occurred to the critics.

At the short end of the market, too, the authorities are resisting the downward influence imposed by the widening disparity of interest rates between London and overseas centres, in the knowledge that this influence has been strong psychologically but that the weight of foreign money flowing in is still modest. The flow, however, encourages domestic "stagging" of the bill tender. On Friday of last week the discount market countered this competition by raising its bid by 10d. to £98 9s. 5d. per cent, representing a cut in its discount rate of nearly $\frac{3}{16}$ per cent, and the steepest change other than on the morrow of a Bank rate move since last May. The average bill rate thus fell to 6⅛ per cent.

The Bank of England has countered this movement by a tug at the reins at the traditional point. No special help was given to the discount market in the week ended on Wednesday, and on Monday most of the houses found themselves "in the Bank," paying 7 per cent on a moderate amount. The Bank return shows a rise in discounts and advances of £20 million of which perhaps more than half represents discount market borrowing. On Thursday the market was "in the Bank" for the fourth time in eight days, and for a fairly large amount. It is too early to say whether such pressure will be sufficient to check the decline in the bill rate. The task was not eased this week by the fall of a full ½ per cent in the New York Treasury bill rate to 1.58 per cent—compared with 2.86 per cent a month ago, and 3.66 per cent at the autumn peak. This slide brought the margin below London to fully 4½ per cent ; and as the premium on the forward dollar in the exchange market rose only slightly, to $2\frac{9}{16}$–$\frac{7}{16}$ cents, the net margin

on interest arbitrage covered by a sale of sterling three months forward widened to over ¾ per cent. If sustained, this margin could attract a fair volume of money; so far, it has not done so.

THE RESERVES

Gold Inflow Quickens

THE small inflow of funds for interest arbitrage certainly played no large part in the gratifying accretion in Britain's official gold reserves in January. Temporary overseas investment of this kind in Treasury bills is almost invariably covered in the forward market against the exchange risk, and thus has little net effect on the reserves. Such transactions must not be confused with the inflow of funds both to replenish working balances that were drawn down in the summer and again for year-end window dressing, and to cover extended sterling commitments. The present inflow is not an inrush of "hot money" but merely the restoration of a reasonably comfortable working balance. And, comprising a straight switch back into sterling, the funds coming in do of course strengthen the gold reserves.

The short accounts in sterling are still far from covered; it is much harder to restore confidence than to lose it. But, despite the temporary shock of Mr Thorneycroft's departure (which necessitated a momentary swing by the Exchange Account to the support of sterling) the process was quickening last month. Together with favourable seasonal influences, this combined to produce the best gold figures since the early summer of 1954—when hot money really was coming in, uncovered, supported by speculation that sterling would be allowed to float above $2.82.

	True dollar balance in period* $mn	Actual change in reserves $mn	Reserves at end of period $mn
1957 :—			
January–June	— 77	+248	2,381
July	— 32	— 14	2,367
August	—300	—225	2,142
September	—296	—292	1,850
October	+141	+243	2,093
November	+ 71	+ 92	2,185
December	+ 86	+ 88	2,273
Year	—410	+140	2,273
1958 :—			
January	+166	+131	2,404

* Adjusting for one month lag in settlement of EPU balance, for known special payments (but not regular quarterly or monthly ones) and credits from IMF, Export-Import Bank, etc.; no adjustment is made for Germany's deposit of £75 million in the summer months.

The reserves rose by $131 million in January; and after the disappointing deficits of the two previous months, the balance with the European Payments Union was in surplus to the tune of £10½ million. The performance was thus even better than the straight figures suggest. In January the reserves were burdened by the payment of $13 million to EPU in settlement of the December deficit; while the $22 million to be paid in respect of the January transactions accrues only this month. The "true" dollar balance shown in the first column of the table—which adds back the EPU settlement to the month in which the transactions took place—thus reached $166 million, following surpluses of $86 million in December, $71 million in November and $141 million in October.

At $2,404 million, the reserves are higher than on the eve of the summer crisis—but only thanks to the $250 million drawn from the Export-Import Bank. And since mid-1956, when the reserves last stood at their present level, a drawing of $561 million has also been made from the International Monetary Fund, and the American loan payments have been twice deferred. Many more months like January will be needed before even the latest inroads on sterling's backing are made good.

PRODUCTION

Manufacturing Costs and Prices

MANUFACTURING output last year may turn out to have been 2-3 per cent higher than in 1956, back to roughly the 1955 level; and though the manufacturing labour force rose somewhat during 1957, over the year as a whole it will have been perhaps one per cent lower than in 1956. So output per head, crudely measured, may have risen 3-4 per cent in manufacturing between the last two years, and in 1957 will probably have been somewhat slightly higher than in 1955. Over a period of so little change in total output, that is probably as much as could have been expected. During the last two years an increasing amount of new plant, machinery, and factory space will have come into commission. Total production has not been rising as much as the manufacturers who put this in expected; but presumably they will have been shifting as much work as possible to the new, generally more efficient and certainly more costly machinery, which makes its additions to overheads even if the whole expanded capacity of the factory is not as fully employed as was expected. As the new equipment is worked up to full efficiency and geared into the production process, such transfers of work must tend to improve average efficiency in manufacturing; but in trading conditions such as the present, in particular, this takes time.

Wages and salaries throughout the economy in the first nine months of last year rose by about 6 per cent. Up to 1956, wages and salaries in manufacturing tended to rise faster than elsewhere; in 1956 they rose rather less. If in 1957 they rose at about the same rate, labour costs in manufacturing will still have gone on rising, though not so sharply as in 1956, when pay went up while output fell. Other prime costs have been falling in the factories; in December the prices of basic materials, excluding fuel, used in manufacturing, were on average 10 per cent lower than in April. Overhead costs will have risen as new plant and equipment was commissioned, and will not have been spread over as large a volume of output as companies had hoped.

Across the whole wide variety of manufacturing, which comprises a vast variety of firms and industries selling a large proportion of their output one to another, purchases of materials and semi-manufactures may account for about 65 per cent of gross turnover, wages and salaries for about 20 per cent, overheads and gross profits for about 15 per cent. Basic materials are only part of what any individual manufacturer buys; it is taking some time for the drop in their prices to be reflected even in the semi-manufactures and components that make up the balance of his purchases. Even so, the drop in basic materials prices could well already have reduced total costs more than recent increases in labour costs and overheads can have offset. The Treasury is already appealing for manufacturers to begin cutting their prices at home, as some have had to do to meet competition abroad. Whether they will, however, depends upon their reading of economic prospects, particularly in the international commodity markets and on the internal wage front.

BULLION AND DOLLARS

New Deal for Gold?

STERLING has continued to rise against the dollar, but the sterling price of gold in London has risen too. That is the anomaly of the bullion and foreign exchange markets during the past week. Helped by a persistent commercial demand for sterling from New York and by some reflux of short-term funds to the London market, the official sterling rate headed $2.81¾ though it fell back a little on Thursday; the transferable rate meanwhile has risen to $2.79. Normally such a move would reduce the sterling price of gold, but gold at the daily fixing has risen from 248s. 9½d. to 249s. 1d. per fine ounce in the week ended on Wednesday. The present price is equal at the current dollar rate to $35.08 an ounce and thus above the American parity price of $35.

The explanation of the divergence between the movements in the dollar rate and the sterling price of gold, presumably, follows from the fact that the authorities have been extremely reticent in their offerings of gold at the daily fixing. They have kept the market on short rations probably because they have been acquiring dollars at a generous rate, and have found that it paid better to keep the bulk of the arrivals of newly mined South African gold for their own account rather than go through the more expensive procedure of converting their dollars into gold in New York and either keeping it earmarked there or shipping it to London.

There may, however, be another explanation of these contrasting movements between gold and dollars. It could also arise if there were a new arrangement under which the South Africans would take payment for part of their gold at the transferable rate for sterling. Rhodesian gold is given the benefit of the transferable rate in respect of one half of the sales made in London, the other half being accounted for at the official rate. When the Russians sell gold they naturally get the advantage of the transferable rate for the whole of their sales, whether these are made on the Continent or in London. If South African gold were given the same exchange advantages as, for example, Rhodesian, gold at 249s. 1d. an ounce would correspond to an average dollar price for gold of about $34.90. Some official light on what has happened would be helpful.

BEA'S JETS

Time for a Decision

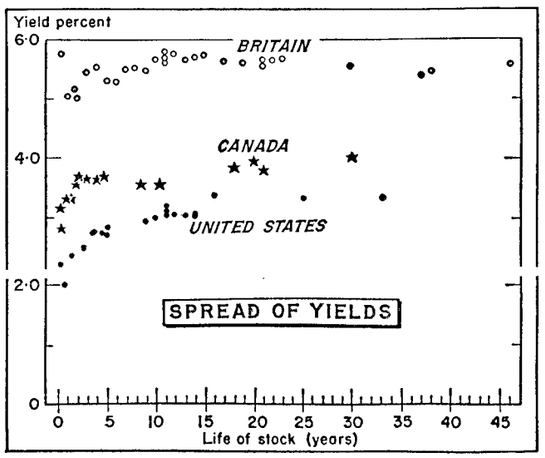
JUST before Christmas the first hitch appeared in what until then had seemed to be reasonably smooth three-sided negotiations between British European Airways, Rolls-Royce and the de Havilland Aircraft Company about the design and purchase of 24 jet airliners. It then became apparent that the Hawker Siddeley Group (whose interests had been extended to represent 70 per cent in industry and 30 per cent in aircraft) might reduce its aircraft side materially unless prospects improved. The Ministry of Supply remained anxious to reduce the size of the aircraft

Interest in London and the World

MONEY RATES

(per cent)	Jan. 1, 1957	July 1, 1957	Now
United Kingdom :—			
Bank rate	5½	5	7
Treasury bill rate (3 months)	4·86	3·85	6·13
Minimum bank advance rate	6	5½	7½
12 years Govt. bond yield	5·42	5·66	5·72
Canada :—			
Discount rate (¼% above T/B rate)	3·92	4·06	3·50
Treasury bill rate (3 months)	3·67	3·81	3·25
Minimum bank advance rate	5¾	5¾	5½
10 years Govt. bond yield	4·01	4·49	3·58
United States :—			
Discount rate (New York)	3	3	2¾
Treasury bill rate (3 months)	3·22	3·32	1·58
Minimum bank advance rate	4	4	4
12 years Govt. bond yield	3·49	3·71	2·93
Germany :—			
Discount rate	5	4½	3½
Govt. and railway bills (60–90 days)	4¾	4⅝	3¼
Netherlands :—			
Discount rate	3½	3½	4½
Treasury bills (3 months)	3½	3⅝	4⅛
Belgium :—			
Discount rate	3½	3½	4½
Treasury certificates (over 1 year)	3½–4	5¼	6¼
France :—			
Discount rate	3	4	5
Discount rate (90 days Treasury bill)	3	3	5
Minimum bank advance rate	3·6	4·6	5·6
Italy :—			
Discount rate	4	4	4
Treasury bonds (3–4 months)	2·83	2·83	2·83
Switzerland :—			
Discount rate	1½	2½	2½
Japan :—			
Discount rate	8·03	9·13	8·4
South Africa :—			
Discount rate	4½	4½	4½
Treasury bill rate (3 months)	3¼	3¼	3¼

THE Bank rate move of last September made Britain a high interest country. Reductions in the United States and Germany since have accentuated the divergence. But the table extending beyond the central banks' lending rates shows that comparison of interest rate structures as a whole is much less simple. Most countries with balance of payments difficulties have become dearer and the others cheaper.



industry, but had not gone so far as to spell out the effects of the possible closure of some of the biggest and best equipped factories, in most of which it had in the past made considerable investments.

Two new orders for aircraft, and two only, are likely to be placed in the coming year. One is for a reconnaissance and general purpose military aircraft to replace the Canberra. The other, far more attractive order, is for BEA's jet airliner. Hawker Siddeley put in a design for this order which BEA did not choose. Then followed the agreement between Hawker and the Bristol Aeroplane Company which had submitted a scheme more to BEA's liking but still not so attractive as BEA had found the de Havilland design. The mooted combination of Hawker and Bristol found powerful support in certain government departments that saw Hawker Siddeley as the possible nucleus of one among a few big, rationalised groups in the aircraft industry; the combination might in time also integrate the smaller makers of jet engines into an undertaking more capable of challenging Rolls-Royce. So strong pressure was put on BEA to switch its order from the de Havilland-Rolls-Royce group to the Bristol-Hawker Siddeley team, and on the Ministry of Transport to withhold its decision until more is known about the outcome of talks that Pan-American World Airways is having with both groups. On this latter point, there is an important distinction between an airline's interest in a new design on a drawing board and a copper-bottomed contract to buy.

Last week-end the chairman of British European Airways stated clearly that the corporation intended to place its order with de Havilland (and, he implied, nowhere else) and was simply waiting the Minister of Transport's permission to do so. Mr Watkinson would find it difficult to tell the corporation that he cannot find the money for new aircraft, but unless he does so there seems no other ground for withholding a decision any longer. The scheme which de Havilland put forward last week for a new company formed with the Hunting and Fairey groups would go no effective way towards the integration in the aircraft industry that is needed. But nor would the Hawker-Bristol Aeroplane arrangement do so. It is easy to sympathise with the difficulties which the Ministry of Supply is meeting in rationalising the aircraft industry, which increase as the number of contracts at its disposal diminishes. But BEA, too, has its worries and should not be asked to shoulder those of the Ministry of Supply as well.

CINEMAS

Desperate Measures

THE concerted threat that cinemas will cease to show films made by producers who sell their old feature films to television, backed by a fund to buy up and sterilise television rights of producers' existing backlogs of old films and of newer ones as they exhaust their cinema rentability, is entirely understandable. The plan originates from a group that happens to provide leadership in intellect and acumen in both cinemas and commercial television; it is supported by the two major cinema groups, of which one is already in commercial television and the other is going in; and it now appears likely to secure the backing of all the organised interests in producing, distributing, and showing films in cinemas. It also appears on the face of it to be about as tight a way of sewing up a market as any British trade has cared to publicise since the passing of the Restrictive Practices Act. The reason why the same interests in the United States have not done the same, though they might dearly like to, is probably mainly a matter of anti-trust—though the importance of American television as a customer for programmes made on film may also play its part.

Restrictive or not, this agreement is one that the cinema business is vehemently prepared to justify; and certainly few other industries since the war have had so parlous a position to plead as fair cause for trying to prevent the accession of extra strength to an already triumphant competitor. Old feature films—film producers are seldom willing to sell television rights of anything less than about five years old—are cheap programme material for television, incorporating production values that the smaller screen has never been able to afford for itself. Their competition against new films shown in cinemas at the same time is limited only by fashion and viewers' desire to see something new. It is formidable, as some particular films on television have recently proved. The relative success of repertory cinemas, which also get their product cheap, might in any case have suggested this; moreover, television skims the cream of past production, which is certainly better than the average of new films that cinemas can hope to be showing at the same time.

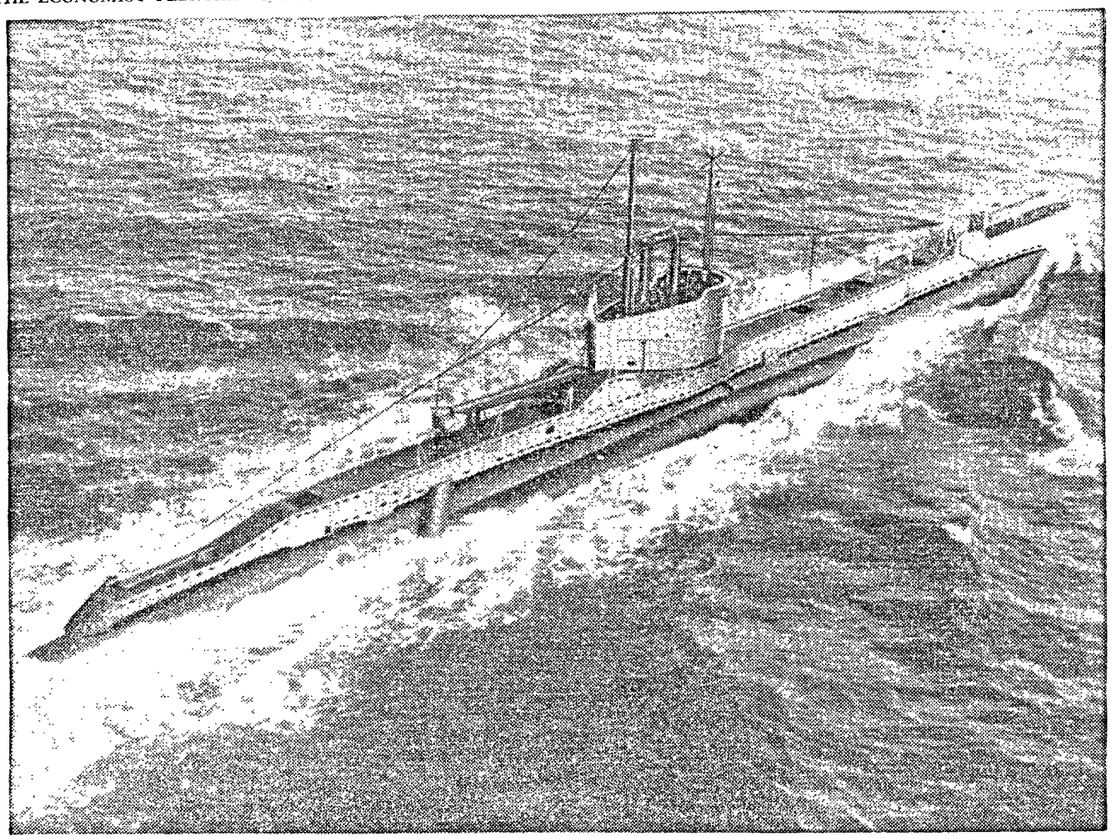
The catastrophic drop of nearly a fifth in cinema attendance last year has left the industry rather more inclined towards the desperate measures some of its leaders were pressing upon it a year ago—though still hoping that the first of these will come from the Chancellor of the Exchequer. Its joint tax committee has this week submitted a case to the Treasury for complete abolition of Entertainments Duty, which the cinema alone is now paying (at a rate of about 30 per cent of turnover). This argues that as a whole the industry has recently been barely able to cover its depreciation, and suggests that this year it will be operating at a loss even before providing rent or a return on the capital invested. Even the abolition of duty, the industry argues, would not provide a reasonable commercial return on its declining assets: but it might give the cinema another lease of life—and competition.

SUEZ CANAL COMPANY

Piecemeal Reconstruction

BRITISH shareholders in the Suez Canal Company must now get used to the idea that the company is French and that French company law does not impose the standards to which they are accustomed. Many of them may still feel that the latest move is exceedingly odd. Holders of the 100,000 founders' shares of no par value are summoned to a meeting in Paris on February 12th. At that meeting the necessary 50 per cent quorum will not be obtained and a month's adjournment and a second if not a third meeting will be needed. When the meeting does get to grips, its business will be to approve the exchange of the present founders' shares into ordinary shares (*actions de capital*) of 10,000 francs nominal on the basis of eleven such shares for each ten founders' shares held.

Clearly that is part of the scheme to streamline all the company's shares into a single class to which M. Georges-Picot recently referred. It would be unreasonable to ask the founders' shareholders to vote on it until they see the whole scheme and can judge whether their proportion of the equity is correctly sustained. The explanation, it is believed,



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is that the full scheme will be available before the adjourned meeting in March. Already it is possible to make a guess at the shape of the capital reorganisation. The division of the equity between the classes is:—

Capital and Jouissance shares together ...	71 per cent
Egyptian Interest Trust	15 per cent
Founders' shares	10 per cent
Directors	2 per cent
Reserve for staff	2 per cent

If the new unit is to be the 10,000 franc capital share, the founders' shares as a class receiving 110,000 of them, then it would fit the proportions if the holders of the capital and jouissance shares together received 800,000 of them (that is, one for one), plus for the capital shares alone a fixed interest stock repayable by drawings and representing their preferential right to 250 gold francs per share. Whether that preferential right ought to be assessed at 28,500 francs representing the value of the gold franc when the company became French or about 34,000 francs representing its present value, is open to argument. The Egyptian Interest Trust seems entitled to 165,000 new shares, or roughly one new share for every 2¾ *parts civiles* now held. That may be what the board has in mind. It does not intend to deny any class the opportunity to study the whole scheme before voting.

It may have been good tactics, though it was strange, to produce a fraction of the scheme in advance, so as to make the first moves before compensation negotiations with the Egyptians start. It was surely good tactics on Colonel Nasser's part to get the maximum draft of ships that may use the canal up from 28 feet to 34 feet in advance of the conference, though the permitted draft is still two feet less

Keeping Up with Explorer

THERE are more lessons to be learnt from the launching of Explorer than those which its transmitters and instruments can teach. The unexpectedly heavy Sputnik 1 demonstrated beyond doubt that Russia could build ballistic missiles of intercontinental range—that is, up to 5,000 miles; no smaller rocket could have accelerated so big a "hunk of iron" to the speed necessary for it to take up an orbit round the earth. So the much lighter Explorer has demonstrated that at least one team in the United States can build an intermediate range ballistic weapon—that is, capable of 1,500 mile flight.

To this, there is one qualification. The rocket that launched Explorer was not the standard Jupiter missile, but a research rocket used in Jupiter investigations and known as Jupiter "C" which has already flown distances of 3,300 miles. The extra range and power comes from two additional rocket stages mounted on Jupiter's small brother, Redstone, the last of these carried Explorer's eleven pounds of instruments, batteries and transmitters in a container directly in front of its motors.

The lessons that emerge are important to Western Europe, which expects deliveries of American ballistic rockets towards the end of next year; and doubly important to Britain which is providing bases for American missiles and is also devoting a high and growing proportion of a shrinking defence budget to designing a similar weapon.

(1) Rocket Design.

Jupiter-Explorer provides another demonstration of the advantages, in rocket design no less than aircraft engineering, of evolution by stages, as compared with brave leaps in the dark. The rivals that Jupiter has left ignominously fuming on their launching sites—the US Navy's broken-backed Vanguard satellite and the US Air Force's intermediate range Thor missile—are both new concepts. Jupiter has evolved in the Army's Redstone Arsenal in a series of conservative steps from the V-2 of 200-mile range to the ballistic weapon of 1,500-mile range and the research rocket of 3,300 mile range, and the same designer, Dr Wernher von Braun, has been occupied on them throughout.

(2) Fuel.

Even though Explorer is only one quarter the weight of Sputnik 1, Jupiter could not have accelerated it fast enough to establish an orbit (in which the speed of the satellite precisely balances the downward pull of gravity as if it were whirling on an invisible piece of elastic) without the extra propulsive force of fuels with much greater calorific value than the standard kerosene rocket mixtures. These fuels, which consist of boron, hydrazine or blends of the two, are expensive but they provide the same force with a saving of up to 40 per cent in the fuel weight. That leads to much bigger savings in the total size of the rocket and in rocketry, weight means money. This point does not appear to have been taken in Britain; despite strong service pressure, no research is being done into these advanced fuels, in liquid or solid form, either for jet engines or for rocket motors.

(3) Spacemanship.

From a scientific point of view, Explorer and Sputnik 1 are of approximately equal value. The Americans have shown greater skill in scaling down the electronic equipment and instruments to fit a container 6 inches in diameter and one sixth of the weight of Sputnik 1. This cannot conceal America's inability, so far, to launch a satellite weighing as much as Sputnik 1 (184 pounds) still less of matching Sputnik 11 (half a ton). In rocket technology, Dr von Braun estimates the Americans are five years behind Russian engineers, although in electronics and guidance Explorer suggests the two are level.

(4) Scientific Lessons.

In the race for space, the immediate purpose of the satellites—which is the contribution they are intended to make to the International Geophysical Year—tends to get overlooked. Sputnik 1 and Explorer are small-scale prototypes designed to establish whether a satellite was workable, to test radio links with the ground and provide some data on the shape of the earth, the density of the atmosphere and the hazards facing an object in space. Sputnik 11 and the promised bigger version of Explorer, are fully-instrumented floating laboratories. They are designed both to look downwards—to study the shape of the earth, its magnetism, its atmosphere, its clouds and storms—and to look outwards—to study the sun and stars, the dust, cosmic rays, meteors, micrometeors and interplanetary gases of outer space free from distortions imposed by the atmosphere.

Fascinating though such information may be to geophysicists, it is no longer the driving force behind the breakneck effort to plant American and Russian spheres of influence among the planets. The imagination of politicians and military alike has been stirred by unnerving possibilities of robot reconnaissance and communications satellites, manned space bombing platforms and the like. Intensive paper studies of such projects are already in hand. Explorer and Sputnik represent the first tentative probing to find out how much of this is within the realms of engineering possibility and how much should properly be left to space fiction.

than was possible before the canal was closed. For the negotiations Suez Canal Company shareholders this week approved the appointment of a strong team of negotiators—M. Georges-Picot, the chairman and managing director, with Mr John Foster, the company's British legal adviser, and Mr Charles Spofford, its American legal adviser.

SHIPPING

More Idle Ships

TRAMP shipping prospects are at their bleakest since the prewar years of depression, and in the last three months or so there has been a marked increase in the number of ships laid up or otherwise idle in port in the United Kingdom. According to the Chamber of Shipping 108 vessels, totalling 537,814 tons gross, were laid up in UK ports for reasons other than repair on January 1st, compared with 68 of 243,646 tons on October 1st and only 21 of 81,917 tons on July 1st. A year ago the total was down to 16 ships of 32,160 tons, almost an irreducible minimum. A further 108 vessels, totalling 775,596 tons, were awaiting or undergoing repairs, many of which had been deferred during the times of opportunity to earn high freights during the previous winter. The January figures include 20 tankers (167,556 tons gross) laid up and 30 tankers (248,898 tons) under repair. These totals are likely to be even higher by now, since it is estimated that during the last month about a million tons deadweight of tankers have been withdrawn from service throughout the world, bringing the laid-up total to nearly 3 million tons, all of which have been taken out of service in the last three months or so. Last month tanker freight rates reached the lowest levels since the war, and if they have recovered slightly it is not through any revival in demand but because owners are unwilling to trade any longer at such hopelessly unremunerative rates.

Many time-charters arranged twelve months or more ago at the then current high rates will be concluding during the next few weeks, and some of these ships coming off these will probably go straight to the laying-up berths. In fact, British owners have found it necessary to seek permission to use Government-owned mooring berths. More than one vessel delivered new from the shipyards has been unable to find employment. Not only has the flow of new orders practically dried up, but throughout the world existing orders for 36 tankers of about 856,000 tons deadweight and 29 cargo vessels of 184,000 tons dw are known to have been cancelled. It will take the tramp shipping industry much longer to bring freight rates up to more profitable levels again, so long as a large cushion of laid-up tonnage exists. On the other hand, the Baltic is not expecting the depression to last too long, since some fixtures have recently been made at rates about 50 per cent higher than current levels for five-years trading starting next year.

OIL PRICES

Crude Oil Prices under Pressure

CLEMENT weather and a slackening of industrial activity, especially in the United States, have finally forced the price of heavy fuel oil off the perch on which it had been held ever since the most acute phase of last winter's oil shortage. A reduction of 20 cents a barrel in the fob price has now been made at all major export points, in the US Gulf, Caribbean, Middle East and Far East, at a time of year when fuel oil prices usually rise. It has been reflected in a cut of ten shillings a ton in the price of marine fuel oil at UK ports, but it is less clear whether consumers on land can count on similar benefits. The fall of 20 cents a barrel in the Caribbean price was the first since Suez: but fuel oil prices in Britain had already been cut in the autumn by the equivalent of 25 cents a barrel.

Of wider interest in the oil industry, and to the consumers of petrol and other products, is the effect of the fuel oil surplus on the price of crude oil. Even before prices of fuel oil fell, the American refiner's profit margin was being very tightly squeezed; it was only the relatively high price received for fuel oil that made it possible for many refiners to pay the price of Texas crude oil after it rose last winter. That prop is now being whittled away—and gasoline prices in the US Gulf have also fallen by ¼ cent a gallon—so the refiners' reluctance to take crude oil at existing posted prices is becoming more marked. So far the US price has been held up by turning the screw of production control, particularly in Texas and Louisiana, but it is now doubtful whether it could be turned much tighter. Producers in Texas have already accepted a drastic limit of 12 days' production a month during the last five months (11 days out of 28 in February). Imports of foreign crude are already restricted, and for the past three months have been within the quotas that the importing companies reluctantly accepted.

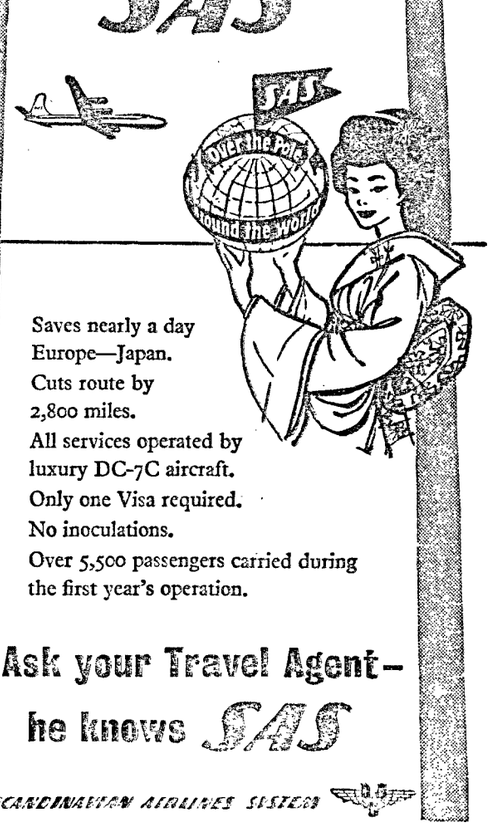
Now that the American market is effectively insulated against additional imports of foreign crude oil, the link between crude oil prices in the United States and those in Venezuela or the Middle East has become more tenuous. But the prices of heavy Venezuelan crudes, which have a high yield of fuel oil, are linked closely to the price of fuel oil and therefore are likely to weaken. In the Middle East, crude oil prices rose last winter less than they did in the Western Hemisphere; they might therefore not reflect an initial fall in Caribbean prices now. But with productive capacity rising faster than the demand for crude oil throughout the world no existing crude oil price level can be guaranteed. At present prices and spot tanker rates the price of Venezuelan crude oil would have to be reduced by some 75 cents a barrel before it could compete with Persian Gulf crude delivered to the United Kingdom. But taking the average freight costs in fact still being paid, including company-owned and time chartered vessels, the discrepancy between the two delivered prices would be much less.

THE STOCK EXCHANGE

Rebels in the House

ADVERSITY breeds rebellion. Business in Throgmorton Street is now at a low ebb and some brokers are not covering expenses. Good times will come again, but meanwhile some members of the House are grumbling about the increase in subscription fees and some are pressing for an increase in commissions on small bargains. A petition is circulating in the "House" against the Stock Exchange Council's plan eventually to rebuild the Stock Exchange and to cover part of the cost by an increase in subscription and entrance fees. Some of the more elderly of the members set this petition on its way; but the Council's decision to raise the subscriptions of retired members merely recognises the fact that these elderly gentlemen enjoy a

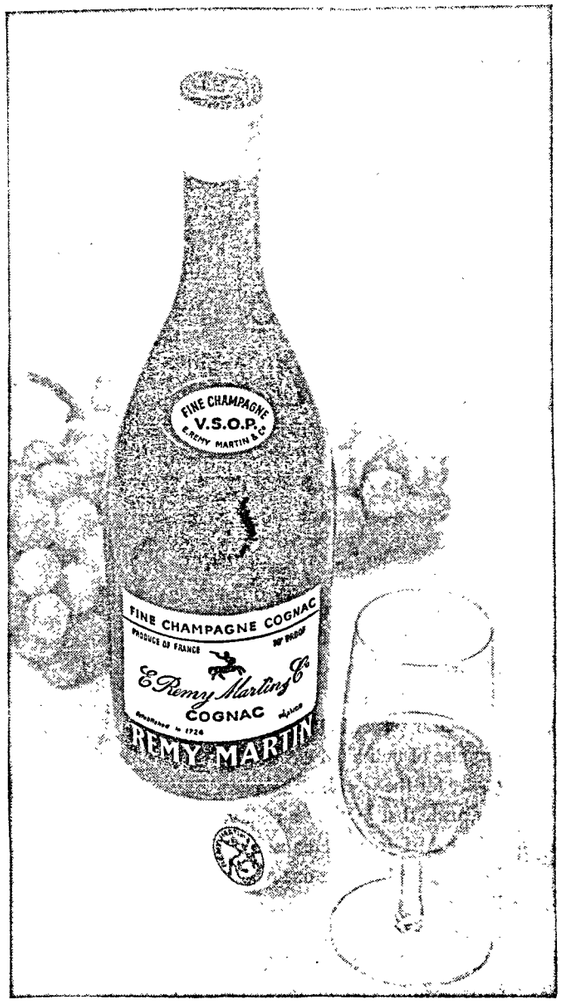
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worthwhile privilege of dealing free of commission on their own accounts. But the Council had declared its intentions about re-building and its methods of finding the extra money well in advance of these proposals. Did the members who elected the Council not intend to give it necessary support? The petition has come very late in the day.

Representations have also been made to the Stock Exchange Council suggesting that the commission fees on bargains of less than £100 should be raised. Certainly the small bargain costs just as much to put through as the big one, though some dubious arithmetic about average costs lies behind the argument. Any bargain that contributes something to the brokers' revenue is better had than missed. The scale of commission fees moreover is a minimum one; anyone who is prepared to let his clients go elsewhere is at liberty to charge more. A step which would penalise the small investor is directly counter to the policy (actively supported by the Council) of encouraging just that type of investment.

BUILDING SOCIETIES

The Squeeze on Liquidity

BUILDING societies are now producing results for 1957 and some of them are good ones, snatched from the jaws of a difficult year. Mr Herbert Ashworth, the general manager of the Co-operative Permanent, this week gave a personal guess of how far mortgage demand exceeds the funds available for lending. Total mortgage lending last year he puts at £380 million, against £339 million actually advanced in 1956 and little short of the record figure of £394 million for 1950 a figure in line with the estimate just made by the Building Societies Gazette. Lending at that level, Mr Ashworth suggested, falls short of satisfying the effective demand for mortgages by about £100 million.

The Co-operative Permanent Society expected to advance £30 million on mortgage in 1957; its actual total was about £29 million, against £21½ million in 1956. Its total assets have jumped from £143.7 million to £162.6 million. Among the middle-sized societies, the Burnley passed the £50 million mark last year when its assets rose from £48.8 million to £51.4 million. Money continued to flow in well into the Co-operative Society. Share subscriptions last year jumped from £32.6 million to £35.4 million, and last month was a record, with £3½ million of new money. Whatever the intake of new money, withdrawals in the Co-operative always approximate to half its size. In 1956 share subscriptions plus interest amounted to £36.2 million while withdrawals plus interest were £17.7 million; in 1957 when share subscriptions plus interest were £40 million withdrawals were £20.7 million. In the record month of January withdrawals were £1.85 million.

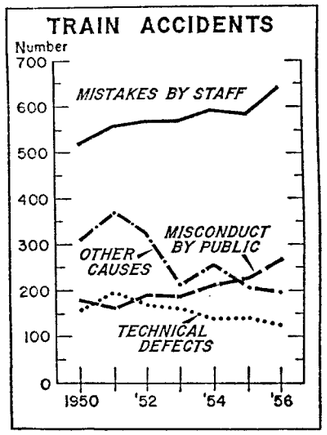
The credit squeeze has hit building society investments hard. The Co-operative Permanent now shows a depreciation of £2 million on its quoted securities of £16.6 million, against £1.2 million on a portfolio of £11.3 million a year ago. This makes the true liquidity ratio 13.3 per cent, against 13.7 per cent. But the Co-operative has carried out a big switch in investments during the year, with much emphasis on short and medium dated stocks with dates up to 1971. That process must have had something to do with the depreciation on the portfolio, but it also yielded the society a profit on realisation of investments of £262,120, against £31,299. In contrast the Burnley society has a different investment policy. Out of its investment portfolio of £6.8 million (against £6.5 million), £5.1 million (against £4.9 million) is in loans, presumably unquoted, to local authorities. Visible depreciation is therefore small at £0.3 million, against £0.2 million, and the true liquidity ratio was 14.8 per cent, against 15.8 per cent. That leaves aside the question of how far such local authority loans are quickly realisable and at what price in case of need.

RAILWAY SAFETY

The Human Element

THIS winter's spate of train collisions in fog does not by itself argue a sudden deterioration in the standards of care on the railways. For some unknown reason, railway accidents have happened "in threes" before and this latest batch may all have different causes—in any case the investigations into why they happened are still proceeding. But the previous fog disaster at Lewisham, as the Minister of Transport said last week, "undoubtedly had a grave element of human error in it," and the proportion of train accidents in which the human element played some role has been rising noticeably and continuously in the last few years.

Since the war the number of train accidents has kept fairly close to the average of 1,200 each year—not all of which of course lead to casualties—but mistakes by railway staff and foolish acts by the public accounted for 75 per cent of the total in 1956 against only 60 per cent in 1950. With the renewal of war-worn equipment and the beginnings of modernisation, the steady decline in accidents caused by technical failure was to be hoped for; but increased human failing has wholly offset this improvement. Happily accidents through train crews disregarding signals have become fewer, but those caused by lack of care in other directions have not. And the passenger, whose misconduct—such as carelessly opening doors—may not normally lead to such serious consequences to human life, nevertheless bears some responsibility for the disturbing trend in the more superficial kind of railway accident.



Possibly the fact of these recent accidents and the renewed injunctions British Railways have given to their staff may lead to a better observance of rules and regulations. The Transport Commission is also pushing ahead more rapidly with its longer-term plans for improved signalling and communications, including automatic train control, and for steel coaches, which will reduce the room for human error and limit its consequences. But technical improvements will never preclude it entirely.

CAPITAL ISSUES CONTROL

Closing Loopholes

IT was long odds that the ingenuity of Olds Discount Company which succeeded in adding £240,000 to its cash resources without having to go to the Capital Issues Committee for permission would attract the attention of the politicians, and it did. It was equally probable that the Chancellor knew that the particular "company shell" technique that Olds Discount used was not the only way of raising capital without asking leave. His answer to a Parliamentary question this week is comprehensive: "There are several methods by which capital may lawfully be raised without the consent of the Treasury, and I am considering the possibility of bringing these under control."

Olds Discount as a hire purchase finance house of standing would probably have had little hope of getting permission for a new issue. What it did was to acquire the capital of H. Challen and Son, whose assets consisted wholly of £245,000 in cash, for 230,000 Olds 5s. shares plus a cash adjustment of £5,000. As nearly all the new shares of Olds were placed by a leading firm of stockbrokers there was even a market side to this "ex CIC" transaction. In effect Olds paid a premium of a little over £30,000 for the use of the Challen "shell."

Mr Amory sees clearly that other options would have been open to Olds Discount if that particular loophole had been closed. It might, for instance, have simply advertised for deposits, as so many other hire purchase companies do. It might also have passed investments over to a subsidiary in exchange for shares and debentures in that subsidiary, retaining the shares and selling the debentures. The difficulty about the controls that the CIC exercises is that, quite apart from questions about their merits, they can so often be side-stepped by well thought out evasive action.

ZINC

Pause in Stockpile Selling

THE decision of the Board of Trade to stop selling zinc from the British strategic stock was well received in the market. The price rallied from £63 17s. 6d. a ton on Tuesday to £65 on Wednesday. But at that figure the price remains quite low enough to discourage production and there are reports from several directions of output being curtailed. The price compares with around £103 a ton a year ago and about £72 a ton early last August, when the Board of Trade announced that the British stockpile would sell at the rate of 3,000 tons a month. But the 18,000 tons of zinc that the Board of Trade has sold over the past six months is not the major factor in the decline in the price; industrial recession and the expectation, confirmed this week, that the United States stockpile was at the end of its buying have been the main influences.

The Board of Trade has nevertheless done no more than it should. The very fact that the vastly more powerful American stockpile could depress the market by selling quite a small proportion of what it holds should impress the British stockpile authorities with the need to observe an exemplary policy. British stockpile selling is not finished for good; it is merely suspended—with the promise that a further announcement will be made when it is decided to resume selling.

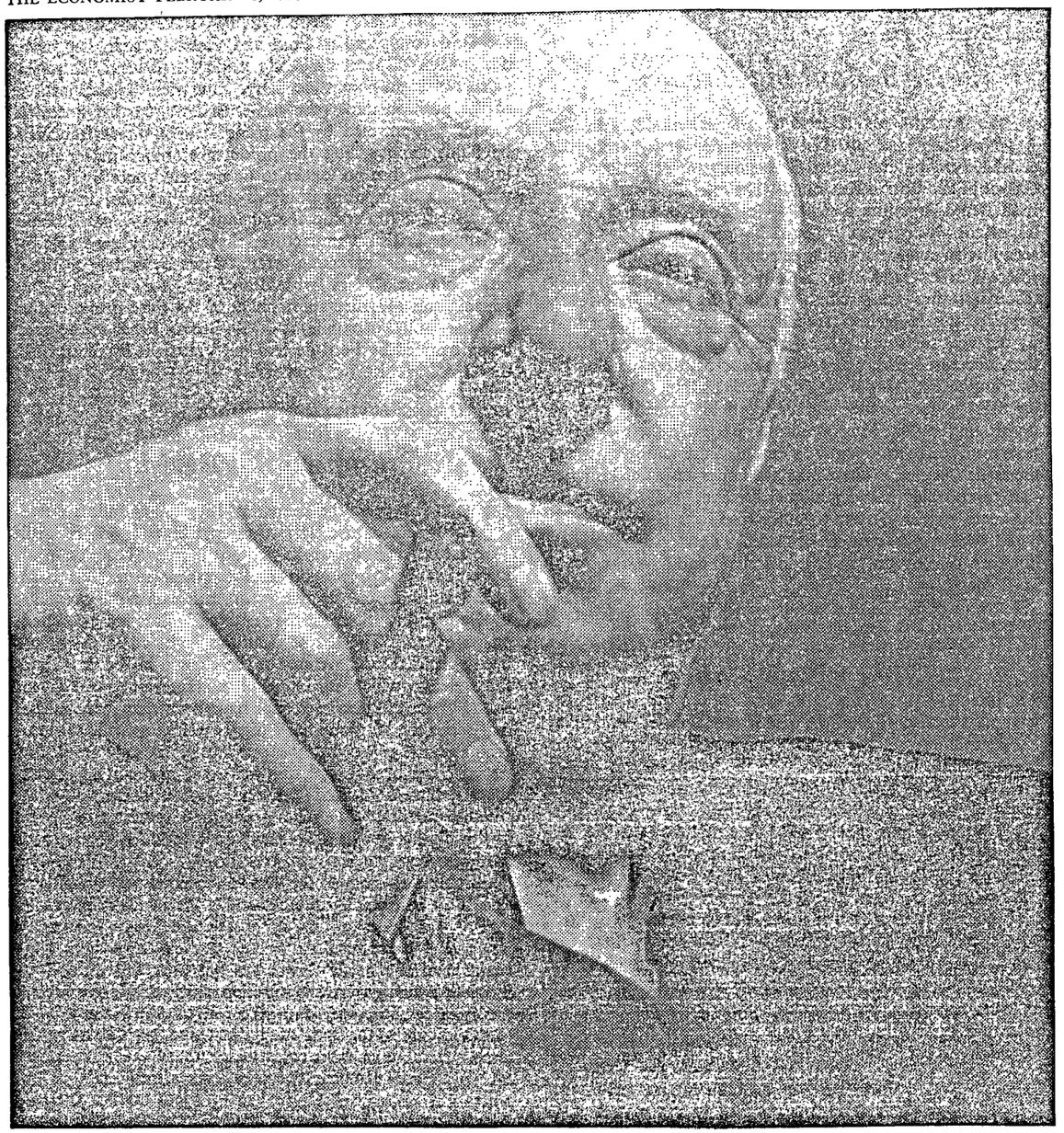
GAS

Methane by Sea

A CONTRACT signed this week between the Gas Council and the Constock Liquid Methane Corporation of America provides for the first experimental shipment of natural gas from the US Gulf to Britain in about a year's time. The temperature of the gas will first be brought down to minus 258 degrees Fahrenheit at atmospheric pressure, at which point it becomes liquid and takes up only one-600th of the space it occupies as a gas. The refrigerated gas will then be pumped into five aluminium tanks insulated with balsa wood fitted into a steel-bottomed ship; this should enable the very low temperature to be maintained for the duration of the two-weeks' voyage across the Atlantic—though perhaps 7 per cent of the cargo will be lost through "boil off" during the voyage. On arrival at Canvey Island in the Thames Estuary, the refrigerated gas will be transferred to insulated land storage at the same low temperature, and subsequently re-gasified and converted to town gas. The cost of acquiring and converting the first ship, which will carry 2,000 tons of liquid methane, is put at £1,430,000, of which the Gas Council will bear half; a further £400,000 is being spent on two 1,000-ton insulated storage tanks on Canvey Island; to this must be added the cost of pre-treating and liquefying the gas in the United States, storage there, and regasifying and conversion to town gas in Britain—and the original well-head cost of the gas.

★

The average net cost of the gas produced by the North Thames Gas Board, the furthest from the coalfields, was 12.25 pence a therm during the year which ended last March. But imported methane would have to compete either with a new coal carbonisation plant—which, with high capital charges, might show little improvement on the average—or with a new oil gasification plant. In the London area, where oil has its greatest advantage over coal in transport costs, gas could probably be made from oil today for 10d. a therm: so if natural gas could be brought in for, say, 8d. or 9d. a therm it would be an attractive proposition. In the United States, where there is a strong demand for natural gas, well-head costs are about 15 cents a thousand cubic feet (of 1,000 B.Th.U. gas), or roughly 1½d. a therm. In Venezuela, where there is less demand for natural gas, and the oil companies are forced to re-cycle it underground, it should be possible to obtain large quantities at a penny a therm; in the Middle East, which could supply all of Britain's gas needs, the well-head price might be even lower, though the ocean voyage (and consequent gas losses) would be longer. On this basis, the project would be economic if it costs less than 7d. or 8d. a therm to pre-treat, liquefy, store, transport, store again, regasify and convert the gas—and the losses that are inevitable at different stages. Engineers of the North Thames Gas Board, in a paper read to the Institution of Gas Engineers eighteen months ago, put the aggregate of these costs as low as 4d. a therm, assuming tankers of 15,000 tons capacity and storage capacity for liquid methane totalling 25,000 tons in Britain. Next year's experiment, with a tanker of only 2,000 tons capacity, and storage tanks holding 1,000 tons each, is bound to be much more costly, but it is the only way to put to the test the more attractive estimates of the cost of large-scale operation.



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NATIONAL BANK

Irish Banking Trends

LORD PAKENHAM'S address to the shareholders of the National Bank provides a valuable survey each year of Irish banking and the Irish economy to set against conditions in the United Kingdom. The financial system of the Irish Republic is linked closely with London, but there are important divergences. Thus the proportion of deposit accounts to current accounts is roughly two to one in Eire, whereas in England it has usually been nearer one to two (though it has lately risen to three to five). However, deposit rates in Ireland are notably lower—they are now 2½ per cent for sums under £25,000 and 4 per cent above that, compared with a flat 5 per cent paid by the English clearing banks. Hence the Irish banks, which deploy funds on the London money market, normally benefit from an upturn in English interest rates. Recently their external reserves have been rising, as a result of the improvement in the trade balance. The banks are under no official injunction to restrain their lending in Ireland, and advances in the years 1956 and 1957 together rose by 4 per cent, compared with 3 per cent in England. Total bank deposits, however, rose by 5.2 per cent in Ireland and by 7.2 per cent in England.

CARS

Sharp New Rapier

WITH total output of the motor car factories continuing to increase, the smaller manufacturer has an ever more difficult problem to offset the disadvantage of his inevitably higher costs. Rootes have always been responsive to the situation by exploiting to the full their greater flexibility by adding to the "bread and butter" line of the Hillman Minx, variants which can command a higher price in pence per lb. The new Rapier is an excellent fruit of this policy. By increasing the bore from 3 inches to 3.11 inches, the capacity of the Minx engine is enlarged from 1390 cc to 1494 cc, and with two carburetters the new engine gives an increase of about 5 bhp and, more important, a valuable increase in the torque of the engine at lower speeds. The back axle ratio is reduced from 5.22 to 1 to 4.55 to 1, so that, to achieve the full performance of which the car is capable, the gear-box will be used more. The gear-lever is now mounted on the floor instead of the steering column—a change which will surely be to the taste of the driver to whom the Rapier makes its strongest appeal. With a new steering box and other modifications to the steering arrangements, criticisms which could justly be made of the handling of the old Rapier will, it is to be expected, be eliminated; and the car as a whole has very pleasing looks.

The new car is priced at £695 (plus PT) in the home market, without overdrive, the same price applying to the old Rapier with overdrive. In the American market the price is likely to be about $2,500; the appearance of the car is likely to be found to approach as closely to American ideas of modernity as any British manufacturer ever has. With the appeal of a smaller fuel bill enhanced by current economic tendencies, the Rapier should add appreciably to the volume of Rootes' sales in the US.

Rootes, of course, share with BMC the disadvantage in the USA, compared to Ford and Vauxhall, that they have not at their disposal the ready made distribution channels of an American parent company. But with the clarification of the position under the anti-trust laws, so that a dealer cannot be restricted by the manufacturer whose franchise he holds from selling the products of other makers, the imported car has no longer to be marketed only by dealers whose lack of imposing premises or other facilities disqualify them from a dealership for an indigenous maker. Rootes and other British manufacturers have recently been able to transform their marketing arrangements by adding to their retail outlets dealers with franchises, for example, for Lincoln and Mercury automobiles of the Ford group or for Cadillac and Oldsmobile of GM—British Fords, of course, being handled by Ford dealers and Vauxhalls by those with the GM franchise for Pontiacs.

ACTUARIES' INVESTMENT INDEX

Quinquennial Revision

EVERY five years the Actuaries' Investment Index, a tool designed for use by institutional investors, is revised. The latest revision works from the new base date of December 31, 1957=100, and the new series has been linked with the old to give a comparison for the previous twelve months. Some of the resulting indices are published on page 522. The list of securities included in them has been amended. As a result of the change in the base date the weights (which are based on market valuations) given to the various industrial groups have been changed. In the new series the oil group has a bigger weight and the tobacco group a smaller weight than previously. A new group for "steel" has been added, the industrial group "boots and shoes" eliminated, and "rayon" has been merged with "cotton textiles." The sub-grouping of preference shares by dividend rates has produced no distinctive results and has been abandoned.

Complete revision of the lists of securities and the alteration in the industrial groupings and in their weighting means that the link back to the original series either for a specific group or for the resultant general indices is rough. The occasion of the partial break has not been seized to alter the rules which govern the selection of a particular security: the rule, for instance, that an ordinary stock must have paid a dividend for each of the last five years remains in force. Because of such rules and because the indices are calculated on geometric averages, this series tends in its portrait of stock market prices to even out market fluctuations.

SHORTER NOTES

The government proposes to introduce a bill to prolong until August its powers to make advances direct to the nationalised industries to finance their capital development. These powers, for state industries other than coal, were introduced in the Finance Act of 1956, for two years only: the National Coal Board has always raised its capital "on tap" under a similar system.

* * *

The first scheme enabling people building or buying a house to borrow money at a variable rate of interest from a local authority has been approved by the Ministry of Housing. The scheme was submitted by the Hampstead Borough Council, which will now be able to vary the rates at three months' notice to borrowers; normally local authorities relend at ¼ per cent above the rate at which they borrow from the PWLB.

* * *

A new storage plant to hold 7.5 million gallons of oil products for distribution throughout the Midlands is being built for the Esso Petroleum Company near Birmingham. The cost, estimated at £1 million, works out at just under £37 a ton of petroleum products.

* * *

A strengthening of the P & O and Orient Line Pacific services has been announced. In particular the two United Kingdom lines will be operated across the North Pacific linking the west coast of the United States, Canada and Honolulu with Japan, Hongkong and the Philippines.

COMPANY AFFAIRS

IMPERIAL TOBACCO

SHAREHOLDERS of Imperial Tobacco had been well prepared for a small reduction in the dividend, and on the actual cut from 21 to 20 per cent for the year to October 31st the £1 units held steady at 40s., at which they yield 10 per cent.

The directors had already drawn attention to narrowing profit margins in a market where the giants of the tobacco industry are competing vigorously and where the smaller concerns are finding it difficult—if not impossible—to hold their own. The group's trading profit has fallen by £1,809,278 to £21,554,565—not a shattering decline, but nearly all of it occurred in the profits of the parent company (the tobacco side of the concern), whose trading profits have dropped by £1,692,960 to £18,202,474. The investment income of the group (including the bigger distributions from British-American Tobacco) has risen from £4,401,404 to £5,252,375.

That increase, together with a smaller tax charge, has kept the fall in the group's net profits down to £362,853. Net profits of £12,006,911 provide comfortable cover for the dividend, which absorbs £6,911,602 net. Traditionally Imperial Tobacco pursues a reasonably generous distribution policy. Have the directors been too cautious this time in reducing the dividend? That question has been asked, but it must be assumed that in addition to weighing in the balance immediate capital and stock commitments and the high cost of bank overdrafts the directors have taken a view of trading prospects.

GENERAL ELECTRIC

THE cut in the interim ordinary dividend of General Electric from 4½ to 3½ per cent came as a shock to the market. GEC's £1 units were marked down from 38s. 9d. to 33s. 6d. and other leading electrical manufacturing equities were easier in sympathy. They recovered later, but not GEC. There were no reasons why it should. The total payment for the year to March 31, 1957, was reduced from 14 to 12½ per cent following the rights issue in 1956. The final payment now is anyone's guess and the directors' comment does nothing to dispel doubts. They say with commendable frankness that while "turnover has shown an increase, the pressure on profit margins, envisaged in last year's directors' report, has continued. The provisional results for the first nine months' trading, together with an estimate for the remainder of the financial year, indicate a marked decline in the profits for the year ending March, 1958." GEC and its competitors in the electrical industry are struggling for orders and for greater efficiency and their skills in management are being put to a strenuous test.

WATNEY COMBE REID

THE proposed merger between Watney Combe Reid and Mann Crossman and Paulin—the biggest of its kind for several years—is a brewery amalgamation with a difference. Its real point is that Watney's brewery site in Pimlico is likely to produce a better return if it is redeveloped and used for a different purpose. The sale or redevelopment of this site has been in mind for years. The dilemma was that if the site were sold or redeveloped, Watney's other brewery at Mortlake could not be enlarged sufficiently to maintain the volume of production and it was too costly to build a new brewery elsewhere.

The solution now devised is to amalgamate with Mann Crossman and Paulin and to enlarge both Watney's Mortlake brewery and Mann's Whitechapel brewery to make good the loss of production from the Pimlico brewery. That will mean heavy capital expenditure. So, too, will the redevelopment of the Pimlico site where an hotel, offices and buildings will be built allowing for the construction of a new road. The straightforward sale of that site might have resulted in a capital distribution to Watney shareholders. Whether or not the redevelopment and eventual control of the site will be under the ægis of the new merged concern, Watney Mann Limited, is not yet clear. Until that point is cleared up and until much more is known about the redevelopment scheme, shareholders should put the possibility of a capital distribution aside.

The terms of the merger are closely in line with market prices. Both companies pay ordinary dividends of 21 per cent and on the eve of the offer Watney ordinary stood at 64s. and Mann at 60s. Eleven Watney deferred ordinary of £1 each are offered for every ten Mann ordinary of £1 each and ten Watney 5¼ per cent £1 second preference shares for every Mann 5 per cent £10 preference share. The scheme has the blessing of the boards of both companies.

MONTAGUE BURTON

THE logic of Mr Lionel Jacobson's statement to the shareholders of Montague Burton is that the profits of this multiple tailoring group will fall this year. He says that so far in the current financial year, which ends on August 31st, turnover has been maintained, but "trade will be more difficult to obtain" in the immediate future. Earlier he states that profits will be lower unless turnover expands sufficiently to absorb increased costs. Reorganisation (including the modernisation of many shops), expansion (including the opening of new shops) and inflation have added to the group's direct expenditures and overhead costs. Its working costs, too, have been pushed up; recently there has been another wage award in the clothing industry and Montague Burton has decided not to pass this extra cost on in higher retail prices. Mr Jacobson equates this decision to the "national interest." But is it possible for any multiple tailor in a competitive market to raise prices? A reduction in profits from their 1956-57 level of £2,519,107 need not put the 10 per cent ordinary dividend in danger. That dividend has plenty of earnings to cover it, but that does not altogether justify the low yield offered by the Montague Burton equity.

JUTE INDUSTRIES

MR W. G. N. WALKER, the chairman of Jute Industries, promises a full statement on the present state of the company and the jute industry at the annual general meeting. In the full accounts he makes some preliminary comments on the fall in profit. In the year to September 30th, consolidated gross profits fell from £1,024,225 to £778,132; net profits declined from £477,333 to £342,923, but the directors

left the 20 per cent dividend, which absorbs only £120,750 net, unchanged.

On this dividend, the 10s. units at 11s. 4½d. xd. yield over 17½ per cent—unmistakable evidence that shareholders are worried, as they must be while unemployment in the Dundee jute industry is rising. Some sections of the business are still busy, but Mr Walker has this to say about prospects: first, the reduction in the measure of protection given to the domestic jute industry from Asiatic competition has had a "very adverse effect" on weaving profits, and the full impact has "still to be felt." Secondly, the price of Pakistan raw jute is "too dear" and is out of line with the prices at which finished Indian jute manufactures made from Indian jute are being sold. Thirdly, profits for the current year "may show a further decline."

CHARTERHOUSE INVESTMENT TRUST

At the top of the pyramid of the Charterhouse Investment Trust comes the parent company, the investment trust proper. It draws its income from its own portfolio and from dividends on its majority interest in Charterhouse Industrial Development. That company draws its income from its own small portfolio, from its activities in financing and nursing small and medium sized industrial concerns, from the issuing house business done by Charterhouse Finance Corporation, and from the merchant banking and acceptance business of S. Japhet and Company (which last year acquired the insurance broking firm of Glanvill, Enthoven and Company). In the year to November 11th, the net income of Charterhouse Industrial Development rose from £202,124 to £228,831; the net income of Charterhouse Investment Trust rose from £105,461 to £116,853 and its ordinary dividend was raised from 10 to 11 per cent, even though the directors calculate that this year there may be some small reduction in investment revenue. The chairman, Sir Nutcombe Hume, makes these comments on the various activities of the group:

Charterhouse Investment Trust

Early in 1957 and late in 1956, the trust ran down its cash balances by buying British and North American securities, but in view of the fall later in the year in stock market prices the trust would have been "better advised" to have kept the cash on deposit. About 16 per cent of the quoted investments are in North America, where "the long-term prospects for the leading companies are good—better perhaps than in this country because, in America, there is not the same continuous and uninformed attack on the capitalistic system and on profits."

Charterhouse Industrial Developmeat

The credit squeeze is "putting a severe check on the volume of new business the development company is able to make." The opportunity is being taken for "some internal stocktaking" and to give more attention to "strengthening and improving the condition of the several industrial companies" in which substantial interests are held.

Charterhouse Finance Corporation

This subsidiary has had "quite an active year" and has "a fair volume of business in hand." But it is not regarded as "a regular contributor" to the profits of the group.

PEARL ASSURANCE

Some of the "heaviest" of ordinary share prices are found in the insurance share market. The 1,200,000 of £1 units of Pearl Assurance are in this category, though they are not so "heavy" in price as Prudential "A." The directors of Pearl Assurance have now decided to split the stock into 5s. units. This should improve their marketability but after the announcement, they remained unchanged at 19¼ (which suggests a price of 4¼ for the 5s. sub units). The directors also propose to modernise the articles of association; their proposals include raising their permitted borrowing powers from £10 million to £20 million.

London Stock Exchange

FIRST DEALINGS:	Jan. 29	Feb. 12	Feb. 25
LAST DEALINGS:	Feb. 11	Feb. 25	Mar. 11
ACCOUNT DAY:	Feb. 18	Mar. 4	Mar. 18

Business in gilt-edged stocks expanded this week under the influence of sharp falls in Treasury bill rates at home and in the United States, and the further recovery in the gold and dollar reserves. The terms of the new LCC loan later restrained activity in high coupon corporation and Dominion stocks. A gain of 1/2 to 94⅛ was made by 2 per cent Exchequer 1960, and among the medium-dated stocks, which continued to attract support, 2½ per cent Exchequer 1963-64 rose ¾ to 86¼ and 3 per cent Funding 1966-68 ⅞ to 79⅝. War Loan held a rise of ½ to 65 but 3 per cent British Gas 1990-95 was only ⅛ higher at 62¾. Although corporation stocks recovered after their sharp fall, 5½ per cent LCC 1977-81 lost ⅛ to 100 over the week.

Industrial stocks followed the lead of gilt-edged despite some disappointing dividends, *The Economist* indicator rising 5.2 to 178.8. Bank shares improved and discount houses gained ground; Union Discount "B" rose 2s. 6d. to 43s. 6d. xd. Insurance stocks also rose, Prudential "B" gaining 12s. 6d. to 135s. Watney deferred and Mann, Crossman "A" rose 1s. 6d. on the merger proposals in a firm market for brewery shares. GEC fell 4s. 9d. to 33s. 6d. on the unexpected cut in the interim payment, but other electricals showed gains on balance, AEI rising 2s. to 50s. 6d. Rio de Janeiro Flour Mills lost 4s. 3d. to 27s. 9d. on the passing of the final dividend.

Although Shell improved, oil stocks were uncertain on the possibility of lower prices for the product; British Petroleum fell 1s. 3d. to 90s. 7½d. on the political moves in the Middle East. A good rise in OFS gold mines before the week end was reversed later.

THE ACTUARIES INVESTMENT INDEX

Group	Price Indices (Dec. 31, 1957=100) Jan. 29, 1957	Dec. 31, 1957	Jan. 28, 1958	Average Yields (per cent) Jan. 29, 1957	Dec. 31, 1957	Jan. 28, 1958
Ordinary Shares :—						
Electrical engineering	122·5	100·0	99·7	5·03	5·77	5·79
Engineering	120·1	100·0	95·5	5·05	5·75	6·01
Motors and aircraft	115·3	100·0	98·3	5·74	6·35	6·47
Steel	...	100·0	96·9	...	9·51	9·91
Chain stores	95·8	100·0	94·5	4·14	4·26	4·51
Cotton and rayon textiles	106·3	100·0	96·3	8·38	9·49	9·87
Chemicals	109·9	100·0	97·1	5·34	5·29	5·45
Oil	114·6	100·0	96·3	4·76	6·54	6·85
Shipping	129·7	100·0	96·7	5·19	7·30	7·53
Investment trusts	101·9	100·0	97·8	4·92	5·38	5·50
Industrials :—						
Ordinary (all classes)	110·5	100·0	97·9	6·09	6·73	6·88
Preference	107·6	100·0	100·7	5·90	6·36	6·32
Debenture	112·2	100·0	101·3	5·77	6·47	6·53
Total (capital goods)	119·4	100·0	97·4	5·42	6·58	6·76
Total (consumption goods)	105·2	100·0	99·0	6·36	7·25	7·30
Consols 2½%	119·1	100·0	103·0	4·54	5·41	5·25

STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1957 High	1957 Low	1955 High	1955 Low
Jan. 8	176·5	6·63				
,, 15	174·3	6·72				
,, 22	173·3	6·66				
,, 29	173·6	6·75	225·0 (July 10)	171·2 (Nov. 6)	210·4 (Jan. 4)	170·0 (Nov. 28)
Feb. 5	178·8	6·55				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956 High 207·6 (July 9)	1957 High 203·6 (Jan. 3)
		%		%			
Jan. 29	152·6	6·78	89·07	5·19	7,306		
,, 30	164·0	6·72	89·21	5·18	7,500		
,, 31	163·2	6·75	89·34	5·17	6,835	Low 159·0 (Nov. 6)	Low 161·5 (Nov. 29)
Feb. 3	154·0	6·72	89·39	5·14	8,922		
,, 4	164·6	6·59	89·42	5·14	8,321		
,, 5	165·0	6·67	89·47	5·14	8,315		

Bases :—* 1953 = 100. † July 1, 1935 = 100. ‡ 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Jan. 29, 1958	Price, Feb. 5, 1958	Net Yield, Feb. 5, 1958 § £ s. d.	Gross Yield, Feb. 5, 1958 £ s. d.
97⅛	93½	War Loan 3%....1955-59	96⅛	96⅛	3 11 11	5 3 11
93⅛	87⅛	Funding 2½%....1956-61	91⅛	91⅛	4 2 11	5 7 8
99⅛	98⅜	Conversion 4%....1957-58	99⅛	99⅛	3 11 1	5 19 8
97⅛	94⅜	Conversion 2½%....1958-59	97⅜	97⅛	4 0 1	4 18 7
95⅛	90⅜	Exchequer 2½%.....1960	94⅜	94⅜	3 19 2	4 16 8
95⅛	92⅛	Exchequer 3%.....1960	96⅜	96⅜	3 14 3	4 19 6
99	93	Conversion 4½%....1962	96⅜	96⅜	3 11 7	5 10 6
89⅛	84⅛	Savings Bds. 3%.1955-65	84⅛ *	85⅛ *	3 19 0	5 6 9
84⅛	77	Funding 3%.....1959-69	78	78⅛	4 3 6	5 14 1
92⅛	84⅛	Funding 4%.....1960-90	87⅞	89⅜	4 7 11	5 19 6
81⅛	74	Savings Bds. 3%.1960-70	75⅛ *	75⅜ *	2 16 8	5 14 6
94⅛	87⅜	Exchequer 3%....1962-63	89½	90½	4 4 9	5 5 4
89⅛	83	Exchequer 2½%..1963-64	85½	86½	3 16 3	5 4 3
83⅛	77⅛	Savings Bds. 2½%.1964-67	79⅛	79⅜	4 0 1	5 4 3
77⅛	67½	Savings Bds. 3%.1965-75	70⅛ *	71 *	4 3 5	5 8 7
77⅜	—	Exchequer 5½%.....1966	100⅛	99⅜ *	4 1 0	5 12 4
84⅛	78½	Funding 3%.....1966-68	79⅜	79⅜	3 3 5	5 11 4
95⅛	91½	Victory 4%.....1920-76	91⅛ *	91⅛ *	4 2 3	5 11 4
88⅛	80½	Conversion 3½%.....1969	81⅜ *	82⅛ *	4 0 2	5 13 3
81⅛	69½	Treasury 3½%....1977-80	73⅛	73⅜	3 15 10	5 12 7
80	68	Treasury 3½%....1979-81	71½ *	72⅜ *	3 16 8	5 13 3
71⅞	57½	Redemption 3%..1986-96	61⅛	61⅛	3 11 8	5 10 9
80⅛	63½	Funding 3½%..1999-2004	65½	66⅛	3 9 9	5 10 9
81⅛	68	Consols 4% after Feb. 1957	71 *	71 *	4 4 4	5 11 11
75	60½	War Loan 3½% after 1952	64⅛	65	3 2 3	5 8 9
75⅛	58½	Conv. 3½% after Apr. 1961	64⅞	64⅞	3 3 1	5 10 8
65⅛	51½	Treas. 3% after Apr. 1966	56⅜	56⅜	3 1 10	5 8 5
55⅛	45	Consols 2½%.....	48⅛	48⅜	2 19 3	5 3 4
55⅛	44	Treas. 2½% after Apr. 1975	47⅛	47⅜	3 0 10	5 11 8
96⅛	88⅛	Br. Electric 4½%.1967-69	90⅜ *	90⅛ *	3 11 2	5 11 8
80⅛	66	Br. Electric 3%...1968-73	72⅛	73⅛	4 2 10	5 14 8
78⅛	66	Br. Electric 3%...1974-77	70⅛	69⅞ *	3 19 7	5 11 1
92⅞	79½	Br. Electric 4½%.1974-79	85⅞	85⅜	3 9 5	5 10 11
81⅛	69⅞	Br. Electric 3½%.1976-79	73½	74⅛	3 15 8	5 12 5
90⅛	81	Br. Gas 4%.....1969-72	83⅛ *	83⅞ *	3 15 11	5 13 11
87⅛	78	Br. Gas 3½%.....1969-71	80⅜	79⅛ *	3 19 3	5 13 0
72⅛	58⅜	Br. Gas 3%.....1990-95	62⅛	62⅜	3 11 5	5 7 9
80⅛	70	Br. Transport 3%.1968-73	72⅛	73⅛	4 2 10	5 14 8
88⅛	77⅛	Br. Transport 4%.1972-77	81⅛	81⅛	3 12 9	5 12 0
72⅛	59	Br. Transport 3%.1978-88	62⅛	62⅛	3 16 1	5 11 3

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Jan. 29, 1958	Price, Feb. 5, 1958	Yield, Feb. 5, 1958 £ s. d.
92⅜	82	Agric. Mortgage 5%.....1959-89	85	85⅜	6 0 10
81⅛	75	Australia 3½%.....1965-69	77⅛	77⅛	6 1 10
97⅛	91⅛	Birmingham 5%.....1973-75	94	94	5 11 0
100⅞	91	East Africa 5½%.....1977-83	92⅜	92⅞	6 6 5
105⅜	96	L.C.C. 5½%.....1977-81	100⅜	100	5 10 0
69⅜	54⅛	Met. Water Board 'B' 3% 1934-2003	58⅜	57⅜ *	5 11 6
87⅛	77	New Zealand 4%.....1976-78	80⅛	80⅛	5 12 9
75⅜	67⅜	S. Rhodesia 2½%.....1965-70	70⅜	71	5 18 11
87	72⅜	German 7% (Br. Enfaced 5%)..1924	83½	...	...
169⅛	147⅜	Japan 5% (Enfaced).....1907	163½	164½	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 29, 1958	Price, Feb. 5, 1958	Yield, Feb. 5, 1958 £ s. d.
		% %	BANKS & DISCOUNT			
30/9	19/6	4 a	5 b Bk. Ldn. & S. Amer.£1	28/6	28/–	5 8 7
47/3	40/–	6 a	b b Barclays Bank....£1	42/–	43/–	5 11 8
35/3	27/6	4 a	4 b Barclays D.C.O. ...£1	29/6	29/6	5 8 6
42/6	34/6	7½ b	7½ a Chartered Bank....£1	39/6	41/6	7 4 7
51/3	42/9	6½ a	6½ b Lloyds Bank £1	45/9	46/6	5 11 10
66/7½	58/–	9 a	9 b Midland Bank £1	60/–	60/9	5 18 6
40/6	28/6	5 a	5 b Nat. Discount 'B' ..£1	29/6	32/–	6 5 0
51/6	39/3	6½ a	6½ b Union Discount....£1	40/9*	43/6*	5 14 11
			INSURANCE			
86/4½	61/7½	43½ b	30 a Commercial Union 5/–	75/–	76/–	4 16 6
177/6	102/6	87½ b	40 a Legal & General ..5/–	123/9	132/6	3 15 5
22½	17½	†50 b	†20 a Pearl.....£1	19½	19½	6 2 7
46	34½	†125 c	†132½ c Prudential 'A' £1	40½	40½	5 13 1
			BREWERIES, ETC.			
32/6	26/4½	10 a	36 b Bass 5/–	31/9	33/3	6 18 4
25/9	19/7½	18½ c	7½ a Distillers.....6/8	19/10½	20/6	6 2 0
44/9	36/–	10 a	15 b Guinness.....10/–	39/–	39/3	6 7 4
87/3	63/6	8 a	17 b Whitbread 'A' £1	80/–	80/6	5 19 3
			MOTORS & AIRCRAFT			
21/6	11/9	6½ b	3½ a Bristol Aeroplane 10/–	12/9	12/6	8 0 0
8/7½	6/–	12½ c	12½ c British Motor.....5/–	7/–	7/1½	8 15 6
40/–	29/3	5 b	3 a Ford Motor £1	33/3	35/1½	4 11 3
45/9	27/6	3 a	7 b Hawker Siddeley...£1	27/3	27/9	7 4 3
53/–	41/9	10 c	12½ c Leyland Motors....£1	43/3	44/9	5 11 7
121/–	90/7½	15 b	5 a Rolls-Royce £1	90/6	90/9	4 8 3
9/1½	5/11½	8 c	8 c Standard Motor...5/–	7/–	7/1½	5 12 3

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 29, 1958	Price, Feb. 5, 1958	Yield, Feb. 5, 1958 £ s. d.
		% %	STEEL & ENGINEERING			
83/–	52/–	8 b	7 a Babcock & Wilcox.£1	42/9‖	43/6§	5 19 8m
29/3	20/–	4 a	6 b Dorman Long £1	23/10½	24/7½	8 2 5
56/6	41/9	10 b	5 a Guest Keen N'fold.£1	47/6	50/–	5 8 0h
76/4½	50/6	†5 b	†4 a Alfred Herbert £1	58/–	60/7½	5 2 0
59/–	40/–	7 b	4 a Metal Box £1	42/9	44/3	4 19 5
34/–	19/–	3 a	8 b Stewarts & Lloyds.£1	22/3	24/–	9 3 5
81/–	52/–	11 b	5 a Swan Hunter £1	54/3	53/3	6 0 4
50/6	36/–	8½ a	4 a Unit. Steel.....£1	20/–	20/7½	11 3 0
24/1½	18/–	4 a	2½ a Vickers £1	30/1½	30/3	6 12 3
46/–	29/3	7½ b	ELECTRICAL			
72/3	47/6	15 c	7½ a Assoc. Elec. Inds...£1	48/6	50/6	5 18 10
55/–	39/4½	8½ b	4 a Br. Ins. Callenders.£1	41/9	42/6	5 17 8
14	9	14 a	29½ b Decca Record 4/–	25/9	26/6	6 12 0
36/3	24/–	15 c	15 c Elect. & Mus. Inds.10/–	30/9	31/9	4 14 6
64/9	47/3	10 b	4 a English Electric ...£1	47/3	48/–	5 16 7
59/–	37/9	8 b	3½ a General Electric ...£1	38/3	33/6	6 17 5
			TEXTILES			
24/1½	14/–	3 a	6 b Bradford Dyers....£1	15/6	15/9	11 8 6
28/–	21/1½	6½ b	2½ a Coats, J. & P. £1	21/1½	21/3	8 4 10
37/9	20/10½	6 b	3 a Courtaulds £1	21/3	21/9	8 5 7
38/7½	31/10½	5 a	12½ b Lancashire Cotton..£1	32/1½	32/1½	10 17 10
41/7½	30/10½	12½ b	2½ a Patons & Baldwins.£1	31/10½	32/7½	9 3 2
			SHOPS & STORES			
24/6	13/9	16 c	3 a Boots Pure Drug..5/–	20/–	20/9	3 17 2
42/10½	31/4½	7½ a	20 b Debenhams 10/–	37/6	37/7½	7 6 3
55/7½	33/3	50 b	15 a Gt. Universal 'A'..5/–	39/–	39/10½	3 3 0
57/3	30/3	20 b	10 a Marks & Spen. 'A' 5/–	40/9	42/10½	3 10 0
30/3	19/3	20 b	12½ a United Drapery...5/–	23/9	24/6	6 12 7
49/–	37/10½	13½ a	26½ b Woolworth.....5/–	38/–*	38/7½*	5 3 8
			SHIPPING			
11 b	6½ a		Brit. & Com'wealth 10/–	32/6	32/3	5 8 6
27/9	17/6	8 b	2 a Cunard £1	18/–	18/–	11 2 2
48/10½	28/3	9½ c	10½ c Furness Withy.....£1	27/3	28/9	7 10 3
38/–	23/9	5 b	3 a P. & O. Deferred...£1	22/3	24/6	6 10 8
			MISCELLANEOUS			
36/10½	24/9	22½ c	9 a Allied Bakeries 'A' 5/–	27/3	28/3	5 6 0h
50/3	29/9	6 b	3 a Assoc. Port. Cem...£1	32/–	34/6	5 4 5
27/9	18/6	12½ c	22 a Beecham Group...5/–	26/10½	29/3	5 18 0
41/9	26/3	8 b	4½ a Bowater Paper £1	27/9	30/3	8 5 2
68/10½	38/–	8 b	4 a Br. Aluminium £1	44/3	44/9	5 7 3
46/4½	35/–	†15 c	†9½ a Br. Amer. Tob. ...10/–	39/7½	41/6	6 5 10
25/–	17/4½	17½ b	7½ a B.E.T. 'A' Defd...5/–	20/–	22/3	5 12 5
39/–	29/6	6 b	4 a Br. Oxygen £1	29/6	29/6	6 15 8
21/10½	15/3	7½ b	3 a Dunlop Rubber..10/–	16/–	16/4½	6 8 2
46/6	36/1½	6 b	4 a Imp. Chemical.....£1	38/9	40/–	5 0 0
50/6	36/–	8½ a	11½ b Imp. Tobacco £1	40/7½	40/–	10 0 0
36/9	27/3	2½ a	5 b J. Lucas (Inds.)....£1	28/3	29/10½	5 0 5
19/3	12/4½	2½ c	5 a Monsanto Chem...5/–	13/6	14/–	4 16 5
18/3	13/9	5 a	5 b Ranks.....10/–	14/–	14/7½	6 16 10
55/6	29/9	10 b	5 a A. E. Reed.....£1	29/9	30/6	9 16 10
15/10½	11/3	20 c	22½ c Sears Holdings 'A' 5/–	12/9½	13/–	8 12 6
70/3	54/10½	4½ a	12 b Tate & Lyle.....£1	52/10½	54/1½	6 2 0
70/9	50/–	7½ a	7½ b Tube Investments..£1	50/9	51/9	5 16 0
73/6	51/–	2½ a	12½ b Turner & Newall...£1	56/3	57/6	5 4 5
114/6	71/9	11½ b	6 a Unilever Ltd.....£1	77/–	79/7½	4 8 0
102/–	66/6	14½ b	4 a Utd. Dominions Tr..£1	81/–	81/–	4 11 2
44/–	27/6	†10 b	†4½ a United Molasses .10/–	26/3	27/3	9 0 10
			OIL			
173/7½	87/6	†10 b	†5 a British Petroleum..£1	91/10½	90/7½	5 15 3
119/4½	70/7½	17½ b	†5 a Burmah £1	71/3	70/7½	6 7 5i
£25	£14⅛	17½ b	7½ a Royal Dutch....20 fl.	£15‖	£15⅝	3 3 0
218/3	136/10½	†15¾ b	†5 a Shell £1	140/7½	143/9	4 14 10
104/–	55/–	...	... Ultramar 10/–	57/3	57/6	...
			MINES, ETC.			
137/6	115/–	50 b	20 a Anglo-American .10/–	116/3	116/3	6 0 5
29/–	20/3	†2½ a	†10 b Cons. Tea & Lands..£1	20/6	20/6	21 3 5
92/6	48/6	15 b	6½ a Cons. Zinc Corp. ...£1	47/6	48/6	8 15 3
113/11½	81/3	120 b	80 a De Beers Def. Reg. 5/–	88/9	90/7½	11 7 0
83/11½	58/7½	...	20 a Free State Geduld..5/–	76/3‖	77/6§	...
12/10½	7/3	30 c	10 a London Tin 4/–	7/–	7/4½	16 5 5
56/7½	45/–	50 a	50 b President Brand ..5/–	47/10½	47/9	10 9 5
24/9	13/10½	8½ a	16½ b Rho. Selection Tst. 5/–	14/–	14/10½	8 8 0j
42½	23½	50 a	17½ b Rhokana Corp. £1	21½	22½	10 2 3j
55/–	41/–	30 b	12½ a United Sua Betong.£1	49/9	49/–	17 6 10
88/4½	58/1½	40 a	60 b Western Holdings .5/–	84/4½	87/6	5 14 3

New York Closing Prices

	Jan. 29 $	Feb. 5 $		Jan. 29 $	Feb. 5 $		Jan. 29 $	Feb. 5 $
Alumin'm Ltd.	29⅞	29⅝	Crown Zeller..	48⅞	47⅞	Penns. R.R...	13⅝	13
Am. Smelting	38⅛	40⅜	DuPontdeNm.	185⅞	187⅛	Sears Roebuck	26½	27½
Amer. Tel. ...	171⅛	172⅜	Ford Motors..	40⅞	41⅛	Shell Oil	60⅞	63
Am. Viscose..	27⅛	28⅛	Gen. Elect....	63⅞	63⅝	Std. Oil of N.J.	51⅞	50½*
Anaconda	43⅜	44⅞	Gen. Motors..	35⅞	35⅞	U.S. Steel....	56⅜	57⅛
Beth. Steel...	39⅝	40⅜*	Int'l. Nickel..	74⅛	76⅛	Western Union	17⅛	17⅜
Can. Pacific ..	25	25	National Dist.	22⅛	23	West'house E.	63⅞	64⅛*
Chrysler	55⅛	55	N.Y. Central ..	15⅜	15½	Woolworth...	42¼	42⅜*

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 100%. (e) To earliest date. (f) Flat yield. (g) On 24 %. (h) On 13½%. (i) On 22½%. (j) After Rhodesian tax. (k) On 30% (l) To latest date. (m) On 13⅓%.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared.

World Trade ..... January 18th

British		Overseas	
Prices and Wages	This week	Western Europe:	
Production and Consumption	Jan. 11th	Production and Trade	Feb. 1st
Manpower	Jan. 25th	British Commonwealth	Jan. 11th
External Trade	Feb. 1st	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	Jan. 25th
Industrial Profits	Jan. 18th	United States	This week

Prices and Wages

	Unit	1955	1956	1957	1957 Jan. 22	1957 Jan. 29	1957 Feb. 5	1958 (a) Jan. 14	1958 (a) Jan. 21	1958 (a) Jan. 28	1958 (a) Feb. 4
		mid-June									
WORLD PRICES											
Commodity Price Indicator:	1952=100	93	91	94	99	97	95	86	86	85	85
All items	"	92·0	90·8	93·8	103·8	100·7	99·0	94·2	95·8	94·3	93·6
Food	"	83·2	81·5	95·9	93·8	92·7	91·1	83·0	82·8	81·9	81·2
Fibres	"	95·7	95·6	79·7	95·0	94·1	92·1	67·6	66·8	66·7	67·4
Metals	"	106·9	96·1	99·2	99·9	100·5	99·4	97·2	96·8	95·4	96·1
		Monthly averages			1956			1957			
BRITISH WHOLESALE PRICES		1955	1956	1957	Oct.	Nov.	Dec.	Sept.	Oct.	Nov.	Dec.
Materials used in:	June 30, 1949=100	152·4	156·2	154·7	155·4	159·3	161·6	151·2	148·8	145·2	144·2
Non-food manufacturing (excl. fuel)	"	168·1	177·3	183·9	177·8	178·6	181·0	187·5	187·0	186·9	186·6
Mechanical engineering	"	185·7	190·0	181·7	185·8	186·6	187·8	189·7	179·4	179·5	178·4
Electrical machinery	"	137·3	142·4	145·9	143·1	143·3	144·5	148·0	147·9	147·7	147·0
Building and civil engineering	"	137·1	142·3	145·4	143·2	143·4	144·6	146·9	146·9	146·6	146·2
House building	"										
Products of:	"	129·6	135·6	139·9	136·5	136·7	137·5	141·3	141·6	141·6	141·6
Non-food manufacturing (excl. fuel)	"	143·9	148·1	156·2	150·9	151·7	154·3	153·5	151·2	150·9	152·0
Food manufacturing											
Commodities:	"	140·7	154·0	146·2	153·5	157·1	159·9	140·2	137·8	131·8	129·5
Cotton, raw	"	142·0	145·3	161·3	152·8	158·3	161·2	157·6	148·5	140·8	130·4
Wool, raw	"	329·9	284·2	260·8	268·6	309·8	321·3	250·8	248·6	229·0	244·7
Rubber, No. 1 RSS, one month future	"	154·9	155·9	156·1	155·4	155·9	155·8	155·0	156·0	156·0	156·1
Softwood, imported	"	295·7	230·5	189·0	242·9	239·5	234·9	167·8	160·2	161·4	155·8
Copper, ex-warehouse											
UK RETAIL PRICES	Jan. 17, 1956=100										
All items(b)	"	...	102·0	105·8	102·7	103·1	103·4	105·1	107·1	107·7	108·2
Food	"	...	102·2	104·9	101·8	102·5	102·3	104·3	104·7	104·8	106·0
All items	1953=100	242	254	263	256	257	257	264	267	268	269
Food	"	257	269	276	268	270	269	276	275	276	279
Rent and rates	"	138	145	155	147	148	148	156	161	163	165
Clothing	"	256	263	257	264	264	264	268	269	269	269
Fuel and light	"	228	251	268	254	259	263	271	273	286	287
Household durable goods	"	283	308	308	309	309	309	307	309	309	309
Drink	"	260	264	272	268	268	268	273	276	276	276
Tobacco	"	389	411	421	418	418	418	428	428	428	428
Purchasing power of £ (based on all consumer spending)	1938=100	39	38	36	38	37	37	36	36	36	36
UK TERMS OF TRADE											
Import prices:	1954=100	103	105	107	106	107	109	104	103	103	101
All items	"	101	101	101	103	104	106	109	98	96	96
Food, drink and tobacco	"	104	105	110	107	109	109	107	107	107	104
Basic materials											
Export prices:	"	102	106	111	107	107	108	112	111	111	111
All items	"	102	106	109	107	105	103	111	111	111	111
All manufactures	"	104	112	115	111	112	114	116	117	117	117
Metals	"	103	107	112	109	109	110	114	113	114	115
Engineering products	"	100	99	101	100	98	99	102	101	102	102
Textiles (excluding clothing)											
Terms of trade:	"	101	99	96	99	100	101	93	93	93	91
Ratio of import to export prices											
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	127·7	157·0	112·7	153·6	171·4	189·4	81·6	80·7	82·3	71·6
UK WAGES											
Weekly wage rates:	Jan. 31, 1956=100										
All workers(c)	"	...	101·7	110·0	105·0	105·3	105·4	111·5	111·8	111·9	112·1
Men	"	...	104·7	110·0	105·0	106·2	106·3	111·5	111·8	111·9	112·0
Women	Sept., 1939=100	...	104·2	109·7	105·9	106·2	106·3	111·1	111·4	111·8	112·1
All workers		252	272	286	275	276	277	290	291	291	291
Weekly earnings: (d)											
All workers	s. d.	187 2	209 8	...	209 8	...	...	204 7[e]	...	...	...
Men	"	222 11	237 11	...	237 11	...	...	241 6[e]	...	...	...
Women	"	115 5	123 2	...	123 2	...	...	125 10[e]	...	...	...
	Oct., 1938=100										
All workers		351	377	...	377	...	...	384[e]	...	...	...
Men	"	323	345	...	345	...	...	350[e]	...	...	...
Women	"	355	379	...	379	...	...	387[e]	...	...	...

(a) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (b) The interim index of retail prices has been linked back to 1933 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (c) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (d) Surveys made twice a year; annual figures relate to October survey. (e) Figures relate to April survey. (f) Revised figures for December 31st were: all items 86 and food 93·0.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices: All commodities	Wholesale prices: Farm products	Consumer prices: All items	Consumer prices: Food	Consumer prices: Clothing	Consumer prices: Housing	External prices: Import	External prices: Export	External prices: Terms of trade	Stock prices: Composite index	Average weekly earnings in manufacturing: At current prices	Average weekly earnings in manufacturing: At 1957 prices
	1947-49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	48·20
1956	114·3	88·4	116·2	111·7	105·5	121·7	123	107	115	345·0	79·99	82·63
1957	117·6	90·9	120·2	115·4	106·9	125·6	...	...	...	331·4	82·46	82·46
1957, August	118·4	93·0	121·0	117·9	106·6	125·7	122	111	110	343·2	82·80	82·14
" September	118·0	91·0	121·1	117·0	107·3	126·3	124	112	111	327·9	82·99	82·25
" October	117·8	91·5	121·1	116·4	107·7	126·6	...	...	...	306·4	82·56	81·82
" November	118·1	91·9	121·6	116·0	107·9	126·8	...	...	...	301·8	82·92	81·66
" December	118·4	92·6	121·6	116·1	107·6	127·0	...	...	...	298·5	82·92	...

PRODUCTION AND MANPOWER

	Gross national product: Seasonally adjusted annual rate	Total industrial production	Manufacturing production: Durable goods: Total	Durable goods: Metals	Durable goods: Vehicles, etc.	Non-durable goods: Total	Non-durable goods: Textiles, clothing	Non-durable goods: Chemicals and petroleum products	Building: New construction; seasonally adjusted annual rates	Civilian employment [1]: Total labour force	Civilian employment [1]: Total employment	Civilian employment [1]: Unemployed as % of labour force
	$ billion	Index 1947-49=100; seasonally adjusted							$ billion	thousands		% rate
1939	91·1	58	49	54	47	66	80	49	8·2	55,230	45,750	17·2
1956	414·7	143	159	138	199	129	108	167	46·1	67,530	64,979	3·8
1957	433·9	143	159	132	211	130	104	172	47·3	67,946[1]	65,011[1]	4·3[1]
1957, August	439·0[p]	145	162	136	209	131	105	174	47·3	68,994	66,385	3·8
" September		144	159	131	205	132	107	174	47·7	68,226	65,674	3·7
" October		141	154	128	200	130	103	173	48·8	68,513	66,005	3·7
" November	433·0	139	153	121	201	128	99	171	48·5	68,061	64,873	4·7
" December		136	148	111	195	127	97	171	48·6	67,770	64,396	5·0

TRADE

	Personal consumption Annual rates	All business [2]: Sales	All business [2]: Stocks	Total retail [2]: Sales	Total retail [2]: Stocks	Imports for US consumption: Total	Imports for US consumption: Crude materials	Imports for US consumption: Semi-manuf'res.	Exports of US merchandise: Total	Exports of US merchandise: Finished goods	Volume of trade: Imports	Volume of trade: Exports
	$ billion; seasonally adjusted					$ million					1948=100	
1939	67·6	10·8	20·1	3·5	5·5	190	62	41	260	139	76	53
1956	267·2	54·8	89·1	15·8	23·9	1,643	256	250	1,589	911	143	141
1957	280·4	...	...	16·7	...	...	...	...	...	...	...	...
1957, July	283·6	57·4	91·0	17·0	24·1	1,138	290	248	1,675	995	154	147
" August		57·0	91·3	17·0	24·3	1,044	281	234	1,665	1,007	143	145
" September		56·3	91·3	16·9	24·4	1,010	279	220	1,527	883	137	132
" October		55·7	91·1	16·7	24·2	1,152	296	245	1,659	970	131	143
" November	282·5	54·9	90·9	16·6	24·3	1,037	244	218	1,667	1,005	...	...
" December		...	...	16·7	...	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income: Total	Personal income: Labour income	Personal income: Farm income	Consumer credit: Total	Consumer credit: Instal-ment	Banking statistics [3]: Invest-ments	Banking statistics [3]: Loans	Budget expenditure [4]: Total	Budget expenditure [4]: Surplus or deficit	Bond yields: 3-month Treasury bills	Bond yields: Taxable Govt. bonds [5]	Bond yields: Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion end of period		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	— 3·9	0·023	...	3·01
1956	326·9	234·8	11·6	42·10	31·83	74·8	90·3	66·5	+ 1·6	2·658	3·08	3·36
1957	342·9	246·6	11·6	44·20	34·10	75·6	93·9	69·4	+ 1·6	3·267	3·47	3·89
1957, July	346·2	248·8	12·0	42·59	32·97	73·0	92·3	6·3	— 3·3	3·165	3·60	3·99
" August	346·8	249·7	11·7	43·13	33·30	73·1	92·8	5·9	— 0·8	3·404	3·63	4·10
" September	346·6	249·5	11·7	43·27	33·42	72·9	93·4	5·7	+ 1·6	3·578	3·66	4·12
" October	345·9	248·1	11·4	43·27	33·50	74·9	93·0	6·5	— 3·4	3·691	3·73	4·10
" November	345·4	247·5	11·4	43·53	33·60	74·3	93·0	5·8	— 1·0	3·337	3·57	4·08
" December	342·8	246·8	11·7	44·80	34·13	75·6	93·9	5·8	+ 0·1	3·102	3·30	3·81

(1) 1939 figures calculated on the basis of a smaller sample. From January, 1957, as a result of a change in definition some 200,000 to 300,000 persons temporarily laid off or waiting to start new jobs formerly classed as employed are subsequently classed as unemployed. (2) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (3) All commercial banks. (4) Annual figures are total for the fiscal year ended June 30th. (5) Figure for third quarter. (6) Bonds due or callable from 10 to 20 years.

Financial Statistics

EXCHEQUER RETURNS

For the week ended February 1st, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £136,499,000 compared with a surplus of £124,694,000 in the previous week and a surplus of £119,510,000 in the corresponding period of last year. There was a net expenditure "below-line" of £9,873,000, leaving a total deficit from April 1st of £432,233,000 (£463,068,000 in 1956–57).

£'000	Estimate, 1957-58	April 1, 1956, to Feb. 2, 1957	April 1, 1957, to Feb. 1, 1958	Week ended Feb. 2, 1957	Week ended Feb. 1, 1958
Ord. Revenue					
Income Tax	2176,250	1457,791	1470,069	131107	134011
Surtax	149,000	103,800	99,700	7,500	9,500
Death Duties	170,000	139,800	143,000	6,000	7,700
Stamps	60,000	52,000	55,200	1,500	1,600
Profits Tax, EPT & EPL	255,000	171,550	218,300	2,500	3,100
Other Inland Rev. Duties	500	410	350	...	...
Total Inland Rev.	2810,750	1925,351	1986,619	148607	155911
Customs	1204,250	1007,976	1019,257	22,941	22,123
Excise	912,850	733,294	753,460	28,303	27,020
Total Customs and Excise	2117,100	1741,270	1772,717	51,244	49,143
Motor Duties	93,000	79,639	92,951	4,030	10,274
					Dr.
PO (Net Receipts)	20,000	7,350	4,000	1,650	*1,400*
Broadcast Licences	31,000	23,300	25,500	3,700	4,300
Sundry Loans	32,000	30,917	29,404	...	...
Miscellaneous	185,000	151,952	148,923	1,505	9,099
Total	**5288,850**	**3959,779**	**4060,114**	**210736**	**227327**
Ord. Expenditure					
Debt Interest	640,000	589,056	525,897	...	...
Payments to N. Ireland Exchequer	69,000	52,025	55,352	...	385
Other Cons. Fund	10,000	8,582	8,562	239	459
Supply Services	4072,282	3295,787	3343,568	90,986	89,843
Total	**4791,282**	**3945,451**	**3933,379**	**91,226**	**90,687**
Sinking Funds	38,000	28,081	28,407	...	140
"Above-line" Surplus or Deficit	**—13,753**	**+98,328**	**+119510**	**+136499**	
"Below-line" Net Expenditure	449,315	530,561	5,692	9,873	
	—		+	+	
Total Surplus or Deficit	**463,068**	**432,233**	**113818**	**12662**	
Net Receipts from:					
Tax Reserve Certificates	32,638	44,792	—6079	—29102	
Savings Certificates	61,900	—11,100	6,500	— 4,500	
Defence Bonds	—34,569	—31,365	13	—1051	
Premium Savings Bonds	57,100	66,710	1,900	1,850	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
Feb. 2	3,120·0	1,507·0	204·9	...	4,831·9
Nov. 2	3,170·0	1,774·6	190·1	2·8	5,137·4
„ 9	3,210·0	1,744·6	201·7	...	5,156·3
„ 16	3,260·0	2,188·8	231·9	...	5,680·7
„ 23	3,300·9	2,158·2	197·0	...	5,655·2
„ 30	3,340·0	2,148·6	182·5	4·8	5,675·9
Dec. 7	3,380·0	2,140·3	189·2	6·0	5,715·5
„ 14	3,410·0	2,181·2	193·6	...	5,784·8
„ 21	3,440·0	2,228·1	192·4	...	5,860·4
„ 30		5,684·7	218·4	...	5,903·1
1958					
Jan. 4	3,450·0	2,248·9	228·5	...	5,927·4
„ 11	3,410·0	2,192·2	237·0	...	5,839·2
„ 18	3,370·0	1,714·9	250·3	...	5,335·2
„ 25	3,300·0	1,707·9	208·4	4·8	5,221·0
Feb. 1	3,220·0	1,768·6	179·1	...	5,167·7

THE MONEY MARKET

THE Treasury Bill rate fell exceptionally steeply at the tender on Friday of last week. The discount houses raised their common bid by 10d., to £98 9s. 5d. per cent, marking a reduction in the discount rate of 3s. 4d. per cent. The move was larger than had been expected by outside applicants; so that although applications were unchanged at £421 million for an allotment cut by £20 million to £210 million, the allotted portion of bids at the common price rose from 24 to 44 per cent. The average rate of discount on the whole allotment fell by just 3s. per cent, to £6 2s. 6.5d. per cent.

At yesterday's tender the offer was restored to £230 million; if this is fully allotted, it will fall short of next week's maturities by £40 million; this week the excess of maturities has been £60 million.

The discount market was in the Bank on three days in the week to Wednesday. On Thursday of last week the amount of penal borrowing was small, by dint of fairly large special help given to the market, and on Friday, when small repayments were due, the loans at Bank rate were smaller still. But on Monday the Bank gave no special help and nearly the whole market was forced into the Bank, for a moderate amount. Wednesday's Bank return shows a rise of discounts and advances on the week by £20.6 million, to £45.9 million; probably rather more than half of this represents net borrowing by the discount houses.

LONDON MONEY RATES

	%		%
Bank rate (from 5% 19/9/57)	7	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	6⅛–6⅛
Bank	5	3 months	6⅛–6⅛
Discount houses	5	4 months	6⅛–6⅛
Money		6 months	6⅛–6⅛
Day-to-Day	5½–6	Fine trade bills:	
Short periods	5¾	3 months	7½–8
Treas. bills 2 months	6⅜	4 months	7½–8
3 months	6⅜	6 months	7½–9

BANK OF ENGLAND RETURNS

(£ million)	Feb. 6, 1957	Jan. 29, 1958	Feb. 5, 1958
Issue Department:*			
Notes in circulation	1,863·1	1,957·2	1,959·3
Notes in banking dept.	62·2	43·2	41·1
Govt. debt and securities*	1,921·3	1,996·2	1,996·2
Other securities	0·7	0·8	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	14·1	12·2	11·2
Bankers	228·0	205·1	201·8
Others	73·1	74·6	73·4
Total	315·2	291·9	289·4
Securities:			
Government	229·3	218·0	197·4
Discounts and advances	22·5	25·3	45·9
Other	17·6	21·4	21·0
Total	269·4	264·7	264·3
Banking department reserve	64·2	45·6	43·4
	%	%	%
"Proportion"	20·3	15·6	15·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issues reduced to £2,000 million from £2,050 million on January 22nd, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Amount (£ million): Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
1957	*91 Day*		s. d.	%
Feb. 1	190·0	384·1	90 10·07	21
	91 Day / *63 Day*			
Nov. 1	220·0 / 40·0	419·3	131 10·53	47
„ 8	230·0[1] / 40·0	434·0	131 8·42	29
„ 15	210·0 / 40·0	426·1	131 7·45	23
„ 22	210·0 / 50·0	423·6	129 5·71	47
„ 29	230·0 / 50·0	390·2	129 2·27	61
Dec. 6	240·0[1] / 50·0	430·7	129 1·45	39
„ 13	230·0 / 50·0	414·8	129 1·21	45
„ 20	220·0 / 50·0	403·9	128 9·94	52
	91 Day			
„ 27	260·0	409·2	127 5·91	54
1958				
Jan. 3	260·0	405·7	126 6·70	55
„ 10	260·0	398·7	126 7·25	45
„ 17	260·0[2]	403·8	125 10·33	52
„ 24	230·0	421·0	125 6·56	24
„ 31	210·0	421·2	122 6·50	44

* On January 31st tenders for 91 day bills at £98 9s. 5d. secured 44 per cent, higher tenders being allotted in full. The offering this week was for £230 mn. at 91 day bills. [1]Allotment cut by £10 mn. [2]Allotment cut by £20 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: February 5	Market Rates: Spot: January 30	January 31	February 1	February 3	February 4	February 5
United States $	2·78–2·82	2·81⅛–2·81⅜	2·81⅜–2·81½	2·81⅛–2·81⅜	2·81⅜–2·81⅝	2·81½–2·81⅝	2·81⅜–2·81⅝
Canadian $		2·76 7/16–2·76 9/16	2·76 7/16–2·76⅝	2·76⅛–2·77	2·77⅛–2·77⅜	2·77 5/16–2·77 7/16	2·77⅛–2·77⅜
French Fr.	1167·18–1184·82	1178–1178½	1178–1178½	1177½–1177¾	1179½–1180½	1180½–1181½	1180½–1181½
Swiss Fr.	12·15⅜–12·33⅝	12·26–12·26¼	12·25–12·26¼	12·26–12·26¼	12·26¼–12·26¾	12·27–12·27¼	12·27¼–12·27½
Belgian Fr.	138·95–141·05	139·40–139·45	139·42½–139·47½	139·42½–139·47½	139·52½–139·57½	139·57½–139·62½	139·55–139·60
Dutch Gld.	10·56–10·72	10·58½–10·58⅝	10·59–10·59½	10·60–10·60½	10·60½–10·61	10·61½–10·62	10·61½–10·62
W. Ger. D-Mk.	11·67⅞–11·84⅛	11·77½–11·77⅝	11·77½–11·77⅝	11·77½–11·77⅝	11·77½–11·77⅝	11·77½–11·77⅝	11·77½–11·77⅝
Portuguese Esc.	79·90–81·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15
Italian Lire	1736½–1762½	1750–1750½	1749–1749¼	1748½–1748⅝	1748½–1749¼	1749½–1749¾	1749½–1749¾
Swedish Kr.	14·37½–14·59⅜	14·49¼–14·49½	14·49⅜–14·49⅝	14·49⅜–14·49⅝	14·49⅜–14·50	14·49⅝–14·50⅛	14·50–14·50⅜
Danish Kr.	19·19½–19·48½	19·36⅜–19·36⅝	19·36¼–19·36½	19·36¼–19·36½	19·36⅛–19·36⅜	19·36⅛–19·36⅜	19·36⅜–19·36⅝
Norwegian Kr.	19·85–20·15	20·01–20·01¼	20·01–20·01⅛	20·01⅛–20·01¼	20·01⅛–20·01⅜	20·01⅛–20·01⅜	20·01⅛–20·01⅜
One Month Forward Rates							
United States $		⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm
Canadian $		5/16–⅜c. pm	⅜–7/16c. pm	⅜–7/16c. pm	⅜–7/16c. pm	⅜–7/16c. pm	⅜–7/16c. pm
French Fr.		1 pm–1 dis	¼ pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm par	1 pm par
Swiss Fr.		3½–3c. pm	3½–3c. pm	3½–3c. pm	3½–3c. pm	3½–3c. pm	3½–3c. pm
Belgian Fr.		¼ pm par	⅜ pm par	⅜ pm par	⅜ pm par	¼ pm par	¼ pm par
Dutch Gld.		1½–1¼c. pm	1½–1¼c. pm	1½–1¼c. pm	1½–1¼c. pm	2–1¼c. pm	2–1¼c. pm
W. Ger. D-Mk.		3–2½pf. pm	3–2½pf. pm	3–2½pf. pm	3–2½pf. pm	3 2½pf. pm	3½–2½pf. pm
Italian Lire		2 pm–par	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis
Swedish Kr.		2–1o pm	2–1⅝ pm	2–1⅝ pm	2–1⅝ pm	2–1o pm	2–1⅝ pm
Danish Kr.		4–2⅝ pm	4–2⅝ pm	4–2⅝ pm	4–2⅝ pm	4–2⅝ pm	4–2⅝ pm
Norwegian Kr.		2⅝ pm–par	2⅝ pm–par	2⅝ pm–par	2⅝ pm–par	2⅝ pm–par	2⅝ pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		248/10½	249/2½	...	249/1½	249/0½	249/1

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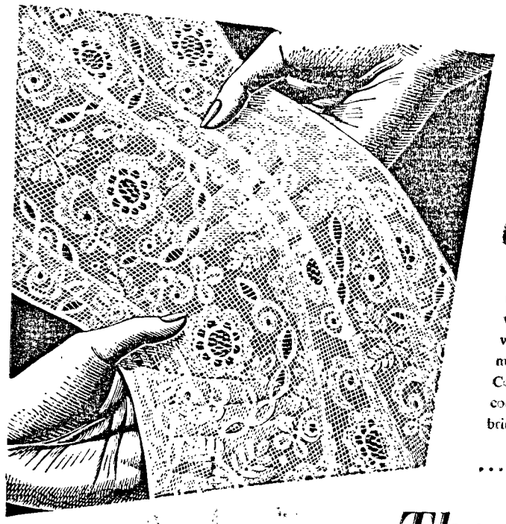
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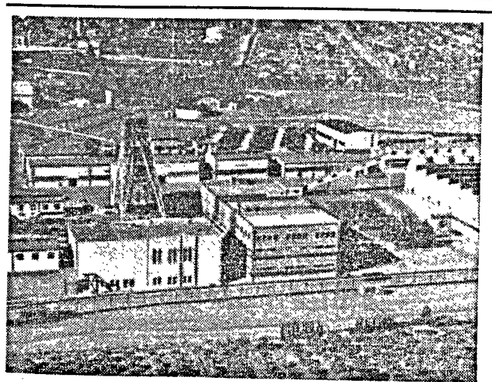
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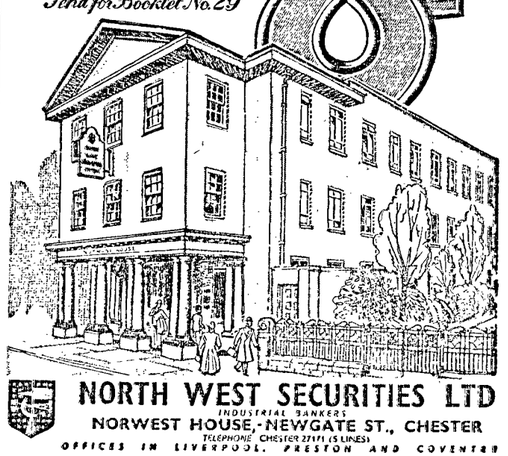
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COMPANY MEETINGS

COLVILLES LIMITED

PRODUCTION COMMENCED AT THE NEW RAVENSCRAIG WORKS

CONSTRUCTION RECORD ONE OF REMARKABLE PERFORMANCE AND ACHIEVEMENT

SIGNIFICANT INCREASE IN SPECIAL STEEL DELIVERIES

SUBSIDIARY COMPANIES REACH NEW HEIGHTS IN OUTPUT AND EARNINGS

SIR ANDREW McCANCE ON DISSERVICE TO THE INDUSTRY OF NATIONALISATION THREATS

The twenty-seventh annual general meeting of Colvilles Limited was held on February 7th at Glasgow.

The following is the circulated statement by Sir Andrew McCance, DL, DSc, LLD, FRS, chairman and managing director, for the year to September 30, 1957:

INTRODUCTION

The first stage of the new integrated steelworks at Ravenscraig has been completed and production commenced during the financial year under review.

At the beginning of 1954 the detailed schedules for the construction of this scheme were prepared and it was our hope that production at the coke ovens and blast furnace would commence in July, 1957, and that steel production would follow a short time later. In fact, the coke ovens produced their first charge of coke in July, the blast furnace made its first tap of molten iron on August 2nd and the melting shop its first cast of steel on September 6th.

Looking back on all the difficulties which had to be faced and surmounted during the construction period of thirty-four months, the record is one of remarkable performance and achievement. The necessities of a closely scheduled plan of construction made demands on everyone associated with the scheme which were often arduous, but enthusiasm and goodwill have been maintained throughout in the most gratifying manner. The Board has already recorded its appreciation of the way in which the engineering directors and staff in charge of operations at Ravenscraig have designed and planned these works and the manner in which the major contractors have co-operated with us in ensuring this excellent result.

I am glad to state that production has proceeded smoothly and effectively and only minor adjustments have been found necessary. It is clear that outputs from the blast furnace and melting shop have been conservatively rated since the targets set for these units have already been exceeded.

Since the Directors' Report was written, agreement was reached after prolonged negotiations extending over ten months with regard to the manning and wage rates for the ore unloading plant at General Terminus and the plant went into operation on January 7, 1958. Without this expansion of the facilities at Glasgow Docks, the discharge of the increased tonnage of iron ore required for additional blast furnaces at Ravenscraig would not have been possible.

The other works of the Parent Company are actively employed. Demand for our products continues and while in the main this is based on standard qualities, there has been a significant increase in deliveries of special steels in the development of which we continue to hold a leading position. We are making a notable contribution to the nuclear power plant programme in the supply of special steel plates of large dimensions, for the production of which we have unique facilities.

ACCOUNTS

The share and debenture capital of the Company previously issued is now fully paid, the outstanding balances of £3 million on the 5½ per cent cumulative preference shares and of £9 million on the 4½ per cent debenture stock having been received from the Iron and Steel Holding and Realisation Agency during the financial year under review.

As the first stage of the development programme came into production this year, the accrued expenditure on additions to our productive capacity amounting to £22,381,244 has been transferred in the balance sheet from the category of development expenditure and work in progress to fixed assets.

To enable the new plant at Ravenscraig to make a start, adequate initial stocks of coal, iron ore, and scrap had to be provided. The need for this provision and the increases in the prices of all raw materials which occurred during the period account for the increase of £5,976,751 in the value of the stocks held by the Group to £19,654,767. The greater output of steel this year has also required somewhat larger stocks than were necessary in former years.

The additional blast furnace with its coke ovens will bring about a beneficial change in the position of raw material supplies to the Company. It will reduce the dependence on outside supplies of pig iron and will substantially lessen the dependence on supplies of imported scrap—a market which has always been subjected to unpredictable fluctuations. The by-product gases, both from the blast furnace and coke ovens, will be usefully employed in the steel works effecting a desirable saving in fuel. As a consequence of this changed position, steps are being taken to reduce stocks to obtain the advantage of a reduction in the finance required as working capital.

Following the commencement of active production at Ravenscraig, provision must be made for depreciation on the new plant and this has increased the allowance for depreciation in the accounts to £2,092,102. In addition the Board has thought it desirable to write off certain expenditure incurred in the course of our development schemes not now represented by productive assets. Such items as temporary staging to facilitate construction, temporary roads, etc., have therefore been written off as additional depreciation, the sum involved amounting to £750,075.

As most of the contracts for our new plant were placed before the withdrawal of investment allowances, the provision for income tax this year, in spite of the improved trading results, only exceeds the amount provided last year by £317,847.

As a contribution to the replacement of assets, the cost of which cannot be recovered from a system of depreciation allowances based on historical cost, the Board has transferred £2 million to capital reserve which will now stand at £8,076,034. It is also proposed that the general reserve be increased by £2 million from the unappropriated balance leaving £1,545,268 to be carried forward by the Parent Company.

The statement contained in the appendix shows that sales, which exclude inter-works transfers, increased by £9,015,000, while costs increased by £7,738,000. Of that increase in costs, raw materials and purchased services accounted for £3,368,000, fuel for £1,481,000 and wages and other costs of employment for £1,134,000.

The increase in the net profits, which I am glad to report, has enabled the Board to recommend that the final dividend be continued at 8 per cent, making with the increased interim dividend of 5 per cent a total of 13 per cent, as compared with 11 per cent for the previous year.

SUBSIDIARY COMPANIES

The activity of the subsidiary companies has been satisfactory throughout the year. New records have been achieved in production and earnings.

As finance for development is provided by the Parent Company, the greater part of the earnings of subsidiaries has been transferred by way of dividend, but small balances have been retained in each case and added to the unappropriated balance carried forward.

Continued progress has been made in the scheme for improving the general works facilities and equipment at The Lanarkshire Steel Company Limited. The electrification of the mills has been completed with marked economy in operating costs. The extension and re-arrangement of the cooling banks to cope with larger outputs will be completed in 1958. These changes have been carried through without interfering with the normal production of the mills.

In the early part of the year some recession took place in the demand for alloy steels, particularly from the motor car industry. A substantial recovery has since taken place and production at The Clyde Alloy Steel Com-

pany, Limited, is again normal. The demand for light castings continues unabated and work is fortunately well advanced with the extension to the light foundry which is expected to go into production in 1958. Good progress is also being made with the conversion of Hallside Works of The Steel Company of Scotland, Limited, for the manufacture of alloy steels and with the billet mill for this scheme, which is being constructed at our Mossend Engineering Works.

The demand for light plates and sheets has been maintained but some weakness has been evident in the enquiries for galvanised sheets. Galvanising work for other purposes has remained steady.

As the output of steel increases so also does the demand for ingot moulds. Improved new equipment and an extension to the dressing shop have enabled the Fullwood Foundry Company, Limited, to keep pace with the increase in the number of ingot moulds required within the Group. In recent years the replacement of iron castings by welded fabrication has left its impact on the production of such castings and there is little doubt that this trend in the substitution of one type of manufacture by another will continue. A compensating factor, however, is the constantly increasing demand for iron castings of special and alloy composition and the Fullwood Foundry Company is steadily expanding in this field with marked success.

The facilities of the Colville Constructional Company, Limited, proved a real asset in the design, construction and erection at Ravenscraig of the large new melting shop in which each of the main girders had a weight of 110 tons. It is certainly one of the largest and most massive steel structures erected in Scotland. Other substantial contracts for structural steelwork have been completed for outside clients and this year both the turnover and the profit have achieved new records. The order book is satisfactory and includes, in addition to contracts for structural steel, orders for a number of fabricated stern frames and rudders for the shipbuilding industry and a substantial contract for intricate welded parts for one of the atomic energy power station projects.

Satisfactory trading results have been obtained at the other subsidiary companies with the exception of Carnlough Lime Company, Limited, which has made a small loss. At Carnlough increased transport costs have more than offset the economies of the improved equipment recently installed.

May I at this stage record how sincerely the Board has appreciated the splendid assistance and co-operation which they have received from everyone within the Colville organisation in a year of notable development. The help of the staff and employees in promoting the successful achievements of the Company deserves our profound gratitude and thanks.

PRODUCTION AND COSTS

The production of coke, pig iron and steel during the year under view, already reported, was as follows:

Coke	753,921	tons
Pig iron	789,377	„
Steel	2,095,274	„

This output of steel is a record in the history of the Company and it was achieved with no material assistance from the new melting shop at Ravenscraig which came into production only during the last few weeks of the financial year. The benefit of the additional steelmaking capacity should make its full contribution in the coming year.

As previously forecast, some of the older open hearth furnaces at Dalzell Works, where the equipment is no longer in keeping with modern standards and which are expensive to operate, will now be closed down. The transfer of skilled men from these older plants to the new works was an important matter to which the management gave much attention in order that it should be carried through smoothly and with the minimum dislocation. During the past twelve months the Iron and Steel Board have found it necessary to adjust the prices of all steel products following continued increases in the cost of raw materials, fuel, transport and wages.

From the records of the Company, the cost of the raw materials required in the manufacture of steel are set out expressed as a ratio of similar costs in 1946. The basic steelmaking materials are coking coal, iron ore and scrap and the relative price ratios in 1957 over the 1946 prices taken as 100 were:

Coking Coal	*Imported Ore*	*Scrap*
266	296	397

The base prices for heavy sections and steel plates have advanced within the same period as follows:

Heavy Sections	*Steel Plates*
256	259

Steel prices have been restrained from rising to the same extent as raw material prices by the increase in productivity per man employed. Furnaces of greater capacity, improved mechanical equipment and better technical processes of steelmaking have all made their contribution to this increase. In the Colville steelworks, the ingot output of open hearth steel has risen from 1,410,824 tons in 1946 to 2,006,256 tons in 1956, with an increase in the number of men employed of 325. This greater productivity has enabled all employees to earn substantial increases in their weekly wage.

During that period of ten years the steel industry compares well with other industries in this country in the matter of improved production. Nevertheless in spite of all the efforts which have been made in Britain, other countries have also been advancing so that it is only with difficulty that we have avoided being put in an adverse position in the contest for international markets. The Government have at last and somewhat tardily taken active steps to combat further degeneration in the competitive power of British industries brought about by increasing costs and high taxation. It is earnestly to be hoped that they will persevere in their effort with ultimate success.

DEVELOPMENT

The first stage of the development plan has now been completed and approval has been given to the second stage, which includes the construction at Ravenscraig of a duplicate battery of coke ovens and by-product plant, a second blast furnace, additional steelmaking capacity and a modern slabbing mill. To avoid any interruption in the present output of plates, the construction has been planned in sections, each section replacing existing production units which will be demolished and removed to make way in turn for the next. The new slabbing mill is being erected adjacent to the Ravenscraig melting shop and when this mill is in production the present slabbing mill at Dalzell Works will make way for greatly improved heating and handling facilities to serve the existing plate mill which will be modernised. In addition, at Clydebridge Works a new four-high mill will be erected on a parallel site and go into production before the present mill ceases work. When this second stage is completed plate production will rise from 600,000 to 800,000 tons per annum.

Alterations to the open-hearth furnaces at Clydebridge and the construction of a second blast furnace and an additional steel melting furnace at Ravenscraig will bring the ingot capacity of the Group to 2,500,000 tons per annum. On the Ravenscraig site there is ample ground for even further expansion of pig iron production when the development of coking coal supplies in Scotland makes a further expansion possible.

FINANCE

The estimated cost of the developments which constitute the second stage, including some allowance for increases in the cost of wages and materials, is £33,500,000. In the normal course of construction it is considered that six years would be required for the completion of the whole plan.

As indicated above, however, the plan is divided into several separate sections each of which is distinct in itself and can be dealt with in isolation without impairing the effectiveness of the other parts of the scheme. Your Board has thought that this was a desirable precaution in the light of the circumstances of today.

From the nature of the second stage already outlined, it will be seen to consist partly of replacement of existing facilities and partly of additions to these facilities. Finance for replacement should come from the accumulated reserves of the Company or from the ploughing back of some portion of current profits. Additions to the fixed assets may require additional capital resources.

Your Board decided that the Company should raise further long-term capital in order to meet part of the cost of the second stage of development referred to above. In addition, banking facilities have been arranged to assist in financing the peak requirement which will arise before the new plant becomes revenue earning.

As you are aware, the long-term capital requirements were met by the issue of £6 million 6 per cent Convertible Debenture Stock 1978/81, thus raising the total issued loan and share capital of Colvilles from £24 million to £30 million. This issue was offered at £99 with rights of conversion into ordinary shares in stated proportions during the years from 1959 to 1963. I am glad to advise you that this issue was fully subscribed.

The threat of the Socialist Party to renationalise the steel industry if they were returned to power at the next election has made it more expensive for steel companies to raise the new finance required for expansion. That is one aspect of the disservice to the steel industry and to the country which this threat has caused. It is disturbing to think that in the minds of the Labour leaders this great industry is regarded merely as a pawn in an internal struggle for political leadership.

The events of the last few months have brought home to everyone the delicate balance of our financial and trade position in its relation to that of the rest of the world and how seriously that delicate balance can be affected by a change in world sentiment. Renationalisation can no longer be regarded in isolation as a matter which is solely the concern of the United Kingdom. Other countries have interests and associations with British industry and their relations with us, though cordial and friendly, are bound by no obligation or commitment. A policy of further nationalisation might so turn their sentiment against us that grave financial disturbance could be caused. The financial disturbances of the early 1930s and the mass unemployment to which they gave rise were too profound and devastating to be readily forgotten. We cannot afford to contemplate

policies which carry the risk of bringing back again such conditions.

Let us bear in mind that since the coal industry was nationalised the net export of coal has been practically wiped out and the adverse effect of this has contributed its own weakness to the financial difficulties of our external national balance. That these difficulties were not even greater has been due to the steady improvement in our exports of machinery and engineering goods, all of which depend almost entirely on supplies of iron and steel. In a country like Britain in which only 4 per cent to 5 per cent of the population is engaged in agricultural production, the exchange of exports to provide the food we consume and raw materials required by industry is vital to the standard of living of the working population.

There is no economic argument which justifies nationalisation. The argument based on the need for public supervision has now lost its force. The Iron and Steel Board with its broadly based membership appointed by the Government has shown by its work that it is an effective instrument for the public supervision of the steel industry.

Any arguments for nationalisation are based on the political theories of one Party. Now that the costly consequences of the experiment in nationalisation have been experienced, it would have been thought that even the political justification had become seriously diminished. But, as has been pointed out by many critics, such policies once started force their own continuance because they contain within themselves the elements of dictatorship. I see no difference between such policies and the practice of communism in Soviet Russia where even the trade unions have been nationalised. It is sincerely to be hoped that the politicians who are journeying towards communism, while claiming to oppose it, will pause and reflect before they reach in their journey the point of no return.

APPENDIX

ANALYSIS OF INCOME AND EXPENDITURE

	1957 (£'000)	1956 (£'000)
Income from sales, interest, etc.	77,100	68,085
Cost of materials, trade expenses and services bought	38,126	34,758
Cost of fuel	13,941	12,460
Depreciation	2,842	1,087
Debenture interest ...	166	45
	55,075	48,350
Balance available for wages, salaries, taxation, dividends and re-investment by way of reserves ...	22,025	19,735
Distributed as follows:		
Wages, salaries, national insurance and superannuation contributions	13,148	12,014
Taxation	3,016	2,850
Dividends—Gross ...	1,511	1,155
Reserves	4,350	3,716
	22,025	19,735

NOTE.—Since wages and salaries are paid before deduction of tax, dividends have been treated on the same basis and the amount of taxation has been adjusted accordingly.

Number of Employees, 18,500. Number of Shareholders, 41,000.

THOS. FIRTH & JOHN BROWN LIMITED

SIR JOHN GREEN'S STATEMENT

The seventy-seventh annual general meeting of Thos. Firth & John Brown Limited was held on January 31st at Atlas Works, Sheffield, Sir John Green, JP (the Chairman), presiding.

The following is an extract from his circulated statement:

The Gross Surplus after providing for Directors' remuneration, but before providing for Debenture Interest (£132,075), Depreciation (£568,012), and Additional Depreciation (£601,000) towards the increased cost of replacing Fixed Assets, amounts to £4,838,103. Taxation amounts to £2,113,392.

Your Directors propose to transfer £1,215,000 to General Reserve and to pay a final dividend of 6 per cent on the increased Share Capital (an interim dividend of 4 per cent was paid in July last on the smaller Share Capital), absorbing £392,150.

The Current Assets of the Group now amount to £17,562,731 as compared with Current Liabilities of £6,164,036, giving a cover for the latter of 2.8 times.

CAPITAL EXPENDITURE

During the year £1,688,210 has been spent on Land, Buildings, Plant and Machinery by the Group.

Outstanding Capital commitments already entered into amount to £1,582,000 for the Group.

New major projects which are expected to be authorised during the coming year include additional heat treatment facilities at Thos. Firth & John Brown Limited and William Beardmore & Co. Limited, involving an approximate expenditure of £1 million.

Good progress is being made in the installation of the new Bar Mills at Firth-Vickers Stainless Steels Limited, and the new Continuous Hot Rolling Mill at Shepcote Lane Rolling Mills Limited, is at present undergoing trials.

TRADING CONDITIONS

Throughout the year the Company and its subsidiaries operated practically the whole of the plant at full capacity, and it is satisfactory to report that the turnover of the Group was in excess of the previous year. At the present time the Company's Order Book is still satisfactory.

The year has in many respects been a difficult one. The dislocation and upheaval in trade brought about by the crisis in the Middle East had serious repercussions. The Company had to meet increases in freight and transport charges and raw materials. This was followed by a dispute in the Engineering trade. Although the Strike was not on a national scale, the whole of the works within the Group were affected and were for the most part out of production for two weeks.

The settlement of the dispute was followed by a substantial increase in wages, and whilst certain adjustments in the selling price of some of the Company's products have been made, it has not been possible by any means to recover the increased cost arising from wages and materials.

These mounting costs not only adversely affect the competitive capacity of the Company, but involve a substantial increase in the working capital required to finance Work-in-Progress and the purchase of raw materials.

Although the Company's works have been fully occupied during the year under review, and the Order Book at the moment is satisfactory, there is a distinct slowing down in the pace of new business, the pressure of demand which had been so strongly felt in the economy during the preceding three years having been retarded.

In the export field trading is more difficult and new orders harder to secure, irrespective of selling prices.

NEED FOR PERIOD OF STABILITY

Last year I stressed the need that every effort should be made to bring about a degree of stability in wages and prices as soon as possible. This was not achieved, and the financial measures which the Government have been compelled to take emphasise the gravity of the position. In my view, it is vital that all sections of the community should unitedly endeavour to bring about a prolonged period of stability. Success in such a policy would bring a rich reward. It is only during a period of stability and sustained effort can we ascertain the extent to which increased efficiency at home will off-set the growing competition from abroad and the many other difficulties and problems which have to be met both in the home market and internationally.

Looking ahead, it is necessary for us to keep in mind the fact that all Political Parties in this country are committed to the European Free Trade Area proposals on the broad general ground "that we cannot afford to keep out." The inevitable consequence will be that serious competition will quickly emerge, and this will strain our national economy and tax our capacity to compete effectively both at home and abroad.

It stands out clearly that the high standard of living already achieved and enjoyed in this country, together with the growing burden of Social services of all kinds which is reflected in the high level of taxation, will require a sustained effort on the part of those whose job it is to produce and keep the wheels of industry moving.

The report and accounts were adopted.

THE ROYAL BANK OF SCOTLAND

HIGHLY LIQUID AND STRONG POSITION

CHANCELLOR'S EFFORTS TO RESTORE CONFIDENCE IN STERLING

DETERMINATION TO COMBAT INFLATION AND MAINTAIN POUND VALUE

IMPORTANCE OF HIGH LEVEL OF CAPITAL INVESTMENT

THE DUKE OF BUCCLEUCH ON EUROPEAN COMMON MARKET OPPORTUNITIES

The Annual General Court of Proprietors of The Royal Bank of Scotland will be held on February 25th in Edinburgh.

The following is the circulated statement of the Governor of the Bank, His Grace the Duke of Buccleuch and Queensberry, KT, PC, GCVO, LLD:

I desire in the first place to refer to changes which took place during 1957 in the Court of Directors. Mr Kenneth Murray, who had been an Ordinary Director since 1935 and Chairman of the Court from 1946 until 1955, resigned in June. I would take this opportunity to congratulate Mr Murray on the honour of Knighthood recently conferred upon him by Her Majesty the Queen. Sir William Young Darling, CBE, MC, DL, LLD, has also resigned from the Court of Ordinary Directors. I am glad to say, however, that he has agreed to serve as an Extraordinary Director.

Accompanying this Statement is a copy of our Annual Report and Accounts, incorporating a Consolidated Profit and Loss Account and Balance Sheet of the Group, but before dealing with our own affairs I propose to comment briefly on matters of wider significance.

A RATHER CONFUSED SCENE

The scene confronting us today is rather confused, and looking back it is difficult to reconcile the happening of the first half of the year with the events which followed in September. Bank Rate, which stood at 5½ per cent at this time last year, was reduced to 5 per cent on February 7th, a movement described at the time by the Authorities as "a technical adjustment" to bring it into line with the reduction in money market rates which had taken place earlier. The dislocation caused by the Suez crisis did not affect our overseas trading results as much as might have been expected and our balance of payments position weathered the storm reasonably well. Generally, there appeared to be no lack of confidence in the country's overall financial position despite the fact that the internal price level, principally as a result of wage increases, continued on its upward course. The Government successfully carried through funding operations on a considerable scale by sales of gilt-edged securities in the open market. A measure of tax relief was granted in the Budget, and there was a fairly widespread belief that some relaxation of the restrictions on credit might be forthcoming.

CHANCELLOR'S ACTIONS A SHOCK

The drastic nature of the measures taken by the Chancellor of the Exchequer in September came as a shock to us all. Sterling had, it is true, come under strong speculative pressure in the late summer but with our current payments accounts still running in our favour the real seriousness of the position was not widely appreciated. It had perhaps been forgotten that the inadequacy of the country's reserves places us, as bankers to the Sterling Area, in the position of being dependent on the maintenance of confidence abroad in our currency and that confidence can be undermined by doubts about our economic policies as well as by adverse trade and balance of payments figures. That is precisely what happened last year. The continued upward movement in the general level of our prices and the possibility of further wage increases gave rise to fears that we were not carrying on the fight against inflation resolutely enough and that this might bring about a devaluation of sterling.

The aim of the Chancellor was, therefore, to restore confidence in sterling by demonstrating the Government's determination to combat inflation and maintain the value of the pound. Our inflation has been fed by increases in the money supply and the Chancellor decided that this must stop. As he said, "There can be no remedy for inflation and the steadily rising prices which go with it which does not include, and indeed is not founded upon, a control of the money supply." He based his policy on four main measures: (1) A rise in the Bank Rate from 5 to 7 per cent, the highest level at which it has stood since 1921; (2) a new directive to the Capital Issues Committee to take up a more restrictive and critical attitude towards applications to borrow and in particular towards applications for large amounts; (3) a further intensification of the quantitative restriction on bank advances by requesting the Banks to hold their advances over the following year at the average level of the previous twelve months; and (4) a limitation of Government spending and a reduction in the capital investment programmes of Local Authorities and the Nationalised Industries.

The raising of the Bank Rate is an expensive part of the policy. Last year I referred to the cost to the Exchequer of a high Bank Rate and the strain which it places on our external payments account. My remarks then apply even more forcibly to a Bank Rate at today's level.

BANK ADVANCES

We are directly concerned with the new directive on bank advances and, along with the other Banks, we have assured the Chancellor that we shall do our best to keep our advances within the target. This may not be easy to achieve for the extent to which overdraft limits granted for trading purposes are utilised at any particular time depends largely on the requirements of customers, and accordingly a bank's total advances cannot be maintained at any particular level merely by turning away requests for new advances.

While the Banks have readily co-operated in giving effect in their lending to official policy and, while they have promised their co-operation in giving effect to the new directive, they cannot but have a sense of frustration in that they have again been singled out as an instrument of official policy. This feeling is accentuated by the fact that the gap created by their consequent inability to lend for certain purposes is being filled by other financial institutions not subject to similar restrictions and which in the main draw funds from the same sources as the Banks. Deposits are attracted away from the Banks by the generous rates of interest which such other financial institutions can offer by reason of the high rates they are able to charge for the loans they grant. Is it surprising, therefore, that Bankers feel aggrieved when they learn of consents being granted by the Capital Issues Committee "to borrow from a source other than a bank"? Why, they ask, should so much lending, traditionally undertaken by the Banks in the past, now be channelled by official policy to other institutions?

FREE TRADE AREA

I did not comment last year on the probable effect on our industries of the establishment of the European Common Market or of the proposal that this country should become a member of a European Free Trade Area. I realised then that the proposals would require detailed study before I would be justified in expressing an opinion. The Common Market Treaty, laying down the conditions under which the European Economic Community consisting of France, Western Germany, Italy and the Benelux Countries is to be established, came into force on January 1, 1958. The first tariff reductions are to take place in January 1959 and eventually all tariff barriers and import restrictions among the six countries will be abolished. This will be accompanied by the establishment by the six countries of a common tariff wall in respect of imports from outside the Community. It is against this background that the proposals to set up the Free Trade Area must be viewed. I think there can be little doubt that, even although some of our industries may be adversely affected, we cannot afford to isolate ourselves from the European Community by refusing to become part of the Free Trade Area. During 1957 several detailed investigations of the proposals have been made by bodies in this country and, as a result, it is now possible to assess to some extent the probable effects on our economy. *The Economist* Intelligence Unit undertook a comprehensive study of the proposals, and their report, "Britain and Europe," has now been issued. The authors have reached the conclusion that "the greater part of manufacturing industry in the United Kingdom would benefit from British membership of a Free Trade Area," and they are firmly convinced that "the United Kingdom's interests would be damaged if it remained outside." The evolution of the Free Trade Area must of necessity be a gradual process and it will call for some considerable adjustments in our

industrial structure. New opportunities will be presented for an expansion of our trade and we must make a determined effort to grasp them. The Report refers to our low rate of investment and economic growth and attributes this largely to our high rate of private consumption and an inadequacy of savings. It discusses this problem very fully and suggests that "some politically acceptable way" must be found "of controlling consumption," because "whether or no there is a Free Trade Area, Britain must invest more." I have previously referred to the inadequacy of our savings for investment and it is disappointing to observe, despite the promising start, the poor results shown by National Savings figures during the past year. In my view, the great disincentives to a satisfactory level of savings are the present high level of taxation and the steady depreciation in the purchasing power of our currency.

WAGE INCREASES v. INCREASED PRODUCTION

I have referred in previous years to the importance of a high level of capital investment, for our future prosperity seems to me to depend on a continued increase in the productive capacity and efficiency of industry. A criticism of our monetary policy of recent years is that it has been instrumental in severely curtailing the capital investment programme of the private sector of industry and yet has failed in achieving its primary objective of halting inflation. One of the main causes of this failure is that the increase in production has not kept pace with the growth in the spending power in the hands of the public, by reason of the simple fact that wage increases have not been offset by increased productivity. To some extent our troubles in this respect have arisen not only from increases in basic wage rates but also from the fact that, in a situation where the demand for labour has been in excess of the supply, employers have been very ready to pay special and overtime rates to attract and retain labour. It has been possible for industry to cover these inflated wage costs by increasing the prices of their products because of the high level of consumer spending power.

SCOTTISH INDUSTRY—A FAIRLY SATISFACTORY YEAR

Scottish industry in general has had a fairly satisfactory year. It was not greatly affected by the dislocation of maritime trade and resulting shortage of oil supplies caused by the closure of the Suez Canal during the early part of the year, and the loss of production in engineering and shipbuilding due to the strike in the spring has been at least partially made good. Although orders for new ships fell in the second half of the year, Scottish shipbuilders still have work on hand for many years ahead, unless the present depression in freight rates leads to further cancellation of orders. Scotland is to have a fair stake in the development of atomic energy. There are the fast breeder and materials-testing reactors at Dounreay, the plant being constructed at Chapelcross near Annan for the production of plutonium and the nuclear power station to be constructed by the South of Scotland Electricity Board at Hunterston. There is every prospect that Scotland will share in any further expansion of this industry, and it is gratifying to see that the first atomic-powered oil tanker in the world may be constructed on the Clyde. Coal production in Scotland increased in the first half of the year by about 150,000 tons, but unfortunately this improvement was not maintained and the final results for the year were disappointing. Steel output continued to increase in the early months of 1957 but towards the end of the year demand eased and some unused capacity became apparent. Important steel expansion schemes are now in progress which should help to maintain our prices at competitive levels and meet any expansion of demand. The modernisation plans of British Railways may open up new opportunities for the locomotive building industry which has not been faring too well recently.

The whisky industry has again had a good year in the export field and 1957 saw a new record being achieved in overseas earnings; in fact, these have risen from around £10 million in 1946 to over five times that amount. The prospects for the woollen industry, which has in the past had a large overseas trade, are, however, being affected by the new import quota arrangements imposed by the United States of America.

DEVELOPMENT PROJECTS

This year I feel I should pay a special tribute to the Scottish Council (Development and Industry) for its efforts to advance Scotland's claim to be chosen as the site of the proposed new Steel Strip Mill. The matter is of importance to us all. As the Council Record says, "With diminishing employment opportunity, Scotland has great need of an industry on the scale of the projected new Steel Strip Mill." The claim, however, is not being pressed on any narrow nationalistic grounds for it is considered by the Council that, looking at the United Kingdom economy as a whole, the balance of economic advantage would lie in the Mill being located in Scotland. Another matter in which the Scottish Council has taken a very active interest is the proposed new Graving Dock for the Clyde and there is every possibility that this project will be brought to fruition.

Other major projects in hand are an extension to the Oil Terminal at Finnart on Loch Long and the erection of a new plant at Grangemouth by British Hydrocarbon Chemicals Limited for the manufacture of phenol. The developments at Grangemouth are, as I have said before, of great value to the economy of Scotland.

Our farmers are dependent on the weather which, on the whole, was somewhat unkind to them last year. The winter was mild with very little frost or snow, and abnormally dry weather in June, which affected some crops, was followed in the remaining months of the summer by heavy rain and high winds, spoiling many crops, especially in the north-east of Scotland. Notwithstanding these setbacks, the harvest was at least average for the country as a whole and it was a good year for stock breeders. The latest official estimate of the gross output of Scottish farming for the year ended May, 1957, places on it a value of around £160 million, more than four times the prewar figure, but a truer comparison is obtained by taking the volume of production which was 57 per cent greater than prewar. In agriculture, as in other industries, production costs have continued to rise, but these have been partially offset by improved farming methods, a higher degree of efficiency of production and the greater use of machinery. In spite of all the difficulties with which they have had to contend, our farmers have lessened the country's dependence on imported foodstuffs. Some uncertainty exists as to how the industry will be affected by the establishment of a European Free Trade Area. Now that the detailed arrangements for the Free Trade Area are being worked out, I sincerely hope that consideration will be given to the particular circumstances of the industry to ensure that it will not suffer, for its maintenance at the highest possible level of production is of the greatest importance to our economy.

RESULT OF YEAR'S OPERATIONS

Turning now to our own affairs, the net profit for the year amounts to £637,253, after making the usual allocations to the Staff Pension and Widows' Funds and providing for all taxation. Transfers have been made to Reserve for Contingencies, out of which provision has been made for all bad and doubtful debts, fluctuations in the value of Investments and other contingencies. The resources available to us during the year were maintained on a slightly higher average level than in 1956, but the resulting increased income has been more than fully absorbed by increased costs of administration. Practically all items of expenditure rose in 1957, but the major increases were in salaries and Pension Fund contributions. It is this burden of steadily rising costs which has made it necessary for the Scottish Banks to decide to increase the charges to customers. The existing charges have remained substantially unchanged since 1952, and while the new scale of charges will still leave customers of the Scottish Banks with a cheap banking service, the decision to make the increase was taken very reluctantly and only after the most careful consideration.

Deposits at just over £121 million are nearly £1 million above the figure at the end of 1956. During the year, as I have already mentioned, we continued to face strong competition for deposits from other financial institutions, and in addition the high Treasury Bill Rate continued to attract deposits away from us, particularly in the later months of the year.

Our Advances at the end of the year totalled £42.7 million, a decrease £2.2 million on the figure at December 31, 1956.

We again show our Investments at or under the market value at the end of the year. The only other Balance Sheet figure which calls for comment, and only because of the large increase as compared with 1956, is that under the heading "Acceptances, Confirmed Credits and Other Obligations on account of customers" and the contra total for the corresponding liability of our customers to the Bank. The increase here is due to a number of large current transactions in our Overseas Departments.

These results, which I regard as not unsatisfactory, have been achieved against a background of considerable difficulty. The highly liquid and strong position of the Bank's affairs as shown in the Balance Sheet will, I am sure, give satisfaction to our customers and stockholders alike.

A final dividend at the rate of 7 per cent actual, making 14 per cent for the year, is recommended and it is also proposed that a sum of £150,000 of the balance remaining available be added to Reserve for Contingencies. If these recommendations are approved a sum of £151,631 will be carried forward to 1958.

The experience of our Associated Banks during the year has been largely the same as our own. Both show strong liquid positions. The benefit of increased resources has in each case been insufficient to cover higher costs and both report slightly lower profits this year. The consolidated profit of the Group amounts to £894,560, a decrease of £6,119 as compared with 1956. The Deposits of the Group amount to £316 million, an increase of over £5 million, while Advances at over £107 million show a contraction of almost £8 million.

Opportunities for further expansion in Scotland are very limited but the Group as a whole has continued its policy of expanding its business in England. In 1957 Williams Deacon's Bank opened a new Branch at Leicester and during the current year it is proposed to open new Branches at Bristol, Cardiff, Chester, Leeds, Southampton and Warrington, thus widening still further the field of the Group's activities. We ourselves have opened two new Branches in London —at Mincing Lane in July last and at Knightsbridge on January 7th of this year, bringing the number of our Offices in London up to seven.

TRIBUTE TO EXECUTIVES AND STAFF

In conclusion, I would like, on behalf of the Court, to pay a tribute to our Staff. The results shown by the Bank during the past difficult year could not have been achieved without hard work and keenness in all grades at Head Office and throughout our organisation. I would like, therefore, to express our thanks to Mr Ballantyne, our General Manager, and all those who serve so loyally under him.

KOLOK MANUFACTURING COMPANY

(Carbon Paper and Typewriter Ribbon Makers)

The forty-ninth annual general meeting of Kolok Manufacturing Company Limited was held on January 31st in London, Mr E. S. Dumont (chairman and managing director) presiding.

The following is an extract from his circulated statement:

The Net Profit of the Company for the year under review is £174,377 and the Net Profit of the Group is £196,997 as compared with £169,430 and £195,363 for the previous year.

I should point out, however, that of the Net Profit for the year under review approximately £9,000 is represented by taking into account a provision no longer required.

The Accounts are generally self-explanatory, but I would like to draw your attention to the following:

(a) the additional Investment of £20,000 we have made in an Associated Company which should bear good fruit in the future;

(b) the further provision of £10,000 for General Contingencies which now stands at £34,000.

The financial strength of the Group has further improved, the surplus Current Assets over Current Liabilities amounting to £441,509 as compared with £420,266 for the preceding year.

Your Directors propose to recommend the payment of the same total dividend as was paid last year, that is 30 per cent, of which 7½ per cent has been paid as an Interim Dividend.

The effect of the Government's measures to curb inflation and of continued increased costs which are reducing our margins make it impossible to forecast the results of the current year. Nevertheless, I am able to state that, in so far as turnover and the rate of incoming orders are concerned, the position is satisfactory.

The report was adopted.

THE UNION DISCOUNT COMPANY OF LONDON, LIMITED

DIFFICULT CONDITIONS LARGELY SURMOUNTED

THE RIGHT HONOURABLE LORD KENNET'S STATEMENT

The annual general meeting of The Union Discount Company of London, Limited, will be held on February 20th, at the offices of the company, 39, Cornhill, London, E.C.3.

The following is the statement by the chairman, the Right Honourable Lord Kennet of the Dene, PC, GBE, DSO, which has been circulated with the report and accounts:

I can conveniently make use of a marine metaphor to tell the story of our Company's year. In 1955, when the Bank Rate rose from 3 per cent to 4½ per cent in the first quarter of the year, we learned that we were sailing in stormy seas, and that we must expect more squalls ahead. So we re-stowed the freight and shortened sail. We foresaw squalls; but no more than others did we foresee a squall so far ahead and so fierce as that on September 19th last when the Bank Rate rose by 2 per cent to 7 per cent. However, the ship in her new trim proved wholly stable and seaworthy; and when the squall had blown over she sailed on at her usual steady rate.

In other words, our total profits for the year at £415,253 were about 1 per cent only less than those of £420,769 in the preceding and less stormy year; and our dividend is unchanged at 12½ per cent.

BOARD'S POLICY

As I reported to you in 1956, the policy of your Board was, and is, in these difficult days with their uncertainties about Bank Rate, to "trim the ship" by reducing our holding of bonds, in length of maturity and in amount, and by promoting business in bills. Our balance-sheet figures illustrate our continuance of this policy. Bills discounted stand at £185,052,018, compared with £163,612,481 the year before; and British Government Bonds (and some other securities) at £58,154,071 in comparison with £72,676,508. These have been written down to less than market value.

Consequentially, contingent liability on bills re-discounted (excluding Treasury Bills) is £34,523,989, compared with £21,344,758. That is higher than ever before. Another "record high" is the figure for cash at Bankers, at £6,031,000.

UTILITY OF THE DISCOUNT MARKET

At a time when the machinery of the London Money Market and that of the market in Government securities are under discussion, it seems relevant to emphasise the utility of the discount-market in furthering the purposes of national monetary policy. It has been illustrated by the story of those markets in the last few years, and last year in particular. We may claim for the discount-*market that the story shows that, however* unusual or abrupt the changes in monetary conditions, the discount-market provides an accurate, efficient and reliable mechanism for bringing into effect whatever tendency is required by public policy as to monetary supply and rates, and for maintaining the market both for Government and other short-term securities. It has shown, too, that this can be done without loss of shareholders' capital, or of a fair return to them for the use of it.

To return to my marine metaphor, we must all wish to thank our management and our staff for the skill and energy with which they have steered and handled our ship through the recent spell of bad weather. They have achieved a good result in a bad year. We thank also our friends and customers for the continuance of their support.

THE CHARTERHOUSE GROUP

FALL IN PRICES MORE VALUABLE THAN WAGE INCREASES

"Approximately 16 per cent of our quoted investments are in North America and we believe the long term prospects for the leading companies there are good—better perhaps than in this country because, in America, there is not the same continuous and uninformed attack on the capitalistic system and on 'profits,'" states Sir Nutcombe Hume, KBE, MC (Chairman), in his Review to Stockholders of The Charterhouse Group.

"The American working man and his leaders," he continued, "seem to have learnt faster than ours that it is from profits that all growth and development spring; and that profits can only be made under the leadership of good and experienced managers in both privately and State owned enterprises.

"It is no more than a simple truth that if every employed person, be he a Managing Director or the last joined apprentice, would put a little more into his work and refrain, until increased productivity warrants it, from trying to take more out of it, we could see an improvement in output and a fall in prices which is worth much more than a rise in wages. The enormous capital expenditure of the past few years is now being translated into increased manufacturing facilities and we now only need to apply the human effort to put this country in the forefront in world markets.

"The Trust has enjoyed a satisfactory year. The outstanding event in the Charterhouse Industrial Development Company during the year was the inclusion in the Group of the old-established reputable and successful Insurance Broking firm of Glanvill, Enthoven & Co., Ltd. The whole of its share capital, except £70,000 Redeemable Preference Shares, has been purchased by S. Japhet & Co., Limited, of which the whole issued capital is in turn owned by the Development Company.

"Charterhouse Finance Corporation which undertakes public issues and placings had quite an active year and has a fair volume of business in hand.

"Charterhouse Canada Limited did well again last year and at December 31st had $1,931,810 invested in ten companies, all of which are showing progress.

"Charterhouse Australia Limited is still in the doldrums and the process of readjustment is still going on. I think it is fair to claim that its situation is steadily improving.

"S. Japhet & Co., Limited had another successful year."

Referring to the policy adopted by the Government to combat uncontrolled inflation, Sir Nutcombe Hume said that one must express doubt as to its lasting success unless a reduction, as opposed to a mere maintenance, of Government expenditure was achieved and unless the Nationalised Industries were subjected to the same conditions as the private sector of the economy and made to pay their way.

The Union Discount Company of London, Ltd.

The Rt. Hon. LORD KENNET OF THE DENE, P.C., G.B.E., D.S.O. (Chairman)
ERIC O. FAULKNER, M.B.E. (Deputy Chairman)
The Hon. Sir GEOFFREY C. GIBBS, K.C.M.G. J. IVAN SPENS, O.B.E.
DAVID JOHN ROBARTS MARK R. NORMAN, O.B.E. Sir ARCHIBALD JAMIESON, K.B.E.

BALANCE SHEET AS AT 31st DECEMBER, 1957

LIABILITIES

1956 £		1957 £	£
7,500,000	CAPITAL (in £1 Units of Stock): AUTHORISED		7,500,000
5,544,000	ISSUED		5,544,000
2,456,000	RESERVE		2,456,000
8,000,000			8,000,000
	PROFIT AND LOSS		
900,517	Balance carried forward		917,295
8,900,517			8,917,295
225,984,255	LOANS secured on Assets of the Company	217,531,277	
17,382,595	DEPOSITS, OTHER LIABILITIES AND RESERVE FOR CONTINGENCIES	33,897,613	
100,107	DEPOSITS BY SUBSIDIARIES	100,107	
199,238	PROPOSED FINAL DIVIDEND *less* Income Tax	199,238	
243,666,195			251,728,235
£252,566,712			£260,645,530

NOTES: (1) There is a contingent liability in respect of Bills Re-discounted (excluding Treasury Bills) of £34,523,989 (1956, £21,344,758).
(2) The amount now recoverable in respect of income tax suffered in excess of taxation upon profits to date has been included in Loans and Amounts Receivable.

CURRENT ASSETS

1956 £		1957 £	£
5,791,391	CASH AT BANKERS AND IN HAND		6,031,000
163,612,481	BILLS DISCOUNTED *less* rebate and reserve		185,052,018
	SECURITIES at less than Market Value: British Government, British Corporation, Public Board, Dominion and		
71,027,312	Colonial Government and Corporation	53,478,228	
	Unquoted:		
1,649,196	British Corporation and Public Board Mortgages	4,675,843	
72,676,508			58,154,071
10,286,225	LOANS AND AMOUNTS RECEIVABLE		11,208,334
252,366,605			260,445,423

FIXED ASSETS

100,107	SHARES IN SUBSIDIARIES at cost The net assets of Subsidiaries at 31st December, 1957, are represented by Deposits with the Company (*per contra*).	100,107
100,000	FREEHOLD PREMISES, including Furniture and Fittings, at cost *less* amounts written off	100,000
	KENNET, *Chairman.* E. O. FAULKNER, A. A. JAMIESON, } *Directors.* C. G. SEVASTOPULO, *Secretary.*	
£252,566,712		£260,645,530

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1957

1956 £		1957 £	£
420,769	PROFIT FOR THE YEAR, after providing for amortization of premiums on securities, rebate and taxation, and after making a transfer to Reserve for Contingencies		415,253
	NOTES: (1) The Accounts of Subsidiaries show neither profit nor loss for the year 1957 (1956 same). (2) The Directors' emoluments for the year were — Directors' Fees £7,500 and Chairman's Remuneration £2,400 — a total of £9,900 (1956 same).		
	Deduct Dividends paid and proposed per £1 Unit of Stock, *less* Income Tax—		
	Interim of 1s. 3d. paid 3rd August, 1957	199,237	
	Final of 1s. 3d.	199,238	
398,475			398,475
22,294			16,778
878,223	*Add:* Balance brought forward from previous year		900,517
£900,517	Balance carried forward 31st December, 1957		£917,295

39, CORNHILL, LONDON, E.C.3

RADIO RENTALS LIMITED

RECORD RESULTS IN 21st YEAR

MR P. PERRING-THOMS ON A YEAR OF PROGRESS AND EXPANSION

The twenty-first annual general meeting of Radio Rentals Limited was held on February 4th at Grosvenor House, Park Lane, London, W.1, Mr P. Perring-Thoms (chairman and managing director) presiding.

The Secretary (Mr A. O. B. Wall, CA) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts:

The attached Accounts are for the twenty-first year since the incorporation of Radio Rentals Limited as a Public Company. It is therefore especially pleasing for me to present to you the Directors' Report and Accounts of the Group for the year to August 31, 1957 and to report on the continued growth of your business.

The trading profit of the Group after meeting all charges other than taxation amounted to £1,322,900—a record in the history of the Organisation—compared with £1,028,586 for the previous year. After providing £717,181 for taxation, the net profit of the Group amounted to £613,410, an increase of £35,556. The burden of taxation which we have to bear is extremely heavy as the above figures show. Indeed, whilst dividends are paid under deduction of income tax at the rate of 8s. 6d. in the £, we have to provide profits tax, which, on the proposed scale of distribution, gives rise to an additional liability of approximately 5s. 6d. for every £ paid by way of dividends.

The increase in profit is due primarily to expansion and improved efficiency and not to any increase in profit margins. I am pleased to tell you that our rental charges and sale prices continue to be keenly competitive and we are doing our best to assist in the national effort to defeat inflation by our endeavours to reduce and stabilise prices wherever possible.

EFFECTS OF SEVERE CREDIT RESTRICTIONS

31st August, 1957 completed a full year of trading under severe credit restrictions. The impact of the Control of Hiring Order is continuing to restrict the Radio side of our business very severely, but this handicap is not so apparent with Television because a larger percentage of the public prefer to rent Television sets than was the case with Radio during its years of expansion, due no doubt to the general recognition that Television sets can be very expensive to maintain by individuals.

The sale of our interests in Burgot Rentals Limited to the minority shareholders resulted in a surplus of £7,691 as shown in the Consolidated Profit and Loss Account. All the subsidiary companies in the Group are now wholly owned. I am glad to be able to report that they have all operated at a profit, with the exception of Rentevision Limited, which has not commenced trading.

Our manufacturing company, Mains Radio Gramophones Limited, which was established in 1929, and which became a subsidiary of the Company in 1945, has again raised its output to a new record level. The increased supply of first class receivers, all of which were manufactured by our subsidiary and which were designed not only for ease of maintenance but also for superior performance, has contributed in no small measure to the business done by the Parent Company.

Our service departments have been geared to meet an increased demand as we appreciate that the ability to service our receivers must keep pace with the ever-growing number of subscribers. I have every confidence in our technical development and field staff and I am more than satisfied that our long-held reputation for service is being fully maintained.

APPROPRIATIONS

Turning now to the matter of appropriation, your Directors recommend the transfer of £405,119 to General Reserve which will increase this Reserve in the Balance Sheet of the Parent Company to £1,500,000, more than £150,000 in excess of the total issued capital of Radio Rentals Limited.

Your Directors recommend the payment of a final dividend at the rate of 22½ per cent on the Ordinary Capital of the Company, making with the Interim Dividend of 7½ per cent already paid, a total distribution for the year of 30 per cent. The aforementioned dividends, together with the dividends already paid on the Preference Capital, absorb net £169,174, leaving a balance of £313,027 to be carried forward in the Balance Sheet of the Parent Company. The amount carried forward in the Accounts of the subsidiary companies is £115,351, a total for the Group of £428,378.

In future it is the intention of your Directors to equate to a greater degree the amount distributed in the Interim and Final Dividends.

FUTURE VIEWED WITH CONFIDENCE

Trading during the three months ended December 31, 1957, has, I am glad to say, continued to be satisfactory and your Directors look to the future with confidence. It will be readily understood, however, that profits must depend largely upon the economic state of the country. Our operating costs, in common with those of practically all other industries, continue to rise. Increases in remuneration have recently been granted to managerial, engineering and clerical grades throughout the Group. It will be the continued endeavour of your Directors to increase efficiency of operation and production thereby to obviate the necessity of passing on increases in costs to our subscribers.

My vote of thanks to the staff is not to me a yearly formality for I have worked side by side with many of them for a considerable length of time and it is giving me great pleasure to make suitable presentations to staff for long service. The thanks of the Directors and the Shareholders to the staff will, I am sure, be as well received as they are merited.

The report and accounts were adopted, and the retiring director, Mr A. P. B. Renshaw, MIEE, was re-elected.

THE AVON INDIA RUBBER COMPANY

The sixty-eighth ordinary general meeting of The Avon India Rubber Company Limited was held on January 31st at Melksham, Wiltshire, Mr C. M. Floyd, OBE (the Chairman), presiding.

The following are extracts from his circulated Statement:

The group profit, after providing for taxation of £325,245, amounted to £371,448, compared with £287,561. These results are very encouraging, especially when the difficulties which the Motor Industry suffered through petrol rationing early in the year are taken into account.

In general tyre production your Company has maintained its position, while in Motor Cycle tyres we have gained special success. Export sales again made an important contribution, and this is very welcome when it is remembered that your Company is wholly British. Progress has been made in many products other than tyres, and the results of George Spencer, Moulton & Co., Ltd., have fully justified our confidence. Avon Footwear Sales Ltd., shows a higher profit than last year.

Your Company acquired on December 31, 1957, the entire Share Capital of Henley's Tyre & Rubber Co. Ltd., who will continue to market Henley tyres, which will be made in your factory at Melksham, using plant already available.

Your Directors have every confidence in the Company's ability to continue its progress.

The Report was adopted.

BRITISH TABULATING MACHINE

RECORD RESULTS IN JUBILEE YEAR

The fifty-first annual general meeting was held on January 31st, in London, Sir Cecil M. Weir, KCMG, KBE, MC (the chairman) presiding. The following is an extract from his circulated statement: We are celebrating the Fiftieth Anniversary of our Company's existence. The accounts contain record figures in every relevant section; in revenue, in employment, in capital employed, and in profit earned.

The financial year has been marked by expansion both in our development effort and in the Authorised Capital and capital raised and employed in the business.

We continue to enjoy a favourable position in the market for orthodox punched card equipment. Sustained effort continues to be applied to the development of new mechanical and electro-mechanical machines and devices which can be used as conventional punched card machinery or as auxiliary apparatus for computers. We fully realise the impact of the application of electronic techniques to existing types of orthodox equipment and in the adoption, wherever practicable and economic to the user, of digital computers as addition to, or in substitution for, orthodox punched card equipment.

The range of electronic apparatus now being delivered or in an advanced state of development extends from moderately priced computers of the well-established Hec General Purpose Computer, Types 1201 and 1202, to computers in the medium price range.

As in previous years, our business overseas has continued to expand parallel with our business at home. The report was adopted.

BARCLAYS BANK LIMITED

ANNUAL MEETING OF STOCKHOLDERS

The Annual General Meeting for the year 1958 of the stockholders of Barclays Bank Limited was held on February 5th at the Head Office of the Bank, 54 Lombard Street, London, E.C.3.

Mr A. W. Tuke (the Chairman) presided.

The Secretary read the Notice convening the Meeting and the Report of the Auditors.

The Chairman moved:

That the Report of the Directors of the Company now produced, together with the Accounts annexed as at December 31, 1957, duly audited, be received, approved and adopted, and that there be declared, payable on February 20, 1958, to the stockholders registered in the books of the Company on January 12, 1958, a Final Dividend of 6 per cent, making 12 per cent for the year, on the Ordinary stock, and a Final Dividend of 10 per cent, making 20 per cent for the year, on the Staff stock, less income tax at the standard rate in each case.

Sir F. Cecil Ellerton, Deputy Chairman, seconded the Motion which was carried.

Field-Marshal the Right Honourable the Earl Alexander of Tunis, KG, PC, GCB, GCMG, CSI, DSO, MC, Mr David Martyn Evans Bevan, Mr Willoughby Guy Bryan, Sir Matthew Watt Drysdale, Mr Thomas Calderwood Dundas, MBE, Mr Francis William Alfred Fairfax-Cholmeley, Mr Adam Denzil Marris, CMG, Mr Roger Henry Parker, MC, Sir Edward Walter Thompson and Mr Anthony William Tuke, retiring Directors, were re-elected Directors of the Company, and other ordinary business was transacted.

A Vote of Thanks to the Staff and a Vote of Thanks to the Chairman for presiding at the Meeting were unanimously accorded.

APPOINTMENTS

SALES ENGINEER

METROPOLITAN-VICKERS ELECTRICAL COMPANY LIMITED

require, for their Scientific Apparatus Sales Department, a man to deal with enquiries from Academic and Industrial Research Laboratories in all parts of the world. Eventually, the man appointed would have to visit customers and prospective customers and appropriate exhibitions.

The desired qualifications for the post are: University Degree or equivalent. Research or Analytical Laboratory experience and an additional recommendation would be a knowledge of analytical, electronic or vacuum techniques.

Candidates are invited to apply, quoting reference 0.10, to:

PERSONNEL MANAGER, METROPOLITAN-VICKERS, ELECTRICAL CO., LTD., TRAFFORD PARK, MANCHESTER, 17.

WORKS MANAGER for up-to-date medium-sized old-established Liverpool manufacturers. Departments include Hardware, Lithographic Printing on metal and paper, Composite Boxes, Plastic Housewares. Able to control through departments heads in firm commercial manner. High salary will be paid to the man who can convince us that he has ambitious optimistic outlook and can hold senior executive status. Superannuation plan.—Write full details personal experience, present position and salary to Local Director, Paton, Calvert & Co., Ltd., 429, Old Kent Road, London, S.E.1.

STATISTICAL ECONOMIST

The J. Walter Thompson Company requires a Statistical Economist whose main function will be to study the practical application and application of statistical and economic data in relation to business problems. Completely objective outlook essential.

Some years' experience in the Marketing and Distribution of Consumer Goods and in the employment and interpretation of Marketing Research Statistics is desirable though not essential.

This is an important appointment, and has scope for growth in influencing the development of the Company. Remuneration according to age and experience.

Write Personnel Secretary, J. Walter Thompson Company, Limited, 40, Berkeley Square, London, W.1. Please mark *Strictly Confidential*.

THE SCIENCE AND INDUSTRY COMMITTEE invites applications for the post of Research Officer to take part in its research into technical change and the structure and methods of management. The appointment will be for one year, with a possibility of renewal, at a salary of £900. Applications should be made by February 22nd, to Professor R. R. Williams., Department of Economics, University College of North Staffordshire, Keele, Staffordshire, from whom further particulars may be obtained.

Tea Research Institute of Ceylon

DIRECTOR

Applications are invited for the post of Director of the Tea Research Institute of Ceylon. Age preferably between 35-45. High academic qualifications and extensive research experience required. An initial salary of not less than £3,500 p.a. is offered together with certain allowances in kind, including a furnished house rent free, the use of a car and provision for education in the United Kingdom of children between ages 8-18. Home leave of three months every two years will be allowed on full pay with free passages. Medical fund and provident fund based on contributions of 15 per cent. of the salary by both Institute and Director.

The Institute is situated 4,500 ft. above sea level in a very pleasant climate. It is well equipped and the post should prove attractive to biologists of adequate personality and experience.

Applications, with full details of education and subsequent experience, together with the names of three referees, should be forwarded to The Chairman, T.R.I., Lynwood, 50, Edinburgh Crescent, Colombo 7, as quickly as possible, *but not later than April 1*. Copies to be sent in full to Dr F. R. Tubbs, Director, East Malling Research Station, East Malling, near Maidstone, Kent.

A large manufacturing company has a

Market Research Vacancy

The post, an important one in an expanding section, will give experience of a wide range of problems and considerable opportunity for original thought and initiative. The work, which is in a new and interesting field, involves the processing of data collected from sample surveys (including planning for I.B.M. tabulating equipment), the design of both surveys and samples, report writing, and liaison with research agencies.

The post would particularly suit a young male graduate up to, say, 30 years of age, who has a degree in Economics or Sociology (statistics to have been a main or subsidiary subject). The holder of this appointment will have every chance to contribute to, and gain experience of, the section's work.—Box 860.

FISONS, LTD., require a SENIOR EXECUTIVE for Fertiliser Division. The work will consist principally of co-ordinating planning for the demand and supply of both finished products and raw materials and in the preparation of surveys and forecasts in the light of:

a. The general economic situation of the country both short and longer term.
b. The availability of raw materials.
c. Price trends in the fertiliser industry at home and abroad.

Applicants should preferably be under 40 years of age and have a first-class Honours Degree in Economics. A man of exceptional and outstanding ability is being sought. Applications to the Personnel Officer (GH12), Fisons, Ltd., Harvest House, Felixstowe, Suffolk.

EXPORT Division of Industrial Group has a vacancy in its London office for a woman as Market Research Assistant. The successful applicant will have had some experience in the techniques of market research or academic training in a branch of applied economics, together with a knowledge of at least one European language and the ability to type the necessary correspondence and reports. This is a new appointment having scope for original thought and initiative, and carries an interesting salary and pension rights.—Write, giving full details of experience and academic record, to Box 863.

THE British Iron and Steel Federation invites applications for a post in the Economics Department from men with a good degree in economics and post graduate experience in academic or industrial research work. Ability to write clearly is essential but no specialised knowledge of the steel industry required. Salary according to qualifications and experience.—Write, giving full particulars, to the Staff Officer, Steel House, Tothill Street, London, S.W.1.

EDUCATED WOMAN

required to assist Company Economist

The work involves the analysis and presentation of Company Statistics and offers an opportunity for an Arts Graduate or other well-educated woman to obtain first-hand experiences of the central administration of a large industrial concern.

This is a responsible appointment and will carry an appropriate salary.—Applications, giving full particulars, should be addressed to Personnel Manager (Women).

FERRANTI LIMITED
Hollinwood, Lancs.

MIDLANDS ELECTRICITY BOARD

Applications are invited for the appointment of an ORGANISATION AND METHODS OFFICER in the Audit and Organisation Section of the Chief Accountant's Department at Board H.Q.

Applicants should preferably be qualified accountants or University graduates and have had considerable experience in office methods and procedures. The Board has an extensive programme of mechanisation in operation; knowledge of the application of machines and office appliances will, therefore, be an advantage.

The appointment will be subject to the conditions of the National Joint Managerial and Higher Executives Grades Committee of the Electricity Supply Industry, and the salary will be within Grade 4 Class C, £1,700-£1,900 per annum.

The successful candidate will be required to contribute to the Board's Superannuation Scheme, if eligible.

Applications, giving full details of qualifications, age, experience and present salary, should be forwarded within fourteen days to the Secretary (Ref. FWC), Midlands Electricity Board, Mucklow Hill, Halesowen, Nr. Birmingham.

A. STEPHENS, Secretary.

CHARTERED Secretary (aged 25-29) required as Secretarial Assistant in large established printing and publishing company (public) in City of London. An interesting and progressive position. Pension and Life Assurance Schemes. Salary by arrangement, but not less than £800 p.a.

Applications, giving full details of education and career to date, to Box No. 862.

A vacancy exists for a man or woman trained in agricultural economics and interested in problems of farm equipment and mechanisation. The person appointed will be required to reside in the Midlands, but the work involved has world-wide application.

Applicants aged 22 to 28 years should write in confidence with full details of experience and salary required to Box Number 865.

AIR SUBSCRIPTION RATES

Subscriptions to many countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is because the alternative is either not available or not recommended.

	Airmail	Air Freight
Australia	£10 6s.	—
Canada	—	$25 or £9
Ceylon	£9 0s.	—
China	£10 6s.	—
East Africa	£9 0s.	£7 10s.
Egypt	£7 15s.	£6 10s.
Europe	£6 0s.	—
Ghana	£9 0s.	£6 10s.
Gibraltar, Malta	£5 0s.	—
Hongkong	—	£8 15s.
India	£9 0s.	£7 10s.
Indonesia	£9 0s.	—
Iran, Iraq	£7 15s.	—
Israel	£7 15s.	—
Japan	£10 6s.	—
Jordan	£7 15s.	—
Lebanon	£7 15s.	—
Malaya	£9 0s.	—
New Zealand	£10 6s.	—
Nigeria	£9 0s.	£6 10s.
Pakistan	£9 0s.	—
Philippines	£10 6s.	—
Rhodesia (N. & S.)	£9 0s.	—
S. Africa	£9 0s.	£7 10s.
S. America	£9 0s.	—
Sudan	£7 15s.	£6 15s.
U.S.A.	—	$25 or £9
West Indies	£9 0s.	—

COMPANY NOTICE

POTGIETERSRUST PLATINUMS LIMITED
UNION PLATINUM MINING COMPANY LIMITED
WATERVAL (RUSTENBURG) PLATINUM MINING COMPANY, LIMITED

(Each Incorporated in the Union of South Africa.)

The Boards of Directors of the above-named companies draw attention to a statement made by the Chairman of Rustenburg Platinum Mines Limited at the annual general meeting of that company held at Johannesburg on Thursday, January 30, 1958.

A copy of the statement, which is supplementary to the statement issued to members on January 22, 1958, is published below.

Johannesburg.
January 30, 1958.

RUSTENBURG PLATINUM MINES LIMITED

(Incorporated in the Union of South Africa.)

Supplemental statement to members by the Chairman, Mr D. A. B. Watson, at the annual general meeting held at Johannesburg on Thursday, January 30, 1958.

It may be helpful to members if I take this opportunity of adding some comments further to those made in my recent statement which was prepared on January 5th and issued to members on January 22nd.

DEMAND

The demand from industrial users, other than from oil companies, appears to be reasonably steady, and I expect that the gradual increase in industrial consumption which has taken place during recent years will continue. Sales to the jewellery trade are not of great significance to the general situation in which the present reduced demand arises almost entirely from the changed requirements of the oil industry.

Whereas in 1956 and during the first half of 1957 the oil industry's requirements for platinum could not be satisfied, the position has now completely altered and orders have been materially reduced.

Platinum is used in the oil industry for the manufacture of high octane fuel, which the modern automobile requires for its best performance. An examination of the current position indicates with reasonable certainty that world demand for, and the production of, high octane fuel will continue to increase. This is particularly the case in Europe, where the building of refineries is proceeding rapidly and where the installation of the platinum catalyst reforming process used to produce high octane fuels is proceeding at an even faster rate.

Although it is not possible to be dogmatic about the emergence of any new process in future years, there is no evidence at the present time of any process for the production of high octane fuel which will supersede that using a platinum catalyst and it appears reasonably certain that this catalyst will continue to be used by the oil industry. There has, however, within the last year been a considerable reduction in the installed weight of platinum per barrel capacity of the reforming plants. This has resulted both from a reduction in the quantity of platinum used in some catalysts and also from the fact that, as has been the case in many new processes, techniques have improved, with a resultant longer life of the catalyst employed. These developments are of very recent origin.

It appears possible that a demand may well arise for even higher octane ratings than those now produced. Whether the production of such fuel would entail an increase in the percentage of platinum is not yet known. There is at present therefore considerable uncertainty as to the quantity of platinum which may be required in the future to produce a given quantity and quality of fuel.

When a few years ago it became clear that the platinum catalyst reforming process was the best, technically and economically, for the production of high octane automobile fuel, the various oil companies took steps to obtain their estimated requirements from any source available to protect themselves against shortages of this catalyst and to ensure their ability to meet competition in the supply of high octane fuel. Considerable quantities of platinum were bought at that time on the basis of the higher rate of platinum required per barrel of reforming capacity.

As a result of the subsequent reduction in this rate of usage these quantities proved, however, to be considerably in excess of requirements and certain oil refining companies, which up to six months ago were buyers, now hold stocks sufficient for their immediate needs. Buying by some refineries is continuing but in general it has been drastically curtailed and is likely to remain so until stocks are depleted.

SUPPLY

During the years 1955 and 1956 and the early part of 1957 when there was an acute shortage of platinum, the quantities offered by Russia were considerably in excess of the amounts normally made available from that source. It is difficult to obtain accurate figures but sales during those years were materially above the level of sales in 1953 and 1954 while there has in all probability been a falling off in 1957. I cannot say what relationship exists between the quantities actually supplied by Russia during the last three years and the amount annually produced by that country, as it is not known to what extent previously accumulated stocks were disposed of during that period. Offerings from Canadian producers have remained reasonably constant over recent years and it is considered unlikely that they will vary significantly during the next few years.

RUSTENBURG

It may well be asked why, in the face of the possibility of over-supply of platinum, Rustenburg increased its capacity to a level which at present is far from fully employed.

The answer lies in the incorrect assessment in respect of the years 1958, 1959 and 1960 of the requirements of the oil industry. It was, however, as recently as only ten months ago that Rustenburg was arranging for the supply of platinum to cover requirements during those years.

In my opinion, present world requirements for platinum could not have been satisfied solely by the joint production of International Nickel and Rustenburg Platinum Mines on the basis of the capacity of the latter prior to the 1955-56 expansion scheme. Users of platinum in industry would have been dependent on supplies being available from Russia. To a company such as Rustenburg Platinum Mines, the fortunes of which are dependent on the growth of the use of platinum in industry, this would have been an undesirable situation subjecting the platinum market to the danger of periodical shortages and famine prices which have been a characteristic of this market in past years. In my opinion, the decision to proceed with the 1955-56 scheme was correct, not only in the light of the estimates made at the time the decision was taken, but also in the light of present facts.

The further expansion known as the 1956-57 scheme has proved to have been unnecessary to meet present demands. Had the requirements of the oil industry continued at the levels indicated by the usage in 1956 and the beginning of 1957, these requirements might well have employed the full capacity of Rustenburg during the years 1958, 1959 and 1960. During that period it was expected that the cost of the scheme would have been recouped, that an adequate return would have been earned on the new investment, that the market would have been stabilised and that in about 1960, when demand was expected to slacken, your company would have been in a position to utilise what might then have been spare capacity for the purpose of taking advantage of future markets. As a result of the altered assessment by the oil companies of their requirements, Rustenburg has been faced several years earlier than was expected with a reduced demand and simultaneously with the necessity to meet the balance of the cost of the expansion scheme.

FUTURE ACTION

The position is being dealt with as follows: Pipeline and refined stocks of platinum are excessive in relation to prevent indicated market requirements and production is being curtailed to levels which will ultimately result in a reduction in these stocks and a release of the funds represented by this reduction in quantity.

Curtailment of operations of necessity takes some time, and, furthermore, the successive cuts in production which have recently been made have in each case proved to be insufficient because of subsequent reductions in the estimates of sales on which the cuts were based. Members have been informed that present estimates place the level of sales for the current year at about 50 per cent of the figure for the previous financial year. I consider it unlikely that there will be a further reduction in this estimate. In order to align production to this level of sales, a further reduction in the scale of operations will be made and will become effective during February and March. As part of the present programme, milling at the Union Section will be reduced to negligible proportions. Because of the 1956 and 1957 expansions to the capacity of the Rustenburg Mine, increases in the demand for platinum over and above present levels can for some time be more economically met by again expanding the rate of milling at that mine rather than at the Union Section. The Rustenburg Section could, if so desired, produce sufficient platinum to meet sales at the 1957 level without recourse to the facilities at the Union Section. It is unlikely that this Section will be required to supply any significant quantities of platinum in the near future and, in order to avoid deterioration, certain items of equipment installed underground at the Union Section will therefore be removed and either utilised at Rustenburg or sold.

The gap between production and sales is therefore being closed and during the balance of the year it may be possible to reduce the present level of stocks, although the overall increase for the year may still be considerable as a result of over-production in the early months of the financial year.

Consideration has been given to the question of obtaining loans to provide funds until such time as stocks of metals on hand are reduced, or the overall rate of sales increases, or both. The objective in mind is to meet over a period to be determined by future events, but not to exceed five years, the deficit in funds which arose during the financial year ended August 31, 1957, which, together with the balance of capital expenditure during the current year, will amount to about £2 million. Such an arrangement, which is being actively explored, would afford some relief to the extent of the appropriations necessary from current profits pending the realisation of some of the funds tied up in stocks.

This company faces difficult times at the present moment and it has been necessary to plan its policy in such a way as best to meet the circumstances which have so rapidly and materially changed over the past six months. These circumstances have resulted in hardships to employees and to shareholders and to the districts in which the two mines are situated, but the line of action which is being followed is unfortunately unavoidable.

APPOINTMENTS

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Applications should be addressed to the Managing Director, Ferrous Castings, Limited, Leushers Lane, Warrington, Lancashire.

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COUNTY PLANNING DEPARTMENT

Applications invited for post of Survey and Research Officer, A.P.T. Grade V (£1,175-£1,325) at Broomfield. Candidates should possess a University Degree in either Geography or Economics with subsidiary subjects, one of which should be Geology. An additional professional qualification will be an advantage. They should have had experience in the analysis and review of the Survey; investigation and analysis of population trends and records of industrial location and development; the location and working of mineral deposits and restoration of worked-out areas. They should also be skilled in the writing and presentation of reports on the above matters.
Medical examination. Post superannuated.
Application forms from County Planning Adviser, Broomfield Place, Broomfield, Chelmsford, to whom they should be returned by February 20, 1958.

LARGE MANUFACTURING AND SELLING COMPANY in Brazil has a vacancy in its Personnel Department in Rio de Janeiro. Previous experience of Personnel work and knowledge of Portuguese or Spanish desirable but not essential, age 28-30 years. The appointment offers a permanent interesting career with excellent prospects for the future. United Kingdom leave initially every three years, but every 2½ years in third and subsequent tours. Generous non-contributory Pensions Scheme.—Apply, in writing, with full particulars of career to date, to Box L.438, Willing's, 362, Gray's Inn Road, London, W.C.1.

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Tile and Pottery Manufacturing and Contracting Group requires, at Poole, Chartered or Incorporated Accountant with industrial experience who would be responsible for all aspects of Financial Management, Supervision of Accounts, Standard Costs and Budgetary Control. Age 35-45. Salary not less than £2,000 a year. Staff Superannuation Fund.—Applications (which will be treated in confidence), giving employment history and present remuneration, to the Managing Director, CARTER & CO., LTD., Poole, Dorset.

UNIVERSITY OF LONDON INSTITUTE OF EDUCATION
Applications are invited for the post of SENIOR LECTURER in the METHODS of TEACHING HISTORY which will become vacant on September 1, 1958. The Senior Lecturer will be in charge of the Department Salary scale, £1,450 by £75 to £1,900, plus London allowance, £80; family allowances and membership of the Federated Superannuation System for Universities. Good academic qualifications and teaching experience are essential. Forms and further particulars may be obtained on application.—Five copies of the application and testimonials should be returned to the Secretary, University of London Institute of Education, Malet Street, W.C.1, not later than February 22.

APPOINTMENTS CONTINUED ON PAGE 537

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

The School hopes to appoint a LECTURER in SOCIAL CASEWORK in the Department of Social Science and Administration. Applicants must be experienced social workers, preferably graduates, who have taken a professional training. Preference will be given to those who have been employed in medical social work or probation and have had experience of casework teaching. Salary scale £900-£50—£1,350; then, subject to review, £1,425 ×£75—£1,650; plus £60 London Allowance; with superannuation benefits and family allowances. In assessing the starting salary due consideration will be given to qualifications and experience.
Applications, with the names of three referees, should be received not later than February 28, 1958, by the Secretary, London School of Economics and Political Science, Houghton Street, London, W.C.2, from whom further particulars may be obtained.

UNIVERSITY OF BIRMINGHAM

Applications are invited for the CHAIR OF GEOGRAPHY which will become vacant on the retirement of Professor H. H. Kinvig. The appointment will date from October 1, 1958, or as soon thereafter as can be arranged.
The Department of Geography is administratively within the Faculty of Arts, but its teaching also extends to the Faculties of Science and of Commerce and Social Science.
Applications (three copies) giving full details of qualifications and experience, together with the names of three referees, should be sent before April 18, 1958, to the Registrar, The University, Birmingham, 15, from whom further particulars may be obtained.

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Applications are invited for an extra-mural tutor to reside in Kent. Applicants should have a good Honours Degree, preferably in Economics, but other special qualifications will be taken into account. Salary on scale £900-£1,650.
Particulars from Secretary, Oxford University Tutorial Classes Committee, Rewley House, Wellington Square, Oxford.

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D.S.I.R. requires Scientific Officer at Building Operations Research Unit, London, W.1, for Research into economic problems in building industry, including such subjects as building densities, problems of mechanisation and relation between design and running costs. Quals. 1st or 2nd Class Hons. degree in Economics with some knowledge of Statistics. Salary range: £635-£1,110. Lower max. for women but Equal Pay Scheme. Five-day week.—Application Forms obtainable from Ministry of Labour and National Service, Professional and Executive Register (Ref. PE. 173), Atlantic House, Farringdon Street, London, E.C.4.

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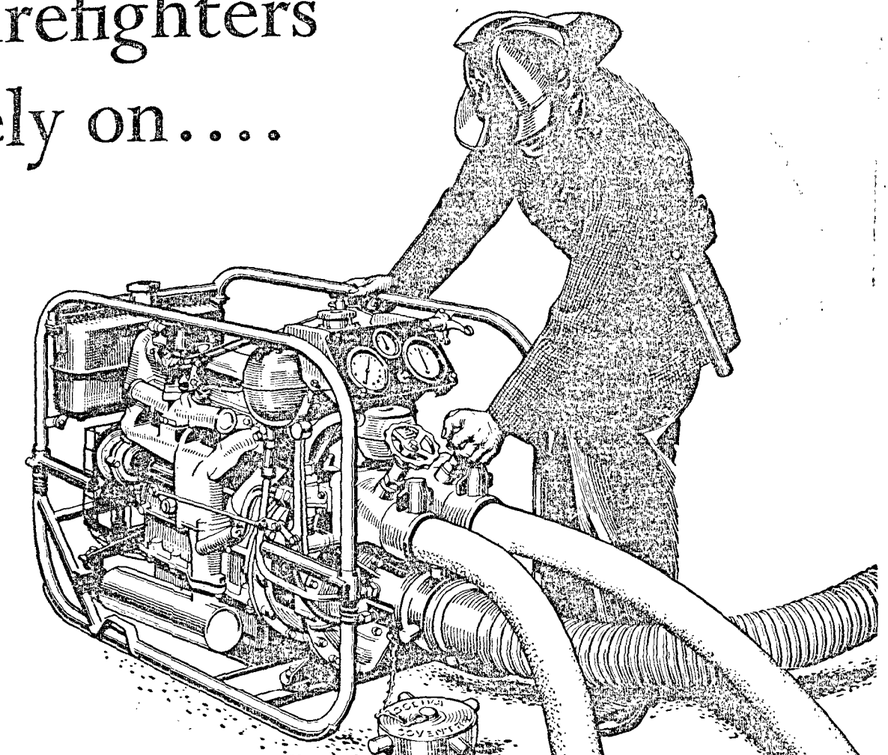
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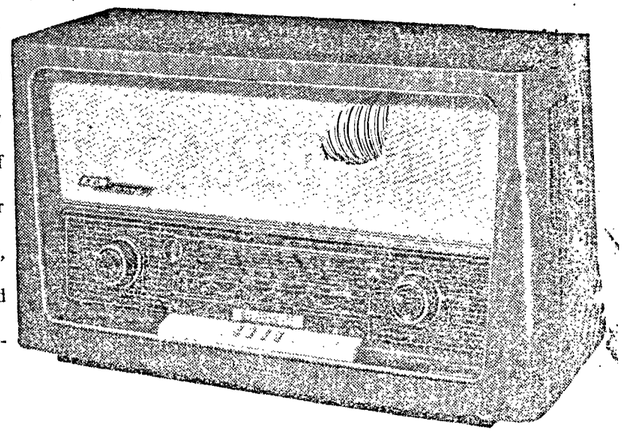
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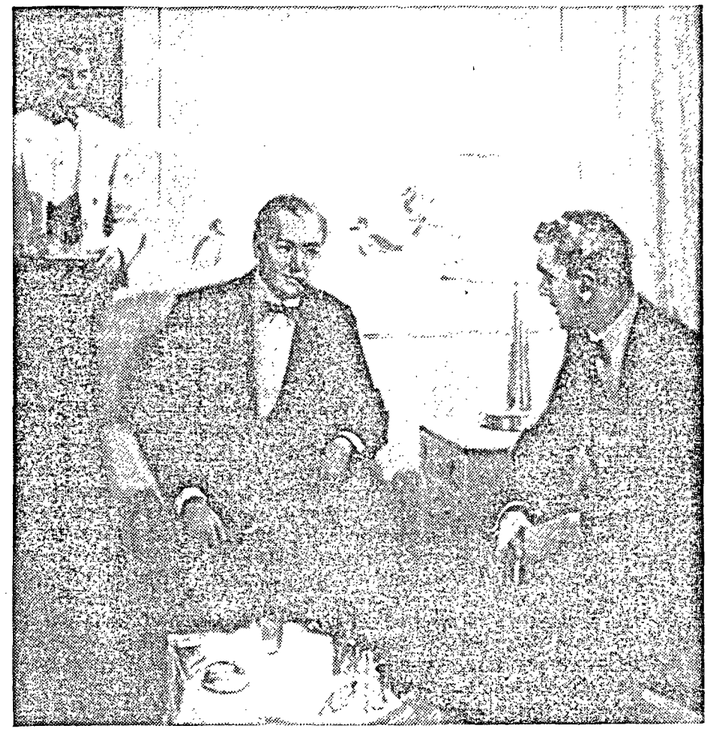
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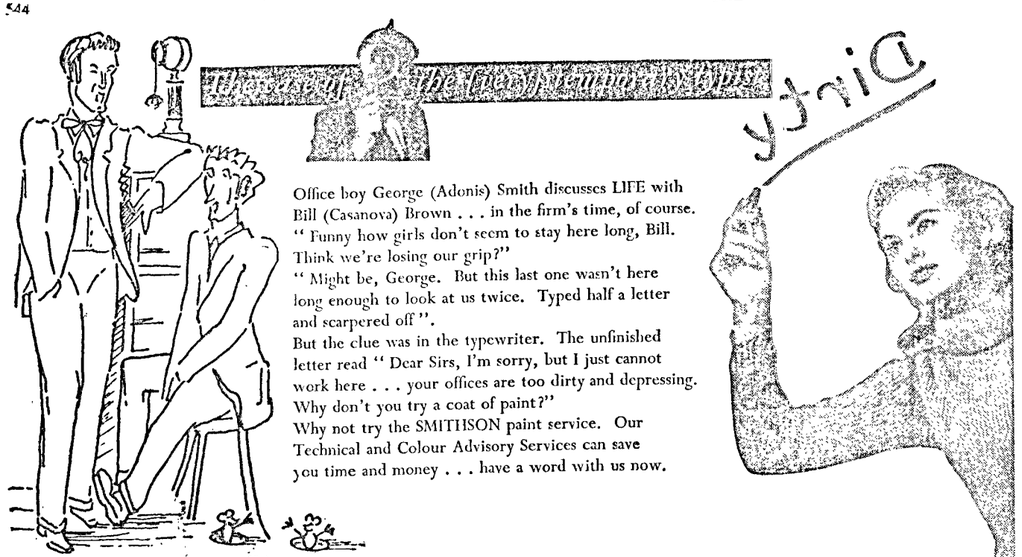
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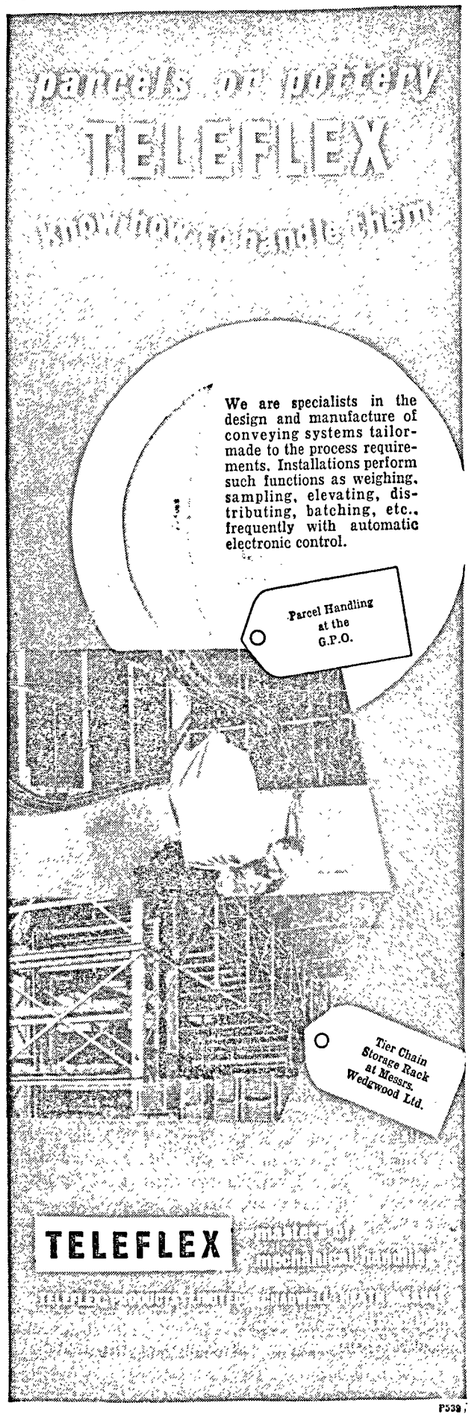
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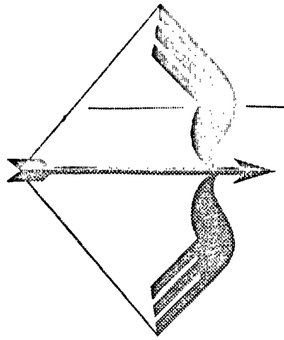
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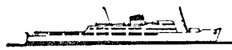
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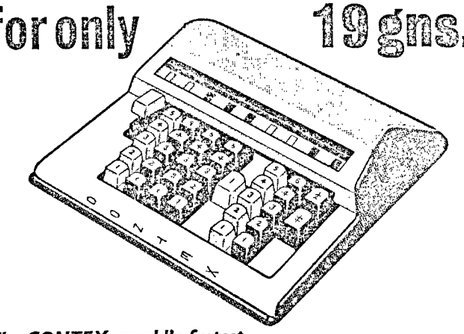
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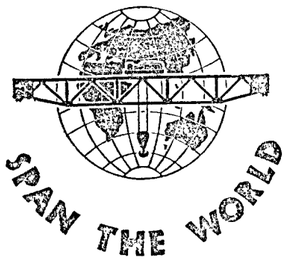
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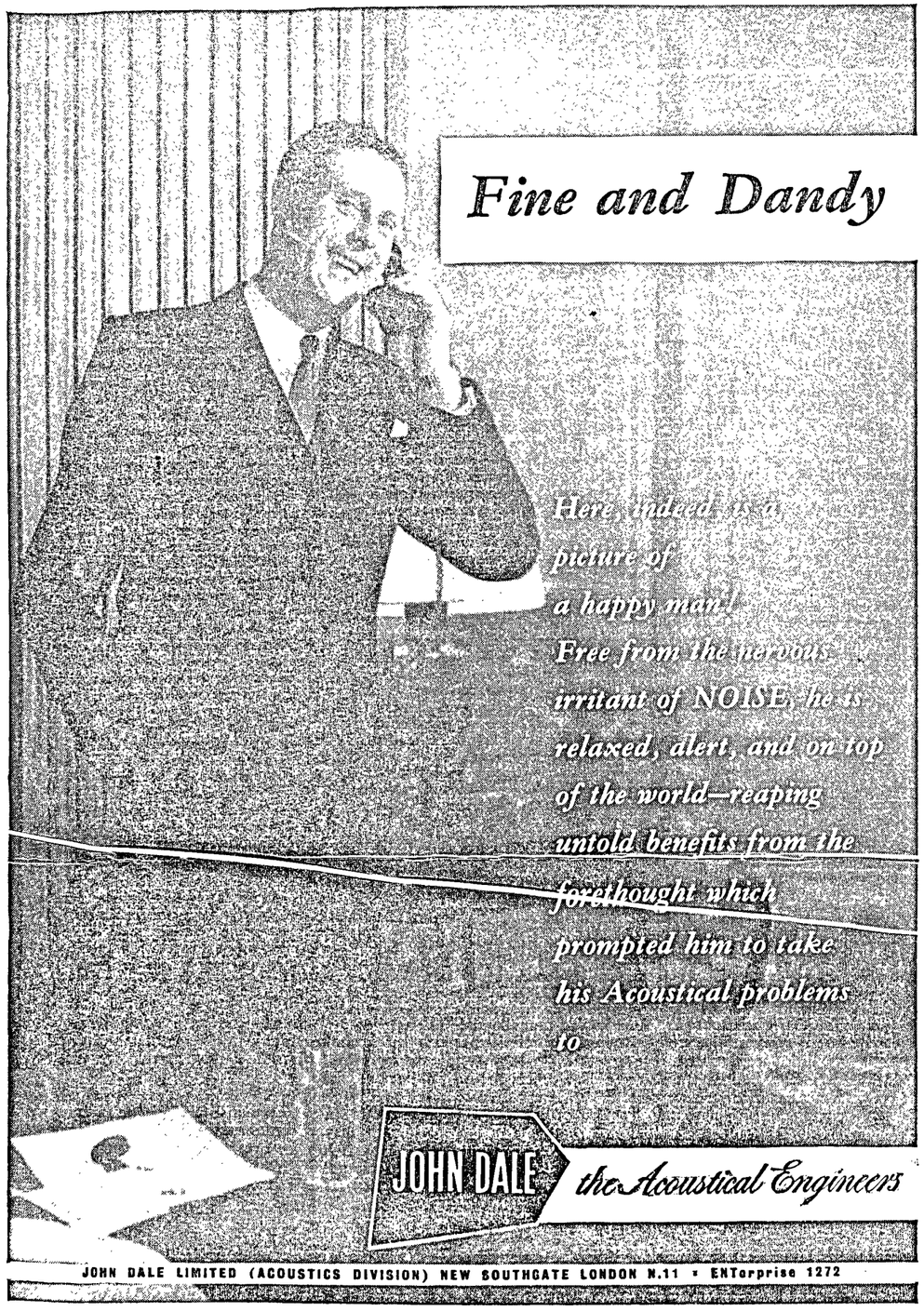
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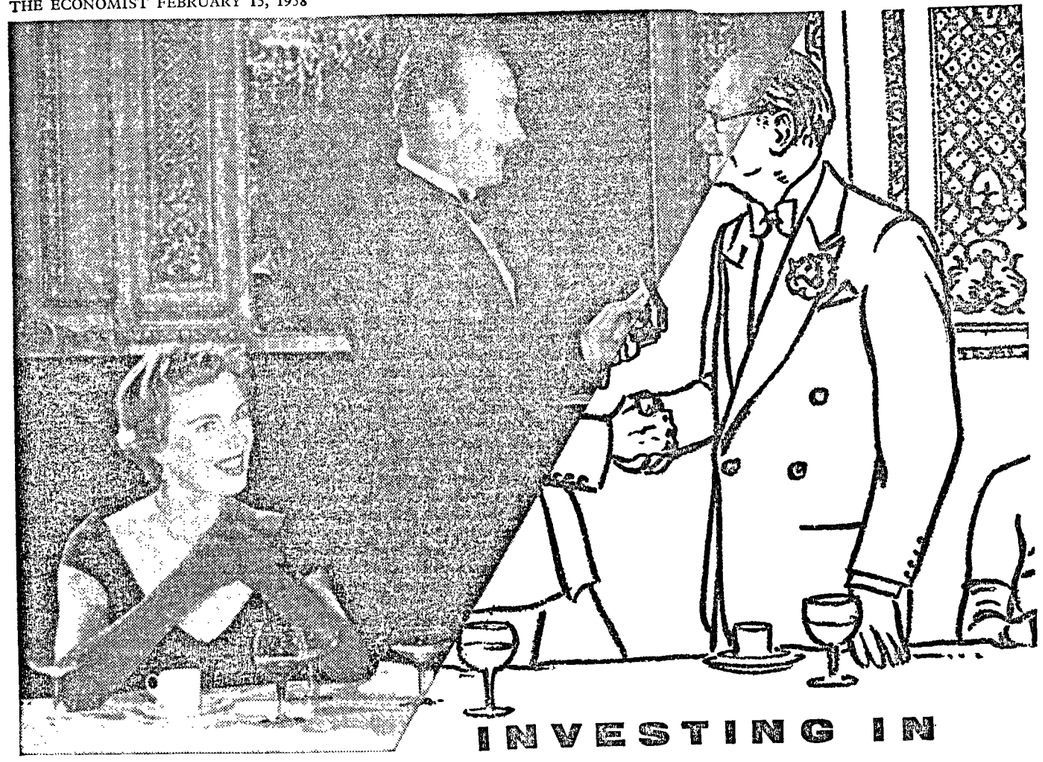
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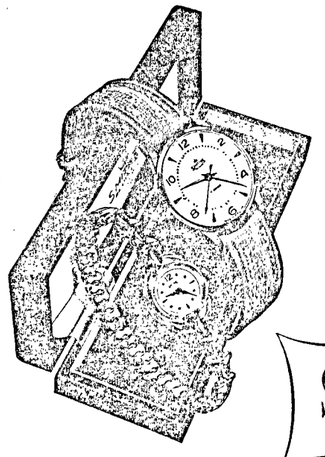
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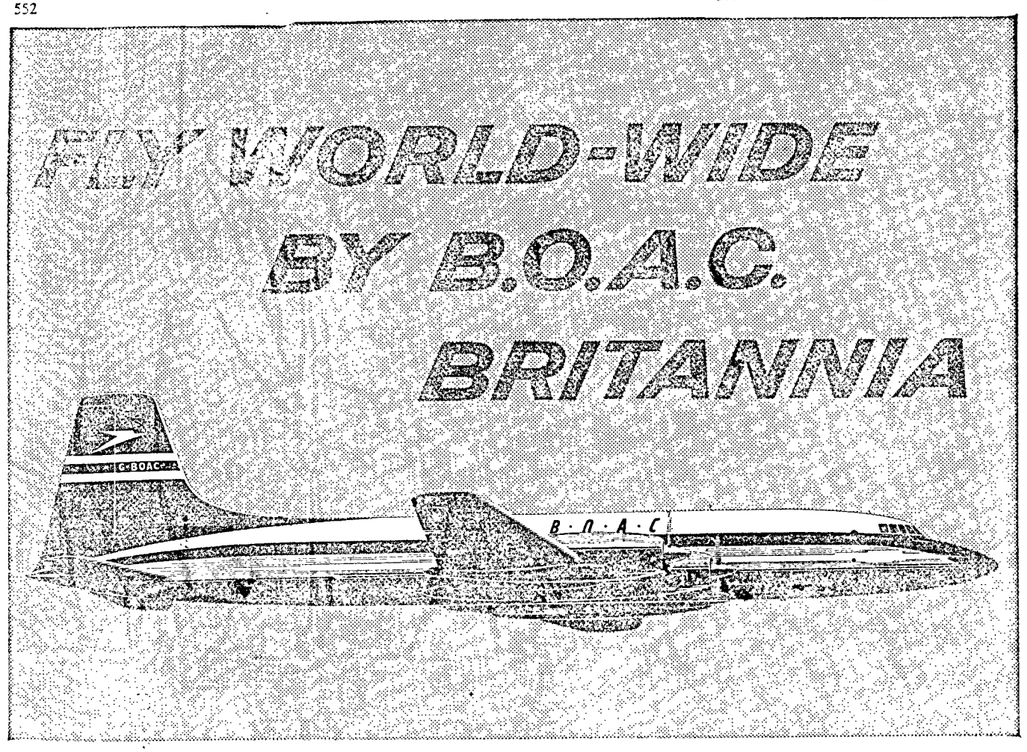
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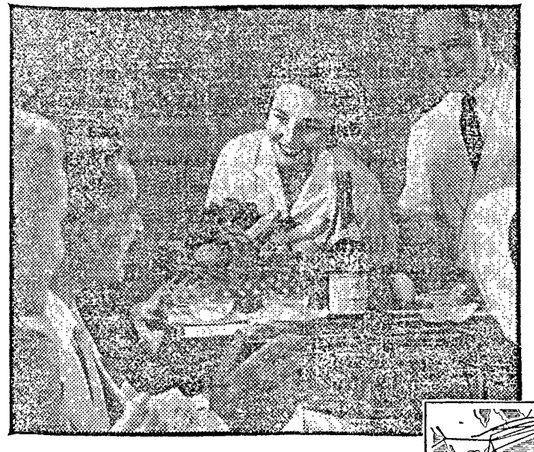
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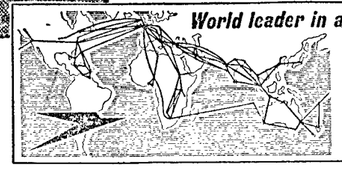


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Defender of Faith?

MR SANDYS'S first defence white paper, published ten months ago, was meant to be a major restatement of defence objectives on the full tide of thermonuclear development. It was supposed to portray him as only one-tenth a politician and nine-tenths Napoleon; the trouble was that most of Britain's allies decided that it showed the mixture of elements in him to be precisely the other way round. The question that awaited his second white paper, published this week, was whether it was going to be a progress report on the plan he then formulated, or a tactical withdrawal from it. The answer seems to be that it is a bit of both. It contains some verbal reassurances to Britain's allies (who may not very readily accept them), and a small measure of further good cheer for the taxpayer at home; this may prove to be the main trouble about it.

Last year Mr Sandys made a marriage of convenience between Britain's possession of the nuclear deterrent and his impulsion to economy. From that union he produced two electoral assets: the promised abolition of conscription, and over £100 million of cuts in his estimates. But he achieved these by making a number of assumptions which raised doubts from the first at home and then a swelling tide of criticism from abroad. He assumed that any limited wars on the Korean model could be practically excluded from calculations; that a nuclear war would be so short and decisive that no succeeding "broken-backed" phase of hostilities need be planned for; that the services would get the 375,000 regulars which his more optimistic advisers promised and which would enable him to reap the full economies of abolishing national service. Finally, he assumed that this plan would be greeted by Britain's allies as fitting into the western recipe for interdependence. It wasn't.

This year Mr Sandys makes two concessions to the indignant Europeans and uneasy Americans. He has introduced early into Cmnd. 363 kind words about interdependence and the collective nature of the western deterrent, conventional and unconventional. If these had been included in last year's white paper, they might have taken some of the irritant out of it. Now they are rather late; the evidence of very limited progress in the co-ordination of weapons is eloquent and disquieting testimony of this. Moreover, against the reference to various co-ordinating committees must now be set the threat, if Germany fails to pay up to the tune of £47 million, to reduce British troops in Germany below 55,000, reluctantly agreed by Western European Union; this does not spell interdependence, but growing disunity. The white paper dwells again on the benefit that the West, and by implication Europe especially, derives from Britain's sacrifices in contributing to the nuclear deterrent; the argument is familiar on the continent and is not accepted. Britain's independent commitments outside Europe are firmly mentioned. The white paper announces that, sensibly enough, the operational plans for Britain's nuclear bombers are to be co-ordinated

with America's. But the fact remains that, for all the talk of interdependence, Germany, France and Italy are now toying with the idea of a non-Anglo-Saxon block within Nato—and one with, like Britain, its own nuclear deterrent. Mr Sandys can never have wished for such an outcome from his last year's defence plan; yet, in a sense, an outcome it certainly is.

This year's white paper has also modified the rigid doctrine of a year ago on limited war. True, it states that a major Russian attack in Europe, even if confined to conventional forces, would be met by strategic nuclear bombing of Russia; this is current Nato doctrine, though it does not lack critics even at Shape. But outside Europe, the trip-wire laid before the Russians is not so specifically and deadlily charged; the white paper seems to admit—as the Europeans have long assumed—that Korean type wars might still be possible there. The significance of this admission, of course, is that it vastly extends the eventualities which the services might have to meet. The first fruits of this reassessment may be seen in a new lease of life for the navy, which is to be fitted to fight small wars—for example, by the introduction of the commando carrier. The white paper has also discovered the Russian submarine menace, and the navy is to be fitted to deal with it—certainly in small wars, though whether also in the broken-backed aftermath of a global war is not made clear. Plainly, however, if the possibility of Korean-type wars is taken seriously, not only the navy is involved in this reassessment. It should also affect the size of the army, the size of its central reserve, its mobility, and its overseas bases; to a lesser extent it affects the air force. It reopens the whole question of the adequacy of conventional forces—the question which produced most gnawing doubts last April.

Having made these concessions in strategic utterance, however, the white paper then digs in upon the 1957 line. The importance of the home-grown nuclear deterrent is reiterated, though perhaps defensively now rather than boastfully. The critics will ask why, if the thermonuclear stalemate is complete, if no technological break-through by either side is expected, and if defence is essentially collective, the delivery of British H-bombs in penny-numbers to the RAF is of any practical, as distinct from prestigious, significance. The only evident significance it can have for collective security is in helping to plug the gap while the Americans develop their inter-continental missile. But the white paper does not say this; at this stage indeed it turns to address the domestic voter. The reassurance is offered that the British nuclear deterrent costs less than a fifth of the defence budget, and is thus, it is suggested, in terms of reinforcing the American deterrent, not bad value for money.

Clearly, however, a great deal will have to be extracted from the remaining 80 per cent, or say £1,100 million. At the heart of the calculation lies the substitution of all-regular for largely conscript forces; and this year—as he clutches for this political prize—Mr Sandys throws caution to the winds. The saving clause about covering any gap by national service does not appear. He insists that recruiting is going well, and to clinch the matter service pay is to be increased and coupled with a start on large (and overdue) expenditure on improving service conditions and quarters. More is to be spent on the navy; the development of the atomic submarine is (with American help) to continue—a decision, in fact, as inevitable as changing from wooden ships to ironclads. The creation of the mobile central reserve is again emphasised: again an extremely expensive, however necessary, project. Transport command is to have more planes; dumps of heavy equipment are to be dispersed in Aden, Malaya, Kenya and so on. No mention is made of projects to be cut.

Yet, the taxpayer is assured, there are to be some cuts. Mr Sandys has modestly made good his promise last year to lighten further the burden on the economy. The estimates, at £1,465 million, before taking account of American and German aid, are some £18 million less than this year's original estimates; after allowing for the recent supplementaries, but also for the rundown in American aid, the figures presented to Parliament will be £44 million below this year's original and supplementary estimates combined. Taking the rise in prices into account, this would seem to imply a real cut of up to perhaps £100 million, and that is the figure that would normally matter to the taxpayer.

WHERE are these economies expected? In part, no doubt, from the rundown in forces (by some 65,000, to an estimated 570,000, by April, 1959). Economies are also promised in dockyards (Does this mean Malta? If so, no details embarrassing to the Colonial office are given). There will be some cuts in reserve ship and forces, and in fighter command. But can these be all the items in the sum? The white paper studiously refrains from any comment on the new equipment being introduced into the conventional forces. Does this mean that unpublished—and surely unwise—economies are anticipated here? Or is it possible that Germany's refusal to pay support costs might be as welcome to the Ministry of Defence as it would be upsetting to the Foreign Office—on the grounds that it would permit a big reinforcement of the central reserve from troops withdrawn from Germany, and a faster rundown of national servicemen? Any such outcome would make still further nonsense of the concept of collective defence.

For all these reasons, the white paper must be regarded as a greyly obscure document. Politically, Mr Sandys has clearly deserved well of his colleagues. He has made, on white paper, more economies. He has stated again that national service is to go (this may be troublesome later, but no matter). He has put up pay. He has kept the nuclear deterrent in stoutly British hands—but at the same time made every obeisance to interdependence. He has promised atomic submarines and underground missile bases, and a lot more. He has said there will be no world war, and put the record straight on disarmament. Of his devotion and faith in himself, of his energy and independent, assiduous thought, there is no doubt. But just because foreign military experts are so dubious, and the rumblings in Whitehall have been so audible, and the pressure to show lower original estimates (never mind subsequent supplementaries) has this year been so great, Cmnd 363 is a paper that Parliament ought to make run the gauntlet of many questions. The marriage between the proper defence of the realm and national economy has not yet been consummated.

Frenchmen's Folly

The French parliament's endorsement of a bombing raid on Tunisia may squander such credit as the western world possesses not merely in North Africa but in all Africa and Asia

ONE immediate and melancholy deduction that can be drawn from the events of the week in French North Africa is that it is no longer possible for France to pursue a policy of repression in Algeria and of friendship with Tunisia and Morocco; the two aims have become irreconcilable. Is France, then, to plump for repression and throw old friendships to the winds? The answer "yes" could be deduced from the insensitive speech which M. Gaillard made to the French parliament on Tuesday. Briefly, M. Gaillard justified the bombing by 25 French aircraft of the village of Sakiet Sidi Yussef in Tunisia on grounds of military necessity; to the nature of the attack, and to its international consequences, he appeared oblivious. He won the Assembly's endorsement by 339 votes to 179. The vote may bolster morale in an officer corps at present in the throes of a scandal about the political bias of promotions, but it makes France's western allies, and many Frenchmen, despair of the future of France in Africa.

Sakiet Sidi Yussef had been in the news before as a point inside Tunisia from which assistance was undoubtedly being given to the Algerian rebels. It was the place at which 15 French soldiers were killed and four taken prisoner on January 11th; its occupants had also fired at French aircraft with the weapons described by our special correspondent on page 588. On the morning of the raid it happened to be crowded, both for market day and because an International Red Cross convoy had arrived to distribute clothing to refugees. Therefore the price of the operation which GHQ Algiers claims to have been the silencing of a rebel stronghold, and which Tunisia calls the murder of civilians in a sovereign state with which France is not at war, was 75 dead and 83 wounded, including women and children. The eyewitness reports of the Red Cross representatives and of many reputable journalists do not bear out the claim made from Algiers that the casualties were mostly rebel Algerians.

Admittedly Tunisia has been giving both help and comfort to the Algerian rebels. They rest on the Tunisian side of the border; they fire from across it at French aircraft. There is an organised line of communication along which even foreign visitors can pass to rebel areas in Algeria, and the Algerian rebel committee of co-ordination and execution has had its headquarters in Tunis for about a year (M. Bourguiba has often argued that it was easier to modulate there than if it were to repair to Cairo). Yet, if a method of retaliation had to be devised, why choose one so indiscriminate as to alienate both African and world opinion? Why not a punitive expedition with ground forces? Who ordered this flat-footed step, if compromise, and not reconquest, is France's goal in Africa?

There are three hypothetical answers to this question. The first is that the order was given by a local commander—nerves frayed by rebel techniques and by years of suffering Chinese help from beyond the frontier in Indo-China. This looks unlikely after M. Gaillard's speech; no punishment or reprimand is, it seems, being thought of. The second possibility is that it was ordered by GHQ Algiers, on the basis of a far too vague directive from the French cabinet about the permissibility of the *droit de poursuite* across the frontier. On the strength of this vagueness, encouragement may well have been forthcoming from colonialist extremists, including, perhaps, certain diehard cabinet ministers who think compromise with M. Bourguiba a worse menace than continuing, or even than extending, the Algerian war. The third hypothesis is that the French cabinet agreed to give Tunisia a lesson; this can probably be discarded. There is little reason to doubt that M. Pineau, its foreign minister, was not consulted, and that—as happened when the Sultan of Morocco was deposed in 1953 and when the Ben Bella aeroplane was diverted in 1956—leaders in Paris have had to give their endorsement to an accomplished fact. The second—which puts the responsibility upon GHQ Algiers and those in Paris who encouraged it—is the probable explanation of a disastrous affair.

For disaster it is. Whoever took the decision obtained no military asset except a "victory" that cannot be consolidated; in fact, if M. Bourguiba pursues his threat to obtain a French military withdrawal from Tunisia, including a base—Bizerta—that he has so far been ready to accept, then the military balance, too, shows a loss. From the standpoint of France's international relations, the decision is pure liability.

The Sakiet affair cuts the ground from beneath the feet of all Tunisians who prefer a link with Paris to a link with Cairo. Take the following quotation from this week's *l'Action*—a serious Tunis weekly published in French :

> One thing is clear—to win respect in 1958, one can no longer be a friend of the West. To be courted, one has to become a Nehru, a Tito or a Nasser. The day Bourguiba decides to follow the road the latter has travelled since 1952, Tunisia will no longer be browbeaten, but sought after.

Displays of force such as this tempt North Africans to turn, as President Nasser turned, to Russia for defensive weapons. To make matters worse, the timing was as if calculated to drive Algerians, Tunisians and Moroccans into the united front they have never yet formed. It happened just after the Cairo-Damascus axis had announced the United Arab Republic and had excited Arab nationalist opinion everywhere; it happened just after M. Bourguiba, in a conciliatory speech and an interview with the *New York Times*, had betrayed his nervousness lest the FLN should in its disillusionment with the west "slide on to the tempting slope of Arab independence, to be followed, perhaps, by the rest of French Africa." Lastly, a French decision to inflict this indiscriminate local punishment, taken so quickly after the granting of the American credit of $655 million had won France a respite from economic disaster, lends colour to the Arab thesis that all the western powers are party to a fight against Arab neutralism and independence.

France's allies in Nato are entitled to feel deep concern. All Nato powers have an interest in the preservation of an asset for which there is plenty of evidence—the pro-western inclinations of many Tunisians, Moroccans and Algerians, provided they are enabled to be pro-western within a framework of independence. Norway is raising the matter in the Nato Council; the Tunisians are bringing it before the Security Council. If an eastward swing of North African opinion is to be arrested, not merely France, but France's allies, now need to accept the irreconcilability between war in Algeria and peace with Tunisia and Morocco. They need to uphold, in Paris—and if needs must, by their votes at UN—the truth that if a cabinet allows public servants to give and execute disastrous orders, which it cannot later gainsay, it is on the way to squandering the credit of all western nations in Asia and Africa. One has only to read Gibbon to realise what happens to an empire that allows pro-consuls and centurions to shape its policy.

THE TRADE UNIONS

2: Where the Danger Lies

The first article in this series concluded that the legislative changes needed now should not be designed to curb the economic power of trade unions. Given politically courageous policies at the Treasury and the Ministry of Labour, that power need not be nearly so dangerous, even with full employment, as many suppose. Where legislation is needed, however, is in "acts designed not to check trade unionism itself, but to put a stop to abuses of it, unrestrained by law, of personal liberty and personal choice." It is to the local activities of trade unions, not to the powers of leaders at head office, that attention most needs to be turned.

One of the great difficulties about any rational discussion of libertarian changes in trade union law is that many Labour people foster a completely false pretence about what the local activities of trade unions now are. It is a pretence based on a fine, but now largely departed, tradition. At the beginning of this century, the trade union branch was often the local nucleus for general self-improvement in an educational and cultural, as well as an economic and political, sense. As an extreme example, the miners' lodge, linked with chapel and idealism, was often the main positive social centre of a coal mining village; it was also the centre of the ordinary miners'—not just their leaders'—political self expression.

Here and there, because of the geographical isolation of mining, miners' lodges still perform these functions. But, much more generally, the concept of the local trade union branch as a social or cultural centre has faded to vanishing point. The provident benefits it used to provide have become a government responsibility; trade union MPs are often merely superannuated officials put out to grass; the worker no longer bases his social education on the lodge, but reads the newspapers and looks at television instead.

The result is that—at this all important local level—a sea change has come over the purposes of the local branches, the attitude of ordinary members towards them, and the ways in which local leaders are recruited. The purposes of the local branches of the unions can be parodied by saying that they have got into the position of a firm without a manufacturing division; with their social, educational and provident aspects becoming moribund, their only gain comes through restrictive sales of their product. The other two changes deserve study in more detail.

Just for the Job

The basic trend among trade union membership today is that, in many industries, a man now belongs to a union just as he belongs to a firm; he pays his dues to some collector at the workbench, and that is the end of his concern. This is shown in the voting figures. Although the union movement is almost entirely socialist in its official political persuasion, and although ballots in the names of most of its mass membership are regularly cast at Labour party conferences, it is clear that about 30 per cent of union members usually vote Conservative at parliamentary elections; at union elections it is not uncommon for over 90 per cent of them not to vote at all.

This does not mean that union members are intrinsically disloyal to trade unionism. What it does mean, however, is that it is absurd to say—as some commentators on trade union affairs often do say—that "the trade union rank and file is more militant than its leadership." As a general rule, the genuine rank and file is the sleepiest and least militant part of the movement; the middle tier trade union officers and NCOs—especially those who do union work in their spare time—are the most militant; the whole-time professional officers of the unions fall somewhere in between.

Where Power Corrupts

It is in the forces operating in the part-time and full-time leadership that the key to many present problems of unionism lies. For here, too, attitudes and motives have changed. In the old days, to take up work in a union offered the individual not only scope for social service, but also an alternative ladder of opportunity for climbing upward from the factory floor. Advancement in the union did not bring the same higher pay or security that the very difficult progress to chargehand or foreman did; but it offered far greater esteem from one's fellows, a recognised status, some elbow-room for organising or negotiating abilities, and the satisfaction of a desire to help one's fellow men or express resentment at other people's privileges. It also provided one of the few means of escape from the industrial treadmill open to honest working men.

Middle-class people have always had many escape routes of this kind; and a large number have always taken them even at some financial sacrifice (cf. entry into the civil service, the clergy, becoming a don if bright enough, many vague administrative posts in charities, and so forth). Because organisational work in the unions offered somewhat similar attractions to manual workers, old-style union officialdom did regularly attract new recruits of something better than average ability, honesty and idealism.

Most of the respected leaders of the general council of the present Trades Union Congress have sprung, in greater or in less degree, from this sort of tradition. Perhaps most of the really top trade union leaders of Britain will long continue to do so; although some of the best potential young officer material for the trade union movement no doubt now stays on longer at school and then drifts away from the unions into the universities, the drain on this account should not be exaggerated. The universities still take only five per cent of each new year's crop of the nation's young men. But the place where the canker of changed circumstances has begun to appear in the labour movement is among those local organisers who are only spare-time officials, and whose sole livelihood is gained (or is supposed to be gained) by full-time working on the factory floor. Comment on recent trends among these men will need to be frank enough to risk resentment. A change in the composition and motivation of some of these bodies of spare-time officials has occurred in recent years; spare-time officials—call them shop stewards or what you will—are now divided into two types.

One type, the old type—which too many journalists and union historians still politely pretend is the only type—consists of people who are spare-time officers solely because they are disinterestedly ready to give quite a lot of that spare time to the organisation and representation of their fellows, or to the furtherance in the country of their own political beliefs. This is still almost invariably true of spare-time officers of unions which have scattered memberships—a dozen members here, two dozen there—in small places of work. These people are properly regarded by the full-time officials and leaders of their unions with very great favour; it is from them that appointed vacancies in the whole-time ranks of union officialdom tend, in a large proportion of cases, to be filled. The tradition of disinterested service often also holds with spare-time officials even in medium-sized or large factories. This is still a familiar type of head of a shop stewards' committee: the straight-as-a-die zealot who has been impelled into spare-time union work by a sincere social service itch, or orthodox Labour party views, or perfectly honest communist views, or (in a surprisingly large minority of cases) by Moral Rearmament or some other religiosity.

But what should not be disregarded—although there seems to be a polite conspiracy to disregard it—is that a second type of spare-time official has sprung up

under modern conditions. In some workplaces, especially in some large factories and other assembly points, the relevant committee of spare-time union officials is not at all of this old social service (even left-wing social service) type. Instead it has become a virtually self-perpetuating body—which can make a very good thing out of that self-perpetuation.

The spare-time union officials concerned do not only make a good thing for themselves in terms of power over their fellows, although this power is a considerable social satisfaction to many of them. They do not only make a good thing in terms of not having to do hard work, because they know that timid employers will not dare to sack them. In some cases—especially where organised factory floor lotteries or football pools to finance local union activities have grown up—there is reason to suppose that they have occasionally begun to make a good thing in terms of creature comforts, if not of hard cash. This view is disputed by some who write about the unions; it is said that even where the nominally spare-time official is allowed by the employer effectively to skimp whole-time work, he will draw only a basic wage and miss the higher income he would derive from piece-work earnings. But the check on the powers, orders and finances of these local groups is not always tight; the descent from a partly politically inspired movement into a plain and powerful racket can be made in easy stages, especially when the words "union solidarity" can be used as a holy cloak; and it is in this section of activities that a Royal Commission into trade unionism would most probably dredge up some elements of the sort of irregularity which congressional enquiries have uncovered in America.

The Remedies

MANY union leaders know this, which is one reason why they oppose the appointment of a Royal Commission into trade unionism. They say that if any group of local workers' rights are abused in this way, it is for that group alone to put matters right. Many employers know quite well when this sort of thing is going on under their noses; but they, too, say that it is the factory floor-workers' concern, not theirs, to stop it. And factory floor-workers know it, but it is very difficult for the few interested individuals concerned to break into, prior to breaking up, the self-perpetuating committees.

Moreover, it is worth sitting back at this stage and asking why they should. If an ideal system of trade unionism were being built up from scratch in Britain today, some functions would certainly be delegated to local union representatives, elected by their workmates, and operating still on the factory floor; it would be regarded as quite proper that the men thus picked out for the job of representation should be given a higher standard of living as a reward. Many of the troubles of today arise from the fact that union rules pretend that these local groups should have less power than they are in fact bound to accumulate. The next stage is that, when these local groups have secured power, the union leaders in London prefer to pretend they have not got it, and will not look down into the nasty things that are sometimes going on in the woodshed; and whenever authority pretends that special groups do not exist, simply because they should not exist (cf. bootleggers under prohibition, street bookmakers under Britain's present gambling laws) the groups concerned tend to develop the most undesirable proclivities.

It is here that the real danger of trade unionism as a new estate of the realm arises—not in the spectacle of TUC leaders walking in and out of 10 Downing Street (to give advice to which both Labour and Conservative governments often only pretend to pay attention). It is almost always when overmighty local groups of this sort have sprung up, often not directly responsible to anyone, that the worst trade union offences against individual liberty occur.

It is then, for example, that work-spreading rules forbidding anybody to earn more than a certain amount become most common. It is then that most cases arise of individuals being deprived of their livelihood because they have offended the local group in some way. It is then that the principle of the closed shop is usually most rigidly enforced. It is then that such appalling stories are heard as the case of the boy a union clique tried to frame on suspicion of theft from his employers after he had refused to join a strike (typically, the nationalised employer concerned took no effective action against the framers); of men hounded from their jobs and home towns and even home countries because they have broken some local union rules; of personal threats and ostracisms and sending to Coventry and the like. It is also usually after these local groups have become most powerful that communism moves into a position of predominant influence, in a way which most union members in the area do not really want. It is beside the point to dispute whether these abuses are now common or still very rare; the principle on which every liberal should take his stand is that it is quite intolerable, in a free country, that these things should be going on at all.

THREE remedies suggest themselves. One is the old expedient of enquiry and publicity: a Royal Commission to investigate what is going on down among the grass-roots of the trade unions. A second is legislation to forbid the closed shop, which is the life-and-death weapon through which local intimidation of the individual is most usually enforced. A third is to leave the unions with their present legal privileges, but in some way statutorily to guide a codification of their own rules so that these local groups should come more under the control, not of their union leaders in London (for that would be dictatorship), but of their own members whom they are supposed to represent—with very specific safeguards for the rights of minorities. Which of these remedies—or which amalgam of them—would be best? It is with this question that next week's article will start.

NOTES OF THE WEEK

MR MACMILLAN'S RETURN

Taking Baby Back

THE Rochdale election notwithstanding, Mr Macmillan should find on his return to the Commons that the rather sickly political baby he dumped in Mr Butler's lap six weeks ago has perked up quite a lot. The Prime Minister flew off, it will be remembered, only twenty-four hours after Mr Thorneycroft had resigned, and to some appearances he left behind a Government and party on the verge of disintegration. To say that he returns to a Government in flourishing health would be to go altogether too far, but certain improvements can be chalked up. The Bank Rate tribunal has left mud sticking only to the Labour party, which is now in one of those aberrational stages when it seems to be intent on losing the votes of reasonable people every time its principal spokesmen open their mouths (*vide* its abuse of parliamentary procedure over the Rent Act, Mr Robens's remarks on steel). Mr Thorneycroft, after leaving an array of time bombs ticking under the Treasury bench, has nobly refused to set them off. Mr Macleod's handling of the bus dispute suggested that the Government has at last found the right deflationary target; the Cabinet's refusal to set up that committee of inquiry may yet prove to have been one of the turning points of postwar economic policy, and it is interesting to speculate whether the decision would have been taken if Mr Macmillan himself had not been away. Mr Butler has handled a series of question-time barrages with consummate aplomb. Mr Amory has ended his first month as Chancellor with sterling well above parity and the gold reserves rising. There are still plenty of troubles facing the Government—not least the unrest among some of its backbenchers over such crucial issues as defence and Cyprus—but, by and large, these six weeks of Mr Macmillan's absence will be regarded by many as the period of the best Prime Minister we haven't had.

If Mr Macmillan will now want to know what has happened in his absence, the curiosity will be mutual. MPs are anxious to see what effect his journey has had on the Prime Minister. Some press reports have led them to expect to see some modern reincarnation of Teddy Roosevelt. Nowhere is the new, uninhibited Macmillan more eagerly awaited than in the Tory Central Office, which has been getting increasingly baffled by the problem of trying to project in 1958 a Prime Minister obstinately determined to reflect 1908. Now that Mr Macmillan has been willing to cuddle koala bears in Australia, new prospects are opened up.

BY-ELECTIONS

The Rochdale Hornet

LABOUR took the former Conservative seat at Rochdale, but the Liberal took the honours. So, if one believes in eager participation in a democracy, did those television cameras that followed the candidates round the streets. The total poll of over 80 per cent, in a February by-election fought on the oldest possible register, must be almost unprecedented. In effect, if one allows for deaths and untraceable removals in the twelve months since the register was drawn up, for a normal crop of winter illnesses and other unavoidable absences on a by-election date, it means that, as near as makes no difference, almost every eligible man and woman in the town must have turned out to vote.

Of this mass army, 35½ per cent voted for Mr Kennedy. Compared with 1955, Labour's share of the vote fell by nearly 4 per cent and the Conservative's share by nearly 32 per cent. The absolute number of votes drawn off from Labour was just about what one would expect as a result of a Liberal intervention in an area such as Rochdale, at a time when Labour is making no progress in the country; in fact Labour's share of the total poll was just decimally lower than its share last time a Liberal intervened here, at the general election of 1950 when Labour was winning an overall majority of only seven seats in the House of Commons. But the number of votes Mr Kennedy drew off from the Conservatives represented a stampede; nearly two out of every three people who voted Tory last time came over to his flag. A considerable contributory cause of this must have been that the doctrine of the wasted vote now rebounded on the Tories' head. It had become clear early in the by-election that the Conservative could not win, and that the Liberal was the only man who might keep Labour out; the mass vote that is anti-socialist but not rigidly pro-conservative drew the logical conclusion. Because of this, hard-and-fast estimates cannot be drawn from Rochdale about how the Conservatives would fare in the majority of straight constituency fights with Labour that would characterise any early general election. But it is the implication of this result for future three-cornered fights that the Tories must regard as the real sting in the Rochdale hornet. A majority of anti-socialists in Rochdale suspected, and a majority elsewhere has now been shown, that to vote Liberal in certain circumstances is the logical, not the quixotic, thing to do.

THE SUMMIT

Wading through Paper

IF diplomacy has to be conducted by means of inter-continental missives (and Moscow's repeated salvoes of verbiage make that inevitable at present), then Mr Macmillan's latest letter to Marshal Bulganin is a model of how it should be done. Briefly but politely, the Prime Minister reminds the Soviet rulers that 1955 showed the folly of bringing heads of government together without clearing the ground through discussion at lower levels. He indicates his own preferences but takes pains not to rule out any alternative in regard to either procedure or agenda.

Mr Macmillan specifically suggests getting the ambassadors to work "without delay" on arrangements for a meeting of the American, British, French and Russian foreign ministers. Noting the Russians' dislike of this idea,

however, he offers to proceed summitwards by way of other diplomatic contacts. This offer seems to have irked the French, who had stipulated a foreign ministers' meeting; but it appears consistent with the position Mr Dulles took up at his press conference on Tuesday, when the Secretary of State said in so many words that a foreign ministers' meeting before a summit conference would not be essential.

It is noteworthy that Moscow is taking its time not only over commenting on Mr Macmillan's letter, but even over releasing it to the Russian public. Sweet reasonableness from the West provides no grist for the Soviet propaganda mills whose task it is to depict other powers as stubbornly unwilling to negotiate. This is not easy. After all, it is the Russians who have refused all discussion of disarmament since September (despite the enlargement of the United Nations commission to meet what they had indicated to be their wishes); it is the Russians who now spurn the idea of a foreign ministers' meeting even as a mere preliminary to summit talks; and it is the Russians who refuse to have on the agenda the most obviously dangerous problems in Europe. Even in the neutralist world, many people may be tempted to go along with the Jugoslav broadcaster who last week daringly pointed out that

> the multiplicity of Soviet proposals, which the public is unable to digest, might give the impression that priority is being given less to the suggested conference than to a wish to obtain a propaganda success.

One almost begins to visualise the western governments wading patiently onward through a Red Sea of Bulganin letters and arriving under Moscow's battlements only to have still more tons of paper dropped on their heads, like the molten pitch of the Middle Ages, by an alarmed Mr Khrushchev who, as in 1955, recoils from the idea of actually having to get to grips over the real issues at close quarters.

CYPRUS

Mr Lloyd in Athens

Mr Selwyn Lloyd's visit to Athens was necessary after his protracted explanations in Ankara, and it probably prevented the emotions of the Cypriots from spilling over into fresh violence. But the question now uppermost is whether the virtual failure of the Athenian talks will upset the very precariously poised peace of the island. The one thing that is certain in a confused and depressing situation is that the Prime Minister will have to give his urgent attention to Cyprus as soon as he is back in Downing Street.

Mr Lloyd went to Athens armed with various proposals through which he believed progress might be made. But none of them apparently appealed to the Greeks. In a joint statement issued on Thursday, Mr Lloyd and Mr Averefi, the Greek foreign minister, announced that although their talks were of "mutual benefit" (and this phrase was apparently not merely a piece of diplomatic politeness), "their views did not coincide on some basic points"; presumably these points were concerned with British efforts to reconcile the opposing Greek and Turkish views on the ultimate fate of the island. Mr Lloyd could not even persuade the Greeks to overcome their reluctance to meet the Turks round a conference table. Agreement on such a conference would at least have indicated that the door to compromise was being kept ajar; on the other hand, another tripartite conference that failed, and thereby put paid to further diplomatic exchanges, would be disastrous. One encouraging outcome of the talks was the meeting between Sir Hugh Foot (who joined the Foreign Secretary in Athens) and Archbishop Makarios. Although solutions were not discussed at the meeting, it has broken the ice and may strengthen the Governor's hand when he returns to Cyprus.

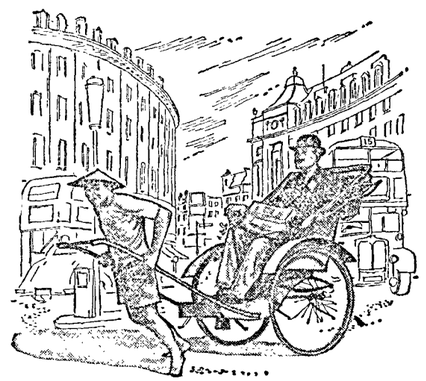
WAGE BARGAINING

Not for Commission . . .

What induced Mr Macleod to raise so profitless a hare in last week's parliamentary debate, with his hinted desire to set up a royal commission to inquire into the country's wage bargaining and arbitration system? There may be some aspects of British labour relations which could usefully be investigated by a commission, but the system of wage bargaining and arbitration is not one of these. This is a matter for policy decisions instead. There can be dispute about which are the right policy decisions, but it is high time that politicians tried to get the possible alternatives straight.

As Mr Macleod himself pointed out in the debate, the great majority of wage bargains in this country are still struck after direct negotiation or consultation—the employers freely deciding how big an increase they can commercially afford to stand, and the unions deciding how much they can commercially afford to stand out for. This is what the system of free collective bargaining within a managed economy means. The impediments upon the proper working of the system in the last ten years have been, first, that governments have not generally followed sufficiently disinflationary policies to make the grant of large wage increases commercially unprofitable and resistance to strikes worthwhile; and, secondly, that certain institutional awkwardnesses have arisen out of that minority of settlements that are reached, not through direct bargaining, but only after arbitration.

There are in practice two criteria—and two criteria only—that arbitrators can adopt in making wage awards. One is to recommend the minimum wage increase that they think will serve to avoid a strike. This is the aim that arbitrators (and nationalised industries) have in fact almost invariably adopted in recent years; it is also the aim which the Labour party specifically supports, although it accompanies this support by a claim that a Labour government would manage to ogle the unions into agreeing that the minimum increases they would accept without a strike should be set rather lower than now. The other possible aim for arbitrators would be to recommend the amount that it is commercially sensible for the nationalised or other employers to give away, bearing in mind their need to attract sufficient workers to their employment and to keep their services running at full efficiency; a cold assessment of the losses that they would suffer if they had to face strikes should properly play a part in deciding what wage increases are commercially sensible, but the desire to avoid strikes would not then be the overriding consideration. Although Mr Macleod insisted in last week's debate that he has given no formal or informal instructions to arbitrators, it is obvious that the Government now wants arbitrators to move over from the first criterion to the second. A lot of parliamentary shadow-boxing would have been avoided if it had admitted this.



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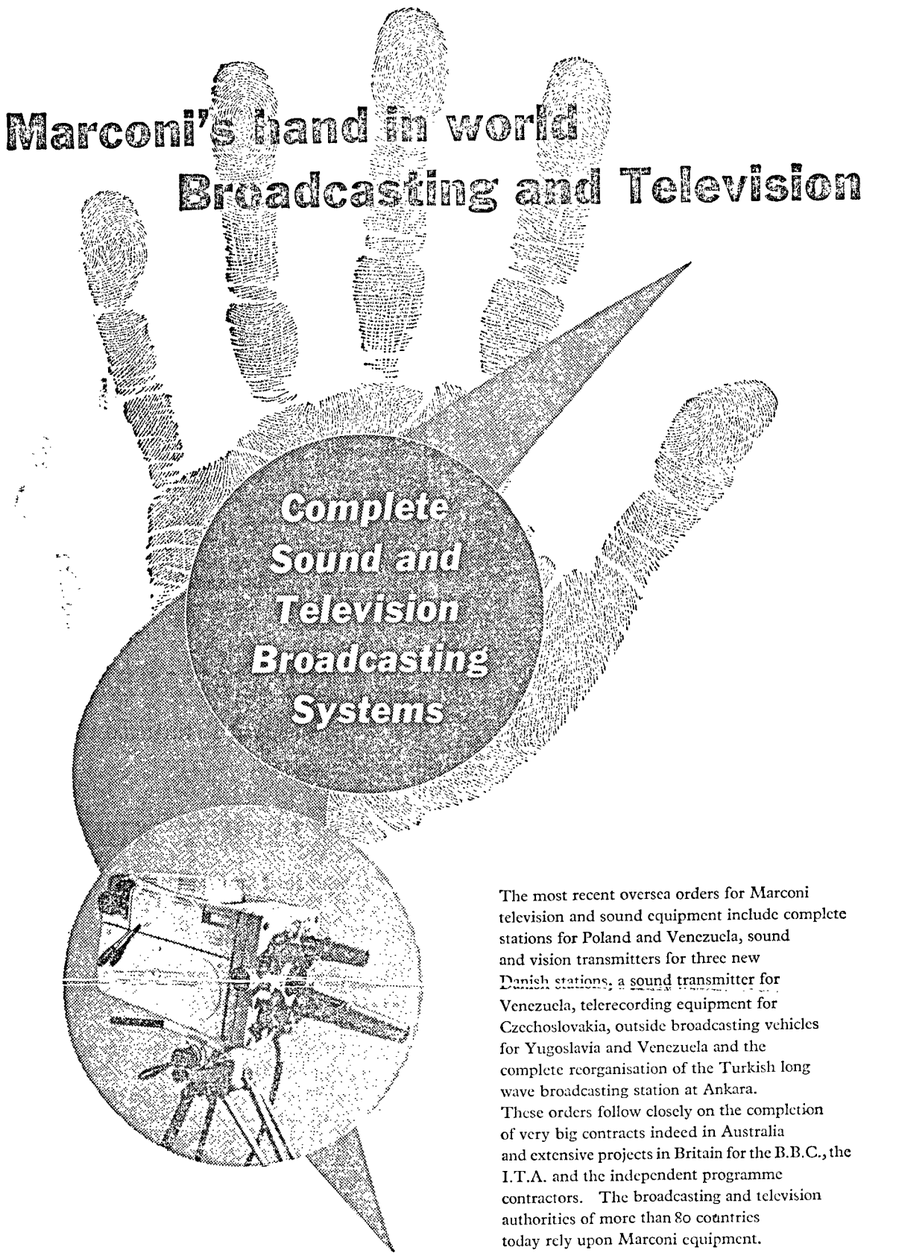
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. . . but for Decision

THE obscurantism that has clouded this debate on wages policy has also affected the debate on wage bargaining machinery. Last week, Government spokesmen made some play with the complexity of the arbitrational or pseudo-arbitrational devices now available in this country—courts of inquiry, committees of investigation, the industrial court and so on. But this wide field of choice is not a handicap ; with one proviso it is a flexible advantage. The proviso is that, if the minister thinks that settlement through one of these bodies is likely to do more damage to the economy than a strike, then he should be free to decide not to set such a body to work in any particular case.

Hitherto, two things have hampered his freedom of action. One has been the custom that the minister sets up any committee when asked. That custom has been broken in the bus dispute, and this is a great advance. (It is still arguable, however, that the minister and London Transport should have followed up this show of resolution by refusing to refer the dispute even to the industrial court.) The second impediment is that there is one arbitrational body—the industrial disputes tribunal (which differs from the industrial court in that its recommendations are supposed to be binding)—to which the minister is statutorily obliged to refer any dispute if one party asks him to. Because of this, and because compulsory arbitration is rarely enforceable on a union, an arguable case has emerged for abolishing the industrial disputes tribunal altogether ; the case is being debated behind the scenes at the moment. But the matter is clearly one for political decision ; it is not the sort of matter which can profitably be referred to a royal commission, whose members would inevitably have to represent different interests and thus hold diametrically different and irreconcilable views about the basic aims of industrial relations policy.

CHINA

Iron Pants in a Knapsack?

HAVING beheaded the "hundred flowers" of frank discussion that bloomed all too vigorously last year, China's communist rulers have moved on, pruning-knife in hand, to another part of the garden. The dense growth of overlapping ministries and commissions badly needed thinning out ; their number had grown from 35 to 48 in three years. The merger of some and abolition of others has also facilitated the quiet removal of several more ministers—presumably owing to their inefficiency rather than to any political deviation, for these men have not been publicly branded like the disgraced "Rightists." At the same time, the scale of the purge of Rightists has been revealed by the news that the National People's Congress has already unseated 54 of its own members, who were accused of expressing anti-communist views.

Chou En-lai's relinquishment of the foreign ministry is a very different matter. Mr Chou remains prime minister, and he played a star role at the congress session that ended on Tuesday. One can hardly accept the notion that this supple personality would have to be removed from the international stage to allow China to alter its diplomatic tactics ; Mr Chou has shown himself amply capable of changing course smoothly. Admittedly his successor as foreign minister is a marshal, Chen Yi ; admittedly Peking's tone has lately sounded tougher, particularly towards Britain. But Chen Yi is a marshal almost in Chou's image : high-born, at one time a student in France, a veteran communist and guerrilla leader, with special connections with Shanghai, where he has presided both as mayor and as satrap for the whole eastern coastal region.

What westerners often forget is that foreign and even prime ministers are usually relatively small fry in communist states today. In Russia, Mr Gromyko is a mere gramophone repeating his dynamic master's voice, while Marshal Bulganin, that tireless titular letter-writer, shows no more independent volition than an ouija board. The talented and versatile Chou En-lai is undoubtedly needed for more important tasks than sitting through lengthy international conferences. With the air full of projects for conferences, China's rulers, who are insistent on their right to take part in any global gathering, may well wish to have as nominal foreign minister a man who could be spared for full-time duty at the green table. The devaluation of the title of foreign minister would be a logical preliminary to a season of competitive outsitting. Marshal Chen's knapsack, in fact, may prove to contain a pair of the iron pants made famous by Mr Molotov.

INDONESIA

Shall We, Shan't We?

IF the Indonesian colonels had thumbed through their manuals of military tactics before they opened their present attack on the Jakarta government they would have been reminded that the essentials of success are decisiveness and co-ordination. They have shown neither very notably. Their aim has been to secure the resignation of the ministry headed by Dr Djuanda, which they regard as far too exposed to communist influence, and its replacement by a government under Dr Hatta or the Sultan of Jogjakarta. This would wield provisional power until the country had been extricated from the perilous by-ways of President Sukarno's "guided democracy."

Their methods have included a barrage of broadcasts from Padang and Bukit Tinghi radios in Sumatra, calling on Dr Djuanda to go, and the despatch of an ambush party to Tokyo to waylay the President, now visiting Japan on his world tour. Unfortunately, they have not been able to say with clarity and vigour what they propose to do if their demands are not met. They have made it clear that they have no intention of setting up an independent state in Sumatra, partly because they are as jealous as anyone else of Indonesia's unity, and partly because if the communist problem is to be solved anywhere it has to be solved in Java too. Nor, so far, have they been able to overcome Dr Hatta's reported opposition to the idea of setting up a rival administration based on Sumatra but claiming the allegiance of the whole country.

Their task was not made easier by the premature announcement from the Tokyo detachment last week that such a rival government had in fact been set up—an announcement explained away next day by the soldier-spokesmen's "difficulties with the English language." The resemblance of the whole dispute to a boxing match conducted at ten yards' range is heightened by the fact that the Jakarta government finds it almost equally difficult to give force to its words. Dr Djuanda has promised "firm steps"

against the rebellious islands, and the stroke of an armchair strategist's pen in Jakarta has nominally transferred the troops in central Sumatra to the command of the loyalist chief of staff. But the colonels are being pushed on by their own momentum: on Monday one of them spoke of a five-day deadline, and another has been talking of a "holy war." If it comes to fighting, it is difficult to see how the government forces would be strong enough to subdue the rebels quickly or how the rebels, without a navy, could impose their authority on Java. And yet so long as the rebels simply go on saying, "Resign or else . . ." the Jakarta government will go on replying, ". . . or else what?" The alternative for the colonels is an ignominious retreat or a risky step towards open revolt; having gone so far, they may well be forced to set up their own claimant ministry.

ARAB FEDERATION

The Three Kings

NOTHING is more indicative of the importance to Arab opinion of the union of Egypt and Syria than the haste with which King Feisal of Iraq has foregathered with King Hussein in Amman to discuss the federation of their two countries. A little quiet thought on this matter might have been more to the point at this moment. Is King Hussein willing to step down, as President Shukry el-Kuwatly is doing, in favour of the senior partner? Is the Iraqi treasury willing to accept the economic problems of the Jordan state, and the Iraqi Army prepared to take over the defence of the frontier with Israel? It has always been difficult to find politicians of importance in Baghdad who were willing to shoulder the burden of Jordan and it will be surprising if the need for a riposte to Egypt has changed their minds. They have always had good reason to hesitate; ever since the death of King Abdullah, Jordan has been a poor risk. It has an unstable throne, a beggared treasury, a divided people and an energetic enemy on its long and straggling frontier. Close connection with it could only weaken the up-and-coming Iraq, which has so much still to do for itself. There is reason to suppose that the two cabinet ministers King Feisal has taken with him are well aware of these drawbacks; they are his ministers of foreign affairs and of finance, and both belong to the younger group of Iraq's men of experience.

King Saud, who has also been asked to join the royal federation, is showing a natural caution. If he were to join a Hashemite federation, it can be assumed that it would have little real substance, for he would not sacrifice a jot of his autocracy or of his freedom to manœuvre skilfully between the two Arab camps. He is not like the impecunious Imam of Yemen, begging to be camp-follower to the United Arab Republic, but a wealthy monarch who feels—mistakenly, perhaps—that his desert spaces will insulate him for a long time to come against the passions of urban nationalism that seethe elsewhere.

To believe that the word union in itself will conjure content in the minds of the Arabs is to misunderstand the importance of the Egypt-Syria union as an idea. The present situation in both these countries derives from their internal revolts against their old ruling classes: Their union is therefore radical in intent; kings, by the very nature of their position, cannot copy it. A piece of federal window-dressing by them would be worse than useless.

If the western powers are thinking of giving private blessing to the Amman talks they should think twice. In the first place, it would do them no good if Iraq were dragged into the whirlpool of Jordanian troubles at this stage of its steady development. But even more important is the fact that a federation *against* Syria and Egypt is bound to be less attractive to Arab opinion than is the United Arab Republic. The western powers therefore derive no benefit from an Arab world split into two unequal camps; to encourage such a division is to drive the radical one to lean on Russia. The object of western diplomacy, therefore, should be to bridge the gap between Egypt and Iraq, not to widen it.

DEFENCE

Saving on the Estimates

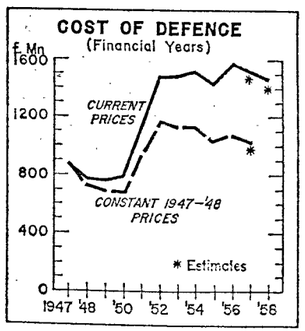
THE defence estimates for 1958-59 come to £1,465 million; this is £18 million less than the original estimates for 1957-58, and (on this method of accounting) £60 million less than the original and supplementary estimates

THE DEFENCE BUDGET
(£ million)

	1952–53	Estimates 1957–58*	Estimates 1958–59
Total Cost of Defence	1,483	1,483	1,465
Of which: Receipts from US and Germany	65	63	47
Who Spends It			
Admiralty	361	316	339
War Office	552	446	441
Air Ministry	446	506	475
Supply and Defence	124	215	210
As Percentage of Total			
Admiralty	24·3	21·3	23·1
War Office	37·2	30·1	30·1
Air Ministry	30·1	34·1	32·4
Supply and Defence	8·4	14·5	14·3
What Expenditure Goes On			
Pay of Service and Civilian Personnel	418	531	540
Movement and Supplies	211	198	195
Production and Research	818	704	657
Other	36	50	73

*Original estimates excluding supplementary estimates of £42 million.

combined. All these figures are given before deducting receipts from Germany and the United States, which will amount to £63 million in 1957-58 and should amount to £47 million in 1958-59 if Germany pays up. The signs are that Germany will not pay up; but, if it does not, the white paper intimates that the accounts will, if necessary, be evened up by withdrawals of troops from the British Army on the Rhine. Mr Sandys is therefore aiming, possibly somewhat hopefully, at another significant cut in the defence burden in the coming year. The projected rise in total government expenditure above the 1957-58 original and supplementary estimates combined—the rise which caused Mr Thorneycroft to resign—must therefore be more than wholly accounted for by increases in the civil estimates, which are yet to be presented.



The navy is scheduled to get £23 million more in 1958-59 than under its original estimates for 1957-58, and the Royal Air Force £31 million less; taking the services together, however, pay is becoming a steadily larger proportion of the total, while the cost of production and research is still falling sharply. The new year's estimates for production and research are £47 million less than the original estimates for 1957-58.

CENTRAL AFRICA

Unfair Franchise?

THE Labour party will no doubt seek time shortly to debate the Rhodesia and Nyasaland franchise bill which has been judged by the African Affairs Board to be a discriminatory measure. Unlike the constitutional amendment bill to which it is linked, it is not automatically placed before the House of Commons when so judged; but the Government has already agreed that it may be debated before a final decision is taken on it. The African Affairs Board has done what it can by sending spokesmen to Britain to enlighten British opinion on the iniquity of the measure, which they hold to be no less, and perhaps more, than that of the previous bill; while the defeat of Mr Todd in Southern Rhodesia, even though he has not been succeeded by a reactionary, will increase British doubts over Central African professions of liberal intent.

But the constitutional amendment bill has now gone through, and Parliament should consider what purpose would be served by vetoing the franchise bill. It might force the federal government to hold elections on the old franchise, which would meet the wishes of the African Affairs Board, but even this is not certain; the constitutional position is confused, but possibly the federal government could arrange some sort of emergency voting, and this might be less liberal even than the proposed system, whereby, though Europeans will vote for Africans, very few Africans will vote for Europeans. Nobody can have much regard for this bill, which is clearly a mean, if not actually a discriminatory, measure; but it would seem better to make this fact the occasion for passing the bill—with the clear and announced reservation that it in no way commits the British government when the time comes to review the constitution in 1960 or later.

Two things should, in fact, be made clear. The first is that when the constitution is reviewed the British Government will not grant independence unless both the franchise and the representation of Africans in all four Central African parliaments is liberalised and entrenched. The second is that the African Affairs Board is still regarded by the British Government as an essential organ through which British responsibilities to Africans are invoked. Twice the board has been overruled—but independence may be further off than Rhodesians think; and on the next occasion the Board may be upheld. Two decisions against it do not mean that it is a dead letter.

INDUSTRIAL RELATIONS

New Model Employers

FIFTEEN thousand employers in Great Britain received this week a booklet from the Ministry of Labour called "Positive Employment Policies." Its aims, no doubt, are sound enough; some of the specific examples it gives about manpower planning and systems of consultation in certain private firms and nationalised industries will be useful. But the same cannot be said of the pamphlet's treatment of one of its central themes: what to do about workers who become redundant. Now, when the unions are revising their attitudes on the subject after the easy postwar years, was the moment for a forthright statement. On the one hand, there should be no dismissals without adequate notice and reasonable severance pay, such as the dismissals that caused the strike at the British Motor Corporation last year; on the other hand, when it becomes obvious that a firm's business is not going to pick up quickly, workers should be given good compensation and told to find another job at once. What need to be avoided are long periods of short-time working, which are favoured by the unions but which stop workers moving where they are needed and have played an important part in keeping productivity today at the same level as at the end of 1955.

It is just these latter policies, however, that parts of the pamphlet appear to commend (largely, one suspects, because the permanent officials at the ministry had more to say in drafting it than the minister himself). Firms with too much labour, it implies, should first stop overtime and recruitment; they should transfer workers where possible to other parts of the firm; and they should organise short-time working, which "though too costly on a large scale and for a long time, can be used to tide over a temporary recession." This middle-of-the-road formula is designed to be acceptable to both sides of industry, who have so far been unable to reach any general agreement on redundancy. But even in the unlikely event of its succeeding in this, it will improve industrial relations only at the cost of lowering industrial efficiency. On balance, this pamphlet has not been one of Mr Macleod's brighter ideas.

FREE TRADE AREA

The Neutrals

IN Vienna and Berne, Mr Maudling has been probing the views of two of the three neutral countries, Sweden, Switzerland and Austria, which are interested in the free trade area. He has encountered a sympathetic atmosphere. Without a free trade area Austria, which is highly dependent on trade with Germany, would be isolated, pinned between a high-tariff common market and the Soviet block. Switzerland would be a lonely island at the heart of the community of six. Both countries have useful ideas to contribute to the negotiations. The Austrian finance minister, Dr Kamitz, for example, believes that regular meetings between finance ministers may have a vital part to play in the harmonisation of economic policies which is so essential to both European schemes. But the Austrians were certainly unaware, until Mr Maudling's visit, of the grave political obstacles which have still to be overcome; they may now throw their weight more vigorously into the fray.

The two countries, however, also have special problems which may complicate negotiations. The Austrians are seeking special protective arrangements for a wide range of industries. And for all the neutrals, the free trade area poses a political problem. The Russians have already made it clear that they consider the common market a political

alliance; and they have told Austria that membership would infringe its neutrality. As yet there has been no such Soviet objection to the free trade area; the politically looser concept seems rather more compatible with neutrality, and indeed the free trade area has aroused interest in Jugoslavia, Finland and Poland as well. In Paris, however, Mr Maudling is under pressure from the six common market countries to give the free trade area a stronger political core, and it is clear that the closer economic ties would tend towards a greater political unity. The framers of the free trade area will have the delicate task of giving expression to this and yet devising a framework which can embrace underdeveloped countries like Greece and Turkey, neutrals like Austria and Switzerland, and perhaps even, in time, other members further east.

A Mediator Wanted

MR MAUDLING'S race to get a free trade area agreement by the end of the year will be carried a stage further on Monday when his Ministerial Committee meets once more. The four months since it started work have not been wholly wasted. Detailed study is going forward on the technical problems of tariff reduction, on certificates of origin, on the future of EPU and on coal and steel. Solutions have been formulated on the movement of labour and the harmonisation of labour costs.

It is plain, however, that little headway has been made on the crucial differences which divide Britain from the other parties: agriculture, and the French wish for harmonisation of the external tariff of a free trade area, which so flatly contradicts the basic British conception of the scheme. On agriculture, a difficult reconciliation has still to be achieved between Denmark's need for markets and the protectionism of most other countries. Mr Maudling's talks in Brussels with the Danes and the Six do not appear to have achieved much. The tone of the British memorandum on agriculture was extremely irritating to some other countries. Though in British eyes it opened several doors to negotiation, any sort of precise commitment was carefully avoided. Here, as in the negotiations as a whole, there is a basic problem of political trust to be overcome.

If Mr Maudling is to have any hope of reaching his goal, new initiatives have got to be taken to bridge the gap between Britain and its partners. When the French government has put its view on paper there will be a better chance of progress. It will be even more helpful if Professor Hallstein, who is now to take part in the OEEC committee's work, can succeed in formulating a view that satisfies all six common market countries. Hitherto the commission and council of the common market have been busy with their own affairs. But more is needed than a mere confrontation of the different initial points of view. Somebody has got to put pressure on the delegations to compromise, or it will never be discovered how much ground they are willing to give up in the last resort. The common market treaty was driven safely home by Mr Spaak, a powerful chairman who stood between the two main combatants, France and Germany, formulating compromises and banging their heads together from time to time. In the free trade area negotiations the roles of chairman and advocate of the British case are combined in Mr Maudling's person. It is not easy for him to put forward compromises; for he has to argue the British brief.

POLAND

From East and West

POLAND seems to succeed in improving its relations with western countries without breaking its eastern ties in the process. The fact that an agreement, involving American credits to Poland worth about $95 million, is ready for signature in Washington, has not prevented Polish negotiators from doing a good deal in Moscow. The trade agreement signed there last week is considered favourable by the Poles.

The American agreement breaks no new ground; in value and pattern it is similar to the one signed last June. Once again the bulk of the credits—about $70 million—is earmarked for the purchase of surplus farm produce, chiefly grain, and is to be repaid in zlotys. The rest of the money is expected to come from the President's emergency fund. This second dose of economic aid to Poland is significant as proof that, despite the changes in the international situation, the American government still considers economic assistance to the Gomulka regime as a worthwhile political investment. Once again, however, the Poles have been partly disappointed. They hoped for more wheat than 400,000 tons (on this score American reluctance was probably due to Canadian pressure) and for more credits.

Mr Gomulka, when he met Mr Khrushchev in a Polish hunting-lodge last month, must have explained to him that serious economic difficulties lay behind the Polish search for American credits. Those conversations probably strengthened the hand of the Polish trade mission in Moscow. The new agreement foresees a 36 per cent increase in Russo-Polish exchanges over the next three years. The Russians will step up mainly their exports of raw materials, including iron ore, oil and products, cotton, aluminium and manganese ore; they will continue to supply grain. Most welcome for the Poles is the acceptance by the Soviet Union of a growing proportion of machinery and other equipment in its imports from Poland. No new credits have been announced, but the Poles should be able to use those granted in 1956 to balance the accounts.

BULGARIA

Murder in a Sofia Tram

COMPLAINTS about the growth of hooliganism are common in the communist press throughout eastern Europe. In Bulgaria, the regime has been trying to deal with the problem by strong-arm methods. According to reliable estimates, about 3,000 people were arrested towards the end of last month; many of them were packed off to forced labour camps without, as far as can be gathered, any preliminary trial. Those arrested included not only young roughs but also speculators, prostitutes, homosexuals and anyone, apparently, of whose morals or habits the police disapproved. Every effort is being made to link immorality and violence with bourgeois western influences. Girls wearing duffle coats have been arrested and only released after signing an undertaking that they would give up such decadent clothing. For some time the Communists had been trying to stamp out the addiction of Bulgarian youth to rock and roll. On this occasion communist agents substituted rock and roll records for ordinary dance records in some Sofia restaurants, and proceeded to arrest all who began to dance in the appropriate style.

The arrests were preceded and accompanied by articles in the Bulgarian press demanding the forceful eradication of hooliganism and the bourgeois western influences that are alleged to inspire the young delinquents. The press campaign seems to have been sparked off by a particularly lurid incident in which a young man was stabbed to death in a Sofia tram. The newspapers were righteously indignant that the other passengers made no move either to help the victim or to stop his assailants from escaping. Naturally enough, the press did not point out that after thirteen years of communist rule the ordinary citizen tends to mind his own business and to avoid contact with the police at all costs. But there are complaints in the Bulgarian press that the man in the street sometimes supports the culprit and protests at his arrest—not, presumably, from a liking for crime, but from dislike of the police. In either case, the police are regarded less as the guardians of law and order than as the indispensable props of a hated government. As for the hooligans, without condoning their aberrations, it is relevant to point out that many of them are moved to violence by the same frustrations and despair that made the Hungarian students so handy with home-made bombs.

EAST GERMANY

The Monolith Cracks

THE purge of three members of the east German Socialist Unity party has for the moment rid Herr Ulbricht of awkward opponents. Whether it will serve him well in the long run is another question. Popular dislike of the east Berlin government has been kept silent and passive since 1953, but it is now clear to all that there is a strong opposition within the party itself, and there is no longer any difficulty in identifying its leaders. Herr Oellsner, a leading ideologist now removed from the politburo, and Herr Wollweber, who lost his post as Minister of State Security last October and who has now left the central committee of the party, were both rigorous communists. Herr Schirdewan, who has been ousted from both central committee and politburo, has long been regarded as the possible heir. He is a figure whom loyal communists and, still more important, the Russians could accept as an alternative head of the regime, if it suited them to make a change. At long last the paper face of the apparently monolithic Ulbricht regime has cracked open.

The grave differences between Herr Ulbricht and his three colleagues date from the autumn of 1956, after the Hungarian revolt. The three apparently did not quarrel fundamentally with Herr Ulbricht's parrot-like repetition of the Russian line. They dissented on tactics—in particular from his harsh method of dealing with student discontent. They have been observing developments in Poland appreciatively, too. And more recently there have been differences on economic policy. Herr Ulbricht is determined to press on with collectivisation on the land; and he seeks to resolve the zone's industrial difficulties by the old-fashioned method of pushing up production "norms." Herr Schirdewan, for his part, evidently feels that such an extreme approach may boomerang, as it did in 1953. He and many industrial leaders of the zone feel, too, that Herr Ulbricht's wish for a radical decentralisation of management will produce industrial chaos. Here is a miniature version of the conflict between Mr Khrushchev and Russia's technocrats.

Herr Ulbricht, like his master in Moscow, has won a round. The purge is being followed by a campaign to decentralise and there are suggestions of higher working norms. Attacks on the evangelical church may be intensified. But how much all this suits the Russian book is not clear. Herr Ulbricht's inflexible methods—which are almost peculiarly unattractive, at once extreme and lacking in dynamic appeal—and the steady deterioration in the quality of the zone's leadership as he surrounds himself with yes-men, will hardly help resolve its economic problems. Yet the zone has an important place in the economic plans of the Soviet block as a whole.

FOREIGN WORKERS

Farm Dogs in the Manger

TRADE union resistance to the recruitment of foreign labour for grossly undermanned industries is notorious and virtually unbreakable in coalmining; sporadic and ineffective in transport (where the incomers are, in any case, not "foreign" but colonial); and a source of chronic friction and inadequate service in the catering trade. It has recently appeared in a new field: that of agriculture. Two county conferences of the National Union of Agricultural Workers, those of Bedfordshire and Hertfordshire, have deplored the "influx" of Italian farm and horticultural workers and urged the union's central executive to do all in its power to stop their entry entirely. The union's arguments, as stated at the Hertfordshire conference, are worth scrutiny. They do not rest on the danger—always painfully present, understandably though irrationally, in the emotions of the miner—of unemployment for British workers ousted from their jobs by newcomers. Nor, given the existence and enforcement of the minimum wage, is actual undercutting feared. The objection is that the availability of Italian workers could make it unnecessary for farmers to "compete in the wages field"—that is, to bid up the price of labour, in accordance with the battered old laws of supply and demand and without reference to official minima, so as to maintain the working force they need.

This is to let the cat out of the bag with a vengeance. It makes nonsense, to begin with, of the general, ingrained trade union and socialist belief that legislation and collective bargaining are alone responsible for keeping wages above starvation level. It displays agricultural trade unionism as no less restrictive in spirit and intention than the most hidebound of craft organisations; given that newcomers ease the labour market from the employers' point of view, it does not, after all, matter whether they are British or foreign—the main thing is to keep them out. The total agricultural working force is, in fact, continuing to fall. During 1957 there was, among whole-time workers, a net efflux of 11,000 men (or 2½ per cent of the previous labour force) and 3,000 women (or 8 per cent); and these figures only mark the continuation of a long-established trend. Set in this perspective a few hundred Italians, allowed in to fill the most urgent gaps, only after strict official inquiry has revealed that no British worker is available, are neither here nor there. The farm worker has every right to ask for more money and, if the farmer cannot afford to give it him, to better himself—as, in his thousands, he is doing—by seeking an industrial job. That is how standards are raised. But the role of dog in the manger suits him even less well than it does the miner.

EDUCATION

Teachers for the Techs

THE Ministry of Education has now made known its proposals for finding the greatly increased teaching staffs that are going to be required by the technical colleges over the next few years. This always promised to be a very difficult problem. If industry competes with the schools for scientists, how much more strongly does it compete for exactly the sort of people who teach technical school subjects ; in the past this has been at once a drain on the vitality of the technical colleges and a reason—though a bad one—for the low regard in which many technical colleges were held by business men. The Minister of Education is undoubtedly right, in his proposals, to make the proper staffing of the technical colleges, from which industry stands first to gain, a joint responsibility of industry, local authorities and the ministry.

The circular on technical college staff which he has issued this week to local education authorities follows closely the recommendation of the Willis Jackson report on the subject. Salaries were very substantially raised in 1956, and last year the recruitment of teachers just reached the target of 1,400 a year which the Wallis Jackson committee set for the five years to 1961. But the problem of raising the quality of the teaching remains. The shortage of teachers means that the full-time teachers are often sub-standard—and even so do too much teaching, and too little reading and practical work of their own. By providing better amenities, more leisure, and more clerical, workshop and laboratory assistants, the Ministry hopes to free the teachers from some of their chores. This, however, will depend in part on whether industry will give teachers facilities to refresh their knowledge on firms' training courses, and whether it will release its own staff more generously to teach part-time. The Wallis Jackson committee rightly called for much more intimate relations between industry and the technical colleges. The bigger firms already do much ; it is now for the medium-size and smaller ones to realise that unless they put something into the drive for more technologists they cannot expect to get what they want out of it.

VATICAN

What's in a Name?

A SPELLING can mean a great deal, to judge by the reaction of the German foreign office to the latest issue of the Vatican Directory. In it the dioceses in the former German territories have for the first time been called by their Polish instead of their German names. Bonn saw in this innovation a shift of position by the Vatican on the bitter question of the Oder-Neisse frontier.

The emergence of communist states has created a most awkward problem for the Vatican. After the victory of the Russian revolution there was an obvious clash between the Church's repugnance for the new atheistic regime and its century-old dream of bringing the Russians to the Catholic fold. The imposition of communism on areas of Eastern Europe inhabited by many millions of Roman Catholics complicated the dilemma further. The persecution of the Church by the regimes of these countries made the Vatican's choice somewhat simpler. In the particular case of the former German territories now held by Poland, the interests of the German clergy were also at stake and so the Vatican decided not to appoint any bishops to Breslau, Oppeln, Danzig and two other sees. The empty seats were a sign of papal refusal to accept the new frontiers as juridically settled ; naturally this led to friction with the Polish government.

Mr Gomulka's victory, followed by a more tolerant attitude towards the Church, once again changed the issue. The Vatican's first reaction was to appoint Poles as capitular vicars (administrative heads) in the controversial bishoprics. Nevertheless, when the Polish primate, Cardinal Wyszynski, visited the Vatican last May after his release from jail, the Pope showed apparently little enthusiasm for the cardinal's compact with the new regime. An encyclical letter at the time warned the faithful against communism. The Vatican's policy now seems to switch back towards compromise ; this, at least, is the conclusion sorrowfully drawn at Bonn.

SOVIET UNION

David and Goliath

ALL those who engage in trade with the Soviet Union have an interest in a case now proceeding in Moscow between two Israeli companies and the Soviet oil export corporation *Sojuz Neftexport*. The two companies have a three-year contract for the supply of oil which, upon the Israeli invasion of Egypt in November, 1956, the Soviet corporation refused to fulfil. At the time Neftexport said that it had been denied export licences ; it has since produced a letter from the ministry of foreign trade forbidding it to perform the contract. When making the contract the Israeli companies accepted the provision—normal, though not invariable, in dealings with the Soviet Union—requiring all disputes to be referred to the foreign trade arbitration tribunal established in Moscow in 1932. The tribunal is most often invoked in disputes concerning the quality of goods or delivery dates, and in these matters its reputation is good. In cases involving high policy, the foreign applicant appeals to it with less confidence.

To Neftexport's plea of *force majeure*, the Israelis reply that the corporation is to all intents and purposes a department of the ministry of foreign trade, and a body cannot exercise *force majeure* against itself. If this line of argument fails the Israeli lawyers in Moscow have two others: Soviet law does not give the ministry power to cancel contracts, although it does require contracts to be submitted to the ministry before signature ; and secondly, that in the absence of special provision, the possibility of government intervention is a seller's risk and not a buyer's.

Neftexport's action in cutting off supplies to Israel appears to be the first example of a breach of a commercial contract for which nothing but a political reason is adduced. The Israelis, refusing to accept political discrimination in a business arrangement, are challenging the Russians in their own court with the slings and arrows of outraged rights. One consideration may work in their favour and put the Russians in a dilemma: the Soviet tribunal may feel some reluctance to damage its own standing with foreign traders by giving an obviously political judgment.

Colonel Blimpov in Retreat

PROBLEMS of military deportment are not usually thought to loom large in socialist ethics. Stalin, however, transformed the Red Army into a disciplined and stratified body that could impress even a Prussian. His successors, particularly since Marshal Zhukov's dismissal, have been trying to break this caste system in order to undermine the army's special position. As a result, human voices can now be heard coming from under the officer's uniform, voices recalling complaints that other countries know well. Thus a worried lieutenant puts a pertinent question to the *Red Star*, the army's newspaper:

> It is known that an officer cannot carry food parcels or other bags. But what should I do when I am with my wife on the market or in a shop and we have bought many goods ? My wife carries the lot and I walk beside, "relaxing." Admittedly I must have my right hand free to salute . . . but could I not carry the bag in the left and help my wife ?

The voice is new in Russia ; it is not isolated. In the same issue of the paper a colonel's wife is criticised for insisting on being served out of turn in a shop. When challenged by other wives she replied: "When your husband has served 20 years and has reached a high rank, you will be served without queueing." Not so long ago officers' privileges were taken for granted and any attack on them was rebuffed as an attack on the army's prestige. The taboo is losing its magic.

Naturally brass-hats are putting up what resistance they can to encroachments on their privileges. At one meeting a superior officer under verbal fire snapped back at his critics: "You have learnt to grumble at meetings, but you have not learnt to shoot." There was a time when this would have put an end to argument, but today *Red Star* dismisses it as an intolerable way to react to healthy criticism. An important social struggle, not unconnected with Marshal Zhukov's fall, is revealed by these apparently trivial snippets from the correspondence columns of the army paper. In this battle, Colonel Blimpov is in retreat.

RIGHTS IN LAND

The State as Landlord

LAND nationalisation is not at present a live issue. But the relation between land ownership and management and the public interest is, as the Land Powers (Defence) Bill shows, a very live issue indeed. The old problems disguise themselves as a question of individual liberties (as in cases of compulsory purchase for the services) or of the farmer's proper income (as at each annual price review). It is thus altogether in keeping with its job that the Fabian Society should sponsor a pamphlet* which inquires, by way of pro and con argument, whether outright State ownership of land would not make that relation more harmonious. On the positive side are all the arguments resting on the need for large-scale capital investment, nationalisation of holdings, and raising of management standards, which were evoked in the case of coal and which can be respected by non-socialists as well as by socialists. Mr John Mackie, putting the nationalisers' case, adds to these a curious rag-bag of unsupported and sometimes contradictory assertions. Tenant farmers suffer on page 4 from the fact that ownership of their land may change hands ; on page 7 they have too secure a tenure. Land administered on behalf of absentee owners is "invariably badly managed." Differential rents for good and bad land cannot be applied unless farms are let by the state. "We must farm our land to the full. We cannot do this if we have no say in who occupies it."

It is discouraging, in this day and age, to find still surviving in educated minds the picture of an omniscient and progressive central expertise, infallibly seized both of the national interest and of the detailed means of serving it, contrasted with a private selfishness and whim out of which no public benefit can, except coincidentally, arise. It is equally disconcerting to rediscover the parallel dream of a bottomless source of investment funds to be tapped by any industry governed by a national board. Compared with these, even the experience-proof idealism which advocates at once full responsibility to Parliament and a local and decentralised organisation free of bureaucratic red tape or the emotional doctrine that "we must farm our land to the full" is unimportant. Mr Walston, arguing the negative case, has very little difficulty in demolishing his colleague ; he suggests a "functional" and experimental public ownership of "such areas as can be shown to be producing less than they should because of their present ownership"—which might be a promising idea were any criterion for choosing such areas reliably available.

* "Land Nationalisation, For and Against." By John Mackie and Harry Walston. Fabian Society. 19 pages. 1s. 6d.

The Economist

FEBRUARY 13, 1858

WHO SHOULD VOTE?

The great bugbear of the Conservative party in all ages and States has been what is vulgarly called "Mob-rule,"—that is to say, the predominance of the unreflecting and transient prejudices and passions of masses of men, whose minds have not been educated to entertain more than one idea at a time; and who have no notion of the comparative proportions or relative bearings of different questions. Against committing the vessel of the State to such rash and inexperienced navigators, Conservatism has justly protested in the interests of common-sense. The protest has been admitted by the most sagacious of the Liberal party, and the question has virtually resolved itself into one as to the grade of society at which the individual appellation of citizen ceases to be applicable, and the generic epithet "mob" commences. The *mobile*, untrained classes have been usually identified with the uneducated, and we accordingly hear every now and then of the educational test as the golden rule for separating the wheat from the chaff, and giving us a true citizen constituency. It has, however, unfortunately, been also discovered that education is a word of many significations, and that more than one of these are scarcely better calculated to secure the desired result of a reflecting citizen than the old state of things. On the other hand, should a more rigid interpretation of the term "education" be adopted, we are afraid that our constituent body will not merely receive few accessions, but will be subjected to a very considerable abstraction from the number of its existing members. . . . The "untrained" classes, then, have already part possession of the sacred precincts of the Constitution,—and the question is not whether we can thrust them out, but whether we can render them more worthy of the position they occupy, and whether others, who have not been fortunate enough to obtain admission, may not already or very speedily be able to advance equal or even better claims to such a distinction. It may soon become an important question whether the spirit rising up among the artisans in our great cities is not more akin to the old *Conservative* definition of a citizen, than that which animates some of those to whom social position and customary courtesy attribute a superiority.

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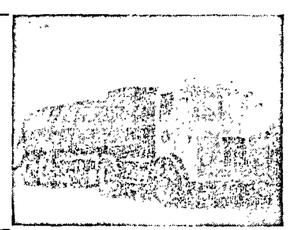
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LETTERS

The Labour Party

SIR—Harold Laski did not prophesy that "when Labour won a majority at the polls, the vested interests would not accept the electors' verdict." What he said was that such acceptance was exceedingly unlikely should Labour seek to effect those fundamental changes in the economic and social system to which it is pledged by its constitution.

None of the legislative measures of the post-1945 Labour Governments involved such fundamental changes. The possible exception was the nationalisation of steel, to which the British Iron and Steel Federation opposed bitter resistance and an uncompromising refusal to co-operate with the Government, even after the measure had become law. The current pronouncements of the leaders of the industry and your own prediction that the first fruits of a Labour victory at the next election "will be something like economic catastrophe" suggest that to call Laski a false "prophet" may be somewhat premature.—Yours faithfully,

London, N.W.3 RALPH MILIBAND

Atomic Risks

SIR—The statement in your article "OEEC's Nuclear Agency" of February 1, 1958, that "atomic accidents, though rare, can be such that the insurance companies dare not underwrite third party risks," is entirely without foundation. In fact, the insurance markets, both here and abroad, have made special arrangements for the insurance of third party risks of nuclear reactors and are in a position to offer cover up to substantial amounts. In accordance with their usual practice the markets have to set limits to the amount of cover they offer, and it may be that this caused confusion in the mind of your correspondent. The British Insurance (Atomic Energy) Committee, comprising both companies and Lloyd's, was formed in July, 1956, to underwrite both material damage and third party risks in respect of atomic reactors in this country and overseas, and is in close collaboration with similar organisations in North America and in most of the countries of Europe.

It may interest your readers to know that quotations for third party and other risks have been submitted by the British Insurance (Atomic Energy) Committee in connection with the OEEC Halden reactor to which your correspondent refers.—Yours faithfully,

British Insurance (Atomic Energy) Committee H. T. SILVERSIDES Chairman

[A Business Note discusses the latest developments in atomic insurance.—EDITOR.]

Profits Tax

SIR—When you write "the real cost of dividends on ordinary or preference capital is 127 per cent of their nominal gross amount" you understate your case against the profits tax as "a prize example of untidy expediency and fiscal muddle." You ought also to take into account the fact that profits tax is not allowed as a charge in computing liability for income tax.

The full costs of various kinds of expenses, each of £100, as charges against profits before tax, are:—

	£
An ordinary business expense, allowable as a charge against profits	100 exactly
A special expense, not so allowable (to be exact £$\frac{200}{1\cdot09}$)	183
A preference or ordinary dividend (to be exact £$\frac{169}{1\cdot09}$)	155

The £155 is absorbed thus:—	£
Income tax on £155 at 8/6d.	65·9
"Undistributed" profits tax on £155 at 3 per cent.	4·6
"Distributed" profits tax on £100 at 27 per cent.	27·0
The net dividend	57·5
	155·0

The absurdity is that, though the company has paid out the whole £155—£97 10s. of it to the tax collector—the company is deemed to have enjoyed non-distribution relief on £55.—Yours faithfully, S. A. WETHERFIELD

London, W.1

★

SIR—A clot does not have to come from Lancashire to know that he (or it) is out of place upon an equity.—Yours faithfully, J. W. BANKES

London, E.C.2

[The clot apologises for not writing clog.—EDITOR.]

Road Haulage

SIR—In your informative article on lorries, you omit one point which seems to me important—what is the real cost of road transport? What with subsidies, exemptions, and allowances, it is difficult, I admit, to find the real cost of any service. But one must explain how road hauliers, driving their rubber-tyred vehicles up and down hill, can compete in price with a railway train running along level tracks with steel tyres.

No doubt door-to-door service is a great convenience and well worth an extra charge. But in fact, I contend, road transport is carried on at the expense of the public. In all forms of transport the governing factor is the "permanent way"; this explains the cheapness of ocean transport—nature has provided the permanent way. For the haulier the ratepayers repair, light, police, and signal his permanent way—the road; all the motor-owner has to do is to provide the lorry. If you send goods by railway, the main cost is not the train (as most people imagine) but the track, depots, and so on; private capital bought the land over which the railway works.

Since "nationalisation" the taxpayer owns the railways; so we all lose the money paid to hauliers for long-distance transport, while as ratepayers we lose the extra rate contribution from railway receipts, since our railways are rated, unlike other property, on their actual profits.

Note, finally, the cost of road casualties, estimated by Lord Mancroft at £110 million in 1956. Is there any good reason why our roads should be cluttered up with these huge long-distance lorries? The West German Government is trying to move goods traffic back to the railways by announcing that no new licences will be issued for lorries with a laden weight of 24 tons, or with a length, trailer included, of more than 46 feet.—Yours faithfully, J. E. ALLEN

Cambridge

Export Insurance

SIR—In your issue of January 18th Mr Frank Nixon refers to the vital problem of credit risks assumed by the Export Credits Guarantee Department and suggests that co-operation between it and the insurance world would greatly benefit the country. Having had many years' experience with the credit and financial aspects of American and Canadian markets, I would say that his suggestion is not the best solution. In fact, I believe that the ECGD and the insurance companies both realise the difficulty of guaranteeing the credit of customers thousands of miles away, particularly in the United States and Canada, whose economies are so dynamic and volatile.

I discussed this question with British insurance representatives in 1956 and 1955 when I was located in New York. They appreciated their lack of familiarity with American markets and the need for specialised knowledge and techniques to arrive at correct evaluations of credit risks. They knew that close proximity to these markets was essential if sales were to be promoted through sound credit-checking methods and substantial losses avoided. About the same time, the firm with which I was associated carried on negotiations with the ECGD for an arrangement between them whereby my firm would contract to do the actual checking of the credits to American customers of British companies and assume part of the risks. We would have also collected the accounts and remitted the monies, visited the customers, advised them on their affairs, attended creditors' meetings in the event of insolvencies or other troubles, and helped in reorganisations when necessary.

These are the kind of services rendered by specialised bankers or factors in the United States. A tentative

agreement was drawn up and forwarded to the ECGD finally for its consideration, and due thought given to the need for reconciling differences in the British and American laws. However, time dragged on, and the matter seems to have been lost sight of.

Nevertheless, I think that interest in this subject should be directed into the channel that I have tried to outline, particularly in these troublous times.—Yours faithfully,

Andover RAYMOND V. MCNALLY

The Summit

SIR—Your article "Other Side of the Summit" gave a timely reminder that if the West does eventually go to a summit meeting with concrete and useful proposals that the Russians would be well advised to consider, there will be no guarantee of an agreement. The article then suggests that "some agreement of limited scope might be reached. If it were not, the blame for the European deadlock would be seen to lie with the other side." Permit me to limit my comments to this last proposition.

Surely, blame-fixing is not a novelty in Soviet-Western relations. Ever since the sterile negotiations at the Palais Rose our statesmen and political commentators have been confidently predicting that if the next round of negotiations are wrecked, Russia will stand condemned for ever in the eyes of world opinion. This was said before the summit meeting at Geneva, on the eve of the Foreign Ministers' meeting which followed and throughout the protracted disarmament talks which took place last year at Lancaster House.

And yet each time the exercise in blame-fixing misfired. After the collapse of each meeting the pro-Western section of world opinion denounced Soviet duplicity, the fellow-travellers thundered against Western intransigence, while those in two minds persisted in their belief that both sides were to be blamed.

In the circumstances, what makes you think that the failure of another summit meeting will offer a sceptical and ill-informed public opinion a clear indication that the Soviet leaders are the only villains?—Yours faithfully,

LIONEL BLOCH

London, W.8

Canadian Liberals

SIR—Your Ottawa correspondent lassoed the wrong maverick in his report on the Canadian Liberal convention (in your issue of January 25th). The bucking bronco who opposed Messrs Pearson and Martin for the liberal leadership, and whose name threw your correspondent, was Mayor H. Lloyd Henderson, MP for Portage La Prairie.—Yours faithfully,

London, W.8 J. DOUGLAS TURNER

[Misreading of a cable was the cause of this lapse, for which an apology is due to Mr Lloyd Henderson. Our correspondent is still on horseback.—EDITOR.]

BOOKS

Too Serious a Business

Soldiers and Goverments

Edited by Michael Howard.
Eyre and Spottiswoode. 192 pages. 21s.

Armies and Men

By Walter Millis.
Cape. 382 pages. 25s.

"AT MR 843958 Lieutenant L. E. Fusil in command of B Platoon (less one section) of A Company, the 3rd Blankshires. . . ." "To dominate the psychological will of the enemy, Waritania that year had to adopt either the offensive or the defensive." Between these poles of absurdity military history swings freely and uneasily. The regimental tie school of military history finds most favour with the public. In this country the reader is bombarded with the eye-witness account of this or that commando raid; in the United States he is being instructed on which brigadiers were drunk at Chickamauga and which were sober. Men, of whatever rank, in action on the battlefield is the theme; impressionism is the method. It is as well to be reminded of the courage, self-sacrifice, brutality and cowardice of men in uniform; but politics, strategy, policy and criticism go by default.

The high Clausewitz school has always had fewer practitioners, not least because it has required more critical, more intelligent pens. But some of its predictions went sadly awry in the last war and, with present day debates on nuclear deterrents and the like to occupy their attention, writers of this school find the past less inspiring, though they draw upon it to provide the occasionally apt—and sometimes the misleading—analogy. Much of the most attractive work on military history has thus recently come from the middle-of-the-roaders. The single battle or the single campaign—Gallipoli and Cassino are excellent examples—are critically narrated and appraised. And within that category can be placed many of this or that general's memoirs, though their worth can often be tarnished by the air of apologia.

The difficulty of portraying the single campaign or battle will always confront the military historian, but his task, of avoiding the too particular without straying into the easy, meaningless generalisation, should be made easier by the growing influence of another school of historians. They see military policy as a continuing development, related to political, economic and social history and undivorceable from it. In his three recent volumes of the decisive battles of the western world, Major General Fuller tried to bind the marriage knot and, however one may dispute some of his conclusions, the attempt deserves applause—and emulation. But the need and usefulness of seeing military history in this light has perhaps been best expressed recently by Mr Michael Howard in his introduction to the volume edited by him, "Soldiers and Governments." The theme of this symposium was the relationship of the military and civil powers; much of the discussion in this admirable series of lectures—in which those on Britain, France and the United States were particularly stimulating—was confined to the army as a weapon directly interfering with the civil power or threatening it. All the lectures, ranging over a large number of countries, have something fresh to say upon this theme. But in his contribution Mr Michael Howard goes deeper, enlarging his argument to touch upon the indirect pressures the brass hats can bring on the frocks and the frocks on the brass hats. The questions of liberty and security, he says in effect, can no longer be put in terms of a tiny standing army as it was put at inordinate length by the Whigs in the eighteenth century. The nation in arms presents different questions and demands different answers.

That too is one of the themes that concerns Mr Walter Millis in his "Armies and Men." In this thoughtful study of American military history he traces the development of military policy from the American Revolution up to the present day. It is refreshing to find a book which gives far more space to Mahan and Elihu Root than to Grant or Pershing, and a book, moreover, which does not get lost in details of weapons, men and battles. Mr Millis emphasises, in line with most military studies published since the invention of the H-bomb, the importance of technical and industrial developments in military weapons—just as, under the influence of the Napoleonic campaigns, it was once the fashion to dwell on strategic and tactical manœuvres on the ground.

In the American Revolution, Mr Millis sees the emergence of the problems of the nation in arms—problems that re-emerged in the Civil War, when in addition both the civil and military powers had to adjust their thinking to the industrialisation of war. To those problems, he then suggests, were added the influences of a managerial revolution (war had become so big that it demanded the skills, misapplied though they often were, of the specialist general staffs) and of a scientific revolution, where the application of research and technology to the killing of a man or a country may, in Mr Millis's opinion, have led to the hypertrophy of war. Neither Mr Millis or Mr Howard would expect complete acceptance of their theses, but it is from the stimulus of such books as theirs that military history may lose its stigma as a narrow and arid study.

Soviet Expansion

Soviet Statistics

By A. Yezhov. Translated from the Russian by V. Shneerson.
Foreign Languages Publishing House, Moscow. London: *Central Books.* 132 pages. 3s. 6d.

The Soviet Statistical Handbook, 1956. *A Commentary*

By Naum Jasny.
Michigan State University Press. London: *Angus and Robertson.* 212 pages. 35s. ($4.95).

THE first postwar Soviet statistical handbook was published in Moscow in 1956 and an English translation from it appeared last year. Welcoming it in these columns, the reviewer paid tribute to the output statistics of individual materials and goods, but declared that "much of the figuring is of dubious value in Western eyes—particularly that which should give the best indication of the growth in activity." More recently, Mr Khrushchev's claim of a 33-fold increase in Soviet industrial production since 1913 provoked an argument over the validity of Russian statistics in the correspondence columns of *The Times,* in which the last space, although hardly the last word, was given to the Russian academecian, Dr Ostrovityanov. The heavy shadow of doubt remains.

The reluctance of Soviet statisticians to disclose details of their calculations has persisted: the notes in the English translation of the handbook are of the barest. The first of these two new books about, rather than of, Soviet statistics is prepared by the USSR Central Statistical Board and might have been expected to fill the gap. It helps, but it is a tantalising little book. One-third of it is given over to a history of the collection of statistics from the tsarist days when they were "superlatively irregular, slovenly and primitive" to the perfect system of today which produces "*authentic* and *timely* statistical data." The rest of the book makes some attempt to describe the statistics, but in what a tortured and incomplete way. The reader searching for details of the controversial index of industrial production will discover its broad outline by picking his way carefully through the stilted sentences. He will deduce that it is formed by summing the gross output of all industrial enterprises, valued in constant prices of a fixed base year. But he will learn nothing about the value of Soviet production today, its composition or the methods of repricing. Throughout this book there is never a whisper of the difficulties in defining economic data, of the inadequacies in practice, of the errors involved.

Mr Jasny, on the other hand, sets out with the greatest mistrust of all Soviet statistics. He may feel he has just cause: he has spent some considerable time studying them. Yet sometimes this seems to have made him unduly waspish, and he will blame the Soviet statisticians for not publishing statistics (such as the number of dependants of farmworkers) that more sophisticated workers in other countries might be hard put to it to provide.

Mr Jasny produces enough evidence to show that inflation has crept into the long-range estimates of the growth of industrial production and national income and usefully assembles various private estimates that have been made, although he omits those of Mr Seton of Oxford. But he does not argue his case well. He does not adequately discuss the conceptual differences between a "gross-value" index like the Soviet one and the "net value" Western indices. His book, in fact, consists of a series of comments in note-form on a selection of the statistics, rushed into print to follow the handbook as soon as possible. It is, however, a very useful cautionary notebook for those who want to study the handbook in detail. As to the general indicators of economic activity—national income and industrial production—he shares the view of most research workers that they grossly exaggerate the growth between 1913 and 1950; since then he is less sure. Indeed, Mr Jasny's only complaint of the current index of output is that the pricing excludes turnover taxes. In this instance he is more kindly than some other Western commentators.

A Geophysical Giant

Nansen: *A Family Portrait*

By Liv Nansen Høyer.
Longmans. 269 pages. 30s.

WHEN Fridtjof Nansen was elected Lord Rector of St. Andrew's University in 1926, he told his student audience:

> My friend Roald Amundsen said to me the other day that he was glad not to have been born any later, for there would have been nothing for him to discover but the moon.

Nansen himself begged to differ. For him there would be—and was—always something new beckoning. Surely he would somehow manage to be the first human being to girdle the earth in a sputnik if he were alive and young today. He was a scientist before he won fame as an explorer, and he remained a scientist to the end; at the age of sixty-eight he was bent on making a flight to the North Pole in the Graf Zeppelin to resume the Arctic investigations that he had begun in 1882, and this was no romantic dream but a carefully planned operation, frustrated only by death. Nor were the horizons of science and exploration wide enough for the men whom the "Nansen passport" has immortalised as the world's great champion of the stateless refugee, and whose famine relief work in Russia is almost equally well known. Outside Norway, however, few people remember his part in his own country's successful campaign for independence, his service as the first Norwegian envoy in London, his delicate negotiations in the United States during the first world war—or the fact that somewhere, somehow, along the way he fitted in lecture tours, travels and a wealth of good works.

Such a man might be expected to have scarcely any family life at all. As his daughter's account shows, his long absences imposed an inevitable strain. (She herself was six months old when he set out for the North Pole in 1893, not to return for three years). Yet the family bond was strong. The letters and diary entries quoted in this intimate biography reveal a different Nansen from the man who strode, lonely and dedicated, across the polar ice and the international scene. Nansen was not always austere, withdrawn and hungering for the wilderness. He was also capable both of warm and lasting love and of flirtation. Once, indeed, his weakness for gaiety and feminine charm led him into a situation that endangered his first marriage (Mrs Høyer tells us nothing of his second). His relationship, as a widower, with his five children was a difficult and sometimes a harsh one. It is described here with a touching affection and directness, which Mr Maurice Michael's translation captures with complete success.

Mr. Kennan

Russia, the Atom, and the West
BBC Reith Lectures 1957

By George F. Kennan.
Oxford University Press. 120 pages. 10s. 6d.

MR KENNAN'S Reith Lectures delivered in November and December have probably stimulated more discussion than any other piece of political writing since the war. The manner in which he questioned some of the assumptions of Nato policy has naturally caused embarrassment and resentment, particularly to the politicians and diplomatists who have to conduct Nato policy from day to day. The lectures have also been a good deal criticised on grounds of detail, particularly when Mr Kennan turned aside to outline possible alternative courses of action. Alternative courses are not easy to see in specific form and it is never possible to guarantee their success. It was, however, reasonably clear from the general tenor and structure of the lectures that Mr Kennan was not offering a "plan"; he was appealing for a reconsideration of the assumptions on which plans and policies are based. This fact has not saved him from being both praised and attacked as the author of a Kennan Plan. He can only protest that that was not his purpose, as indeed he does in the foreword to this book:

> Least of all would I think of recommending these reflections to governments as a finished programme for action. What I have tried to suggest here is not what governments should do but what they should think about.

Mr Kennan's ideas have already been extensively discussed in *The Economist,* and they are not, therefore, reviewed again here. One of the lectures now published was never delivered: its theme is Anglo-American relations, and Mr Kennan decided when the time for its delivery came—the week of the Nato meeting of heads of governments in Paris—that it

British Pressure Groups

THEIR ROLE IN RELATION TO THE HOUSE OF COMMONS

J. D. Stewart

This is the first serious book on the subject to appear in this country. It discusses the parliamentary activities of groups since 1939 and is based on facts as recorded both in Hansard and in the reports and journals of the groups themselves. 30s. *net*

British Transport Policy

J. R. Sargent

The author examines the whole problem of public transport in the light of the 1953 Transport Act, a piece of legislation described as 'potentially revolutionary', and ends with some proposals of his own. 15s. *net*

The Chemical Industry during the 19th Century

A STUDY OF THE ECONOMIC ASPECT OF APPLIED CHEMISTRY IN EUROPE AND NORTH AMERICA

L. F. Haber

This book fills a gap in the economic history of the nineteenth century by describing the origins and rapid growth of one of the modern world's key industries. The author is the son of the distinguished German chemist who discovered the Haber process for the fixation of atmospheric nitrogen. 45s. *net*

George F. Kennan's
RUSSIA the ATOM and the WEST

The 1957 *B.B.C. Reith Lectures*

echoed round the world—they have even been a talking point in Moscow, where Professor Kennan was U.S. Ambassador in 1952-3. The 'jettisoned' lecture is printed here, in addition to the six that were broadcast. 10s. 6*d. net*

OXFORD
UNIVERSITY PRESS

had become more urgent to talk about the purpose for which Nato exists, in the hope of turning the attention of the Nato governments to wider matters than their purely military association. When the lectures are re-read, their moral consistency and intellectual content fully justify the stir they have made.

Why Business Invests

The Investment Decision: *An Empirical Study*

By John R. Meyer and Edwin Kuh.
Harvard University Press. London: *Oxford University Press.* 292 pages. 48s.

ONE of America's leading economists once remarked of the celebrated prewar Oxford inquiry into business behaviour that it showed "marks of the gentleman-amateur," and added that he would like to see "one of our high-powered fact-factories, armed with modern statistical equipment, a staff of inquisitive ex-social workers and a grain or two of common sense, set off in pursuit of the elusive policy-maker." It is greatly to the credit of the authors of "The Investment Decision" that they have not merely accepted the spirit of such a challenge but have also improved upon the suggested *modus operandi*. Their application of multivariate analysis to the study of American corporate investment is skilfully tempered with more than a grain or two of common sense; and, eschewing any ungentlemanly harrying of elusive executives, Messrs. Meyer and Kuh have instead relied for their data upon the co-operation of the United States Securities and Exchange Commission. A sample of some 3,750 observations is drawn from reported capital expenditures by over six hundred American registered corporations, spread over the quinquennium 1946-1950. The independent, or explanatory, variables are narrowed down by careful selection to seven: sales, profits, depreciation expense, current sales times the 1946-1949 peak ratio of gross fixed assets to sales, current change in sales, depreciation reserves and, lastly, net quick liquidity. Of these, the depreciation and liquidity variables are suitably lagged.

The broad conclusion which the authors arrive at after putting their statistical models through their paces is that no one "theory of investment" will stand up in all economic circumstances. It appears that in the short run the most important single determinant of investment decisions is the ready and abundant supply of funds within the control of the corporation. In other words, the dividend policy is very conservative, even when sales are booming. In the long run, however, the authors conclude from their calculations that firms try to maintain their shares of an imperfectly competitive market by behaving, consciously or unconsciously, in accordance with certain capital/output ratio formulations of the acceleration theory of investment. Besides these main findings there are several very interesting subsidiary results. One of these is that in the sample they have chosen, representative of large, medium and small American corporations, smaller firms seemed to grow quite as rapidly as large companies during the postwar boom. But with the recession of 1949, the larger firms maintained their trend whereas the smaller ones lost ground relatively. This point is of particular interest in view of the recent British studies of companies' financial experience between 1949 and 1953. On the question whether a more lenient fiscal attitude towards depreciation allowances tends to promote a more rapid rate of investment, the calculations themselves are inconclusive and the authors are a model of academic restraint.

Midland Life and Landscape

The Midland Peasant

By W. G. Hoskins.
Macmillan. 322 pages. 30s.

Leicestershire: *An Illustrated Essay on the History of the Landscape*

By W. G. Hoskins.
Hodder and Stoughton. 138 pages. 25s.

LEICESTERSHIRE has been fortunate in its historians. John Nichols gave it one of the greatest of all county histories a hundred and fifty years ago; Mary Bateson's "Records of the Borough of Leicester" set a fine example to other ancient towns at the end of the Victorian age; the six volumes of George Farnham's "Leicestershire Medieval Village Notes" are a monument of dedicated labour. Dr Hoskins has worthily carried on a distinguished tradition. He has concerned himself for more than twenty years past with the history of rural life and society in Leicestershire; and these two books represent, each in its own way, his considered statement of all that he has read and observed on the subject.

"The Midland Peasant" is a study of the economic and social history of Wigston Magna, a large village lying on the outskirts of Leicester: physically attached to the city, yet administratively and in spirit outside it. Even a casual motorist, driving through it on A50, will notice something odd in the double right-angled bend that the road takes through the chief streets and, if he has an eye for such things, in the presence of two medieval churches. For all its prosaic appearance, of scarcely relieved red brick, the village has a long and interesting history behind it. Dr Hoskins has mastered that history; and the result, in this book, is a leisurely, thorough account of it, based on wide-ranging research, informed with human sympathy and a knowledge of every backyard and hedge in the place. It is in this combination that the book's special merit lies. Manorial history, based solely on documents and with its emphasis on ownership, is sadly dull. Treated as it is here, with close attention to the tenants and small farmers who

actually worked the land, it is consistently rewarding.

The other book is a general sketch: a volume in a most admirable series (edited by Dr Hoskins himself), which has done much to increase our understanding of the physical appearance of England. The Leicestershire landscape is nowhere spectacular; but it includes a unique tract of country in Charnwood Forest, and in the east and south a series of rolling pastures of an unexpected beauty—even grandeur. Dr Hoskins dissects the history of this landscape in terms of settlement, agriculture, communications, industry, with close attention to the society of the county and the successive changes it has gone through.

These two books are not, however, merely descriptive. In both of them the author expresses, consistently and repeatedly, a point of view. His sympathies lie at all times with the peasantry and with the rural society of the past, against the mechanised world of the nineteenth and twentieth centuries. Some readers will find these opinions irritating—so many King Charles's heads. But they are genuine opinions, tenaciously held and worthy of respect. They impart a unity to these two books, a point and a purpose that most local history, whatever its charm or its scholarship, has lacked.

Explaining South Africa

South Africa: *Economic and Political Aspects*

By H. M. Robertson.
Duke University Press. London agents *Cambridge University Press.* 191 pages. 26s.

Race Attitudes in South Africa

By I. D. MacCrone.
Witwatersrand University Press (previously published by *Oxford University Press*). 328 pages. 25s.

The Cape Coloured People: 1652-1937.

By J. S. Marais.
Witwatersrand University Press (previously published by *Oxford University Press*). 296 pages. 22s. 6d.

REPRINTS of Professor Marais's "The Cape Coloured People" and of Professor MacCrone's "Race Attitudes in South Africa" will be welcome to all students of South African affairs. Both are invaluable; one's only regrets are that Professor Marais has not brought his book up to date with an account of events since 1937 and that Professor MacCrone has not continued his admirable juxtaposition of history and psychology in another volume.

Professor Robertson's "South Africa" consists of three lectures delivered at Duke University, and it is intended as a guide to an educated but non-specialist audience. It is admirably compressed; the historical background is dealt with in one lecture, apartheid in a second, and recent constitutional development in a third. Mr Robertson is always clear and avoids technical jargon; but recent constitutional development cannot be stated without complexity and this is probably the least interesting lecture to the non-specialist. His first lecture on the historical background, admirable as an introduction, is also of value as a refreshing bird's-eye view. In so compressed a statement individual judgment plays an important part, and one finds oneself in constant agreement, questioning only the statement that Mr Joseph Chamberlain "engineered the Jameson Raid" and the implication, on page 29, that those of South Africa's practices at which the rest of the world raises an eyebrow owe their origin to "colonial exploitation"; to most historians it would seem that they are of native growth and that the imperial power, so long as it had any influence in South Africa, was a restraining factor. The most valuable of the three lectures deals with apartheid. Mr Robertson rightly lays stress on the sincerity of the members of the Tomlinson Commission and of many believers in apartheid; his restraint and reluctance to draw conclusions give the more weight to his facts, which are that the government has so far rejected the constructive and accepted the restrictive parts of the recommendations made by the commission for the implementation of apartheid. Most observers would agree with him that the commission's estimate of the capital necessary for the development of the reserves is optimistic; most would consider understated his cautious appraisal of the difficulties of obtaining from the present electorate even so much as the commission considered necessary.

These are useful lectures for explaining in the United States, or for that matter in Britain, a highly complicated problem in a compressed space; in particular one applauds the similarities and contrasts drawn between the position of Great Britain as world policeman in the nineteenth century and that of the United Nations today, and between the Uitlanders in the Transvaal and the Texans in Mexico.

Europe Out of Date

Europe and its Borderlands

By Alan G. Ogilvie.
Nelson. 340 pages. 42s.

WHEN we were young, we were told that Europe stretched eastwards to the Urals, but today the Europe of everyday experience ends at the frontier of Russia, if not somewhere this side of Berlin. Professor Ogilvie's posthumously published book recalls us to a more ancient and more spacious conception. Here writes a geographer whose pioneer researches were made in a Europe before Hitler, a Europe which retained some claim to economic and cultural unity and spilled out its influence over the "borderlands" of the Caucasus, Asia Minor and Africa north of the desert.

Within this broad frame, Professor Ogilvie has left us a scholarly summary of the physical background of European civilisation. This is something that can be read with profit by any student of the geography of Europe, as can the brief studies, almost "profiles" in the newspaper sense, of the various countries and regions with which the book ends. Unfortunately the intervening chapters, on social and economic geography, show all too clearly the effects of the inevitably long delay between the writing of the book and its appearance under the guidance of Dr C. J. Robertson. It is to be regretted that a work published in 1957, more than ten years after the end of the war, should contain no real treatment of the immense postwar changes in European agriculture, so fully described in the publications of the Economic Commission for Europe and other official bodies. There is scant recognition that over all eastern Europe the whole economic and social order is being recast. Even where western Europe is concerned, the information given has been overtaken by events; it is really rather disconcerting, two years after West Germany's steel output had overtaken Britain's, to be assured that the Ruhr industries will one day rise from their ruins. The book, in fact, reaches us too late, for reasons that are obvious and understandable. Inevitably it will be overshadowed by far less worthy but more recently compiled publications.

JONATHAN CAPE

The book that has already become a byword—

The Organization Man

430 pp. 28s net

'A subject of discussion which we shall be hearing with increasing concern for many years to come . . . a book of first-rate importance.' DIRECTOR

'A really important book, beautifully clear and pungent.' NEW SCIENTIST

'First rate' NEW STATESMAN

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'Splendid' MANCHESTER GUARDIAN

WILLIAM H. WHYTE

Hitler Comes to Power

Documents on German Foreign Policy 1918-1945. *Series C, Vol. I.*

The Third Reich: *First Phase.*

Her Majesty's Stationery Office. 962 pages. 47s. 6d.

THESE documents begin a new series with the coming of Hitler to power twenty-five years ago; this first volume in series C takes the reader to the German break with the League of Nations in October, 1933. Certain details are filled in for well-known events, such, for instance, as the negotiation of the Concordat between Papen and the Vatican; it is seen that the Vatican consciously accepted the Concordat as compensation for the dissolution of the German Centre Party in July.

Disarmament fills a good many dreary pages. But probably the most interesting material in the new volume is that which is concerned with the repercussions in eastern Europe of a National-Socialist Germany. Poland was most immediately and most seriously alarmed, and it seems clear that its first reaction was to prepare to strike at Hitler quickly while Germany was still weak. As Moltke, the German Minister in Warsaw, wrote to Berlin on April 23rd, "There can hardly be any doubt that in military circles, particularly, passive waiting is considered a crime against the nation." As ever, Moltke's reports on Poland are efficient and moderate; on April 26th, he characteristically remarked that he could see no object in violent propaganda on the German wireless since "the anti-Polish temper of the German population is after all already more than adequate for present needs." It is interesting that Beck was at first regarded as an anti-German chauvinist, and that the reinforcement of the *Westerplatte* garrison was in fact described by Moltke in March as "typical Beck"; on May 8th Pilsudski himself remarked to the German military attaché in Warsaw that Germany "had done much against Poland in the last few years." Already, on May 20th, however, it became evident that Beck had begun that reversal of his policy which was to lead to the Polish-German Agreement of January, 1934. Meanwhile the Russians had been seriously agitated by the Nazi regime, and had put an abrupt end to the co-operation of their military authorities with the *Reichswehr*; unfortunately, the German Foreign Office file containing papers on this subject was damaged by fire, so that the evidence is scanty.

Hitler in power automatically made the Austrian question critical, since he regarded Austria as an indisputable portion of Germany. This volume, therefore, provides plenty of material about Austria. On the whole, members of the German foreign service, while demonstrating a cynically *grossdeutsch* attitude in what they wrote, advised some restraint on the part of the Nazi extremists; on one occasion Bülow quoted a foreign ambassador as remarking that, if Germany treated a weak state like this while it itself was still weak, it was easy to deduce its future behaviour towards others when it should have become strong. In his report to the Reich Government on April 7th, Neurath stated that "The Anschluss . . . cannot be actively promoted for the time being owing to Italy's opposition." Most of this report was cautious, but it included the words "An understanding with Poland is neither possible nor desirable"; this understanding was precisely what Hitler was to achieve within nine months from then.

The translation of these documents is occasionally a shade obscure for the English reader owing to American usage; doubtless we must accept this on the principle of the greatest happiness of the greatest number.

SHORTER NOTICES

Britain: *An Official Handbook. 1958 Edition*

Prepared by the Central Office of Information.
HM Stationery Office. 530 pages. 21s.

The Commonwealth Relations Office List. *1958 Edition*

HM Stationery Office. 279 pages. 21s.

The first of these two reference books keeps up the high standard of its earlier editions. It is now intended to revise it annually and publish at the end of each year. The amount of information it contains expands gently with each edition and some new charts and maps have appeared. For those unacquainted with this handbook, it was first launched to answer the queries of overseas readers about Britain: it now contains a wealth of well-written information about population, government, housing, national income, industry, transport, labour, finance, trade, and social conditions.

The second book is largely a directory. It lists, for instance, with some biographical notes, the present staff of the Commonwealth Relations Office, the United Kingdom representatives in Commonwealth countries and the Commonwealth High Commissioners. But it also contains short notes about the different countries, mainly about their history and constitution although the coverage here is uneven: Swaziland, for example, gets seven pages of description, Ceylon only two.

Britain's Nature Reserves

By E. M. Nicholson.
Country Life. 175 pages. 30s.

Although the Nature Conservancy was created only in 1949, it now manages over 50 national nature reserves, and many more are planned. These reserves are an addition to those already managed by other bodies—the National Trust, the Royal Society for the Protection of Birds, and other national or local organisations. They range in size from the 40,000 acres of the Cairngorms Reserve to others of less than 100 acres, and include most of the more important habitat types in Britain. They are preserved with many different ends in view: some as examples of undisturbed habitats which are protected from human interference, others which are deliberately treated to maintain a certain set of conditions; some primarily as public open spaces, others as research areas for scientists; some for their geological and others for their biological interest. The management of these reserves raises many complex problems, many of which Mr Nicholson, Director-General of the Nature Conservancy, discusses in the introduction to this book. The major part of the book, however, is devoted to descriptions of nature reserves in England, Wales and Scotland. In each case details of locality and access are given, and the history, principal points of interest and aims of the reserve discussed. The book is illustrated by 65 photographs, most of which are of a very high standard.

BOOKS RECEIVED

YOUR BUSINESS MATTERS.
By Frederick A. J. Couldery and Allen J. G. Sheppard. *John Murray.* 236 pages. 12s. 6d.
Written for the small trader by an accountant and an economist, this book is concerned with all the practical aspects of running a business. There are also chapters on the problems of growth and the dangers of failure and an appendix on minimum-wage legislation.

THE STORY OF PEPTIC ULCER.
By Richard Tonkin. *W. B. Saunders.* 71 pages 16s.
Dr Tonkin has managed to give authoritative medical advice on how to live with your ulcer—and still enjoy life—in a way that cannot fail to amuse even the most depressed dyspeptic. He also describes the causes of ulcers, putting the problem of "acid" in its proper place. His text is delightfully illustrated on every page by Mr R. K. Hellier.

ATHENIAN DEMOCRACY.
By A. H. M. Jones. *Blackwell.* 198 pages. 21s.
Studies of the working of politics in fourth-century Athens, designed to show that its democratic system was more efficient than its contemporary critics allowed, and more representative of the population than is usually believed nowadays.

RUBBER DEVELOPMENTS IN LATIN AMERICA.
By D. M. Phelps. *University of Michigan, Ann Arbor.* 174 pages. $5.00.
This is No. 3 of Volume XIII in Michigan Business Studies. It has chapters on competition in natural rubber production and competition between natural and synthetic rubber, as well as chapters, tables and diagrams on supply and demand.

A SHORT HISTORY OF NEW YORK STATE.
By David M. Ellis, James A. Frost, Harold C. Syrett and Harry J. Carman. *Cornell University Press.* London: *Oxford University Press.* 705 pages. 63s.

YEAR BOOK AND GUIDE TO SOUTHERN AFRICA, 1958.
Edited by A. Gordon-Brown. *Robert Hale.* 750 pages of text, 48 maps. 10s. 6d.

YEAR BOOK AND GUIDE TO EAST AFRICA, 1958.
Edited by A. Gordon-Brown. *Robert Hale.* 350 pages of text, 16 maps. 8s. 6d.

SELECTED PAPERS ON ECONOMIC THEORY.
By Knut Wicksell. *Allen and Unwin.* 292 pages. 30s.

THE LAW OF COPYRIGHT SUPPLEMENT.
By J. P. Eddy and E. Roydhouse. Reprinted from *Butterworths'*; Annotated Legislation Service. 46 pages. Supplement only 7s. Complete edition £2.

YEAR BOOK OF LABOUR STATISTICS, 1957. *International Labour Office.* 536 pages. £1 10s.

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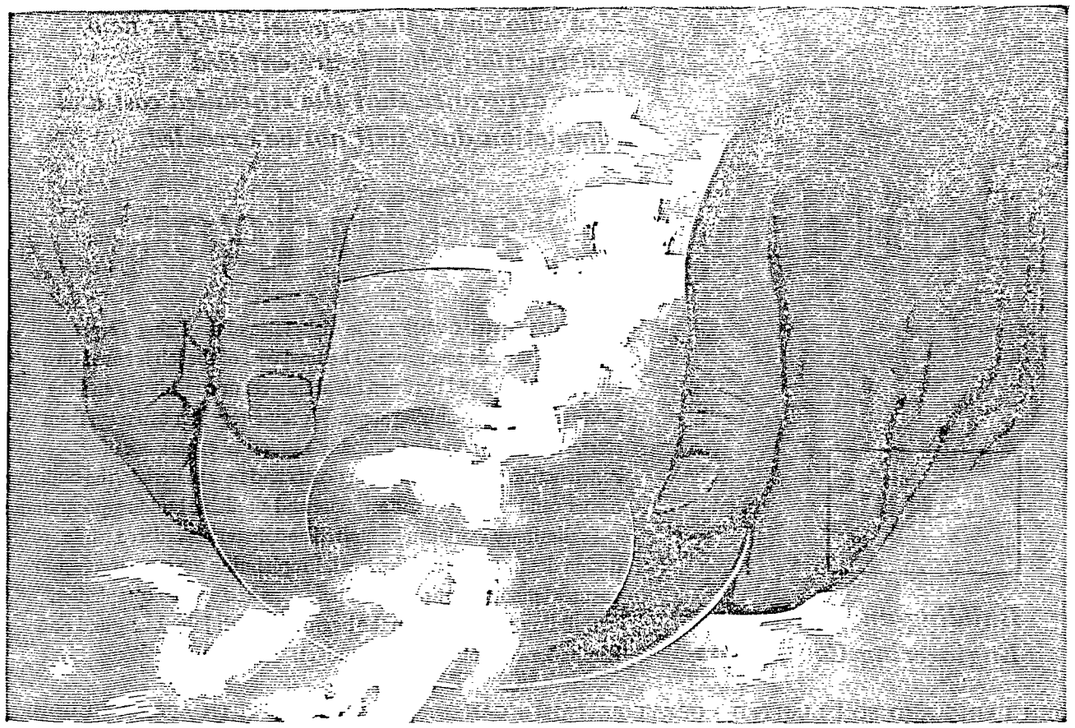
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Tax Cut for Recovery?

WASHINGTON, DC

EVEN before the depressing figures for employment in January had driven the President to issue a special, reassuring statement about the business outlook, a distinct note of caution had appeared in discussions of the subject as a result of the evidence given by economists with a wide variety of views at the recent hearings held by Congress's Joint Economic Committee. The theme running through all the testimony—and specifically mentioned by no less a figure than Mr Martin, the chairman of the Federal Reserve Board—was that the current recession has some of the earmarks of a classical capital goods slump, a feature that did not characterise either of the two previous postwar declines in economic activity. Together with a mild falling off in exports and a temporary decline in defence orders, the drop in business investment in plant and equipment clearly initiated the recession. What is worse, no one believes that this downward movement, which began in this crucial sector of demand in the fourth quarter of 1957 and has gained momentum in the current quarter, will be reversed before 1959 at the earliest.

The figures are still somewhat indistinct, but are impressive nevertheless. A new statistical series on "appropriations" for investment by large corporations showed a 31 per cent decline in the third quarter of last year from the same period a year earlier. This is expected to show up in expenditures toward the middle of this year. New orders for machinery in the fourth quarter were off 21 per cent from the third quarter. The economist who had to report on investment gave it as his opinion that the decline "will last into 1959," will produce a drop of 10 to 15 per cent from the fourth quarter of 1957 to the fourth quarter of 1958, and will drop altogether by 15 to 20 per cent from peak to trough. He stressed that this would still leave investment this year higher than in any other year except 1956 and 1957. But this is not much comfort when the calculations show that a 20 per cent decline by, say, mid-1959 would reduce total demand by the impressive sum of $7.5 billion, or considerably more than defence expenditures can be expected to rise in the same period. The figure for capital "appropriations" in the fourth quarter is being eagerly awaited, as is the official government survey of business intentions to spend for the year 1958 as a whole. Neither, at the moment, is expected to provide much change in the generally depressing picture.

Meanwhile, the hearings produced some second thoughts on the stimulating effects of the big upsurge in defence orders expected during the first six months of this year. No one denied that this increase of some $5 billion would help, but there were several reservations. First, this bulge in orders is only enough to make up for the near-halt in ordering last summer, so that total orders during the fiscal year ending next June will in the end be no higher than in the previous 1957 fiscal year. Secondly, the rate of ordering will relapse to a more normal pace after June, little higher than in the past two fiscal years. Finally, as a result of both these factors, actual spending on defence will rise at a disquietingly slow pace.

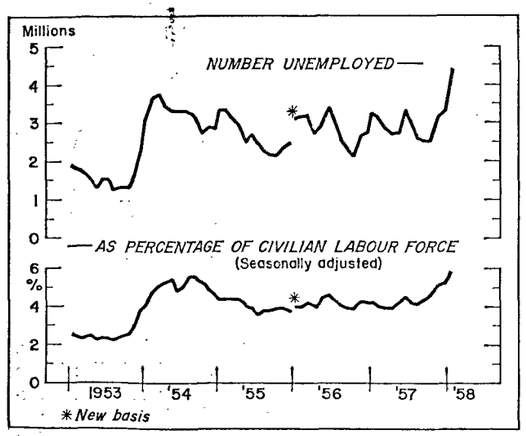
Moreover, the hearings produced some doubts about the likelihood of substantial help coming from house building or from spending by state and local governments. It was pointed out, for example, that the steady rise in state and local expenditures may be undermined this year by the sluggishness which the recession has induced in the revenues of these governments, though all sides concede that the highway programme will be a plus factor this year. Furthermore, the consumer cannot be counted upon for assistance. The annual survey from the University of Michigan's Research Centre showed only a slight change in his outlook and plans for buying, but it was a change for the worse.

IN the face of all this the government maintains its calm. The central bank has allowed a massive decline in the demand for credit to produce a dramatic easing in short-term interest rates (Treasury bills fell from 3.6 per cent in early November to 1.6 per cent in early February), but it has still not produced the degree of monetary ease that prevailed at this stage of the recession of 1953 to 1954. The prime rate of interest charged by the big banks to their best customers is still 4 per cent, for example, down only slightly from the modern peak of 4½ per cent reached last year. The Secretary of the Treasury, Mr Anderson, insisting that "some of the adjustment has already taken place," points to various long-term factors for growth in the economy and sticks to his belief that a turn-around in activity will occur by mid-year. However, he is clearly a more flexible man than his predecessor, Mr Humphrey, and, most important, is on record that a tax cut is desirable as a weapon for recovery if things get bad enough. While Mr Humphrey had stated with pre-Keynesian firmness that he would never recommend a tax cut when the Budget was showing a deficit, Mr Anderson does not rule out that possibility—including a deficit as high as $8 or $10 billion a year.

This, of course, is slowly becoming the crucial issue of policy. So far only one or two of the economists who testified before the Joint Committee feel that things have got to the point where it is necessary to use such a major weapon, although several have urged higher government expenditures as a remedy for recession. Each day that passes brings the question closer to a decision—for either the Administration or the Democratic leaders in Congress. The irony of the situation is that the American government has nothing like the fiscal flexibility of a European parliamentary government. A change in tax, or for that matter a change in spending, is not something in the hands of a

Chancellor of the Exchequer, but something to be fought over between executive and legislature. One of the main obstacles to an early tax cut "just to be safe" is that the President would have such difficulty in getting Congress to raise taxes again once recovery began. Fortunately, there is more and more discussion in Congress of a tax cut terminating automatically on a fixed date, after which rates would go up again to their present levels.

As concern mounts but panic remains well out in the wings, the statistics are mixed. Unemployment rose in January, as expected, to 4,494,000, and the figures for income and industrial production are almost certain to show another decline for that month. But the optimists take some comfort from the fact that many of the more sensitive indicators have at least stopped drifting downward. Commodity prices have, if anything, moved up slightly; steel



production and rail freight loadings have levelled off on a low plateau; department store sales in January were about as high as in the same month a year ago; the stock market has actually risen rather persistently for most of this year; and even the weekly figures on unemployment among workers covered by the unemployment compensation system —more up-to-date than figures for total joblessness— have nearly stopped their rise. Much will depend, of course, on business stocks and, judging from recent ratios of stocks to both sales and new orders, the present prospect is for some further liquidation. Also on the glum side is the motor industry, which is producing at a rate 25 per cent below last year at this time and yet still seems unable to avoid some build-up in dealers' stocks.

The Democrats in Congress, who have now seized upon the recession as the main political issue for this election year, seem certain to make strong efforts to increase federal spending on both the defence and domestic sides of the Budget (though not, unfortunately, on foreign aid). They will try to liberalise even further the government's already liberal regulations for encouraging credit for housing, will approve some new public works projects, and will probably give the President more than he has asked for defence. On the Administration's side steps are already being taken to get in first with similar moves, as the President's statement on Wednesday made clear. But all of these things take time to produce any economic impact. A tax cut thus remains the key weapon in reserve, and few people doubt that a cut of sufficient size would turn the tide.

Mr Dulles's Other Cheek

MR DULLES could well afford the pleasing Christian gesture of turning the other cheek this week when he announced that the United States did not insist on a Foreign Ministers' meeting before any ascent to the summit, provided that satisfactory progress toward agreement can be made by other means. Mr Bulganin, by hinting in his last letter to the President that Mr Dulles's "biased" presence would impede negotiations, has done the Secretary of State a good turn. His severest Democratic critics in the Senate cannot allow the Russians to dictate who shall speak for the United States and leaders of both parties have publicly approved the Administration's insistence on adequate preparation for any meeting of Heads of State. Mr Dulles may look lonely to the *New Statesman*, but it is some time since he has been so warmly defended in the Senate.

In fact, as Mr Dulles pointed out at his press conference, the President's reply last month to the first Bulganin missive spoke only of "work in advance through diplomatic channels and by our Foreign Ministers"—and Foreign Ministers do not work only at public meetings. Mr Dulles may well be thankful to be spared several weeks' personal ordeal at the conference table with the Russians; he estimates he has spent a year and a half there out of the last twelve. But whenever and wherever negotiations are held Mr Dulles will be present in spirit if not in the flesh; his influence with the President has never been stronger.

His authority is attested by all the evidence that Mr Harold Stassen, who has dared to differ with Mr Dulles over the flexibility needed to reach an accommodation with the Russians on disarmament, is now reaching the end of one more road; Mr Dulles has convinced the President that the United States cannot have two disarmament policies. Mr Stassen is being sedulously encouraged by the Administration in his project of running for the Governorship of Pennsylvania and must make up his mind by March 17th, the last day for entering his name. So far he has hesitated to take the rather chilly plunge, waiting, perhaps, to see what other consolation prize the Administration has in mind.

Although Mr Stassen himself has been worsted, his ideas have made some mark. Senator Humphrey's four-hour speech asking that the President be more realistic and cease trying to force the Russians to swallow at one gulp a whole unwieldly package of American demands reflects Mr Stassen's views. So do hints that the Administration may be prepared to negotiate separately on one element in the American "package"—the prevention of a surprise attack through a zone of mutual aerial inspection—on which the Russians have not specifically frowned.

Building Union Unity

LAST week's Miami meeting of the executive council of the American Federation of Labour and Congress of Industrial Organisations added some solid bricks to the foundations of trade union unity which had been laid just three years before. And it did not go on with the demoli-

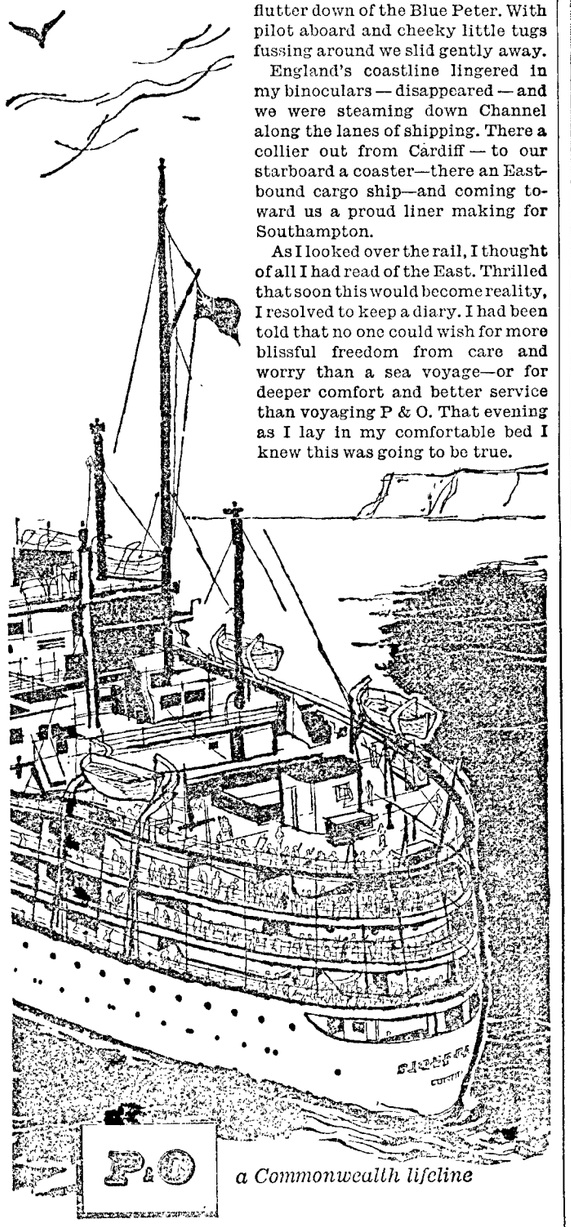
DIARY OF A VOYAGER

My Voyage Begins

Luggage aboard. A quick satisfied glance round my cabin. Then back to the ship rails to witness my parting from England. Cranes and locos throbbed and rattled. Last visitors ashore — hawsers away — and the flutter down of the Blue Peter. With pilot aboard and cheeky little tugs fussing around we slid gently away.

England's coastline lingered in my binoculars — disappeared — and we were steaming down Channel along the lanes of shipping. There a collier out from Cardiff — to our starboard a coaster—there an Eastbound cargo ship—and coming toward us a proud liner making for Southampton.

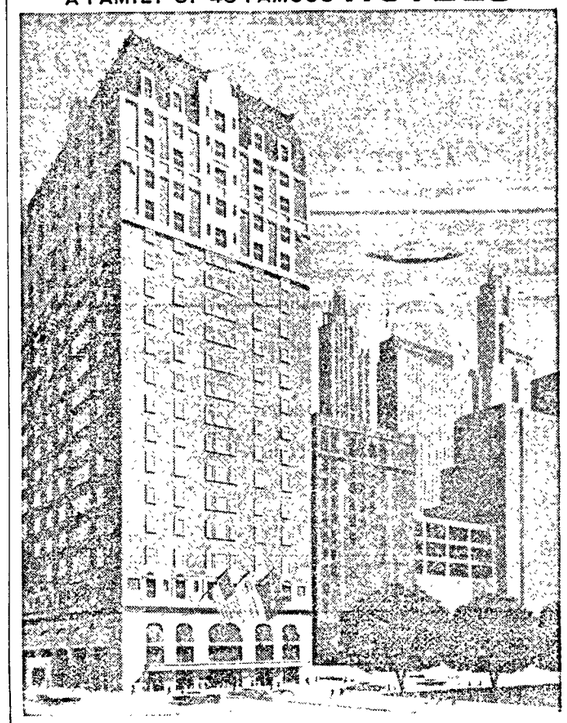
As I looked over the rail, I thought of all I had read of the East. Thrilled that soon this would become reality, I resolved to keep a diary. I had been told that no one could wish for more blissful freedom from care and worry than a sea voyage—or for deeper comfort and better service than voyaging P & O. That evening as I lay in my comfortable bed I knew this was going to be true.



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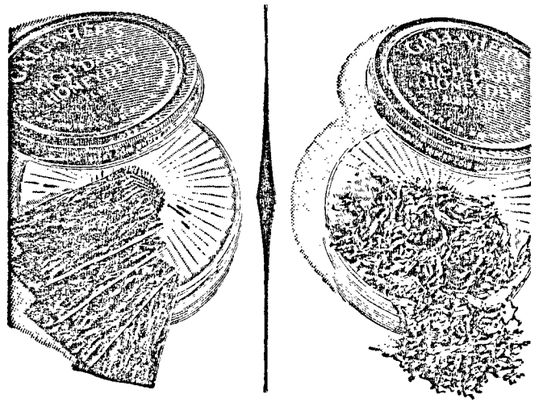
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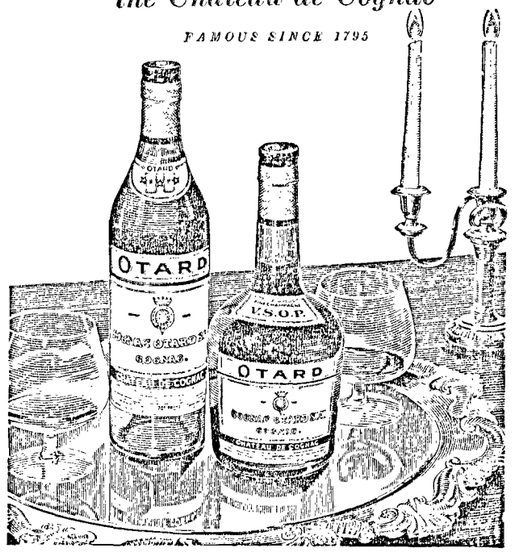
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FAMOUS SINCE 1795



tion work begun last autumn when the huge International Brotherhood of Teamsters (the lorry-drivers' union) was expelled for corrupt practices. The executive council unexpectedly decided that after all it would not allow dissatisfied local branches of the teamsters, who wanted to secede from the IBT, to affiliate directly with the AFL-CIO, nor would it require other unions to break their useful mutual assistance pacts with the lorry-drivers. For the present at least an uneasy, watchful peace is to prevail between the national labour organisation and the rebel teamsters.

But with the trouble-making, divisively-minded IBT out of the way, the council decided that the time had come to consolidate the unity which remained. The old AFL and CIO unions in Michigan, which have failed to apply in the state the merger achieved at the national level, are being made an example of in the hope of hurrying up such mergers in the twelve other states where there have been similar failures. The charters of the Michigan groups have been revoked and a new, joint organisation is to be set up for the state later this month. The council dealt with other local civil wars between old rivals by forbidding boycotts by one union of products made by another and by establishing machinery for compulsory arbitration of all inter-union disputes. More important, a settlement was announced of the most dangerous of these disputes, that between the AFL's building unions and the CIO's industrial unions over which should have the right to do maintenance and repair work in factories. The compromise was very similar to one which the building unions had rejected earlier and is therefore regarded as a face-saving defeat for them.

But this was not the only concession to the new industrial age made last week by the building unions, the stronghold of the traditional craftsman's approach to labour relations. Their leaders also announced an agreement with representatives of employers in the construction industry, intended to achieve more output at less cost by the fullest use of labour-saving machinery and to eliminate wasteful practices upon which the unions had been insisting in recent years. Among the clauses was one promising that the unions would not set a limit on the amount of work a man might do in a day or on the tools he might use. But it still remains for these provisions against featherbedding to be accepted by the union's local branches.

Tragedy at School

LAST week about 650 children were suspended from New York City's schools as the Board of Education struggled to end a wave of serious crimes committed on school property—rapes, lye-throwing, and assaults on teachers and other pupils. Even in the short run this move does not solve the dilemma of the school authorities; it underlines it, perhaps intentionally. The board is legally, as well as morally, responsible for the protection of the well-behaved 99 per cent of the 950,000 children in its care. But it also has a legal responsibility to instruct all children, bad and good, under the age of 17—and there is nowhere to send these trouble-makers. The city's five special schools for disturbed boys are packed; so are the remand homes and reformatories in the state. The circle, as usual, is a vicious one; teen-agers convicted of crimes are paroled if possible and sent back to school because there is nowhere else to send them.

The authorities could not wait to act until the six new special schools which they now propose are available to rehabilitate young offenders. Since November a grand jury has been investigating crime in the schools, egged on by Judge Leibowitz, long a harsh critic of the "laxity" of the Board of Education. The jury's only concrete suggestion so far—that a policeman should be stationed in every school—has been hotly resisted by the school authorities and by parents' and teachers' organisations. But a fortnight ago the principal of a junior high school in Brooklyn committed suicide rather than face the grand jury a third time; the strain on school staffs of attempting to cope with young hooligans, alarmed parents, and an exacting investigation was becoming intolerable.

Only about fifty schools out of the city's 942 are badly affected; for the most part, these are in parts of New York which are being taken over by Negroes coming up from the South and Puerto Ricans seeking work. A new melting-pot of poor, ignorant immigrants is on the boil in overcrowded slum neighbourhoods; given the relaxation of family cohesion and discipline which has produced an increase in teen-age crime in all big cities, New York's troubles are not surprising. About 75 per cent of the boys in the special schools are Negroes or Puerto Ricans, although a benevolent conspiracy on the part of the newspapers tends to soft-pedal this racial aspect of the city's troubles. It is to the credit of New York's parents and teachers that they recognise the great need for more remedial teachers and more child guidance and rehabilitation; and that they are critical of the haste with which young offenders are being swept on to the streets. But this drastic move may drive home to the state and the city the need for more money for costly special schools and services.

Northwest's Rainy Days

FROM A CORRESPONDENT IN PORTLAND

MORE than 4 million Americans, who live in the states of Oregon and Washington in the Pacific Northwest, have had some advance experience of the present recession. No part of the country fared worse in 1957 than this far corner, partly for reasons special to the area. It is the home of the last big virgin stands of timber, and the fortunes of the lumber industry play a large part in determining the economic climate. Last year was the worst for lumber since the depressed nineteen-thirties. Moreover, the region's single biggest employer, the Boeing Airplane Company of Seattle, Washington, which has concentrated on producing the B-52, the intercontinental bomber which is the mainstay of the Strategic Air Force, has had to retrench because of the growing emphasis on missiles.

There have been many soft spots in the economy of the Northwest. Department store sales in 1957 were generally 10 per cent below the level of 1956. The new model automobiles are not selling well, nor is there the demand that was expected for other durable goods, including household appliances. Metal markets have been weak, adversely affecting the area's mining industry and the many metallurgical plants which have sprung up to take advantage of the cheap hydro-electric power generated on the Columbia River and its tributaries.

But most of these developments are due, at least in some

part, to the over-riding economic influence of cut-backs at the Boeing works and to the state of the lumber industry. In Seattle, a city of about 500,000, with approximately 200,000 wage and salary earners, Boeing employs more than 50,000 men and women. Their wages, in turn, support much of the city's retail trade. Now that the days of the B-52 are numbered, the company and the community pin their hopes on Boeing's ability to secure contracts for the weapons of the future. These hopes received a severe setback in late December when the Air Force announced that the North American Aviation Company of Los Angeles had beaten Boeing in a competition to design an intercontinental bomber capable of speeds greater than 2,000 miles an hour.

Boeing had gambled huge sums and its technical resources on the project, hoping to keep its production lines busy after the fade-out of the B-52 early in 1959. At present, the firm's best prospect among the new weapons appears to be the Bomarc supersonic interceptor missile. The first production model came off the assembly line in Seattle on December 30th. But building these pilotless interceptors for bases along the northern perimeter of the continental United States employs only about 6,000 workers, a small fraction of the normal Boeing work force.

The firm began discharging people last summer after its payroll reached a postwar peak of about 70,000. Early in 1959 it may be employing only 45,000 workers. This is a decline sharp enough to distress any community. However the company, which recently opened a new $25 million research and planning building, hopes that its lead in jet transports may in time enable these aircraft to take the place of military planes on the Boeing assembly line.

DEPRESSION in the lumber market is also a factor in the economy of Washington State, although a smaller one than it is in Oregon. The loggers have moved southward through the towering fir and pine stands of the coastal and Cascade mountains, and Oregon has far surpassed Washington, both in the production of lumber and in auxiliary woodworking industries. As a result, the fluctuations in Oregon's prosperity have come to follow those in the lumber market, which in 1957 reached a 20-year low. Of the record 50,000 unemployed counted in Oregon in December, many thousands were sawmill workers, loggers, and others whose jobs are directly connected with the lumber industry. *Crow's Lumber Digest*, published in Portland, reported that over a quarter of the state's lumber producers planned to close for an indefinite period early in 1958.

Lumbermen blame their troubles on the decline in residential building; in 1957, for the first time in ten years, work was started on fewer than a million new private dwellings. Even if there is an improvement in 1958, much of the building will take the form of blocks of flats and other multiple dwellings, which use comparatively little wood. Moreover, where wood was once required, builders are turning to plastics, metals, and new materials. The lumber industry is trying, through research, to find new uses for wood and to limit the inroads made by competitive materials. As a result, there has been a continued growth in the manufacture of pulp and paper, hardboard and plywood. But in the Douglas fir region of western Oregon and Washington, which supplies a big part of the country's lumber for construction, production dropped 7 per cent in 1957. The wholesale price index of Douglas fir fell 14 per cent during the year, while many other prices remained at their previous high levels.

Nevertheless, Oregon's immediate economic future has its bright side, largely because projects long in the planning stage are at last materialising—the largest single construction project in Portland's history, the $52 million Lloyd Centre, a modern, diversified shopping area on the city's residential east side, a new $7 million exhibition and sports pavilion, at least two new hotels and several downtown office buildings. It is estimated that building activity in Portland this year will reach the $100 million mark, nearly twice the 1957 level. And even spokesmen for the lumber industry see grounds for hope in what they believe is the "pent-up demand for new homes," the continuing construction of schools, churches and commercial buildings, and the long-term vitality of the American economy.

Disunited Fruit

RATHER than spend years fighting an anti-trust suit which it might well lose in the end, the United Fruit Company has agreed not only to welcome competition, but even to create it inside its great banana monopoly. It has promised to see that an independent firm is set up capable of importing 9 million stems of bananas a year into the United States; this is roughly a third of the company's present imports, which in turn represent two-thirds of the bananas which the United States fries, mashes for sandwiches or glorifies with ice cream and nuts in the confection prophetically named a split.

The anti-trust suit was brought in 1954 on the grounds that United Fruit, through its ownership of most of the land suitable for growing bananas in Central and South America, was in a position to dictate prices to consumers in the United States and to drive any competitors out of business. Under the agreement with the Department of Justice the company now is barred from the marketing end of the business and confined to importing; it must liquidate its Banana Selling Corporation at once and sell its interest in the International Railways of Central America by 1966. By 1970 it also engages to endow its future competitor with banana-growing lands, transport facilities, liquid capital and even management and other personnel. This new banana kingdom is to be carved out of the old banana empire either by the sale of assets to outside interests or by their transfer to a new firm and the distribution of its shares to the stockholders of United Fruit, or by a combination of the two methods. Exactly how this will be achieved is something of a mystery, since the small firm already in the field is forbidden to have anything to do with the new concern.

The Department of Justice professes to be well pleased at having exacted a settlement which promises the housewife cheaper bananas eventually without penalising the shareholders of the company; the Department of State welcomes the prospect of satisfaction of the long-standing complaints of the "banana republics" against this powerful corporation, richer and stronger than many of their governments and far more stable. As for United Fruit, although the agreement includes measures for preventing "future undue increments" in its power, its directors are convinced that no real bars to its growth have been created. And the shadowy rival need not materialise until 1970; United Fruit still has the bananas today—and tomorrow.

Hard Lines for Airlines

THIS week the leading airlines put up their fares by the 6½ per cent which the Civil Aeronautics Board had suddenly offered them. But they accepted this temporary increase grudgingly, not because they did not need it, but because they feared that it would prejudice their chances of being given permanent increases of from 12 to 20 per cent; the cases for these have been under investigation by the CAB since November and the inquiry is likely to go on for the rest of this year. The emergency increase now allowed is actually 4 per cent plus $1 on every ticket, which means that more than the average 6½ per cent will be obtained by companies which concentrate on short services. One of these is Capitol Airlines, whose financial difficulties have recently been much in the news. The emergency increase has enabled this company to withdraw its request to the CAB for a renewal of its subsidy, something which no other domestic airline is now receiving. This request may have shocked the board into offering the emergency increase which only last August it had refused to grant. But it must also have been influenced by the year-end accounts of all the airlines, which proved with cold figures that their profits are falling disastrously—from 7 per cent on gross income in 1952 to 1.6 per cent in 1957—in spite of rising revenues.

Costs of all kinds—for wages, equipment, supplies—have been going up, and will go up even more if taxes on aviation fuel are increased as the President has asked. Yet passengers now pay slightly less for every mile they fly than they did twenty years ago, although flights are far faster and more frequent. Low fares and better services have, of course, meant an enormous and once profitable rise in traffic, but recently this rise has been slowed. Moreover, the CAB's policy of encouraging competition by allowing additional airlines to serve the most popular routes has meant that many aircraft have been flying with an uneconomic number of empty seats. The airlines claim that they have reached the limit of possible economies by better use of equipment, more efficient operations and so on. But according to the companies the main reason why higher fares are needed is to strengthen their financial position and credit rating so that they can borrow money for the new and very expensive jet aircraft which are essential if they are to provide satisfactory service for a vastly increased number of passengers; last year's total of 45 million is expected to double by 1966.

Gift Highways

FROM A CORRESPONDENT IN IOWA

IN 1956, when Congress decided to provide 90 per cent of the money to complete a 41,000-mile network of multi-lane highways connecting all the biggest cities in the United States, the estimated cost was $27.6 billion. Last month, however, the Secretary of Commerce told Congress that the cost is now estimated at $37.6 billion. But it is the 48 state highway departments which will supervise the actual construction and prepare the state by state estimates and, as Mr Weeks was talking, the Iowa State Highway Commission announced yet another increase in the cost of building its 710-mile share.

Businessmen in Des Moines, the state capital, have prophesied all along that the project would cost more than the first estimates. But since Congress is going to pay, they have done everything to get as much federal spending as possible for Des Moines. As the city is lucky enough to be near both the north-south and the east-west inter-state highways, they have secured a $55 million branch connecting the two with the centre of the town. Nevertheless, local businessmen are convinced that, if their state or city were making the decisions, they could do much better for less money, and that, in any case, the local authorities would never build such expensive roads—although the design is patterned on what has been done already, on a smaller scale, in all the biggest centres of population.

Des Moines had planned for years to build a broad highway just skirting the northern edge of the downtown business district and had bought a good deal of the land for it. The original scheme for a ground-level roadway would have cost from $3 to $5 million. Later plans involved elevating some parts of it, depressing others, and limiting access to a few points. This would have raised the cost to an estimated $13 million, an amount so staggering to Des Moines that it seemed feasible only with a large amount of state help. But the State Highway Department did not dare to put so much of its $38 million a year for the main "primary" roads into the state's capital city, which is an object of jealousy and mistrust to the rest of Iowa. The $55 million federal highway through the city will be much longer, but it will do only part of the job this locally planned by-pass would have done. Part of the original road is being built at ground level now anyway, and millions of dollars' worth of other connecting streets will have to be built to make the best use of the federal highway. Even then the chances are it will increase traffic congestion rather than relieve it—by bringing many more vehicles into the towns.

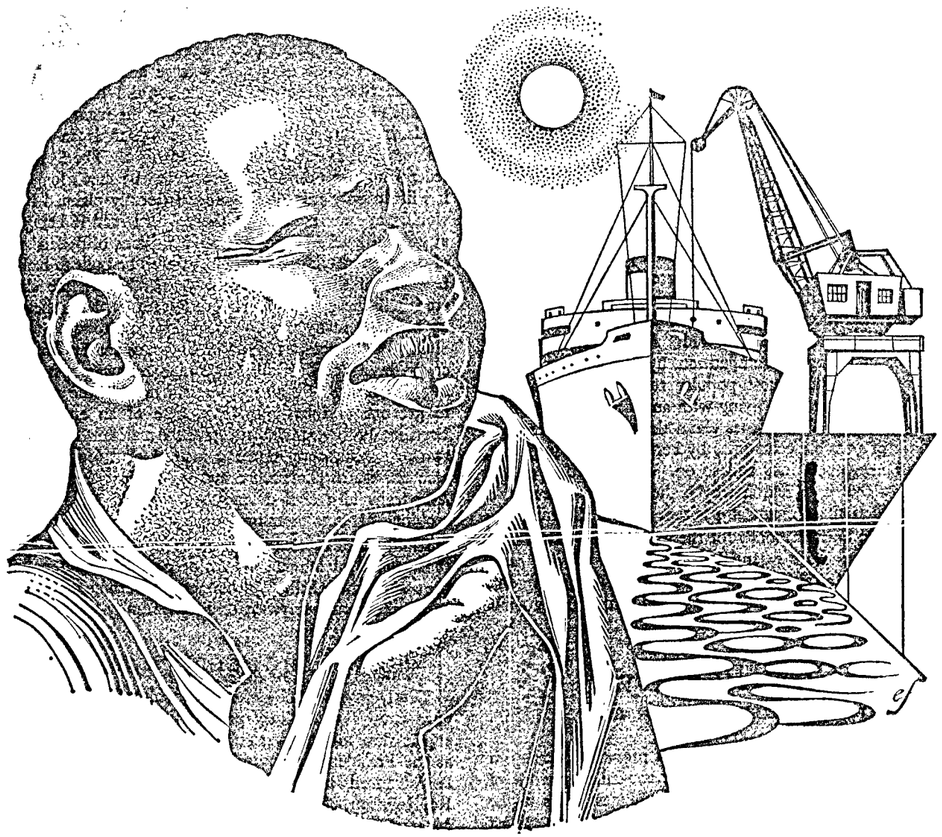
One of the reasons given in Congress for building these costly branches from the interstate highway system right into the hearts of major cities was to help the population to get out of them rapidly in case of an enemy attack. Even in the pre-missile era, when Americans could expect two or three hours' warning instead of a few minutes or seconds, that explanation drew derisive laughter. Very few Americans take civil defence seriously, in spite of all the scoldings given to them by officials, scientists and study commissions. But ordinary citizens do know a great deal about the logistics of moving masses of people by automobile at the same time. Still, if the federal government is going to spend the money anyway, each community wants its share.

SHORTER NOTE

The Department of Defence, to which Congress last week gave control of military projects in space and temporary supervision, for one year only, of such non-military activities as the President proposes, has lost no time in establishing its Advanced Research Projects Agency and appointing Mr Roy Johnson, of the General Electric Company, to direct it. Meanwhile, a special Senate committee on space has been created, manned almost entirely by the chairmen and senior Republican members of the six committees most concerned. Under the chairmanship of Mr Lyndon Johnson, this authoritative, but not very lively body will hear the views of Dr Killian, the President's science adviser, and then reach its own conclusions on the best permanent method of controlling activities in space.

Cargoes sweat too

And when they do, rust, staining and other damage may be the result. "Cargo sweat" occurs when ships pass from cold to warm climates. A change from warm to cold can cause condensation on the ship's structure, known as "ship sweat". Shipowners have found the answer to both problems is Thermotank Drihold equipment. This maintains close control of ventilation and drying to ensure that condensation cannot occur. Control of the atmosphere for comfort or industrial processes is the business of Thermotank—on land, sea and in the air. The Company pioneered the first air conditioning of ships more than fifty years ago. Today Thermotank maintain an unequalled service covering every major shipping route throughout the world.



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THE WORLD OVERSEAS

Herr Ulbricht's Lonely Road

FROM OUR BONN CORRESPONDENT

WERE today's Soviet leaders honestly wanting to rattle the Adenauer regime they could do so quite easily by making arrangements in the Democratic Republic that suggested their readiness to acknowledge the feasibility of a German road to socialism. Humiliated by partition, sick of the cold war, and apprehensive of the future, the German people as a whole are prepared to pay a stiff price for reunification. A little less vituperation from east Berlin, a lick and a promise of more liberal ways—and possibly west Germany might be coaxed into kissing Nato goodbye, whatever fits granny Adenauer and the more distant relations might have to throw.

The personification of the Soviet roadblock squarely confronting German socialism is Herr Walter Ulbricht, the east German deputy premier and secretary of the Socialist Unity Party. And at the very moment last week when one of west Germany's angry young men was publicly protesting that maintenance of the *status quo* was the only all-German interest which the governments in Bonn and east Berlin had in common, Herr Ulbricht was triumphantly announcing the degradation of three hitherto powerful associates who had been putting it about among the comrades that a little less close adherence to the Moscow itinerary, a little more head for the intelligentsia and beer and skittles for the boys, might be a good thing for Germany in general and for the Socialist Unity Party in particular. With more timeliness than he knew, the angry young man, Herr Wolfgang Doering of the Free Democrats, went on to upbraid the east German Communists with living off the division of Germany just as the Christian Democrats did in the west.

Having no illusions about Her Ulbricht, the east Germans tried to rid themselves of him by force as long ago as June 17, 1953. With Russian help he won the day, and promptly dug himself more carefully in. He replaced the "easy-going" minister for state security, Herr Wilhelm Zaisser, with the legendary communist stop-at-nothing Herr Ernst Wollweber. Simultaneously he promoted to his right hand, as chief party organiser, Herr Karl Schirdewan, who differs from most of the east German communist hierarchy in that he spent the twelve years of Hitler's reign not in exile but in German concentration camps. In league with these two, Herr Ulbricht contrived three years later to withstand the threatening currents set up in east Germany by the upheavals in Poland and Hungary. But even these veteran trusties have latterly turned against him. In his well-informed position, Herr Wollweber apparently became so assailed by misgivings concerning the unrelenting Ulbricht-Stalin course that last November he resigned, or was quietly sacked, ostensibly for reasons of health. Along with Herr Schirdewan he now loses his place on the central committee for having openly persisted in his doubts. From the official indictment it seems that shortly before Christmas, comrades Wollweber and Schirdewan were overheard in their cups, probably at a Wismuth AG canteen, gravely questioning "party decisions." It must be extremely unsettling for the doubt-ridden and conscience-smitten lesser fry. Herr Ulbricht excepted, just who is any longer who? Herr Schirdewan had seemed to be getting on so well with the party secretary, and to be showing so much administrative ability, that he was generally tipped as the man who would step one day into Herr Ulbricht's shoes. Perhaps he still will. It cannot have advanced him any farther into his master's graces to have been so frequently labelled abroad as the German Gomulka; but it may help him when Ulbricht eventually goes. Herr Ulbricht is 64, Herr Schirdewan 50.

★

To the general public, outside party strife and no longer surprised by it, the dismissal of Fred Oelssner from the central committee's Politburo (not from the committee itself) is more immediately significant. A deputy premier, Herr Oelssner was promisingly made chairman in 1955 of the cabinet committee for questions concerning the production of consumer goods and the distribution of supplies of all kinds. Herr Oelssner, whom everybody supposed to be a comrade of unquestionable loyalty, has, it seems, been mildly agreeing with Wollweber and Schirdewan that Ulbricht is heading for further trouble in the Democratic Republic and unnecessarily alienating potential friends among the Germans in the west. He, too, has been humbled.

Lonely and disliked, but still greatly feared, Herr Ulbricht remains in power. He could not have struck at his three prominent associates without Russian foreknowledge and the assurance of Soviet support. More and more he emerges as the embodiment of Russia's determination to hold firmly on to the Democratic Republic, presumably to forestall the dangers that would unavoidably arise for Soviet communism not only out of German unity but also out of the development of some sort of Titoism or Gomulkaism in the Democratic Republic. Cheerfully and confidently, well knowing that neither will ever agree to pay the other's price, Mr Khrushchev continues to invite Dr Adenauer and Herr Ulbricht to get together and reunite their country.

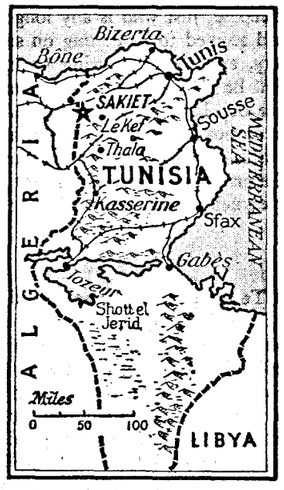
The Bombing of Sakiet

FROM OUR SPECIAL CORRESPONDENT IN TUNIS

February 10th

PRESIDENT BOURGUIBA'S pro-western policy lies in ashes in the ruins of Sakiet Sidi Youssef. This was the dominant feeling in Tunis when the first waves of shock and unbelief were subsiding and Tunisians took to measuring the political consequences of an action that seems to bear little relation to military requirements. The political conclusion is perhaps premature, though there is much to support it. The shock and the belief are undeniable. The wife of a diplomat found her maid-servant in tears. "Now," she said, "our Habib ('beloved') will have to stop telling us that we must work with the French. Otherwise, the people will rise against him, even though they love him."

A few hours after twenty-five French bombers from Algeria had dropped their bombs on the frontier village, President Bourguiba, interrupting a week-end in the country, protested to the French chargé d'affaires, M. Bénard, about the bombing. By that time, the death roll was about 70; it soon rose higher; many were women and children, for it was market day and the streets were crowded. An extraordinary cabinet meeting was called; all the ambassadors were asked to call; the President gave a press conference. At the information department, distressed young officials translated a tape recording of Mr Bourguiba's Arabic for waiting reporters: "Evacuation of French forces . . . appeal for calm . . . possible resort to the United Nations." Then a sentence that could be prophetic: "We are certain that (this aggression) will serve the national cause, that it will help solve the Algerian problem and that it will hasten the advent of north African unity."



Some facts are missing in the story of Sakiet Sidi Youssef; those that are known suggest that the motives mentioned in French official statements are fanciful. It has been claimed in Algiers that the raid was ordered in retaliation for the anti-aircraft fire from the village and that it was necessary to destroy the anti-aircraft position at the customs house. In Paris, the defence minister, M. Chaban-Delmas, described the raid as "legitimate self-defence" and added: "It is necessary, once again, to insist on the fact that Tunisia has become a highly developed operational and logistic base and that without its unceasing intervention the Algerian operations would already have been brought to an end."

It is difficult to take these allegations seriously. There is not a single anti-aircraft gun in the country that is not under French control. The humble customs house, made of stones joined by clay, sheltered three Tunisian privates under a sergeant. They were armed with two French carbines of the first world war, one second world war tommy-gun and one other automatic gun—a French version of the Bren gun. It is not impossible that French aircraft received bursts of fire from the two modern weapons in the customs house; it is equally possible that the fire came from the Algerian side of the frontier, which is not indicated by any obvious physical feature in this rocky and mountainous region.

The allegation that Tunisia is the main base of the Algerian rebels of the National Liberation Front (FLN) has been made so often in Paris and Algiers that it has come to be widely accepted. But even if the French intelligence version of the facts is accepted, it makes little sense. The French credit the FLN with between 30,000 and 40,000 men under arms, and claim that 4,000 to 6,000 guerrillas are in the frontier regions of Tunisia, receiving arms that come overland from Libya and undergoing training. The regions usually named are Le Kef and Thala. It is difficult to accept uncritically the suggestion that the FLN, with anything between four-fifths and nine-tenths of its forces in Algeria, could be defeated if its Tunisian "base" were destroyed.

But even the French version of the facts is open to serious doubt. Your correspondent has not found a single independent observer in Tunis who accepts it. The FLN claim that it has arms in plenty for 100,000 men is probably true, though it is not certain that 100,000 men are actually using them. It is true that some of these arms come through Tunisia, though with the other supply lines that are open it is doubtful that they constitute more than five to ten per cent of the total. It is highly doubtful, on the other hand, that the FLN has an operation base on Tunisian soil. The frontier regions are open to snoopers and sightseers alike; the provincial governors are in evident control, and there is no record of anyone seeing an armed Algerian. This common experience is not, of course, conclusive.

More relevant, perhaps, is the evidence that the FLN's need for a Tunisian base is slight. Its forces, known as the ALN (Army of National Liberation) evidently control certain areas of Algeria, and have set up their administration in them. When M. de Preux, of the International Red Cross, visited the four French prisoners captured near Sakiet Sidi Youssef, he went into Algeria by permission of the FLN and without reference to the French authorities. A number of journalists have gone deeper into Algerian territory under the same auspices. While there seems little need, from the FLN's point of view, of a major base in Tunisia, nobody contests that the FLN sends its men to Tunisia for rest and recuperation. The Tunisian authorities say that these men are allowed into Tunisia only if unarmed (though the FLN military leaders who come to Tunis for consultations are allowed to carry arms for self-defence).

Whatever the ultimate consequences of the bombing of Sakiet Sidi Youssef, it is certain that it has provoked a revulsion against Mr Bourguiba's policy of attempting to keep friendly with France. And it is clear that his immense authority over the Tunisian people will be shaken if he does not adequately respond to this understandable feeling.

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Behind Syria's Decision

FROM OUR MIDDLE EAST CORRESPONDENT

THE main Syrian contribution to the politics of the United Arab Republic will be of Baath-Socialist inspiration. Throughout the manœuvres that plague the Arab world, the Baath-Socialist party has remained consistently faithful to the Egyptian alliance. Its fidelity rests on a firm basis, in that the principles of the Egyptian revolution and those of Syrian Baath-Socialism have much in common. Both movements are externally nationalist, internally radical; both aspire to Arab unity and to the maintenance of neutrality between East and West; both are alike in uncompromising hostility towards Israel; both are suspicious of the western links and monarchical structures of Jordan and Iraq. In addition, the Baath-Socialists have long regarded President Nasser as the only possible leader of the larger Arab union at which they aim. They have thereby spared themselves the difficulty of squaring their personal ambitions with his overwhelming appeal to the Arab masses.

It is a foregone conclusion that the three leading Syrian Baath-Socialists—Akram Haurani, the Speaker of the Chamber of Deputies, Salaheddin Bitar, the foreign minister, and Khalil Kallas, the minister of national economy, will succeed to leading posts in the new republic. Of no other Syrian politician can the same be said with any certainty. Their futures will be decided in discussion of the appointments to the central government, the regional executive councils and the national assembly, which are being conducted, on the Syrian side, primarily by the Baath-Socialists and their allies in the army. Those that are disappointed will scarcely say so.

The union of Egypt and Syria was, in fact, a triumph for the Syrian Baath-Socialists—the climax of a year of steady progress. One by one, their enemies and rivals were outmanœuvred. The first to be silenced were the right-wing People's Party, formerly the chief supporters of union with Iraq. Their representatives were edged from the government shortly after the Suez crisis, with the discovery in the Jebel Druze of a plot against the regime, organised by pro-Iraqi elements. The right-centre National Party, impressed by that display of Baath-Socialist power, preserved their posts in the government by sliding into the status of pliant allies. That left the Baath-Socialists with only two rivals of consequence. On the right was Khalid al Azm with a group of independent conservatives. For his support of Baath-Socialist action against the People's Party, Khalid al Azm was rewarded with the post of acting minister of defence, which he proceeded to exploit with characteristic energy—his eyes fixed, as ever, on the Presidency. On the left stood the Communists, under the able leadership of Khalid Bikdash. In general, they supported the Baath-Socialists, but with Lenin's dictum in mind: "as the rope supports the condemned man."

Khalid al Azm procured substantial deliveries of Soviet arms for the Syrian forces, and negotiated the spectacular economic agreement which envisaged a Soviet loan of some $500 million for development purposes. He exploited the arms deliveries to establish his position with the Syrian officers corps, and the economic agreement to win favour with the masses. In doing so, he fell into uneasy alliance with Khalid Bikdash, who was also making the most of Soviet aid on behalf of the Communist party.

When winter came, the Baath-Socialists found themselves in a tempting, but dangerous, position. They stood on the threshold of power; well entrenched in the army and the civil service; well organised as a party among the people; knit together by a coherent popular ideology which their rivals (except the Communists) lacked. Yet they were beset by dangers from both flanks. On the left, the Communists presented a serious threat, particularly in the electoral sense. Baath-Socialist representation in the Chamber of Deputies (12 seats out of 142) is puny in comparison with their positions of power in the administration and in the army. Any further Communist advance, splitting the left wing vote, might have reduced it to absurd proportions. On the right, Khalid al Azm embodied a more incalculable threat. He has changed sides more than once in his stormy career; with his driving ambition and flexibility of principle, he is a leader rather than an ally. As matters stood before the Union, he could have adopted any one (or more than one) of several courses unwelcome to the Baath-Socialists. Without going into the myriad possible combinations of the Syrian situation, he could, for instance, have helped the Communists to encroach on Baath-Socialist positions from the left, while trying at the same time to breathe new life into the decaying body of the People's Party.

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The coalition government that has ruled Syria for the past year is probably the strongest the country has had since independence was won from the French. Yet, in view of the strains described above, it lacked the finality for which the Baath-Socialists were striving. Events outside the country were also causing anxiety, some of it well-founded. The attack on Egypt, the pro-Iraqi plot, the Jordanian airlift, Turkish concentrations, and movements of the American Sixth Fleet: all were live memories. While the Syrian government could congratulate itself on having survived past perils, it could not dismiss the possibility of their recurrence. At the same time, the field for manœuvre had been reduced. The Baath-Socialists themselves had discarded the idea of union with Iraq, both because of its monarchical structure and its links with the West. Union with Jordan, which seemed so imminent a year ago, had been blocked by the April *coup d'état* that re-established the authority of King Hussein. Only Egypt remained. For the Baath-Socialists that meant no sacrifice of principle; on the contrary, it was simply a case of pushing their policies to a logical conclusion.

Judging that the moment had come, Akram Haurani, the Baath-Socialist leader, struck. Brushing aside most of the politicians, he went straight to the army. High officers began making the pilgrimage to Cairo, under the guidance of Salaheddin Bitar, the Baath-Socialist foreign minister, who, after Akram Haurani himself, did most to bring about the union. As soon as the army found satisfaction, the statements to the press began, and the movement gathered irresistible strength. Useless for Khalid al Azm to protest—though he did so for a time. Sensing the strength of the prevailing wind, he finally gave his vote for the Union. Even Khalid Bikdash lent grudging support, though he hedged on some of the implications, for example, the dissolution of the Communist party. After that, little else mattered, except to put the finishing touches to the proclamation of Union, and to arrange for its ceremonial delivery.

Mr Todd's Defeat

FROM A CORRESPONDENT IN SOUTHERN RHODESIA

THE election of Sir Edgar Whitehead, the minister representing the Central African Federation in Washington, as leader of the Southern Rhodesian division of the governing United Federal party, has been widely but by no means universally welcomed in the colony. It has been becoming increasingly plain during the past three weeks, and glaringly so at last Saturday's Federal party congress, that the election of either Mr. Garfield Todd or Sir Patrick Fletcher or any of the cabinet "rebels" who parted company with Mr Todd would permanently split the party. The split could be avoided only by the election of a man not committed to either faction, and perhaps no one connected with Southern Rhodesian politics could have been less committed than Sir Edgar, half a world away in Washington. Sir Edgar's election has therefore been welcomed as possibly the only result that could have avoided a split that would have benefited only the opposition Dominion party which is in favour of racial segregation.

Sir Edgar's election has also been welcomed in Southern Rhodesia because of the prevailing impression locally that the change has been well received in Britain and the United States. The greatest fear of those politicians in the Federation who can see further than their noses, was that the rejection of Mr Todd would be interpreted overseas as the death of liberalism in Central Africa and as a move in the direction of South African policies. They have been relieved to learn that Sir Edgar's reputation outside his country stands high enough to prevent this interpretation being placed on events except, perhaps, by professional critics of the Federation. So far as financial policies are concerned the banks and financial houses in Southern Rhodesia are not generally hostile to Sir Edgar, who talks the kind of language they understand. In this he is in sharp contrast to one of his most determined critics in earlier political encounters, the Federal government's finance minister, Mr Donald MacIntyre, whose knowledge of economic theory is rudimentary and who, in such matters, leans heavily on his senior civil servants.

The chief opponents of Sir Edgar's financial policies have been the industrialists and businessmen (Mr MacIntyre out of office was one of them) who claim that he is altogether too harsh a taxman. When Sir Edgar was finance minister in Southern Rhodesia's lean pre-Federation days, the colony's government was finding it difficult to meet even some of its day-to-day running expenses. Mr MacIntyre at the federal treasury has known only the boom years since Federation, with high copper tax revenues solving most problems before they have arisen. Now that the depressed world copper price makes a new lean period inevitable, the country may be given the opportunity of seeing whether the policy of the man at the head of the Southern Rhodesian government or that of the man in the federal treasury is the right one in less prosperous times. Interesting though this comparison may be, most Rhodesians would be happy not to have to make it. They would prefer to feel that some coordination of economic policy between the Federation and Southern Rhodesian governments is likely.

The other big unanswered question in Salisbury this week is whether Mr Todd will be offered a seat in Sir Edgar's new cabinet and, if he is, whether he will accept it. It is thought likely that Sir Edgar's new cabinet will include at least two of the former cabinet rebels (probably Mr Geoffrey Ellman Brown and Mr Cyril Hatty) and at least two members of the pro-Todd group (possibly Mr Todd himself and either Sir George Davenport or Mr A. D. H. Lloyd). Mr Todd has made it clear that he intends to retain his seat in parliament and that he will remain within the United Federal party. He has already firmly rejected attempts by some of his more extreme supporters to break away from the United Federal party and revive the old United Rhodesia party which went out of existence when it merged with Sir Roy Welensky's Federal party. He has also firmly resisted the temptation to precipitate an immediate general election, a course which many expected him to adopt. This indicates that he regards the continued unity of the United Federal party as the most important priority; but whether he will carry this belief to the extent of agreeing to serve in Sir Edgar's cabinet remains to be seen.

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One political reputation which has probably been irretrievably ruined is that of Sir Patrick Fletcher, leader of the cabinet rebels. His reply to Mr Todd at last Saturday's congress was so disjointed that it almost certainly lost him a great deal of support and resulted in his finishing a poor third in the first ballot between himself, Sir Edgar and Mr Todd. Far from accepting his defeat in the manner in which Mr Todd accepted his, Sir Patrick issued a statement to the press, on the day after the congress, demanding that Mr Todd should resign forthwith and hand over the government to Sir George Davenport for a brief period until Sir Edgar could form his new cabinet. This statement came as a considerable shock to the other three cabinet rebels who promptly dissociated themselves from it.

The ending of the month-old crisis and the solution it has produced have clearly been a great relief to the Federal prime minister, Sir Roy Welensky. Not only has a split in his party been avoided and an immediate general election averted, but Sir Edgar, who in some circles is regarded as Sir Roy's only possible rival in the politics of the Federation, is now firmly removed from the Federal sphere. The probability is that, notwithstanding Mr MacIntyre, the Federal and Southern Rhodesian governments will now work in closer harmony than in the past. The political crisis was decided shortly before midnight on Saturday. Bright and early on the Sunday morning, Sir Roy took train for the coast and is now sailing—presumably peacefully and well content—somewhere between Beira and Capetown.

A Much-Tried Portuguese

FROM A CORRESPONDENT IN LISBON

AMONG the 75 political prisoners held in Portugal, according to a statement by the minister of the interior before the parliamentary elections last November, Henrique Galvão, a former Army captain aged 63, may be considered the prime specimen and—except that, pleading sickness, he has seldom if ever appeared on trial in public since he was jailed on charges of treason five years ago—almost a show piece. The current hearing of his perennial case, adjourned on January 8th of this year, was continued a fortnight later, when one of his three accomplices charged with distributing subversive and defamatory leaflets was absent also through illness. The proceedings then were conducted in secret, the court being cleared by order of the judge on security grounds. The hearing was resumed and adjourned again this week.

For obvious reasons, after more than a quarter of a century of strict political impassivity under the New State, the man in the street knows very little and cares next to nothing about Henrique Galvão or his kind. Yet the lean, mysterious figure of this prisoner in the tower is an unforgotten symbol. He stands for stubborn resistance to Dr Salazar's inwardly stable and outwardly impersonal regime no less evidently but perhaps more effectively, in his way, than any ideologist of the frustrated opposition at large. After all, it is the government which seems to take him seriously.

He was its man, a supporter of what the Portuguese call the *situação* who served with distinction as a colonial administrator in Africa, a soldier, and a member of the hand-picked National Assembly. The precise nature of the alleged activities that led to his imprisonment in 1953 is not publicly known. Some plotting, which was probably more theoretical than practical, and a copious flow of subversive writings from his cell have earned the much tried Galvão a martyr's halo, shabby perhaps but worn with determined dignity. Many would regard his obdurate expression of revolutionary ideals as, in the circumstances, a purely self-assertive symptom of some literary mania. He is generally dismissed as a mere pamphleteer, and it is quite likely that this caged lone wolf, if released from captivity, might prove as great a nuisance to his more tactful co-religionists as to Portugal's disciplinarian Prime Minister, the headmaster himself.

The Hungry Stream from Italy's South

FROM A CORRESPONDENT IN ROME

OPINION in north Italy is harsh on the "parasites," the "criminals," the "lazy Southerners," meaning people from the South who have come North to look for a living. Southern mayors are believed to pay the price of a railway ticket as encouragement for their surplus citizens to seek their fortunes in Milan, Turin or some other industrial city. The newcomers are bitterly resented; the police have been investigating cases of threatening letters sent by a group calling itself a "Committee for Liberation from the Southerners" in the province of Imperia where many Calabrians have settled. It is as if they were a race of Calibans, sub-human, fit only to serve a Milanese and best left styed in their own hard rock. Some of this feeling is traditional, unreasoning prejudice and some, worth rather more respect, exasperation that after years of ambitious government schemes for improving the South, so many of its inhabitants still bring themselves and their troubles northward in a hungry stream.

If north Italy is the country's industrial heart, development of the South is at the heart of any solution to the essential weaknesses of the nation's economy as a whole. When Signor Vanoni drew up his sketch for a ten-year economic plan in 1954 he included three main aims: full employment, a satisfactory balance of payments and a closing of the gap between the economies of the industrialised North and the mainly agricultural South. The first and third points are closely related. It is hard to imagine any success with the first without solving the other. After the first three years of applying the plan, the one aspect on which results have been substantially worse than expected was the problem of breaking down the disparity between North and South. Total income in the South is estimated to have grown in these three years at about the same rate or a little less than in the North; comparatively, this is getting the southerner nowhere. The figures aimed at by the planners were an increase of four per cent for the North and 8.1 for the South.

The problem of the division has existed since the country was unified and has paradoxically grown since the proclamation of the kingdom. The circumstance in which Italy became a united country emphasised the historic distinction; the kingdom of Piedmont was the agent of unification, not the kingdom of the Two Sicilies, which, at the time, was filling its prisons with fuel for Mr Gladstone's wrath. The demands of security stimulated the growth of communications in the North which were later the basis for industrial growth. And so it has gone on with the North increasing its lead, a disparity which continues to grow. The North is recognisably of western Europe; the South is Mediterranean with Moslem and Greek touches, rich orange orchards on the few stretches of fertile soil and the rest barren, mostly mountainous and regularly punished by the weather. Nature from the start is against improvement. The North is planning its first nuclear power station; Franchetti's account of the South written in 1875 describing the "tortured, cut, eroded" soil and "almost savage agriculture" is still true today for many areas. Re-afforestation, the sinking of wells, the building of aqueducts and mountain river conservancy are being undertaken, but it is a slow business.

The greatest difficulty facing the reformers is neglect in the past. Where there had been earlier attempts at improvements they failed. This means that not only is there a conglomeration of problems, but there is also a psychological issue in the reluctance of the inhabitants to accept the idea that the central authority genuinely intends their benefit. The size of families is daunting; natural multiplication and chronic over-population threaten the collapse of some existing schemes. A new farm-house provided under the agrarian reform would accommodate the first generation. Some other kind of work away from the family's plot of land will in many cases be urgently necessary and of this there is barely a sign. Much of the government's expenditure in the South through the *Cassa per il Mezzogiorno*, the special fund for the purpose, has been on projects called "pre-industrialisation" for the promised expansion of industry

southward. In spite of incentives and the offer of easy loans the promise is unfulfilled ; the money is spent and industry goes on expanding where it stands, in the North.

Agrarian reform was the first measure undertaken by the government. The two agencies working on the Southern mainland have so far settled nearly 50,000 families, and those in the islands about 19,000 families. If it were simply a matter of reallocating the land there would be little difficulty now that the legislation is in force. Beyond this stage is first the ignorance of the peasants in knowing how best to make use of their opportunities ; there is no denying this immense ignorance, though there is equally no good reason for writing it off as incurable stupidity. When the number of holdings available is limited there is sure to be dissatisfaction among those who are passed over. This is the kind of bitterness that gives the Communists a useful weapon, especially where the belief exists that a man must show sympathy with the Christian Democrats for his preferment.

The political element is important. The fear of communist agitation was a strong incentive to the government to take action in the South. According to the reports of an interview Mr Khrushchev gave recently to the correspondent of a Rome newspaper, and which has not been published, he is showing a personal awareness of the value to the Italian Communists in the coming general election of southern poverty. Even more valuable to them might be a situation of rising hope and disappointing achievement on the familiar principle that the thought of something more to gain is a more telling incentive to radicalism than despair. A fresh look at the South and its troubles may follow Signor Campilli's departure from the chairmanship of the ministerial committee administering the fund for the South. He was recently appointed president of the European Investment Bank.

Grotius at Geneva

FROM A SPECIAL CORRESPONDENT

A MAMMOTH United Nations conference on the law of the sea will open in Geneva for a nine-week session on February 24th. The ghosts and survivors of the ill-fated 1930 conference will doubtless be there, wondering whether this one, too, will founder on the rocks that abound in territorial waters. However, this time the delegates will have as a basis for discussion 73 draft articles compiled by the International Law Commission after several years' hard labour. The tidy legal minds of these fifteen legal experts have overcome many geographical niceties.

The objective is a broad one: to draw up an international convention on any topic upon which agreement can be reached. If territorial waters, the continental shelf, radioactive pollution, or fishing rights should prove intractable issues, the delegates will thus be able to fall back on subjects like slave trading and piracy. Actually, if tempers rise, "pirates" is likely to prove a popular term of abuse. The Indonesians, defending their extravagant claims to sovereignty over the high seas between their three thousand islands, may well apply it to the Dutch. The Chileans and Peruvians, trying to justify their 200-mile extension of territorial waters under the guise of an application of the continental shelf concept (which applies only to "offshore oil" and other resources in the sea-bed and subsoil), may use it to describe would-be whalers. The Icelanders, having excluded foreign fishermen from large areas around their coasts, might apply it (though mainly in the past tense) to intrusive British trawlers. The Russians, conveniently forgetting that they recently closed Vladivostock Bay—which is 120 miles across—to protect two of their missile bases, will no doubt apply it to the Americans and British for warning shipping away from huge "danger zones" in the Pacific ; the Arabs, to ships sailing through the Strait of Tiran to Israel's port of Eilat.

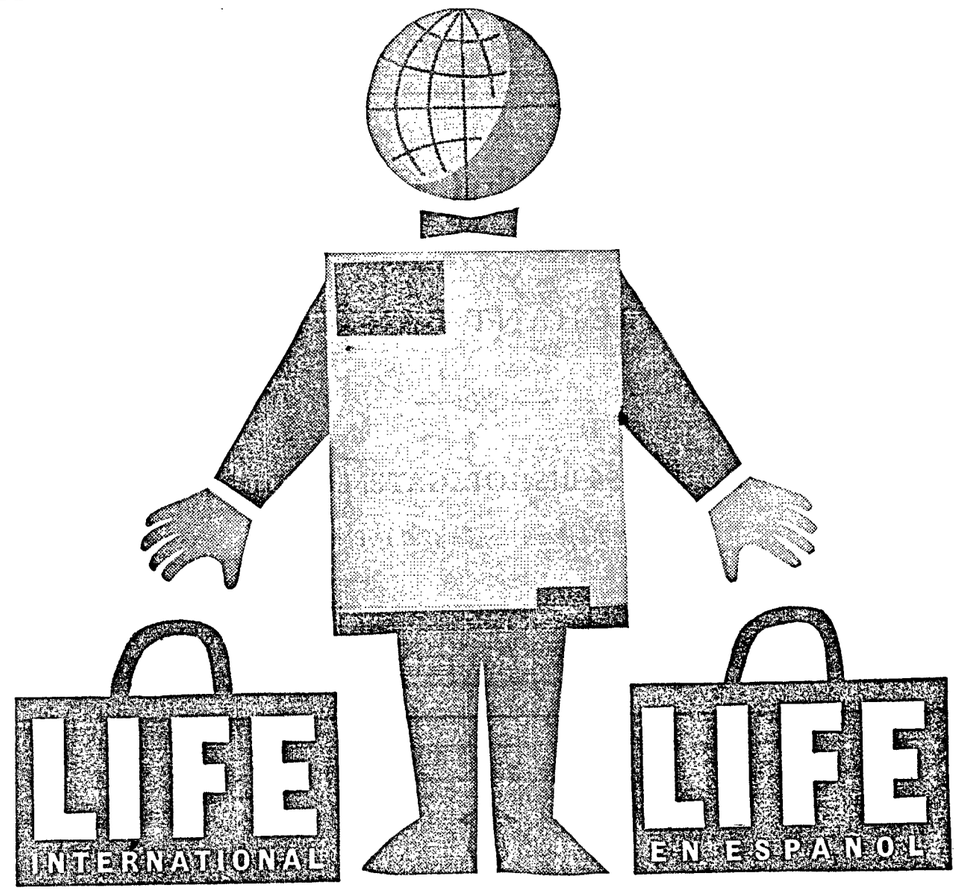
All this would have appalled Grotius. He would have expected better progress in the 349 years since the publication of his *Mare liberum*. He could hardly have foreseen the twentieth century extension of his concept of freedom of the high seas, which meant navigation, to include the laying of cables and pipelines beneath the water and flying above it. He would have been even more astounded at the general acceptance of the idea of the contiguous zone—a part of the high seas (not extending more than 12 miles from the coast) in which customs, fiscal and sanitary controls may be exercised by the coastal state. This idea is popular with the Americans—can they be thinking ahead to the possibility of prohibition returning, and wishing to secure their right to prevent rum-running within sight of their coasts ?

Grotius would have admired Britain's staunch advocacy, in this age of long-range missiles that can be fired from submarines, of the traditional three-mile cannon-shot rule for territorial waters, and he would have thought it bad manners were any delegate to recall that barely 150 years ago Britain was still demanding the salute due to its flag within the "British seas." He would have wondered at the proposal for a United Nations registration entitling a ship to fly the UN flag and to the special protection of the organisation. He might have asked what kind of protection was to be provided, by and against whom, and whether the UN was planning to compete with the fashionable flags of convenience of Liberia and Panama, and divert part of the funds so earned to the Suez Canal surcharge account. Canals, incidentally, are not on the agenda.

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But coastlines certainly are. Concerning the limits of territorial waters, it has first to be debated whether they should be fixed at three, four, or at any rate not more than 12 miles (the commission is at least agreed that 12 should be the maximum), or unilaterally determined as the Russians and certain Latin Americans would prefer. Then there arises the question of how to measure the limits, involving matters such as straight baselines for jagged coasts like Norway's or Iceland's, artificial islands, drying shoals, and "historic" bays (Russia claims that this last doctrine applies to Vladivostock).

Most of the participating states proudly possess coastlines and are therefore directly interested in these questions. But, for the benefit of the land-locked states, the Geneva conference has now been overloaded with the additional problem of their free access to the sea. The land-locked states—Afghanistan, Austria, Bolivia, Czechoslovakia, Hungary, Laos, Luxemburg, Nepal, Paraguay and Switzerland—have been in a private huddle at the UN for months, and have created a new block that cuts across all the familiar regional and ideological alignments. They are expected to press for a special convention—and, as the Swiss have local naval supremacy, one could scarcely blame them if they backed up their pressure by sending a gunboat.



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THE BUSINESS WORLD

Funding Comes First

JUST a year after the Government made the issue of £300 million 3½ per cent Funding stock 1999-2004 at £80, it finally got rid of it. On the same day, last Tuesday, it announced a new issue to fill the gap in its supply of long dated stocks. This is of £300 million Funding Stock 5½ per cent 1982-84, at £98½ for which lists opened and closed yesterday and it takes over on the Government broker's shelves the space that the "never never" stock vacates. It will be on sale during the coming months.

Thus seen, the new funding issue is certainly not a turning point in financial policy; it can almost be represented as a matter of routine. It was as necessary this week that the Bank of England should put some new long dated scrip into the Government broker's hands as it was essential a month ago to issue £500 million of 5½ per cent Exchequer stock 1966 to cater for the needs of the banks. Given only that the authorities were determined to continue the policy of funding by open market selling and to keep control, the creation of two new stocks—one a short medium and the other a long medium—could not have been avoided, nor even delayed, whatever their intentions about Bank rate in the future and the degree of monetary stringency that they consider desirable.

The Government never does really make its issues at a single price on a single day. It started selling the "never never" stock at 80 a year ago; it sold it down to 63 and up again to 66⅛. The average effective price of issue will never be known (that is one of the gaps in public knowledge on which the conclusions of the Radcliffe Committee will be of importance). But it is reasonable to hope that the new stock will sell in quicker time, and at prices less humiliating compared with the original intention, than its predecessor did.

There are three essential differences between the policies of February, 1957, and those of this month. The issue of a year ago was deliberately planned to take the steam out of the gilt edged market: at the outset it did not look attractive and it was not meant to. That issue followed hot on the heels of the ill-starred reduction in the Bank rate from 5½ per cent to 5 per cent so that the donkey had already been allowed to eat the carrot. Thirdly it was made when the Government broker had not run out of stock. This time the Government broker had run right out of "longs" and the donkey has not had all his carrot. Moreover the terms of the new issue—a gross redemption yield of £5 12s. 3d. per cent to final redemption in George Orwell's 1984—fits neatly into the existing pattern of yields. The stock should suit some of the pension funds and insurance companies. It is a damper only to the extent that any big block of stock in the hands of the Government is.

YET there is a little more behind what has been done this week than a mere routine replacement. There is first a good solid achievement; confidence in the gilt edged market has continued to grow with hardly a break since Bank rate was raised to 7 per cent on September 19th. Long dated gilt edged are now back to the prices at which they stood just before that event, despite massive funding sales by the Government broker in the meantime. And demand is still strong. The succession of smaller issues that had been planned to satisfy it has been proving quite insufficient. London County Council's £20 million 6 per cent issue, more than 15 times subscribed, was one such. Applications for £100 were cut out, applications for between £200 and £2,300 received £100 of stock and the big applicants received between 5 per cent and 6 per cent of their needs; a premium of 1½ points was established in early dealings. There seems no reason to doubt that an Australian issue, if made without a big Government loan first, would have been a similarly embarrassing success. The

danger of loss of control by the authorities over so eager a market had become real.

Secondly the issue makes provision to accommodate the inflow of foreign funds attracted to London from abroad by high interest rates. Funding 5½ per cent 1982-84 is tax free to residents abroad. The importance of the concession should not be overstated; there are only a few of these privileged stocks (shown in the table) and the number with over five years to run to their first optional redemption dates, and therefore available to holders of security sterling, is smaller still. The policy

STOCKS TAX FREE TO RESIDENTS ABROAD

	Price	Yields Per Cent			
		Flat	Redemption		
	£		Gross	Net grossed at 7s. 6d.	Net grossed at 8s. 6d.
War Loan 3½%.....	64⅜	5·48	...	...	...
Bought with security sterling.....		5·57	...	...	...
Funding 4% 1960–90..	89 ⅜	4·53	5·0*	5·35*	5·44*
Funding 5½% 1982–84	98½	**5·58**	**5·61**	**5·64**	**5·65**
Bought with security sterling.....		5·67	5·70	...	...
Savings 3% 1965–75 ..	70 ⅛ xd	4·25	5·66	6·83	7·11
Bought with security sterling.....		4·32	5·75	...	...
Savings 3% 1960–70 ..	75¼xd	3·97	5·75	7·08	7·40
Victory 4%†	91¼xd	4·36	5·12	5·65	5·77
Bought with security sterling.....		4·43	5·20	...	...
Savings 3% 1955–65 ..	86 ⅜ xd	3·48	5·25	6·44	6·72
War Loan 3% 1955–59	96 ⅛	3·10	5·16	6·03	6·23

* If redeemed by Sinking Fund in 1975. † Average life about 9¼ years.

is to provide a few stocks through which *bona fide* foreign residents can be paid their interest gross, even though many would get total or partial relief in their home countries through double tax agreements if they bought tax deducted stocks. If the tax exemption and the terms of the new stock itself prove attractive enough to encourage some of those foreign investors to go long, and if it draws into long term investment some part of the overseas sterling balances not expected to be required for some considerable time—a trail that was blazed by Sir Oliver Franks in his address to Lloyds Bank's shareholders—so much the better.

The first big lesson of modern flexible monetary control has now been learned. It is that the short range advantage of the Exchequer must be subordinated to the objective of co-ordinating the Government's borrowing policy with the control of the whole economy. Narrow advantage would suggest borrowing on short dated stocks when interest rates are high. But this is a 24-26 year stock with a 5½ per cent coupon—an expensive loan to be used to fund shorter stocks. That is one practical application of the Chancellor's statement to the National Production Advisory Council last week that "tight control on money and credit at home must continue for the present."

A second lesson about open market policy perhaps remains to be learned. It is that what can be achieved by market tactics, however useful, is limited. The Government broker can delay a rise or temporarily check a fall. He cannot create a bull market. Now he is presented with one and his task is to channel it into purchases of stock and to curb and delay the rise in prices. Therefore the new stock can act as a peg on long term interest rates. If, for example, Bank rate were to be reduced the new stock could still be on sale at much the same prices as before. Events at the moment are working for him. Demand for gilt edged (prices of which dipped only slightly when the issue was announced) remains strong. The most touching tribute to the gilt edged market for many a long day comes from the hapless sponsors to the Shell issue. Limited supplies of security sterling, they have been complaining, will be diverted from Shell new to Funding 5½ per cent. How many foreign residents a year ago would have preferred a British Government "long" to a leading oil equity?

Who are the Innovators?

The prestige of research institutions today must not overshadow the real contributions still made by the individual inventor

BRITAIN and America are today employing about 1½ per cent of their national incomes and up to a third of their technically trained people in research and development. Most people would agree that they ought to be employing more. This investment of men and money is generally accepted as the price of technological innovation in an industrial economy; and, as such, is willingly paid. New products and processes are assumed to flow systematically if not automatically from industrial research departments, which sift out what will benefit industry from the advances in fundamental science achieved in institutions for "pure" or "basic" research. It follows—comfortably—that to provide more trained people with yet more resources in research institutions of both kinds will guarantee the continuance, if not the acceleration, of a pace of technological upsurge which we take to be already faster than ever before.

It is as well to be reminded that these are assumptions, not axioms. The present state of knowledge of how technical progress occurs is too rudimentary to prove or disprove them—or, indeed, any other plausible generalisation about the matter. No way has yet been devised of comparing the significance of different technical advances; there is no measurable meaning in a "rate of innovation" and nothing to show whether technical progress is faster today, or just better publicised. Even if innovations could be ranked or "scored," it would seem practically impossible to identify them all, or their precise origins. Today's reliance on institutionalised research as the modern channel of science into industrial innovation—a flow that can be increased in volume by widening or deepening the channel—is one of the few acts of faith that materialists of both East and West seem prepared to make.

This faith in the research institution as a guaranteed and broadly sufficient source of technical progress is difficult to test directly. But it is usually, and logically, associated with the assumption that comparatively little is contributed today by that older agent of innovation: the individual inventor. His role as originator, and as a vital link between scientific possibility and industrial application, is assumed to have been largely taken over by the research institutions, which can gather together the original minds, equip them with the information, contacts and equipment that they lacked alone, and establish direct contact between science and industry. And this corollary assumption is susceptible of a rather more practical test. It has recently been challenged.

FOUR years ago, in the University of Chicago, Professor John Jewkes, Mr David Sawers, and Mr Richard Stillerman began to examine the origins of some sixty inventions of this century. They were concerned to establish how many came from individual inventors or individuals working with complete freedom in research institutions such as university departments, and how many from the research departments of industry or other institutions where research is guided towards defined ends. Their findings, set out with 50 of the most interesting of the case histories in a new book *The Sources of Invention*,* are impressive—and incidentally fascinating.

Professor Jewkes and his colleagues found that they could classify more than half of these modern innovations as "individual invention"—i.e. originated by men working on their own or with complete freedom of initiative:

> air conditioning; automatic transmission; Bakelite; ballpoint pen; catalytic cracking of petroleum; "Cellophane"; chromium plating; "Cinerama"; cotton picker; cyclotron; domestic gas refrigerator; electric precipitation; electron microscope; gyro-compass; hardening of liquid fats; helicopter; insulin; jet propulsion; "Kodachrome"; magnetic recording; penicillin; "Polaroid" camera; power steering; quick freezing; radio; safety razor; self-winding wristwatch; "Streptomycin"; Sulzer loom; synthetic light polariser; titanium; xerography; zip fastener.

Those inventions which had originated largely in the research laboratories of manufacturing companies were:

> acrylic fibres; "Cellophane" tape; continuous hot-strip rolling; crease resisting fabrics; DDT; diesel-electric locomotive; Duco lacquers; fluorescent lighting; "Freon" refrigerants; "Krilium"; methyl methylacrylate polymers; modern artificial lighting; "Neoprene"; nylon; polyethylene; silicones; synthetic detergents; television; "Terylene"; tetraethyl lead; transistor.

Out of 61 inventions studied, 33 came from individuals and only 21 from companies; the rest were of such mixed technological parentage as to defy the authors' classification.

Such evidence, as the authors recognise, "must necessarily be qualitative, selective and impressionistic, more historical than scientific." Any such selection of examples must be arbitrary: it would not be difficult to add more items to either side of this balance of responsibility for modern invention. The authors have not pretended to measure how significant either source of innovation is, to rank their examples in any way, or to be exhaustive or necessarily balanced in their coverage of different industrial fields. They have deliberately left out nuclear energy, which has done more than any other single development to fix in the public mind the stereotype of research successfully directed towards chosen ends. They feel, understandably, that too little is known publicly about this whole development process: and that in any case, having been wholly free of normal economic limitations, it can hardly be taken as a pattern. But on their chosen question—whether the individual inventor is still of any significance in industrial innovation—their evidence seems conclusive: in the last 50 years, he has been. And there is no question that their list of recent contributions from individual inventors includes many of great importance.

Industrial research departments were certainly established here and there by 1900 in chemicals and electrical engineering in particular, equally certainly their number and range of work have since grown greatly. The array of contributions from individuals since 1900 would not preclude the possibility that today, at the end of the nineteen-fifties, research departments may be contributing the broad bulk of successful innovation. Moreover, much of their contribution will be less separately identifiable than the examples quoted above, though not in the aggregate necessarily less important. It has been said that

> For every radical innovation which thus rises to fame, there are tens of thousands of minor improvements in products and processes, which (though individually not a complete break with the past) may over a period of years create something quite new.

And a large proportion of the work of research departments in industry consists of just such steady improvement or systematic search among possibilities. In the chemical industry, indeed, this seems to be the ruling pattern of progress; in comparison with other industries, the modern chemical industry seems to have had rather few contributions from the gifted outsider.

* Macmillan. 428 pages. 31s. 6d.

Professor Jewkes and his colleagues would presumably not deny this. They were concerned, in the first place, with inventions, distinct leaps in knowledge and technique, the contribution of originality rather than assiduity. What their study does establish is that a substantial proportion of these original contributions have recently come, and are still coming, from sources other than the research departments of industry, and that such departments continue to rely heavily upon other sources of original thinking. Moreover, research departments have on occasion impeded the acceptance of new ideas from outside. The authors do not doubt that today "a larger proportion of inventive individuals than formerly now find their way into organised institutions where inevitably some restrictions must be placed upon their activities." They are concerned to inquire whether this is an unmixed blessing—quoting the remark of one research director that "there are probably just as many frustrated inventors within industrial research laboratories as outside them."

If "the industrial laboratory does not appear to be a particularly favourable environment for inducing invention," is it nevertheless vital for the development of original ideas, whatever their sources, into successful industrial products or processes? Here the evidence of this book could not hope to be conclusive. Many of the examples of successful innovation deriving from individual inventors that it mentions were in fact assisted at some stage by the development departments of companies, large or small; nevertheless, some were carried right through by individuals or the small firms they founded. In many cases large-scale organisation for development has paid off; and clearly companies generally play a bigger part in this stage of innovation than they may do in the generation of new ideas. Even so, it is impossible to show that any particular institutional form is necessary or ideal for the development of ideas into ironmongery.

THIS deliberately provocative argument, and its evidence that the individual inventor is still an active and far from moribund contributor to technical progress should at least puncture public confidence that mere proliferation of trained personnel in larger and larger laboratories can guarantee technological progress for any country. It does not argue against increasing the quantity, but for more attention to quality. The argument does not affect Britain's need to widen scientific and technical education: training can do the inventive mind no harm, wherever it chooses to employ its talents. But it does perhaps underline the point that competition to duplicate the massed battalions of scientists and technologists arrayed in American research institutions may not inevitably be Britain's wisest deployment of trained intelligence—still less the emulation of the methods of organisation of research sometimes pursued in Russia. It suggests that public policy should be directed towards encouraging the widest possible variety of types of institution concerned with research and development (the United States is notably better off in this respect than Britain); and should lean over backwards, in spite of temptation, from drawing centres of comparatively autonomous research, such as university departments, too closely into the web of "applied research." The recital of ideas originating outside, and of the inherent difficulties in managing originality, makes this book essential if chastening reading for every research director. Its cold shower of facts, moreover, should combat any tendency for scientists inside research institutions to develop into a kind of priesthood of technique, scorning the impious intruder into their temples.

How to encourage the kind of individualist outsider who appears and might best remain outside, indeed, is the second problem of policy raised by this book. Could he be offered greater assistance or rewards than the monopoly of a patent now grants him? The patent system is admittedly imperfect: suggestions that it could be replaced by some modified system of public rewards graded according to independent assessment by technical panels, which might be more logical and no more difficult to adminster, have never found official favour. Professor Jewkes and his colleagues do not rule out the possibility of some institute providing research facilities at public expense for the inventive individual: one occasional success, in their view, would counterbalance many half-baked failures, and technical originality seems surely as deserving of subsidy as, say, the ballet. And they attach some importance to the possibility of honest brokers between industry and inventors; commercial agencies that might bypass industry's ignorance of what inventors offer and, more important, inventors' ignorance of what industry could really commercially use. However much reliance may be placed on organised research, this potential leavening cannot be dispensed with. There are far too few minds capable of genuine originality, at any level, for any country to afford to waste; and, still, a fair number of them are always likely to work best out of harness, on their own.

MOTOR BUSINESS

The December issue of this quarterly research bulletin for the motor and allied industries is now available. It includes:

THE OUTLOOK FOR 1958
THE ITALIAN MOTOR INDUSTRY
THE MARKET IN THE UNITED STATES FOR EUROPEAN CARS

The Bulletin is fully illustrated by charts, amongst which are:

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BUSINESS NOTES

IN THE MARKETS

Knocking at the Gate

LIKE the porter at Glamis, the stock market had in the end to obey the summons at the gate. First came the taps—speeches by Mr Heathcoat Amory and by Mr Alfred Robens, the further fall in commodity prices, and the cut in oil prices. They were loud enough to arrest the technical rally in industrial share prices that occurred in the first week of this month. Then came the bangs—the growth in unemployment in the United States and the Rochdale by-election. They could not be ignored. Was the recession worse than the market had been anticipating during the long slide in equity prices last summer and autumn? Investors could not be sure, but prices on Wednesday had to come down. On Wednesday the *Financial Times* ordinary share index fell by 2.5 points to 158.8, which broke through the "Guy Fawkes low" of 159.0 on November 5th; it was also the lowest point recorded since July 24, 1954. On Thursday earlier falls were reversed in part when Wall Street opened a little steadier. Over the week to Wednesday's close *The Economist* Indicator fell 8.1 points to 170.7, also breaking through the November "low" of 171.2. Few were selling but fewer were buying. Money available for investment is largely pre-empted for new issues, especially of fixed interest stocks, and stagging seems to have developed into a new technique of combining liquidity with a gamble. Investors were prepared to stag as the response to the LCC loan and to the Babcock and Wilcox £2 million issue of a 6 per cent debenture (1980-83) at 97 showed. The latter attracted £43 million of subscriptions, but investors had taken their decision to apply before this week's break in the market.

	Sept. 18, 1957	Nov. 5, 1957	Feb. 6, 1958	Feb. 12, 1958	Feb. 13, 1958
Assoc. Portland Cement.	43/9	30/3	34/6	31/6	31/6
Assoc. Electrical Industries	60/3	49/9	50/3	47/3	47/9
Bowater Paper.....	34/-xd	26/3	29/9	27/9	28/-
British Petroleum	£29/-xd	98/1½	90/7½	84/4½	84/10½
Ford Motor	33/6	30/-	35/6	34/-	33/3
Guest Keen	50/6	42/3	49/9	46/6	46/3
Hawker Siddeley.....	37/7½	28/3	27/9	25/9	25/9
Imperial Chemical.....	41/-	36/1½	39/9	37/9	37/6
Lancashire Cotton.....	37/4½	31/10½	31/10½	30/4½	30/9
Marks & Spencer "A" ..	49/4½	40/-	42/10½	40/7½	40/3
P & O Deferred.....	30/-	24/-	25/6	24/3	23/4½
Rolls-Royce.....	110/7½	94/-	90/3	87/-	87/-
Unilever Ltd.....	93/1½	74/6	78/4½	75/7½	75/9

With these knockings echoing ominously through the "House," the new "Shell" stock went away to a bad start. "Shell" Transport had offered by rights, in the ratio of one for ten, 8,177,204 ordinary shares of £1 each at 110s. On the eve of dealings there were hopes of a premium of 26s. 3d. on the issue price in an active market. The market was indeed active, but it was dominated by small sellers. Dealings began at 25s. premium, came down to 22s. premium and then recovered to 23s. 6d. premium. The story was repeated on Wednesday when the price was lowered to 20s. premium before recovering to 20s. 3d. and on Thursday it slipped to 20s. 1½d. Institutions were not taking up the stock as it came on offer at these prices, and buying from the United States was modest. It was not a good week for "Shell," but it was not a good week anywhere in the equity market.

Mr Robens Depresses Steel Shares

THREE weeks ago Mr Harald Peake of the Steel Company of Wales appealed to the labour movement to say clearly whether it intended to re-nationalise the steel industry or not; on Sunday Mr Robens gave him the only answer that anybody (except just possibly Mr Peake) would have expected. It was a firm enough "Yes" quite to halt buying of steel shares on the Stock Exchange, and to reverse a mild rise in share prices. Selling pressure after the speech was fairly strong, but share prices were marked down even more, because jobbers were unwilling to take stock on to their books and accordingly widened their prices.

Mr Robens was at least less shocked than Mr Morgan Phillips at the idea that this industry should prepare to defend itself against the threat. He agreed that Mr Andrew Stewart and his fellow chairmen in steel were "perfectly free to express their own views and take whatever actions they are entitled to take within the law to frustrate what we in the Labour party propose to do." He added:

> No one, in fact, is making a case for the public ownership on the basis that it is an inefficient industry. We have never said that. The public ownership of the iron and steel industry is vital to the economic planning of the nation's affairs.

Clearly, somebody has been impressed by the prestige advertising of the British Iron and Steel Federation.

But Mr Robens was significantly unspecific about just how Labour would propose to re-nationalise steel; if the party has any coherent plan, it is clearly not going to be prematurely disclosed. The probability is that it has not. If one accepts as inevitable the fact that the threat will remain until an election, and will continue both to depress share prices and to make it hard for steel companies to raise money from the market for capital development, that lack of Labour commitment to any cut-and-dried plan might still, on balance, be counted an advantage for the industry's future.

	Issue price	Oct. 31 1957	Dec. 5 1957	Jan. 3 1958	Feb. 7 1958	Feb. 13 1958
Colvilles.....	26/-	24/6	29/3	26/6xd	26/7½	25/-
Dorman Long...	22/6	20/7½	24/9	22/7½xd	24/3	22/10½
Lancashire Steel.	22/-	21/3	26/-	24/3	23/-xd	22/-
Steel of Wales ..	20/-	16/6	17/7½	16/6xd	17/3	16/3
Stewarts & Lloyds	35/- 17/6*	20/-	23/7½	22/-xd	23/9	21/9
United Steel ..	25/- 17/8†	18/9	21/1½	20/3xd	20/7½	18/9

* Adjusted for scrip issue. † Adjusted for rights and scrip issue.

DEFENCE PRODUCTION

The Paper and the Cracks

THE manner in which the Defence White Paper lists the arms ordered for the services suggests—perhaps deliberately—that few changes have been made since last year. Two comparatively woolly sentences in last year's white paper about the future of bomber and fighter production in this country caused an outbreak of passions in the defence ministries; this year there seems to be a good deal of white papering over the cracks. Work is going ahead on atomic submarines; anti-aircraft and airborne guided weapons; on Britain's 2,000-mile range ballistic weapon; on the V-bombers and their guided bombs; and on a small, fast bomber for the Navy which the RAF is being pressed to adopt as a replacement for the Canberra. This is a formidable list and the former Chancellor of the Exchequer will not be the only person who believed it should be drastically pruned.

But whereas Mr Thorneycroft was for outright cancellations, present policy appears to be based on the more negative, though not less effective, approach of not re-ordering. The Defence White Paper shows that existing production has been left intact; what it does not show is the likelihood that development of those manned aircraft that are now in production—the Hunter and P.1 fighters and the V-bombers—is likely to be cut off at a relatively early stage, *certainly much sooner than would normally be expected.* There were eleven versions of the Meteor and at least nine of the Canberra bomber, but it would be surprising if there were more than two marks of English Electric P.1 fighter—or of any of the V-bombers. These aircraft are all capable of further development, but the same money put into guided missiles ought to give bigger returns by the same date in terms of fire power, technological investment and potential service life.

★

Pressure to continue the development of existing types of manned aircraft will no doubt be considerable—indeed it is the main threat to the effectiveness of the switch in policy. Nevertheless the fact is being faced in the defence ministries that work on manned aircraft is taking far too big a share of the limited resources available for development. The consequences for the aircraft industry now that the divorce between military and civil production is complete are serious. There are signs that the United States ultimately intends to leave the development of intermediate range ballistic missiles entirely in British hands, but this will not provide work for all aircraft companies. To develop new outlets for the aircraft industry's spare capacity will take time and may not go smoothly. Rolls-Royce, for example, has developed a specialised nuclear engineering department that is building the reactor for this country's first atomic submarine. But there are signs that the Government has had several changes of mind about this particular project. The Defence White Paper skates over any reference to the source from which atomic submarines will be obtained. This omission, coupled with recent American offers to provide detailed blueprints to selected allies, suggests that either American reactors, or at least their blueprints, might be used in this country to get these new submarines quickly into service.

BRITISH TRADE

A Shaky Start

THE first trade figures for 1958 offer little comfort. Provisional figures for January show another small decline in the value of exports and a slight expansion in imports. As a result the trade deficit rose from the exceptionally low figure of £19 million in December to £35 million last month. This gap is respectably small but the import bill is getting considerable help from prices at present, and the rise in the trade deficit is unwelcome.

Exports in January usually compare favourably with the average for the fourth quarter; last month they did not.

UNITED KINGDOM TRADE
(£ million—monthly averages or calendar months)

	Imports cif	Exports fob	Re-exports fob	Trade deficit	Exports to North America*
1957	339·6	277·1	11·1	51·4	36·0
1st quarter ..	352·7	278·8	13·0	61·0	32·0
2nd " ..	346·9	283·8	10·2	52·9	38·8
3rd " ..	332·1	265·6	9·8	56·6	37·5
4th " ..	326·9	280·1	11·5	35·2	35·8
October	353·1	271·8	11·2	70·1	35·4
November ..	319·9	286·9	11·0	22·0	38·1
December...	313·6	282·4	12·2	19·0	34·0
1958, January†.	325·0	277·8	12·6	34·7	29·5

* Excluding repayments of silver bullion to the United States amounting to £7 million in 1957. † Provisional.

Shipments to Canada, and to a lesser extent to the United States, are however, seasonally low in January. But even allowing for that fact the performance in these markets was *disappointing. Exports* to the United States were 8 per cent less than the monthly rate in the last quarter of 1957 and lower than in any month last year except August, while exports to Canada were the lowest for two years.

The Coal Nobody Wants

SUBSTANTIAL cuts in export prices from the beginning of this year have not enabled the National Coal Board to increase its exports: in the first few weeks of the year these were markedly lower than at the beginning of 1957. Nobody in Europe seems short of the kinds of coal, such as power station smalls, that the board most wants to sell: indeed, mounting pithead and opencast stocks in Britain can be matched in Germany and Belgium, and the low level of transatlantic freight rates makes American coal sharply competitive in price for such orders as are going. Most of the coal actually being imported from the United States into Europe, however, is under long-term contracts: little is currently being ordered.

Britain's own stocks are very slowly declining, because consumption is seasonally exceeding production. The level of output, indeed, would in ordinary circumstances seem alarmingly low: over the first six weeks of the year, a million tons down on the first six weeks of 1957, mainly as a result of greater absenteeism. The Coal Board is diverting the emphasis a little from quantity to quality—which in coal today means size. Whether the Government will soon feel ready to end domestic solid fuel rationing at the beginning of the coal summer—probably with an opening of the price "concertina" to make large coal dearer—remains to be seen.

OIL PRICES

Oil Prices and Taxes

PRICES of petrol and other products from the refineries in the US Gulf and Caribbean, together with the cost of shipping them to Britain, set a ceiling to the price at which virtually identical products can be sold in Britain—even when most of the petrol used in Britain is refined here from imported Middle East crude oil. Petrol prices at the pump in Britain are invariably held up very close to that ceiling, but when the ceiling is lowered, as it was when the prices of almost all petroleum products in the Caribbean fell last week, prices have to be cut in Britain, sooner or later, by a roughly corresponding amount. The only major exception this week has been fuel oil, where the recent fall in the Caribbean price has not been fully reflected in Britain; but British prices had already fallen more than Caribbean prices last autumn, and may not fall further until —as seems probable—the price of fuel oil in the Caribbean weakens still more.

This week's reduction of ¾d. a gallon in the price of petrol at the pump puts wholesale prices a halfpenny a gallon below those prevailing sixteen months ago before the Suez canal was blocked, but as the dealer's profit margin is now a penny a gallon higher than it was then, the retail price is still a halfpenny a gallon higher. A cut of ¾d. a gallon on premium grade petrol priced in the inner zones at 5s. 0¼d. (now 4s. 11½d.) is a reduction of not much more than one per cent. But the retail price includes a tax of 2s. 6d. a gallon, which is now fractionally higher than the entire cost of producing, refining, storing, transporting and distributing a gallon of petrol (including the oil companies' and dealers' profit). If that tax is excluded, ¾d. a gallon is a reduction of 2½ per cent on a premium grade petrol, and not far short of 4 per cent on a standard grade. If the Government should ever need to stimulate consumer spending, rather than restrict it, it might do worse than to experiment with a cut in the petrol tax. While the tax more than doubles the cost of petrol to the motorist the oil companies cannot do much to test the elasticity of demand for petrol by cutting prices—but the Government could.

BEA'S JETS

Green Light at Last

ON Wednesday afternoon the Minister of Transport called an end to the dispute that has harassed the attempts of British European Airways to order a small fleet of 24 jet airliners and announced that talks would begin within the week between the corporation and the group headed by de Havilland and Rolls-Royce. This was the permission that BEA has been seeking since early December. It had been blocked by the Ministry of Supply on the grounds that the de Havilland group, as originally constituted, did not have resources behind it which looked as good on paper as those of the competing Bristol-Hawker Siddeley group. Little has changed since then, except that the de Havilland proposals have been tardily spelled out in rather more detail and with somewhat greater precision, and the part of Rolls-Royce in the partnership has been clarified. It is not clear therefore whether Mr Watkinson made his decision with or without the grudging approval of the Ministry of Supply, which during the weeks of suspense has not concealed its belief that the future of the aircraft industry would have been better served by channelling work in the direction of the Hawker Siddeley Group rather than that of de Havilland.

What the Minister of Transport was called on to decide was not, however, what was good for the British aircraft industry, but what was good for British European Airways, an issue that tended to get kicked more and more to one side in the unedifying scrimmage that followed. It is not the first time that the interests of the nationalised air corporations have clashed with government policy for the aircraft industry; it is to Mr Watkinson's great credit that this time he kept the two firmly apart and gave approval to BEA's request for negotiations with de Havilland—although not until there was no possible excuse, real or imaginary, for any further delay. Both sides were playing for high stakes. The BEA order may not be large enough for the manufacturer to show a profit, but it is big enough to justifying tooling up to put a new aircraft and its engines into production. It may, moreover, be the last new aircraft, military or civil, to go into production in this country for many years. It is therefore understandable that all sides involved should fight for it with every means at hand. The general opinion will be that Mr Watkinson was a fair referee in a rough maul.

FOREIGN EXCHANGE

Sterling Near the Ceiling

STERLING has again been in good commercial demand this week. Against the dollar it has been firm at around $2.81¼ in the official market. This is almost the effective ceiling and the control has been taking in dollars on most days. These purchases were necessary to prevent the rate rising beyond the nominal ceiling of $2.82. There has also been exceptionally good demand for transferable sterling, which has strengthened this week to over $2.79. The recent rise in the transferable rate follows substantial purchases on the Continent, some of them on account of the Russians, who have been buying rubber. The movement, however, merely restores the relation between official and transferable sterling roughly as it was two months ago. Last November the margin between transferable and official sterling was as narrow as ½ per cent. It then widened to nearly 1 per cent, partly as a result of Japanese sales of transferable sterling. Now that those sales have stopped, the margin is back again to about 0.8 per cent.

There has been little evidence of further covering of speculative accounts against sterling. The forward premium on dollars has been inclined to widen again this week, but this is the natural reflection of the gap separating interest rates in New York and London. The forward premium on dollars, however, still leaves about ¾ per cent of the interest rate differential, a figure which should encourage continued movement of short-term money to the London market. There has been evidence of a further movement of Canadian and American money in this direction; that flow was probably one of the factors encouraging the London discount market to bid last week's Treasury bills down to a lower rate.

Against Continental currencies, sterling has put up a mixed performance, but it has been strong against the guilder. This currency has been on offer against sterling

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as one of the by-products of the "Shell" Transport issue. That issue has played some part in the strength of security sterling which over the past week has appreciated from $2.75¼ to $2.76½. The new £300 million Government loan, with its tax concession to non-residents, may do likewise.

ATOMIC INSURANCE

£5 Million Liability

THE first privately owned atomic reactor built in this country, Associated Electrical Industries' Merlin research reactor, will be operating this spring long before the government's legislation covering the inspection and insurance of non-government nuclear plants can come into effect. In this matter, the insurance market has moved a good deal faster than the authorities. A committee consisting of the leading insurance companies and Lloyds formed an atomic insurance pool early last year and this is now negotiating to provide cover for at least seven different projects, including Merlin and some foreign plants.

Three big atomic power stations are already under construction for the Generating Board in England, and one in Scotland, while a public inquiry is being held at this moment about a fifth site in Wales. The legislation outlined in the House of Commons on Monday by Sir Ian Horobin would provide for the inspection and licensing of all such privately owned atomic plants—presumably by inspectors reporting to the Ministry of Power. It would also make the owners liable for any damage to third parties caused by those plants up to a limit of £5 million; the risks carried on the plants themselves are a good deal greater and will be fully covered. This £5 million limit is exactly half the rule of thumb figure of £10 million which the insurance committee had themselves used as a rough yardstick for the maximum third party claims that they estimated might follow a major accident at an atomic plant. But any figure is bound to be notional; on the evidence of the Windscale accident, where third party claims are put somewhere near £100,000, a £5 million limit ought to provide comfortable cover. If third party damage were to exceed that, the government would have a national disaster on its hands and would presumably have to come to the rescue of the victims.

These arrangements refer only to the relatively fool-proof natural uranium reactors being built for British power stations. The atomic plants that the insurance pool may be asked to cover abroad will not necessarily be of this basically safe Calder Hall type, and while £5 million ought to cover the maximum conceivable damage to third parties that could be caused by a reactor of this kind, that might not be true of other types of atomic plants either in this country or overseas.

AFTER THE CHEQUES ACT

Receipts Going Out

LORD LANSDOWNE, answering a question in the House of Lords on Tuesday, estimated that twopenny stamps on receipts brought about £5 million into the revenue in 1956-57. Some portion of that will now be lost, as the Cheques Act has significantly discouraged the giving of receipts for payments made by cheque. It did so, as the discussion in the House of Lords made clear, by drawing attention to the existing law on receipts, rather than by changing it. A paid unendorsed cheque is now good prima facie evidence of payment; a paid endorsed cheque has always been such and the intention was presumably merely to ensure that absence of endorsement would not deprive the cheque of this ancillary attribute. But public discussion of this provision, the banks' pressure on their customers to abandon the use of receipts printed on the backs of cheques, and no doubt the rise in postal charges at about the same time, caught the imagination of accounts departments and set them asking whether their own receipts were really necessary.

The idea of not issuing receipts is older than the Cheques Act, which has done no more than accelerate an economy which has been slowly gaining ground for years. Since the war a number of firms have unilaterally given up asking for receipts. A few have gone further, by ceasing to issue receipts for payments made to them by cheque, unless customers expressly ask for them; in practice few have stood on their right to a receipt. Some speakers in the House of Lords discussion were troubled by instances of unstamped receipts, but the customer's right to a receipt is itself curiously limited. Its only legal support is that the Stamp Act makes it an offence to refuse a stamped receipt for a payment of £2 or over and there is no simple method of enforcing the £10 penalty for infringement.

Receipts are not to disappear in complete silence: there has been a certain amount of criticism of the tendency to do without them. For example, it is not always easy to link a paid cheque with the bill to which it refers, and the preparation of the accounts of small businesses, already a difficult task, will be made even harder if there are no receipts to help the accountant. The difficulty might be met, Lord Conesford suggested in the discussion, by presenting the account in two parts—one to be returned to the trader and the other retained by the customer.

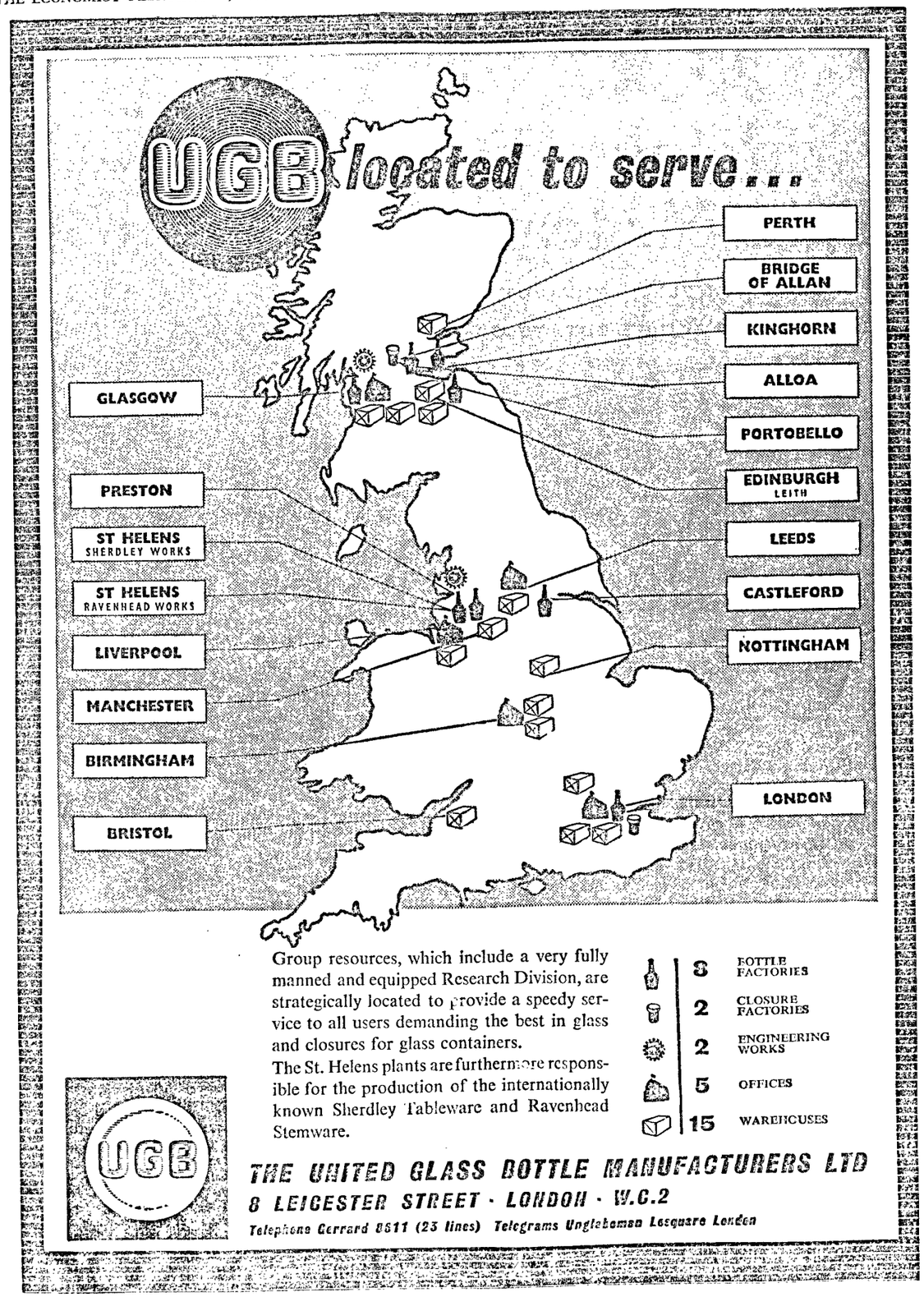
Medallions Replace Stamps

FOLLOWING lengthy negotiations with the Inland Revenue, a number of banks will shortly be issuing their cheques with a printed medallion in place of the embossed oval blue 2d stamp. This change, empowered by a provision in the 1956 Finance Act, will give useful financial and administrative relief to the banks and also to the Inland Revenue. Hitherto, the banks' printers have had to interrupt their work and send the cheques to the Stamp Office to be embossed with the 2d stamp; and the banks have had to pay for stamping the whole batch of cheques in advance. Under the new arrangements, cheque printers can be licensed to include the medallion as part of the printing process; and the banks will pay the equivalent of the stamp duty when cheque books are issued to customers. The customer is unaffected; the nostalgic may regret the ironing out of their cheque surfaces, but others may prefer a flat cheque book.

RUBBER

The Russian Enigma

SINCE last September the Russians have bought an unprecedented quantity of rubber—market estimates put the total at about 80,000 tons. Buying on this scale has partly shielded the rubber market from the effects of trade reces-



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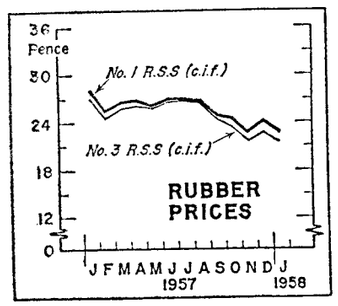
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sion in America ; it has held spot rubber steady at just under 23d. per lb, against 25d. at the end of September. It has also hoisted the price of No. 1 sheet, which the Russians usually buy, to more than its usual premium above the secondary grades that American and British manufacturers are able to use. A close balance between production and consumption of rubber in 1958 in the face of recession in America must depend upon a maintained demand from the communist countries and particularly from Russia. In each of the last three years world production of natural rubber has been about 1.9 million tons. Despite the troubles in Indonesia it could be maintained at near that figure in 1958—indeed lack of proper estate control might temporarily increase the flow of Indonesian rubber at the expense of the future. Of the world production the communist block took just over 300,000 tons in 1956 and just under 300,000 tons last year. If rubber is not to run into surplus, they will have to buy something over 300,000 tons this year.



Russian purchases, the largest element in the demand of communist countries, have always been spasmodic. At the beginning of 1957 Russia was well bought and stood almost out of the market until the autumn. Then the need for rubber seems to have become so urgent that the Russians concentrated on consignments already afloat and were prepared to take some No. 2 grade rubber. The buying spread into this year and still continues ; since insufficient rubber for February shipment is available March-April rubber is also being bought. The bulk of the supplies bought late in 1957 can only reach Russia during 1958, so the calculated imports into Russia for 1957 will show a decline at about 77,000 tons against 126,000 tons in 1956. But Russia starts 1958 again well bought. January shipments are expected to exceed 10,000 tons and a high proportion of the modest United Kingdom warehouse stock of 24,000 tons in fact belongs to Russia ; their rubber comes here for sampling, arbitration and onward shipment in Russian vessels. It is quite arguable that Russian potential consumption exceeds the recent average imports of around 100,000 tons a year and that the buying is limited only by the availability of sterling. But whatever the cause, that buying has dried up often in the past and if that happens again rubber will be in surplus.

TIN

Malaya's High Exports

EXPORTS of tin from Malaya were running at about 6,000 tons a month before restriction began on December 15th. They should average nearly 3,000 tons a month out of Malaya's present quota of 10,125 tons for the 3½ months ending on March 31st and the same rate out of the April-June quota. Actually exports of tin metal were 4,766 tons in December, which was considered reasonable for a month of which only half fell within the control period. But in January Malaya's exports were no less than 6,547 tons, a figure that caused consternation in the market. Did it mean that Malaya was producing all its quota in the first half of the quota period—which it would be quite entitled to do ? Or was Malaya simply failing to abide by the rules ? Forward tin on Monday fell £4 below £730, at which the buffer is holding the cash price. Here was a sure sign of loss of confidence.

Neither explanation, however, seems to be correct. Exports from Malaya are indeed being rigidly controlled. But "export" is deemed to take place at the point where duty is levied, and that is when tin concentrates are delivered to the smelters. In other words, control is not exercised on exports of tin metal from Malaya, and the additional exports of tin which are now coming out appear to arise from three sources: stocks held by the smelters when restriction came on ; stocks of concentrates coming from the mines to the smelters between December 4th, when restriction was announced, to December 15th, when it became effective ; and working stocks of concentrates held at the mines but hurriedly shifted to the smelters just before restriction became effective. End-November stocks at the smelters were 2,100 tons and end-November stocks of concentrates held at the mines were 4,070 tons, a high proportion of which will no doubt have been delivered to the smelters before restriction comes into force. This extra tin is part of the pipeline supply that has to be drained out before tin control can work properly, and the buffer has to absorb most of it.

DRUG PRICES

No Tranquillisers for Sir Frank

THE Exchequer and Audit Department has shown signs of drug addiction during the past eight years. It has been irresistibly drawn to the pharmaceutical industry, whose main customer is the National Health Service and whose costing methods do not conform to the rules prescribed for government contracts. After nearly a year of uneasy truce over the prices charged for drugs prescribed through the NHS, the department has resumed the attack, this time for drugs supplied to the Ministry of Health on bulk contract. Sir Frank Tribe, the Comptroller and Auditor-General, noted coldly in a recent report that "although there appears to be little effective price competition in connection with these central contracts, none contains any provision for investigation of the manufacturer's costs." This is almost precisely the same complaint that he first made eight years ago.

Sir Frank had two specific complaints. First, identical tenders were being received for some specialised antibiotic and cortisone preparations—in one instance, identical prices quoted for 43 out of 59 items and single bids only for the remaining 16. Secondly, prices of specialised antibiotics for which there was only one British supplier, were not subject to cost investigation. The value of the contracts under scrutiny came to nearly £2 million a year.

The pharmaceutical industry argues that its prices are based on two principles. One is that a manufacturer fortunate enough to develop an important new drug and to hold patents on it must earn a profit that will cover the losses he has incurred on unsuccessful research. The second argument, which applies to products that are supplied to precise technical specifications, is that the market for identical preparations is governed by the lowest price. If one manufacturer lowers prices, the rest must follow suit

or cease production. This is the explanation that the industry and the Ministry of Health give for identical tenders. The explanation of the absence of cost investigation is even simpler—the manufacturers refuse to allow it. Faced as it is in the case of two important antibiotics with only one British supplier, the Ministry of Health could presumably import supplies from abroad if it felt British prices were excessive. The industry's case against official criticism and for its own price system will be spelled out in evidence to the committees on prescribing and it will deserve attention. Sir Frank, after all, has not directly accused them of over-charging; he merely asked what evidence existed to the contrary.

BUILDING SOCIETIES

Abbey National Marks Time

BUILDING societies large and small had to hold themselves on a tight rein last year; the Abbey National, the second biggest, could not escape the curb. Its total assets rose last year by £20 million to just over £278 million. Borrowing rates were unchanged at 3½ per cent net on shares and 3 per cent net on deposits and the net inflow of new funds at £18½ million was slightly lower than the 1956 figure of £19½ million. Its new advances on mortgage at £38.6 million were smaller than the total of £40.3 million in 1956 and £39.3 million in 1955.

The Abbey National last year seems to have been eager at least to preserve and if possible to build up its liquidity ratio. In fact, it remained unchanged—at 14.4 per cent of assets, taking investments at book values and at 13.9 per cent taking investments at market values. In the autumn withdrawals by shareholders and depositors quickened. Then a mild winter enabled builders to get more work done than is usual in the winter months and thus hastened the progress payments that had been prearranged. As a result, new mortgage advances were larger than had been foreseen. It is not therefore surprising that Abbey National succeeded only in maintaining its liquidity ratio. The element of investment depreciation in that ratio is small, because Abbey National deploys a high proportion of its liquid assets (£15.8 million out of £40.1 million) in unquoted loans to local authorities. These are arranged with maturity dates carefully spaced out in sequence and all within ten years. As with the Co-operative Society the inflow of new money is now higher than it was twelve months ago. But no society at present dare build any big hopes on this improvement; it might easily be temporary.

CAR HIRE

Hertz in Britain

THE entry of Hertz, the American car hire firm, into the British car rental business through its acquisition of Daimler Hire could well cause quite a shake up in this rapidly growing part of the motor trade. Daimler formerly held the agency of Avis, the other leading car hire firm in the United States, and that valuable contract is now open for bidding by Daimler's main competitors here. Hiring cars out to overseas visitors, especially North American tourists, accounts for the bulk of the summer turnover in this business and provides the jam to go with the steady but smallish bread-and-butter business from British businessmen and motorists all the year round. Most American and Canadian bookings are placed through travel agents there (such as American Express, which has a joint interest with Hertz in the latter's overseas operations), or through hotels in this country. So far only Daimler and Rootes (which uses its American dealers) of the larger car hire firms have a footing across the Atlantic for direct bookings.

But Hertz, with its wide experience of car rental in the United States, also has plans to develop the Daimler organisation into something more like the American network of car hiring facilities, with its own centres in strategically placed cities and booking arrangements with the local car hire firms it licences. Godfrey Davis, which is one of the largest firms in the business, operating about 1,000 cars in the summer, has quickly announced that it, too, is hoping to develop a national network of booking centres through selected car dealers. Car hire is still very much a business of small firms; it is believed that there are over 5,000 separate firms—including the village taxi-owner-cum-motor-repairer—operating some 30,000 cars between them. The new American element could well lead to a process of concentration of these separate interests.

But the tourist provides only part of the rental business. The practice of leasing cars for six months, a year, or even longer has been growing rapidly, especially since the Board of Trade dropped, during petrol rationing, its regulation requiring advance payment of nine months' rental. This way a company does not have to spend capital buying the new cars it wants to put its directors or travellers in, nor does it have to maintain or replace them itself. It can still charge the cost against tax, as can the car hire firm charge its own costs including depreciation—thus the revenue doubly loses. More car dealers are coming into this profitable line of business, once they have got the capital; vans and, to a very limited extent so far, lorries can also be leased on similar contracts.

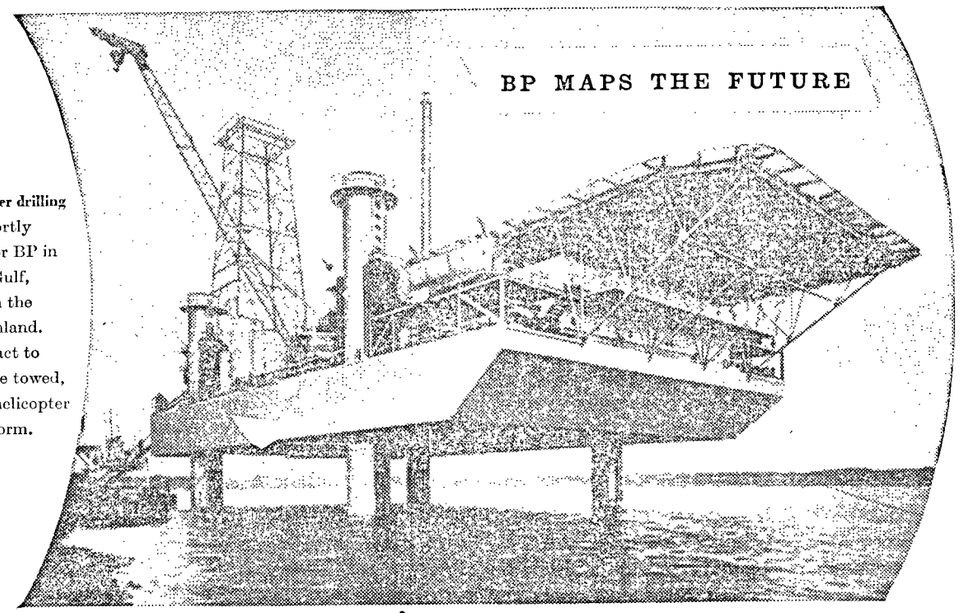
BEER

Competition in a Can

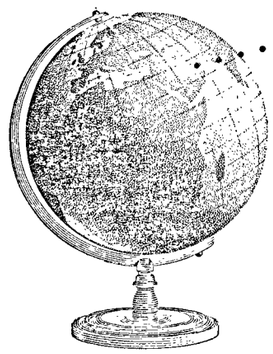
LESS than one per cent of the beer drunk in Britain last year was bought in cans: nevertheless, this was more than twice as much as the year before. Out of total sales of 891 million gallons, about 540 million gallons was sold on draught: of the 351 million gallons (nearly 40 per cent) "packaged," about 7½ million gallons was in cans and the rest bottled. The Metal Box Company, which supplies the cans, found from a recent market survey that two-thirds of a sample of beer drinkers throughout the country had heard of canned beer, and about a third had tasted it: in Scotland, however, three-quarters of the customers had drunk it, and 92 per cent of Scottish off-licence shops stocked it, against a national average of 35 per cent last summer.

The buyer is offered cans either in pint or half-pint sizes, or to fill one or two "glasses." It costs usually about 3d a pint more than roughly corresponding pale ales in bottle. This is inevitable with a non-returnable container, whereas the cost of a beer bottle can be spread over the 25-30 times it is likely to be re-used, which even with the costs of collecting empties makes it a very small addition to the cost of the beer inside. For his extra pence the customer gets a container that is rather easier to carry and doesn't break or clutter-up cupboards: the beer inside is "stabilised" to have a much longer shelf or cupboard life than similar beers

BP MAPS THE FUTURE



This underwater drilling barge will shortly be at work for BP in the Persian Gulf, 80 miles from the Arabian mainland. The legs retract to enable it to be towed, and it has a helicopter landing platform.



Can oil supplies be doubled in the next ten years?

TODAY THE WORLD is using twice as much oil as in 1946. So far, production has kept pace with demand. At its expected rate of increase, by 1966 demand may well have doubled again. What is being done to meet this situation?

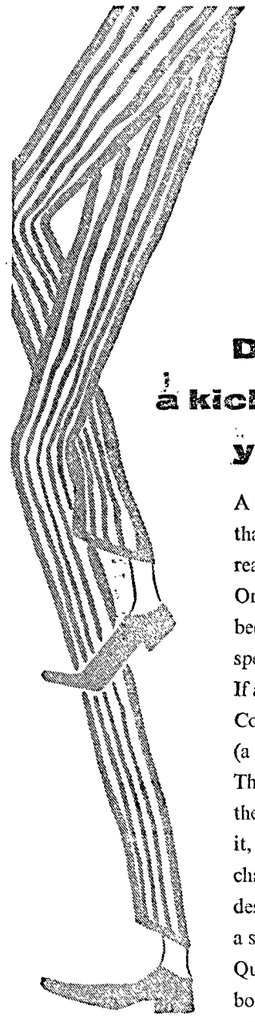
The answer is that exploration in known and suspected oil-bearing areas is proceeding on a colossal scale. In this world-wide operation the BP Group of Companies and its Associates are engaged, in some twenty countries, at an investment cost running into millions of pounds.

BP is also increasing the capacity of its fourteen refineries; adding new vessels to its 2,000,000-ton tanker fleet; expanding its marketing system, which already covers a great sweep of the globe, from Canada through Europe to Asia, to New Zealand.

In 1946 the world used some twenty million tons of BP products; in 1956 fifty-three million.

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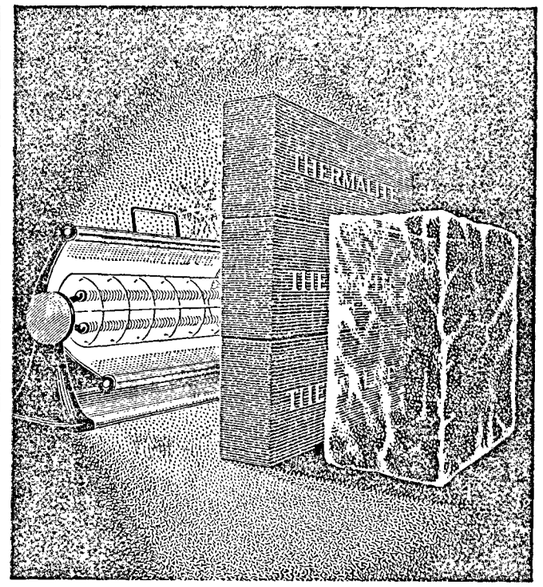
A kick of inspiration—
that comes to those who work in
really well-planned offices?
Or a smart crack across the shins—
because you forgot to sit the
special, twisted way in *that* desk?
If all's not well, ring Catesbys
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chairs there, and replace *that*
desk with a new one that's almost
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office, where work's a pleasure
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in bottle. In the United States, where about 80 per cent of all beer is "packaged," cans account for nearly 40 per cent. The refrigerator is ubiquitous there, and one significant advantage of the can is that it is physically smaller and shaped to fit into refrigerators: though in the United States, unlike this country, bottlers have been ready to make bottles without the long neck that disqualify most British bottles from standing up in most British refrigerators. It may be a long time before bottlers here become worried about this currently tiny competitor in packaged beer; but the can is steadily stacking up extra business.

COMPUTERS

Plant Designer's Mate

EARLY interest in computers concentrated on the digital variety, "electronic brains" that were nothing more or less than giant calculating machines. Industry—the defence industries always excepted—awoke rather later to the possibilities of the other type of computer, the analogue, that operates by electronic simulation of an actual plant or process in operation. Now a tool that was once used exclusively in research for such problems as the study of flutter phenomena and the behaviour of guided missiles in flight is coming into more general use as an aid to plant design and control. The electronics division of Electric and Musical Industries has recently completed what is believed to be the biggest analogue computer of its kind, an electronic replica of one of the factories of Laporte Chemicals.

In designing a computer of this kind, the first stage is the worst. It entails devising a mathematical model for each physical unit of plant, for example, a tank, the liquid level in the tank, the rate of flow and so on right along the flow-sheet. Once this mathematical operation is completed, it is relatively easy to convert the mathematics into electronics, so that the figures become voltages whose movements can be translated back with relative ease into liquid levels, flow rates, tanks and tank sizes, etc. The analogue computers themselves are built up out of standard units linked together in a pattern that is dictated only by the type of problem studied. A small computer bought to simulate the operation of one particular process, can grow by the addition of more and more units until it is capable of providing a picture of the entire plant. Digital computers cannot be built up in this way; if the computer proves too small for the work, it has to be scrapped and replaced by one of larger capacity.

Analogue computers can be a useful aid to production planning in a complex plant producing a large number of interrelated products, such as a chemical factory, an oil refinery or a nuclear power station, but may prove even more important in plant design. Using data from a pilot plant, an analogue computer can give engineers a good working idea of how a scaled-up plant is likely to behave, what would be the best rate of flow in the different units, how big and how strong tanks and pipes should be to contain it. The design of more than one big plant in the United States has been changed as a result of studies of this kind. The analogue computer does not, however, provide more than an approximation. It has not the pedantic accuracy of a digital computer; it is rather a sound and reliable guide that points the way and leaves the last ten per cent of decision in the hands of the manager, the plant engineer, or the designer.

WATER POLLUTION

Indestructible Detergents

AN uneasy feeling that synthetic washing powders might become a potential source of water pollution led to the setting up four years ago of a committee to inquire into the possibility. That committee reported, in June, 1956, that indeed synthetic detergents might—by reducing the efficiency with which sewage works clean the effluents they discharge into rivers. It could suggest no immediately adequate correctives: but its report led to the appointment last year of a 12-men technical standing committee to supervise further research into this possible pollution. A proportion of the chemicals in most popular household powders, which varies from 20 to 50 per cent, is escaping with the effluent from the country's hard-worked sewage plants into the streams and rivers that feed most of Britain's water supply. Here the surviving detergent foams in turbulent water, reduces quite appreciably the self-purifying properties of slow-moving streams, and is liable to pass through the waterworks which purify water from the streams back into drinking water.

Last October this committee in its turn sent a gloomy interim report to the Minister of Housing, which was published last week. The best it can say is that probably that total consumption of synthetic detergents has stopped rising, so that their effect on the sewage plants may not get any worse. Since consumption had bounded from 13,000 tons of active agent to 41,000 tons between 1949 and 1956, this is a forecast of some importance.

It is, however, the only hopeful sign that the committee can report. The Docks and Inland Waterways Commission complain that foam on its waterways is so deep in places "as to reduce very materially the chances of rescuing anyone falling into the water. At such places anti-foaming agents are a necessary concomitant of lifebelts, but recent trials by the commission suggest their value is limited." The committee is still unable to hold out any hope of a formula for a modified alkyl benzene sulphonate (the active agent in most powders) that would satisfy the conflicting interests of manufacturers attempting to protect their investment in existing plant, shoppers unwilling to pay more than current prices, and sewage engineers asking for a chemical which will break down under normal purification treatment. There are some synthetic detergents which do, but these are not as popular for household use as the recalcitrant alkyl sulphonates. Just how much damage these do to rivers is still under investigation, but the strong feeling runs through the report that anything short of a new formula will be, like the steps taken to keep down the foam nuisance, "palliatives rather than cures."

CHEMICALS

Plastics Growth Unchecked

OUTPUT of plastics materials rose faster in 1957 than in either of the two preceding years, and has now reached an annual rate of well over 400,000 tons. Exports of plastics raw materials, excluding all plastics used in packaging, machinery and finished consumer goods, rose from 98,000 tons in 1956 to over 110,000 tons last year. Nearly half of these went to Europe and over 20 per cent to the six

Common Market countries. But the main rise in sales was on the home market, which took some 320,000 tons of plastics materials last year compared with 265,000 tons in 1956. Imports of plastics materials also rose quite sharply from 23,000 tons in 1956 to 33,000 tons in 1957.

Most of the rise in output was accounted for by the newer materials in the thermoplastic group—those that become soft when heated and rigid on cooling. Of these polyethylene, polyvinyl chloride (PVC) and polystyrene, all of which lend themselves readily to injection moulding, account for the bulk of the output. Polythene production rose by 40 per cent last year to 55,000 tons, and a further increase in ICI's capacity to 60-65,000 tons is expected before the end of 1958. This will be augmented by the 10,000-ton Union Carbide plant at Grangemouth, but the Monsanto plant at Fawley and the Distillers' plant at Grangemouth will not be in production before 1959, and Shell at Partington is still at the pilot plant stage with the Ziegler process for the production of high density polyethylene. The output of PVC rose by nearly 30 per cent last year, and to meet a sharp increase in demand the three producers—ICI, British Geon and Bakelite—achieved an annual rate of 80,000 tons by the end of the year. PVC capacity in 1958 is likely to be about 10 per cent more than this. Demand for polystyrene, after a slack period, also rose sharply last year, and output rose by a quarter to nearly 30,000 tons. Plans provide for a further 15 to 20 per cent increase in capacity. Despite credit restrictions on the home market, the industry appears confident that all of this new capacity will soon be needed.

DISCOUNT HOUSES

Gillett Confirms the Trend

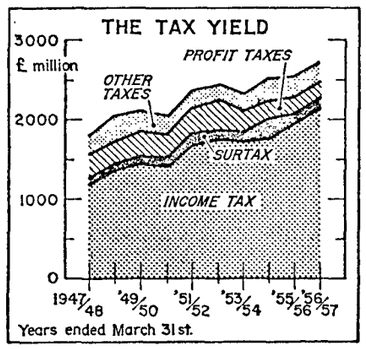
GILLETT BROTHERS, a middle ranking discount house which makes up its accounts on January 31st, shows in its preliminary statement a small fall in profits, from £87,515 to £85,777. The dividend for 1957 is maintained at 11¼ per cent. This year, moreover, the company is able to show its investments below market value; in 1957 they were in the books at market value, and two years ago at above market value, with depreciation disclosed marginally. Like the Union Discount and Alexanders (but not the National Discount) in the calendar year 1957, Gillett seems to have experienced less favourable margins on current trading (because of the impact of 7 per cent Bank rate), but to have improved its capital strength. The bond portfolio will have been helped by the rise in prices during January—though it may be recalled that a similar improvement took place in January, 1957. At the beginning of both years, too, the running margin on bills narrowed, as the bill rate fell. At present as the money market report on page 617 describes this influence on the discount market is particularly marked, as the Bank of England's firm market tactics are keeping up the average cost of the market's money.

REVENUE STATISTICS

A Century of Taxation

THE Commissioners of the Inland Revenue have recently published their hundredth report (Cmd 341)—a long record of public, though not of popular, service. The report relates to the year ended on March 31, 1957, and many of its statistics refer to still earlier years. It is a mine of statistical information. But the explorer of that mine will find there have been other miners before him—notably the National Income statisticians who, having picked over the ore, have left him only a few tailings to sample.

The report is an indispensable book of reference for those interested in the tax structure and in the details of tax yields. But it is on matters of detail that it is most useful to the layman. It contains, for example, a table classifying houses by rateable value, and another classifying incomes by counties. Intriguing facts come to light that in 1955-56 there were only 2,500 people securing an income before tax of more than £20,000 a year; that there were only 600 people securing a net income after tax of more than £6,000; and that there were 45 people having an annual income before tax of over £100,000.



The Commissioners of Customs and Excise have not had such a long statistical innings as the Inland Revenue Commissioners: the latest Customs and Excise report is merely the 48th. Unlike the Inland Revenue report, it does not go much beyond the tabulation (and in some cases the diagrammatic treatment) of the yields of the many customs and excise duties. It, too, yields odd facts. For instance, on gambling it shows that while the duty receipts on playing cards were only £61,273 in 1956-57, the pool betting duty yielded £21.3 million on football and similar pools and £6.1 million on dog track totalisators. In that year over £71 million was staked on the pools (against about £69 million in 1955-56) and over £61 million on the dog track "totes" (against £59 million). The dog track "bookies," incidentally, paid over £1.6 million for their licences.

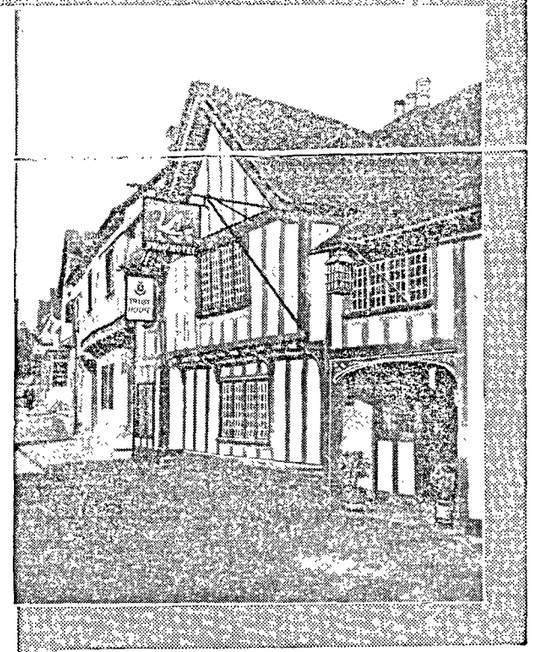
SHORTER NOTES

Total applications for new capital issue made to the CIC in the fourth quarter of 1957 showed an understandable decline. They were for a total of £331.5 million, against £377.4 million in the previous quarter and £302.3 million in the fourth quarter of 1956. The amount refused was also less than it was in the third quarter of 1957 but was markedly higher than in the fourth quarter of 1956. Amounts refused were £43.9 million in the fourth quarter of last year, £48.9 million in the third quarter and £6.7 million in the last quarter of 1956.

* * *

Steel output in January was at the rate of 407,100 ingot tons a week, against 415,900 tons a week in January 1957; the decline was due mainly to a slabbing mill breakdown at the Steel Company of Wales and to the incidence of New Year holidays in Scotland. Demand for strip mill sheet and for plate is still very strong: for heavy sections it has eased somewhat, allowing more rapid delivery: and it

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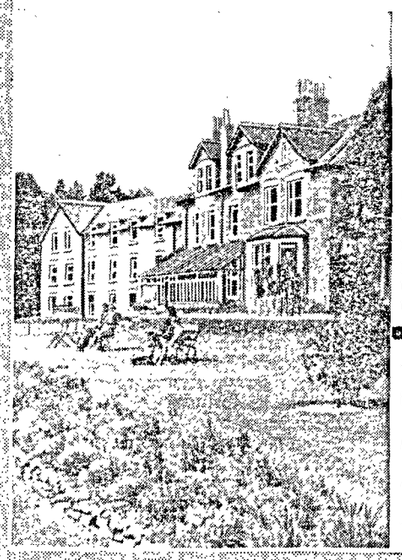
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has fallen further for light sections, bars, and reinforcing rods. Orders for drop forgings and for steel strip have improved. But there has been no strengthening of demand for tinplate, and the tube makers' business remains as patchy as before, with demand very strong for "oil country goods," but at a low level for most ordinary kinds of steel tubing.

* * *

The expansion programme at the Kent Oil Refinery on the Isle of Grain, which is now nearing completion, will raise the British Petroleum Company's total refinery capacity in the United Kingdom to over 13 million tons a year. The additional plant includes a 90,000 barrels-a-day distillation unit, which will come on stream next week, and a score of further processing units for all major products, including aviation spirit. No additions are being made at present to the existing lubricating oil plant.

* * *

After the closing of the "Kuwait Gap" last summer a sharp change occurred in the flow of securities between United Kingdom and United States ownership. According to Federal Reserve Bulletin figures, British residents bought net $151 million of United States securities in the first six months of 1957. In the following four months they sold back to Americans a net $82 million of American long-term stocks.

* * *

English Electric this week announced a scheme under which it will provide up to twenty scholarships a year, each with an annual value of £450, for students to read for an honours degree in engineering, applied science, mathematics or any subject allied to advanced technology. The awards will not be restricted in any way according to parents' incomes or other financial resources, and candidates already holding open university or state awards will be eligible. Following study at university, the holders will go through industrial training on the graduate apprentice pattern at £600 a year, and will then be offered a salaried staff appointment, where they will be expected to stay at least two years.

COMPANY AFFAIRS

J. LYONS

FOR ten long years the directors of J. Lyons left the ordinary dividend unchanged at 22½ per cent. This was the height of conservatism and was severely criticised, though the criticism was powerless as the bulk of the ordinary capital is in voteless "A" shares. But last June the dividend was raised to 25 per cent, and in November the interim payment was doubled from 5 to 10 per cent, though with a warning that the decision did not foreshadow an increase in the total distribution.

Now the directors propose to make a 100 per cent free scrip issue and in announcing it they say nothing about future dividends. The stock market reads into this series of moves some alteration in the company's dividend policy and the "A" shares jumped 4s. 9d. to 98s. 9d. before easing to 96s. 6d. If the distribution were simply to be left effectively unchanged, the final dividend on the increased capital would be 7½ per cent. But some shareholders are already considering the possibility of a final of 10 per cent, and that would represent an effective increase in the full year's distribution from 12½ to 15 per cent on the doubled capital. On a 12½ per cent distribution the indicated yield would be only £5 3s. per cent and on a 15 per cent distribution, £6 4s. per cent. The sights of the market are clearly aimed at the bigger target.

F. W. WOOLWORTH

APART from the 52.7 per cent holding by the American parent company in the equity of F. W. Woolworth, there are over 93,000 stockholders, and now, for the first time, the directors have broken away from a rather bald presentation of the yearly accounts, producing an illustrated report, clearly designed to attract and hold their interest. This is an occasion for pleasure, but one criticism still must be put: the directors do not reveal the stores' total sales.

Last year sales again rose to a new record, partly as a result of the opening of new shops. But costs rose faster than sales and though the chairman, Mr Reginald Berridge, can describe trade in the first few months of last year as "satisfactory," he has to report that it "progressively faded so that in the last quarter conditions were difficult." The end product was an advance in trading profits from £23,649,863 to £24,966,899; in net profits from £11,006,117 to £11,233,201; and an effectively unchanged ordinary dividend of 40 per cent. The inference which can be made from Mr Berridge's remarks is that profits may fall this year. He says that the tendency for costs to rise faster than sales is likely to continue and he draws attention to expected increases in overheads, in wages and insurance contributions. And he concludes with the comment that "the extent to which it will be possible for the company to maintain or increase profits must depend on the degree to which sales can be increased."

BRITISH SOUTH AFRICA COMPANY

THE five per cent cut in the total dividend of the "Chartered" company, reducing the rate to 30 per cent, which was the rate paid for the year to September 30, 1955, was less severe than some investors had feared, and the 15s. units were marked up 9d. At 45s. 3d. ex dividend they yield nearly 10 per cent. Most of the company's income comes from royalties on Rhodesian minerals, especially copper. Last March the chairman said that if copper averaged £240 a ton for the remainder of the year to September 30th, "Chartered's" net profit would be about £4½ million, compared with £7 million in 1955-56. By the end of September, copper had fallen below £200 a ton, compared with £300 a ton at the beginning of the financial year and £240 a ton half way through it.

The preliminary statement shows net profits of £4,830,496, compared with £7,010,460 in 1955-56. It seems possible that royalties have come down from about £12¼ million to about £9½ million and interest on investments from about £2¼ million to about £2 million. The company is building up its investment portfolio against the expiry of its rights to mineral royalties in Rhodesia. Much of that portfolio is made up of shares in Rhodesian copper companies but its spread is being widened to include other mining holdings, notably gold. "Chartered" is beginning to look like a finance house at one remove. But at present its fortunes are bound up with the price of copper, and it faces another fall in royalty income this year and, with further reductions in copper company dividends in prospect, in its investment income too. But, if the price of copper were showing signs of recovery a year from now, would a repeated dividend of 30 per cent, absorbing about £2¼ million net, be an impossibility?

COPPER PROFITS

THE Rhodesian Selection Trust group of copper companies has cut back production by 10 per cent. The quarterly reports of Roan Antelope and Mufulira show a drop in production in the last six months of 1957:

Six months to Dec. 31:	1956 tons	1957 tons
Mufulira	49,685	47,052
Roan Antelope	42,548	39,815

But in the second half of last year the companies did not build up stocks as they did in 1956, so that sales show a small increase:

Six months to Dec. 31:	1956 tons	1957 tons
Mufulira	43,737	45,059
Roan Antelope	38,368	38,793

The price of copper continued to fall in the last six months of 1957 and with it gross sales revenue and gross profits:

Six months to Dec. 31:	1956 £'000	1957 £'000
Sales Revenue—		
Mufulira	12,260	8,944
Roan Antelope	10,485	7,283
Gross Profit—		
Mufulira	5,479	2,160
Roan Antelope	3,967	1,155

The fall in profits is proportionately steeper for Roan than for Mufulira, for Roan produces at higher cost. The year to June 30, 1957, was bad enough for the copper companies; the year to June 30, 1958, will be worse. But that was apparent many months ago and investors should by now have discounted it.

LINEN THREAD

IN the preliminary statement for the year to September 30th, the directors of Linen Thread Company list three reasons why the consolidated trading profit has fallen from £643,762 to £448,280. They are:

1. "The decline in the profits of the United States subsidiary on account of reduced turnover."

2. "Unsatisfactory results from trading in fish netting and twines on accounts of Japanese competition in many markets."

3. "The continued squeeze on profit margins by increasing costs."

Which is the most important reason? The details of the preliminary statement provide a clue to the answer: while the provision for British tax is only a few pounds down at £244,381, the provision for foreign tax has dropped from £206,169 to £73,910. That suggests that the experience of the American mills (which account for about a half of the group's assets) was at the root of the trouble.

The decline in the total tax provision from £450,647 to £318,291 has cushioned the fall in earnings. Net earnings after tax have fallen from £232,033 to £182,478; but to the latest figure is added £96,427 (against £32,035) of profit from the sale of fixed assets and investments. The total ordinary distribution is reduced from 8 to 6 per cent by omitting the 2 per cent bonus paid for 1955-56. The dividend absorbs £113,850 and the £1 ordinary units, which have been marked down from 20s. 4½d. to 15s. 9d. xd., yield 7.6 per cent.

BRITISH HOME STORES

IMMEDIATELY after the publication of the preliminary statement of British Home Stores for the year to January 4th, the company's 1s. ordinary units (which now form a single class of voting stock) were marked down 7¾d. to 6s. 8¼d. (to yield 5.6 per cent). Yet over the year the company had held its own; its trading profits were slightly up from £1,652,455 to £1,686,997 and its net profits from £842,694 to £879,877, and the ordinary dividend has been raised from 4d. to 4½d. per 1s. unit, that is from 33⅓ per cent to 37½ per cent.

What disturbed investors was the directors' rider indicating that "trading conditions during the last few months of the year became increasingly difficult with the result that the progress made in the earlier months was not maintained." With Marks and Spencer announcing cuts in retail prices it is clear that the smaller chain stores such as British Home Stores are in for a competitive passage this year.

London Stock Exchange

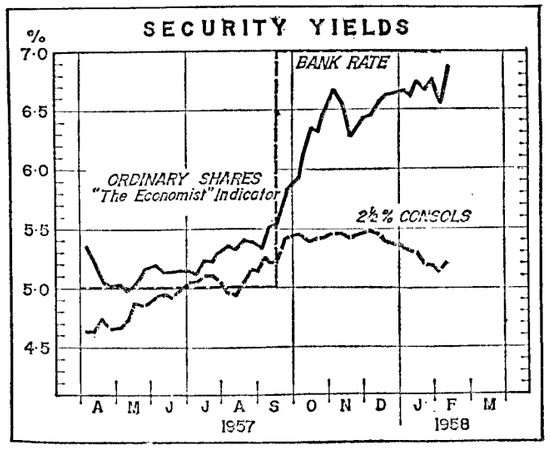
FIRST DEALINGS:	Jan. 29	Feb. 12	Feb. 26
LAST DEALINGS:	Feb. 11	Feb. 25	Mar. 11
ACCOUNT DAY:	Feb. 18	Mar. 4	Mar. 18

A SUDDEN reversal of last week's rally in industrial shares lowered *The Economist* indicator by 8.1 to 170.7 in the week to Wednesday's close; it left prices at their lowest since the Suez crisis of 1956. Rising unemployment in America caused heavy falls on Wednesday and in early trading on Thursday further losses occurred.

The terms of the new Government issue, following the large LCC issue, set back the prices of long-dated gilt-edged, but the short dates were firmer on the reduction in the Treasury bill rate and the prospect that the 4 per cent Conversion Stock would not be replaced by a "short." Dominion and corporation stocks fell heavily; the new 6 per cent LCC loan established a premium of 1⅛ in a large turnover, but the 5½ per cent LCC issue receded 1¼ further to 98¾.

Especially weak features in a general marking down of equities were cottons, on the dividend cuts, and steels on the renewed threat of nationalisation, though falls following the Rochdale by-election result were limited. Lyons "A" improved 3s. 6d. to 96s. 6d. on the scrip issue but Gordon Hotels dropped 10½d. to 10s. 1½d. Folland Aircraft fell 1s. to 6s. on the passing of the interim, and on the fall in machine tool orders Alfred Herbert lost 2s. 7½d. to 58s. Tobacco shares remained firm on the upward trend of consumption.

Oil shares dropped on the price reductions for petroleum products; striking losses were suffered by Trinidad issues, Shell Trinidad losing 15s. to 87s. 6d., while Ultramar fell 12s. 6d. to 45s. Shell Transport new shares which started on Tuesday at 25s. premium slipped to 21s. 1½d. premium, the old shares losing 13s. 9d. over the week to 127s. 6d. ex rights. Base metals weakened but rubbers held steady.



STOCK EXCHANGE INDICATORS
"The Economist" Indicator

1958	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
Jan. 15	174·3	6·72				
„ 22	175·3	6·66				
„ 29	173·6	6·75				
Feb. 5	178·8	6·55	225·0 (July 10)	171·2 (Nov. 6)	210·4 (Jan. 4)	170·0 (Nov. 28)
„ 12	170·7	6·86				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1956 High	1957 High
		%		%		207·6	203·6
Feb. 5	165·0	6·67	89·47	5·14	8,315	(July 9)	(Jan. 3)
„ 6	165·4	6·65	89·54	5·13	7,547		
„ 7	164·4	6·69	89·58	5·13	7,145	Low	Low
„ 10	162·4	6·78	89·52	5·14	10,774	159·0	161·5
„ 11	161·3	6·82	89·35	5·17	9,852	(Nov. 6)	(Nov. 29)
„ 12	158·8	6·93	89·32	5·18	9,821		

Bases:—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Feb. 5, 1958	Price, Feb. 12, 1958	Net Yield, Feb. 12, 1958 § £ s. d	Gross Yield, Feb. 12, 1958 £ s. d
97 13/32	93 1/2	War Loan 3%...1955-59	96 3/8	96 11/16	3 10 6	5 1 11 l
93 23/32	87 1/2	Funding 2½%....1956-61	91 31/32	91 15/16	4 2 6	5 6 11 l
98 25/32	98 3/32	Conversion 4%...1957-58	99 5/16	99 11/32	3 18 9	4 17 8 l
97 15/32	94 13/32	Conversion 2½...1958-59	97 1/32	97 3/32	3 18 11	4 16 6
95 5/16	90 1/2	Exchequer 2½%.....1960	96 3/32	96 5/32	3 14 6	4 19 6
97 3/8	92 1/2	Exchequer 3%.....1960	96 3/32	96 5/32	3 10 3	5 9 4
99 5/32	93	Conversion 4½%.....1962	96 3/4	96 13/16	3 17 6	5 5 3 l
89 1/2	84 5/16	Savings Bds. 3%..1955-65	85 5/8*	86 1/4*	4 4 6	5 14 8 l
84 1/2	77	Funding 3%.....1959-69	78 13/16	78 15/16	7 18 6	0 0 0c
92 3/8	84 11/16	Funding 4%.....1960-90	89 3/8	89 1/2	2 16 8	4 14 2 l
81 5/8	74	Savings Bds. 3%..1960-70	75 3/8*	75 1/2*	4 4 10	5 14 9 l
94 5/16	87 5/8	Exchequer 3%...1962-63	90 1/4	90 3/8	3 15 11	5 4 0 l
89 5/16	83	Exchequer 2½%..1963-64	86 1/4	86 3/8	3 19 10	5 4 1 l
83 15/16	77 1/4	Savings Bds. 2½%.1964-67	79 1/8	79 1/4	4 4 0	5 9 3 l
83 1/16	77 3/8	Savings Bds. 3%..1965-75	71*	70 3/8*	4 1 10	5 13 5 l
77 3/8	67 1/2	Exchequer 5½%.....1966	99 3/8*	99 3/8*	3 3 7	5 9 9
84 5/8	78 1/2	Funding 3%.....1966-68	79 1/2	79 3/4	4 2 9	5 12 0 l
95 1/2	91 1/2	Victory 4%.....1920-76	91 3/8*	91 3/8*	3 6 9	5 2 10 l
88 3/8	80 3/4	Conversion 3½%.....1969	82 1/16*	82 3/16*	4 0 4	5 13 6
81 1/2	69 1/2	Treasury 3½%...1977-80	73 1/2	73 3/4	5 16 4	5 13 3 l
80	68	Treasury 3½%...1979-81	72 1/16*	72 1/4*	3 17 0	5 13 9 l
71 7/8	57 1/2	Redemption 3%..1986-96	61 1/2	61 5/8	3 12 1	5 9 4 l
80 3/8	63 1/2	Funding 3½%..1999-2004	66 3/8	66 1/2	3 9 7	5 10 8 l
81 11/16	68	Consols 4% after Feb. 1957	71 7/8	71	3 4 10	5 12 11 l
75	60 1/2	War Loan 3½% after 1952	65	64 1/2	3 2 10	5 9 9 l
75 1/2	58 1/2	Conv. 3½% after Apr. 1961	64 1/2	64 1/2	3 3 6	5 11 5 l
65 7/8	51 1/2	Treas. 3% after Apr. 1966	56 3/8	56	3 2 4	5 9 3 l
55 11/16	45	Consols 2½%.....	48 1/2	48 3/8	2 19 8	5 3 11 l
55 11/16	44	Treas. 2½% after Apr. 1975	47 1/2	47 1/2	3 1 3	5 7 4 l
96 1/2	88 1/2	Br. Electric 4½%..1967-69	90 3/4*	90 1/2	3 11 7	5 12 2 l
80 1/16	70	Br. Electric 3%...1968-73	73 1/8	73 1/4	4 3 9	5 15 10 l
78 1/4	66	Br. Electric 3%...1974-77	69 1/4*	69 1/4*	3 19 8	5 11 3 l
92 7/8	79 1/2	Br. Electric 4½%..1974-79	85 3/8	85	3 10 1	5 11 9 l
81 11/16	69 1/2	Br. Electric 3½%..1976-79	74 3/8	74 1/4	3 15 11	5 12 10 l
90 1/2	81	Br. Gas 4%.....1969-72	83 7/8*	83 1/4	3 16 5	5 14 6 l
87 1/2	78	Br. Gas 3½%.....1969-71	79 1/4*	79 3/8	3 19 8	5 13 6 l
72 3/4	58 1/2	Br. Gas 3%.....1990-95	62 3/8	62 3/4	3 11 10	5 8 4 l
80 1/16	70	Br. Transport 3%..1968-73	73 1/4	73 1/4	4 3 9	5 15 10 l
88 7/8	77 1/8	Br. Transport 4%..1972-77	81 1/4	79 3/8*	3 19 8	5 13 6 l
72 5/8	59	Br. Transport 3%..1978-88	62 1/16	62 1/8	3 16 5	5 11 9 l

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Feb. 5, 1958	Price, Feb. 12, 1958	Yield, Feb. 12, 1958 £ s. d.
92 1/2	82	Agric. Mortgage 5%.....1959-89	85 1/2	85 1/2	6 0 10 l
81 1/2	75	Australia 3½%.....1965-69	77 1/2	77	6 3 9 l
97 1/8	91 1/2	Birmingham 5%.....1973-75	94	95	5 9 3 l
100 1/2	91	East Africa 5½%.....1977-83	92 1/2	92 1/4	6 7 6 l
105 1/2	96	L.C.C. 5½%.....1977-81	100	98 1/2	5 12 0 l
69 3/8	54 1/2	Met. Water Board 'B' 3% 1934-2003	57 1/2*	57 1/2*	5 11 6 l
87 1/2	77	New Zealand 4%.....1976-78	80 1/2	80 1/2	5 12 9 l
75 5/8	67 1/2	S. Rhodesia 2½%.....1965-70	71	70 1/2	6 0 9 l
87	72 1/2	German 7% (Br. Enfaced 5%)..1924	83 1/2	84 1/4	...
169 1/2	147 1/2	Japan 5% (Enfaced).....1907	164 1/2	165	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c) % %	ORDINARY STOCKS	Price, Feb. 5, 1958	Price, Feb. 12, 1958	Yield, Feb. 12, 1958 £ s. d.
			BANKS & DISCOUNT			
30/9	19/6	4 a 5 b	Bk. Ldn. & S. Amer. £1	28/-	28/6*	6 6 4
47/3	40/-	6 a 6 b	Barclays Bank.....£1	43/-	42/3	5 13 7
35/3	27/6	4 a 4 b	Barclays D.C.O. ...£1	29/6	30/-	5 6 8
42/6	34/6	7½ a 7½ a	Chartered Bank....£1	41/6	40/6	7 8 2
51/3	42/9	6½ a 6½ b	Lloyds Bank £1	46/6	45/3	5 14 11
66/7½	58/-	9 a 9 b	Midland Bank £1	60/9	60/-	6 0 0
40/6	28/6	5 a 5 b	Nat. Discount 'B'..£1	32/-	32/9	6 2 2
51/6	39/3	6½ a 6½ b	Union Discount....£1	43/6*	44/-	5 13 8
			INSURANCE			
86/4½	61/7½	43½ b 30 a	Commercial Union 5/-	76/-	71/-	5 3 4
177/6	102/6	87½ b 40 a	Legal & General ..5/-	132/6	126/3	3 18 3d
22½	17½	†50 b †20 a	Pearl.....£1	19½	19½	6 6 2
46	34½	†125 c †132½ c	Prudential 'A' £1	40½	40½	5 13 5
			BREWERIES, ETC.			
32/6	26/4½	10 a 36 b	Bass 5/-	33/3	32/6	7 1 6
25/9	19/7½	18½ c 7½ a	Distillers.....6/8	20/6	19/10½	6 5 10
44/9	36/-	10 a 15 b	Guinness.....10/-	39/3	38/6	6 9 10
87/3	63/6	8 a 17 b	Whitbread 'A' £1	80/6	79/6	6 0 9g
			MOTORS & AIRCRAFT			
21/6	11/9	6½ b 3½ a	Bristol Aeroplane 10/-	12/6	10/10½	9 4 0
8/7½	6/-	12½ c 12½ c	British Motor.....5/-	7/1½	6/10½	9 1 10
40/-	29/3	5 b 3 a	Ford Motor £1	35/1½	34/-	4 14 3
45/9	27/6	3 a 7 b	Hawker Siddeley.....£1	27/9	25/9	7 15 5
53/-	41/9	10 c 12½ c	Leyland Motors.....£1	44/9	43/9	5 14 3
121/-	90/7½	15 b 5 a	Rolls-Royce.....£1	90/9	87/-	4 12 0
9/1½	5/11½	8 c 8 c	Standard Motor. ..5/-	7/1½	7/7½	5 4 11

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 100%. (e) To earliest date. (f) Flat yield. (g) On 24 %. (h) On 13½%. (i) On 22½%. (j) After Rhodesian tax. (k) On 30%. (l) To latest date. (m) On 13%.

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c) % %	ORDINARY STOCKS	Price, Feb. 5, 1958	Price, Feb. 12, 1958	Yield, Feb. 12, 1958 £ s. d.
			STEEL & ENGINEERING			
43/6	33/-	8 b 7 a	Babcock & Wilcox.£1	43/6§	42/-	6 3 10m
24/7½	20/-	4 a 6 b	Dorman Long £1	24/7½	23/-	8 13 11
50/-	32/6	10 b 5 a	Guest Keen N'fold.£1	50/-	46/6	5 16 3h
60/7½	50/6	†5 b †4 a	Alfred Herbert £1	60/7½	58/-	5 7 9
44/3	32/6	7 b 4 a	Metal Box £1	44/3	42/6	5 3 8
24/-	19/-	3 a 8 b	Stewarts & Lloyds.£1	24/-	21/9	10 2 3
53/-	36/-	5 a 11 b	Swan Hunter.....£1	53/3	53/-	6 0 0
20/7½	18/9	7½ b 4 a	United Steel.....£1	20/7½	18/9	12 5 5
32/3	30/-	6 b 2½ a	Vickers £1	30/3	30/-	6 13 5
			ELECTRICAL			
50/6	47/3	7½ a 4 a	Assoc. Elec. Inds...£1	50/6	47/3	6 7 0
42/6	41/3	4 a 8 b	Br. Ins. Callenders.£1	42/6	41/3	6 1 6
26/6	25/6	2½ b 2½ a	Decca Record 4/-	26/6	25/6	6 17 3
31/9	30/-	15 c 15 c	Elect. & Mus. Inds. 10/-	31/9	30/-	5 0 0
48/-	44/6	4 a 4 a	English Electric ...£1	48/-	44/6	6 5 10
33/6	30/6	3½ a 3½ a	General Electric ...£1	33/6	30/6	7 10 10
			TEXTILES			
15/9	15/3	3 a 3 a	Bradford Dyers....£1	15/9	15/3	11 16 0
21/3	20/6	6½ b 2½ a	Coats, J. & P. £1	21/3	20/6	8 10 10
21/9	21/6	3 a 3 a	Courtaulds £1	21/9	21/6	8 7 5
32/1½	30/4½	12½ b 5 a	Lancashire Cotton..£1	32/1½	30/4½	11 10 5
32/7½	32/10½	12½ b 2½ a	Patons & Baldwins.£1	32/7½	32/10½	9 2 8
			SHOPS & STORES			
20/9	19/-	3 a 3 a	Boots Pure Drug..5/-	20/9	19/-	4 4 3
39/10½	37/3	20 b 20 b	Debenhams 10/-	39/10½	37/3	8 14 5
42/10½	40/7½	15 a 10 a	Gt. Universal 'A'..5/-	42/10½	40/7½	3 13 10
24/6	23/-	12½ a 26⅜ b	Woolworth.....5/-	24/6	23/-	7 1 5
38/7½*	36/7½			38/7½*	36/7½	5 9 3
			SHIPPING			
32/3	30/9	6½ a 2 a	Brit. & Com'wealth 10/-	32/3	30/9	5 13 10
18/-	18/-	2 a 2 a	Cunard £1	18/-	18/-	11 2 2
28/9	28/6	10½ c 10½ c	Furness Withy.....£1	28/9	28/6	7 11 8
24/6	24/3	3 a 5 b	P. & O. Deferred...£1	24/6	24/3	6 12 0
			MISCELLANEOUS			
28/3	27/9	9 a 7½ a	Allied Bakeries 'A' 5/-	28/3	27/9	5 8 0k
34/6	31/6	3 a 6 b	Assoc. Port. Cem...£1	34/6	31/6	5 14 3
29/3	28/-*	22 a 22 a	Beecham Group...5/-	29/3	28/-*	6 3 3
30/3	27/9	4½ a 4 a	Bowater Paper £1	30/3	27/9	9 0 3
44/9	43/1½	4 a 4 a	Br. Aluminium £1	44/9	43/1½	5 11 5
41/6	41/3	6 b 6 b	Br. Ins. Callenders.£1	42/6	41/3	6 1 6
22/3	21/6	7½ a 3 a	B.E.T. 'A' Defd...5/-	22/3	21/6	5 16 3
29/6	29/3	6 b 4 a	Br. Oxygen £1	29/6	29/3	6 16 10
16/4½	15/-	3 a 7½ b	Dunlop Rubber..10/-	16/4½	15/-	7 0 0
40/-	37/9	6 b 4 a	Imp. Chemical.....£1	40/-	37/9	5 6 0
40/-	39/3*	11½ b 8½ a	Imp. Tobacco £1	40/-	39/3*	10 3 10
29/10½	29/3	5 b 2½ a	J. Lucas (Inds.).....£1	29/10½	29/3	5 2 8
14/-	14/-	5 a 2½ c	Monsanto Chem...5/-	14/-	14/-	4 16 5
14/7½	14/9	5 b 5 b	Ranks.....10/-	14/7½	14/9	6 15 8
30/6	29/9	10 b 5 a	A. E. Reed.....£1	30/6	29/9	10 1 8
13/-	12/1½	20 c 22½ c	Sears Holdings 'A' 5/-	13/-	12/1½	9 3 11
54/1½	52/6	12 b 12 b	Tate & Lyle.....£1	54/1½	52/6	6 5 10
51/9	49/-	7½ a 7½ b	Tube Investments..£1	51/9	49/-	6 2 5
57/6	55/3	12½ b 12½ b	Turner & Newall...£1	57/6	55/3	5 8 8
79/7½	75/7½	6 a 6 a	Unilever Ltd.....£1	79/7½	75/7½	4 12 8
81/-	80/-	4 a 4 a	Utd. Dominions Tr..£1	81/-	80/-	4 12 6
27/3	26/6	†10 b †4½ a	United Molasses .10/-	27/3	26/6	9 6 0
			OIL			
90/7½	84/4½	†5 a †5 a	British Petroleum..£1	90/7½	84/4½	6 3 10
70/7½	64/4½	17½ b †5 a	Burmah £1	70/7½	64/4½	6 19 10d
£15½‖	£14½‖	17½ b 7½ a	Royal Dutch....20 fl.	£15½‖	£14½‖	3 6 8
143/9	127/6‖	†13½ b †5 a	Shell £1	143/9	127/6‖	5 2 5
57/6	45/-	... ...	Ultramar 10/-	57/6	45/-	...
			MINES, ETC.			
116/3	115/-	50 b 20 a	Anglo-American .10/-	116/3	115/-	6 1 9
20/6	20/3	†2½ a †10 b	Cons. Tea & Lands..£1	20/6	20/3	21 12 0
48/6	44/3	15 b 6½ a	Cons. Zinc Corp. ...£1	48/6	44/3	9 12 6
90/7½	88/9	80 a 80 a	De Beers Def. Reg. 5/-	90/7½	88/9	11 5 5
77/6‖	78/9	... 20 a	Free State Geduld.5/-	77/6‖	78/9	...
7/4½	7/3	30 c 10 a	London Tin 4/-	7/4½	7/3	16 9 0
47/9	47/9	50 b 50 b	President Brand ..5/-	47/9	47/9	10 9 5
14/10½	13/1½	8½ a 16½ b	Rho. Selection Tst. 5/-	14/10½	13/1½	9 10 6
22½	20½	50 a 175 b	Rhokana Corp. £1	22½	20½	11 5 0
49/-	48/6	30 b 12½ a	United Sua Betong..£1	49/-	48/6	17 13 7
87/6	88/9	40 a 60 b	Western Holdings .5/-	87/6	88/9	5 12 0

New York Closing Prices

	Feb. 5 $	Feb. 12 $		Feb. 5 $	Feb. 12 $		Feb. 5 $	Feb. 12 $
Alumin'm Ltd.	29⅜	28½	Crown Zeller..	47⅞	45½	Penns. R.R...	13	12¼
Am. Smelting.	40⅜	39	DuPontdeNm.	187½	181	Sears Roebuck	27½	26½
Amer. Tel. ...	172⅜	172	Ford Motors..	41¼	40	Shell Oil	63	58⅜
Am. Viscose..	28½	28½	Gen. Elect....	63⅜	61½	Std. Oil of N.J.	50½*	49½
Anaconda....	44⅜	42	Gen. Motors..	35⅞	34⅜	U.S. Steel....	57½	55¼
Beth. Steel...	40⅜*	38⅞	Int'l. Nickel..	76½	73⅞	Western Union	17½	16½
Can. Pacific ..	25	24⅛	National Dist.	23	22⅞	West'house E.	64½*	62½
Chrysler	55	53⅜	N.Y. Central .	15½	14⅞	Woolworth ...	42½*	40½

STATISTICS

The following list shows the most recent dates on which each statistical page appeared.

World Trade ..... January 18th

British		Overseas	
Prices and Wages.....	Feb. 8th	Western Europe: Production and Trade.....	Feb. 1st
Production and Consumption	This week	British Commonwealth	This week
Manpower.....	Jan. 25th	Western Europe: Prices and Money Supply	Jan. 25th
External Trade.....	Feb. 1st	United States	Feb. 8th
Financial Statistics	This week		
Industrial Profits	Jan. 18th		

UK Production and Consumption

M = Monthly averages or calendar months. W = Weekly averages. Stocks at end of period.

	Unit	Monthly averages 1955	1956	1957	1956 Oct.	1956 Nov.	1956 Dec.	1957 Sept.	1957 Oct.	1957 Nov.	1957 Dec.
INDUSTRIAL PRODUCTION											
Index:											
All industries	1948=100	137	136	138[1]	143	145	133	143	144	148	137–138[2]
" *seasonally adjusted*	"	...	...	...	*136*	*137*	*136*	*140*	*137*	*140*	*140–141[2]*
Mining and quarrying	"	108	109	...	116	119	110	105	111	118	...
Building and contracting	"	116	123	...	...	127[4]	...	123[5]	...	...	...
Gas, electricity and water	"	153	160	...	163	179	178	153	166	184	...
Manufacturing, total	"	142	140	...	147	149	135	149	149	153	...
" *seasonally adjusted*	"	...	...	...	*139*	*140*	*139*	*145*	*141*	*144*	...
Engineering, shipbuilding, electrical goods	"	155	151	...	159	164	152	164	...	...	...
Vehicles	"	172	160	...	159	165	144	170	170	...	...
Chemical trades	"	179	185	...	191	194	185	193	...	...	...
Textiles and clothing	"	116	117	...	123	121	104	124	119	...	...
Food, drink and tobacco	"	117	121	...	128	133	126	123	125	...	...
BASIC MATERIALS											
Production of:											
Coal (1) (8)	W '000 tons	4,250	4,269	4,301	4,526	4,690	4,285	4,143	4,363	4,610	4,222
Pig iron	W "	240	253	275	261	263	262	283	286	282	276
Steel, ingots and castings	W "	381	397	417	419	426	396	438	438	429	398
Sulphuric acid	M "	174·6	187·2	...	184·7	193·3	201·6	188·0	199·7	191·0	...
Newsprint	W "	11·91	12·36	...	13·59	13·84	12·67	12·80	12·90	12·26	9,443
Electricity (1)	M mn. kwh	6,679	7,263	7,581	7,661	8,271	8,456	7,064	8,089	8,812	
MANUFACTURING											
Textile production:											
Cotton yarns, single	W mn. lb.	16·91	16·33	16·84	17·76	18·13	16·00	16·39	17·61	18·31	15·79
Worsted yarn	M "	18·48	19·38	19·50	22·74	22·46	17·62	19·14	21·94	20·11	16·60
Rayon and synthetic fibres, total	M "	39·32	40·21	41·30	40·24	41·57	36·59	39·11	41·94	39·94	35·20
" " " staple fibre	M "	19·94	21·31	21·90	21·64	23·27	19·82	20·19	22·63	21·94	18·60
Cotton cloth, woven	W mn. yds.	34·3	31·0	31·4	33·3	34·3	30·0	29·3	32·8	34·3	29·4
Wool fabrics, woven	M mn.sq.yds	34·2	33·1	32·8	39·1	37·0	29·5	32·8	35·0	33·6	30·1
Engineering production:											
Passenger cars and chassis	W '000s	17·26	13·61	16·56	12·92	13·72	10·24	19·35	19·85	20·99	18·18
Commercial vehicles and chassis	W "	6·53	5·71	5·54	5·01	5·15	4·42	6·12	6·34	6·74	6·13
Metal working machine tools	M '000 tons	12·52	12·90	...	...	13·44[6]	...	14·11[5]	...	...	...
Internal combustion engines	M '000 BHP	408	411	...	437	438	353	448	405	...	...
BUILDING ACTIVITY											
Permanent houses completed: (1)											
Total	M '000s	26·42	25·03	25·09	26·78	27·19	27·77	24·13	26·40	26·48	23·90
By private builders	M "	9·46	10·35	10·54	11·62	11·43	10·73	10·97	11·70	11·23	10·05
By local housing authorities	M "	15·98	13·86	13·83	14·39	15·08	16·14	12·54	14·06	14·81	13·22
Other	M "	0·98	0·82	0·73	0·77	0·68	0·91	0·63	0·64	0·45	0·63
WHOLESALE SALES (1)											
Textile houses:	Av. value										
Total home sales	1950=100	98	101	...	148	127	98	134	141	118	...
Women's and children's wear	"	98	102	...	147	117	95	139	142	107	...
Men's and boys' wear	"	94	99	...	142	130	98	128	137	121	...
Piece-goods	"	62	63	...	66	60	53	75	67	60	...
RETAIL SALES (1)	Weekly av. value										
All kinds of business:	1950=100										
All retailers	"	139	146	153	150	158	189	149	154	165	196
Independent retailers	"	136	140	146	144	149	175	142	147	154	181
Multiple retailers	"	152	162	173	164	177	229	168	172	190	241
Co-operative societies	"	142	154	164	158	168	183	163	166	177	186
General department stores	"	117	121	127	132	146	181	121	128	153	189
By kind of shop:											
Food	"	148	156	163	156	161	178	160	164	167	185
Clothing and footwear	"	121	127	131	133	141	184	126	131	144	190
Household goods	"	151	153	166	170	182	205	166	176	195	213
STOCKS											
Basic materials:											
Coal, distributed (1)	'000 tons	18,340	17,893	18,773	19,955	19,813	17,893	19,613	19,997	20,192	18,773
Steel (8)	"	1,365	1,573	...	1,571	1,527	1,573	1,789	1,715	1,629	...
Copper (1)	"	76·2	59·6	...	58·9	55·9	59·6	100·8	90·9	81·6	...
Sulphur (8)	"	66·6	84·6	...	94·3	102·0	84·6	102·8	96·0	95·7	...
Newsprint (7)	"	105·0	133·6	...	131·9	129·5	133·6	171·4	162·3	151·5	...
Textiles:	Av. value										
Wholesale houses, total (1)	1950=100	90	95	...	109	107	95	122	109	107	...
Large retailers, clothing and footwear (1)	"	110	118	124	139	142	118	145	150	149	124

(1) Great Britain. (2) Provisional estimate. (3) Excluding all screening losses normally amounting to around 5,000 tons a week. (4) Excluding government stocks. (5) Average for third quarter. (6) Average for fourth quarter. (7) From January, 1957, excluding newsprint for periodicals and certain other purposes for which stocks at end December, 1956, totalled 19,600 tons. (8) For sulphuric acid only, including filter cake from May, 1956. (8) Revised series; stocks at producers' works of ingots, semi-finished steel and alloy, in terms of ingot equivalent.

British Commonwealth

PRODUCTION OF FUEL AND POWER (1)

Monthly averages or calendar months	Coal				Crude petroleum		Electricity				
	Australia	Canada	India	S. Africa	Canada	Brunei	Australia	Canada	India	N. Zealand	S. Africa
	'000 tons						million kwh				
1948	1,232	1,255	2,511	1,959	133	220	728	3,714	381	204	772
1955	1,606	932	3,185	2,634	1,429	426	1,340	6,358	716	335	1,363
1956	1,608	936	3,235	2,781	1,837	461	1,470	6,807	805	347	1,472
1957, July	1,914	585	3,296	2,839	2,219	459	1,817	7,145	923	432	1,717
„ August	1,840	533	3,376	2,937	2,037		1,773	6,919	923	446	1,695
„ September	1,825	776	3,641	2,324	1,934		1,641	6,964	925	418	1,592
„ October	1,904	1,058	3,553	3,050	1,835	...	1,666	8,079	918	413	1,636
„ November	...	...	3,929	...	...	...	...	8,180	...	330	...

PRIMARY PRODUCTION (2)

Monthly averages or calendar months	Copper		Rubber		Tin	Steel				Gold		
	Canada	N. Rhodesia	Ceylon	Malaya	Malaya	Australia	Canada	India	S. Africa	Australia	Canada	S. Africa
	'000 tons									'000 fine ounces		
1948	16·3	17·4	7·9	53·2	4·14	106	238	104	49	73·8	204	965·4
1956	23·9	32·4	7·9	52·3	6·32	217	395	145	132	85·9	365	1,321·1
1957	24·1	35·0	8·2	53·2	...	251	...	...	...	...	...	1,419·3
1957, August	24·4	26·9	11·0	56·2	6·50	272	383	137	143	86·4	361	1,459·8
„ September	24·7	38·8	9·2	52·9	6·06	249	360	144	145	87·3	373	1,438·4
„ October	24·8	33·4	8·9	55·9	6·52	252	340	150	153	83·3	393	1,456·2
„ November	27·9	39·4	8·9	57·1	...	236	320	...	...	...	...	1,422·5
„ December	29·1	38·0	10·2	54·5	...	241	...	...	...	...	...	1,402·1

EXTERNAL TRADE (3)

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa 4	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. $C		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1948	28·2	33·8	220	253	537	332	10·71	12·27	85·9	136·1	20·5	11·4
1955	70·1	63·4	393	353	588	508	23·93	21·53	93·6	125·4	40·1	30·7
1956	68·2	64·5	475	405	707	501	22·38	22·91	165·5	155·0	41·2	34·4
1957, July	70·6	70·6	480	449	811	553	24·5	29·4	125·3	78·4	43·6	35·8
„ August	67·9	59·2	471	437	854	602	23·4	21·9	177·6	72·6	49·6	36·5
„ September	56·9	76·8	445	424	854	615	23·2	16·9	177·0	81·7	42·3	34·3
„ October	71·9	94·8	481	435	...	...	22·6	15·9	...	...	45·6	40·8
„ November	64·3	83·2	454	435	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES (1)

Monthly averages or calendar months	Gold and Foreign Exchange Holdings					Cost of Living						
	Australia 5	Canada	India 6	New Zealand 6	S. Africa	Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesia
	End of period: mn. US dollars					1953 = 100						
1948	1,235	1,011	3,355 7	237	652	55	84	...	75	83 8	77	73
1956	952	1,914	1,359	193	372	110	102	99	111	97	107	105
1957	...	1,836	872	133	286	...	...	...	...	...	...	108
1957, August	...	1,955	1,045	271	313	113 10	106	103	114 10	109	112	107
„ September	...	1,399	987	241	302		107	107		110	113	109
„ October	...	1,933	934	201	300	...	107	105	...	...	113	109
„ November	...	1,904	897	167	290	...	107	105	...	...	112	110
„ December	...	1,836	872	133	286	...	...	...	...	...	...	111

(1) Electricity production in New Zealand represents deliveries only and in Canada, prior to 1957, excludes industrial generation by own users. (2) Copper and tin refer to metal production. (3) General trade (including re-exports) except for Canada, which is special trade only. Imports are cif except for Australia, Canada and S. Africa which are fob; exports are fob. Trade for India includes that going by land; annual figures for India are for 12 months beginning April 1st of year stated and for Australia 12 months ended June 30th. (4) Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for S. Africa and S. Rhodesia relates to European only and for S. Africa includes direct taxes. (5) Including foreign investments. (6) Including semi-processed gold. Beginning January, 1955, including South-West Africa. (7) In July, 1948, part of holdings was transferred to the State Bank of Pakistan. (8) April, 1948—March, 1949. (9) Including some long-term securities. (10) Average for third quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended February 8, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £138,627,000 compared with a surplus of £136,499,000 in the previous week and a surplus of £144,859,000 in the corresponding period of last year. There was a net expenditure "below-line" of £12,145,000, leaving a total deficit from April 1st of £305,751,000 (£339,753,000 in 1956-57).

£'000	Estimate, 1957-58	April 1, 1956, to Feb. 9, 1957	April 1, 1957, to Feb. 8, 1958	Week ended Feb. 9, 1957	Week ended Feb. 8, 1958
Ord. Revenue					
Income Tax	2176,250	1591,017	1591,918	133225	121849
Surtax	149,000	113,800	108,700	10,000	9,000
Death Duties	170,000	143,300	146,400	3,500	3,400
Stamps	60,000	53,200	56,200	1,200	1,000
Profits Tax, EPT & EPL	255,000	173,750	222,200	2,200	3,900
Other Inland Rev. Duties	500	460	350	50	...
Total Inland Rev.	2810,750	2075,527	2125,768	150176	139149
Customs	1204,250	1035,757	1041,120	27,781	21,863
Excise	912,850	778,670	798,680	45,376	45,220
Total Customs and Excise	2117,100	1814,427	1839,800	73,157	67,083
Motor Duties	93,000	84,233	96,842	4,594	3,894
PO (Net Receipts)	20,000	12,350	2,650	5,000	*Dr. 1,350*
Broadcast Licences	31,000	23,300	25,500	...	...
Sundry Loans	32,600	31,407	29,841	420	437
Miscellaneous	185,000	153,940	154,655	1,988	5,732
Total	5238,650	4195,184	4275,057	235405	214943
Ord. Expenditure					
Debt Interest	640,000	592,942	531,659	3,886	5,762
Payments to N. Ireland Exchequer	69,000	55,455	59,015	3,430	3,663
Other Cons. Fund	10,000	8,583	8,963	1	401
Supply Services	4126,391	3377,287	3409,068	81,500	65,500
Total	4345,391	4034,268	4008,705	88,817	75,326
Sinking Funds	38,000	29,811	29,397	1,730	990
"Above-line" Surplus or Deficit	+ 131,166	+ 235,955	+ 144859	+ 130627	
"Below-line" Net Expenditure	470,859	542,706	21,544	12,145	
	—	—	+	+	
Total Surplus or Deficit	339,753	305,751	123315	126482	
Net Receipts from:					
Tax Reserve Certificates	3,695	20,501	28943	24291	
Savings Certificates	66,900	—10,400	5,000	700	
Defence Bonds	—35,138	—32,277	— 569	— 912	
Premium Savings Bonds	57,980	69,320	880	2,610	

FLOATING DEBT

(£ million)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1957					
Feb. 9	3,050·0	1,486·7	197·4	...	4,734·1
Nov. 9	3,210·0	1,744·6	201·7	...	5,156·3
„ 16	3,260·0	2,188·8	231·9	...	5,680·7
„ 23	3,300·9	2,158·2	197·0	...	5,656·2
„ 30	3,340·0	2,148·6	182·5	4·8	5,675·9
Dec. 7	3,380·0	2,140·3	189·2	6·0	5,715·5
„ 14	3,410·0	2,181·2	193·6	...	5,784·8
„ 21	3,440·0	2,228·1	192·4	...	5,860·4
„ 30	5,684·7		218·4	...	5,903·1
1958					
Jan. 4	3,450·0	2,248·9	228·5	...	5,927·4
„ 11	3,410·0	2,192·2	237·0	...	5,839·2
„ 18	3,370·0	1,714·9	250·3	...	5,335·2
„ 25	3,300·0	1,707·9	208·4	4·8	5,221·0
Feb. 1	3,220·0	1,768·6	179·1	...	5,167·7
„ 8	3,110·0	1,746·9	157·6	...	5,014·5

THE MONEY MARKET

CREDIT conditions have continued to be extremely stringent in the past week, partly as a result of the attempt by the Bank of England to check the fall in the Treasury bill rate. At the tender on Friday last week the rate fell by a further $\frac{1}{16}$ per cent to 6$\frac{1}{16}$ per cent. The discount houses raised their common bid by 4d. to £98 9s. 9d. per cent; and the proportion allotted at the minimum price rose from 44 to 65 per cent.

But the fall in the rate in conjunction with the Bank's tight rein on credit is seriously squeezing the discount houses' margins on the bills. The average cost of money may actually have risen in recent weeks, and at 5$\frac{7}{8}$ per cent or so offers a margin of only just over $\frac{1}{4}$ per cent, against $\frac{7}{8}$ per cent in the early autumn.

Credit has been very scarce on every day in the week to Wednesday; the huge inflow of applications for the LCC loan and the seasonal tax transfers have played their part. On each day, the Bank has given special assistance to the market through purchases of bills, and these have mostly been large. Nonetheless, for the second week in succession, the market was "in" the Bank on three days out of six. On Thursday before the weekend, moreover, the borrowing was fairly large, as it was again on Monday—a little larger, then, than the repayments of seven-day loans due on that day. The market's borrowing is reflected in part in the further increase of £20 million, in discounts and advances shown in the Bank return.

LONDON MONEY RATES

	%		%
Bank rate (from 5% 19·9/57)	7	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	6$\frac{13}{16}$-6$\frac{7}{8}$
Bank	5	3 months	6$\frac{13}{16}$-6$\frac{7}{8}$
Discount houses	5	4 months	6$\frac{13}{16}$-6$\frac{7}{8}$
Money		6 months	6$\frac{13}{16}$-6$\frac{7}{8}$
Day-to-Day	5$\frac{1}{2}$-6	Fine trade bills:	
Short periods	5$\frac{1}{2}$	3 months	7-8
Treas. bills 2 months	6$\frac{15}{16}$	4 months	7-8
3 months	6$\frac{15}{16}$	6 months	7$\frac{1}{8}$-8$\frac{1}{8}$

BANK OF ENGLAND RETURNS

(£ million)	Feb. 13, 1957	Feb. 5, 1958	Feb. 12, 1958
Issue Department:*			
Notes in circulation	1,802·1	1,959·3	1,960·4
Notes in banking dept.	63·3	41·1	40·0
Govt. debt and securities*	1,921·3	1,996·2	1,996·3
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	16·6	11·2	12·6
Bankers	225·3	204·8	219·3
Others	72·7	73·4	75·8
Total	314·6	289·4	307·7
Securities:			
Government	218·6	197·4	197·4
Discounts and advances	30·9	45·9	65·5
Other	18·1	21·0	20·9
Total	267·6	264·3	283·8
Banking department reserve	65·3	43·4	42·4
	%	%	%
"Proportion"	20·7	15·0	13·7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issues reduced to £2,000 million from £2,050 million on January 22nd, 1958.

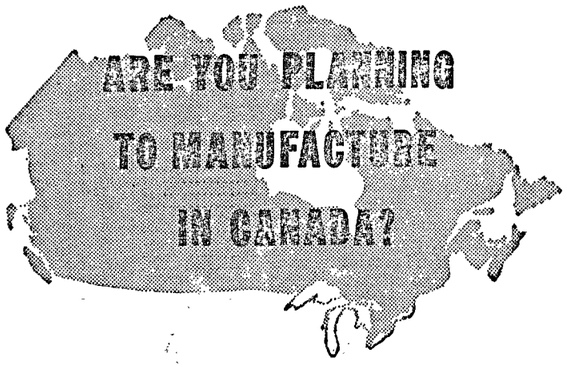
TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills Average Rate of Allotment	Allotted at Max. Rate*
			s. d.	%
1957 Feb. 8	*91 Day* 190·0	371·5	84 8·29	38
	91 Day / *63 Day*			
Nov. 8	230·0[1] 40·0	434·0	131 8·42	29
„ 15	210·0 40·0	426·1	131 7·45	23
„ 22	210·0 50·0	423·6	129 5·71	47
„ 29	230·0 50·0	390·2	129 2·27	61
Dec. 6	240·0[1] 50·0	430·7	129 1·45	39
„ 13	230·0 50·0	414·8	129 1·21	45
„ 20	220·0 50·0	403·9	128 9·94	52
	91 Day			
„ 27	200·0	409·2	127 5·91	54
1958				
Jan. 3	200·0	405·7	126 6·70	55
„ 10	200·0	398·7	126 7·25	45
„ 17	260·0[2]	403·8	125 10·33	52
„ 24	230·0	421·0	125 6·56	24
„ 31	210·0	421·2	122 6·50	44
Feb. 7	230·0	387·5	121 3·29	65

* On February 7th tenders for 91 day bills at £98 9s. 9d. secured 65 per cent, higher tenders being allotted in full. The offering this week was for £230 mn. at 91 day bills. [1]Allotment cut by £10 mn. [2]Allotment cut by £20 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	February 12	February 6	February 7	February 8	February 10	February 11	February 12
United States $	2·78-2·82	2·81 $\frac{5}{8}$-2·81 $\frac{15}{16}$	2·81 $\frac{5}{8}$-2·81 $\frac{15}{16}$	2·81 $\frac{5}{8}$-2·81 $\frac{15}{16}$	2·81 $\frac{5}{8}$-2·81 $\frac{15}{16}$	2·81 $\frac{3}{8}$-2·81 $\frac{7}{16}$	2·81 $\frac{3}{8}$-2·81 $\frac{7}{16}$
Canadian $	...	2·76 $\frac{15}{16}$-2·77 $\frac{1}{16}$	2·77-2·77 $\frac{1}{16}$	2·76 $\frac{7}{8}$-2·77	2·76 $\frac{7}{8}$-2·76 $\frac{15}{16}$	2·76 $\frac{1}{2}$-2·76 $\frac{5}{8}$	2·76 $\frac{11}{16}$-2·76 $\frac{13}{16}$
French Fr.	1167-16-1184-82	1180 $\frac{1}{2}$-1181 $\frac{1}{2}$	1180 $\frac{1}{2}$-1181 $\frac{1}{2}$	1180 $\frac{1}{2}$-1181 $\frac{1}{2}$	1181-1181 $\frac{1}{2}$	1180 $\frac{3}{4}$-1180 $\frac{3}{4}$	1180 $\frac{3}{4}$-1180 $\frac{3}{4}$
Swiss Fr.	12·15 $\frac{3}{4}$-12·33 $\frac{1}{4}$	12·27 $\frac{1}{4}$-12·27 $\frac{3}{4}$	12·27 $\frac{1}{4}$-12·27 $\frac{3}{4}$	12·27 $\frac{1}{4}$-12·28 $\frac{1}{4}$	12·28-12·28 $\frac{1}{4}$	12·28-12·28 $\frac{1}{4}$	12·28 $\frac{1}{4}$-12·28 $\frac{3}{4}$
Belgian Fr.	138·95-141·05	139·57 $\frac{1}{2}$-139·55	139·60	139·60	139·62 $\frac{1}{2}$	139·62 $\frac{1}{2}$	139·62 $\frac{1}{2}$
Dutch Gld.	10·56-10·72	10·61 $\frac{1}{2}$-10·62	10·61 $\frac{1}{2}$-10·62 $\frac{1}{2}$	10·61 $\frac{1}{2}$-10·62 $\frac{1}{2}$	10·62 $\frac{1}{2}$-10·63 $\frac{1}{2}$	10·62-10·62 $\frac{1}{2}$	10·63-10·63 $\frac{1}{2}$
W. Ger. D-Mk.	11·67 $\frac{3}{8}$-11·84 $\frac{3}{8}$	11·77 $\frac{1}{2}$-11·77 $\frac{3}{4}$	11·77 $\frac{1}{2}$-11·78	11·77 $\frac{1}{2}$-11·78	11·77 $\frac{1}{2}$-11·78	11·77 $\frac{1}{2}$-11·77 $\frac{3}{4}$	11·77 $\frac{1}{2}$-11·77 $\frac{3}{4}$
Portuguese Esc.	79·90-81·10	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15
Italian Lire	1736 $\frac{1}{2}$-1762 $\frac{1}{2}$	1749 $\frac{1}{2}$-1749 $\frac{1}{2}$	1749 $\frac{1}{2}$-1750	1749 $\frac{1}{2}$-1750	1749 $\frac{1}{2}$-1749 $\frac{3}{4}$	1749-1749 $\frac{1}{2}$	1748 $\frac{1}{2}$-1748 $\frac{3}{4}$
Swedish Kr.	14·37 $\frac{1}{2}$-14·59 $\frac{1}{2}$	14·50 $\frac{1}{2}$-14·50 $\frac{3}{4}$	14·50 $\frac{1}{2}$-14·51	14·51 $\frac{1}{2}$-14·52 $\frac{1}{2}$	14·51 $\frac{1}{2}$-14·52 $\frac{1}{2}$	14·52-14·52 $\frac{1}{2}$	14·52 $\frac{1}{2}$-14·52 $\frac{3}{4}$
Danish Kr.	19·19 $\frac{1}{2}$-19·48 $\frac{1}{2}$	19·36 $\frac{1}{2}$-19·36 $\frac{3}{4}$	19·36 $\frac{1}{2}$-19·36 $\frac{3}{4}$	19·35 $\frac{1}{2}$-19·36 $\frac{1}{2}$	19·35 $\frac{1}{2}$-19·36	19·35 $\frac{1}{2}$-19·36	19·35 $\frac{1}{2}$-19·35 $\frac{3}{4}$
Norwegian Kr.	19·85-20·15	20·01 $\frac{1}{2}$-20·01 $\frac{3}{4}$	20·01 $\frac{1}{2}$-20·01 $\frac{3}{4}$	20·01 $\frac{1}{2}$-20·01 $\frac{3}{4}$	20·01 $\frac{1}{2}$-20·01 $\frac{3}{4}$	20·01 $\frac{1}{2}$-20·01 $\frac{3}{4}$	20·01 $\frac{1}{2}$-20·01 $\frac{3}{4}$
One Month Forward Rates							
United States $		$\frac{1}{2}$ $\frac{3}{8}$c. pm	$\frac{1}{2}$ $\frac{3}{8}$c. pm	$\frac{1}{2}$ $\frac{3}{8}$c. pm	1 $\frac{1}{2}$c. pm	$\frac{1}{2}$ $\frac{3}{8}$c. pm	$\frac{1}{2}$ $\frac{3}{8}$c. pm
Canadian $		$\frac{1}{2}$ $\frac{3}{8}$c. pm	$\frac{1}{2}$ $\frac{3}{8}$c. pm	$\frac{1}{2}$ $\frac{3}{8}$c. pm	$\frac{3}{8}$-$\frac{1}{2}$c. pm	$\frac{1}{2}$ $\frac{3}{8}$c. pm	$\frac{3}{8}$-$\frac{1}{2}$c. pm
French Fr.		1 pm par	1 pm par	par 1 dis	1 pm 1 dis	1 pm 1 dis	1 pm-1 dis
Swiss Fr.		3$\frac{1}{2}$ 3c. pm	3$\frac{1}{2}$ 3c. pm	3$\frac{1}{2}$ 3c. pm	3$\frac{1}{2}$ 3c. pm	2$\frac{1}{2}$ 3c. pm	4-3$\frac{1}{2}$c. pm
Belgian Fr.		$\frac{1}{4}$ pm par	$\frac{1}{4}$ pm par	$\frac{1}{4}$ pm par	$\frac{1}{4}$ pm par	$\frac{1}{4}$ pm par	$\frac{1}{4}$ pm par
Dutch Gld.		2 1$\frac{1}{2}$c. pm	2 1$\frac{1}{2}$c. pm	2$\frac{1}{4}$-1$\frac{3}{4}$c. pm	2$\frac{1}{4}$ 1$\frac{3}{4}$c. pm	2$\frac{1}{4}$ 1$\frac{1}{2}$c. pm	2$\frac{1}{4}$ 2$\frac{1}{2}$c. pm
W. Ger. D-Mk.		3$\frac{1}{2}$ 2$\frac{1}{2}$pf. pm	3$\frac{1}{2}$ 2$\frac{1}{2}$pf. pm	3$\frac{1}{2}$-2$\frac{1}{2}$pf. pm	3$\frac{1}{2}$ 3pf. pm	3$\frac{1}{2}$ 3pf. pm	3$\frac{1}{2}$ 3pf. pm
Italian Lire		1 pm 1 dis	1 pm-1 dis	1 pm 1 dis	1 pm 1 dis	1 pm 1 dis	1 pm-1 dis
Swedish Kr.		2 3o pm	2$\frac{1}{2}$ 1$\frac{1}{2}$o pm	2$\frac{1}{2}$-1$\frac{1}{2}$o pm	2$\frac{1}{2}$ 2$\frac{1}{2}$o pm	2$\frac{1}{2}$ 2$\frac{1}{2}$o pm	2$\frac{1}{2}$-2$\frac{1}{2}$o pm
Danish Kr.		4 2o pm	4 2o pm	4 2o pm	4 2o pm	4 2o pm	4-2o pm
Norwegian Kr.		2$\frac{1}{2}$ pm par	2$\frac{1}{2}$ pm par	2$\frac{1}{2}$ pm par	2$\frac{1}{2}$ pm par	2$\frac{1}{2}$ pm par	2$\frac{1}{2}$ pm par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/2$\frac{1}{2}$	249/1$\frac{1}{2}$	...	249/0$\frac{1}{2}$	248/10$\frac{1}{2}$	248/10



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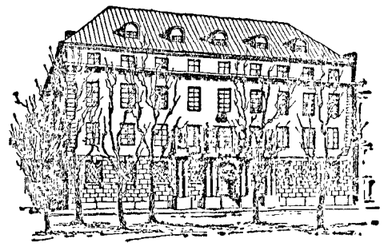
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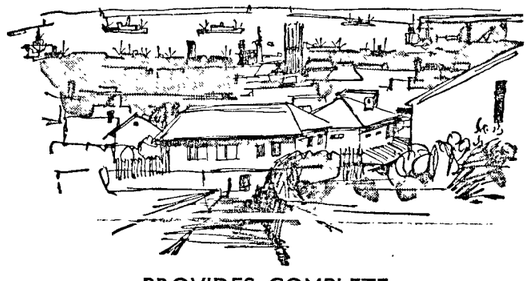
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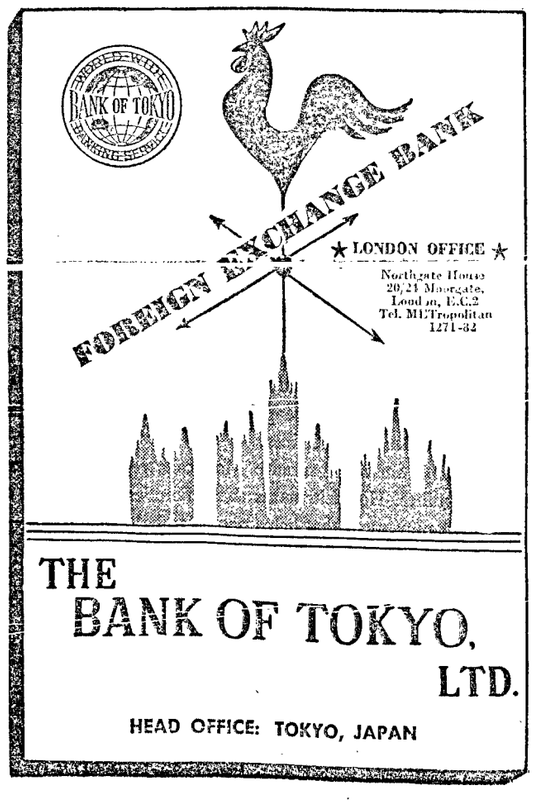
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Statement of Liabilities and Assets
December 31st, 1957

LIABILITIES	
Capital paid up	£10,513,152
Reserve Funds (including Share Premium Account £111,229)	13,216,270
Current, Deposit and other Accounts	832,222,792
Liabilities for Acceptances, Endorsements, Engagements, etc.	35,958,061
	£891,910,285

ASSETS	
Coin, Bank Notes and Balances with the Bank of England	£72,415,137
Balances with, and Cheques in course of collection on, other Banks in the United Kingdom and Ireland, and Cheques, Drafts, etc., in transit	57,019,772
Money at call and short notice	52,729,699
Bills Discounted	203,698,853
Investments	217,375,516
Advances to customers and Other Accounts	249,996,906
Trade Investments	5,028,976
Bank Premises	7,537,584
Liabilities of Customers for Acceptances, Endorsements, Engagements, etc.	35,958,061
	£891,910,283

HEAD OFFICE:
15 Bishopsgate, London, E.C.2

COMPANY MEETINGS

THE LANCASHIRE STEEL CORPORATION LIMITED

NEED FOR NEW APPROACH TO PRICE-FIXING PRINCIPLES

SIR JOHN JAMES—RE-NATIONALISATION WOULD ENDANGER PRESENT HIGH STATE OF EFFICIENCY AND IS "PLAYING WITH FIRE"

The twenty-eighth Annual General Meeting of The Lancashire Steel Corporation Limited was held on February 11th at the Masonic Hall, Winmarleigh Street, Warrington.

Sir John James, Chairman and Managing Director, who presided, said: Gentlemen, I have great pleasure in presenting to you the Directors' Report and Accounts for the year ended September 28, 1957, and, in moving their adoption, of taking the opportunity of giving you my review of the year's working and the present position and prospects of the Company and Industry.

For two reasons to which I shall refer, the total income of the Group unfortunately shows a sharp fall from £2,986,000 in 1955-56 to £1,902,000 in the year under review. This is a reduction of £1,084,000, but, as you will have noted, is after charging an extra £100,000 for Depreciation. The real fall in trading profit is, therefore, just under £1 million. This increase in Depreciation is due to the expenditure on Fixed Assets which came into operation during the financial year, and on which Depreciation is now being provided for the first time.

APPALLINGLY HIGH RATE OF TAXATION

After providing for Taxation of £1 million (a fall of £520,000 compared with the year before, due, of course, to the reduction in trading profit) the net income of the Group amounted to £902,000 compared with a similar figure for 1956 of £1,466,000. The fall in the net income is, therefore, reduced to £564,000 by the reduction in Taxation. It is interesting to note the buffer which the appallingly high rate of Taxation, from which this country's industry suffers, provides when results are adverse. In effect, the Government, which takes over 50 per cent of our profits, also bears over 50 per cent of their reduction. Nevertheless, although this buffer does "temper the wind," the crushing weight of Taxation, which the Government seem entirely unable to reduce and which we seem destined to have to bear for the foreseeable future, does constitute a very grave handicap to the industry of this country.

The net income, although so considerably reduced, has, however, sufficed for your Directors to recommend an allocation to General Reserve of £400,000 compared with £1 million for the previous year and still recommend an increase of 1 per cent in the Dividend on the Ordinary Shares, making a total for the year of 12 per cent.

POSITION OF GREAT FINANCIAL STRENGTH

The Consolidated Balance Sheet of the Corporation and its Subsidiary Companies still shows a very strong financial position. Current Assets amount to £10,635,000 compared with Current Liabilities and Provisions of £5,051,000, a surplus of £5,584,000. This represents a decrease of approximately £1 million compared with the surplus of £6,580,000 a year ago, but it is after absorbing Capital Expenditure during the year amounting to £2,265,770. The fact that this large sum should have been spent without reducing the surplus of Current Assets by more than £1 million, in a year in which the trading profits have suffered so considerable a reduction, emphasises the great financial strength of the Company and is a source of great satisfaction.

Capital commitments to complete our present Development Programme amount to £1,585,000, and, with the current rate of profits now being earned, I am confident that we shall be able to meet these obligations from our existing resources.

CAUSES OF PROFIT REDUCTION

The production and profit of the year under review suffered most seriously from two causes beyond our control and which I sincerely hope will never occur again.

The first of these, the unsatisfactory award of the Iron and Steel Board in December, 1956, I drew attention to in my speech last year as to its adverse effect on the margins of profit on billets, wire rods, bars and sections which comprise 90 per cent of our products. As I then pointed out, that award allowed only the most meagre return and one which could not possibly be regarded as an economic return on the replacement cost of the Plant. Despite representations to the Board, it was not until July, 1957, that the prices of these products (in common with other products of the Industry) were revised and the margins placed upon a more realistic basis. The result was that for seven months of the financial year the Company's earnings were most seriously affected.

Last year I stated that "in my opinion the time is overdue for a complete review and new thinking over the principles on which price-fixing in the Steel Industry is based." The unfortunate experience to which I have just referred seems to suggest one way in which the present system could be improved. When changes take place in steel prices we, as steel makers, learn about them for the first time from a notice in the Press. I suggest that before any public announcement of changes in prices is made by the Iron and Steel Board the makers of the products concerned should be advised and given an opportunity of making representations through the Federation to the Board as to any adverse effects or anomalies of their Determinations.

VITAL IMPORTANCE OF PRICE STABILITY

Surely, as the Price Awards of the Board, are, as our own results demonstrate, of such vital importance to a company's profits and to the Industry as a whole, such a suggestion would accord well with the spirit of co-operation between the Government and the Industry. It would also, I believe, lead to greater stability in the prices of the Industry's products, a point of vital importance now that increasing competition makes it so necessary for us to offer contracts at firm prices not only in the home but, in particular, in the export market. From both points of view, therefore, I believe such a system as I suggest would be in the best interests of the country.

The second handicap from which the Company suffered during the year was the lightning strike of the Company's skilled maintenance men who were brought out, in many cases I believe against their own wishes, in support of the general strike of engineering employees in April and May. We alone of the Steel Companies were affected in this way by reason of our membership of the Manchester District Engineering Employers' Association. The result was that, although we had no association directly or indirectly with the engineering dispute, we suffered a complete interruption just as if we had been directly involved. Not only did this result in a complete cessation at our Irlam and Warrington Works, but, of course, it also extended over a longer period before the Works were back into full production, as restarting a Steel Works is a slow and lengthy operation.

So far as the strike is concerned, I cannot help thinking that with wiser counsel at the top the whole of our trouble could have been avoided.

DEVELOPMENTS IN RHODESIA

As you will have seen from the Directors' Report, your Company has undertaken to subscribe £500,000 in Ordinary Shares of the Rhodesian Iron & Steel Company, which has been formed to take over and develop the Iron and Steel Industry in Rhodesia.

In conjunction with Stewarts and Lloyds Limited, we have undertaken the responsibility of advising the Board on the technical development necessary to increase the Rhodesian steel output to a tonnage sufficient to meet that country's main requirements. It is a source of great satisfaction to me and to your Directors that The Lancashire Steel Corporation should have been given the opportunity of playing such a leading part in the development of the Federation of Rhodesia and Nyasaland.

At the same time, we ourselves have formed a Subsidiary Company in Rhodesia with the object of producing wire and wire products, for which, I am sure, there is a keen and increasing demand. It is our intention that this Company should ultimately obtain its steel requirements from the Rhodesian Iron & Steel Company and so give considerable help to the lead required

by that Company for efficient working. We anticipate that our new factory will commence operations in a small way during the first half of this year, and I have every hope that in due course it will prove a profitable venture.

As regards the Wire Industry (in which we have large direct interests through Rylands Brothers and the Whitecross Company) we have constantly before us the development of those products which require the highest qualities of carbon steel. This demands from us as steel makers and as wire producers, constant research and the most exact techniques of manufacture. It is only in this way that we can hope to keep abreast of modern requirements and meet the ever-increasing demand for higher qualities and performance.

BENEFITS FROM DEVELOPMENT EXPENDITURE

In all directions we are now beginning to feel the benefit of our development expenditure. Not only have the new Blast Furnace and the new Steel Plant come into operation, but our new sidings came into use in July, 1957, and give us much greater ease of handling raw and finished materials with great benefit to British Railways and ourselves as partners in this installation. Our new wharf facilities are practically complete, and we look forward to this providing us with highly efficient and quick handling of imported materials. We are also just completing the rebuilding of the first portion of our Coke Ovens with its attendant increase in coke production. Both these latter items will be in operation in the Spring.

It is this position of increasing output, coupled with the improved profit margins under the Iron and Steel Board's Price Award of July, 1957, which has resulted in the profits for recent months running at least at the same level as those achieved in the comparable months of 1955-56. You will remember that the profits for that year constituted a record in the history of the Company to date. This position outweighed, in the opinion of the Directors, the disappointing results for 1957, so that they felt, after the most careful consideration, that they were fully justified in recommending for your acceptance an increase of 1 per cent in the Dividend on the Ordinary Shares, bringing the total for the year to 12 per cent. This decision was favourably received by the Financial Press, and I trust today will meet with your approval.

At the same time, I do not wish to give you the impression that the horizon is entirely free from possible difficulties. As you will have read in the newspapers and many of you may have experienced in your own business, there is undoubtedly a weakening in world demand, and there are signs of some recession in trade. So far, I am happy to say, this Company has only been slightly affected, and I have every hope that during the coming months demand will again revive. But, as you will appreciate, working to full or near-full capacity is so important to the Company and its profits that I should perhaps emphasise that the confidence I feel in 1958 and the future is largely dependent upon the maintenance of our present load.

THE FUTURE

Turning to the future, your Directors are of the opinion that with the experience of 1957 before them our aim should be to spread the products arising from our increased output of ingots over a wider field. This can readily be done when the continuous billet mill comes into production later this year, as this will increase our rolling capacity by allowing our existing mills where billets are now being produced to turn out a greater tonnage of sections. Your Directors are keenly aware of the local demand in Lancashire and the surrounding district for light plates, which are always in short supply. A modern light plate mill attached to the Irlam Works would, therefore, give a spread of our products that would help considerably in finding full employment, whilst our position in relation to both Liverpool and Manchester affords the most favourable conditions for export.

To carry out such a development it would be necessary to increase our ingot capacity to 16,000 tons per week against our present level of some 13,000 tons. Such an increase would enable us to devote 3,000 tons of ingots per week to the production of light plates without interfering with our present production of wire rods and small sections, and, therefore, without interfering in any way with the supply of those products to our customers whose goodwill we value so highly.

So far as a light plate mill is concerned, I would confidently anticipate that, assuming our present output and margins are maintained, we should be able, over a period of years, to finance the capital outlay required from the Group and its Associated Companies.

RE-NATIONALISATION

So much has already been said by prominent members of the Industry on re-nationalisation that it is difficult to draw attention to any new reason why re-nationalisation of the Iron and Steel Industry would be a sad day to contemplate. I can only endorse fully what has already been said. The Industry, since being handed back to private enterprise some four years ago, has left no stone unturned to take its place alongside any industry in any country. To me the over-riding criterion is that this Industry is so entirely different from those already Government-owned—coal, electricity and railways—each of which is a complete monopoly dependent upon competitive industry to keep it alive, and in each case without the fear of foreign competition. Iron and Steel, on the other hand, is not only a basic industry supplying the vital requirements of the home market, but also exports an increasingly large part of its products against the keenest foreign competition. In other words, it cannot be stressed too much what an important part Iron and Steel plays, both directly and indirectly, in the country's standard of living. Its main concern and the only measure by which it can continue to live is to give its users at home and abroad quality and service to their entire satisfaction.

The Iron and Steel industry as at present constituted is giving the greatest service to the nation, and I cannot help regarding as most unfortunate these threats which, if carried out, could not in my view improve that service, but carry with them the very real danger that they would lower the Industry's present high state of efficiency. It therefore seems to me that the threat of re-nationalisation is in every sense of the word "playing with fire."

In conclusion, I must again pay my own and the Directors' tribute to the efforts of all employees of the Companies in the Group. Last year I stated that 1956 was in many respects a most difficult year, but 1957 has been even more difficult. It is due largely to their efforts that results have been even so satisfactory

The Report and Accounts were adopted.

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DEMAND CONTINUES AT A HIGH LEVEL

LORD WILMOT'S STATEMENT

The thirty-eighth annual general meeting of Illingworth, Morris & Company, Limited was held on February 6th in Bradford, The Right Honourable Lord Wilmot of Selmeston, PC, JP (the chairman), presiding.

The following are extracts from his circulated statement :

Some time ago your Directors reached the conclusion that not less than £1 million of the Company's reserves must be considered as capital permanently employed in the business. Accordingly, Treasury consent having been granted, resolutions were submitted to and passed at an Extraordinary General Meeting of the Company held on December 19, 1957, whereby the Ordinary Capital of the Company was increased from £1 million to £2 million by an allotment of one unit of 4s. Stock, credited as fully paid up, for each 4s. in nominal amount of Ordinary Stock.

The net profit of the Group for the year, after taxation, is £269,981 and, after adding the balance of £543,175 brought forward from last year, there is a group total available for appropriation of £813,156. Your Directors recommend a final dividend of 5 per cent, less Income Tax, on the increased Ordinary Stock, which, together with the interim dividend, will represent a total dividend for the year on the former amount of Ordinary Stock of 15 per cent, or 7½ per cent on the increased Ordinary Capital as it now is. This leaves £652,156, of which £325,125 is being transferred to General Reserve and £327,031 carried forward.

The Group Current Assets now amount to £5,977,390 showing an excess over Current Liabilities and Dividend of £3,319,042 and the Group Revenue Reserves are now shown at £1,427,031.

FACTORS AFFECTING RESULTS

The reduction in the amount of net profit, £270,000 for this year as compared with £345,000 last year, is due in the main to three causes :

1. The disastrous influenza epidemic which for several weeks caused such excessive absences as to dislocate production at all our factories.

2. The writing-down in the value of unsold wool stocks as the result of the substantial fall in wool prices.

3. The continuing expense arising from the reorganisation of our James Tankard Branch, where we have built and equipped a large new mill.

But for these exceptional features the profits of this year would not have been substantially different from those of a year ago. We hope that the influenza epidemic will not recur and the reorganisation expenses of the James Tankard mill should be considerably reduced from now on, and indeed we should look forward to a higher rate of production and profit from this Branch in the future. Wool prices have continued to fall since the close of our financial year and it is not possible to forecast the future trend.

Our factories have continued to work at

the fullest possible pressure ; much overtime and evening work has been and is still being done.

The tightening of credit and the raising of the Bank Rate have undoubtedly somewhat restricted trade and the continuance of the United States tariff quota on imports of wool cloth has had undesirable effects on the dollar-earning branches of our industry. Nevertheless the demand for wool clothing on the part of the consuming public is continuing at a high level and, although competition is keener, our sales have been maintained at a level which already ensures the full working of our Branches for some months to come.

The report was adopted.

WEBSTERS PUBLICATIONS (HOLDINGS)

The third annual general meeting of Websters Publications (Holdings) Limited was held on February 6th, at the Waldorf Hotel, Aldwych, London, W.C.2, Lieutenant Colonel W. D. Gibbs (the chairman) presiding.

The following is his circulated statement :

Throughout the year the turnover figures were in advance of the previous year, and the Directors are pleased to report an increase in profits. This increase was foreshadowed when the interim dividend was declared on April 15th last and, since the improvement has continued, the Board feels justified in now recommending a final dividend of 30 per cent, making a total for the year of 40 per cent, compared with 30 per cent for the previous year.

CAPITAL REPAYMENT

When your Company was formed in 1954, it was hoped that further publications would be acquired. However, during the last three years the Board has investigated a number of propositions, but has not felt justified in making any acquisitions. In these circumstances, and in view of the uncertainties governing the present investment policy of any Company, the Board has decided that monies surplus to normal trading requirements shall be refunded to shareholders. Accordingly, it is anticipated that a return of 6d. per share will be made to shareholders as soon as the necessary legal and other steps have been carried out.

The repayment will involve the voluntary liquidation of the present Operating Company, viz., Websters Publications Limited, a final offer to exchange the holdings of the minority shareholders of that Company into shares or cash, the changing of the name of your Company to Websters Publications Limited, and the payment of profits tax on distributions to minority shareholders not accepting either of the offers. It is believed that the funds to be absorbed by these operations will not exceed £125,000.

In conclusion, I am glad to report that the business of your Company continues at the same satisfactory level as last year.

The report and accounts were adopted.

At a subsequent extraordinary general meeting, resolutions were passed for the alteration of the Company's Articles of Association, sanctioning the repayment of 6d. per 1s. Ordinary share, providing for the subsequent consolidation of the 6d. shares into shares of 1s. each and capital increase by the creation of 1,734,918 ordinary shares of 1s. each. The proposed change of the Company's name to "Websters Publications Limited" was also approved.

THE NATIONAL BANK LIMITED

A YEAR OF FURTHER EXPANSION

LORD PAKENHAM SEES GREAT FUTURE FOR GREAT BRITAIN AND IRELAND IN THE EUROPEAN FREE TRADE AREA

The one hundred and twenty-third annual general meeting of the proprietors was held at 13, Old Broad Street, London, on February 6th. Lord Pakenham, Chairman of the Bank, referred to the death of Mr Hubert Briscoe, a Director for many years, and the appointment of Mr Patrick A. Duggan to the Board.

ACCOUNTS AND PROFIT

After commenting upon the balance sheet figures, which constituted a new record, the Chairman indicated that further growth was planned. The profit was £2,000 larger than in 1956, and the distributable sum £457,000, out of which a dividend of 12 per cent for the year would be paid.

ENGLAND AND IRELAND COMPARED

Lord Pakenham reviewed the credit policies of the countries and explained how the business of this bank, as the only bank operating at all extensively both in Ireland and England, had been affected. As regards Irish agricultural and industrial activities, results for 1957 were very favourable, and would most likely lead to a surplus for Ireland in the balance of payments ; the first for a decade. The battle of inflation did not seem to be making large headway, except in the sense that the dangers of deflation might be waiting round the corner with a heavy fall in world prices of leading commodities. Much might be said about savings, but everything came back to production and investment directed to productive purposes. The community could not hope to maintain for any length of time a higher standard of living than the output of goods or services would support. There was an all-round determination to go to great lengths to maintain the British £ at $2.80 and the Irish £ at parity with that of Britain and to increase the all-important reserves.

Lord Pakenham said that two years ago he called for a fundamental reappraisal of financial ideas and policy, and he was glad that a Committee under Lord Radcliffe was now considering these matters. The present version of credit restriction involved not only a political directive, but a self-denying ordinance impairing free competition between the banks. He hoped that this would be regarded as intolerable as a long-term arrangement. Some whose economics were learnt in the 1920s and saw them applied or mis-applied with painful results had hoped that the Keynesian revolution had solved in principle the problem of how to employ a country's human and material resources to the full without jeopardising its currency. That is to say without producing a run on the £ or allowing a cruel internal inflation or both. Pending the findings of the Radcliffe Committee and further reports from the Capital Investment Committee in Ireland under the Chairmanship of our Dublin Chairman, Mr Leydon, Lord Pakenham said that the essentials were surely that sterling must be defended at all costs, but so must full employment as an ideal, with maximum output of goods and services and an honest £.

THE EUROPEAN VISION

The Chairman said that in his view the coming into force of a common market in the Free Trade area between six countries in Europe, and the progress being made to join other European countries including the United Kingdom and the Republic of Ireland in this association, were constructive and enlightened attempts by gradual abolition of tariffs and quotas to create the basis of a genuine economic union and later, perhaps of a political union. The amount of trade in Europe should not be regarded as static, but competition would be keener.

The Irish point of view was that any adverse effects on the industrial side should be made good on the agricultural side. Ireland had the potential for a large increase in agricultural output—large in terms of present output, but in terms of the market small. For the mutual benefit of Ireland and the Free Trade area means must be found for the entry of increased agricultural exports from Ireland as a member country into the wide European Market. Here was a field where Ireland could make a contribution and find a fulfilment out of all proportion to her statistical strength.

If the participation of the United Kingdom in the Free Trade area were likely to weaken the ties of Commonwealth Lord Pakenham said he would reject it *ab initio*. As he was convinced that no such conflicts were inherent, indeed that the Commonwealth would benefit from the stronger Britain emerging, he hoped and believed that our participation would be cordial and wholehearted.

BANK'S OPERATIONS AND STAFF

Lord Pakenham said: "There is no doubt in my mind that the Bank is performing valuable service to the economy of Ireland by reason of its activities in the Republic and by its associations in England. Our relative position is very different in the two countries. In Ireland we can fairly regard ourselves as one of the national institutions. In England, judged by the standards of the largest British Banks, we are quite small. It is the intention to encourage expansion on sound lines by opening branches in suitable places ; the first for 36 years.

On behalf of the Directors I would like to pay a tribute of sincere thanks to the Staff. I realise that they are proud to be regarded as servants of the Bank, but in the eyes of the Board they are not servants, but friends."

The Report and Accounts were adopted. The retiring Directors, Mr William A. Acton, Mr Arthur J. Jenkins, Sir Basil Goulding, Baronet, and Mr Patrick A. Duggan were re-elected.

F. W. WOOLWORTH AND COMPANY LIMITED

RECORD TURNOVER

MR R. J. BERRIDGE'S STATEMENT

The Annual General Meeting of F. W. Woolworth and Company Limited will be held on March 7th, in London.

The following is an extract from the statement by Mr R. J. Berridge, the Chairman, which has been circulated to stockholders:

Generally speaking trading during the year commenced satisfactorily but progressively faded so that in the last quarter conditions were difficult, especially in October when the so-called Asian 'flu claimed so many victims, staff and shopping public alike.

The Christmas trade did not commence in earnest until much later compared with 1956 and earlier years, and the ten business days prior to Christmas were busy ones indeed. This change is akin to the pre-war pattern of Christmas shopping and the public as a whole seemed to be more practical and selective in their buying.

As portrayed by the Accounts, the Company made further progress during 1957. Turnover increased to a new high record and though this was assisted by the new and extended stores, I am glad to state that stores entirely unchanged as a whole (they constitute 789 of the total of 989 stores in operation at the end of 1957) showed a modest increase in sales volume and in profits.

Expenses again increased at a greater rate than sales—wages and salaries in particular—and there seems no likelihood of any change in this trend.

STORE EXPANSION

The highlight of the year was the opening in October last of our most modern new store in the city of Oxford. The total number of stores operating at the end of the year was 989, without taking into account the three British West Indian stores to which I refer below.

Self Service Stores.—Seventeen stores of this type were opened during the year, either in entirely new areas or by converting conventional service stores, so that the total number now in operation is raised to 46 stores.

Losses due to pilferage in certain of these stores are still causing concern and in this connection there has been some suggestion in certain quarters that more supervision is necessary to prevent temptation.

Your Directors are satisfied that the existing arrangements are adequate and that a surfeit of supervisors would rightly be resented by the overwhelming majority of the shopping public. It seems a sad commentary that the lapses of the few should be suggested to be due to a lack of supervision of the stores' counters.

SUBSIDIARY COMPANIES

The three stores operating in the British West Indies contributed a total profit of £97,794 before taxation, compared with £44,057 (Jamaica full year, Trinidad part year) in 1956. Three further stores are in process of erection in these islands and two of them are expected to open for business before the end of 1958.

Good progress is being made in building the store at Salisbury, Southern Rhodesia.

The thorough understanding between our suppliers and buyers, which has existed for so many years, continued last year with an even higher degree of success. This resulted in a further advance in providing quality goods for the stores' counters at very competitive prices—in fact amazingly so in many cases. This is the type of contribution the Company has always made to keep down the cost of living and will continue to make in response to the Chancellor's request for lower prices.

APPROPRIATION ACCOUNT

The trading profit for 1956 was shown at £23,649,863. The 1957 increase is 5.57 per cent or £1,317,036. Net Profit before Taxation amounted to £24,071,753 compared with £23,319,355 for 1956, an increase of £752,398 or 3.23 per cent.

The FINAL DIVIDEND proposed on Ordinary Stock of 1s. 4d. per unit, plus 8d. per unit Interim Dividend paid in August last, gives a total distribution of 2s. per unit on the Ordinary Capital which was increased by the Scrip Issue early in 1957. This is the equivalent of 3s. total distribution for 1956 paid on a smaller capital. Balance carried forward, or surplus, at £5,073,518 compares with £4,013,611, an increase of £1,059,907.

Revenue Reserves.—The adjustments to General Reserve are given in a note on the Accounts. This note explains the utilisation of General Reserve to the extent of £6,250,000 for purposes of the Scrip Issue, the addition to this Reserve of the Provision for Obsolescence and Depreciation of Freehold and Leasehold Buildings of £2 million and the proposed appropriation of a like amount from 1957 profits. The resulting balance as at December 31, 1957, totals £7,250,000. Together with the Profit and Loss Account balance, after proposed appropriations, at £5,073,518, Revenue Reserves amount to £12,323,518, a reduction of £1,190,093 compared with £13,513,611 for 1956.

THE YEAR 1958

At this time last year the outlook for 1957 seemed dependent on the steps about to be taken to strengthen the country's economy. Unfortunately by mid-September even more stringent and restrictive monetary steps were necessary and they appear likely to continue. The effect of these latest moves is not clear yet and consequently prospects in the field of retail trade are obscure.

The trend of overheads will undoubtedly be upward, with the seeming certainty of higher wage rates. The higher National Insurance contributions, commencing at the beginning of February, will cost your Company an additional amount of approximately £230,000 in 1958 or £250,000 in a full year.

The conclusion to be drawn from all these circumstances is that the extent to which it will be possible for your Company to maintain or increase profits must depend on the degree to which sales can be increased.

However, I take comfort in the conviction that the team work of our organisation, however much it is put to the test, will produce a result for 1953 which will be creditable according to the conditions experienced.

MILLS & ROCKLEYS LIMITED

(Outdoor Advertising in more than 200 towns throughout the Midlands, South West, East and North East England.)

VITAL COG IN NATIONAL DISTRIBUTION

The 29th annual general meeting will be held on March 5th in Nottingham, Mr George T. Mills, presiding.

The following is an extract from the Chairman's Statement:

There is satisfaction in the progress recorded. The profits have increased, after taxation, from £64,115 to £90,931. The Directors have transferred an additional sum of £10,000 to the reserve for renewal of fixed assets. They propose a transfer of £30,000 to the General Reserve and payment of dividends as in recent years.

The need to finance the commitments which are in view in the near future make the conservation of the Company's liquid resources imperative.

The total expenditure on television advertising is still increasing, and we must expect there to be some temporary drop in our volume of sales. We are also affected by the National financial crisis and credit squeeze. These factors have had the effect of making some reduction in the volume of sales since October 1957. However, we have every reason to expect that this period of adjustment will be a reasonably short one. The inherent advantages of our medium are always getting better understood and our own research into the effectiveness of poster advertising is contributing. A growing realisation is becoming apparent among our customers that the poster advertising medium is as necessary a complement to television as it is to the Press.

With the exception of the cost of local rates, a most serious and increasing burden, we have been successful in keeping our costs remarkably stable during the last year.

ADVERTISING REGULATIONS

I have referred on previous occasions to the problem, which is always with us, of the control of advertisements under the Town and Country Planning Act. The working of these Regulations is extremely arbitrary and haphazard. However, we have been and are successful in maintaining the earning power of the business. I cannot see that the capricious and contradictory decisions of some hundreds of Local Authorities are ever likely to give satisfaction to the trading community as a means of controlling an industry which is a vital cog in the national scheme of distribution.

In August last the Ministry of Housing and Local Government issued a proposed new set of Regulations for the control of outdoor advertising. The new proposals are niggling in the extreme, and, in the opinion of the outdoor advertising industry, are unworkable by both the trading community of the Country and the Planning Authorities.

A revaluation of the whole of the Company's Freehold and Leasehold properties, involving over 600 separate pieces of land and buildings, is to be made.

The Chairman concluded his statement with an expression of satisfaction for the future.

Habib Bank Limited

Established 1941

Head Office: KARACHI (PAKISTAN)

CONDENSED BALANCE SHEET as at 31st DECEMBER, 1957.

LIABILITIES	Pak. Rs.	ASSETS	Pak. Rs.
Capital	20,000,000	Cash and Bank Balances	157,676,119
Reserve Funds	20,000,000	Government Securities and Bullion	336,950,175
Deposits	597,664,511	Loans and Advances	173,011,342
Amounts in Transit	43,769,105	Bills lodged for collection	28,828,220
Bills for Collection	28,828,220	Customers' Liability on Letters of Credit, etc.	116,616,001
Liability for Letters of Credit, etc.	116,616,001	Other Assets	13,195,980
	826,277,837		826,277,837

76 BRANCHES THROUGHOUT EAST AND WEST PAKISTAN

FOREIGN BRANCH:
BOMBAY (INDIA)

Habib Bank (Overseas) Limited

Head Office: KARACHI (PAKISTAN)

BRANCHES: 1. ADEN 2. COLOMBO 3. MOMBASA 4. RANGOON

CASTLEFIELD (KLANG) RUBBER ESTATE, LIMITED

MR ADDINSELL'S STATEMENT

The fifty-first annual general meeting of this company was held on February 10th in London, Mr Jack Addinsell, chairman, presiding. The following is an extract from his circulated statement:

The year's crop of 2,324,000 lb was slightly better than that for 1955/56, but fell short of the estimate. The influenza epidemic during May and June, 1957, lost us some crop and poor weather affected the Johore estate during August and November. During the financial year, 152 acres of replantings at Castlefield estate were brought into tapping and are yielding up to expectation.

The average net price received for our crop was about 2¼d. per lb less than was realised for the previous year, but the decline in price affected export duty and cess by nearly 2¼d. per lb in our favour. The cost of production increased very slightly over the period reviewed. We received a welcome addition to profits of £4,036 tribute from a small area sub-leased for tin mining and there were increased receipts in respect of replanting grants and cess, and interest from investments. The profit, before tax, was £108,417 compared with £100,838 for the previous year.

As a result of concessions granted in the last Finance Act to Overseas Trade Corporations, tax will henceforth take a smaller share of our earnings. Moreover, you will see from the profit and loss account that £17,768 has been released from past tax provisions, as being no longer required. This latter benefit is, of course, non-recurring.

DIVIDEND AND BONUS

After providing £32,667 for taxation, transferring £30,062 to Replanting Reserves and £20,000 to Capital General Reserves, there remains £51,559. Your directors are recommending a final dividend of 35 per cent, making 50 per cent for the year and in view of the tax saving referred to above we are also proposing a bonus dividend of 30 per cent.

The balance-sheet figures now reflect the sale of about 600 acres of tin bearing land, involving a transfer of £161,376 to Capital General Reserve together with £3,000 received from Klang Prospecting Syndicate, Ltd. This latter sum represents the company's share in the profits of the Syndicate, which was formed many years ago for the purpose of test boring for tin, and is likely to be the final payment from that source. The Sundry Debtors' figure of £89,105 includes the balance of the sale proceeds, £80,000, which is coming in by instalments over a period of years, the first £20,000 having been received since the end of the period under review.

Crops for the current financial year are showing better figures to date than those for the same period last year but the present tendency of rubber prices does not encourage us to look for higher profits on the next accounts. Both estates continue to dispose of their crop as field latex, a convenient and advantageous arrangement.

I am glad to record that the Puchong district, in which our Castlefield estate is situated, has been declared "white" and improvement in security conditions is reported from our Johore estate, Bukit Benut.

The report and accounts were adopted.

WEST RIDING WORSTED AND WOOLLEN MILLS

OPERATING SUBSIDIARIES WELL EMPLOYED

SIR JOHN KEELING'S REVIEW

The twenty-ninth annual general meeting of West Riding Worsted and Woollen Mills Limited was held on February 12th at Bradford, Sir John Keeling (the chairman) presiding.

The following is an extract from his circulated statement:

At this time a year ago I referred to the quite substantial advance in Wool prices which, with occasional setbacks, had been going on since April, 1956. This hardening tendency continued until May, 1957. Between then and the end of our financial year there was quite a recession. Although it is always difficult to pass on advancing raw material prices to customers, and then only after a considerable time lag, we derived some benefit from the general course of Wool values during the first nine months of our year. This went some way to offset the otherwise narrowing margins of profit obtainable in the face of continued increases in production costs of every kind and severe competition for the business available, largely due, I think, to the generally accepted policy of keeping plants running.

Otherwise, two things in particular adversely affected the past year's result. They were, first, the fall in values between the end of the Merino Wool buying season and our stocktaking date, and, second, the Suez Crisis, which involved us in substantial additional charges for transport, power and other items in addition to difficulties and losses

arising from delays in the shipment of Wool from Australia and New Zealand.

The trading profit of the Group for the year amounted, before taxation, to £925,432. The previous year's figure was £1,184,468.

After making provision for Taxation, the net available surplus of the Group is £397,270 as against £549,616 for the previous year. A further and final allocation of £27,700 has been made to extinguish the initial cost of back service under our Works Pension Scheme. Dividends, comprising the Preference Dividend already paid, an Interim Dividend of 7 per cent paid to Ordinary Shareholders, and the Final Dividend of 10 per cent now recommended on the Issued Ordinary Share Capital, together absorb net £221,976. The net remaining surplus of the year, added to the carry-forward, is £148,494.

The Consolidated Balance Sheet shows the growing strength of the Group. Capital and Reserves at £5,607,186 exceed the corresponding figure a year ago by £148,494. The book value of the Fixed Assets, after providing for depreciation, has increased by £46,507 during the year. Current Assets total £6,392,272 against Current Liabilities of £2,061,934.

During the year under review we spent over £200,000 on new plant and capital improvements.

Our Fixed Assets are not only well written down but are in first class condition and include a considerable proportion of the latest machinery.

Wool values have continued to fall since August 31st last. From May, 1957, Merino Wool prices have now receded by something like 25 per cent and Crossbred Wool prices by around 20 per cent. Some loss naturally arises on unsold stock under such conditions: also, buyers lose confidence and orders tend to be reduced to a minimum, with increased competition to secure them.

The turnover of the Group during the past four months has been well maintained, but, due to the fall in Wool values and narrow margins, our profits to date are not so good as usual. However, given reasonable stability in the price of Wool and in the absence of other unforeseen factors, the outlook encourages me to hope that you will not be dissatisfied with the results which I will place before you a year hence.

My personal view about trade generally and about the industry in which we are engaged in particular, is that when we recover from the malaise from which world trade is suffering, conditions will be much healthier than they have been in recent years.

The report and accounts were adopted.

Binding Cases

Binding cases for THE ECONOMIST *are available from* EASIBIND LTD. *The cases are in stiff, dark blue cloth covers, and are gilt-lettered on the spine; they provide an extremely effective and firm binding and will hold 13 issues of the normal edition together with the quarterly Index, or 26 issues of the air edition with two quarterly Indexes. The year can be stamped on the spine. The cost per case, post free throughout the world, is 12/6. Orders, stating requirements clearly and enclosing a remittance, should be sent,* **not** *to* THE ECONOMIST, *but to—*

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84 Newman St., London, W.1

APPOINTMENTS

MARKETING AND RESEARCH VACANCIES

WITH FOOTE, CONE & BELDING LTD.

Marketing Executive. Male, under 35. Preferably with a degree in economics, sociology or statistics. Experienced in the use of market research techniques, including continuous research in the form of retail and consumer panels. Must have experience of general marketing problems associated with advertising consumer products.

Psychologist. Male, under 35. Degree in psychology. Preferably, though not essentially, with experience of the application of psychological techniques to the problems of advertising and marketing.

Market Research Field Supervisor. Woman, 35 or under. Preferably with a degree in economics or sociology. Experience of recruiting, training and supervising a field force. Able to assist in planning of surveys and the writing of reports.

Trainee Marketing Executive. Male, under 25. Preferably with a degree in economics, statistics or sociology. Previous experience not essential.

Please write, stating position applied for and your qualifications, to the

MARKETING AND RESEARCH MANAGER
FOOTE, CONE & BELDING LIMITED,
27 HILL STREET, LONDON, W.1.

LAUNDRY SERVICES NEGOTIATOR

An aggressively progressive and expanding Laundry Group seeks experienced marketing man who can negotiate, at top levels in industry, contracts for laundering and hygienic equipment and service. Preferably aged between 30 and 35, the successful candidate will have proven record of good educational background, successful marketing ability (not necessarily in the same industry) and knowledge of handling industrial executives. Above all, he will be in the "four figures plus" earned income bracket.

Applications, fully detailing age, education, experience, salary, should be sent, in confidence, to Laundering Services, c/o R. Anderson (Advertising) Co. Ltd., 14 William IV Street, Strand, W.C.2.

A vacancy occurs in an International industrial company with headquarters in Birmingham for a high calibre

DEPUTY MANAGING DIRECTOR

This appointment can offer a high salary and excellent prospects to an outstanding candidate, 35 to 50 years of age.

For further information, please contact the Technical Advisory Service, Birmingham Productivity Association, 95 New Street, Birmingham, who have been asked to advise in this appointment. MID 0912

MARKET RESEARCH STATISTICIAN.—Applications are invited for the post of Statistician in the Market Research Department of a well-known consumer goods manufacturer with factory and offices near South West London. Duties will be concerned with the application of statistical theory to market research problems and will include responsibility for the drawing of samples for consumer surveys, product tests and consumer and trade panels. Candidates should preferably be between 25 and 35 years of age and either possess a good degree in statistics or have had several years' practical experience in this field. The salary offered will be assessed according to qualifications and experience within the range of £1,000 to £1,500 p.a. Applications, which will be treated in the strictest confidence, should include details of age, education, experience and present salary. All applications will be answered. Please quote Ref. M.R.S. on envelope and letter.—Box 869.

ACCOUNTANTS required by UGANDA GOVERNMENT on two years' probation for pensionable employment. Commencing salary according to experience in scale (including Inducement Pay), £879 rising to £1,617 a year. Outfit allowance £30. Free passages. Liberal leave on full salary. Candidates, between 24 and 34, must have experience in Government, Municipal, Commercial or Bank accounting. Membership of a recognised body of professional accountants an advantage.—Write to the Crown Agents, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote M3A/44025/EN.

ECONOMIST/STATISTICIAN

Leading Manufacturer with world-wide export trade requires Economist/Statistician. The commencing salary range will be £1,000-£1,500 according to experience. Bonus and Pension Scheme. The person appointed will be required to develop an Information Service for the purchasing and sales sections of the Organisation. Opportunities for travel may occur when the Service is fully developed. Applications will be treated in strict confidence.—Box 872.

WOOLWICH POLYTECHNIC LONDON, S.E.18

Applications invited for an Assistant Grade B from Honours Graduates to teach History up to final degree standard with Economics and/or Geography to G.C.E. Advanced Level.

Salary within £650-£1,200 according to qualifications and experience, plus London Allowance of £36-£48.

Particulars and application form from Clerk to Governors, to be returned by March 1, 1958.

ECONOMIST

REQUIRED TO TAKE COMPLETE EXECUTIVE CONTROL OF A SPECIALIST UNIT ENGAGED UPON MARKET INVESTIGATIONS

Centred upon the London Head Office of a substantial manufacturing Company, the work will involve important responsibilities covering all investigations and short term and long term market forecasts related to consumer goods. The activities of this unit will match with the Company's expanding interests and will continually embrace problems both absorbing and stimulating in character. It is an attractive position for a man of considerable intellectual stature combined with executive ability.

The starting salary will be £2,000 per annum, or more, with good career prospects beyond this. Selection will be confined within a field of Graduates in Economics (or related subjects) with industrial experience, who have already achieved a senior position in similar work. Some preference will be given to candidates with a knowledge of French and German and much importance will be attached to evidence showing ability to lead a team of graduates. Practical experience of consumer research will be an advantage and age in the range 30-45 would be most appropriate.

Applications will be treated in strict confidence and will be looked at in competition with existing staff already under consideration —Box 868.

HOLLERITH—LEADING MANUFACTURERS OF PUNCHED CARD ACCOUNTING MACHINES AND ELECTRONIC COMPUTERS —REQUIRE

ADMINISTRATIVE ASSISTANT

for Secretarial Division of the Company. The post will suit an intelligent man between the ages of 23 and 26, with a sound basic education. Preferably he should be studying for (or has passed) C.I.S. or C.C.S. examinations. He should have had some experience in Company Secretary work.

This is an opening with a stable company of steady growth and high repute. It offers excellent prospects, and promotion can be won by the exercise of personable and industrious qualities. If it interests you, write, with details about yourself (and quoting Ref. No. A.A.3), to the Manager, Training and Personnel Division, The British Tabulating Machine Co. Ltd., 17 Park Lane, London, W.1.

BIRMINGHAM CHAMBER OF COMMERCE (INC.)

Applications are invited for the SECRETARYSHIP of the Chamber which will shortly become vacant. Applicants should preferably be between 35 and 45 years of age and have had wide administrative, commercial and legal experience. Salary according to age and experience but commencing at not less than £2,000 per annum. Contributory Pension Fund and non-contributory Widows' Fund.—Applications, accompanied by the names and addresses of three referees, should be addressed to the President, Birmingham Chamber of Commerce (Inc.), 95 New Street, Birmingham, 2.

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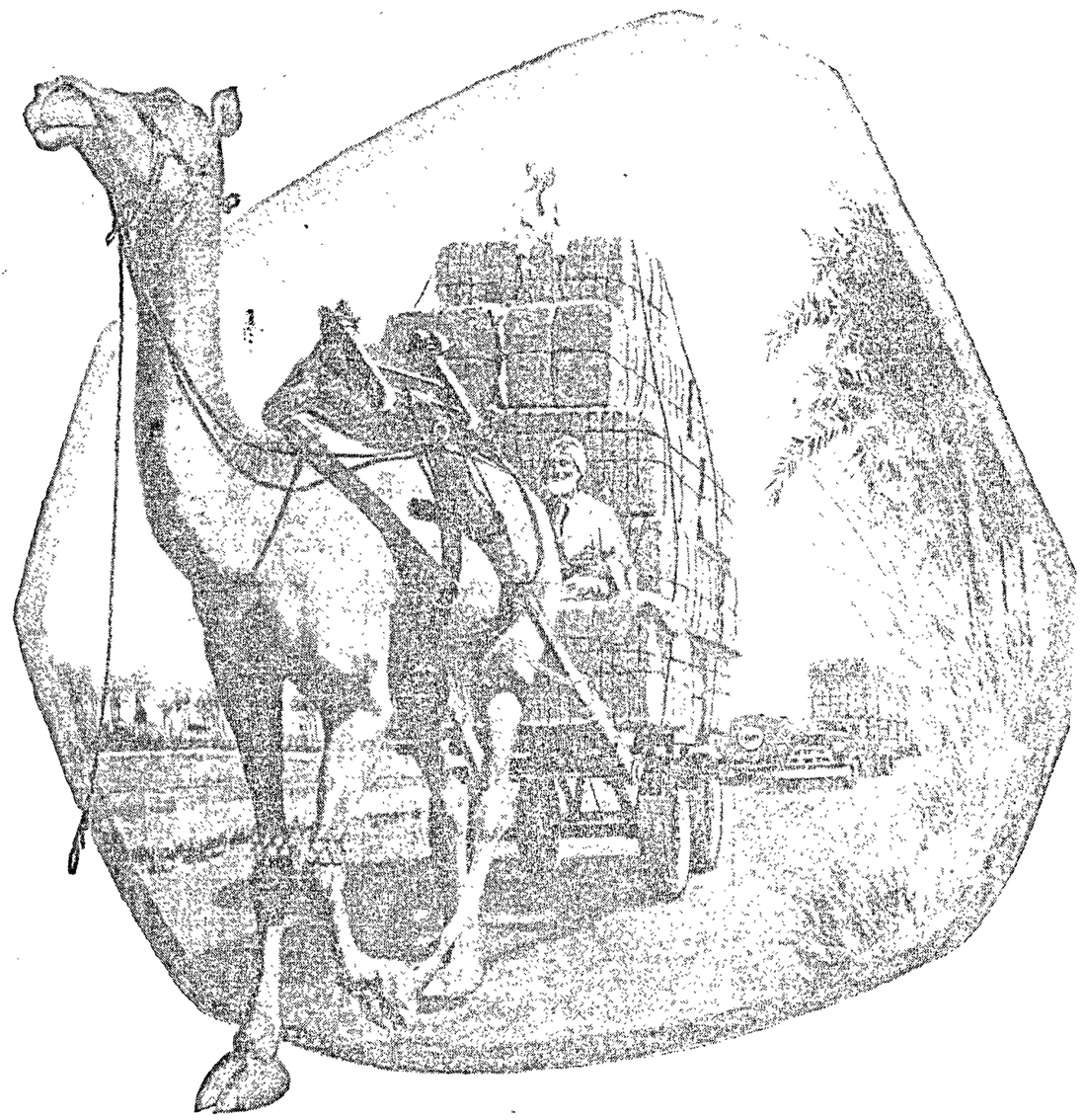
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Untimely Cloud over India

India's prospects as pacemaker for Asian democracy have been suddenly darkened; but this unexpected cloud has its silver lining (page 643).

Meet the Rebels
A report by our special correspondent on the Algerian war (page 645).

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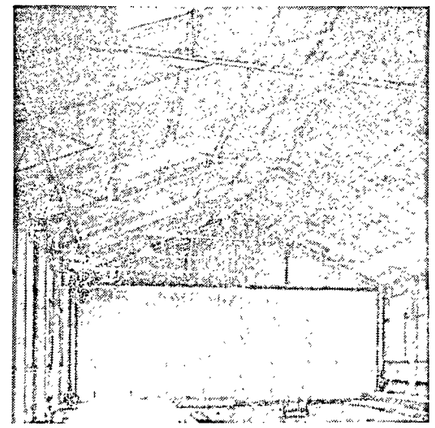
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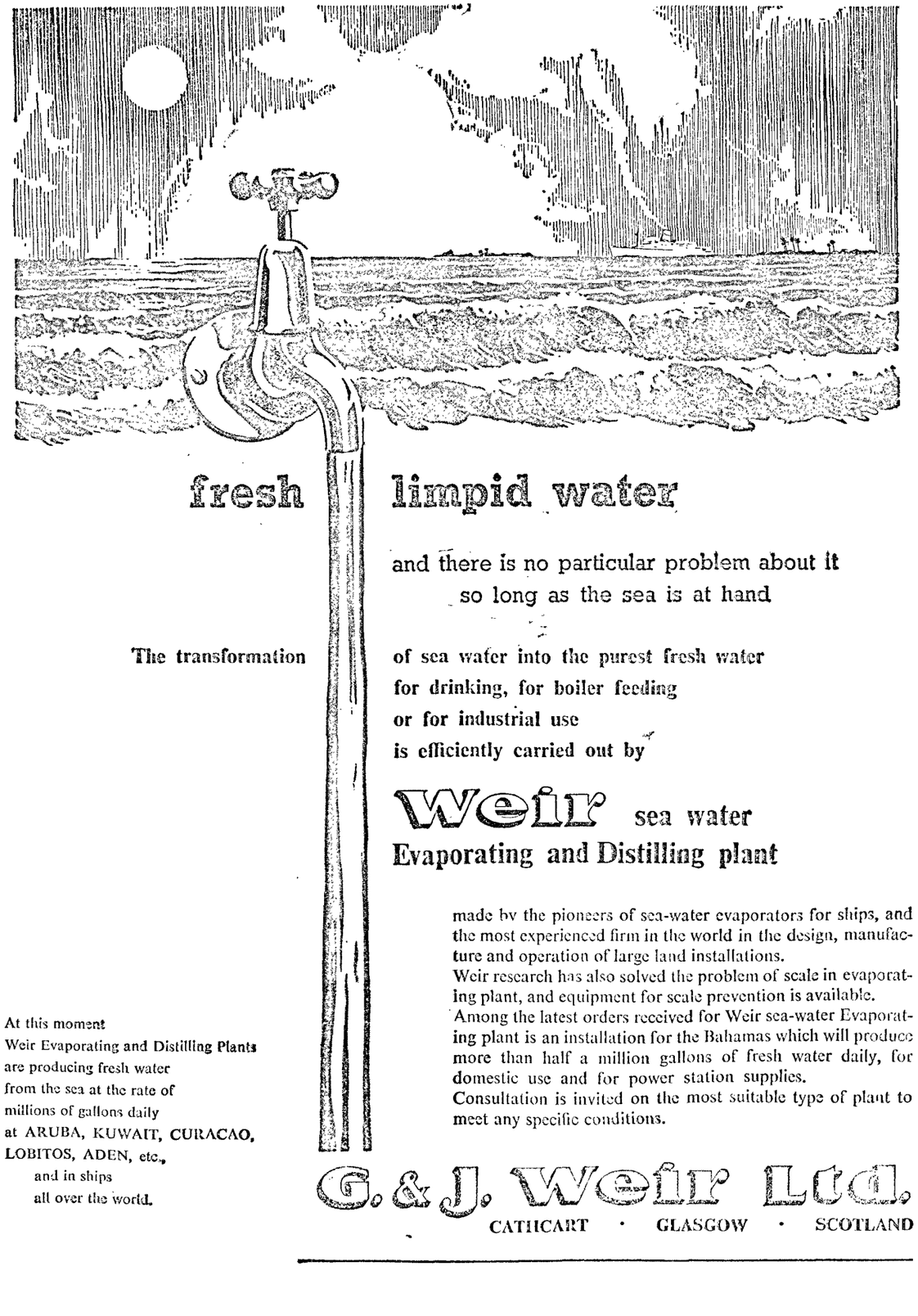
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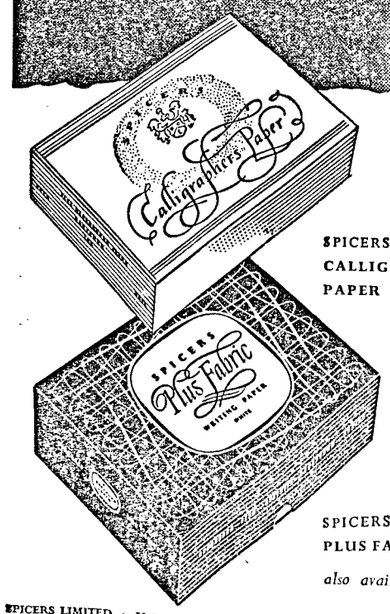
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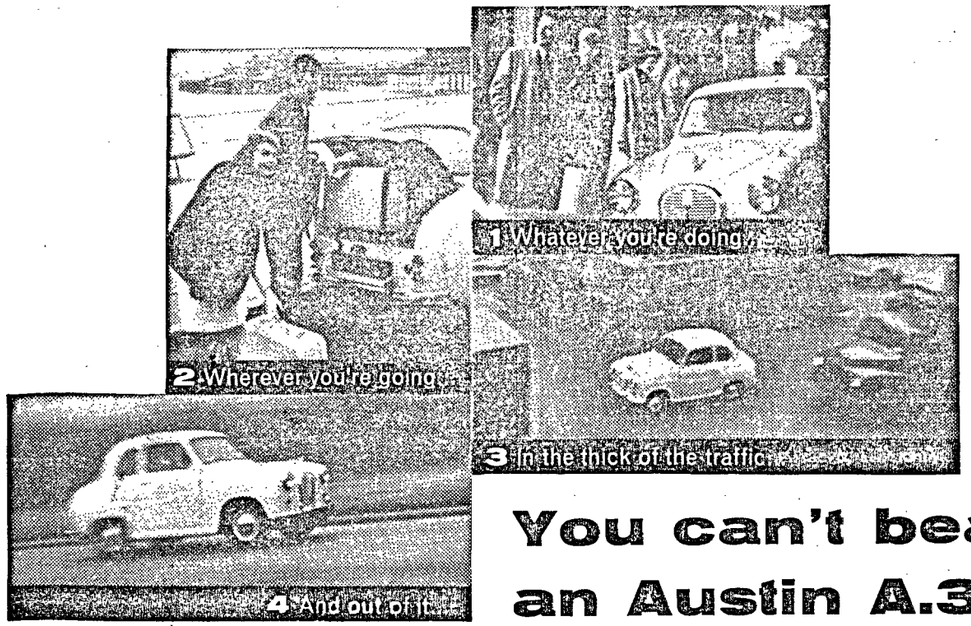
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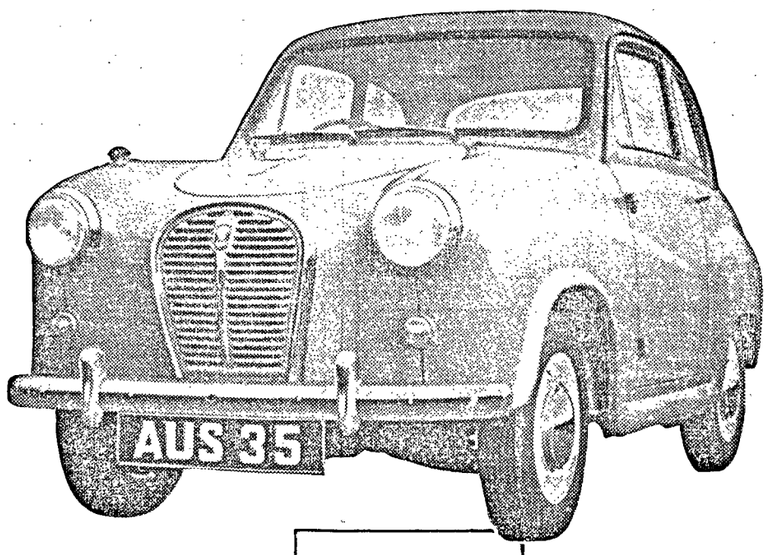
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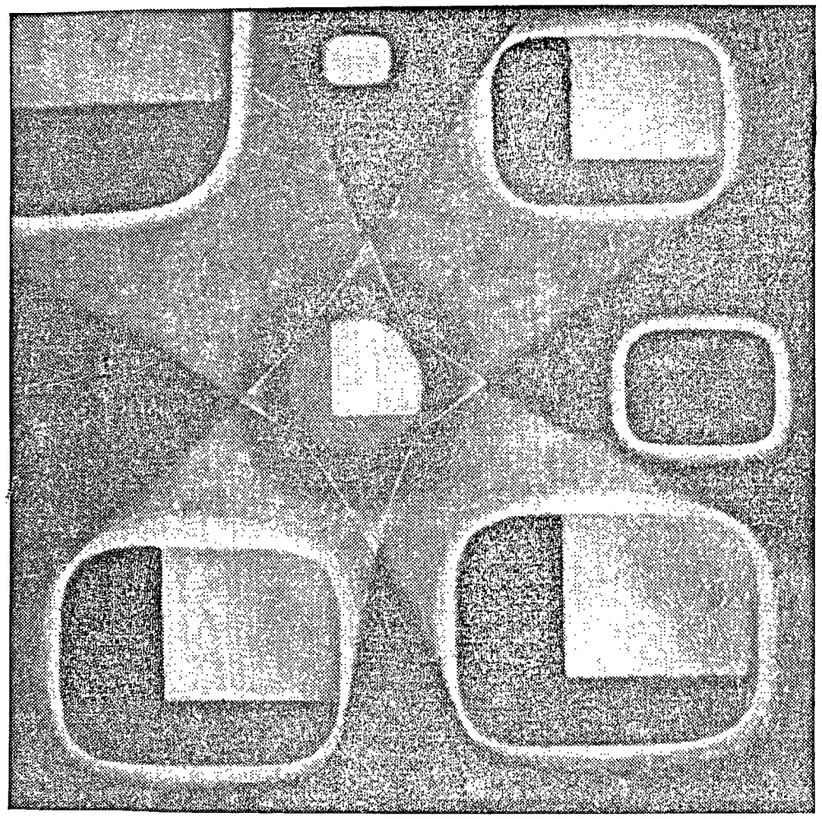
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The Economist

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Legislation for Freedom

THERE are two streams of thought which influence current criticism, or probing, of British trade unions. They need to be very sharply differentiated. The first is what might be called the stream of resentment occasioned by the unions' economic successes in an inflationary age. The organised workers of this country have got a much larger share of rising national purchasing power than the unorganised in the last twenty years; this, complain the spokesmen of this first school, is most unfair, and something ought to be done to help the unorganised to redress the balance. With those who believe that legislation should or could be invoked to satisfy this sort of complaint, *The Economist*, in the series of three articles which we conclude this week, has shown and will show no sympathy.

There is indeed a problem in the fact that the unremitting annual cycle of trade union wage demands has caused a redistribution of income of a sort that no government originally intended: the wage-inspired, as distinct from the tax-inspired, redistribution of income has been much more at the expense of the retired than of the rich. There is also a pressing national problem of preventing these wage demands from saddling the country with recurring economic crises and chronic inflation —as there is a problem in preventing income demands by anybody else from doing so. But these are problems to be tackled, not by discriminatory changes in the law against trade unions, but by non-discriminatory application of sounder economic and administrative policies. It is to them that the report of the Cohen Council, which was published just as we went to press and is briefly discussed on page 647, attracts attention.

The second stream of criticism against the unions is quite different. It is concerned not with their successful use of power, but with their abuse of it. In part, the trouble here lies in their restrictive practices. It is odd that mid-twentieth century Britain should still accord special legal privileges to what are not merely unproductive, but often actively anti-productive, organisations. Probably legal reform on this crucial score lies some way off. Where new legislation is plainly needed already, however, is in that other abuse of union power which is committed by local potentates within the unions against an increasing number of people inside, or on the fringes of, their own membership. What many will regard as the latest example is reported by our special correspondent from Birmingham on page 651 of this issue. These doings have now become a standing national scandal. Everybody with any direct individual experience knows that a process of personal victimisation and private aggrandisement goes on, and that it is growing. Everybody—including every Labour and Tory MP—knows that he cannot really approve of it. But everybody also knows why Parliament takes no legislative action. It is because legislative action is deemed to be politically too awkward.

The stage has now been reached when that awkardness has got to be overridden. Indeed, if next year is assumed to be possibly the Conserva-

tives' last year of power for a quinquennium, next year might be the essential year in which to take the first steps. The following article, which carries the conclusions of our series, is concerned with discussing, and then making specific recommendations about, how this might be done.

A Code for Trade Unions

LAST week's article ended by mentioning, but not advocating, three possible steps towards defending individual freedom from abuse by trade unions. These were : to set up a royal commission ; to ban the closed shop ; or to bring in legislation to guide a codification of the unions' own rules. Of these three suggestions, a wide-ranging royal commission to look into general trade union law would not be likely to be very effective. The commission would have to be composed partly of trade unionists and partly of people who would be regarded by Labour as anti-trade unionists ; it would no doubt spend a long time deliberating, and would then split up—with the trade union members writing a pre-determined minority report, formally denying any criticism of present-day trade unionism put forward by the others. Whichever government was in power when the report was published would then have a great temptation to leave the whole problem on the shelf.

At first sight, the second suggestion—a statutory ban on the closed shop—is more appealing. It has recently been put into effect in several states of America. But it would cause the bitterest sort of fight here, and—although this is no complete argument of principle against it—it would be better to try other things first. Moreover, reformers should be careful to get their aim straight. Freedom not to join a trade union, which is the freedom forbidden by a closed shop, means two very different things. First, it may mean freedom not to pay union dues, while obtaining the benefits gained by union bargaining ; union leaders get very annoyed at suggestions that this free ride is a basic human right, and other people need not feel obliged to go to the stake in arguing with them about this. Secondly, however, freedom not to join a trade union may mean freedom not to have one's working habits (and one's opportunities for earning money—and producing goods) restricted by rules with which one may not agree—particularly when the rules can be interpreted in such a way that they spell subjection to a bullying local tyranny.

PROTECTION against local bullying is the most immediately important aim. It should also, as it happens, be legislatively the easiest to secure. For there are the beginnings of a charter here in the case of *Huntley v. Thornton and Others* (1957). To recall the facts briefly. Mr Huntley was an engineer who had annoyed the Hartlepool district committee of his union by not joining a strike, and when he was summoned before that committee he called its members (impolitely but perhaps not inaccurately) a "shower." The indignant Hartlepool committee asked the central executive council of the union to expel Mr Huntley ; the executive council very sensibly refused ; the Hartlepool officials, by the usual method of sendings to Coventry and threats of strikes against employer after employer, nevertheless got Mr Huntley hounded out of all available jobs near his home—and later in neighbouring Stockton as well. Mr Huntley initiated an action for damages and for an injunction for civil conspiracy against individual members of the Hartlepool district committee. He won his case, and got £500 damages from them ; he did not, incidentally, get damages from the shop stewards at Stockton, who had taken action to get him sacked because they were asked to by the Hartlepool people and not because they themselves had any personal scores to settle with him.

Mr Huntley's action, so far as it went, succeeded. But a consideration of the circumstances in which his action would have failed shows the first change that is needed in the law. His claim for damages against members of the Hartlepool committee would have failed if they had been able to show either (a) that their predominant motive was to defend their own trade interests (a plea which failed largely, but not wholly, because the executive council itself had said that it was unnecessary to uphold the prestige of the union by expelling Mr Huntley) ; or (b) that they were acting in furtherance of a trade dispute (a plea which failed because there was no dispute in being when they got Mr Huntley sacked, but merely a desire for revenge). Obviously, many local acts of victimisation could still be successfully defended against claims for damages on one of these pleas.

What is needed now, quite frankly, is to take away most of these opportunities for a successful defence. Under a reformed law, all future Huntley-type claims against local officials' victimisation—whether of the Hartlepool or the Stockton sort—should be effective, except where the local officials could show that they were acting on their own head office's behalf: that the man concerned had been orthodoxly expelled by the central authority of his union. Apart from closed shop action following official and judicially-controlled union expulsion, anybody who takes steps to get a man sacked, when the employer does not want to sack him, should know that he will have no defence against actions for damages and conspiracy.

The next step for those who want to draw up a Companies Act for trade unionism should then be to examine the checks that can legitimately be imposed higher up. There are three obvious checks needed : checks to ensure that the elections of union officials (at every level) are conducted in a way that is always above suspicion and in accord with members' wishes ; checks upon the formal procedure to be used when union head offices do officially expel members ; and (perhaps most difficult) the check that should be imposed by opening the door to greater competition for membership between unions, so that members who think that the local organisation of a union is acting merely in the local organisers' interests can vote with their feet by joining some other union instead.

Elections of Officials

THE great majority of trade unions already register their rules with the Chief Registrar of Friendly Societies. There are a few minor legal advantages—and no disadvantages—in doing so. If any Companies Act for trade unions is to work effectively, however, this registration would have to be made virtually universal. The easiest way to do this would be to enact that the main special legal privileges now accorded to trade unions—especially their freedom from being sued for actions in restraint of trade (and output)—should be enjoyed only by registered unions. The registrar's sanction of striking an offending union off his list would then be a very powerful one indeed.

Moreover, the registrar should certainly have the power to investigate cases where the management of local union affairs does not seem to be in accordance with what registered union rules would or could state ; and to threaten to de-register any union which, after investigation and request, does not bring a locally offending clique to order. He would, of course, be responsible to some department of state ; probably, although not certainly, it should be the Ministry of Labour. Questions would then be asked of the minister in Parliament when a case for investigation appeared to have arisen.

MORE generally, however, the registrar would be concerned, not with scrutiny of the activities of existing union officials, but with ensuring absolute honesty in the election of new ones. The two ramps that occur in the election of trade union officials are (a) the less frequent one of the direct fiddling of results by the clique presently in office, in favour of their friends ; and (b) the more frequent one of so arranging matters that only a minority of zealots or (from the union's point of view) properly "instructed" people turn up to vote. The first ramp could obviously be stopped by giving more power of scrutiny of the ballots to the registrar (armed with his new weapon to deregister offending unions). When a case calls out for inquiry—as the recent ETU election did, and as some elections of minor officials in other unions quite frequently do—the registrar should be called in to recount the votes.

To tackle the second problem would be harder. Every union operator knows that, by arranging that ballots should be put into the box personally at an inconvenient time, a union can ensure an under 10 per cent poll ; while, by getting ballot papers handed round at the work benches, it can usually ensure an over 50 per cent one. The ideal solution, perhaps, would be for the registrar to take over the role of returning officer directly ; if this were practicable, he should be charged to follow such rules as are likely to get the biggest possible ballot in each particular case. Alternatively, he could perhaps call for a new ballot whenever the total poll in a union-conducted election is below a certain percentage. In any event he should certainly refuse to accept registration of a union's rules unless those rules provide for electoral arrangements that are reasonably democratic. For one thing, candidates for office must, if they wish, be allowed to issue circulars explaining the policies for which they stand, and those they stand against ; rules that effectively forbid candidates to cast aspersions on the politics of "brothers" in office are a direct derogation from free speech.

Checks on Expulsion

IF the unions are still to be able to expel members for any offence other than the obviously punishable one of falling behind with their dues, and if the existence of the closed shop in so many industries means that expulsion is the same as deprivation of livelihood, then it is clear that powers of expulsion must be kept under close legislative watch. One essential, as already suggested, is that expulsion should have to be authorised by the central authority of a union, and should never be left as a weapon in the hands of some local Pooh Bah with a grudge. This rule might seem undemocratic—on the ground that local people know local conditions best—but it is a safeguard for the individual that has now been made indispensable as a result of local abuses of union rights and power. At the same time, those who take local action to hound an unexpelled union member out of his job should be laid wide open to legal action for damages and civil conspiracy against the individual.

Given this, rules for procedure in expelling members should probably be formalised, rather than fundamentally changed. At the moment an expelled member can sue his union in the courts for breach of contract if his expulsion has not been in accordance with the union's own rules, or if it has offended against the principles of natural justice. There is dispute about what natural justice means, but the general trend of legal decisions in this century seems to be fairly clear. To simplify, a union, with properly drawn-up rules,

can usually legitimately expel a member if he is doing something which is weakening its bargaining power or is in other ways harming its members' interests ; but it probably cannot expel him because he is doing something which is not hurting his fellow members in any way, but of which the union potentates themselves merely happen to disapprove. In addition, the courts have been more ready to regard expulsions as legitimate where the member concerned has been given every chance to redeem his so-called fault, and more inclined to regard peremptory expulsions as unjust.

If the law were codified so that these principles were made quite clear, the unions really would not have grounds for complaint. Indeed, a juster complaint would be that reform would not then go far enough. But, in any first Companies Act for trade unionism, it might be sensible to accept the above framework, while adding four other safeguards. First, a sentence of expulsion from a union should not become effective —and a man should not be hounded out of his job— until he has had the chance to run the full gamut of appeals procedure. Secondly, the registrar should demand that the procedure of any registered union for appeals against expulsion should include permission to appeal to some impartial tribunal—perhaps, though not certainly, the tribunal should usually be composed of retired or outside trade union officials. Thirdly, if the member wishes to appeal past this tribunal to the courts, his road there should be expedited (Proceedings would be quicker, and cheaper, if the Commercial Court of the Queen's Bench Division could hear these cases, instead of leaving them in the long queue for the High Court. And, as the state has given unions special legal privileges in their own right, would it be so very improper if it gave members suing them discriminatorily favourable treatment in access to the legal aid scheme ?). Fourthly, even if the court finds an expulsion to be legally correct, it might well be given discretion to say that the expulsion should not take effect if, on balance, the injury to the man concerned would seem to be very much greater than the collective injury to his fellows that would be caused by having to continue to accept him as a colleague. In this latter case, of course, no award of costs or damages against the union would lie.*

Competition Between Unions

If these reforms could be implemented—so that those fellow workers who play any part in driving a man out of a job before he has been judicially expelled from his union would know they were wide open to action for damages ; so that the elections of union leaders had all elements of rigging and electoral manipulation taken out of them ; and so that judicial checks were imposed upon peremptory expulsions that cause more individual misery than collective benefit —then a long step would have been taken towards restoring individual freedom in trade unions in Britain. But one major problem would remain.

A worker today often does not only suffer a deprivation of freedom by not being allowed to decide whether he will belong to a union or not. Generally, he also has no say in deciding which particular union he will join. The bitter hostility of the TUC to "poaching" and "breakaway unions" is sometimes understandable ; there have been some breakaway unions, of both left and right, whose origins and methods of management would stand up to independent scrutiny even less well than recent operations at Birmingham and Briggs. But, given facilities for such scrutiny, and a cleaned-up system of trade union law, active poaching by trade unions—which means active competition among them—would not be a bad thing. It would, as in all other fields of endeavour, be a very good one.

The question is, how to encourage it. A main requirement, of course, is for more courage by employers. Examples of the need for this abound. Two years ago a court said that butchers could carry their own meat out of Smithfield market, the porters' union said they couldn't, and they didn't ; this is a standing disgrace to the employing authorities concerned. Similarly, in recent demarcation disputes between unions in the shipyards, employers have traditionally stood aside in a posture of abject non-intervention. The TUC has lately taken it upon itself to adjudicate in these inter-union disputes. It is the worst body to do so. In disputes between two big unions, its tendency will always be to reach the compromise that seems most convenient, never to recommend the division of labour that would be most productive ; and, in disputes between a big and small union, to favour the big one.

The Government has in recent years been very ready, perhaps too ready, to bring courts of inquiry into action in wage disputes. It ought to be much more ready to set up courts of inquiry into demarcation and "poaching" disputes instead. Sometimes, the findings of these inquiries would be carried into effect through moral suasion. Sometimes, however, the registrar would be shown that one union on his books was deliberately and by industrial *force majeure* restricting the growth of another union on his books, to which he should owe an equal duty. If there is to be a healthy growth of new bodies in trade unionism, as substantial minorities of union members may from time to time wish, then the registrar should have some weapons to protect the little fellows from big brother oppression of this sort. The weapon of threatening to deregister a big offender —and thus remove from it the legal privileges of successive trade unions acts—should not be brandished incontinently. But, for cases where negotiations fail and patience is exhausted, it should be held in reserve.

This article has presented a layman's cockshy at a possible scheme of trade union law reform. Lawyers may object to parts of it as being legally untidy. Those who rightly champion individual liberty—and the urgent need to root out all restrictive practices—may well complain that it does not go far enough. The unions may stigmatise parts of it as discriminatory and unfair.

This last criticism, however, is one of which there is no reason to be afraid. Nor, certainly, need one accept any claim that such reforms would be a retreat into reaction. The nearest historical parallel to the unions' present estate is not, in progressive eyes, very respectable. The last instance of a powerful, decentralised, and in some areas locally irresponsible, vested interest —claiming certain privileges above the law, and considering itself answerable only to its own peers—was the French nobility under the *ancien régime*. If the trade union movement will not be responsible to anyone but its own members, and not very effectively to them, then it cannot have its privileges—freedom from legal action for restraint of trade, and so on. The better course, clearly, is to make trade unions responsible. This series of articles has been a contribution to suggesting how this could be done.

* Some, though not all, of these suggestions in this section would be acceptable to many Labour thinkers. See, for example, the very interesting Fabian Research Pamphlet No. 193, "Trade Unions and the Individual," by Cyril Grunfeld. 33 pages. 3s.

Untimely Cloud over India

The resignation of India's finance minister should draw attention to the damaging and dangerous consequences of the Mundhra affair

Just how large a hole has been blown in the economic and political prospects for India, and for all of free Asia, by the wretched Mundhra affair ? Clearly one cannot yet tot up all the damage ; events are still unfolding. On Tuesday Mr Haridas Mundhra, the lone-wolf Marwari business man whose speculative activities set off the whole chain reaction, was arrested and charged with forgery in respect of share certificates ; and the resigning finance minister, Mr T. T. Krishnamachari, made his personal statement. On Wednesday Mr Nehru was hard pressed in a sharp parliamentary debate. Now that Mr Justice Chagla's public inquiry is over and its findings published, battle is joined in earnest. Politicians of both the left and the right have acquired fresh ammunition ; indignant civil servants are in a mood to fight all comers ; there are hints of more revelations to come, some of which can be expected when Mr Mundhra appears in court. And if the Indian elephant, already stumbling as it thrusts through the jungle along its chosen track of democratic progress, is now seized with internal spasms, the smaller animals of Asia will once more compare its tribulations with the roars of triumph which are all they hear from the red dragon in Peking, and draw their own conclusions.

For the second time in two years, India has lost an able finance minister in unhappy circumstances. In 1956 Mr Deshmukh left because his Mahratta emotions were stirred by the controversy over linguistic state boundaries. Now a judicial inquiry has fixed upon Mr Krishnamachari the constitutional responsibility for improper use of public funds, and a reluctant prime minister has accepted his resignation. It is a serious loss. Throughout a difficult year and a half, "TTK" had carried a great part of the strain imposed by India's struggle for development. He introduced unpopular taxes and defended unpopular retrenchments. He contrived not quite to frighten the business men to death, not quite to lose ground to the doctrinaires whose pie-in-the-sky eloquence naturally has more popular appeal than the harsh reality of a planed-down Plan. He banged into other politicians' heads the fact that India needs the foreign investor. He induced America, and even western Germany, to come to the rescue of India's "socialist-pattern" programme.

A very large share of the same burden has been borne by the overworked men who head the civil service. None of them has been under more strain than Mr H. M. Patel, the principal secretary of the finance ministry, who has now been enmeshed in the Mundhra affair together with his minister. One deduction widely drawn from the facts brought out in the Chagla inquiry is that these top civil servants are wont to exercise more initiative than the general public realised. But, if that has been so in the past, it now seems unlikely to continue. Mr Patel's evidence was that his minister had approved the purchase by the state-controlled Life Insurance Corporation of a million pounds' worth of shares in the largely speculative Mundhra companies, the avowed purpose being to relieve a depressed stock market. Mr Krishnamachari denies having given any such explicit authority ; and the Chagla inquiry provided the unedifying spectacle of a clash of evidence between the minister and his chief permanent official.

Will India's senior civil servants from now on abjure initiative and responsibility in any important matter ? That is a sadly familiar pattern in many Asian and other countries where, because of a universal horror of responsibility, public administration is sickeningly sluggish. One doubts whether such procedures would meet the needs of the world's largest democracy in these years of urgency. And how long can the Indian

civil service retain its present quality if its best men, already so inadequate in numbers, must face this additional strain on their spirit ?

All in all, there is a formidable bill to be paid for Mundhra's million. Mr Nehru has once again had to take the finance portfolio temporarily into his already overfull hands, on the eve of a budget and at a time of severe economic strain. The ruling Congress party is spattered with the mud of scandal ; and if it tries to shake it off on to the civil servants, that will merely increase their resentment and reduce their value. The public has been made uneasy about the conduct of those in high places just when it had been brought to accept some painful belt-tightening on the strength of its faith in their integrity. And the problem of replacing Mr Krishnamachari may prove a baffling one.

What successor could snatch up the threads of his negotiations for further financial help in Washington and Bonn ? A more doctrinaire finance minister could very easily lose India its present prospects of foreign aid, and, indeed, panic foreign investors in general. A "sound" minister who lacked TTK's political skill, vigor and status could equally easily lose all grip on an impatient public opinion ; for public opinion has been led to expect near-miracles from the Plan, and has lately been squirming under the impact of new taxes, cuts in imports, and cutbacks in development projects. It would not seem easy either to bring Mr Deshmukh back or to call Mr S. K. Patil forward ; and who else could fill the bill ?

The prospect of an intensified foreign exchange crisis, a disenchanted public, a queasy Congress and a bruised and resentful civil service is a gloomy one indeed—and not only for India. A great part of the Asian world looks to India for proof that poverty can be successfully assailed without recourse to the communist techniques of slave labour, political dragooning, and the drowning out of sufferers' cries with fanfares of trumpets. And the democratic West needs a democratic Asia—just as Asia needs the West—if either is to survive in freedom.

MERCIFULLY, there is one substantial item on the credit side of the ledger. Even among Indians who have been fascinated by the Mundhra affair in much the same spirit as British newspaper readers relished the Parker and Lynskey tribunals, there has been justified pride in this evidence of the underlying integrity of their country's institutions. The pressure of a free parliament and press has led a senior minister to subject himself to a humiliating public inquiry. Mr Krishnamachari has not been accused of acting for personal profit ; he is merely held responsible for ill-advisedly and improperly permitting the use, for an arguably constructive purpose, of funds which by definition should have been deployed solely for the benefit of insurance policy holders. The Mundhra affair may be a blot in India's copybook ; but how many of India's neighbours could show a copybook clean enough for such a blot to be noticeable ?

Britons, in particular, are apt to pay India the stiff compliment of judging events there by higher standards than they apply to other newly independent countries. To point this out is not to condone laxity or impropriety. But it usually takes an exception to prove a rule ; one recalls how strong an impact on general opinion was made by Mr Dalton's relinquishment of the Exchequer in 1947. The damage done by this whole sorry affair to the cause of democratic progress in India and elsewhere should not be underestimated. But it should also be recorded that Indians and foreign observers alike have seen a classic example of how the fierce play of the searchlights of a free parliament, a free press, and a free judiciary can reveal what even the most powerful politician or official would prefer to hide. A high price has had to be paid ; bitterness will linger in the mouth as well as pride. But the respect for truth which is the bedrock of a free society can seldom be established without bitterness and tribulation. An episode that may do India grievous harm can also do it credit.

The Economist

FEBRUARY 20, 1858

REPULSIVE ARMY LIFE

The masterly Report on the Sanitary Condition of the Army has startled the public greatly. Nobody appears to have known that we were treating our soldiers in every respect much less justly as well as much less kindly than we treat paupers and criminals. . . . If ever there were an occupation that needed anxious precautionary measures to counteract its dangerous tendencies, physical and mental, it is that of a soldier in time of peace; and yet no class of the community has received treatment so disgracefully negligent and even cruel. In the first place, the soldier is of no immediate use,—he . . . has none of the interests of successful work. . . . Now we all know the depressing effect of robbing any man of the interest of his customary occupation. Idleness is only possible to those who are educated enough to be idle,—in other words, to those who have a great variety of small but pleasurably interesting occupations which fill up the intellect and demand attention. . . . How many men die simply because they have "retired from business" without having previously learnt the business of amusing themselves. . . . Now the uneducated soldier is almost always a man previously accustomed to constant daily work. He enters on an occupation where his days are but half-occupied. . . . The only resource is such coarse extraneous excitement as his means allow him. The excitement reacts and increases the ennui, which again increases the excitement. Both alike affect the health, and hence, at least in some measure, it happens that the infantry and Foot Guards, though men picked out for their health, die more than twice as rapidly as the ordinary agricultural labourers, and almost twice as rapidly as miners. A great deal might easily be done to prevent this result. Besides the ordinary sanitary measures, which are fearfully neglected, for making their homes attractive and comfortable, inducements to employ themselves in various ways might be presented to them. But the extraordinary facts of this Report reveal that the very opposite course is pursued.

Meet the Rebels

What kind of men form the two sides in the Algerian war, and what are their attitudes ? Our special correspondent just back from Tunisia and Algeria describes, in the first of two articles, the Algerian rebel movement.

A BLANK, anonymous door in a mean back street of Tunis conceals the nerve centre of the Algerian rebellion. One presses the bell, and the door opens by remote control, as do the doors of apartment houses in France. After scaling two flights of dingy stairs, the visitor is confronted by a resolute-looking young man, who asks him his purpose. Names are mentioned, credentials presented. One is ushered into the headquarters of the National Liberation Front (FLN).

The contrast between the humble and makeshift appointments of this building and the imposing ferro-concrete structure of the Ministry in Algiers, the headquarters of the French administration there, is glaring and perhaps symbolic. In Tunis, a handful of men are working in conditions that border on the primitive. The floors are bare, there are old tables in lieu of desks, unpainted wooden shelves along the walls, easy chairs and couches of respectable antiquity, but

whose condition would disqualify them for sale in the Portobello Road, and—incongruously—a crystal chandelier. In Algiers, the enormous mass of the Ministry dominates the bay, housing thousands of employees and quietly humming with administrative efficiency.

In the field, or rather in the rugged outback of the *bled*, the contrast repeats itself. On the French side, hundreds of thousands of troops, equipped with all sub-nuclear devices of destruction ; on the Algerian side, tens of thousands, well armed now, but with nothing beyond the calibre of bazookas or mortars. One is insidiously reminded of the little men in rubber shoes, with weapon-laden bicycles, trudging single file through the jungles of Vietnam, then winning the battle of Dien Bien Phu.

The value of the comparison, and of the symbolism, is descriptive. Neither should be pushed too far. Unlike the Viet Minh, the FLN does not enjoy the benefit of proximity to a friendly great power ready to arm and supply it. The French, on the other hand, are near their main base, instead of thousands of miles away in Indo-China. Moreover, they are fighting a war which millions of Frenchmen believe to be just, and in which, moreover, the future of the million "Frenchmen" who have never known a home outside Algeria is at stake. That a high proportion of these Algerian Frenchmen are of Spanish, Italian or other descent does not affect the issue, for just as Americans of German or Scandinavian extraction feel American, so do these people feel French.

SHORT of foreign intervention, a second Dien Bien Phu in Algeria seems impossible. Yet the French forces seem no closer to victory today than during any of the previous last quarters of an hour proclaimed by M. Lacoste, the French Minister for Algeria. Indeed, on a long-term view, the rebels have some undeniable advantages : an almost limitless supply of manpower, from Algeria's predominantly youthful population ; ready access to arms across Algeria's enormous frontiers ; the support of the Afro-Asian block, including financial aid from the oil-rich Arab countries ; the probability that world opinion is moving in their favour (how many months has the bombing of Sakiet Sidi Youssef been worth to the FLN ?) ; not least, the gradual financial exhaustion of the French state.

The spokesmen of the FLN are aware of these advantages, though they are disinclined, in their present mood, to attach much importance to the last two. Even the "moderates"—men like M. Ferhat Abbas, former deputy in the French Assembly—are disillusioned and bitter men. It is because they are disillusioned that they have joined the FLN ; some of them have believed in "assimilation," "integration," or some equival..t formula, but have now ceased to hope for anything from the French. This, in turn, has made them bitter, and their bitterness has been increased a hundredfold by the American credits granted to the Monnet mission.

President Bourguiba quoted to your correspondent this remark of one of the Algerian military leaders : "The Americans have done everything for the French. Now the only thing left is to send American soldiers." The bitterness extends in other directions and colours the entire thinking of reasonable men who have become desperate. "We have two special reasons to expect support from the British government," Ferhat Abbas told your correspondent in Montreux.

> One is that you British stood alone and saved France during the war ; this gives you a moral right to put pressure on the French. The other reason is that Britain has

freed its former colonies. Yet you continue to support France at the United Nations.

When France is under discussion, the bitterness knows no bounds. The principal spokesman of the FLN in Tunis began his "briefing" by recounting the story of the Emir Khaled, a descendant of Abdel Kader. A graduate of the French military academy of St. Cyr and a captain in the first world war, the Emir Khaled was demobilised in 1922. Politically minded, he proposed that Algeria should send three deputies to Paris. He was exiled to Syria with all his family. The conversation inevitably goes on to refer to the many French intellectuals who have condemned the policies of their governments and denounced the excesses of the repression. The spokesman—in his impeccable French—exclaims :

The intellectuals carry no weight. Worse, they provide an alibi for France. People read what they write and say : "This is the real France." Later, the historians will dig up their writings and the legend will be preserved for posterity.

To quote these words is not to agree with them. But without knowing the expressions these men use, one cannot begin to understand their attitude, or to realise why they now feel that negotiations with France are useless unless the French first concede the principle of Algerian independence. Yet these men are the "moderates," those who tell the visitor that they are western-minded, that they cannot do without French help, that their vision of the future is a north African federation linked with France.

THE views of the extremists, "les durs" as they are known—the military leaders, like Krim Belkacem or Ouamrane—are difficult to ascertain, for they refuse, at present, to see journalists. But the militant wing is not only, by definition, less accommodating than the moderates ; it is, unhappily, more durable also. The moderates are "Johnny come latelys"; the militants have the authority that springs from long service in the *maquis* and their prestige grows as the war lengthens.

Article 3 of the decisions taken by the FLN on August 20, 1956, lays down that the political wing of the movement has authority over the military. But this should not be read as meaning that the moderates are granted authority over the militants ; it means, specifically, that the FLN gives orders to the ALN (Army of National Liberation). In fact, both moderates and militants belong to the FLN's policy-making body, the Committee of Co-ordination and Execution, in which the militants hold a majority of five to four. This body has been meeting during the past few days in Cairo, but reports that it has transferred its headquarters there from Tunis appear to be premature.

Thus there is among the moderates a sense of insecurity which they scarcely attempt to hide—and indeed exploit in a subtle political blackmail directed at every western journalist. Both Mr Abbas and the men of Tunis spoke of the pressure from below in favour of accepting military aid from the communist countries. The argument takes this form :

We believe in a future Franco-Maghrebin community or federation and we need the West. That is why we have not accepted communist aid and why we don't buy arms of communist origin. But the West helps France and we are under pressure to accept communist aid. Sooner or later we may be forced to give in to this pressure. If this happens, don't make any mistake about it, we moderates will be swept aside.

This point of view seems to have passed into Algerian folklore. In Algiers, your correspondent was told by a non-FLN Moslem that he had heard villagers sing this ditty in Arabic:

Dârhâ bû-barnûs
W eddaha er-rûs

(approximately : The man with the burnous made the war, but the Russian will win it.)

Because the militants are so elusive it was not possible to form a personal impression of them. Those who know them well seem agreed that the dominant personality among them is Krim Belkacem, the chief of staff, both for his energy and his intelligence. It is usually thought that he and the better known Ben Bella (one of the leaders held by the French) will emerge as the leading men in the Algeria of tomorrow—if it is an independent Algeria.

The French lay great stress on the fact that the militants are all men wanted for common law crimes. Without entering into a discussion about the point at which a common law crime becomes a heroic deed of "resistance," one cannot for a moment overlook the ghastliness and ruthlessness of FLN methods. Blackmail, murder and mutilation have been used to gain the "support" of the population and eliminate "traitors," among whom are numbered all members of the smaller rival nationalist organisation, the National Algerian Movement (MNA) of the ageing leader Messali Hadj.

The anarchic violence and revolutionary fervour of the FLN are a source of anxiety to the Tunisians and Moroccans, whose path to independence was less arduous. As it stands, the FLN is a movement without a leader (not in itself a bad thing) and without a programme beyond victory. Common desperation has created unity, but the members of the executive committee have either not thought, or have failed to agree, about the kind of state they would like to create in place of the legal extension of France that they seek to destroy.

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NOTES OF THE WEEK

THE COHEN COUNCIL

Trumpet Voluntary

FEARS that the Council on Prices, Productivity and Incomes appointed last August might see itself as something approaching President Eisenhower's Council of Economic Advisers, rather than as a comparatively independent trumpeter for the Government's policy of wage restraint, were expressed in these columns when these three wise gentlemen issued a questionnaire upon rather a wide range of aspects of economic policy three and a half months ago. The substantial first report that Lord Cohen, Sir Harold Howitt and Sir Dennis Robertson signed and published this week does not completely allay those fears. The council has ignored few current issues of internal economic policy: it touches upon.

the demand inflation or cost inflation arguments ; the relevance of the supply of money in postwar inflation ; the general justification of the "September measures" and their particular effect upon investment plans ; the change in the world economic climate since last autumn ; how increases in direct and indirect taxation may be disinflationary or inflationary ; and the question whether when the time for reflation comes exports rather than home demand should be stimulated.

It has even found space (in an appendix) to meet the Harrod-Hawtrey arguments that the pound is undervalued. This does not leave a lot out.

It would be unfair to suggest that any of these matters are wholly irrelevant to the "changes in prices, productivity and the level of incomes" upon which the council was appointed to report from time to time ; fairer, perhaps, to say that its members have taken the whole postwar inflation as their subject, right up to the minute, and have felt themselves entitled to offer counsel upon all aspects of that inflation and of policies directed towards controlling it. Moreover, their counsel should not, for the moment, embarrass the Government : it provides indeed a more effectively argued justification of the policy of the last Chancellor of the Exchequer than he or its inheritor ever has done. The council dismisses the idea that to make the rise of prices a very slow one could be a sufficient economic objective ; concludes that "alike on internal and external grounds our objective should be to stop the inflation, not merely to moderate its course"; and toys approvingly with the argument that stability in prices is not enough, and that prices ought rather gently to fall—though without quite committing itself to that one. It is firmly against "premature reflation" ; and it is not impressed by "the most discouraging possible pictures" of the check to production that must follow from a continued damping down of demand. "We think it important to be candid about the fact that such a check is to be expected and tolerated, as indeed it was in 1956."

Upon the issue that was presumably in the Government's mind in appointing it, the council offers the required right advice. A rise in wage rates in the current year sufficient fully to offset last year's rise of 4.6 per cent in retail prices would be much bigger than the increase in productivity in 1955, 1956 or 1957 ; it would therefore be more than the country can afford. "We hope that if any wage increases are granted in 1958 they will be substantially below the average of the last few years."

THE BUDGET

With Least Offence

THE major point that emerged from Mr Amory's statement on next year's Government expenditure is, of course, that he himself has swung his axe by the least that he was politically obliged to do. He has fulfilled the Government's implied previous promise that expenditure next year will be "less than £50 million above this year's total estimates"—but with only £4 million to spare. He has done this by clawing in £24 million from an increase in health service insurance contributions, but it is an increase that has been imposed in what is politically the least offensive way. The Opposition on Tuesday sounded almost thwarted ; it had been settling down to roar its delighted anger at what it had expected would be heavier impositions on the sick or the children or the subsidised. For the first time for some months a British Chancellor was making a statement without feeling that he had to go out of his way still further to tighten the economy in order to impress the foreign speculators.

GOVERNMENT EXPENDITURES§
(£ million)

	Estimated expenditure 1957–58*	Estimated expenditure 1958–59	Increase or decrease
Social Services			
Education (including universities)	447	484	+37
Health Service	545	531	−14
National Insurance (including family allowances)	232	277	+45
National Assistance	139	137	− 2
Housing	79	82	+ 3
Defence	1,462	1,418	−44
Roads	68	81	+13
Other expenditure†	1,242	1,250	+ 8
Total†	4,214	4,260	+46

* Including supplementaries. † Excluding Post Office and Consolidated Fund charges. § Central Government expenditure only, excluding expenditure met by local authorities, or out of national insurance fund, or by patient's payments, etc.

This does not necessarily reflect a change in government policy ; to some extent, after last month's good gold figures, it may reflect a change in conditions. Moreover, the economies Mr Thorneycroft had already made in the estimates before his departure, by determined pruning, were not inconsiderable. The rise in the total estimates is less than the rise in prices, and probably therefore also less than the rise in revenue that is to be expected on the basis of present tax rates for 1958-59 ; the above-line surplus to which Mr Amory will look forward as he opens his budget might therefore well be higher than that to which Mr Thorneycroft originally thought he could look forward for this year. Indeed, if lending to the nationalised industries

is hived on to the market out of the below-line budget accounts—a gimmick which would make little difference to the real employment of resources, but which the Government is known to be considering—Tory backbenchers feel that Mr Amory might even be able to show a somewhat bogus budget surplus overall. The nascent attitude among them is hastily to assure the new Chancellor that they would not regard him as a traitor to Thorneycroftism should he, come budget day, feel inclined to give some of the surplus away.

THE SUMMIT

New Files for Old Problems

THERE was never much hope of Marshal Bulganin and President Eisenhower working out arrangements for a summit conference so long as their method of exchanging views was to bawl themselves hoarse from the rooftops of Moscow and Washington. Mr Eisenhower's letter to the Marshal this week, in which he pleads for a truce in the bombardment of letters and a return to "less formal and less publicised contacts," will earn a warm *amen* from spectators whose ears are still ringing. This long series of Notes and personal messages, all written for public consumption with an eye on the nearest debating point, is about as efficient a way of conducting diplomacy as a Sunday afternoon at Hyde Park Corner. Even the President's latest letter, though it makes some worth-while points, spends more than three-quarters of its length in regretting that Russians know so little about life in the United States and in tidying up some Soviet misconceptions about American views on outer space and the United Nations veto. Since Marshal Bulganin has already accepted the idea of preliminary discussions about a summit conference, it may now be possible to get down to the duller but more relevant points immediately at issue: who is going to talk about what, and where, if and when the summit is ever reached.

However, simply to transfer the discussions from the rooftop to the quiet of the library is no guarantee that they will make progress. Such normally routine problems as agenda and representation are here studded with booby-traps. Marshal Bulganin's last Note made it plain that the Russians do not want Mr Dulles to take part in the preliminary talks. Although the President does not insist on the preliminaries being held at foreign ministers' level (thus leaving the French, whose Note went to Moscow shortly before, isolated on their pinnacle of defiance about this point) he is adamant that Mr Dulles must take part in them, presumably disguised in attaché's clothing if necessary.

Nor is there any sign that either side has come an inch nearer to accepting the other's agenda. Perhaps, if any progress is to be made, both sides will have to change the mental filing systems in which all these problems have lain gathering dust for so many years. A mention of the word "Germany" is enough to send both American and Soviet hands groping into pigeon-holes, the one to pull out a plan for immediate unification through free elections, the other to counter it with a demand for permanent acceptance of the Ulbricht regime and the withdrawal of all foreign troops from Europe. By contrast, the concept of a limited disengagement in central Europe, which might conceivably be worked out in conjunction with the Rapacki proposals, has the advantage that being nobody's ideal plan it is also nobody's ultimate nightmare. Such a compromise, if it could be combined with the preservation of enough bases in the rest of Europe to satisfy the West's necessary safety requirements, would also offer at least some hope of a political amelioration in the eastern countries. Is it not worth a little labour in Washington's filing cabinets?

KOREA

Thaw in Midwinter?

AN unseasonable gleam of light has broken across the wintry Korean landscape, long frozen solid into its political divisions under the international ice. The Chinese government's decision to withdraw all its remaining troops from North Korea is the first major improvement for several years in a situation which, as the terms of the armistice were broken first in the north and then in the south, seemed to be growing gradually bleaker. In Arctic conditions, however, it is notoriously difficult to be sure whether a glow on the horizon means the return of the sun or just a display of northern lights.

The Chinese can be congratulated, without any reservations, on their withdrawal. The West ought to feel nothing but pleasure at the sight of the troops of a great communist power marching out of the territory of a small neighbour. It would have cause to be happy if Mr Chou's action in northern Korea were to be imitated by Mr Khrushchev in east Germany. However, it is not yet safe to conclude that the comparatively few American troops still in Korea can imitate the Chinese and sail away as the Soviet Government has lost no time in urging them to do. It might be that if the Americans still had bases for ground forces in Japan, as they had in 1950, they might be willing to fall back to those. But their army has evacuated Japan; its nearest base is 500 miles away on Okinawa, and a renewed outbreak of fighting between north and south Koreans, with the Chinese next door on the Yalu, would then catch the Americans at a serious disadvantage. Besides, President Rhee has never formerly retracted his threat to march north and "finish the war." If the restraining presence of the Americans were removed, and if he regained control over his army's petrol and ammunition supplies, the risks of an outbreak might increase.

In brief, Korea is not Germany. In Germany there are reasons to hope that a military pulling-back by both sides would lead to a political softening in the communist zone. In Korea there must be some permanent solution to the political problem before the military dangers disappear. For this reason it is worth the West's while at least to consider the communist proposal made earlier this month of an all-Korean election supervised by observers from neutral countries. This offer still falls well short of the demands of the South Koreans, who want the election to be held under their own constitutional law and to be supervised by the United Nations. But it is a considerable advance on the old communist suggestions of "collaboration" on some ill-defined confederate basis between the two halves of the country. If the supervisory commission were genuinely neutral—India, Poland and Sweden might fit the bill—and if it could move about the country freely, it is difficult to believe that the north's fifth of the population could return a communist government or even a very large block of communist deputies. So long as the two halves of the country stay divided, glaring at each other with throat-slitting gestures, the hopes of a lasting peace remain dim.

AFTER ROCHDALE

The Tories . . .

THE most significant thing about the Rochdale election is that the politicians and the general public have regarded it as so significant of the Government's decline. In this they may not get full agreement from that traditionally cautious animal, the professional electoral statistician. Even before Rochdale, Liberal candidates had lately been attracting about 20 per cent of the poll at by-elections, most of it from the Conservatives; in a by-election where the Liberal plainly had a better chance than the Tory of beating Labour, it was always possible that a polarisation of the anti-Labour vote to the stronger alternative candidate might double the Liberals' customary proportion. The precedents abound. A similar polarisation of the anti-Labour to the Tories, in the vast majority of constituencies where they have seemed to have the better chance of winning, has, after all, caused most of the Liberals' own woes in the last thirteen years; and, to take a significant example from the other side, in North Cornwall in 1955 the swing of Labour votes to Liberal (in order to try to keep the rascal Tories out) was much bigger than the real swing from Labour in the country. So Rochdale, says the statistician cautiously, may not necessarily indicate a major increase in the admittedly large dissatisfaction of the British voter with his Government. But the politicians and the public are reading the bold headlines, not the cautious precedents; they are reacting as if the Rochdale swing is very important, and this by itself may make it more important indeed.

For the Conservatives' immediate reaction has been that they must now resolutely fight the Liberals, in order to "teach them a lesson." In so far as this means that they may now enter candidates in the four constituencies where Liberal MPs have hitherto had a clear run against Labour, it is of relatively marginal significance (except for the Liberals); such tactics would certainly give Bolton West to Labour, and would probably make Montgomery, Cardigan and Huddersfield West into anybody's fight. Much more important, however, could be the disastrous effect for the Conservatives if they now proceed to spread the impression in the country that they are fighting liberalism, instead of trying to pinch liberalism's clothes. A Tory party that was regarded as really being Tory would invite another 1945. Lord Hailsham last weekend did in fact attempt to distinguish between liberalism, which he claims his party now embodies, and the Grimond Liberals against whom he was sounding the assault; but the danger for him is that some of his supporters, and many of his potential opponents, may not have been listening—and may think that the Tory declaration of war on liberalism should be taken at its word.

. . . the Liberals

THE Liberals' reaction to Rochdale has, of course, been to revive their itch to present more electoral candidates all across the country. In the growing minority of constituencies which they have some chance of winning, this

Rapacki Plan

A POLISH memorandum delivered to nine foreign envoys in Warsaw on February 14th contains the most detailed version so far of the proposal for a zone free of nuclear weapons in central Europe. Since this proposal—the Rapacki Plan, as it is called after the Polish foreign minister—may be at the centre of international discussion for some time to come, its main features are summarised here.

1. **Area:** the zone is to cover the territories of Germany (west and east), Poland and Czechoslovakia.

2. **Obligations:** (*a*) the four states in the area bind themselves not to produce or import nuclear weapons of any kind or to allow the stationing of such weapons, or of any equipment to service them, on their territories.

(*b*) the four powers (France, Britain, the United States and the Soviet Union) undertake not to maintain nuclear weapons in the armaments of their forces stationed in the area; not to keep there any installations designed for servicing nuclear weapons, including missile launching equipment; not to transfer such weapons or equipment to governments or other bodies there.

(*c*) other states having forces stationed in the area (i.e., Canada, Belgium and Holland) undertake the same obligations.

(*d*) all states possessing nuclear weapons pledge themselves not to use them against any target in the zone.

3. **Control:** an effective system could include both aerial and ground inspection. Staffs of control posts could be given sufficient powers to carry out the job of inspection. In drafting the system the various proposals suggested in disarmament negotiations could be applied whenever suitable. The machinery of control would be run and supervised by representatives of the Nato and Warsaw Treaty powers as well as of other states if desired.

4. The **provisions** of an agreement could be embodied, at will, either in an international convention or in a series of unilateral declarations. (The second method would make it possible to dodge the issue of recognition of east Berlin.)

The memorandum ends with a plea to the addressees to start negotiations to elaborate the plan in detail, and with the assertion that the Polish government "has reasons to state" that acceptance of such a plan "will facilitate the reaching of an agreement relating to an adequate reduction of conventional armaments and of foreign armed forces stationed on the territory of the states included in the zone."

Mr Gomulka told the special correspondent of *The Times* last weekend that the Rapacki plan had originated with the Poles, although (as no one doubts) it was made public only after consultations with other members of the Soviet block. At a press conference in Moscow on Wednesday the Soviet Government once again declared its backing for the plan. The Polish proposal was first mentioned in the United Nations General Assembly in October, 1957, and was repeated, through diplomatic channels, in December. The new memorandum provides a fuller version.

From the western point of view the chief objection remains that the elimination of all nuclear weapons from this area (and not merely a pledge not to set up missile bases) will jeopardise Nato's defence plans in Europe without any compensating political gain; and that it will leave Soviet conventional troops with an advantage. But the suggestion in the memorandum that the plan might lead to a reduction of foreign forces in the area may be worth further inquiry and might form the basis of a counter-proposal. The Rapacki Plan is presented as a basis for discussion, not as a completely drafted agreement.

revival of activity is very welcome. Few backbench members of Parliament can be of such usefulness to the country, and to their constituents, as a small band of Liberal MPs under present conditions. It so happens that, in the week after Rochdale, the death of a ninety-one year old peer, and the consequent ennoblement of his son who is a Tory MP in rural Devon, has opened a contest in one of the constituencies where the Liberals do have an outside chance of adding to this small band; there will be great interest in the effect of their participation in the coming by-election at Torrington.

In the greater number of constituencies which they have no chance of winning, the Liberals have of course a perfect right to put up candidates. But a word of caution can legitimately be entered here by their friends—a word, let it be hastily said, that has nothing to do with the probability that their intervention will annoy the Tories. Liberals are most useful to the country when they are trying to spread liberalism; they are least useful when they are merely scrambling for votes, and forgetting some of their principles in the process. Lord Hailsham had a purple passage:

> Today the Liberal has a number of inconsistent policies, tailor-made to suit every constituency. He wants . . . to be all things to all men. An independent Liberal is for free trade in Huddersfield, protectionist in Lancashire and the agricultural areas, for Suez in Carmarthen when it is wooing Conservative votes, against Suez whenever it thinks a few votes are to be gained by attack; against higher taxation in the House of Lords, against unpopular cuts in the House of Commons.

Precisely because they are bigger boys on the political scene now, Liberals must not mind being told by liberals that, at those times when they are sacrificing too much to electioneering, this particular quiverful of Lord Hailsham's shafts does strike fairly home.

. . . and the Privy Paw

ECHOING Milton, the Conservatives' main complaint about Liberal interventions is that, as a result of them, "the grim wolf with privy paw daily devours apace." But the Labour wolf has its troubles too. One of them is precisely that it is not devouring apace; for Labour, the only blight on the Rochdale result was that Mr McCann polled fewer votes than he did at the general election of 1955. If an early end to this Parliament were in sight, Labour might not be unduly worried about this. Although Mr Gaitskell has publicly urged his party to win the next election, not merely through Tory abstentions, but by gaining new Labour supporters, he would no doubt reconcile himself to reaching Downing Street in any way available. But unless there should be signs of a world slump—in which case the Tories might be eager to get out, but Labour perhaps a little less eager to get in—most people still expect that the general election will be delayed until towards the end of next year. That would give Mr Gaitskell another eighteen months in which he must prevent his own extremists from scaring dissident Tory voters right back under Lord Hailsham's wing.

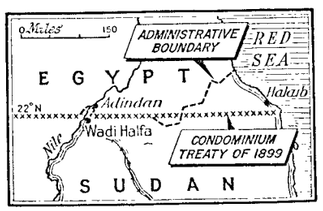
In this contest for becoming the less feared and disliked of the major parties the Tories have just acquired a useful ally in "Victory for Socialism," a left wing body which is being revitalised in order, as it thinks, to act as a ginger group on Mr Gaitskell's flank. The list of "Victory for Socialism's" chief sponsors is the familiar roll call of those Labour MPs who would still be called Bevanites if Mr Bevan had not become a non-Bevanite himself. There are already signs of an indignant reaction against this revival from the trade union wing of the Labour party. Probably, this reaction will be held within bounds; presumably the Labour leaders will exert themselves to avoid a split in their forces now that they feel they are so near to storming the citadel of power. In one respect, however, "Victory for Socialism" could prove a real embarrassment: a major plank in its platform is outright opposition to the H bomb, and a revival on his left of emotional pacifism and noisy neutralism could involve considerable personal awkwardness for Mr Gaitskell just now.

EGYPT AND SUDAN

Nasser's Southern Frontier

LEAVING aside earlier Turkish rulings on the southern frontier of Egypt, the only frontier that has treaty authority is the line of the twenty-second parallel, specified in the Condominium Agreement of 1899 between Britain and Egypt. The Governor General of the Sudan altered this frontier by decree in 1902 for reasons of administrative convenience. This arrangement was possible because Egypt had a degree of sovereignty, complete in its own territory and jointly with Britain in the Sudan, over the entire region; and it was easy to make because Britain was at the time the effective power in both countries. For 51 years the administrative line was unquestioned as the *de facto* frontier, to some extent because Egypt claimed the whole Sudan. In 1953, however, Egypt reached agreement with Britain to allow the Sudan the right of self-determination within existing frontiers, and until three weeks ago this was assumed to mean the entire area administered from Khartoum. Moreover, the international commission, of which two Egyptians were members, subsequently included the disputed areas in the first Sudanese elections and President Nasser did not include them in any Egyptian election or plebiscite.

President Nasser is now claiming the 1899 frontier, which would mean the restoration to Egypt of a triangle of land extending roughly to the twenty-first parallel on the Red Sea shore and a small section of the Nile and its banks contained within a loop north of Wadi Halfa. It is evident that the 1899 Condominium Agreement gives him a legal basis on which to put a case.



The manner of President Nasser's challenge is another matter. He no doubt argues that if the referendum on the presidency of the United Arab Republic is not held in the disputed territory and the Sudan elections are, he has given further tacit consent to the administrative frontier; but any legal rights he may have could have been preserved more pacifically. His brusque method of sending his agents and police to Halaib on the Red Sea coast gives rise to suspicions either that he is now temperamentally accustomed to the dictatorial method of behaviour, or that he desires to disturb the Sudan during its critical election period. Whatever the reason, it is certain that his rough behaviour towards the Sudan will not win him the credit with the Arabs that he has often got by similar manners towards "the wicked imperialists"; and in the Sudan it will do him and Egypt much harm. The Sudan has lodged a complaint with the Security Council and even if he wins his frontier, he will lose by his behaviour. It is, for example, hardly likely to win Sudanese co-operation over the Nile waters, which is much more vital to Egypt than these two pieces of land.

INDONESIA

Advance and Be Recognised

AFTER marking time on its banks for a fortnight, Indonesia's rebel colonels have now crossed the Rubicon. Their proclamation last weekend of a rival government, located in central Sumatra but claiming to represent the

The Strike at Birmingham

Our special correspondent who has been visiting Birmingham reports:

LAST week, 45,000 people at the plants of the British Motor Corporation were put out of work because engineering shop stewards in a single manufacturing block in Birmingham objected to three men from another union repairing their machines. Such sudden and costly strikes are nothing new at the corporation's works; recently there were seven going on simultaneously, and sectional demands for pay increases are made at the rate of about one a week. But this latest stoppage was not for pay; it was the climax of a long series of attempts by local dignitaries of the Amalgamated Engineering Union, the National Union of Vehicle Builders and others to put pressure on some of their fellow workers.

The story goes back to the autumn of 1956 when, during the strike over redundancy at BMC, only half the engineers stopped work. When work was resumed, reprisals were taken against, and fines and sentences of expulsion imposed upon, some of those who had not supported the strike. There does not seem to have been an effective mechanism of appeals against these decisions: the complaint made to your correspondent was that some appeals were referred back to the same local committees as decided on the punishment in the first place.

Some workmen did not like this sort of pressure and a few had the courage to set up a union of their own, the National Association of Toolmakers—generally known as "Nats." The members of Nats are skilled men, earning around £18 a week, £1 a week more than the factory piecework average. Nats made a slow start, since by this time the established unions were (quite justifiably) stepping up their recruiting campaign and importing speakers to address meetings. But as it became clear that the Amalgamated Engineering Union was watering down its craft standards in its drive for membership (girl canteen workers are the latest addition), more and more skilled men began to leave. By this month, membership was between 600 and 700; and, among toolmakers at BMC, just over half were Nats.

Until last week, members of unofficial and official unions were working together quite happily. But some workers in the transmission works, which is a closed shop, were then said to have decided that the toolmakers' action might impair union "solidarity." The corporation's stocks are kept low for reasons of economy—and also to stop widespread pilfering—so there was some prospect that a small group in the transmission department could hold the whole corporation to ransom. When the toolmakers were sent to repair the machines, a strike was called.

Most of the men at the factory did not know what the strike was for; according to those to whom your correspondent talked, 95 per cent did not want to stop. Even if this is an exaggeration, it is clear that many workers did not want action to be taken. Since they got neither work pay nor strike pay, but just hung around their machines for three days because of a rumour that anyone who stayed away would be sacked by the management, this was understandable. On Monday, although nothing had been achieved except a shop stewards demonstration, the men went back on the same terms as before. "But I shouldn't think it will be for long," said one family man bitterly. "The work is there, and we are not allowed to do it."

Who stops them? The answer is always the same, the shop stewards. Strike decisions are taken at their meetings but by no means all workers are told when and where these take place. Decisions are generally unanimous; those who are not in favour fear they might have their names taken and feel that this might jeopardise their chances of holding on to a job. Because of this, the more cautious men now do not want to go to meetings even if they could. Five to seven per cent attendance by members is normal; exceptionally, it reaches 12 per cent.

The local financial arrangements include independent shop funds, upon which shop stewards are able to draw to compensate themselves for not working full time (indeed sometimes much less than half time). Into them flows money from sales of tickets for football lotteries, raffled pay packets and some other payments. Moreover, the shop stewards want the principle to be accepted that they should get favourable treatment in the event of redundancy; the management is not yet willing to give it to them.

Who controls these stewards? Not their fellow workmen, who try to mind their own business as much as possible. Not the management, who presumably feel they dare not support those who oppose the shop stewards when strikes cost them £500,000 a day, and who would be accused of victimisation if they sacked the trouble makers. Certainly not the district union officials who as often as not are told about a strike only after it has started. If they are told, their official policy is often to urge the men to return to work; but they dislike doing this because a shop steward can then threaten to take his men into a competitive union. Thus officials try to be "out" or "away at a meeting" so as not to have to say anything at all.

Yet someone will have to act soon to remedy a state of affairs that must make any casual visitor blazingly angry. The management, who are not known locally as particularly tactful employers, is thinking of starting a works paper to keep men informed about what is going on in the factories. That this has not been done already is one of several facts that seems to indicate a strange lack of interest in labour relations, with consequent understaffing in the personnel division. But the main move to remove the restrictions on individual liberty now operating in Birmingham must come either from the executives of the unions themselves—or, if they will take no action, from Parliament.

whole country, was the only course left to them—apart from an embarrassing retreat—once Dr Djuanda's cabinet in Jakarta had rejected their repeated invitations to resign. However, it is not the solution they would have preferred, and their long hesitation in taking the final step is probably explained by their lingering hopes that the Djuanda administration would yield to pressure before it became unavoidable. A good many people in Indonesia, who have little enthusiasm for either the efficiency or the political leanings of the Jakarta government, will be dismayed at what looks like the beginning of national disintegration. The rebels' task is now to put some substance into their claim to represent the whole country. The northern parts of Celebes have declared for them, and the armed forces in the northern and southern extremities of Sumatra itself have announced that they will not help Dr Djuanda to put the rebellion down. The colonels' strongest weapon lies in the concentration of economic resources in the outer islands. If they can persuade the men who control these to withhold their benefits from Java—not least the revenues of the south Sumatran oil—the Jakarta government may be forced to give way before either fighting breaks out or the country is ruptured beyond repair.

A difficult decision also faces the governments of the western powers. They will be asked to give diplomatic recognition to the rebels, even if only *de facto* recognition for the areas they actually hold. The ghosts of the old Chinese warlords and the memories of colonels' *coups* in Latin America must be haunting the chancelleries of the West. In fact, the rebels have on their side, in men like Dr Sumitro and Dr Sjafruddin, some of the most competent economists in Indonesia, and they could doubtless give the country a more efficient government than Dr Djuanda's as well as one far less vulnerable to communist influence.

But the essential thing is to prevent an Indonesian quarrel from degenerating into an international one. If, by encouraging the rebels, the West also stimulated the communist powers to aid the Jakarta regime—if Russian technicians and Chinese "volunteers" in Migs landed in Java—the thing that both the West and the rebels want to avoid would have come to pass. There would be little joy in having a friendly government in Sumatra and the outer islands if Java, with its vast and already red-tinted population, were transformed into a core of disaffection and a centre of Chinese communist influence in the south Pacific. It will be best not to hurry with recognition.

LIFE PEERS

Labour's Dilemma

THE Life Peerages Bill got a lukewarm reception in the House of Commons last week. The Labour party voted against it and a number of Tory backbenchers looked down their noses at it. These attitudes, however, are less important than the action which will now be taken by the Labour party. Two questions arise: will Mr Gaitskell agree to nominate Labour life peers, and will he, if and when he becomes Prime Minister, bring in a more drastic scheme of reform? The answer to the second question is probably the more certain, for it seems inconceivable that the next Labour government will have time to worry about the Lords, except in the unlikely event of the Lords inviting destruction by opposing Labour's policies. The fact that there is a strong body of opinion in the Labour party which favours a single chamber Parliament—although he himself does not—makes it even more likely that Mr Gaitskell would shy as far away as he can from grappling with this problem, at any rate during his first four or five years in Downing Street.

What is not so clear is his attitude to the immediate life peerages scheme. Labour last week put down an amendment which was not unfairly labelled "hysterical," and there were a number of speeches to match. The amendment complained that the bill "leaves the House of Lords overwhelmingly hereditary in character and with unimpaired powers to frustrate and obstruct the will of the elected representatives of the people"; Mr Bevan called the whole life peers operation a "slimy trick." Admittedly, this amendment and this oratory were largely smoke-screens to obscure Labour's inability to agree on a policy of its own; but Mr Gaitskell will now look rather odd if, as soon as the bill becomes law, he decides that he can gracefully forget them and co-operate in naming the first batch of life peers. What, however, is his alternative? To stand by and watch Labour's already pitifully inadequate representation in the Lords erode further, as time takes its toll of the elderly Labour peers? Or to lay down an edict that his supporters must, in their socialist conscience bound, accept hereditary peerages only?

CENTRAL AFRICA

How Liberal a Rhodesia?

SIR ROY WELENSKY, the prime minister of the Federation of Rhodesia and Nyasaland, has good reason to feel that he has come well out of the events of the last few weeks. The defeat of Mr Todd, the ex-prime minister of Southern Rhodesia, has not caused a split of the federal party in Southern Rhodesia, a split which would have spread to Sir Roy's own supporters. The lobbying of the emissaries of the African Affairs Board in London has not led to the rejection of the federal franchise bill by the Commons; and on implementation of this bill turn all Sir Roy's plans to achieve a degree of African participation in government, which, without frightening his followers, will yet enable him to claim that he has fulfilled the charter of the federal bond. On the basis of this claim, he will plan his appeal for the grant of "higher status," if not independence, in 1960.

How liberal, in fact, do these events leave policy in Rhodesia? In Southern Rhodesia, Sir Patrick Fletcher, who engineered Mr Todd's downfall, has been rejected; he is out of the cabinet, but Mr Todd is still in it though not, as one would have wished, with the portfolio of native affairs, which would have best demonstrated to Africans that his policies go marching on. Mr Todd has, however, impressively demonstrated that he regards the unity of the federal party, and therefore the survival of Sir Roy's government, as being of supreme importance for the country—and for the Africans themselves. The new prime minister of Southern Rhodesia, Sir Edgar Whitehead, has shown that he is just as determined to heal the incipient split in the centre party, and to lead it, united and in a condition to fight, in the next elections.

If this is not the happiest possible outcome, it is probably the happiest that was to be expected in the hard practicalities of politics. But now the problem for Sir Roy and Sir Edgar is, with Mr Todd's help, to prove to Africans that they are not the losers. If this is not done, the story will nevertheless end unhappily ever after. They can begin to

solve the problem in two ways. First, they should not gloat over the failure of the African Affairs Board's plea to London—but uphold its dignity and propriety. Secondly, now that Sir Roy has his franchise bill, he should, poor thing that it is, ensure that he carries through its provisions with scrupulous fairness. Above all, he should do all he can to encourage Africans to register, and he should lean over backwards to apply the literacy test liberally. The white rulers of Rhodesia got no blank cheque in the House of Commons this week.

FRENCH NORTH AFRICA

Home Truths for France

IN the fortnight since the French bombing of the village of Sakiet on the Tunisian frontier, the barometer of Franco-Tunisian relations has veered a point or two—but only from stormy back towards unsettled. Both states have lodged complaints with the Security Council—Tunisia about French aggression and threats to its security, France about frontier violations by units helping the Algerian rebels from Tunisian soil. The Security Council has adjourned the matter, thanks to acceptance by both parties of Mr Hammarskjöld's proposal that American and British "good offices" shall be used to promote a settlement. The offer will be pointless if France remains determined to handle its quarrel with Tunis as an issue unconnected with its need for a settlement in Algeria. The two matters are indissolubly linked, and it is time its Nato allies pressed this truth home.

Unless they do so, Incidents must occur and North Africans who are at present still inclined to look westward for helpers and mediators are bound to turn into Titos, if not into Nassers. How else is one to read the omens of the fortnight? First there were the French garrisons in Tunisia besieged, French consulates ordered to close, Tunisian demands for French evacuation of Bizerta. Then came a sensible mellowing of the Tunisian attitude as a result of western sympathy, followed by a renewal of supplies to the garrisons and a hint that a Nato base at Bizerta might be acceptable. Next, the French government announces that its consulates must stay open, that Bizerta must remain a French port, and that, in battle in Algeria, it has captured "irrefutable evidence" of the use of Sakiet as a rebel base. It has also said that it will evacuate and mine a strip of dead-man's-land along the length of the Algero-Tunisian frontier. This procedure would have two merits: it would lessen the FLN's capacity to call on outside help; it would also explode the argument often advanced in Paris that Algeria, but for Tunisian aid, would have been subdued by now.

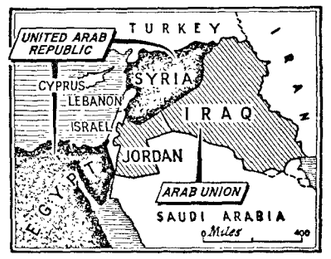
Nothing but trouble lies ahead if matters slither along in the gait they have assumed, which stems from France's false conception that Algeria can be conquered without losing the diplomatic battle in the rest of Africa.

ARAB UNION

A Second Merger

HARD on the heels of Egypt's and Syria's united republic, the kingdoms of Iraq and Jordan have federated into an Arab Union. The motive behind both moves is the same—a desire to capitalise the yearning of all Arabs for the fulfilment of a dream: the making of a single Arab state that will count in the world as Arabs have not counted since the Crusades. Hence the cheering crowds in all four capitals. Whether in the long run the two unions fuse, or whether they become rivals, depends only on themselves. The problem which the two unions create for King Saud is discussed on page 676.)

The outlook seemed bright enough when President Nasser sent King Feisal of Iraq a congratulatory telegram on a move which he called "a mere stage in the long struggle for total Arab unity," but since then semi-official Egyptian mouthpieces have switched from the lyrical to the critical and say the arrangement between Baghdad and Amman was made with the blessing not only of the west but of Israel. This classic way of damning an unwanted development will be swallowed by many gullible Arabs.



Yet it is nonsense; the western powers derive no benefit whatsoever from a division of the Arab world into two hostile camps in which they (as supporters of the Baghdad Pact) appear to back the less radical, and therefore the less popular. The best they can now hope for is a neutral Middle East that stops talking, patches its own internal quarrels, and gets on—whether in one group or two—with the developments that will increase the standard of living of its poorer inhabitants. The poorest, be it noted, inhabit both unions; they are the Arab refugees in Jordan and the peasant population of upper Egypt. Dazzled by the lights of Cairo, few Asian Arabs know this last hard fact.

The Unions Compared

IN their agreement to federate, King Hussein and King Feisal have clearly set out to show that they can equal the union of Syria and Egypt. The two units are alike in that each wishes to unify flags, foreign policies, armies, diplomatic representation abroad, customs and education. The real test, as far as the Arabs are concerned, is the extent to which these intentions are fulfilled, and to which the egotism of states and rulers is submerged in the movement towards unity.

The kings may well have the more difficult task, for although by temperament Damascus is the least biddable of the four capitals, the authoritarian arrangement made by Cairo is the more clear-cut of the two. The Baathist apostles of unity have submitted Syria to Egypt much more than Jordan has lost its identity in Iraq. Whereas President Nasser is all-powerful in the Republic, both monarchs are to retain their thrones in the Federation; and whereas Syria is to have only 25 per cent of the seats in a joint assembly nominated by President Nasser, Jordan is to have 50 per cent of the seats in the federal assembly—an unusual proportion, since Iraq not only has nearly four times Jordan's population but will be financing the union. Indeed, the opening paragraph of the agreement between King Hussein and King Feisal emphasises the continuing separateness of Iraq and Jordan and the second, with a backward glance no doubt at the Baghdad Pact, emphasises that only treaties and commit-

ments entered into *after* federation are binding on both countries. The very choice of the banner of the Arab Revolt of 1917 emphasises the old order rather than the new, whereas the Republic, with its Egyptian Revolution-Baathist background, is the essence of the new.

There is, in short, evidence that the conservative approach to unity will make it difficult for the kings and their governments to convince the Arab world that their union is real. Yet, if they seriously desire to make it so, there are factors very much on their side. The assets of the royal union are less dramatic, no doubt, but they are more practical: Iraq and Jordan have a common frontier, currency based on the same standard and the revenue from Iraqi oil. If these assets were used to real purpose, if, for example, Iraqi money were used to remove Jordan's dependence on American aid, the real value of their union would count considerably, by Arab standards, against the prestige of President Nasser as the man who cut the painter with western imperialism. Even so, the Arabs would expect Jordan to lose its identity altogether and Iraq to cut its other western ties by leaving the Baghdad Pact.

The problem belongs essentially to Iraq, Jordan having nothing to lose except a throne that it cares little about. Whichever way the decisions go, Iraq will have to shoulder the responsibility for them, and acquire in the process little credit for those that go right and much opprobrium for those that go wrong.

ROYAL NAVY

Agonising Reappraisal

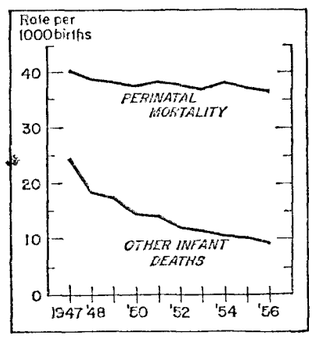
THIS week's naval reorganisation deserves a warm welcome. It will release 7,000 seamen now ashore for sea-going duties, return 13,000 civilians to productive industry, take 10,000 workmen abroad off the navy's payroll, and save £15 million a year from the naval budget. There has been an outcry in the axed dockyard towns, but the only real criticism is whether the knife has cut quickly enough or deeply enough. There may be a case for more generous severance pay for the unestablished dockyard workers; but there is none for the demands made by the trade unions that the reduced work should be spread. The object of a cut in Government expenditure is to release resources; the naval vote is not part of the country's social services.

The way in which the economies have been made seem broadly right: to cut whole dockyards and establishments right out, to amalgamate establishments doing allied types of research, to concentrate on the most up-to-date facilities and abandon those which would be expensive to modernise —all this irrespective of local social claims. Pruning all round would have been the worst way to dock the sea-dog's tail, and, despite political pressures, the navy seems to have avoided this. It is significant, however, what a small seagoing fleet is being maintained out of the Admiralty's £330 million a year: 4 aircraft carriers, 6 cruisers, 24 destroyers, and some 30 frigates, 39 submarines and a fringe of minor craft seem a small mouthful of teeth. The reason for this is not only the tremendous cost of modern ships, and the uncertainty of the navy's role even as redefined, but also the fact that the navy is in the throes of a technological revolution: nuclear propulsion, nuclear submarines, guided missile ships, and infinitely more complicated weapons are coming in as the era of visual firing passes out. The navy does well to skimp on new building until it can embody these new devices, but meanwhile, even as decked this week, the long tail on land continues to wag an absurdly small dog at sea.

INFANT MORTALITY

The Perinatal Risk

IT has long been realised that the spectacular drop in infant mortality since 1939 has occurred mainly among the older babies. So once the total infant mortality rate (that is, the deaths per 1,000 live births of all babies under a year old) fell to below 30, attention began to be concentrated on the deaths of babies in the first four weeks of life (the neonatal deaths), which were accounting for more than half of the total. Yet, since 1950—the year it first fell below 30—the infant mortality rate in England and Wales has fallen to 23.7 (in 1956), and it is still the drop in postnatal deaths (of babies aged 1-12 months) that is responsible for most of the improvement. The neonatal rate was 16.8 in 1956, compared with 18.5 in 1950. The postnatal rate, on the other hand, was only 6.8, compared with 11.1. The postnatal rate for all babies had thus fallen to below the prewar rate (8) for the Registrar-General's social class I—a measure of the astonishing levelling up of the standard of infant care, and of the standard of living in general, since the war. Closer attention to neonatal deaths, on the other hand, has shown, first, that they are mainly due to prematurity or to faulty development or to something going wrong at the birth or to a combination of these factors, all of which are less influenced by environment and the new drugs than are the infections, the main cause of postnatal deaths. Secondly, it has been realised that most of these neonatal deaths occur in the first week of life and should be grouped with stillbirths, which have also remained comparatively high and which have the same causes.



Thus, the phrase perinatal mortality has been coined to describe the combined death rate of babies born dead and those who die in the first week of life. The accompanying diagram shows how the perinatal rate (per 1,000 live and stillbirths) has fallen only a little in the last ten years, whereas once the first week has been safely passed, the death rate has been more than halved. A close study is therefore being made of perinatal deaths to see how many are preventable. Recently, the National Birthday Trust Fund announced that it is carrying out a nationwide inquiry, which will cover all births in the first week of March and all stillbirths and neonatal deaths in the three months March, April and May. It is an investigation that has not been undertaken before, at least for this purpose and on this scale, and it is to be hoped that the organisers will have the co-operation of all the mothers, doctors and midwives concerned. It is not often that form-filling can be regarded as potentially life-saving.

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LETTERS

The American Economy

SIR—Your New York correspondent in his piece entitled "Consumers Wait and See" in your issue of February 8th makes serious errors in describing the behaviour of American consumers and the effect of their behaviour upon the current recession in the United States.

It is not accurate to describe American consumers as "not buying." It is true that there has been a drop in the purchases of automobiles and durable consumer goods—a drastic drop in the purchases of cars in January. But smaller purchases of durables have been more than offset by larger purchases of non-durables. Retail sales of durables in January were 1.5 per cent below January, 1957, but sales of non-durables were 7.2 per cent more than a year ago. Total retail sales in January (adjusted for seasonal factors) were 4.2 per cent above January, 1957, when the country was threatened by inflation and when there was widespread belief that people were spending too much. Your New York correspondent made a bad guess when he said "the figures for January will show little, if any, change over 1957." Furthermore, January sales were only four-tenths of one per cent below the all-time high of last July.

Your New York correspondent misstated the facts when he said that "on a month to month comparison retail sales have been declining since August." Retail sales declined from July to November, but they increased in both December and January, and in January (after correction for seasonal factors) were higher than in any month since August. A remarkable fact about retail sales in January is that an increase of 0.7 per cent over December occurred in the face of the largest month-to-month increase in unemployment since the monthly labour force survey was started in 1941. Rising retail sales in the face of a big increase in unemployment does not look like lack of confidence on the part of consumers.

One final observation. The contraction in the United States is confined to a limited part of the economy—the production and sale of consumer durables, industrial equipment, and industrial building. These contracting parts of the economy are less than half as large, measured by expenditures, as the expanding parts—the service industries, residential building, and government purchases of goods and services. The concentrated and limited nature of the recession is indicated by the fact that 64 per cent of the drop in the non-agricultural employment of wage and salaried workers since August has occurred in the manufacture of durable goods, which accounts for less than one-fifth of all wage and salary employment outside of agriculture. In the three large fields of wholesale and retail trade, government, and services, which together provide more than three-fifths of all non-agricultural wage and salaried employment, the drop in employment between August and January was less than one-tenth of one per cent.—Yours faithfully,

SUMNER H. SLICHTER

Harvard University

Central Africa

SIR—Have not things come to a pretty pass when you advise Parliament to approve a bill—the Rhodesian franchise bill—which you yourself describe as "clearly a mean . . . measure"? All are ostensibly agreed that the prime issue in the Federation is better race relations. A mean measure will hardly help.

May I also quarrel with your two conclusions? You stress the need to liberalise and entrench the franchise. But this bypasses the fact that Africans have no use for paper entrenchments. You also argue that the African Affairs Board is not killed by two adverse rulings. In African eyes and in the existing context? This strikes me as an insensitively facile judgment.—Yours faithfully,

PETER CALVOCORESSI

Bletchley

East Africa

SIR—In your note entitled "Damning Mr Davidson" you have certainly very roundly damned the East African governments for exercising their right of refusing entry permits to individuals.

As one who was a minister of the Kenya government during the Mau Mau rebellion and very deeply concerned with security, perhaps you will allow me to give the other side to this question. In doing so I am only interested in the principle and not the individual, of whom I have no knowledge whatever.

East Africa is a territory containing many millions of people still living in the very earliest stages of civilisation and who can very easily be roused to violence by the words and writings of quite well meaning people who judge them to have the balance and restraint that many years of evolution have given to the British. The real responsibility for these simple people and the maintenance of peace must rest with the governments of the East African territories and not as you suggest with the Colonial Office; were it otherwise the inhabitants would lose confidence in their immediate government with unfortunate results, both economic and political.

The right to refuse entry to an individual visitor is very sparingly exercised and to anyone less biased than *The Economist* against colonial governments it should be clear that when three governments in East Africa, as well as the Federation of Central Africa, are in agreement in a particular case they must have very considerable justification. We in Kenya have just passed through an emergency where many thousands of Africans lost their lives, often in circumstances of peculiar horror, and the Kenya government was certainly not helped at that difficult time by the unwise expressions of sympathy with Mau Mau aims published in certain newspapers in England and elsewhere. It is for these reasons that governments in African territories have on occasion to sacrifice the liberal principles of free speech and free entry to the overriding need for maintaining law and order, without which there can be no hope of African progress.

As usual you seize the opportunity to attack Europeans in Africa and imply that the immigration law is being used by the Kenya government against individuals in order to placate what, with a curious use of terminology, is referred to as "suburban white society."

This is an entirely unjustifiable attack on a government, the majority of whom are colonial civil servants imbued with the high traditions of that service, and is unworthy of the brilliant impartiality which distinguishes *The Economist* articles on political and economic affairs in Great Britain.—Yours faithfully,

Kenya. L. R. MACONOCHIE WELWOOD

The Labour Party

SIR—One convincing retort to Mr Miliband's version of Laski's view is to ask him to look at Laski's "The State in Theory and Practice," pp. 274-5. "In the choice between peaceful transformation and the maintenance of privilege at the cost of conflict," wrote Laski, "the owners of property now [1935] as in an earlier day, are prepared rather to fight for their legal privileges than to give way. That attitude is shown not merely by the barbaric overthrow of democratic institutions in Fascist countries. It is shown *even more clearly* (my italics) by the resistance to social reform in the United States and Great Britain."

However, Mr Miliband's private interpretation has its own interest. According to him, "vested interests" are "exceedingly unlikely to accept the electors' verdict should Labour seek to effect those fundamental changes in the economic and social system to which it is pledged by its constitution."

I should like to know, first of all, what "fundamental" means. What evidence can Mr Miliband produce for saying that "none of the legislative measures of the post 1945 period (except possibly iron and steel nationalisation) involved such fundamental changes"; and what evidence he can produce for saying that the nationalisation of iron and steel *did* involve such fundamental changes? He seems to come precious near to arguing that a "fundamental change" can be identified as any change that provokes

its victims to resistance. If that is so, his statement is a mere tautology.

Mr Miliband is right in saying that the British Iron and Steel Federation refused to "co-operate with the Government even after the measure (the Iron and Steel Nationalisation Act) became law." Is he inferring from this that the Federation was breaking the law? If so, perhaps he will produce evidence for this? I know of none.

Even more strange, however, is Mr Miliband's argument that "the current pronouncements of the leaders of the [iron and steel] industry" bear out his view that they "are exceedingly unlikely to accept the electors' verdict." Their pronouncements give no colour whatsoever to this suggestion, and are as constitutional as Mr Miliband's own pronouncement (54th Annual Conference of the Labour party, 1955) that "we want this party to state that it stands unequivocally behind the social ownership and control of the means of production, distribution and exchange. . . ."

Finally, Sir, what is one to make of Mr Miliband's last suggestion—that *The Economist* itself, in saying that the first fruits of a Labour victory "will be something like economic catastrophe," thereby indicates its intent "not to accept the electors' verdict"? I suppose that when sterling declined in New York after the Rochdale election result announcement, Mr Miliband attributed it to a bankers' ramp?—Yours faithfully,

S. E. FINER
University College of North Staffordshire, Keele

Educational Statistics

SIR—Most organisations endeavour to collect statistics which relate to the salient aspects of their responsibilities and to the not too distant past. But not the Ministry of Education, the extent of whose ignorance about the current facts with regard to the educational system is astounding.

The White Paper on Technical Education announced steps rapidly to increase the number of students in science, engineering and technology, particularly in technical colleges. A number of questions were asked in the House of Commons on October 31st, November 28th, December 3rd and December 5, 1957, seeking information on progress in a number of respects. The answers by the Minister and Parliamentary Secretary stated that 1955-56 was the latest year for which information was available on the number of students enrolled, or the number of courses in advanced science and technology being conducted, in technical colleges. No information could be supplied on whether students at colleges of advanced technology were receiving financial aid from public funds or private industry.

But it is not only that the facts, when available, are out of date: they are also all too often available only in unhelpful categories.

Whether the cause is unsufficient staff at the ministry or an archaic system of reporting the information, the minister must put it right. To decide policy on any rational basis and to see how far policies are bearing the right sort of fruit, up to date facts are essential.

A thorough overhaul of the whole statistical system regarding education is urgent and cannot be deferred.—Yours faithfully,

R. G. FORRESTER, Hon. Secretary
Joint Parliamentary Scientific Advisory Committee

Covered Arbitrage

SIR—Mr John Spraos, in his letter published in your issue of February 8th, agrees with your view, though for different reasons, that an inflow of dollars matched by forward dollar purchases does not lead to an increase of Britain's gold and dollar reserves. Both views are, in my opinion, mistaken.

In your issue of February 1st you argue that when a bank making a spot purchase of sterling is asked to make a forward sale it finds it is difficult to effect and so to cover itself has to buy spot dollars and keep them until the forward contract matures. The City's foreign exchange market is a much more efficient mechanism than seems to be realised, and the forward dollar market is particularly well developed so that a bank can buy forward dollars for any reasonable amount and date with the greatest of ease. Thus spot purchases to cover forward deals are never needed, and are certainly not the usual practice as you imply.

Mr Spraos reluctantly recognises this, but puts forward a sophisticated argument that if the widening of the forward dollar premium created by the forward purchases of dollars as cover for funds for the time being in London, "does not breed any sterling bulls, this balancing of demand and supply in the forward market would come about almost entirely through a redistribution of deals between spot and forward markets, in effect, that is, through 'leads' and 'lags' in trade induced by a widening of the forward dollar premium."

This also is based on a lack of knowledge of the foreign exchange market. Many of the deals are speculative or of a speculative nature. The decision to buy forward dollars instead of waiting to buy spot, or vice versa, is itself speculative. If this speculation is successful it helps to make the market and gives the trader a choice of alternatives which represent the view of the market as a whole, as well as providing him with fairly steady rates. One cannot speak about the forward market being determined by "leads" and "lags," which can only refer to leads and lags of trade. Trade is certainly not going to be affected by the small fluctuations in the rates as they exist at present; all that may be influenced is the method of payment and that is itself speculative.

Normally the forward premium will be determined by the relative interest rate structures in the two centres; if interest rates are higher in London than in New York this will create a demand for forward dollars as cover and thus result in a dollar premium. Sterling bulls are not as rare as Mr Spraos believes, and to the extent to which they keep the premium down to a level which makes interest arbitrage possible, to that extent they encourage a dollar inflow. The Bank of England may encourage this by selling dollars forward, or alternatively they may act in the opposite direction to discourage the flow of funds to London if they consider that they are liable to be withdrawn suddenly.

Thus a capital inflow, even if it is covered by a forward sale, does benefit the reserves. This seems self-evident, for if the dollars have flown in they must be inside. As soon as the disparity in interest rates lessens, however, this is liable to become a capital outflow and thus a drain on the reserves.

So far all the arguments have assumed that changes in reserves published each month only take spot transactions into account; and it is believed that the Bank of England's figures do not in fact include forward deals. If they were included then some allowance could be made in the current reserve figure for funds likely to be withdrawn in future months in cases when the Bank has been selling dollars forward. In the present bullish atmosphere for sterling, however, it is probable that the Bank has in fact been buying forward dollars. It thus is perhaps best if the present practice remains unchanged, otherwise the situation will be even more confused.—Yours faithfully,

MICHAEL CONOLLY
Reform Club, SW1

Polish Bishoprics

SIR—The fact that, in the latest edition of the Vatican Directory, the dioceses in the German/Polish disputed territories are called by their Polish names has indeed caused some sorrow at Bonn; but the change is not quite so demonstrative as your note on the subject would suggest. In previous issues of the Directory proper names, both local and personal, have been printed not in the vernacular, nor even in Latin, but in Italian: this has had some curious and confusing results (Munich, for example, being called Monaco), but it at least saved the Holy See from appearing involuntarily to express an opinion on disputes of this sort.—Yours faithfully,

BRIAN BRINDLEY
Junior Carlton Club, SW1

The Political Economy of Growth

SIR—The "review" of my book that appeared in your issue of January 4th is a predictable piece of fair, unprejudiced criticism giving the characteristic impression of having been written *sine ira et studio*—in the best tradition of objective, "classless" scholarship.—Yours faithfully,

PAUL A. BARAN
Stanford University, California

BOOKS

The Pressure Process

British Pressure Groups

By J. D. Stewart.
Oxford University Press. 273 pages. 30s.

THE illusion that pressure groups were a purely American phenomenon with no place in the British system of government was abandoned only slowly and reluctantly; even after their existence was admitted, no effort was made to assess the nature or magnitude of their operations. Mr Stewart's inquiry into the role of pressure groups in relation to the House of Commons is the first book devoted to the subject, and it will be seized on eagerly by all students of British government. They will find much to interest them, both in the general categories into which he divides the activities of pressure groups and in his specific illustrations of their work. The style is gawky and the presentation uneven; the perspective of the picture is sometimes marred by too much reliance on limited documentary evidence, and many questions are left unanswered, or even unasked. How much is the Chancellor swayed by the memoranda that flood in on him from all sides as he prepares his budget? How far-reaching is the influence of the National Farmers' Union over agricultural policy? Was lobbying really effective in the equal pay campaign? How do MPs react to constituency pressures? And, though this is only on the borderline of Mr Stewart's territory, how much do groups with an interest operate indirectly through party machinery? The reader is constantly tantalised by stories that are necessarily incomplete and problems that are passed over. He will turn eagerly to the few case studies of individual pressure groups that have been published and to those that are on their way—notably Professor Finer's inquiry into lobbying by the transport industry. In due course, such monographs will provide the basis for a still more comprehensive examination of the function of pressure groups. Meanwhile Mr Stewart has provided a book of major importance, throwing a flood of light on an unexplored area of public affairs.

It is, in fact, not pressure but advice that constitutes the most important activity of pressure groups—whether they be chambers of commerce or trade associations, trade unions or "do-gooders." Mr Stewart emphasises how extensive is the access of such bodies to government departments and how much consultation with interested bodies goes on before the presentation of any bill or draft regulation to the House of Commons. The right of petition is indeed being exercised so constantly in this way that grave fears have been expressed about the by-passing of Parliament. Mr Stewart does not deal explicitly with these fears, but he makes it plain that pressure groups themselves still consider it worth while to bother a great deal about Parliament. They strive to get seats for their sympathisers and they persuade MPs to introduce bills or, much more important, to propose amendments to government bills; they circularise all members and give expert briefings to their friends; at times they attempt to whip up constituency pressure on individual members, and they consistently operate as though they believed that public opinion acting through the House of Commons was a major force in policy making on specific issues.

However, after reading Mr Stewart's book, one may doubt whether on most issues unselective lobbying has much effect. On a few subjects, such as Sunday opening and the prohibition of field sports, the conduct of MPs—left to a free vote—seems to have been swayed, but there are no clear instances of the government giving way on a major issue to backbench demands that have been inspired by lobbying from pressure groups. Most British pressure groups in fact lack the control over popular votes or campaign funds that in America are among the main weapons for influencing individual politicians.

There is, of course, the special case of sponsored MPs. There are over a hundred of these in the present Parliament, almost all of them Labour (although the National Union of Teachers has found it possible to contribute to the support of members on both sides of the House). The trade unions that finance these MPs plainly consider it worth while to have their avowed spokesmen in the House and, although the Committee of Privileges described the relationship between member and sponsor as "one of great difficulty and delicacy," there is surprisingly little evidence of its abuse; a similarly favourable verdict can be passed on the conduct of MPs on both sides of the House who have business connections.

Mr Stewart's conclusion in this, the first considered study of British pressure groups, is an optimistic one. Their operation seems to him healthy. The sillier groups and the more objectionable tactics meet with little success. Those with influential support and with something to say are assured of a hearing, but seldom a decisive influence on the shaping of policy. The national interest may occasionally be forgotten in the busy press of group demands, but, on the whole, Mr Stewart's exposure of an unfamiliar segment of the process of government does not turn out to be an *exposé*

The Nature of Economic Decision

Time in Economics

By G. L. S. Shackle.
North Holland Publishing Co.
111 pages. 650 guilders.

PROFESSOR SHACKLE is one of the backroom boys of economic theory. He writes not at all for the general public, very rarely indeed for the intelligent-layman-with-a-smattering, and there is evidence that even his academic peers—or those of them who do not inhabit the same suite of back rooms—find his work forbiddingly stiff. In this small book, which reproduces a series of lectures delivered last year at Rotterdam University, he succinctly reports on that work in frontroom language; and thus gives a chance to a wider audience to find out—at the cost of considerable but not unpleasurable mental effort—what he is driving at.

What he is driving at turns out to be revolutionary: an attack on the metaphysical underpinnings of analysis. Economics, he argues, has looked far too slavishly to the physical sciences for its model. The physical sciences are essentially timeless; or rather time, to them, is a dimension indistinguishable from other dimensions. In the study of human behaviour it is essential to accept the fact that the past is past, water over the dam, and the future is future, essentially unknowable. Human decisions are the stuff of economics; and except in the heroic abstraction of static analysis, uncertain expectations accordingly hold—or should hold—an absolutely central, not a peripheral, place in economic theory. Decisions are made at a moment of time, concerning actions to be taken, and consequences to be enjoyed or endured, at future moments. Some outcomes, when imaginatively envisaged at this moment of decision, look more possible—are less "potentially surprising"—than others; some have more power than others to "focus" attention by reason of their outstanding attractiveness or undesirability. Past experience influences both the degree of potential surprise attaching to different imagined outcomes and the subjective attitude to these of decision-takers; it does not determine in any exact or predictable way what the decisions will be.

The range of humanly probable decisions can be theoretically and indeed mathematically studied, and a lively controversy in the learned periodicals is concerned with the criteria according to which they are made. (In the current *Economic Journal* one aspect of this controversy is taken a stage further than in "Time in Economics.") But the mechanistic picture of economic causation, of determinable response to changes in data, would be shattered even were Mr Shackle's major assertion of free will to be rejected; decisions may be essentially determinate in the sense that the human will is, like everything else, subject to ironclad causal law, but they are assuredly not determinable from economic evidence.

All this may seem highly abstract and non-operational, and so indeed it is when considered in isolation. But the approach through uncertainty and expectation can illuminate problems highly resistant to mechanistic theory. Mr Shackle briefly sketches three examples —the momentum of investment, the multiplier, and the rate of interest—warning the reader that each sketch is simplified, a "ceteris paribus" exercise. The most important upshot of his argument, however, should be a distrust of macroeconomic models, with their impersonal interacting magnitudes, as accurate forecasting instruments. Economic policy, shown as concerned with the essentially unpredictable, can never be a matter of the scientifically accurate manipulation of taps and sluices according to indications read off statistical gauges; it must be, with whatever aid such readings and mechanisms may give, a political art. The conclusion is nonetheless valuable for being negative.

Too Long a Lusiad

Portugal

By J. B. Trend.
Benn. 218 pages. 27s.

A SMALL country can have altogether too much history to bear; and this is probably more true of Portugal than of any other state. Professor Trend speaks of the nineteenth-century Portuguese as "bent beneath the weight of a past which had left them in a moth-infected wardrobe of historical costumes." He hopes and believes that that is now all over, though he is not uncritical of the discreet dictatorship of Dr Salazar. Other observers may not feel so sure. There are many symptoms of vigour in Portugal today, but even a tradition-loving Englishman is apt to find the hand of history weighing too heavily on him when he goes there. And Professor Trend himself seems to bow to it. This volume in the series, "The Nations of the Modern World," unlike most of its companions, is almost exclusively historical. It enters the twentieth century with barely ten pages to go.

Once accepted as a pageant of history, however, it is an excellent blend of liveliness and learning. Heroic and fantastic figures crowd the scene: the Moors who have left their mark for ever in the south; the Burgundian counts and crusaders who drove them back; Nun Alvares and the Master of Avis, who saved Portugal from absorption into Spain; Sebastian, the chivalrous maniac whose fatal adventuring let Spain in again; and, of course, the men of the great oceans, Henry the Navigator, Gama, Albuquerque, and Camoens, who in "The Lusiads" wrote both Portugal's epic and, as Oliveira Martins remarked, its epitaph.

Mr Trend deals deftly and vigorously with these and all the other *dramatis personæ*, from Dom Denis, the poet-king who planted the trees by which so much of Portugal still lives, to the eighteenth-century dynamo Pombal, and the great novelist Eça de Queiroz. But always in the background he shows us the eternal Portuguese people, so sharply different from their passionately polemical Castilian neighbours; dreamers and men of practical talents alike reflecting the countryman's instinctive dislike of futile controversy and avoidable unpleasantness. The Portuguese likes to have a cosy family relationship, even with God. That may be the main reason why Dr Salazar's sometimes draconian paternalism excites surprisingly little resentment.

Battle of Battleships

Jutland

By Captain Donald Macintyre.
Evans. 210 pages. 18s.

JUTLAND and controversy are inseparable. Much, perhaps too much, has been written about it. Why did the British fleet fail to exert its preponderance? How far was Jellicoe, the man who could have lost the war in an afternoon, at fault? Was Beatty too headstrong? Did Scheer, given the tactical brilliance of his turn-away, really quite know what a trap he was in? The merit of this, the latest book on the battle, is that it not only describes the battle (almost ship by ship, shell by shell), but also analyses it dispassionately. Captain Macintyre does not grind an axe (which is a welcome relief) and he does expose faults in both fleets.

According to this book, Jellicoe's principal error appears to have been that, having got between the German fleet and its home ports, he failed to anticipate adequately enough the possibility of the German fleet crossing his wake in the night and failed to realise the true significance of the flashes and sounds of the night action fought as he steamed south. Yet in the earlier actions, the British Grand Fleet failed to live up to Fisher's dictum: "hit first, hit hard and keep hitting." And that cannot simply be put down to defective shells. Could it possibly be that the British Navy at the height of its power had grown a shade too confident?

Indian Growing Pain

Trade Union Movement in India

By A. S. and J. S. Mathur.
Chaitanya Publishing House, Allahabad. 303 pages. 10 rupees.

THE future orientation of uncommitted nations is of such importance that a serious study, such as the Mathur brothers have produced, of one of India's major democratic institutions must command attention. This scholarly and balanced picture of Indian trade unionism, moreover, reflects the positive influence of the British connection in both method and content: despite stylistic flaws, it promises to become a classical textbook in the best traditions of British pragmatic research.

Although the second world war and India's subsequent independence have unleashed forces favourable to its growth and consolidation, the progress of trade unionism is uncertain. Less than 3 per cent of the working population and only one-quarter of town workers are union members; yet there is a growing proliferation of small unions. There are many reasons for this paradox. Despite industrialisation, agriculture and the cottage industry predominate; many workers are still hired out by "jobbers"; indifference, especially among women, is reinforced by poverty; religion acts as a brake; States and political parties have their own unions, which serves to fragment, not to unite them; the advanced character of union legislation, partially inherited from the Raj, and not fought for as in Britain, has delayed the movement's maturity, for union rights remain in advance of the members' ability to make use of them.

Clearly, trade unions cannot meet their social and political responsibilities unless they first effectively discharge their industrial functions. Unhappily, corruption, illiteracy and predilection for class warfare mar much of the leadership—ills which statutory interference, such as compulsory arbitration and resulting litigiousness only exacerbate.

These growing pains point a moral. To secure, in a plural society, proper balance between unions, employers, government and community is difficult enough. Without a healthy trade union structure it is barely possible. India's trade unions should prepare to meet this challenge.

Reforming Germany

The United States in Germany 1944-55

By Harold Zink.
D. Van Nostrand Co. 374 pages. 56s.

THE American attempt to make over Germany according to the United States pattern was a grandiose do-it-yourself undertaking. Though the outlines were planned far in advance, the victors did not envisage that there would be no German government of any kind to apply their reforms. There were other handicaps. The first few years were wasted, as far as democracy was concerned, because American military government was operating the punitive directive which emanated by way of the Joint Chiefs of Staff from a President who was influenced by the White-Morgenthau Plan for turning Germany into a land fit for cowherds. Moreover, the whole period of ten years during which power was progressively handed over to the Germans was short for so great a task. It is, all in all, a wonder that so much was achieved.

Professor Zink is well qualified to describe and assess the American task. He took part in the occupation, and is now professor of political science in Ohio University. He is a middle-of-the-road critic, who admits that the quality of many of the occupation officials was low largely because they were often recruited from army misfits. Occasionally the author understates the case for the Americans, as when he writes that

"the very real misery resulting from the shortages . . . during 1945-47 was the result of many factors, but the Nazi misdeeds and the disastrous defeat in war bulk large as causes. The American economic policy of revenge, punishment, quarantine and inaction intensified the shortages and consequent suffering, it is true, but were not the primary factors." This is too mild a defence against German critics. In point of fact, the American Zone was on the Lucky Strike standard before currency reform, and benefited largely from the black market which spread from the PX stores, CARE parcels and UNRRA camps.

However, Professor Zink sums up the result of American activities very fairly:

> There is evidence that the denazification programme for one was ill-conceived and literally impossible of execution, though, of course, some steps were required in this field. The programme involving a reconstruction of the German education system and curriculum along American lines may be cited as another instance beyond the limits of common sense, despite the weaknesses exhibited by the German schools. The dismantling programme, though never implemented in the American Zone as it was in the Russian and British Zones, represents another activity which in retrospect seems definitely unjustifiable. . . . At the same time it is only fair to note the valuable work done on a limited scale in curtailing the power of the guilds, promoting the activity of women in public affairs, and scheduling adult education groups to study local affairs, as well as the personal influence exercised by American officials in HICOG.

When all is said and done, Federal Germany is a working democracy today, because it is prosperous, and prosperity would be unthinkable if it were not for $3½ billion of American economic aid in the crucial years. For the time being, this amounts to success.

London on Law

Current Legal Problems, 1957

Edited by G. W. Keeton and G. Schwarzenberger.

Stevens. 313 pages. 35s.

THE most radical proposal in last year's collection of current legal thoughts from London University is in the closing sentences of Mr D. J. Payne's essay on compensation for industrial injuries. Mr Payne devotes a large part of his space to history and for some reason digresses in order to criticise the abolition of the doctrine of common employment; but he finishes by suggesting that the liability of employers at common law should be confined to cases of serious personal fault and that the sums now paid in insurance premiums on employers' liability policies be used to augment the industrial injuries fund. Compliance by employers with statutory provisions would be secured by the criminal law and not by both the civil and the criminal law. Few who have been concerned with litigation arising out of industrial accidents can deny that a thin, sometimes almost artificial, line separates failure from success. The chief difficulty about Mr Payne's idea, which deserves a further essay in the next volume, is that it would place employers in the unusual position of not being liable in tort to their employees, though everyone else is.

The centenary of judicial divorce is celebrated by two essays, neither of which take us much further towards a solution of the problem (which is not surprising), and three contributors deal with constitutional subjects, including constitutions in Cyprus and Singapore. For some reason there is an essay on the reform of the Settled Land Act, a subject which not only seems unsuitable for London University but which must also be very low on the list of possible reforms.

Dr George J. Webber contributes a most useful though mostly uncritical account of recent trends in criminal justice. There are two matters among others which perturb those who are regularly engaged in the administration of the criminal law. One is the need for an overhaul of much of it; the other is the need to review the methods used by the police for the questioning of suspects and the alleged obstacles placed in the way of the police by the judges' rules.

We are used to finding in this volume legal problems and sometimes suggested solutions: this is not a vintage year.

International Economic Papers: *Volume 7*

Macmillan. 274 pages. 15s.

The International Economic Association provides, in its latest set of translations, an even more mixed bag than usual. Two essays on demand, by Sismondi, date back to 1824; there is an interesting topicality about his treatment, which recognisably although unconsciously reflects the problems of the "economic take-off." An elegant essay by Einaudi exemplifies the traditional Italian concern with the high theory of public finance. There is a peculiarly esoteric paper by Professor Gibrat on the lognormal distribution, comprising part of his book "Les Inégalités Economiques." From Sweden come Professor Lindahl's paper on "Basic Concepts of National Accounting" and Dr Kragh's "Basic National Budgeting Model," the former a refinement on the system used by the Economic Research Institute in Sweden, the latter an essay in single-period statics, based on Dutch practice. More interesting to the less specialised reader are the two papers from Poland by Dr Brus and Dr Oskar Lange. The one, picking his way with Agag-like delicacy among Marxist shibboleths, pleads for a pricing system which should bear some recognisable relationship to economic realities; the other, writing only a few weeks before the "October Revolution" and presenting an "Outline for a Reconversion Plan for the Polish Economy," almost entirely eschews jargon, grimly describes an appalling economic mess, and proposes reforms which have since proved inadequate. The last paper in the collection, from the German of Dr Herbert Giersch, is an independent venture on to Mr James Meade's territory, that of trade.

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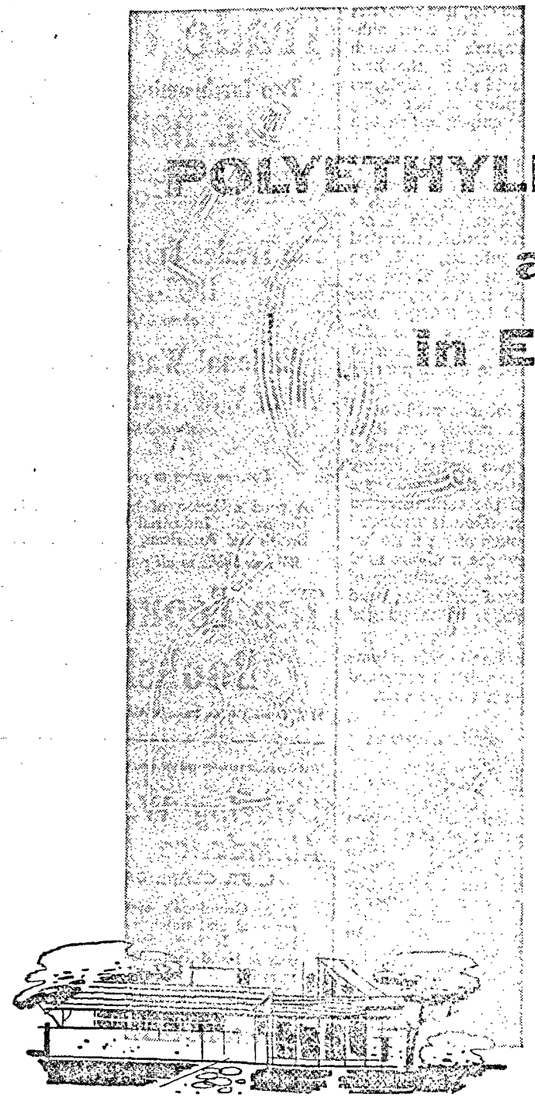
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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Investigators Fall Out

WASHINGTON, DC

THE House of Representatives' aptly named Subcommittee on Legislative Oversight has been tying itself into sensational knots over its much heralded grand review of what are called the regulatory agencies. At the end of last week and again on Monday it got into the absurd position of cross-examining the chief counsel whom it had dismissed about the half-developed investigatory leads contained in its own files. Dr Bernard Schwartz, one of the half dozen leading authorities on administrative law in the United States and the only American witness before Sir Oliver Franks's Royal Commission on the subject, had been engaged by the subcommittee to direct the staff work in preparation for hearings and then to examine the witnesses. He had quarrelled vitriolically with the majority of the Congressmen of both parties on the subcommittee about the shape and tone of the hearings, had passed to the press information which he had accused the politicians of wanting to suppress, and to cap it all had, when finally dismissed, made off with a selection of the files to Senator Morse, who, he clearly implied, had the public interest more robustly at heart than did his late employers. As a parting shot the fighting professor handed around to journalists a list of charges against the subcommittee and of insinuations about leading public personalities.

"A Thousand Apologies, Gentlemen. He's a New Man"



Herblock in the *Washington Post*

Given this background, Dr Schwartz's performance on the witness stand was a remarkable *tour de force*. The swarthy little professor switched with unfailing resourcefulness between the three parts that were forced on him: that of expert pronouncing on administrative law; that of retiring investigator helpfully passing on uncompleted work; and that of dismissed employee answering for alleged misconduct. Some members of the subcommittee were genuinely trying to seek guidance on the principles of public administration; some were trying to use his answers to condemn him for "smearing" individuals and absconding with files; and Mr Harris, the chairman, was attempting to do both and look dignified at the same time. That task was made no easier by the accidents of seniority and party membership which placed Mr Moss, a beefy Californian Democrat who was Dr Schwartz's most heated supporter, in the seat next to Mr Flynt, an acid-tongued Democrat from Georgia and the professor's most relentless tormentor. Whenever Dr Schwartz was at his most lofty Mr Flynt pounced, Mr Moss lashed out, Mr Harris called order, and the two neighbours glared at each other.

Consequently, specific abuses, all with a common theme of improper influence by powerful persons on the supposedly judicial decisions of the administrative agencies, have been brought out, not in a complete, orderly fashion, but as incidental to the subcommittee's efforts to clear itself of Dr Schwartz's charge of wilful suppression of the evidence. Nevertheless the spice of personal drama has focused public attention on a subject that stood in dire need of daylight. The regulatory agencies are the instruments by which in the United States public control is exercised over private enterprise. As such they are the forums in which the real struggles for power take place as opposed to the relatively anæmic and even fictitious struggles between political parties.

Some of these commissions—especially the Federal Communications Commission, which allots radio and television channels, the Civil Aeronautics Board, which certifies scheduled airlines and hands out air routes, and to a lesser degree the Interstate Commerce Commission, which regulates railways and road hauliers—have scarce and extremely lucrative prizes to award. Moreover, the political and economic stakes in such struggles may be even higher than the prize itself. For example, a bitterly contested and questionably decided battle over a major television channel in Boston was directly related to an old-fashioned war of extermination that is being fought between two of Boston's daily newspapers.

The whole purpose of the regulatory commissions is supposed to be to put such decisions "outside politics." But even their supposed independence suffers from ambiguity. Congress claims that the agencies are an arm of the legislative branch, but their members are appointed by the President and their functions are part administrative,

part judicial. Furthermore, in setting up the agencies Congress has often been extremely vague about the standards that they were to follow. In allotting television channels the FCC—which is the agency currently under the narrowest scrutiny—is supposed to be guided by "public interest, convenience or necessity," but the commission itself has been left to develop a number of "objective criteria" for sorting out the applicants. In practice some of these criteria cancel each other out. The commission may be faced with as many as seven applicants for one valuable channel, each having some of the desirable qualifications but lacking others. The initial decision is made by a professional examiner, who "tries" the case as between all the contestants. The lengthy record, often largely taken up with mud-slinging intended to reflect on the personal character of rival candidates, then goes to the commission, which frequently sits on it for two years before reaching a final decision that the professional staff then undertakes to explain by relating it to the criteria.

THE inconsistencies of many of these justifications have aroused the curiosity of earlier investigators than Dr Schwartz. In many locally sensitive cases the finding seems to have come first and the criteria to have been attached afterwards. Moreover, it is a matter of common observation that many members of these commissions hobnob very freely with officials of the industries which they are regulating. The same is known to be true of the congressional committees which supervise the commissions, including the parent body of the subcommittee which employed Dr Schwartz. Finally, it was the unanimous finding of an earlier and quite differently constituted subcommittee that

> an air of informality . . . permeated the commission's administrative process to a point where various members of the commission have repeatedly discussed with one or more parties the merits of pending cases—even going so far as to indicate how particular commissioners would vote.

Indeed, one of the curiosities of the whole affair is that practically all that Dr Schwartz has dug out about the cordial relationship between commissioners and their industry, and about political intervention between the examiner's report and the commissioners' findings, has repeatedly appeared in print over the years, much of it in Mr Drew Pearson's famous column. Unfortunately, although Mr Pearson is very often right in his highly defamatory exposures (for which he seldom seems to be sued) he has been wrong on a sufficient number of well-publicised occasions for him to forfeit something of his impact, so that the target of one of his stories can shrug off exposure with a gay remark that this is "just a rehash of a Pearson smear."

Since his break with the subcommittee Dr Schwartz has been heavily belaboured in the press both for his intemperateness in turning on his employers before he had properly tested their sincerity and for publicising unproven assertions to justify his break. While the professor does seem to have been prickly and truculent towards his political masters, it can be said in his defence that many a promising investigation has disappeared without trace in Washington because an idealistic counsel has crept away quietly after encountering the obstacles that confronted Dr Schwartz, most notably the inflicting on him of assistants who were the minions and even the relatives of key Congressmen with special interests to protect.

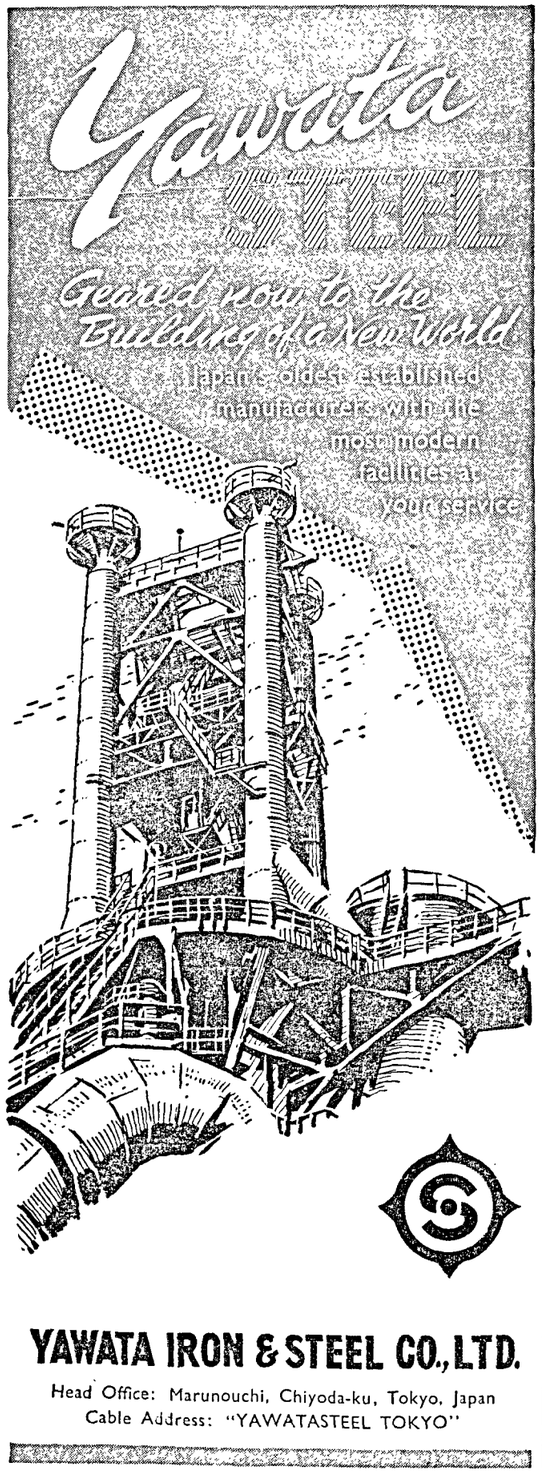
As for the "smearing" and the resort to "guilt by association" which prompted the *New York Herald Tribune* to print photographs of the professor and Senator McCarthy side by side, Dr Schwartz ought not perhaps to have abandoned his normally involved prose style in favour of the racier idiom of Mr Pearson. But in one eloquent passage from the witness stand Dr Schwartz did strike at the heart of the matter—the failure of public life in Washington to attract men of such stature that they know without being told what distances to keep from litigants whose suits they must decide.

Prosperity on the Way?

THE President cannot afford to be anything but optimistic in public about the prospects of weathering the recession, lest he undermine public confidence. But Mr Eisenhower's advisers have already regretted that in his message last week he led Americans to expect an upturn next month. March may "commence to see a pick-up in job opportunities" as he said—in addition, presumably, to the seasonal return of farmers and construction workers to their tasks. But even if it does, the figures to be published in March will not show it; they will be based on conditions early in February, the seasonal low for employment.

Many economists, moreover, including, it appeared this week, Mr Hauge, the President's personal economic assistant, are far from certain that, even if the recession has now nearly reached bottom, it will bounce right back. By January, industrial production had fallen nearly 10 per cent from the 1956 peak, the extent of the fall during 1953-54. But only one of the five independent economists who wound up the hearings of the Joint Congressional Economic Committee believed that recovery would be on the way by next autumn unless the government took vigorous steps to stimulate it. The Administration's plan is to hold its hand at least until April to see whether the economy is righting itself or whether stronger measures are needed than the further relaxation of credit, through lowering the reserve requirements of commercial banks, which the Federal Reserve Board authorised this week. At the same time the Administration cannot seem to be standing idly by while Democratic Governors and Senators ride off with what may be the decisive issue of the autumn's congressional elections.

Much is therefore being made of hopeful developments in housebuilding, and in his message last week the President scraped together a long list of "anti-recession" activities. But this contained nothing new of any substance except the proposal for modernising the Post Office, a scheme drawn up before the clamour for public works broke out. The Joint Economic Committee has sharply demanded an outline of other spending projects, apart from defence, which the Administration has ready for countering recession. It has been thought that the Administration would prefer to try tax reduction, primarily for individuals, in this period of industrial over-capacity before embarking on a big public works programme. But Senator Knowland, the Republican leader in the Senate, this week showed a clear preference for public works; they may be more rewarding politically for embattled Republican candidates. In any case, it would be useful to have Congress authorise such projects; one of the main arguments against public works is that it takes so long to get them under way.

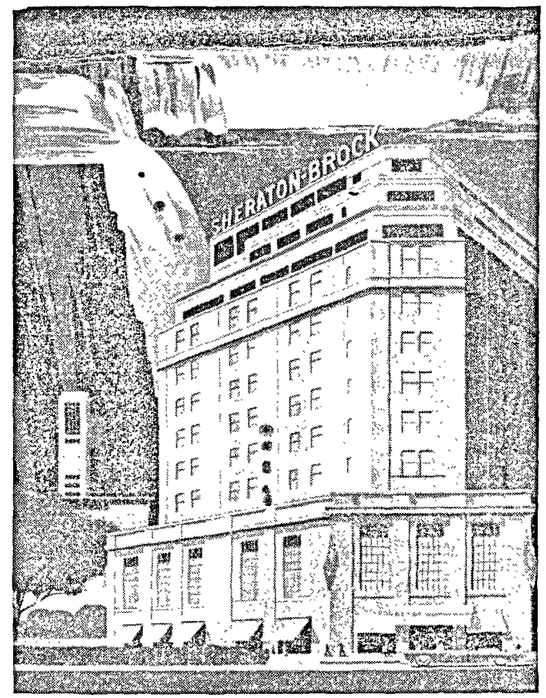


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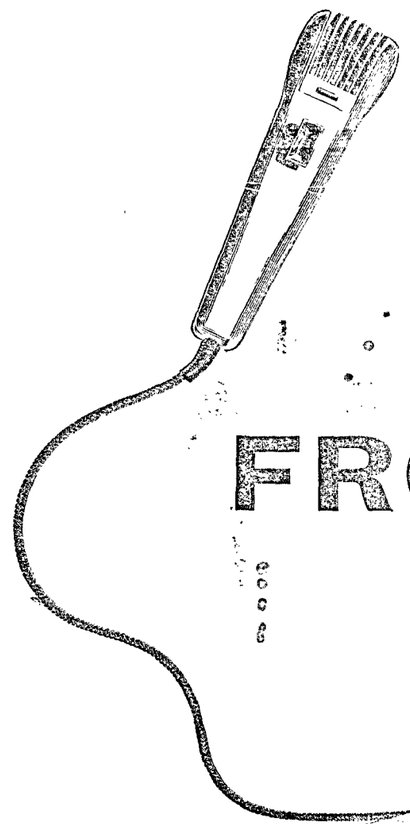
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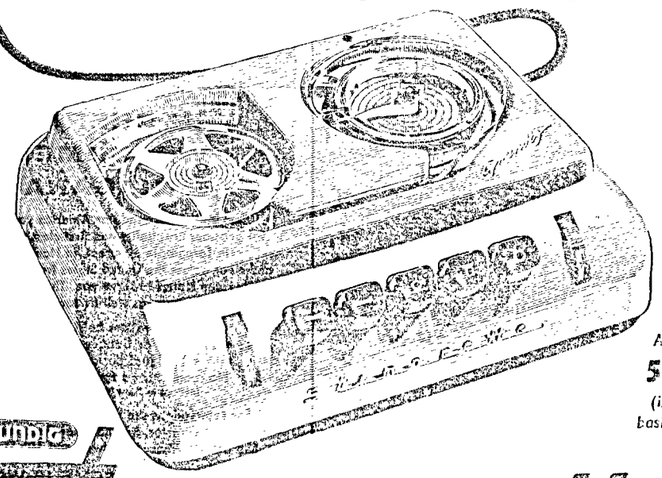
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Running for a Future

To no one's surprise Mr Harold Stassen has resigned as President Eisenhower's special adviser on disarmament in order to seek the Republican nomination for Governor of Pennsylvania in the primary election next May. Ostensibly Mr Stassen is running so that he may put before the American people "the issues and problems of the task of building peace and safeguarding against war," a subject on which he has disagreed with Mr Dulles while he has been in Washington. But this is not the sort of argument that appeals to voters in a state election. They are much more interested in local matters—jobs, schools, taxes, state administration—as Mr Stassen himself recognises.

His real reason, it is generally believed, for wanting to become Governor of Pennsylvania next November is to give himself a fresh start toward achieving the ambition which he has been doggedly pursuing for fifteen years—to become President of the United States. As Governor of one of the three most populous states in the country, he would control one of the largest blocks of votes at the Republican nominating convention in 1960 and, as the man who had brought Pennsylvania back to its Republican allegiance, he would have a valuable aura of confidence and success. But there is no reason to suppose that this would enable him to eclipse Mr Nixon any more effectively than he did in 1956 when he backed Mr Herter as an alternative Republican candidate for Vice President, a spectacular failure which confirmed the Republican party organisation in its determination never to have anything to do with Mr Stassen.

That the conservative local party organisation in Pennsylvania shares this determination may not do the liberal Mr Stassen much harm in the primary election, for Republicans in the state are far from united and he is an experienced and expert digger at the grass roots of public opinion. But this time he will have to overcome the stigma, unusual in American politics, of being a political carpet-bagger. Three times Governor, and four times presidential "favourite son," of Minnesota, he first came to Pennsylvania to head the leading university in the state from 1948 to 1953, only to leave again for administrative office in Washington. He has now re-established residence in Pennsylvania by buying a house at Valley Forge, where the Revolutionary Army spent the winter of 1777 when its fortunes were at their lowest ebb. It is doubtful whether Mr Stassen's time there will be followed by an equally spectacular triumph. It is more likely to bring a bitter fight to Pennsylvania next May and to divide the Republicans so sharply that the Democrats may win easily in November.

Cold War at Kohler

FROM A SPECIAL CORRESPONDENT

The strike of the United Automobile Workers' Union against the Kohler Company of Sheboygan, Wisconsin, the longest continuous strike ever conducted in the United States, is coming back into the national news as it approaches its fourth year; Senator McClellan's investigating committee is scheduled to hold hearings on it next week.

Like participants in a nightmare from which there seems no escape, the protagonists at Kohler continue playing and replaying their parts, the company bitterly determined not to yield anything to the union and the union equally determined not to end the strike on the employers' terms. The original issues over which the strike was called have almost been forgotten. Only 300 of the original 2,700 strikers are still being carried on the union's assistance rolls. More than a thousand of the strikers have returned to work in the plant and hundreds of others have left Sheboygan or are working elsewhere in the area. The strike has cost the union at least $11 million and the employer an unknown sum. Ten attempts by outside parties to settle it have failed; the countrywide boycott of Kohler products organised by the union still continues; and Sheboygan has been torn apart by the bitter conflict.

Last October, after a hearing which lasted fifteen months, an examiner for the National Labour Relations Board found both the company and the union guilty of "illegal conduct." But because the company had not "bargained in good faith" with the union, it was ordered to reinstate most of the strikers if they applied for work. An exception was made for leaders of the strike committee, whom the examiner thought had been legitimately dismissed because they organised mass picketing on a scale which prevented anyone entering or leaving the plant. With his usual flair for public relations Mr Reuther, the head of the automobile workers and the trade union leader most disliked by conservative Republicans, promptly accepted all the findings if the company would do likewise. But the Kohler management has refused and means to appeal.

The strike has now also brought to the surface a smouldering political feud between the Republican and Democratic members of Senator McClellan's committee which is examining improper practices by labour and management. The Republican members of the committee, undoubtedly somewhat distressed because the inquiry so far has involved mainly labour leaders associated with the Republican party, like Mr Beck and Mr Hoffa, arranged to have the Kohler strike investigated by their own lawyer, Mr McGovern, rather than by the committee's chief official, Mr Kennedy, who is a Democrat. But during the investigation Mr McGovern was accused by the union of "obvious anti-labour bias" and Senator McClellan himself took charge.

The Kohler Company, the second largest manufacturer of plumbing equipment in the country, is a family concern, traditionally committed to the principle of paternalism in its relations with its employees. Before the first world war the company had built a "model" village for them, named Kohler Village, but this was completely dominated by the firm. It introduced a pension plan early in its history, but it is said that payments were tiny. Working hours were long and wages rather low, but for years the company was able to keep the trade unions out. In 1934, when the first attempt to organise the plant was made, tear gas was fired by company officials at pickets, two strikers were killed by bullets and forty-seven men, women and children wounded by gunfire.

The strike failed and an "independent" union, allegedly dominated by the company, was founded. In 1946 another attempt to organise the plant was made, this time by the UAW. It too failed, but in 1952 the members of the "independent" union voted to affiliate with the automobile workers. The company refused to recognise the new union

and an NLRB election was held which was won by the UAW. When its first contract expired in 1954, the union attempted to negotiate a new and better one, but the company refused almost all of its demands, rejecting with especial vigour the ones requiring arbitration and compulsory union membership. A month after the contract expired members of the union struck. Mass picketing was carried on until a court injunction prohibited it, fights took place on the picket lines, the company purchased tear gas projectiles which were later confiscated by the police, the union charged the company with keeping machine guns in the Kohler Village police hall, and the company charged the union with persistent vandalism.

The violence aroused by the strike spread throughout the community. Local demonstrations were held by strikers outside the homes of non-strikers, fights broke out between strikers and non-strikers in bars, bowling alleys and private houses. Strikers and non-strikers were arrested for a variety of offences, including slashing of tyres and throwing paint against the walls and windows of houses. Company officials were arrested for driving cars through picket lines and union representatives for disorderly conduct. The president of the company, Mr Herbert Kohler, has bitterly attacked the union and its officers as being "marxist" and "socialist" and attempting to promote "class hatred and class warfare." Another high official of the company has admitted that the firm would "not grieve to see" the local union "broken in this struggle." Mr Kohler has made speeches throughout the country, urging other employers to resist the trade unions.

For its part, the union is equally determined not to give in. Although work is going on at the plant, it is uncertain how much is being produced or sold. The union's boycott is carried on by special members of the UAW, working in sixteen districts, parallel to the company's sales territories; they urge architects, builders, contractors and householders not to use Kohler products. The plumbers' union and other building groups assist the boycott by requesting master plumbers and others to co-operate, although trade union members must install Kohler products if they are purchased, lest they violate the secondary boycott provisions of the Taft-Hartley Act.

It is impossible to determine the effectiveness of the boycott, since the company does not publish a financial statement. But it is clear that the union will attempt to pursue the boycott for as long as the company refuses to settle the strike on the minimum basis of reinstatement for the strikers. Any other course would be a major defeat for the UAW, which does not want to encourage other employers to follow the Kohler example. There seems to be no end in sight to this bitter and costly dispute, which is a survival from a more troubled period of labour relations when American trade unions had to battle for recognition.

Trade, Aid and Recession

THIS week committees of the House of Representatives began to pull to pieces the two Administration programmes which are expected to be the most contentious before Congress this year—the renewal of the Reciprocal Trade Agreements Act and the Mutual Assistance Bill for 1959. Next week a bipartisan conference to rally support for both of them will be held in New York, to be addressed by such influential advocates as Mr Truman and Mr Stevenson, as well as Vice President Nixon and Mr Dulles. The case for both measures is, as always, based on American self-interest, on the contribution which they make to peace and freedom by strengthening the economic and military defences of non-communist countries against Soviet penetration. But such accomplishments, great as they may be, have little direct impact on the American people and this year, with economic recession a domestic fact of life, they will be contrasted even more sharply than of old with the immediate needs of voters at home.

This will not necessarily be entirely to the disadvantage of the Reciprocal Trade Act. For when it has been up for renewal in times of economic boom the effective attacks upon it have come from industries, many of them relatively small, which have been depressed in spite of the general prosperity and which blame their troubles upon increased competition from imports as a result of the Act. But now, with domestic demand declining, exports are becoming of greater interest to other, more important businesses. Congressmen were reminded this week that over 4,500,000 Americans are dependent on world trade for their jobs while only about 100,000 are employed in industries which claim to have been injured by tariff reductions. Some of the many people who believe that the President's trade proposals are doomed this year may perhaps have forgotten that the Act was originally passed in 1934 as an anti-recession move.

Unfortunately, it will be much more difficult to apply such arguments to foreign aid for, while it also encourages trade by increasing the supply of dollars abroad, Americans would appreciate those dollars much more if they were spent at home: Congressmen are very conscious that a dam built in California brings votes, while one in the Middle East may not even bring thanks. Moreover since the beginning of this year three countries—France, India and Poland—have all been promised emergency injections of dollars through such agencies as the Export-Import Bank, the Commodity Credit Corporation and the international funds, almost without resort to the official American foreign aid programme. Congress thus seems bound to ask more searchingly than ever whether the President's latest request for $3.9 billion for that programme is necessary and to answer as parsimoniously as usual. A cut of about $1 billion is forecast and it would probably be greater were it not for the present deep concern about the Soviet danger.

Byrd's Last Stand

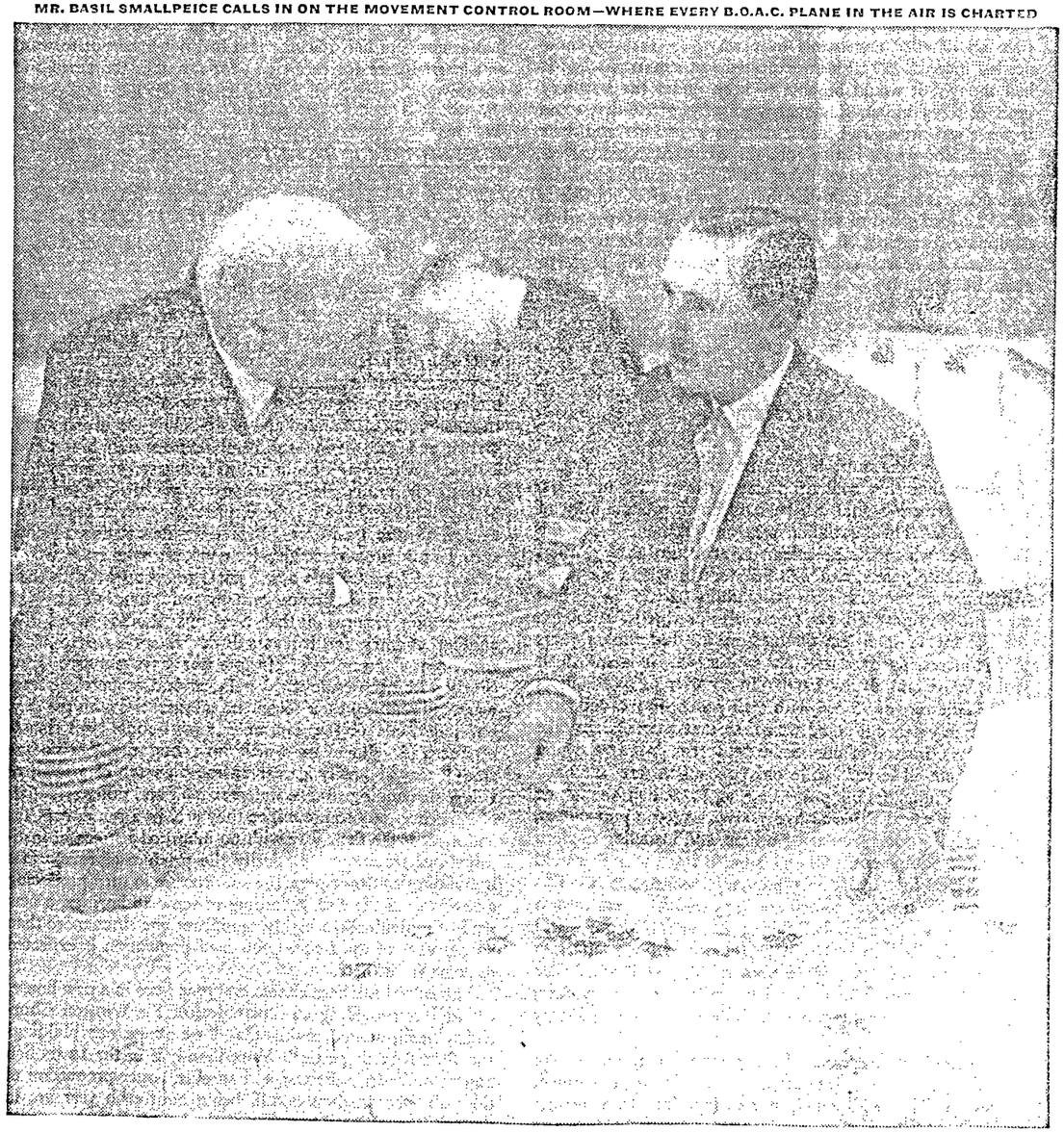
THE announcement that Senator Byrd of Virginia has decided not to run for re-election next November means that the Senate Finance Committee will lose the last of the bipartisan quadrumvirate—the others were Senators George, Taft and Millikin—who fought so obstinately for balanced budgets, lower taxes and conservative spending in the post-war years. Senator Byrd's successor as chairman, provided that the Democrats keep their majority in the Senate, will be Senator Kerr of Oklahoma, also a millionaire—from oil instead of apples—but an unorthodox one where the national finances are concerned. At the moment he is quite ready to raise the debt limit by $5 billion, to $280 billion, as the Administration has asked, since he believes that, under present conditions, the government should be spending far more than it is and that in any case

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So perhaps this is the last time that a Secretary of the Treasury will have to plead desperately for a higher debt limit, scraping the bottom of his financial barrel as he does so to pay the government's unpostponable bills. Last week, with only $1.5 billion in hand, enough for five days, instead of the $3.5 billion which is considered "comfortable," the Treasury had to draw $100 million from the free gold balance. This is now down to $400 million from the $2.8 billion which the government made when the dollar was devalued in 1934; the basic gold reserve of $23 billion backs the currency and is inviolable. The Secretary was driven to this final resort by Senator Byrd's delaying insistence on detailed arguments over why the Treasury now needed more than had been expected last summer, when it had thought it would be able to keep under the statutory limit of $275 billion this year, and why, given that some increase was necessary because receipts were down and costs up, $3 billion would not be enough. Mr Byrd's obstructiveness springs from his belief that the Administration must be forced to economise and that the only way of doing this is to take a firm stand of this kind. But he is now expected to capitulate very soon. In any case temporary relief is on the way since in March substantial tax payments will begin to come in.

Public Works—Private Money

If public works must be undertaken, the Administration hopes that they will be projects useful in themselves, and that private capital can be induced to provide most of the money. The $2 billion scheme for modernising the Post Office which the President unveiled last week satisfies on both these points, although Senator Knowland is already insisting that the first new post offices should go up not where they are needed, but where men need jobs. Although the volume of mail has doubled in the last fifteen years and is increasing by 4 or 5 per cent a year, it is still dealt with almost entirely by hand. Every evening post offices in big cities are swamped with mail which they cannot sort in time to catch out-going trains, so that letters often take three days, instead of one, to be delivered. Many growing suburbs are ill-served while old post offices are idle.

The Administration proposes that $2 billion should be spent in the next three to five years on 14,500 post offices, rehabilitating some, replacing others, and installing modern electronic equipment. Of this sum, private sources would be expected to provide $1.5 billion for construction. The Administration would contribute $175 million a year toward re-equipping the new buildings; it hopes Congress will authorise a fifth cent on postage for out of town letters to produce the money. Mr Summerfield, the Post Master General, says the scheme could be underway in sixty days, an important virtue in a proposal clothed in anti-recessionary garments.

This undertaking would be the broadest application of the lease-purchase idea, under which the government borrows the money for new public buildings from private sources and repays them over ten to thirty years, just as a householder pays off a mortgage. The great attraction is that such borrowing falls outside the limit on the public debt. Unfortunately, past experience suggests that speed is not a virtue of lease-purchase. Of 98 projects authorised in 1956, only one had been completed by the beginning of this year, and early in 1957 the whole ingenious idea had to be suspended because private investors were not interested in projects paying only 4 per cent interest. Now more private credit is available and it has been made easier for banks and insurance companies to participate in the plan. But no rush to do so has yet been noticeable. Many Congressmen do not mind who pays for public works, as long as their constituencies benefit, but others look askance at this partnership with private capital; last summer the basic law was allowed to lapse. The scheme might have had a more cordial welcome if it had not been put forward as a partial cure for recession; for this it is too small and too slow.

EXPLODING CITIES—III

At Home in Suburbia

FROM A SPECIAL CORRESPONDENT

From the literature on the subject the prospective visitor to suburbia might deduce that he was leaving the United States for a new and predatory land, constantly at war with its neighbours, inhabited by 42.5 million Suburbanites. These belong to a prolific tribe which is expected almost to double its numbers by 1975. Already its dynamic expansion has surrounded and is strangling the near-by city, Urbia, and threatening the rural metropolitan hinterland, Exurbia, where well-to-do urban refugees, entrenched in expensively remodelled farmhouses, are making an embattled last stand against the ultimate weapon of surburban aggression, the bulldozer. Behind its devastating advance spring up almost overnight, from potato patches or woodlands or old estates, the new "package suburbs" with their swirling pattern of streets, gardens and "homes."

It is not surprising that Suburbia should sound like another country for it bears little resemblance to older American communities. In pre-war days suburbs grew slowly within an established political and economic framework and retained their social and cultural ties with the city, but today one of the enormous new, middle-class, mass-produced developments which now ring the "exploding cities" may suddenly appear on the doorstep of a town or village demanding streets, water, schools and other essentials of existence. As communities they are, in a sense, orphans and must make their way with no inherited pattern of institutions or traditions. Basically the product of revolutions in building and transport, the suburbs are in turn producing a new way of life and, according to some authorities, a new kind of individual—a highly significant one since more than 80 per cent of the future growth of population is expected to come from there.

The suburbs, where almost everyone lives in a new house, are in fact providing an illustration of Sir Winston Churchill's much-quoted saying that "we shape our buildings and then they shape us." More than half of the 12 million houses built since the war and an even larger proportion of the million or so houses still being built each year are in the suburbs. Eighty per cent of the houses have been produced by a few large building firms operating on a mass scale, sure of being able to sell their houses once they are ready because of the pent up demand for shelter and because the government's policy of insuring mortgages has eliminated most of the risk. New financing practices have made it possible to buy a house for a negligible down payment and a 20- to 30-year mortgage on which the monthly payment is less than the rent on a flat. Twenty-seven million families (60 per cent of the total) now own their homes, more than twice as many as in 1940, and the government and the builders are both out to increase the figure this year even though demand is at last falling off.

Every weekend, the real estate supplements of metropolitan newspapers provide tempting glimpses of the "wonderland of suburbia" and thousands of families go "shopping" for a home through endless "planned communities" or housing estates. This search for paradise may lead the prospective home-owner through Murmuring Pines to look at a house called The Country Squire which enticingly enough "basks in the shade of its own trees," or he may find more to his taste the Houses that Jack Builds, which include a Royal Chateau, boasting three bedrooms and a "slightly formal living room with vaulted cathedral-type ceiling."

Underneath all this eloquence are several basic designs which can be produced at prices ranging from $10-50,000. The average single family house built in 1956 was a one-storey "rambler," with three bedrooms, 1½-2 bathrooms, 1,230 square feet of floor space, costing $14,500—considerably larger and more expensive than the average in 1950. Gaining fast in popularity, however, is the "split level," with bedrooms usually half a flight of stairs up from the living room and kitchen, and the recreation or family room half a flight down. It has the practical advantage of taking much less space in crowded suburbs than the rambler and involves less stair-climbing for the housewife than the old-fashioned two-storey "colonial" style. But the uninitiated in split-level living often experience a complete loss of direction and elevation, particularly if they find themselves in one of the variations, such as a "side-split" or a "fore-and-aft split."

The average home buyer, however, is adaptable. He is about thirty-five, married, an ex-serviceman, has two children and an income of just over $5,000 (roughly £1,800) a year. He has occupied his present house less than three years and moves every few years, usually to a larger house in a more expensive neighbourhood. After a year of hunting, he finally finds his house through a newspaper advertisement or by just happening upon it. The deciding factor in his family's choice is likely to be the size and equipment of the kitchen.

Though types of dwellings and of inhabitants vary widely between different housing estates, there is relatively little diversity within any one, since each will have houses of the same general accommodation and price range which attract families of similar age, income and sometimes even occupation. These horizontal communities are planned by a builder or estate agent who tries to fit a piece of land and anywhere from several hundred to many thousands of almost identical dwellings into some sort of Utopian pattern. He attempts to alleviate or disguise the uniformity of the landscape with curving streets and the repetitiousness of the houses with different colours and materials and by turning them almost every way but upside down. The largest communities often include shopping centres, electricity plants and recreational clubs.

The layout and buildings must observe local ordinances which may, if the tract lies in several jurisdictions, vary from street to street. Furthermore, in order to secure mortgage insurance from the government, the planner has to conform to many other detailed standards such as the provision of a tree in the southwest corner of every building plot. If, with all this, he can put into modern dress something approaching the suburbanite's nostalgic dream of an intimate green New England village, crossed with a spacious western ranch, behind a colonial portico, with an "old swimming hole," he has accomplished quite a feat. But if he fails the inhabitants "do it themselves," as they have had to do in the earlier suburbs where orchards, fences and swimming pools are now being installed at a great rate.

SHORTER NOTES

Over-zealous friends of the natural gas Bill have only themselves to blame if this twice vetoed scheme to exempt producers from effective federal price regulation has gone down for the third and last time. Few expect the Bill to survive the revelation that Texan oil and gas men recently gave Mr Martin, the Republican leader of the House of Representatives, a $100 a plate dinner on the brutally frank grounds that they expected him to round up Republican votes for the Bill this year as he has twice done in the past. The money was raised to help Republican congressional candidates. The President and the chairman of the Republican National Committee have refused to touch it, but the House and the Senate campaign committees have not been so fussy; consumers of natural gas will draw their own conclusions.

* * *

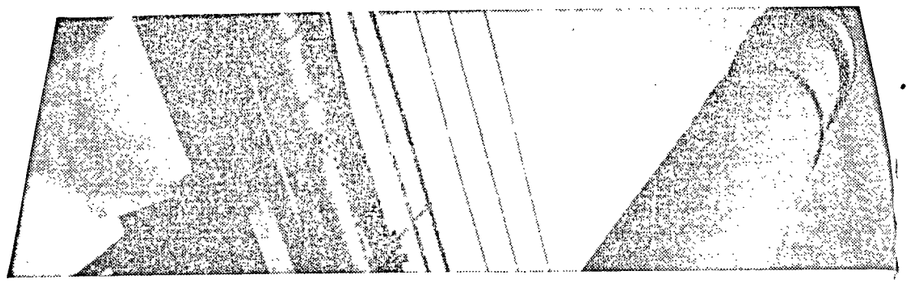
Mr Thomas Morgan, a Democrat from Pennsylvania, is assuming the active chairmanship of the House Foreign Affairs Committee which Mr Gordon, also a Democrat, must relinquish because of ill health. Mr Morgan stands for a bipartisan approach to foreign policy and voted for the North Atlantic Treaty and the Marshall Plan. This does not mean, however, that he has never supported reductions in foreign aid.

* * *

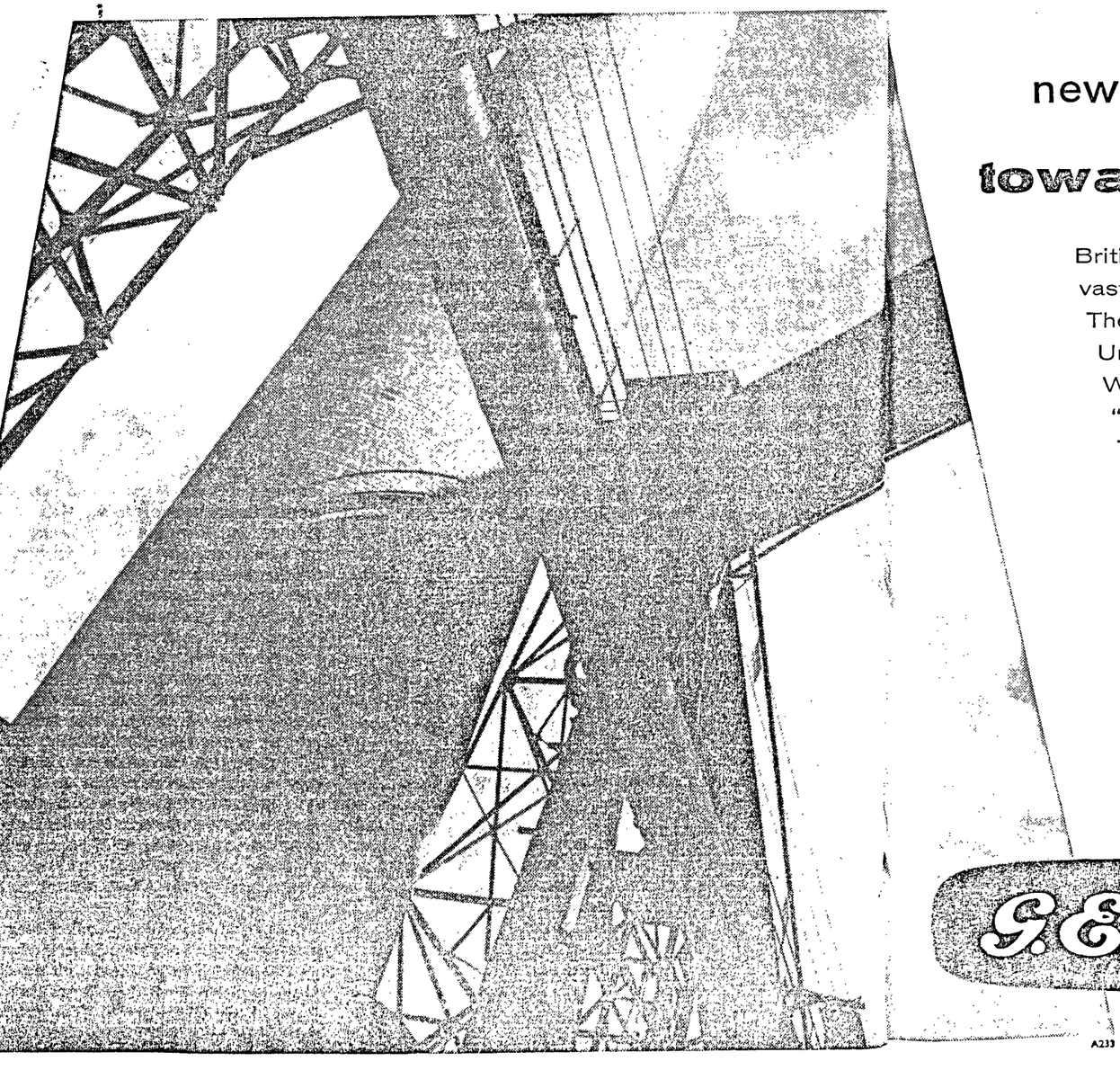
The report of the special advisory committee on the strategic stockpile confirms that American buying for this purpose is practically finished. But there is no immediate danger that the stockpile's surplus raw materials will be thrown on the market. While the committee recommends that these should be disposed of, the final decision rests with the Office of Defence Mobilisation and, after that, with Congress which can be relied on not to act quickly in such a matter.

* * *

At last, after seemingly endless congressional and legal delays, the New York State Power Authority has been given final permission to go ahead with the development of the hydro-electricity from the Niagara Falls which the United States shares with Canada. The generating plant, to be finished in 1961, will have a capacity of 1,800,000 kW.



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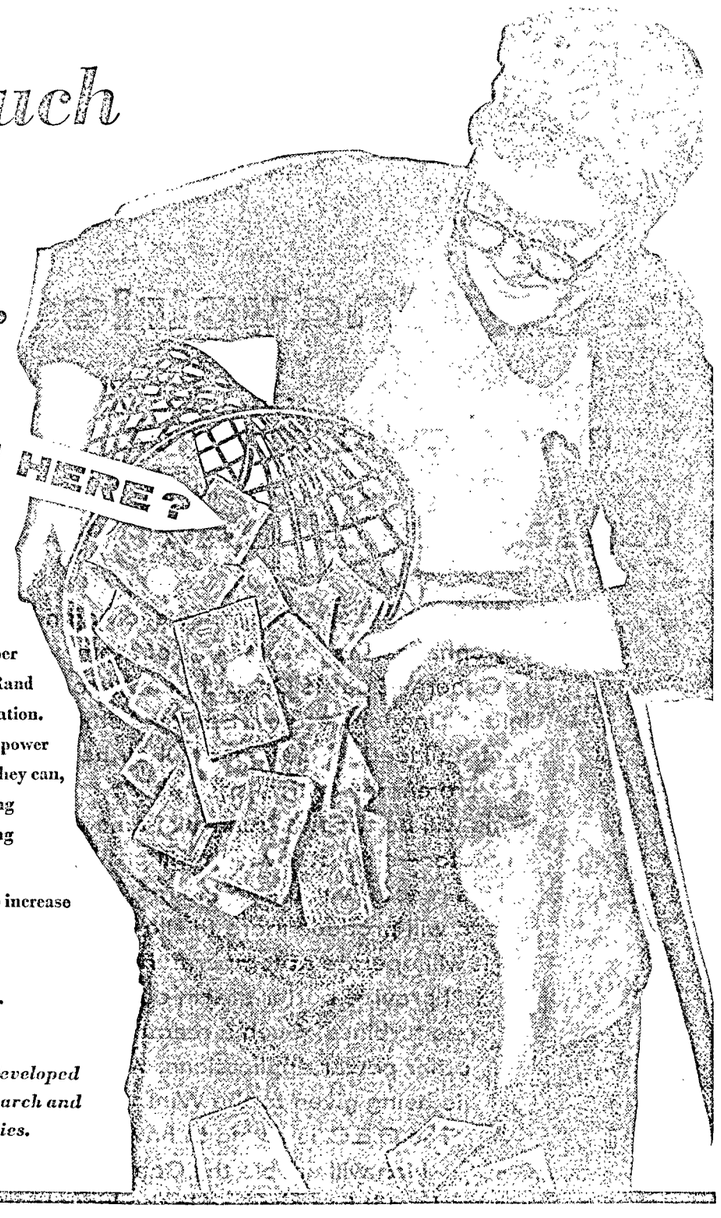
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THE WORLD OVERSEAS

France's Frustrated Army

FROM OUR PARIS CORRESPONDENT

THE government apparently decided not to punish the culprits in the Sakiet bombing in order "not to undermine the morale of the army." It is not clear whether another motive may have been a wish to avoid a show-down with the defence minister, M. Chaban-Delmas, who seemed remarkably well informed all along and who has the support of the chauvinists in the Assembly. But, even as an excuse, this concern for the army, lavished by supposed policy-makers on executants who forced their hand, is another of the Fourth Republic's confessions of weakness. Parliamentarians themselves have tacitly registered it as a warning; Catholics and Socialists have both asked the government to define its instructions "more closely" in future. Many people are beginning to wonder whether the army, or its officer corps, is a servant or a Frankenstein in Algeria. Originally, fear of the army's reactions to failure or a "sell-out" was probably an alibi for deputies hesitating to commit themselves. Is it now more than that? *La Grande Muette*—the Silent, or Forgotten, Service—does not wear its thoughts on its sleeve. It probably has no clear collective thought. But its latent anger at least can hardly be denied.

No people as proud as the French can suffer reverses for twenty years unscathed, still less an army embodying that pride. The hollow victory of the Liberation in no way compensated for 1940, which the army has tried ever since to live down. But in Indo-china its veterans were baffled by guerrillas—and returned home to find their countrymen gratefully rid of an episode which to the soldiers had been ten years of danger and the death of comrades. Meanwhile, in Europe, the army was painfully chrysalising into a modern force for atomic war. At one time it was faced with complete metamorphosis in a European Defence Community which was anathema to the traditional officer. A sense of neglect capped a sense of failure. Then, in 1956, when the new style fighting formations were hardly ready, the army was rudely dislocated to chase after more guerrillas in Algeria and to retreat, after victory, from Egypt. It feels it has suffered a series of unjust defeats. The best French troops, after seventeen years of continuous fighting, are today some of the finest in the world. They feel they proved this at Port Said next to a rusty British army. But the finest hour of the finest force, the parachutists, was the hopeless stand at Dien Bien Phu, France's worst defeat since 1940. The army suspects that it has been betrayed, and has naturally looked for scapegoats.

It has found one in "Paris": Paris, with its politicians who play at crises, who ill-used the army in Indo-china, who failed to stop the rot in Tunisia or Morocco or in Algeria, who, even when they are tough like M. Lacoste, proclaim the "last quarter of an hour" when the army knows how long it must last. Paris, also, with its intellectuals who spread defeatism and prepared the sell-out in Tonkin, and who now moralise on tortures without having to break flesh and blood rebels or to do the despised dirty work of the police in destroying terrorist cells: the intellectuals seem to many officers to be mere traitors.

To judge by the few periodicals, like the *Message aux Forces Armées* in which officers explain themselves, many have come to terms with colonial wars of independence by seeing them as mere incidents of the "permanent revolutionary war" more or less led by Moscow. The need for Christian civilisation's "counter-revolution" allows them to explain why they have to work unfamiliarly as administrators converting villages or as policemen terrifying towns. Being honest, they are prepared to admit the size of the task. France must make a heroic effort in men and money, it must carry out a social revolution in Algeria—and only the disinterested army is capable of playing this last card of *la grandeur française*. What they do not see is the fantastic disparity between their epic dreams and the moral and material resources of any modern, medium-sized democracy; or that the universal belief in progress which makes Moslems yearn for independence makes Frenchmen only half-inclined to the struggle for domination. It fatally predestines them to disappointment.

Doubtless, the view of the average officer or soldier is less coherent and explicit than this. Dissatisfaction has not broken the dykes of a long tradition of public service. Ministers agree that the generals are not rebellious: their postwar unpopularity for being involved with Vichy has discouraged them more than ever from taking matters into their own hands. But as Jean Planchais, the military correspondent of *Le Monde*, points out in his recent essay, "*Le Malaise de l'Armée*," today's coups are apt to be made by colonels. The fighting echelons consider that their commanders have too often failed (the commander-in-chief in Algeria, General Salan, was not a roaring success in Indo-china), and that they are tainted by "the regime." Two weeks ago a lamentable debate in the Assembly probably heightened this impression by making the nomination of generals seem merely a point at issue between rival socialist and conservative parties.

In general, the recent break-up of executive authority has made the government incapable of even holding the generals. "Discipline for the generals" has become synonymous with indiscipline. Marshal Juin was a prime offender as pro-consul in Morocco and during his anti-EDC campaign. One general, Faure, had to be imprisoned (only 30 days) for noisy association with right-wing extremists in Algeria. Another, Dufourt, the inspector-general of artillery, seems to have orchestrated the recent Assembly attack on the promotion system. A third sided with him publicly.

Several generals, like Bollardière, have resigned their posts in protest against the official conception of "pacifying" Algeria, or like Guillaume or Zeller, against the disruption of the new-model French divisions in 1956 to meet the needs of the Algerian war. A score of personal cases underline the rift between governments and soldiers.

Nobody supposes that a generals' or even a colonels' coup is in the offing, though the essence of conspiracy is to be unexpected. But what if a "sell-out" in Algeria put a match to the army's bitterness? It might soon spread to France. There are 70,000 ex-parachutists in France, some already supporting semi-farcical but unpleasant gangs of right-wing toughs like Biaggi's. As to the ordinary conscripts, many of them, including Communists, return with their anti-Moslem prejudices strengthened.

Fear that the army may become the arbiter in a crisis is another of the many reasons for thinking the Fourth Republic is unlikely to change its blind-alley policy in Algeria. Yet the frustration of the army itself is mainly a result of the failure of political authority of which prevarication in Algeria is one aspect. As party divisions weaken authority, every corps of public servants seems to gain in independent power, but not of its own volition, for each knows that anarchy will finally recoil on itself. Determination by a republican government could probably still save France very easily from Latin-American abysses. But that determination is just what seems to be lacking; and the government, by failing to command, undermines the army's morale more insidiously than would any punishment.

King Saud on the Fence

BY A CORRESPONDENT

FOR nearly six years the regime in Saudi Arabia has chosen to live with the Egyptian revolution. King Farouk was not popular with the Saudis, and treated them as country bumpkins when they came on spending sprees to Cairo. It was easy enough for the Saudis to regard the Egyptian king as un-Arab, and on his departure they shared in the general rejoicing. The leaders of the Egyptian revolution promptly made what appeared to be dutiful pilgrimages to Mecca and Riyadh, and platoons of Saudi princelings sat in Cairo reviewing-stands applauding the achievements of the revolution. Not until October, 1956, when President Nasser appeared in triumph before the largest crowd ever gathered in eastern Saudi Arabia, was there any sign that King Saud might understand what the Egyptian revolution meant for him. The crowd was for Nasser; King Saud was ignored until President Nasser himself took the king by the hand and waved.

Now the union of Egypt and Syria and the federation of Iraq and Jordan demand that King Saud must declare his intentions more clearly than in the past. The usual Saudi way out is to temporise. It is the way things have been working in Saudi Arabia for a long time. King Saud may still hope to become the counsellor and arbiter that his friends have tried to make of him during the recent past. So far, he has not had much success. He is too vulnerable, as an absolute monarch, to the principles of the Egyptian revolution; his armed forces are of little account; and he is physically handicapped by near-blindness. The time has come when his considerable prestige as keeper of the Moslem holy places and his steady income are not enough to assure him a special position in the Arab world.

King Saud may, as reported, plan to join the Arab Federation of Iraq and Jordan. This should not violently upset his domestic affairs, and it should not cost him more money than he already gives Jordan, if support for the weaker member of the federation were his membership fee. Saudi troops have been in Jordan since the Suez crisis, though it has never been very clear just what they are meant to be doing there. Real ties between Saudi Arabia and Iraq, however, hardly exist. Each has oil, and they share a long land border; but for over thirty years the greatest fear of the Saud family has been of the Hashemites to the north. The Saudi kings have spent millions to keep Syria out of the clutches of Hashemite kings and politicians. Since King 'Abd al-'Aziz established himself as Lord of Arabia, hundreds of Syrians and Egyptians have taught, doctored, engineered, advised and represented the Saudis. Few Iraqis have gone to Saudi Arabia. For some years after the last war, Rashid 'Ali al-Gailani, with an Iraqi price on his head, found prosperous refuge in Riyadh, but he quarrelled with King Saud and has been in Egypt for over three years. In 1953, King Saud, as Crown Prince of Saudi Arabia, attended the coronation ceremonies of King Faisal in Baghdad, but he was displeased by the protocol arrangements and Iraqi-Saudi relations remained strained until Dr Damluji and Amir Zaid visited Riyadh to prepare the way for King Faisal's visit to Dammam in October, 1956.

Or King Saud can, if it will have him, join the new United Arab Republic in some way. This would satisfy Arab opinion outside Saudi Arabia. It would be a popular movement in Saudi Arabia. It would make safe the passage of Saudi oil through the Suez Canal and through the pipeline across Syria. The price demanded by Syria and Egypt for accepting King Saud as even a limited partner would probably be a share of his oil revenues far in excess of the present canal and pipeline tolls. King Saud and his vast family would have to cut down on ostentation and—once allied to radicals—would have to be content to see that more money was spent locally on public works, education and health services. Saudi Arabia would still be a barren country, but if its revenues were invested instead of consumed, it would be a safer place for King Saud and for his friends. The money spent for even an associate membership in the new republic would assure him of toleration in the Arab world.

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Through an association with the United Arab Republic, King Saud could disembarrass his American friends, who, for all their coddling of him, are fully aware of the lack of popular support for any regime based on what has become so definitely the past. As an accepted associate of Egypt and Syria, King Saud could renew his broken relations with Britain and France without being branded a tool of the west. With the approval of Egypt and Syria, he could become an instrument for bringing about understanding between them and the Moslem powers of the Baghdad Pact. By accepting the association of King Saud, the leaders of the new republic could show the world, and the Arabs, that they are as independent as they claim to be.

Egypt and Syria have united without seeming to have worried too much about the details. They have united in

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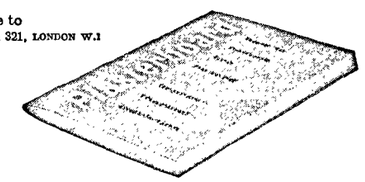
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spirit, leaving the practical problems of geography, policies and economics to fall into place. There is no reason why Saudi Arabia could not join them in the same spirit. To expect the king who has everything to give up something is expecting a lot. There would even be the danger that the something might become everything. Yet the longer King Saud avoids a decision, the less will be his chances of surviving in an Arab world grown tired of kings. The facts are plain enough for him to see; but it is unlikely that he grasps them.

Cyprus on Tenterhooks

FROM OUR CORRESPONDENT IN NICOSIA

February 19th.

POLITICS in Cyprus always recall Alice in Wonderland and these days they get curiouser and curiouser. For some eight weeks the island has been on tenterhooks, waiting for a British policy statement—that distant far-off event to which the whole political creation seemed to be moving. When at last an announcement—albeit only an interim one—was made this week by the Foreign Secretary, the great majority of the people took it, not with indifference, but with unusual passivity.

The explanation of this phenomenon lay not in any satisfaction that Mr Lloyd's pronouncement gave, but in the fact that the cumulative effect of the events of the past month—the two-day "revolt" of the Greek left wing against the right, the Turkish riots, and the unsuccessful talks in Ankara and then in Athens—has been to create a deep sense of bewilderment and scepticism in people's minds. The Greeks especially were psychologically prepared for a negative statement—probably indeed for something worse than they have got. But the mood and reactions of the terrorist cadres in the mountain villages and hideouts are another question on which it is too early to pronounce.

Amid all the flurry of diplomatic and other activity in recent weeks two factors have helped to tranquillise the situation, or at least to maintain an uneasy equipoise between the three communities. One is the simple fact that the Greeks are being made to face the full strength of Turkish feeling—and to realise that violence is a game that two can play. A month ago there was not a Greek in the island who would not have dismissed Turkish agitation as a spurious, artificial bogey created by the British. Today, after the full fury of the Turkish riots, some of them are not quite so sure (though they would never admit their doubts). The truth is that the current campaign for partition is essentially artificial and politically contrived, but the prospect of some day living under Greek rule causes a deep apprehension, real and elemental, in the hearts of many ordinary Turks.

Another helpful factor has been Sir Hugh Foot's visit to Archbishop Makarios during last week's Athens talks. In the view of many people in the island, this action alone prevented the Athens meetings from being a complete disaster. Little has been released officially about the discussions between the two men, but in "frank" exchanges lasting about half an hour it may be assumed that some pertinent points about the island's security were gone into—and Cyprus may benefit considerably as a result. The Governor is to be commended for taking this step, the more so because he pulled it off without incurring any protest from the Turks, who since the talks in Ankara have been very confident. Indeed, some of the recent utterances of Dr Kuchuk have been inflammatory beyond belief—notably his "even if the world is plunged into conflict over it, we shall have partition." In the nonstop war of nerves that is going on in Cyprus, this kind of utterance may not be taken at its face value; but the Greeks are much more deeply disturbed by repeated reports that, as part of a settlement, some sort of Turkish base in the island is proposed. If this project, which from the long-range perspective of Whitehall has perhaps much to commend it, should be carried out, it will arouse the strongest resistance from the Greeks.

Meanwhile, both communities have their eyes closely glued on the calendar. The long shadow of Rochdale has stretched as far as Nicosia; and the Greeks feel that time is in their favour. Within two years, it is argued, a Labour government will be in power—and the promised land in sight. This factor might conceivably serve to restrain Eoka's hand, for there are Greeks who consider a modified campaign of passive resistance would pay greater dividends than violence—until the British elections. (The mass resignation recently of mukhtars, or village headmen, may perhaps be construed as a development along these lines.) But the prospect of a Labour government is certainly unlikely to make the chances of early agreement with Archbishop Makarios any easier. Meanwhile, almost as these words are written, the island is getting on tenterhooks again—waiting for the next expected statement from the Archbishop.

Neapolitan Scandals

FROM A CORRESPONDENT IN ROME

ABOUT three months before a general election, the Christian Democrat government has dissolved the municipal council of Naples on the gravest charges of mal-administration. The executive junta of the council is the creature of Signor Lauro, leader of the Popular Monarchist party, who was himself mayor of Naples until he resigned a few weeks ago to stand for parliament. Now, in addition to the collective charges against the junta, the ex-mayor, his successor, and a number of councillors are separately accused of peculation and of systematically abusing their office. A prefect-commissioner has been put in charge and the Procurator of the Republic is holding an inquiry. Here is an unexpected promise of sport in the forthcoming elections, for a race has been engaged between the Christian Democrats and the Popular Monarchists which can only end in the discomfiture of one or the other—to the probable benefit of the Communists, whose chances in the South are brighter since the scandal broke in Naples. Meanwhile most Italians give Signor Lauro the odds.

Ex-Senator Achille Lauro is a septuagenarian millionaire shipowner who has given Naples the best football team that money can buy. He has also built a fine square in Naples for which the city is heavily in debt. One of the charges brought against him by the Home Secretary, Signor Tambroni, is grave irregularity in the free distribution of medicines to the poor. (Another irregularity for which Signor Lauro is famous at election times is the free distribution of macaroni and shoes; one shoe before the election, the other after.)

It is no coincidence that the most picturesque figures in Italian public life since the war are the mayors of some historic cities—Florence, Bologna, Naples—for municipal life still retains the flavour of by-gone independence. But Signor Lauro is the only one who has raised municipal politics to the national level. Out of the ashes of a dry-as-dust monarchist cause he has raised a new Qualunquist movement for the South. "The rebirth of the South is my mission," he proclaimed in his first public utterance after the government's attack. Southern Qualunquism may not be any more consistent than the original brand invented by Guglielmo Giannini in 1945, which played itself out in three years.

For the moment, however, the wind is in Signor Lauro's sails. At the Sardinian regional elections last year he won new ground by drawing off votes both from the original Monarchist party and from the Christian Democrats. Naples is his stronghold with a basis of 300,000 votes, but the whole of southern Italy is his hunting ground. The Christian Democrats will have to make haste if they wish to destroy him before the election. Nothing short of arrest on a penal charge is likely to do that. The mere fact that the municipal council defied the Prefect and the central committee for local finance by budgeting for a deficit of 33 milliard lire (£20 million) is no crime in Neapolitan eyes. Naples has always been in debt, like the Neapolitans, and if the mayor was cunning enough to get the central government to pay its debts, then so much more credit to him.

The government's action is universally interpreted as a declaration of war by the Christian Democrats upon the Popular Monarchists, but the reasons for this and its timing are hard to understand. Signor Fanfani has evidently determined to make a bold bid for the conquest of the South. The fact that Cardinal Mimmi has been replaced as Archbishop of Naples by Bishop Castaldo is thought to have influenced the new policy. Hitherto the local clergy supported Signor Lauro, and this was the only area in the country where the Christian Democrats could not count on the electoral support of the parish priests.

★

The political aspect of the government's intervention distracts attention from its merits. It may be true, as the Communists and the "Laurini" say, that worse things happen in other big towns where the Christian Democrats control the juntas, but the fact remains that in Naples things had come to a pretty pass. The corporation tram company was so heavily in debt that the service was about to cease. Eight specific charges and six subsidiary accusations are levelled by the Home Secretary against the council. These include unbounded prodigality in accepting financial commitments, enormous expenses for personnel (the corporation employed 14,000 people), irregularities in the election service, arbitrary distribution of funds obtained by forced contributions from contractors, and so forth.

There is little doubt that Signor Lauro spent public money—but he also spent his own—on the most unorthodox system of welfare by largesse ever tried out in a modern state. The political reasons for which the scandal broke conceal its administrative essence. Naples is an extreme example of the crisis of local government in Italy, where the old Napoleonic prefectural system has never been adapted to the requirements of modern administration. Controlled by the prefects and by the central committee for local finance, the municipal councils failed to develop a full sense of responsibility. Their sources of income are inadequate to the new standards of welfare. The central government reproves the great cities for getting inextricably into debt, but no one seems to notice that one reason for this is inflation and the fictitious value of the lira whose solidity is like the Emperor's new suit.

The cost of living rises and local governments feel the strain at first hand, but for the central government all is well so long as the budget can be balanced. A few weeks ago the government announced with pride an enormous drop in the national deficit, which is down to 134 milliard lire (£80 million). Yet there is something odd about an economy in which the national deficit stands at 134 milliard and the deficits of the city of Naples at 33 milliard lire. Signor Lauro may have over-budgeted—he had 200,000 unemployed to think of, which is nearly a tenth of the city's population. But it looks as though the Treasury has under-budgeted. Someone will have to find the answer soon.

Caring for Israel's Youth

FROM OUR CORRESPONDENT IN TEL AVIV

IN 1934, a year after Hitler's rise to power in Germany, there arrived in Eyn Harod (a collective settlement in the valley of Jezreel) a group of teenage sons and daughters of German Jews, mostly members of the middle class. They brought with them plenty of personal belongings, even bicycles and tennis-rackets, which caused awe and astonishment among the Kibbutz children who, although well fed and clothed, were used to an austere life. The newcomers, all fifteen years of age, were put to work for four hours each day; for a further four hours they were given lessons. They remained in the settlement for two years and thus by work, study and community-activities were fitted for life in Jewish Palestine.

This venture was initiated by Henrietta Szold, an American Zionist who came to Israel in the early twenties and combined a humanitarian outlook with exceptional organising ability. She called the organisation which was to look after the children "Youth Aliyah" (Aliyah being Hebrew for immigration) and she soon discovered that by taking Jewish children out of Hitler's Germany she had saved their lives. Many Jewish parents who lingered on in Germany in the hope that the nightmare would vanish were ready to give their children the chance offered by Youth Aliyah.

Since the arrival of this first group, Youth Aliyah has taken care of 85,000 children. Today the organisation has a yearly budget of roughly I£11 million and clamours for more money to meet its needs. It looks after children in more than 280 institutions, of which 92 are schools of various kinds. It maintains two seminaries, one of them for students who are to work in orthodox religious institutions. After the establishment of the Jewish state, mass immigration confronted Youth Aliyah with an entirely new problem. It then found itself called on to look after the children of oriental Jews who came from Yemen, Iraq, Persia and India, North Africa and Egypt. Parents, who were themselves unable to make a transition from an eastern way of

life to a western industrialised society, were also unable to educate their children. Under the stress, family ties grew tenuous and the children found themselves without proper guidance. Youth Aliyah sent its agents to North Africa and set up screening camps in southern France to give the children medical checks and a short preparatory training before sending them on to Israel. Roughly threequarters of the 14,500 children now under the care of the organisation in Israel come from oriental communities.

In the central reception camp the director—a graduate of the first Youth Aliyah group—tells how he and his colleagues taught their wards that beds should be slept in and not under; that daily washing was necessary and by no means dangerous; that knives and forks were for daily use. The teachers had to learn to understand the habits and beliefs of their wards; that it would be dangerous to destroy at a blow the world the children lived in; and that they had to combine understanding and respect for the oriental way of life with the teaching of new ways. The onslaught on old values led many children into a wilderness of doubts and fears. At this critical stage the advice of the psychologist and anthropologist was indispensable.

*

At first Youth Aliyah accepted children from abroad who were orphans, or who could not travel with their families, and children who were already in Israel but without homes. But even the best of care is no substitute for family affection; a few years ago, therefore, the organisation decided to open day centres where teenagers could be cared for without leaving their families. These day centres not only provide education—many of these children of fourteen and fifteen cannot read and write properly—but try at the same time to find work for them. Social research in the poorer immigrant centres showed that the majority of the teenagers who caused anxiety to the social worker were unable to find and keep a steady job, and that the parents were either unable or unwilling to allow their children further training once they had finished elementary school. Youth Aliyah decided to offer manual training and to pay the boys and girls while they were being taught. Thus the teenagers had an incentive to come to the centres and do their work properly and the parents were content to leave them there since they brought back a pay-check at the end of the week. For instance, in rural areas the day centres teach the children how to service and mend machinery, look after the livestock and take over gradually responsibility for their parents' small farm. In the process endless new problems crop up. The children have to learn how life is lived in a modern society; yet care must be taken not to estrange them from parents who still cling to old customs.

This last year, children from eastern Europe have also been handled. These are generally quite well taught, although they do not know Hebrew. But many of them have lived in their country of origin without knowing that they were Jews, and when they learned this just before leaving—or even only on the boat to Israel—the revelation came as a shock. Neither children nor parents know much about Zionist ideas; they have been educated according to Marxist principles and are bewildered by a world that appears to them topsy-turvy. Having seen values which they were taught to regard as eternal vanish into thin air, they are troubled and suspicious and apt to tell the teacher that they do not believe a word he says. To a certain extent, but in another form, this is a repetition of the behaviour of children from the DP camps.

Today, much of the work of Youth Aliyah is being done in co-operation with government departments and various voluntary organisations. Many of the Youth Aliyah people welcome this development, since their successes and bold innovations have made them especially alive to the danger that the government's mass immigration arrangements might leave behind them a residue of under-privileged children.

European Standards of Living

WESTERN EUROPE'S standard of living has been creeping up only very slowly on that of the United States and is still a long way behind. A new comparison by Mr Milton Gilbert and associates of the Organisation for European Economic Co-operation* suggests that the average national product per head in OEEC countries was around 42 per cent of that in the United States in 1955 and 38 per cent in 1950.

Such comparisons cannot rely on official exchange rates to convert national expenditures into a common currency because European currencies have a larger purchasing power than their dollar equivalent would indicate. As in an earlier study, Mr Gilbert compares the quantities of goods and services produced in a European country with those produced in America in terms of a common set of prices. But what set of prices should be chosen? Some goods are relatively cheaper in one country than another and price structures vary considerably. In 1955 the output of goods and services per head in the United Kingdom was calculated to be 64 per cent of that in the United States when both were valued at American prices, but only 51 per cent at British prices. American pricing consistently gave a more favourable comparison for European countries than domestic pricing.

REAL NATIONAL PRODUCT PER HEAD
(1955 Comparisons; United States = 100)

United Kingdom	57	Germany	51
Norway	55	France	49
Belgium	53	Netherlands	47
Denmark	51	Italy	29

Although the complexities and uncertainties of measurement are much magnified in international comparisons, a choice arises in much the same way in weighting an index of national output or prices. There is no unique answer. In this study, a compromise has been struck by using the statistical device of a geometric mean to blend the two answers. Results on this basis for eight European countries are shown in the table.

Although the United Kingdom leads the list with the highest national product per head in 1955, it made a poorer showing in investment in 1955 than other countries except France and Italy; the rate per head was only 46 per cent of the American level. On the other hand, Britain was the only country in which defence expenditure per head (at American prices) was over half that of the United States.

* Comparative National Products and Price Levels. By Milton Gilbert and associates. OEEC. (Available at HMSO. 24s.)



Brass on the wall

"There used to be a dozen and more horses on this farm when I was a youngster, and every one had a name beginning with T. *Toledo, Tarquin, Topsy, Tuscan* . . . I remember them all. Suffolk Punches they were mainly, and a team of Clydesdales to haul the heaviest waggons. You wouldn't have found finer anywhere in England. Coats sleeked till they shone like marble, manes and tails ribboned and braided, brasses swinging and jingling and flashing in the sun . . .

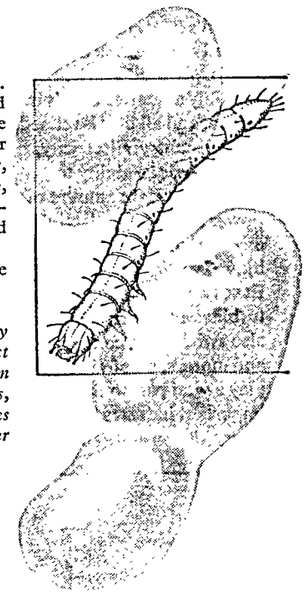
"Now the only T in the stables stands for Tractor, fodder comes in metal drums and the old brasses for ever need polishing . . .

"Not that I'd go back, mind you, any more than our ancestors, who worked these fields with wooden ploughs centuries ago, would have gone back to oxen, once the horse collar had been invented and given them four times the pulling power. You can't stand still on a farm . . .

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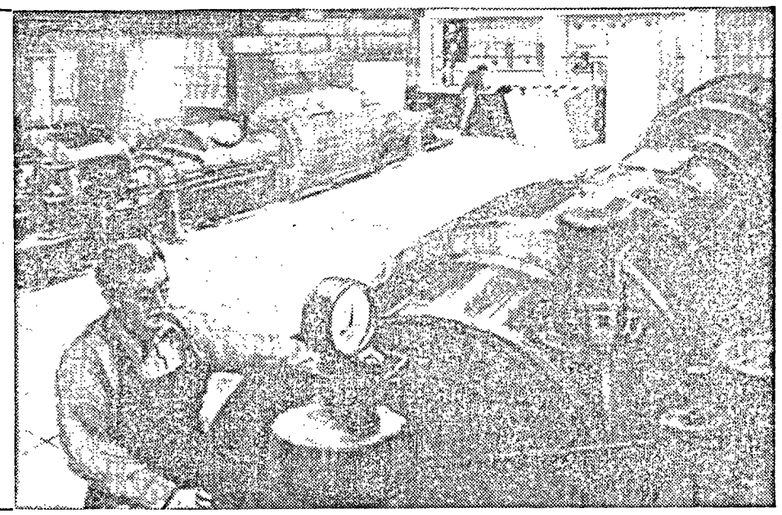
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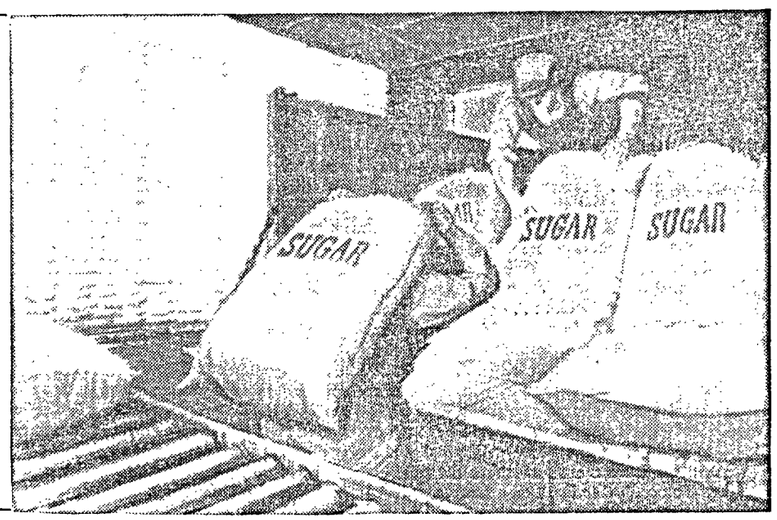
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THE BUSINESS WORLD

RESTRICTIONS AND THE ACT—I

More Competition or Less?

WHEN the Restrictive Trade Practices Act came into force eighteen months ago, it was welcomed here as a spur towards more effective competition and greater flexibility within British industry. Some of its flaws were recognised from the start. It made individual price maintenance legally enforceable for the first time, and it curtailed the powers and activities of the Monopolies Commission. So the Government gave industry an admitted *quid pro quo*. What industry accepted in return—the outright banning of collective price maintenance; the open registration of a wide range of restrictive trade practices; and the presumption that these practices were against the public interest and, unless justified before a new Restrictive Practices Court, would have to be abandoned—all these changes seemed likely to leave something over as a net encouragement to competition. It is still too soon to confirm or reverse that judgment; no agreement has yet come before the court. But it is not too soon to look at certain changes in form and in practice that have already taken place in industry as a direct result of the Act.

One of the first effects of the Act was the welcome disappearance of the stop lists and secret courts associated with collective price maintenance through which recalcitrant price cutters could be made to toe the line or be forced out of business. The Act made collective price maintenance quite unconditionally illegal: manufacturers operating such agreements—among whom the tobacco and motor car firms were conspicuous—had no option but to abandon their joint agreements with wholesalers and retailers. But in the case of other restrictive trade practices the manufacturers, wholesalers and retailers were given, in effect, a three-way option. They could register their agreements as they stood, and prepare to defend them as being in the public interest; they could amend them before registration, leaving out some of the less defensible conditions, and then defend the agreement as revised; or they could abandon their agreements or put them in a form in which they would not need to be registered at all. Some 1,800 agreements have now been submitted for registration, of which a large number are dated between December, 1956, and February, 1957, which suggests that they were revised before submission. Total registrations are fewer than was originally expected; this, too, is officially thought to show that quite a large number of agreements have been either abandoned or amended in some way to avoid registration. It is also possible that agreements between three parties (which have to be registered) have been converted to two-party agreements (which do not) by a merger of two of the parties to the original agreement. Finally, some manufacturers have already begun to take advantage of their new legal powers to maintain the resale prices of their own goods; the motor industry is prominent here, and other industries much less so.

It would be practically impossible to summarise all the changes that have been made in the form of several hundred different types of restrictive agreements between firms; and quite impossible as yet to discover whether a change in the form of an agreement represents a real change in practice, or is merely a more readily justifiable way of describing the same restriction. But it may be worth taking one industry or group of industries, and examining in detail how its agreements and practices have altered. Our choice of the motor industry and its accessory trades for this role does not imply that the changes in methods of distribution and price maintenance there are necessarily

typical of the changes made in other industries. But it is the fact that the motor industry has made exceptionally forthright use of its new power to enforce individual price maintenance through the courts ; it has had to abandon one of the most comprehensive systems that formerly existed for the collective enforcement of price maintenance ; and because it is so convinced of the public virtues of resale price maintenance, it has been franker than most other industries in explaining and documenting its reactions to the Act.

UNTIL last year, the motor industry enforced collectively, through the British Motor Trade Association (BMTA), a most rigorous form of resale price maintenance on motor vehicles, tyres, plugs and other accessories. Complaints of price-cutting were investigated by the association ; evidence was acquired through test purchases by members of its staff ; and where the threat of further action was not deterrent enough, the offender was hauled before one of the association's price protection committees. These sat in secret : the price cutter could either be fined or, in the last resort, put on the association's " stop list " and denied all supplies. These enforcement activities were financed by the association, to which all dealers and wholesalers were in practice compelled to belong and to which they paid fees. With the new Act, compulsory membership of the BMTA, price protection committees and stop lists all disappeared. But the BMTA remained ; though shorn of its powers of enforcement, it kept some 80 per cent of its members on a voluntary basis. The need to register restrictive agreements called into being a new body, a Distribution Scheme Committee of the vehicle manufacturers, which drew up a comprehensive distribution scheme, to which dealers and wholesalers were admitted. This scheme is registered as a restrictive trade practice. All other agreements between manufacturers and their wholesalers and dealers have been converted into a host of separate two-party agreements which the High Court has held, in a test case brought by the Austin Motor Company, to be exempt from registration.

The new distribution scheme specifically permits a dealer to sell—but not to stock—any make of car, whether he has a franchise from the manufacturer of that make of car or not. The change is more apparent than real. An Austin dealer, for example, could always have sold, say, a Ford to a customer who asked for one. But if he has a franchise to stock and sell Austins he still cannot stock Fords ; in taking delivery from a Ford main distributor he still has to accept a lower trade discount than a Ford dealer would get ; and the customer still invariably obtains much quicker delivery by going direct to the Ford dealer. The compulsory membership of the BMTA has gone, but a dealer cannot obtain a franchise from a manufacturer unless he is admitted to the new distribution scheme ; and the price of admission is a fee of three guineas (nine guineas if he is a wholesaler), and an undertaking to observe all the conditions of sale, including the retail price, set by any manufacturer whose products he may handle.

The distribution scheme itself provides no means of enforcing these conditions, but the manufacturer is not unaided in bringing his case before the courts. The BMTA, though shorn of its secret courts and stop lists, still retains its powerful apparatus of investigation and test buying to secure the evidence and prepare a case for the courts. In practice, of the several hundred complaints that have been investigated by the association since the new Act came into force, all but seven have been settled without going to court. In most cases, a " friendly " warning from the association, backed by the implied threat of court action, suffices to show the offender the error of his ways. But in six cases, and one other now *sub judice*, the price cutter has been taken to court by the manufacturer, acting on the evidence supplied and a brief prepared by the association. In each case—two concerning motor cars, two tyres, and two plugs—the manufacturer won. And in each case the manufacturer asked for and obtained an injunction to bring a speedy end to the price cutting. Costs were awarded against the price cutter, although the heavier cost of investigating and preparing the manufacturers' case is still borne by the BMTA. The association, now dependent on voluntary membership, is not as rich as it was. On the other hand the entrance fee to the new distribution scheme is much larger than would seem to be required by the present cost of administering the scheme and publishing a register of traders.

WHENEVER the abolition of collective price maintenance was suggested before the Act was passed, retailers—who usually provide the main impetus behind resale price maintenance—invariably maintained that individual price maintenance would be too slow, cumbersome, expensive, and ineffective for their purpose. In practice, in the opinion of the BMTA, a court injunction, which can be speedily obtained, is a far stronger deterrent to price cutting than the old stop list, which was never completely proof against the wiles of the smaller dealers. And with an association to investigate and prepare the cases for the court for submission by the manufacturer—at the dealers' and wholesalers' expense—the manufacturer is relieved of much of the burden of enforcement.

Yet there remains one form of price cutting, at times quite widespread, which the manufacturer is powerless to prevent. When a new car is sold for cash, the dealer's profit margin is rigidly fixed ; but the great majority of new cars are sold, not entirely for cash, but against a secondhand car which the dealer buys in part exchange. The dealer does not know his profit on the sale of the new car until he has valued the used car—and frequently not until he has completed a whole

series of similar transactions. This introduces a welcome element of flexibility into the price structure, for it is not uncommon for a dealer to cut his profit margin by as much as a third, by paying more for a used car than he thinks he can get for it, in order to make the sale of the new model. The manufacturer of the new car now has the legal right to prescribe the price that may be paid by the dealer for the car he takes in part exchange ; but he has never tried to do this, even before the Act.

In sum, the motor industry, for all its apparent changes, is still organised on broadly the same lines as it was before the Act came into force. Open price competition is still mainly confined to that between manufacturers, and the Act has brought no new flexibility to wholesalers' and dealers' profit margins. This applies also to tyres, a trade in which a majority of the Monopolies Commission felt that price competition could be induced only by abolishing individual as well as collective resale price maintenance.

The Act of 1955 indeed gave specific legal sanction to practices that the Monopolies Commission had advised should be made illegal. The motor industry may have more arguments to wield in favour of resale price maintenance than could be adduced by other industries. But its reorganisation since the Restrictive Trade Practices Act was passed shows, in one industry at least, how little real change has followed the ban on collective price maintenance, and how effective its legal successor, individual price maintenance, can be in achieving the same ends. If this Act is still to prove itself on balance a force making for more price competition, rather than less, it will rest with the Registrar, the Restrictive Trade Practices Court and the rump of the Monopolies Commission to show how this can be done. The preparations that they have made so far, and some of the problems they have encountered, will be discussed in a second article.

The Crown Agents

A department without a Minister and without a vote, run by public servants who are not civil servants, the Crown Agents have sprung into the news, but not in the way they would wish

RECENTLY that most retiring of public bodies—the Crown Agents—has come under fire. The Finance Minister of Ghana has been talking about " better management " of his country's assets. Mr Mintoff too has been grumbling that Malta's funds have suffered depreciation. The funds that have been invested on behalf of their countries by the Crown Agents should be sharply distinguished from the sterling balances that they hold. Rather less than half of Ghana's total funds are managed by the Crown Agents. But the fact that overseas governments are being critical—as they have every right to be—is a reminder that, as the ties that hold the British Commonwealth become more tenuous, its newer self-governing members may not avail themselves of the services of the Crown Agents without question. Since the Crown Agents hope to continue to act for the new countries they must justify the efficiency and the cost of the services they offer.

No one answers for the Crown Agents in Parliament ; no blue book is laid, and no estimate debated. The accounts for 1956 show a thriving multiple business that makes no call on British revenue. The Crown Agents bought goods and stores on behalf of their clients totalling £73 million in that year ; they run agencies for the inspection of goods ; they will select candidates for appointments ; a philatelic department arranges stamp issues and sells to dealers ; and the loan and investment department supervises separate funds aggregating £962 million. A revenue of just over £2 million from their activities enabled the Crown Agents to pay their way and to carry £144,000 to reserve.

The Crown Agents are thus self-supporting. They are also independent. The Agents—Sir George Seel and Sir Alfred Savage—are appointed by the Colonial Secretary and the non-technical staff they employ are recruited through Civil Service examinations. At that point the link with British machinery of government ends. The Crown Agents work here on behalf of overseas governments and administrations, not as agents of the British Government. When they make a surplus, it is passed to their clients as a refund of charges—like any co-op store. And the charges are competitive. The rate of commission for buying stores is normally 1½ per cent ; the basic charge for inspecting goods is 1 per cent ; the fee for acting as an employment agency is 2½ per cent on the first year's salary with a maximum of £25 ; postage stamp issues are controlled at 4d. per 1,000 stamps ; the charge for issuing loans is £1,000 on the first £2½ million and £750 per million on the balance plus brokerage, and the loan management charge is 14s. per stockholders' account per year. At these scales of charging, the gentlemen of Millbank can claim some notable victories in competition. After Ceylon had gained independence it opened its buying to world-wide competition but the Crown Agents continue to handle most of it. They continue to act for Iraq and a plaque adorns the Millbank office, presented by the Jordan Arab Army long after the dismissal of Glubb Pasha.

The buying and servicing business of the Crown Agents needs a staff of engineers up and down the

country, on the Continent and a subsidiary agency in America ; it is successful and one of the largest of such businesses in the world. Buying is in no way restricted to sterling goods, for the interest of the client comes first ; but in practice over 90 per cent of the orders are placed in this country. The Crown Agents do not act for the "white" Dominions or for India, nor for the East African and West African currency boards. Even so, their customers number over 150 and include most of the other governments and principal public authorities of the overseas sterling area, together with a few outside the Commonwealth, such as the United Nations Reconstruction Agency in Korea and the United Nations Emergency force in Gaza. Their official style "Crown Agents for Overseas Governments and Administrations" well describes the customers.

It is on the financial side—the management of the £962 million invested in the London market and of the £220 million of funded debt borrowed through that market—that the impact of changes in the shape of the British Commonwealth is most likely to be felt. Unfortunately information on that side of the business is thin, for the Crown Agents take the understandable view that investment instructions from their principals are confidential. Accordingly, they do not disclose how they have invested nor even on which funds they have accepted instructions and on which used their own discretion. They invest almost wholly within the Trustee list and therefore almost wholly in fixed interest stocks and wholly within the sterling area. They hold substantial balances on loan to local authorities and in Treasury bills. Their portfolios include big blocks of their own colonial issues as well as United Kingdom gilt-edged stocks.

Most colonial government prospectuses of recent years have contained a statement that part of the total to be raised would be subscribed with colonial government funds. Thus in effect part of the money borrowed by colonial government X is provided from sinking funds, reserves or pension funds that are being built up by governments Y and Z. How far this interlocking goes is not revealed, but the total of the Crown Agents' loans in issue is £230 million nominal (of which about £220 million is quoted), so that obviously the great bulk of the £962 million is in United Kingdom stocks. There is no breakdown of the investments between long and short, nor are the holdings of individual countries given.

From the standpoint of the Crown Agents' customers one doubt has to be allayed. If overseas government X wants its money, can it get it without loss ? The chances that X will want some of its money in the next few years are high : the exuberance of newly won autonomy, the pressure of falling commodity prices and the ambitions of capital development will see to that. X will not be much concerned that some of its funds also form part of the central reserve of a Commonwealth whose benefits it has chosen to continue to enjoy ; nor are the Crown Agents inclined to raise that argument. Some of the overseas governments are becoming less conscious of a sense of membership of a financial system run from London and more conscious of their rights as creditors of it.

There is emphatically no evidence that X would have done better with a different investment adviser, but unfortunately the Crown Agents do not produce evidence to show that they have done better than anyone else could do. To provide the necessary reassurance the Crown Agents really need to illuminate their financial policy and, without revealing the affairs of individual customers, to show how it has worked as a whole. If they have foreseen the inevitable drawing down of funds, and hold liquid funds to meet further withdrawals, as it is believed they do, would it not be wise to say so ?

The financial service that the Crown Agents offer includes a fair measure of independence from the financial discipline of the London market. The only comparable authority that deals in its own stocks regularly is the British Government itself and the Crown Agents have never been asked to use their buying and selling as an instrument of financial policy in the way that the British Government does. The Crown Agents need consult only the interests of their principals and hitherto they have been fairly persistent buyers and only occasional sellers. If they had to become persistent sellers, their customers would naturally suffer. But the Crown Agents take the view that the regular investment of the sinking funds which they manage should ensure that they do not become net sellers of their own stocks on the market.

In the making of new issues the Crown Agents naturally accept the full discipline of the capital market, including CIC consent and arranging their operations in consultation with the Bank of England. But when issues are difficult to arrange—as they have been in the past twelve months—the Crown Agents offer an additional service. Two long standing funds, the Joint Consolidated Fund and the Joint Miscellaneous Fund, amounting together to some tens of millions of pounds, are invested short and can be drawn upon for temporary advances. That is another example of self-help among the members of the overseas sterling area through the Crown Agents. It is not clear why the size of those funds and how they are invested cannot be disclosed.

Customers of the Crown Agents may well consider that the facilities they enjoy in the London capital market are worth preserving. They enjoy trustee status for their loans, and while this advantage does not spring from using the Crown Agents, the Crown Agents have long experience of such financing. Their task, therefore, should be, first, to convince the overseas administrations that they are their agents and not the agents of the British Government, as they are doing ; and secondly, to convince them that the expert financial service they offer is at least as good as could be obtained elsewhere, and that may compel them to reveal a good deal more about themselves.

BUSINESS NOTES

IN THE MARKETS

Australia Follows On

As was anticipated the Australian loan follows hot on the heels of the British Government's 5½ per cent Funding issue. The market that it finds is therefore largely the result of the response to that issue. It was a response neither bad nor distinguished. The cryptic announcement that applicants for up to £1 million received full allotment and larger applicants about 82 per cent of the amounts applied for, is obviously intended to be neutral ; there were some applicants, apart from the Government departments, but the talk of vast sums of American money pouring in has proved to be the moonshine that the authorities always supposed it to be. The new loan has nevertheless proved attractive since allotment. A demand now exists for it at about 98 $\frac{9}{16}$ at which the market can get supplies. The issue has therefore had the desired effect: the ebullience of the market in long-dated gilt-edged has been damped down, but the strength of the market on Wednesday and Thursday suggests that the bulls are still in charge.

How does Australia's offer of £16 million 6 per cent registered stock 1974-1976 at £99½ appear against that background ? The loan seems attractive because of its yield—£6 os. 7d. per cent flat and £6 os. 11d. to redemption in 1976. The market likes the loan and likes the fact that the amount of it is £4 million less than the amount of the maturing stock—the Commonwealth 3 per cent registered stock 1955-58. Holders of that stock are offered conversion into the new issue plus a cash payment of 10s. per cent representing the discount in the issue price of the new stock. Conversion from a 3 per cent issue to a 6 per cent one below par is obviously attractive. But the maturing stock may not be heavily converted ; it is to be paid off at the end of its natural life on April 15th, and is therefore now largely held as a short bill.

Success for the Australian issue seems highly probable. The only fly in the ointment—as with all combined cash and conversion issues—is the length of time between application and allotment. Cash lists open and close on Monday ; conversion lists remain open until February 28th. Therefore, if the issue has to depend to any extent on the stags it may be significant that they will not be getting their 10 per cent application money back with the recent speed.

Woe from Wall Street

The bulls have been in the ascendent in gold shares as well as in gilt-edged, but among industrials the price movement has been downwards. *The Economist* indicator at 168.9 shows a fall of 1.8 on the week ended on Wednesday, and stands at its lowest point since September, 1954. Most sections of the market shared in the decline ; shipping shares fell heavily and Shell new shares touched 17s. premium over the issue price of 110s. After recovering to 18s. 9d. they show a fall of 6s. 3d. since dealings began. Some market experts have blamed Colonel Nasser's Sudan frontier activities for the state of industrial markets, but the more potent cause was undoubtedly the persistent weakness of Wall Street. The decline in the dollar premium—the premium over parity with American and Canadian markets that United Kingdom residents have to pay for the privilege of dealing in dollar stocks—gives the measure of Wall Street's influence. The premium dropped on Tuesday to just under 4 per cent (over parity of $2.80) and it rallied to 4¾ per cent on Wednesday, and to about 5½ per cent on Thursday. By contrast it reached 20 per cent when sterling was under pressure last autumn.

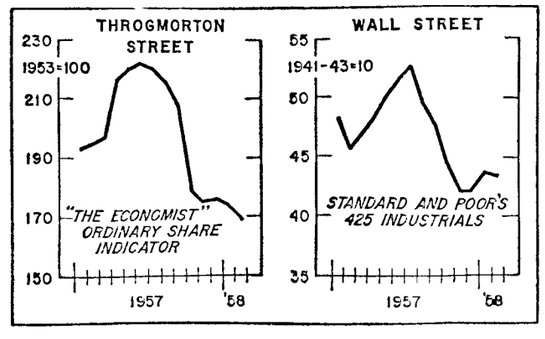
British residents can perhaps be excused a little boredom with their dollar securities, and a little general selling with that feeling behind it has taken place. There are also clearly some repercussions from the Shell financing transactions in the movement. British residents selling Royal Dutch new in Amsterdam or New York, to buy Shell new in London would release premium dollars. The volume has been small, and the suspicion that Continental sales of Royal Dutch have been presented as though emanating from London cannot be substantiated. Theoretically the dollar premium market represents the transactions in dollar securities of United Kingdom residents and is not now tied to the market in security sterling which represents the transactions of foreign residents in sterling securities.

So big an international financing operation as the com-

EQUITIES IN LONDON AND NEW YORK

	February 7 Price	February 7 *Yield* %	February 14 Price	February 14 *Yield* %	February 20 Price	February 20 *Yield* %
Ass. Portland Cem.	34/9	*5·18*	31/9	*5·67*	32/9	*5·50*
Ass. Electrical Ind..	49/3	*6·09*	48/3	*6·22*	48/3	*6·22*
British Petroleum..	89/4½	*5·84*	85/7½	*6·10*	85/6	*6·11*
Ford Motor.....	35/4½	*4·52*	33/4½	*4·79*	33/–	*4·83*
Guest Keen.....	49/–	*5·52*	46/3	*5·84*	46/–	*5·87*
Hawker Siddeley ..	27/1½	*7·37*	25/4½	*7·88*	26/3	*7·61*
Imperial Chemical.	39/6	*5·06*	37/6	*5·33*	37/6	*5·33*
Lancashire Cotton .	31/10½	*10·98*	30/7½	*11·43*	30/1½	*11·62*
Marks & Spencer 'A'	42/3	*3·55*	40/7½	*3·69*	39/9	*3·77*
P & O Deferred ...	25/3	*6·33*	23/3	*6·88*	22/6	*7·11*
Rolls-Royce.....	89/6	*4·47*	88/–	*4·55*	86/3	*4·64*
Stewarts & Lloyds .	23/9	*9·26*	21/9	*10·11*	21/7½	*10·17*
Shell Transport....	137/10½*	*4·73*	126/10½xr	*5·14*	125/9xr	*5·19*
Unilever Ltd.	78/4½	*4·47*	75/10½	*4·61*	76/–	*4·61*

* Adjusted for rights issue.



bined Royal Dutch and Shell issues could hardly be made without running into some complications. One difficulty did develop and brought arbitrage between London and New York in Shell new shares temporarily to a standstill. It arose out of the "pink" forms for the subscription of excess shares. The British vendor often does not surrender his "pink" form; in this issue it happens to bear a distinctive number so that it cannot be used by anyone other than the shareholder to whom it was issued. The American rule is that provisional allotment letters to be good delivery should be accompanied by their appropriate "pink" forms and that those "pink" forms should even be splitable. A temporary solution of the *impasse* was found by borrowing a block of "pink" forms from a group of shareholders, believed to include the Burmah Oil Company, and making them available to buyers in America.

STERLING

All within the Gold Points

FOR the first time the three types of non-resident sterling —American account, transferable and security—have all moved into the range of exchange fluctuations permitted under the International Monetary Fund code, $2.78-$2.82. Official or American account sterling is still in steady commercial demand and its rate has strengthened to 2.81\frac{15}{16}$-$\frac{7}{8}$. For all practical purposes this is its ceiling and the Exchange Equalisation Account must have been gathering a sizeable amount of dollars through its intervention in the market. But the sharpest appreciation has occurred in security sterling rate which, over the past week, has strengthened from $2.77 to 2.79\frac{1}{4}$. This appreciation in a narrow market is principally due to non-resident shareholders in Paris and New York taking up their "rights" to the "Shell" issue, while there has also been some French and American investment in gold shares.

Transferable sterling continues to be in strong demand in Zurich and New York and has risen to 2.79\frac{1}{4}$. The recent demand for it owes something to the persistent sales of gold by the USSR, invariably made against transferable sterling. According to an estimate by Samuel Montagu and Company, Russian gold sales rose from 4,300,000 ounces in 1956 to 7,500,000 in 1957. Samuel Montagu estimate that gold production in Soviet Russia last year was 17 million ounces, practically equalling South Africa's output of 17,030,000 ounces. The increase in Russian gold sales partly explains the exceptional expansion—of the order of 25 per cent—in the turnover of the London bullion market, but central bank operations in that market also become more important and these accounted for well over half the turnover. There was a marked decrease in the demand for gold for hoarding purposes. Of the total of about 37 million ounces of new gold sold in 1957, some 24 million ounces went into central bank reserves, 9 million ounces to hoarders, and some 4 million ounces to industrial consumers.

THE BANK OF ENGLAND

The Bank and the Public

MR COBBOLD'S speech last Monday was important for two things. First, the Governor stated the Bank of England's present view on the general economic situation—the battle against inflation only half won and the need for maintaining the general lines of policy laid down last September until it is fully won. To this, however, he added a significant rider; the perpetuity of boom is today much less taken for granted, but whether the "patches of recession" around the world are destined to fade away or go deeper, the immediate task is still to keep costs and prices stable and so be able to counter either renewed inflation or the strains of any deepening recession. This surely puts policy in the right order.

On the findings of the Parker Tribunal, the Governor commented with an urbanity and good humour that betrayed little sign of the extreme pressures to which he and his colleagues have lately been subjected. "It has," he declared, "become a popular national pastime to suggest how the Bank of England ought to be run." And he added, "For a few minutes perhaps I can play, too." On the composition of the Court of the Bank, he doubted whether the suggestion that the clearing banks should be directly represented would be fruitful. There is regular discussion, negotiation "and sometimes argument" between the Bank and the clearing banks, and for the latter to be represented on the Court might lead to the particular embarrassment of sitting on both sides of the table. To this comment by the Governor one might add that to introduce any representational quality into appointments to the Court would be a questionable move, and even more questionable if such representational appointments were made merely *ex officio*, as presumably they might have to be.

Mr Cobbold's remarks on the job of part-time directors—"no sinecure"—and the threat to the whole principle of first-class people giving part-time service in British public life unless "some discretion is used in treating them as a political football" were moderate and wise. But the more significant passages concerned the Bank's conception of its task and its relations with the public. It must be "a Bank and not a study group . . . the only thing that matters is that the Bank should be in the best position possible to perform its duties as the servant of the public and as banker and adviser to the Government." Both points are fair, but it must also be a Bank not afraid of expertise, of occasional controversy, or of projecting its activities far more effectively in the public mind. It is particularly welcome that the Governor should be commenting so freely and fairly on these matters, for the radical changes in attitudes that they imply cannot be a matter of simple transition from old ways. The Bank, like every modern institution, has to go into the business of public relations; this, it may think, is odious, but it is inescapable.

COAL

Stocks into the Bargain

PLENTY of coal in the yard is a no less potent argument in mining wage negotiations today than it was between the wars. On neither side of the table across which the National Union of Mineworkers heard their wage claim rejected by the National Coal Board this week was there any doubt that for the present, at any rate, wage bargaining power in the coal industry is a good deal more balanced than it has ever been since the war. Only a year ago, though the country's coal stocks had already begun to grow, the possibility of ending Saturday working, for example, was a potential threat in the hands of the miners against the time

EXECUTORS & TRUSTEES

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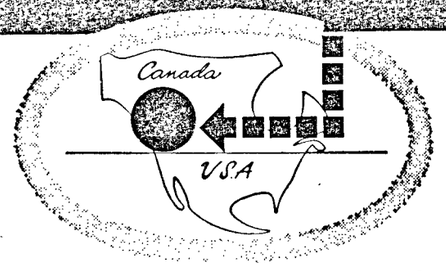
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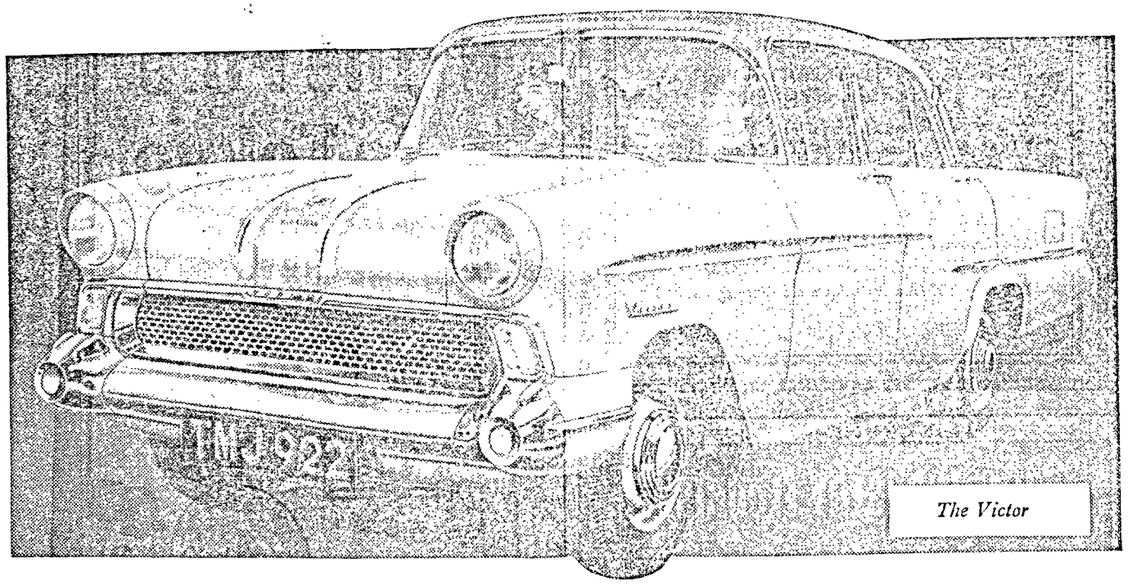
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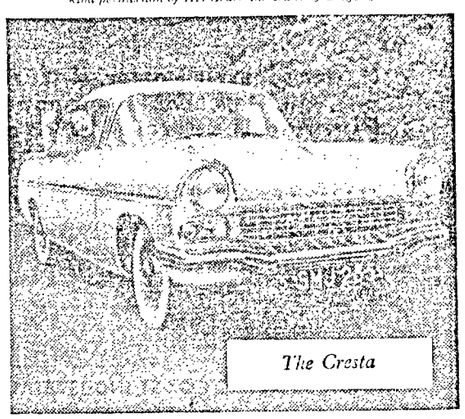
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when the agreement to work on Saturday mornings came up for its annual renewal. Today it is no longer so clear that the Coal Board absolutely needs this extra shift. Saturday shifts are not worked universally throughout the mines; they are not ordinarily very productive shifts, but they can still be profitable, since a large proportion of the overhead costs they incur have to be paid anyway during the week. Saturday coal, therefore, is not an unmixedly bad bargain; but there are pits where the attendance is so poor as to make them hardly worth opening, and at a time when quite a proportion of all output may pile up in expensive stocks Saturday coal must obviously be considered among the industry's marginal production.

This is obviously not the board's only marginal coal: there are some pits that remain steadily in the highest-cost range, and there is opencast coal—which is cheap, but involves considerable semi-political trouble with the landowners concerned, and which can be regarded as the only quickly available reserve of extra coal that the country possesses. Continuing slackness in demand has given the Coal Board a breathing-space to review all these, and other aspects of its day-to-day management that have derived from the "production at any cost" motto that has reigned in mining during most of the postwar period. Nevertheless, it must be perplexing the board as well as the miners, who are planning a special conference to discuss future prospects for the industry. These are peak weeks of any year for fuel consumption, and during the first six weeks temperatures were well below those of the very mild 1957 winter. Even so, coal consumption in the home market so far is below that of a year ago, and exports are also down. This slackening in demand seems to be fairly general across the whole of the market: gas, the railways, industry in general, and domestic consumers have all used rather less. The power stations are almost alone in buying steadily larger tonnages: demand from coke ovens, which for the last couple of years has been steadily increasing, has now levelled off along with steel output.

MANUFACTURING INVESTMENT

Confidence Unchanged?

THE Board of Trade's first survey of manufacturing industry's investment intentions for 1958 conducted last May, showed that manufacturers were thinking of spending about one per cent more on capital equipment than they had planned to spend in 1957 at a corresponding time in 1956. As their estimates of expenditure during 1957 had meanwhile been revised upwards to an increase of 7 per cent, this first survey suggested that actual manufacturing investment in 1958 might be about 5 per cent lower than in 1957. This week a second survey, made last December, was published. This time the sample of manufacturers concerned was planning to invest in 1958 only fractionally more than they had thought of doing in May. Their plans for 1958 were now 2 per cent higher than their plans for 1957 had been: against what they may actually have spent in 1957, it would still suggest a decline though a rather smaller one. What is important is that internal restraint and some signs of American recession last autumn seem thus to have had no significant effect upon manufacturers' confidence about the levels of their future capital expenditures. So far as this goes, it is encouraging.

The figures are not easy to interpret: it is never easy to know which ones to compare. Since this regular survey of investment intentions began three years ago, the first forecasts of future spending—all of them increases—have always been subsequently revised upwards. The first forecasts of a one per cent increase in spending in 1957, for instance, were raised during the year to 7 per cent, which may not be far from what actually happened last year. By the end of September capital spending by manufacturing industry was running at about 9 per cent higher than in the same months of 1956, with increases of 13 per cent, 9 per cent and 5 per cent in each of the three quarters. Whether the present forecast of investment spending during 1958—which the Board of Trade takes as broadly indicating little change in investment between this year and last—will prove to have been a similar under-estimate remains to be seen. This year is the first since the survey began that the preliminary forecasts have suggested a levelling off of manufacturing industry's investment spending.

MIDDLE EAST

A Council for Exports

THE setting up of the Advisory Council on Middle East Trade announced by the President of the Board of Trade this week is a logical step simply because the Middle East market for British exports though already good should be expanded. Total British exports to the area actually increased a little last year despite the close down on British trade with Egypt, and if trade with Egypt be excluded British exports to the rest of the Middle East showed a big increase. It is necessary, however, particularly when these countries are growing in self-reliance and when European political influence is waning, that trade should be both fully competitive and mutually advantageous. That doubtless was the thought behind the decision of Lazard Frères of New York in association with Chase International Investment Corporation recently to set up a finance and development company which will employ American and European money in association with Iranian government funds on industrial development in that country. It also justifies the decision of the Board of Trade to set up the new advisory council.

The council is on roughly the model of the Dollar Export Council—a body of business men and civil servants with the Minister of State at the Board of Trade, Mr J. K. Vaughan-Morgan, as chairman, and Mr W. H. McFadzean, chairman of British Insulated Callenders Cables, as vice-chairman. It includes a strong team of industrialists as well as of representatives of the Board of Trade, the Treasury and the Foreign Office. Its duties are necessarily elastic and its composition, too, may be changed in the light of events. Its usefulness, for example, must partly depend on how far business men are aware of its existence and make use of it. For example the repeated complaints of inadequate stocks of spare parts of British goods in the Middle East and of consumer goods arriving damaged because of insufficient supervision of their transport after unloading at the seaport, could be carried to the new body. In practice it seems likely that the oil states with their heavy sterling balances will be the most fruitful markets on which to concentrate, but the whole area from Libya to Iran comes within the scope of the new council.

BUDGET-SHAPING

Next Year's Expenditure

ONE at least of the Government's efforts to toe the Thorneycroft line has been disclosed to the world this week—in the shape of a decision to increase, as from July 1st, the National Health Service contribution. The Chancellor, in a statement accompanying the Vote on Account, which summarises the estimates of civil expenditure in the coming year, pointed to the "further material increases" in social expenditures, notably on education, the health service and National Insurance. The gross cost of the health service was expected to rise to no less than £740 million, with the Exchequer share at £555 million—almost three times as much, in real terms, as the amount envisaged at the inception of the scheme. The increase in the weekly contribution, which should bring in £32 million in a full year and £24 million in 1958-59, is thus expected to keep the burden on the Exchequer down to £531 million, or a shade less than was originally estimated for 1957-58 after allowing for the increase in the contribution proposed twelve months ago.

(£ mn.)

	1957–58 Original Estimate	1957–58 Total Net Estimate	1958–59 Original Estimate
Supply Services :—			
Civil Expenditure (excluding Post Office but including Revenue Depts.)	2,660†	2,760	2,841
Defence Expenditure.....	1,420	1,455	1,418*
	4,080†	4,215	4,259
Consolidated Fund Services :—			
Debt Service	640	...	?
Other.....	117	...	?
	4,837	...	...

* Assumes £47 million local cost of BAOR will be reimbursed by Germany.
† Before taking credit for 1957–58 increase in NHS contribution.

Thanks to this step, the increase in the estimates for supply services as a whole over the revised estimates for the current year (including supplementaries) has been kept below the £50 million figure much publicised at the time of Mr Thorneycroft's resignation. But it is only just below it. Though the defence estimates (including the portion borne on the Ministry of Supply vote) show an appreciable decline, the Civil votes are up by £83 million, and the total, at nearly £4,260 million, is £46 million beyond the total revised estimate for 1957-58 of £4,215 million. This comparison, however, does not measure the actual increase in spending that may be expected between the two years. On the one hand, the "revised" estimate for this year almost certainly overstates the sum that will in fact be spent (because it includes supplementary votes but necessarily excludes any savings on votes). On the other hand, the estimate for 1958-59 makes no provision for supplementary needs. In particular, it excludes the local costs of British forces in Germany (£47 million), in the hope that these will be covered by a German contribution. The only fair comparison is between the "original" estimates of the two years: and on this footing the increase is around £200 million (after taking credit, in both cases, for the increase in NHS contributions).

With the publication of these estimates, the picture of next year's expenditure is as complete as it can be before Budget Day. It is evident that total prospective expenditure then will exceed £5,000 million—if the provision for Consolidated Fund Services, including the debt charge, were to be the same as in 1957-58, the aggregate would be £5,017 million. Up to date, the Exchequer accounts are running very close to original estimate—with expenditure showing slightly more than the budgeted decline for the full year and revenue showing very nearly the budgeted increase. The cumulative above-line surplus is £344 million, or £174 million better than at the corresponding date last year.

ATOMIC ENERGY

Japan Invites Tenders

ON Wednesday the Japanese Atomic Power Company took a decisive step and asked three of the five British atomic design teams to submit bids for the construction of a 150 mW atomic power station on the sea shore about 60 miles north-east of Tokyo. So two years' uncertainty about Japan's intentions appears to be ended. The Japanese buying mission declared this week that in opening the door to British salesmen they were closing it to Americans. Some of its members are going home via the United States; but they say they have no plan for inviting similar American bids either now or in the future.

Japan is the second country overseas to adopt the British-designed Calder Hall system as the starting point of an atomic power programme. The Nuclear Power Plant Company is now working on a contract to supply much the same type of power station to Agip Nucleare in Italy and appears to have had its hands too full to bid for the Japanese order as well. It is not in the list of those invited to tender, which includes the groups headed by Associated Electrical Industries, English Electric, and the General Electric Company. They will be invited to build an installation consisting of a single reactor, with its associated boilers and generating plant—as it were, one-half of the power stations now being constructed for the Central Generating Board. The vital part of the installation, the reactor and boilers, will have to be mounted on a floating concrete raft as a precaution against earthquake, and the graphite structure inside the reactor will need a special mounting.

APPRENTICESHIPS

Training for Skill

IN a report published this week* the Carr committee on the Recruitment and Training of Young Workers in Industry concludes that existing facilities for apprenticeship training are inadequate in quantity and, in some cases, in quality as well. In the Committee's view, the emerging "bulge" of school-leavers—929,000 boys and girls reach the age of 15 in 1962, compared with only 680,000 last year and 750,000 again after the bulge will have passed—should have no difficulty in finding employment. But unless something is done quickly to improve training facilities, particularly for the craft apprentices with whom the committee is mainly concerned, this once-and-for-all opportunity to secure the skilled workers industry urgently needs will be lost.

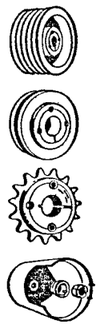
Few industries were able to tell the committee with any precision how many craftsmen and apprentices they had.

* *Training for Skill:* Recruitment and Training of Young Workers in Industry. Report by a Sub-committee of the National Joint Advisory Council. HMSO. 36 pp. 2s. 6d.



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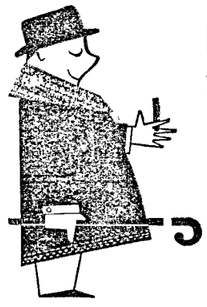
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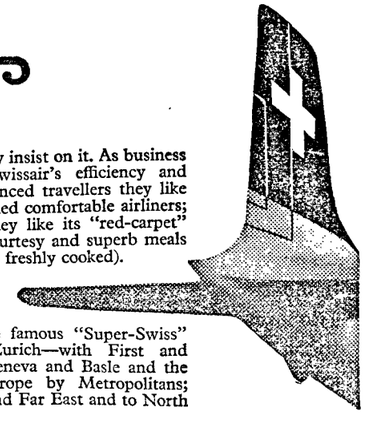
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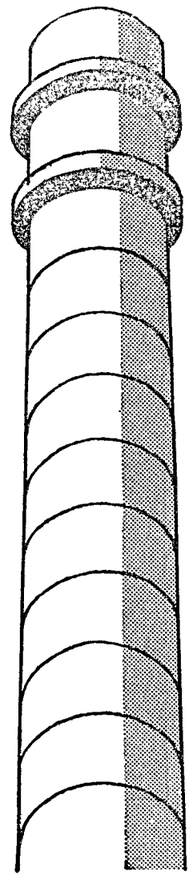
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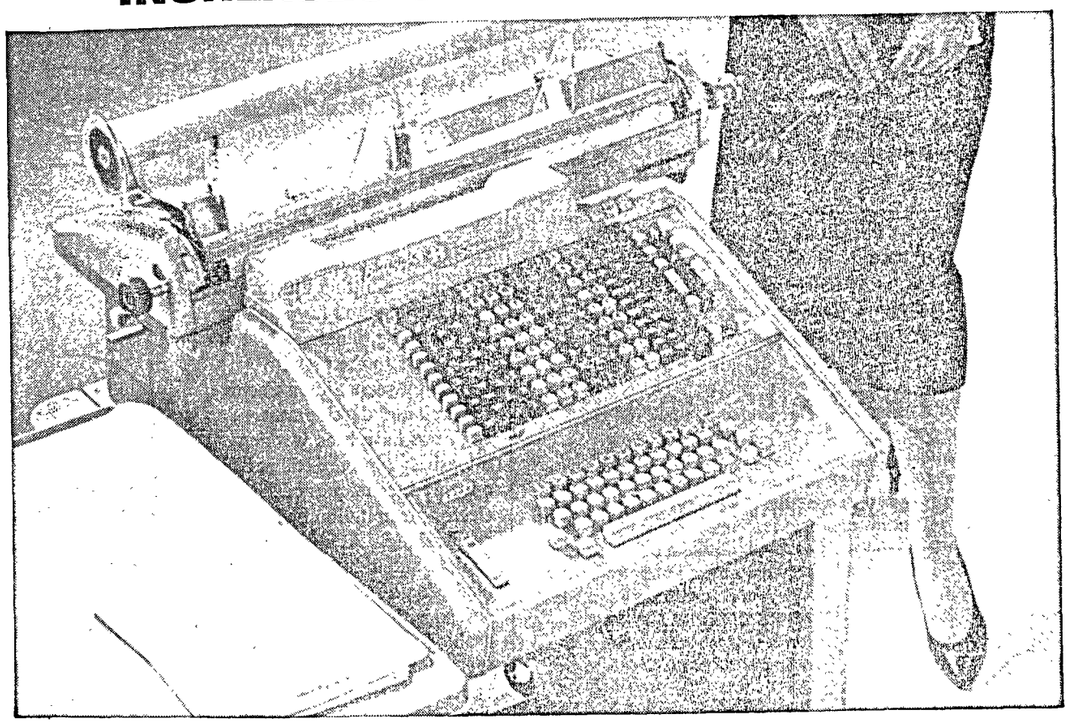
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TYPING SENSIMATIC

The first task, therefore, is for each industry to determine the number of skilled workers it is likely to need, after allowing for normal wastage of skilled men to other industries. This would, in effect, determine for each industry an optimum ratio of apprentices to skilled workers ; but the members of the committee, including the representatives from the Trades Union Congress, were unanimous in opposing the application of any uniform ratios to individual firms. The number of apprentices trained by any one firm, they felt, should be determined by the training facilities it can make available ; firms unable to train their share of apprentices should contribute (in some undefined way) to costs incurred elsewhere. This comes close to giving every firm official approval for going on doing what it is doing—enough, more than its share, or too little. In general, the committee is against the shortening of the apprenticeship period, though it believes that it should be possible for youngsters who change their minds to start at a later age than sixteen. Its members would prefer the widening of the scope of the training now provided, so that skilled workers may become more adaptable in the circumstances of technological change.

These recommendations are unexceptionable in principle for the long run, but they avoid any special action to meet the special problems that a short-term surge of young people presents. Throughout its report the committee adopts the attitudes of its parent body, the National Joint Advisory Council—that is, it leaves the implementing of its broad recommendations to industry and the trade unions and steers well clear of any suspicion of government directives. Whether these tactics will make any significant difference to current practice seems doubtful: nor can much be expected from the National Apprenticeship Council, "with the specific function of keeping apprenticeship and training arrangements under continuous review"—but "no executive powers"—that the committee inevitably suggests. Industry's chance to train these extra young people will be fleeting: if the facilities for training are not there when these potential skilled recruits leave school, there will be no second opportunity.

THE TERMS OF TRADE

Cheaper Imports and Exports

THE index of the cost of British imports declined a further point in January and came down to its average level in 1954. At the same time the index of export prices also fell a point so that the terms of trade (the ratio of the cost of imports to exports) remained unchanged.

Import prices fell owing to a partly seasonal decline in the prices of foodstuffs and to a decline in basic materials (particularly cotton and woodpulp) and manufactured goods.

CHANGES IN TERMS OF TRADE
(1954 = 100)

	Import prices		Export prices		Terms of trade
	Total	*Food*	Total	*Engineering products*	
1955	103	*101*	102	*103*	101
1956	105	*101*	106	*107*	99
1957	107	*101*	111	*112*	96
1957 :—					
October	103	*98*	111	*113*	93
November	103	*96*	111	*114*	93
December	101	*96*	111	*115*	91
1958 :—					
January	100	*95*	110	*114*	91

Imported fuels, however, have remained unchanged in price since last October. On the export side, there was a rise in metal prices but this was offset in the manufacturing group by a fall in the prices of some engineering products and miscellaneous manufactures, notably cars, dyestuffs, tyres and books. The fall in export prices came, for the second time in four months, from non-manufactures, leaving the average level only 1 per cent higher than a year ago.

The general trend of commodity prices is still very gently downwards so that Britain may hope to reduce import costs still further. But while prices of imported manufactures have been falling, British manufactures have remained stubbornly unchanged in price since last August.

BUILDING SOCIETIES

More Money Lent

THE Building Societies Association this month reaffirmed its intention not to recommend any change in interest rates ; it had superficially a stronger ground for so doing than in the last few months. The fall in gilt-edged interest rates, coupled with the favourable 1957 figures for the societies, together encourage "no change." If in total less money was lent on house mortgages in 1957 than in 1956, it was because insurance companies and local authorities cut down ; building societies advanced more.

THE FLOW OF MONEY

	1955	1956	1957
Shares and deposits received	391·4	373·9	393·3
Shares and deposits withdrawn	259·4	286·0	282·4
Net inflow	132·0	87·9	110·9
Advances made	257·2	294·8	341·5
Advances repaid plus interest	269·8	275·1	306·1
Liquid assets	277·1	307·1	328·9
Total assets	1,886·2	2,018·0	2,207·0

Source : Building Societies Association sample, adjusted for the figures of the Halifax Society.

Despite a rise in withdrawals in the last quarter of 1957, the net inflow of money was greater than in 1956 and advances on mortgage were much greater. Total assets of the movement have also continued to grow. The estimates shown above cover about 90 per cent of the movement's activities and included at December 31st returns from the Provincial Building Society, whose resignation from the association is now effective. It should conform closely to the trends of the movement as a whole, which will be shown in the Registrar's figures in May.

That the final outcome for 1957 has been so good does not dispose of the whole problem of interest rates, especially as pressure of withdrawals by shareholders seemed to be developing at the end of the year. The societies have lent large sums on mortgage but they have not met the whole demand. And if they succeed in holding out on mortgage rates until Bank rate is reduced will they have left themselves with an adequate working margin ? That depends to some extent on the Government's decision about profits tax.

TRUSTEE SAVINGS BANKS

Managed Funds

FUNDS entrusted to the Trustee Savings Banks make up about one-fifth of the National Savings movement's total. Deposits in their ordinary departments rose in the year to November 30th by £11¾ million to £823¾ million,

and in their special investment departments by £34 million to £317 million. In the ordinary department there is no problem of investment or liquidity, the money being passed straight on to the Treasury. The question for the Trustees Savings Banks is the margin above the 2½ per cent interest paid to depositors that the Treasury will allow for their costs of administration. The new Trustee Savings Banks Bill permits the Treasury to increase the current allowance of 7s. 6d. per cent up to a maximum of 12s. 6d. per cent Some increase must be made, but the banks are wondering whether they are not a little optimistic in hoping for 10s. per cent. At an all-in rate of 3 per cent, money placed in the ordinary departments of the trustee savings banks must still be about the cheapest that the National Debt Commissioners receive, and even at that rate young and growing banks may not break even.

In the special investment departments the investment problem rests with the trustee banks. Depositors who already have £50 in the ordinary department can invest in the special department in the hope of a growing return, reflecting what the bank earns on its portfolio. Rates paid on special department deposits vary from bank to bank, but they have been rising, and one bank at least pays 4½ per cent on three months' deposits. The National Debt Commissioners have to approve all investments made by these departments, and their scope is governed by the Trustee Savings Banks Acts; the new bill will widen the field to include Dominion and Colonial gilt-edged securities. The aim is to keep 5 per cent of special deposits in cash or call money, another 5 per cent in quoted trustee securities repayable within five years, and a further 10 per cent in securities repayable within ten years or in local authority mortgages maturing within a year. In practice, about 70 per cent of the total funds of the special investment departments is invested in unquoted local authority mortgages, all with six months' stress clauses—which for obvious reasons a bank would be most reluctant to invoke. But these holdings are not so illiquid as might appear, since in general the mortgages are so phased that a part matures each year.

LOCAL AUTHORITY LOANS

Foreign Money Arrives

A RECENT development that is surprising, if not disconcerting, has been the placing of small quantities of foreign, believed to be French, money on exceedingly short loan with the local authorities. The local authorities are still substantial borrowers in the temporary money market as well as in the mortgage market and they are having to bid vigorously against the hire purchase finance houses for funds. It is not entirely new for them to borrow for very

SHORT LOAN AND MORTGAGE RATES

	Pre-Bank Rate Per cent.	End–1957 Per cent.	Now Per cent.
2 day money	...	...	6½—6⅝
7 day money	5½	6½—7	6½—7
10 year Mortgages	6½	6½—6⅝	6½
15 year Mortgages	6¾	6¾	6¾

short periods. This foreign money is, however, lent at two days' notice, instead of the more usual 7 days and carries a rate of interest of 6½ per cent to 6⅝ per cent, compared with 6⅝ per cent to 7 per cent on 7 day loans. To a purist this must seem the hottest of hot money. Obviously only a big authority with its obligations well spread can afford to take it and then only in small amounts. From the lender's point of view the reason for the shortness of the notice is believed to be the *ratissage* under which the French commercial banks are required to hand in their foreign currency balances to the Bank of France for its end-month make up.

Demand by the local authorities in the longer dated mortgage market also remains strong. The London County Council has just arranged for £3 million repayable in 15, 20, and 25 years' time, the rates being 6½ per cent for 15 years, 6⅝ per cent for 20 years, and 6¾ per cent for 25 years.

TIN

A Russian Blunder

THE Committee of the London Metal Exchange decided on Tuesday to suspend the recent rule under which Russian tin is good delivery on the exchange. Partly because of this but more because of the coincidence that supplies coming from the East are at last believed to be responding to restriction, the price rallied. Cash tin came up from just over the buffer stock's buying price of £730 a ton on Tuesday to £735 on Wednesday and three months' tin from £731 5s. to £737. The object of the change in rule is not, however, to relieve the buffer stock of any large quantity of tin it might otherwise have had to buy. The buffer has not bought much Russian tin, most of which has been sold forward and delivered direct to consumers. There will be no less tin available to industry as a result of the change.

The Russians produce tin under the mark "HO3" in two qualities. The best—a small quantity—is 99.9 per cent purity and well exceeds the minimum of 99.75 per cent required to satisfy the London contract; the second quality—the larger amount—is of 99.56 per cent purity and though useful to some users does not qualify as good delivery in the market. The Russians, who are fairly new to the tin export business, have made the incredible blunder of making the two grades in the same moulds and with approximately the same markings. When they have rectified that error and when there is no danger of tin of the wrong quality being tendered, the market status of Russian tin will presumably be restored.

DIESELISATION

Large Scale Experiment

THE shining new 2,000 hp diesel-hydraulic locomotive that pulled nine carriages out of Paddington last Monday on a special trip to Bristol and back was in a sense an earnest of the new traction equipment British Railways are at last able to begin equipping themselves with. The new locomotive itself did not, nor was it intended to, set up any startling new performance. Hauling a load slightly under average, it completed its outward run of 119 miles in two minutes under the scheduled time of 121 minutes, and on one stretch where the track is fast and the line ahead was clear it was able to hold 93 mph. But that is not uncommonly fast for the line that Brunel laid.

The main significance of Monday's special journey, however, lay more perhaps in the way it marked the variety in the railways' present development of new forms of



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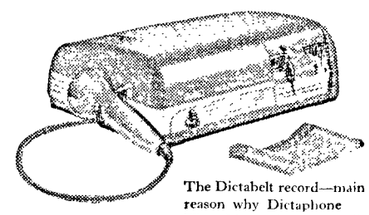
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traction. The western region does not have a high priority for straight electrification—it may be at least another twenty years before all-electric trains appear in that area—so the region has gone full-bloodedly for dieselisation. And while the other regions are planning to use main line diesel locomotives with electric systems of transmission, the west has plumped for diesel hydraulics. It is using two German designs. The 63 locomotives it has ordered from North British (including the one used this week) will incorporate the MAN engine and the Voith system of hydraulic transmission, while at least the first few of the 33 to be built at its Swindon workshops will use the Maybach engine and that firm's Mekydro hydraulic transmission. Both systems have proved themselves on German railways, but cost and operating results in British working conditions will be awaited before orders are placed for the remaining 34 diesel locomotives needed to replace more than 200 of the west region's steam locomotives.

Whether hydraulic is better than electric transmission in actual practice can, at this stage, only be a matter for debate between railway engineers; and the choice of the western region may have arisen as much from the personal preference of its top engineers as for any other reason. Diesel-hydraulics are cheaper to build, and the absence of electrical parts should simplify and cheapen maintenance. It is a lighter vehicle (the Swindon-Maybach design particularly so), and its proponents argue that since this means it has to develop less power to haul its own weight this should offset the lower power conversion factor of hydraulic systems of transmission.

OVERSEAS TRADE FAIRS

Where to Spend Public Funds

In its first report to the President of the Board of Trade, the Exhibitions Advisory Committee, which was appointed by Mr Thorneycroft in 1956, gives its view of the Government's role in assisting British industry to take part in overseas trade fairs. At general trade fairs, which are held mainly in Europe and North America, the Board of Trade should organise and pay for special displays of British goods, each based on a single industry, with more emphasis than in the past on capital equipment if the manufacturers can be persuaded to co-operate. But on the principle that a limited number of really good displays is better than a large number of mediocre ones, the fairs chosen should vary from year to year. At specialised fairs, which are devoted to a single industry, the Board should continue to assist British exhibitors by booking space and erecting the shells of stands, leaving industry to meet the cost only of preparing and staffing its own exhibits. Where fairs are organised on the basis of national pavilions, as they usually are in Africa and Asia, the entire cost of the construction and management of the British pavilion should rest with the Board of Trade, and the rentals should be fixed sufficiently low to fill the pavilion with a representative selection of British goods, even if this means that costs are not covered.

The plans now announced by the Board of Trade for the rest of 1958 show that it is already working on the lines of the Advisory Committee's recommendations. But the committee does not say how the £160,000 of public funds now available each year should be divided between the different types of fair. General fairs, in the past, have cost between £30 and £400 for each serious trade enquiry; specialised fairs have produced a better result, and at the highly successful scientific instruments fair at Düsseldorf last year cost as little as £2 per enquiry. For the fiscal year beginning in April, 1958, the general, specialised and national pavilion-type fairs will each receive about a third of the total budget, and almost all of the last third—about £50,000—will be spent on the one national pavilion at Johannesburg. With limited funds it is probably best to concentrate on one really outstanding building (which will be a semi-permanent structure available for subsequent fairs). But in years when several fairs with national pavilions are held there would be a strong case for a higher total allocation.

SUGAR

A Surcharge Imposed

As from Thursday, the Sugar Board began to levy a charge on imported and home produced raw sugar equivalent to 1¼d. a pound, with proportionate charges on imports of goods that contain sugar and with drawbacks on exports of sugar and sugar containing manufactures. At the same time, the distribution of ¼d. per lb., which has been handed out since July 15th of last year, came to an end. The outlook therefore is for an increase of approximately 1¼d. in the first-hand selling price of refined sugar for the home trade, though, since the retail trade is competitive and there are fair stocks in the pipeline, the time when this charge will begin to be passed on to consumers is anybody's guess.

The Sugar Board is charged with a duty of equalising the price of the 1½ million tons of Commonwealth sugar that Britain buys on agreed terms with the price of the home produced sugar and the other imported sugars that make up Britain's supply. In effect, its job is to buy these contractual Commonwealth sugars and sell if need be at a loss, recouping the loss by the surcharge. But high prices in the first half of last year actually resulted in the negotiated price sugar from the Commonwealth being imported at a lower price than the free market sugar, so that the Sugar Board made a profit instead of the expected loss. The Board, which had started with a nominal surcharge of ¼d. a pound, switched over to a distribution payment in July. Almost immediately, however, the sugar market broke, the price came down from 62s. per hundredweight in April of last year to 50s. in mid-July, 38s. 9d. at the beginning of August and is now approximately 31s. 3d. The break-even point is approximately 43s., and over the last two months the Sugar Board has been operating at a loss. It does not desire a profit, for strangely this statutory body is subject to income tax and profits tax, but it is required to balance its accounts, taking one year with another.

WINDSCALE

Sir Christopher behind the Scenes

Sir Christopher Hinton wrote the text of the lecture that he gave to the Institute of Fuel on Wednesday before he had left the Atomic Energy Authority to become chairman of the Central Electricity Generating Board and before fire destroyed one of the two plutonium-producing reactors at Windscale. But his description of how those reactors came to be designed shows more clearly perhaps than the official report on the accident how they also

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The man with fire in his hair

ABOUT THE BEGINNING of the 18th century many sailors along the Spanish Main had an awesome experience. On dark nights their ships were boarded by pirates led by a man who had fusematches fizzing and burning in his ears and hair. His name was Captain Teach—alias Blackbeard—the most prosperous pirate of his time. Nervous sailors seeing him afire jumped overboard shouting that they were fighting the devil. Blackbeard's career ended in 1718 when a Lieutenant Maynard, from the Royal Navy, boarded his ship and shot him dead.

Now pirates are as out of date as the galleons they once manned. People safely sail the seven seas but goods are still often manhandled on their voyages across the world. Nevertheless they travel comfortably and arrive safely in cartons made from 'Thames Board' and in 'Fibetite' cases made from solid or corrugated fibreboard.

Wood engraving by John Farleigh

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came to carry certain built-in weaknesses that needed only a mistake in the course of operation to wake the sleeping tiger in every nuclear plant. Sir Christopher himself never forgets the tiger; far too often while Windscale was under construction he glimpsed its disappearing whiskers or the tip of its tail and one more hurried change had to be made to the blueprints.

Windscale was designed in a series of broad brush strokes to meet a deadline imposed by the dictates of the programme for developing atomic weapons for which it was to provide the plutonium. The passing of the American McMahon Act, cutting off information between Britain and the United States, forced British engineers to start construction work before there had been time to paint in the details. As gaps in their knowledge were filled, so changes were hurriedly made, usually in the middle of construction, to the design of the chimneys, the graphite core, the fuel elements; they were still being made up to the last week before the first reactor was started up.

The remarkable aspect of the Windscale installations, which include a complex chemical plant, is that once built they gave no further trouble for so long. The improvisations, the hurried alterations and above all the pressure to meet a deadline whatever the cost, slipped into past history and were glossed over in official accounts of the building of the atomic factories until they induced a sense of security about what it would have been wiser to look on as a rudimentary, and therefore not necessarily well-behaved, experimental prototype. Had Sir Christopher described what went on behind the scenes when Windscale was built six months ago rather than this week, he might have jolted the corporate complacency that was behind the immediate causes of the Windscale fire.

RADIO RENTALS

Season in Shells

WHAT will Mr Heathcoat Amory do about deals in "shell" companies? With CIC restrictions looming large, it seems that no hire purchase company can now afford to be without one. Radio Rentals does a thriving hire purchase business as well as letting radio and television sets out on rent and it needs money for both. It has taken the obvious step of buying a "shell." The company it has bought is Hyman Lazarus Cabinets, whose net assets made up of cash and quoted investments amount to £810,000 and whose ordinary capital is held privately. For that ordinary capital Radio Rentals has paid £820,481, made up as to £488,992 16s. by the issue to the vendors of 407,494 ordinary shares of 5s. each in Radio Rentals (that is, at a price of 24s.) and, since this completely exhausts Radio Rentals unissued ordinary capital, by a cash payment of £331,488 4s. Thus to gain the use of an extra £478,500 or so in cash or near cash assets, Radio Rentals has paid a premium of about £10,000 over the book value of the cash assets.

The vendors obviously want cash, for they in turn have sold the Radio Rental shares they have received to Investment Registry at 24s. a share. This is a big block of shares and if the shares were sold through the market, the current price of 28s. for the Radio Rental shares could hardly have been maintained. Investment Registry is, in turn, offering these shares, again at 24s. each, to existing shareholders in Radio Rentals in the proportion of one for every nine held. The circle is completed, with the CIC outside it, and the Chancellor looking in.

WOOL

Japan Supports the Market

THE firm close to the London January wool auctions surprised many people in the trade; the subsequent rise in the primary markets of Australia surprised them more. But events at opening of the London February auctions on Wednesday go some way towards removing the apparent contradiction of a declining output in the Yorkshire wool textile industry and in the textile industries of some other countries concurrently with a strong market for raw wool. The picture in London after Wednesday's trading was of keen competition for Australian merinos with prices about 2½ per cent up on the close of the January auctions and therefore almost in parity with the higher current prices in Australia, flanked by a sharp fall of 5 per cent to 7½ per cent in New Zealand crossbred wools, more than matching the recent drop of 5 per cent at Invercargill.

The Bradford industry has much reduced its activity and is busy emptying its supply pipe line. The latest figures of consumption per working day from the Wool Industry Bureau of Statistics show a drop of 7 per cent compared with November and of nearly 13 per cent compared with December last year, though the statisticians offer a warning that they may have exaggerated the number of working days (taken at 20) and therefore the rate of decline. Clearly the British Government in attempting to sell its 500,000 bale stockpile, however skilfully, at the rate of 100,000 bales a year is not helping the wool market. Even in the January sale prices had reached a level at which the New Zealand Wool Commission intervened as a buyer a few times in a small way. That £29 million fund is not however being used to hold prices high enough to encourage more production.

China has been recently a buyer of wool tops in this country. But the factor that is holding the prices of Australian merinos so much firmer than was generally expected has been the amount of Japanese buying in the Australian markets. It much exceeds the quantities for which it was generally supposed the Japanese importers held currency licences.

SHORTER NOTES

The ordinary dividend of British Oxygen has been left unchanged at 10 per cent. But before depreciation the group's trading profit in the year to September 30th advanced from £7,808,763 to £9,181,548, an increase in sales offsetting the rise in costs.

* * *

The directors of Canadian and English Stores say that their comments on the report of the Shareholders' Committee are now substantially complete and will be delivered in the next few days. The accounts for the year to January 31st will again show a "considerable loss." A complete reorganisation has taken place, and the Board, of which Lord Milner is chairman, has been strengthened—

steps which the directors believe will "lead to encouraging results in the future."

* * *

The Royal Canadian Air Force has decided to fit ten new Convair troop transports with Eland turbo-prop engines built by the Napier division of English Electric in place of the American-built piston engines normally used. These aircraft are being built under licence by Canadair in Canada, and thirty engines will be shipped from England for them.

* * *

The proposed one for one free scrip issue in J. Lyons and Company's two classes of ordinary stocks and two classes of proportional profit stocks will now be made entirely in "A" non-voting stock. The directors say that they regret their oversight in not realising that they were precluded from making the issue in the separate classes of stock; holders of £5 of proportional profit stock or five "B" proportional profit shares will receive one £1 "A" ordinary share as will holders of £1 of ordinary or "A" ordinary stock.

* * *

At the Universal and International Exhibition, which will open at Brussels in April, an exhibit showing the London Stock Exchange as the centre of the world's stock exchanges, will, the *Stock Exchange Journal* announces, form part of the City of London section of the FBI pavilion.

COMPANY AFFAIRS

ENGLISH ELECTRIC

COMPARISONS between the trading experience of English Electric and General Electric are unavoidable. GEC has cut its interim ordinary dividend and its profits are falling. English Electric has maintained its total ordinary dividend at 14 per cent, as forecast, on the increased capital and its profits in 1957 continued to rise. But there, on a matter of arithmetic, the comparison should end. The products of the two companies are different although they overlap.

Yet if GEC's results must be judged as disappointing, those of English Electric must be described as reassuring. The most significant and most promising item in the English Electric accounts is

Years to end–December	1956 £	1957 £
Consolidated earnings:—		
Trading profit	9,468,796	10,233,840
Depreciation	2,291,417	2,775,985
Taxation	3,521,309	3,590,866
Net profit	*2,879,715*	*2,830,123*
Ordinary dividend ..	1,225,349	1,470,418
Ord. dividend (per cent.)	*14*	*14*
Retained profits	2,020,667	2,091,497
Consol. balance sheet:—		
Net fixed assets	23,104,120	26,100,847
Stocks	43,924,515	48,657,942
Debtors	40,623,595	44,083,233
Net bank indebtedness.	*19,567,393*	*12,044,486*
Net current assets....	*32,768,581*	*47,203,549*
Loan capital	8,930,181	17,524,146
Reserves	27,429,357	33,603,992
Ordinary capital	15,221,721	18,266,065

£1 ordinary unit at 46s. 9d. yields £5 12s. per cent.

that last year the total of unexecuted orders rose from £180 million to £250 million (including a nuclear power contract of £30 million). The turnover of the group rose by about 4 per cent and that of the parent company by even more. Before all charges, the consolidated trading profit rose by 8 per cent, from £9,468,796 to £10,233,840. That does not give the impression that margins were squeezed. But if depreciation and loan interest are deducted from profits (and these items reflect the utilisation of more capital) gross profits before tax have risen by only 2.7 per cent, from £6,735,195 to £6,916,989. In that sense, where the cost of new capital is properly taken into account, profit margins have been squeezed. Moreover, the experience of the various subsidiaries and divisions of the group has been patchy. The profit of Vulcan Foundry has been turned into a loss—a transitional loss but bigger than was envisaged. The Marconi companies in this country have done well, but Canadian Marconi has continued to do badly. And it is probable that the pressure on margins has been especially noticeable in the consumer durable goods divisions.

Last year the English Electric group raised about £16½ million by a rights issue of ordinary shares and by a debenture issue. That only temporarily eliminated the bank overdraft (standing at the end of 1956 at £16 million). By the end of 1957 a bank overdraft of £8¾ million (against a cash balance of £1 million) had reappeared, for the growth in turnover was inevitably followed by a rise in stocks (from £43.9 million to £48.7 million) and in debtors (from £40.6 million to £44.1 million); moreover, the bank overdraft of Canadian subsidiaries remained unchanged at £4½ million. But there is no early intention of coming to the capital market again. Working capital requirements are not the whole story: the capital development programme has not been slowed down. Over £5¼ million was spent on fixed assets last year and immediate capital commitments are of the order of £5 million. Whatever the current prospects (and these must be assumed to be increasingly competitive) the management of English Electric still keeps its eyes on the more distant and more entrancing prospect that the world will need more power and cannot have it without buying the products of the electrical industry.

IMPERIAL TOBACCO

BECAUSE the duty element represents about 80 per cent of the tobacco manufacturers' own selling prices, the turnover of Imperial Tobacco is colossal compared with its trading profits. It must be of the order of 30 times the consolidated profit and 35 times of the parent company's profit. The margin on sales is thus small, and Imperial Tobacco seems to have suffered a slight decline in turnover in a slightly growing market, losing ground for the second year in succession. The directors put the emphasis more on the rise in manufacturing and selling costs than on the slight decrease in the weight of sales in explaining why in the year to October 31st the consolidated trading profit came down from £23.4 million to £21.6 million and the parent company's trading profit from £19.9 million to £18.2 million. Some part of that increase in selling costs no doubt reflects the stepping up of advertising needed to counter the competition of Gallaher's Senior Service. The failure to increase sales is reflected in the stability of stock commitments (where the increase of £3 million to £158 million can be attributed to higher leaf tobacco prices). Competitive conditions are reflected in the fall in debtors from £63 million to £59½ million. These working capital movements cancelled each other out, and bank overdrafts have been slightly reduced, from £29 million to £26½ million.

Imperial Tobacco enjoyed the benefit of higher selling prices only in the last few weeks of the financial year. In the current year it will have the full benefit of these price increases and, though it will have to fight and to spend to hold all its market, profits should turn up this year. But against bigger gross profits have to be set the high interest charges on bank overdrafts and, ultimately, higher interest charges on the group's loan capital. The company's £10 million issue of 3½ per cent notes (1953-58) falls due for repayment on October 1st, which is near the end of the company's financial year, and the directors must obviously be prepared to pay more than 3½ per cent for the money that replaces that issue. But clearly the prospect for profits is such that the repetition of a 20 per cent ordinary dividend (to which this year it was reduced from 21 per cent) is probable. On that assumption, the £1 units at 38s. 6d. yield £10 8s. per cent.

BORAX (HOLDINGS)

AFTER twenty years as chairman of Borax, Mr Desmond Abel Smith is handing over to Lord Clitheroe. Mr Abel Smith, who will remain a director of the company, guided the Borax group through its major and far-reaching reorganisation scheme, which, in 1955 and 1956, turned a staid equity into a heady growth stock. Some of the financial implications of this reorganisation were discussed in these columns on January 18th. Now the chairman's valedictory statement enables shareholders to put the scheme into perspective.

The group, he says, "seems to be on the threshold of a further period of expansion." That comment is based on the completion of the developments in California and on a strong belief in the new industrial and agricultural uses to which boron can be put. It is the use of boron in fuels for guided missiles which has caught the investor's eye, but Mr Abel Smith emphasises the "versatility" of the chemical. The prospects for the group's other principal product, potash, are less spectacular; the market in it is competitive, but Mr Smith describes the future as "promising."

The price of the Borax 5s. units has fallen sharply in recent days, but even at 17s. the 5s. units on a 8¼ per cent dividend (paid out of the parent company's accumulated reserves) yield only £2 12s. per cent. The growth prospects remain heavily discounted. And it is clear from the chairman's statement that growth for Borax may not be a steady upward progression. Last year earnings were falling quarter by quarter, and now in the quarter to December 31st the results have been "influenced to a certain extent by the recession in trade which is being felt in many countries and the inevitable difficulties of bringing the great new plants in California into operation." Last year the profits of the American subsidiary, United States Borax and Chemical, were lower: "higher production costs without compensating price increases for borax and with lower volume and with lower prices for potash, start up expenses late in the year of a non-recurring nature for the new Boron operations, increased expenditure for research, and a material increase in interest on borrowed money" caused the decline. The boom in the Borax equity was overdone as investors seem at last to have realised.

LEYLAND MOTORS

LEYLAND MOTORS more than held its own in a difficult market last year. That much is obvious: first, from the reports made in the autumn of an increase in output and, in some lines of commercial vehicles, of exports; secondly, from the preliminary statement of results for the year to September 30th. In that year the group's trading profit advanced from £5,527,775 to the record figure of £6,065,279.

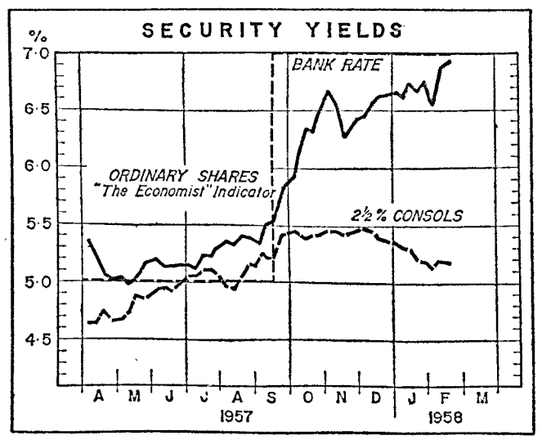
But net profits declined from £2,327,796 to £2,171,025. That result was due to a bigger tax bill (up from £2,469,026 to £2,632,340) and, to a much bigger provision for depreciation (up from £698,452 to £1,164,204). At the beginning of the financial year the group still had a big development programme before it and the increase in depreciation must reflect the installation of new capacity. That capacity should stand the group in good stead now that production throughout the whole of the commercial vehicle industry has turned up again. In the meanwhile, Leyland's ordinary dividend has been left unchanged at 12½ per cent and on this dividend the £1 units at 44s. yield 5⅔ per cent.

London Stock Exchange

FIRST DEALINGS:	Feb. 12	Feb. 26	Mar. 12
LAST DEALINGS:	Feb. 25	Mar. 11	Mar. 25
ACCOUNT DAY:	Mar. 4	Mar. 18	April 1

THE market was steadier this week following last week's heavy losses. Falls in industrial stocks were limited, but, with the American recession and the Egyptian-Sudanese dispute in the background, they were sufficient to bring *The Economist* indicator down by 1.8 to 168.9—its lowest point since September, 1954. Gilt-edged recovered on Wednesday after suffering fairly extensive losses on Tuesday; the *Financial Times* index of Government securities rose slightly over the week from 80.80 to 80.89. Short-dated stocks were supported and some switching into longer dated stock developed. The Australian cash and conversion operation had little effect upon prices. During the week the premium on dollar stocks over the rate for the day declined from 7 to 4 per cent, before recovering to over 5 per cent.

English Electric's full accounts prompted a small recovery in electrical shares against the prevailing tone in other sections; English Electric gained 2s. 3d. to 46s. 9d. but BICC fell 1s. 6d. to 39s. 9d.; after its subsidiary Thomas Bolton had announced a reduction in its dividend. Boots rose 1s. 6d. to 20s. 6d. on consideration of the revaluation of properties. Steel shares suffered small losses, United Steel falling 9d. to 18s. The weakest section of the market was in shipping and shipbuilding; lower freight rates and fear of building cancellations caused widespread falls. William Doxford lost 2s. 9d. to 60s. and Swan Hunter 1s. 9d. to 51s. 3d., while Stanhope Steamship fell 2s. 3d. to 13s. 6d. and P & O deferred the same amount to 22s. Gold mines rose on some American and Continental as well as British buying. Copper mines rose on Wednesday and Australian lead and zinc producers also made substantial gains. A statement on nationalisation lowered Ceylon tea shares.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
Jan. 22	175·3	6·66				
„ 29	173·6	6·75				
Feb. 5	178·8	6·55				
„ 12	170·7	6·86	225·0 (July 10)	171·2 (Nov. 6)	210·4 (Jan. 4)	170·0 (Nov. 28)
„ 19	168·9	6·94				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1957 High	1956 High
		%		%		207·6 (July 9)	203·5 (Jan. 3)
Feb. 12	158·8	6·93	89·32	5·18	9,821		
„ 13	158·1	6·96	89·34	5·17	8,781		
„ 14	158·4	6·94	89·36	5·15	8,349	Low	Low
„ 17	158·4	6·95	89·38	5·15	10,631	159·0	161·5
„ 18	157·4	6·99	89·00	5·18	8,676	(Nov. 5)	(Nov. 29)
„ 19	157·0	7·01	89·06	5·18	7,554		

Bases:—*1953=100. † July 1, 1935=100. ‡ 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Feb. 12, 1958	Price, Feb. 19, 1958	Net Yield, Feb. 19, 1958 § £ s. d.	Gross Yield, Feb. 19, 1958 £ s. d.
97 12/32	97 1/4	War Loan 3% ... 1955-59	96 11/32	96 1/2	3 8 2	5 0 0
93 23/32	87 1/8	Funding 2 1/2% ... 1956-61	91 12/32	92 13/32	3 17 11	5 2 10
99 29/32	98 3/32	Conversion 4% ... 1957-58	99 1/32	99 1/32	3 5 10	6 0 3
97 15/32	94 23/32	Conversion 2% ... 1958-59	97 7/32	97 15/32	3 13 10	4 18 2
95 3/16	90 1/2	Exchequer 2% ... 1960	94 11/16	94 15/16	3 19 3	4 17 0
97 3/4	92 1/8	Exchequer 3% ... 1960	96 3/8	96 7/16	3 13 9	4 19 6
99 3/32	93	Conversion 4 1/2% ... 1962	96 29/32	96 31/32	3 8 11	5 8 1
89 1/2	84 9/16	Savings Bds. 3% ... 1955-65	86 1/16	86 1/4	3 17 9	5 5 7
84 1/2	77	Funding 3% ... 1959-69	78 11/16	79 1/16	4 3 3	5 13 10
92 3/8	84 11/16	Funding 4% ... 1960-90	89 1/4	89 1/2	8 0 10	10 3 4
					2 16 10	4 14 5
81 5/8	74	Savings Bds. 3% ... 1960-70	75 1/2*	76*	4 4 1	5 14 0
94 1/16	87 3/8	Exchequer 3% ... 1962-63	90 1/2	90 3/4	3 15 5	5 3 7
89 1/16	83	Exchequer 2 1/2% ... 1963-64	86 1/16	86 7/16	3 19 4	5 3 8
83 11/16	77 3/8	Savings Bds. 2 1/2% ... 1964-67	79 1/2	79 3/4	4 3 10	5 9 1
77 1/2	67 1/2	Savings Bds. 3% ... 1965-75	70 1/2*	70 3/4	4 2 0	5 13 7
—	—	Exchequer 5 1/2% ... 1966	99 1/16*	99 1/16*	3 3 7	5 9 11
84 3/8	78 1/2	Funding 3% ... 1966-68	79 1/2	80 1/4	4 2 1	5 11 4
95 1/4	91 1/2	Victory 4% ... 1920-76	91 1/2*	91 1/2*	3 6 11	5 3 1
88 3/8	80 1/2	Conversion 3 1/2% ... 1969	82 1/2*	82 1/2*	4 0 4	5 13 7
81 1/4	69 3/8	Treasury 3 1/2% ... 1977-80	75 1/2	75 1/2	3 16 3	5 13 2
80	68	Treasury 3 1/2% ... 1979-81	72 1/2*	72 1/2*	3 17 1	5 13 11
—	—	Funding 5 1/2% ... 1982-84	—	93 7/8	3 5 1	5 12 6
71 7/8	57 1/8	Redemption 3% ... 1986-96	61 1/2	61 1/2	3 11 10	5 9 0
80 3/8	63 1/2	Funding 3 1/2% ... 1999-2004	66 1/2	67 3/8	3 8 11	5 9 7
81 15/16	68	Consols 4% after Feb. 1957	71	70 3/4	3 5 0	5 13 3
75	60 1/2	War Loan 3 1/2% after 1952	64 1/4	64 3/8	3 3 2	5 10 5
75 1/4	58 1/2	Conv. 3 1/2% after Apr. 1961	64 1/4	64 1/8	3 3 6	5 11 5
65 7/8	51 1/2	Treas. 3% after Apr. 1966	56	56 1/4	3 2 2	5 9 1
55 1/16	45	Consols 2 1/2%	48 1/8	47 7/8	2 19 9	5 4 2
55 1/16	44	Treas. 2 1/2% after Apr. 1975	47 1/8	47 1/8	3 1 4	5 7 7
96 1/2	88 1/2	Br. Electric 4 1/2% ... 1967-69	90 1/2	91 1/4	3 10 7	5 11 2
80 1/16	70	Br. Electric 3% ... 1968-73	73 1/4	73 1/4	4 2 10	5 14 9
78 1/8	66	Br. Electric 3% ... 1974-77	69 1/2*	70*	3 19 6	5 11 1
92 7/16	79 1/2	Br. Electric 4 1/2% ... 1974-79	85	83 1/4*	3 11 1	5 11 5
81 11/16	69 3/8	Br. Electric 3 1/2% ... 1976-79	74 1/4	74 1/4	3 16 3	5 13 3
90 1/2	81	Br. Gas 4% ... 1969-72	83 1/4	83 3/8	3 15 10	5 13 10
87 1/2	78	Br. Gas 3 1/2% ... 1969-71	79 1/4*	79 3/4*	3 19 3	5 13 1
72 1/2	58 1/2	Br. Gas 3% ... 1990-95	62 3/4	62 3/4	3 11 8	5 8 2
80 1/16	70	Br. Transport 3% 1968-73	73 1/4	73 1/4	4 2 10	5 14 9
88 5/8	77 1/8	Br. Transport 4% 1972-77	79 3/4*	81 1/2*	3 13 1	5 12 5
72 3/8	59	Br. Transport 3% 1978-88	62 1/2	62 3/4	3 16 3	5 11 8

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Feb. 12, 1958	Price, Feb. 19, 1958	Yield, Feb. 19, 1958 £ s. d.
92 3/4	82	Agric. Mortgage 5% ... 1959-89	85 1/4	86	6 0 0
81 1/2	75	Australia 3 1/2% ... 1965-69	77	77 1/4	6 3 0
97 1/8	91 1/4	Birmingham 5% ... 1973-75	95	95	5 9 3
100 3/8	91	East Africa 5 1/4% ... 1977-83	92 1/4	92 1/2	6 7 6
105 1/2	96	L.C.C. 5 1/4% ... 1977-81	98 1/2	95 1/2*	5 17 3
69 3/4	54 1/2	Met. Water Board 'B' 3% 1934-2003	57 1/2*	57 1/2*	5 12 6
87 1/2	77	New Zealand 4% ... 1976-78	80 1/2	80 1/2	5 12 9
75 3/8	67 3/4	S. Rhodesia 2 1/2% ... 1965-70	70 1/2	70 1/2	6 1 0
87	72 3/4	German 7% (Br. Enfaced 5%) ... 1924	84 1/4	87 1/2	...
169 1/2	147 1/2	Japan 5% (Enfaced) ... 1907	165	165	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c) % %	ORDINARY STOCKS	Price, Feb. 12, 1958	Price, Feb. 19, 1958	Yield, Feb. 19, 1958 £ s. d.
			BANKS & DISCOUNT			
30/9	19/6	4 a	5 b Bk. Ldn. & S. Amer. £1	28/6*	28/6*	6 6 4
47/3	40/-	6 a	6 b Barclays Bank ... £1	42/3	40/9	5 17 9
35/3	27/6	4 a	4 b Barclays D.C.O. ... £1	30/-	29/6	5 8 6
42/6	34/6	7 1/2 b	7 1/2 a Chartered Bank ... £1	40/6	40/-	7 10 0
51/3	42/9	6 1/2 a	6 1/2 b Lloyds Bank ... £1	45/3	43/9	5 18 10
66/7 1/2	58/-	9 a	9 b Midland Bank ... £1	60/-	59/3	6 1 6
40/6	28/6	5 a	5 b Nat. Discount 'B' ... £1	32/9	31/9	6 6 0
51/6	39/3	6 1/2 a	6 1/2 b Union Discount ... £1	44/-	43/9	5 14 3
			INSURANCE			
86/4 1/2	61/7 1/2	43 1/2 b	30 a Commercial Union 5/-	71/-	70/-	5 4 9
177/6	102/6	87 1/2 b	40 a Legal & General ... 5/-	126/3	126/3	3 18 3
22 3/4	17 1/2	†50 b	†20 a Pearl ... £1	19 1/2	19 1/2	6 6 2
46	34 1/2	†125 c	†132 1/2 a Prudential 'A' ... £1	40 1/2	40	5 15 0
			BREWERIES, ETC.			
32/6	26/4 1/2	10 a	36 b Bass ... 5/-	32/6	31/3	7 7 3
25/9	19/7 1/2	18 1/2 c	7 1/2 a Distillers ... 6/8	19/10 1/2	19/9	6 6 8
44/9	36/-	10 a	15 b Guinness ... 10/-	38/6	38/-	6 11 6
87/3	63/6	8 a	17 b Whitbread 'A' ... £1	79/6	78/-	6 3 1
			MOTORS & AIRCRAFT			
21/6	11/9	6 1/2 b	3 1/2 a Bristol Aeroplane 10/-	10/10 1/2	10/7 1/2	9 8 3
8/7 1/2	6/-	12 1/2 c	12 1/2 c British Motor ... 5/-	6 10 1/2	6/7 1/2	9 8 7
40/-	29/3	5 b	3 a Ford Motor ... £1	34/-	33/-	4 17 0
45/9	27/6	3 a	7 b Hawker Siddeley ... £1	25/9	25/9	7 15 5
53/-	41/9	12 1/2 c	12 1/2 c Leyland Motors ... £1	43/9	44/-	5 13 8
121/-	90/7 1/2	15 b	5 a Rolls-Royce ... £1	87/-	86/6	4 12 5
9/1 1/2	5/11 1/2	8 c	8 c Standard Motor ... 5/-	7/7 1/2	7/5 1/2	5 7 7

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c) % %	ORDINARY STOCKS	Price, Feb. 12, 1958	Price, Feb. 19, 1958	Yield, Feb. 19, 1958 £ s. d.
			STEEL & ENGINEERING			
83/-	52/-	8 b	7 a Babcock & Wilcox ... £1	42/-	42/3	6 3 0
29/3	20/-	4 a	6 b Dorman Long ... £1	23/-	22/7 1/2	8 16 10
56/6	41/9	10 b	5 a Guest Keen N'fold ... £1	45/6	45/6	5 13 7
76/4 1/2	50/6	15 b	14 a Alfred Herbert ... £1	53/-	57/6	5 12 0
59/-	40/-	7 b	4 a Metal Box ... £1	42/6	42/4 1/2	5 3 10
34/-	19/-	3 a	8 b Stewarts & Lloyds ... £1	21/9	21/6	10 4 8
81/-	52/-	11 b	5 a Swan Hunter ... £1	53/-	51/3	6 4 10
24/1 1/2	18/-	4 a	7 1/2 b United Steel ... £1	18/9	18/-	12 15 7
46/	29/3	7 1/2 b	2 1/2 a Vickers ... £1	30/-	30/-	6 13 5
			ELECTRICAL			
12/3	47/6	15 c	7 1/2 a Assoc. Elec. Inds. ... £1	47/3	47/9	6 5 7
55/-	39/4 1/2	8 1/2 b	4 a Br. Ins. Callenders ... £1	41/3	39/9	6 5 10
32/6	24/-	14 3/4 a	29 1/2 b Decca Record ... 4/-	25/6	25/6	6 17 3
36/3	24/-	15 c	Elect. & Mus. Inds. 10/-	30/-	23/6	5 5 3
64/9	47/3	4 a	10 b English Electric ... £1	44/6	46/9	5 19 10
59/-	37/9	8 b	3 1/2 a General Electric ... £1	30/6	30/9	7 9 8
			TEXTILES			
24/1 1/2	14/-	6 b	3 a Bradford Dyers ... £1	15/3	14/9	12 4 0
28/-	21/11 1/2	6 1/2 b	2 1/2 a Coats, J. & P. ... £1	20/6	20/6	8 10 10
37/9	20/10 1/2	6 b	3 a Courtaulds ... £1	21/6	21/3	8 9 5
38/7 1/2	31/10 1/2	5 a	12 1/2 b Lancashire Cotton. ... £1	30 4 1/2	29 10 1/2	11 14 5
41/7 1/2	30/10 1/2	12 1/2 b	2 1/2 a Patons & Baldwins ... £1	32/10 1/2	32/7 1/2	9 4 0
			SHOPS & STORES			
24/6	13/9	16 c	6 a Boots Pure Drug. ... 5/-	19/-	20/6	3 13 0
42/10 1/2	31/4 1/2	7 1/2 a	20 b Debenhams ... 10/-	35/7 1/2	35 4 1/2	7 11 3
55/7 1/2	33/3	50 b	15 a Gt. Universal 'A' ... 5/-	37/3	35/9	9 1 9
57/3	30/3	20 b	10 a Marks & Spen. 'A' 5/-	40/7 1/2	39/6	3 16 0
30/3	19/3	20 b	12 1/2 a United Drapery. ... 5/-	23/-	22/6	7 4 5
49/-	37/10 1/2	13 1/2 a	26 2/3 b Woolworth ... 5/-	36/7 1/2	35/6	5 9 7
			SHIPPING			
47/9	30/6	11 b	6 1/2 a Brit. & Com'wealth 10/-	30/9	29/6	5 18 8
27/9	17/6	8 b	2 a Cunard ... £1	18/-	17/-	11 15 4
48/10 1/2	28/3	9 3/4 c	10 1/2 c Furness Withy ... £1	28/6	23/-	7 11 2
38/-	23/9	5 b	3 a P & O. Deferred ... £1	24/3	22/-	7 5 5
			MISCELLANEOUS			
36/10 1/2	24/9	22 1/2 c	9 a Allied Bakeries 'A' 5/-	27/9	28/-	5 7 2
50/3	29/9	6 b	3 a Assoc. Port. Cem. ... £1	31/6	32/3	5 11 7
27/9	18/6	12 1/2 b	22 a Beecham Group. ... 5/-	28/-*	27/6*	6 5 5
47/9	26/3	8 b	4 1/2 a Bowater Paper ... £1	27/9	27/6	9 1 10
68/10 1/2	38/-	8 b	4 a Br. Aluminium ... £1	43/1 1/2	44/3	5 8 5
46/4 1/2	35/-	†15 c	†9 1/2 a Br. Amer. Tob. ... 10/-	41/3	40/3	6 9 8
25/-	17/4 1/2	17 1/2 b	7 1/2 a B.E.T. 'A' Defd. ... 5/-	21/6	20/6	5 19 0
59/-	29/6	4 a	6 b Br. Oxygen ... £1	29/3	28/3	7 1 7
21/10 1/2	15/3	7 1/2 b	3 a Dunlop Rubber. ... 10/-	15/-	14/10 1/2	7 1 3
46/6	36/1 1/2	6 b	4 a Imp. Chemical ... £1	37/9	37/1 1/2	5 7 10
50/6	36/-	8 1/2 b	11 1/2 b Imp. Tobacco ... £1	39/3*	38 6*	10 7 10
36/9	27/3	2 1/2 a	5 b J. Lucas (Inds.) ... £1	29/3	29/6	5 1 7
19/3	12/4 1/2	22 1/2 c	5 a Monsanto Chem. ... 5/-	14/-	13/6	5 0 0
18/3	13/9	5 a	5 b Ranks ... 10/-	14/9	14/7 1/2	6 15 10
55/6	29/9	10 b	5 a A. E. Reed ... £1	29/9	29/3	19 5 2
15/10 1/2	11/3	20 c	22 1/2 c Sears Hol'dings 'A' 5/-	12/1 1/2	12/0 1/2	9 6 6
70/3	54/10 1/2	4 1/2 a	12 b Tate & Lyle ... £1	52/6	51/9	6 7 7
70/9	50/-	7 1/2 a	7 1/2 b Tube Investments. ... £1	49/-	48/6	6 3 10
73/6	51/-	2 1/2 a	12 1/2 b Turner & Newall ... £1	55/3	55/10 1/2	5 7 3
114/6	71/9	11 1/2 b	6 a Unilever Ltd. ... £1	75/7 1/2	75/6	4 12 10
102/-	65/6	14 1/2 b	4 a Utd. Dominions Tr. £1	80/-	79/-	4 11 2
44/-	27/6	†10 b	†4 1/2 a United Molasses .10/-	26/6	26/3	9 7 10
			OIL			
173/7 1/2	87/6	†10 b	†5 a British Petroleum ... £1	84/4 1/2	85/7 1/2	6 2 0
119/4 1/2	70/7 1/2	17 1/2 b	†5 a Burmah ... £1	64/4 1/2	65/7 1/2	6 17 2
£25	£14 1/2	17 1/2 b	7 1/2 a Royal Dutch. ... 20 fl.	£14 1/2 ‖	£14 1/2 ‖	3 3 3
218/3	136/10 1/2	†13 1/2 b	†5 a Shell ... £1	127 6/ ‖	125/7 1/2 ‖	5 3 10
104/-	55/-	...	... Ultramar ... 10/-	45/-	45/-	...
			MINES, ETC.			
137/6	115/-	50 b	20 a Anglo-American .10/-	115/-	116/3	6 0 5
29/-	20/3	†2 1/2 a	†10 b Cons. Tea & Lands. £1	20/3	19/6	22 6 0
92/6	48/6	15 b	6 1/2 a Cons. Zinc Corp. ... £1	44/3	45/3	9 7 10
113/1 1/2	81/3	120 b	80 a De Beers Def. Reg. 5/-	88/9	90/7 1/2	11 0 8
83/1 1/2	58/7 1/2	...	20 a Free State Geduld. 5/-	78/9	81/3	...
12/10 1/2	7/3	30 c	30 c London Tin ... 4/-	7/3	7/1 1/2	16 17 0
56/7 1/2	45/-	50 a	50 b President Brand .. 5/-	47/9	48 9	19 5 2
24/9	13/10 1/2	8 1/2 a	16 2/3 b Rho. Selection Tst. 5/-	13/1 1/2	13/1 1/2	9 19 6
42 1/2	23 1/2	50 a	175 b Rhokana Corp. ... £1	20 1/2	20 1/2	11 0 10
55/-	41/-	30 b	12 1/2 a United Sua Betong. £1	48/6	48/3	17 12 4
88/4 1/2	55/1 1/2	40 a	60 b Western Holdings .5/-	88/9	91/3	5 9 7

New York Closing Prices

	Feb. 12 $	Feb. 19 $		Feb. 12 $	Feb. 19 $		Feb. 12 $	Feb. 19 $
Alumin'm Ltd.	28 1/2	27 3/4	Crown Zeller.	45 1/2	45 3/4	Penns. R.R.	12 1/4	12 1/4
Am. Smelting.	39	40	DuPont de Nm.	181	178 1/2*	Sears Roebuck	26 3/4	27
Amer. Tel.	172	172 1/2	Ford Motors.	40	40 1/4	Shell Oil	58 3/8	60
Am. Viscose.	28 1/4	27 3/4	Gen. Elect.	61 1/2	61 1/2	Std. Oil of N.J.	49 1/2	49
Anaconda.	42	42	Gen. Motors.	34 1/2	34 1/2	U.S. Steel.	55 1/2	57 1/8
Beth. Steel.	38 3/4	39	Int'l. Nickel.	73 1/2	74 1/2	Western Union	16 3/4	17
Can. Pacific	24 1/4	23 7/8	National Dist.	22 5/8	22 3/4	West'house El.	62 3/8	62 1/4
Chrysler	53 1/4	52 1/4	N.Y. Central	14 3/8	14 7/8	Woolworth	40 1/4	41 1/4

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 100%. (e) To earliest date (f) Flat yield. (g) On 24 %. (h) On 13½%. (i) On 22½%. (j) After Rhodesian tax. (k) On 30%. (l) To latest date. (m) On 13%.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared.

World Trade ..... January 18th

British		Overseas	
Prices and Wages	Feb. 8th	Western Europe :	
Production and Consumption	Feb. 15th	Production and Trade	Feb. 1st
Manpower	This week	British Commonwealth	Feb. 15th
External Trade	Feb. 1st	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits	Jan. 18th	United States	Feb. 8th

Manpower in Great Britain

	Unit	Monthly averages 1955	1956	1957	1956 Nov.	1956 Dec.	1957 Jan.	1957 Oct.	1957 Nov.	1957 Dec.	1958 Jan.
TOTAL MANPOWER (1) (7)											
Working population :											
Total	'000s	23,912	24,107	24,188	24,323	24,209	24,227	24,281	24,264	24,148	...
Men	,,	16,084	16,188	16,225	16,288	16,270	16,286	16,254	16,238	16,218	...
Women	,,	7,828	7,919	7,963	8,035	7,939	7,941	8,027	8,026	7,930	...
Armed Forces	,,	803	761	...	...	761	...	...	...	...	...
Civil employment :											
Total	,,	22,933	23,149	23,245	23,276	23,111	23,121	23,325	23,287	23,131	...
Agriculture, forestry and fishing	,,	1,066	1,032	...	...	993	...	1,005	971	964	...
Mining and quarrying	,,	862	858	...	...	861	...	867	868	868	...
Building and contracting	,,	1,486	1,541	...	...	1,496	...	1,509	1,505	1,470	...
Distributive trades	,,	2,811	2,870	...	...	2,933	...	2,980	3,020	2,981	...
Public administration	,,	1,289	1,300	...	...	1,298	...	1,293	1,291	1,288	...
Manufacturing industries	,,	9,206	9,269	...	...	9,298	...	9,371	9,355	9,300	...
CHANGES IN EMPLOYMENT (1)											
Increase or decrease since June, 1955 :											
Employees in engineering (2)	,,	...	+ 53	− 17	+ 50	+ 24	+ 11	+ 44	...	...	...
,, ,, consumer goods industries (3)	,,	...	− 9	− 51	+ 17	− 14	− 16	− 31	...	...	...
UNEMPLOYMENT											
By duration :											
All durations—total	,,	232·2	257·0	312·5	264·6	297·0	382·6	275·2	316·5	335·4	395·5
,, ,, —men	,,	146·7	168·8	216·6	167·5	199·7	267·7	188·8	219·0	235·2	282·4
,, ,, —women	,,	85·5	88·2	95·9	97·1	97·3	114·9	86·4	97·5	100·2	113·1
Temporary or under 2 weeks—men	,,	51·5	62·7	65·1	52·4	75·4	103·2	55·7	68·5	67·8	86·5
,, ,, —women	,,	36·7	35·5	30·6	33·0	29·8	44·3	30·0	33·4	28·4	40·4
Over 8 weeks—men	,,	67·7	65·7	94·3	69·7	73·4	90·6	83·4	88·4	96·2	114·6
,, ,, —women	,,	26·5	27·4	35·0	29·8	32·8	40·3	27·6	29·9	33·2	41·9
By industry (4) :											
Textiles	%	1·6	1·4	1·2	1·1	1·0	1·1	1·1	1·2	1·3	1·7
Clothing	,,	0·9	1·0	1·1	1·1	1·1	1·3	1·0	1·3	1·4	1·5
Vehicles	,,	0·4	1·2	1·0	0·6	2·2	2·7	0·6	0·7	0·7	0·7
Engineering, etc.	,,	0·8	0·9	1·1	0·9	0·9	1·1	0·9	1·0	1·1	1·4
Coal-mining	,,	0·1	0·1	0·2	0·2	0·2	0·2	0·2	0·3	0·3	0·3
Distributive trades	,,	1·0	1·0	1·2	1·1	1·1	1·5	1·1	1·2	1·2	1·6
By regions (4) :											
Great Britain	,,	1·1	1·2	1·5	1·2	1·4	1·8	1·3	1·5	1·5	1·8
London and South Eastern	,,	0·7	0·8	1·0	0·9	1·2	1·5	0·9	1·0	1·1	1·2
Eastern	,,	0·9	1·0	1·3	0·9	1·2	1·7	1·1	1·3	1·5	1·8
Southern	,,	0·9	1·0	1·3	1·1	1·2	1·7	1·2	1·4	1·4	1·6
South Western	,,	1·2	1·2	1·8	1·5	1·6	2·1	1·7	2·0	2·2	2·3
Midland	,,	0·5	1·1	1·3	1·0	1·0	1·5	1·0	1·0	1·0	1·2
North Midland	,,	0·5	0·6	1·0	0·6	0·8	1·1	0·8	0·9	1·0	1·3
East and West Ridings	,,	0·7	0·8	0·9	0·8	0·9	1·0	0·8	1·0	1·0	1·2
North Western	,,	1·4	1·3	1·6	1·3	1·4	1·7	1·4	1·6	1·6	1·9
Northern	,,	1·8	1·6	1·7	1·6	1·6	2·0	1·4	1·7	1·8	2·1
Scotland	,,	2·4	2·4	2·6	2·3	2·5	3·0	2·2	2·6	2·9	3·4
Wales	,,	1·8	2·0	2·6	2·2	2·3	2·9	2·5	2·9	3·0	3·5
VACANCIES											
Unfilled vacancies notified to Employment Exchanges (5) :											
Total	'000s	382	279	236	300	279	256	274	252	236	220
Men	,,	214	152	122	168	152	134	139	128	122	113
Women	,,	168	127	114	132	127	122	135	124	114	107
DISPUTES (6)											
Workers involved	,,	55	42	113	23	11	43	38	48	22	...
Working days lost :											
Total	,,	315	174	701	67	32	124	121	93	43	...
Mining and quarrying	,,	93	42	43	33	10	46	60	31	14	...
Engineering, etc. and services	,,	166	47	109	12	5	52	25	16	7	...

(1) Annual figures are for June of each year. (2) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) From June, 1956, onwards comparison with earlier figures is affected by the revocation of the Notification of Vacancies Order, 1952. (6) United Kingdom. (7) Figures have been revised back to July, 1956, on the basis of mid-1957 count of National Insurance Cards but the complete series is not available; it will be published at a later date.

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
WHOLESALE PRICES (1) (1953 = 100)												
1948	42	94	74	65	90[2]	...	78	104	75	66	72	94
1956	110	104	106[11]	102	103	129	101	102[11]	104	109	108[11]	142
1957	114	...	...	108	...	...	...	...	...	113	...	...
1957, August	117	106	106[11]	108	105	130	110	102[11]	107	112	109[12]	...
„ September	114	106	106[11]	109	105	129	111	102[11]	107	112	109[12]	...
„ October	113	106	105[11]	112	105	129	...	103[11]	107	112	108[11]	...
„ November	112	106	105[11]	116	105	129	...	103[11]	...	112	108[11]	...
„ December	111	...	...	119	...	...	...	...	...	112	...	...
COST OF LIVING (3) (1953 = 100)												
1948	50[2]	95	81	60	93	63	79	86	78[4]	74	77	89
1956	108	104	111	103	105	126	107	111	108	109	109	136
1957	...	107	...	...	...	...	...	...	...	...	...	...
1957, August	113	107	...	106	107	129	115	113	117	112	113	157
„ September	113	108	...	107	107	130	...	113	118	112	114	...
„ October	113	108	...	109	108	130	...	114	118	113	115	...
„ November	113	108	...	111	108	130	114	...	117	113	115	...
„ December	...	109	...	...	...	...	...	...	...	...	...	...
IMPORT PRICES (6) (1953 = 100)												
1948	37	84	84[5]	59	...	...	82	98	85	80	72	113
1955	94	96	98	98	100	118	104	100	99[11]	100	99	103
1956	97	99	102	102	103	124	106	105	102[11]	102	104	...
1957, July	100	102	} 102[10]	110[10]	{ 109	127	112	110	109[11]	111	} 106[10]	{ ...
„ August	98	...			107	130	114	109	110[11]	107		...
„ September	96	...			104	128	114	109	109[11]	105		...
„ October	99	...	...	...	101	126	114	...	106[11]	103	...	...
„ November	95	...	...	...	100	...	...	...	...	...	...	...
EXPORT PRICES (6) (1953 = 100)												
1948	42	95	91[5]	68	...	...	78	103	97	84	76	91
1955	102	97	100	95	98	133	101	98	100[11]	107	102	111
1956	105	103	103	99	101	143	96	104	102[11]	115	103	...
1957, July	104	106	} 100[10]	107[10]	{ 104	142	98	107	109[11]	124	} 105[10]	{ ...
„ August	109	106			104	135	98	108	108[11]	116		...
„ September	103	...			104	139	99	105	106[11]	118		...
„ October	103	...	...	...	103	148	98	...	107[11]	115	...	...
„ November	103	...	...	...	103	...	...	...	...	...	...	...

TOTAL MONEY SUPPLY (7)

End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas[9]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	'000 mn. kroner	mn. liras
1948	...	154·0	7,110	2,165	11·8	1,984	110·3	1,989	7,285	...	6·27	1,715
1956	29·71	200·0	7,633	6,585	31·2	9·17	154·7	4,927	9,227	6,865	9·90	6,031
1957	32·15	...	...	...	...	...	...	...	...	...	...	...
1957, August	31·05	...	7,734	6,885	32·9	...	158·0	...	9,137	6,954	8·83	...
„ September	31·30	...	7,615	6,912	34·1	...	162·8	4,701	9,024	6,586	9·05	...
„ October	31·38	...	7,877	6,960	34·4	...	163·8	...	8,854	6,861	9·22	...
„ November	31·34	...	...	6,892	34·8	...	165·8	...	...	6,706	9·12	...
„ December	32·15	...	...	...	...	...	...	...	...	...	...	...

GOLD AND FOREIGN EXCHANGE HOLDINGS (8) (mn. US Dollars)

1948	62	938	84·0	...	295	...	209	539	343	140·6	233	192
1956	406	1,177	131·1	1,356	4,291	211·4	234	1,308	1,072	178·8	473	230
1957	510	1,144	171·9	...	5,643	...	258	...	1,056	182·8	456	316
1957, August	492	1,078	169·2	...	5,478	...	251	1,442	938	174·3	473	317
„ September	500	1,063	158·8	...	5,759	...	253	1,432	921	178·7	463	311
„ October	510	1,072	146·1	...	5,745	...	256	...	972	177·3	469	314
„ November	511	1,077	150·6	...	5,711	...	258	...	988	177·1	456	309
„ December	510	1,144	171·9	...	5,643	...	258	...	1,056	182·8	456	316

(1) Relates to wholesale prices of industrial products, except for Greece. Figures for [illegible] (2) Relates to prices in capital cities only for Austria, Italy, Greece and Turkey. Austria and Belgium exclude rent. Denmark includes direct taxes. Figures for Ireland are based on August, 1953=100. (4) Including direct taxes. (5) Including trade with Faroe Islands. (6) Index numbers of unit value which compare the current average value of trade with its value in 1953; they are influenced by changes in the composition of trade as well as price movements. Export prices in Ireland are adjusted for seasonal variations. (7) Deposit money and notes and coins held by business, individuals and foreigners. Except for Greece, holdings of the issuing authority and other banks are excluded. (8) Holdings of the government and central bank at end of period. Foreign exchange figures for Norway exclude government holdings; Netherlands, Norway and Sweden include foreign investments. Ireland includes some long-term securities. (9) Beginning May, 1954, a new drachma equal to 1,000 old drachmas was introduced. (10) Average for third quarter. (11) Revised series.

Financial Statistics

EXCHEQUER RETURNS

For the week ended February 15, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £107,354,000 compared with a surplus of £138,627,000 in the previous week and a surplus of £39,156,000 in the corresponding period of last year. There was a net expenditure "below-line" of £26,347,000, leaving a total deficit from April 1st of £224,744,000 (£307,050,000 in 1956–57).

£'000	Esti-mate, 1957-58	April 1, 1956, to Feb. 16, 1957	April 1, 1957, to Feb. 15, 1958	Week ended Feb. 16, 1957	Week ended Feb. 15, 1958
Ord. Revenue					
Income Tax	2176,250	1683,518	1719,476	92,501	127558
Surtax	149,000	121,300	116,100	7,500	7,400
Death Duties	170,000	148,300	149,500	5,000	3,100
Stamps	60,000	54,700	57,200	1,500	1,000
Profits Tax, EPT & EPL	255,000	178,250	225,600	4,500	3,400
Other Inland Rev. Duties	500	460	350	...	...
Total Inland Rev.	2810,750	2186,528	2268,226	111001	142458
Customs	1204,250	1057,492	1064,145	21,735	23,025
Excise	912,850	822,940	855,750	44,270	57,070
Total Customs and Excise	2117,100	1880,432	1919,895	66,005	80,095
Motor Duties	93,000	84,908	97,645	675	803
PO (Net Receipts)	20,000	17,200	9,200	4,850	6,550
Broadcast Licences	31,000	23,300	25,500	...	...
Sundry Loans	32,000	31,550	29,854	143	13
Miscellaneous	185,000	154,411	155,377	471	722
Total	5288,850	4378,329	4505,697	183145	230640
Ord. Expenditure					
Debt Interest	640,000	649,747	591,262	56,805	59,603
Payments to N. Ireland Exchequer	69,000	55,455	59,015	...	...
Other Cons. Fund	10,000	8,917	8,997	334	34
Supply Services	4126,391	3463,887	3471,568	86,600	62,500
Total	4845,391	4178,006	4130,841	143739	122136
Sinking Funds	38,000	30,061	30,547	250	1,150
"Above-line" Surplus or Deficit	+ 170,262	+ 344,369	+ 39,156	+ 107354	
"Below-line" Net Expenditure	477,312	569,053	6,453	26,347	
	—	—	+	+	
Total Surplus or Deficit	307,050	224,744	32,703	81,007	
Net Receipts from:					
Tax Reserve Certificates	—5,429	—15,022	—9124	—35523	
Savings Certificates	66,900	—12,700	...	—2300	
Defence Bonds	—35,305	—33,013	—167	—736	
Premium Savings Bonds	58,580	70,760	600	1,440	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
Feb. 16	2,980·0	1,247·9	246·3	...	4,474·2
Nov. 16	3,260·0	2,199·6	231·9	...	5,680·7
„ 23	3,300·9	2,158·2	197·0	...	5,655·2
„ 30	3,340·0	2,148·6	182·5	4·8	5,675·9
Dec. 7	3,380·0	2,140·3	189·2	6·0	5,715·5
„ 14	3,410·0	2,181·2	193·6	...	5,784·8
„ 21	3,440·0	2,228·1	192·4	...	5,860·4
„ 30	5,684·7		218·4	...	5,903·1
1958					
Jan. 4	3,450·0	2,248·9	228·5	...	5,927·4
„ 11	3,410·0	2,192·2	237·0	...	5,839·2
„ 18	3,370·0	1,714·9	250·3	...	5,335·2
„ 25	3,300·0	1,707·9	208·4	4·8	5,221 0
Feb. 1	3,220·0	1,768·6	179·1	...	5,167·7
„ 8	3,160·0	1,746·9	157·6	...	5,064·5
„ 15	3,120·0	1,403·1	206·5	1·3	4,730·9

THE MONEY MARKET

THE recent stringency in Lombard Street has abated in the past week; this is attributable not to any change in the Bank's tactics but to regular official disbursements. On Saturday and on Monday the market was able to repay its fairly large seven day loans at the Bank without further borrowing or special help and again on Tuesday. On these days, the clearing banks' rates on their "floating" money were down to the minimum of 5¼ per cent, and money from outside banks was available at down to 4½ per cent. But on Wednesday, the monthly make-up day of the clearing banks, credit supplies tightened, and one or two houses had to take very small penal loans. Before the week-end, three or four houses were "in" the Bank on Thursday, despite fairly large official purchases; but the amount involved was much smaller than the repayments.

The Treasury bill rate fell again at the tender on Friday last week; but the pace of the decline is decelerating. The discount houses raised their common bid by 1d., to £98 9s. 8d. per cent, following the increases of 4d. the previous week and of 10d. the week before that. The offer of £230 million was under-allotted by £10 million; and as total applications rose sharply, by £37.2 million to £424.7 million, the allotted portion of bids at the minimum price dropped from 65 to 44 per cent. At yesterday's tender, the offer was £220 million.

LONDON MONEY RATES

	%		%
Bank rate (from 5% 19/9/57)	7	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	6⅛–6⅜
Bank	5	3 months	6⅛–6⅜
Discount houses	5	4 months	6⅛–6⅜
Money		6 months	6⅛–6¼
Day-to-Day	5½–5¾	Fine trade bills:	
Short periods	5¾	3 months	7–8
Treas. bills 2 months	6⅛	4 months	7–8
3 months	6⅛	6 months	7¼–8¼

BANK OF ENGLAND RETURNS

(£ million)	Feb. 20, 1957	Feb. 12, 1958	Feb. 19, 1958
Issue Department[*]:			
Notes in circulation	1,859·1	1,960·4	1,959·1
Notes in banking dept.	66·2	40·0	41·2
Govt. debt and securities[*]	1,921·3	1,996·3	1,996·3
Other securities	0·7	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	13·4	12·6	13·0
Bankers	233·8	219·3	222·6
Others	72·6	75·8	74·5
Total	319·8	307·7	310·1
Securities:			
Government	219·8	197·4	244·1
Discounts and advances	31·7	85·5	19·5
Other	18·6	20·9	21·0
Total	270·1	283·8	284·6
Banking department reserve	68·2	42·4	43·6
	%	%	%
"Proportion"	21·3	13·7	14·0

[*] Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £2,000 million from £2,050 million on January 22nd, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills Average Rate of Allotment	Allotted at Max. Rate[*]
1957	*91 Day*		s. d.	%
Feb. 15	190·0[1]	348·0	85 6·04	10
	91 Day *63 Day*			
Nov. 15	210·0 40·0	426·1	131 7·45	23
„ 22	210·0 80·0	423·6	129 5·71	47
„ 29	230·0 80·0	390·2	129 2·27	61
Dec. 6	240·0[1] 80·0	430·7	129 1·45	39
„ 13	230·0 80·0	414·8	129 1·21	45
„ 20	220·0 80·0	403·9	128 9·94	52
	91 Day			
„ 27	260·0	409·2	127 5·91	54
1958				
Jan. 3	260·0	405·7	126 6·76	55
„ 10	260·0	398·7	126 7·25	45
„ 17	260·0[2]	403·8	125 10·33	52
„ 24	230·0	421·0	125 6·56	24
„ 31	210·0	421·2	122 6·50	44
Feb. 7	230·0	387·5	121 3·29	55
„ 14	230·0[1]	424·7	120 10·56	44

[*] On February 14th tenders for 91 day bills at £98 9s. 10d. secured 44 per cent, higher tenders being allotted in full. The offering this week was for £220 mn. at 91 day bills. [1] Allotment cut by £10 mn. [2] Allotment cut by £20 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

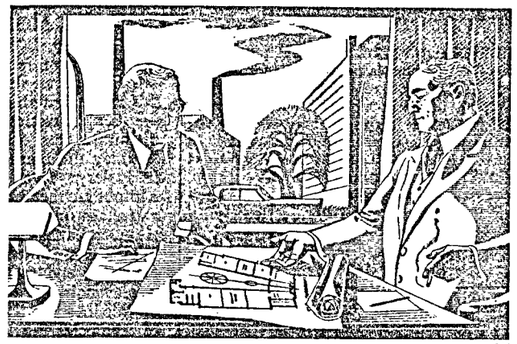
	Official Rates	Market Rates: Spot				
	February 19	February 13	February 14	February 15	February 17	February 18	February 19
United States $	2·78–2·82	2·81⅛–2·81⅜	2·81⅛–2·81⅜	2·81⅛–2·81⅜	2·81⅛–2·81⅜	2·81⅛–2·81⅜	2·81⅛–2·81⅜
Canadian $	...	2·76 7/16–2·76 9/16	2·75½–2·75⅝	2·75 7/16–2·75 9/16	2·75½–2·75⅝	2·76 7/16–2·76 9/16	2·75 7/16–2·75⅝
French Fr.	1167·18–1184·62	1179½–1179¾	1180–1180½	1179½–1180½	1179½–1180½	1180½–1180¾	1180½–1180⅝
Swiss Fr.	12·15 9/16–12·33 9/16	12·28¼–12·28½	12·28¼–12·28⅝	12·28¼–12·28⅝	12·28¼–12·28⅜	12·28¼–12·28⅜	12·28¼–12·28½
Belgian Fr.	138·95–141·05	139·60–139·65	139·60–139·65	139·60–139·65	139·62½–139·65	139·62½–139·67½	139·62½–139·67½
Dutch Gld.	10·56–10·72	10·63½–10·63¾	10·63–10·63½	10·62¾–10·63¼	10·63¼–10·63½	10·63⅜–10·63⅝	10·63¼–10·63⅜
W. Ger. D-Mk.	11·67 3/16–11·83 3/16	11·77¼–11·77⅜	11·77¼–11·77⅜	11·77¼–11·77⅜	11·77¼–11·77⅜	11·77¼–11·77⅜	11·77¼–11·77⅜
Portuguese esc.	79·90–81·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15
Italian Lire	1736⅜–1762½	1748½–1748⅝	1748½–1749½	1748½–1748⅝	1748½–1748⅝	1748½–1748⅝	1748–1748½
Swedish Kr.	14·37⅜–14·56⅜	14·52¼–14·52½	14·52¼–14·52⅝	14·52⅜–14·52⅝	14·52⅜–14·53	14·53⅜–14·53⅝	14·53¼–14·53½
Danish Kr.	19·19½–19·48½	19·35–19·35½	19·34½–19·35	19·34½–19·35	19·35½–19·35¾	19·35½–19·35¾	19·35½–19·35¾
Norwegian Kr.	19·85–20·15	20·01¼–20·01½	20·01¼–20·01⅝	20·01¼–20·01⅜	20·01¼–20·01⅜	20·01¼–20·01⅜	20·01¼–20·01⅜
One Month Forward Rates							
United States $		⅛–3/16 c. pm	⅛–3/16 c. pm	⅛–⅛ c. pm	⅛–⅛ c. pm	¼–⅜ c. pm	¼–⅜ c. pm
Canadian $		⅜–½ c. pm	⅜–½ c. pm	⅜–½ c. pm	⅜–½ c. pm	½–¾ c. pm	½–¾ c. pm
French Fr.		1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis
Swiss Fr.		4–3¾c. pm	3¾–3½c. pm	3¾–3½c. pm	4–3½c. pm	4–3½c. pm	4–3½c. pm
Belgian Fr.		⅛ pm–par	⅛ pm–par	⅛ pm–par	⅛ pm–par	⅛ pm–par	⅛ pm–par
Dutch Gld.		2¼–2c. pm	2¼–1¾c. pm	2¼–1¾c. pm	2¼–2c. pm	2¼–2c. pm	2¼–2c. pm
W. Ger. D-Mk.		3¼–3pf. pm	3¼–2¾pf. pm	3¼–2¾pf. pm	3¼–2¾pf. pm	3¼–2¾pf. pm	3¼–2¾pf. pm
Italian Lire		1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis
Swedish Kr.		2¾–2½ pm	2¾–2½ pm	2¾–2½ pm	3–2½ pm	3¼–2½ pm	3¼–2½ pm
Danish Kr.		4–2o pm	4–2o pm	4–2o pm	4–2o pm	5–3o pm	5–3o pm
Norwegian Kr.		2o pm–par	2o pm–par	2o pm–par	2o pm–par	2o pm–par	2o pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)	248/10½	249/0½	...	249/0½	249/0	249/0½

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1/4

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Habib Bank Limited
Established 1941
Head Office: KARACHI (PAKISTAN)

Authorised Capital ...	... Pak Rs.	40,000,000
Issued & Subscribed Capital...	Pak Rs.	20,000,000
Paid-up Capital ...	... Pak Rs.	20,000,000
Reserve Funds ...	... Pak Rs.	20,000,000
Deposits as on Dec. 31 1957 ...	Pak Rs.	597,000,000

With a network of 77 branches in all the important trade centres of East and West Pakistan, Habib Bank Limited is in a position to assist those desiring to establish contacts for exports or imports. The Bank's services are always available for any banking requirements in Pakistan.
The Bank is fully competent to handle all foreign exchange business including opening and advising of commercial letters of credit, collection of documentary bills, remittances etc.

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Canada?

How is a company incorporated in Canada? What about income and other business taxes? Are there provincial as well as federal taxes? For answers to these and other questions vital to businessmen planning to set up operations in Canada, write or phone either of our London offices for a recently revised copy of our 'Memorandum Relating to Carrying on Business in Canada'.

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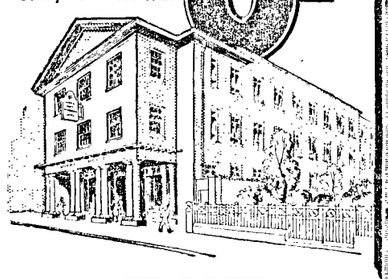
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COMPANY MEETINGS

ALEXANDERS DISCOUNT COMPANY

EFFECTS OF PENAL BANK RATE

SIR ERIC GORE BROWNE'S VIEWS

The ninetieth Annual General Meeting of Alexanders Discount Company Limited was held on February 13th in London.

Sir Eric Gore Browne, DSO, OBE, TD (the Chairman), who presided, said:

My statement which was attached to the Accounts for 1957 was designed to paint for you, the Shareholders, a true and accurate picture of the position of your company for the time being, and I emphasised what is, I hope, the temporary nature of our ill fortune. Your company has in some degree been the victim of circumstances. For myself, I find it difficult to understand what good purpose—apart possibly from a psychological effect—is served by a penal bank rate under existing conditions. It is well known that last year this country exported £3,326 million of goods; whilst our international trading account shows a credit surplus of only between £250 and £300 million.

In view of the first of these facts, can it be said that sterling is overvalued? But in view of the second and the fact that nearly half the world's trading is financed through our currency, can we wonder that doubts may sometimes rise in some quarters as to our international solvency? There is the rub. And it must be the earnest hope of all of us that the combined efforts of the Radcliffe Committee and of the Three Wise Men will find the solution. Does a 7 per cent Bank Rate which is unfair in its incidence restore the confidence of the world in British character and credit worthiness on which, in the absence of an exchange standard, the value of the £ sterling must ultimately depend? I have my doubts. And is it generally realised that a difference of 2 per cent interest on the floating debt is equivalent to an addition of £100 million a year in the cost to the taxpayer of the service of that debt? Not to mention the cost of funding operations. And, as the Chancellor of the Exchequer told us last year, each 1 per cent extra costs our balance in our international trading account not less than £15 million.

You may say that these are academic questions and have little or nothing to do with the finances of a great Discount House, but our figures for 1957 and for the two preceding years show you all too clearly the extent to which the fortunes of your company are at the mercy of a system which seeks by a firm hand on the reins to drive the economic coach in which we are all passengers along a road which it hopes may be in the right direction. On the solution of the problem of how to perpetuate a Welfare State in a small island which cannot maintain itself, and which seeks to preserve its position as the greatest international banker in history, not only the fortunes of your company, but the future standard of the lives of British men and women may well depend.

Since our accounts have been published, I have had two or three letters from shareholders with which I thoroughly sympathise, and I am just going to try and answer the questions which are raised in these letters.

As I said in my statement, the prospect of future dividends is very much bound up with the future level of bank rate, and until it is reduced from the present rate of 7 per cent we shall continue to suffer serious losses on our short-dated securities carrying a low rate of interest.

It is not the custom of this company or, I think, of any other Discount Company to disclose the individual holdings of Government Securities, but I would say that 70 per cent of our portfolio is redeemable in three years' time. To give any further information as to the life of our holdings would make it difficult for the management to deal and would not, I think, be to the advantage of the company.

In the case of the Corporation and Dominion Government Securities, the book value is taken at the market price on December 31, 1957. The directors' remuneration is unchanged for 1957, but will show a reduction in 1958.

In comparing our results with those of the Union and National Discount Companies it is clear that the Union has benefited greatly by their very much larger reserves, but it is impossible to compare our results with those of the National Discount Company as they have adopted a different method of valuation.

The report and accounts were adopted.

BERGENS PRIVATBANK

Established 1855

OFFICES: BERGEN & OSLO, NORWAY

Branches all over the Country

BALANCE SHEET, JANUARY 1st, 1958

ASSETS	Kr.	LIABILITIES	Kr.
Cash and at Bank of Norway	135,779,437.68	Deposits at Call	336,439,371.39
Treasury Bills	30,000,000.00	Deposits at Notice and at Fixed Term	664,961,682.79
Norwegian Banks	69,415,591.05	Norwegian Banks	149,329,939.94
Foreign Banks	303,922,594.60	Foreign Banks	31,271,239.60
Bonds and Shares	106,729,536.45	Acceptances	1,952,714.68
Mortgages	53,535,806.49	Cheques and Collections ...	13,731,733.57
Bills Discounted	232,006,556.55	Foreign Exchange Accounts	59,889,313.33
Foreign Bills	11,499,563.48	Documentary Credits ...	31,168,859.52
Advances	409,759,324.52	Other Accounts	235,369,841.38
Documentary Credits ...	31,086,127.71	Share Capital, fully paid Kr. 26,000,000.00	
Bank Premises	8,009,602.95	Reserve Fund Kr. 13,000,000.00	
Other Accounts	206,499,886.63	Reserve for Taxes ... ... Kr. 10,000,000.00	
		Special Reserve Kr. 10,000,000.00	
		Balance carried forward Kr. 15,129,331.91	74,129,331.91
	Kr. 1,598,244,028.11		Kr. 1,598,244,028.11

Guarantees Kr. 321,898,767.62

Dr. Profit and Loss Account for the year ended December 31st, 1957 Cr.

	Kr.		Kr.
General Expenses	20,951,490.02	Transfer from last Year ...	10,004,317.45
Taxes	9,122,898.00	Profits on Interest, Discount, Commission and Exchange	43,323,757.97
Allocated to Reserve for Contingencies	6,000,000.00	Other Accounts	1,375,644.51
Net Proceeds Kr. 8,625,014.46			
Transfer from last Year Kr. 10,004,317.45			
At disposal Kr. 18,629,331.91			
Appropriated as follows: Transferred to—			
Centenary Funds ...	500,000.00		
Reserve for Taxes ...	1,000,000.00		
Dividend 8%	2,080,000.00		
Balance carried forward ...	15,049,331.91		
	Kr. 54,703,719.93		Kr. 54,703,719.93

J. SAMUEL WHITE AND COMPANY

(Shipbuilders and Engineers)

IMPROVED ORDER BOOK

The sixtieth ordinary general meeting of J. Samuel White and Company, Limited was held on February 19th at Grosvenor House, Park Lane, London, W.1, Mr J. A. Milne, CBE (Chairman and Managing Director) presiding.

The following is an extract from his circulated Address:

Your Directors' Report gives a résumé of orders received, work completed and work in hand during the year under review. Since then we have received an order for two Cross Channel Steamers for the British Transport Commission for use on the Channel Island Service. The vessels are turbine driven and, therefore, fit well into the balance of work between the Engine and Shipbuilding Works and will help to provide employment until mid 1961.

After referring to the activities of the Company's subsidiaries the statement continued:

Turning to the Consolidated Profit and Loss Account, trading profit, after deducting Directors' remuneration, depreciation, etc., is lower by £84,000 and if you also take into account profits relating to previous years the actual current profit is down by £131,000 when compared with last year. This trading profit is after making subvention payments of £22,020 to the subsidiaries. In addition, our Works suffered from the Shipbuilding and Engineering Strike in March 1957 resulting in the loss of thirteen working days' production.

WAGES AND PRICE FACTOR

Although your Company's present order book is larger in general than it has ever been in the past, it is perhaps prudent to look a little further into the future.

There is ample evidence to suggest that the seller's market in shipbuilding may be disappearing, particularly for companies such as ours where building berths do not permit the construction of very large vessels, particularly tankers. Most of you will recall that in May, 1957, skilled workers were awarded a wage increase of 11s. a week and amongst other things, it was also agreed there would be no further wage claims for twelve months and there should be goodwill on the part of employer and employee alike. It is recognised that no wage claims, as such, have been made. There has, however, been a request to reduce the standard working week from 44 hours to 40 hours without loss of pay. This alone is equal to an increase of 10 per cent in hourly wages, but after allowing for an average of 8 hours overtime, the increase in manufacturing costs would be approximately 12½ per cent which must be passed on to the customer.

The development of a European free trade area will permit opportunities of expanding markets for this country provided we keep our costs competitive. Many countries of Western Europe have a longer basic working week. None of them has the immediate objective of a reduction below the level of 44 hours which workers in the United Kingdom shipbuilding industry have enjoyed for some ten years. I am all in favour of high wages provided they are properly earned but it is tragic self deception not to realise we can price ourselves out of world markets.

The report was adopted and the total dividend of 20 per cent was approved.

MICHAEL NAIRN AND GREENWICH

SATISFACTORY SALES

The thirty-sixth annual general meeting of Michael Nairn & Greenwich Limited, was held on February 14th at Kirkcaldy, Sir M. George Nairn, Baronet, chairman, presiding.

The following is an extract from his circulated statement for the 52 yeeks ended September 29, 1957:

The total earnings of the group, after providing £357,657 to meet taxation, amount to £259,988 and show a decrease of £60,353 from the results of the previous year.

The Board recommend a final dividend of 5 per cent, less income tax, on the issued Ordinary Stock which makes a total distribution of 6¼ per cent for the period.

The adverse trading conditions mentioned by Sir Robert Spencer-Nairn last year which have to some extent persisted, a reduction in the return from overseas investment and an appreciable loss in exchange following upon the devaluation of the French franc, partially account for the reduction in net earnings. The results were, however, more seriously affected by losses incurred by Petmar Industries, Limited. Financial results are now showing improvement.

British Congoleum has had a less fortunate year. Improved manufacturing technique and other developments should lead to better results.

Our sales during the first quarter of the current year have continued at a satisfactory level, while the works at Kirkcaldy, in France and in Australia remain fully employed.

The report and accounts were adopted.

KILLINGHALL (RUBBER) DEVELOPMENT

MR ADDINSELL'S STATEMENT

The annual general meeting of the Killinghall (Rubber) Development Syndicate, Limited, was held on February 14th, in London, Mr J. Addinsell, chairman, presiding.

The following is an extract from his circulated statement:

Although, compared with the previous year, the average price we received for our rubber was just over 2d. per lb lower, net proceeds at £39,254 were only slightly reduced owing to the increased crop harvested.

Cost of production, including export duty and cess, amounted to £26,778 against £28,234 for 1956, a reduction of 1½d. per lb as a result of a smaller charge for duty following the lower prices received for our rubber. Tribute from tin mining was down by £3,889 owing to lower outputs from the Killinghall Tin dredge. Net profit before tax shows a slight reduction of £1,089 compared with 1956.

After providing £15,771 for taxation, there is an amount of £24,326 available for consideration. Your Board have decided to recommend a final dividend of 60 per cent, making a total of 80 per cent for the year, and have also recommended a bonus dividend of 25 per cent, thus making a total distribution of 105 per cent.

Our rubber is making an ever increasing contribution to our income and the position in this respect should continue to improve as more of our young rubber comes into bearing.

The report and accounts were adopted.

THE PROVINCIAL BUILDING SOCIETY

INCREASE IN CASH LIQUIDITY

The one hundred and eighth Annual General Meeting of the Provincial Building Society was held on February 18th at Provincial House, Bradford. Lieutenant Colonel F. W. Moore, DSO, MC (President of the Society), who presided, in the course of his speech said:

Whilst Building Society interest rates are not in any way tied to the bank rate, we cannot help but feel some of the effects of such changes, particularly when they are of a steep or violent nature. A really high bank rate interferes with our inflow of investment, as it tends to make money more scarce. This results in increased competition for available money by the offering of higher rates for short term money requirements by financial institutions requiring it for such short term use. Our lending, being of a long term nature, does not permit us to be so flexible in the investment rates we can operate during such periods. That the effect of this on our Society has been relatively slight when viewed against the background of this national crisis, shows very clearly the high degree of confidence which our investors have in the Society.

The investment rate of 3½ per cent (income tax paid) which we are now paying in our Paid Up Share Department must be considered attractive when the advantages of complete security and ready withdrawal are taken into comparative reckoning. Allowing for tax at the standard rate it provides a gross return of £6 1s. 9d. per cent. 3½ per cent is the Paid Up Share rate we had operated for some months prior to the raising of the bank rate to 7 per cent. How long it will be possible to maintain our rates should this high bank rate continue, I would not care to speculate. It is the hope of your Board that the bank rate may be reduced in the near future, as a further raising of our own rates would cause difficulty, and we sincerely hope it can be avoided.

If due allowance is made for the effects of the abnormally high money rates and for the credit squeeze, our inflow of money must be considered satisfactory. It must be appreciated that these same factors have increased the withdrawal rate, although so far this increase has been less than might have been expected; again, I think, reflecting the measure of public confidence in us.

I have probably now said sufficient about the conditions and factors under which we have operated during the year, and I therefore propose to turn to the results.

The features of significance that will interest most of you are the following:

ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER, 1957

	1957 £	£
Total assets	71,030,274	+ 3,847,792
Mortgage assets	59,230,678	+ 2,397,224
Amount advanced during year	8,409,476	— 1,121,965
Total deposits	6,921,485	— 536,582
Total shares	58,313,989	+ 3,878,442
Investments in trustee securities	8,905,833	+ 666,329
Total net liquidity	10,195,741	+ 1,154,536
Reserve funds	4,586,048	+ 286,398
Income tax and profits tax	1,200,000	+ 218,000
Number of mortgage accounts	66,584	+ 666
Number of share accounts	66,349	+ 4,106
Number of deposit accounts	18,107	— 578
Percentage of total net liquidity to shares and deposits		15.63
Percentage of reserve funds to total assets		6.46
Percentage of reserve funds to mortgage assets		7.74

The substantial increase in our cash liquidity is the point I might be thought to explain to you specially wish that the amount of this is unduly high. To any such suggestion I would reply that it is no more than strict prudence demands in the uncertain times I have indicated to you.

It is in times of strain, such as the present, that the reserves and total liquidity of a Society become of greater than normal importance, and I would remind you that your Society is outstanding on both these counts. Our total liquidity is twice the amount recognised as a minimum standard, and you will be glad to note that our previously outstandingly strong reserve strength has been augmented this year by a substantial amount, resulting in our percentage of reserves to assets figure being fractionally increased.

Mortgage business has had to be rationed in accordance with the inflow of money throughout the year, but we have never ceased to maintain a good flow, as the figure of new mortgage business for the year demonstrates, Mortgage demands have been on a very large scale, largely owing to rationing being usual throughout the movement.

During the year the extensive internal alterations to our Bradford Head Office have been completed, with a result which I believe to be satisfactory to both our customers and staff.

The alterations were forced upon us by the restriction the old premises placed on our growing business, and our present and immediate future needs necessitated taking in so much extra space as to demand a thorough reconstruction. This has provided us with a much enlarged Banking Hall and public space, and an appreciable enlargement to all our staff departments, together with the provision of a large up-to-date staff canteen in which we are now holding this Meeting. It is already obvious to your Board that the considerable benefits of this expense are now being reaped and also that they are appreciated by all who use them.

The greatest confidence I feel for the future is my unfailing belief that our Society will not be found wanting, whatever the future holds for us. Maybe 1958 will provide the pleasant surprise I feel to be overdue but is not now in sight.

The report and accounts were adopted.

Head Offices :
MARKET STREET, BRADFORD,
ALBION STREET, LEEDS.

ABRIDGED PROSPECTUS

Consent of Her Majesty's Treasury has been obtained to this issue in compliance with the Order made under Section 1 of the Borrowing (Control and Guarantees) Act, 1946.

Issue of £16,000,000

GOVERNMENT OF THE COMMONWEALTH OF AUSTRALIA
6 PER CENT. REGISTERED STOCK, 1974-1976

at the rate £99 10s. per cent.

Interest payable 15th April and 15th October.

The Government of the Commonwealth of Australia will comply with the requirements of the Colonial Stock Act, 1900, in order that Trustees may invest in the Stock, subject to the provisions set forth in the Trustee Act, 1925.

OFFER OF CONVERSION TO HOLDERS OF
£19,988,200 COMMONWEALTH OF AUSTRALIA 3% REGISTERED STOCK, 1955-1958,

maturing 15th April, 1958

This offer of conversion is limited to a total amount of £16,000,000 and the list will be closed when conversion applications totalling that amount of stock have been accepted. In any case the list will be closed not later than 3 p.m. on 28th February, 1958. The balance of £3,383,200 will be paid off out of Sinking Fund moneys which have been accumulated for this purpose.

Commonwealth Bank of Australia is authorised by the Government of the Commonwealth of Australia to offer to holders of Commonwealth of Australia 3 per cent. Registered Stock, 1955-58, Conversion of their holdings, in whole or in part, into an equal nominal amount of Government of the Commonwealth of Australia 6 per cent. Registered Stock, 1974-1976, on the terms set forth in the full prospectus.

Principal of the new Loan will be repaid in London at par on 15th October, 1976, the Government of the Commonwealth of Australia having the option to redeem the Stock at par, in whole or in part, on or after 15th October, 1974, on giving three months' notice by public advertisement.

Holders, whose applications for conversion are accepted will receive on 15th April, 1958, a cash payment of 10s. per cent. representing the difference between the issue price of the new Stock and the redemption at par of the old Loan. They will also receive the usual six months' interest payable on that date.

Applications for conversion must be lodged on the appropriate forms accompanied by the relative Stock Certificates, at the COMMONWEALTH BANK OF AUSTRALIA, Stock Department, 8, Old Jewry, London, E.C.2. These forms have been posted to the Stockholders or, in the case of joint accounts, to the Stockholder first named in such accounts.

Any Commonwealth of Australia 3 per cent. Registered Stock, 1955-1958, not converted will be paid off at par on 15th April, 1958, together with the six months' interest then due.

The Stock now offered will be registered and transferable in any amount by deed, at the COMMONWEALTH BANK OF AUSTRALIA, Stock Department, 8, Old Jewry, London, E.C.2. Stamp duty on all transfers will be paid by the Government of the Commonwealth of Australia.

Commonwealth Bank of Australia is further authorised to offer for subscription in cash Government of the Commonwealth of Australia 6 per cent. Registered Stock, 1974-1976, to such an amount as may be required to make up the total of £16,000,000 in the event of conversion acceptances not reaching that total.

PRICE OF ISSUE £93 10s. per cent.

Payable as follows:—

On Application	£10 0 0	per cent.
On 13th March, 1958	£20 0 0	" "
On 15th April, 1958	£30 0 0	" "
On 12th May, 1958	£33 10 0	" "
	£93 10 0	per cent.

A first Interest payment of $3 (less Income Tax) per £100 Stock will be made by warrant on 15th October, 1958.

Cash applications on the prescribed forms will be received at the COMMONWEALTH BANK OF AUSTRALIA, Stock Department, 8, Old Jewry, London, E.C.2.

The revenues of the Commonwealth of Australia alone are liable in respect of this Stock and the Dividends thereon, and the Consolidated Fund of the United Kingdom and the Commissioners of Her Majesty's Treasury are not directly or indirectly liable or responsible for the payment of the Stock or of the Dividends thereon, or for any matter relating thereto.—40 and 41 Vict., cap. 59, sec. 19.

A commission of 5s. per £100 Stock will be paid to Bankers and Stockbrokers on allotments made in respect of conversion acceptances and cash applications bearing their stamp.

Full Prospectuses, with Statistical Statement relating to the Commonwealth of Australia, may be obtained from the Commonwealth Bank of Australia, Stock Department, 8, Old Jewry, London, E.C.2; from Messrs. R. Nivison & Co., 25, Austin Friars, London, E.C.2; and at the Offices of the Government of the Commonwealth of Australia, Australia House, Strand, London, W.C.2.

COMMONWEALTH BANK OF AUSTRALIA,
8, Old Jewry, London, E.C.2.

18th February, 1958.

The List for Cash Applications will open and close on Monday, 24th February, 1958.
The List for Conversions will be closed on or before 3 p.m. on Friday, 28th February, 1958.

THIS FORM MAY BE USED.

Application Sheet No...... *Allotment No.*.....

FORM OF APPLICATION FOR
GOVERNMENT OF THE COMMONWEALTH OF AUSTRALIA
6 PER CENT. REGISTERED STOCK, 1974-1976

23

To: COMMONWEALTH BANK OF AUSTRALIA,
STOCK DEPARTMENT,
8, OLD JEWRY, LONDON, E.C.2.

I/We hereby apply for £..... (say).....pounds)

of Government of the Commonwealth of Australia 6 per cent. Registered Stock, 1974-1976, according to the full Prospectus of the 18th February, 1958, and undertake to pay £99 10s. for every £100 of Stock, and to accept the same or any less amount that may be allotted to me/us, and to pay for the same in conformity with the terms of the said Prospectus.

The sum of £..... being the amount of the required deposit (namely, £10 for every £100 of Stock applied for), is enclosed.

* I/We declare that the applicant(s) is/are not resident outside the Scheduled Territories† and that the security is not being acquired by me/us as the nominee(s)‡ of any persons(s) resident outside such Territories.

Please write distinctly

Ordinary Signature.....

Full Name..... (IN BLOCK LETTERS)

(*State whether Mr., Mrs. or Miss or Title*)

Address.....

Date..... *24th February*, 1958.

* If this declaration cannot be made it should be deleted and reference should be made to an Authorised Depositary through whom lodgment should be effected. Authorised Depositaries are listed in Appendix I to the Bank of England's Notice E.C. Securities 8 and include banks, stockbrokers and solicitors in the United Kingdom.

† The Scheduled Territories comprise the British Commonwealth (except Canada), the Irish Republic, British Trust Territories, British Protectorates and Protected States, Burma, Iraq, Iceland, the Hashemite Kingdom of the Jordan, Libya.

‡ The definition of "nominee" is given in the Bank of England's Notice E.C. Securities 8.

N.B.—Applications must be for amounts of £100 of Stock or multiples thereof.

Cheques should be made payable to "COMMONWEALTH BANK OF AUSTRALIA" and crossed "AUSTRALIAN LOAN."

TEACHER *(DISTILLERS)* LIMITED

CONTINUED DEMAND FOR "HIGHLAND CREAM" AT HOME AND ABROAD

The Ninth Annual General Meeting of Teacher (Distillers) Limited was held on February 18th in Glasgow.

Mr R. M. Teacher, the Chairman, presided and, in the course of his speech, said:

The gross profit earned amounted to £688,826 as against £728,288 last year. With rising costs and continued building up of stocks and production it is not surprising that this year there should be some falling off in the relation of profit to turnover.

Deductions, due to a reduction in reconstruction expenditure at £54,367 and slightly less tax on the reduced profit at £351,471, amount to £405,838 leaving a net profit attributable to the Group of £282,988, a reduction on last year of only £8,427. As estimated, it is proposed that the Dividend be maintained at 15 per cent for the year.

As has been the pattern of past years sales of our HIGHLAND CREAM, both at home and abroad, continue to be limited in the free markets only by the stocks of matured whisky available, and while these stocks have been steadily increasing, the demand for our Brand still exceeds supply. The continued rise in the export of Scotch Whisky last year indicates that the greater quantities becoming available are still being readily taken up and the over-all demand and popularity of Scotch Whisky continues its high place in the struggle of our present economy to improve and maintain exports.

In the United States, in spite of growing competition, mild recession, and a general guarded pessimism, our Brand is maintaining its position as a leader and representative of high quality Scotch Whisky. Our sales in Canada have improved throughout the Provinces where during the year adjustment had been made in the difference in price between domestic and Scotch Whiskies. The slight easing of imports to Australia, it is hoped, will continue to allow this important market to be built up especially in view of the recently announced cuts in imports to New Zealand which include Scotch Whisky.

HOME TRADE

Turning to the Home Trade, here again proportionate increases in supplies were made and absorbed, but in the face of rising costs, which culminate, no matter how reluctantly, in an inevitable increase in price, the effects of this and the curtailment of spending power will remain to be seen. The contribution to the Revenue which accrues from our industry must again be stressed.

At Ardmore Distillery we found it necessary to increase further the production capacity and work was started early last year. This is proceeding and the buildings are well advanced.

In spite of the economic difficulties, with the value of our exports of a product, which can only be made in Scotland, we can for the present be confident that our Company and our industry have satisfactory prospects and scope for development and our plans for expansion are not deterred by these conditions, which for the time being may give us less reward.

The report was adopted.

Christiania Bank og Kreditkasse

Established 1848

Norway's oldest Commercial Bank

Head Office: **Stortorvet 7 — Oslo** — *Telegrams:* **KREDITKASSEN**

Balance Sheet as at 31st December, 1957

Assets.		
Cash on Hand, and Due from Bank of Norway	Kr.	113 140 207.36
Due from Norwegian Banks	"	104 727 276.49
Due from Foreign Banks	"	95 588 146.16
Investments	"	124 083 626.49
Mortgages	"	73 413 711.01
Bills discounted	"	162 449 892.44
Advances to Customers and Other Accounts	"	474 869 587.77
Foreign Exchange Debtors	"	381 380.00
Commercial Credits	"	23 103 400.93
Bank Premises, etc.	"	4 740 246.06
	Kr.	1 176 497 474.71
Liabilities.		
Demand Deposits	Kr.	331 666 511.38
Deposits at Notice or Fixed Term	"	463 719 375.68
Due to Norwegian Banks	"	176 686 246.73
Due to Foreign Banks	"	27 371 015.95
Acceptances on Account of Customers	"	1 263 991.27
Cheques in Circulation, etc.	"	13 060 047.53
Foreign Exchange Creditors	"	19 891 941.00
Commercial Credits	"	24 302 686.78
Other Liabilities	"	68 171 520.49
Capital fully paid	Kr. 24 000 000.00	
Reserve Fund	" 16 000 000.00	
Reserve for Taxes	" 4 400 000.00	
Reserve for Contingencies	" 3 000 000.00	
Balance carried forward to 1958	" 2 964 137.90	
	"	50 364 137.90
	Kr.	1 176 497 474.71

Guarantees Kr. 290 738 279.82, of which Kr. 12 523 800.00 for The Guarantee Reserve Fund of the Norwegian Commercial Banks, secured by deposits with the Bank of Norway.

NATIONAL MORTGAGE & AGENCY COMPANY OF NEW ZEALAND

SUCCESSFUL TRADING

The eighty-second annual general meeting of this company was held on February 18th, in London. The Right Honourable Lord Glenconner, chairman, presiding.

The following is an extract from his circulated statement for the year ended September 30, 1957:

It is with pleasure that I report the results of another successful year of trading by your company. Climatic conditions in New Zealand were favourable, and markets for both meat and wool were buoyant throughout the season. Once again our general merchandising activities over a wide field of trading have been successful and turnover has increased. So far as prospects for our farmer clients in the current season are concerned, conditions generally have been favourable. We cannot look forward to 1958 with the same optimism as was justified in recent years, and the control of imports will add to the difficulties of trading. So far as we are concerned, however, it is not expected that trading stocks will be greatly affected.

The record gross profit of £593,820 is the measure of a most successful year's trading, and we have also benefited from the excellent results of our associated companies, in the form of increased dividends. The profit, before taxation, is £324,726, compared with £310,890 last year. Your directors recommend a final dividend of 5 per cent on the paid up capital of £1,160,000, making the total distribution for the year £88,000.

The report and accounts were adopted.

THE ATLAS STONE COMPANY

RECORD TRADING RESULTS

The twenty-seventh ordinary general meeting of The Atlas Stone Company Limited was held on February 18th in London, Mr Bernard Davis (Chairman and Managing Director) presiding.

The following is an extract from his circulated statement:

Trading profit for the year amounted to £116,164 which compares with £92,251 for the previous year. Your Directors recommend a Dividend on the Ordinary Shares of 12 per cent less tax.

The trading results for the year under review are once again the best so far recorded, with a consequential increase in taxation payable. The effects of the Suez crisis were less than at one time seemed probable and weather conditions helped towards a well maintained volume of turnover.

Costs of labour, fuel, raw materials, transport and salaries continue to rise and it has therefore been necessary to increase some selling prices. Too much emphasis cannot be laid upon the absolute necessity for the Government, through the Nationalised Industries, to give the lead in the process of price stabilisation.

Towards the end of our financial year the Bank Rate was raised to 7 per cent. The effect on our business of this bold step will take time to become apparent because of the backlog of contracts to be completed.

We are confident, however, that we shall continue to receive our share of available orders and every effort will be made with this in view. The report was adopted.

LLOYDS BANK LIMITED

ANNUAL GENERAL MEETING

THE ANNUAL GENERAL MEETING of Lloyds Bank Limited, was held on February 14th, at the Head Office, 71 Lombard Street, London, EC.

The RIGHT HONOURABLE SIR OLIVER FRANKS, GCMG, KCB, CBE, the Chairman, presided.

With the concurrence of the members present the report and accounts and the statement by the Chairman, all of which had been previously circulated, were taken as read.

The report and accounts were adopted and the other ordinary business was transacted.

Votes of thanks were passed to the Chairman and Directors and to the staff.

TRAVEL

HOLIDAYS IN THE U.S.A. & CANADA

★

11 days' inclusive holiday by air and bus: *Montreal, Ottawa, Toronto, Quebec* £134 16s.

★

13 days' inclusive holiday by air and bus: *New York, Philadelphia, Washington, Niagara Falls* £198 2s.

★

17 days' inclusive holiday by air and bus: *New York, Philadelphia, Washington, Niagara Falls, Toronto, Montreal* £206 12s.

★

17 days' inclusive holiday by air and bus: *Montreal, Ottawa, Toronto, Philadelphia, Washington, New York* £208 16s.

COOKS

Send for free booklet. Dept. D/1/RO
Berkeley Street, London, W.1, and branches also from Dean & Dawson

BUSINESS TRAVEL

Dear Sir:
I would like to place on record my appreciation of the first-rate service your Company has given me on my recent complicated tour of the Far East.
Every flight, every hotel and every rail connection matched your itinerary.
Your staff were tireless in their efforts to make my tour run as smoothly as possible and I really appreciate their work.
Thank you again for such a personal service and I hope it will not be long before I again Travel by Davell.
Yours sincerely,

Davell & Co., Ltd. can offer you all the services that a travel agent can provide but there can be no point in our praising ourselves—we would far prefer to be praised by you. May we ask you to give us 24 hours-a-day 7 days-a-week Business Travel Department to the test in the hope that our service will ons day move you to write us a letter like the above. Telephone or write to
BUSINESS TRAVEL DEPARTMENT,
Air, Sea and Rail tickets — Theatre and hotel bookings
10 Ryder Street, St. James's, London, S.W.1.
Whitehall 3792.

UNIVERSITY OF ST. ANDREWS

MANAGEMENT COURSE

The University will hold a residential course for executives in St. Andrews from August 29th to September 17, 1958. The course will concentrate on one sector of management, namely, Industrial Relations, with due regard in three parts: (1) the evolution of the British economy and of the functions and policies of management, trade unions, and the State; (2) a study of the problems and methods of Industrial Relations; (3) an enquiry into current trends and probable future developments. The number of students will be limited to 40. The inclusive fee is 70 guineas, and the closing date for enrolment is April 30th. Copies of the explanatory brochure and application forms may be obtained from
The Secretary,
Summer School of Management Studies,
Queen's College,
February, 1958. DUNDEE.

ORDERS for advertisements in *The Economist* are accepted on condition that they are liable to rejection at the discretion of the Editor; that while every effort will be made to publish an advertisement on a specified date, no guarantee is given; and that white on black, reverse blocks or large sizes of black-faced type may be stopped or lined at the Editor's discretion.

APPOINTMENTS

ADVERTISING AND MERCHANDISING MANAGER

An experienced and versatile manager required to take over the Advertising Department of this progressive paint company. Candidates must understand thoroughly the techniques of advertising, printing, and marketing. They should know how to prepare budgets and control expenditure. They will be experienced in media selection, sales promotion, and public relations.

The job will entail travelling and contact with the Company's agents and representatives. A liking for and interest in colour is essential.

Applications, giving details of experience and salary required, should be sent to the Sales Director.

JOHN HALL & SONS (Bristol and London) Ltd., Hengrove, Bristol 4.

MANAGEMENT AND INDUSTRIAL CONSULTANCY.—Norcross and Partners Ltd., require additional CONSULTANTS. The work involves advising clients in one or more of the following fields: (a) Management Accounting, (b) Clerical Methods, (c) Production Control, (d) Work Study. The posts would appeal to either: (i) Qualified Engineers with good experience of factory administration, or (ii) qualified Cost Accountants with some experience in production control or work study. Applicants should be between 28 and 40 years of age.—Write in the first instance for an application form to Reference 154, Norcross & Partners Ltd., The White House, 111 New Street, Birmingham, 2.

ASSISTANT SECRETARY to take charge of legal and taxation department at Association of British Chambers of Commerce. Age 25 to 35. Post requires extensive reading of Bills and Statutes affecting business also serving Finance and Taxation Committee. Candidates should have legal background, knowledge of company and taxation principles, and have initiative for research. Ability to prepare memoranda essential. Commencing salary about £1,000 according to qualifications offered. Pension scheme. —Applications to Secretary, 14 Queen Anne's Gate, London, S.W.1, marked *Confidential*.

FORD MOTOR COMPANY LTD. have vacancies for young economists, men and women, for work on sales analysis and market research and in related fields. A high standard of ability and a good university degree in economics or statistics and mathematics are required. Experience in industry or public service, though not essential, is desirable. Salary will depend on ability, and there are excellent prospects.—Please write to Training and Recruitment Department (012A) Ford Motor Company Ltd., Dagenham, Essex, giving full details and quoting reference REC.

MARKETING STATISTICS MANAGER required by the makers of Stork Margarine to work in London. Needs knowledge of economics and ability to analyse and interpret statistics and market research figures in terms of the need for action they indicate. Starting salary £1,100 to £1,200 a year, also Pension Fund. Considerable prospects for improvement. Applications from men not more than 27 years old considered.—Apply Van den Berghs Limited, Kildare House London, E.C.4. State age, diplomas or degrees and commercial experience.

MARKET RESEARCH

McCann-Erickson Advertising Limited have vacancies for at least two more Assistants in their Research Department. Graduates in one of the Social Sciences are preferred. Research experience would be an asset, but is not essential. Salaries will be according to qualifications and experience, but initially not less than £550 per annum. Those selected will have the opportunity to assist in all types of market and motivation research. Applicants should write, giving full information about themselves, to the Director of Research, McCann-Erickson Advertising Ltd., Fetter Lane, London, E.C.4.

MARKET RESEARCH

Precision engineering company in West London require SENIOR RESEARCH OFFICER for expanding Market Research Department. Preference will be given to graduates in economics, with statistics as special subject, and some industrial or commercial experience, aged 25 to 35. The post calls for analytical skill in handling statistical material and relating the company's activities to trends in the national economy, and offers an excellent opportunity to build a career in a progressive firm. Pension scheme, excellent sports and social facilities.—Write, giving full details to Box 880.

MAJOR PETROLEUM COMPANY has a vacancy for an economics graduate or qualified statistician between 28 and 35 years of age. The chief requirement is for an analytical mind with the ability to marshal facts and draw logical conclusions, and applicants should be prepared to make a positive contribution to an existing team. Good starting salary in line with experience and qualifications. Excellent pensions scheme.—Apply, in writing, giving full details of age, qualifications and experience to Box 879. Replies can only be sent to those selected for interview.

WORCESTER COLLEGE, OXFORD

The College proposes to appoint a Domestic Bursar, if a suitable candidate presents himself, to take up his duties, if possible, not later than September 1, 1958.
Applications, giving an account of the candidate's career and qualifications and the names of three referees, should be sent by April 15th to J. R. Sargent, Esq., Worcester College, Oxford, from whom further particulars may be obtained.

UNIVERSITY COLLEGE OF SWANSEA

Applications are invited for a Lectureship in the Department of Economics. Candidates should have special interests in social accounting.
The salary range will be £900 x £50 to £1,350 x £75 to £1,650 per annum. The commencing salary will be at a point on the scale according to age, qualifications and experience. Membership of the F.S.S.U. and children's allowance scheme.
Further particulars may be obtained from the Registrar, University College, Singleton Park, Swansea, to whom applications (six copies) must be sent by March 15, 1958.

MARKET RESEARCH

KODAK LIMITED has a vacancy in the Economics and Statistics Department and invites applications from men up to the age of 30 who have a degree in Economics or Sociology.

The responsibility in this post is for that section of the department's work concerned with research into retail markets but the man appointed may be later considered for control of all market research activities.

The job offers ample scope for exercising initiative and involves the control of sample surveys from the design stage up to and including the analysis and report.

Candidates with previous experience in this kind of work and who are conversant with the necessary statistical techniques will receive first consideration. Every opportunity will be afforded for initial familiarisation with the Company's products and marketing organisation. Letters should be addressed to the Personnel Manager, Kodak House, Kingsway, W.C.2.

SAVILLE (TRACTORS) LIMITED have vacancies in their Sales Organisation both in London and the Provinces. Applications invited from men preferably in the 35-40 age group. Previous experience in the Earth Moving Industry desirable. Good education and ability to negotiate at Director's level essential. Ex-Service Officers considered. Applications, in writing only, giving full personal details, to the "Industrial Sales Manager."
SAVILLE (TRACTORS) LIMITED, Harvester House, Stratford-on-Avon.

FISONS LIMITED require a SENIOR EXECUTIVE for their Fertilizer Division. The work will consist principally of co-ordinating planning for the demand and supply of both finished products and raw materials and in the preparation of surveys and forecasts in the light of:

(a) The general economic situation of the country both short and long term.
(b) The availability of raw materials.
(c) Price trends in the fertilizer industry at home and abroad.

Applicants should preferably be under 40 years of age and have a first-class Honours Degree in Economics. A man of exceptional and outstanding ability is being sought.
Applications to the Personnel Officer (GI12), Fisons Limited, Harvest House, Felixstowe, Suffolk.

MARKET RESEARCH.—A Senior Market Research Officer is required in the Market Research Department of a nationally known manufacturer of consumer goods with headquarters near West London. This appointment within an expanding department offers the possibility of excellent prospects. Duties will be concerned primarily with toiletries and cosmetics but may extend to other fields. Candidates must have at least three to four years' experience in market research and should preferably be between 25 and 35 years of age. Wide practical experience in organising and operating consumer surveys, consumer product tests and projects designed to measure or assess the success of special sales and other promotional activities is essential. Some knowledge and experience of research methods as applied to advertising problems (e.g., motivation, research copy testing) is desirable. The salary paid will be assessed according to age, qualifications and experience but it is expected to be within the range of £1,250 to £1,800 per annum.—Applications, which will be treated in the strictest confidence, should give full details of age, qualifications, experience and present salary. All applications will be answered. Please quote Ref. M.R.O on envelope and letter.—Box 871.

C. & J. CLARK LIMITED, Shoemakers, Street, Somerset, wish to appoint a statistician for statistical and activity sampling in their Time Study and Quality Control Departments.
This is a permanent position carrying generous salary with considerable opportunity for development and for the practical application of statistical research.
Applicants, male or female, should write in confidence stating age, qualifications and experience, to the Personnel Director by March 1, 1958.

ECONOMISTS SOCIOLOGISTS with some knowledge of statistics.
A leading manufacturing company has a vacancy in its Market Research organisation for a man aged between 23 and 30. The job in an expanding section offers scope and a wide range of experience. A good academic background and some acquaintance with commercial problems and the research methods available for their solution will be assets.—Box 866.

ASSISTANT STATISTICIAN required for Research Department of International Bank; duties involve extraction, compilation and checking statistics, chiefly connected with trade, banking and finance in Latin America. Young graduate (man or woman) in economics preferred with some specialisation in banking; knowledge of Spanish and/or Portuguese would be an advantage.—Box 876.

CROYDON TECHNICAL COLLLGE

FAIRFIELD, CROYDON

Principal: H. Falkner, M.Sc.(Wales), B.Sc.(Lond.), A.Inst.P.

Applications are invited for the post of LECTURER in the COMMERCE DEPARTMENT.

Candidates should be qualified to teach Accountancy and Management subjects to final professional standard.

Salary in accordance with the Burnham Technical Scale plus London Allowance.

Duties to commence on September 1, 1958.

Further particulars and form of application may be obtained from the undersigned on receipt of a stamped, addressed envelope, and completed forms should be returned to the Principal.

R. WEARING KING,
Chief Education Officer.
Education Office, Katharine Street, Croydon.

THE UNIVERSITY OF SHEFFIELD

Applications are invited from Honours Graduates in Economics, or other appropriate subjects, experienced in adult education, preferably in the field of Industrial Relations, for the post of STAFF TUTOR and DEPUTY to the DIRECTOR of EXTRAMURAL STUDIES, with classes to take up duties on September 1, 1958. Salary in the upper part of the Lecturer scale £1,150 x £50—£1,350 x £75—£1,650 according to qualifications and experience, with F.S.S.U. and family allowance.—Further particulars may be obtained from the Registrar to whom applications (12 copies) should be sent by March 22, 1958.

APPOINTMENTS

ASSISTANT ECONOMIST

The person appointed to this position will be engaged in obtaining information and presenting reports on trends in Economic conditions in the U.K. and overseas, and their possible influence on activity in the constructional industry.

Apart from publications, it will be necessary to obtain data by means of surveys and personal interviews, which could involve a certain amount of travelling in the U.K.

Applications for this post are invited from women aged 23-28 with at least a second class honours degree in Economics and preferably 2 years' experience since graduating. The commencing salary will be in the range of £650-£800 per annum.

Letters should be addressed to:

SENIOR PERSONNEL OFFICER,
RICHARD COSTAIN LIMITED
111 WESTMINSTER BRIDGE ROAD,
LONDON, S.E.1.

MARKETING MANAGER

A progressive career is available to the candidate chosen by an expanding West Riding company to fill the appointment of Marketing Manager.

This is an excellent opportunity for a man between 30 and 35 years of age, who has acquired marketing research experience in the Marketing Department of either a National Company or an Advertising Agency.

Besides research into existing and potential markets, the responsibilities of this appointment embrace the preparation, maintenance, analysis, and interpretation of all sales records, and assistance to the Board in planning trading policy.

Thus, a sound knowledge of marketing research techniques and statistical methods should be supplemented by an alert and enquiring mind, ability to lead, and a flair for economic investigation.

Although of secondary consideration to practical marketing experience, candidates should possess Higher Certificate of Education with further study at University or Technical School in mathematics, economics, accountancy, or similar subjects.

The appointment is well remunerated and the prospects are excellent.

Applications, which will be treated in strictest confidence, should be mailed to Box 878.

SENIOR PROGRAMMER

ELECTRONIC COMPUTER (ELLIOTT 405)

Littlewoods Mail Order Stores Ltd. wish to appoint a senior Senior Programmer for their Head Office Computer Department at Liverpool.
Applicants should have an Honours degree in Mathematics and previous experience in numerical analysis and use of electronic digital computers would be an advantage.
Commencing salary will be on a scale (£1,200-£1,500) depending upon qualifications and experience. Successful candidate must be prepared to live in the Liverpool area. Permanent appointment, offering really good scope, with Life Assurance and Pension Scheme. Five-day week.
Letters of application, giving age and full particulars to the Personnel Manager (E.C./3), Littlewoods Mail Order Stores Ltd., Kershaw Avenue, Crosby, Liverpool X.

EDUCATION AND TRAINING OFFICER.—A medium-sized manufacturing group in West London invites applications for a man aged between 30 and 40 for the above post. The successful candidate will be responsible to the Personnel Manager for designing, initiating and controlling vocational and educational training schemes for all categories of staff—with emphasis on the agricultural and pharmaceutical sales force. This post calls for a high degree of organisational ability and candidates must have had experience of such work previously. The commencing salary will be according to age, qualifications and experience and will be reviewed annually. Contributory superannuation and life assurance scheme in operation. —Applications, giving brief outline of training and experience to date, should be addressed to the Personnel Manager, THE VITAMINS GROUP, Upper Mall, Hammersmith, W.6.

UNIVERSITY COLLEGE OF GHANA

Applications are invited for a Senior Lectureship in Sociology. Interest in Social Psychology an advantage. Salary scale: £1,700 x £75—£2,150 p.a., entry point according to qualifications and experience. F.S.S.U. Outfit and Family allowances. Passages for appointee and family on appointment, annual leave and normal termination. Part-furnished accommodation at a charge not exceeding 7.5 per cent. of salary.
Detailed applications (6 copies) naming three referees by March 13, 1958, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1 from whom further particulars may be obtained.

APPOINTMENTS REQUIRED

ROME.—Ex-JWT (Eastern) executive (36), experienced USA, Italy, East, Italian-speaking, seeks negotiating, agency or other assignments.—Box 877.
SENIOR SALES EXECUTIVE (Food) seeks change. Top-level contacts Nationally with multiple, Co-op, wholesale trade.—Box 874.

BUSINESS AND PERSONAL

NOTICE TO INDUSTRIALISTS, FINANCIAL ADVISERS, INVESTMENT AND BANKING HOUSES

IN YOUR COMPANY'S ECONOMY AND THE NATIONAL INTEREST

why attempt to do your own Research and Development when there is a scarcity of good Development Engineers on the labour market and when your Development Programme is achieved you have a labour surplus which is not used efficiently—Why not use the facilities of this British Company whose prime function is *Project Consultancy* from "inception of thought" to guarantee of "end product" incorporating:

World Market Research
Project Development and Design
Work and Methods Study
Production Planning and Cost Analysis

We also give a conversion service of American and Foreign Drawings to British Standard Specification and Production Practice and vice versa.

Our Principal is looking forward to meeting you for a general discussion of your problems.—Principals only please write.—Box 857.

WELL-KNOWN ENGINEERING CONCERN

wishes to acquire minimum of 51 per cent. of equity of established MANUFACTURING BUSINESS: preferably in West Surrey or West Middlesex; maximum distance from London 60-70 miles. TURNOVER FROM £200,000 TO £500,000 with up-to-date Plant for FINE LIMITED ENGINEERING OR INDUSTRIAL ELECTRONICS or both; some Board changes but executive management to remain; good technical staff desired. This business would be run autonomously in association with advertisers' business of high repute having overseas subsidiaries.—Replies to Box T1639/3, c/o Foster Turner & Everetts Ltd., 11 Old Jewry, London, E.C.2.

Invest in CITY OF COVENTRY Mortgage Loans

(TRUSTEE SECURITIES)

SIX PER CENT FOR TEN YEARS

Special terms will be quoted for loans of £10,000 and over.

For further particulars apply:

CITY TREASURER (C.), COUNCIL HOUSE, COVENTRY.

CANADIAN TRADE MISSION

Sales campaigns in Canada would be promoted effectively through the services of our Associated Company in Montreal. Our Managing Director will be in North America in April and would deal with all requirements personally.

PHILLIPS AND ROSE LIMITED
PUBLIC RELATIONS
79 WIGMORE STREET,
LONDON, W.1.
WEL 4191

NATIONAL OVERSEAS AND GRINDLAYS BANK LIMITED

NOTICE is hereby given that the Transfer Books of the Bank will be closed from March 5th to March 18th, both days inclusive.

By Order of the Board.
G. T. GILLESPIE,
Deputy General Manager.
26 Bishopsgate, London, E.C.2.
February 19, 1958.

GOVERNMENT OF SOUTHERN RHODESIA

4½ PER CENT. INSCRIBLD STOCK 1958/68
CITY OF JOHANNESBURG
3½ PER CENT. REDEEMABLE STOCK 1959/60

NOTICE is hereby given that in order to prepare the Warrants for Interest due April 1, 1958, the balances of the several accounts in the above-mentioned stocks will be struck on the night of March 1st, and that on and after March 3rd (the 2nd being a Sunday), the stocks will be transferable ex dividend.

For BARCLAYS BANK D.C.O.
(London Registrars for the above Stocks).
Circus Place, London Wall, E.C.2. G. A. D. HARRISON, Manager.
February 10, 1958.

MORTGAGE required on Expanding Industrial Premises. Sound opportunity on long or short term.—Box 875.

TELEPHONES, TELEPHONES, TELEPHONES for works and offices. We install and maintain for moderate rental. Communication Systems Ltd. TEMple Bar 4506.

A BARGAIN.—For Sale, New Co. Regns., no trading. Opticians/Hardware/Sheet Metal/Printers/Insurance Brokers/Investment/Property Dealing-Development/FINANCE H.P./Stocks/Shares and 1,001 other trades. PRICE £25 COMPLETE.—Business Econ. (E/Sp/A), 156 Strand, London, W.C.2 (TEM. 8377/8-2294/5).

KEEP IN TOUCH.—*The Shooting Times* covers all aspects of Shooting, Fishing, Game Preservation, etc. 1s. 3d. weekly.—Free copy from Dept. E, 29 Old Bond Street, London, W.1.

CAMERAS for Colour Pictures.
The Ilford Sportsman £16 6s. 7d. including case.—City Sale & Exchange Ltd., 66 Cheapside, London.

IF you simply ask for sherry, then you deserve whatever you get. If you ask for El Cid, then you get the sherry you deserve. Quite a different thing.

EDUCATIONAL

UNIVERSITY OF CAMBRIDGE DEPARTMENT OF ENGINEERING

POST-GRADUATE COURSE IN STRUCTURES AND MATERIALS

The 1958-59 Post-Graduate Course in Theory of Structures and Strength of Materials will be held in the Department of Engineering, Cambridge University, beginning on October 7, 1958, and finishing in June, 1959.
The latest advances made in the understanding of the behaviour of metallic structures under static, repeated or fatigue loading will be the principal subject of the course, with particular emphasis on welding as a method of fabrication. No attempt will be made to teach conventional methods of design, but present-day practice and possible future developments will form the subject of critical study.
The object of the course is not to train research workers, but to help engineers to apply the latest advances in knowledge. The course will include lectures, colloquia and laboratory work, and each student will be encouraged to make a detailed study of some problem of particular interest to him.
The course is open to university graduates with industrial experience, and to others with suitable equivalent qualifications and of sufficient experience to obtain full benefit from a post-graduate course.
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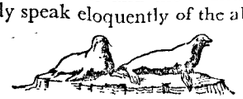
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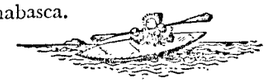


atomic fuels and "new" metals for which the metallurgists and nuclear engineers are praying; but most of that wealth is locked up in remote parts of the Pre-Cambrian, or Laurentian Shield, so inaccessible to conventional haulage, by road or rail, as to seem unworkable.

Yet the answer could lie in atomic energy itself.

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Atomic heat to freeze the Arctic! It is like selling refrigerators to the Eskimos." [R.C.]

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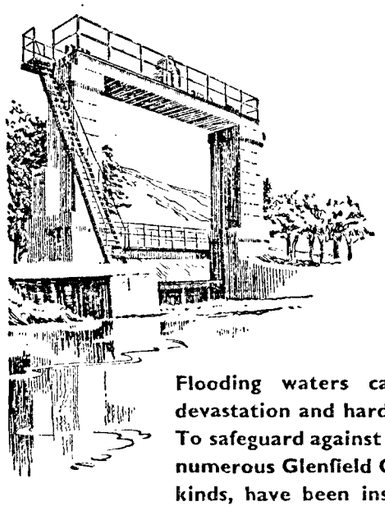
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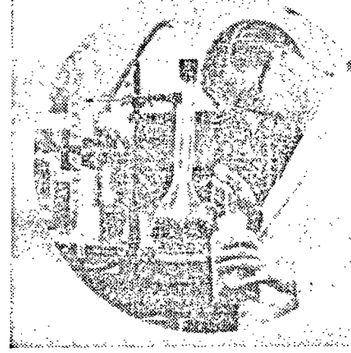
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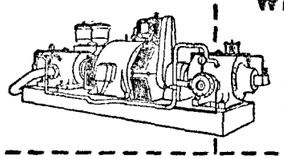
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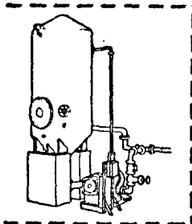
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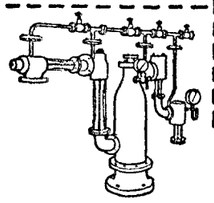
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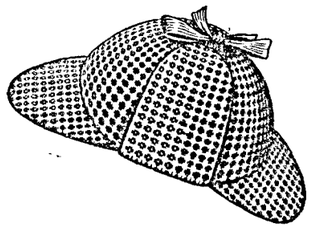
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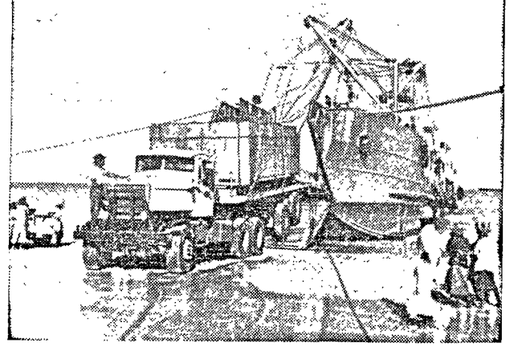
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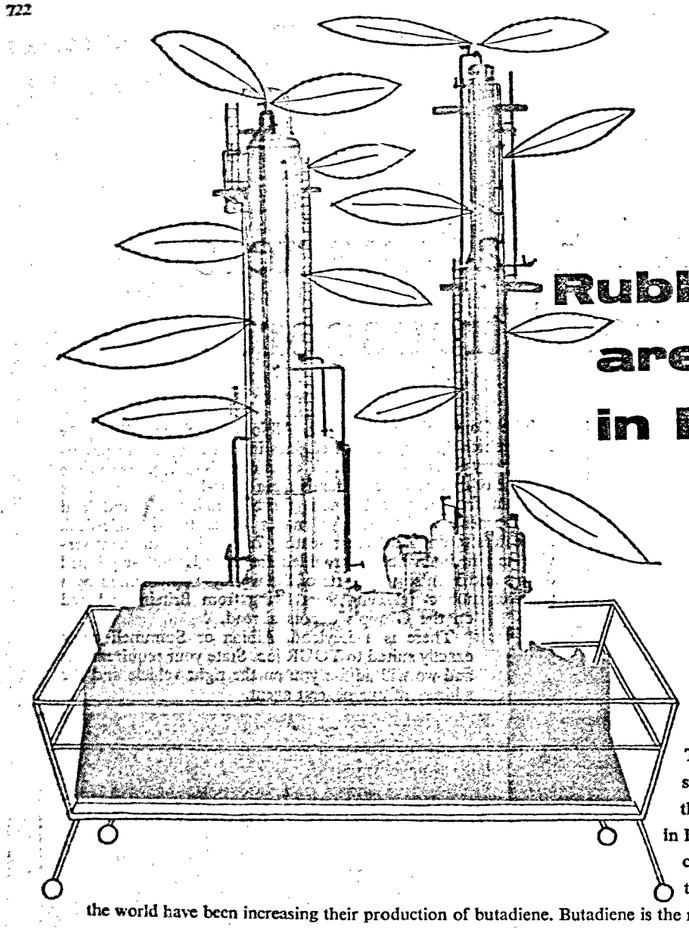
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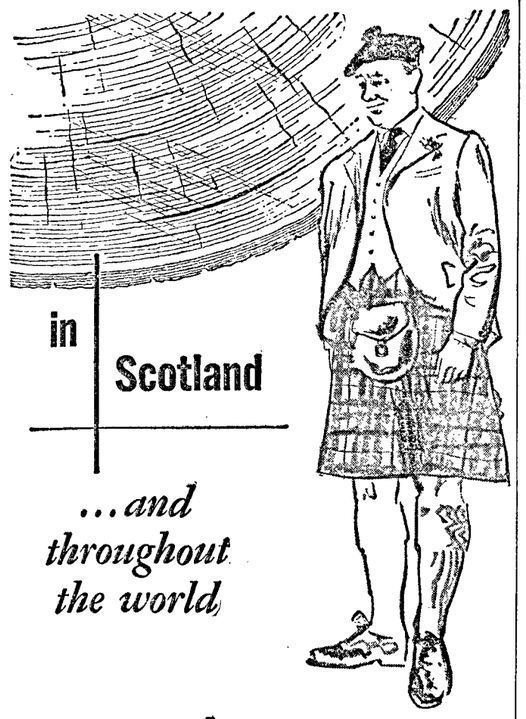
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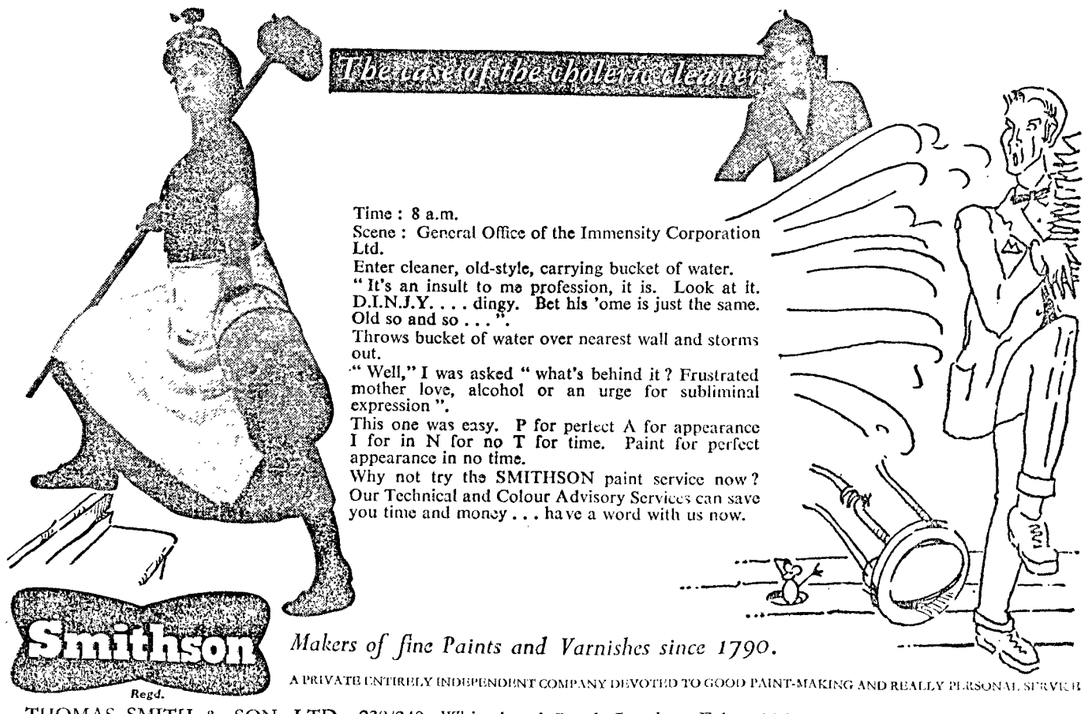
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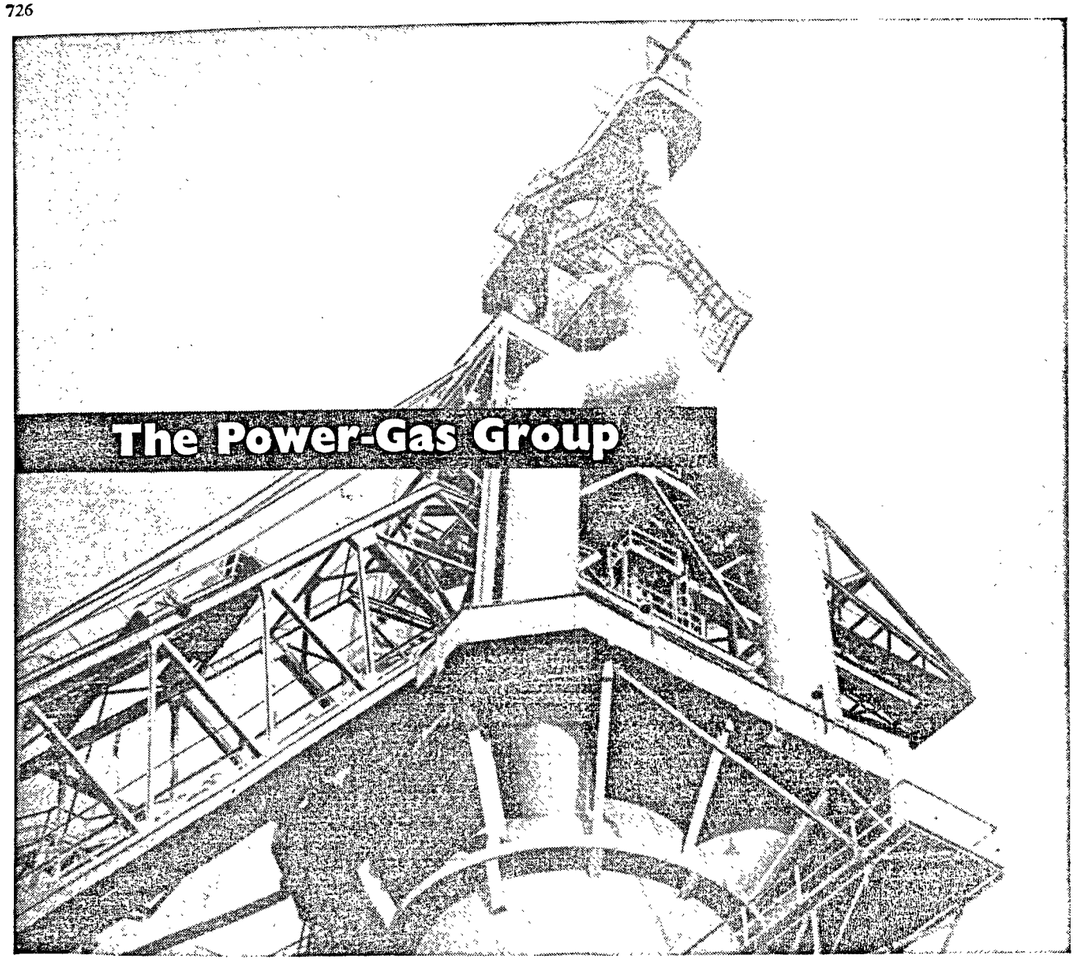
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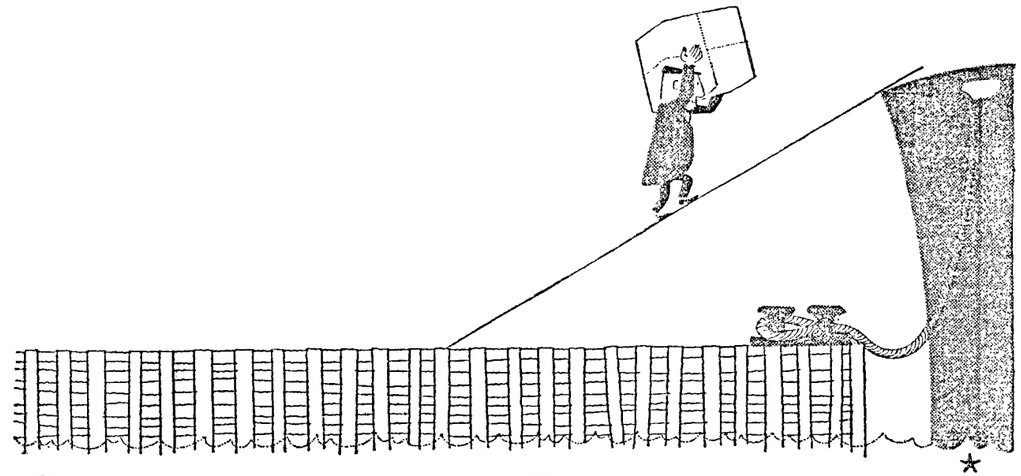
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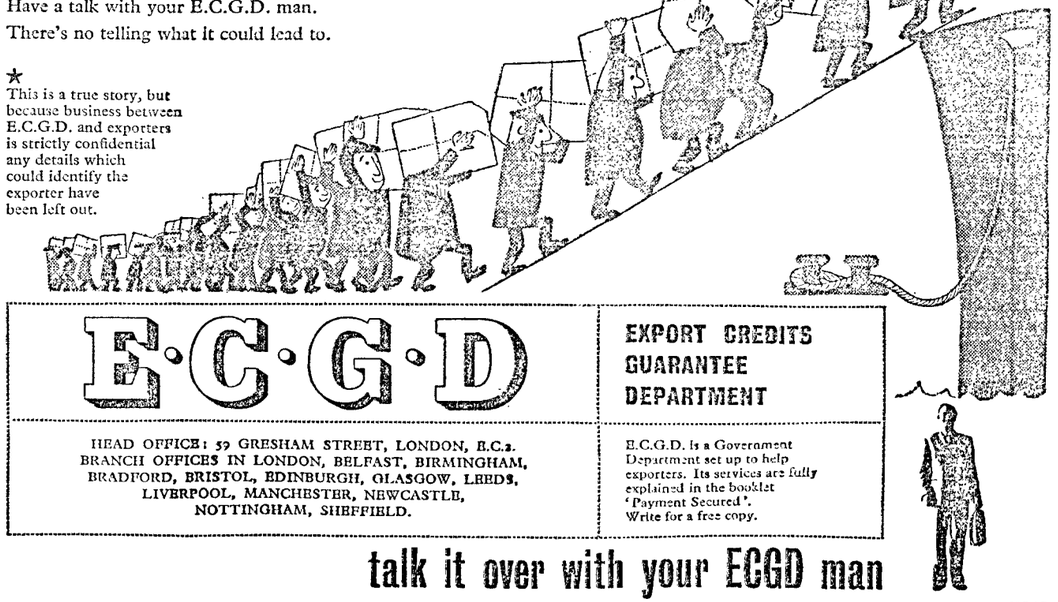
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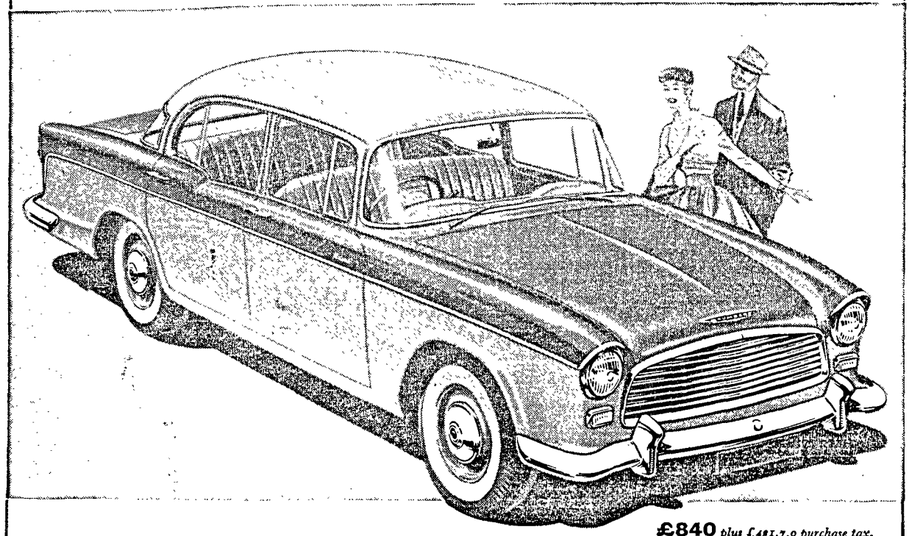
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The Economist

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What Sort of Budget?

THIS is the most difficult beginning of March one can remember at which to launch a preliminary discussion of the budget. Nobody knows whether by mid-April the main danger before Britain will be the recurrence of inflation (as it could be if there were a failure to hold back wage increases in the nationalised industries) or the quite opposite danger of the import from America of a slump. By the normally appointed period for the budget, the riddle may still not be resolved. Yet, in spite of this persisting uncertainty, some reasonably precise suggestions can be put forward for Mr Amory to weigh.

The first piece of advice is that he should delay budget day for as long as is parliamentarily possible. It is a peculiarity of this winter that, although all the pessimists are saying that Britain's economic situation is going to get worse (in one of two quite opposite ways), the current situation is precisely the one that successive Chancellors of the Exchequer have long been planning for, praying for, but not usually achieving: gold is flowing in, external payments are in surplus, there is a greater hope of achieving stability in wages and prices than at any time since the war, production is being reasonably well maintained, employment is still (in spite of local difficulties) by any sensible definition full. These are the halcyon days, even though by-election voters do not seem to have appreciated it. For the next six or seven weeks—and one suspects for rather longer—it would be wiser for the Treasury to take no new reflationary or disinflationary steps than to risk plunging into wrong ones.

The second piece of advice partly follows from this: between now and the budget the Government should not allow Bank rate to be reduced, unless there is some dramatic change in the economic situation at home or abroad. This is not only because restimulation of the economy should be avoided until restimulation becomes quite clearly safe and desirable; it is also because, if and when reflation does become desirable, it will in general be better for Britain to continue to rely on relatively high interest rates (this does not necessarily or indefinitely mean 7 per cent), but to move towards lower taxes. At present, short-term funds are being attracted to London because they earn a higher yield here (the mechanism of this process is discussed in an article on page 775); and if Britain wants to maintain sterling as an international currency, it will probably be wise to regard an interest rate differential over New York as a regular feature of its economy. The higher that differential, the less need to rely on restriction of internal demand by other means.

If the Chancellor accepts this principle of lower taxes rather than cheaper money, the question which he should face in his budget is how much could he conceivably give away. The range one is at present inclined to suggest from the outside, as a first sighting shot, is "between nothing and £150 million a year." If internal inflation reappears, as a result of a failure to control London busmen's wages or of some other

misfortune, then the answer should clearly be nothing. The ground for suggesting £150 million as the conceivable upper limit for tax reliefs is admittedly quite unscientific. But, after the publication of his expenditure estimates, it seems probable that the budget outturn to which Mr Amory will be able to look forward in 1958-59 should not be worse than the outturn to which Mr Thorneycroft originally looked forward for 1957-58; this was an above-line surplus of £462 million and an overall deficit of £125 million, on the present system of accounting. If, as he is apparently contemplating, Mr Amory takes government lending to the nationalised industries out of the below-line accounts and puts it on to the market—a step which would have little effect on the real employment of resources (and indeed, some would say, would give a bogus impression)—it looks as if his overall accounts, on the basis of present tax rates, might be some £150 million in surplus. If the figures are in fact doctored in this way, and with this sort of result, it would not be surprising if £150 million came to be regarded as the upper limit for tax reliefs.

Moreover, there would be some economic advantages in regarding this sort of figure, doctored or not, as the highest conceivable ceiling. Certainly, if by budget day there were still only the threat, but not the fact, of more deflation and unemployment, few economists would be happy to see Mr Amory give away more; while if by then an American slump really had begun to spread infection here, the best additional external and internal defences might not be of the sort that would affect Mr Amory's budget accounting. Externally, the great need would be to inject more credit into the present system of international trade; some interesting signs of an apparent stirring by the Government in this regard are discussed on page 737. Internally, the best additional measures might be a restoration of the investment allowances (which would stimulate demand this year, but would not materially affect the actual budget accounts for two years or more) and lifting of the hire purchase restrictions.

FOR next month's budget, then, the most plausible present assumption—which can be adopted as a wide framework for discussion—is that Mr Amory may feel able to give between nothing and £150 million away, according to the economic temperature at the time. The next question is how should any such reliefs be distributed. The biggest political temptation, particularly if the total remission can be only small, may be to reduce purchase tax on so-called essential household goods—especially those with the largest weighting in the cost of living index. Politicians may tell Mr Amory that this would be a useful talking point to the unions, and even by budget day he will still be in the middle of the wages struggle; under the terms of last year's settlement, the engineering wage claim cannot be presented until May.

This is a temptation that Mr Amory should resist, for two reasons. One is that most of these so-called essential household goods are in the lower ranges of purchase tax, and to cut the tax on them would be to intensify the worst feature of the purchase tax system: the distortion of production caused by the gap between their price and the price of goods that have been placed in a higher tax bracket, often as a result of some hair-line administrative decision. Indeed, if there is to be any cut in purchase tax this year, it should be concentrated instead on the so-called inessential goods in these higher tax ranges. The second reason, however, is that a net reduction in indirect taxation is much less desirable than a net reduction in direct taxation in present-day Britain. The proper tax principle for this country cannot be too frequently restated. The earning of money is a good thing, and is already too much discouraged; it is the spending of money that puts a strain upon the economy, and that ought to be taxed.

WHICH cuts in direct taxes would be the most appropriate candidates? The oldest-established candidate, which a Conservative Chancellor stated as his aim as long as five years ago, is an increase in the earned income allowance from two-ninths to one quarter; this, however, would now cost around £100 million a year, and probably could only be afforded if by budget-time Mr Amory felt he really was fighting a deflation. If he cannot be so expansive, one set of figures at which the Chancellor should look is that for the total number of income taxpayers. By his remissions in 1952, Mr Butler temporarily brought the number of income taxpayers down from 16.2 million to 15.4 million, but since then they have steadily risen again, to 17.4 million in 1956-57. In spite of last year's increased allowances for older children and for the retired, the number may well be higher now. This is far too many, and a lot of marginal people are now brought into the taxpaying net in order to yield very little money; the bottom six million taxpayers probably pay an average of under £20 a year each. The money taken from some of them can be barely worth the costs of collection—especially if those costs are measured, as they should be, not merely by the amounts that fall on the inland revenue, but also by those that fall on Paye form-filling employers.

To declare a straight tax holiday for all those paying under, say, £10 a year in tax might not be the best solution; it would benefit too many young single taxpayers who are already better off than their married brothers and sisters. But a revival of the old-fashioned exemption limit for family men—whereby, for example, a couple with two children under 11 might start paying tax at £720 a year instead of £620, but the £2,000 a year couple with the same family responsibilities would still pay tax on all income after £620—would not cost the Exchequer very much; and it would lead to a useful clearing of the lists. A rough principle the Chancellor might usefully ask his advisers to implement would be "Try to give back to each of, say, the six million lowest paid family taxpayers £10 a year, or their total tax payments if these are less, and suggest alternative rearrangements of tax allowances which could approximately achieve this aim."

These are a few specific, though not dogmatic, suggestions for the new Chancellor. In fixing his budget date, procrastination would seem to be the best policy. In choosing his weapons of control, high interest rates are the best regulators and lower taxes the best reflaters. In any tax concessions, he should have a bias towards concentrating reliefs on direct taxpayers, and probably principally on the worst off among them. Surtax payers got their whack last year; if wage restraint should succeed in 1958, there might be some social and economic—as well as political—advantages in being more generous this year to those lower down. These suggestions are not proffered as a detailed scheme for controlling inflation or a slump; it is still too uncertain which problem Mr Amory will have to tackle. The new Chancellor's peculiar misfortune is that this uncertainty may persist up to and beyond budget day; it is a misfortune that he will need to confront with flexibility.

Escape from the Aid Maze

Rivalry, friction and disenchantment beset the whole question of aid for under-developed countries. But a way out may soon present itself

ONE interesting omission catches the eye in the various lists of topics for discussion between the powers that have lately been proposed. This is the problem of aid for under-developed countries, and the economic rivalry of the powers in those areas. At the summit conference in 1955, M. Edgar Faure introduced the idea of tempering that rivalry by pooling resources in a joint aid programme: a programme also intended to inhibit further expenditure on arms by pledging the powers each to contribute a sizeable proportion of its revenue to the new fund. Since 1955 alarm at the gigantic diversion of resources to arms has increased. So has alarm at the sharpened economic contest in under-developed countries; and those countries have stepped up their demands that aid should be multilateral and stringless. Moreover, Mr Dulles pointed out on Tuesday how aid programmes can mitigate economic recession in the West. Yet, oddly enough, there now seems little enthusiasm for tackling the question in talks at any level.

No labyrinth has ever engulfed its victims more mercilessly than this question of aid for under-developed areas. At the entrance, all seems temptingly straightforward. The poor nation sees aid as a short cut to prosperity. The donor hopes to emerge at the far side in a friendlier, more stable world. In they go; and soon they are blundering about, colliding with each other, ripping their illusions on unsuspected snags, losing all sense of direction and despairing of ever getting out of the maze.

Yet this kind of aid has done unquestionable wonders. True, there have been notorious follies and scandals; but most of the £6,000 million worth of economic aid received by under-developed countries in the past decade has taken effect. All the same, what catch the eye are the widespread symptoms of discontent.

Among the recipients of aid, some dislike the political strings attached to it; some rely on those strings too heavily, and are miffed when wealthy allies fail to meet all their demands; some have come to assume a moral right to larger benefits than they are getting. Among the donors, too, there is disenchantment: the feeling that some recipients are not merely ungrateful but insatiable; that some of them are unscrupulously playing both sides of the street; and that others' professions of friendship are mere cupboard love.

The United States and other western donor countries have now particular reasons for dissatisfaction. Western economic aid—mainly American—has been on a far larger scale than that offered by the communist powers. This is true even in regard to the "uncommitted" countries—India, Indonesia, Cambodia and others—on which Soviet and Chinese benevolence has been focused. (The State Department, understandably anxious to buttress Mr Eisenhower's new appeal for foreign aid funds, has publicised a figure of $1,900 million for total communist aid to uncommitted nations since 1955. But a quarter of this represents credits to Jugoslavia; nearly another quarter, arms for Egypt, Syria and Afghanistan; and of the remainder—which includes some items of questionable relevance, such as Ceylon's profits from rubber sales to China—only a fraction has actually reached the recipients). Yet the communist powers, being late starters, can reap a rich propaganda harvest even from their more hollow gestures, while western aid is apt to make headlines only when it does not measure up to expectations. Small wonder that even the mild Mr Kennan is said to have suggested leaving it to Russia to "disappoint the Asians for a while."

It is at United Nations meetings that this distortion emerges most clearly. For several years, Asian and other delegates have pressed for the creation of "Sunfed"—a large-scale UN fund for economic devel-

opment. Nominally this would be a world-wide pool; in practice, it is generally assumed that the United States and other western countries would foot most of the bill, as they have already done in other UN enterprises such as the World Bank, the International Finance Corporation and the technical aid programme. This assumption has enabled Russia, which at first denounced the Sunfed plan, to swing round and champion it. It is a good stick to beat the West with; and nobody ever embarrasses the Russians by asking why, if their economic system has proved so successful that they can fire off costly sputniks into outer space, they do not give a lead by pledging definite sums for Sunfed, or definite proportions of its funds.

So, while even the vaguest Soviet promises of aid, such as those recently made at the Cairo conference, are welcomed admiringly despite their bilateral character, western countries are permanently under pressure to switch from bilateral aid to a large-scale multilateral programme—to which they would still make the main contribution, but which they could not direct as Russia directs its offers. And when, as at the last United Nations Assembly, they offer a more modest increase in their contribution to multilateral aid, in the form of the new UN special projects fund, this offer is only grudgingly pouched by the prospective beneficiaries, who regard this new bonanza (to be known as "Sprojfund"?) merely as a curtain-raiser for the much more ambitious Sunfed.

It may be argued that, unsatisfactory though this seems both to the West and to the under-developed countries, there is one satisfied party: the communists. Mr Khrushchev, for one, shows little desire to take politics out of the aid problem. On the contrary, he has explicitly challenged America to a "competition"; and his confidence is scarcely surprising, when the cards are stacked so well in his favour. But a time may come soon when Russia, too, will be looking for a way out of the labyrinth.

Already the first signs are appearing that the novelty of Soviet aid is wearing off, and that the recipients are learning to scrutinise it more cautiously. The West, too, is learning—the case of the high dam at Aswan was painfully educative—not to let mere gestures from Moscow panic it into making unwise commitments whose net result is that Russia gets the kudos while the West gets the bill. And the Russian and satellite peoples will also learn in time that any genuine aid to Asia must come out of their own pockets, not out of some Kremlin conjurer's hat. Hence, presumably, the Soviet rulers' reluctance to let their own subjects hear of such sweeping promises of aid as they lately made at Cairo.

In short, Mr Khrushchev may soon realise that his dexterously rigged contest has turned into a fair one; that the political dividends are falling off, the price steadily rising; that the way out of the maze has escaped him, too. In time, the communist rulers will face the dilemmas with which the West is already familiar. Unable to meet the mounting demands of clients who have come to take their aid for granted, they may also find their own allies yearning for alien flesh-pots, their own peoples at last restive under the burden of "give-away" programmes.

If, then, dissatisfaction with the present scheme of things is soon likely to be practically universal, it is time to seek a formula that might enable all the unfortunates trapped in the aid maze to escape in a body. An obvious formula would be the reshaping of the Sunfed concept on the basis of parity of contributions as between the two big power blocks. An aid fund provided by matching contributions would be truly, not just nominally, multilateral. This ought to give great satisfaction to recipients anxious to keep their uncommittedness pure. The rival powers would still be free to give further aid to their special friends; but as the scale of the basic non-partisan fund grew, it would progressively restrict the field of their rivalry. Only a casuist would object that this means introducing the cold war into a United Nations programme. Its real effect, on the contrary, would be to push the cold war out of the field of aid.

Donor countries would be freed from the fear that diversion of resources to a multilateral fund would place them at a military disadvantage vis-a-vis their rivals. Potential recipients, instead of badgering one donor group, to the glee of the other, would badger both. If either group welshed, the other's contribution would automatically be cut back, and the odium would fall where it should—on the welsher.

Such a plan might be more effectively pressed upon American politicians, and taxpayers, than the Sunfed idea in its present lopsided form. It would enable Britain and other nations which can no longer play a spectacular role in the field of aid to play an honourable one. It ought to gratify those Asians and Africans who by now are aware that they are unlikely ever to get Sunfed any other way. If it were proposed to the Russians, and they turned it down, then the Russians would be exposing as a complete fraud all their talk of willingness to provide large-scale aid without strings; and that exposure would do no great harm.

But it is to be very sincerely hoped that Russia would not turn it down. More than just another propaganda contest is at stake; more, even, than a chance of escaping from the aid labyrinth. As was vainly suggested in 1955, the progressive growth of an aid programme based on parity would put steadily increasing pressure on both power groups to restrict their expenditure on arms. This would not be a complete substitute for the control and supervision of disarmament; but it would bear fairly upon both sides. Does it not deserve a high place on the agenda of any conference this year may yield? And might not the West be wise to start thinking now about putting up the idea—before it occurs to Mr Khrushchev that he might put it up himself, and collect the credit?

Missile Sanity

Critics who talk of "missile madness" should realise that the greatest folly would be to jeopardise the West's deterrent

Mr Sandys, as he prepares to plant his missile sites in the plains of eastern England, must be wondering like the sower in the parable whether they will fall on stony ground. Tuesday's announcement of the Anglo-American agreement on intermediate-range missiles was made against a background surge of vocal criticism. Some of the criticism—about the efficiency of the particular missile the Americans are providing, and the right time to begin work on the sites—is at least constructive, whether it is right or wrong. Some of the critics, however, find the prospect of having missiles at the bottom of their garden so alarming that they would like to exclude these weapons from Britain altogether. They should realise that, if they succeeded, they would not merely be keeping one weapon out of the armoury; they would be endangering the whole basis of western defence.

Some of the people who now talk of "missile madness" wish to abandon the concept of the nuclear deterrent altogether. Their argument is that it has now become so terrible that no statesman, conscious of the fact that the other side also possesses it, will ever be able to steel himself to give the order for nuclear obliteration. This may well be an argument against depending on the deterrent alone—against skimping on conventional arms, and in favour of defining (as Mr George Brown urged in this week's defence debate in the Commons) the "major" aggressions that would call for its use. But it is not an argument for giving up the deterrent unilaterally.

So long as the West possesses these bombs and the ability to get at least some of them through Russian defences, they are bound to impose an element of restraint on Soviet calculations. If they were jettisoned, the great inhibition would be removed, and the overwhelming weight of Russian conventional arms could be leaned against western doors at any time Mr Khrushchev wished. The old argument still stays valid: that it is better to run a remote risk of nuclear war—and it remains remote so long as the terror in the deterrent is plain to both sides—than to face the consequences, certainly unpleasant and probably bloody as well, of stripping ourselves of our main protection.

But, if the West is to be able to rely for the next few years on its power of nuclear retaliation, there are strong reasons for believing that part of this power will have to be embodied in relatively short-range missiles stationed in Europe. The experts differ on just how long a lead the Russians enjoy in intercontinental missiles. However, the military planners can reasonably work on the more pessimistic assumption, and this suggests that in perhaps a year's time the Russians will be in a position to launch a missile onslaught on the home bases of Strategic Air Command. Even this would not necessarily be decisive, if the West could be confident (and the Russians afraid) that it could still get enough planes off the ground and through the Russian defences with H-bombs in their racks. But the Russians have also been improving their anti-aircraft missiles. If these have really been improved enough, Strategic Air Command faces a double threat which makes it doubtful whether the deterrent can any longer be safely entrusted to aeroplanes alone.

In this situation Britain's responsibility ought to be plain. Whether or not the missile sites will enhance the beauties of the English landscape, this is the most sensible place for them to be deployed. Placed here, they do not involve any addition to the list of nuclear-armed powers, which it ought to be the aim of western statesmen to keep as short as possible. Putting them in Britain does not do the political harm that will be done if they are put in Germany, as General Norstad this week appeared to suggest. Strategic missile sites in Germany would make a major political problem more difficult to solve, and would obstruct any possible future attempt to separate the forces facing each other in central Europe. Indeed, since they help the West to wield an effective deterrent from bases outside the centre of Europe, they may make it easier for the soldiers to contemplate changes there.

Above all, the missile sites do not materially add to the risks that the British accepted ten years ago when they gave a home to atomic bomb bases. Britain is already a principal target of Russian bombs and missiles, should the deterrent fail to deter; to the extent that they make the deterrent more effective, Mr Sandys's new sites decrease the risk. One of the oddities of the anti-missile campaign is that some of its supporters are people who did not demur when the bomb was carried by aircraft with men in them; it is the automatic vehicle that they cannot stomach.

Yet the strategists have to bear two points in mind. One is that these intermediate-range missiles are principally a stop-gap weapon until the Americans can get the long-range Atlas and its kin into operation. Once they are in service on sites in the United States, the need to keep these junior missiles close up against the front line may well become much less urgent. Meanwhile, we have to make do with the best that is available, and although the Thor is slow to launch and its

sites are vulnerable to attack it has the decisive advantage, over manned aircraft, of still being impervious to Russian defences.

The second point is that the start of work on the sites should be neither hastened nor retarded by considerations of politics or propaganda. The only relevant factor is the need to have the sites ready when the missiles become available. It may be suspected that the Americans are anxious to get work visibly and energetically under way in order to revive the flagging morale of their own public. But the purpose of the deterrent is to deter the other side, not to give Dutch courage to one's own; and it would be folly to begin work too soon if another brand of missile, requiring a different kind of site, might become available afterwards. This condition aside, there is no evident ground for supposing that the chances of success of a summit conference, if and when one proves possible, would be improved by holding up the work on these bases, or damaged by pressing on with it. Mr Gaitskell has urged the Government to wait until after a summit conference. It is hard to see why.

There are two opposite kinds of "missile madness." One is to scatter these weapons and their sites broadcast, without reference to military considerations, simply in order to create an illusion of power; the other, equally dangerous, is to flinch away from them and thus forgo the necessary reality of power. Both must be avoided if the West's security is to be preserved.

Not Dons' Delight

The logic of university expansion demands a big change in the present "academic idea of a university" and one which many university authorities will resist

IT is good news that between now and 1964 something like £84 million is to be spent on university building, almost three times as much as in the last six years. This programme, according to Mr Amory last week, should permit the universities to accommodate nearly 140,000 students by 1970, compared with 84,000 in 1955-56. But such an expansion cannot leave the universities unchanged. Now is the time to raise urgent questions about the educational principles which should govern that change.

The attitude of many sceptical dons, as the programme proceeds, will be to welcome the prospect of getting more money, but to deplore that of getting more pupils. Their argument will be that the promised expansion to 140,000 will bring into the universities a great many students—some will say truthfully enough, and significantly, a great many *more* students—whose intellectual endowments will not really amount to what the universities would describe as "of academic quality." This argument should not only be accepted; it is surely time that it was positively welcomed, and the proper deductions drawn from it. The phrase "of academic quality" pinpoints the crucial issue in university development in this country.

Are the universities—Redbrick obediently following Oxford and Cambridge—going to continue to regard themselves as existing only to turn out an elite of highly trained, urbanely specialised race of men and women, and to gear their whole approach and teaching methods to endlessly reproducing dons and higher civil servants? Or are they going to accept the logic of expanding higher education—which is not only to fill the quota of dons and permanent secretaries, as indeed it must be filled, but also to make the mass of people now just below "university standard" more educated than they are? When the present programme of expansion is completed, the universities and technical colleges together should be engaged in training the talents and broadening the lives of the top tenth of the nation's intelligence, not just the top four or five per cent—and thereafter the whole first quartile should be regarded as collegeworthy. When that happens it cannot possibly be maintained that the methods evolved for dealing with the top five per cent should be applied to everyone. Everything must change—the varieties of degree, the methods of selection, and, above all, the idea that ordinary degree (or sub-standard honours degree) graduates are merely a menial by-product of the universities' main task of producing firsts in arts and science for the top jobs.

ANY suave suggestion that there is no need to change, no issue to argue about, must be resisted. The universities have been allowed to get away with their innate opposition to the idea of making Britain an educated mass democracy for far too long. They have continuously raised standards for the purpose of keeping people *out* of universities in recent years; and the reason why they have done so—which is also at the root of many of the failings of the present British system of higher education—is obvious to anybody who compares the state of affairs here with that abroad. This root reason is the fierce competition for a limited number of places at Oxford and Cambridge. The desire to emulate the older universities runs down the line, with every Redbrick fighting for "the best of what's left," every provincial faculty and department—whether in chemistry or history or what-have-you—desperately trying to jack its standards up "to look the faculty of so-and-so at Oxbridge squarely in the face."

This has warped the whole educational system. It rivets the demands of Oxford and Cambridge on to the grammar schools, for Redbrick insists on almost as much specialisation in the children as they do; and then, once the children have become students, it concentrates the universities' relatively scarce teaching resources on the promising men and women, and leaves the rest to shift as best they can. The next stage, unless there is a change, will be to carry the fight to impose, indiscriminately on all, the high standards appropriate only to a few into the Colleges of Technology. As the failure of this approach to a student body of 140,000 becomes obvious, the danger is that the dons will oppose expansion more strongly, and concentrate on honours students still more exclusively.

Let the battle be joined on this by using the new building programme as a convenient battering-ram to breach the dons' defences at their most crucial and sensitive point. To state the first need of the new programme will be to raise a chorus of protest, and thus to show how progress to a complete change of outlook can best be attained. That first need is to provide Oxford and Cambridge each with at least one big new college, to break the needle's eye through which at present only those "of academic quality" can now go (it was not always so). When Oxford and Cambridge find more space and time for ordinary pass degree men—and design some degrees, lectures and tutors for them—the position will ease at Redbrick. The money can be used to develop accommodation and build up staffs capable of producing a grade of higher education for students, both of academic and sub-academic quality. Redbrick will then perhaps cease always to emulate Oxbridge, and not despoil the technical colleges of any cream of technical aptitude which they attract. When the universities as a whole find themselves, one is tempted to say, with really large stocks of sows' ears on their hands—they have a lot already—they may be induced to stop feeding them into silk-purse-making machines, and then sending them out branded as academic rejects; they will be compelled to find serviceable uses for them, or rather to accept that the jobs in which they can be put need educated people too.

This does not imply, by any manner of means, that the output of firsts in ever more specialised science, or ever more abstract arts, is expendable. It merely shows that more higher education for more young people will require more grades of it. The universities' favourite task of producing a new generation of top dons and administrative civil servants will go on, as it must. But, side-by-side with it, will now be the great adventure of making the new generation of British sales managers, primary schoolteachers, commercial travellers, and middle grade technicians at least as educated as their counterparts in America. That is what the £84 million of taxpayers' money for university building means. Those are the strings attached.

Meet the Ultras

Predominant among Frenchmen in Algeria are those who believe that the war must and can be fought to a finish. Our special correspondent from North Africa examines in his concluding article the assumptions that underlie their belief

A POSTER printed on red, white and blue paper is pasted at every twist and turn of the mountainous city of Algiers. It says: "The new Algeria shall remain French"—but with a subtle emphasis that the translation misses (*L'Algérie nouvelle vivra française*). Another poster proclaims: "Uno has said Algeria is French." These posters, the work of the psychological warfare experts of the French army, are a beginner's introduction to the "ultras" of French Algeria.

To isolate, and thereafter dissect, the ultras is less easy than one expects. There are two main groups: the relatively small group of the extreme right, who are given expression by USRAF (Union for the Salvation and Renewal of French Algeria), the league created by the former governor-general and ex-Gaullist, M. Soustelle; and the rowdy youths, many of them students, who throw tomatoes at visiting politicians and who rough-house Arabs or Berbers in a spirit of counter-terrorism.

It is the ultras who write, or cause to be written, in the press of Algiers, passages like the one your correspondent read two days after the bombing of Sakiet:

> May this tragedy serve at least to help Frenchmen to realise that this Algerian rebellion is not an exercise of democratic liberation but, in reality, an offensive plotted against us by those who proclaim themselves our enemies . . . and by others.

But it is the search for non-ultras that demonstrates the difficulty of isolating the ultras. For it is hard to find any Frenchmen in Algiers who are less unyielding than the rest. The taxi-driver of Spanish origin (as are some 400,000 of the Frenchmen of Algeria) and the university professor have in common the conviction that Algeria can be lived in only if France controls it. The taxi driver's reasoning stops there. The professor goes on to explain that Frenchmen are not interested in a north African federation in which Algeria would be an equal and independent member; that if France did not retain control of Algeria, there would be a mass exodus of Frenchmen, and north Africa would sink back into anarchy and a poverty more abject than ever; and that, *therefore,* the war will be won. He is unmoved by pessi-

mistic arguments based on the examples of Indo-China (which was lost) and Malaya (where the terrorists were defeated, but only at the price of independence for the Malayans). He confesses—but it is hardly a confession—that he was among those who gathered in the streets to shout at M. Mollet on the sixth of February, 1956. If there are still Frenchmen who are not ultras in Algeria, they seem to have been silenced.

CERTAINLY the army is predominantly ultra, from top to bottom of its 380,000 "effectives"—the official figure. The young captain who briefed your correspondent about the state of the rebellion was perhaps typical; he quoted South Africa as an example of how a hegemony could be maintained. The most typical ultra of all is M. Lacoste, the minister-resident, who governs by personal dictatorship in a regime in which all personal rights and liberties can be dispensed with. It is not surprising that in these conditions the FLN has no monopoly of terrorism in Algeria. The nationalists, who began it, murder and mutilate; the Département de Sécurité Territoriale tortures with the civilised refinement of electric current. The population, between two kinds of terror, collaborates with the kind that is strongest in a given area and at a given time.

It is against this background that the much debated loi-cadre—the project for electoral reform in Algeria—is being introduced. In Algiers, the administrative watchword is "loyal application of the loi-cadre." There is no reason to doubt the sincerity of those who quote it. But neither the insurrection nor external events stand still while the attempt is being made. The question therefore is: will the loi-cadre ever be applied? Its provisional stages will probably be reached; the odds against ever reaching the final stage seem high. Nobody in M. Lacoste's administration claims that free elections are possible, or that they are conceivable while the rebellion lasts.

The loi-cadre implicitly recognises this; it provides as a "transitional measure" that the new territorial assemblies may be nominated by the municipal councils, and the community councils by the minister himself. The new territorial divisions are now being made and it is intended to set up the first councils within a few weeks. The territorial assemblies should be functioning by the end of the year. Since, however, the federative organs (federative assembly and federative council) are not to be formed for another two years, it seems clear that the final stage of the loi-cadre will be reached only if the French army maintains its position, and if it is possible to prevent the war from becoming internationalised. The remark of one official, when faced with these doubts, is illuminating: "One must believe in something, otherwise how could one keep on working?"

The loi-cadre specifically recognises the "equality of political rights" for Moslems. In the transitional stage therefore much depends on whether Moslems can be found who will take part in the work of the community councils. Most French officials say that this will present no difficulties. Much space was given in the local press to a gathering of the mayors of Grande Kabylie who received an official visit from M. Lacoste as they were forming an association.

The impression of willing collaboration such visits are intended to create is not sustained if one moves outside the narrow circle of French officials. One detached observer told your correspondent that the mayors, whose districts had been denied food by the French army, were acting under duress and that, in any case, they had obtained permission from the FLN before receiving M. Lacoste. It is not easy in Algiers today to find Moslems who will express any political opinions at all. But those whom your correspondent did find agreed in expressing the view that the loi-cadre might have been effective if it had been introduced in 1945, just after the world war. One of them remarked that Moslem collaborators would be found but they would be regarded as "dummies" by the population.

No one in the Ministry denies that one of the main purposes of the loi-cadre is to avoid negotiating with the FLN. M. Lacoste himself is freely credited with this view, which he is said to support by arguing that the FLN does not represent the population, or even the "independence" movement, since it has a rival in the National Algerian Movement (MNA). It is not easy, however, to see how the purposes of representative government will be served by creating nominated assemblies and by ignoring the section of the population that supports the FLN's basic demand for independence. (Article 1 of the loi-cadre states, in any case, that Algeria *is an integral part of the French republic.*)

It is not easy, on the other hand, to form any precise idea of the support the FLN really has. Much of it undoubtedly does derive from terrorist intimidation. But it is difficult to see how a movement that began with three thousand rifles could spread to wide areas of the country, and tie down a much larger army than the French ever used in Indo-China, unless it enjoyed substantial spontaneous support. The most credible assessments seem to be those that divide the Moslem population into two parts: those over forty, who are either passive or supporters of the *status quo;* and the youth of the country, which is enthusiastically pro-FLN. In a country like Algeria, with its bounding birthrate and a high proportion of under 25s, youth could, in the long run, be the decisive factor.

The French claim that the war would have been won by now were it not for Tunisian help to the rebels has to be seen in the light of the basic French assumption that the population is overwhelmingly pro-French and collaborates with the FLN only to the extent that it is terrorised. If the population is pro-French, and the French army is overwhelmingly stronger than that of the FLN, then external factors must account for the failure to suppress the insurrection. A year ago, President Nasser was the culprit; now it is President Bourguiba. Help certainly comes from these quarters. But your correspondent found no evidence to support the view that Tunisian help is of decisive importance.

NOTES OF THE WEEK

AMERICAN SLUMP

Knights' Moves

THE Prime Minister let fall two extraordinarily interesting remarks last week. At a private meeting of Conservative backbenchers he is reported to have said that an American slump would raise two problems for the Government: what to do about internal economic policy, and "how to use the resources of the world to stimulate international trade." In a television interview he returned to this second point and said that, in preparing defences against a possible slump, a main question is whether it would be possible to secure an expansion in "supplies of international credit." Meanwhile, Sir David Eccles has been saying that, if and when the time does come to take action against a slump, there "will be general agreement that the first relaxations should be concentrated on strengthening our power to earn more abroad." Presumably Sir David cannot be envisaging export subsidies, although he might be thinking of measures dangerously on the border of them (perhaps a selective restoration of investment allowances for export industries only?). The best way of strengthening Britain's exports, however, would obviously be to see that there are international funds available for buying them.

In the pregnant pause for thought following these utterances, it has suddenly been realised that a trio of Britain's top economists in the civil service has recently been visiting Washington. No doubt Sir Robert Hall, head of the Economic Section of the Treasury, has been there on one of his periodic visits to judge whether or not there is going to be a slump; analyses of trends in demand and national income are his job. But Sir Leslie Rowan and Sir Paul Gore-Booth, who were also in the United States last week, might well be regarded as preliminary negotiators rather than students of trends. The official explanation in Washington is that Sir Leslie and Sir Paul usually do visit America some time in the year (though not usually at this season), and that this time they just decided to come together; but it would be disappointing if, while there, they did not ask some questions about what the International Monetary Fund will do if the recession should deepen.

Significant Journeymen?

IT is this question of increasing international supplies of credit, through the IMF or by other means, that will be the really important one if an American slump does set in. The direct impact of lower American demand on British production and employment should be relatively small; its impact on international trade, in a world starved of exchange reserves, could be uncomfortably large. When there has been a world shortage of dollars in the recent past, the main burden has fallen on sterling, which forms the second-line exchange reserve—and is also the most borrowable international currency—for so many countries. So far sterling has stood up to the American recession of this winter almost incredibly well; but the British Government must be well aware that, if that recession did suddenly deepen, Britain's attempts to protect employment here would be gravely impeded by a renewed run on its currency by a hungry world.

A root reason for the present inadequacy of world exchange reserves is that many of them are held in gold, which still retains its prewar dollar price, although the dollar price of many other commodities has trebled; but, even in slump-time, the Americans would presumably be very unwilling to treble the dollar price of gold, or to increase it at all, especially now they think that this would be greatly to the benefit of the gold-producing Russians. An obvious alternative slump-time device would be for the International Monetary Fund, acting as a sort of international central bank following a deliberately easy money policy, temporarily to flood credit into international exchange reserves. But the amount which the IMF would have to be ready to lend in a real slump would be very large, probably much larger than the Americans have hitherto been willing to envisage.

If a slump did come, and if the Americans were still unwilling to allow the IMF to be used in this way, which would be much the best course, Europe and the sterling area should certainly proceed to increase the supplies of credit available for financing their own trade. This should not be done by heftier lending of sterling, even if it were sterling more effectively barred than now from back-door convertibility into dollars. It would be better, for example, temporarily to set up some sort of free eastern hemisphere clearing union, with larger and more widely available lines of credit than at present obtain in the European Payments Union. Obviously, however, any such device would involve greater discrimination in trade against America. Before drawing up even paper proposals for such a scheme (or for anything like it), it would be better politely to ask the Americans what their attitude towards the IMF would be if they did relapse into a real slump. For some time one has been watching to see whether any move of this sort would be made. The only signs that such an approach might be afoot are the Prime Minister's remarks and the knights' moves of the last two weeks; if these do mean what they could mean, then—however remote the contingency of an American slump is taken to be—they should be very loudly welcomed.

PARLIAMENT

Two Up, Two Down

BOTH Mr Macmillan and Mr Gaitskell came well out of last week's foreign affairs debate, and under fairly testing conditions; both their principal supporting speakers failed. In the post-Rochdale mood of the Labour party, Mr Macmillan would have had to strike only the faintest false note of partisanship or pomposity to bring Opposition jeers bouncing round his head. The fact that his opening speech was heard with attentive respect throughout is the measure of the authority which he achieved. How badly the Tory party needs this sort of leadership was revealed

the next day. Mr Selwyn Lloyd's speech caused so much Labour indignation and Tory dismay that Mr Macmillan felt he had to speak again, and make a last-minute bid to restore the note of command which he had achieved on the first day. The background to this performance was surprising. In its matter, Mr Lloyd's speech was no better and no worse than many others he has made ; and, in manner, he merely struck his usual insensitive norm. That Labour should guy him was natural enough ; that Mr Lloyd should this time attract such complete lack of support from his own back benches, and then provoke such a violently adverse reaction from them, was clear evidence of the frayed state of the Tory party's nerves.

The extraordinary thing is that, if only the Tories had kept cool, the newspaper headlines next morning would have told not of Mr Macmillan's embarrassing rescue operation, but of the fiasco of Mr Bevan's speech. On the first day Mr Gaitskell had firmly delineated the basis of Labour's foreign policy—including its support of Nato and the American alliance—and faced up to his increasingly restive pacifist wing very boldly indeed.

Mr Bevan provided a complete contrast. He tried to pull back at least partially from the stand he had taken at Brighton over the H-bomb, but without too openly torpedoing his new reputation for sober statesmanship. The effort had him floundering in a way which the Tories should surely have striven to keep front-page news. Instead, by insisting on Mr Macmillan picking up Mr Selwyn Lloyd's broken crockery, they helped to bring it about that the newspapers next day contained the most bitterly combined denigration of any British Foreign Secretary that one can remember.

Cool judgment can now be passed on the two failures of this debate. Mr Bevan showed again that he has not got that stuff of leadership which Mr Gaitskell at least intermittently evinces ; in a pinch Mr Bevan's instinct is not to lead policy, but to want to be loved by those whom he thinks ought to love him. Mr Lloyd's failings on Thursday were more venial. His performance did not disprove that he may be a quite competent statesman within the Foreign Office, although there is dispute whether he is ; what it did show was his lack of parliamentary finesse. This may not be as important for the country as parliamentary correspondents tend to think. Where one suspects it must be important, however, is in gradually sapping the confidence of, even more than in, the man himself.

FRANCE AND TUNISIA

No Putting the Clock Back

Who would have predicted, a month ago, that February would find M. Bourguiba, President of Tunisia, closeted with the British and American ambassadors discussing France, leaving their French colleague awaiting developments in another part of the town? Yet this has happened. Of all the unwanted results of dropping French bombs on the Tunisian village of Sakiet, the most distasteful to the Gaillard government is the conversion of France's "dialogue" with Tunisia into an international affair. That government (which has only itself to blame for the change) is now applying every effort to keep Algerian affairs from tumbling likewise into international clutches.

Its method of doing so is to try and limit the points on which it accepts British and American "good offices" to the narrowest possible range of French differences with Tunisia: to restoring freedom of movement to France's troops in Tunisian bases, to securing the safety of French residents and immunity of French consuls, to sealing the frontier against Algerian entrants, to promoting a resumption of bilateral negotiations. In a word, the French accept Anglo-American help only in order to wipe the word "Sakiet" off the slate and put the clock back to before the raid.

If so, they have failed to grasp the effect the Sakiet incident has had in Tunisia. It has weakened M. Bourguiba's hold on his people. As a long-standing advocate of ties with France, and opponent of ties with Egypt, he lost face, and public support, when French bombs proved him wrong. The New Destour party, for which he has usually been sole mouthpiece, has started to divide into factions which criticise him. The most reflective are a trade union and economically-minded group which points to 500,000 unemployed and the wisdom of leaning on America, not Paris, and the ex-Francophile young intellectuals who write in the weekly *Action*, who contend that neutrality *à la* Tito is the way to be wooed, and to win respect and endowment.

M. Bourguiba cannot discount these critics ; his leadership would be in jeopardy were he to do so. Hence his stiff retorts to every French proposal—his answers that Bizerta is Tunisian, not French ; that, much as he favours the West, he could not brook a Nato umbrella beneath which France remained *in situ ;* that Tunisia's Algerian brothers must be free to move across its border. Unlike France, he does hope to extend the Anglo-American good offices to the Algerian dispute. For he sees a point that Frenchmen will not admit—that there can be no peace in Tunisia while Algeria is at war. And since the bombing of Sakiet he has given up hope of peace in Algeria without international help.

Trail without End

With Paris and Tunis working on different wavelengths, the task that confronts the Anglo-American mediators is unenviable. The renewal of heavy fighting in Algeria will add to its difficulty. Mr Murphy, shuttling between capitals, and Mr Beeley, his British colleague operating from London, will need time and tact as well as skill if they are to produce results. M. Gaillard appears to be mesmerised by his right-wing supporters. President Bourguiba is similarly sensitive to the reactions of a suspicious home public. If the mediators manage to get the two on speaking terms, they will be entitled to claim an achievement.

At the outset, the difficulty is likely to lie in Tunis. President Bourguiba is incensed not merely by the Sakiet bombing, but by the report that M. Gaillard had asked his military advisers how much it would cost to reoccupy Tunisia—although such an inquiry might as well arise from a pacific purpose as from a bellicose one. Yet, in the long run, the biggest obstacle is bound to be France's categorical refusal to admit that the Algerian war is relevant to the Tunisian context. Even if mediation miraculously succeeds in patching immediate points at issue, the agreement is bound to be precarious.

For no one now denies the fact that Franco-Tunisian tension is a by-product of the Algerian war. Therefore, so long as that war continues, Mr Murphy and Mr Beeley will never be out of a job ; but for how long is the pretence to be kept up that they can do good in Tunisia without trying to force the pace of compromise in Algeria ?

RENT ACT

Much Ado

There may be one small crumb of justification for Mr Brooke's portentous big-brother-is-watching-you warning to those "unscrupulous" landlords who he thinks are abusing the Rent Act. In the peculiar situation when, after decades in abeyance, a free market is re-establishing itself for medium-priced rented property, a certain amount of scope exists for bluff, bullying, and skilful Jacob-and-Esau work: for bargaining techniques designed to panic the more innocent-minded sort of sitting tenant into paying not the market price—which, as agents know, will be quick to settle at a reasonably determinate level—but a good deal more. The device of issuing eviction orders before naming a price is one of the more obvious and aggravating of these techniques. If threatening noises discourage this sort of thing—and threatening noises are all that Mr Brooke probably really intends to make—one need not begrudge him his counter-ploy on Esau's behalf.

This having been said, it is really time to remind Mr Brooke—and, more important, his indignant critics—what the Rent Act is for. Its purpose is to do just what the critics complain that it sometimes is going to do: to loosen up the market in rented accommodation ; to promote mobility ; to send the over-housed into smaller quarters so that the under-housed or un-housed may move in ; to get retired people to move out of the centre of the cities, so that others can come in nearer their work ; in fact, to generate vacancies. The more vacancies that are created, the better the act will have succeeded. Last week produced an estimate, from the London Tenants' Protection Association, that ten thousand families would shortly be homeless as the result of the act: for all the world as if Mr Brooke had unleashed a soundless blitz and, immediately on the departure of a tenant, his dwelling vanished. If the association's estimate were correct, it would be equally true to say that ten thousand families would, thanks to the Act, find vacant accommodation where previously there was none.

Little Evidence

All the evidence suggests, however, that the tenants' association's estimate is not correct. Most of the "property company" landlords, who intend to stay in the business and who have made some estimate of what the free market level of rents is really likely to be, are almost falling over themselves to appear "reasonable." Most of the few "exorbitant" demands have come from the smaller private landlords, whose ideas are influenced by the inflated prices that unfortunate tenants of furnished accommodation have had to pay in the bad days of their isolation that are now ending. More commonly, some of these smaller landlords, with their eyes on Labour's threat to repeal the Act, are bent on getting out of the renting business while the going is good, and are saying that their property will therefore be available only to buyers and not to tenants. Sale, however, may look less attractive when a large amount of newly freed accommodation comes simultaneously on to the property market, there to confront an inadequate supply of ready money and a continuing credit squeeze ; and a good many would-be sellers are accordingly likely to think again. Originally, it was said that the main hardship under the Rent Act would occur when working class tenants started paying higher rents last October, but that stage was passed with much less upheaval than was anticipated. Something of the same sort is likely to occur when D-day for the middle-class accommodation arrives this October. Watch and see.

WAGES

Test Case

Our special correspondent who attended the Industrial Court this week writes : Sir John Forster, QC, adjusted his hearing aid and, with the retired leader of the railway clerks' union on his one hand, an engineering employer on the other, leant forward to hear the wage claim that may decide the course of inflation this winter—some would say, even decide the fate of sterling. The three arbiters sat at the head of the long room in Great College Street in which the Industrial Court regularly meets. Mr Nicholas, assistant secretary of the Transport and General Workers Union, put the workmen's case ; Mr Antony Bull, labour relations member of the London Transport Executive, that of the employers.

The arguments were just what one had expected. Mr Nicholas spoke first. He said that the London busmen's position had deteriorated since before the war compared with workers in other industries ; that London Transport now had 2,915 busmen too few ; and that if London Transport were losing money (their accumulated deficit at the end of 1956 was in fact £16 million) they should raise their fares to cover the cost of his £4 million a year wage demand. Mr Bull replied by denying that London Transport's small minority of country (green) buses, or any of its maintenance garages, are understaffed. Its central (red) buses might be short of men, he went on, but any award given to one group would automatically spread to all other workers. Neither London Transport nor the country could afford this. The court heard these arguments for two days, then withdrew to consider its decision, which it is likely to hand down in about ten days.

The frightening thing is that, if the three arbiters have listened only to the arguments put forward in the court, they may well recommend a selective increase for the drivers and conductors of London's red buses, and thus open the flood gates to inflation. If London Transport were indeed short of nearly 3,000 men, then of course there would be a case for granting a wage increase ; shortage of men in an industry that needs to expand is the one valid ground for a wage rise this winter. But by the only sensible measure—by the number of men available to drive those of its buses that can run at a real profit—London Transport is not short of workers ; it is merely short of the men needed to drive some of the superfluity of its buses that are running at a loss. London Transport, however, does not feel obliged to accept that the only buses it should run are those that are profitable ; it regards its obligation as being to provide an "adequate service," which is something very cosy and economically impossible to define. Perhaps the court will refuse an increase on the strength of Mr Bull's other arguments. But if an increase is recommended, and if inflation follows after, the public should clearly understand what will have happened. What will have happened is that the nonsense economics of a nationalised industry will once again have made nonsense of the economic management of this country as a whole.

LABOUR PARTY

No Victory for Socialism

It looks as if Mr Gaitskell and the Labour executive are going to take a tough line with the left wing "Victory for Socialism" group. Morally, one should regret this—as one should regret any steamrolling tactics by party leaders or whips. But politically, Mr Gaitskell's tactics are not necessarily unwise. He will remove a lot of future trouble for himself if he adopts a stern attitude towards his pacifist left, just as it is coming up to blow again. He may see a chance to show what will be called "masterful leadership," at a moment when Mr Bevan is ill-placed to challenge it. He will please the trade union leaders, who are as illiberal in their attitude to splinter groups in their own party as they are to splinter groups anywhere else. He may even please some floating voters, who would otherwise be scared by the extreme views on nationalisation held by Mr Mikardo and his colleagues in the erring group. The only circumstance in which sternness might be bad tactics for Mr Gaitskell might be if many of the ex-Bevanites in high places in the party vociferously object; and, amid the scramble for potential offices in his potential government, some objections to any actions on his part are liable to be carefully muted just now.

INDONESIA

Over the Brink

Hopes that civil war would be avoided in Indonesia seem to have been dashed by the events of the past week. Dr Hatta, the former vice-president and at one time the rebels' choice as prime minister, conferred with President Sukarno for two hours. But if, as may be supposed, he offered moderating advice, it was not heeded, for Dr Sukarno's next act was a speech in which he declared that he would take all measures in his power to restore the authority of the central government. The Indonesian air



force then bombed Padang, one of the rebel strongholds in central Sumatra, Bukit Tinggi, the rebel capital, Menado, in the rebel territory of North Celebes, and Djambi, in Sumatra. The attacks on Padang and Menado accomplished their apparent purpose by silencing two rebel radio stations.

The air attacks were all preceded by warnings to the population and were on the small scale expected of a small air force. They are nevertheless an earnest of the central government's intention to meet the challenge to its authority with force. The revolutionary government, lacking both an air force and a navy, is in no position to retaliate, though it would doubtless fight on the ground if its territory were invaded. In the meantime, it is reported to have taken refuge in the western mountains of Sumatra and to have taken the "final step" of disowning Dr Sukarno as President of Indonesia. A statement to that effect would have been broadcast early this week if its radio facilities had not been put out of action.

Since the military resources of the central government are themselves limited, a prolonged mutual siege seems inevitable. Diverse factors will play a part in this struggle. One is the availability of aviation spirit to the central government's air force; the "neutral" commander of South Sumatra has refused to allow Jakarta's aircraft to refuel in his territory; equally neutral, Singapore has banned the export of high-octane spirit to either government. Neutrality is, indeed, at this stage the only prudent course.

ARGENTINA

To Praise Caesar, or Bury Him?

An honest soldier has given the 20 million Argentines their best chance of expressing their political wishes freely for thirty years. As a sorely tried provisional president, General Aramburu had been under strong pressure to postpone, cancel or rig the elections which were held on Sunday. While some of this pressure came from the same die-hard conservatives who have detested free elections ever since they were instituted in 1912, some came from those who not unreasonably feared that Argentina would vote itself back into the totalitarianism imposed by General Perón. The provisional president courageously overbore all these fears. He and his country merit congratulations on a unique feat. No other nation has freed itself from a full-blown totalitarian system and struggled back to the path of democracy.

Yet Argentina is in no position to live happily ever after. The effects of General Perón's disastrous economic policies are still working themselves out; and, as their full impact had not been felt when the dictator was ousted in 1955, the blame for present hardships will be widely imputed to the next government, as it has already been to the provisional government. And it is not yet clear what the next government will turn out to be. The election results themselves are clear enough. Sr Frondizi, the left-wing ("Intransigent") Radical leader, has triumphed over his only serious rival, the moderate Radical Sr Balbín, piling up four million votes out of some nine million cast, against Sr Balbín's 2½ million. But General Perón is claiming, from his Dominican refuge, that he virtually presented Sr Frondizi with the presidency; and the evidence supports this claim. Not only had the new president-elect openly solicited *Peronista* votes; the number of votes now cast in his favour corresponds, with ominous exactness, to the sum of the Intransigent Radical poll in last year's elections for the constituent assembly plus the two million blank ballots which the loyal *Peronistas* then cast on their exiled leader's instructions.

This does not necessarily mean that Sr Frondizi must now docilely serve General Perón, whom he has little cause to love. He may have out-manœuvred the exiled dictator, using his support as a ladder up which to climb to power, rather as General Perón himself once posed as the spiritual

Base story

(which took a turn for the better)

In making photographic film, the most expensive item is the film base, which doubtless sounds extremely simple and logical.

What is (or rather, was) somewhat less logical is that the British film industry, after the war, paid out alarming sums in dollars each year in order to import this film base ("something like celluloid" to you perhaps, but *cellulose triacetate* to the more technically minded).

This formidable drain on our national resources had to be stopped. And it was stopped—at a cost, but thankfully, in sterling.

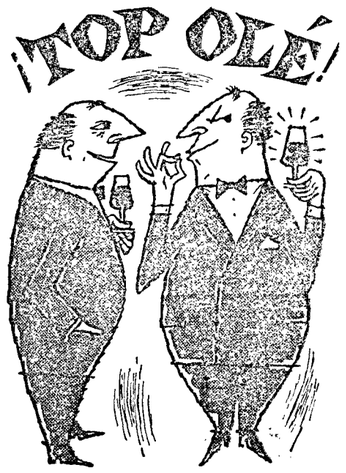
Briefly, we at Ilford, in conjunction with BX Plastics, undertook to make this base. Apart from a small pilot plant which had been operated in Britain during the war, we had little technical 'know-how'. Certainly not the know-how required for making film base on a large scale and thus creating an important new industry in Britain.

We had to work out the processes, and design and build the plant ourselves. The job involved a vast technical effort and an investment of something over £2,500,000.

Today at the Bexford plant we are making, still in conjunction with BX Plastics, the whole of the Ilford needs for film base. In fact, we are even selling to the U.S.A.

ILFORD FOR PHOTOGRAPHY

RADIOGRAPHY · MICROFILMING · CINEMATOGRAPHY
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Have you ever been lost for words when a host presses you for an opinion about his wine? To many wine lovers the well-turned phrase, the apt literary allusion, the revelation of wine-wisdom, gives as much pleasure as the wine itself—and if you want to land another glassful you've got to have the right bait.

I've got it. It's a little book entitled "Oenophilia", full of periphrastic pleonasms for people who are anxious to camouflage their ignorance of zymase, must, the solera system and other oenological mysteries. For example, it advocates the use of "O for a beaker full of the warm south" as an alternative to "Phew, I could do with a drink". Again, it suggests that a wine is more winningly described as having a "purple robe just hemmed by Time with autumn leaves' tints, but showing no creases nor any sign of wear", rather than when it is prosaically labelled "A drop of all right".

"Oenophilia" abounds with such gems, guaranteed to warm any connoisseur's cockles, and no doubt it would be invaluable to authors of wine lists. But do these lyric phrases whet the palate for wine as effectively as they tickle the fancy? Frankly, no. There's no substitute for a glass of the wine itself. That is why I forbear to wax lyrical about Mackenzie's Sherry. Unless you've tasted it, anything I could say about Mackenzie's Sherry might sound like rodomontade. It's superb, it's delicious, it's—oh, it's 'top olé'. Do try a bottle and see if you agree with me.

MACKENZIE'S Sherry

★ FINO PERLA *Medium*
★ VINTNERS CHOICE *Superior Amontillado (Medium Dry)*
★ EL CATADOR *Very Dry Fino*
★ VINTNERS CREAM *Rare Old Oloroso (Sweet)*

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THE SOUTH AFRICAN TREASON TRIAL

WE, representing the sponsors, urgently appeal on behalf of the Defence and Aid Fund, established by Christian Action to provide for the legal defence of the accused in South Africa's Treason Trial and to aid their families and dependants. The money subscribed is being distributed through and in conjunction with the committee raising a similar fund in South Africa, the trustees of which include the Bishop of Johannesburg and Dr. Alan Paton.

Reports from South Africa continue to emphasise the urgent need. Costs for legal defence grow heavier as the case drags on: But it is the desperate plight of the families and dependants of the accused, and particularly the African accused, that must compel the very maximum contribution from every imaginative citizen of these islands. For every one of the 156 accused and their families the trial has raised cruel problems: Material hardships, separations among families—including mothers from their young children—loss of employment, interrupted studies, broken homes, wrecked hopes. So long as their ordeal lasts, even those who may have a job to return to are unable to provide for themselves or their dependants. And the release without compensation of 64 of the accused is now making an immediate and urgent call upon the Fund for their rehabilitation.

People in this country see in Apartheid a shocking disregard for Christian and liberal principles in human relationships, but feel impotent. What can we do? they ask. Here, then, is an opportunity for doing something practical, immediate, and of healing import.

We have raised in Britain more than £40,000 to date; but we are advised that £150,000 in all will be required. Will you please send your maximum contribution (cheques payable to Christian Action) to The Secretary, S.A. Defence and Aid Fund, 2 Amen Court, London, E.C.4.

VIOLET BONHAM CARTER
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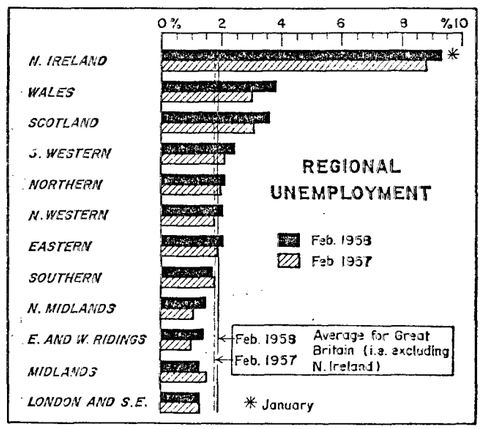
heir of the Radical hero Irigoyen. And the president-elect, whose ideas of social justice appeal to much the same elements that gave General Perón his power, is exceptionally well placed to steal the ex-dictator's trousers—if he wants to. His next actions will be anxiously watched. Has he come to praise the fallen Caesar—or to bury him once and for all, by giving the masses the same protection against exploitation that General Perón offered them, while maintaining the freedom that the dictator destroyed?

UNEMPLOYMENT

Work Study

THE 28,000 rise in unemployment between January and February, which the Minister of Labour admits was a "real and not a seasonal increase," is a sign that the world recession is beginning to spread to Britain—but much more slowly than it is spreading abroad. Even in February, only 1.9 per cent of the working population of Great Britain were unemployed, compared with January figures of 8 per cent in Canada, 6.3 per cent in Western Germany and 5.8 per cent in the United States. In all these countries the recent rate of increase in unemployment has been greater than here. Indeed the absorption of most laid-off workers into expanding industries in Britain continues to be surprisingly swift. Three quarters of those who have recently permanently left the troubled tinplate industry have found other jobs; three weeks after the latest batch of much-publicised lay-offs at Saunders Roe aircraft works, only 153 are still registered as unemployed.

But what rightly worried the House of Commons this week is that the worst unemployment is concentrated into



relatively few districts. The blackest spot is Northern Ireland, where the rate of unemployment is 9.3 per cent on average and reaches as high as 17 per cent in Londonderry. This situation should improve when work on the Dupont and British Oxygen plants gets into its stride, but there is no real hope of getting unemployment there down to anything near the British level. The unemployed workers of South Wales should be able to move to work on the construction of docks at Milford Haven, and two atomic plants are going to be built in North Wales. Only in Scotland, where unemployment rose by 6,000 last month, do there not seem to be investment plans on a scale sufficient to give employment to most of those out of work.

Sir David Eccles promised to help the harder hit localities both by use of the £2¼ million available to him in 1958-59 under the Development Areas Act (indeed by use of more money if necessary), and by utilising the system of development certificates to discriminate in favour of those building in development areas. There must be some question mark over the latter policy. Discrimination of this sort was all very well when manufacturers were prepared to build at any cost and when they were easily persuaded to set up in the development areas because only there was the labour they needed available. But the tighter use of these certificates now might delay the building of factories rather than divert them; and, with building one of the slackest trades everywhere, the Government should not want that. Much more sensible is Sir David's suggestion that since some of the development areas (such as the North East Coast) are in much less need of help than some newer problem districts (such as parts of Cornwall?) the areas qualifying for special help should be re-classified. This would enable Government aid to be deployed where there is unemployment now rather than where it used to be between the wars.

COMPULSORY PURCHASE

Compensation and Confiscation

FEW private members' bills can have aimed so high as that moved last week by Captain Corfield and given the empty victory of a second reading without the promise of the necessary money resolution—which means, of course, that this particular bill will go no further. In the words of a supporter, Captain Corfield "charged with lance aloft" (sic) "into one of the deepest and darkest legislative thickets that exists," namely, that which has grown up over the question of compulsory purchase, land values, and town and country planning. His aim was broadly to ensure that compensation for compulsory acquisition shall be payable at market price and not, as specified by the present law, the generally much lower price represented by current use value plus a fixed factor based on 1947 prices. He had no difficulty in producing a formidable list of instances in which acquisition on these terms had amounted to a confiscation of anything up to nine-tenths of the value of the property concerned—value which was quite as likely to have been paid for in full by the owner as to have accrued to him by way of potential speculative profit. The absurd situation has more than once arisen in which a local authority, conscientiously unwilling to ruin the owner of a site which it wished to acquire, but legally prohibited from paying more than a ruinously low price, has had to make expensive and inconvenient changes in its plans.

The bill got sympathy from the Government but no support, on the grounds that its provisions cut right across postwar planning legislation and that no amendment would make it workable. A Government measure was promised, though with no fixed date. That measure will have a very difficult problem to solve. It is easy (except on the crudest socialist assumption that any property owner is fair game for any public authority) to say that any enforced sale should yield to the seller what his property is worth. The public's pocket, no less than the public purse, needs to be protected. But "worth" is an elusive quantity when it

depends overwhelmingly on the actions of the buyer—the typical situation where public development is going on.

Surely the basic problem boils down to this. The present formula for settling "worth," on Captain Corfield's showing, will not do. Some formula, however, there must be—and the principle that most people would regard as fair is that a man should not lose when it is decided to drive a road through the present site of his house or land, but that he should not gain an excess profit from such a decision (although he should get some profit as compensation for the inconvenience). To establish a formula of this sort will be a difficult job of draftsmanship (probably there should be ample provision for special arbitration bodies and the like), and one suspects that any new bill should recognise fully that, as circumstances change, the formula will have to change, too. This is an untidy prospect; but perhaps the first thought barrier that needs to be pierced is to recognise that untidiness will be preferable to tidy petrification in obstruction and injustice.

GERMANY

Summit Worries

FROM Bonn, the clouded summit ridge looks perilous. Mr Bulganin and Mr Khrushchev have both made plain that they do not want Germany on the *al fresco* bill of fare. Disarmament, culture, the Middle East, yes; the German question, no. The fear that east and west will come to terms over Germany's head, agreeing on some broad disarmament or disengagement that accepts the partition of Germany, once more haunts the west German government. It is bending its efforts to impress upon the western powers that the German question must not be passed over: progress on disarmament, or on anything else, must be conditional on progress towards German unity.

This priority accorded to the German national problem has tended to damn the Rapacki plan in German eyes. Bonn sees in it a double danger: that the west might surrender its chief military asset in Germany—nuclear armaments—without getting in return any advance towards German unity, and without diminishing the preponderance in conventional weapons which Russia enjoys. German television viewers on Tuesday saw General Norstad, Nato's supreme commander in Europe, give a vigorous endorsement to this second doubt. The Bonn government is not taking up the Polish suggestion for direct Polish-German talks on the Rapacki plan; it continues to avoid diplomatic relations with Poland.

This approach, so hard and clear at Bonn, does not wholly reflect opinion in west Germany. Not all Germans are content with the prospect of a concentration of atomic weapons in their country; some feel that the Rapacki plan might be made to lead to a reduction of conventional forces which could in turn loosen Russia's grip on eastern Europe and open the door to reunification itself. What is not clear is whether some members of the Bonn government—for instance, Herr Strauss, who has been airing his personal views on the Rapacki plan in Dr Adenauer's absence—share these feelings in any serious degree.

The Russians, however, are offering no encouragement to German hopes. Mr Khrushchev, in an interview with *Die Welt*, has sat firmly on the notion that a peace treaty for Germany might be discussed at the summit. Peace treaties, he said, like other German affairs, had to be discussed between the two German states; in other words, with east Berlin.

EAST BERLIN

Diplomatic Purgatory

SOVIET career diplomats must feel that they are being squeezed out of their jobs; so many posts have been filled in the post-Stalin era by politicians out of favour. For some of the politicians appointment abroad is a mark of disgrace; Mr Molotov in Ulan Bator provides a striking example. In other cases the change of fortune is not so obvious. Mr Puzanov, Soviet envoy to Korea, was once the premier of the Russian Soviet Republic. Mr Tevossyan, now ambassador in Tokyo, is a former deputy prime minister of the all-Union government, while Mr Ponomarenko, who has recently taken up his appointment in New Delhi, is an ex-minister of supply and was once a prominent figure in the party.

Mikhail Georgevich Pervukhin now joins the ranks of great men in diplomatic exile. The post of ambassador in east Berlin is small beer to a man who not so long ago was at the very centre of power in Moscow. Mr Pervukhin rose to that position by the managerial path. During the war he was already deputy prime minister, an important technocrat and fairly high up on the party ladder. A year ago, at the age of 52, he was near the top as chief planner and a full member of the presidium, the highest body in the party.

But in the controversy over managerial reform he apparently took sides against Mr Khrushchev. He paid the penalty, but not as heavily as Messrs Malenkov, Molotov, Kaganovich and Shepilov—who were stripped of all their offices—or as his fellow-planner Saburov, who was kicked out of the presidium. Pervukhin was only down-graded to the rank of candidate member. He was also reduced from head of *Gosplan* (the state planning commission) to minister of medium engineering. His appointment to east Berlin puts him under Mr Gromyko, in theory still his inferior in the party hierarchy. This may be just a step on the way out, or it may be a chance to serve his passage back. It may have been decided in Moscow that the situation in east Germany was sufficiently critical to call for an important Soviet emissary on the spot. Even in disfavour, Mr Pervukhin has the stature for the job.

His arrival may be a relief to Herr Ulbricht. Through Mr Pushkin, the last Soviet ambassador in Berlin, Herr Ulbricht had close contact with Russian policy. Mr Pushkin was recalled to Russia in January, just when Herr Ulbricht's struggle with his opponents in the party was reaching a critical phase. Now, after the purge, Herr Ulbricht and his men are stumping the country whipping up support among the party cadres. The appointment of a new ambassador lends an air of Russian recognition to his victory.

SOVIET UNION

Sic Transit ...

THE vanity of circumstantial flattery is well illustrated by the case of Russia's fallen idol. Next week will see only the fifth anniversary of Stalin's death, but in these five years the Byzantine cult surrounding his person has vanished. The contrast is striking when his official biography in volume 40 of the latest edition of the Great Soviet Encyclopedia is compared with that in the previous edition, issued in his lifetime. Then Stalin was given forty-five pages and thirteen pictures; now he gets six pages (including the picture), and in those, compliments are balanced by criticism.

This does not mean that the new version is final or undistorted. Soviet compilers of biographical dictionaries have not had an easy life for years. In Stalin's time their labours of revision could seldom keep up with the death roll of his illustrious victims. Even when he was dead the owners of the volume of the new Encyclopaedia containing the letter B had to be sent substitute pages to replace the entry on Beria. And the fortieth volume now comes out two years behind schedule. The delay has probably worked in Stalin's favour. The disarray in the communist ranks after the Hungarian insurrection has compelled Mr Khrushchev to revise somewhat the grim version contained in his famous "secret" indictment of February, 1956.

The new profile attributes to Stalin both great achievements and grave mistakes. He gets the credit for rapid industrialisation and for the general economic development which enabled Russia to withstand the German invasion. But he is also blamed for having underestimated the German threat. He is praised for his struggle against "the enemies of bolshevism," yet he is also blamed for the ruthless extermination of his defeated opponents. The warning against Stalin's character contained in Lenin's "testament" is included, though it is argued that his worse features came to the surface towards the end of his life, when he thought himself infallible and ignored the central committee. This played into the hands of the chiefs of the security police (not only Beria, but Yezhov and Yagoda, his two predecessors, as well). Yet can all the crimes be blamed on the police? And where were Mr Khrushchev, Mr Bulganin and their colleagues? Further changes will have to take place in Russia before an objective epitaph can be carved on Stalin's tomb in Moscow.

DEFENCE

Men for the Careers

IF Mr Sandys gets his 375,000 volunteers to man the all-regular forces by 1962, when the last national service man is due to leave the army, the doubters will have to eat mud; but it will be very good mud to eat. Had they better start acquiring the taste? Not yet; but the recruiting figures for January, announced on Tuesday, are surprisingly good. The number of men attracted by the army six-year regular engagement (and to a lesser extent by the RAF nine-year engagement) is going up. It is now possible to take an average of four months since the six-year engagement was introduced: on the basis of the calculations made for all types of service by *The Economist* on December 7, 1957, the prospect for the army is now for a regular force of 103,000 other ranks by 1960-61. Jack that up to 110,000 to allow for net recruiting between then and the beginning of 1962, add the officers, and you get, on present trends, an army of 130,000 against a requirement of 165,000. Mr Sandys, in the defence debate, reactivated last year's proviso that the gap might have to be met by selective service.

Meanwhile, however, pay increases and promises of better accommodation have been made in the white paper, which (combined with rather slacker conditions in the civilian job market) may further improve recruiting in the months ahead. Then, in the summer, will come the report of the Grigg committee with, it is hoped, hints on how to make service life more attractive. All in all—if the trend is not reversed in the next six months—Mr Sandys may well calculate that he is going to get an army by 1962 that, if not quite up to target strength, is steadily rising and "will do"; the last call-up papers may then be sent out as planned at end-1959, and statistical evidence that they *are* the last will be very handy as general election time may then just have come round. But Mr Sandys is not there yet; and nobody, of course, knows how big an army Britain will need in two years' time.

It will, however, be in many ways a different army; the memorandum on the Army Estimates (Cmnd 372) announces that the brigade group formation is now definitely to replace the divisional. It also lays great stress on the central reserve which the RAF—as shown in its memorandum (Cmnd 373)—will apparently have aircraft to fly anywhere at short notice. Both services will be busy with missiles of various types; if electronics are a draw, recruits for all three services should continue to roll to the colours.

WEST AFRICA

French Africans Unite

THE French government, already embroiled in Algeria and Tunisia, will have yet another African problem on its hands unless it becomes unwontedly flexible over the lois-cadre which it has promulgated in black Africa. Last month representatives of the main political parties in French West and Equatorial Africa held meetings in Paris, as did, on a separate occasion, those from Madagascar. The ultimate objective of each meeting was to settle a platform from which to press by stages for something which much more nearly ressembles Commonwealth status than the structure of the present French Union. The main black African parties have announced that they intend to unite to pursue the very extensive transfers of power to African hands which this programme requires. It has been clear since the Bamako conference of the African parties last September that the Africans were no longer satisfied with the degree of territorial self-government they obtained under the new laws; but there seemed to be forces which might delay fresh demands. But with the growth of M. Sékou Touré's influence in the councils of the *Rassemblement Démocratique Africaine*, the biggest party, whose leader, M. Houphouet-Boigny, has stood for partnership with France, the pace has increased. The bombing of Sakiet has given it new impetus. M. Sékou Touré is a man of the left, a keen nationalist and powerful in the African trade unions.

On paper the programme of the combined parties looks complicated—not only African control at Dakar and Brazzaville, the federal capitals of French western and equatorial Africa, but also a federation of these two federations, to be African-controlled too; above that, a federation of this new semi-state into the French Union, and above that again some sort of "union" with the North African states. These complicated schemes may reflect the fact that French black Africa is dependent on French subsidies but fearful of encroach-

ments from North Africa. The sting in them is that, if the French do not accept this—rather ill-tied—package deal, the African states are to have the right to opt for independence. The first implication for the French government is the prospect of a solid block of 20 French black votes in the National Assembly.

CPP Triumphs in Ghana

FOR Ghana and Nigeria, the implications of the emergence of a vast new African sovereign state, surrounding them and stretching from the southern frontiers of Morocco to the Middle Congo, are obviously immense; M. Sékou Touré is just as strong a pan-African as Dr Nkrumah, and has shown himself just as keen to be the leader. But the plans of the French African leaders are still only on paper, while Dr Nkrumah is actually convening a conference of free African states at Accra in April. Moreover, Dr Nkrumah has the satisfaction of knowing that while the unification of other areas—French or Nigerian—is still to be done, he has undoubtedly consolidated his own power and the cohesion of Ghana; this, as the first anniversary of independence approaches, is a solid achievement.

The outward and visible sign of the undisputed supremacy of Dr Nkrumah's Convention People's Party and the collapse of the opposition—so vociferous until last autumn—is what is happening now in Ashanti, the opposition's citadel. The government has won the Kumasi municipal elections—unthinkable not long ago—and is conducting a juridical enquiry into the affairs of the Asanteman council of chiefs, an encroachment on the prerogatives of the Asantehene which, it was always predicted, would precipitate civil war. In fact the chiefs, after demonstrating and struggling to no avail, are clearly to have their wings sharply clipped; while the Asantehene pays ostentatious court to the regional commissioner, who is a CPP official.

It is perhaps, therefore, no wonder that Kumasi voters decided to vote for the winning side—thus proving that Mr Krobo Edusei was right when he said that he would capture Ashanti in the end. This means that when the regional councils are set up, the CPP can expect to win in Ashanti; and this will give them enough power to alter the constitution quite legally. The opposition in Ghana has proved to have pathetically little stamina. The deportations of last summer disheartened it—and single party rule is clearly the pattern for a long time to come.

Zik and the Mothers

SINGLE party domination has hitherto seemed as much a feature of the Nigerian regions as of any other part of Africa. Dr Azikiwe's party, the National Council of Nigeria and the Cameroons, has been in unchallenged control of the Eastern Region since 1950, and his personal power, anchored to the dominance of the Ibo tribe, seemed unbreakable. The opposition party, Chief Awolowo's Action Group, certainly had small hopes of winning a general election. But the riots in Eastern Nigeria in recent weeks suggest that Dr Azikiwe may now not be invulnerable, for most of the opposition has come from Ibo districts—and it was the more formidable for being led by the women.

The revolt was against the government's decision to impose a local contribution for education. Like Chief Awolowo, the premier in the west, Dr Azikiwe's government decided that universal free education was the strongest single wish of the electorate. The trouble arose from making it universal but not free. Neither the budget of the west nor the east can possibly run to free education, but Chief Awolowo faced this early on, and forced the districts in his region not only to build schools but to pay for the schooling. There were riots then—and as a result he lost the first federal elections in 1954 to the NCNC. But he is now in the clear, and it is Zik's turn. The cost of free education in the east would be £6½ million, or about £2½ million more than estimated revenue. Clearly the choice is between free education and universal education. The probable result will be a limited amount of education and the people will have to pay for it. But it is a heavy setback to Dr Azikiwe. No longer the hero of his people, he is bluntly telling them that they evade taxation and cheat the government: and he did not hesitate to call in the police to suppress them. Even before full independence the realities of power obtrude themselves.

STAG HUNTING

Parliamentary Mort

SIR FREDERICK MESSER'S bill to legislate stag-hunting out of existence was "talked out" in Parliament last Friday. Was this a denial of the nation's will? A Gallup poll in this overwhelmingly urban country has just revealed, as one had expected, a clear majority disapproval of stag-hunting; there was a smaller majority in favour of banning fox-hunting, though its decorativeness as a Christmas-card and calendar subject tells somewhat in its favour. "Blood sports" have, literally, a bad name. But—all considerations of morality aside—everybody knows that if the people in the towns who mildly support abolition were to live in the country, they would mostly violently oppose Sir Frederick's "interference." The stag-hunting controversy, indeed, illustrates in miniature the saving impurity of democracy. In theory, the most lukewarm preference of the narrowest majority can override the most passionate objection of the largest minority; in practice the sheer difficulty of mobilising majority opinion for action, sufficiently to get an anti-hunting bill to the top of the private members' ballot and then to force it through the Commons on successive Friday afternoons, safeguards the vigorously recalcitrant against the mass weight of the only mildly concerned.

The ethics of this particular case have been argued virtually to a standstill. Whether a sticky end at the hands of the local hunt is any worse than the other sticky ends to which—nature being what she is—all wild animals come sooner or later, is a question which stags and foxes unfortunately cannot answer; and it invites the further question whether, in a civilised era, it is worse to cultivate for pleasure the once highly desirable primitive hunting instinct than to profit, as a comfortably remote final consumer, from the certainly no less "cruel" procedures of, say, whaling—let alone fur-trapping. The relation of mankind to the rest of the animal creation is not, and is never likely to be, governed by United Nations principles. Possibly the general level of sensitiveness may one day rise to the point when the taking of animal life will be regarded as at best an abhorrent necessity and its association with sport as unthinkable. But that day is not likely to be brought nearer by the mixture of worthy idealism, uneasily vicarious conscience, and flicker of censorious Phariseeism which provided the backing for last week's bill.

ITALY

Bishop and Grocer

GUELPH and Ghibelline reappear in the legal case (described in detail in *The Economist* of January 18th) of the Bishop of Prato and Signor Mauro Bellandi, the grocer, who in October, 1956, married Signorina Loriana Nunziati in the town hall at Prato. The bridegroom refused a religious ceremony because, though he had had Catholic baptism, he was an atheist. In a pastoral letter to which the couple's parish priest gave all possible publicity, the Bishop of Prato, Monsignor Fiordelli, denounced them as "public sinners" living in "scandalous concubinage." Signor Bellandi thereupon sued the bishop and the priest for defamation and slander.

The Bishop of Prato is implicitly denying the validity of a civil marriage. But in the Lateran pacts of 1929 the Italian state merely acknowledged the validity of religious marriage; it did not intend the validity of civil marriage to be weakened. When the trial opened in Florence on Monday, Monsignor Fiordelli (who is the first bishop to be summoned before a civil court since 1929) refused to appear (although he is legally represented) on the ground that he did not recognise the civil competence in a case that he considered to be exclusively within his own spiritual jurisdiction. The plaintiffs do not, in fact, dispute the bishop's right to invoke spiritual sanctions. But they do maintain that by his manner of doing this he has strayed over the border between things spiritual and temporal and committed a criminal libel. The bishop's refusal to appear in court looks like a direct defiance of the state's rights, although the public prosecutor contrived both to assert these rights and to ask for the bishop's acquittal.

The controversy recalls the debates that raged after the war over the inclusion—denounced by Benedetto Croce as a "legal monstrosity"—of the Lateran pacts in the new Italian constitution. If the bishop refuses to retreat, it could even lead to a demand for the revision of the Concordat. The sensitivity of Italian opinion to the position and activities of the Church was illustrated last month by the reaction to an article by Cardinal Ottaviani criticising Catholic politicians who use the Church but do not serve it. The Christian Democrats could be seriously embarrassed on the eve of a general election. The government has already been accused, rightly or wrongly, of delaying the bishop's trial and of making changes among the Florentine legal officers calculated to help the bishop. It may well lose votes if it does not show itself a more enthusiastic champion of the state's rights than it has done so far.

FARMING

From Milk Cheque to Beef Cheque

THE Fatstock Marketing Corporation and the National Farmers' Union Development Company deserve congratulations for their joint venture announced last week: a credit scheme which will provide for beef producers an equivalent to that sheet-anchor of the dairy herd owner's finances, the monthly milk cheque. It is a matter of common agreement that a switch from milk to beef production is desirable. Price changes can—and should—be used to exert their influence; but whatever happens to the respective prices of milk and beef, there is a great difference between a regular month-by-month income and a return which must be awaited for a matter of half a year or more. This difference, moreover, is most forbidding to precisely those high-cost dairy producers who ought to make the switch, since their working capital is the most likely to have been eroded into inadequacy.

Fatstock Finance Ltd., the company jointly formed by the FMC and NFU, will operate two plans. One will be an ordinary short-term credit scheme to finance the buying of store cattle; the other will provide advances of up to 60 per cent, paid in equal monthly instalments, towards the cost of fattening them. These advances, together with interest and administrative costs, will be deducted from the final purchase price when the farmer sells to the fatstock corporation. The effect should be to even out the peaks and troughs of the beef producer's income, and thus to make beef production more attractive—especially to the small man. Both from the point of view of land utilisation and that of the taxpayer (not to mention the New Zealand butter producer and other parties aggrieved by Britain's overproduction of milk) this is a welcome move—and one that has been advocated before in these columns.

CUBA

How to Make Headlines

NEW political techniques are not often invented. Have the Cuban rebels originated one by kidnapping the motor racing champion, Sr Fangio? Aggrieved or rebellious factions have often seized political figures, to hold them as hostages, or to sow terror and confusion among their opponents. But it is a different matter to kidnap a famous sportsman. The Cuban guerrillas claim that they wanted to show their disapproval of the way President Batista was wasting money on high-speed circuses when the people needed bread. But they doubtless also foresaw

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the crop of banner headlines in the world press that their coup secured. If they had kidnapped the president himself, they would not have put themselves across to the non-political world "admass" half so effectively.

Whose turn next? Not only Mr Stirling Moss, but also Messrs Zatopek, Hoad, Kuts, Bannister and others may henceforth have to stay well away from any resistance movement with a flair for public relations. Not only sportsmen, but other big "names" in modern folklore—Sir Edmund Hillary, Miss Marilyn Monroe, Mr and Mrs Michael Todd, Liberace and Picasso—would be wise to keep clear of Indonesia, Okinawa, Ulster, Arkansas and any other areas where they might find themselves unwillingly advertising somebody's grievances. Group Captain Townsend was fortunate in that this headline-grabbing technique had not been dreamt up when he made his overland journey through Asia. From now on, discontented and enterprising Kurds, Kashmiris, Keralans and Karens will be lying in wait for unwary front-page personalities, and the UN Children's Fund may no longer be able to use Mr Danny Kaye as a "roving ambassador" in far-away places.

In Cuba this week, Sr Fangio's courteous kidnappers were also suspected of causing the race track accident in which several people were killed; but an official report seems to have cleared them of that charge. It would certainly seem foolish for rebels seeking popular support to endanger lives in a crowd of 300,000 spectators. Were they even wise to kidnap Sr Fangio *before* the big race? If they had waited until it was over, they could still have got their publicity and shown their power without irritating all those who had flocked to see the world champion race. However, the "Cuban snatch" technique is only in its infancy. Smoother practitioners will soon perceive that the kidnapping of certain film stars is "news" at any time. It can therefore be timed not to interfere with production schedules or world premières; indeed, the victims may well prove quite helpfully co-operative when they are, as they say in the trade, "resting."

The Economist

FEBRUARY 27, 1858

THE CHANGE OF GOVERNMENT

¶ Less than a year ago, the country was appealed to by a dissolution of Parliament and returned a House of Commons with a Liberal majority of *two hundred*. But, notwithstanding that fact, a Tory Government, *pure and simple*, has now the direction of the affairs of the country. . . . The new Government may be considered as identical with that of 1852. It cannot be said that the very slight changes which have been made have added any weight to it. They had a fair trial in that year;—they had an election in their hands under favourable circumstances. The result we need not state. The same men have acted together in opposition since. Have they shown more than before, any progress in those qualities which command public respect and confidence? The result of the general election last year is the best answer to that question. . . . The same *role* that was enacted in 1852 will be played over again in 1858, but under great disadvantages. In the former year, the Ministers were all new to public office, and a strong feeling existed that they should have a fair trial. Does any one beyond their immediate adherents now think a further trial necessary to come to a conclusion upon their administrative capacity? In another respect they will labour under a great disadvantage *now* as compared with 1852. The embers of monopoly were not then quite extinguished. Protection was still a good cry for the counties, though Free Trade alone went down in the boroughs. But both were used as they best suited the constituency. That game, however, has been played out, and there is none other in its place. At the moment there is no excuse for a dissolution. In 1852 it was otherwise. The Parliament was *then* within a year of its natural death: *now* it is within a year of its birth. *Then* there were at least new men in power, adhering to an antiquated policy which had a certain support in the country: *now*, the party is not new, and their policy is repudiated as well by themselves as their former adherents. They have, in point of fact, no issue to place before the country but their personal claims to confidence, as against the whole Liberal party.

KENYA

Multiracial Affairs Board

MR LENNOX BOYD'S scheme for Kenya's ten-man Council of State, which is to accompany the expansion of the Kenya legislative council and the increase in the number of elected African members, has not held out to white Kenyans all the safeguards for racial minorities and their privileges which many of them had expected. The new council is in no sense to be a second chamber. Appointed by the Governor, presumably from members of all races, its task will be to vet bills introduced into the Kenya legislature; if it holds that any bill is discriminatory against any racial or religious community, then that bill must be reserved for signification of the Secretary of State's pleasure. The council will thus only be able to hold up bills for a few months; although it will have the power, before the third reading of a bill, to suggest amendments that would render the bill innocuous from the racial point of view.

In as colour-conscious and argumentative a country as Kenya, with a heavy legacy of racial antipathy and suspicion, this new organ of government will produce plenty of controversy; but clearly it belongs to the colonial period, in which, in any event, the Governor and Secretary of State have ample powers to curb discriminatory legislation. It is doubtful how far it can be intended to satisfy the non-African communities that they can eventually safely hand over their lives and fortunes to African political control. But though it may be of limited use in Kenya, it is clearly a far stronger check on the government than the African Affairs Board, which operates in Central Africa. A board of this sort in Rhodesia, with its limited powers to suggest revision of obnoxious legislation, might have greatly improved Rhodesian constitutional bills to which the House of Commons can now only say yea or nay.

In Kenya, the Africans are unlikely to be made much more co-operative by the Secretary of State's proposals, though speakers on both sides of the House of Commons last week urged them to give the scheme a fair trial. The outlook in the colony is now undeniably depressing, with the African politicians determined to win the additional elected seats this month on a ticket of straight non-co-operation, neo-Mau Mau movements re-festering in the reserves, and the government still restricting every outlet for African political organisation of a more healthy above-board kind. The Kenyan constitutional gimmicks, now so freely disposed, will have to perform prodigies if they are to stop political antagonisms in Kenya from settling hard and finally along the lines of machine-organised black nationalism.

FLY THE FINEST



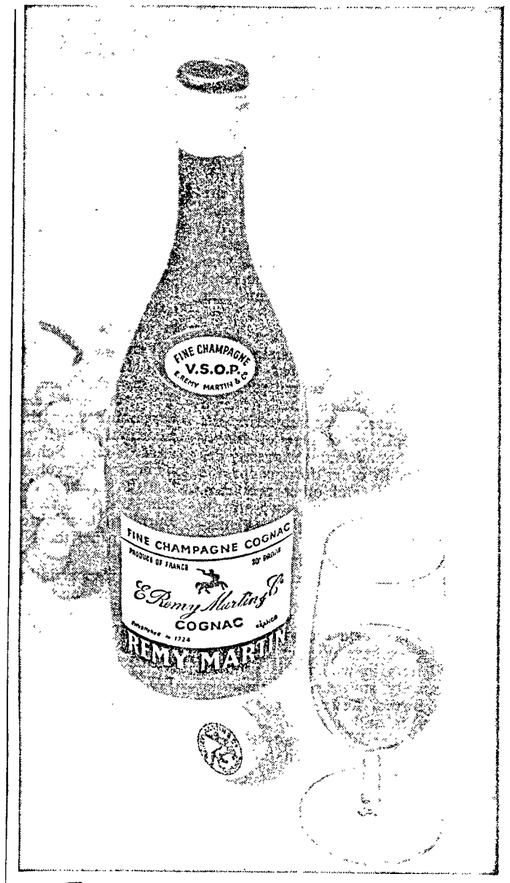
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PRIDE OF COGNAC

REMY MARTIN

LETTERS

The Summit

SIR—I find your note of February 15th curious. You say: "After all, it is the Russians who have refused all discussion of disarmament since September . . . who now spurn the idea of a foreign ministers' meeting . . . and . . . who refuse to have on the agenda the most obviously dangerous problems in Europe."

It is true that the Russians have, without any adequate justification, refused to continue discussions on disarmament in the UN commission and sub-commission. Since that decision they have, however, been subjecting the West to a positive barrage of highly publicised communications expressly demanding talks in other forums for the discussion of this and other problems. To them the Western governments have only recently, with apparent reluctance and at the insistent pressure of such organs of public opinion as *The Economist*, given any signs of responding.

The Russians have not yet formally rejected the idea of a foreign ministers' meeting. They have not yet replied to the two letters in which this proposal was tentatively suggested to them (at present a further letter from President Eisenhower is still awaited). It now appears that the Western governments themselves no longer attach much importance to the idea.

The Russians have not so far refused to have any item on the agenda. In their various letters they have put forward their own suggestions. They have not yet replied to the letters of President Eisenhower and Mr Macmillan in which various additional subjects were put forward. You do not make clear what are the dangerous problems you mean. One of them is presumably German reunification; and many may feel inclined to doubt whether the inclusion of this item on the agenda would add much to the meeting's prospects of success.

Your comment seems to me dangerous in suggesting that from the propaganda point of view the present Western position is a favourable one. The Russians have succeeded in making it appear in the eyes of the uncommitted that it is they who, eager for negotiation, have finally succeeded in dragging the Western powers unwillingly to the conference table. Whether they are themselves, as you suggest, more interested in travelling than arriving can only be tested by time. If they are not, and the Western powers, as is now rumoured, are to show themselves opposed to all the proposals for an inspected thinning-out on the East-West border that have recently been aired, the effect on uncommitted opinion will be even more disastrous to the West.—Yours faithfully,

D. E. T. LUARD

St Antony's College, Oxford

Teachers' Unions

SIR—In your article "The Trade Unions" you state that "National and local government officials, along with teachers, have exercised appreciable bargaining strength for many years. . . ."

This statement is somewhat misleading. It would be more accurate, I feel, to say that the National Union of Teachers has exercised appreciable bargaining strength. You may not be aware of the fact that the National Association of Schoolmasters, which had a membership of 16,950 schoolmasters in 1957, has been denied *any* representation on the teachers' panel of the Burnham Committee. Of the 26 seats on the panel the NUT and its affiliates have 20.

The responsibility for representation on the teachers' panel rests with the Minister of Education. The previous minister refused to grant representation to the NAS because one of the principles of the association (opposition to "equal pay") went against government policy.

The structure of the NUT membership underlines the fact that the NUT is only qualified to express the views of women teachers, while the largest organisation of schoolmasters (the NAS) is denied the fundamental right to bargain at all.—Yours faithfully,

Bletchley J. VINCE

Egypt and the Sudan

SIR—In 1919 I served in the Egyptian Government's Frontier Districts Administration. I commanded a company of Camel Corps which operated in the Eastern and Southern Deserts Province. (This ran from Suez to the 22nd parallel, which maps of the period showed as the boundary with the Sudan.)

My patrols operated in the now disputed area on the Red Sea and I kept a detachment at Mersa Halaib. This arrangement was continuing when I left Egypt in 1922.

I am forced therefore to disagree with your statement that "for 51 years the administrative line was unquestioned as the *de facto* frontier.—Yours faithfully,

Scarborough. S. H. STREETER

Covered Arbitrage

SIR—If Mr Michael Conolly had not misquoted me in his letter published in your issue of February 22nd, it could have been seen that the "leads" and "lags" to which I was referring related to trade *payments* and not, as it was made to appear, to the physical movements of traded goods. The latter are not significantly affected by small variations in the forward dollar premium, and to have asserted the contrary would have indeed been "based on a lack of knowledge of the foreign exchange market."

For the rest, the real difference between Mr Conolly and myself is over *policy* on forward sterling, whereas my difference with *The Economist* (ventilated in my earlier letter) was over the *analysis* of covered interest arbitrage and its effects on the gold and dollar reserves.—Yours faithfully,

JOHN SPRAOS

University College, London

[This complicated matter is discussed in a leading article on page 775.—EDITOR.]

Technical Education

Sir—You point out in your note of February 15th, that the benefit which industry derives from technological education depends in considerable measure on its own contribution. One factor leads to a steady drain on the staffs of technical institutes: superannuation. In this heavily taxed economy individual saving from income is necessarily small, and a pension is of almost decisive importance in an individual's plans. A person leaving an educational institution for industry usually retains his accumulated benefits; a person leaving industry for an educational institution does not. For industries dependent on technological education to make their pensions benefits transferable to government pensions systems, although a serious step, would seem no more than a reasonable contribution to technological education.—Yours faithfully,

R. A. HYMAN

London, NW8

Local Government Bill

SIR—As we have now reached the committee stage of the Local Government Bill, I write to draw attention to the fact that neither the accounts of the standing joint committees of any of the authorities (which, outside the Metropolitan Police District, controls the police force for the county) nor those of the magistrates' courts committee are audited by the district auditor. The standing joint committee is appointed by the justices in the quarter sessions of the county council under Section 30 of the Local Government Act of 1888. Its function is to control the police for the county. The Metropolitan Police Force is under the jurisdiction of the Home Office and is not under the standing joint committee.

Accordingly, these committees are able to issue a precept of the county councils for payment of large sums of money and if the county council agrees the payments cannot be challenged by the district auditor.—Yours faithfully,

London, NW11 EDWARD F. IWI

BOOKS

Chronicle of Fanny

The History of Fanny Burney

By Joyce Hemlow.
Oxford University Press. 528 pages. 35s.

THE great Dr Burney's children were clever, high-spirited and not wholly reliable. Charles abstracted some books from the university library at Cambridge and thus early appeared "lost for ever"; happily the scandal was lived down and he achieved a doctorate in divinity. James deserted his wife to elope with his half-sister Sarah; but he was not prevented by this impropriety from becoming a rear-admiral and one of the first navigators of the age. Fanny committed an indiscretion even more hazardous. At twenty-five, abetted by other members of this lively family, she contrived the anonymous publication of "Evelina." The truth came out, and Fanny found herself famous.

By good fortune she had judiciously toned down the first draft. "Mr Brown pulling Polly towards him sd. she must sit on his Lap," for instance, had become "seated on a window, with Mr Brown at her side, sat Miss Polly." Still, the publication of a romance was not quite consonant with delicacy in a young woman. Much depended on how Fanny would comport herself. Luckily she had all the right feelings. "I would a thousand times rather forfeit my character as a writer," she declared, "than risk ridicule or censure as a female."

So Fanny's story, too, ends well. Her later publications, although they have less claim than "Evelina" to be minor classics, show a progressive concern for edification. She became second keeper of the robes to Queen Charlotte; and from this dire but fascinating servitude she escaped, at the age of forty-one, to marry the Comte Peuchard d'Arblay, a penniless but agreeable *emigré* aristocrat. Again it was rash, but Madame d'Arblay came triumphantly through to her fame. She bore and reared a clever son, and as a consequence of her courage in facing a dreadful surgical operation lived on into an extreme old age. She had known the author of "Rasselas"; she outlived Shelley, Byron and Coleridge; she may have read "Pickwick Papers" and the early poetry of Mrs Browning.

The posthumous publication of her diaries and correspondence gave her a new reputation, and indeed perhaps displayed her genius in its most natural light. But she wrote so much, and all the other Burneys wrote so much, that a hundred years of editorial and biographical activity—sometimes on a generous scale—has failed to exhaust all the material. Professor Hemlow, in her long and learned yet extremely readable book, gives us much that is new. She has examined suppressed portions of the diaries, sifted some 8,000 unpublished letters, and equipped herself to offer an exposition and critical discussion of her heroine's unpublished plays.

The fuller picture thus obtained is something to be grateful for—yet it is still the familiar chronicler of Poland Street and the author of "Evelina" who will retain most of our attention. The social position of the Burneys was equivocal; their father could have been disparagingly described as a new sort of gentleman music-master; they had both low connections and the entrée to polite society. So Evelina, upon her "Entrance into the World," is a young woman embarrassed, rather as some of Miss Austen's heroines are to be embarrassed, by the existence of vulgar relations. But Miss Burney, with almost nothing of Miss Austen's artistry, contrives to render her young woman's distresses with altogether superior vivacity and even poignancy. Moreover, writing in the first instance entirely for fun, she mingles the observed with the guessed or conjectured in a manner indeed inartistic in one sense, yet with a verve perfectly in key with what was thoroughly "artistic" in the temperament of her family.

Freedom in reading and theatre-going, the society of Garrick, the near-Bohemianism which the Burneys contrived to unite with an unintermitted emphasis upon correct morals and sentiments: all this helped Fanny Burney to that appearance of a widely ranging knowledge of society which so astonished the first readers of "Evelina." Yet her true talent was circumscribed and domestic, and the mingled acclaim and admonition which her writing immediately evoked were not altogether favourable to its further development.

What the young Burneys chiefly possessed—Miss Hemlow accurately remarks—was a "perception of and delight in the ludicrous." It was a reflection alike of their family solidarity and their social insecurity—and Fanny might have taken it far. But she lived in a man-dominated world: one not minded to be too effectively mocked by Charles Burney's girl. "The Bishop of Winchester, Dr Willis, Mr Owen Cambridge, Mr Burke, and Sir Joshua Reynolds confessed their fear of her in half-jesting, half-serious gallantries." And when her first play showed some inclination towards personal satire she was promptly hauled over the coals by elderly family friends. She might have gained stature as a creative writer if she had dug her pretty heels in.

The Pure Theory of the Take-off

Economic Backwardness and Economic Growth

By Harvey Leibenstein.
John Wiley. London: *Chapman and Hall.* 295 pages. 54s.

IN the rapidly accumulating literature of economic growth, this book takes an intellectually distinguished place. Its central thesis is not indeed unfamiliar. "Backward" economies are economies in quasi-equilibrium, with the forces of progress (accumulation of knowledge and capital equipment) setting in action counter-forces which tend to re-establish the *status quo*; and the problem of the "take-off" is that of the rupture of equilibrium, and the setting in motion of cumulative dynamic processes, by a sufficient stimulus applied at a number of critical points.

With varying presuppositions and varying degrees of realism, writers on this theme have identified a number of critical points: the fund of entrepreneurial ability, technical skills, the supply of capital; the infrastructure of transport, communications and administration; land tenure; social and ethical attitudes; demographic trends; particular technical problems varying from region to region. Dr Liebenstein does likewise, with less realism as he deliberately leaves out of account both foreign trade and the monetary mechanism. But his handling of the material is—in this field—a novelty. With a succession of simplifications, at once ingenious and heroic—if Professor W. A. Lewis, for instance, were Adam Smith, Dr Liebenstein would be Ricardo—he presents in diagrammatic or arithmetical form the balance of growth-producing and stagnation-preserving forces and isolates in each field the crucial point, or set of hypothetical values for the variables concerned, at which a break-through becomes possible. There emerges from these simplifications the notion of a "critical minimum effort": below that minimum (for instance, of net investment with a given rate of population growth) the counter-balancing forces restore the stagnant equilibrium; above the minimum a "virtuous circle" is established.

Obviously, many of these critical values cannot be empirically identified. How can one measure, in practice, the "quantity" of entrepreneurial ability available? Even as a concept it is elusive enough; and other quantities remain as much in the air or more so. Obviously, too, the method has its dangers, the same dangers indeed that have beset economics from its beginnings; there is a fatal tendency to believe that when phenomena have been named and classified they have been understood and explained. Dr Liebenstein is, however, himself aware of these dangers, and does not claim for his quasi-mathematics more than an expository usefulness. Within their limitations they are magnificent aids to the clarifying of thought.

Applied to policy, the notion of the critical minimum spotlights a dilemma. On the one hand, there must be, in a dozen different fields, a major forward surge. Time is of the essence; applied in driblets, the effort merely sets the familiar equilibrating forces in motion again. On the other hand, another critical, and contrary, time-factor asserts itself. This is the time needed for subjective adaptation by millions of tradition-bound individuals to whom the breaking of habits, the abandonment of pieties, the impact of the unfamiliar, and the general pulling up of roots, initially appear more painful than poverty itself; the time, too, for an organic, grass-roots growth of the necessary economic qualities, from respect for contracts to dynamic initiative. When the minimum necessary tempo of effort exceeds the maximum possible tempo of spontaneous adaptation, what is to be done? The question, evidently, is one of politics; of the quality of persuasive and inspiring leadership, of the choice of not too ethically revolting coercive pressures. Not for the first time, the economist must bow out and leave the field—even his own field—to the statesman.

Citizen of Nowhere

Veblenism: *A New Critique*

By Lev E. Dobriansky. Introduction by James Burnham.
Public Affairs Press, Washington. 409 pages. $6.00.

APART from the England of Henry VIII when the Church's capital was looted, private capitalism has never known a tougher time and place than the America of the latter half of last century. Not for nothing did the vengeful prophets of doom arise beside the tycoons who were riding high, wide and handsome at the public's expense. Not for nothing did "the shame of the cities" obtrude against the superficial splendour of "the American dream." What Thoreau and Emerson suspected as that century flowered, a galaxy of minatory stars confirmed as it decayed. For the Marx and Engels of European capitalism, American capitalism could show Thorstein Veblen, Henry George, William Jennings Bryan (the silver-voiced advocate of "free silver" fulminating against "the cross of gold"), Lincoln Steffens, and many another.

Of all these, Veblen was the oddest, the least charming, but the most influential. He alone in America today has intellectual progeny. His lapidary phrases—"the leisure class" and "conspicuous waste" are commonplaces still—conveyed a wealth of learning (he knew 20 languages); and his view that modern man is but a shade removed from primitive barbarians showed uncanny perspicacity and foresight. American business was a jungle. All business, all "the economics of everyday life" was impelled by savage emotions. This Norwegian, American-born peasant saw "Nature red in tooth and claw" and included Man in. Sarcastic, witty, amoral, irreverent, he approximated Rousseau's noble savage; so he was no optimist about man's future. He was the forerunner of H. G. Wells, Spengler, "technocracy" and (to that extent) of Mr James Burnham in seeing not hope, but resignation, in the advent of a "managerial revolution," wherein engineers and bureaucrats ruled the roost. First also—if we except Britain's Charles Babbage of the 1830s—with "automation," Veblen antedated Mr. Charles Chaplin in seeing an assembly-line society dominated by the machines. That was the future of America in his eyes; and it goes far to explain that excoriating attack on American universities "The Higher Learning in America," which he said should be sub-titled "A Study in Total Depravity." Two generations later, the ex-president of Veblen's University of Chicago, Dr Robert Maynard Hutchins, has been saying much more politely much the same. Veblen died a month or two before the Wall Street crash of 1929.

All this explains why there has been a natural revival of Veblenism in his homeland. Two years ago Dr Bernard Rosenberg gave us "The Values of Veblen": a scholarly, clear assessment, with a neat foreword by Dr Max Lerner. Now, from the same publishers, comes an altogether different book. Of its author's scholarly equipment there is no question. Of his ability to convey its achievements, alas, there is nothing but question. It would be hard deliberately to write such obscure language:

> Erumpent matter was in revolt against form—state versus Church, economics versus politics, body versus mind. For example, the problem of the separation of mind and body evolved in the very development of the Philosophia Perennis only to flare up so that it became one of the most fundamental problems for Descartes, who in this respect continued the tradition initiated by Augustine.

That is a fair sample. Descartes, Augustine, Veblen himself, would have driven Dr Dobriansky from their classes if he had so expressed himself there. And there is a lot worse than that:

> In contrast to instincts, habits, as learned reflexive activities, change cumulatively to precipitate a proliferous growth of institutions. As such, habit patterns condition the operation of instinctive proclivities which involve a less determinate sequence of action.

The author is obviously well equipped scholastically to deal in the ideas Veblen mopped up and refurbished. He does so with critical acumen. But his book should have been edited or rewritten in smaller compass. As it is, it will find its due place on library shelves for researchers. It is a pity; for Veblen was in many ways a perceptive scholar, a student of society admirably free of cant, and an able assessor of trends. He was also, as a person, prickly, biased, irresponsible and arrogant. But so were many artists and geniuses. If Dr Dobriansky had covered a smaller canvas, and given us, say, the inwardness of difference between Marx and Veblen, or expanded his section on Veblen and economic value, we should have gained more.

Creditable Account

Business Looks at Banks

By George Katona, with Albert Lauterbach and Stanley Steinkamp.
University of Michigan Press. 184 pages. 37s. 6d

IN view of the freedom with which English banks are criticised left, right and centre, there is some interest for English readers, on both sides of the bank counter, in this American study of the views of medium and large businesses about their banks. It is the result of "a nationwide sample interview survey," conducted by the University of Michigan, and financed by "one of the country's largest banks." The statistical detail is well and carefully presented; the questions were well chosen; the sample was reasonably balanced; and the answers are objectively discussed, with plentiful direct quotation to make the dry bones live. It is inevitable with work of this kind that many of the findings are obvious; its value to the sponsoring bank (and its competitors) lies both in confirmation of the obvious and disclosure of some things not quite so self-evident.

The general picture is one of satisfaction with the banks. Within that picture there is some interesting detail. Far more businesses value the advice they can obtain from their banks than actually act on it; there are wide differences between firms in their borrowing habits, from those who use bank credit regularly to those (a small minority) who regard all borrowing as fundamentally unsound; there is some criticism of banks' reluctance to lend long; an eloquent minority (30 per cent of medium-sized firms, 17 per cent of large) regard the periodical visits of bank representatives as time-wasting and useless. This visiting is obviously an American institution; there are other more important differences from the British pattern, especially, of course, those that result from the multiplicity of banks in the United States; there are, for instance, distinctions drawn between New York banks and the others. Only 15 per cent of medium-sized, and no large, businesses used only one bank; of firms using ten or more banks the percentages were 22 for medium-sized businesses and 74 for large. The distinction thus had to be drawn between "primary" and "secondary" banking connections: the secondary banks, in fact, act as other branches of the single bank act in this country.

In matters that conform to the English shape of things as well, the survey reports a weighty majority of business customers who regard stability of banking connections as extremely important (although inertia is the reason for more of this stability than the banks would wish). And after some analysis of the reasons for preferring one bank to another the overwhelming impression among these United States customers is that the personality of the management and staff is far and away the most important single factor. In the unlikely event of an English bank sponsoring a similar survey, would it be worth it? It might well do marginal good among the bankers; it would certainly make interesting reading for the rest of us.

Whitehall in Edinburgh

The Scottish Office

By David Milne.
Allen and Unwin. 232 pages. 21s.

THIS is the fifth volume to appear in the New Whitehall series, and four more are in preparation. It is appropriate to consider where the series is going.

These books are written by civil servants. The name on the title page is usually that of the permanent head of the department but, as in this case, the preface makes it clear that the book is the product of team work in the department. This procedure means that any discussion of controversial matters is muted and that the bulk of the written matter is a description of what the departments do.

For whose benefit is this intended? The new entrant to the department? There are not so many of these. The existing member of the department? He thinks he knows it all already. The student of public administration? Perhaps—but he can find elsewhere what departments do, and more discussion of why they do it would make the books more valuable to him.

Here there is a clear, competent and thorough description of the work of the four main Scottish departments with notes on some minor departments and a chapter on the Scottish law officers. There is a brief description of the growth of the Scottish Office and of the departments dependent upon it. The book points out that it is because of the individual history, background and institutions of Scotland that over a considerable area of domestic administration Scotland has its own departments. But the reader would need some knowledge of Scotland to understand from this book why the work of the Scottish Home and Health Departments, which depends so much upon the idiosyncrasies of the Scottish legal system and the individual development of Scottish local government, should be undertaken by separate Scottish departments. Even the reader with this knowledge will not find it easy to understand why Scottish agriculture and education need separate treatment, partly because the chapters on those departments do not really bring out the differences between Scottish and English practice. It is not at all easy to understand why the administration of electricity and roads should have been transferred to Scottish departments.

Reference is made here and there to the special position of the Secretary of State as "Scotland's Minister." But there is no discussion of the recent Royal Commission on Scottish Affairs, why it was set up and what it did—it is referred to merely in passing. There is no consideration of the reasons why certain work, until recently carried out by United Kingdom departments, has been transferred to Scottish departments, and there is no discussion of the Scottish work of United Kingdom departments—for this the reader is referred to other volumes in the series.

The book confines itself to a well written description of part of the Scottish administration. It is not a discussion of Scottish administration as a whole. It studiously avoids touching on controversial matters—those weighted words "Scottish Nationalism" do not appear once between its covers. Would it not have much more value for the student of public administration if these more ambitious tasks had been attempted at the expense of pruning the descriptions of the work of the Scottish departments? But how can civil servants discuss highly political matters such as these? And does not this call into question the whole basis and purpose of this New Whitehall series?

Politics and Polls

French Electoral Systems and Elections, 1789-1957

By Peter Campbell.
Faber. 144 pages. 21s.

IT is often believed that the notorious instability of French politics is to be explained by the French use of propor-

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tional representation. In his foreword to Mr Campbell's excellent and very useful little monograph, Sir Douglas Savory argues that this is not so and that the reason really lies in the absence of a proper power of dissolution. Mr Campbell knows his French politics too well to believe this, and the foreword is, on this point, elegantly contradicted in the text. At a time when the French are once again trying both to alter their constitution and to change the electoral system, it is well to be reminded that in France (as elsewhere) both constitutions and electoral systems are the product, not the cause, of political divisions and reflect the intentions of particular parties to secure certain results congenial to themselves.

Just as in Britain an unrepresentative electoral system is maintained in being because the Labour-Conservative monopoly is well satisfied by the results it gives, so in France more and deeper political divisions, and some general sense that representative institutions ought to be representative, have given rise to an enormous number of electoral systems, with proportional representation on the "list system" only coming into its own (and perhaps only briefly) under the Fourth Republic. Curiously enough genuine proportional representation, by the single alternative vote, is one system that has never been tried at all. This is not to say, as readers of Mr Campbell's book will soon find, that the French have fought shy of systems requiring mathematical ingenuity to understand them. Indeed, in 1919, it took the presence in a Paris constituency of Monsieur P. Painlevé, who was a mathematician as well as a politician, to show that two allied parties representing separate incomplete lists would get twice as many seats as if they had combined to present one complete list. It is true that the 1919 system did not last very long.

In the period since the Revolution, France has had well over twenty different electoral laws, and it is a tribute to Mr Campbell's expository powers that he has found room to give the essential features of all of them and to set them against the general political background. If there is another change, it will be away from PR and back to the "second ballot"; but even if the British system were introduced, so Mr Campbell assures us, it "would probably have hardly any effect upon the party system and its consequences." For the foundations, we must look deeper.

Stocks and Blocks

Utilising World Abundance

By L. St. Clare Grondona. *Allen and Unwin.* 190 pages. 21s.

FOR more than thirty years Mr Grondona has preached his doctrine —the advantages of carrying a big stock of basic commodities. If he is a crank, —and some "cranks" have added much to economic thinking—he is sincere, persistent and single minded, and he has persuaded two prominent economists to share his aberration. To be fair to Mr Harrod, he supports the basic principles only with a reservation on the detail; Mr Hutton makes no reservations. This is the Grondona plan:

> A British Price Stabilising Corporation (PSC) would be set up under a charter that would make it "as aloof from interference as the judiciary." It would establish buying points and selling points for a wide range of basic commodities—grain, textile raw materials, rubber, the metals and others.
>
> For each of the accepted commodities a price index would be established 12½ per cent below the lowest of (a) the price on the day before valorisation, (b) the average price over the previous year, or (c) the average over the previous two years.
>
> PSC would then stand ready to buy at index less 10 per cent—"the low point"—or, if it had the goods, to sell at index plus 10 per cent—"the high point," but when it had acquired a "block" of a commodity amounting to one eighth of Britain's average annual consumption, there would be an automatic fall in the high and low points and again for each subsequent block.
>
> PSC would also accept custody of commercially owned stocks and its warrant would be security for a bank loan up to the value of this deposited stock at the current low point.
>
> PSC would finance itself by the issue of Government Guaranteed Stock.

The scheme has superficial attractions for both producers and consumers of primary commodities. It would iron out the wider price fluctuations without abolishing free markets. If Britain decided to do it alone—and Mr Grondona is happy that Britain should, though he believes that others would follow—then Britain might become the repository of a large part of the world's surplus commodity stocks.

Mr Grondona is at his weakest on the finance of his project. How could any government, let alone a government straining hard to defend its currency, permit a body "as aloof from interference as the judiciary" to issue government guaranteed stock without limit?

Suppose that a British PSC had been in operation last year when commodity prices crashed. Mr Grondona calculates the cost of one block of each of the commodities he thinks suitable for valorisation at £153¼ million. PSC would not have acquired a whole block of every one of them, but for some—for example copper—it would have acquired several blocks. But even if the amount of government stock issued had been no more than £150 million, it could only have been issued to the Government itself. In effect big additional imports would have been financed by an increase in the floating debt—and during a period of financial crisis. Traders and consumers would have deposited their stocks with PSC against warrants carrying the guarantee of a bank overdraft and would thus have contracted out from the credit ceiling.

The hard truth is that Britain's purse is not bottomless, and that even the Americans, whose purse by comparison almost is, seem to have had enough of stock building. Mr Grondona recognises the risk that America might unload surplus farm commodities on the British PSC and makes a special proviso for delayed payment in sterling in such an event. But the time when Britain could afford expensive experiments, if it ever existed, has gone.

OTHER BOOKS

THE CANADIAN OXFORD ATLAS OF THE WORLD: *2nd Edition. Oxford University Press.* 90s.

The arrangement of this atlas is an improvement on the first edition published in 1951. It is now divided into two parts: the first section contains twenty pages of maps of Canada; the second section covers the world and is exactly the same as the ordinary Oxford Atlas of the World. Most of the Canadian maps are entirely new. About half of them consist of special topics, such as population, transport, economic development (which is not quite up to date on northern development) and geology. The rest are large-scale regional maps with special attention paid to important development areas such as the St. Lawrence Seaway and the connecting waterways of the Great Lakes. This is a first-class atlas for Canadians or for students of Canada.

OVERSEAS TRADE CORPORATIONS. By David R. Stanford. *Sweet and Maxwell.* 339 pages. 35s.

Last year's Finance Act produced a piece of complicated tax law, under which an "Overseas Trade Corporation" could secure relief from British tax on the profits it earned overseas, so long as those profits were not distributed. So far this law has not been tested either in practice or in the courts. Discussion of it is therefore, as Mr Stanford disarmingly admits, still in the theoretical stage. But a textbook was needed to spell out the provisions of the law, the other relevant tax law—as on double tax relief—pertaining to the Overseas Trade Corporation and the detailed discussion of the provisions in the debate on the Finance Act. This Mr Stanford successfully and clearly does.

THE EUROPEAN MARKET AND FREE TRADE AREA. A Series of Lectures delivered in the City of London in November and December, 1957. *The University of London and the Institute of Bankers.* 73 pages. 5s.

YEAR BOOK OF THE UNITED NATIONS 1956. *United Nations, New York.* London distributors *HM Stationery Office.* 586 pages. £4 10s.

THE PUBLIC SECTOR ACCOUNTS OF ISRAEL 1948/49-1954/55. *Volumes 1 and 2.* By R. M. Barkay. *Falk Project for Economic Research in Israel and Central Bureau of Statistics* 155 and 362 pages. IL.1.

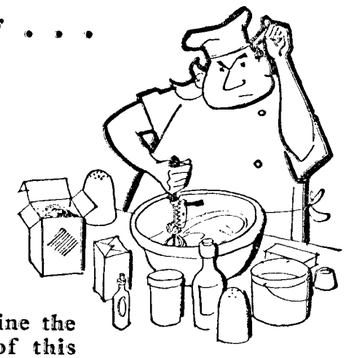
IMMIGRATION TO ISRAEL 1948-53. By Mosche Sicron. *Falk Project for Economic Research in Israel and Central Bureau of Statistics.* 86 pages. IL 1.750.

ISRAEL INDUSTRY AND EXPORT TRADE DIRECTORY 1957. *Haciretz Press,* Tel Aviv. London agent: *L. Simmonds.* 166 pages. 25s.

THE MICHELIN MAN OF THE SAHARA. 6s. Obtainable from all booksellers and the *News Chronicle.*

ISRAEL GOVERNMENT YEAR-BOOK 1957. Published by Government Printer. London agent: *L. Simmonds.* 568 pages. 15s.

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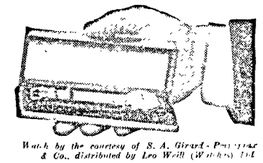
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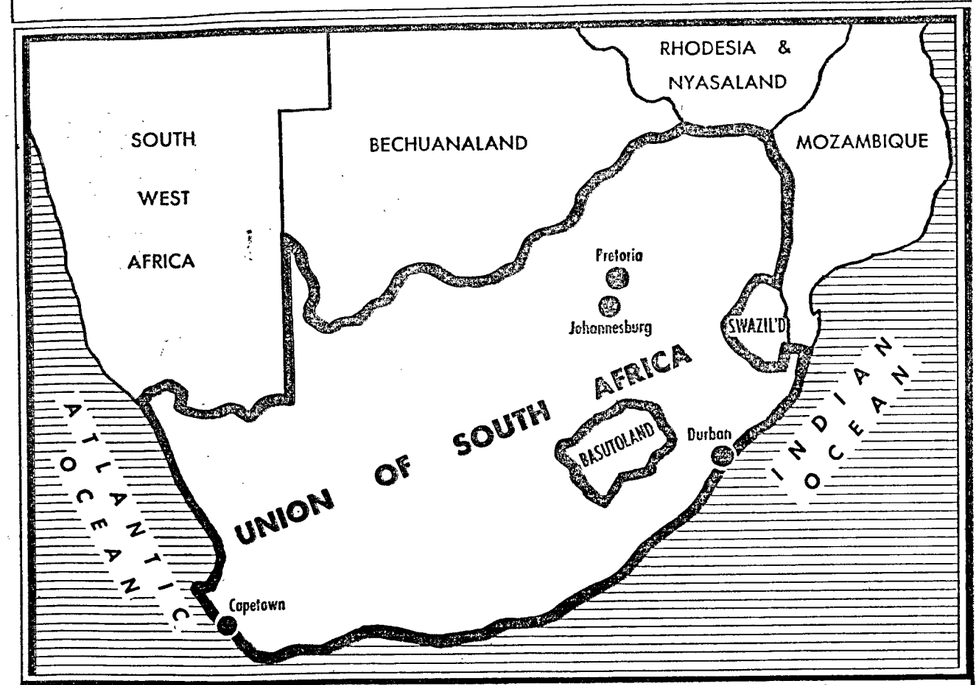
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Area (square miles)	472,685	**DOMESTIC DATA**	
Resident population	14,167,000	Number of homes (urban only)	1,030,000
Density per square mile	30	Homes wired for electricity	600,000
NATIONAL INCOME		Cars in use (personal)	632,277
Total net ($ million)	46,102	(business)	192,671
Average per capita	$302	Telephones	746,730
Money circulation ($ million)	294	Radios	750,000
EMPLOYMENT		Television sets	None
Working population (economically active)	5,252,800	Refrigerators	400,000
male	3,749,900	Washing machines	250,000
female	1,502,900	Electric cookers and ovens	500,000
		Vacuum cleaners	300,000
		Air conditioners	100,000

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Two Party Circles

WASHINGTON, DC

LAST Saturday, to celebrate George Washington's birthday, the country heard from those two promising young politicians, Mr Harry Truman and Mr Herbert Hoover. In Washington where the chieftains, the hopefuls and the hangers-on of the "party of the little man" were dining at $100 a plate, Mr Truman was denouncing "the Republican depression" and accusing the Administration of behaving like "an overbearing banker with a glass eye." Meanwhile at Valley Forge Mr Hoover was engaged, incredibly enough, in repeating almost word for word the speech he had made on the same spot twenty-seven years ago, when he was President in the middle of the great depression, about the need to rely on private initiative to overcome economic difficulties. Taking the two speeches together, it was as if nothing had happened in American politics for a quarter of a century.

Indeed, except for the unpredictable course of the economy between now and November, the script for the next congressional election could really be written here and now. Mr Truman has said that after every episode of Republican rule there has been a financial panic. The Republicans complain that this is unfair and unpatriotic because it destroys confidence. The Republicans then proclaim that every Democratic President has led the country into war. The Democrats howl that this is below the belt and unpatriotic because it is making a party plaything of American heroism. If President Eisenhower is propelled by public opinion, mainly in other countries, to a summit meeting, the Republicans will claim to have invented it. If there is a serious depression the Democrats will give the Republicans the credit for inventing that.

Americans generally regard the two-party system as a necessary but regrettable part of their democracy and so tolerate, with some disdain, the sordid but exhilarating business of keeping it going. They can laugh appreciatively at a superb character named Mr Jerry Carter, the Democratic National Committeeman from Florida, who turned up in Washington last week and told a congressional committee that he was "a cheap politician," because where he came from the voters could not afford an expensive one. But nowadays, the American people expect candidates for at least the important offices to assume a nonpartisan air.

THE two dominant personalities of Washington's politics, Vice President Nixon and Senator Lyndon Johnson, have both been displaying themselves in this fashionable mode—the political equivalent of the sack style. But neither, for opposite reasons, seems likely to be chosen for the highest office in 1960. Being a Democrat, Senator Johnson could probably be elected even though he is in weak health, and his speeches, while often cast in fine presidential mould, fall flat. But it is very doubtful if he could be nominated, because he is a Southerner and the party cannot afford to be represented by someone sympathetic to racial segregation.

Mr Nixon's problem is that he will almost certainly be nominated, but if things go on as they are now no Republican will be able to get elected. This is exceptionally frustrating to that group of Republican big businessmen, intellectuals and members of the east coast "establishment" surrounding the former Governor of New York, Mr Thomas Dewey, who were largely responsible for Mr Eisenhower's entry into politics. Unfortunately these Eisenhower Republicans are weak in Congress; moreover they seem to work hard at politics only once every four years, at the presidential election season, and do relatively little in the meantime to sustain the Administration which they have established.

Recently, however, they have become alarmed. They had thought, for example, that Mr Eisenhower was able to take care of defence; but then their representatives on the interlocking committees, which looked into the state of American security, gasped and came up with sensationally critical findings. The Eisenhower Republicans also thought that Mr Eisenhower's prestige would enable him to win over the country once and for all to an enlightened foreign economic policy. Instead of this, the issues of aid and trade have been so fumbled that this week the Democrats were called in to help stage an extravaganza, in which Mr Eisenhower, Mr Truman and Bishop Fulton Sheen headed an all-star cast, in a final desperate effort to rescue these policies from utter collapse.

But the eastern Republicans have one compensation: the emergence and moulding of Vice President Nixon as their man. Those weekend pilgrimages to Pawling, the country estate of Governor Dewey and the gathering place of his government in exile, those earnest bull sessions with one study group after another in Washington and New York, were surely milestones in the transformation of the political juvenile delinquent into the grave, articulate and inspiring statesman. The Dewey Republicans have solved the age-old philosophical problem of how to educate the crown prince. But they fear that the current monarch is so handling matters, or rather not handling them, that by 1960 there will be precious little chance of the crown prince stepping into the regal shoes.

Moreover, Mr Eisenhower has chosen at last to hoist his full conservative colours. Although the President has been accustomed to talk the language of conservatives, he did not in fact act like one during his first Administration. But this year's Budget message suggests that the post-sputnik accounts should be balanced by cuts or transfers to the states of programmes that would antagonise every known political interest—ex-servicemen, farmers, rural co-

operatives, those interested in vocational education and land conservation, recipients of old-age assistance, and all communities that need help with their schools because they have been invaded by federal workers and their families. Finally the Budget proposed that no new public works projects should be started. These are the meat and drink of the local Congressmen struggling for re-election every second year; furthermore to economise on them at the onset of what might prove a serious recession seems singularly short-sighted.

The preaching of such genuinely conservative doctrine in areas where it would hurt them most has not endeared the Administration to Republican conservatives; instead, it has contributed to the general collapse of Republican morale. A major by-election setback last week in Minnesota, where the Republican just scraped home in a normally safe rural constituency, sent thirty Republican Congressmen to Mr Benson, the Secretary of Agriculture, begging him—in vain—to resign. There has been a chorus of reproaches from such unlikely sources as the *New York Herald Tribune* and *Time* magazine at Mr Eisenhower's latest holiday. The general feeling is that next November, if the Republicans are not beaten over sputnik, they will be beaten over a recession or over something else, but that at any rate they will be beaten.

This prospect naturally excites Democratic hopes. Senator Lyndon Johnson tells liberal newspapermen that he is really a liberal at heart and that he will prove it once he can get a Democratic majority in the Senate that is not dependent on such extreme conservatives as Senator Byrd and Senator Eastland. The congressional elections in November may give Mr Johnson his opportunity. But the one requisite that the Democrats most obviously lack to crown their success is a plausible approximation to a presidential candidate. As the aforementioned Mr Jerry Carter told the Congressmen:

> The truth about the matter is that we have never had a Democratic party. The only thing we have had in America is a great and gorgeous banner, emblazoned with the noble deeds of Jefferson, Jackson, Wilson, Roosevelt, Truman and other Democrats, under which all the independent thinkers, the idealists and sentimentalists and patriots and soreheads and the disgruntled get together and fight each other until the common enemy heaves in sight and then there arises from among them one who can attract all these various schools and get them to concentrate on the common enemy, the Republican party.

Despite the frequent listing of more than half a dozen "eligible" names, there is not yet any clear sign of such a man.

Calling Up Some Reserves

LAST week the Federal Reserve Board, prodded by the Administration and by its critics in Congress, moved to increase the supply of money for the first time since 1954. It ordered a reduction of ½ of 1 per cent in reserve requirements, the proportion of their deposits which member banks must keep at the Federal Reserve Banks. About $500 million of reserves will be freed, a sum capable of supporting a $3 billion expansion in bank credit.

A special survey made for the board had shown that, while bank credit in general was adequate, individual banks continued to be hard-pressed. All will profit from the relaxation, which is just about enough to cover the normal mid-March increase in loans to business (partly for tax payments) and the needs of the Treasury for new money. Now that the debt ceiling has been raised from $275 billion to $280 billion, the Treasury plans to borrow at least $3 billion in April; already this week, on the very day after lower reserve requirements went into effect for city banks, it has offered investors $1.25 billion worth of 8½-year bonds at 3 per cent. A few weeks ago the Treasury had to pay 3 per cent for six-year money, but interest rates have continued to ease; the Treasury bill rate this week was 1.2 per cent, the lowest in three years.

Many bankers complain that the cut in reserve requirements is too small and came too late to help them. With the falling off in demand for business loans, they have plenty of funds to lend. Even before the reduction, the banks as a whole had free reserves of $439 million. It is true that during the last recession, in 1953 and 1954, reserve requirements were cut first by two and then by one per cent. But then they stood at a higher level. Moreover, a series of small reductions makes for smoother adjustments in the bond market. And finally, the Federal Reserve Board remains free to give or withhold the second half per cent as the economy seems to require.

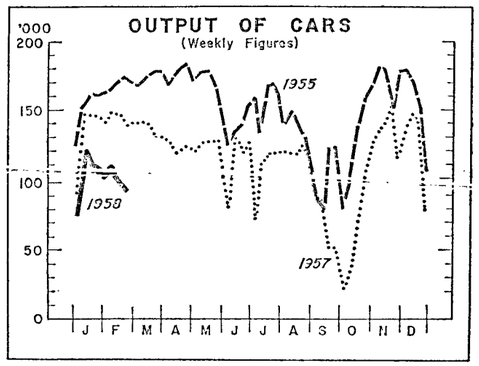
Mr Martin, the chairman of the board, is not quite as optimistic as the Administration. He does not expect an upturn in business to begin until the late summer, and he is flatly opposed to any so-called rescue operations—such as tax reduction or heavy spending on public works—which would postpone the adjustments which he thinks must be made, particularly in prices, before recovery can get underway. The latest increase in the consumers' price index, which brought it to a new peak in January of 122.3 per cent of the 1947-49 base, is due chiefly to the weather which has ruined many southern fruit and vegetable crops. But even without the blizzards, the looked-for down-turn in prices probably would not have materialised.

Detroit on a Diet

THIS week's temporary shut-down of the American Motors Corporation's assembly lines is the fault of the bad weather, which has interrupted deliveries, and does not apparently mean that the company has been forced on to the same starvation diet as the rest of the automobile industry. This small firm, producing a domestic version of the little foreign cars which doubled their sales and their share of the market in the United States last year, is the one American company which has been doing really well this year. Although it has sold only about 3,000 of its Rambler cars since the beginning of 1958, this is 65 per cent more than in the comparable period of 1957, while the industry as a whole has sold 22 per cent fewer cars this year and average sales, running below 15,000 a day, have been worse than at any time since January, 1954. Spokesmen for the big companies contend that this is because the public, worried by threats of missiles abroad and recession at home, is psychologically inhibited from buying. They obstinately refuse to admit that part of the fault may lie with this year's higher prices and over-large, over-ornamented models, in spite of the contrary evidence provided by the growing taste

for the simple and comparatively cheap Ramblers and foreign makes.

Stocks are piling up in dealers' showrooms—850,000 or so unsold cars, enough for two months instead of the normal one—in spite of the cuts in output which have meant short working hours, closed factories and substantial unemployment. In Michigan, the heart of the motor industry, 11 per cent of the labour force, twice the average for the country as a whole, was out of work early last month and there have been substantial lay-offs since then. But for the manufacturers, at least, there is some comfort, since these unsold stocks of cars put them in a strong position to resist the



automobile workers' coming demands for heavy increases in compensation, even should this mean a strike when the present contract expires at the end of May.

That the employers are ready to be intransigent this year is indicated by the firm stand now being taken by the Chrysler Corporation, which has been doing even worse business than its competitors, in a dispute over production standards and work speeds. But the trade union itself also seems to be thinking of adapting its menu for the bargaining with all five motor companies to current conditions in the industry. There is a possibility that the controversial profit-sharing proposals, which were to have given this year's negotiations a new look, may be abandoned and that the demand may be revived for a shorter work week at the full forty hours' pay, possibly accompanied by some form of compensation when only part-time employment is available. This would push up wages when less than forty hours are being worked, as at present, and would mean greatly increased overtime earnings when the industry picked up again.

Senator Kennedy's Head Start

FROM A CORRESPONDENT IN BOSTON

MR JOHN KENNEDY, the appealing young Senator from Massachusetts who electrified the country in 1956 by nearly nosing Senator Kefauver out of the Democratic vice-presidential nomination, is now out in front in the running for the Democratic presidential nomination in 1960. Polls of the Institute of Public Opinion, published last month, not only showed that Democrats greatly preferred him to Senator Kefauver as their candidate, but also suggested that he would win, if Vice President Nixon were the Republican candidate, and by a bigger margin than the party's twice-defeated candidate, Mr Adlai Stevenson, would win if he ran yet again.

The fact that Senator Kennedy is being seriously discussed for the nomination at this unnaturally early date is due primarily to his own tactics; he has no use for the classic American approach to public office, which is to be coy and to deny interest in it until the last possible moment. Moreover, his father, Mr Joseph Kennedy, a former Ambassador to the United Kingdom, has the financial resources to keep the publicity mills grinding for the next three years, if necessary. The young Senator has made a swing around the country already, giving speeches at carefully chosen places; and in his home state he has enthusiastic support.

The most interesting aspect of the Kennedy boom is his relationship to the South. In 1956, at the Democratic convention, Senator Kennedy became overnight the darling of the southern Democrats in their desperate effort to defeat Senator Kefauver, whom they regard as a renegade. The young Senator from Massachusetts lost by a mere 38½ votes after his courageous stand on farm policy in the Senate caught up with him. This political love affair might have been short-lived. But Mr Kennedy has been as deep into the South as Mississippi in the last few months and at a meeting of politicians and party workers at Jackson, he was given an ovation. Elsewhere in the South the reception has been cordial, even warm.

Many observers believe that Senator Lyndon Johnson, that consummate politician, is encouraging the southern boom for Senator Kennedy with an eye to having him as a running-mate in 1960. Certainly Mr Kennedy is trying hard to accommodate himself to the South. On one of the first important divisions over Negro rights last year the Senator from Massachusetts voted with the South. And in his speeches he has been careful: at Jackson he stood up courageously for "law and order" when questioned about the dispatch of troops to Little Rock, but it was not the more liberal answer he might have given in the North.

The great question is how great a handicap his Roman Catholicism would be in the predominantly Protestant South with its Ku Klux Klan tradition. In 1928 the "solid South" split over Governor Alfred E. Smith, of New York, who was also a Roman Catholic. Southern politicians today are more tolerant; so is the country as a whole. But no one knows whether the average voter in the militantly protestant South would accept a Catholic candidate today.

ON the other hand, in the northern cities where European immigrants settled, the fact that the Senator is a member of a once-persecuted minority would be a real strength—and he has many others. Voters of all kinds tend to see him as the "all-American boy" with his shy smile, handsome profile, educated accent and spectacular record of war heroism. It has been quite evident that he has a special attraction for the "women's vote." Moreover, he has a genuine intellectual appeal; he is well educated and is not afraid to show it or tempted to talk down to the masses. His book "Profiles of Courage" stayed on the best-seller lists for months on end. He is internationally minded and both courageous and clear-thinking on foreign affairs. He has been called a conservative for his opposition to costly farm subsidies and his criticism of trade union leadership, but he is no penny-pincher where defence or aid to the aged is concerned, and he favours revision of the immigration law.

Nevertheless, there are obstacles beside his religion in the way of Mr Kennedy's candidacy. Some shrewd political observers believe that these will eliminate him as a serious contender. One is his youth ; he will be only 43 in 1960. This may not be fatal, as Mr Nixon, the most likely Republican candidate, will be only 47. One real trouble is that the Senator has committed himself so early that it will be difficult for him not to lose momentum, even though his campaign for re-election to the Senate this year will bring his name back into the headlines. But his greatest handicap is that he is a Senator. This means that for the next three years he will be in a completely exposed position ; day in and day out he must stand up and be counted in vote after vote. As he is a man of principle, it will be most difficult for him to avoid unpopular positions. Furthermore, once the party conventions meet, the Representatives and Senators tend to be elbowed aside by the Governors and their state machines. This is the reason why the Republican Senator Knowland, who also has presidential ambitions, is leaving the Senate to run for Governor of California.

Oil Helps Itself

THIS month, exactly a year after the Texas Railroad Commission belatedly recognised the Suez crisis and allowed oil wells in the state to produce at a record high rate of 3.9 million barrels a day, a record low rate of output has been set: 2.5 million barrels a day, a cut of one-sixth from February and the equivalent of only nine days' flow in the month if the wells produced at their full official capacity. This drastic cut in the state which is responsible for over 40 per cent of the domestic output of crude petroleum means that it will be necessary to draw on surplus stocks to keep refineries operating at their present low rate, a rate which many experts think should be reduced still further. With domestic consumption of petroleum products running 5 per cent below a year ago, and with exports also much lower, it is generally agreed that it is essential to get rid of the excess supplies in this way if the price structure of the industry is not to be undermined. Prices of crude oil have already begun to follow the downward example of refined products, but where oil is concerned demand depends not so much upon prices as upon general economic conditions. Since these are not expected to come to the industry's assistance for some months, it has had no choice but to help itself by cutting output.

At the Texas hearings unusual unanimity in advocating this unpleasant remedy was shown by the independent oilmen, who are engaged only in production and not in the refining or marketing branches of the business and who normally oppose cuts in output. They are also the men who have long advocated restrictions on imports of oil and they seem certain to demand that the importing companies share the sacrifice which the rest of the industry is now making for the sake of its future. This will probably bring pressure for further reductions in imports and for these to be made mandatory rather than voluntary as at present. The case for legal restrictions has been strengthened by the discovery that three importing companies have been making no attempt to keep to the voluntary quotas set for them, and that some twenty other companies which have not so far been importing have now asked for quotas to be allotted to them.

No Change in Virginia

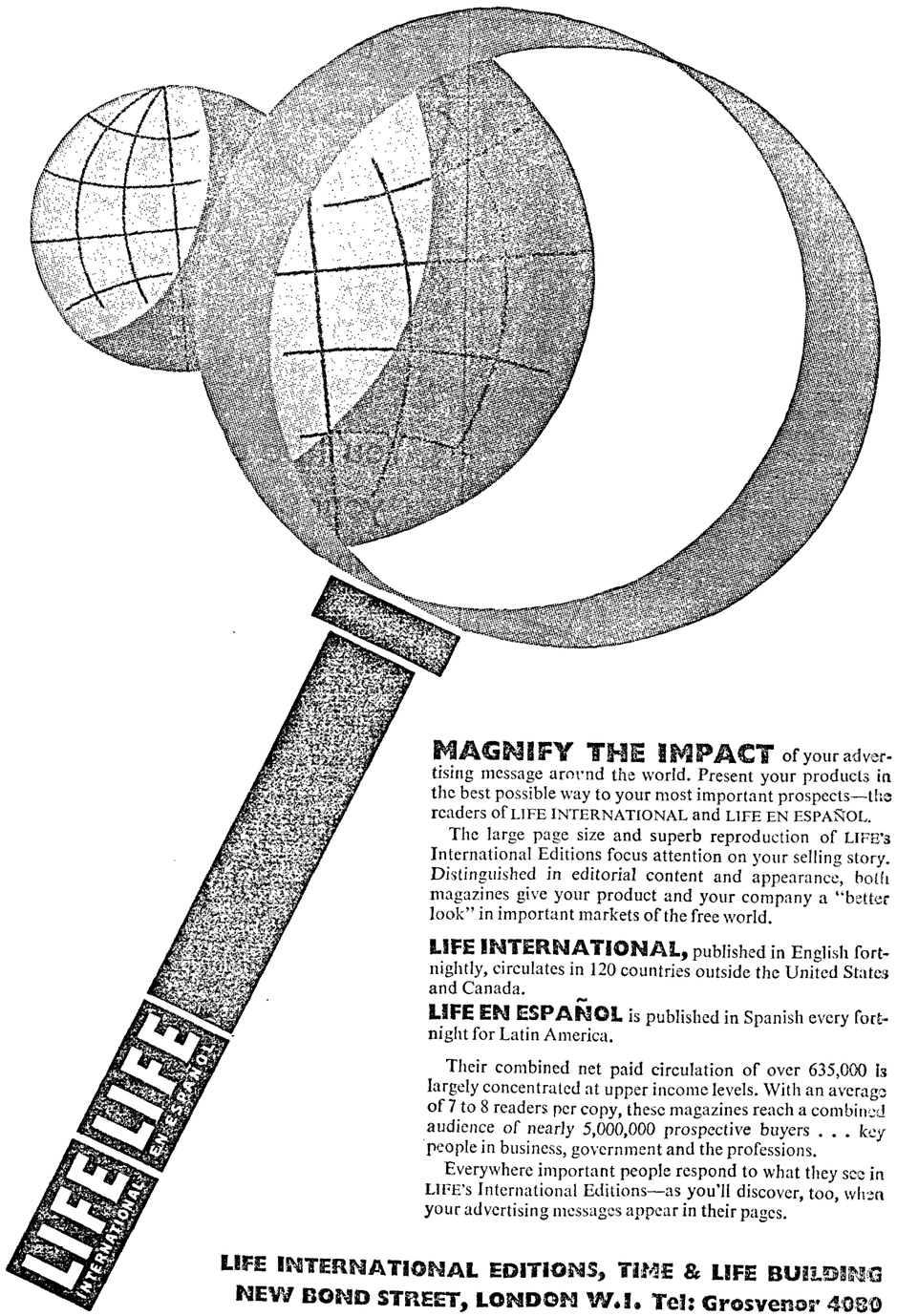
LIKE many conservatives, Senator Byrd has come rapidly to the conclusion that neither the Senate nor Virginia would be the same without him ; he has decided after all not to retire and this, in a state ruled by the all-powerful Byrd machine, is equivalent to re-election. He will still be at Virginia's helm, therefore, when the state which leads the South's "massive resistance" to educating Negro and white children together finally exhausts every legal means of delay and faces the inevitable collision with the authority of the federal courts. In all probability this will be next autumn. By then four school boards will be under final court orders to begin admitting Negroes into white schools —if the Supreme Court manages to deal in its present session with the case of Arlington, a suburb of Washington which a fortnight ago lost its appeal to a lower court.

The new Governor, Mr Almond, who was elected last November, has no choice but to embrace the racial policies of Senator Byrd and has been busy shoring up the weak spots in their legal framework. He has asked for, and certainly will be given, power to close any school if federal troops are brought in to enforce a court order, as they were at Little Rock ; he is also seeking authority to make it impossible for local school boards to permit integration, even if they pay for the schools out of local funds. Under the present law, state funds are to be cut off and the school closed if it mingles races. Mr Almond insists that no integration even of a token variety will be permitted, although Mr Dalton, his Republican opponent last November, believes that, unless Virginia makes some concessions, its whole wall against the Negro children will come tumbling down.

Three of the state laws passed in 1956 to hamper the work of the National Association for the Advancement of Coloured People have now been declared unconstitutional, but the legislators in Richmond are busy thinking up new ones and throwing up defences against the NAACP's drive to increase the number of Negro voters in the South. Attempts are being made to refurbish the provisions of the State Constitution adopted in 1902 to prevent Negroes from voting ; they include a rule that, when voters come to register, they must simply be given a blank sheet of paper on which to write, without any help, the nine pieces of information required. As voters already on the register need not register again, whites would not suffer very much. But such practices fly directly in the face of the civil rights law passed by Congress last year and anger many Americans who do not feel so strongly about enforcing integration in the schools.

Splash in RCA's Pool

IN 1954 the Department of Justice, which under the Eisenhower Administration has taken its anti-trust duties seriously, launched a civil suit against the giant Radio Corporation of America, charging it with monopolising patents in the field of radio and television in the United States. That suit has not yet come to trial, but last week Mr Rogers, the new Attorney General, proved his mettle by bringing up bigger guns—a criminal suit under the



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Sherman Anti-trust Act which alleged, in addition to the earlier charges, that RCA conspires with foreign cartels to divide up international markets and that it has monopolised patents on electronic devices necessary to American defence, such as radar, sonar and instruments used in guided missiles. RCA is said to have stifled research and development by refusing to license its patents except in packages too large for many licensees; to have kept imports into the United States of radio and television receivers down to a trickle; and to have conspired with other big American firms to end competition in patents. No one can manufacture an electronic device, the indictment charges, without paying tribute to RCA.

RCA's practices have been under investigation since 1932, but no Democratic Attorney General cared to come to grips with a financial giant which also wielded great political influence; the Democrats did not need to prove—as the Republicans do—that they are ready to punish big business if it breaks the law. RCA has assets of $700 million; it owns the National Broadcasting Company, one of the big radio and television networks, manufactures $300 million worth of gramophones, and radio and television sets, and produces about $200 million worth of electronic equipment for the Department of Defence every year.

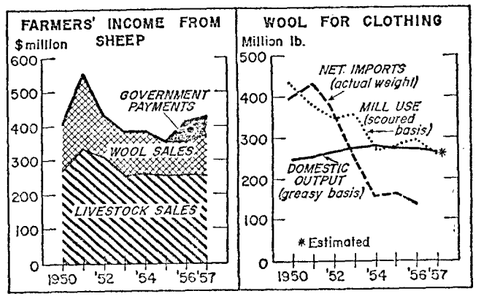
A civil suit, such as the one brought in 1954, is designed to force a company to abandon illegal practices and can be settled by agreement. A criminal suit is punitive; it is usually brought when the offences are of long standing and the Department of Justice wishes to discourage other firms from similar practices. If RCA is found guilty on all four counts, it can be fined $200,000—not a large sum for a corporation with annual sales of over $1 billion. But a criminal conviction encourages private competitors to bring anti-trust suits for damages, and these can be substantial. It will be worth RCA's while if it can prove what its officials contend—that for years it has "licensed all-comers" and thereby promoted competition.

Following the Sheep?

WITH both the Administration and the sheep farmers united in advocating an extension of the Wool Act of 1954 for another four years, and perhaps indefinitely, and with nearly half the Senate backing the measure, it is unlikely that Congress will refuse to pass it, even though the Act has not achieved its prime purpose. This was to bring production of wool in the United States up to 360 million pounds a year; it seems in fact to have stuck at an annual rate of about 270 million pounds, but at least the rush to get out of sheep-farming entirely seems to have been checked. The Act, a Republican measure, set up a unique method of subsidising wool output, by production or incentive payments, borrowed from the so-called Brannan Plan, first floated by the Democrats in 1949 for all types of farm products and immediately sunk by congressional criticism—although not without trace.

Under the wool scheme farmers sell their output at market prices and the government then makes up the difference between these and the support price. The average support price has been 62 cents a pound, with the average market price falling as low as 43 cents in 1955, the first year of the programme, and recently running at about 50 cents. In order to encourage better grading and preparation of wool at the source and to reward the more progressive farmers, the difference is calculated, not as a flat rate, but as a percentage of the price actually received by the farmer, so that the man who sells his wool at the highest price also gets the highest subsidy. The subsidy is paid out of a special fund into which goes 70 per cent of the receipts from the duty on imported wool.

One of the virtues of the wool programme is that it protects the American producer without interfering with



foreign trade, as would an increase in the tariff, now set at 25.5 cents a pound on raw wool. Such an increase would also make wool and woollen goods more expensive and mean that an even larger share of the market would be lost to the synthetic fibres. It is interesting that a similar type of subsidy has recently been suggested as a possible alternative to the higher tariff now being demanded by American lead and zinc producers.

Orientals Turn West

FROM A CORRESPONDENT IN CALIFORNIA

LAST month San Francisco's Chinatown greeted the new "Year of the Dog" without the squibs which were traditional for Chinese festivals but are now forbidden under the same safety regulations which have long banished such fireworks from most of the national celebrations of Independence Day. This is just one of the many ways in which America's Oriental communities are losing the immunity which they have long enjoyed from the standards of the country as a whole. These Orientals have been the least mixable ingredient in the American melting pot. Their own lack of desire to be absorbed into the general population was encouraged by the hostile racial attitudes of the white community, whose bitter and violent opposition when they first arrived led them to withdraw into "Chinatowns" and "Little Tokyos" in many large cities.

There the Orientals were permitted a remarkable degree of autonomy and independence by the white society, which looked upon them as inscrutable but harmless as long as their bizarre activities were kept within the confines of their ghetto-like settlements, where living and working conditions continued to be scandalously below the standards of the rest of the country. In recent years, however, the common inclination of younger generations to break away from the pattern of their immigrant elders has been powerfully assisted, among the Orientals, by the disruption of their

ties with their homelands, by the relaxation of racial prejudices and restrictions by the white population, and by the withdrawal of their long immunity from outside interference. All of these are eating away at the isolation of America's Oriental enclaves.

Although there are Chinese and Japanese in most large American cities, more than half of the 142,000 Japanese and 118,000 Chinese counted in the 1950 census lived on the Pacific coast, mainly in California, near their original ports of entry. San Francisco's Chinatown is the largest Oriental settlement in the western hemisphere. Its present population is estimated at 30,000 although it is believed that in it and the other Oriental centres there are many more people than have actually been counted.

THE Chinese first began to arrive in the United States in numbers over a century ago, when they were imported for use as coolie labourers on the building of the transcontinental railways. Within twenty years there were so many of them that white workers began to protest violently against their employment on farms and in mines and factories. The first of a series of Oriental Exclusion Acts, to keep out Chinese immigrants, was passed by Congress in 1882, and the Chinese already in the country retired into closed communities. Their contact with white society was mainly through their curio shops and restaurants and those who ventured out to become domestic servants and launderers still considered Chinatown their domicile, to which they returned whenever possible. Left to itself, San Francisco's Chinatown became a centre for gambling, narcotics and prostitution and the scene of violent wars between rival tongs, or family associations. The fire and earthquake of 1906, which destroyed its labyrinthine buildings, ended the worst of its clandestine activities and the ruling family associations undertook to provide responsible government, with the tacit approval of the city authorities. The police maintained only a special token force in Chinatown and most private litigation was brought before the family associations rather than the appropriate civil courts.

The Japanese, imported in quantity as farm labourers in the eighteen-nineties, also soon encountered hostility and discriminatory legislation, culminating in their total exclusion from immigration and land ownership thirty years later. Like the Chinese, they settled in ghetto-like communities in large cities and also formed many close-knit and very successful agricultural communities specialising in vegetables, fruit and flowers. The settled existence of the Japanese on the Pacific coast was abruptly ended with the attack on Pearl Harbour. After that they were forcibly interned in inland centres until the end of the war, a measure which had an aura of injustice and thus helped to bring about the complete repeal, in a spirit of compensation, of most of the various anti-Oriental laws.

Many interned Japanese did not return to the Pacific coast, however, but went to eastern and midwestern cities. There, as well as in the west, they are entering the general community as office and professional workers and as technicians. The many who did go back to the land in California now tend to engage in the agricultural industry as individuals rather than to belong to closed communities. In the former Japanese quarters of San Francisco and Los Angeles, a few restaurants and shops selling imported Oriental articles are the only relics of the much more populous settlements that once surrounded them. With the exception of intermarriage, which is still uncommon (and illegal in many states), the Japanese are participating in the general community as individuals uninfluenced by their racial heritage. In fact, except as importers, they are remarkably unassociated with two current American fads borrowed from Japan: the craze for Japanese designs among interior decorators and architects, and for Zen Buddhism among the intellectuals.

Even the sale of Japanese curios has been usurped by the canny merchants of Chinatown, who have been robbed by the fortunes of international affairs not only of a homeland but also of a source of merchandise. The Communist triumph in mainland China cut off all intercourse with the United States, and traffic through the Hongkong loophole is heavily policed, so the tourist bazaars have now little but Japanese goods to offer. The residents of Chinatown are genuinely unconcerned with politics, but dutifully they display anti-Communist signs and try to conceal their distaste for Marshal Chiang Kai-shek and his Formosa colleagues, who do not come from the same parts of China as the Chinese-Americans. Most of these are from a small coastal area in South China, with different traditions and speaking different dialects; Madame Chiang, addressing her "countrymen" on visits to Chinatown, must employ an interpreter. Nor is there much contact between the Chinatown Chinese and the several thousand recent refugees from Communism who, wealthier and more cosmopolitan, tend to become a part of the white community.

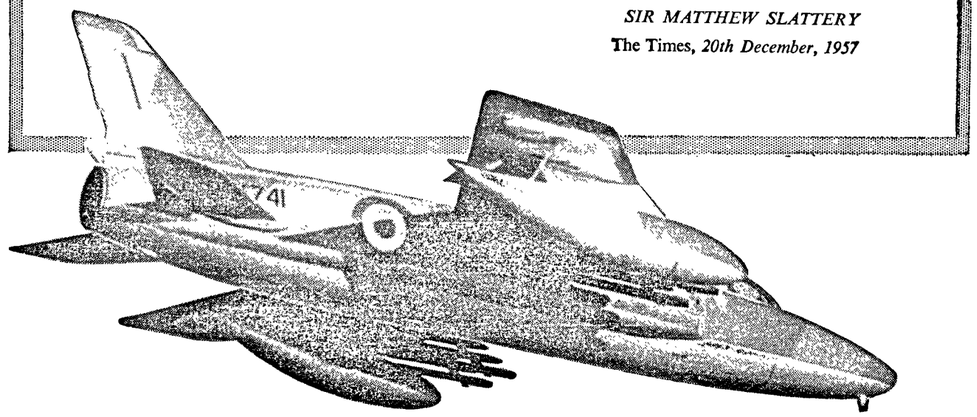
IT is this capacity of the Chinese-Americans to triumph over adversity, however, which may end the long autonomy of Chinatown. Aided by its relative freedom from outside supervision, the Chinese community seems to have been engaged in organising illegal immigration on such a scale that perhaps half of the present Chinese population may have come in in this way. Chief among the fraudulent devices employed was an ingenious "slot" system made possible by the frequent prewar visits of Chinatown merchants to their homeland. Upon his return, the merchant (whose own proof of citizenship, he might claim, had been destroyed in the 1906 fire) would record the birth of one or more children to his wife in China. The children, usually boys, were entitled to American citizenship because of their parentage, and thousands of them subsequently appeared to claim entry. There seems to have been widespread buying and selling of the immigration "slots" corresponding to these many children, and elaborate machinery in Hongkong for the recruitment of would-be immigrants whose age and other qualities (even to the required parental blood-type) could satisfy the increasingly vigilant American authorities. Unable to pay the $2,000 to $3,000 demanded for his "slot," the immigrant often arrived in the United States almost as an indentured servant and was subject to blackmail and extortion because of his illegal status.

As persistent investigation in the United States and Hongkong began to disclose the magnitude of the traffic and to implicate individuals in the Chinese-American community, more evidence began to emerge voluntarily from Chinatown. This collapse of its internal cohesion, which accompanied the invasion of its mysterious precincts by outside authority, suggests that the Chinatown of the past is unlikely to endure except as a commercial enterprise operated by young Chinese who drive in from the suburbs (as some do now) to sell Japanese goods to the tourists.

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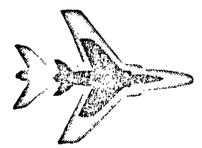
SIR MATTHEW SLATTERY
The Times, *20th December, 1957*



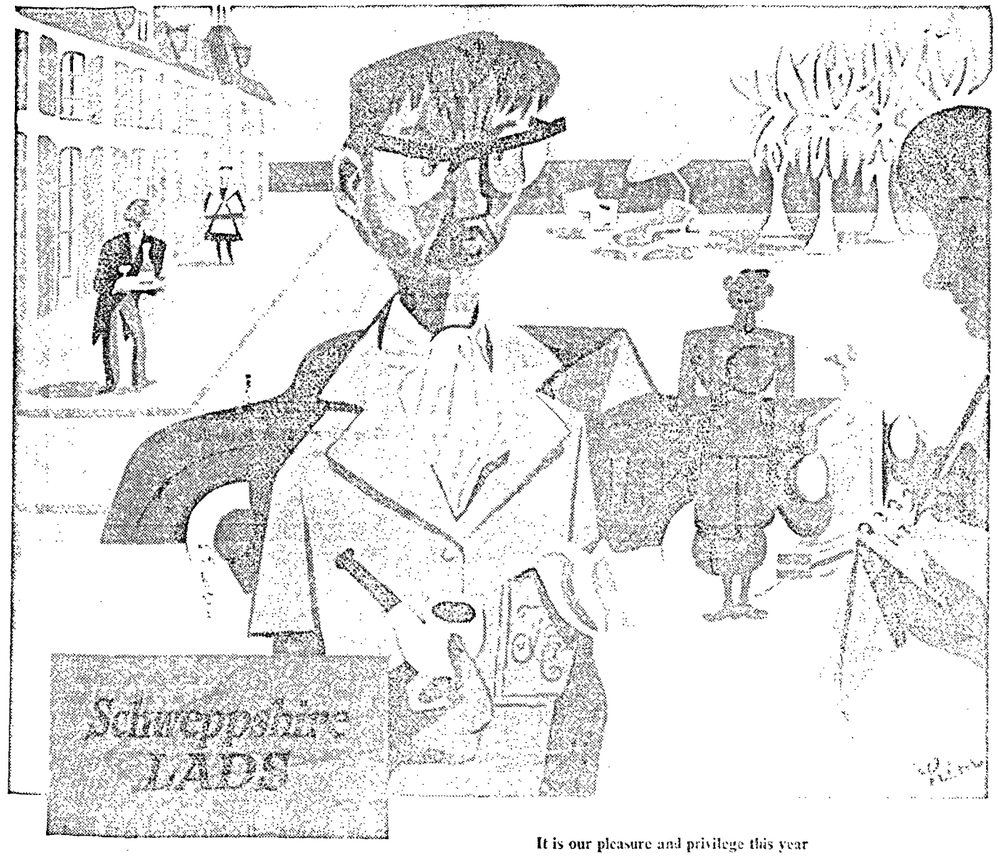
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After a happy year as a gnome-carver's apprentice, Crate was soon writing books all about pleasant subjects with titles like *Sunset over the Rushes* and *Cotswold Cupid*, which mixed up young people with nature, but in a harmless way. The only sadness in his life was that none of these books sold more than 450 copies.

How did the change come? It may have been the occasion when he became so tremendously nice to his mother that she got fed up and called him sloppy-chops. Then there was the unexpected effectiveness of his reply—"You nasty old hay bag". There was the sensation, leading to quite a big sale, when his "Birdsong and *Dawning*" was misprinted as "*Yawning*," trebling the sales. Anyhow it was about this time that Crate suddenly achieved a successful Angry Young Manhood. He wrote a novel showing up, in exceptionally thin disguise, the rottenness of his prep. school: he created a new philosophy in his *No Go:* he cut his aged Father dead "because", he said "of his unpleasant limp". Everybody loved it, everybody bought his books, and he now lives in luxury, more tremendously angry than ever, although every now and then, behind locked doors, he arranges flowers, pats the head of his Alsatian, and writes secret letters, which he never posts, to his sweet old nurse.

Written by Stephen Potter; designed by George Him

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

THE WORLD OVERSEAS

Free Trade Area: The French View

FROM A CORRESPONDENT

MARCH looks like being the cruellest month in the wasteland of the free trade area talks: the French memorandum, which has been presented this week to France's common market partners, will, as seemed likely, bring the latent crisis to a head. It expresses very clearly the distaste of French opinion for the free trade area and the awareness of the negotiators that they must coat it thickly with concessions to make the Assembly swallow the pill. On a larger scale still than the common market talks among the Six, the free trade area talks among the seventeen will be a tale of French conditions for avoiding another fiasco like that of the European Defence Community.

The three main new points in the French memorandum seem to be: first, the French government has worked out its ideas sufficiently to commit itself to negotiating; second, imperial preference is, though indirectly, called in question; last, it is proposed that where there are special problems (nearly everywhere), different sectors of industry should be opened to free trade at different rates, corresponding to the difficulties of ironing out "inequalities of competition" in each. The last two, added to old chestnuts such as a time-lag between the opening of the common market and that of the free trade area, show what a chasm must be bridged if anything is to emerge from the talks. To make the new plan acceptable to their home opinion, the French propose to change the title of free trade area to the less bedraggled "European Union for Economic Co-operation."

This title is obviously meant to convey the French distaste for mere free trade compared with political unity, and the determination that wherever the free trade area falls short of the common market's standard of virtue, compensation will be extorted for its sins of omission. This is an old idea, and French experts were peddling it as long ago as September. The demand for a time-lag is one instance of this approach. Another is the notion of clapping "compensatory duties" on "artificially" low-priced goods invading the common market from the outer ring of free trade area countries.

What is new in the French memorandum is the discovery of another and politically more explosive form of compensation: that imperial preference should be partially extended to exports of the Six to the Commonwealth. The argument runs as follows: the French will open their markets to British industry without hope of reciprocity. They might have had some compensation in the British food market; but Britain has shut them out of it in the name of the Commonwealth. They accept that; but in return for this lead of one-sided arrangements they demand that Britain should open wider the door to its export markets in the Commonwealth. The Commonwealth countries will not object—far from it—to European exporters selling goods in competition with British in their shops. So let the continentals have a quota of goods which they can sell, say to Australia, at the imperial tariff. The amount and kind of goods will be a matter for negotiation.

That is the theoretical argument; the practical one is slightly but significantly different. The French have discovered that they are no keener on having agriculture truly in the free trade area than are the British: the risk of letting competitors in on their long-term contracts with Germany would be too great. That leaves room only for minor agreements for selling wine, fruit and vegetables to Britain—a juicy prospect and a consummation much desired, but only a limited harvest. Agriculture, in the wider context, is a secondary question (that the negotiators have argued over little else for weeks is a comment on the enthusiasm with which the talks have been conducted). Industry, in any case, is not directly interested in it, except as an alibi. But it is interested in Commonwealth markets. Cars, for instance: the French, in January, came near to British and German levels of output. They want to extend their outlets for this booming production. Where better than in Australia? French industry generally has been running hard the theme that Britain, at the crossroads of Commonwealth and free trade area, would be able to expand its industries and finally crush all European rivals bar Germany, by its mere size—especially as American investment would gravitate to Britain. There is a good deal in this argument about imperial preference, though not as much as French industry puts into it.

More light is cast on the real motives of French industry by the second innovation of the memorandum: the proposal that in difficult cases free trade should come to hard-pressed industries at different rates, in direct proportion to the speed at which conditions of competition are "harmonised" (this does not quite mean "equalised," but implies that all trade "distortions" be eliminated). The idea behind this employers' demand seems to be that textiles, chemicals, non-ferrous metals and, if steel prices are not "harmonised," some forms of engineering, too, should enjoy a special regime. This is where French protectionism openly rears its head.

The question obviously arises, do the French wish the free trade area to fail? A recent debate in the economic council (where all economic groups, including trade unions and university professors, are represented) showed that there is no French defender of the free trade faith on economic grounds. But there are considerable divergencies of view, nevertheless. On the surface it might seem at the moment that industry would be happy to see the free trade area proposal break down. But this intransigence is not as unanimous and does not go as deep as would appear;

beneath it, there is an undercurrent of disquiet at the idea that there might be no association with Britain at all.

In the Assembly, the prospect for the free trade area is uncertain. Last week the independent conservative ministers in the government pressed for the breaking-off of the free trade area talks. As every French government in this legislature has been overthrown by the independents, their opposition is not to be discounted and already many people are wondering if the free trade area, even rebaptised, can pass unless the Communists abstain. A free trade area on the sufferance of M. Thorez is a bleak as well as an uncertain prospect.

There are still, however, several reasons for hoping that the French Assembly will not reject a free trade area agreement as it did the European Defence Community ; there is perhaps a fifty-fifty chance. One reason is that many leaders, especially the Socialists and Catholics, men like M. Mollet or M. Pflimlin or even the prime minister, M. Gaillard, are anxious to avoid a political breach with Britain. As for the French negotiators, from M. Maurice Faure downwards, they are anxious for the talks to succeed. The second favourable factor is that it is becoming clearer in Paris that all France's common market partners, including Italy (could that be Mr Maudling's hard work ?) are of the same mind. The atmosphere in the new common market bodies at Brussels is animated by a will to produce something positive. This is new, and will certainly influence events, though in the last ditch the other five will probably feel forced to stand by France, on the principle that nothing must undermine the common market.

Because of this painfully even balance of forces, the methods of negotiation will be important. M. Maurice Faure, now that he has presented his dossier to France's partners, will " take his pilgrim's staff " and tramp round their capitals to convert them to the French view. He may get some support for the claim to share the benefits of imperial preference. The Italians, under Fiat's influence brought this matter up long before the French. But the five are not likely to be delighted with the sector-by-sector approach or with the idea of the time-lag. If the governments of the six common market countries fail to agree, M. Faure has suggested that they employ the good offices of the executive commission of their community, which will have as its first big task to work out a joint approach. The French memorandum, transformed or not, would then become the joint proposal of the Six. The French government then apparently means to hold a debate in the Assembly on it, in much the way that M. Mollet put the common market draft treaty to the Assembly before the final negotiations. This method, half political wisdom, half negotiatory knout, served them splendidly with the Six, and now they will try it on the Seventeen. So the weeks until March 31, when OEEC is to consider the French draft, will clearly be critical.

Germany's New Soldiers

FROM OUR BONN CORRESPONDENT

SOME 130,000 west Germans are now serving in the federal armed forces, of whom roughly 16,000 are conscripts and 80,000 are in the army. Mindful of the tumble taken by his too-eager-to-please predecessor, the minister of defence refuses to bind himself to dates and figures ; but Herr Strauss probably would not quarrel with the modest estimate that 185,000 men will be in the services by the end of this year. Remarkably unobtrusive in dress and conduct, German soldiers no longer excite attention, as they did not so long ago, by the mere novelty of their reappearance on the daily scene.

Yet their corporate development behind the scenes is still arousing a good deal of healthy public curiosity ; and in recent weeks questioning citizens have observed what they suspect to be three unhappy portents. These are: firstly, the posting of an original-minded and successful staff colonel in the defence ministry at Bonn to regimental duties near the zonal border ; secondly, the debate over the future of the committee appointed by the Bundestag to approve the first senior military appointments ; and thirdly, the unconscionable delay in the appearance of the much-heralded Bundestag defence commissioner.

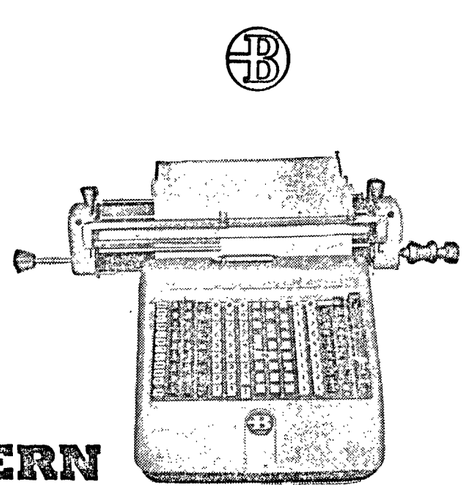
For five years Colonel Wolf Count von Baudissin (a regular and once a staff officer to Field Marshal Rommel) has been at the head of the defence ministry's sub-department IV-B, whose unique functions are cryptically catalogued as *Innere Führung*. There is no neat and accurate English rendering of this pregnant and mystic label. Colonel von Baudissin, who speaks English pretty well, tentatively recommends " psychological warfare in your own sphere—creative, not destructive." It is probably as near a translation as any. The object of *Innere Führung* is to produce soldiers of value to a democratic state—a fellowship of armed compatriots, who, being equipped morally and politically as well as materially and technically, are in all the better fettle to withstand the totalitarian tendencies that have been Germany's bane in the past and that may yet threaten it again, either from within or from without.

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The methods of *Innere Führung* are many and various. Directives and instructional literature, including library books and discussion pamphlets (rather like the War Office's publications on current affairs) emanate from department IV-B. *Innere Führung* officers at the defence ministry also have a say in weighting the courses at all Bundeswehr training schools. In the field, full-time *Innere Führung* officers are appointed as far down as brigade and at district commands. In the regiment every officer and nco is supposed to make it his business to see that training and routine conform as far as practicable with the principle nailed gallantly to *Innere Führung's* mast—that the average soldier is all the better for being treated as a thinking human being.

Colonel von Baudissin's special pride and hope is the *Innere Führung* school at Coblenz, which he is doing his utmost to establish as an unskippable stepping-stone to all promotion. Already he has contrived to have it officially laid down that every general shall spend one week a year at Coblenz, brushing up his citizenship and humanity ; that every sergeant-major shall spend seventeen days there at least once in his career ; and that all potential battalion commanders and staff officers shall take the standard six weeks' course. Lectures occupy less than a quarter of the Coblenz curriculum ; the greater part of the time is spent in group discussion.

The first ten days of the six weeks' course are devoted to the study of communist theory and its practice in the people's democracies—" Pankow week," Colonel von Baudissin calls it, the talk naturally turning largely on the German Democratic Republic and its government in east



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Berlin. "What would you say," the colonel likes it to be asked of students at this stage, "if you were stationed near the zonal border and some of the men under your command who had happened to pick up an east German television programme exalting the 'people's army' were to say 'Now that's something like! None of that Baudissin nonsense over there'?"

Needless to say they would not be the first to express contempt for *Innere Führung*. Colonel von Baudissin has opponents in high places who still have no fault to find with the orthodox traditions of Potsdam and the Bendlerstrasse. If they have not played a part in bringing it about, some of them at any rate are not regretting his planned transfer from Bonn in May to command a battle group that is being newly formed in the Göttingen area in July. Although Colonel von Baudissin loyally affirms that he is being given a breather at his own wish, and has been promised that he will be allowed to resume his present work, it seems strange to many that a driving force of his unusual kind should be removed from this formative post just as the Bundeswehr is coming into its stride.

Colonel von Baudissin maintains that the survival of the healthier spirit which he is trying to foster in the new armed forces depends in the long run upon the vigilance of parliament. Until now vigil has on the whole been conscientiously kept. But the committee of 38 civilians and ex-officers which the Bundestag set up in 1955 to approve all service appointments carrying the rank of colonel and above has now completed the task originally envisaged. (Out of 600 candidates the committee has accepted 486 without and 14 with reservation, and has rejected 100, including seven former generals and two admirals.) There being now enough aspirants within the Bundeswehr for senior promotion, the committee's future has been in dispute. While a number of deputies have held that it should be kept in existence and its powers so adapted that it may still exercise control over key appointments, the right-wing German Party has urged its dissolution. The Bundestag defence committee reached a tentative compromise this week according to which the adjudicators shall remain on call to weigh any candidates for senior appointments still coming from outside the forces. It will be interesting to see what use, if any, is made of them; interesting, too, to learn the name of the first holder of the office of defence commissioner, whose appointment has been imminent for more than twelve months. It is intended that the defence commissioner shall keep watch for parliament on the workings of *Innere Führung*, that he shall have access to all military establishments and personnel at all times and report to parliament anything which he thinks it his duty to question in the public interest.

Arabs Between Two Unions

FROM OUR CORRESPONDENT IN BEIRUT

DISCUSSION of the Hashemite federation, its good intentions towards the Saudi throne, and its future are the main items on the agenda of the Iraqi and Jordanian foreign ministers now visiting King Saud in Riyadh. Officials both in Baghdad and Amman make no secret of their hope that the visit will mark the first step towards the ultimate adhesion of Saudi Arabia to the federation. Any such decision on the part of King Saud would do much to even the balance of power between the Hashemite federation and the United Arab Republic, formed by the union of Egypt and Syria. The latter, despite many practical difficulties still to be overcome, looks by far the stronger and more lasting political unit, partly by virtue of greater numbers, but mostly because of the appeal of President Nasser to almost all Arabs. The name of Nasser is something to conjure with in both Iraq and Jordan, whereas the standing of the Hashemites in Egypt and Syria is negligible.

The fact that the Iraqi-Jordanian mission to Riyadh is a mission merely of foreign ministers suggests that in the estimation of the federal leaders there is much preparatory work still to be done. There has been no hint from Riyadh that King Saud is prepared to throw in his lot with either new grouping. Indeed, it is possible that, rather than encourage his visitors to think in terms of extending the federation, he may first pose some awkward questions. Now that the armies of Iraq and Jordan are to be unified, will it be necessary for King Saud to maintain any longer a brigade group in the Jordan valley and a battalion in the Aqaba region? Will Jordan still require an annual subsidy of £5 million sterling from Saudi Arabia in view of the claim it can now fairly make on a proportion of Iraq's oil revenues —scarcely less substantial than those of Saudi Arabia itself? Pursuing such trends of thought, some observers here think that the proclamation of Hashemite federation offers King Saud an ideal opportunity for sliding out of his embarrassing commitment to King Hussein—embarrassing both financially and in the sense that it perpetuates a serious issue betwen the Saudis and Egyptians.

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If King Saud takes such a line it will certainly cause gloom among the Jordanians, perhaps even more among the Iraqis, who in the last resort must now carry their indigent partner. The Jordanian government has just asked for a further $10 million from the United States government for budgetary support. Approval of the request would bring the total amount of American aid received by Jordan in this financial year for budgetary purposes alone (that is, excluding military supplies and Point IV expenditures) to $30 million. Together with the £5 million sterling received from Saudi Arabia, this exceeds the equivalent of £15 million sterling. The British subsidy (excluding the element of interest-free development loans) was running at a rate of some £10 million sterling when the treaty was terminated. King Saud may well inquire where the difference—equal to the £5 million of the Saudi subsidy—has gone.

King Saud's natural caution must be sharpened by the obvious fact that the two new Arab states—the union and the federation—seem to be squaring up to each other with malevolent intent. President Nasser's famous telegram to King Faisal congratulating him on the achievement of federation with Jordan has proved to be nothing more than official courtesy. Almost at once, unofficial reactions breathed mutual hostility and this week President Nasser himself is dubbing it a "false federation" which will "be dispersed like dried leaves in the wind."

Official Iraqis and Jordanians speak of an unnatural union between Egypt and Syria and of "sabotage" of the Fertile Crescent; the Syrians accuse the Hashemite federation of being little more than an imperialist plot designed to perpetuate the western grip on Iraq and Jordan.

The crystallisation of Arab antagonisms produced by the union and the federation is reflected in a painful agitation of feelings in Lebanon, with renewed fears for the maintenance of public order. The Lebanese government hastened to congratulate both of the new units, and the prime minister, Sami Solh, will soon lead an official delegation to all four capitals concerned—Cairo, Damascus, Amman and Baghdad. But that merely takes cognisance of the problem without solving it. On the one hand, President Chamoun and his supporters have to resist a movement towards union with Egypt and Syria. Such a union would swamp the "special identity" of Lebanon, which often means in effect the interests of the powerful Christian churches and communities and the Lebanese economic and cultural ties with the West. On the other hand, they cannot link up with the Hashemites for fear of infuriating the Syrians. At least tolerable relations with Syria are a condition of Lebanon's continued prosperity as an entrepot serving its Arab hinterland. In the present circumstances, the Chamoun regime seems to be doing everything possible to align its policies with those of King Saud—the difficulty sometimes being to discover what the King's intentions are.

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A policy of neutrality has been made more difficult to uphold by the decision of the Lebanese government early last year to subscribe to the Eisenhower doctrine. It has thereby exacerbated its relations with its powerful opposition, the so-called National Front, which consists mainly of Moslems, but which has also attracted the support of certain Druses and a few independent Christians who doubt the wisdom of the pro-western alignment. Thus part of the complication now embarrassing President Chamoun and his government is due to an effort to reconcile the neutrality of the Arab world with a pro-western attitude in the cold war.

The National Front—always neutralist between the great powers blocks—is now campaigning in favour of the United Arab Republic, which it would like to join on a basis of federation, if not of union. It is planning a determined attack on the regime both in the Chamber and in the country with the object of blocking the re-election of President Chamoun (later this year) for a second term of office. Its minimum demand is for a president who would extricate the country from the Eisenhower doctrine and thus clear the field for more flexible manœuvre. In practice the more moderate elements in the National Front would interpret that as meaning a search for a link with the United Arab Republic which would preserve the "special identity" of Lebanon—that is, for federation with acceptable guarantees for Christians.

So far, the Arab position in the cold war appears unaffected by either the union or the federation. The Soviet commitments to Egypt and Syria stand, as do those of the United States towards Lebanon, Jordan and Iraq. The eclipse of the Syrian Communists can be judged important only by those who once grossly exaggerated their influence. In fact the Soviet agreements were made with the ruling elements in the country, ranging from the left-wing progressives to arch-conservatives such as Khalid al Azm, and it is strongly denied from Damascus that the union has affected them at all.

Swing to the Right in Central America

FROM A CORRESPONDENT

CENTRAL AMERICA'S two recent presidential elections, one in Guatemala and the other in Costa Rica, both resulted in the ousting of relatively liberal forces and the return to power of right-wing elements. In Costa Rica, Sr Mario Echandi, a wealthy lawyer who for the last four years has been opposition leader in the Costa Rican Congress, won the elections, with more than the necessary 40 per cent of the total votes. But he did not win a majority in Congress and to be effective his supporters will have to team up with the followers of Sr Calderon Guardia, an ex-president of extreme right-wing views.

Costa Rica's new president has stated that he will make drastic changes in both domestic and international policies. In the domestic field, the programme of "progressive nationalisation of industry" begun by Sr José Figueres will be reversed. Under Sr Figueres, this programme has affected such concerns as electric power, the telephone system, and local and national transportation, and plans have been laid to nationalise certain industries including the manufacture of cement, milk distribution and aviation. Sr Echandi says he wants such matters to be handled by private enterprise. One other important change that he has promised will be in the banking and insurance field. Under Sr Figueres, both banking and insurance were government operations and no private companies were allowed to operate. Sr Echandi has said that he wishes to open these fields to private enterprise and "if the government agencies cannot compete with private enterprise, they should be abolished."

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In Guatemala, General Miguel Idígoras Fuentes, also a far-right conservative, has similar views, although on becoming president he is not faced with a similar situation. He is a graduate of the dictator school of the former dictator Jorge Ubico, and spent four years in exile during the presidency of the anti-communist, Colonel Castillo Armas, who was assassinated last July. Castillo attempted to steer a middle-of-the-road policy and encouraged private investment. His death left Guatemalan investors uncertain of the future; but it is generally agreed that the election of General Idígoras will re-establish this confidence.

The only shadow on the forthcoming administration of General Idígoras may be the resurgence of left-wing elements, since the Revolutionary party polled over 100,000 votes out of a total of roughly 350,000; it is managed and dominated by the same elements that were behind the pro-communist regime of Sr Jacobo Arbenz. In spite of "let's forgive" statements by General Idígoras before the elections, it is believed that he will deal severely with the left wing.

All over Central America, there seems to be a swing to the conservative side. In El Salvador, President José Lemus is an acknowledged representative of the wealthy, landowning and coffee-growing elements in that country. In

Nicaragua, the present regime of Sr Luis Somoza and his brother, Sr Anastasio Somoza Jr, represents vested interests, although other propertied interests oppose it violently. In Panama, President Ernesto de la Guardia admittedly represents the famous "thirty families" who have controlled Panama since 1903. The one question mark as yet is the Republic of Honduras. President Villeda Morales is considered left-wing by most conservatives in that country. Sr Morales denies this vigorously, but to little effect.

Balance Sheet After Mundhra

FROM OUR CORRESPONDENT IN INDIA

As parliament told itself in the subsequent debates, the Mundhra inquiry was a triumph for democracy; as the home minister remarked, it was also a success for the Congress party back-benchers. But it has been a disaster for relations between ministers and civil servants, and for almost all those personally implicated it has been a catastrophe.

It was a triumph for democracy because it has now been established that, when there are serious allegations against the behaviour of a minister or his civil servants, there will have to be a public judicial inquiry similar to the Bank Rate inquiry in England. There have been plenty of scandals before, and some have been investigated; but the investigations were private, made by leading members of the Congress party itself, and the conclusions have usually been suspected of whitewash. This is the first time the inquiry has been held by a chief justice, in the open, and with the attorney-general present to assist. Admittedly the inquiry suffered from haste, so that there were tantalising gaps in the evidence; but the lesson has been learnt, and next time the Bank Rate model, with its preliminary investigations, will no doubt be followed.

It was a success for the Congress back-benchers because they asked the original questions, and it was the Congress party, far more than opposition or public, pressure which drove a reluctant and harried minister to accept the need for an inquiry. The party has an overwhelming majority in parliament. Its back-benchers have now tasted blood. They have learnt that their questions are an effective weapon against any minister, however powerful, and whether their own motives are the public good or a desire for fame, they will bring to an end the easy time that ministers have enjoyed in parliament for ten years. The damage done to the relations between ministers and civil servants has been quite unnecessary; it is the result of the lack of courage of one man—Mr T. T. Krishnamachari, the late finance minister.

The transaction under attack, the purchase by the nationalised Life Insurance Corporation, at the finance ministry's suggestion, of £1 million of shares from Mr Mundhra, a speculative industrialist with some of the engaging characteristics of Mr Sidney Stanley, was arguably defensible, even though Mr Justice Chagla found it in various ways improper and unbusinesslike. The shares were a mixed bag, not entirely lacking in quality, and the alternative to buying them might have been serious damage to companies of importance to the economy. The errors were the corporation's somewhat too docile acceptance of advice (under the law the government can only force the corporation's hand if it issues a directive in writing, and then only on a matter of policy); the careless fixing of the prices at which the shares were bought; and the failure to observe some of the corporation's own rules.

The minister could clearly not be held responsible for all these things. But he seems to have been sufficiently alarmed first to conceal the full truth from parliament; then to give highly evasive evidence before the Chagla commission; and finally, to defend himself against the commission's finding that he was responsible factually as well as constitutionally, by casting imputations on his principal secretary, although his elaborate plea of ignorance has now been finally exploded by the bringing to light of records which show that his original disclaimers were made in full knowledge of the facts.

Naturally the civil service is upset. The orders were the minister's. His officials, the principal finance secretary and the chairman of the Life Insurance Corporation, trusted him enough not to ask for anything in writing; and then he took advantage of that fact to try to leave them to carry the blame. How can a secretary ever again give his minister quite the trust which has hitherto been the rule in Delhi? Ministers, too, will be more careful in future. They have been firmly reminded of the constitutional responsibility of a minister for all that goes on in his ministry. That has been sharply established by Mr Nehru's acceptance of Mr Krishnamachari's resignation even though, to the public's annoyance, he said the minister's part in the transaction was "of the smallest." Ministers will, in future, take much more interest in actions by their civil servants which may entail unpleasant consequences for themselves. Red tape will proliferate and the business of government will suffer.

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For those concerned, the inquiry has been a tragedy. Mr Firoz Gandhi, the main accuser, has lost his job. Mr Mundhra is being pursued on criminal charges. The finance minister, one of the most brilliant, imaginative and forceful India has had, has retired under a cloud he himself had made. The governor of the Reserve Bank, up to now a very successful civil servant, had his evidence so blistered by the attorney-general that his usefulness in his present post has been gravely impaired. The chairman of the Life Insurance Corporation, who has behind him a quarter of a century of admirable public service, was led into confessing that he had not read the rules of his corporation or the balance sheets of the companies whose shares he was buying; its managing director, hitherto one of India's most respected actuaries, gave evidence which was far from impressive for a man carrying his responsibilities. The principal finance secretary, to whom India owes more than to almost any other civil servant, finds himself under fire, and let down both by his minister and by the governor of the Reserve Bank, the latter a colleague of thirty years' standing. The prime minister himself showed less than his usual political virtuosity. He kept his balance among wild allegations of corruption, but many people have been disturbed by the way he hedged over how far he accepted the commission's view on the minister's responsibility. Democracy has indeed been strengthened and confirmed; but India will be paying the bill for months to come.



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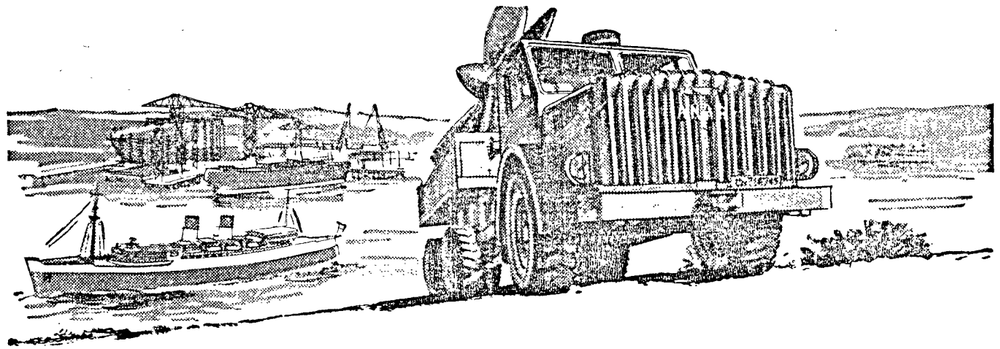
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ALL OVER AUSTRALIA AND NEW ZEALAND

THE BUSINESS WORLD

Hot Money and the Reserves

FOR some months the margin between short-term interest rates in New York and London has been greater than the corresponding premium on dollars, or discount on sterling, quoted in the forward exchange market. As a consequence, a certain amount of foreign money which had been placed in the New York money market has made its way to London. This movement into London of essentially short-term capital has led to some discussion of the consequential effect that it has on the gold and dollar reserve. If, in fact, the gold and dollar holdings of the Exchange Equalisation Account have been increased by transactions of this sort, which are likely to be essentially transient, the recent reinforcement of the reserves is to that extent illusory.

This itself is a simple proposition, but the mechanics of the exchange market which govern the matter are complicated and do not lead to nearly such an obvious conclusion. The first job is to describe the nature of these interest arbitrage operations. If 6 per cent can be earned on three-month treasury bills in London and 1¼ per cent on US three-month treasury bills (the rates prevailing now), one would expect financial institutions that have to keep a certain proportion of their assets in liquid form to place them in London rather than New York. In the days of the gold standard, any appreciable disparity between short-term rates had this effect and the smallest movements of official discount rates and of the market rates anchored to them therefore acted as powerful instruments in correcting adverse exchange movements and inducing international movements of gold. But that power of small differentials to repel or attract funds rested on the fact that since the gold points were then extremely narrow, it was not necessary for movements of short-term capital to be covered by corresponding transactions in the forward exchange market.

IN the present era of somewhat wider official tolerances of exchange fluctuation and of occasional doubts regarding the parities themselves, straight interest arbitrage of this kind no longer occurs. Movements of short-term money are invariably accompanied by collateral forward exchange operations. Thus if a Canadian bank shifts money invested in bills in New York into treasury bills in London, it will automatically cover its exchange risk by selling sterling three months forward. The cost of such a forward sale this week would be around 3½ per cent per annum, representing the discount at which sterling is quoted against dollars for forward delivery. But this cost on the exchange swap is less than the extra 4¾ per cent per annum which it can earn on bills in London. It would, therefore, pay the Canadian bank to shift at least part of its liquid funds from New York to London and so earn 1¼ per cent more on them without running any exchange risk at all. This is what is meant by "covered arbitrage."

A sizeable movement of funds to London has been stimulated by an advantage in interest rates and the discount on forward sterling has not widened so far as to offset it completely. Such shifts of funds from New York to London involve a demand for spot sterling and so bring immediate and direct benefit to the reserves held by the Exchange Equalisation Account; either they increase the reserves or they mitigate losses through other causes. Then comes the question: How far

does that gain have to be abated by the fact that the sterling which has so been bought is simultaneously sold forward ?

At any given moment, one must assume, the offer and demand for sterling in the forward market is in equilibrium ; it is a perfectly free market, more sensitive than perhaps any other to the slightest change in the equation of demand and supply. It is, however, also a market in which official intervention occurs. Suppose, to take an extreme and unrealistic example, that the Canadian bank, having transferred money from New York to London, selling spot dollars to buy spot sterling, then sold an equivalent amount of sterling forward to the Exchange Equalisation Account against dollars to be provided three months hence. The immediate result would be an apparent increase in the dollar reserve in the EEA because that reserve is counted on a cash basis—that is, the bars of gold it holds and its foreign currencies deposited in other central banks. It excludes from the calculation any future commitments, whether deliveries or receipts of foreign currencies.

This, however, is not how the transaction would be done. The forward sale of sterling would in practice be made in the market, adding one more transaction to the innumerable stream that make up the highly complex, versatile and flexible forward market. This market ranges in the terms for which it deals from a forward sale of dollars three years ahead that might be made by a British electrical company working on a contract for the erection of turbines in the United States to dealings for delivery two or three days ahead. Some of its operations are the typical commercial forward purchases of currencies required to pay for imports—at this moment, for example, three months-forward purchases of sterling are being made to meet credits for the export of cocoa to the United States. Others may be semi-speculative forward sales of sterling—three, six or twelve months ahead—that were being made last autumn by American firms with British subsidiaries as a hedge against their sterling investment —generally known as "Great West Road" selling. Or they may be wholly speculative operations such as the forward sales of sterling against dollars or marks that were made by many German banks acting through Zurich a few months ago.

In such a complex market, it is impossible to trace the course of a specific deal involving the movement of short-term money from New York to London. But it is the exception rather than the rule for the market to be able to match a given forward sale of sterling and purchase of dollars with an exactly balancing forward sale of dollars against sterling. The exchange dealer who buys, say, £1 million of sterling against dollars for delivery three months hence, and who cannot at that precise moment find an exact counterpart, will immediately cover himself by a corresponding spot purchase of dollars. He has undertaken to deliver dollars three months hence at, say, $2.79, this being based on a spot rate of $2.81½ and a discount of 2½ cents on three-month forward sterling. Of these two variables, the spot rate and the forward discount, the spot rate is by far the more potentially unstable element —one that could move by three points in the event of a sudden untoward turn of affairs. It is that element which the dealer, therefore, covers as quickly as possible if he cannot match the whole forward transaction in the forward market. Having purchased the spot dollars he can, at greater leisure, swap these, i.e. sell them spot and buy forward, as his overall exchange position requires, matching his forward sales and purchases. The original spot purchase of dollars made against forward buying of sterling and sale of dollars thereupon gets lost in the maze of the forward market.

The truth is that a precise answer cannot be given to the question whether transfers of short money are self-neutralising. The nature of the answer is to be sought, not in the course that any specific operation takes, but in its wider repercussions on the spot and forward rates. The movement of funds from New York to London will have tended to strengthen the spot rate for sterling and the attendant forward sale of sterling will correspondingly have tended to widen the discount on forward sterling.

All kinds of consequences will flow from these facts. The demand for sterling, spot and forward, is elastic. If the spot rate is driven up, as it has recently been, towards its ceiling of $2.82, many merchants who have payments to make will tend to postpone them, since they can lose nothing and may gain by so doing. The American importer of whisky, for example, who normally buys on cash terms, will tend to postpone payment. In fact, he will be encouraged by the widening discount on forward sterling to shift his payment terms from cash to credit. If he can arrange a three-month acceptance credit in London—which would be a perfectly normal and justifiable operation—he would cover his sterling commitments by a three-month forward purchase of sterling, thus setting off the discount at which he was buying, now equivalent to 3½ per cent per annum, against the cost of his London credit. This would make it relatively cheap borrowing. The wider the forward discount on sterling caused by such operations as the movement of hot money to London, the greater the inducement to foreign merchants to borrow in London.

By its effects on both the spot and forward rates, the movement of hot money to London will, therefore, tend to shift the leads and lags of payments against sterling. This is only a short-term phenomenon. In due course the hot money will leave London and the lags of payments will catch up. But the effect of all these operations on the reserve will have been largely self-cancelling and in their net immediate result far more modest than a great deal of the current discussion of the problem would lead one to believe.

RESTRICTIVE PRACTICES—II

The Commission and the Court

Last week's article showed that in one industry at least—the motor industry—little real change has followed the ban on the collective enforcement of resale price maintenance, imposed in the Restrictive Practices Act of 1956. Legal enforcement of individual price maintenance through the courts, which was made easier by this same act, can effectively achieve the same ends. This, and the weakening of the Monopolies Commission, constituted industry's *quid pro quo* for accepting public registration of restrictive agreements and their examination by a new Restrictive Practices Court. The practical effect of decisions by this court, reinforced by the powers remaining with the Monopolies Commission, will constitute the *quo*, and will determine whether the Act has any net effect in increasing competition in British industry. Neither has yet been put to the test.

Under the original Acts of 1948 and 1953 the Board of Trade was given powers to refer a wide range of industrial matters to the Monopolies Commission ; but in practice the commission inquired mainly into agreements on common pricing and collective discrimination, investigating far more price rings than single-firm monopolies. The 1956 Act was framed chiefly to take over this major concern of the commission, partly perhaps because the practical results of its reports had for various reasons been limited. Collective enforcement of resale price maintenance was made unconditionally illegal, and all other agreements concerned with any form of price ring had to be registered. The task of deciding whether these were in the public interest has passed from the Monopolies Commission to the new Restrictive Practices Court—which begins with the presumption that, until proved otherwise, such agreements are all against the public interest.

There were some—not confined to businessmen—who felt that, once the court had taken over, the commission could serve no further purpose and should be wound up. In the event, it was not. The Board of Trade still has powers of reference to the commission which are very wide—much wider than its present inquiries would suggest. But it is not concerned with judging the public interest of agreements that have been registered as restrictive practices, and the Board cannot now act on the commission's earlier reports (though any action already taken stands), if these were concerned with agreements that became registrable under the Act. The main kind of industrial situation that it is left to consider is the "single firm monopoly," where a single firm, or two or more firms acting together (but not by agreement, for that would be a matter for the court) control a third or more of the market for a particular product. It can also deal with agreements affecting exports, which have been specifically excluded from the purview of the court. Little more work was done, after the Act was published in February 1956, on four inquiries then in hand but not capable of completion before the new Act came into force, and which the Board of Trade considered would then fall outside the commission's restricted scope. One other inquiry, into chemical fertilisers, was continued, but the terms of reference were changed to order investigation of a single firm monopoly, to keep this within the commission's revised powers. To keep the commission occupied it was given three further references, all of the single firm monopoly type: electrical equipment for motor vehicles ; cigarettes and pipe tobacco ; and tobacco machinery. Finally, the commission was asked, under a little-used section of the 1948 Act, to report whether its earlier recommendations about the trade in imported timber had been complied with. The commission's staff is now about 50, roughly half of what it was at the peak of its operations in 1955. Two at least of the five reports it now has in hand are proving exceptionally intricate, but unless the commission's activities are to be further reduced, it will soon have to be given some new work.

The Registrar of Restrictive Practices and his staff, on the other hand, are now extremely busy. By January 31, 1958, a total of 1,867 restrictive agreements had been submitted for registration ; of these, by the same date, 1,574 had reached the public register, and another 200 or so will shortly be added. These agreements are concerned mainly with common prices, level tendering or discriminatory terms of supply. A second batch, concerned mainly with market-sharing or agreements to limit production, have just been called up, but many of these overlap with the first set, and the total number of agreements finally placed on the register may not greatly exceed 2,000. The Board of Trade, in two directives to the Registrar, has so far picked out about 200 of these agreements, covering about 40 different products, for submission to the Restrictive Practices Court. It is now over 10 months since the first directive was made, but nothing is yet ready for submission to the court, and a closer examination of the procedures laid down in the Act suggests that it

would be quite unrealistic to expect the first cases to reach the court before the autumn.

These first cases are like the initial "plug" of oil in a pipeline: it takes a long time to fill the line, but once full the oil emerges in a regular flow. Once started, the Registrar hopes to keep up a regular flow of about forty cases a year. The court, like the old Monopolies Commission, will be able to hear several cases simultaneously, though it may not do so at first. If it can in fact hand down 40 decisions a year, case law will soon cover the most important types of restrictive agreements. To prepare these 40 cases a year for submission to the court the Registrar has a full time administrative and executive staff of about 35; this, too, implies a much more rapid rate of output, though within much narrower terms of reference, than has ever been achieved by the Monopolies Commission.

PROCEEDINGS begin with the issue of Notices of Reference; then a respondent who is party to the agreement in question has to be selected and a Representation Order approving this selection obtained; the respondent is then asked to prepare his case in justification of the agreement, and the Registrar prepares a reply to this; then the company or association is allowed a rejoinder. Obviously, this procedure can become protracted before the case even reaches the court. Most firms and trade associations have co-operated with the Registrar in the collection of facts and in the preparation of an agreed list of documents to be produced in court. Many cases, however, require the production of cost figures, which are not generally available and take time to collect from the individual parties to the agreement. These cases may thus take as long to prepare as any other major civil suit—and if American experience in the preparation of anti-trust cases is any guide, it would be far too early yet to be impatient about delay in bringing the first cases to court.

It is far more important that the first cases to come before the court should be well prepared than that they get there quickly. The Registrar has been able to draw at each stage on the advice of some academic economists—as, no doubt, the respondents have been too. Whether a court that contains no economist will be able to appreciate their arguments is another matter. Success of the procedure laid down in this Act, indeed, depends upon turning complex economic implications of industrial practice, and their relation to the "public interest," into a justiciable issue for the court to decide. In the United States, the questions before the court in anti-trust cases are essentially questions of fact: price rings, for example, are illegal there *per se*, and the court has merely to establish whether they exist or not. But under the British law the issues concern implications, actual or potential, not merely facts. This makes the new court's task harder than that of the American courts—which has been found difficult enough.

The real effect of this legislation in promoting more competition or less in British industry will depend upon whether public opinion becomes thoroughly convinced—as it is certainly not convinced at present—that restrictive agreements are automatically bad. Public opinion as yet has hardly been affected by the publicity given to agreements placed on the public register, and it is not easy to see how in practice it could be: it might be decisively influenced by the first few judgments of the court, before it loses interest. If the first agreements to be considered are found, in spite of the presumptions in the Act, to be in the public interest, the public could easily conclude that all such agreements are a good thing. For the public to accept the same presumption as is written into the Act—that all restrictive practices are likely to be harmful unless proved otherwise—then the Registrar will need to win these first few cases. He cannot determine precisely which cases will be ready first: this does not lie within his power alone. And it could easily occur that cases where an industry has the best case in justification are also those where the legal preliminaries are most likely to be ready first. Upon issues that are obviously harder to justify, industry may take longer to try to assemble its case.

TO speculate further about the effectiveness of the court machinery before it has begun to operate would be foolish. But the mechanics of registration and the preparation of cases for the court have already had some good effects. Many agreements have been abandoned or revised so that they do not have to be registered, or so that, while still registrable, they can be more readily justified as in the public interest. Others—and this must be counted an initial victory for the Act—were abandoned after the signatories heard that the Registrar had decided to start proceedings, or are likely to be abandoned before they reach the court. Last week the Cohen committee suggested that the Government should reopen the whole question of individual price maintenance, thereby drawing upon itself the only criticism that employers' organisations voiced of its report. It may be asking too much to expect a government that has just made individual price maintenance legally enforcable to ask some new committee—or even perhaps the Monopolies Commission—to decide whether such enforcement is in the public interest. But the Act would still give the commission the power to do this, and another government might be more inclined to use it. The campaign against monopolies and restrictive practices in British industry, which was begun in 1948 with the support of all political parties, is therefore not in suspense; new groupings of forces are preparing for action. But it would be foolish to pretend that this regrouping has not involved, during the past two years, some minor retreat; and the whole campaign could fail if the next engagements—the first cases that come before the Restrictive Practices Court—do not turn out to be decisive victories.

BUSINESS NOTES

THE STERLING AREA

Don't Get it Right . . .

IN his regular column in the *New York Herald Tribune* on February 24th, Mr Joseph Alsop, the respected American journalist, gave his impression of Britain's economic problems which led him to describe London as "a city that all but stinks of defeat." Because of the wide currency given to his views in the United States, a close examination of the figures on which he rested his argument seems necessary.

1. *"Approximately 22 per cent of Britain's lifeblood, the hard currency revenue of the sterling area, comes from two highly unstable ex-colonial countries, Ghana and Malaya."*

In 1956, Ghana and Malaya, together with all the UK colonies, accounted for less than eleven per cent of the hard currency earnings (including sales of newly mined gold) of the sterling area. Britain itself earned nearly 57 per cent, and the rest of the Commonwealth 32 per cent. The hard currency earned by Ghana and Malaya is a valuable prop to the sterling area system, but Britain itself had a payments deficit of no more than £23 million with the dollar area on current account in 1956.

2. *"A single individual, the Sheikh of Kuwait, contributes very nearly 10 per cent of the new capital annually available in the sterling area."*

That part of the Sheikh of Kuwait's income that is invested outside Kuwait now amounts to roughly £35 to £40 million a year. If this were ten per cent of the new capital annually available in the sterling area, then the total figure would be only £350 to £400 million. Britain's capital investment in 1956 was itself £3,139 million gross and £1,487 million net; probably at least half as much again should be added for the rest of the sterling area. The great bulk of this capital was provided by savings generated within the countries where it was invested, supplemented by a capital flow from the United States and the international organisations. Kuwait's investment is large only in relation to the total funds generated within the sterling area that are not used in the countries where they are generated. But that sum is made up only of Britain's capital exports and of the funds provided by Ghana, Malaya, Kuwait and other members of the sterling area that are still adding to and not drawing down their sterling balances. Kuwait's share of the total capital generated within the sterling area is less than one per cent.

3. *"The loss of the Middle Eastern oil sources, which are now in ever-greater danger, will* [sic] *add a cruel billion dollars a year to the debit side of Britain's national balance sheet."*

Anything like this figure could be arrived at only by assuming (a) that the entire Middle East oil sources are lost, not only to Britain, but also to the rest of the world, and (b) that sufficient dollar oil could be made available to make good the loss of the Middle East oilfields, which is impossible. Mr Alsop is describing as a loss unique to Britain a risk that concerns the whole of the West—and which could hardly occur in circumstances other than those leading to a third world war.

IN THE MARKET

That Was Shell . . .

THE opening of a new Stock Exchange account on Wednesday served to check, but not to reverse, the downward drag on industrial shares, and in the week to Wednesday, *The Economist* indicator dropped 2.8 to 166.1, its lowest since September 1954. The unexpected decline in the dollar exchange rate halted the rise in the gilt edged market, though the rise was resumed together with a stronger market on Thursday afternoon. The *Financial Times* index of Government securities shows a fractional fall, from 80.89 to 80.78 for the week, but the gilt-edged market does not look as if its itch to rise has gone. From this now familiar pattern of markets two points of interest stand out. The "Shell" Transport issue of £43½ million is proving after all to be a tremendous mouthful. And on the gilt-edged side it is now apparent that recent refinancing issues have left the short end of the market outside an otherwise efficient control.

Jobbers had calculated that the "Shell" Transport new shares to be issued at £5 10s. per share should open at about 26s. premium when dealings started (nil paid) on February 11th. Actually they started at 24s. and fell steadily until at the beginning of this week they were down to 10s. 6d. premium. At that point the sponsors to the issue were getting worried. Was it, as the market suspects, the result of some support that "Shell" (new) then rallied? They have improved to 14s. premium and it certainly looks as though at just above 10s. premium resistance is encountered. The troubles, some observers hope, will be over by Wednesday when the first call of £3 per share has to be paid. But the behaviour of the market shows that there have been no great sums of American money waiting to rush into "Shell" new and that shareholders have been selling their rights for the strongest of all reasons—inability to pay the call.

When the authorities made the issue of 5½ per cent Exchequer stock 1966 they catered for the banks; when they issued the 5½ per cent Funding stock 1982-84 it covered the pension funds and quite a few private investors. Effective control by open market selling was thus secured over a wide range of the gilt edged market, but not for short-dated stocks where the Government broker has little, if anything, to offer. The shorts have risen persistently this week, though the trend of the rest of the gilt-edged market was not upwards. The object of funding is to get rid of the excessive weight of short-dated stocks and to push investors longer. Therefore control cannot be established by the tactic of creating a new short-dated stock and putting it on tap with the Government broker. In the end a natural

solution should be forthcoming; the banks could buy the 1966 stock and release some of their shorter stocks to the money market. But the banks will not do that switch while they still have substantial depreciation on their holdings of the shorter dated stocks.

FOREIGN EXCHANGE

Sterling Dips Below $2.81

STERLING, which was close to its ceiling against the dollar in the official market last week, and was quoted around $2.81\frac{1}{16}$ at the beginning of this week, has declined sharply; on Wednesday it dipped below $2.81. End-of-month closing has been partly responsible. There has also been some substantial buying of dollars for account of oil companies and some postponement of commercial purchases of sterling caused by reports of the hostile reception of the Cohen Report by spokesmen for the TUC and the Labour Party. The weakness ended abruptly on Thursday after it was learned that Bank rate had not been changed. The rate rallied to $2.81\frac{1}{16}$. The weakness of sterling has been largely focused on the dollar market. Against European currencies and in the market for transferable sterling rates though drifting against sterling have not moved as much.

The Royal Dutch issue continues to bring incidental support for sterling against Continental currencies, and especially against Dutch guilders. Subscriptions to the issue from United States holders have brought appreciable receipts of dollars to the Netherlands Bank. Part of these dollars has been converted into sterling as a result of a special switch arrangement between the Bank of England and the Netherlands Bank and, in consequence, the Bank of England has acquired guilders. According to reports from Amsterdam, these guilders have been invested in Dutch Treasury Bills maturing in mid-March to an amount of 200 million guilders. They should help the United Kingdom in the end of March EPU settlement.

MOTORS

Trucks Still in Low Gear

THE recent successes of motor car manufacturers has tended to overshadow what has been happening on the commercial vehicle side of the industry, where recovery from the recession has been much slower and is still far from complete. In January output and exports of cars established new peaks for the month, but truck and van sales in Britain and overseas were still fewer than they were two years ago.

Car production, at 85,639 during January or 4,780 a day, was more than double that of January last year when fuel rationing was at its tightest: but it was also a good fifth more than in January 1955 and 1956. Whether this continued upward progress will be sustained later this year is still anybody's guess. Export shipments, which the manufacturers consider are as good as sold, are rising almost everywhere, apart from a few continental countries. Sales of foreign cars in the United States, whither the industry shipped more than 14,000 in January against 5,580 and 1,620 twelve months and two years ago, are still not showing any signs of being affected by the motor recession there. Shipments to New Zealand, which has set lower import quotas for 1958, also happened to be larger in January. The present very high rate of deliveries to the home market, which took just half of the car makers' production last year, must come from the high hopes the industry has for the spring selling season opening in about a month's time.

Commercial vehicle production in January reached 25,000, or 1,250 a day, which was a little lower than in recent months. This failure to reach pre-recession levels of activity is mainly due to weakness in the home market, where only the heavier types of lorry are selling at all well. Home buying may well not pick up strongly again until road hauliers experience better times but purchases of trucks by industry, for its own use under "C" licences, have been keeping up remarkably well; this must be the main reason for the better market for the heavies. In export markets, on the other hand, the heavier types of lorry and, at the other end of the scale, vans have been selling less well than the lighter grades of lorry. This weakness in exports has been spread across most markets, in Africa, Australia and some continental countries, but the current rate of shipments is higher than early last year.

SUEZ CANAL COMPANY

Capital Reconstruction at Last

THE Suez Canal Company, lips sealed and preparing to continue its negotiations with the Egyptians on March 21st, has produced the long-awaited capital scheme. Reconstruction is inevitable, if the company is to function as a French investment trust, if it is to distribute to shareholders a reasonable amount out of what it hopes to get from the Egyptians, and to distribute in specie the shares of its subsidiary SIM (*Société d'Investissements Mobilières*). The scheme follows closely the lines forecast in these columns three weeks ago. All classes of shares, including the *parts civiles* of the Egyptian Interest Trust, which are not now strictly shares of the Suez Canal Company, are to be exchanged into a single class of ordinary shares of 10,000 francs each. In addition holders of the capital shares will receive a 5 per cent debenture of frs. 28,585 per share ranking behind the company's existing debenture stock but redeemable by annual drawings spread over the next ten years, and calculated to redeem the stock fully in 1968 (the date of expiry original and concession).

THE SUEZ CAPITAL PLAN

Stock	Price £	Share of profits now per cent	Basis of Exchange	Share of new equity per cent	Effective price of New share £
Capital	43	71	Frs. 28,585 of 5 per cent debenture and one for one.	71·46	33 ⅛*
Jouissance	32		One for one.		32
Founders	34¼	10	11 for 10	9·82	31 ⅛
Parts Civiles‡	14,000 frs.	15	37 for 100.	14·72	30 ⅞
Directors	—	2	—	2·00	—
Statutory reserves	—	2	—	2·00	—

* If the new debenture is worth 60 per cent of face value
‡ Paris dealings only

Holders of the capital and jouissance shares are called to a meeting on April 21st; founders shareholders have their adjourned meeting on March 4th and holders of the *parts civiles* will meet on March 10th. All three may well decide to approve the scheme (only a simple majority of each class is required by French law) but some British holders of the capital shares are far from content. The frs 28,585 of 5 per cent debentures represent the exact value of 250 gold francs at the time of nationalisation in 1956. Therefore holders of the capital shares get no gold clause protection against the latest $16\frac{3}{4}$ per cent devaluation of the franc. Certainly the 1956 accounts were drawn in current francs and shareholders at the meeting last June accepted the abandonment of the gold clause, but the company was not gazetted French until December 24th—after the latest devaluation. Whether or not capital shareholders will avoid French tax in the region of 20 per cent on the capital repayment when their bonds are drawn rests on the outcome of current negotiations with the French government. Moreover they fear that they will have to bear the 4 per cent stamp duty on their new debentures though the company is apparently satisfied that this can be avoided.

The provisions of two per cent for directors and two per cent for reserves still need to be revised and will, it is understood, be tackled later. It would be absurd nowadays to limit reserve appropriations to two per cent of profits. And the directors of an investment trust without operational duties would be much over-paid with two per cent. A possible solution would be to allow the directors two per cent but only of the residue after a fixed payment on the capital. The directors have not, it is believed, any intention of claiming their two per cent on capital if a distribution of assets becomes possible. But to deprive them of the right to any payment on such a distribution would be to give them an incentive not to distribute.

ANALYSIS OF INFLATION

Where the Money Went

BITTER political controversy over the Cohen Committee's advice to wage tribunals, its uncompromising support of a continued policy of tight credit restraint, and its blunt acceptance of the fact that this may increase unemployment, have tended to blur the intrinsic interest of the committee's factual analysis of the postwar inflation. For the most part, it relied upon officially published figures: but its use of them was unconventional and effective. Many of its calculations were fresh and thought-provoking.

One of its more dramatic illustrations recorded how the money paid out for all goods and services in Britain rose from £11½ billion in 1946 to £24½ billion in 1956, whereas the actual supplies of goods produced and imported rose only by about a third, which would have cost say only £15½ billion at 1946 prices. Of the £9 billion difference, "extra money paid out for rising prices," the committee estimated that 49 per cent went to wages and salaries, 19 per cent to extra profit incomes, 19 per cent for higher import prices, and 13 per cent into net taxes on expenditure. The share accruing to "incomes from employment" may at first sight look remarkable—until it is realised that this is just about the percentage that these incomes represented of total "final output" in the economy alike in 1946 and 1956, so that there is nothing surprising in their representing the same proportion of the inflationary element in the difference. The absolute share of profits, however, was falling; these did not retain a constant share of the "extra money paid out for rising prices." The calculation appears to be done by applying cost indices to the shares of final output—which is the largest of all versions of the national income, defined in the Blue Book on National Income & Expenditure as "goods and services produced for private and public consumption, investment and export, valued at market prices"—to work out what these would have been at the costs of an earlier year, and showing the difference due to inflation.

This differencing is more illuminating, however, when the committee divides the postwar inflationary period into two stages, before and after 1952; its figures, and the official data upon which it worked, are shown in the table. The division is clearcut. From 1946 until 1952 a disproportionate share of the "extra money paid out for rising prices" went to pay for increasingly expensive imports, to some extent at the expense of employment incomes as well as of profits. From 1952 to 1956 imports, with their prices below 1951-52 levels, dropped out of the inflationary picture, but internal inflation became much more rapid: incomes from employment, gaining their 1946 share of the total, did so by taking nearly three-quarters of the "extra money paid out for rising prices," while the share of profits continued to fall. This could have its controversial implications, political as well as economic (perhaps trade unionists should vote Conservative, and capitalists should vote for neither major party): but here the committee was concerned with where the money went, not why it went.

SHARES IN POSTWAR INCOME—AND INFLATION

	Income from employment	Profits and trading income	Imports of goods and services	Total final output
Actual amounts:				
1946: £ million	5,732	3,011	1,668	11,575
Percentage	*49·5*	*26·0*	*14·4*	*100*
1952: £ million	9,105	4,630	3,531	19,248
Percentage	*47·3*	*24·1*	*18·3*	*100*
1956: £ million	12,222	5,813	4,268	24,660
Percentage	*49·6*	*23·6*	*17·3*	*100*
*"Extra money paid out for higher prices":**				
1946–1956: £ million	4,500	1,770	1,750	9,230
Percentage	*49*	*19*	*19*	*100*
1946–1952: £ million	2,450	1,130	1,550	5,910
Percentage	*42*	*19*	*26*	*100*
1952–1956: £ million	1,700	500	−220	2,290
Percentage	*74*	*22*	*− 9*	*100*

* Difference between actual income and what this would have been at the costs of the earlier year. The 1946-52 and the 1952-56 differences do not add up to the 1946-56 difference; they are not based on the same prices.

Accounting for Investment

THE Cohen committee was not disposed to take a tragic view of the check to investment that it agreed might result from today's tight policy: it noted that the real value of net additions to the stock of fixed capital, houses apart, in the country had been greater in 1949 and every year since than in 1938, and in 1956 was nearly twice the 1938 level of net fixed investment. As a proportion of the gross national product gross fixed investment other than housebuilding was in 1956 nearly 12 per cent, against just over 13 per cent and more than 17 per cent in western Germany. The committee was inclined to expect "a decline in private capital expenditure in the somewhat more distant future" (beyond 1958): but brought out clearly the fact that the main items of "public sector" fixed investment—coal, railways, roads,

electricity, postal services, educational building and hospitals —far from being reduced by the "two year standstill" decreed in September, are still due to rise beyond their 1957-1958 level. The Thorneycroft axe, as they recall, fell in the public sector mainly on local authority house-building.

In considering public investment, the committee did another statistical exercise—drawing from the ordinary Blue Book figures rather more meaningful estimates of how this is financed. The table shows how up to 1950 current budget surpluses, along with the depreciation provisions of

FINANCING PUBLIC SECTOR INVESTMENT

	Public investment in fixed capital and stocks	Internal sources of the public sector	Net contribution to (+) or from (−) funds in the capital market
1948	594	878	+284
1949	749	1,055	+306
1950	595	935	+340
1951	1,071	833	−238
1952	1,292	744	−548
1953	1,334	642	−692
1954	1,101	641	−460
1955	1,203	803	−400
1956	1,367	758	−609

the nationalised industries, were more than sufficient to cover capital expenditure in the public sector, and further to make a positive contribution to funds available in the capital market. After 1950, demands for public capital expenditure grew, while funds available from internal resources declined. Public investment has become a heavy claimant upon the capital market. The committee showed that it knows which particular "gimmicks" are at present being mooted for the 1958 Budget when it mentions, as a question for the Chancellor, how much capital expenditure in the public sector needs to be covered by a surplus on Government current account: but on this it offered no opinion of its own.

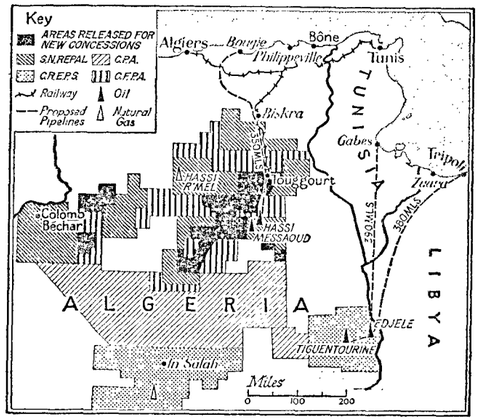
SAHARAN OIL

New Concessions in the Sahara

In the first reallocation of oil rights in the Sahara desert, the Royal Dutch-Shell Group, British Petroleum, and three American oil companies (but no American majors) are included in the successful bidders. Under French oil law, exploration concessions are granted for periods of five years; at the end of that period one half of the concession area has to be surrendered to the French government for reallocation, the company being allowed to decide which areas to keep and which to surrender. The first concession area to reach the five-year limit, in September last year, was some 46,000 square miles held by two French companies, *Compagnie Française des Pétroles d'Algérie* (*CFPA*) and *Société Nationale de Recherches et d'Exploitation des Pétroles* (*SNREPAL*). These companies chose the 23,000 square miles they wanted to keep, which included the large oilfield discovered near Hassi Messaoud, and the other 23,000 square miles, part of which was near enough to Hassi Messaoud to offer hopes of a comparable strike, was thrown open for bidding.

About half of this area was not considered promising enough to bid for, but eleven groups put in bids for the remainder, and eight of these have now been granted concessions. Out of about 11,000 square miles reallotted, a group in which British Petroleum, together with its French subsidiary, has a half share, has received a permit covering 1,800 square miles, and *Compagnie des Pétroles d'Algérie* (*CPA*), in which the Royal Dutch-Shell group has a 65 per cent interest, has received one for 1,000 square miles. But the exact locations—how near to Hassi Messaoud for example—have not yet been announced.

This reallocation of oil exploration rights is only the first of several due this year; CFPA and SNREPAL have



another 11,500 square miles to surrender shortly and further to the South over 60,000 square miles of less promising desert is due to be surrendered by CPA and *Compagnie de Recherches et d'Exploitation de Pétrole au Sahara* (*CREPS*). Although the French government has granted exploration concessions to several foreign oil companies working in association with French government and private interests, it is still not clear how free a hand a foreign oil company would be allowed in developing any oilfields found. It is this uncertainty which is still keeping the name of Standard Oil (New Jersey) and other American major oil companies off the list of bidders.

GUIDED WEAPONS

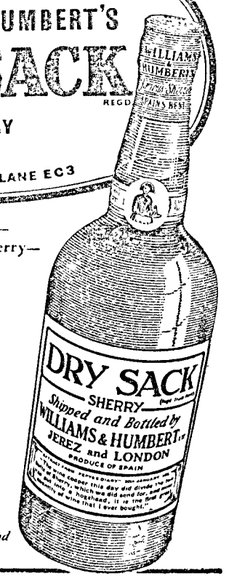
Rocket Bases

The Ministry of Defence is reticent about its £10 million investment in East Anglian bases for American intermediate missiles (Thors) which Mr Sandys still expects to be delivered to schedule towards the end of this year. An unspecified but necessarily small number of RAF airfields are to be made over for these bases; according to the Minister some access roads will have to be built and some married quarters. It takes roughly 12 hours to prepare each Thor for firing, including an hour on the launching pad, so the sites need nearly as many launching pads as missiles. (An American missile squadron consists of 20 missiles with two spares.) These launching pads must be linked, both electrically and electronically, with a central control house. Guidance equipment is needed to set the missile in the first few seconds of flight on the correct ballistic trajectory, and radar monitoring of the missile in flight to discover any fault in operation that would call for its destruction. This basic apparatus has to be backed up by extensive workshop and storage facilities. Preparation of the missile for service is a complex job requiring skilled

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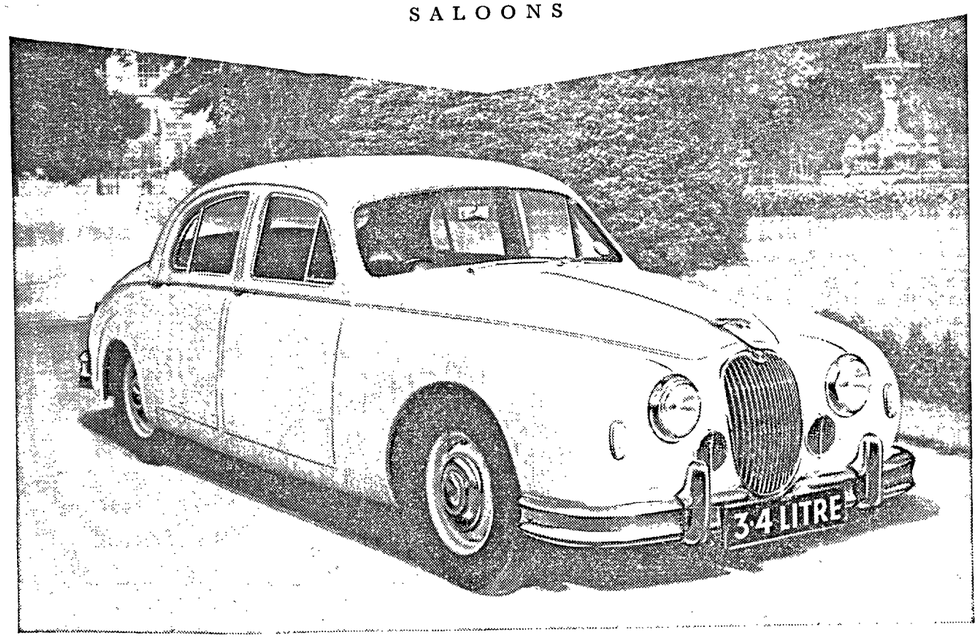
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engineers with special machine tools, cranes and conveyors. Big supplies of liquid oxygen have to be kept on the site—a difficult material to store and handle at any time—and a substantial supply of independent power is necessary.

All this ground equipment, including much of the instrumentation, is being provided by Britain out of the £10 million total. Since the Army's rocket training site in the Hebrides, which will be used only five months of the year, is costing £5 million, the number of sites is either much fewer than expected, or much of the equipment is going to be improvised on the assumption that within a year or so of Thor's delivery, preparations will have to be made for the underground launching sites of the "improved" British successor to these early American intermediate range missiles, which will probably be ready in 1963-64. The cost of going underground is likely to be extremely heavy.

MANPOWER

200,000 More Workers Found

THE Ministry of Labour has recently completed the annual overhaul of its manpower statistics—and discovered 200,000 more people in jobs than it had realised. This is the result of the annual count carried out in May, 1957; it is only for that one month in each year that an attempt is made to directly account for everybody at work. Monthly figures are derived from changes in employment returned by a large sample of firms. In recent years these have always been slightly wrong, but never before so wrong as to turn an apparent slow decline in employment into an increase.

Even the yearly count of employment, based on the national insurance cards, is by no means a straightforward business. Employers of five or more workers have to inform the Ministry how many cards they hold in May, but the additional numbers in small firms are estimated in a complicated way from the numbers of fully stamped cards exchanged for new ones in the following quarter. Also there are still likely to be employers and people working on their own account who, in spite of the insurance act, have never taken out cards. It is indeed by no means easy to count the 24 million or so men and women in the working population today.

Nevertheless the Ministry of Labour feels reasonably confident that these annual counts are near enough to the mark. Their monthly figures are another matter. These rely on returns from a large number of firms—all manufacturing firms, for instance, employing more than 100 persons and a quarter of those employing between 11 and 100 persons. In some of the service trades, however, the coverage is doubtless poor. These "L" returns show the numbers in employment in the current and previous month and the percentage changes in these numbers are linked to the basic figures for the previous May to provide up-to-date estimates.

Last Year's Changes

SINCE the May count of the insured population is not made available until the following February (after the November statistics have been published) the monthly estimates of employment stretch out unchallenged for eighteen months. When the revisions come, they have to be taken back for this length of time. This time they have been more substantial than usual possibly because, in the interests of economy, the number of firms making "L" returns has been reduced. The original figure for civil employment last November has been bumped up by 205,000—and is subject to further revision after the May, 1958 count. In each of the last five years the revision has been upwards, suggesting some as yet unexplained bias: but never quite so much as now revealed.

Does this make nonsense of the monthly figures? As far as absolute changes go it would seem to: instead of civilian

APPARENT CHANGES IN EMPLOYMENT
(Thousands)

	End Dec., 1956	End Dec., 1957	Change in 1957
Manufacturing	9,298	9,300	+ 2
Agriculture	993	964	−29
Mining	861	868	+ 7
Building and contracting	1,496	1,470	−26
Distribution	2,933	2,981	+48
Transport and communications	1,711	1,710	− 1
Public utilities	379	381	+ 2
Professional, financial etc.	4,142	4,169	+27
Public administration	1,298	1,288	−10
Civil employment	**23,111**	**23,131**	**+20**

employment having fallen by some 100,000 last year we are now asked to believe that it rose by 20,000. Unfortunately the interest in these figures lies in marginal differences between large numbers; and in a period of steady activity, these are likely to be within the practical errors of estimation. The revisions, even this year, are no more than 1 per cent of the total, which is by no means statistically shocking. But even this error casts cold water on the general productivity comparisons of which the Treasury is so fond. However, the relative movements of labour between industries are probably more accurately reflected if only because they are often proportionately a good deal larger, and it is with this in mind that the revised figures of employment are reproduced here. It should be added that unemployment statistics are collected quite separately and are not subject to nearly such large qualifications.

AIR TRANSPORT

Crowded Skies

THE skies over Europe and the Mediterranean are crowded with aeroplanes and criss-crossed with a web of air routes over, under and through which jet aircraft of the Nato forces pick a darting, disturbing course. It is becoming daily more difficult to keep these aircraft from collision. The upper air that the military jets have had to themselves will be invaded this summer by rising numbers of jet airliners. This is the aerial backcloth to the meeting held in Geneva by the International Civil Aviation Organisation to work out a new system of air traffic control for Europe and the Mediterranean. It has ended in something suspiciously like deadlock.

It came on a technical point—which must be unusual in a conference so predominantly technical as this. A sound plan for the co-ordination of air traffic control between the various countries had been agreed upon; the refusal of the Israeli and Arab delegates to speak directly to each other did not prevent them from passing messages through third parties. But the meeting failed to agree on the system of navigation on which control should be based—or rather the

British delegates refused to accept the system proposed by the majority of other countries, with what enthusiasm it is difficult to tell. This is a serious block because the new traffic system now remains on ice until mid-1959, when another technical conference will try to decide between two navigation systems.

British traffic controllers are urging European countries to adopt the Decca system of navigation on the argument that it allows aircraft to fly much closer than at present, and would thus reduce congestion. The Decca "chain" works on groups of four stations, one master and three slaves, which send a continuous grid of radio signals across which the pilot picks his way. Some 4,000 ships are already navigating by a chain of these stations across Western Europe from Scandiavia to France; the same chain could be used as it stands by any aircraft with the necessary equipment. At present only British European Airways and British independent operators use Decca navigation.

The alternative system is the long-established VOR, by which an aircraft navigates not by a grid, but with reference to a single fixed position on which it must converge to get a bearing. This is an American-developed system which the airlines know and understand and much of the equipment already exists. Nevertheless the British spokesmen regard it as obsolete and do not want to be committed to installing an extensive VOR system along air routes for which they are responsible. The Decca system may be capable of further refinement, but prejudice against British navigation equipment is breaking down in face of the successful trials with Decca's long-range navigation system on the North Atlantic. On these routes, where navigation aids are inadequate, aircraft are separated by 30 minutes' flying time for fear of collision, and this leads to delays at least as serious as any in Europe.

LOCAL AUTHORITY BORROWING

PWLB Rates Cut

THE Public Works Loan Board has reduced its rates for loans to local authorities—when it does lend to them. The reduction does not imply that the local authorities are any less under compulsion to raise the money in the market rather than from the board if they can. It does imply that the Treasury has decided that the board's lending rates had become out of line with the market. Since the market is the measure, some observers are a little surprised at the extent of the cut that the Treasury has made. Few will argue about the reduction from 6¾ to 6¼ per cent for loans of over 15 years; the rate of 6½ per cent for medium term loans perhaps looks low compared with 6¾ per cent now being paid in the mortgage market for 10-year money, and the rate of 6½ per cent for loans of not more than five years looks distinctly low. An active demand by the local authorities is being met with temporary (seven day) money at

PWLB RATES

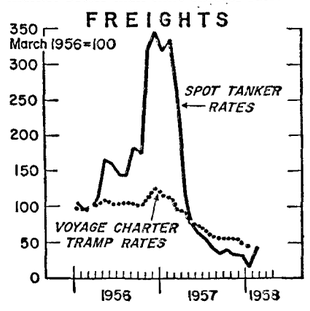
	July 13, 1957	Sept. 28, 1957	Feb. 25, 1958
Up to 5 years	5¾	7¼	6¾
5 years to 15 years	6	6¾	6¾
Over 15 years	5¾	6¼	6¼

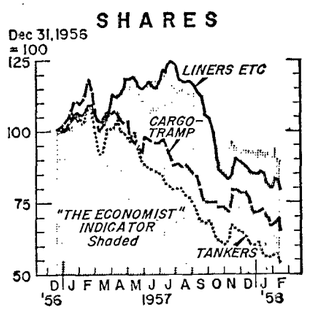
The Baltic Dries Up

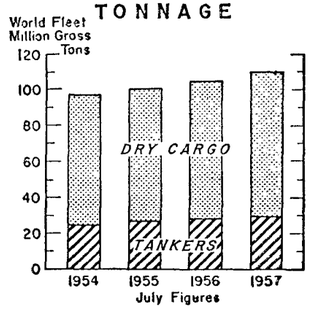
THE background to discussions in London this week between British and Greek shipowners, so far separate and inconclusive, of tonnage stabilisation schemes to limit the number of merchant ships sailing the seas is a freight market in which new charters can be fixed only at rates that allow comparatively few vessels to earn their depreciation. Throughout the world a growing tonnage of vessels is being withdrawn from that market, laid up for "accelerated repair" or simply because operating them does not pay; but equally, throughout the world new ships are coming down the slipways in exceptionally large numbers, steadily increasing the size of the world fleet competing for a limited volume of traffic. Shipping shares are coming down almost as steadily.

In British ports there is a larger tonnage of ships laid up than since the early thirties: 141 British and foreign ships, totalling 778,703 gross tons, were unemployed, in addition to another 679,143 tons of ships under repair. Most of the berths privately available are full so the Government has been making available some of its own.

At the other end of the fleet, new ships totalling some 8 million gross tons were launched last year, adding about 5 per cent net to the world fleet. This year's addition to the fleet will almost certainly be larger; cancellations are spreading among the world's shipyards but cannot take effect quickly. The biggest proportionate additions will continue to be to the tanker fleet, which represents about a quarter of the whole. As the chart shows, tanker freight rates have fallen much more sharply after rising far higher during the blockage of the Suez Canal; spot rates are charted (on the base of the 1956 low point) as representing the immediate state of the market better than time charter rates.







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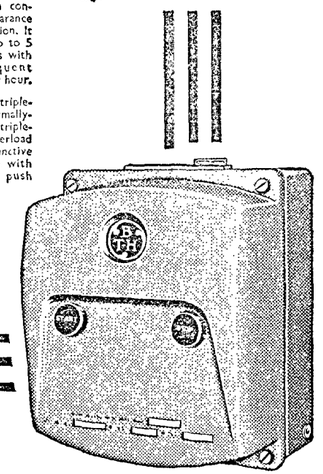
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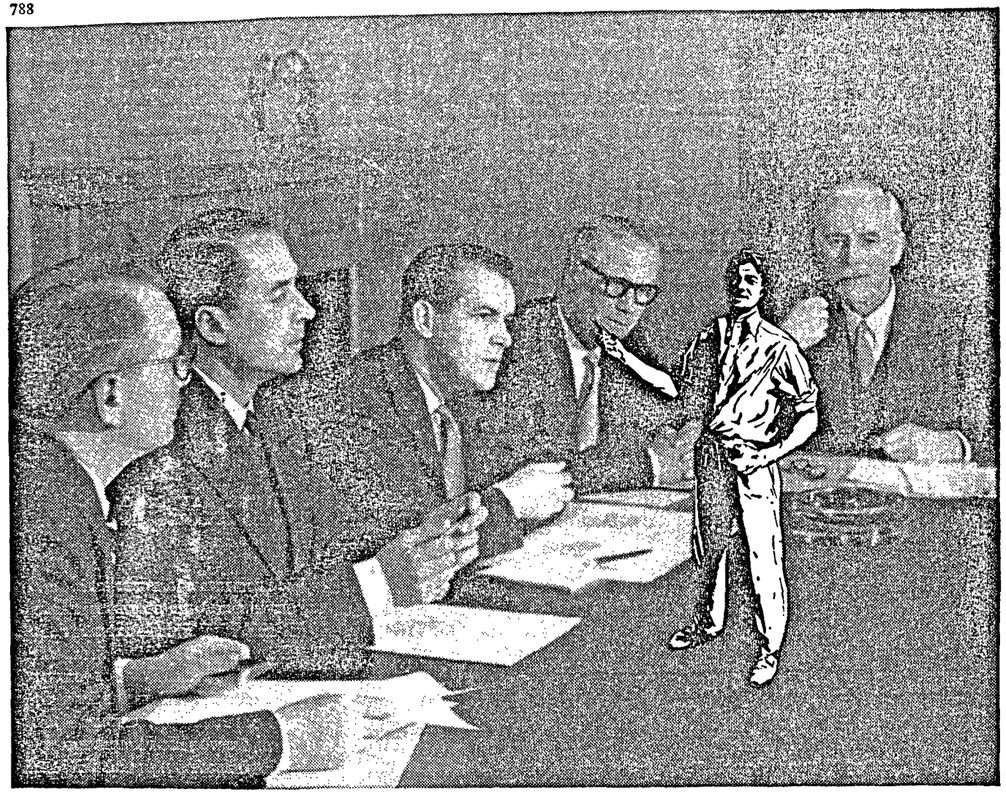
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6⅞ per cent to 7 per cent and two-year mortgages have been negotiated this week at 7⅛ per cent. The PWLB, however, does comparatively little of its lending for periods of under five years and market rates have not weakened as a result of the new scale of charges. While hire purchase houses will pay 8½ per cent for slightly longer loans, there is not much scope for reduction.

HIRE PURCHASE

Britain's Instalment Debt

INSTALMENT debt per head in the United Kingdom at the end of 1957 was a shilling or two under £9 10s. The hire purchase and other instalment buying of the British population last year amounted in terms of the retail price of the goods bought to about £14 12s. per man, woman and child. These estimates emerge from the Board of Trade's much improved statistics. This week, for the first time, the *Board of Trade Journal* removes the qualification "at least" from its estimates of the country's instalment debt; it had already revised the figures so as to bring in instalment trading other than hire purchase. The debt is now estimated at £484 million, having risen £80 million in 1957 after falling £90 million in 1956. The total is thus still a little below what it was when the Board of Trade statistics began.

It has also been expanding in every month since July of last year when the Board of Trade started the revision of its calculations. Of the latest total of £484 million, industrial and farm equipment accounted for £25 million, private cars, commercial vehicles and caravans for £204 million and the rest, furniture, hardware, radio, electrical goods, cycles and perambulators, for £246 million. It is also possible from the figures as at last July, when the debt stood at £442 million, to see the size of instalment trading in forms that are not strictly hire purchase. In July such business accounted for £63 million of the total and was therefore comparatively small; as had always been suspected, the Board's old "hire purchase" figures included a large part of it. The figure for the turnover of the goods sold on instalment terms (which naturally is not the same as the amount of credit extended) is calculated to have been "in the region of £750 million" in 1957. Items other than household goods accounted for about £480 million of it.

NORTHERN ASSURANCE PLAN

Pensions and Inflation

SEVERAL insurance companies in more than one country have introduced plans so that savings for old age can be protected against loss of purchasing power through inflation. The practical hedge against inflation—though it is not a perfect one—is investment in industrial ordinary shares and the methods used are various. The with-profits pension policy as offered by the Prudential and the Equity and Law Companies is one example; the investing of a proportion of the funds in equities and skilful investment through a period of inflation should supplement the contractual pensions. But there is no guarantee that all the gains of this kind of fund will be distributed at each valuation, no commitment to invest any particular proportion of the fund in ordinary shares, and no provision to enable a man already drawing a pension to get an increase if inflation proceeds further.

Secondly, there are pension plans tied to particular investment trust units. The London and Manchester has such a plan linked to the value of Investment Trust Units, and the London and Edinburgh has an ordinary endowment insurance plan linked to the units of the Unicorn Trust. The scheme announced this week by Northern Assurance is of a third type not previously tried in this country, though it closely resembles the American College Retirement Equities Fund. In effect, without setting up a trust or entering any formal agreement to invest only in equities, Northern Assurance is creating a fund normally to be invested in leading equities and will sell units of it to prospective annuitants at current prices calculated on the market value of the underlying securities. When the pensioner elects to take his annuity, which he may do at any age between 60 and 70, he may select either a fixed annuity or an annuity varying with the experience of the fund.

The scheme is limited to those eligible for "Millard Tucker" pensions under section 22 of the 1956 Finance Act; the company has decided also to limit it to people who have in force with the Northern an individual retirement annuity carrying a premium of at least £100. The Northern thus regards its new variable annuities as a supplement to a pension provision and does not offer it as a complete pension plan in itself. With that limitation the new fund has obvious attractions. It will be solely for the benefit of annuitants and prospective annuitants, subject to the company's commissions which are 4 per cent of premiums, 5 per cent of the investment income and 2 per cent of variable annuities paid. It will be a tax free fund, with gross dividends and capital appreciation both accumulating to enhance the value of the units.

DURABLE BUYING

The Consumer's Investment

IT is only a convention, and a pretty silly one, to regard a man who is buying a house on hire purchase as a saver, and a credit to the community, and a man who is buying a car on hire purchase as a conspicuous consumer, and a vulgar fellow to boot. The Central Statistical Office has given this habit up in part of its national income

INVESTMENT IN CONSUMER'S DURABLES

	1948	1952	1956
	£m. at current prices		
Furniture and furnishings	250	371	497
Hardware, radio and electrical	229	304	426
Vehicles	59	122	247
Private dwellings	45	101	317
	583	898	1,487
	£m. at 1948 prices		
Household goods	479	548	736
Vehicles	59	92	177
Private dwellings	45	77	227
	583	717	1,140
	Index 1948 = 100		
Volume (including dwellings)	100	123	196
Volume (excluding dwellings)	100	119	170

accounting, where repayments on hire purchase count as part of personal saving: but in another it still ranks the purchase of durable household goods as consumption, though any definition of "investment" is largely a matter of the durability of what is bought. It ranks the half of

new private cars that it guesses are bought by business as "investment": but private citizens' purchases of the other are "consumption."

The consideration of purchases of durable household goods and personal transport as investment is more common in the United States than it is here: in the current *Westminster Bank Review* Professor Alec Cairncross draws attention to the size of this kind of spending. If purchases of private houses are included, this "consumer's investment" amounts to about half the total of fixed investment as ordinarily measured (which already includes half of the new cars sold as being bought by business): even if houses are left out, these purchases of durables are a third as high as fixed investment. In spite of hire purchase restrictions and purchase tax, consumers were spending 70 per cent more on these durable goods, in real terms, than in 1948. Whatever one chooses to call this buying, it represents a substantial slice, and one of the fastest growing, of final demand: and it has special characteristics, such as postponeability and possibly of cyclical fluctuation, more akin to investment spending than to items of current, less durable consumption.

WHALE OIL

A Buyer's Market

No clearer indication of a buyer's market in edible oils, as in other commodities, could be given than the decision of the whaling companies to sell now. Without waiting for the outcome of the present Antarctic whaling season now nearing its close, the British expeditions—Hector Whaling and Salvesen and Company—the Norwegian expeditions and the Dutch have sold 150,000 tons of their catch to the Unilever group at £77 10s. a ton. The total catch is not disclosed, nor even known, but 150,000 tons could be more than half of it and the price compares with £90 a ton achieved for a substantial amount a year ago, and with current small deals at around £79 a ton. The amount bought will not enable the Unilever group to stand clear of the market for the rest of the season, but this deal by the biggest buyer will enable it to stand back for some months and relish the fact that the troubles in Indonesia have not so far stopped the flow of vegetable oils from that unhappy country.

SHORTER NOTES

The Capital Issues Committee is to make a minor relaxation. In future bank loans to finance exports on which the bank has already received a guarantee from the ECGD will automatically be approved by the CIC. In announcing this on Thursday the Chancellor emphasised that the CIC would still require all other applications for loans for capital purposes to be met, if possible, from non-bank sources.

* * *

Direct flights between London and Moscow will begin in July or August. The level of fares and the type of aircraft which the Russians will use remain to be settled. This second point concerns the noise made by the Russian Tu 104 jet airliner, on which the Ministry of Transport has been arguing for some time—not, it is thought, because it is unusually deafening but because objections to the noise level of American jet airliners are being used as counters in Anglo-American traffic negotiations that have no connection with noise, jets or Russian aircraft.

* * *

Samuel Montagu, the London banking, bullion and foreign exchange firm has joined "the men of Zurich." A new bank has been established with the name of Zurmont Bank AG, the capital of 6 million Swiss francs being largely held by Samuel Montagu, who will be represented on the board by one of their directors, Mr Paul Jeanty.

* * *

At the annual meeting of the National Discount company, the chairman, Commander Lovel Coke, said: "There appears to be an idea in certain quarters that we have adopted a new method of dealing with our investments. This is not the case. We have used precisely the same method, which we have employed for the past 30 years or more, and we shall continue to use the same method in the future because we believe it to be the most suitable one to our business." It has been apparent however that in 1957 the method resulted in the writing up of investments in the books, whereas previously there was a writing down.

* * *

Following the good interim figures, the trading results of Hoover for the full year to December 31st make an excellent showing. Turnover has risen by 13 per cent, gross profits have risen from £2,790,077 to £3,757,312 and net profits from £1,225,082 to £1,939,310. The ordinary dividend is left unchanged at 50 per cent.

* * *

Mr Geoffrey Eley, Lord Bicester, Sir Cyril Hawker and Sir Alfred Roberts have been reappointed to the Court of the Bank of England.

* * *

By re-shaping its structure, the "Chartered" company will leave the way clear for its British parent to qualify as an Overseas Trade Corporation. Rents and investment income do not qualify for the OTC tax reliefs, but royalties, the big source of Chartered's income, do.

* * *

In 1957 Olds Discount Company increased its gross profit from £760,930 to £836,606. A final payment of 15 per cent on the capital increased by a one for four free scrip issue raises the ordinary dividend to 27½ per cent against the equivalent of 24 per cent.

COMPANY AFFAIRS

PENINSULAR AND ORIENTAL

THE wildest of the dreams of the dabblers in shipping shares running from a crumbling market cannot have conjured up anything approaching what the directors of Peninsular and Oriental announced after hours on Wednesday. Last May the chairman, Sir William Currie, announced that in spite of everything group earnings to date were about the same as in the previous year. The jobbers have been guessing that with freight rates now much lower, profits for the year ended September 30th must be down, but not so badly down, they hoped, that the conservative final dividend of 5 per cent (making 8 per cent for the year) need be cut.

The profit before tax was actually more than £5 million higher. The final

	Years to Sept. 30, 1956 £	1957 £
Consolidated Profits:		
Profit before tax	12,573,047	17,640,269
Depreciation and surveys	11,831,181	12,644,665
Tax	6,306,412	7,224,064
Net profit	6,266,635	10,416,205
Retained profit	4,458,201	8,062,770
Deferred dividend	1,267,534	1,742,860
Deferred dividend (per cent)	8	11

£1 deferred stock at 26s. yields about 8½ per cent.

dividend has been increased by 3 per cent to 8 per cent, making 11 per cent for the year. The year to September 30th carries virtually the whole of the Suez repercussions and only the beginnings of the break of the freight market. So stockholders can see that Colonel Nasser has unwittingly rendered their company no small service. The directors put it like this: "While some constituent members of the group were directly and severely hit by the closing of the Suez Canal, increased world wide activity and high tramp rates substantially outweighed those adverse factors in the results of the group as a whole."

P and O, normally classed in the investor's mind as a liner company, in fact conducts as mixed a bag of well managed shipping activities as the investor will anywhere find. The results reflect world wide, not local, conditions. It follows unfortunately that the excellent results of the year ended September 30th will probably not be immediately repeated. The board makes no bones about that. Of the dividend the directors say that it is "based on the exceptionally satisfactory results of the past year's trading" and that it has "no implication as to the level of dividend that can be maintained in years to come." On the freight market they report: "during the latter part of the year a sudden and sharp recession set in, and its end is not yet in sight." Nevertheless the £1 deferred units jumped 4s. to 26s. when the figures were announced.

BRITISH-AMERICAN TOBACCO

THERE was some disappointment with the ordinary dividend of British-American Tobacco even though the payment was slightly increased. Investors had hopes that, allowing for the one for three free issue, the total payment would be raised from the equivalent of 1s. 6d., tax free, to 1s. 9d., tax free, per 10s. ordinary stock unit. The final dividend, however, is 8d., tax free, per 10s. unit, making the effective payment for the full year to September 30, 1957, 1s. 7½d., tax free. The first interim dividend for 1957-58 is 6d., tax free, so that the yield can be calculated on the basis of 1s. 8d., tax free. On that basis, the 10s. units, now at 37s. 7½d. xd, compared with 40s. 10½d. before the dividend announcement, yield 7.7 per cent gross.

That is not a big yield for a tobacco share, but BAT is not concerned with the home trade; it sells all its cigarettes and tobacco abroad, manufacturing a growing proportion in local markets. It always has to retain a big slice of its earnings where they are earned, but its dividend record is progressive and its ordinary stock has come to be regarded as a steady long term growth stock. Certainly the latest trading results give no immediate reason to reverse that judgment. The group's profit before tax rose by about 10½ per cent, by £5,406,164 to £57,285,037. The tax provision was almost unchanged at just over £28 million and net profits advanced by about 22 per cent, by £4,755,115 to £26,313,749. From these net earnings, the dividend absorbs only £7,622,282, and so is handsomely covered. But not all BAT's earnings can be regarded as freely distributable in this country and it is noteworthy that the appropriation to fixed assets and stock replacement reserves has been stepped up sharply in the latest accounts, from £3,400,000 to £6 million.

MONSANTO CHEMICALS

LAST year Monsanto Chemicals, the British subsidiary of an American parent of the same name, raised about £5 million by a rights issue of ordinary shares and a debenture issue. The new money will help to finance the £8½ million expansion scheme at Fawley, the prospects of which attract investors to the ordinary stock of Monsanto Chemicals. But they will not be disappointed with the latest trading results. The ordinary dividend is 13½ per cent, as forecast at the time of the new issues, and on this dividend the 5s. units at 13s. 1½d. yield 5.1 per cent. The good profit showing of the half yearly report is confirmed in the full year's results. Sales have risen—those of the parent of the English group going up from £14,634,947 to £15,683,272—and profits have advanced in step with the increase in turnover The consolidated trading profit is up from £2,596,773 to £3,093,669 and the net profit from £884,485 to £1,013,719. The chairman, Sir Miles Thomas, says that "the demand for established products is well maintained, both at home and abroad, and new products . . . are meeting with an encouraging response."

LEWIS'S AND HARRODS

THERE is little to gladden sad hearts in the preliminary results of the two big department store groups, **Lewis's Investment Trust** and **Harrods.** Earnings of trades closely in touch with consumers did seem a few months ago to be holding up well under the pressure of rising costs. But in the later months of last year, as the accounts of British Home Stores and Woolworth have shown, the going for the stores was becoming harder. The same judgment can be applied to the department stores, whose profit mark up is bigger but whose stock turnover is lower than the chain stores.

The trading results of both Harrods and Lewis's Investment Trust are disappointing—and not least because the

	Years to end January, 1957 £	1958 £
Harrods		
Gross profit	2,462,798	2,473,116
Net profit	1,049,361	1,073,565
Ordinary dividends	402,500	402,500
Ordinary dividends (per cent)	17½	17½
Lewis's Investment Trust		
Gross profit	5,167,606	5,014,400
Net profit	2,271,437	2,238,046
Ordinary dividends	558,736	558,736
Ordinary dividends (per cent)	17	17
Lewis's*		
Gross profit	2,950,112	2,908,492
Net profit	1,348,619	1,336,149
Selfridges*		
Gross profit	1,386,785	1,346,509
Net profit	538,991	528,724

* Subsidiary company of Lewis's Investment Trust.

big sums of money spent on modernising, developing and opening new stores has yet to produce a bigger profit return. Gross profits of Harrods have risen only fractionally and the ordinary dividend is left unchanged at 17½ per cent. The company's £1 ordinary units were marked down on this result by 3s. 3d. to 59s., to yield 5⅞ per cent. The full year's gross profits of Lewis's Investment Trust have actually fallen slightly, even though in the first half of the year they had been running at a slightly higher level. Here too the ordinary dividend has been left unchanged, at 17 per cent. The Trust's 4s. ordinary units fell by 9d. to 13s. 1½d., to yield 5.2 per cent.

LINEN THREAD

FOR the year to September 30th, the ordinary dividend of Linen Thread was reduced from 8 to 6 per cent, following a fall in gross profits from £643,762 to £448,280. The net profit of £182,478 represents a poor return on net assets worth over £12¾ million. Half of these assets belong to a subsidiary in the United States and the decline in earnings is, says the chairman, Mr George Knox, "attributable almost entirely to the unfavourable results" of that subsidiary.

The directors realise that action now is imperative. The board's policy is first to reduce the number of manufacturing units by closing the smaller mills and concentrating in the larger. The cost will be "considerable" but Mr Knox hopes for "substantial permanent savings." He realises also that concentration is not the whole answer. The directors, who have recently increased the group's shareholding interests in an engineering company, state their longer term policy to be: "diversification in other fields of industry both at home and abroad to broaden our interests so that we are not so dependent on textiles." This is a commendable aim, but diversification has no guarantee of magic in itself, and the successful redeployment of capital by a textile concern outside the range of its earlier experience will leave the management to solve new and unfamiliar problems.

CARRERAS

SIR EDWARD BARON, the chairman of Carreras, describes competition in the cigarette and tobacco trades as "unprecedented." All the manufacturers are spending heavily on advertising, and Sir Edward says the amount spent by Carreras on advertising and sales promotion, which he describes as "exceptional," more than accounts for the decline in the parent company's trading profit from £714,586 to £602,263. The fall in the group's profit from £2,108,014 to £1,794,415 was finally reflected in a reduction in the ordinary dividend from 8¾ to 6 per cent. The group maintained its turnover but costs were rising, squeezing profit margins, and the increase in selling prices in mid-September came too late to make any material contribution to earnings for the year to October 31st. The profit experience of the Canadian subsidiary, fighting to hold its place in a competitive market for filter tipped cigarettes, was worse even than that of the British parent.

So far in the current financial year the company's trading results are better—inevitably so, it might be added, because of higher prices—but Sir Edward refuses to predict the full year's outturn. Looking towards 1959 and 1960 he does expect the concentration of manufacturing in a new modern factory at Basildon to produce considerable savings in costs. The non-voting "B" shares, standing at 2s. 1¾d., are now quoted below their par value of 2s. 6d. and yield just over 7 per cent. "Imps," it may be remarked, have a wider market and yield 10.8 per cent at 37s.

KNITWEAR PROFITS

WIDELY differing accounts of trading experience in the hosiery and knitwear industry in 1957 were given this week; **Wolsey** reported a fall of £215,853 in gross profits which contracted to £641,445, but **I. and R. Morley** increased its gross earnings by £22,298 to £551,033. Neither company has changed its dividend, Wolsey again paying 20 per cent and Morley a final dividend of 9 per cent, again making 12 per cent for the year.

The reduction in Wolsey's profits is stated to be due "mainly" to the writing down of stocks necessitated by the fall in wool values. Morley's is a creditable performance in a year of increasing competition. Technical developments—the growth of knitted outerwear and the increasing use of knitted fabrics barely distinguishable from woven cloth—must have played into the hands of the manufacturing branches of these businesses. On the results the 10s. units of Wolsey fell 1s. 6d. to 22s. 6d. xd., giving a yield of 8¾ per cent; Morley's 10s. units were firm at 12s. 9d., giving a yield of 9.8 per cent.

London Stock Exchange

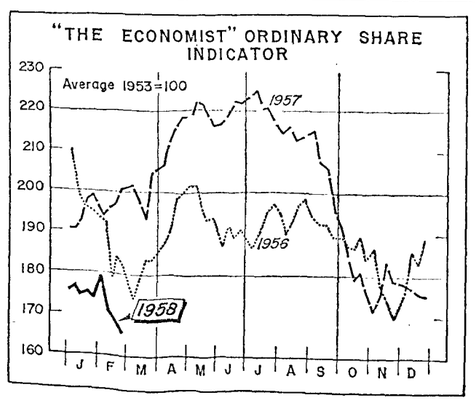
FIRST DEALINGS:	Feb. 12	Feb. 26	Mar. 12
LAST DEALINGS:	Feb. 25	Mar. 11	Mar. 25
ACCOUNT DAY:	Mar. 4	Mar. 18	April 1

ALTHOUGH the market remained subdued, gilt-edged stocks staged a recovery on Tuesday, which left a sprinkling of gains of ¼ through the list among several losses of the same order. All the shorts improved; 4½ per cent Conversion 1962 and 2½ per cent Funding 1956-61 both gained ¼ to 97⅛ and 92²⁵⁄₃₂ respectively. The irredeemables were usually lower, but 2½ per cent Consols gained ¼ to 48⅞.

Industrial stocks under the shadow of next week's call on Shell (new) were depressed; a halt was called to the downward slide by a technical rally on the first day of the new account but the overall loss in *The Economist* indicator was 2.8, lowering it to 166.1. Former favourites of American investors suffered violent fluctuations; Borax deferred fell from 17s. to 14s. 10½d. but recovered to 15s. 7½d. and Hudson's Bay fell from 142s. 6d. to 133s. 9d. before recovering to 138s. 9d. The continuing troubles of Gordon Hotels led to a fall of 1s. 9d. to 8s. 1½d. Disappointment with the results caused a fall of 12s. to 117s. 6d. xd in Clarke Chapman, and William Denny weakened on the partial success of the rights issue. With the exception of Hawthorn Leslie, which was helped by an increase in the interim dividend, shipbuilding stocks suffered further severe losses. Shipping shares continued to fall, but the dividend increase by P & O and the jump in the deferred shares from 22s. to 26s. halted the decline.

Weakness in the new Shell shares, which at one time dropped to 10s. 6d. premium, unsettled the market in oil shares, but a sharp recovery followed on Wednesday. Kaffirs made gains consistently from Monday, Daggafontein rising 3s. 1½d. to 29s. 6d. Copper mines improved, Bancroft gaining 1s. 9d. to 13s., but tea plantations turned weak.

"THE ECONOMIST" ORDINARY SHARE INDICATOR



STOCK EXCHANGE INDICATORS
"The Economist" Indicator

1958	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
Jan. 29	173·6	6·75				
Feb. 5	178·8	6·55				
„ 12	170·7	6·86				
„ 19	168·9	6·94	225·0 (July 10)	171·2 (Nov. 6)	210·4 (Jan. 4)	170·0 (Nov. 28)
„ 26	166·1	7·07				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1957 High	1956 High
		%		%		207·6 (July 9)	203·5 (Jan. 3)
Feb. 19	157·0	7·01	89·08	5·18	7,554		
„ 20	157·5	6·98	89·10	5·17	7,356		
„ 21	157·0	7·00	89·08	5·17	7,230	Low	Low
„ 24	155·3	7·08	88·86	5·17	8,766	159·0 (Nov. 5)	161·5 (Nov. 29)
„ 25	154·4	7·13	88·75	5·17	8,711		
„ 26	154·4	7·12	88·83	5·15	7,402		

Bases:—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Feb. 19, 1958	Price, Feb. 26, 1958	Net Yield, Feb. 26, 1958 § £ s. d.	Gross Yield, Feb. 26, 1958 £ s. d.
97 19/32	93 1/32	War Loan 3%....1955–59	96 7/32	97 3/32	3 5 5	4 17 7
93 15/32	87 1/4	Funding 2½%....1956–61	92 13/32	92 13/32	3 16 4	5 1 4
99 3/32	98 3/32	Conversion 4%....1957–58	99 3/32	99 1/16	3 0 7	5 18 5
97 15/32	94 13/32	Conversion 2½%....1958–59	97 15/32	97 3/16	3 17 5	4 17 1
95 1/16	90 1/2	Exchequer 2½%.....1960	94 11/32	94 1/2	3 18 11	4 16 10
97 3/8	92 1/2	Exchequer 3%.....1960	96 29/32	96 15/16	3 13 3	4 19 2
99 3/32	93	Conversion 4½%.....1962	96 15/16	97 1/8	3 7 1	5 6 4
89 3/4	84 9/16	Savings Bds. 3%..1955–65	86 1/8	86	3 18 4	5 6 4
84 1/2	77	Funding 3%.....1959–69	79 1/16	79 1/8	4 2 9	5 13 4
92 1/8	84 11/16	Funding 4%.....1960–90	89 1/8	89 1/4	4 3 9	5 14 4
81 1/8	74	Savings Bds. 3%..1960–70	76*	75 15/16*	4 4 5	5 14 4
94 1/16	87 1/8	Exchequer 3%...1962–63	90 1/16	90 1/8	3 14 10	5 3 1
89 1/16	83	Exchequer 2½%..1963–64	86 1/16	86 1/8	3 19 4	5 3 9
83 11/16	77 1/8	Savings Bds. 2½% 1964–67	79 1/16	79 1/4	4 4 7	5 10 0
77 1/2	67 1/2	Savings Bds. 3%..1965–75	70 1/16	70 1/8	4 2 5	5 14 2
—	—	Exchequer 5½%.....1966	99 11/16*	99 1/8*	3 3 3	5 9 8
84 1/8	78 1/8	Funding 3%.....1966–68	80 1/16	80	4 2 5	5 11 9
95 1/2	91 1/2	Victory 4%.....1920–76	91 3/8*	91 1/8*	3 7 1	5 3 4
88 1/8	80 1/2	Conversion 3½%.....1969	82 1/4	82 1/4	4 0 6	5 13 9
81 1/8	69 1/2	Treasury 3½% ...1977–80	73 1/8	73 1/8	3 16 1	5 13 1
80	68	Treasury 3½% ...1979–81	72 1/8	72 1/8	3 17 2	5 14 1
—	—	Funding 5½%.....1982–84	98 1/16	98 1/8	3 4 10	5 12 2
71 1/2	57 1/2	Redemption 3%..1986–96	61 1/8	60 1/8*	3 12 7	5 8 11
80 1/8	63 1/2	Funding 3½%...1999–2004	67 1/8	67 1/8	3 8 9	5 9 6
81 1/16	68	Consols 4% after Feb. 1957	70 1/2	70 1/16	3 5 1	5 13 5
75	60 1/2	War Loan 3½% after 1952	64 1/16	64 1/2	3 3 3	5 10 8
75 1/2	58 1/2	Conv. 3½% after Apr. 1961	64 1/16	62 1/16*	3 4 2	5 11 4
65 7/8	51 1/2	Treas. 3% after Apr. 1966	56 1/2	56 1/2	3 2 3	5 9 3
55 1/16	45	Consols 2½%.....	48 1/8	48 1/8	2 19 7	5 4 0
55 1/16	44	Treas. 2½% after Apr. 1975	47 1/16	46 1/16*	3 1 9	5 7 2
96 1/2	88 1/2	Br. Electric 4½%..1967–69	91 1/2	91 1/2	3 10 2	5 10 9
80 1/2	70	Br. Electric 3%...1968–73	73 1/2	72 1/2*	4 3 9	5 14 5
78 1/2	66	Br. Electric 3%...1974–77	70*	69 1/2*	4 0 1	5 11 10
92 1/16	79 1/2	Br. Electric 4½%..1974–79	83 1/2*	82 1/2*	3 11 7	5 12 1
81 1/16	69 1/2	Br. Electric 3½%..1976–79	74 1/2	74 1/2	3 16 4	5 13 4
90 1/2	81	Br. Gas 4%.....1969–72	83 1/2	83 1/16	3 15 9	5 13 11
87 1/2	78	Br. Gas 3½%.....1969–71	79 1/8*	79 1/8	3 18 10	5 12 8
72 1/2	58 1/2	Br. Gas 3%.....1990–95	62 1/2	62 1/4	3 12 1	5 8 9
80 1/16	70	Br. Transport 3%..1968–73	73 1/2	72 1/2*	4 3 9	5 14 5
88 1/2	77 1/16	Br. Transport 4%..1972–77	81 1/16	81 1/2	3 13 3	5 12 9
72 1/2	59	Br. Transport 3%..1978–88	62 1/2	62 1/2	3 16 6	5 12 0

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Feb. 19, 1958	Price, Feb. 26, 1958	Yield, Feb. 26, 1958 £ s. d.
92 3/8	82	Agric. Mortgage 5%.....1959–89	86	85 1/4	5 19 3
81 1/2	75	Australia 3½%.....1965–69	77 1/4	77	6 4 3
97 1/8	91 1/4	Birmingham 5%.....1973–75	95	95	5 9 3
100 3/8	91	East Africa 5½%.....1977–83	92 1/4	92	6 0 0
105 1/2	96	L.C.C. 5½%.....1977–81	95 3/8*	95 1/4*	5 17 0
69 3/8	54 1/2	Met. Water Board 'B' 3% 1934–2003	57 1/4*	57 1/4	5 12 6
87 1/2	77	New Zealand 4%.....1976–78	80 1/2	80 1/2	5 12 9
75 1/8	67 3/8	S. Rhodesia 2½%.....1965–70	70 1/2	70 3/8	6 2 0
87	72 3/8	German 7% (Br. Enfaced 5%)..1924	87 1/4	86 3/8	...
169 1/2	147 1/2	Japan 5% (Enfaced).....1907	165	166 1/2	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Feb. 19, 1958	Price, Feb. 26, 1958	Yield, Feb. 26, 1958 £ s. d.
		% %	BANKS & DISCOUNT			
30/9	19/6	4 a	5 b Bk. Ldn. & S. Amer.£1	28/6*	28/6	6 6 4
47/3	40/–	6 a	6 b Barclays Bank....£1	40/9	40/–	6 0 0
35/3	27/6	4 a	4 b Barclays D.C.O. ...£1	29/6	29/6	5 8 6
42/6	34/6	7½ b	7½ a Chartered Bank....£1	40/–	39/–	7 13 10
51/3	42/9	6½ a	6½ b Lloyds Bank £1	43/9	42/6	6 2 4
66/7½	58/–	9 a	9 b Midland Bank £1	59/3	57/9	6 4 8
40/6	28/6	5 a	5 b Nat. Discount 'B'..£1	31/9	31/–	6 9 0
51/6	39/3	6¼ a	6¼ b Union Discount....£1	43/9	44/3	5 13 0
			INSURANCE			
86/4½	61/7½	43½ b	30 a Commercial Union 5/–	70/–	69/–	5 6 3
177/6	102/6	87½ b	40 a Legal & General ..5/–	126/3	123/9	4 0 10d
22¾	17½	†50 b	†20 a Pearl.....£1	19¼	19	6 8 2
46	34½	†125 c	†132½ c Prudential 'A'.....£1	40	39½	5 17 6
			BREWERIES, ETC.			
32/6	26/4½	10 a	36 b Bass 5/–	31/3	31/–	7 8 4
25/9	19/7½	18¾ c	7½ a Distillers.....6/8	19/9	19/9	6 6 8
44/9	36/–	10 a	15 b Guinness.....10/–	38/–	37/6	6 13 4
87/3	63/6	8 a	17 b Whitbread 'A'.....£1	78/–	76/–	6 6 4g
			MOTORS & AIRCRAFT			
21/6	11/9	6½ b	3½ a Bristol Aeroplane 10/–	10/7½	10/7½	9 8 3
8/7½	6/–	12½ c	12½ c British Motor.....5/–	6/7½	6/9	9 5 3
40/–	29/3	5 b	3 a Ford Motor £1	33/–	32/10½	4 17 6
45/9	27/6	3 a	7 b Hawker Siddeley....£1	25/9	26/–	7 13 10
53/–	41/9	12½ c	12½ c Leyland Motors....£1	44/–	41/6	6 0 6
121/–	90/7½	15 b	5 a Rolls-Royce.....£1	86/6	84/–	4 15 3
9/1½	5/11½	8 c	8 c Standard Motor...5/–	7/5½	7/5½	5 7 7

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Feb. 19, 1958	Price, Feb. 26, 1958	Yield, Feb. 26, 1958 £ s. d.
		% %	STEEL & ENGINEERING			
46/4½	35/–	†10 a	16⅔ b Br. Aluminium £1	39/–	39/–	7 14 0
25/–	17/4½	17½ b	7½ a B.E.T. 'A' Defd...5/–	20/6	20/3	6 3 5
39/–	29/6	4 a	6 b Br. Oxygen £1	28/3	29/–	6 18 0
21/10½	15/3	7½ b	3 a Dunlop Rubber..10/–	14/10½	14/7½	7 3 8
46/6	36/1½	6 b	4 a Imp. Chemical.....£1	37/1½	36/10½	5 8 5
50/6	36/–	8½ a	11½ b Imp. Tobacco £1	38/6*	37/–	10 16 2
36/9	27/3	2½ a	5 b J. Lucas (Inds.)....£1	29/6	29/6	5 1 8
19/3	12/4½	5 a	8½ b Monsanto Chem...5/–	13/6	12/10½	5 4 10
18/3	13/9	5 a	5 b Ranks.....10/–	14/7½	14/4½	6 19 3
55/6	29/9	10 b	5 a A. E. Reed.....£1	29/3	28/3	10 12 5
15/10½	11/3	20 c	22½ c Sears Holdings 'A' 5/–	12/0½	12/2½	9 6 6
70/3	54/10½	4½ a	12 b Tate & Lyle.....£1	51/9	48/9	6 15 5
70/9	50/–	7½ a	7½ b Tube Investments..£1	48/6	48/9	6 3 0
73/6	51/–	2½ a	12½ b Turner & Newall...£1	55/10½	55/7½	5 7 10
114/6	71/9	11½ b	6 a Unilever Ltd.....£1	75/6	73/6	4 15 3
102/–	65/6	14½ b	4 a Utd. Dominions Tr..£1	79/–	77/–	4 16 0
44/–	27/6	†10 b	†4½ a United Molasses .10/–	26/3	26/3	9 7 10
			OIL			
173/7½	87/6	†10 b	†5 a British Petroleum..£1	85/7½	83/11½	6 5 8
119/4½	70/7½	17½ b	†5 a Burmah £1	65/7½	63/6	7 1 10d
£25	£14⅜	17½ b	7½ a Royal Dutch.....20 fl.	£14⅜	£14⅜	3 6 2
218/3	136/10½	†13⅓ b	†5 a Shell £1	125/7½	121/10½	5 7 0
104/–	55/–	...	... Ultramar 10/–	45/–	44/6	...
			MINES, ETC.			
137/6	115/–	50 b	20 a Anglo-American .10/–	116/3	118/9	5 17 11
29/–	20/3	†2½ a	†10 b Cons. Tea & Lands..£1	19/6	19/9	22 0 5
92/6	48/6	15 b	6¼ a Cons. Zinc Corp. ...£1	45/3	44/–	9 13 2
113/1½	81/3	120 b	80 a De Beers Def. Reg. 5/–	90/7½	92 6	10 16 2
83/1½	58/7½	...	20 a Free State Geduld.5/–	81/3	81/10½	...
12/10½	7/3	30 c	30 c London Tin 4/–	7/1½	6/6*	18 9 4
56/7½	45/–	50 a	50 b President Brand ..5/–	48/9	48/10½	10 4 8
24/6	13/10½	8¼ a	16⅔ b Rho. Selection Tst. 5/–	13/1½	13/7½	9 3 6½
42½	23¾	50 a	175 b Rhokana Corp. £1	20⅜	21	10 14 5½
55/–	41/–	30 b	12½ a United Sua Betong..£1	48/3	47/6	17 18 0
88/4½	58/1½	40 a	60 b Western Holdings .5/–	91/3	91/10½	5 8 10

New York Closing Prices

	Feb. 19 $	Feb. 26 $		Feb. 19 $	Feb. 26 $		Feb. 19 $	Feb. 26 $
Alumin'm Ltd.	27⅞	27⅞	Crown Zeller..	45⅜	45½	Penns. R.R....	12¼	11⅞
Am. Smelting..	40	40½	DuPontdeNm.	178⅜*	176⅜	Sears Roebuck	27	26⅜
Amer. Tel. ...	172⅜	172⅜	Ford Motors..	40⅛	39⅞	Shell Oil	60	59⅛
Am. Viscose..	27⅛	27⅛	Gen. Elect....	61⅛	61⅛	Std. Oil of N.J.	49	48⅜
Anaconda....	42	41⅜	Gen. Motors..	34⅛	34⅛	U.S. Steel....	57¾	59
Beth. Steel...	39	39	Int'l. Nickel..	74⅛	75⅛	Western Union	17	17
Can. Pacific ..	23⅞	23⅝	National Dist.	22⅝	22¼	West'house E.	62¾	61½
Chrysler	52⅛*	51½	N.Y. Central .	14⅞	13⅞	Woolworth...	41½	41⅜

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9¾ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 100%. (e) To earliest date. (f) Flat yield. (g) On 24%. (h) On 13½%. (i) On 22½%. (j) After Rhodesian tax. (k) On 30%. (l) To latest date. (m) On 13%.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared.

World Trade ..... January 18th

British		Overseas	
Prices and Wages	Feb. 8th	Western Europe:	
Production and Consumption	Feb. 15th	Production and Trade	This week
Manpower	Feb. 22nd	British Commonwealth	Feb. 15th
External Trade	This week	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	Feb. 22nd
Industrial Profits	Jan. 18th	United States	Feb. 8th

UK External Trade

Imports are valued cif; exports fob. Total trade unless otherwise stated.

	Unit	Monthly averages			1956		1957				1958
		1955	1956	1957	Nov.	Dec.	Jan.	Oct.	Nov.	Dec.	Jan.
VALUE											
Imports:											
Total	£ million	323·6	323·8	339·6	319·6	307·9	376·5	353·1	319·9	313·6	325·1
Food, drink and tobacco	„	120·1	120·7	124·7	126·4	119·9	143·6	133·2	114·0	117·2	118·1
Basic materials	„	93·7	91·9	97·4	85·4	85·8	115·0	99·7	87·8	87·1	87·8
Mineral fuels and lubricants	„	34·0	34·5	38·9	26·2	31·5	30·8	36·1	35·9	34·4	37·0
Manufactures	„	74·7	75·5	77·4	77·6	66·3	85·1	82·8	80·8	73·4	80·1
Exports of UK produce:											
Total	„	242·1	264·3	277·1	291·9	253·7	261·0	271·8	286·9	282·4	277·8
Manufactures	„	199·0	218·3	229·5	238·3	202·9	213·5	222·1	233·5	233·5	233·9
Re-exports	„	9·9	12·2	11·1	14·8	11·2	11·7	11·2	11·0	12·2	12·6
Balance of trade (exports *less* imports)	„	− 71·6	− 47·3	− 51·4	− 12·9	− 42·9	−103·9	− 70·1	− 22·0	− 19·0	− 34·7
VOLUME											
Imports	1954=100	111	111	115	109[3]	...	118[4]	...	115[3]	...	...
Exports	„	107	114	116	120[3]	...	117[4]	...	117[3]	...	...
BY AREA											
Imports:											
Dollar area—total	£ million	70·1	71·0	80·4	89·2	72·3	87·6	84·5	76·6	70·5	67·1
„ USA	„	35·0	34·0	40·2	47·2	40·6	51·2	43·5	36·7	31·9	33·6
„ Canada	„	28·6	29·0	26·7	33·8	24·8	24·9	27·5	29·0	27·8	22·0
Non-sterling OEEC countries	„	78·4	79·6	80·7	80·0	71·2	84·9	91·4	84·8	77·6	85·2
Sterling area	„	130·9	126·5	129·2	109·1	125·2	155·0	124·5	112·9	118·5	123·4
Exports:											
Dollar area—total	„	34·8	45·2	47·7	53·7	41·5	41·8	45·7	51·4	49·3	41·2
„ USA	„	16·6	21·6	21·5	26·5	20·2	22·9	20·6	22·9	21·6	20·4
„ Canada	„	12·1	15·2	16·7	18·5	12·1	12·5	16·3	17·3	14·3	11·1
Non-sterling OEEC countries	„	67·5	75·1	78·2	84·0	77·1	80·5	78·2	75·6	72·4	72·4
Sterling area	„	120·9	122·4	127·2	131·2	116·8	118·3	126·6	133·7	135·3	140·1
Balance of trade (exports *less* imports):											
Dollar area	„	− 35·3	− 25·8	− 32·7	− 35·5	− 30·8	− 45·8	− 38·8	− 25·2	− 21·1	− 25·9
Non-sterling OEEC countries	„	− 10·9	− 4·5	− 2·5	+ 4·0	+ 5·9	− 4·4	− 13·2	− 9·2	− 5·2	− 12·8
Sterling area	„	− 10·0	− 4·1	− 2·0	+ 22·1	− 8·4	− 35·7	+ 2·1	+ 20·8	+ 16·9	+ 16·7
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	374·3	338·4	377·6	382·0	319·2	375·6	394·8	409·1	419·4	413·1
Meat	„	67·0	72·4	74·2	83·4	61·2	76·9	64·4	61·0	51·7	70·4
Sugar, unrefined	„	185·2	191·3	235·6	165·4	243·7	261·0	282·3	216·6	261·5	210·8
Raw cotton (1)	„	24·2	27·0	30·7	27·6	32·7	46·8	32·2	22·3	25·8	29·3
Raw wool, sheep's and lambs' (1)	mn. lb.	55·1	53·2	51·6	53·9	69·0	81·7	45·7	36·1	53·1	57·4
Rubber, natural and synthetic (1)	'000 tons	24·6	18·4	22·7	1·6	17·2	31·8	31·9	30·3	25·0	32·2
Softwood	'000 stds.	140·0	102·8	120·0	117·5	99·3	89·1	155·5	140·8	102·0	80·1
Woodpulp	'000 tons	186·9	183·3	178·2	202·2	183·9	214·1	189·4	171·8	131·0	189·3
Crude petroleum	mn. galls.	601	618	605	419	508	424	624	651	618	673
Exports of UK produce:											
Coal, including bunkers	'000 tons	1,196	836	686	881	781	756	647	650	575	487
Woven piece-goods—cotton	mn. sq. yds	46	40	38	43	40	38	34	38	37	40
„ „ wool (2)	'000 sq. yds.	8,965	9,107	9,028	9,708	7,532	9,970	8,037	8,310	8,340	9,578
Passenger cars and chassis	number	32,545	27,986	35,522	26,017	22,337	26,372	37,022	41,081	35,632	45,762
Commercial vehicles and chassis	„	11,656	10,506	10,214	8,828	7,797	8,560	10,217	11,538	11,005	13,564
Agricultural tractors	„	8,720	7,482	9,414	7,044	5,006	7,250	11,481	11,412	7,506	8,327
Machinery—electrical	£'000	5,158	5,314	5,602	5,443	4,130	4,385	5,089	6,023	5,358	5,877
„ other	„	34,687	38,657	42,211	40,933	36,217	39,281	40,870	44,093	44,563	43,792
Chemicals, elements and compounds	„	4,422	4,918	5,219	5,244	4,761	5,049	5,012	5,224	4,832	5,047

(1) Retained imports. (2) Excluding fents from January, 1956. (3) Average for fourth quarter. (4) Average for first quarter.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (1) (1953 = 100)												
1948	54	87	82	79	...	52	70	62	70	70	90	69
1955	133	116	112	120	129	130	108	119	118	117	111	124
1956	138	122	111	133	139	134	102	128	124	122	114	128
1957, July	142	92	77	139	140	147	} 99	{ 147	128	88	62	...
„ August	142	117	116	98	138	146	}	{ 116	122	125	116	...
„ September	155	124	119	148	151	148		{ 143	124	136	125	...
„ October	159	126	118	150	153	157	...	147	133	134	125	...
„ November	...	...	118	159	163	...	...	...	128	...	124	...
VALUE OF EXTERNAL TRADE (2)												
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas[3]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lira
IMPORTS (c. i. f.)												
1948	243	7,249	285	56·08	264[5]	152[4]	11·36	70·36	414	310	413	64·2
1955	1,922	11,790	678	138·23	2,029	955	17·03	141·22	1,016	649	861	116·1
1956	2,110	13,635	755	161·98	2,315	1,159	15·07	165·06	1,175	721	953	95·4
1957, July	2,435	14,013	735	185·81	2,693	1,708	14·60	185·25	1,363	695	1,040	92·5
„ August	2,366	13,688	739	166·78	2,572	1,273	13·35	167·06	1,216	681	956	87·5
„ September	2,430	13,101	694	159·07	2,567	1,240	13·68	173·39	1,182	708	998	103·8
„ October	2,585	14,579	827	166·42	2,858	1,183	15·88	185·06	1,335	667	1,096	97·8
„ November	2,479	...	810	175·78	2,731	...	...	170·49	1,239	761	1,062	111·6
EXPORTS (f. o. b.)												
1948	165	6,171	228	36·18	151[5]	39[4]	4·11	47·99	226	172	332	45·9
1955	1,514	11,566	609	143·26	2,142	457	9·20	96·69	851	377	744	73·1
1956	1,840	13,177	640	132·38	2,571	475	8·95	112·33	906	460	839	71·2
1957, July	2,104	12,325	672	151·39	3,057	224	11·91	146·75	1,024	488	964	52·5
„ August	2,144	10,960	654	130·90	3,084	205	12·00	134·22	884	467	884	57·9
„ September	2,186	13,093	643	134·69	2,865	412	10·87	128·40	1,075	463	1,038	64·5
„ October	2,256	13,981	731	168·50	3,260	873	10·74	150·46	1,123	581	994	48·3
„ November	2,098	13,159	741	170·91	3,182	...	...	131·35	1,078	436	957	98·2
BALANCE												
1948	− 78	− 1,078	− 57	−19·90	− 113	− 113	− 7·25	−22·37	− 188	− 138	− 81	− 18·7
1955	− 408	− 224	− 69	+ 5·03	+ 113	− 498	− 7·83	−44·53	− 165	− 272	− 117	− 43·0
1956	− 270	− 458	− 115	−29·60	+ 256	− 684	− 6·12	−52·73	− 269	− 261	− 114	− 24·2
1957, July	− 331	− 1,688	− 63	−34·42	+ 364	− 1,484	− 2·69	−38·50	− 339	− 207	− 76	− 40·0
„ August	− 222	− 2,728	− 85	−35·88	+ 512	− 1,068	− 1·35	−32·84	− 332	− 214	− 72	− 29·6
„ September	− 244	− 8	− 51	−24·38	+ 258	− 828	+ 2·81	−14·99	− 107	− 245	+ 40	− 39·3
„ October	− 329	− 698	− 96	+ 2·08	+ 402	− 310	− 5·14	−34·60	− 212	− 86	− 102	− 49·5
„ November	− 381	...	− 69	− 4·87	+ 451	...	...	−39·14	− 161	− 325	− 105	− 13·4
VOLUME OF EXTERNAL TRADE (2) (1953 = 100)												
IMPORTS												
1948	48	86	59	84	...	...	90	57	64	71	85	46
1955	183	122	120	122	152	135	108	112	135[6]	119	128	91
1956	195	136	129	142	170	156	93	125	153[6]	128	135	...
1957, July	218	129	} 123	{ 156	187	225	85	132	166[6]	115	} 139	{ ...
„ August	216	...		{ 140	182	164	77	121	149[6]	116		{ ...
„ September	227	...		{ 124	187	163	79	132	147[6]	123		{ ...
„ October	233	...	...	134	216	157	92	...	170[6]	118	...	...
„ November	233	...	...	...	207	...	...	...	...	...	...	...
EXPORTS												
1948	37	69	48	48	...	...	55	66	34	70	69	55
1955	136	127	118	134	142	121	95	123	125[6]	117	115	71
1956	160	136	120	120	165	117	93	147	130[6]	133	127	...
1957, July	185	110	} 127	{ 130	190	56	127	161	143[6]	130	} 142	{ ...
„ August	181	103		{ 111	193	53	128	153	122[6]	128		{ ...
„ September	193	...		{ 111	178	105	114	157	141[6]	130		{ ...
„ October	199	...	...	135	205	208	115	...	152[6]	149	...	...
„ November	188	...	...	...	199	...	...	...	...	...	...	...

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark excludes mining; Greece, mining and manufactured gas; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Germany excludes West Berlin. (2) Special trade (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxemburg. Italy includes Trieste. (3) New drachma introduced May 1, 1954 (1 new drachma=1,000 old drachmas). (4) Thousand million drachmas. (5) Bizonal area. (6) New series.

Financial Statistics

EXCHEQUER RETURNS

For the week ended February 22, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £32,383,000 compared with a surplus of £107,354,000 in the previous week and a surplus of £81,528,000 in the corresponding period of last year. There was a net expenditure "below-line" of £4,580,000, leaving a total deficit from April 1st of £196,941,000 (£221,236,000 in 1956–57).

£'000	Estimate, 1957-58	April 1, 1956, to Feb. 23, 1957	April 1, 1957, to Feb. 22, 1958	Week ended Feb. 23, 1957	Week ended Feb. 22, 1958
Ord. Revenue					
Income Tax	2176,250	1758,490	1801,006	74,972	81,530
Surtax	149,000	127,800	123,600	6,500	7,500
Death Duties	170,000	151,800	152,700	3,500	3,200
Stamps	60,000	55,200	58,200	500	1,000
Profits Tax, EPT & EPL	255,000	181,550	230,300	3,300	4,700
Other Inland Rev. Duties	500	460	450	...	100
Total Inland Rev.	2810,750	2275,300	2366,256	88,772	98,030
Customs	1204,250	1080,395	1086,567	22,903	22,422
Excise	912,850	849,610	879,420	26,670	23,670
Total Customs and Excise	2117,100	1930,005	1965,987	49,573	46,092
Motor Duties	93,000	85,023	97,645	115	...
PO (Net Receipts)	20,000	23,050	14,650	5,850	5,450
Broadcast Licences	31,000	23,300	25,500	...	...
Sundry Loans	32,000	31,550	29,854	...	...
Miscellaneous	185,000	154,412	155,530	1	160
Total	52881850	4522,640	4655,422	144311	149725
Ord. Expenditure					
Debt Interest	640,000	658,170	602,837	8,423	11,575
Payments to N. Ireland Exchequer	69,000	55,455	59,015	...	...
Other Cons. Fund	10,000	8,918	8,997	1	...
Supply Services	4126,391	3517,757	3576,975	53,870	105407
Total	4845,391	4240,300	4247,824	62,294	116982
Sinking Funds	38,000	30,551	30,907	490	360
"Above-line" Surplus or Deficit	+ 251,790	+ 376,692	− + 81,528 Cr.	+ 32,383	
"Below-line" Net Expenditure	473,026	573,633	4,286	4,580	
Total Surplus or Deficit	− 221,236	− 196,941	+ 85,814	+ 27,803	
Net Receipts from:					
Tax Reserve Certificates	−10,089	−36,365	−4660	−21343	
Savings Certificates	68,400	−15,200	1,500	−2500	
Defence Bonds	−35,236	−34,084	69	−1071	
Premium Savings Bonds	69,380	72,400	800	1,640	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
Feb. 23	2,900·0	1,298·1	193·8	...	4,391·8
Nov. 23	3,300·9	2,158·2	197·0	...	5,656·2
„ 30	3,340·0	2,148·6	182·5	4·8	5,675·9
Dec. 7	3,380·0	2,140·3	189·2	6·0	5,715·5
„ 14	3,410·0	2,181·2	193·6	...	5,784·8
„ 21	3,440·0	2,228·1	192·4	...	5,860·4
„ 30	5,684·7		218·4	...	5,903·1
1958					
Jan. 4	3,450·0	2,248·9	228·5	...	5,927·4
„ 11	3,410·0	2,192·2	237·0	...	5,839·2
„ 18	3,370·0	1,714·9	250·3	...	5,335·2
„ 25	3,300·0	1,707·9	208·4	4·8	5,221·0
Feb. 1	3,220·0	1,768·6	179·1	...	5,167·7
„ 8	3,160·0	1,746·9	157·6	...	5,064·5
„ 15	3,120·0	1,403·1	206·5	1·3	4,730·9
„ 22	3,080·0	1,463·7	183·4	...	4,727·1

THE MONEY MARKET

THE Treasury bill rate dropped below 6 per cent at the tender on Friday of last week. The discount market raised its common bid for 91-day bills by 4d., to £98 10s. 2d. per cent. Only 40 per cent of applications were successful, but the market had a full allotment of the 92-day bills offered on Monday to span the Whitsun holiday; it bid for these bills at £98 9s. 11d. per cent. Total applications at the tender fell by £13 million to £411.7 million, the allotment being unchanged at £220 million; at yesterday's tender, the offer was raised to £240 million.

The Treasury bill rate in New York plummeted this week by a full ½ per cent, from 1.73 to 1.20 per cent. At this level it is 1½ per cent below the official discount rate in eleven of the Federal Reserve Districts (San Francisco still holds to 3 per cent); while the margin below the London bill rate has widened to 4¾ per cent. In the absence of any significant widening of the forward exchange premium, the net differential on covered arbitrage rose above 1 per cent.

The discount market was obliged to take loans at Bank rate on three of the six working days to Wednesday, though the amount involved was small. On Monday, half the market was involved, and no special help was given. Marginal supplies of money have commanded rates of 5⅞-6 per cent. May maturities changed hands at 5²⁹/₃₂ per cent.

LONDON MONEY RATES

	%		%
Bank rate (from 5% 19/9/57)	7	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	6⅛–6¼
Bank	5	3 months	6⅛–6¼
Discount houses	5	4 months	6⅛–6¼
Money		6 months	6⅛–6⅜
Day-to-Day	5½–5¾	Fine trade bills:	
Short periods	5¾	3 months	7–8
Treas. bills 2 months	5⅝	4 months	7–8
3 months	6	6 months	7½–8½

BANK OF ENGLAND RETURNS

(£ million)	Feb. 27, 1957	Feb. 19, 1958	Feb. 26, 1958
Issue Department:			
Notes in circulation	1,873·4	1,959·1	1,962·1
Notes in banking dept.	52·0	41·2	38·2
Govt. debt and securities*	1,921·2	1,996·3	1,996·2
Other securities	0·8	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	13·5	13·0	11·4
Bankers	225·2	222·6	224·0
Others	73·7	74·5	73·0
Total	312·4	310·1	308·4
Securities:			
Government	242·9	244·1	237·5
Discounts and advances	15·8	19·5	27·9
Other	18·1	21·0	20·9
Total	276·8	284·6	286·3
Banking department reserve	54·0	43·6	43·6
"Proportion"	% 17·2	% 14·0	% 13·1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £2,000 million from £2,050 million on January 22nd, 1958.

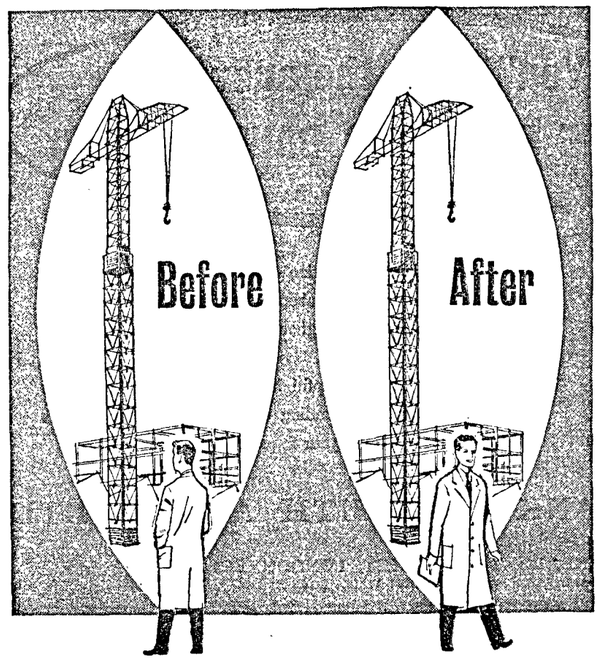
TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Amount (£ million) Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
1957 Feb. 22	*91* days 200·0	407·3	s. d. 82 11·49	% 30
	91 Day / *63 Day*			
Nov. 22	210·0 / 50·0	423·6	129 5·71	47
„ 29	230·0 / 50·0	390·2	129 2·27	61
Dec. 6	240·0[1] / 50·0	430·7	129 1·45	39
„ 13	230·0 / 50·0	414·8	129 1·21	45
„ 20	220·0 / 50·0	403·9	128 9·94	52
	91 Day			
„ 27	260·0	409·2	127 5·91	54
1958				
Jan. 3	260·0	405·7	126 6·70	55
„ 10	260·0	398·7	126 7·25	45
„ 17	260·0[2]	403·8	125 10·35	52
„ 24	230·0	421·0	125 6·56	24
„ 31	210·0	421·2	122 6·50	44
Feb. 7	230·0	387·5	121 3·29	65
„ 14	230·0[3]	424·7	120 10·56	44
„ 21	220·0	411·7	119 5·52	47

* On February 21st tenders for 91 day bills at £98 10s 2d. secured 40 per cent, higher tenders being allotted in full. The offering this week was for £240 mn. at 91 day bills. [1] *Allotment cut by £10 mn.* [2] *Allotment cut by £20 mn.*

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: February 25	Market Rates: Spot: February 20	February 21	February 22	February 24	February 25	February 26
United States $	2·78–2·82	2·81⅜–2·81¾	2·81⅜–2·81¾	2·81⅜–2·81¾	2·81⅞–2·81⅞	2·81⅝–2·81⅞	2·80⅞–2·81
Canadian $	...	2·75 11/16–2·76⅛	2·75 11/16–2·75 13/16	2·75 13/16–2·76⅛	2·75 11/16–2·76⅛	2·75⅝–2·75⅞	2·74⅞–2·75
French Fr.	1167·18–1184·82	1180–1180¼	1180¼–1180¾	1179½–1180¼	1180¼–1180½	1180–1180½	1180–1180½
Swiss Fr.	12·15⅜–12·33⅜	12·28¼–12·28½	12·28–12·28¼	12·28–12·28¼	12·27¾–12·28	12·27½ 12·28	12·27¾–12·27½
Belgian Fr.	138·95–141·05	139·57½–139·62½	139·60–139·65	139·55–139·60	139·55–139·60	139·55–139·60	139·55–139·60
Dutch Gld.	10·56–10·72	10·63¼–10·63⅝	10·63 –10·63¼	10·62½–10·63	10·62⅜–10·62⅝	10·62⅛–10·62⅜	10·62⅛–10·62⅜
W. Ger. D-Mk.	11·67⅜–11·84 11/16	11·77⅛–11·77⅜	11·77¼–11·77½	11·77 –11·77¼	11·76¼–11·77	11 76½ 11 77	11 76⅝–11·76⅞
Portuguese Esc.	79·90–81·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00 80 15	80·00–80·15
Italian Lire	17563–17821	17473–17473½	1748 –17481	1748 –17481	1748 –17481	1748 –17481	1744½–1743
Swedish Kr.	14·37⅜–14·57⅜	14·53¼–14·53¾	14·53¼–14·53¾	14·53¼–14·53¾	14·53¼–14·53¾	14·53¼–14·53¾	14·53 –14·53⅜
Danish Kr.	19·19½–19·43⅜	19·35½–19·35¾	19·35½–19·35¾	19·35½–19·35¾	19·34½–19·35	19·34½–19·35	19·34½–19·35
Norwegian Kr.	19·85–20·15	20·01¼–20·01⅜	20·01¼–20·01⅜	20·01¼–20·01⅜	20·01⅜–20·01½	20·01½–20·01¾	20·01¼–20·01⅜
One Month Forward Rates							
United States $		⅛–¼ c. pm	⅛–¼ c. pm	⅛–¼ c. pm	⅛–¼ c. pm	⅛–¼ c. pm	⅛–¼ c. pm
Canadian $		⅛–¼ c. pm	⅛–¼ c. pm	⅛–¼ c. pm	⅛–¼ c. pm	⅛–¼ c. pm	⅛–¼ c. pm
French Fr.		1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm 1 dis	1 pm–1 dis
Swiss Fr.		4–3½ c. pm	4–3½ c. pm	4–3½ c. pm	4–3½ c. pm	4½–3½ c. pm	4½–3½ c. pm
Belgian Fr.		⅝ pm–par	⅝ pm–par	⅝ pm–par	⅝ pm–par	⅝ pm–par	⅝ pm–par
Dutch Gld.		2½–2 c. pm	2½–2 c. pm	2½–2 c. pm	2½–2 c. pm	2½–2 c. pm	2½–2 c. pm
W. Ger. D-Mk.		3–2½ pf pm	3–2½ pf pm	3–2½ pf pm	3 2½ pf pm	3 2½ pf pm	3 2½ pf pm
Italian Lire		1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–par
Swedish Kr.		3½–3⅜ pm	3½–3⅜ pm	3½–3⅜ pm	3½–3⅜ pm	4–3⅜ pm	4–3⅜ pm
Danish Kr.		5–3⅜ pm	5–3⅜ pm	5–3⅜ pm	5–3⅜ pm	5–3⅜ pm	5–3⅜ pm
Norwegian Kr.		25 pm–par	3–16 pm	3–16 pm	3–16 pm	3–16 pm	3–16 pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/2	249/2	...	249/3	249/4½	249/5½



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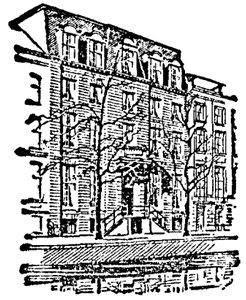


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COMPANY MEETINGS

THE WEST INDIES SUGAR COMPANY LIMITED

PROFITS AFFECTED BY BOTH FAVOURABLE AND ADVERSE FACTORS

MR PETER RUNGE ON EXPANSION PLANS

The twenty-first Annual General Meeting of The West Indies Sugar Company Limited, will be held on March 19th at Devonshire House, Mayfair Place, London, W1.

The following is the statement by the Chairman, Mr Peter Runge, which has been circulated with the report and accounts:

The Accounts this year differ from those of previous years because the results of the Ste. Madeleine Sugar Company Limited, in which we acquired a controlling interest last June, have been consolidated with our own. Ste. Madeleine produces sugar in Trinidad. Last year this company had a production of 55,868 tons, and a trading profit of £282,978.

TRADING PROFIT AND ALLOCATIONS

The consolidated trading profit amounted to £1,119,133 and the consolidated net profit, after deducting £85,549 for the proportion of profits attributable to outside holdings in Ste. Madeleine Sugar Company Limited amounted to £735,959. The provisions of the 1957 Finance Act relating to Overseas Trade Corporations have resulted in a saving in the provision for taxation, both on the year's profits and on adjustment of liabilities for the previous year; the latter accounts for more than half the saving and will not of course recur. After setting aside £36,117 for Debenture Stock Redemption, transferring £325,000 to Future Crops Expenditure Reserve and £65,000 to General Reserve, your Directors recommend payment of a final Ordinary dividend at the rate of 1s. 1d. per share, free of tax, which, with the interim dividend of 3d. per share paid on October 31, 1957, makes a total distribution of 1s. 4d. per share, free of tax, compared with 1s. last year.

The results of the Parent Company, compared with previous years, are shown below:—

	1957	1956	5 years' average 1952/56
	£	£	£
Trading profit....	838,510	833,662	830,741
Net profit	650,785	405,766	362,701
	Tons	Tons	Tons
Sugar production:–			
Monymusk	59,431	69,061	64,062
Frome	83,772	69,713	66,233
	143,203	139,674	130,295

FACTORS AFFECTING PROFITS

The factors which affected profits favourably were the increased production at Frome; abnormally high world sugar prices which ruled for most of the period under review; abnormally high molasses prices; and (for the first time) a modest profit on bananas. World prices affect about one-third of our production, the remainder being sold either for export at a price fixed under the Commonwealth Sugar Agreement*, or locally in Jamaica. A proportion only of the benefits of high sugar prices accrues to us as not only is the price of farmers' cane geared to the price of sugar, but in addition a special crop wages bonus, which is also related to world sugar prices, became payable. By the same token we should not suffer the full effect of any fall in prices such as is expected in the current year.

Other factors which affected profits adversely were a very substantial increase in wages additional to the special bonus and also the low production at Monymusk which was the direct result of a strike which began very soon after harvesting had started and lasted for six weeks. The strike involved everybody except banana workers, although the dispute was about the wages of a small section only. It was entirely unconnected with the negotiations between the Sugar Industry as a whole and the Unions for a general increase in wages. Ultimately the dispute was settled by arbitration which had previously been refused by the Union concerned. The arbitrator did not increase the Company's offer. The six weeks which were lost could not be made up because rains stopped harvesting and a period of high sugar prices was irretrievably lost. The Company has suffered, cane farmers have suffered and so have the workpeople whose earnings were less than they would have been if the crop had been a full one. The only feature of this costly and unnecessary strike upon which we can reflect with any satisfaction is the total absence of incidents or expressions of ill-feeling between the strikers and our staff. This speaks very well for the restraint and good sense of our staff, and for the underlying good relationships which have been built up over the years.

CAPITAL PROJECTS AT FROME

In contrast to Monymusk, Frome had an excellent crop which was harvested without incident. The chief interest there lies in the two large capital projects which are being carried out. The first involves the installation of bulk sugar handling equipment at Savannah-la-Mar. It began operating in December, 1957. The introduction of bulk handling has resulted in considerable savings in labour. Wherever possible we have found other jobs for those involved, but in a large number of cases, particularly at the wharf, it has not been possible to do so. We have paid compensation on a generous scale.

In order to segregate all our bulk storage and loading operations, these are now being carried out through a wholly owned subsidiary company, which we have called Wisco Wharves Limited. We have transferred to it all our bulk storage and handling assets, both at Monymusk and at Frome, and this accounts for the item "Capital Loan" appearing under the heading "Interest in Subsidiary Companies" in the Parent Company's Balance Sheet.

A SECOND MILL

The other large project concerns factory capacity. For some years now Frome has been cropping for about six and a half months. This has meant starting early in December when a ton of cane produces less sugar than it does in January. It has also meant that crop has had to be carried on beyond the end of May when the rains begin and this has caused damage to cane roots which would otherwise have ratooned in the following year. These circumstances have affected not only our own canes but also those of farmers who sell their canes to us. We have reached the limit of speeding up our single mill and have therefore considered it necessary to install a second one in order to shorten crop, improve yield and help the farmers. Its installation will be completed for the 1960 crop.

We examined and rejected an alternative method of increasing milling capacity before deciding to enlarge Frome factory. The farmers of Hanover, a parish some ten to twenty miles north of Frome, have often pressed their claim to have a factory within their own parish with a capacity of about 20,000 tons. Our estimate of the cost of such a factory is £1½ million. By our calculations there could not be an adequate return on this capital if the price at present paid to farmers was to be maintained.

ACCELERATED TRAINING SCHEME

No plans for expansion and improvement are of any use unless there is a supply of people who can look after the new machinery which will be installed in field and factory. In common with all sugar estates and many other undertakings in Jamaica, including the Bauxite companies, we have in recent years been much disturbed by the growing shortage of skilled mechanics and other tradesmen which has resulted partly from emigration and partly from the influx of new industries. We have, therefore, had to undertake emergency measures. In association with several other companies, including the three Bauxite companies, we have set up an Accelerated Training Scheme, based at Monymusk and designed to produce trained men by means of six-monthly courses.

The scheme is similar to those which have been run for 40 years or more by the Ministry of Labour in the United Kingdom for ex-service personnel and disabled men, and we have had much valuable advice and assistance from the Ministry of Labour both in preparing the scheme and in selecting the highly specialised instructors required. The scheme, which has already begun, will eventually train some 150 men a year. It has been warmly welcomed by the Jamaica Government and by the public generally. I wish this bold and imaginative venture every success.

RISING CONSUMPTION IN CANADA

Jamaica is a country with a rapidly growing population. To support the increase it must create more wealth. This it is doing by expanding its bauxite mining, extending the tourist industry, encouraging secondary industries and in many other directions. What are the factors which affect an increase in sugar production? The essential one is consumption in those countries which give preference to Commonwealth sugar, that is to say the United Kingdom and Canada. Consumption is rising steadily in Canada. The distance is in our favour because it is a short haul even by comparison with the distance to the United Kingdom.

The refiners in Eastern Canada are now anxious to receive their sugar entirely in bulk and many of the West Indian producers, particularly ourselves, are in a position to supply bulk cheaply and effectively. We also have suitable vessels for carrying bulk. Sugar Line, of which we are 25 per cent shareholders in partnership with Tate & Lyle and United Molasses, and which has completed a profitable year, will be carrying six cargoes to Montreal this year at the express wish of the refiners there.

THE INTERNATIONAL AGREEMENT

There is another factor regulating production in Jamaica. It is the International Sugar Agreement. All members of the Commonwealth Sugar Agreement* are also members of the International Sugar Agreement under the terms of which the Commonwealth is collectively limited to exporting 2,500,000 tons in 1958. The annual consumption of Commonwealth importer members of the Agreement has increased by 800,000 tons since 1952.

The United Kingdom and Commonwealth members, therefore, will be entirely justified when the International Agreement comes up for re-negotiation this Autumn in insisting on an increase of at least 50,000 tons each year, that is to say approximately 2 per cent per annum. An expansion at this rate should be well within the capacity of the industry to maintain. It would secure for the Commonwealth about one-third of the expanding market that it is itself providing and leave two-thirds for other sugar exporting countries of the world.

CHANGES ON THE BOARD

Since my last statement there have been certain changes on the Board. It is with very great regret that I have to announce that Mr W. J. Blanchard, who has reached the age of 70 and who has recently retired from active duty as an Executive Director, for reasons of health, does not wish to offer himself for re-election to the Board. Mr Blanchard is one of the original Directors of the Company which was formed in 1937. He has been intimately concerned with its growth and success for 21 years. It is our earnest wish that his well earned retirement will be long and happy. Mr W. A. Coupland has relinquished his position as Secretary of the Company in order to devote his full attention to his duties as an Executive Director. Mr J. G. Fairrie has been invited to join the Board and has been appointed an Executive Director. He was formerly Chief Engineer at Tate & Lyle's Liverpool refinery, and is a Director of Tate & Lyle Technical Services Limited. His experience and drive will be of great help to the Company. Mr N. A. Birrell, formerly Assistant Secretary, has been appointed Secretary of the Company.

Finally, I am sure that you would wish me to thank our General Managers in Jamaica, Mr Michelin and Mr Cahusac, and

all our staff and employees, both in Jamaica and in London, for all their efforts and to wish them every success in the 1958 crop.

* Note :—

Under the Commonwealth Sugar Agreement, the British Government each year negotiates with the Commonwealth exporting territories a fixed price for a proportion of their sugar exports. This price is arrived at by applying a formula which takes account of cost factors involved in producing sugar. The price so arrived at is known as the "Negotiated Price." It is applied at present to approximately 1,535,000 tons for shipment to the United Kingdom, of which Jamaica's share is 180,000 tons. About half our crop is sold at the negotiated price. The following are the prices which have been negotiated for the past five years:—

	Per Ton £ s. d.
1954	41 0 0
1955	40 15 0
1956	40 15 0
1957	42 3 4
1958	43 16 8

NORTHAMPTON TOWN AND COUNTY BUILDING SOCIETY

The One-Hundred-and-Ninth Annual Meeting of the Northampton Town and County Building Society was held on Monday, February 24th at Northampton.

Mr Douglas H. Jelley, TD, JP, FCA, Chairman, who presided, said that against a disturbed economic background the Society had made sound progress during 1957. Despite changes both up and down in National interest rates the great financial strength of the Society had enabled the Directors to maintain the same rates throughout the year.

Receipts from investing shareholders and depositors had reached the record figure of £5,884,746. A particularly satisfactory feature was that 8,750 investors accounts had been opened during the year. The total number of investors on December 31st was 61,376 and their balances amounted to £29,947,318.

Advances during the year totalled £4,852,000, some £300,000 more than in 1956. 98 per cent of the loans had been made to assist in the purchase of private residential property. On December 31st the Society had 29,146 borrowers whose loans totalled £27,367,702. Investments and cash held amounted to £4,121,000. Throughout the year there had always been available on demand and without depreciation a total of £1 million.

Assets had increased during the year by approximately £3,250,000 and now stood at £31,797,603. Reserve Funds at £1,373,495 represented as a percentage of total assets a slight increase over 1956.

During the year the Society had accepted Transfers of Engagements from the Kingscliffe, Woburn Sands and Wolverton Building Societies. Following these Transfers new Branch Offices had been opened at Brighton, Leighton Buzzard and Wolverton. New offices were also being opened at Wolverhampton and St. Albans. As regards existing offices the Luton Office had been moved to larger and more central premises. Substantial improvements had been carried out at Wellingborough and the rebuilding of a more central Peterborough Office would shortly be completed.

The Report and Accounts were adopted.

THE POWER-GAS CORPORATION LIMITED

CONTINUED SATISFACTORY PROGRESS

The fifty-eighth Annual General Meeting of The Power-Gas Corporation Limited will be held on March 20, 1958, in London, Mr W. R. Brown, DSO (Chairman and Managing Director), presiding.

The following is an extract from the Chairman's circulated statement for the year ended September 30, 1957:

The progress of our Company during 1956-57 may be viewed with sober satisfaction. This year's orders, at £12.3 million, approximate to the record of last year. All Divisions of the Company have been fully engaged; orders booked by the Blast Furnace Division (trading as Ashmore, Benson, Pease and Company) have set up a new record, and include four major contracts for complete plant installations. Trading by the Works Division is rapidly growing in importance, and more and more work is being undertaken for the open market in addition to our own specialities.

The gross trading profit amounts to £1,052,562 compared with £859,714 in 1956. The net value of our Fixed Assets increased by £310,000 during the year. Stock in trade has shown a comparable increase, reflecting the growth of our business. We have recommended to you a final dividend of 10 per cent. This would make the total distribution for the year 15 per cent on the issued capital, which stands at £1,400,000. We have recommended a transfer of £175,000 to General Reserve and we propose to raise the Balance carried forward to £83,855.

Work on the site and buildings for our factory extension is well in hand, and it should come into production towards the close of 1958. A Petroleum Plant Division —a natural sequel to the connections we are developing with the Petroleum Industry—has been established with headquarters in London, and the Division has already booked contracts and is now carrying out negotiations for large overseas jobs.

Rose, Downs & Thompson Limited were faced with a downward trend in business at the commencement of the year, but strenuous efforts to sell the company's products in all parts of the world have restored the position. A novel design of fishmeal plant has been produced, using a gas turbine as a power and heating medium. An improved oil expeller has met with encouraging success and other new products have been added to this company's range, notably high temperature heating boilers and a process for sheet metal cladding cylindrical bodies. Orders are already in hand for these new specialities.

Ashmore, Benson, Pease & Company Africa (Pty) Limited already have large contracts in course of execution. They and their erection company will be busily employed with the new blast furnace and sintering plant at Pretoria until the middle of 1958. In addition they have had considerable success in securing further orders.

The Power-Gas Corporation (Australasia) Pty Limited are campaigning vigorously for work and have several promising prospects in view. The company is also playing an importance part in connection with the parent company's large contracts for Australian Iron & Steel Limited at Port Kembla.

JUTE INDUSTRIES LIMITED

RAW JUTE PRICES AND SUPPLIES

INTERNATIONAL AND POLITICAL PROBLEMS

MR W. G. N. WALKER'S STATEMENT

The thirty-seventh annual general meeting of Jute Industries, Limited, was held on February 24th, at Meadow Place Buildings, Dundee, Mr W. G. N. Walker (chairman and joint managing director) presiding.

The Secretary (Mr W. A. Jeffray, CA) read the notice convening the meeting and the report of the auditors.

Addressing the meeting, the Chairman said: With your permission I will take the accounts and the report of the directors as read. (Agreed.)

A preliminary statement by the Chairman circulated with the Accounts read as follows:

As in previous years, I intend to make an up-to-date statement on general lines at the Annual General Meeting. Meantime, with the publication of accounts showing a material fall in profits, I feel bound to give stockholders some interim information on which the current prospects of the company can be judged.

There are some sections of the company's business which are at the moment operating at a lower level of activity and at a much lower level of profitability than at this time last year. On the other hand, other sections are busy and in addition our Douglasfield Works is, as stated in the Directors' Report, now operating on a full double shift basis.

In my statement at the Annual General Meeting last March, I referred to the announcements made in both Houses of Parliament in February, 1954, and said that the importance of these pledges and their effect on the prosperity of your company and the citizens of Dundee could not be overemphasised.

In July, 1957, the Board of Trade reduced the measure of protection given to the United Kingdom jute manufacturing industry against competition from Asiatic goods in the United Kingdom market. This action, although it has so far had only a small direct effect on the numbers employed by your company, has had a very adverse effect on the profitability of part of our weaving business: the full impact has still to be felt.

The new system adopted by the Board of Trade does not as formerly take into account the variations in relationship between the price levels of raw jute from Pakistan and manufactured goods from India. The price that we have to pay for our raw jute from Pakistan is out of line with the price levels at which finished manufactured goods from India made from Indian raw jute are being sold. Pakistan's raw jute, in short, is too dear if she is to continue to sell it in overseas markets at anything like the volume previously achieved.

The employment and unemployment figures for jute given in the Ministry of Labour Gazette are not a complete guide to the position in the United Kingdom jute industry as a whole, owing to categories other than jute being used for some sections of the industry, but your company is to-day employing in Dundee approximately 475 people less than it did a year ago. The effect of a further decline in employment on the city of Dundee must be obvious when we see from Ministry of Labour figures that unemployment in Dundee has already shown a rise from 2,521 (3 per cent) in November, 1956, to 3,531 (4 per cent) in November, 1957 (the latest figures available).

Taking everything into consideration and barring some quite unforeseen circumstances, it would appear that the profits for the current year may show a further decline.

At the meeting the Chairman said :

"Since our last meeting two directors who had spent their whole working life in the jute industry—Mr W. H. Pilcher and Mr W. Cook—have retired from the Board. Mr Pilcher, who had over 50 years' service with the company, had been vice-chairman for seven years and a director for 23 years. Mr Cook joined the company in 1921 and had been a director since 1948. Your company owes both these gentlemen a deep debt of gratitude, and we hope that they will enjoy their well-earned retirement.

RAW JUTE

Raw jute, as I told you last year, accounts for almost 50 per cent of the final price of our jute products as a whole. Quality, availability and price, therefore, are of prime importance to our business. The closest attention is paid to the purchasing of our requirements, and we are fortunate to have with us in Dundee a director and also a senior executive who have spent many years in the jute baling industry in the Indian sub-continent, and one of whom visits that country annually to assess conditions.

During the financial year under review jute prices followed a similar trend to what they did during the previous year. The Suez crisis brought out considerable buying as consumers were anxious to secure sufficient supplies from the reduced shipments being made. This caused a steady rise in prices up to the end of 1956 when supply needs had for the moment been met. During the first three months of 1957, prices declined, but when reports came out that the crop might be short of world requirements prices rose again, and were at their highest level in June, With the arrival of new seasons imports in July, prices declined rapidly and reached their lowest level in August. In spite of this fall, prices were approximately £10 per ton higher at our balancing date than they had been at the same time the previous year and there was an element of fortuitous profit in this year's figures.

QUALITY AND QUANTITY OF CROP

A partial failure of the late monsoon caused a shortage of steeping water and in consequence the quality of part of the mid and high land crops suffered considerably, with the resultant shortage of the higher grades of jute which are so important to us, and the prices for which are now at a very high level.

In quantity, the crop appears to be about average, but with a possible lower off-take by overseas consumers it may mean a rather larger carry-over into the next season. This larger carry-over will not help us in this market because it will be almost entirely of low grade jute, which is unsuitable for export from Pakistan to European markets.

INTERNATIONAL AND POLITICAL PROBLEMS

The future of the jute industry not only in the this country but in other countries of the world is uncertain. No matter what individual companies in these countries do to help themselves, they are all at the end of the day at the mercy of international politics.

India does not export any raw jute, and being almost self-sufficient in this raw material is naturally anxious to increase the sale of her jute manufactured goods in world markets. Pakistan, on the other hand, with a jute manufacturing industry of a much smaller size which is still experiencing teething troubles, must export raw jute to the maximum possible extent and therefore is anxious that the jute manufacturers throughout the world outside India should continue to use it in large quantities. Pakistan's interests are therefore closely allied to those of the jute manufacturers outside India, but she is not helping them at the moment as her raw jute prices to export markets are higher than equivalent qualities available to manufacturers in India.

The jute manufacturing industries of Europe, like our own, are tied to Pakistan for raw jute, and their survival, like ours, depends primarily on Pakistan's ability to supply raw material at a price which will enable manufacturers to compete not only with goods exported from India but also with alternative materials and methods. This point was made quite clear to Pakistan by the delegates from countries throughout the world at the International Jute Conference held in Dacca last November, and we hope that Pakistan now appreciates, in spite of her internal difficulties, that her long-term interests lie in supplying raw material at a price economic to her customers, particularly as almost half her foreign exchange earnings is derived from this source.

The Governments of European countries, including our own, had to decide if they were to support the manufacturing industries within their own countries or to support the importer of manufactured goods, who cannot offer employment to anything like the same extent.

As you are well aware, our Government in February, 1954, gave a pledge that it would safeguard the manufacturing industry in the United Kingdom against Asiatic imports, and in doing so, fell in line with the general policy of protection that had been afforded for many years by other European Governments to their domestic jute industries. In my preliminary statement I made reference to the immediate effects of the Board of Trade's announcement last July, but what really caused alarm in Dundee and district was the persistent Ministerial refusal to give any assurance that the steps taken were not the first of a series that would result

in the pledges given in 1954 being dishonoured and because of which so much capital has been expended in order to justify the conditions laid down by the Board of Trade at that time and on previous occasions, namely "Efficiency."

With a European Free Trade Area in prospect our future depends on Asiatic, European and UK domestic politics—that is why I said earlier that it was uncertain. The Economist Intelligence Unit in its book "Britain and Europe" has devoted four pages to this problem—its conclusion was that if the UK were to enter the proposed Free Trade Area, "things (in the UK jute trade) would probably be very much as they are now." I hope that this proves to be a correct forecast, but in any event the capital expenditure incurred in modernisation of plant and machinery over previous years will stand us in good stead.

JUTE CARPET YARNS

In my statement two years ago, I referred to our new precision pack which was specifically designed for the carpet industry. I am glad to tell you that production of this pack has increased still further in the year under review and its success continues to exceed our expectations. This is just one facet of our intensive efforts to produce tailor-made jute yarns for the carpet industry in this country and overseas. We produce over 200 different combinations of quality, count and make-up, and cheerfully regard this as part of our service to the carpet manufacturers. Furthermore, we specialise in offering great flexibility to these friends so that if they wish to switch from one type of yarn to another we can do it for them almost overnight. In the calendar year 1957 rather more than a quarter of our total yarn production was supplied to the carpet trade in this country, quite apart from our jute carpet yarn exports which are also increasing satisfactorily. Our production in this field during last year was the highest ever achieved in the company's history. Meanwhile, we continue our research to produce ever better jute carpet yarns at prices attractive to our customers.

EXPORTS

I told you last year that competition in world markets for quality goods was increasing, with the inevitable reduction in margins; this forecast has been only too true and competition is now severe. While there has been a distinct falling off in certain markets we have been encouraged by the results of our intensive selling efforts in others.

MANAGEMENT

It remains as before the policy of your Board to produce quality goods at the lowest possible price, coupled with good service, and I am glad to be able to tell you that our efforts in this connection are being appreciated by our customers as a whole. We are in addition continuing to give close attention to the problem of finding new outlets for the company's resources and to possible means of profitable diversification.

We have been confronted with varied and difficult problems during the year, many of which have been outwith our control. More and more of our management's time is being taken up in combating and overcoming difficulties. Their efforts in this direction have been most praiseworthy. We are fortunate in having such a fine spirit of co-operation and loyalty amongst our executives, management, staff and employees, to whom our most sincere thanks are due for their work throughout the past year.

The report and accounts were adopted.

UNITED KINGDOM PROVIDENT INSTITUTION

AN OUTSTANDING YEAR

IMPACT OF STATE PENSION PROPOSALS

SIR JOHN BENN SUGGESTS A NEW "PLATFORM"

The annual general meeting of the United Kingdom Provident Institution will be held at 33-36 Gracechurch Street, London, E.C.3, on Wednesday, March 26, 1958. The following statement has been circulated to the members by the Chairman and Managing Director, Sir John Benn, Bart:

In presenting the report and accounts for 1957 I am pleased to record that the number of policies issued by the United Kingdom Provident Institution exceeded 10,000 in one year for the first time. We wrote 9,150 policies of life assurance for £11,737,205 net sums assured, an increase of £1,250,000 on the previous year's record figure. In addition we issued 1,473 annuities securing pensions of £466,178 per annum, and if expressed as a capital sum these policies are equivalent to about £5 million of life assurance. Our new premium income from all sources was £788,347, representing an increase over 1956 of more than 30 per cent.

Payments made to members during 1957 in respect of claims totalled £2,302,916. In the case of claims paid at death on with-profit policies the bonus added an average of 63 per cent to the original sum assured. The corresponding addition on endowment policies which became due for payment on the survival of members amounted to 46 per cent, thus giving an overall average of 52 per cent. These results again emphasise our fine bonus record and the great advantage of taking out a with-profit policy with the Institution.

The rate of interest earned on our funds which now exceed £47 million was £6 10s. 5d. per cent per annum before the deduction of income tax.

An outstanding event of the year was the opening of our new Head Office on July 10th by the then Chancellor of the Exchequer, the Right Honourable Peter Thorneycroft, MP, in the presence of the Lord Mayor, the Governor of the Bank of England, and a distinguished audience. The Chancellor used the occasion for the first of several speeches on the Government's intensified measures to counter inflation.

THE STATE: COMPETITOR OR PARTNER?

Life assurance is always sensitive to the overall policy of the Government, but since the war we have also been confronted with specific proposals affecting our future. At one stage, part of the insurance industry was marked out for nationalisation. Last spring the Labour Party issued a plan for State pensions on a half-pay basis and the Government has since announced that it is considering a wider provision for old age. Ever since 1840 the United Kingdom Provident Institution has faced and met successfully many great changes, but as all political parties are now devoting attention to insurance I find myself asking just where we stand. How will these developments affect the business of the Institution? Is the Welfare State to become a competitor or a partner? *What "platform" can a life office best adopt in this new situation?*

Up to now the services provided by the Welfare State have operated side by side with those available through other channels. Under the system known as National Insurance we all have to stamp our cards but are free to make further arrangements to cover sickness and old age. From the immense volume of personal business placed with the life offices and with the industrial insurance companies, which collect millions of shillings every week, it is clear that this liberty is valued by the mass of the people. Public opinion will certainly insist that this liberty must be maintained in the future.

Over seventy years ago Herbert Spencer warned us that the increase in state services means that "each generation is made less familiar with the attainment of desired ends by individual actions." Clearly we are not just concerned with the next few General Elections—we are dealing with a long-term trend which calls for long-term measures, for as in the past the climate of public opinion will be the deciding influence. I believe that the role of the life offices in encouraging people to stand on their own feet has never been more important than it is today. Every insurance policy is a declaration of independence, and a pledge of personal effort. *Independence is therefore our first plank.*

WE CANNOT IGNORE FINANCIAL DISCIPLINE

When Mr Thorneycroft resigned, another Conservative Minister made light of what he termed "Micawber Economics" but the habit of supposing that someone else will find the money is already widespread and dangerous. To think that we can ignore financial discipline because eventually the State will provide is a frame of mind which, because it is scarcely a conscious one, is all the more insidious. But following the latest crisis the people at large are beginning to realise that excessive Government expenditure is inflationary. The climate of opinion is beginning to change, and as sound finance is of crucial importance in the practice of insurance I believe we should help to drive this home by explaining the financial principles of assurance and pensions, and how a life office applies them in its many operations. The United Kingdom Provident Institution is already pursuing this course with some vigour. We have issued supplements dealing with the many aspects of life assurance and we have published press advertisements to illustrate the meaning of profit and loss and other economic factors, but much more publicity of this kind is required. *Sound Finance is therefore the second plank in our platform.*

The immense variety of the services which insurance offices already provide is not always appreciated. Many of the policies are tailored in one way or another to meet particular requirements, and this applies to most pension schemes, which are available in great variety to suit small firms as well as large.

The variations which a modern life office is able to offer are almost unlimited, but changing needs are a challenge. We are proud of our efficiency but must not take it for granted, and therefore *Efficiency is the third plank in our platform.* It has the merit of keeping those of us engaged in insurance up to scratch, while reminding our policyholders and the public that our aim is to fit every policy to a particular need.

ABBEY NATIONAL BUILDING SOCIETY

ANNUAL GENERAL MEETING

SIR HAROLD BELLMAN'S SPEECH

The Annual Meeting of the Abbey National Building Society was held on February 21st at the Wigmore Hall, Wigmore Street, London, W.1.

Sir Harold Bellman, DL, JP, LLD, Chairman of the Society, in moving the adoption of the report and accounts, said:

The year now under review has had its full measure of special problems for all financial institutions. It says much for the standing of your Society that, despite the national economic background, the Directors are able to report a thoroughly satisfactory measure of progress.

I will not review the figures in the accounts in detail, but perhaps I may recapitulate the outstanding points. The Society's total assets increased by £20 million to £278 million. In shares and deposits the Society received nearly £49 million. This is very satisfactory in view of the intensified competition for savings during 1957.

During 1957 the rate of interest on the Society's shares was maintained at 3½ per cent, with income tax paid by the Society, equal to £6 1s. 9d. to those investors subject to the standard rate of income tax.

Turning to the mortgage side, new advances to assist home ownership at £38.6 million showed a slight decline. Nevertheless, the amount is one which requires no apology. The Abbey National figures should dispel the illusion fostered in some quarters that building societies generally had stopped lending in 1957.

Looking at the balance sheet as a whole, its strength is readily apparent. Liquid resources, consisting of cash and Trustee Securities, amounted to no less than £40 million at December 31st and equalled exactly the same proportion of the total assets as a year ago, namely, 14.4 per cent. The Reserves and Carry Forward were increased to £10.6 million.

With Bank Rate at 7 per cent the Society's holding of British Government Securities inevitably reflects the investment conditions associated with such exceptionally high money rates. As a result, the book value of these securities exceeded the market value at the date of the balance sheet. These investments, however, are dated stocks and if held to maturity there would be a surplus accruing to the Society of over one and a half million pounds.

The ratio of management expenses, measured against total assets, has again shown a reduction and now stands at only 9s. 11d. per cent for the year 1957.

I remarked a year ago that periods of high money rates were not favourable to building society operations. At that time Bank Rate had been reduced from 5½ per cent, at which it stood at the beginning of the year, to 5 per cent. If that seemed high, there was nothing to warn us that a rate of 7 per cent was in store by the autumn.

I must re-emphasise, however, that as a building society we are not *directly or immediately* affected by changes in the Bank Rate, whether on the savings side of our activities or on the mortgage side. Nevertheless, since many important money rates are adjusted in accordance with movements in Bank Rate, the repercussions of an exceptionally high rate upon building society funds had to be most carefully assessed. The Building Societies' Association, of which your Society is a member, after reviewing all the facts, recommended—and continues to recommend—that there should be no change in the then existing interest structure, which in general provided shareholders with 3½ per cent, with income tax borne by the societies, and necessitated the mortgage rate of 6 per cent to old and new borrowers. Your directors were of the opinion that this was the proper course and acted accordingly.

Today the investor is receiving a return from the leading building societies which is equivalent to 6 per cent per annum, if he is subject to the standard rate of income tax. Taking into account the high degree of security, combined with the facilities attaching to such investments, we suggest that the present yield is still a fair return.

There is this further fact to mention: without going into elaborate detail, your society could not increase significantly the yield to investors without increasing the mortgage rate by at least 1 per cent. If your society can maintain the mortgage rate so as not to exceed 6 per cent, it will be rendering a service to its borrowers which they may remember with appreciation. We have said again and again that our guiding principle is to hold the scales evenly as between borrowers and investors. For the present at all events, I believe we are achieving this balance with substantial justice all round.

It has been represented that if building societies generally increased the shareholders' rate above 3½ per cent, they would attract more funds and thereby have more to lend, and that this should be their policy. This is surely topsy-turvy logic. Some two million building society borrowers would be made to suffer in the hope that at the most a few thousand would-be borrowers might be accommodated without delay. Where does justice lie in this matter? There is no doubt in our minds as to the answer. The current figures available show that building societies are continuing to advance considerable sums, and if there are difficulties in meeting all applications, those spring largely, as I have previously indicated, from the tidal wave of demand which has descended upon building societies.

A year ago I referred to the profits tax. Subsequently, there was a discussion on the tax in the House of Commons, which was memorable by reason of the unanimity with which members of all political parties joined in condemning the inequitable application of the tax to building societies. Such was the strength of feeling that the Chancellor of the Exchequer was obviously impressed, and we were encouraged to hope that relief might be forthcoming in the next Budget. With that Budget not far away, our hope has not diminished.

I should like to express the appreciation of all members of the Board to the Deputy Chairman, Mr Stanley C. Ramsey, for his valuable advice. The Managing Director, Sir Bruce Wycherley, has had to face another year of change and disequilibrium, but his resource and equanimity have been more than equal to all occasions. The Board is deeply sensible of the great value of his services.

DEPUTY CHAIRMAN'S REMARKS

Mr Stanley C. Ramsey, FRIBA, Deputy Chairman, in seconding the adoption of the report and accounts, said:

The Chairman has set before you in his speech the main points concerning the Society's financial position. I am sure he has convinced you of the Society's great strength.

He has also referred briefly to the mortgage side of our business during 1957, and I should now like to deal more fully with this aspect of our work. Our activity in this field was maintained at a high level throughout the year. The demand for funds was considerably in excess of the supply, and this disequilibrium will no doubt continue so long as the credit squeeze, with its attendant high money rates and scarcity of loanable funds, is enforced.

Our advances were made almost exclusively on dwelling houses. We have always been aware that our essential purpose on the mortgage side is to promote home ownership, and so far as the Abbey National is concerned, there is no ground for the view that it was impossible to obtain an advance on any house unless it was entirely new.

As the Chairman has already pointed out, approximately half the mortgage securities accepted in 1957 were other than newly built. Last year 23 per cent of our advances involved personal stakes of over 30 per cent when measured against purchase price; 17 per cent with a stake of 21 to 30 per cent, and the balance of the advances up to 20 per cent. Over 50 per cent of our advances were made with additional security. At the same time we were able to help a number of our existing borrowers with further advances.

I feel sure these figures will help you to assess the quality of the Society's mortgage asset. With the credit squeeze and the high Bank Rate still with us the outlook for the present year, on the mortgage is somewhat uncertain.

The report and accounts were adopted.

The Society's auditors, Mr Harold Lakeman, FCA, Mr R. T. Walters, TD, MA, FCA, and Mr A. W. White, FCA were re-elected. Mr C. Russell Chiesman, Mr C. Lovett Gill, FRIBA and Mr Montague Peacock were duly re-elected to the Board.

MANAGING DIRECTOR'S REMARKS

Sir Bruce Wycherley, MC, FCIS, managing director of the Society, said:

An important factor in the Society's corporate existence is the 573,000 persons who have entrusted their savings to us or have sought our assistance for the purchase of their homes. If we are conscious of the value of their participation, we hope and believe that they are willing ambassadors on our behalf.

At the present time the Society is in a position to welcome new funds from members. I hope our shareholders, whenever they are able to do so, will increase their accounts with the Society and thus enable us to extend

our services to those who desire to become home-owners. For all that constitutes a safety-first investment, the name of the Abbey National stands high both with existing members and the general public. Money saved with the Abbey National comes into the category of "Thoughtful Savings," and equally induces the reflection, "Well Saved!"

If our reputation is high, we spare no effort to maintain and, if possible, improve it. Our network of branch offices is being steadily extended and we are constantly seeking to improve our service.

METROPOLITAN RAILWAY COUNTRY ESTATES LIMITED

ANOTHER SUCCESSFUL YEAR

SIR BERNARD DOCKER'S STATEMENT

The thirty-eighth annual general meeting of the Metropolitan Railway Country Estates Limited will be held on March 6th at Kensal House, 553-579 Harrow Road, London, W.10.

The following is an extract from the statement of the Chairman, Sir Bernard Docker, KBE, circulated with the Report and Accounts for the year ended October 31, 1957:

I am glad to report that we have had another successful year enabling us for the third consecutive year to recommend payment of a dividend of 15 per cent and to make a small addition to the consolidated balance of undistributed profits carried forward. This at £155,210, subject to provision for additional profits tax on distribution, affords a reserve on which we could rely if need be to maintain the current rate of dividend for a year or so if in any future year earnings were insufficient to do so for reasons which we might consider to be of a temporary character. The consolidated net profit for the year to October 31st last was £75,373, which compares with £64,760 the previous year. Taxation this year takes £42,766 against £31,724 a year ago when we were able to bring in £4,300 from provisions made in previous years no longer required and payment of the same rate of dividend will require £30,187 as before, leaving us £155,210 to carry forward compared with £152,790 brought in.

SUMMARY OF RESULTS

This consolidated summary of results reflects a year of considerable activity and success by the parent company, an almost static year in our St Helena Properties Limited subsidiary and another record year for its small building subsidiary, Vaughan (Builders) Limited. On the other hand, we had a disappointing year, resulting in a loss, by our farming subsidiary, MRCE Farms Limited.

The parent company holds freehold properties with a book value of £640,000 at the date of the balance sheet. These include building estates in various stages of development amounting to about 212 acres, some miscellaneous properties including 31 tenanted modern houses and some 12,000 acres of tenanted agricultural estates which include a few areas of potential building land.

After referring in detail to the affairs of the subsidiary companies with special reference to the record profits of the small building subsidiary Vaughan (Builders) Limited, of Colchester, and a loss by the farming subsidiary MRCE Farms Limited, attributed primarily to seasonal factors, and to a new joint venture in building estates under development in the Midlands and North of England in association with The Metropolitan Railway Surplus Lands Company Limited, and to certain staff changes the statement concludes:

THE OUTLOOK

As to the future, it is always difficult with a trading company to forecast results and you will not expect me to do so. I can, however, point as I did last year to our consolidated balance sheet which shows that we have three quarters of a million pounds at book cost, invested in freehold properties held for resale, including the trading investment which is our investment as at October 31st last in the Whelmar Property Company Limited. It is true that building land in process of development yields no income until sold, that our agricultural land produces a small revenue, less than the money costs us at the Bank, and that in the current year our bank loans will cost us more, but with knowledge of the quality of our property assets and of the experience and enterprise of our management and of the good business we have already done on account of the coming year, I am reasonably confident that in a year's time, given no profound change in the pace of building development or any other factor outside our control, we shall again be able to report satisfactory results.

H. M. HOBSON

The twenty-second annual general meeting of H. M. Hobson Limited was held on February 21st in London.

Mr T. Simpson (chairman and managing director) presided and, in the course of his speech, said: The Accounts have fully justified the policy of the Board during the past years. The business has substantially increased with a proportionate rise in profits. The consolidated net profit after providing £373,925 for Taxation amounts to £373,623 compared with £307,272. Your Directors recommend a dividend of 15 per cent (less tax).

While the Company has had a successful year and the Order Book is satisfactory and well spread, the trend of future prospects is liable to be affected by further changes in defence requirements. Subject to this, your Directors look forward with confidence.

Activities in the Atomic Energy field are developing satisfactorily. Contracts have been received for control systems and other precision equipment.

Further to my statement last year on the contribution your Company had made to the DIDO Research Reactor, I am now able to report that Hobson Control Equipment is operating on the Materials Testing Reactor PLUTO at Harwell. Similar controls have been installed in the Australian Government Research Reactor, near Sydney, and in the Materials Testing Reactor at Dounreay. Recently an order has been received for the supply of controls for a research Reactor to be built by the Danish Government.

The Honeycomb Isotope manufacturing machines are now in production and the first of these is in operation at Harwell.

The report was adopted.

SPIERS & POND LIMITED

INCREASE OF CAPITAL APPROVED

The Annual General Meeting of Spiers & Pond Limited was held on February 26th in London, Mr Thomas N. Matthews (joint managing director) presided in the absence through illness of the chairman, Mr Walter Venables, ACA.

Mr C. U. Mather (Director and Secretary) read the notice convening the meeting, and Mr H. Douglas Bessemer, representing Messrs Kemp, Chatteris & Company, read the auditors' report.

The following are extracts from the Chairman's review circulated with the report and accounts for the year ended September 30, 1957:

Though the past year has witnessed political and economic crises with their inevitable repercussions on our business, your Board is pleased to be able to report results which I trust you will regard as satisfactory.

The Trading Profit of the Group amounts to £247,531 as compared with £238,782 for the previous year, an increase of £8,749.

Expenditure on Repairs and Renewals amounts to £96,111 as against £91,514. For many years it has been your Board's policy to maintain a high standard of decoration and equipment in the hotels of the Group, and today their general condition compares very favourably with any other hotels of similar standing.

The net profit after providing for taxation is £88,342, of which the holding Company's proportion is £86,564.

The dividend on the 6½ per cent Preference Stock has been paid, and your Board recommends a dividend of 10 per cent less tax on the Ordinary Stock. A transfer of £38,559 to General Reserve and £3,500 to the Company's Sickness and Benevolent Fund is also proposed, and the total allocations will, if confirmed, leave a balance of £122,720 to be carried forward to next year.

Current Assets of the Group amount to £402,819, as against £392,775 for the previous year, whilst Current Liabilities amount to £280,631 as against £290,119.

With regard to your subsidiary companies, I am pleased to report that they have contributed satisfactorily to the results before you.

At the last Meeting, I informed you of our intention to rebuild the Southampton Hotel, Surbiton. Detailed plans and costings have been prepared and all necessary planning permissions obtained. Unfortunately, however, our application to the Capital Issues Committee for permission to obtain the necessary finance was refused, and consequently the scheme has had to be abandoned for the time being.

Your Board proposes that the opportunity is now taken of increasing the authorised Ordinary Share Capital of your Company by the creation of an additional 800,000 Ordinary Shares of 10s. each, making the authorised ordinary capital of the Company £1 million. It is not intended to issue any further Shares in the immediate future, but your Board thinks it advisable to have additional unissued capital available.

The report and accounts were adopted and the proposed increase of capital approved.

The hotels operated by the Group are as follows: Baileys Hotel, Gloucester Road, London, S.W.7; Grand Hotel, Brighton; Marsham Court, Bournemouth; Queen's Hotel, Eastbourne; Royal Clarence Hotel, Exeter; Grand Hotel, Scarborough; Warnes Hotel, Worthing; Calverley Hotel, Tunbridge Wells; The Bull's Head Hotel, Aylesbury,

MONTAGUE BURTON LIMITED

ANOTHER SUCCESSFUL YEAR

SATISFACTORY INCREASE IN TURNOVER

MR L. JACOBSON ON IMPORTANCE OF PRICE STABILITY

The Twenty-eighth Ordinary General Meeting of Montague Burton Limited was held on February 25th at the Registered Office of the Company, Leeds.

Mr Lionel Jacobson (the Chairman) presided.

The Secretary (Mr H. V. Evans, ACA) read the notice convening the Meeting and the Report of the Auditors.

The following is the statement by the Chairman circulated with the report and accounts:

You will see from the attached accounts that the Group has enjoyed another successful year, the result of which has been to add £629,523 to revenue reserves after providing for all taxation on profits earned to date, dividends, appropriations amounting to £95,681 for the redemption of Debentures and Preference Shares. All Companies within the Group have made a full contribution towards the final figures and turnover levels have again shown a satisfactory increase over the previous year.

MODERNISATION AND EXPANSION

The modernisation of the Burton Tailoring chain continues, as indeed it must having regard to the number of shops in that Division of the Group. Although the expenditure during the last four years has been heavier than normal, we can anticipate that this will continue at a somewhat lower level as a permanent feature of our accounts. Several new and attractive buildings have been completed during the year on first-class sites and the Group has in hand a comprehensive building programme adequate for its future requirements. The Tailoring Works continue to be well maintained and one Works that has been rebuilt and replanned has recently been successfully reopened.

The Burton chain is fully represented throughout the British Isles and consequently your Directors, apart from the modernisation and rebuilding, have concentrated on the expansion of our main associated companies. Jackson The Tailor opened shops in Southampton, Bristol, Ranelagh Street, Liverpool, Barnsley and Croydon and in addition moved to larger and more central premises at Darlington and Bolton. Peter Robinson opened a new store in Liverpool in January 1958. These new ventures have had a promising start and in both Companies we have a detailed plan for future expansion. It will be appreciated that in the early stages the expenses are considerable but in due course these developments should have a healthy influence on our final results.

We recognise that careful consideration must be given to the European Free Trade Area. It is early yet to form any firm policy, but perhaps it will suffice if I give an assurance that as a Board we are conscious of our responsibility to ensure that we stay at the forefront of our particular trade. If such a policy entails expansion into the Free Trade Area your Directors will not hesitate to take the necessary action.

PROBLEM OF RISING COSTS

The direct expenditure and overheads of the Group have shown a marked increase over the past four years due to reorganisation, expansion and particularly inflationary tendencies. Inflation is a matter of vital concern to the whole nation. It is not for me to enlarge on this particularly difficult subject, except in so far as it may affect this Group of Companies. During recent months the Wholesale Clothing Manufacturers' Federation of Great Britain agreed a wage advance with the National Union of Tailors and Garment Workers. Clothing is an important part of any family budget and we supply a considerable proportion of the national requirements. We are satisfied that this Company must make its contribution to the national economy. In our view this can only be achieved by determining not to recover the increased labour charges from the general public by means of increased retail prices. It could be that such a policy will result in a lower level of profit. It will be so unless we can succeed in obtaining adequate turnover in excess of the year we are considering, to absorb the increased costs. For my part I am firmly behind the decision of my colleagues to continue selling at the prices which we charged last year even though there is a possibility that lower profits might result. I strongly believe that this is the proper policy to be pursued and it represents a firm step along the road towards national recovery, just as I am convinced that such is the strength and resilience of this Group that in the final result the profits will remain adequate for all purposes.

In contrast with the upward trend of costs and overhead expenses there has been a fall in the price of wool, our major item of consumption. Some time will elapse before this is reflected in the finished product but it is our earnest desire that any benefit that is thus obtained shall be passed on to the public and should result in even better value.

ADEQUATE LIQUID RESOURCES

We have carefully examined our capital commitments in view of the credit squeeze. Our liquid resources are adequate for the plans we have in contemplation. It will, however, be borne in mind that ours is a seasonal business and in consequence there is a considerable fluctuation in our resources, our maximum requirements being immediately prior to the Spring season when stocks both of finished goods and cloth in the piece are necessarily at a high level. The date of the preparation of the Balance Sheet coincides with the period when stocks are low, consequently we show a substantial cash balance. Generally however the resources of the Group are adequate for all purposes, and over the past two years we have had little if any reason to seek from the Banks the assistance which they have always made readily available.

Last year I mentioned the setting up of the Clothing Management Centre at Guisborough. I am pleased to report that the Centre completed its first year of operation in August 1957 and that the students who have left the course and returned to industry have completely endorsed our confidence in the Guisborough undertaking.

I often feel that although the Burton shops are well known to you, the details of our other activities tend to be overlooked. These could not be described as an insignificant part of this Enterprise. Jackson The Tailor operate a chain of sixty-six highly successful shops; Peter Robinson, whose Headquarters are at Oxford Circus, six ladies' fashion stores, and in the Manufacturing Division there are fourteen Works. We have on our direct payroll something in excess of 23,000 employees.

CONFIDENCE IN THE FUTURE

Again I have the difficult task of venturing some forecast about the future. Between the end of the financial year and the date of the preparation of these accounts, due to the vigorous policy of our retail executive, turnover has been steadily maintained. I have a feeling that trade will be more difficult to obtain in 1958 but I have confidence in those about me that they will ensure that the Group retains its pre-eminent place in the industry.

In presenting these accounts to you I would at the same time extend grateful thanks and appreciation for the loyal support of my colleagues, staff and personnel of both the retail and manufacturing divisions.

The report and accounts were unanimously adopted. The Directors retiring in accordance with the Articles of Association were re-elected to the Board. The auditors, Messrs Price Waterhouse & Co. and Messrs Volans, Leach & Schofield, continue in office.

The meeting concluded with a vote of thanks to the Chairman.

SOUTH ESSEX WATERWORKS CO.

The annual general meeting of South Essex Waterworks Company was held on February 25th in London, Mr G. Francis Stringer, OBE (the chairman), presiding.

The following is an extract from his circulated statement:

You will observe that there is a net increase in Capital Expenditure during the year of £200,371 of which a further sum of £145,880 has been spent on the Hanningfield Works. These Works have now been in operation for eighteen months and during the year under review an average of just over 5 million gallons per day was supplied, of which your Company took approximately 54 per cent.

The remaining expenditure on Capital Account includes the cost of providing a large trunk main to improve the supply in the Barking area. A new electrically driven pump of a maximum capacity of 7 million gallons per day was brought into use at Langham Works and the water-operated turbine which had been in operation at Herongate Reservoir since 1932 was replaced by a new turbine of considerably increased capacity.

Turning to the Revenue and Expenditure Account, an increase of £104,263 in gross revenue is shown and it is of interest to note that the annual revenue now exceeds £1 million for the first time. The demand for water for domestic purposes continued to increase throughout the year, 5,051 additional services were connected, the total number of supplies for domestic purposes within the Company's area as at December 31, 1957, was 203,733. Industrial demand was severely affected as the result of the Suez Crisis.

The report was adopted.

BROOM AND WADE LIMITED

TURNOVER MAINTAINED

The twenty-third annual general meeting of Broom and Wade Limited was held on February 26th at High Wycombe, Mr Harry S. Broom, MIMechE, chairman and joint managing director, presiding.

The following is an extract from the chairman's circulated statement for the year to September 30, 1957:

The Report and Accounts show that we have had another satisfactory year. The fact that we have been able to make substantial profits despite several adverse factors makes this year in some ways the most successful in the history of the company.

It has been a difficult year both at home and abroad, largely due to conditions which have been beyond the control of your company, but in spite of difficulties the consolidated profit for the year is £566,046 compared with £623,658 for the previous year, a reduction of 9 per cent.

Your directors recommend that the final dividend on the Ordinary shares be 10 per cent, maintaining 12½ per cent for the year.

Your Directors also recommend that £200,000 be transferred to General Reserve, bringing the total of this Reserve to £800,000.

I said last year that we expected there would be a tendency for an increased demand for extended credit throughout the world and for more comprehensive stocks in overseas markets. In fact, this demand has not been experienced to the extent I anticipated; bills receivable are now some £13,000 less at £80,985, but our stocks overseas are somewhat larger.

Whitehall has done little to relieve our burden of taxation which takes almost 50 per cent of our 1957 earnings at £281,059. Over the past five years we have disbursed some £1,445,000 to the Exchequer, and such a drain on our earnings is very alarming when considered in the light of the technical advances that could have been financed with such a sum.

The wage award in May not only increased our wage bill but also the cost of many of our purchases. The easy way to have met this position would have been to raise our selling prices, but we have as far as possible avoided this measure by offsetting the increased costs by increased efficiency in production, and we believe this policy has enabled us to maintain our turnover.

Every effort is being made to increase sales and to this end we have increased both our advertising and our sales staff at home and abroad, and have arranged for personal visits by directors or senior members of the sales staff to our important markets.

Any reduction in manufacturing activity would inevitably bring about the under-recovery of overhead expenses, and our aim has been to avoid this situation. In the face of an enhanced wage bill we have continued to press forward with the introduction of improved methods and so offset increased costs. Our consultant friends whom I mentioned last year are still with us and continue to do excellent work.

I would sum up by saying that our order book is in a healthy state and I am hopeful that from the efforts now being made by all departments, we shall continue to obtain business and make profits at a level consistent with past years.

The report and accounts were adopted.

CARRERAS, LIMITED

TURNOVER WELL MAINTAINED

The fifty-fourth annual general meeting of Carreras, Limited, was held on February 25th in London.

Sir Edward Baron (Chairman and Managing Director) presided and, in the course of his speech, said: I am sorry that the figures before you do not disclose a better result but would ask you to note that the Balance from Trading in the Profit and Loss Account of Carreras, Limited, is arrived at after charging all expenditure on Advertising and Sales Promotion incurred during the year. This was, as forecast by me a year ago, considerably greater than in the previous year and may be regarded as exceptional. Indeed it more than accounts for the decrease in our profits. Furthermore, there was no repetition of the small extra profit which was made in the year before as a result of the increase in duty.

Our turnover was well maintained during the year but, due to rising costs, we had to work on ever reducing margins of profit, and the increase in Home Trade selling prices which took place in mid-September came too late to make any material contribution to our profits for the year.

HOME AND EXPORT MARKETS

In reviewing the events of the past year I must stress the fact that competition has again been unprecedented in its keenness and in maintaining our turnover we had a difficult task in view of the enormous amount expended on Advertising by our competitors. Here I should record that in overseas markets we have not only increased our volume of exports but have once again improved our relative position in this section of the industry.

We are proud of the prestige which our brands enjoy throughout the world.

Our other overseas interests have again proved remunerative and should continue to provide us with a good source of revenue. At the close of the year we launched Craven "A" Filter Tip cigarettes in the Home market in both Standard and Long sizes to retail at 3s. 4d. and 3s. 11d. for 20 respectively. We are encouraged by the pleasing reception given by both the Trade and the smoking public to these two productions.

Referring to the projected removal of manufacturing operations from London to Basildon, the chairman said:

Great advances in mechanisation have been made in recent years, and Arcadia Works is not in fact readily adaptable to the efficient use of our modern machinery and the operation of the most up-to-date manufacturing methods.

We have, as you are aware, acquired a large modern single storey factory at Basildon New Town in Essex with adequate land for immediate extension. We hope to be able to commence production there early in 1959.

The Head Office and General Administration, as well as the Sales and Distribution sections, will remain in London.

When all the changes have taken place we should be able to manufacture our products on a more economical basis and so effect considerable savings in future. I am particularly glad to say that our Accounts show better results for the first three months of this financial year as compared with the corresponding period of last year. I am very hopeful this will continue but, of course, in these uncertain times the unexpected can always happen and I should not like you to take this for granted.

The report and accounts were adopted.

THE ROYAL BANK OF SCOTLAND
GLYN, MILLS & CO.
WILLIAMS DEACON'S BANK LIMITED

CONSOLIDATED STATEMENT OF ACCOUNTS, 31st DECEMBER 1957

	£	£
CAPITAL AND RESERVES—		
Capital, Authorised and Issued	5,950,000	
Reserve Fund	5,150,000	
Balance of Profit and Loss Account	603,597	
		11,703,597
CURRENT LIABILITIES AND OTHER ACCOUNTS—		
Current, Deposit and Other Accounts, including Provisions and Reserves for Contingencies	316,953,018	
Notes in Circulation	16,639,214	
Proposed Final Dividend, *less* Income Tax, payable 15th March 1958	239,437	
		333,831,769
ACCEPTANCES, CONFIRMED CREDITS AND OTHER OBLIGATIONS ON ACCOUNT OF CUSTOMERS		35,481,899
		£381,017,265

	£	£
CURRENT ASSETS—		
Coin, Bank Notes and Balances with the Bank of England		38,506,296
Balances with, and Cheques in course of collection on, Other Banks in the British Isles		30,084,268
Money at Call and Short Notice		37,482,664
Bills Discounted—		
British Treasury Bills	35,120,000	
Other Bills	5,231,845	
		40,351,845
Investments—		
(*a*) Quoted—		
at or under market value:		
Securities of, or guaranteed by, the British Government	84,919,730	
Dominion and Colonial Government Securities, Corporation Stocks and other Securities	1,594,400	
(*b*) Unquoted—		
at cost, *less* reserve	520,000	
		87,034,130
Advances to Customers and Other Accounts, *less* provision for doubtful debts		107,215,728
		340,704,931
TRADE INVESTMENTS—		
At cost, *less* reserve		904,930
FIXED ASSETS—		
Bank Premises and Other Properties, at cost, *less* amounts written off		3,925,505
LIABILITIES OF CUSTOMERS FOR ACCEPTANCES, CONFIRMED CREDITS AND OTHER OBLIGATIONS		35,481,899
		£381,017,265

PATALING RUBBER ESTATES

SIR ERIC MILLER'S STATEMENT

The annual general meeting of the Pataling Rubber Estates, Limited, will be held on March 25th in London.

The following is an extract from the circulated statement of the chairman, Sir Eric Miller:

The crop harvested on the Company's estates was 10,852,059 lb compared with 10,511,336 lb in the previous year. A further 308,000 lb were bought in latex form. A portion was processed into sole crepe and the entire crop realised the equivalent of approximately 2s. 5¼d. per lb London landed terms, about 1¼d. per lb less than the average obtained in 1955-56.

WORKING PROFIT

The profit before taxation was £544,202 against £519,264 in 1955-56. Receipts from the Government Replanting Scheme were £40,227 (£9,393) and trade and other investments earned £77,068 (£71,840). The Finance Act 1957 provides a welcome measure of relief to overseas trade corporations and the Company benefits under this legislation. After providing for taxation on the new basis and including the favourable adjustment of £118,656 arising on the 1955-56 results, the profit for the year was £463,487 against £265,857 previously. Including the balance brought forward from last year there is available £642,474 (£427,438). £30,000 have been written off Government securities, £165,099 have been transferred to Cultivation and Replacement Reserve and the directors recommend payment of a final dividend of 25 per cent, making with the interim dividend of 15 per cent already paid 40 per cent for the year exclusive of the special bonus of 20 per cent.

PROPERTY SALES

The purchasers of the balance of Pataling estate took possession in December 1957 on payment of 80 per cent of the agreed sale price; whereupon harvesting on the Company' account ceased. The remaining 20 per cent (about £10,000) is payable on transfer of titles after the areas have been surveyed and existing titles subdivided. Sultan Idris, a detached division of Chumor estate, comprising 292 acres of old rubber, which was a doubtful replanting proposition, was sold in December 1957 at the satisfactory price of approximately £16,000 (net) ex replanting rights and the full sale proceeds have been received.

The capital profit to date on these transactions together with the balance of similar profits at October 31, 1957 (after payment of 2¼d. per 2s. share in March 1957) is £61,583. Out of this the directors are making a distribution of 1¾d. per 2s. share (not taxable in the hands of shareholders) which will be paid with the final dividend for the year ended October 31, 1957.

REPLANTING

During 1957 we successfully replanted 1,366 acres and new-planted 58 acres. Some 940 acres of replantings and new-plantings had been brought into tapping or reached the tapping stage by the end of the year. Nearly all the Company's plantable reserve land is at North Labis, and held under favourable title. Now that security conditions have improved there we intend to develop this land as labour and supervision permit.

We have applied for additional jungle land at Sungkai and although in recent years Government has alienated very little land for rubber we hope that our application may receive favourable consideration. In the calendar years 1958 and 1959 a further 1,700 acres are scheduled for replanting or new-planting.

ESTATES

At all estates good standards of field upkeep have been maintained and our immature areas show satisfactory development.

In agreement with the National Union of Plantation Workers wage levels, based on the rubber price range of 80-100 cents per lb, have remained unchanged since April 1957. In November 1957 notice was given by the Union to terminate the Agreements on March 31, 1958, and we must await the outcome of negotiations in this regard.

STAFF

The year's results reflect competent estate management and a keen endeavour on the part of our senior and junior staff. They are also a measure of the quality of our labour forces with whom excellent relations have been maintained. We also appreciate the consistent care given to our affairs by our Eastern Agents and the expert services of our Visiting Agents.

RUBBER OUTLOOK

The price of rubber in January 1957 was around 30d. but during that year it steadily declined to 24d. and today Spot No. 1 RSS is 23d. This decline has taken place despite the fact that Russia has bought a substantial tonnage. Although conditions in Indonesia have been unsettled the flow of native rubber to Singapore, mainly by the efforts of the Chinese, has been well maintained. How far estate production in Indonesia may be affected is as yet uncertain; any reduction would of course help to offset the lower USA consumption which is now forecast.

The downward trend of the market can be attributed mainly to the slowing down of the USA economy. Whereas car production in Great Britain, France and Germany has exceeded expectations the optimistic forecasts of car sales in USA during 1957 were not realised and the hopes that 1958 models would stimulate public buying have so far proved disappointing. This has resulted in a substantial build-up of automobile stocks to around 800,000 units and although passenger car tyres for replacement show a 6 per cent increase over 1956 the year-end inventories at around 19 million were 20 per cent above the figure recorded in 1956. The percentage use of natural in USA has been steadily declining, the December 1957 figures being approximately 36 natural and 64 synthetic. At its present price natural is much more competitive with synthetic and some improvement in the percentage use of it is a likely possibility. There has been less demand for sole crepe which may be attributed mainly to the high prices ruling a year ago causing the greater use of other types of soleing material. Now that sole crepe is at a keenly competitive level there may be an improved off-take.

Latex consumption continues to increase and the lower price has helped to extend its use in many directions. This is an important outlet for part of the Pataling Company's production.

POLITICAL

In my Address last year I expressed my confidence in the future of Malaya as a self-governing member of the Commonwealth. All that has happened since the transition of power in August 1957 re-enforces that belief. The Merdeka celebrations on our estates, organised by our managers, were thoroughly enjoyed by all, and in the capital, Kuala Lumpur, and other towns they were marked by great good will and geniality. We look forward to the continuance of the same friendly co-operation which since the beginning of the British connection has characterised our relations with the people of Malaya. The country's prosperity depends mainly upon the continued development of its main plantation industries, and assured of equality in the treatment of capital investment we shall, as in the past, hope to play our part in the furtherance of its economic progress.

LEEK & MOORLANDS BUILDING SOCIETY

INCREASED FINANCIAL STRENGTH AND STABILITY

The one hundred and first annual general meeting of Leek & Moorlands Building Society was held on February 24th at Leek, Staffordshire.

In his printed address, the President, Sir Ernest Johnson, JP, reviewed the economic events of the past year, and said: Can we afford, and if so when, some reduction in Bank Rate? We must not repeat the mistake of recent years. Acting as though the crisis had passed, we relaxed our efforts and our monetary discipline, only to find that the crisis was still with us. It is not unreasonable to look forward to some reduction in the near future. The new Chancellor will no doubt recommend a move downwards only when he is satisfied that inflation is no longer threatening our very existence and that any danger of a flight from the pound sterling has been contained and removed.

The Government still has the power to stop inflation, to expand production, to permit capital investment and to rebuild our depleted gold and dollar reserves. Time is fast running out. The whole world is watching Westminster. I share the hope that however unpleasant the remedy, it may be of short but lasting duration and that we can then move forward to a wider, broader based and sounder financial economy bringing with it increased all-round prosperity.

I congratulate the Leek & Moorlands Building Society on its increased financial strength and stability achieved in, what has been for financial institutions in particular, a most difficult year.

CHAIRMAN'S ADDRESS

In the course of his address, Mr Gilbert Tatton (Chairman of the Board of Directors) said: The figures shown in the Balance Sheet reflect great credit on the way the Society is managed.

Turning to the Annual Accounts, Shareholders balances have increased by £1,790,073 to the record sum of £33,304,053. The amount remaining invested by Depositors now stands at £2,376,778. The two sums together total £35,680,831, the largest in the Society's history. This is further proof, if needed, of the continued confidence which

savers and investors place in the Leek & Moorlands Building Society.

Out of a sum £2,114,763 which represented the Society's gross earnings, the following sums were paid out: Interest to Investors £1,176,000; Income Tax and Profits Tax £507,800; Expenses and Management £180,205; Depreciation of Office Premises, Survey Fees, etc. £22,781; Surplus for the year placed to existing Reserves £227,977, increasing the Total Reserves to £1,859,772.

Commenting on certain Societies who seek to excite the public with higher rates of interest than those currently obtainable from most of the Building Societies in membership of the Building Societies Association, Mr Tatton said:

It may well be that Societies offering a rate of interest in excess of 3½ per cent, is an indication to the investing public of the measure of their difficulties and that the rate has to be offered in order to retain funds or to attract them.

The view of the Directors of the Leek & Moorlands Building Society is that a reasonable return today for savings and investments currently withdrawable on demand or at very short notice is reasonable at 3½ per cent, Income Tax paid. Any other Society offering any higher rate can do so only by exploiting borrowers who are compelled to pay a rate in excess of 6 per cent for their mortgage accommodation. If it be true that Building Societies are regarded as a society building movement then it should not be overlooked that fair terms are expected by investors and by borrowers alike. The Directors of the Leek & Moorlands Building Society believe that those fair and reasonable terms are the terms recommended by the Building Societies Association.

The report and accounts were adopted.

MITCHELL COTTS & COMPANY LIMITED

NAME CHANGED TO "MITCHELL COTTS GROUP LIMITED"

INCREASE OF CAPITAL APPROVED

The thirty-eighth ordinary general meeting of Mitchell Cotts & Company Limited was held on February 21st in London.

Mr H. C. Drayton (the Chairman) presided and, after reviewing the financial results for the year, said: As I mentioned at the last meeting, I did not expect our exports from this country to be as high as in the year to June, 1956. The actual figure of exports was £8,352,000 as against £10,800,000 the previous year. Shareholders will bear in mind that this is not the total of our trading activities as we act as agents for people in other countries and our total trading activities are considerably higher than the above figure.

REASONS FOR CHANGE OF NAME

There is a special resolution to change the name of the Company to Mitchell Cotts Group Limited. The reason for this is to divorce trading activities from the parent company, leaving the parent company a holding company responsible for finance and policy matters.

INCREASE OF CAPITAL

We are also taking steps to increase the authorised capital of the Company to £4,250,000 by the creation of 5 million Ordinary shares of 5s. each. To carry on our business we are finding it necessary to put more money into buildings overseas. In addition we are finding it necessary to grant more generous credit terms to enable us to be competitive. I cannot tell you if and when we shall be issuing any additional capital as that depends on whether or not the Capital Issues Committee gives us permission. Our own view is that it is necessary so to do, but the decision today is not in our hands. If permission is not given, then we shall have to go into, very carefully, our trading activities, and see which exports, from a profit angle, justify our giving extended terms of credit. Those that do not will have to be cut down, and this in itself, from the Company's point of view, is not a bad thing as my belief is that we should make more money, but from the country's point of view it would not be helpful. If the increase of authorised capital is agreed, it will enable us to go ahead without delay when and if we decide to make a cash issue, and obtain the consent of the CIC to our so doing.

After reviewing the Group's world-wide activities, the Chairman concluded:

With regard to the current year, of which eight months have passed, I find it extremely difficult to sum up what our profits will be, but subject to the valuation of our stocks and work in progress at the end of the year, which amounted at June, 1957, to approximately £8,260,000, I expect that our profits for the year to June, 1958, should be somewhere in the region of the profits for the year under review. Any variation either way should be of modest dimensions.

The report and accounts were adopted, and the proposed change of name to "Mitchell Cotts Group Limited" and the increase of authorised capital were approved.

R. B. PULLIN

The twenty-first annual general meeting of R. B. Pullin & Company Limited was held on February 27th in London, Mr R. B. Pullin, OBE, chairman, presiding. The following is an extract from his statement.

Tangible fixed assets have increased from £335,330 to £762,271 and the difference between Current Assets and Current Liabilities from £405,820 to £590,660. Capital reserves have increased from £98,130 to £362,790 and there has been a further addition of £24,416 to Revenue Reserves and Surplus.

It has proved possible to maintain the rate of dividend and on an increased ordinary capital. This is particularly pleasing for a year in which assets for which a large part of the additional capital was raised were not profit earning and in which credit for only six months' trading of Aldis Brothers Limited could be taken. Out of the total Group trading profit of £230,116 no less than £162,852 has been absorbed by taxation. Profit margins have again fallen and the curtailment of Government and other spending is increasing the severity of competition.

The latest addition to the Group, Aldis Brothers Limited, is adding significantly to revenue, profits during the period under review being at a higher level than those for the comparable period in the previous year.

The trading conditions and the restrictions on credit which are making themselves felt in varying degrees over our Group of Companies, make it desirable to introduce a note of caution in considering the future. Without being in any way complacent, we believe that there is no need for pessimism.

The report and accounts were adopted.

Den norske Creditbank

Established 1857

HEAD OFFICE, OSLO

19 Branches in the Provinces

BALANCE SHEET, DECEMBER 31st, 1957

ASSETS	Kr.	Kr.
Cash in Hand and at Bank of Norway	140,349,099.10	
Norwegian Banks and Savings Banks	76,868,558.76	
Foreign Banks	168,117,635.57	
		385,335,293.43
Securities :—		
Government Bonds	22,157,546.95	
Municipal Bonds	5,054,879.20	
Bonds of Industrial Companies, etc.	21,091,845.70	
Shares	10,532,132.88	
Mortgage Bonds	147,432,373.12	
		206,268,777.85
Commercial and Finance Bills		296,476,428.76
Foreign Bills		5,111,732.76
Advances to Customers and other Accounts		349,277,185.62
Clients' Accounts in Foreign Currencies		1,734,049.66
Commercial Letters of Credit		85,774,862.02
Bank Buildings		6,791,092.28
(Total Assessment Value :— Kr. 8,728,160.00)		
In Account with our Branch Offices		13,538,092.98
Sundry Assets		241,384,367.56
		1,591,691,882.92

LIABILITIES	Kr.
Current Accounts	352,970,935.25
Deposit Accounts	484,895,356.18
Norwegian Banks and Savings Banks	117,538,666.99
Foreign Banks	47,804,847.42
Cheques in Circulation	21,635,437.56
Commercial Letters of Credit	87,737,322.46
Clients' Accounts in Foreign Currencies	106,975,679.21
Interest for 1958 of Bills Discounted	3,658,272.48
Sundry Liabilities	303,439,770.25
Share Capital, fully paid	36,000,000.00
Reserve Fund	18,000,000.00
Extra Reserve Fund	4,000,000.00
Fund for Taxes	6,000,000.00
Balance carried forward to 1958	1,035,595.12
Guarantees, Kr. 415,262,198.37	
	1,591,691,882.92

LIEBIG'S EXTRACT OF MEAT COMPANY

OXO SALES CONTINUE AT A HIGH LEVEL

The ninety-third annual general meeting of Liebig's Extract of Meat Company Limited, will be held on March 20th in London.

The following is an extract from the circulated statement of the chairman, Mr Kenneth M. Carlisle: The year's results are disappointing.

The reduction in profit arises mainly in the United Kingdom and on the Continent of Europe and can broadly be attributed to two principal causes. First, all-round increased costs on a static turnover. Secondly, much increased expenditure on advertising and sales promotion. A further important factor has been a heavy write-down of stocks of products and packing materials as a result of the closure of the Sudan factory.

Against these adverse movements better returns were recorded from South America and there have been no heavy exchange losses to face as was the case in the previous year.

Steps were taken some months ago to improve the overall position by increasing selling prices in the United Kingdom and on the Continent, where such increases could no longer be deferred.

I am, therefore, fairly confident that, in spite of the uncertainties clouding the general economic situation, results for the current year will show improvement.

OXO LIMITED

The Oxo Company has had a year of intense activity on every side of the business. It has also been a year of progress and of consolidation after two years of reorganisation.

It was with reluctance that, on September 1, 1957, the beginning of the new financial year, we increased the price of the Cube to 1¼d. Sales had continued at a high level, but increasing costs of administration, manufacture, selling and distribution were eating into profit margins. In addition, the high cost of replacements and improvements of plant and machinery will have to be met over the coming years. It is worthy of record that the price of the Cube has only been advanced twice in forty-five years.

Sales during the current year are being maintained, although the cold hard winter to which we look for increased consumption has so far failed to appear.

The forward impetus in those sections of the canned foods trade in which we are engaged has also continued.

The "Fray Bentos" range of products has been steadily extended. It is fair to claim that we make products of quality; that these products are sold at reasonable prices; and that the trade on which we rely for support is always ready to take them. There is abundant evidence that the public is conscious of the value of what we have to offer.

After a detailed review of the Group's world-wide activities, the Statement concluded: It is a matter of very keen regret to me that the profits reported to you on the eve of my retirement should be the leanest we have experienced for several years. I am hopeful, however, for the reasons given at the beginning of this statement and provided no adverse circumstances supervene, that it will be the privilege of the new Chairman to lay before you improved results at next year's Annual General Meeting.

SECOND BRITISH ASSETS TRUST

LONG-TERM FUTURE VIEWED WITH CONFIDENCE

MR A. C. BLAIR'S REVIEW

The Seventy-ninth Annual General Meeting of Second British Assets Trust, Limited, will be held on March 20th at the registered office of the Company, 9 Charlotte Square, Edinburgh.

The following is the review by the Chairman, Mr Alastair C. Blair, CVO, WS, which has been circulated with the Report and Accounts for the year ended December 31, 1957.

I am pleased to report that we have secured the services of Mr Roger Inglis as a Director. His appointment falls to be confirmed at the forthcoming Annual General Meeting.

The year under review has been a difficult one. With the rising tide of inflation, Stock Exchange prices rose steeply for the first half of the year, but the increasing productive capacity in the United States at last overtook consumption and resulted in a surplus, whilst at Home the steps taken by the Government to save sterling caused a sharp fall during the last six months. The effect of these movements is shown on page 12 of the Report in the summary of the quarterly figures which we publish at the end of each quarter so that you can have up-to-date information about the figures of your Company. From this table you will notice that the slowing down of the rate of increase in income to which I drew your attention last year has continued, although this year's income is again a record. In fact, in the final quarter of the year the income showed a definite fall when compared with the corresponding quarter of the previous year. This was due partly to a changing pattern of income collections resulting from changes in our investment portfolio but also reflected decreases in dividends from base metal companies due to the great fall in the prices of these commodities.

This year the graph on page 11 of the Report shows the development of our income and investments over the past ten years. You will see from this that while the value of the investments may fluctuate sharply, the income curve has been rising fairly steadily and the yield on the book cost of our investments has also continued to rise.

THE OUTLOOK

The outlook for 1958 is clouded by the present industrial recession in the United States, the efforts being made at home to maintain the value of the pound and the financial difficulties of a number of the underdeveloped countries of the world. But whatever the short-term vicissitudes due to world economic conditions, we have confidence in the long-term growth and financial stability of the companies in which we are interested, and there seems no reason to think that we shall not be able to maintain our dividend for another year.

It is our policy to visit companies in which we have shareholdings, both to see the plant and understand the operations and to get to know the management of those companies. We believe that industry has a great deal to gain from the intelligent support of its shareholders and that this can only be achieved if shareholders are provided with the maximum amount of useful information. I am glad to see signs that industrial management in this country is beginning to follow the example of the United States where visits by shareholders are always welcome and where full information is reported to shareholders at regular intervals. Publication of three monthly reports and turnover figures could be adopted by many more British Companies and would be a welcome improvement which would encourage shareholders to take a greater interest in Company affairs.

KUALA LUMPUR RUBBER COMPANY LIMITED

EXPANSION AND DEVELOPMENT

MR E. B. SKINNER'S STATEMENT

The Annual General Meeting of the Kuala Lumpur Rubber Company Limited was held on February 25th at 53 Eastcheap, London, E.C.3, Mr E. B. Skinner (the Chairman) presiding.

The following is a copy of his circulated statement:

With this report and accounts a circular is enclosed explaining the Directors' reasons for recommending an increase in the authorised share capital of the Company. If the capital is increased, your Directors propose, on behalf of your Company, to make an offer for the minority stockholding in Sungei Chermang Rubber Company Limited upon the lines explained in the circular. Your Directors have good reason to believe that the offer which they will make will be acceptable to the offerees. Your Company already holds nearly 52 per cent of the issued capital of Sungei Chermang and the Directors have no hesitation in recommending the increase of capital of your Company to enable it to acquire the balance of Stock in Sungei Chermang which it does not now own. The acquisition of the whole of the issued share capital of Sungei Chermang will secure 2,978 acres of high-yielding rubber and approximately £150,000 of net current assets. The Sungei Chermang property is high yielding and one of the cheapest producers in Malaya. Each year the surplus of profit augments its financial position even after paying good dividends, all of which would help greatly to cover the cost of upkeeping and bringing to maturity some 3,570 acres of our immature rubber.

You will see from the Profit and Loss Account that our income for the year was £44,210 less than the previous year and that expenditure increased by £17,737, making a difference of £61,947 in the profit on working. Depreciation has been increased by £1,837. To set off this reduced profit we have received refunds and replanting subsidies from the Government amounting to £35,752—£23,273 more than last year. The net surplus before tax is therefore £40,511 less than the previous year.

Taxation is considerably lower, partly due to the reduced profit and partly to its being calculated according to the provisions of the Finance Act, 1957, relating to Overseas Trading Corporations, whereby profits earned abroad are not subject to British tax except that levied on distributed profits.

You will see that your Board recommend the payment of a dividend of 10 per cent free of tax after providing £30,000 for replanting and £15,000 for estate buildings.

PLANTING PROGRAMME

The Company is pressing forward with its planting programme and members will note from the Report that 380 acres of new land were planted up during the year and that a further 100 acres have been planted up

during the current financial year. Furthermore, 210 acres of replanting have been carried out this year.

As new areas come into tapping we shall require to build new lines and other estate buildings to accommodate additional labour. Also, it is becoming necessary to rebuild a considerable number of existing labour lines and staff houses.

We still have difficulty in recruiting sufficient labour for all requirements on Gemas Estate partly through the Emergency regulations and partly through keen competition for available labour in the district, but everything possible is being done to make the estate more attractive.

As regards mining, it will be seen that receipts were once again very low. As in the previous year our income was derived only from the workings of the Kent Estate Dredge. Since the close of the year under review, trial runs have been carried out with new equipment on the Wardieburn Estate Dredge. It is to be hoped that normal working can be resumed shortly thus augmenting our tin mining income.

One of your Directors, Mr H. F. Copeman, is at present in the East and has been visiting the Company's estates.

During the year under review we lost the services through retirement of Mr Longmore, who gave us such devoted service as Manager on Gemas Estate. We wish him a happy retired life.

We wish also to express our appreciation of the work done by all the planting staff during the year, and by our Eastern Agents.

The Report and Accounts were adopted.

As Special Business an Ordinary Resolution was passed increasing the capital of the company from £500,000 to £750,000 and a Special Resolution was also passed altering the Articles of Association of the Company to enable holders of Share Warrants to Bearer to vote by proxy.

BUSINESS AND PERSONAL

Invest in

CITY OF COVENTRY

Mortgage Loans

(TRUSTEE SECURITIES)

SIX PER CENT FOR TEN YEARS

Special terms will be quoted for loans of £10,000 and over.

For further particulars apply:

CITY TREASURER (C.), COUNCIL HOUSE, COVENTRY.

THE ROYAL COLLEGE OF SCIENCE AND TECHNOLOGY RESIDENTIAL CENTRE FOR MANAGEMENT STUDIES

The following courses for Management are offered during the Summer Term—*commencing* 14.4.58.

1. WORK STUDY AND PRODUCTION ANALYSIS: 10 weeks 14.4.58—20.6.58.
A course designed to train men in the practice and administration of the modern techniques developed to make the most economic use of all production resources.

2. WORK STUDY: 3 weeks 2.6.58—20.6.58.
An appreciation course developing the principles of Work Study for those who may be joining or co-operating with a Work Study Department.

3. PLANNING AND CONTROL: 3 weeks 14.4.58—2.5.58.
A course developing the principles and effective application of Planning and Control as required in Industry and Commerce.

4. COST REDUCTION AND CONTROL: 2 weeks 28.4.58—9.5.58.
A course designed to develop reciprocal understanding and active co-operation between management, supervision and specialists in tackling the twin problems of cost reduction and cost control.

5. EXECUTIVE DEVELOPMENT: 3 weeks 2.6.58—20.6.58.
A course to help senior and potentially senior managers to meet the changing demands on Industry and Commerce; and to develop general administrative competence.

6. SUPERVISORY MANAGEMENT: 2 weeks 19.5.58—30.5.58.
A course to help line supervision to identify, analyse and solve the problems of modern supervision.

7. HUMAN RELATIONS: 1 week 12.5.58—16.5.58.
A course for line management and functional specialists dealing particularly with the problems of human behaviour.

8. COMMUNICATIONS AND DISCIPLINE: 1 week 12.5.58—16.5.58.
A course for line management and functional specialists seeking to promote co-operation and control through verbal and written communications.

During the term, the Department will have the services, as visiting American expert in industrial and general administration, of Professor David Springer Brown of the Department of Business and Public Administration, George Washington University, Washington DC, who will participate fully in instructional and associated activities.

Fees for all courses, including residence, are Twelve Guineas per week.

Further details from: The Head of Department, Department of Industrial Administration, The Royal College of Science & Technology, Chesters, Bearsden, Glasgow.

NOTICE TO INDUSTRIALISTS, FINANCIAL ADVISERS, INVESTMENT AND BANKING HOUSES

IN YOUR COMPANY'S ECONOMY AND THE NATIONAL INTEREST

why attempt to do your own Research and Development when there is a scarcity of good Development Engineers on the labour market and when your Development Programme is achieved you have a labour surplus which is not used efficiently—Why *not* use the *facilities of* this British Company whose prime function is *Project Consultancy* from "inception of thought" to *guarantee* of "end product" incorporating:

World Market Research
Project Development and Design
Work and Methods Study
Production Planning and Cost Analysis

We also give a conversion service of American and Foreign Drawings to British Standard Specification and Production Practice and vice versa.

Our Principal is looking *forward to meeting you for a* general discussion on your problems.—Principals only please write.—Box 857.

TELEPHONES. TELEPHONES. TELEPHONES for *works and offices.* We install and maintain for moderate rental. Communication Systems Ltd. TEMple Bar 4566.

KEEP IN TOUCH.—*The Shooting Times* covers all aspects of Shooting, Fishing, Game Preservation, etc. 1s. 3d. weekly.—Free copy from Dept. E, 29 Old Bond Street, London, W.1.

CINE CAMERA SPECIALISTS.
City Sale & Exchange Ltd., 94, Fleet Street, London.

WHO are the best tailors in London? Try POPE & BRADLEY LTD., 35, Dover Street, London, W.1. Tel.: HYDe Park 5866.

A BARGAIN.—For Sale New Co. Reens.—No trading. Sheet Metal/*Printers/Insurance Brokers*/Investment/Property Dealing/Development/FINANCE H.P./Stocks/Shares, *Hardware/Optician/* and 1,001 other trades. PRICE £25 COMPLETE. Business Econ. (E./SpB), 156, *Strand, London, W.C.2.* (TEM. 8377/8-2294/5).

YOU have troubles? Try this cure. Pour yourself a glass of El Cid Sherry. Drink it, slowly, with your eyes closed. Repeat, with your eyes open. Now, what was it you said about troubles?

TRAVEL

HOLIDAYS IN THE U.S.A. & CANADA

★

11 days' inclusive holiday by air and bus: *Montreal, Ottawa, Toronto, Quebec* £184 16s.

★

13 days' inclusive holiday by air and bus: *New York, Philadelphia, Washington, Niagara Falls* £193 2s.

★

17 days' inclusive holiday by air and bus: *New York, Philadelphia, Washington, Niagara Falls, Toronto, Montreal* £206 12s.

★

17 days' inclusive holiday by air and bus: *Montreal, Ottawa, Toronto, Philadelphia, Washington, New York* £208 16s.

COOKS

Send for free booklet, Dept. D/1/RO
Berkeley Street, London, W.1, and branches also from Dean & Dawson

APPOINTMENTS

MARKETING MANAGER

A progressive career is available to the candidate chosen by *an expanding* West Riding *company to fill the* appointment of Marketing Manager.

This is an excellent opportunity for a man between 30 and 35 years of age, who has acquired marketing research experience in the Marketing Department of either a National Company or an Advertising Agency.

Besides research into existing and potential markets, the responsibilities of this appointment embrace the presentation, maintenance, analysis, and interpretations of all sales records, and assistance to the Board in planning trading policy.

Thus, a sound knowledge of marketing research techniques and statistical methods should be supplemented by an alert and enquiring mind, ability to lead, and a flair for economic investigation.

Although of secondary consideration to practical marketing experience, candidates should possess Higher Certificate of Education with further study at University or Technical School in mathematics, economics, accountancy, or similar subjects.

The appointment is well remunerated and the prospects are excellent.

Applications, which will be treated in strictest confidence, should be mailed to Box 873.

MARKET RESEARCH OFFICER

KENYA

required to study the marketing of a wide range of agricultural products and to advise on *market trends*, prospects and potentialities in relation to production and *marketing costs.*

Candidates, preferably with an Honours Degree in *Economics or Agricultural Economics, must have had* considerable experience in a market research organisation or *similar body and should be 25 years of age*

Appointment on probation to the permanent establishment with pensionable emoluments in range £919—£1,463 per annum. Free passages on appointment and leave for officer, wife and children up to a maximum cost equivalent to three adult passages in all. Furnished Government quarters, when available, at moderate rental.

Apply, giving brief particulars, to Director of Recruitment, Colonial Office, London, S.W.1, quoting *BCD* 63/7/038.

TRAINING Officer. Man with sound commercial experience in education and training from Management level downwards required by manufacturing company's London Head Office. Applications in strictest confidence, quoting Reference T.O to Box 881.

OPPORTUNITY in Public Relations Department of a leading advertising agency for young economics graduate. *Must be fluent and able writer—and ambitious.* Write: Notley Advertising Ltd., 15 and 17 Hill Street, *London, W.1.*

UNIVERSITY OF CAMBRIDGE

DEPARTMENT OF APPLIED ECONOMICS

Applications are invited for appointments from October 1, 1958, in connection with the Department's programme of economic and statistical research. Each appointment will be for a limited period related to the duration of the specific research project to which the applicant is assigned; the projects vary greatly in character, and call for very different types of qualification. Applicants should normally have at least a good second class honours degree in statistics, and experience of research in one of these fields is desirable for appointments in senior grades. The pensionable stipends of these posts are on scales ranging from £650 to £1,750 a year. Non-pensionable allowance of £50 a year is paid for each dependent child who is under the age of sixteen or is in receipt of full-time education.

Applications, giving particulars of academical qualifications, experience, and any special research interests, together with the names of two referees, should be sent to the Director, Department of Applied Economics, 7 West Road, Cambridge, so as to reach him not later than April 5, 1958.

APPOINTMENTS REQUIRED

EXPERIENCED BUSINESS MAN, African, U.S., *European Markets willing invest £5,000-£10,000 In* sound business bearing full investigation. Employment and security required for investment.—Box 882.

SALES MANAGER, M.S.M.A., at present with International Food Company wishes to change for personal reasons. Fully experienced all aspects of National Sales Management, and also Marketing, Sales Promotion, and Advertising. Extensive contacts in Food and allied Trades. Fully mobile and keen to join organisation with vision and scope where vigorous and mature leadership is required. Excellent references.—Box No. 883.

EDUCATIONAL

UNIVERSITY OF LONDON.—A course of four lectures on (i) and (ii) "Liquidity-Preference and Loanable-Funds Theories: Stock and Flow Analysis"; (iii) and (iv) "A Restatement of Keynesian Economics" will be delivered by Professor D. Patinkin (Jerusalem) at 5 p.m. on March 6, 7, 10 and 11 at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. ADMISSION FREE. WITHOUT TICKET.—James Henderson, Academic Registrar.

B.SC.(ECON.) LONDON UNIVERSITY

UNIVERSITY CORRESPONDENCE COLLEGE provides postal tuition for the above Degree (obtainable without residence), which is a valuable qualification for those seeking executive appointments in commerce or industry, government or municipal posts. The College, established 1887, is an Educational Trust. Highly qualified Tutors. Low fees: instalments.—Prospectus of U.C.C. Courses for London Degrees and Diplomas, G.C.E., Law, free from the Registrar, 60 Burlington House, Cambridge.

SECRETARIAL TRAINING, especially for university graduates and older students. Six-month and intensive 14-week courses.—Write Organising Secretary, DAVIES'S, 2 Addison Road, W.14. PARK 8492.

EXPERT POSTAL TUITION

for Examinations—University, Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus—and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2).

METROPOLITAN COLLEGE, ST. ALBANS
or call at 30 Queen Victoria Street, London, E.C.4.

APPOINTMENTS

THE NESTLÉ GROUP OF COMPANIES

invites applications from young men of

INTEGRITY

preferably in the 25-35 age group, who are seeking responsible executive and senior posts at home or abroad, and who possess good potential administrative and sales

ABILITY

A knowledge of languages and a University Degree would be advantageous.

The Nestlé Organisation is world-wide and offers almost unlimited prospects to men of integrity, ability and

ENERGY

as well as first-class conditions, opportunities to travel and live abroad, and the security of employment in a responsible international organisation.

Applications should give full details of education, background and experience, and should be addressed to:

THE SECRETARIAT,
THE NESTLÉ COMPANY LIMITED,
HAYES, MIDDLESEX,

marked "Confidential."

BRITISH COUNCIL requires Assistant in London department dealing with financial administration. Candidates must have a good general education (training in economics would be useful). Starting salary up to £655 (or at age 25, rising to £1,050 a year (women somewhat less but will reach equal pay by 1961). Pension scheme.—Apply, quoting D4(58) and enclosing stamped addressed foolscap envelope, to Personnel Department, 65 Davies Street, London, W.1, for further particulars and application forms, to be returned completed by March 14.

GRANADA TV NETWORK intend to appoint an Advertising Manager responsible for planning and execution of the Company's advertising in all media. We are looking for a man who has an affectionate respect for the English language and is skilled in its use. He needs also to have a good knowledge of typography. The position is an opportunity for a man of intelligence and sensitivity who has not specialised in only one side of advertising, but who has had wide experience of publicity, sales promotion and advertising. The salary, conditions of employment and pension are attractive.—Write, in confidence, to Sidney L. Bernstein, Chairman, Granada TV Network Limited, 36, Golden Square, W.1.

CITY OF LEICESTER requires SENIOR ASSISTANT (ESTABLISHMENT AND ORGANISATION) (CICTR). Salary scale A (£1,060—£1,380 per annum). The post offers prospects and wide scope for initiative and progressive ideas in efficiency studies of administrative, clerical and clerical work including research into the application of an electronic computer installation.—Applications to Town Clerk, Town Hall, Leicester, by March 7th.

LONDON COUNTY COUNCIL

WALHAM AND TOOTING COLLEGE OF COMMERCE.—Head of Professional Studies Department, Grade III, as soon as possible, but not later than September 1, 1958. Department provides full-time, part-time and evening courses in Accounting, Costing, Banking, Secretarial work, Local Government, Public Administration and Management at Intermediate and Final Levels. Graduate preferred with some professional, commercial or industrial experience of teaching and administration in education. Salary Burnham F.E. Scale £1,600 x £50—£1,750 (man), £1,417 3s.—£1,750 (woman) plus London allowance.—Further particulars and application forms, returnable by March 7th, from Secretary at College, Tooting Broadway, S.W.17. (325.)

UNIVERSITY OF KHARTOUM

Applications are invited for (A) Senior Lectureships or (B) Lectureships in:

(i) Agricultural Economics
(ii) Economics

Salary scales (A) £S1,602 x £575 to £S1,977 per annum, (B) £S1,152 x £575 to £S1,677 per annum, entry point according to qualifications and experience. Cost of living allowance approximately £S130 per annum. Outfit allowance £S50. Family allowances: Wife £S60 per annum, first child £S90 per annum, 2nd and 3rd child £S30 per annum each (£S1 = £1 0s. 6d. sterling). Passages for appointee and family on appointment, termination and annual leave. Initial appointment 5 years. Superannuation scheme.

Detailed applications (eight copies), naming three referees, by April 15, 1958, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

COMMERCIAL MANAGER

A progressive and expanding Heavy Engineering concern in North East England requires a Commercial Manager.

The successful applicant will be responsible to the Managing Director for the commercial aspects of important licence agreements and substantial contracts, for investigating estimating methods, for the submission of tenders and for the maintenance and control of all commercial records.

This is a new appointment which will require mature experience and organising ability. The remuneration will be substantial and appropriate to the responsibilities involved.

Applicants should write, in confidence, to Box No. 884.

EXPERIENCED FOREIGN EXCHANGE DEALER required by Merchant Bankers. Appointment is one of responsibility and candidates should be capable of taking full charge and developing the Department.—Write, stating age, experience and salary required, to Box No. 858, Deland Advertising Ltd., 18-20 Regent Street, S.W.1.

NATIONAL COLLEGE OF FOOD TECHNOLOGY

Cranwood Street, City Road, LONDON, E.C.1

Principal: J. D. Mounfield, M.Sc.Tech., Ph.D., F.R.I.C.

Applications are invited from suitably qualified persons for the post of Lecturer in the College to teach Industrial Management subjects and to organise courses in Liberal Studies, chiefly for Postgraduate Courses and for a four-year Associateship Sandwich Course in General Food Technology. Suitable teaching and industrial experience desirable. The post is permanent and pensionable and there would be opportunities for consultative work. A new College, now being built at Weybridge, Surrey, will come into use in 1959 and will provide better facilities for existing courses, and opportunities for the development of new ones.

Salary scale: £1,250 x £30 to £1,400.

Application forms, obtainable for the College, should be sent to the Principal as soon as possible.

MAJOR MIDLANDS MOTOR MANUFACTURER has vacancy for a Graduate to specialise in export market research. Exceptional opportunities are offered to a Graduate in Economics or Commerce with some previous experience in industrial market research. Starting salary will be commensurate with experience.—Applications, giving full details and present salary, to Box No. 886.

WILLIAM M. MERCER LIMITED, Canada's largest firm of consulting actuaries, requires immediately the services of a young qualified Actuary who would be located in either Toronto or Montreal. Prospects are excellent as the business of the firm is increasing very rapidly. The successful applicant would soon assume full responsibility for individual clients. A Fellow of the Institute of Actuaries or a Fellow of the Faculty of Actuaries under the age of 35 would be preferred. Commencing salary is open for discussion. A member of the firm expects to be in the United Kingdom in March to meet all suitable applicants.—Please write, giving details of age, qualifications and experience, to Box No. 887.

STATISTICIANS IN CIVIL SERVICE. About eight pensionable main grade posts (including one in Ministry of Health's new Statistics Branch, concerned particularly with N.H.S. problems) for graduates aged 28 or over on January 1, 1958, with wide statistical experience and (normally) first or second class honours with statistics as main or subsidiary subject.

Salary (men, London) £1,450 to £2,050. Promotion prospects.—Write Civil Service Commission, 6 Burlington Gardens, London, W.1, for application form, quoting No. 4815/58/9. Closing date March 21, 1958.

MAJOR OIL COMPANY requires qualified Accountant/Statistician, aged 25-30, for accounting and economic analysis work in Comptroller's Department. Oil company experience desirable but not essential.—Please send details of educational qualifications and experience to Box No. 888.

UNIVERSITY OF BIRMINGHAM

FACULTY OF COMMERCE AND SOCIAL SCIENCE

DEPARTMENT OF ACCOUNTING AND ADMINISTRATION

Applications are invited for the post of LECTURER IN ACCOUNTING, to begin duties on October 1, 1958, or as soon after that date as possible.

Salary scale: £900 to £1,650, with F.S.S.U. and family allowances. The appointment will be made initially at a point on the scale £900 x £50 to £1,350, depending on qualifications and experience.

Applicants should be graduates, preferably in commerce, economics, or law, and should have a recognised professional qualification in Accounting.

Applications (three copies), with the names of three referees, should be sent on or before April 19, 1958, to the Registrar, The University, Birmingham, 15, from whom further particulars can be obtained.

LONDON COUNTY COUNCIL

ARCHITECT'S DEPARTMENT

Applications invited for position of PLANNING OFFICER, GRADE II, for research work on wide variety of town planning subjects in London. These include planning standards, car parking, survey methods. Experience and qualifications (professional or a good class degree) in this field are desirable. Salary scale £1,037 to £1,305. Application forms, returnable by March 21st, from the Architect (AR/EK/12/58), County Hall, S.E.1. (337)

EXPORT TERRITORY MANAGER

A major manufacturing Company located in the Southern half of England requires a territory manager to administer and develop certain overseas areas in relation to Export sales under the direction of an Export Manager. The Company produces a wide range of domestic and commercial refrigeration products.

Applications are invited from men who have preferably received some basic Engineering training (or who have acquired a general semi-technical background in their experience) and essentially possess a sound administrative and sales experience (desirably in Export selling) with a developed commercial sense. Candidates should be able to deal and negotiate with customers or potential customers at director level.

The successful candidate will be based in England but occasional visits overseas will be necessary. The ability to speak any foreign languages and/or knowledge of any overseas countries will be of value.

Age group 30-40. This is an excellent opportunity for a young virile executive with the qualities outlined above. There is a Pension Scheme for employees.

Applications, which will be treated in strict confidence, should be submitted in writing, giving details of age, experience and salary required, to Urwick, Orr & Partners Ltd., Management Consultants, 29 Hertford Street, London, W.1, quoting reference ETM/1235 on the envelope.

YOUNG ACCOUNTANT required by medium-sized Chemical Manufacturing Company, as assistant to Chief Accountant. Preferably A.C.W.A. Age 22-30. Duties are primarily to assist in the development and operation of a fully integrated system of standard costing and budgetary control. Salary according to age and experience. Prospects are excellent for an alert, accurate and energetic man with real practical ability.—Full details, including salary expected, to Chief Accountant, Lankro Chemicals Ltd., Eccles, Manchester.

JUNIOR RESEARCH ASSISTANTS required for expanding Market Research Department in Manchester.

Applications are invited from men who have already taken good degrees in Economics or Statistics or from those who expect to do so during this year.

Those appointed will start at an appropriate point in a salary range of £550 to £750 per annum, but, for the right people, there are definite prospects of promotion to higher grades.

Applications, which should be as fully detailed as possible, should be sent to the Co-operative Wholesale Society Limited, 1 Balloon Street, Manchester, 4, and endorsed "Market Research."

A LEADING firm of stockbrokers has a vacancy for a Chartered Accountant, preferably a graduate, to undertake investment studies of particular companies. Industrial experience desirable. Age about 30. Prospects for man with suitable personality. Initial salary, according to experience, up to £1,250 per annum with participation in bonus scheme.—Reply Box No. 885.

THE UNIVERSITY OF LEEDS

THE FACULTIES OF ARTS, ECONOMIC AND SOCIAL STUDIES AND LAW.

POSTGRADUATE SCHOLARSHIPS

Applications are invited for not more than three Postgraduate Research Scholarships tenable at the University of Leeds by graduates of other Universities. These Scholarships, each of the value of £350 a year plus fees will be tenable from October 1, 1958, for advanced study or research in the Faculties of Arts, Economic and Social Studies and Law, and will be renewable annually. Maximum tenure three years.—Applications (including those of students who will graduate in June, 1958) should be submitted on forms obtainable from The Registrar, The University, Leeds, 2. Closing date May 1, 1958.

UNIVERSITY COLLEGE OF SWANSEA

Applications are invited for a Lectureship in the Department of Economics. Candidates should have special interests in social accounting.

The salary range will be £900 x £50 to £1,350 x £75 to £1,650 per annum. The commencing salary will be at a point on the scale according to age, qualifications and experience. Membership of the F.S.S.U. and children's allowance scheme.

Further particulars may be obtained from the Registrar, University College, Singleton Park, Swansea, to whom applications (six copies) must be sent by March 15, 1958.

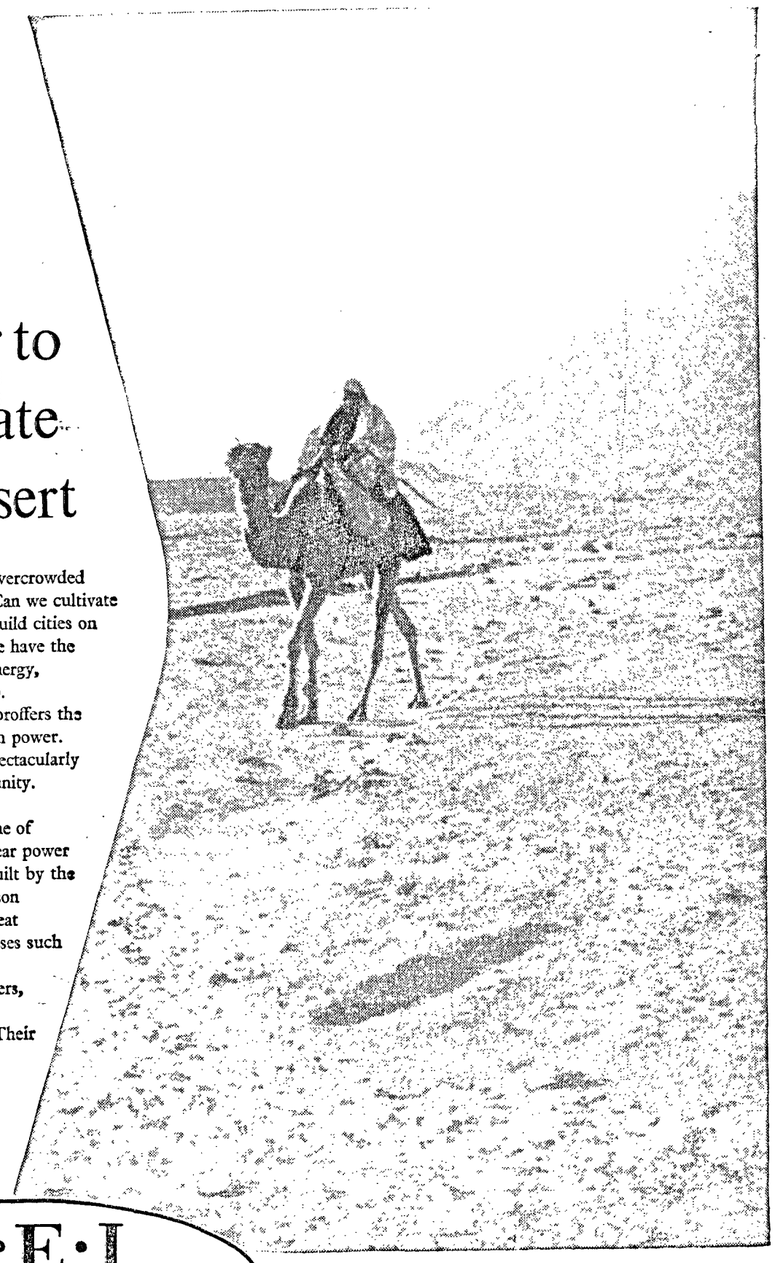
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Subscriptions to many countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is because the alternative is either not available or not recommended.

	Airmail	Air Freight		Airmail	Air Freight		Airmail	Air Freight
Australia	£10 6s.	—	Hongkong	—	£8 15s.	Nigeria	£9 0s.	£6 10s.
Canada	—	$25 or £9	India	£9 0s.	£7 10s.	Pakistan	£9 0s.	—
Ceylon	£9 0s.	—	Indonesia	£9 0s.	—	Philippines	£10 6s.	—
China	£10 6s.	—	Iran, Iraq	£7 15s.	—	Rhodesia (N.&S.)	£9 0s.	—
East Africa	£9 0s.	£7 10s.	Israel	£7 15s.	—	S. Africa	£9 0s.	£7 10s.
Egypt	£7 15s.	£6 10s.	Japan	£10 6s.	—	S. America	£9 0s.	—
Europe	£6 0s.	—	Jordan	£7 15s.	—	Sudan	£7 15s.	£6 15s.
Ghana	£9 0s.	£6 10s.	Lebanon	£7 15s.	—	U.S.A.	—	$25 or £9
Gibraltar, Malta	£5 0s.	—	Malaya	£9 0s.	—	West Indies	£9 0s.	—
			New Zealand	£10 6s.	—			

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Power to populate the desert



Vast areas of our overcrowded planet are desert. Can we cultivate the barren lands, build cities on the *sand?* Yes, if we have the power—physical energy, plentiful and cheap.

Nuclear energy proffers the opportunity of such power. And Britain has spectacularly seized that opportunity.

At Berkeley in Gloucestershire, one of Britain's first nuclear power stations is being built by the AEI-John Thompson Company. This great consortium comprises such mighty firms as Metropolitan-Vickers, BTH and John Thompson. Their skill can help to banish the waste lands of the earth.

A·E·I JOHN THOMPSON

The Economist

MARCH 8, 1958 ON SHILLING AND SIXPENCE FOUNDED 1843

SECRETARIAT LIBRARY 14 MAR 1958 GOVERNMENT OF INDIA

A Summit for Two?

Four-power summit meetings will probably not be seen again. The next one threatens to be much larger; but the practical number is two (page 823).

Building after the Boom (page 865)

By Alternative Vote

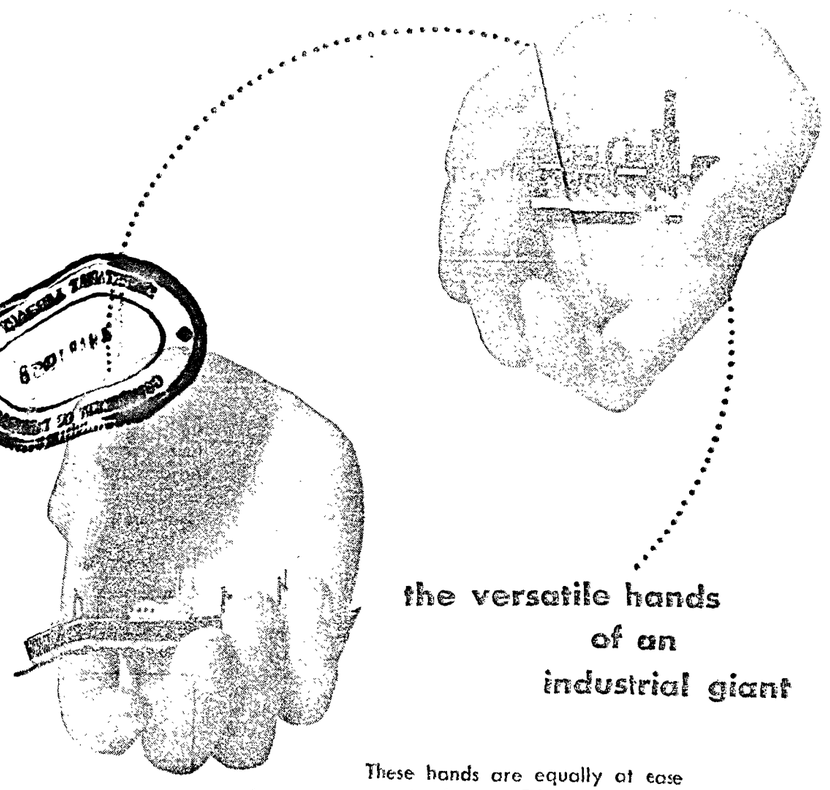
Recent political trends have enormously strengthened the case for the simplest and best system of electoral reform, and it is surprising that the Conservatives do not seem to be thinking about it (page 824).

Mediterranean Hourglass
Cairo's new union attracts North Africans, and present French policy does not. The consequences for Nato are discussed (page 826).

Prudes' Progress
A decision will soon have to be reached about reform of the obscene publication laws (page 827).

Japan's Second Century
A survey of the problems facing Japan today (after page 856)

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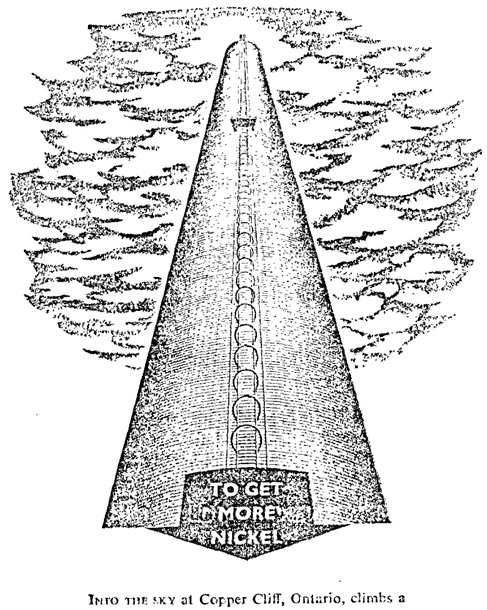
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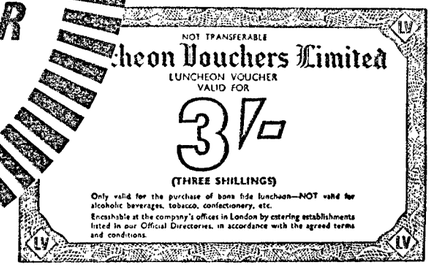
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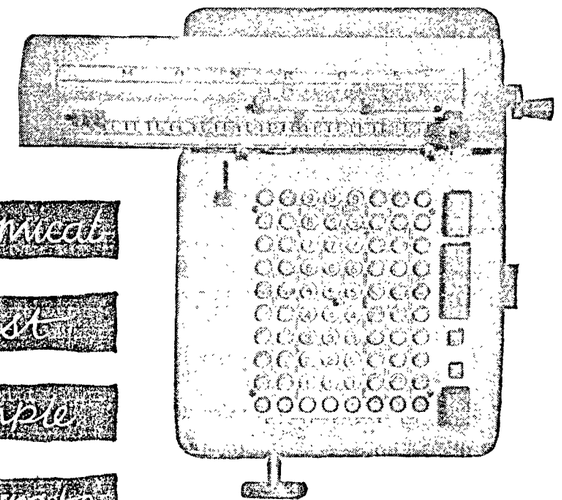
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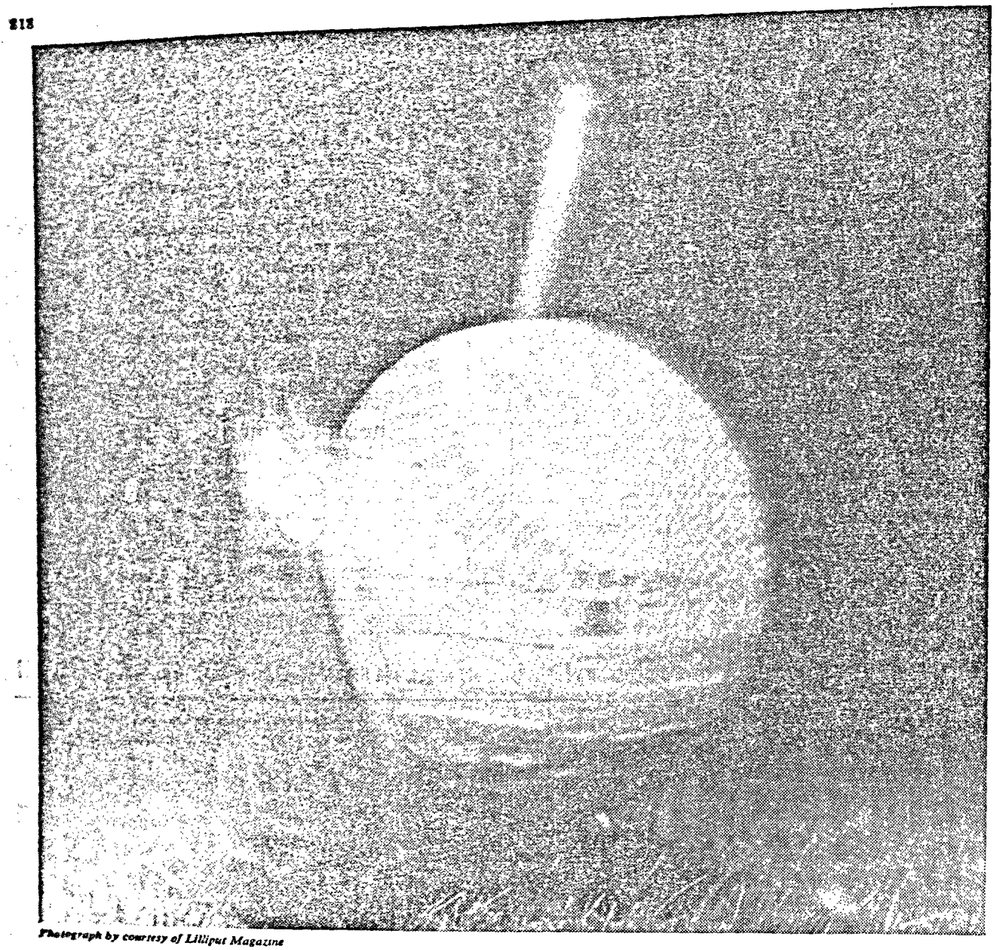
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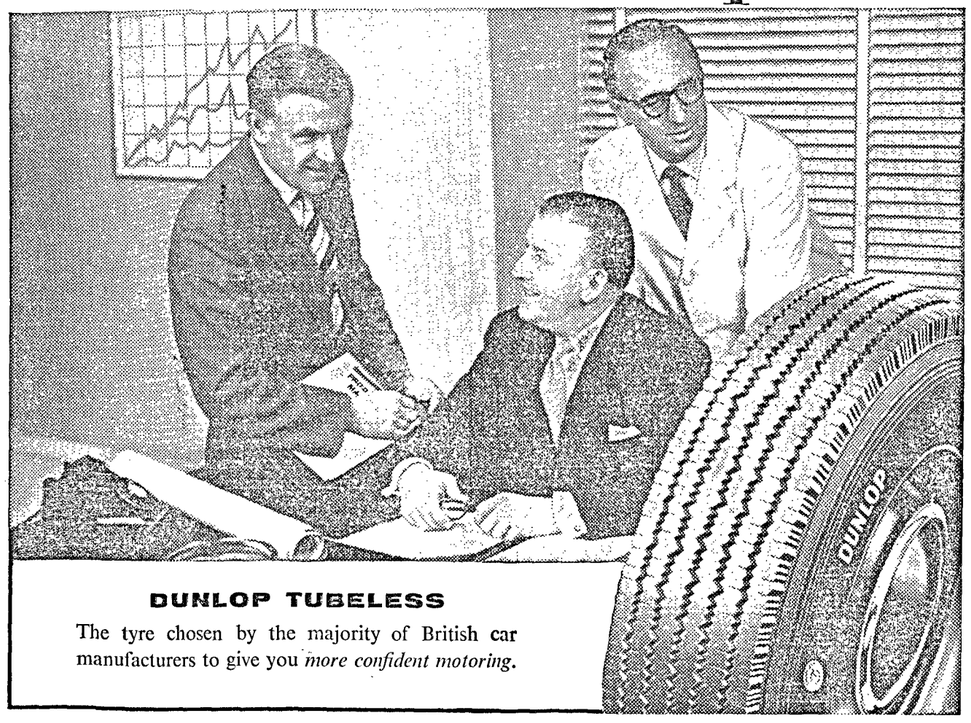
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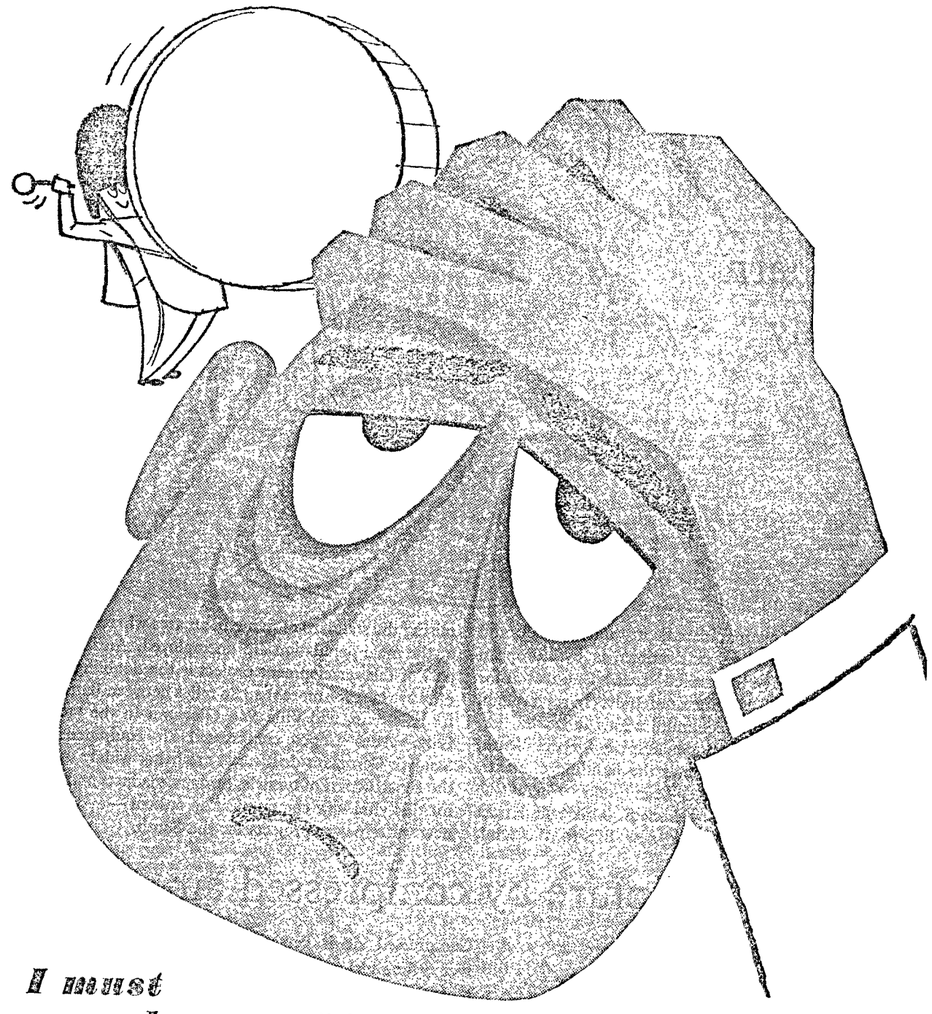
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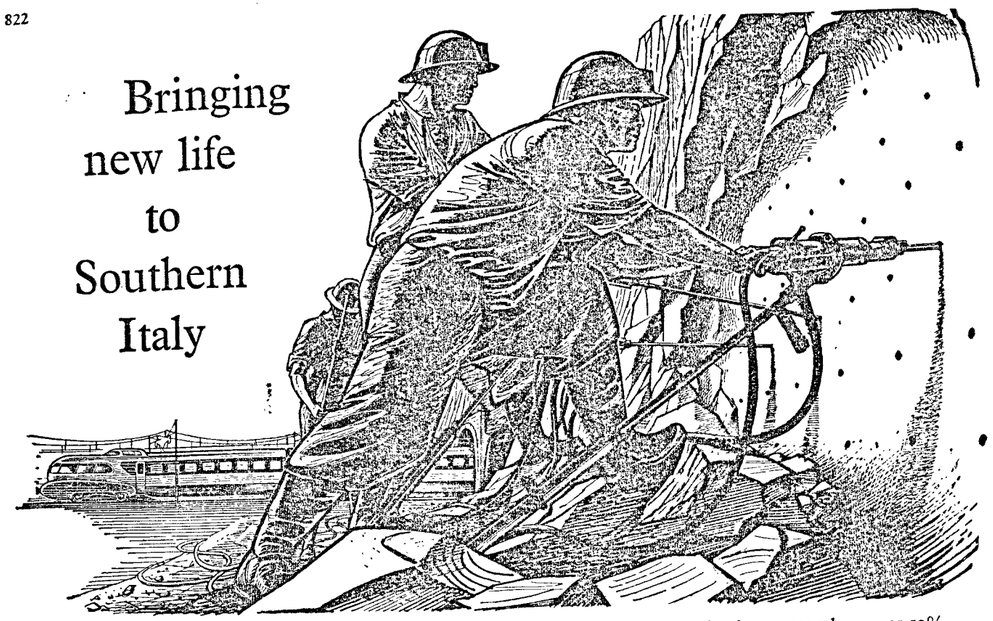
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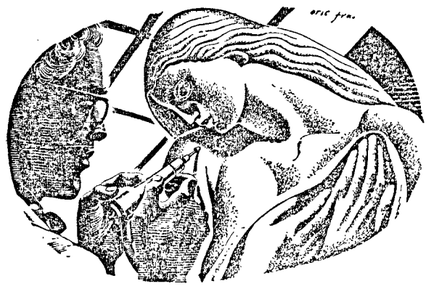
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The Economist

MARCH 8, 1958

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A Summit for Two?

WHEN Sir Winston Churchill said at Edinburgh in February, 1950, that "it is not easy to see how things could be worsened by a parley at the summit," he was looking back to the wartime relationship between the leaders of the three great belligerent nations. It stuck in his mind (as he has often related) how he had foreseen the consequences for the world if the war alliance fell asunder into hostile camps; what he had predicted to Stalin in a famous telegram in 1945 had come to pass within five years "with horrible exactitude." His surmise then that it would be worth while to bring the great men together again has been a major, if intermittent, theme of world politics in the eight years since he uttered it at Edinburgh. The pretentious fiasco at Geneva in 1955 has not deprived the word "summit" of its magic.

From what is known of it, this week's exchange between Washington and Moscow has not brought a new summit meeting any nearer or enhanced the hopes that it will come to anything if it is held. Moscow has agreed that the foreign ministers should meet first, as the western governments wished, though they did not insist. But at the same time the Russians have proposed to increase the foreign ministers' numbers and restrict their scope to an extent that has made Mr Dulles declare gloomily that the United States government will not take part if the summit meeting is to be a "hoax" or a mere "spectacle."

It appears clearly enough by now that the Russians, though they do want a meeting of heads of government, do not want to go on with the series of meetings of three (Teheran, Yalta, Potsdam) or four (Geneva) that were based—first in reality, later by convention—on the war alliance. Moscow's 1958 model marks a clean break with the four-power system. Soviet client governments and neutral or uncommitted governments are to be brought into the circle, together with one or more additional Nato countries—but not Germany, the next in importance; the Russians are leaving Bonn in no doubt that a west German face at an east-west conference would be matched by an east German face. By themselves proposing Italy for the western team they are reminding Bonn of the veto which they still hold over Germany's re-entry into great power diplomacy in any full sense. Courteously, they concede to the United States a similar veto over Peking. But if great powers are to be omitted, while small powers are brought in as clients and other small powers are brought in at random because they are out of the game, how effective a meeting does this promise to be? The time seems appropriate to remember where the idea of a summit meeting started and what it means.

The meetings of Roosevelt, Stalin and Churchill differed in two ways from the pseudo-summit of today's prospect. Its three members, all wielding extraordinary power in countries mobilised for war, were together able to make their will effective anywhere. Their meetings were held to concert the prosecution of a purpose of overriding importance which they shared. By 1950, when Sir Winston Churchill revived the

idea, it was, as it is still, for a quite different end: the removal or reduction of acute causes of conflict between two groups of powers, each having a single predominantly powerful member, with the hostility between these two being alone sufficient to prevent any easing of the world tension.

Essentially, all the others but these two will be guests at the top table. They can make a real contribution if and when the two hosts have got on terms on which they can talk seriously with each other ; but it is very doubtful whether any of them—even Britain—can make any appreciable contribution before that. If there is to be a meeting—as still seems likely, and it may even be held, as the Russians have suggested, in the United States—is it too late to return to the realities and hold it between Russia and America alone ? This is nowadays the only true "parley at the summit."

To stay away would be a political sacrifice for those prime ministers with enough power or prestige, or well enough placed in the lottery, to have a chance of a ticket. But it might be a sacrifice worth making. If Mr Macmillan were to make it first, by proposing to the Americans that they should meet the Russians alone, then—probably only then—it would become possible to cut through the protocol. Otherwise, politeness threatens to swell the meeting into a new forum of political warfare where artificial topics would be discussed and forms of agreement chosen, as at Geneva, for their lack of meaning. A summit conference of two would have only very narrow and limited chances of success ; but the winning number, if it came up, would at least be worth something.

By Alternative Vote

A simple two-clause Act would enable the people to register their real wishes at the next election. Why do the Conservatives do nothing about it?

THE oddest thing about the furore in the Conservative party over the reviving Liberal vote is that there has been no mention (or hardly any) of the simple and obvious way out of the party's dilemma. The party leaders clearly do not know whether to curse the Liberals or to cozen them. It is an article of faith for every good Conservative that the Liberal voter, if he has to choose between a Tory and a Labour government, will overwhelmingly prefer to "keep the socialists out." But by persisting in voting for his own candidate, the wretch threatens to "split the anti-socialist vote" and install Mr Gaitskell in office on a minority vote. What should the Tories do about it ? Declare war on the Liberals and deprive them of all but one of their remaining seats in the House of Commons ? Or try once again to make a "pact" with them ?

The simple and obvious way out of the dilemma is to enact the Alternative Vote. It must be said at once that the Alternative Vote is not at all the same thing as Proportional Representation (sometimes more technically described as the single transferable vote). PR is what the Liberals themselves want, because it would give all small parties a representation in Parliament exactly proportional to their vote in the country. For exactly the same reason—its encouragement of small parties—most other people in this country regard PR as dangerous and undesirable. In any case, it would be a very complicated system involving a complete redrawing of the constituency map to produce gigantic districts with several members each. PR is not practical politics in Britain.

The Alternative Vote is a much simpler suggestion. Indeed, it could be enacted by a two-clause Act. The first clause would say that, wherever there are more than two candidates, the elector, in marking his ballot-paper, should be invited, not simply to put X against the man of his choice, but to put 1 and 2 against his first and second choices. If he persisted, for old time's sake, in marking a single cross, it should be counted as a first choice. The second clause of the Act would say that the first choices should be counted first, and if any candidate received a clear majority of them, he should be declared elected forthwith. But if nobody had a clear majority, all the candidates save the top two should be eliminated, and their votes should be redistributed according to the second preferences marked on them. This would give somebody a clear majority and he would be duly elected. Those are the only changes that would be necessary.

How would this work ? Let us apply it to the Rochdale figures, which were as follows :

Labour	22,133
Liberal	17,603
Conservative	9,827

The result is that Mr McCann now sits in the House of Commons as the member for Rochdale, although 55 per cent of the electors voting expressed a preference for someone else. But would they have preferred some *one* other person ? That is what nobody knows, under the present system. But suppose that the 9,827 voters who wanted to see the Conservative elected had been able to express a second preference, to be used only in the event (as indeed happened) that Mr Parkinson had no chance. It seems reasonable to suppose that, out of every ten Conservatives in Rochdale, at least seven would, in those circumstances, have preferred Mr Kennedy, the Liberal, to the Labour candidate, while only one would have given his second preference to Labour (the missing two can be assumed to be the party stalwarts who will not give even a second preference to anyone else). Under the Alternative Vote, 6,879 of the Conservative votes would have been transferred to the Liberal and 983 to the Socialist, and the final result would have been:

Liberal	24,482
Labour	23,116

and Mr Kennedy would then have been elected.

The fact that this result would, in this instance, have "dished the socialists" does not prove that it would be a good electoral system. But one may guess that it might have represented the real state of feeling in Rochdale more accurately than the actual result.

WHAT would be the effect if it were applied throughout the country ? The Liberals would be encouraged to put up candidates in a large number of constituencies, and since it could no longer be said that a vote for a Liberal is a vote wasted, it might be that they would attract more votes than they will under the present system. What cannot be calculated, and can only be guessed, is (a) how many of these Liberals would get into the second place (or even the first) on the first round, and therefore be in a position to benefit from the transfer of second preferences, and (b) how the Liberal voters' second preferences, when the Liberal was at the bottom of the poll, would divide between the two larger parties. One may guess, in answer to the first question, that about a couple of dozen Liberals would be elected. It could hardly be more—next time, though the numbers might grow at subsequent general elections. As for the second question, the Tories may be right in thinking that a majority of Liberal voters would prefer a Tory to a Labour government—though the majority might very well be much smaller than they suppose, and the Liberal preference is likely to be different in different parts of the country.

At the next general election, then, the Alternative Vote would probably work against Labour. For this reason, there is no doubt that the Labour party would scream with rage if it were seriously proposed. But the essential fact is this: that it would cheat Labour of office only if there is a majority of the country that would really prefer to keep Labour out. It would not obstruct a real majority, only an accidental result. It would enable the people to express their real wishes, not to have them distorted.

From the abstract point of view, that surely would be an improvement. There are not simply two broad points of view among the British people, however much the electoral system may pretend that there are—and however desirable it is that the House of Commons should be simply divided between Government and Opposition. There is a great block of Conservative opinion and a great block of Labour opinion. And in between there is another great block of opinion (at the moment, by all the signs, larger than for a long time), which may not be positively Liberal—it is so hard nowadays to know what that means—but is certainly neither Conservative nor Labour. To the plea that this middle block should have some way of expressing itself, it is no sort of an answer to talk about the dangers of splinter parties.

But political questions are not decided by the abstract point of view. They depend upon the wishes of organised interests, and there will be no change in the British electoral system until one or other of the two large parties decides to make it. Here we come back to the starting point. How very odd it is that the Conservatives have never paid any attention to the Alternative Vote. It would seem to give them everything they say they want—a mechanism by which the Tory-preferring middle vote would not be "wasted," at the price of a few seats for the Liberals (most of which would otherwise probably go to Labour), and an assurance that thumping Labour majorities in the House of Commons will not again be built on a minority Labour vote in the country. (It should be remembered that Labour at its highest point, in 1945, only received just over 48 per cent of the total vote.)

All this they would have for a single two-clause Act. Why do they show no interest ? Because they really are the stupid party ? Or because they are not really nearly as much interested in saving the country from socialism as in the chance of undeservedly large majorities for themselves every other time ? If it is the latter, then Liberals and other elements of the floating vote will know what to do with appeals to their patriotism.

The Economist

MARCH 6, 1858

NEW MEN, OLD POLICIES

¶ The Tory party have come into power, but the Tory policy has not come into power with them. While the leaders of the old country party were in Opposition, the old Tory policy still glimmered occasionally, though feebly, in their speeches ; but now it seems wholly to have expired. Lord Derby had, in fact, no "statement" to make on Monday night—he had only to intimate that his Cabinet are quite content to adopt the policy of their predecessors. . . . Seeing a set of statesmen who uniformly object to everything which another set of statesmen attempt, the English people naturally conceive that some deep-rooted difference of principle and divergence of judgment must be at the foundation of this uniform hostility. There is a vague idea that in the Opposition ranks there exists a completely different conception of the politics of the day which has no fair trial. . . . But now it is evident that if there be such a radical difference of principle between any parties in the Houses of Parliament at all, it is not between the Liberals and the Tories . . . the Tory party have now distinctly admitted that all their objections have been the objections of professional critics not of involuntary antagonists—and that when set to organise the administration of public affairs for themselves, they have nothing different to suggest.

Mediterranean Hourglass

A friendly North Africa has hitherto provided Nato with a useful line of communication eastward. Must this asset disappear ?

It is said that the only smile to be seen in Paris or Tunis is worn by Mr Robert Murphy, the American diplomat now on the go between the two capitals, proffering Anglo-American " good offices." All other faces are either defiant or perplexed.

At the Tunisian end, he meets men baulked by the Algerian war of the chance to build the modern showplace they felt capable of creating, and insistent that he must press France on the Algerian question, as well as handling the immediate issues on which Tunisia is at odds with the French government—French bases, the Algerian frontier, the expulsion of Frenchmen. At the French end the main requirement of most of his interlocutors is the other way about. The Gaillard government, beset by critics and rent by fissures, wants him to limit his good offices as narrowly as possible. It seems indeed to shun action of any kind, even in Tunisia ; it is acting as if paralysed by a triple cross fire—that of generals adjuring it to inflict no further withdrawals on a much-tried army, that of ultras exhorting it to send another 80,000 men to Algeria, and that of financiers pointing out that France is now on an international overdraft, granted on conditions which preclude any such military expenditure. To whom ought Mr Murphy to pay more heed ? To M. Bourguiba, saying that Algeria is the hard core of all Tunisia's ills, or to the French Minister of Defence —M. Chaban-Delmas—saying that France will go on strike within Nato if the United States does not keep in step with it in North Africa ?



Who would choose, if he could avoid it, to enter this Franco-Tunisian hotbed of resentment, suspicion, hopes dashed and wounded pride ? The United States and British governments have sent their men in not from any love of intrusion, or out of any wish to usurp functions from France, but because they see international implications that have begun to escape angry French generals and weak French ministers.

It is important to remember that all Frenchmen see the Mediterranean from an angle of vision that is peculiar to themselves and unshared by the rest of Nato. They look at it down a line that runs north and south. The western basin is seen not as a place of international passage, or even as a frontier, but as a French lake across which French citizens, both European and African, would be shuttling freely on peaceful, mutually profitable avocations if only some of the Africans were not being obstreperous.

The Nato angle of vision is different ; it runs lengthways on an east-west axis. To an American, an Englishman or—to take Nato's extremities—a Turk or Norwegian, the Mediterranean is the shape of an hourglass laid on its side. What is more, at the far end of its eastern basin live two members, Greece and Turkey, who cannot be supplied from month to month, let alone succoured in emergency, unless a long line of communication is kept intact. Some strands of this line run in Europe, others via the classic British line of rocks and islands in mid-sea, but some again are in Africa. The Americans, in particular, have preferred a chain of staging-posts of their own in friendly foreign countries ; hence the air bases that they have negotiated in Spain, Morocco and Libya. Nato would not collapse, but all its southern supply lines would need drastic revision, if it had to allow for a truculent or a " neutral " North Africa.

Yet North African neutrality, if not hostility, has grown more likely since the turn of the year. Before then, the educated Arab of French North Africa had for a generation felt a double pull at his heartstrings. (" *Je suis à cheval,*" he was wont to say in his perfect French, " *entre deux civilisations.*") On the one hand, he was drawn towards Paris by the education, skills, elegance, culture and material advancement it had to offer ; he was also drawn towards its democratic practices. On the other, affinity with the way of life, language and religion of the Moslem world, together with an adolescent longing to paddle his own canoe, caused him to look with warmth towards Cairo—a capital he usually knows only by hearsay and in its more glittering aspects, but which has begun to offer him the lure of status.

Recently, the eastward pull has been greatly enhanced, first by President Nasser's demonstrations of a capacity to assert an Arab personality in world affairs, and, more lately, by his feat of creation: the first Arab union. As never before, Cairo has become a pole of attraction for North Africans—a pole sufficiently magnetic to cause them to brush aside the reflection that the price of unity is Egyptian dictatorship. Unless offered a pole of counter-attraction in the west, Arabs from Libya to Morocco cannot fail to look more often eastward, and to loosen (one by one, rather than by any single petulant gesture) the ties of genuine affection that have hitherto linked them with Paris and the way of life taught in Europe and America.

THERE is, alas, no such counter-attraction to offer. The prominent features perceived by North Africans as they look westward are bombs lately dropped on Sakiet and now falling around Ifni ; one French minister proclaiming that Bizerta is French, not Tunisian, and another calling for reinforcements with which to dispose of the " final quarter of an hour." Yet another source of discouragement is the French habit of referring to Saharan oil discoveries as if these, too, were a preserve for purely European profit. By North African nationalist standards a union of its own—no matter whether linked to France, or the west or to " neutral " Egypt—would be infinitely more attractive than any existence over which France were to go on claiming a hold. In a word, apart from some hopes placed in American ability to mitigate French extremism, repulsion, not attraction, is the present effect of the western world on the northern coast of Africa.

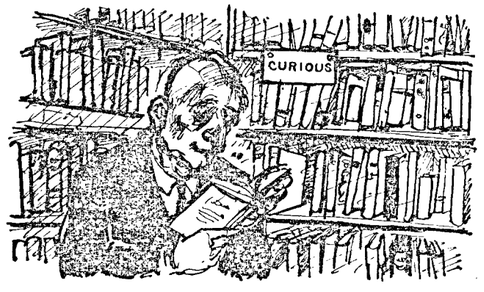
Many Frenchmen are blaming themselves for what they see as the worst consequence of bombing Sakiet—the opportunity afforded to the United States and Britain to intervene now in Tunisia, and perhaps later in Algeria, and to " internationalise " what most of them would have preferred to keep as a purely domestic affair. To reason thus is to neglect home truths which the Sakiet error uncovered, but which existed long before it happened. Of these, the chief is that, just as modern communications have rendered it impossible to isolate an Arab problem, or even to behave in one way in one African dependency without feeling repercussions in the others, so also there are no isolated problems within Nato. The behaviour of any one of its members in an area where all are concerned will affect all the rest. One task before Mr Murphy and his British colleague, Mr Beeley, is to open French eyes, understandably fixed upon the well-being of the European community in Algeria, to the wider view of Nato fortunes along the whole length of the Mediterranean.

Does France want to see Libya and Tunisia join President Nasser's union ? Does it want to turn Turkey into an isolated outpost, even less defensible than it has been up to now ? Does it want the movement of Egyptian transmitters westward and southward across Africa ? Stockades fit for *colons* and bases cannot be built without losing a psychological battle. Algeria and the rest of Africa are going a way that a liberal Europe taught, and cannot now unteach.

The task before the mediators is therefore much broader than they would dream of admitting. It is not the staging of a reconciliation between Paris and Tunis, but the stiffer task of preparing minds to take a wider, and a longer, view.

Prudes' Progress

The next month or so may be decisive in determining whether Britain's bovinely prudish system of literary censorship is to be reformed



JUST under a year ago Lord Lambton presented a private member's bill which set out to draft a new law governing obscene libel. The then undersecretary at the Home Office, Mr J. E. S. Simon, gave it a qualified blessing. He felt that it needed some revision and polishing before it would be workable. The bill was passed to a select committee. At the end of the 1956-57 parliamentary session the select committee had not reported and so, according to procedure, the bill itself was dead. But the select committee, unlike a standing committee, could be and was revived ; it was reappointed at the start of the new session, with one or two changes in its membership, and with the new task of considering " whether it is desirable to amend and consolidate the law relating to obscene publications." The committee's job was now one of general examination, instead of the specific duty of working on Lord Lambton's bill.

In pursuance of this task, the committee has listened to representations from such bodies as the Society of Authors, the Federation of Master Printers, the Church of England Moral Welfare Council, the Public Morality Council (which some might consider as carrying duty unnecessarily far) and from individual witnesses such as T. S. Eliot and E. M. Forster. Its work is now nearing completion, and its report will soon be in the hands of the Home Secretary, who will in turn announce to the House of Commons any decision to legislate. If any pressure of public opinion is to be exerted, in order to

try again to make the British attitude to literature look a little less ridiculous and barbarian in the eyes of the civilised world than it at present does, then that pressure had better be unleashed now.

The current campaign for reform was provoked by the spasm of morality which seized the authorities in 1954. In that year five cases were brought to the Old Bailey, in which authors and publishers were charged with publishing obscene libels. Among them were men and firms of the highest repute; they were put in a very embarrassing position indeed. Every case of alleged obscene libel is tried according to a judgment laid down by Chief Justice Cockburn one hundred years ago. He said that the test of obscenity should be:

> Whether the tendency of the matter charged as obscenity is to deprave and corrupt those whose minds are open to such immoral influences and into whose hands a publication of this sort may fall.

There have been enlightened judges, including the judge in the principal *cause célèbre* of 1954, who have interpreted the Cockburn judgment with liberal mind. They have refused to condemn a book because it might have an undesirable effect upon some gawky schoolgirl or spotty adolescent boy. They have not considered that a book should be judged by the standards of a mentally or emotionally perverted adult. But such judges have been in the minority. More often juries have been directed to regard it as their moral responsibility to condemn any book containing explicit references to matters which are part of their normal adult lives.

It has been held that such books *might* fall into the wrong hands. For publishers and authors, confronted by that kind of direction from the bench, defence has often been futile. There is no way of preventing any book sold in the ordinary commercial market from falling into the hands of anybody at all.

THE vagueness of the law as it stands has made it possible for a book to be called obscene by stressing isolated passages taken out of their context. It has been vain for an author to protest when faced by counsel who says portentously: "Let me recall to you the paragraph at the bottom of page 167. Can you say this is not obscene? I will read it to you...." The author is seen by the jury, by the public at large, in a distorting mirror, as gross, lascivious, possessing an unhealthy and unBritish concern with sex. His protestations about his literary intentions, about the effect of the book as a whole, are waved aside as irrelevant.

An adult, civilised person would think it necessary to consider the quality of the thought and of the writing before deciding whether a book was obscene and likely to corrupt or not. But this is precisely what the law does not allow. No expert evidence as to literary quality is permitted. It is possible to argue that a jury might be thrown into a grand confusion by a conflict of opinion among authors and critics called to testify. But that confusion would be preferable to the present situation in which the jury are left in ignorance about the assessment of the book by fellow-writers. Nor are they asked to make any assessment of that kind for themselves. They are always brought back to the Cockburn judgment, and that judgment is totally unconcerned with literary values. Britain is curious enough in her licensing laws, but at least she does not condemn the distillers of Scotch because it would "deprave and corrupt" if it fell into hands capable of depravity and corruption.

In some ways an even greater evil in the law is that any bumble of magistrates may, by an act of 1857, order the destruction of a book without author or publisher having the right to be heard in its defence. In the worst recent year, 1954, the Swindon magistrates ordered the destruction of Boccaccio's *Decameron*, by which the civilised world, unconscious of the moral dangers to which it was exposing itself, had been entertained for some six hundred years. The destruction of Boccaccio's work can be treated as a joke; the destruction of the work of living authors cannot. Frequently they do not hear of an impounding until the deed has been done and it is too late even to protest. A bookshop can be raided and, if a book of literary merit happens to be on the shelves along with some paperbacked smut, then it has every prospect of being "arrested" and bundled off in the van with the rest.

The effect upon authors and publishers of prosecution for obscenity, even if found not guilty, is injurious. They feel that the stain stays on their names. Less obviously, an author's confidence can be disturbed, and a publisher may well be deterred from showing ever again the kind of courage that may land him in the dock. Printers and booksellers become even more cautious about the work they handle; and when officialdom is convulsed with one of its cyclical fits of morality, the trade runs for safety by exercising an unofficial censorship, damaging to authors and publishers and to literature as a whole.

The case for saying that something must be done is therefore even more urgent than the case for debating what. Nothing, authors are agreed, could be worse than leaving things as they are. Lord Lambton's bill proposed, among other things, that the prosecution should be obliged to show that the producers of a book knew it to be obscene; that expert evidence on its literary quality should be received by the courts; that a book should be judged, not on passages isolated from their context, but on its dominant effect when read as a whole; and that it should no longer be possible for a book to be destroyed by the Customs and Excise without a magistrate's order.

Perhaps the select committee, and the Government, will not feel able to accept all these points. But surely the authorities can support at least some compromise reforms. They might agree, say, that all prosecutions must be subject to the imprimatur of the Attorney-General, thus ensuring a uniformity in the administration of the law which is conspicuously and ridiculously lacking at present; that where a book is the defendant, as it were, no order for its destruction should be possible before the author and publisher have been given the right to be heard; that the dominant effect of a book and not the effect of isolated passages must concern the minds of a jury in reaching a verdict; and that the jury should not have to rely upon the guidance only of a judge or of counsel, but that the evidence of experts should be admitted.

It is unlikely that the Government will find time to introduce any such bill in the present session. If the Conservative Government were to be replaced by a Labour one before a bill had been passed, there would be no reason to expect any important change of attitude towards this subject, either for better or worse. Lord Lambton's bill was supported by members of both parties, but the Labour party has its own strong nonconformist element to balance the reactionaries on the Tory side. It is therefore urgent that, when the Home Secretary gets the committee's findings, he shall do one of two things. Either he should promise that the Government will introduce a bill next session; or he should state specifically which reforms the Home Office would support if they were incorporated in another private member's bill. The one thing he must not do is to keep silent on the fence.

NOTES OF THE WEEK

Politicians and the Bomb

THE course of true love within the Labour party runs about as smoothly as a live rail, but it is a mis-statement of recent events to say that the Victory for Socialism fracas has precipitated its leadership into crisis. On the contrary, Mr Gaitskell is now very nicely engaged in getting the substance, as distinct from the advertised form, of what he wants. That substance is to stop the spread of neutralism in the foreign policy of his party; to do him credit, he has always regarded the prevention of this as one of the principal purposes of his own political existence. A fortnight ago, on the wave of anti-H-bomb emotion that is sweeping the country, the pressures towards such a defection in Labour policy seemed very dangerous indeed; the mass of middle-of-the-road Labour MPs, who do not think very much about much, supposed vaguely that to retreat before emotion was the respectable socialist thing to do. Now they think that it is the unrespectable Swinglerite thing to do; several Labour MPs who recently signed neutralism-favouring letters are intimating, quite truthfully, that they did not understand what they were signing at the time.

Mr Gaitskell has stopped this threat of rot in his party's foreign policy by the device of bringing in personalities. There can be dispute about the liberality of this, about the deliberate advantage he has taken of the secret socialist liking for all blood sports. But to the student of power in politics the events of this last week have been extraordinarily interesting. For the first time in his period of party leadership, Mr Gaitskell, in order to harry those left-wingers whom right and centre Labour MPs most like to see annoyed, has whistled up his trade union bodyguard; it is a matter of great significance that they have immediately rallied, massed like so many Arthur Deakins, with their knobkerries at the ready. And this has happened despite all the talk of supposed de-Deakinisation of the trade union leadership. Mr Cousins has not yet said a word.

Victory for Gaitskellism

IT seems very probable that the reaction of Mr Swingler and his colleagues will now be to get out from under, though with the greatest possible trailing of their coats. Compliance accompanied by maximum insolence to Mr Gaitskell is their best policy. They will probably wind up their proposed organisations in the constituencies, and whisper openly to journalists that they are really going to create them in some other form. But the natural bad grace of their retreat does not matter; they can trail their coats from Trafalgar Square to Aldermaston for all Mr Gaitskell needs to worry. No doubt Labour policy on defence will continue to look somewhat ambiguous. No doubt there will be a noisy debate at the next party conference, after which the angry constituency parties will be duly trampled down by the trade union block vote. But everybody knows that Mr Gaitskell is now in a better position than a fortnight ago to keep injected into Labour's foreign and defence policy the basic principles in which he believes.

There is a moral in this. All considerations of ethics aside, Mr Gaitskell could not really have used the ultimate sanction of expulsion against the forty or so Victory for Socialism MPs—without committing political suicide in the consequent fall out. Yet, by holding in the background the sanction that he could not use, he has gained, not indeed kind words, not indeed an end to the party's cold war, but still an essential element of security for his own policies. The supporters of Victory for Socialism will now surely be a little illogical if they continue to ask how a great deterrent, which could not be used without suicide to the user, could possibly, by deterrence alone, be made to work. *Si monumentum requiris, circumspice.*

Tangled Skein Weavers

HOWEVER great this week's check to anti-bomb fever in the policies of the Labour party, strenuous efforts are being made by a motley band of idealists and others to spread that fever in the country. The confusion that underlies many of the utterances in this campaign cannot be too frequently pointed out. There are two sorts of "anti-bomb view" which it is possible deeply to respect. One is the pacifist view, which says that it always seemed doubtful whether it was Christian to carry a rifle in the first world

war, and that doubts about this have been finally removed by the horrors of modern armoury. The other is the "comparative costs" view, which says that Britain can most economically make its contribution to western defence by increasing its conventional armaments, and that the bomb should therefore be left to the Americans; there is a strong political as well as an increasingly powerful economic argument here, because by deciding not to have its bomb Britain might persuade France and other non-nuclear powers not to insist on having theirs either. Those who hold this latter view should, of course, be more eager than anybody else to hurry up the installation of American missile bases here.

What is not so possible to respect is the intellectual acumen of those who have contrived to form a third anti-bomb view, somewhere between these extremes; and what one ought now to get positively angry about is the attempt now being made by some of the more extreme anti-bomb propagandists to pretend that these two quite different views can be treated (for the purpose of their propaganda) as one and the same. Yet many of Earl Russell's colleagues in the council for abolition of nuclear warfare seem to be guilty of the first sort of intellectual muddle-headedness. Their speeches commonly plug the contradictory arguments that possession of the bomb is useless because nobody will ever dare to use it, that it is dangerous because somebody might some day use it in a fit of pique, and that renunciation of it might in some way persuade the Russians to renounce theirs. And the campaign now being launched in the universities falls straight into the second and more blameworthy (because more than disingenuous) offence. The "seven questions" now being asked at Oxford and other universities seem to be—the epithet is unavoidable—very craftily worded; to four of them supporters of the "comparative cost" argument would be obliged to return the sort of answers that the organisers want. One suspects that it would then be pretended that those answers would show a united desire to renounce the west's deterrent. Oh no, they wouldn't. Muddle and misconception, not clarification of university views, will be the main contributions of this sort of questionnaire.

EUROPE

Atomic Aloofness

"EURATOM" is about the best sales name that the crusaders for unity in Europe have thought up; but it is evident that the European atomic community is still insignificant in the British Government's eyes. Euratom's executive commission is now two months old, and its president, M. Armand, is to visit the United States next month. A joint working party is to be set up which will plan the installation in Europe, to American specifications, of nuclear power reactors with a capacity of 8 thousand megawatts. In the House of Commons last Tuesday, Mr Hynd pertinently asked what the Government was doing to associate Britain with the atomic venture of the Six. The answer, in effect, was "nothing." The Government is content to work through existing bilateral arrangements with European countries, and through the European nuclear agency set up by the Organisation for European Economic Co-operation.

Behind this attitude there are some plausible commercial arguments. The commercial prospects in Europe for reactors developed from the Calder Hall type are good, better perhaps than they seemed a year ago. In Germany, for example, they may play a predominant part in the first phase of the nuclear power programme. American research reactors already in use have not all proved satisfactory; and the quiet bilateral arrangement between Germany and Britain has been working well. The Atomic Energy Authority and several British firms which already have industrial contacts in Europe feel that the best way to sell British reactors and know-how is to develop these existing relationships *à deux*.

In the long run, however, this argument falls down. As Euratom gets under way, the policies and activities of European companies and governments will come more and more under its control and influence; and the commercial price of holding aloof will grow. The political dangers are much greater. Across the Channel, developments in the atomic field as well as in trade and economic policy could bring a real shift in the balance of power in Europe. German, Italian and French scientists may soon be working together on military as well as on peaceful atomic projects. The two are intimately linked. Can Britain afford to remain outside this nucleus of political power?

BY-ELECTIONS

Kelvingrove Statistics

THE Kelvingrove division of Glasgow polls next Thursday. On the face of it, this is a marginal seat. The late Walter Elliot won it for the Tories in 1955 with a majority of only 2,888 (after having lost the seat in 1945); because the population is so small, however, it would take a swing of a full 5.4 per cent, compared with 1955, for Labour to win it in a straight fight. That is just about the swing that Labour was in fact marking up against the Tories before Rochdale; whether Rochdale marked the beginning of a period of still bigger swings against the Tories or whether—as was suggested in these columns—the swing there was mainly due to a defection of Tory votes to the one candidate who had a chance to keep Labour out, would in normal circumstances have been shown at Kelvingrove. But Kelvingrove is now not to be a straight fight. Two complications have intervened—in the shape of an Independent Labour party (which means pacifist) candidate, who will hurt Labour, and an unofficial Liberal Home Ruler, who will presumably hurt the Tories. Our special correspondent has this week been visiting the constituency to report on these local factors.

The Local Colour

Our special correspondent reports: Kelvingrove turns out to mean central Glasgow. The constituency divides fairly neatly into two, with the famous Sauchiehall Street marking the boundary. On one side are streets of predominantly Labour tenements, often of the grimmest squalor, running down to the docks; on the other side are the mainly Tory streets of solid stone houses and apartments circled by neat parks and squares. The immediate Tory disadvantages turn out to be: (*a*) the Rent Act, which affects a lot of houses here and which everybody says is going to be important; and (*b*) the loss of the considerable personal vote that Walter Elliot built up in Kelvingrove over the years. This personal vote is unlikely to be wholly retained by the Tories next week, even though Mrs. Elliot is bravely standing in her husband's place.

The immediate Labour disadvantages are: (*a*) the fact that since 1955 the already under-size register has shrunk by over 4,000, most of them slum-dwellers who have moved out to the perimeter of the city; (*b*) a somewhat colourless candidate in Mrs McAlister; and (*c*) a general feeling, at least at this early stage, that the ILP candidate, Mr William Park, will draw off more votes from Labour than the Liberal Home Ruler will draw from the Tories. Mr Park, indeed, may make support for pacifism look more significant than it is, for he struck your correspondent as easily the most effective personality in the field. He is able to exploit two equivocal chinks in Mrs McAlister's armour—one national, over the H bomb (he claims to be the only candidate completely against it); and one local, over rents (Mrs McAlister is accused of having faced both ways over the Labour-dominated city council's plan to "review"—i.e., raise—the low council house rents).

Despite all this, local opinion still gives Mrs Elliot a no better than even chance of holding the seat. Oddly, if she does lose, that may be a mark of the past greatness of her husband; the result may well depend on how much of the Tory vote was a personal non-party vote for the warmth and humanity of Walter Elliot—and how much of that will be transferred to his brisk but rather chilling widow.

AGRICULTURE

Young Farmers' Charter?

THE Agriculture Bill, published this week, does not by a long chalk introduce a free market in land. But it deserves a welcome for making some advance towards it. The most important parts of the bill concern tenant farmers. The country's interest here, of course, is that people who are farming pieces of land uneconomically should get off them, and that those who could farm them more productively should take their place. To this end landlords' powers of eviction are slightly—very slightly—increased by the bill; it will now be easier, for example, for a landlord to get hold of his own land if he wants to reorganise his estate into more economic units. But, very rightly, the main emphasis is laid on market forces. The bill enjoins farm rent arbitrators—there are some 300 at work up and down the country—to take the open market level of rents as their criterion, instead of the previous and mystic formula "rents properly payable" (which has led to wild differences of rents for very similar farms). In theory, this means that if old Farmer Bloggs appeals to the arbitrators against an increase of rent demanded by his landlord, the arbitrator should be guided by what young Farmer Giles, fresh with scientific ideas from college, is ready to pay, if the land ever becomes available, because he knows he can make money on top of such a rent. How many young Farmer Gileses will really find this bill to be their charter is, however, disputable.

It is also disputable by how much farm rents are really likely to rise. There is scope for a considerable increase; average farm rents are now about 60 per cent above their 1939 level, while farm building and maintenance costs are up by about 300 per cent. To sugar the pill for the tenants, the Government promises that higher rents will be counted as higher costs of production in the annual price reviews for farm products; this treatment of rent as a cost of production should make classical economists turn in their graves. It should make the current generation turn in amazement, too; what it seems to mean is that, because some farmers will be paying more money to other farmers, the taxpayer will compensate the farming industry as a whole for their doing so.

Finally, the bill abolishes state powers of supervision and dispossession over owner occupiers; inefficient owner occupiers will henceforth be driven out by market prices instead of by bureaucratic investigating officials. The National Farmers' Union is opposing this part of the bill: it has seen some advantage in advertising these state powers as a special responsibility which the farming industry has accepted, in return for getting large subsidies from the taxpayer. But that advertisement has recently been a sham, and a peculiarly illiberal sham to boot; there were less than fifty supervision orders in 1956, and "Lady Garbett type" evictions have been very rare indeed. The Government is certainly right to remove this largely meaningless and wholly misleading birch from the cupboard.

GREECE

Mr Karamanlis Resigns

OUT of a clear blue sky, a bolt has suddenly fallen on the Greek prime minister, Mr Karamanlis. Last week Mr Papaligouras, the minister of commerce, and Mr George Rallis, the minister of public works, resigned in a huff over the tabling of a new electoral law; they disapproved of some of its provisions and maintained that the premier had reached a secret agreement about it with the Liberals, the main opposition party, but had failed to consult his own cabinet adequately. When thirteen more deputies belonging to the governing Radical Union followed the two ministers' example, Mr Karamanlis lost his parliamentary majority and, rather than lead an unstable coalition government, decided to resign. King Paul has followed his outgoing prime minister's advice and formed a caretaker government under Mr Constantine Georgakopoulos; general elections will be held before the end of April.

Mr Karamanlis's motive in not taking his cabinet colleagues fully into his confidence is obscure; it is not the first time that he has annoyed them in such a way. But his object in introducing the new electoral law is easier to see. The draft law represents a return to the system of "reinforced" proportional representation used in the 1951 elections, which favours the larger parties; the Liberals have long advocated its re-introduction, and by meeting their wishes Mr Karamanlis evidently hoped to improve the political atmosphere. Instead, he touched off a political crisis. But his handling of it has increased his credit in the country; his chances of improving his parliamentary position in the elections are, at the moment, thought to be good, especially if the Assembly decides to accept the new electoral law.

Mr Karamanlis's return to power with a stronger majority would be welcome. But it is a pity that Greece should be plunged into the turmoil of a general election when there are such delicate international issues to be settled. The question of missile bases on Greek soil can hardly fail to be exploited by the Left; and the temptation to strike extreme attitudes over Cyprus will be almost irresistible for all

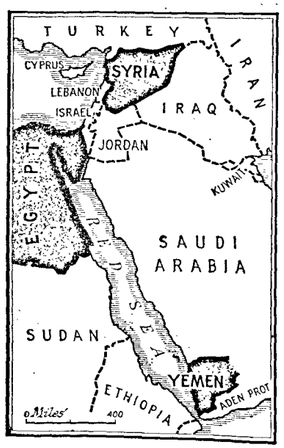
parties. Moreover, the crisis defers for some weeks the "urgent" talks on Cyprus on which Mr Selwyn Lloyd had promised to embark.

ARAB UNION

Nasser's New Recruit

THE Yemeni Crown Prince celebrated his country's federation with the United Arab Republic on Sunday by dutifully denouncing imperialism from a balcony in Damascus. Back home in the Yemen, Taiz is crowded with Russian missions and experts; the Americans there are at a loss for grand projects and services with which to court Yemeni friendship; representatives of a major American oil company have been trying without apparent success to devise some acceptable offer that they could make to King Ahmad.

During the past ten years the Yemenis have looked more often to their neighbours in Saudi Arabia than to Egypt for advice. It was the kings of Saudi Arabia who were called on, in time of trouble, to support the legitimate succession to the Yemeni throne, and the Saudis who were asked for advice on how to attract oil companies. Until three years ago the Saudis helped, but then the Yemeni Crown Prince began the curious friendship with radicals and republicans that has led to Yemen's becoming federated with the United Arab Republic. It has taken Yemen longer than any other Arab state to break out of isolation. Though Yemen did once have a period of precarious Turkish rule, it had not the stimulant of western upbringing that the former mandated territories and Egypt had. Now King Ahmad has joined his country to a republic in what must, for him, be a marriage of inconvenience.



The addition of Yemen does nothing to make the map of the Arab republic more tidy. Saudi Arabia and Jordan lie between Yemen and Syria; the Red Sea, Ethiopia and the Sudan separate it from Egypt. Politically, this union would seem to be suicide for an absolute king. So it may; but Yemen has always been a follower country. King Ahmad presumably intends to keep a tight rein on domestic affairs; apparently he believes that his throne is in less danger from the Russians and Egyptians than from the British and Americans. Perhaps his quarrel with the British on his southern frontier is the most attractive part of the dowry that he brings to the Arab republic. The Aden Protectorates are a convenient target for propaganda, and the remoteness of the area makes it easy to clothe exaggerated charges against the British with the appearance of truth.

Economically, Yemen has little to offer its new partners. The country's agriculture barely supports its population. The Yemenis have long felt neglected by the western countries which failed to send technicians there to produce oil and make Yemen as rich as Saudi Arabia and Kuwait. After tedious negotiations, and some hard work, there has been only failure from the efforts of a German company prospecting for oil and from those of the American company, Yemen Development Corporation, which was privately set up to exploit oil and other minerals. Yemen's greatest military assets, its mountains, are of little use to its distant republican partners.

King Ahmad, on the advice of his only son, has made his choice—perhaps because he recognises the popular attraction of the Egyptian revolution; perhaps because he believes that the politics of the United Arab Republic will help him get his way against the British. Probably only he knows.

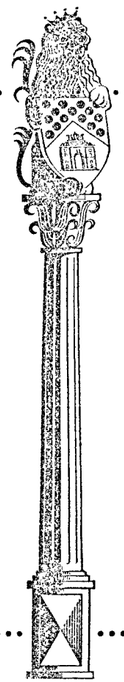
PERSIAN GULF

All Done by Arabs

A HINT that Britain may be loosening the leading-strings on its protected sheikhdoms in the Persian Gulf emerged from the signing on February 22nd of an agreement between Saudi Arabia and Bahrain about their offshore boundaries. Although the British are responsible for the foreign relations of Bahrain, and have conducted all such negotiations in the past, they were not represented in this case. They doubtless gave the Bahrainis their blessing; but it may also be deduced that they are trying to reduce the number of matters they handle on behalf of local rulers. If so, this is a sensible modification of policy. Nothing but embarrassment accrues, both for themselves and for the protected rulers, each time they feel constrained to conduct an operation on behalf of their protégés. They should be delighted when a local ruler feels strong enough to do his own policing or conduct his own inter-Arab diplomacy, provided he does so in consonance with British interests.

Between 1935, when Britain unsuccessfully tried to conclude a border settlement on behalf of the sheikhdoms with King Ibn Saud, and 1955, when it had to suffer the embarrassment of the Buraimi tribunal, much time and money have been spent and many feelings bruised by abortive boundary negotiations. That an agreement has now been made without the obvious intervention of foreign diplomats or oil company experts encourages hope that the new approach will lead to further settlements. Perhaps the old-boy approach, between well-briefed oriental potentates, can do more to settle the outstanding problems of offshore and land boundaries than the methods which have failed in the past.

In the new agreement, Saudi Arabia and Bahrain have agreed that the offshore area separating them, and certain islands, will be divided between them. Part of the divided area will go outright to each state; another section, consisting of shoals desired by both, goes to Saudi Arabia, which has promised to give Bahrain half of any commercial profits which may eventually come from it. It is perhaps unfortunate that the most desirable area should go to Saudi Arabia, which is in no particular need of additional oilfields, rather than to Bahrain, whose production is limited. But the two rulers themselves decided on the arrangement that



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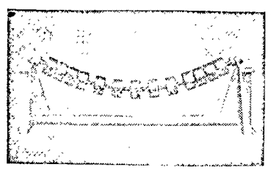
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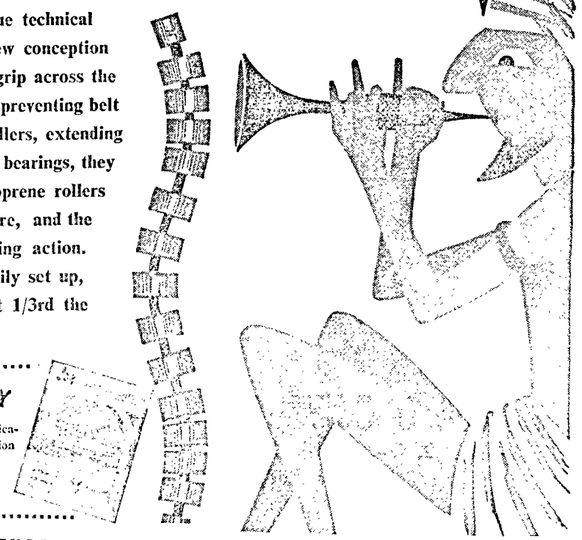
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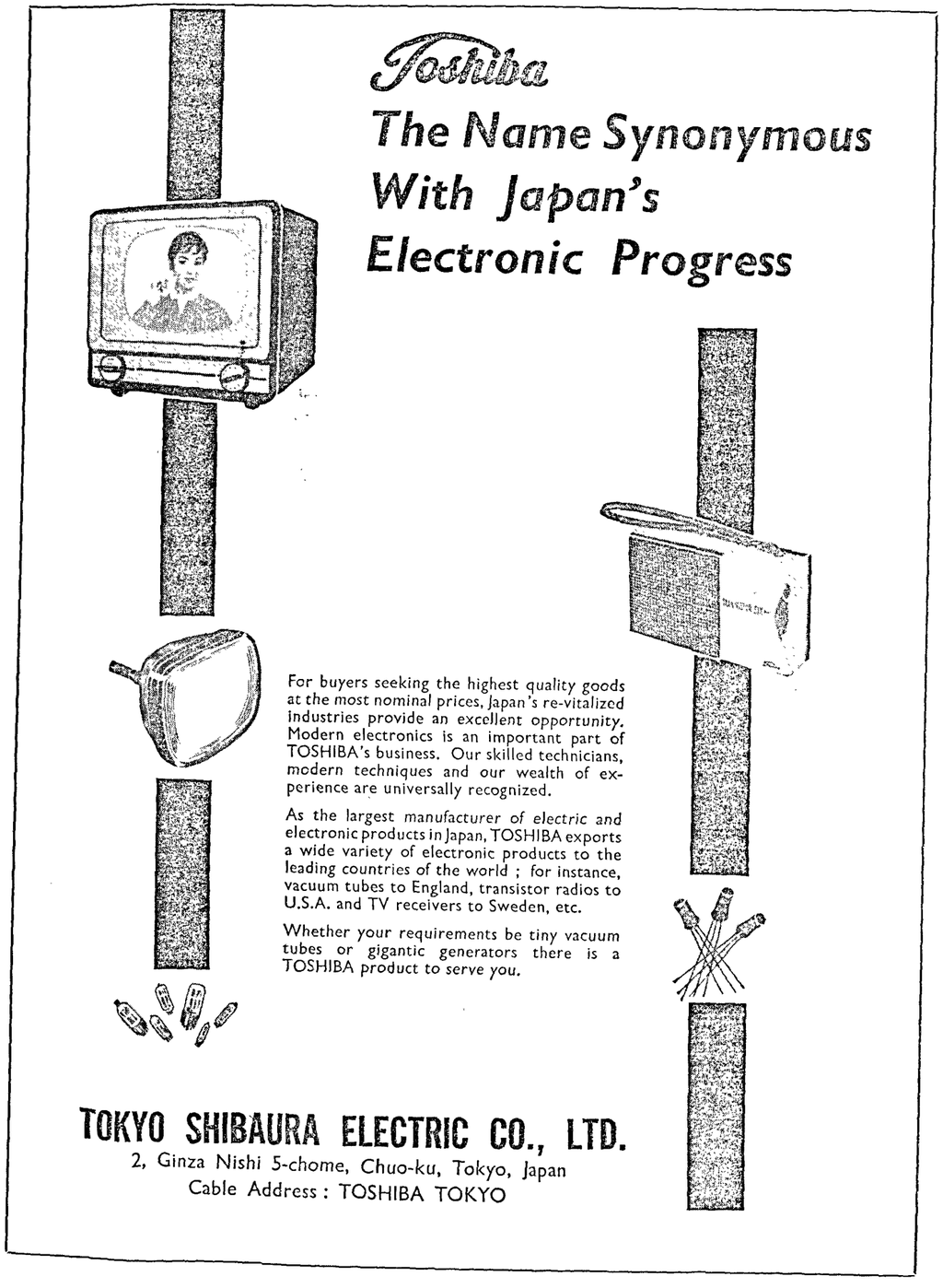


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suited them, and no cry can be raised that either was forced to do anything by wily foreigners.

ARTIFICIAL INSEMINATION

Sent to Committee

THE Lord Chancellor last week rightly refused to let the Government be stampeded into making artificial insemination illegal. The motion before the House of Lords was that artificial insemination of a married woman by a donor should be tantamount to adultery and grounds for divorce, and that the children so conceived should be illegitimate. The motion was assumed to refer only to cases in which the husband had not given his consent. That he should then have grounds for divorce was recommended by the Morton Commission ; few would dispute the proposal ; and in last week's debate, the Government accepted it in principle.

But the few doctors who undertake artificial insemination in this country always make sure that the husband is both willing and anxious that his wife should undergo the treatment—in the recent divorce suit which started the controversy the wife was living in America. Treatment, in fact, is how these doctors regard artificial insemination. It is one among several means of treating sterility in a married couple ; and the criteria for using it rarely arise. But to judge from the lords who denounced the practice in last week's debate, which ranged far outside the strict terms of the motion, anyone might think that it was submerging the normal process of conception. For these noble lords dealt in absolutes. They spoke as if no one had ever tried to cover up illegitimacy before ; as if all ordinarily illegitimate children were "love children" (the Bishop of Norwich) ; as if all babies born of husband and wife were wanted babies—which artificially conceived babies certainly are ; as if adopted children were always told the whole truth about their parentage. Lord Denning thought it wicked for a child, accepted by a husband as his own and brought up as such, to share in his "father's" estate in an intestacy. The Archbishop of Canterbury gave the impression—which he cannot have intended—of condoning the deaths of some 500 women a year, in this country alone, at the hands of illegal abortionists. One must be thankful that all this emotion, to which the speeches of the Lord Chancellor and one or two others were a welcome contrast, only generated the promise of an interdepartmental committee.

There is indeed scope for a committee that will consider the many legal issues involved and, above all, look at the matter in its proper perspective. Today the crying problem in most parts of the world is how to enable people, or to persuade them, to have sex without having children. It seems odd that such a furore can be caused by a practice that enables a few women to have children without having sex.

BUTTER IMPORTS

Dump or Slump?

LAST month the Ministry of Agriculture refused, in firm but reasonable terms, the request of a delegation from the National Farmers' Union, the Fatstock Marketing Corporation, and the British Bacon Curers' Federation, for "regulation" (i.e., restriction) of bacon imports. This month the Board of Trade is considering applications by the NFU and the Milk Marketing Board—and, incidentally, by the New Zealand Government—for the imposition of anti-dumping duties on Swedish, Finnish, Austrian and Irish butter. Their decision, which will be made under the terms of Customs Duties (Dumping and Subsidies) Act of 1957, will establish something of a precedent, and at a peculiarly delicate time.

The case against unlimited acquiescence in dumping is a respectable one. The trouble is that in the eyes of home producers the epitaph "dumped" often equals simply "offered at a price with which I cannot comfortably compete," and that to pin down any better definition is much less simple in practice than in theory. The 1957 Act had one major and one subsidiary definition of dumping. First, and most important, goods are considered to be dumped if, when all due adjustments have been made for "differences in cost and conditions of sale, differences in taxation or otherwise," their export price is below that at which they are sold in their country of origin. Secondly, it refers to direct or indirect subsidies. Both these definitions open up endless debating possibilities. About "due adjustment" there is scope for plenty of specious restrictionist argument as to fact and interpretation ; and when, as with farm produce, direct and indirect Government subsidies are an almost universal phenomenon, that scope is wider still.

No outsider can sensibly pretend to pass judgment in advance on this particular case. But one general comment should be made. In present circumstances, the Board of Trade should be especially careful to interpret its mandate in a liberal rather than a restrictionist sense. Recessions, whether deep or shallow, characteristically produce an upsurge of protectionist sentiment, breeding retaliation and counter-retaliation ; to use the 1957 Act to start off such a cycle would be a disaster. It was designed to deal with highly specific cases ; it is only in such cases that it should be used. If the peccant butter exports fall into the same class as the United Kingdom egg exports of last summer there is a case for countervailing duties. If not, the NFU, the Milk Marketing Board and the New Zealand Government should be given a polite but dusty answer.

INFLATION

Professor's Prescription

THE Chair of Political Economy at Cambridge, from which Sir Dennis Robertson of the three wise men has lately retired, has been filled by Professor James Meade, who delivered his inaugural lecture this week on that most topical of subjects, "The Control of Inflation." As befits, perhaps, a rather younger generation of economists, Professor Meade is not as certain as Sir Dennis that a complete stop to price increases should be the dominant aim of economic policy, especially if it had to be accomplished by methods which would prevent high and rising production. But if the community votes that stable prices should be the overriding objective of policy, Professor Meade is willing to proffer any number of suggestions about how they might best be achieved.

His first point is that the task would be made much easier if the Government committed itself in advance to take such disinflationary steps as are necessary to prevent "some precisely defined price index from rising above some pre-

closely defined level." If such automaticity became the rule, private purchasers would have an incentive to postpone their purchases as soon as prices edged temporarily above the permitted ceiling, and all the forces of speculation would work on disinflation's side; the problem of excessive foreign speculation against sterling would be simultaneously solved. Such a system, however, would spell a strange submission to the tyranny of figures.

Two of Professor Meade's suggested weapons of control seem more practically interesting. For wages, he would like some equivalent of the Cohen Council to announce at set intervals an estimate of the average rise in wages that would be compatible with stable prices, and he would then leave to arbitrational courts one issue only: that of deciding whether the shortage or redundancy of workers in the industry they were considering meant that the wage rise in that industry should be above or below this average. That would at least give the courts an arbitrable point to decide. Secondly, Professor Meade wants "prompt and frequent variations in some suitable widespread levy on personal incomes." If insurance contributions come to be expressed as a percentage of income, he suggests the authorities could vary them (an additional levy of 1 per cent, at a time of temporary excess demand, would be equivalent to a disinflationary influence of £150 million a year); with variations in this levy and in Bank rate as the main weapons of week-to-week control, the annual budget could become an instrument of social policy rather than a chancy stab at estimating the entire year's desirable level of demand. There are attractions in this idea.

IRAQ

Mixture as Before

NURI PASHA has returned to power in Iraq in circumstances that were familiar during his last term of office—a hail of invective from Cairo and Damascus

Shop Stewards at Standards

Our special correspondent who has been visiting Coventry writes:

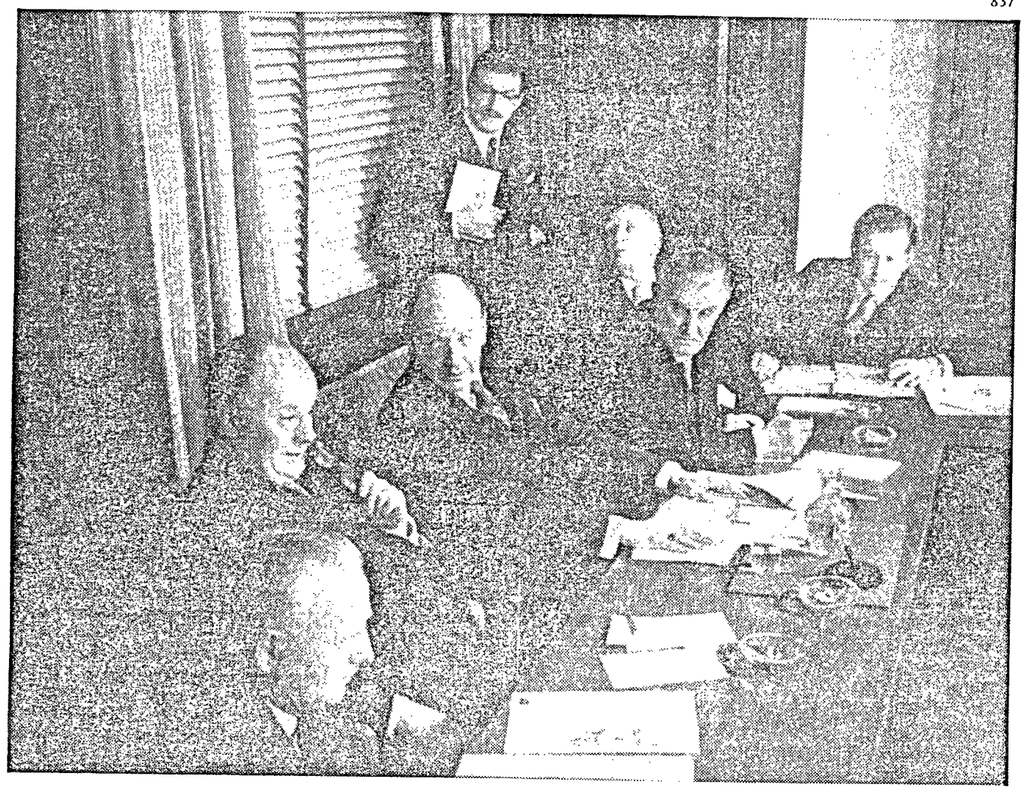
THIS week, a month-long ban on overtime by maintenance and boiler room workers at the Standard Motor Company culminated in a one-day strike which put 11,000 men out of work and lost the company £500,000 worth of output. The apparent cause of this dispute was the rejection of a 30s. a week pay claim made by the maintenance men (whose trades range from electricians to lavatory attendants). But although it is true that their rates have recently fallen behind those of the factory pieceworkers, many maintenance men regularly earn over £20 a week with overtime, and all maintenance men at Standards earn £2 a week more than the district rate agreed between the employers and the unions; they thus have little like of, and little need for, militancy. The real cause of their unofficial strike was a familiar one: it was incited, indeed virtually enforced, by the local shop stewards who are engaged in a running fight for their own privileges. But at Standards, as distinct from at the British Motor Corporation (see *The Economist* of February 22), the shop stewards are losing out.

The beginnings of this battle date back to 1956. At that time Standards had a domestic agreement with the Confederation of Shipbuilding and Engineering Unions and the Transport and General Workers Union which, because of the concessions that the company allowed and the colour of the booklet in which they were embodied, was known locally as "the yellow peril." It provided for a 42½ hour week compared with 44 hours for the rest of the industry; it gave holiday pay with bonuses; and it linked all timeworkers' rates, right down to those of barmen, to those of pieceworkers on the assembly lines. Further, sweeping privileges were given at that time to the shop stewards. Overtime was only to be worked with their permission; facilities were provided for their weekly meetings, for which they were paid; complaints from workmen were to be referred to them and not to foremen. They had managed in effect to obtain a stranglehold on the works.

The results are not difficult to imagine. Wages at the works were higher than in other car companies and much higher than in other parts of Coventry. "It was difficult to find a bus," a local man said, "because the men were always going off to queue for work at Standards." To get into this paradise one had to be careful not to annoy the powers that be, and it soon became obvious that among those powers were the shop stewards. It was they who arranged plant meetings, imposed fines, enjoyed freedom from work and kept the paid full-time officials of the unions to heel by (among other things) threats not to collect dues. But after the seven-week stoppage of electrical workers in the autumn of 1956, the management decided that they had had enough. They applied for membership of the British Employers Confederation and withdrew their domestic agreement with the unions.

Since the Employers Confederation does not recognise shop stewards and gives them no privileges whatever, reaction from the stewards was to be expected. There was a rush of lightning stoppages, sudden bans on overtime and the rest. But today, a year later, the self interest of the men who are earning good money at work has turned local feeling generally against the roost-rulers of yesterday. The management has begun to feel its power over them. Information that before was given to the men only through the shop stewards now goes to them direct through hand-outs and the works newspaper. Foremen are being consulted more and stewards less; the latter are beginning to lose their grip.

These are the facts that explain why the stewards have been straining every nerve to call a strike at any opportunity; they also explain, however, why, when a strike was called which some thought would spread through the factory, it immediately and ignominiously collapsed. During the shutdown on Monday, 186 out of the 530 men who do the maintenance were told to report for work. When a shop steward replied that all the men would have to be engaged or none at all, the firm's executives did the work instead. They managed so successfully (and without any complaints of blacklegging from the union officials) that by Tuesday all work was resumed. Because of this, and because of lack of support generally, the stewards gave in, called a meeting (without this time being paid for it), and revoked the overtime ban. The maintenance men, £20 the poorer, will now negotiate in the normal way. It can be taken as certain that the stewards will call another strike when they can, but it is probable that next time there will be even less eager response to it.



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directed at himself, Iraq, its institutions, its foreign policy and (this time, though not last) a range of Iraqi political personalities.

The chief reason for his summons to power is that the Egyptian revolution has kindled the imagination of all Iraqis who are young, frustrated and resentful of the lid clapped on their political aspirations by the class and age-group of which Nuri is the headpiece. At news of the union of Egypt and Syria all these malcontents went into a twitter of excitement. Their own government's announcement of federation with Jordan was a royal development in a sphere to which they do not feel they belong, and failed to recapture their imagination. So that when President Nasser's original message of congratulation to the royal union was followed by a hail of Egyptian and Syrian abuse, ministers and potential ministers judged that the time had come for sharper retorts and a firmer hold on Iraqi exuberance than the then prime minister was likely to apply. His cabinet was in any case already shaken by an internal quarrel.

Nuri's new cabinet is of the shape of that which kept Iraq on an even keel throughout the Suez crisis ; the same martinet returns to the Ministry of the Interior ; a base broader than before is supplied by the inclusion of two experienced Shi'is to the Ministries of Foreign Affairs and Finance. The advantage of such a body is that it keeps development booming and merchants trading in peace ; its drawback is that it works at the price of repression. Nuri's job this time will tax even his immense experience, for it includes harnessing, or else repressing, the considerable abilities of a Jordanian middle class of would-be politicians, most of them ex-Palestinians.

The ministers who have been attacked from Cairo and Damascus have started answering back to the charges made against them, but counter-propaganda and denial are weak weapons in a war of words. Unless Iraq can think up some positive themes and boom them round the Arab world, the ears at present cocked to hear Nasser will not be recaptured.

FRANCE

Down to Earth

INTRODUCING the third French "plan of modernisation and re-equipment," M. Hirsch has set two main targets for 1961: to improve the foreign trade position so as to show an annual surplus of 100,000 million francs, and to increase national income by a quarter compared with 1956 (agricultural output rising by 20 per cent, industrial by 30 to 35 per cent). This would provide an improvement in living standards of three to four per cent a year—less than in any recent year except 1957, but still quite impressive.

Unfortunately, this rosy prospect is based on quite a few sanguine assumptions. One is that there will not be any major world recession. This may be reasonable as a working hypothesis, particularly as the draftsmen have alternative plans for higher state investment in the event of a world slump. A second assumption, however, is that defence expenditure will be brought back to the level of 1954 and military service reduced to eighteen months. In plain terms, this postulates the ending of the Algerian war ; and there is no sign of a political "plan" to achieve that. Still, M. Hirsch has done a service by thus linking cause and effect, if only hypothetically ; the plan is in direct conflict with the great French illusion that the Algerian war can be waged indefinitely without cost.

This week's debate on the defence estimates showed that the bill is actually rising. M. Chaban-Delmas, the minister of defence, had to ask for new appropriations of 80,000 million francs. This amount presumably allows for the transfer of only 30,000 more troops to North Africa ; the Right is demanding bigger reinforcements. The debate also revealed that the rest of the French armed forces is being sacrificed on the altar of the Algerian war. The secretary for air gave warning that, if the situation is not changed rapidly, the French air force "will be nailed to the ground before the end of the year." Finally, a compromise was patched up. On paper M. Chaban-Delmas has found some new cuts to compensate for new expenses, and M. Pflimlin, the minister of finance, can claim that he has kept the budgetary deficit within the prescribed limit of 600,000 million francs. It is doubtful whether he can in fact maintain this ceiling in the present difficult parliamentary situation. But the pledge to keep the deficit down was given not only to parliament ; it was also one of the preconditions for the international loans granted to France a few weeks ago. Should the promise now be broken, the lenders could claim the right to look into France's accounts and question the government on its handling of Algeria. This might be the thin edge of the wedge.

ITALY

The Bishop Loses

FOR most Italians it is astonishing to see a civil court condemning a bishop for the way in which he has exercised his spiritual power. Yet the Florentine judges who had to try the case against the Bishop of Prato seem to have discharged an invidious task with credit and discretion. By unequivocally condemning the bishop for the defamatory way in which he denounced Signor Bellandi's refusal to get married in church, they upheld the state's duty to safeguard the freedom of conscience of all its citizens, whether they do, or do not, believe in God. But by merely sentencing the bishop to a small suspended fine, they did what they could to soothe the susceptibilities of the Roman Catholic Church.

The Church, however, has so far refused to be mollified. As a sign of his "grief" and "bitterness," the Pope has cancelled the celebration on March 12th of the nineteenth anniversary of his coronation. The Archbishop of Bologna, Cardinal Lercaro, has ordered all the churches in his archdiocese (which includes Prato) to go into mourning until Palm Sunday. The Vatican radio and the bishop himself have gone to the ridiculous length of comparing his treatment with the persecution of the Church in communist China. These theatrical reactions may be attributed to the shock of surprise that the verdict has given to ecclesiastical circles ; but Italian anticlericals will see in them confirmation of their claim that the Church has got above itself. Fortunately there are signs of a more moderate attitude in the Vatican, where apparently it is not intended, as *Osservatore Romano* at first seemed to suggest, summarily to excommunicate all those concerned with bringing the bishop to trial.

If the Vatican does choose moderation none will be more relieved than the Christian Democrats, who, on the eve of an election, find themselves uncomfortably wedged into a

cleft stick. If the Christian Democrat prime minister had failed to uphold the verdict of the civil courts he would have played straight into the hands of the anticlericals. On the other hand, by accepting the verdict he risks alienating the clerical vote—including the three million votes of Catholic Action, the Church's lay organisation—on which his party heavily depends. But the Church cannot afford to undermine the Christian Democrat party; any split in the Catholic vote would benefit most, not the Church, but the extreme Left.

FILMS

Achievement on a Shoestring

A PRIVATELY produced film which had its first showing at the National Film Theatre this week may suggest a moral or two to the crisis-bound cinema industry. The film, a 35-minute animated cartoon, called "The Little Island," in Eastman colour, the last reel of which has been shot in Cinemascope, was made for about £5,000. The makers, a composer aged 32 and a Canadian artist aged 24, reckon it would have cost the biggest commercial organisation some £200,000 to make. "The Little Island" is a satirical fantasy upon the frightening mess in which three men, who believe in Truth, Beauty and Goodness, as representatives of all mankind, find themselves. With a judgment of its entertainment value, *The Economist* is not here concerned; its creators have aimed very high in aesthetic and philosophical terms. But the quality of the production is determinedly professional; the producers seek its commercial distribution on the major circuits or at "art houses" throughout the world; and it rather looks as if they will succeed. The film was seen by prospective buyers this week and will be shown at the Brussels Fair and the Cannes Film Festival.

The film was made with private money. The two young men formed a company and when one bank refused an overdraft they switched their account to a bank which was ready to interpret the credit squeeze less rigidly. Their watchword has always been economy, but it was in the nature of the two producers to wait until they could pay for the best. The production is without dialogue, but is illustrated by music throughout, some of it *concret*. Four orchestras were employed, the largest comprising 30 musicians, all of them necessarily at full union rates. But a great deal of the work normally done by regiments of technicians was done by the two young men themselves. The 32-year-old, an experienced and gainfully employed composer and conductor for first-feature films, is also an electronic engineer. He composed and conducted all the music, supervised all the sound recording and recorded the *concret* effects in his own studio. The 24-year-old, who had worked in film studios in Canada, did most of the laborious dogsbody tasks on his side of the film. The company owes no money—except to the bank. A second production is on the stocks. One has long suspected that one answer the film industry could give to the fall in its receipts would be to re-assess how many people need to be employed in its minor productions, in order to achieve a commensurate cut in its costs. The lesson should not be put too ponderously. This film—in which the makers claim to have cut costs by 97½ per cent—is obviously an extreme and exceptional example. But extreme examples sometimes point out the right trend.

LOCAL GOVERNMENT

Taking In Todmorden's Washing

A NICE story about restrictive practices comes out of Todmorden. Local authorities are required by law to submit their annual abstracts of accounts to the Ministry of Local Government and the Inspectors of Taxes, and to have them available to the public. But their circulation is not normally very great, once the ministry, the local tax office, and council members have had their copies. The cost of printing them therefore tends to equal that of a finely produced presentation edition; in Todmorden it worked out at nearly £4 a copy. The local council, greatly daring, therefore tried the experiment of having them typed in the council offices by a girl, duplicated, and bound with a printed cover by a local firm, at a total cost of about £32—against the usual annual printing bill of about £150 for 40 copies. The result was readable and produced no explosion in Whitehall; and the finance committee began to wonder whether the local *Hansard*—the council minutes—which has a similarly restricted sale, and which normally costs the ratepayers £330 a year, might be duplicated in much the same manner (though the installation of a modern variable typewriter was contemplated).

This must naturally have been a blow to the local printing firm. But it was the Typographical Union which took the matter up, backed by local representatives of other unions, "to protect the principle of trades unionism and the well-being of its members." The printers' spokesman upbraided the local Trades Council for failing to bring the councillors to their senses. He agreed that the duplicated accounts were neatly and cheaply done, but, as the local press reported him, insisted that

> it was still taking away work and he thought that to continue along the lines that they seemed to be taking was not fair in general to the ratepayers.

The question now arises whether the Todmorden council will return obediently to the support of local industries, or brutally press on with technological change. At the trades council meeting referred to one member said that he had been horrified to see a "report that St. Mary's clock was being repaired by a member of the corporation staff," and that the "next news will be that corporation staff are digging the graves next door." Multiply Todmorden by 1,400 small authorities, and they actually might make a contribution to digging a grave for some of the restrictive practices that impede public services at every turn; but even one Todmorden provides a pleasant offering to the Cohen Council for its further cogitations.

GERMANY

Shamming Sick?

IN Britain, people often ask whether the health service is wasteful and how abuses of it can be prevented. Some west Germans are worried by a more urgent problem; new social security legislation introduced last year has created a situation where it actually pays a man to go sick in certain circumstances. In the remarkable months before last year's elections when so many strides were taken towards the welfare state, the Bundestag passed a law which guaranteed to every employed man the right to sick pay equivalent to 90 per cent of his previous earnings during the first eight weeks of any illness. Since the law was introduced, sickness in industry has soared. Influenza was admittedly the villain of the piece in October and November, when nearly twice as many men fell sick as in the previous year. But ever since last summer sickness has been some 15 per cent higher than in the previous year. The new law seems to have raised industrial labour costs by over 2 per cent—in addition to an increase of 3 to 4 per cent as a result of the other new welfare arrangements made last year. Since sick pay is based on earnings in the previous month, it can now actually pay a man to go sick in Germany if his overtime earnings are falling.

This last anomaly will clearly have to be removed. But the new law has stirred up a broader controversy, already familiar to those large firms in Britain which have introduced similar schemes off their own bat to give manual "workers" the same security in sickness as "staff." Do the higher sickness figures mean that the new security is

The Scale of Aid

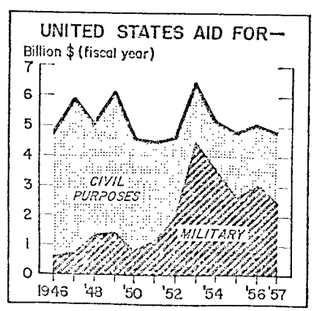
SINCE 1945, aid in one form or another has become an assumed buttress of the pattern of international trade and payments. The deficits on current account which tended before the first world war to be bridged by the flow of private capital have been covered to a great extent by grants or credits from governments or international bodies.

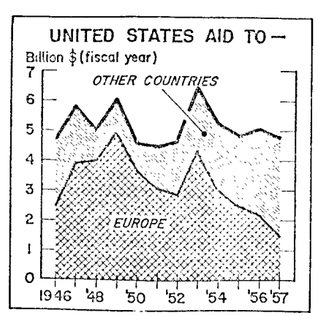
The bulk of aid, of course, has come from the United States, which since July, 1945, has helped the rest of the world with some $62 billion of goods, services and net credit. American aid has fluctuated and has changed in form. But its total has shown a remarkable constancy, varying only between $4,400 million and $6,400 million a year in the whole postwar period. The real value has fallen as prices have risen; but in figures the aid to the foreigner which became entrenched in the American budget during the war has remained a remarkably stable element in it since.

The bulk of American aid went to Europe in the first post-war years, at first through emergency aid and credits to countries like Germany, through bodies like Unrra and through the loan to Britain, and then, after 1947, through the mounting European Recovery Programme. Assistance to Europe in these years was most fruitful. It recharged the batteries of economies rich in inherited skills and economic potentialities, yet brought to a halt by war. It made possible the import of essential tools and materials to start up idling factories, financed the recovery of multilateral trade, and bridged the dollar gap in the four difficult years before Europe's own recovery began to replenish its gold and dollar reserves.

The Korean war brought changes in the pattern of American aid. The military share leapt up and in time the weight of aid and credits tended to shift away from Europe to Asia and the Middle East. Military aid obviously does not play the same domestic part in an economy as civil aid, but it remains a valuable source of dollars. American aid is now a major source of capital and reserves for the undeveloped world.

By the side of America's largesse, aid from the rest of the world is small in scale. Britain's direct grants abroad have been of the order of £50 million a year in the last few years, not a great deal more than its receipts of aid from across the Atlantic. International bodies, mainly backed by money raised in the United States, have also played a part. In its ten years of life, members have drawn more than $2,800 million from the International Monetary Fund, while the World Bank has lent some $2,400 million. Both were particularly active last year; the World Bank lent $387 million in the twelve months ending June, 1957, and a further $372 million by the year's end. Like the United States, the World Bank lent at first most heavily to South America and Europe. Now it is taking more initiatives in Asia. In a recent study, the United Nations has concluded that in the three years, 1954-56, western countries gave some $3,700 million to the undeveloped world, and lent a further $1,500 million.





Of late, a new contributor has become prominent, the Soviet block. The State Department lately estimated that the block had committed itself to $1,900 million of aid or credit—$400 million of it being for arms. East Germany, the Czechs and the Chinese seem to be committed to about $400 million of this, Russia to the rest. But only a fifth of the civil part of these commitments has yet been met. Compared with western help to the undeveloped world, Soviet aid is insignificant.

Quantitative figures of aid give no impression of its quality or value. Assistance on a modest scale, if it takes the form of men who can teach backward people new skills, or of seminal capital around which the recipient accumulates his own, can be more valuable than a big dollop squandered by political corruption or spent internally where there are not real resources to meet the new demand.

As yet, however, private capital still plays a relatively small part in bridging the gap between creditor and debtor nations. American subsidiaries abroad ploughed back $974 million in 1956; and there is a considerable transfer of US capital between third countries, particularly by the oil companies. Net American investment abroad, however, does not compare in scale with net aid. It rose from $488 million in 1955 to $980 million in 1956. Britain invested a net total of some £160 million abroad, Switzerland (another leading exporter of capital) some $350 million. These figures do not reveal the large amounts of capital which almost every industrial country has been exporting through export credits, usually backed by some form of state insurance. As the volume of exports grows, the sum of this form of overseas lending is steadily growing—too much, some people feel today. Certainly, like aid, it is one of the bases on which the exports of the industrial west have been built, and whose sudden reduction would be perilous.

being abused? Do cloth-capped employees lack the sense of responsibility of their white-collared colleagues?

Past experience with such schemes does not suggest that they do. After an initial period during which some employees savour the new pleasure of a leisurely dig in the garden at the company's expense, the incidence of sickness has usually fallen off, just as the run on spectacles did when the health service had been running for a while. A new law which makes sickness no longer a financial burden is bound to lead to a quite justified increase in the numbers who stay away from work. The details of this west German advance in welfare are controversial, but it has certainly breached the wall of invidious distinctions between cloth cap and white collar.

ANTARCTICA

Sir Vivian, I Presume

COLD, critics and calendar: Dr Fuchs beat the lot, after all, and the men who welcomed him on the outskirts of Scott Base (and the watchers in the world beyond) can have had little doubt that the Queen's reward of a knighthood would follow hard on his arrival. In the end he was lucky with the weather, for the murderous Antarctic winter has been hesitant in its return this year, and Scott Base was still sparkling with sunshine when he reached it. He also curtailed his daily schedule of scientific work once he had passed the Pole, taking seismic soundings only every 60 miles instead of at 30-mile intervals as he had in the first half of his journey. Nevertheless, he finished the passage with a day to spare of the hundred he had allowed himself when he set out, and he has demonstrated that he was right, and Sir Edmund Hillary was wrong, in the dispute that raised the polar temperature so spectacularly last January. In retrospect, their dispute seems to have been no more than a difference over the degree of risk it was proper to run; events have justified Dr Fuchs's greater adventurousness, and the headlines which must have been so embarrassing to both men last January also served to draw attention to his boldness.

This may prove to have been the last major example of a certain kind of voyage of exploration: the kind in which the primary object is to test man's endurance and courage rather than to produce practical and utilitarian results. It is true that Dr Fuchs has gathered a good deal of scientific knowledge. It has now been established that, under the ice, Antarctica is a single and undivided continent, and no doubt his notebooks will yield a good deal of more esoteric information. But (dare it be said?) this was not the principal purpose for which the expedition spent half a million pounds. The Everests have now been climbed, the deserts crossed and the jungles penetrated. Man is looking outward into space; and although this is going to demand just as much bravery from the explorers who venture out into it, it is doubtful whether the world they set out from will allow them to make their journeys simply for the purpose of saying, "We got there." It seems that the aim will be to put the stars and stripes on the moon before the hammer and sickle gets there, to erect observation posts in the outer void, to claim planets for an ideology. Romantics, looking back to the time when mountains were conquered to prove something about the human spirit, will be entitled to feel a little wistful.

BOOKS

Lerner's America

America as a Civilisation: *Life and Thought in the United States Today*

By Max Lerner.
Cape. 1,036 pages. 50s.

TOCQUEVILLE, Bryce, Lerner? Or Laski, Lerner? The third of a trio of masterpieces or the second of a pair of failures? The question cannot be evaded; the scale and the claims of "America as a Civilisation" demand a verdict. "What I have tried is to grasp—however awkwardly—the pattern and inner meaning of contemporary American civilisation and its relation to the world of today."

A thousand pages and over 470,000 words are by no means excessive for such a theme. (For a smaller United States Tocqueville took 300,000, for a considerably less complex America Bryce exceeded 700,000, while for FDR's USA, Laski ran to nearly 370,000.) But the writer who is going to take so long has one primary obligation; he must be readable. How readable is Lerner? It is typewriter prose. Tocqueville's had a quilled clarity, Bryce's a late Victorian longhanded ease and directness. Laski's, alas, seemed not to have been written at all, but taken down from the lips of an argumentative and repetitive lecturer. Lerner writes fluently and often informally; he is prodigal with words, ready with metaphor, often vivid in his depictions of the actualities of American life. He unfolds his thought more often than he crystallises it; there are aphorisms in the book, but they are infrequent; the paragraph is his unit of thought, the catalogue is more common than the clinching example. There is an engaging honesty about this, a deliberate and welcome eschewing of easy effects. There is sometimes also a consequential rallentando, which incites the reader to judicious skipping. More serious, however, is the intermittent surrender to the lazy-minded jargon of American social science. Too often the nervous strength of American speech, which Mr Lerner so rightly praises, is overlaid with the clogging polysyllables of American academe. "Life goals," "peer groups," "surrogates," "syndromes"—it would be unfair to exaggerate their frequency, but whenever they occur they fall like a film between the object and the comprehension.

Fortunately, Mr Lerner is well aware that America is something more than the subject matter of its social sciences. Indeed the great strength of his book, and the one which most qualifies it for its admission to the trinity, is the obvious breadth and catholicity of its author's interests. Of course, there are limits and limitations. Mr Lerner writes as a Jew, as an urban American, as an East Coast intellectual, as a Democrat. But he has achieved not only a critical awareness of his partialities but also a very impressive transcendence of them. The spirit of the book is large and generous. Even where he disapproves he does not carp—and this despite the fact that he has taken pains, like a good American journalist, to be up to the minute with his coverage of social and political phenomena. It is no longer a mark of distinction for the American intellectual to display a gusto for the interests and entertainments of the masses, and Mr Lerner's expertise in "the lively arts" may be taken for granted as basic equipment for any Tocqueville *de nos jours*. More impressive and important is his success in marrying the intellectual analysis of the various modes of

American experience—business, politics, education, home life and class or race relations—to a graphic re-creation of their concrete diversity and uniqueness. This is one of the many points at which he outshines Laski, while in range he surpasses Bryce. He is not, of course, omnicompetent. The American farmer remains a little remote, the soldier appears rather as an abstraction marching. (No European will forgo a smile at reading of the "Prussian discipline" of the American army.) But no one is very likely to improve on Lerner's three-dimensional rendering of life as Americans actually live it, on his fair balance between thought, experience and emotion. This is no small achievement when it is sustained over such a rich variety of topics.

Laski's vision of America was basically Marxist. Lerner, whose position, *mutatis mutandis*, has so often paralleled Laski's, remains a determined liberal. "American capitalism has been overpraised and overindicted"; the American consumer is acclaimed as the ultimate king; the Big Corporation, with all its faults, is enduring and acceptable. Not that labour is sold short; indeed Beck and Hoffa might fail to recognise themselves in this rosy-tinted group portrait. Nor can the middle classes complain, unless they are going to be hypersensitive at having it demonstrated that they are human too. Indeed the dominant note of the book is an acceptance of America—not merely for its promise, but also here and now for its performance. Sometimes this mood takes the edge off the analysis; too many sections (for instance, Education) end wtih a reassuring, vague and waffing clausula. Rather too much is dusted under the mat. For all that, the general result of this mood of acceptance is a healthy one. It still leaves plenty of scope for criticism, but it is criticism in terms of America's own ideals and values, criticism which permits (indeed requires) a full and balanced delineation of the whole society under discussion.

The "master concept," consequently, in terms of which Mr Lerner organises the enormous mass of phenomena labelled "America" is our old friend "the open society." It is not a sharp tool, and those who find this book unsatisfactory will probably have their dissatisfaction rooted in a distrust of so blunt an instrument. But, like the frontiersman's axe, it is a multi-purpose implement that can clear a lot of ground and open up large areas for further cultivation. What is more, no one who rejects it can ever hope entirely to understand America—as a civilisation, or as anything else.

Soldiers as Governors

Allied Administration of Italy, 1943-45

By C. R. S. Harris.
HM Stationery Office. 479 pages. 42s.

ALLIED Military Government was administering shifting stretches of Italian metropolitan territory from the summer of 1943, when the first of its officers landed in Sicily and quickly established a headquarters in Syracuse, until the last day of December, 1945, when establishments were closed down in Northern Italy. (It continued, however, in the disputed Trieste territory for some ten years longer.) As soon as the invasion of Sicily as a joint Anglo-American operation had been decided on by the Casablanca Conference in January, 1943, General Eisenhower started planning for the military government of conquered territory. Direct rule was considered but excluded as impracticable. Yet only in June was the idea definitely abandoned that General Alexander, as the prospective military governor, should start his reign by dismissing all the prefects and mayors in the island. The Americans were much influenced by the hullabaloo caused by co-operation with Darlan. The British, on the other hand, had an officer well qualified to give an opinion—Lord Rennell, who knew Italy intimately and had behind him the experience of serving as chief political officer for the overrun Italian colonies in East Africa. He seems at all stages to have favoured the minimum of interference with Italian organisation and the exercise of control from outside. These considerations, and the problem of finding suitable officers to exercise the control in an equally balanced Anglo-American operation, open Mr Harris's volume.

It was difficult for AMGOT—the initials first used for the Allied Military Government of Occupied Territory, subsequently giving way to AMG, because, so the rumour went, Amgot was discovered to be an obscenity in a Levantine tongue—to get its purposes and needs taken seriously by the purely military men in the field, and the Sicilian operation found it relying largely on requisitioned private transport. The officers were at once thrown into a welter of tasks, ranging from the dismissal of notorious Fascist officials and vigilance over the insurgent separatist movement in the island, to the all important but very elusive control of civilian food supplies. When, two months later, the south Italian mainland became the objective of the Allied invasion, Amgot had vindicated itself in military eyes.

However, high politics and the war between them caused unforeseen developments in its operation. An Italian government friendly, if only by force of circumstances, to the Allies came on the scene, but so helplessly as to require energetic buttressing. An Allied Control Commission entered into being to prop it up and vitalise it; and as the armies slowly moved forward two tasks of military administration were distinguished: that of controlling the Italian government in the rear, as it gradually assumed responsibility for the back areas, and that of controlling (more directly) the areas closer to the front. The most forward areas of all made up yet another class, and from early 1944 these alone were designated Army AMG territories. In a map of Central Italy as on October 24, 1944, one of the several which adorn this book, a line across Italy about fifty miles north of Rome divides a blue territory to the south, all of which had by then been made over to the Italian government, from a white territory to the north still under Allied military control. Some fifty miles farther to the north this is in turn terminated by a jagged line still farther northwards of which is army AMG territory, stretching up to the "Gothic" front line then running across Italy from Ravenna to La Spezia.

In the first rather static winter of war in Italy, the high-ups sorted out the considerable confusion accompanying the change of emphasis in military administration from the task of military government proper to that of armistice control. General Mason Macfarlane, first head of the Mission to the Royal Government, was withdrawn for reasons of Anglo-American symmetry in favour of the American General Joyce, who became head of what had become the Commission, only to be ousted again shortly by General Mason Macfarlane. He stayed the course until he fell foul of Mr Churchill when he showed sufficient sensitivity to Italian politics to allow Marshal Badoglio to be ejected from headship of the Government. (It is true that at the same time the general became seriously ill.) Leadership of the economic side of the Commission was taken up in almost scandalously fleeting succession by high-powered Americans. Pretty far from all this, though dealing with tangled local politics (for instance, in Sicily with the revival of the Mafia and with separatism) as well as with questions of bread and oil, the Civil Affairs Officers, where they were good, became revered father figures of the communities they were overseeing in such extraordinary circumstances.

One has heard, in postwar Italy, no bitter denunciation of this Allied authority in its various nuances between outright rule and advice that reserve powers could make very cogent. Indeed in Trieste, AMG seems to have left a record of enviable competence and expedition. Probably the most unimpeachable work of all was done by the ten dozen police officers, prevailingly British, who helped each part of Italy in turn to get control of public order on or beyond the edge of breakdown. Their commander is now one of Her Majesty's judges.

The author of this official history, who was himself highly placed in military administration in its first Italian year, has interwoven the story of its changing pattern with that of the Italian politics which set its background. The two themes overlap and they have been dovetailed in a scholarly way. The second obviously yields better material for a flowing pen, and there is rather more of it than one might expect in a volume of military history. But the first is expounded in conscientious detail.

Radar

Three Steps to Victory

By Sir Robert Watson-Watt.
Odhams. 480 pages. 30s.

IN the summer of 1940, the victorious Luftwaffe, advancing to the conquest of Britain, everywhere found the Royal Air Force in the air waiting for them, in spite of its known inferiority in numbers; faced with this bewildering ubiquity, the Germans lost faith in their intelligence, and the heart went out of their attacks. The "eyes" that enabled the exhausted RAF to send its last reserves where they were most needed were provided by the makeshift radar screen erected in the nick of time by Sir Robert Watson-Watt and his small company, aided in the last months by scientists "shanghaied" from the universities. Everyone agrees that it was a damned close-run thing; Sir Robert goes further: "By God! I don't think it would have been done if I had not been there." This book has been written in vindication of this candid view, and as an impassioned plea for recognition (which Sir Robert evidently feels has not been accorded) of the part he and his devoted band played in defeating the invasion of Britain.

The book started as an orthodox autobiography but "turned relentlessly into the biography of a system"; disarmingly terming himself "a very human being," Sir Robert has kept it at an intensely personal level, and has allowed his trumpet full blast. The general reader in this country, only dimly remembering the controversies over the "invention" of radar, will probably view the polemics dispassionately (some of them are devastating) and give the Royal Commission the credit for having settled the matter satisfactorily; but in some countries abroad, they may come as something of a revelation. Trumpet blasts notwithstanding, however, the book gives an absorbing account of the development of radar as seen from the very centre of things, from the days of the first makeshift tests, the race against time to "give them the third best to be going on with," to the later incredibly elegant developments brought out of the "icebox," and the massive mobilisation in support of the invasion. Except incidentally, no description of the working of radar systems is given, and the text abounds, unfortunately, in unexplained initials (ASV, CHL, etc.) designating the various different applications; but the main lines of the story stand out clearly enough, embellished by impish, though sometimes tortuous, wit.

Sir Robert, in his moment of destiny, exhibited the combination, possessed by all true inventors, of expert technical knowledge with intuitive tactical sense. His earliest suggestions made it clear that, to be effective, the technical gadgets would need to be intimately keyed in with an operational network; without this, however perfectly they performed, they would be sterile. This he regards as an essential element in the invention of radar, and underlines it by a devastating analysis of the failure of radar to prevent Pearl Harbour and the escape of the *Scharnhorst* and *Gneisenau*, when technical adequacy was rendered impotent by imperfect human organisation.

Sir Robert baldly claims to be the inventor of radar. Like many another invention, it was in many minds at about the same time. He scrupulously examines all other claims to priority, and puts them all to the test of practical effectiveness. His own two trump cards are, first, his historic memorandum of February, 1935 (here reproduced in full, with a translation into plain words) in which all the basic principles subsequently incorporated in numerous radar systems are enumerated at one stroke; and, second, the fact that the British radar system, developed under his guidance, was the first in effective operation and was the model for all subsequent ones.

Semi-Amateur Sociology

La Nature Sociale

By Alfred Sauvy.
Librairie Armand Colin. 291 pages.

THIS book, subtitled "Introduction à la Psychologie Politique," is the work of a self-confessed amateur whose own considerable expertise lies in the field of statistics and administration. As the author freely admits in a most disarming preface, it observes none of the decencies of scientific specialisation; it is neither comprehensive nor systematic; it is unbuttoned, rambling, often farfetched, deliberately eschewing technicality; a quarry rather than an edifice. Not very surprisingly, it is fearfully uneven. On politics in the widest sense (power, responsibility, liberty, the formation of groups) it is sometimes stimulating, often agreeably epigrammatic, but not especially original and for the most part disappointingly superficial.

So far, so bad; one might write thus, almost interchangeably, of all too many well-intentioned think-pieces. As soon, however, as one reaches the field where M. Sauvy the professional statistician can bring his particular gifts to the aid of M. Sauvy the political psychologist—gifts which can be summed up as a sense of tempo and of orders of magnitude—the picture changes. The central core of "La Nature Sociale," dealing with the psychology of technical innovation and conservatism, with "felt wants" and discontent, with the evolution of living standards, with the mutual interaction of demographic change and psychological climate—is a treasury of excellent things; some obvious (but only as Columbus's egg was obvious), some uncomfortably penetrating, some illuminating by unexpected juxtaposition. On these topics it is hard to think of anyone who has written with more astute, humane and realistic wisdom.

The style throughout is lively and shapely, in that excellent tradition of civilised intercourse—poles removed from "popularisation"—which France has preserved and Britain so largely lost; "La Nature Sociale" genuinely is a book for the intelligent layman. Its scheme of reference is perhaps too specifically French for translation to be justified; but to any reasonably bilingual English reader—especially if he be an economist—it is strongly recommended.

Northern Democracy

A Short History of Norway

By T. K. Derry.
Allen and Unwin. 281 pages. 25s.

THIS is a straightforward, conventional history of Norway—the first one to appear in English. As such, it should be useful to tourists, businessmen and students who want a general introduction to Norwegian history, especially as Norway, like the other Scandinavian states, is usually ignored in school textbooks, except when fighting for, or against, the English. The excellent selective bibliography of English books on Norway should be particularly valuable.

But though he has written a competent and concise account, Mr Derry's book might have been fuller and more interesting if he had not had to compress all the principal events from the Viking raids to postwar rearmament into 250 pages, and had not stuck so strictly to chronological order. This is particularly true of the period up to 1813, to which only half the book is devoted. The material might have been easier to handle if it had been arranged in a series of essays on the factors that created modern Norway so that Mr Derry could have discussed such subjects as the legal and administrative system in the middle ages; the role of the church; the reasons for the bloodless change to Lutheranism; and education under Danish rule. Since there is a chronological table and an excellent index, the time sequence could have been broken up without much prejudice to those who will use the history principally as a reference book.

Much more space is given to the last hundred and fifty years and the treatment is correspondingly broader, particularly on the problems of economic development in the nineteenth century. But there is little on the interwar and postwar period. It is still difficult for those who have grown up since 1945 to piece together, in any detail, what happened to the peripheral parts of Europe in the twenties and thirties, and this history only partly fills the gap.

Survey of Government

The British Political System

By André Mathiot.
Hogarth Press. 352 pages. 30s.

WHEN Professor Mathiot's book appeared in French a couple of years ago, it received a deservedly warm welcome; it proved, for French students, an introduction to the political affairs of this country that was at once up to date and sympathetic. It might be suggested that the chief justification for translating a book of this kind is to give to British

students a specifically French or continental viewpoint on British institutions. On the whole, this book only partially achieves this job, since Professor Mathiot is not so much describing a system that he has observed in operation as summarising and explaining the existing British literature on the subject. He thus tends to adopt the complacency of certain writers on the subject, for instance Sir Ivor Jennings, and the book is indeed recommended in the preface by Professor W. A. Robson for its defence against suggestions that any new major problems exist. Those who are less content with the quality of the House of Commons, the disposition of its working time and the possible consequences of the electoral system may feel that Professor Mathiot's admiration carries him too far. Nevertheless, the book may fulfil a quite different purpose; better than any comparable work by an English author, it provides an introductory survey to the whole field of British government, based on a logical progression from the electorate to parties, and through cabinet and parliament to the judiciary and administration.

The translator has eliminated some minor slips in the French edition and brought some of the statistics and the reading lists up to date. On the other hand, a number of errors remain, and the rather free handling of the text by the translator has actually introduced a few more. The reference to King George V's attitude to the dissolution of Parliament in 1910; the account of the 1867 Reform Act; the reference to the single transferable vote in university constituencies are all incorrect. The reader would wrongly gather that privy councillors sometimes exercise a right to sit in the House of Lords without being peers, and would be wrong if he thought that the presence of General Smuts in the Imperial War Cabinet without being a member of the British House of Commons was equivalent to the temporary retention of Ministers who may have lost their seats at a general election. One must admit to very severe mistrust of a translator who can at one and the same time show ignorance of a fundamental rule of French grammar and of an important individual in the history of politcial studies by translating "du Genevois de Lolme" as "of Genevois de Lolme."

Economics without Prices?

The Structural Interdependence of the Economy: *Proceedings of an International Conference on Input-output Analysis.*

Edited by T. Barna.
John Wiley, New York. London: *Chapman and Hall.* 437 pages. 60s.

KEYNES'S theory of employment focused attention on the level of activity of the economy by means of two sweeping assumptions: first, that production consists of only two commodities, producer goods and consumer goods, and, second, that commodities cannot be substituted for one another. This procedure enabled him to give a clear-cut analysis of the then important problem of "unemployment," but it was apparent that if his analysis was to be applied more generally, these two drastic assumptions would have to be relaxed. Input-output analysis is an attempt to relax the first assumption while maintaining the second. The economy is pictured as producing a large number of commodities; but there is only one, rigidly determined, method of producing each, and no substitution is possible.

The greater part of the present volume is devoted to applications of this theory and to the problems that arise in doing so. Outstanding, perhaps, is the long and very interesting discussion by Dr H. D. Evans of the computational problems of input-output. There are also papers surveying the use of the method in six European countries, and two papers by Professor H. B. Chenery discussing its application to international trade and to economic development plans. One is impressed by the generally high standard of the papers, and by the immense amount of precise, detailed work they embody.

Unfortunately the whole edifice, so carefully constructed, rests on very shaky foundations, for relaxing Keynes's first assumption renders his second quite implausible. The larger the number of commodities considered (that is the more narrowly commodities are defined) the more important does substitution become. Fuel and machinery may not be substitutes, but coal and oil clearly are. One must doubt whether calculations, however elaborate, can give useful results when they are based on so unreal an assumption.

Of course, as Friedman has pointed out, what matters about an economic theory is the validity of its conclusions, not its assumptions. It is thus quite legitimate for economists, if they wish, to devote themselves to testing even the most unlikely hypothesis. But public policy is a different matter. Input-output constitutes a theory of the economy that ignores the price-mechanism, and as such it has a considerable appeal to those who tend to regard the price-mechanism as a mere hobby-horse of the economist. (Its rapid rise to favour with so many civil services is perh. ps evidence of this appeal.) It may therefore have the effect that economic policy-makers will pay even less regard to prices in the future than they do now. The extremes to which such an attitude can lead are illustrated by Mr P. N. Rasmussen's paper, which is devoted to an elaborate analysis of how "to compensate [from the point of view of income] for given changes in the output prices of the other industries." A little learning is a dangerous thing—particularly in the hands of civil servants.

This is not to suggest that all the work reported in this volume is wasted—far from it. While one deprecates its use as the basis of an ambitious theory, the input-output table can justify itself on more modest grounds. As Professor J. R. N. Stone shows in an elegant paper, it provides an alternative and in many ways more interesting way of presenting the national accounts. From this point of view, the table has no particular causal hypothesis attached to it, but merely describes the money flows between sectors in a given year.

In a second paper, Mr Stone sets up a system of linear expenditure functions for consumers which takes explicit account of the price-mechanism, but yet includes the input-output theory as a special case. Such a generalisation of the input-output theory is a step in the right direction, but perhaps more important are the papers by Dr G. Morton and Dr H. Markowitz. They deal with the much less well known methods of analysis called variously activity analysis, linear programming and process analysis. They are not open to the same objections as the input-output theory, as they avoid both of Keynes's assumptions and allow most effectively for substitution and the price mechanism. One can only hope that some of the popularity of input-output will soon be transferred to its more deserving cousins.

OTHER BOOKS

LIEUTENANT IN ALGERIA.
By J. J. Servan-Schreiber. *Hutchinson.* 206 pages. 16s.
The original French edition of this important book, in which the youthful editor of the Paris *L'Express* vividly describes his experiences and impressions during six months of active service in Algeria, was reviewed in a leading article of *The Economist* on July 6, 1957.

ARTIFICIAL INSEMINATION IN THE HUMAN.
By A. Schellen. *Elsevier.* London: *Cleaver-Hume.* 420 pages. 72s.
A great deal of this book is medical; but the layman will be interested in the very full account given by Dr Schellen of public opinion in different countries, in so far as it has expressed itself, on the pros and cons of artificial insemination. He also gives the views of the different churches and the legal position. His survey is certainly wide and thorough; but his outburst against artificial insemination by donor in his epilogue makes one wonder whether his selection of material has been as objective as it appears to be. Moreover, his estimate of the number of artificial insemination cases in England —6,000 a year—is wildly exaggerated.

AUSTRALIA IN WORLD AFFAIRS, 1950-55.
Edited by Gordon Greenwood and Norman Harper. Published for the Australian Institute of International Affairs by *F. W. Cheshire, Melbourne.* 366 pages. 45s.

THIS IS AUSTRALIA.
Edited by Oswald L. Ziegler. *Angus and Robertson.* 304 pages. 50s.

LORD CHATHAM AND AMERICA.
By O. A. Sherrard. *The Bodley Head.* 395 pages. 30s.
The third and final volume in Mr Sherrard's trilogy on Lord Chatham, covering the sixteen and half years from October, 1761, to May, 1778.

PACKAGING ANNUAL CATALOGUE AND DIRECTORY OF GREAT BRITAIN, 1958. *Tudor Press.* 214 pages. 17s. 6d.

THE SOCIOLOGY OF KNOWLEDGE.
By Werner Stark. *Routledge and Kegan Paul.* International Library of Sociology and Social Reconstruction. 356 pages. 36s.

LETTERS

The Free Trade Area

SIR—It is difficult to see how the French counter-proposals, outlined in your article of March 1st, can expect to be taken as a desirable or workable alternative to the original scheme for a Free Trade Area put forward by the British Government. It would seem that France has put forward two suggestions: firstly, that compensation for opening French markets to industrial goods produced in all the OEEC countries should be obtained from the Commonwealth; and, secondly, that the new framework should be based on individual industries and not upon all industrial goods generally.

There are three obvious objections to the Commonwealth being asked to provide the cushion for French industry:

1. It seems to have been overlooked that the Commonwealth countries are entirely independent in trade as in political matters. Whatever the United Kingdom might recommend (if the French proposals were to be generally accepted), the Commonwealth countries themselves would finally dispose.

2. It is by now pretty well known that the Commonwealth's needs are for capital and not for more industrial goods. The Board of Trade has for some time been acutely aware of this fact, and it is a conditioning factor of the whole Commonwealth attitude to expanding trade with Britain. Under the French scheme the Commonwealth countries would be obliged to open their markets, on the same basis as they are open at present to British goods, not only to the French, but to all the other members of the Free Trade Area. It is hardly conceivable that the Commonwealth countries with their own developing industries would be willing to give preferential treatment to all European countries in the foreseeable future, for at present they are only with difficulty persuaded to continue their preferential treatment of goods from Britain.

3. Over and above these issues is the fact that the "no-new-preference" rule of Gatt would surely prevent the French plan from succeeding. In view of the none too sympathetic attitude of the Extra-European countries to the Common Market in the current negotiations in Gatt, one could hardly expect this much wider scheme to obtain the virtually universal approval needed before the necessary waiver could be obtained.

As respects the sector-by-sector approach, is not the principal objection to this that it runs completely contrary to the general process of liberalisation of trade which has been so successful in Europe ever since the setting-up of OEEC? As your correspondent rightly points out, this proposal is largely due to the traditional protectionism of France, which is so much at variance with the attitude of her other Common Market partners, particularly Germany.

But there must be no doubt of the critical importance of the position of France in the free trade area discussions. I was startled to find on a recent visit to the French National Assembly, when Mr Maudling had the opportunity of addressing a small (but influential) meeting of French Deputies, that the Free Trade Area plan has never even been debated in the French Parliament, and surprisingly few of its members had anything but the vaguest idea of what it was all about. A big task of information and explanation throughout France as to what the Free Trade Area is intended to do, and its political as well as economic mission, is urgently needed.—Yours faithfully,

JOHN HAY

House of Commons

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The Cost of Algeria

SIR,—In the analysis of the military situation in Algeria which you published in your issue of December 28, 1957, you said that the cost of the Algerian war for France was enormous—£2 million per day, or 2 milliards of our francs—an outlay which in your estimation could not be maintained for long.

There can be no denying that the effort we here are constrained to make is both great and prolonged, but a few figures soon disprove that this effort is more than France can manage.

In spite of claims made by *The Banker* (the arguments of which are being taken up by the protagonists of abandoning Algeria), the pacification campaign is not costing France 700 to 800 billion francs a year. Close and objective study of the budget proves this.

Out of a total military expenditure of 1,001,224 million francs, the figure for North Africa is 362,673 millions. This figure is a long way below that of two billion a day. Moreover—a point too easily forgotten—the expenditure there represents the maintenance of the army stationed in North Africa. Since 1956 all recruits do their military service in Algeria as in France. Whether these effectives are stationed in the home country, in North Africa or in Germany, their maintenance costs the same. Were the pacification of Algeria to come to a stop tomorrow, the budgetary costs would be no less because the state would still have to clothe, lodge and feed the contingents called up, and because for the cost of the actual military campaign would at once be substituted other expenditure arising out of the redeployment of forces which we would have to endow with new arms and new material in order to fulfil our Atlantic obligations.

Moreover, experience has proved to us that a policy of withdrawal is not a policy of economy. The independence granted to Morocco and Tunisia has in no way lightened our expenditure.

Were France to abandon Algeria to the FLN, what would it not have to pay to meet the cost of repatriation and the reinstallation in metropolitan France of 1,100,000 of our countrymen? Even this figure does not take into account the hundreds of thousands of Moslem Algerians who are French citizens and who would likewise have the right to come to France because, having placed their faith in us, they would wish to ward against being massacred.

In the present state of affairs, therefore, the financial effort which the pacification campaign in Algeria is costing France does not exceed the nation's resources, and it can continue to carry the burden for as long as will be necessary. What is more, has France the right to abandon Moslem masses who know that there will be no liberty for them were France to disappear?

In common with numberless Fascist organisations, the Algerian rebellion seeks to conceal its real character by the use of democratic terminology. For proof of the totalitarian character of the FLN one need but recall its systematic refusal to hold free and supervised elections. It is the electoral principle itself that the FLN fears, and not without reason.

France, by contrast, considers that Algeria can speak with but one valid voice—that of the Algerian people which the FLN, despite all its claims, would not represent unless it were to massacre all those who do not submit to its totalitarian ideology.—Yours faithfully,

S. MICHEL GORLIN

Office of the Minister for Algeria, Algiers

The American Economy

SIR—In his letter to *The Economist* of February 22nd, Professor Slichter is quoting correctly the US government statistics on retail trade, but these are apt to be misleading because they are so heavily weighted by food sales. *The Economist* stated correctly on February 8th that, to most retailers interviewed by this correspondent, the customers appear to be "not buying."

In making comparisons with 1957, most retail analysts are inclined to exclude the sales of food, drugs and other necessities that increase every year in line with the population. What they watch for fluctuations are (1) automobiles, (2) home appliances, and (3) department store merchandise. In the first two of these lines, store sales are far below the earlier forecasts based on income or credit conditions. Department store business was better than expected in December and early January, but the economists for some of the large stores believe these gains were due to special factors and are forecasting a further decline for the months just ahead. As a result, very little new merchandise has been ordered by the above categories of retailers in the first quarter, and manufacturing activity has definitely been affected—in textiles and apparel, as well as in durable goods.

It is perfectly true, as Professor Slichter states, that the areas of the US economy affected by the reluctance to buy durable goods and other expensive items are smaller than the areas of necessitous consumer expenditure and government expenditure. *The Economist* article did not state at any point that general business was being dragged down by the consumer sector. But it is being held back from the dynamic recovery that might occur with a strong demand for consumer durables. And there is no sign of recovery in this demand from the fact that families, beset by higher food prices, are continuing to spend a large share of their income in food stores.—Yours faithfully,

YOUR CORRESPONDENT IN NEW YORK

Commodity Reserves

SIR,—Your review of *Utilizing World Abundance* asks: "How could a government . . . permit a body 'as aloof as is the judiciary' to issue government guaranteed stock without limit?" No such leap in the dark is involved in the system I advocate. The precise conditions of issue of "stabilizing bonds" and the commodities in which the proceeds could be invested would be specified in the statutory Price Stabilizing Corporation's charter. Its possible financial needs could be accurately measured in advance, all monies so invested being backed by durable essentials of constant utility-value. You instance copper, suggesting that the corporation might need to finance the holding of several "blocks" each of which, I have suggested, might be one eighth of the nation's average annual usage, or (say) 40,000 tons.

Taking recent prices at (around) £160 per ton as given, and deducting 12½ per cent (as proposed) the initial copper index would be £140; the initial low point (10 per cent below index) would be £126—at which the corporation would stand ready to buy on delivery in units of (say) 500 tons; and the initial high point (effective only when the corporation had acquired reserves at the low point) would be £154 (10 per cent above index) at which it would sell on demand, in the same units of quantity—buyer collecting. Thus, the total to be invested to acquire one "block"—40,000 tons at £126 per ton—would be £5.04 mn. The initial index and points would then fall automatically by 5 per cent, and precisely the same reductions would be automatic at the intake (if any) of each additional "block." In the improbable event of PSC's having to accept (say) four "blocks," the progressive investment would be as now shown (the bracketed figures being the then new low and high points respectively—in effect the then minimum and maximum market prices per ton for units of 500 tons) at each stage of "block"-accumulation: two "blocks," £9.83mn (£119.7-£146.3); three "blocks," £14.36mn (£113.4-£138.6); four "blocks," £18.65mn (£107.1-£130.9); and so on down the scale, with the process going into reverse with any diminution of "blocks" held.

To the extent that the corporation thus established stocks of a wide range of essential basics, the strength of the £ would be enhanced at home and abroad; because it would then be backed by reserves of those commodities whose acquisition from overseas is the prime purpose of our external spending. Continuity of supply of raw materials to secondary industry at realistic and stable prices would be a boon indeed.

If supplies should greatly exceed user industries' physical absorption, with no PSC to take in the slack and maintain basic producers' reciprocal purchasing power, the result could be as disastrous as in the inter-war years.

Your associating of my proposals with America's policy resulting in burdensome surpluses disregards my text; as does your reference to what you term the "risk" that America might unload such surpluses on a British price stabilising corporation. The transfer, with all the safeguards provided under the proposed system, of a portion of the durable commodities from where they have become burdensome accumulations to a country in which they would strengthen internal economy would be demonstrably advantageous—without the word "risk" having any applicability.

L. ST. CLARE GRONDONA

London, S.W.1

Our reviewer states: Mr Grondona argues that if his plan were adopted now when copper is about £160 a ton, PSC might not have to buy much. It is also relevant that if the plan had been adopted a year ago when copper was over £270 a ton, the country might well by now have bought and stored more than half the British annual consumption at a cost for one commodity alone of £57½ million.

★

SIR—Space limits for your reviews, I know, sometimes inhibit full fairness; but let me, please, clarify two things. Mr St Clare Grondona did not have to "persuade" me to support his scheme, other than by the cogency of his book. Secondly, your reviewer's wording does, I think, less than justice to the author's care in meeting, in the scheme, the very objections of your reviewer. For instance, I may have seemed to the latter to make "no reservations" in endorsing the scheme; but neither the author nor I suggested that Britain could, or should, become the only receptacle for all the world's surpluses, against inflationary sterling. The truth, I think, is that most of the world yearns for some kind of price stability; it can only be achieved hardly, due to the complexities of economic dynamics; yet—as your excellent review of Leibenstein's book on economic backwardness and economic growth on p. 751 of your same issue shows—economists themselves still lack reliable measuring instruments. I like Mr St Clare Grondona's scheme simply because it offers us, in my view, the nearest-yet approximation to one.—Yours faithfully,

GRAHAM HUTTON

London, W.1

AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

To the Summit—with Doubts

WASHINGTON, DC

MR DULLES has received unusually strong endorsement from practically all sections of the American press for his carefully reasoned rejection of the latest Soviet essay in "pre-summitry." At his press conference on Tuesday, he underlined the illogicality of Russia's insistence on selecting the agenda from items where the known positions of the governments "indicate a probability of agreement" while refusing preliminary negotiations to develop such positions where they do not at present seem to exist. As is his wont, the President contrived on Wednesday to give a hearty endorsement to Mr Dulles, yet at the same time to present a sunny-side-up view of the American attitude. Apart from an oddly phrased undertaking to start down "any possible avenue no matter how crooked, no matter how narrow," towards the easing of tensions in the world, Mr Eisenhower intrigued his audience by a casual suggestion that a summit meeting might last much longer than a few days, and that in that case he might take advantage of the evident eagerness of the itinerant Russian leaders to come to the United States.

The predominant feeling is that the Russians, by overreaching themselves, have played into the hands of Mr Dulles, although there are only a few voices to suggest that this may be precisely what they had in mind. The misgivings with which American leaders in both parties view the path to the summit stem from their profound lack of faith in the staying power of public opinion in democratic countries. From his long personal experience of negotiating with the Russians Mr Dulles spoke feelingly, in his recent address to the National Press Club, of their "highly legalistic" search for loopholes which will subsequently enable them to escape their obligations, their withholding of concessions until the very last moment, and their readiness to outsit the West in the hope that popular impatience with what appears to be dilatoriness over technicalities may induce western negotiators to greet any "agreement" as a "success, without regard to the contents or dependability." Mr Dulles's abiding dread, as he expressed it on Tuesday, is of a summit agreement which would be a "fraud or a hoax," or merely a spectacle which would diminish the West's readiness to sustain its efforts. Nor does he want a "meeting which would expose differences in an acrimonious way."

Mr Dean Acheson goes even further. In his book, "Power and Diplomacy," which, although taking sharp issue with American military strategy, turns out to be an elegant exegesis of Mr Dulles's policy, the former Democratic Secretary of State writes that:

> It is my conviction that the only agreements which are possible now would be disadvantageous to us and would not diminish the dangers of nuclear war.

Mr Acheson deals especially with various proposals for the "disengagement" of the forces of the great powers in Central Europe, a subject to which he returned with polemical asperity when he practically read Mr George Kennan out of the Democratic party. He is convinced that, if American forces were withdrawn—from continental Europe—Western European opinion would refuse to believe that the United States was still prepared to risk its own survival for the sake of protecting its allies. There would thus be a fatal impulse to neutralism and appeasement in Europe; even if in the end it turned out that communists and Europeans alike had miscalculated American intentions, this would be scant comfort because as a result of the miscalculation the world would have blundered into nuclear war.

Indeed, among those American foreign policy experts who, unlike Mr Acheson, do favour exploring the possibilities of disengagement there are many who visualise it as bringing an additional, but acceptable, risk of war. To them Mr Dulles's policy, like Mr Acheson's, suffers from the defect of accepting the *status quo* in Eastern Europe. Military disengagement would offer the chance of an aggressive but more inspiring opportunity to disrupt Eastern Europe regimes politically and to bring about the "liberation" which Mr Dulles once promised but failed to provide. But for the time being General Norstad has convinced the Administration that the disruption to the strategy of the North Atlantic Treaty Organisation which "disengagement," or even "thinning out," would certainly cause would easily outweigh any political loss the Russians might perhaps suffer in Eastern Europe.

ALTHOUGH the State Department does have to take into account the pressures from Western European public opinion, it is essential to remember that the pressures from American opinion are quite different. The United States has for the first time become a potential front-line target. It has been reliably calculated that, if the Russians get 250 suitably aimed H-bombs through American defences in the first surprise attack, 72 million Americans will be killed and a further 21 million injured. If shelters against radiation were built, at a cost variously estimated at between $20 billion and $40 billion, the fatalities could, it is estimated, be reduced to only 31 million. Yet there is no sign of public support for a shelter programme and very little fundamental questioning of American policy.

Part of the reason for this may lie in numbness at the contemplation of a menace so unusual and so vast; part of it may arise from the extreme weakness of pacifist or near-pacifist elements within the left-wing of American politics; this is to some extent a consequence of the long and bitter battles which American progressives have had to fight to disentangle themselves from the communist embrace. At any rate the opposition Democrats, in contrast to the opposition parties in Western Europe, spend much of their time urging the Republican Administration to greater military expenditure. In the case of some Democrats, such as Senators Symington, Jackson and Douglas, this is because they have a basic conviction that the way to deal with communists is to stress military strength.

In other cases left-wing politicians want to spend more money on defence because they believe that its great wealth enables the United States to escape, if it wants to, the dreadful dilemma confronting the countries of Europe: if they place less reliance on the nuclear deterrent, then they have to put more reliance on conventional weapons—but these they cannot afford. American liberals therefore back the army's propagandists in calling for more emphasis on mobile land forces which could fight a limited war. They thus have a greater motive even than those who would depend exclusively on the H-bomb for avoiding a phoney relaxation of tension which would lead taxpayers to look for a dividend.

Moreover, while America's European allies tend to associate a stepping up of economic aid to underdeveloped countries with relaxation of world tensions, the first casualties of any new "Geneva spirit" would probably be the aid and trade measures now before Congress. Although Mr Adlai Stevenson pleaded, in his masterly address to the bipartisan conference assembled to campaign for these measures, that Americans should not be ashamed of their own best instincts, it is clear that the main argument in the attempts to sell the programme over the next few weeks will be the immediacy of the Russian challenge. The State Department is naturally suspicious of any "peaceful platitudes" that may tend to undermine this effort.

NEVERTHELESS, ever since the last Nato meeting, the Americans have been realistic enough to see that, if their missiles are to be accepted in Europe, they must make a further attempt to come to grips with the Russian leaders. The preparatory moves have been a wry illustration of Mr Dulles's remarks about the Russians' technical skill. The Gromyko memorandum on subjects for the summit rules out German reunification, and includes the temporary suspension of nuclear tests. The State Department does not expect to get anywhere with Germany this time and it does plan a new approach on disarmament which, if agreeable to the members of Nato, would separate the suspension of tests from the production of nuclear weapons.

While the Administration does not agree with Mr Harold Stassen, the President's former disarmament adviser, that the establishment of a limited inspection system in Russia and the United States is alone enough to link up with a suspension of tests, it is thinking of proposing a simplified "package." However, the principal obstacle to such a new approach, as Mr Dulles gently reminded the world press again this week, are the difficulties made by Britain and France, the very countries where the public is now complaining most loudly about nuclear tests. The complexity of the western position arises from the painful adjustment of allied requirements made last year in London. Mr Dulles is unwilling to disturb this arrangement just as he is unwilling to upset Dr Adenauer by dropping Germany from the summit agenda without much more incentive than the Russians are at present offering. The betting in Washington this week is that if western public opinion does not run out on Mr Dulles, his stubbornness will be rewarded with a better offer. Then, in spite of his professional reservations, to the summit all will go.

Acting President

In case of the . . . inability [of the President] to discharge the duties and powers of the said office, the same shall devolve on the Vice President.

THIS deceptively simple provision, which has baffled constitutional experts for a century and a half, now has an official, if temporary, interpretation. The President, who has always been admirably quick to draw the constitutional moral of his three illnesses, last week determined to wait no longer on a dilatory and divided legislature. Instead he announced that he had agreed with the Vice President that, if he should become incapacitated during the remainder of his term, he would ask Mr Nixon to serve as Acting President, exercising all the duties and powers of the office. If Mr Eisenhower were too ill to take the initiative, the Vice President, after consultation with unspecified advisers, would do so himself. In both cases, the President would determine when he was able to resume his full duties.

This informal arrangement, which would apply only to the present office holders, seems to rule out the risk of any dangerous period of paralysis in government if Mr Eisenhower should become incapacitated before his term ends in January, 1961. It also seems to make it less urgent, in theory at least, for Congress to act in haste and destroys one of the objections to the constitutional amendment which the Administration still feels is desirable: the length of time it would take to win the approval of two thirds of both Houses of Congress and the assent of three quarters of the states. In fact, since Mr Nixon is still a controversial figure and since powerful Democratic voices have been raised in protest, it seems more essential than ever that Congress should approve the President's decision to create an Acting President. In the view of Mr Rayburn, the Speaker of the House, Mr Nixon, in order to exercise the powers of the Presidency, would have to take the presidential oath—and this would at once endow him with the office, as well as its powers; Mr Eisenhower could not, constitutionally, ever resume his duties.

A bi-partisan Bill for a constitutional amendment, introduced this week by Senator Kefauver and Senator Dirksen, who stand at opposite ends of the political spectrum, would endorse the President's course, with the addition of two provisions, one for a resort to Congress should a President wish to resume his duties before the Vice President and the Cabinet believe that he is able to do so. This measure has the backing of the Administration and it stands a reasonable chance of passage—in some form and after some time.

Works or Taxes?

LAST week Congress's Joint Economic Committee, in its statutory report on the President's Annual Economic Report, recommended action to deal with the depression on much the same lines as those which the Administration is itself preparing to follow as it becomes more obviously worried about the economic situation. President Eisenhower recently made it clear that, while he regards tax reductions as more than a "last resort" weapon, he intends that spending on existing public works projects should be

accelerated first. The thirteen-member, bipartisan committee advocated such an acceleration for a wide range of projects—among them soil conservation, housing, road-building, flood control and school construction—on a federal, state and local level. It also wanted a start made on some that were only in the planning stage. The committee urged a further easing of the money supply and added that, if these measures fell short of bringing recovery, then "tax reduction would be in order," but "such action is not now recommended."

The lone voice of disagreement on the committee was that of Senator Paul Douglas of Illinois, one of the eight Democrats and the only economist in the group. In a separate dissenting statement, in which he argued that "true unemployment" was now 10 per cent of the labour force, not 5.8 per cent as is officially estimated, Mr Douglas advocated immediate cuts in income and excise taxes which would at once add $4.4 billion a year to consumers' purchasing power. He proposes either an increase of $100 in personal exemptions or a reduction of 5 per cent, to 15 per cent, in taxation on the first $1,000 of taxable income. Various other proposals are being prepared in Congress although the Administration has refused to commit itself on the subject.

Mr Douglas's objection to giving priority to public works is that even existing plans for federal spending cannot be accelerated quickly enough to counter the present danger. It is generally agreed that new projects planned now could not be put into effect much before the end of this year—that is, until after next November's congressional election—and Mr Douglas and some of the President's other critics fear that meanwhile the recession will "snowball" into a major capital-goods depression. Nor do such projects necessarily bring help where unemployment is worst.

Whatever action is taken, the most important consideration seems sure to be the speed with which it brings results. It looks as if the President will have to decide by mid-April whether or not to resort to tax cuts. By then the March figures for employment and incomes will be in and his prediction that the recession will flatten out this month will be proved or disproved. If it is disproved, Congress will step in if he does not.

Commissioner in the Bag

THE House subcommittee investigating the independent regulatory agencies has bagged its first commissioner. Mr Richard Mack, a member of the Federal Communications Commission, still protesting his innocence, resigned this week after Mr Sherman Adams, speaking for the President, told him that it was a choice between resigning and being fired. Mr Mack, a Florida Democrat who was appointed by Mr Eisenhower in 1955, became an embarrassment to the Administration when he admitted to the subcommittee that he had received substantial loans and shares in businesses from an old friend who hoped to see the commission award a valuable television facility in prosperous Miami to a subsidiary of National Airlines.

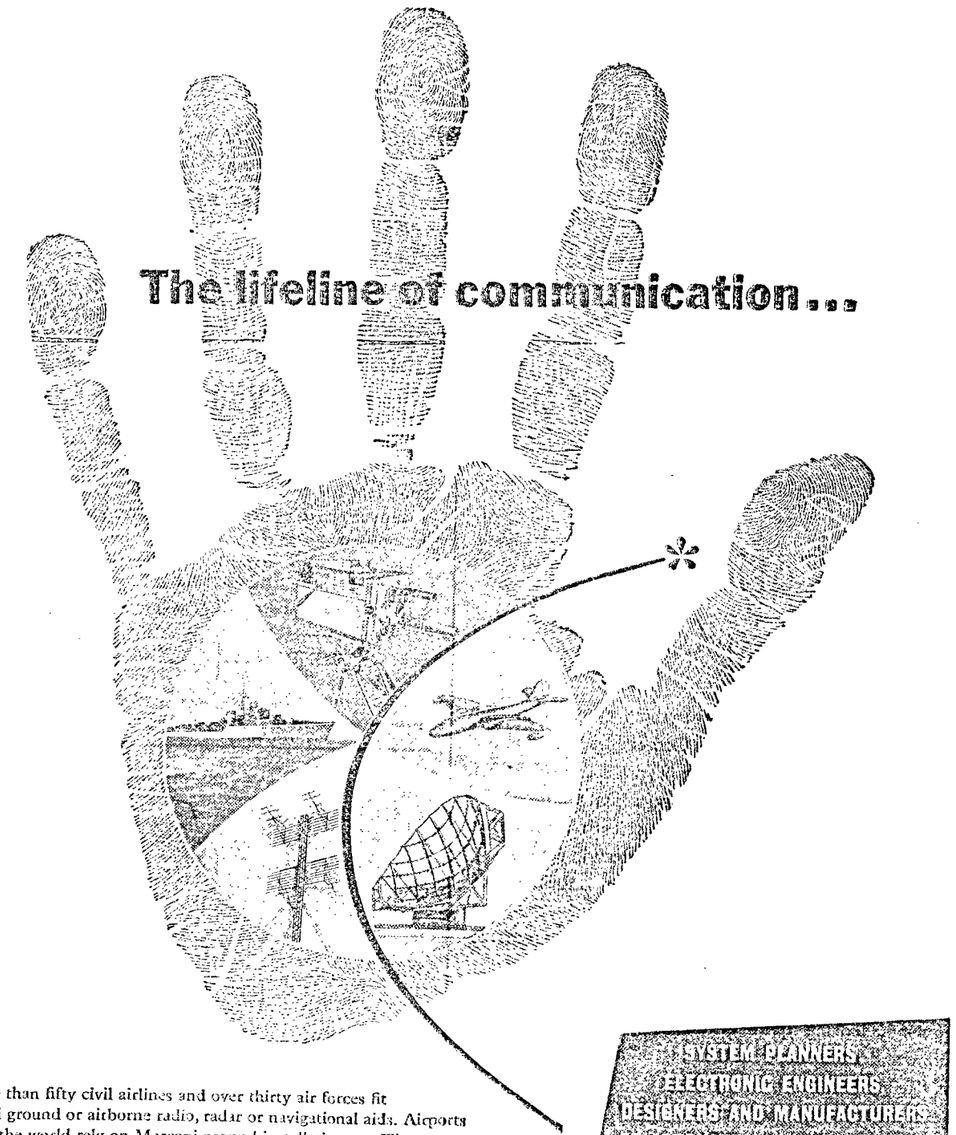
The chairman of the Republican National Committee is now trying to lessen the Administration's responsibility for Mr Mack by pointing out that he is a Democrat and that the Democratic Senators from Florida sponsored his appointment, while the Senate confirmed him. This partisan argument has some validity. Conservative Democrats, in particular, have not been inclined to look too closely at the conservative Democrats—often "Eisenhower" ones—selected by the White House to satisfy the law that the regulatory commissions must be bi-partisan. The liberal Democrats, who protest that this is a travesty of true bi-partisanship, seldom make their views felt when candidates are before the Senate for confirmation. It is worth remembering, however, that some years ago, when the Florida Senators tried to persuade President Truman to appoint Mr Mack to one of the commissions, he refused.

The interesting question now is whether the subcommittee, having drawn blood so easily, will settle down in earnest to an inquiry which Dr Schwartz, the investigator whom it discharged, implied that it was trying to suppress. If so, it will need to find another investigator to take charge and to develop the evidence in an orderly fashion; since Dr Schwartz left, members of the subcommittee have been going off in whatever direction they fancied. Mr Moulder, the first head of the subcommittee, who resigned when Dr Schwartz left, now talks of bringing him back—which is unlikely—and of questioning Mr Sherman Adams, the President's *eminence grise*, about his interference in the affairs of the Civil Aeronautics Board. This would be much more dangerous and difficult game to stalk than a mere commissioner. Already the President, at his press conference, has angrily refused to discuss Mr Adams's letters, in 1953, on behalf of an airline which was losing its licence to operate; in the process Mr Eisenhower displayed a surprising degree of ignorance about the facts.

Air Force on Top

DYNAMIC missile technology and chronic sibling rivalry kept America's armed forces busily in the news last week—and in the end, the Army and Navy were forced to admit sourly that the Air Force had carried off laurels in both fields. Following on the signing of the agreement establishing bases in Britain for the Air Force's Thor missiles, it launched a Thor fitted with a newly designed, flattened nose-cap intended to ensure successful re-entry into the earth's atmosphere. Then it announced that it expects to have Thor combat-ready by June which presumably means that the missile can be supplied to the British bases shortly afterwards. Both dates are well ahead of schedule, and both have been scoffed at by the other services. Next, the Air Force was allowed to embark on a project, dubbed Minute Man, to develop a new missile with a range that could be varied between 500 and 5,500 miles and capable of being launched from underground sites. To this the Navy objected because the Polaris-missile-submarine combination would be put in the shade.

Finally, the Air Force was told to develop solid fuel for its rockets, a decision which put it again in direct competition with the Navy, previously alone in developing this type of propellant. Solid fuels—to be used in the Minute Man and Polaris weapons—are superior in many ways to the liquid fuels now used in Thor and the Army's Jupiter missile. These must be fuelled just before flight in a slow and cumbersome operation; ultimately it is hoped to develop solid fuels to the point where missiles could leave the factory in a "ready-to-fire" condition. And, unlike the present combination of a liquid hydrocarbon—such as



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The Curious Affair at Curio Corner

AUBREY CABRIOLE-QUINT loves everything that is old. Old houses—for he has restored Curio Corner (still known in the village as 'the old Rectory') to a more-than-Georgian splendour. Old furniture—for it brings him a more-than-modest income. And old-fashioned business methods—for he drives a ferocious bargain, and always deals in cash.

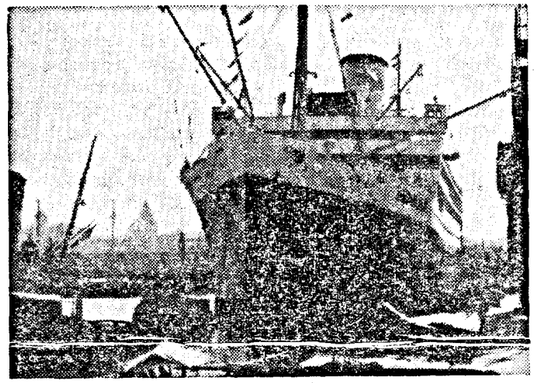
These amiable characteristics brought him to the notice of "Jelly" Jones, the celebrated safe-breaker. For he too loves old things—untraceable banknotes and all small and portable valuables. So he paid a visit (after dark) to Curio Corner.

No burglar was ever more disappointed. In the cluttered showroom, looking quite at home between a Jacobean armoire and a Regency rent table, stood a very new Chubb safe. "Jelly" Jones crept softly away.

"Not much harm done," said Cabriole-Quint to the police complacently next morning. "I long ago learned that there is nothing so worthless as an antique safe. Now excuse me—I must get some of the latest Chubb window catches."

Incidentally, you too can get Chubb locks and catches from most well-stocked ironmongers. For safes, fire protection equipment and the more specialised products of our art, seek out a Chubb branch office, or write to Chubb & Son's Lock and Safe Co. Ltd., 175-176, Tottenham Court Road, London, W.1. (MUSeum 5822).

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kerosene—and liquid oxygen, solid fuels pose no difficulties in storage or handling. Admittedly not all the problems concerning them are solved; as yet they produce a somewhat lower specific thrust than liquid types, and their burning rate—a critical key to accuracy with missiles—is more difficult to control.

While the Air Force's scientists were busy aloft, its publicists below were not far behind. General Putt, the Air Force's research chief, asked Congress to approve a project to send an unmanned rocket to the moon, saying that such a rocket could be launched before the end of the year if approval were given now. He added that the Air Force considered establishing a manned missile base on the moon, from which it could bombard any place on earth. Army scientists, already smarting under his derogation of their anti-missile research, have derived little consolation from launching their second Explorer satellite and—as it appears at the time of writing—promptly losing track of it.

Fair Trade Switched Off

THE General Electric Company's abandonment of its efforts to maintain minimum retail prices for its small electrical appliances, such as toasters and irons, was at once copied by the Sunbeam Corporation and other leading manufacturers and sparked a price war with reductions of from 20 to 50 per cent in the prices of these goods in cities all across the United States. Consumers have been flocking to buy electric mixers at $9.99 instead of $14.88 and electric blankets which have gone down to $9.88 from $34.95. But it is doubtful whether such bargains, confined to a few lines of goods and only temporary, will be enough to galvanise shoppers out of their present caution and into the spring buying spree which the American economy needs.

The big department stores and the large dealers in electrical equipment have seized the opportunity to get rid of articles which have been piling up on shelves at fixed prices while housewives, in an economical frame of mind, have preferred similar products which may not carry a well-known trade-mark but which can be reduced to an attractive price. The falling off in demand for its appliances is apparently one of the reasons why General Electric gave up fair trade, as retail price maintenance is called in the United States, but small shopkeepers, who cannot afford to match the reductions of the cut-throat competitors, feel that they have been let down. Yet it is mainly because it could no longer guarantee these retailers the protection against unfair competition which is a basic part of the retail price maintenance system that General Electric changed its policy.

The essence of fair trade is that the manufacturer inspects all retail outlets, to make sure that no one is selling below the fixed price, and challenges violators in the courts. General Electric is said to have been spending $1 million a year on enforcement. But recently state courts have shown an increasing tendency to declare fair trade unconstitutional or to impose ineffective penalties when the contracts are infringed. As a result it has become easy to buy fair-traded goods at reduced prices. Nevertheless, even though General Electric has in the past been one of the most determined upholders of retail price maintenance, manufacturers of other fair-traded articles such as cosmetics, cigarettes, drugs and books are not prepared to give up so easily. They are pressing Congress to pass a law forcing fair trade on the whole country.

Arizona Growing Up

FROM A CORRESPONDENT IN PHOENIX

ARIZONA, admitted to the union in 1912, is the youngest of the forty-eight states and for a long time it seemed that it never would amount to much. Big though it was in area, its mountains and wide open spaces contained few natural resources. Cattle ranching and copper mining were the first industries; cotton growing followed when the Salt river had been dammed for irrigation, and later tourists became another source of wealth. But as often happens with late developers Arizona, stimulated by the second world war, is now coming along fast. With a climate as near perfect as can be expected, it has more sunshine and less dampness than any other state. In the southern plain, the most populated part, the winters are mild and air-conditioning takes much of the discomfort out of the four scorching summer months. For flying the weather is ideal, and so the Air Force used Arizona as a training base for thousands of young Americans (and many Royal Air Force men) during the war. Many of them liked what they saw and came back as civilians. This influx has been swelled by two other continuing streams of immigrants: people who, having taken holidays in Arizona, return to work or retire, and those who suffer, or whose children suffer, from asthma or other respiratory complaints. The dry, sunny climate has restored many of them to health or has at least made their ills tolerable.

The war brought a few manufacturing plants to Arizona, but the movement of industry to the state did not gather momentum until later. Some firms wanted to be near the

ARIZONA'S GROWTH

	1946	1956	1957*
Population	596,000	1,057,000	1,170,000
Non-agricultural employment	133,700	243,100	270,000
		$ million	
Manufacturing output	86	400	475
Mineral production	115	471	352
Agricultural income	163	372	385
Income from tourists	60	200	225
Personal income	669	1,816	2,025
Retail sales	517	1,335	1,480
Bank deposits	395	859	911

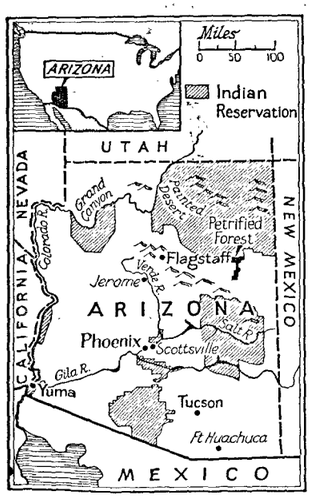
* Provisional. Source: *Valley National Bank.*

Army's electronics proving ground at Fort Huachuca; others were influenced by the federal government's emphasis on industrial dispersal as a civil defence measure. The state seized its opportunity to persuade more to follow by revising its tax laws and conducting a vigorous "Come to Arizona" campaign. It does not cost makers of transistors and other small electrical products, or of electronic systems and aircraft components, much to bring materials into the state or to send the finished goods to market; a million dollar's worth of transistors can be loaded into one lorry and the aircraft industry of California is on the doorstep. Sufficient power and water were available to support this type of industry, and a supply of trained labour was waiting to be tapped among the immigrants who had been obliged to take unskilled jobs in order to make a living in Arizona and who were eager to practise their old trades. Moreover, scarce technicians could be attracted from jobs elsewhere by the pleasures of life in the sunny south-west.

Arizonians proudly point out that in several fields, such as non-agricultural employment, agricultural income, personal income and bank deposits, the state grew faster than the country as a whole over the ten years 1946 to 1956.

While average income a head in 1956, at $1,718, was still $220 below the national average, it was roughly 4 per cent higher than the average for the four south-western states (Arizona, New Mexico, Oklahoma and Texas). The recent recession in the copper market has hit the mining towns, but hardly dented the prosperity of the state as a whole. Agricultural income has become less dependent on livestock and staple crops, thanks to the expansion of citrus fruit farming and market garden produce such as lettuce and tomatoes. Spending by the federal government, which owns or holds in trust for Indians 70 per cent of the land, still provides roughly one-fifth of the state's personal income, largely through the military bases. To remind civilians of the importance of these bases to their welfare, the commanders have at times paid their personnel in silver dollars or two dollar bills, neither of which are normally in circulation.

But statistics are no guide to the flavour of life in Arizona today, or to the excitement of living in these fast-growing communities. The friendliness of people and the informality of manners and dress are exceptional, even by western standards; bankers wear sports clothes to the office. The state's spectacular scenery includes the Grand Canyon, one of the natural wonders of the world, the Painted Desert, a strangely beautiful yet forbidding land of sandstone mountains, and the Petrified Forest, while above Flagstaff, itself nearly 7,000 feet high, soar the San Francisco mountains, a popular resort for winter sports. At Phoenix, the capital, on the southern central plain a thousand feet above sea level and encircled by mountains, a desert has been made to bloom by diverting into canals the waters of the Salt and Verde rivers, as a now vanished Indian tribe did centuries before, and by sinking wells.



Phoenix is a clean, sparkling, booming city of wide streets with palms and orange trees and cacti decorating its avenues and gardens. New office blocks blend fairly happily with the Spanish style of many of the older public buildings. New suburbs are springing up, replete with huge shopping centres, to accommodate a population that has doubled in the last ten years, and lavish new motels with swimming pools line the main roads into town. Tucson, to the south-east of Phoenix, an older and smaller city with a more pronounced Spanish flavour, has experienced an equally rapid rate of growth; half of Arizona's people live in these two cities. Scottsdale, a few miles outside the capital, was little more than a road junction six years ago. Now it is a thriving community and a profitable centre for talented craftsmen, some of them Indians or Europeans, who work with stained glass, pottery and silver, textiles, leather and other fashion goods. Windy Gulch, now called Paradise Valley, has been turned into a wealthy residential district and a fashionable resort that is attracting people who formerly wintered in Florida; it was here that President Eisenhower played golf last week when he brought his wife on her controversial visit to Miss Elisabeth Arden's "beauty farm." The Indian reservations and the ghost towns left by old mining camps, such as Jerome, are other attractions for the tourist.

Among Arizona's inevitable growing pains and blemishes are the need for more school buildings and other public services and amenities, the social problem of migrant farm labourers, many of Mexican origin, and the out-of-date attitudes of political leaders and entrenched business interests. Though nominally a Democratic state—Arizona has elected only three Republican governors in forty-six years—most Democrats in the State Legislature are as conservative as the crustiest Republicans, particularly on economic matters.

But the principal cloud on Arizona's bright horizon is the depletion of the water table. Irrigated farmland requires much more water than do domestic or industrial users and the time may come when manufacturing grows at the expense of, instead of in concert with, agriculture as a result of the competition for water. But even if Arizona loses its suit against California for the right to a larger share of the water from the Colorado river, it is confidently believed that scientists will have found a cheap way of taking the salt out of the ocean in the Gulf of California before the shortage becomes critical.

SHORTER NOTES

Money raised by Texan oil interests seeking Republican support for a Bill to free the price of gas from federal regulation will not, after all, be used to finance the campaigns of Republican candidates for the Senate. On second thoughts, the Senate Republican Campaign Committee has decided to deplore this all too public *quid pro quo*; Senator Margaret Chase Smith resigned from the committee when the chairman at first said he would accept the money.

* * *

Mr Dave Beck, the 63-year-old former president of the teamsters, the lorry-drivers' trade union, has been sentenced to fifteen years in jail, with a recommendation that he should serve only three, for the theft of $1,900 from trade union funds. He lost his job last year for refusing to tell a Senate committee investigating trade union abuses what had happened to $300,000 of his union's money.

* * *

The watch industry, which in 1954 won a 50 per cent increase in the tariff on the grounds that it was essential to American defence, has now been told by the Administration that the present level of imports is no threat to the country's security; the Deparment of Defence does not any longer consider the watch industry essential.

* * *

The latest way of sending a telegram is to write a message and drop it in a slot at New York's West Side Air Terminal. It is transmitted automatically and the bill goes direct to the sender's address.

THE WORLD OVERSEAS

The Year of the Dog in China

FROM OUR CORRESPONDENT IN HONGKONG

THIS is the Year of the Dog, in China; it has just begun and it is not traditionally a propitious year, by non-Marxist ideology. The oriental symbol of man's best friend lacks its western connotations; this, indeed, should be a dubious year for new enterprises, a time of anxiety and suspicion, when the prudent householder is wary of strangers at the door and prowlers in the night, of dishonest servants and insincere intruders in the backyard. The indications are that the Peking comrades, presumably by different reasoning, have decided to conform to the calendar superstitions in 1958. They are looking homeward, not abroad. They are reorganising and consolidating rather than launching new ventures. They are even permitting their "volunteer" garrison forces in North Korea to "volunteer" to go home.

On the available evidence, it would be unwise to read too much into Chou En-lai's graceful transfer of the mantle of foreign minister to the squat shoulders of well-nourished Marshal Chen Yi. Since Mao Tse-tung, with the supreme sanction of success, imposed his party heresies in defiance of Stalin and became the Yenan Oracle of Asian communism, the Chinese regime has operated as a loyal and closely knit team. Whatever differences may prickle and fret below the silken surface, the party administration succeeds in presenting and preserving a smooth, purposeful and united front. It is all reason, at a time when the regime has decided, logically and even belatedly, to concentrate on the agricultural foundation of the Chinese economy, to streamline the whole governmental structure, to shake up the party itself, and to transfer literally millions of government cadres and students to "glorious reproductive work in the countryside"—at such a time, it is surely not surprising that the prime minister should, with acclamation, be freed of all other distractions and given the full-time responsibility—and opportunity—of administering and directing this prodigious reorganisation of 600 million people.

Chou En-lai is perhaps the party's most efficient administrator—in a party distinguished certainly more for its theoreticians than for its executives. He may not, as it is whispered, enjoy Mao's freest and heartiest confidence; he has a reputation for gracious opportunism; but his critics never belittle his ability, resource, dexterity and genius for sliding urbanely—right or left—on to the winning side in any party controversy. To quote a bitter Kuomintang critic: "No one can simultaneously slide and bow with the same grace as Chou En-lai."

Did Chou oppose, or himself propose, the discarding of the foreign ministry portfolio? Who could possibly say? A Communist politician—or a democratic politician, for that matter—is seldom pleased when he loses even the trappings of power. But it is difficult, and in fact impossible, to establish that he has lost real power. Communist Chinese foreign policy has never been the product of one man's work; it is not solely a Peking politburo decision; it is now an amalgam of collective Peking and Moscow decisions. Chou's personal power lies in his control of the home front and his continued enjoyment of party support. It may be that he anticipates that in concentration on the home front he will also buttress his party support.

In retrospect, it can be seen that Chen Yi has been sitting on Chou's right hand for the past two years. Chen Yi is mayor of Shanghai—a restless and ungrateful post—and has written many army marching songs. Above all, he has a brave and loyal history as a fighting guerrilla, which must command Mao's affectionate trust, although by itself it may hardly seem sufficient to single him out as an inspired architect of international diplomacy. The point is, of course, that the party has no use for a powerful and independent foreign minister—no matter how inspired.

All the party's propaganda pressure has been turned on to internal reform and hard work on the land for this Year of the Dog. No matter how the regime may seek to disguise it, a major proportion of capital investment in heavy industry is being diverted to projects which will expand primary production, rather than to the traditional Marxist arsenal of an urban proletariat. Armies of peasants, winter sowing completed, are engaged on irrigation, water conservation, reafforestation and road construction, while heavy industry development is largely devoted to hydro-electric and agricultural power and chemical fertiliser production.

The original blueprints of the second five-year plan (1958-62), approved in 1956, have been lost in this upheaval and transformation. Hundreds of thousands of disappointed students are "joyously" working in the fields and the wastelands because there is no room for them in the universities. "Rightist" offenders and suspects are labouring shoulder to shoulder with surplus government officials. A turgid spate of party handouts testifies to the proud and eager delight of this great horde of displaced "volunteers." Thousands of city workers, the party megaphone proclaims, "refused" to take their holidays over the Chinese New Year period—although they are not normally granted any annual vacation. The *Jen Min Jih Pao* reports with deadpan seriousness that more than 16,000 workers who had intended to leave Peking to spend the festivities with their families "spontaneously handed back their tickets at the railway station. They were saying, 'The New Year can be celebrated in many ways but the speed of national construction cannot be slackened for a single minute'." Passionate bridegrooms-to-be in Manchuria and Honan, it is further

alleged, have deferred projected marriages over the New Year period because of the need for expanding industrial and agricultural output.

By western standards, all this may sound amusing. But by Peking standards it sounds both determined and effective. The pressure is on—and mounting. The machine which floundered at the end of the first five-year plan has been overhauled and is plunging doggedly forward again. The regime has changed direction and readjusted speed. Premier Chou En-lai, who leads and represents the sterner, harder and less devious elements in the politburo, now concentrates—appropriately, in the Year of the Dog—on security, sincerity and energy in the backyard rather than distant adventures on the diplomatic horizon.

Thoughts on a Melbourne Occasion

FROM OUR CORRESPONDENT IN AUSTRALIA

At the garden party at Government House, Melbourne, your correspondent did not even glimpse the crown of the Queen Mother's hat, such was the crowd that pressed around her. Nevertheless, all present agreed that it was a much more decorous affair than the corresponding function in Sydney. It was with unconcealed relish that the Melbourne papers had reported the goings-on in the rival city: the stampede across the lawns, the trampling of the newly planted flower beds, the prostrate women in picture hats, and Mr Liberace gate-crashing in the hope of meeting the Queen-Mom. Victorians had also read with much tut-tutting of the fight that almost developed outside St Andrew's Cathedral when a crowd that had waited since dawn found its view blocked at the last minute by a guard of honour of clergymen with cameras slung over their cassocks. "It couldn't happen in Melbourne," they will tell you. "We are more restrained, more . . . well, more English."

The Queen Mother has visited Australia before, so she is familiar with the Englishness of Melbourne. But to a newcomer, even when he has heard about it, it comes as a surprise. The weather is warmer and sunnier, but just as fickle as in England. The trees are mainly deciduous, imported by early settlers to remind them of home and flourishing here as never before. The birds include the thrush, and the man who imported it thought also of its diet and imported the English snail as well. Each house has its own garden and its weekend owner-gardener—although he has an easier task than in England, for peaches and lemons, jacaranda and oleander, bougainvillea and hibiscus grow exuberantly in the warm soil.

Another surprise for the English visitor, although he has read all about the spreading cities, is to find what an urban people the Australians are. The delusion that they are all tall, bronzed, lean and rangy is the fault of the writers, painters and film-men. They have given us Captain Starlight and Voss, the harsh red landscapes and the "dead heart," the overlanders and the bushrangers. But the truth is that the average Australian's knowledge of horses is confined to the racecourse and he would be horrified at the idea of riding one himself. More than half the population of Australia lives in its six capital cities and one-third lives in the two monsters, Melbourne and Sydney.

The urban way of life is so established and the cities so mature that it is hard to believe that the pioneering days are so short a time ago. In central Melbourne, at the intersection of two busy streets lined with business offices, there is a brass tablet with the words, "This will be the place for a village." These were the words of John Batman as he stepped from a boat on the Yarra and surveyed the rolling grassland with its drooping gum trees—only 123 years ago.

It is a handsome, agreeable and very civilised city, and its inhabitants are justly proud of it. Some of them are quite worried about the impression the world will get from "The Summer of the Seventeenth Doll." Anxiously as they follow the fortunes of that Australian play, they are distressed that its setting should be a drab room in the dingy suburb of Carlton—a pity it could not have been green and gracious Toorak. A few people are dismayed by the monstrous growth of Australia's cities, by the way they stunt the growth of population in the country and sometimes turn even immigrant peasants from central Europe into city slickers when they have done their two years' stint on the land. The future of Australia depends on those untapped resources in Queensland and Northern Territory, and on tackling them with something of the old spirit. That spirit is not bred in cities, which tend to transform the adventurous independence of the pioneers into the militance of a class-conscious proletariat.

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Not that class-consciousness is confined to the proletariat. Another surprise for the visitor from England is that social gradations in the cities are as marked and as complex as they are in Britain. As in Britain, the existence of independent public schools alongside the state schools tends to create class divisions. But up to a point it is easier for the Australian to rise in the social scale because he is not pigeon-holed the moment he opens his mouth. The Australian accent has little to do with class or region, except that a complete absence of it is found only among the educated classes. The announcers of the Australian Broadcasting Commission have the very inflections of the BBC, and many schools have a speech trainer to modify the broad vowels.

Another reason why social mobility is greater than in Britain is that here it depends on wealth, which you can acquire, rather than on birth, which you cannot easily arrange. In Melbourne, however, it is advisable to have both. The highest rungs of the social ladder used to be occupied by the old official class—the justices, lieutenant-governors and the like. But they have been rather ousted by the big graziers from the surrounding countryside, whose claim to aristocracy rests on two qualifications. First, their families have owned their land since the early days. They are descended from the "squatters" (a term of respect by the middle of the last century), who took possession of unoccupied country and, by resisting all efforts to persuade them they were trespassing on Crown land, were finally able to buy it for a song. The second qualification for this aristocracy is great wealth. A large number of station owners have gone broke in the bad years, but the postwar "wool cheques" have amply financed a splendid

Continued on page 857

Continued from page 856

way of life, with town house in Melbourne, the homestead in the country, and a house by the sea.

Jostling them for the highest rungs, and mixing with them a good deal, are the very big businessmen, who often buy a property too—whether for pleasure, profit, social cachet or tax advantage. Then there are those whose social position is partly or wholly *ex officio*. There is no shortage of these in Melbourne, where there are the Parliament of Victoria, a Lord Mayor and City Council, as well as some departments of the Commonwealth government. And of course there are the university and arty circles which are self-contained and never aspire to any other.

At the top of the social pyramid is the Governor of Victoria, Sir Dallas Brooks, representing the Queen. He is an Englishman—the government of Victoria having asked the Crown to suggest an appointment, instead of suggesting one to the Crown, as did the Labour government of New South Wales. He and Lady Brooks have taken a democratic view of their duties and they are held in the highest regard. But they do not always please the snobs, some of whom have been heard to declare that they would not sign the book at Government House for fear of meeting the wrong people. Most people, however, are keen to set foot in that dignified white building—although, of course, there are sensible people who do not bother about such things at all.

Anyway, one does not have to be a snob to want to go to the garden party. Most Australians feel a fierce and fervent loyalty to the Crown. Even at the National University in Canberra, where one might have expected to find the intellectual's indifference to such things, someone tackled your innocent correspondent about "the shocking way you've been treating our Queen over there." In Britain it is easy to take the monarchy for granted. You have to come to the Antipodes to realise its immense importance as the symbol of Commonwealth unity. To judge from her unruffled calm, the Queen Mother is of the opinion that in this context the staring crowds, the sprinting ladies clutching their high-heeled shoes, even the camera-clicking clergymen, are very well worth while.

Three-Legged Parliament

FROM A SPECIAL CORRESPONDENT IN STRASBOURG

A season ticket to Strasbourg will soon be a necessary piece of equipment for many continental parliamentarians. Last week, the 78 members of the European Coal and Steel Community met there to wind up their affairs: on March 19th many of them, with reinforcements, will return to set in motion the parliamentary body which the Rome Treaties have created to serve not only the Coal and Steel Community, but Euratom and the Economic Community as well. The fact that the treaty-makers have forgotten to give the new assembly a name is not likely to deter its 142 members: its affairs will certainly keep them busy shuttling back and forth between Strasbourg and their six national capitals. It may well become the most important assembly yet to have met in the Maison de l'Europe.

Strategically placed at the centre of the three communities, the new *Assemblée Unique* embodies the hopes of many in the six countries for the development of their political unity. And as the Rome treaties allow for eventual direct elections to replace the present method of nomination within national parliaments, there is also the prospect of it engaging—for the first time—the direct participation of the people of the six countries in their new enterprise.

These hopes were expressed last week in a discussion on the powers and prospects of the new assembly during the final meeting of the common assembly of the coal and steel community. In the past five and a half years this body has laid some solid foundations for its success. To judge from the formal powers laid down in the ECSC treaty, the common assembly itself was not intended as more than a timid gesture to parliamentary susceptibilities. But its members had other ideas: like all self-respecting parliamentarians, they have successfully burst out of their legal strait-jacket. Not content with the meagre privilege of having once a year the opportunity of ousting the High Authority, they have asserted the right of permanent control over its activities, and through their committees and questions (both oral and written) have made their views both known and felt. The high authority, for its part, has shown itself more than willing to collaborate with the assembly, not least because on a number of occasions it has been a useful method of bringing pressure to bear on the community's council of ministers. Last week a grateful assembly expressed the hope that the existing ECSC treaty might be modified to give the high authority more power, especially in the field of social policy. The more power that body has, the more effective the assembly's control can be. The reply of the high authority was not, however, encouraging. The tide of opinion in the six countries, it said, had turned against supranational institutions: to embark on a general revision of the treaty might now have some unfortunate consequences.

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This warning threw into relief one of the major problems which the new assembly will itself have to face. During the drawing up of the Rome treaties its supporters fought a successful battle with the ministers against the original proposal to have a separate assembly for Euratom and the economic community, but the compromise arrived at will leave the new assembly with more powers in the affairs of the ECSC than in either of the other communities. The watering down of the powers of the commissions (which will occupy a position equivalent to that of the high authority in the coal and steel community) means that the council of ministers in the new communities will consequently be more powerful.

The powers of the assembly itself necessarily reflect this shift in emphasis. The ministers have made some concessions to it by making consultation with it obligatory before they arrive at certain decisions, and have extended its powers over the commissions, but they have not given it that financial autonomy which has proved so important in the development of the coal and steel assembly. Nor apparently are they willing to disinterest themselves completely in its choice of president. There is room, therefore, for the fear that they wish it to be no more than a docile consultative body. The new assembly, starting out on its three-legged race with one of its legs longer and more powerful than the others, may well wonder how far it is intended to get.

On the whole, there was optimism in Strasbourg last week—but there was also the realisation that an important

principle is at stake. The creation of the three communities has subtracted powers from national parliaments: it threatens to open a void in that chain of responsible government which has been laboriously forged in the past. Is the new assembly to be allowed to fill that void? Much evidently will depend on the wisdom and skill of its members. There is some danger, inherent in all such assemblies, of an attempt to fill the gap by mere force of words. Already the title "European Parliamentary Assembly" has been proposed. It sounds well, but it may appear to imply that Europe has already shrunk to the size of the Six. The view was expressed last week that Europe has now to be built around the rock of the Six: it would be a pity if instead it turned out to be the sort of rock on which others founder. The sitting tenant at Strasbourg, the Council of Europe, though a sick man, must hope that its guests this month will spare it a thought in the excitement of their new-found unity.

Sects and Parties at the Polls

The elections which began last week over the million square miles of the Sudan are the first to be held since the country gained its independence, and the first to be largely free from extraneous influences such as Egyptian bribery and anti-British sentiment. Results from outlying districts should all be in by tomorrow, and counting begins on Monday.

The campaign preceding the poll has been notable for freedom from disorder—a tribute to the precocious political maturity of the country as well as to sensible security arrangements made in its vast and difficult territory. This calm offers a good chance of trustworthy results by which to measure the political complexion of one of Africa's more stable and prosperous new nations.

A week ago, it would have been logical to calculate that Egypt's ill-advised thrust on the common frontier would lose votes to the parties suspected of pro-Egyptian tendencies; these are the National Unionist (at present in opposition) and the People's Democratic Party (at present in the government coalition). But the news that the Egyptians, by withdrawing their troops, have now tried to retrace a foolish step will probably make this factor unimportant.

The chief element of uncertainty is the degree to which old-fashioned sectarian loyalties will affect the vote. The main antagonists are the Umma party (at present in power in coalition with the PDP) and the NUP. The first retains its strong affiliations with the heterodox Ansar that follows Sayed Abdel Rahman el Mahdi; the NUP, by contrast, has broken its connection with the orthodox Khatmia sect of Sayed Ali el Mirghany; it therefore reflects a left-wing, anti-sectarian tendency and its fortunes in the election will be a measure of the strength that the sects retain in politics.

This summary description applies, of course, only to the Islamic north. South of the twelfth parallel begins the non-Moslem south, where the Liberals are the strongest party and where a wish for a federal constitution affording semi-independence of the north is the strongest discernible political trend. Whatever the outcome of the northern elections, experience suggests that the support of many a southern deputy can be purchased by the winning side.

Mr Nehru's Pedestrian Triumph

FROM OUR CORRESPONDENT IN INDIA

Mr Nehru can, sometimes, be very apt. "Pedestrian" was the exact word for his budget. But, behind his dull speech and unexciting proposals, there was the drama of crisis averted. Six months ago, nearly everybody thought India would have to mutilate its plan drastically. Today it seems the plan will be carried through, rephased a bit, pruned here and there, but substantially the same old plan so unattainable last summer.

After the burst of taxation and experiment of the last two years, the Indian public is grateful for the chance to breathe that Mr Nehru has somewhat apologetically offered. He has introduced a gifts tax at roughly the same rates as estate duty in order to plug the one hole Mr Krishnamachari had left in the dungeon he had built round the taxpayer. He has reduced the exemption limit for estate duty, increased duty on nylon, and tightened conditions for development rebate. It adds up to £4½ million, where Mr Krishnamachari, last year, took nearly £80 million. A deficit of £21 million has been left where last year's budget had a surplus of £27 million. Partly this arises from the transfer of some £23 million of revenue to the states; partly from the total failure to enforce economy on the ordinary expenditure of the ministries; partly from the steady increase in defence expenditure, now over a third higher than two years ago.

Mr Nehru has continued the policy of oiling the anomalies of the income tax law, especially where they inhibit foreign investment without bringing in much revenue. Companies will no longer be treated as resident in India merely because their Indian income exceeds their foreign income; the wealth tax will not apply to the foreign assets of foreigners; the leave-passage rules are to be withdrawn.

More important than the budget itself is Mr Nehru's policy for the plan. Total expenditure in 1958-59 is to be some £760 million, £125 million up on this year, and £210 million up on last year, which was the first year of the second plan. At the present pace it looks as if the original target of £3,600 million for the five years will be achieved in terms of money, though not in real terms. Some power projects will be late; some irrigation schemes will have to wait till the third plan; some grants, for industrial housing and hand-spinning, for example, will be chopped about. But the core of the plan, the steel plants, the mines and the railways, is now safe. The Germans have agreed to defer payment for Rourkela; Bhilai and Durgapur are provided for; the extensions by the private steel companies, Tata and IISCO, should be finished this year. In this budget, three quarters of the £309 million that the central government expects to spend on capital is for railways and steel. The only snag is coal. Production expanded by 10 per cent last year and the private collieries are still expanding as fast as they can; but Delhi's incompetence has retarded the progress of the state-owned collieries, and even in 1958-59 all that is allotted to them is £3.75 million. The rest of the capital expenditure is merely a scatter of titbits.

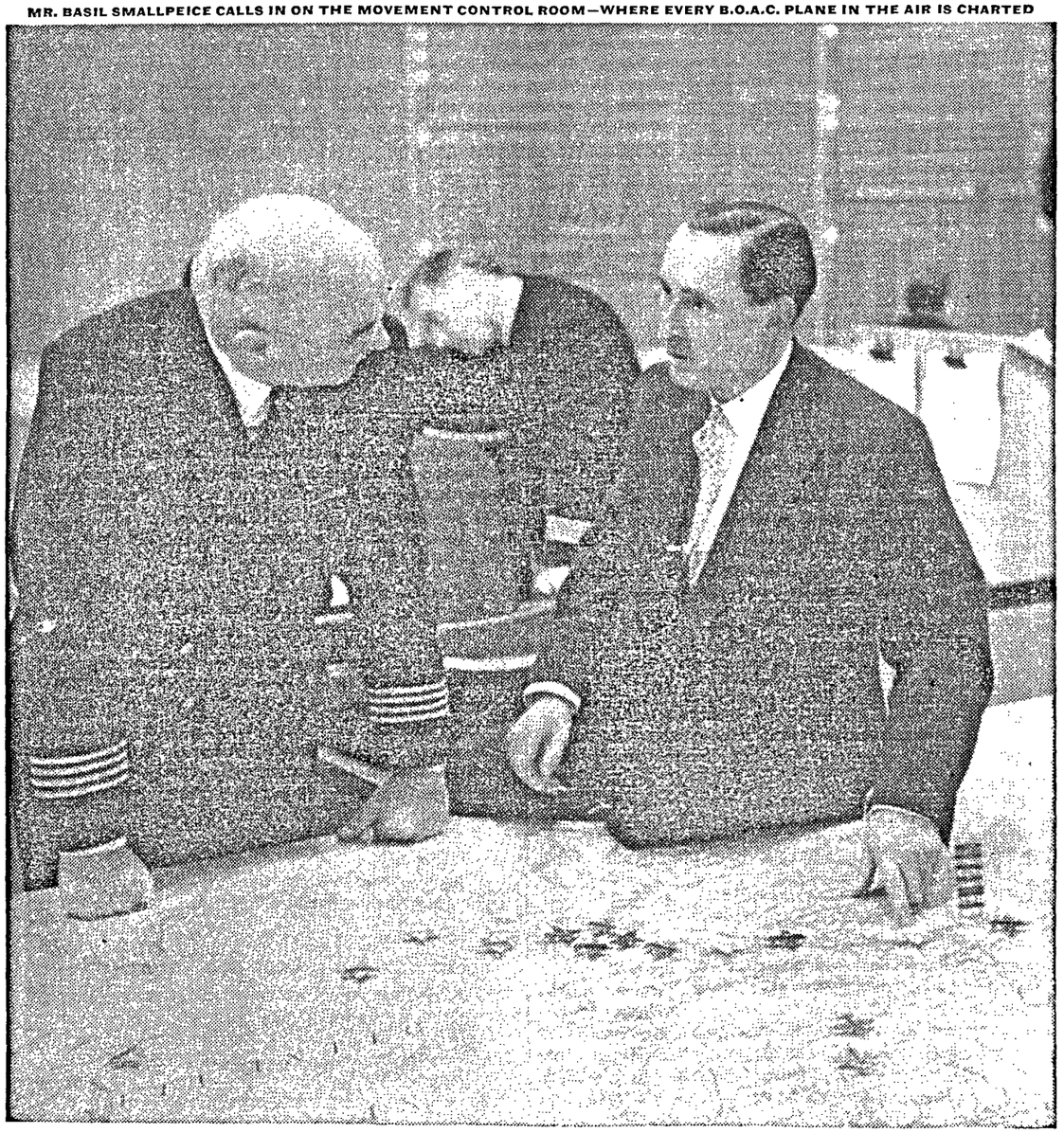
The states' only big individual schemes are the multi-

TIME

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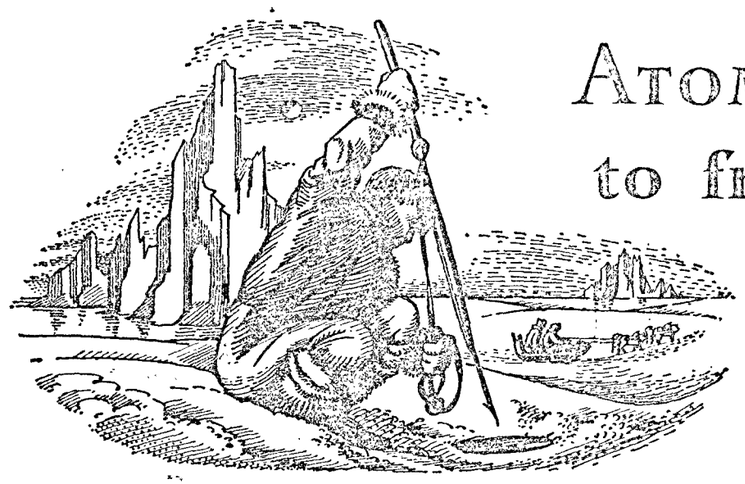
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Those vast empty spaces, half the size of the United States, are already being systematically surveyed. Geologists, on the ground and from the air, are charting its fabulous mineral wealth. Helicopters, fitted with gravimeters, magnetometers, and scintillometers, can detect the ore-bearing deposits beneath the snow and ice, the pathless forests and the countless lakes. Their charts already speak eloquently of the abundance of the



atomic fuels and "new" metals for which the metallurgists and nuclear engineers are praying; but most of that wealth is locked up in remote parts of the Pre-Cambrian, or Laurentian Shield, so inaccessible to conventional haulage, by road or rail, as to seem unworkable.

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Imagine 'industrial oases', powered and heated by "packaged reactors" and reached only by aircraft. The reactors themselves could be assembled by air-supply (which has already served in the construction of the massive defence installations in the Canadian Arctic). Once the reactors are established and 'critical', fuel-replenishment would be no problem.

Completely civilised townships could be created with adequate heat to counteract the climate, and modern amenities to enliven the Long Night. Again the prototype exists in the Canadian base at Churchill on Hudson Bay and the U.S. base at Thule, in Greenland. With self-sufficient power, independent of coal-trucks, oil-tankers, or pipe-lines, the ores could be mined, milled and processed into small bulk and flown out by air, like the casks of sodium uraninate from the Eldorado mine on Lake Athabasca.



That raises another problem for which atomic energy could have a quaint answer. How to ensure all-the-year-round air-communications? The winter, contrary to popular belief, is the best time; the sea and lake ice can take the heaviest aircraft. The trouble starts with the coming of the sun. Ice thaws. Airstrips heave and toss and melt into mud, while the permafrost, the continuously frozen sub-soil and rocks, remains solid underneath. With sufficient power available, the airstrips and roads could be refrigerated and kept solid, like an ice-skating rink.

Atomic heat to freeze the Arctic! It is like selling refrigerators to the Eskimos." [R.C.]

* * *

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purpose river projects, several of which are now approaching completion. The Damodar Valley Corporation will finish its last dam this year; the Hirakud will complete its canals soon; even the great Bhakra dam will only have one quarter of its concreting to be done by the end of the year. The new schemes, except for one in Andhra, are smaller; so that the strain of the great projects will now ease.

The great thing is not, however, that the projects are to continue, but that they are going to be paid for. In the current year £285 million, or nearly half, has come from deficit finance. Nevertheless, the wholesale price index, after an initial rise, has dropped back to a point below last year. This is because of a run of good luck. Production has risen. Industrial production was 4 per cent up and the harvest 6 per cent up on last year. Time deposits in the banks went up by £150 million, largely because of the tightening on import licences. Above all, three-quarters of the deficit has been mopped up by the running down of the sterling balances, which dropped by £240 million. The net result is that the money supply with the public has gone up by only £73 million, which has been absorbed by the increase in production.

But it would have been foolhardy to repeat the same amount of deficit financing for 1958-59. The sterling balances cannot be drawn down by more than £75-£100 million; the rice crop has not been good; industrial expansion has been slowed down by restrictions on imports and credit. Mr Nehru has cut his deficit financing down to £153 million. This has been possible because of the sharp increase in foreign assistance. Last year India got £72 million from abroad, this year it is £98 million and next year it will be £245 million. This increase should counterbalance almost exactly the falling off in the rate at which India has been drawing on its sterling balances.

The crucial difficulty now is internal resources. The states are still reluctant to help themselves by increasing taxes, though Bombay and the Punjab are squeezing out a couple of million extra each. Both market loans and small savings have been around half the target this year, though it is hoped that next year they will return to the norm of £90 million net from the market and £75 million from the little man. But if prices rise it will be optimistic to count on all of this £165 million.

There are still plenty of headaches—defence, the loan repayments that will fall due after 1961, the sluggishness of savings, the lethargy of the capital market, the shyness of the foreign investor, the incompetence of the tax machine in some of the states. India is not yet out of the wood; but at least a clearing is in sight.

Italy and the Middle East

FROM A CORRESPONDENT IN ROME

A FLOOD of controversy was created by the recent announcement that President Nasser will pay a State visit to Italy this summer. The controversy is heightened by the doubts which surround President Nasser's personality and intentions and by the mists which shroud the presumed fountain-head of Italian foreign policy. No one knows for certain whence the initiative for this visit came. The invitation extended to President Nasser two years ago—before the Suez affair—had been forgotten. Who was responsible for renewing it? The cabinet seems not to have been informed. Palazzo Chigi belatedly and somewhat sheepishly claimed the merit, but authoritative sources—among them the former deputy prime minister, Signor Saragat—insinuated that the President of the Republic imposed his will on a reluctant foreign ministry and that an unconstitutional pressure was exerted (upon the President?) by the chairman of ENI, Signor Enrico Mattei, whose friendship for President Nasser is well known. Perhaps the most serious criticism of all was levelled by a responsible paper, *Il Messaggero*, which claimed that President Nasser forced the hands of the unwary Italian diplomats.

There are two schools of thought in Italy concerning President Nasser's role in the Middle East. One sees him as the principal means of checking Soviet penetration, the other as a conscious or unconscious tool of Moscow. These views are maintained, partly for subjective reasons, by the groups who oppose each other in the contest for power on the eve of a general election. In favour of President Nasser are the supporters of state enterprise and a wider socialisation of industry. These include all Socialists and Communists and a large fraction of the Christian Democrat party. Against him are the sustainers of the centre coalition which governed Italy until last summer. The common denominator and the principal dynamic of these four parties was a rigidly orthodox anti-communist "Atlantic" and "European" foreign policy. From this quarter comes the bitter onslaught upon the government, the foreign ministry and the presidency of the republic.

*

There is sense in the arguments adduced by Signori Scelba, Saragat, Pacciardi and the other leaders of the former coalition who claim that by flirting with President Nasser the Italian government runs the risk of making its allies doubt Italian loyalty to Nato, and of irritating the French (no one has raised the point that there are at least 750,000 Italian emigrants in France compared to 50,000 in Egypt). They also say that the government's Egyptian policy is likely to strengthen the hands of the Communist and Socialist neutralists at home and will lose the Christian Democrats votes. Signor Pacciardi argues that Italy cannot claim to be consulted at every step by its Nato allies if it violates the principal of collective diplomacy. And Signor Saragat maintains that Italy must not be the manœuvring ground for disputes between the major western powers. On the contrary, it must be the terrain upon which the solidarity of all the western democracies is upheld.

The Palazzo Chigi is neither for nor against President Nasser but it is impelled by tradition towards a policy of Italian prestige in the Mediterranean based on a protective friendship towards the Arabs. Italy must in any event get on with Egypt because of its dependence—more complete than that of any other industrial country in Europe—on the Suez Canal. In Fascist days this policy was developed in opposition to Britain and French interests, and today the swing towards President Nasser is psychologically a response to the irritation aroused when British and French action at Suez exposed Italy to economic and political strain.

The policy of Italian penetration in the Near East is naturally supported by the ecclesiastical hierarchy, which seeks a political backing for Catholic interests in these

countries. President Nasser's announced intention of calling on the Pope makes his visit doubly welcome in Vatican quarters, where it is hoped that the meeting may lead to substantial agreements on the Catholic schools and missions in the new Arab state.

These are the pros and cons of Signor Pella's much criticised "neo-Atlantic" policy. The solid facts of Italian penetration in the Middle East are ENI's oil fields in Sinai and its permits in the Persian Gulf. Its approach in these countries has been enlightened and corresponds both to national and true international interests. There is little doubt that one motive which has inclined the Italians towards President Nasser is the refusal to ENI of the licences it had been virtually promised in Libya. The fall of Ben Halim and the subsequent assignation of these concessions to American companies are attributed here to the concerted pressure of all the great oil companies to keep ENI out of Libya. An intervention of the Italian foreign office had no effect.

Oil interests apart—and the Italians naturally believe that theirs are at least as legitimate as anybody else's—it seems unlikely that President Nasser's visit here will help Italy to "penetrate" with its typewriters and sewing machines more than it is doing already, which is pretty well. The disadvantage of the visit is that its prospect unsettles public opinion just before an important election.

Sr Frondizi's Victory

FROM A CORRESPONDENT IN BUENOS AIRES

AFTER the most honest and orderly election in Argentina's modern history, the 49-year-old lawyer, Sr Arturo Frondizi, has been chosen president-elect. He will assume office on May 1st for a term of six years. To forecast the result of the contest was a baffling problem for the prophets. After Dr Ricardo Balbin, candidate of the older Radicals (better known as the "People's Radicals") had been selected by democratic vote as his party's standard bearer, many people had believed that he would win. He had beaten Sr Frondizi comfortably enough in last July's elections for a constituent assembly and there had been little change in the issues before the electorate.

But late in the day there was a dramatic change. The Communists withdrew their candidate and decided to support Sr Frondizi. The Peronists quickly made up their minds that they too would support Sr Frondizi. Although several political groups had claimed that their supporters had turned in blank papers last July, the general belief was that the great majority of those 2,115,861 spoiled votes belonged to followers of General Perón. As the margin between Sr Balbin and Sr Frondizi in July had been 256,921 the accession of Peronist and Communist votes made the position of Sr Frondizi impregnable.

Sr Balbin increased his July total by over 20 per cent, but was swamped by the Peronist union with Sr Frondizi. The Communist vote was less important. There was a big decline in the Socialist and Christian Democrat totals compared with the constitutent assembly vote in July. The inference from this is that a greater number of Argentines were not prepared to throw away their votes and voted for a candidate with a good prospect of victory.

The immediate sequel to Sr Frondizi's triumph was an outburst of Peronist rejoicing. Processions cheering the new president and the late dictator marched through the streets in the capital and in Mendoza. The old prohibited marching songs were sung; and the so-called tactical command of the outlawed Peronist party held a press conference and outlined its attitude towards the incoming president. Presumably his policy will be watched and the measure of opposition towards him will depend on how he behaves. In any event, he is regarded as little more than a trojan horse for facilitating the return of Peronism to Argentina. At his own press conference, Sr Frondizi said he would declare an amnesty for those allegedly guilty of political and labour crimes. This, of course, means lifting the ban of political outlawry on the Peronists, but the amnesty will not cover those guilty of common crimes. Whether or not General Perón will be allowed to return seems to be in some doubt. The next Congress and presumably the Courts will have to solve the problem of who can and who cannot return to Argentina.

Sr Frondizi also insists that he had no pre-election agreement with the Peronists or the Communists. That they voted for his programme does not, he says, commit him to them. But in practice he may find it extremely difficult to bring about the pacification of the country and the elimination of politically inspired strikes unless he works in close co-operation wtih his army of Peronist supporters. During his election campaign he supported the right to strike, and it is believed that one of his first moves will be to endorse the demand of the workers for higher wages to offset the increased cost of living. The provisional government failed to induce the workers to settle down to produce more; it remains to be seen whether the new president will be any more successful.

*

Sr Frondizi has been too long a student of economic affairs not to appreciate the magnitude of the nation's financial difficulties. But he is opposed to foreign assistance for Argentina's oil industry. He has often said that the country must export more and obtain higher prices for its produce. But he has not explained how the obstacle of established world commodity prices is to be overcome. He has been highly critical of the prices paid for Argentine beef; and when he visited the Minister of Finance last week he was accompanied by Dr Aldo Ferrer, latterly economic adviser to Dr Candiotti, Argentine Ambassador in London. Dr Ferrer caused a sensation here by stating that in his opinion Argentina did not obtain a good enough price for its beef. It looks as if there may be trouble ahead for the packing house industry.

The landed classes, too, are not altogether happy about the new president. He is believed to share far too many of General Perón's ideas about the desirability of breaking up estates and the granting of preferential treatment to industry. Local industrialists, in the main, have welcomed Sr Frondizi's victory. He believes in intensifying industrial development and reducing imports to a minimum. But the manufacturers are apprehensive about the extent to which the new government will go to placate labour.

Meanwhile, Sr Frondizi has been content to say that he will have a full study of Argentina's economic problems made. From this he will probably discover that there are no ready made answers to those problems, and still less that their solution is to be found in economic nationalism.

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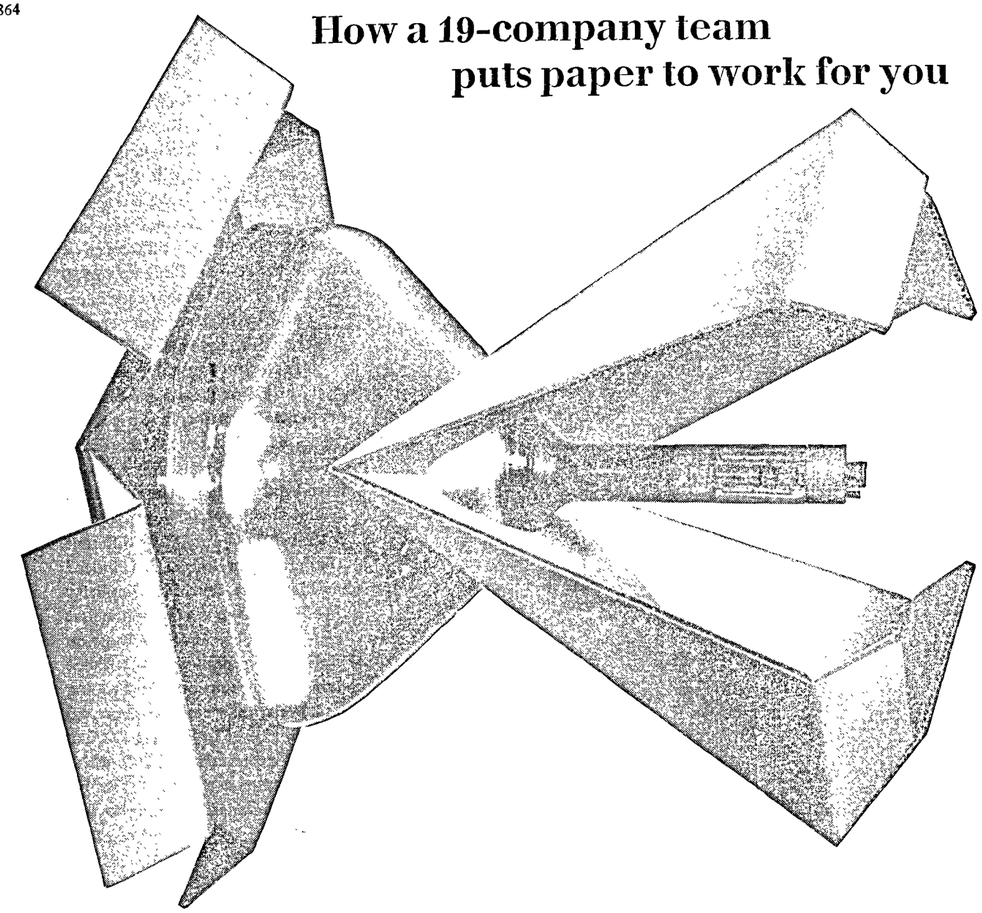
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THE BUSINESS WORLD

Building after the Boom

NEARLY half the fixed investment going on in Britain at any time is construction, and in any new investment project the buildings are usually finished first. So it is with an investment boom. The surge of industrial investment that began in 1954 coincided with cuts in housebuilding, so it was not until late 1955 that it began to swell the volume of total constructional activity. Throughout 1956 the building industry felt the full stimulus of the boom: but as early as last spring this wave was beginning to recede. The winter of 1956-57 was a much milder one even than this, allowing unusual progress to be made on constructional jobs; but by the second quarter of last year the volume of building and civil engineering output, as indicated by value figures and cost indices calculated by the Ministry of Works, looked to be turning downwards. By the end of the year it was about $3\frac{1}{2}$ per cent lower than a year before. The value of the industry's output in 1957, £2,141 million altogether, was 3 per cent higher than in 1956, but this increase was simply a matter of prices. Though the industry had begun the year at a record level of activity, the total volume of construction in 1957 was no higher than in 1956. This year it will certainly be lower. New orders are not matching the volume of contracts being worked out; unemployment has risen more than seasonally; and demand for building materials has dropped.

In only one sector of the construction industries' market is demand still rising—public investment other than housing, which last year accounted for about £480 million, or nearly a third of the value of new construction. Extra spending on roads—it will be about £50 million this year against just under £40 million last year—goes almost entirely upon civil engineering work. Investment in the nationalised industries and services will be higher this year, but has a far smaller "building content": still, the increase in their total capital expenditure from just under £700 million last year to perhaps £720 million this year—provided the money increase is not swallowed up in higher prices—should mean some slight increase in their demand for building work, which ordinarily represents about a quarter of their total fixed investment. Public expenditure on the building of hospitals, technical colleges and schools—some £130-£140 million last year—is continuing to rise.

Last year, public investment, along with the other massive item, local authority housing, accounted for about half of the building and civil engineering industries' work on new construction. But public housebuilding, which alone represented £306 million, is coming down. In September, when the cuts were announced, it was said that expenditure on public investment would be down by 20 per cent in two years' time: it seems likely that this year, in real terms, it may come down almost 10 per cent. This may rather more than offset the increases in other public demand for building; all in all, it seems that building for the public sector this year may be very slightly below last year's level.

THE other half of these industries' new work is carried out for private customers: here, demand could slip a little more than in the public sector. There are fewer private houses under construction than at this time last year, and the credit squeeze has affected both the prospective householder and the speculative builder. Industrial building levelled off last year, and those manufacturers who reported their investment intentions to the Board of Trade at the end of last year were expecting to spend slightly less on buildings in 1958 than in 1957. There is little evidence of the intentions of the businessmen responsible for commercial building, which has been the fastest-rising element of all new construction work in recent years. From a value of £124 million in 1955, this had risen to £182 million last year, two-thirds as much as was invested in the

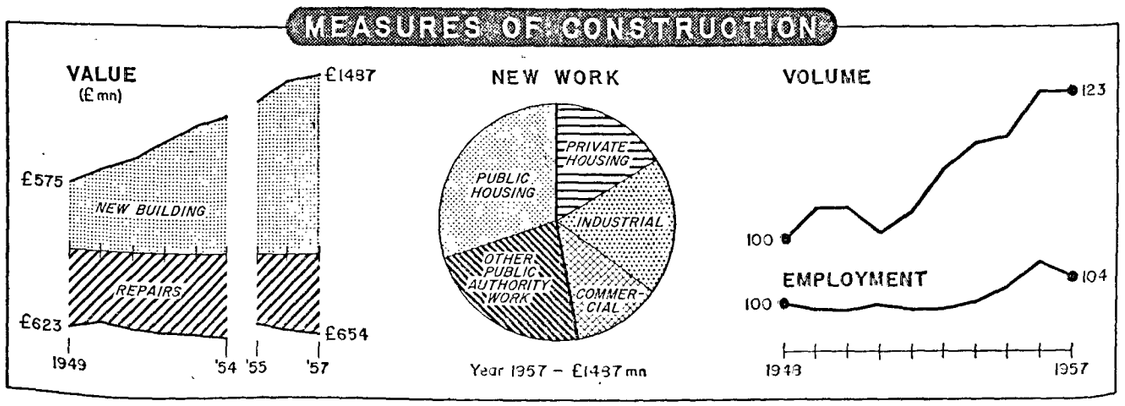
building of new factories. New orders for shops and offices are said to have declined since September; but there remains a large amount of work under construction, and total "work done" (i.e. progress and final payments) may not be much different from last year's total.

All this new work takes up about two-thirds of total building and civil engineering activity: the rest, worth some £650 million last year, goes into repairs and maintenance, which is ordinarily more stable in volume. It did rise between 1955 and 1956: last year, in real terms, it does not appear to have changed much. This year it will be subject to conflicting influences. The Rent Act should have stimulated house repair, and craftsmen in the specialist trades may be easier to attract into repair work; but the tightness of credit could affect commercial and industrial maintenance of buildings.

THE volume of total building and civil engineering activity this year, therefore, will be lower than last year. So far as output is concerned, the effects of the investment boom are over. But the boom also had its effects upon productivity, if only by shifting resources to kinds of construction where efficiency may be rising faster. On a rude comparison of output and employment, building productivity probably rose by about 3 to 4 per cent in 1956 and perhaps by 1 to 2 per cent last year. Output per employee was rising fastest in commercial building (though absolute output per head is lower here than in any other kind of new construction) and in public work other than housing. During the boom longer hours were worked, particularly in civil engineering. Moreover, the industry has been investing much more heavily in new plant and equipment. In both 1955 and 1956, it was investing about £50 million, which in real terms was nearly double as much as in 1950. This is still only 5 per cent of the industry's net output, and much more could probably be done. But comparisons with other forms of industry can be misleading so far as capital spending is concerned. Building is an industry that itself needs practically no buildings at all; its production plant is mobile equipment that has to be moved from job to job; and it is also the industry *par excellence* of small firms.

This higher physical output per man has been matched by tighter attention to costs. Time and method study, to make more economical use both of men and of building plant, has been promoted for several years by those seeking ways of making building more efficient. Work study could also assist the building foreman in his job on the site. Progress is slowly being made in selling this idea to builders; but work study courses specially set up for them, apart from the internal ones run by some of the larger firms, are still few. Gradually, however, the lesson is being spread about in the only really effective way, through witnessing actual results. But the main reason why this industry, in spite of recent improvements, has still increased its efficiency less since before the war than most others in Britain, in the opinion of its thinking minority, is the calibre of its largely professionally unqualified management—in large, medium-sized, and small firms.

Few builders, as distinct from civil engineering contractors, have undergone any organised vocational training in their youth, yet they employ qualified tradesmen and in the course of day-to-day work have to deal constantly with qualified architects, engineers, and surveyors. This makes for an altogether exaggerated rift between the "practical" builder and the "theoretical" architect, which is accentuated by the convention of the architect as a professional adviser to the client. But it means that the typical builder makes comparatively little use of the growing fund of technical knowledge, research, and advice that the more advanced —and larger—contractors and the Building Research Station have been making available. And it means that few have the training or the breadth of outlook to be able to analyse their own operations and plan their projects properly before starting. Eight years ago, this weakness was instanced by a productivity team from the industry as the main reason why American building was more efficient than British: this week a team from one of the specialist sections of the industry, plastering, had to conclude that in this respect Britain still compared as badly as ever.



BUSINESS NOTES

IN THE MARKETS

The Spread of Yields

THROUGH the early part of last summer the yield on industrial ordinary shares represented in *The Economist* indicator and the yield of 2½ per cent Consols were pegging almost level. There was a time in July when it looked likely that their traditional relationship might be reversed and industrials might actually yield less than gilt-edged though it did not happen. This Wednesday, after a week in which both industrials and gilt edged have risen, *The Economist* indicator at 173.1 yields 6.85 per cent and Consols at 48⅜xd yield 5.14 per cent. The yield spread has thus widened to nearly 1¾ per cent per annum—a third of the current yield on Consols. Some day that unusually wide gap must narrow again and that is why a few investors who can afford to take quite a long view are now turning their eyes back again towards industrials. It explains why Manchester City Council which already has power to invest its pension money in industrial shares has taken the decision to lay out £500,000 a year in equities, and why the London County Council which has not got the necessary powers is seeking them. It explains also why one or two investment trusts are thinking about raising debentures to expand their portfolios even though they may have to pay about 6 per cent for the money.

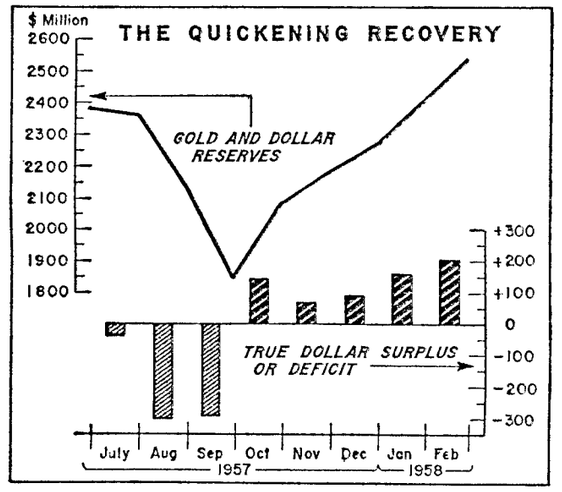
That lure of the yield spread however is of interest mainly to the investor who can think in terms not of months but of years. For those whose main concern is the short or medium term outlook, the facts most relevant point in the opposite direction. A technical rally in industrials is certainly occurring. It owes something to the fact that Shell Transport's new shares are now £3 paid and that selling pressure from those who could not find money for the call has finished. The gilt-edged market remains strong. It took the new 6 per cent Australian stock in its stride and although, as expected, the issue was oversubscribed with no great margin (cash applicants for over £100,000 receiving 87 per cent of their applications) the initial discount of ½ per cent was soon wiped out.

The bullish tone is naturally most noticeable in the one section of the market where the Government broker cannot at the moment exercise control—in the short-dated stocks that suit the money market's book. The shorts have continued to rise vigorously, a movement that goes strangely with the fact that last week for the first time for many weeks the average discount on the Treasury bills rose. It was £6 os. 3½d. per cent against £5 19s. 5½d. per cent a week earlier, the market having brought down its common bid by 4d. This decision of the discount houses occurred significantly at the one point in the month when sterling was not strong and it may be claimed as a victory for the only discipline that remains—the forcing of the market repeatedly into the Bank. But the hard fact is that, whatever the plans of the authorities may be, most sections of the gilt-edged market already discount some reduction in Bank rate.

GOLD FIGURES

Best Since Korea

BRITAIN'S transactions in gold and dollars and with the European Payments Union last month produced the second best result on record, yielding only to the figures for October, 1950, in which the reserves were benefiting from the feverish Korean boom in commodities and from rumours of an up-valuation of sterling. The actual increase in the reserves in February was $135 million, itself highly satisfactory. But the star performance was the surplus with the European Payments Union, which will not be settled till next week. The February surplus was £45 million ($126 million) of which some $94 million will be paid to Britain in gold.



It is clear that this EPU surplus has been boosted by special capital movements, notably those connected with the capital issues made by the Shell group and these could, of course, be transitory. It is equally clear that the February figures evince a continuing and progressive recovery of sterling's strength. Deducting from February's gold gain the receipt of $22 million from EPU in respect of the January surplus, and adding in this month's $94 million, the "true" dollar surplus is $207 million—this is the eight-year record. It follows surpluses of $166 million for January and of $86 million for December. The exchange inflow reflects commercial dollar earnings in the favourable season, boosted by the covering of sterling commitments extended during last summer, and the replenishment of working balances run down at that time. Bear covering of this kind has been a far more important influence than the modest inflow of funds for interest arbitrage. Sterling's sharp dip last week now appears to have been attributable to temporary end-month factors; this week it has recovered to around $2.78½.

Confidence Makes Its Mark

THE achievement in the five months to end-February should be well noted by the sceptics. With the reserves at $2,539 million, the summer gold loss has been more than made good; and even after allowing for the $250 million drawn from the credit with the Export-Import Bank (the second half of which has now been renewed for another year but not yet used) the reserves are within $100 million of their level on the eve of the crisis. It is an achievement unmatched after any of the previous sterling crises of recent years.

The strengthening of confidence in sterling was indeed an important influence also in the big "special" factor, the Shell money. A small part of this may have represented purchases of sterling by overseas investors wishing to buy the rights to the "Shell" Transport issue; the first £3 per share call on the new shares on Tuesday will not have affected the end-February figures. A considerably bigger influence seems to have been that the Royal Dutch Shell company converted dollars and guilders paid in by investors into sterling. Royal Dutch is an international company with large commitments in the sterling area; and London to-day is the most remunerative centre in which to hold idle funds. Nonetheless, a big switch into sterling by an international company is a remarkable tribute to the change in the currency atmosphere in the past few months. Some measure of the switch out of guilders is seen in Holland's deficit with EPU of $47½ million, which follows a surplus in January of $22½ million.

Another special support for Britain's EPU surplus came from France. The authorities there could claw back fewer foreign balances from French commercial banks than in recent months. By the process of *ratissage*, France's balance in EPU had for many months been bolstered up, and Britain's weakened; now at last the boomerang is in return flight. France's deficit with EPU last month increased from $21 million to $32 million.

PRODUCTION

Plus Equals the Minuses

A YEAR ago, recession in the motor industry was sufficient to offset rising activity in other industries and hold the index of total industrial production level; today the position is almost exactly reversed, with a motor boom equally offset by recession elsewhere in industry. Rapidly produced indicators of production are necessarily approximate: the figure forecast for December which on a seasonally corrected basis was 140-141 (1948 = 100), has now been revised down to 138. Manufacturing output, at the end of the year, was below the levels of the summer and autumn. But the trend of total output is still horizontal: the first indications of output in January suggest that this will have been about 137-138 on the seasonally adjusted basis, which is fractionally higher than in January, 1957, but fractionally lower than the average index for last year.

Motors exert a good deal of pull on intermediate engineering such as drop forgings, light castings and electrical components, as well as on tyres and sheet steel. Some of their component suppliers, however, also work to a considerable extent for aircraft, and have been affected by the rundown of defence contracts. The manufacturers of capital goods such as machine tools are now moderating their rate of output here and there, in accordance with the decline in new orders that they have experienced for months past; another group of investment suppliers, the building materials industries, are recording quite substantial cuts in output below the level of a year ago. Consumption, from the most recent estimates of national expenditure, still seems to be rising slightly in volume; but output by manufacturers

INDEX OF INDUSTRIAL PRODUCTION, SEASONALLY ADJUSTED
(1948—100)

	All industries			Manufacturing	
	1956	1957	1958	1956	1957
January	138	136	137–138	142	139
February	136	137		141	142
March	137	137		141	141
April	137	137		140	140
May	136	140		139	144
June	138	142		141	147
July	136	139		139	144
August	134	138		137	142
September	137	140		142	145
October	136	137		139	141
November	137	140		140	144
December	136	138		139	141

of durable household goods no longer seems to be rising as much as it was in the autumn, and output of "soft goods" remains stable, with textile and clothing output falling off slightly and food, drink and tobacco production somewhat lower than twelve months ago. The motor industry has switched its sign from a big minus in the economy to an even bigger plus, during the last twelve months; but there are a lot of other minuses appearing.

COAL PRICES

Incentives for Some

IT is economically expedient to "open the concertina" of coal prices, raising the price of large coal and reducing the price of small, when there is not enough large coal in the total tonnage raised from the mines to meet demand for it at present prices—and far too much small. But the Government no doubt considers it politically inexpedient at this moment to raise the price of large coal to the consumers who use most of it, householders and the railways. So the National Coal Board's announcement this week means that it is to use the price mechanism in this perfectly rational way against only one group of consumers—those in private industry. These industrial consumers use just over 20 million tons of coal a year, and have recently been buying, among this, about 4 million tons of large coal. The board's avowed object is to give them a price incentive to buy smaller coals instead. The move will enable the last remaining imports of large coal to be dispensed with: but price discrimination of this kind should certainly not be exploited to make room for an end to domestic fuel rationing.

Prices of industrial coals vary mainly according to quality, size, and where they are produced (there is a separate ranking for carbonisation coals), but selective increases related to the demand for particular coals, as these latest ones are to be, have been made from time to time. The average pithead price of large coals is at present 98s. a ton; prices of these are to be increased by up to £1 a ton, according to quality. The average price of "doubles"—coal in lumps that will go through a two-inch mesh but not through a one-inch mesh—is now 88s. a ton: increases will vary up to 5s. a ton. The reduction in prices of "singles"—coal in sizes

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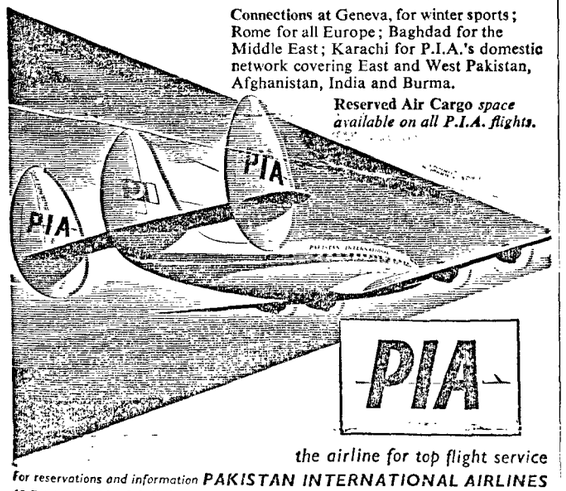
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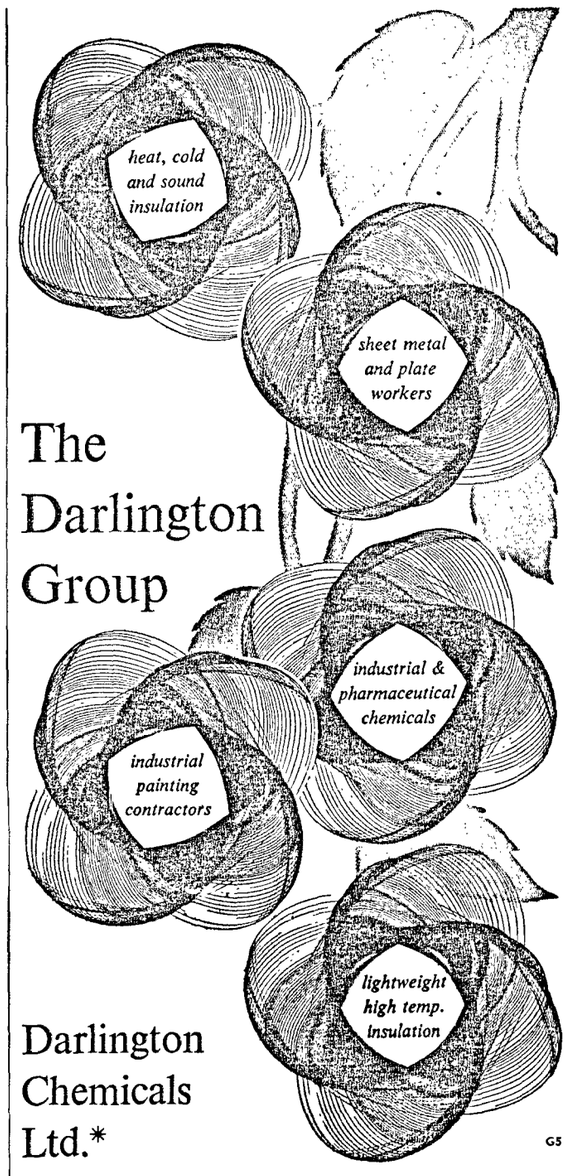
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between an inch and half an inch—is a flat cut of 3s. a ton; at present prices of these coals to average 88s. a ton. If industrial consumers alter their consumption as it hopes, the board will neither gain nor lose in revenue from these changes.

British Railways, as the country's largest individual buyers of large coal, have presumably been getting it below the average price industry was paying and the margin they enjoy through bargaining will now be automatically widened; most domestic consumers have probably been paying more than industry, and this difference will now be reduced. Carbonisation coals are largely outside this price range (though a few coals may be sold in both ranges), so the gas and coke oven and industries are not affected. Most of the coal power stations buy is smaller than these graded sizes, and the Coal Board will presumably be treating more of its small coals to sift out the extra "singles" to which it hopes that general industrial users will turn. Formally, the changes do not affect coal for electricity; the electricity industry this week felt confident enough about its forward fuel costs to promise that its bulk supply tariff would not be altered for a year. So the board's price discrimination here really only affects industry as against householders and the railways—which remain the worst wasters of large coal and are being given no further incentive to mend their particular ways.

AIR TRANSPORT

Safety Margins

CIVIL aviation in this country will be none the better for last Friday's debate on air transport development in which at least two speakers suggested—without providing a whit of evidence—that the safety standards of some airlines were lower than they should be. Mr Mikardo made no bones about it. "For a long time," he said, "I have felt that some of the independent operators, whilst carrying out the statutory rules laid down by the Air Registration Board, did not break their necks to go beyond the minimum required. I believe that, in this matter, the minimum is not good enough. . . ." Mr Beswick was more circumspect. After referring to the long safety record of Silver City, Eagle Aviation and the Ambassador aircraft, all three of which have been involved in recent accidents, he went on to say, "one might well wonder whether it is the very fact of freedom from accidents which has permitted the margin of precaution to be almost imperceptibly whittled away."

No aircraft, not even a privately-owned runabout, can be patched and put into the air like an old lorry. They are subject to stringent licensing regulations which lay down conditions for overhaul, prescribe the time between overhauls and generally take the matter away from the discretion of the operator. Air crews are also licensed and, like the aircraft, their licences have to be constantly renewed and their proficiency checked at stated intervals. These rules are laid down by government airworthiness authorities as specific safety requirements, not as bare minima which operators should "break their necks" to exceed and improve on. If it is necessary to do this, then the regulations, not the operator, are at fault, and the speakers' complaints should have been addressed to the Air Registration Board. It is unlikely that they would have cut much ice there.

The idea that there could be one standard of maintenance for the nationalised air corporations and another for the independent airlines, or one for scheduled public services and another for charter flights, probably has its roots in the British Overseas Airways Corporation's grossly inflated engineering staff. The corporation's engineering and maintenance costs much exceed those of other major international airlines, not because the work is done any more carefully, but because it takes so many more men, and particularly so many more inspectors, to do it. BOAC is steeling itself to a major campaign to get these costs down, for they are the biggest contributory factor to its high operating costs. It might be possible to save several million a year, but when that attempt is made many more, and if possible even wilder and more irresponsible accusations about safety standards, will be heard.

OIL PRICES

The Slide Continues

FURTHER adjustments in world oil prices, all downwards except for kerosene, were made last week. The fall in the prices of refined products in the US Gulf and Caribbean has now spread, with some adjustments to local marketing conditions east of Suez, to the refineries in the Middle and Far East. A further decline in product prices in the United States is being staved off by sharp reductions in the volume of crude oil run in the refinery stills, and to prevent scattered cuts in the prices of US crude oils from becoming general the producers in Texas have accepted the unheard-of restriction to a mere nine days' output in March.

Many refiners are still paying 25 cents a barrel more for their crude oil than they were before the Suez affair began, but any compensating increase in the prices they receive for their refined products—which was significant only in the case of fuel oil—has now virtually disappeared. The price of heavy fuel oil, both in the US Gulf and in the Caribbean, has fallen by a total of 30 cents a barrel during the past month, and is now only 15 cents a barrel higher than it was before supplies were interrupted nearly eighteen months ago.

As some Venezuelan crudes yield an exceptionally high proportion of fuel oil, their prices rose sharply when fuel oil was in short supply and they could not escape a corresponding reduction when it became surplus. Although the posted prices of these crude oils have been reduced by only 15 cents a barrel, some producers, unable to dispose of their output, have been offering discounts of as much as 50 and even 75 cents a barrel off the posted price to contract buyers. This weakness has not been reflected in the prices of crude oils in the Persian Gulf, although prices at the pipeline terminals in the Eastern Mediterranean have been adjusted to allow for the decline in tanker freight rates with which pipeline charges have to compete.

Against this background, and in view of the general slackness in the world demand for oil, reports of the sharp increase in the output of the Iranian oil consortium in January and of a surge in output in Kuwait during the same month make rather curious reading, even if they are due to non-recurring factors; the February output figures will almost certainly be lower. When the pipelines from Iraq to the Mediterranean are restored to their full capacity later this year, the oil companies will be expected to increase their

off-take of Iraq crude oil. If the price is not to collapse, they will have to hold back output elsewhere in the Middle East.

BANK FIGURES

Credit See-Saw

BANK credit in recent months has shown no consistent trend. In the last few weeks of 1957 the expansion of deposits was notably larger than is normal at the season; then the statements for mid-January showed a bigger than usual seasonal decline; and now the reduction shown in the February figures is somewhat smaller than in corresponding periods of 1957 and 1956. The seasonally adjusted index of deposits is carried up by one decimal point, to 109.8 (1948=100); but in the first seven weeks of the year together, the fall of £385 million in net deposits is a little larger than the record fall last year.

The decline in deposits in these early weeks of the year reflects the repayment by the Government of Treasury

LONDON CLEARING BANKS

	February 19, 1958 £mn.		Change on Month £mn.	Change on Year £mn.
Deposits	6,400·4		−309·3	+210·5
"Net" deposits*	6,130·5		−261·6	+201·1
		%†		
Liquid assets	2,253·5	(35·2)	−282·6	+176·7
Cash	514·9	(8·0)	− 35·5	+ 15·6
Call money	414·4	(6·5)	− 8·9	− 0·1
Treasury Bills	1,207·2	(18·9)	−227·5	+190·7
Other Bills	117·0	(1·8)	− 10·7	− 29·6
Risk Assets	3,963·8	(61·9)	+ 22·4	+ 29·0
Investments	2,083·9	(32·6)	+ 1·5	+ 72·6
Advances	1,880·0	(29·4)	+ 21·0	− 43·6
State Boards	55·6		− 21·9	− 1·9
All Other	1,824·4		+ 43·0	− 41·6

* Excluding items in course of collection.
† Ratio of assets to published deposits.

bills from the proceeds of the tax inflow. So far, the banks' liquidity is still comfortable—the ratio is 35.2 per cent, compared with 33.6 per cent in February last. A matching seasonal influence is an increase in advances, to help taxpayers meet their bills. Despite the repayment of £22 million by the state boards—this being attributable to fortuitous influences of the timing of Exchequer advances—total bank advances still rose by £21 million, marking an increase to other borrowers of £43 million. A year ago the increase was £97 million. The banks added virtually nothing to their investment portfolios in February, following the January increase of £33¼ million at the time of the issue of the 5½ per cent 1966's. The banks still show no disposition to increase their stake in the gilt-edged market in a big way, nor until the depreciation on their holdings of shorts has run off will they switch freely into the new 1966 stock.

STERLING NOTES

Import Allowed

A STRONG pound is the right background for the decision to allow the import into this country of sterling bank notes. The British traveller can still take only £10 in notes in his pocket, but in countries where sterling notes have been changing hands below the official rates, foreign banks can now remit them for credit of their accounts in London. In effect therefore the notes pass into a sterling account of the appropriate area—a transferable account if the notes come from the transferable account area and a dollar area account if they come from the dollar area. There has been no rush to repatriate big quantities of British notes; the pound note in Zurich has hardened to 19s. 11¼d.—£1 0s. 1d. against transferable sterling, whereas the rate was formerly 18s. 11d.—19s. One of the Swiss banks has come in as a buyer of sterling notes.

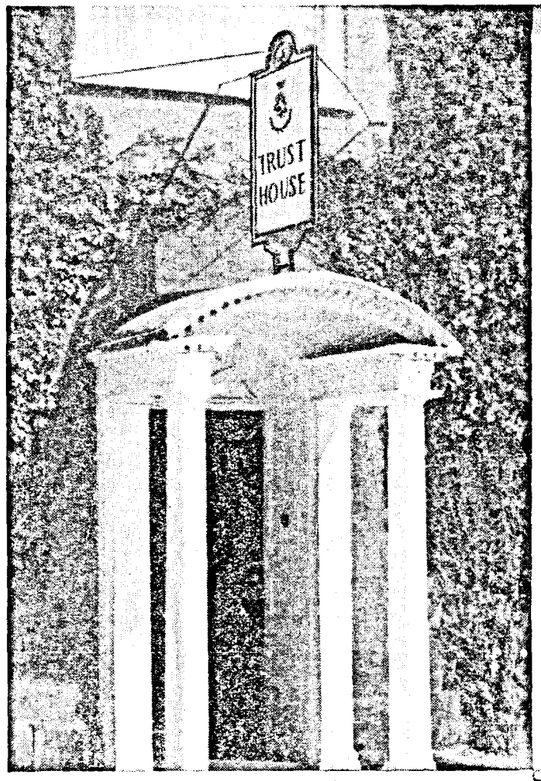
The one centre from which there has been a substantial inflow of pound notes is Tangier, and perhaps because a sizeable quantity of notes was unfrozen, the sterling rate against Spanish peseta notes has also improved. Peseta notes can now be bought in London for 155¼-156¼ against about 158 when the British relaxation was announced. The change naturally will not abolish the wide differentials between bank note rates and telegraphic transfer rates for several foreign currencies. The French franc note rate, for example, is currently quoted in London at 1,304-1,307 to the pound—a range which must be widened for the private tourist by the British bank's commission. The difference between this rate and the official franc quotation of 1,180 to the £ depends on French currency controls, not on those of this country.

ATOMIC ENERGY

Nuclear Power for Export

EXPORT prospects for nuclear power stations are brightening. Tenders for a second atomic power station for Italy, to be financed by the World Bank, are open to all-comers by the end of April, and the results are expected by the end of the year. Germany, Belgium and Holland are also expected to invite roughly similar tenders some time this year, although there is still some doubt whether the Dutch government will approve the expenditure. The Italian station, like that for which the Japanese have invited tenders from three British groups, is for a net output of 150 mW, three-quarters of the size of the first Italian atomic station which will be built by the Nuclear Power Plant Company. Like the Japanese, it also calls for some precautions against earthquakes which must be taken into account in the southern half of Italy where this, and at least one other nuclear power station, are expected to be built.

Some British manufacturers think that there will be a tendency to standardise on a capacity of 150 mW, or multiples, for the first European nuclear power stations; that would make tenders very much lighter to prepare. But it is not certain that customers will be so considerate as to order exactly on the scale of one reactor at the Generating Board's first stations. A capacity of 150 mW is big for a small country and small for a big one; and one at least of the five British teams, English Electric, is now building reactors of 250 mW capacity without a proportionate increase in building cost. In those European countries that write off their electrical plant over relatively short periods, such as Belgium and Germany, the high construction cost of the British type of power station involves capital charges of up to 15 per cent per annum, which offsets much of their operating advantage over American reactors. But American estimates of costs have risen very sharply during the past year, while British estimates have continued downward.

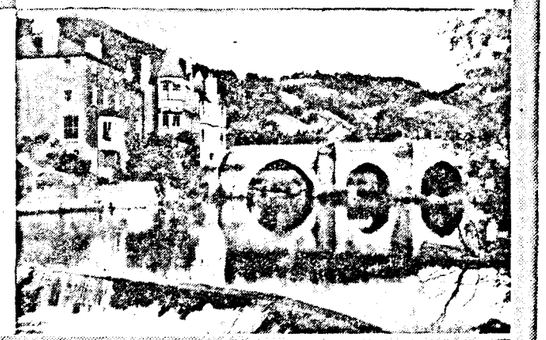


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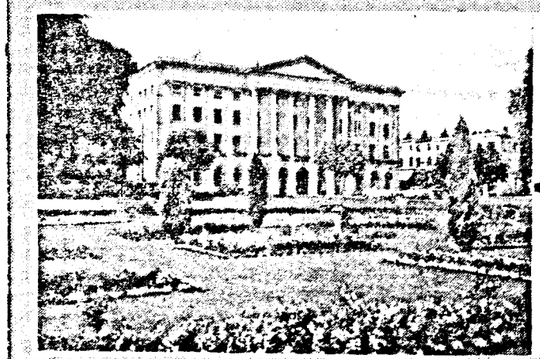
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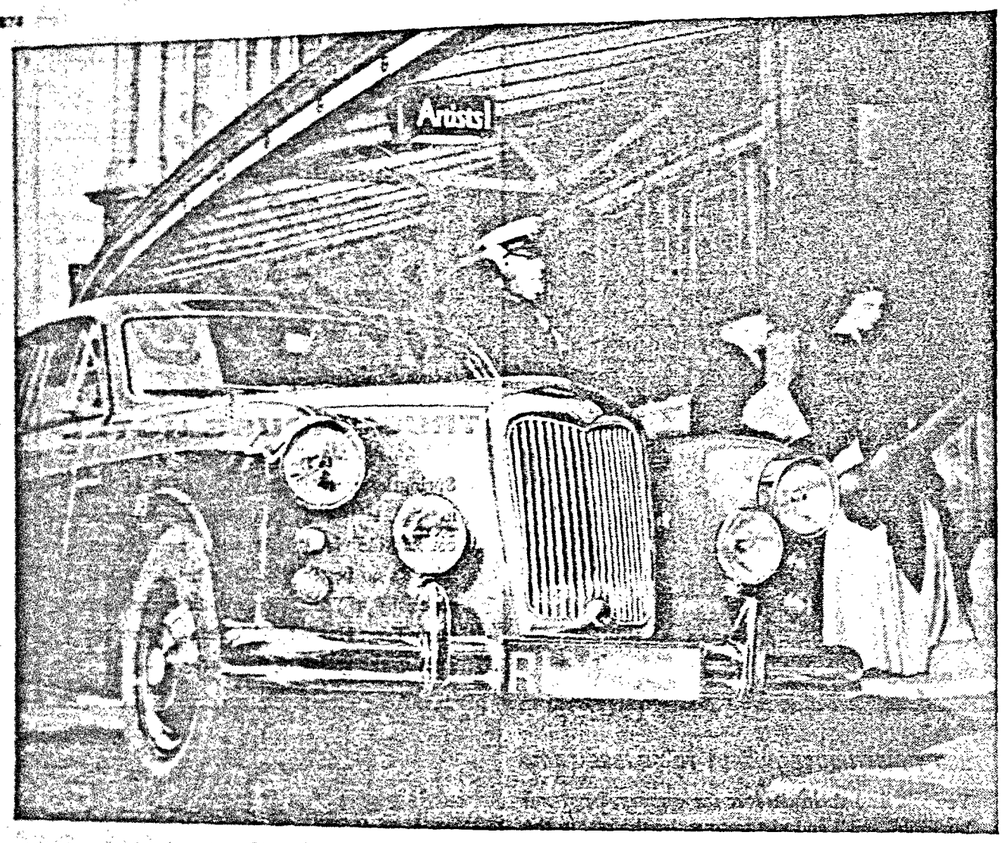


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ATOMIC INSURANCE

Agreement on Principles

AFTER a three-day meeting in London last week, the main insurance markets of Western Europe agreed on the basic principles they will follow when offering cover for atomic risks—or rather, they seem to have accepted without much question those already worked out and practised by the main British insurance companies and Lloyd's whose British Insurance (Atomic Energy) Committee has been in business for more than a year. This group has eighteen different reactor projects before it now—some power stations and some research reactors—and has already quoted cover for half of them. British companies attach great importance to the principle that liability for all risks must be placed squarely on the reactor owner, so that insurers know exactly where they stand, and this principle was also accepted by last week's meeting, together with an undertaking to offer comprehensive cover only and to accept no division of risks. Separate sub-committees are meeting late in April to work out the details of surveying and evaluating the hazards; of bases for premium ratings and of the policy cover to be offered. Since scientists themselves hold differing views on the degree of risk attached to different designs of reactor, insurance companies will need all their traditional skill in weighing experts' opinions to pick their way among the different types and to obtain a broad measure of international agreement on the potential hazard each one carries inside its concrete shell.

Companies are not seriously disturbed by the fact that no Western European government, other than the British, has yet indicated where it will fix the limits to third party liability. They now believe there would have to be a major reactor accident, probably involving the destruction of an installation worth £10 to £15 million, before any question arose of damage to people or property outside the premises and in such a case the bill for the reactor would dwarf third-party claims. When the Windscale fire almost destroyed a reactor worth several million pounds, third party damage came to less than £100,000. It is the cost of the reactors and the difficulty of repairing them rather than nebulous third-party liabilities that have led to general agreement that atomic insurance must be pooled with close links between the pools in different countries.

SPONSORING RESEARCH

Stepmother of Inventions

THE National Research Development Corporation was set up in 1949 with a government grant of £5 million to meet the development cost of promising inventions which were arrived at in government laboratories and of private ideas being ignored by industry. Either the promising inventions were fewer, or industry has sharper eyes, than the corporation's sponsors expected because that £5 million now seems likely to outlast not only the first five years of work for which it was voted, but also the first decade. It is difficult to judge how the corporation's work is going today from its accounts to last June, published this week. They show development expenditure of roughly £250,000 during that financial year on a very wide variety of projects ranging from colour television to the smoking of kippers.

Some of these projects—for example, the development of computers and the pilot trials of prototype machines designed in other government research establishments—are plainly of great value. The rapid development of computers is essential for defence and for scientific research, and since British industry was not capable of doing the work, some government aid was necessary, just as it was necessary in the United States. The NRDC offers a useful alternative to doing this work through the Ministry of Supply and is better fitted in some ways than that Ministry for marketing the results to industry; patent licences are already beginning to bring in a useful revenue, amounting to £122,000 in 1956-57. But when all allowances have been made, the Corporation still appears to be responsible for a mixed flock of swans and lame ducks, some of them recognisable rejects from industry's own laboratories. The oil companies, for example, have their own views about the feasibility of towing oil in flexible containers; these views might be wrong, but if the NRDC developed sufficient evidence to show that they were, there would surely be a case for saying that those same oil companies, rather than the taxpayer, should meet the cost of developing such containers. Housewives would also argue that the art of smoking bacon and kippers was known and practised successfully before the war (though some say it has suffered since) and hardly seems to warrant further scientific investigation at public expense. The Corporation gives no indication at any time of how much it spends in sponsoring different projects; it must not therefore be surprised if some of them are sceptically received.

ROAD HAULAGE

Knight off the Road

TO acquire an "A" licence so that he may legally put his vehicles on the road, a road haulier has to state the class and area of traffic he proposes to cater for. This description of "normal user" allows the licensing authority to decide which objections from other road hauliers and from the railways it must by statute consider and to determine whether there is need, on the haulier's own proof, with any support he can muster from his prospective customers, for this additional haulage capacity to be allowed to ply for business. This would seem simple enough. But a surprising number of hauliers have recently been running foul of the licensing laws on applying for their licences to be renewed after their term of five years. The fault in most cases is largely their own either through understandable ignorance or blatant disregard of the way the rules are applied by the licensing authorities and the Transport Tribunal, which hears appeals.

The decision published by the Tribunal last week dismissing an appeal brought against the West Midlands Licensing Authority by a haulage firm whose application for a renewal of licence had been refused has already created a certain amount of anguish among other hauliers who may find themselves in a similar situation. The bare facts of this case were that the original licences permitted the haulier, a firm called Knight, to remove furniture anywhere in the kingdom and certain other specified goods within a 25-mile radius of its bases at Cheadle and Hanley. But its application for renewal proposed that the firm should be licensed to haul general merchandise between the Midlands and a wide area of England, between the south and

east coasts and Lancashire and Yorkshire, with occasional journeys to other parts of Britain. The application was refused—and that refusal was upheld by the Tribunal—because the haulier had materially changed his "normal user."

This decision was based upon a welter of case law that has held, ever since hauliers were first licensed in 1933, that failure to fulfil a statement of intention in the original application for the licence was a ground for refusing renewal. This rule has since been reinforced by the 1953 Act, which gave the licensing authority power to revoke or suspend licences on the same default. But two parallel developments in the last few years have made these rules operate more onerously for hauliers. First, the lifting of the general 25-mile limit on private haulage operations at the end of 1954 has meant that a great number of hauliers have materially changed their "normal user" by carrying more and perhaps different goods over much longer distances—as Knight had done. And, secondly, the descriptions of "normal user" for original applications for licences have been made much more precise. Rarely do the authorities now allow the sweeping phrase "general merchandise, Great Britain"; proof of that need is not so easy. The licensing system could almost be said to be attempting to ossify the dynamic and fluid operations of the road haulage industry. The legal way out, however, is for hauliers to apply for a new licence each time their business takes on a new complexion: if all hauliers scrupulously observed that rule the licensing authorities would be quickly overwhelmed with work. But hauliers will have to do that if they are not to find themselves denied the renewal of their licences every five years and therefore their right to continue in business uninterrupted.

EGYPTIAN COTTON

A Discount Offered

EGYPT is to offer a discount of 23 per cent on cotton exports against hard currencies (including sterling). The machinery of the concession is a manipulation of exchange rates that looks at first glance distinctly like that of the early stages of last year's devaluation of the French franc. The exporter who offers his cotton at a 23 per cent discount will sell his hard currency to the National Bank of Egypt at 30 per cent premium and thus come out square. In that way Egypt casts its eyes towards the Rome negotiations and towards the hope of more normal trade with the West in terms of money that can be spent freely, and presumably of less barter dealing with Russia where goods are tied to goods. Does the move also imply a devaluation or partial devaluation of the Egyptian pound? Financial opinion in this country is by no means clear that it necessarily does.

The 23 per cent discount on cotton will not of itself facilitate the sale of a single bale of Egyptian cotton to this country. To import Egyptian cotton into Britain is not illegal, but to pay for it, except into a blocked account, is. So imports of Egyptian cotton have stopped since the Suez crisis. Sales to other European countries have been made and on these Egypt has for months been giving discounts that seemed to vary with the need for the currency in which payment was to be made. Occasional sales are believed to have been made at 40 per cent discount, but a more usual figure even for currencies as hard as dollars or D-Marks has been about 20 per cent. Without a payments agreement between Egypt and the United Kingdom the newest concession will not sell much more Egyptian cotton. But if a payments agreement is arranged the moving of last autumn's crop could proceed faster, and incidentally competition between Egyptian and Sudanese cotton could be intensified.

RAILWAY PROGRESS

The Night Freight Express

THE railways have to put many of their freight trains on to regular schedules out of sheer operational necessity; it would seem to the outsider therefore quite a simple step to publish these schedules and keep to them. But except for the "Green Arrow" services for the movement of exports to the ports this has not been the practice of the railways in this country. Recently, however, the general manager of the Southern Region of British Railways argued publicly that this should be done. By raising the reliability of railway freight services, he suggested, this step might help considerably towards reversing the prolonged switch of goods traffic to the road, and it could moreover be done straightaway in advance of the major fruits of modernisation and commercial freedom.

The Southern Region happens to be one of the smaller regions and is predominantly passenger-carrying. But the London Midland Region, which hauls seven times more freight than the Southern and about a third of the total goods traffic of all six regions, has decided to do it. This week it published the first express freight timetable ever to be issued in this country, an innovation of some considerable moment. The new timetable lists some 200 freight expresses departing on the evening of one day and arriving for goods to be delivered early the following morning. Merchandise deposited at Camden depot, London, by about six o'clock in the evening, for instance, will be available for collection at 6.30 the following morning at Birmingham and at 7.30 at Manchester. None of these scheduled expresses will be cancelled because the load is not big enough. Others will be added to the list as the programme of fitting vacuum brakes to the wagon stock proceeds: a further 300 semi-expresses, partly fitted with continuous brakes, are already being run, but they do not at present appear in the published timetable.

To make the scheme widely known to industry the Region's commercial staff are circulating the timetable to more than 20,000 existing and potential customers, including those it has lost. But its success will depend heavily upon the reliability and punctuality the scheduled runs will be able to attain. During January, admittedly a month of particularly bad weather, only 62 per cent of these 500 freight trains were less than 30 minutes late. Price and speed will also be important. The first will be governed by the suitability of the traffic for rail haulage and the time it will take the region to base the bulk of its charges upon cost; it should be able to offer attractive rates for many traffics once this is done. And the speed of the freight expresses, at present not significantly better over most of their routes than by road haulage at night, should be progressively improved as the region's new works and traction equipment become available. But it is a pity that the railways did not take this step of publishing freight train timetables before now; it will be harder now to gather the advantages.

COTTONS FOR AUSTRALIA

Cut for Lancashire

AUSTRALIA'S suspension of import licences for printed cotton piece-goods has caused disquiet in Lancashire where orders books are looking thin. The move has also brought out a clash of views in Australia's textile and clothing industry. Mr. John McEwen, the trade minister, has stated that no further licences will be issued until the Tariff Board has reported on the Australian printed cotton textile industry and the government has considered its views.

The suspension therefore gives temporary protection to the local printing industry. It is not primarily dictated by balance of payments troubles. In the year to last June Australia imported 38 million square yards of printed cotton piecegoods. In the current period, 70 million square yards have already been imported or licensed. This sharp rise follows the recently concluded Australian-Japanese trade agreement, and has so shaken the Australian government that it has secured an undertaking from the Japanese authorities that exports would be cut by one-third, starting early this year.

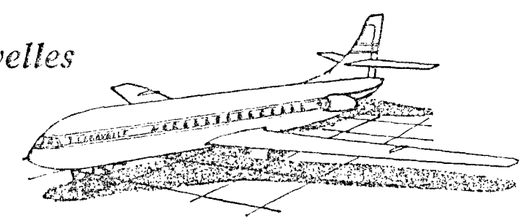
The Australian cotton printing industry has grown rapidly since the war, but it still cannot supply even half Australia's domestic requirements. That has not stopped it clamouring for protection not only against Japan, for Czechoslovakia, Hungary and Poland as well as west Germany can undercut it. Duties on printed cotton piecegoods are ½d. a square yard or 5 per cent, whichever is the lower, on British goods and 2d. per square yard for other imported piece goods. The ban affects Lancashire, on last year's basis, to the extent of 20 million square yards worth around £2¼ million; given its price disadvantage against Japan and Eastern Europe, the British industry would be hard hit by any prolonged ban. It seems unlikely that the Australian government will be in a position to reach a firm decision before the late spring.

OIL TANKERS

Tonnage Galore

TRAMP freight rates for oil tankers have slightly improved during the past month, picking up from the rate of scale minus 70 per cent to scale minus 45-50 per cent, but this present rate, which is equivalent to 16s.-16s. 6d. a ton deadweight for the Caribbean round trip, is still uneconomic for most of the large number of tankers built during the war. Time charters are equally low and one of the reasons for this long depression in tanker freights—already six months old—is last year's slower rate of growth in world oil consumption. But another, and equally potent, drag on the tanker market is the record volume of new tanker tonnage that is now leaving the world's shipyards.

A Fleet of Caravelles



WHILE the British aircraft industry has been split into two fiercely partisan groups over the building of a short-range jet airliner for British European Airways, a French-built competitor, the Caravelle, has been making rapid headway among BEA's competitors. The Belgian airline, Sabena, is the latest to open negotiations with Sud-Aviation, who make the Caravelle. Even if Sabena are interested in no more than eight aircraft, that would bring the total number of Caravelles on order or under option to the impressive figure of 68, all but five of them for European services.

An order book of this size shows how far the airlines have swung towards the use of jet airliners on short to medium range routes that they once regarded as the natural preserve of the turbo-prop airliner. British European Airways made such a rapid switch of policy and placed a rush order for six Comets last autumn, and the corporation obviously attaches the greatest importance to the choice of a jet airliner designed specifically for European routes. The order being negotiated now with the de Havilland-Rolls-Royce groups is initially for 24 aircraft, with an option for a further 12. The Corporation reckons that a saving in flying time of as little as 20 minutes would divert passengers from a turbo-prop to the faster jet service; savings of this order can be achieved on journeys of 500 miles.

Who started this pendulum towards the pure jet airliner? Air France is to bring its fleet of 24 Caravelles into service early next year; Aeroflot should be flying Tu 104s into European capitals, London included, from this summer. Several airlines will begin flying the big American jets across the North Atlantic into European terminals next year. The first foreign airline to buy Caravelles, the Scandinavian SAS with 25 on order or under option, operates to Moscow; so does Finnair, with six on order or under option. Air France, however, has made it known that the Caravelle, originally tailored for its services to North Africa, will be used over its whole European network and that it is contemplating a fleet of 50 medium-range jet airliners for the purpose, not all of which will necessarily be Caravelles.

The Caravelle is not a big airliner by current standards. It carries 70-80 passengers. Its performance has been helped substantially by a big increase in the power of its two Rolls-Royce Avons, mounted to the rear, which has been achieved while the Caravelle was under development; this has risen from about 7,500 pounds thrust when the aircraft first flew in 1955 to its present figure of 11,700 lbs. Tooling is for four or five aircraft a month with deliveries to Air France beginning next winter; the manufacturers claim that this could be stepped up to eight a month by 1960. As the first French airliner to break into the world market on any substantial scale since the war, the Caravelle is a competitor that the British industry will have to take seriously. It has already gone some way to skimming the cream off the European jet market and the first sales are always the hardest to make.

Last year, according to the latest analysis by John I. Jacobs, the shipping brokers, tanker completions exceeded 5½ million tons deadweight, which allowing for scrapping and other adjustments meant a record net increase of over 5.1 million tons to bring the total fleet to 49½ million tons deadweight. In terms of carrying capacity this meant an addition of almost 15 per cent.

With nearly 1,000 tankers of 32.9 million tons now under construction or on order, John I. Jacobs calculates that the carrying capacity of the world fleet will be increased by approximately similar amounts each year for the next four years even allowing for the scrapping of all tankers over 25 years old (relatively few tankers, however, were built in the thirties) and the cancellation or postponement of perhaps 10 per cent each year of scheduled deliveries. Already more than 3 million tons of tankers have been laid up.

While the oil companies have laid up some of their own tonnage and are working off the relatively expensive time charters now on their hands by slow running and by some re-routing via the Cape, it is the independent tanker owners who have been hardest hit, especially the Greeks, who had been deliberately concentrating on single voyage charters; they have recently been discussing various plans for withdrawing some of their tonnage from the market. Greek shipowners now operate about 6.9 million tons deadweight of tankers and have a further 4.2 million tons on order. Their fleets run mainly under "flags of convenience," such as the Liberian, which now totals 8.4 million tons, the world's largest; since they chose these flags to escape tax they are now less well off than shipowners in other countries, who can at least set off their present losses against taxable income.

DEFENCE PRODUCTION

Germany Shops for Arms

BY the end of February the German government had placed orders in this country for defence equipment totalling £85 million. Two-thirds are for military vehicles, mainly troop carriers, all ordered from the British Manufacture and Research Company. These are built to an Hispano Suiza design (the company manufactured the Hispano 20 mm aircraft cannon before it was replaced a few years ago by the 30 mm Aden, an adaptation of a German design), and much of the work has been subcontracted to Leyland Motors. The original value of the contract was £34 million, while separate orders worth £8½ million were placed by the German government with Rolls-Royce for engines. The later addition of some light armour and other modifications raised the value of the contract by £15 million to £49 million. Further additions such as gun turrets to anti-aircraft versions of these vehicles are still being discussed.

German orders for aircraft are worth about £13 million, mostly for specialised naval types. The biggest are for 68 semi-obsolete Sea Hawks, 50 Bristol Sycamore helicopters and 30 Pembroke trainers; the balance includes small numbers of anti-submarine Gannets, Skeeter helicopters and Heron transports. The remaining £14 million is accounted for by the cost of refitting seven frigates made over to the Germans by the Royal Navy, and by some specialised electronic equipment. It is not a list that will encourage the British aircraft industry in estimating future export prospects in Germany—except perhaps for airborne guided weapons, such as the de Havilland Firestreak.

CANADIAN AND ENGLISH STORES

Unhappy Disclosures

THE best that shareholders of Canadian and English Stores, that unhappy hire purchase trading company whose shares were brought to the public through the Whitehead Industrial Trust, can feel about the report of the shareholders' committee and the board's comments on it is that action will now follow. The shareholders' committee, of which Mr S. R. Hogg is chairman, has recognised that a scheme of capital reconstruction is needed. In equally forthright terms it has recommended a reorganisation of the board, and is going to get it. Mr Harry Brooks who with his wife owns the deferred shares is, if the committee's recommendations are accepted, to remain a director so long as he has a substantial financial interest, but on a part-time basis with no executive powers. Lord Milner, the chairman, Mr Robert Wilson and Mr John Wilson should, it is suggested, resign. Mr John Wilson, who joined the board in order to help to put matters right, has indeed already gone and Lord Milner now says that he and Mr Robert Wilson will offer their resignations at an early date.

That leaves the way clear for a reconstituted board under Mr Swash, the present vice-chairman and former chairman of Woolworths, to be set up. Mr Hogg will join that board. But this in itself will not solve all the company's problems. In particular the committee feel that Mr Brooks has a duty "to make a very substantial gesture towards meeting the losses of the shareholders." Nor do the shareholders yet know in full what those losses will in the end be. Pooles Central Warehouse, the English subsidiary, lost £1,250,000 in the year ended January 31, 1957; the English parent company made a small loss; Marshall and Aston, the English wholesale company, a small profit; and the Canadian group a disappointing profit of about £250,000. A further loss for the year just ended has been foreshadowed and the foretaste of it from the committee's report is that for the first half of that year Pooles suffered a loss of £400,000 before any writing down of stocks which may be required. The quality of statistical information to the board and the control of debt collection have been most severely criticised by the committee. These matters call for remedy, but no reforms can now fully recover for shareholders the prices they paid for the shares.

MOTOR BUSINESS

The December issue of this quarterly research bulletin for the motor and allied industries is now available. It includes:

THE OUTLOOK FOR 1958
THE ITALIAN MOTOR INDUSTRY
THE MARKET IN THE UNITED STATES FOR EUROPEAN CARS

The Bulletin is fully illustrated by charts, amongst which are:

PRICE INDICES OF USED CARS AND VANS
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BUILDING SOCIETIES

Interest Policy Defended

THE most forthright and most closely reasoned defence of the Building Societies Association's advice to its members to hold the line on interest rates at 6 per cent charged on mortgages and 3½ per cent net paid to shareholders is in Sir Harold Bellman's address to members of the Abbey National. Sir Harold starts from the assumption that a 7 per cent Bank rate marks a condition of financial crisis. He sees no break even point in building society rates that would yield a significant increase to shareholders unless the mortgage rate were raised by at least one per cent; Sir Harold obviously has in mind the fact that as shareholders' interest rises, the income tax that the societies pay rises, too. He says that the shareholders' rate of 3½ per cent net, equal to just over 6 per cent gross to the investor paying the standard rate of tax, has risen 40 per cent in recent years and despite competition at the fringe offers a fair return. He fears that a further increase in mortgage rates would only result in borrowers exercising the right to extend their mortgages. On the argument that the societies should put their rates up and thus attract extra money which might enable them to meet the unsatisfied demand for mortgages, Sir Harold forthrightly says: "Some two million building society borrowers would be made to suffer in the hope that at the most a few thousand would-be borrowers might be accommodated without delay."

Mr H. L. Score, the president of the Co-operative Permanent Society, takes a more moderate line. He entirely supports the association's recommendation; he thinks of 7 per cent as a crisis Bank rate and therefore that the societies should resist higher interest rates as long as possible. But he does see the force of the argument that "one group of institutions cannot stand out indefinitely against general trends." Neither of these chairmen seems to have faced the argument that the working margin between the societies' lending rates and their borrowing rates is too low to allow reserves to grow much while total assets are growing. A reduction in taxation or a higher lending rate may still be necessary in the end.

KNITTING MACHINERY

Courtaulds-Tilling Deal

THE rapid development of warp knitting has enabled knitted goods to replace (and to look like) many conventional woven fabrics, and similar inroads on lace are now reported. FNF Machinery Manufacturing Company, a Courtaulds subsidiary with Morton Sundour as junior partner, makes a large share of the warp knitting machinery in this country. Its issued capital is £518,000 in £144,000 of redeemable preference shares, all held by Courtaulds, and £374,000 of ordinary shares, of which Courtaulds holds £355,500 and Morton Sundour £18,500. This week brings the announcement that Holbourn Aero Components—a member of the Thomas Tilling group—has bought half the preference and half of each holding of ordinary shares. The purchase consideration is not disclosed, but is understood to be modest and not for immediate payment.

The explanation of the deal lies in the work other than knitting machinery that FNF has been doing. Its Government contracts came to an end with the defence cuts of last August and it is hoped that Holbourn Aero Components, which has apparently been highly successful in obtaining new engineering business, will be able fully to occupy FNF's existing factory space.

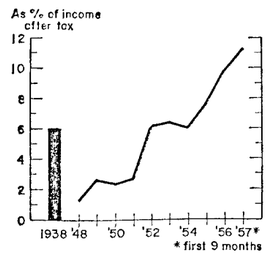
AGRICULTURAL TRACTORS

Fergusons in France

DECISIONS taken six years ago to overcome the restrictions on imports of Ferguson tractors into France by manufacturing them locally have now put the Standard Motor Company in a strong competitive position in the emerging common market—for cars as well as tractors. The factory opened this week at Beauvais, some 40 miles north-west of Paris, is the second of two plants operated by Société Standard-Hotchkiss, in which Standard has a 50 per cent holding, the remainder being divided equally between the French Hotchkiss company, which makes the diesel and petrol engines for the tractors, and Massey-Harris-Ferguson, who handle the marketing. Production of Fergusons at the first plant, at St. Denis on the outskirts of Paris, has now reached 100 a day, which puts Standard ahead of Renault, its main competitor in the French market. With the help of components made at Beauvais, output at St. Denis can be raised to about 150 tractors a day. After that, there is no more room for expansion at St. Denis, as the French government wishes to decentralise industry from the already overcrowded Paris suburbs; but at Beauvais, the new plant occupies only one-eighth of the total area available for expansion, and the company could raise its output by installing an assembly line there, to replace that at St. Denis.

At present all of the Fergusons made at St. Denis are sold in France, where the recent farm mechanisation still has a long way to go, but if common market tariffs should begin to discriminate against imports from Britain, French Fergusons could be supplied to Germany and other countries inside the common market. In a fully fledged free trade area, the advantges of supplying continental markets from France instead of achieving greater economies of scale in production at Coventry might be less apparent, but the company is now in a position to adapt itself readily to whatever marketing conditions may emerge.

PERSONAL SAVING



Over the last six years there has been a striking increase in the rate of personal saving. The British people now put aside 11 per cent of their personal disposable income. The rate is lower in America—6 to 7 per cent of disposable income.

The French Ferguson, which is identical to the Coventry model, costs 25 per cent more to produce, but the company attributes this almost entirely to the lower volume of output—only a quarter of that at Banner Lane—both on the assembly line, and in the shops of the French suppliers of component parts. Given equal volume, the company feels, French costs of production should not be appreciably higher than those in Britain. All of these developments concern the Ferguson tractor only, but they also provide a nucleus for the production of cars, particularly the Triumph TR-3 sports car. Plans for this have not yet gone beyond the stage of preliminary costing, but with its cars as well as with its tractors, Standard is now well placed to see how the Common Market cat jumps.

SHORTER NOTES

An offer for sale of 906,500 ordinary 5s. shares of Dorman Long (Africa) at 26s. 6d. per share is announced, and will be made in South Africa on March 19th. It has been underwritten by Union Acceptances, the issuing house sponsored by the Anglo American group. The effect of the offer will be to reduce Dorman Long and Company's holding in the 4,000,000 ordinary shares of the African company from 2,866,500 shares to 1,960,000 shares and thus to reduce the parent company's investment from a controlling interest to one of 49 per cent. The majority of the shares will be held in South Africa and will, it is hoped, be widely spread.

* * *

The International Bank for Reconstruction and Development, with the participation of seven German, one Canadian and fourteen American banks, has made a loan equivalent to $75 million to the Cassa per il Mezzogiorno for the development of industry, agriculture and power in southern Italy and Sicily. Part of the total will be used to develop newly discovered potash deposits in Sicily, with fertiliser and chemical plants. Italian consumption of potash fertilisers has hitherto been extremely low.

* * *

Founders shareholders of the Suez Canal Company this week approved by 51,186 votes to 111 the proposal to convert each ten founders shares of no par value into 11 new capital shares of 10,000 francs nominal.

* * *

Tyre prices are being reduced for the first time in five years. The cuts, of about 5 per cent, are made possible, the manufacturers state, by lower rubber prices and by production economies flowing from bigger outputs.

* * *

National Mutual is the one life assurance office that values its investments at market prices, dealing with appreciation or depreciation by increasing or diminishing the general reserve. Depreciation in 1957 was £857,000 on portfolio of quoted investments of £9,860,000 ; this follows a depreciation in 1956 of £312,000. The office has met the adverse winds by changing the composition of its portfolio. Sterling fixed interest stocks have been raised from 61.0 per cent to 63.2 per cent and dollar fixed interest stocks from 1.2 per cent to 12.2 per cent. Holdings of sterling equities have been reduced from 15.8 per cent to 11.5 per cent and of dollar equities from 22.0 per cent to 13.1 per cent.

* * *

The Minister of Housing has at long last made use of his powers under the 1945 Water Act to compel small water undertakings to pool their activities. The Order compulsorily converting thirteen local authority and one private undertakings in Herefordshire into a single joint board is the first ever to be made. It should not be the last: the several hundred small water undertakings in Britain are being much too dilatory in their efforts to seek voluntary amalgamation.

* * *

The number of hire purchase contracts recorded by HP Information in February was 80,532, against 78,471 in January and 75,380 in February, last year. Outstanding among the February figures was the number of used cars—42,126, against 40,996 in January and 35,754 in February, last year. The number of new cars was 8,648, against 8,882 in January and 5,114 in February, 1957.

COMPANY AFFAIRS

UNILEVER

IT is getting harder to earn the housewife's pennies in many countries. That is the clear moral of the 1957 results of the Unilever diarchy. The ordinary dividends, still covered four times by earnings, have been maintained (at 17½ per cent for Limited and at 15½ per cent for NV under the equalisation agreement), but the Limited £1 units have risen slightly to 74s. 4½d., to offer a yield of 4.7 per cent. The profit figures disappointed Throgmorton Street. Over the year the combined turnover of the group rose slightly, from £1,671 million to £1,720 million, but the combined gross profit fell by 13½ per cent, from £98.8 million to £85.3 million, and the combined net profit by 14½ per cent, from £47.1 million to £40.3 million. Within these totals, NV, whose gross profits fell from £51.7 million to £43.5 million, has fared a little worse than Limited, whose gross profits fell from £47.1 million to £41.8 million.

That is not the end of the story, for the half-yearly figures, reproduced in the accompanying table, show that the rate of increase in sales was slackening in the second half of the year and that profit margins on these sales have continued to drag downwards. In the preliminary statement, the directors do not comment on these trends. But they have not made

COMBINED SALES AND PROFITS
(£ million)

Six months ended	June 30, 1956	Dec. 31, 1956	June 30, 1957	Dec. 31, 1957
Turnover	813	858	846	874
Gross profit	50·6	48·2	43·7	41·6
Taxation	26·5	25·4	23·1	22·0
Net profit	22·4	24·7	19·4	20·9
Gross profit/sales (%)	6·2	5·6	5·2	4·8

any specific transfers from or to stock reserves, such as might have been expected if the fall in commodity prices were the main trouble. The explanation would therefore seem to be that competition in the worldwide markets, particularly for soaps and detergents and perhaps to a lesser extent for margarine, fats and the almost endless list of household products that Unilever produces, has become even keener. Unilever is not the only contestant in this market and practically every household in this country has seen some evidence of the coupon wars.

ASSOCIATED ELECTRICAL INDUSTRIES

NO one had expected Associated Electrical Industries, whose products like those of its rival giants range across the whole field of electrical engineering, to do more than to maintain its ordinary dividend at 15 per cent. And that is what the company has done. But are its 1957 trading results really satisfactory? Last year the group's trading profits before depreciation advanced from £13,248,070 to £13,699,528 and its net profits from £4,372,325 to £4,979,693. But in 1956 profits had been adversely affected not only by the pressure on profit margins but also by the extensive reorganisation of the group and Lord Chandos, the chairman, then said that they were not a "reliable guide to the potential earning capacity of the group when results of capital expansion and reorganisation begin to take effect."

Some advance in earnings in 1957 therefore seemed to be inevitable. Yet, as the accompanying table of half-yearly profits shows, the going has continued

CONSOLIDATED EARNINGS
(£ million)

Six months ended	June 30, 1956	Dec. 31, 1956	June 30, 1957	Dec. 31, 1957
Trading profit	7·32	5·93	6·76	6·94
Depreciation	1·39	1·55	1·76	1·95
Gross profit	5·93	4·38	5·00	4·99

to be hard. Orders cannot be the difficulty for at the beginning of this year Lord Chandos said that in the heavy engineering divisions of the group the order book was heavy and he saw no tailing off in the light engineering divisions so long as employment and wages kept up. So it looks as if it is the old, old story of higher wages and other costs and smaller margins. An improvement in earnings seems to turn on the full and efficient use of the new and re-organised capacity the AEI group now possesses.

ALFRED HERBERT

ON the eve of an announcement which showed that the Board of Alfred Herbert had made a definite break with its conservative past, the £1 ordinary shares of this big machine toolmaker stood at 58s. 6d. They now stand at 65s., for the tax-free ordinary dividend was suddenly raised from 7½ per cent to 12 per cent. The shares thus yield 6.4 per cent. Earnings justify the new dividend, for trading profits in the year to October 31st advanced from £3,480,117 to £3,666,922, and net profits from £1,797,782 to £1,821,311. But to investors it is the change in heart of the Board that is most significant. The new and liberal attitude is summed up in the directors' rider to the preliminary figures: "for the last several months orders have been lower than output, and the backlog has been considerably reduced, but prospects are sufficiently encouraging to warrant the payment of the increased dividend."

DOWTY GROUP

HOWEVER long industrial share prices lie in the doldrums, investors are sure to sit up and to take notice when a company not merely raises its interim ordinary dividend but also indicates a big expansion in currently accruing profits. And that is what an interim report of the Dowty Group reveals. In order of importance, the group makes equipment for the mining, the aircraft, the railway and nuclear engineering industries. In the six months to September 30th its gross profits totalled £475,000 and the growth in profits is continuing, so much so that the directors predict that the full year's profits to March 31st this year will be some 25 per cent higher than the gross profit of £1,650,000 earned in 1956-57. With a "most satisfactory" order book and a forecast of an increase in turnover in 1958-59, the directors have had no hesitation in raising the tax-free interim dividend from 4 to 5 per cent. In 1956-57 the full year's payment was 9 per cent, tax free. This year it cannot be less than 10 per cent, and the announcement was read in Throgmorton Street as implying that it may well be more; the 10s. shares were marked up 4s. 3d. to 34s.

A. W. GAMAGE

LIKE the other department stores, A. W. Gamage has been modernising its shops, but unlike many of its rivals it does a big mail order trade and caters more for the custom of men and boys than of women and girls. These two facets of its trade may help to explain why the trading results for the year to January 31st are better than those recently published by other department stores. Other companies barely maintained their profits, and their margins seem to have been shrinking as the financial year wore on. But A. W. Gamage reports an advance in gross profits from £309,514 to £342,842 and in net profits from £134,989 to £151,038. The stock market was pleased with those figures, but it was even more pleased by the increase in the ordinary dividend from 30 to 35 per cent. The 10s. shares initially gained 3s. and now stand at 43s., and yield 8.1 per cent.

RUGBY PORTLAND CEMENT

IN a year when cement deliveries, especially to export markets, were beginning to fall off, Rugby Portland Cement has achieved satisfactory trading results. The increase in cement prices half way through the year has obviously been of some help. The group's gross profits last year inched up from £1,433,727 to £1,448,409 and its net earnings from £729,436 to £736,385. The dividend on the 5s. ordinary shares is left unchanged at 1s. 1½d. (or 22½ per cent) and the dividend on the "A" 1s. ordinary shares at 1s. 3d. (or 125 per cent). Half of these "A" shares were issued to employees and half to ordinary shareholders. A complicated formula governs their entitlement to dividends. Under it, the amount attributable to these "A" shares last year was £111,277 gross, of which the proposed dividend takes £62,500 gross (or £35,937 net). Thus the amount carried forward to the credit of the "A" shares has again been reinforced and, with £139,947 gross standing to their credit these shares are becoming less vulnerable to a decline in earnings. At 22s. 3d. the 5s. ordinary shares yield just over 5 per cent and at 18s. 9d. the "A" 1s. ordinary shares yield 6¾ per cent.

LEYLAND MOTORS

MUCH of the advance in Leyland Motors' profit from £5,527,775 to £6,065,279 in the year to September 30th came from export sales and the chairman, Sir Henry Spurrier, emphasises that the continuing success of the group depends on its ability to sell more than half its commercial vehicles abroad. He believes that so far as the supply of fleets of new vehicles is concerned the home market has reached "saturation point" and that at home the company must look to the smaller operator and the ancillary user for any increase in business. The future for the group thus depends to an increasing degree on foreign markets, and Sir Henry points out that customers are demanding longer and longer credits, with all their attendant dangers. Nor does he appear to be satisfied that the commercial vehicle industry has got mounting costs under control. An increase in working costs can be offset to some extent by the more intensive use of capital, and Leyland Motors has been spending heavily on capital account, coming to the stock market with a rights issue of ordinary shares to help pay for its development programme. Last year, when the group was adapting the tank factory it bought from the Government to the production of diesel engines, it spent over £7½ million and its outstanding capital commitments have now fallen to £750,000. The ordinary dividend has been maintained at 12½ per cent on the increased capital and the £1 ordinary shares, standing at 41s. xd, yield 6.1 per cent.

BRITISH SOUTH AFRICA COMPANY

SINCE the cut in the total dividend of the "Chartered" company from 35 to 30 per cent—a smaller reduction than some pessimists had feared—the 15s. bearer shares have risen from 44s. 6d. to 49s. 6d. (to yield 9.1 per cent). In the meantime the company has announced its intention of forming an Overseas Trade Corporation, a move which would relieve the undistributed income from

mineral royalties (but not that from rents or from the investment portfolio) from British tax. This relief should have a beneficial effect on the consolidated net income at a time when royalties have fallen heavily with the fall in the price of copper and when investment income from the portfolio of mining shares presumably has some distance still to fall. In the year to September 30th, royalties, rents, etc., yielded about £8¾ million, against £12¾ million, and the yield is likely to be still lower this year.

The formation of the OTC is one item of cheer. Another is that the company's investment income, despite lower copper dividends, actually rose last year—from £2,674,524 to £2,878,947. Such an increase reflects partly the growth of the investment portfolio: quoted securities at book values are up from £14.9 million to £16.8 million, though their market value is down from £32 million to £28.1 million, and unquoted securities are up from £6.6 million to £8.9 million. It also reflects the widening spread of the portfolio. Rhodesian copper companies still represent the principal investment but Chartered has interests in mining finance houses, particularly Anglo-American and Consolidated Gold Fields, and, through Rhodesia Railways Trust, it holds British and American industrial equities. It is well to remember that the dividends on copper shares reflect changes in the price of copper with a greater time lag than do the mining royalties that the same copper companies pay.

BRITISH OXYGEN

CHARTS acompanying the full accounts of British Oxygen for the year to September 30th show that the group's capital expenditure rose to its peak in the last two financial years, and British Oxygen had to come to market with a £10 million debenture issue to finance the expansion. That was inevitable with one of the group's biggest customers, the steel industry, expanding so quickly. Capital expenditure should now come down from the peak of about £9 million a year, the chairman, Mr J. S. Hutchison, estimating that depreciation and profit retentions, amounting together to about £4 million a year, should cover the cost of the current capital programme.

Sales have been rising too; last year they went up from about £37½ million to £42½ million, enabling the group to absorb higher costs. The group's gross profits went up from £5,198,464 to £5,964,085 and net profits from £2,260,906 to £2,440,245 but the ordinary dividend was left unchanged at 10 per cent. That decision was on the cautious side and so too are Mr Hutchison's comments on prospects. His summing up is: "The width of our activity and the influence of new methods and construction, particularly in the steel industry, encourage the view that we shall be able to give a good account to you at our next meeting although the months ahead may prove to lack the buoyancy of some recent years." The yield of 6½ per cent on the £1 ordinary shares at 31s. xd. adequately balances that caution on the one hand and the soundness of the group's earning capacity on the other.

TRIPLEX SAFETY GLASS

IN the full year to June 30, 1957, the Triplex Safety Glass group earned a trading profit of £921,616. In the six months to December 31, 1957, it earned a profit of £663,988. This is a good result, reflecting recovery in the motor industry in a period that is already passed. But the Triplex directors are careful to point out that the full year's figures cannot be calculated by multiplying that profit by two. In the last six months of 1957 the group's safety glass factories were working overtime, but since the turn of the year there has been a slackening in some departments. Moreover, there has recently been an increase in the price of the company's raw material, glass, and another wage increase. This rise in costs is not being passed on in selling prices and the directors hope that the extra burden will be met by an increase in turnover.

London Stock Exchange

FIRST DEALINGS:	Feb. 26	Mar. 12	Mar. 2
LAST DEALINGS:	Mar. 11	Mar. 25	April 15
ACCOUNT DAY:	Mar. 18	April 1	April 22

THE latest rise in the gold and dollar reserves helped to strengthen the advance in gilt-edged stocks; the longest-dated stocks made gains of well over 1 point, irredeemables made gains of about ¾; the shorts rose sharply, 3 per cent Exchequer being outstanding with a rise of 1⅛ to 92⅛ and 4½ per cent Conversion 1952 rose 1½. Dollar stocks were firmer, but German bonds were weaker.

The sharp recovery in industrial stocks was helped by good company results and the completion of the first call on the new Shell shares. Bank and insurance shares strengthened with the rise in gilt-edged; Pearl quoted in the new 5s. form jumped 6s. 3d. to 101s. 3d. over the week. Stores made gains of several shillings. Motor shares were better; Rolls Royce advanced 2s. to 86s. and Ford 2s. 7½d. to 35s. 6d., but Standard fell slightly to 7s. 3d. on the labour dispute. Shipbuilding stocks fell further but a sharp rally brought them off the bottom, Swan Hunter jumping 2s. 1¾d. to 50s. 9d. on Wednesday. Tankers rallied at the same time, London and Overseas Freighters rising to 16s. from Tuesday's low point of 14s. 6d., Reardon Smith dropped 2s. to 12s. on the cut in dividend, but P and O held its advance to 26s. 6d.

Oil stocks went ahead on the meeting of the Shell call; BP rose steadily from 83s. 1½d. to 88s. 9d. and Ultramar jumped 4s. 9d. to 49s. 3d., Shell new shares recovering to 19s. 6d. premium. After rising strongly, Kaffirs eased on Tuesday; on balance gains by the new mines were limited but old mines held somes useful rises, Consolidated Main Reef and City Deep both improving by about 1s. Copper mines were firmer; Rhokana rose 2 to 23 and Rhodesian Anglo-American 4s. 4½d. *in anticipation* of the dividends. They remained steady after the announcements.

THE ACTUARIES INVESTMENT INDEX

Group	Price Indices (Dec. 31, 1957=100) Feb. 26, 1957	Jan. 28, 1958	Feb. 25, 1958	Average Yields (per cent) Feb. 26, 1957	Jan. 28, 1958	Feb. 25, 1958
Ordinary Shares :—						
Electrical engineering	122·6	99·7	93·7	5·09	5·79	6·09
Engineering	122·2	95·5	93·3	5·07	6·01	6·14
Motors and aircraft	113·3	98·3	96·4	5·57	6·47	6·65
Steel		96·9	91·4		9·91	10·51
Chain stores	94·1	94·5	87·8	4·25	4·51	4·86
Cotton and rayon textiles	105·6	96·3	90·1	8·44	9·87	10·33
Chemicals	109·3	97·1	91·7	5·38	5·45	5·66
Oil	120·4	99·3	84·2	5·02	6·85	7·86
Shipping	133·5	96·7	91·8	5·03	7·53	7·94
Investment trusts	103·5	97·8	95·8	5·76	5·50	5·66
Industrials :—						
Ordinary (all classes)	111·3	97·9	92·8	6·14	6·83	7·25
Preference	107·6	100·7	100·5	5·90	6·32	6·33
Debenture	113·5	101·3	101·9	5·70	6·59	6·35
Total (capital goods)	121·4	97·4	93·6	5·37	6·76	7·05
Total (consumption goods)	101·7	99·0	95·7	7·02	7·59	7·59
Consols 2½%	116·7	103·0	103·8	4·89	5·25	5·21

STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1953	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
Feb. 5	178·8	6·55				
,, 12	170·7	6·86				
,, 19	168·9	6·94				
,, 26	166·1	7·07	225·0 (July 10)	171·2 (Nov. 6)	210·4 (Jan. 4)	170·0 (Nov. 28)
Mar. 5	173·1	6·85				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½ Consols Yield %	Bargains Marked	1957 High	1957 Low	1956 High	1956 Low
Feb. 26	154·4	7·12	88·83	5·15	7,402	297·6 (July 9)		203·5 (Jan. 3)	
,, 27	155·8	7·14	88·88	5·15	7,787				
,, 28	155·9	7·13	88·93	5·10	7,397		Low		Low
Mar. 3	157·0	7·03	88·91	5·15	9,683	159·0 (Nov. 5)	161·5 (Nov. 29)		
,, 4	159·2	6·93	89·00	5·14	8,930				
,, 5	159·3	6·93	89·02	5·14	8,471				

Bases :—* 1953 = 100. † July 1, 1935 = 100. ‡ 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Feb. 26, 1958	Price, Mar. 5, 1958	Net Yield, Mar. 5, 1958 § £ s. d.	Gross Yield, Mar. 5, 1958 £ s. d.
97 12/32	93 1/2	War Loan 3%...1955–59	97 8/32	97 12/32	3 1 5	4 13 10
93 22/32	87 3/8	Funding 2½%....1956–61	92 12/32	93 3/8	3 12 8	4 17 9
99 22/32	98 3/32	Conversion 4%...1957–58	99 1/16	99 12/32	2 16 11	5 18 9
97 12/32	94 12/32	Conversion 2%...1958–59	97 1/16	97 1/8	3 13 8	4 13 10
95 1/16	90 3/4	Exchequer 2%.....1960	94 1/2	95 1/16	3 14 9	4 12 10
97 1/8	92 1/2	Exchequer 3%.....1960	96 22/32	96 25/32	3 7 11	4 14 1
99 1/16	93	Conversion 4½%.....1962	97 1/8	97 10/32	3 3 1	5 2 6
89 3/4	84 3/8	Savings Bds. 3%..1955–65	86	86 1/16	3 17 6	5 5 6
84 1/2	77	Funding 3%.....1959–69	79 1/8	79 10/32	4 1 7	5 12 2
92 3/4	84 11/16	Funding 4%.....1960–90	89 1/4	89 3/4	3 10 / 2 16 11	10 7 3 / 4 14 7
81 5/8	74	Savings Bds. 3%..1960–70	75 15/16 *	76 1/16	4 3 8	5 13 7
94 1/16	87 3/8	Exchequer 3%....1962–63	90 3/4	92 1/4	3 9 1	4 17 2
89 7/16	83	Exchequer 2½%..1963–64	86 5/8	87 1/4	3 17 10	5 2 3
83 1/8	77 1/4	Savings Bds. 2½% 1964–67	79 7/16	79 11/16	4 4 0	5 9 5
77 3/4	67 1/2	Savings Bds. 3%..1965–75	70 7/16	70 3/4	4 1 8	5 13 4
—	—	Exchequer 5½%....1966	99 1/8 *	99 1/8 *	3 3 2	5 2 9
84 1/2	78 1/2	Funding 3%.....1966–68	80	80 1/8	4 1 7	5 10 11
95 1/2	91 1/4	Victory 4%.....1920–76	91 1/8 *	91 1/4	3 6 10	5 3 2
88 1/16	80 3/8	Conversion 3½%.....1969	82 1/4	82 3/8	3 19 4	5 12 8
81 1/8	69 1/2	Treasury 3½% ...1977–80	73 3/8	74 1/8	3 15 6	5 12 4
80	68	Treasury 3½% ...1979–81	72 1/8	72 3/16	3 16 7	5 13 4
—	—	Funding 5½%....1982–84	98 1/16	98 1/16	3 4 10	5 12 3
71 1/2	57 1/2	Redemption 3% ..1986–96	60 1/2 *	61 1/8 *	3 11 1	5 7 0
80 3/8	63 1/2	Funding 3½%..1999–2004	67 3/8	68 1/8	3 7 7	5 7 9
81 1/4	68	Consols 4% after Feb. 1957	70 1/8	71 1/8	3 4 5	5 12 3
75	60 1/2	War Loan 3½% after 1952	64 1/8	64 7/8	3 2 7	5 9 5
75 1/2	58 1/2	Conv. 3½% after Apr. 1961	62 3/8 *	63 1/2 *	3 3 3	5 9 10
65 7/8	51 1/2	Treas. 3% after Apr. 1966	56 1/8	55 1/2 *	3 2 0	5 7 8
55 11/16	45	Consols 2½%.....	48 7/16	48 5/8	2 19 0	5 2 5
55 11/16	44	Treas. 2½% after Apr. 1975	46 7/8 *	47 3/8 *	3 0 10	5 5 7
96 1/2	88 1/2	Br. Electric 4½%..1967–69	91 1/4	92	3 9 2	5 9 9
80 1/16	70	Br. Electric 3%...1968–73	72 1/8 *	73 *	4 2 10	5 13 4
78 1/8	66	Br. Electric 3%...1974–77	69 3/8 *	70 1/4 *	3 19 6	5 11 2
92 7/16	79 1/2	Br. Electric 4½%..1974–79	82 1/2 *	83 3/8 *	3 11 2	5 11 8
81 11/16	69 3/8	Br. Electric 3½%..1976–79	74 1/8	74 1/2	3 15 10	5 12 9
90 1/2	81	Br. Gas 4%.....1969–72	83 11/16	84	3 15 3	5 13 5
87 1/2	78	Br. Gas 3½%.....1969–71	79 1/8 *	80 1/8 *	3 18 0	5 11 10
72 1/2	58 1/2	Br. Gas 3%.....1990–95	62 1/4	63 3/8	3 10 8	5 6 10
80 1/16	70	Br. Transport 3%..1968–73	72 1/2 *	73 *	4 2 10	5 13 4
88 1/2	77 1/8	Br. Transport 4%..1972–77	81 1/8 *	81 1/2 *	3 13 0	5 12 7
72 1/2	59	Br. Transport 3%..1978–88	62 1/2	63 1/16	3 14 10	5 9 10

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Feb. 26, 1958	Price, Mar. 5, 1958	Yield, Mar. 5, 1958 £ s. d.
92 3/8	82	Agric. Mortgage 5%.....1959–89	85 1/2	85 3/8	5 18 6
81 1/2	75	Australia 3½%.....1965–69	77	77 1/8	6 4 0
97 1/2	91 1/2	Birmingham 5%.....1973–75	95	95	5 9 3
100 7/8	91	East Africa 5½%.....1977–83	92	92	6 8 0
105 3/8	96	L.C.C. 5½%.....1977–81	95 1/2 *	96 1/4 *	5 15 6
69 3/8	54 1/2	Met. Water Board 'B' 3% 1934–2003	57 1/2	58	5 11 6
87 1/2	77	New Zealand 4%.....1976–78	80 1/2	80 3/8	5 11 6
75 3/8	67 3/8	S. Rhodesia 2½%.....1965–70	70 3/8	69 1/2 *	6 3 3
87	72 3/8	German 7% (Br. Enfaced 5%)..1924	86 3/8	86 3/8	...
169 1/4	147 1/8	Japan 5% (Enfaced).....1907	166 1/2	166	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Feb. 26, 1958	Price, Mar. 5, 1958	Yield, Mar. 5, 1958 £ s. d.
		% %	BANKS & DISCOUNT			
30/9	19/6	4 a	5 b Bk. Ldn. & S. Amer. £1	28/6	28/6	6 6 4
47/3	40/–	6 a	6 b Barclays Bank.....£1	40/–	40/–	6 0 0
35/3	27/6	4 a	4 b Barclays D.C.O. ...£1	29/6	29/–	5 10 4
42/6	34/6	7½ a	7½ b Chartered Bank....£1	39/–	38/–	7 17 11
51/3	42/9	6⅜ a	6⅜ b Lloyds Bank £1	42/6	43/–	6 0 11
66/7½	58/–	9 a	9 b Midland Bank £1	57/9	59/–	6 2 0
40/6	28/6	5 a	5 b Nat. Discount 'B' ..£1	31/–	31/9	6 6 0
51/6	39/3	6½ a	6½ b Union Discount....£1	44/3	45/–	5 11 1
			INSURANCE			
86/4½	61/7½	43½ b	30 a Commercial Union 5/–	69/–	70/6	5 4 2
177/6	102/6	87½ b	40 a Legal & General ..5/–	123/9	123/9	4 0 10
113/9	87/6	†50 b	†20 a Pearl.....5/–	95/–	101/3	6 0 0
46	34½	†125 c	†132½ c Prudential 'A' £1	39½	39½	5 16 8
			BREWERIES, ETC.			
32/6	26/4½	10 a	36 b Bass 5/–	31/–	31/9	7 4 10
25/9	19/7½	18¾ c	7½ a Distillers.....6/8	19/9	20/–	6 5 0
44/9	36/–	10 a	15 b Guinness.....10/–	37/6	37/6	6 13 4
87/3	63/6	8 a	17 b Whitbread 'A' £1	76/–	76/–	6 6 4
			MOTORS & AIRCRAFT			
21/6	11/9	6½ b	3½ a Bristol Aeroplane 10/–	10/7½	10/6	9 10 6
8/7½	6/–	12½ c	12½ c British Motor.....5/–	6/9	6/11½	9 0 2
40/–	29/3	5 b	3 a Ford Motor £1	32/10½	35/6	4 10 2
45/9	27/6	3 a	7 b Hawker Siddeley...£1	26/–	26/4½	7 11 7
53/–	41/9	12½ c	12½ c Leyland Motor.....£1	41/6	41/–*	6 1 11
121/–	90/7½	15 b	5 a Rolls-Royce.....£1	84/–	86/–	4 13 0
9/1½	5/11½	8 c	8 c Standard Motor. .5/–	7/5½	7/3	5 10 4

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Feb. 26, 1958	Price, Mar. 5, 1958	Yield, Mar. 5, 1958 £ s. d.
		% %	STEEL & ENGINEERING			
83/–	52/–	8 b	7 a Babcock & Wilcox..£1	42/6	44/6	5 16 10 m
29/3	20/–	4 a	6 b Dorman Long £1	22/6	23/3	8 12 1
56/6	41/9	10 b	5 a Guest Keen N'fold..£1	45/3	46/6	5 16 3 h
76/4½	50/6	†4 a	†8 b Alfred Herbert £1	58/6	65/–	6 8 6
59/–	40/–	7 b	4 a Metal Box £1	41/–	43/6	5 1 3
34/–	19/–	3 a	8 b Stewarts & Lloyds..£1	20/7½	21/6	10 4 8
81/–	52/–	11 b	5 a Swan Hunter.....£1	49/–	50/9	6 6 3
24/1½	18/–	4 a	7½ b United Steel.....£1	18/–	18/10½	12 3 10
46/–	29/3	7½ b	2½ a Vickers £1	29/6	30/–	6 13 5
			ELECTRICAL			
72/3	47/6	7½ a	7½ b Assoc. Elec. Inds...£1	47/3	50/–	6 0 0
55/–	39/4½	8 b	4 a Br. Ins. Callenders.£1	39/9	39/9	6 5 10
32/6	24/–	14 ¼ a	29½ b Decca Record 4/–	25/–	26/–	6 14 6
36/3	24/–	15 c	15 c Elect. & Mus. Inds. 10/–	28/4½	29/6	5 1 8
64/9	47/3	4 a	10 b English Electric ...£1	46/3*	49/9*	5 12 8
59/–	37/9	8 b	3½ a General Electric ...£1	30/3*	30/6*	7 10 10
			TEXTILES			
24/1½	14/–	6 b	3 a Bradford Dyers....£1	14/6	14/–	12 17 2
28/–	21/1½	6½ b	2½ a Coats, J. & P. £1	20/9	21/1½	8 5 8
37/9	20/10½	6 b	3 a Courtaulds £1	20/6	21/–	8 11 5
38/7½	31/10½	5 a	12½ b Lancashire Cotton..£1	29/10½	30/1½	11 12 5
41/7½	30/10½	12½ b	2½ a Patons & Baldwins.£1	33/1½	32/10½	9 2 8
			SHOPS & STORES			
24/6	13/9	16 c	6 a Boots Pure Drug..5/–	19/–*	20/–*	4 0 0
42/10½	31/4½	7½ a	20 b Debenhams 10/–	34/9	34/7½	7 18 10
55/7½	33/3	50 b	15 a Gt. Universal 'A'..5/–	35/7½	37/10½	8 11 8
57/3	30/3	20 b	10 a Marks & Spen. 'A' 5/–	38/7½	39/10½	3 15 3
30/3	19/3	20 b	12½ a United Drapery..5/–	21/9	23/–	7 1 5
49/–	37/10½	13¼ a	26⅜ b Woolworth.....5/–	35/7½	38/1½	5 5 0
			SHIPPING			
47/9	30/6	11 b	6¼ a Brit. & Com'wealth 10/–	29/–	30/–	5 16 8
27/9	17/6	8 b	2 a Cunard £1	16/6	17/–	11 15 3
48/10½	28/3	9⅜ c	10 c Furness Withy.....£1	27/3	28/9	7 10 2
38/–	23/9	3 a	8 b P. & O. Deferred...£1	22/–	26/6	8 6 0
			MISCELLANEOUS			
36/10½	24/9	22½ c	9 a Allied Bakeries 'A' 5/–	28/–	29/–	5 3 5 h
50/3	29/9	6 b	3 a Assoc. Port. Cem....£1	32/3	35/–	5 2 10
27/9	18/6	12½ b	22 a Beecham Group...5/–	27/6	28/–	6 3 3
47/9	26/3	8 b	4½ a Bowater Paper £1	26/6	28/3	8 17 0
68/10½	38/–	8 b	4 a Br. Aluminium £1	44/–	45/6	5 5 5
46/4½	35/–	†10 a	16⅜ b Br. Amer. Tob. ...10/–	37/7½*	39/6*	7 6 10
25/–	17/4½	17½ b	7½ a B.E.T. 'A' Defd...5/–	20/3	21/9	5 15 0
39/–	29/6	4 a	6 b Br. Oxygen £1	29/–*	31/–*	6 9 0
21/10½	15/3	7½ b	3 a Dunlop Rubber..10/–	14/7½	15/–	7 0 0
46/6	36/1½	6 b	4 a Imp. Chemical.....£1	36/10½	39/–	5 2 7
50/6	36/–	8½ a	11½ b Imp. Tobacco £1	37/–	39/6	10 2 7
36/9	27/3	2½ a	5 b J. Lucas (Inds.)....£1	29/6	30/9	4 17 8
19/3	12/4½	5 a	8½ b Monsanto Chem...5/–	12/10½	13/1½	5 2 10
18/3	13/9	5 a	5 b Ranks.....10/–	14/4½	14/7½	6 16 10
55/6	29/9	10 b	5 a A. E. Reed.....£1	28/3	28/–	10 14 3
15/10½	11/3	20 c	22½ c Sears Holdings 'A' 5/–	12/2½	12/8½	8 13 6
70/3	54/10½	4½ a	12 b Tate & Lyle £1	48/9	50/1½	6 11 8
70/9	50/–	7½ a	7½ b Tube Investments..£1	48/9	51/3	5 17 6
73/6	51/–	12½ b	12½ b Turner & Newall...£1	55/7½	57/1½	5 5 0
114/6	71/9	6 a	11½ b Unilever Ltd.....£1	73/6	74/4½	4 14 3
102/–	65/6	14½ b	4 a Utd. Dominions Tr..£1	77/–	80/–	4 12 6
44/–	27/6	†10 b	†4½ a United Molasses .10/–	26/3	26/6	9 6 0
			OIL			
173/7½	87/6	†10 b	†5 a British Petroleum..£1	83/1½	88/9	5 17 8
119/4½	70/7½	17½ b	†5 a Burmah £1	63/6	69/4½	6 9 10 i
£25	£14⅜	17½ b	7½ a Royal Dutch.....20 fl.	£14¼	£15	3 5 6
218/3	136/10½	†13⅜ b	†5 a Shell £1	121/10½	127/6 ‖	5 2 5
104/–	55/–	...	... Ultramar 10/–	44/6	49/4½	...
			MINES, ETC.			
137/6	115/–	50 b	20 a Anglo-American .10/–	118/9	123/1½	5 13 7
29/–	20/3	†2½ a	†10 b Cons. Tea & Land..£1	19/9	20/–	21 14 0
92/6	48/6	15 b	6½ a Cons. Zinc Corp. ...£1	44/–	45/9	9 7 6
113/1½	81/3	120 b	80 a De Beers Def. Reg. 5/–	92/6	95/7½	10 8 0
83/1½	58/7½	...	20 a Free State Geduld .5/–	81/10½	82/6	...
12/10½	7/3	30 c	30 c London Tin 4/–	6/6*	6/9*	17 15 0
56/7½	45/–	50 a	50 b President Brand ..5/–	48/10½	50/1½	9 19 5
24/9	13/10½	*8¼ a	16⅜ b Rho. Selection Tst. 5/–	13/7½	14/9	8 9 6 j
42½	23⅜	175 b	25 a Rhokana Corp. £1	21	23	8 5 3 j
55/–	41/–	30 b	12½ a United Sua Betong..£1	46/3	48/7	5 3 7
88/4½	58/1½	40 a	60 b Western Holdings .5/–	91/10½	92/6	5 8 0

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9¾ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 100%. (e) To earliest date. (f) Flat yield. (g) On 24%. (h) On 13½%. (i) On 22½%. (j) After Rhodesian tax. (k) On 30%. (l) To latest date. (m) On 13%

New York Closing Prices

	Feb. 26 $	Mar. 5 $		Feb. 26 $	Mar. 5 $		Feb. 26 $	Mar. 5 $
Aluminium Ltd.	27½	29⅝	Crown Zeller..	45½	46½ *	Penns. R.R....	11⅞	11⅞
Am. Smelting.	40¼	41⅞	DuPont de Nm.	176⅞	179	Sears Roebuck	26¼	26¼
Amer. Tel. ...	172⅞	170½ *	Ford Motors..	39⅜	39⅜	Shell Oil	59¼	64½ *
Am. Vitesce..	27½	27	Gen. Elect....	61¼	62⅜	Std. Oil of N.J.	48¾	50
Anaconda....	41⅜	40⅜ *	Gen. Motors..	34⅛	34⅛	U.S. Steel....	59	59⅞
Beth. Steel...	39	39⅜	Int'l. Nickel..	75⅛	75½	Western Union	17	16½
Can. Pacific ..	23⅝	24⅜	National Dist.	22½	22½	West'house E.	61½	61½
Chrysler	51¼	50⅞	N.Y. Central .	13⅞	13¼	Woolworth....	41⅜	41½

STATISTICS

The following list shows the most recent dates on which each statistical page appeared

World Trade ..... January 18th

British		Overseas	
Prices and Wages.....	This week	Western Europe:	
Production and Consumption	Feb. 15th	Production and Trade.....	Mar. 1st
Manpower.....	Feb. 22nd	British Commonwealth	Feb. 15th
External Trade.....	Mar. 1st	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	Feb. 22nd
Industrial Profits	Jan. 18th	United States	This week

Prices and Wages

	Unit	1955	1956	1957	1957			1958 (1)			
		mid-June			Feb. 19	Feb. 26	Mar. 5	Feb. 11	Feb. 18	Feb. 25	Mar. 4
WORLD PRICES											
Commodity Price Indicator:											
All items	1952=100	93	91	94	95	95	96	85	85	84	84
Food	"	92·0	90·8	98·3	100·2	98·3	99·7	93·5	94·0	94·5	94·5
Fibres	"	83·2	81·5	95·9	91·4	91·5	92·6	82·0	80·5	79·5	79·5
Metals	"	95·7	95·6	79·7	90·2	89·3	89·9	67·1	67·6	67·0	67·2
Other items	"	106·9	96·1	99·2	98·4	99·6	101·2	94·5	95·3	94·4	95·8
		Monthly averages			1955		1957				1958
BRITISH WHOLESALE PRICES		1955	1956	1957	Nov.	Dec.	Jan.	Oct.	Nov.	Dec.	Jan.
Materials used in:	June 30,										
Non-food manufacturing (excl. fuel)	1949=100	152·4	156·2	154·7	159·3	161·6	161·3	143·8	146·2	144·1	142·0
Mechanical engineering	"	168·1	177·3	183·9	178·6	181·0	183·4	187·0	186·9	186·6	185·9
Electrical machinery	"	185·7	190·0	181·7	185·6	187·8	188·4	179·4	179·5	178·4	177·1
Building and civil engineering	"	137·3	142·4	146·9	145·3	144·5	146·6	147·9	147·7	147·0	146·8
House building	"	137·1	142·3	146·4	145·4	144·6	146·5	146·9	146·6	146·2	145·9
Products of:											
Non-food manufacturing (excl. fuel)	"	133·6	135·6	139·9	135·7	137·5	138·1	141·6	141·6	141·6	141·6
Food manufacturing	"	143·9	143·1	156·2	151·7	154·3	160·3	151·3	151·0	152·1	142·0
Commodities:											
Cotton, raw	"	149·7	154·0	146·2	157·1	159·9	159·2	137·8	131·8	129·5	127·1
Wool, raw	"	142·0	145·3	161·3	158·3	161·2	164·5	143·5	140·8	130·4	129·6
Rubber, No. 1 RSS, one month future	"	329·9	234·2	250·8	300·8	321·3	283·2	243·6	229·0	241·7	242·4
Softwood, imported	"	154·9	155·9	156·1	155·9	156·8	156·5	156·0	156·0	156·1	156·6
Copper, ex-warehouse	"	295·7	230·5	189·0	239·5	254·9	229·3	160·2	161·4	155·3	147·2
UK RETAIL PRICES	Jan. 17,										
All items(2)	1956=100	...	102·0	105·8	103·1	103·4	104·4	107·1	107·7	108·2	108·1
Food	"	...	102·2	104·9	102·5	102·3	104·0	104·7	104·8	105·0	105·4
All items	1933=100	242	254	263	257	257	260	267	268	269	269
Food	"	257	269	276	270	269	274	275	276	279	277
Rent and rates	"	138	145	155	148	148	148	151	153	165	166
Clothing	"	256	263	267	264	264	264	259	259	259	259
Fuel and light	"	223	251	258	259	263	263	273	286	287	287
Household durable goods	"	288	308	308	309	309	310	309	309	309	309
Drink	"	260	264	272	268	268	268	276	276	276	276
Tobacco	"	380	411	421	418	418	423	428	428	428	428
Purchasing power of £ (based on all consumer spending)	1938=100	30	38	36	37	37	37	36	36	36	36
UK TERMS OF TRADE											
Import prices:											
All items	1954=100	103	105	107	107	109	110	103	103	101	100
Food, drink and tobacco	"	101	101	101	104	106	104	93	95	95	95
Basic materials	"	104	106	110	109	109	112	107	107	104	102
Export prices:											
All items	"	102	106	111	107	108	109	111	111	111	110
All manufactures	"	102	106	109	106	108	107	111	111	111	111
Metals	"	104	112	115	113	114	114	117	117	117	118
Engineering products	"	103	107	112	109	110	109	113	114	115	114
Textiles (excluding clothing)	"	100	99	101	98	99	100	104	102	102	102
Terms of trade:											
Ratio of import to export prices	"	101	99	96	100	101	101	93	93	91	91
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	127·7	157·0	112·7	171·4	169·4	173·7	89·7	82·3	71·6	64·9
UK WAGES											
Weekly wage rates:	Jan. 31,										
All workers(3)	1956=100	...	104·7	110·0	106·3	106·4	106·5	111·8	111·9	112·1	112·2
Men	"	...	104·7	110·0	106·2	106·3	106·4	111·8	111·9	112·0	112·1
Women	"	...	104·2	109·7	106·2	106·3	106·4	111·4	111·8	112·1	112·2
All workers	Sept., 1939=100	252	272	286	276	277	277	291	291	291	292
Weekly earnings: (4)											
All workers	s. d.	187 2	200 8	212 5	200 8[5]	...	...	212 5	...	...	...
Men	"	222 11	237 11	251 7	237 11[5]	...	...	251 7	...	...	...
Women	"	115 5	123 2	129 6	123 2[5]	...	...	129 6	...	...	...
All workers	Oct., 1938=100	351	377	399	377[6]	...	...	399	...	...	...
Men	"	323	345	366	345[6]	...	...	366	...	...	...
Women	"	355	379	398	379[6]	...	...	398	...	...	...

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (4) Surveys made twice a year; annual figures relate to October survey. (5) Figures relate to October survey. (6) Revised figures for February 4th were: food 93·4, fibres 81·5 and other items 94·4.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1957 prices
	1947-49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	42·30
1956	114·3	88·4	116·2	111·7	105·5	121·7	123	107	115	345·0	79·99	82·72
1957	117·6	90·9	120·2	115·4	106·9	125·6	...	...	...	331·4	82·39	82·39
1957, September	118·0	91·0	121·1	117·0	107·3	126·3	124	112	111	327·9	82·99	82·41
" October	117·8	91·5	121·1	116·4	107·7	126·6	122	113	108	306·4	82·56	81·99
" November	118·1	91·9	121·6	116·0	107·9	126·8	122	112	109	301·8	82·92	81·94
" December	118·5	92·6	121·6	116·1	107·6	127·0	...	...	...	298·5	82·74	81·76
1958, January	118·7	93·6	122·3	118·2	106·9	127·1	...	...	...	304·7	81·27	...

PRODUCTION AND MANPOWER

	Gross national product	Total industrial production	Manufacturing production						Building	Civilian employment [1]		
			Durable goods			Non-durable goods			New construction seasonally adjusted annual rates	Total labour force	Total employment	Unemployed as % of labour force
	Seasonally adjusted annual rate		Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals and petroleum products				
	$ billion	Index 1947-49=100; seasonally adjusted							$ billion	thousands		% rate
1939	91·1	58	49	54	47	66	86	49	8·2	55,230	45,750	17·2
1956	414·7	143	159	138	199	129	108	167	46·1	67,530	64,708	4·2
1957	434·4	143	159	132	214	130	104	172	47·3	67,946	65,011	4·3
1957, September	440·6[2]	144	160	131	208	132	107	174	47·7	68,225	65,674	3·7
" October	432·6	141	155	128	205	130	103	172	48·8	68,513	66,005	3·7
" November		139	153	121	206	128	99	170	48·5	68,061	64,873	4·7
" December		136	147	108	200	127	97	171	48·6	67,770	64,396	5·0
1958, January	...	133	143	109	196	126	96	169	48·5	66,732	62,238	6·7

TRADE

	Personal consumption Annual rates	All business [2]		Total retail [2]		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manufres.	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1948=100	
1939	67·6	10·8	20·1	3·5	5·5	190	62	41	200	139	76	53
1956	267·2	54·8	89·1	15·8	23·9	1,043	256	250	1,589	911	143	141
1957	280·4	56·3	90·8	16·7	24·5	...	...	...	1,719	981	...	...
1957, August	283·6	57·0	91·3	17·0	24·3	1,044	281	234	1,665	1,007	143	145
" September		56·3	91·3	16·9	24·4	1,010	279	220	1,527	883	137	132
" October		55·7	91·1	16·7	24·2	1,152	296	245	1,659	970	131	143
" November	282·4	54·7	91·0	16·6	24·3	1,037	244	218	1,667	1,005	131	144
" December		54·5	90·8	16·9	24·5	...	...	...	1,626	961	...	...
1958, January	...	...	...	17·0	...	..	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics [3]		Budget expenditure [4]		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds [5]	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion end of period		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	— 3·9	0·023	...	3·01
1956	326·9	234·8	11·6	42·10	31·83	74·8	90·3	66·5	+ 1·6	2·658	3·08	3·36
1957	343·4	246·7	12·1	44·80	34·13	75·6	94·3	69·4	+ 1·6	3·267	3·47	3·89
1957, August	347·3	249·7	12·2	43·13	33·30	73·1	92·8	5·9	— 0·8	3·404	3·63	4·10
" September	347·2	249·5	12·2	43·27	33·42	72·9	93·4	5·7	+ 1·6	3·578	3·66	4·12
" October	346·8	248·1	12·2	43·27	33·50	74·9	93·0	6·5	— 3·4	3·591	3·73	4·10
" November	346·2	247·5	12·2	43·53	33·60	74·3	93·0	5·8	— 1·0	3·337	3·57	4·08
" December	343·6	246·8	12·2	44·80	34·13	75·6	94·3	6·8	+ 0·1	3·102	3·30	3·81
1958, January	343·6	244·6	12·1	...	...	...	...	...	...	2·598	3·24	3·60

(1) 1939 figures calculated on the basis of a smaller sample. (2) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (3) All commercial banks. (4) Annual figures are total for the fiscal year ended June 30th. (5) Figure for third quarter. (6) Bonds due or callable from 10 to 20 years.

Financial Statistics

EXCHEQUER RETURNS

For the week ended March 1, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £1,668,000 compared with a surplus of £32,383,000 in the previous week and a surplus of £4,117,000 in the corresponding period of last year. There was a net expenditure "below-line" of £7,852,000, leaving a total deficit from April 1st of £203,125,000 (£243,871,000 in 1956–57).

£'000	Estimate, 1957–58	April 1, 1956, to Mar. 2, 1957	April 1, 1957, to Mar. 1, 1958	Week ended Mar. 2, 1957	Week ended Mar. 1, 1958
Ord. Revenue					
Income Tax	2176,250	1844,825	1893,642	86,335	92,636
Surtax	149,000	133,800	132,200	6,000	8,600
Death Duties	170,000	154,900	156,100	3,100	3,400
Stamps	60,000	57,400	59,300	2,200	1,100
Profits Tax, EPT & EPL	255,000	184,700	234,000	3,150	3,700
Other Inland Rev. Duties	500	520	450	60	...
Total Inland Rev.	2810,750	2376,145	2475,692	100845	109436
Customs	1204,250	1104,047	1109,927	23,652	23,360
Excise	912,850	864,455	900,885	14,845	21,465
Total Customs and Excise	2117,100	1968,502	2010,812	38,497	44,825
Motor Duties	93,000	88,578	97,810	3,555	165
				Dr.	*Dr.*
PO (Net Receipts)	20,000	17,550	9,700	*5,500*	*4,050*
Broadcast Licences	31,000	26,200	28,400	2,900	2,900
Sundry Loans	32,000	31,550	29,941	...	87
Miscellaneous	185,000	155,760	158,733	1,348	3,203
Total	**5288,850**	**4664,285**	**4811,088**	**141645**	**155666**
Ord. Expenditure					
Debt Interest	640,000	686,704	630,842	28,534	28,005
Payments to N. Ireland Exchequer	69,000	59,235	63,064	3,780	4,049
Other Cons. Funds	10,000	8,935	9,026	17	29
Supply Services	4126,391	3619,007	3694,739	101250	117764
Total	**4845,391**	**4373,881**	**4397,672**	**133581**	**149843**
Sinking Funds	38,000	34,497	35,056	3,946	4,149
"Above-line" Surplus or Deficit		**+ 255,907**	**+ 378,360**	**+ 4,117**	**+ 1,668**
"Below-line" Net Expenditure		499,778	581,485	26,752	7,852
Total Surplus or Deficit		**243,871**	**203,125**	**22,635**	**6,134**
Net Receipts from :					
Tax Reserve Certificates		1,438	— 38,933	11,527	—2,568
Savings Certificates		68,400	— 16,600	...	—1,400
Defence Bonds		— 34,702	— 35,157	534	—1,073
Premium Savings Bonds		60,480	73,560	1,100	1,160

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
Mar. 2	2,890·0	1,304·7	209·7	...	4,404·5
Nov. 30	3,340·0	2,148·6	182·5	4·8	5,675·9
Dec. 7	3,380·0	2,140·3	189·2	6·0	5,715·5
„ 14	3,410·0	2,181·2	193·6	...	5,784·8
„ 21	3,440·0	2,228·1	192·4	...	5,860·4
„ 30	5,684·7		218·4	...	5,903·1
1958					
Jan. 4	3,450·0	2,248·9	228·5	...	5,927·4
„ 11	3,410·0	2,192·2	237·0	...	5,839·2
„ 18	3,370·0	1,714·9	259·3	...	5,335·2
„ 25	3,390·0	1,707·9	208·4	4·8	5,221·0
Feb. 1	3,220·0	1,768·6	179·1	...	5,167·7
„ 8	3,160·0	1,746·9	157·6	...	5,064·5
„ 15	3,120·0	1,403·1	206·5	1·3	4,730·9
„ 22	3,080·0	1,463·7	183·4	...	4,727·1
Mar. 1	3,040·0	1,537·1	210·4	...	4,787·5

THE MONEY MARKET

THE steady decline in the Treasury bill rate was checked at the tender on Friday last; the rate rose by $\frac{1}{16}$ per cent, the only significant rise since the eve of the Bank rate increase. The Bank of England's tough tactics in forcing the discount houses into the Bank and thus keeping up the cost of the market's money have reduced current margins; and it was not unexpected that the market should take a tactical opportunity to move against the trend.

The discount houses reduced their common bid by 4d. to £98 9s. 10d. per cent; the allotment was up by £20 million, to £240 million, and applications were down by £20 million, so that the proportionate allotment for bids at the market's minimum price fell only from last week's average of 44 per cent on 91-day and 92-day bills together to 37 per cent.

Credit in Lombard Street was still scarce before the weekend, the Bank giving special help to the market. On Thursday this reached very large proportions, but one or two houses, nonetheless, had to re-borrow a small amount at Bank rate. In the first three days of this week, however, credit conditions have been transformed; some funds have actually remained unlent. Bills have been in keen demand, and the rate of $5\frac{31}{32}$ per cent established after Friday's tender has weakened at times to $5\frac{15}{16}$ per cent. Outside balances have on occasion been available at down to 4 per cent.

LONDON MONEY RATES

	%		%
Bank rate (from 5% 19/9/57)	7	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	$6\frac{7}{8}$–$6\frac{15}{16}$
Bank	5	3 months	$6\frac{7}{8}$–$6\frac{15}{16}$
Discount houses	5	4 months	$6\frac{7}{8}$–$6\frac{15}{16}$
Money		6 months	$6\frac{7}{8}$–$6\frac{15}{16}$
Day-to-Day	5–5½	Fine trade bills:	
Short periods	5½	3 months	7–8
Treas. bills 2 months	$6\frac{7}{16}$	4 months	7–8
3 months	$6\frac{7}{16}$	6 months	$7\frac{1}{4}$–$8\frac{1}{4}$

BANK OF ENGLAND RETURNS

(£ million)	Mar. 6, 1957	Feb. 26, 1958	Mar. 7, 1958
Issue Department :*			
Notes in circulation	1,886·2	1,962·1	1,973·8
Notes in banking dept.	39·2	38·2	26·6
Govt. debt and securities*	1,921·2	1,956·2	1,956·3
Other securities	0·8	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department :			
Deposits :			
Public accounts	11·8	11·4	11·8
Bankers	217·5	224·0	233·0
Others	71·3	73·0	73·6
Total	300·6	308·4	318·4
Securities :			
Government	224·2	237·5	273·8
Discounts and advances	33·6	27·9	12·5
Other	19·9	20·9	21·6
Total	277·7	286·3	307·9
Banking department reserve	41·3	40·6	29·0
	%	%	%
"Proportion"	13·7	13·1	9·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £2,000 million from £2,050 million on January 22nd, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1957 Mar. 1	*91 Day* 220·0	408·2	s. d. 80 0·78	% 50
	91 Day / *63 Day*			
Nov. 29	230·0 / 50·0	390·2	129 2·27	61
Dec. 6	240·0[1] / 50·0	430·7	129 1·45	39
„ 13	230·0 / 50·0	414·8	129 1·21	45
„ 20	220·0 / 50·0	403·9	128 9·94	52
	91 Day			
„ 27	260·0	409·2	127 5·91	51
1958				
Jan. 3	260·0	405·7	125 6·70	55
„ 10	260·0	398·7	126 7·25	45
„ 17	260·0[2]	403·8	125 10·33	52
„ 24	230·0	421·0	125 6·56	24
„ 31	210·0	421·2	122 6·50	44
Feb. 7	230·0	387·5	121 3·29	65
„ 14	230·0[3]	424·7	120 10·56	44
„ 21	220·0	411·7	119 5·52	49
„ 28	240·0	391·9	120 3·28	37

* On February 28th tenders for 91 day bills at £98 9s. 10d. secured 37 per cent, higher tenders being allotted in full. The offering this week was for £240 mn. at 91 day bills. [1]Allotment cut by £10 mn. [2]Allotment cut by £20 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: March 5	Market Rates: Spot: February 27	February 28	March 1	March 3	March 4	March 5
United States $	2·78–2·82	2·81$\frac{1}{16}$–2·81$\frac{5}{16}$	2·81$\frac{1}{16}$–2·81$\frac{5}{16}$	2·81$\frac{7}{16}$–2·81$\frac{9}{16}$	2·81$\frac{1}{2}$–2·81$\frac{3}{4}$	2·81$\frac{7}{16}$–2·81$\frac{9}{16}$	2·81$\frac{7}{16}$–2·81$\frac{9}{16}$
Canadian $	...	2·75$\frac{1}{2}$–2·75$\frac{3}{4}$	2·75$\frac{1}{2}$–2·75$\frac{3}{4}$	2·75$\frac{1}{2}$–2·75$\frac{3}{4}$	2·75$\frac{1}{2}$–2·75$\frac{3}{4}$	2·75$\frac{1}{2}$–2·75$\frac{3}{4}$	2·75$\frac{1}{2}$–2·75$\frac{3}{4}$
French Fr.	1167·18–1184·82	1180$\frac{1}{2}$–1180$\frac{3}{4}$	1181–1181$\frac{1}{2}$	1181–1181$\frac{1}{2}$	1181$\frac{1}{4}$–1181$\frac{3}{4}$	1182$\frac{1}{2}$–1182$\frac{3}{4}$	1182$\frac{1}{2}$–1182$\frac{3}{4}$
Swiss Fr.	12·15$\frac{1}{2}$–12·33$\frac{1}{2}$	12·27$\frac{1}{2}$–12·28	12·28–12·28$\frac{1}{4}$	12·28–12·28$\frac{1}{4}$	12·28–12·28$\frac{1}{4}$	12 28 12·28$\frac{1}{4}$	12·27$\frac{1}{2}$–12·28
Belgian Fr.	138·95–141·05	139·55–139·60	139·57$\frac{1}{2}$–139·62$\frac{1}{2}$	139·57$\frac{1}{2}$–139·62$\frac{1}{2}$	139·55–139 60	139·70–139 75	139·70–139·75
Dutch Gld.	10·56–10·72	10·62$\frac{1}{2}$–10·62$\frac{3}{4}$	10 62$\frac{1}{2}$–10 62$\frac{3}{4}$	10 62$\frac{1}{2}$–10 62$\frac{3}{4}$	10 62$\frac{1}{2}$–10 62$\frac{3}{4}$	10 62$\frac{1}{2}$–10 62$\frac{3}{4}$	10 62$\frac{1}{2}$–10·62$\frac{3}{4}$
W. Ger. D-Mk.	11·67$\frac{1}{2}$–11·84$\frac{1}{2}$	11·77–11·77$\frac{1}{2}$	11·77$\frac{1}{2}$–11·77$\frac{3}{4}$	11·77$\frac{1}{2}$–11·77$\frac{3}{4}$	11·76$\frac{3}{4}$–11·77$\frac{1}{4}$	11·76$\frac{3}{4}$–11·77$\frac{1}{4}$	11·76$\frac{1}{2}$–11·77
Portuguese Esc.	79·90–81·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80 00–80·15	80·00–80·15
Italian Lire	1736$\frac{1}{2}$–1762$\frac{1}{2}$	1748$\frac{1}{4}$–1749	1748$\frac{1}{4}$–1748$\frac{3}{4}$	1748$\frac{1}{4}$–1748$\frac{3}{4}$	1748$\frac{1}{4}$ 1748$\frac{3}{4}$	1748–1748$\frac{3}{4}$	1747$\frac{1}{4}$–1748
Swedish Kr.	14·37$\frac{1}{2}$–14·53$\frac{1}{2}$	14·53–14·53$\frac{1}{2}$	14·53–14·53$\frac{1}{2}$	14·53–14·53$\frac{1}{2}$	14·53$\frac{1}{2}$–14·53$\frac{3}{4}$	14·53$\frac{1}{2}$–14·53$\frac{3}{4}$	14·53–14·53$\frac{1}{2}$
Danish Kr.	19·19$\frac{1}{2}$–19·48$\frac{1}{2}$	19·34$\frac{1}{2}$–19·35	19·34$\frac{1}{2}$–19·35	19·34$\frac{1}{2}$–19·35	19·35$\frac{1}{2}$–19·35$\frac{1}{2}$	19·35$\frac{1}{2}$–19·36	19·35$\frac{1}{2}$–19·35
Norwegian Kr.	19·85–20·15	20·01$\frac{1}{2}$–20·01$\frac{3}{4}$	20·01$\frac{1}{2}$–20·01$\frac{3}{4}$	20·01$\frac{1}{2}$–20·01$\frac{3}{4}$	20·01$\frac{1}{2}$–20·01$\frac{3}{4}$	20·01$\frac{1}{2}$–20·01$\frac{3}{4}$	20·01$\frac{1}{2}$–20·01$\frac{3}{4}$
One Month Forward Rates							
United States $		$\frac{1}{16}$–$\frac{3}{32}$c. pm	$\frac{1}{16}$–$\frac{3}{32}$c. pm	1–$\frac{3}{4}$c. pm	1$\frac{1}{16}$–$\frac{1}{2}$c. pm	1–2c. pm	1–2c. pm
Canadian $		$\frac{3}{8}$–$\frac{1}{2}$c. pm	$\frac{1}{16}$–$\frac{1}{8}$c. pm	$\frac{1}{16}$–$\frac{1}{8}$c. pm	$\frac{3}{8}$–$\frac{1}{2}$c. pm	$\frac{3}{8}$–$\frac{1}{2}$c. pm	$\frac{3}{8}$–$\frac{1}{2}$c. pm
French Fr.		1 pm–1 dis	1 pm-par	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm 1 dis
Swiss Fr.		4$\frac{1}{2}$–3$\frac{1}{2}$c. pm	4–3$\frac{1}{2}$c. pm	4–3$\frac{1}{2}$c. pm	4–3$\frac{1}{2}$c. pm	4–3$\frac{1}{2}$c. pm	3$\frac{1}{2}$–3$\frac{1}{4}$ pm
Belgian Fr.		$\frac{5}{8}$–$\frac{1}{2}$ pm	$\frac{5}{8}$–$\frac{1}{2}$ pm	$\frac{5}{8}$–$\frac{1}{2}$ pm	$\frac{5}{8}$–$\frac{1}{2}$ pm	$\frac{5}{8}$–$\frac{1}{2}$ pm	1–$\frac{1}{2}$ pm
Dutch Gld.		2$\frac{1}{2}$–2c. pm	2$\frac{1}{2}$–2c. pm	2$\frac{1}{2}$–2c. pm	2$\frac{1}{2}$–2c. pm	2$\frac{1}{2}$–2c. pm	2$\frac{1}{2}$–2c. pm
W. Ger. D-Mk.		3$\frac{1}{2}$–2$\frac{1}{2}$pf. pm	3$\frac{1}{2}$–2$\frac{1}{2}$pf. pm	3$\frac{1}{2}$–3pf. pm	3$\frac{1}{2}$–3pf. pm	3$\frac{1}{2}$–3pf. pm	3$\frac{1}{2}$–3pf. pm
Italian Lire		1 pm-par	1 pm-par	1 pm-par	1 pm-par	1 pm par	1 pm par
Swedish Kr.		4–3$\frac{1}{2}$ pm	3$\frac{1}{2}$–3$\frac{1}{2}$ pm	3$\frac{1}{2}$–3$\frac{1}{2}$ pm	4–3$\frac{1}{2}$ pm	3$\frac{1}{2}$ 3$\frac{1}{2}$ pm	3$\frac{1}{2}$ 3$\frac{1}{2}$ pm
Danish Kr.		5–3$\frac{1}{2}$ pm	5–3$\frac{1}{2}$ pm	5–3$\frac{1}{2}$ pm	5–3$\frac{1}{2}$ pm	5 3$\frac{1}{2}$ p m	4–3$\frac{1}{2}$ pm
Norwegian Kr.		3–1$\frac{1}{2}$ pm	3–1$\frac{1}{2}$ pm	3–1$\frac{1}{2}$ pm	3–1$\frac{1}{2}$ pm	3–1$\frac{1}{2}$ pm	3–1$\frac{1}{2}$ pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/9$\frac{1}{2}$	249/4$\frac{1}{2}$	...	249/5$\frac{1}{2}$	249/3$\frac{1}{2}$	249/3$\frac{1}{2}$

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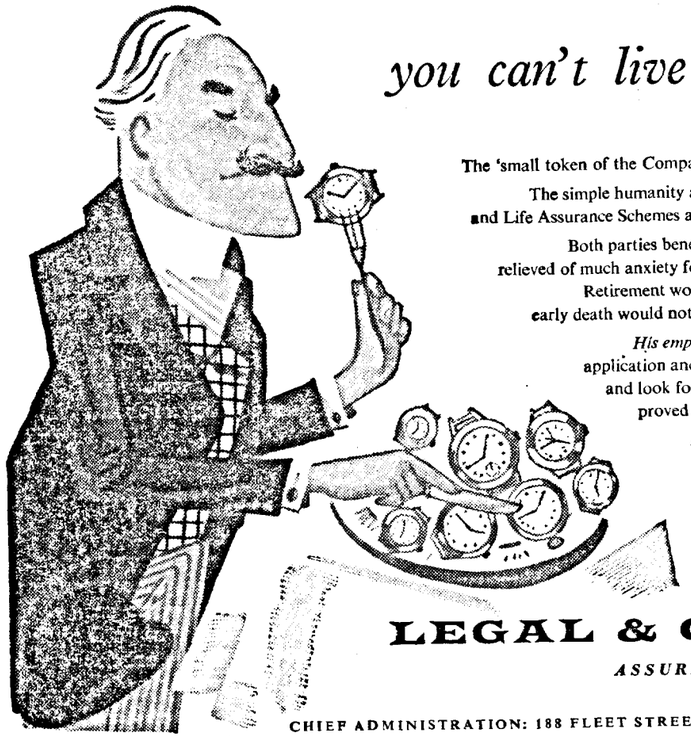
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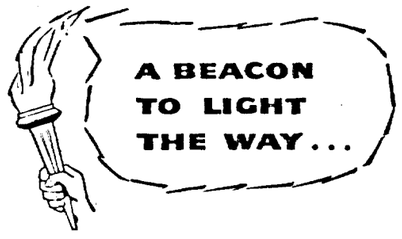
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UNILEVER LIMITED AND UNILEVER N.V.

The Boards of Unilever Limited and Unilever N.V. announce the provisional results for the year ended 31st December, 1957. Although the results are subject to completion of the consolidated accounts and audit, the Boards are satisfied that any difference between the provisional and final figures will be relatively unimportant.

The total value of turnover for LIMITED and N.V. was :—
1957 ... ... £1,720 million 1956 ... ... £1,671 million

Deductions are shown in brackets (All figures are shown in £ millions)

1956				1957		
N.V.	LIMITED	COMBINED		COMBINED	LIMITED	N.V.
51·7	47·1	98·8	Profit before taxation	85·3	41·8	43·5
(27·9)	(24·0)	(51·9)	Taxation on profit incl. foreign taxes	(45·1)	(21·0)	(24·1)
23·8	23·1	46·9	Profit for the year after taxation.....	40·2	20·8	19·4
(0·6)	3·0	2·4	Exceptional items (incl. taxation adjustments previous years).....	2·1	1·1	1·0
(1·3)	(0·9)	(·22)	Amounts attributable to outside shareholders' interests in subsidiaries.....	(2·0)	(0·8)	(1·2)
21·9	25·2	47·1	CONSOLIDATED NET PROFIT.....	40·3	21·1	19·2
8·5	11·6	—	Net Profit of Parent Companies.....	—	10·6	8·0

The N.V. figures have been converted to sterling, as for 1956, at the official parity of Fl. 10·64 = £1.

The Boards, assuming the existing rate of exchange between the £ sterling and the guilder, intend to resolve on 18th March, 1958, to recommend to the Annual General Meetings to be held on 24th April, 1958, final dividends for 1957 on the Ordinary capitals payable in May, 1958, as follows :—

1. In the case of Unilever Limited a dividend of 11¼ per cent. actual (2·3·6d. per £1 of stock) before deducting income tax. (1956—11¼ per cent.), making 17½ per cent. (3·6d. per £1 of stock) for the year ended 31st December, 1957 (1956—17½ per cent.)
2. In the case of Unilever N.V. a dividend of 10¼ per cent. actual (1956—10¼ per cent.) being the equivalent of the Unilever Limited dividend calculated in accordance with the Equalisation Agreement between the two companies, making 15¾ per cent. for the year ended 31st December, 1957 (1956—15¾ per cent.)

It is intended to send the Report and Accounts for 1957 to stockholders on 2nd April, 1958.

27th February, 1958.

COMPANY MEETINGS

THE WHITEHEAD IRON AND STEEL COMPANY

MARKED RECOVERY IN SECOND HALF OF FINANCIAL YEAR

RENATIONALISATION PROPOSAL DIFFICULT TO UNDERSTAND

INDUSTRY'S RECORD OF OUTSTANDING PROGRESS AND EFFICIENCY

MR G. H. LATHAM ON GROUP'S STRONG POSITION

The fifty-first annual general meeting of The Whitehead Iron and Steel Company Limited will be held on March 24th at the Westgate Hotel, Newport, Monmouthshire.

The following is the statement of Mr G. H. Latham, LLD, JP (Chairman and Managing Director), which has been circulated with the report and accounts:

The Annual Report and Statement of Accounts are, I think, self-explanatory and set out in a manner which, I hope, is clear to all shareholders. I consider it unnecessary, therefore, for me to make any additional comments on the form of presentation, which closely follows that of last year.

An examination of the consolidated balance sheet reveals that the value of the fixed assets, before providing for depreciation, has fallen from £3,522,056 in 1956 to £2,788,794, and that the investments at market value have increased from £372,538 for 1956 to £1,059,687 for the current year. Both these changes are a direct consequence of the disposal of our interest in W. A. Baker and Company, Limited.

The increase in the debtors and creditors and stocks is due to the increase in prices and to the higher volume of trade towards the end of the financial year.

TRADING RESULTS

In June last year I reported that the Group profit (before taxation) for the half-year ended March 31, 1957, was £426,948, as compared with £789,760 for the corresponding period of the previous year, a decrease of £362,812. At the same time, I gave the reasons for this fall in profits and indicated that the Company's profits during the second half-year to September 28, 1957, would be adversely affected. I am pleased to be able to say that the improvement in the demand for the products of our Cold Rolling Department for the second half-year's trading proved to be more favourable than was originally anticipated when my cautious forecast was made.

During the year under review the output of the Hot Mills of our parent Company was maintained at a satisfactory level and compares favourably with the maximum output of the preceding year. I have already explained that the profit earned by the parent Company was adversely affected by a serious fall in demand for the products of our Cold Rolling Department, and this resulted in the output for the year being 25 per cent less than that for the year 1955-56.

The Group profit (before taxation) for the year ended September 28, 1957, was £1,004,093. Although this represents a reduction of £341,764 as compared with the previous year, it is actually a little less than for the first half of the year (£362,812), which indicates the marked extent of the recovery during the second half of the year under review. I am also pleased to be able to say that the improvement was maintained during the three months ended December 31, 1957, and the trend continues to be equally satisfactory. Our Order Book is still adequate to maintain full capacity in all departments.

RESERVES

With the allocations this year the total reserves, including the reserve for future taxation, amount to £3,136,806, which I am sure you will agree is a very satisfactory position.

For the last few years I have given you an analysis of our trading results and have also shown you how each £1 of our income was spent. These figures have proved so interesting to shareholders that I am repeating the information this year.

ANALYSIS OF GROUP TRADING RESULTS FOR THE YEAR ENDED 28TH SEPTEMBER, 1957

	To nearest £'000	% of total income
Purchase of raw materials	11,016	77·91
Wages and salaries.....	1,049	7·42
Works and administration expenses.....	861	6·09
Depreciation.....	156	1·10
Taxation.....	527	3·73
Debenture interest.....	53	0·38
Distributed to shareholders (net).....	144	1·02
Retained in business....	333	2·35
	14,139	100·00

ANALYSIS PER £1 OF INCOME

	s.	d.
Purchase of raw materials	15	7·0
Wages and salaries.....	1	5·8
Works and administration expenses.....	1	2·6
Depreciation.....		2·6
Taxation.....		9·0
Debenture interest.....		0·9
Distributed to shareholders (net)		2·5
Retained in business.....		5·6
	20	0·0

LIQUID RESOURCES

An examination of the balance sheet of the Group reveals that the investments at market value amount to £1,059,687. On the assumption that profits continue to be earned at the present rate, the Company will be in a position to provide out of its own resources any capital required for future developments over the next two to three years. We are fortunate to be so placed because the uncertainty of ownership of the Industry is making it extremely difficult at the present time to raise new capital for development programmes, but, happily, we can avoid any difficulties in this respect, which makes our position so much stronger.

NATIONALISATION

The Socialists have now definitely reaffirmed their intention to renationalise this great basic industry. It is very difficult to understand why the Steel Industry, which has made such outstanding progress, should be made a political cock-pit for the second time. Surely our record convinces every thinking person that it is not only being managed efficiently, but that our output is increasing adequately to meet the requirements of our home consumers, as well as simultaneously stepping up our exports. We are producing steel at a price which is highly competitive, and the labour in our Industry is happily and contentedly employed. We are told that the largest factor in a disappointing year as regards our nationalised Coal Industry was absenteeism and that, in spite of more mechanisation, production does not improve but still tends to fall. We have never yet had to say that absenteeism in the Steel Industry has had any adverse effect upon output since, apart from genuine illness, it is completely unknown. It may well be that this is largely due to every man having a real interest in his job and accepting responsibility for preserving the standard of efficiency in the Steel Industry which has long been acknowledged.

In a previous Statement I gave a short analysis of our Share Register. In September, 1957, the British Iron and Steel Federation issued an excellent little brochure entitled "Who Owns the Steel Industry?" I am enclosing a copy for your perusal as I am sure you will find it interesting. It will at once be seen that the number of shareholders owning 500 shares or less in a very representative cross-section of our Industry is remarkably high, and it is because so many of these shareholders are actually employees that this sense of responsibility in preserving efficiency is so pronounced. I should have thought that renationalisation of the Steel Industry would only become desirable if the efficiency or the output of the industry could thereby be improved. It has been shown beyond all measure of doubt, however, during the last few years that our great Industry is quite capable of serving the country well.

PENSION SCHEME

For some time we have been considering the introduction of a pension scheme for Work's employees. I am pleased to be able to say that the Board have now approved the idea in principle and that it is proposed to bring into operation a non-contributory pen-

sion scheme on, or before, June 30, 1958. Full details of the scheme will be issued to all employees as soon as possible but, briefly, it will provide for a pension at sixty-five years of age, or alternatively, a capital sum payable to the dependants of an employee who dies whilst in the service of the Company. The cost of the scheme will be substantial but I feel that its introduction will still further improve the excellent relationship at present existing between the management and the employees of our group of companies.

W. A. BAKER AND COMPANY LIMITED

Shareholders will recollect the Press announcement I made on May 10, 1957, which fully explained the position of this Company (which was at that date a wholly-owned Subsidiary) *vis-à-vis* the Black-Clawson Company. I have little to add to that statement except to say that the financial arrangements have been satisfactorily concluded and to reiterate that in my opinion the sale was in the best interests of the shareholders.

GODINS "THE ROLLERS OF STEEL SECTIONS" LIMITED

I am pleased to say that the works of this Subsidiary are operating to capacity and at the present time we have a very satisfactory Order Book. We are taking steps to keep our plant up to date and I am sure we shall be able to meet all competition as a result of efficient management and modernisation of machinery.

WHITEHEAD HILL AND COMPANY LIMITED

This is our wire drawing section which, in common with all other similar plants in the country, is operating reasonably well but not to full capacity. The Company is contributing a satisfactory profit to the Group trading. Our brickworks are also operating satisfactorily.

As you will see from the Directors' Report Mr C. H. G. Millis resigned from the Board on December 31, 1957. I am very sorry indeed that because of his business commitments elsewhere Mr Millis has found it necessary to resign from the Board of our Company. I am deeply appreciative of his help and advice during the short time he has been with us.

The year under review has proved to be somewhat difficult in many respects but I have previously acknowledged the efficiency, adaptability and loyalty of our staff and workpeople upon whom we know we can always rely. I am sure, however, you would wish to join me in paying tribute to them for the part they have played in the satisfactory results and the excellent recovery which I am able to present to you in this Report.

BANCA NAZIONALE DEL LAVORO

ROME, ITALY

CONDENSED STATEMENT OF CONDITION AS AT 31st DECEMBER, 1957

LIABILITIES	31st December, 1956 Lire	31st December, 1957 Lire
Capital	1,150,000,000	1,150,000,000
Ordinary reserve	7,420,000,000	9,540,000,000
	8,570,000,000	10,690,000,000
Staff individual retirement accounts	15,197,362,397	17,460,909,242
Deposit and Current Accounts	666,684,894,873	734,651,506,356
Cheques in circulation	22,429,216,407	23,001,879,008
Bills for collection	43,286,280,764	39,348,140,011
Guarantees, Acceptances and irrevocable or confirmed Credits for a/c of customers	104,185,300,545	92,951,583,020
Sundry accounts	66,330,676,826	62,708,685,747
Unearned discount and other unearned income	3,547,276,616	3,637,209,684
Net profit	932,615,690	1,026,150,946
	931,163,624,118	985,476,064,014
Depositors of securities	260,675,704,215	306,336,786,085
Accounts guaranteeing special accounts	11,652,562	9,352,562
Bank's securities guaranteeing Staff Retirement Fund and Provident Fund	15,592,132,293	17,889,170,447
	1,207,443,113,188	1,309,711,373,108

ASSETS	31st December, 1956 Lire	31st December, 1957 Lire
Cash, Balances with Banks and Money at Call	172,555,089,354	220,314,400,635
Investments—Govt. and Govt.-guaranteed Securities and Treasury Bills	96,382,452,106	103,617,777,601
Other securities	11,510,096,083	12,180,588,650
Contango, Advances on Securities and Loans	320,758,205,440	325,069,406,251
Bills receivable	221,284,144,343	226,472,065,809
Sundry accounts	4,005,675,905	4,870,242,045
Participations in Annexed Sections	482,660,340	1
Sundry participations	1	1
Premises, Furniture and Equipment	1	1
Customers' liability for Guarantees, Acceptances and irrevocable or confirmed Credits	104,185,300,545	92,951,583,020
	931,163,624,118	985,476,054,014
Securities deposited by third parties	260,675,704,215	306,336,786,085
Special guaranteed accounts	11,652,562	9,352,562
Staff Retirement Fund and Provident Fund—Securities deposited by the Bank as guarantee	15,592,132,293	17,889,170,447
	1,207,443,113,188	1,309,711,373,108

PROGRESS OF BANCA NAZIONALE DEL LAVORO DURING 1957

DEPOSITS rose from Lit.666,685 million to Lit.734,652 million (£gs.419,801,100).
PROFIT rose from Lit.933 million to Lit.1,026 million (£gs.586,300).
RESERVES rose from Lit.7,420 million to Lit.9,540 million and, after approval of the Balance Sheet, to Lit.11,000 million (£gs.6,285,700).
STAFF RETIREMENT FUND AND PROVIDENT FUND rose from Lit.15,197 million to Lit.17,461 million (£gs.9,977,700).
PREMISES, ETC., figure at a value of one Lira after Lit.789 million (£gs.450,900) had been written off during 1957. The real estate gave a rent of Lit.730 million (£gs.417,100). An amount of Lit.793 million (£gs.453,100) spent during the last year for the installation, reconstruction and organisation of the Bank's premises and Branch Offices was also written off.
PARTICIPATIONS in the Autonomous Sections and Sundry Participations stand in the Balance Sheet at a value of one Lira after Lit.771 million (£gs.440,600) had been written off during 1957. Dividends therefrom amounted to 91 million lire (£gs.52,000).
TAXES paid in 1957 amounted to Lit.3,775 million (£gs.2,157,100).
RECOVERIES in 1957 in respect of debts totally written off amounted to Lit.368 million (£gs.210,300)
THE TOTAL OF THE BALANCE SHEET, exclusive of the "Contra Accounts," rose from Lit.931,164 million to Lit.985,476 million (£gs.563,129,100).

AUTONOMOUS SECTIONS

BANCA NAZIONALE DEL LAVORO operates also in various specific spheres of activity through the intermediary of its following Autonomous Sections, the annual accounts of which are shown separately:

— Section for Mortgage Credit
— Section for Hotel and Tourist Credit
— Section for Motion Picture Credit,
— Section for Credit to Co-operatives
— Section for Credit to Medium-sized and Small industries.

The importance of these Sections and of their intervention in their respective spheres of activity during 1957 will appear from the following:
TOTAL RESERVES of the Sections rose from Lit.2,076 million to Lit.2,596 million (£gs.1,483,400) after approval of the Balance Sheets as at 31st December, 1957.
ADVANCES AND LOANS (including half-yearly payments due) which on 31st December, 1956, amounted to Lit.87,445 million, reached a total of Lit.104,556 million (£gs.59,746,300) at the close of 1957.
PROFIT of the Sections rose from Lit.661 million to Lit.780 million (£gs.445,700).
THE TOTAL OF THE BALANCE SHEETS OF THE SECTIONS, exclusive of the "Contra Accounts," rose from Lit.96,546 million to Lit.112,184 million (£gs.64,105,100).

COMBINED CAPITAL AND RESERVES OF BANCA NAZIONALE DEL LAVORO AND ITS AUTONOMOUS SECTIONS, AFTER THE APPROVAL OF THE BALANCE SHEETS AS PER 31st DECEMBER, 1957, AMOUNT TO Lit.23,303,714,632 (£gs. 13,316,408).

BANK OF LONDON & SOUTH AMERICA LIMITED

COMMODITY PRICES AND WORLD ECONOMICS

The annual general meeting of the Bank of London & South America Limited will be held on April 1st at 40-66, Queen Victoria Street, London, E.C.

The following are extracts from the address by the Chairman, Sir George L. F. Bolton, K.C.M.G., including a statement on the ninety-sixth Annual Report of the Directors and Statement of Accounts for the year ended December 31, 1957, which will be submitted at the meeting:

The dominant features of the world economic situation during the past year have been (a) the failure of the United States' economy to resume its expansion; (b) the fall in commodity prices; (c) the reduction of international liquidity following the sterilisation of the inflow of gold and foreign exchange into Germany and the USA, and (d) in general a lessening of the inflationary influences which have been prevalent in the last 20 years. It is against this background that my review of events in the countries where our Bank is established must be set. Disinflationary conditions have unwelcome implications for the primary producing regions of the globe.

My predecessor frequently stressed the importance of commodity prices and foreign capital in the development of Latin America. It is through the operation of these two factors that the economies of the republics are vulnerable to changes in the level of activity in the great industrial centres of the world. The progress in industrialisation in the 20 republics achieved in recent years has altered the nature rather than the degree of their dependence on the outside world and it is the more developed countries such as Argentina and Brazil that face the most difficult problems of adjustment to a stationary or falling foreign exchange income and have the greatest need of an uninterrupted flow of foreign capital.

LOWER COMMODITY PRICES

Commodity prices were, on average, considerably lower in 1957 than during the preceding year, and the effects of the Suez crisis in arresting declines begun in 1956 were in general short-lived. The largest and most sustained falls were recorded in metal prices, particularly copper—which in December 1957 was quoted in the United Kingdom at only half the average price for 1955—tin, lead and zinc. Other commodities have more recently become affected. Brazilian coffee lost during 1957 the gains recorded in the latter part of 1956, while the mild varieties exported by other Latin American countries showed a much sharper fall. Temperate agricultural products were generally weaker and wool prices, previously fairly well sustained, had joined the general decline by the autumn. Sugar prices, which had been remarkably high in late 1956 and early 1957, fell to near the previous level. Of the commodities in which the Latin American countries are primarily interested, cocoa alone experienced a substantial gain over the year.

At their present lower levels many of these commodity prices may still be remunerative to the most efficient producers, but the important point for the exporting countries—and Latin America is not, of course, alone in this respect—is the extent to which they have fallen from the levels to which domestic budgets, foreign exchange reserves and investment programmes were geared. To put into perspective the effect of the Latin American Republics of the fall in commodity prices in 1957 it must be seen against the background of trends in the past seven or eight years. Taken in conjunction with the more persistent advance in the price of manufactured goods over this period, the result has been that the terms of trade for Latin America as a whole have suffered a deterioration of perhaps more than 15 per cent in comparison with 1950.

This generalisation conceals, of course, wide differences between the different countries of the region; but it does help to explain why the problems of many Latin American countries have become more acute in this period, why they have become more aware of the need for foreign capital and why they look with apprehension on any developments in the outside world that may lead to a further deterioration in their trading position. The situation is in marked contrast to the first four years after 1945 when the terms of trade for Latin America generally improved rapidly and this improvement in itself made possible a high rate of domestic investment and rapid economic growth.

FACTORS AFFECTING SITUATION

The fall in commodity prices began at a time when production in the more sophisticated countries was still maintained at a high level, but stringent monetary policies and the uncertain business outlook tend to encourage the running down of stocks and hand-to-mouth buying. It would be wrong, however, to suggest that the overseas payments difficulties now being experienced by a number of Latin American countries are to be ascribed entirely to international factors and the policies adopted by some of the major industrial countries. Other factors have also influenced the situation. On the supply side, investments made earlier at times of high prices have brought about an increased production of some commodities now in declining demand; and there are other factors that are essentially the outcome of the policies pursued by the primary-producing countries themselves. In some cases, current foreign exchange problems must be regarded as basically due to the neglect in earlier years of the export sections of the economy in favour of industrial development, the effects of which could be ignored while the terms of trade were moving favourably. In some cases a heavy burden has been imposed on the balance of payments as the result of over-importing in the past and the accumulation of short and medium-term debts, or by an increasing dependence on imported fuels or foodstuffs that a more far-sighted policy of economic development might have avoided. In such circumstances there is little room for manoeuvre when export income is reduced, and a backlog of commercial and financial debts begins to accumulate.

To point out these factors is not to show a lack of understanding of the problems created by fluctuations in commodity prices for primary producing countries that are eager to press forward with their economic development. But, while these countries are greatly dependent on the outside world and are affected by trends in the centres of economic power, the extent to which the situation is allowed to become critical is to a much greater extent a matter of domestic policy. Some Latin American countries have avoided serious payments difficulties by foresight in building up exchange reserves or by keeping better control over the internal monetary situation.

There is, of course, one major exception to most generalisations about the economic situation in Latin America; that is Venezuela, which again in 1957 increased its output of petroleum and continued to strengthen its foreign exchange reserves to an extent that has put it in a position to become, if only on a modest scale, an exporter of capital to other Latin American Republics. Venezuela is a country favoured with large resources of a commodity for which there has been in recent years a rapidly growing demand, but one whose ability to take advantage of this has been due to the absence of prejudice against foreign capital.

EUROPEAN COMMON MARKET

The future trend of commodity prices and their probable effect on the Latin American countries' capacity to import are matters of concern. The Latin American republics' own preoccupation with this subject was seen at the Economic Conference of the OAS, held in Buenos Aires in 1957, and in the efforts made by the coffee-producing countries to reach a marketing agreement. The Buenos Aires Conference discussed many of the problems of Latin American trade and investment, including those arising from fluctuations in the prices of basic commodities. The field in which some positive action seemed most likely to result from the Conference was the development of trading relations between the republics themselves.

These efforts to establish closer economic ties and the project for a regional common market were given a spur by the conclusion of the Treaty establishing the European Common Market.

In principle, the establishment of a large economic unit with increased possibilities of industrial production does not conflict with Latin American interests. The chief danger is seen in the association of the overseas territories with the Common Market and the high common tariffs fixed against imports of certain tropical agricultural products from outside countries. The result might, it is feared, be the diversion of European trade and investment away from Latin America to Africa. The most decisive factor will be the spirit in which the Common Market Treaty is implemented.

INTEGRAL PART OF WESTERN WORLD

An important consideration for Western Europe is that, while the political future of much of Africa is fraught with uncertainty, Latin America remains, by history, culture and conviction, an integral part of the Western World. There are, also, other important and subtle changes at work which may greatly affect Western European trade and finance. The deterioration in European political influence in the Eastern Mediterranean and the Middle East has left Governments, whose friendship and stability remain uncertain, in control of a strategic trade route. The conflict between Israel and her neighbours remains unresolved with little prospect of a decrease in political friction. In these circumstances traders will probably avoid fresh commitments in this area and investment in both the Middle and Far East may decline. There are all the elements therefore of a shift of economic interest towards Latin America as a whole, and in the long run a greater degree of prosperity will be felt in these countries, especially those who welcome foreign investment.

ILFORD LIMITED

(Manufacturers of Photographic Materials)

RECORD PRODUCTION AND SALES

HIGH PROPORTION OF EXPORTS TO HARD CURRENCY COUNTRIES

DOLLAR SAVING DERIVED FROM HOME PRODUCED FILM BASE

THE HONOURABLE JAMES P. PHILIPPS ON REMEDIES TO COMBAT INFLATION

The Annual General Meeting of Ilford Limited will be held on March 27th at the Ilford Gallery, 106, 107, High Holborn, London, WC.

The following is the statement by the Chairman, The Honourable James P. Philipps, copies of which have been circulated for the convenience of shareholders with the report and accounts for the year ended October 31, 1957:

Ladies and Gentlemen, Since the last Annual General Meeting, Mr Midgley Illingworth, one of our Joint Managing Directors, has retired on pension after very nearly fifty years' service with the Group. Having started as a young man with his father's firm, Thomas Illingworth & Company (the whole of whose share capital was acquired by Ilford Limited in 1919), he had for many years been responsible for the sales organisation of our whole Group of Companies, and had become a well-known and much respected figure in the Photographic Industry both at home and overseas. We are very much indebted to him for his long and faithful service, and wish him many years of happiness in his retirement. Mr Wilfrid Dimsdale is now sole Managing Director.

TURNOVER AGAIN A RECORD

I am glad to be able to report that during the year under review we again increased our turnover to a record figure. While the increase in home sales was only a modest one, exports rose by no less than 17 per cent, and would have been even higher had not sales of some lines still been limited by our film manufacturing capacity.

I have mentioned before that our exports of sensitised materials account for about half the total exports of this nature from this country. Moreover, a high proportion of ours go to dollar and other hard currency countries.

Our subsidiary company in the United States of America, which is only a sales organisation, is making progress and will, we hope, soon be running on a profit-making basis. While our exports to dollar markets are helping the British economy, an even bigger benefit is being derived from the substantial saving in dollar purchases made possible by the production of film base in this country by our associated company, Bexford Limited. As its volume of production is expanding, even more benefit could be derived from this source. For instance, in connection with X-ray film a useful saving in dollars could be effected if Government Departments would recommend the use of film made from home-produced film base. The base is a substantial item in the cost of the finished film. Ilford films of all types are made on base produced in the United Kingdom and so are without the large dollar element of competing products.

THE YEAR'S RESULTS

You will see from the Profit and Loss Account that while the parent company's Aggregate Trading Profit is £292,878 higher than in the previous year, the Consolidated Trading Profits of the whole Group are only £251,384 higher.

If you then look lower down on the same page of the Accounts you will see that, in order to take advantage of the taxation benefits available under the legislation applicable thereto, an amount of £132,000 has been provided for the purpose of making subvention payments to certain subsidiary companies which had made losses.

From the Balance Sheet of the Parent Company you will see that Fixed Assets have increased by £616,758 in spite of a higher figure for depreciation. In fact we have during the year invested a further £800,000 of our liquid resources in new buildings and plant. On the greater part of this capital expenditure we are able to claim either initial allowances, or in the case of the building and equipment of our new Research Laboratories scientific and investment allowances. Thus, while the Aggregate Net Profit before taxation is £114,898 higher, the provision for taxation is only £5,649 greater, and the Net Profit after taxation is £109,249 higher than for the previous year.

Last time, however, we had a windfall to the tune of £150,000 which arose from adjustments of taxation in respect of earlier years. You will remember that out of this sum we distributed a special cash bonus of 2½ per cent which cost the Company about £72,000 taking the Distribution Profits Tax into account. There is no corresponding sum available this year.

In these circumstances, and in view of our large investment programme still outstanding, your Directors have transferred the same amounts to reserve as last year, namely, £500,000 to General Reserve and £50,000 to Contingencies Reserve. They recommend that the special bonus of 2½ per cent shall not be repeated, but that the final dividend be increased by 1 per cent to 11 per cent, making a total of 16 per cent for the year payable on the Issued Ordinary Capital, and that the amount carried forward be increased by £3,260.

ONEROUS BURDEN OF PURCHASE TAX

Costs are still rising, and only our expanding turnover has enabled us to absorb the increases.

Now, in order to help the fight against inflation politicians are asking manufacturers to reduce their prices irrespective of whether, after paying their higher wage bills, they will be able to earn sufficient surplus after taxation (I purposely do not use that much misinterpreted word "profit") to replace their outworn machinery and plant when necessary. Would it not kill inflation far more quickly, and be much better for the country if Government spending were reduced sufficiently to allow purchase tax to be abolished, or at least substantially reduced? Retail prices would then automatically be reduced to such an extent that there could not be any justification for further claims for wage increases.

If, however, it is indeed true that the country cannot carry on without the revenue derived from the purchase tax, as an alternative I would like to remind you that it was not long ago that Mr Butler, while Chancellor of the Exchequer, spoke of the possibility of converting the purchase tax into a sales or turnover tax. I feel it would be an admirable thing if the present Chancellor were to follow this suggestion and at the same time were to make the tax more broadly based on a wider range of goods at a low figure.

The present purchase tax rate of 60 per cent is the most onerous tax on photographic materials in the world. Moreover, the complicated way in which the present tax is assessed and collected makes it more difficult for us to introduce modern methods into offices, and is a cause of unnecessary waste of labour. This disadvantage must be felt generally among industries whose goods are subject to this arbitrary impost and over a large part of industry it must result in considerable loss.

PLANT EXTENSIONS

I am glad to be able to report that work has recently been started on our new site at Basildon which I mentioned last year, and building will commence this Spring. Meanwhile we are pressing on with further extensions to our film-coating plant at Brentwood.

His Royal Highness The Duke of Edinburgh recently did us the honour of visiting our newly completed Research Laboratories at Brentwood. We believe these to be among the best equipped laboratories of their kind in the world.

During the year your Board took the opportunity that occurred of acquiring for cash the whole of the Issued Share Capital of the Pembroke Carton & Printing Company Limited. This is already proving a valuable acquisition in the very able hands of its Managing Director, Mr C. H. Vince. The Pembroke Company has for some years been responsible for producing a large part of our packaging materials.

THE OUTLOOK

He would be a bold man who tried to forecast the trends of world trade during 1958. Falling prices of primary commodities, and the consequent foreign exchange difficulties in which the producing countries such as New Zealand are beginning to find themselves, may unfortunately lead to import restrictions which, if persisted in, could produce a world-wide slump. Our problem, however, up till now has been mainly one of production capacity. Whether this will continue to be so for the remainder of the current year is difficult to predict. Indications are that it will prove a more difficult year than last.

In conclusion, I feel sure you would wish me to thank on your behalf all our staff and employees, both at home and overseas, for the part they have played in making the year under review again a record one both in volume of production and in sales turnover.

BRITANNIC ASSURANCE COMPANY LIMITED

SPECIAL BONUS ALLOCATION TO POLICYHOLDERS

CLAIMS PAID IN 1957 OVER £8,500,000

MR FREDERICK A. POWELL'S STATEMENT

The Ninety-Second Annual General Meeting of the Britannic Assurance Company will be held on March 28, 1958. The following statement by the Chairman, Mr Frederick A. Powell, FCA, has been circulated with the accounts:

The year 1957 was one of considerable disturbance and readjustment in the economic affairs of this country. Whilst the report and accounts now presented to you show that we made progress in all branches, we have made certain changes in the bases of our actuarial valuation and in the accounts which, without explanation, would make comparisons with previous years' figures very difficult.

As a result of the tightening of credit, and particularly the raising of the bank rate to 7 per cent in September last, there has been a big change in security values and yields. Dealing first with the fall in values, it will give you some measure of its magnitude if I quote the *Financial Times* indices:

	Govt. securities	Fixed interest	Industrial ordinary
Dec., 1955.....	90·08	99·35	200·40
,, 1956...	84·74	92·08	178·80
,, 1957.....	79·29	87·62	165·30
Per cent fall over 2 years.....	11·98	11·81	17·51

Applying these percentages to our investments will give you a good idea of the fall in values which we had to take into account. I am proud to be able to report to you now that we have been able to face even these heavy falls without embarrassment.

You will see from the accounts that we have written down investments by a total of £1,850,000. As a result, the balance sheet figures shown against the various classes of securities cannot all be compared with the figures of 1956. For instance, the drop of £2,648,000 in British Government securities does not represent any disinvestment. During the year we carried out certain changes in our portfolio of British Government securities by sales of short-dated securities and reinvestment of the proceeds in longer-dated securities with advantage to our future income. These sales resulted in a net book loss, and although much of this loss will eventually be recovered by the redemption of the longer-dated securities, our internal reserves and the amount we have written off this year are more than sufficient to provide for it. In addition, we have made transfers from surplus of £1,250,000 to our Investment Reserve Funds, which now stand at £8,750,000.

You will also notice in the Ordinary and Industrial Branch Revenue Accounts, items relating to income tax repayments in respect of earlier years. In the past, as we have indicated by a note in the appendix to the accounts, we have not taken full credit for the income tax recoverable in respect of the expenses of the current year of account. In view of the changes we are making this year in the actuarial valuation and of the writing down of investments, we have decided to take full credit in the accounts of this year for the income tax which we shall recover in respect of our expenses of the year.

The higher yields now available have enabled us to invest our new money to greater advantage. When inflation has been halted, it must be expected that rates of interest will fall, although not, I hope, to the level of 1947. In that year, which saw the redemption of 3 per cent Local Loans stock and its replacement by a 2½ per cent stock, we made a change in our actuarial valuation bases by reducing the net rate of interest used from 2½ per cent to 2 per cent. Under the changed circumstances of today a 2 per cent valuation basis is unnecessarily stringent.

We have this year reviewed our bases and have valued our life contracts in both branches at a net rate of 2½ per cent instead of 2 per cent, but it will be appreciated that the margin between 2½ per cent and our current net interest yield on the whole of the funds is larger than the margin which existed in 1947, when we adopted the 2 per cent rate.

GENERAL PROGRESS

I am pleased to report that 1957 was a year of continued progress in all branches. The total income of the company amounted to £18,467,000—an increase of £991,000. In the life branches, premium income at £13,314,000 showed an increase of £543,000, and there was a substantial increase in net interest of £476.000 to £4,345,000. Claim payments, including payments of £6,383,000 to those who survived the term of endowment assurances, amounted to no less than £8,521,000. Policies in force in the life branches assured, with bonuses, £229,768,000. The total funds held for the security of policyholders rose by £4,038,000 to £106,011,000.

ORDINARY BRANCH

In the Ordinary Branch the premium income was £4,345,000—an increase of £127,000. Gross interest amounted to £1,950,000, which shows a gross yield on the funds of £5 6s. 5d. per cent. After deduction of income tax, the net interest was £1,408,000, which showed a net yield of £3 16s. 10d. per cent.

An outstanding feature of the year was the large sum, amounting to £3,936,000, paid in death claims, surrenders and maturities, of which no less than £3,117,000 was paid to survivors under endowment assurances. We have had two abnormally heavy years for maturing policies, but the figures will return to normal this year, and we may hope to expand our premium income and funds more rapidly.

The surplus disclosed, which includes £1,034,484 released as a result of the revaluation, amounts to £2,292,779. Out of this surplus, £1,072,542 has been allocated to policyholders. The directors have declared a reversionary bonus at the rate of £2 2s. per cent on the sum assured under with-profit policies, which compares with a bonus of £2 per cent declared a year ago.

INDUSTRIAL BRANCH

In the Industrial Branch the premium income was £8,969,000—an increase of £415,000, the largest in this branch in the company's history. Sums assured under new policies amounted to £14,724,000—an increase of £1,274,000, compared with 1956.

The trend towards endowment assurances which has prevailed during the last 20 years continued, and over 92½ per cent of the new sums assured and premiums related to this class of business. In view of this very pronounced trend, it is not surprising that endowment assurance maturities totalled no less than £3,265,000.

The expense rate at 27.50 per cent, without taking into account the transfer out of surplus to the Staff Pension Fund, was 1.05 per cent more than in 1956, the difference being partly accounted for by the increase in new business and partly by improvements in salaries. Gross interest amounted to £3,132,000, which shows a gross yield on the funds of £5 10s. 1d. per cent. Net interest amounted to £2,937,000—an increase of £392,000. The net rate rose from £4 14s. 5d. per cent to £5 3s. 2d. per cent.

The surplus disclosed, which includes £1,171,473 released as a result of the revaluation, amounted to £5,176,538. This increased surplus has enabled the directors to take a big step forward in our bonus scheme for Britannic policies in this branch. After the 1956 valuation, the vested bonus additions to sums assured ranged from 8 per cent after 8 years' premiums had been paid up to 37 per cent after 37 years' premiums or more. This year we have decided to commence the declaration of bonuses of a permanent nature after premiums have been paid for only one year. As a result of the declaration now made, bonuses will range from 1 per cent addition to the sum assured after the first year's premiums have been paid, up to a maximum of 38 per cent after 38 or more years' premiums have been paid.

The cost of this great improvement in our bonus scheme has been met by a special allocation this year amounting to £2,500,000, whereas the allocation to Britannic policyholders last year was £1,300,000. Such an allocation has been made possible by the release of reserves, and it follows that such an exceptional allocation cannot be expected in future years.

HOUSE PURCHASE SCHEME

Mortgages increased during the year by £990,000 to £19,889,000. In spite of the increase in the bank rate, we have not raised the rate of interest on existing mortgages, and we have kept our rate of interest to new borrowers at 6 per cent. This rate is a high one, and any higher rate would be too heavy a burden on the type of person we are seeking to help, namely, the owner-occupier, and for this reason we should be reluctant to increase it.

FIRE AND ACCIDENT BRANCH

We had a satisfactory year in this branch; the premium income amounted to £995,000—a record increase of £147,000. We are most grateful to the British General Insurance Company for the efficiency with which they manage this branch for us.

STAFF

The results of the past year could not have been achieved without the wholehearted efforts of the staff. They have, as always, worked loyally and well, and it is a real

pleasure to express our thanks to them. I am sure you will all approve the increased transfer of £275,000 to the Staff Pension and Widows Fund which we are making this year.

ORIENT STEAM NAVIGATION COMPANY LIMITED

SIR AUSTIN I. ANDERSON'S REVIEW

The fifty-eighth Annual General Meeting of Orient Steam Navigation Company, Limited, will be held on April 11th in London.

The Chairman, Sir Austin Anderson, said in his annual review that the operating profit, after providing for depreciation and after making a transfer from Reserve for contingencies, was £141,183. Speaking of what he described as the Company's "1956/57 Suez Disaster" the Chairman pointed out how the diversion of the Company's vessels to the Cape route as a result of the closure of the Suez Canal had made it impossible to bunker at relatively cheap ports like Aden, and deprived the Company of its normal traffic to and from the Mediterranean and Colombo. Furthermore the disturbed world conditions and less attractive route had undoubtedly made many Australians either postpone their voyages to Europe or travel by air.

The result was that the earnings on voyages on the UK/Australia run, 90 per cent of which had sailed via the Cape, barely covered their operating expenses and therefore had contributed virtually nothing towards their share of the fleet's statutory depreciation which should have been £500,000. In effect, therefore, this service which represented 76 per cent of the fleet's activities, had lost this amount.

Sir Austin gave a renewed warning that although the Company's aim was to secure high load factors by keeping fares as low as economically practical, the wasteful overtonnaging of the homeward passenger berth by casual foreign ships chartered by Governments solely for the carriage of outward migrants to Australia could in the long run result in the regular lines having to charge higher fares or even to reduce their passenger services.

In contrast to the Suez voyages, the Trans-Pacific service had continued to develop satisfactorily. The earnings from an increased number of voyages were the highest since the service was inaugurated in 1954. This was in spite of the Matson Line's advent into the first class passenger trade between North America and Australia and it confirmed the view that the potential traffic in the Pacific Area was very large indeed. So far most North American tourists had flowed eastwards to Europe, only 2 per cent having gone to Pacific countries, but the growing interest in Australia and New Zealand encouraged hopes that Pacific tourism and round the world traffic would grow.

In order to ensure the most efficient planning of the passenger services over the vast Pacific area the Orient Company would co-operate even more closely with the P & O whose ships had recently entered the Pacific. To this end a joint service, to be known as Orient and Pacific Lines would be set up, and besides covering the existing service between North America and Australasia would in 1959, operate two exploratory voyages in each direction between North America and the Far East. If these were successful it was hoped that traffic on this new route would be developed rapidly.

EQUITY & LAW LIFE ASSURANCE SOCIETY LIMITED

SATISFACTORY NEW BUSINESS

LIFE ASSURANCE OFFICES & STATE PENSIONS

MR G. GODFREY PHILLIPS'S STATEMENT

The Annual General Meeting of Equity & Law Life Assurance Society Limited will be held at 12.15 p.m. on March 26, 1958, at 29 Lincoln's Inn Fields, London, W.C.2. Policyholders and Agents are welcome to attend but only shareholders are entitled to vote.

The following is the statement by the Chairman, Mr G. Godfrey Phillips, CBE, circulated with the Report and Accounts for 1957:

The first occurrence which it is my sad duty to record is the death on December 23, 1957, of Sir Randle Fynes Wilson Holme, a Director of our Society from 1929 to 1951. Randle Holme gave us of his best during his 22 years on our Board, and after he retired he always joined us for lunch just before Christmas each year—kind, witty, wise, we shall miss him.

During the year we were delighted to welcome back to the board Sir Arthur Sforde, who was a Director from 1941 to 1948; we know him well and appreciate his worth.

NEW BUSINESS

The new business secured by the Society during the year under review was good, and the figures are set out fully in the report. We were well pleased both with the quantity and with the quality of the business. We were particularly pleased to write a number of contracts providing pensions for the self-employed; 355 in the last three months of 1956, and 1,670 during 1957. Our total annual premiums under this class of business now amount to nearly £400,000. Another welcome development in new business was a revival in the demand for immediate annuities; this revival followed the removal by the Finance Act, 1956, of long-standing taxation anomalies.

New business is an indication in broad terms of a Life Office's success in encouraging thrift, and a good measure of the contribution which an Office makes to the nation's savings is the increase in its funds; you will see from the figures in the report that our funds increased during 1957 by about £5 million. I have no wish in this statement to range over the major problems of national finance, but I do wish to emphasise once again the importance for our national well-being of capital development financed by savings—the importance of postponed consumption. It is in this sphere that the Life Assurance Offices—one of the most important channels of personal savings—play a vital role for the well-being of our country and in the preservation of the stability of the pound sterling. The Council on Prices, Productivity and Incomes in their first report in a chapter headed "How do we want the Value of Money to Behave?" conclude, "that alike on internal and external grounds our objective should be to stop inflation, not merely to moderate its course." We would respectfully agree with that conclusion.

STATE PENSIONS

I wish now to refer to a matter which is closely linked with the problems of national finance and which intimately affects Life Assurance Offices. What action will the State take in the next few years regarding National Insurance Pensions? If the Labour Party were to be in a position to proceed with its plans as published last year—would it do so? We sincerely hope that it would not proceed with these plans in their present form. The scheme would seem to us to impose far too big a burden on the finances of the country.

It is right that the State should direct its attention to providing pensions to meet basic needs; whether or not such pensions should be graded according to earnings is not for us to say.

It would, however, be unsound to shut our eyes to the fact that the introduction of a State scheme of graded pensions to meet basic needs would adversely affect existing private schemes. The provision of pensions to meet basic needs must involve a large element of subsidy. The present National Insurance scheme, for instance, is largely financed from general taxation. One idea which the Labour Party appears to entertain is that private schemes can be regarded as alternatives to a State scheme providing graded pensions. We find it difficult to accept this view. How could anyone be recommended to choose an unsubsidised private scheme in preference to a subsidised State scheme? Even if an unsubsidised scheme were to be introduced by the State, how long could it remain unsubsidised, and who, with the prospect of the new scheme becoming subsidised in the future, would prefer a private scheme?

THE SOCIETY'S RESPONSIBILITIES

Our desire in this matter is to help—we take no narrow view of the Society's responsibilities. We pride ourselves on the services which we give in respect of schemes insured with the Society. The structure of all our existing schemes would almost certainly have to be adjusted in order to fit in with any new State scheme.

We do, however, plead most earnestly that any such proposals should be thought about with the utmost clarity—in particular that just as much emphasis should be placed upon the costs as upon the benefits. Above all, clear thinking is essential about the problems of subsidies—of the old by the young, of one generation by another, of the lower paid by the higher paid.

One other matter is much in debate nowadays—should pensions be transferable? It is not for us to determine this. Should transferability be desired, Life Assurance Offices can certainly operate schemes for maintaining pension rights on a change of employment.

I cannot leave this subject without trying to say something about the possible effects of the introduction of a State graded pension scheme upon our Society's business. You will realise that no one can ever forecast the future. Certainly it is not possible to forecast accurately what might happen as a result of the introduction of a State scheme when no one knows what form such a scheme might take. I cannot say more than this. The diminution of our pensions business as the result of the introduction of some form of State scheme would plainly result in checking the growth of our funds. I believe, however, that they would continue to grow. It would be growth in a highly competitive world, but I think we should hold our own.

RESULTS OF YEAR

I come now to the results for the year 1957. The new form of report which we adopted a year ago sets out the results very fully and there are only one or two items to which I would like to direct particular attention. First, the rise in the gross rate of interest earned on the funds, which is now £6 17s. 4d. per cent; secondly, the funds have now passed the £50 million mark and the sums assured in force the £100 million mark. It has been a very satisfactory year; we again earned the high rates of Interim Bonus which we are now paying, and we look forward to the Triennial Valuation which we are due to make as at December 31st next.

During the year the price of 2½ per cent Consols fell from 52 to 46 and the Ordinary Share Index of the *Financial Times* from 179 to 165. It is not surprising, therefore, that the margin by which the market value of our assets exceeds their Balance Sheet value also fell. This margin, however, remains substantial—in fact, very substantial.

We are recommending an increase in our dividend from 2s. 6d. to 2s. 9d.; this follows my remarks to you two years ago when I said that we might depart from our practice of leaving the dividend unchanged during the triennium and revise the dividend in the light of interim results as they became available.

CHARITIES

You will see from the Notice of our Annual General Meeting that we are seeking power to make contributions to charitable objects. These contributions must be modest in amount. It is, however, my belief that all public companies should, like private persons, play their part in assisting good causes.

NEW OFFICE

There is on the back of this report the address of our new High Wycombe office. This office is part of our Head Office organisation, and we moved in just before the end of the year. We have built a modern office block on a small estate of some 25 acres. We believe that it is a very pleasant place where much efficient work will be done.

Year by year I record our thanks to the staff and year by year it gives me real pleasure to do so. Our Society is most faithfully served and its work most efficiently done.

THE OMNIUM INVESTMENT COMPANY, LIMITED

INFORMATION TO THE STOCK EXCHANGE

MR H. C. DRAYTON'S FURTHER VIEWS

The seventy-first annual general meeting of The Omnium Investment Company, Limited, was held on February 25th in London.

Mr H. C. Drayton (the Chairman) presided and, in the course of his speech, said:

About ten days ago I made a reference, when presiding at another Company's meeting, to the Stock Exchange demanding certain undertakings whereby prior information must be given to the Stock Exchange of any circulars before it is given to Shareholders. This morning the Stock Exchange refuted this statement, but, unfortunately, they refuted what I did not say, which is a very easy thing to do.

The Boards of Directors of Companies with which I am connected have already agreed with the Stock Exchange that all documents which are necessary for dealing—that is allotment letters, applications for shares and particulars of any new issues shall be submitted to them for approval and agreement with them before being sent to Stockholders. But Clause 9, sub-section B, is in a different category. That clause says that Directors must send to the Stock Exchange proofs, prior to despatch, of all circulars the Directors may wish to send to their Stockholders or Debenture Holders.

The Stock Exchange in their statement this morning now say that these documents, which have got to be sent to them before the Stockholders receive them, are confidential, but I would like to ask—"confidential to whom?" They ask that four copies be sent. Are those four copies confidential to the Council of the Stock Exchange? Are they confidential to a Committee of the Stock Exchange or just to the Clerks of the Stock Exchange? What worries me is why they say "prior to despatch." Is the Stock Exchange now claiming that Directors can only communicate with their Stockholders in terms, words and methods approved by the Stock Exchange? If that is so, it raises a very big principle. It means the Stock Exchange are claiming that they have authority over the Directors' communications with their Stockholders, and that the Directors have the responsibility without being able to put such communications in words and in terms which they think are right and proper to their Stockholders.

DIRECTORS' DUTY TO STOCKHOLDERS

Why, if the Stock Exchange claim that, do they stop at circulars? After all, when the Directors send out Balance Sheets they also include a Directors' Report, and very often valuable information is given to Stockholders in that Directors' Report. Is the next step going to be that the Stock Exchange will demand that they should have proofs of the Balance Sheet sent to them prior to despatch to Stockholders? My view is that the Directors' first duty is to the Stockholders and no-one, whoever they are, has any right to information, confidential or otherwise, before the Stockholder has it.

I have, on behalf of this Company and other Companies, on behalf of the Boards of Directors where I am Chairman, offered to the Stock Exchange that under Cause 9, sub-section B, they should have copies of all circulars sent to Stockholders by the Directors at the same time as the Stockholders receive them, and I can see no reason to depart from that point of view.

The report was adopted.

CO-OPERATIVE PERMANENT BUILDING SOCIETY

MORTGAGE ADVANCES TOTAL £29,000,000

ASSETS AMOUNT TO £162,000,000

The Seventy-fourth Annual General Meeting of the Co-operative Permanent Building Society was held on March 1st, in London.

Mr H. L. Score, the president, said:

In spite of the unfavourable conditions this society can look back on a most satisfactory year, and one in which further good progress has been made. The inflow of money reflects the greatest possible credit upon our branches and agents. The monthly average intake was just over £3 million, and we have again succeeded in greatly increasing our Share membership.

Withdrawals were somewhat higher than in 1956, but notwithstanding this the investors' balances rose by £18 million.

One of the features of the year which has given most satisfaction to your board, is that the society was able to make mortgage advances totalling £29 million—a figure which was £7 million up on the previous year, and very little short of our record lending in 1955.

DEMAND FOR MORTGAGES

Throughout 1957 we had no difficulty in lending the funds we had available; in fact the reverse was the case.

On the operation of the Rent Act it is becoming clear that whilst rent increases of controlled properties were necessitated by changes in the value of money and the increased cost of repairs, the decontrol of a large number of flats and houses in the London area next October is causing much concern. The adoption of a more gradual form of decontrol would have mitigated the hardship likely to be felt by tenants compelled to find fresh accommodation because they cannot afford the new rent, or alternatively have received notice to quit.

INTEREST RATES

Interest rates have been a constant matter of concern. We believe that we have acted rightly in not seeking to alter our rates, and we believe that we are equally right in being determined to resist an increase as long as possible. We have given our full support to the Building Societies Association's recommendations to maintain rates at their present levels. Our present Share interest rate of 3½ per cent, Tax Paid, provides a return of just over 6 per cent to the member liable to tax at the standard rate. That is a good rate, demonstrably attractive to a great number of savers, and competitive because of the advantages of full security and ease of withdrawal. On the other hand, the 7 per cent Bank rate presumably is a crisis rate, and because of that may not be of long duration. Joined with other measures it has the prime object of building up the gold and dollar reserves of the country. When that has been achieved, and there is a renewal of confidence in sterling, it can be assumed that the rate will be lowered. It is quite conceivable in these circumstances that a Bank rate lower than 7 per cent would assist rather than hinder the fight to achieve financial stability.

The motion was duly seconded and carried.

BTR INDUSTRIES LIMITED

REDEPLOYMENT OF GROUP ACTIVITIES

The thirty-fourth annual general meeting of BTR Industries Limited will be held on March 28th in London.

The following is an extract from the circulated statement of the Chairman, Sir Graham Hayman: During the period covered by the Accounts trading conditions have been difficult throughout, and in addition, there has been considerable redeployment in your Company's business following the discontinuance of the manufacture of tyres towards the end of 1956, the inevitable expense of which has fallen largely within this period.

Although the trading results are disappointing the total sales of the Group—despite our withdrawal from the tyre market—have been substantially maintained. Competitive pressure has become exceedingly strong in the bidding for the available business, particularly in the belting field, and this has depressed selling prices to levels which have adversely affected profit margins. Any easing of the Government's policy of restraint would bring about an improvement in these conditions.

The Group profit for the year, before taxation, amounts to £1,295,804, as compared with £1,752,812 last year. After providing for taxation of £731,660, there remains a net profit for the Group of £564,144, as against £853,774 last year. Your Directors have allocated £250,000 to General Reserve, bringing it up to £2 million, and now recommend a final dividend on the Ordinary stock of 10 per cent which, with the interim dividend of 5 per cent, repeats a total of 15 per cent for the year.

WIDENING OF ACTIVITIES

Despite the setback to our profit position, the past year has been an important milestone in the progress of the Company. There has been a major readjustment in the organisation of our business, and we have directed our activities and our capital resources to a widening of our industrial interests.

Our diverse operations are now being allocated to various divisions, which will facilitate the direction and control of the products coming within these groupings.

In the case of aero products, the activities of this division will be handled by PALMER AERO PRODUCTS LIMITED, a well-known name in the aircraft field, formerly trading as THE PALMER TYRE LIMITED. This division is heavily engaged at present in supplying products to well-established commercial aircraft projects.

The selling activities of our High Pressure Hose Division will be managed by OIL FEED ENGINEERING COMPANY LIMITED, who have already established themselves in hose unit markets. Footwear, on the other hand, will now be handled through the Parent Company.

THE SILVERTOWN COMPANY will remain as a selling company with specific manufacturing operations under its control.

The statement then dealt in detail with the Group's wide range of products and continued:

Our efforts to expand in the export markets have produced encouraging results, and the value of the business secured during the year showed an increase of 60 per cent.

I have every confidence that our present planning and reorganisation will enable the Company to make continued progress in the interests of the Stockholders and the industries it serves.

MANCHESTER SHIP CANAL COMPANY

DIVIDEND MAINTAINED ON LOWER TURNOVER

SIR LESLIE ROBERTS'S REVIEW

The Hundredth Ordinary General Meeting of the Manchester Ship Canal Company was held on February 28th at Manchester. Sir Leslie Roberts, CBE, the chairman, in the course of his speech said:

The net revenue was £1,100,707 compared with £1,134,316 in 1956. To this must be added £31,765 brought forward from the previous year. £587,363 has then to be deducted for Loan and Debenture interest, £40,000 set aside to the Sinking Fund for Redeemable Loan Capital and £50,000 appropriated for Taxation. The balance available for Dividends and Reserve thus amounts to £455,109. From this amount £35,000 has once more been appropriated to the Reserve for Contingencies; and out of the balance of £420,109 it is proposed that the following Dividends, amounting to £387,587 should be paid:

5 per cent on the Preference Shares, 5 per cent on the Ordinary Shares, and that £32,522 should be carried forward to next year's account.

The net revenue was £34,000 less last year than in 1956. In accordance, however, with the form of Accounts prescribed by the Ministry of Transport, the Company's net revenue figure is arrived at after setting aside the necessary provisions for Repairs, Renewals and Depreciation; and I think I should make it plain that the amount of the provisions so set aside from the year's revenue — while very substantial — were £70,000 less than the provisions set aside from the year's revenue for 1956. Broadly speaking, the net results of last year's working were about £104,000 less favourable than those of 1956, which was a record year.

The volume of sea-borne traffic handled declined by 1,656,000 tons, one of the main factors being a reduction of both imports and exports of bulk Petroleum and Petroleum products. This decline of Petroleum traffic was in some measure, a direct consequence of the Suez crisis which extended into the early months of the year.

Receipts from Tolls, Ship Dues, Traffic Rents and Towage, exceeded those of the previous year by £34,000 in spite of the reduction of traffic. This was due to the increased Rates and Charges which came into operation in the course of the year. Dock Labour yielded an operational surplus of £287,000, nearly £48,000 less than in 1956—a decline which was chiefly due to a decrease in the tonnage discharged and loaded.

A still greater decline was experienced in the working of the Company's Railways, the net receipts being £58,000 compared with £164,000 in 1956—a reduction of £106,000.

As regards the future, may I remind you of some remarks I made last year to the effect that the Ordinary Shareholders take the risks and that if the Company should run into leaner times I was sure they would recognise that their dividend must correspond with the year's results. That observation continues to hold good, particularly at a time of some recession in world trade when many ships are laid up. But with a revival of confidence such as might follow upon an easing of international tension, overseas trade would start to flow more easily again and the position could quickly improve.

The report and accounts were adopted.

RALLI BROTHERS LIMITED

FACTORS AFFECTING RESULTS

MR JACK VLASTO ON COMMODITY PRICE FLUCTUATIONS

The annual general meeting of Ralli Brothers Limited will be held on March 26th in London.

The following is the statement by the President, Mr Jack Vlasto, which has been circulated with the report and accounts for the year ended August 31, 1957:

The trading results, now before you, are indeed disappointing. They contrast a considerable loss on the merchanting side of the business, where the year was the worst in our experience, with a best-ever showing by our subsidiaries.

Although our merchanting turnover kept fairly steady at about £55 million, each of our three main commodity departments encountered adversity at some time during the year and, despite almost normal results from the other articles, total merchanting earnings only covered about half the overheads and expenses. Our experience in cotton was particularly poor, but it must be added that of all our articles this was the worst affected by the Suez crisis. In grains, for most of the year our results were shaping satisfactorily and it was only towards the end that the collapse in freight rates brought losses on forward bookings which changed the picture. In jute, we made a very bad start to the season and, although doing well for the second half, were unable to get out of the red.

For this poor showing the Suez crisis was largely responsible, either through increased charges or unexpected movements in commodity prices. In fact, Suez, in some measure, enters into nearly every story. Nevertheless, despite this, and the knowledge that our experiences were shared by many competitors, we recognise that our own tactics were also to blame. We were too often on the wrong side of the market.

SUBSIDIARY COMPANIES

The outstanding contributor to the good results from subsidiaries was The Maritime Shipping & Trading Company Limited, with a record year. They are to be congratulated on having taken the utmost advantage of the high rates which ruled for tramp freights. Their first motor vessel, the 11,000 ton *Loradore* was launched this month.

In Tanganyika, the profits of Ralli Estates were halved by the fall in sisal prices. Their production was 5,550 tons. Dindira Tea Estates were expected to make a loss but drought raised it to £24,200. Development of the garden continues to plan. Production was about 200,000 lb.

In Uganda, Margach & Margach did very well. Owing to its uncertain future, however, it was recently decided to sell the ginnery and the company will be liquidated after the current cotton season.

In South Africa, Berg River Textiles, with production up in all sections, reversed the previous year's loss with an encouraging profit and a resumed dividend.

ASSOCIATED COMPANIES

The accounts of Rallis India Limited have not yet been published.

The same applies to The Crescent Jute Mills Company Limited of East Pakistan. We have, however, considered it advisable to write down the book value of our investment

in the latter by a further £100,000. It was a bad year for all jute mills and labour difficulties and other problems, on which the chairmen of several other Pakistan mill companies have recently commented so bitterly, have been particularly acute in the Khalispur area where Crescent is situated.

THE ACCOUNTS

You will notice that our capital reserves are up by £136,923. The increase arises mainly from the surplus on the sales of property in West Pakistan referred to in the directors' report. We constructed our Karachi head office building in 1920. It had become too large for our reduced requirements and further staff economies called for more compact premises. We also sold our Mirpurkhas ginning factory which had become difficult to operate profitably and had acquired considerable site value over the 50 years we have worked it.

The higher bank liabilities shown in our accounts, are mainly due to increased participation in the internal handling and financing of wheat from lakehead to ocean ports as agents of the Canadian Wheat Board.

THE CURRENT YEAR

We must look for a marked reduction in the profits of subsidiaries. The Maritime will have a good year by normal standards, thanks to a number of voyages at the old high rates, but their earnings cannot be other than considerably reduced. Current tramp rates, of course, are appallingly low. Ralli Estates will suffer from the further drop in sisal prices and, in addition, their production is disappointing because of inadequate cutting labour. Berg River Textiles are still doing well, though the year is proving more difficult.

Our merchanting results are now handicapped by declining commodity prices and falling markets always bring other problems too. While I trust we shall do better than last year, as indeed we must, I fear that the outlook is still far from satisfactory.

PERSONNEL

We all miss Mr Philip Valieri from our board but I am glad to have him in South Africa, on the spot, looking after our affairs there which have always been his particular responsibility.

Our thanks are due, as usual, to all our staff for their loyal and strenuous endeavours to promote the interests of the Company during what has proved a most trying and difficult year.

VOSPER LIMITED

(Shipbuilders & Engineers)

MR OWEN R. GUARD'S REVIEW OF ACTIVITIES

The twenty-first Annual General Meeting of Vosper Limited will be held on March 14th in Portsmouth. The following is an extract from the circulated statement of the chairman, Mr Owen R. Guard:

During the year under review we have earned a net profit of £64,181 compared with £103,199 for 1955-56 and £46,473 for 1954-55.

The figure of net profit would have been somewhat higher had it not been for considerable expenditure on an all-welded prototype trawler built to the special order of the Boston Deep Sea Fishing Company.

We hope to obtain further orders confirming our view that it is necessary to widen the scope of the Company's activities, particularly bearing in mind that the implementation of the Defence White Paper may well have important bearing on our future.

The level of work in our two shipyards is at the moment satisfactory and is likely to be so over the next year, but we would like to see more work ahead of us.

As mentioned last year, we have embarked upon a fairly exhaustive programme of research, more particularly applied to the problems of high speed propulsion. We believe this work will enable us to take a part, admittedly well in the future, in the production of the really fast types of craft which may be expected when the very high powered propulsion units become available as a result of the vast programme of atomic and even fusion reaction research now in progress.

During the current year an Electronics section has been formed which is already proving most useful in many directions, more especially in connection with our research programme.

During the last year we have been enabled to obtain some most valuable data from a series of trials, run at sea, with boats instrumented to keep a running record of accelerations, pressures, etc. Much of this information has been impossible to obtain hitherto and will be most valuable for future designs, which we hope may be required by the Marine section of the Air Ministry.

It is our hope that we may be able to round off the programme of research by carrying out a series of experiments which will give a useful clue to the cause of cavitation-erosion.

SCOTTISH WIDOWS' FUND & LIFE ASSURANCE SOCIETY

A MOST SUCCESSFUL YEAR

RECORD NEW LIFE BUSINESS

MR F. H. N. WALKER ON ENCOURAGING PROGRESS OF CURRENT QUINQUENNIUM

The 144th Stated Annual Meeting of the Society was held in the Society's Head Office, Edinburgh, on Tuesday, March 4, 1958, Mr F. H. N. Walker (Chairman of the Ordinary Court of Directors) presiding.

In moving the adoption of the report and accounts, which were taken as read, the Chairman said:

Once more we have had a most successful year, and our total new life assurance business in 1957 was again higher than ever before, although on this occasion only slightly so.

This new business amounted to the record total of £26,200,000, including ordinary life assurances of £14,400,000, new group insurances of £3¼ million and increases in existing group insurances of nearly £8¼ million. The total group insurance figure of over £11½ million is the largest ever completed by the Society in a single year, and the new group pensions business amounted to £1¼ million per annum. This group pensions business together with the group life insurance business is equivalent to about £20 million of ordinary endowment assurances.

In addition, we have transacted a large amount of the new personal pensions business on the lives of self-employed persons for whose benefit special provision was made in the 1956 Finance Act. We offer two main types of contract—an annual premium contract and what we call a "variable premium" contract, which is particularly suitable for those whose incomes may fluctuate from year to year and who are reluctant to commit themselves to a fixed annual premium. During the year we issued 360 policies with annual premiums of £83,000, providing deferred annuities and widows' annuities of £171,000, but the variable premium contract is proving to be much the more popular. In that type of policy each premium is applied on the terms available at the time to provide a deferred annuity, so that the contract is in effect a series of deferred annuities by single premium. Last year we issued nearly 1,500 policies of this kind under which the first year's premiums amounted to £547,000 which, as single premiums, secured deferred annuities of £109,000.

Perhaps one of the best ways of appreciating the magnitude of our new business figures is to consider the total new premiums we received in the year other than the sums paid to provide immediate annuities which come into a somewhat different category from ordinary life assurance. Looking at the matter in this way, we completed contracts with a record total of new premiums, annual and single, of nearly £2 million as compared with just over £1¼ million in 1956. This represents an important increase in our new business, and is a highly satisfactory result of which our new business staff can feel justly proud.

HIGHER INTEREST INCOME

Our interest income is higher as a result of the growth of the funds and the high rates at which it was possible to invest our new money. The gross rate of interest, before deduction of income tax, on the whole of our assurance and annuity funds was £6 3s. 3d. per cent, an increase of 2s. 6d. per cent over the rate for 1956.

As a result of the operations of the year, our funds increased by almost £10 million, as compared with under £9 million in the previous year, to over £103 million, thus exceeding £100 million for the first time.

During the year there was a general decline in values, and practically all Stock Exchange securities stood at relatively low levels at the year end, British Government securities being very nearly at their lowest levels for all time. Nevertheless, in accordance with our usual custom, each category of investments is entered in the Balance Sheet below its value at market selling prices, that is, the lowest quoted market prices.

CURRENT QUINQUENNIUM

The last matter to which I wish to refer is of particular importance. From the bonus point of view—the point of view of profits for the policyholders—this has been one of the most remarkable quinquennial periods in the Society's history. We started it with an intermediate bonus of 40s. per cent per annum compound, the same rate as the vested bonus declared for the preceding quinquennium. In 1956 we were able not only to raise the ordinary intermediate bonus to 44s. per cent compound—the highest rate of compound bonus ever paid by the Society in its long history—but to introduce a special intermediate bonus for all with-profit policies in force at December 31, 1955. Now we have again been able to raise the ordinary inter-

mediate bonus—this time to 46s. per cent per annum compound. The satisfactory earnings of the past four years which have enabled the Directors to make these successive improvements in the rate of intermediate bonus enable us all to look forward with confidence to a satisfactory outcome of the current quinquennium, the results of which will be announced early in 1959.

The Directors' report and the accounts as audited were adopted unanimously.

TRINIDAD SUGAR ESTATES

The thirty-fifth annual ordinary general meeting of Trinidad Sugar Estates Limited was held on March 4th in London, Mr E. Cassleton Elliott, CBE, FSAA (the chairman), presiding. The following is an extract from his circulated address:

The Crop for the year was again a disappointing one showing a reduction of 397 tons compared with 1956. This was owing to the low yield of canes due to weather conditions and Froghopper damage in the previous year and in 1957.

The average price per ton realised for sugar including by-products after deducting a levy of £2 15s. per ton made under the Trinidad Sugar Industries Special Funds Ordinance was £48 7s. compared with £44 5s. 7d. in 1956. The world price for sugar during 1957 was very high being approximately £8 per ton over the Negotiated Price sugar, but owing to our disappointing production we only had 165 tons to sell at this price. The profit per ton in Trinidad was £1 18s. 10d. compared with £3 0s. 4d. in 1956.

The financial position continues to be satisfactory, the surplus of current assets over current liabilities and provisions being £187,114 compared with £173,500 last year.

As to prospects for the 1958 Crop the Manager only anticipates a Crop of about the same tonnage as last year. There have been very dry weather conditions during the growing season, and as a result the cane yields are expected to be light.

The report was adopted and a dividend of 6 per cent approved.

APPOINTMENTS

WESTERN REGION PRODUCTION DEVELOPMENT BOARD, IBADAN, NIGERIA.

SENIOR ACCOUNTANT

The Western Region Production Development Board has vacancies in its accounting organisation for a Senior Accountant.

Candidates for this post should possess a recognised Accountancy qualification and should have had at least five years' experience in a professional office since qualifying including work on re-organisation, introduction of a new accounting system and budgetary control. It is essential that candidates should have sound knowledge of costing and cost systems. Commencing salary, excluding inducement allowance, will be in the range of £1,360 x 60—£1,540. Inducement allowance is £300.

2. The terms of service include partly furnished accommodation at 8½ per cent. of the basic salary; free medical service, outfit allowance, free passage for wife and also free passages once each way per tour for children up to three in number not over the age of 13. Employees are required to contribute up to 10 per cent. of salary to a Provident Fund. Home leave at full pay at the rate of five days per month on overseas service. Normal length of tour 18-24 months.

3. Applications in *duplicate*, together with details of age, experience and qualification and the names of three personal referees should be sent to:

The London Representative,
Western Region Production Development Board,
178-202 Great Portland Street,
London, W.1.

to reach him not later than March 31, 1958.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE
(UNIVERSITY OF LONDON).

Applications are invited for an Assistant Lectureship in Social Anthropology. Salary scale £700 x £50—£850 per annum, plus £60 London Allowance; with superannuation benefits and family allowances. In assessing the starting salary due consideration will be given to age and experience.

Applications, with the names of three referees, should be received not later than April 16, 1958, by the Secretary, London School of Economics and Political Science, Houghton Street, London, W.C.2, from whom further particulars may be obtained.

THE REPUBLIC OF THE SUDAN

The Ministry of Education invites applications from suitably qualified candidates for the post of lecturers in the following departments in the Khartoum Technical Institute:— (a) Civil Engineering, (b) Mechanical and Electrical Engineering, (c) Commerce. Qualification for (a) and (b) is a degree in Civil, Mechanical or Electrical Engineering or technical equivalent, e.g. A.M.I.Mech.E., A.M.I.E.E., A.M.I.C.E., A.R.I.B.A., etc. Teaching experience in a similar appointment would be an advantage. For (c) a degree in Economics or Commerce or equivalent qualification in Accountancy is required. Minimum age 25 years. Successful candidates for (a) and (b) will be required to teach their subjects up to Higher National Certificate and will also be required to supervise certain Workshop and Laboratory activities. Candidates for (c) will be required to teach their subjects Accountancy or Economics up to professional standards.

Appointment will be on Short Term Contract with bonus for a period up to five years. Salary scale ranges from £S1,075 to £S1,675 per annum for Lecturers and £S1,075 to £S1,975 for Senior Lecturers. Point of entry into the scale will be determined by age, qualifications and experience. A Cost of Living Allowance which is reviewed every two months is payable. An Outfit Allowance of £S50 is payable on appointment.

Please write, preferably on a postcard, for application forms and further information to the Sudan Embassy, Personnel Section, Cleveland Row, St. James's, London, S.W.1, quoting "Lecturers 4/1027." Closing date March 31, 1958.

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FRENCH student, age 22, excellent credentials, graduate in Law, Arts and Political Science, with practical teaching experience, holding driving licence, seeks full time post in England from May to December 1958 salaried, or terms to be arranged.—Apply Box 889.

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DO stars foretell the future? We don't know. But why not discuss the point over a glass of El Cid Sherry? Come to think of it, forget the stars. Just enjoy the sherry. It's heavenly!

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Applications are invited from graduates of any University [illegible] JOHN COOPER RESEARCH FELLOWSHIP [illegible] October 1, 1958. The Fellow will be [illegible] for research in ECONOMICS in the [illegible]. Applicants who expect to graduate [illegible] considered. The value of the Fellowship [illegible] and it will normally be tenable for [illegible] applications (3 copies) indicating the line of [illegible] and including the names and addresses [illegible] should reach the Registrar (from whom [illegible] may be obtained) by April 9, 1958.

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The Electors intend to proceed to an election to the above newly created readership. The stipend is on the scale £1,700 to £2,150 plus children's allowances. Applications in eight copies and naming three referees but without testimonials should reach the Registrar, University Registry, Oxford (from whom further particulars may be obtained) not later than April 24, 1958.

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Candidates must be able to negotiate engineering contracts, supervise the purchase of materials, plant and equipment and direct the stores activities of the Division. A wide experience in purchasing, stores management and office organisation is essential. An engineering or accountancy background would be an advantage.

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Qualifications: Good Honours degree in Economics with Money and Banking or Accounting as special subject.

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Applications, in duplicate and giving the information listed in the general conditions of appointment, should reach the Registrar, University of Adelaide, Adelaide, South Australia, not later than *April 18, 1958*.

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Candidates should possess or obtain this summer a Good Honours degree preferably in Economics with Statistics as main subject. The latter is not essential provided that Statistics has been included in the degree course and the candidate has a good knowledge of statistical methods and the handling of statistical data. Experience desirable of work in a government or commercial statistical organisation or post graduate research in economic analyses or statistical surveys. Age limit 40. Appointment may be pensionable or on contract terms, inclusive salary scale £939-£1,803, point of entry determined by experience. Gratuity of 14½ per cent. of salary if appointment is on contract. Income tax at local rates. Free passages on first appointment and on leave for officer and family. Liberal home leave on full salary. Government quarters, when available at moderate rental.—Application forms and further particulars from Director of Recruitment, Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1; reference BCD 59/88/02.

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Applications, with the names of three referees, should be received not later than April 23, 1958, by the Secretary, London School of Economics and Political Science, Houghton Street, London, W.C.2, from whom further particulars may be obtained.

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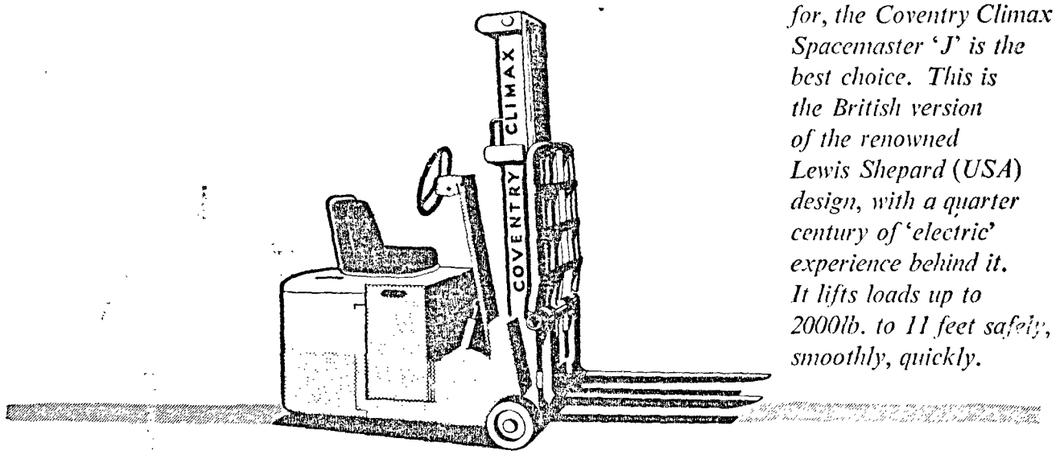
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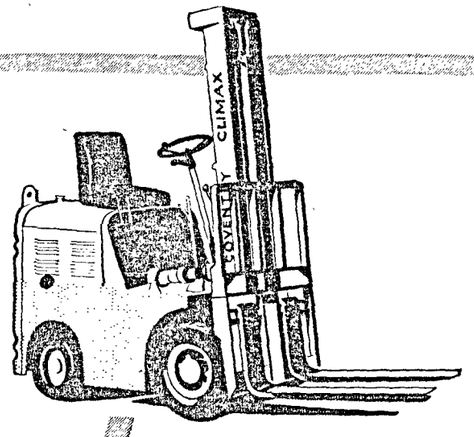
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M. Gaillard is in no position to dispel right-wing illusions (page 945).

Security through Squalor
The Conservatives need to do some new thinking about the objectives of the welfare state (page 918).

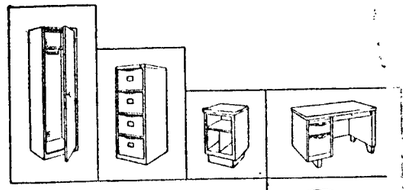
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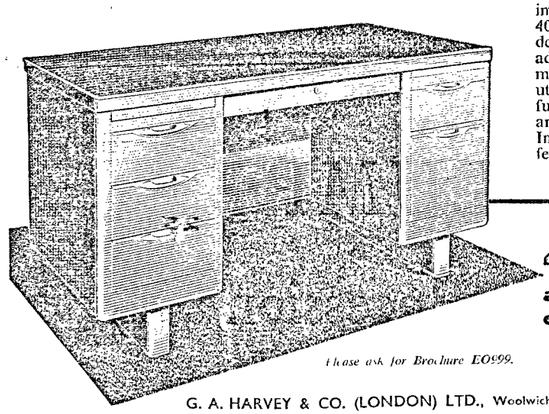
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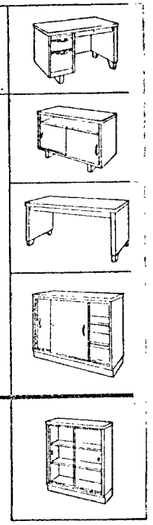
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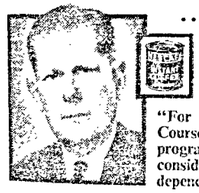
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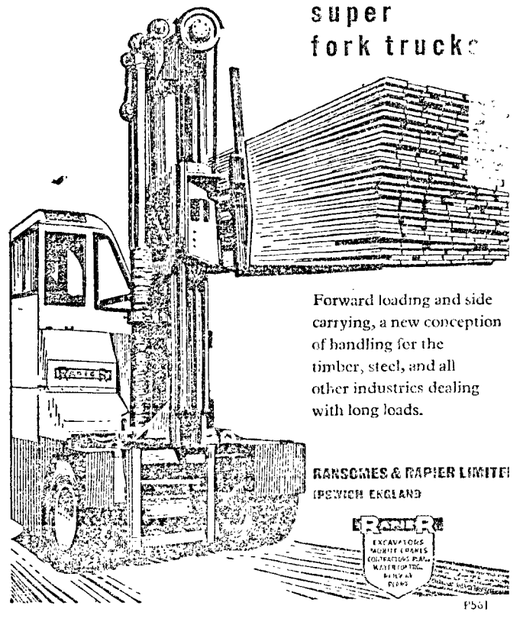
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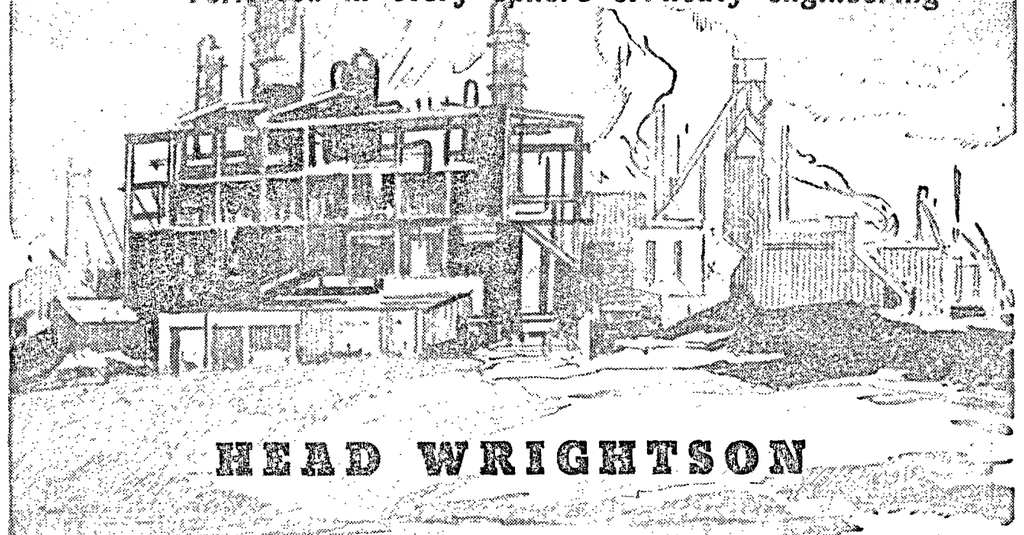
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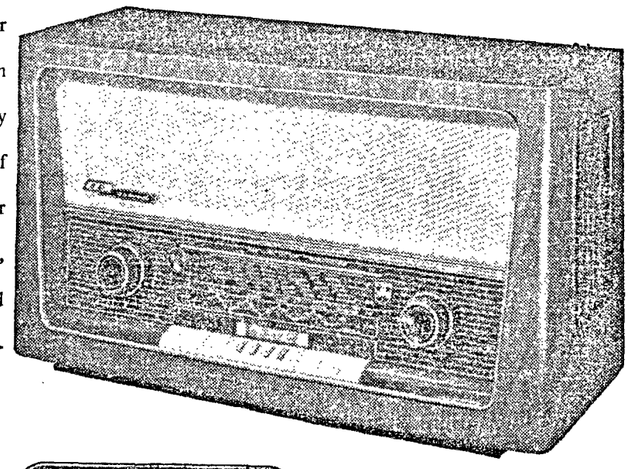
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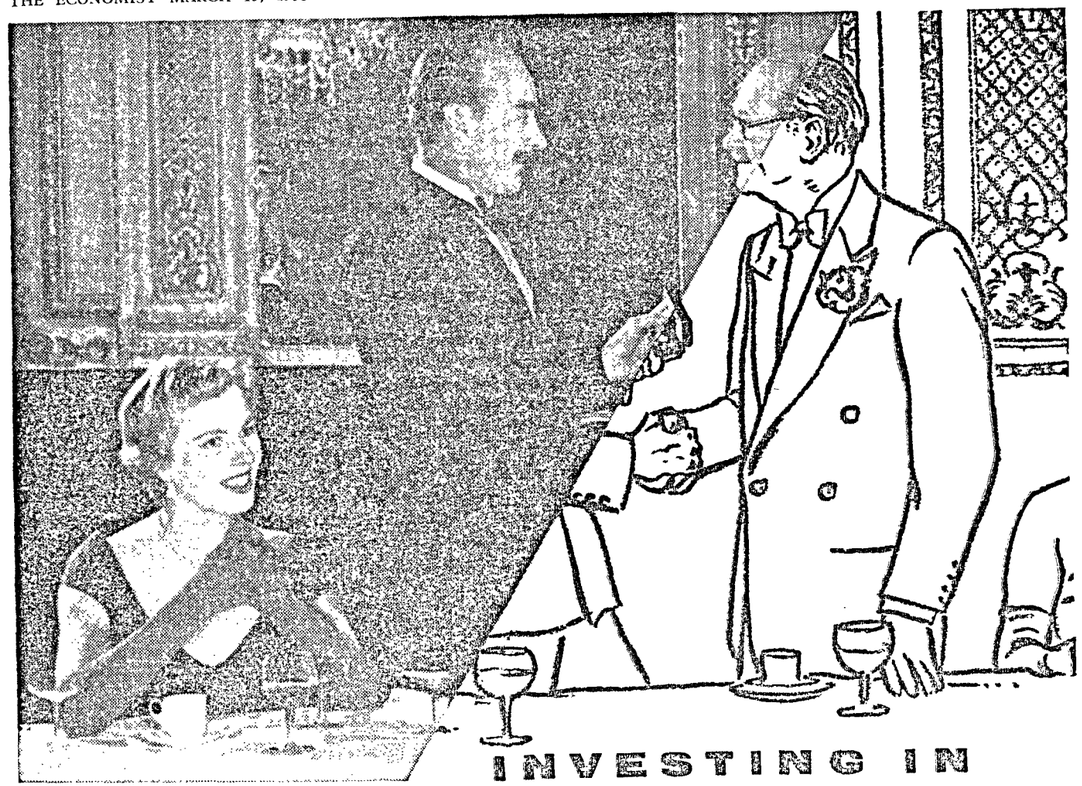
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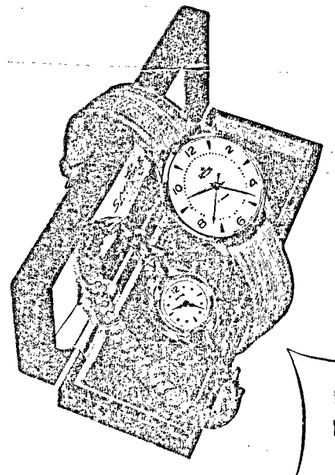
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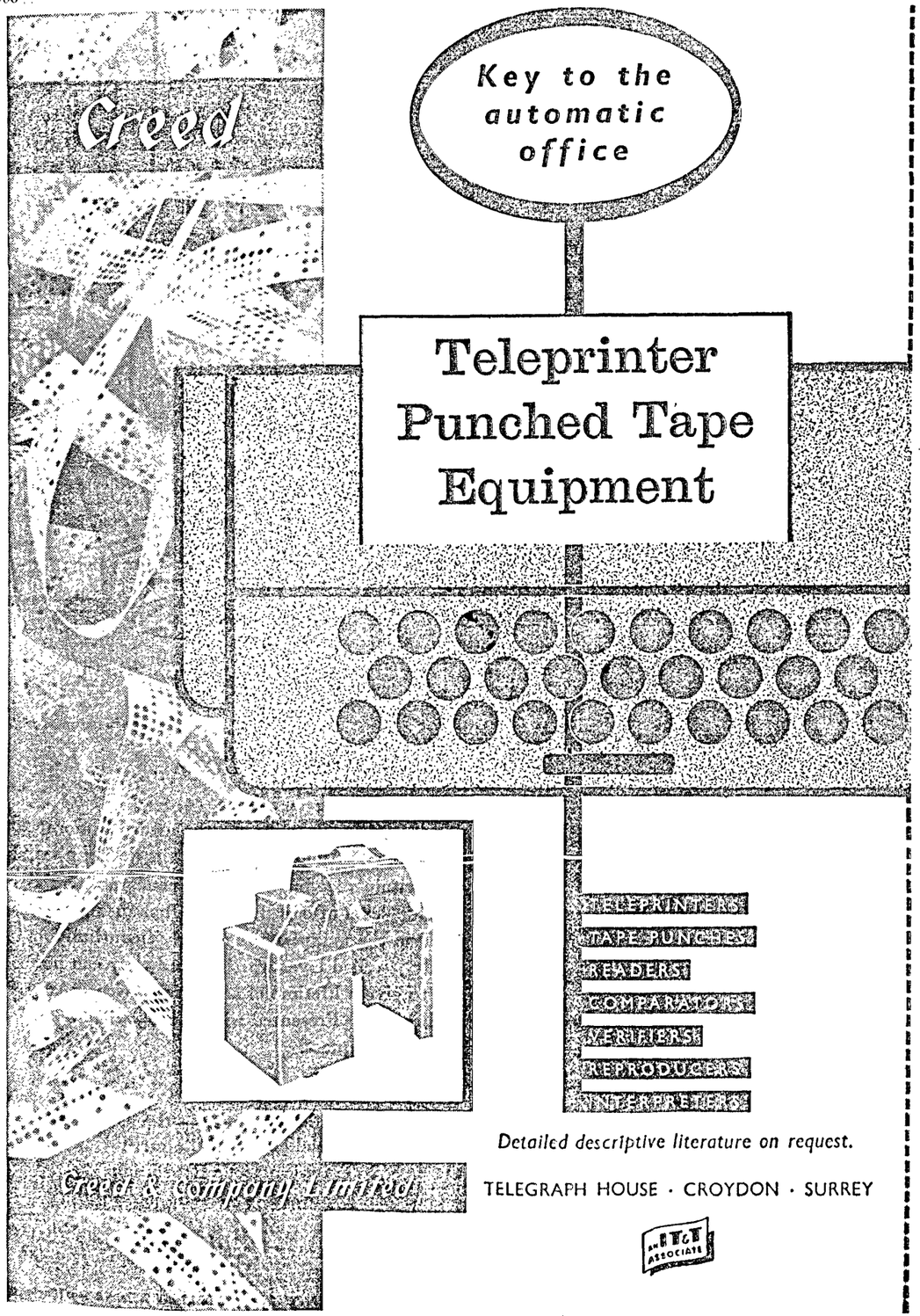
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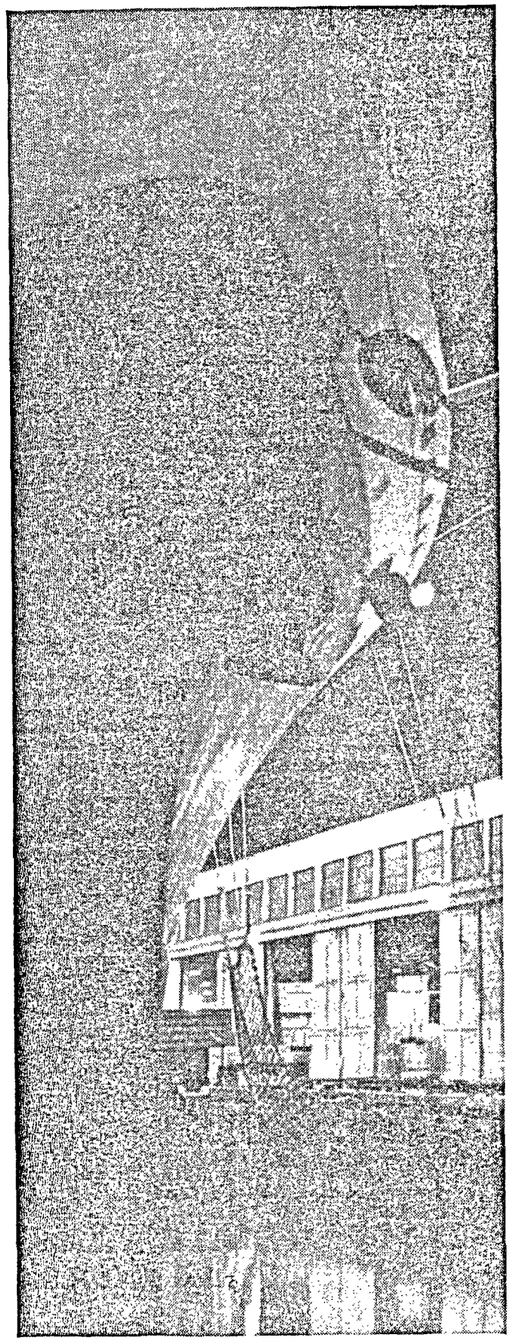
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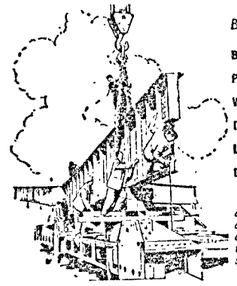


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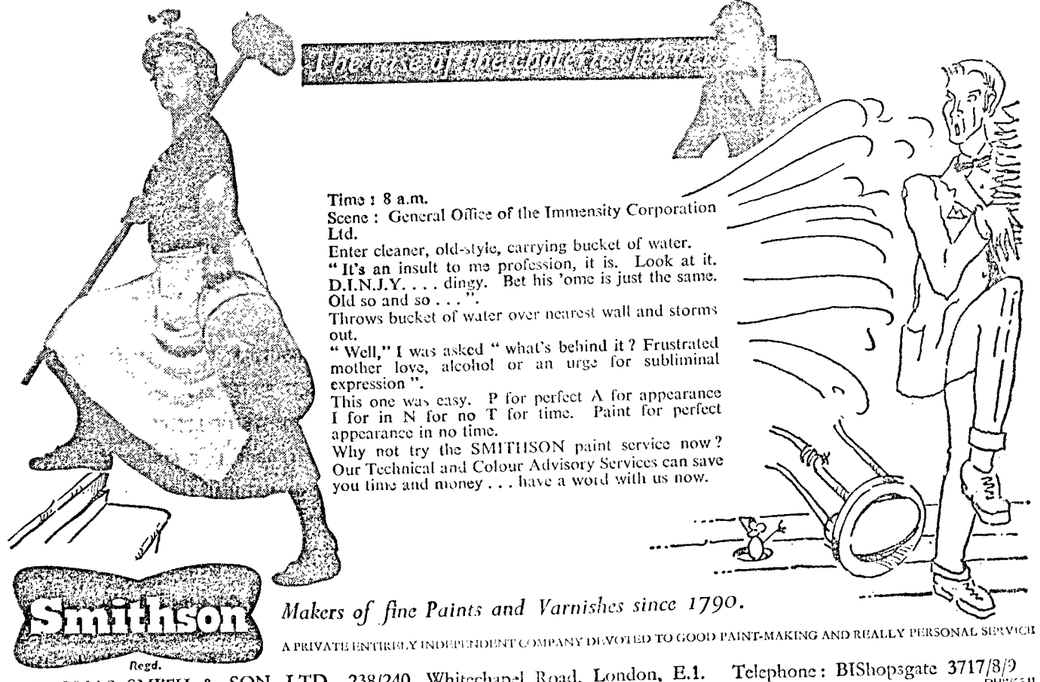
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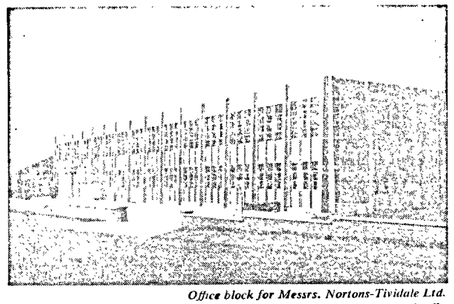
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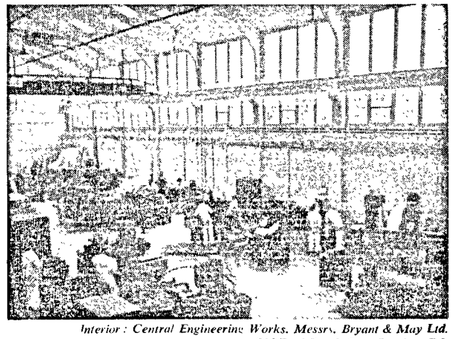
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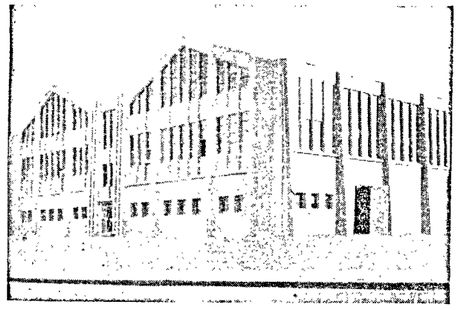
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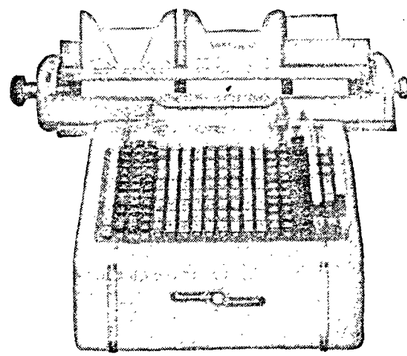
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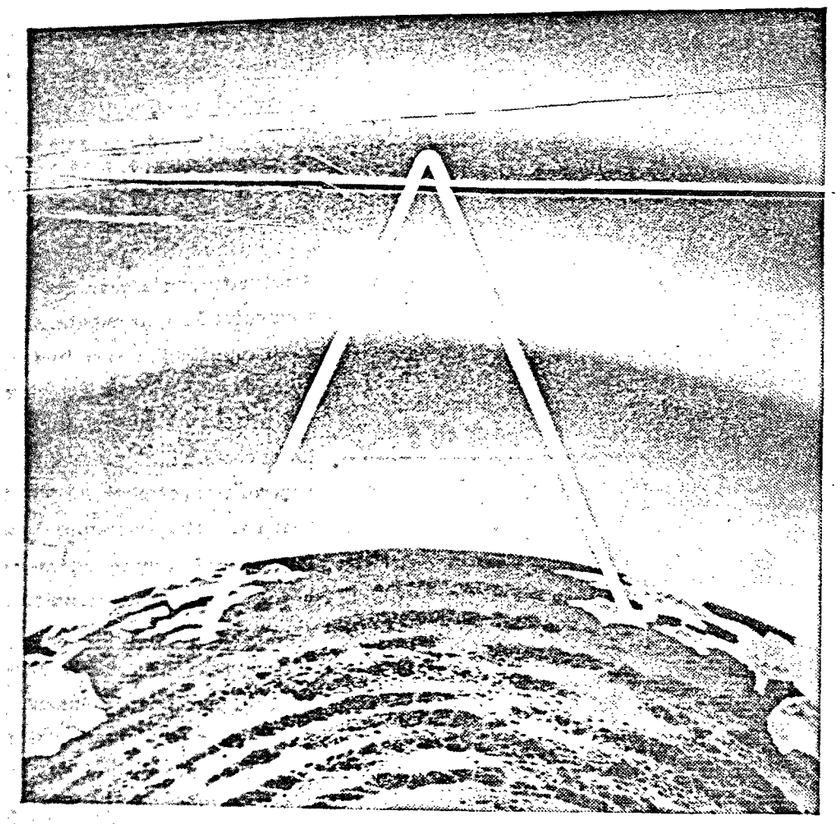
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The Economist

MARCH 15, 1958

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The Confident Recession

ELSEWHERE in this issue of *The Economist*—in a dispatch from our Washington staff on page 937, and in a summary of reports from other correspondents overseas on page 915—we present a gathering of information on the most tremulous economic question of 1958. How great is the danger that the current recession in America may deepen and drag the free world into a slump? This is a matter on which all prudent men will still hedge their bets. But one thing can be said: in one respect, both in the United States and outside it, the recession of 1958 is not yet behaving exactly as the formbook suggests that it should if this really were to be the beginning of another 1930.

This saving grace is that business confidence, which the pessimists had feared might be a tender shoot, is so far proving stoutly evergreen. That, to many people, has seemed to be the most significant feature of this last fortnight's news from America. On the one hand, there has been a continuing decline in almost all the indices of American activity—which show what was happening in the American economy up to last quarter, or to last month, or (more rarely) to last week. On the other, throughout this period of relentless statistical illustration of depression, there has been an almost presumptuous firmness in stock market prices—which show what investors think is going to happen in the American economy in the next month, or the next quarter, or later in the year. The Dow Jones average for industrials has picked up from 437.80 on February 27th to 454.60 on March 12th. In these last two weeks, those Americans who have been backing their forecasts with their money, rather than merely with their political or journalistic reputations, have been forecasting that there will be no real slump.

How far is it wise to pay regard to them, to look at these crystal gazers rather than in the book? There are two reasons why Wall Street's crystal-gazing should not be discounted. First, although the men behind the latest market movement may be either ill-informed or purblind, there is better room for a presumption that they are not. The buying in New York is now very largely institutional, and modern American investing institutions ought to be rather good at assessing what is likely to happen to their economy; they certainly take a lot of trouble about it, employing a lot of economists to study trends in the minutest sectors of the economy and keeping their private ears well down to the Washington ground in order to gauge possible changes in government policy. Secondly, even if the majority of these expert institutions are wrong in their assessment of what should now happen to the American economy, there is likely to be some built-in resistance to their being quickly proved so. For they are in a sense principals, as well as prophets, in the matter. They are of the same stock (indeed sometimes are the same people) as the American businessmen who, it had been feared, might start a great depression by running for shelter in their real investment programmes; it was on them that the

repercussions of confidence were supposed to repercuss. It was through them that the multiplier was supposed to multiply.

Up to this Thursday, it was not doing so. And, so far, the same label of very confident recession applies to Europe as well. The second great apprehension of 1958, side by side with the thesis that American investment might be quickly affected by a serious recession, was that whenever America even sneezed (as it already has done) the rest of the world would catch pneumonia. Moreover, the countries that would catch pneumonia first—especially the sterling area with its heavy dependence on exports of volatile raw materials—were perfectly well known to currency speculators; and it was assumed that quite early in the downturn there would be a large movement of funds across the exchanges. It is true that this did not happen in 1953-54, but in that recession there were said to be a number of special factors that had not been present in 1949: most notably, production was expanding so rapidly in Europe (especially in Germany) that world demand for raw materials was kept up.

The striking thing about the recession of 1958 outside America, as our table on the page opposite shows, is that all the primary consequences of 1949, not the special circumstances of 1953-54, are indeed occurring again. But none of the secondary repercussions on confidence is. Production in most countries of Europe, including Germany, has virtually stopped rising; in some of the marginal high cost industrial countries—such as Belgium—it is quite definitely falling. Commodity prices are down. Sterling has just recovered from a crisis in which many foreigners thought that it would be devalued, and at the worst possible moment of potential new strain a new and inexperienced Chancellor was unwillingly catapulted into the Exchequer. Yet, in these most unpropitious of circumstances, foreign exchange is still flowing wherever the interest it can earn is highest, including most notably into London, without any murmured fear of currency depreciation. If a real American slump was expected, then everybody knows that some devaluation of other currencies against the dollar would again be mooted; the conclusion is inevitable that European bankers, like American investors, do not think that the slump is going to happen.

They may, of course, be wrong. The snowball of lost confidence may one day start rolling all the more dangerously for having been so long suspended above the point of avalanche. But, at the moment, the evidence does not point that way. It seems more sensible to suppose that, for reasons that lie in the obscure borderland between economic analysis and social psychology, the great purveyors of capital may have at this juncture a high degree of resistance to panic. If so, this is not only a singular piece of economic good fortune; it may also be the most important current fact in the free world, for which a major slump would be unmitigated political disaster.

Arbitration for Inflation

THE industrial court's recommendation that central London bus crews should be given an extra 8s. 6d. a week is a considerable national misfortune. It is presumed, as we write, that London Transport will agree to follow this non-compulsory recommendation; that presumption reflects no credit upon the past record of London Transport, because it certainly ought to refuse it. It is possible that the busmen's union will try to keep London Transport on the run, to persuade it to give even more, but surely the very familiarity of these tactics should now breed full resistance. It is certain that if the recommendation goes through in its original form, the authorities will make great play with the fact that increases are going only to a majority of the London busmen, for special reasons, and not to all of them; but that is a misinterpretation of what has happened.

By refusing to recommend any rise for the crews of London's peripheral green buses, or for the garage staffs, the court has admittedly broken with one of the false criteria that have precipitated Britain into inflation through arbitration in these last ten years: it has turned its back on the thesis that all workers ought to be given wage increases to compensate for the price increases that their own wage increases last year have caused. But it has marched face forward into the second false criterion: that increases should be given to skilled workers whose differentials have been narrowed in the past few years—because their own unions have each year demanded (and got) flat rate increases for their less skilled colleagues. (The court has also, incidentally, added a little new fuel to stoke up this same argument next year, by giving the less skilled conductors the same flat rate increase as the more skilled drivers.)

This argument that differentials need to be restored should hold good in one circumstance only: when there is a shortage of the skilled men concerned. Arbitration in this particular case was complicated by the fact that the nationalised employers averred that there was such a shortage: they had not got enough busmen to drive all the buses which they had available. But they have more than enough busmen to drive those of their buses which can be operated at a profit, and that is the only valid economic argument. It is an argument which both London Transport and the court have ignored, and the next few weeks will reveal the sequel.

World Mosaic

This round-up of the effect on eight leading countries of the present world recession has been compiled partly from statistics available in London, and partly from cables from our correspondents on the spot.

Unemployment	Production	Trade & Reserves	Government Policy
UNITED STATES 1958 Feb 7·7%  1957 Feb 4·7%	Industrial production in January 8·9 per cent below a year before.	Has been reabsorbing dollars from the rest of the world. Foreign holdings of gold and liquid dollars, after increasing by $1,000 mn. in 1956, fell by $300 mn. in 1957.	Considerable ease in monetary policy. Treasury bill rate 1·5 per cent in March, 1958, against 3·1 per cent in March, 1957. Some bringing forward of government spending and talk of tax reductions. For other details see page 937.
CANADA 1958 Jan 8·8%  1957 Jan 5·3%	Industrial production in December 6·7 per cent below a year before.	For some years large balance of payments deficit more than counter-balanced by large inflow of US investment capital. Now American investors much more cautious. Exchange reserves $1,857 mn. in January against $1,931 mn. a year ago.	Tax reductions on lower incomes, rise in pensions and unemployment benefits in December. Treasury bill rate 2·85 per cent in February against 3·76 per cent a year ago. Would like to reflate (general election imminent) but feels tied to the USA.
UNITED KINGDOM 1958 Feb 1·3%  1957 Feb 1·8%	Industrial production in January still about 1 per cent above a year ago.	£250 mn. a year balance of payments surplus, still improving. Since September high interest rates have caused large capital inflow: gold reserves risen since then by $689 mn. (to $2,539 mn.), after falling by $531 mn. in previous three months.	Bank rate 7 per cent since September. No reflationary steps yet, but starting to talk about them.
GERMANY 1958 Jan 7·4%  1957 Jan 7·7%	Industrial production at end 1957 5 per cent above a year ago, but long period of over 10 per cent increases a year stopped. Fall in export orders.	Gold and exchange reserves down by $215 mn. (to $5,544 mn.) since end September, after being increased by $1,458 mn. in previous nine months.	Expansionary. Bank rate down to 3½ per cent in January; new welfare state benefits in force.
FRANCE Unemployment: virtually none.	Running at a rate 10 per cent higher than a year ago, but is expected to slow down.	Balance of payments still in large deficit, but securing of $655 mn. foreign credits in January and 20 per cent devaluation in August has stopped flight from franc.	Bank rate 5 per cent compared with 3 per cent a year ago. Government would like to deflate, but military expenditure impeding economy on budget.
BELGIUM 1958 Feb 9%  1957 Feb 7·2%	Production in January estimated 5 per cent below a year ago. General weakness in industry.	Reserves at end 1957 slightly lower than at end 1956, but both current payments and capital inflow improving since September.	Bank rate 4½ per cent against 3½ per cent. a year ago. Reduction considered likely.
JAPAN Unemployment figures small but misleading.	Industrial production in December, 1957, 3 per cent above December, 1956.	Balance of payments improving with $26 mn. surplus in February.	Bank rate at 8·4 per cent since last May, when it went up from 7·67 per cent.
AUSTRALIA 1958 Jan 2·4%  1957 Jan 1·7%	Industrial production generally rising but raw material production (coal, zinc, lead) down—and wheat, wool hard hit by drought.	Reserves still £A590 mn. at end 1957 against £A425 mn. at end 1956, but "they will now fall." Current balance of payments adversely affected by drought and lower world prices.	Credit policy eased in December. General policy "cautiously reflationary at periphery." Minor tax reliefs last autumn with supplementary grants to states to finance public works.

Back to Trotsky?

Stalin saw the Red Army as the vehicle of revolution, and mistrusted local revolutionary movements. In the age of nuclear deterrents, his successors may be changing their minds

FIVE years is a short time. But those who write the history of the Soviet Union will not be able to dismiss lightly the five years since Stalin's death. When on March 9, 1953, Stalin's coffin was ceremoniously borne across the Red Square few were bold enough to suggest that this was, symbolically, the burial of the system associated with his name. Yet just as few now will question the importance of the changes in the Soviet Union which have taken place since 1953—changes that, whatever their eventual upshot, show no sign of coming to an end.

Those of Stalin's lieutenants and heirs who have made these changes were not prompted by any western ideals or democratic aspirations. They were communists aware from experience that only the dead tyrant had been strong enough to postpone the inevitable revision of an obsolete system of government. They sought to strengthen the communist regime, not to weaken it. Over-dependence on slave labour had become a drawback economically as well as politically; so had over-dependence on police terror, and on crudely clumsy censorship. Thus, some of the political techniques developed under Stalin were modified simply because they had either been found superfluous, or had actually turned into liabilities for the communist system.

The change has been neither smooth nor continuous —largely because it has been accompanied by a sharp struggle for power. The removal of the political police from the position of power it held under Stalin and Beria left the Communist party and the army leaning dangerously on one another. Only last October did Mr Khrushchev, alarmed by the growing shadow of Marshal Zhukov, challenge and depose the military leader. And only shortly before that the reorganisation of economic management on more regional lines, rendered indispensable by the strains of an elaborate economy held in a strait-waistcoat of over-centralisation, had set Mr Khrushchev at odds with civil servants and industrial managers; then the marshal's help had been useful. In the end Mr Khrushchev thus emerged victorious from two vital battles. The supremacy of the party is proclaimed more loudly than ever. Since he has also managed to fill the party presidium with colleagues from the secretariat of which he is the head, his personal position seems strong indeed.

And yet one cannot easily see Mr Khrushchev clambering on to Stalin's pedestal. His own professions about the "collective" nature of the present leadership, and his attack on the "cult of the individual" need not be taken at face value; much more important is the general impression of the nature of the change in post-Stalin Russia. The ruling figures seem to be caught in the current of events, not dictating its pace. How little some of them foresaw where events would lead them is shown by the fact that, of the triumvirs who pronounced orations over Stalin's coffin, Beria is dead, while Molotov and Malenkov can ponder the tricks of fate in distant Ulan Bator and Ust-Kamenogorsk. History, as if taking revenge for a period of artificially enforced political inertia, has quickened its tempo—and the end is not in sight. The managerial reform has raised the issue of regional autarky, encouraged centrifugal forces, and brought nearer the major question of tomorrow, raised forty years ago and then lost in the Stalin system: that of workers' participation in management. The need for more food has compelled Mr Khrushchev, once the advocate of "agrotowns," to sponsor now the transfer of state property to collective farms.

The hand of the rulers is all the time being forced. One of the ostensible reasons why Mr Malenkov was dismissed was his emphasis on the need to produce more consumer goods. Yet his once heretical slogans about a rapid improvement in living standards are now orthodox doctrine. The postbags of Soviet journals seem to be filled with awkward questions about equality in a socialist society. With such pressures at work, the current attempt to reimpose total conformity on the writers, the most articulate spokesmen of popular demands, may not easily succeed. The mainspring of change in the last five years, and the chief earnest of further change, is the advent of the new generation of better educated men needed to carry out the technological revolution. The political methods of the Scythians are not suited to the age of the sputnik.

WHAT corresponding changes has Stalin's departure brought about in Moscow's view of the world outside Russia? Policy towards the satellite states, which is considered by the Kremlin to be a semi-domestic matter, conforms to the new pattern of reform for the sake of greater efficiency. The attempt to relax controls within the Soviet block has been accompanied by a series of explosions from the Berlin rising (1953) to the

Polish mutiny and the Hungarian insurrection (1956). It is enough to glance at Poland to realise that Eastern Europe is not what it was in Stalin's time.

In the wider field of diplomacy Stalin's first successors were, not surprisingly, inclined to proceed with caution. The armistices in Korea and Indo-China indicated that they wanted to damp down the risk of world conflagration. But subsequent events, culminating in Moscow's announcement that it has an inter-continental rocket, and the confirmation of this claim by the launching of the sputniks, have altered the balance of power and brought Russia apparently abreast of the West (if not ahead of it) in the capacity for "massive retaliation." The Russians can and do act with less inhibition than before in such dangerous places as the Middle East. At the same time they unceasingly proclaim their desire for negotiations, and have impressed "uncommitted" opinion with the fact that they are dragging unwilling western governments to a summit conference.

Perhaps a summit conference would throw more light on Russia's long-term intentions in at least one important respect. Western advocates of "disengagement" are not simply afraid that close contact between armed adversaries may bring about a fatal incident. They also see in disengagement the only means of freeing Eastern Europe from Soviet control. What of their Russian counterparts, the advocates of disengagement in the Kremlin? What political gain do they hope to derive?

To believe that the withdrawal of troops from central Europe may result in any political advantage at all, these Russians must reject a basic (though never admitted) premise of Stalinism: that communist revolution is an exportable commodity with the Soviet army as its carrier. When the original bolshevik leaders looked to the western proletariat for their salvation, Stalin remained sceptically aloof. When revolutions failed to break out in Western Europe, he erected the doctrine of "socialism in a single country" on that failure. From than he considered foreign communist parties as mere tools of Soviet power, not as independent bodies capable of seizing power themselves. The Chinese revolution—communism's biggest success since 1917—was carried out against his specific advice.

APART from that huge exception it could have been argued that events proved Stalin right. There was no revolution in Western Europe; and he did carry communism up to the Elbe on the bayonets of the Russian army. But one item on the record throws some light on the hopes of the present advocates of disengagement in Moscow. Between 1944 and 1946 a communist attempt to seize power was distinctly possible in France. Communist partisans were reluctant to give up their arms, and they had to be ordered to do so by the party headquarters, prompted from Moscow. Russia's decision at that time was determined by the risks of world war, by the American monopoly of the atom bomb and the presence of allied troops in vast numbers in Western Europe. But those conditions have been altered, and will continue to alter. Disengagement on Russia's present terms means ultimately the evacuation of all American troops from the continent. Then the double deterrent might prevent both super-powers from intervening in any civil war in a European country. Under the umbrella of nuclear balance the conditions for a revolution might then, as these Russians see it, be revived.

This looks like a return to early bolshevik beliefs. The difference is that Russia in the early nineteen-twenties was a starving, backward country pinning its hopes for survival on revolution in Western Europe. Now it is a powerful country which can afford to wait. If no progress is made with its own version of disengagement, it can cultivate its own Soviet garden, hoping that the nationalist storm will in the meantime destroy western positions in Asia and Africa. The long-term aim is so to isolate the United States that, as one historian has said, an American leader will have to proclaim the doctrine of "capitalism in a single country."

It is not possible to assess whether these revolutionary optimists have much influence in Moscow now. They

The Economist

MARCH 13, 1858

THE STATE OF TRADE

It is a fact too generally felt to be doubted, that trade recovers but slowly from the shock it received during the late monetary crisis. Capital has become a drug; the money-lender is looking around him in every direction for eligible investments; and the rate of discount, which three months ago was *ten per cent.* is now under *three per cent.* Confidence, moreover, in individual credit is restored. The trial through which the country has passed was so severe, that it is fairly assumed that whatever unsoundness existed, has in the main been exposed, and eradicated from the system. The pause which has outlived the first cause of the check to our commerce may be attributed, first, to the natural reaction which invariably succeeds *periods* of excitement and prosperity; and next, to the caution with which men embark in new enterprises after the severe lesson which they have so recently received. This caution, moreover, is justified by the general state of our markets abroad. . . . All the considerations to which we have referred would point to the fact that we must be prepared for some reduction, probably not an inconsiderable one, in the foreign trade of the country during the present year; and it is not unreasonable to expect that some effect must be felt from that cause upon the home trade also. . . . One of the great advantages of Free Trade is, that our markets become so extensive and so numerous that a greater equality is preserved among them as a whole, the same causes never affecting all at the same time; and to that may be attributed the much less suffering to which the country is now exposed during periods like the present, than it was formerly. But however true this may be, the recent commercial crisis has swept too extensively over the whole of the trading countries of the world not to produce an impression which cannot fail to be felt for some time to come.

were silenced for years, not only by the Stalinist guardians of orthodoxy, but also by the impressive prosperity of the West. Now the possibility of an American slump and major strains, such as that of the Algerian war on France, may embolden them. Who knows whether the proposal to hold free elections in Korea under international supervision is not the forerunner of a new approach, whether the communists are not beginning to think of *reculer pour mieux sauter?* It may be a long time before a clear answer can be given. But if the Russians do drop their dead leader's assumption that the Soviet army is the only vehicle of communist expansion (an empty assumption in the age of nuclear deterrents) the western countries will be faced with a more subtle challenge than the armoured divisions on the Elbe.

Security through Squalor

The Conservatives need to do some rethinking about the real objectives of a welfare state

IT is widely reported that Mr Butler and his backroomsmen are busying themselves with projected reforms of the welfare state, in preparation both for the legislation which the Conservatives will introduce in the last year of this Parliament and for the programme which they will present at the next general election. Some of the preliminary thinking that lies behind these projects, in the shape of seven lectures delivered at last year's summer school of the Conservative Political Centre, was last week republished in booklet form.* It suggests both that the Conservatives have glimpsed the vision of where they ought to be going, and that there is a very great danger that they will run away from it.

The Conservatives do recognise—and it is this that makes their social policy considerably more enlightened than Labour's—that Britain's present social services are wastefully misdirected, and for a very simple reason. The reason is that the doctrine of the safety net, to catch those who fall, has been made meaningless by the doctrine of fair shares in safety nets for those of us who are quite well able to stand. "In delayed reaction to Victorian poverty and inter-war unemployment," writes the thoughtful Conservative official who contributed the preface to last week's booklet, it has not been sufficiently realised that "more and more people of working age . . . can afford to make provision out of their earnings, either directly or through insurance, for the necessities and against the hazards of ordinary life."

The insufficient realisation of this, throughout the formative period of the welfare state, has had two crippling general consequences, in overloading of the economy, disincentive levels of taxation and periodic pressure on the pound. But another, and quite particular, consequence is that social policy is now not doing what it originally set out to do: the "national minimum," so devotedly pursued by the old social reformers, remains a pitifully low national minimum, while the great fields of social investment, which the Victorians would have regarded as the main function of a welfare state to cultivate, lie neglected—indeed often in squalor. The face of Britain is disfigured, writes the director of the Conservative Political Centre in last week's booklet, by slum hospitals, slum schools, slum sanitation, slum prisons, and "slum roads, outdated, choked, defective, dangerous, upon which a quarter of a million people are annually condemned to death or injury." If Britain is to be made a brighter and happier place, there is a great need for social policy to move away from the doctrine of the extended safety net towards the improvement of public utilities that was regarded as being so obviously at the heart of the social services a century ago—towards what Disraeli called "a policy of sewage."

THIS need is now recognised by all parties, but the way of fulfilling it is not. Yet the most economic way ahead is surely not difficult to see, and it is time to throw out some specific suggestions. The short answer for the Conservatives is to remember that the real safety net in a welfare state is provided by one basic service—by need-tested national assistance payments. It is in the five other big social services which they have inherited that re-thinking is required. In three of them the proper presumption for reform seems fairly clear:

(1) In *health*, the proportion of medical expenses that is carried by the taxpayer is now far bigger in Britain than in neighbouring European economies. Clearly, the best principle would be that the insurance contributions paid by people while they are healthy should fully and actuarially cover the costs of attending them while they are sick. But if it is felt that weekly contributions cannot be put up to this extent, because of the burden they would lay upon the poorer worker, then the obvious alternative is to impose new specific charges—e.g. board and lodging charges in hospital—but with need-tested rebates in part or full for the hard-pressed.

(2) In *housing*, this Government has rightly cut down both the current subsidies available for tenants of council houses and the rent restriction that sheltered tenants of private ones. The next Conservative Government ought to go further in this direction.

(3) In *unemployment insurance*, a sensible conservative system today would be one in which contributions were pitched high enough actuarially to cover very liberal benefits (and, quite specifically, reimbursement of removal expenses) during the early weeks of unemployment; after these early weeks had passed, the unemployed man who had not moved to find work should go on need-tested but adequate assistance. Probably, the period without any need tests should be longer for an older man (with a long insurance record).

What, however, is the trend of the Conservatives' new thinking on these three services? In unemployment insurance there is no trend, because there is no new thinking. In housing, there are stories that the Government is considering the grant of special favours to owner-occupiers—by reducing the schedule A income tax (which is already too low), abolishing the stamp duty on houses, and fostering a "remodelled loan procedure." In health, the Government is wondering whether those who have opted to be private patients should be allowed health service drugs and have some hospital costs rebated. Some case could be made in some circumstances for all these changes. But they would sit very oddly beside the main object of policy now: which should be to reduce the subventions in these services that already exist, not to spread them further.

THE other two main social services already have some discriminatory content in them. That is, they do deliberately and rightly seek to redistribute income towards people at a stage of their lives when they carry special burdens: towards parents of children who are still being educated, and towards the aged who have not been able to accumulate real savings in these last inflationary years.

(4) Aid for parents is a matter for *family allowances* and fiscal policy. The allowances are a useful and discriminate social service; they are higher in several countries on the continent than here. General tax discrimination in favour of the family should go further when taxes can be reduced.

(5) The problem of *retirement pensions* is the trickiest social problem of all. It is also the one that Britain is at present handling in the worst possible way. Under the present system of flat rate contributions, the young entrant into employment nominally pays, or has paid for him, a large enough contribution to cover actuarially the pension which he is originally told he will be entitled to receive when he retires. But since pension entitlements rise every few years, as prices rise and general elections approach, his contributions to the fund are very soon left in gaping actuarial deficit. Some of the problems of keeping new entrants' contributions in step with their rising expectations of pension should be solved if—or rather when—contributions are made a proportion of earnings instead of a flat rate (thus ensuring that contributions will rise automatically as earnings rise). But the gap for those already in employment will remain. It had better be recognised frankly that the contributions that can conceivably be secured, under any state scheme, from the mass of workers who will be retiring within the next twenty or thirty years, are most unlikely to cover actuarially what will be regarded as a living pension by the time they come to retire.

There are two ways in which the pensions problem could be met. One would be to say that after a certain period those who retire can demand as of right only the pension that they have actuarially earned, and that a supplement between that and a new (enlarged) national minimum will only be paid on proof of need. That might be the sound and discriminate scheme to adopt. The other course would be to give up the idea of keeping the pensions fund in actuarial balance and aim only to keep it in current surplus, so that we would all be paying for the pensions of our grandfathers in the hope that our grandsons will pay for ours: that is the essence of the Labour party's proposed scheme, and also of the scheme now in force in western Germany. One suggestion which has recently been propounded by, among others, the new Professor of Political Economy at Cambridge, is that, instead of fixing the figures for contributions and the rates of surplus rigidly in advance, the contributions (as a percentage of income) should be deliberately used as an instrument of economic policy. That is, they should be raised whenever the economy seems too inflationary and lowered when it seems too deflationary. There are attractions in this idea, but let the conditions in which it could work be frankly recognised.

These are that the weekly stamp required—which should in normal circumstances cover the full cost of the unemployment services, of the "free" health services, and the current cost of pensions—should not bear so heavily on the poorest workers that it would be impracticable for the Government to raise its price in a time of inflation. At the moment, it plainly would; that is a clear sign that Britain is at present trying to finance more indiscriminate welfare than it can afford. The only escape is to adopt those alternative schemes which would require smaller contributions but give less welfare to those who do not really need it: to say that those who can afford them should, for example, pay hospital boarding charges—or else that supplements above the pension rates actuarially earned should be paid only to those showing proof of need.

ALL this would be very unpopular politically, and not at all the sort of thing that backroomsmen will want to put in an election programme. The essence of Britain's present social system is that welfare benefits in excess of welfare insurance contributions are spread thinly round millions of voters, who would at first object if those contributions went up or if some of those benefits were need-tested away. But the money thus saved could be used to increase the basic national minimum paid on proof of need; to remove some of the grossest disincentive effects of present-day taxation; and to rectify the squalor of our roads, some of our schools and other public capital appurtenances that is the most notable bequest of the first ten years of the new welfare state. How many Labour people, let alone how many Conservatives, really doubt that some such redistribution of effort should now be effected?

* The Future of the Welfare State. Lectures by Iain Macleod, George Schwartz, Richard Bailey, Enoch Powell, W. J. M. Mackenzie, Mark Abrams, Peter Goldman. Conservative Political Centre. 87 pages. 2s. 6d.

NOTES OF THE WEEK

LABOUR AND THE BOMB

Five Pointlessnesses

LABOUR'S official policy on the bomb is now to support the Government's view on all essential principles, and to try to find as many minutiæ as possible which it will not disturb Mr Gaitskell's conscience to launch a campaign about. The joint official statement issued last week by the party and the Trades Union Congress (why is the TUC's finger needed on this trigger?) contains two bold, if implicit, outfacings of Labour's pacifist wing: the party agrees that the west must have the deterrent as well as the Russians, which is a great relief, and that Britain must have the deterrent as well as the Americans, which is what Mr Gaitskell believes. But the five-point campaign which the Labour executive has decided to start in the country, in order to provide some balm to its emotionalists, is pretty shoddy political stuff.

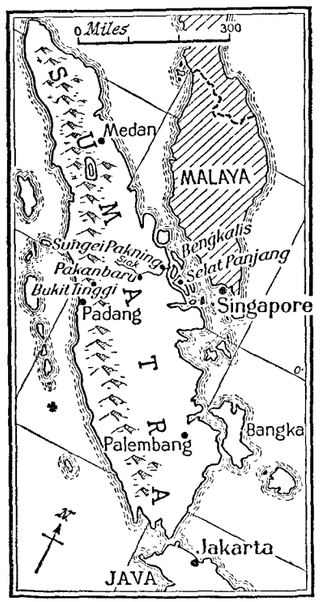
Two of these five points—although the campaign speakers will no doubt disguise the fact—are Conservative policy as much as Labour; Mr Macmillan is as eager as Mr Gaitskell to get the Russians to agree to a "world disarmament plan by stages," and to investigate the possibilities of a disengagement zone in Europe. A third point in Labour's campaign—that Britain should unilaterally but temporarily suspend H-bomb tests in order to "improve the atmosphere" (no pun apparently intended)—sits very oddly beside its decision that Britain should nevertheless have the bomb; there may be a stage when nuclear powers can suspend tests and still have the bomb, because their research programmes will have progressed far enough and because they seek to avoid the still relatively small risks to health involved in the tests, but no outsider can tell whether Britain is at that stage now. Labour's fourth point—that American aircraft based on Britain should not be allowed to carry nuclear weapons either on patrols or training flights—is another issue which, as the party's leaders know quite well, cannot sensibly be discussed on the hustings; any detailed response to it from the other side would obviously run foul of the security ban. Labour's fifth point—that American missile bases should not be set up in Britain until after summit talks with Russia—is short-term in its effect, but no less carpingly irresponsible on that account; one has only to ponder for a moment what effect the adoption of such a policy by any British Government would have on the Russians' approach to such summit talks.

The advantage of this programme is that no Labour Government would in fact need to put the detailed parts of it into effect; the crafty timing element attached to each point ensures that. The disadvantage is that Mr Gaitskell, having boldly and forcefully overridden the neutralist wing of his party, will impress nobody but the renewedly-captive *Daily Herald* by these gestures, and stands to lose some well deserved respect. He has shown again that he badly needs a backbone to attach his brave teeth to his needlessly flapping tail.

INDONESIA

Civil War

FOR once, Seato has a real problem on its hands. Indonesia was not on the agenda of the Manila session of the council of the south-east Asia treaty, nor was it mentioned in Thursday's communiqué; but under the heading of "other matters affecting the treaty area," it has loomed large in the talks. The limited scale of the invasion of rebel Sumatra by the central government's forces should not lull the world into underestimating the dangers of an explosive situation. Nor should too much be made of the fact that President Sukarno has chosen this moment to inspect his more peaceful territories to the east. A creator of national unity who now looks like the main obstacle to its preservation may well seek relaxation in travel. While the revolutionaries were bracing themselves for the plunge a few weeks ago, the president was signing documents in Egypt and Jugoslavia, or passing his time in the scented gardens of Tokyo.



Some of the latest reports seem contradictory. But the central government claims that its paratroopers have captured Pakanbaru, where the American oil company, Caltex, has its main installations. Earlier, central forces had established themselves on the islands of Bengkalis and Selat Panjang, and at the oil terminal of Sungei Pakning, at the mouth of the Siak river. Caltex has evacuated staff dependants to Singapore. Meanwhile the rebel minister of the interior, Colonel Djambek, appealing to the people to "kill the invaders," has said: "We are bringing up reinforcements and going into guerrilla warfare now."

By choosing to come at the central Sumatra rebels by sea and air, Jakarta has drawn attention to the way the obvious line of approach is blocked by the "neutrality" of Colonel Barlian's administration in south Sumatra. There is no doubt about the central government's military superiority in all departments; but there is plenty of doubt about its economic capacity to conduct a long war and its military capacity to ensure a short one. It found no difficulty in occupying a few key points among the inhospitable mangrove swamps of Sumatra's eastern coast, thereby extending its blockade of the rebels; but to overrun and crush them may prove a very different problem.

Non-Intervention

THE international implications of the Indonesian civil war present a thorny problem for Seato and a real danger to world peace. The Russian press and radio is treating the situation with a disregard for the truth that raises grave doubts about Soviet intentions. The American naval vessels now standing by in case the employees of Caltex need protection are represented by Moscow as loitering with intent to help the rebels. The United States is accused of having sent the rebels "large amounts of heavy weapons"; Seato, of promising them help in return for military bases. It is true, as Moscow asserts, that the revolutionary government sent three emissaries to Manila, but untrue that they participated in the Seato conference. (Rebel emissaries have indeed been seen in Washington and Taipeh during the past few days; journeys in quest of foreign aid are inseparable from up-to-date rebellions.)

At the same time there have been reports of Indonesian pilots being trained in the use of MiGs in Egypt and Soviet "technicians" arriving in Jakarta. These reports have been denied in Jakarta; but whether they are true or false, the tone of the Moscow press would make it easy for the Russians to "justify" the sending of volunteers to Indonesia.

This, of course, is exactly the situation the Seato allies wish to avoid. The studied indifference of London and Washington to rebel appeals for aid is clearly designed to avoid giving Russia a pretext for intervention. For once, the Russians are on the side of the legal angels. By intervening, however, they would draw attention to the fact that the dissidents are rebelling against corruption, inefficiency and creeping communism. It is much to be hoped that they will not confront Seato with a situation of the Indo-China or Korea type.

THE SUMMIT

Not to Command Success

TO the onlooker, the attempts of the Russians and Americans to achieve agreement about a summit meeting look increasingly like a *pas de deux*, in which the dancers are operating with their backs to each other. Have the latest pirouettes brought a conference any closer? Mr Bulganin, by agreeing in his newest Note to hold a foreign ministers' conference before fixing a date for the summit talks, has now bowed to President Eisenhower's insistence that Mr Dulles must take part in the preliminaries. However, as Mr Dulles himself indicated in Manila on Wednesday, the sort of first round the Americans had in mind seems to be different from Mr Bulganin's. They want a preliminary meeting which will yield, in the President's words last week, "a genuine belief that real progress can be accomplished." Mr Bulganin's idea of talks between eleven foreign ministers—four each from Nato and the Warsaw pact and a trinity of neutrals—suggests that those taking part would find it hard to see the wood for the verbiage. If it were followed, as he wished, by a "summit" meeting of up to thirty heads of government, the ones who really have the power to take decisions might have difficulty in finding, let alone talking to, each other.

But it is also necessary for the West to be clear about what sort of evidence it wants that "real progress" will be possible. Is it an agreement by the foreign ministers on some minor issue? But all the issues are so intimately bound up together that a foreign minister would hardly dare to move even a pawn without conferring with his chief to decide whether he was putting the queen in jeopardy. Is it some lesser gesture of geniality, short of actual agreement on the real issues? But the Russians can afford to smile and smile, so long as they are not brought to the point of negotiating on matters of substance. On these, the only real test of Russian sincerity will come when the President faces the Marshal across a table. And there can be no guarantee at all in advance that, even when they meet, their meeting will yield any agreement. Mr Nixon, in a television interview last Sunday, expressed his countrymen's opposition to a meeting that might end in failure. But it is not humanly possible to be certain of success—whether by "success" Mr Nixon means a Russian capitulation to American demands or, more conceivably, a compromise in which both sides would gain something without losing anything vital. The West's task is twofold: before the summit, simply to make sure that it will be the kind of meeting where rational discussion is possible; then, if and when it gets there, to put forward proposals which, with luck—and without jeopardising any vital interest—might produce a reasonable understanding.

MALTA

Oliver Twist

MR MINTOFF is back in London, for another of those bargaining bouts of which most people in this country have grown intolerantly weary. After the final ball is over, one of four outcomes from these long negotiations with Malta is possible; and it is time that the British Government set them down in order of preference. The best outcome would still be if Malta could be integrated into the United Kingdom, on terms no less—but also no more—favourable than is any other development area like South Wales; but Mr Mintoff apparently will not integrate unless he gets more favourable terms than that. Another course would be politely to offer Malta complete independence. This is a possibility that the British Government should regard as its second preference. There is no longer any great value to the Navy in having the base on the island under British political control; if Malta became independent it would still be bound to lease the base facilities to either Britain or Nato, merely in order to buttress its economy. Indeed, blandly to offer independence to Mr Mintoff might be the quickest way to persuade him to accept a fair scheme of integration instead.

The third, and less desirable, course would be to give Mr Mintoff all the money he wants. Even here a distinction should be drawn between the less serious error of merely offering him excessive development loans for a year or two ahead (which he probably could not fully spend anyway), and the much bigger mistake of undertaking to keep a lot of redundant dockyard workers in full and immobile employment in their present jobs. The fourth and worst course would be to do none of these things and to allow Malta to become another Cyprus. That is the outcome

which must at any cost be avoided. In all negotiations with Mr Mintoff exasperation has become the natural attitude. But it remains the worst counsellor.

BY-ELECTIONS

From Kelvingrove to Torrington

GLASGOW (Kelvingrove) polled on Thursday; the result will have been announced by the time this issue is in readers' hands. A week ago it was reported here that local opinion then gave Mrs Walter Elliot a no better than even chance of holding the seat for the Government. Since then the trend of local judgment—for what it is worth—seems to have been towards believing that the Liberal Home Ruler will draw off more votes from Mrs Elliot, and that the pacifist ILP candidate will draw off less votes from Labour, than was previously expected. Glasgow has appeared to be much more worried about unemployment than the H-bomb, and Mrs Elliot will have rendered a considerable rot-stopping service to her party if she has indeed held the seat.

After Kelvingrove, the by-election limelight will move to the Devonshire constituency of Torrington, which votes on March 27th. In a straight fight in 1955 the Conservative won just over 65 per cent of the poll and Labour just under 35 per cent. With a Liberal intervening—in one of the few areas in the country where Liberals have hitherto drawn almost as many votes from the left as from the right—it seems improbable that Labour will get more than 35 per cent now; it follows that the votes for the other two parties would have to be fiendishly evenly split if Labour were to win this seat. This could mean that the "wasted vote" argument might this time react on Labour's head. The way in which the Liberal, Mr Bonham-Carter, might conceivably win election would be if there were a large desertion of Labour votes to him, as the best hope of turning the Tory out—a sort of Rochdale in reverse.

NORTH AFRICA

Good Offices in Poor Weather

THE diplomatic talents of Mr Murphy and Mr Beeley—the American and British "good officers" between France and Tunisia—are going to be stretched to the limit. This week's snag to be surmounted—and the essential preliminary to getting at any other—is the difference between Paris and Tunis over the point that each must concede before going on to direct talks of any kind. Tunis says this preliminary must be agreement in principle to a timetable for evacuation of all French strongpoints, including Bizerta. "Independence," says M. Bourguiba, "must be full and free." Paris (which seems ready to agree, subject to safeguards, to withdraw from all these places except Bizerta), maintains that nothing can be discussed until Tunisia rescinds its closing of consulates and expulsion of Frenchmen.

Is this deadlock? With a weak French government at one end, and, at the other, a Tunisian one that has to trim its sails to every fresh piece of news from Algeria, the outlook is not bright for getting at the issues on which compromise is far from hopeless; these include evacuation of French troops from places other than Bizerta, subject to international supervision of the airfields evacuated and of the Algeria-Tunisia frontier.

M. Gaillard's proposal for a Mediterranean economic and defence community—though laudable as an attempt to apply new leaven to a stale mixture—does little to brighten the outlook. For the sake of his French audience, he is obliged to put the stress on the defence aspect of his conception. This, to Tunisian and Moroccan nationalists, looks like a grasping for old bases in new guises; and all have said so. He would have won more ears overseas if he had put his economic plan first, for that—particularly if it were to carry the backing of American as well as French funds—would vitally interest his North African hearers. Yet even then all would want to know, as a preliminary, what status in the new international community was to be given to Algeria. Whether in Tunisia and Morocco, in France (page 945), or even in Madagascar (page 948), the Algerian imbroglio casts sombre shadows.

Morocco Joins the Pressure Group

HITHERTO, Morocco has never been as deeply embroiled as Tunisia in France's Algerian crisis. The heights along its Algerian border are a barrier to close communication, and its need of French capital to exploit its resources and check its unemployment problem has kept it aloof from the *mêlée* next door. But the events of the last month have altered its attitude, and it is now putting pressure on France to settle with the Algerians.

Till the beginning of February, Franco-Moroccan relations seemed as good as could be expected. Prince Moulay Hassan and a succession of Moroccan ministers were visiting Paris, and all was fixed for a return visit by M. Pineau in May. The three events that have chilled the atmosphere are, first, the resumption by the Spaniards of mopping up operations at Ifni, then the bombing of Sakiet and, finally, the news of the two Arab unions formed by Cairo and Baghdad.

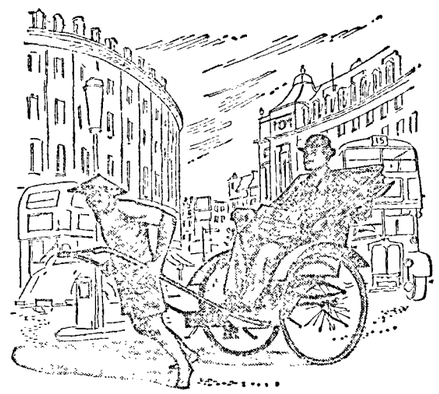
Moroccans have begun officially to raise questions such as French rights to bases in their country, and Moroccan ones to former conquests in the Sahara. Incidents during recent weeks have included accusations that French forces are working in conjunction with the Spaniards (which Paris stoutly denies), the holding of two trains carrying munitions to French bases, and a trip by the King and most of his cabinet to the southern tip of the kingdom to proclaim title to areas beyond the Draa river.

Last weekend King Mohammed seized the opportunity of taking some visiting provincial French journalists to task both for helping the Spaniards and for fighting against Algerian aspirations, and himself publicly advocated a federation of the three north African territories. He sweetened the pill with several references to "substantial co-operation between France and Africa," but added that there was no time to waste because "events are moving fast." The pressure he is beginning to apply will be less temperamental and wayward in form than M. Bourguiba's. His methods are in keeping with the Moroccan character. They are worth watching because he is the best remaining interlocutor between France and Algeria.

ARAB WORLD

A Lesson for King Saud

PRESIDENT NASSER'S dramatic accusation of King Saud may have been made to whip up enthusiasm among wavering Syrians, it may have been a warning to the king



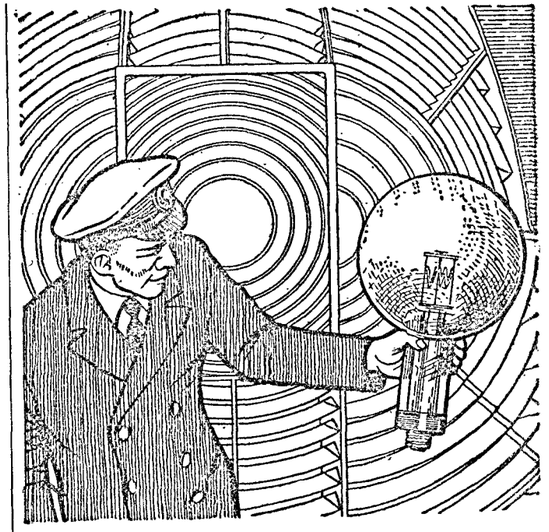
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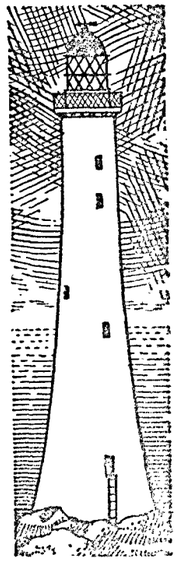
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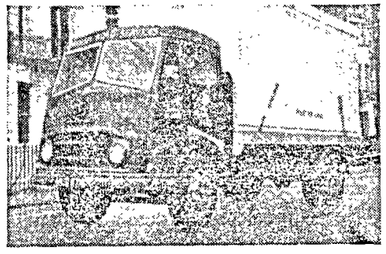
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not to join the Hashemite federation, and it may have been meant to cause unrest in Saudi Arabia and the sheikhdoms beyond. In any case, it did tell the king that there have been some changes in the Arab world, and that success cannot be bought by simply putting the money down and taking away what money could buy. The principles that have been so charmingly adaptable among Arab politicians of the past have largely been replaced by less adaptable ones in which genuine public opinion must be considered. President Nasser has been moulding Arab opinion in his own way for as long as Saud has been king.

King Saud would have dearly loved to be what President Nasser has become—a popular, respected, beloved leader of the Arabs. Though both the king and his supporters worked hard to achieve this, he now stands isolated in the desert of his own policy. The point about the accusation levelled against him is not whether it is true or false that he tried to bring down the United Arab Republic by paying for the assassination of its president, but whether it is believed.

According to the Saudi-subsidised Cairo daily, *Al-Qahirah*, Amir Abdullah, the son of the Saudi Crown

Who Dies of What?

THIS week the Registrar-General published the first full report on occupational mortality that has appeared for twenty years. It provides a nationwide classification of the causes of deaths in 1949-53 in all the different occupations in which the population was registered at the 1951 census. These occupations are then allocated to the Registrar-General's five social classes and tables have been compiled to show how these classes have fared in respect of what is called the standardised mortality ratio. This, for any particular group of people between the ages of 20 and 64, is the percentage ratio between the actual numbers of deaths and those that would have been expected had death rates at each age been the same as in England and Wales as a whole.

The exercise is full of statistical pitfalls. For instance, many people are registered as "company directors" when they die who would be given some more precise employment classification in the census; this has distorted the mortality picture for Class I—to which company directors are allocated. Again, the report is not concerned with morbidity—that is, the incidence of disease—in the different classes, but only with mortality. Certain illnesses—for instance, influenza and pneumonia—to which particular classes seem particularly prone from the mortality statistics, may be just as common to all, but—at ages 20-64—fewer upper-class people die of them.

For all its limitations, however, the report has produced some interesting comparisons. Table I compares the death rates of the different classes in three different periods. The death rate as a whole has fallen in this period, so the apparent worsening of Class V in 1949-53 compared with 1930-32 does not mean that more men in this social group are dying. It does, however, mean that there is still a marked difference in the death rate of unskilled labourers compared with the higher social classes. In 1930-32, the most favourably placed group was Class I. Today, however, Class I's mortality has risen from 90 per cent of the average to 98 per cent. How much of this apparent worsening is due to flaws in the reckoning cannot be known, but there is evidence that to reach the top of the social scale brings its own risks. Table II shows that this risk is to die from coronary disease, a risk which gets markedly less the lower one descends the social scale—except that a pronounced rise in coronary deaths among men aged 25-34 in Class V (owing to sheer hard manual labour perhaps?) puts up that class's total rate. Tuberculosis, as would be expected, is more lethal as one goes from Class I to Class V; but it should be remembered that chronic sufferers from this disease may migrate to this class because they cannot, owing to their poor health, hold a skilled or well-paid job. In some cases it is not so much the occupation that causes a man's death from a particular disease as the disease that determines his occupation. Other diseases that have a marked class bias are poliomyelitis, which (though only a minor killer) occurs much more commonly in people with a high standard of living, and ulcers. Deaths from ulcers, both gastric and duodenal, are again few—especially in relation to their total incidence—but they are much more likely to occur in Class V than Class I. To have a DU is decidedly non-U.

If one wanted to choose a profession that ensured a long life, one would, according to Table III, be a teacher (and be relegated to Class II). Nor can civil servants complain that their arduous work and heavy responsibilities will bring about their early death, though they, like the rest of their class, are extra liable to death from coronary disease.

The last table, which is a sort of postscript to the report, analyses infant mortality by the social classes. All classes show a marked fall in their infant mortality rates. But the differential rates are as pronounced now as they were twenty and thirty years ago. An infant born into Class V is twice as likely to die as one born into Class I. If neonatal deaths (which do not show nearly so pronounced a differential) are excluded, the chances of a Class V infant dying are four times as high as those of an infant in Class I.

I. THE RECORD FOR THE SOCIAL CLASSES

(Death rates among men aged 20–64; all occupations = 100)

Social class	1921 to 1923*	1930 to 1932	1949 to 1953
All classes	100	100	100
I Professional (e.g., doctors, solicitors, higher civil servants)	82	90	98
II Intermediate (e.g., managers, teachers, farmers)	94	94	86
III Skilled (e.g., fitters, clerks, engine-drivers)	95	97	101
IV Semi-skilled (e.g., machine minders)	101	102	94
V Unskilled (e.g., labourers, kitchen hands)	125	111	118

* Civilians only.

II. THREE DISEASES

(Death rates among men aged 20–64)

Social class	Coronary Disease	Cancer	Respiratory Tuberculosis
All classes	100	100	100
I	147	94	58
II	110	86	63
III	105	104	102
IV	79	95	95
V	89	113	143

III. ONE PROFESSION AND ANOTHER

(Death rates among men aged 20–64; all occupations = 100)

Teachers	66	Accountants	77
Senior civil servants and local govt. officers	70	Clergymen	80
		Barristers and solicitors	88
Engineers and surveyors	73	Doctors	89
		Dentists	97

IV. INFANT MORTALITY

(Deaths per thousand legitimate live births)

Social class	1921	1930 to 1932	1949 to 1953
All classes	79·1	61·6	29·5
I	38·4	32·7	18·7
II	55·5	45·0	21·6
III	76·8	57·6	28·6
IV	89·4	66·8	33·3
V	97·0	77·1	40·8

Prince, said when passing through Alexandria that he would denounce this plot and any others like it. He added, hopefully, that a dispute might occur occasionally among members of the Arab family but that it would swiftly disappear.

President Nasser's propagandists have now accused King Saud of giving the Dhahran air base away to the Americans in exchange for $250 million paid into his personal bank account in Germany. They have denied that there have ever been any Saudi acts of charity towards Egypt; and they have warned him to be careful in his dealings with King Hussein of Jordan. The whole series of accusations may well serve a useful purpose. King Saud, if his advisers are kind and brave enough to tell him, will have learned some facts of life that are valuable for a monarch in an area now infected by democratic yearnings. It should not come as too much of a surprise if the whole affair is patched up. President Nasser might even use it as an excuse to get rid of Colonel Sarraj. Whatever happens, it will only make the bargaining hotter if King Saud, seeking the protected status obtained by the Yemeni king, should one day decide to join the United Arab Republic.

SUDAN

Conservatives up the Nile

THE results of the Sudanese elections suggest that there is still some resentment against Egypt, that the old Moslem sectarian loyalties are stronger than expected, and that relations between the Islamic north and the non-Moslem south may continue to be strained.

The success of the *Umma* and the People's Democratic party shows that these two parties, which retain sectarian links, will enjoy a clear majority provided they remain in coalition. The National Unionist party of Sayed Ismail el-Azhary, which favoured a link with Egypt and aimed to divorce politics from sectarianism, makes much less of a showing than it had hoped, with only 45 seats instead of the 80 that the optimists in its ranks thought it might win in the north alone. The recent flurry over the Egyptian border seems to have reminded some Sudanese of more ambitious Egyptian claims in the past and to have influenced voters against the National Unionists. The swing to conservatism comes as a surprise to those who felt that the association of sectarianism and politics would fade once the younger Sudanese became politically active.

It is now the relations between south and north that may give the government the most headaches. All three southern ministers in Dr Abdullah Khalil's cabinet were defeated, and he will have to seek substitutes for them among untried newcomers to parliament. He is bound to employ three southerners by the terms of the constitution.

The Sudanese are receiving well merited congratulations on the manner in which they conducted their first general elections since becoming independent in 1956. The peaceable poll promises well for the future.

THE CHILDREN BILL

The Rights of Adoption

THE Children Bill, which was given its second reading in the House of Lords this week, has two main parts. The first part consolidates and amends the existing law regarding the protection of "child life." No exception can be taken to the provisions in general; but readers of *The Economist* are hereby warned that if they intend to receive a foreign child into their households for longer than a month (even on an exchange basis) they should, it appears from the debate, write to the local authority to get exemption from the provisions for notification and supervision.

The second main object of the bill is to put into force some, but not all, of the Hurst committee's recommendations on the law of adoption. The chief one that has been accepted and incorporated in the bill provides a new ground for dispensing with the natural parent's consent to adoption. The court may, under the bill, make an adoption order without the parent's consent if he or she has "persistently failed without reasonable cause to discharge the obligations of a parent . . . and . . . the failure is likely to continue if the order is not made."

A recommendation that has not been accepted is that an adopted child should have the right, on reaching the age of 21, to have a copy of his adoption order and find out the names of his natural parents. At present such information can be supplied in England only on an order from the court. Against the Hurst committee's recommendation it has been argued that the sudden appearance of an adopted child might cause distress to his natural mother, and that the knowledge that he will eventually find out the names of his real parents will cause instability in his relationships with his adoptive family—arguments that the Government has accepted. Against this it has been urged that adopted children who know they are adopted have a natural curiosity to learn about their real parents, and that this curiosity can turn into a morbid obsession if they feel that information is being deliberately withheld. To know that he can know the truth when he is grown up is all that the normal child will want and he is unlikely to bother to pursue the matter at all. Certainly in Scotland, where an adopted person has been able since 1930 to find out his origins when he is 17 years old, no objections have been raised and no difficulties have been reported.

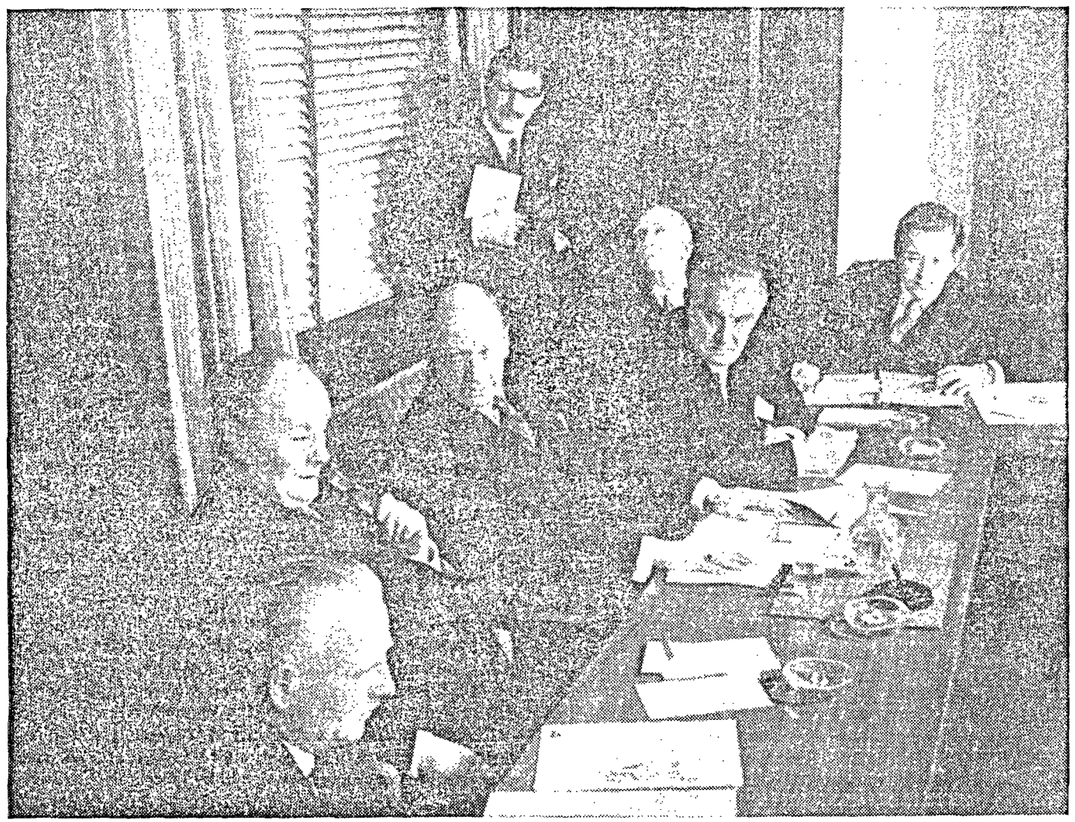
LUNACY LAW REFORM

A Question of Definition

IT is possible that a measure to reform the lunacy and mental deficiency laws will be introduced by the Government next session. So much was promised by Mr Butler in his opening address at a conference organised by the National Association of Mental Health last week. The conference showed that though the recommendations of the royal commission have, on the whole, secured wide acceptance, there are likely to be two main points of disagreement.

The first of these concerns community care for the mentally disordered: that is, the provision of social services, whether residential or not, by the local authorities. At last week's conference some scepticism was expressed about whether community care on the scale envisaged by the royal commission will ever, in fact, be provided. It was also pointed out that the existing division of responsibility between the hospitals and the local authorities in the care of the aged often prevents old people from receiving the services they most need, and that there would be a danger of the same thing happening in mental health.

The other point of disagreement was raised by Mr Butler himself—though subsequent speakers supported the royal commission rather than him. He said that he could not



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get a bill through Parliament that did not define precisely what medical condition justified the compulsory detention of a patient in hospital. Only a precise definition would, he said, ensure the full protection of the law for a patient who felt that compulsion had been wrongly exercised in his case. The royal commission proposed that a patient who fell into one of its three categories of mental disorder—mentally ill, severely subnormal and psychopathic—and who positively objected to going into a hospital could be compelled to if two doctors thought that hospital treatment was necessary "for the patient's own welfare or for the protection of others." Obviously, if the patient's case came before one of the proposed mental health review tribunals, this opinion would have to be supported by a description of his illness—just as a full account now has to be given to the Board of Control about a patient who has been certified, in similarly vague terms, as "of unsound mind and a proper person to be detained under care and treatment." Where Mr Butler has gone astray is in thinking, or appearing to think, that people are certified now, and will be "compelled" in future, because they suffer from a particular form of mental illness. In fact, they are certified because of the sort of symptoms their illness presents, their behaviour or their incapacity to look after themselves unaided. It is difficult to see how a precise definition could help members of a tribunal to decide what amounts to the broad question whether a person is safe or fit to be at large. Definition has certainly not justified itself in the two spheres where it has been tried: in the present mental deficiency laws, and in the McNaghten rules—nor, as Mr Butler must know, is it proving successful in the "diminished responsibility" clause of the Homicide Act.

NORTHERN IRELAND

Where Nobody Floats

It might seem strange that more than half the seats at next week's general election in Northern Ireland, where male unemployment at the moment is over ten per cent, should not be contested. But that was the position after nominations for the fifty-two seats had been received on Saturday. Twenty-seven candidates will be returned unopposed, twenty-five of whom are unionists and two are nationalists. A further fifty-four candidates have been entered for the remaining twenty-five seats; twenty-one are unionists, of whom thirteen (plus the twenty-five unopposed) got in last time and nearly all of whom will almost certainly get in again; sixteen are independents; eight are Northern Ireland Labour; one (the first since 1925) is a Liberal; and the rest are mostly nationalists and other pro-Eire parties, such as Eire Labour, Republican Labour and so on. The splintering of the opposition, if nothing else, would ensure that the unionists retained the very comfortable parliamentary control they have always held.

But the real reason for the constant security of the unionists has been that political allegiance in Northern Ireland is determined by one view and one view only—that on partition. Beside this and the parallel religious question, such other issues as unemployment cease to matter. The recent activities of the IRA have only served to harden this old tribal division. Since there is no floating vote, it follows that there has until now been no way in which a parliamentary seat could change hands except by splitting the nationalist or unionist vote. The one sort of split in the Protestant vote which might bring some flexibility to Ulster politics lies in the challenge of the Northern Ireland Labour party, which is affiliated to the British Labour party; next week it will contest seven of the sixteen seats in Belfast. In a period of growing unemployment it will be interesting to see how it fares.

FREE TRADE AREA

Italian Bridge

Italy has made a notable bid to overcome the chief difference between France and Britain in the free trade area negotiations—the difference being that, while the six-nation common market is to be surrounded by a single tariff wall, the British concept of a larger European free trade area would allow the retention of national tariffs of varying heights against third countries. France fears that this would permit goods imported through low tariff countries to filter past the high common market tariff wall, and that countries with low tariffs would enjoy a competitive advantage through the low cost of imported materials. It has argued that tariffs round the larger area should be levelled up as well. Hitherto Britain has supported two solutions: certificates to show the origin of all goods traded in the area would prevent the re-export of goods from third countries; and where obvious differences in the outer tariff affect production costs, individual tariffs could be discussed. There are doubts, however, about the efficacy of certificates of origin; and Britain naturally remains unwilling to meet the basic French wish that it should raise tariffs on its imports from the Commonwealth.

The Italians have now suggested that outer tariffs be levelled as much as possible in a free trade area, and that where this cannot be done, high tariff countries within the area may introduce an import tax to compensate for the difference. Certificates of origin can be dropped, and there will be an incentive for everyone to bring outer tariffs into line; but Britain and the Scandinavian countries could still keep their low tariffs on raw materials and semi-manufactures, and, in deciding the level of common tariffs against third countries, low as well as high tariff countries will presumably have a say. The experts now have to decide whether the Italian scheme can be made to work; but it offers at least a basis for discussion.

This technical argument may seem a little unreal while the French memorandum, disagreeing with almost every fundamental of the free trade area proposals, overshadows the negotiations. If France does not want the scheme at all, a dangerous political breach will open between the Six and the rest of Western Europe. Italy's new initiative is a further proof of the anxiety of the other common market countries for success.

EUROPEAN PAYMENTS UNION

Dead Duck or Swan?

With the negotiations over a free trade area at a critical and ugly stage, detailed discussions about the future of the European Payments Union may seem a little academic. Some weeks ago, however, before the bomb of the French memorandum on free trade was placed under Mr Maudling's chair, the managing board of EPU was asked to work out what form payments arrangements might take in both the trade schemes. Now it is being asked whether EPU can survive at all. In the past decade this remarkable banking device, linked with the sterling area, has lifted a large part of the world from a prehistoric method of trading—bilateral barter—to a level of convertibility which makes possible many of the benefits of international division of labour. Fears that EPU may collapse are perhaps exaggerated. But a growth of tension between the Six and the rest of Europe would mar and perhaps disrupt its working.

If both the common market and the wider free trade area come off, however, EPU will have a key role to play. Hitherto, it has oiled the wheels of multilateral trade not only by acting as a clearing-house, but by providing a certain quantity of automatic credit to debtor countries. There is much in the view that this automatic largesse makes the crime of inflation pay, and it is widely agreed that in time it must go, so that EPU can act as a banker, lending at its own discretion to countries in deficit and borrowing where it likes from the wealthy. By lending on its own terms, it can seek to put pressure on debtors to deflate, as it has tried to do in the case of the large bilateral loan to France—a new departure in its history.

The time, however, is not ripe for scrapping the automatic element in EPU. The Germans argue that it is; but it has not escaped the attention of other countries that this would place the country with money to lend in a strong political position. It seems wise, in any case, to keep the automatic system ticking in case of a general recession in trade, and it cannot be scrapped while fundamental tensions still exist in the pattern of European payments. Since last September a lot of hot money has turned tail. Germany has now been in deficit in EPU several months in succession. Britain and Belgium, and for a while Holland, have replenished their reserves. But not until the second half of the year, when all the speculative funds have got back home, will it become clear whether Germany is still tending to run a surplus in its normal transactions; and France, weighed down by Algeria, remains heavily in the red.

EDUCATION

A Little More for All

The National Union of Teachers has put very moderate proposals before the Central Advisory Council of Education, which is considering the needs of the 15-18 age-group. Its evidence is marked, naturally enough, by an insistence that the supply of teachers, now and to come, is the critical factor. Given an inelastic supply of teachers, abrupt raising of the school-leaving age would merely mean increasing the size of classes. The union therefore makes what seems a very sensible suggestion: that, to begin with, pupils should be required to leave at the end of the year in which they become fifteen, instead of, as at present, at the end of the term in which their fifteenth birthday falls. They urge that this step, which would add on average a term or two or so to school life, should be taken as soon as the bulge has passed through the oesophagus of the secondary school system. It would mean that the schools would have some chance to make the final year of secondary modern pupils educative rather than unsettling.

The union, furthermore, puts part-time education for those who have already left school (the county college scheme which forms Part III of the 1944 Act) ahead in priority of the further raising of the school-leaving age to 16. It evidently feels that a little more education all round is preferable to lengthier incarceration in school—a view which takes into account both the present attitude of working-class children and their parents, and present trade-union requirements for entry into apprenticeships. Yet it may be questioned whether this choice is so easy. The generation of teachers to staff the county colleges is not yet in existence, and it seems doubtful if schoolteachers could be successfully transferred to the colleges. They will be needed where they are to bring down class sizes, unless a breakdown is to be risked. But a main point of Part III of the 1944 Act was that the county colleges should all start operating at once—for it was the failure to achieve this which caused the failure of a similar scheme in the Fisher Act of 1918. It is hard to see how, even by 1965-70, enough teachers can be recruited and trained to make such an operation possible.

BERLIN

Welcome Realist

Every visitor to this country from West Berlin, that outpost of our world, should be welcome. Herr Brandt, the Social Democrat who became mayor last autumn, deserves to be a particularly honoured guest. He gives promise of combining many of the qualities of Ernst Reuter, his distinguished predecessor—the imagination and personal magnetism needed to command wide loyalty in his party and city, plus a shrewd realism in assessing the communist world not shared by all his party.

Herr Brandt's visit has a special significance at a time when talk of disengagement fills the air. Berliners share the heartfelt wish of east Germans for reunification, and know the strength of the pressures on Russia inside eastern Europe for a shift towards a settlement. But they also recognise the precision with which Russia moves in accordance with the facts of power. The city's freedom depends on the western powers' guarantee to defend it against attack. For Berlin, even more than for the rest of Germany, it seems vital to link any military withdrawal with political developments which ensure that it is not gobbled up by the communist world. Herr Brandt might have been pleased to hear Mr George Wigg explaining to Mr Strachey this week in the House of Commons that today the guarantee is not maintained against twenty Russian divisions by three men and a boy, but by the nuclear weapon behind them.

Berlin Social Democrats, however, have a bone to pick with some other Labour MPs. Since he purged his opponents, Herr Ulbricht has been behaving with particular beastliness in the Soviet zone, rooting out their adherents, and clamping down on those who seek to flee west. The Germans are not particularly pleased that a group of British MPs chose this moment to visit the Leipzig Fair, appear in public with Herr Ulbricht, and apparently give open endorsement to his view that "confederation" is the way to unite Germany. The east German radio has been making merry propaganda use of their remarks. Confederation could take many forms. But Herr Matern, a leading member of the politburo of the Socialist Unity party, made clear last weekend what it means to the East Berlin regime: the prelude to communist supremacy throughout Germany.

LETTERS

The British Economy

SIR—An answer is plainly demanded by the analysis of my figures on the basic position of the sterling area, published in your "Business Notes" of March 1st. Above all, it is urgent to clarify the problem of the Middle Eastern oil sources. Your comment struck me as another symptom, surprising in *The Economist*, of the head-in-sand view that is now dangerously prevalent in London.

In the first place, the very heart of the matter is a single, simple fact, never to my knowledge publicly admitted. *Britain's oil problem is indeed unique, in the sense that Britain alone needs to own the oil.*

The danger in the Middle East is political in origin. The pro-Western regimes in the Arab countries are all precarious. If one falls, all will fall in the end; and if they fall, they will be replaced by new regimes on the Syrian-Egyptian model, not necessarily pro-Communist but at any rate rather strongly anti-Western. The first and most inevitable consequence will be nationalisation of the foreign-owned oil companies. The loss to the United States will be heavy. France, too, will lose her share of the profits of the Iraq Petroleum Company. But these losses will be by no means ruinous; the Middle Eastern oil will still be available to the United States and Western Europe. There is this much truth in the often-parroted catch phrase, "Oh well, the Arabs will want to sell their oil to someone, won't they?"

Britain's case is different, because the profits from the British-owned oil companies can crudely be said to pay for *Britain's current oil consumption. On* the British national balance sheet, in other words, one item cancels out the other. Indeed, I was authoritatively informed in London that what may be called the British oil account currently shows a net surplus of £50 million a year, after payment for all oil consumed. In addition, payments for oil are now made in sterling. Very obviously, the company profits that indirectly pay for the oil will end if the oil companies are nationalised; and payments for oil deliveries will also be demanded in hard currency. If this situation arises, there will of course be fierce haggling, about compensation for the nationalised companies, about continued sales of Middle Eastern oil for sterling, and so on. *But still* speaking very crudely, a billion dollars a year on the debit side of the British balance sheet is a reasonable *measure of the* potential impact of nationalisation of the oil companies plus a demand for hard currency for Middle Eastern oil. *The actual* impact would in part depend upon the results of the haggling (about which one cannot be optimistic); *and in much* greater degree it would depend on the measures adopted by the British government of the day to meet the grave emergency. At any rate, it is clear that the emergency would be desperately grave. And it is also clear that Britain's difficulties would be very much more serious than the difficulties of the other Western countries, for the reasons I have stated.

All this is currently relevant, unhappily, because of the *growing likelihood* that the Kremlin will actively espouse the cause of the Arabs against the Israelis. *I was told in London* that the British government now had information confirming the likelihood of this *Soviet manœuvre*, and I was even given a date for it—"probably in October" and therefore, presumably, in the happy after-glow of the prospective summit conference.

It would take too much of your space to explore the reasons why this particular manœuvre has been called "the ace that takes all the tricks in the Arab pack." It will seem to threaten Israel, but it will be primarily aimed at the Iraqi, Jordanian, Saudi Arabian and other pro-Western and anti-Communist Arab governments. Its secondary target will be Britain, the greatest potential sufferer from replacement of the pro-Western Arab regimes with regimes on the Syrian-Egyptian model. And its real purpose, of course, will be to cripple the Western alliance as a whole, by a crippling attack on Britain's exposed economic flank.

All these grim consequences can quite predictably and easily flow from a simple Kremlin statement that Israel is a "*threat to peace*" *and must be forced* to return to the so-called UN frontiers of 1947. In the present melancholy *state of the Western alliance*, it seems to me nonsensical to speak, as *The Economist* seemed to speak, of such a *Soviet manœuvre* "leading to a third world war." Yet the extreme vulnerability to such a manœuvre of the pro-Western Arab governments is admitted by every realistic observer. The apparent absence of any kind of plan or idea for any kind of effective counter-manœuvre was one of the main reasons why I ended my inquiries in London in a mood of profound distress. I should add that I consider Washington's responsibility to find an effective counter even greater than London's; yet I have no doubt that similar inquiries in Washington would produce similarly barren results.

So much for infinitely the most important point at issue between us. As to the Sheikh of Kuwait's contribution of new capital to the sterling area, you told me yourself, at your own hospitable table, about London's great difficulty in meeting the demand for development capital from the other sterling area countries. I had only this problem in mind when I cited the Sheikh of Kuwait's contribution; and as you admitted in your note "Kuwait's investment is large . . . in relation to the total funds generated within the sterling area that are not used in the countries where they are generated." Surely this is only a remarkably roundabout way of saying that Kuwait is a most vital factor in supplying the capital demands on London, where the Sheikh places his surplus. I am sorry that my lack of experience as a financial journalist led me into language seeming to have a larger application.

I am sorry, too, that I evidently used an out-of-date figure on the proportion of the sterling area's hard currency earnings derived from Malaya and Ghana. There was a time, however, and a time not so long ago, when Malaya alone accounted for a full 16 per cent of the sterling area's hard currency earnings. And I judge from your note that the percentage now derived from Malaya and Ghana, although substantially smaller than in the past, is still an item worthy of comment in the sterling area's closely figured balance sheet.

In conclusion, let me say that in discussing these matters in my column, I was most emphatically not seeking to overpaint the insecurity of Britain's economic position. I was trying, rather, to make the American audience understand the underlying difficulties of our chief ally, which are now very little understood in the United States. Wider American understanding of these difficulties now seems almost as desirable as *wider British* understanding of them.—Yours faithfully, JOSEPH ALSOP

Washington

Shop Stewards

SIR—As a regular reader of *The Economist*, I cannot believe that the majority of your subscribers will accept the article headed "Shop Stewards at Standards" as anything other than an exercise in vilification and detraction of an admirable section of the community, whose efforts are wholly directed towards the amelioration of conditions affecting their workmates.

The author claims as facts that the shop stewards are responsible for inciting strikes, calling strikes, restricting overtime, controlling employment, abusing privileges, intimidating full-time officials and, most heinous crime of all, dodging work. No factual evidence was put forward by him to support these charges however, and it can only be supposed that they are the typical exaggerations and distortions of prejudice and ignorance.

I have always understood that one of the cardinal rules of reporting was the need to verify the "facts" before committing them to print. This makes it all the more surprising that the statement in the article that "the Employers Confederation does not recognise shop stewards and gives them no privileges whatever" should have been allowed to appear. Surely so reputable a publication as *The Economist* must be aware that engineering industry agreements are not struck with the British Employers Confederation, but are the subject of negotiation between the Confederation of Shipbuilding and Engineering Unions and the Engineering and Allied Employers National Federation. Section 3 of the procedure agreement for manual workers, and the provisions for avoiding disputes, provides fully for the appointment and recognition of shop stewards and goes on to define their functions so far as they are concerned with the avoidance of disputes.

So far as Standard shop stewards are concerned, two important changes have undoubtedly resulted in a diminution of their responsibilities though perhaps not their influence. The most important of these changes is in the referring of complaints to the foreman initially, instead of the former procedure of going to the shop steward first. This has had the effect of curbing numerous frivolous complaints, but also of stifling more justified and serious matters for fear of unpleasant repercussions.

Less well known, but almost as important, is the change in the composition of the gangs so far as size is concerned. Prior to 1956 the emphasis was on a one-gang system and as many units of production as possible were embraced within one large gang for purposes of administration, pay, and, of course, representation by shop stewards. This system was observed at all Standard factories. It was, in my opinion, the root or source of the great power and authority wielded by the shop stewards in those days and did undoubtedly lead to abuses by some individuals. Today there are more than 200 gangs within the factories, and it is this, more than any other factor, that has reduced the authority of the shop stewards committees. It is also this very fact that gives the lie to your correspondent's accusation that the stewards enjoy freedom from the necessity to work. A number of stewards have resigned because they have not been able to devote sufficient time to the performance of their legitimate duties, since absence from their machines led to loss of bonus to their gang.

There are many more points in the article that I would like to deal with, but I have perhaps said sufficient for your readers to realise that there is a reverse side to the picture portrayed by your correspondent.

One thing I would like to say is that despite the recent difficulties, which have been given too much prominence in the press, there is quite a good relationship and atmosphere of co-operation between shop floor supervision and shop stewards in each factory, and it would be a pity if mischievous articles, such as the one criticised, should do anything to worsen this.—Yours faithfully,

Coventry R. J. STYNES,
Secretary-Treasurer, Flechamstead Shop Stewards Committee (Standard Motors), Vice-Chairman TGWU District Committee, Coventry.

[We are very glad to get this letter from a shop steward at Standards, and to publish it in full; the more local union officials who will enter into open controversy, the better. In printing it, however, we should make it clear that we see no reason to withdraw any of the judgments contained in our special correspondent's report.—ED.]

Hot Money and the Reserves

SIR—Even if it were true that an individual spot sale of sterling "gets lost in the maze of the forward market," we should not have to lose ourselves, too, in it. Your tour through that maze will have left many of us dizzy and humbly ready to accept any conclusion. Surely, however, the effects of covered arbitrage could have been explained with a little more clarity.

After stressing how complicated it all is, you say that "the answer is to be sought, not in . . . any specific operation, but in its wider repercussions on the spot and forward rates." The reasoning seems to be that the movement of "hot" funds to London raises the spot and lowers the forward rate, and thus makes it profitable for Britain's dollar customers to delay settlements by borrowing in London. While the incoming arbitrageurs strengthen the gold reserve, these covered "laggards" weaken it. Hence to the extent that sales of forward sterling by the former must be married to purchases of same by the latter, the two will, as you say, cancel out. However, as you also state, some official intervention occurs as well. If dealers can marry some forward sales by incoming arbitrageurs to forward purchases by the official hand, the influx of "hot money" will not, to that extent, be self-cancelling. The gold will remain in the reserves so long as intervention keeps the spot and forward rates at levels profitable for covered arbitrage. Or has the spot sale cum forward purchase of sterling by the official hand also "got lost in the maze"?—Yours faithfully,

Nuffield College, Oxford A. E. JASAY

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SIR—It is gratifying that your first Business Leader of March 1st should have, in effect, endorsed the analysis of covered interest arbitrage in its relation to the gold and dollar reserves which I advanced in the letter you published on February 8th. But what I had in mind as a limiting case, valid only under special conditions, you have now elevated to the position of a standard case.

The issue may be formulated as follows. It is now common ground between us that an inflow of foreign capital engaged in covered arbitrage would not benefit the reserves if, in the absence of official or speculative support for forward sterling, the whole burden of restoring equilibrium in the forward market was placed on the widening of the forward dollar premium to the point at which "leads" and "lags" in current account payments were induced in sufficient quantity to offset such (greatly diminished) inflow of arbitraging capital as might survive the widening of the forward dollar premium. But does it follow that in the case of the recent movement of funds this is what has in fact happened?

As noted in your article, the American importer of British goods who wants to delay ("lag") his sterling payment must obtain credit in London, whilst the British importer of American goods who wishes to accelerate ("lead") his dollar remittance is by implication anxious to give up financing his trade in New York and switch to London. Is there any incentive for them to engage on a large scale switch of this kind when there is a sizeable arbitrage margin in favour of London? Clearly, none. For such a margin means that London is an attractive centre to lend money in, and cannot therefore be at the same time attractive for borrowing in.

The argument that the effect of covered arbitrage on the reserves is self-cancelling is valid only as a limiting case. When, for whatever reason (official support? Sterling bullishness?), the forward dollar premium remains narrow enough to allow a substantial arbitrage margin in favour of London which acts as a magnet for sizeable arbitrage funds, the doctrine of self-cancellation does not hold.

In general, "leads" and "lags" of commercial payments (activated by differentials in the cost of trade financing) and movements of arbitraging capital are far more likely to be cumulative than offsetting in their effect on the reserves. This is surely the painful experience of more than one sterling crisis, when the forward dollar premium was pushed by speculators to such heights that it became extremely profitable for both arbitrageurs and non-speculative, but cost-conscious, traders to join in actions which caused a run on the reserves.—Yours faithfully,

London, N.W.3 JOHN SPRAOS

This subject is referred to in a Business Note on page 964.

Commodity Reserves

SIR—In general I take it to be unwarranted to comment upon a review; but since the statement that Mr Grondona "persuaded" me to write a preface for his book might be thought invidious, may I be allowed to say that it is factually incorrect? I have for many years attached prime importance to plans for commodity reserves, and did much work on the late Lord Keynes's scheme for international buffer stocks, which was submitted and discussed in Washington, but stillborn. I have always admired the writing of Mr Grondona for its lucidity and high quality of workmanship, and I judge that his present book would make an excellent draft for study by any working party appointed by HM Government to consider this problem. If plans had already been made for such a scheme and were ready now for implementation, we could look upon the immediate future with much less anxiety. Accordingly, when Mr Grondona asked me to write a preface, I agreed with alacrity; I did not have to be "persuaded."—Yours faithfully,

Oxford ROY HARROD

BOOKS

Eppur si Muove !

The Crime of Galileo

By Giorgio di Santillana.
Heinemann. 339 pages. 30s.

"NEVERTHELESS it *does* move!" Galileo said this in despairing disbelief in the Church's condemnation of the earth's movement, which with telescope and pendulum he had demonstrated as a fact of divine nature. Can what was wrung from him be said of human society, its authorities and its decreed dogmas? More than three hundred years after Galileo's body was modestly laid away at the foot of a belltower, some of the most "advanced" or "progressive" societies in the world together with their most collective-minded dogma-decreeing authorities are penalising not only scientists but also anyone who challenges traditional views of science, defence, economics or anything else. Dogma, tradition and authority, when collectively and institutionally enforced, are the very devil for holding mankind up and throwing him backwards.

Professor di Santillana, who is a Roman by birth and a teacher at Massachusetts Institute of Technology by vocation, has already (1953) revised, annotated and introduced Galileo's famous "Dialogue on the Great World Systems." Led on by that work, he has now treated the controversy through which Galileo fell foul of the Church authorities as if it were a modern *cause célèbre*. Judiciously he lays out all the evidence, deals fairly with the principals and witnesses, and makes what to many today will seem a surprising—but is nonetheless a well-founded—judgment. The trouble, he shows, was not the Pope or the Church. It was the sanction they put behind society and its organisation, already strained by the Renaissance from its feudal forms. The Church at first, particularly the Jesuits, supported and encouraged Galileo. It was when he, polemic and annoyed, "went to the public"—when he, angered by lesser "scientists" who merely appealed to ancient dogmas, came out in public with an aggressive defence—that the Church, bewildered by the seventeenth century's threats to society, threw its weight behind the conservators of the old order and creeds outworn. What imprisoned—though with kindly treatment—Galileo, what struck him down, was not theology; it was the envy, hatred and all uncharitableness of his fellow (but ignorant) scientists, working through any and every instrument of reaction, whereof the Church was the most awe-inspiring and imposing.

The author's marshalling of the evidence for this—and his excoriating criticisms of earlier authors who made the Church the villain of the peace—are enlightening exercises that support faith in historical criticism as a constructive study. One reader at least, a Protestant, finds it in his heart to pity the Pope and the Cardinals faced with such a tumult of so-called scientists, bent on uprooting even law and order to hold back the most advanced of their kin:

> within the specific frame of Western Christendom the actual conflict reveals Galileo, like all free men, seeking a support in established custom, credit, and tradition, while Urban VIII, like all organisers of power, becomes the unwitting tool of the streamlined, the "efficient" and the new.

And there is the same paradox in our day: the most advanced thinkers (who therefore most threaten vested interests, including the collectivists) appeal to freedom and its safeguards, to the rule of law, to democracy, even to Christianity and the lessons (or philosophy) of history, while the authorities, as powers-that-be, plead *raison d'état* as they pile up faggots round stakes.

Professor di Santillana boldly draws the parallels, while warning us of the dangers of analogy: Oppenheimer *versus* Teller, the AEC, Admiral Strauss, and so on; and many more in many other countries, unnamed. His book is refreshing, stimulating, depressing, but also encouraging. He gives the physics, the literature, the criticisms, the evidence, the facts and the judgments. Galileo comes alive as a troubled man (who would not have been so?), but a brave one, ill-advised in believing in the enlightenment of the public, and unwise to trust all authority even (or especially) when it gives a solemn promise. Yet he had great and noble friends. "The dogs bark, but the caravan passes on." Nothing could hold up the truth for long, though the first to proclaim it—"of whom the world was not worthy"—were dead and buried before it was accepted. This book deserves a wide public, alike for its scholarship, style, and relevance to our own time of troubles.

The Peacemakers

Documents on British Foreign Policy: *First Series, Vol. VII, 1920*

Edited by Rohan Butler and J. P. T. Bury.
HM Stationery Office. 744 pages. 75s.

THIS volume, the first of those to be devoted to the records of the Foreign Office for the year 1920, consists entirely of the minutes of the first Conference of London. The Conference, which was in session from mid-February to mid-April, was a continuation of the Paris Peace Conference, of the Allied Supreme Council, meeting under Lloyd George's presidency. Except for occasional extracts, its proceedings have never previously been published; we are now given them in full and as a continuous record. In this form, though they contain little that is new about any of the individual problems that came up for discussion, they provide valuable insight into the problems and the procedures of the victor powers after the end of the first world war.

The main topic confronting the conference was the necessity of drawing up a peace treaty with Turkey. But so disturbed was the state of Europe, so interlocked the problems of a world that had just witnessed the collapse of the German, the Russian and the Habsburg Empires, as well as of the Ottoman Empire, that a bewildering variety of other issues demanded attention—some of them at almost every session of a conference that was meeting almost twice daily. There were problems arising about the execution of the peace treaties with Germany and Hungary, notably the Dutch refusal to hand over the Kaiser and the German refusal to hand over other war criminals, the French wish to occupy the Ruhr against German defaulting in reparations payments and the German request to occupy it against the danger of Bolshevism. There was the problem of the Adriatic, still unsettled as between Italy and the new Jugoslavia. More serious by far, there were war and widespread unrest in Eastern Europe, the victory of Bolshevism in Russia and the question whether relations could or should be established with the new Russian government. And underlying all these questions lay the problem of restoring Europe's shattered economy and of making the transition from wartime to peacetime finance.

Two impressions remain uppermost, after a study of this continuous record, about the men who bore the brunt of the complex situation—Lloyd George and Curzon, Nitti, Millerand and Cambon. One is of their ability and good sense, not to say urbanity, and of their consequent disposition to compromise and reach agreement. The cogency of their arguments, which must often have been unrehearsed, make impressive reading. Equally pronounced is their readiness to settle their differences, which, especially between France and the other powers, were often serious, without delay or equivocation; and losses of temper, in any case rare, are confined to minor issues. Lloyd George is bitter about leakages of information. Millerand feels bound to repudiate with his last breath some remarks of Lloyd George's about the similarity of the French Revolution to the Russian. The second impression is the gravity of yet another handicap under which they laboured—the refusal of the United States to take part in the conference or even to be represented by an observer. If they had had the help of the United States in dealing with the problems of postwar Europe the western powers might have got nearer to solving them, and might then have avoided some of the subsequent disagreements between themselves that did so much to make these problems insoluble.

The New Genesis

The Origins of Life

By Albert Ducrocq.
Elek. 213 pages. 25s.

THE French title, "Logique de la Vie," is a much better expression of the scope and purpose of this book than the English. M. Ducrocq is a cyberneticist and illuminates his biochemical journey from the beginnings of life onwards to man with concepts derived from his own branch of science. These models—servo-mechanisms (pairs of linked systems so organised that a trifling amount of energy spent in one will release a large amount in the other), feed-back systems, chains of relays, programming on tape, the use of binary systems in electronic computing machines—can all, he shows, be paralleled in the development of living matter. He looks forward to the day when an automatic factory will not only be able to improve its products in the light of returning information but also be programmed to produce a replica of itself.

What he calls bio-cybernetics is a fresh and fruitful way of looking at the events of enzyme and protein chemistry, of genetics and of evolution. Most biological and many other scientists would be richly rewarded by reading these parts of his book.

For the layman and the philosopher, however, the really stimulating chapters are those which describe what may have happened in what has elsewhere been called the "probiotic soup," between 2,500 million and 1,500 million years ago. In those warm mists of water, carbon dioxide, methane and ammonia, lightning and solar radiation produced traces of more complex chemicals, sugars and aminoacids. This process can be repeated in a laboratory today. Later, more complex chemicals appeared—enzymes, proteins and nucleic acids. It is the systems containing these chemicals, systems which were able to reproduce themselves and to organise their environment so as to obtain energy and simpler but necessary chemical compounds, that seem to have constituted the simplest form of living matter—somewhat more complex than present-day viruses, which cannot multiply without gaining access to the energy systems and chemical factories inside living cells.

Although the author does not say so, there are other possible views about the origin of life, which assign a less vital role to the proteins and lay stress on the importance of, for example, polysaccharides in earlier and less successful forms of living matter; nor does he tell us whether he believes the genesis of life to have been a unique event at one point on the earth's surface, whether it was rare or fairly common. M. Ducrocq, whose enthusiasm for his subject is not free from dogmatism, also leaves us uncertain of his views on one important point—the chemical structure of the gene. At one stage he says that it is constituted of an aggregate of molecules of a nucleoprotein, whereas a little later he seems to concur in the current view that genes are determined by the order of paired bases on a short section of the nucleic acid spiral.

Although many traces of the author's rhetorical style remain to set the reader's teeth on edge and though some unfamiliar words appear, the translator has, on the whole, done his work well. Author and translator between them have certainly made the book intelligible and exhilarating to those who are able to bring to it a very limited amount of scientific knowledge—no mean achievement.

Oligarchy in Argentina

Argentina, the United States, and the Inter-American System, 1880-1914

By Thomas F. McGann.
Harvard University Press. London: *Oxford University Press.* 332 pages. 52s.

HISTORY may not repeat itself, but economic geography does. In 1880 a provincial coalition defeated the Buenos Aires army and imagined that the power of the city had been broken. In fact, however, the victorious provincial landowners at once accepted Buenos Aires as the inevitable focal point of the republic's economy. They provided it with a new port on the riverside, and the railways that they extended over the pampas were designed to bring the products of the interior to it. From Buenos Aires they bound Argentina to Great Britain and Europe by commerce and by the loans which they contracted to finance the undertakings that would make them and the city rich. The landowning oligarchy ruled the republic as though it were a family business—which indeed it was. The principal Buenos Aires newspapers were theirs and reflected their interests. Politics were rigged to suit them. When extravagance and speculation caused the downfall of the peso, they were unconcerned, as they received pounds and francs for their meat, hides and grain. The bubble burst in 1890, bringing disaster to the over-optimistic Barings of London; but exports soon revived, and after 1895 foreign funds again began to reach Buenos Aires to promote such services as tramways, gas and electricity. In the first decade of the twentieth century the oligarchs were still all-powerful; still absentees from their *estancias* during most of the year; and still neglectful of their labourers, who continued to live in mud huts on the pampas. The Sáenz Peña law of 1912 established the secret vote for all males over 18 years of age; but the resumption of electoral fraud was not long delayed. A later and less robust generation of the oligarchy was destined to be Perón's favourite target; but that is another story.

This background of a dominant city and class, whose development he describes forcefully and vividly, enables Mr McGann to explain the attitude of Argentina to the United States and the other American republics. Of course the oligarchs controlled Argentine foreign policy, and they leant towards Britain and Europe. (In 1889 it was even decreed that traffic, which until then had gone on the righthand side of the road, should travel on the lefthand side, in the English manner. Perón changed it back again.) The United States had caused indignation by its tariff laws, which discriminated against Argentine wool. The Argentines were proud of their own country's rapid material progress and were suspicious of Washington's ambitions. Gradually, however, as a result of increased trade with the United States and the limiting of the agenda of Inter-American conferences to the less controversial subjects, relations became easier, and by 1914 the basis of the present Organisation of American States had been laid.

A readable and abundantly documented book, this will be recognised as a standard work.

Pulpit and Pew

The Church of England

By Guy Mayfield.
Oxford University Press. 211 pages. 18s.

THE full title of this book is "The Church of England, Its Members and Its Business." That hits off its contents exactly. Archdeacon Mayfield examines the Church of England as an institution, explaining how it is run, how it is financed and who runs it. This is a book for the man (though these days it is more likely to be the woman) in the pew and for the cleric in the pulpit to read, for, however much they indulge in liturgical and doctrinal discussion, they sometimes fail to see the structure of the Church as an organisation devoted to a specific spiritual purpose. "Only bold leadership," Archdeacon Mayfield concludes, "is lacking, and for this clergy and laity will pray, patient in hope." Such leadership is bred from knowledge, of which this book forms a small but essential part.

Bumble's Bloodbath

Peterloo: *The Massacre and its Background*

By Donald Read.
Manchester University Press. 235 pages. 30s.

THIS analysis of local causes and consequences is, however unintentionally, complementary to Mr R. J. White's "Waterloo to Peterloo," which was published in 1957; but the "massacre" is the pivot, not the climax, of Mr Read's argument.

Manchester in 1819, a grimy conglomeration of Salford Hundred, the Parish of Manchester, the villages degenerated into suburbs, was insalubriously crowded with a population swollen from 20,000 to 140,000 in sixty years, most of which, when not unemployed, toiled for wages much lower in amount and in purchasing power than in the war years.

But neither spinners nor weavers, nor most of their employers, were easily

attracted by the political beliefs in which "the middle-class Radicals" of Manchester, through press, pamphlets and nonconformist Sunday schools, tried to interest them. Masters and men alike wanted cheap food; the operatives had vague hopes of a minimum wage; but neither saw that a reformed parliament was an essential preliminary to any other reforms. The workers were, however, vulnerable to the demagogic techniques of those who advocated more inflammatory programmes, and it is not surprising that the "middle-class Radicals" shared the liberal-minded Whig peers' mistrust of Orator Hunt.

So did the Manchester Tories, the self-styled "Loyalists": they stood for "the divine right of things to remain as they are"—including the misgovernment of their fellow-citizens by the rusty machinery of the lord of the manor's court leet and their safeguarding by three constables and a posse of beadles. These relics realised that they could not survive a *journée* without assistance; but it was unfortunate that the Home Office, by its laudable advice against using regular troops as police, should have encouraged the "Loyalists" to attempt the arrest of the Orator and the dispersal of his audience of sixty thousand by volunteer cavalry. It is immaterial whether more casualties were caused by these equestrian clowns or by the regular hussars who had to rescue them: on Mr Read's evidence, the bitter contemporary cartoon "Britons strike Home" could fairly be re-titled "Bumble's Bloodbath."

Mr Read closely investigates the effect of the "massacre" on local opinion: the political disillusionment of the "working-class Radicals" and their withdrawal to the narrower field of argument about hours and wages; the frustration of the "middle-class Radicals," many of them fortunately young enough to keep up the fight till 1832; and the relatively short-lived consolation of the "Loyalists," who were publicly exonerated by a cabinet that despised them but felt it could "not let them down."

Mr Read is, consciously or not, an expert exponent of the "Namier" technique; and the value to students of social history of his dissection is enhanced by the skilful arrangement of his varied collection of specimens. Footnotes, appendices, lists of documents are full and clear.

Where Shall Wisdom Be Found?

Value in Social Theory

By Gunnar Myrdal.
Routledge and Kegan Paul. 269 pages. 32s.

For nearly thirty years Dr Myrdal has grappled, in different contexts, with the problems that give this book its title and central theme: what, in the social sciences, is objectivity? No social science can abstract from value judgments, even provisionally or partially. Value premises are implicit in the very choice of questions to be investigated; consciously or unconsciously the investigator's selection of hypotheses, the inescapably subjective preliminary to all analysis, is directed towards the building of a theory that he will find congenial. Value, again, cannot be assigned to "ends" alone; every step towards the "end" has, besides its merely instrumental significance, an inherent nature of its own demanding valuation. Lastly, since the social sciences, including economics, study human behaviour, and human behaviour is that of whole human beings acting in whole situations in which value judgments constitute data as important as any others, any theory unconcerned with norms will go hopelessly astray. The social scientist's duty, it follows, is to incorporate in his theoretical constructions, explicitly and at every stage, the relevant value premises. These should not be his own: "as we are not poets, our own valuations of reality are not important or interesting if they are extravagant in relation to the society in which we live." The system of value premises must "correspond to the real valuations" (scientifically ascertained by skilled empirical enquiry) "of existing groups in society, large enough or for other reasons powerful enough to make it realistic."

In so far as this means that theory should recognise the facts of human nature and not rest content with—still less tacitly present as desirable—a crude utilitarian pleasure-pain calculus, it is of course unanswerable. In so far, however, as it confuses such recognition with a merely pragmatic notion of value—value is that in which sufficiently powerful groups believe—it is an abdication in favour of mere moral and intellectual anarchy. Few ethical convictions are more profound than that of the bellowing four-year-old who, having bought a lolly, feels self-evidently entitled to keep his threepence too; an attitude which certainly "corresponds to the real valuations of existing groups in society" as expressed, for instance, on the topic of house-rent. Economic policy must take the four-year-old mentality into account; but should economic theory set out to justify it? Again, one large group "having power enough to make its valuations realistic" acted for many years on the value premise that it is a good thing to insult, rob, torture and finally exterminate Jews; should this premise be incorporated, on the same footing as, say, Christian doctrines of brotherhood, in political theory?

Of course Dr Myrdal believes nothing of the kind. He abides by his own belief in human decency, in liberty, equality and fraternity—with, it is true, equality first and the rest trailing badly—and, given enough good-tempered and skilful confrontation of incongruous attitudes, in human rationality. But his rejection of absolutes, including that absolute of absolutes the freeing of individual choice, leaves him defenceless against any adversary who can point to the contrary valuations of a sufficient number of hate-ridden and lie-fed cretins. In the absence of a consensus inspited by religion or evolved by philosophy, *securus judicat* is a just-barely-possible basis for valuation. *Securi judicant* is not.

The reader should perhaps be warned that "Value in Social Theory" is the product of a large-scale process of autocannibalism, consisting as to more than half its bulk of matter reprinted or summarised from "An American Dilemma; The Negro Problem in Modern Democracy" (1944), "An International Economy: Problems and Prospects" (1956), and "Economic Theory and Underdeveloped Regions" (1957). One essay, however, "Ends and Means in Political Economy," is translated for the first time, and the autobiographical "Postscript" was specially written. Mr Paul Streeten, who edited the volume, contributes a brilliant introduction.

OTHER BOOKS

Natural Resources: The Economics of Conservation. No. 3.

Canadian Studies in Economics.
By Anthony Scott.
Toronto: University Press. London: *Cumberlege.* 193 pages. 26s.

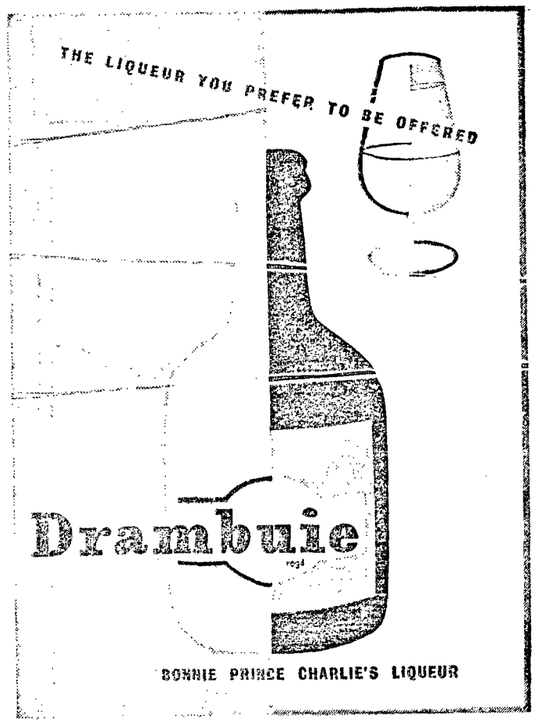
A great deal has been written about conservation, but the problem of what is the economically desirable rate at which stocks of natural resources (such as mineral deposits) should be depleted and of the use and restoration of renewable resources (such as forests) has seldom been the subject of close calculation. This study uses the tools of economic theory to show that natural resources are simply one form of social capital. Essentially the same economic criteria about use, depletion, maintenance and development apply as in the case of man-made capital goods. With rapid technological progress, as Professor Innis has pointed out, there is sometimes a case for using up a natural resource and "going on to something else." "Man will never be resourceless as long as he is resourceful."

Dr Scott's rigorous analysis clears away a number of common confusions among advocates of conservation and concentrates attention on two fundamental problems: ignorance and limitations of property rights. Ignorance, both of technical and of economic possibilities and prospects, may distort the operation of self-interest in the exploitation of natural resources, while limitations on the extent or duration of property rights may so restrict the range of private profits and costs that these fail to reflect important social (and especially national or regional) advantages and losses, particularly in relation to such considerations as defence and scenery. Other problems are not so thoroughly examined; but there is an interesting account of conservation measures in several countries and a useful concluding discussion of possible policies ranging from socialisation to "education for conservation" or a "complicated combination of subsidy and control" and taxation.

Statistics For the Social Sciences. (Second Edition.)
By T. G. Connelly and W. Sluckin.
Cleaver-Hume. 166 pages. 16s.

With a new chapter on the analysis of variance, the second edition of this book provides a well-written introduction to simple statistical methods.

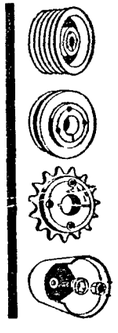
The Directory of Opportunities for Graduates, 1958. *Commarket Press.* 215 pages. 8s. 6d.





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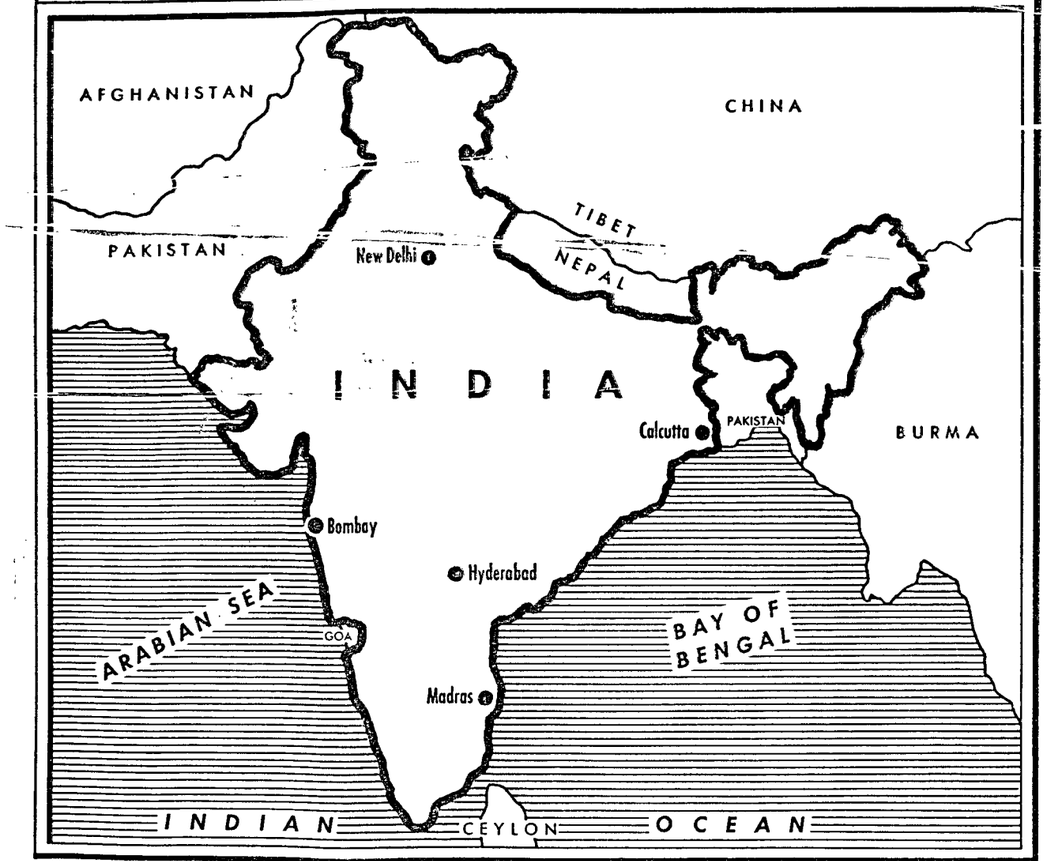
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Resident population	381,690,000
Density per square mile	301
NATIONAL INCOME	
Total net ($ million)	22,680
Average per capita	$59
Money in circulation ($ million)	3,150

EMPLOYMENT	
Working population (economically active)	140,695,918
male	99,547,564
female	41,148,354
DOMESTIC DATA	
Number of homes	64,400,000
Cars in use (personal)	183,700
(business)	146,700
Telephones	231,976
Radios	1,033,170
Sewing machines	1,250,000

Sources of data available upon request

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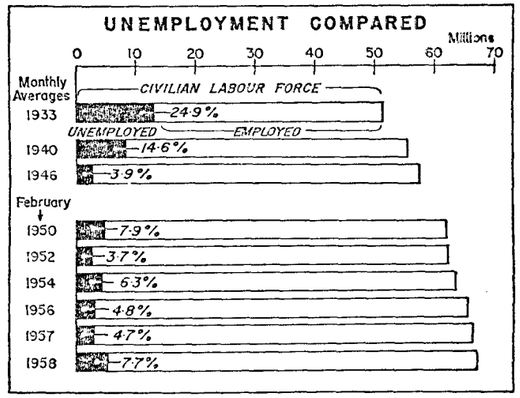
AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Rivals Against Recession

WASHINGTON, DC

THE economic recession has so dominated the Washington scene in the past two or three weeks that Americans—or at least American politicians—seem to have quite forgotten about sputniks and missiles and the like. It begins to appear almost inevitable that the "massive" government intervention in the economy which Dr Arthur Burns, the former chairman of the President's Council of Economic Advisers, and others now feel is needed to halt the slump, will in fact be undertaken. Before another two months are over it is entirely possible that, on both the spending and revenue sides of the fiscal equation, enough changes will have been made to produce a deficit of as much as $10 billion in the Budget.

The chief reason for the sharply increased political, as well as economic, concern over the recession has been the disquietingly steep rise in unemployment. The number of those without jobs went up by 1,100,000 in January and another 700,000 in February to a record postwar total of 5,200,000. Moreover, though the February figures are not yet available, it seems likely that incomes from wages and salaries fell off by as much or more than the $1.1 billion a month which was the average during the first five months of the recession. And this falling off in incomes is at last beginning to affect retail sales; although bad weather undoubtedly played some part, and although there are signs of a slight increase in savings, the disturbing decline of 3 per cent in retail sales in February from January must be explained mainly by lower incomes.



The great concern of both officials and private economists is lest consumers add their weight to the downward pressures before the natural forces leading to recovery—chiefly the inevitable reversal in the downward trend of business stocks—have a chance to operate. So far the famous built-in stabilisers, of which unemployment compensation is the most important, have worked like clockwork: incomes have fallen far less than output or employment, and consumer buying of practically everything but automobiles held up well during January. But if the February figures signal a trend, the economy may be in for real trouble.

This assessment, of course, leaves out action by the government and it is action by the government that is now becoming the emphatic part of the picture. There is an inevitable competition between the Democratic leaders in Congress and the Republican Administration to "git thar fustest with the mostest." Senator Lyndon Johnson of Texas, the Democratic leader in the Senate, has become a sort of second President, marshalling his committee chairmen as if they were his cabinet members for a carefully worked out series of anti-recession measures to be poured on to the floor for action with almost blinding speed—for the Senate—and with beautiful timing in relation to newspaper headlines. The President, always a step or two behind, has just announced a programme of his own and promises more if necessary. The leading figures in the Administration, including particularly Vice President Nixon, are terrified that a prolonged slump will produce huge and rather left-wing Democratic majorities in November's congressional election and finish off the Republican party for a generation.

On the Administration's side, to make credit easier and cheaper to obtain the Federal Reserve Board has cut the discount rate three times, from 3½ per cent in early November to 2¼ per cent today; has reduced bank reserve requirements by $500 million (a comparatively minor sum and less than the banking community expected); and has used its open market operations to produce "free" reserves in the banking system of nearly $500 million. Although it appeared for weeks that the central bank was determined to move less aggressively against this recession than against the last, caution now seems to have been thrown, if not to the winds, at least to the breeze. There can be no doubt that bank credit is readily available to the worthy applicant; the difficulty so far has been the lack of such applicants.

On the fiscal side, the most important action has been the President's proposal last Saturday that federal funds should be used to finance an extension of 13 weeks in unemployment benefits for those workers who have drawn all the benefit for which they are eligible under state laws.

The prospect of mass exhaustion of these benefits, reaching a crescendo in April, May and June, has been a spectre at the back of both official and unofficial minds. If Congress does pass this or even perhaps a more liberal proposal, a crucial stabiliser will turn out to be less distressingly temporary than had been feared.

The Administration has also proposed a change in the law to avert a threatened slowdown in the big highway building programme ; this will add perhaps $600 million in contracts this year, but will mean little additional government spending. It has decided to pump $200 million of federal funds into the mortgage market to finance low-cost homes, and has ordered the acceleration of various public works projects worth some $400 million. A three-to-five-year programme of post office modernisation, costing $2 billion, is to be undertaken ; and an increase in defence procurement and construction contracts, amounting to $5 billion more in the first half of this year than in the last half of last year, has been ordered. This increase, however, is just about enough to offset the sharp reduction in defence ordering last year ; even Administration officials are now willing to concede that it may not have the big economic impact that they had once hoped.

Senator Johnson's activities have been, as might be expected, somewhat more bold. He has had the Banking Committee rush through a Bill aimed at pumping nearly $2 billion into the mortgage market to support a large programme of low-cost housing. The Public Works Committee will be next in line with three different proposals: a highway Bill probably going beyond the Administration's request ; a resolution expressing the "sense of the Senate" that $4 billion in public works activities already financed by appropriations should be speeded up ; and a Bill setting up some form of public works administration either to plan or actually to finance state and local projects.

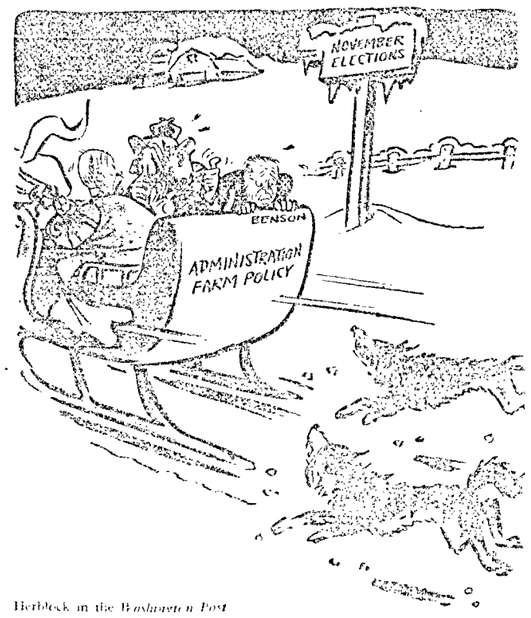
The Labour and Public Welfare Committee will undoubtedly propose an increase in hospital construction ; the Finance Committee will be asked to add something to the President's proposals for unemployment compensation ; and the Appropriations Committee will find ways of providing more funds for various activities. Senator Johnson also seems determined to add at least $2 billion to the Defence Appropriation Bill—an action that, even if the President is willing to use the money, would not affect spending quickly, but could spur defence orders in the last half of the year.

IT is quite impossible at this point to put any total dollar figure on this complicated array of presidential and congressional measures. But the amount in the end will not be small. Even more important, perhaps, is the real possibility, even probability, of a tax cut. The President, it is understood, has decided that, if bolder measures prove necessary, a tax cut will be the ammunition selected. The "trigger" is likely to be the statistics for March. If they show no real improvement, either in the unemployment picture or in some of the key "advance" indicators, a temporary tax cut of some kind will become almost inevitable. So far the congressional Democrats, with the notable exception of Senator Douglas of Illinois, the lone economist in the Senate, have been as cautious as the President about using this drastic measure. But they will presumably have no hesitation about enacting it if he proposes it—and they may even propose it first themselves.

What the March figures will show when they appear in April remains an open question. It is entirely possible that the low point of the recession is now being reached. But some of the major downward pressures remain rather impressive ; for example, an official survey due next week on business plans to invest in new plant and equipment is expected to show a decline for this year of somewhat more than the 7 per cent forecast in private surveys last autumn. What with exports still sluggish and the consumer now apparently acting cautiously, it can be argued that the recession will continue throughout 1958. But it begins to appear increasingly likely that Washington will not allow any such thing to happen.

Presidential Handicaps

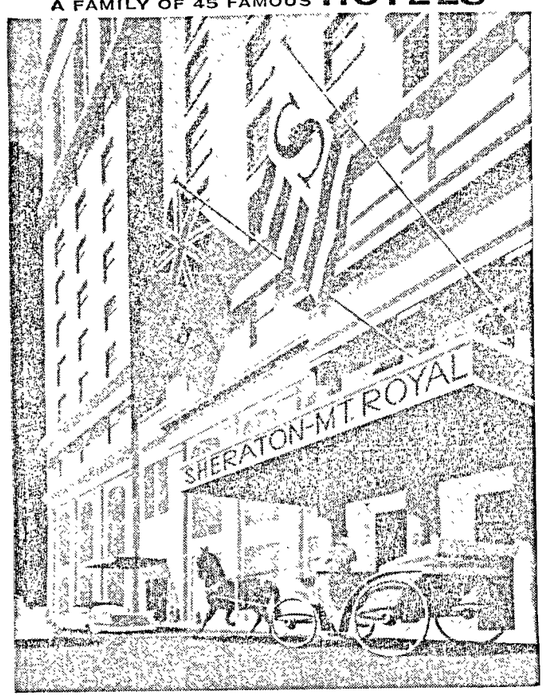
LAST week Mr Eisenhower was provoked into turning his guns on the conservative wing of his party but, apart from being long unused, they proved not to be loaded. Senator Schoeppel, the chairman of the Republican Campaign Committee in the Senate, had remarked in a television interview that Republican candidates in some states would only do themselves harm in this autumn's congressional elections by supporting Eisenhower programmes, particularly those on foreign aid and international trade. The President sharply retorted that he would not support any candidate who did not share his views on the "big" issues.



Herblock in the *Washington Post*

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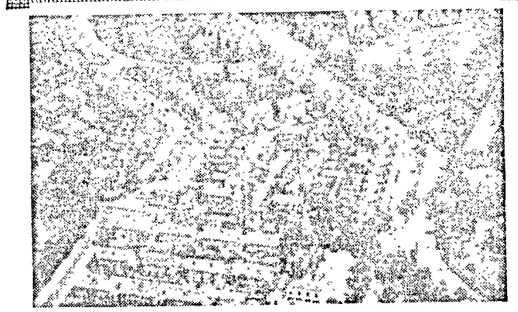
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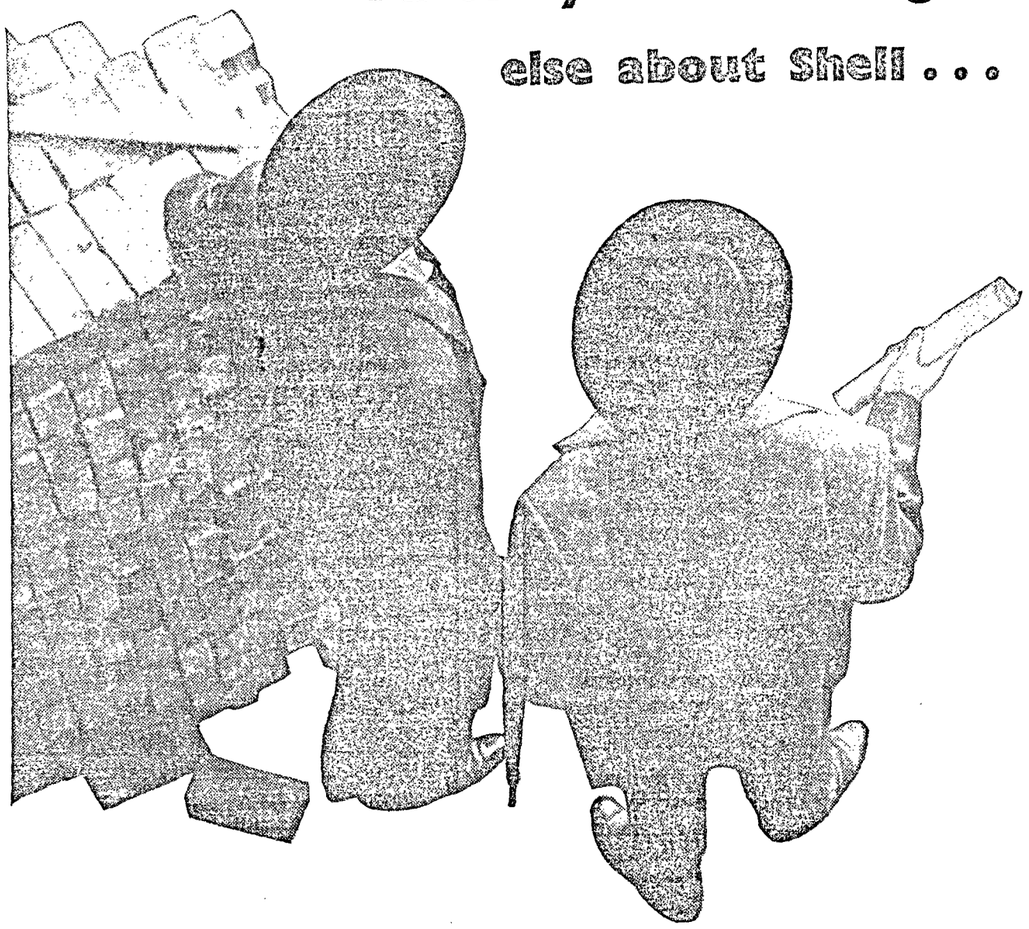
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ranks, the Republicans seem to be flying apart under the blows of adversity: the recession, farm discontent, and the sputnik. Conservative Republicans in the Middle West have always only paid lip service to "Modern Republicanism." They now feel that the White House is unsympathetic and unhelpful in their hour of need and that they must save themselves if they can, even if the resulting split is disastrous for the future of the party as a whole. At the mid-term elections the party which controls the White House almost invariably loses ground; in a recession the swing of the pendulum is exaggerated. The Republicans, who are already in a minority in both chambers, fear a loss of 30 Republican seats or more in the House next November.

Middle-westerners feel that most of these may be lost in the traditionally Republican farm belt, but they got no satisfaction from Mr Eisenhower when they demanded the sacrifice of Mr Benson, the dedicated but unpopular Secretary of Agriculture who is so obstinate an advocate of lower supports for farm prices. In Congress farm spokesmen are moving to block Mr Benson's latest political enormity, the reduction of price supports for dairy products; clearly he has no hope of the new authority he seeks to cut farm subsidies, and his usefulness seems to be at an end. Many powerful Republicans have long felt he was a great political handicap. But Mr Eisenhower, who can also be obstinate, is not so far convinced that Mr Benson should be jettisoned to fill up the widening cracks in the Republican party. The hope of avoiding further Republican losses in Congress may seem too slight to him to be worth a principle.

Sewing Circle Strike

As might be expected of them from the nature of their work, the International Ladies' Garment Workers last week staged as tidy a strike as any in American labour history. It was the union's first walkout in 25 years; of the 105,000 strikers, 65,000 came from New York City's East Side garment district, the rest were scattered throughout seven eastern states. Mostly women, they are responsible for producing 100 million dresses a year, 72 per cent of America's output. They had demanded a "package" raise of 22 per cent, including a wage increase and pension and overtime benefits, and—more important—guarantees of stricter enforcement of contract provisions. It was claimed that some of the industry's 2,300 employers, particularly those outside New York, had evaded paying union rates to cut costs. The manufacturers had offered a 5 per cent raise, and had counter-claimed that the union on its side had also frequently failed to enforce the contract. On March 5th the dressmakers walked out; shortly afterwards 40,000 of them strolled up to a rally at Madison Square Garden, where they heard speeches from their leaders, headed by the president of the ILGWU, Mr David Dubinsky, in English, Yiddish, Spanish, and Italian. Then, dressed in their Sunday best, they set off to picket, most of them for the first time.

The air of a friendly sewing-circle pervaded the subsequent negotiations; Mayor Wagner dutifully cut short a holiday in the Bahamas and flew home to name former Senator Herbert Lehmann and Mr Harry Uviller as mediators. Both were well known to both sides and were received with delighted cordiality; all parties entered the negotiations almost arm-in-arm. Concessions were made willingly and three days later the agreement was virtually sewn up. A compromise was reached on a direct wage increase of 8 per cent with other benefits and a satisfactory solution of the enforcement difficulties seemed likely. The dressmakers began to return to their sewing-machines and cutting-rooms just seven days after they had left.

The effect of the strike was hardly felt, for the country's shops were generally well supplied in preparation for an early Easter, although if the strike had dragged on, retailers would have suffered, particularly those selling lower-priced dresses who normally carry small stocks. Manufacturers in general agreed that they had missed little of the spring and summer demand. Credit for the peacefulness of the dispute is due to all parties, but particularly to Mr Dubinsky, who for twenty-six years has conscientiously promoted peace in an industry which, until his advent, was well-known for its violent strikes.

So Short at the Fair

Officials dealing with the Brussels Fair have been caught on a painful dilemma: how to shame Congress into providing enough money so that the Soviet Union will not sweep the cultural board this summer without putting off visitors by bewailing too loudly the low quality of the American exhibits. Originally Congress only appropriated $12.3 million of the $15 million requested, compared with the $50 or $60 million the Russians are said to be spending. This week, just a month before the fair opens, the Senate has relented and tentatively voted to grant the additional $2 million which Mr Cullman, the Fair Commissioner, says he must have if the delightful circular American pavilion is not to shut every day at six and if the American representation in the performing arts is to give some adequate idea of the richness, vitality and diversity of American cultural life.

Unfortunately it is the House, not the Senate, which is at the root of Mr Cullman's money troubles. Despite all the pressure which has been brought to bear, the House is unlikely to appropriate more than an additional $1 million for such "cultural boondoggling." This may help to strengthen the scientific exhibits which have been weakened for the sake of economy. But it will come too late to save the space originally allotted to the United States which has been snapped up by the Russians to display their achievements, sputniks and all. Probably by now it is also too late to bring over a current Broadway production such as *Look Homeward Angel* to set beside the revival of the musical *Carousel* as rivals to the dazzling array of talent in the Russian showcase. Many American critics are also grumbling that the music and pictures offered are unrepresentative and that the whole exhibit is likely to reinforce the fixed ideas of foreigners about American materialism and *naïveté*. Fortunately private interests are contributing. Mr Benny Goodman is being sponsored by the Westinghouse Broadcasting Company; the *Time-Life* organisation is providing buildings and exhibits dealing frankly with America's great unsolved problems, race relations, juvenile delinquency and the waste of natural resources.

If Americans suffer pangs when they compare their display with the adjoining Russian effort, they should apportion the blame fairly. The government, which only began to par-

ticipate in trade fairs in 1954, did not ask for an appropriation for Brussels until July, 1956; this left little time for planning. Congress has appropriated more than has ever before been spent on an international exhibition. It may be that second place at the first world fair since 1939 is the sputnik needed to bring home to all Americans the fact that the race with the Soviet Union is not confined to science or outer space.

EXPLODING CITIES—IV

Who's Who in Suburbia

FROM A SPECIAL CORRESPONDENT

THE inhabitants of Suburbia, that phenomenal new land which now surrounds every exploding city, seem to be regarded by many commentators as a race apart, addicted to novel and picturesque folkways. "The new breed," as the Suburbanites have been called, live in enormous clusters of cellular structures called "homes," cook their meals over open fires outdoors in the rite of "barbecue," and have relinquished their powers of speech and thought to television. They are a classless society, ruled, according to some authorities, by their children, in an anarchical form of government known as filiarchy, and, according to others, by their automobiles in a new kind of autocracy called autopia. Ideologically, they subscribe to "togetherness," a concept manufactured by advertising agencies to make a virtue out of inconvenient bars to privacy such as small houses and picture windows. As usual, a visitor needs to see for himself what the people are like.

By 1975 Suburbia is expected to have a population of 83.5 million, partly as a result of rising birth rates and partly because most people want to live there. The worker whose income has reached $5,000 a year and who has exchanged his city flat for a house in the suburbs has automatically acquired an entry permit to the middle class. Similarly, the middle class college student looks toward a suburban existence, early marriage and a predictable business career with a corporation as an "organisation man."* When his income permits, probably in six or seven years, each hopes to move to an estate of larger houses and then on again, acquiring as he goes the children, cars and hobbies appropriate to his position. Suburbia is the scene of constant change, with transients often running as high as 40 per cent of the people in a community. The policy in business firms of keeping men moving has made mobility a sign of success. As a counterbalance to the "man on his way up," the mythical "Joneses" maintain the *status quo* and set the standard of life. In suburbs where incomes are often identical and privacy unobtainable, "keeping down with the Joneses" is now reported to be quite as important as keeping up with them. This may hasten the departure of a successful family for a suburb with a more opulent group of Joneses.

How the community is shaped and planned has considerable influence on how the undifferentiated mass of people who first move there form a society. At the outset, no one is "any one"; there is no right or wrong side of town and no common tradition or code of behaviour. But studies of suburban developments have shown that social groups with definite and enduring characteristics soon emerge within a block or around a square; that a house on a corner may subject its inhabitants to quite different social pressures from one in the centre of a block; and that prestige accrues from the purchase of, for example, an "Eldorado" model house rather than a smaller "Cinderella" model. In a horizontal community small differences create large distinctions.

In time wider groups form and leaders emerge through vigorous participation in organisations such as the Parent Teacher Association (PTA) and in militant action designed to wring improvements out of the development company and adequate community services out of the local government—or governments—of which the suburb is a stepchild. Many large building estates come under several jurisdictions, and the resulting diffusion of the suburbanite's allegiance may in part account for his alleged apathy towards broader civic and political issues.

A more immediate preoccupation is "creative homemaking." This involves the suburbanite in an energetic round of interior decoration, landscape gardening, buying appliances, having babies and getting to know the neighbours. Suburban home life includes many new familiar institutions. The "kaffeeklatsch," or gathering of mothers in a neighbour's kitchen or garden to gossip about their children while watching them, helps to alleviate daytime boredom and loneliness; the "barbecue," or meal cooked in the back garden, which gives father a chance to show off his culinary prowess and mother an escape from the kitchen, may be quite simple or very elaborate; television programmes, which are largely designed for suburban audiences, not only make entertainment a home affair and bring in the outside world, but also serve as a guide to "gracious living" and provide inspiration in the search for the good life. The automobile, an even more essential link with the outside world, has now become such an important member of the suburban household, for the sake both of transport and prestige, that two-car garages are in demand for two-bedroom houses.

FAMILY relationships are changing. Since the rigours of commuting to the city keep the men away for long periods, women have more authority, and must provide more initiative. But after the office and at weekends husband and wife share the household responsibilities and group activities. In the New York suburban area, 40 per cent of the shoppers in supermarkets are men, who lead expensive delicacies on top of the baby in the marketing cart with a considerably more lavish hand than the housewife, who may well be adding up the accounts at home. Suburban communities are said to be "child-oriented," which is not at all surprising since the majority of residents are usually under the age of 17. One of the prime motives in the move to the suburbs has been the search for advantages for children. But while many young children seem to thrive in Suburbia, the lack of family roots is a drawback not easily overcome. It is thought to be a cause of the often unaccountable outbreaks of juvenile delinquency.

The suburbanite is surprisingly frank about the shortcomings and vicissitudes of his life, which range from mounting taxes to oppressive "togetherness." Nevertheless, he cherishes the suburbs as a land of opportunities for creative leisure. Most of the alarm about Suburbia seems to be felt by people who live somewhere else. Sociologists who are worried about the effect of environment on character are having nightmares over the stultifying consequences of conformity and uniformity, and city planners foresee huge slums in the future. On the aesthetic side, architects and even the relatively unanalytical manufacturers of women's hats complain that the monotony of the suburban landscape makes the inhabitants peculiarly unreceptive to their more original creations.

Occasionally there is a ringing rebuttal from the suburbs, the most recent of which comes from Levittown, Long Island, which a few months ago celebrated its tenth anniversary. Built by the "Henry Ford of the building industry," Mr William Levitt, who managed in five years to convert a potato patch into 17,500 houses for 82,000 people, Levittown has now emerged, it is claimed, as a triumph of "individualisation." Where owners once complained that the only way they could recognise their own house was by the children, they are now boasting that with "do-it-yourself" alterations and enlargements, they can sell a house originally costing $9,000 for $21,000. Children have grown up and older people have moved in to form a more balanced community. The kaffeeklatsch has all but disappeared in the wake of an "urge to non-conformity." There are other signs of a maturing society, possibly even an eccentric one, judging by the popularity of courses for adults in painting from life models and interpretive dancing in the moonlight.

* For a characterisation of this arbiter of suburban life and a comprehensive study of a large suburb, see "The Organization Man," by William H. Whyte, Cape, London, 1957. For other illuminating views, see David Riesman in *The Annals of the American Academy of Political and Social Science*, November, 1957; "The Crack in the Picture Window," by John Keats, Houghton Mifflin; and "America as a Civilization," by Max Lerner, Cape, London, 1958.

Forty Hours or Not at All

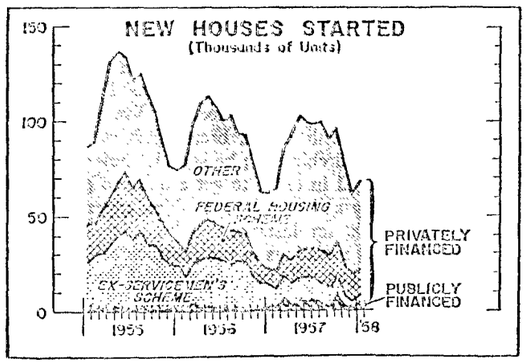
THE labour leaders who marched on Washington this week to demand more drastic action against the recession argue that unemployment is much more serious than the statistics show because these do not include people who are only working part time. In the automobile industry, the most recession-ridden of all, the trade union is trying to ensure that in future the statistics shall be more realistic. Abandoning its traditional policy of sharing the work when there is less of it, the union is pressing the companies to lay off entirely all those employees for whom a full forty hours work a week is not available, as a result of the lack of demand for cars.

This changed approach is the result of the agreements negotiated in 1955 under which the amount paid to unemployed automobile workers through the state scheme is supplemented by an additional benefit from a special company fund. This brings total unemployment compensation up to about 65 per cent of normal weekly pay, as much as or more than present part-time earnings. Thus it is better for the union's members to be employed for forty hours or not at all rather than to share the work and be ineligible for unemployment benefits. A good deal is likely to be heard of this scheme from now on if, as seems very possible, the slight improvement in automobile sales which came at the end of the worst February since 1952 proves to be a will-o'-the-wisp rather than the harbinger of the hoped-for spring upturn. So far only the Chrysler Corporation has agreed to fit its operations to the policy of "forty hours or lay-off" and this came as part of the settlement which ended, for the time being at least, a long-standing dispute on work standards between the company and the union.

Chrysler has lagged behind its competitors in the output demanded from its workers but they have been resisting its attempts to insist on more efficient practices. As a result in recent weeks the company has been regularly sending its employees home early on the grounds that there was nothing for them to do because the assembly line had been disrupted by failure to meet the new production standards. The union on its side maintained that the company, which has been doing worse business this year even than the rest of the industry, was using the dispute over standards as an excuse to reduce the output of the cars which it was unable to sell. The practical effect was that Chrysler employees have been earning about $25 a week instead of the $58.50 they would have received in benefits if they had been fully unemployed. This many of them now are, as the company, at the request of the union, is laying off a substantial number. Meanwhile a truce has been called in the dispute over work standards while mutually satisfactory adjustments are worked out.

A Time to Build

ALL Washington now seems convinced that to encourage the building of more houses, by making them easier to buy, is one promising means of turning the economic tide quickly. By the end of last week the Senate Banking Committee had approved a Bill to furnish $1.85 billion of new government funds for housing, and to facilitate borrowing for home buying. The Bill, originally introduced by Senator Sparkman, a Democrat, gives most of the new funds to the Federal National Mortgage Association—Fannie Mae, in the Washington vernacular—a government corporation which buys existing mortgages, chiefly those guaranteed by



the Veterans' Administration and the Federal Housing Administration, from private lenders, thus freeing funds for new loans.

In addition, the Bill extends the power of the Veterans' Administration to guarantee mortgages for ex-servicemen to July, 1960, lowers the down-payments required on new homes, and raises the interest rate on VA-insured loans from 4½ per cent to 4¾ per cent. The Bill reached the

Senate as a compromise in several respects: Mr Sparkman had originally asked for $3 billion for Fannie Mae, and the Administration had hoped to raise the VA interest rate to 5 per cent. The Bill was expected to go through the Senate this week and quick action has been promised in the House of Representatives.

These are moderate measures, but they would probably be effective. Housing construction represents only about 3 per cent of the value of the national output, and building financed through mortgages insured by the VA and FHA is only about one-fourth of that total. But an upturn in housing would have a stimulating effect on other industries —construction equipment, steel, and timber, for example— and would benefit the sagging market in durable goods, chiefly household appliances, which are mortgaged along with the house into which they are built. Additionally, it would take up some unemployment directly; the building industry has plenty of idle capacity. All in all, each dollar spent on housing might mean another dollar spent in related fields. And response could be quick, for with spring weather arriving new houses could be started immediately.

The one thing which seems to be worrying no one is whether demand will materialise for all these new mortgage funds, in the face of the greatest unemployment in America since 1941, a high level of consumer debt, and uncertain prospects for the future in many sections of the economy. But there is a latent demand for housing, based on the 13 million substandard units occupied at present—and the figures for new housing starts have already turned up, without this additional stimulus, against the trend of the rest of the economy.

Assembly Line on the Farm?

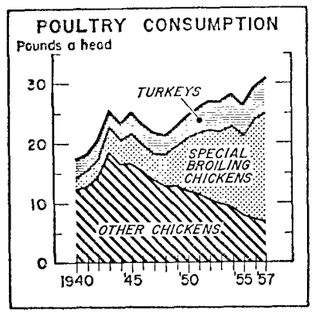
FROM A CORRESPONDENT IN IOWA

FARMERS in the Corn Belt are eagerly discussing a form of "integration" which is beginning to spread into the area from the southern states. This is not the mingling of human children of different races in school, but the application to the livestock industry of the economists' "vertical integration", by putting under one management the separate steps in the productive process. For example, an enterprising manufacturer of feed for livestock is now providing farmers with choice breeding stock for meat-type pigs and hybrid chickens; he specifies how they must be fed and managed in order to get a uniform product of the highest quality and of the type which appeals to consumers—lean pork, for instance.

There are many variations in the contracts with farmers, but the integrator generally provides some of the credit and the management, and assumes at least part of the risk of marketing the crop. The farmer supplies the labour, the land and usually the buildings which are needed. In return, he may be entitled to a percentage of the profits, after deducting any loans, or he may be promised a certain price for each pound of the animals or of the gain in weight they made. The price may be fixed in dollars and cents in the contract, or based on prices in an agreed market. Finally, the farmer may simply be paid in cash for his work, with a bonus for extra effort.

Integration of this sort has gone farthest in the production of broilers, the young chickens suitable for grilling, which is how Americans prefer their chickens to be cooked. It started decades ago in Delaware and Georgia and has spread to other parts of the South and Connecticut. Management and credit arrangements of this type are familiar and acceptable in many parts of the South, because they resemble the system of share-cropping in cotton which succeeded slavery and under which tenants paid their landlords in kind. The South's large pool of underemployed farm labour has welcomed the steady income from integration contracts and does not worry about becoming a rural proletariat.

The great growth of integration came at a time when knowledge of the importance of vitamins in chicken raising was relatively new. "Integrators", by insisting upon the latest feeding formulas, could achieve a real competitive advantage. Today some 90 per cent of the commercial production of broilers comes from integrated operations. Meanwhile, both production and consumption have greatly expanded, making this one-time holiday luxury a year-round staple food. In turkey farming, the story is very similar.



Some observers think that the recent advances in scientific feeding of stock, the use of antibiotics, for instance, offer similar opportunities in other livestock industries. Eggs are beginning to be produced by integrated operations and experiments are being undertaken in hog and cattle raising, so far mostly in the South. The integrator who provides the management and some of the capital may be a feed company, a processing company, or a chain of food shops.

Good management is a scarce resource at the best of times. Today, half of the country's 5 million farmers are in a sense surplus, in that they produce little income for themselves or for the nation, while the other half is piling up uneconomic surpluses of farm products. It is not surprising that vertical integration is arousing great interest as a method of spreading good management and credit in order to get more efficient production and marketing. Moreover, making a start in farming requires so much capital nowadays that an integration contract has a real attraction for young men. In areas where efficiency and specialisation are lacking, integrated operations can be expected to grow.

So far contract farming has been too small a part of the whole to seem to threaten the individually managed farm. But last month, when farmers in Iowa met to discuss contract farming, it was clear that many who were attracted by the prospect of a steady income, and who feel that the Middle West must not lose its traditional livestock crop of hogs to eager contract farmers in the South, also feared that control of their farms would slip into the hands of outsiders. Many believe that if integration must come, the farmers should run it themselves through co-operatives; and the Iowa Farm Bureau Federation, which is studying the implications of contract farming, is considering the possibility of organising a $5 million co-operative packing plant.

THE WORLD OVERSEAS

France Fumbles for Leadership

FROM OUR PARIS CORRESPONDENT

IN Paris, opinion, like a man in a condemned cell who thinks he has found a trapdoor, is apt to feel that M. Gaillard's Mediterranean and Saharan plans might offer a way out of the Algerian tragedy. There have been other similar times, when M. Mollet was rumoured to be negotiating with the rebels and hope proved to be illusory. M. Gaillard now, like M. Mollet then, enjoys the benefit of the doubt. But even in Paris, the capital of politics through the looking-glass, people sense the objections to his verbally grandiose schemes. The best sober observer's hope for them is that by some legerdemain they may make it easier to come to terms with M. Bourguiba over Bizerta—with M. Bourguiba all things are possible. If they do so they will at least have served some immediate purpose. But looking only a little farther ahead, people realise also that more than a puddle of good intentions is required to drown the Algerian whale. The King of Morocco, though so much more cautious than M. Bourguiba, has recently sounded warnings on the growing difficulty of not choosing between Algerian "brothers" and French "friends." As for the Sahara, the whole of its proven oil-bearing part is administratively attached to Algeria. The French grafted it on themselves, and the Algerians (the settlers just as much as the rebels) will not acquiesce in a separation now. So the Sahara's future, too, depends on the outcome in Algeria. This is clearly what Morocco and Tunisia think. The French government has already offered them seats on the directing boards of the Saharan organisation, but has never obtained their assent; they refuse to recognise France's political domination of the desert (Morocco even claims vast areas as its own), though they agree easily enough to the principle of joint economic development.

The Americans would like to think M. Gaillard could invigorate the Mediterranean and Saharan communities by ultimately moderating French claims to absolute possession of Algeria and the Sahara. M. Gaillard who, as a good French politician, is nothing if not many sided, is a liberal in one of his selves. Has he not dared, in office, to conceive that Algeria might one day be independent? Does he not insist on speeding up the elections under the outline law in Algeria, despite the obvious and probably insurmountable difficulties of the operation? His new plan shows that he would like to take broader views. But he is in no position to give practical force to this reforming tendency as long as he has one foot rooted amongst the Right in the Assembly—and until further notice neither he nor anyone else shows signs of shaking it free. In fact he is in a particularly weak position to defy the chauvinists. He has ruined his credit in the last month, first by failing to assert control after the Sakiet affair (which was the time to challenge the Right); then by the gesture of internationalisation that followed; and last, but not least, as a result of the rude shock administered by the request for more men and money in Algeria.

Parliament and country, trusting to the press and M. Lacoste, really believed the end was in sight in Algeria. The Right had even tried to scupper, and succeeded in diluting, the outline law on the assumption that if victory was near, liberalism, however weak the dose, had lost its point. Now M. Lacoste talks of massive deliveries of arms to the rebels from Tunisia, thus admitting that the much-vaunted Morice defence line on the frontier was being peppered with holes even as he praised it; the hardest battles yet are being fought with the rebels; and the end seems farther off than ever. Add to this that prices at home are still rising; the parties are still quarrelling; and recent by-elections show that opinion is anxious and increasingly tired of government indecision. M. Gaillard's government is in a state of semi-deliquescence.

In any case, M. Gaillard has to reckon with the complete fantasy world that Paris has become. The kind of illusions that are current have been naïvely expressed by one lyricist in *Combat* (once, but long ago, Albert Camus's paper): "The French proposals are intelligent and generous. Some will no doubt judge them too liberal. . . . Paris cannot offer all, give all and receive nothing in exchange." This is the sort of reaction that has enabled the Right successfully to class M. Bourguiba in the French mind as almost a second Nasser, a blackmailer who must not be allowed to get away with it.

The militant Right's reactions to recent disillusionment is, with men like MM. Bidault, Soustelle, Duchet or Morice, to call for more war; an excellent example of their manner was the letter to *The Times* this week by M. Raymond Lacoste (not the minister). They claim that "history is what virile nations and leaders are making it"; whether the Algerian war lasts two, three or more years, France must impose its will: France's allies have no idea of the real situation or of what France is doing for civilisation, and they must if necessary be defined. At home these militants maintain that critics must be silenced; because the rebels commit atrocities, it has become near criminal to protest against French tortures in Algeria.

The habit of confiscating left-wing weeklies—the only real opposition press—is spreading fast. Till last week, most confiscations affected their Algerian editions: *France Observateur* (left of the *New Statesman*) had already accumulated 53 confiscations by last July. *Témoignage Chrétien*, the left-wing Catholic paper, can now claim 68 confiscations in two years, or more than one in two of its Algerian editions. Even *L'Express*, which sends its copies to Algeria with blanks in place of Algerian articles, has been confiscated ten times. Now the plague is spreading to

France. Last week was the first time that whole issues of two papers, *L'Express* and *France Observateur,* were confiscated in France ; and the government went one step further still by confiscating M. Sartre's pamphlet on the Communist M. Alleg's account of his torture, at the office of the publisher—the highly successful M. Julliard, impresario of both Françoise Sagan and Minou Drouet. Despite the protests of liberal politicians, journalists, professors and scattered citizens, there is no hiding the fact that there is no general French outcry against these methods. There is little legal redress, though confiscation hits the victims' finances hard ; and the French public, in this as in everything else, feels too dissociated from the government to consider itself involved. At such moments the Fourth Republic stands revealed as a centralised, naturally authoritarian administration, hampered by the revolutionary slogans of 1789 and bemused by an anarchic Assembly, but in no full sense a parliamentary democracy.

This regime cannot, however, even claim the strength of arbitrary government. The incipient moral abdication of parliament is displayed in the renewed talk of calling on General de Gaulle as the only man to settle the crisis. The very mention of the general was enough to ensure M. Gaillard a handsome majority last week: the more some deputies talk of him, the more others close their ranks. No one likes to think of the consequences of another crisis. So M. Gaillard may still reign even if he cannot rule. But General de Gaulle's advent, which was fantasy a few weeks ago, is almost moving into the bounds of possibility. A revolt against Nato from this enigmatic quarter is far more likely than the " explosion of popular wrath " within France, with which right-wing Frenchmen, and the government, like to threaten Anglo-Americans if they do not bow to France's " inalienable " rights in Algeria. For all the rowdiness of hooligans, even at political meetings presided over by M. Pinay, there is no real atmosphere of revolt in France at the moment, only a deep, bewildered anxiety. Caesar is more likely to come with Parliament's assent than without ; although the majority, especially the Socialists and Communists, would still like to bury de Gaulle, more and more find themselves praising him.

Bonn in the Foothills

FROM OUR BONN CORRESPONDENT

HAD everything gone according to plan another marathon debate on foreign affairs would have been held in the Bundestag during the latter half of this week. The government's strong men were to have been Dr Adenauer, fresh from a month's cogitation on the Riviera ; Herr Strauss, hauled back specially for the occasion from the United States, where he is coyly reconnoitring a marriage of convenience between the Bundeswehr and the Matador ; and Herr von Brentano, spurred on by the desire to cut a more commanding figure than he did in January's inconclusive wrangle. But, in response to the general demand for time to examine the new feelers for negotiations at the summit about a German peace treaty, the president of the Bundestag decided to postpone the debate. It is to be staged next week, beginning on Thursday and presumably not ending until once again the participants are about to drop from exhaustion.

The respite has been highly welcome to Herr von Brentano for personal reasons. Scarcely back from the Western European Union talks in Rome, the foreign minister would have had insufficient time under the original arrangement either to master his brief or to nurse his shaken prestige. The Christian Democrats were disappointed by his performance in the last debate. They have also been piqued by his neglect of party consultation in appointing state secretaries and ambassadors. The opposition cannot be expected to regret Herr von Brentano's political discomfitures. Nor can they normally claim a say in foreign service postings. Yet, in company with many coalition deputies, they feel that the Bundestag has been slighted by the foreign minister's defiant elevation of Herr Dittman to the rank of under-secretary of state. Herr Dittman is the career diplomat, lately in Hongkong, whose services to the Third Reich the Bundestag pronounced, after investigation, to have permanently disqualified him from holding high office under the Federal Republic.

Herr von Brentano may derive some comfort from the reflection that these days few foreign ministers are being spared severe disparagement. But he has not yet reached the limit of his political ambitions ; and it must have been galling to watch from the doghouse Herr Erhard quietly enhancing his reputation while deputising for the absent Chancellor, and to be reminded by some commentators how willing Herr Strauss would be to occupy the foreign office on his way to greater glory, and how happy some people would be to see the conduct of foreign affairs in Herr Strauss's vigorous hands. And now—to aggravate Herr von Brentano's sense of inadequacy—it is clear that Dr Adenauer will again be largely directing foreign policy himself until the summit has been reached and explored. All in all, the foreign minister has good reason for wanting to make a mark in the next debate.

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Since the pre-summit exchanges are still so confusingly in motion, and since even the best-prepared debate may at any moment flare out of hand, Herr von Brentano and many other Christian Democrats would have preferred to wait until even later than next week before restating the government's case. Dr Adenauer, who was not consulted about this week's postponement, has insisted upon a debate as soon as possible. The Chancellor believes he can at least dispel the confusion in the minds of the German public, much of which he attributes to various new proposals concerning defence and reunification temerariously advanced by restive lieutenants during his absence. Of these, the one that has attracted the most sympathetic attention is the suggestion of the Bundestag President, Herr Gerstenmaier, that perhaps a new approach could be made to reunification by persuading the wartime allies to begin negotiations for a German peace treaty. Herr Gerstenmaier, it seems, still hopes against hope that there may be some way of circumventing Soviet Russia's implacable opposition to German unity. But, promptly seizing Herr Gerstenmaier's idea, the Russians have proposed that a German peace treaty should be one of the subjects on the summit agenda, and—with grim consistency—that *both* German states should be represented in the relevant discussions, the object of which should at no time be reunification.

To Dr Adenauer, as he reappears upon the scene, the task now to be done is quite straightforward. It is, firstly, to make it unmistakably clear to the Atlantic allies that the terms on which the Russians want to discuss a peace treaty are utterly unacceptable to the Federal Republic ; to impress upon all concerned that unity and freedom are the inviolate prerequisites of a peace treaty ; for the Federal Republic to enter into negotiations in company with the Democratic Republic would be to perpetuate both partition and Germany's present eastern frontiers. Secondly, it is to convince the German public that there is no alternative at present to the government's policy short of capitulation to Soviet communism ; and that, as one of the cheerless consequences of this policy, it will be necessary to accept General Norstad's advice and agree to the establishment of missile bases in western Germany and to the arming of the Bundeswehr with nuclear weapons. Noting the dismay provoked in Britain by local preparations to wage nuclear war, the Chancellor is resolved that the forthcoming Bundestag debate, which will again be broadcast in full from most German stations, shall not leave the German public in the state of suspicion and confusion in which they were left when they switched off their sets in January. But not all his colleagues are sure that he will pull it off.

Campaigning in Canada

FROM OUR OTTAWA CORRESPONDENT

VIGOROUS campaigning for votes on March 31st has been conducted from one end of Canada to the other by the rival leaders, Mr John Diefenbaker, Conservative, and Mr Lester Pearson, Liberal. Yet it has not produced much in the way of new issues. Mr Diefenbaker continues in characteristic style, combining the art of the evangelist with that of a prosecuting lawyer ; the more it is seen, the more his manner seems suitable for an opposition leader rather than for a prime minister. Mr Pearson, who as early as the Liberal convention in January began trying to adopt the style which was thought suitable for an opposition leader, has latterly reverted to one more natural to him, which proclaims him to be a responsible statesman.

Since both leaders have been on the national television networks almost every week, the impression that they make during these appearances is probably more influential in the long run than are their personal visits to scattered constituencies. By this criterion alone, Mr Pearson might be judged to be catching up after a very poor start. His last television appearance on the national network consisted of an unscripted interview with young Anthony Abbott, the undergraduate son of the former finance minister, Mr Douglas Abbott, who is now a judge of the Supreme Court. This enabled Mr Pearson to exploit his decades of experience with press interviews and for the first time in the campaign to present himself as a relaxed, reasonable statesman. If the election were not for another two months and Mr Pearson went on being himself, rather than trying to give a ham actor's performance of what an opposition leader is supposed to be, it seems likely that his popularity would grow, while Mr Diefenbaker's more eloquent and emotional performance would decline in appeal.

But there are not two months—little more than two weeks. From every part of the country political reporters are talking about the Conservatives' chances of winning more seats. The Liberals' chances are discussed mainly in terms of how many of their present seats they can hold. Inevitably, therefore, the leaders' attention tends to be concentrated on individual seats which might be changed by a successful campaign. That is why it is considered so important for each leader to show himself in doubtful ridings. The one " block " vote which defies this rule is the Province of Quebec. It is in many ways the key to the whole campaign. Most of the political reporters who have toured all Canada during the campaign say it is possible that the Conservatives will gain a few seats in all the western provinces, and perhaps even some in the Atlantic provinces. But it is hard to see how they can gain enough in the west and east combined to provide the extra 25 or 30 seats needed for a comfortable overall majority. Yet they could get the whole 25 or more from Quebec if a real change of mind were to take place there.

Quebec is also one of the most uncertain factors. Responsible observers in Quebec city report that Conservative hopes are soaring as high as 35 or more seats out of the province's 75. Some Liberals concede that they might lose 15 or even as many as 20. Prediction is unusually difficult at the present time because Quebec politics are in a state of exceptional disarray. Neither party has a leader in either the federal or the provincial field who really captures the imagination either of the populace or of the intellectual élite. Both are thoroughly afraid of any suggestion that they are getting support from the purely provincial organisation of M. Duplessis's *Union Nationale.* It would be the kiss of death in other parts of Canada, though in fact M. Duplessis's organisation in particular ridings has for many years supported the candidate of one or other of the national parties without too much being said outside the province. Rumour has it that the Conservatives are getting such help in far more ridings this time than they did last year.

But cross-currents of largely leaderless opinion are very hard to judge. As one nationalist university professor put it the other day, most Quebec voters have been brought up on legends about how " English soldiers " came to drag their fathers or brothers or uncles out of bed to fight in the first world war, " all on orders from the Conservatives." On the other hand, many of the Quebec intellectuals feel thoroughly let down by the Liberals' performance under

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Mr St. Laurent and may be tempted by Mr Diefenbaker's greater stress on provincial rights. Among the most influential voices in Quebec politics are rural curés, who often take a different line from the more enlightened leaders like Cardinal Leger of Montreal and Archbishop Roy of Quebec City, and are finding a far newer leadership in the young French Canadians at the head of the Catholic workers' syndicates. These Labour leaders are growing more and more outspoken in their determination to oust M. Duplessis from provincial power, and where the younger priests have become parish curés the syndicates' somewhat radical tone is often reflected in their attitude.

It is conceivable that these newer forces, taking nothing for granted, and determined to find a place in the modern world by understanding it, may help tip Quebec votes to the Conservatives. A dozen to twenty marginal seats may easily be tipped this way. If the number swells to 30 or 40, Mr Diefenbaker's majority in the new House of Commons could be quite decisive.

Madagascar: Forgotten Island

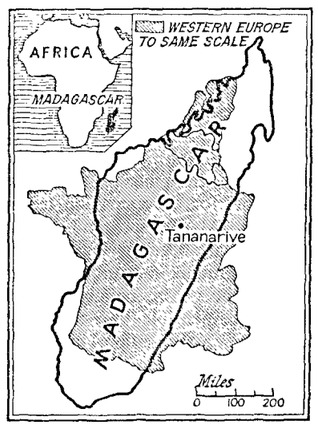
On Tuesday the French Assembly found time for a debate—much overdue—on overseas amnesties, and began it with the case of the men still held for their share in the 1947 rebellion in Madagascar. A vote will not be taken until next week, but deputies seemed impressed by the fact that their Overseas Territories Committee has voted in favour of letting the three Madagascans in question go home. They are at present in forced residence in France—virtually forgotten figures while the nation that detains them battles with its problems in other parts of Africa.

For the huge island of Madagascar seldom occupies French minds. Being on the way to nowhere, few visit it by chance. It is known only to those whose business in coffee or vanilla, graphite or mica takes them all the way to the end of the road, and virtually all who go there are Frenchmen. The high level of French freight rates discourages merchant adventurers, and roughly three-quarters of Madagascar's trade is with France.

Yet this isolation is now only physical. In spirit, its inhabitants (of whom at the present birth rate there will be five million this year) are now at one with all the other French dependencies that want independence, either at once or by stages. During a meeting of the vice-presidents of their provincial assemblies with French officials in Paris last month, some of them seemed nettled—for the first time—at being expected to meet separately from the West African representatives who had held a similar meeting just before. Hitherto the 240 miles of sea that separate them from the African continent have seemed to divide them from, rather than unite them to, their nearest neighbours. For the Madagascans are not an African people. All of them, from the pale, settled Hova of the fertile plateau to the tall darkly-pigmented nomads of the desert south, originally came from Asia—Indonesia, or Polynesia, or Melanesia. All speak dialects of a common and distinctive language and all—even those who have been Christian since the 1860s—have the same attitude to their ancestors, to foreigners, even to their animals. They have a love of conformity which has made them receptive to French influence yet caused them to retain many of their own basic characteristics. After all, the Hovas ran an independent state, with a queen, a flag, and ministers, professed Christianity, and ran their own relations with several European powers before the French protectorate of 1885 and long before the annexation of 1896.

Eleven years ago, an island that was to all appearances peace-loving and docile was decimated by a rising the fierceness of which electrified Frenchmen. It was stamped out by force, but only after fighting and casualties that ran as high as tens of thousands. Resistance was violent and prolonged alike among Hovas and non-Hovas, Christians and pagans. Psychologists have tumbled over themselves to explain the motives for such determined resistance: certainly the grounds were not economic, as in Kenya. There is virtually no rivalry on the economic plane between Madagascans and the Frenchmen who form only 1.4 per cent of the population. The most plausible of the theories seems to be that the Madagascan is easily put out by uncertainty and change, and had been more deeply disturbed than any Frenchmen realised by France's wartime upsets, followed by the Fourth Republic's early and sweeping gestures about self-government.

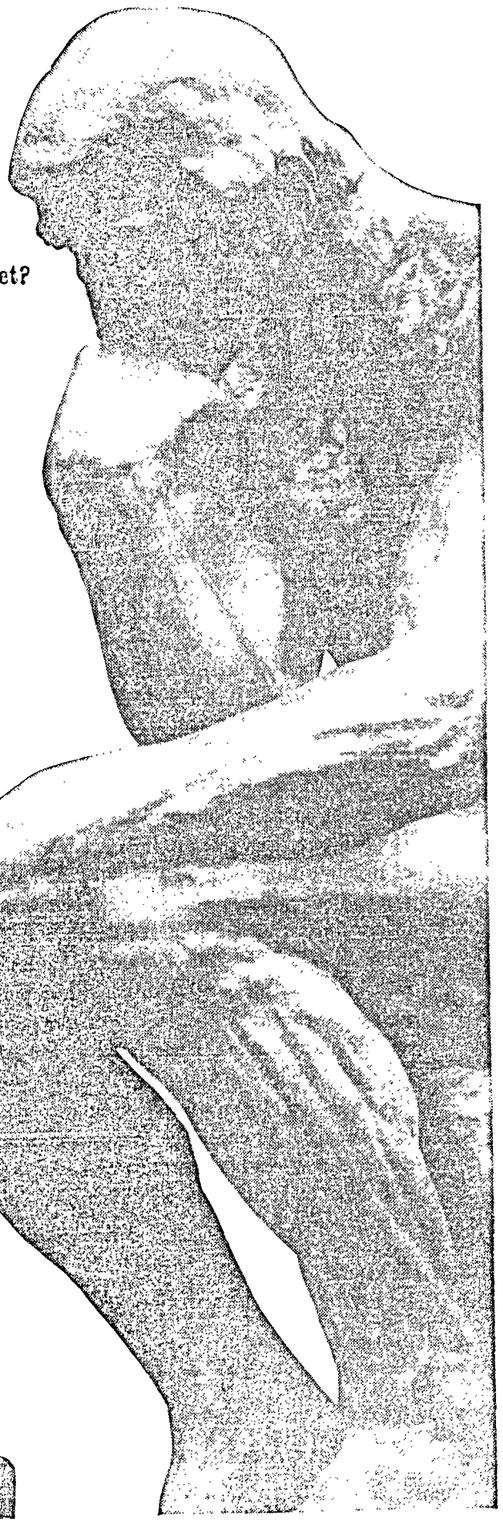
Nationalism is a vigorous growth ; cut down, it reappears as surely as the nettle. In the years since 1947 a new rash of parties has sprung up—all of them nationalist and carrying the word "Madagascan" in their titles. They have thriven on the hesitation with which successive French governments have set about intertwining the two ill-matched strands in French overseas policy: the old tendency to assimilate Africans as part of the *mission civilisatrice* and the new one to give them self-government in order to keep abreast of the times.



In 1956, Madagascar got a *loi cadre* along with everyone else, but many Madagascans disapprove of it because it divides the island into six councils which observe tribal distinctions in a way that was once logical but is no longer popular with any party. "Why saddle us with six assemblies and six budgets and a seventh at the centre ?" grumble young men who are by no means all Hovas. The first elections, held last year, suggested that wherever regions voted parochially they did so for economic, not tribal reasons. The result of the poll produced (after secondary elections) a central legislature containing 27 "moderates," 18 left wing nationalists and 9 Catholic nationalists. Only the first favour independence by stages, of which they regard the *loi cadre* as the first. Catholics, Socialists and some pinkish Communists would like it right away. (The Christian parties tend to take shape on a denominational basis with the Catholics much more regimented than members of the various Protestant missions and strongly backed by their bishops in demanding immediate independence and a mere treaty relationship with France ; the Holy See seems to favour this solution as a bulwark against communism.)

In Paris, anyone who ever pays attention to Madagascar

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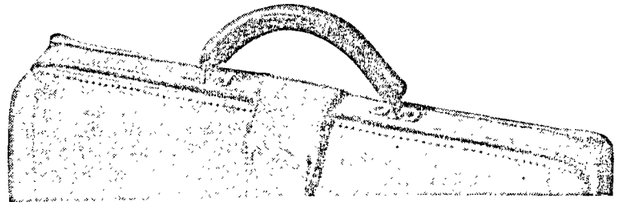
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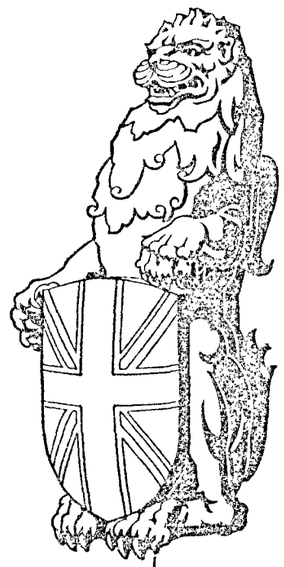
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agrees that France must heed the signs of the times and make some changes. Otherwise it will forgo the attraction it still holds for the many Madagascans who would like commonwealth status, and are advocating some kind of round table conference that would revise Article VIII (the French Union article) of the French constitution. The importance of this week's debate on an amnesty is that it affords a first small indication of a public grasp that changes are called for. The brake on progress is reluctance to go faster, anywhere, than France can go in Algeria.

Meantime, new ideas are pouring into the island with each extra month of French hesitation and delay. The news that is exciting opinion comes not only from Algeria and West Africa but from Indonesia. Poor economic conditions could aggravate matters; at present the plateau is suffering from floods and the south from a serious drought. If the Madagascans have to wait long for fulfilment of some of their aspirations, their ancestral ties with Asia may begin to count. Few, if any, are aware of the danger an overpopulated Asia could hold for an island which has only eight inhabitants to the square kilometre. There is a warning for them, did they but know it, in the Indian wave that has already spilt itself in Mauritius. Were France less taken up with problems nearer home, and better able to pay more attention to its forgotten island, it could almost undoubtedly keep a footing in the Indian Ocean by means of links with the Madagascans; for these are at present drawn as much by Christianity and co-operation with Europe as by any call from Bamako or Bandung.

First Thoughts on an Arab Union

FROM OUR SPECIAL CORRESPONDENT IN CAIRO

THE spy story about King Saud's cheques (which, at first, aroused more laughter than anger here) stole most of the headlines from the simultaneous announcement of President Nasser's new cabinet for the United Arab Republic. Yet the list is worth scrutinising. Numerically speaking, the Syrians do quite well; they have 14 seats to the Egyptians' 24; this is a much bigger proportion than the size of the respective populations would warrant, and is no doubt a sop to Syrian pride. Yet it is not a large one as sops go; eleven of the 14 Syrians hold office for Syria only, two are vice-presidents without portfolio, and the only Syrian holding an office that handles joint matters is Sayed Salah Bitar, covering Arab affairs. The joint ministries of prime significance—defence, foreign affairs, industry, propaganda and education—are all retained by the Egyptians who held them in Egypt's former cabinet. Indeed, there has been only one major change in the Egyptian team; Dr Hassan Zaki, the able financier who has been handling the talks with Britain, goes to the ministry of finance instead of Dr Abdel Moneim Kaissouni (who held office throughout the financial deals with iron curtain countries). The point of chief significance in the Syrian list is the omission of Sayed Khaled el Azm and General Afif el Bizri, the two major architects of Syria's agreements with Russia.

To draw deductions about foreign policy from these changes would be rushing it. The one hard fact at present available is that the Egyptians have got the Russians to agree to amend their agreement with Syria so as to bring it into line with Egypt's own. The significant change entails agreement that the entry of Russian experts shall take place only by mutual consent; the original Syrian agreement left it to Russia to decide what experts to send to inspect a project.

Damascus, whether out of relief or to impress its visiting president, seemed to give the new arrangements a louder welcome than did Cairo. After a week of celebrations there, President Nasser had to tell the Syrians to be done with rejoicing and get down to work again. In Cairo there was less need for a cold douche of this kind. There were demonstrations, of course, but they did not seriously interrupt work. The main response to union seemed to be a mixture of gratification and puzzlement: only among a few is there true enthusiasm for the greater Arab unity which for so long has been a vision and has now suddenly become a not fantastic goal. To most Egyptians it seems perfectly reasonable that all Arabs should want to hitch themselves to President Nasser's chariot. Union with Syria has been accepted graciously, but except among the idealistic and the ambitious, the reasoning is roughly along these lines: "Of course the Syrians—and the people if not the present governments of the other Arab states—should want to join us, and equally certainly as Arab brothers we will accept them—on our terms. We must wait to see what the benefits for us will be." Newspaper reports of celebrations in Damascus are read with pleasure and amusement but without surprise. The president is receiving no more than his due.

★

Even to those who now see dreams of Arab strength materialising, the suggestion of union between Syria and Egypt was at first slightly disconcerting. When the proposal came from the delegation of Syrian officers President Nasser was tempted by the apple that was offered, but afraid that it was too big to bite while Egypt is only at the beginning of the road to solving its own gigantic problems. Syria's unsettled state was also a discouragement to him. He therefore set terms that were sufficiently high to make it unlikely that they would be accepted. When the Syrian officers, after all-night debate, accepted them, he was placed in a gratifying but not unembarrassing position: if he refused union now, there was a risk of losing all influence over Syria. Therefore the union was on. And although the Egyptians at first found the idea strange, they had sufficient faith in their president to believe that he knew what he was about. Once the marriage was announced, the press and radio went to town in praise of Arab unity, which is now presented as the one true goal of every Egyptian.

Outside the ministries, where heads of departments now have to translate union into practical terms, and are slightly overawed by the tasks ahead, there is as yet very little effort to analyse what it means in practical terms; instead the public is told repeatedly that the deep wish of its heart is being fulfilled. One newspaper, *Al-Akhbar*, ran a sort of quiz: after Yemen, who next? Clearly, the heart's desire would be one of the oil-producing states; the violence of the attack on Saudi Arabia therefore surprised people. But they believe the door to union is still not closed on King Saud.

For the moment, the policy is to do no more than make it clear that any Arab state that wishes to join or federate with the United Arab Republic is welcome to do so, but that it must come in on the Republic's terms and not its

own. The openness and even the arrogance of this attitude may be better psychology than trying to inveigle or tempt other states in. The goods are disarmingly on show; if they were hidden behind blandishments, Egypt's neighbours might be more suspicious. The Egyptian government has sore memories of trying to wrap its tentacles round the Sudan; it is determined to try and avoid repeating earlier mistakes.

Both countries—but particularly Syria—will have to make considerable adjustments. For instance, it is thought that most of the capital that wants to leave Egypt has already done so and that liberalising Egyptian currency control is not out of the question; yet the earliest date at which financiers expect to be able to attain a common currency is three years hence. As to customs duties, Syria is expected to be the one to make the alterations. In Cairo, the broadcasting studio has a notice pinned over the microphone, "This is the United Arab Republic broadcasting from Cairo" in order to remind announcers to give Cairo radio its new status. And the Egyptian security chiefs who have been enjoying a relatively quiet life in the last year are not altogether happy at starting all over again in a country as unsettled as Syria. But, all told, Egypt's attitude is almost philanthropic: its duty as an elder brother is to put Syria straight. Syrians are no doubt thinking just the opposite.

Marxist Minister in Ceylon

FROM A CORRESPONDENT IN COLOMBO

MR PHILIP GUNAWARDENA, Ceylon's minister of food and agriculture, and the chief Marxist in Mr Bandaranaike's coalition government, has suffered his first major reverse. A spirited protest by right wing members of the cabinet has forced the withdrawal of an important order that he had made on the purchase price for paddy (unmilled rice) from cultivators. In recent years, Ceylon's rice growers have been receiving a guaranteed price of twelve rupees per bushel of paddy under a government subsidy. The food minister recently issued an order stipulating that only ten rupees would be paid in cash, and that credit notes, on which fertiliser and other requisites could be bought, would be issued for the balance of two rupees. No part of the credit note could be negotiated for cash.

Mr Gunawardena's intention was laudable: he felt that this compulsory use of manure would step up rice yields. But the order was ill-timed. Owing to drought and flood, cultivators in many areas have been having a lean time and were in no mood to accept willingly a cut in their cash receipts. He thus played straight into the hands of the right wing which had been waiting for an opportunity to give him battle. The right wing claimed that the cabinet had authorised the minister to pay ten rupees in cash only to those rice growers who wished to buy fertiliser, and so on, with the balance, and that he had not been empowered to force manure and mammoties down the throats of all the farmers. There were demonstrations in rice-growing areas, some of them perhaps encouraged by right wing critics of the minister, and a few hundred demonstrators who came to Colombo even turned the tables on a group of his dockworker henchmen who came to jeer at the goiyas (farmers).

At a meeting of the cabinet, Mr Gunawardena sat silent and accepted the decision to quash his order. Mrs Wijeyewardene, Ceylon's only woman minister, who had led a march of cultivators, claimed that: "Philip's face is in the mud." Later, in the House of Representatives, Mr Gunawardena made an angry speech, alleging that the demonstrations against his order had been engineered by paddy blackmarketeers, and casting aspersions on some of his cabinet colleagues.

Mr Gunawardena is, however, not the only member of the cabinet guilty of criticising his colleagues. In recent months, it has been the fashion for some ministers to make speeches critical of the actions or statements of others. The Trotskyite Leader of the Opposition, Dr N. M. Perera, who is somewhat paradoxically the leading authority on parliamentary government here, remarked recently that the convention of collective cabinet responsibility had gone by the board.

The paddy price issue brought to a head the conflict of views between Marxist and moderate elements in the government. Key figures in the moderate or right wing group (which is the larger element) have been giving public warnings against the dangers of a totalitarian approach to a socialist state. The reference was obviously to Mr Gunawardena, who appears to have gained some followers from within Mr Bandaranaike's own Freedom Party, the chief group in the coalition.

★

The right-left conflict was reflected at the annual conference of the Freedom Party. There was considerable sniping at Marxists. Mr Bandaranaike, whose personal prestige remains high, was able, however, to keep the meeting well-behaved. His role as the leader of a heterogenous team has obviously become more difficult lately, particularly since some of his ministers are not content to confine their differences to the cabinet room but insist on airing them publicly. His precise position in the current conflict is somewhat puzzling. In private conversation, some of the right wing members of the governing party will admit to dissatisfaction that Mr Bandaranaike has not been "tough enough" with Mr Gunawardena.

While the left wing emphasises socialism and the right wing democracy, Mr Bandaranaike is inclined to stress both socialism and democracy equally when he interprets his party's affirmed policy of democratic socialism. He has stated that this is a time of transition, and that many changes, economic and social, are inevitable. His coalition came to power in April, 1956, on a manifesto composed of nationalist and socialist proposals. The initiative for implementing the nationalist segments came from the right wing, while the left has provided the sponsorship for most of the radical measures in the economic sphere.

In the months immediately after the election of this government, the nationalist fervour was predominant, and it was in this mood that the legislation for making Sinhalese the State language in place of English was accepted. Later, the initiative passed to the left, and Mr Gunawardena was able to have his controversial paddy lands bill passed without too drastic amendments. Now he has suffered a reverse, but on an issue on which his stand could not be easily made to appeal to the peasantry, even to the tenant farmers who would gain from his paddy lands legislation. But to judge by the speech he made in parliament a few hours after the cabinet had decided against him, the minister does not seem to have been daunted.



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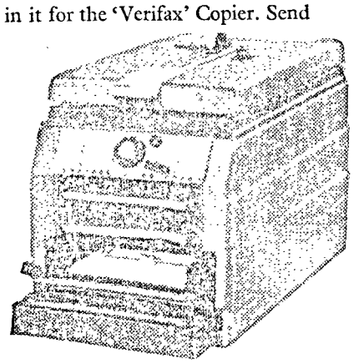
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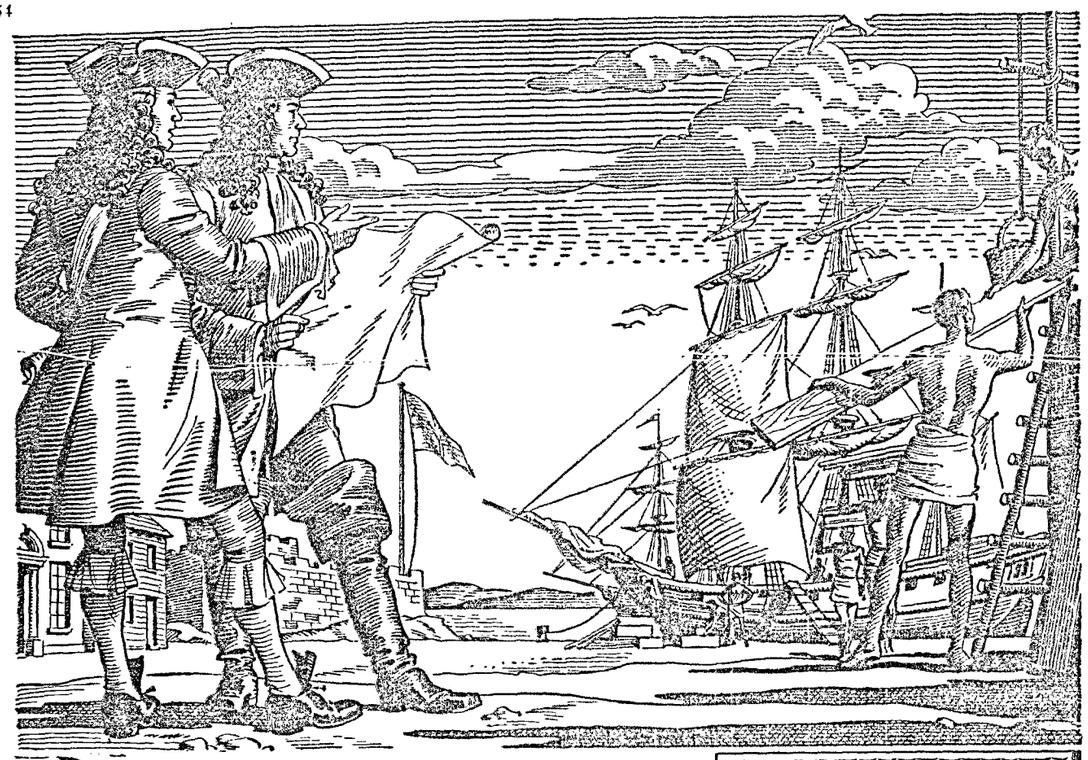
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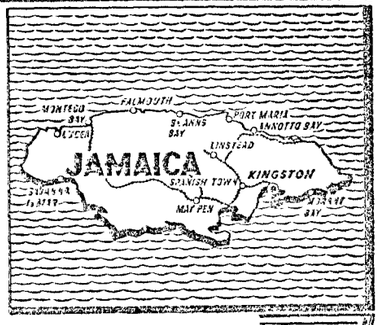


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THE BUSINESS WORLD

Towards Whose Goal?

"Naturally, my purpose will be that this sum for the nationalised industries, with other borrowing by the Government, should be successfully absorbed by the public during the year—that is, draw in real savings and not depend on inflationary finance. But in the end, neither the nationalised industries, nor the Government, can borrow, except on a purely inflationary basis, more than the nation is able and willing to lend."

WHEN Mr Macmillan, in his budget speech of 1956, announced that the long-term capital requirements of the nationalised industries would be met out of the Exchequer, rather than by the issue of Treasury-guaranteed stock on the capital market, he did so as a temporary measure, "only for two years." In practice, his measure has lasted only eighteen months plus : the first advances direct from the Treasury were not made until after the Finance Act of 1956 became law, and powers to do so were due to lapse at the end of this month. A two-clause bill that had its unopposed second reading in the Commons this week will extend these powers until the end of August, completing Mr Macmillan's two years. But it has come as a reminder that the Government is committed to decide, by budget time, how nationalised industries should be financed for the future.

On the surface, this is simply a matter of convenience : the convenience of the authorities in managing their open-market policy, and the convenience of the industries concerned in raising their money on the most advantageous terms. But it also re-opens the vexed question whether any independent economic criteria can practically be applied to the vast capital demands of industries that are by nature partly insulated from ordinary commercial compulsions.

The present two-year expedient was largely a matter of the Treasury's convenience. Growing demands for new capital from the nationalised industries, like those from the local authorities, had been embarrassing the authorities in their ordinary funding operations, and hence hampering their attempts to maintain a taut monetary policy. The local authorities had been diverted from the Public Works Loans Board towards borrowing on the capital market without Treasury support ; the nationalised industries were already in the market, but with a guarantee. They satisfied their requirements in the first place by borrowing from the banks : at a time when other borrowers were under restraint, these industries' overdrafts rose steadily until such time as the Treasury found it convenient to allow a new issue of, say, gas or electricity stock. This was inconvenient for the banks ; the Treasury found it inconvenient to fit these issues into their own programme of borrowing, re-financing, and funding ; and to the extent that the issues were fitted into the Government's whole open-market operations, the actual terms could be inconvenient to the borrower, the nationalised industry concerned. Moreover, the stock was not only officially guaranteed but officially "supported"; the big issues were always under-subscribed by the public, and the departments had to take up large amounts of the stock, financing this by borrowing on Treasury bills. That automatically increased the banks' liquidity ratio and slackened Government control of the credit base, until such time as the slack could be taken up by further funding : as Mr Macmillan put it, "kicking the ball through one's own goal."

His expedient removed most of the inconvenience —at least to the banks and the Treasury. These industries' overdrafts are now limited to their normal requirements of working capital ; their spending on fixed investment is covered monthly by advances from the Treasury, which have to be repaid as 25-year annuities at a rate of interest reckoned by the Treasury to be suitable for long-term borrowing of this kind. The banks are freed from an embarrassment. The Treasury can arrange its terms and time-table of re-

financing and funding as it thinks best. The seven nationalised industries concerned probably find it fairly convenient, too, though enthusiasm differs; they had at least a little influence upon the terms and length of their stock issues, and some regret the complete inflexibility of their present powers to raise money, "only very short or very long."

But the device of bringing the nationalised industries direct to the Exchequer had only a tactical effect upon the Government's control of the credit base; and the extent to which advantage of it was taken depended entirely, as before, upon the vigour and success of official funding policy. Advances to these industries have to be covered, as the official "support" of their stock issues had to be covered, by an increase in the floating debt, until such time as the public can be induced to buy equivalent gilt-edged stock. Mr Macmillan's stated purpose of drawing in enough real savings fully to cover nationalised investment and other public borrowing has not, in practice, been achieved—some people would say not even sought vigorously enough. Many factors have affected the Government's funding operations during the last eighteen months; there are different opinions about how successful it has been and how much more successful, in the circumstances, it could have been. But certainly it is not easy to argue that the change in the method of financing of nationalised industries has greatly affected it one way or the other.

In practice, moreover, this change has had no effect upon the Government's control of the investment programmes of these nationalised industries, or upon the extent to which they are covering their capital expenditure by self-financing. It was never formally meant to; though Mr Macmillan did feel that "if one actually presses the fee oneself into the piper's hand, one has a better chance of influencing the tune." But his successor, last September, chose to influence this tune with the existing, well-worn soft pedal: though he stabilised total public investment in terms of money, Mr Thorneycroft's restrictions on nationalised investment were exerted through the usual departmental restrictions upon the industries' forward investment programmes. The periodic review of these programmes, by the ministries directly concerned and then by the Treasury, was always a "physical" planning exercise; the 1956 change in financing merely "faced the reality."

IN deciding how the nationalised industries should be financed in future, the Government has to consider not merely the method as it is today and as it was before. Are there further alternatives that might apply to the investment claims of these industries something more like the same market criteria that other industries have to satisfy? One has often been advocated: this is to send them back to the capital market to borrow without a Treasury guarantee and, what is more important, without official support. It was put forward by the Herbert Committee, some of whose other suggestions have since been adopted in the reorganisation of the electricity industry; two years ago, Mr Macmillan himself wondered if it ought to be "the ultimate aim . . . perhaps electricity and gas might be the pioneers." Another alternative has sometimes been put forward: this is the issue of some kind of non-voting equity in the nationalised industries, perhaps carrying a guaranteed minimum rate of dividend with the chance of something over and above that, or guaranteed as to repayment with variable interest rates.

Mr Macmillan felt then, however, that the nationalised industries had at that time not "a cat in hell's chance" of raising their money without official guarantee or support. They cannot pledge their undertaking, which is the state's, as security—though, equally, one could not conceive of their being allowed to default, so that some Treasury guarantee, even if formally absent, would still be implied. Moreover, some of the nationalised industries are exceptionally highly capitalised: could their immense demands be privately underwritten and absorbed? The seven industries brought within the budget in 1956 (coal was already financed direct from the Exchequer) were reckoned to need some £700 million within two years: electricity alone, at present, may need to borrow some £150-£200 million a year, and its requirements are rising.

Even more fundamental difficulties, arising from the statutory nature and present circumstances of these industries, confront the project for some form of equity—and indeed to some extent question the whole underlying idea that they can be made to compete for capital resources "on equal terms" with private industry. They are, constitutionally, required to "break even" after covering all relevant costs and interest on their fixed-charge capital, not to make surpluses; and this over "one year with another," not in any particular year. In practice, moreover, some are subject to formal or informal Government control of their prices. It is not easy to see how any "equity" investor could take a chance on his interests being preferred, by public corporation or minister, to those of the consumer-cum-voter—who is the ultimate owner. Given their present operating rules, indeed, it is questionable whether the open capital market could ever assess these nationalised industries realistically and "fairly" beside private industries competing for the country's available capital resources. Those operating rules could be altered. But it is as well to realise that they would need to be, and with them the whole concept of the nationalised public corporation; a financial formula alone would not serve.

The most likely result of sending nationalised industries to the market without official support, indeed, would probably be that some of them would not be able to raise the money. It is arguable, indeed, that this ought to be the object in dealing with some nationalised industries—say the Transport Commission, for whose parlous current finances special arrangements, over and above the ordinary Treasury advances, have had to be made; but the Minister of Transport might not altogether agree. Electricity, alone, is perhaps an industry of such redoubtable progress, nationalised or not, as to attract the investor. But whether the investor's judgment of the investment that nationalised electricity needs would be better than the Government's is another matter.

Failing these more fundamental changes, how does the present system of financing compare with the old? When Mr Simon, in this week's debate, said that it had worked better, he was talking of its convenience to the authorities; this cannot weigh much with the impartial observer. There is something to be said, indeed, for making their job inconvenient; if the need to issue nationalised stock had nudged the authorities into issuing stock before they would have done—and if this had really been sold to the public and not merely taken up by the departments—the old system would have made monetary control the more taut. In practice, however, the authorities in any case create a new stock, whatever its name, when there is a public demand. The industries did, certainly, have a little more say about the terms of their own financing then, as compared with the present system, though some greater flexibility about terms and length of borrowing might not be impossible under the present arrangements. And if one were hoping eventually to move towards the issue of stock without guarantee or support, a return to issuing it with both could be a first step. But there would be very little in the halfway step. The success or failure of the Government's policy of funding has not been affected greatly either way. Neither of the formulas yet tried offers hope of any more competent control of nationalised investment—or much strengthens the possibility of applying "impartial" criteria to this. Nor, incidentally, does the appearance of these borrowings in the Exchequer accounts place any real compulsions on Mr Heathcoat Amory to achieve "overall balance" by a bigger current surplus; his budgeting has to be addressed to the condition of the economy, not to the convention of the figuring.

Shell Kernels

Hermit crabs are soft skinned and creep into the empty shells of crustacea and molluscs for protection; private companies can find immunity from a surtax direction in the shells of public companies.

SHELL companies have nothing to do with oil. They are corporate entities empty of their trading assets; they hold only cash or near cash assets in their balance sheets and otherwise have nothing except a stock exchange quotation—which is essential. Usually shell companies are small; the rubber share market has produced a considerable number of them. But the supply is fairly readily expanded, since vacant possession can be offered by any company that is prepared to sell its trading assets; and there is no sign that the demand for such holes to creep into is slackening. In a specialised but now fashionable market some brokers produce lists of shells for sale while others know of prospective buyers.

What is the object of the exercise? The typical transaction starts with a cash bid by an unnamed principal for the equity of the shell, the principal usually being a director-controlled private company. The offer is of cash for cash—slightly more cash than the shell contains—and is often, but not always, made for 90 per cent of the equity—a proportion, once acquired, that gives the bidder the opportunity to buy the remaining 10 per cent compulsorily. As the bid hinges on the fact that to avoid a surtax direction more than 25 per cent of the voting equity has to be held by the public, the bidder may choose to bid for less than 90 per cent, and leave the minority shareholding in. Or he may buy all the capital and part with the necessary 25 per cent of it later.

The bid price for the shares is necessarily above the break-up value of the cash assets (less non-distribution relief) per share. Otherwise liquidation would be an acceptable alternative. In a recent lecture to the London and District Society of Chartered Accountants, Mr G. H. Middleton put the normal extra payment at between £8,000 and £12,000. This premium would include the cost of stamp duty on the share transfers. The smaller the issued capital of a shell, naturally, the bigger is the net premium. The buyer can afford a premium over break-up values because he avoids having to find the distributed profits tax that would be payable in a liquidation.

Having secured control of the shell, the private company asks for and gets a suspension of its stock exchange quotation. The memorandum and articles of association are revamped, giving the buyer the opportunity to fit his business snugly into the shell. Its name, as well as its board, may well be changed. The shell then buys its new owner's private company at its net asset value (including goodwill). If, as usually happens, the shell has not enough cash to meet that purchase in full, the balance of the price is satisfied by an issue of its shares to the vender, and occasionally, by an

unsecured loan. Then a requotation of the shares of the newly inhabited shell is secured and some shares —enough to establish a market and to provide the necessary minority shareholding—are sold to the public.

In such a transaction, cash is being swapped for cash and scrip for scrip, and there is no need for the promoters of it to seek consent from the Capital Issues Committee. That is a considerable attraction. Recently there have been deals of this kind designed simply to avoid the CIC's gauntlet. The companies recently acquired by Olds Discount and Radio Rentals were not empty shells ; they were shells filled with the juicy nut of much needed cash, which might not have been allowed to the purchasers by the CIC. In effect, these were transactions in which cash was bought at a premium. Mr Heathcoat Amory is now brooding on ways to bring to an end this legal avoidance both of the control of borrowing orders and of the curb on hire purchase financing.

Shells which really are shells with no money inside them are bought for quite different reasons. A few are bid for simply because they provide a convenient way for a company whose assets are tiny, profits small, or record erratic to get a stock exchange quotation. That route is not as attractive as it was, for the Stock Exchange Council now insists on an advertisement of particulars when the nature of a company's business is changed. There is little in such a purchase financially though the quotation fee is saved. Many of the prospectuses so published, though they do not have to be extensively publicised, are full of detail. On the other hand, requotations have been given to shells which have no ten years' record of profits to publish, simply because the shell's money has not been reinvested.

BUT most shell transactions have a more complicated purpose than this. The heart of the matter is that the owner of a director-controlled private company wants to turn it into a public company to ease the burden of surtax and estate duty—and he wants to do it in such a way that he avoids paying large sums in profits tax. Almost without exception, recent shell transactions have secured that not more than 74 per cent of the equity remains in the hands of the controlling interest. Permission to deal and dealings on a recognised stock exchange mean that the Estate Duty Office will value the shares for death duty purposes at the market value and not on the value of the net assets which would be imputed to them if the deceased himself had controlled the company—a method of valuation usually less favourable to the estate and always a matter of argument. A stock exchange quotation, dealings and a public stake of more than 25 per cent of the voting power of the equity ensure that the company's undistributed profits cannot be subject to a surtax direction by the Inland Revenue. Shells have become more fashionable since Mr Thorneycroft last summer rolled up the "Cripps umbrella" which protected controlled companies from such a direction. Controlled companies that seek a public quotation must, however, still secure a surtax clearance on their past earnings.

Under the shelter of the umbrella, many such companies piled up cash. The shell provides the means of getting hold of that cash and capitalising future profits without attracting tax. It is a device that combines fiscal advantage with a considerable aesthetic satisfaction. The assets in the private company are in effect exchanged for shares with a market price in the shell. Part of the purchase price can be met by the vendor making an unsecured loan to the shell company—unsecured for fear of the control of borrowing order. The loan, often non-interest paying, can then be repaid after the lapse of a few years in instalments out of the earnings of the new business, thereby turning its income into capital and avoiding tax on the part of the lender. Unsecured loans of this kind are usually accompanied by the warning to shareholders that, in view of the indebtedness to the vendors of the private company, dividends are likely to be "conservative."

A shell can also be used to float off an entirely new business—usually an investment trust or a small industrial holding company. Its cash can be used to purchase investments, or its unissued shares can be exchanged for shares in other concerns. On requotation, it is possible for such companies to state in their prospectuses that pending the investment of the company's funds the directors can make no forecast about future profits and dividends. Recent experience of some small holding companies, using their share capital to extend their tiny monarchies into unrelated fields, has not been impressive. Not all empire builders are successful.

A shell company must always be left with minority shareholders. The Inland Revenue does not seem to mind whether that 25 per cent minority consists of a few friends of the directors or of a rump of the shareholders of the original shell so long as dealings take place in the shares. A minority shareholder has only himself to blame if the shell company under the new control turns out in a way that does not suit him. So far, most minority shareholders have done reasonably well: most of the businesses that have been put into shells have a genuine profit record, pay dividends and there have usually been fairly active dealings in their shares after requotation. But the shareholder who stays in after the bid not knowing into what his shell company is to be transformed is a gambler clutching at the straw of rumour. He is gambling that his second chance of selling out—after requotation is granted—will be better than the first. And there are those also who take up shares in the company in its new form when they come on offer. That too is their own gamble for they ought to be able to read a prospectus as well as the next man. They must know they are gambling on a management about which they know little and over which they have no real control. They must suspect that the new management, since it would be liable to surtax on any dividends it receives, will run the business in the interests of the majority holders.

BUSINESS NOTES

IN THE MARKETS

New Stock Exchange Year

THE new Stock Exchange account that began this week marks for many firms the start of a new trading year. It happens also to mark a pause in the recent bullish tendencies of the gilt-edged market and bearish tendencies of the industrial share market. Despite the heavy call on the Shell issue industrials have done better than holding their own, *The Economist* indicator this week rising 3.3 to 176.4. The already wide spread between the yields on the two sides of the market has not this week grown any wider. On the gilt-edged side the two outstanding factors have been a pause in the recent substantial buying of the shorts by industrial companies with surplus cash, and the partial failure of the Belfast issue.

Belfast Corporation came to market for £7½ million with a 6 per cent stock 1973-75 at 99½ of which £2¼ million had already been taken firm on underwriting terms. The price seemed approximately in line with the market but underwriters had to take up 8 per cent of their commitments. The stock opened at ½ discount and quickly moved to ¾ discount. There are a number of technical reasons why the market did not take easily to the new stock. But the basic fact seems to be that for the moment at least there is a surplus of these high couponed medium-dated gilt-edged stocks. Few experts really suppose that the "bull market" in gilt-edged is at an end. The consequences of Belfast may indeed be almost the exact opposite of the obvious. The issue may lead to an early departure from the 6 per cent coupon which has in recent months been considered essential for corporation issues.

Nor can anyone suppose that the pressure of issues on the industrial side of the market is at an end now that the Shell stock is £3 paid. South Durham Steel and Iron Company's re-financing is not the only big issue on the stocks. The South Durham terms show what a steel company coming to market now has to concede. The company will offer £8 million of a convertible 6 per cent second debenture (1973-83) at the surprising price of £95. This is 2¼ points below the price at which the similar convertible stock of Colvilles stood at the time when the South Durham terms were announced. As a partial hedge against nationalisation an option is given to convert half the stock on March 31st of any of the five years 1960 to 1964 at par. At the issue price of 95 that amounts to an option on South Durham ordinary shares, now standing at 20s. 3d., at 19s. Apart from that option the yields on the new debenture of 6.3 per cent flat and 6.4 per cent to redemption at the latest date are necessarily high. It can fairly be said that the threat of nationalisation is imposing a substantial burden on those steel companies that have to raise money.

Shell's Achievement

AFTER the anxieties of the £43 million rights issue by Shell Transport and Trading Company—the biggest industrial financing operation that the London capital market has ever handled—and despite whatever anxieties must still be felt by those whose issues are still to come to a market depleted of that large sum, the Shell issue itself was a notable success. For the offer of 8,177,204 £1 ordinary shares at £5 10s. per share subscription rights were exercised over approximately 7,940,000 shares. For the small balance, applications for excess shares came from 75,000 holders and were for 5,250,000 shares. Since the rights never fell to less than 10s. per share, it is not surprising that the number and size of excess applications should have been limited only by the applicants' bank balances. The basis on which the company allotted was, however, strange. Applicants for up to three shares received full allotment, and above that figure three shares, whatever the number applied for. The consequent large numbers of sales of three shares has caused some headaches, and brokers have been doing what they could to amalgamate selling orders into slightly larger blocks. But as the stock is partly paid and free of stamp duty the idea of quoting less favourable prices for these small oddments was not sustained for long.

The even bigger Royal Dutch issue made in New York and Amsterdam had already been a similar success. Holders exercised their rights to the extent of no less than 99.79 per cent of the issue. In that issue there were no excess applications. In the terms of the prospectus the underwriting syndicate headed by Morgan Standley sold the few shares not taken up for the benefit of the company.

PERSONAL SPENDING

Is Consumption Falling Off?

THOUGH the volume of retail trade hardly rose at all during January, this should not necessarily be taken, as the Board of Trade advises, as an indication of any longer-term change in the rate of personal spending. Sales through the shops in January—and in February—are normally quiet, they can be affected by differences in the weather, and the start of the winter clearance sales this year also happened to fall within the recording period for 1957.

PERSONAL SPENDING
(£ million)

	1956			1957		
	April–June	July–Sept.	Oct.–Dec.	April–June	July–Sept.	Oct.–Dec.
Food	1,086	1,084	1,166	1,110	1,146	...
Drink	213	230	265	225	242	268
Tobacco	226	249	246	241	254	255
Housing	287	282	283	306	301	315
Fuel and light	142	117	157	141	121	...
Household equipment	208	224	283	226	246	300
Clothing	336	320	401	354	328	406
Other goods & services	818	879	809	846	918	...
	3,318	3,395	3,609	3,449	3,556	...

But the two per cent rise in the value of retail sales last January, which was mostly accounted for by higher prices, was lower than the 4-5 per cent increase recorded for most of last year, and even allowing for the Board's qualifications would seem to confirm the impression that a general slowing down in the rate of growth in personal spending set in towards the end of last year.

Sales by clothing and footwear shops in January were

down by two per cent in value and nearly four per cent in volume on January last year, and department stores' sales of these articles were down by rather more. Total personal spending on clothing and footwear, after rising by three per cent in volume in the first half of 1957, levelled off during the third quarter, and perceptibly declined in the last three months. Retail sales of household equipment during January, though displaying no minuses except in the returns of the department stores, showed a similar slackening in the growth of spending. Household goods shops reported a two per cent increase in their trade during the month, after a year in which, with prices remaining fairly constant throughout, sales increased by progressively smaller amounts each quarter. The recovery that this trade enjoyed after the easing of hire purchase controls just over a year ago appears to have worked itself out, with sales running about 5 per cent higher than before the recession in 1955.

Food shops and the food counters in department stores, on the other hand, reported no significant change in trade. During January the value of their sales was about three per cent higher than twelve months ago, roughly the same as in 1957. Food consumption is generally a fairly steady element in personal spending, and in the first nine months of last year, when total personal spending was about 4 per cent higher than 1956 in value, and 1½ per cent up in real terms, food consumption rose by not quite 3 per cent in value and only slightly in volume.

. . . and Prices Also?

If personal spending has in fact begun to lose its buoyancy then price cutting, which has so far been only very sporadic, might be taken up more widely. The few reductions that have been made so far have nearly all been intended to stimulate buying. The Marks and Spencer's cuts, which were achieved as the result of economies in manufacture and distribution—without any paring of profit margins—and were only partly the result of lower material costs, have been followed by a quickening of sales. Many car dealers have lately been quietly raising their trade-in values for used cars as an inducement to buyers of new vehicles. And a few furniture and television retailers, who believe their sales are levelling off and are anxious to bring their stocks into line, have begun marking down some of their prices for the same reason.

But most manufacturers of goods bought by the public appear to be setting their hopes no higher at present than at keeping their prices stable. Until the trend of personal spending can be seen more clearly and they are through the present round of wage negotiations they are clearly unlikely to consider revising their pricing policies. The recent fall in basic material prices other than fuel—which has not stopped rising—has been confined in the main to the textiles, electrical machinery, and some food manufacturing industries. The cost of the new capital equipment that industry has been installing in the last two or three years has, moreover, yet to be recouped through larger outputs or increased labour productivity. Only a few firms—tyre manufacturers, for example, and Rootes, for its Commer and Karrier range of trucks—have yet announced price reductions as the direct result of larger production.

The prices of clothing and home equipment appear likely to be the most responsive to changes in the economy. Textile manufacturers have already begun passing on the benefits of lower material costs, but this has not yet spread to clothing manufacturers, whose sales have been falling off since the autumn. Prices of many items of household equipment are perhaps vulnerable because these retailers have always shown themselves most sensitive to changed conditions of trading. Most manufacturers of furniture do not fix resale prices and, while most television, radio, and other electrical appliance makers do, the retailer can usually find another way of killing the cat. If price paring should in fact become quite prevalent, industry's new power of enforcing resale prices through the courts might be put under some welcome strain.

ATOMIC HAZARDS

If it was Plutonium

Tuesday's dropping of a nuclear bomb on a farm house in South Carolina is the third known incident of its kind although there have been rumours of several others. In the first two cases the aircraft itself was involved in an accident; a B 47 bomber crashed in 1950 while carrying an A-bomb and last month another B 47 jettisoned its bomb into the sea after a mid-air collision with a fighter. What happened on Tuesday is reputedly the result of a relatively minor mechanical fault in the bombing mechanism, which places it in rather a different category.

Nuclear weapons do not explode on impact, as conventional high explosive does, as the high explosive parts of this bomb did on this occasion, destroying the farmhouse and injuring six people. But the fissile materials in the warheads are poisonous, handling and machining is always carried out by remote control and the consequences of scattering them around compare with an accidental escape of radium. Of the two nuclear explosives, plutonium is more dangerous than uranium 235. Although its natural radio-activity is less of a hazard than that of radium, the consequences of eating or breathing as little as one microgramme of plutonium dust are alarming. Plutonium does not pass through the body, but gets absorbed like strontium or calcium, into the bones and since it remains radioactive for several thousand years, even its relatively weak radio-activity can do appalling and irreversible damage.

When the high explosive segments of the bomb exploded on Tuesday, they apparently did not break the heavy casing around the charge too badly and there was no serious escape of radioactive material. An exceptionally heavy casing is an integral part of nuclear weapon design, intended to contain the explosion as long as possible in order to get maximum blast effect and in the case of some H-bombs, actually contributing fuel to the explosion. But this casing is not intended to be either fire or fracture proof, and there is no reason to suppose that the fact that in this instance it held was due to anything more than unusual good luck. The steps taken recently in Holland to track down the remains of a radium needle that had broken off in a child's body show the kind of decontamination problem that the authorities would have on their hands if a nuclear weapon was actually broken open in a crash, and particularly if fire broke out to carry plutonium particles downwind from the accident. It is an argument that applies even more strongly against the use of nuclear reactors for aircraft, where the quantity of fissile material is so much greater and the risk of fracture considerably higher.

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IN THEIR EYES—THE SEARING GLARE OF RED-HOT STEEL

IN THEIR EARS—THE ENDLESS ROAR OF THE ROLLING MILL



MR. R. MARKS WORKS AT FIRTH-VICKERS, WHERE HIS FATHER ROLLED THE FIRST STAINLESS STEEL SHEET IN BRITAIN. TO-DAY FIRTH-VICKERS MAKE OVER 40 DIFFERENT KINDS OF STAINLESS STEEL.

These men may be changing your life

Scientific journalist J. Stubbs Walker reports from Sheffield on work that could prepare for space travel—or change your shaving habits. Pictures by Ivor Sharp.

TRASH OR TREASURE? Between finger and thumb, a white-coated laboratory assistant holds a grey and grubby lump no bigger than a hazel nut.

It may be valueless. It may be worth an industrial fortune. Almost certainly it is unique – a new kind of steel.

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But whatever the tests prove, the steel men (a proud and individual race) consider it worth while. It "improves the breed" of steel. The hazel nut of experimentation could make it possible to build more powerful rockets, faster aeroplanes or – who knows? – space-travelling moons. Or it could alter the shaving habits of the world by enabling more bristles to be cut with every blade!

SMALL ORDERS MATTER JUST AS MUCH

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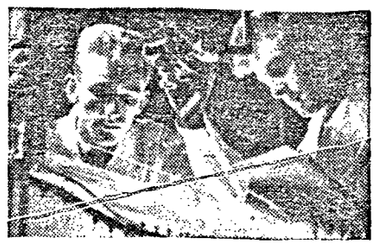
The steel men achieve their advances in surprising ways. You may think of steel being tempered by heat; but the laboratories of United Steel are working on a stainless alloy that doubles its tensile strength by being *frozen* to minus 70 degrees C.

The steel laboratories are among the most advanced in Industry. Every new metal must be tested in a dozen ways. Most important is the amount of "creep" or deformation of the metal under load. It calls for tests which may go on literally for years.

Rows of creep-testing instruments are housed in a room where no cleaner is ever allowed. Delicate halfpenny-sized mirrors reflect light beams to measure changes in length in the metal as small as two-millionths of an inch. The careless flick of a duster could disturb the mirrors and ruin a year's work.

The endless roar of the rolling mills, the brain-jerking shock of multi-ton hammers all suggest an industry of brawny violence. But behind it there is a refined understanding of the meaning of milligrams, of the precise control of temperatures. Sheffield has always taken trouble over its steel.

This report was commissioned by the British Iron and Steel Federation, which believes that everyone should know the facts about steel, and the men making it.



Scientists at the Swinden Laboratories of United Steel study the behaviour of air currents in a perspex model of a furnace.

Precautions at Harwell

REPERCUSSIONS of the Windscale fire continue to filter down through the structure of the Atomic Energy Authority. Last weekend it was announced that modifications were to be made to the instrumentation of Harwell's Bepo reactor, which was the scaled-down pilot version of the two Windscale piles and is almost as old as Harwell itself. Like the Windscale reactors, Bepo needs at intervals to be heated up to release accumulated stresses in its graphite structure and its existing instrumentation follows much the same lines as that used at Windscale, with temperature readings concentrated towards the centre of the reactor. This distribution of thermocouples was counted as a contributory factor to the fire that followed one of these annealing operations at Windscale; the greatest heat was applied at the front of the reactor, where there were no thermocouples to measure it.

This is not a difficult matter to put right, nor are the somewhat inadequate arrangements for measuring the neutrons released when the pile is operating. Bepo is therefore not likely to be out of commission for long. But the reopening of the second, undamaged reactor at Windscale is a different matter. This was shut down immediately after the fire, and will not be started up again until the AEA has worked out a new method of tracing bursts in the fuel elements. The original machinery, the only moving part in the entire plant, consisted of a sliding scanner that travelled up and down the face of the reactor. The decision to install it was made only a week before the Windscale reactor was due to start up for the first time and then, according to Sir Christopher Hinton, only with grave misgivings. These proved fully justified. The scanner regularly jammed, especially after an annealing operation, and it was jammed and useless on the day that the fuel slugs in No. 1 reactor burst and caught fire. But it is not proving easy to find any more reliable alternative for a reactor already built and highly radioactive. The far more elaborate detection gear used in all new reactors from Calder Hall upwards are built in to the reactor structure during construction, and it would be impossible to add gear of this kind once the plant has begun working. Bepo may once again find itself being used as a pilot plant to see what is or is not possible at Windscale.

AIRCRAFT EXPORTS

Competition in Credits

THE Export-Import Bank is not a full member of the "Berne Union" of credit insurers because it is not fully in the credit insurance business. It is a friendly associate but it grants insurance only where it also grants credit. Moreover the objectives of "Ex-Im" are not fully and clearly commercial. Is it there in order to make the products of civilisation available to the underdeveloped countries on terms containing an element of charity? Or is the object to make sure that American firms get what business there is? There is a little of both in the bank's make up: and aircraft exports provide an example of the second—the competitive aspect.

A British aircraft manufacturer's ability to grant credit to a foreign buyer is governed by the terms on which the Export Credits Guarantee Department will underwrite the credit and transfer risks (though ECGD itself does not provide the credit), and ECGD terms are governed by the "Berne Union" understandings. Thus ECGD will not stretch beyond 5 years and much prefers 4 years; it will not even co-operate on the basis that the exporter himself carries the risk for a sixth year, for that would be encouraging a length of credit that the Berne Union members think unsound. Nor are special alternative techniques such as chattel mortgages suitable for aircraft that will cross international frontiers. ECGD likes a substantial payment on delivery, so that the amount to be insured and financed is less than the value of the contract. It does not insure in advance of the grant of the airworthiness certificate, and the risk of withdrawal of that certificate is for the exporter's account.

By contrast the Export-Import Bank insists on a 20 per cent payment on delivery and 20 per cent of financing from other sources. It often keeps within the five year period but has given a number of credits up to 7 years. Such exceptional deals as a chartering with option to purchase for two years, a moratorium period of three years and then a repayment period of five years have been used by the Americans and seem to non-Americans to point to distress selling.

Should ECGD Match "Ex-Im"?

SHOULD British finance attempt to match the generous terms granted to exporters of American aircraft by "Ex-Im"? The first-line life of an aircraft is about 8 years and the cost of credit plus insurance that has to be recovered during that life are high: ECGD's premium can be anything from 1 per cent to 7 per cent according to the risk, with perhaps 2½ per cent as a mean. A commitment fee of ¼ per cent to ½ per cent is charged by Air Finance for arranging credit, and for the bank credit granted against the importers' bills the charge is Bank rate plus 1½ per cent or 1¾ per cent per annum, payable of course on a reducing balance. Assuming about 20 per cent of the price to be payable on delivery and the balance over 4 years, these figures point to a total credit cost equal to about 16 per cent of the contract price. For the larger contracts where ECGD gives its insurance direct to the banks, retaining recourse against the exporter, the total cost is only slightly less.

"Ex-Im" charges anything from 5½ per cent to 7 per cent per annum. So on 80 per cent financing at 6 per cent over five years the cost to the buyer would be increased by about 12 per cent. The more important question is whether those smaller buyers of aircraft who demand more than five years' credit should be given it. If the "Berne Union" members are right in thinking that to do so would be bad business, the answer is obviously, No, even though collectively these small buyers make up a large part of the aircraft market, and a high proportion of any manufacturer's business consists of orders for three to six machines. But a production run that will be economic for the manufacturer could well depend on being able to give these small customers the credit terms that they can get elsewhere.

TRADE GAP NARROWS

No Change in Exports

AS is usual in the quiet trading month of February, imports last month fell more than exports. As a result the trade gap (the excess of imports, valued cif, over exports

and re-exports, valued fob) was only £11 million. It was the lowest gap in any month for more than ten years with the single exception of the dock strike month—October, 1954. However satisfactory this result, it is not quite the occasion for jubilation that some people felt at first glance it might be. The trade gap has shrunk since last year as

UNITED KINGDOM TRADE

(£ million—monthly averages or calendar months)

	Imports cif	Exports fob	Re-exports fob	Trade deficit	Exports to North America*
1957	339·6	277·1	11·1	51·4	36·0
1st quarter	352·7	278·8	13·0	61·0	32·0
2nd "	346·9	283·8	10·2	52·9	38·8
3rd "	332·1	265·6	9·8	56·6	37·5
4th "	326·9	280·1	11·5	35·2	35·8
1958 : January	325·1	277·8	12·6	34·8	29·5
February†...	288·7	265·4	12·0	11·3	35·3

* Excluding repayments of silver bullion to the United States amounting to £7 million in 1957. † Provisional.

the result of the fall in commodity prices and shipping freights. Imports in the first two months of this year were 12 per cent less in value than in the same months of 1957, almost entirely because of lower prices. And that relief to the British purse must in part at least be offset by lower earnings elsewhere in the sterling area.

On the other hand, exports in these months were practically unchanged in value in the two years and so, too, were export prices. The British export trade seems to be on a dead-even keel with a year ago. But one hopeful figure appears on the export side in these preliminary returns, the highest monthly figure on record for shipments to the United States, if repayments of silver bullion are excluded. At £22.8 million, these shipments were 27 per cent higher than a year ago.

FOREIGN EXCHANGE

Peak for Transferable Sterling

A PERSISTENT demand for transferable sterling raised its rate this week to $2.7965, the highest rate for transferable since the unification of transferable accounts in March, 1954. The demand has come from the New York and Zurich markets. It has been fed by continuing Russian sales of gold against dollars which have then been converted into sterling in the transferable market. There is some evidence that the British Exchange Account has been intervening in the market in order to prevent the gap between transferable and official sterling disappearing altogether.

In the official market sterling has also been in demand this week and the rate which has been held at around $2.81⅜ would have risen beyond this figure but for official intervention. Security sterling has also been bid at $2.78⅞. The foreign markets in sterling banknotes have settled down after the temporary disturbance caused by the lifting of restrictions on the import of notes. In the most active of them all, Zurich, the rate for pound notes this week has been 11.98-12.03 Swiss francs as against the official market rate of 12.28¼, the difference being accounted for by the cost of remitting notes to Britain.

COVERED ARBITRAGE

Money Both Ways

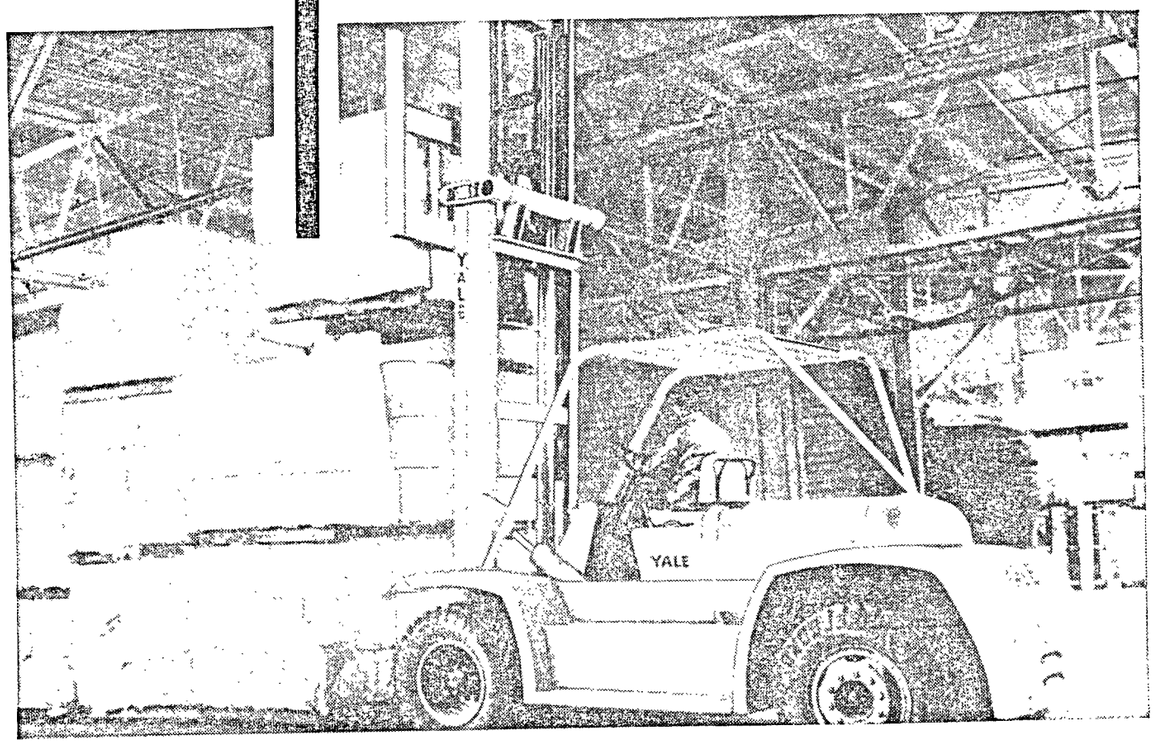
THE New York Treasury bill rate has risen for the second week in succession, from 1.35 to 1.53 per cent, compared with the low point a fortnight ago of 1.20 per cent. Following this week's move, forward margins in the exchange market narrowed, by ⅛ cent to a discount of 2⅛-2⅜ cents on three months sterling; hence the margin on covered arbitrage in Treasury bills was virtually unchanged at $\frac{0}{16}$-$\frac{5}{8}$ per cent in favour of London. The up-turn in the American Treasury bill rate reflects technical, and possibly temporary influences. Last week, indeed, the Federal Reserve Bank of New York led a further cut in discount rates of ½ per cent; but even after these two opposite movements, the bill rate was still ¾ per cent below the discount rate. Another recent adjustment to cheaper money has been a cut in deposit rates paid by the big New York banks—which were made progressively more attractive as the bill rate fell. The rate on 30 days' money is maintained at the maximum of 1 per cent; that on three months' notice is cut from 2½ to 2 per cent, and on six months' money from 3 to 2½ per cent.

These alternative forms of investment of short-term dollar funds are too often ignored by many observers in the arbitrage calculation; and over-simplification leads to wrong conclusions. In fact the movement of short term funds is not all one way; and this helps to explain why Britain's official gold and dollar reserves are on balance not receiving any large boost from short term capital transactions for interest arbitrage. Thus before the cut in the rate, a movement of funds into three or six months' deposit in New York from London Treasury bills involved a loss of interest that was smaller than the gain from the discount on forward sterling (which will be bought); and even now a switch is profitable from a London deposit account to a New York account. Hence at one and the same time movements of arbitrage funds are profitable in opposite directions according to the form of the short term investment chosen.

Thus many banks in practice will choose to match their forward commitment to supply dollars to the American banks investing in London by a purchase of dollars spot, for short term investment in New York. Whenever the initial forward sale of sterling is matched in this way, rather than in the forward market, the favourable impact on the spot rate and on the British gold reserves of the original investment in London will be neutralised. The banks in practice have considerable leeway for matching operations of this kind, since the authorities allow them special limits of holdings of spot dollars against forward commitments, in addition to the limits on their free working balances of dollars. There may also be independent movements of short term funds abroad; the German banks in recent weeks have been offering attractive rates on foreign deposits.

It is in these ways that, by widening the forward discount on sterling, the inflow of hot money sets up neutralising tendencies. The effect on the leads and lags in commercial payments, on which some observers are seeking to pin the whole issue, is subsidiary; the big leads and lags are prompted by straight speculative considerations, and thus follow the state of confidence rather than interest margins and the forward exchange discount.

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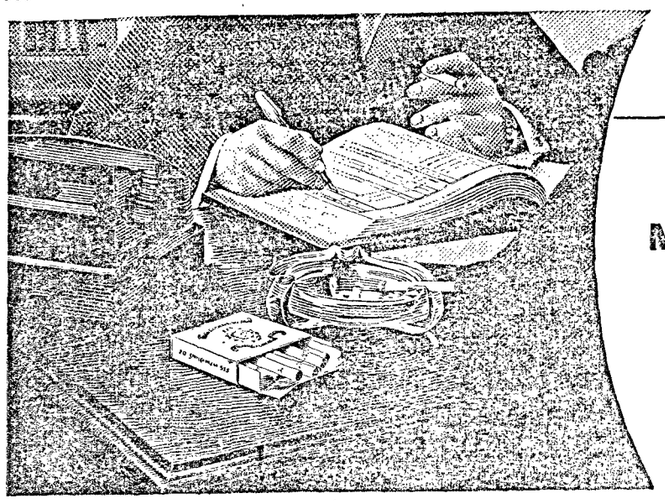
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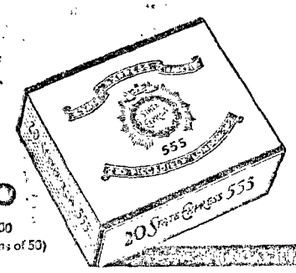
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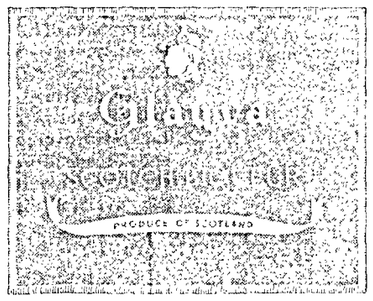
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MINTING GOLD

Profitable Sovereigns

THE announcement at the beginning of this year that new sovereigns would be minted to keep the Royal Mint's "hand in" has had an unexpected sequel; the Bank of England has been selling sovereigns to authorised dealers in the bullion market. Bids have been accepted for mixed parcels of them at a price of around $9.25 per sovereign. Buyers are not entitled to specify the composition of the parcels and most of the parcels recently delivered have included a large proportion of the new coins. These are unpopular with the bullion dealers because they are quoted in the free markets of the world at about 3 per cent below the price that can be secured for old George V sovereigns. The new sovereigns with the effigy of Queen Elizabeth II are also quoted at a discount in the Mahomedan markets where many of these coins find their destination. "Queens" —even Queen Victoria—have always been reluctantly accepted in the East. The new King George V sovereigns are also suspect because buyers in the Middle East markets suspect them of being the Italian copies with which the market was flooded a few years ago.

At the price of $9.25 per sovereign the Bank is selling gold at $39 per ounce, which after allowing for seignorage, gives a profit of about 11 per cent. Before the sales began at the beginning of this year sovereigns were quoted at $9.75 and the premium was around 16 per cent, so additional supplies have quickly affected the price. About two million sovereigns have been minted and it is estimated that about 200,000 have been sold at a profit to the Exchange Equalisation Account in the neighbourhood of £65,000. The authorised dealers handling this traffic to the Middle East and to Greece have themselves made reasonable profits though nothing to compare with the margin that can be made by the mint, which has the privilege of buying gold at the bullion price and turning it into the forms for which hoarders are prepared to pay.

FREIGHT MARKETS

Greeks Bearing Plans

IN any prolonged period of depressed freight rates, tramp shipowners usually start considering what they can do to reduce the surplus of idle ships or enforce a system of minimum freight rates; but the very nature of the tramp shipping industry militates against the success of such proposals. It is true that the International Tanker Owners' Pool before the war was a success, but this was made possible because the number of owners was small and the majority of the tanker fleets were owned by the charterers themselves—the major oil companies. Under this scheme owners of laid-up tankers were compensated out of a fund to which employed ships contributed. It was not found possible to obtain the international co-operation necessary to impose a similar scheme for dry-cargo vessels. Another difficulty is the problem of securing acceptance from owners of single vessels. Owners with several vessels in a fleet might readily agree to lay up a proportion of the total, but a single-ship owner can only lay up 100 per cent of his fleet.

The Chamber of Shipping has had a tonnage stabilisation scheme in cold storage for some time; and this is likely to be the subject of discussion at the forthcoming meeting of the International Chamber of Shipping. But a new post-war development in tramp shipping has been the emergence of huge blocks of tonnage under "flags of convenience," largely under Greek ownership. Even if it were possible for the traditional maritime countries to agree to a tonnage stabilisation scheme, it would be useless without the co-operation of this handful of owners, who control more than half the world tramp fleet. The Greeks themselves, on their own account, are now attempting to secure agreement about the controlled laying up of their ships: Greek owners from New York are due to discuss these plans with their opposite numbers in London next week. By withdrawing a substantial part of their fleets from the market, they might soon force freight rates up. But this would benefit all shipowners, who would bring into service their ships which are at present laid up, so that rates would fall again, and the "Greek" ships would still be laid up. However, control over such large blocks of tramp tonnage must give them power to influence the freight market when there is a surplus of ships over cargoes, and the reserve of tonnage which can be brought out to make high profits when conditions are the reverse.

MIDDLE EAST OIL

Kuwait's Refinery Expansion

NEW installations officially commissioned this week in Kuwait have increased the crude oil processing capacity of the refinery at Mina al Ahmadi more than sixfold to 190,000 barrels a day, or some 9 million tons a year. The expansion is basically a "topping" operation to produce about 4½ to 5½ million tons a year of heavy fuel oils to be used mainly in making Kuwait a major bunkering station for the rapidly increasing number of oil tankers trading in the Persian Gulf, thus leaving the refineries in Europe freer to meet their local industrial demand for fuel oil.

A problem for the British Petroleum Company and the Gulf Oil Corporation who, as joint owners of the Kuwait Oil Company, share the output of the refinery, has been to find markets for all the lighter fractions that have to be produced, even in the simplest distillation process, jointly with the fuel oil. Marine diesel oil will be required for ships' bunkers; there is a local market in Kuwait for standard grade kerosine and gas oil; and export markets both east and west of Suez should be able to absorb the rest of the middle distillates which will be made each year at Mina al Ahmadi. But at present most of some two million tons a year of low grade gasoline made in the refinery there cannot be sold and has to be recycled into the ground in Kuwait.

There is, however, a rapidly growing local market in Kuwait for high octane petrol, which has at present to be imported. Already some 20,000 vehicles are on the road in Kuwait, many of them American models with engines with high compression ratios, and their number is increasing rapidly. To provide for them, a platforming unit is being installed to up-grade the octane rating of the gasoline produced by the ordinary distillation process. Although current consumption of premium grade petrol in Kuwait is running at only about 40,000 tons a year, demand is expected to rise

by about 20 per cent a year, so within four or five years the platformer should be working at a capacity rate of about 100,000 tons a year—which would still leave about 95 per cent of the gasoline output to be recycled underground.

AIRCRAFT

Farmer's Own Aeroplane

SMALL aircraft manufacturers are not necessarily the ones to feel most acutely the cold wind now blowing through the aircraft industry. This week Auster Aircraft, largely known for its small private aircraft and trainers, announced that it was putting into production the first aircraft designed specifically for crop spraying—most of those in use are standard aircraft on to which tanks, booms and sprays have been added wherever they can safely be fastened. The company also claimed, with justifiable pride, to have received the specifications late last year, completed the drawings by the beginning of January, and flown the first complete aircraft on 22nd of February.

Two orders for a total of fourteen aircraft have been placed, nine for Crop Culture, based on the Isle of Wight, and five for a French company with whom it has a working agreement. The cost of the new aircraft, about £5,000 fully fitted with a 100-gallon tank and rotary sprayers on the wing tips, is not much more than that of making over a standard type. The astonishing boom in aerial spraying—particularly in Africa—has made it possible for companies that began in a very small way to become quite substantial customers for new aircraft. Crop Culture went into business in 1955 with two Tiger Moth aircraft ; it now has thirty aircraft in service, in addition to Auster's new Workmaster on order. One of the reasons for success has been the improvement in spraying techniques, making it possible to use highly concentrated chemical and so reduce spraying time ; in some cases Crop Culture, using rotary sprayers, uses as little as ¼ gallon per acre.

LATIN AMERICA

Effects of Falling Prices

THE chairman's statement accompanying the annual report of the Bank of London and South America has long been one of the most notable documents of the year for everyone interested in trade with Latin America. Sir George Bolton, who last year resigned from his executive directorship of the Bank of England (though he remains an ordinary director) in order to succeed Sir Francis Glyn as chairman of the Bank of London and South America, is sustaining the tradition of presenting valuable summaries of current trends in each of the countries in which the bank deals ; and he prefaces these with a broad survey informed by his own special experience in the sphere of international finance. He takes the view that the world is moving into "a position of abundance, smaller profit margins and fierce trade competition," and sees "little in the immediate future to suggest a return to the conditions of the past decade."

On this rather pessimistic view, some difficult problems must be posed for the countries of Latin America, as for others in which primary production is of key importance. The world price trends of the past seven years, Sir George pointed out, have already caused a worsening of Latin America's terms of trade by some 15 per cent. The major exception to the general trends in Latin America has again been seen in Venezuela—and here Sir George points a moral : Venezuela's ability to take advantage of its fortune in the possession of oil reserves, he emphasises, has been due to the "absence of prejudice against foreign capital, without which its resources could scarcely have been tapped."

In spite of the pressures upon prices, and the further depreciation of most Latin American currencies, the bank has enjoyed an "exceptionally successful" year. Net profit rose from £560,047 to £682,559, but in view of the uncertainties that loom ahead, the increase was ploughed back into contingency reserve, and the dividend maintained at 9 per cent. Thanks to the repeal of the 1947 Banking Law in Argentina, the banks now receive deposits in that country for their own account, instead of merely as agents for the central bank. This explains the rise in the Bank of London's total deposits from £98 million to £114 million, in spite of the exchange depreciation (involving a drop of about £7 million on the conversion of the balances into sterling).

EASTERN BANKS

Bigger Dividends

THE past year has been one of consolidation among the eastern exchange banks. The Chartered Bank, the oldest and largest of these institutions, has acquired the capital of the Eastern Bank, the smallest and youngest of them ; and the National Bank of India formally merged, from January this year, with Grindlays Bank, its subsidiary since 1948. The Chartered, the new National Overseas and Grindlays Bank, and the Mercantile Bank have all reported this week ; the Hongkong and Shanghai is due to do so as this issue goes to press.

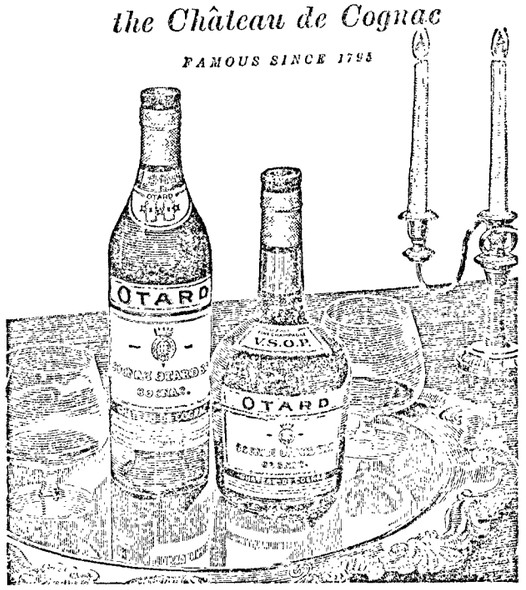
Both the National Overseas and the Mercantile show small falls in deposits, and in their holdings of bills. They have plainly been affected by the falls in world commodity prices. But whereas the National shows a slight reduction in profits, Sir Kenneth Mealing of the Mercantile states that the board no longer finds it necessary to build up inner reserves at the same rate as previously, and consequently the profit is shown at £331,243, compared with £236,484. This meets the big increase in the distribution for 1957—£211,312 against £118,335. The interim dividend had been raised to 12½ per cent (against the former interim and final payments of 7 per cent each) and the final dividend, paid on the capital as increased by a 100 per cent scrip issue, was as foreshadowed paid at the equivalent rate, of 6¼ per cent actual.

The Chartered Bank also has made an increase in its distribution, repeating its payment of 15 per cent for the year on the capital increased from £3.5 to £4.4 million—marking an increase in the dividend to an effective rate on the old capital of 18.9 per cent. Profits of the group are up from £804,641 to £1,000,890, and include the earnings of the new acquisitions. These comprise not only the twenty branches of the Eastern Bank (predominantly in the Middle East) but also the six Cyprus branches bought from the Ionian Bank and the two branches in Pakistan acquired with the purchase of the Allahabad Bank. The Chartered

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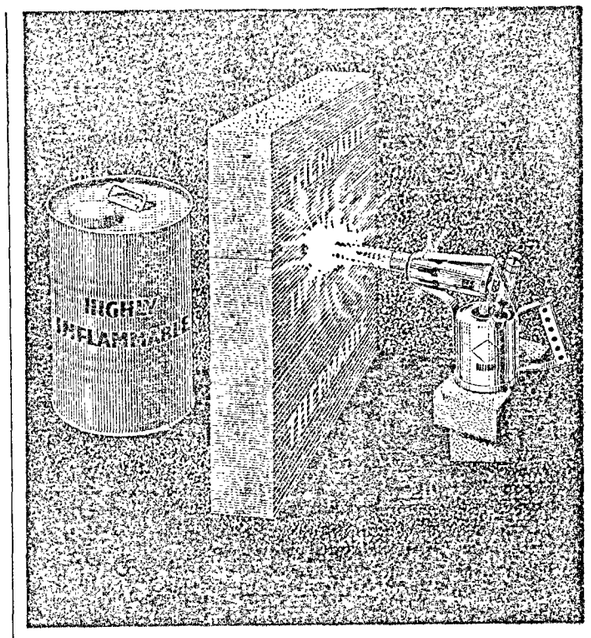
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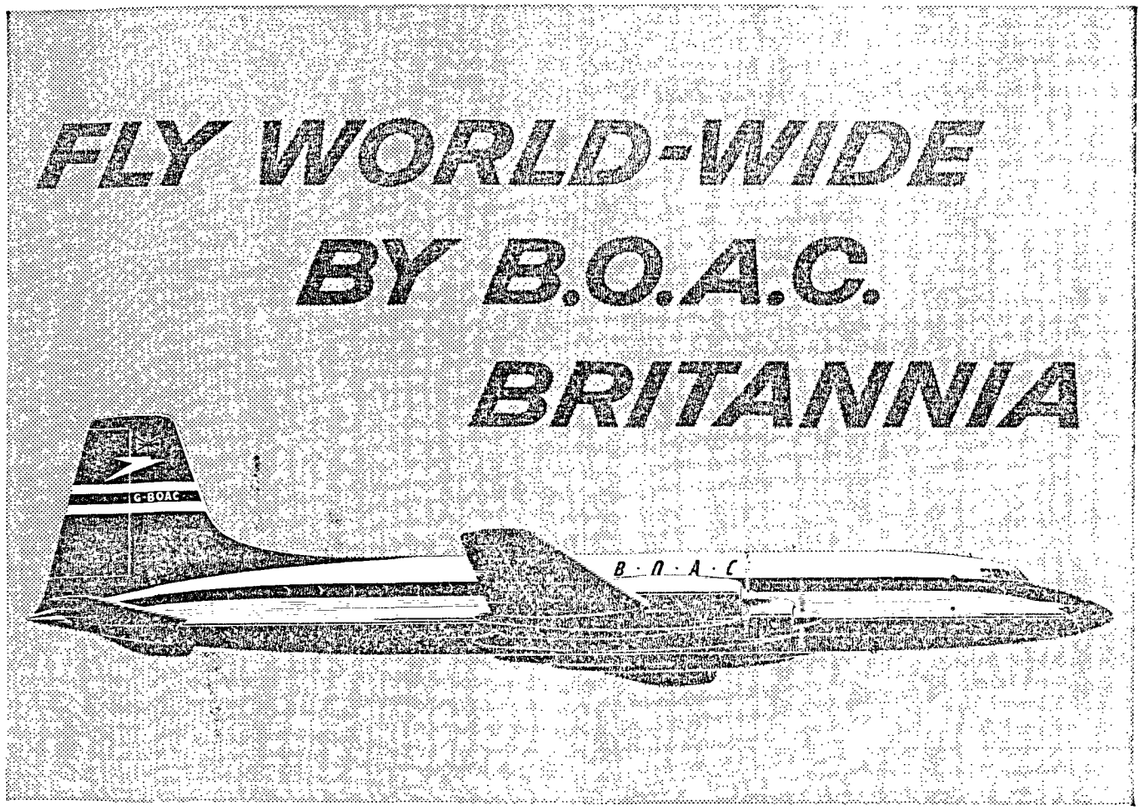
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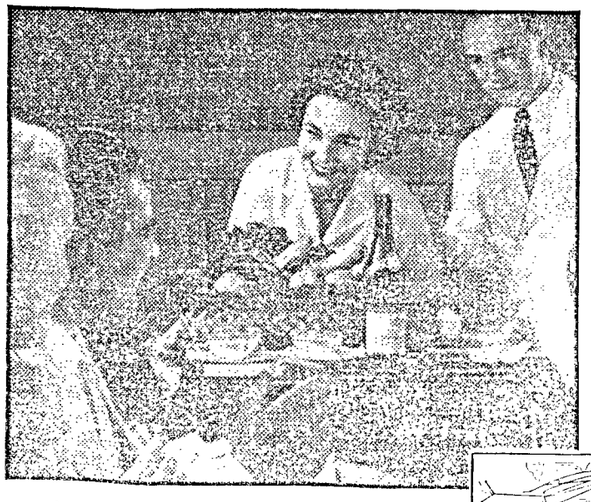
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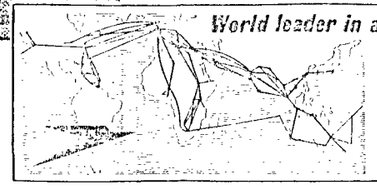
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HALIFAX BUILDING SOCIETY

A Problem of Investment

FIGURES from the Halifax Building Society once again demonstrate what a formidable competitor this strong society can be in the movement, and what a vast amount of progress it can achieve even in a difficult year. The society's year ends on January 31st. In that year its total assets went up from £297.3 million to £344.0 million; it advanced on mortgage £66.7 million, against £46.1 million, and still did not fill the demand; it received from investors net £35.1 million against £23.7 million and it ended up again 17.9 per cent liquid. But as always when growth is rapid and the margin between income and outgoings (what would be called in a trading company the profit) is narrow, reserves have grown more slowly than the balance sheet total. The reserve has been increased by £418,211 to £13.0 million, but the ratio of reserves to total assets has fallen from 4.4 per cent to 3.8 per cent.

The Halifax is strict about investment policy. It does not go beyond the medium dated stocks—say, up to 1969—and it deals with its depreciation as it should—by writing

	Year ended January 31, 1957 £000	1958 £000	Change on year
Mortgage assets	243,282	281,495	+38,213
Liquid assets	53,235	61,594	+ 8,359
Other assets	781	923	+ 141
Total assets	297,298	344,012	+46,713
Reserves	12,594	13,012	+ 418
Ratio reserves/total assets	*4·2*	*3·8*	
Ratio liquid assets/total assets	*17·9*	*17·9*	
Mortgage advances	46,129	66,675	+20,546
Received from investors	70,632	85,375	+14,744
Withdrawals by investors (including interest)	46,884	50,258	+ 3,374

it off. A sum of £343,000 has this year been applied to writing down the quoted investments to their market value, and but for that writing down operation, which other building societies do not do, the reserves would have made a much better showing. That does not seem to be the full answer to the problem of investment depreciation. The president of the society, Mr Algernon Denham, has again made it clear that he regards the investment portfolio, which in one year showed an appreciation of £1 million above book value and in the next a loss of £300,000 below it, as the "risk assets" of the society—much more risky than the mortgage assets.

Mr Denham has not yet revealed the solution, if he sees one. Part of it may be to keep the liquidity ratio within bounds, but they must not in a reputable society be allowed to fall far. The real solution surely must be to keep the liquid assets truly liquid. Those quoted stocks are not being held in order that they may be redeemed on maturity (in which event they will yield the Halifax society about 7¼ per cent because building societies are not liable to tax on capital profits). They are held to support the society's claim that it can repay its shareholders, and more particularly its depositors, at short notice. The yield is quite a subsidiary matter.

MOTOR INDUSTRY

Cross-Country Competition

THE Austin Gipsy is BMC's second and most serious attempt to break into the market for civilian cross-country trucks. This has been shared since the war between two relatively small motor manufacturers, Willys in America, the inventors of the Jeep, and Rover in this country, whose basic Land Rover has been in production with only minor modifications for ten years. This is a lucrative market with a high turnover, totally unaffected by fashion. The surprise is that it has remained the world monopoly of these two manufacturers for so long.

When Austin were building the "Champ" combat vehicle for the Army a half-hearted effort was made to market a civil version at prices nearly £200 more than those being charged by Rover. The Gipsy owes much to experience in building the Champ. Customers expect a dual-purpose truck to handle like a car on the road, but to travel at moderate speed over every variety of soft ground, and to paddle if not actually to wade in shallow water. In practice this means that the manufacturer must provide conventional two-wheel drive when the truck is on a road, facilities for shifting the drive to all four wheels when the going becomes soft, and exceptionally low gear ratios for towing, steep climbing or generally nightmare conditions.

In top speed (about 60 mph), size, carrying capacity and general cross-country agility there is little to choose between the two vehicles; nor is there in price (at £630 the basic Land Rover is £20 cheaper than the Gipsy). But there are some noticeable differences in their engineering. BMC has given the Gipsy the 2,199 cc engine used in London taxis, which is bigger than that used in the Land Rover and has unexpectedly lively performance. But no provision has been made for engaging four wheel drive on any but the four lowest of the eight gears—those that would normally be used only on exceptionally heavy going; in the Land Rover four wheel drive can be used with the top four gears, and frequently is for normal cross-country work. Austin's new suspension, on the other hand, is a striking improvement on that provided so far in Land Rovers. Whether it was wise to give the Gipsy a steel rather than an aluminium body will be shown only by experience.

Rover's longer production experience tells in small details in this comparison, but although the Gipsy's unbelievably draughty and inconvenient doors appear to have been designed by a sadist, the general engineering and design of it fully meets a peculiarly difficult specification. Competition has already had a stimulating effect: Rover's answer to the Gipsy is expected to be announced in a few weeks' time.

VEHICLE INSPECTIONS

Fifteen Bob a Test

THE Minister of Transport will need a great many properly equipped "testing stations" to carry out the system of compulsory and spot vehicle tests provided for in the Road Traffic Act, 1956, and the scale of fees that he has now announced, after 18 months of protracted negotiations with the garage trade on all the many points involved, makes it quite likely that enough garages will volunteer to be put

on the list. Inspection of a two-wheel motor cycle will cost its owner 10s. 6d., and the owner of a car, van, or three-wheeler will have to pay 15s.—which, incurred annually, will effectively add about 6-8 per cent to the cost of the annual Road Fund licence for motorists who choose to run old cars. All but a shilling of this fee, which will go towards the Ministry's own costs, will be pocketed by the "test station"—for what will in most cases be half to three-quarters of an hour's work.

But a charge of this order was probably necessary in order to make co-operation worthwhile for the garages with the requisite workshop facilities, test pits, and qualified staff. The trade is short of skilled mechanics, and not all garages could readily find the space and perhaps the time to set up and operate "test stations" satisfactory to the Minister's examiners otherwise. The Ministry's desire to have a widely spread network of testing stations across the country, so that individual motorists need not travel far to get their certificates, means, too, that many of the stations will hardly be fully occupied solely on inspecting. Tests are to be made compulsory, first of all, for all motor cycles, private cars, and vans of up to 30 cwt. unladen weight that are ten or more years old. This means rather more than 1½ million of the six million or so of these vehicles now on the road. At a minimum of thirty minutes a test, covering the brakes, steering and lighting of a vehicle, the points most likely to be included at first, compulsory testing will initially take nearly a million man hours every twelve months. Spread across several thousand stations—a national network the Ministry is envisaging would probably require more than ten thousand—this does not mean much work. But garages may have hopes of getting some repair business from the owners of these older vehicles, many of whom probably have marginal motoring incomes and in the past have done any maintenance work themselves. If a car is found unsatisfactory the owner can appeal. But can the car be driven away? If not, an unscrupulous garage could easily make operating its "station" well worth while.

But the number of stations that will have been inspected and authorised by the Ministry at the outset of the scheme will be rather fewer, and some staggering of the 1½ million inspections will be necessary. The Ministry hopes to invite applications from prospective testing stations at the end of next month, after further discussions with local authorities and the motoring organisations. Once a reasonable number of applicants have been authorised to operate tests, the full regulations will be published in an order laid before Parliament and, in plain language, in a white paper.

COFFEE

Producers Get Together

CONFUSION in the coffee market is no new phenomenon; nor is over-production. But it has now become so menacing and prospects for equating supply with demand so remote that even some of those coffee traders who normally uphold free markets are beginning to talk and think of concerted action. Some of the producers have already moved down that road. In Brazil there is once again talk of burning the surplus; in Colombia exporters signed a pact last week with their federation not to sell abroad below prices periodically fixed by a special committee. Both these leading South American producers have for some time been buying in their own coffee in an attempt to hold prices.

Last October at a meeting in Mexico City the seven leading western hemisphere producers agreed to retain at least 10 per cent of their current crop and to ration exports over two periods—November to March, the main selling season, and March to November. Effectively they thus cut exports for the peak period by about 20 per cent below the average of the past two years. That was an emergency measure which temporarily helped a sagging market. Another producers' conference took place in Rio de Janeiro in January. And on this occasion all producing countries, including the Africans, were represented, while consuming countries were invited to send observers. It was agreed to set up an International Coffee Organisation—ICO. But hopes among the Latin Americans that Rio would bring the outsiders into an agreement on the lines of their own Mexico City agreement were not realised. The African producers would co-operate to promote sales, but not to restrict exports. The new organisation was the outcome, and to provide funds for it a levy of 25 US cents per bag exported was agreed. The levy is estimated to produce $8 million a year.

The Growing Surplus

SINCE the Rio meeting all Western hemisphere producers except Brazil have agreed to cut exports by about 25 per cent for the April-June period. And Brazil had already agreed to hold back 3½ million out of its estimated 18 million bag crop. Stocks in Brazil had reached over 13 million bags by the end of January. Exports are moving so slowly that it now pays the grower to sell his coffee to the Brazilian Institute rather than on the world market. There are two significant factors in the current coffee glut. First, there is every indication that the world coffee crop is going to increase. The last crop was 38 million bags; the current one is estimated at over 40 million and in a few years it could easily rise to 55 million bags.

Secondly, within the expanding world crop, the African crop is likely to grow faster than the Central American. African countries now produce about 8-9 million bags. Robusta coffee—the cheaper and most important African variety—takes only 3 years for the plant to mature compared with 7 years for an Arabica plant. While the world market has been moving against South and Central American coffees, it has not been unkind to African growths. The price differential between the South American and Robusta has consistently narrowed since the Mexico meeting. In contrast to all other varieties the price of Robusta has hardened. Ivory Coast Robusta stands at 40.35 cents per lb, against 34.50 cents at the end of October, while Colombian coffee has fallen from 57.25 to 54.50 in the same period. The United States, by far the largest coffee consumer, has been looking increasingly to Africa for supplies. Robusta is also favoured for the soluble, "instant" type of coffee, for which there is an increasing demand. Thus the African producers are getting good prices and are planting more trees.

The economic and political implications for Central American countries are significant. A reasonable coffee price is vital to their economies. Coffee now takes third place after oil and steel in international trade turnover. A serious break in the market could have effects of which Washington is duly conscious.

JUTE

Pakistan's Terms

THE London Jute Association has come to heel. At an extraordinary meeting in London this week it was decided to deal in Pakistan raw jute only directly with firms in Pakistan and not via India (principally Calcutta), as had previously been common practice. All members of the London Association are to give an undertaking to this effect. This decision meets the first of the Pakistan government's conditions for reinstating the four London merchants recently "blacklisted" by the Pakistan authorities and banned from handling Pakistan raw jute. No decision has yet been taken on the second condition—that London firms define and declare whether they are principals or shippers on behalf of someone else. The Pakistan government has ruled that if they are principals they must not charge a discount or commission against Pakistan shippers. The Association is awaiting clarification of this directive.

The dispute is basically political—an attempt to make the London houses set up organisations in Pakistan. Most of them have long had branches or subsidiaries in Calcutta, but only some of them moved those offices into Pakistan after partition. Those who did so are unaffected by the new moves. Those without offices in Pakistan are deeply concerned. Whether the cutting out of Calcutta, the traditional jute centre in the East, will prove practicable is seriously questioned by at least one important London house. Pakistan's dictatorial and political attitude is regrettable.

SHORTER NOTES

According to the seasonal correction that the Iron and Steel Board has just introduced into its calculations of "apparent steel consumption" (themselves derived from fairly hard figures of deliveries plus or minus the changes in stock estimated from a census), steel consumption in Britain appears to have been recovering by the third quarter of last year from the dip that began early in 1956. There was no further advance in the fourth quarter of last year, consumption remaining roughly level. Yet consumers' and merchants' stocks continued to rise slightly, reading about 4,580,000 tons of finished steel by the end of the year.

* * *

Manufacturers contributing to the Board of Trade's quarterly survey of capital expenditure invested only 2 per cent more in the final three months of 1957 than twelve months before—after their investment spending had increased by 13, 9 and 5 per cent, respectively, in the three preceding quarters. This makes the total increase for the year 7 per cent—the amount they had forecast. It also suggests that the progressive decline in the rate of manufacturing investment during 1957 resulted in an actual fall in real terms by the closing months, for the price of capital equipment had by then risen by 3¼ per cent over the year before.

* * *

The buffer stock's holding of tin at September 30th has now been disclosed: it was 4,315 tons. Later figures have not been announced, but it is known that before the end of December a total of 15,000 tons had been reached.

* * *

Mr E. R. Lewis, Chairman of Decca record company, foreshadowed at Monday's meeting that results for the year ending March 31, 1958, will disclose a marked increase in profits.

* * *

COMPANY AFFAIRS

FORD MOTOR

AFTER the increase in the interim ordinary dividend of Ford Motor from 2½ to 3 per cent, some investors began to canvass the possibility that the final payment would be 7 per cent making in all 10 per cent, compared with 7½ per cent paid in 1955 and 1956. Recently there has been some speculative buying of the £1 shares, based on such hopes. The final dividend for 1957 is, however, now fixed at 6 per cent, making 9 per cent for the year. That increased dividend is backed by impressive profit figures, but the £1 ordinary shares were marked down, falling 1s. to 35s. 6d., to offer a yield of £5 1s. per cent.

The half-yearly report of Ford Motor had prepared investors for good results in the full year to December 31st. And they are good, impressively so. The number of vehicles sold has risen by 5½ per cent, from 320,742 to 338,421 units; within that total, exports have risen by nearly 20 per cent, from 153,930 to 184,669 vehicles. The value of sales has risen by nearly 14 per cent, from £145.7 million to £165.9 million: it is clear from these statistics that Ford Motor is producing and selling more in the more expensive range of its vehicles. Its trading profits, for a year of recession is being compared with a year of recovery, have more than doubled, jumping from £8,766,045 to £18,042,573, and its net income after tax has nearly doubled, jumping from £5,614,866 to £10,880,809.

The extent of the recovery, however, is best illustrated by the half-yearly figures, reproduced in the accompanying table. As the gross profit shown in that

Six months ended	June 30, 1956 £'000s	Dec. 31, 1956 £'000s	June 30, 1957 £'000s	Dec. 31, 1957 £'000s
Sales.....	77,779	67,900	79,945	85,955
Gross profit	5,629	4,361	9,160	10,039
Net income	3,424	2,191	4,922	5,959
Vehicles sold	*178,379*	*142,363*	*166,234*	*172,187*
Sales value per vehicle	£435	£477	£481	£499
Gross profit per vehicle	£31½	£30½	£55½	£58½
Gross profit/ sales	7·2%	6·4%	11·4%	11·7%

table includes interest received, the sales value and the profit per vehicle are slightly overstated, but the trends are unmistakable. First, as the group has concentrated more on its more expensive vehicles, the sales value of the units it has sold has been steadily rising. Secondly, the really big increase in profits earned per vehicle occurred in the first half of last year though in the latter months there was a further though less spectacular rise in profit margins. The recovery of output must have reduced unit costs of production: quite big savings in costs were achieved through the more efficient use of plant. Thirdly, profit margins are now close to the levels at which they stood at the beginning of 1955, that is on the eve of the recession. Ford Motor, it might be said, is back to normal.

P & O

GREAT shipping companies have to take long views. Stockholders of Peninsular and Oriental have reason to thank the directors for taking a short view with the dividend. They put it up from 8 per cent to 11 per cent on the rise in the consolidated profit from £6.4 million to £10.5 million. They did so knowing that recession in shipping had arrived, that next year's profits will in all probability be lower and that this present dividend has "no implication as to the level of dividend that can be maintained in years to come."

On other matters P & O takes a long view. The directors refer to the cancellation of a number of shipbuilding berth reservations which may check the rise in shipbuilding costs: but the cancellations have not been by the P & O group; nor has the group laid up any ships. Its tanker building programme remains at 18 vessels, of which two should be delivered this year. Its distribution of those vessels between the new Bermudan subsidiary Charter Shipping Company and the other group companies will be 7 under the Bermudan flag and 11 under the "Red Duster." The distribution might, stockholders are left to assume, have been much the same if the Government had not increased the shipping investment allowance to 40 per cent. But what more could the Chancellor have done to hold the mercantile marine in British domicile?

The P & O tanker fleet may perhaps at present prices cost about £45 million, against £37 million previously estimated. It is only half the group's total commitment for new ships. The most interesting item in the consolidated balance sheet is the unexpected balance on ships under construction—£45 million—and new tonnage, ordered but not laid down—£44 million. A total of no less than £89 million of fleet replacement ordered as at September 30th, compared with a mere £39 million a year earlier. And that is not quite the end of the story. Three of the tankers have still to become firm orders and come into the figures. Clearly P & O, with gilt edged and Treasury bill holdings of £48.6 million, against £49.7 million, and net current assets of £45.9 million, against £47.5 million, will have some financing still to do, despite big profit retentions, but it is one of the few companies that can go steadily ahead at a moment when freight markets look barely profitable.

CANADIAN PACIFIC

RECESSION in the North American economy is reflected in each item of the 1957 preliminary figures published by Canadian Pacific Railway. Recession, however, started from a high peak of activity and the president, Mr N. R. Crump, can describe 1957 as "a year of progress for Canada" though "there had been a lessening in the forces of expansion in the economy." Railway revenue, for instance, was the second highest in the company's history, being exceeded only by the figures of 1956.

But, as the accompanying table shows, net revenues from whatever source were down. The return on net investment in railway property was down from 3.15 to 2.8 per cent; earnings on the $25 ordinary shares from $3.76 to $3.11 per share; and the dividend on these shares from $1.75 to $1.50 per share. The real spice in the Canpac equity comes from non-railway earnings. And last year these, too, were falling—earnings from steamships, hotels and even from petroleum rents and royalties. But the biggest item in other income is "dividends" and the essential element in that item is the dividend paid on the company's controlling interest in Consolidated Mining and Smelting. That company has again reduced its dividend but, more significantly, it has recently announced a policy of diversification designed to shift the centre of its activities away from mining towards the chemical industry. Canpacs at $46¼ (London terms) yield 5.8 per cent, a yield which may look slim to British investors not yet sure that recession will not bite deeper into earnings. But the real market in the stock is created by North American investors who seem ready to accept lower dividend yields.

	1956	1957
Earnings:	$	$
Railway revenue ..	505,262,393	487,565,479
Railway expenses..	463,926,566	449,319,097
Net railway earnings	*41,335,827*	*38,246,382*
Other income	*39,034,463*	*23,441,276*
Fixed charges	15,752,302	14,901,935
Net income	*55,617,988*	*46,785,723*
Dividends	27,458,833	24,119,432
Retained earnings .	28,159,155	22,666,291
Earned for $25 ord..	*3·76*	*3·11*
Paid on $25 ord.....	*1·75*	*1·50*
Other income :		
Steamships	3,843,310	2,022,120
Hotels, etc.....	3,911,317	2,496,956
Dividends	15,336,049	12,622,751
Petroleum, rents, royalties, etc....	9,268,121	8,437,019
Miscellaneous.....	6,835,636	5,162,430
Total.....	*39,734,453*	*30,741,276*
Income taxes	9,700,000	7,300,000
Net other income.	*30,034,453*	*23,441,276*

HUDSON'S BAY

NO bigger contrast to the Canadian Pacific report is likely to be found than the preliminary statement of the Governor and Company of Adventurers of England Trading into Hudson's Bay. This, the oldest of the chartered companies, is still domiciled in Britain though almost all its trade—retailing, wholesaling and furs—is done in Canada. Last year its gross trading profit advanced from £4,024,000 to £4,329,000 and its net income from £1,909,000 to £2,312,000. Those earnings were good enough to make investors look again at the Hudson's Bay ordinary shares which, along with other Canadian stocks, have fallen heavily since the summer of last year. Investors then began to take a less sanguine view of the company's minority interest in the developing company, Hudson's Bay Oil and Gas.

The trading dividend on the Hudson's Bay ordinary shares has been raised from 15 to 20 per cent, the tax-free dividend from the land account being left unchanged at 2½ per cent. The total dividend could hardly have been raised from 19.34 to 24.34 per cent gross unless the Governor and the board were reasonably confident about the future. Moreover, as from the end of last year the company has provisionally qualified as an Overseas Trade Corporation and that should mean, at current rates of profits, dividends and taxes, a saving of over £250,000 a year in tax. No wonder then that with all this good news the £1 ordinary shares gained 12s. 6d. to 160s. At that price, however, the yield is only £3 1s. per cent. It is a price which, granted the luxuriance of the latest crop of news, can be justified only on the assumption that the company's interests in oil will pay off handsomely when the Canadian economy begins to expand again.

HOOVER

A TABLE in the annual review and accounts of Hoover, showing a rough breakdown of costs, suggests that last year the turnover of this manufacturer of domestic appliances was of the order of £35 million (including purchase tax) and £27 million (excluding that tax). From these sales, the group earned a gross profit before tax of £3,757,312. That profit was about 34½ per cent up on the 1956 figure of £2,790,077 but the dividend on the ordinary and "A" ordinary units was left unchanged at 50 per cent. But in the first half of last year profits were as much as 64 per cent higher, so that in the latter months, as the directors had foreseen, margins were squeezed between rising costs and stable selling prices. Over the year sales at home rose by about 13 per cent and sales abroad by about 4 per cent but it looks as if the increase in sales became more difficult to achieve as the year wore on.

It will not be so easy to earn profits this year as it was in 1957. That surely must be the inference of the concluding remarks of the chairman, Mr H. W. Hoover, who says: "We know it will be a difficult year, particularly in the export field where competition will be fierce. We know it will be increasingly difficult at home unless we obtain some

easement of Government restrictions." Along with other industrial shares the Hoover units have risen, the 5s. ordinary shares going up to 35s. 3d. xd (to yield £7 2s. per cent) and 5s. "A" ordinary shares to 33s. 3d. xd (to yield £7 10s. per cent).

RADIATION

IN 1954 the trading profits of Radiation, manufacturers of gas cookers and gas appliances, reached a peak of £1,673,284. In 1955 the profit fell to £1,223,848 but the ordinary dividend was left effectively unchanged at 11¼ per cent. Profits fell again in 1956—to £745,122 and the dividend was reduced to 7 per cent. The record speaks for itself: the fortunes of Radiation are tied not only to gas but also to credit and hire purchase restrictions. And last year trading profits fell again—to £441,682. Net profits dropped from £233,573 to £48,266 and the ordinary dividend was cut to 5 per cent. Even so, that dividend, absorbing £130,096 net, was not earned and it was met by a transfer of £131,000 from general reserve (built up, the directors say, to meet "such an exceptional contingency"). The stock market was not impressed by this performance, but it was not much surprised, for an interim report, announcing the passing of the interim dividend, emphasised the trading difficulties. The £1 ordinary units were marked down 6d. to 14s. 3d., to yield just over 7 per cent.

The directors refer to "continued trading restrictions which were further increased in September." Hire purchase controls were not altered in September but credit was made dearer and less readily available. The directors also refer to "the intensified development instituted to meet these conditions" involving "heavy preproduction costs." They add that as new products were not in full production last year the results "reflect the full cost but not the full result in income." The new models have had some success, for the directors speak of a recent increase of 16 per cent in sales—an increase sufficient in their view to justify the payment of a dividend.

BRITISH-AMERICAN TOBACCO

THE full accounts of British-American Tobacco, lacking a statement from the chairman, add little to shareholders' knowledge. They do, however, show that the advance in the consolidated trading profit from £49.4 million to £54.1 million and the effective increase in the tax-free dividend from 1s. 6d. to 1s. 7½d. per 10s. ordinary stock unit were backed by yet another growth in assets. The increase in the group's fixed assets by £6¼ million to over £55 million, and the outstanding capital commitments of £4¼ million, the directors note, reflect "the continuing modernisation of existing factories and plant as well as the investment in new factories required by the expansion of the group's business in various parts of the world." Expenditure on this scale seems inevitable when one strand of the company's policy is to switch gradually towards local manufacture in the countries where it sells.

The increase in stocks by £17½ million to over £200½ million relates largely, the directors explain, to leaf tobacco and "reflect not only the additional requirements arising from the continued development of the business of the group, but also increased prices and an accelerated intake towards the end of the financial year made necessary by conditions prevailing in the tobacco markets in the United States." Rising prices explain why the appropriation to fixed assets and stock replacement reserves has been stepped up from £3,400,000 to £6,000,000. A moral can be drawn by investors from these statistics: growth, which there certainly is in British-American Tobacco, always demands finance. British-American Tobacco will continue to finance its development out of its own resources—indeed in a sense it is forced to do so as not all the profits it earns abroad are freely transferable to this country—and the growth of dividends if it is sure is likely to be slow.

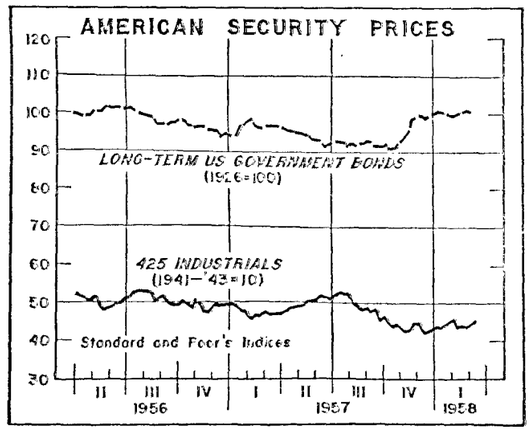
London Stock Exchange

FIRST DEALINGS:	Feb. 26	Mar. 12	Mar. 26
LAST DEALINGS:	Mar. 11	Mar. 25	April 15
ACCOUNT DAY:	Mar. 18	April 1	April 22

AFTER last week's rise gilt-edged prices were steady, but the poor start to dealings in the new Belfast loan, which slipped to ¼ discount on Wednesday, was reflected in falls in Dominion stocks. Although all the short-dated issues improved on balance, a sharp reaction on Wednesday cut the earlier gains; the overall rise in 2½ per cent Funding 1956-61 was reduced by ½ to ¾ and 4½ per cent Conversion 1962 was finally only ⅛ higher at 97⅞ after losing ⅜ on Wednesday. Some of the stocks which made large gains last week were again supported; 3 per cent Exchequer 1963-64 rose ½ to 87⅝ and 3½ per cent Funding 1999-2004 improved ⅛ to 68¾.

The rise of 3.3 to 176.4 in *The Economist* indicator was mainly the result of a sharp advance on the Friday before the week end. Industrial stocks were dull on Monday but became firmer on the first day of the new account. Although store shares were usually higher, Army and Navy dropped 1s. 6d. on initial disappointment with the dividend but recovered to 11s. 6d. xd, while the cut in Gorringe's dividend caused a fall of 2s. 3d. to 26s. 3d. House of Fraser "A" recovered to 21s. 9d. after declining in anticipation of dealings in the new shares. Motors showed good gains, BMC rising 6d. to 7s. 5¼d. and Rolls-Royce 4s. to 90s., but disappointment with the dividend led to a fall in Ford on Thursday. Steel shares weakened; South Durham lost 6d. to 20s. 3d. and its issue of a convertible debenture was reflected in a drop of ¾ to 1¾ discount in the new Colvilles debenture.

Oil shares improved on balance after fluctuating throughout the week. There was less interest in Kaffirs despite some good dividend announcements, Daggafontein losing 1s. 1½d. to 28s. 10½d. But copper mines made a further recovery, Bancroft, Rhodesia-Katanga and "Chartered" being outstanding.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
Feb. 12	170·7	6·86				
„ 19	168·9	6·94				
„ 26	166·1	7·07				
Mar. 5	173·1	6·85	225·0 (July 10)	171·2 (Nov. 6)	210·4 (Jan. 4)	170·0 (Nov. 28)
„ 12	176·4	6·73				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½ Consols Yield	Bargains Marked	1957 High	1956 High
				%		207·6 (July 9)	203·5 (Jan. 3)
Mar. 5	159·3	6·98	89·02	5·14	8,474		
„ 6	160·5	6·92	89·04	5·14	7,672		
„ 7	162·8	6·83	89·01	5·15	8,122		
„ 10	161·3	6·90	89·00	5·15	9,507	Low	Low
„ 11	161·2	6·90	88·97	5·15	7,896	159·0	161·5
„ 12	161·7	6·87	88·85	5·15	8,242	(Nov. 5)	(Nov. 29)

Bases:—* 1953 = 100. † July 1, 1935 = 100. ‡ 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Mar. 5, 1958	Price, Mar. 12, 1958	Net Yield, Mar. 12, 1958 § £ s. d.	Gross Yield, Mar. 12, 1958 £ s. d.
97 13/32	93 1/4	War Loan 3% ... 1955-59	97 13/32	97 1/4	3 8 2	4 12 3
93 3/32	87 1/4	Funding 2 1/2% ... 1956-61	93 3/32	93 1/4	3 14 10	4 16 3
99 3/32	98 3/8	Conversion 4% ... 1957-58	99 3/32	99 1/4	2 12 9	5 19 1
97 1/16	94 13/32	Conversion 2% ... 1958-59	97 1/8	97 1/32	3 13 8	4 14 3
95 1/8	90 1/4	Exchequer 2% ... 1960	95 1/8	95 1/8	3 12 7	4 10 10
97 1/8	92 1/8	Exchequer 3% ... 1960	96 31/32	96 15/16	3 6 4	4 12 8
99 1/8	93	Conversion 4 1/2% ... 1962	97 1/8	97 1/32	3 2 5	5 2 0
89 1/4	84 1/8	Savings Bds. 3% ... 1955-65	86 3/8	86 3/8	3 17 4	5 5 5
84 1/2	77	Funding 3% ... 1959-69	79 1/16	78 1/4*	4 3 7	5 12 8
92 1/8	84 11/16	Funding 4% ... 1960-90	89 1/8	89 1/4	2 17 1	4 14 11
81 1/8	74	Savings Bds. 3% ... 1960-70	76 1/8	76 1/8	4 4 1	5 14 1
94 1/8	87 1/8	Exchequer 3% ... 1962-63	92 1/4	92 1/4	3 7 8	4 15 10
89 1/8	83	Exchequer 2 1/2% ... 1963-64	87 1/8	87 3/8	3 16 2	5 0 7
83 1/8	77 1/4	Savings Bds. 2 1/2% 1964-67	79 1/4	79 1/4	4 3 8	5 9 1
77 1/4	67 1/2	Savings Bds. 3% ... 1965-75	70 1/2	70 1/2	4 1 9	5 13 6
—	—	Exchequer 5 1/2% ... 1966	99 1/2*	100 1/16*	3 3 0	5 9 8
84 1/8	78 1/2	Funding 3% ... 1966-68	80 1/8	80 1/8	4 1 9	5 11 2
95 1/4	91 1/2	Victory 4% ... 1920-76	91 1/2	91 1/2	3 7 0	5 3 6
88 1/8	80 1/2	Conversion 3 1/2% ... 1969	82 1/2	83 1/8	3 18 9	5 12 0
81 1/4	69 1/4	Treasury 3 1/2% ... 1977-80	74 1/8	74 1/8	5 15 7	5 12 6
80	68	Treasury 3 1/2% ... 1979-81	72 1/8	72 1/8	3 16 8	5 13 6
—	—	Funding 5 1/2% ... 1982-84	98 1/8	98 1/4	3 4 10	5 12 3
71 1/2	57 1/4	Redemption 3% ... 1986-96	61 1/8*	61 1/8*	3 11 2	5 7 1
80 1/4	63 1/4	Funding 3 1/2% ... 1999-2004	68 1/8	68 1/8	3 7 5	5 7 7
81 1/16	68	Consols 4% after Feb. 1957	71 1/8	71 1/8	3 4 6	5 12 6
75	60 1/2	War Loan 3 1/2% after 1952	64 1/8	64 1/16	3 2 6	5 9 6
75 1/2	58 1/2	Conv. 3 1/2% after Apr. 1961	63 1/8*	63 3/8	3 3 2	5 9 9
65 1/4	51 1/2	Treas. 3% after Apr. 1966	55 1/8*	55 1/4*	3 2 1	5 7 9
55 1/8	45	Consols 2 1/2%	48 1/8	48 3/8*	2 19 0	5 2 6
55 1/16	44	Treas. 2 1/2% after Apr. 1975	47 1/4*	47 1/4*	3 0 11	5 5 10
96	83 1/2	Br. Electric 4 1/2% ... 1967-69	92	92 1/32	3 9 2	5 9 10
80 1/4	70	Br. Electric 3% ... 1968-73	73*	72 1/4	4 3 3	5 13 10
78	66	Br. Electric 3% ... 1974-77	70 1/4*	70 1/4*	3 19 7	5 11 4
92 1/4	79 1/2	Br. Electric 4 1/2% ... 1974-79	83 1/8*	83 1/2*	3 11 4	5 11 11
81 1/8	69 1/2	Br. Electric 3 1/2% ... 1976-79	74 1/8	74 1/4	3 16 0	5 13 1
90	81	Br. Gas 4% ... 1969-72	84	84 1/8	3 15 3	5 13 6
87 1/2	78	Br. Gas 3 1/2% ... 1969-71	80 1/4*	80 3/4	3 18 0	5 11 10
72 1/2	58 1/2	Br. Gas 3% ... 1990-95	63 1/2	63 1/4	3 10 7	5 6 10
80 1/16	70	Br. Transport 3% 1968-73	73*	72 1/2*	4 3 3	5 13 10
88 1/2	77 1/4	Br. Transport 4% 1972-77	81 1/8	81 1/8	3 13 1	5 12 9
72 1/2	59	Br. Transport 3% 1978-88	63 1/8	63 1/2	3 15 0	5 10 1

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Mar. 5, 1958	Price, Mar. 12, 1958	Yield, Mar. 12, 1958 £ s. d.
92 1/2	82	Agric. Mortgage 5% ... 1959-89	85 1/2	86	6 0 0
81 1/2	75	Australia 3 1/4% ... 1965-69	77 1/2	77	6 4 6
97 1/2	91 1/2	Birmingham 5% ... 1973-75	95	95	5 9 3
100 1/2	91	East Africa 5 1/2% ... 1977-83	92	91 1/2	6 9 0
105 1/2	96	L.C.C. 5 1/2% ... 1977-81	96 1/2*	96 1/2	5 15 0
69 1/2	54 1/2	Met. Water Board 'B' 3% 1934-2003	58	58	5 11 6
87 1/2	77	New Zealand 4% ... 1976-78	80 1/2	80 1/2	5 13 6
75 1/2	67 1/2	S. Rhodesia 2 1/2% ... 1965-70	69 1/2*	69 1/2*	6 4 0
87	72 1/2	German 7% (Br. Enfaced 5%) .. 1924	86 1/2	88	...
169 1/4	147 1/2	Japan 5% (Enfaced) ... 1907	166	160 1/2*	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Mar. 5, 1958	Price, Mar. 12, 1958	Yield, Mar. 12, 1958 £ s. d.
		% %	BANKS & DISCOUNT			
30/9	19/6	4 a	5 b Bk. Ldn. & S. Amer. £1	28/6	28/6	6 6 4
47/3	40/–	6 a	6 b Barclays Bank ... £1	40/–	40/3	5 19 3
35/3	27/6	4 a	4 b Barclays D.C.O. ... £1	29/–	28/–	5 14 3
42/6	34/6	7 1/2 a	7 1/2 b Chartered Bank ... £1	38/–	37/–*	8 2 2
51/3	42/9	6 1/2 a	6 1/2 b Lloyds Bank ... £1	43/–	42/3	6 3 0
66/7 1/2	58/–	9 a	9 b Midland Bank ... £1	59/–	58/–	6 4 2
40/6	28/6	5 a	5 b Nat. Discount 'B' .. £1	31/9	30/3	6 12 3
51/6	39/3	6 1/2 a	6 1/2 b Union Discount ... £1	45/–	45/3	5 10 6
			INSURANCE			
86/4 1/2	61/7 1/2	43 1/2 b	30 a Commercial Union 5/–	70/6	69/–	5 9 0
177/6	102/6	87 1/2 b	40 a Legal & General .. 5/–	123/9	118/9	4 4 3
113/9	87/6	†50 b	†20 a Pearl ... 5/–	101/3	97/6	6 4 10
46	34 1/2	†125 c	†132 1/2 c Prudential 'A' ... £1	39 1/2	38 1/2	5 19 8
			BREWERIES, ETC.			
32/6	26/4 1/2	10 a	36 b Bass ... 5/–	31/9	32/9	7 0 6
25/9	19/7 1/2	18 1/2 c	7 1/2 c Distillers ... 6/8	20/–	20/1 1/4	6 4 3
44/9	36/–	10 a	15 b Guinness ... 10/–	37/6	37/3	6 14 3
87/3	63/6	8 a	17 b Whitbread 'A' ... £1	76/–	76/6	6 5 9
			MOTORS & AIRCRAFT			
21/6	11/9	6 1/2 b	3 1/2 a Bristol Aeroplane 10/–	10/6	10/7 1/2	9 8 3
8/7 1/2	6/–	12 1/2 c	12 1/2 c British Motor ... 5/–	6/11 1/2	7/5 1/2	8 8 0
40/–	29/3	5 b	3 a Ford Motor ... £1	35/6	36/6	4 7 8
45/9	27/6	3 a	7 b Hawker Siddeley ... £1	26/4 1/2	27/3	7 6 10
53/–	41/9	12 1/2 c	12 1/2 c Leyland Motors ... £1	41/–*	41/–	6 1 11
121/–	90/7 1/2	15 b	5 a Rolls-Royce ... £1	86/–	90/–	4 8 10
9/1 1/2	5/11 1/2	8 c	8 c Standard Motor ... 5/–	7/3	7/7 1/2	5 4 11
173/7 1/2	87/6	†10 b	†5 a British Petroleum .. £1	88/9	91/10 1/2	5 13 7
113/4 1/2	70/7 1/2	17 1/2 b	†5 a Burmah ... £1	69/4 1/2	71/10 1/2	6 5 3
£25	£14 1/2	17 1/2 b	7 1/2 a Royal Dutch ... 20 fl.	£15	£15 1/2	3 5 0
218/3	136/10 1/2	†133 1/2 b	†5 a Shell ... £1	127/6 ‖	131/3	4 19 5
104/–	55/–	...	... Ultramar ... 10/–	49/4 1/2	54/6	...
			MINES, ETC.			
137/6	115/–	50 b	20 a Anglo-American .10/–	123/1 1/2	122/6	5 14 4
29/–	20/3	†2 1/2 a	†10 b Cons. Tea & Lands. £1	20/–	20/–	21 14 0
92/6	43/6	15 b	6 1/2 a Cons. Zinc Corp. ... £1	45/9	48/–	8 17 0
113/1 1/2	81/3	120 b	80 a De Beers Def. Reg. 5/–	95/7 1/2	99/4 1/2	10 1 4
33/1 1/2	58/7 1/2	20 b	40 a Free State Geduld. 5/–	82/6	81/3	3 13 10
12/10 1/2	7/3	30 c	30 c London Tin ... 4/–	6/9*	7/4 1/2	16 5 5
56/7 1/2	45/–	50 a	50 b President Brand .. 5/–	50/1 1/2	50/4 1/2	9 13 5
24/9	13/10 1/2	8 1/2 c	16 1/2 b Rho. Selection Tst. 5/–	14/9	15/4 1/2	8 2 7
42 1/2	23 1/2	175 b	25 a Rhokana Corp. ... £1	23	23 1/2	8 12 0
55/–	41/–	30 b	12 1/2 a United Sua Betong. £1	46/3	48/9	18 5 5
88/4 1/2	58/11 1/2	60 b	60 a Western Holdings .5/–	92/6	91/3	5 5 0

New York Closing Prices

	Mar. 5 $	Mar. 12 $		Mar. 5 $	Mar. 12 $		Mar. 5 $	Mar. 12 $
Alumin'm Ltd.	29 1/2	31 1/8	Crown Zeller..	46 1/4*	46 1/4	Penns. R.R...	11 1/8	12
Am. Smelting..	41 1/2	43 1/4	DuPontdeNm.	179	181 1/8	Sears Roebuck	26 1/2	27 1/8
Amer. Tel. ...	170 1/2*	172 1/2	Ford Motors...	39 1/2	40 1/8	Shell Oil ...	64 1/4*	68 1/8
Am. Viscose..	27	28 1/2	Gen. Elect....	62 1/2	61 1/2	Std. Oil of N.J.	50	51 1/8
Anaconda....	40 1/2*	44 1/4	Gen. Motors..	34 1/2	35 1/2	U.S. Steel...	59 1/2	60 1/8
Beth. Steel...	39 1/2	40 1/2	Int'l. Nickel..	75 1/2	78	Western Union	16 1/2	17 1/2
Can. Pacific ..	24 1/2	24 1/2	National Dist.	22 1/2	22 1/2	West'house E.	61 1/2	63
Chrysler	50 1/2	53 1/2	N.Y. Central ..	13 1/2	14 1/2	Woolworth ...	41 1/2	42 1/2

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9 1/2 years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 100%. (e) To earliest date. (f) Flat yield. (g) On 24 %. (h) On 13 1/2%. (i) On 22 1/2%. (j) After Rhodesian tax. (k) On 30%. (l) To latest date. (m) On 13%.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared.

World Trade ..... January 18th

British		Overseas	
Prices and Wages	Mar. 8th	Western Europe:	
Production and Consumption	This week	Production and Trade	Mar. 1st
Manpower	Feb. 22nd	British Commonwealth	This week
External Trade	Mar. 1st	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	Feb. 22nd
Industrial Profits	Jan. 18th	United States	Mar. 8th

UK Production and Consumption

M = Monthly averages or calendar months. W = Weekly averages. Stocks at end of period.

	Unit	Monthly averages 1955	1956	1957	1956 Nov.	1956 Dec.	1957 Jan.	1957 Oct.	1957 Nov.	1957 Dec.	1958 Jan.
INDUSTRIAL PRODUCTION											
Index:											
All industries	1948 = 100	137	136	138	145	133	138	144	148	135	138–139*
„ *seasonally adjusted*	„	...	...	...	*137*	*136*	*136*	*137*	*140*	*138*	*137–138**.
Mining and quarrying	„	108	109	109	119	110	114	111	118	108	...
Building and contracting	„	116	123	123	127[6]	...	122[5]	...	123[5]	...	...
Gas, electricity and water	„	153	160	163	179	178	188	166	184	191	...
Manufacturing, total	„	142	140	143	149	135	140	149	153	137	...
„ „ *seasonally adjusted*	„	...	...	...	*140*	*139*	*139*	*141*	*144*	*141*	..
Engineering, shipbuilding, electrical goods	„	155	151	...	164	152	151	...	...	...	..
Vehicles	„	172	160	...	165	144	155	172	179	...	..
Chemical trades	„	179	185	...	194	185	195	195	201	...	..
Textiles and clothing	„	116	117	...	121	104	119	119	118	...	...
Food, drink and tobacco	„	117	121	...	133	126	114	124	130	...	...
BASIC MATERIALS											
Production of:											
Coal (1) (2)	W '000 tons	4,250	4,269	4,301	4,690	4,285	4,455	4,363	4,610	4,219	4,272
Pig iron	W „	240	253	275	263	262	257	286	282	276	271
Steel, ingots and castings	W „	381	397	417	426	396	416	438	429	398	407
Sulphuric acid	M „	174·6	187·2	194·7	193·3	201·6	205·5	199·7	191·0	206·8	...
Newsprint	W „	11·91	12·36	12·55	13·84	12·67	13·67	12·90	12·26	11·06	...
Electricity (1)	M mn. kwh	6,679	7,263	7,581	8,271	8,456	9,030	8,089	8,812	9,443	10,076
MANUFACTURING											
Textile production:											
Cotton yarns, single	W mn. lb.	16·91	16·33	16·85	18·13	16·00	17·54	17·61	18·31	15·82	17·23
Worsted yarn	M „	18·48	19·38	19·48	22·46	17·62	22·00	21·94	20·11	16·60	19·70
Rayon and synthetic fibres, total	M „	39·32	40·21	41·32	41·57	36·59	43·30	41·94	39·94	35·15	40·80
„ „ „ staple fibre	M „	19·94	21·31	21·93[5]	23·27	19·82	22·80	22·63	21·94	18·60	21·90
Cotton cloth, woven	W mn. yds.	34·3	31·0	31·4	34·3	30·0	32·1	32·8	34·3	29·4	...
Wool fabrics, woven	M mn.sq.yds	34·2	33·1	32·8	37·0	29·5	37·9	35·0	33·6	30·1	35·5
Engineering production:											
Passenger cars and chassis	W '000s	17·26	13·61	16·56	13·72	10·24	10·40	19·85	20·99	18·18	21·41
Commercial vehicles and chassis	W „	6·53	5·71	5·54	5·15	4·42	4·65	6·34	6·74	6·18	6·66
Metal working machine tools	M '000 tons	12·52	12·90	...	13·44[6]	...	13·40[5]	...	14·11*	...	...
Internal combustion engines	M '000 BHP	408	411	...	438	353	424	405	382	...	...
BUILDING ACTIVITY											
Permanent houses completed: (1)											
Total	M '000s	26·42	25·03	25·09	27·19	27·77	22·75	26·40	26·48	23·90	20·58
By private builders	M „	9·46	10·35	10·54	11·43	10·73	9·97	11·70	11·23	10·05	9·31
By local housing authorities	M „	15·98	13·86	13·83	15·08	16·14	12·10	14·06	14·81	13·22	10·94
Other	M „	0·98	0·82	0·73	0·68	0·91	0·68	0·64	0·45	0·63	0·34
WHOLESALE SALES (3)											
Textile houses:	Av. value										
Total home sales	1950 = 100	98	101	101	127	98	66	141	118	101	...
Women's and children's wear	„	98	102	101	117	95	63	142	107	95	...
Men's and boys' wear	„	94	99	99	130	98	62	137	121	110	...
Piece-goods	„	62	63	64	60	53	53	67	60	48	...
RETAIL SALES (3)											
All kinds of business:	Weekly av. value										
All retailers	1950 = 100	139	146	153	158	189	143	154	165	196	146
Independent retailers	„	136	140	146	149	175	139	147	154	181	141
Multiple retailers	„	152	162	173	177	229	149	172	190	241	157
Co-operative societies	„	142	154	164	168	183	154	166	177	186	161
General department stores	„	117	121	127	146	181	128	128	153	189	123
By kind of shop:											
Food	„	148	156	163	161	178	157	164	167	185	162
Clothing and footwear	„	121	127	131	141	184	119	131	144	190	118
Household goods	„	151	153	166	182	205	161	176	195	213	165
STOCKS											
Basic materials:											
Coal, distributed (1)	'000 tons	18,340	17,893	18,765	19,813	17 893	16,088	19,997	20,192	18,765	16,767
Steel (2)	„	1,365	1,573	1,553	1,527	1,573	1,515	1,715	1,669	1,553	...
Copper (4)	„	76·2	69·6	91·5	55·9	59·6	59·2	90·9	81·6	91·5	...
Sulphur (5)	„	66·6	84·6	102·5	102·0	84·6	78·0	96·9	95·7	102·5	...
Newsprint (3)	„	105·0	133·6	145·6	129·5	133·6	124·0	162·3	151·5	145·6	...
Textiles:	Av. value										
Wholesale houses, total (1)	1950 = 100	90	95	95	107	95	108	109	107	95	...
Large retailers, clothing and footwear (1)	„	110	118	124	142	118	110	150	149	124	116

(1) Great Britain. (2) Provisional estimate. (3) Excluding all screening losses normally amounting to around 5,000 tons a week. (4) Excluding government stocks. (5) Average for first quarter. (6) Average for fourth quarter. (7) From January, 1957, excluding newsprint for periodicals and certain other purposes for which stocks at end December, 1956, totalled 19,600 tons. (8) For sulphuric acid only, including filter cake from May, 1956. (9) Revised series; stocks at producers' works of ingots, semi-finished steel and alloy, in terms of ingot equivalent.

British Commonwealth

PRODUCTION OF FUEL AND POWER (1)

Monthly averages or calendar months	Coal				Crude petroleum		Electricity				
	Australia	Canada	India	S. Africa	Canada	Brunei	Australia	Canada	India	N. Zealand	S. Africa
	'000 tons						million kwh				
1948	1,232	1,255	2,511	1,969	139	220	728	3,714	381	204	772
1956	1,608	955	3,235	2,781	1,897	461	1,470	6,897	805	347	1,472
1957	...	859	...	...	...	...	...	7,559	...	...	...
1957, August	1,840	535	3,376	2,997	2,087	459[10]	1,773	6,919	923	445	1,695
„ September	1,825	776	3,641	2,834	1,904		1,641	6,964	925	413	1,592
„ October	1,904	1,077	3,553	3,050	1,885	...	1,666	8,079	918	413	1,636
„ November	...	955	3,920	2,872	1,630	...	1,564	8,180	...	390	...
„ December	...	871	...	...	...	...	...	8,225	...	...	...

PRIMARY PRODUCTION (2)

Monthly averages or calendar months	Copper		Rubber		Tin	Steel				Gold		
	Canada	N. Rhodesia	Ceylon	Malaya	Malaya	Australia	Canada	India	S. Africa	Australia	Canada	S. Africa
	'000 tons									'000 fine ounces		
1948	16·3	17·4	7·9	53·2	4·11	106	238	104	49	73·8	294	965·4
1956	25·9	32·4	7·9	52·3	6·32	217	395	145	132	85·9	365	1,321·1
1957	24·1	35·0	8·2	53·2	...	251	375	...	...	...	...	1,419·3
1957, September	24·7	33·3	9·2	52·9	5·06	262	360	144	143	87·8	373	1,438·4
„ October	24·8	33·4	8·9	56·9	6·52	252	340	150	158	88·8	398	1,456·2
„ November	27·9	39·4	8·9	57·1	...	236	320	145	...	91·9	375	1,422·5
„ December	29·1	33·0	10·2	54·5	...	241	313	...	...	...	...	1,402·1
1958, January	...	...	9·9	58·6	...	...	...	...	...	...	...	1,418·0

EXTERNAL TRADE (3)

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa [9]	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. $C		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1948	28·2	33·8	220	250	537	382	10·71	12·27	85·9	136·1	20·5	11·4
1956	68·2	64·5	475	405	707	501	22·33	22·91	165·5	135·0	41·2	31·4
1957	59·7	81·1	469	411	...	...	...	...	...	...	...	...
1957, August	67·9	59·2	471	437	834	602	20·4	21·9	177·6	72·6	40·6	36·5
„ September	56·9	76·8	445	424	834	615	23·2	16·9	177·0	81·7	42·3	34·3
„ October	71·9	91·8	430	405	...	...	22·6	15·9	...	...	43·6	40·8
„ November	64·3	83·2	454	455	...	...	...	...	...	...	...	...
„ December	61·8	70·7	395	453	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES (4)

Monthly averages or calendar months	Gold and Foreign Exchange Holdings					Cost of Living						
	Australia [5]	Canada	India [6]	New Zealand [5]	S. Africa	Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesia
	End of period: mn. US dollars					1953 = 100						
1948	1,265	1,011	3,355[7]	237	352	56	84	...	90	75	89[8]	77	73
1956	952	1,944	1,360	193	372	110	102	97	111	97	107	107	105
1957	...	1,856	872	138	286	...	...	...	...	...	...	...	108
1957, September	...	1,890	987	241	302	113[10]	107	107	114[10]	100	113	109	109
„ October	...	1,933	934	291	300	...	107	106	...	110	113	109	109
„ November	...	1,904	897	167	290	...	107	106	...	...	112	110	110
„ December	...	1,856	872	133	286	...	...	...	...	...	...	...	111
1958, January	...	1,865	...	...	282	...	...	...	...	...	...	...	...

(1) Electricity production in New Zealand represents deliveries only and in Canada, prior to 1957, excludes industrial generation for own use. (2) Copper and tin refer to metal production. (3) General trade (including re-exports) except for Canada, which is special trade only. Imports are cif except for Australia, Canada and S. Africa which are fob; exports are fob. Trade for India includes that going by land; annual figures for India are for 12 months beginning April 1st of year stated and for Australia 12 months ended June 30th. (4) Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for S. Africa and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. (5) Including foreign investments. (6) Including semi-processed gold. Beginning January, 1955, including South-West Africa. (7) In July, 1948, part of holdings was transferred to the State Bank of Pakistan. (8) April, 1948—March, 1949. (9) Including some long-term securities. (10) Average for third quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended March 8, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £58,945,000 compared with a surplus of £1,668,000 in the previous week and a surplus of £55,822,000 in the corresponding period of last year. There was a net expenditure "below-line" of £19,934,000, leaving a total deficit from April 1st of £164,114,000 (£225,842,000 in 1956–57).

£'000	Estimate, 1957–58	April 1, 1956, to Mar. 9, 1957	April 1, 1957, to Mar. 8, 1958	Week ended Mar. 9, 1957	Week ended Mar. 8, 1958
Ord. Revenue					
Income Tax	2176,250	1921,047	1985,447	76,222	81,805
Surtax	149,000	140,000	139,000	6,200	7,400
Death Duties	170,000	158,000	159,500	3,100	3,400
Stamps	60,000	58,500	60,200	1,100	900
Profits Tax, EPT & EPL	255,000	187,000	241,000	2,300	7,000
Other Inland Rev. Duties	500	520	450	...	...
Total Inland Rev.	2810,750	2465,067	2586,197	88,922	110565
Customs	1204,250	1126,984	1133,560	22,937	23,633
Excise	912,850	880,340	917,225	15,885	16,340
Total Customs and Excise	2117,100	2007,324	2050,785	38,822	39,973
Motor Duties	93,000	89,587	98,826	1,009	1,016
PO (Net Receipts)	20,000	17,900	13,600	350	3,900
Broadcast Licences	31,000	26,200	28,400	...	...
Sundry Loans	32,000	31,633	29,955	83	14
Miscellaneous	185,000	156,593	159,046	833	315
Total	5288,850	4794,304	4966,811	130019	155723
Ord. Expenditure					
Debt Interest	640,000	696,559	642,732	9,855	11,850
Payments to N. Ireland Exchequer	69,000	62,664	66,727	3,429	3,063
Other Cons. Funds	10,000	8,937	9,026	2	...
Supply Services	4126,391	3678,937	3774,039	59,920	79,300
Total	4845,391	4447,097	4492,524	73,217	94,852
Sinking Funds	38,000	35,477	36,982	980	1,926
"Above-line" Surplus or Deficit	311,729	437,305	55,822	55,845	
"Below-line" Net Expenditure	537,571	601,419	37,793	19,934	
Total Surplus or Deficit	225,842	164,114	18,029	39,011	
Net Receipts from:					
Tax Reserve Certificates	3,364	−46,298	1,926	−7365	
Savings Certificates	72,400	−18,700	4,000	−2100	
Defence Bonds	−34,944	−36,051	−242	−894	
Premium Savings Bonds	61,380	76,800	100	3,240	

FLOATING DEBT

(£ million)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1957					
Mar. 9	2,890·0	1,261·5	229·6	0·8	4,381·9
Dec. 7	3,380·0	2,140·3	189·2	6·0	5,715·5
„ 14	3,410·0	2,181·2	193·6	...	5,784·8
„ 21	3,440·0	2,228·1	192·4	...	5,860·4
„ 30	5,084·7		218·4	...	5,303·1
1958					
Jan. 4	3,450·0	2,248·9	228·5	...	5,927·4
„ 11	3,410·0	2,192·2	237·0	...	5,839·2
„ 18	3,370·0	1,714·9	250·3	...	5,335·2
„ 25	3,200·0	1,707·9	208·4	4·8	5,221·0
Feb. 1	3,220·0	1,768·6	179·1	...	5,167·7
„ 8	3,110·0	1,746·5	157·6	...	5,014·5
„ 15	3,120·0	1,403·1	266·5	1·3	4,720·9
„ 22	3,020·0	1,463·7	183·4	...	4,727·1
Mar. 1	3,040·0	1,537·1	210·4	...	4,787·5
„ 8	3,050·0	1,487·6	219·7	...	4,757·3

THE MONEY MARKET

Easy credit in Lombard Street was abruptly transformed in the second half of last week. On Thursday and Friday the authorities made no special purchases, and the discount market was forced to take loans at Bank rate. On Friday most of the houses were involved, for a moderate amount. Around the week-end the authorities gave fairly large special help, and credit remained tight in the first half of this week. With the bill rate virtually unchanged at just over 6 per cent, dealings in May maturities have taken place at 5⅞ per cent, and 5¾ per cent has been conceded. Rates on overnight loans have ranged as high as 6 and even 6¼ per cent.

At the Treasury bill tender on Friday last the discount houses reversed engines and raised their bid by 1d., to £98 9s. 11d. per cent, marking a reduction in the discount rate equivalent to 4d. per cent per annum. These tactics appear to have caught outsiders by surprise; for the market's allotment rate rose from 37 to 47 per cent, for an allotment unchanged at £240 million and with total applications down only £3.3 million, to £388.6 million. The result was that the average rate of discount actually rose slightly (by 2d. to £6 6s. 5.10d. per cent), reflecting the higher share taken up at the market's minimum bid.

The Bank return shows a rise in discounts and advances from £12.5 million to £25.9 million.

LONDON MONEY RATES

	%		%
Bank rate (from 5% 19/9/57)	7	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	6⅞ 6¾
Bank	5	3 months	6⅞ 6¾
Discount houses	5	4 months	6⅞ 6¾
		6 months	6⅞ 6¾
Money			
Day-to-Day	5½–6	Fine trade bills:	
Short periods	5¾	3 months	6¾–7⅛
Treas. bills 2 months	6	4 months	6¾–7⅛
3 months	6⅞	6 months	7–8

BANK OF ENGLAND RETURNS

(£ million)	Mar. 13, 1957	Mar. 5, 1958	Mar. 12, 1958
Issue Department:			
Notes in circulation	1,850·7	1,973·8	1,970·6
Notes in banking dept.	34·7	26·6	20·7
Govt. debt and securities*	1,021·2	1,998·3	1,998·3
Other securities	0·7	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	13·6	11·8	14·1
Bankers	223·1	233·0	235·2
Others	72·0	73·6	73·8
Total	308·7	318·4	323·1
Securities:			
Government	248·6	273·8	280·9
Discounts and advances	23·7	12·5	25·9
Other	36·1	21·6	21·6
Total	308·4	307·9	328·4
Banking department reserve	36·8	29·0	23·1
	%	%	%
"Proportion"	11·8	9·0	7·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary note reduced to £2,000 million from £2,050 million on January 22nd, 1958.

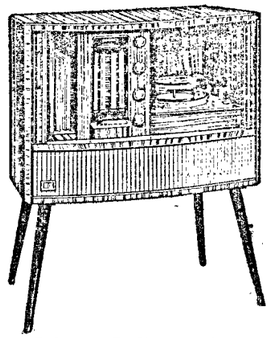
TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills Average Rate of Allotment	Allotted at Max. Rate*
			s. d.	%
1957 Mar. 8	*91 Day* 220·0	442·7	10 5·20	12
Dec. 6	*91 Day* 250·0 / *63 Day* 50·0	430·7	326 1·45	30
„ 13	250·0 / 50·0	414·8	329 1·21	45
„ 20	220·0 / 50·0	405·9	328 5·94	52
„ 27	*91 Day* 200·0	409·2	327 5·91	54
1958				
Jan. 3	260·0	405·7	326 6·70	55
„ 10	240·0	398·7	326 7·25	45
„ 17	260·0[2]	405·8	325 10·33	52
„ 24	220·0	421·0	325 6·56	24
„ 31	210·0	421·2	322 6·50	44
Feb. 7	230·0	387·5	321 3·29	65
„ 14	230·0[3]	424·7	320 10·56	44
„ 21	220·0	411·7	319 5·52	40
„ 28	240·0	391·9	320 3·28	37
Mar. 7	240·0	388·6	320 5·10	47

* On March 7th tenders for 91 day bills at £98 6s. 11d. secured 47 per cent, higher tenders being allotted in full. The offering this week was for £250 mn. at 91 day bills. [1] Allotment cut by £10 mn. [2] Allotment cut by £20 mn.

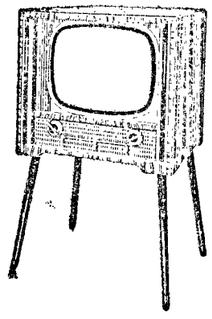
LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	March 12	March 6	March 7	March 8	March 10	March 11	March 12
United States $	2·78–2·82	2·81⅜ 2·81⅞	2·81⅜–2·81⅞	2·81⅜–2·81⅞	2·81⅜–2·81⅞	2·81⅜–2·81⅞	2·81⅜–2·81⅞
Canadian $	...	2·75½–2·76⅛	2·75½–2·76⅛	2·75½–2·76⅛	2·75½–2·75⅞	2·75½–2·75⅞	2·75½–2·75⅞
French Fr.	1167·18–1184·82	11821 11824	11821 11824	11821 11824	11822–11825	11822–11825	11822–11825
Swiss Fr.	12·25⅞–12·33⅞	12·28 12·28½	12·28 12·28½	12·28 12·28½	12·28–12·28½	12·28–12·28½	12·28–12·28½
Belgian Fr.	138·95–141·05	139·70–139·75	139·75–139·80	139·75–139·80	139·75–139·80	139·85–139·90	139·77½–139·82½
Dutch Gld.	10·56–10·72	10·62½ 10·63	10·62½ 10·63	10·61½–10·61⅞	10·61½–10·62	10·62½–10·62⅝	10·62½–10·62⅝
W. Ger. D. Mk.	11·47⅜–11·64·0	11·77 11·77½	11·76⅞–11·77⅜	11·76⅞–11·77⅜	11·76⅞–11·77⅜	11·76⅞–11·77⅜	11·76⅞–11·77⅜
Portuguese Esc.	70·50–71·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15
Italian Lire	1736½ 1762½	1747 1747½	1746½–1747	1746½–1747	1746½–1747	1747½–1747½	1747½–1747½
Swedish Kr.	14·53–14·55	14·52½ 14·53	14·52½–14·53	14·52½–14·53	14·52½–14·53	14·52½–14·53	14·52½–14·53
Danish Kr.	19·36½–19·48½	19·35½ 19·36	19·36–19·36½	19·36–19·36½	19·35½–19·36	19·35½–19·36	19·35½–19·36
Norwegian Kr.	19·85–20·05	20·01–20·01½	20·01–20·01½	20·01–20·01½	20·01–20·01½	20·00½–20·01	20·00½–20·01
One Month Forward Rates							
United States $		1½–1c. pm	1½–1c. pm	1½–1c. pm	1½–1c. pm	1½–⅝c. pm	1½c. pm
Canadian $		⅝–½c. pm	⅝–½c. pm	⅝–½c. pm	⅝–½c. pm	½–⅜c. pm	½–⅜c. pm
French Fr.		1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis	1 pm–1 dis
Swiss Fr.		4¼–3½c. pm	4¼–3½c. pm	4¼–3½c. pm	4¼–3½c. pm	4¼–3½c. pm	4 3½c. pm
Belgian Fr.		¾–1 pm	¾–1 pm	¾–1 pm	¾–1 pm	¾–1 pm	¾–1 pm
Dutch Gld.		2¼–2c. pm	2¼–2c. pm	2¼–2c. pm	2¼–2c. pm	2¼–2c. pm	2¼–2c. pm
W. Ger. D. Mk.		3¼–3c. pm	3¼–3c. pm	3¼–3c. pm	3¼–3c. pm	3¼–3c. pm	3 2½c. pm
Italian Lire		1¼ par	1¼ par	1¼ par	1¼ par	1¼ par	1¼ par
Swedish Kr.		4¼–3½c. pm	4¼–3½c. pm	4¼–3½c. pm	4¼–3½c. pm	4¼–3½c. pm	4¼–3½c. pm
Danish Kr.		4 3c. pm	4 3c. pm	4 3c. pm	4 3c. pm	4 3c. pm	4–3c. pm
Norwegian Kr.		3 1c. pm	3 1c. pm	3–1c. pm	2c. pm par	2c. pm par	2c. pm par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/5	249/2½	..	249/5½	249/2½	249/3



R.G./200 Radiogramophone





DM/4c Television and V.H.F. Radio Receiver

A RECORD YEAR

Mr. E. R. Lewis on Maintenance of Progress in Current Year

The twenty-eighth annual general meeting of The Decca Record Company Limited was held on March 10th at Winchester House, Old Broad Street, London, E.C.2.

Mr E. R. Lewis (the Chairman), who presided, said:

In the Consolidated Profit and Loss Account the balance from Trading Account which amounts to £2,389,368, shows an increase over that of the previous year of £590,445, and is the highest ever achieved by the Company. Maintenance, Depreciation and interest charges all showed substantial increases. The balance of profit for the year, however, at £1,402,514, shows an increase of £370,321 over that of the previous year. After charging taxation and tax equalisation of £821,308, an increase of £239,409, the net Profit amounts to £581,206, against £450,294.

Consolidated turnover for the year to March 31, 1957, at £17,050,000 was £4,190,000 greater than that for the previous year. The expansion since 1947, the first complete year since the end of the war when the comparable figure was £1,289,000, has been quite remarkable.

We are recommending a Final Dividend on the Ordinary and "A" Ordinary shares of 1s 2d., less tax, making a total for the year of 1s. 9d., less tax, the same as for the previous year though on capital increased by one-fifth.

Exports for the year amounted to £4,530,000, an increase of £1,120,000 over the previous year, including £1,300,000 against £930,000 to the USA and Canada. It is interesting to note that this figure is equivalent to about one day of Britain's total exports to these countries. Corresponding figures for 1947 were £184,000 and £52,000, respectively.

Exports on this scale have only been made possible by great efforts and concentration on this aspect of the group's business. British industry is sometimes accused of not being sufficiently aggressive in its endeavours to secure overseas trade. Such is hardly true in our case.

It is interesting to note that for the year 1957 no fewer than three million miles were travelled overseas by your Directors, executives and other employees in seeking for and carrying out business projects.

Review of Operations

So far as the Record business is concerned, production and sales were greater than in any previous period. Production of records in our two English factories amounted to 30 million out of a total industry production of 70 million. The operations of our subsidiary companies in the USA and Canada and our associated companies in Germany and Italy were at an increased level and direct exports were greater than those for the previous year.

Good progress was made by the Radio and Television Division, the demand for the season being greater than our capacity to supply.

The Decca Navigator made further progress during the year with a considerable extension in hirings. The North Scottish Navigator chain was brought into operation. The long range version of the Decca Navigator, known as "Dectra," was developed and successful trials were carried out with the Mark X receiver, representing a fundamental advance in the techniques of radio-navigation.

On the Radar side the most significant development was the successful introduction of the True Motion Radar, incorporating a principle quite revolutionary in the field. The demand for both the new wind-finding radar and Decca Meteorological equipment was influenced by the fact that 1957 was The International Geophysical year. Defence orders from various overseas countries were obtained, and production contracts executed for the Government of a highly important nature.

Very heavy expenditure on research and development, which particularly concerned the Navigator and Radar companies, was incurred during the year. We must look to the future for a satisfactory return from this expenditure, which is necessary for the continuous improvement of our products in the light of new discoveries and techniques.

The Current Year

Turning to the current year, in the Record business the production of our factories and our sales for the first eleven months are considerably greater than those of any previous period. Sales of our American and Canadian subsidiaries and of our associated companies overseas have likewise been on an increased scale.

We have continued to expend large sums of money in the classical recording field and with most of the leading international operatic singers under contract, we have maintained our leadership in this field which has been so much expanded since the introduction of long-playing records.

In May of last year we launched our first RCA records and have since had many successes, including the largest selling record in this country in the history of the record business. From May this year we shall have the exclusive manufacturing rights to the whole of the RCA catalogue. Our relationship with our other American friends has been maintained on the same basis as hitherto.

The 94,000 square feet extension to our New Malden record factory is now on the verge of completion and will undoubtedly contribute towards increased efficiency in the future.

The Radio and Television Division has made good progress during the year to date, with sales of television receivers greatly in excess of last year despite some falling off in sales for the industry as a whole.

The Navigator

Navigator hirings have continued to increase at the same high level as during the previous year, the cumulative total of hire and sale contracts to January 31st last amounting to 4,500 units.

The "Dectra" System, with its powerful transmitting stations in Newfoundland, was established as a long range navigational aid over the North Atlantic. There can be no doubt of the urgent necessity for an accurate navigational system for the Atlantic airway, and from experience gained so far we are convinced that in "Dectra" we hold the solution of this hitherto intractable problem.

During the period no less than four Decca transmitting chains in Canada have been brought into operation including one of the Newfoundland Chains which has been purchased by the Royal Canadian Navy. The remaining three chains are a joint venture of Decca and Bendix Aviation together with their Canadian licensees—Computing Devices of Canada.

Of the greatest significance has been the recent contract placed by the Airways Modernisation Board in Washington with Bendix Aviation for the erection of a Decca navigator chain covering the New York area for evaluation purposes as an aid to helicopters. It is nearly twelve years since we acquired or leased sites for the erection of a chain in this area and at long last we shall be able to demonstrate the system, to other than military and naval users, on United States territory.

Apart from the specific purposes for which the chain is being erected, it is obvious that it will be used by all the large transatlantic liners and other ships already fitted with the system entering the ports on the North-Eastern US seaboard.

Another most significant development has been the Decca Integrated Airborne Navigation System (DIAN), which comprises Decca, Dectra and Doppler. The latter element, developed by the Decca Radar company, is a self-contained navigational system, which in its simplest form supplies the pilot with continuous information of his ground speed and drift.

It will be realised from what I have said that there has been an exceptional number of achievements full of promise for the future.

Radar

Despite the slump in freights, orders for marine radar have continued at a satisfactory rate, particularly in export markets. The True Motion Radar, to which I have already referred, has been purchased by over 150 shipping companies, its introduction emphasising our leadership in the marine radar field.

Demonstrations were given on the Hudson River last September and contracts have been obtained from a number of leading American and Canadian companies. Sale of coventional marine radar has continued at a satisfactory rate, the total number of ships fitted with Decca radar, or under contract, amounting to over 7,000.

An agreement has been made with the Compagnie Francaise Thamson-Houston, under which French aerial systems will be combined with Decca transmitters and displays.

A substantial number of orders has been obtained for wind-finder and meteorological radars, including a storm warning radar for Le Bourget Airport, in addition to orders from overseas countries for various types of defence radar.

The Southampton Harbour Radar System manufactured and installed by Decca was officially opened by the Right Honourable Harold Watkinson, Minister of Transport, in January.

A contract amounting to approximately £500,000 has recently been received from the Federal German Republic for the supply of electronic equipment for their defence forces.

In the civilian field orders have been obtained from leading companies in the computer field for our high-speed computer tape unit, and there are good grounds for the belief that the manufacture of this ancillary will develop into quite a sizeable business.

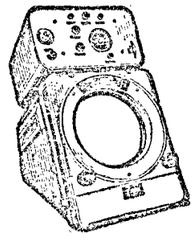
The Radar company has continued its very important work for the Government in connection with research, development and production contracts of a highly important nature.

Marked increase in Profits

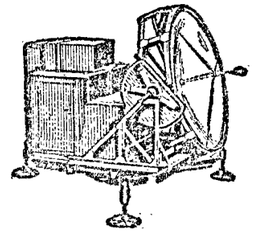
Output of the group for the year to date is considerably greater than that of the previous year, an expansion in which all sections of the business have participated.

There is no doubt that the results for the year ending this month, with another substantial increase in turnover, will show a marked increase in profits over those of the previous year and I look forward with confidence to the future of your great enterprise.

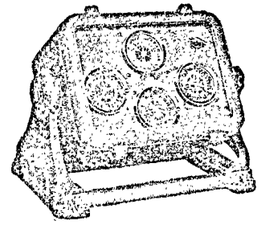
The Report was adopted.



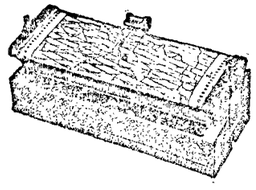
True Motion Radar



Wind-finding Radar



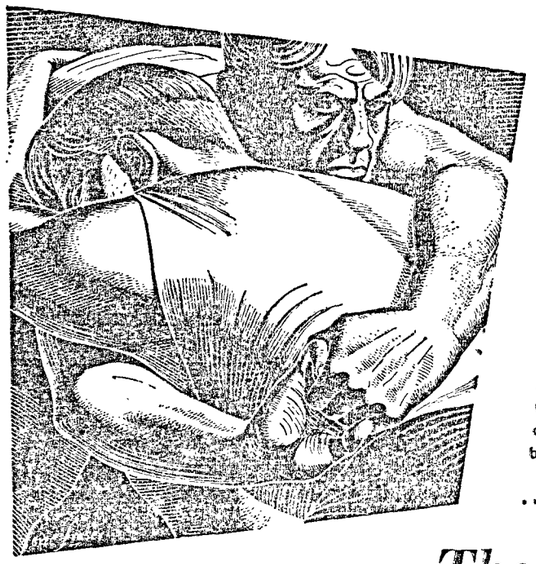
Marine Decometer



Flight Log

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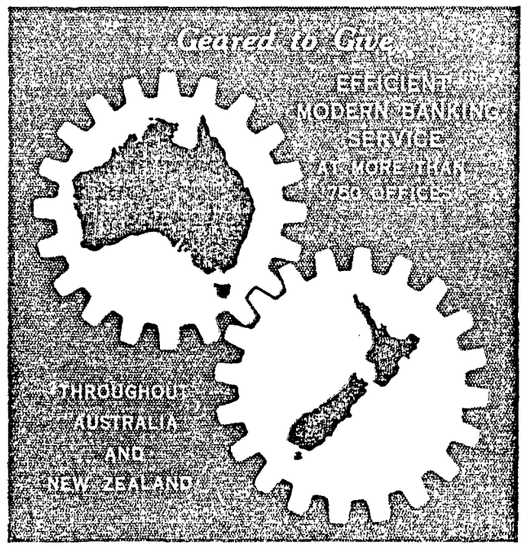
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COMPANY MEETINGS

THE CHARTERED BANK

IMPROVEMENT IN EARNINGS

ACQUISITION OF EASTERN BANK LIMITED

CONFIDENCE IN THE FUTURE

MR V. A. GRANTHAM'S SURVEY OF ACTIVITIES

The one hundred and fourth annual general meeting of The Chartered Bank will be held on April 2nd at 38, Bishopsgate, London, EC2.

The following is an extract from the statement by the Chairman, Mr V. A. Grantham, which has been circulated with the report and accounts for the year 1957:

THE BANK'S BALANCE SHEET

During the year we acquired, by an exchange of shares, the entire share capital of the Eastern Bank, Limited, and for cash, the business which the Ionian Bank Limited conducted in Cyprus and there are consequential changes both in our Balance Sheet and in the Consolidated Balance Sheet.

Our own Balance Sheet indicates the continued expansion of the Bank's business and reveals a high degree of liquidity. The total at £231,622,655 is the highest we have ever recorded, being some £8,600,000 up on last year's figure.

Current and Other accounts and Fixed Deposits show increases of £2,958,494 and £4,499,423 respectively. Our Acceptances are again in excess of £10 million.

On the assets side Cash in Hand at Call and at Bankers shows the substantial increase of £10,501,948 the ratio to our demand and time liabilities, excluding the notes in circulation against which security has been lodged, being 22.9 per cent against 18.5 per cent last year. Our investments in Government and Other Securities are slightly lower and, you will note, have again been brought in at market value. Advances and Other accounts show a contraction of £6,165,632 which is partially offset by our increased holdings of Bills of Exchange amounting to £4,496,736. Our programme of expansion and modernisation of offices and houses in the East has given rise to an increase in the net figure for Bank Premises and Furniture.

The Consolidated Balance Sheet includes the figures of all our wholly owned subsidiaries and the inclusion of the Eastern Bank Limited's figures brings the total to £271,898,015.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

I am glad to say that our earnings have improved. The results of the Eastern Bank Limited, and of our new acquisitions in Cyprus and Pakistan, are included for the first time in our figures.

The Bank paid an interim dividend in September last of 7½ per cent, less Income Tax, absorbing £189,750, and it is now proposed that out of the balance available a final dividend of 7½ per cent be paid, costing £189,750, making a total distribution of 15 per cent.

The dividends cost more because of the new issue of capital we made last year but are more than compensated for by the increase in profits.

We have allocated £250,000 to Bank Premises and Furniture and £125,000 and £20,000, respectively, to the Pension Fund and Widows' and Orphans' Fund. We have transferred £220,000 to Reserves for Contingencies and the balance carried forward is £438,458.

Transfers to Bank Premises and Contingencies include this year those made in connection with the Eastern Bank Limited.

For us, this year is one of consolidation and in view of the unsettled condition of the world in general it is wise that we should continue to build up the strength of the Bank.

THE COURT OF DIRECTORS

Since my last statement was made there have been a number of changes in the Court of Directors.

With great sorrow I have to record the death in July last of Mr Archibald Orr Lang, our senior director, who joined the Court in 1939 when the P & O Banking Corporation was absorbed.

Early in September we were deeply grieved to learn of the sudden death of Sir William Cockburn, who joined the Court in 1955 on his retirement from the post of Chief General Manager. I have already recorded the gratitude and admiration felt by the Court for the highly distinguished and professionally competent services rendered by Sir William during his tenure of the chief executive office over a period which extended to fifteen years.

In July last Mr Clifford Waite, Chairman of Consolidated Tin Smelters Limited, accepted our invitation to join the Court. His wide knowledge of the tin industry will be of great help to us.

During 1957 The Borneo Company Limited, with which the Bank has always had the happiest of business relations, commemorated the centenary of its incorporation and in September last I had the pleasure of moving the election to the Court of Mr Ian Lilburn MacEwen, a Director of the company.

As part of our plans to co-ordinate the operations of The Chartered Bank and the Eastern Bank Limited, we invited Sir Evan Jenkins, GCIE, KCSI, the Chairman of the Eastern Bank Limited, to join the Court.

Towards the end of the year Sir Kenneth Harper relinquished his directorship upon retiring from business in the City, and to fill the vacancy in the Court we elected Mr W. E. Eadie, CA, who has succeeded Sir Kenneth as Chairman of The Burmah Oil Company Limited.

The Bank's new interest in the commerce and industry of the Middle East is reflected in the election to the Court of Sir Stephen Gibson, CBE, who was, until last year, Managing Director of the Iraq Petroleum Company Limited.

On January 1, 1958, Mr E. J. Pakes, CBE, a Managing Director of British India Steam Navigation Company Limited joined the Court.

At the approaching annual general meeting I shall invite the stockholders to confirm the election to the Court of Mr Clifford Waite, Mr I. L. MacEwen, Sir Evan Jenkins, Mr W. E. Eadie, Sir Stephen Gibson and Mr E. J. Pakes.

For some time past it has been clear that the expansion of the Bank's activities and the growing complexity of its affairs have necessitated an enlargement of the Court. There are now fourteen Directors, three more than a year ago, and it is consequently easier to organise the work delegated by the Court to its committees.

THE GENERAL MANAGEMENT AND STAFF

In June last, Mr L. J. Blanchard, the senior General Manager, retired, and Mr David Beath and Mr Stafford Northcote were promoted to be Joint General Managers. At the same time Mr John Shewan, who has served the Bank with distinction in the Far East, was appointed an Assistant General Manager.

The continued prosperity of the Bank reflects the highest credit upon the General Management at Head Office, the branch managers and the staff at home and abroad.

I take this opportunity of acknowledging with gratitude not only the professional skill displayed by the staff in preserving and extending the prosperity of the Bank, but those personal qualities of toleration, forbearance and helpfulness which contribute so much to the survival of the historic links, forged under conditions very different from those which now exist, between Asia and the West.

THE EASTERN BANK LIMITED

On July 12th last I communicated to the stockholders the terms and conditions of an offer made by The Chartered Bank to acquire the whole of the issued share capital of the Eastern Bank Limited. The response to the

offer was highly satisfactory and the holders of approximately 96 per cent of the share capital of the Eastern Bank Limited accepted our proposals. Early in December we invoked the provisions of Section 209 of the Companies Act, 1948, to acquire the unassented shares, and we now own the whole of the issued capital of the Eastern Bank Limited. To complete the operation we issued, as fully paid, new stock in The Chartered Bank to the extent of £900,000, and thereby increased our paid-up capital to £4,400,000. Since the offer closed on August 21st last the operations of the two banks have been progressively co-ordinated.

NEW BRANCHES

A year ago I stated that The Chartered Bank had acquired by purchase the banking business transacted in Pakistan by the Allahabad Bank Limited. The former offices of the Allahabad Bank Limited at Lahore and Lyallpur have now been fully incorporated within our branch establishment and The Chartered Bank has been enabled thereby to participate to a much fuller extent than was possible previously in financing the up country trade and industry of Western Pakistan.

To our expanding branch organisation in Borneo there was added in April last an office at Sarikei and we are planning to open in the near future branches at Brunei Town and Kuala Belait. In order to enlarge further the services we extend to our numerous customers in Singapore a new branch has been opened at Bukit Timah, a thriving industrial suburb of the city, and we have lately leased premises for a new branch in the residential suburb of Tanglin.

CYPRUS

Stockholders will have learned from the Press that on November 1, 1957, The Chartered Bank acquired the goodwill of the banking business conducted by the Ionian Bank Limited at Nicosia, Famagusta, Kyrenia, Larnaca, Limassol and Paphos in the Colony of Cyprus. The customers of the Ionian Bank Limited readily agreed to entrust their business to us and the transfer was conducted very smoothly indeed. We are grateful for the co-operation and assistance received from the former staff of the Ionian Bank Limited, all of whom seem to have been happy to join our service.

We have succeeded to an excellent business with the merchant community of Cyprus, a form of banking activity with which we have been familiar throughout our history.

A foothold in the Eastern Mediterranean should ultimately prove to be of great value and this move may be regarded as part of the policy which prompted us to widen our sphere by interesting ourselves in the Middle East.

OVERSEA SURVEY

During 1957 there was no important change in what may be called the strategic disposition of the countries served by the Bank. Pakistan and Iraq continued to adhere to the Baghdad Pact while India remained the leader of the neutralist powers. The People's Republic of China pursued a policy of non-intervention in the Far East and its leaders appeared to be preoccupied with domestic affairs, notably in the fields of industrial development and social reform. All the uncommitted Asian countries are clearly anxious to avoid embroilment with either of the two major power blocs based upon Washington and Moscow and it is evident that throughout the continent nationalism remains the most powerful political force.

LEBANON

A five-year development plan has been adopted, including projects for the improvement of agriculture, industry, communications and town planning.

Inflationary conditions persist, with a fairly sharp rise in the cost of living and bank credit running at a high level. The Eastern Bank branch at Beirut is making satisfactory progress in a highly competitive market.

IRAQ

Iraq surmounted the economic difficulties arising from the Suez crisis with great determination. The severance of the pipe-line in Syrian territory halted the pumping of oil from Kirkuk on November 2, 1956. Repairs enabled pumping to be resumed on March 11, 1957, at the reduced flow of 7½ million tons per annum, since increased progressively to about 17½ million tons, against the pre-Suez rate of about 25 million tons. The pre-Suez rate is expected to be restored by April, 1958, and thereafter Kirkuk production will be gradually increased to 34 million tons per annum. Apart from the loss of production in 1956-57 and 1957-58, the stoppage involved a deficit of about ID 10 million in the budget for 1956-57 and a total loss to Iraq which has been officially estimated at as much as ID 56 million. The Iraq government were determined not to interrupt their development programme. The temporary shortfall in oil revenue was made good by an arrangement with the Iraq Petroleum Company.

PERSIAN GULF

BAHRAIN

Bahrain had a quiet year, with no repetition of the disturbances of 1956. The Suez crisis had little effect on business, though the stoppage of Arabian crude oil reduced the output of the refinery. Import restrictions in Saudi Arabia, designed to conserve foreign exchange, caused some overstocking in the bazaar, but business was on the whole quite good.

DOHA

Doha had a peaceful year. Revenue seems buoyant and development continues. Merchant business continues to grow, though more slowly than could be wished. The bazaar recovered quickly from the Suez crisis, but appeared to be somewhat overstocked in the middle of the year. Towards the end of the year there were signs of renewed activity and business on the whole was satisfactory.

SHARJAH

During the year a new office of the Eastern Bank was under construction at Sharjah. This office was opened on January 15, 1958.

ADEN

Our new building at Crater was opened for business in November and during the course of the year we occupied new premises at Steamer Point.

The temporary closing of the Suez Canal subjected the colony to fewer stresses than might have been expected but during the first four months of 1957 foreign trade was drastically curtailed. Later in the year an improvement in trade with the countries surrounding the Red Sea and the running down of stocks restored commercial conditions to a more normal and sounder basis.

INDIA

The Indian exchange reserves fell from Rs.529 crores at the end of 1956 to Rs.297 crores a year later. The latter figure includes a drawing during the year of US$200 million (Rs.95 crores) from the International Monetary Fund, to be repaid within three to five years. When it is remembered that India initiated the second five-year plan in April 1956, with exchange reserves equivalent to some Rs.750 crores and that under the plan it was intended to run these balances down by some Rs.200 crores over a period of five years, it is possible to gauge the extent to which the position has got out of hand.

There is now an awareness of the immediate dangers of the situation. A series of measures designed to arrest the progressive reduction of the exchange reserves have consequently been introduced. Nevertheless, after reducing the plan to more manageable proportions and allowing for the country's normal export earnings of foreign exchange and for promised foreign aid and World Bank loans, the official estimate is that additional external assistance amounting to some Rs.700 crores will be required before 1961 and mostly in 1958-59.

Certainly the completion of the most essential part of the plan will in time effect a saving in the import bill, but despite the assistance which in response to the Indian request for help has been promised by the American and West German governments, India clearly has a difficult road to travel.

PAKISTAN

The past year has been one of difficulty for the Pakistan economy. Unfortunately the balance of payments, which must be regarded as the most reliable indicator of a country's external economic situation, has again been under pressure. This has disappointed the hope that the devaluation of the Pakistan rupee to parity with the Indian rupee in August 1955 followed by an increased payments surplus for the year 1955-56 would have restored a large measure of economic stability enabling Pakistan to begin to enjoy the benefit of the industrial development which had for some years imposed a heavy strain on the country's exchange reserves.

The severe food crisis which developed towards the end of 1956 owing to deficiencies in both the rice and wheat crops necessitated the importation of about 1½ million tons of food grains into East and West Pakistan. Although part of these supplies was financed by assistance from abroad, the balance had to be purchased out of Pakistan's own exchange resources and this unexpected expenditure was a major cause of the payments deficit during the year ended in June 1957, the largest since 1952-53.

BURMA

In the economic sphere 1957 was a disappointing year for Burma. Rice exports according to the latest figures available have been running at much the same level as in 1956 and it seemed reasonable to assume that oversea sales would be sufficient to maintain the exchange reserves at much the same level as a year ago. The reserves have in fact declined substantially despite a loan from the government of India and assistance from the United States and the World Bank. The payments deficit and the loss of reserves appear to have been due to a partial relaxation of import restrictions, for imports, although partly financed under Japanese reparations and United States Public Law 480, have still been substantially higher than in 1956.

CEYLON

The recent disastrous floods have caused widespread distress among the people of Ceylon and have evoked world-wide sympathy and many offers of assistance from within the Commonwealth and elsewhere. It is tragic that in the country's hour of need the landing of food and other essential supplies required in the inundated areas has been seriously impeded by labour disputes in the port of Colombo. Indeed, strikes and go-slow movements in recent months have so deranged the normal working of the port that Ceylon's oversea trade has been badly affected and labour unrest has been by no means confined to the docks.

Under these circumstances and in view of the fall in the price paid for tea at the local auctions and of the rise in imports, particularly of rice and manufactured goods, it was inevitable that the country's balance of trade would be unfavourable.

SINGAPORE

Singapore is to become a self-governing state within the Commonwealth, and a new constitution will come into effect after the beginning of 1958 as soon as new electoral rolls have been prepared. The Citizenship Bill, which was passed by the Legislative Assembly during the latter part of the year, has conferred voting rights on probably as many as 300,000 additional electors. The choice of representatives made by this enlarged body of voters at the General Election to be held next September may well prove crucial for Singapore's future, and it is to be hoped that party controversy will not obscure from the electorate the hard facts of Singapore's unique economic situation. Only by virtue of the prosperity which its international status as an entrepôt and a commercial and financial centre has brought to it has Singapore been able to develop in recent years an impressive range of services and amenities for the benefit of its population, who enjoy standards of housing, medical services and education that compare favourably with any to be found in South-East Asia today.

FEDERATION OF MALAYA

The outstanding event during the past year, and one which has been widely welcomed, was the achievement by the Federation of Malaya of its independence within the Commonwealth on August 31st. Before the formal granting of independence, the Prime Minister and his government had shown a statesmanlike approach to the country's problems and a wise comprehension of their new responsibilities. The Federation is now joining such international organisations as GATT, the World Bank, the International Monetary Fund and the International Finance Corporation.

The Federation embarks on its career as an independent state with substantial external assets and an economy which, though mainly dependent on the rubber and tin industries, is sound and progressive. As the Finance Minister pointed out in his budget speech in December, the general level of wages and the standard of living in the Federation is probably the highest in South-East Asia. On the other hand the emergency which still continues remains a drain on the country's resources. The government is doing all that it prudently can to end the emergency and it is to be hoped that efforts in this direction will prove successful and so enable the country to finance larger expenditure on economic and social development.

NORTH BORNEO

The latest figures available show that North Borneo's oversea trade last year may well have reached a record level, although the trade surplus for the year as a whole is likely to be less than in 1956. The expansion of imports is again to be attributed partly to the purchase abroad of capital equipment required in connection with the colony's development schemes. It is encouraging that on the other side of the account a wider range of export commodities is making a significantly increased contribution to North Borneo's earnings of foreign currency.

SARAWAK

Sarawak is progressing slowly but steadily towards self-government and last May there took place the first meeting of the Council Negri since the introduction of a new constitution providing for an unofficial majority. Following successful municipal elections in Kuching and Sibu, it is the government's intention to hold similar elections at Miri during the course of the coming year.

Again last year two of the colony's principal exports, rubber and pepper, fetched lower prices in the international market, with a consequent fall in export earnings. Although total imports are estimated to have been slightly lower, the reduction in export earnings has increased the trade deficit of the previous year.

INDONESIA

It is difficult to discover in the political crisis which threatens the unity of the country whether the opposing factions are contending for different forms of government or defending incompatible economic interests. Manifestly the situation is one of grave danger to the young republic but it can be resolved only by the Indonesian people and their leaders without interference, however well-meaning or gratuitous advice, from abroad.

The constructive work in which the Indonesian branches of the Bank engage has necessarily been hindered by the political ferment which has now issued in a conjuncture the outcome of which cannot be foreseen. The situation and its uncertainties are causing us a good deal of anxiety but we can do no more than join with other friends of Indonesia in hoping that a peaceful way out of the present impasse may soon be found and that the Indonesian people may attain the higher standards of living that would accrue to all of them from the restoration of political stability, administrative probity and labour responsibility; a state of affairs which is indispensable to the effective development and economic deployment of the enormous natural riches with which the country is endowed.

THAILAND

Although the unsettled political situation has had a disturbing effect on trade, particularly since September, Thailand has again enjoyed a relatively prosperous year. The country enjoys a measure of economic stability, which is denied to many of its neighbours in South-East Asia, because of its self-sufficiency in rice, and of the consequent well-being and contentment of its peasantry. Rice normally accounts for approximately one-half of the country's export earnings; shipments which last year showed a substantial increase over those in 1956 and reached their highest level since 1952, contributed to the rise which took place in the exchange reserves.

VIETNAM

There have been no major political developments in Vietnam during the past year and the country has therefore been able to consolidate to some extent the economic progress which has been made since President Ngo Dinh Diem succeeded in restoring law and order in territory which had been ravaged by many years of war.

The country continues to be largely dependent on American aid to pay for the bulk of its imports. Although there was a modest, but nevertheless welcome, revival of the export trade in rice last year and a higher tonnage of rubber was shipped abroad, export earnings amounted to only 28 per cent of the value of imports.

CAMBODIA

Cambodia is almost unique among the countries of South-East Asia in having a surplus of agricultural land and thus an abundance of staple food-stuffs for the whole population. A good harvest last year allowed of greatly increased exports of rice and other cereals, and since rice accounts for some 42 per cent of the country's total exports, the trade balance, which had been substantially in deficit in 1956, yielded a surplus last year. Most of the country's imports continue to be financed by American Aid and in consequence of an increase in the value of exports and a reduction in imports exchange reserves have risen during the course of the year.

THE PHILIPPINES

The past year has seen a serious reduction of the foreign exchange reserves and an increase in the money supply accompanied by the all too familiar and disturbing symptoms of inflation.

There can be little doubt that the natural resources of the Philippines, if efficiently developed and administered could, within a relatively short period, strengthen the national economy and assure the population of a reasonable standard of living. Although the bulk of the external trade of the Philippines is still conducted with the United States, trade with the United Kingdom and with Western Europe is increasing. Negotiations have been taking place during the course of the year, with a view to facilitating the use of sterling by the Philippines, which, if accompanied would facilitate a further expansion of trade with the United Kingdom and the sterling area.

HONG KONG

Hong Kong's total trade increased last year with imports expanding and exports falling in aggregate value. Rather more than a quarter of Hong Kong's exports are locally manufactured, and the local industries in general have had a fairly good year, their sales overseas having been stimulated as a result of the colony's participation in trade fairs abroad. It is clear, however, in view of trade restrictions and shortage of foreign exchange in South-East Asia particularly, that the future success of Hong Kong's industries will depend to an increasing extent on their ability to sell their products in more distant markets, such as Europe and North America, where competition will be more severe. Efforts in this direction should be assisted by the trend which is apparent in many branches of local industry, towards producing and shipping finished goods, rather than semi-manufactured products.

CHINA

Last year I mentioned that the authorities in Peking evidently considered it useful to have banking connections throughout the world to supplement those afforded by the Bank of China and that with official encouragement The Chartered Bank was again participating, if only to a small extent, in the financing of China's oversea trade. The business suits us very well, and there are good prospects of its continuing.

JAPAN

The economic expansion which made 1956 Japan's most successful postwar year, continued unabated well into last year, but subsequently increased imports began to impose a serious strain on the country's balance of payments. Industrial and mining production continued to rise, but to sustain their expansion it was necessary to purchase increased quantities of raw materials from abroad. The monthly deficit on the country's balance of payments reached its peak in the middle of the year and was on such a scale that it was necessary for the Government to seek assistance from the International Monetary Fund and to introduce measures designed to restrict imports and to curtail domestic credit. By the end of the year it became apparent that equilibrium had been largely restored and in October Japan's balance of payments showed a surplus. The remedies applied have inevitably caused an increase in unemployment, and the problem of expanding exports sufficiently to ensure reasonable living standards for an expanding population persists. Nevertheless Japan is fortunate in possessing an industrious population and in remaining relatively free from labour unrest, despite the growing strength of the trade unions.

NEW YORK

Our New York agency is an important link in our interregional organisation since many of the principal exports of the Asian countries in which we have branches find remunerative markets in the United States. We have many business connections of long standing among exporters and importers in the United States and our relations with the American banks have always been cordial.

THE STERLING AREA AND THE UNITED KINGDOM ECONOMY

The appointment of a committee under the chairmanship of Lord Radcliffe to enquire into the working of the monetary system has evoked a good deal of discussion among economists concerning the merits of the sterling area system and the position of this country as its banker.

Widely divergent estimates have been made of the extent to which foreign currency accrues to the United Kingdom Control from the operations of oversea banks based upon or represented in London and it has been argued that the advantages of those operations to the United Kingdom economy are more apparent than real. The effectiveness of organisations like The Chartered Bank in sustaining the external economic defences of the United Kingdom cannot be in doubt. The Bank finances a very large proportion of the trade in primary products between the eastern countries and the rest of the world and it is a considerable earner of US dollars and other scarce currencies in its own right; moreover the Bank is enabled by means of its already extensive and growing oversea establishment to play an important part in the promotion of the export trade of the United Kingdom.

To impose restraint upon the activities of the British oversea banks would be the last resort of the destitute, and it is reassuring to know that changes in currency management and exchange control which might prejudice the unique position of the City of London in international commerce will not be made without the most searching enquiry.

CONCLUSION

The superficial observer of the contemporary international scene might suppose that few, if any, of the Asian countries hold opportunities for the British banks. There have been reactions against what is loosely and often mistakenly termed "financial imperialism," but most Asian countries realise that an efficient international banking service can play a powerful part in sustaining the economic defences of an undeveloped country struggling to be free and prosperous and that foreigners practising banking in their territories can be trusted by their hosts.

While our primary function is that of an exchange bank, we have during the past twenty years operated to an increasing extent within the domestic economies of the countries to which our organisation extends. These credit operations are financed by local deposits and, where they exist, local money market facilities. In proportion to the extent to which the Bank is permitted to attract deposits it can, of course, engage in the financing of sound business activities, but there are signs in many countries of a disposition to restrict deposit banking to the indigenous banks.

One of the most striking features that has emerged during the year has been the extent to which the holdings of foreign exchange of so many of the Eastern countries have seriously deteriorated. Attention has been focused on India's position because of the extent to which she has drawn on her sterling balances, but it is clear that her problem is common to other Asian countries. In nearly all of them there has been the urge towards rapid industrialisation which has caused excessive imports of capital goods and imposed further strain upon dwindling resources of foreign exchange.

It is too soon to anticipate what may be the consequences to the Bank of the impending liberalisation of trade within the Western European community, but the pursuit of such a policy would widen markets for the agricultural produce and raw materials which are still of vital importance to most of the Asian national economies. The Bank has a thriving agency in Hamburg and it enjoys mutually satisfactory correspondent relations with an extensive range of banks established on the European continent. Our international organisation is well equipped to take advantage of changes in the direction of trade which are likely to result from tariff revision in the United Kingdom and Western Europe.

When addressing the stockholders in past years I have remarked more than once that The Chartered Bank has given many hostages to fortune, but the success with which the affairs of the Bank have been conducted since the end of the war and the way in which the technique of management has been adapted to meet revolutionised economic situations resulting from changes of sovereignty and other political upheavals encourage me to continue to view with confidence the future of British banking in the East.

Copies of the full text of the statement will be sent on application to the Secretary of the Bank at 38, Bishopsgate, London, E.C.2.

THE PRESTIGE GROUP LIMITED

HIGHER TURNOVER AND PROFIT

The Annual General Meeting of The Prestige Group Limited will be held on April 3rd in London.

The following are extracts from the statement by the Chairman, Mr Arthur Keating, and the Managing Director, Mr S. A. Field, which has been circulated with the Report and Accounts for the year to December 31, 1957:

We are glad to report the fulfilment of our expectation a year ago that in 1957 both turnover and profit would rise. Turnover was 24 per cent higher and profit before taxation 32 per cent higher than in 1956.

The net profit achieved would have been greater but for two circumstances: first, the continuing pressure on profit margins from the increased cost of wages and materials and second, a severe epidemic of influenza which caused a serious slow-down in production at our factories at a critical time of the year.

The profit before taxation amounted to £601,668, compared with £456,650 in 1956. Provision of £317,000 has been made for taxation on these earnings, leaving the available net profit of the Group for the year at £284,668, compared with £221,955 in 1956.

An interim dividend of 10 per cent on the Ordinary Shares was paid in August, 1957. Your Directors recommend the payment of a final dividend of 35 per cent on the Ordinary Shares, making a total dividend of 45 per cent for the year, as in 1955 and 1956.

GENERAL

1957 was a year of substantial improvement for your Company and total turnover constituted a record. In the home market the reduction of purchase tax in April from 30 per cent to 15 per cent on a large number of our products was a helpful factor in increasing sales. Restrictions in export markets continued to present many problems, but the temporary fall of 1956 has been halted and as a result of persistent efforts, sales have started to climb again.

In May, 1957, as announced in the Press at the time, your Company purchased the whole of the issued share capital of Albert Arrowsmith Limited, manufacturers of pans for the bakery trade at a small leasehold factory in Salford, Lancashire.

This purchase marks the entry of your Company into the manufacture and servicing of commercial baking tins and utensils. This new field is a natural development in view of the position held by our parent company, Ekco Products Company of Chicago, as the largest and most successful manufacturer of baking tins in the United States.

During the year new lines of housewares —cutlery, kitchen tools, baking tins and bathroom fittings—have been introduced. A new type of moulded wood handle under the name of "Pakkawood," made by one of our associated companies in Germany, has been fitted to an important selection of our cutlery and kitchen tool ranges.

There is no doubt that the noticeable increase in competition for the housewife's pound will continue. We are confident that the Prestige Group will continue to increase its share of the market, aided by growing public awareness of its brand names and their association with quality merchandise.

We are glad to be able to conclude by stating that January and February, 1958, have been satisfactory months in terms of both turnover and profit.

TEMPERANCE PERMANENT BUILDING SOCIETY

MR CYRIL W. BLACK'S REVIEW OF 1957

The One Hundred and Fourth Annual Meeting of the Temperance Permanent Building Society was held on Friday, March 7th, at the Caxton Hall, London.

Mr Cyril W. Black, DL, JP, MP, FRICS, chairman of the Society, in the course of his speech, said: The year which has recently drawn to a close has been in the main a period of consolidation. In the light of the many difficulties and uncertainties of the period it was considered inexpedient to strive after any spectacular expansion in our business but wiser to concentrate on strengthening still further the immensely strong foundations on which your Society is built. The outstanding events of the year for us have undoubtedly been the removal, in the interests of efficiency and economy, of our Administrative Offices to Worthing, and the acquisition of the Worthing Building Society.

The total assets at the close of the year amounted to a record figure of £38,580,434. The amount standing to the credit of Shareholders and Depositors was £35,895,000, an increase in the year of £2,288,580. New advances totalled £4,351,655, it being noteworthy that 94 per cent of the total represented individual advances not exceeding £3,000. The prudence which has always characterised our lending policy is evidenced once again by the almost microscopic figure for "losses on realisation" amounting on this occasion to only £1,769.

RESERVES

The great importance attached by your Board to the strengthening and building up of the reserves of the Society is already well known. During the past year we have made appropriations to Reserve Accounts resulting in the attainment of an all time high record of £2,105,000, representing approximately 6 per cent of our aggregate Share and Deposit capital. This is a ratio considerably better than the average. Cash and Government and Municipal Investments aggregate over £6 million, this impressive figure representing a satisfactory degree of liquidity for a Society of our character and size.

TAXATION

Attention must again be directed to the crippling burden of taxation by which, in common with other Building Societies, we are afflicted. In particular, the Building Society Movement has for a long time past laboured under a burning sense of grievance regarding liability for Profits Tax. It cannot be too often or too strongly emphasised that Building Societies are in no sense normal commercial profit-earning concerns, and that the profit element plays a very minor and subsidiary role in their operations. Building Societies are therefore convinced that an overwhelming case exists for complete exemption from liability for Profits Tax. Building Societies accordingly look to the new Chancellor of the Exchequer for the due performance of his predecessor's promise to consider the introduction of ameliorating provisions in the forthcoming Finance Bill.

INTEREST RATES

During the past year, for reasons with which we are all familiar, the Government took the drastic but necessary action of raising the Bank Rate to the very high level of 7 per cent, at which figure it still remains. In common with other Building Societies we have been anxious to avoid, if possible, imposing any further burden on our borrowers, and this remains our policy. We can only maintain the present position if our investors and the investing public will exercise restraint, and be satisfied with the not ungenerous rates of interest we are paying and offering to investors. I am not unaware that there are some Building Societies offering rates of interest in excess of those paid by us and most other leading Societies. Intending investors will be well advised, before selecting a Society as the depository for their funds, to ascertain whether it is a member of the Building Societies Association, and also to examine carefully its financial position. It has long been a general axiom in the investment world that a higher rate of interest almost invariably goes with a lower degree of security, and Building Societies are by no means exempt from the operation of this general rule.

We are confident of a future of gradually expanding usefulness, and believe that time will show that some financial organisations which have recently made spectacular progress in the achievement of very large figures in a very short period of time have not the staying power nor the stability possessed by a Society such as ours. We are not ashamed to value strength above size, and to be more interested in steady and stable growth than in spectacular but speculative development.

The Report and Statement of Accounts were adopted.

FALCON MINES

The forty-eighth annual general meeting of Falcon Mines, Limited, will be held on March 31st at Bulawayo, Southern Rhodesia.

The following is an extract from the Statement of the Chairman, Mr F. L. Wigley, dated February 21, 1958, circulated with the Report and Accounts for the year ended September 30, 1957:

The Net Profit for the year was £103,685. An amount of £4,000 has been written off unquoted investments and the sum of £20,000 has been appropriated for expenditure on Fixed Assets and Mine Stores. After providing for Dividends Nos. 7 and 8, totalling 10½d. per share (17½ per cent), which absorbed £79,433, there remained a balance unappropriated of £15,941, compared with £15,964 brought forward from last year.

DALNY MINE

At the Dalny Mine the estimated ore reserve at September 30, 1957, was 536,300 tons valued at 4.32 dwts per ton over a width of 96 inches, an increase of 14,300 tons, but a decrease of .38 dwts per ton in value as compared with the previous year. The drop in ore reserve value is due mainly to the concentration of development effort in the area of 13 level which is being established as the main hauling level. In consequence, less than the normal amount of development has been accomplished in areas of the ore-body which are known to carry values higher than the average.

On the Arlandzer Section at a distance of some 19,500 feet west of the Rix shaft, an incline borehole was drilled to a depth of 587 feet. As announced in the report for the quarter ended September 30, 1957, values were encountered on three horizons and at 304 feet the ore-body assayed 13.3 dwts per ton over a true width of 44 inches. This borehole was drilled mainly for protection purposes as well as for information, and it is not our intention to explore the area further at the present time.

It was mentioned in the Chairman's Review last year that it had been decided to increase the capacity of the reduction plant at the Dalny Mine from about 15,000 tons to 20,000 tons per month and also to introduce certain modifications and additions designed to improve the gold extraction. There were some delays in the delivery of the new plant units and the extensions to the mill were not completed until about the end of the financial year. Since the units were commissioned at the beginning of October, 1957, both mechanical and metallurgical difficulties have been experienced, but these teething troubles are being overcome.

THE SCOTTISH PROVIDENT INSTITUTION

MUTUAL LIFE ASSURANCE

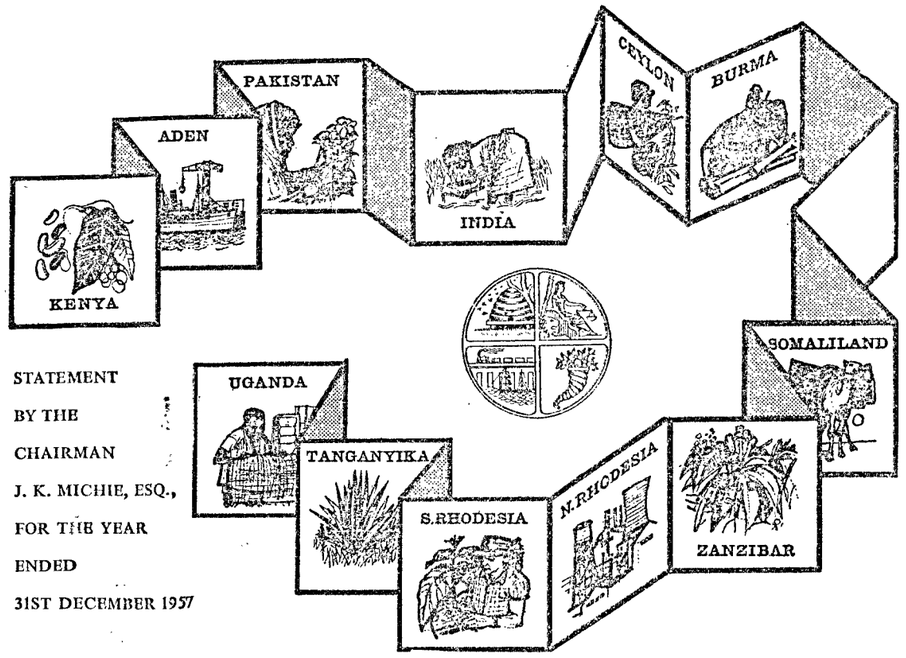
MR C. G. M. PEARSON'S REVIEW OF ANOTHER RECORD YEAR

In presenting the Report and Accounts to the one hundred and twentieth Annual General Meeting, held in Edinburgh on March 11, 1958, the Chairman, Mr C. G. M. Pearson, CA, referred to a further expansion in New Business. Not only were Net New Sums Assured at £11,626,141 the highest in the Institution's history, but for the first time the net new premiums had exceeded £1 million. The rates of interest earned on the Total Funds, including the General Reserve Fund, had increased each year for the past ten years and were now £6 3s. 7d. per cent gross or £4 14s. 10d. per cent after deduction of income tax, but it was proper to sound a warning that such high rates were unlikely to continue indefinitely now that industry was finding it progressively more difficult to earn profits. The market values of Stock Exchange securities had fallen during the year but there was still a very useful margin between the aggregate market value and the figure at which these securities stood in the books. During the year the Institution's Total Funds had increased by more than three and a quarter million pounds to a figure of £44,818,350.

INTERMEDIATE BONUSES INCREASED

Although Intermediate Bonuses had already been increased during the current quinquennium, the continued favourable experience had made it possible to increase the rates still further. Under the Institution's Distinctive System of very low rates of premium for whole-life assurances these were now 25s. per cent per annum (Old Series) and 22s. 6d. per cent per annum (New Series). For with-profit endowment assurances the new rate was 45s. per cent per annum. All these rates of bonus are compound. These latest increases afforded convincing evidence of the continuing profit-earning power of the Institution, and as the next quinquennial valuation of liabilities and distribution of surplus would be made as at December 31, 1958, the Chairman strongly urged everyone thinking of effecting a policy to take out a with-profits assurance without delay and so ensure participation in the profits of the quinquennium.

The Report and Accounts were adopted.



National Overseas and Grindlays Bank Ltd

The physical amalgamation of the National Bank of India Ltd. and Grindlays Bank Ltd. into the National Overseas & Grindlays Bank Ltd. took effect from the 1st January 1958 so while this is the first report to the shareholders under the new name, the accounts for 1957 perforce are presented in the previous form.

Despite the enormous amount of detailed work involved, thanks to the organising ability of those specially seconded to the task and to the co-operation of the staffs of both Banks, the fusion was accomplished with remarkable smoothness and I hope without inconvenience to our customers. In a complex operation of this kind to foresee and anticipate every difficulty would be superhuman but I am satisfied that any outstanding problems will be disposed of with the sympathy and understanding which were the keynotes of the whole operation.

We have established a 54 Parliament Street Committee of five members, all of whom were on the Board of Grindlays Bank Ltd. This Committee will assist the Management to deal expeditiously with the large number of accounts which they hold and so maintain the very high standard of service associated with the name Grindlays.

I have to report a change in your Board since our last meeting. Sir Robert Reid who had been a member since 1943 retired on 31st December last. Sir Robert had a distinguished career in the Indian Civil Service finally as Governor of Assam and his intimate knowledge of the sub-Continent was of great value to us. Incidentally his father was a member of the Board for thirty-one years from 1878 until 1909.

To fill the vacancy we invited Mr. E. H. Owen to join us which he did early in January. Mr. Owen had been a member of the Board of Grindlays Bank Ltd since October 1955 so already had knowledge of our business. He also has wide interests in the City and I recommend him to you with every confidence.

I also have an impending loss to report. Mr. W. H. Miles, who has very special knowledge of Ceylon and who has been on the Board since April 1946, has intimated that he wishes to reduce his business commitments and his resignation will take effect after the Annual General Meeting. We accept his decision with much regret and shall miss his wise advice not only on matters concerning Ceylon but on the wider aspects of our business.

Before leaving the subject of the Board I am sure you would wish to join in congratulating Sir Toby Low, K.C.M.G., C.B.E., D.S.O., M.P., on the honour of Knighthood conferred on him by Her Majesty the Queen in the 1957 Birthday Honours List for his distinguished services as a Minister of the Crown over a period of six years.

Turning to figures, the total of our Consolidated Balance Sheet at £162,105,220 shews a small reduction and our net profit is £5,345 lower at £427,490. As usual this figure is arrived at after full provisions for taxation, for bad and doubtful debts and other necessary reservations. Two interim dividends each of 7½% have been declared making a total unchanged distribution of 15%.

During 1957 Government securities again fell considerably in value—a process which fortunately has recently been reversed—but I am glad to be able to report that these temporary reductions in value as in the past have been provided against internally.

India

1957 was a difficult year and at the moment prospects for 1958 promise little if any alleviation of her financial problems; in fact due to a poor monsoon the food situation is less favourable than in recent years and that means more imports and a greater drain on monetary reserves.

When a country is in process of an industrial expansion at a rate far in excess of its own savings this combined with a fall in the values of its basic exports, *i.e.* Jute products, Tea and Cotton goods, is doubly hurtful. The new investments absorb sterling balances which previously yielded interest; alternatively they are being built with the help of borrowed money on which in some form or another and at some time or other interest will have to be paid. Therefore temporarily there is a large element of inflation in the phase through which India is passing.

Internally money is tight and too cheap and Government have asked Banks to reduce their lendings. This process would be easier if Government itself paid its dues somewhat more promptly and

recognised that money too is a commodity which should only be cheap if it is plentiful.

Another major aggravation of India's difficulties has been the lack of public confidence as evidenced by a continued fall in Stock Exchange values accentuated of course by the Mundhra incident. In view of the wide publicity being given to this affair you will be glad to know that our Bank is involved only to a limited extent and full provision has been made in these accounts for any possible loss. It is most regrettable that the involvement of the Life Insurance Corporation in the Mundhra affair has led to the resignation of India's able Finance Minister, Mr. T. T. Krishnamachari.

At this stage it is impossible to avoid comment on India's immediate economic difficulties but on the other side of the picture there is no question of the energy and realism with which she is now facing them. Imports are being cut, long credit is to some extent being arranged and a certain success is being achieved in raising further loans and aid. Equally there is no doubt of the goodwill towards India of the countries and organisations from which funds and other assistance may be secured and I am certain they will strain themselves to help India over her difficulties.

Pakistan

The economy of Pakistan is also under strain. The year 1957 ended with a deficit of over £19,000,000 in the balance of payments as compared with £675,000 in 1956

There have been falls in both prices and production of tea and jute, the cotton crop yield was about the same as the previous one but exports are running at a much lower level. The food situation in East Pakistan has recently improved considerably and prices have fallen to reasonable levels. In October Mr. Suhrawady resigned the Premiership and after a short period under Mr. Chundrigar was replaced by Malik Firoz Khan Noon who has previously held office in a variety of capacities.

Internally money is in fair supply in Pakistan but as is now much more generally realised it is trade balances and external reserves that really matter and Pakistan has a stern fight ahead of her. Nevertheless prospects for 1958 are more favourable but much depends on food production and the slowing down of purchases of capital goods from overseas. The Sui Gas Scheme is also increasingly helpful by saving imports of fuel.

Ceylon

Last year I was able to report a buoyant economy; good prices for tea and an increased balance of trade, the only clouds being labour relations particularly in the port of Colombo and the continued talk of nationalisation of tea estates.

Since then tea prices have been volatile and generally lower and rubber prices also are lower, while recently conditions in the port of Colombo have been chaotic and have caused a severe and crippling hold up of exports.

It has been stated officially that tea estates in Ceylon would be nationalised only when it became necessary in the interests of the country's economy and that time has not yet arrived.

To add to the troubles there was a disastrous flood upcountry in December which has disrupted communications and slowed down exports even further. The country's most immediate problem is port labour and how it is to be handled. At the moment it seems to be largely out of hand. Other labour is also restless and widespread strikes are threatened. Whatever the causes of this unrest the results are certainly embarrassing and extremely damaging to the economy of the country.

Burma

Last year rice exports reached a post-war record of over 2 million tons, timber exports were maintained and with the coming into operation of the new oil refinery, imports of oil were reduced. There was too, an encouraging improvement in what is called "law and order". In fact portents were distinctly encouraging.

Unfortunately 1957 brought the poorest monsoon since 1920 and Burma's rice crop will thresh out 30% short of the previous year which means the exportable surplus of around 1 million tons only and a loss of foreign exchange of nearly £30 millions. Foreign exchange reserves are already falling and economies will have to be the order of the year. There is a regrettable movement afoot to restrict and even ban internal overdraft facilities to foreign or foreign-controlled companies and firms and this will affect many of our constituents. It is also very doubtful if it will benefit Burma's trade. The difficulties over remittances both personal and of accumulated profits I regret continue.

East Africa

During the past year Branches were opened at River Road, Nairobi and at Gulu in Uganda.

In Kenya, Fort Hall which had formerly been a sub-Branch to Thika became a full-time Branch on 1st July 1957 and on that date a sub-Branch to Fort Hall was opened at Embu. In the same month a sub-Branch to Nyeri was opened at Karatina.

Kenya

Grain crops were reasonably good while the coffee crop reached an unexpectedly high figure of 22,000 tons and fetched quite good prices. Tea production continues to expand although prices were not as good as in 1956.

The resettlement of Kikuyu and Meru tribesmen involved in "Mau Mau" continues, and during a brief visit to Kenya in November, I was able to see a part of what is being done.

From my observations the building boom in Nairobi and elsewhere is over and particularly as the flow of capital into East Africa is declining it would be a good thing if less money were now to be put into bricks and mortar and more devoted to increasing liquidity.

The Government and other public bodies are finding it increasingly difficult to raise loans either in London or locally and this both has an effect on and is a reflection of the availability of money generally.

Uganda

The two main cash crops, cotton and coffee, gave average to good yields last year although neither reached the figures hoped for. Due to a prolonged drought in August/November, prospects for this year are far from good and will mean a great deal less spending power in the Protectorate. The cotton crop which partly because of better agricultural methods was at one time expected to reach a record yield of 450,000 bales is now estimated at 310,000, the one satisfactory feature being that but for the improved methods adopted the yield would have been even lower. There is therefore good hope for future years. The yield of clean coffee is now estimated to be 45,000 tons against 67,000 tons last year. Uganda suffers less variation in her rainfall than do her immediate neighbours and given reasonably peaceful political conditions her economy will undoubtedly continue to expand.

Tanganyika

Sisal prices continue depressed and during 1957 went as low as £69 per ton. A satisfactory feature of the industry and a proof of its vitality is that yield is being maintained in spite of the low price.

Tanganyika's cotton crop in the Mwanza area is steadily growing in importance and value and in 1957 150,000 bales were marketed against 120,000 bales in 1956. In 1951 the crop was 41,000 bales only.

Coffee yields in the Kilimanjaro area continue good and acreage is expanding.

Zanzibar and cloves are automatically associated in one's mind and last year's crop of 21,500 tons was an all time record. Coinciding with the troubles in Indonesia which is one of the major markets this vast crop is proving something of an embarrassment as the carrying of a large part of it is falling on the Clove Growers

(*continued overleaf*)

NATIONAL OVERSEAS AND GRINDLAYS BANK LIMITED

Head Office: 26 Bishopsgate, London EC2

London Branches: 54 Parliament Street, SW1 : 13 St. James's Square, SW1
Shipping, Travel and Insurance Departments: 9 Tufton Street, SW1

INDIA
Amritsar
Bangalore
Bombay
Mahatma Gandhi Road
Mint Road
Calcutta
Netaji Subhas Road
Brabourne Road
Chowringhee Road
Church Lane
Cochin
Delhi
Kanpur
Madras
North Beach Road
Armenian Street
Mount Road
New Delhi
Connaught Circus
Connaught Place
Simla
Tuticorin

PAKISTAN
Chittagong
Sadarghat Road
Agrabad Branch
Karachi
McLeod Road
Bunder Road
Dundas Street
Saddar Branch
Khulna
Lahore
Bank Square
The Mall
Narayanganj
Peshawar
Quetta

BURMA
Rangoon

CEYLON
Colombo
37/30 York Street
11 York Street
Kandy
Nuwara Eliya

ADEN
Aden
Little Aden
(Sub-Branch to Aden)
Steamer Point, Aden

SOMALILAND PROTECTORATE
Berbera
Hargeisa

ZANZIBAR ISLAND
Zanzibar

KENYA
Eldoret
Embu
(Sub-Branch to Fort Hall)
Fort Hall
Kakamega
(Sub-Branch to Kisumu)
Karatina
(Sub-Branch to Nyeri)
Kericho
Kiambu
(Sub-Branch to Nairobi)
Kisumu
Mombasa
Treasury Square
Mombasa
Kilindini Road
Nairobi
Government Road
Delamere Avenue
Industrial Area
River Road
Nakuru
Nanyuki
(Sub-Branch to Nakuru)
Nyeri
Sotik
(Sub-Branch to Kericho)
Thika

UGANDA
Entebbe
Fort Portal
Gulu
Jinja
Kampala
Kamuli
(Sub-Branch to Jinja)
Masaka
Mbale
Mbarara
Soroti
Tororo

TANGANYIKA TERRITORY
Bukoba
Daressalaam
Lindi
Mbeya
Mikindani
(Sub-Branch to Mtwara)
Moshi
Mtwara
Mwanza
Tanga

NORTHERN RHODESIA
Lusaka
Ndola

SOUTHERN RHODESIA
Bulawayo
Gwelo
Makokola
(Sub-Branch to Bulawayo)
Salisbury
Umtali

NATIONAL OVERSEAS AND GRINDLAYS BANK LTD

(*continued from previous page*)

Association, a quasi-Government body created to assist in the financing, storing and orderly marketing of cloves. Madagascar also has a large crop and is marketing actively with a naturally depressing effect on prices. It is most unlikely that there can be two exceptional crops in succession so it is hoped the situation will be adjusted.

The Federation of Rhodesia and Nyasaland features in our survey for the first time. We now have six Branches in Southern and Northern Rhodesia and one agency in Bulawayo. Two further offices, one in Salisbury, and one in Belmont, Bulawayo are in train.

During 1957 we were well pleased with our progress despite the fact that certain credit restrictions were placed upon Banks when it was seen that copper prices were still on the way down.

Since the close of the year because of a large reduction in the sterling balances of the Federation and the continued depression in the price of copper—the price has fallen by over £100 per ton since 1st January 1957—further restrictions on lending have been imposed on the Banks and generally we must expect a period of relative stagnation.

Tobacco did well in 1957 but because of unseasonable rains, prospects for this crop are not so good.

Last October, accompanied by Sir Toby Low, I made a fairly extensive tour of Southern and Northern Rhodesia to inform ourselves at first-hand about these, to us, new territories and about our business there. In spite of the difficulties I have already mentioned we brought away an impression of a young and virile country which is determined to develop a part of the world in which there is not only plenty of room but also great possibilities of agricultural and industrial expansion.

At time of writing, the Deputy Chairman Mr. Stuart and Mr. Kerr, our General Manager, are visiting our Rhodesian Branches and this additional first-hand experience will be of undoubted benefit to our local Management and to the Board.

On the assumption, which I think is a reasonable one, that the present recession in copper and other prices is temporary and that a somewhat higher plane can be expected, there is no reason to be pessimistic of the economic future of the Federation.

Aden

The reopening of the Suez Canal gave the trade of Aden a very definite fillip and it has remained on a fairly high level of activity although there are now signs of overstocking.

Somaliland Protectorate

Rainfall has been plentiful this season and exports of livestock which is the territory's chief product have been running at a high level.

A considerable expansion of the harbour facilities at the port of Berbera is now under way.

Grindlays Bank Ltd.

The last year of the Bank as a separate unit was a successful one and the volume of deposits again shewed an increase.

Our Finance and Development Corporation

The year's operations again shewed a profit which is being retained in the business.

General

The reduction of the Bank of England rate to 5% in February 1957 proved to be an over-optimistic step and on 19th September last, circumstances demanded that it be again raised, this time drastically to 7%. This unpalatable medicine seems to be working although the Governor of the Bank of England has just warned us against being too complacent about our progress. There is indeed no panacea in monetary policies by themselves. If they have the desired effects of making us as a country not only tighten our belts but also gird up our loins then all will be well—otherwise no.

I have commented in each of my last two statements on the disparity between money rates in countries where it is certainly as scarce as it is here and those prevailing in London.

One result of this disparity is a very natural one—for industries and businesses to endeavour to borrow as largely as possible where money is "cheap" and as little as possible when it is not only considerably more expensive but much harder to come by. This fact is not making our role as overseas bankers any easier particularly as competition for deposits is growing in every sphere of our activities. It is therefore with interested sincerity that I hope for an easier money market in this country and its reopening on a larger scale to overseas borrowers.

It is impossible to foresee other than a difficult year for commerce, industry and their handmaiden banking but that is no justification for pessimism and I look forward albeit not immediately to a resumption of progress.

Staff

As always we are beholden to our Staff and I wish to thank an enthusiastic and able body of men and women for their loyal service.

CABLE AND WIRELESS (HOLDING)

RECORD OF PROGRESS CONTINUED

The twenty-ninth annual general meeting of Cable and Wireless (Holding) Limited, was held on March 7th, in London.

Sir Edward Wilshaw, KCMG, DL, JP, LLD, FCIS (the Governor) in the course of his speech, said :

Earnings have again increased; this year by £73,907 to £1,167,772 before providing for taxation, so that in four years we have succeeded in doubling the earnings. No less a sum than £505,317, or £31,674 more than last year, is required for taxation, so that the net earnings of the Group of Companies are £42,233 higher at £662,455.

Once again a final dividend of three-halfpence is recommended, making a total of sixpence per 5s. unit of stock for the year or 10 per cent.

The successful operation of your Company over the past years must, I feel sure, be a great source of satisfaction to Stockowners as it is to your Directors. Those Stockowners who have been on the Register since July, 1950, less than 8 years ago, have had the value of their capital more than doubled and their income has increased almost to the same extent. Truly no mean achievement.

In the Directors' Report you will see references to the proposed share issues by the Company. The first issue, a scrip issue, necessitates the capitalisation of £605,000 of the undistributed profits now standing in the General Reserve. The second issue, which is being made simultaneously with the issue I have just mentioned, is a separate transaction and is for the purpose of providing the Company with additional funds which the Directors are of opinion can be utilised profitably in furtherance of the business of the Company and with obvious considerable investment advantage at this time.

At our meeting two years ago I mentioned that we had in mind permitting the staff to participate in any future issues of shares. On the occasion of the present Rights issue you might like to know that, in implementation of that proposal, your Directors are arranging for new shares not accepted by stockowners to be offered to the officials and staff at the issue price. By this means it will be possible for the staff to obtain, or add to, a share interest in the Company.

FUTURE PROSPECTS

Subject to no unforeseen circumstances arising, I am confident that we shall be able to maintain the payment of dividends at the same rate for the current year, and I trust for some years, on the capital as increased by the proposed scrip and rights issues.

My firm faith in the future is reflected in my implementing at this time my promise that stockowners should participate in the increasing prosperity of the Company by receiving scrip issues rather than increased dividends. Some may think that by making a scrip issue I am putting in jeopardy the maintenance of the regular quarterly dividends at the present rate. My optimism will not let me accept their view. Furthermore, were I not convinced that there are attractive investment opportunities available I should not choose the present time to ask you to subscribe a further £1,210,000 of capital for the purpose of increasing our investment portfolio. The report was adopted and the Board's capitalisation and scrip issue proposals were sanctioned.

HADFIELDS LIMITED

The seventieth annual general meeting of Hadfields Limited was held on March 7th at Sheffield, Lord Dudley Gordon, DSO, LLD, MIMechE (the chairman), presiding.

In his circulated statement the chairman said that the total volume of commercial orders showed a slight fall, though that did not apply to all products. The export business had been well maintained.

Commenting on the difficulty of raising fresh capital for industrial expansion due to the increased Bank Rate and restriction of credit, the Chairman said that so far as firms listed as belonging to the Steel Industry were concerned, that difficulty had been still further increased by the vigorous and constantly repeated pronouncements by the Labour Party that if returned to power, a Government representing that party would set to work to nationalise the Steel Industry.

Very great disservice was done to the national well-being by the declarations which had artificially debased the market quotations for steel shares. The falsity of the idea that the shares were held by a few rich persons was immediately apparent on examination of their share register. There were over 11,000 shareholders, and the total of those who each owned 500 shares or less was over 10,000.

Lord Dudley Gordon concluded by saying that it was the concern of the shareholders, the employees and the customers to ensure that the Steel Industry, which was basic to so many others, should cease to be a shuttlecock of politics and be allowed to continue unhampered, the progress which was serving the Nation so well.

MERCANTILE BANK LIMITED

CONTINUED PROGRESS

RESTRAINT ESSENTIAL TO COUNTER INFLATIONARY TRENDS

SIR KENNETH W. MEALING'S STATEMENT

The sixty-fifth annual general meeting of the Mercantile Bank Limited will be held on April 1st, in London.

The following is an extract from the statement by the chairman, Sir Kenneth W. Mealing:

Foreign exchange shortages, restrictions on imports and exports in some territories where the Bank operates have tended to restrict business, and made trading conditions difficult, but nevertheless, the trading profit was larger than the previous year. The Balance Sheet total excluding the capitalisation of Reserves mentioned above is unchanged at £75 million. Deposits are lower by £1 million whilst, on the Assets side, there is an increase of over £5 million in cash. Investments are lower by nearly £3 million, Bills Receivable by over £2 million and Loans and Advances are practically unchanged. The Board is satisfied that our Inner Reserves more than cover every likely contingency and that it is no longer necessary to build up these Reserves at the same rate as previously. Consequently, the profit for the year 1957 is shown at £331,243, after making transfers to the Inner Reserves, which permits a larger distribution to Members. In August, 1957, your Directors declared an interim dividend of 12½ per cent on the then paid-up capital and they recommend a final dividend of 6¼ per cent on the increased capital referred to above. From the balance the usual allocation has been made to the Officers' Pension Fund whilst the sum of £100,000 has been transferred to the Reserve Fund which now stands at £2,100,000, leaving the balance carried forward at £231,452 against £224,521 brought forward from the previous year.

In the United Kingdom Mr Harold Macmillan became Prime Minister on January 13, 1957, with a reconstituted Cabinet. Full employment, a high rate of capital investment and a rising wage-spiral continued with its inevitable inflationary effect. Gold and dollar reserves fell at an accelerated speed in the second half of the year and this together with the hardening of the West German mark resulted in speculation against and a serious weakening of the pound sterling. To counter this adverse trend Bank Rate was raised in September to 7 per cent and steps taken further to restrict credit. By the end of the year sterling had regained its position but unless restraint is used in capital investment, Government spending, wage demands and in pressure upon sterling by other members of the sterling area, the permanent solution of the crisis of September 1957 will not readily be found.

INDIA

The outstanding political event in India in 1957 was the General Election which began on February 24th, in which 193 million adult voters chose 494 members of the Lok Sabha (Central Parliament) and 3,102 members of State Legislative Assemblies. The Congress Party was returned with a comfortable majority at the Centre and in the States with the exception of Kerala State in Southern India where a Communist Government was returned with a small majority. In Kerala conditions, particularly law and order, have deteriorated to a degree which inspires the hope that the voters in Kerala will give a different verdict when they get the opportunity.

The year was an important one for India. Progress in the second 5-year Plan was made in many directions, but the vast financial implications, and the difficulty in obtaining overseas aid to fill the gap between India's external financial resources and the necessary expenditure, became evident. Mr Krishnamachari's Budgets on March 19th and May 15th with their steep new taxation, direct and indirect, resulted in heavy falls on the Stock Exchanges, the siphoning off of investment capital and loss of confidence by the private sector and foreign investors in India. The resultant loss of expansion in the private sector may well be greater, and more lasting, than the immediate gain in Revenue towards financing the public sector of the 5-year Plan. It is now generally recognised that the latter must be re-phased as finance will only be available for the "hard core" of the Plan: steel, coal, railway, major ports and ancillary power.

Nevertheless, India is struggling, with and through its high 5-year Plan target, to improve the standard of living of its vast population and there is no doubt this endeavour is meeting with some success. The General Election confirmed India's adherence to democracy for the ensuing five years under the guidance of Prime Minister Pandit Jawaharlal Nehru, and the influence of this throughout the whole of South East Asia is of primary importance to the entire free world.

PAKISTAN

The industrialisation of Pakistan continues to expand; the Industrial Development Corporation provided Rs 12 crores to finance industrial projects, including sugar and jute factories, newsprint, pharmaceutical products and dyestuffs, and fuel and power. The Pakistan Industrial Credit and Investment Corporation was established in October with a capital of Rs 2 crores and loans from Government (Rs 3 crores) and the International Bank (Rs 2 crores) making a total of Rs 7 crores to assist in the expansion and modernisation of industrial enterprises in the private sector, particularly small and medium sized concerns engaged in the processing of indigenous raw materials. On the other hand agricultural development is not receiving the expansion essential to the country and Pakistan continues to be dependent on large food imports; in 1958 it is estimated that 700,000 tons of rice and not less than 600,000 tons of wheat will have to be imported, whilst the adverse balance of trade for the ten months ending October, 1957, was Rs 22.54 crores.

Heavy Governmental expenditure resulting in excessive monetary demand brought about inflationary tendencies during the year, and credit restrictions were accordingly imposed to meet this trend. It is to be hoped that profitable revenue from the many industrial enterprises created in recent years will soon come to the assistance of the economy which at present is so largely dependent on foreign aid.

CEYLON

Economically Ceylon has been adversely affected during 1957 by several factors; and the Balance of Trade for the first eleven months was unfavourable by Rs. 82 million compared with a favourable balance of Rs. 102 million for the same period in 1956 and a favourable balance of Rs. 480 million in 1955. Her Budget estimated for a deficit of Rs. 199.6 million, but this is likely to be greatly exceeded by the great increase in cost of wages in the Public Sector which must throw a considerable strain on the economy. Labour unrest, strikes and delays in clearance of goods in Colombo Harbour are all contributing to a serious economic decline.

BURMA

Early in 1957 the Premier, U Ba Swe, was replaced by his predecessor, U Nu, as I forecast last year. Second thoughts about nationalisation seem to be taking place, and it is believed that a Bill will soon be passed by the Government to provide incentives to foreign investors to introduce capital into the country by reliefs in taxation and customs and guarantees against nationalisation for ten years with guaranteed repatriation of profits, dividends and capital. This welcome change in outlook would, and may, have beneficial effects provided greater progress can be made in dealing with the problem of the insurgents and banditry still unfortunately rife in many districts in spite of the surrenders which have so far taken place.

FEDERATION OF MALAYA

The rubber and tin industries continue to be the main support of the national economy. Rubber cultivation covers 3½ million acres or some 65 per cent of the total cultivated area, the export earnings of rubber produce 60 per cent of total earnings and 25 per cent of the employment of the people. The tin industry provides some 20 per cent to 25 per cent of export earnings. The price of both these products had declined substantially during 1957, and it is important that the development of other industrial and agricultural projects should take place to render the economy more viable. Indeed, many new industries are coming into existence; ten large factories are to be constructed to produce chemicals, cables, rubber-products, tobacco and matches, and many smaller factories are also under consideration.

SINGAPORE

Economically, 1957 was a prosperous year for Singapore, and there appears to be no reason why 1958 should not also be prosperous.

THAILAND

The peaceful and prosperous progress of Thailand was disturbed by political upheaval resulting in the departure of Field Marshal Pibulsonggram and his co-adjutor, General Phao Sriyanond, and eventually the appointment as Prime Minister of Lieutenant General Tanom Kittikachorn, close friend of

Field Marshal Sarit, following elections held on December 15, 1957.

It is to be hoped that Lieutenant General Tanom Kittikachorn's Government will become firmly and satisfactorily established, maintaining the pro-Western foreign policy of its predecessors while securing the goodwill of the people by enlightened internal administration. Should this prove to be so, there seems to be no reason why Thailand's economic progress should not continue.

HONG KONG

The value of imports into Hong Kong increased by 12.8 per cent over 1956, at $5,149 million, of which $1,131 million came from China, $667.3 million from the UK, and $539 million from the USA. From Malaya and Japan imports declined. Exports declined in total by 6 per cent, compared with 1956, and although increases in exports to the UK and USA occurred, they could not counterbalance the serious and continuous fall in exports to Indonesia, Thailand, Japan and South Korea. Exports to China, which have steadily declined since 1951, reached a new low in 1957 at $123.4 million.

Great progress has been made in establishing Hong Kong as a manufacturing centre, both as to quantity and quality of goods, and exports of Hong Kong products reached a value of nearly $794 million in 1957. There has been a boom in building development, with consequent high prices for land, but money has become dear as a result of the raising of Bank Rate, and this has been reflected in depressed prices on the Stock Exchange.

MAURITIUS

Notwithstanding early drought, the sugar crop at 561,800 metric tons was only 10,000 tons lower than the previous year's all-time record. In general, trading conditions in the Island were satisfactory in 1957, but exports and imports show a substantial increase over 1956.

JAPAN

The prosperity and expansion which Japan enjoyed in 1956 received a severe check in 1957. The pace of expansion had become too great and the cost of imports rose out of proportion to the value of exports, so that an adverse balance of trade and shrinkage of foreign exchange began to put a severe strain on the country's economy. In an endeavour to improve matters the Bank of Japan raised its rediscount rate in March and again in May to 8.395 per cent. In addition to this tight-money policy, the Government issued directives to private enterprise to restrict non-urgent investment such as house building, and took steps to curb imports. As a result, cuts in production are the order of the day until the Government considers that the situation justifies an easing of the present tight-money policy. There are indications that these steps are taking effect and improving the balance of payments equilibrium.

The life-line of trade, both national and international, is through the facilities made available by the banking system and the friendly co-operation between those responsible for commerce, industry and trade and the banks through which their financial business is transacted. Fortunately, this is well recognised by the Governments of the countries in which we have branches and, although legislative controls are increasing and thus adding to the burdens of our Managers and Staff, the banking service we are able to provide is of considerable value to the national and international trade of these countries.

HOOVER LIMITED

HIGHLY SUCCESSFUL RESULTS

The Annual General Meeting of Hoover Limited will be held on March 31st at the company's offices at Perivale. Mr S. Roberts, managing director, is to preside.

The following are extracts from the "Annual Review":

In spite of difficulties we have had a most successful year. The turnover of our British companies has increase by 13 per cent and this, coupled with sustained efforts which have been made to improve efficiency in all phases of the business, has increased our net profit, from £2,790,000 to £3,757,000, the third highest in the company's history.

There were reductions in many material prices during the year, notably in copper and rubber, but unfortunately these reductions were more than offset by the higher cost of steel and higher wages, resulting in an increase of overall costs, which was most marked during the latter half of the year.

HIGH QUALITY AT LOWEST PRICES

It has always been our policy to sell high quality products at the lowest possible prices. To illustrate this policy, the price of our major model cleaner, which was sold at £23 2s. before the war and at the same price immediately after the war, is now £30 2s. 6d., an increase of only 30 per cent. During this same period there has been a never-ending rise in the costs of materials and wages, materials having increased by 204 per cent and wages by 194 per cent. We have been able to absorb these greatly increased costs by greater efficiency and increased volume.

In doing this, we believe we have served the best interests of industry and the country. Yet in the midst of our striving to keep prices steady we are assailed from time to time by increases in purchase tax which automatically increase prices and nullify our efforts.

The domestic appliance industry is an expanding one and its growth since the war has been pronounced despite temporary setbacks caused by legislative measures directed towards the restriction of demand. This can only be a reflection of the evident desire of housewives to own labour-saving appliances in face of almost penal legislation against their use. Admittedly, the economy must be geared to available resources, but it does seem absurd that an industry which contributes so much towards easing the burden of housework, especially for married women who go out to work, should always be among the first to bear the brunt of any attack on consumer spending.

DOLLAR EARNINGS

In our export markets we have made great efforts to increase our business, and we have met with reasonable success, considering the extensive competition of home-produced domestic appliances. Our dollar earnings have again been most satisfactory, totalling no less than $3,084,722.

We are still responsible for around 70 per cent of the total United Kingdom exports of vacuum cleaners and washing machines, which is a fair measure of our efforts in this direction.

In our overall organisation we now employ 16,500 people, of whom nearly 5,000 are employed in our subsidiary companies overseas.

The dominating feature of the year has been the introduction of the new Hoovermatic washing machine, a washer and spin-dryer combination, which was launched on the home market in October.

This machine is the outcome of extensive research, and contains a number of exclusive features, both of styling and efficiency, which have considerable appeal.

Although it is early to predict the ultimate effect this will have on the market, the initial reception is most encouraging, and we feel confident that future sales of the machine will be of a high order.

It was anticipated in the early postwar years that the washing machine market would develop at a rapid rate, and this has been borne out. The last 10 years have seen a rise from an ownership of only 2 per cent in 1947 to 23 per cent in 1957, and there is every indication that this upward trend will continue for many years to come.

Sales of cleaners have continued at a very satisfactory level and there is still room for considerable development of the market. It is now some three years since the introduction of steam irons to the British market. Ownershop has been rising steadily and we are sure that sales of steam and dry irons will accelerate as the advantages become more widely known.

NEW PRODUCTION FACILITIES

With the tremendous expansion which has taken place in the Company's activities, both at home and abroad in the past few years, the problem of providing office and factory space has become more and more acute.

We have, therefore, acquired under long lease two factories, one near our main factory at Perivale, of some 110,000 square feet, and the other at Dowlais, close to our washing machine factory at Merthyr, of 108,000 square feet.

The board has given a great deal of consideration to the final dividend and have decided to recommend 40 per cent less tax on each Ordinary and "A" Ordinary share, making a total for the year of 50 per cent. The balance of profit carried forward to 1958 is £2,985,480.

FINANCIAL POLICY

It has always been the Company's policy to plough back a substantial part of its profits and thus expand out of its own resources. This policy is justified more than ever in these days of credit restrictions, when so many companies are finding it extremely difficult to finance current business, let alone expansion. This Company has many new projects under development and will need all its resources to bring them to fruition.

Discussions on the Free Trade Area proposals are still proceeding and it is apparent that there is much disagreement among members of the Common Market on the proposals as they stand. In our own particular case we are of the firm conviction that Hoover Limited would materially benefit from a Free Trade Area, bearing in mind the high import duties at present applicable to our products. This assumes, of course, that the present restrictive legislation against the sale of our products on the home market would be lifted, otherwise an unfettered German home market would provide their manufacturers with volume and an overspill at low cost that we might find difficult to match, unless we in turn had an unfettered home market and the corresponding volume which would result.

BRITISH INDUSTRIAL PLASTICS LIMITED

TURNOVER EXCEEDS £6½M.

The annual general meeting of British Industrial Plastics Limited was held on March 13th in London.

The following is an extract from the circulated statement of the chairman, Mr E. R. Crammond:

The Group Net Profit, before taxation, for the year ended September 30, 1957, is £667,000 as compared with £616,000 for the previous year, and £669,000 for the record year 1954-55. This result, which I feel sure you will consider satisfactory, has been achieved by continuing to build up the turnover of the Group which now exceeds £6,500,000, an increase of 9 per cent over 1955-56.

It has been evident for some months now that industry as a whole will have to work harder for a smaller reward. However, thanks to improved manufacturing methods and a first-class sales force this Company, in 1957, not only increased its turnover but retained the same relationship between profit and turnover as in the previous year.

Although the Group Profit before taxation has increased by just over £50,000, the Group Profit, after taxation of £382,000, is some £400 lower than that of the previous year. In my statement to you last year I referred to the excessive burden of taxation on industry and now, once more, the proportion of profits which has to go to meet this charge is increased.

CAPITAL EXPENDITURE

During the year £415,000 was expended on Fixed Assets, as compared with an average figure of approximately £260,000 per annum for the previous eight years.

At the Balance Sheet date the outstanding commitments amounted to £234,000, as compared with £164,000 at September, 1956. In spite of the large expenditure on new buildings, plant and machinery during the year, the Group's Bank Balances have been reduced by only £32,000. This continuing need for increased capital expenditure, coupled with the present financial stringency, necessitates a policy of conservation and, therefore, it is recommended that the final dividend for the year on the Ordinary Shares be at the rate of 12½ per cent., making, with the interim of 7½ per cent paid last September, a total of 20 per cent.

It is not the intention of your Directors to raise additional finance before it can be profitably employed but when the need arises steps to this end will be taken.

Such capital expenditure as we envisage in the near future will be directed towards consolidating the Group's position in its own field by increased production, improvement in quality and further reduction in cost of our products.

Trading conditions during the past year cannot be considered to have been easy and, under the circumstances, the results achieved are good and have been accomplished without increasing the price of the main products of the Group's chemical factories. Each of the Subsidiary Companies has earned satisfactory profits.

Reference was made in the Interim Report to the acquisition of exclusive rights for the British Commonwealth for the manufacture, by the Filon process, of glass fibre reinforced polyester resin sheeting. The building and plant for this process was erected and installed very expeditiously and I am pleased to report that production has now commenced.

As to the outlook, the Plastics Industry is essentially dynamic; whatever we may think of the international trading outlook generally we must plan for continuing development in our own particular field in which we are among the leaders in the world.

We have a team of able chemists and technicians which is being continually strengthened and our expenditure in this direction is, I believe, adequate without being excessive.

For the first quarter of this financial year sales and profits were satisfactory and were running at a higher level than in the previous year, and the position as regards orders is sound. It is particularly gratifying to be able to report that, as a result of the Company's selling policy, there has been a steady expansion in the Export Sales of the more profitable products of the Group.

The report and accounts were adopted.

OLDS DISCOUNT

Extract from the Circulated Statement of the Chairman, Mr. Wm. A. Olds.

The report and accounts for 1957 present the results of a year of increasing turnover at home and overseas. The amount of business transacted was an all time record. Operating costs have risen considerably, especially the rates at which money had to be borrowed. The rise in the Bank Rate in September being a very important factor which takes time to recoup by increased earnings.

It will be noted that the Group Assets have increased from £13,285,454 to £17,236,215, as a result of the year's operations.

Unearned Finance Charges have increased during the year by £418,945. This reflects the increase in the outstandings at the end of the year and defers part of our revenue until 1958, when a large proportion will be collected.

Our Subsidiary Companies have made good profits. Trinidad and Jamaican Subsidiary Companies are now trading actively in ten islands and British Guiana and can be expected to develop further.

DEPOSITS AND LIQUIDITY

A permanent feature of our operations as Industrial Bankers is the acceptance of increased deposits from a wide range of commercial and private investors. Many of our Stockholders are making good use of our DEPOSIT BANKING DEPARTMENT. Owing to the diversified type of business transacted a position of high liquidity is maintained and our obligation to Depositors could, if this ever became necessary, be met at least as rapidly as notice of repayment became operative.

RECORD OF PROGRESS

in stages during last seven years:

	Profit before taxation	Ordinary dividends paid (net)	Profit retained after taxation
	£	£	£
1951 ...	215,363	37,800	31,488
1953 ...	364,851	55,000	62,201
1955 ...	762,191*	132,825	211,842
1957 ...	809,964*	170,990	164,124

* Reduced by amount for Minority Interests.

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BORAX (HOLDINGS) LIMITED

PROMISING PROSPECTS

The sixtieth Annual General Meeting of Borax (Holdings) Limited was held on March 12th in London.

The Chairman, Mr Desmond Abel Smith, MC, commenced his circulated review for the year ended September 30, 1957, by stating that he was retiring from the chair after 20 years in that office. He would remain a Director and would be succeeded as Chairman by Lord Clitheroe.

The following is an extract from his review:

It is interesting to record that net assets totalled approximately £3,700,000 in the 1937 balance sheet as against £19,800,000 in 1957, and the profits after tax in 1937 were £260,907 as against £1,437,462 in 1957. Even allowing for inflation and the revaluation of assets in 1956, it will be appreciated that the growth of the Company has been considerable and that its financial position has been greatly strengthened.

Faced by keen competition, the Group has maintained and even improved its share of expanding world trade in Boron products.

The growth of the Company is still based on the old-established industrial uses of our products, but the horizon has been much widened in recent years by research. Prospects for the new uses, to which I refer later in this statement, are believed to be promising. The Company seems to be on the threshold of a further period of expansion.

As forecast in my statement last year, the interim dividend was raised in relation to the total dividend so as to reduce the difference between the interim and final distributions. There is a small reduction in the final dividend proposed, but nevertheless the total distribution at 5.25 pence gross per 5s. unit of Deferred Ordinary stock is slightly greater than the year before at 5 pence gross.

UNITED KINGDOM AND EXPORT MARKETS

Conditions in the past year were again difficult. The restriction of credit and general shortage of money continued unabated, but despite the many difficulties in the past financial year our total sales in this country reached a new high level. This is due in part to the steadily widening horizon for our products as development work continues in industrial agricultural and domestic applications.

Enamel hollowware manufacture remained somewhat depressed, although more recently there have been signs of improvement in the vitreous enamel industry generally, which is vigorously pursuing new developments in the use of enamel, for example, in architectural applications. Partly as a result of technical developments in glass manufacture our sales to that industry remain at a healthy level. Our new herbicides are likewise finding increased acceptance, particularly for industrial use.

OUTLOOK FOR THE FUTURE

Your Board and your managements continue to feel that the long range outlook for your Group's business is good and that continued growth over the years is to be anticipated.

There certainly will be fluctuations in the tonnage sales of our products and in the profits of our group. Though there are signs of some recession of business throughout the

world, nevertheless, over the years an upward trend of both is to be expected. Boron products display an ever-increasing versatility, and interest in them—both organic and inorganic—is increasing in many directions.

Side by side with the established industrial and agricultural uses, there are a number of new products, many of them resulting from our Group's chemical research, for which there is increasing commercial acceptance. Among the products still in the early development stage are pure boron, a range of metallic borides, boron tribromide and boron phosphate. Behind these is marching a whole range of new organic boron compounds, the future of which is still unpredictable.

As a result of capital expenditures incurred over recent years, your Group's ability to meet a growing demand for boron products is greater than it has ever been.

The report was adopted.

Sir Alan Rae Smith, late senior partner of Messrs Deloitte, Plender, Griffiths & Company, the Company's auditors, and a stockholder, paid tribute to the retiring Chairman for his services to the Company since 1937.

LEICESTER PERMANENT BUILDING SOCIETY

STRONG DEMAND FOR NEW FIXED TERM INVESTMENT

MERGERS WITH SMALLER SOCIETIES A DESIRABLE TREND

The Annual General Meeting of the Leicester Permanent Building Society was held on March 6th at Leicester.

Mr A. D. Carmichael, CBE (the chairman), presided and, in the course of his speech, said:

The total assets of the Society increased during the year by £2,876,753 and now stand at a total of £44,391,556. It is very encouraging to state that shares and deposits increased during the year by £2,800,905, and the total standing to the credit of shareholders and depositors grew to the sum of £41,155,747.

In a year of credit restrictions and financial stringency the total sum advanced was £8,031,018; this sum has been exceeded only once before in the Society's history.

Of the total sum advanced, 44 per cent was on newly erected houses and almost the whole of the balance to owner-occupiers purchasing sound, modern, second-hand houses.

Our investments in British Government and Public Board Securities of over £4 million are shown in the balance sheet at the market price at December 31, 1957. These investments, if held to repayment, will show the Society a profit of over £1 million compared with the present Balance Sheet value.

INTEREST RATES

It has been our policy in the past to increase rates to existing borrowers by the minimum possible margin, and in spite of the increases in the rates over the past few years people who have borrowed from us at an original 4 per cent are now paying no more than 5¼ per cent, and the general body of our borrowers are paying only 5¼ per cent. We shall continue with this policy for so long as possible.

Referring to the position of new borrowers, the chairman said that unless they attracted more money new lending would have to be restricted and they would only be able to make new loans at a considerably reduced rate. Mr Carmichael continued: We have tried to find a solution, and have decided to accept investments for a fixed term of three years at the rate of interest of 4 per cent.

The investor liable to tax at the standard rate will thereby receive a guaranteed rate of nearly 7 per cent for three years even if interest rates generally go down in the meantime.

With the undoubted security offered by a Society of this size and standing, this is proving most attractive, and since the launching of this new scheme in the middle of January the results have proved that there is a very strong public demand for a Fixed Term Investment.

MERGERS WITH SMALLER SOCIETIES

After commenting on requests they had received from the Quorn Building Society and the Lincoln Land and Building Society Limited to accept transfers of their assets and liabilities, the chairman said: Judging by the number of transfers that have taken place, it seems that there is a definite trend for some of the smaller units to seek to merge with larger Societies.

In my opinion, this is a desirable trend and has many advantages both for the members of the Societies concerned and to Building Societies as a whole.

The report and accounts were adopted.

THE STERLING TRUST

INCREASED REVENUE

The forty-first annual general meeting of The Sterling Trust Limited was held on March 11th in London, Mr Michael F. Berry (the Chairman) presiding.

The following is an extract from his circulated statement:

Once again the Report of the Company for the past year shows an increase in income. This increase is actually rather larger than a year ago, although it appeared at that time that the rate of increase was diminishing. There have lately been signs, however, that the long period of inflation has received at any rate a temporary check and it will be surprising if, in the face of determined official efforts to restrict credit, industrial companies can grant more than very rare dividend increases in the near future.

Your Directors recommend for the past year a final dividend of 10 per cent, making 15 per cent, which, allowing for the double tax relief applicable to that year only, involves a distribution of 6¾ per cent of the year's available net revenue, compared with a distribution of 7¼ per cent for 1956 on the same basis.

For the second year in succession, the valuation of the investment funds of the Company shows a decline, although there is still an appreciation of approximately 5¼ per cent against a corresponding appreciation of 6¼ per cent a year ago. This reduced appreciation is not surprising, having regard to the Government's deflationary policy culminating in the raising of the Bank rate to 7 per cent on September 19, 1957.

The report was adopted.

BUSINESS AND PERSONAL

A NEW SERVICE FOR INDUSTRY

To meet the changing requirements of industry in the European Common Market, and free trade zone, a large and well-established engineering group in the London area offers a complete consultancy service to firms who may be faced with increasing development and marketing difficulties. Having ourselves been faced with the necessity of providing facilities for market research, design, development, model shop, tool making, type testing, etc., we are able to offer a complete consultancy service backed by all necessary engineering and marketing facilities to assist firms requiring it, and we work closely with American Associates specialising in placing U.S. patents in this country and can, therefore, help in finding new production items. This offer is primarily directed towards firms requiring it for a limited period in order to find new lines and develop them to pilot production stage. The total available capacity of this service is estimated at £250,000 per annum, of which approximately £100,000 will become available to firms outside the organisation. In whatever amounts are required. Principals please write to Box No. 891. All correspondence will be treated as strictly confidential.

CANADIAN MARKETING

Selling British goods in Canada is our business. We have been established there for this sole purpose for six years. On March 31st our General Manager, Mr. D. Marshall, flies to Montreal to commence an extended tour of the country to further this business.

Manufacturers wishing to sell their products in this most important and expanding market are invited to write or telephone Mr. H. A. Parry, Sales Director, Paramount Concessionnaires (London) Limited Victor House, Norris Road, Staines, Middlesex.—Tel. No. Staines 4151.

CANADIAN AND AMERICAN MARKETS.—Chairman and Managing Director of a Group of Building and Allied Distributing Companies, travelling to Canada and America during October and November, 1958, with letters of introduction to Business Principals in many principal cities, is willing to follow up or make on the spot investigations on behalf of British exporters.—All inquiries to Mr S. C. Gredtrix, Builders and Domestic Suppliers (Midlands) Ltd., 121-125 Church Hill Road, Birmingham, 20.

EXHIBITION

of Birlec Electric Furnaces for the Melting and Holding of ferrous and non-ferrous metals at

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CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability). NOTICE TO SHAREHOLDERS. The Seventy-Sixth Annual General Meeting of the Shareholders of the Company, for the election of Directors to take the places of the retiring Directors and for the transaction of business generally, will be held on Wednesday, the seventh day of May next, at the principal office of the Company, at Montreal, at twelve o'clock noon (daylight saving time, if operative). The Ordinary Stock Transfer Books will be closed in Montreal, Toronto, New York and London at 3.30 p.m. on Tuesday, the fifteenth day of April, 1958. The Preference Stock Books will be closed in London at the same time. All books will be reopened on Thursday, the eighth day of May, 1958.—By order of the Board, J. E. TURNER, Secretary. Montreal, March 10, 1958.

APPOINTMENTS

THE GUEST KEEN AND NETTLEFOLDS GROUP OF COMPANIES wish to make the following important Appointments.

(i) INSURANCES. An appointment is to be made at the Head Office of the Group in Birmingham of an appropriately qualified man to deal with the centralised work connected with the Insurances of the Group. Candidates in the 28-38 age bracket must have sound knowledge and experience of all classes of Industrial Insurance.

(ii) A qualified economist is required by a company in Cardiff to carry out MARKET and GENERAL ECONOMIC RESEARCH, particularly in relation to their export trade. The person appointed will be an Economics Graduate, age 28-35, with sound experience of these research techniques and a grasp of business problems, who is able to take full responsibility for his own work. Some knowledge of the steel industry would be useful but not essential.

These appointments are pensionable and the initial salaries will depend upon experience and qualifications.

Applications are invited from appropriately qualified men who consider that they have the relevant experience. They should write, stating full details of age, qualifications, career to date, etc., to the Group Personnel Officer, Shell-Mex House, Strand, London, W.C.2.

FISONS PEST CONTROL LIMITED seeks the services of a first-class Sales Promotion Manager, age early/mid thirties, for their headquarters offices at Felixstowe. A thoroughly experienced man is sought, with proved ability in creating productive sales promotion schemes in similar fields, who is full of creative ideas and who could produce sales results in a highly competitive market—and of £2,000 per annum, with excellent prospects and agricultural fields necessary. Initial salary in neighbourhood experience in advertising and of marketing products working conditions, but long hours and continuous hard work go with them.—Write to Personnel Manager, Fisons (Pest Control) Limited, Harston, Cambridge (quoting No. 53).

STATISTICIAN
(Assistant)

required by the Central London Head Office of a leading Anglo-American Chemical Company.

Candidates, age about 25, should be Graduates in Economics with Statistics, but Non-Graduates with suitable experience would be considered.

This is a permanent and progressive appointment in an expanding organisation; commencing salary £650 to £700 per annum approximately.

Fully detailed applications, which will be acknowledged, should be addressed, in complete confidence, to Box JN 2687, A.K. Advertising, 212a, Shaftesbury Avenue, London, W.C.2.

DEPARTMENT OF SCIENTIFIC AND INDUSTRIAL RESEARCH requires at Road Research Laboratory, Langley, Bucks, PHYSICISTS, MATHEMATICIANS, ECONOMISTS and STATISTICIANS for Traffic and Safety Division. Varied and interesting work on theoretical and practical aspects of traffic movement affecting planning of road programme, design of roads and incidence of accidents; including design of apparatus and application of electronic computers. Qualifications: 1st or 2nd Class Honours degree or equivalent. Salary in ranges (men) £955-£1,050 or £1,130-£1,330. Prospects of promotion to mid-thirties to Principal Scientific Officer (range up to £1,950) with possibilities of higher posts.—Application forms from M.L.N.S., Technical and Scientific Register (S), quoting A.87/8A.

AMES A. JOBLING & Co., Ltd., of Sunderland, Co. Durham, manufacturers of Pyrex brand glassware, require the service of a MARKET RESEARCH MANAGER. The candidates should have suitable training in economics and statistics, and will be responsible for market research problems.

UNIVERSITY OF CANTERBURY
Christchurch, New Zealand

Applications are invited for the position of *LECTURER IN HISTORY* in the Department of History and Political Science. Applicants should have an Honours degree in History. Special qualifications in English and European 16th and 17th century History would be an advantage, but are not essential.

The salary attached to the position will be at the rate of £1,025 per annum, rising by annual increments of £50, to £1,275 per annum. An allowance is made towards travelling expenses.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in London and New Zealand, is May 15, 1958.

WESTERN REGION PRODUCTION DEVELOPMENT BOARD, IBADAN, NIGERIA.

SENIOR ACCOUNTANT

The Western Region Production Development Board has vacancies in its accounting organisation for a Senior Accountant.

Candidates for this post should possess a recognised Accountancy qualification and should have had at least five years' experience in a professional office since qualifying, including work on re-organisation, introduction of a new accounting system and budgetary control. It is essential that candidates should have sound knowledge of costing and cost systems. Commencing salary, excluding inducement allowance, will be in the range of £1,360 x £60-£1,590. Inducement allowance is £300.

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3. Applications in *duplicate*, together with details of age, experience and qualification and the names of three personal referees should be sent to:

The London Representative,
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to reach him not later than March 31, 1958.

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INFORMATION.—Lloyd's Register of Shipping have a vacancy at their London Headquarters for a Graduate interested in information work. Duties involve the collection and summarising of information obtained from shipping papers, the daily press and staff abroad; the preparation of articles for publication; and the editing of booklets, reports and staff news. Essential qualifications are an ability to write in an interesting and concise manner, a knowledge of shorthand and typing and experience in a journalistic or similar capacity. Applicants should state experience since graduating. Commencing salary in accordance with qualifications.—Applications to be addressed to The Secretary 71 Fenchurch Street, London, E.C.3.

SOUTH AFRICA.—Mathematics or Physics Graduate required for C.S.I.R. National Telecommunications Research Laboratory, Johannesburg, for ionospheric data compilations and predictions. Salary in range £570-£1,128 per annum. Free passage.—Apply further information: South African Scientific Liaison Officer, Africa House, Kingsway, London, W.C.2.

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Applications are invited from graduates (men and women) who wish to undertake research in any branch of economics or politics (including political theory, government and public administration, and international relations); statistics; sociology; constitutional, public and international law; recent social, economic and political history. The College is also interested in the application of these disciplines to the problems of colonial and under-developed societies. Recently the College has received grants to further the study of European politics and government and of trade union policy and industrial relations.

Further particulars and the necessary forms are obtainable from the Warden. Applications should reach him by May 12, 1958.

THE UNIVERSITY OF MANCHESTER

RESEARCH FELLOWSHIP IN ECONOMIC STATISTICS

Applications are invited for the above Fellowship, tenable for one year, with a possible extension to two years. The Fellowship is of a value within the range £1,100-£1,400 per annum, together with approved expenses involved in the Research. Regulations governing the award of the Fellowships and application forms may be obtained from the Registrar, the University, Manchester, 13, to whom all applications should be sent not later than March 31, 1958.

THE UNIVERSITY OF SHEFFIELD

Applications are invited for a post of Lecturer or Assistant Lecturer in Economic Statistics, to begin duties on October 1, 1958. An application from a candidate who expects to graduate in 1958 or from an economic theorist prepared to make economic statistics his main interest will be considered. Salary scales: Lecturer, £900 x £50-£1,350 x £75-£1,650; Assistant Lecturer, £700 x £50-£850, with F.S.S.U. provision and family allowance. Initial salary on either scale according to qualifications and experience. Further particulars may be obtained from the Registrar, to whom applications (four copies), including the names and addresses of three referees should be sent by April 9, 1958.

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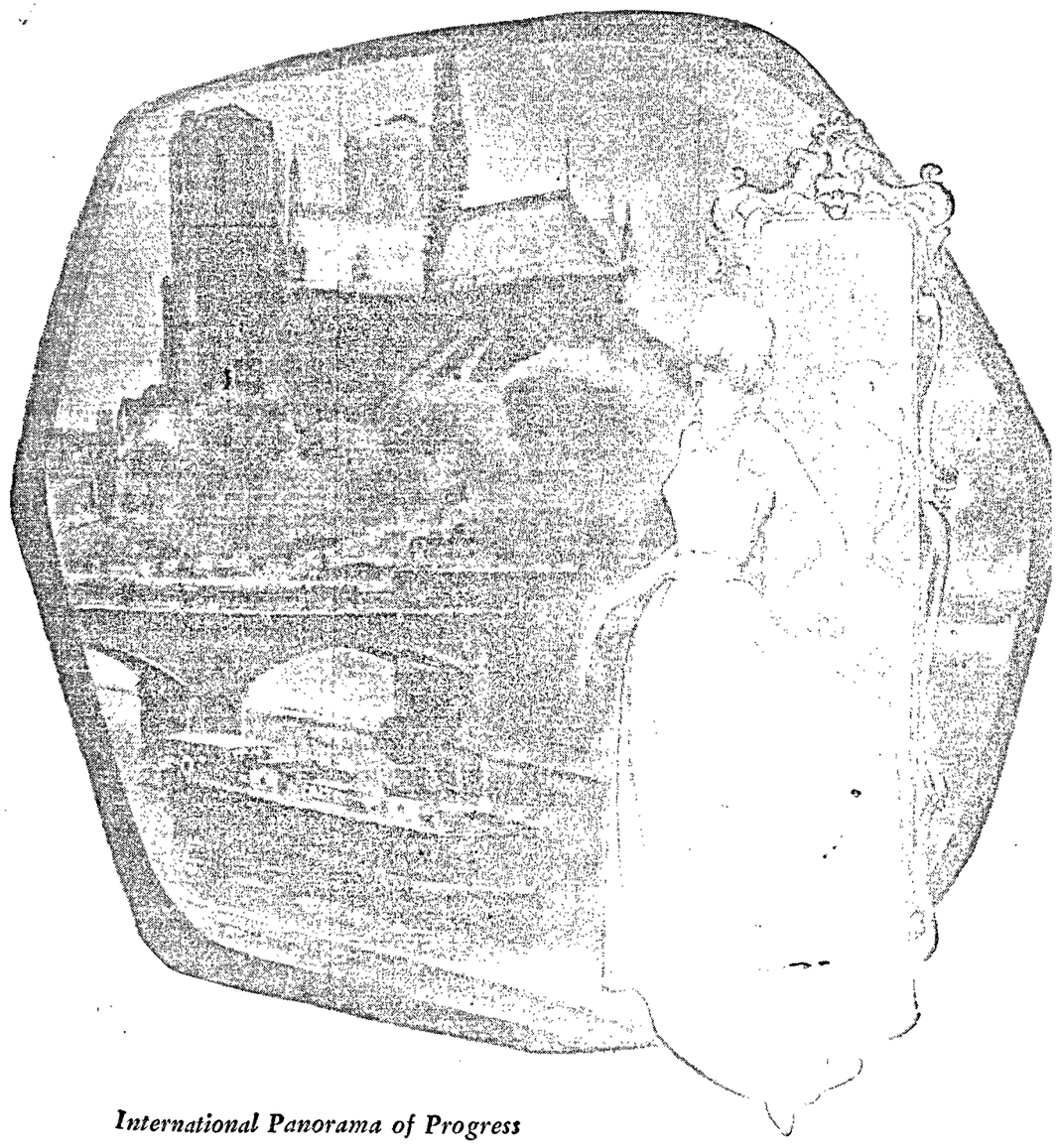
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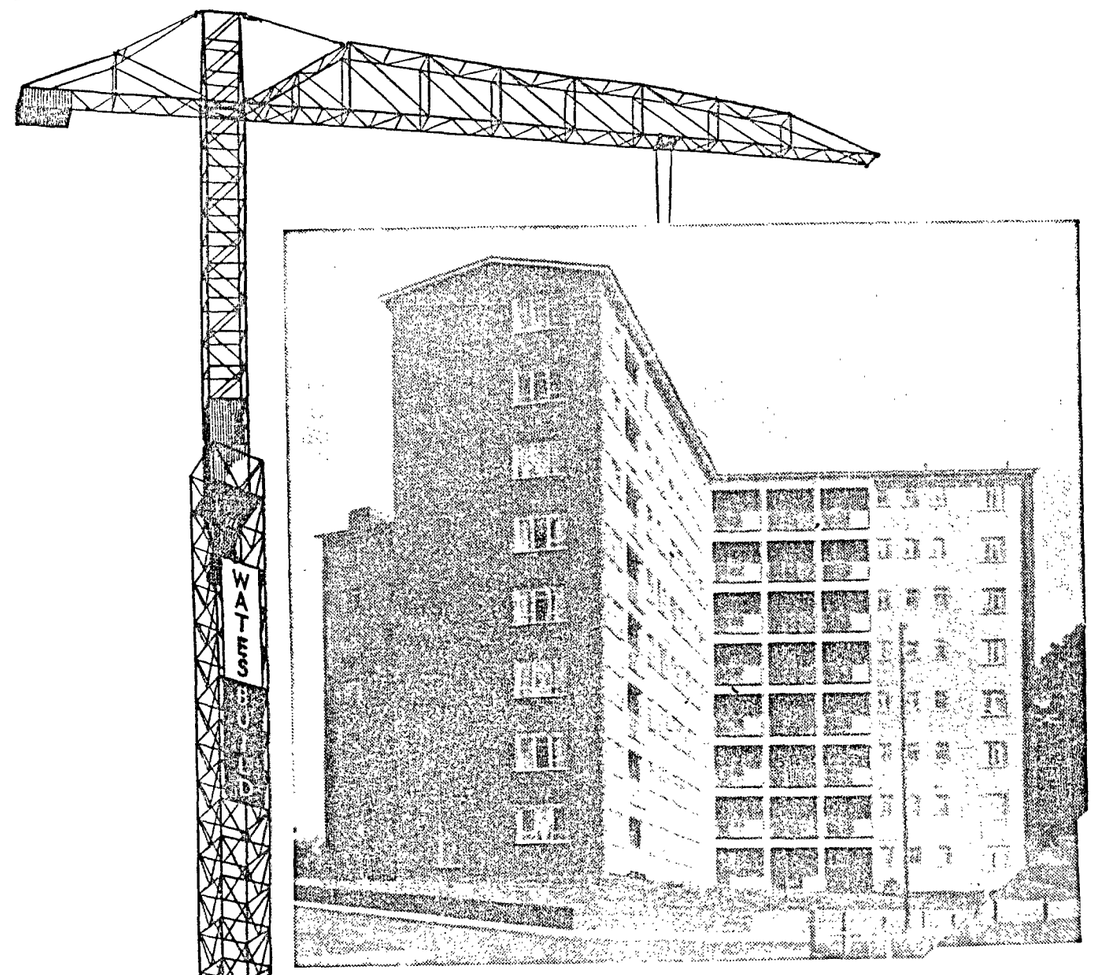
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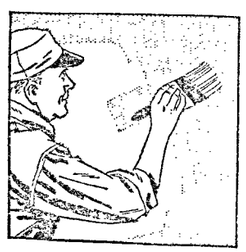
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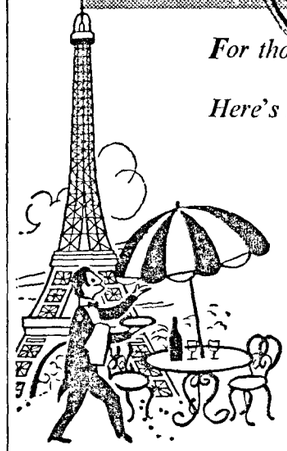
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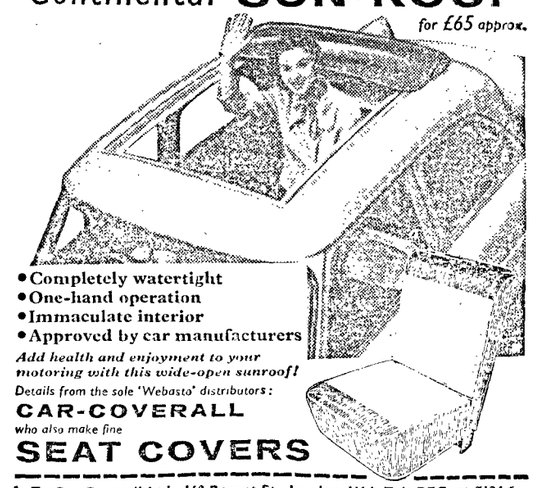
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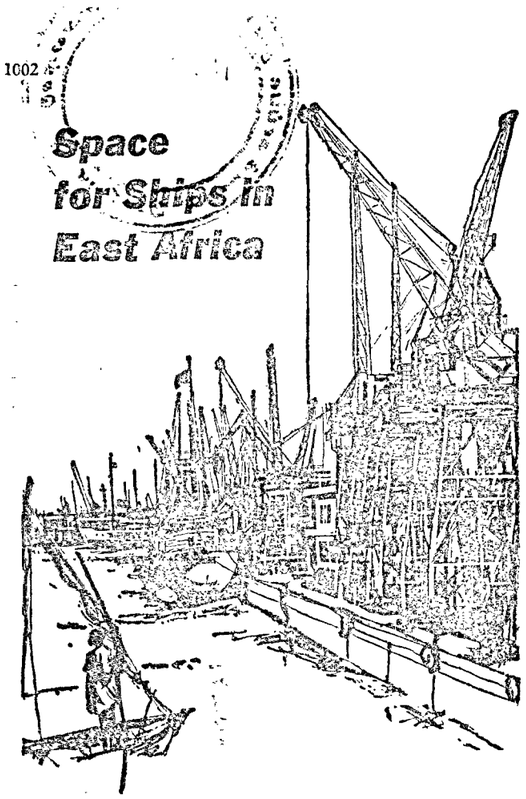
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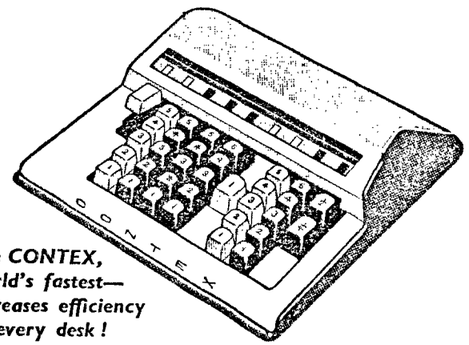
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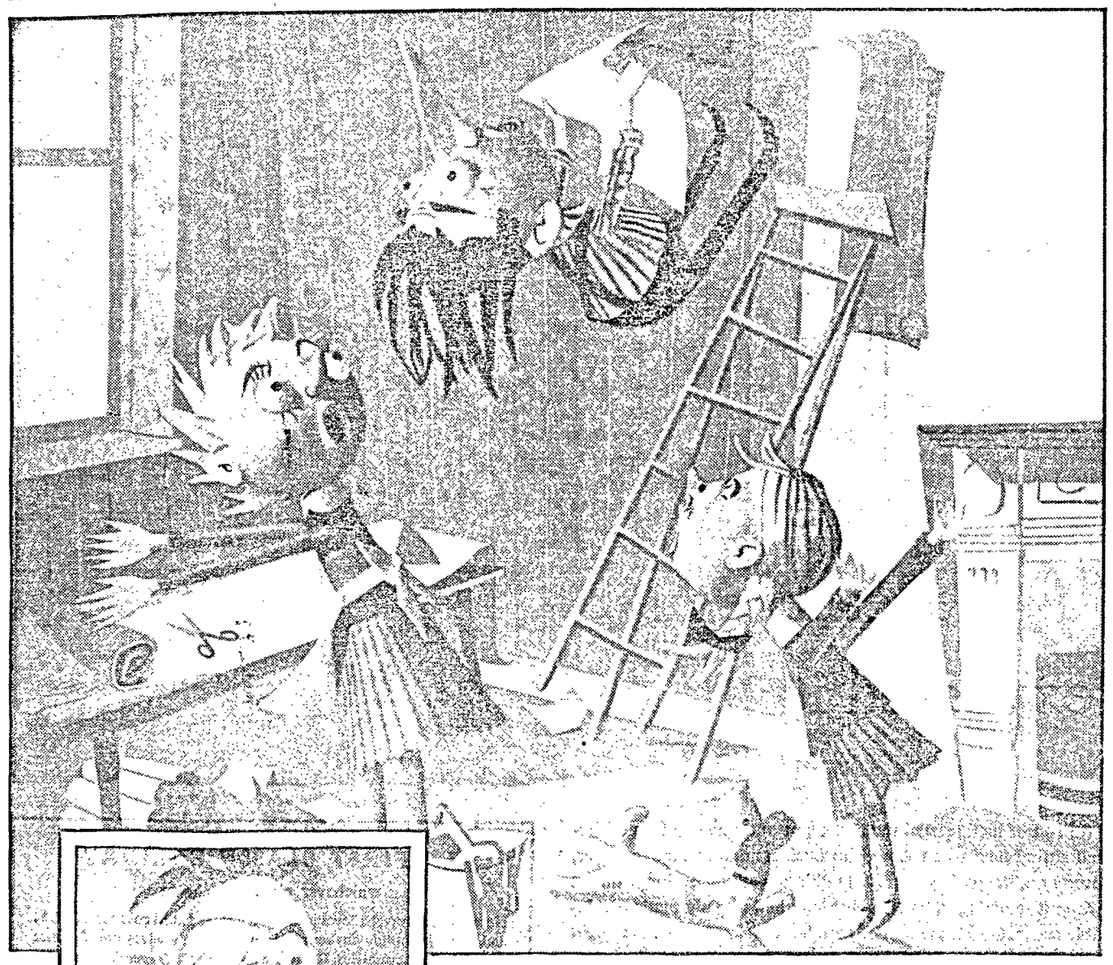
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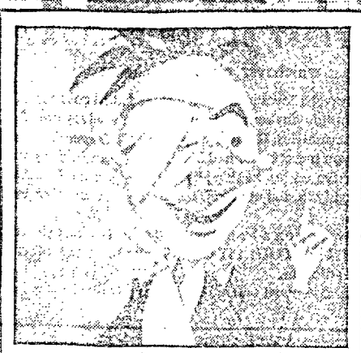
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MARCH 22, 1958

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Six Per Cent

THE authorities have been quick to put forward what may be called purely mechanistic explanations for Thursday's reduction in Bank rate. This is not, it is being explained, a sign that the time has come to start reflation. It is merely a recognition of the undeniable fact that the speculative crisis of last September is no longer with us. Seven per cent was a crisis rate. To maintain it now would invite a further inflow of hot money. Hot money is an embarrassment—not so much while it is hot as when speculative fever turns cold, because it may then serve as a nucleus for a snowball movement out of the reserves. It seems administratively wise to the authorities to stop it coming in, and to make an orthodox market reduction in the rate. It is just the sort of reduction which the Bank would have made, in similar circumstances, in the nineteenth century.

These arguments are familiar and understandable. They are nevertheless, on balance, wrong. They suggest that the authorities have not imbibed the real lesson of the disastrous experience of last September, and, still more, of the quite remarkably successful experience of the economy since then. The great difference in our position as a banking nation, compared with that in the nineteenth century or even before the war, is that we are now one from which too many foreigners have an encouragement to borrow in times of emergency, and to which too few have an incentive to lend. The way to meet this state of affairs is to revise our ideas about what are crisis interest rates, and even about what is hot money. What Britain needs, as a long-term feature of its policy, is a determination to keep its interest rates higher than the rates ruling in other banking centres—and the more considerably higher, the better.

This does not mean that anybody has supposed that the 7 per cent rate should stay for ever. It does mean, however, that, as soon as relaxations became possible, it would have been better to concentrate them, to begin with, on other things. Above all, it would have been better to concentrate them on reductions in taxation next month.

It may be, of course, that there are going to be such reductions. Thursday's decision, for all the present official protestations, may not be a sign solely of the authorities' familiar aversion to hot money, but also that they regard industrial recession as something more than one danger in sight. They may already regard it as something to start fighting against now. But that is not what the authorities claim. And, whatever their view of the prevailing climate, the budget that they will be able to bring forward under a regime of 6 per cent Bank rate cannot, in prudence, involve quite as many tax reliefs as the budget they would have been able to bring forward under a regime of 7 per cent. The conclusion is inescapable, on the basis of their own arguments, that the authorities have put last things first.

The Great Confusion

Britain's renunciation of nuclear bombs would not diminish the risk of global war. The current ill thought out agitation is increasing that risk.

ONE of the features of old-fashioned education was that children were made to chant their multiplication tables long after they had become sufficiently accustomed to them to go on to more complicated forms of arithmetic. Something of the same sort now seems to be advisable in the great debate about the hydrogen bomb, if only because some of the cleverest people in the country are chanting that twice two are five. The argument about whether Britain should continue to develop its own nuclear weapons is being most dangerously muddled by Bertrand Russell and other campaigners for the "abolition of nuclear warfare." What they are saying is that Britain should renounce not only the bomb, but (apparently as a point of British honour) co-operation with the Americans about missile bases and other defence agreements with our friends and allies as well. What they are muddling is the quite separate argument about whether Britain could more effectively and economically make its contribution to the prevention of war by leaving the deterrent to the Americans and concentrating its own armament programme on conventional weapons. But, for peace's sake, let attention be paid first, at Oxford and elsewhere, to the basic fallacy of the assumption that the way to abolish nuclear war is for Britain to contract out of the alliance.

THE starting point of most current speeches made by the nuclear disarmers is that a hydrogen bomb war would be an unspeakably terrible thing. There is no dispute about that. It would be the biggest massacre of mankind since the bubonic plague in the middle ages; it might be even worse, and spell the end of life on this planet. The first objective of everybody is to see that there is no outbreak of a war in which the bomb would be used.

The next question, then, is: in what sort of a war would the bomb be used? The answer to this is quite simple; and it is an answer that will not be determined by the peacetime decision of any country or group of countries to "ban the bomb." Instead it is already determined by the quite unavoidable fact that knowledge of how to make these frightful things exists. The bomb will be used, eventually or at the outset, in any war in which one of the great power blocks thinks either that the other side may be about to bomb it or that defeat would spell the end of its way of life. To put this last point at its lowest: the bomb would be used against a war of domination when the leaders of any nuclear power thought that it represented the last hope of turning the tables on the enemy, and thus possibly saving themselves and their families from the fate that Mussolini met at Milan. Hitler in his bunker would certainly have used the bomb (even if he had signed a thousand Geneva protocols banning it), and so would all other dictators and most democratic politicians in the same trap.

AT first sight, this human certainty that the bomb would be used in or against a war of domination might seem an inexorably terrible prospect for humanity. But, paradoxically, it contains an element of dramatic gain. For it means that, in present circumstances, it is very unlikely that a war of domination will be deliberately launched. (Even a totally mad dictator like Hitler would not have started a war in the stalemate conditions of 1958, because his colleagues or generals would have stopped him). If an H-bomb war comes, it will almost certainly be because a military adventure, after having been launched on the assumption that it would be much less than thermonuclear, becomes a major conflict through the aggressor's miscalculation. What is needed, therefore, is not a pronouncement about abolishing the manufacture of the bomb (which, at least in war, would be impossible to enforce), but a policy to minimise the chance of such a miscalculation.

In these circumstances, there are two questions that should be asked of those who, while proclaiming their wish to ban the bomb, in effect want to overthrow the American alliance. They are questions that should be asked of them again and again, wherever they appear. Here, not in the deliberately confusing questions circulated at Oxford, is the real questionnaire for the abolitionists.

(1) *Do they think that the policies they propound would diminish the incidence of border scares, and thus the risk of nuclear war through miscalculation? Can they not see that the effect of their own campaign so far has been to increase it?* Already Mr Macmillan has been inveigled into making the imprudent statement that if two hundred Russian divisions marched across Europe, the bomb would fall—with the implication that if they make any lesser attack it may not fall. The immediate danger is that this may provide a splendid incentive for the communists (who since 1955 have shown that they will not willingly cross the datum line that would bring thermonuclear retaliation) to start experimenting again, to see how far the datum line can be made to stretch—up to Formosas, Indo-Chinas, Jugoslavias, West Berlins? The ultimate danger is that such operations might roll to the stage either when the West would think that it faced the threat of a war of domination, or when the Russians would think that the West might be about to think this—and so hurry to get their bombs in first.

This prospect also has relevance, in so far as anything has relevance, to the Priestleyites' favourite bugbear—the war started through a private bomb-throwing by some Russian or American drunk or neurotic or stupid junior officer without orders. If Britain were outside the western alliance, and gaps were thereby opened for more communist infiltration round the perimeter of the free world, do the abolitionists think that in the new atmosphere the danger of such an accident would become smaller? If so, why?

(2) *Do they think that a unilateral British renunciation of both bombs and bases would speed the advance towards agreed international disarmament? Can they not see that their activities so far have already slowed this down?* Why should Mr Khrushchev accept the less desirable (to him) alternative of controlled disarmament when he sees all these new pressures towards unilateral disarmament on the democratic side? Mr Khrushchev is hardly fool enough to contemplate accepting a controlled form of disarmament that would weigh equally on all parties, if he thinks he sees a chance of the effective strength of his opponents disintegrating in a (for him) splendid state of disarray. And does anybody really think that there is an improved prospect that the United States will take the big jump into an active pressure for controlled disarmament while it feels the ground so shaking beneath its feet?

THIS is the gravamen of the charges against the marchers to Aldermaston and their fellow travellers in the campaign. By feeding the illusions of ordinary men and women who long for peace and security, they are making a positive contribution to pushing these very people nearer the abyss. Beside this, it is a minor peccadillo that they are also muddling one of the most crucial problems of British defence policy; what is peculiarly annoying, however, is that some of them are doing this muddling deliberately, because they want to claim as allies for their side people who support a second—and totally different—"nuclear disarmament" point of view.

This second, and quite separate, school is composed of those who believe that Britain should either abandon or cocoon its H-bomb, not as a gesture of moral and military disassociation from the western alliance, but as a means towards greater integration of effort with it. The starting point for argument by this school is not the undoubted horror of the bomb, but the obvious insufficiency of western conventional forces: not morals, but hard military facts and economics. Any cuts in our military establishment on the continent, made to compensate for the expense of maintaining ourselves as a nuclear power, are likely to harm the West by much more than would removal of the marginal British contribution to the American nuclear deterrent. There are two questions to ponder in considering this school of thought:

(1) *If Britain did abandon development of its bomb, would our vital interests be harmed by the fact that we then could not threaten to start a third world war if we ever wanted to utter that threat?* This, of course—together with considerations of prestige—is the real reason why the present British Government insists on keeping its finger on the bomb: the fear that America may in the future breed its own Lord Russells. When America can rest on its own inter-continental missiles, instead of on East Anglian Thors, there is some danger that neutralism will spread there: some future American government may say that, although the Russians are very inconvenient people, it is hardly worth blowing the world to pieces to prevent them having, say, the Isle of Wight. But if such a default ever did occur in the strongest shield of the western alliance, then the whole of British foreign policy would have failed, and an agonising reappraisal would be needed indeed.

(2) *If Britain were to abandon development of its bomb, might it help to persuade third countries—other than Russia and America—to abandon developing theirs?* If the suggestion is that a British announcement to this effect would in some way "give a moral lead," then it is almost certainly another piece of nuclear disarmament nonsense. It is a habit of the British grossly to over-estimate their moral influence in the world. (It seems to be only the cynics who remember that France, when M. Faure was prime minister, announced that it would never have anything to do with nuclear weapons, but now seems to be well advanced in developing them; most of the unilateral disarmers who profess to believe that the fate of mankind could be changed by a single bold prime ministerial pronouncement probably have not even heard that poor M. Faure once tried it.)

But one possibility does emerge from recent developments. It is not inconceivable (if not yet exactly likely) that at some future summit conference, provided the West enters it from a position of sufficient strength, Russia and America might agree to take steps, subject to inspection, to prevent the spread of nuclear weapons among those over whom they have influence (China, the Communist satellites, Egypt on the one hand? The secondary western powers on the other?). If so, and if the British cessation of bomb development would help this, it would surely be worth treating it as the deciding factor in an argument which seems already to be very evenly balanced.

THE last part of this article has been concerned with hopes for the future. The first part was concerned with the dangers of the present, on which all else depends. It is to this that comment must again at the

end return. The genuine pacifists who say that it would be Christianly preferable, in the present sad state of the world, if the whole of the American and the west European peoples would renounce armed resistance, deserve respect for their moral judgment. (But even they pose a false alternative when they say that today's choice is between some risk of enslavement and the certainty of extinction; it is the other way round.) Given, however, that all western peoples are not going to become pacifist, what the nuclear disarmament campaigners are really calling for is something quite different: their argument is not that Britain should or could renounce knowledge of how to make the bomb (which it already has), but that it should renounce the western alliance. They say, first, that this would "break the deadlock"; so it might, but it is on that deadlock that the avoidance of war at present depends. They say, secondly, that this would "give a lead" that would speed disarmament and security; the British people have learned nothing from this past thirteen years if they do not see that it would do precisely the reverse.

Critical Months for Free Trade

Political issues are at stake in the negotiations on a free trade area. Will France accept any reasonable price for it?

THE French memorandum on the European free trade area has rudely awakened Whitehall and the British public to the fact that France dislikes the whole business and may destroy it as it destroyed the European defence community in 1954. The free trade area plan was designed to ensure that, when the six common market countries reduce their tariffs in each other's favour during the next twelve years, the larger western Europe round them shall reduce its tariffs in parallel. The French proposals, with their demand for delay and for endless exceptions for uncompetitive industries, seem calculated to prevent this happening. Unless France's objections can be overcome within the next three months or so, there is grave danger that when the Six take the plunge next New Year's day they will move alone.

The "nation of shopkeepers" has, sensibly enough, looked upon this complicated matter as a business proposition. Community, after all, can only begin with the recognition of a common interest. British industry first saw the common market as a threat to British exports; it accepted the scheme for a European free trade area as a remedy against that threat; and it has since discovered surprising possibilities in the creation of a larger European market. The dangers involved in the failure of the free trade area are still seen in this country mainly in economic terms—loss of exports, growing tariff discrimination both in and outside Europe, and reversion to primitive bilateral methods of trade.

There is nothing to be ashamed of in this attitude. These dangers are real enough. But there are also pressing political necessities. After 1945 a great shift became evident in the balance of world power. The former "great powers" of western Europe came to look like frail, peripheral states, surviving only under the American shield. The European Economic Community is an ambitious attempt to bring six of them more closely together than ever before, and thus to restore a measure of stability to the old world. The free trade area plan offers a means of bringing Britain and the other democracies of western Europe into this group, strengthening it and preserving its ties with the rest of the western world across the seas. Talk of strengthening western Europe may not sound fashionable when forms of "disengagement" which might open the door upon the imprisoned other half of Europe are much in people's minds. Yet the premise for any military disengagement, and for any revival of the real Europe that is incomplete without its central heart land, is a politically strong and united western Europe.

Wait a little, some Frenchmen say, and see how the common market works. But already the gulf between Britain and the Continent is dangerously wide. Even since the free trade area talks began, the solidarity of the Six in defence, in atomic matters, and in policy generally, has tended to tighten. Their institutions have leapt into active life. In many respects, all this is admirable. But their tendency to forget that half western Europe is still outside their club—as well as, unavoidably, all central Europe—is alarming.

WHAT can Britain do at this late stage to bridge the widening gap? There are two ways of not bridging it. One is to accept France's more protectionist conditions, which would make nonsense of the free trade project. Another, equally important, thing not to do is to threaten that, if the exasperating common market starts to discriminate, then we can do so too—in the Commonwealth, or in northern Europe. The illusion that Britain can retreat into a cosy Commonwealth walled garden is even more absurd than the myth of "little Europe"; and to use this futile threat merely exacerbates continental suspicions of British sincerity.

There are, however, two constructive notes that Britain can, and should, strike. First, it can openly and frankly recognise that the scheme for freer European trade has a fundamental political, as well as economic, significance. True, last year's white paper conceded

that the principle of unanimity in the council of ministers might have to be abandoned; but not until the meeting last week did some of the continental members of the Organisation for European Economic Co-operation begin to appreciate that Britain is prepared to take a political plunge and to accept institutions for a "big Europe" in some respects as strong as those of the Six. It is time this was shouted from the housetops. At least the ludicrous confusion of thought that has led some people across the Channel to oppose the free trade area in the name of European unity would be dispelled. Mr Maudling himself will no doubt be delighted to accept the new and more appropriate name, "European Union for Economic Co-operation," which France has proposed for the largely political project he is struggling to bring to birth—provided that the change of name does not mean that the greater freedom of trade, which remains its nub, has been jettisoned.

The second constructive note that Britain should strike is strictly economic. The question is whether there is any economic price which France is prepared to accept in return for ceasing to obstruct this union of a larger Europe. It is not surprising, no doubt, that France, with its inflated price-structure and Algerian burden, is reluctant to take on new commitments to open tariff frontiers. With exports marginal to its almost self-sufficient economy, France in this century has never really cared a button for free trade. It has used tariff concessions primarily to bargain for other benefits, as it did, successfully, in the common market negotiations. What reasonable inducement can France now be offered?

Possibly compromises may be reached on many of the detailed issues that once seemed intractable, such as the level of the free trade area's outer tariff (about which Italy made useful proposals last week) and, in so far as it is meaningful, the "harmonisation" of labour costs. But this does not go to the heart of the matter. There is one chink of light in the thicket of the French memorandum. This is the request to share in Britain's liberal trade system with the Commonwealth. It is put in an extreme form: a request to have a share in Commonwealth markets without giving anything in return. But at least it does suggest a constructive possibility. In the next few years, there will inevitably be closer economic ties between the continent of Europe and the Commonwealth. By a British offer to seek concessions now from the Commonwealth for European trade, the door to the creation of a broad European trading area might possibly be unlocked after all.

It is, of course, precisely this point that is most liable to stick in a British Government's, or Parliament's, throat. Even Mr Macmillan, who can scarcely be accused of imperial insularity, told a Conservative conference two years ago that "if we have to choose between Europe and the Commonwealth, our choice is made. We choose the Commonwealth." The trouble about this sort of rhetoric is that it has no meaning. Reading it, one might have thought that to "choose Europe" would somehow mean to banish the Commonwealth beneath the waves of the sea. In fact, however, it would mean trying, in so far as we have any influence in the matter, to get cheaper entry for Commonwealth exports into continental Europe, and arranging for Commonwealth countries to get European goods as cheaply as they now get British goods. In the short run this would be of some competitive disadvantage to some British industries. But a price may have to be paid to avert a dangerous rift in the western world; and to pretend that it is imperial magnanimity which holds us back is the sheerest insular hypocrisy.

Mr Khrushchev and the Peasants

The Soviet Union is preparing for the biggest transfer of ownership since the days of collectivisation. What is the meaning of this move?

RUSSIANS are not all watching peace doves flying to foreign destinations. More than half the Soviet population still lives in the countryside, and it has a more pressing problem on its mind: the biggest transfer of property since the days of collectivisation is now being prepared. The transfer is of particular interest to the 80 million *kolkhozniki*. Their collective farms are to be allowed to purchase the equipment hitherto belonging to the state-owned machine and tractor stations (MTS). Mr Khrushchev's "theses" outlining this project are being discussed at mass meetings throughout the countryside. One of the first acts of the newly "elected" Supreme Soviet will be to endorse the programme.

The MTS have become a part of the landscape since collectivisation. There are some 8,000 stations, employing about 2 million drivers, mechanics and agricultural experts. They operate the bulk of heavy agricultural equipment, including over 1.2 million tractors (in 15 h.p. units), combines and lorries. Until now the 78,000 collective farms have had to turn to these stations to get their ploughing and harvesting done. Payment in grain and other products for these services was an important source of state revenue. The MTS had a political function as well. With their higher proportion of party members, they could watch the mood of the less reliable rural areas. But the new scheme provides for the transfer of most of their equipment and staff to the collective farms themselves. Some of the stations will disappear; others will be re-

duced to the rank of servicing stations, used also as distributing points for new machinery. Why should Moscow now deprive itself of such bastions of state power ?

The Soviet rulers have always been faced with a double task in the countryside. They have sought to increase production and supplies ; but they have also had to fit the peasantry into the country's social system. It is through these twin lenses that the new move must be viewed.

The fact that agricultural output has lagged behind industrial expansion is plain. Stalin's successors admitted a state of crisis in agriculture and set about trying to relieve it. It was under Mr Malenkov's premiership that the first steps in a policy of incentives were introduced : tax reliefs, lower compulsory deliveries and higher prices. Mr Khrushchev, eager for quick results, coupled this in 1954 with a drive to bring virgin land in Kazakhstan and Siberia under cultivation. Both measures were combined with a larger supply of agricultural machinery. There have been tangible results in better output and larger supplies of livestock and dairy produce. Mr Khrushchev's gamble on the virgin lands brought a first dividend in the form of a bumper crop in 1956. Last year, however, nature turned against him. The new farming areas were devastated by drought. How much the total crop was affected is shown by the fact that grain supplies to the state were nearly a third lower than in 1956.

This setback, however, does not explain the latest scheme. (Mr Khrushchev is still fascinated by virgin land ; some more is to be brought under cultivation in the Far East.) The general state of Soviet agriculture in itself requires the introduction of reforms. Though the slogan about catching up the United States in output per head of milk, butter and meat may now be heard on every occasion, it is in agriculture that the Russian lag is most striking. Even if the Soviet Union were to reach the American level of agricultural production rapidly, it would do so with an agricultural labour force as much as five times as large.

THE existence of vast peasant masses is a permanent difficulty for planners in particular and the leadership in general. The ruthless collectivisation had left too many scars to permit further reforms in the 1930s. Yet it was regarded by the communists as only the first step towards the goal of industrialising rural production and eliminating differences between town and countryside. The next step was taken in 1951-52 ; collective farms were amalgamated into larger units (the average farm now has about 5,000 acres and employs some 350 able-bodied workers). Flushed with success, Mr Khrushchev (who at that time, curiously enough, was the apostle of urbanisation) advocated a move towards the next stage ; instead of scattered farms the countryside was to be filled with " agro-towns." The scheme had to be shelved because of the outcry it provoked among the peasants. But the idea of further transformation was never abandoned. Stalin had it in mind when resisting, shortly before his death, a proposal for the transfer of equipment from the MTS to collective farms —which was almost identical to the one now being introduced. This, he argued, would be a move backwards, because it would reduce the scope of state property in favour of collective ownership.

How does Mr Khrushchev's new scheme fit into this context ? Its primary practical objective is undoubtedly to encourage production and supplies. Its author deals with criticism by arguing that most collective farms are now rich enough to purchase the equipment and large enough to use it efficiently. The smaller and poorer farms will be given a few years to make the transition, which should be an inducement to larger scale and better management. The state will lose the agricultural supplies hitherto delivered to the MTS in exchange for their services, but this loss should be recouped by payments made for machinery old and new (the MTS, after all, were subsidised). Moscow hopes that the collective farmers will be pleased with the abolition of dual control, and that control of their own equipment will enable them to do a better job, while the desire to buy new machinery will prompt them to increase their supplies.

BUT the ultimate social objective has not been forgotten either. Mr Khrushchev and his assistants are busy denying charges made by Soviet economists who, using quotations from Engels, have insisted on the contradictions between state and collective property, seeing in the encouragement of the latter a movement away from communism. Mr Khrushchev replies that the inducement to amalgamation will be strengthened ; that the state will keep its hold on the supply of industrial machinery and other industrial goods ; and finally, that the communist leadership inside the farms will be reinforced by the large-scale intake of party members from the MTS.

The campaign in the virgin lands has provided the Soviet rulers with yet another instrument. In these almost uninhabited areas it was natural to set up state farms rather than collectives. The number of state farms has risen to 5,800. They now account for a quarter of the total sown acreage and for nearly a third of the area under grain. The growing proportion of supplies coming from this source strengthens the government's hand in its dealings with the collectives. By this double pressure, from within and from without, Moscow may be able to drive the farmers on until all differences between state and collective property vanish. This is, at any rate, the official hope. Yet one cannot help wondering whether, prompted by the wish for quick results, Mr Khrushchev, though himself born in the village of Kalinovka, has not this time underestimated the property instinct (even if only collective) of the Russian peasantry. Having decided in haste, will he repent at leisure ?

The Servant Problem—1

The Homes with Help

Most of our readers will be washing up tonight. Is the decline in paid help in the home a matter of middle-class impoverishment, working class high wages, or aversion from service as such ?

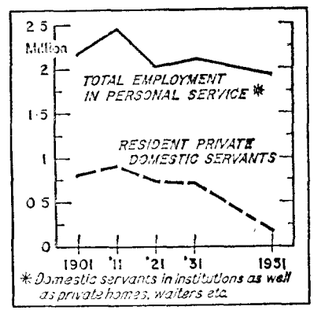
THE most obvious outward and visible sign of the decline in middle-class fortunes since 1939 is the dearth of servants in suburbia. It is this that makes professional people feel they have had to trim their way of life to social change more than anybody else. The class which used to put its girls out to service, suburbia complains bitterly, today benefits not only from full employment, high wages and social services, but also has reserved to it, at subsidised rents, almost the whole output of modern, labour-saving council houses and flats. The middle classes, by and large, are left with the houses which Victorian, Edwardian, and even interwar speculative builders designed on the assumption that there would always be a large market in domestic service, of every variety and at prices which almost any middle-class budget could afford. That market, it is said, has disappeared, taking with it a great deal of middle-class leisure and culture, in a welter of husbands washing up and wives scrubbing children and floors.

How much truth is there in this picture, or how far has the market merely changed (as markets will) rather than declined ? Just where in middle-class life, and on whom, does real, definable hardship fall ? Is the situation likely to get better or worse—whether in terms of more domestic service, or more and cheaper mechanical substitutes for it ? Is any intervention called for by the state—for example, in encouraging the recruitment of more foreign workers ? In these two articles, it is proposed briefly to attempt some answers to these questions.

THE first problem is to get the statistics straight. Between the censuses of 1931 and 1951 the total number employed full-time in personal service, including domestic servants both in institutions (hospitals, hotels and the like) and in families, fell by less than many people may suppose—from 2.1 million to 1.9 million. The real blow for suburbia was the fall in the proportion of these domestic servants who were working for private families—from 33 per cent in 1931 to 9 per cent in 1951. As a consequence, by 1951, 178,000 full-time domestics were in private employment in 157,000 families ; in 1931, 706,000 had been in private employment in 500,000 families. This was a large absolute drop, but it is worth re-emphasising that the proportion of families employing full-time servants was always small. Even in 1931, only about 5 per cent of all households had one or more full-time servants ; in 1951 only just over 1 per cent had them.

The fall that has occurred reflects two simple economic facts : the rise in the price of domestic service; and, more important, the decline in the amount of disposable income available now to buy them for former servant-employing homes. The price is now mainly settled by what the institutions offer in competition with other industries, both in cash and amenities ; the private employer's bid no longer affects the price to the extent it did in the thirties, and still less than in Victorian times, when private employment represented the greater part of total demand. The wages position will be examined in more detail later ; but roughly the price of domestic service has risen fivefold since 1931, against an average price increase of nearly three times, and a rise in professional earnings (before tax) of two-and-a-half times.

In these figures lies the key to present middle-class servantlessness. In 1931, there were 500,000 incomes of £700 or more ; the disposable income left to a married man earning £700 with two children after tax was then £650. This figure seems to be—very roughly—the point at which a middle-class family could then afford a whole-time resident servant. (Mrs Beeton, in the 1880s, thought that on £200 a year one could afford a general servant, or slavey.) In 1951, the top 157,000 incomes ranged from £2,500 upwards. For a married man with two children this income represents, after tax and in terms of 1931 prices, £780. The difference seems just about enough to absorb the additional cost of a servant, over and above the average price increase ; so that it seems reasonable to suggest that in fact pretty well all those who could afford a full-time servant in 1951 eventually got one—and *per contra,* that as much disposable income was set aside for a servant in 1951 as in 1931, taking price increases into account. The reduction in employment of full-time servants is seen quite simply as a reduction in the number of families who could afford to employ them.



That is the middle-class picture. To peep, for a moment, at the upper class area : at what levels of income can two or more servants be afforded nowadays ? Mrs Beeton, about 1880, thought that both a cook and a housemaid were possible on £300 a year, and

at £1,000 one owed it to oneself and to the lower orders to have a manservant, a cook and two housemaids. Today, only two per cent of resident-servant-employing households (which means one in 4,000 households as a whole) have three servants or over; this corresponds with the proportion of income earners getting upwards of £18,500 a year. A further 9 per cent (or just over one in a thousand households as a whole) have two servants, corresponding to incomes ranging from £9,000 to £18,500 a year. In 1931, 76 per cent of the employers of resident servants had but one; in 1951 this proportion had risen to 89 per cent.

THE conclusion that the drop in the number of full-time servants is a consequence of the squeeze on middle-class incomes, more than of anything else, is strengthened by another consideration. It might be expected that there would, in the middle classes, be some correlation of employment of servants with need, as expressed in the presence of children. Even with incomes below £2,500, people can choose between a mother's help and a car, for example. But young families with children are precisely the ones that now often cannot afford to enter the market. Against the average of 1.24 per cent of privileged households containing one or more resident servants (i.e. 157,000), the proportion of households of child-encumbered married people under 40 which had a whole-time servant was only 0.73 per cent—or not much more than half the average.

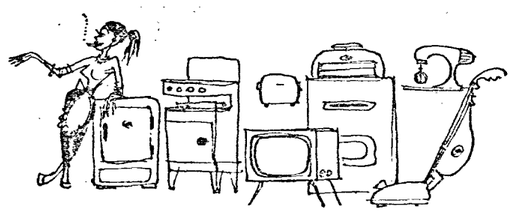
The other type of household which needs full-time domestic service is of course that which contains either the elderly or the lone worker; and in the middle classes it is now often the lone professional man who can afford to have one. This is reflected in the figures, for among those aged over 40, 5.4 per cent of widowed or divorced males, and bachelors, have servants, though only 2.4 per cent of spinsters and 1.3 per cent of widows have resident servants. It is noteworthy that younger widowers and bachelors more frequently employ servants—4.4 per cent of the first and 3.5 per cent of the second. Clearly money, not need, determines the pattern of employment of servants by the middle classes.

So far, this article has been concerned only with whole-time, resident servants; but part-time non-resident service is in fact the main recourse of the modern middle classes. Figures for this less organised market are a little less detailed. An official household survey suggests that about 6 per cent of all families (or 900,000) probably have chars or daily helps, including between a third and a half of families with over £1,500 a year. There is a big difference, however, between the char who drops in twice a week to do some rough cleaning and the bustling daily help who comes in at 9 every weekday, cleans up, gives the children their lunch and tea, and departs at 4.30, leaving the supper ready to be cooked: the virtual equivalent of a resident maid. To judge from the sample survey, some 260,000 families had a char for no more than 4 hours a week; 380,000 for 5 to 12 hours a week; another 260,000 for over 12 —more, that is, than two hours per weekday.

Even in the income bracket of £2,500 a year and over, according to the Ministry of Labour's report on household expenditure in 1953-54, only an average of 43s. 6d. a week was spent on outside domestic help (which includes nursery schooling); this is the equivalent, at current prices, of about 14 char-hours per week per family. Even at £2,500 a year, clearly many families do without domestic help. In all, calculating from the census, only the equivalent of 6 or 7 million char-hours per week was being purchased by the 15 million households of the country in 1956; and this included obviously a substantial item for baby-sitting, as well as something for jobbing gardeners and sewing-ladies.

While the number of people who can afford a resident help has declined, the number of those who ought to be able to afford some daily help for their wives has increased. There is every reason to think that at 3 shillings per char-hour or more in London, the potential demand for char-hours is totally unsatisfied, even taking into account the enormous char-hour equivalent contributed nowadays by washing or washing-up machines, vacuum cleaners, electric irons, mixers and sewing machines, as well as the char-hours economy represented by electric or gas fires, gas pokers, and oil or the new solid fuel boilers. There were in 1951 7.2 million households with one or more children, and not one of these devices will blow a child's nose, change a nappy, answer the doorbell or telephone, run out to the post, attend a sick-bed, or do the shopping. Despite the advances in household mechanisation, the Victorian housewife, with her battery of cheap, multi-purpose, self-propelled domestic machines, often had the better of it. Domestic service cannot—yet—be entirely mechanised; how far the need for it remains, and the prospects that that need can be economically satisfied, will be discussed in a second article.





NOTES OF THE WEEK

WAGES

The Busmen's Response

LONDON TRANSPORT has accepted, without demur, but also without offering any additional increase, the industrial court's recommendation that it should pay 8s. 6d. a week more to its 34,000 central London ("red bus") crews, but keep unchanged the wages of its 14,000 "green bus" and maintenance staff. The question now is what the Transport and General Workers' Union is going to do about this. Last week, the union leaders were secretly pleased with the size of the award for the central London workers; but since it stood no chance of being accepted by the necessary two-thirds majority of militant garage delegates, they were bound to go through the motions of refusing it. This they did, saying that the terms of the award were discriminatory and would prejudice the chances of the provincial busmen's claim which Mr Cousins expects to put forward in the near future. Early next week a meeting is being held to decide on the union's next step.

Broadly, there are three courses of action open to the union. The first, and from their point of view the worst, would be for the delegates to call for immediate protest action in the form of a strike or ban on overtime. This course will no doubt be favoured by many of the delegates next week, but it is likely to find less favour with many of the men—particularly the three-quarters of them who would be asked to stop work just to get a rise for the other quarter. An immediate strike would therefore be very likely to fail. A ban on overtime would probably be less effective still, particularly as (see below) some overtime on London buses may be about to disappear anyway.

The second, and mildest, possibility is that Mr Cousins, who has flown back from Greece specially for the meeting, may make a temporising announcement: that, say, last week's award "introduces new problems of differentials into the passenger transport industry which should be considered by a national conference of busmen." He would thus free himself to re-open the case for London's green bus men when he goes forward, in the normal way, with the now prejudiced provincial busmen's claim; but he would in effect be contracting out of immediate battle.

To Face a Showdown?

THERE remains the third, and most militant, possibility. This week, the railwaymen's claim has been argued before the Railway Staffs National Tribunal (with Sir John Forster, chairman of last week's industrial court, again in the chair). It has become apparent that what the railwaymen are really arguing for is a rise to compensate them for the increase in the cost of living since their last award. Originally this was 4½ per cent, approximately the same as the central busmen's award; but, almost as Mr Greene was getting to his feet to put his case, last month's index was published—to record a ½ per cent drop, to bring the total rise to only 4 per cent. It also seems apparent, however, that if Sir John Forster follows his own logic, as shown in the case of the green bus crews, he will have to join with the employers' representative on the tribunal in recommending no award for the railwaymen. The question is whether the new leaders of the railway unions would then feel obliged to call a strike—and whether Mr Cousins, next week, may in effect bid his busmen to play for time in order to join forces with the railwaymen in any action they might take. If he does this, Mr Cousins would not necessarily try to mobilise the provincial busmen, whose pay claim would be barely three weeks old—and who have not got the reputation of being one of his guards divisions in responding to any strike call. But a strike of railwaymen, London underground workers (who are mostly in the National Union of Railwaymen) and the London busmen would certainly hit the public and the Government hard. It would be the major showdown on the wages front, which has been so long forecast but also so long averted.

Would it be a bad thing? Possibly, if wage inflation is ever to be stopped, the showdown has got to be faced some time; if it has to be faced, it is of desperate importance for the future standard of life in this country that the unions should lose it. The disadvantages of the battle taking place in this particular way would be the junction of union forces, and the fact that the ill-judged 4½ per cent award to the central London busmen may have led some members of the public to think that it is only "fair" that the other transport workers should get 4½ per cent too. The advantages would be that the economy could more easily absorb even a total transport strike in present conditions of slack, and that three-quarters of the London busmen would be likely to be discouraged by the feeling that they were fighting for other people's *beaux yeux*.

Different people, weighing these different factors, will come to different conclusions about whether the unions would win such a fight. The important immediate point, however, is what conclusions one man reaches in this exercise of estimation. All that is known of Mr Cousins suggests that the one thing which will influence him in deciding whether to call for the showdown will be whether he thinks that he would win it. He has the advantage that he can wait until the railway decision before he finally shows his hand; it is not impossible that he might spend the intervening two to three weeks rumbling the vague suggestion—but not hard-and-fast commitment—that he is about to break out the flag of war.

The Award that Partly Isn't

WITH all this excitement in prospect, sight may be lost of the internal consequences of last week's award to the men who were actually given it. But those consequences are revealing. The announcement by the Minister of Transport, Mr Harold Watkinson, that the £1,000,000 cost of the industrial court's award to central London busmen must not be met either by higher fares or a widening of the bus services' deficit has put London Transport in a difficult position. If it is to live up to the Minister's formula, it

seems to have no alternative but to get the £1,000,000 by cutting unprofitable services. Economically, there is plenty of room for that; many of London's unprofitable bus schedules should have been discontinued long ago. But when an unprofitable bus is taken off the road, only a small part of the saving is in fuel and maintenance charges; the greater part has to be a saving in the earnings of the crews. Either these can be got by running down the number of men employed, which would be the wise course but which London Transport is unlikely to adopt; or they can be got by so arranging the cut in schedules that the men have reduced scope for profitable overtime and rest-day earnings. In either case, the men's £1,000,000 will be largely paid for by themselves, or rather will be taken out in extra leisure—which was not what they were asking for. Moreover, the incidence will be quite unfair. Some of the harder working men—often those with family responsibilities—have hitherto been earning £4 a week or more above basic rates by overtime working. Now they may be required to give a lot of that up, in order that 8s. 6d. more a week may go to men who have never taken on extra work.

What, however—unless London Transport takes the bold step of running down surplus staff—is the alternative? The alternative is insidiously obvious: that the minister's formula may not be fully achieved, that the economies planned on paper may never be made in practice. The present position is a familiar one: a pay award, followed by a promise that it will be met by greater efficiency, and talk between the management and unions which in the end comes to nothing. After several recent railway wage awards, it has been suggested that economies would be effected in railway staff, but they have not been. Both the railway and shipbuilding awards last year were linked to a promise to end restrictive practices, which has only *de minimis* been fulfilled. More recently, technical civil servants were told that increased wages would have to be met by reductions in staff; but these reductions have so far been negligible. This is not to say that London Transport's present efforts are bound to fail. But it is to say that its activities in the coming year will deserve to be closely watched.

DISENGAGEMENT

But, Eastward, Look . . .

One battleground where it is indisputably a good thing for the contestants to get as close as possible to the whites of each other's eyes is the present discussion about disengagement. This week brings two additions to the array of booklets and essays levelled at each other across the lines of embattled debaters. In a pamphlet which performs a counter-battery action against Mr Denis Healey's recent Fabian tract,* Mr Peregrine Worsthorne sets out the arguments of those who find more to alarm than to attract them in the idea of disengagement.† In the same direction comes an intercontinental rocket in the shape of an article by Dr Henry Kissinger, the American champion of the theory of graduated deterrents, who expresses similar fears in the April issue of *Foreign Affairs*. The war remains a decently civil one; indeed, in both content and tone, the current debate is a model illustration of the virtues of letting things be argued out by an informed public opinion rather than in a locked committee room of the Kremlin.

Those who have been looking on disengagement with a sympathetic eye need not be discouraged by the shot and shell whistling about their ears this week. Mr Worsthorne's and Dr Kissinger's objections are basically the same. They believe that disengagement would not work, in the sense that the hopes which it raises of a gradual liberalisation in eastern Europe would be frustrated by the Soviet armies, poised like vultures just across the Russian border, whose re-entry into the zone of disengagement the West would have become too weak to prevent.

Three things can be said in comment. First, disengagement does not necessarily mean so sweeping a withdrawal from central Europe that it would strip the West of its deterrent power or lead to an immediate and total evacuation of American forces across the Atlantic. It must be repeated that the only workable kind of disengagement is the kind that is enforceable by western forces patently strong enough—though based outside the centre of Europe—to discourage a new Soviet irruption westwards. Secondly, the critics' argument is not so much a reason for rejecting disengagement as an argument in favour of pressing on to reinforce it with a measure of disarmament, so that the threat of Russia's conventional armies can be cut down to size. Third, and most important, only a hopelessly barren diplomacy will say simply that "nothing can be done" about eastern Europe. Ever since the events of 1956 in Hungary and Poland, one of the West's first tasks has been to search for measures that would encourage a process of liberalisation in the Soviet half of Europe. As Dr Kissinger quite rightly says, disengagement is a policy that calls for a certain amount of daring. But is it likely that west Europeans will rest content indefinitely with a policy which, in the name of caution, calls on them to rule out any chance of extending a degree of freedom to their neighbours in the east?

FRANCE

Seven Days to Go

There are occasions when the word confidence should not be taken too literally. On Tuesday M. Gaillard's government obtained a vote of confidence by 282 votes to 196. The vote was ostensibly taken on the bill for constitutional reform which, even in its highly amended form, should somewhat strengthen the government's hand and its powers of dissolution. But, as one deputy pointed out, the bill has to come back for a second reading.

For some weeks now, deputies have been living in fear that, if they precipitate any prolonged crisis, General de Gaulle will in the end be called on to clear up the mess. The general's silence has more impact on them than the eloquence of any minister. Last week's extraordinary march of rioting policemen on the Palais Bourbon was a fresh warning to them that the present position of parliamentary democracy in France is not impregnable.

The fact that M. Gaillard's coalition is held together only by external threats was clearly shown during the party meetings over the weekend, at which socialists and conservatives spent most of the time vilifying one another. This may prove a crucial week for Franco-Tunisian relations. M. Gaillard does not want to commit himself to any preconditions which would make a settlement practically impossible. The conservatives, on the other hand,

* A Neutral Belt in Europe? By Denis Healey. *The Fabian Society*. 16 pages. 1s. 3d.

† Dare Democracy Disengage? By Peregrine Worsthorne. *Conservative Political Centre*. 36 pages. 1s. 6d.

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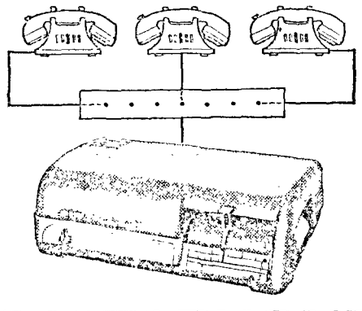
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threaten to resign if the government does not make a public pledge that it will refuse neutral control of Tunisian airports and that it will stick to French sovereignty over Bizerta. They are insisting on this pledge because on March 29th parliament goes into recess for a month and M. Gaillard will have a freer hand. If M. Gaillard sticks to his position and still remains at the helm next weekend, the Anglo-American good offices may yet win through.

In the meantime it is not easy to judge the mood of the country. The four recent by-elections—in Marseilles, the rural Nièvre, the industrial north, and a district of Paris—do not fall into any single pattern on which conclusions can be based. One deduction, however, is obvious: the communists have gained everywhere, particularly in the industrial north. This is not surprising, since, according to the latest calculations, real wages have dropped five per cent over the last two years. The Algerian war and its economic consequences have effaced memories of the Hungarian insurrection. Deputies of the centre have good reason therefore to feel hemmed in between the Gaullist menace to the right of them and the spectre of a popular front to the left. But anxiety, unfortunately, is seldom a sufficient spring for action.

The Pen is Guilty

"DON'T break the mirror if the mug is ugly" urges Gogol in his prologue to "The Government Inspector." Successive French governments, on the other hand, have come to the conclusion that, to render the reality of the Algerian war more attractive, it is enough to seize recalcitrant newspapers. "Intellectual masochists"—the new euphemism for independent writers—must take the blame for all the reverses, and if unpleasant news items could only be prevented from appearing they would certainly become un-facts. The spread of this custom of seizing newspapers is causing concern in France and abroad. The International Press Institute has joined in the chorus of protest.

The French committee of the institute has published a statement which is no less disturbing for being measured in tone. After repeating the decision of its members not to write anything that might aggravate troubles in Algeria, the statement goes on to express its alarm over the reintroduction of the principle that opinions are punishable, a principle rejected by all democratic countries. The committee felt bound to raise its voice from fear that such arbitrary action should become an accepted custom.

Warnings are growing louder because the weapon of confiscation, hitherto reserved mainly for the Algerian editions, is now being used against French issues as well. The recent seizure of four Paris weeklies in one go was a striking illustration. The government has an easy task with the press. It impounds the undesirable issue under an antiquated law and then shows no hurry to prosecute. The newspaper has no real redress. Even if it should finally win the case in court, it can only, as one editor pointed out, distribute the three-year-old copies free to its subscribers. But the cost of an edition entirely lost is prohibitive. Does the government really want to face the French press with the choice between docility and bankruptcy? The *ancien régime* collapsed when it tried to refuse its rights to the Third Estate. In modern times, any tampering with the rights of the Fourth Estate is a sign that democracy in a country is in serious danger.

AGRICULTURE

Full Marks for Mr Hare

THE annual review of agricultural prices [Cmnd. 390] appeared as *The Economist* goes to press this week. In making the cuts in bacon, eggs, milk and wheat, Mr Hare has taken the right action. He had first to consider the effect of cuts on the balance of supply and demand in the economy as a whole; and secondly to discourage production of the more grossly over-produced items and to encourage efficient production of the more competitive and more in demand.

Under the Agricultural Act of 1957 the Minister is statutorily barred from cutting prices by more than an average of 2½ per cent, but he has taken to within £2 million, the maximum of £32 million that can come off the guarantee-and-production-grant bill and, consequently, off the budget. There is a limit, too, to the cuts that can be made in respect of any one particular commodity; here the maximum is 4 per cent. Within these narrow limits of manœuvre he has tackled the products in which the guaranteed value and market value diverges most. Eggs are the most obvious example; 37 per cent of the farmer's receipts for eggs in 1957-58 consisted in subsidy. The corresponding proportion for wheat is 29 per cent and for fat pigs 23 per cent. For milk, thanks to the two-tier price system by which the guaranteed price is payable only for a fixed quantity, the proportion of subsidy is very much lower—only just over 4 per cent; but the torrential overflow into the manufacturing market, with its disconcerting effect on the world trade in butter and cheese, made milk a strong candidate for a cut. If the maximum deduction were made for these four commodities, over £27 million out of the permissible total would have been accounted for; by putting the whole of his cut on these items (and giving his only increase to fat cattle), Mr Hare has done almost all he should.

There is, of course, a third standard by which the Price Review can be, and will be, judged; the political standard. Any cut whatever in any commodity whatever is bound to seem outrageous to a farming community already aggrieved, demanding full recoupment for the increased costs of the last year, and moreover far from happy about the effect on the general level of rents of the new Agriculture Act. Here the standard is that of courage and a calculated willingness to be hung for a sheep rather than a lamb. Mr Hare has realised that what matters is not how Torrington votes next week under the immediate impact of policy but how the country as a whole votes, next year or the year after, on its fruition.

BY-ELECTIONS

The Real Lesson of Kelvingrove

THE result of the Kelvingrove by-election does not need very complex political analysis. Everyone who followed the campaign on the spot is agreed that in the minds of the majority of voters the issues were simple: rents first, unemployment a poor second and the rest nowhere. *Pace* the young enthusiasts of Oxford, the H-bomb barely existed for the average Kelvingrove voter, as was shown very clearly in the tiny (587) poll of the ILP (pacifist) candidate. The main explanation of the 6,000 slump in the Tory vote

was almost certainly that a fairly large number of former Tories were personally affected by the Rent Act and refused to vote for Mrs Elliot. Some of these missing 6,000 made up the 1,622 vote for the unofficial Liberal Home Ruler (who, however, still lost his deposit); some abstained; and there was even some evidence of that rare phenomenon in current by-elections—a direct swing from Tory to Labour. The Labour vote was 1,756 down from 1955, but more than 3,000 slum dwellers (presumably Labour supporters) had left the constituency during the intervening three years.

In a careful analysis after the election, the local Labour agent suggested, indeed, that there was a bigger swing and fewer abstentions than the low (60 per cent) poll suggested. Kelvingrove, he explained, is a constituency in which there are an extraordinary number of elderly people, and the register was probably only "80 per cent live" on polling day. How many people saw the social significance of this statement? This is a constituency in central Glasgow (it includes Sauchiehall Street), with an extraordinarily high proportion of elderly people, and with the Rent Act the dominant issue. All these things are interrelated. In any other age it would be recognised as social nonsense that most of the people living round the main centre of work in Glasgow should be people who have themselves retired from work. The main reason why they have stayed in the great smoke, instead of moving out into suburbia or the country, is that they have enjoyed 'squatters' rights under rent restriction. The facts of the Kelvingrove election—and the facts of the age structure of the population round the centre of other big towns—provide the best social case there is for rent de-restriction. But it is not surprising that the old people of Kelvingrove did not appreciate this.

A Liberal Victory?

Our special correspondent in Devon writes: The Torington constituency covers a 600 square mile slice of north-west Devon. It runs from just south of Barnstaple, takes in a stretch of coast, skirts Dartmoor at Okehampton and reaches down to within a few miles of Exeter. The local betting is that next Thursday, this previously rock-solid Conservative seat may provide a political sensation by returning a Liberal to Parliament. A special *News Chronicle* Gallup poll, published on Wednesday, suggested that, among those voters who had by then made up their minds, about 40 per cent were inclined to support Mr Bonham Carter, compared with about 33 per cent for the Tory and 27 per cent for Labour. If this is indeed the pattern of voting, then, compared with the straight Tory-Labour fight in 1955, Mr Bonham Carter will have gathered support from almost exactly half of those who previously voted Tory and just under a quarter of those who previously voted Labour. Between cup and lip, Mr Bonham Carter may have one main danger of slip: his organisation, at least at the start of the campaign, looked like the worst of the three. In so widely scattered a constituency, personal contact and the sheer mechanics of rounding up the voters are bound to be important.

By contrast Mr Royle, the Government candidate rather archly labelled "National Liberal-Conservative," has a first-class organisation behind him. He is personally attractive, he has worked energetically in the constituency for two and a half years, and, even if there is a certain brashness about his approach, this may not be particularly irritating on a chance street corner acquaintance. Mr Royle has, in fact, only one clear political disadvantage, but this is all-embracing—he has to defend a Government at the nadir of its popularity; even in charming Devon, this is no easy matter. If Mr Royle is not facing farmers worried about their prices, he is having to run the gamut of workers who, in Bideford for instance, face nearly 6 per cent unemployment. (The relatively sharp growth of unemployment in the south-west has been one of the less expected features of the 1958 recession.)

The Labour candidate, Mr Lamb, is personally no match for his two opponents, but he is not quite so ineffective as some newspaper critics have made out: he is, for instance, much better than the successful Labour candidate at Kelvingrove, and his organisation, while not nearly up to the Tory's, is above the Labour average for normally safe Tory seats. (The improvement of Labour organisation in the hitherto neglected south-west has been one of the lessons of the last few years' local elections.) But Mr Lamb's slim chances of winning have probably been made slimmer still by the public opinion polls showing Mr Bonham Carter in the lead, for this could encourage an important trend of which there are already signs—former Labour voters switching to Liberal as the best hope (on present odds probably successful hope) of turning out the Tories.

H-BOMB PATROLS

Shot Down

When the smoke cleared after Tuesday's barrage of parliamentary questions and answers on flights over Britain by aircraft carrying nuclear bombs, one point stood out. The Prime Minister said categorically that

> There is no permanent or standing patrol. If I used those words at one time, I did not mean a permanent, standing, routine patrol, like a policeman on a beat. There is nothing of that kind.

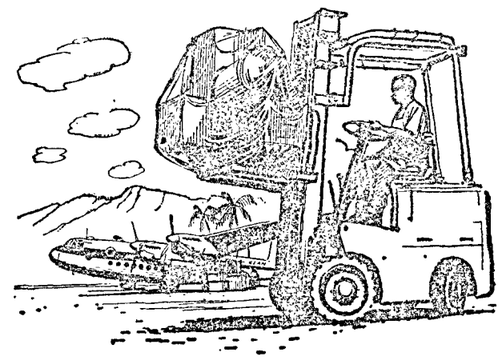
Several of the thirteen questions put by Opposition members had referred specifically to patrol flights; and the ending of all such patrols was demanded in the statement issued jointly by the Labour Party and the TUC on March 6th. Mr Macmillan's assurance that no patrolling is going on was, therefore decidedly enlightening, if somewhat belated. He made it clear that bombs are carried only on the training exercises which the Government regards as essential. The Opposition, of course, has declared itself opposed to these training activities too. But a good part of the alarm lately voiced in Britain has arisen from the notion that aircraft carrying nuclear weapons are circling the skies above this crowded country without interruption—a notion which has now been shot down.

GAZA STRIP

Too Late for Palestine?

President Nasser, who has a taste for anniversaries, was expected to celebrate one at Gaza last weekend. It is exactly a year since the Israelis left the strip, and prophets had whispered that he might declare a Palestinian republic there. Instead he made only a weak gesture; perhaps he is not sufficiently sure of his strength in the refugee areas not under his control to claim the allegiance of Palestinians everywhere. He gave Gaza a legislative council dominated by Egyptians and Egyptian-appointed members, and an executive council appointed by the Egyptian minister of war. This is far short of the independent status which

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he might have used to rally all dispersed Palestinians.

What held him back? Even within the narrow confines of the Gaza strip, he has to contend with a struggle between the indigenous land-owning families and the refugees. The Gaza families have a way of keeping on both sides of the fence, and the refugees have produced no real leaders. The former Mufti of Jerusalem can no longer be dusted down and brought forward as the leader of all Palestinians; he is now heard from only when it suits his Egyptian hosts. He has recently said that his "All Palestine Government" should be allowed to join the United Arab Republic, but too many refugees are aware of the complete ineffectiveness of that "government," which, it is said in Gaza, withdrew to a coffee-house in Heliopolis, near Cairo, immediately its founding speeches had been made in 1948. The only lingering evidence of its existence is its passports, issued by the Egyptian authorities to any Palestinian, and valid only in Egypt and Saudi Arabia.

There may be another reason for hesitation over proclaiming a Palestinian state. All refugees of real competence have by now scattered far and wide, from Libya to the Persian Gulf sheikhdoms, where they have made new homes and new lives. They do not, on the whole, any longer expect to go back to Palestine. They simply like from time to time to recall that there are Arab families in North Africa who have kept the keys to their houses in Spain for hundreds of years.

President Nasser may, of course, be saving the proclamation of a Palestinian state until he feels his citizens need another celebration. Outside Gaza, he can hope to gain support for a Palestine government only among the refugees in Jordan, where his agents are said to be hard at work. Until now, Jordan has been able to do very little for these refugees; but the new federation of Iraq and Jordan has more to offer them. If Iraq can cope with them simply by allowing them to be absorbed, without a publicised plan, without compulsion, and without foreign aid, any appeal to them to join a back-to-Palestine movement will fail. Iraq has only to offer them jobs, and the buses on the road to Baghdad will be crowded. What remains to be seen is whether it can make the best use of its opportunity before President Nasser stirs up the refugees by making promises which he would find hard to keep.

SOVIET BLOCK

Birth of a Journal

An air of mystery surrounds the brief announcement in *Pravda* last week that a new international communist monthly magazine is to be started. The decision was taken at a meeting in Prague, in response, it is said, to the desire for a successor to the Cominform journal that was expressed at the mammoth communist gathering in Moscow last November. But *Pravda* does not divulge which communist parties were represented in Prague; it merely says, in an uncharacteristically ingratiating way, that those not represented would be able to associate themselves with the periodical "with equal rights" or participate in it "in any other manner which would suit them."

The muted and diffident announcement of this new venture is probably due to divisions within the communist world over its nature and aims. For some time discreet hints have been dropped, notably by east German, Czech, Hungarian and French communists, that a revival of the Cominform itself might be a good thing. But the Poles, the Italians and the Jugoslavs have disapproved strongly; in Moscow, last November, they also stood out against the proposal for a new communist journal. Determined to travel their own "roads to socialism," they presumably feared that it would be too exact a replica of the old Cominform journal; *For a Lasting Peace, for a People's Democracy* (will its successor have a snappier title?), published in nineteen languages and distributed, it was said, in sixty countries, handed out instructions and guidance to communist parties both inside and outside the Soviet block. According to reports from Warsaw, the Poles and the Italians (but not the Jugoslavs) have now been persuaded to co-operate in the new journal on the understanding that it is only to be, in *Pravda's* words, a "theoretical and informational" magazine. The Russians evidently hope that even a magazine innocuous enough to win the Poles' acceptance, and flexible enough, it seems, to accept occasional contributions from non-founder members, will still do a useful job of rooting out revisionist tendencies and papering over the cracks in communism's ideological façade. But the editors may have to be pretty adroit if what is designed as an instrument for greater unity does not end by accentuating the divisions within the communist movement.

TRIBUNALS BILL

Crichel Downs for Ever?

The Government is in danger of missing the main point in its approach to the Franks reforms; and, as the Opposition will never recognise that the point exists, the struggle for individual freedom against bureaucracy is going to need some new outside ginger put into it. In its Tribunals and Inquiries Bill, published last week and shortly to be considered by the House of Lords, the Government seems to be concerned merely with what might be called legal tidying-up; since all the untidiness in this field has hitherto operated against the individual and in favour of authority, the bias of the bill is, of course, libertarian. The individual will have a general right to appeal from a tribunal to a court on a point of law, formal inquiries are to be conducted under less blatantly Pooh Bah procedures, and so on.

So far as they go, these reforms are welcome. But they go about as far as a centipede's footstep. What the private citizen requires is not legal tidying up; what he requires is the creation of a sounding board, into which he can shout if any public servant anywhere takes a decision which offends against what the ordinary man would regard as natural justice. The public interest is not the same thing as the public service's convenience; and we, the people, want to be able to put the fear of God—and of publicity—into any public servant who acts as if it is. With so many administrative and planning decisions being taken nowadays, parliamentary question time is not a sufficient safety net—particularly as many MPs are regarded as belonging to "them" not "us" in this matter.

It had been hoped that the new council of tribunals, which the bill sets up, would fulfil some of this function as a sounding board, as a custodian of the custodians. The council is indeed to keep the constitution and working of the formal administrative tribunals under review, but it is not in these formal tribunals that most natural injustice is done. Formal—and informal—administrative inquiries are a much greater menace. But in its overseeing of admini-

strative inquiries the council is to have considerably less power than the Franks committee had recommended; its scrutiny is blandly limited to matters referred to it by the Lord Chancellor or the Scottish Office. Over informal civil service inquiries—as in the Crichel Down affair—the council will, so far as the outsider can see, have no powers of scrutiny at all. Even for the formal administrative tribunals, it is not to have the duty of appointing members as the Franks committee recommended. The bill is so complicated that there is a danger that Parliament will pass it through on the nod; but it is a fundamentally insufficient measure, which needs to be either withdrawn or drastically re-written in committee.

JUGOSLAVIA

Marshal Tito's Spring-Cleaning

At meetings all over Jugoslavia an admonitory letter from the communist central committee has sparked off a grand inquest into the "serious negative manifestations" that have been appearing in the management of the country's affairs. It appears that the success of the experiment of decentralising the economy, to which the Jugoslav communists attach great importance, is jeopardised by the tendency of local bosses to kick up their heels once they have shuffled off Belgrade's leading-strings. Similar complaints have been heard before: they are the growing pains of the Jugoslav experiment, but not necessarily portents of its failure. To some extent they justify Mr Djilas's strictures about the "new class," and his prophecy that decentralisation will enrich not the workers but the bureaucrats.

Yet the Jugoslav leaders are clearly making a determined effort to cut the local bosses and the ostentatious technocrats down to size. They are stimulated, no doubt, by rumbles of discontent among the workers: by tomorrow's federal elections which are intended to give the people the illusion if not the substance of power; and, above all, by next month's party congress at which the real machinery of power will be overhauled.

The congress will be the first since the sixth congress in November, 1952, when Marshal Tito announced that in future the party must endeavour to lead the country by persuasion rather than by intimidation. This novel idea has not developed into a tendency to let the party wither away (as some Jugoslav theoreticians have said it eventually will), but it has helped to upset the morale of many party members who are reproached for their opportunism, lax discipline, irresponsibility and neglect of party work. This is a serious matter for the party leaders in Belgrade, who can only continue the process of relaxing central state control if the party provides a firm foundation of power for their regime throughout the country. There will no doubt be some plain speaking at the congress, but its lengthy programme, published last week, does not seem to provide any new solutions for the paradoxes of Titoism.

SOUTH AFRICA

Election Tactics

The stakes in the South African election are small; the campaign that began last week is concerned only with the wresting of marginal points by one party from the other. But the moral importance of small gains is not inconsiderable. It is almost inconceivable that the United Party should win; but it is not unimportant that it should gain a larger proportion of the total poll, and thus be able to claim that even more than in the previous parliament it represents the majority of white voters even though it can only win a minority of the seats. The nationalists, with no very convincing defence of their juggling of boundaries and sizes of constituency, are the more anxious to win an extra seat or two, in order to be able to claim that they are returned with a stronger mandate for their post-Tomlinson policy of segregation "wherever practicable and desirable": they will lose face if the loss of both votes and seats shows that their old supporters are suffering from doubt—and that, in the great battle in the schools for the allegiance of the rising generation, Afrikanerdom is not bringing in the electoral bacon.

The policies which the parties are placing before the electorate are, therefore, less important than electoral tactics. The United Party must as usual protest that it will uphold segregation and white supremacy, while reversing the fatal policy of driving the majority of black and Coloured helots to desperation; the Nationalists must pitch their ideal of a republic well in the future, lest a sharp, if small, electoral setback should seem a rebuff to their cherished long-term policy. In terms of policy, indeed, the Nationalists are on the defensive; but tactically they have the initiative so far. The decision to give Dr Verwoerd power to ban the African National Congress in the reserves is designed to bring the racial problem successfully back into the centre of the arena. If the Congress reacts by calling strikes and demonstrations in the towns under the white electors' noses it will have risen to the occasion in a manner deserving well of Dr Verwoerd. A little African obstreperousness is the Nationalists' unfailing answer to the United Party argument that "you are driving them too far"; it would be optimistic to expect the average white South African, obsessed by the growing crime wave and drenched in propaganda, coolly to see through it. Yet there are indications that some will not be diverted from their dissatisfaction with the present government on other counts.

DEFENCE

Mr Sandys Mends Some Fences

Mr Sandys's current visits to Rome and Bonn are a welcome demonstration of awareness that Britain's defence partnership with Europe badly needs repair. For a long time he seemed to turn a pretty blind eye to the division between Britain and the continental members of Nato which, quite plainly to other onlookers, followed the publication of his first defence white paper in 1956 and its results. The reductions in Rhine army have annoyed the continental allies. Britain's private sharing of secrets with the United States has inevitably meant a certain estrangement from them. The recent arms agreement between France, west Germany and Italy was a disquieting sign that in defence, as in politics, some of the continental nations are in reaction, developing an inner partnership which excludes the Anglo-Saxon powers. A personal effort by Mr Sandys to strengthen the fraying ties between his ministry and its counterparts was badly needed.

The trip to Bonn, however, may not do much to revive flagging German orders for arms in Britain. Herr Strauss

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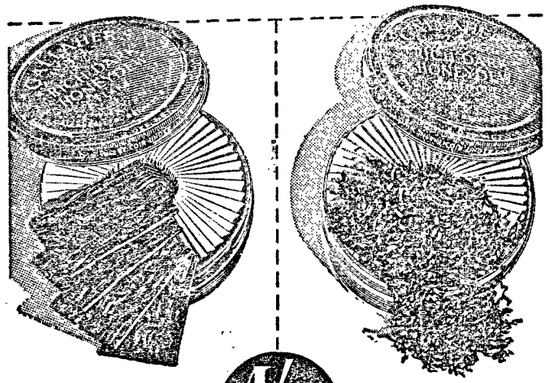
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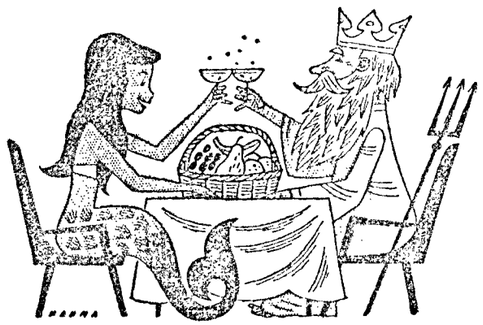
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has just returned from a trip to the United States. His experiences confirmed the simple economic fact that the scale and variety of America's production and its willingness to provide financial and technical aid make it the most economic supplier of most sorts of arms for Germany. In a press conference after his return, Herr Strauss did mention one European aircraft as being of interest to the Luftwaffe—the French "Mirage." But the French, too, may well be disappointed at the scale of actual German orders.

America has now offered the medium-range "Matador" missiles to the Bundeswehr for training purposes. They would have conventional warheads; Herr Strauss emphasised that any decision on the arming of German forces with atomic weapons would have to be taken by Nato. The cost of the missiles, however, implies an atomic warhead if the weapon is to be used in war; and the German opposition fairly argues that the coming of the Matador would prejudice any discussions on nuclear disengagement in Central Europe. The Matador overshadows the debate in the Bundestag on foreign policy which is taking place this week.

OVERTIME

Towards a Shorter Week?

In face of the employers' rejection of their claim for a 40-hour week, the Confederation of Shipbuilding and Engineering Unions decided last week to seek a more gradual reduction in working hours for the three million workers it represents. The original claim received little sympathy from employers, who saw it merely as a bare-faced attempt by which the unions hoped to get round the year's wage standstill that they had agreed to last May: the workers were not going to get a general rise, but just a rise for the last few hours they worked, which would amount to the same thing. But the implications of the present and more moderate claim, made at a time when small pockets of unemployment are beginning to appear in engineering as elsewhere, are interesting.

Although nobody can confidently forecast what will be the outlook on the wages front when this year's engineering bargaining begins in May, it is at least possible that the 1958 pattern will be for employers to look around for some concessions, but not on the 1957 scale. If the American recession deepens, there may be a growing feeling among employers that to shorten the working week this summer would not immediately be too costly. Where it would be costly, however, would be when industrial expansion starts again. In Britain, as opposed to Germany, all theoretical reductions in hours during the postwar boom have been taken out in more hours worked at overtime rates; this has led to a growing margin of high cost output which is one of the banes of British industry. Many employers have already found that the slight fall in activity in the last few months has led to a disproportionate fall in wage costs per unit of output; when re-expansion starts, there will presumably be a disproportionate rise in those costs. (Overhead costs, of course, move the opposite way.)

Would one possible way out of this dilemma be to effect a gentler graduation of overtime rates: only time and a fifth for the first half hour, time and two-fifths for the second half hour and so on? That might lessen the workers' present incentive to spin a job out from normal working time to overtime. Obviously such a graduation could only be brought into effect at a time when the obligatory "working week" was being reduced, so that its introduction would bring the workers rather more money, not less. The confederation's claim last week seems to make this an appropriate moment to proffer this suggestion.

EDUCATION

9½d from each Pound

The Chancellor of the Exchequer will have to find just over £24 million more for education in 1958-59, and local authorities about £19½ million more out of rates. The total bill for education, both central and local, will rise, according to the education estimates issued this week, by nearly 8 per cent: from £569.5 million in last year's estimates to £613.2 million in this year's. (These figures exclude universities and Scottish education, which amount to another £49 million and £53 million respectively.)

This is an increase of over 40 per cent in four years. It is, moreover, only the beginning of a further period of increase, since this year the "bulge" of wartime births is entering the secondary system; as the memorandum accompanying the estimates shows, the average cost of educating a secondary school pupil per year is more than half as much again as that of educating a primary school pupil—£78 a year in 1958-59 as against £49. The children who did the 11-plus this year, moreover, will probably stay longer at school; and, in addition to the raising of the leaving age, other educational improvements, including the expansion of the universities, are on the way. It looks as if the educational bill will be—as it ought to be—a steadily rising proportion of the national income in years ahead. In 1958-59 it will be nearly four per cent of gross national product, or ninepence ha'penny from each pound.

EDUCATION COSTS
(£ million)

	1943-49	1957-58	1958-59 Estimates
Expenditure by LEAs from Ministry of Education grants and rates :—			
Primary schools	77·4	178·0	191·3
Secondary schools	53·9	150·0	165·6
Special schools	2·6	9·2	10·2
Further education	11·4	39·1	44·2
Meals, milk, health	28·6	62·0	64·1
Loan charges	7·0	33·1	47·0
Aids to pupils	6·6	23·0	27·6
Other expenditure*	30·6	50·3	54·6
Direct expenditure by Ministry of Education :—			
Net amount	27·6	19·8	18·6
Total expenditure by Ministry and LEAs	245·7	559·5	613·2

* Administration, teachers' training, inspection, etc.

Only a proportion of the increased cost, of course, represents a growth or improvement in the educational service. The cost of teachers' salaries, for example, which accounts for nearly half of the total cost of education, is expected to rise by £12 million between 1957-58 and 1958-59, but of this, £5.4 million is due to higher pay and prices, while £6.6 million is for more teachers. The departure of the bulge from the primary system should lead to smaller classes and better teaching, not to proportionate economies; its arrival in the secondary system will require more teachers and classrooms.

PAKISTAN

Sallies and Allies

BRITAIN and America have not been as alarmed as some Pakistanis hoped by Malik Firoz Khan Noon's speech on the eve of the Seato meeting in Manila. Some of the prime minister's wilder remarks can doubtless be ascribed simply to the fact that he was replying to a parliamentary debate on Kashmir, and was understandably anxious to rebut charges of failure to secure his country's national aspirations. Allies are obvious Aunt Sallies on such occasions, as witness the anti-American diatribes in Britain after Suez. But it seems that Mr Noon really believed that Pakistan's allies could be made to feel guilty about Kashmir, and could be frightened by his threat to turn to Russia.

The actual effects of his speech have been as different as they were predictable. Moscow is naturally delighted. The India press has hailed, with a suicidal exultation worthy of the Gadarene swine, this confirmation of its belief that Pakistan's only reason for joining the Baghdad and Manila alliances was to improve its chances of breaking India's hold on Kashmir. In the West, similar suspicions have been exacerbated. Inevitably, it is recalled how Mr Noon declared in 1946 that the Indian Muslims would turn to Russia if Britain would not give them Pakistan; and it is asked, just as inevitably, what sort of partner in joint defence against the communist threat is this?

There is naught for India's comfort in this fresh reminder of the poisonous effect of the Kashmir problem on Pakistani politics. India's most essential interest is a friendly and stable Pakistan. It cannot secure that goal as long as it denies the Kashmiris self-determination and plays with Sheikh Abdullah the losing game that Britain used to play with Gandhi. But at present it is evidently Pakistan that most urgently needs to see its own way clearly. Do Pakistanis really regard their allies, and their fellow members of the Commonwealth, as being bound to side wholly with them over Kashmir, instead of judging the problem on its merits? (Do they, incidentally, see that this ill-founded reasoning would oblige Pakistan to side with its Seato ally, France, over Algeria?) If so, it is high time they faced up to two facts: first, that no such obligations are involved either in Commonwealth membership or in membership of defensive alliances; second, that they are free whenever they please to throw away their membership of free associations of states which they, like others, entered voluntarily.

OFFICE DISPERSAL

Evacuation to the Clerks

NEITHER the efforts of the London County Council to inveigle offices out of central London nor the eager efforts of the new towns to attract them have borne much fruit. Industry has gone where the workers can be housed; but commercial firms have not chased out to where the shorthand typists live. They have cited all the possible losses in prestige and efficiency that might ensue. Yet a most convincing case for this evacuation to the clerks was made at the Housing Centre last week by the very people who have firsthand experience—firms that have already evacuated office staffs to Hemel Hempstead, Weybridge, Dorking, Reigate, Caterham and Surbiton. The initiative for the conference came from the managing director of a ventilation company, which moved its offices to Surbiton during the war. He had recruited in support representatives of more than half-a-dozen firms, who had also moved and had similar experiences—two insurance offices, a contracting organisation, the office departments of a large canning concern, and so on. To complete the picture, evidence was also given by two firms that wished to return to London.

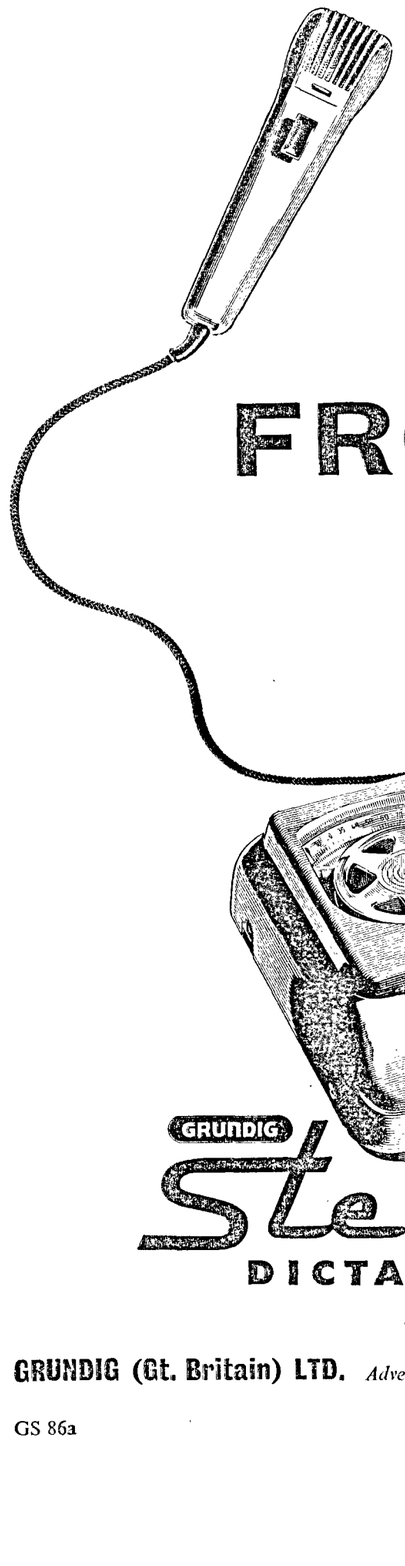
The unanimity of most of the firms on the advantages of evacuation was impressive: lower office rents, better conditions of work, shorter travel, better health and timekeeping—and, above all, easier recruitment with even a waiting list of applicants and a wider choice of better qualified clerical staff. Most firms kept a prestige address in London. Some had evacuated only departments with routine work; others were more thoroughgoing. Some disadvantages were admitted: more travelling by executives during instead of outside office hours, more files, more difficulty in training junior executive staff. But these were considered much less significant than the advantages. The two dissident firms admitted that if their original choice of office on evacuation had been more fortunate they might have wished to stay. One of them—a firm of consulting engineers—wished to be near to possible clients. But these particular arguments do not invalidate the general case that, given the right kind of office organisation and a suitable location, many offices can make the move with benefit.

The Economist

MARCH 20, 1858

THE LIMITS OF FORBEARANCE

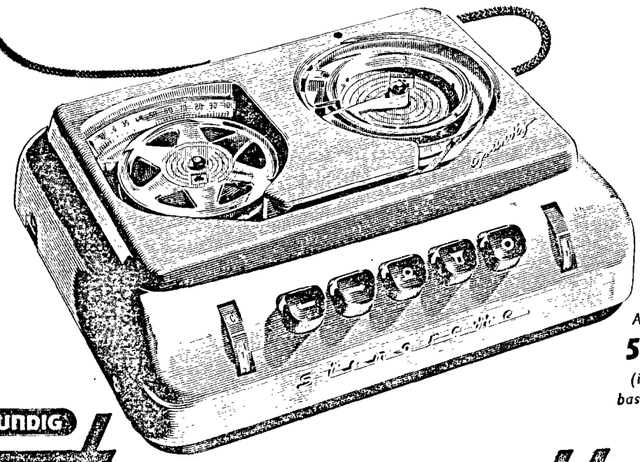
¶ We entirely acquiesce in the doctrine that powerful States in dealing with feeble ones ought to push generosity and forbearance to the utmost limits compatible with dignity and justice. Strength owes a certain respect to weakness, so long at least as weakness is decent in behaviour and not arrogant in language. Nay, more; we fully admit that great nations may in some cases tolerate incivilities from small ones, which prudence and self-respect would forbid them to pass over in the case of equals. But there are bounds where this magnanimous endurance degenerates into maudlin and unworthy tenderness, and where forbearance towards foreign Sovereigns becomes injustice to our own people. *Impertinence* may be put up with and forgiven—*wrong*, never. And when a Government, which has long been the disgrace of Europe and the opprobrium even of despotic rulers, at last by some flagrant misbehaviour puts itself in the power of the civilised and the free; when a Government which, by perpetrating *its iniquities* under cover of the law of nations, has hitherto defied interference, at last in the insanity of its presumption violates that law and so brings itself within the reach of punishment and vengeance; . . . then surely it would be weak and culpable not to seize the golden opportunity, and exact the severest retribution which equity and precedent will permit. The King of Naples, who has *so long sinned within* the law, has at length, in the case of the English engineers seized on board the Cagliari, gone *beyond* the law, and laid himself open to the heaviest penalties which it may please us to inflict. Happily, too, it is a case in which the facts are undisputed and the law notorious and clear.



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LETTERS

The Bus Dispute

SIR—Since the beginning of this year *The Economist's* comments on the progress of the London busmen's claim for an increase in wages have repeated two particular contentions: first, that London Transport "may be more willing to be jostled into making some wage increase than other nationalised employers," whereas they should have said, in advance of negotiation, that they rejected the claim, and later that they would not accept the Industrial Court's award; second, that they should drop their "nonsense economics," with a "superfluity of buses" running at a loss, and should run only those buses which are profitable.

The Executive have not thought it right to enter into controversy while the claim was under negotiation or before the Court, but now that the award has been published, your readers are entitled to another point of view.

As to the first criticism, opinions as to how a case ought to be handled will differ, but the progress of the negotiations and the hearing before the Industrial Court are on the record in the daily press. The fact is that at no time since the claim was made last October has London Transport made any offer at all. To have rejected negotiations or to have stated in advance that the award of the Industrial Court would not be accepted appears to the Executive to be provocative, and even irresponsible.

On the second criticism there is no room for difference of opinion, because here *The Economist* seems, for once, to be disregarding facts. The basic fact here is that Parliament has laid an obligation on London Transport (through the British Transport Commission) by statute "to provide or secure the provision of an adequate and properly co-ordinated system of passenger transport for the London passenger transport area, due regard being had to efficiency, economy, and safety of operation and to the needs of the public, agriculture, commerce, and industry." (Transport Act, 1953, section 25.) Parliament did not define "adequacy"; it is left to London Transport. Let me say that far from being what you call "something very cosy," it is the exact reverse. Patterns of travel alter as factories and offices are moved and new houses and towns are built, and the schedules must take account of all this, based on long operating experience and commercial judgment.

The problem of putting on the right service exists not because London Transport "regards" it as an obligation (to use your word), but because the obligation is statutory: it means that public transport must be provided, so far as is practicable, on a basis which is, overall, economical and efficient, at the times and places where most people need to use it; and this means provision for peak-hour business and industrial traffic which taken by themselves are often most unprofitable. It is not the half-empty bus in slack hours that loses money—marginally it is earning some; it is the heavily-loaded bus that gets in only one journey in the morning and one in the evening that is unprofitable.

As a whole, the "red" London buses operate at a surplus, not a deficit, and the surplus is used, as it has been since the statutory "Common Fund" of the Underground Group of Companies began in 1915, to offset the unavoidable deficit on the operation of the Underground railways: There would be no tubes in London without it; and no road transport system could by itself carry the great load.

The obligation imposed on London Transport to provide adequate services was thoroughly thrashed out by the Chambers Committee of Inquiry, which reported in 1955. They reported that London Transport's decisions about provision of unremunerative services were reasonable; and they specially dealt with the suggestion that *The Economist* has been pressing in the last few weeks as a cure for the whole difficulty. The Report says (paragraph 403): "The sight of partly filled buses in central London during the off-peak periods between the morning and evening rush periods is not necessarily (as is commonly supposed) a sign of inefficiency. As those buses and crews have to be provided for the morning and evening peak periods it is more profitable to employ them for the relatively light off-peak traffics than to keep them idle." That is the answer to your question of January 11th about cutting the number of daytime buses by half; it would barely save any expenditure beyond the cost of fuel and tyres, and it would throw away revenue. It would also cause a lot of people to abandon public transport altogether.—Yours faithfully,

London Transport R. M. ROBBINS

The Free Trade Area

SIR—If the French demand for a share in the benefits of imperial preference is simply regarded as part of a deal between Britain and the other potential members of a European free trade area, it is undoubtedly open to Mr Hay's objection that the Commonwealth countries are independent in their trade policies and need not accept such a bargain. But this does mean that the idea of a broad preference area including most of Europe and those parts of the Commonwealth willing to participate in such a scheme is either undesirable or unworkable. At the Gatt meeting last October, a number of Commonwealth countries plainly showed their alarm at the prospective effects of the common market duty on their export trade, while the common market countries did not hold out any hope of effective relief. A scheme which would ensure Commonwealth countries of a share in the European market on terms equal to those of the associated overseas territories would surely be of interest to all or some of them—particularly in view of the fact that the essential *quid pro quo* in the form of a partial extension of imperial preference would be supplied not by them but by British industry.

Before rejecting such an arrangement out of hand, would it not be wise to face the fact that occasional rumblings about the serious consequences of a breakdown in the free trade area negotiations will not do the trick and that concessions of real substance will be required, if this result is to be prevented? It would be a mistake to think that French opposition can be overcome by public relations experts. France went into the common market with the greatest misgivings and insisted at every step on special treatment and more or less valuable consideration. In particular, it was plainly and justly afraid of German industrial superiority and for this reason the German government showed itself most patient and conciliatory, because it was fully aware of the tremendous long-term benefits of the scheme for Germany. In opposing the British free trade area plan, France is motivated by the genuine fear that it would be dominated by Germany and Britain—and, perhaps, by second thoughts about the common market treaty itself. The proposal to broaden the area of co-operation by giving the European member countries of the "Free Trade" Area some share in imperial preference in exchange for Commonwealth exports on preferential terms would have a number of intrinsic advantages, apart from being a device for breaking a deadlock which can only do harm to Britain and to Europe as a whole.

Such a proposal would, of course, be incompatible with Gatt—but surely the same applies to the common market, the British plan for an *industrial* free trade area and most other worth-while schemes of international economic co-operation?—Yours faithfully,

Thames Ditton E. STRAUSS

The Universities

SIR—Your article on the type of education that should be provided by the universities for a high proportion of the additional 50,000 undergraduates whom they will accommodate in 1970 is most timely. For some years past I have been interested in the comments made by industrial leaders on the virtues and failings of the men and women whom industry recruits from the universities and from the public schools and the grammar schools and, as the headmaster of a school that sends about half of its boys to universities, I have watched with concern a serious educational problem developing.

In order to qualify for admission to a university many boys in public and grammar schools are compelled to select their sixth form course and embark upon a restricted course of specialised study a year before they are really mature enough to do so. This early specialisation, combined with the present method of university selection which is based primarily on high marks in two or three closely related advanced level subjects (or on high marks in a scholarship or some other form of competitive entrance examination on a similar curriculum), has forced the schools to follow a curriculum which is becoming increasingly suspect by those who are concerned with the direct entry of schoolboys to industry and commerce. This criticism is no doubt partly prompted by the educational deficiencies of many of the graduates with low-class honours degrees entering industry and commerce, who would have been better prepared by following a broader curriculum at the university. If the universities will accept the views put forward in your article, it may help to relieve the present tension in our sixth forms and to establish a satisfactory compromise between the demands of university entrance requirements and the real educational needs of boys in their last two or three years at school. One sometimes feels that those in industry have a better understanding of these deeper needs than those concerned with university selection. I hope that my many good friends in the university on whose doorstep I have lived for so long will not regard this as an unkind parting shot, but I write because I know that my feelings are shared by a good many other headmasters.—Yours faithfully, W. G. HUMPHREY

Leys School, Cambridge

★

SIR—Your article on university expansion invites two comments. Firstly, the need for reform is much less than the figures of prospective expansion might imply: although few applicants "of academic quality" seem now to be refused entrance to any university, the increase in the school population and greater success in getting promising pupils into the sixth form could still provide many more.

Secondly, an advocate of more pass degrees ought surely not to forget all about the Scottish universities, which are not simply Redbricks founded, by some historical fluke, four hundred years early, but have their own, more democratic, tradition, and the kind of emphasis you desire. The proportion of Scots receiving university education is already as high as that hoped for in Great Britain as a result of the new building programme, and a little more than two-thirds of them take an ordinary degree in a minimum of seven subjects. (I personally think it would be an improvement to choose these subjects from related fields instead of insisting on a wide spread: the result would surely be a very useful degree.) These students are certainly not left "to shift as best they can": their courses are designed for their needs and the lectures are almost always given by the head of the department. The Scottish universities and their ordinary degrees seem to meet your demands very well: how did you manage to forget them?—Yours faithfully,

BRIAN J. LOASBY

University of Aberdeen

★

SIR—Your article on University Expansion overlooks one important point. The older universities' teaching method is to provide full facilities for obtaining knowledge (lectures, libraries and laboratories) and for answering the students' questions (supervisions and tutorials); but there is very litle direct teaching or compulsion to work. This is clearly a good system for the honours student as it does not tie him to too rigid a course of study but allows him to pursue those aspects of his subject which interest him most.

An influx of "sow's ears" would make more direct teaching and supervision necessary, firstly because the ordinary degree student needs to be "taught" rather than "left to learn," and secondly because there would almost certainly be an increase in the striving after letters rather than in the striving after knowledge; a tendency which is already too widespread. This very necessity for the ordinary degree student would, if inflicted upon those "of academic quality," deprive them of the benefits they derive by fending for themselves in the academic sphere.

To make each university comprehensive, running courses for different grades of students, is unnecessary and would certainly be expensive. Clearly a unified approach is necessary from all the universities and technical colleges so that each provides a different type of course aimed at a different type of student.—Yours faithfully,

Pembroke College, Cambridge P. G. STOKES

The Budget

SIR—Allow me to disagree entirely with your suggestions to the Chancellor. Long ago Adam Smith laid down the principles of taxation in his famous first canon: "The subjects of every State should contribute in proportion to their respective abilities." No tax complies with this rule except a graduated income tax; hence a finance minister should rely for his revenue mainly on an income tax.

It follows that all persons above the poverty line should pay the tax, small incomes at a low rate in the pound, large incomes at a high rate. Add allowances for marriage and dependants, and possibly for age. Every able-bodied citizen should make a *direct* contribution to the cost of national defence, since without it he might have no income. No householder is excused rates because he has a small house; he does not even pay a lower rate in the pound.

Purchase tax is a silly device, which could only be justified in time of war, except, perhaps, on obvious luxuries. Income tax rates have been high because so much income, and so many persons, escape tax. Indirect remuneration, such as board and lodging (which may be worth £5 a week) should be included in assessments. The present exemptions are a reason against "differentiation"; nearly all earners get supplementaries of different kinds, which escape assessment, e.g. free meals, cars, petrol, gratuities.

Moreover, wages and salaries have been raised repeatedly to make up for the rise in the cost of living, and the higher income tax, while the income from savings remains at the prewar figures. I maintain that a net dividend of one per cent in 1914 had as much buying power as a net dividend of five per cent now.

If the Chancellor wants fresh sources of revenue, let him revise the licence duties upward, e.g. dogs, now 7s. 6d., guns, now 10s., and tobacconists, now 5s. 3d.! Then motor lorries should be taxed on a graduated scale according to weight; nearly all road wear is due to these heavy vehicles.—Yours faithfully,

Cambridge J. E. ALLEN

Civil Service History

SIR—Your reviewer's doubts, expressed in your issue of March 1st, about the justification for the existence of the New Whitehall series of books on the departments of state brings its parents to its defence. As the books are written by civil servants they cannot pretend to discuss highly political matters, although as Lord Strang pointed out "the steamroller of official conformity" has not obliterated all controversial issues. This limitation on the serving or recently retired civil servant was apparent when the series was initiated, and your reviewer has a perfectly fair point when he underlines it.

However, it was also apparent that the aim of the series—to print accurate and full accounts of the present work and methods of departments—stood no practical hope of being achieved unless the books were written inside the civil service. Books of this kind are part of the documentation of democracy, and provide the only reliable basis for the kind of administrative criticism which your critic rightly thinks desirable. They are in no sense intended as a substitute for it.

Where your reviewer perhaps goes wrong is in thinking that the information they contain is readily available elsewhere. It was just because no such range of books was available for those interested in public administration that the series was undertaken. The simplest proof lies in its sales. We have already had to produce two substantial printings of the first book, and three of the second, and the total print of five books so far published is about 22,500 copies.—Yours faithfully, CHARLES FURTH

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BOOKS

Prolegomena to Churchill

A History of the English-Speaking Peoples: *Vol. IV: The Great Democracies*

By Winston S. Churchill.
Cassell. 322 pages. 30s.

Soldier, Novelist, War Correspondent, Politician, Minister, Lord of Admiralty, Administrator, Journalist, Orator, Author, Historian, Painter; this latter-day admirable Crichton is more versatile but less of a dilettante than any other portent in our history.

So wrote the first Lord Birkenhead, thirty years ago, of Winston Churchill; it is a good enough description of the author of the four volumes of this remarkable narration. Lord Birkenhead went on to deliver a hastier and less well-aimed judgment: "It is however as an Author that he must take his stand before posterity." But the famous evening of a crowded life had still to come: the country, and the world, had still to meet the great captain-general of the war years and afterwards, in Opposition and in office, the most imaginative and magnanimous of Tory leaders.

The truth is that the distinction cannot be drawn between Churchill, the writer, and Churchill, the doer. This so-called history of the English-speaking peoples is really autobiography. Here, in these four volumes, is the stuff of his own statesmanship: here are the men, the events, the great issues, the conflicts and the challenges and the aspirations that nourished him, through fortune and misfortune, until his hour struck on that May day in 1940. This is the prolegomena to his own career; the tale ends at the start of the century just when, in his late twenties, he was himself poised to take, or tumble over, the first fences in his unique point-to-point to greatness.

It is absurd to criticise Sir Winston Churchill, as some have done, for not writing a different sort of history. This is his history, and it is remarkably revealing. Earlier political leaders, like Peel and Gladstone, started with the classics and mathematics, and went on to economics; newer ones have begun with economics or politics and gone on, far too few of them, to science. Sir Winston had, and has, none of these disciplines; he began and he ends with history, his sort of history, and he has divided his life between making it and writing it. Here in these volumes, as in all the rest that he has written, is what makes him tick.

Much is left out, most of all, except for swift glimpses, the people themselves, their livelihood, their techniques, their education and culture, and their ideas. Sir Winston's agenda is different. "We must now return," he announces at one point, "across the Atlantic from the dazzling prospects that lay before the United States [at the end of the nineteenth century] to the English party scene at Westminster." These are the two real strands in his reflections: English politics and the growth of America. They come together, prophetically, only at the end, when Sir Winston speaks of the "closer concert between the two peoples in facing the problems of the world," and of his hopes for "ultimate union."

Readers will not go to this book, or its predecessors, for new or three-dimensional history. But they will go to this, as to them, for a terse and vivid tale, lit up by lightning flashes of wisdom, a practical sagacity and a full humour. Sir Winston no longer writes, nor indeed does he speak now, in rolling rounded periods. Here, in the final volume, is a lean dramatic *précis* of famous events, set out in spare, sometimes almost staccato, sentences, decorated only by his own apt adjectives and clinching phrases: at its best, great journalism on the scale of literature. Always he is writing about what he knows or the sort of things he has done, whether in peacetime politics or in waging wars. Sometimes, perhaps, there is a direct echo of his own personal experience: Palmerston, who "seemed to his fellow countrymen the embodiment of their own healthy hopes"; Gladstone, whom, although he was "admired as an administrator and a orator, his contemporaries considered wanting in judgment and principle"; Lincoln, whose "political foes, gazing upon him, did not know vigour when they saw it."

The keystone of the book is America —"the great Republic." The cradling of American democracy in the valley of the Mississippi, the cleavage of East and West and of North and South, the march across the continent, the fight for the Union: all this is brilliantly, shrewdly, set out; it ranks with, if it cannot equal, the great Elizabethan passages in his second volume. And, although there are no portraits in this fourth volume quite to match his roll of kings in the first, it is perhaps in the American chapters—Lee and Jackson certainly, though not, oddly, Lincoln—that he comes nearest.

"It was," Sir Winston says of North and South in the Civil War, "the contrast between the nineteenth century and the seventeenth century"; and the Civil War itself was "the noblest and least avoidable of all the great mass conflicts of which until then there was record." He is on the side of the generals:

> If these two Presidents had let McLellan and Lee fight the quarrel out between them as they thought best, the end would have been the same, but the war would have been less muddled, much shorter and less bloody.

All the wars, of course, are bravely and expertly retold—except, perhaps, the Crimean War, in which "neither side was inspired by large strategic views." But this is not the book of a warmonger. Its judgments are tolerant, humane, magnanimous; Sir Winston's aim was, and is, a proper peace. In early South Africa it was British methods of government that "created among the Boers a more bitter antagonism than in any other imperial country except Ireland." In India, though the Mutiny was not at all a patriotic struggle for freedom, the British must share the blame for it; "terrible atrocities were committed by both sides." Of slavery in the United States he says, again prophetically, that "the Black Men presented a problem, moral, social, economic and political, the like of which had never before been known."

For all the knowledge he has got of new thoughts and new researches, Sir Winston's history, and his verdicts, stay stoutly old-fashioned. He makes no bones about the "intense, brilliant, and unscrupulous diplomatic activity of Bismarck"; General Gordon he calls "as gallant and noble as one of King Arthur's Knights." History is an affair of men, good, bad or indifferent. There is no philosophy in all this, just excitement, sometimes glad and sometimes apocalyptic, in the march of events as they happened, and the belief that experience can teach the wise. Sir Winston writes history as he has lived his life.

At the end of his story "nearly a hundred years of peace and progress had carried Britain to the leadership of the world." But the threshold had been reached of a new and more barbaric age of strife, which is not yet over; and the leadership has gone. Sir Winston, who has seen it all so far, is not downcast. "The future is unknowable, but the past should give us hope."

Paying for Education

The Cost of Education

By John Vaizey.
Allen and Unwin. 256 pages. 30s.

The research which Mr Vaizey has undertaken into the real costs of education, and in particular its relation to the national income will, it seems safe to say, be constantly used and quoted in the educational controversies that lie ahead. Too little has, in fact, been known about the cost of education in the past, for the estimates cover only a part of it; the system of private education lies outside state provision for one thing, and, for another, the actual definition of what is an educational service is not an easy one. Mr Vaizey has adopted his own definitions of what education is, as well as relying upon a variety of sources for estimating its cost, ranging from the relatively exact figures of the estimates for primary and secondary state education to a good deal of skilled inference for the costs of private and specialised education. The results of his researches, when put together, are illuminating and in some respects spectacular.

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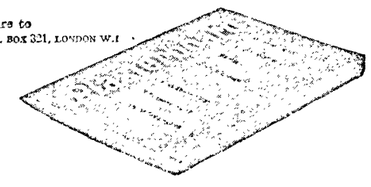
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Mr Vaizey calculates that, if social expenditure like school meals is excluded, expenditure on education in 1955 was a smaller proportion of the national income than in 1931-35. This is another way of saying that only these social and health services raise the real cost of the education budget above its prewar level. Inevitably education, as a fixed overhead, becomes a larger item in national outlay at a time of shrinking economic activity than in boom; even so this may be called a "melancholy" conclusion considering the big expansion of educational services, primary, secondary and further, public and private, which have been undertaken at a time when the bulge of wartime births is passing through the educational system. Mr Vaizey further calculates that by 1968 current expenditure will increase by about 18 per cent (in terms of 1955 prices) while capital expenditure will be halved; and this might mean that whereas the cost of education will rise by another 10-12 per cent, national income may well rise by 30 per cent—from which it would follow that education will become a still smaller part of national income in the years ahead. On Mr Vaizey's assumptions, including both capital expenditure and social services only, 2.7 per cent of the national income was spent on education in 1930 and 3.4 per cent in 1955. Of the total expenditure, in 1920—to go back farther still—meals and health accounted for only 2.4 per cent, but in 1955, 12.7 per cent. The proportion taken by salaries of teachers fell from 69 per cent in 1920 to 52 per cent in 1955.

There have, of course, been many changes over the years in the spread of educational expenditure. Yet the great increase in secondary schooling appears in Mr Vaizey's figures only as a rise from 17.2 per cent of the total in 1920 to 22.3 per cent in 1955, and in universities as a rise from 5.2 to 9.2 per cent. The source of educational spending has also altered; but, again, the proportion put up by the local authorities has fallen only from 42 to 36 per cent between 1920 and 1955, while that of the central government has risen only from 50 to 58 per cent; private spending continues to provide nearly the same proportion of educational revenue as in 1920—it has fallen from 8 to 6 per cent. In 1955 expenditure on private education reached £30.9 million, according to Mr Vaizey's calculations, compared with £8.4 million in 1920. He makes the valuable point, however, that private education carries a subsidy element; the prices charged for it do not represent the full cost of providing the service, both because of the buying of places by local authorities in independent schools and because of the element of subsidy in "privately purchased" higher education. Taking the "middle social classes" as a whole (the £500-£1999 income group), Mr Vaizey shows that they benefited by £30 million in terms of tax payments and educational benefits received, though the classes above this group paid out £85 million more than they received back. But even for the lower classes education is not "free." In tax they paid £155 million for benefits worth £209 million.

This book provides some fresh background for discussion of the major themes in educational policy today—the future of the £30 million "private sector," the great variations between localities, the prospects of further education, the absurdities of an actuarial scheme of teachers' pensions, and above all the question of what the nation ought to spend. Mr Vaizey, behind his rampart of figures, skilfully implies that we can spend much more. But there is no necessary relation between gross national product and educational outlay; and it is a demerit in a book that claims to be quite objective that it is somehow suggested that there is, and that, on the figures, educational spending is egregiously low. Cost does not measure quality or need so simply.

Greater Deterrent?

Defence in the Nuclear Age

By Stephen King-Hall.
Gollancz. 223 pages. 18s.

COMMANDER Sir Stephen King-Hall is not a conscientious objector. In some unimaginable Erewhonian world which had stopped short at TNT he would defend democracy rifle in hand—though with a far larger discharge of political warfare than Allied governments were prepared to direct at Hitler or Mussolini on his suggestion in former days. But nuclear warfare would, of course, destroy the very thing in whose defence nuclear armaments are being piled up, and, to such an aggressive believer in parliamentary democracy and western justice and culture this lunacy is intolerable. In this book he sets forth his plan for an even greater deterrent to Russian ambition: an almost totally disarmed Britain, which has broken up both Nato and the American alliance, simply waiting to be occupied by Russian forces in order to perform a trick of moral ju-jitsu which would not only save the world from becoming a radio-active charnel-house, but would probably bring the communist house of cards crashing round the ears of the Kremlin.

Trained to non-violent resistance (in three stages to be completed by 1968), a resolute people, led by its devoted MPs, newspaper editors and BBC governors, would flatly refuse, constituency by constituency, headline by headline, news bulletin by news bulletin, to do the invaders' will; would continue to govern itself in its own way, maintaining unbroken discipline and perfect dignity, accepting martyrdom as a battle-casualty, maintaining non-co-operation no matter how low the rations fell for the masses, or how skilled the torture of the individual, never ratting, never producing a quisling (even from King Street) . . . until the communist aggressors (even if they called themselves liberators) quitted, unable to look either the British or world opinion in the face. It would be tough; but large dollar loans would follow (and there would be a saving of £800 million or more on the defence budget); more than that, like a true deterrent, the prospect alone might deter.

It is not, of course, a fair criticism of Sir Stephen King-Hall's proposals to assert that it would be quite impossible to train the British people to total psychological warfare of this kind; his point is that *if* they could be so trained, non-violent resistance would be victorious, where nuclear "defence" is self-defeating. Logically it is similar to the point, made by defence ministers, that *if* the west maintains its nuclear deterrent with resolution and vigilance, the nuclear stalemate will go on "almost indefinitely" without war. Commander King-Hall thinks that an inherent instability in the system of deterrents may cause the Russians, or someone else, to miscalculate, overstep the mark, and incinerate both democracy and communism in the ensuing exchange of nuclear bombs; equally it is possible to ask if Sir Stephen's model of the non-violent deterrent covers all the eventualities.

In point of fact, Sir Stephen is far too good a student of strategy not to throw up, in the course of a book on the nuclear problem, some of the reasons why Britain is rather a poor subject for this kind of imperialistic passive aggression (as it might come to be called). Britain can be blockaded, for instance. Sir Stephen does not think that would work, because of world opinion; which means that he postulates that world opinion would be active and effective. But how long would it be active and effective when Europe was at Russia's mercy, and communism evidently the winning side in the abandoned areas beyond Europe? This idea, in fact, postulates that America would maintain the nuclear stalemate with its own bombs and ICBMs—though the loss of British bases might lead to the loss of so many more that America might be put at a tempting thermonuclear disadvantage which would again introduce a dangerous instability into the system—with the possibility of world holocaust. But, in any event, British non-violence (and the vast campaign of political warfare which Sir Stephen envisages but does not describe) would be unleashed against the people's democracies under the American nuclear umbrella. Sir Stephen is entitled to say that no plea of dishonesty can be pressed against this: his object is somehow to defend the western "idea" with the available resources but without blowing us all up. Yet the reader cannot help noticing that though stern moral principle must put backbone into the non-violent resisters, Sir Stephen does not plead strongly that America should join in this system of defence. Perhaps Sir Stephen realises that he who had all the bombs could later decide whether or not they had disciplinary value, used in moderation for police purposes, in a world state—just as he would decide at

leisure how much western culture should be left after a period of re-education. And he would write the history of the period for subsequent generations to read.

Unless the reaction to these lightly outlined possibilities is "they wouldn't have the diabolism to do it," it is hard to believe that Sir Stephen's scheme has been thought out to its conclusion. Yet he believes that the Russians wish to abolish the western "idea," which rivals theirs. Why to weaken ourselves and to strengthen them throughout the world should wean them of this ambition is hard to understand. Sir Stephen capably proves that the H-bomb abolishes war as mankind has known it, without as yet abolishing all the human institutions which might produce a war ending in nuclear suicide. But the fact remains that the nuclear deterrent has proved so far an effective defence of the west against communist attack. Admittedly, this leaves us with the problem of the "grey area," where the Russians may probe with superior conventional forces in the belief that the west will not be able to retaliate with the H-bomb. Sir Stephen assumes that they will so probe undeterred and further that no graduated retaliation, nuclear or conventional, would fend off disaster. But this is still an assumption—like his assumption that the west is moral enough to resist non-violently but not moral enough to pay for adequate shield forces. To those who try to pin down such assumptions Sir Stephen has his answer ready: they have not penetrated the "thought barrier" between the nuclear Blimps and the nuclear Gandhis. But the book is so stimulating that this claim to infallibility should not deter the critic; it is a book to be read carefully and refuted constructively.

Changing Land

Geography and Planning

T. W. Freeman.
Hutchinson University Library. 197 pages. 10s. 6d.

THIS realistic, terse little study of the relationship between geography, economics and change in both town and countryside should be the more useful to planners inasmuch as its main burden seems to be, first, that all pretentious planning is likely to be overwhelmed by irresistible forces now in motion; and, secondly, that all sound planning can be no more than the guidance of these forces into comely housing schemes, the conversion of existing structures and forms of social capital into new ones, and the wise control of land use.

Mr Freeman is no opponent of urban sprawl; he sees it as inevitable simply on the statistics of population, housing and slum clearance; he accepts the view of Messrs Best and Ward that the value of suburban horticulture offsets to a considerable extent the loss of farm output; and he accepts changes in the appearance of a countryside that is already completely artificial. He does not specifically discuss subtopia, but evidently hopes it may tone down, as so many raw Victorian suburbs have become gracious with the maturing of trees. It is sound sense; set against his hopes is the irretrievable ugliness of such a vast quantity of modern building. But unless planning is based firmly on the realities which he reviews, it cannot hope to make the best of what yet remains of space and aesthetic heritage in this small country.

A German Europe?

Common Sense About the Common Market: *Germany and Britain in Post-war Europe*

By E. Strauss.
Allen and Unwin. 168 pages. 15s.

IT is time that someone looked at the common market with the eyes of Hobbes instead of those of Grotius and Professor Meade. Mr Strauss analyses the community of six, and the problem which its creation poses for Britain in terms not of prosperity or federalist aspirations but of power. His theme is simple: the common market, if not broadened to bring in Britain and the rest of Europe, will enhance west Germany's economic and in time political pre-eminence in west Europe.

The argument is elaborated with some suggestive material. One chapter describes the part played by the *zollverein* idea in the creation of Germany itself and in the subsequent ambitions of German expansionists. He describes Germany's postwar economic recovery and shows how, bit by bit, it recovered equality of status with other western countries, throwing off, one by one, the shackles—allied control, the Ruhr authority, with which France hoped to limit its industrial power—and finding, after initial doubts, that the coal and steel community was much to its advantage. He argues that the common market treaty, with its ambiguous rules to preserve fair competition and its high external tariff would enhance that power still more. And he compares West Germany within the common market to Prussia within the *zollvercin*, and Britain to Austro-Hungary left outside.

The argument that West Germany, as the leading industrial power upon the continent, can be expected to benefit most from the common market is hard to challenge, but as the theme progresses, a tendentious note creeps into it. In political terms, it is difficult for the reader to reconcile the state of affairs today, when France is obstructing the creation of a free trade area, with the picture Mr Strauss paints. There is much to suggest that he has picked the wrong country as villain of his piece. Europe's problem child may well remain, not Germany, but an economically dynamic and politically unstable France. Within the common market France is certainly not to western Germany as Saxe-Coburg was to Prussia within the *zollverein*. The new union contains two large powers, not one, and it is as much in differences between them as in plain West German hegemony that its political dangers lie.

Mr Strauss gives some false impressions, too, as he rides another hobby-horse—that the common market treaty "is dominated by the purpose of preserving the rule of private business interests," particularly German ones. The protectionist elements in the Rome treaty were inspired not by the liberal-minded Professor Erhard but by France. The over-simplifications in this terse selective book are dangerous in a sense, for they are difficult for a layman to spot.

Mr Strauss's attempt, however, to bring to the subject "the dimension of power" as he would put it, is well worth while and many of his conclusions badly needed saying: that the new political power which the common market might bring to its members contains dangerous as well as fruitful potentialities, unless it is broadened to bring in the outsiders; that it could bring an ugly division between its members and the rest of western Europe; that movement towards a broader European settlement might be jeopardised, unless there is some complementary scheme open to neutrals and countries further east. His final comments on the posture which Britain should adopt in negotiations are particularly pertinent today. A letter from him appears on page 1028 of this issue.

Independence

Washington and the American Revolution

By Esmond Wright.
English Universities Press. 192 pages. 8s. 6d.

PROFESSOR WRIGHT makes a notable contribution to the "Teach Yourself History" series, which is designed to open up great themes through the lives of famous men and to put academic writing of distinction into the hands of the general reader. It is no easy job to deal with Washington's life, the Revolutionary War, and the first years of the Republic in fewer than 200 small pages. But Mr Wright does it with great skill and freshness. His scholarship is impeccable without being arid, his sympathies are broad, and he writes well. Inevitably, many characters who are little more than names flit across the stage, and some of the war passages may be heavy going for readers who are new to the period. But if this is a flaw, it is one to which such a series is prone.

Nothing, unfortunately, can make Washington himself a stimulating or fascinating study; he was born to be frozen in marble, a natural monument. Jefferson's exquisitely balanced assessment with which the book ends is the best portrait there is of the father of the legend. But Professor Knight is to be congratulated for contriving for the general public a life which is so brief, so scholarly, and so readable. His next volume, on Benjamin Franklin, will be eagerly awaited.

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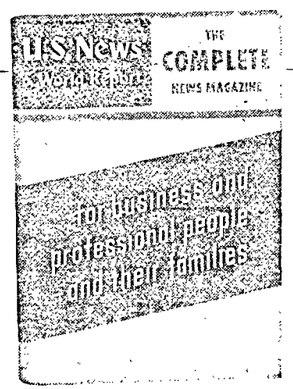
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AMERICAN SURVEY

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Breathing Space for Disarmament?

WASHINGTON, D.C.

WITH Mr Dulles back from Manila, work is forging ahead on a revised American approach to disarmament, although agreement has by no means yet been reached between the warring elements within the Administration. The central question is whether the idea of a two-to-three-year suspension of nuclear tests, to be checked by inspection inside the Soviet Union and the United States, should be prised loose from the rest of the western "package" of disarmament proposals. This seems the most promising subject for a first step agreement with the Russians. Other possibilities for a summit agenda in which the West is interested are being linked by the Kremlin, one after another, to unacceptable concessions—a German peace treaty to a policy of leaving German unity to the "two Germanies," the neutralisation of outer space to the liquidation of the American bases overseas, and so on. But during last year's disarmament negotiations the Russians did accept at any rate the idea of control posts in Soviet territory to monitor the suspension of nuclear tests. In the opinion of Mr Harold Stassen, who was then the President's special adviser on disarmament, and of a substantial body of officials who remain in the government, the chance of negotiating such an agreement should have been sought at once. Instead, the West stipulated that various other agreements, particularly one on the cessation of the production of nuclear materials for military use, should be reached simultaneously.

It would be a wild exaggeration to suggest that there is any great public discussion of these questions comparable to that which is going on in Britain. But the uneasy silence has recently been broken by a few voices. Mr Stassen himself is calling for a summit meeting at the headquarters of the United Nations in New York, with the East and West each represented by three heads of government and Mr Hammarskjöld acting as moderator and general caretaker for the interests of the other members of the United Nations. At this meeting the United States, in Mr Stassen's opinion, should propose a four-point treaty setting up a UN Disarmament Authority, suspending American and Russian nuclear tests for two years, providing for control posts manned by United Nations inspectors, and committing the great powers to use the two years as a breathing space in which to negotiate further agreements. Some support for these ideas was displayed in the Senate, which would have to ratify any such treaty by a two-thirds majority, during a recent general debate on foreign affairs launched by Senator Humphrey, the chairman of the subcommittee on disarmament.

About one matter there seems now to be fairly general agreement. The proposal for a "cut off" of the production of fissionable materials for military use would, as Mr Stassen indicated in his testimony before the Humphrey subcommittee, require an inspection system so cumbersome that it would take three or four years to instal and so far-reaching that the Russians would be most unlikely to accept it. Hence it is coming to be recognised that anyone who insists on tying this item to the suspension of tests is in fact seeking to sink a disarmament agreement altogether. Some Americans say in private that, since the only safe first step would be a combination of at least these two measures and since this is clearly impracticable, the road to disarmament is closed and ought to be abandoned. But there is substantial support, voiced for example even by Senator Symington, who often appears to speak for the more truculent factions in the Department of Defence, for dropping the demand for a "cut off" from the western conditions for an agreement.

However, as the President and Mr Dulles have both been perhaps a little too eager to point out, it was at British and French insistence that this proposal was adopted in the first place. This of course is true, but it is also true that, when the British and French made the point, those elements in the Administration which wanted to undermine Mr Stassen's efforts last year seized on it with almost indecent haste as a means of bringing the disarmament negotiations to an untimely end. To call the bluff both of America's allies and of his own domestic opponents, Mr Stassen has proposed that the United States should suggest to Russia a purely bilateral suspension of tests, leaving it open to Britain and France to go on testing should they wish to do so. Once such a proposal was officially published, British and French public opinion presumably would make it impossible for their governments to take advantage of this dispensation.

MR STASSEN'S brusque tactics have been rejected. But the Administration is approaching its allies to find out how much importance they really attach to taking a first step toward disarmament and what sacrifices of their own interests they are prepared to make. The French are considered to be the main obstacle. The British position last year is thought to have been very largely a bargaining counter to help to ensure that, if Britain conducted no more tests, it could count on generous benefits from the proposed relaxation of curbs on the exchange of scientific information. These should materialise soon.

There remain, however, in Washington very substantial divergences of opinion about the proposals to suspend nuclear testing. These differences revolve round three inter-

related questions: whether the Russians could evade detection if they chose, whether even if the Russians behaved honourably they might not gain more than the West from continuing to produce existing weapons without testing new ones, and whether the suspension of tests is a worthwhile first step anyway.

On the first of these three questions, the most downright challenge has come from Dr Edward Teller, the so-called father of the H-bomb, who has said that "disarmament is a lost cause" because the Russians could conduct explosions underground as well as very small explosions above ground which could not be detected. This statement has been attacked with great bitterness by Professor Harrison Brown of the California Institute of Technology and more temperately by others of his fellow-scientists. Mr Stassen, who has access to a series of technical studies, argues that eleven or twelve stations in Russia, and the same number in the United States, armed with suitable instruments, would be able to detect and locate any clandestine test. In the case of an underground explosion, where there would be no radio-activity to record, the seismological instruments would show that there had been either a nuclear test or an earthquake, and a team sent to the spot would be able to find out which. Just as this controversy was reaching print the Atomic Energy Commission had shamefacedly to withdraw a statement that it had been impossible to detect its own recent underground test in Nevada more than 250 miles away. In fact, instruments had picked it up 2,300 miles away in Alaska.

On the question whether the suspension of tests without a "cut-off" of production would penalise the West, the principal point being made is that the weapons now possessed by both sides are primarily for offensive and strategic use. The weapons which the United States is planning to test are small, low-yield bombs to be employed in limited wars and warheads for defensive missiles. Therefore, since only the Russians would strike a first blow, a freezing of invention now would favour the aggressor, especially one launching a limited war with conventional forces. However, some experts are arguing that after the next series of tests, which the Atomic Energy Commission is planning for the spring, these objections will lose much of their force.

Finally, there is the rather disconcerting despair of some of the "scientists with a conscience" who have been in the forefront of past proposals for disarmament. For instance, Dr Eugene Rabinowitch, the editor of the *Bulletin for Atomic Scientists*, declares that, now that the Russians have successfully tested intercontinental ballistic missiles, the suspension of tests would accomplish nothing and lead nowhere. And Dr Oppenheimer says in *Look* magazine that "I have felt about stopping weapons tests that it was a good sentence if you could think of the next one."

Even so, there remains a substantial body of official and unofficial opinion which believes that a suspension would help to stem the "fourth nation" danger, would quiet the world's fears about genetic damage, and might create the atmosphere for a further diplomatic advance. Mr Dulles is not insensitive to such advice, simply because, if he has to go to the summit in order to accommodate friendly governments which are under pressure at home, he cannot go with a briefcase that is either empty or stocked only with formulas for failure.

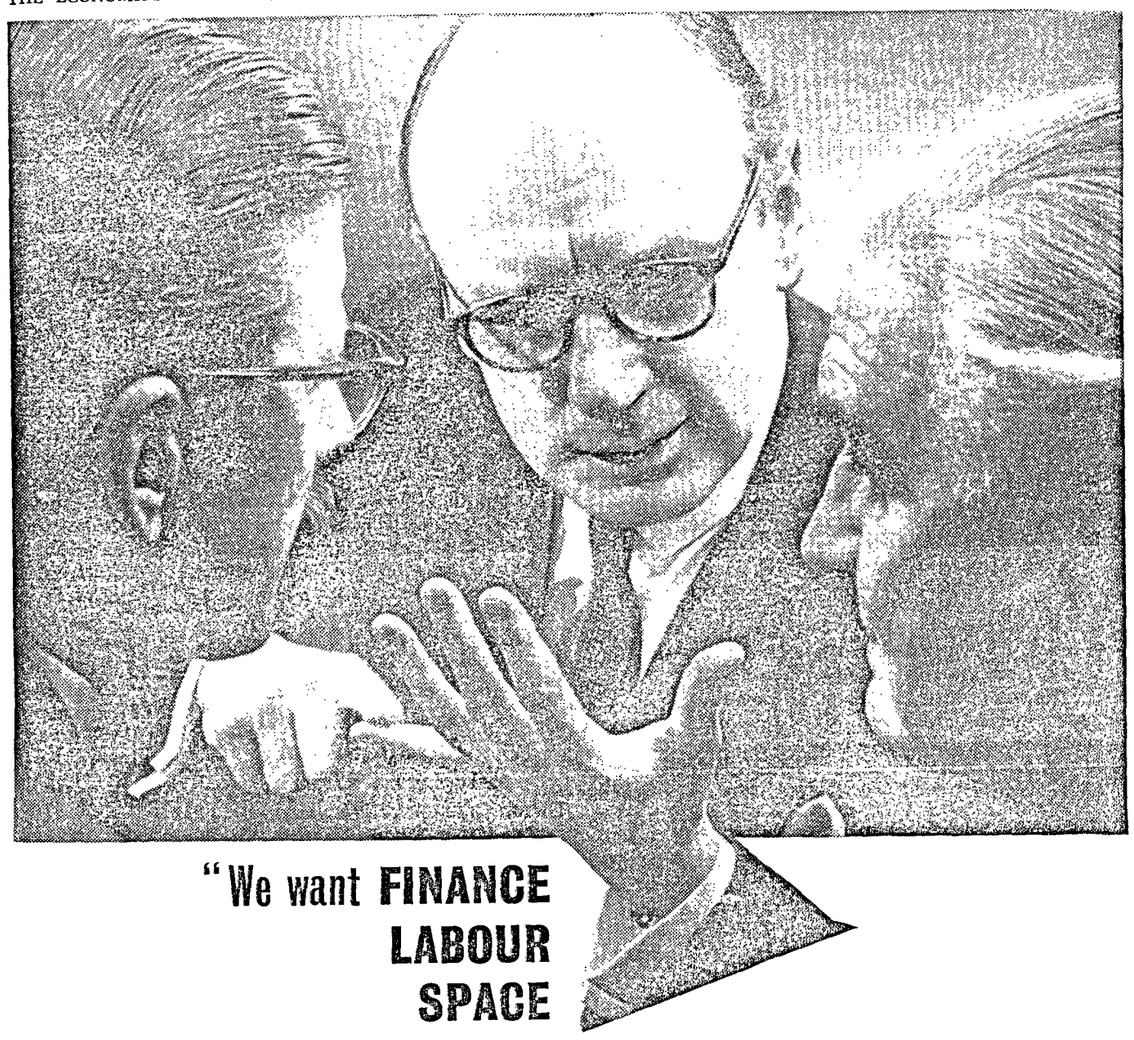
Waiting for the Tax Cut

WASHINGTON is marking the twenty-fifth anniversary of the New Deal's famous "hundred days" with another rush of legislative and executive activity. This time, however, it is a matter, not of setting up the governmental machinery to cope with a desperate economic situation, but of making more use of existing machinery to save a deteriorating economic situation from becoming worse. And this time the President is not in the lead but is under constant prodding from the experts, whether in or out of his Administration, and from the legislators of both parties. Nowhere has the change of atmosphere in the last two months been as sharp as where the Budget is concerned. The Republican belief in balancing the Budget at almost any cost has been discredited almost as completely as have the calculations on which last January's balanced Budget was based. It is hardly surprising that Mr Brundage, who was so closely associated with the efforts to keep spending down, should have decided that it was time for him to retire from directing the Bureau of the Budget.

The big deficit that is coming will be the result not only of the increased outlays which are being announced daily by the White House—more are being pressed upon it by Congress—but also of the tax reductions which are now almost certainly only a question of time. The congressional leaders of the two parties have agreed to warn each other before introducing tax Bills, so as to avoid competition to get in first. But it is doubtful how long either of them will be held back by the President's policy of waiting to see what the March statistics, to be released in April, bring before deciding finally on a tax cut. For there is little hope left that these figures will show any genuine improvement. There has been no decline in the rate at which new claims for unemployment pay have been coming in during March and not enough improvement in such key sectors as the steel or motor industries to suggest any upturn in the industrial production index; this has now fallen as much as it did in the recession of 1953-54 and more sharply. Therefore it is being argued more and more that, since a tax cut is coming, it should come quickly; it will be cheaper, so it is said, to prevent a slump than to cure one, particularly as the psychological impact of lower taxes will be greater now than it would be later when ordinary people may have realised, as few of them yet have, that the recession is real.

Will it Work?

ORIGINALLY it was planned that the tax reduction, which will probably affect both personal and corporate income taxes, and perhaps excise taxes as well, would last only for a year or so, in order that once the recession had receded higher taxes might return automatically to counteract renewed inflationary pressures. But now it has been decided that a temporary cut would be ineffective; it is thought that the beneficiaries would save a windfall of this kind while they would spend an addition to their incomes which appeared to be permanent. But in fact there are signs that the tendency to save is growing, as might be expected in a time of uncertainty, and it is therefore far from sure that a tax cut will stimulate consumer buying or capital spend-



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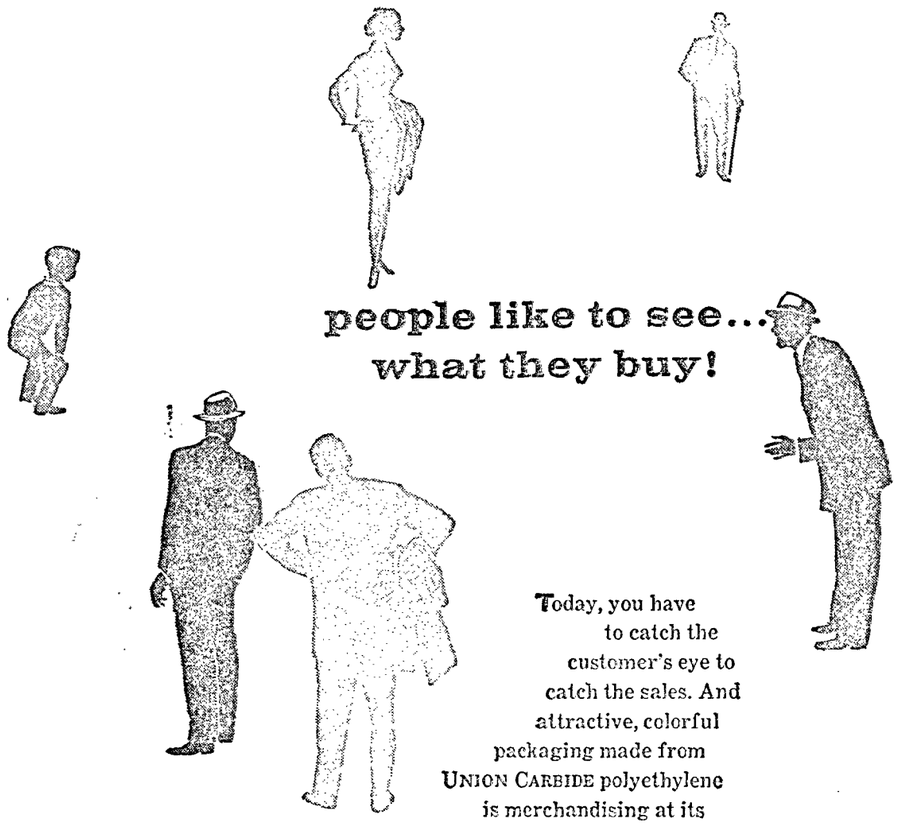
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ing by businessmen as much as is hoped. Reductions in taxation had this effect in 1954 and thus had much to do with ending the recession then, but they did not help in 1930.

That consumer buying—particularly of cars and other durable goods—and capital spending, the two foundations of the recent boom, need stimulating now was confirmed last week by two official reports which forecast that both were likely to decline even more than had been expected during the rest of this year. As a result there have been a number of prophecies that an economic recovery is not now coming until well into 1959. The first test of the accuracy of these prophecies will be provided by reactions to the new availability of credit.

The Housing Bill which has just been rushed through Congress could mean that 200,000 extra houses would be built this year—if people are ready to take up the additional mortgages on easier terms that the Bill allows. And the Federal Reserve Board has now not only permitted the discount rate to go down another ½ per cent—to 2¼ per cent with even the San Francisco Bank giving in at last—but has also lowered, by another ½ per cent, the amount of reserves banks are required to keep; this may put some $3 billion of new credit into the money market and may mean lower interest rates on bank loans. But whether businessmen will feel confident enough to borrow this money and expand their activities is far from certain. If they do not, fresh weight will be given to the argument, already frequently heard, that the Federal Reserve Board, like the President, blinded by fear of inflation, left it until too late to do too little.

Civil Rights Adrift

THE history of the Civil Rights Commission, which completed its first six months last week, has so far been marked by lassitude, harassment and confusion. It was created last summer to examine complaints that voting rights had been denied on racial or religious grounds and to make recommendations on laws and policies. But the President took a leisurely two months to appoint its members; they were approved by the Senate only two weeks ago, and the later appointment of Mr Gordon Tiffany as staff director has yet to be confirmed. Much of the delay in the Senate has been caused by Southerners; similar pressures in a subcommittee of the House have held up the appropriation of $750,000 requested by the Administration to finance the commission's work. Thus hampered, the commission has been able to accomplish very little and it will have to work hard to make up for lost time if its final report to the President and Congress is not to be as blank as the Bellman's map.

Meanwhile, the Administration's battle to break down the colour bar at the Central High School in Little Rock, Arkansas, has collapsed into a weary stalemate. Technically, integration has been accepted; but the nine Negro children attending classes do so in an atmosphere of tension heightened by the continued presence of troops at the school and by repeated outbreaks of minor violence. One Negro girl has been expelled (for breaking her promise not to retaliate against white children) and three white students have been suspended. The beleaguered school board of Little Rock, which alone has supported a plan of gradual integration, succumbed last month to its difficulties in and outside the school; in a petition to a federal district court it asked that integration be abandoned in Little Rock until the federal government provides legal support which will ensure that it can be effectively carried out.

This week, lawyers for Governor Orval Faubus opened attacks in a federal court on the Administration's actions in the Little Rock dispute. They contended that the President's use of troops was unconstitutional; and they defended the right of Mr Faubus to use the state militia to prevent Negroes from entering the school. It is doubtful whether Mr Faubus will win these legal battles; it is doubtful whether he cares. Last year it was widely suspected that his chief motive in defying the federal court was his desire to whip up support for a third term as Governor, something that Arkansas, up to now, has only granted to Jefferson Davis. Mr Faubus has just announced that he means to stand again. It will do him no harm with the voters if, during the campaign for the nomination, which in Democratic Arkansas decides the election, he is also appearing in the courts as a champion of states' rights.

Mustard for Kress

THERE are in America some 6,000 non-profit foundations and trusts, with total assets conservatively estimated at more than $7.5 billion. They are endowed from private fortunes or by corporations and they use their wealth for a variety of cultural, scientific, educational, religious, charitable, and artistic purposes, being accordingly exempt from income taxes. In recent months the activities of one of the largest—the Samuel H. Kress Foundation—have raised questions which could affect them all deeply.

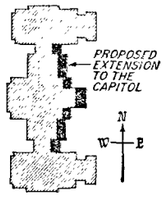
Formed in 1929 to dispose of its founder's vast art collection and to make grants from his fortune, primarily for medical education, the Kress Foundation lists assets of $11.4 million, of which $4.9 million consists of shares in S. H. Kress & Company, a chain of "variety" shops similar to Woolworth's. Though this holding (with a present market value of nearly $23 million) is 42 per cent of the outstanding shares of S. H. Kress & Company, the foundation has not in the past interfered in the company's affairs. Last year, however, after a cut of one-third in Kress's dividend had hit the foundation's income severely, several of its trustees privately criticised the company's management for being too conservative and lacking in zest for competition. Then in January a group of the trustees, among them Mr Keith Funston, president of the New York Stock Exchange, announced that at the annual meeting in May they would try to secure four seats on the company's seven-member board in order to protect the foundation's investment.

This brought the angry retort from Mr Rush Kress, the 80-year-old chairman of the board, that the trustees were trying to "take over" the company. Mr Kress (Samuel's brother and the sole surviving founder of both trust and company) demanded the resignation of several of the trustees and an unpleasant struggle for control of the company seemed probable. But last week, faced with sure defeat in a vote, Mr Kress backed down. An agreement was reached by which four representatives of the foundation became members of the board, and both the fight for control and a threatened court battle were averted.

This left two big questions unanswered: Does a charitable

non-profit foundation, existing primarily to disburse money, have a right to influence, through its trustees, the companies whose shares provide its income? And—more important—if it does control the source of its income, is it still entitled to tax exemption?

Barbarians at the Capitol



If geese were kept at the Capitol in Washington, where Congress meets, they could hardly be blamed for not giving the alarm when today's barbarians approached. For the moving spirit behind the threat to remodel the historic East Front is Mr Rayburn, the obstinate and powerful Speaker of the House, and the Senators who today are up in arms against this "vandalism" have only themselves to reproach. No one, except Mr Rayburn's Commission to Extend the Capitol, seems to have noticed that an appropriation Bill hastily passed in 1955 ordered that the East Front should be brought forward 32 feet to make it level with the wings on either side and that its ancient local sandstone should be faced in marble. No hearings were held at that time on the plan, which had been turned down forty years earlier.

The East Front, where Presidents have been inaugurated for over a century, is the aspect of the Capitol familiar to every American school child; it is, moreover, the only surviving glimpse of the original work of three noted American architects, and Washington himself laid the corner-stone in 1793. As the Union grew, and congressional staffs multiplied, new wings were added. The demand for space is once more the excuse for tampering with the building; the proposed extension would provide some fifty new offices, two new dining-rooms, and a corridor. This is little enough for $10 million, and Mr Stewart, the Architect of the Capitol, who is not a professional architect at all, but a contractor and a political appointee, goes on to argue that the East Front is in such a bad state of repair that it would cost as much to put it right as to rebuild, and that in any case the dome—which Lincoln insisted on completing during the Civil War as a sign of the country's faith in its future—is a major architectural error. Bringing the portico forward would, in Mr Stewart's view, make the dome conform to the classical canons. Unfortunately it would also destroy the graceful courtyard.

Historical societies, professional architects, and newspapers have exploded with wrath. Before a hastily summoned Senate subcommittee the opposition has had its day to protest, noting that the space obtained would cost $200 a square foot, compared with $20 for other buildings, while Senators and Representatives will have all the space they need when the new (and second) Senate Office Building is ready in a few months and when the new (and third) House Office Building is finished. Heroic efforts to halt operations are now being made in the Senate, while outside workmen have begun matching the marble for the new front; authority to issue contracts has already been granted. Whatever the Senate does, the House is not likely to defy Mr Rayburn. But conceivably he might be swayed by Mr Nixon and Senator Knowland, both of whom are members of the commission, both of whom have hopes of being themselves inaugurated at the Capitol in 1961 and both of whom are consequently more tender of the voters' feelings than a man who has served 45 years in the House.

"Can't Be Spending Money Foolishly, You Know"



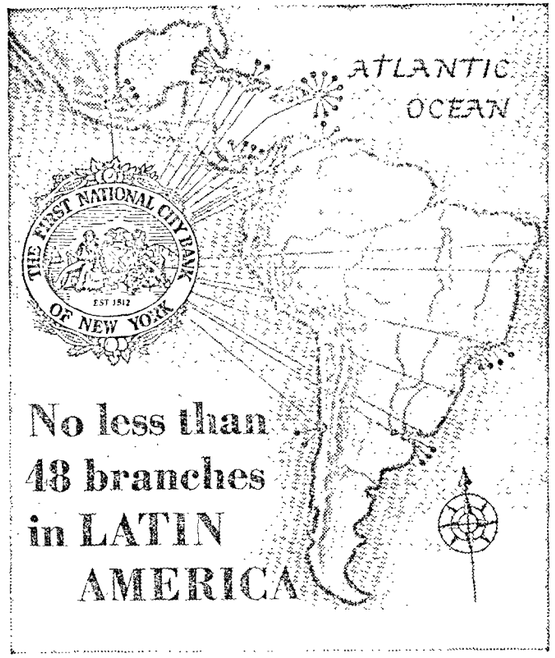
Herblock in the Washington Post

Friends of the Consumer

FROM A SPECIAL CORRESPONDENT

A number of institutions exist in the United States to aid consumers, who are often misguided, sometimes misled and occasionally mistreated in the country which proclaims that "the customer is always right." Much of the protection is official. State and local governments restrain businessmen who take too light an attitude toward weights and measures; the Postmaster-General attends to mail frauds; the Food and Drug Administration keeps watch on the purveyors of medical nostrums, adulterated foods and products, such as cosmetics, which may be positively harmful. Inspectors of the Department of Agriculture are stationed at meat-packing plants to condemn diseased animals or tainted carcases. The Federal Trade Commission combats deceptive acts and practices.

Such agencies prevent the exploitation of the consumer. Others co-operate with producers to standardise quality. Meat packers, for instance, by paying a fee, can have the grade stamped on carcases in indelible ink; the official sorting of fruit and vegetables helps to assure quality to purchasers and to raise prices to producers by keeping low grades off the market. The National Bureau of Standards is important indirectly to the consumer. Among other things it certifies measurements (few Americans would believe that their country is legally on the metric system, with the bureau certifying conversion standards to the familiar yard, gallon and pound).



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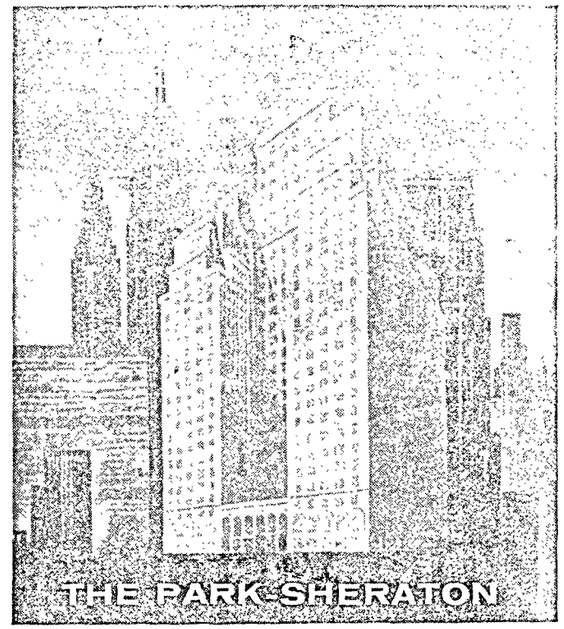
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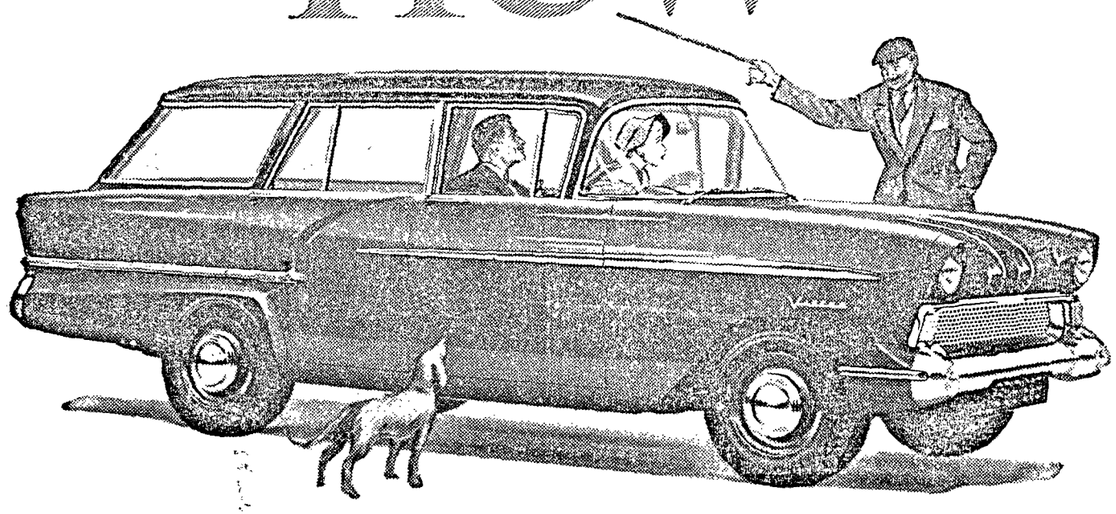
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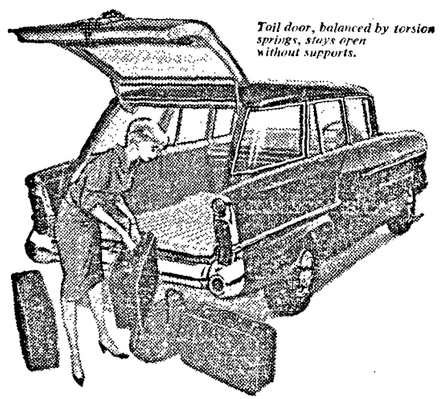
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WASHINGTON Sheraton-Carlton Sheraton-Park
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PHILADELPHIA Sheraton Hotel
PROVIDENCE Sheraton-Biltmore
ATLANTIC CITY Sheraton-Ritz Carlton
SPRINGFIELD, Mass. Sheraton-Kimball
ALBANY Sheraton Ten Eyck
ROCHESTER Sheraton Hotel
BUFFALO Sheraton Hotel
SYRACUSE Sheraton-Syracuse Inn Sheraton-DeWitt Motel
BINGHAMTON, N. Y. Sheraton-Binghamton (Opens early 1959)
MIDWEST
CHICAGO Sheraton-Blackstone Sheraton Hotel
DETROIT Sheraton-Cadillac
CINCINNATI Sheraton-Gibson
ST. LOUIS Sheraton-Jefferson
OMAHA Sheraton-Fontenelle
LOUISVILLE Sheraton-Seelbach The Watterson
DALLAS Sheraton Hotel Opens 1959
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INDIANAPOLIS Sheraton-Lincoln
FRENCH LICK, Ind. French Lick-Sheraton
RAPID CITY, S. D. Sheraton-Johnson
SIOUX CITY, Iowa Sheraton-Martin Sheraton-Warrior
SIOUX FALLS, S. D. Sheraton-Carpenter Sheraton-Cataract
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FULL PANORAMIC VISION FOUR DOOR COMFORT
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with heavy-duty rear axle, springs and tyres.

Change at will from a 4/5 seater with extra-large luggage capacity to a 2/3 seater with 5′ 4″ of flat-floored load space behind the driver. Ask your Vauxhall dealer for full details and for a demonstration.

TOP VALUE FOR MONEY AT **£620** PLUS £311.7.0d. P.T.

With Victor performance, roadability and economy, *plus* the extra luxury features of the Victor Super model.

Two-pedal control now available on all Victors

Vauxhall *two-pedal control* with Vauxhall *all-synchro gears* — simplest and smoothest of all. Effortless starting . . . expertly slick and silent gear changes . . . easier and safer in traffic. Available as a factory fitted option on all Victors at an extra charge of *£17 plus £8.10.0d.* P.T.

IT'S VAUXHALL FOR VALUE—VICTOR £498 PLUS £250.7.0d. P.T.; VICTOR SUPER £520 PLUS £261.7.0d. P.T.

The protection of the consumer is not confined to the government. Self-policing by trade associations is common; in addition, about a hundred Better Business Bureaus handle every year some 400,000 complaints which seem reasonable enough to justify an attempt to get satisfaction from the seller. The average buyer, however, is largely oblivious of all this solicitude; he is much more interested in tips about which, of a wide variety of goods that have some merit, is the best. In many cases he relies on branded goods. The mobility of Americans being what it is, the nationally advertised make has the great advantage of providing a familiar name from Maine to California; on the road, the motoring family is likely to select its night's lodging at a motel with the sign of a country-wide association.

Trade groups maintain special testing laboratories which give seals of approval to products which pass their tests: "certified washable—American Institute of Laundering," for instance. Many large shops and mail-order houses, such as the Sears Roebuck company and Macy's, have their own testing services. Because of the prevalence of self-service, the housewife without a shop assistant to consult may find considerable assurance in such seals and also in the endorsements supplied by various magazines in the field of home-making. These maintain testing services which may be used by firms advertising in their columns. Many consumers want nothing more. But it is possible to question the objectivity of tests carried out under the auspices of a seller or his trade association, or by an organisation receiving income from producers. Moreover, a seal of approval offers no comparison with other similar products.

To provide purists and cynics with guidance in their buying, an organisation was established at the end of the nineteen-twenties to give subscribers information based on independent tests and to assign ratings which make comparison easy. Its income was to be derived solely from the sale of its publications; findings were copyright and were not to be used in any form of advertising. Since 1928 Consumers Research has published *Consumers Bulletin*, which gives potential purchasers 40 pages of names of makers, prices, specifications and ratings; these range from Recommended through Intermediate to Not Recommended on goods as diverse as household glues and automatic dishwashers. In the nineteen-thirties this organisation split, after an internal rift over trade union organisation of its employees. Consumers Union, which operates under the same rules, was established in 1936 and produces a monthly, *Consumer Reports*, as well as an annual buying guide.

Both of these publications provide solid information for the reader of precise mind as well as household hints for the homebody. In rating dishwashers, for instance, Consumers Research offers quickly grasped columns of answers to the questions a family is likely to raise. The husband can see how many gallons of hot water will be used and how much the electricity bill will go up; his wife can tell whether the washer will hold all the dishes from a dinner for eight, how soon they will be dry and whether the washer will fit into her diagram for remodelling the kitchen. Each spring the new cars are treated in even greater detail, while both organisations issue ratings for moving pictures.

Feature articles supplement the bare facts. Discussing European motor scooters, Consumers Research notes their convenience for the commuter who must get to and from the station, and their manoeuvrability in heavy traffic, points out that their use on icy surfaces is dangerous and encourages the purchaser by telling him that it is easy to learn to ride a scooter even if he did not ride a bicycle when he was young. The prospective remodeller of a kitchen is warned by Consumers Union that his do-it-yourself zeal may not be equal to the rigidities of ceramic tile or plastic laminates.

By no means all of the readers of these publications have a definite purchase in mind and Consumers Union, with a monthly circulation of 850,000, caters for such subscribers with articles of general interest. An amazing number of readers fill out annual questionnaires which not only guide the editorial policy of Consumers Union, but also provide economic insights of considerable interest into a substantial number of American homes. The earning capacity of Consumers Union has made possible grants to other non-profit-making groups in the same field; among these gifts was $6,000 to help start the British Association for Consumer Research on its way. This arrangement contemplates, on occasion, the testing by Consumers Union of goods, such as foreign cars, which are sold in both countries. But protection of the consumer has its headaches, and Consumers Union is not eager to enter unfamiliar legal territory.

For government agencies, the most vivid recent instance of trouble was the furore in 1953 over the additive AD-X2 which the Bureau of Standards tested and found of no value in prolonging the life of batteries; after a congressional storm which involved private as well as many public agencies, the bureau's conclusions were upheld, but charges of fraud against the producer were withdrawn. Such trials have their counterparts in the offices of the Better Business Bureaus. Usually manufacturers given an unfavourable rating do not carry out their threats to sue, but at times efforts are made to collect substantial damages.

Consumers Union has never been brought to court. Protests have been made against its ratings, but the engineers of the aggrieved companies are always invited to observe a re-testing of the original sample, and so far this procedure has worked. Occasionally, moreover, the organisation has been able to turn the tables on the manufacturers.

A recent case involving Consumers Union arose in a very controversial field. Widely conflicting results have been published of tests made under all kinds of auspices—industrial, governmental and independent—concerning the risk smokers run of contracting lung cancer. Consumers Union compared a variety of filter tips and found that the one used by Philip Morris on its Parliament cigarettes was outstandingly effective. The public relations firm which handles the Parliament account lost no time in calling a press conference at which it planned to distribute copies of the issue which reached this welcome conclusion. The organisation heard about this and persuaded the firm to abandon the idea of using its findings for publicity purposes.

Meanwhile, the advertising agency of Benton and Bowles, which acts for Philip Morris, was busy on its own campaign. Neatly avoiding copyright infringement, full-page advertisements appeared in 86 newspapers carrying these 17 words: "For the latest report on filter cigarettes see page 24 of the January Issue of Consumer Reports" signed "Parliament Cigarettes." But five days later, after protests from Consumers Union, the same 86 newspapers carried advertisements admitting that the reference to Consumers Union in advertising copy was an error.

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THE WORLD OVERSEAS

African Nationalism in Kenya

FROM OUR SPECIAL CORRESPONDENT

KENYA is in a political stalemate. The Lennox-Boyd constitution which was intended to inaugurate a long period of evolutionary politics has been flatly rejected by the African leaders. Further, Mr Tom Mboya, Kenya's self-styled Kwame Nkrumah, has opposed the new deal in terms that leave little doubt as to his future tactics. Mr Mboya makes no bones about his wish to see Kenya a second Ghana, and subscribes fully to his teacher's simple dictum: "It is far better to be free to govern, or misgovern yourself, than to be governed by anybody else." At the same time, Mr Mboya obviously believes that the existence of 3,500 European farms in the White Highlands and the presence of some 60,000 Europeans in the colony make it very unlikely that any British Government will from choice hand over power during this century to an African majority elected by universal suffrage. Mr Mboya and the seven other elected African members who vote with him on the Legislative Council seem, therefore, to have chosen the path of systematic anti-gradualism.

After the elections that begin this weekend the Council will have 14 African elected members as well as 14 Europeans, six Asians and two Arabs. In addition, however, to these constituency seats and to the government's nominated official members, there are also to be twelve new unofficial seats, to be filled, four to each race, by the votes of the Council itself sitting as an electoral college. This innovation has attracted the special hatred of the African members, who have refused to sit in the college at all. "There is no doubt," runs their communiqué, "that the selective seats are designed as a first step in the move to introduce a common roll on qualitative franchise, the very nature of which must be so restricted that the African will be its biggest victim. Here we smell the beginnings of a Central African and later a South African pattern. . . ." This illuminating comment ignores the fact that a qualitative franchise would soon inevitably give an African majority of unofficial seats in the Council if gradualism were given a chance. It shows plainly the determination of the African politicians to smash the incipient common roll and lay the foundations now of a naked African power. The government is faced with the cheerless prospect of a boycott of the selective seats, of the council of ministers and of the two portfolios—housing and community development—that are expressly intended for Africans.

Of the African leaders, the Kikuyu, Mr Eliud Mathu is in some respects a bigger gun than the *Wunderkind*, Mr Mboya. In 1957 he was defeated for Central Province because of the disenfranchisement of many Kikuyus. The Merus, with their superiority in loyalty-certificates, brought in Mr Bernard Maté. This time Mr Mathu is standing in a new constituency. In any event, the fourteen constituency members will follow the tone of Mr M. Muliro, the sitting member for Nyanza North, who says of the proposed constitution: "No African should accept a ministerial post as he would be the enemy of the people, and in the event of his visiting his constituency he should be stoned and beaten with sticks." With the demagogues in this mood, everything will depend on whether other Africans will care or dare to stand forward in their place, both for "selective election" and for nomination to ministerial positions. One favourable omen is the willingness of a member of the Kenya (Capricorn) Party to stand. But Kenya has now entered a period of political intimidation, and only very courageous Africans will take the course of moderation.

The African nationalists have taken full advantage of a number of discontents. The return of detainees to the Kikuyu reserve has caused un- and under-employment, especially in the Kiambu area close to Nairobi. Housing and education are still embryonic despite very large outlays (it would take two-thirds of the present revenue to send all Kenyan children to school). Land consolidation, the one boon of the Emergency, is a long-term business, and neither this nor other agricultural measures have yet gone far to transform African lives. Mr Mboya can speak plausibly of the "frustration" of the African population, and, by doing so, of course, greatly increase it. This he was taunted with in the recent debate on his own no confidence motion; but he can comfortably maintain his broad position that the real trouble is "the absence among the African community of a sense of belonging to this government." For those who maintain that few Africans are yet fit to govern, there is his statement of last October: "The Africans have been number three in Kenya for many years, but now if other races wish to stay in the country, they must realise that the African is number one. If they are not prepared to accept that, they . . . can have a one-way ticket." Mr Tom Mboya has been in Ghana celebrating its first anniversary and conferring with the African nationalist leaders from other colonial territories—Nyasaland, Northern Rhodesia and Tanganyika.

As yet there are no grave signs of unrest in Nairobi, Mombasa or the countryside. In January the government proscribed a secret society called *Kiama Kia Mwingi*, forbade the carrying of pangas after dark and ordered curfews in certain places. The society derived from the passive wing of the Mau Mau, and its most serious aspect was the intimidation of Africans who had been loyal to the government. About 150 Mau Mau terrorists proper are still at large, but are being steadily caught. There are a fair number of crimes of violence. A recrudescence of Mau Mau is considered unlikely, if only because the security police would crush it. What is feasible and expected by many is the organisation of strikes and passive resistance on the Indian model. But this, if very hard to deal with, would be by no means easy to sustain. Kenyan Africans have little trade union discipline and no financial reserves. The government, on the other hand, has several powerful cards. Not the least of them is the power to send one or more chess partners to Mr Jomo Kenyatta in the Northern Frontier District.

Among the Europeans there is naturally a growing sense of crisis, although the mood is calm. Only about 10,000 Europeans have a landed interest in Kenya: the rest are officials, technicians or tradesmen. The 10,000 who are real Kenyan nationals hold very definite views and could, if provoked by insipid official equanimity towards "Mboya's Kenya" play some very rough games such as the "mining" of their land. Nairobi on the other hand seems to have few ideas about how to deal with "the trouble to come." Its uncertainty is without doubt partly due to London's silence on the future status of Kenya, which at present is the only Crown Colony in East Africa. Crown colonies are supposed by Commonwealth philosophers eventually to become self-governing, that is, separate nations. How is Kenya to become a nation? All that is remembered to have been said precisely is that no British Government would hand over power to *one* of the races alone. This does not dispose of the problem of how to hand over to all.

At the same time the Colonial Office is pledged to grant independence to both the Trust Territory of Tanganyika and the Protectorate of Uganda, which will become African countries. This point is well taken by the editor of *Rock*, a paper published by the Christian Council of Kenya: "We believe that the time has come for the British Government to give a firm guarantee that this colony will develop along normal democratic lines towards a society of equal individual rights. This will inevitably mean an African majority." Some of the Europeans on the legislative council were foolish enough to hail the Lennox-Boyd constitution of last October as a guarantee *against* an African majority. But it is probable that a firm imposition of stages on the road to full democracy would, if well publicised, be accepted by a majority of the Europeans. What will prove demoralising to them, and intolerable to the African politicians, is the lack of a declared goal. It is only in the preparation for the eventual African majority that the three races have a ground for co-operation.

Warnings to German Workers

FROM OUR BONN CORRESPONDENT

ALL this week it has been touch and go whether 180,000 German iron and steel workers will strike in the near future for the 8 per cent rise against which the employers are offering 2 per cent. Simultaneously some 350,000 municipal and public transport workers are threatening to strike because their demand for another sixpence per hour is being resisted. They gave the country a taste of their power in a warning 24-hour strike on Wednesday, when trams and buses stayed all day in their depots, and lowered gas pressure and unemptied dustbins disorganised kitchens in several towns. Some 170,000 post office workers are planning to revoke their existing wage agreements on March 31st in order to claim an additional 6 to 8 per cent. Within the next seven days 1,200,000 building workers and their employers are due to make up their minds whether they will accept an arbitrated compromise proposal for a rise of just under twopence an hour. In Bremen and Lower Saxony, textile workers are also negotiating for higher pay.

The decision to renew the drive for higher pay has been taken by some of the bigger unions at rather a ticklish moment when government and employers are giving their minds to the apparently imminent problem of keeping everyone at work. While Dr Adenauer is pre-occupied as usual with foreign policy, two members of his economic cabinet have been at pains to rub in the elementary lesson that living conditions in the Federal Republic are not of themselves bound every day and in every way to get better and better; that indeed they may soon grow worse unless more than lip service is paid to the cultivator's maxim that in the long run you do not get out more than you put in.

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In his maiden speech in the Bundestag as minister of finance, Herr Etzel has called for a halt to the light-hearted spending of public funds. With a Khrushchev-like touch, Herr Etzel warned the administration at all levels that the state was not a cow fed in heaven and milked on earth. Citing his own good example at the top, he claimed that in his current budget he had cut departmental requests for increased spending from a total of DM6.5 milliard down to DM1.8 milliard (approximately £552.5 million to £137 million), and thus hoped to prevent this year's total federal outlay rising beyond DM39.2 milliard (£3,332 million) from last year's total of DM37.4 milliard (£3,183 million). Herr Etzel surmised that for western Germany the "seven fat years" might be ending; but, as in duty bound, he hastened to add that, should they now be followed by the lean, the government would be ready with measures to limit the economic and social consequences. His sobering reflections have since been reinforced by yet another call from Herr Erhard for harder work. The minister for economics and chairman of the cabinet economics committee has not only spoken out against any extension of shorter working hours but has also maintained that Germany's chances of not catching an economic crisis would be much improved if most workers would put in an extra hour a day.

The two ministers have sound reasons for competing with the Chancellor for the public ear. Almost everybody in western Germany understands that exports have expanded steadily during the last six years, engendering the rewards of an impressively favourable balance of payments, ample gold and dollar reserves, flourishing businesses of all sorts and sizes, full employment, and crowded shops. But by no means everybody seems to have appreciated the threat in the approaching cloud in the economic sky. Although exports increased last year and, so far, are still going up this year, the rate of increase is markedly slowing. Since January the American recession has gained momentum, and the fall in prices of primary commodities has continued to diminish the buying power of their producers. Already in January western Germany's foreign orders were eight per cent less than they were a year ago.

The men responsible for the German economy are naturally pondering whether the adverse process will continue; and, if it should continue, how it will affect the ten major exporting industries, of whose 4,300,000 workers about 1,100,000 are engaged in supplying foreign demand. Herr Erhard thinks that Germany's export trade may continue to shrink for the time being. Yet he does not expect unemployment—now running at a winter flood of 1,300,000—to spread so long as the economy as a whole efficiently handles the task of keeping export prices competitively low, and of making good at home the orders lost abroad. The home market, he reckons, could absorb much of the anticipated surplus production, and greater home consumption should help to keep prices stable. But there may not be all that much time left to make the necessary readjustments: no shifts were worked in some Ruhr collieries last weekend, and stocks of coal and coke accumulating at the pitheads totalled over 2½ million tons.

In the circumstances, it is not surprising that Herr Erhard and Herr Etzel are sounding urgent notes. But they have not yet pulled out all their stops, and there seems to be confidence in the government that, angry as he sounds, the German worker will once again be finally persuaded that it is in his own interest to exercise restraint.

Nasser's One-man Show

FROM OUR SPECIAL CORRESPONDENT

WHILE President Nasser was exploring his northern region, affairs of state stood still in Cairo. No important decisions on economic, agricultural or social planning could be taken; no ambassadors nor undersecretaries of state appointed; even a British journalist had to languish in Beirut for his entry visa. All waited upon word from the president. Will affairs in Damascus have to come to a stop now that the president has returned to Cairo?

President Nasser has no advisers to whom he pays much attention. His ministers, with one or two notable exceptions, are not much more than able secretaries. To try and understand what is going on in the country, a visiting journalist has to search out not the heads of the most important ministries but those few men who are believed to be closest to the president and who understand something of his hopes, prejudices and tempers. While the ministers left behind in Cairo were talking of co-existence between the two Arab unions and of going slow while Syria was digested, President Nasser took them by surprise by launching from Damascus a new attack on Iraq and Jordan. He may have been angered by insults from the other side; he may be bitten with the idea of quick expansion since the first steps with Syria proved so easy. The president's own weaknesses are his quick temper and his lack of patience. The vital thing for the other Arab states to watch is how much of this personal control he insists on having in Syria.

Since no minister can safely go ahead on his own initiative, few departments have a settled policy. One of the obvious examples of mismanagement in the last few months was the policy over export licences which fell awkwardly between Mr Kaissuny, the minister of finance, and Mr Abu Noseir, the minister of commerce. Mr Kaissuny favoured a westernised, liberal policy; Mr Abu Noseir, a strong nationalist with some near-communist views, insisted on tight control. In the new ministry, this confusion has been sorted out, since Mr Kaissuny now controls both economics and trade and Mr Abu Noseir has been down-graded. But already many opportunities and much money have been lost.

The top ranks in business and government earn very good money—income tax rackets are as prevalent here as anywhere else—and there is less rottenness at the top than in King Farouk's day. But the middle ranks, discouraged by the army leaders inserted above them, collaborate at the best unenthusiastically with the regime. And further down the scale, the officials living on a monthly salary of about £10, have the same excuse as all other Middle Eastern civil servants for trying to add to their incomes. The administration limps as badly as ever it did; paralysis could come if in his search for money, the president overburdened it with the task of running more nationalised industries.

The need for funds is pressing. All the calls on Egypt's budget have claims to priority. The Russians are financing a large share of the industrial plan, but there is still £60 million to be found from somewhere else. And not everyone is happy about the prospect of Russian machines and equipment: there are sore memories of other Russian deals. To quote one example: Russian equipment was ordered for a porcelain factory and private shareholders were invited to join in the enterprise; when the equipment arrived it was found to be for pottery not for porcelain. And looming above the industrial plan, are the hopes for the high dam. The project has been put off for a few years, but no one will admit to indefinite postponement: the dam is still seen as the only way of alleviating Egypt's intractable problem of too many people in its narrow strip of watered land. The programmes for schools, for hospitals, for desert reclamation all need more money than Egypt can raise. And while the western powers remain obdurate, President Nasser can only repeat his favourite ploy: turning away from Egypt's hopeless internal problems to fresh adventures outside.

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But the west's obduracy is also the president's greatest strength. Every mistake made by the British, French and Americans has added to his stature. The British and French attack on Egypt, and their inglorious retreat, left him doubly a hero. He survived while Eden fell: to the Egyptians this is a simple tale of valour, of a David knocking out a Goliath. The president's refusal to compromise with American policy, his determination not to climb down over the financial talks: these facts are his glory. He is the hero of the Middle East because he is the one man who has refused to be bossed by the great powers.

President Nasser's first strength is that he has this glory; his second is that he is able to publicise it. His control over the vast machinery of Egypt's press and radio gives him power that no other ruler can emulate. Egyptian newspapers and journals are best sellers all over the area; the Voice of the Arabs is on the air for nine hours a day. His name, his face, his commemorative medals are sold ceaselessly to a vast and receptive audience.

Once a month nearly every Arab who owns or has access to a radio stays at home to listen to Um Kalthum. She sings from 10 p.m. to 3 a.m. and people who can hear her in no other way lie all night in the streets outside the cafés. Elderly, not good-looking, her fame after twenty years of singing is second only to the president's. In the Cairo concert hall, plump business men rock in ecstasy; Alexandrian spivs hold out their arms in supplication; visitors from Saudi Arabia, Syria and the Sudan sit drugged with music and with words. Triumphantly, Um Kalthum moulds their emotions—and she sings of the glories of President Nasser. She sang during the invasion; she sang when the canal was nationalised; she sang of unity with Syria: "By your efforts Gamal you have fulfilled our hopes, by your presidency Gamal, by your two hands Gamal, by you Gamal." In a period when Egypt is selling itself to the other Arab states—yet not trying to run their affairs—Um Kalthum is worth more than an efficient administration to the president.

What does all this add up to? President Nasser is entrenched by western ineptness, by the power of his personality and by his weapons for advertisement. His strength can prop up his administrative house of cards. But it might collapse if ambition carries him too far and too fast towards an Arab empire that he has not the machinery to administer.

Election Fever in Italy

FROM A CORRESPONDENT IN ROME

BOTH houses of the Italian parliament were dissolved last Monday and May 25th has been fixed as the date for the general election. Up till the last moment it was uncertain whether President Gronchi would dissolve the Senate, which legally had one more year to run, as well as the Chamber. But all the political parties have been acting as though the dissolution of both Chambers was certain. Election fever seized the parties well before Chistmas, and during the last three months the preparation of the lists of candidates has been the dominant care of the politicians. Nerves are snapping under the strain, for it is reckoned that not more than half of the outgoing deputies and senators will get party preference.

A change is coming over the Italian parliament. In the first two legislatures of the Republic the leading figures of pre-fascist and anti-fascist politics had a dominant place in both Chambers. Signor de Gasperi called the senior members of his party "the notables." He tried to build the Christian Democrat party upon the prestige of individuals, using this as a counter-weight to the party bureaucracy. The other two so-called mass parties, the Communist and the Socialist, also gave pride of place to their notables, many of whom had suffered persecution and exile. Today, in all three parties, the bureaucrats have got the upper hand and the notables are tending to disappear. The Christian Democrats, being in power, can remove them painlessly by appointing them to places of honour in the new higher international bureaucracy. The other parties cannot do this and the Communists have been particularly ruthless in dropping some of their oldest militants in favour of the young conformists to the Khrushchev-Togliatti line. In all three parties the old warriors are free to stand if they wish, but they do not head the party lists and the local organisers have instructions not to canvass for them.

The exclusion of personalities is not the only sign of change. There is also a deliberate elimination of ideas. The process stems from the Christian Democrat party whose secretary, Signor Fanfani, purposely avoids committing the party before the election to any given economic or political line. His object is to garner as many votes as possible from the right and left centres before committing the party to the choice of a partner in government. But until this choice is made, neither the Socialists nor the Social Democrats can plot their course with any certainty, and all the other parties hang in some degree upon the Christian Democrats' choice.

Apart from this there is a fundamental reluctance on the part of all the political parties to adopt a simple platform. The Liberals are the only exception. They stand for free enterprise versus state intervention and whoever votes for them knows exactly what policy he is voting for. This cannot be said of any other party. Not one of them has a slogan. The Christian Democrats have appointed a commission of eighty to draft a programme which will run to 400 pages of print. The Communists and Socialists are almost equally longwinded and vague. Signor Olivetti has given his new party a programme which reads like an outline for Utopia. The Radicals and Republicans have a lay platform which they dare not call anticlerical and cannot tread too hard lest they should be called on to form a government with the Christian Democrats. The Social Democrats are inhibited by the fact that they do not know whether to stand for government with the Christian Democrats or for opposition to them.

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In a country like Italy which has ten political parties and various sub-parties and where the lack of productive employment makes patronage a great political force, the effect of proportional representation is to create conditions very much like those of an eighteenth century British parliament. There are no rotten boroughs but there are plenty of safe seats, in a numerical rather than a topographical sense, and the disposal of these is in the hands of the party managers and of private or semi-private "patrons." In place of the "Treasury boroughs" we have the electoral influence of such government dependencies as the Cassa per il Mezzogiorno (Southern Development Fund) and the various Land Reform organisations. Another "Treasury" group is the Agip interest at San Donato, near Milan, which disposes of enormous patronage, and the new group at Ravenna where Anic, another ENI derivative, has jobs for nearly 3,000 people in its new synthetic rubber factory planted in the heart of an agricultural depressed area. In addition there are various non-government groups.

Most of the parties are open to some degree of outside interference in the choice of candidates. The Liberals have to make room for the nominees of the Confederation of Industries which finances the party. The Social Democrats also have to accept the consequences of a certain amount of industrial support. The Communists must give preference to Soviet protégés. It is surely no coincidence that a delegation of the Soviet Communist party has toured Italy for three weeks this spring visiting every important Communist federation in the country. The Socialists have to mind communist preferences and dislikes. In Piedmont, for instance, they dare not run the former communist rebel Signor Giolitti, who has a local following, because Signor Togliatti has said he would take that as an unfriendly act and the signal for a show-down.

More than any other party, the Christian Democrats are subject to outside control—first and foremost from Catholic Action and its subsidiary movements. This extremely powerful organisation counts over three million adherents and wields perhaps twice as many votes. Its support is

absolutely indispensable to Christian Democrat success. Since Signor Fanfani set about reorganising his party machine the relations between the party and Catholic Action have become more and more strained. So much so that certain members of the ecclesiastical hierarchy have thought seriously of breaking with the Christian Democrats and founding a new Catholic party. For the moment this idea has been dropped, but Signor Fanfani has had to pay a heavy price. He must not only accept a large quota of Catholic Action candidates in his lists but must submit the lists themselves to be vetted by the spiritual leaders of Catholic Action. A less irksome relationship is that between the Christian Democrat party and the very powerful and wealthy Papal Assistance Organisation, which disposes of a vast quantity of succour, that is, patronage.

The result of these outside controls is to limit the power of the party bureaucracies; but it is in no sense a democratic limitation. The ascendency of the party "apparats" and the general tendency towards complete centralisation is also a non-democratic phenomenon. These appear to be inherent disadvantages of the proportional system. The only consolation is that they tend in some degree to neutralise each other and that, in Italy, at all events, the alternative is something even less democratic, the absolute domination of a communist or a clerical regime.

Eoka's Dual Campaign

FROM OUR CORRESPONDENT IN NICOSIA

A SUDDEN spasm of sabotage in the past week at carefully selected military targets has already overshadowed Eoka's much trumpeted "passive resistance" campaign, and effectively jolted the incipient complacency of those who were beginning to question Eoka's striking power. Although it is hazardous to predict the terrorists' tactics, it seems clear that Eoka, and the whole Greek nationalist movement which supports it, have been placed in a dilemma. They have come to realise that violence does not pay—and here the full fury of Turkish wrath so devastatingly displayed in the Nicosia riots has had an inhibiting effect; yet after their flamboyant, bloodcurdling threats of December and January they are obviously committed to some bold course of action, in order to fulfil their "pledge" that, if no satisfactory policy statement emerged from Whitehall, they would smite the enemy hip and thigh.

From this farrago of threat and propaganda, there has emerged what looks like a dual campaign of passive resistance and selective sabotage (although at the moment of writing certain recent incidents have not yet been *officially* attributed to Eoka). The latter technique is fairly conventional terrorist tactics; the former new as far as the Greeks are concerned. To what extent it will appeal to the volatile Greek temperament is perhaps open to question, for the forms of passive resistance which have on the whole been effective against colonial administration in the East do not seem so readily applicable in Cyprus. (It is hard, for example, to envisage the smooth, prosperous Greeks of Nicosia lying down in the middle of Ledra Street.)

In as far as it has been applied, passive resistance is taking roughly two forms: an economic boycott of British goods (in particular of cigarettes, tobacco, beer, shoes, confectionery and football pools); and a policy of civil disobedience by the representatives of the government in the villages, particularly the mukhtars and members of local water boards. While the economic "blackmail" has aroused considerable interest, it has hardly yet reached serious proportions. In certain ultra-nationalist pockets, notably in Famagusta, the boycott is reported to be reasonably tight, but on balance over the whole island the economic campaign has hardly as yet caused alarm or despondency amongst the British community or in the administration.

The non-co-operation of the village officials is, however, a more serious development and has brought belated limelight to the important role of the village mukhtar: for example, his certification of villagers' pleas for free health treatment, or his authorisation of their applications for passports, or for the sale of their cattle. Since the mukhtars relinquished their duties, sizeable queues of villagers have already appeared at the offices of the assistant commissioners in the towns; and it is the *reductio ad absurdum* of the British colonial system that at this stage in the island's history its administrators should be bogged down over the documentary technicalities for the sale of a cow. On the whole, however, the government is contriving to cope with these pettifogging harassments, which—as Sir Hugh Foot wisely emphasised in a broadcast—are likely to cause the villagers more suffering than the government.

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It has been insufficiently emphasised, too, that the attitude of the mukhtars is not a wholly new phenomenon. For a long time they have been a special target for Eoka's wrath, and long before passive resistance was announced many of them had been intimidated into quitting their jobs (though the government refused to accept their resignations, and tried hard to induce them to carry on). Eoka's drive for passive resistance has merely confirmed their resolve.

But though it is the Greeks who, through the variations in their tactics and policy, usually capture the headlines, on present form it is the Turks who are more likely to cause sleepless nights to the administration. The Turkish riots in January made on officialdom, not a deep impression, but a dent; and the attitude is deeply entrenched that, at all costs, no action must be taken that might spark off a repeat performance. (All of this, of course, is interpreted by the Greeks as simply meaning that Her Majesty's Government is allowing itself to be "blackmailed" by the Turks.) Senior intelligence circles strongly hold the view that if Turkish riots break out again, many Greeks would be killed. Rightly or wrongly this contingency overshadows even the threats of Eoka—and one suspects it is not lost either on Archbishop Makarios or on Grivas.

In short, though full scale violence has not broken out, the situation in the island politically is still about as bad as it can possibly be. It has been complicated, too, by political developments outside the island—the forthcoming general election in Greece, the apparent feebleness of the Macmillan government, and the behaviour of the British Labour party, whose "pledge" on self-determination at Brighton and subsequent "back-pedalling" has perhaps done more to bedevil the situation than anything else in the past twelve months. Today the most that sensible people hope for is that somehow the threats and pressures of one side may cancel out the threats and pressure of the other, and that in this strange, tense equilibrium a glimmer of common sense and goodwill may possibly penetrate the protagonists on each side.

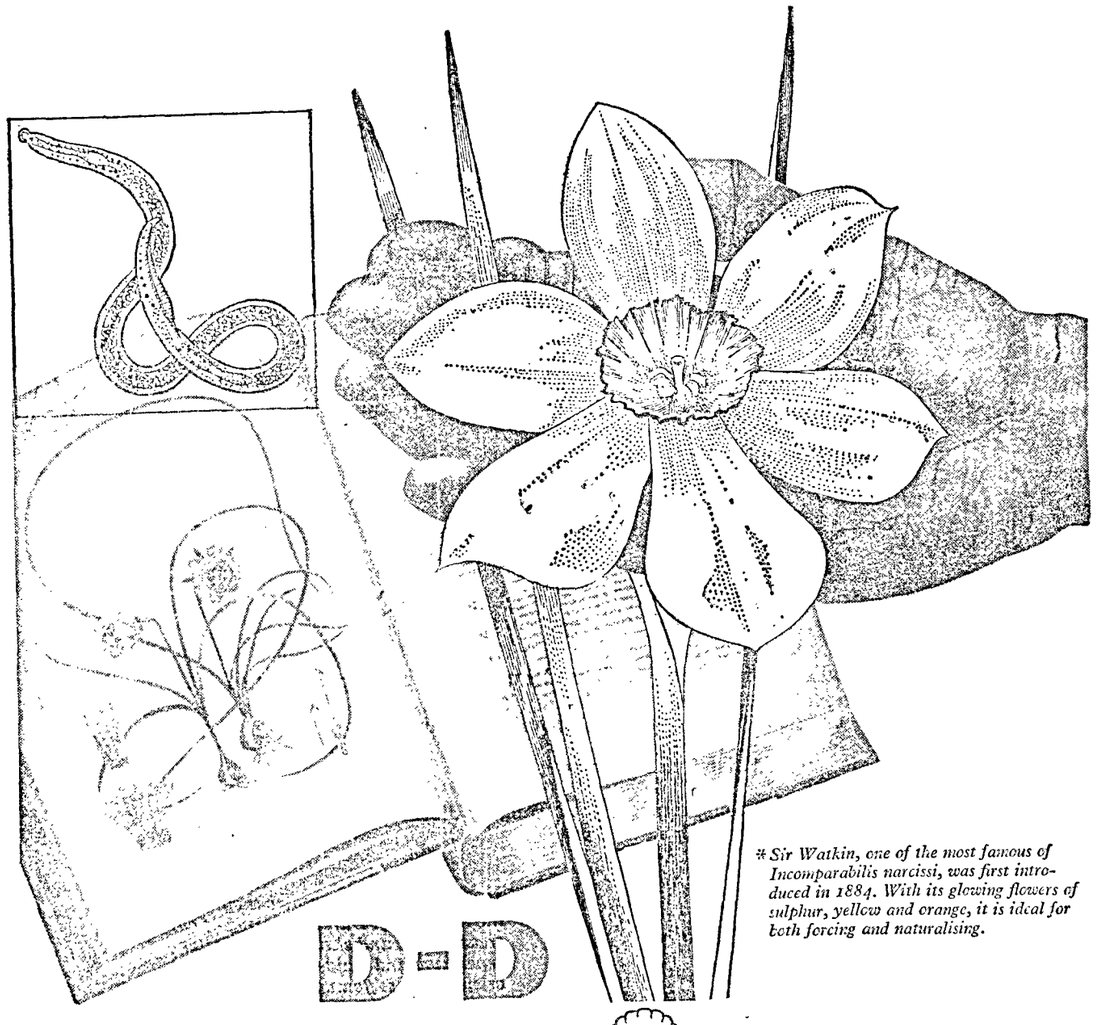
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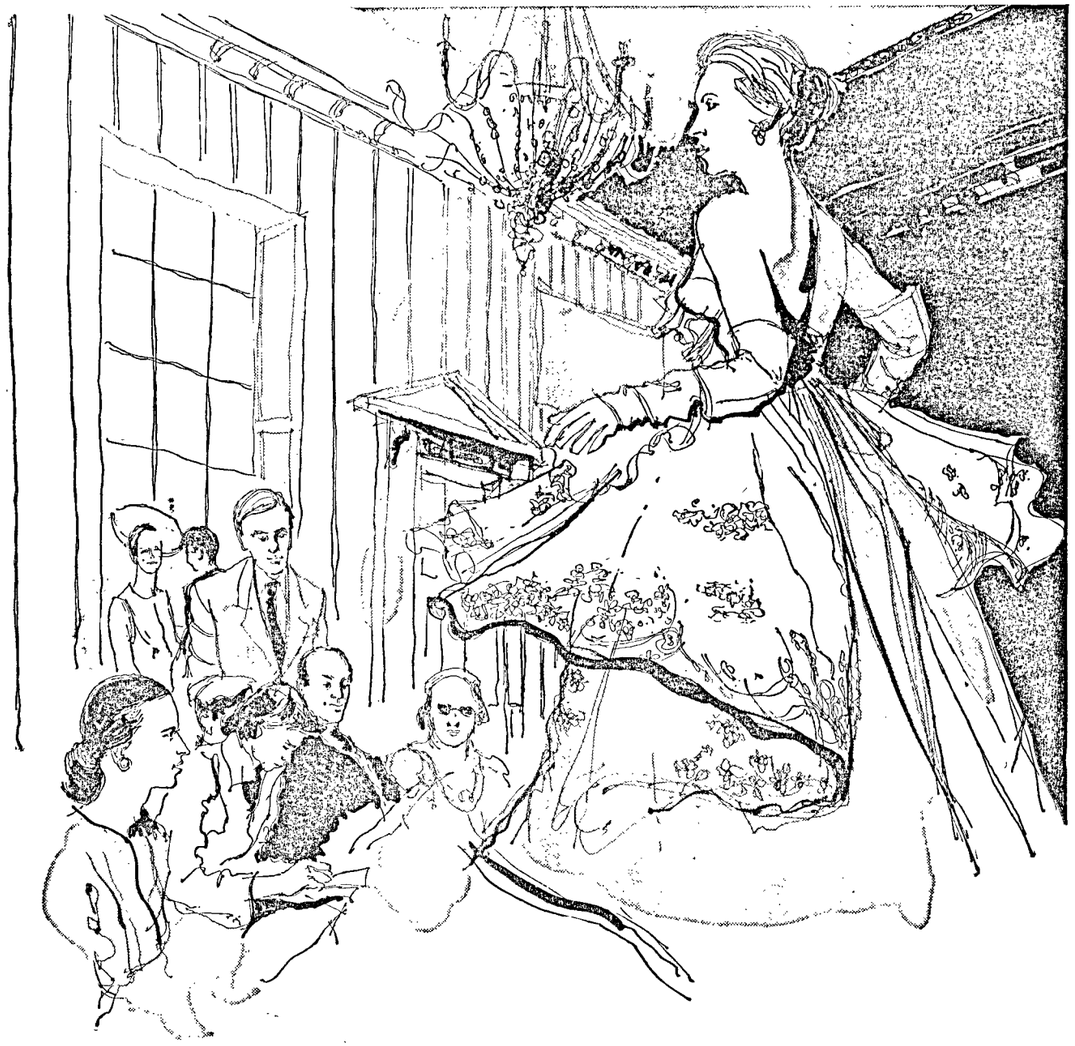
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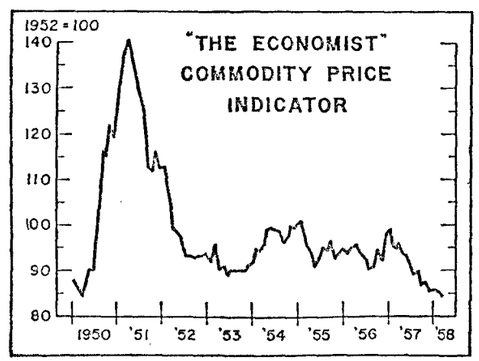
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THE BUSINESS WORLD

Commodities on the Defensive

SOME Americans call the present recession "the raw material recession." It did not, they imply, arise from over-optimistic planning in industry nor from over-speculation in security markets, but from the trend in commodities and from commodities coming in the main from overseas. But all slumps, and all booms, are chain reactions, and to give one of them a name is not to foretell either where it will end or what set it off. It just spotlights one of its features.

The movement has carried *The Economist's* index of commodity prices down from 95 to 85 in just a year, a fall of 11 per cent. If that was steep it was far less so than the fall that followed the Korean scramble. The present fall follows the unnatural rise that the closing of the Suez Canal produced, but in retrospect it can be seen that a decline was under way when Suez suddenly and temporarily put commodities into forward gear again. The origins of the raw material recession were much earlier. Important among them was the progressive withdrawal of the United States strategic stockpile from the markets. The stockpile has now (except for goods already under contract) almost stopped buying commodities of foreign origin. It still does a little for American produced lead, zinc and aluminium ; the world market for zinc might be even lower if that support were withdrawn. Stockpile contracting —it is the placing of orders far more than the delivery of goods that affects the market —reached $2,075 million in the fiscal year ended June 30, 1951 ; last year contracting was down to $190 million, this year it should be less again and next year perhaps almost nothing.



Great productive facilities that had been brought into being to supply the US stockpile have swung into full production at the very moment when the stockpile that brought them into being was losing interest. And the British stockpile has added its mite to the confusion, appearing as a seller of the metals, of timber and of wool at a moment when markets were least able to absorb current production. The retreat of the stockpiles is naturally not the sole cause of the recession. There is disinflation in America and in Britain ; there is lack of confidence, tempting consumers to buy less and run down stocks. But those who take the simple and sensible view that the raw material recession will last until American business expands again must not forget that a check to commodity prices was likely even apart from the dose of disinflation, because the stockpile objectives had in the main been achieved and productive capacity had been expanded. It will take time to fill the gap of overproduction that these causes have now opened, though the time to be taken will vary from commodity to commodity. But if circumstances differ, something approaching a common peril seems to the primary producing countries to be confronting them. An array of support schemes, restriction schemes and single seller arrangements, scarcely less formidable than that with which primary producers fought their rearguard action against the burdensome surpluses of the 1930s, is their reply.

Most of the control schemes (copper and coffee are exceptions) were not hurriedly devised to counter recession after it had started. It takes years to obtain international ratification of a commodity control scheme complying broadly with the provisions of the Havana Charter for consumer representation. But it will be surprising if recession does not bring more producing countries together. Tea, rubber and coffee are commodities in which that might happen. What, then, are the lessons to be learned about the types of support schemes, their weaknesses and their possibilities?

They run from the almost complete monopoly, through the copybook international cartel down to support funds operated by one country alone representing a minority of the producers. They include those who can dig their heels in firmly at the "floor" price and hold it, as the International Tin Council is trying to do, and those apparently much weaker arrangements, like the New Zealand wool commission which with no help from its much larger neighbour, Australia, can never hope to do more by skilful and selective buying than to cover the retreat for New Zealand farmers.

The monopoly has great strength: its decisions are easy to take and enforce. For International Nickel, which has just announced a ten per cent cut in production, it must have been fairly easy to decide between less production and lower prices. Moreover monopolies in general do not exploit rising markets to the last cent,

Commodity Schemes Summarised

Full international schemes

Tin: Quota restriction for the six main producing countries plus buffer stock of 23,500 tons operating between £880 a ton and £730 a ton plus a further unpublished fund. Present restriction 40 per cent. Consumer representation complies with the Havana Charter.

Wheat: Importing countries underwrite the purchase of 295 million bushels a year (about one-third of world trade) at minimum price of $1.50 per bushel and the four main exporters guarantee to supply that quantity at not more than $2.00 per bushel. Scheme has no production control, but the American farm support policy and American subsidised exports provide an effective cushion. Largest importer—Britain—is not a member.

Sugar: Scheme only covers the "free market" amounting to about 10 per cent of world crop, the balance being covered by long-term contracts, such as the US/Cuban agreement and the UK/Commonwealth agreement. Price stabilisation zone between 3.25 cents and 3.45 cents per lb. Maximum restriction 20 per cent below 3.15 cents per lb. Scheme has no buffer, but Cuba, the largest producer, independently withholds certain tonnages from the market.

Partial restriction schemes

Copper: No formal agreement, but leading producers in US, Canada, Chile, Rhodesia and the Congo have recently arranged to cut back this year's production by 10 per cent.

Coffee: The seven Central and South American producing countries have agreed to retain 10 per cent of their crops and ration exports reducing availability by about 20 per cent at the peak period, and certain of them are not to sell below published prices. African producers are not co-operating.

Aluminium: Aluminum Company of Canada has cut back production by 20 per cent, and several American producers have made cuts. To combat Russian competition Aluminium Limited is offering "loyalty discounts" of two per cent to British consumers who pledge themselves to continue to buy Canadian aluminium.

Monopoly selling arrangements

Nickel: International Nickel Company of Canada is the dominant seller in the western world and has cut production by 10 per cent.

Diamonds: The Diamond Syndicate handles about 80 per cent of the world's newly mined diamonds and has about £20 million available to hold stocks off the market if necessary.

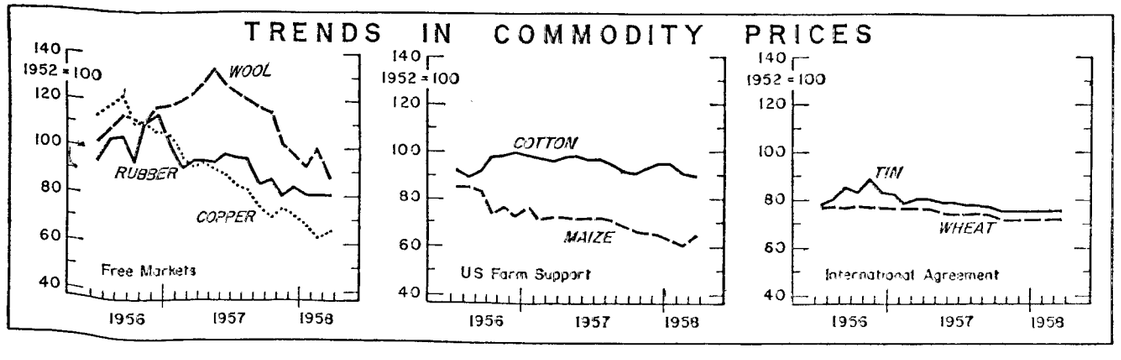
Limited support schemes

Tobacco, Wheat, Maize, Cotton: All supported in the United States by the Commodity Credit Corporation which has a total of $7,200 million invested in the US farm commodities. World prices are vitally affected by the prices (sometimes subsidised) at which CCC sells for export and by its barter deals.

Lead, Zinc: US domestic producers of lead and zinc are supported by the strategic stockpile (not the CCC) which until last year was also taking foreign lead in barter against wheat. Limited support has not prevented a sharp fall in prices.

Cocoa: The exception to the downward trend—has doubled in price in the last year, owing to a low West African crop. Selling is stiffened by the fact that the West African crop is handled by marketing boards. International study group is now meeting in London.

Wool: Only one of the major wool producing territories has any support arrangement. New Zealand operates a fund of £29 million to support, if necessary, New Zealand type wools.



so that when markets are weakening the fall may also be less. Such schemes have a great weakness, too, as the diamond syndicate found. It occurs as often as not on a rising market, when supplies at the controlled prices do not cover the demand and outside production is swelled by premium prices.

The weakness of the international quota scheme, with or without a buffer stock to help it, is caused mainly by the presence of the outside producer. This weakness has reached an absurd length in the sugar scheme. The so called "free market" in sugar, which alone the scheme regulates, comprises only about 10 per cent of world crop, large tonnages being covered by private international bargains like the UK-Commonwealth deal. In that marginal tonnage of "free sugar" price fluctuations despite control have been wide. But the weakness is present also in the tin scheme which provides an umbrella for Russian and other outside producers. That weakness can naturally be reduced by fixing the "floor" price low—so low that the outsiders gain little from being outside. It might have been wiser to fix the tin support price at £640 a ton as originally intended instead of at £730; that would have given the outsider less incentive to increase his output. But whatever the figure, the outsider who can produce at the floor price at a profit is always better placed than the member of a scheme whose production has been restricted, for the outsider can spread his costs over full production.

The wheat agreement—something of a special case—has great weaknesses too. It is an import and export agreement with no powers to regulate production either in the exporting countries or in the importing countries, most of which are also producers. Moreover the largest importer—Britain—is not a member. But the scheme rests on the massive shoulders of the United States farm support policy. If farm loans had not been available, if the Commodity Credit Corporation had not mopped up the surpluses, if the combined United States and Canadian carryover had not been allowed to rise to over 1,500 million bushels (more than the whole harvest of those countries for last year) the wheat scheme would by now have fallen apart.

If those international cartels and those monopoly selling arrangements have great weaknesses, how much weaker must be the less formal producer's agreements, such as the understanding between most of the copper producers to cut back production 10 per cent this year, and the less comprehensive arrangements between the south and central American coffee producers to hold 10 per cent of their crops off the market this year. Less rigid they certainly are, and the coffee scheme looks weak without either African co-operation or effective control of production among the member countries. But the objectives are less ambitious too. The aim is not usually to hold a price firm at all costs but to smooth out movements—to cover a retreat or to minimise weak selling. And that limited aim may be easier to attain. That would seem true of copper, where one at least of the groups, Rhodesian Anglo American, has been able to concentrate its whole cut on one mine, close it and run the others at full economic output.

The ideal commodity scheme has not yet been invented. Prolonged and severe bear markets could reveal weaknesses in all the schemes that now exist. But if this recession is a modest one there are likely to be more commodity support plans in operation at the end of it than there were when it began. Those of them that will come through it best are not necessarily the most rigid, nor those that were designed to help the underdeveloped tropical countries. The almost bottomless American purse is still the best support a commodity can have. The Commodity Credit Corporation, despite efforts to cut down its farm support expenditure, is still estimated to spend over $3,000 million on commodity support this year; and how steady are the price charts for wheat, maize and cotton compared with those of other commodities. Producers less favoured by the American fairy godmother will still have to stick it out until confidence returns to American consumers.

DECENTRALISED POWER—I

New Pattern for Electricity

It is one thing to pass a bill through Parliament; another to reorganise an industry. The Electricity Act that became law last July neatly separated the functions of generation and bulk transmission of nationalised electricity in Britain from that of its retail distribution. It could not as neatly define the working relationships between the different bodies which it charged with responsibilities regarding "an efficient, co-ordinated and economical system of electricity supply" under this new dispensation. These are new groupings, composed for the most part of people who were already busily engaged in conducting a big existing industry efficiently. The *modus vivendi* between them can only be worked out in practice.

The Act divided executive responsibility for the industry between:

- a new **Central Electricity Generating Board,** which is a business making electricity and selling it wholesale to retailers. It is at present selling about 85 billion kilowatt-hours a year, for a yearly turnover of about £300 million. It employs some 52,000 people, on power stations and a transmission grid today worth, at

written-down historical cost, some £1,300 million. To these fixed assets it is adding new fixed assets at a rate of about £150 million a year;

and the 12 existing Area Electricity Boards, which buy this electricity wholesale and retail it for something over £400 million a year to the public. They do so through a distribution system which with offices, showrooms and ancillary plant is worth about £950 million; their combined fixed investment is now about £90 million a year. They employ about 130,000 people.

The Act moreover set up an Electricity Council upon which the chairman and two members of the generating board, and the chairmen of the area boards, will serve, along with five members appointed directly to the council—a chairman, two deputy chairmen, and two other members. This council has the duty of advising the Minister of Power on electricity, and of "promoting and assisting the maintenance and development by electricity boards" of the supply system. Specifically, it has the job of raising new loan capital for the industry, whether as at present by means of advances from the Exchequer or as formerly by the issue of British Electricity Stock; it is instructed to see that a general programme of research is carried out in the industry; and to arrange for the establishment of machinery to settle terms and conditions of service in the industry. And it has power, "if so authorised by all the Electricity Boards," to perform services of common interest to the boards. Its executive functions are therefore few, though as the body issuing stock it is classed in the Act as a trading organisation: it has retained some of the former Central Electricity offices in the West End of London, and has a staff of about 500.

The jobs of the generating board and the area boards are thus clear and commercial; each is given the familiar financial duty of securing that its revenues are not less than sufficient to meet current outgoings "taking one year with another." The role of the Council and its relations with the executive boards have not yet fully emerged. So far, the Council has taken over ownership of the industry's research laboratories, but the people working in these, almost entirely on projects concerning generation or bulk transmission, are employed by the generating board. When that board completes new laboratories that are already being built, and if the council should find it necessary to undertake research itself for the area boards, it could do so there—though a good deal of research in the distribution and consumer field is already undertaken by the Electrical Research Association and the Electrical Development Association. As to terms and conditions of employment, the existing joint consultative and negotiating bodies are being carried on under the ægis of the council (though this would not be the only possible interpretation of the provisions of the Act).

The only indication of the relative importance attached to these different bodies by the Government came last year in the fixing of salaries for their respective chairmen: Sir Henry Self, chairman of the Council, receives £10,000 a year, as does Sir Christopher Hinton, chairman of the Generation Board, while chairmen of the Area Boards receive £6,500 apiece. In Whitehall jargon, this rates the advisory council as "a major board" along with the big bulk supply business. But these may have been rates for the gentlemen rather than rates for the jobs. It would be foolish to ignore the fact, as formal relationships within the new organisation of the electricity industry begin to crystallise into practice, that the former chairman and two deputy-chairmen of the Central Electricity Authority which this new organisation has replaced are the core of the directly appointed membership of the Council.

BE that as it may become, decentralisation within this nationalised industry has not ended with the specific provisions of the Act. As the Herbert Committee suggested in 1956 and as Mr Aubrey Jones, the minister responsible for this Act, intended in introducing it, the generating board is devolving responsibility for the day-to-day operations of the generation system outward into the existing divisional organisation of power supply. The 11 generating divisions are being given greater managerial responsibility, comparable perhaps to that of an ICI operating division; five regional directors have been appointed; these again could be compared with ICI "group directors." These five directors, with the assistance of three "engineering project offices," will be responsible for development and plant construction within their regions, as well as for general administration "within broad policy rulings laid down by the Generating Board."

Only a small section at the generating board's headquarters, under Mr C. R. King, the deputy chairman, will therefore be concerned with day-to-day electricity supply: though the national control of the grid system, which transfers blocks of power around the country from the marginally least expensive points of generation to the areas where it is in demand, must continue to be operated from the top floor of the generating board's headquarters at Bankside. Devolution of operating responsibility in a nationally integrated power supply network, in the last analysis, is limited by the nature of the technology. Even today, the power station superintendent is a highly trained engineer and executive who operates his stations in accordance with precise instructions delivered from remote regional or national grid control centres, using coal bought centrally and paying his labour rates determined centrally. Quite inevitably, the industry can see the time approaching when remote control will be used to switch in the power stations from the control centre, instead of ordering them in by teleprinter. Yet the skilled engineers will still be required in attendance at these automatically controlled plant that will make practically no demands upon them for 99.8 per cent. of the time; because on the other two occasions in a thousand automatic control may be unable to deal with some unexpected

disturbance that will need all their experience. Keeping good men satisfied in such circumstances will certainly become one of the great managerial preoccupations of the Central Electricity Generating Board, as of top management in other process industries. Immediately, however, its first preoccupation must be with the introduction of nuclear power into the British electricity system.

This nuclear programme, as increased last year and as slightly cut back last autumn, will make the next decade a testing time for the reorganised electricity supply industry, and not merely for the one board upon which the main responsibility falls. The revision of plant location that it must bring, countering the trend towards generation on the Midlands coalfields with a centrifugal movement towards coastal sites, has already caused revision of plans for the 275,000 volts "supergrid"; it must, moreover, sooner or later affect the bulk supply tariff at which power is sold to the area boards. Pushed far enough, perfectly justifiable revisions of the bulk tariff could have the fortuitous effect of greatly benefiting certain area boards and throwing others into deficit. These boards, newly independent and newly required to make ends meet, will have something to say about that—in the Electricity Council? Certainly the extent to which different boards will themselves be prepared to take risks with really effective differential tariffs for off-peak distribution will vary according to circumstances. Tariff principles offer a good example of the kind of subject in which two or more boards have a common interest, upon which the council might conveniently "promote and assist co-ordination." But most of the problems attending the development of nuclear generation fall in the area where the Generating Board has a clear and complete responsibility—shared technically, perhaps, only with the Atomic Energy Authority. And on the most important of these, which will be discussed in an article next week, co-ordination can be of no assistance. They are questions of economics, technique—and time.

BUSINESS NOTES

Down One Per Cent

THE Bank of England has announced a reduction in Bank rate from the crisis figure of 7 per cent to the merely high one of 6 per cent and in timing the announcement has sprung, once again, a tactical surprise for the markets. In accordance with tradition in adjusting very high rates, the reduction was by a full point, instead of the ½ per cent step that is more usual when rates are not abnormally high. This is indeed the key to this first easing of any of the measures taken at the moment of sterling's extreme peril last September. The psychological *volte-face* that occurred in the exchange market six months ago has been followed by a healthy rebuilding of confidence in sterling and the impressive increase in the gold reserves shown by the end-February statement. Recently, indeed, there have been some signs of a speculative inflow of funds, making it still clearer that the special rate had achieved its special purpose in the exchange market.

Thus this reduction is not intended to imply any change in the Government's domestic economic policy as a whole. It is not designed as a "reflationary" move like the action by the central banking authorities in the United States, nor is it intended as a "green light" that signals the lifting of restraints. All the other measures of last September—and notably, in this context, the direct restraint on bank advances—continue in full force.

The City and the Date

IN the city the issue has long been not whether but when the seven per cent rate should be dropped. The date chosen falls roughly mid-way between the views of those who thought that seven per cent should go as soon as the sterling crisis was over and those who would have preferred to see the budget and the wage arbitrations disposed of first. It now appears that the Bank and the Treasury feel, rightly or wrongly, that Bank rate is neither directly a pointer to the budget nor a decisive influence in the wages argument. There are other reasons beyond credit restriction that will make wage increases now hard to get.

	Sept. 20, 1957	Mar. 12, 1958	Mar. 19, 1958	Mar. 20, 1958
Assoc. Elect. Inds.	54/9	50/9	49/9	52/–
British Petroleum	100/71*	91/10½	88/9	92/10½
Courtaulds	28/9	26/1½	25/1½	26/7½
Guest Keen	46/3	46/9	45/6	46/9
ICI	39/–	39/3	39/6	40/3
Marks & Spencer "A"	45/9	40/3	39/–	40/6
Rolls-Royce	100/–	90/–	90/3	92/6
Stewarts & Lloyds	22/6	21/7½	20/9	21/3
Turner & Newall	60/–	56/1½	56/7½	58/–
Unilever Ltd.	86/3	73/6	71/9	74/7½
War Loan 3% 1955/59	94½	97 13/32	97½	97½
Funding 2½% 1956/61	88	93 9/32	92⅞	93⅜
Conversion 4½% 1962	93¾	97 13/32	97⅜	98⅛
Savings 3% 1960/70	74	76 9/32	75 31/32	76⅜
British Gas 4% 1969/72	81	84 9/32	83 15/32	83 25/32
British Trans. 4% 1972/7	78	81 9/32	81½	81¾
Treasury 3½% 1977/80	69½	74 9/32	73⅛	73½
Funding 3½% '99/2004	63½	68 9/32	68⅛	68 11/32
War Loan 3½%	61½	64 11/32	64⅜	65 1/32
Consols 2½%	44½*	48 5/32*	48 1/32*	48 1/32

* Ex dividend

The Bank chose a quiet period when the inflow of foreign money that had been substantial at the beginning of the month had died down and when the buoyant gilt-edged market was temporarily surfeited with new issues and it produced a technical surprise. The table shows the impact

of that surprise on Thursday's stock exchange prices. Industrials rose sharply, but without any great volume of business. The movements reflect largely closing of "bear" accounts, largely by jobbers. Gilt-edged rose sharply all along the list. They rose particularly sharply at the short end of it. The discount houses were buyers of short-dated stocks, replenishing perhaps portfolios that they had allowed to run down a week or two ago when some industrial companies were big buyers of shorts.

Two features of the reaction give particular satisfaction to the authorities. Recent issues not yet fully absorbed found a ready demand, the Australian scrip rising from one point discount to par and the Belfast stock from 1¼ discount to ⅝ discount. This seems to clear the way for at least one more gilt-edged issue before the close season of about three weeks that occur and cover both Easter and the budget. It also clears the way for moving away from the 6 per cent interest coupon. The Government broker also experienced a heavy demand for the 5½ per cent stock of 1966. Government funding through the market is intended to continue as forcefully as ever and the Government broker has only raised his selling price on both the 5½ per cent stock of 1966 and on the 5½ per cent stock 1982-84 by approximately the amount that he would in any event have allowed for accumulated interest.

Hopes in the Market

THE authorities may fear that a difficult period must develop in the autumn, when seasonal pressures turn against sterling. It may also be an open question in which direction Bank rate will next be moved, but the Bank of England obviously does not believe either that the bull market in gilt-edged has been killed by the reduction in Bank rate or that sterling has been seriously weakened. There is support for that view in the fact that the difference between the Bank rate of 6 per cent and the Federal Reserve rediscount rate of 2¼ per cent is wider now than it was at the end of last September when the re-discount rate was 3½ per cent and the Bank rate 7 per cent. It is not as wide naturally as it has been in recent weeks and in anticipation of a smaller inflow of funds on covered arbitrage the premium on three months' dollars narrowed from 2⅛c-2⅜c to 2⅛c-2⅛c. But sterling stood up well. The spot rate against the dollar was $2.81⅛ on Wednesday night; it dipped to $2.81 5/16 immediately after the Bank rate announcement, but had largely recovered to $2.81⅛ by Thursday's close.

Impact on Money Rates

FIXED rates quoted by the clearing banks and in the money market are all being reduced by a clean one per cent; the big question mark on Thursday was over the Treasury bill rate at Friday's tender. The rate paid by the banks, and the discount houses, on their deposit accounts comes down from 5 to 4 per cent. The cut of one per cent in the rate on bank advances means that the state boards will now pay 6 per cent, "blue chip" companies 6½ per cent, good "average" borrowers—including some personal borrowers—7 per cent, and marginal borrowers 7½ and even 8 per cent. Lending rates at the Scottish banks also came down one per cent, to 7½-8 per cent. The banks previously had been finding that their task of fending off would-be borrowers had been eased by the deterrent of the high rates; the effect of the one per cent reduction remains to be seen.

The banks' minimum rate on call loans to the discount market comes down to 4¼ per cent; this is paid only on "good" money, which may represent about half of the total. Rates on the remainder will remain flexible, and the average rate on clearing bank money is expected to be about 4½ per cent, compared with 5½ per cent. With the bill rate in the past few weeks hard on 6 per cent—the absence of a further reduction and the decline in total applications at the tenders is evidence of the market's surprise at the Bank rate reduction—there is now plainly scope for a substantial fall in the rate. The capital appreciation on bills held in portfolio will give the discount houses a much-needed relief, a partial offset to the hard knock of last September.

Several hire purchase finance houses paying a fixed percentage over bank rate for deposits, such as 1½ per cent over Bank rate for six months' money and one per cent over Bank rate for three months, are expected now to make the appropriate reduction.

COAL

Signs of Panic

THERE seems little doubt that the National Union of Mineworkers will accept the suspension of Saturday working in the mines this summer, and the continued suspension of recruitment in mining, which have been proposed to it by the National Coal Board as economy measures in view of the falling demand for coal. It seems possible, however, that they will carry on in public their opposition to further switching over to oil: that of the Coal Board has been pressed in private. There is little that the union can do but accept the closing of uneconomic pits that are becoming worked out, which has been going on for years; on the other hand it is rather doubtful whether the Board should think of closing high cost pits other than these.

One would expect panic restrictionism from the miners who see their employment threatened. More disturbingly, there are slight signs of it in the Coal Board, too, in the face of the continued fall in coal consumption. The Board managed to rationalise last year's fall as due to warmer weather, the lack of any increase in industrial output, and, only third, to the effects of industry's switching to oil. But the fact that consumption has gone on down this year has really alarmed Hobart House. Certainly its coal stocks are costly, and it is not at present earning enough to cover its interest payments—though this is not exactly a new experience. For the moment it might be best advised to summon up some of the phlegm with which it was prepared to regard coal shortage to deal with what will probably still be only a temporary surplus, vanishing when recession ends; but it may be more worried about the length of the recession than other people.

PLANNING

Steel in the Long Run

NO long-term programme of capital investment in Britain has ever been explained more fully in public than the current 1957-62 steel programme was last year in the Iron and Steel Board's special report on development. But this week, in a paper on "Industrial Production and Steel Consumption" to the Royal Statistical Society, Sir Robert Shone, executive member of the board, and Mr H. R. Fisher, its chief statistician, described in greater detail the way in which estimates of future steel demand had been prepared—in association with an official working party considering possible long-term development of the British economy. There are two major steps in such an exercise: calculating from the examination of past data the relationship that existed and may exist in future between steel consumption and various other indices recording the performance of the economy: and then deducing what kind of a rate of expansion is possible in the economy over the period in question. This second is essentially an exercise in circular reasoning with the best information available; assessing the implications of various rates of expansion, and choosing the highest that can be achieved without running into limiting factors that cannot be overcome. In Britain, the key limiting factor is usually the balance of payments.

The board's statistical analysis of the relation of steel consumption to economic growth in this country has been taken to a considerable degree of refinement. The broader estimates to which it was applied must contain a considerable element of official policy as well as of economic and statistical calculation. There can be no alternative to such forecasting so long as it takes four or five years to commission a new steelworks (and the same applies to power stations, oil refineries or chemical works, while the periods for coal mines or railway electrification tend to be longer). Any prudent statistician, ideally, would shrink from chancing his arm quite so far. But the only way to avoid it would be to have proportionately much bigger capital goods industries in the economy, which would be able to do these vast jobs more quickly; and that in itself might give the circular reasoning one more twist.

Lifting the Limits

AT the heart of such exercises in guessing at the rate of growth that might be practicable for the British economy, as Sir Robert Shone and Mr Fisher pointed out, "is the belief—or fear—that too rapid a growth in industrial production may itself aggravate the balance of payments problem." Higher production involves higher imports: "with the country on a knife edge of this sort, there are clearly difficulties in pushing up the rate of investment and the rate of industrial progress." The authors had, however, some tentative suggestions to canvass that would moderate the claims of consumption:

> larger current contributions from the public to the Welfare State, such as the Labour Party's plan for an extension of superannuation. "This plan has at its core the proposal to cut current consumption . . . [and] . . . to divert the surpluses coming into the fund in the early years into investment";
>
> collection of a greater proportion of the cost of welfare services through employers' contributions, and of less through the budget, increasing the direct cost of labour to industry and allowing adjustments in tax that might possibly "reduce some of the elements involved in capital costs";
>
> reversing the apparent tendency of publicly-owned industries (e.g., gas, electricity and the railways) to increase their charges to industry more than to the domestic consumer.

If such changes were made, the authors realise, the cost of living would rise, followed by wage claims.

"If these claims were met," they say, "to the extent of leaving real incomes in Britain as before, the wage level in Britain would be higher, but the final price of manufactured goods should not be altered." The object of the exercise would be to raise labour costs in relation to the cost of manufactured goods generally, but particularly to the cost of plant and equipment. This kind of disinterested advice may not commend itself particularly to either side of wage negotiations—or even to more orthodox critics on the sidelines such as the Council on Prices Productivity and Incomes. But it is worth noting that they are not plucked out of the air: they come from comparisons with other Western economies such as Germany, where these greater incentives to employers to invest do exist—and where investment is in fact higher.

RESTRICTIVE PRACTICES

More Cases for the Court

RESTRICTIVE trading agreements concerning over 20 different trades are included in the Board of Trade's third priority list of agreements to be referred by the Registrar of Restrictive Trading Agreements to the Restrictive Practices Court. Eventually, all of the 2,000 or so restrictive agreements on the register are to be examined by the court, which will decide whether they are in the public interest or not. Priority has now been given to about 60 different trades, whose agreements account for nearly a quarter of the total register, but in bringing the first cases before the court the Registrar selects, in each trade, only those agreements that appear to him to be most important or typical. Motor cars, commercial vehicles and tyres are included in the latest list; so is paper, and the distribution of newspapers and periodicals—but not books; agreements between suppliers of material and equipment to the building and contracting industries are well represented; others concern more homely products like baths and bedsteads—and even dustbins.

The Registrar has already had his initial victories. Nineteen of the agreements included in the Board of Trade's two previous directives were abandoned, or had all registrable restrictions removed, after the signatories heard that the Registrar was about to open proceedings; three more were abandoned after proceedings had started but before the case reached the court, and parties to some other agreements have informed the Registrar that they intend to abandon theirs. This leaves, out of the first two directives, a hard core of 43 cases that are now being prepared for the court, and these will be augmented shortly by the cases arising out of the third directive. In 28 of the 43 cases now proceeding, the respondents have needed an extension of time for the delivery of their statement of case; in most of the remainder the period provided for in the rules is still running. In all 28 cases an extension was agreed by the Registrar, and for eleven of them a further extension was granted by the court. Statements of case have now been filed by the respondents in 14 cases and are expected shortly in 17 more. The Registrar has so far formally "replied" to only three of the 14 statements of case he has received; here also an extension of time beyond the six weeks provided for in the rules is generally required. The company or association is then allowed a rejoinder, and when this is received the issues for the decision of the court are considered to be defined. This stage has not yet been reached for any trade.

STEEL ISSUE

South Durham Failure

SOUTH DURHAM Iron and Steel Company's issue of £8 million 6 per cent convertible debenture has been a failure—a failure that portends difficulty for future steel financing operations. City institutions responsible for the issue took the job of finding necessary finance for the steel industry while it is threatened with nationalisation seriously and pitched the terms of the £8 million debenture issue as attractively as they could—a 6 per cent stock at £95, half of it convertible into ordinary shares on terms that were calculated to offer investors reasonable protection against the financial risks of nationalisation. Yet investors fancied little of it and it is disclosed that 93 per cent of the total has been left with the underwriters. In bidding for investors' support the issuing authorities knowingly accepted the unpleasant consequence of forcing down substantially the price of the similar stock of Colvilles.

Lists had been closed before the Bank rate decision and it is possible that on the basis of a 6 per cent Bank rate the result might have been less disappointing. But for the steel industry, committed to plans and therefore needing money now, the outlook is not encouraging. What hope for example has Consett of financing its plans? There remain two possibilities for steel companies needing money. The Iron and Steel Holding and Realisation Agency has power, if it gets Treasury consent, to make loans, to give guarantees as to principal and interest or to subscribe for securities of those steel companies in which it still holds securities to a substantial extent. The words "substantial extent" have not been defined. Nor has the question whether Treasury consent would be forthcoming been answered. It would obviously be granted only reluctantly for it would to some extent be the reverse of the denationalisation operation which is ISHRA's job. But in the bulk of the denationalised companies the agency still holds some prior charge capital that would probably qualify as a substantial investment within the terms of Section 20 of the Act. The other alternative that might be appropriate for those steel com-

Feeling Industry's Pulse

QUICK assessments of the climate of business by what is known in statistical jargon as the *konjunkturtest* method have become common in Western Europe since the war: the Federation of British Industries has now introduced the method to this country, and published its first findings—covering the views industry recorded in late February and early March—last week.

The main feature of this method is that it is addressed to top management—in the FBI's case, to chairmen or managing directors of 750 companies—and that these managers are not asked for any figures. They are asked for a rapid appreciation of their company's situation in qualitative terms: the questions are couched so as to ask whether on a variety of aspects the company is doing better than it was, about the same, or worse. The key advantage is speed: and also, perhaps, that a fair proportion of the answers, arriving by return, appear to have been given straight off the cuff by men right at the top of business, rather than by subordinates less likely to have a full picture of the firm's fortunes.

The results of the FBI's first experiment with this kind of survey are set out in the table. Where their respondent's answers can be checked against other statistical indices—for example, figures of production, stocks and manufacturing figures collected by the Board of Trade—they appear to be broadly in line, which adds credence to the rest of the data. The sample was not stratified to attempt a precise cross-section of British industry: the 542 replies received (a very good response) came about equally from firms employing from 10-200 workers, those employing 200-700 workers, those with from 700 to 2,000, and the big ones employing more than 2,000 workers each. In effect, these particular firms may represent about a quarter of the output of British industry (allowing for the fact that the vast fringe of workshops with less than 10 workers each include a large number of repair shops and service establishments). The big firms, incidentally, tended to sound rather more pessimistic than the small.

The federation has also classified the replies from firms into four industrial groups: metals engineering and vehicles, building materials, textiles clothing and footwear, and "other industries" (which last includes food, drink and tobacco, though somewhat under representing them, and the chemical trades). Broadly, the different patterns of replies suggest that the first, engineering group, was doing about as well as the whole sample; that the building materials and textiles groups were doing rather worse; and that the "other industries" were doing rather better than average.

All of the questions to which answers have been published—except for those relating to the amount of money business expects to spend on fixed investment this year, and the amount that it expects newly to authorise this year—are based on a comparison of the current business outlook with six months ago. The federation is going to repeat its survey—perhaps quarterly, or at other convenient times—and might later perhaps be able to publish some of its members' specific estimates of the forward course of business. Some pointers to this, incidentally, are given in its figures about how the current rates of new orders compare: it should not be ignored that these are the first indications about new orders that British industry as a whole has ever been prepared to publish.

This unweighted method, by its very nature, requires cautious interpretation: 20 concerns reporting that their business is down could in terms of output value outweigh 40 on the other side saying that business is up. But its speed, its approach to the top men in industry rather than their statistical departments, and the broad coverage of its questions make it a valuable addition to short-term business indicators—the ones that are always most in demand, and most deficient. The FBI is to be congratulated on this expert and successful move into a field in which in this country perhaps only an organisation as trusted by industry as itself could successfully venture: and also, perhaps, upon a solid and sensible advance in communications between industry in general and the public.

RESULTS OF THE INQUIRY
Percentages of Total Replies
(Largest percentage in bold type)

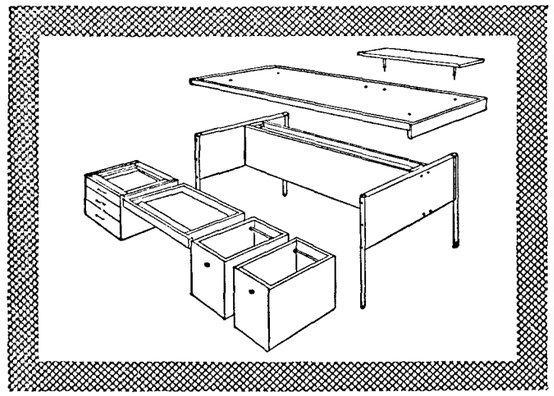
PAST SIX MONTHS

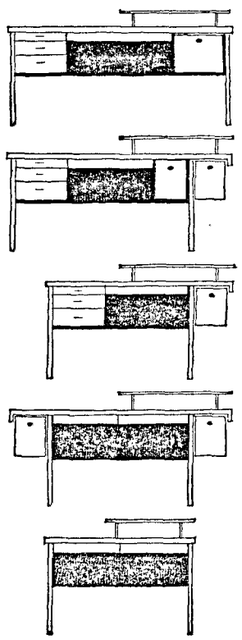
	Up	Same	Down
New orders	25	29	**46**
Output	**35**	33	32
Home deliveries	30	**35**	33
Export deliveries	26	**34**	32
Hours worked	9	**63**	27
Numbers employed	22	**49**	29
Profit margins	6	33	**60**
Stocks of :—			
Raw materials	28	**38**	31
Work in progress	30	**48**	22
Finished goods	34	**37**	29

1958 COMPARED WITH 1957

	Up	Same	Down
Capital expenditure on :—			
Buildings	23	30	**42**
Plant, etc.	**34**	30	**31**
Capital authorisations :—			
Buildings	13	26	**51**
Plant, etc.	20	28	**43**

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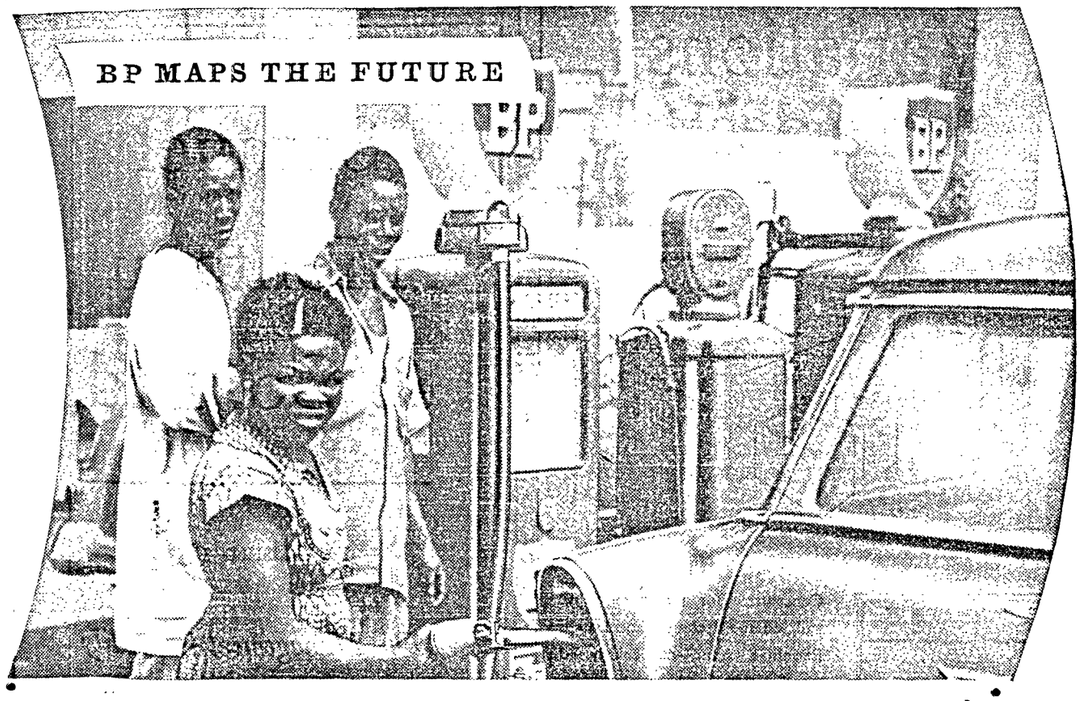
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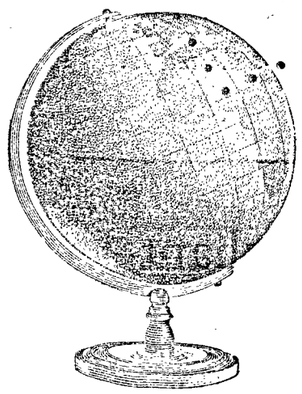
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funds that the agency has wholly sold as well as for those in which it still holds prior charges is to turn yet again to the Finance Corporation for Industry.

RHOANGLO ISSUE

Pointless Intervention

THE tug of stock market forces is the best and least arbitrary test of any new capital issue. But the Government has chosen to interpose Treasury consent between the would-be borrower and the market and has appointed the Capital Issues Committee to advise the Treasury. That committee, working on Treasury instructions that are public knowledge but not wielding a rubber stamp, does not explain its decisions. Some of them appear arbitrary and inexplicable. The trimming of the Rhodesian Anglo American issue is one such. Why be tough with that company and not another? Why, as the statistics appear to show, be tougher with overseas than with domestic applicants? Is the development of Commonwealth resources any more or any less precious to the Government than the growth of British industry?

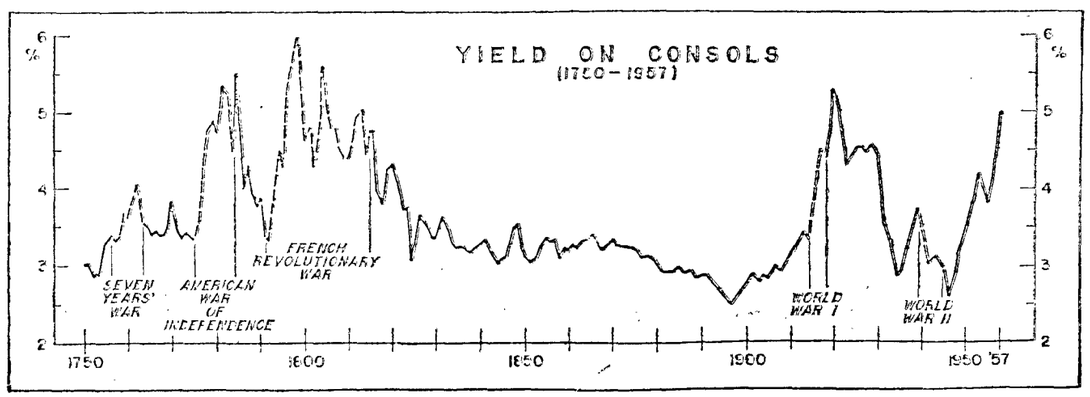
To pay for the further development of Bancroft and other mines in the copperbelt, Rhoanglo proposed to offer to its ordinary shareholders, of which less than half are British residents, £4 million of a 6 per cent loan stock at 95 in the ratio of £3 of loan stock for every 10 ordinary shares held. Subscribers were offered the option at any time up to March 31, 1963, to take up 1,000,000 ordinary shares in Rhoanglo at 80s. a share either by the tender of the loan stock or by cash in the ratio of one share for every £4 of loan stock held. The CIC however decided that only £500,000 of the loan stock could be offered to shareholders in this country and that it could not allow shareholders on the British register to take up the options by offering cash. What prompted the decision? Was it because Anglo American, which is an overseas shareholder

Consols Then and Now

INTERESTING reflections on the historical perspective of the present level of yields in the gilt-edged market were made last week by Professor J. R. Hicks in a paper entitled "The Future of the Rate of Interest" read before the Manchester Statistical Society. Professor Hicks pointed out that the postwar doubling of the yield on Consols, from 2½ to over 5 per cent, was unprecedented, in times of peace, over the whole two hundred years in which Consols have been in existence. Indeed, with the exception of the early 1920s, the yield of 5 per cent has not been seen in peacetime since the late eighteenth century—the aftermath of the American War of Independence. In the long peace of the nineteenth century, the yield was remarkably stable at between 3 and 3¼ per cent, ending the century even lower and enabling Goschen to make the conversion from a 3 per cent to a 2¾ and then 2½ per cent coupon.

After the unprecedented achievement of a cheap money war, the interest rate has sprung to record levels. The underlying reasons are well known—the great demand for capital and the persistent inflation. Professor Hicks now asks: if inflation is ended, can a substantial decline from these peaks be expected? The conditions of the nineteenth century are little guide; the stability then reflected in large degree the absence of financial crises, as we now know them; in the nineteenth century style crisis, a Bank rate of 7 per cent caused no more than a ripple in the Consols yield curve. Today, Professor Hicks points out, "experience of financial crises (with high short-term rates) is itself a factor tending to raise long-term rates for quite a time after each crisis is over."

Why then the contrast with the thirties? Then, exchange stability was discarded as an aim of policy; at a time of pressure, the exchange was let go and interest rates kept down. Since the war there has never been any real choice about whether this system could be restored; for the reserves have not been large enough to assure the world that Britain could keep a floating rate under control. Devaluation or a floating rate have never been an alternative to high interest rates. High rates have reflected not only Britain's inflation and its great demand for capital investment, but also its deficiency of liquid capital. It follows that, to get rates down, it is not enough—though it is, of course, one prerequisite—to end inflation. Britain also needs an injection of more international reserves, perhaps on the lines suggested by Sir Oliver Franks. All this is unexceptionable; though the prospect for interest rates here might surely be altered, too, by a really big change in the climate of the world economy.



in Rhoanglo and which is underwriting the issue, has just raised some new money over here? Were the cash options turned down because if the options were exercised in this way that would in effect amount to a further cash issue?

Whatever the reason, all that the CIC's intervention has done is to drive the ownership of Rhodesian Anglo American still further overseas. British shareholders have now been given the right to apply for £500,000 of the loan stock (so they may not get all they apply for) and

THE YEA AND THE NAY

	Applications £ mn	Allowed £ mn	Refused £ mn	Amount refused per cent
Total :—				
1954	1,104·0	1,087·8	16·2	1·5
1955	1,088·9	1,056·2	32·7	3·0
1956	1,054·7	964·6	90·1	8·5
1957	1,703·0	1,369·1	333·9	19·6
Of which: Overseas (excl. governments):—				
1954	98·3	95·0	3·3	3·4
1955	67·1	60·8	6·3	9·4
1956	51·5	45·9	5·6	10·9
1957	324·8	101·9	222·8	68·6

they will be able to exercise their options only by the surrender of stock. The remaining £3½ million of the stock is offered to overseas resident shareholders, who alone in effect will be able to secure excess allotments. This the new money for the copperbelt will be provided either through full application lists from the public or through Anglo American, which can either take up the stock as an underwriter or apply for excess stock as a shareholder in Rhoanglo.

BANK CREDIT

Advances Lose their Buoyancy

A CLEAR indication of the falling pressure on bank advances emerges from the latest quarterly classification published by the British Bankers' Association for the three months to mid-February. This is a quarter in which demands on the banks are seasonally heavy, because money is needed to pay tax bills and carry stocks over the slack period before the spring. This year's increase is much smaller than usual, at £9.6 million. Advances by the clearing banks are up by £17.8 million; the other banks show a reduction, by £8.2 million.

The slackness of advances is fairly evenly spread throughout the classified groups. The only notable increases are for engineering and textiles other than cotton and wool, which have usually shown a strong increase at this season, and for quarrying—up suddenly from £3.7 million to £8.5 million, presumably representing some involuntary stock-building by those who supply the building industry. Agriculture and the food, drink and tobacco group show notable declines, and are also considerably below their levels of a year ago. The nineteen industry and trade groups together show a net rise of £2.9 million, the smallest in recent years; advances to these groups are now a little below their levels of February, 1957. In the financial and miscellaneous sector there are small increases to the personal and professional group, and to the other financial group (which includes the big financial corporations, and which made a big repayment in the preceding quarter).

STOCK EXCHANGE TRENDS

The Folklore of the Market

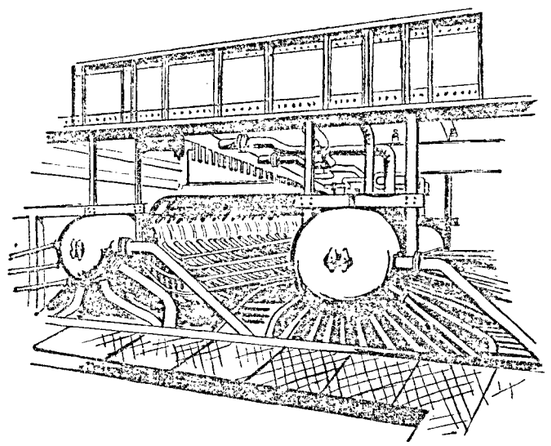
A FEW academic minds have occasionally been turned towards stock market values; Lord Keynes was no mean prophet and there have been other successes. How should one assess Professor Sargant Florence who, now engaged in a wider study, contributes an article in *The Three Banks Review* on what he calls the "folklore" of the stock exchange? He looks for statistical correlations (if any) between dividend yield and capital gains and between earnings yield and capital gains on ordinary shares over the fifteen years between September, 1936, to September, 1951. It was a period of inflation, beginning and ending with a peak of a stock market boom. Investors in 1936 were not buying equities in anticipation of fifteen years of inflation, of war or of a Labour Government; their short sight was focused on the first effects of Britain's limited prewar rearmament programme. The whole was a period of big changes in taxation, company structures, company law and in the composition of the investing public. Throughout much of it dividend restraint was common doctrine. Would Professor Florence's findings hold good for more recent years when dividends were being pushed up? Perhaps it would be better to look at his survey as a piece of economic history rather than as a representative period. Granted that limitation, how useful or valid are Professor Florence's conclusions?

Statistically, he concludes, there is "partial" confirmation of the "folklore" that in a period of inflation highly geared equities will gain more in capital value than lowly geared ones; that there is little or no evidence that equities with high earnings yields at the beginning of the period will gain more in capital value than those with low earnings yields; and that there is absolutely no statistical evidence that equities with low dividend yields at the beginning of the period will gain more in capital value than equities with high dividend yields at the beginning of the same period. Do these conclusions add up to anything more than a statement that investors do not always make the right pick? Moreover, Professor Florence has treated earnings yield and dividend yield as independent variables. Surely, it is the ratio of earnings yield to dividend yield that matters. Has Professor Florence considered testing the behaviour of equities according to the relationship between, say, earnings and dividends yields through the well worn device of times covered?

The Myth of the Market

BUT Professor Sargant Florence makes the greatest play with a discovery that over a period dividend gains (that is the sum of dividends received) are closely correlated with capital gains. No investor had ever assumed otherwise. Although to different types of taxpayer the two have different weights they are still two sides of the same coin. An investor buys shares in the expectation that earnings and dividends will rise, carrying the price of the shares up. What Professor Florence has sought to destroy is not a criterion of investment policy but an insubstantial myth which does not impinge on any investment decision. His findings, which in effect boil down to the statement that high yielding shares over a long period of time may do

High-pressure Steam



The higher the pressure and temperature the higher the thermal efficiency attainable in a boiler. With thirty years' experience of large power station and industrial steam plant, Simon-Carves have for some years been developing designs for extra-high-pressure forced-circulation boilers capable of steaming at 'super-critical' pressures, with a marked increase in thermal efficiency and many other advantages. They are now building for the Steel Company of Wales the first such plant in Britain, which will generate 240,000 lb per hour of steam at 3,300 lb per square inch and 1060°F with re-heat to 840°F—the most advanced steam conditions ever commercially used in this country.

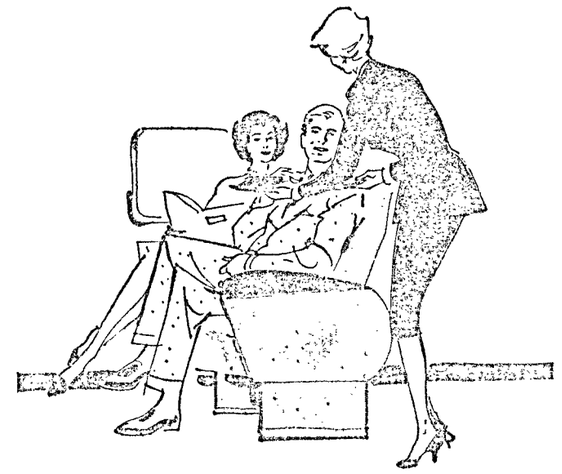
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SCANDINAVIAN AIRLINES SYSTEM

as well as low yielding ones, will not alter the way an investment decision is taken. An investor will continue to look at the relationship between current earnings and dividends, at the management of the company, and at economic and industrial prospects. He will continue to make *ad hoc* decisions; some of his guesses will be right and some wrong.

NICKEL

Production Cut Back

COPPER, aluminium and now nickel: one by one the metal producers, seeing demand falling away just at the moment they had new capacity ready to go into production, are being forced to cut back output. International Nickel, producing about 25 million lb of nickel a month out of a free world total of 40 million lb, is cutting its nickel production by 10 per cent, or 2½ million lb a month. The company is still the dominant seller in the western world, though its share in world production has been declining. Current production of this and other producers is now much in excess of market demand as well as of consumption; stocks of unsold nickel in the hands of the company and the United States government are close to 100 million lb, and that excludes stocks held by the American stockpile and by consumers. The 10 per cent cut is described by the company as the minimum required at present. It is accompanied by a similar cut in the output of subsidiary metals refined from nickel ore, including copper and platinum. The surplus has arisen largely because of the depressed state of the US steel industry. Defence needs and stockpiling had accounted for about 40 per cent of world consumption and were responsible for the stepping up of production. The fall in defence requirements freed more nickel for civilian use and the additional supplies were readily absorbed until the recession gathered momentum. The suddenness of the turn round in the market looks surprising. Mr John F. Thompson, the chairman of International Nickel, explains it thus: "Civilian industry, accustomed for eight years to thinking in terms of inadequate supplies of nickel, has not had sufficient time to adjust itself to conditions of plentiful supply."

But there is ample evidence in the full report of International Nickel that the company has not lost faith in the longer term outlook. It is pushing ahead with the development of new sources of supply in Manitoba, due to come into production in 1960. Last year capital expenditures at $44 million were the highest in the company's history. But they will be dwarfed this year when further outlays on the Manitoba project are expected to raise total expenditures to between $60 million and $70 million. This does not suggest that the International Nickel directors are taking a "bearish" view. They have chosen to cut production rather than to reduce prices and British consumers will still have to pay £600 a ton for the metal. It remains to be seen how this cut back in production will affect shareholders in International Nickel, who received a maintained dividend of $3.75 per common share for 1957 despite the decline in earnings from $6.50 to $5.90 per common share.

Procrustes Flies the Atlantic

TEN days from now, on April 1st, the 14 airlines operating on the North Atlantic will introduce their new, third class services at fares 13 per cent below current tourist rates and 20 per cent below the higher tourist fares that will also be brought in then.

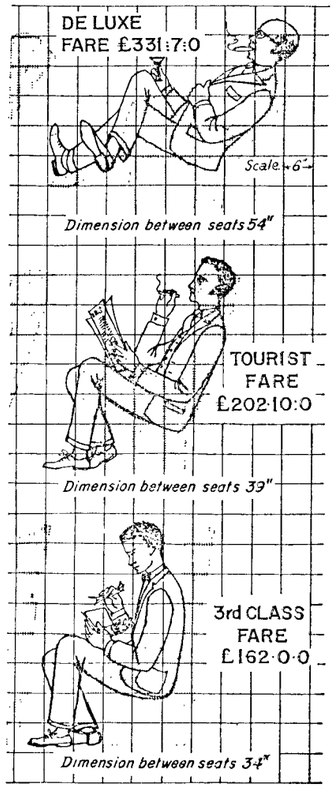
For a price concession as high as £40 on a London-New York return ticket, the airlines expect to extract a decent toll of discomfort from their passengers. The scale drawings on the right show very roughly (perhaps not too unkindly) how it is intended to combine this with the packing of an extra number of seats into a given section of cabin.

The most precious commodity on an aircraft is leg room, measured from the back of one seat to the back of the next. The technical term for it is "pitch." Secondarily, it is governed by seat design. The practice among airlines is to provide a lavish allowance of leg-room on de luxe services: the top drawing illustrates the 54-inch pitch used by BOAC. For standard first-class services (not illustrated) the pitch is generally 42 inches although on one or two airlines it is as little as 40 inches. On tourist services, the majority of airlines provide for a 39-inch pitch, but some, such as SAS, Swissair and Iberia, have trimmed this to 37-38 inches.

The new third-class service is, by a definition agreed between the airlines, to have a pitch of no more than 34 inches. Ideally, this would require a rather smaller human race. Practically, it has led to a flurry among seat designers to make it possible for third-class passengers to stretch their feet as far as possible beneath the seat in front, of which the back will otherwise be jammed hard against their knees. The average width of seats, measured between the arms, fluctuates at present around the 18 to 19 inches average; on third-class services this is being trimmed to 17 inches—or in the case of BOAC, 16½ inches, which threatens to be a tight fit for some passengers.

Meals are—again by definition—limited to sandwiches and hot drinks but since the term covers Scandinavian, or one-slice-of-bread sandwiches as well as British, or two-slices-of-bread ones, the real difference is that third-class passengers will get cold meals only. Fear of what might happen were every passenger to board the aircraft with his own lunch-box, has prevented the airlines from imposing more spartan standards.

Aware that they are in fact charging the tourist passenger £8 an inch for each of the 5 extra inches of leg room that he enjoys over the third-class passenger (or more on services where tourist pitch is below 39 inches), many airlines are trimming their tourist services to vanishing point. Both SAS and El Al are abolishing them entirely; Swissair is providing only four tourist to 57 third-class seats on its newest aircraft; bigger operators such as Pan-American and BOAC have reduced their tourist seats to about 20 per cent of the total.



ATOMIC POWER

The Next Stage

SPEAKING on separate occasions in London this week, Sir John Cockcroft and Sir Christopher Hinton (now chairman of the Generating Board) both confirmed that after a period of considerable confusion—lasting several years—a firm decision has been made on the shape of a nuclear power station to succeed Calder Hall. Having experimented with most of the exotic designs popular in America and on the continent, Atomic Energy Authority engineers have come by process of elimination to believe that the economic future of nuclear power lies not with these but with what amounts to a hotted-up version of the classic Calder Hall system. A sharp rise in gas temperatures should lead to an equally sharp drop in capital costs—which at present limit the Calder Hall system to base load operation. The technical difficulties associated with the use of high gas temperatures are severe, but in theory at least well within present engineering technique.

These are matters of acute concern to the four or five consortia in British industry working on big power station design. The managing director of GEC's atomic division said last week that, where eighteen months ago his company submitted tenders for a twin-reactor power station of 375 megawatts of electrical output, they could today offer an output of 800 megawatts from an installation of precisely the same size, with a capital saving of 20 per cent per kilowatt. Other companies are making roughly similar progress and if the Generating Board takes full advantage of these technical improvements, only six more stations will be required to meet the existing nuclear power programme. The shadow of unemployment—or at least under-employment—lies across the consortia's drawing offices; a useful volume of new orders depends on just such a technical break-through to find a reactor suitable for part, and not exclusively for base, load operation.

The AEA's choice of this particular reactor system, after such lengthy examination of more fashionable alternatives, suggests that the research programmes of the European members of the Euratom or OEEC atomic organisations might be advised to take a closer look at their own essentially conventional research programmes before committing themselves to expensive experiment with what—if the British view is correct—are out-dated and discredited concepts. Sir John Cockcroft, who is now the sole arbiter of nuclear research in this country, is a man whose views are strongly held but never lightly arrived at; it would be quite wrong to think that each of the reactor types which Sir John said had been examined and rejected did not at one time have their supporters inside the AEA.

MANUFACTURERS' STOCKS

Not Much Stockbuilding?

MANUFACTURING output rose only slightly last year; over the same period, the prices of some of the raw materials used fell; and the increase in the prices of finished manufactures was much slower than before. So it is not really surprising that the total value of manufacturing stocks increased much less last year than in any year since the Board of Trade's survey of stocks started in 1954. In total value stocks rose by about 8 per cent, compared with increases of 10 per cent in 1956 and 13 per cent in 1955. During the last three months of the year the total value did not change at all, small increases in the value of stocks of raw materials and finished goods about offsetting a decline in the value of work in progress.

(End-1955 = 100)	End-March	End-June	End-September	End-December
1954	...	...	...	88·5
1955	93·5	95·5	98·3	100·0
1956	103·9	107·0	108·4	109·9
1957	114·5	116·2	118·5	118·4*

* Provisional

Among particular groups of industries, the year's increase in stocks—up to last September, that is, as details for the final three months are not yet ready—was smallest in the food, drink, and tobacco trades. Between the autumn of 1956 and 1957 the stocks and work in progress of those industries rose in value by about 6½ per cent. The metal manufacturing, engineering, shipbuilding and vehicles group of industries, on the other hand, increased their stocks by some 11 per cent.

STOCK EXCHANGE STATISTICS

Sizing Up the Market

FOR those who like to know the size of things, the annual publication, "*Interest and Dividends upon Securities Quoted on the Stock Exchange, London*," will have its attractions. Whether it adds a great deal to knowledge about stock market behaviour—especially when there are such unfilled statistical gaps as figures for turnover in the market—is another matter. How big the London Stock Exchange is can be seen in the accompanying table. The compilers of these statistics suggest that out of the gross total of interest and dividends for 1957 of £1,369 million (up by 4 per cent on the 1956 total) not more than £500

	1955 £ million	1956 £ million	1957 £ million
*Nominal capital** :—			
Loan capital	20,546	21,577	21,563
Preference capital	1,224	1,240	1,250
Ordinary capital	3,226	3,492	3,793
Total	**24,997**	**26,309**	**26,605**
*Market value** :—			
Loan capital	17,218	16,831	16,531
Preference capital	1,190	1,059	1,032
Ordinary capital	10,171	9,530	10,880
Total	**28,579**	**27,240**	**28,443**
Gross interest & dividends† :—			
Loan capital	627	676	694
Preference capital	73	73	71
Ordinary capital	524	567	603
Total	**1,224**	**1,316**	**1,369**

* At end June. † Paid during the calendar year.

million can "possibly reach the pool of personal disposable income."

In the year to end-June, 1957, there was an increase in the market value of quoted securities, all of which being accounted for by the rise in the value of ordinary shares. Since June, however, stock market prices have fallen heavily and an additional estimate in the booklet shows that the value of all securities over the year to December 31st last fell by £1,500 million to £23,371 million. Excluding new issues made last year, the fall amounted to £1,200 million, of which £804 million related to fixed interest stocks and £396 million to ordinary stocks.

THE TERMS OF TRADE

A Further Improvement

THE cost of British imports declined still further in February while at the same time the index of export prices moved up a point in contrast to the fall in the previous month. As a result there was, on the conventional reckoning, a favourable movement of two points in the terms of trade (the ratio of the cost of imports to exports).

But these price movements may be a mixed blessing to British trade. With world markets shrinking it is hardly good news that there have been increases in the British export prices of cotton goods, synthetic yarns and fabrics, and many engineering products, even though the total effect is only small.

CHANGES IN TERMS OF TRADE
1954=100

	Import prices			Export prices		Terms of trade
	Total	Food	Basic materials	Total	Engineering products	
1955	103	101	104	102	103	101
1956	105	101	105	106	107	99
1957	107	101	110	111	112	96
1957 :—						
October	103	93	107	111	113	93
November	103	95	107	111	114	93
December	101	96	104	111	115	91
1958 :—						
January	100	95	102	110	114	91
February	99	94	101	111	115	89

On the import side, there were declines in the prices of butter, eggs, potatoes and sugar and, among basic materials, wool, rubber, iron ore and scrap, and copper. Imported fuels also fell in price—the first change recorded in the index since last October. How much more Britain may hope to reduce import costs is doubtful; the downward trend of commodity prices seems to have levelled off in the last few weeks.

MOTOR INDUSTRY

Output Keeping Up

FOR the last four months motor car manufacturers have been producing at the rate of between 4,100 and 4,200 vehicles a day, 75 per cent more than in the same, petrol-rationed months of last winter. February's total of 83,459 cars, some 4,173 a day, was slightly lower than in January but BMC lost some output last month through labour disputes. Almost half of this record, but since November largely level, output has been shipped to overseas markets; exports account for 165,600 of the 344,000 cars produced during the four months. Most of the rest have been going into dealers' stocks at home in anticipation of a really good opening to the main selling season this spring. Another month should show whether these hopes are to materialise.

The current rate of van and lorry production, some 1,300 vehicles a day, is also much better than a year ago, but only 36 per cent more than the really low figures of last winter. Both output and exports of commercial vehicles last month were fractionally better than in January. But this side of the motor industry is still producing 8 per cent fewer vehicles than the rate of 1,410 a day that it was managing two winters ago while production on the passenger car side is now 15-16 per cent higher.

METAL FATIGUE

The Last Straw

UNDERSTANDING of metal fatigue took a big step forward following the Comet inquiry in 1954-55, but not far enough to prevent the British European Airways Viscount, Whisky Echo, from crashing in March last year when fatigue fractured one obscure $\frac{9}{16}$ inch bolt in the wings. The report of the inquiry into this crash, published last weekend, left no doubt that fatigue was the cause.

Whisky Echo was the first of a limited series of Viscounts known as the 701 series. It had been used extensively by Vickers for flight tests and then by BEA for pilot training: by the time of the crash it had done the second highest number of take-offs and landings of any Viscount built. The flap mechanism was modified on this and 21 other Viscounts after they had been built, and a minor part of the work involved enlarging certain bolt holes that held the guide rails on the wings to take a fractionally larger diameter bolt. It was an awkward and inconvenient job to do, and on Whisky Echo the holes in one guide rail got out of alignment in the process. When the aircraft was coming in to land the bolt sitting uneasily in those holes broke as the flaps slid down the guide rails. Air pressure forced up the loosened corners of the flaps, and the aircraft started to bank gently to the right. As it did so broken components inside the wing nipped the control wires running to the ailerons and paralysed the control system of the aircraft, which went on to crash into houses close to the end of the runway. A high proportion of "fatigued" bolts were subsequently found on other Viscounts modified in the same way as Whisky Echo.

A break of this kind would not have been serious had the aileron controls not tangled with the broken metal. Nor would it necessarily have happened at that time if a lug had not broken first and thrown an extra load on the offending bolt (which, however, it was designed to carry). But break it would have done, at some time or another, because of the fatigue stresses to which it was subject. The first lesson of this crash is that single bolts in tension should not be used as the sole support for primary structures (Viscount flap attachments have already been modified to divide the load). The second is that a higher standard of workmanship is needed throughout the entire structure of an aircraft than is always realised. This is a point that the Air Registration Board has been attempting to drive home to the industry for some time.

SHORTER NOTES

Mr S. R. Hogg, a chartered accountant, has been made chairman of Canadian and English Stores, taking the place of Lord Milner. Mr Hogg was the chairman of the shareholders' committee which recently published a critical report of the affairs of the company.

* * *

Hire purchase and other instalments debt rose about £4 million (1 per cent) in January to an estimated figure of £488 million at the end of that month. There was a seasonal reduction of about £1 million in the instalment debt owed directly to household goods shops but debt to the finance houses rose by about £5 million, mainly reflecting increased credit for commercial vehicles and second-hand private cars.

* * *

Appearing before the Railway Staff National Tribunal this week during the hearing on the railway unions' wage claims, Mr A. B. B. Valentine let it be known that the Transport Commission's deficit for 1957 was "some millions higher" than the 1956 loss of £54½ million and that the outlook for 1958 is, at the moment, "no brighter." Accordingly, certain economies in working expenses and services have had to be made.

COMPANY AFFAIRS

GALLAHER

GALLAHER is the exceptional tobacco company. Its profits and dividend last year went up, while those of other tobacco manufacturers went down. The comparison is not entirely fair to Gallaher's biggest rival, whose accounts are drawn up on October 31st and include only about one month of the higher selling prices while Gallaher's year to December 31st included about three months of higher prices. But that price advantage cannot be the only reason why the trading profits of the Gallaher group have risen from £5,060,995 to £6,562,896 and, within that total, the trading profits of the parent company from £4,238,442 to £5,626,022. It is clear that in the home market Gallaher, and especially it may be assumed "Senior Service" cigarettes, gained ground in competition. The biggest trade competition comes from "Players", manufactured by Imperial Tobacco which has always refused either to confirm or deny that it is a big shareholder in Gallaher.

Imperial Tobacco reduced its ordinary dividend from 21 to 20 per cent, even though, as Lord Sinclair made clear at the annual meeting this week, there may be an improvement in "Imps" profits this year. Gallaher has raised its ordinary dividend from 17½ to 20 per cent. Some improvement in Gallaher's net earnings (which have risen from £2,143,494 to £2,887,179) and some increase in the dividend has been anticipated in Throgmorton Street. But after the dividend announcement the £1 ordinary stock units rose from 23s. to 24s. 3d., to yield 8¼ per cent, as compared with nearly 10 per cent offered by "Imps" at 40s. 3d.

AEI and ENGLISH ELECTRIC

THE coincidence in timing of Sir George Nelson's speech to the shareholders of English Electric and the publication of the admirably full accounts of Associated Electrical Industries make a comparison between the experience of these two giants of the electrical manufacturing industry inevitable—and instructive. Do the differences arise simply because the range of goods made by the two groups is not the same? Do they reflect the fact that English Electric manufactures aircraft and AEI does not? Or are there more fundamental causes?

Last year AEI secured the bigger advance in turnover: its sales rose by 12¼ per cent to about £150 million, while English Electric's sales rose by 4 per cent to approximately the same figure. But it is English Electric which possesses the bigger order book; at the end of the year the value of its uncompleted orders was £250 million, against £180 million, while the value of uncompleted orders on AEI's books was £180 million, against £152 million. Both groups are big exporters and both see potentially big markets in the growing demand throughout the world for electric power. Presumably Lord Chandos, the chairman of AEI, will not disagree with Sir George Nelson's summing up of export prospects: "There is as yet no evidence of a serious diminution in the rate of incoming export orders. Nor have we experienced any unusual cancellation of existing orders. Our order book is very satisfactory and, as the situation is today, I think I can say we have no great cause for anxiety. Nevertheless, if the North American recession were to deepen, and to extend beyond, let us say, the end of 1958, cause for anxiety might develop."

The most striking difference between the two groups is to be found in their profit margins. English Electric's sales rose by 4 per cent and its gross income before tax by 2.7 per cent (from £6,735,195 to £6,916,989) but for transitional losses on Vulcan Foundry its margins would have been better still; AEI's sales rose by 12¼ per cent but its gross income before tax fell by 3.1 per cent (from £10,307,614 to £9,988,476). It looks as though AEI was less successful in combating the pressure of higher wages on margins than was English Electric.

Last year English Electric raised about £16½ million by a rights issue of ordinary shares and by a debenture issue and though its working capital commitments have again risen it has no immediate intention of coming to the market for more new money. AEI did not come to the capital market last year. May it be its turn to do so soon? Its net fixed assets have risen from £33.7 million to £41.9 million, its stocks from £64.9 million to £66.9 million and its debtors from £38.1 million to £44.1 million. In the meantime, its holdings of liquid assets have fallen sharply from £10.3 million to £2.1 million and its bank overdrafts have risen from £275,000 to £6.3 million. Both companies last year left their ordinary dividends unchanged (at 14 per cent for English Electric on its increased capital and at 15 per cent for AEI on its unchanged capital). Both companies' £1 ordinary stock units are quoted at the same price—49s. 9d., though the AEI stock is ex-dividend and the English Electric stock is not. Thus the AEI equity offers a bigger yield—just over 6 per cent, against 5⅝ per cent offered by the English Electric units.

J. LYONS

THE steps that the directors of J. Lyons have taken along the road towards more liberal dividends are easily traced. Last year, the ordinary dividend was raised to 25 per cent after ten years of an unchanged payment of 22½ per cent. Then in November the interim dividend was raised from 5 to 10 per cent, accompanied by the conventional warning that higher interim did not necessarily imply an increase in the total distribution. Then a 100 per cent free scrip issue was announced unaccompanied by any statement about dividend policy. It was that significant omission that made investors take notice. The "A" shares were marked up and there was talk of a possible final payment of 10 per cent.

The stock market was not far out in this guess. The directors have now said that, barring unforeseen circumstances, the final dividend on the increased capital will be 1s. 10d. per £1 share (or 9⅛ per cent). Thus the effective increase in the total dividend on the £1 shares will be from 2s. 6d. (or 12½ per cent) to 2s. 10d. (or 14⅛ per cent) on the new capital. The "A" shares still in their old form were marked up on this news from 98s. 9d. to 101s. The projected dividend yield is £5 12s. per cent.

BRADFORD DYERS

IN June, 1956, Bradford Dyers Association sold its controlling interest in Beida Dyers to an Egyptian bank. This company was a big profit earner for the BDA group and in 1956 the omission of its earnings from the consolidated accounts brought profits sharply down—from £2,149,005 to £1,051,093. Bradford Dyers has still not received any dividend on its minority shareholding in Beida Dyers nor any interest accrued on its bank deposits of £1,126,021 in Egypt. Both remain sequestrated.

Thus the accounts both for 1956 and 1957 are ex Beida Dyers. The comparison between them does not inspire optimism. The consolidated trading profit has fallen by £175,406, to £875,687. But within that total, profits of overseas subsidiaries (down by £106,666 to £152,979) have fallen much more sharply than profits of the British parent and its British subsidiaries (down by £68,740 to £722,708). An interim statement last July suggested that the trouble was not a contraction in trade at home but a further reduction of profit margins in competitive markets. The same factors undoubtedly apply to the full year's trading, with the additional possibility that trade may have been contracting in some countries overseas.

The net profit of the group has fallen from £277,231 to £195,754 and, following the cut in the interim ordinary dividend from 4 to 3 per cent, the final payment has been halved, from 6 to 3 per cent. The total dividend is thus cut sharply, from 10 to 6 per cent, and on this announcement the £1 ordinary stock units lost 1s. 4½d. to 12s. 10½d., to yield 9.3 per cent.

DE BEERS

BUYING De Beers deferred shares is the direct route into the heart of the diamond syndicate. Through De Beers, the Oppenheimer interests control a rich group of diamond producers in Southern Africa and De Beers controls through direct and indirect shareholdings the Central Selling Organisation. Unfortunately the preliminary announcement for 1957, leaving the dividend unchanged for the seventh year running at 200 per cent, is as sparse and unsatisfactory as its predecessors. Perhaps soon the directors will see that a preliminary statement which merely records the net profit of the parent company and not the group profit is not in keeping with modern practice. The net profits of the parent company, which last year rose from £9,574,847 to £10,303,500, relate to some of the diamond mines controlled by De Beers in the Union; they are largely gem producers and some increase in their earnings was the inevitable product of bigger sales of gem stones last year. But the net profits as shown in the preliminary statement exclude the earnings of Premier, the big producer in the Union of industrial stones, of Consolidated Diamond Mines of South West Africa, a big money spinner on the gem side, and of the various investment and finance companies which link De Beers to the diamond syndicate.

PRUDENTIAL ASSURANCE

HARD on the heels of a similar scheme by Pearl Assurance, the Prudential Assurance Company announces the subdivision of its shares to make their market prices less "heavy". Its £1 (fully paid) "A" shares are to be sub-divided into five shares of 4s. each and its £1 (4s. paid) "B" shares into four shares of 5s. each (1s. paid). This should improve marketability, but after the announcement the "A" shares were little changed at £38¾ (equivalent to 155s. in the new form) and the "B" shares at 126s. 3d. (equivalent to about 31s. 7½d. in the new form). On Thursday the directors announced that the tax free dividends on the "A" shares (in their old form) was to be raised from 26s. 6d. to 29s. 6d. per share and on the "B" shares (also in their old form) from 3s. 6d. to 3s. 9d. per share.

London Stock Exchange

FIRST DEALINGS:	Mar. 12	Mar. 26	April 16
LAST DEALINGS:	Mar. 25	April 15	April 29
ACCOUNT DAY:	April 1	April 22	May 6

AFTER small losess earlier in the week, gilt-edged stocks turned firmer on Tuesday and remained steady up to the Bank rate announcement. After the reduction in Bank rate, prices moved up—notably in the new Dominion and Corporation stocks.

Cinema shares were bought in the hope of tax concessions in the forthcoming Budget, Rank Organisation gaining 6d. to 6s. 9d. Tobacco shares also rose, BAT gaining 1s. 4½d., to 41s. 4½d., while Imperial Tobacco hardened on the chairman's statement, and a further improvement followed the raising of Gallaher's dividend. Losses predominated in other sections; Hawker Siddeley fell 1s. 3d. to 26s. and Hudson's Bay dropped 6s. 3d. to 153s. 9d. A small rally in steel shares regained earlier losses, but South Durham declined a further 9d. to 19s. 6d. on the issue and Colvilles' convertible debenture was lowered 2½ to a discount of 4. These movements took place before the change in Bank rate. After the Bank rate reduction all sections of the industrial market were firmer though the volume of buying was not large.

Oil stocks were depressed for most of the week and a rally which started on Wednesday left considerable falls on balance; British Petroleum dropped 3s. 1½d. to 88s. 9d. before recovering on Thursday to 92s. 10½d. and Canadian Eagle registered shares fell 2s. 9d. to 48s. 6d. Kaffirs improved, the older mines being especially favoured, City Deep rising 9d. to 14s. 3d. and Consolidated Main Reef 1s. 6d. to 14s. 6d., but Union Corporation fell on the decline in profits. Though movements in base metal shares were mainly downwards, Nchanga falling 3s. 9d. to 181s. 3d. and Tanganyika Concessions 2s. 7½d. to 49s. 3d. xc, Bancroft and Rhodesia-Katanga made a further small recovery.

LONDON ACTIVE SECURITIES

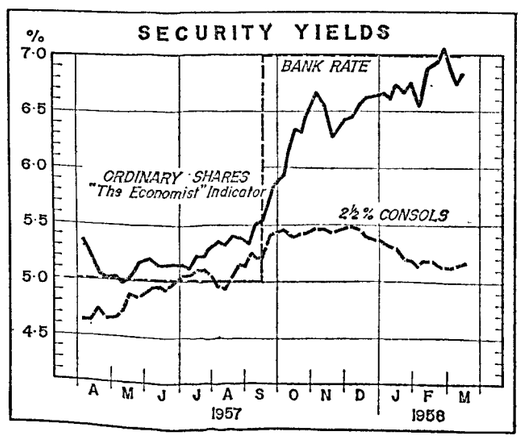
Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Mar. 12, 1958	Price, Mar. 19, 1958	Net Yield, Mar. 19, 1958 §	Gross Yield, Mar. 19, 1958
					£ s. d.	£ s. d.
97 12/32	93½	War Loan 3% ... 1955-59	97 11/32	97½	3 12 0	4 16 10
93 23/32	87½	Funding 2½% ... 1956-61	93 1/16	92⅝	3 19 11	5 1 8
99 23/32	98 3/32	Conversion 4% ... 1957-58	99½	99.10.11½	2 9 11	6 1 8
97 15/32	94 13/32	Conversion 2½% ... 1958-59	97 13/32	97 13/32	4 2 4	5 3 5
95 5/16	90½	Exchequer 2½% ... 1960	95¼	94 29/32	4 2 2	5 0 8
97⅛	92½	Exchequer 3% ... 1960	96 15/16	96 7/16	3 10 5	4 17 1
99 5/32	93	Conversion 4½% ... 1962	97 11/32	97⅛	3 3 10	5 3 8
89½	84 9/16	Savings Bds. 3% ... 1955-65	86 1/16	86¼	3 18 2	5 6 4
84½	77	Funding 3% ... 1959-69	78¼*	77 15/16	4 4 7	5 13 9
92⅜	84 11/16	Funding 4% ... 1960 90	89½	88⅛	2 17 11	4 16 0
81⅜	74	Savings Bds. 3% ... 1960-70	76 3/16	75 15/16	4 4 10	5 15 0
94 5/16	87⅝	Exchequer 3% ... 1962-63	92½	92¼	3 9 7	4 17 11
89 5/16	83	Exchequer 2½% ... 1963-64	87⅜	87⅜	3 17 10	5 2 5
83 11/16	77¼	Savings Bds. 2½% 1964-67	79⅝	79⅜	4 4 7	5 10 2
77¾	67½	Savings Bds. 3% ... 1965-75	70⅝	70 7/16	4 2 9	5 14 8
—	—	Exchequer 5½% ... 1966	100 1/16*	100	3 3 4	5 10 2
84⅜	78¼	Funding 3% ... 1966-68	80¼	80	4 2 11	5 12 6
95½	91½	Victory 4% ... 1920-76	91½	91½	3 7 10	5 4 5
88⅝	80¼	Conversion 3½% ... 1969	83 1/16	82 15/16	3 19 2	5 12 7
81¼	69½	Treasury 3½% ... 1977-80	74 1/16	73⅝	3 16 5	5 13 6
80	68	Treasury 3½% ... 1979-81	72⅛	72¼	3 17 5	5 14 6
—	—	Funding 5½% ... 1982 84	98¼	98 1/32	3 5 0	5 12 6
71⅞	57½	Redemption 3% ... 1986-96	61½*	61⅝*	3 11 3	5 7 2
80⅜	63½	Funding 3½% ... 1999-2004	68⅜	68⅜	3 7 5	5 7 8
81 1/16	68	Consols 4% after Feb. 1957	71⅞	71⅛	3 4 11	5 13 4
75	60½	War Loan 3½% after 1952	64 1/16	64¼	3 2 9	5 9 11
75½	58½	Conv. 3½% after Apr. 1961	63 1/16*	63 1/16*	3 3 6	5 10 5
65⅛	51½	Treas. 3% after Apr. 1966	55⅛*	55 1/16*	3 2 4	5 8 4
55 11/16	45	Consols 2½%	48⅝*	48 7/16*	2 19 3	5 3 0
55 11/16	44	Treas. 2½% after Apr. 1975	47 1/16*	46⅞*	3 1 5	5 6 9
96½	88⅞	Br. Electric 4½% ... 1967-69	92 13/16	91⅞	3 10 0	5 10 10
80 1/16	70	Br. Electric 3% ... 1968-73	72⅝*	72½*	4 4 2	5 14 11
78¼	66	Br. Electric 3% ... 1974-77	70½*	69⅞	4 0 5	5 12 3
92 7/16	79½	Br. Electric 4½% ... 1974-79	83¼*	82¾*	3 12 0	5 12 9
81 1/16	69⅝	Br. Electric 3½% ... 1976-79	74⅞	74	3 16 10	5 14 1
90½	81	Br. Gas 4% ... 1969-72	84 1/16	83⅞	3 15 9	5 14 1
87⅜	78	Br. Gas 3½% ... 1969-71	80¼	80	3 18 11	5 13 0
72⅜	58⅜	Br. Gas 3% ... 1990-95	63⅞	63⅞	3 10 9	5 7 1
80 1/16	70	Br. Transport 3% 1968-73	72⅛*	72⅛*	4 4 2	5 14 11
88⅞	77½	Br. Transport 4% 1972-77	81⅝	81¼	3 13 9	5 13 6
72⅞	59	Br. Transport 3% 1978-88	63⅝	63 7/16	3 15 9	5 11 1

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Mar. 12, 1958	Price, Mar. 19, 1958	Yield, Mar. 19, 1958
					£ s. d.
92⅜	82	Agric. Mortgage 5% ... 1959-89	86	85⅜	6 1 0
81½	75	Australia 3½% ... 1965-69	77	76¾	6 5 0
97⅛	91½	Birmingham 5% ... 1973-75	95	94	5 11 2
100⅜	91	East Africa 5½% ... 1977-83	91½	90½	6 10 0
105⅜	96	L.C.C. 5½% ... 1977-81	96⅜	97	5 14 8
69⅜	54½	Met. Water Board 'B' 3% 1934-2003	58	57⅜	5 12 0
87⅛	77	New Zealand 4% ... 1976-78	80⅛	80½	5 14 0
75⅜	67⅜	S. Rhodesia 2½% ... 1965-70	69½*	69*	6 4 9
87	72⅜	German 7% (Br. Enfaced 5%) ... 1924	88	90	...
169⅜	147½	Japan 5% (Enfaced) ... 1907	160½*	161*	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Mar. 12, 1958	Price, Mar. 19, 1958	Yield, Mar. 19, 1958
		%	%			£ s. d.
30/9	19/6	4 a	5 b Bk. Ldn. & S. Amer. £1	28/6	28/6	6 6 4
47/3	40/–	6 a	6 b Barclays Bank ... £1	40/3	40/6	5 18 6
35/3	27/6	4 a	4 b Barclays D.C.O. ... £1	28/–	28/–	5 14 3
42/6	34/6	7½ a	7½ b Chartered Bank ... £1	37/–*	35/6*	8 9 0
51/3	42/9	6½ a	6½ b Lloyds Bank ... £1	42/3	41/3	6 6 0
66/7½	58/–	9 a	9 b Midland Bank ... £1	58/–	57/9	6 4 8
40/6	28/6	5 a	5 b Nat. Discount 'B' ... £1	30/3	29/9	6 14 5
51/6	39/3	6¼ a	6¼ b Union Discount ... £1	45/3	43/9	5 14 3
			INSURANCE			
86/4½	61/7½	43½ b	30 a Commercial Union 5/–	69/–	68/–	5 7 10
177/6	102/6	40 a	60 a Legal & General .. 5/–	118/9	113/9	4 6 0
113/9	87/6	†50 b	†20 a Pearl ... 5/–	97/6	97/6	6 4 10
46	34½	†125 d	†132½ c Prudential 'A' ... £1	38½	38½	5 18 9
			BREWERIES, ETC.			
32/6	26/4½	10 a	36 b Bass ... 5/–	32/9	33/–	6 19 5
25/9	19/7½	18¾ c	7½ c Distillers ... 6/8	20/1½	20/–	6 5 0
44/9	36/–	10 a	15 b Guinness ... 10/–	37/3	37/9	6 12 5
87/3	63/6	8 a	17 b Whitbread 'A' ... £1	76/6	76/6	6 5 9
			MOTORS & AIRCRAFT			
21/6	11/9	6½ b	3½ a Bristol Aeroplane 10/–	10/7½	10/4½	9 12 9
8/7½	6/–	12½ c	12½ c British Motor ... 5/–	7/5½	7/3	8 12 5
40/–	29/3	5 b	3 a Ford Motor ... £1	36/6	35/9	5 0 7
45/9	27/6	3 a	7 b Hawker Siddeley ... £1	27/3	26/–	7 13 10
53/–	41/9	12½ c	12½ c Leyland Motors ... £1	41/–	40/9	6 2 8
121/–	90/7½	15 b	5 a Rolls-Royce ... £1	90/–	90/3	4 8 7
9/1½	5/11½	8 c	8 c Standard Motor ... 5/–	7/1½	7/6	5 6 8

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Mar. 12, 1958	Price, Mar. 19, 1958	Yield, Mar. 19, 1958
		%	%			£ s. d.
39/–	29/6	4 a	6 b Br. Oxygen ... £1			33/– 33/6 5 19 5
21/10½	15/3	7½ b	3 a Dunlop Rubber .. 10/–			15/– 15/6 6 15 5
46/6	36/1½	6 b	4 a Imp. Chemical ... £1			39/3 39/6 5 1 3
50/6	36/–	8½ a	11½ b Imp. Tobacco ... £1			39/9 40/3 9 18 10
36/9	27/3	2½ a	5 b J. Lucas (Inds.) ... £1			33/– 32/– 4 13 10
19/3	12/4½	5 a	8½ b Monsanto Chem. .. 5/–			13/–* 12/10½* 5 4 10
18/3	13/9	5 a	5 b Ranks ... 10/–			14/6 13/7½ 7 6 10
55/6	29/9	10 b	5 a A. E. Reed ... £1			29/– 29/6 10 3 5
15/10½	11/3	20 c	22½ c Sears Holdings 'A' 5/–			13/3½ 13/– 8 13 0
70/3	54/10½	4½ a	12 b Tate & Lyle ... £1			51/4½ 50/10½ 6 9 10
70/9	50/–	7½ a	7½ b Tube Investments .. £1			53/9 52/3 5 14 10
73/6	51/–	2½ a	12½ b Turner & Newall ... £1			56/1½ 56/7½* 5 6 0
114/6	71/9	6 a	11½ b Unilever Ltd. ... £1			73/6 71/9 4 17 7
102/–	65/6	14½ b	4 a Utd. Dominions Tr. £1			80/– 80/– 4 12 6
44/–	27/6	†10 b	†4½ a United Molasses .10/–			27/3 26/9 9 4 2
			OIL			
173/7½	87/6	†10 b	†5 a British Petroleum .. £1			91/10½ 88/9 5 17 8
119/4½	70/7½	17½ b	†5 a Burmah ... £1			71/10½ 69/4½ 6 9 10
£25	£14⅝	17½ b	7½ a Royal Dutch .... 20 fl.			£15⅝ £15⅜ 3 1 5
218/3	136/10½	†13¾ b	†5 a Shell ... £1			131/3 129/4½ 5 0 10
104/–	55/–	...	... Ultramar ... 10/–			54/6 55/– ...
			MINES, ETC.			
137/6	115/–	50 b	20 a Anglo-American .10/–			122/6 121/10½ 5 14 11
29/–	20/3	†2½ a	†10 b Cons. Tea & Lands. £1			20/– 20/6 21 4 3
92/6	48/6	15 b	6½ a Cons. Zinc Corp. ... £1			48/– 46/9 9 1 10
113/1½	81/3	80 a	120 b De Beers Def. Reg. 5/–			99/4½ 96/3 10 7 4
83/1½	58 7½	20 b	40 a Free State Geduld .5/–			81/3 80/– 3 15 0
12/10½	7/3	30 c	30 c London Tin ... 4/–			7/4½ 7/1½ 16 17 0
56/7½	45/–	50 a	50 b President Brand .. 5/–			50/4½ 49/10½ 10 0 6
24/9	13/10½	8½ a	16⅜ b Rho. Selection Tst. 5/–			15/4½ 15/9 7 18 9
42½	23½	175 b	25 a Rhokana Corp. ... £1			23½ 22⅜ 8 15 10
55/–	41/–	30 b	12½ a United Sua Betong. £1			48/9 49/6 17 3 4
88/4½	58/1½	60 b	60 a Western Holdings .5/–			91/3 91/3 6 11 6

SECURITY YIELDS



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
Feb. 19	168·9	6·94				
„ 26	166·1	7·07				
Mar. 5	173·1	6·85				
„ 12	176·4	6·73	225·0 (July 10)	171·2 (Nov. 6)	210·4 (Jan. 4)	170·0 (Nov. 28)
„ 19	173·8	6·83				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½ Consols Yield %	Bargains Marked	1957	1956
Mar. 12	161·7	6·87	88·85	5·15	8,222	High 207·6 (July 9)	High 203·5 (Jan. 3)
„ 13	161·7	6·88	88·65	5·18	7,336		
„ 14	160·9	6·91	88·60	5·18	6,644		
„ 17	160·1	6·95	88·55	5·18	8,413	Low	Low
„ 18	159·1	6·99	88·57	5·18	7,642	159·0 (Nov. 5)	161·5 (Nov. 29)
„ 19	160·2	6·94	88·48	5·17	7,004		

Bases :—* 1953 = 100. † July 1, 1935 = 100. ‡ 1928 = 100.

New York Closing Prices

	Mar. 12 $	Mar. 19 $		Mar. 12 $	Mar. 19 $		Mar. 12 $	Mar. 19 $
Alumin'm Ltd.	31⅞	30⅝	Crown Zeller..	46⅛	46⅛	Penns. R.R...	12	11⅞
Am. Smelting.	43⅛	43⅛	DuPont de Nm.	181⅜	176⅛	Sears Roebuck	27⅛	26⅞
Amer. Tel.	172⅛	171⅝	Ford Motors..	40⅞	40⅞	Shell Oil	68⅛	67⅞
Am. Viscose..	28⅛	28⅜	Gen. Elect....	61⅝	61	Std. Oil of N.J.	51⅜	50⅝
Anaconda	44⅛	44⅛	Gen. Motors..	35⅝	35⅛	U.S. Steel....	60⅛	60⅛
Beth. Steel...	40⅛	39⅜	Int'l. Nickel..	78	74⅞	Western Union	17⅛	17
Can. Pacific ..	24⅜	24⅜	National Dist.	22⅞	22⅛	West'house E.	63	62½
Chrysler	53⅜	52½	N.Y. Central .	14⅜	14	Woolworth	42⅞	42

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) On 24%. (h) On 13½%. (i) On 22½%. (j) After Rhodesian tax. (k) On 30%. (l) To latest date. (m) On 13%.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared.

World Trade ..... January 18th

British		Overseas	
Prices and Wages	Mar. 8th	Western Europe:	
Production and Consumption	Mar. 15th	Production and Trade	Mar. 1st
Manpower	This week	British Commonwealth	Mar. 15th
External Trade	Mar. 1st	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits	Jan. 18th	United States	Mar. 8th

Manpower in Great Britain

	Unit	Mid-year or monthly averages (1)			1956	1957				1958	
		1955	1956	1957	Dec.	Jan.	Feb.	Nov.	Dec.	Jan.	Feb.
TOTAL MANPOWER		June figures									
Working population:											
Total	'000s	23,912	24,107	24,188	24,209	24,227	24,186	24,264	24,148	24,127	...
Men	"	16,084	16,138	16,225	16,270	16,236	16,252	16,238	16,218	16,213	...
Women	"	7,828	7,919	7,963	7,939	7,941	7,934	8,026	7,930	7,914	...
Armed Forces	"	803	761	702	761	740	728	656	650	639	...
Civil employment:											
Total	"	22,933	23,149	23,245	23,111	23,121	23,110	23,287	23,131	23,096	...
Agriculture, forestry and fishing	"	1,066	1,032	1,025	993	993	998	971	964	964	...
Mining and quarrying	"	862	858	868	861	866	868	868	868	870	...
Building and contracting	"	1,486	1,541	1,519	1,496	1,508	1,501	1,505	1,470	1,459	...
Distributive trades	"	2,811	2,870	2,945	2,933	2,921	2,916	3,020	2,981	2,966	...
Public administration	"	1,289	1,300	1,298	1,298	1,298	1,298	1,291	1,288	1,288	...
Manufacturing industries	"	9,206	9,269	9,271	9,298	9,296	9,284	9,355	9,300	9,284	...
CHANGES IN EMPLOYMENT											
Increase or decrease since June, 1955: (7)											
Employees in engineering (2)	"	...	+ 53	+ 48	+ 59	+ 52	+ 45	+ 113	+ 106	...	...
" " consumer goods industries (3)	"	...	− 9	+ 2	+ 14	+ 17	+ 12	+ 6	− 27	...	...
UNEMPLOYMENT		Monthly averages									
By duration:											
All durations—total	"	232·2	257·0	312·5	297·0	382·6	380·1	316·5	335·4	395·5	424·5
" " —men	"	146·7	163·8	216·6	199·7	267·7	262·4	219·0	235·2	282·4	301·5
" " —women	"	85·5	83·2	95·9	97·3	114·9	117·7	97·5	100·2	113·1	123·0
Temporary or under 2 weeks—men	"	51·5	62·7	65·1	75·4	103·2	76·3	68·5	67·8	86·5	84·3
" " " —women	"	36·7	35·5	30·6	29·8	44·3	37·2	33·4	28·4	40·4	38·7
Over 8 weeks—men	"	67·7	65·7	94·3	73·4	90·6	103·9	89·4	96·2	114·6	127·9
" " —women	"	26·5	27·4	35·0	32·8	40·3	41·4	29·9	33·2	41·9	44·0
By industry (4):											
Textiles	%	1·6	1·4	1·2	1·0	1·1	1·2	1·2	1·3	1·7	2·3
Clothing	"	0·9	1·0	1·1	1·1	1·3	1·2	1·3	1·4	1·5	1·5
Vehicles	"	0·4	1·2	1·0	2·2	2·7	1·4	0·7	0·7	0·7	0·8
Engineering, etc.	"	0·8	0·9	1·1	0·9	1·1	1·2	1·0	1·1	1·3	1·5
Coal-mining	"	0·1	0·1	0·2	0·2	0·2	0·2	0·3	0·3	0·3	0·3
Distributive trades	"	1·0	1·0	1·2	1·1	1·5	1·6	1·2	1·2	1·5	1·7
By regions (4):											
Great Britain	"	1·1	1·2	1·5	1·4	1·3	1·8	1·5	1·5	1·8	1·9
London and South Eastern	"	0·7	0·8	1·0	1·2	1·5	1·3	1·0	1·1	1·2	1·3
Eastern	"	0·9	1·0	1·3	1·2	1·7	1·9	1·3	1·5	1·8	2·0
Southern	"	0·9	1·0	1·3	1·2	1·7	1·8	1·4	1·4	1·6	1·7
South Western	"	1·2	1·2	1·8	1·6	2·1	2·2	2·0	2·2	2·3	2·3
Midland	"	0·5	1·1	1·3	1·0	1·5	1·6	1·0	1·0	1·2	1·3
North Midland	"	0·5	0·6	1·0	0·8	1·1	1·1	0·9	1·0	1·3	1·4
East and West Ridings	"	0·7	0·8	0·9	0·9	1·0	1·0	1·0	1·0	1·2	1·4
North Western	"	1·4	1·3	1·6	1·4	1·7	1·8	1·6	1·6	1·9	2·1
Northern	"	1·8	1·6	1·7	1·6	2·0	2·0	1·7	1·8	2·1	2·2
Scotland	"	2·4	2·4	2·6	2·5	3·0	3·1	2·6	2·9	3·4	3·6
Wales	"	1·8	2·0	2·6	2·3	2·9	3·0	2·9	3·0	3·5	3·8
VACANCIES											
Unfilled vacancies notified to Employment Exchanges (5):											
Total	'000s	382	279	236	270	256	239	252	236	220	209
Men	"	214	152	122	152	134	124	128	122	113	107
Women	"	168	127	114	127	122	115	124	114	107	102
DISPUTES (6)											
Workers involved	"	55	42	113	11	43	34	48	22	62	...
Working days lost:											
Total	"	315	174	701	32	124	106	93	43	107	...
Mining and quarrying	"	93	42	43	10	27	34	45	23	44	...
Engineering, etc.	"	56	85	549	17	46	52	31	14	35	...
Other industries and services	"	166	47	109	5	53	22	16	7	27	...

(1) Employment figures relate to June of each year; other figures are monthly averages. (2) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) From June, 1956, onwards, comparison with earlier figures is affected by the revocation of the Notification of Vacancies Order, 1952. (6) United Kingdom. (7) Figures have been revised back to July, 1956, on the basis of mid-1957 count of National Insurance Cards.

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
WHOLESALE PRICES (1) (1953 = 100)												
1948	42	94	74	65	90[2]	...	78	104	75	66	72	94
1956	110	104	106	102	103	129	101	102[11]	104	109	108	142
1957	114	106	107	108	105	...	...	...	...	113	109	...
1957, September	114	106	106	109	105	129	111	102[11]	107	112	109	...
" October	113	106	105	112	105	129	...	103[11]	107	112	108	...
" November	112	106	105	116	105	129	...	103[11]	107	112	109	...
" December	111	106	105	119	106	...	...	...	...	112	109	...
1958, January	...	...	...	121	...	...	...	...	...	111	...	...
COST OF LIVING (3) (1953 = 100)												
1948	60[8]	95	81	60	93	63	79	86	78[4]	74	77	89
1956	108	104	113	103	105	126	107	109[11]	108	109	109	136
1957	112	107	...	106	106	129	112	110[11]	114	112	113	...
1957, September	113	108	...	107	107	130	...	110[11]	118	112	114	...
" October	113	108	116	109	108	130	...	111[11]	118	113	115	...
" November	113	108	...	111	108	130	114	112[11]	117	113	115	...
" December	113	109	...	113	109	130	...	112[11]	117	113	116	...
1958, January	...	109	...	117	...	...	...	...	...	...	...	...
IMPORT PRICES (6) (1953 = 100)												
1948	37	84	84[8]	59	...	...	82	98	85	80	72	113
1956	97	99	102	102	103	124	106	105	102	102	103	...
1957	98	...	...	...	104	...	...	...	...	...	106	...
1957, August	98	102	102[10]	110[10]	107	130	114	109	110	107	105[10]	...
" September	96	...			104	128	114	109	109	105		...
" October	99	...	...	...	101	126	114	107	106	103		...
" November	95	...	...	...	99	...	113	...	104	111	104	...
" December	96	...	...	...	100	...	...	...	...	...		...
EXPORT PRICES (6) (1953 = 100)												
1948	42	95	91[8]	68	...	...	78	103	97	84	76	91
1956	105	103	103	99	101	143	96	104	102	115	103	...
1957	105	...	...	...	104	...	...	...	...	...	105	...
1957, August	109	106	100[10]	107[10]	104	135	98	108	108	116	105[10]	...
" September	103	106			104	139	99	105	106	118		...
" October	103	...	...	...	103	148	98	103	107	115		...
" November	103	...	...	...	103	...	100	...	106	114	106	...
" December	107	...	...	...	103	...	...	...	...	...		...

TOTAL MONEY SUPPLY (7)

End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn D. marks	000 mn. drachmas[9]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	'000 mn. kroner	mn. liras
1948	...	154·0	7,110	2,165	11·8	1,984	110·3	1,989	7,285	...	6·27	1,715
1956	29·71	204·7	7,633	6,585	31·2	9·17	154·7	4,927	9,227	6,865	9·90	6,031
1957	32·15	...	...	7,142	35·8	...	165·5	...	9,018	...	10·13	...
1957, September	31·30	199·9	7,615	6,912	34·1	...	162·8	4,701	9,024	6,586	9·05	...
" October	31·38	...	7,877	6,960	34·4	...	163·8	...	8,852	6,861	9·22	...
" November	31·34	...	7,928	6,942	34·8	...	165·8	...	8,879	6,706	9·12	...
" December	32·15	...	...	7,142	35·8	...	165·5	...	9,018	...	10·13	...
1958, January	...	...	...	...	...	...	161·3	...	...	...	...	...

GOLD AND FOREIGN EXCHANGE HOLDINGS (8) (mn US Dollars)

1948	62	938	84·0	...	295	...	209	539	343	140·6	233	192
1956	406	1,177	131·1	1,356	4,291	211·4	234	1,308	1,072	178·8	473	230
1957	510	1,144	171·9	...	6,643	...	258	...	1,056	182·8	456	316
1957, September	500	1,063	158·8	...	5,759	...	253	1,432	921	178·7	463	311
" October	510	1,072	146·1	...	5,745	...	256	1,455	972	177·3	469	314
" November	511	1,077	150·6	...	5,711	...	258	...	988	177·1	456	309
" December	510	1,144	171·9	...	6,643	...	258	...	1,056	182·8	456	316
1958, January	514	1,161	169·6	...	5,[illegible]	...	249	...	1,109	173·8	450	...

(1) Relates to wholesale prices in Athens and Piraeus only for Greece. Figures for Ireland from 1955 onwards are for home-produced goods only. Figures for Germany, F.R. are producers' prices of industrial products. (2) July-December. (3) Relates to prices in capital cities only for Austria, France, Greece and Turkey. Austria and Belgium exclude rent. Denmark includes direct taxes. Figures for Ireland are based on August, 1953=100. (4) Including direct taxes. (5) Including trade with Faroe Islands. (6) Index numbers of unit value which compare the current average value of trade with its value in 1953; they are influenced by changes in the composition of trade as well as price movements. Export prices in Ireland are adjusted for seasonal variations. (7) Deposit money and notes and coins held by business, individuals and foreigners. Except for Greece, holdings of the issuing authority and other banks are excluded. (8) Holdings of the government and central bank at end of period. Foreign exchange figures for Norway exclude government holdings; Netherlands, Norway and Sweden include foreign investments. Ireland includes some long-term securities. (9) Beginning May, 1954, a new drachma equal to 1,000 old drachmas was introduced. (10) Average for third quarter. (11) Revised series.

Financial Statistics

EXCHEQUER RETURNS

For the week ended March 15, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £16,842,000 compared with a surplus of £58,945,000 in the previous week and a surplus of £7,144,000 in the corresponding period of last year. There was a net expenditure "below-line" of £4,980,000, leaving a total deficit from April 1st of £152,252,000 (£240,765,000 in 1956–57).

£'000	Estimate, 1957–58	April 1, 1956, to Mar. 16, 1957	April 1, 1957, to Mar. 15, 1958	Week ended Mar. 16, 1957	Week ended Mar. 15, 1958
Ord. Revenue					
Income Tax	2176,250	1952,214	2040,243	41,167	54,795
Surtax	149,000	146,000	145,800	6,000	6,200
Death Duties	170,000	160,500	163,500	2,530	4,000
Stamps	60,000	59,500	61,500	1,000	1,400
Profits Tax, BPT & EPL	255,000	189,000	244,500	2,000	3,500
Other Inland Rev. Duties	500	520	450	...	...
Total Inland Rev.	2810,750	2517,734	2656,033	52,697	69,895
Customs	1204,250	1151,175	1157,422	24,191	23,932
Excise	912,850	885,385	924,655	5,045	7,440
Total Customs and Excise	2117,100	2036,560	2082,157	29,236	31,372
Motor Duties	93,000	90,092	93,447	505	621
				Dr.	
PO (Net Receipts)	20,000	17,700	16,700	*200*	3,100
Broadcast Licences	31,000	26,200	28,400	...	...
Sundry Loans	32,000	32,626	32,089	993	2,134
Miscellaneous	185,000	168,628	159,157	12,035	109
Total	5288,950	4889,540	5074,043	95,235	107232
Ord. Expenditure					
Debt Interest	640,000	705,917	658,051	9,358	15,313
Payments to N. Ireland Exchequer	69,000	62,664	66,727	...	...
Other Cons. Funds	10,000	8,942	9,025	... 5	...
Supply Services	4126,391	3756,837	3848,739	77,909	74,700
Total	4345,391	4534,360	4582,544	87,253	90,020
Sinking Funds	33,000	36,307	37,352	830	370
"Above-line" Surplus or Deficit	+ 318,873	+ 451,147	+ 7,144	+ 16,842	
"Below-line" Net Expenditure	559,638	603,399	22,087	4,980	
Total Surplus or Deficit	240,765	152,252	14,943	11,862	
Net Receipts from:					
Tax Reserve Certificates	5,264	—50,157	1,900	—3359	
Savings Certificates	72,300	—19,900	—100	—1200	
Defence Bonds	—31,591	—37,303	353	—1252	
Premium Savings Bonds	62,780	78,200	1,400	1,400	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957 Mar. 16	2,900·0	1,249·9	247·3	...	4,397·2
Dec. 14	3,410·0	2,181·2	193·6	...	5,784·8
„ 21	3,440·0	2,228·1	192·4	...	5,860·4
„ 30	5,624·7		218·4	...	5,903·1
1958 Jan. 4	3,450·0	2,248·9	228·5	...	5,927·4
„ 11	3,410·0	2,192·2	237·0	...	5,839·2
„ 18	3,370·0	1,714·9	250·3	...	5,335·2
„ 25	3,300·0	1,707·9	208·4	4·8	5,221·0
Feb. 1	3,220·0	1,768·6	179·1	...	5,167·7
„ 8	3,160·0	1,746·9	157·6	...	5,064·5
„ 15	3,120·0	1,403·1	205·5	1·3	4,730·9
„ 22	3,080·0	1,463·7	183·4	...	4,727·1
Mar. 1	3,040·0	1,537·1	210·4	...	4,787·5
„ 8	3,050·0	1,487·6	219·7	...	4,757·3
„ 15	3,060·0	1,529·9	225·6	...	4,815·5

THE MONEY MARKET

IN Lombard Street, the reduction of Bank rate to 6 per cent came as a surprise; the bill rate had been virtually stable for a month, following the steady decline since the late autumn. The minimum rate on call loans from the clearing banks was reduced by 1 per cent, to 4½ per cent, and the discount houses' deposit rates were cut, in line with bank deposit rates, by 1 per cent to 4 per cent. The new rates on commercial bills were not tested by dealings in the market.

At the bill tender on Friday of last week the average rate rose by 1½d. to £6 os. 6.59d. per cent. The market maintained its minimum bid unchanged at £98 9s. 11d. per cent; the allotment rose by £10 million to £250 million, while total applications fell, by £18.3 million to £370.3 million. The market's allotment at the minimum bid rose again, from 47 to 61 per cent.

The Treasury bill rate in New York has fallen this week from 1.53 to 1.34 per cent without effect on the discount on forward sterling. After the Bank rate reduction, the three months' discount on the US dollar narrowed from 2¾-2⅞ cents to 2½-2⅝ cents, in expectation of a narrowing of the interest differential.

The discount houses were in the Bank on three days out of six in the week preceding the Bank rate change; but the amounts involved were small. On Monday and Tuesday credit was more than adequate.

LONDON MONEY RATES

Bank rate (from 7% 29/3/58)	% 6	**Discount rates**	%
Deposit rates (max.)		Bank bills: 60 days	5¼-5⅜ *
Bank	4	3 months	5¼-5⅜ *
Discount houses	4	4 months	5⅜-5½ *
Money		6 months	5⅜-5½ *
Day-to-Day	4½-5	Fine trade bills:	
Treas. bills 2 months	5¼-5⅜*	3 months	5⅜ 6¼*
Treas. bills 3 months	5¼-5⅜*	4 months	5¼-6¼*
		6 months	6-7*

* Rates nominal

BANK OF ENGLAND RETURNS

(£ million)	Mar. 20, 1957	Mar. 12, 1958	Mar. 19, 1958
Issue Department:*			
Notes in circulation	1,831·0	1,979·6	1,982·6
Notes in banking dept.	31·3	20·7	17·8
Govt. debt and securities*	1,921·2	1,996·3	1,995·2
Other securities	0·8	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	15·8	14·1	15·2
Bankers	222·1	215·2	222·8
Others	72·0	73·8	74·5
Total	309·9	303·1	312·5
Securities:			
Government	259·0	259·9	263·6
Discounts and advances	24·6	25·9	25·8
Other	20·3	21·6	21·4
Total	293·9	293·4	310·8
Banking department reserve	33·5	25·1	29·2
"Proportion"	10·8	7·6	6·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £2,000 million from £2,050 million on January 22nd, 1953.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1957 Mar. 15	*91 Day* 250·0	375·3	s. d. 82 3·70	% 34
	91 Day / *63 Day*			
Dec. 13	250·0 / 50·0	414·8	123 1·21	45
„ 20	220·0 / 50·0	403·9	123 9·94	52
	91 Day			
„ 27	250·0	409·2	127 5·91	51
1958 Jan. 3	250·0	405·7	126 6·70	55
„ 10	250·0	398·7	126 7·25	45
„ 17	250·0†	403·8	125 10·33	52
„ 24	230·0	421·0	125 6·56	24
„ 31	210·0	421·2	122 6·50	44
Feb. 7	230·0	387·5	121 3·23	65
„ 14	230·0‡	421·7	120 10·56	41
„ 21	220·0	411·7	119 5·52	40
„ 28	240·0	391·9	120 3·23	37
Mar. 7	240·0	383·6	120 5·10	47
„ 14	250·0	370·3	120 6·59	61

* On March 14th tenders for 91 day bills at £98 9s. 11d. secured 61 per cent, higher tenders being allotted in full. The offering this week was for £230 mn. at 91 day bills. † Allotment cut by £10 mn. ‡ Allotment cut by £20 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: March 19	Market Rates: Spot: March 13	March 14	March 15	March 17	March 18	March 19
United States $	2·78-2·82	2·81 7/16-2·81 9/16	2·81 7/16-2·81 9/16	2·81 7/16-2·81 9/16	2·81 7/16-2·81 9/16	2·81 7/16-2·81 9/16	2·81 7/16-2·81 7/16
Canadian $	...	2·75-2·75½	2·74½-2·75	2·74½ 2·74¾	2·74 13/16-2·75 1/16	2·74 13/16-2·75 1/16	2·75 1/16-2·75 3/16
French Fr.	1167-18-1184-82	1182½-1183	1183 -1183½	1182½-1183	1182½-1183½	1182½-1182½	1182½-1182½
Swiss Fr.	12·15 7/16-12·33 9/16	12·23 -12·23½	12·23 -12·23½	12·23 -12·23½	12·27½-12·27¾	12·27½-12·27¾	12·27½-12·27½
Belgian Fr.	133·95-141·05	139·85-139·90	139·82½-137·87½	139·85-139·90	139 80-139·85	139·80-139·85	139·80-139·85
Dutch Gld.	10·53-10·72	10·62½-10·62½	10·62½-10·62½	10·62½-10·62½	10·62½-10·62½	10·62½-10·62½	10·62½-10·62½
W. Ger. D-Mk.	11·67 9/16-11·81 11/16	11·76½-11·76½	11·76½-11·76½	11·76½-11·76½	11·76½-11·76½	11·76½-11·76½	11·76½-11·76½
Portuguese Esc.	79·90 81·10	80·00-80·15	80·00-80·15	80·00 80·15	80·00-80·15	80·00-80·15	80·00-80·15
Italian Lire	1736 3/8-1762½	1747½-1747½	1747½-1747½	1747½-1747½	1746½-1747½	1746½-1747½	1746½-1747
Swedish Kr.	14·37 8/16-14·59 3/16	14·52½-14·53	14·52½-14·52½	14·52½-14·52½	14·52½-14·52½	14·52½-14·52½	14·51½-14·52½
Danish Kr.	19·19½-19·48½	19·34½-19·35	19·31½-19·35½	19·35½-19·35½	19·35½-19·36½	19·35½-19·36½	19·35½-19·36½
Norwegian Kr.	19·85-20·15	20·00½-20·01½	20·01 -20·01½	20·01 -20·01½	20·00½-20·01½	20·00½-20·01½	20·00½-20·01½
One Month Forward Rates							
United States $		1-1/2c. pm	1-1/2c. pm	1-1/2c. pm	1-1c. pm	1-1/2c. pm	1-1/2c. pm
Canadian $		1/8-3/8c. pm	1/8-3/8c. pm	1/8-3/8c. pm	1/2-1c. pm	1/2-1c. pm	1/2-1c. pm
French Fr.		1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis
Swiss Fr.		4-3½c. pm	4-3½c. pm	4-3½c. pm	4-3½c. pm	4-3½c. pm	4-3½c. pm
Belgian Fr.		3/8-1/8 pm	3/8-1/8 pm	3/8-1/8 pm	1/4-1/8 pm	1/4-1/8 pm	1/4-1/8 pm
Dutch Gld.		2½-2¼c. pm	2½-2¼c. pm	2½-2¼c. pm	2¼-2⅛c. pm	2¼-2⅛c. pm	2¼-2⅛c. pm
W. Ger. D-Mk.		3-2½pf. pm	3-2½pf. pm	3-2½pf. pm	3-2½pf. pm	3-2½pf. pm	3-2½pf. pm
Italian Lire		1½ pm-par	1½ pm-par	1½ pm-par	2 pm-par	2 pm-par	2 pm-par
Swedish Kr.		4½-3½ pm	4½ 3½ pm	4½-3½ pm	4-3½ pm	4-3½ pm	4-3½ pm
Danish Kr.		4-3½ pm	4-3½ pm	4-3½ pm	4-3½ pm	4-3½ pm	4-3½ pm
Norwegian Kr.		23 pm-par	23 pm-par	23 pm-par	21-16 pm	21-16 pm	21-16 pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/3½	249/3	...	249/½	249/2½	249/3½



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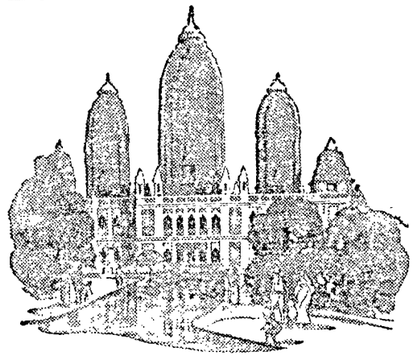
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Position as at
31st JANUARY 1958

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Liquid Funds £61,500,000
Reserves £13,000,000

Savings & Investment Balances Increased by £45,500,000

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COMPANY MEETINGS

THE HONGKONG AND SHANGHAI BANKING CORPORATION

A SATISFACTORY YEAR, BUT IMMEDIATE OUTLOOK UNCERTAIN

UNFAVOURABLE ECONOMIC CONDITIONS IN MANY EASTERN TERRITORIES

STERLING'S ROLE IN INTERNATIONAL TRADE

PROVISION OF FINANCE FOR DEVELOPMENT PROGRAMMES

GREATER NEED FOR ATTRACTION OF PRIVATE CAPITAL

MR C. BLAKER ON UNRESOLVED POLITICAL PROBLEMS

The Ordinary Yearly General Meeting of The Hongkong and Shanghai Banking Corporation was held on March 14th at the Head Office, 1, Queen's Road, Central, Hong Kong.

Mr C. Blaker, MC, ED, the Chairman, who presided, said:

Ladies and Gentlemen, the hour for which this Meeting was called having now passed, I will call upon the Chief Manager to read the Notice convening the Meeting.

Mr Michael W. Turner, CBE, having read the Notice convening the Meeting and a representative of the auditors having read their report, the Chairman continued:

Ladies and Gentlemen, as you will see from the accounts before you the profit for the year amounts to $21,035,543, which is an increase of $400,000 over last year's figure. In accordance with our normal practice this profit has been arrived at after making transfers to the credit of our inner reserves out of which full provision has been made for the depreciation in value of our investments and all known doubtful debts and contingencies.

It is proposed that a sum of $4 million should again be written off Bank Premises and, after allowing for this transfer and the interim dividend of £2 per share, the directors recommend the payment of a final dividend of £1 12s. 6d. per share, leaving a balance of just over $2 million to be carried forward to next year. As approved by shareholders at the Extraordinary General Meeting held in August, the capital of the Bank was increased from $25 million to $50 million by the distribution to shareholders of 200,000 new shares of $125 each, credited as fully paid up. This final dividend is, of course, payable on the increased capital and the actual amount which it is proposed to distribute by way of dividend is increased by $800,000 over the previous year. The reduction in the carry forward is due to the transfer during the year of $9 million to the Reserve Fund as part of the operation to capitalise part of the Reserve Fund in connection with the new issue of capital.

BALANCE SHEET FEATURES

Turning to the Balance Sheet, the Capital Account shows the increase which I have just mentioned but the Reserve Fund remains unchanged at $128 million due to the transfer of $9 million from the Profit and Loss Account and $16 million from Inner Reserves. Hong Kong currency notes in circulation show an increase of $16 million due to a rise in the Excess Note Issue and this increase is reflected on the other side of the Balance Sheet by a similar increase in Hong Kong Government Certificates of Indebtedness. Current, Deposit and Other Accounts show a rise of $131 million mainly due to higher Fixed Deposits. Acceptances on behalf of Customers show an increase and the total has now exceeded the figure of two years ago.

When we turn to the Assets side of the Balance Sheet, we find the ratio of readily realisable assets to the total liabilities has risen by 4 per cent to just under 49 per cent. Both Cash in Hand and Money at Call and Short Notice are higher than last year, but the main changes are to be observed in the British and Other Government Treasury Bills and Trade Bills Discounted, the former increasing by $204 million, while the latter decreased by $110 million. Advances also show a slight decrease and it can be seen that a large part of our increased deposits have been utilised in Treasury Bills as opposed to the financing of trade. This is unfortunately a sign of the generally lower commodity prices and a slackening of trade in the areas in which we operate.

A SATISFACTORY YEAR, BUT IMMEDIATE OUTLOOK UNCERTAIN

On the whole we can look back on a satisfactory year but as shareholders will see from the printed Statement, economic conditions in many of these eastern territories have been unfavourable and the immediate outlook can only be regarded as uncertain. It remains to be seen whether the coming year will prove as profitable as the last but it would be reasonable to hope that we may not find it necessary to allocate any further sums for the purpose of writing down our British Government securities, which has been such a disturbing feature of the last few years.

Before I leave the Balance Sheet I should like to say how pleased your Directors are that the arrangements for the abolition of the contingent liability of shareholders were satisfactorily concluded during the year. Due to the fact that the Bank is incorporated under a special Hong Kong ordinance and we are responsible for issuing such a large part of the Colony's currency the necessary steps to abolish the contingent liability required authorisation by the Hong Kong Government and the Secretary of State for the Colonies. I should like to thank the various officials who were concerned in these negotiations, for the ready response they gave to our application which resulted in the satisfactory conclusion of the operation, entailing as it did a certain degree of delicate timing.

The Balance Sheet of our Californian Subsidiary which is included in the accounts before you shows signs of steady growth and the new office in Los Angeles got off to a good start.

During the year we opened a new office in Seria, in Brunei, and arrangements are being made to open an office in Kuching, in Sarawak. In view of the disturbed conditions in Indonesia we have decided to close our office in Surabaja. Although this office was opened in 1896 and for a time, previous to the last war, was a valuable connection, business recently has been falling off.

The changes in the Board of Directors during the year are shown in the Report which is in your hands and I will make no further comment on them.

Mr G. R. Roper-Caldbeck joined the London Committee during the year and Mr S. W. P. Perry-Aldworth, Senior London Manager, was appointed Deputy Chairman.

TRIBUTE TO EXECUTIVES AND STAFF

I should like to take this opportunity of congratulating the Chief Manager, Mr Michael W. Turner, on the honour which Her Majesty The Queen recently conferred on him. I am sure you will all agree that this award was richly deserved and was some recognition of the hard work he has put in, not only for the Bank but in the general interests of the Colony. Our thanks are also due to the branch managers and the staff for their continued loyalty and efficient service to the Bank.

Before I close there are two matters of local interest to us here in Hong Kong which I should like to mention. In the first place I should like to say how pleased we all are that Sir Robert Black has returned to the Colony as Governor. Sir Robert is well known to most of us in this room and I am sure you will join with me in wishing him a long and successful period as governor. The second matter I wish to mention is the welcome news that the Murray Barracks area of the military lands is at long last to be surrendered to the government. This is a matter which has been discussed as long as I have been in Hong Kong and in fact turning over

the old Minutes of our Annual Meetings, I notice that in 1923, when the land values were described as being at undreamt of heights, the value of this area to the business community was urged on the government as a reason for its speedy surrender. Thirty-five years is a long time but it looks as if the development of this area will now become an accomplished fact.

Ladies and Gentlemen,

The Report and Statement of Accounts having been in your hands for the required period I will now formally propose their adoption as presented.

After the proposal has been seconded I shall be pleased to answer to the best of my ability any questions which shareholders may wish to ask.

The resolution having been seconded the Report and Accounts were adopted.

CHAIRMAN'S STATEMENT

The following is the statement referred to by the Chairman:

During the past year there was very little improvement in international relations throughout the world. The outstanding problems in the Middle East seemed no nearer solution and in spite of discussion on disarmament and proposals for high level talks, the main issues between the two sides still remained unsolved. In the scientific field, on the other hand, there were two remarkable developments which seem likely to have a major influence on the future progress of the human race—the launching of the Russian earth satellites and the first steps in the control of thermonuclear reactions. Although the latter may prove, in the long run, to be the more important, the immediate impact of the former was very much greater, showing as it did the lead that Russia has now gained in intercontinental missiles. There is no disguising the fact that the West, and the United States in particular, have suffered a severe political reverse due to the strategic consequences of the Russian advances in technology. It would seem doubtful whether the present policies will meet this changed situation and the demand for a more positive approach to break the deadlock seems likely to gain in intensity.

The economic picture has been somewhat mixed and it is not clear whether in 1958 the danger most to be guarded against is rising costs or falling production; whether in fact the inflationary tendencies that have been so much a feature of the postwar era are still growing or whether a period of deflation is about to set in. Whatever the future may hold the present situation, with the increasing cost of manufactured goods and a considerable drop in commodity prices, has pressed heavily on the balance of payments of the Eastern countries in which we operate and this must inevitably slow up their progress. The heavy cost of modern industrial development has intensified the world capital shortage and this, coupled with an overall fall in the dollar reserves, has resulted in a growing use being made of the drawing facilities member countries enjoy with the International Monetary Fund. During the year many currencies suffered a period of considerable strain and in Europe the problem was aggravated by the strength of the Deutsche Mark, the weakness of the French Franc and the rise in wages and prices in the United Kingdom. Sterling once again had to bear the brunt of the speculative pressure and in September the bank rate was raised to 7 per cent, the highest since 1921, with restrictions on both bank advances and expenditure by local authorities. These measures halted the drain on the sterling area reserves and as a result the short-term position has greatly improved, but judgment must be deferred as to whether or not the overriding problem of keeping British costs in line with those of her competitors has been solved.

These recurring currency crises have evoked serious consideration as to whether it is advantageous to the United Kingdom to maintain sterling as an international currency. Those who argue against have drawn support from the fact that the drain last year took place at a time when the country was paying its way, and various estimates have been made to show that the foreign exchange earnings of the City are much less than has been generally supposed. While this is not the place to enter into this interesting discussion, I should like to say this, that from the point of view of a bank such as ours, mainly concerned with the financing of international trade, any suggestion that sterling should abrogate the role it has held for so long, can only be viewed with apprehension. Notwithstanding periods of distrust from time to time in recent years, no currency has yet been found able to take the place of sterling and it is difficult to see how the multitude of transactions which make up the settlement of trade in our particular area alone could be cleared without the facilities sterling and the City of London provide. This applies also to other parts of the world and a return to bilateralism, with all the frustrations this would involve, would seem to be the inevitable result of any serious limitation in the use of these facilities.

The common market, composed of France, Western Germany, Italy and the Benelux countries, officially came into being on January 1, 1958, but the wider free trade area, which is to be established around these countries and which is intended to comprise most of Europe as well, has still many bridges to cross. Progress seems likely to be slow, as, although there is a growing agreement on the general advantages of such an area, when negotiation turns to particular problems the extent of the difficulties is revealed.

ASIA

The political situation in the Far East shows little outward change. Many outstanding problems still remain unsolved but while it would be unwise to be complacent at a state of affairs with so many explosive possibilities, the fact that local disturbances have not spread gives ground for satisfaction. Deterioration in the terms of trade, which has resulted in a general fall in the foreign exchange reserves of most countries in the area, is the most disturbing economic feature. Admittedly these difficulties were aggravated by the increasing pace of development, but administrative weaknesses in several cases have quickened the trend and have delayed the taking of appropriate action to reverse it.

It would be unfair to criticise the various countries concerned unduly, as very few other countries have been free from balance of payment difficulties at one time or another in recent years. Nevertheless, it is unfortunate that this state of affairs should have occurred at a time when most of the various development programmes require outside capital, the demand for which throughout the world is so active. Actually considerable amounts of capital have been granted to the area during the past year through such media as the International Bank, various United States agencies and the Colombo Plan, but there are signs that these supplies are not unlimited. It would therefore seem to be necessary to attract to a greater extent the flow of private capital, but Asian countries should not forget that there is already considerable competition from other areas for what is available. In their annual report the Consultative Committee of the Colombo Plan point out "the advantage of the region in this competition is that it offers potentially large and growing markets," but go on to warn that "the attractions of the region, however, can be counter-balanced by such factors as apprehensions as to the security of investment, difficulties with administrative and financial procedures and restrictions, and uncertainties about the incidence and weight of taxation." I hope that this advice, coming as it does from a gathering of representatives of the governments concerned, will be given careful consideration. Foreign capital has in the past done much to assist the industrialisation of many countries and continues today to increase the productivity of those that are most advanced. It is now being more generally realised that foreign investment is not necessarily tarred with the colonial brush, but recent events in Indonesia have shown the disrupting effects that extreme nationalism can have on a nation's economy.

HONG KONG

On the last day of the year, to the traditional sound of Chinese firecrackers, Sir Alexander and Lady Grantham left Hong Kong after a governorship of over ten years. By 1947 the Colony had repaired the worst of the damage and neglect left over from the occupation and had resumed its pre-war role as an entrepôt for South China, but the development of the local industries, which were to provide employment for the growing number of refugees, still lay ahead. These were not easy years, but, amidst the numerous trials and tribulations which afflicted this part of the world, Sir Alexander stood firm and by his leadership guided the energetic people of Hong Kong along the path to the thriving metropolis we now see today. Greatly assisted by his lady, he instilled members of the community with a feeling of social responsibility, which was not always to be found in earlier days, and the numerous charitable organisations in the Colony today owe much to their interest and encouragement.

The pressure of population continues to be the most serious problem facing the Colony and the concentration of such large numbers of people, in the urban areas of Kowloon, places a heavy burden on all the public services and in particular on the police force. The recent remarks of the Governor and the Financial Secretary on the water situation give some idea of the difficulties that have to be overcome in the provision of this basic requirement. It seems clear that even if the Shek Pik scheme on Lantao Island should prove workable, this will not be sufficient to meet the growing demand of industrial development and improved standards of housing.

The government announced at the end of the year that they had appointed a firm of consulting engineers to survey certain areas in the New Territories with a view to exploring the possibility of building self-contained new towns. This proposed development will naturally take time, but the necessity of housing and finding work for the large number of Chinese refugees is still a major problem. The General Assembly of the United Nations recently considered this question and appealed to member countries to give all possible assistance to alleviate distress. It would, I think, be optimistic to expect any large response to this appeal, but it is naturally a matter for regret that Hong Kong seems likely in the future, as in the past, to be required to tackle this problem from her own resources. I hope, however, that the needs of the refugees will not be forgotten and that there will be some relief from abroad.

All the indications are that the population will continue to grow which will necessitate considerable future industrial development and I sometimes wonder whether this will be forthcoming. We have been fortunate in recent years in the inflow of capital, much of which has built up new industries, but it would be unwise to rely on this continuing indefinitely. In spite of the progress of local industries the adverse balance of trade continues to grow; granted in an entrepôt this is not too reliable a guide, but the fact remains that the time may come when the invisibles will not be sufficient to make up the difference. If this should happen, private enterprise might not be tempted to invest to the extent that it has done in the past and a more positive approach by the Government might be necessary to fill the gap. The economic position in the Colony has been so favourable in recent years, and so much praise has been expressed abroad at the progress that has been made, that it is easy to become complacent. The dangers I have hinted at may not be so far away as people like to think and it would therefore be wise to consider some preliminary planning to avoid being taken unawares.

Business activity remained at a high level throughout the year and although there are signs of a slight contraction there seems no end to the number of new buildings that spring up all over the Colony and in fact the amount spent on private building last year was the highest since the war. Visitors continue to be amazed at the speed with which these are constructed and even residents, after a short absence, comment on the changes that can be seen. The supply of flats for the more well-to-do members of the community has probably now reached saturation point but there is an ever-growing demand for smaller flats for the lower income groups. The recently completed North Point Estate, one of the largest state-aided housing projects in Asia, containing nearly 2,000 flats, will help to supply part of this need. A great deal more, however, will require to be done and it is good to know that plans for further housing estates are already under way.

It was announced in November that the Royal Naval Dockyard would be closed down progressively over a period of two years. This decision has been taken as part of the British Government's recent defence policy which includes the reorganisation of naval forces and their shore support throughout the world. Other dockyards are being closed in the United Kingdom and we must accept this decision. It is nevertheless a matter for regret, as not only has this raised the problem of re-employment of the workers but it must inevitably weaken to a certain extent the close connection which has existed for so long between Hong Kong and the Senior Service.

On the recommendation of Sir Alexander Grantham, a committee has been formed, composed of ten members representing trade and industry, to consider the advisability of setting up a Federation of Hong Kong industries. This organisation, it is hoped, will assist with industry's problems of management, training and overseas trade relations. Technical training is a most important adjunct to modern industrial development and Hong Kong's new technical college was opened at the end of the year. It is hoped that in a few years this will be one of the finest technical colleges in this part of the world.

HONG KONG'S TRADE

Hong Kong's trade in 1957 was higher in total than that of the previous year but this was due to a rise in imports as exports showed a slight decrease. Total trade was around HK$9,000 million with imports at HK$5,600 million and exports at HK$3,400 million. China remained the principal source of the Colony's imports, followed by Japan and the United Kingdom. Exports to Indonesia, Thailand, Japan and South Korea, were much reduced and increases to other areas, including the United Kingdom and the United States, were not sufficient to offset this loss.

Exports of Hong Kong products at nearly HK$794 million represented a small increase over the figure for 1956. The United Kingdom continued to be the largest customer but purchases of local products by the United States increased by almost 100 per cent, a large part of which was due to the efforts of the garment industry. Although the registration of new factories showed a fall, local industry is becoming more diverse and new lines continue to be actively developed.

Business on the Stock Exchange showed a similar trend to last year and decreased by about 30 per cent over the year. Considering the sharp fall in security values that have taken place throughout the world, the market on the whole stood up very well. Land values remained fairly steady although prices in certain parts of Kowloon continued to rise. There are no longer so many first-class sites available in the central district and this has caused buyers to turn to smaller properties, many of which are old and are long overdue for rebuilding.

The bank clearing figures for the year increased by about 11 per cent and reached a total of nearly HK$17,000 million, to come close to the record figure of 1951. Increasing velocity of circulation has been much in the news recently in the United Kingdom. It is interesting to note that in the last two years, here in Hong Kong, a similar trend has been evident.

FINANCES OF HONG KONG

The financial position of the Colony continues to be very satisfactory and a surplus of just over HK$1 million for the current year is now estimated as opposed to the original deficit of HK$54 million. Even this revision seems to be an under-estimate and the Financial Secretary considers it likely that the final result will show a much larger surplus.

For the financial year 1958-59 revenue is expected to remain at about the previous year's level, but expenditure shows a considerable increase and a deficit of HK$87 million is estimated. The provision for public works non-recurrent at HK$183 million is the main reason for this rise, including as it does expenditure on new schools, hospitals, reservoirs and the air port. It is notoriously difficult to estimate accurately expenditure under this heading but, even if all this money is in fact spent, the Financial Secretary considered it perfectly sound to finance this capital expenditure out of reserves, and no increase was made in taxation.

At the meeting of the Legislative Council, at which the Budget was presented, the Governor announced that the Secretary of State for the Colonies had further relaxed the financial control which he exercised over Hong Kong, and that the annual estimates and supplementary provisions would no longer require his approval. "This is a very important and considerable extension of our financial independence," as the Governor pointed out, but I think that when one considers the conservative way in which our finances have been managed over the last few years there should be no cause for anxiety.

CHINA

On looking back over the events in China during the past year it is clear that a number of stresses have developed, both political and economic. Evidence of this is not difficult to obtain and a study confined to official pronouncements could only lead to the same conclusion. Indeed, it would be surprising if all had gone smoothly, when one considers the profound changes that have taken place in the whole Chinese way of life in such a short time, with the collectivisation of the farms and the great strides that have been made in industrial development. A policy of such rapid growth must rely on a considerable degree of austerity in the present for the sake of the future, and is bound to raise doubts among certain sections of the population; the extent of these doubts became evident when the much publicised speech of Chairman Mao Tse-Tung, indicating that a greater degree of freedom of expression was to be allowed, touched off a wave of critical comment. This period did not last very long and soon press reports from Peking were once again full of confessions by counter-revolutionaries, while it became clear that a campaign against "rightists" was actively under way.

The extent of the criticism was no doubt embarrassing to the government, but there is no evidence to suggest that it was more than just that or that it has in any way changed the declared policy of pushing ahead at as rapid a pace as possible with the industrialisation of the country. This remains the aim which will, I am convinced, be carried out resolutely and will be limited much more by the results of the harvest than by the opinions of disaffected groups. It may be that agriculture will not be able to play the part allotted to it as nature will continue, as in the past, to be a dominant influence. If this should prove to be the case, the part of the national cake that is devoted to capital development may require to be smaller, but there seems no doubt that it will still continue to be a sizeable slice.

The higher targets which were decided upon after the bumper harvest of 1955 proved too great a strain on the country's economy when last year's crops did not come up to expectation. The reduction in the allocation for economic construction in the budget was one of the signs that the authorities appreciated that the pace was too swift, while a number of official pronouncements show that it is now realised that many of the targets were too ambitious. The shortage of food has been the subject of much comment in the Chinese press, and in December pork joined grain, vegetable oils and cotton cloth as a rationed commodity. Speculators, laxity of officials and errors of judgment are all blamed for the present state of affairs but the problem of a balanced distribution of food in a country the size of China, particularly subject to the vagaries of the weather, would seem to be almost insoluble. Mistakes in the running of collective farms are now being freely admitted and agricultural development seems likely to be concentrated on improving on the existing model without as yet the introduction of mechanical aids. In an endeavour to raise the standards of rural conditions the movement of government employees from the towns to the countryside is being vigorously directed.

It is against this background that the decision of the United Kingdom and other governments to bring the list of goods which may be exported to China into line with the Russian list must be viewed. In association with British merchants interested in the China trade, we have been urging this relaxation for some time and we are happy to see that action has now been taken. It would,

however, be unwise to expect any great immediate benefit but the visits of both the Parliamentary Secretary to the Board of Trade to China and the Chinese Economic and Technical Mission to the United Kingdom have, I hope, laid the foundations on which a growing exchange of goods may be based. The present volume of British trade with China is not very large and there would seem to be no reason why this should not be materially increased, even if a slowing down of development in China should be found necessary.

The period of the first five-year plan has now ended and it is claimed that industrial output greatly exceeds the original estimate. This is, I think, most likely as considerable strides have been made in the production of steel, coal, electric power and cement, to take a few examples, while the bridge at Wuhan, the first to span the Yangtse, is not only a considerable engineering achievement but will greatly assist communications between north and south. There are, however, signs that the pace has been uneven—too fast in some directions and too slow in others—which has resulted in overall production being slowed down. Action aimed at the elimination of these bottlenecks would seem to deserve high priority in the next five-year plan.

JAPAN

In our review last year I was able to report that Japan had a satisfactory year of economic expansion despite considerable political difficulties. This year the reverse seems to be true, as although the inherent weaknesses in Japan's political structure remain unaltered and factional differences are still as strong as ever, it is economic problems rather than political that have given most cause for concern. The industrial expansion, which had been such a noteworthy feature of 1956, continued during the first half of 1957 with no slackening in investment demand, but although exports increased they were unable to keep pace with the growing volume of imports and this caused a steady deterioration in the balance of payments. The raising of the rediscount rate by the Bank of Japan, an increase in import margins and a reduction of public and private investment programmes were some of the measures taken to reverse this trend, and in October the drain on the foreign exchange reserves was halted after having reached the somewhat alarming total of US$600 millions for the first nine months of the year. Fortunately, with such heavy pressure on the balance of payments for the import of industrial materials, the rice crop turned out to be the second highest in Japan's history. Taking the year as a whole the net deficit was US$533 millions as compared with a surplus of US$293 millions in 1956, with exports higher by 14 per cent and imports by 32 per cent.

It would seem that the tide has been turned and that the deflationary policy has succeeded in slowing down the too rapid expansion which threatened to exhaust the reserves if allowed to continue. Falls in the index of production, increasing stocks of goods in the hands of importers and lower wholesale prices are evidence of this; on the other hand advances by the Bank of Japan to the banking system at the end of December were four times what they were a year previously and it is doubtful whether consumer demand has been seriously reduced. When one looks back on conditions in Japan over the last few years, with the rapid swings of the pendulum from one extreme to the other, it is tempting to speculate whether a way can be found to prevent such quick changes in the economic climate.

This poses a difficult problem, faced as Japan is with a steadily rising population which necessitates a growing increase in her exports to keep her industry running and avoid the dangers of severe unemployment. No wonder there is pressure to increase industrial production particularly as there has been a change in the pattern of the export trade with less demand for consumer goods. This has resulted in activity in markets where there is already strong competition from other suppliers, many with old established connections, which makes the economy particularly vulnerable to any recession abroad. The shipbuilding industry is a case in point. Last year Japan reached the highest peacetime output of any nation, but with the fall in world demand for shipping, particularly tankers, it seems unlikely that this level can continue. Other industries will undoubtedly suffer also, but raw materials are continuing to come forward and it is not so easy to turn off the tap.

It may be that action was not taken in time, but, with the danger of unemployment always present, it is not surprising that the monetary authorities are sparing in the use of the deflationary weapon lest the cure be worse than the disease. Taking everything into account it seems likely that Japan's economy will continue for some time to be subject to considerable variations unless there is renewed and sustained world-economic expansion.

The political situation remained uneventful during the year and very little positive action was taken in internal affairs apart from the financial measures already mentioned. Mr Kishi retained the cabinet he inherited from his predecessor until July but, when the new cabinet was formed, it bore signs of the usual compromise between the different factions, with their varying personal loyalties. The Prime Minister was absent from Japan for a large part of the year making two tours of Asia and visiting the United States and Australasia. During these tours he propounded his plan for a South-East Asian Development Fund, which was given a mixed reception. This plan was somewhat vague in outline but the original intention was to set up a fund in US currency available for the supply of industrial equipment from Japan to South-East Asia; when it became clear that US currency was unlikely to be forthcoming a yen fund was proposed. Time alone will tell how valuable these tours were, but the signing of the peace treaty with Indonesia and the settlement of the reparations issue gave a successful outcome to the last of these.

Japan continues to maintain the most cordial relations with the United States but economic necessity alone would prevent neglect of her large neighbours. A trade pact was successfully concluded with Russia in December, but although the Japanese have followed the United Kingdom in their relaxation of the embargo on trade with China, progress in the negotiations with that country was slow and trade in fact fell off. Arrangements have recently been announced for the sale by Japan of steel products to China in exchange for coal and iron ore and the resumption of this traditional trade must be in the interests of both countries.

Rearmament still remains far from popular and although the Constitution Research Council has been formed the opposition of the Socialists makes it unlikely that the controversial article in the Constitution, relating to rearmament, will be revised in the near future. Japan's election to the Security Council will, however, enable her to press more vigorously her objections to the holding of nuclear tests in the Pacific.

Now that she is once again a member of international organisations, Japan has been feeling her way, searching for a policy which will suit her particular geographical position and satisfy her needs for export markets. For this reason I do not think that the last has been heard of the South-East Asian Development Fund.

PHILIPPINES

The sudden death of President Magsaysay in the early part of the year was a severe blow to the people of the Philippines where he was greatly loved and respected. This tragedy, coming as it did in election year, made the contest more open, but the Nacionalista Party were once again successful in the presidency although they lost the vice-presidency to the Liberal Party. President Carlos P. Garcia and Vice-President Diosdado Macapagal were duly inaugurated on December 30th and they have assumed office at a critical time in the affairs of the young republic.

This is mainly due to the deteriorating economic situation, and the new administration are faced with a number of very grave problems. To quote from the President's recent State of the Nation Address these comprise "food insufficiency, unemployment, rising prices, dwindling international reserves, decreasing revenue collections and increasing budgetary requirements." This is indeed a formidable list and a reduction in consumption would seem to be an essential ingredient for any medicine that is prescribed. Certain steps to this end have already been taken. The rediscount rate was raised in September from 2 per cent to 4½ per cent and in December importers were required to deposit cash margins—in some cases up to 200 per cent—before letters of credit could be opened, and these were restricted to essential commodities. Without the repeal of the "No-Dollar Import Law," which permits barter trade, the monetary authorities are somewhat handicapped in their efforts to impose austerity on the import programme, and it is to be hoped that Congress will follow the President's recommendation and re-examine this legislation at an early date. The measures adopted so far will no doubt result in a slowing down of the immediate drain on the foreign exchange reserves, but they are in no way a lasting cure.

For this reason it is not surprising that the suggestion for a devaluation of the peso is finding a growing number of adherents and it is true that by many standards the currency is overvalued. Nevertheless it does not seem to me that devaluation of itself is the answer to the problem, and in fact there is the danger that once tried there will be the temptation to repeat the experiment. The immediate necessity is the implementation of a strict fiscal and monetary policy to drain the inflation out of the economy and curb unnecessary expenditure. Once the inflationary tendencies begin to weaken then the time might come to reconsider whether the present value of the peso was advantageous to the country as a whole but this should be decided upon as a matter of deliberate policy and not as a rescue operation

VIETNAM

The Republic of Vietnam has now achieved a considerable degree of political stability and what might be described as the first stage in the task of resettlement is almost completed. Great credit for rescuing the country from the disturbed conditions which previously existed is due to the President, Ngo Dinh Diem, and his administration, in which far from easy task American advice and assistance has greatly contributed. Consolidation will be the next step and this may prove more difficult, requiring as it will the stabilisation of the present political structure and the building up of a viable and independent economy.

Imports during the year have continued at a high level and the market is heavily overstocked. There is no doubt that import licences were granted on too lavish a scale but the tight money conditions caused by the delay in utilising counterpart funds has greatly hampered sales. These counterpart funds are obtained by the government from the importers of goods under the American Aid programme and can only be utilised on approved projects. Unfortunately delay in formulating such projects has resulted in a large amount of money still being immobilised with the Banque Nationale du Vietnam at a time when its use would not only improve the country's future productive capacity but by putting purchasing power back into circulation would have the immediate effect of speeding up the disposal of stocks.

More decisive action can be found in the rural areas where the improvements in farming equipment and techniques have produced higher yields, while work is proceeding on clearing highland areas and bringing more land under cultivation. Rice exports were resumed and totalled about 200,000 tons for the year but it is hoped to improve on this figure during 1958. Negotiations on reparations continue with Japan and the gap between the two sides is being narrowed. It seems likely that the building of a hydro-electric system on the Danhim river will be included in the final settlement.

CAMBODIA

The National Assembly has been dissolved and pending the result of the new elections a provisional Cabinet has been formed. On the whole the political situation remains little changed and Cambodia continues to adopt a foreign policy of strict neutrality. Trade increased over last year with imports and exports more in balance due to a substantial rise in exports of rice. Various light industrial projects are under consideration and efforts are being made to develop a deep-sea fishing industry in the Gulf of Siam. Clearing of the jungle to make a road from the capital to the port of Kompong Som proved more difficult than had been expected but it is hoped that this road will be completed sometime during 1959. The opening of this deep water port will lessen Cambodian dependence on communications by the river through Vietnam.

THAILAND

The general elections which were held at the beginning of last year touched off a series of events which have somewhat changed the characters on the political scene. Although the Seri Manangasila party won a comfortable majority, the way in which the elections were run left a feeling of public dissatisfaction which grew more vocal as time went on. In September a bloodless coup d'etat, led by Field Marshal Sarit Thanarat, resulted in a caretaker government being established and the withdrawal from the country of Field Marshal Pibul Songgram and General Phao Sriyanond. Fresh elections were held in December and a government was formed from members of the new National Socialist Party. It remains to be seen how this new party, which is in fact a coalition of three other parties, will fare in internal politics especially as, with Field Marshal Sarit Thanarat's departure for medical treatment to the United States of America, the three personalities who have dominated Thailand's politics for so long are for the present at least absent from the stage.

Although the import market has been somewhat over-stocked, which has resulted in difficult trading conditions with some business failures, the year on the whole has not been unsatisfactory. In spite of the necessity to impose restrictions on the exports of rice during the second half of the year the volume exported during 1957 at one and a half million tons was the highest since the war. This is unlikely to be repeated this year, as the new crop is below average, and the exportable surplus is not expected to exceed one million tons. Teak exports were considerably reduced due to competition from Burma. The budget, which was delayed pending the formation of the new government, is expected to be presented shortly.

A survey mission from the International Bank is at present in Thailand to plan a long term development programme and a loan has been granted by this bank for the first stage of the Yarnhee Hydro-electric project.

FEDERATION OF MALAYA

Malayan independence was proclaimed on August 31st at a colourful ceremony in the new Merdeka Stadium in Kuala Lumpur in the presence of representatives from many nations. The Duke of Gloucester, representing the Queen, handed over a specially bound volume containing the constitutional instrument providing for the withdrawal of British protection over the Malay States and of the Crown's sovereignty over the settlements of Malacca and Penang. The Federation of Malaya thus became the tenth nation in the Commonwealth and subsequently was elected the eighty-second member of the United Nations. The final arrangements for the transfer were completed swiftly in a spirit of goodwill on both sides; while the constitution followed to a great extent the recommendations of the Reid Report and seems to be a workable compromise which provides an opportunity for the development of democratic government. The ruler of Negri Sembilan State was elected by his fellow rulers as the first Constitutional Sovereign of the Federation and at the state opening of the Legislative Assembly outlined the policy of the government. Their first duty would be to safeguard the independence of the Federation and to protect the constitution, the initial threat to which came from the communist terrorists. The government would not dissipate the resources of the country in large armed forces or an elaborate foreign service, but would concentrate on home affairs and aim "to maintain confidence in the financial standing of the Federation as a field for investors at home and overseas." The Anglo-Malayan Defence and Mutual Assistance Treaty, which was signed in October, permitted the United Kingdom forces to be stationed in the Federation to assist in external defence and to provide "for the fulfilment of Commonwealth and international obligations."

The Prime Minister made no alterations in his Cabinet and the Alliance Government which, under his leadership, had done so much to enable the change-over to be completed smoothly, continued to guide the destinies of the country. This was in accordance with the wishes of the majority of the population, as, although ripples of discontent can be deduced from the result of some recent elections, the country as a whole is still strongly behind the present administration. The only disturbing feature has been found in some Chinese schools where the dislike of certain members of that community for some aspects of the government's education policy resulted in outbreaks of indiscipline which in some cases led to violence. It would be unreasonable to expect this honeymoon period in the political arena to last indefinitely and some more vigorous form of opposition is bound to emerge, perhaps before long. Following historical precedents, this would seem likely to come from the left, but there is hope that this may be multi-racial in character and thus avoid issues being decided on a purely racial basis.

In an effort to bring an end to the emergency the government, in September, made a final offer of an amnesty to the terrorists with the option of either remaining in the Federation or returning to China with their families. Over one hundred terrorists took advantage of this offer by the end of the year when it was due to expire and the period was extended to April 30th. There are signs of definite cracks in the terrorists' organisation and there is now more ground for hoping that the ten-year-old emergency may be ending.

A White Paper was issued in the early part of the year setting out the general plan of capital and development expenditure for the period 1956-1960. This envisaged the utilisation of part of the reserves which "will require strict control over the ordinary budget to ensure that revenue is maintained at levels sufficient to protect the reserves so that they can be used to finance part of the capital budget and are not unduly depleted by deficits on the ordinary budget." With revenue dependent to such a large extent on the price of so volatile a commodity as rubber and with future calls of the emergency, so difficult to forecast, it is unlikely to prove easy to maintain a continuing surplus of revenue. For the current year a deficit of M$.119 million is forecast and although estimated deficits have tended not to materialise in recent years, the low price of rubber will make this more difficult this year. A separate capital budget is expected to be introduced shortly and it may be that some of the projects will be slowed down as present high interest rates make either the flotation of a loan or the selling of investments particularly unattractive.

Discussions on the formation of a central bank for the Federation have continued during the year and Mr W. H. Wilcock, of the Commonwealth Bank of Australia, has been appointed banking adviser and is now in Kuala Lumpur. I do not think it would be appropriate to make any comment on this subject until some definite proposals are announced.

TIN AND RUBBER

The test of the effectiveness of the International Tin Agreement came earlier than was expected and judgment must be reserved as to whether this experiment will prove successful. At the meeting of the International Tin Council in March, the price range was raised and due to the decline in the market price, in sympathy with other commodities, the floor price of £730 per ton was reached in October. Both the second and third contributions were subsequently called for from subscribers and restrictions on exports were imposed in December and the period extended in January. The price at which the manager of the buffer stock could sell was lowered and the producing countries recommended the creation of a special fund to be put at the disposal of the buffer stock. These measures will in time reduce the supply, but meanwhile the pipeline has to be cleared and the increased exports from Malaya in January show that this may take longer than was originally expected.

Both production and exports decreased slightly compared with 1956.

The price of rubber declined slowly during the year and the average for 1957 was 88⅛ cents as compared with 97⅛ cents in 1956. In spite of the downward tendency, doubts about the arrival of stocks from Indonesia caused a sharp temporary rise in December, and this factor continues to make its influence felt. Exports were higher than the previous year and exceeded one million tons. The most notable feature was the considerable rise in exports to Japan.

SINGAPORE

The talks in London last year were successfully concluded and the way is now clear for the granting of the new constitution to the State of Singapore and the holding of elections for the fifty-one member Legislative Assembly. Any doubts which existed concerning the attitude of the government of the United Kingdom in this connection should have been allayed by the assurance given by Mr Macmillan on his recent visit. Registration of citizenship under the recently enacted ordinance which provides automatic citizenship for those born in Singapore, with residential qualification for others, has recently been completed and the new electoral rolls are being prepared. The new constitution will provide for full internal self-government with the sole responsibility for maintaining law and order and preventing subversion but the United Kingdom will look after external relations and defence and will have the right to the use of bases in the island. A consultative body, the Singapore Internal Security Council, will be established with certain advisory powers, composed of three members each from Singapore and the United Kingdom and one from the Federation. It is hoped that this body will iron out any difficulties that may arise due to the inter-relation of internal security and external defence.

In view of this impending change in the form of the administration, it is not surprising that disturbances in Chinese schools and strikes in the docks and among the telephone workers have attracted considerable attention abroad. Many shareholders are no doubt wondering what the future course of events will be but although I do not propose to attempt to give any forecast, there are a few significant pointers which I will mention. In August a White Paper was issued showing the extent of Communist activity and penetration in unions and political parties which was becoming a serious threat to the maintenance of law and order. At the same time, a series of arrests of active subversionists was made which was followed a few weeks later by the detention of a number of students. These strong measures had their effect, and conditions in the schools and relations with labour have greatly improved.

The City Council elections were held in December, at which only a third of those eligible recorded their vote, and resulted in a sharp swing to the left. The behaviour of the supporters of some of the delegates in the early sessions certainly hardly augured well for the smooth working of democratic government, but recent meetings have been quieter and there are signs that the Council are now getting down to business. It is not difficult to find cause for misgiving from some of these recent events, but it would, I think, be premature to look only on the dark side, and dangerous to exaggerate the fears for the future. The responsibility of office has usually made politicians in other parts of the world view things in a different light, and there is no reason to suppose that this will not happen in Singapore. Nevertheless, it is not surprising that there is a feeling of uneasiness as the economy of an entrepôt is so vulnerable to outside influences that any lack of confidence abroad would have disastrous consequences.

In what seems likely to be his last budget address, the Financial Secretary, Mr T. M. Hart, looked back on what has been achieved in Singapore since the war. During this period M$600 million have been expended on development by the government and the City Council and recurrent expenditure is now more than four times what is was in 1947. A large part of this increase is due to the ever growing demands of education, public health and social welfare, but the organisation of the police force to its present high state of efficiency has not been achieved without cost.

In spite of all that has been done, development must still go on and it will not be as easy in the future as in the past to obtain the required capital from either surplus revenue or institutional investors. Already the government are relying to a large extent on loans from the Central Provident Fund Board, which are naturally limited in amount, and for this reason the pace of future development is likely to be increasingly governed by financial considerations. This will necessitate a degree of co-ordination and the government have set up a Planning Committee to integrate development plans of the various authorities to the extent of the funds available. The current position is not unsatisfactory and increases in taxation this year were confined to the raising of the petrol duty to the same level as that of the Federation and a few minor adjustments but a rise in taxation must be looked for in the future. In fact, it seems likely that some new forms of taxation may be introduced shortly, and although this is no doubt inevitable, I hope that these will not include any measures which will damage the free port status.

Malayan total external trade showed a rise of 2.7 per cent over 1956 but there was an adverse balance of M$209 million compared with a surplus of M$13 million in 1956. This was caused by an increase in imports of over 5 per cent with exports at about the same level as the previous year. It must of course be remembered that there are a number of invisible items such as British military expenditure not included in these figures which make the position not as bad as it looks.

NORTH BORNEO

The racial problem across the sea is not without its influence on North Borneo, where the administration are moving slowly in the admission of the Chinese labour which could be so beneficial to future development. The Governor, in his annual report to the Legislative Council, made it clear that "there is no intention of sacrificing the future to our present needs." Under existing conditions I should hesitate to criticise such a decision but it will inevitably result in progress being slow, which is naturally disappointing to all interested in trading conditions in this area. In Jesselton the building programme has gathered momentum and projects completed during the year include the new market, new government offices and an up-to-date hospital. In Tawau, development of the Quoin Hill area should in time decrease the dependence of the port on the barter trade while in Sandakan the construction of new buildings and roads is being pushed ahead. In Labuan there is little sign, as yet, of expansion but the new Shell installation has been completed which will be the main distribution depot for North Borneo. Trade continued at about the same level as in 1956, and for the first time timber and copra exports combined exceeded rubber in value.

Both the Governor of North Borneo and the Governor of Sarawak have recently broadcast a suggestion that their two territories together with Brunei should consider some form of closer association. No concrete proposals have been put forward and for the present all that is being attempted is to ascertain whether there exist "bodies of opinion in favour of federation sufficiently substantial to make it workable." It will be interesting to see how the people of these territories react to the proposed federation.

BRUNEI

Draft constitutional proposals were announced by the Sultan providing for the replacement of the State Council by the Privy Council, Executive Council and Legislative Council. Unofficial members of the Legislative Council will be nominated, but the majority of these will be elected by the District Councils. This proposed constitution seems to have received general support but it is strongly opposed by the People's Party.

The State continues to be in a very happy financial position. The surplus for 1958 is expected to be M$68 million, and investments total M$450 million.

A considerable amount of building is in progress and the trunk road connecting the capital with the oilfields is expected to be completed by September of this year.

INDONESIA

Indonesia has passed through troubled times since my last report and, whatever the outcome, it is difficult to see much hope of improved trading conditions in the immediate future. The lack of agreement between influential political figures in the capital steadily weakened the control of the central government over the outer islands where many of the local commanders to a large extent acted independently, merchanting local produce to pay and supply their troops. This not only made the chances of any political settlement more difficult but deprived the central government of the revenue and the foreign exchange which would normally have accrued to them. As a result the economic situation deteriorated rapidly with an increase in the note issue, steadily rising government borrowing from the Bank of Indonesia and a dwindling of the foreign exchange reserves.

These tendencies, which had been evident to a greater or lesser degree during the year, gathered momentum in December when it was decided to expel the Dutch in whose hands so much of the country's trade still remained. The disruption of coastal shipping which followed this move was a particularly serious matter. Many leading personalities in Indonesia expressed doubts about the wisdom of this action, which was in fact less strictly enforced in the outer islands, and relations between Java and the rest of Indonesia continued to deteriorate.

Although political differences played a large part in the growing dissension, the main cause has been economic. Java with its large population has always required more of the country's resources than she has been able to contribute and although this is to a certain extent inevitable, the outer islands have felt that they were not getting their fair share. Whatever the outcome of recent events may be it seems clear that the previous method by which foreign exchange resources were allocated is unlikely to be resumed. Meanwhile barter trade of various types enables necessary supplies to be obtained but the terms of a great deal of this trade are far from favourable and do not benefit the economy of the islands as a whole.

INDIA

In August India completed the first decade as an independent country during which period she has developed a considerable degree of political maturity and now exercises a profound influence on neighbouring Asian countries. The elections resulted in the expected victory of the Congress Party, although they suffered a number of setbacks, particularly in Kerala where a Communist administration took office. This has necessitated certain problems of adjustment at the centre but the Congress supremacy over the country as a whole has not been seriously challenged. Relations with Pakistan unfortunately show no signs of improvement, with the Kashmir problem still outstanding and the dispute over the irrigation rights in the Indus valley no nearer solution. Trouble still continues on the border of Goa but a settlement has been reached in respect of the Naga areas. On the whole, the political scene shows little change.

The most conspicuous feature of the economic scene has been the steady deterioration in the foreign exchange reserves. When the Second Five-year Plan was drawn up it was anticipated that there would be a foreign exchange gap which would develop towards the middle of the period and it was hoped to meet this by borrowing abroad. Due to a large extent to the rise in world industrial prices the drawing down of the sterling balances occurred earlier than was expected and in fact the rapid decrease during the summer was one of the strains which resulted in the weakness of sterling.

In spite of a loan in US currency from the International Monetary Fund of the equivalent of £45 million, the sterling balances dropped from £400 million at the end of 1956 to £220 million at the end of 1957, which by any standards is a sizeable fall. In October it was in fact found necessary to reduce the foreign assets which were required by statute to be held by the Reserve Bank of India. It was India's misfortune that this deterioration in the balance of payments should occur at a time when capital was in short supply and it soon became obvious that assistance would be difficult to obtain. The amount required seems likely to be considerable as, even after paring down the plan to its bare essentials and discarding all the frills, it is still expected that there will be a shortfall on external account of over £500 million. Recently the US Government has announced a loan of approximately £80 million and has promised to provide surplus agricultural products, while other countries will grant credit on a smaller scale. As a result, the immediate outlook is more promising, but the problem of providing sufficient food for internal consumption still gives cause for concern.

It had been hoped that food imports were a thing of the past but the harvests have not come up to expectation nor has production increased fast enough to meet the increased demand and it has been found necessary at times to use valuable foreign exchange for the import of food. Imports of other commodities have been cut to the bone and all types of expenditure requiring the use of foreign exchange are being rigorously curtailed.

It will be seen that active steps have been taken to reduce the foreign exchange drain but this has resulted in the index of industrial production starting to decline, having moved steadily upwards since 1951. This is probably due to a certain extent to a shortage of industrial raw materials and I am glad to see that it has recently been announced that the import of capital goods will not be made at the expense of raw materials. I hope that this policy will be strictly adhered to as, necessary though new industrial investment is, there will be no overall benefit to the economy if existing industries are forced to curtail production.

Last year I pointed out how important it was for the future of parliamentary institutions in Asia that India should succeed in her efforts towards increased industrialisation, and this is as important now as it was then. In spite of the difficulties I mentioned above, a great deal has already been done, and the available capital has on the whole been wisely spent. Progress is being made in the construction of the three new government steel plants and the expansion of the two that are privately owned, while many other projects are completed or nearly so.

The industrial delegation, led by Mr G. D. Birla, which recently visited North America and Europe, found genuine sympathy for India's aspirations and willingness to help as far as possible. The delegation, however, was impressed by the serious misgivings which were felt about some of the country's fiscal and economic policies, and these criticisms are similar to many that have been made from time to time by industrialists, both in India and elsewhere. In particular, the slow growth of domestic savings, which has resulted in a shortage of local capital, could have an unfortunate influence abroad. High taxation is blamed for this shortage, and the recent widening of the taxation net by the inclusion of the wealth and the expenditure tax is unlikely to make the position any easier. "Without profits there can be no savings, without savings there can be no investment, and without domestic investment no seeking of capital abroad," the delegation declare in their report, and these are words which could with advantage be seriously considered not only by India but by many other countries in the world today.

In conclusion, it is clear that the country faces a difficult time in the immediate future with the probability that things will get worse before they get better. The outlook is, however, not entirely black, and if it is possible to surmount the troubles of the next few years the increasing industrial investment should begin to make its influence felt.

BURMA

Burma also recently celebrated the tenth anniversary of the attainment of independence, and this coincided with a growing improvement in the internal situation. It had been clear for some time that the restoration of law and order must take precedence over economic development, and in June the Prime Minister, U Nu, promised that in future this would be his government's policy. The increased expenditure in the budget on the police and defence was practical action along these lines, while the surrender of several regional commanders of the terrorists with their followers was evidence that the more vigorous measures adopted were having their effect. Little progress, however, was made in the border dispute with China over territories in the Kachin State.

The general financial outlook is far from promising. The foreign exchange reserves fell from £40 million to £30 million, notwithstanding a loan from India; while the failure of the rice crop in certain areas will result in the exportable surplus being only a little over half of the two million tons shipped last year—admittedly a postwar record. Teak output, which was running at about 50 per cent over the previous year's figures, is expected to continue to improve, and exports increased by about one fifth. The fall in the world price of non-ferrous metals will, however, result in lower earnings from this source. In view of the deteriorating state of the foreign exchange reserves it is not surprising that action has been taken by the exchange control and import licensing authorities to bring about a reduction in imports.

The semi-government organisations which I mentioned last year now handle a large part of the import trade, and were set up with the intention of reducing the cost of living. In this they have had a limited success as although some prices have fallen they have run into difficulties over distribution and have not always arranged their orders to meet the market demand. In fact faulty procurement has resulted in the arrival of imports being uneven, and this has at times caused delays at the port of Rangoon. Reconstruction of the port is continuing, but a great deal still remains to be done.

Although it has not been found possible to push ahead with industrialisation with as rapid a speed as was once hoped, quite a large number of projects have been completed, and the joint venture arrangements between foreign concerns and the government are working well. Until it is clear that the terrorists' organisation has been broken the pace of future development may be slow but a favourable rice crop this year would alter the economic outlook very rapidly.

CEYLON

During the year the government were able to implement a number of their election promises. The British bases were handed back, a compromise was reached on the language issue and a select committee was set up to examine the question of revising the constitution. Nationalisation, on the other hand, is not being rushed, although the bus transport system came under public ownership on January 1, 1958, and it seems likely that the port of Colombo will follow suit. The tenth anniversary of the attainment of independence, however, finds the political situation uneasy with considerable rivalry between the various groups which make up the People's United Front. This has mitigated against resolute action being taken to deal with some of the outstanding problems, the most important of which is the continuing labour unrest, particularly in the port of Colombo. The movement of exports has naturally been hampered and the delays in the port have caused a number of ships to bypass Colombo.

Ceylon is fortunate in having a comfortable cushion of external assets, but the terms of trade moved against her in 1957, and the reserves fell by Rs.236 million, the first year in which they have declined since 1953. The tea crop was a record, and in spite of the delays in the port of Colombo, exports of tea for the first eleven months increased both in value and volume, as did exports of rubber. Trade as a whole was greater, but as imports showed a larger increase there was an adverse balance of Rs.85 million. A number of measures has already been taken to restrict withdrawal of capital and import duties on luxury goods have increased but it remains to be seen whether or not stricter control of imports will be necessary. The recent floods, although not quite so devastating as had been reported in the press, are bound to increase government expenditure for relief work and repairs; a deficit had already been estimated in this year's budget which seems likely to be increased.

The future economic outlook is somewhat uncertain as is always the case with this country when the price of her export commodities is low. While external events dictate the level of these prices, the other unsatisfactory feature of the economy, namely, the disturbed labour relations, is a problem which must be tackled internally. I hope that action will not be too long delayed.

CONCLUSION

Once again I come to the end of my survey of the eastern scene and I am afraid this year it has not been possible to paint quite such a rosy picture. It may be that the postwar boom is ending and that a period of recession is setting in. On the other hand this may be merely a pause before the advent of a further upward surge of world economic expansion. Time alone will tell but meanwhile I think it would be wise not to count on any rapid improvement in the conditions of the countries which I have been discussing. Commodity prices are still very weak and the resulting adverse reaction has been accentuated by the large development plans most of them have undertaken. Their problems are on the whole similar; growing populations, a large part of which have a comparatively low standard of living, with their economies dependent to a large extent on agricultural commodities subject to severe fluctuations in price.

It is not surprising that there is the urge to expand local industry in order not only to raise the standard of living but also to make the economy less susceptible to the vagaries of world demand. But rapid industrialisation has its own problems, the most difficult of which is to keep inflation under control. As the projects get under way employment rises and with it demand, particularly for food and basic clothing. Prices go up and it is found that the available foreign exchange is earmarked for the imports of machinery and industrial raw materials. Imports of consumer goods which would restore the level of prices have to be limited due to payment difficulties but the internal demand still grows.

It can be seen that striking the proper balance among the conflicting claims on the resources available is by no means easy and to point out what is wrong is easier than to show the way of putting things right. No doubt development can be slowed down but this takes time as it is obviously uneconomic to stop enterprises already half completed. Raw materials must continue to be imported to keep existing industries running and the failure of a harvest or a rise in prices abroad may completely upset even the most conservative calculations. I am not suggesting that errors have not been made nor that administration has not at times fallen down due to inexperience or even more blameworthy causes. Nevertheless any criticisms of the failings of these countries should be tempered with the realisation of the immense difficulties they have to face and if at times they may have aimed too high, surely this is an accusation that could be levelled at many of the most successful examples of human endeavour.

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

GRATIFYING RESULT OF QUINQUENNIAL INVESTIGATION

MR ALASTAIR M. WATSON ON ANOTHER SUCCESSFUL YEAR

Mr Alastair M. Watson, Chairman of the Board of Directors, presided at the One Hundred and Twenty-Seventh Meeting held on March 13th in Edinburgh.

In the course of his remarks Mr Watson said:

Today I have a dual duty to perform because in addition to the year's Accounts, we have before us the Report on the Quinquennial Investigation as at December 31st last.

RECORD NEW BUSINESS

Dealing first with the Society's operations during 1957, it is noteworthy that the year's net new sums assured exceeded £6 million for the first time in our history—the actual total was £6,652,871—and showed an increase of more than £1 million over the corresponding figure for 1956. The above total is made up of ordinary life assurances of £5,338,643 and group life assurances of £1,314,228—in each case a record. In addition new life annuity contracts have been issued for a total of £428,888 per annum. Our outside staff are to be congratulated on the success which has attended their efforts and we are once again much indebted to our Agents for their continuing loyal support.

REVENUE ACCOUNT

The Life Assurance Fund has advanced in the year by the handsome sum of over £1,400,000. The premium income shows a substantial rise of over £160,000; this increase, of course, reflects the higher level of our new business. Our gross interest income once again has increased by over £100,000. A year ago my predecessor drew attention to the fact that the Society's gross rate of interest exceeded 6 per cent for the first time. This year the rate is £6 5s. 1d. per cent against £6 1s. 5d. per cent in 1956. Commission and Expenses both show an increase as compared with last year. So far as Commission is concerned, the larger payment is directly related to our record new business figures. The increase in expenses arises partly from the expansion in our activities and partly from well merited increases in staff salaries; to this extent the higher outlay must be regarded as a necessary factor in the healthy growth of the Society.

EXPANSION OF BUSINESS

While the year under review has obviously been a very successful one I think that a clearer picture of the development of the Society's life business can be obtained if we look at the quinquennium as a whole. Thus in round figures the premium revenue in the Life Assurance Fund was £1,318,000 in 1952, it is now £2,173,000; the gross interest income in 1952 was £731,000, it is now £1,270,000; as a result of the increase in business during the quinquennium the Life Assurance Fund has advanced from £14,721,000 to £21,514,000; in other words the Society shows an expansion of roughly 50 per cent in the last five years.

BALANCE SHEET

The Board have reviewed all the investments and are well satisfied that the assets are worth more than the Balance Sheet figures; the Stock Exchange Securities appear in the Balance Sheet at less than their market value after deducting accrued interest; the Reserve Account of £250,000 remains intact and is available for any purpose for which it may be required in the future. It is interesting to look back on the experience of the last five years. The early years witnessed a steady and substantial rise in the level of investment values. This trend, however, was reversed in 1956 and the downward movement was accentuated in 1957. Despite the fall which has occurred the conservative value placed on our assets in the past and the results of our investment policy have stood us in good stead and have enabled us to meet the present situation not only without any assistance from the Reserve Account but with a comfortable margin in hand.

HIGHEST BONUS RATES

While an analysis of the yearly Accounts is instructive a full appreciation of the progress of a life office can only be achieved by an actuarial valuation of its affairs. The interest and mortality bases adopted for the valuation of the liabilities in respect of life assurances and of general annuities are the same as were used in the previous Investigation as at December 31, 1952. In the case of the valuation of the liabilities under the Pension Annuity Fund, however, the rate of interest adopted on this occasion is 4 per cent in view of the changed taxation basis. Taking the total value of the liabilities from the Life Assurance Fund there emerges a surplus of £2,115,251. This compares with £1,445,368 five years ago and provides further proof not only of the progress of the Society but also of its profit-earning power.

The Directors have decided to declare a Bonus on ordinary participating assurance policies at the rate of 46s. per cent per annum compound, that is, calculated on sums assured and existing bonuses. In the case of the new class of participating deferred annuities the rate of bonus declared is 42s. per cent per annum compound. This bonus is allotted in the form of an addition to the amount of annuity provided by the policy. These allocations cost, in all, £1,688,581, leaving a balance of £426,570 to be carried forward.

As regards claims falling due in the Quinquennium which has just commenced the Intermediate Bonus to be paid in respect of premiums due after December 31, 1957, is a matter for decision by this meeting. The Directors have given very careful consideration to this question and have no hesitation in recommending that until otherwise resolved the intermediate rates be the same as the rates declared.

I am sure you will regard the results of our Investigation as most gratifying. The above rate of 46s. per cent is the highest we have ever declared. The Society's position is eminently sound. We cannot say what the future may bring, but I can say this, that as things stand at present the prospects for future bonuses are good. The Scottish Equitable retains its place in the top grade of Life Offices and I hope that our Members will make a special effort to bring the merits of the Society of their choice to the notice of their relatives and friends and thus help to further our growth to their mutual advantage.

The adoption of the Report and Accounts was carried unanimously.

Head Office: 28 St. Andrew Square, Edinburgh, 2.

London Office: 13/14 Cornhill, E.C.3.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in Hong Kong with limited liability)

REPORT OF THE DIRECTORS PRESENTED TO THE MEMBERS AT THE ORDINARY YEARLY GENERAL MEETING HELD AT THE HEAD OFFICE, HONG KONG, ON FRIDAY, 14th MARCH, 1958

The Directors have pleasure in submitting the Balance Sheet at 31st December, 1957, together with the Profit and Loss Account for the year ended at that date.

		Hong Kong Dollars
The Profit for the year, after providing for taxation on profits earned to date and after making transfers to the credit of Reserves for Contingencies, out of which provision for diminution in value of assets has been made, amounts to		$21,035,543
To this must be added the undistributed profit brought forward from the previous year	$11,039,578	
Less: Amount transferred to the Reserve Fund during the year	9,000,000	
		2,039,578
		23,075,121
An Interim Dividend of £2 per share on 200,000 shares was paid on 10th August, 1957, amounting to £400,000 at 1/2–13/16 ..		6,481,013
leaving a balance available for distribution of		16,594,108
This balance the Directors recommend be appropriated as follows:—		
Amount to be written off Bank Premises	$4,000,000	
A Final Dividend of £1 12s. 6d. per share on 400,000 shares £650,000 at 1/2–13/16	10,531,645	
		14,531,645
leaving a balance to be carried forward to next year of		$2,062,463

The above appropriations have been incorporated in the Accounts.

In accordance with a resolution passed at an Extraordinary General Meeting of Members held on 9th August, 1957, the capital of the Corporation was increased to HK$50,000,000 by the creation of 200,000 new shares of HK$125 each and a sum of HK$25,000,000 standing to the credit of the Reserve Fund was capitalised and applied in payment in full of the 200,000 new shares. During the year legislation was passed amending the Bank's Ordinance to cancel the Reserve Liability of Members and to abolish the contingent liability of Members in connection with the Note Issue.

The Board of Directors have authorised the transfer of a sum of HK$16,000,000 from Inner Reserves and a sum of HK$9,000,000 from the balance of undistributed profits to the Reserve Fund. The Reserve Fund accordingly now amounts to HK$128,000,000.

DIRECTORS. During the year Mr. J. A. Blackwood resigned his seat and Mr. G. M. Goldsack and Mr. W. C. G. Knowles joined the Board. Mr. J. F. Macgregor, The Hon. C. Blaker, M.C., E.D., and Mr. L. Kadoorie retire by rotation, but, being eligible, offer themselves for re-election.

AUDITORS. The Accounts have been audited by Messrs. Lowe, Bingham & Matthews and Messrs. Peat, Marwick, Mitchell & Co., who are eligible for re-appointment.

By Order of the Board.
C. BLAKER, Chairman.

Hong Kong, 26th February, 1958.

BALANCE SHEET AT 31st DECEMBER, 1957

		Hong Kong Dollars	Sterling Equivalent
SHARE CAPITAL			
Authorised and Issued			
400,000 Shares of HK$125 each, fully paid		$50,000,000	£3,125,000
RESERVE FUND		128,000,000	8,000,000
PROFIT AND LOSS ACCOUNT		2,062,463	128,904
		$180,062,463	£11,253,904
HONG KONG CURRENCY NOTES IN CIRCULATION			
Authorised Note Issue	$30,000,000		
Excess Note Issue	661,742,000	691,742,000	43,233,875
CURRENT DEPOSIT AND OTHER ACCOUNTS, including Reserves and Provisions for Contingencies and Taxation	$2,695,184,683		
AMOUNTS DUE TO SUBSIDIARY COMPANIES	413,060		
ACCEPTANCES ON BEHALF OF CUSTOMERS	21,859,997		
PROPOSED FINAL DIVIDEND in respect of the year ended 31st December, 1957	10,531,645	2,727,989,385	170,499,337
		$3,599,793,848	£224,987,116

NOTES:—

1. Confirmed Credits, Guarantees and Endorsements amount to HK$438,186,404 (HK$292,971,779) in addition to which there are commitments in respect of outstanding Forward Exchange Contracts.
2. Foreign Currency balances have been converted into Hong Kong Dollars at approximately the rates ruling at 31st December, 1957. The Sterling equivalents of the figures shown in the above Balance Sheet have been converted at the rate of HK$1 = 1/3d.
3. Investments having a market value of HK$30,884,496 are deposited with The Crown Agents to cover the liability in respect of the Authorised Note Issue.

MICHAEL W. TURNER, Chief Manager.
J. A. H. SAUNDERS, Chief Accountant.

	Hong Kong Dollars	Sterling Equivalent
CASH IN HAND AND BALANCES WITH OTHER BANKS	$266,561,910	£16,660,119
MONEY AT CALL AND SHORT NOTICE	163,783,496	10,236,469
BRITISH AND OTHER GOVT. TREASURY BILLS	425,026,644	26,564,165
TRADE BILLS DISCOUNTED	490,218,844	30,638 678
HONG KONG GOVT. CERTIFICATES OF INDEBTEDNESS issued in respect of funds deposited as security for the Excess Note Issue	661,883,047	41,367,690
INVESTMENTS, at under market values:		
British, Colonial and Other Govt. Securities:		
Quoted in Great Britain	$190,657,728	
Quoted outside Great Britain	112,433,262	
Other Investments:		
Quoted in Great Britain	27,154,144	
Quoted outside Great Britain	11,803,800	342,048,934 21,378,059
ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS, less Provision for Bad and Doubtful Debts	1,186,038,421	74,127,401
AMOUNTS DUE BY SUBSIDIARY COMPANIES	8,203,416	512,714
LIABILITIES OF CUSTOMERS FOR ACCEPTANCES, per contra	21,859,997	1,366,250
	$3,565,624,709	£222,851,545
FIXED ASSETS		
Investments in Subsidiary Companies, at cost	$12,837,159	
Investment in Associated Company, at cost	2,003,499	
Bank Premises at cost, less amounts written off	19,328,481	34,169,139 2,135,571
	$3,599,793,848	£224,987,116

C. BLAKER
L. KADOORIE } Directors.
L. B. STONE

REPORT OF THE AUDITORS TO THE MEMBERS OF THE HONGKONG AND SHANGHAI BANKING CORPORATION

We have examined the above Balance Sheet with the books of the Corporation kept in Hong Kong, with the audited Accounts of the London Office and with the Returns received from the other Offices. We have obtained all the information and explanations we have required for the purposes of our examination. The above Balance Sheet gives the information required by the United Kingdom Companies Act, 1948, in the manner prescribed for a Banking Company and on that basis, in our opinion, is a full and fair Balance Sheet properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs at 31st December, 1957, according to the best of our information and the explanations given to us and as shown by the books kept in Hong Kong and the Returns received from the other Offices.

Hong Kong, 26th February, 1958.

LOWE, BINGHAM & MATTHEWS
PEAT, MARWICK, MITCHELL & CO. } *Chartered Accountants, Auditors.*

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1957

		Hong Kong Dollars
Amount to be written off Bank Premises		$4,000,000
Interim Dividend of £2 per Share on 200,000 shares paid 10th August, 1957, £400,000 at 1/2–13/16 ..	$6,481,013	
Proposed Final Dividend of £1 12s. 6d. per Share on 400,000 shares £650,000 at 1/2–13/16	10,531,645	17,012,658
Balance carried forward to next year		2,062,463
		$23,075,121
Special Administrative Expenses, including Chief Manager's emoluments, Directors' Fees and London Committee Fees amounted to HK$972,221 (HK$964,015).		

		Hong Kong Dollars
Balance brought forward from 31st December, 1956	$11,039,578	
Less: Amount transferred to Reserve Fund	9,000,000	2,039,578
Profit for the year, after providing for taxation on profits earned to date and after making transfers to the credit of Reserves for Contingencies, out of which provision for diminution in value of assets has been made		21,035,543
		$23,075,121

continued overleaf

THE HONGKONG AND SHANGHAI BANKING CORPORATION—*continued*

STATEMENT IN CONNECTION WITH SUBSIDIARY COMPANIES

1. The Investments in Subsidiary Companies appearing in the annexed Balance Sheet represent 14,975 Shares of the Capital Stock of The Hongkong and Shanghai Banking Corporation of California and the whole of the Issued Share Capital of three Trustee Companies and four Nominee Companies. The Balance Sheet of The Hongkong and Shanghai Banking Corporation of California at 31st December, 1957, is annexed. The Accounts of the three Trustee Companies and the four Nominee Companies have not been submitted as the Directors are of the opinion that such Accounts would be of no real value to the members of the Bank.
2. No part of the profits earned by the Subsidiary Companies has been dealt with in the Accounts of the Bank. The net aggregate amounts of the Subsidiaries' profits, after deducting the Subsidiaries' losses, so far as they concern the Bank, are as follows:—

	Hong Kong Dollars
(i) For the year ended 31st December, 1957	$70,675
(ii) For previous financial years	401,634
	$472,309

THE HONGKONG AND SHANGHAI BANKING CORPORATION OF CALIFORNIA

(Incorporated in the State of California with limited liability)

BALANCE SHEET AT 31st DECEMBER, 1957

CAPITAL AND SURPLUS		**CASH ON HAND AND BALANCES WITH OTHER BANKS**	US$1,631,807
Capital Stock, par value $100 per share, authorised and issued, 15,000 shares	US$1,500,000	**BILLS AND ACCEPTANCES RECEIVABLE:**	
Surplus	375,000	US Government Treasury Bills $3,967,240	
Undivided Profits	16,341	Trade Bills and Acceptances 495,009	
	1,891,341		4,462,249
DEPOSITS		**ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS**	6,623,958
Demand, commercial and due to Banks $5,594,141		**UNITED STATES TREASURY BONDS:**	
Time and savings 4,504,412		($1,100,000 par value pledged as security for deposit of public funds), at approximate market value	1,124,950
Public funds 653,400		**LIABILITIES OF CUSTOMERS FOR LETTERS OF CREDIT AND ACCEPTANCES**, per contra	1,347,247
10,751,953			
The Hongkong and Shanghai Banking Corporation 1,077,858			
	11,829,811		
ACCRUED TAXES AND SUNDRY PAYABLES	121,902		
LETTERS OF CREDIT AND ACCEPTANCES ON BEHALF OF CUSTOMERS	1,347,247		
	US$15,190,301		US$15,190,301

MICHAEL W. TURNER, Chairman of the Board. S. J. H. FOX, President. R. M. ROCHE, Treasurer.

ACCOUNTANTS' REPORT TO THE BOARD OF DIRECTORS OF THE HONGKONG AND SHANGHAI BANKING CORPORATION OF CALIFORNIA

We have examined the balance sheet of The Hongkong and Shanghai Banking Corporation of California as of December 31st, 1957. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Our confirmation of the principal assets and liabilities was made as of November 30th, 1957, with subsequent review and selective verifications as of December 31st, 1957.

In our opinion, the accompanying balance sheet presents fairly the financial position of The Hongkong and Shanghai Banking Corporation of California at December 31st, 1957, in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.

San Francisco, California.
February 5th, 1958.

PEAT, MARWICK, MITCHELL & CO.
Certified Public Accountants.

LINGGI PLANTATIONS, LIMITED

FINANCIAL STRENGTH AND PROGRESS IN REPLANTING

SIR JOHN HAY ON THE RUBBER OUTLOOK

The sixty-second annual general meeting of Linggi Plantations, Limited will be held on March 27th at 19 Fenchurch Street, London, E.C.3.

The following is the statement by the chairman, Sir John Hay, which has been circulated to Stockholders:

The accounts now under review reflect the change in our capital structure. Issued ordinary stock which previously stood at £615,925 is increased to £927,900. £80,000 was issued in payment for Kombok estate, acquired as from November 1, 1956, and in March 1957 a capital distribution of one unit for three was made, involving the issue of £231,975 additional stock.

PROFITS AND DIVIDEND

Export duty in its lower incidence acted as a set-off against a higher rate of estate expenditure. Despite a substantially greater output to which our latest acquisition, Kombok Estate, made a significant contribution, our net profit shows a slight decline consequent on the fall in the average price of rubber over the period covered by our accounts. I did observe in my statement last year that the issue of bonuses in the form of cash and stock was an exceptional operation and indicated clearly that there could be no reasonable expectation of its repetition. Notwithstanding a fall in profit, albeit a slight one, we are recommending a dividend distribution which will absorb £20,000 more than last year's payment, excluding the special cash bonus. The increase in our issued capital seems to have served to mask the liberality of our proposal. Perhaps it is timely to remind stockholders that the total of the proposed dividend represents a sum four-and-a-half times as great as the amount paid in respect of a period as recent as 1952/53. The taxation relief granted to overseas corporations has, of course, enabled us to pay out to stockholders a larger share of the profit earned, but it is not the sole contributing factor. Past restraints and the cumulative results of a continuing progressive policy are the elements in the building of a position of financial strength, without the support of which we could not confidently pursue our programme of replacement and improvement, with its inseparable future commitments.

VISIT TO MALAYA

I am writing this on my way home from Malaya when the impressions of that visit are clear in my mind. I welcomed the opportunity of once more discussing and settling with those in the East, who are responsible for the administration and management of our estates, many matters affecting the conduct of the Company's operations in Malaya. In the course of my inspection I noted with pleasure the advanced stage reached in the elimination of all old seedling rubber and its substitution with modern stock. I saw Mantin Estate in the process of transmutation from rubber to tea, and was able to give a timely decision in respect of our Sembrong Estate in Johore. This property was our original essay in planting with what was then regarded as high yielding modern stock. It has served us well but is now becoming obsolete and is due for gradual replanting. In this instance we intend to resort to mechanical aid in the initial stages of felling and clearing and we hope by the acquisition of some adjoining land to increase the estate to a more economic unit.

These visits of mine which have extended over a long period of years are valuable not only because they provide an opportunity for renewing one's acquaintance with our estates but, perhaps more importantly, they furnish the occasion for meetings with our officers in the East and for discussing with them, to agreed conclusions, recurring problems. Close and mutual understanding so established, produces a harmony between East and West which might well be otherwise lacking and is an important ingredient in the efficient and successful conduct of the Company's operations.

LABOUR

Technical progress on our estates is well matched by social advancement in the treatment of our workers. Better housing with extended amenities, medical services with maternity benefits, educational and recreational facilities and provisions for retirement, constitute valuable supplementaries to cash earnings. Work on a rubber estate under modern conditions contrasts favourably with other occupations where employment is precarious and earnings are by comparison meagre, with few or no social benefits. Although there may be in certain operations an extended resort to mechanisation, the main reliance continues to be on manual aid. Consequently, labour is still the main item in cost, and wages must be related to the industry's ability to pay, which is determined by the price of rubber. Natural rubber no longer enjoys a monopoly. It must, if it is to survive as a progressive industry offering constant employment, compete successfully with the synthetic product which has already received too much encouragement to extended production. There may, nevertheless, be some scope for higher earnings on the basis of greater output per unit of labour. One of the significant improvements in rubber production has been the continuing increase in output per acre, due primarily to replanting with better stock. This has not yet been matched by tappers' returns. Here is a field for investigation which may result in findings beneficial both to labour and employer.

RUBBER OUTLOOK

It has become customary for me to include in this annual statement a statistical forecast of rubber production and consumption for the year. This has, however, been already provided by others, and since I agree with their general conclusions I do not propose to recapitulate except to repeat that the expectation is that again natural rubber production and consumption should be approximately in balance; the underlying assumption being that by the latter half of the year there will be some recovery from the present trade recession. But what is submitted as a statistical exercise is largely in the nature of a guess. The Communist countries assume an increasing importance as consumers of rubber, but we have no advance information of their probable requirements and are left to make such assessment as we can. Moreover, on this occasion the biggest producing country is now in a state of sad turmoil, and there must be considerable doubt as to whether Indonesian exports will approximate to normal productive capacity.

In this very brief statistical examination, there is one item in last year's rubber trading which, I feel, calls for special mention. The United Kingdom's imports of synthetic rubber amounted to 58,000 tons, less than half of which came from Canada and the rest from the USA. This involved an expenditure of approximately 36 million US and Canadian dollars. As an important contributer to the dollar pool, Malaya is not disposed to regard with favour this depletion of scarce currency in favour of the purchase of a competing product at a time when natural rubber is in adequate supply.

Now that the UK has reached the stage of producing synthetic rubber in considerable quantities and the price of natural is at a competitive level, it would seem that the excuse for a continued dissipation of dollar reserves no longer exists.

STAFF

It is with pleasure that I acknowledge the friendliness and co-operation extended to me by the Agents and officers of the Company and all who serve it. My colleagues join me in recording our thanks to them for their services.

THE MONOTYPE CORPORATION LIMITED

ENCOURAGING START TO CURRENT YEAR

The fiftieth Annual General Meeting of The Monotype Corporation Limited was held on March 18th in London.

Brigadier Sir George Harvie-Watt, Bart, TD, ADC, QC, MP (the chairman), presided and, in the course of his speech, said: This has not been an easy year. The combination of the Import restrictions introduced in some Overseas Markets, and the strong financial measures taken to control credit in the Home Market, caused a drop in sales and a consequential reduction in profits. Nevertheless allowing for these factors I consider the year's results not unsatisfactory. The Group's financial position is encouraging. Net Current Assets, after taking into consideration Minority Interests and Future Taxation, amount to £1,594,161, an increase on the year of £83,862. Your Directors feel justified in proposing a final distribution of 7 per cent, making 9 per cent less tax, which is the same as last year.

The oppressive weight of taxation can be readily appreciated when it is realised that for every £1 paid to shareholders, the Corporation is having to pass £2 15s. to the National Exchequer. The share taken by the Government is disproportionately large. Furthermore when profits are retained in the business for further development, Profits Tax in addition to Income Tax is levied on those retentions. This is a heavy burden for industry to carry, especially having regard to the increasing effects of world competition.

For several years the Corporation has spent large sums on research and development. Of the expenditure involved approximately three-quarters was spent on work aimed at the discovery and development of new products, and the balance was directed towards the improvement of existing products and processes.

Sales in Western and Eastern Europe have been maintained at a steady level. Unfortunately France, one of our best markets was the subject of import restrictions. This adversely affected our trade in that country.

In spite of many and increasing difficulties, sales in the Home Market compared favourably with the previous year. The cumulative effect of increased costs, the restrictions of credit and the Hire Purchase regulations, tended to curtail expansion in this market. Furthermore the volume of printing has fallen considerably and the general pattern of work is changing from reading matter to colour and illustration. Despite all this, however, current prospects are not discouraging.

The restrictions imposed by import licensing in India and Pakistan and the troubles in the Middle East, to which I referred last year, had their effect on our trade in those areas. These setbacks were, however, partially offset by an improvement in sales to the USA, the Union of South Africa and other African territories.

So far the current year's results are quite encouraging, although in many markets trading conditions are tending to become increasingly competitive. In a business such as ours where more than two-thirds of our goods are exported, we are particularly affected by licensing difficulties brought about by a shortage of foreign exchange and more stringent monetary conditions. It is, therefore, impossible to forecast accurately our future results.

The report and accounts were adopted.

MARCONI'S WIRELESS TELEGRAPH COMPANY LIMITED

The Sixtieth Annual General Meeting of Marconi's Wireless Telegraph Company Limited was held on March 13th at Marconi House, Strand.

Sir George Nelson, Bart, Chairman, in the course of his address said: I am pleased to report that our turnover has been well maintained although not reaching last year's record level. The Group profit for 1957 was influenced to some extent by the final settlement of several large contracts executed in previous years and, for this reason, a record Group profit this year does not follow the trend of the turnover. After making provisions and deducting all charges but before providing taxation, the Group profit for the year was £1,075,938 showing an increase of £130,020 over the figure for the previous year.

For 60 years Marconi's have led the world in research into many aspects of radio and electronics and we have recently almost doubled the floor area of our Great Baddow laboratories to give us additional technical facilities.

We have made great progress in many fields, including the "over-the-horizon" techniques known as Tropospheric and Ionospheric Scatter, which promise to revolutionise long-distance radio communication, and in the airborne doppler navigator, a revolutionary device to provide an accurate position anywhere in the world without having to rely on any ground-based aids. Our effort on this problem, in conjunction with the Ministry of Supply, has resulted in the Marconi Doppler Navigator which has been in operational service with the RAF and some Commonwealth air forces now for more than 3 years.

Our Radar Division continues to make its vital contribution to national defence. The last year has also seen the development of a long-range airfield surveillance radar and of new techniques of remote display, making the operation of civil airlines ever more safe.

While the range and variety of telecommunications equipments is very large, we have recently specialised in designing and installing entire multichannel radio communication systems to serve complete territories. There are few countries indeed where Marconi telecommunications equipments are not in daily use.

For well over a quarter of a century your Company has devoted a considerable proportion of its resources to develop the finest transmission equipment for television. Since 1946, we have supplied for both home and overseas customers 70 transmitters, 33 aerial systems, equipment for 51 complete studio installations, 25 outside broadcast units, and over three million pounds worth of associated ancillary equipments. A proud record indeed.

The world demand for sound broadcasting continues to increase, even in countries which now have a large television audience, and there are many Marconi broadcasters in the world which are still giving impeccable service after 25 years of almost continuous operation.

Without efficient electronic instruments for testing and measuring purposes, few of the scientific and industrial achievements of our age could have come to pass. Much of our industrial life would be severely handicapped, if not paralysed. In hospitals and clinics everywhere Marconi electro-medical and X-ray apparatus is helping to speed the progress of medicine.

The report and accounts were adopted.

THE IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND), LIMITED

ANNUAL GENERAL MEETING

LORD SINCLAIR OF CLEEVE'S REVIEW

The fifty-sixth Annual General Meeting of The Imperial Tobacco Company (of Great Britain and Ireland), Limited, was held on March 18th at the Recreation Hall of the W. D. & H. O. Wills Branch of the Company, Regent Road, East Street, Bedminster, Bristol.

The Right Honourable Lord Sinclair of Cleeve, KCB, KBE, the chairman, who presided, said:

Ladies and Gentlemen, with your consent we will take the Notice convening the Meeting and the Report and Accounts as read, and I will ask the Secretary to read the Auditors' Report.

Mr W. Sommerville (Director and Secretary) then read the report of the Auditors.

The Chairman continued:

The Directors' Report records the fact that since the last Annual General Meeting Mr T. M. Sowerby and Mr W. D. M. Wills have resigned from the Board. Mr Sowerby joined the Company in our Solicitor's Office forty-seven years ago. In 1919 when I came to the Company he was Acting Secretary. He was appointed Solicitor to the Company in 1926 and became a member of the Board in 1932 and a member of the Executive Committee of the Board in 1939. He retired from active work in 1948 and since then his wide experience and knowledge of our business and his judgment have continued to be of great value to his colleagues on the Board. We retain a lively appreciation of the outstanding contribution which Mr Sowerby made to the Company during his long service, and there are many in the Company today who, like myself, have good cause to remember his kindness and his inspiring example. Mr Wills served with the Company for some years before World War I and he has been a most valued member of the Board for the last sixteen years. I am sure we will all wish to extend to both these gentlemen our very warm regards and good wishes.

The four new Directors—Mr E. G. C. Beckwith, Mr N. M. Bruce, Mr W. S. J. Carter and Mr E. J. I. Whitcroft—who were appointed during the year are all engaged full-time in the Company's business and have considerable service with the Company. They will be most valuable recruits to our Board.

THE YEAR'S RESULTS

The explanatory Statement issued with the Accounts deals with the main features, and I hardly think that the detailed figures require much elaboration.

The broad picture of the year's results is very much in line with the forecast I gave a year ago—firstly, that competition in the trade would be keener than ever and that to meet it we had to expect a considerable increase in our selling expenses; and secondly, that there was no reason to anticipate that manufacturing costs would be lower. Although there was a small decrease in sales for the year—a circumstance which I did not forecast—the decrease in the Trading Profit was mainly due to the fact that our selling expenses and manufacturing costs were higher. The principal items were advertising expenditure, distribution charges, and, last but by no means least, the cost of leaf tobacco. These are not items on which it is wise to economise if we are to maintain, as we must, a sound and vigorous trading policy.

In the first place, quality of manufacture and of packing is the foundation of our goodwill with the smoking public, and I am glad to think that that foundation is as sound as it can be made. Secondly, in these days of keen competition, intensive and effective advertising is a necessity. There is also the fact that the traders who sell our goods have been faced with further increased costs; and, in addition to the increase announced in 1956 in payments under the Company's Bonus Agreements with its distributive trade customers (which in very general terms are deferred payments in consideration of efforts to further the sale of our goods), we felt it right to increase the distributive trade margins last September, when the cumulative effects of our own rising costs had made a slight increase in the prices of our tobaccos and cigarettes no longer avoidable.

STOCK-IN-TRADE

Leaf tobacco, unfortunately, is not one of the commodities of which the world price has fallen. On the contrary, its price has continued to rise—not dramatically but steadily—and, with the relatively long stocks that are necessary for proper maturing and adequate balancing of different grades so as to maintain uniformity of quality, the cumulative effect of continuing increases in cost is considerable. The increase of £2,837,000 shown under the heading of Stock-in-trade understates the effect of the increased cost of leaf. The item is a composite figure of which the principal components are unmanufactured leaf in bond and in transit, leaf cleared from bond and in course of manufacture, and manufactured stocks. At October 31st last, our stocks of manufactured goods were slightly higher than in the previous year, but that was more than offset by a decrease in the stock of duty-paid leaf in course of manufacture, and the main figure, leaf in bond and in transit, while very slightly more in lb weight, was substantially more in cost per lb.

I do not think we should expect any drastic drop in the cost of replenishing our leaf stocks in the current year, but I hope that the general rising tendency will be halted, and that at least in those places where recent prices have been in excess of world average prices it will not be long before there are actual decreases. Tobacco, as you know, is a delicate crop not easy to grow well and, more than most crops, subject to vagaries of climate. In Southern Rhodesia, for example, up to a couple of months ago all the omens predicted for this year a better than average crop both in quantity and quality. Adverse weather conditions, however, have falsified these hopes to some extent and I am afraid the grades required for the United Kingdom market will not be as plentiful as we had hoped. (I will have something more to say about the Central African Federation later.)

This item of Stock-in-trade with which I have been dealing is one of the main factors in the considerable capital commitments we have. That part of it which consists of leaf in course of manufacture and of manufactured stock contains the element of Duty which is also present in the Debtors item. Day in and day out throughout the year, we have some £85 million locked up in Duty. During this last year we have had a full year at the higher rate imposed in the 1956 Budget. The rate of £3 1s. 2d. per lb is really quite fantastic. Eighty per cent of the price we get for our cigarettes is represented by Duty and in that fact lies the reason why the increase in total consumption in this country over the last 20 years has been so much below that of other countries.

EXPENDITURE ON FIXED ASSETS

The next main item on the Capital Account is Land, Buildings, Plant and Machinery. For many years we have had to spend large sums in replacement and modernisation of our productive capacity. This year has been no exception, but the expenditure is vital to the maintenance of the structure of the business. You will observe from the Accounts that in the Parent Company we have spent, under this head, nearly £2½ million, and in the Group as a whole nearly £5½ million. The net addition in the Accounts to the value of Fixed Assets is substantially less by reason of depreciation, but the figures I have given do represent the extent to which the book values of these physical assets have had to be increased before depreciation is taken into account.

It is against that background of increased cost of stocks, of large commitments for Duty, and of considerable obligations by way of expenditure on Fixed Assets that the Directors felt it prudent that the transfer to Reserve from the Parent Company should not be less than £3½ million and from the Group £4½ million. That in turn meant that, with the net profit from Trading and Investment income that then remained, the final dividend would have to be slightly reduced—making 20 per cent for the year against 21 per cent in the previous year.

GIFT TO EMPLOYEES

As you know, it has been the practice for a long time to make a Gift to Employees in recognition of their efforts to promote the Company's interests during the year. The Gift is paid for loyal and willing service to the Company and is a tangible recognition of the good relations which undoubtedly exist among all ranks in the Company's employ. We believe that it is greatly appreciated and that it materially contributes to these good relations. This year the rate of the Gift will be 11½ per cent of earnings in the year ended October 31, 1957, which is one half per cent less than last year.

SUBSIDIARY COMPANIES

I have referred earlier to the substantial amounts that have been spent in replacement and modernisation of our productive capacity. In recent years a considerable part of the Group's expenditure in this field has been devoted to our Subsidiary Companies engaged in the board, paper, and printing and packaging industries. These Companies contribute significantly to the Group's total profits, and I think it is opportune for me to refer briefly to their activities.

The St. Anne's Board Mill Company of Bristol produces the board for our cigarette cartons and boxes, and also coated and uncoated board for use in many other trades. It supplies a very high proportion of the total United Kingdom requirements of coated board, and is one of the largest board mills of its type in the country. To meet its growing trade a substantial expansion programme is in progress. Its research into board and paper making materials and techniques has also been considerably extended and—as you may have seen from Press Reports—the St. Anne's Company was recently able to give the British Paper and Board Research Association assistance in the development of an improved process of pulping straw and esparto grass for use in making high-grade papers.

Mardon, Son and Hall Limited, of Bristol, have long experience of the printing and packaging trade. Using St. Anne's board they supply a very large proportion of the Parent Company's requirements of cartons and other forms of packing material. They also have a substantial trade with many industries outside the Group—their subsidiary Celloglas Limited which specialises in high gloss protective finishes provides one example of this trade. Mardon's have made a very satisfactory recovery from the great damage they suffered in the raids on Bristol during the war, and their nine factories in the Bristol area are now well-equipped with the most modern printing and packaging machinery. The Mardon Company also has expanding interests in Canada and Southern Rhodesia.

Ashton Containers Limited of Bristol produce fibre-board cases not only for our own Branches for use in despatching their goods to their customers but also for a variety of trades outside the Group. The most recent development is a new plant for the manufacture of corrugated cases. This plant came into production this month.

Robert Fletcher and Son, Limited make a very large part of our requirements of cigarette paper. They also make many types of other special papers and fine tissues—such as airmail writing paper, Bible papers, carbonising tissues, insulating paper for electrical equipment, waxed paper for food wrapping, etc.—and in recent years they have developed an appreciable business in their opaque printing paper for the airmail editions of newspapers. Combining the production of their two well-equipped mills at Stoneclough, near Manchester, and Greenfield in Yorkshire the Fletcher Company is the largest manufacturer in the country of cigarette paper and fine tissues.

The importance of these four Companies in supplying a variety of materials essential to our main business needs no further elaboration. They also have in the aggregate a substantial business with customers outside the Group and I believe that the further capital investment that has been made in them in recent years will turn out to be money well spent.

THE COMPANY'S AFRICAN ORGANISATION

The year 1957 marked the jubilee of the Company's organisation in Africa—an event of which we are proud. Fifty years ago—in 1907—the Company set up its leaf handling plant at Limbe in Nyasaland—an action which was described in a Colonial Office Report a good many years later as "a landmark in the development of Empire Tobacco." In 1907 conditions in Nyasaland and the Rhodesias were primitive in the extreme but in the last fifty years the economic and social development there has been truly remarkable. Tobacco has played an important part in that development, and the Company has done much to encourage appreciation by the British consumer of tobacco grown in those territories.

The Company's leaf handling plant in Southern Rhodesia was set up at Msasa near Salisbury in 1927. Nyasaland had by that time established a firm reputation for the production of leaf suitable for pipe tobacco and Rhodesia had become a promising source of cigarette type tobacco. The erection of our factory at Msasa was a clear indication of the Company's confidence in the future of African tobacco—a confidence which as the production figures show has been well justified. In 1925 Rhodesian growers produced a total crop of just under 4 million lb, of which United Kingdom manufacturers purchased rather over 1 million lb. Last year the Rhodesian growers produced 145 million lb, of which the United Kingdom took 82 million lb. The greater part of this expansion has occurred in the last 12 years and it was stimulated and assisted by the Agreement which the leading United Kingdom manufacturers entered into with the Rhodesian Tobacco Marketing Board in 1947. A good deal of the tobacco grown in Rhodesia, however, is not suitable for this country and for a number of years the crops have for one reason or another failed to produce a sufficient quantity of the grades which United Kingdom manufacturers have required. Nevertheless, the last thing I would wish to do would be to appear to minimise the very real progress in growing and curing techniques that has been evolved, and it is a great pity that quite abnormally bad weather at the critical stage seems to have prevented this year's crop from adequately reflecting that progress.

The Company's African Organisation itself has similarly grown from small beginnings until today we have an investment in the Federation of nearly £3 million, and we employ some 170 Europeans and over 5,000 Africans in our leaf handling and packing factories and on our forestry estates where timber is grown for making the casks in which the tobacco is packed and shipped. The welfare of these Africans and their families is a matter in which the Company has always been deeply concerned. At both Msasa and Limbe we have made for our African employees villages of modern brick-built houses and have provided amenities which include hospitals, schools, churches and sports grounds.

CENTRAL AFRICAN FEDERATION

In the light of our experience over the years in Nyasaland and in the Rhodesias, we have faith in the Federation and in its future. I do not myself think that it would be an exaggeration to describe it as the keystone of the Commonwealth arch today. I have no doubt that those who are in charge of affairs in the Federation are sincere and determined in their efforts to achieve real partnership between the Europeans and the Africans and realise that it is only on that basis that the Federation can endure. It is difficult for people in this country to judge the pace at which that development should best proceed, but it is clear that the recent proposals for the enlargement of the electorate, having regard to the conditions and the state of development in Central Africa, constitute a distinct advance.

There are, moreover, encouraging signs of progress—for example in the gradual emergence of a middle-class of African and also in the field of education. In 1955 the University College of Rhodesia and Nyasaland was incorporated by Royal Charter and last year was formally opened by Her Majesty the Queen Mother. The importance of this interracial University in the development of the Federation is clearly very great.

It is not easy to devise an educational system which gives the fullest opportunities to those who can use them, without inducing something like an educational indigestion in the great mass of a people still in the early stages of emergence from centuries of primitive existence. Employers have, I think, a real responsibility and a great opportunity. The way in which they look after their African employees; the amenities and the facilities for education, for sport, and for social life which the larger employers at least can provide; and the simple humanity of their attitude can in both a material and a moral sense contribute to the raising of the general standard of living. The Federation has considerable natural advantages, and with good guidance will surely grow to greatness in the Commonwealth. To attempt to move too quickly and to give responsibilities at a faster rate than that at which those concerned are fit to assume them would be as harmful to its best interests as to go too slowly.

TAXATION

It is an unfortunate symptom of the times in which we live that no review of the position of a Company largely dependent, as we are, upon the economic health of the country can be complete without some reference to taxation. I have already touched briefly upon the fantastic burden which this industry has to bear in the shape of a rate of Duty which exceeds £3 on every pound weight of tobacco cleared from bond for manufacture. The Government and its Departments immediately concerned are in no doubt as to our views on this, and surely no consideration of the ways and means to secure a more equitable distribution of the burden of indirect taxation can fail to recognise that the smoker is made to contribute quite disproportionately to those who wish to spend their money in other ways. There has recently been some discussion about the appropriateness of differential rates of Purchase Tax, and there would seem to be a good case for widening the scope of these discussions to cover the whole field of indirect taxation. The present system has evolved haphazardly and may have become quite unsuitable for the changed conditions of income distribution and spending. In the case of the Tobacco Duty, which is equivalent to a Purchase Tax of over 400 per cent, I believe equity and expediency point in the same direction. The danger that the maintenance of the very high rate of Duty will seriously prejudice the future yield of the tax is very real.

There is one other specific point that I would like to make under this heading, and that is to support with all the emphasis I can command the representations that have already been made in favour of implementing the recommendation of the Royal Commission to replace the existing discriminatory rates of Profits Tax between distributed and undistributed profits by a flat rate, and of making the flat rate 7½ per cent, which would slightly lighten the total burden of tax and give some much needed relief to industry.

IMPORTANCE OF COMBATING INFLATION

Turning to more general issues—to a country which basically has to live on its exports, inflation must always be dangerous. When inflation continues here at a faster rate than elsewhere the dangers become acute. It would therefore seem that the extremely lucid and impartial analysis of the causes and consequences of inflation which is contained in the Report of the Council on Prices, Productivity and Incomes under the Chairmanship of Lord Cohen is a timely and valuable

contribution to a more general comprehension of the position in which we stand. It is too much to expect that any such report would meet with universal approbation. For example, there are some who would regret that virtually nothing is said on the subject of the inflationary effects of excessively high taxation. Up to a point some indirect taxation such as the Tobacco Duty might be said to be disinflationary in the sense that it could reduce the general pressure of excess purchasing power, but we have got beyond that—and not only in Tobacco Duty—and a continuance of very high rates of taxation must make the halting of inflation more difficult. I believe that in our present circumstances, and having regard to what is happening elsewhere, it is a dangerous delusion for us to imagine that a slight or creeping inflation in this country does no harm, and I hope that as a result of the Council's Report there will be a much more general appreciation of why "our objective should be to stop the inflation and not merely to moderate its course." There is no doubt that given the understanding and the will on the part of the people of the country, the fall in the value of our money can be stopped, difficult though some of the steps on the road may seem.

THE OUTLOOK

Since by the time this Meeting takes place more than one-third of the Company's financial year has elapsed, it is perhaps not unreasonable that I should be expected to say something about the financial prospects. Keen competition exists and is likely to continue. And this applies not only to the tobacco trade but also to the paper, board, and printing industries in which our Subsidiary Companies are mainly concerned. I hope and believe that we are well equipped to meet that competition. The physical and financial structure of the Group is sound. Taking a broad view of the whole position so far as it can be seen today, I think that there are good grounds for hoping that the results of the current year will be at least comparable with those now before you, and it may well be that they will show some improvement.

I now have pleasure in moving—

"That the Report and Accounts for the year to October 31, 1957, now presented, be received and adopted"

and I will ask the Deputy Chairman to second the Resolution.

Sir Wilfrid Anson, deputy chairman, seconded the motion, which was carried.

The payments of 5½ per cent on the "A" 5½ per cent Cumulative Preference stock, 6 per cent on the "B" 6 per cent Non-Cumulative Preference stock, 10 per cent on the "C" 10 per cent Non-Cumulative Preference stock, and the interim dividend of 8½ per cent on the Ordinary stock were approved and confirmed, and a final dividend of 11½ per cent on the Ordinary stock for the year to October 31, 1957, was declared.

The retiring directors were re-elected and the other formal business having been transacted, the proceedings terminated with a vote of thanks to the chair, moved by Lord Dulverton and seconded by Mr P. G. Cardew, and the chairman's brief acknowledgment.

ENGLISH ELECTRIC COMPANY

COMBATING INFLATION BY EFFICIENCY

SIR GEORGE NELSON ON VALUABLE INVESTMENT IN RESEARCH AND EDUCATION

Sir George Nelson, Bart (Chairman), presiding at the thirty-ninth Annual General Meeting held on March 13th, in London, said:

The consolidated results for the year once again show an improved position with the balance on trading account up by £765,000 to £10,233,840. After depreciation, loan interest and income from trade investments, the profit before taxation was higher by £181,000 at £6,916,989.

After taxation and after transferring taxation relief to reserve, the profit applicable to the Company's consolidated account is £2,951,285 compared with £2,911,812 a year ago, an increase of £40,000.

In view of these results and of future prospects, your Board recommend a final dividend on the ordinary stock of 10 per cent, less tax, making 14 per cent for the year. As in previous years, I would point out that the 14 per cent dividend is paid on the nominal capital and not on the capital invested by the shareholder. The ordinary dividend is equivalent to 5 per cent before taxation on the shareholders' actual investment, and, as I shall show later, the total return after taxation to ordinary and preference shareholders combined is only 1.01 per cent of the Company's turnover. After appropriating the preference and ordinary dividends and transferring £1 million to general reserve, the carry forward is £1,786,585 in the consolidated accounts. The total of our Capital and Revenue Reserves now stands at £21 million.

TURNOVER

The improved results are wholly due to a further increase in our turnover made possible by additional manufacturing facilities provided from new capital and reserves and by improved operating efficiency. Our trading margins are still very slender as is illustrated by the following breakdown of every £100 of our 1957 turnover:

Materials, including bought and finished articles	£ 47·83
Wages and salaries	33·48
Depreciation, Maintenance, Power, Heat, Light, Rent, Rates, Insurance, etc.	12·69
Interest on Debentures, Bank Overdraft and Bills	1·19
	95·19
Taxation	£ 2·46
Retained in the business	1·34
Net dividend on Preference and Ordinary Stocks	1·01
	4·81
	100·00

COMBATING INFLATION

At the present time there is a determination, more widespread than ever before, that Britain must stop the inflation which has dominated its peace-time economy during the last twelve years.

The workpeople's reaction to constantly increasing prices is to ask for more wages. From time to time we have issued the warning that higher wages without an equivalent increase in output will price us out of the export markets. I am happy to say that other factors have fortunately prevented this happening for the moment, i.e., improvements in design, improvements in production methods and the increase in the volume of our business. Although these remedies have so far enabled us partly to counteract the rise in wage levels, they cannot do so indefinitely at a time when competition is becoming steadily more fierce in the overseas markets. Requests for higher wages where no equivalent increase in output or efficiency is possible must therefore be restrained.

We have been able to retain our position this year by the collaboration of our workpeople and technical staff in achieving improved efficiency. We look to the Government, nationalised industries and industry generally to pursue efficiency with similar energy in the form of deeds and not words. To this end, the Government has stated that both central and local Government expenditure and expenditure by nationalised industries is to be pegged and Government action has been taken to limit unnecessary expansion by private enterprise. By these means it is hoped to arrest inflation while enabling productivity to catch up with the increase in the country's spending power.

Research remains one of the foremost activities of the Group. By deep thought on the most advanced problems supported by immense capital expenditure, new fields are opened and existing ones improved. By such efforts we keep ahead of our competitors over the great range of our products, and just because of their wide range and because of the successful results of our huge research and development effort, we are able to carry out our basic policy of maintaining stability of employment for our staff and workpeople.

PRODUCTION EFFICIENCY

I am proud to announce that we have just received an order from the Central Electricity Generating Board, for two 275,000 kW Turbo Generators for installation in their projected new Generating Station, Blyth "B." The design submitted by the English Electric Company has been selected as the best on a balance of price, efficiency and technical excellence.

The activities of our engineers have contributed to greatly increased efficiency in a number of industries. For example, the tremendous increase in the output of steel in the United Kingdom in the years since the war has been very largely attributable to the developments in electrical control of steel mills in which we have played a very important part.

It is because of the spirit of endeavour that the Company can show increased production and orders. The orders outstanding at the end of the year, for the Group as a whole, now exceed £250 million. Of our total United Kingdom output one-third goes to overseas markets, but I must point out in this connection two special features. These are the inclusion for the first time of our Company's proportion of Atomic Power Station plant and of the substantial order for Canberra Aircraft for India which includes a considerable volume of specialised equipment such as engines and electronic devices as a part of the contract price instead of as a free issue from the Government.

So far as this Company is concerned, there is as yet no evidence of a serious diminution in the rate of incoming export orders. Nor have we experienced any unusual cancellation of existing orders. Our order book is very satisfactory and, as the situation is today, I think I can say that we have no great cause for anxiety. Nevertheless, if the North American recession were to deepen, and to extend beyond, let us say, the end of 1958, cause for anxiety might develop.

EUROPEAN FREE TRADE AREA

The scheme put forward by Her Majesty's Government has encountered a considerable degree of opposition, and it is as yet impossible to see clearly what the outcome will be. It remains true, in my judgment, that the Common Market, having been established, it is important from the point of view of general industry in this country that some kind of European Free Trade Area should be created; otherwise, we shall find ourselves outside a powerful European Customs Union of six countries with tariffs steadily reducing between themselves, but with a common and higher tariff against manufactures from outside the Union, including goods from the United Kingdom. Such a Union could become extremely powerful in the world's export markets.

That being so, it is I think important to examine the problems that will confront each industry if a Free Trade Area should be established, and we have set on foot studies on these problems.

EXPORT

I mentioned in my Speech last year that we had received orders from 137 different countries in the year then under review, and I can say again that orders have been obtained from just as many parts of the world.

In a world which is hungry for the type of plant we manufacture, for the generation and application of electrical energy, the outstanding problem is how to bridge the gap between the sales of primary products from the newly-developing countries and the purchase of high quality machinery to aid in the development and improve the standard of living in these countries. It seems to me that we must do more than has been found possible in postwar years to spread the period over which capital equipment is financed.

We see from the operations of the American Import/Export Bank that where capital projects are undertaken, the term under which loans are repaid can be up to 20 years or even longer. It is clear that long-term financing is a competitive weapon as well as the quality and price of the product. It is also true that it will help the newly-developing country to make the best use of its resources if instalment payments can be spread over sufficient time to allow the newly-acquired plant a period of operation which will itself help to pay for it. This is not a new theory but it is one which requires urgent study with special reference to this country's export of capital goods.

TRAINING AND EDUCATION

In furtherance of our duty to increase our own efficiency, and in view of the continued expansion of our Group, we have brought a large number of young people into our Education and Training schemes. We regard this not so much as additional expenditure but as an increase in a valuable investment. We have never confined our educational and training facilities to young people in the United Kingdom. At all times we have some 150 men from overseas under training with us and at the moment they are from 33 different countries.

The report and accounts were adopted.

BAJOE KIDOEL RUBBER AND PRODUCE COMPANY LIMITED

SIR ERIC MILLER'S STATEMENT

The forty-sixth Annual General Meeting of The Bajoe Kidoel Rubber and Produce Company, Limited, was held on March 13th in London. The following is an extract from the circulated statement of the chairman, Sir Eric Miller:

The rubber crop of 1,752,119 lb from our two estates in East Java was better by some 5 per cent than that of the previous year. The coffee crop of 269,360 kgs was only about two-thirds of that harvested in the year 1955/56. Field conditions generally on the two estates were reported to be reasonably satisfactory. The situation in Celebes continues to cause serious anxiety and throughout 1956/57 bandits operated on and around our estates with increasing boldness. Arrears of upkeep work inevitably accumulated. The Celebes rubber crop of 1,297,557 lb compared favourably with 879,825 lb in the previous year, Balangriri having contributed ten months' crop as against only five months in 1955/56.

The Subsidiary Companies' profits for the year ended March 31, 1957, were Rp.2,636,579 (Rp.4,069,559). The profit for 1956/57 before UK taxation is £4,604. From a taxation point of view, it is better to relate the payment of a dividend to the year 1957/58 and the Directors have declared an interim dividend of 10 per cent, less tax, for the year ending March 31, 1958.

REDUCTION OF CAPITAL

In view of the recent trend of events in Indonesia, the Directors have once again given consideration to the Company's minimum requirements of sterling working capital apart from the local Companies' rupiah balances and they have reached the conclusion that the Company's resources in London permit the repayment to members of 1s. per 2s. share. If the Special Resolutions set out in the notice of the forthcoming Annual General Meeting are duly adopted and subsequently approved by the Court, the issued capital will then be £62,240.

Political developments in Indonesia culminating in the recent drastic actions taken against Netherlands interests are a matter of very grave concern to us.

No remittances of profits from Indonesia have been received in the UK in respect of profits earned by our Subsidiary Companies since April 1, 1955. To obviate a complete breakdown the suggestion has been made, with which we are in full agreement, that the Indonesian Government should modify their regulations so as to enable plantation Companies such as ours to retain a portion of the substantial foreign exchange proceeds of the estate products all of which now have to be surrendered to the Indonesian Exchange Control who, as I have indicated, have suspended the granting of permits.

The report and accounts were adopted and the special resolutions regarding the capital repayment and capital reorganisation were passed.

BRITISH HOME STORES

NEW RECORDS

The thirtieth annual general meeting of British Home Stores, Limited. was held on March 19th in London, Mr Harold Hindley, chairman, presiding.

The following is an extract from his circulated statement:

Your directors were very sorry indeed to know, towards the end of last year, of Mr Horace Moore's wish to resign from the Board on medical advice. I would like on behalf of my colleagues and myself to thank him for all the efforts he constantly made in the company's interests.

The profit for the period before taxation was £1,574,177, an increase of £43,983 on the year. The total provision for taxation is £858,000, an increase of £29,000. £394,684 has been allocated to General Reserve and the final Ordinary dividend recommended is 3d. per unit, the same as a year ago, making a total of 4½d. per stock unit for the year as against 4d. for the previous year. There is £193,779 carried forward against £182,926 brought in.

We achieved for the year as a whole new records both in the money value of turnover and in the number of individual purchases, an indication that we have succeeded in maintaining the growing interest of the general public. It is our policy to pass on to the consumer the advantage of lower raw material prices and increased efficiency of production, but in the early part of the year decreases in raw material prices were offset by higher manufacturing costs. Later in the year, however, many selling prices were reduced, and since Christmas further reductions have been announced.

DEVELOPMENT

Under present conditions with the credit squeeze, combined with the high interest rates prevailing, development has to some extent to be curtailed. While for the time being we are forced to rely more on our own resources it is our intention to continue with our general policy of expansion.

Last May we opened new stores at Blackpool and Swansea and in November our new store at York. We continue to operate both stores in Swansea, but in York the old store has been closed. Our experience in these new stores for the part of the year during which we traded was satisfactory.

Work now proceeds upon stores at New Street, Birmingham, which will be the largest of our chain, opening in May, and at Middlesbrough, where we expect to open in the autumn. Work has commenced upon a store at Crewe which, however, will not be complete until 1959. In 1959 also we shall complete new premises now being built in Liverpool, which will embody part of our existing store. We have so far been unable to complete arrangement for the erection of a new store in Bristol.

During the year we carried out extensions to some of the existing stores and work is proceeding upon extensions in additional cases. We have continued with our policy of modernising some of the older stores of our chain.

It is very difficult to forecast the trading pattern for the current year. Whilst there is no doubt that competition continues to increase, we feel that with hard work backed by knowledge and experience we should continue to get increasing recognition from the shopping public

The report and accounts were adopted.

ENGLISH CHINA CLAYS

INCREASED SALES—PROBLEM OF RISING COSTS

SIR JOHN KEAY'S STATEMENT

The thirty-ninth annual general meeting of English China Clays Limited was held on March 20th at Hyde Park Hotel, London, S.W. In the absence of Sir John Keay, A.C.A. (Chairman and Managing Director), who was indisposed, The Right Honourable Lord Aberconway (Deputy Chairman), presided.

The following is the chairman's statement which had been circulated with the report and accounts for the year ended September 30, 1957, and was taken as read:

The profits of the Group for the year ending September 30, 1957, after providing £1,065,833 for taxation, amount to £1,085,436, £25,000 is provided for Taxation Equalisation Reserves and £650,000 for General Reserve, which now stands at £2,500,000. Your Directors recommend a Final Dividend of 4½ per cent tax free, which, with the Interim payment of 2 per cent tax free, brings the Ordinary Dividend for the year ended September 30, 1957, to 6½ per cent, tax free. This leaves a balance on Profit and Loss Account to be carried forward of £432,346, as against £366,329 in the previous year.

The Consolidated Balance Sheet at September 30, 1957, shows that the Issued Capital and Reserves stand at £9,181,010, of which £8,008,242 represents expenditure on Capital and Fixed Assets, and the balance of £1,172,768 equals the surplus of Current Assets over Current and Deferred Liabilities, an increase of £163,836 compared with the corresponding figure of last year.

REVIEW OF SALES

I am pleased to report that the sales of China Clay during the year under review show a small but encouraging increase over those of the preceding year, which were the highest in the history of the Company. Home Market sales were somewhat lower than last year, but our Export sales increased in spite of the effects of currency, import and other trading restrictions. An easing of overseas freight rates was an extremely helpful factor in the maintenance and expansion of our overseas markets.

Our USA subsidiary, Anglo-American Clays Corporation, is not yet in full production, but steady progress is being made in the development of new methods of production and processing, which are already giving good results by improving qualities and increasing sales.

MOLOCHITE

Sales of Molochite continue to show a marked increase, and a growing interest in this high grade refractory material is being shown in a number of foreign countries, notably the USA. Additional production plant is at present under construction and is scheduled to commence operation in the late Summer of this year.

NEW ACQUISITIONS

On March 29, 1957, the Company acquired all the shares of Hexter and Budge, Limited, of Newton Abbot in Devon, for a cash consideration. Incorporated in 1926, this firm produces Ball Clay from freehold mines near our own in the Newton Abbot area. We have marketed a substantial part of their production for many years, and this acquisition will enable us to develop and consolidate our producing interests in Ball Clay which, like China Clay, has large export associations.

As you will know from the circular distributed to the shareholders in December, and from announcements in the Press, contracts were exchanged on December 19, 1957, by your Company and a group of private companies operating quarries chiefly in Devon and Cornwall. You will also have received a more detailed communication on this subject with the notice of the Annual General Meeting, and I shall refer to it again later.

BUILDING, QUARRYING AND TRANSPORT

The falling-off of profits in the Building section of the Group, to which I referred in my statement last year, has continued throughout the year under review, and has been intensified during the current year following the announcement in September, 1957, of the higher Bank Rate. We are, however, maintaining our share of Local Authority contracts, but, in our view, until there is a reduction in the present high interest rates the immediate future of private enterprise building is somewhat obscure. Accordingly, our plans for the extension of this side of our activities have been deferred and will be reviewed when the position improves.

Our Transport and Quarrying subsidiaries continue to do well and have contributed increased profits to the Group. The Transport fleet is well equipped with modern vehicles, and improved maintenance procedures are having their effect in reducing running costs. With regard to the Road and Limestone Quarries, expenditure on increased mechanisation and modernisation is being undertaken to raise productivity and reduce costs.

The amalgamation of our existing quarry interests with those of the Devon and Cornwall group, to which I referred earlier, will be most advantageous to our general quarrying position in the South West of England.

There are many opportunities that such an amalgamation brings in its wake. In the field of research, we shall look forward to collaboration with many of the industries using the varied products of these quarries, the results of which should, in the years to come, make a valuable contribution to the benefit of the community and to the stability and profitability of the Group as a whole. In production and marketing, likewise, the exchange of experience and techniques must operate to our mutual advantage in terms of increased efficiency and economies.

REVIEW OF MANAGEMENT STRUCTURE

Last year I referred to the reorganisation of the management structure. This was completed early in 1957, and the benefits of the streamlining of the structure are now being felt.

The principle of the re-organisation adopted has been one of de-centralisation into the following groups: China Clay, Ball Clay and sundry Mineral Products; Building; Transport; Limestone and Roadstone Quarries. Each group has its own Board of Management, the financial control of which is administered by the Board of ECC Ltd.

TRAINING

The Apprenticeship and Educational schemes continue to make progress and, apart from the obvious benefits to be expected from such schemes, it is encouraging to note from the number of newly indentured apprentices and trainees that the future manning of the Group, in all its departments, is being provided for.

PRODUCTION

Mounting costs continue to be a feature of the production problems of the extractive industries and, indeed, all Industry. Labour and coal, which form a substantial part of our costs, have risen again during the year, but an improvement in productivity achieved by modernisation, mechanisation and research has helped to keep our prices and quality standards competitive. There is a limit, however, at which the level of costs must so affect the price of our products that employment is endangered.

Today it is more than ever one of the problems of Industry to find a means of satisfying labour, the Tax Collector, investors and potential investors, and, at the same time, to maintain the high standard of efficiency so necessary to achieve success in world markets.

MR W. O. MEADE-KING

Mr W. O. Meade-King retired, on March 31, 1957, after 45 years' service, from his executive positions with the Group. We all realise what we owe to Mr Meade-King for the leading part he has played with such success, particularly in the development of the China Clay interests of the Group, and it is with a sense of reluctance that we record that he has relinquished his executive duties as Works Director. Fortunately we are not losing the benefit of his wisdom and long experience, because he has consented to remain with us as a non-executive Director on the Boards of ECC Limited, and also a number of our subsidiary companies.

CONCLUSION

Despite the penalty of heavy Profits Tax on dividends, your Directors have, in declaring a small increase in the dividend, apart from the normal considerations of dividend policy, had regard to the claims of those of our shareholders who have held their shares for many years, whose incomes are fixed, and who have no means of combating the increases in the cost of living, which are a feature of the present inflationary conditions.

Finally, I should like to express a tribute on your behalf and on behalf of the Board to the workpeople, staff and executives, both at home and abroad, for the loyalty, enthusiasm and energy which they have shown in making possible the satisfactory results which I have reported to you.

The report and accounts were unanimously adopted, the dividend, as recommended, was approved, and the retiring directors, Mr R. W. C. Hobbs and Mr Hart Nicholls, were re-elected. The remuneration of the auditors Messrs Allan, Charlesworth and Co. and Messrs Bourner, Bullock and Co. was fixed.

At a subsequent extraordinary general meeting a resolution was passed that the share capital of the company be increased to £12 million by the creation of 4,000,000 Ordinary shares of £1 each.

APPOINTMENTS

MSL have been retained to advise on the appointment of a

GENERAL SALES MANAGER

for a company employing over 3,000 and manufacturing durable consumer goods for the mass medium market. In order to retain its leadership and to expand in a highly competitive market the company wish to appoint a General Sales Manager to co-ordinate the sales effort. This will include directing subordinate sales, market research and advertising managers and through them a large sales force. The appointment will be based in London.

Candidates must have had considerable experience in marketing and selling consumer goods and in directing a large field force selling to the retail trade. They should also have some knowledge of market research and experience controlling large advertising appropriation. Good general education necessary—a degree an advantage. Preferred age 40 to 47. The position will interest those earning between £3,000-£4,000.

No information will be disclosed to our clients until candidates know their identity and have given permission after personal discussion. Please send brief details in confidence, quoting reference S.451, to P. J. H. Fryer.

MANAGEMENT SELECTION LIMITED
17, Stratton Street, London, W.1.

SCOTTISH INDUSTRIAL ESTATES, LTD.

The Directors of SCOTTISH INDUSTRIAL ESTATES, LIMITED, invite applications from suitably qualified persons for the position of Assistant to the General Manager of the Company.

Applicants, preferably not more than 45 years of age, must have had wide administrative, commercial and/or industrial experience, qualifying them to give effective assistance to the General Manager in the discharge of the managerial responsibilities inherent in a large-scale organisation responsible to a Government department for the erection, maintenance and general administration of industrial property which, at present, includes nearly 400 modern factories in Scotland.

The salary scale appropriate to the appointment is £1,600 to £2,000 per annum. The commencing salary will be determined by the Board. The Company operates a Contributory Superannuation Scheme which the successful applicant will be required to join.

Canvassing of the appointment, either directly or indirectly, will result in disqualification.

Applications, in duplicate, together with five copies of three recent testimonials, should be lodged with the DIRECTOR AND GENERAL MANAGER, 3, WOODSIDE PLACE, GLASGOW, C.3, not later than April 10, 1958.

THE FEDERATION OF THE WEST INDIES

Applications are invited for the post of Economist on the Establishment of the Federal Government of the West Indies. Salary £1,850 per annum.

The post will eventually be pensionable on the Federal Establishment. Selected candidate would be required to serve at Headquarters in Trinidad and in any of the territories forming the Federation. Free passages provided on first appointment and termination for officer and family up to five persons in all. Leave at the rate of 45 days a year. Leave passages up to three adult passages after tour of two and a half years. Accommodation provided at 10 per cent of salary, plus furniture at approximately 5 per cent of cost per annum.

The Economist will work under the direction of the Senior Economist, Economic Planning Division. He will be required to assist in a programme of collating data and of economic assessment of the Federal Area in order that studies can be completed on which economic planning can be formulated.

Qualifications required are an Honours or Research Degree in economics and at least two years' experience in the field of applied economics, i.e. in economic planning organisation or department of finance or trade and production or comparable experience elsewhere in economic research investigation, in particular of field surveys of a practical nature.

Applications, giving age and particulars of qualifications and experience, together with names of two personal referees, should be submitted before April 5, 1958 to the Federal Secretary, "Whitehall," 29, Maraval Road, Port of Spain, Trinidad, the West Indies, from whom further particulars may be obtained. Candidates who have already submitted applications for this appointment need not re-apply.

One copy of application to Director of Recruitment, Colonial Office, Great Smith Street, S.W.1, quoting BCD 123/500/02.

PORTSMOUTH COLLEGE OF TECHNOLOGY

A Lecturer is required in the Commerce Department, to commence duties in September. Ability to lecture in Economics, with Law, History, or Government, up to B.Sc. (Econ.) degree standard is necessary.

Salary: Burnham Technical Scale. Lecturer: £1,200 by £30 to £1,350.

Application forms and further details may be had from the Registrar. Forms should be returned within 14 days of the appearance of this advertisement.

WESTERN REGION PRODUCTION DEVELOPMENT BOARD, IBADAN, NIGERIA.

SENIOR ACCOUNTANT

The Western Region Production Development Board has vacancies in its accounting organisation for a Senior Accountant.

Candidates for this post should possess a recognised Accountancy qualification and should have had at least five years' experience in a professional office since qualifying, including work on re-organisation, introduction of a new accounting system and budgetary control. It is essential that candidates should have sound knowledge of costing and cost systems. Commencing salary, excluding inducement allowance, will be in the range of £1,360 x £60-£1,590. Inducement allowance is £300.

2. The terms of service include partly furnished accommodation at 8⅓ per cent of the basic salary; free medical service, outfit allowance, free passage for wife and also free passages once each way per tour for children up to three in number not over the age of 13. Employees are required to contribute up to 10 per cent of salary to a Provident Fund. Home leave at full pay at the rate of five days per month on overseas service. Normal length of tour 18-24 months.

3. Applications in *duplicate*, together with details of age, experience and qualifications and the names of three personal referees should be sent to:

The London Representative,
Western Region Production Development Board,
178-202, Great Portland Street,
London, W.1.

to reach him not later than March 31, 1958.

ATTRACTIVE OPPORTUNITIES IN

UNILEVER LIMITED

are offered to qualified Accountants up to 30 years of age. These appointments provide a wide experience in progressive management accounting and commercial control techniques. Suitable candidates are eligible for consideration under the Unilever Companies' Management Development Scheme which is designed to train men for responsible management positions. The commencing salary will depend on age, qualifications and experience.

Applications, stating age and accompanied by a brief summary of education and experience, should be sent to: Unilever Limited (P.D. 366), Unilever House, Blackfriars, London, E.C.4.

CONSTRUCTORS JOHN BROWN LIMITED invite applications for a post of an Executive Director. Preference will be given to a man with experience in Chemical and Petroleum Chemical Engineering and Construction who also possesses proven administrative ability. —Applications should be addressed to the Chairman of the Company at 8, The Sanctuary, London, S.W.1, who will deal with them personally and confidentially.

STATISTICIAN (Assistant)

required by the Central London Head Office of a leading Anglo-American Chemical Company.

Candidates, age about 25, should be Graduates in Economics with Statistics, but Non-Graduates with suitable experience would be considered.

This is a permanent and progressive appointment in an expanding organisation; commencing salary £600 to £700 per annum approximately.

Fully detailed applications, which will be acknowledged, should be addressed, in complete confidence, to Box JN 2687, A.K. Advertising, 212a, Shaftesbury Avenue, London, W.C.2.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of LECTURER IN SOCIAL ANTHROPOLOGY. Salary on a scale £900 to £1,650 per annum with membership of F.S.S.U. and Children's Allowance Scheme. Initial salary according to qualifications and experience.—Applications should be sent, not later than April 12, 1958, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

FISONS PEST CONTROL LIMITED seeks the services of a first-class Sales Promotion Manager, age early/mid thirties, for their headquarters offices at Felixstowe. A thoroughly experienced man is sought, with proved ability in creating productive sales promotion schemes in similar fields, who is full of creative ideas and who could produce sales results in a highly competitive market—sound experience in advertising and of marketing products in agricultural fields necessary. Initial salary in neighbourhood of £2,000 per annum, with excellent prospects and working conditions, but long hours and continuous hard work go with them.—Write to Personnel Manager, Fisons Pest Control Limited, Harston, Cambridge (quoting No. 1393).

ASSISTANT SPACE BUYER.—Secretary/Shorthand Typist with minimum twelve months' experience in Advertising Agency Media Dept. is required as Chief Assistant to Space Buyer; London, W.1. Must be quick at figures and interested in statistics. Age 25-35. Commencing £550/£650, according to qualifications.—Box 898.

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British Hydrocarbon Chemicals Ltd. have recently awarded us the contract for the engineering design, procurement and construction for the Cumene-Phenol plant to be built at Grangemouth, Scotland. This plant employs the cumene process developed by Scientific Design Company and licensed by the Mid-Century Corporation, a subsidiary of Standard Oil Company of Indiana.

The phenol process was developed by The Distillers Company Limited.

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AIR EDITION

The Economist

MARCH 29, 1953 ONE SHILLING AND SIXPENCE FOUNDED 1843

L or *l*?

The Liberal party's come-back has not, so far, advanced the cause of liberalism (page 1107).

Oil in the Middle East

An abundance of oil and a rising tide of nationalism in the Middle East present problems for the oil companies that must be met with a wise imagination (page 1151).

Can Iraq Reply?

Prospects for the unequal contest between Iraq and Egypt (page 1110).

King Saud Hands Over

Our Special Correspondent's Riyadh report (page 1140).

Brush Fire in Indonesia
Might the flames still spread from Sumatra? (page 1109).

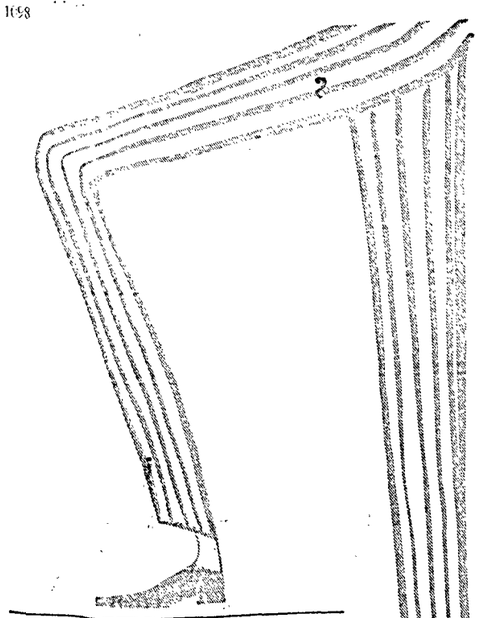
Fitting In the Atom
(page 1153).

SPRING BOOKS
(after page 1144)

Sources of Domestic Help
The second article on the servant problem (page 1112).

K without B
(page 1114).

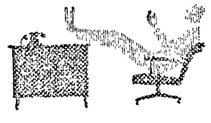
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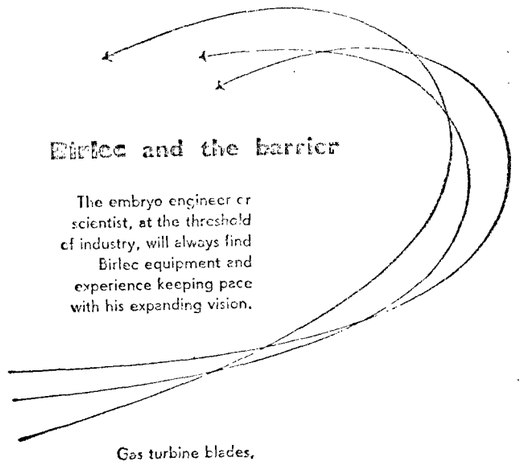


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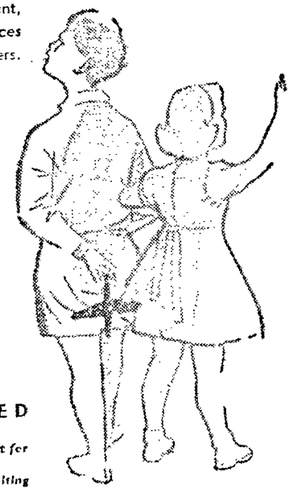
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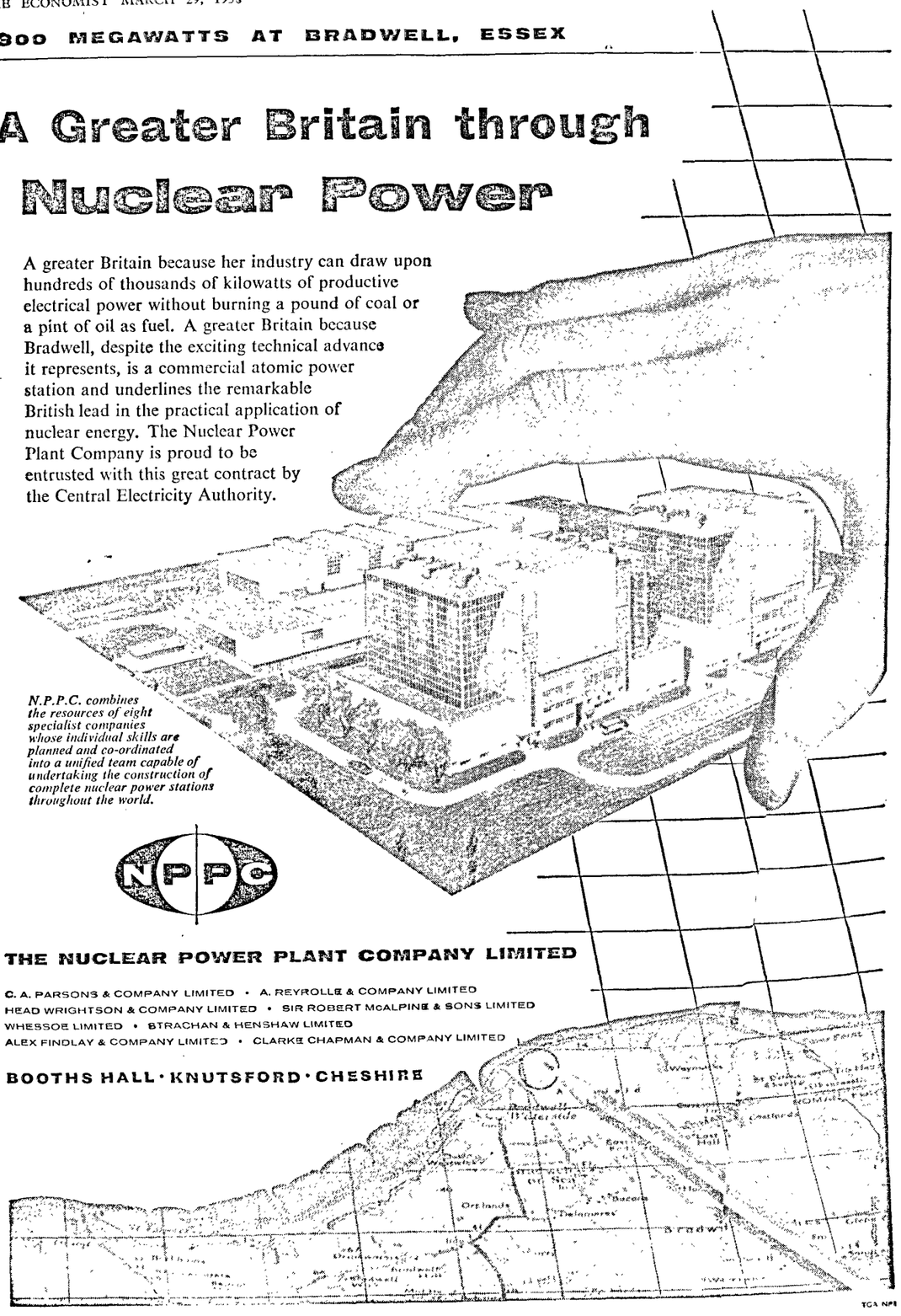
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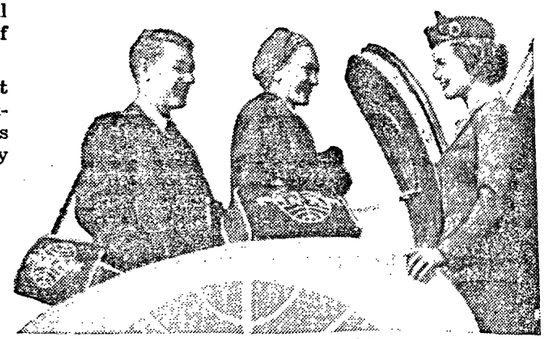
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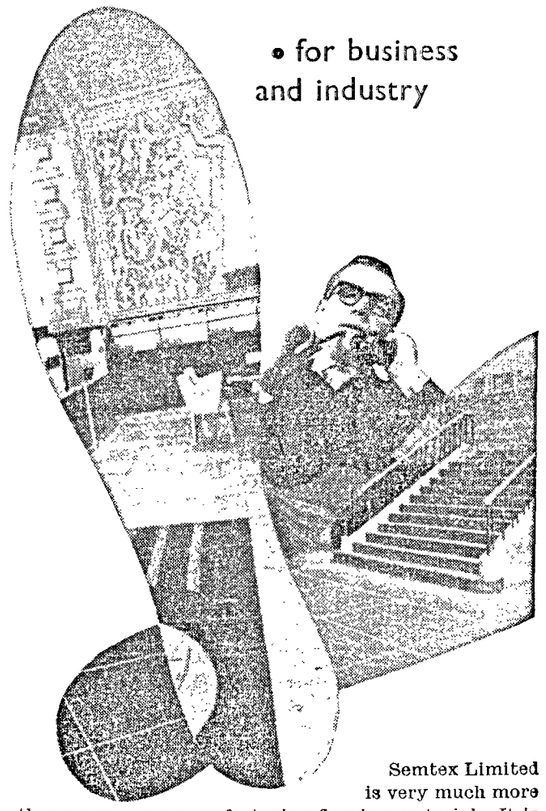
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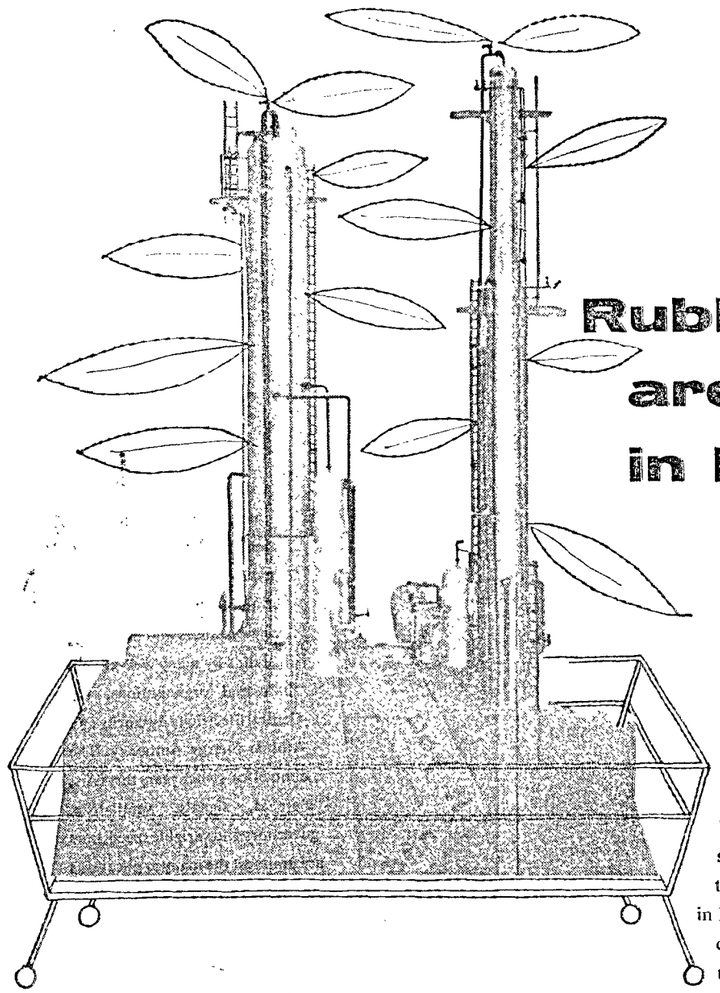


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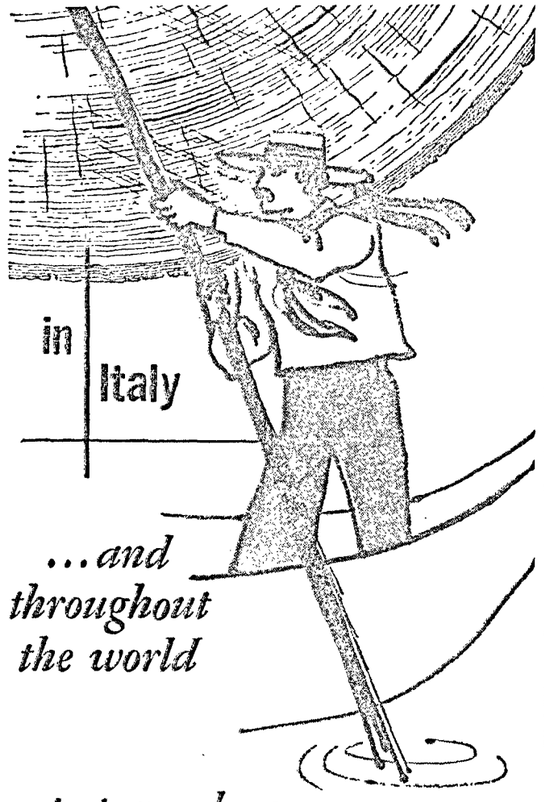
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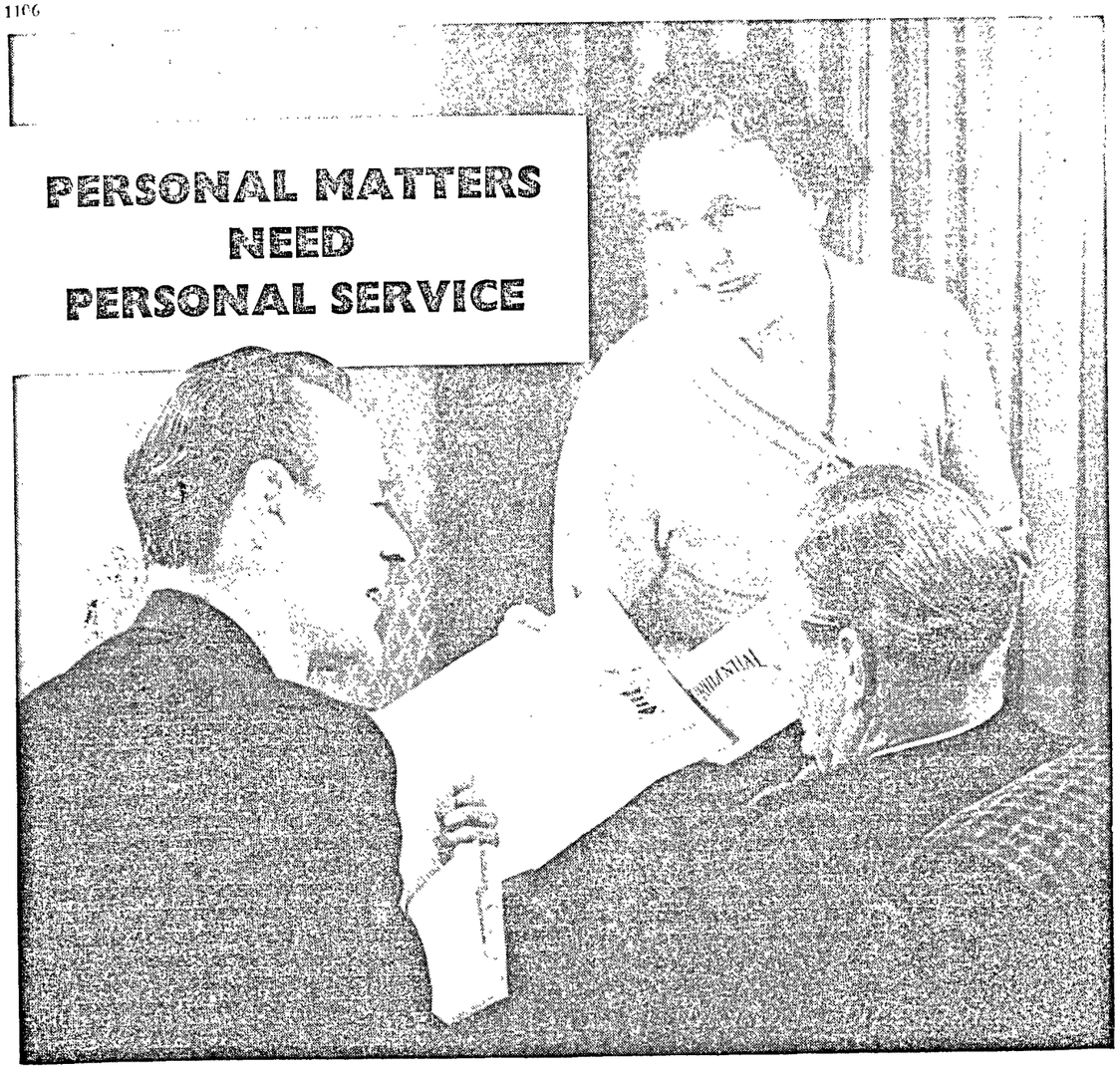
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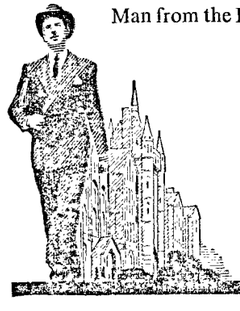
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The Economist

MARCH 29, 1958

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L or l?

IT looks as if the Liberal party's revival of the last two years may this weekend reach its moment of high festival. Just about the time that this article appears, unless the public opinion polls are more wrong than they have been before, Mr Bonham Carter may be being proclaimed the member of Parliament for Torrington. If he is not, that is, if there has been some last-minute slip between the cup and his lip, the fact that many people have been expecting him to win the seat is of great political significance. It is also a matter on which all liberals need to express an opinion.

Note the word "liberals." This is a time in which to watch one's "Ls" and "ls." The jostling for rightful title to the big "L" has become bitter and boring; it is based mainly on arguments of apostolic succession against any stray candidate's convenience. But the competition for the much more meaningful accolade of the small "l" is not a question of convenience, or of titular inherited right, or of whose grandfather knew Lloyd George (Mr Bonham Carter's did). It is a question of definition: who is standing for liberal principles? Historically, there is nothing vague or ambiguous about liberal principles. The essence of them lies in reformers' zeal; in a willingness—nay, an eagerness—to disturb established interests in order to secure the benefits of change and progress; in a determination to probe down to the roots of every stalk in the national life and to cut and graft (even if this hurts established cotton masters or farmers or sitting tenants) wherever scope can be seen for an improvement and for a long-term increase in the nation's income. For those who ally themselves to liberalism in this sense, as *The Economist* has always done, there are now two questions to ask. Has the recent swing to the Liberal party been due to an increasing belief in these principles by the electorate? And, even if it has not been so due, is voting for the Liberal party the most sensible way to further the sort of Britain that real liberals want?

The first question can be answered straightaway. The swing in the recent by-elections has, quite obviously, been in the main an instinctive manifestation of one half of the most familiar historical phenomenon in British politics. In every British general election since general adult suffrage began—save only that of 1955—there has been a swing from the Government of the day to the principal opposition. There were two reasons why there was a departure from this normal rule in 1955. One was that the Conservative government then in office had not fallen short of their promise at the hustings; through the success of their policy of freedom from controls, and the vision of expansion and peacemaking, they had exceeded it. The second reason was that the Labour party had done nothing to attract floating votes in their periods of either office or opposition; through a mixture of bad luck and bad management in their policy of austerity, through their internal squabbles and their appeals to social spite and through an outdated concept of nationalisation, they had repelled

them. The feature of 1956-58 has been that the usual swing away from the government in office has again set in, but the usual swing to the principal opposition has not. The floated-off votes have been gathered by the Liberals, because they were the only third party there.

Is this a movement in which the true liberal should join? Anybody who votes for a Liberal candidate should not do so out of a vague desire to swing towards the middle. He should have a definite and practical reason in view. One can suggest three alternative reasons which he might have.

FIRST, he might—indeed should—vote for the Liberal party if he thinks that the policies which their candidates are advocating are preferable to those advocated by either of the other two. It is unhappily difficult to see how any real liberal can think this. For look in the book. The two main policies propounded by recent Liberal candidates seem to have been support for protectionism and for sentimental pacifism; they have called for the cosseting of industries that are important in the particular constituencies being fought and the cutting (according to the Liberal leader in the Lords) of hundreds of millions from the cost of defence. However tarnished the Government's record has become since 1955, there is no real doubt that on the issues most frequently mentioned in recent by-elections—cotton protection at Rochdale, the reduction of agricultural subsidies at Torrington, the Rent Act and defence costs *passim*—the Tories have been broadly and liberally right and their opponents, including the Liberals, broadly and illiberally wrong.

Secondly, a liberal might support the Liberals not because of the policies they advocate—he may say that politicians on the hustings are deceivers ever—but with his eye on one broad and desirable effect. The effect of more Torringtons, he may say, would not be to bring in a Liberal government (nobody is seriously envisaging that), but to get a larger block of independent-minded members in the House of Commons. The main function of independent members, apart from providing refreshing examples of greater freedom from the whip, is to be a fount of original ideas; the best of these can then expect to be taken over by governments of one of the other parties which can get into office. There are considerable attractions in this idea; and a short time ago they almost looked compelling.

But are they compelling any longer? Would not the methods which the Liberals have been using in their recent attempts to become a larger body in the House prevent them from becoming a more effective independent force there? In general, almost the only independent ideas that are worth a button in Parliament are those that would be initially unpopular; good ideas that would be initially popular have mostly been put into effect long ago. In their present mood, however, the Liberals seem to be even less inclined than either of the other parties to foster any ideas that might lose them votes. Perhaps the best way of measuring this disappointment is by considering the particular set of circumstances in which a block of independent or Liberal MPs would assume most importance. Would a Tory government that had to rely on Liberal votes be better for the country than a Tory government with an absolute majority? Sadly, dependence on Liberal votes in the House would now bring more caution into Tory policy, not more radicalism into it. Such a minority Government, for example, would not have continued with the Rent Act in its present form.

There remains a third possible reason for voting Liberal. It is based on the frank recognition that the elector is not usually looking for something to vote for, but for something to vote against. When a Government has not been inspiring—and the Tories since 1955 have not been particularly inspiring—then, on this view, it is highly desirable that there should be the usual swing against it. To register a swing against the Tories under present circumstances is, of course, in effect to put Labour into office; this may be a good thing if it is believed that too long a period in Opposition, even more than too long a period in office, corrupts a party. But, since it seems rather odd to vote for Labour's bad policies in order to ameliorate them, a certain Pontius Pilate satisfaction may perhaps be obtained by voting for Liberals, while electing Labour. That may be deep constitutional thinking, but it can look more like sheer moral cowardice; in any event, it does not carry very glorious implications for the Liberals. It is to treat them, not as a great national party, but as a large waste-paper basket.

THERE is only one thing more painful than kicking an old friend when he is down; and that is to kick him when he is getting up after a long period of being down—and is beginning to stand on his feet, incredulous, delighted and wildly cheering. Moreover, for anybody attracted to old liberal ideals, historical sentiment keeps creeping in. If Mr Bonham Carter has won Torrington, many people will feel the thrill of a party called Liberal arisen from disaster; it will be rather the same feeling as if Manchester United now went on to win this year's Cup. But the serious business of attracting the suffrages of the people is not the same thing as football. And even if it were, it would be a poor sort of support to cheer the old favourites on if they decided, on the ground that they are less likely to be tackled when doing this, to turn round and try to kick hard against their own goal.

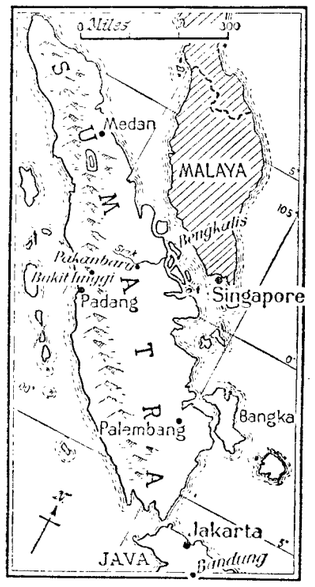
The main purpose of the Liberal party should not be to get more Liberal MPs into Parliament by hook or crook, but to inculcate more liberalism into the country. Until it realises that, there still seems, unhappily, to be scant reason for true liberals to support it—however many other floaters do. Mr Grimond and his party would do better to lose a score of Torringtons than to continue to compromise their own soul.

Brush Fire in Indonesia

The conflict in Sumatra carries with it lively dangers for more countries than Indonesia. Can these dangers be averted, or at least be minimised?

A COOL breeze blows up of an evening in Singapore, at *stengah* time, quickening the tropical deadness of the air. It lasts but a few minutes and is called the Sumatra. Lately the Sumatra has borne with it a thickening fog—the fog of a civil war so often postponed that the thought of shots fired in anger by Indonesians at Indonesians had come to seem improbable. A welter of claims and counter-claims has obscured the progress of actions some of which existed only in the minds of radio announcers. "Medan is in rebel hands . . . in government hands . . . Bandung has been bombed . . . not bombed at all. . . ."

Can one now see at least some clear shapes through the steaming mists? In north and central Sumatra, the government's columns, fighting desultory and minuscule battles, have narrowed the ring around the insurgents' capital, Bukit Tinggi—where Dr Sjafruddin, the rebel premier, has disowned President Sukarno (a gesture less empty than it seems, for it closes the door on the last few inches of a gap left open for compromise) and is making "blood and sweat" speeches about fighting in the jungles and in the mountains.



If the rebels are now quickly overrun, or driven into some remote corner, the crushing of their avowedly anti-communist movement could mean that the strong communist current in Java would then flow over the outlying islands. A really communist Indonesia would turn Australia's flank, finish Singapore both as commercial centre and as naval base, expose the tender under-belly of Seato, and perhaps unlock the doors of south-east Asia to communist China's multiplying masses. Potentially, the economic loss to the free world, and the corresponding gain to the land-locked empire of Khrushchev and Mao, could be enormous in terms of tin and rubber alone. On the other hand, if the rebels were to make good their promises of a long drawn out guerilla resistance, an even graver danger would persist—that the great powers might become militarily involved in the struggle; and military involvement, either by proxy as in Indochina, or directly as in Korea, would be infinitely more dangerous now that long-range nuclear missiles are with us.

All these apocalyptic thoughts must have crossed the minds and probably the lips of the Seato foreign ministers when they assembled at Manila. One horn of the dilemma they wrestled with in the darkness of official secrecy was the fear that inaction could lead to a communist triumph; the other, the likelihood that any form of allied action would open up new rifts among non-communist Asians, and between them and the West (here, the position of newly independent Malaya would be one of particularly acute embarrassment)—while outright intervention might end in a nuclear war. The omission of any mention of Indonesia in the Seato communiqué may not have been seriously intended to deceive anybody, for there was never any doubt that Seato, as a body, chose non-intervention as threatening only the lesser of two evil prospects. Various statesmen, including, this week, Mr Casey of Australia, have since confirmed this impression.

In the meantime, Peking has seized on stories of Formosan arms deliveries to the rebels as evidence of American intervention, and Bukit Tinggi has argued that the delivery of Russian ships to Jakarta constitutes Soviet intervention. It may be as well to accept the fact that if the struggle proves a long one, foreign arms are almost bound to reach both sides. It must, on the other hand, be clear to Moscow (and even, one hopes, to Peking) that it shares with Washington a compelling interest in averting the kind of internationalised conflict that would result from unrestrained assistance to either side.

Left to itself, the civil war may still get bogged down in the mountains and the jungles of central Sumatra, with Jakarta holding the upper hand but unable to strike the death blow. The rebels, however, have yet to show whether they could sustain a long guerrilla campaign. Their chances of finding local allies are limited. By openly aligning themselves with the fanatical advocates of a Muslim theocratic state, Darul Islam, they could lose their claims to the sympathy of moderates both within and outside Indonesia. It is still possible—though, as the government troops advance, the possibility presumably recedes—that

Colonel Barlian, the "neutral" commander in south Sumatra, will throw in his lot with the rebels, who evidently expected him to do so when they first proclaimed their revolutionary government.

THE one thing that now looks unlikely, in this land of compromises, is another compromise, so long, at least, as President Sukarno stays in power. The flow of water under many bridges has been great since those days of 1949 when Dr Sjafruddin fled to Sumatra and proclaimed an emergency government with himself as premier, after the Dutch had seized his fellow-ministers in the young Indonesian republic. The Sjafruddin of those days returned to Java in an American aircraft and handed back his mandate to President Sukarno, freed after the failure of the Dutch "police action"; the Sjafruddin of today is unlikely to repeat the history of nine years ago. It was he, secure in the reputation of a former fighter against Dutch colonialism, who last December denounced President Sukarno's anti-Dutch excesses as "a flagrant violation of the provisions of our constitution." When, a few weeks later, he decided to joint the anti-communist National Front set up in Sumatra, he had clearly given up hope of seeing an effective administration, untainted by collaboration with the Communist party, emerge in the corrupting atmosphere of Jakarta. The rebels still hoped that the moderate former vice-president, Dr Hatta, might persuade Dr Sukarno to let him form a government of national unity; but that hope has now been dashed.

It is too early to tell whether the rebel premier has hopelessly misjudged his chances; but it is possible that President Sukarno himself, who was convinced that the fascist powers would win the second world war, has again miscalculated. Certainly his personal responsibility is great. He has divided the country with his "concept" of a guided democracy inspired by communist China; he has ruined its economy by expelling the Dutch; and he dropped the first bombs in a civil war which he, and no one else, could have avoided.

Can Iraq Reply?

Iraq's leaders now have their work cut out to match President Nasser's popular appeal to all Arabs. Can they do it?

WITHIN a matter of weeks the would-be brotherhood of the Arab world has divided into two antagonistic unions, each vociferously competing for the adherence of uncommitted brother-states. President Nasser's United Arab Republic (UAR) on one set of wavelengths, the Iraqi-Jordanian Arab Federation on another, are conducting a slanging match on hackneyed themes: Cairo's that Iraq is a tool of western imperialism or that its army, for lack of orders, lost the Palestine war; Baghdad's that President Nasser is a "balcony dictator" from whom Syria tolerates humiliations to its parties and army; each that the other is planning a deal with Israel.

The split, and the verbal bombardment, are of purely local manufacture. They bring advantage to no one abroad—neither to the west, nor to Russia, nor even to Israel. They waste a power of breath that is badly needed for more constructive local purposes. Why have they arisen between two groups of states to whom peaceful co-existence would bring many advantages? The answer to this question is, probably, a combination of reasons; these include the perennial competition—now temporarily resolved—between Egypt and Iraq for alliance with Syria; the personal antagonism of President Nasser for Prime Minister Nuri Pasha; the pique of the former at Nuri's achievement of union with Jordan without abandoning the Baghdad Pact; and President Nasser's need for targets in order to maintain the pace to which he is accustoming his people. What cannot be doubted is that the hail of insults could be called off as quickly as it was started without altering the fundamental feelings of either party for the other. Between Arabs, a deal is always conceivable even though they may have shouted themselves hoarse on the way to it.

But, so long as the contest lasts in its present shape, Nasser's UAR holds the aces. His showmanship is incomparably better than Iraq's; Baghdad has no spokesman to touch him; last and by no means least he speaks to and, in Arab eyes, for the people. In view of his record for being overbearing, his wordiness falls on deaf ears in Arab countries which choose and like their governments, countries such as the Sudan, or Tunisia. But in countries which do not, it deeply stirs men who are out of power, or who feel oppressed by absolute rulers, or by rigged parliaments. People so stirred include Jordanians, Saudis, Kuwaitis and Iraqis, and a Gallup poll in any of these countries would, at the moment, accord Nasser and his UAR a resounding majority.

This would happen in Iraq, in spite of the relative efficiency and honesty of successive governments in

spending oil revenue on nationwide betterment. It would do so because a whole generation feels thwarted of a say in its own management—thwarted by the travestied elections of 1954 and by Nuri Pasha's subsequent denial of the safety valve of grumbling aloud. This contrast between Iraq and the Sudan—the two best managed of the prosperous Arab states—is worth pondering in Baghdad, if only on account of the difference it makes to local receptiveness to siren-calls from Cairo.

THIS immense handicap apart, the Iraqi-Jordanian Federation has much to offer its citizens. If the excellent federal constitution which the two governments drew up last week in record time, and in harmony, were to be made to mean in practice what it says on paper, they would enjoy a greater measure of equality and representation than do the Syrians under Egyptian management. Yet so great is the popular appeal of the Egyptian revolution that Iraq's only chance of keeping up with the Nassers is to cut the cackle and organise quick proof of its superior assets in the realm of practice, as opposed to theory. Alone among the five states in the two unions, it has the money to do so. Alone, it is in a position to start, in a limited way, the operation that all reflective Arabs and all foreign friends of the Arab world know to be desirable: the investment of the oil revenues of the rich "haves" in the poor, jealous, "have-not" Arab lands. Efficiently run, a campaign to bring this about might even attract into its orbit investment capital from other rich Arab rulers.

Only by deeds can Iraq achieve the feat. And, as soon as deeds are mentioned in a land eager to make up the leeway between underdeveloped Asia and Europe, or America, minds spring to spectacular feats such as dams, power stations and other major capital works that take years to show results. But Iraq has not years to play with. Their Majesties' Opposition is stifled but restive. Particularly in Jordan, the target is tomorrow, and only by promoting schemes which have an immediate impact upon every man can it be hit.

Jordan's population is different from the average unskilled mass of an underdeveloped land; more than two-thirds of it is ex-Palestinian and was once prosperous. It is much better provided than Iraq with able peasant farmers, one-time small entrepreneurs and semi-skilled workers, most of whom only need incentive in order to start afresh. The biggest immediate need is for credit institutions to give these people the fillip of new hope: new markets for their soap or cigarette factories, new lathes for the carpenter, new spanners for the one-time Palestine railway worker, new spades and ploughs, new reason to terrace the stony hills of Arab Palestine.

A host of small credit operations is not easy to organise; it entails, besides mere banking expertise, an inspectorate capable of assessing the entitlement of borrowers to fresh instalments, and of organising loans not as acts of charity, but as the stuff of a revolving fund. In Iraq itself, a government agricultural bank, an industrial bank and a mortgage bank all exist, but have long been floundering for lack of such organisation. Were the federal parliament, as one of its early acts, to tighten up, improve and endow new small credit apparatus for the whole of Iraq and Jordan, it would be on the way to answering the UAR with deeds as opposed to words.

Simpler of execution, because requiring less of the middle-rank public servants of whom both the countries are still so short, would be a parent development bank responsible, on World Bank lines, for financing big, long-term projects in both areas. The idea is not new. Treated as an area plan for an Arab development bank, it has long been advocated by Mr Emile Bustani, the Lebanese entrepreneur, politician and financier. His idea is that oil-producing governments on the one hand and oil companies on the other could with advantage put 5 per cent of their profits into a central fund that would act as a priming pump to development, and a sweetener to relations, in the poorer Arab countries of the Levant through which the oil must pass on its way to market in western Europe. The drawback of Mr Bustani's excellent but ambitious plan is that, for success, it requires a host of mistrustful people to take action simultaneously. Why not an Iraqi-Jordanian plan, conceived on the same lines, to serve as a pilot project for the larger scheme—starting now in the one area in which such a plan could function quickly? It is high time to try a small beginning at a point where all the ingredients are available.

IRAQ and Jordan are married, for better, for worse. The federation has drawbacks. No marriage is easy when one partner has all the worldly goods, when neither government has the confidence of all its people, and when the partner that is the richer in money is the poorer in middle-class aspirants to calling the tune. Yet, given a greater measure of imagination than Baghdad has yet shown, there are chances of producing achievements greater than anything *done* (as opposed to thought of) in Egypt. What is needed, above all, is a touch of the gusto that is, at present, a Nasser monopoly. Cannot King Feisal give a palace for conversion into the kind of technical school that UNRWA has run with success among the refugees, but on far too small a scale for lack of funds? Or the Arab army and the Iraq Petroleum Company comb their technical trainees in order to supply emergency instructors? Or Palestinians return from jobs abroad to posts equally well paid in the new banks and inspectorates? Not only money, but accommodation, and personal drive and verve, are required if attractions more substantial than those of the Egyptian dictatorship are to be offered in the time available. There is still time—but not much time—to give Baghdad and Jerusalem broadcasters a success story to tell in place of their present negative and ineffectual attempts to give President Nasser a bad name.

THE SERVANT PROBLEM—II

The Sources of Help

How can the middle classes get more service? It looks as if professional people must take in a lot of each other's washing up in even more stringent times ahead.

LAST week's article showed that just over one per cent of British households now have resident servants, compared with about five per cent in 1931. The main reason for this drop was discovered to be that only one per cent of households feel that they can afford to pay the present market wages of resident servants; these wages have increased some fivefold since the thirties, while the after-tax incomes of the former servant-owning households have, on an average, increased by much less. The burden bears especially heavily, compared with their prewar counterparts, on young middle-class families with children. Except for those who believe that for anybody to be a servant is degrading—or who believe, as a matter of principle, that young middle-class mothers should not be allowed to opt out of the gruelling life hitherto led by working-class mothers—there is here a problem to be solved.

It can best be faced by asking a series of questions. The first is: granted that the demand of the big institutions (like hospitals and hotels), combined with the catering wages act, now largely determines the price of domestic servants, has that price moved against the private employer by more than in logic it should? There is some evidence that it has, and for a class-conscious reason. The middle classes acquired, from the mid-Victorian years right up to the 1930s, the reputation of being bad employers—inconsiderate, supercilious, patronising, niggardly in granting free time and unreasonably interfering in the private lives of their household employees. Today's mothers are paying for the treatment of servant girls by today's grandmothers. (They may therefore justifiably insist that those grandmothers shall put in a good deal of unpaid time on child-minding and general sewing and mending. The little boy, who, when asked if he did much washing up, replied: "No, we have a granny for the rough," had the root of the matter.) A new attitude towards servants is one essential if the young families of suburbia are to have an easier life.

The second question is: granted that prices have risen so much, is it not rather surprising that suburbanites are not more willing to economise on other things, in order to get home help? One explanation may be the imperfection of the servant market; because old retainers still stay on with their families at relatively very low wages, every potential employer of a servant knows somebody who is getting help at a price which makes the real market level look "ridiculous"—and she waits in the hope that she will be able to get help at a "non-ridiculous" price herself. (By the law of averages, some employers eventually do.)

But some approximations on market prices can be made. A successful demand-price for a cook-housekeeper today would be £4 10s. to £5 10s. a week in most big towns (compared with £52-£60 a year before the war); and she will want a good separate room, a fortnight's paid holiday, one or two half days a week, Sunday or its equivalent, and probably television. Roughly the same is true of a trained nurse who will look after a child but will not expect to have to do any general duties. Middle-class households with a dwelling which contains a basement flat have been taking advantage of the housing shortage to give a roof to married couples in exchange for help—sometimes paid, sometimes not, by the wife. A market price for full-time employment of such a couple is often £7 to £9 all found, and to this must be added the value of the flat; they are for the well-off. Lower down suburbia's scale, the effective market price for daily help by the hour seems to be between 2s. 6d. and 4s. (according to whether there are other employment opportunities for women in the district); this price has been rising in the last six months as dailies have become noticeably scarcer. "Sitters-in" cost between 2s. and 3s. an hour before midnight, and 2s. 6d. to 3s. 6d. an hour afterwards.

Higher up the social scale, the upper classes have been more ready than suburbia to pay the price demanded for their sort of service. There is still a





demand for, and supply of, butlers, valets, and even footmen. Some changes in the structure of this market over the past fifty years are explored in a table below; it sets out the numbers of sits. vacant and wanted, advertised in *The Times* for the month of November, 1907 and 1957. Experienced servants of this old-fashioned breed, however, are (like servants as a whole) an ageing race.

DOMESTIC ADVERTISEMENTS IN *THE TIMES*

Description (in approximate order of precedence)	Nov., 1907 Sits. required	Nov., 1907 Sits. vacant	Nov., 1957 Sits. required	Nov., 1957 Sits. vacant
Male :—				
Butler	25	0	4	6
Butler–valet	6	0	10	4
Butler–houseman	0	0	6	0
Butler–chauffeur	0	0	0	5
Valet	18	0	0	0
Footman	13	0	2	2
Waiter	4	0	0	0
Page	7	0	0	0
Coachman	30	0	0	0
Groom	9	0	0	0
Coachman–chauffeur	8	0	0	0
Chauffeur	22	0	4	0
Chauffeur – handyman/valet/gardener	0	0	0	15
Gardener	45	1	1	1
Female :—				
Governess	20	9	6	44
Nurse, nursemaid, undernurse	28	3	10	
Companion, companion-help	15	8	12	6
Dressmaker–milliner	20	0	0	0
Housekeeper	13	0	5	2
Cook	49	29	7	30
Cook–Housekeeper	9	0	17	38
Lady's maid	39	0	2	8
Parlourmaid	9	9	4	0
Housemaid	30	8	3	24
Kitchen maid/Between-maid	5	5	0	0
Domestic couples (all assortments)	16	3	17	48

ALTHOUGH suburbia might get more servants by adopting a new attitude towards them, and by recognising the true market price, therefore, the number of native Britons willing to enter private employment is likely to decline. This is a normal feature of a country with rising standards of living and of labour productivity; it is a fate that overtakes all *bourgeoisies* in time. In parts of France it is now hard to get *bonnes* and the cost is said to be even higher than in England. America is the advanced case, where a general help commands £17-£18 a week all found, and only one family in 250 has a resident domestic.

The way in which Britain, like America, is trying to get round this shortage is by becoming an importer of domestic labour from a variety of sources which may be itemised.

(1) Several thousand girls now come over from the continent to live for six months *au pair* with British families to learn English—and to perform "light domestic duties." Private arrangements are made about the payment of pocket money, but the Home Office requires an interview, when granting the girl permission to extend her stay, in order to try to ensure that there is no exploitation. In some cases, there may be.

(2) Some 21,000 employers a year are given labour permits to bring over girls from the continent as resident mother's helps, most of them for one year's stay. For a high proportion of these girls a main point is, again, their desire to take lessons in English. The Ministry of Labour sets minimum rates, varying from about £2 10s. to £3 10s. a week, according to the area of employment. The employer also has to pay the girl's fare and the employers' contribution to national insurance. The importing household also carries the risk, first that the girl may be a complete dud, and second that, if she is not, she may at the first opportunity try to take a better paid job elsewhere. She is, however, restricted to private domestic employment; permission to change her household is readily given, but not to take on another type of job—for example, in a cafeteria.

(3) An unknown number of girls comes over yearly for domestic service from Ireland. No labour permits are required for these; the employer often enters into a contract to ensure that she can deduct the fare she has paid for the servant (fare from Dublin to London £3 1s.), at the rate of, say, 10s. a week from a wage of £3 to £4.

(4) A further source is immigrants from the colonies. But of the 400,000 coloured people who are now probably resident in Britain, few are in private domestic service (and those mostly Asians) as opposed to the large numbers in hospitals and hotels. "Js" (short for Jamaicans and the labour exchange nickname for coloured workers) mostly want full-time non-resident jobs at £7-£8 a week; their husbands bring them in the day after they land and offer them for such work—which is readily to be had in institutions. It is tempting to propose some limited officially sponsored scheme to bring in colonial domestics from, say, Jamaica or Malta, whereby the employer could advance the fare (£90 from Jamaica) and subtract it, or part of it, over a period from a minimum weekly wage. But the gradual growth of a settled coloured population seems more likely to add to the general supply of domestic service.

(5) An effort was made immediately after the war to meet the problem by organising a market for well-trained daily helps. The National Institute of Houseworkers was set up in 1946, on the recommendation of the Markham Committee; it supplies skilled houseworkers by the hour (3s. and travelling expenses). But the high standard of training given and the administrative overheads seem to have restricted its service. Such a service, anyway, cannot provide the continuous help that many harassed mothers need.

One comes back at the end, therefore, to self-help among the servant-employing classes themselves. One possibility is that the future generation of houseworkers will be recruited for the middle classes from within the middle classes themselves. The companion-help who suffers no social disabilities is already at a premium; and the retired couple giving service in exchange for a wage, pleasant surroundings and full recognition of status, is also growing. Such arrangements fit into the modern professional domestic routine and decor, and it is not impossible that some housing will be designed, or adapted, increasingly with this sort of amenity in view. The growth of mechanisation in the home, and the fading of class distinctions through educational opportunity, could hasten such a desirable process. But it will always be necessary to pay the market rate, which is likely to be high enough to ensure that employers will, as the Pope recently asked, admit that "in dignity, domestic service is second to none."

NOTES OF THE WEEK

SOVIET UNION

The Collective Leader

THE meeting of the new Supreme Soviet got off to a brisk start with Marshal Bulganin's abrupt dismissal from his post as premier. But, as in the recent "elections," in which 99.6 per cent of the votes were cast for the only candidates, the forms of the parliamentary system were solemnly imitated. The Supreme Soviet was scheduled to endorse the membership of the government and this provided an obvious opportunity for a reshuffle.

The electoral campaign had already provided hints of such changes. The number of nominations offered by different Soviet constituencies is a fair yardstick of an individual's standing. Applying this test, the rise of Mr Kirichenko, the decline of Marshal Bulganin and the eclipse of Mr Pervukhin had been duly noted.

But Mr Khrushchev is now clearly at the very top. He is to become premier himself and retain his post as first secretary of the party, a combination unknown since Stalin's death. All speakers think it proper both to quote him and to associate all new achievements with his name. The highlight of the campaign was an eve-of-the-poll meeting in his constituency, during which Mr Khrushchev, surrounded by the party presidium, spoke at length on home and foreign affairs.

One passage in that speech raised the question whether the session of the Supreme Soviet will not witness an important move in the pre-summit exercises. Mr Khrushchev declared that "we are approaching a state of affairs when the governments . . . even if they fail to reach agreement among themselves, will be forced unilaterally to discontinue the manufacture of atomic and hydrogen weapons." Is Russia's present series of nuclear explosions the prelude to an announcement that it has decided unilaterally to stop its tests? Mr Gromyko is due to speak, later in the session, about nuclear disarmament.

BUS DISPUTE

Pistols for One

MR COUSINS has now laid his pistol on the table and said that, at a time which will suit his own convenience, perhaps next month, he may proceed to fire it. That is the meaning of the bus delegates' decision to reject the Industrial Court's award of 8s. 6d. a week to central London busmen; and of their resolution which has formally freed the union's hand to take direct action to enforce a claim of 10s. 6d. a week for all London Transport busmen.

A strike of London Transport busmen alone at the present time would almost certainly collapse; it will have a chance of success only if it is combined with a more general transport strike, especially on the national and underground railways. Mr Cousins's main need therefore when he met the delegates was to slip in enough procedural delay between the call for action and the strike itself to enable him to await the outcome of the railwaymen's wage claim which is expected soon after Easter. This he has succeeded in doing, first by putting off until next Thursday the meeting of the union executive, who must sanction the strike, and secondly by proposing that London Transport should be given notice of any direct action that will be taken. The demand for an extra 10s. 6d. a week for all workers is meant to persuade the central London busmen, who have already been offered 8s. 6d. a week, into thinking that by supporting their country colleagues they might conceivably get 2s. a week more for themselves. But the claim is not so extravagant that the union would be embarrassed to accept, in the end, a rise of 8s. 6d. for all workers, which is the most that its leaders seriously hope that they might be able to force London Transport into giving.

The most extraordinary part of this whole affair is that while the union has been openly and quite legitimately marshalling its forces, and choosing its favourable moment, next month, to strike, London Transport has done nothing. But it has a pistol, too; and the national interest cries out that if Mr Cousins can bargain, the London Transport Executive should bargain, too. The busmen have turned down a generous award made by an independent body. The employers originally accepted that award, but their hands are now freed. They should say that they will not be bound by their original acceptance of the award for more than one week more, and on condition that the unions will accept it, too. The union would then face the showdown at the moment of London Transport's, not its own, choosing, and it would face it on its own. It is time the one-sided dialogue became a duel in which the two sides fight.

EUROPE

Strasbourg Floor Show

ON his first appearance in an English night club, the powers of the great Danny Kaye were subjected to a harrowing test. A few feet in front of him loomed a broad black back, whose owner imbibed steadily but took absolutely no notice of the performance. The maestro pulled out all the stops in an attempt to capture this reluctant piece of audience; he mimicked, as only he can, everything from Grand Central station to the love song of a parrakeet; at last he was rewarded. "I say, old thing," the dome-like back asked its lissome partner, "what's all that noise going on back there?"

If there are any insular backs still stolidly turned to the European stage and unaware that an out-of-the-ordinary performance is going on there, the noise at Strasbourg last week may at last have stirred their curiosity. The new combined assembly of the six-nation European community met there for the first time in an atmosphere of enthusiasm, looked forward to the early prospect of direct popular elections to its ranks, and was given a magisterial lead by the ambitious head of its executive, Professor Hallstein. Some of the fine talk can be dismissed as federalist mumbo-jumbo; but daily the evidence grows that the new political grouping is acquiring a momentum of its own.

All this rubs in the rightness of Mr Maudling's determination to drive for a decision in the next three months to settle the relationship between Britain, the other outsiders of western Europe, and the Six. Time is not on Britain's side. The more the opponents of a wider free trade area succeed in delaying it, the weaker is the bargaining position of all the countries outside which must find a *modus vivendi* with the common market in their midst.

Five Mediators

THE limelight in the negotiations now falls on Brussels, where France's five partners in the community of six are seeking to modify the French proposals to make them palatable to the other OEEC countries. There are now encouraging signs that, while they expect British concessions, they do appreciate that they must at least introduce into the tangled French proposals one key commitment: that tariffs and quotas in the broader Europe be reduced in step with the reductions to be made by the Six. The Dutch in particular are throwing all their diplomatic resources into the fray. On Saturday Herr van der Beuger, minister of state in the Dutch foreign office, attacked the French suggestion to approach tariff cutting industry by industry, and emphasised the need to start the free trade area next January. His remarks are encouraging, for the bilateral approach has insidious attractions, both for industrialists who like the idea of fixing markets with their chums in each country, and for those people in the new community who are tempted to use the power of their new group to force small countries to join, one by one, on its terms. Such an attempt could disrupt the whole multilateral pattern of European trade and impose grim political choices on countries like Austria and Switzerland.

At this stage of the talks, the attitude of the inscrutable Dr Adenauer may be important. In Germany, while traders and many industrialists share Professor Erhard's liberal view that their trading economy must not be walled in, other industrialists are not wholly averse to queening it in a protected common market. For the sake of the dear political aim of creating a strong political block in western Europe, the Chancellor sacrificed, in the common market talks, many of Professor Erhard's liberal precepts. Last autumn he appeared to be backing him in the free trade area talks. But friendship with France comes high on his list of political priorities.

Professor Erhard has been in Washington this week, and has explained his views on the free trade area to Mr Eisenhower. The voice of America, loudly raised in support of the grouping of the Six, has hitherto been muted on the subject of the broader scheme. There are no personal sympathies, like those between Mr Dulles and his friends, M. Monnet and Dr Adenauer, to inspire American support for it. In February, however, the American delegate did for the first time speak up in its favour in Mr Maudling's committee. American influence could be significant.

ECONOMIC POLICY

Bideford, Bank Rate and Budget

MR HEATHCOAT AMORY'S remarks about the Bank rate reduction, in speeches during the Torrington election campaign last Friday, were of particular interest. Both the timing and the venue of these speeches suggest that he may not have been speaking directly from a departmental brief; the country may have been given one of the first public glimpses of the private economic views that make the new chancellor tick.

In what was presumably a reference to that day's issue of *The Economist*, which he can only have got fairly shortly before he went down to speak, he said that he had

> seen it suggested in an influential publication that a reduction in Bank rate is not the best way to start a policy of relaxation. As this is not what we are in fact doing, this criticism seems to me misjudged.

He then laid great emphasis on the "other measures" taken last September, and said that what we need now is a Bank rate "adequate to support the other measures we have taken to deal with the internal situation." He believed that an extremely high Bank rate "places unnecessary burdens both on the balance of payments and on the budget."

Eyebrows should be raised at some of these *obiter dicta*. To begin with, Mr Amory surely cannot really believe that a continuance of the 7 per cent Bank rate would have made his budgetary task harder; if he is going to draw up that budget by looking at the level of demand (as he should do), not just at the level of Consolidated Fund expenditure (which, economically, is of much less significance), a higher Bank rate would of course have made his budgeting easier. It is a pity to criticise any politician for the content of a high level by-election speech when so many of his opponents were making such very low level ones. But the prospects of Mr Amory getting his budget right will not be improved if he looks too much at the wrong criteria.

Mr Amory and the Ugly Sisters

PERHAPS more puzzlingly, however, the general tone of Mr Amory's remarks suggested that he regarded the Bank rate change of September 19th as a Cinderella, and he came precious near to a declaration of affection for its two ugly sisters. The first of those two "other measures" of September 19th was an attempt to fix the investment programmes of the nationalised industries at a figure equal to their assumed investment expenditure for the then current year, which has since proved to have been misestimated anyway. A side effect of this policy—the warning to the Transport Commission that it must not increase its operating deficit—has proved useful in helping to modify its wages policy; but one had supposed that everybody now realised that the real kernel of the "investment freeze" decision—the assumption that anybody can tell what the economically proper level of interest will be in two years' time—was merely a desire for a convenient gesture of disinflation. It should not now be elevated into a major plank of policy.

The second special measure of September 19th was a freeze on bank advances. There can be dispute about whether this is working or whether it is really the fall in commodity prices following on the Bank rate that is keeping bank advances down; probably the official freeze is having only a marginal—and partly distorting—effect. Now that Bank rate is down to 6 per cent, the demand for advances may increase and the official freeze may have rather more—and more distorting?—work to do. It is odd that a Conservative Chancellor should prefer this: that he should now express his belief in rationing investment by controls

instead of by price. The authorities announced proudly last week that, while Bank rate had been relaxed, all the other measures of last September remained in full force; on every economic as well as political ground, Mr Amory should have wanted them the other way round.

FRANCE AND TUNISIA

Easter Peacemaking?

MR MURPHY and Mr Beeley, the travelling mediators, can fairly claim that their Tunisian journey was fruitful. Mr Bourguiba's seven-point proposals, which they have brought to Paris, seem more reasonable than could have been hoped for six weeks ago. At that time, just after the bombing of Sakiet, the Tunisian president would not even consider talking to the French. Now he is willing to discuss with them a provisional statute for the base of Bizerta. He also accepts some form of international supervision of Tunisian airports (the Canadians may once again be asked to show their devotion to international duty). Finally, Tunisia agrees to lift its restrictions on the movement of French troops (who are at present virtually imprisoned) once they begin to withdraw from bases other than Bizerta. It may even accept the return of French citizens expelled when tension was at its highest.

Six weeks ago the French would probably have thought that these proposals offered an honourable retreat from a most awkward situation. But since then M. Gaillard's right-wing supporters have compelled him to grow more intransigent. He now faces the Anglo-American matchmakers with two stiff demands: that they should obtain some form of supervision of the Tunisian frontier, and a Tunisian declaration of neutrality in the Algerian conflict. Since it is quite obvious that Mr Bourguiba cannot make such a statement, a search is now being made in Paris for a different formula. "Non-belligerence," which, incidentally, would have meant admitting a state of war, has been dismissed, and "non-interference" is, for the moment, in fashion. The Easter recess should give M. Gaillard more time for diplomatic manœuvre, but his conservative allies have seen to it that he will not have much scope.

There is logic in the French argument that the Tunisian issues cannot be isolated from the Algerian conflict, but it is an argument that the French should be careful not to push too far. M. Bourguiba would be only too glad to persuade the "good-officers" that the Algerian war is on their agenda. If M. Gaillard fails in his peacemaking over Easter, the French deputies may find on their return that the Algerian question is getting perilously near to the internationalisation which they dread.

PARLIAMENT

Open Disagreement, Openly Arrived At, Please

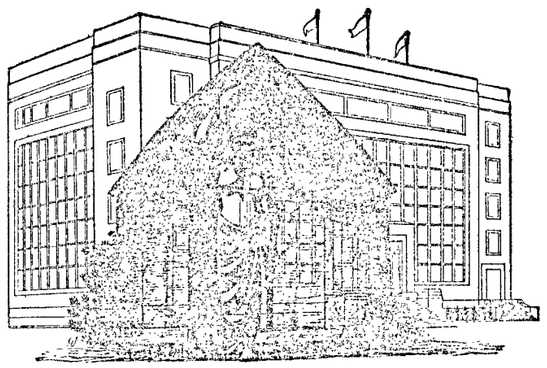
MEMBERS of Parliament, particularly on the Tory side, have lately been in danger of forgetting that they are sent to Westminster to debate and frame public policy in as public a way as possible. The Tories' irritation about leakages from private party meetings shows a predisposition to caucus rule which ill befits their standard jibes on the way Labour policy is produced. In recent years there has been a growing tendency for both the main parties to argue out their policies in secret and to present the public with a *fait accompli*. With so much of public interest being decided in private meetings, political reporters inevitably have to try to tap leaks from those meetings. They are right to do so, for this is their professional duty. Politicians inconvenienced thereby may retort that the newspapers themselves would not like their private editorial discussions to be aired in the pages of their rivals, but such an analogy breaks down on the unique (and privileged) position of an MP as an elected representative. His constituents send him to Westminster to act for them, but on the clear understanding that they can see what he is doing. The parties may fairly claim some limited right to have purely tactical discussions in private, but on general matters of policy, the proper place to air different points of view is the floor of the House of Commons and not behind the closed doors of some obscure committee room. The Tories, as the party in power and under great stress at the moment, are creating most fuss about it now, but the Labour party showed just as reprehensible an attitude when it was in power—and indeed, during its early, troubled years in opposition. If politicians want to stop leaks from private meetings, the remedy is to be found by a return to open democratic processes.

The same creeping risk of secret covenants, secretly arrived at, is to be detected in the invitation to Mr Gaitskell, statesmanlike on the face of it, to have private talks on defence with Mr Macmillan. As Mr Gaitskell knows as well as any journalist, the gagging of potential critics by off-the-record briefings is a hallowed gambit of governments. There may be aspects of defence which ought to be discussed out of the emotional atmosphere that party exigencies have generated over the bomb; but it would be quite contrary to the public interest, as well as to party mechanics, for the leader of the opposition to find himself saying to his supporters "I now know things which I can't tell you, but which mean, I'm afraid, that we can't go on with the party line on defence." Defence requires public debate, now as always. When as leader of the opposition Sir Winston Churchill was invited to private defence talks with Mr Attlee, he took the precaution of first sending in a memorandum of what he knew and what therefore he would not be gagged on by the meeting. If Mr Gaitskell and Mr Macmillan should meet, it should be on the understanding that Mr Gaitskell is free in public to deploy reasoned arguments against Government policy, backed by such facts as he can get in the ordinary way. It is his duty to give his arguments in public, just as it is the Government's duty to decide just how much they can in the public interest disclose to back up their own.

MALTA

Inside Mr Mintoff

BY November last year Mr Mintoff had extracted from the British Government far more under the non-party agreement to integrate Malta in the United Kingdom than most people imagined he could possibly get when the principle of integration was accepted in 1955, at a time when the naval dockyard seemed a vital British interest. Now that the negotiations have again been brought to deadlock by still larger demands from Mr Mintoff, Mr Lennox-Boyd has told the House of Commons just how much he had already conceded: a guarantee of dockyard employment for three



East Africa's prospects as a *country of development* are far greater than may be supposed. Rich potentialities exist amongst both the African and non-African population. **The National Overseas and Grindlays Bank Limited**—a recent amalgamation between the National Bank of India, and Grindlays Bank—serves Tanganyika, Uganda, Kenya, Zanzibar and Northern and Southern Rhodesia and will gladly give details of commercial conditions in this area which predominantly 'Buys British' already. Enquiries are welcomed at the Head Office or at any branch.

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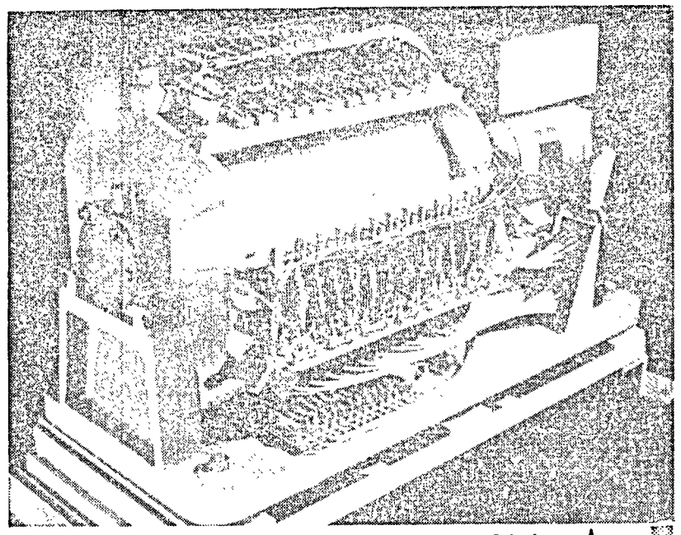
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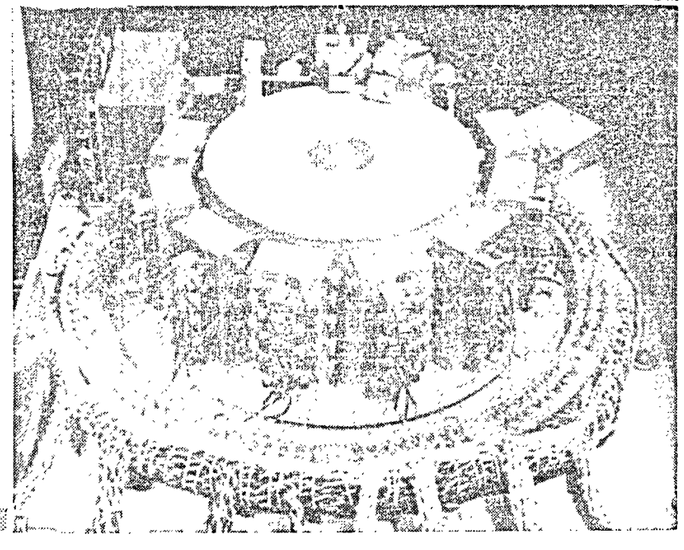
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years; £25 million to diversify the economy apart from the dockyard's conversion to commercial uses against the time the Navy might withdraw; and large and rising annual subventions to Malta's social services. Mr Mintoff demanded even bigger sums to achieve the "equivalence," which for lack of precise definition can mean anything up to the point at which the British Government is expected to keep Maltese on full wages until jobs are manufactured for them whatever the economic or strategic climate; and he added the right, under integration, to opt out of it, into independence, at any period until "equivalence" was achieved to his satisfaction. When Mr Lennox-Boyd refused to issue both these political and economic blank cheques, together with immediate budgetary aid on the scale demanded, Mr Mintoff asked for the right to hold a general election on immediate independence as an alternative to the inadequacy—as he represents it—of the British interpretation of integration.

It must indeed have been tempting to take Mr Mintoff at his word; it can be argued that, as the dockyard is no longer a vital issue, he should have been told to get on with his election; he can, after all, stage an election on the demand for independence at any time he likes. It can also be argued that, since Malta promises to be an increasing liability, even the blandly absurd demand that the right to contract out at any time should be written into the merger itself should be accepted; Ireland should have trained Britain to take irishisms in its stride. If Malta wants independence of Britain, it will no doubt get it in the end. But does it?

Exasperation with Mr Mintoff should not become exasperation with Malta. The only card left in Mr Mintoff's hand is Britain's moral obligation to the island; the importance of the dockyard, the political goodwill of Britain, the favourable parliamentary climate for a considerable constitutional innovation have all been thrown away by Mr Mintoff's bullyragging and exhibitionism. But, before he is allowed to pull the house down on his own head by the emotional and unveracious type of election campaign of which he is master, some effort should be made to get through to the Maltese people and show them just how fat a slice of cake they are being offered and just how lean the alternatives are: including the fact that independence would not include the right to sell the island, in a fit of pique, to a consortium from the other side of the iron curtain—Malta has its inescapable obligations to the West. The problem in fact is to save Malta from Mr Mintoff—and, if possible (since he has very real qualities if he would but give them a chance), Mr Mintoff from himself.

SAUDI ARABIA

Prince Under Pressure

If one may venture to speak of alcohol in connection with Saudi Arabia, this week's changes in that country look much like old wine in old bottles.

By the processes described by our special correspondent on page 1140, King Saud has delegated absolute control of affairs to his brother, Crown Prince Faisal. Emir Faisal has prepared himself for this new position by making, when abroad, acceptable remarks about Arab unity, Palestine and imperialism. As long as he is the darling of the press in Syria and Egypt, he may be able to overcome the shame of the recent bribery charge against King Saud. President Nasser may agree to forget it for the moment—though it will remain a handy weapon in his locker. Emir Faisal could then get down to a serious consideration of his relations with the two Arab unions.

It is obvious that he intends to join neither union and would dearly love to co-exist with both—though he apparently wants to take Saudi Arabia back to its alignment, so useful to his father, with Egypt and Syria against Iraq and Jordan. The Baghdad Pact serves as a good stick to beat the two Hashemite monarchs without offending them personally. It is unlikely that an Iraqi military mission will actually arrive in Saudi Arabia, though it is almost equally unlikely that the departed Egyptian one will return.

It seems strange that Emir Faisal's new power should be hailed as a sign that the tremendous wastage of the state's revenue is to be stopped. He has been one of the chief offenders. He has spent vast sums on foreign real estate, particularly in Cairo, where he owns blocks of flats that almost dwarf the pyramids. Two years ago a Cairo report that he was building the tallest structure in the Middle East evoked cautious criticism from Saudi contractors and merchants. His palace at Taif, by now fairly bijou by Saudi standards, set off the palace-building competition among the princes in 1949. He assumes responsibility at a time when the country owes more to foreign banks than it has ever done, though the frequent rumours that it has already spent five or more years' oil royalties are not true. Others who have tried to straighten out Saudi finance have felt that their first move should be to borrow. Emir Faisal will have to stop doing so for a while.

He has been Viceroy of the Hijaz since 1926. His administration there, when compared with that in central and eastern Arabia, has been remarkable for its lack of narrow fanaticism. He has a large following among town Arabs, who now are far more important than the bedouin. These townsmen are now demanding much more freedom, and he will do well to yield it to them in some well-planned and orderly fashion.

Egyptian and Syrian propagandists and his brother's bad management have created a special position for him. Now he will have to move forward, and move fast. He cannot hope to put the clock back. To try to do so would mean that the country, and with it the house of Saud, would remain an outcast among the Arab nations—if it survived.

SYRIA

Second Thoughts

President Nasser was so pleased to be given the freedom of Damascus that he proceeded to take it away. In one decree after another and in one speech or another he assumed all the former powers of Syria's president, prime minister, parliament, political parties, and army. In three weeks he made it quite plain that, whatever some Syrians may have hoped, Egypt in the person of Gamal Abd al-Nasser is running the United Arab Republic. Syria, which had developed more independence than most other countries in the Middle East, is relegated to the status of a province. The Syrians cheered more wildly each time some formerly sacred right was taken from them. They did not even stop to think that backward Yemen had bought a place in Nasser's world quite cheaply. (The Imam has not been asked to give up anything, and the Yemenis themselves have nothing to lose.)

It looks as if Syrians trying to protect themselves from other Syrians have left themselves no scope to protect themselves from Egyptians. Khalid al-Azm's ambitions for the presidency of Syria are a dead letter. Khalid Bakdash is safely out of the country, in Prague, they say. Shukri Kuwatli has given up the presidency and presumably retired to his farm. General Bizri, who had just been put in command of the First Army, has been dismissed and posted to far Peking.

It may be possible for President Nasser to rule Syria through an able viceroy. Perhaps he has that viceroy in Colonel Sarraj, who has been appointed minister of the interior for Syria. The lack of a central government in Damascus may not disturb the Syrians for a time. They well know how to tick over without reference to the centre, and Damascus will presumably be allowed to keep its excellent municipal government, which has made the city the cleanest and most orderly in the Middle East for over fifteen years.

It is reported that a hundred or more Syrians are daily going to Cairo. Not many of them are tourists. They are going because they believe their rather special brand of Levantine knowhow will serve them well among the less sophisticated Egyptians. These hard-working Syrians may bring benefit to the valley of the Nile, as did their forebears who travelled the same road in the 1880s to escape the despotism of Sultan Abdul Hamid. But the valley is more crowded today than eighty years ago.

When the Syrians and Egyptians again have to think of food, clothing and shelter, there may be many embarrassing decisions for President Nasser; for Damascus has never really been swallowed up in all its long history, and Egyptians do not like to stray far from Cairo.

KENYA

Six More for Mr Mboya

THE elections for the six additional communal African seats in the Kenya legislative council have now taken place and the result is six more votes for Mr Mboya's policy of not working the constitution which conceded them to him. The heavy defeat of Mr Mathu, the former nominated Kikuyu member, for the second time is a clear indication that no moderate voice will—at least for the time being—be heard on the African side. Mr Mathu is relegated to his seat on the East African High Commission, and Dr Ciano, his successful and able opponent, who was educated in America and has an American coloured wife, seems to owe too much to Mr Mboya to do anything but accept his leadership. Mr Mboya, on his return from Ghana, has unfurled the banner of Dr Nkrumah, and it is now necessary for everyone, in Britain and in Kenya, to face the likelihood that he and his backers see their political tactics in terms of the last years of the Gold Coast.

In this unhappy juncture it is very much a question whether the insertion of the block of twelve special unofficial members, which will now be elected, four from each race, by the legislative council, can save the day for multiracial government. In the present climate of Kenya, where once again intimidation rules African politics and even private life to a growing extent, it is remarkable that eight African moderate men have come forward as candidates. But welcome as the successful four will be in the House, a tough reception awaits them from the African nationalist block. As the elected Africans intend to abstain from voting in the special elections, they will be nominees of the other races, and it may be questioned how much authority they could wield as ministers—though it might be a good thing if they were tough enough to accept the two portfolios which the governor is anxious to put into African hands. The European and Asian special members will likewise be elected only by their own number, and, with non-co-operation in the saddle on the African side, it is doubtful if the most liberal among the candidates (who include Mr Vasey, the Minister of Finance) will be elected. Whether they are or not, part at least of the intentions of the new constitution have been frustrated. What lies immediately ahead is not racial co-operation but the opening of an African nationalist campaign to make a mock of the constitution and to prove that Kenya cannot be ruled without Mr Mboya's goodwill and on his terms.

EDUCATION

Beside the Point

MR MICHAEL STEWART failed both his party and the national interest last Thursday by converting an all-too-rare opportunity for getting down to hard tacks on educational priorities into a motion vaguely censuring the Government on the inadequacies of its policy. There is not enough contrast between the records and general intentions of the parties on education to lend reality to an ideological clash, while the accusation that the Government is being stingy simply because the increase in this year's estimate is less than the increase in last year's estimate breaks down on the fact that the increase last year largely reflected the big Burnham award of 1956. When Mr Lloyd replied for the Government in a speech ingratiating in manner but rather thin in matter, his somewhat cursory defence of his predecessors seemed to go down as well with the opposition as with his own supporters, and it quickly became clear that little that was new or useful would come out of his speech or anyone else's.

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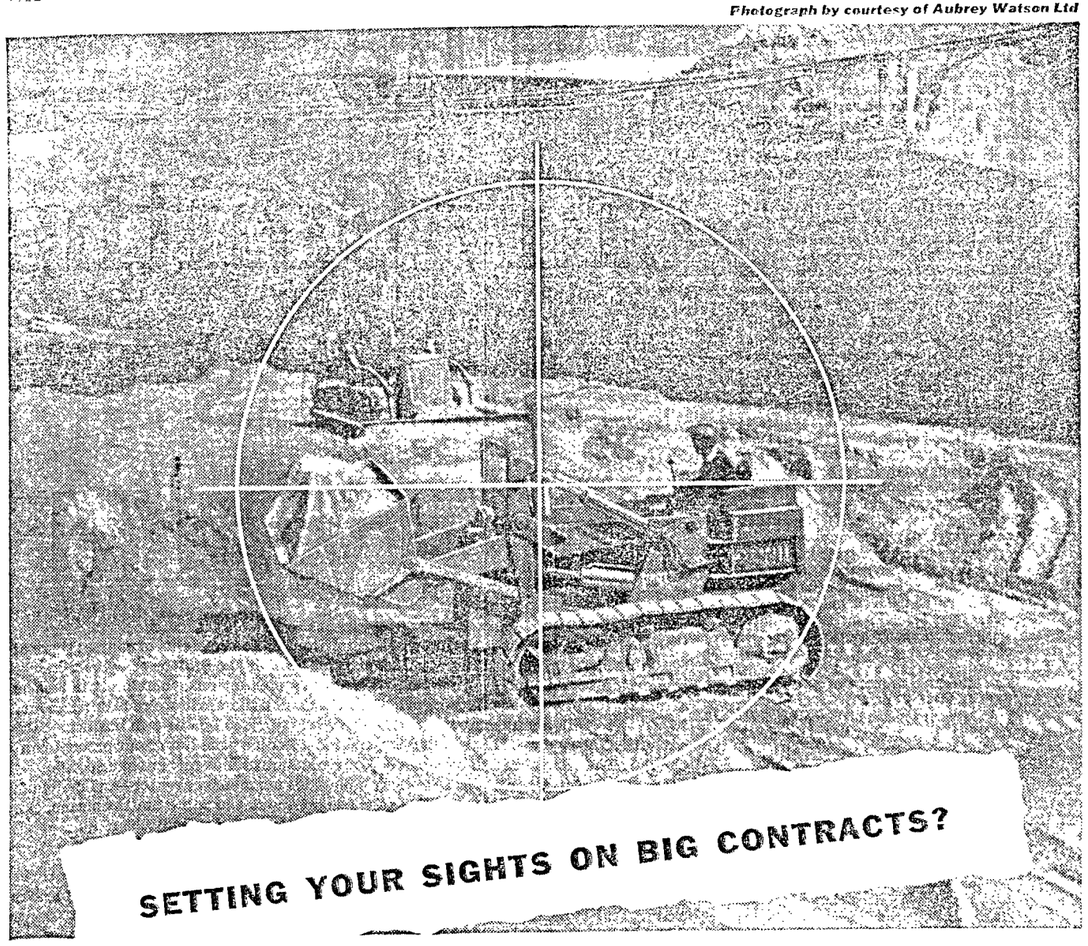
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The country gains little from a desiccated argument as to whether economy circulars issued by a Conservative government in 1957 were worse or better than those of a Labour government in 1949 (they were in fact uncannily similar). Nor are we much helped by competitive declarations about the desire of both parties to expand education in every direction—more teachers, smaller classes, more new schools, better old schools, more technologists, more youth clubs, more anything according to the interests of the educational specialist who happens to have the floor. A party occasion leading to a division unfortunately stimulates such wishful rhetoric.

Not one member talked statistical sense, for example, on the central question of size of classes. Until 1945 the line defining "overlarge" classes was drawn at 50 for primary schools and 40 for secondary schools. It then was pulled back to 40 and 30. Now that the bulge has nearly passed through the primary schools, it is possible to foresee the time when overlarge classes will have been eliminated. But already voices are raised to cry that 40 is too large for primary classes. In fact to make a reality of the 40 and 30 maxima even after the bulge has passed through the secondary schools by, say, 1962, some 40,000 more teachers would be needed than we now have. But this increase of 15 per cent is cheerfully added to the demand for a much higher leaving age, for county colleges, and for much else. Nobody counted the cost, or the clear institutional impediments. In fact, the educational MPs (there were 40 in the class) just did not do their prep for this debate. In the next one it would be useful if they could get down to a discussion of educational choices and priorities in terms of cost.

SOUTH AFRICA

Dr Verwoerd Sidesteps

DR VERWOERD'S announcement that he wishes to lay down the responsibilities of the portfolio of Native Affairs, to which he was appointed in 1950, probably means two things. For him to resign this ministry was an inevitable preliminary to entering the struggle for the leadership of the National party as Mr Strydom's resignation of the prime ministership becomes imminent. Dr Verwoerd has already decided to abandon the Senate and to stand for the House of Assembly in the elections on April 16th; and as his chosen constituency, Heidelberg, is a fairly safe Nationalist one, he is virtually certain to get in. As a member of the lower house, and one of the most senior leaders of the party, without ministerial office, he thus places himself in line for the highest office of all.

But it is clear that if he is to be successful he has acted only in the nick of time. He has been the architect of apartheid as South Africa now knows it; but his efforts to translate the theory into practical terms have at last brought him into conflict with an influential section, and perhaps the largest section, of his own party—a development discussed by our correspondent on page 1141. He had no great trouble in putting through his main measures, the Group Areas Act, the Bantu Authorities Act, and the Bantu Education Act. But with the Native Laws Amendment Act his troubles have become serious. The growing body of Afrikaner industrialists object to anything which threatens to cut off their supply of native labour, while the politically minded feel that Dr Verwoerd stirred up needless trouble (and bad overseas publicity) in trying to force total apartheid on the universities and the churches. The Afrikaner intellectuals, on the other hand, feel that all-out apartheid must not be betrayed. The National party is therefore divided, and the question is whether Dr Verwoerd is destined to reunite it from the top, or become the scapegoat for its failure to reconcile racial segregation with economic integration—a failure which the United party is waiting to pounce on. The details of the Nationalists' struggle for power are hidden behind the party façade. It is a perennial struggle; it was the extremists, led by Mr Strydom and Dr Verwoerd, who won at the time of Dr Malan's retirement, but it was Dr Malan who beat the extremists in 1943, when the Nationalists had to face hard realities—an allied, not a German victory. But the electors have been given a glimpse of an infirmity of purpose which the United party may be expected to exploit in the election campaign.

GERMANY

How Much Recession?

WHILE London's busmen threaten to break through the wage dam, there are signs that the German worker may not get quite so much this spring as his employers feared. Textile workers in Lower Saxony and Bremen, who have been on strike for nine weeks, have accepted a 4½d. rise; shoe workers have accepted a 5½ per cent increase; and the transport and public service workers who staged a one-day strike last week have accepted a 3d. rise. Many wage disputes are still rumbling, but a pattern of modest increases seems to be established.

Recession has strengthened the employer's hand, though it is still difficult to judge just how much it is affecting west Germany. The huge unemployment figures—1.3 million in February—are in a sense misleading. Seasonal unemployment in building is always large in winter. This year the figures are not very different from last; and, with refugees from east Germany still steadily flowing in, the number employed has risen by about 150,000. In February, industrial output was two per cent higher than a year before; but comparisons with last year are misleading, for throughout last winter output was inflated by panic orders after the Suez conflict. Home orders in the investment industries and home consumption still seem to be running well above last year's level.

Export orders in the investment industries, however, have taken a tumble; in steel, falling orders from abroad have brought spectacular cuts in output—by 20 per cent at Thyssen and 10 per cent at Hösch. Coal stocks, which so swiftly become unmanageable, have been a problem, as they have in Britain; the High Authority of the coal and steel community may help to finance them. For Germany, like other countries, much depends on how long recession lasts in the United States. Professor Erhard is now in Washington trying to find out. For him, more is at stake than simple boom or bust. Prosperity has been the basis for his liberal policies—his war against cartels and his light hand on imports. Recession, at a time when his anti-cartel authority is in its infancy and when the common market with its many protectionist features is about to start, could put all this to a stern test.

JAPAN AND CHINA

Between Two Stools

JAPANESE legs are not yet long enough to straddle the gap between Peking and Taipeh. Their latest attempt to do so has resulted in an embarrassing tumble. Japan, like the United States, officially recognises the Nationalists in Formosa as the government of China; but it is continually tempted to stretch an unofficial toe towards the mainland by the lure of the Chinese market. Two private agreements recently signed in Peking by parties of Japanese business men have made the Formosan government so indignant that it has whipped away its own trade from under the Japanese. Unless it is placated, the flow of commerce between Japan and Formosa will come to a halt. Since the Japanese still do more business with Formosa than with mainland China—they buy large amounts of rice and sugar from the island—this is a serious threat. Their ambassador to Taipeh, who has been in Tokyo, is to return post haste to appease the angry Nationalists.

It is not the size of the two new trade agreements that chiefly annoys the Nationalists. One of them provides for an exchange of goods worth £35 million in each direction in the coming year, an amount little larger than that arranged in the last three years. The other adds another £100 million each way, spread over the next five years, representing an exchange of Japanese steel goods for Chinese ore and coal. Taipeh is angry because the Japanese traders who signed the agreements did not specify that the communists would be forbidden to fly their flag over the trade mission they would establish in Tokyo, and because the Japanese government is being asked to give its "approval" to the private agreements. The Nationalists profess to detect in these small points the first inching along the road to recognition of the Peking government.

Meanwhile the Chinese communists are still chuntering about Mr Kishi's visit to Formosa last year, during which he was reported to have expressed polite sympathy for Chiang Kai-shek's presumably militant "aspirations" in regard to the mainland. It is going to be increasingly difficult for the Japanese to keep a foot in both Mao's door and Chiang's. They are the chief sufferers from the American reluctance to concede that Peking exists; and, as the prospect of trade with China glitters more brightly before their eyes, they are likely to find themselves in the painful position of doing the splits.

ULSTER

A Labour Opposition for Stormont

THE feature of the Northern Ireland elections is the re-emergence of the Labour party, a Protestant party allied to the British Labour party; it won four seats from Lord Brookeborough's Unionists, and will now furnish a new and much-needed opposition block. But the Unionists, on their side, won three seats—one from the Nationalists, one from the Eire Labour party and one from a dissident Unionist member—so that they are only one down on balance. Assuming that the results of the Queen's University election will be the same as previously, with three Unionists and one Independent (anti-border) member returned, Lord Brookeborough will have 37 Unionists compared with his previous 38 in a House of 52 members sporting seven types of party or non-party label. The Labour party is now reaping the benefit of its decision in 1949 to support partition. This decision wiped it out in the 1953 election through the loss of Nationalist and Republican Labour votes—but apparently a few Roman Catholic Ulstermen are now in a mood to vote anti-Unionist Labour, even when it is unequivocally pro-border, while growing unemployment has brought some Unionist voters into the new and respectable Labour fold. It is probable that, with a more efficient organisation, the Labour party could have won another seat or two; in a future election it may well do so.

It is difficult to extract any more definite trends from the voting. Irish politics make the psephologist's job extremely difficult. Twenty-seven of the Unionist members were returned unopposed, despite the Labour challenge, compared with 21 in 1953, and of the remaining 21 seats contested (i.e., excluding the university seats), three were straight fights between two varieties of Unionist candidate, while another three were private fights between two or more Nationalists or Republicans. From the remaining contests the pattern emerges that while the government lost heavily to Labour, and moderately against some Unionist opposition candidates, it gained ground in the border districts. When parties and individuals are grouped broadly into "pro-border" and "anti-border" allegiances, the anti-border vote has risen slightly—from 28 per cent of the higher total poll in 1953 to 32 per cent of the lower poll of 1953. This rather shaky figure may console Mr De Valera—but it leaves Lord Brookeborough firmly in power with unemployment, not the Catholic birth-rate, as his immediate bugaboo.

The Economist

MARCH 27, 1858

THE PURPOSE OF PASSPORTS

"It has been laid down with obvious good sense by the English Government that a British passport simply identifies a man by name as a British citizen, and neither can nor ought to attempt anything further. Even such a passport would not be necessary did not the jealousy of foreign Governments require such an identification before admitting us into their territories; but while this remains so, two great ends should be kept in view by the British Government in granting passports,—to commit the duty of ascertaining the general fact of citizenship to those who are at once most likely to know the applicant and most easily accessible to him; and at the same time to grant the passport under a name and authority which will be known to, and respected by, the various Governments of the Continent. . . . Another question of some interest was raised on Tuesday night as to the cost of passports. It was well observed in the House that the relinquishment by the French Government of the consular passport system as regards British subjects, affords a very excellent opportunity for reducing altogether the cost of passports to a price which would no longer press upon even the working classes. The Government have already done much in this direction. What formerly cost 2*l.* 10*s.*, now costs only 7*s.* 6*d.* . . . A further advance in the same direction is a matter of the greatest importance to English labourers. English machinery is now sent all over the Continent, and where English machinery is adopted, English mechanics may find a useful and profitable market for their services. It has become most desirable that the labour of different countries should mingle freely,—the workmen of all nations mutually learning and teaching by their intercourse and by their competition in the various markets of the world.

AGRICULTURE

A Future for Small Farmers

THE white paper on the agricultural price review (cmnd 390) whose main proposals were examined last week, contained two short paragraphs on the "special problem" of the small farmer hit with discriminatory force by the cuts in milk, pig and egg prices. This problem calls for further comment. It is, as the government knows, social as well as economic, and proposals are being prepared for "additional provision designed to give further assistance to the small full-time farmer." This is as it should be. Whatever the past wisdom or unwisdom of a policy which has kept in being a large number of ill-placed or splinter-sized holdings incapable of yielding their occupiers a living when prices are realistic, nobody should want the community to wash its hands entirely of the small farmer as soon as the cost of keeping him on the strength becomes inconveniently high. What needs to be clearly understood, however, is that the "social problem" is not the problem of preserving as many small farmers as possible, but, on the contrary, that of smoothing and easing their exit and re-establishment in other lines of activity. There are small farmers who can, and should, in a healthy but not hypertrophied agriculture, prosper as small farmers; there are others who could prosper were their holdings larger or their equipment better or the communal services available to them more adequate. For both these classes "assistance" in the generally understood sense is justifiable—the assistance whose aim is to make the holdings concerned economic.

There is nothing to be gained, however, by pretending that all small farmers fall into these classes. The man whose land-hunger makes him willing to accept a far lower-than-normal standard of living and a far tougher-than-normal standard of work is, indeed, in a free country, entitled to do so; but not at the public expense without reservation or limit. A substantial proportion of very small and ill-placed farmers ought, both in Britain and in Northern Ireland, as in other countries, to be leaving the land—for their own sakes for the sake of rational land use, and for the sake of the over-burdened taxpayer. In so far as past policy imposes a public responsibility towards these casualties of economic progress, it should be discharged by helping them to make a fresh start, on or off the land. A small beginning was made with the inclusion, in the improvement grant scheme, of provisions for aid towards the legal expenses of consolidating holdings. There is need for a lot more constructive thinking before the Government's new proposals are published.

LETTERS

The British Economy

SIR—May I be permitted to join issue with Mr Joseph Alsop on a wider front? His benevolence to Britain is not in doubt, but his gloomy presentation of our affairs can do grave injury.

First, he posits that, as a result of certain political developments, the Middle East might require payment for oil, not in sterling, but in "hard currency." Sterling has always been a hard currency in the sterling area, in the sense of being convertible into dollars, and since February, 1955, it has been hard outside also, in the sense of being convertible into dollars at a discount of no more than 1 per cent—and recently at no discount on the lower official rate. We have a sanction against the refusal of sterling in payment for oil. It is inconceivable that, if certain countries refused to accept payment by us in sterling, we should continue to give them the privilege of dollar convertibility for their existing (large) holdings. That should make them pause.

The idea that our overseas investments, which have been substantial since the war, depend in any way on Middle East savings is quite fantastic. The reason why that overseas investment has not been still greater in these years was not financial. It has consisted solely in the fact that our manufacturing capacity has been over-committed for other purposes, notably for the build-up of armaments for the defence of the free world on a scale second only to that of the United States, and, more recently, for very heavy industrial investment in Britain, which has greatly strengthened its economy. From now onwards—for the first time since the war—there will be spare industrial capacity in Britain, and this will render possible overseas investment on a greater scale than before. That will occur, whatever may happen in the Middle East.

If, despite the sanction mentioned above, the political situation should deteriorate so badly there that we were indeed driven to dollar oil, we should not be at our wits' end. We should have to impose new restrictions on other imports, and perhaps have a new bout of austerity, so many of which we have had and borne fairly stoically since 1939.

Our difficulties would at worst be temporary. In the long run we are in a very strong position on our balance of trade, because the rest of the world will increase in population and, we hope, in buying power per head, while our population will remain stationary.

Some sixteen months ago the British took certain steps with a view to stabilising conditions in the Middle East. I am well aware that you, Sir, did not agree with those steps. We knew at the time that our major partner in the defence of freedom would not do so either, but supposed, I imagine, that the United States would acquiesce in the *fait accompli*. We thought it could be assumed that our record in the Commonwealth safeguarded us absolutely against the imputation that our action was a manifestation of "colonialism," or was anything other than an attempt to stabilise the position of our old friends, the Arabs, *in the long run*. But when our major partner reacted so very badly, we thought it the wiser part to desist. That pattern of events must now leave the moral responsibility with the United States for initiating a policy to safeguard the Middle East from communism. That is the central point that Mr Alsop should impress upon his fellow countrymen. His "cry havoc" utterances, like those of many British citizens in the thirties, and of certain shortsighted British financiers before the "leak tribunal," give a misleading impression of weakness. As such, they do Britain nothing but harm.

There are two things which Mr Alsop could most helpfully use his influential advocacy in recommending to Americans; they both not only bear on Britain, but also would be of benefit to the world, and ultimately to the United States itself. One is to double the dollar price of gold; that is almost an honourable obligation upon the United States as its largest holder; having allowed the commodity value of the dollar to slip to half its 1939 level, it is surely its duty to recognise this fact *ex post* by re-adjusting its value in terms of what is still the prime medium in the world of reserve against international settlements.

Secondly the United States might take the initiative, in co-operation with the British and others, in extending on an international scale its policy of support prices and buffer stocks for primary products. Either of these measures, still more both, would be of greater help than anything else it could do in the economic sphere.—Yours faithfully,

Norfolk ROY HARROD

Kenya

SIR—Your special correspondent from Kenya writes: "Mr Mboya makes no bones about his wish to see Kenya a second Ghana . . ." From what I know of Mr Mboya (and I last saw him early in January) this is not a fair description of his attitude. It would be truer to say that he wants to see Kenya another West Indies. I think he is sincere in his desire to make Kenya non-racial: but he stands for a democratic constitution, as any African politician must. If such a constitution were granted now Kenya would evolve peacefully and there would be a good chance—the only chance—that reasonable economic interests would be safeguarded. If it is not granted the future will be black—in both senses.

Your correspondent also says that "it would take two-thirds of the present revenue to send all Kenyan children to school." He does not mention that rates of taxation in Kenya are absurdly low. Europeans try to justify this with the argument that the Kenya Government gives them little in the way of services: roads are bad, there is no national health service, etc. But they forget that they enjoy in Kenya the great advantage of cheap and plentiful labour. This advantage, while it lasts, must surely be paid for.—Yours faithfully, ALTRINCHAM

Editor

The National and English Review

The Wage Dispute

SIR—As a member of one of the railway trade unions, I read with interest the article on the current wages disputes in the transport industry. I would not disagree with the general tenor of the article, inasmuch as no sane member of the community wishes to live in an atmosphere of inflation. Nevertheless, there are certain assumptions, implicit and explicit, which are rather wide of the mark, and I think they should be corrected, so that the whole problem may be seen in its true perspective.

You say "the important immediate point is what conclusions one man reaches in this exercise of estimation (i.e. whether or no the unions would be successful in strike action)." That is to say that it all depends on whether Mr Cousins thinks he could win his strike. This illustrates a fallacy all too common (the pundits should really know better), that the greater the union the greater the power. The two largest unions in this country, the TGWU, and the NUGMW, have between them some two million members, but I suggest that the only real power which Mr Cousins and Sir Thomas Williamson wield is within the Labour Party. There is no doubt that the secretaries of the two general unions have a great deal of influence in this particular sphere, as Mr Gaitskell would gratefully acknowledge. Their importance in the industrial scene is less easy to define. They are essential to the maintenance of order in the field of collective bargaining, but unfortunately for them the unwieldy and hybrid structure of their unions deprives them of a cohesive striking force in any industrial dispute. Mr Cousins knows that, were he to call a strike of his members, he would not get sufficient response to avoid an ignominious defeat. The only possible exception to this would be the London busmen, and even supposing they did support their leader, there is little reason to think that they would win their fight.

I suggest that the only unions who still possess real power of a strike weapon are the industrial unions, such as the ETU and the NUR. It is true that the ETU was finally forced to abandon its series of guerilla strikes, but only after inflicting considerable damage on their opponents. In recent years, the railway management has succeeded in averting real unrest, by taking advantage of the long-standing rivalry between all three railway unions. How else was the footplate men's strike of 1955 broken, except by the action of NUR men in running a skeleton service of trains? You appear to incline to the opinion that on balance, a full railway strike could eventually be broken, and I think you are wrong. It is many years since we have had an effective railway strike, but I have no doubt whatever that if the NUR were to call out its members, the strike would be complete and effective, irrespective of the action of the other two unions. You overlook the fact that these railwaymen have a tradition of solidarity such as never existed in the massive general unions. I suggest that it all depends not on Mr Cousins, but on a much more unknown quantity—the new general secretary of NUR, Mr Greene. He is reputed to be a moderate man, and it may well be that the government will get a breather because of the death of Jim Campbell.

Having settled the issues of whose finger is on the trigger and whether the resultant explosion produces a corpse, let us turn to the final point as to what adverse effects this untimely death would produce. You say "the advantages would be that the economy could more easily absorb even a total transport strike in present conditions of slack." This seems to me to be either a case of tongue in cheek or yet another example of the arrogant ignorance of the economist, which is fast becoming a part of our present society. A total, repeat total, railway strike, which includes the underground system (we can ignore the buses for there are alternatives to them) would most certainly have a very serious and damaging effect on our economy. I cannot comprehend how anyone can argue otherwise.

I have to maintain a dichotomy of approach to this problem, because as a railwayman I am affected by it, and on the other hand I know that ultimately a strike would have far reaching consequences. Of one thing I am certain, that the lot of the railway employee has shamefully deteriorated since prewar days. I concede that we have our share of drones, e.g. the hordes of porters at our London termini; but by and large the railwayman is a valued member of the community and deserves to be so rewarded. If the authorities should decide otherwise, then I should unhesitatingly support my union in any action they demanded. This attitude would no doubt pain you, but I cannot sustain four children by the observation that *The Economist* says that I must tighten my belt.—Yours faithfully,

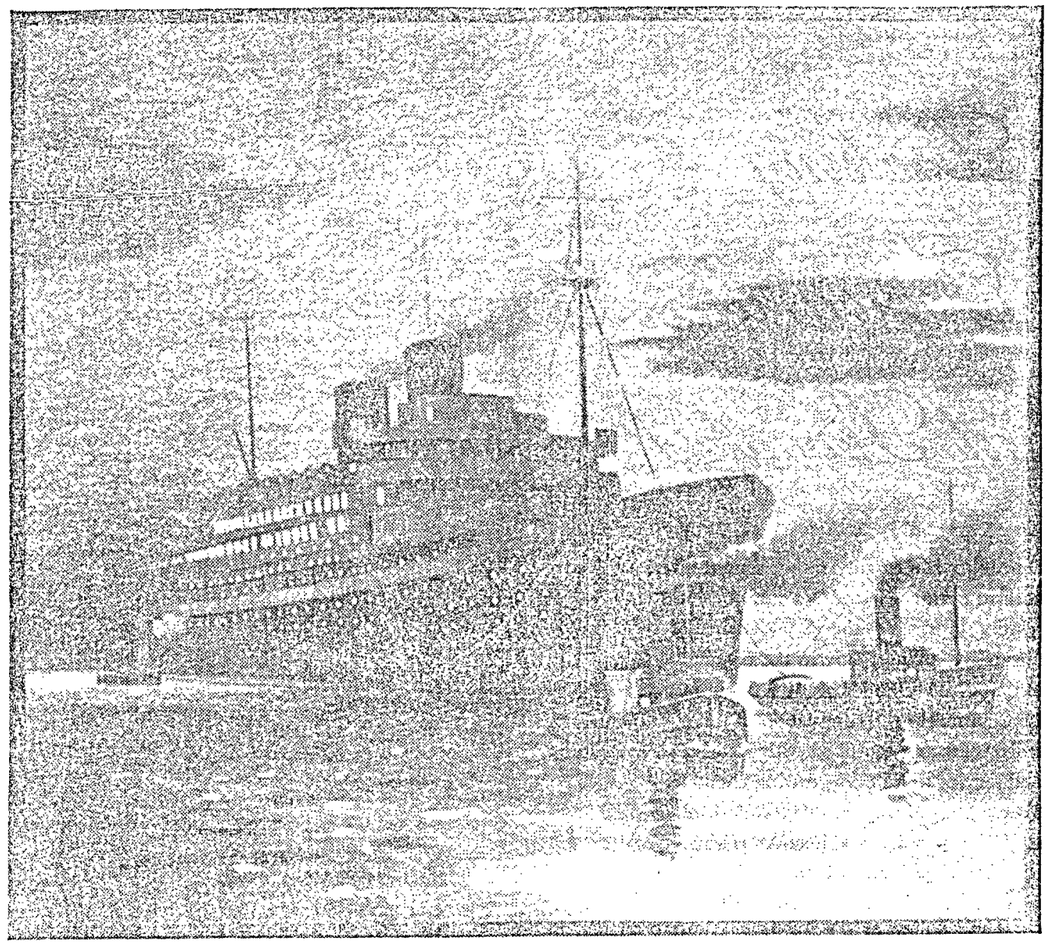
Surrey A. CURWEN

Kelvingrove

SIR—You say that the main reason why the old folks "have stayed in the great smoke, instead of moving out into suburbia or the country, is that they have enjoyed squatters rights under rent restriction." I fear that you do not know Kelvingrove; the main reason why they stay is because this is the life they have known and they are happy and comfortable there. There is no suburbia for the working class in Glasgow; there are only chilly and lonely housing estates at the end of a long bus route. And where would they live in the country? The one-room and two-room tenement flats in which they live in Anderston and Finneston are compact, easily warmed, and can be let at an economic rent which they can afford, and the old folks have company even if it is only on the way to and from the communal w.c. at the stair head. These buildings were well built of stone when building was good and cheap, there is no great interest to be paid on the capital invested, their plumbing is simple, their upkeep is not great, and if the roof is kept sound they will last for another 100 years or more. They are sub-standard for young married couples with rising families, but these in full employment can afford the rents in the new corporation housing estates where they can start a new life and create a new community. The Kelvingrove tenement flats provide better and much more acceptable accommodation for old age pensioners than any alternative open to them. That, and not your doctrinaire economist's point about what ought to be the effect of the Rent Act, is the social significance of the statement that the Kelvingrove electoral roll is only 80 per cent live.

To me the most distressing sight in Glasgow is the ugly waste of vacant blocks and derelict tenements in or near the centre of the city. The only immediate result that I can foresee of forcing old-age pensioners out of their tenements in Kelvingrove would be to add to the number of derelict and empty buildings. The crying need in Glasgow is to tackle this problem, not to add to it.—Yours faithfully. C. H. LAW

Glasgow C., 3 (Captain RN, Retd.)



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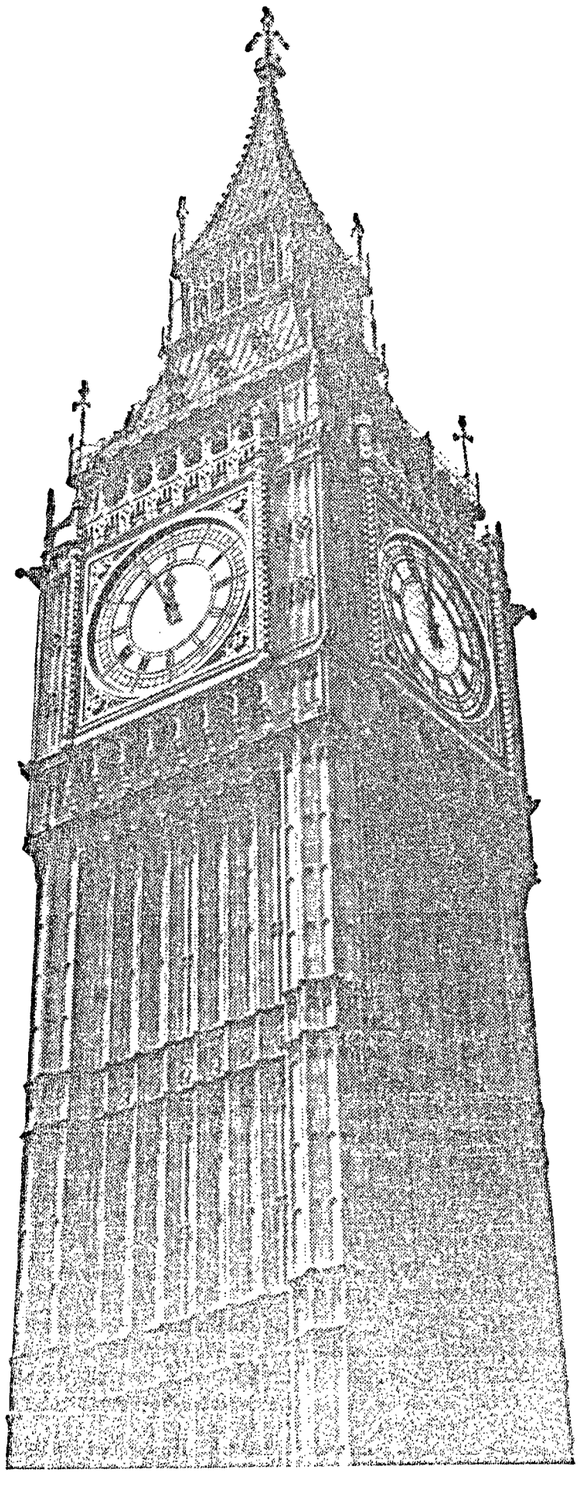
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AMERICAN SURVEY

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Strangled Strategy

WASHINGTON, D.C.

THE President's plan to reorganise the Department of Defence is expected shortly. In January, in his message on the State of the Union, he spoke severely about "so-called inter-service rivalry" which, he insisted, had to stop. His Secretary of Defence, Mr McElroy, recently flew to Puerto Rico with seven advisers to indulge in deep thinking away from the distractions of Washington. And since the sputnik many thousands of pages of testimony have been taken by several congressional committees from protesting industrialists, frustrated scientists and irate generals about the impossibility of getting quick action out of the committee-bogged jungle of the Defence Department. Plainly, something must be done. But powerful politicians in both parties have already moved to head Mr Eisenhower off from the drastic solution which, as a military man, he has long favoured: a single chief of staff pioneering the way to a single unified service.

The opposition comes principally from the Navy, which for years has conducted propaganda against what it terms "a Prussianised general staff" and warned Congress against the danger of "a man on a white horse" to civilian control of the government. The Navy has never been without its well-placed friends in Congress, most especially Mr Carl Vinson, who since time immemorial has been chairman, first of the Naval Affairs and then of the Armed Services Committee of the House of Representatives. Mr Vinson, who considers that a unified staff would be both un-American and unappreciative of the needs of the Navy, has swiftly engaged the leading members of his committee from both parties to support a Bill which would leave the present military leadership of the forces very much as it is, but which would abolish fourteen of the twenty-nine civilian positions in the Defence Department with the rank of Assistant Secretary or Under Secretary that are filled by political appointees. It would also reduce the number of people working directly for the Defence Department, as distinguished from the three services, from 2,400 to a mere 600. Among those committed to this course in advance of the battle is the Republican Chief Whip. The President has therefore been warned that the regular channels to his own rank and file will be closed to him should he propose anything more radical.

THE wholesale massacre of the civilians might seem, on the face of it, an odd way to vindicate the principle of civilian control of the military. But the liquidation of the experiments of Mr Charles Wilson, Mr McElroy's predecessor, is the highest common denominator of the would-be reformers. He attempted to get a grip on his vast machine by the methods known to him as an industrialist—principally by proliferating assistant secretaries who are, in effect, "vice-presidents in charge of" research, engineering, and so forth. Congressmen have listened aghast to the horror stories of the endlessly overlapping committees. They are dismayed to find that in the field of new weapons the United States as a country has appeared to lack those qualities most associated with Americans as individuals: it has been slow, hide-bound and over-cautious when Americans think of themselves as fast, enterprising and ready to take a chance. In a new study* of the defence establishment two colonels and a civilian, who have had a wide variety of inside experience, have described in detail the fragmentation of decision-making, especially about whether or not to proceed with highly unorthodox weapons systems that would cost hundreds of millions of dollars and cut right across traditional divisions of service and bureaucratic functions. The research general, accompanied by his scientists, has to plead his case for building some futuristic weapon before several assistant secretaries, each of whom is involved in a different way, each of whom is usually a minor industrialist who has come to Washington for an average stint of a year and a half and departs as soon as he has learned his job, and each of whom is so terrified of making a mistake that he covers himself at every point with advisory committees, each containing two Nobel Prize winners at the very least.

Then when a project has been adopted it has to undergo the budget process. The annual American defence budget takes about eighteen months to prepare and ties up almost permanently a high proportion of the department's most skilled technical staff. Every project has to be justified, not only to the assistant secretaries of the service and then to the corresponding assistant secretaries of the Defence Department itself, but also to the comptrollers of the service and of the Defence Department, to the Bureau of the Budget, and to four committees of Congress. Most of this process has to be gone through again in order to have money which has been voted for a particular project actually released. When there is an economy drive, and more especially when there is danger of exceeding the statutory ceiling on the national debt, as there was last year, money that has been appropriated is withheld by the fiscal authorities. General Schriver, who is in charge of developing ballistic missiles for the Air Force, told Congressmen that, although his headquarters are on the west coast, he had spent over 200 days last year in Washington attending committee meetings or giving testimony. The workings of the American bureaucracy make Russia's shorter lead time on new weapons more understandable; they also explain the American's violent aversion to the idea of socialism in the United States.

With Senator Mansfield, the Democratic Whip in the Senate, introducing a companion measure to that of

* Forging A New Sword. By William R. Kintner in collaboration with Joseph Coffey and Raymond J. Albright. *Harpers*. New York. Price $4.50.

Mr Vinson in the House, the President and Mr McElroy may now be resigned to getting little more in the way of reform than the abolition of civilian jobs. This would be a pity, for if such men as General Gavin, the retiring head of research and development for the Army, Dr Henry Kissinger, who wrote "Nuclear Weapons and Foreign Policy," and the authors of "Forging a New Sword," are to be believed, the present structure of the military establishment has much to do with the alarming confusion over basic strategic doctrine. In the words of Colonel William Kintner, a brilliant young officer who used to be on the staff of the National Security Council,

> each service supports a strategic concept which enables it to claim a decisive role and each seeks to control weapons and elements which will enable it to carry out that role virtually independently of the other services.

The National Security Acts of 1947 and 1949 were armistice lines fixed between fiercely warring factions. The Secretary of Defence was given "direction, authority and control" over the three services, but these were to be "separately administered." Moreover, the Secretary was specifically forbidden to have his own military staff. The Joint Chiefs of Staff, made up of the chiefs of staff of the three services and a non-voting chairman, were made "the principal military advisers to the President, the National Security Council and the Secretary of Defence." But the Secretary of any service or any Chief of Staff has the right to make recommendations to Congress on his own initiative after informing the Secretary of Defence.

The whole system, according to its critics, is guaranteed to produce negotiated compromises between the three services rather than a single coherent strategy. Moreover, until the Secretary of Defence is given his own military staff—perhaps by splitting the Joint Chiefs away from their services—he cannot even make an independent analysis of the interested advice that he receives. According to Colonel Kintner, some such reform is urgent because the lack of clarity at the level of the Joint Chiefs is reflected in the top policy papers prepared for the President's approval at meetings of the National Security Council. As a result these policy decisions are themselves so vague that the real pace of America's defence effort is determined by fiscal officers well down the line. The purpose of any change must clearly be the taking of major strategic decisions that are being evaded at present. But no change of this kind, however procedural in appearance, is likely to be effected without vehement conflict—unless by then everyone is in so non-controversial a mood as to be content with burying the unloved monuments to Mr Charles Wilson.

No Pump-priming on the Farm

THINLY disguised as an anti-recession measure, the Bill to freeze supports for farm prices at their present levels for another year has been passed by Congress and sent to the White House. Every indication is that Mr Eisenhower will veto it; neither the economic argument that farmers' incomes should not be cut in bad times nor the threat of political retaliation in next autumn's congressional elections seems to have persuaded him to abandon his embattled Secretary of Agriculture, Mr Benson, or the effort to reduce agricultural surpluses by lowering the prices guaranteed to farmers by the government. In Congress, Mr Benson has won a negative sort of victory; the votes in both the Senate and the House fell short—substantially so in the House, which is more sensitive to the views of consumers in the cities—of the two-thirds majority needed to over-ride a veto. Unless the climate of congressional opinion changes rapidly, Mr Benson is free to proceed with his planned reductions in the supports of a number of farm commodities; dairy products will suffer on April 1st.

To producers of other crops there will be a rude justice in this. A number of the Senators anxious to protect the dairy farmers represent states such as New York which also have large industrial populations that want to see the cost of living brought down; these Senators tried to have the best of both worlds by voting against the Bill for a general freeze, but sought to pass a separate Bill in the interests of butter, cheese and milk. Other members of the farm block gave them short shrift, but such a strategem, coupled with the failure to muster big majorities for the general freeze, shows that rapid urbanisation is taking its toll of the farmers' political power. In the last seven years some 5 million farmers and farm labourers have left the land. No politician, not even Mr Benson, dare say so, but if this process continues, the problem of agricultural surpluses may become politically manageable; the relatively few big farmers who already are responsible for 90 per cent of the agricultural crops sold for cash do not need high price supports to make a profit and they do not have the political appeal or strength to demand them.

Mr Lyndon Johnson, the Democratic leader in the Senate, has made a dramatic appeal to the President not to "crush" the farmers by a veto, and there is little doubt that the Democrats hope to make political hay in the farm districts next autumn if Mr Eisenhower sticks to his guns. What is surprising, after all the Republican agitation against Mr Benson, is that relatively few Republicans defected—only 44 in the House compared with 141 who voted against the Bill. No doubt the existence of over 5 million unemployed and many more workers on short time is a powerful argument for bringing down the cost of food.

More for the Jobless

THE President's proposals for extending unemployment compensation, unexpectedly delayed until this week, are carefully framed to avoid as many political difficulties as possible, since it is essential that something be done promptly; many workers will shortly have used up all the benefits to which they are entitled under present state laws. Since their inception in 1935, unemployment insurance schemes have been controlled by the states and inevitably there is resentment at any interference from the federal government. But the committee of State Governors who met Mr Eisenhower last week was mainly concerned with avoiding any form of federal loan which the states would have to repay out of their own funds. Under the Administration's plan, the federal government would supplement state funds so that payments to jobless workers could continue for an additional thirteen weeks. So far the money is no problem; there is over $8 million in the states' reserves, though some of the hardest hit, such as Rhode Island, will find themselves short of cash for benefits if conditions do not improve soon. But the President's plan would allow



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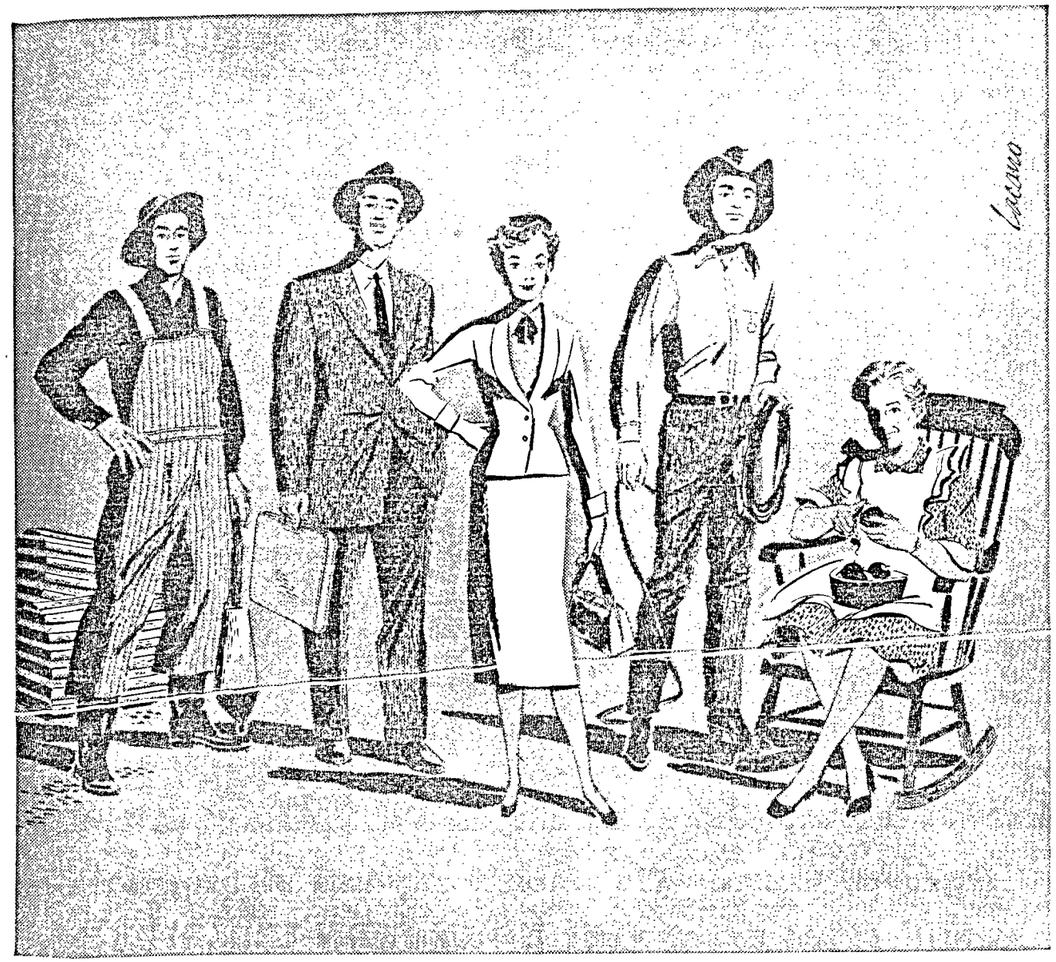
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payments to be extended quickly and simply beyond the statutory period, without necessitating the recall of state legislatures to revise their laws.

Among objections to the Administration's scheme have been fears, expressed in the Treasury and by Republicans and business groups, that the present state-administered scheme might be upset by what looks like a federal dole. Some Democrats, backed by the trade unions, think that the plan might prevent Congress acting on the permanent improvements which they advocate for the unemployment insurance system. Both parties, competing to take credit for whatever is done, have introduced Bills to reform the present programme—something the President has often asked them to do. This reform is needed: only two-thirds of the labour force are now covered. Moreover, the effective maximum duration of payments varies, according to state, from sixteen weeks to thirty ; but since many workers do not qualify for the maximum, benefits are exhausted in an average of sixteen weeks—sometimes as little as five. While the payments were originally supposed to be half of the worker's wage, the average is now considerably less, since state laws also set now outdated upper limits on benefits. In many cases these limits are as low as $20 a week and industrial earnings now average over $80 a week.

But action—even if only temporary—is also needed at once. An extension of unemployment compensation would not cure the recession, but it would help to keep it from getting worse by checking the further fall in purchasing power which would otherwise come when benefits begin to run out on a large scale. In industrial centres such as Michigan, where nearly 15 per cent of the labour force is out of a job and 20,000 workers had exhausted their right to compensation some weeks ago, the number needing emergency help will soon be rising rapidly.

Thinking by Committee

FROM A SPECIAL CORRESPONDENT

ONE of the things that makes possible the skilful organisation of public opinion in the United States is the American passion for self-education, and particularly for that form of self-education which is carried on in committee. A spectacular example of this process was the meeting called recently in Washington to further the Administration's foreign aid programme. Some twelve hundred men and women who are considered to be leaders of public opinion in various parts of the country conferred for a day and listened to speeches from President Eisenhower, ex-President Truman, Mr Adlai Stevenson and Mr Dewey, the former Governor of New York.

The foreign aid meeting was in large part designed to impress Congressmen, but its educational value was greater for the people who attended, and who then went home and talked to their neighbours or to other committees. This is also likely to be the case with the similar meeting which takes place this week to drum up support for the extension of the Reciprocal Trade Agreements Act. In earlier years the American people were content to sit at the feet of lecturers, but now the public, young and old, wants increasingly to participate. If people are not given two sides of a question in the press, or on the air, where controversy is still shunned, they will do it themselves. Handbooks setting forth the techniques of discussion are easily obtained, and trained leaders are in demand.

This education by committee is blood brother to the team-work dear to President Eisenhower, and first cousin to the " brain-storming " sessions which have created such a stir in advertising circles. In essence not a new process—it was, after all, an eighteenth-century Committee of Correspondence which by lively written debate educated the American colonists for their role as independent citizens of a new nation—its most interesting present manifestation is in the realm of important public policies, and particularly in the field of foreign affairs. Here it is attracting groups that hitherto have shown little interest in matters outside their country.

Small towns in inland Ohio, Michigan, and Wyoming, which feel that their prairies are no longer as untouchable as they used to be, are finding relief for their worries in enlistment in an educational scheme worked out by the Foreign Policy Association in co-operation with educators in Oregon. This is called the Great Decisions Programme ; now in its fourth year, it is designed to focus the attention of the average man on his personal responsibility, as a citizen in a democracy, for helping to solve the eight most important questions of foreign policy which face the United States each year. Educational material bearing on the questions is provocative as well as accurate, and provides a lively background for the group discussions at which decisions on these questions are reached. Then, with a valuable feeling of personal pride, the local groups send their individual recommendations to their Representatives, their Senators and the State Department, where they are partial evidence of the public opinions which public servants disregard at their peril.

AT the other end of the scale come the sessions held by experts on foreign affairs and many other subjects at such centres as Arden House, formerly the luxurious home of the Harriman family and now run by Columbia University for conferences of a high order. Here the participants are chosen because they are skilled in their fields, and their discussions are edited and published as having wide interest and educational value.

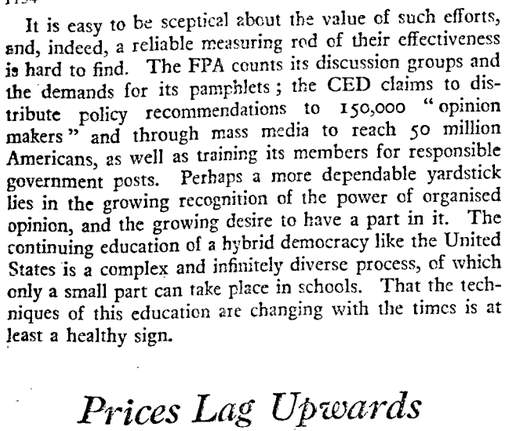
The economic conferences held during the year by " prestige groups " of business men belonging to the Committee for Economic Development are designed to influence as well as to educate. The 150 members are divided into groups which meet for study and discussion of problems of national or international importance posed for them by a Research and Policy Committee. An able staff does the spade work, and the aim is to reach agreement in order to sway public opinion and spur public action. The final document is distributed to the press, and sometimes to Congress, as a recommendation of the distinguished businessmen who make up the committee. Last week, for example, they urged a 20 per cent cut in income taxes if the recession continues to deepen.

These high-level conferences, like those at the grass roots, are of course devices for getting information out of heads, as well as into them. Some of the first type have a certain cross-fertilising value if, for example, scientists are called upon to confer with economists, but this is the exception. Most of such conferences take place within groups of the same profession, class or circle, so that their educational effect is in depth rather than in breadth.

It is easy to be sceptical about the value of such efforts, and, indeed, a reliable measuring rod of their effectiveness is hard to find. The FPA counts its discussion groups and the demands for its pamphlets; the CED claims to distribute policy recommendations to 150,000 "opinion makers" and through mass media to reach 50 million Americans, as well as training its members for responsible government posts. Perhaps a more dependable yardstick lies in the growing recognition of the power of organised opinion, and the growing desire to have a part in it. The continuing education of a hybrid democracy like the United States is a complex and infinitely diverse process, of which only a small part can take place in schools. That the techniques of this education are changing with the times is at least a healthy sign.

Prices Lag Upwards

THE consumer price index, rising steadily during the last two years, reached a record high in February and there is little prospect of a downturn during the next few months. This explains at least some of President Eisenhower's wish to delay tax cuts, or any other drastic action to deal with the recession, as long as possible. For many experts believe that, if the boom is revived before retail prices have fallen, then a disastrous inflation will be almost inevitable. Some of those who want to deprive the President of this excuse are arguing that the index is artificially high and does not reflect the real cost of living today. They allege that the calculations do not allow for the discounts, free service and other devices by which goods are sold below list prices in times of slack demand or for the changes in buying habits which are forced on the housewife when her husband's earnings are reduced.



It is difficult to justify the first charge since the data for the index, collected regularly by personal visits, are based on displayed prices, thus covering reductions at sale time, and include discounts and trade-in allowances, for motor cars, for example. There is more substance in the second charge, for the index is designed not to measure day-to-day fluctuations in the cost of living of all Americans but changes in the prices of a fixed list of goods and services chosen to represent the customary spending pattern of the families of wage earners and clerical workers. It does not therefore show that at the moment people are buying more poultry and less meat, or tinned instead of fresh vegetables, in order to save money. If the index were adapted too frequently to what might be only temporary changes in the pattern, then its value as a basis of long-term comparison would be lessened and the compilers might also lay themselves open to charges of having manipulated it unfairly.

The official explanation of why the index is not going down with the other economic indicators is that it is a "lagging" statistic which reacts slowly. It is months before falls in the costs of raw materials affect the prices of goods in the shops which have been made from those materials. But the subsidiary index for durable and non-durable goods other than food is now at last beginning to decline. The total index is held up by service charges, which account for one-third of its components; fees for medical care, hairdressing and so on are adjusted infrequently and therefore tend to stay up even when demand is declining. Furthermore, food costs depend more upon farming conditions than upon the general economic situation; this winter's cold has pushed up the prices of fruit and vegetables, and pork is expensive because few hogs are being sent to market. Nevertheless, it is true that nowadays prices in general are less flexible than they used to be, largely because costs are also less so.

Taking Care of Their Own

PROPOSALS for increases in pay for a variety of government employees, from Admirals to Post Office clerks, have been moving through the legislative labyrinths of Congress in recent weeks. Rejoicing by the groups concerned is, however, still premature for even when both houses have completed action on the measures, their ultimate fate will depend on the President. This week the House passed, by a heavy vote, a Bill which would increase the total cost of servicemen's pay by about $670 million during the coming year. The Bill embodies, in considerably modified form, the recommendations of the Cordiner Committee which the President endorsed in his Budget message in January. However, it goes further; besides providing for an incentive plan with pay depending on skill and merit, it grants a general pay raise, based partly on the increased cost of living, to servicemen of all grades with more than two years service. The general increase is progressive, with top ranks, both officers and enlisted men, receiving the greatest addition (*e.g.*, the basic pay of a full General goes up 47 per cent, from $1,276 a month to $1,875). This reflects the Cordiner Committee's aim of making service careers more attractive and of reducing the present turnover of personnel whose training is costly.

Hopes for the 500,000 employees of the Post Office are less bright. Originally, the House passed a Bill providing for increases in postal rates, including a rise from three to four cents an ounce on letters. The Senate went further, voting to raise this to five cents for a three-year period on out-of-town letters; at the same time an amendment was tacked on giving an average pay increase of 12½ per cent to postal employees. But the House baulked at the five-cent rate, and the Bill is now being considered by a joint conference, which hopes to resolve differences of opinion in time to vote on the measure before the Easter recess begins on April 3rd. The five-cent letter rate is what Mr Eisenhower



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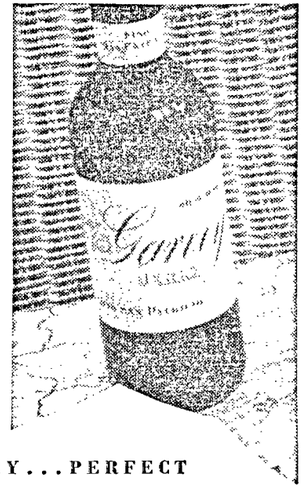
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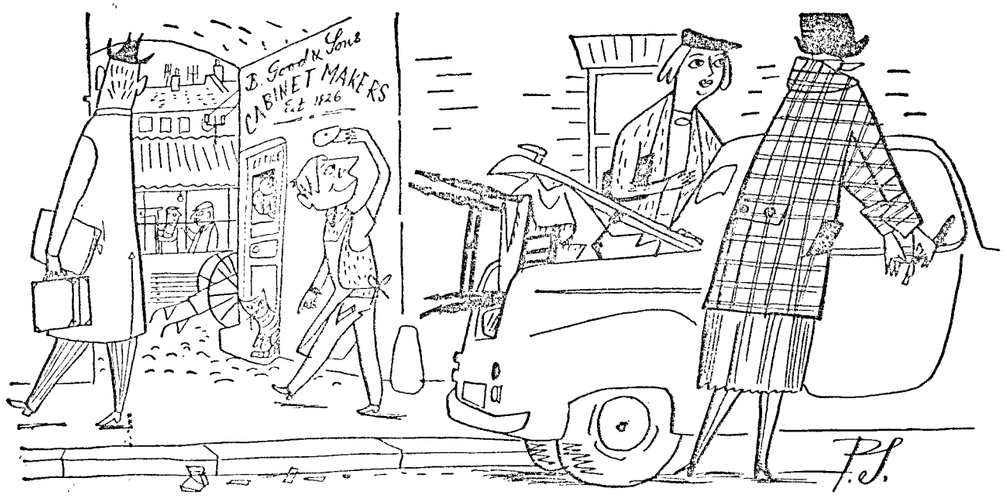
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asked for, to combat the growing postal deficit which is currently approaching $1 billion a year. But last year he vetoed a postal pay increase on the grounds that it was inflationary; this year he asked that any increase be limited to 6 per cent, and it is hinted that he would veto any greater increase, even though he would thus also cancel the higher postal revenue.

Simultaneously with the postal Bill, the Senate approved a 7½ per cent rise in pay for a million civil servants. This measure is now being considered by a committee in the House, which has a Bill of its own providing increases of up to 11 per cent for such workers. The committee hopes to dovetail the two Bills, but it is doubtful whether this will be accomplished in time to have it ready for voting before the recess. The President is in favour of a rise for civil servants; but he has asked for no more than 7½ per cent, and again, if Congress requests too much, he may say no.

Sentence for Court Reform

FIVE years of work on the modernisation and streamlining of New York's system of state law courts apparently went down the drain this week when the lower house of the State Legislature turned bi-partisan thumbs down on the Tweed plan. Conceivably a special session later this year could rescue it, but it is far more likely that the urgent reform of the state's antiquated judicial structure will have to wait until the Legislature, prompted perhaps by some sensational scandal affecting the courts, appoints another commission to do the job all over again.

Mr Harrison Tweed, who in 1953 was chosen to head the Temporary Commission on the Courts, modelled his plan on the Vanderbilt scheme which has been such a success in improving the courts of neighbouring New Jersey. But New York's politicians seem to be a tougher breed than their counterparts across the Hudson; they refused to contemplate the wholesale wiping out of minor court jobs which are such useful rewards for their supporters, even though modifications were made in the plan to conciliate the Democratic boss, Mr De Sapio, and the lesser known Republican powers in the rural parts of upstate New York. These modifications, moreover, cost Mr Tweed the support of the purist reform groups, who seem to feel that half a loaf is worse than no bread. Finally, his own commission refused to accept the watering-down of some of the proposals for consolidation of the judicial machinery. The result was to provide the opposition with a veneer of respectability for its selfish objections. Some of these objections, it is shameful to report, are shared by state judges who themselves are elected and who have no desire to see their political influence diminish. The public and the members of the bar would have had to feel much more strongly than they do to overcome such entrenched opposition.

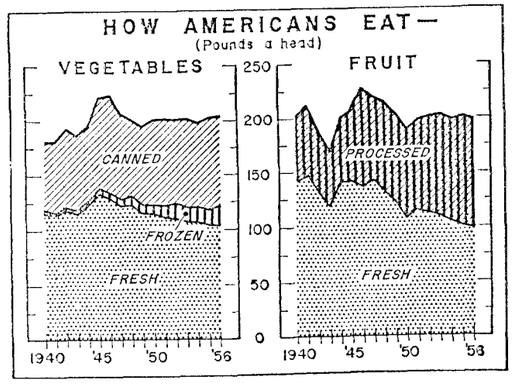
Canners Feel their Age

FROM A CORRESPONDENT IN CALIFORNIA

ALTHOUGH it is not wholly certain when foodstuffs were first put into tins in California, the state's great canning industry has chosen to observe its centenary in 1958. From a marketing point of view last year was the best in the industry's history. The growth of population, increases in individual consumption and the rising prices of other foods combined to bring total sales of tinned fruits and vegetables to new high levels; in particular, the Pacific coast, already the source of half the country's output of these products, increased its share still further. However, these records were attained only through a general lowering of prices and a huge over-supply of tinned goods still remains. As a result, profits of the canning companies have also broken records, but downwards, and they are likely to remain below the level necessary to attract the capital which is needed to combat the industry's present weaknesses.

The profit margins of canneries have been low for more than a decade because, while costs have increased steadily, annual production has regularly exceeded demand and has depressed prices. In 1957 the cost of tinplate went up by 7 per cent, of glass by 6 per cent and of shipping by nearly as much as 12 per cent, from the year before. When production is reduced, unit costs go up, since canners have large fixed investments in plant and equipment which are used only seasonally. Modernisation, labour-saving devices and diversification, which might raise profit margins, all require capital that is difficult to attract before those profit margins have been raised. In 1957 the canners did succeed in lowering somewhat the cost of the produce that goes into cans. But they may have to pay dearly for this in an indirect way.

Prices for most canning crops in the West are set by negotiation between the industry and strong organisations of the farmers who grow the individual products. Recognising that the canners, whose own prices were depressed,



would want to pay less for their new supplies, the growers' organisations managed to curtail the prospective crops, through exhortation or through destruction or diversion of a portion of the output, as permitted by state marketing laws. Having thus made their sacrifice, the growers then demanded the same prices as in 1956 from the canners, who were equally determined to obtain reductions. The long and bitter negotiations ended in a partial victory for the canners, who obtained price cuts but considerably smaller ones than they wanted.

Late in 1957, however, officials of farmers' marketing organisations which deal with nearly all the varieties of fruits and vegetables processed in California announced that they had formed a grower-owned canning company to market tinned goods in competition with the rest of the industry. Although its initial plans are modest, the new

company is patterned after other grower-owned marketing organisations which have achieved almost complete dominance in the markets for such products as lemons, raisins, walnuts, almonds and other Californian specialty crops. If it can pass the various practical and legal tests which it must undergo, the new company will add enormously to the already formidable power of the state's growers of canning crops and can drastically alter the shape of the *entire* industry.

Another threat which is diverting the attention of the canning industry from its celebrations is a new challenge to the favour which canned goods enjoy with consumers. While canned foods suffered less from the rapid rise of frozen foods than did the demand for fresh produce, the latter is now reviving. Progress is being made with the sterilisation of fresh foods by means of atomic radiation, so that they can be sold, free of spoilage, without further processing or packaging. Of more immediate importance, however, is the booming popularity of plastic packaging.

Sealed polythene bags offering protection and convenience in handling, have become commonplace for many small consumer products which used to be sold unpackaged. The same advantages, to which are added opportunities for identifying brands and standardising quantities, have meant that polythene and other plastics have quickly been used for packaging fresh produce and other foodstuffs. Although these packages deprive the customer of her traditional prerogative of pinching, they have proved so popular that, according to estimates, 20 to 30 per cent of all fresh fruits and vegetables are now packaged before sale ; those percentages may double within a few years. For this and other reasons the fresh produce industry, which markets about 62 per cent of the country's fruits and vegetables, seems to be halting the downtrend in consumption. The relative position of fresh, canned and dried produce has become static, while frozen foods have apparently levelled off at about 4.5 per cent of the vegetable market and 15 per cent (including juice) of the fruits.

The frozen food industry, besides suffering from the disorganisations of a new and fast growing business, has encountered two serious obstacles that have minimised its profits. The first is the limited amount of expensive refrigerated space which retail shops can provide and for which competition is heavy between the wildly proliferating number of brands and items—*including pre-cooked bakery goods and complete pre-cooked meals.* The other is a widespread tendency toward competitive price-cutting by the myriad producers who enter the field because of the relatively low investment required. As a result, few firms have been able to make a profit and the canners who several years ago hastily started to produce frozen food because of its potential threat to canned products now find themselves making up the losses characteristic of the chaotic frozen food market from the already-pinched profits of their canning operations.

Colorado—Welfare State

FROM A CORRESPONDENT IN DENVER

COLORADO has long had the most generous old age pensions in the country. Now it is to provide a health service for the aged. In February each pensioner received a card entitling him to free medical and hospital *treatment* at state expense by arrangement with Blue Cross and Blue Shield, both private non-profit-making organisations. The state also will contribute up to $100 a month to pay for care in nursing homes for pensioners who need it. What is remarkable is that this costly step was adopted to reduce the drain of pensions on the state's finances.

In 1936 a powerful "pension block" managed to persuade voters to adopt an amendment to the State Constitution which set aside, for pension purposes only, 85 per cent of the revenue from the state's 2 per cent sales tax, and 85 per cent of the state's income from alcoholic beverages. It also provided that all such revenues in any given month should be divided among pensioners in the succeeding month and that any citizen of 60 or more who was without means need not wait for a pension until he reached the usual age of 65. Finally, the legislature was forbidden to abolish or reduce any source of revenue for pensions without having first provided an equally productive alternative and all future excise taxes were declared to be the property of the pension fund.

These provisions not only meant that pensions ate up *about a quarter of all the state's revenues ; they also greatly* hampered the state in raising money through taxes for any other purpose. Legislators have had to be very careful in adopting any new tax to meet the general expenses of the state, lest it be ruled to be an excise tax and 85 per cent of its revenue go into the pension fund. But Colorado's 55,000 pensioners have fared well ; they are being paid, in all, some $60 million a year, of which about a third comes from the federal government and two-thirds from the state. Any private income is deducted from the state grant, but even so the payments have averaged nearly $100 a month for several years—and husband and wife are each entitled to a pension.

The introduction of a health service for the old is part of the price Colorado had to pay for another constitutional amendment to release it, after twenty years, from the crippling law on pension funds. It also had to guarantee each pensioner an income of $100 a month and to set aside a $5 million reserve fund to guarantee the payment of pensions in bad times. All this has now been done and the state hopes that by 1960 or 1961 the taxes whose revenue was formerly reserved for pensions will be producing enough to help pay some of the state's other bills.

SHORTER NOTES

Most taxpayers will not be affected by the drive to tighten up on expense accounts which was started last year. Protests have led the Internal Revenue Service to decide that only taxpayers who do not have to account to their employers for their expense money will be required to enter the total of their expenses on their tax returns and itemise them. One effect of the drive against abuses has been to stimulate the use of credit cards, which enable bills for meals, rooms, and transport to be sent direct to the employer.

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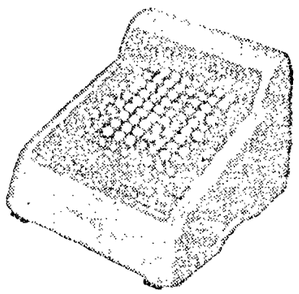
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THE WORLD OVERSEAS

King Saud Hands Over

FROM OUR CORRESPONDENT LATELY IN RIYADH

THE transfer of full legislative and executive powers from King Saud to the Emir Faisal, promulgated in a royal decree on March 22nd, is the first significant constitutional change in the whole history of Saudi Arabia. Hitherto all power has been vested in the King, ranging from decisions between war and peace to approval of visa applications. By a stroke of the pen absolute power has now passed from the King to his prime minister. The change is perhaps less drastic than it sounds, for the prime minister is also the King's eldest brother and heir to the throne. But it is nevertheless of great importance, since it shows that even in Saudi Arabia public opinion has begun to encroach on the privileges of absolutism.

The principle of absolutism is not infringed by the decree. On paper at least, the Emir Faisal's powers are as absolute as King Saud's ever were ; and he derives them from a royal decision which presumably could be revoked. Nevertheless, the change was certainly brought about by the rising tide of popular discontent which was beginning to find free expression both in the towns and among the nomad tribesmen of the desert. The target of criticism was royal extravagance. There were murmurs from some of the royal princes, from a large section of the educated middle class and from the great majority of the Egyptian, Syrian and Palestinian immigrants who occupy many key positions in the civil service, municipal administrations, public utilities and major engineering and constructional works. "All constructive enterprises in the country were started under the old King," said the intelligent young businessman ; "the Mecca and Medina roads, the Riyadh-Dammam railway, the big electrification schemes and the rest. The present reign has given us nothing but palaces." It is a matter for bitter comment in Riyadh that the new Nasiriyeh palace, completed last year, consumes nearly three times more electricity than the whole of the rest of the city—which now numbers over 300,000 inhabitants.

The accusation, launched against King Saud from Damascus, that he had plotted the sabotage of President Nasser's aircraft, was a spark to the tinder. While loyal supporters of the King denounced the charge as a fabrication, the King himself and his closest advisers maintained a stubborn silence, contenting themselves with a reference to the King's disclaimer of any knowledge of the affair and urging patience pending an investigation by a royal commission. Meanwhile, critics of the regime not only professed to believe the accusation, but said so with astonishing freedom. The case for the opposition seemed to be materially strengthened by reports late last week that three members of the royal commission of investigation had resigned. Further supporting evidence was found in the obvious desire of the King to avoid public appearances ; he even retired to his personal residence for evening breakfast on the first day of Ramadan. Something was clearly untoward in the marble, chandelier-bedecked corridors of Nasiriyeh. There could be no mistaking that charged atmosphere. Yet the climax took away the breath even of those who had so carnestly desired it. Some of these latter suspect a trap ; it seemed almost too easy.

Will the Emir Faisal's assumption of power permit the decent burial of Colonel Sarraj's accusation ? Saudi Arabia can have no interest in prolonging the crisis, and the decision therefore seems to lie with President Nasser—as usual. If he is satisfied with the apparent success of his action against King Saud he will presumably let the matter drop. In any case, he is likely to soft-pedal the issue pending a study of Saudi Arabia's new course in relation to his own aims. Two questions arising out of the crisis merit early consideration. What of the Egyptian military mission, which was expelled from the country without fuss soon after the attack on King Saud ? And what of the Syrian managers of the Al Kharj arms factory, who replaced the French staff as a result of the Suez crisis, and who were themselves expelled at the same time as the Egyptians ? If either of these parties were to return, it would indeed mark a change of attitude.

The conditions that the Emir Faisal is said to have laid down before accepting his new responsibilities accord closely with the hopes of the opposition. Several of the King's brothers have been chafing under the rule of palace favourites. Foreign advisers (inevitably) have been an easy target for popular criticism, though there is room for doubt whether they have been any more responsible for the waste and extravagance than many a native Saudi ; budgetary secrecy has made it impossible to exercise any real check on expenditure.

The reported insistence of the Emir Faisal on alignment with the United Arab Republic should cause no surprise to those who know him. He is one of the most convinced and convincing Arab nationalists in the kingdom and has expressed his views on Zionism and imperialism regularly, freely and with force. He has no quarrel with the Hashemites as such. The stumbling block is the Baghdad Pact, about which most Saudis, including both the adherents and the critics of King Saud, feel as strongly as the Egyptians. "Why," asks the Emir Abdullah Ibn Abdul Rahman, the King's uncle and chief adviser, "did Iraq rush into a pact against the enemies of the West without first insisting that the West should do something about our enemies—the Jews and imperialists ? " Feeling on Buraimi and the disputed southern frontiers of Saudi Arabia still runs deep, and there is no question of any Saudi government approving a pact in which Britain participates. A stay in Riyadh engenders a depressing feeling that the British no longer count in Arab reckonings, except as ageing enemies not far from senility.

"Alignment" does not mean union or even federation. Union would involve the disappearance of the Saudi dynasty, which the Emir Faisal would never contemplate. Federation, unless of a loose, almost meaningless, kind, would also carry dangers for the dynasty. If, for example, the Saudi army were integrated under General Hakim Amr, what guarantee would there be for the survival of the house of Saud ? On what would rest its pretensions to absolute rule and to undivided control of the oil revenue ? These two issues are crucial to the Emir Faisal no less than to King Saud before him. A reduction in Saudi expenditure on public and private account might leave a surplus for investment in the United Arab Republic. But the investor would require an adequate return. The two sides could negotiate about this and they need not necessarily quarrel over it. It is the sort of issue which the Emir may have in mind—along with general support for the United Arab Republic in the international field—when he speaks of "alignment." What he cannot and will not surrender (without a fight) is one tittle of Saudi sovereignty. If President Nasser recognises the strength of Saudi feeling in this respect, he stands an excellent chance of winning consistent Saudi support, with doleful results for the Hashemites.

Dr Adenauer's Nuclear Misfire

FROM OUR BONN CORRESPONDENT

THE tones of "daddy knows best," in which Dr Adenauer is prone to cut short discussion of highly important issues, often grates on the nerves of the German family and from time to time sets off a thundering row. Dr Adenauer has done it again. Instead of the enlightened resignation which he apparently hoped the broadcast Bundestag debate on foreign affairs would generate far and wide through the land, the Chancellor has kindled much anger and confusion. It is now going to take him some time to dispel the widely-held conviction that out of over-eagerness to serve Nato he and his ministers are prematurely pushing western Germany into preparations for nuclear warfare, needlessly prejudicing thereby the chances of a summit conference ; of creating a nuclear-free zone, or zone of disengagement, in central Europe ; and, last but not least, of progress towards reunification.

At Frankfurt last Sunday a committee styling itself "Fight Atomic Death!" launched, chiefly under socialist auspices, a campaign intended to mobilise the dismay which so many west Germans understandably feel at the prospect of their country not only putting on nuclear armour, but also being the first to do so on the European continent. Like demonstrations are to be staged all over west Germany during the coming weeks. The political and moral implications of the government's decision are to be discussed by the executive committee of the trade unions' federation at Hamburg this weekend, and by the all-German synod of the Evangelical Church meeting in east and west Berlin on April 26th. There has been talk of a 24-hour strike by the unions ; and the federation chairman, Herr Richter, has asked to see the Chancellor. Unable to wait for an official lead, some six hundred Henschel workers downed tools at Kassel for a few hours on Tuesday while the Bundestag was still having it out.

The Social Democrats are pressing for a plebiscite, or, failing that, for at least some sort of widely-conducted ballot. The Rev. Martin Niemoller, of anti-Nazi fame (who intends to take part in the British demonstration at Aldermaston on Easter Monday), is threatening to withdraw Evangelical chaplains from the armed forces. Doubtless the storm will presently subside. Already the miners' chairman, Herr Gutermuth, and the Social Democrats' defence expert, Herr Erler, have pronounced that a political strike would be unjustifiable. Dr Adenauer can still count on a clear majority in the Bundestag, and is sure of it for a good three years more. If public opinion really is swinging heavily against him, it is unlikely to do any palpable damage until after this year's Landtag elections, of which the first is due on July 6th in North Rhine-Westphalia.

Dr Adenauer has admitted behind the scenes that he made a tactical blunder in insisting upon a debate at this moment. True, he has achieved much of what he wanted: the resolution finally adopted, while reaffirming the government's intention to press for all-round controlled disarmament, virtually authorises Herr Strauss to purchase Matador missiles from the United States before the closing date of April 3rd and to manifest official Germany's nuclear willingness at the Nato defence ministers' conference beginning in Paris on April 16th. Yet it is an authorisation clumsily and dearly obtained.

A substantial part of the price has been another sharp jolting of the Bundestag's not too securely established prestige. At the close of one of the four days which the coalition and opposition parties required to cover the all-too-familiar stamping ground, the gentle minister of food and agriculture, Herr Lübke, remarked anxiously that it had been a ghost-haunted session, evoking for him the tumults of the twenties. One understood what he meant. Bygones were not allowed to be bygones. Taunted at one stage with simplification, the Chancellor replied that he was proud of it, and yet apologised to his taunter—the sensitive one-time communist, Herr Wehner—for his lack of dialectical training. This was comparatively mild stuff. Shortly afterwards, while Herr Kiesinger was commending the statesmanlike qualities of his venerable chief, the house rang with mocking cries of "Heil! Heil! Heil!" And when the young Hamburg socialist, Herr Helmuth Schmidt, reminded a Christian Democrat that he had voted for the enabling bill with which Hitler finally extinguished parliamentary government twenty-five years ago, Herr Schmidt was interrupted by one deputy calling him "the rudest lout in the house," and by another (a woman) likening him to "a shot of poison." The public, it should be noted, overheard all this, for the proceedings were broadcast in full ; and at the end of the third day the President made it known that he had received many letters and telegrams urging him to make an end of the unedifying dispute.

Apartheid . . . or Apartheid

FROM OUR CORRESPONDENT IN SOUTH AFRICA

ON April 16th South Africa goes to the polls, or rather white South Africa does, for of the country's 13 million inhabitants, only the whites, numbering about 3 million, have the franchise, and of them 1,600,000 are registered

voters. Only a handful of non-whites, mostly Coloureds in the Cape, have communal representation in parliament. The National party, with 96 members in the now dissolved lower house, and ten turbulent years of office behind it, is confident that it will be returned to power, even that its present majority of 33 in a house of 159 will be increased in the new house of 163 members. Few objective observers at the moment would dispute the first part of this claim, although many believe that the Nationalist aggregate of votes may be lower than last time, and that the new administration will again be a minority government.

There are 296 candidates in the field, with 24 unopposed returns, all members of the United party which has a candidate in every constituency. There will be straight fights between the Nationalists (unrepresented in 30 constituencies) and the United party in well over 100 seats ; in three the Liberal party is campaigning, more in a spirit of missionary endeavour than with any real hope of electoral success ; in two, Labour joins the two main parties to fight three-cornered contests, a forlorn struggle by a courageous little parliamentary group to avoid extinction ; and in another dozen seats a motley assortment of independents and nondescripts are standing without any real hope of winning or, with two exceptions, of saving their deposits.

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In effect, therefore, the election will be a trial of strength between the two main parties. Mr Strydom, the prime minister and Nationalist leader, only doubtfully restored to physical fitness after an absence of three months from public life, has once again taken his stand on apartheid and republicanism under the accommodating phrase, " South Africa First." But there is less fire in the republican call, and apartheid is now officially described as separation of the races " when practicable and desirable "—a far cry indeed from the grandiose and confident conception of ten years ago. But on the personal level the insistence on separation and discrimination has become more intense, and apartheid remains the fiery symbol of white supremacy. It is still a potent political war-whoop in spite of the disillusionment brought about by the difficulties of carrying it into effect. Apartheid remains the Nationalists' notice " to the world " that they will fight " to the death " rather than share political power with the non-whites. Only thus, the party maintains, can the white man maintain himself and avoid extinction.

And this time the blood call to survival is being extended : the Afrikaner people are being assured that they are engaged in nothing less than a fight for survival and for the continued existence of the Afrikaner nation as a separate entity. The " enemies " are all non-Nationalist whites and all non-whites, domestic as well as foreign. The prime minister's newspaper has given notice that as the election approaches the tribal drum (the paper's own phrase) will be beaten with increasing intensity. It should be explained that there are scores of thousands of Afrikaners who are not Nationalists, and they are looked upon as Nationalism's bitterest white foes.

Against this unashamed tribalism and the appeal to race prejudice and fear, the United party is pitting a middle-of-the-road policy. Its main features are co-operation between the two white groups on a basis of equality in order to bring about national unity and a single South African nation ; a " benevolent " apartheid which will apply race discrimination with justice, but concedes the right of the non-whites to some very slight extension of political representation as well as the return of the Coloured voters of the Cape to the common roll (an undertaking which the Nationalists are exploiting vigorously as being the thin end of the wedge); and an end to racial lunacies like the population register and the more glaring excesses of the application of group areas and other delegated legislation. The United party promises to restore sanity and moderation to government (the need for at least a modicum of which can hardly be disputed). It says that it will seek the friendship and active co-operation of other states in Africa and try to restore the outside world's confidence in the Union, thereby helping to attract much-needed capital which has been frightened off by Nationalist extremism ; that it will encourage immigration and tackle the crime wave by more effective police methods, and by eliminating some of the frustrations and tensions caused by the inflexible application of apartheid.

Sir de Villiers Graaff, conducting a vigorous nation-wide campaign, has been attracting large audiences and has given new hope and fresh energy to the United party. He and his party are bitterly accused of speaking with two voices on apartheid in the conservative rural areas and in the more progressive urban seats, and the unequivocal statement of the forthright Archbishop de Blank of Cape Town on multi-racial schools has plainly embarrassed the party. The Archbishop's outspokenness has been interpreted by the Nationalists as a sign of the shape of things to come should the United party win the election.

The Nationalists have so far failed to generate the same emotional intensity among their supporters as in previous elections, and observers believe that there is more apathy, grumbling and discontent in the party than for many years. But it remains to be seen to what extent this fidgetiness will be reflected at the polls : Nationalists are apt to vote with the blood " for the cause," the greater glory of " die volk," rather than for a party political programme. The steadily rising cost of living and the increasing pinch of the economic shoe, combined with some disillusionment over Nationalist administrative failures in the ideological sphere, have combined to make the political situation more flexible than it was five years ago. But any appreciable change in the relative strengths of the two parties after April 16th is unlikely.

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Meanwhile the non-European peoples, around whom so much of the fight rages, look on in ignorance, apathy, dismay or growing bitterness, depending on their degree of political consciousness. Of the 1,200,000 Coloured people of the Cape, deprived of their century-old common franchise rights by a questionable constitutional manœuvre, fewer than 30,000 are able to take part in the election now in progress to choose four Europeans to represent them in the House of Assembly. The candidates range from unofficial Nationalist and United party supporters on the right to men with advanced views on the left. Many Coloureds are boycotting the elections because they maintain that the communal vote is useless ; others are plainly disinterested ; and many are so far from a polling booth in their vast constituencies that they are hardly aware of the elections.

And while the Africans, harried and harassed and threatened whenever there is the slightest sign of political

Continued on page 1147

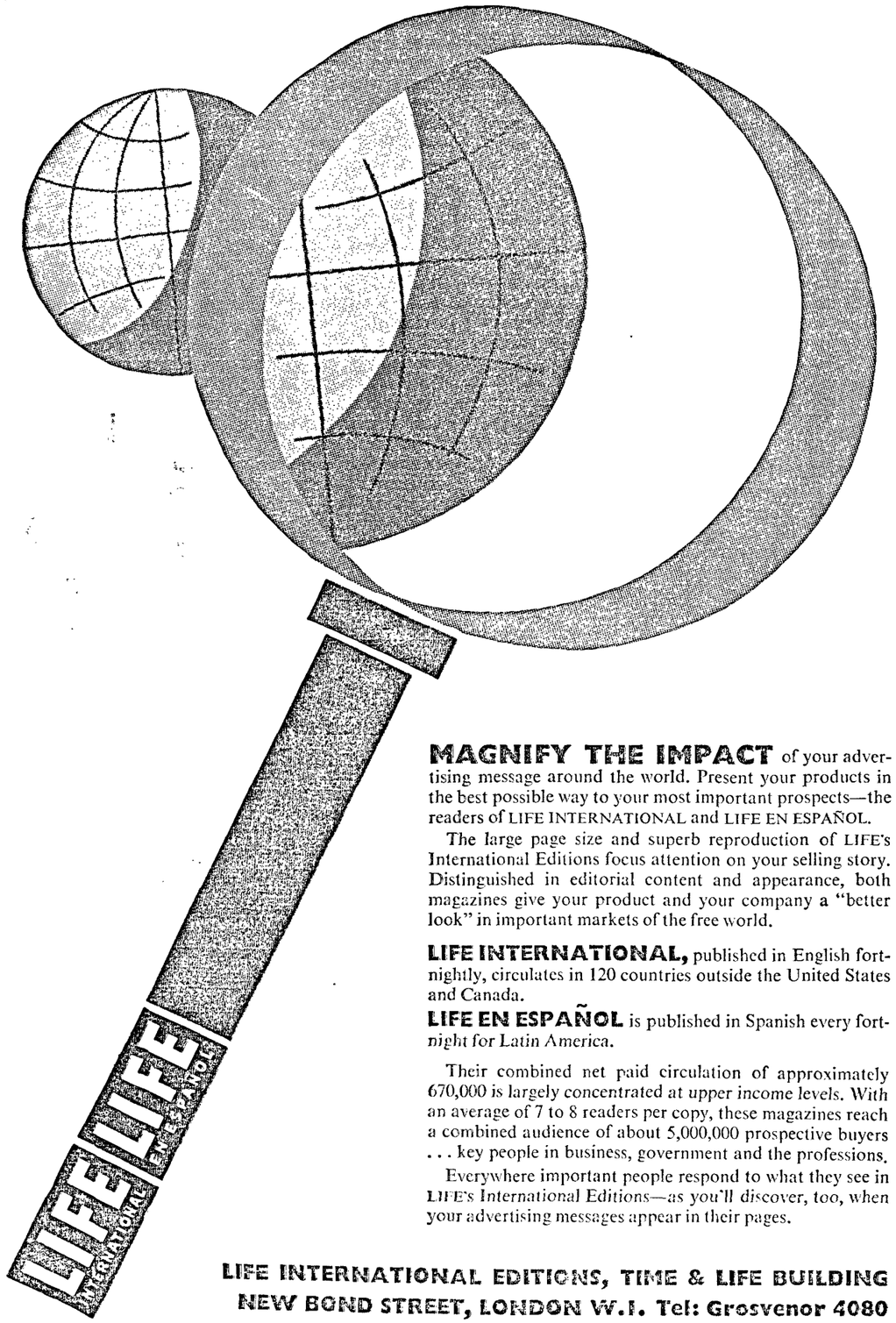


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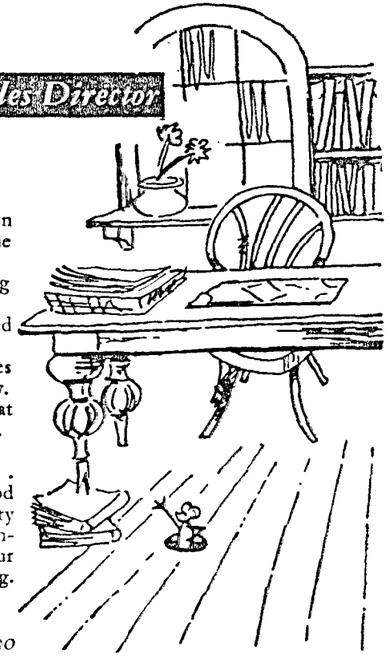
"I want this mystery solved," said the Managing Director, "and solved quickly."

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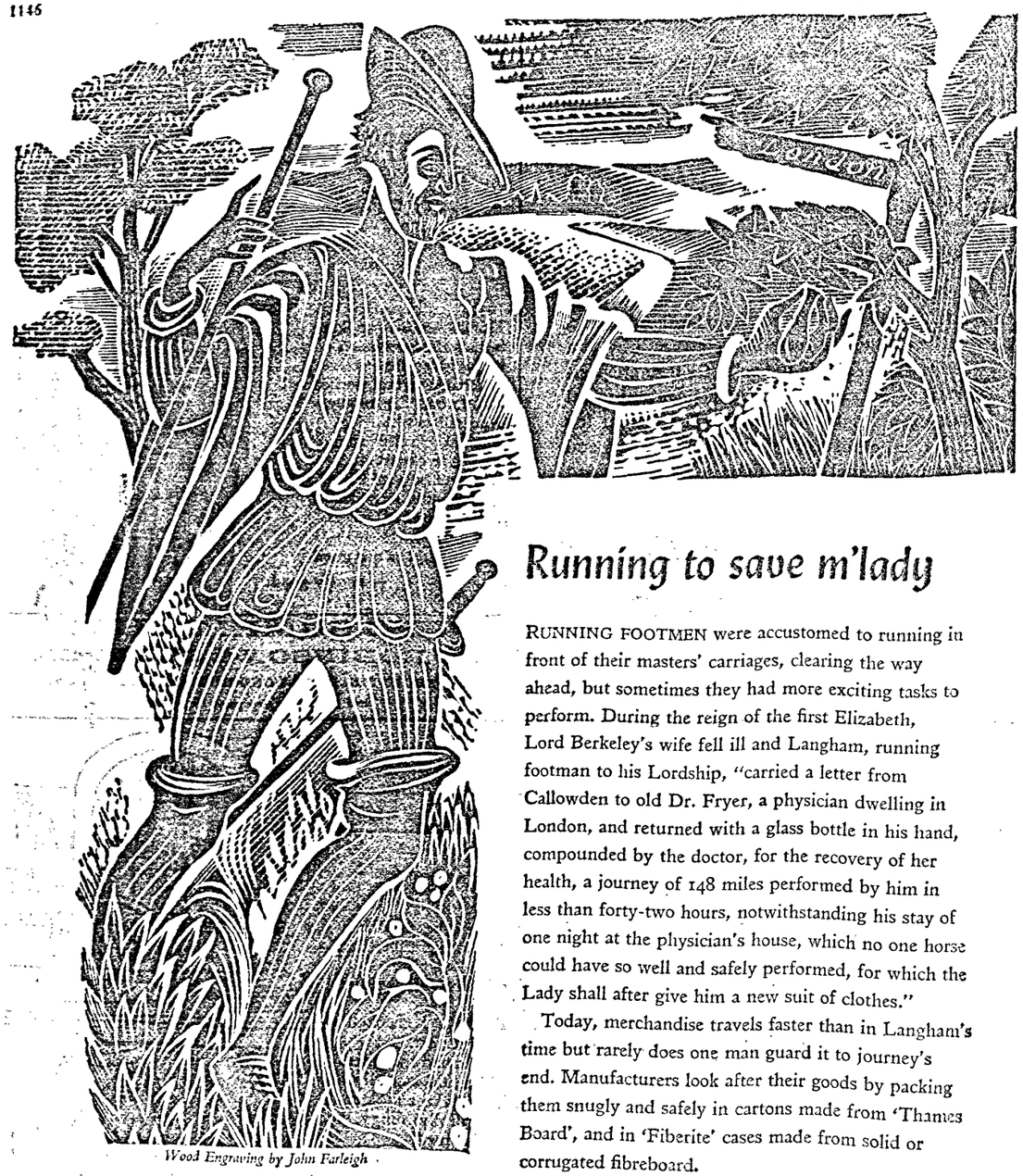


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RUNNING FOOTMEN were accustomed to running in front of their masters' carriages, clearing the way ahead, but sometimes they had more exciting tasks to perform. During the reign of the first Elizabeth, Lord Berkeley's wife fell ill and Langham, running footman to his Lordship, "carried a letter from Callowden to old Dr. Fryer, a physician dwelling in London, and returned with a glass bottle in his hand, compounded by the doctor, for the recovery of her health, a journey of 148 miles performed by him in less than forty-two hours, notwithstanding his stay of one night at the physician's house, which no one horse could have so well and safely performed, for which the Lady shall after give him a new suit of clothes."

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Continued from page 1142

activity or even consciousness, try to launch a movement to obtain a minimum wage of £1 a day for all workers, Mr Strydom issues dark warnings about a nation-wide stoppage of work on election day to challenge the white man's dominant position. The African National Congress is blamed for this venture, and the government is poised to outlaw the organisation, itself involved in serious domestic turmoil as a result of the challenge to the moderate leadership by extreme black nationalists, in the reserves and other areas. The implementation of the threat will either produce fresh unity in the African National Congress or hand over the leadership to the extremists.

There is no contact between the white politicians in the National and United parties and the leaders of the non-white peoples, African, Asian and Coloured. Thus the great mass of white voters have not the faintest idea, and do not care, what their non-white fellow-South Africans are thinking or hoping. No wonder that next month's election bears an air of unreality or that it has no meaning for the vast majority of the South African people, who are unconsulted pawns in a great game that the white men are playing.

Listening-in to Canberra

FROM OUR CORRESPONDENT IN AUSTRALIA

IT is remarkable that the Australian people should be so devoted to democratic institutions, for one would have thought that they know more than anyone should know about parliamentary debate. A visit to the British House of Commons can sometimes be an experience, but few people are able to make one. The Australians, on the other hand, can switch on their politicians at any time. By the terms of its charter the Australian Broadcasting Commission is bound to use one of its networks to broadcast the proceedings of one or other House, and it uses for this purpose its "serious" programme. This programme at other times is of a quality that would bring tears of jealousy to the eyes of Britain's Sound Broadcasting Society. But there comes a dread moment every morning when the music dies and the air is filled with the strident voices from Canberra. Admittedly it is an effective way of keeping this vast continent in touch with the remote little fastness in the foothills of the Australian Alps—though there are some who would say that it would be better that the politicians should listen to the people, rather than the other way round.

Designs on the Commonwealth Bank

In recent days the keen radio-democrat has had an exciting time following the fortunes of the banking bills, a bunch of fourteen bills whose main effect would be to split the Commonwealth Bank into three separate parts: a central bank, a trading bank, and a development bank. That may not sound very exciting, but the history behind these measures is long and contentious. It goes back to the depression of the thirties when Mr Scullin's Labour government, trying to relieve unemployment, found itself thwarted by the credit policy of the Commonwealth Bank. The bank, although a Federal institution, was in those days able to act independently, and when the government tried to change the bank's board it was outvoted in the Senate. Political control over the bank was finally established during the war, and the Labour party then turned its attention to the private trading banks which, it believed, were also to blame for the difficulties of the depression years. But the attempt to nationalise them fell foul of the constitution and was finally ruled illegal by the Privy Council in 1948.

In spite of this the banks do not feel safe from the Labour party's designs, which have never been abandoned. One focus for their mistrust is the Commonwealth Trading Bank, which, they feel, might be built up to such an extent that it could begin to put them out of business—thus nationalising by the back door. They already think that the Commonwealth Trading Bank has stolen business from them by an unfair use of its privileged position. The banks have long wanted legislation to break up the Commonwealth Bank family and to put the Trading Bank on the same footing as themselves. But they did not then expect to get a Commonwealth Development Bank that would be exempt from normal control. This is to be established to help worthy applicants who have been refused finance by the private banks—although who those applicants are, if not the uncreditworthy, no one knows. The proposal is thrown in to buy the support of the Country party, whose leader, Sir Arthur Fadden, is Treasurer, and who, no less than the Labour party, has resentful memories of the banks' credit policy during the depression. The Opposition has represented the bills as an attack on the "peoples' bank." It knows they are nothing of the kind, but is frantically in search of an election issue. It might have been shrewder to support the bills and thus confuse the ranks of the Liberal and Country parties, whose alliance has been somewhat strained by this measure.

When the bills were first introduced, in the last session, the Opposition would not even allow them a first reading. It mustered every senator, including one who had just had an operation and was brought by ambulance from his hospital bed. This week it adopted the same draconian tactics, to the despair of a gentleman from Tasmania who wanted to go home to secure his re-nomination at a party convention. The combined forces of 27 Labour senators, 2 Democratic Labour party ones and one Independent again drew the voting, 30-30, which counts as a rejection.

Having had a bill rejected twice, Mr Menzies could, if he wished, have asked for a "double dissolution"—a dissolution, that is, of both houses. The idea must have had its charms. A general election is due in any case later this year, but who knows whether the two factions of the Labour party might not unite by then? It is unlikely, but if they did, Mr Menzies could hardly hope to win his fifth election in succession, and he might then regret not having bid for a new three-year term now. Yet, on the other hand, the banking bills were not the sort of issue on which a wise government would wish to go to the country.

Design for Defence

Another political exercise to interest the listening student was the long delayed announcement about the structure of the defence departments. A small committee under the chairmanship of Sir Leslie Morshead was appointed to consider their possible reorganisation last October, and by December it had produced a report advocating such sweeping changes that the government was frozen into three months of silence and indecision. The report was never published, or tabled in the house, despite repeated challenges from the Opposition. But it is known that the committee wanted to abolish the service departments as such and to transform them into mere divisions of an all-powerful,

all-co-ordinating ministry of defence; and that these divisions were to be organised, not on the basis of the separate armed services, but on the basis of functions common to them all, such as personnel and logistics.

The prospect of such an upheaval was formidable. Even more daunting perhaps were the personal difficulties involved. It would have meant demoting the ministers for navy, army and air to the rank of associate ministers—and even if they were given other portfolios as well in order to keep them in the cabinet, that still would not leave enough portfolios to keep everyone happy. It would have meant elevating the minister of defence to a position of great power and importance. It would also have liquidated three permanent secretaries, and had already produced some very long faces in the departments marked down for disruption and down-grading. But it is believed to have been supported by all three chiefs of staff.

The report's logic must have been good, for in rejecting it Mr Menzies prayed in aid the creaking old constitution, which at times can have its uses. Defence, he said, was too big a province for one minister, and to appoint associate ministers would probably be illegal. No minister may hold an office of profit other than that of minister in charge of a department, so also none could be an assistant minister. However, he assured the House that the government would secure better co-ordination in other ways, and one of these would be the appointment of a chairman of the chiefs of staff. Thus Australia will follow Britain's example, though more from expediency than from admiration.

The leader of the Opposition, Dr Evatt, spoke of Mr Menzies's "excuses" for rejecting the report—but not, probably, because he particularly believes in it. The Labour party's main contribution to defence thinking seems to be its determination to prevent Australians from serving overseas. It was the architect of the Defence Act of 1904—still on the statute book—which enacted that only volunteers should be sent overseas, but imposed on every citizen the obligation to serve in his country's defence. But now, at least as far as Malaya is concerned, Labour objects even to the volunteers. It is afraid that because of them Australia may be thought to have colonial ambitions—even though Tengku Abdul Rahman is glad to have them. If Dr Evatt ever makes up his quarrel with the rival Labour faction, Australia's small contribution of a battalion group (1,300 men) to the strategic reserve in Malaya may well be withdrawn.

Through Tunisian Eyes

FROM A CORRESPONDENT IN TUNIS

BEFORE the bombing of Sakiet, the Tunisian leaders saw the future exclusively in terms of close co-operation with France. Paris was the magnetic pole, even when President Bourguiba glanced towards Washington. The Tunisian economy remained closely linked to that of France; Tunisia depended on France for its external trade and for investment in a proportion that wavered between sixty and seventy per cent. The country's leaders wished to reduce this dependence and the disadvantages it brought. But none of them dreamed of questioning the basic orientation, and the Tunisian government had laid no plans for withdrawal from the customs union with France or from the franc zone. On the contrary, the dominant thought was that, once the Algerian war was over, its present links might be increased and political ones forged between North Africa and France.

After Sakiet, however, there was no longer a single Tunisian leader who believed that co-operation with France would be possible within the next five or even ten years. It was now obvious, people said, that there had been no change of heart in France, and that the persistence of a "colonial mentality" precluded any healthy and lasting co-operation. These fears would be greatly strengthened if the extreme Right in France were to prevent M. Gaillard from coming to an agreement with Mr Bourguiba.

Although the bombing of Sakiet has deprived Tunisia—and doubtless also the Algerians and Moroccans—of the magnetic pole that was Paris, it has not given them any alternative focus. The neutralism to which it gave birth is, for the moment, imprecise and negative. The quarrel with Egypt, which Mr Bourguiba made public in his speech of March 6th, has left Tunisia sandwiched, but in isolation, between Paris and Cairo. In such circumstances, it is only natural that Tunis should seek to improve its relations with its immediate North African neighbours. Mr Bourguiba has tried to do so by sending personal messengers to the kings of Morocco and Libya. But the first is too concerned for the future of his throne to diverge, even slightly, from a policy of prudence, while the regime of the second is neither solid enough nor of sufficient prestige for him to be able to offer Mr Bourguiba any real support. (It is said that the messenger who recently introduced into Tunisia the letters of Salay Salah Ben Youssef calling for the assassination of Mr Bourguiba had obtained his visa gratis in Tripoli.)

In fact, Mr Bourguiba's principal trump continues to be his influence on the Algerian rebels. The rise to power of Krim Belkacem—the most "Bourguibist" of the FLN leaders, now considered to have eclipsed the hitherto dominant Abbane Ramdane himself—is bound further to strengthen Mr Bourguiba's influence on the Algerian maquis. On the other hand, the Algerians, who have received considerable aid and support in Cairo, have expressed reservations about Mr Bourguiba's recent diatribe against President Nasser's regime.

A further consequence of Sakiet is that Mr Bourguiba must now take into account the reactions of his own public opinion. Before the bombing, he enjoyed, both internally and outside, complete freedom of action. Having eliminated, exiled or subjugated all those of independent political opinion, and tamed the party, the trade unions and the constituent assembly, he alone conceived and directed policy. The difficulties caused by the Sakiet bombing have aroused Tunisian public opinion and prompted it to express itself. The President neither can nor wishes to prevent it from doing so. He has been still further handicapped by the French government's note delivered in Tunis on March 11th, contesting the Tunisian government's right to freedom of action in diplomacy and defence. (This claim is based on the conventions of June 3, 1955, "which have neither been abrogated nor modified.") How could he keep his hold on the Tunisian public were he to listen to France contesting Tunisia's right to an airspace of its own, and therefore rejecting all Tunisian protests against the violation of this airspace by French aircraft?

It is understandable that in this climate Mr Bourguiba needs to show tangible results; the present situation in Algeria and Tunisia makes the need for such results an urgent one. If he cannot fulfil it, he, his regime and western influence may all be swept from the Maghreb.

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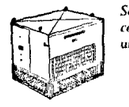
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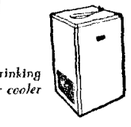
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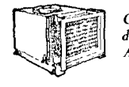
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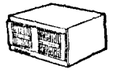


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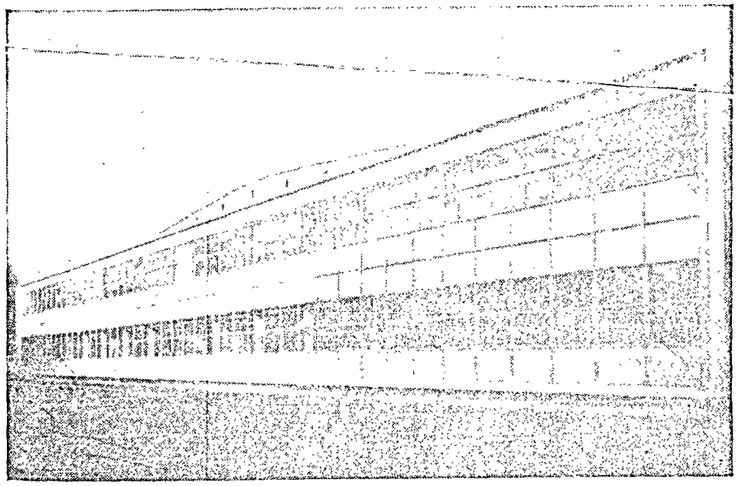
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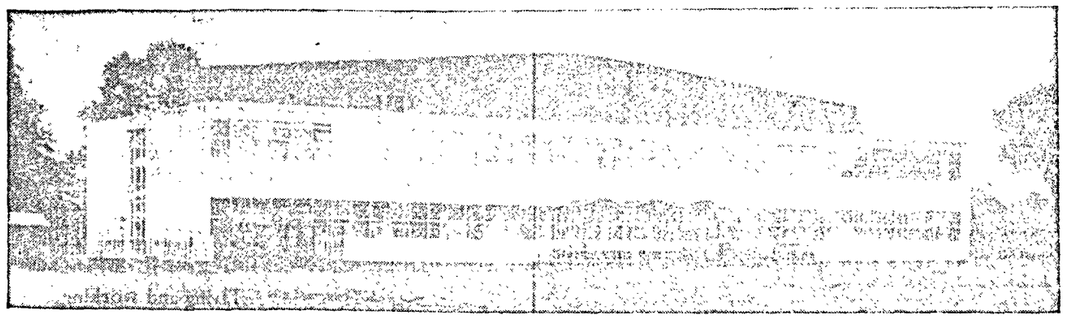
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THE BUSINESS WORLD

Oil in the Middle East

LIFE is a burden to long-term planners. Where now are the gloomy predictions of painful shortages of fuel by the middle sixties? Coal is suddenly plentiful. Atomic energy programmes are being cut. And the present abundance of oil is no temporary affair that will pass with the end of the American recession. Suppose that the free world's demand for oil rises during the next five years at an average rate of 6 per cent a year—no pessimistic assumption for a period beginning with a recession. Such an increase could be met by an increase in oil production outside the Russian block from 768 million tons in 1957 to 1,030 million tons in 1962, or an annual increase in output over the five years of just over 50 million tons. American producers of oil, now effectively protected against cheaper imports, should be able to meet a larger part of America's own rising requirements than at one time seemed possible. So, even on distinctly optimistic assumptions about demand, perhaps 35 million tons of new output a year will suffice for rising demand outside the United States.

Additions already planned for crude oil collection and tanker loading in the Middle East and in Venezuela could comfortably cover this; it is more likely that the rising demand for Middle East and Venezuelan oil will not match the potential output. If it is true that the demand for oil products, with the possible exception of fuel oil, is not much stimulated by reductions in price, the oil industry is in for a thinner time than it has known for a generation. And not only the companies. If oil prices are badly hit, the revenues of host governments in the Middle East will be jeopardised.

Twenty-five years ago it was possible for the oil industry to meet the same kind of problem by a comprehensive system of production controls and market sharing arrangements. Such solutions are not feasible today. Oil production outside the United States was then largely concentrated in the hands of a small number of large oil companies. They had a clear community of interest in limiting output and sharing it between themselves, and they were not at that time inhibited by the active enforcement of the American anti-trust laws. Nor were they then under pressure from host governments for increased production and revenues.

The climate in which the major oil companies now operate is utterly different. First, they no longer have the field to themselves. Independent oil companies become increasingly important; in the Middle East their impact is already significant and in Venezuela new oil strikes by successful independents are being reported almost every week. Independents usually have neither the resources nor the inclination to hold back production from their newly won reserves. Secondly, if the oil companies could now make common cause about output and marketing policy, they would immediately fall foul of the anti-trust acts. Even the agreements they made in the thirties are being called into question in a huge cartel suit against them in the United States; the mere suggestion of any new agreements would stoke the uncomfortable fire that the Department of Justice has already lit under them.

MOST important of all, Middle East governments are no longer sleeping partners as they were twenty-five years ago. They all take an acute interest in the operations of the oil companies to whom they have given concessions; they all want higher output and higher revenues. And they have encouraged the entry of independent producers who have no interests in production elsewhere, in the hope of stimulating the discovery and development of their own reserves. To such governments the mere notion of controlled production is anathema. None of the oil companies operating in the Middle East, with the possible exception of Aramco in Saudi Arabia, has yet succeeded in convincing its host government of the need for cutting back.

No doubt there are some host countries who see that their revenues cannot be maintained if the price of crude oil collapses, and that the surest way to such a collapse is to press their demands for expansion in disregard of more slowly rising demand. What is the alternative? Some say to control output on a principle of "historical shares." But what is each Middle East country's historical share? Persia's share of total Middle East output was 37 per cent in 1950. It dropped almost to nothing, and although Persia's output has now recovered in absolute terms, its share is still only 20 per cent. Iraq, too, contributed 20 per cent of Middle East output before the Syrians sabotaged the pipelines to the Mediterranean. The Iraq Petroleum Company is committed to securing a market for enough Iraq crude oil to enable the pipelines to operate at full capacity again next month, but even then Iraq could not regain its 1955 share of total Middle East output unless the others cut back. Kuwait and Saudi Arabia, to a lesser extent, have benefited from the misfortunes of Iran and Iraq, but they would be quite unwilling to revert to the smaller shares they once had.

Could each Middle Eastern country agree to limit output to a given percentage of its proved reserves? The difficulty here is that the rate of proving reserves has not been uniform throughout the Middle East—or as between the Middle East countries and Venezuela. Some countries would justifiably feel that a more intensive exploration effort within their territory in the past would have given them a more favourable basis for joining such a control scheme now. Or, according to good economic principles, should not the highest cost output be cut back first, and the lowest cost last? That policy would fall most heavily on Venezuela and in the Middle East on Iraq, followed, in order of decreasing costs, by Saudi Arabia, Iran and Kuwait (which on this basis might not have to cut back at all). Unfortunately, although costs may be highly relevant to the oil companies—and to consumers of oil—they are not very relevant to local political realities.

In sum, there seems little chance of the host governments agreeing between themselves on a basis for controlled output. Divergences of interest are so wide that only complete economic union between the producing countries could bring them together—and that is a remote hope. The major oil companies, then, will still be left with the baby, with the US Department of Justice as the baby-sitter. They will have to act individually within the limits of the anti-trust laws; they will have to convince their host governments, individually, that production control is in the country's interest and that rival countries are suffering in the same way; and they will have to "cut in" at least some of the independent production to their own markets to prevent any undermining of the price structure.

Efforts towards a workable compromise on production control may well be a deciding factor in another problem that is always present in the Middle East: the closer identification of host governments with the activities, management and even ownership of the oil companies. There is still the clearest distinction between "the company" and "the government," which the fifty-fifty principle has not broken down. That is, indeed, an equitable and dependable principle and the host governments can be relied upon to interpret it to their own advantage, with the consent of the companies. But it does not follow that fifty-fifty will always appeal to them as a natural law. The share of profits retained by the oil companies after paying taxes and royalties to their host government is much smaller than it used to be, but it is not small in absolute terms, and production is still far more profitable in the Middle East than elsewhere.

MIDDLE EAST governments know this. They are impressed with the triumphs of capitalist technique that have produced riches out of deserts; but some of them have a shrewd idea of the rate of write-off of oil installations. They are as capable as anyone else of reading US Senate reports which show that Aramco earned 60 per cent on its net assets in 1956. The operations of the consortium of oil companies in Iran, and also, of the Kuwait Oil Company, must equally allow a quick return. The risks are great, and the return may not be disproportionate; but one way of reducing the risks is to be ready with timely concessions about the returns.

This does not mean, as Mr Joseph Alsop suggested, in a letter to *The Economist* two weeks ago, that there is nothing between the present system and the outright nationalisation of oil production facilities throughout the Middle East. There is a wide spectrum of possible arrangements between absolute oil company ownership and a fifty-fifty sharing of profits, on the one hand, and the complete taking over of facilities and retention of all profits on production by the national government, on the other. Given an imaginative approach by the oil companies, it is possible that even the more extreme nationalist governments that may come to power in the Middle East could be persuaded of the advantages of extended co-partnership with the oil companies. The companies have the markets; that is a fact of world economic life that Saudi Arabia and other Middle Eastern governments cannot hope to change.

There is much that the oil companies can do—and in several cases are doing—to make their profit sharing arrangements more attractive to their host governments. They may begin with 50 per cent of x, but presently it becomes 50 per cent of x plus y. But the most important factor is their willingness to cultivate a positive partnership in a joint enterprise with the host governments. It may be said to exist already in form and to a considerable extent in practice. But it involves something more than enlightened policy, such as employing local contractors and training local labour. It goes far beyond acts of expedient generosity, such as the provision of a water scheme for a thirsty town. It means employing more and more local nationals in management, as well as in subordinate posts. It means taking the host governments further into the policy decisions which concern the off-takers or parent companies, the absentee landlords of the producing company who are remote from the national governments. It means a courageous decision in favour of involvement and identification with local interests so that even to nationalist opinion "the company" becomes "us."

The amicable operation now achieved by the Iranian oil consortium suggests one way in which the other oil companies might move. Aspirations for national ownership may mount irresistibly if they are simply brushed aside. But it may be possible to turn them to advantage by inviting national participation in both ownership and direction, and so convert mere slogans into meaningful co-operation. The oil companies' key objective must be to maintain reasonably profitable (which means economic) conditions of operation in the Middle East, and timely moves to gain the co-partnership of national governments in this aim will be infinitely preferable to bowing to nationalist demands when they are put on the table. There are those who say that the way to deal with an Arab is never to give an inch until you are forced to. But that seems more likely to be the best way of making nationalisation inevitable.

DECENTRALISED POWER—II

Fitting in the Atom

THE original nuclear electricity programme of 1955, which reckoned on building only 1,500-2,000 megawatts of nuclear capacity by 1965, was essentially a bid to gain British business a lead in this new technology. Specifically, the intention was to get each of four private manufacturing consortiums trained by the Atomic Energy Authority experience quickly in building at least one nuclear power station. The programme was limited by the expectation, at that time, that only very limited supplies of natural uranium would be available: graphite of the quality required in the reactors, too, seemed likely to be short. So nuclear construction was planned to begin at a slow pace and build up towards the end of the decade—if only because fissile material produced as a by-product in the first reactors would be required as fuel for the reactors of the second stage. From the point of view of electricity supply, the programme represented a smooth introduction of nuclear generation into the already rapidly expanding power programme: the Central Electricity Authority would be able to learn in its stride.

But in the next eighteen months, circumstances changed. The discovery of new deposits in Canada eased supply prospects for natural uranium, removing the need to wait for the first reactors to make fuel for the next. It was decided to bring new facilities into being to produce the graphite required. It became clear that the power rating of the first reactors to be built could be increased substantially. Outside these nuclear considerations, coal was short, with Britain driven into importing nearly as much as it exported; and the prospects of a gap between Britain's energy demand in the sixties and its coal supplies then widened alarmingly. The technical possibilities of advancing much faster with nuclear electricity, as it happened, came to be considered in Whitehall during the wave of public enthusiasm that followed the rapid and successful commissioning of Calder Hall—and also during the closure of the Suez Canal. The trebled programme that emerged last spring—providing for the building of 5,000-6,000 mW of nuclear capacity by 1965—was an entirely practical one: but it could perhaps hardly have been adopted in any other concatenation of circumstances. It placed much heavier responsibilities than before upon the electricity supply industry—the whole structure of which was reorganised last year partly with this vast new job of fitting in nuclear power faster in mind.

The newly decentralised structure of this nationalised industry, which was outlined in an article last week, was designed to leave the new Central Electricity Generating Board free primarily for this new responsibility. Before the board took over generation and bulk transmission from the departing Central Electricity Authority in January, the nuclear programme had in fact been slightly cut back. This modification arose simply from the Treasury decision last September to restrain public investment: it involved spreading out the nuclear construction over a year or so longer, to 1966-67 instead of 1965. But even this slightly stretched programme presents formidable problems.

IN the first place, it increased capital commitments for generation—and the cost of the power generated. Over the nine-year period originally reckoned, now ten years, the introduction of 5,000-6,000 mW of nuclear power will cost some £775 million more than a wholly conventional programme of the same capacity. Moreover, between the two nuclear White Papers, the estimated cost of nuclear power had gone up 10 per cent,

universal production process, not the old technique. The Steel Company of Wales, incidentally, mentioned that this new price structure would apply to all orders executed during the rest of this year.

The main change of the new price structure is that the biggest reductions have been made, even in basic prices, on the thinner-gauge tinplate; and that the "extras" in the price structure further reflect the same emphasis. Some reduction is offered the customer on almost all types of tinplate; but the more that he adapts his own use of tinplate to the lighter plate that it is more advantageous for Trostre and Velindre and Ebbw Vale to roll, the more good it will do him. For a large number of British customers, this means revising completely their own ideas of how a good tin should be made: a large number of world-famous British products, for example, are marketed in tins that are far too robust for any practical rough handling that they ever encounter. Metal Box, the main producer of the open-top can, has welcomed the new price structure: some of the other people who make their own cans as a matter of packaging their major product and have never given changes in can-making technique much attention, have been rather shocked by the idea of making tins out of the plate to which the makers would like them to switch. To get the full benefit of it will mean sharply revising their idea of what a can ought to be and do: but it should also save them thousands a year, and make steadily more economical use of steel in tinplate, to match the economies in tin coating that have been achieved over the years.

IMPERIAL CHEMICAL INDUSTRIES

Better than Expected

AFTER three years of an ordinary dividend of 10 per cent from Imperial Chemical Industries, the time had come, investors hoped, for a more liberal payment. They set their modest sights at a dividend of 11 per cent for 1957. They were too restrained; the payment is raised by 2 per cent to 12 per cent. The directors also proposed a 50 per cent scrip issue, requiring the capitalisation of £72,177,205 from reserves totalling £171,050,672. The possibility of such a capitalisation was allowed for in the conversion rights on the 5½ per cent unsecured loan stock issued late in 1956. Clearly the liberal dividend policy will encourage holders of the stock to convert into the equity.

SALES AND PROFITS
(£'000s)

Six months ended:	June 30, 1956	Dec. 31, 1956	June 30, 1957	Dec. 31, 1957
Sales	221,000	214,000	235,000	228,000
Gross income	27,255	22,856	30,933	24,197
Taxation	12,833	10,931	14,153	12,173
Net income	13,294	10,878	15,683	11,151
Gross income/sales	12·3%	10·7%	13·2%	10·6%
Net income/sales	6·0%	5·1%	6·7%	4·9%

The new dividend absorbs £9,952,082 net from a net income of £26,834,346, which is £2,662,609 higher than the 1956 net income of £24,171,737. Over the year sales have risen from £435 million to £463 million, the increase being spread evenly over the two half-yearly periods. The group's total income, before tax, has risen from £50,121,439 to £55,135,296 but much the bigger increase in profits occurred in the first half of the year. As the accompanying table shows, profit margins in the second half of last year were smaller than those earned in the first six months, just as they were in 1956.

MR COBBOLD EXPLAINS

Inflation Still Lurking Around

THE Governor of the Bank of England has taken another step in the policy he described a few weeks ago as "moving gradually in the direction of saying more about what we are doing." He seized the occasion of the annual dinner of the Machine Tool Trades' Association to explain the background of last week's reduction of Bank rate. On purely technical grounds, he said, given the downward pressure that was being experienced in the short-term market, and given the "relative development" of short-term rates here and overseas, a reduction in Bank rate to 6 per cent would have been justified at any time since January. The cost of a high rate to the budget and to the balance of payments "is always an argument against staying too high too long"—and so is the evident fact that "freedom of manœuvre is restricted whenever we are at levels which seem pretty extreme." But these technical considerations could not be decisive: wider considerations dictated caution. "These are strong arguments for not coming down too soon before an exchange recovery has been consolidated and before very high short-term rates have played their part in curbing inflation."

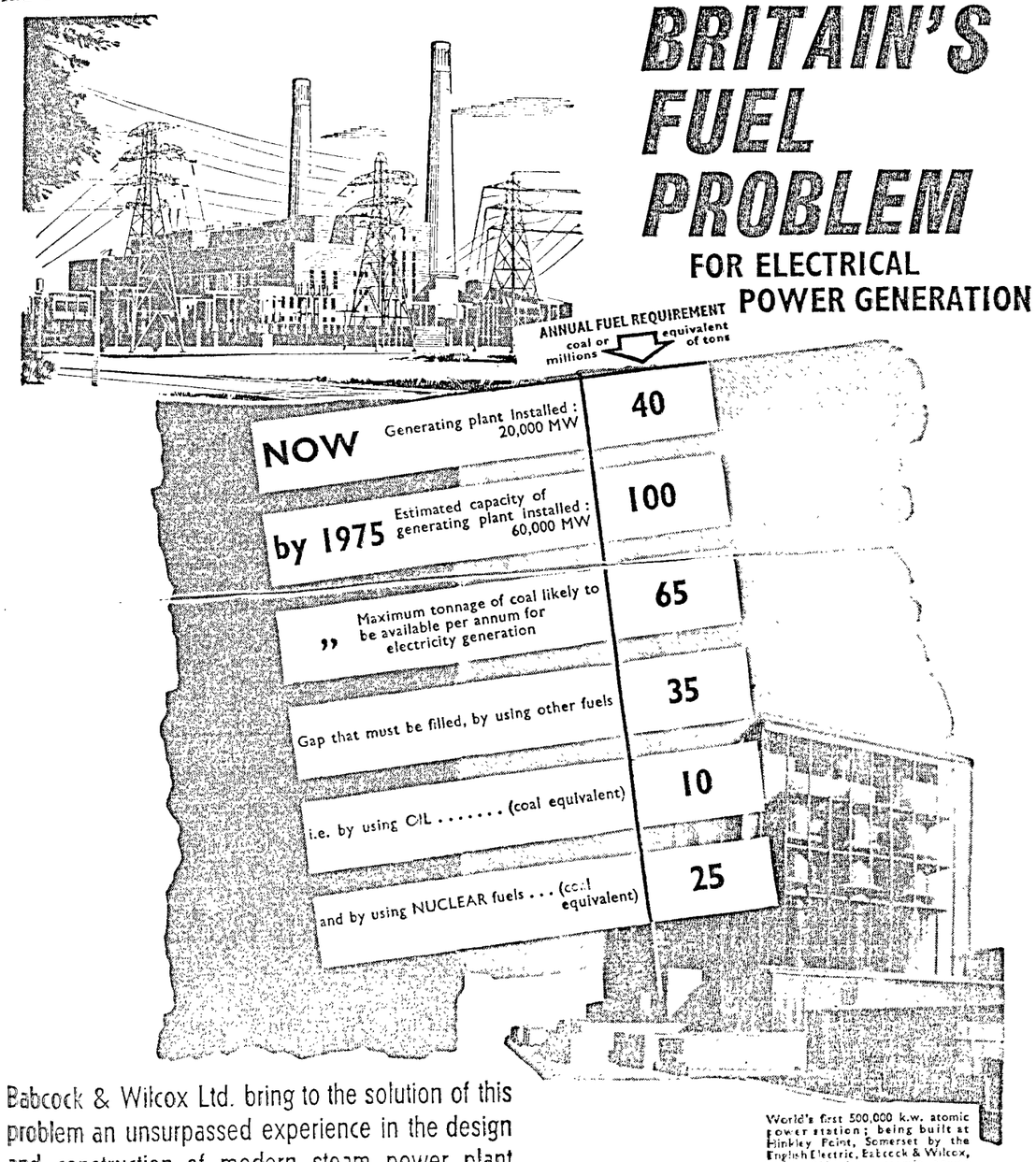
In mid-February, Mr Cobbold described the battle against inflation as "only half won." Now he says that "inflationary pressures, though damped down rather more clearly than was evident six weeks ago, are still lurking around." In view of the patches of recession round the world, the "worst service" we could do to prospects of high employment would be to allow inflation to price Britain out of world markets.

IN THE MARKETS

Funding at Six Per Cent

NOTHING more than a tactical surprise on timing was involved for the markets in last week's Bank rate reduction. Few changes have been more fully discounted in advance by market prices. Therefore it was to be expected that after the tactical surprise had worn off, markets might revert to their previous pattern. The investor who ten days ago felt modestly confident about gilt edged, but who feared that a revival in industrial stocks was not yet due, can logically hold the same view today. Very broadly the behaviour of the market suggests that he does. Gilt edged have held steady. The *Financial Times* Government security index at 81.15 on Wednesday held part of the gain it made on Thursday and Friday of last week (when it rose from 80.87 to 81.40). *The Economist* indicator of ordinary shares at 176.0 shows a rise of 2.2 on the week, but that was less than the gain shown on Bank rate day. The market has since been sagging, and the start of a new account on Wednesday did little to help.

But even after a Bank rate move that has been widely foreseen there must be some repercussions. The least satisfactory of these is that on funding through the market; the selling of stock by the Government broker, which was heavy just before the Bank rate change, has now practically stopped. Does this mean that the donkey has been allowed to eat all his carrot, as he was with unhappy consequences in February last year? It is reasonable to hope that it



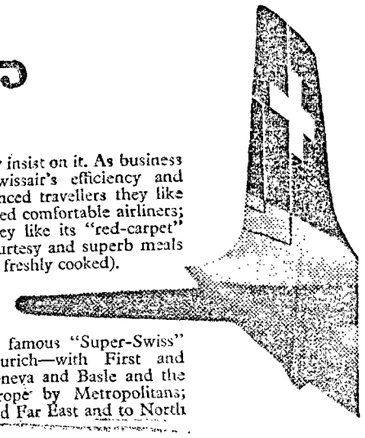
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does not. Fairly substantial semi-speculative purchases of gilt edged were made in the weeks during which a Bank rate move was expected. When profits on these purchases have been taken, funding should be able to start up again. In terms of pure market technique, the approaching repayment of the £676 million of 4 per cent Conversion stock 1957-58 may tempt some holders next month to sell to the Government broker before the stock goes ex interest for the last time, and some buying by the banks and others of the 5½ per cent Exchequer Stock, 1966, may follow and set the ball rolling again. The terms of the next corporation issue, expected quite soon, may also affect the market. If the 6 per cent series of issues is ended, and a new series of 5¾ per cent or 5½ per cent stocks at a discount is started, buyers will come in, hoping that subsequent issues will be made at diminishing discounts. The expected diappearance of 6 per cent coupons obviously had much to do with the success of the £3½ million debenture issue by Land Securities Investment Trust.

Outside Rates Adjusted

OUTSIDE the strict run of stock exchange securities the alterations in rates needed by the Bank rate change were substantial. These changes do not include building societies, now congratulating themselves in having mostly stood firm against raising either the 6 per cent rate on mortgage advances or the 3½ per cent net paid on shares. Their hope now is that the 3½ per cent rate, equivalent to just over 6 per cent gross, will look much more attractive so that they will be able to lend more on mortgages. But a marked adjustment is now needed in the rates for mortgage and temporary money that the local authorities are still paying. The table shows how they had moved by the middle of this week. But brokers and local treasurers still have divergent ideas and it would not be right to look

MORTGAGE MARKET RATES

	End September, 1957 %	March 18, 1958 %	Now %
Temporary Money:			
7 days.....	7	7	6¼—6½
Mortgages:			
2–5 years.....	7½—8	7 —7¼	6½—6¾
7–10 years.....	7½	6¾—7	6⅝—6¾
15 years.....	7¼	6¾	6¾
20 years.....	7	6¾	6

upon the adjustment as complete. At this time of year many local authorities are short of money and some "hot" 48 hour notice money has again been taken this week at about 6⅛ per cent, against 6¾ to 6⅞ per cent before the Bank rate change.

In the field of hire purchase finance there have also been marked changes in the rates that hire purchase companies pay on deposit money—though not so far on their agreed

FINANCE HOUSE DEPOSIT RATES

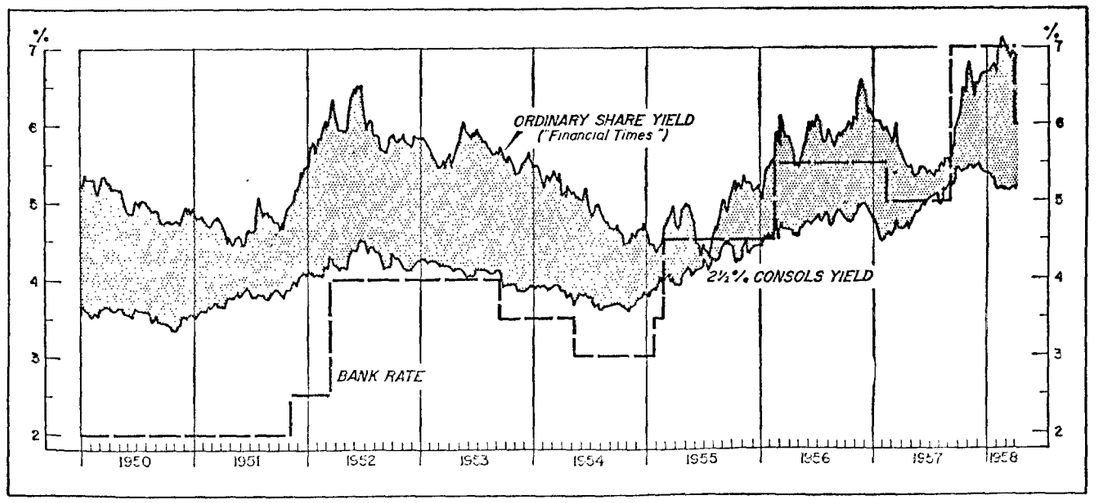
(First Class Houses)

	Before Bank Rate Change %	Now %
6 months.....	Up to 8½	6½—7¼
3 months.....	Up to 8	5½—7

scale of charges for hire purchase accommodation on cars. It is argued that the true interest element in that "service charge" is too small to warrant any change yet. Those finance houses that link their deposit rates to Bank rate have dropped them by one per cent but at least one other is paying 1½ per cent less.

The Spread of Yields

LAST September industrial equities were being bought as a hedge against inflation and even devaluation while gilt edged were being sold for the same reasons. The yield on the shares that compose the *Financial Times* index became almost identical with the yield on Consols. The events of September 19th threatened recession for many industrial companies and put new strength into gilt edged. The yields diverged until recently there has been nearly two per cent between them. The gap has been as wide twice before in the past decade, but it has been no wider.



Money Market Reactions

THE first adjustments in the money market to the 6 per cent Bank rate reflected the assumption that the rate would be kept effective; and the authorities have lost no time in making it so. Hence the flexible rates have come down by notably less than 1 per cent. The Treasury bill rate at the tender last Friday fell by no more than ⅞ per cent, to 5⅞ per cent; the margin below Bank rate was only a trifle wider than that after the increase to 7 per cent, when the bill rate went considerably higher than had been expected. Credit in the market has been kept tight, and help on Bank rate terms has been needed on two occasions; even so, with average money costs down by nearly 1 per cent to just under 4¼ per cent, the margin on bills at the new rate has widened considerably.

The bill rate may therefore be expected to come under pressure in coming weeks. World influences are still pointing strongly downward. The American Treasury bill rate fell again this week to a new three year low point of 1.19 per cent, and the official discount rate has been reduced in both Holland (from 4½ to 4 per cent) and Belgium (from 4½ to 4¼ per cent). On balance, the interest differential between Treasury bills in London and New York has narrowed, but it is still fully 4¾ per cent; moreover, the narrowing was offset by a corresponding movement in the margins on forward exchange, so that the net margin on this type of covered arbitrage remained broadly the same, at ⅜-½ per cent. On Wednesday, however, the forward premium on the dollar widened under the pressure of arbitrage money, and the net margin fell to about ½ per cent.

An intriguing feature of the market's recourse to penal assistance on both Friday and Monday was that for the first time since 1931 some of the help was taken by discounting bills, rather than by taking loans on the security of bills. Although both discounts of first class paper and loans on the security of good paper are now charged at Bank rate, discounting is normally notably more expensive—as indeed it often was before the war when loans were made at ½ per cent above Bank rate; for the average life of bills in the parcel discounted has to be a minimum of 21 days, whereas the loans can be taken for a minimum of seven days.

Several factors could have influenced this unusual choice. As the trend of rates is downward, the banks naturally favour the longer bills, and some small houses may be finding themselves with an undesirable hump of April maturities. Moreover, since these bills were acquired at 6¼ per cent, discounting at the new penal rate does not involve actual loss. There may also have been tax considerations for houses whose accounting years end on March 31st.

FOREIGN EXCHANGE

Sterling after Bank Rate

STERLING has stood up impressively to the reduction in Bank rate. It has continued in good commercial demand from New York and the rate in the official market, which was $2.81\frac{7}{16}$ before Bank rate was reduced, has since strengthened to $2.81\frac{9}{16}$. For some weeks before the reduction, anticipatory selling of sterling from the Continent had occurred regularly each Wednesday only to be followed by covering purchases on Thursday and Friday after the "no change" announcement. But when the event did occur, the speculators were proved wrong. Sterling did not fall and the small but regular losses they had made by short selling in previous weeks could not be recouped. The undertone of sterling continues extremely firm both on commercial and capital account.

Sterling has been less firm against Continental currencies. The Deutsche mark has again been outstandingly strong; Dutch guilders, however, have weakened slightly following the reduction in the Netherlands Bank rate and Belgian francs were also sold this week in anticipation of a comparable move by the National Bank of Belgium. The evidence of the foreign exchange market suggests that the Exchange Equalisation Account must again have bought dollars and certain Continental currencies on a fair scale during the past week. If that is so it should imply that the end March gold and dollar reserve figures, due to be published next Wednesday, should show a reinforcement well in excess of the $94 million received from EPU in respect of Britain's February surplus.

BANK FIGURES

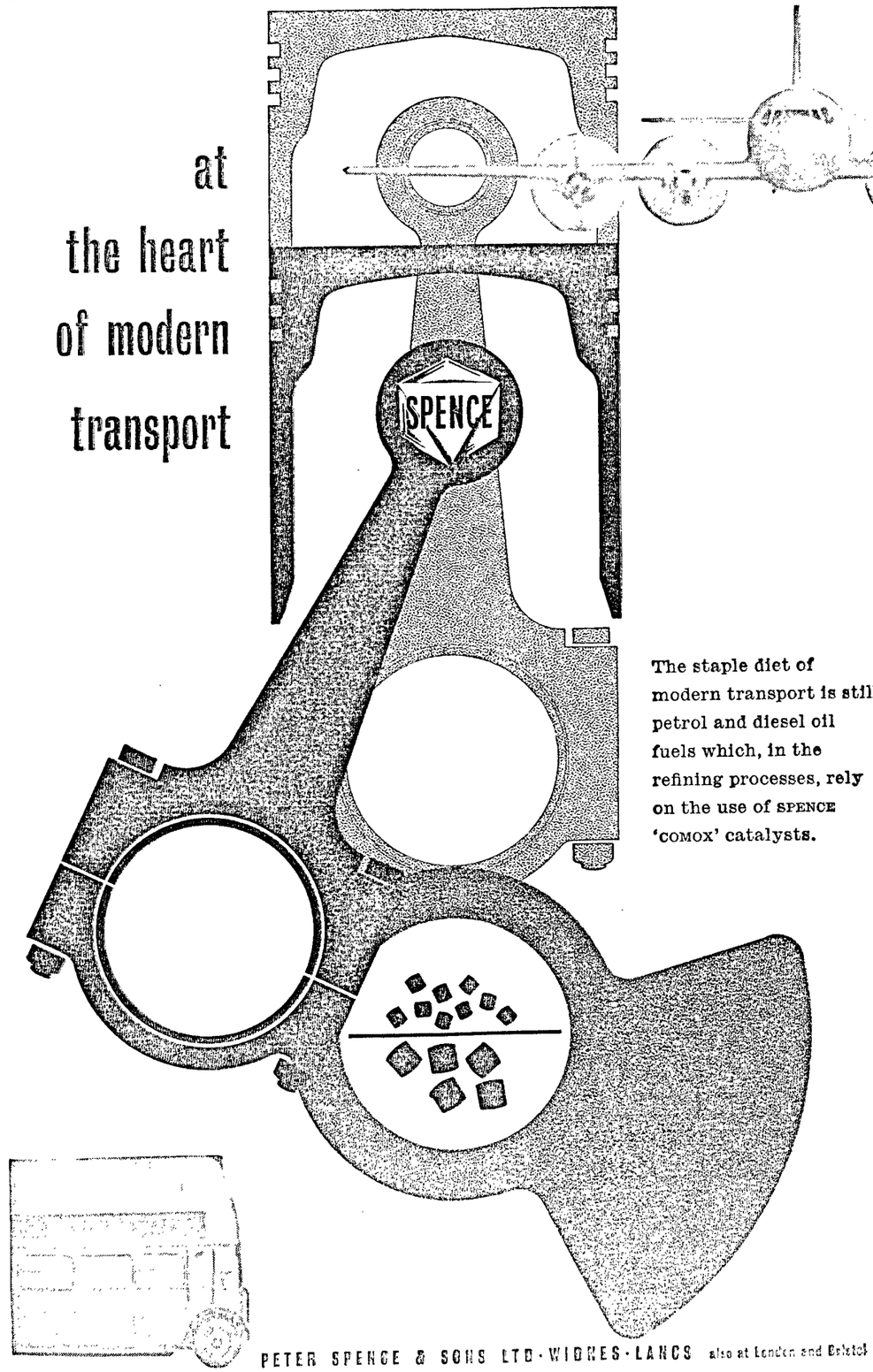
The Credit Trend

THE first bank statements for mid-March show that the seasonal decline in deposits continued in the four weeks from mid-February, perhaps a little more strongly than in recent years. The figures of ten clearing banks (all except the National) show a fall in gross deposits of £37.8 million, and a rise in balances in course of collection of £8.1 million; hence net deposits of the ten banks are down £45.9 million, compared with a fall twelve months ago for the eleven banks of £32.8 million. Liquid assets are now down by nearly £95 million, reflecting the Exchequer's repayments of bills from the proceeds of the tax influx. Advances at the ten banks are up £37 million; and £21 million of this is attributable to the National Provincial, whose figures are affected by a certain number of especially large accounts. But this month's increase in advances as a whole is not unduly large for the season, and it does not imply that the recent downward tendencies have been reversed. In March, 1957, clearing bank advances rose by £53 million, despite repayments by public boards of £17.7 million. The banks still show no concerted move into gilt edged; investments are up by £9.7 million, but the increase is attributable wholly to Lloyds Bank, which also purchased £13 million of gilt edged in January.

PUBLIC INDUSTRIES

Finance for Expansion

THE present system of advancing capital to the nationalised industries from the Treasury, instead of the issue of Treasury-guaranteed stock, about which the Chancellor of the Exchequer has given notice that he will announce his future intentions in his budget speech, was announced in Mr Macmillan's budget of 1956: but the first advances were not made until August 17th of that year. Accounts of these transactions during the financial year to March 31, 1957, with some comments by Sir Frank Tribe, the Comptroller and Auditor-General, were published this week: they were prepared by the Minister of Power and the Secretary for Scotland, who hand the money over to the Gas Council and Electricity and the two Scottish electricity boards respectively. During the eight months in question,

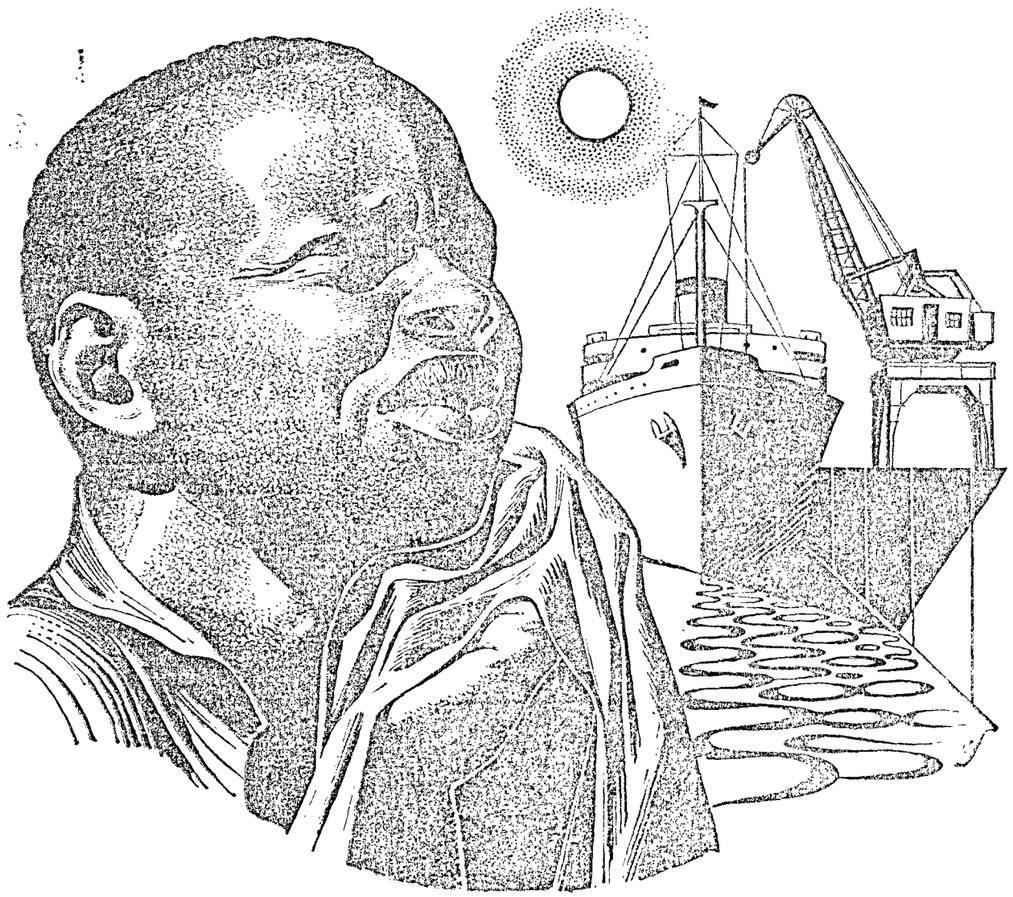


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£199,150,000 was advanced to these four public corporations for their long-term capital requirements and to repay their bank overdrafts: another £184,400,000 had been advanced during the current financial year and the corporations had repaid about £8 million.

The industries draw their advances monthly in accordance with requirements: they pay rates of interest reckoned to be suitable for long-term Government-guaranteed stock at the date that they are made, and are being repaid on the annuity basis of equal instalments, over 25 years for the Electricity Council, Gas Council and South of Scotland Electricity Board, and over 30 years for the Scotland Hydro-Electric Board. Sir Frank Tribe commented, in his report on these accounts, that the change in method of financing appears to have saved these public corporations considerable expenses in connection with the issue and management of stock.

Finance for Deficits?

PART of the ugly financial prospect faced by the National Coal Board this year, Sir James Bowman explained to the National Union of Mineworkers this week, could be the need to borrow from the Treasury to meet its interest charges as well as its capital requirements: the board is anxious not to have to share the ignominy of the British Transport Commission. The sort of deficit that would force it into that expedient—the figure of £40 million for this year has been mentioned—is what could happen if demand for coal continues to drop at the rate so far this year (800,000 tons down inside Britain in the first ten weeks, in spite of colder weather, with exports down another 750,000 tons) and the board were to take no emergency measures. It is doing so: suspending Saturday mining this summer and recruitment indefinitely, and reviewing its programme for closing uneconomic pits.

It analyses the fall in demand as due first to consumer resistance, owing to the continued increase of coal prices. In the fields where oil competes directly with coal, its consumption went on rising last year (the Coal Board reckons it was equivalent to 19½ million tons of coal last year against 12 million the year before, in spite of Suez): and oil price cuts recently amounted to 5s.-10s. a ton (say 8s. 6d.-17s. per ton of "coal equivalent"). The cut in output in some of the main coal-using industries contributed, so did growing efficiency in the use of coal. Abroad, with Transatlantic freights down to 22s. a ton, the Americans are undercutting British export prices by £1 a ton and the Poles, who will vary their prices to fit any market, by £2 a ton (the Poles are offering large coal f.o.b. at 75s. a ton). British coal is thus increasingly uncompetitive on the Continent—which in any case has as sharp a recession in demand as Britain, with the High Authority of ECSC considering financial assistance to its mining members to help bear the cost of stocks. Stocks are costing the NCB dear, too: and productivity in the industry has dropped so much since the peak of last year that current costs are dangerously high.

Suspension of recruitment apart from juveniles (for most pits), which at its present rate might allow manpower to run down by 15,000 or more in a full year, can clearly save money. Saturday working can be highly profitable in some areas: but not if the coal is not sold. There were 167 pits in 1957 that lost £1 a ton on all the coal they produced: only a limited number will be closed, unless matters get worse. Pit managers have been told to act, with or without union co-operation, against persistent absentees. The board will not consider cutting opencast (which being "let" on long term contracts, could not be cut quickly anyway): it needs the 13s. 5d. a ton it made on the 13½ million tons of opencast coal produced last year.

BUILDING SOCIETIES

Scottish Amicable's Future

SELDOM has a large building society been so unhappily placed as the Scottish Amicable Building Society. This is the largest society in Scotland, with total assets of £24.8 million. The sudden death a fortnight ago of Mr W. S. Allison, the chairman and managing director, soon after the death of his son, Mr W. D. M. Allison, the deputy managing director, has left the remaining directors the legacy of serious depreciation on the investment portfolio. On January 15th, the society's gilt-edged securities showed a depreciation of £1,428,012 on their book value of £5,552,200; this depreciation exceeded by £430,219 the reserves of £997,793. In consequence, the shareholder's invested £1 was not quite covered by 20s. of assets. The investments have been partly carried by a bank loan of £180,000 which remains outstanding.

How did Scottish Amicable get itself into this difficulty? The history is not easy to unravel, for investment policy seems to have been kept in the managing director's own hands. The movement of the book value of the portfolio, which jumped from £4 million to £5½ million in the year 1954-55, and the fall in cash resources in that year suggests that a big buying movement occurred then. A really big depreciation on investments became apparent in the 1955-56 accounts, and from then on the society seems to have gone

ASSETS AND DEPRECIATION
(£'000s)

On mid-Jan.	Total assets	Mortgages	Cash	Investments*	investment depreciation	Reserves
1953	19,289	14,587	721	3,242	*689*	820
1954	20,783	15,685	758	3,963	*500*	922
1955	22,932	16,476	436	5,546	*398*	1,043
1956	24,026	17,338	701	5,502	*1,106*	1,057
1957	24,605	17,366	787	5,677	*1,162*	955
1958	24,763	17,458	949	5,552	*1,428*	998

* At book values.

slow on mortgage advances. From the evidence of the speech that Mr Thomas Johnston, the respected president, made at the meeting last week it seems that the buying must have included undated stocks: "These securities have been staggered so far as maturity dates are concerned. Government stocks which are undated are, of course, a separate problem." Members are entitled to feel regret that Mr Johnston did not tell them ever what period the dates are staggered, nor the date of the last of them, and that he did not disclose how far the "separate problem" had been dealt with.

As to the future the new board has given no clue. Even a depreciation of £1.4 million should be wiped out by time and a conservative policy. Meanwhile, other building societies are showing interest. To take over the Scottish Amicable at a moderate immediate loss might be justified, the argument runs, by the advantage of a foothold in Scotland. The Alliance is certainly interested and another larger southern society is believed to be, but the general expectation is that the board will carry on independently for the

present at least. Whatever the outcome, the moral for the building society movement must not be lost: liquid assets must be truly liquid. They are there not to earn a high rate of interest. They are there to support the society's obligation to repay its depositors and its shareholders.

CHURCH OF ENGLAND FINANCES

Pooling the Trust Funds

SEPARATE from the general fund of the Church Commissioners, there are scattered up and down the country trust funds designed to further the objects of the Church of England. These include the capital fund of the Central Board of Finance, the trust funds of the dioceses, educational trusts and trusts administered by parochial church councils. Often they are managed by trustees with little investment experience; often they are too strictly confined to gilt-edged stocks by the Trustee Act; and often they are too small to allow the advantages of effective investment spread. A measure has just received the Royal Assent to permit these trusts (which themselves will remain separate entities) to pool their invested funds under a single managing body with powers of investment wider than those laid down in the Trustee Act. The Central Board of Finance is now inviting these trusts voluntarily to come into the scheme. To cater for the requirements of individual trusts, it offers three options:

1. *Investment Fund.*—Moneys contributed to this fund can be invested in the full range of stock exchange securities (including equities) and in property. The trusts participating will in effect become holders of non-transferable shares in the pool. Every six months the fund will declare its dividend and be valued, and money can be put in or taken out only on these valuation dates. The fund, like a unit trust, accepts the risks of capital appreciation or depreciation, and the sum withdrawn will reflect that change in capital value. But the managers of the fund can hold back part of the income and use it to build up the capital fund or to even out the dividend payments. If eventually there is any need to pursue differing dividend policies, the measure allows for more than one investment fund to be set up.

2. *Term Deposits.*—Deposits can be made into this fund at fixed periods of the depositors' choice at a fixed rate of interest agreed at the time of the deposit. The depositor (unlike the member of the investment fund) will draw out exactly what he put in, so that the central board of management is at the ultimate risk if the deposit fund shows a capital loss. Presumably these deposits will largely be invested in local government mortgages, though the fund also has power to invest in trustee securities, building societies and also in the investment fund.

3. *Short Term Deposits.*—The same sum of money as was deposited can be withdrawn under this arrangement at short notice. The deposits can be invested in the same range of investments as the "term deposits." Presumably some of the money will find its way into Treasury bills as well as short term local authority loans. Interest paid on these deposits will be determined at least once a quarter and applied retrospectively.

The volume of funds eligible for these schemes and the proportion of them which will in fact be contributed is unknown, but the size of the fund will be small as compared with the portfolio of the Church Commissioners. But both size and success will depend on the quality of management.

SCIENTIFIC MANPOWER

A Straw in the Wind

BRITAIN'S process industries are not short of pure scientists so much as practical scientists, men who can translate theory into a workable assembly of concrete, tubes, electronics and bent metal. One of the most notorious shortages has been that of chemical engineers, a discipline slow to win professional recognition in this country—although the industries that need them have been among the fastest growing in the economy. This gives special interest to a survey conducted by the Institution of Chemical Engineers which suggests that the worst of the shortage may soon be passing. Taking universities and technical colleges together, the survey indicates that where 277 chemical engineers qualified in 1956 (most of them at universities), by next year the numbers will have more than doubled, to 727, and should be running by 1966 at nearly 1,000 a year. If these estimates are reliable guides, the 47 per cent increase in the total number of chemical engineers between 1956 and 1959, which the 1956 government survey of manpower needs regarded as necessary to meet an estimated demand for 2,200 chemical engineers, should comfortably be reached.

The Institution itself feels that these figures should be interpreted with caution. It does not doubt either that enough boys will want to be trained (five apply now for one place), or that there will be enough places for them; but does suspect that estimates of teachers likely to be forthcoming err on the side of over-optimism. A chemical engineer can earn more in industry and has better prospects than he has in teaching; many advertisements for teachers receive no answers at all, and a good proportion of those who do apply are unsuitable. But the precise figures are probably less important than the indication they give that the watershed has been passed and that in place of the alarming shortages of trained men so repeatedly and regularly forecast, there may in fact be a situtation moving towards equilibrium.

DEFENCE RESEARCH

Uncertain Future

THE future of the Ministry of Supply's huge research establishments balances on a knife edge and depends very largely on how the agreements to co-ordinate defence research with Western Europe work out in practice. Several such agreements have been made in the past without any detectable material results. This time Mr Sandys's European tour seems to have been directed towards two objects: to break down the belief current ever since last year's Bermuda talks between the Prime Minister and President Eisenhower that Britain was interested only in a trans-Atlantic exchange of ideas and saw no future in cross-channel traffic; and to suggest that Western Europe might be interested in making use of the research facilities available in Britain for their own projects. Some of these facilities, such as wind tunnels, computers, high altitude test plant and the like are both expensive and slow to build. It might help the defence industries in Western Europe, particularly the reviving German aircraft industry, to have access to those already in existence.

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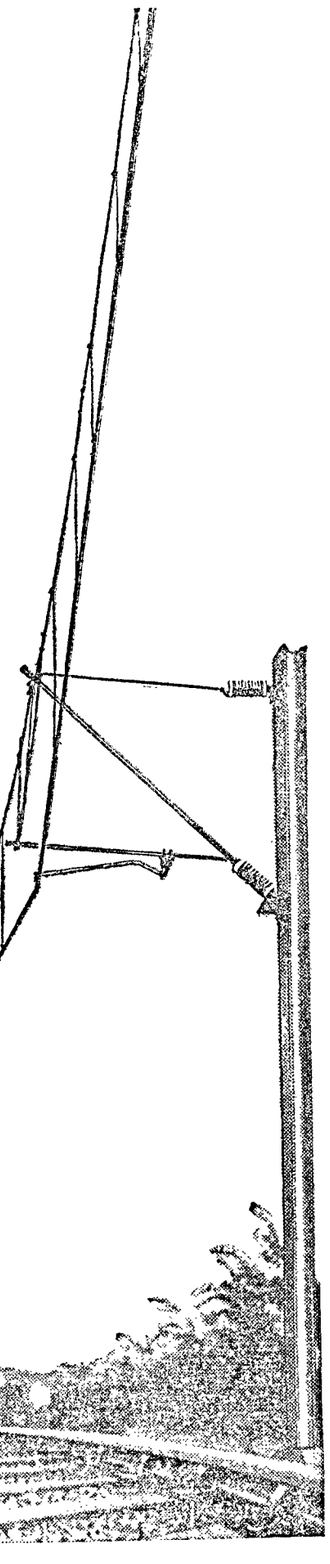
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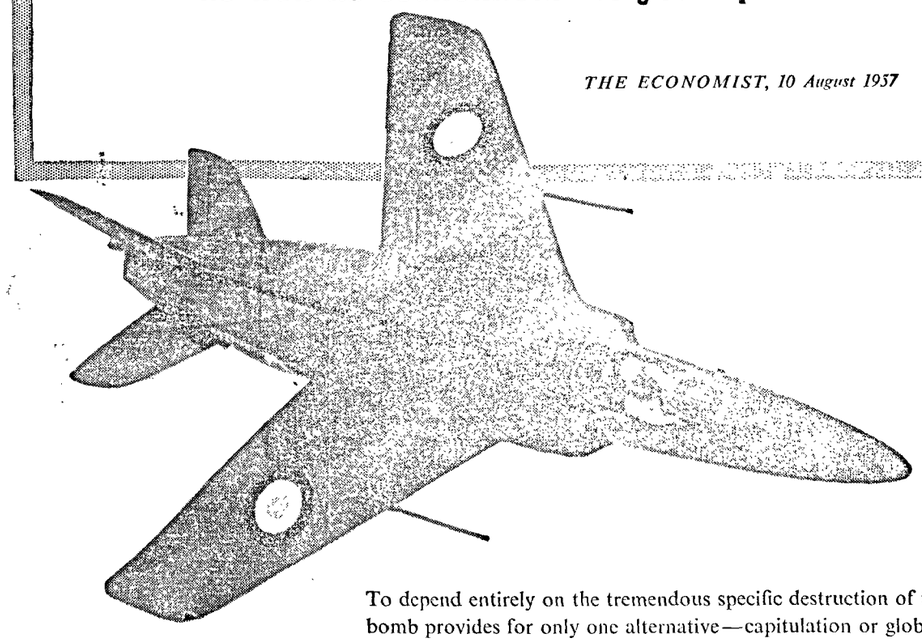
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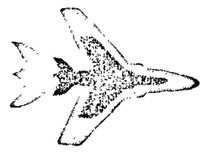
THE ECONOMIST, 10 August 1957



To depend entirely on the tremendous specific destruction of the nuclear bomb provides for only one alternative—capitulation or global war. It does not take into account British commitments in Nato and elsewhere; or the sporadic raids across ill-defined international frontiers which could become the flashpoints of a third world war. Mobility of conventional forces remains the only effective deterrent to local conflicts.

The GNAT light jet fighter heralds a new trend in fighter design. By brilliant and unusual concepts in design and manufacture the GNAT equals and in many respects surpasses the performance of the conventional fighter—yet it can be built and maintained at only a fraction of the cost of the standard fighter, avoiding the penalties of weight and complexity and the necessity for specially prepared runways. As a modern tactical fighter the GNAT is the right aircraft, for the right job at the right time.

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What is more important to Britain, such an arrangement would prevent these costly facilities from being underemployed, as they most certainly will be under the reduced defence research programme. The Ministry of Supply's research expenditure for the coming financial year has been cut by an estimated £6 million to £217.4 million, and a further £3.3 million lopped off the cost of works at its research establishments. Since this vote provides a convenient heading under which to tuck away awkward items like nuclear weapons on which the government does not want to reveal its precise expenditure, the fact that the total vote should fall at all at a time when the effort put into such weapons and into exotic carriers like ballistic missiles is rising shows how big the cut must be in other—genuine—fields of research. No more projects are likely to be cancelled; what is happening is that few new ones are being fed in at the other end of the pipeline. By 1961 or 1962, the British forces may be only too grateful to accept weapons designed and made in other countries for they may be bringing forward very few designs of their own.

SOUTH AFRICA'S RESERVES

Dollars Drawn from IMF

SOUTH AFRICA has this week bought $25 million from the International Monetary Fund and has in addition arranged a standby credit for a like amount to be available over the next twelve months. These dollars are equivalent to the gold tranche of South Africa's subscription to the Fund and have, therefore, been obtained cheaply and without need for prior authorisation. South Africa's gold and exchange reserves have been falling steadily during the past year. At the end of March, 1957, they stood at £136,500,000, of which £53,300,000 was in exchange, mostly sterling, and £83,200,000 in gold. By the end of 1957 the total had fallen to £103,200,000 and the latest figure—for March 21—was £89,060,000, of which £18,800,000 was in exchange and the balance in gold. The sharp diminution in exchange holdings may partly reflect capital movements springing from the disparity between interest rates in South Africa and London. But South Africa has also recently introduced a considerable liberalisation of imports.

LIFE ASSURANCE

Bumper Bonuses

THIS year's bonus declarations by the life offices show how profitable participating contracts can be at a time of dear money and increasing longevity. With one exception, all the offices that have declared a bonus or changed their interim bonuses on policies becoming claims between valuation dates are paying more. The cost of getting a record amount of new business and all-round increases in other expenses have been offset by profits from longevity and by buoyant interest income; high yields on fixed interest stocks and rising equity dividends are the key to big bonuses. Not all the dividends however, have risen in step with the bonuses; like the Prudential, Pearl Assurance has increased its bonuses but, unlike the Prudential, it has left its tax free dividend unchanged—at 70 per cent. Good news is not confined to holders of with-profits life policies. Pension deferred annuities with profits, both for employees and for the self-employed, are receiving higher bonuses, as are industrial policies.

The further depreciation of their stock exchange securities that all the offices suffered in 1957 will not affect bonuses. Most offices had more than sufficient hidden reserves still in hand to absorb the whole of last year's investment losses—and these losses will eventually be recovered in so far as insurance company portfolios consist of dated stocks. Other offices can, with perfect propriety, adjust the basis of their actuarial valuation to take account of the higher prospective rate of interest and use the reserves thereby released to write down their assets.

ORDINARY LIFE BONUSES

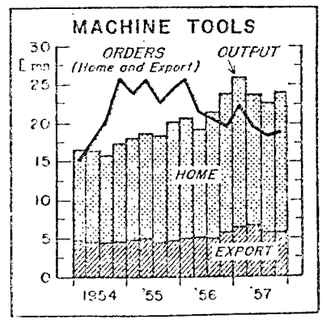
Office	Reversionary Bonus (per cent.) Old rate	New rate	Office	Reversionary Bonus (per cent.) Old rate	New rate
Britannic	40/– S	42/– S	Prudential (c)	42/– S(b)	44/– S(b)
Commercial Union	42/6 C	50/– C	Royal Exchange	42/– S	50/– S
Co-operative	40/– S	40/– S	Scottish Equitable	45/– C	46/– C
Life Assoc. of Scotland	36/– S	45/– S	Scottish Mutual	40/– S(d)	44/– S(d)
London & Manchester	40/– S	42/– S	Scottish Provident	42/– C(d)	45/– C(d)
National Farmers (c)	30/– S	40/– S	Scottish Widows'	44/– C	46/– C
National Provident	42/6 S(c)	52/6 S(c)	Sun Life	40/– S	46/– S
Norwich Union (a)	42/– S(d)	45/– S(d)	Wesleyan & General	32/– S	36/– S
Pearl (a)	40/– S	42/– S	Yorkshire	45/– S	50/– S

S Simple bonus: C — Compound bonus. (a) U.K. business: (b) Policies issued before 1955 receive additional bonuses on death or maturity. (c) Minimum: (d) On endowment assurances: whole life bonuses are different.

MACHINE TOOLS

Steady but still Busy

THE rate of new orders for machine tools from home industry and from overseas would appear to have levelled off since last summer to roughly £6 million or so a month. But as the monthly rate of output has meanwhile been running at almost £2 million more than that, the industry's total order book has been steadily falling. Last December it contained £79 million worth of business, £26 million less than at the peak of the boom in orders for home investment in the spring of 1956, and equivalent now to only nine months' future work. Generally it is the more standard type tools that can be delivered most readily, by some firms straight from stock, while the specialist tool makers are on the whole still well booked up. But the position does vary from firm to firm: one manufacturer of turret lathes can still only offer two years' delivery whereas a competitor with an almost similar type of tool is able to deliver in a couple of months. This shortage of business for a few firms in the industry has already begun to affect their rate of output. Total production expanded much more slowly during 1957 and November and December output was actually a little smaller than at the end of 1956—too short a period, however, to be taken for certain as a definite new trend in the industry's activity.



Nevertheless the £87 million worth of tools manufactured last year represents an increase of almost half on the value of the industry's output in 1954 before the investment boom. Allowing roughly for price increases, this probably means an increase in volume of between 10 and 15 per cent in the three years. Only in 1956 did the industry become a net importer of machine tools—when exports reached £21 million and net imports £25 million—so unlike the rearmament period during and after the Korean war the industry managed broadly to meet the demands of British industry (and retain its sizeable export trade). Delivery delays increased on average to about 15 or 16 months at the peak, which suggests that the industry, while avoiding overexpansion, managed to step up its capacity only to what it deemed prudent. The present drop in American machine tool production and the extent to which labour has had to be laid off there is the latest example of a lesson the British industry can now claim it was wise not to forget.

MONOPOLY CONTROL

Agreement over Oxygen

An agreement has now been reached between the British Oxygen Company concerning practices of the company that were criticised by the Monopolies Commission in February, 1957, when it held that "conditions laid down in the Act" did exist in the supply of oxygen and dissolved acetylene, and operated against the public interest. The company's undertakings cover a fair variety of subjects. It has told the Board of Trade that:—

- a substantial research effort is being made and will continue;
- it will not take over other producers of these gases with the object of adding to its monopoly position;
- it will not use subsidiaries as "fighting companies" to eliminate competitors;
- it will sell gas in the quantities customers require without stipulating that they buy all their requirements from it alone;
- it will similarly sell gas-using equipment without any "exclusivity" require-conditions about taking gas;
- it is already publishing price scales for oxygen and acetylene for all customers except those taking oxygen in "tonnage" quantities, where prices will be negotiated according to geographical situation and regularity of demand;
- these published scales will apply to all customers save those who get their gas free of increase in price over 12-month periods as a reward for agreeing to buy some minimum quantity during that period; and that
- the company's quotations for plant shall be based exclusively on the need to sell plant, independently of its interest as a supplier of gas.

These undertakings cover most of the specific points criticised by the Commission last year. The Board of Trade, which took no action on the Commission's recommendation of price control for BOC, remarks after detailing these undertakings that it had "thought it desirable to draw the company's attention to the powers conferred by Section 12 of the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948"—which refers to its powers to ask the Monopolies Commission to report whether undertakings of this nature are being complied with in practice.

COTTON WEAVERS

New Redundancy Scheme

Shades of the great redundancies of the 1930s, when the Surplus Spindles Board, buttressed by a statutory levy, set about reducing the number of cotton spinning spindles in Lancashire in the hope that scrapping surplus spindles would leave a livelihood for the remainder, are conjured up by the new redundancy move in cotton and rayon weaving. But Weaving Reorganisation Limited, just registered with a nominal capital of 100 shares of £1 each, will not work in quite the same way as the prewar spinning section scheme. It represents a private effort of the two weaving trade associations—the Cotton Spinners' and Manufacturers' Association and the Rayon Weaving Association—and it will rely on private finance to buy up and scrap surplus looms.

The chairman is Mr J. H. King, formerly general manager and now a director of Williams Deacon's Bank. The other directors, Sir Cuthbert Clegg, Mr E. W. Cockcroft, Mr J. D. Greenwood, Mr S. L. Mason, Mr R. W. Pennington and Mr W. T. Shackleton, appear to represent the weaving associations notwithstanding that Sir Cuthbert Clegg is also a local director of Martins Bank. It is proposed to raise most of the finance from outside the industry and, part of it in the form of interest-bearing loans, and an application is to be made to the Capital Issues Committee. Obviously, the sponsors must be thinking in terms of bank money, but it is not clear that the connection with Williams Deacon's is closer than the chairman's personal one. The appeal to sell to the new company and be closed down is intended mainly for those cotton manufacturers who have not re-equipped, but the terms that will be offered to such mills have not been disclosed. One important provision in the particulars registered requires not only every director but every servant of the new company to pledge himself in advance to strict secrecy in order to protect those who may wish to negotiate the sale of their looms.

That cotton weaving, with 78 per cent of Lancashire's 209,000 installed looms working, has a redundancy problem is not doubted. Weaving at the moment is certainly the least prosperous section of the industry. The doubt must obviously be whether, while imports remain unrestricted, the mere removal of the surplus (and presumably weakest) part of the weaving industry will automatically bring more business to other Lancashire looms rather than to Hongkong, India and Pakistan. The weavers think it worth trying. They will think their chances much better if the Board of Trade delegation now in Hongkong, headed by Sir Frank Lee, does succeed in getting the Asiatic members of the Commonwealth to accept a quota limitation on shipments to this country.

RECEIPTS

Lord Hailsham Dissents

Lord Hailsham's exhortation to the business community "to go back to the sensible practice" of giving stamped receipts is not likely to check the economical practice of abandoning them. The way in which last year's Cheques Act provoked the quite unexpected revolt against receipts is a minor oddity of business history, but several

big businesses had given up calling for receipts a long time before the Cheques Act was conceived, and some had successfully asked their suppliers to do without them too. Many more firms and some state boards have now followed the pioneers' lead—and a few have pushed the change beyond propriety, by ignoring legitimate requests for receipts from the few payers who want them.

It is possible, though laborious, to discipline such offenders, and a few examples might be a useful reminder that doing without receipts must be by consent of both parties; but it offers considerably more saving than the receipt stamp alone, and despite a small and vocal opposition, the abandoning of receipts has clearly come to stay. Perhaps the only danger, as opposed to inconvenience, in the new practice is that when no receipt is expected it will take longer to discover that a cheque has gone astray, and the resulting delay in "stopping" the cheque may make it easier for the money to get into wrong hands; but if the cheque was properly drawn in the first place the risk of misappropriation is slight. The Chancellor of the Exchequer said some time ago that paid cheques will be accepted as evidence of payment in support of maintenance claims under Schedule A. After something so near to governmental approval of the change it is too late to try to reverse it.

SOFTWOOD

Stockpile Sold Out

The remaining 55,000 standards of the British Government's strategic reserve of softwood have now been sold to the trade. Thus the stock built up largely during the war to a maximum of 233,000 standards has been entirely disposed of since May, 1956. The wisdom of selling on a weakening market may be open to question. Commercial stocks of softwood in this country amounted to the substantial figure of 543,000 standards at the end of January and will, some importers argue, need to be reduced by about 10 per cent by the end of the year. So British imports in 1958 seem unlikely to exceed 1.3 million standards, against well over 1.4 million last year. The Russians meanwhile remain substantial sellers. Since December they have sold 120,000 standards on the British market and they have recently offered a further 70,000 standards at reduced prices. Redwood fourths as an example are offered £3 a standard lower than at the beginning of this season. Lower freight rates have also brought Pacific Coast Canadian timber into the picture and some has been sold as low as £67 a standard cif. Only the Scandinavians are now taking the opposite view and holding firm in the hope of an eventual revival in British buying.

SHORTER NOTES

The figures given in the Business Leader "New Pattern for Electricity" last week for the capital employed in the Central Electricity Generating Board and the Area Electricity Boards were wrongly described as "written-down values." They were in fact original book values at historical cost, before taking account of amounts so far provided for depreciation.

* * *

Mr C. W. Hutley and Mr G. F. Farrow, joint managing directors of the property company, A. Peachey, have acquired a controlling interest in Bell London and Provincial Properties, which owns a number of shops and about 1,400 flats (including a big block of flats at Marble Arch). The new policy "will be to negotiate fresh leases with existing tenants."

COMPANY AFFAIRS

LEWIS'S AND HARRODS

The department store, says Mr S. H. Leake, the chairman of Lewis's Investment Trust, is "by tradition an opportunist organisation." At current prices, are the equities of these opportunist organisations opportunity stocks for investors? An immediate answer is suggested by the statement of Sir Richard Burbidge, the chairman of Harrods, that "the outlook for 1958 cannot be reviewed with a great deal of optimism." In 1957-58, the net profits of Harrods edged up from £1,049,361 to £1,073,565 and on the maintained dividend of 17½ per cent its £1 ordinary units at 55s. 9d.xd yield 6¼ per cent. In the same period the net profits of Lewis's Investment Trust fell slightly from £2,271,437 to £2,238,046, largely because of an initial loss on the trade of the newly opened Bristol store which, however, is "approaching a profit earning basis" sooner than the directors had anticipated. The trust's 4s. ordinary units on the maintained dividend of 17 per cent yield 5⅛ per cent at 13s. 3d.xd each. Does the gap in these yields indicate a different view of the prospects for a department store group such as Lewis's concentrating on the medium range of goods than for a group such as Harrods more heavily committed, especially in its London store, to the top range?

Whatever the reason it is clear that both groups have found—and will find—the competitive going hard. Costs are rising, prices may have to be trimmed and it is not easy to secure a big increase in turnover. Investors must therefore look beyond this year. They have done so, noticing that both groups have built or intend to build new stores—Lewis's at Bristol and Harrods in Birmingham—and have spent and are spending big sums on improving existing stores. Hoping for the fillip these developments may eventually give to earnings investors have to accept conservative dividends now, for the directors of both groups are intent on meeting the capital cost from retained profits. Another point that investors in department stores always have in mind is that underlying asset values far exceed current stock market prices. How much so was revealed by Sir Richard Burbidge when, in vigorously denying rumours about a take-over bid, he stated that the market value of building, plant and land owned by the Harrods group was double the book value of £10 million, giving an asset value of at least £5 per £1 ordinary stock. But to buy ordinary shares of department stores now is to accept bread today in the hope of jam tomorrow.

ANGLO AMERICAN

Last year's 10 per cent free scrip issue by Anglo American Corporation of South Africa pointed the way towards the liberalisation of its dividend policy. Rising profits and dividends from the new gold producers in the Orange Free State signposted the road still more clearly. Now the first big step along the road has been taken. The final dividend is set at 6s. per 10s. share (against 5s.), making a total payment for 1957 of 8s. per share (against 7s.); the final dividend is payable on the capital as increased by the offer by Anglo American to acquire a further holding in African and Euro-

pean Investment Company. That company is now controlled by Anglo American, which owns about 86 per cent of its equity, and it too has raised its dividend. In all, the total dividend of African and European, which has interests in coal as well as gold, has been increased from 3s. 3d. to 4s. per 10s. share.

The net income of Anglo American rose last year from £4,418,395 to £4,987,000 but that increase does not fully reflect the bigger dividends recently declared by some of its gold mining investments for their final dividends were declared and paid after the Anglo American accounts were closed. Thus another increase in its income is likely this year and it is upon this prospect as much as upon the latest dividend that the 10s. shares now stand at 125s. and offer a yield, low even for the leading mining finance house, of £6 8s. per cent.

ALBRIGHT AND WILSON

THE major chemical companies are now reporting good figures. Preliminary returns from Albright and Wilson for the year to December 31st make pleasant reading for stockholders. The ordinary dividend has been raised from 18 per cent to 20 per cent. On the news the 5s. stock units rose from 17s. 9d. to 19s. 3d. and on the new dividend they yield 5.2 per cent. Last year the consolidated trading profit, before depreciation and tax, advanced from £4,416,000 to £4,754,000 and the net profit after tax from £1,203,000 to £1,553,000.

But the most significant fact is that the advance in profits occurred in the second half of the year. Gross profits in the first half of the year were slightly down—from £2,292,000 to £2,234,000—because in 1956 the controlling interest in an American subsidiary, Oldbury Electro-Chemical, was transferred to Hooker Electrochemical, another American company which is not a subsidiary of Albright and Wilson, and the earnings of Oldbury were excluded from the 1957 reckoning. Dividends received from Hooker Electrochemical have, of course, been included. Thus the directors' prediction of "satisfactory" results in the second half of 1957 has been fully justified, with the gross profits of the Albright and Wilson group advancing in that period from £2,124,000 to £2,540,000.

MONSANTO CHEMICALS

ON the 13½ per cent dividend paid for 1957, the 5s. ordinary stock units of Monsanto Chemicals yield just over 5 per cent at a market price of 13s. 4½d. The yield looks ahead. The group is still growing fast, and last year its turnover rose by 11¾ per cent, its profits before tax rose from £1,722,887 to £2,098,104 and its net profits after tax rose from £884,485 to £1,029,832. But investors are looking well beyond these figures towards the completion of the Fawley developments.

So they will be encouraged by the remarks of the chairman, Sir Miles Thomas. After announcing that, with the technical assistance of the American parent company, Monsanto is preparing to enter the market "with a range of fully competitive polyethylenes," Sir Miles says: "During the current year we made an excellent start on the construction of the polyethylene plant at Fawley, and . . . the bulk of the building work and a large part of the plant installation is expected to be completed during 1958." This and other developments at Newport and Ruabon should, Sir Miles concludes, "not only consolidate but increase our home and export business" enabling the group to "take full advantage of any liberalisation of European trade." And Monsanto, he claims, already maintains "a higher proportion of direct exports than is general either in the British chemical industry or in British industry as a whole."

FORD MOTOR

THE full accounts of Ford Motor and the statement by the chairman, Sir Patrick Hennessy, which accompanies them, add little to the information investors have already gleaned from the company's half-yearly and full year's preliminary reports. The difference between the trading and profit experience of the first and second halves of the year was discussed in these columns on March 15th. Sir Patrick Hennessy draws attention to the contrast but, beyond a passing reference to the "important cost factor" of "high volume production," he does not explain why the change in demand had such a telling effect on profits. How telling is revealed in the following figures:

	1956	1957
Number of units sold at home	165,803	153,752
Number of units sold abroad	153,939	184,669
Total number of units sold	320,742	338,421
Total turnover	£145,673,493	£165,915,939
Gross profit	£3,735,945	£18,042,573
Net income	£5,514,356	£10,830,809
Ordinary dividend	7½%	9%

Sir Patrick, however, does point to the record level of exports and in particular to a "dramatic" increase in exports to the United States. But shareholders will regret that having fixed their gaze on the export market Sir Patrick does not add any comment about current prospects either in that market or at home. Clearly, however, Ford Motor is still planning for an eventual enlargement of its markets, for having spent £19½ million on fixed assets last year it still has outstanding contracts for £13¼ million. It has been able to finance these additions and an increase in stocks from £26.7 million to £29.9 million without appealing to the capital market. Indeed, over the year it built up its liquid balances still further—from £31.8 million to £37.4 million. But that reinforcement must surely be regarded as temporary, for "trade accounts, deposits and sundry creditors" have jumped from £25.9 million to the surprisingly large figure of £38.4 million.

BRITISH ALUMINIUM

ALUMINIUM production is not at the moment the happiest of industries, and British Aluminium is perhaps not the happiest of companies in that industry. This, the biggest British concern, has long been a producer of ingot aluminium on a relatively small scale and a fabricator of its own and other producers' metal on a large one. Much of the company's present growing pains, including the none too felicitous rights issue of 2,000,000 ordinary shares at 58s. last July, have been the outcome of the decision to assure supplies of aluminium by increasing on the production side. That decision has been overtaken by a buyers' market for the metal, the cut-back in the aircraft industry having led to a cut in the production of aluminium in North America. The ordinary shares stand at 44s. 9d. (to yield 5⅛ per cent) after a profit and dividend statement that can have lifted few hearts.

The final ordinary dividend, payable on the increased capital, is 8 per cent, in line with the prospectus forecast that the 12 per cent rate would be maintained on that increased capital. Trading profits for 1957 were, however, £273,733 down at £3,020,706. Those figures were struck after deducting a smaller depreciation provision of £810,165 (against £858,302) and a smaller allocation to plant replacement reserve (£200,000, against £250,000). The consolidated net profit after tax, thanks to a lower tax charge and a bigger investment income, was £1,247,389 (against £1,330,989) a sum which covers the 12 per cent dividend on the increased capital about twice. But the full impact of the recession was presumably not exhausted in 1957.

BEECHAM GROUP

THROGMORTON STREET has long had a bullish eye on the 5s. ordinary shares of the Beecham Group. Profits were shown in an interim report last November to be climbing rapidly and the second interim dividend was increased from 10 to 12 per cent after the first interim payment had been left unchanged at 10 per cent. Investors then began to think in terms of a total dividend for the year to March 31st, 1958, of 37½ per cent, as compared with 32½ per cent in 1956-57. They were too cautious; the directors have now announced a 100 per cent scrip issue and a final dividend of 9 per cent on the increased capital. Thus on the old capital the total payment has been effectively raised from 32½ to 40 per cent, or from 16¼ to 20 per cent on the new capital.

The increase, the directors say, is made "in the light of the information which they have at the present time" about the 1957-58 trading results. These will certainly be good and on the basis of the gross profit of £3.2 million earned in the six months to September 30th a full year's gross profit of £6 million or over (against £4.5 million in 1956-57) does not seem to be an impossible guess. But whatever the profits are, the dividend itself more than satisfied the market where the 5s. shares were marked up from 29s. 9d. to 32s. 4½d., to yield just 6.2 per cent on the new dividend.

BRADFORD DYERS

SINCE the sale of its controlling interest in Beida Dyers, Bradford Dyers has earned most of its profits in this country. As was noted in these columns profits of these home subsidiaries fell by 8.7 per cent to £722,708 last year. The chairman, Mr James Ewing, attributes this decline to:

1. A fall in the volume of goods available for dyeing and finishing, particularly in the second half of the year.
2. Smaller margins in more competitive markets for cottons and rayons.
3. "Heavy revenue expenditure" in connection with the closing down of two branches and the transfer of another to a different locality.

The profits of overseas subsidiaries, of which the most important are in North America, fell by 41 per cent, from £259,645 to £152,979. In North America, though turnover was maintained, margins were sharply cut, being more than halved in the United States where "intense price competition" forced the company to absorb increases in wages and the costs of supplies.

Investors are fully used to bad news from the textile industry and they have become familiar with the steps the textile manufacturers are taking to try to improve matters. Bradford Dyers is fortunate in that it can spend heavily on capital account to instal new machinery. It is also trying to achieve economies by concentrating production in a smaller number of processing units, and is adding to its interests outside the field of dyeing and finishing. Investments in these "diversified interests" now amount to £780,000 (against £500,000 a year ago) and they spread to steel merchanting and engineering. Bradford Dyers like other textile manufacturers has become interested in tufted carpets and Mr Ewing now says that the company is "able to produce printed carpets in attractive designs at reasonable cost." But it is not to these interests, promising though some of them may be, that investors will look for a recovery in the group's fortunes. The dividend which has been cut from 10 to 6 per cent is still largely bound to textiles. On the reduced dividend the £1 ordinary shares at 13s. 4½d. yield almost 9 per cent.

TIMOTHY WHITES AND TAYLORS

GOING for the first time into some of the shops of Timothy White and Taylors the customer is not quite sure whether he has entered a hardware store or a chemist. The Timothy White shops, scattered up and down the country, are in fact both and the group is a wholesale chemist as well. Like other multiple retailing groups, the company has been closing down uneconomic branches, opening new ones and improving existing ones. The policy has paid off and for the year to December 29th the directors have reported another increase in trading profits, from £1,670,681 to £1,745,362, and in net profits from £491,882 to £544,858. This is a smaller rate of advance than was achieved in 1956 when presumably the pressure of costs on margins was less strong; and the slowing down in the rate of expansion may have some bearing on the directors' decision to leave the ordinary dividend, allowing for the 100 per cent free scrip issue, effectively unchanged at 16¼ per cent. This dividend absorbs £211,826 net and on it the 5s. ordinary shares at 13s. 10½d. yield just under 5⅞ per cent.

THE DOWTY GROUP

IN these columns on March 8th, the figure of £475,000 was wrongly described as being the gross profit of the Dowty Group in the six months to September 30th. It is in fact a net figure struck after tax.

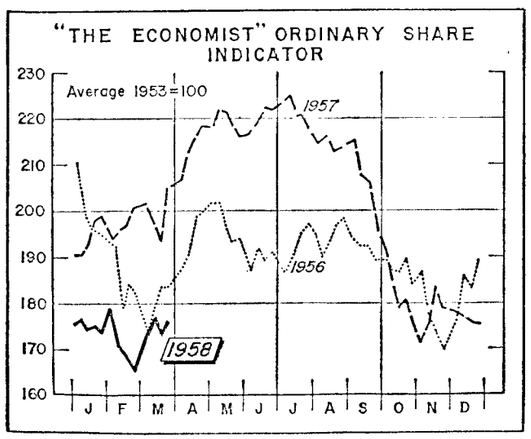
London Stock Exchange

FIRST DEALINGS:	Mar. 12	Mar. 26	April 16
LAST DEALINGS:	Mar. 25	April 15	April 29
ACCOUNT DAY:	April 1	April 22	May 6

FOLLOWING the reduction in Bank rate, gilt-edged made limited gains, the improvement over the week ranging between ¼ and ½ in medium and long dated stocks. Short-dated stocks weakened on the small fall in the Treasury bill rate, but on balance 2 per cent Exchequer 1960 gained ⅛ to 95⅝ and 4½ per cent Conversion 1962 ⅜ to 98½. High-coupon corporation and Dominion loans were supported, but the rise was limited by the possibility of further issues; 5½ per cent LCC (1977-81) rose 1½ to 98½ and 6 per cent Federation of Rhodesia and Nyasaland (1976-79) improved 2 to 1¼ discount.

Although the *Financial Times* index of industrial stocks rose 4.3 last Thursday the prevailing uncertainties reduced the overall rise to 1.5 on the week. Ushers Wiltshire Brewery jumped 6s. 10½d. to 56s. 10½d. over the week. Richard Costain made a large advance before the announcement of the dividend increase. Electrical shares turned dull on rumours of a possible issue; AEI declined slightly to 49s. 3d. over the week. Finance shares were strong, United Dominions Trust rising 4s. to 84s. Land Securities new debenture started at a premium of 1¼ on Wednesday, but South Durham's convertible debenture fell from an opening discount of 1¼ to 3¾ discount.

Shell Transport and Shell Trinidad made gains despite a reaction on Wednesday, but BP and Burmah lost ground under the influence of political changes in the Middle East. Kaffirs were dull and movements in diamond producers were irregular. Copper mines were outstanding among base metal producers; Bancroft rose a further 1s. 4½d. to 17s. 6d., Nchanga 18s. 9d. to 200s. and Rhokana 2⅜ to 24¾. Tea shares were firm and rubbers steady.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
Feb. 26	166·1	7·07				
Mar. 5	173·1	6·85				
,, 12	176·4	6·73				
,, 19	173·8	6·83	225·0 (July 10)	171·2 (Nov. 6)	210·4 (Jan. 4)	170·0 (Nov. 28)
,, 26	176·0	6·77				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½% Consols Yield %	Bargains Marked	1957 High	1956 High
Mar. 19	160·2	6·94	88·48	5·17	7,004	207·6 (July 9)	203·5 (Jan. 3)
,, 20	164·5	6·75	89·16	5·14	7,870		
,, 21	164·5	6·76	89·20	5·12	9,793		
,, 24	163·5	6·80	89·20	5·12	9,918	Low	Low
,, 25	162·6	6·84	89·07	5·12	8,363	159·0 (Nov. 5)	161·5 (Nov. 29)
,, 26	161·7	6·87	89·00	5·13	7,711		

Bases :—* 1953 = 100. † July 1, 1935 = 100. ‡ 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Mar. 19, 1958	Price, Mar. 26, 1958	Net Yield, Mar. 26, 1958 § £ s. d.	Gross Yield, Mar. 26, 1958 £ s. d.
97 18/32	93 1/4	War Loan 3% ... 1955-59	97 1/4	97 1/4	3 12 2	4 17 3
93 23/32	87 1/2	Funding 2 1/2% ... 1956-61	92 3/4	93 1/16	3 15 1	4 18 10
99 23/32	98 3/32	Conversion 4% ... 1957-58	99.10.11	99/13/2	1 13 3	5 11 2
97 15/32	94 13/32	Conversion 2% ... 1958-59	97 15/32	97 21/32	3 18 6	5 0 1
95 5/32	90 1/4	Exchequer 2% ... 1960	94 1/16	95 1/8	4 14 3	5 0 8
97 1/4	92 1/4	Exchequer 3% ... 1960	96 7/16	96 1/2	3 7 1	4 14 0
99 5/32	93	Conversion 4 1/2% ... 1962	97 5/8	98 1/2	2 19 4	4 19 2
89 1/2	84 3/16	Savings Bds. 3% ... 1955-65	86 1/4	86 1/2	3 17 6	5 5 9
84 1/2	77	Funding 3% ... 1959-69	77 15/16*	78 1/8*	4 3 7	5 12 0
92 3/8	84 11/16	Funding 4% ... 1960-90	88 1/4	85 3/4 ex	9 7 4	11 2 9
					2 18 9	4 16 0
81 5/8	74	Savings Bds. 3% ... 1960-70	75 15/16	76 1/4	4 3 11	5 14 1
94 5/16	87 3/8	Exchequer 3% ... 1962-63	92 1/4	92 3/4	3 8 3	4 16 7
89 5/16	83	Exchequer 2 1/2% ... 1963-64	87 5/16	87 1/2	3 16 5	5 1 0
83 15/16	77 1/4	Savings Bds. 2 1/2% 1964-67	78 1/16*	78 3/8*	4 5 3	5 9 3
77 1/4	67 1/2	Savings Bds. 3% ... 1965-75	70 5/8	70 1/4	4 2 3	5 14 2
—	—	Exchequer 5 1/2% ... 1966	100	100 3/4	3 2 3	5 9 2
84 3/8	78 1/4	Funding 3% ... 1966-68	80	80 1/2	4 2 5	5 12 0
95 1/4	91 1/4	Victory 4% ... 1920-76	91 1/2	91 3/4	3 7 0	5 3 7
88 5/16	80 1/4	Conversion 3 1/2% ... 1969	82 15/16	83 3/8	3 13 5	5 11 10
81 1/8	69 1/4	Treasury 3 1/2% ... 1977-80	73 1/8	73 1/4	3 16 3	5 13 5
80	68	Treasury 3 1/2% ... 1979-81	72 1/4	72 1/8	3 16 7	5 13 7
—	—	Funding 5 1/2% ... 1982-84	93 1/8	93 3/8	3 5 0	5 12 7
71 7/8	57 1/2	Redemption 3% ... 1986-96	61 1/8*	62*	3 10 9	5 5 8
80 3/8	63 1/2	Funding 3 1/2% ... 1999-2004	68 1/8	69 1/8	3 7 0	5 7 1
81 1/16	68	Consols 4% after Feb. 1957	71 1/4	71 1/2	3 4 8	5 12 10
75	60 1/8	War Loan 3 1/2% after 1952	64 1/8	64 1/8	3 2 7	5 9 8
75 1/4	58 3/4	Conv. 3 1/2% after Apr. 1961	63 1/8*	63 1/4*	3 3 4	5 10 1
65 5/8	51 1/4	Treas. 3% after Apr. 1966	55 1/4*	55 3/4*	3 2 0	5 3 7
55 1/16	45	Consols 2 1/2%	48 3/4*	48 3/4*	2 18 9	5 2 2
55 1/16	44	Treas. 2 1/2% after Apr. 1975	46 1/4*	47 1/4*	3 1 0	5 6 0
96 1/2	88 7/8	Br. Electric 4 1/2% ... 1967-69	91 1/4	92 1/16	3 9 2	5 10 0
80 1/8	70	Br. Electric 3% ... 1968-73	72 1/4*	73 1/4*	4 2 11	5 13 8
78 1/8	66	Br. Electric 3% ... 1974-77	69 1/2	70 1/8	3 13 7	5 11 4
92 7/8	79 1/2	Br. Electric 4 1/2% ... 1974-79	82 1/4*	83 1/8	3 11 5	5 12 1
81 15/16	69 3/4	Br. Electric 3 1/2% ... 1976-79	74	74 1/4	3 16 1	5 13 3
90 1/2	81	Br. Gas 4% ... 1969-72	83 1/2	84 1/4	3 14 3	5 12 11
87 1/2	78	Br. Gas 3 1/2% ... 1969-71	80	80 1/2	3 13 1	5 12 2
72 3/4	58 1/4	Br. Gas 3% ... 1990-95	63 1/2	62 1/8*	3 11 0	5 6 4
80 1/8	70	Br. Transport 3% 1968-73	72 1/4*	73 1/4*	4 2 11	5 13 3
88 3/4	77 1/4	Br. Transport 4% 1972-77	81 1/4	81 1/4	3 13 5	5 13 2
72 3/4	59	Br. Transport 3% 1978-88	63 1/2	63 1/16	3 15 5	5 10 8

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Mar. 19, 1958	Price, Mar. 25, 1958	Yield, Mar. 25, 1958 £ s. d.
92 1/2	82	Agric. Mortgage 5% ... 1959-89	85 1/2	85 1/2	5 17 3
81 1/2	75	Australia 3 1/2% ... 1955-69	76 1/2	77 1/2	6 1 0
97 1/4	91 1/2	Birmingham 5% ... 1973-75	94	95	5 3 5
100 3/4	91	East Africa 5 1/2% ... 1977-83	90 1/2	91	6 9 0
105 1/4	96	L.C.C. 5 1/2% ... 1977-81	97	98 1/2	5 12 6
69 3/4	54 1/2	Met. Water Board 'B' 3% 1934-2003	57 1/2	57 1/2	5 12 6
87 1/4	77	New Zealand 4% ... 1976-78	80 1/2	80 1/2	5 13 0
75 3/4	67 1/2	S. Rhodesia 2 1/2% ... 1965-70	69*	69 1/2	6 3 0
87	72 1/2	German 7% (Br. Enfaced 5%) .. 1924	90	90 1/2	...
169 1/2	147 1/2	Japan 5% (Enfaced) ... 1907	161*	161 1/2	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Mar. 19, 1958	Price, Mar. 26, 1958	Yield, Mar. 26, 1958 £ s. d.
		% %	BANKS & DISCOUNT			
30/9	19/6	4 a	5 b Bk. Ldn. & S. Amer. £1	28/6	28/6	6 6 4
47/3	40/-	6 a	6 b Barclays Bank ... £1	40/6	41/6	5 15 8
35/3	27/6	4 a	4 b Barclays D.C.O. ... £1	28/-	28/-	5 14 3
42/6	34/6	7 1/2 a	7 1/2 b Chartered Bank ... £1	35/6*	35/6	8 9 0
51/3	42/9	6 1/2 a	6 1/2 b Lloyds Bank ... £1	41/3	43/6	5 19 6
66/7 1/2	58/-	9 a	9 b Midland Bank ... £1	57/9	58/6	6 3 1
40/6	28/6	5 a	5 b Nat. Discount 'B' .. £1	29/9	31/6	6 7 0
51/6	39/3	6 1/2 a	6 1/2 b Union Discount ... £1	43/9	44/6	5 12 4
			INSURANCE			
86/4 1/2	61/7 1/2	43 1/2 b	30 a Commercial Union 5/-	68/-	68/6	5 7 1
177/6	102/6	40 a	60 a Legal & General .. 5/-	113/9	121/3	4 2 6
113/9	87/6	†20 a	†50 b Pearl ... 5/-	97/6	95/-	6 8 0
46	34 1/2	†132 1/2 c	†147 1/2 c Prudential 'A' ... £1	38 1/2	40 1/2	6 6 11
			BREWERIES, ETC.			
32/6	26/4 1/2	10 a	36 b Bass ... 5/-	33/-	33/6	6 17 4
25/9	19/7 1/2	18 1/2 c	7 1/2 c Distillers ... 6/8	20/-	20/7 1/2	6 1 2
44/9	36/-	10 a	15 b Guinness ... 10/-	37/9	38/-	6 11 6
87/3	63/6	8 a	17 b Whitbread 'A' ... £1	76/6	78/-	6 3 1
			MOTORS & AIRCRAFT			
21/6	11/9	6 1/2 b	3 1/2 a Bristol Aeroplane 10/-	10 1/4	10/3	9 15 1
8/7 1/2	6/-	12 1/2 c	12 1/2 c British Motor ... 5/-	7/3	7/3	8 12 5
40/-	29/3	5 b	3 a Ford Motor ... £1	35/9	35/1 1/2*	5 2 5
45/9	27/6	3 a	7 b Hawker Siddeley ... £1	26/-	25/4 1/2	7 17 8
53/-	41/9	12 1/2 c	12 1/2 c Leyland Motors ... £1	40/9	40/3	6 4 3
121/-	90/7 1/2	15 b	5 a Rolls-Royce ... £1	90/3	91/3	4 7 8
9/11	5/11 1/2	8 c	8 c Standard Motor ... 5/-	7/6	8/-	5 0 0

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b)	ORDINARY STOCKS	Price, Mar. 19, 1958	Price, Mar. 26, 1958	Yield, Mar. 26, 1958 £ s. d.
		% %	STEEL & ENGINEERING			
83/-	52/-	8 b	7 a Babcock & Wilcox ... £1	46/6	47/-	5 10 8
29/3	20/-	4 a	6 b Dorman Long ... £1	23/6	22/7 1/2	8 16 10
56/6	41/9	10 b	5 a Guest, Keen N'fold. £1	45/6	45/6	5 16 3
76/4 1/2	50/6	†4 a	†8 b Alfred Herbert ... £1	61/1 1/2*	62/6	6 13 8
50/-	40/-	7 b	4 a Metal Box ... £1	45/1 1/2	45/9	4 16 3
34/-	19/-	3 a	8 b Stewarts & Lloyds ... £1	20/9	20/11 1/2	10 18 8
81/-	52/-	11 b	5 a Swan Hunter ... £1	54/9	55/3	5 15 10
24/1 1/2	18/-	4 a	7 1/2 b United Steel ... £1	18/6	18/-	12 15 8
46/-	29/3	7 1/2 b	2 1/2 a Vickers ... £1	30/-	29/10 1/2	6 13 10
			ELECTRICAL			
72/3	47/6	7 b	7 1/2 b Assoc. Elec. Inds. .. £1	49/3*	49/3	6 1 10
55/-	39/4 1/2	3 1/2 b	4 a Br. Ins. Callenders ... £1	40/6	41/3	6 1 3
32/6	24/-	14 3/4 a	3 1/2 b Decca Record ... 4/-	26/11	26/9	6 10 9
36/3	24/-	15 c	10 b Elect. & Mus. Inds. 10/-	30/4 1/2	29/9	5 0 10
64/9	47/3	4 a	10 b English Electric ... £1	49/9	51/6	5 8 10
59/-	37/9	8 b	3 1/2 a General Electric ... £1	39/9	39/6	7 10 10
			TEXTILES			
24/1 1/2	14/-	3 a	3 b Bradford Dyers ... £1	12/10 1/2	13/4 1/2	8 19 6
23/-	21/1 1/2	6 1/2 b	2 1/2 a Coats, J. & P. ... £1	20/6	20/6	8 10 10
37/9	20/10 1/2	6 b	3 a Courtaulds ... £1	20/1 1/2	20/3	8 17 10
33/7 1/2	31/10 1/2	5 a	12 1/2 b Lancashire Cotton .. £1	31/7 1/2	31/1 1/2	11 4 10
41/7 1/2	30/10 1/2	12 1/2 b	2 1/2 a Patons & Baldwins. £1	33/-	31/4 1/2	9 11 2
			SHOPS & STORES			
24/6	13/9	16 a	6 a Boots Pure Drug .. 5/-	19/3	19/-	4 4 3
42/10 1/2	31/4 1/2	20 b	7 1/2 a Debenhams ... 10/-	33/10 1/2	34/10 1/2	7 17 10
55/7 1/2	33/3	50 b	15 a Gt. Universal 'A' .. 5/-	37/3	37/9	8 12 3
57/3	30/3	20 b	10 a Marks & Spen. 'A' 5/-	39/-	39 4 1/2	3 16 3
30/3	19/3	20 b	12 1/2 a United Drapery .. 5/-	23 4 1/2	23 6	6 18 3
49/-	37/10 1/2	13 1/2 c	25 3/5 b Woolworth ... 5/-	37/3	37/9	5 6 0
			SHIPPING			
47/9	30/6	11 b	6 1/2 a Brit. & Com'wealth 10/-	30/9	31/-	5 12 11
27/9	17/6	8 b	2 a Cunard ... £1	17/3	16/9	11 18 10
48/10 1/2	28/3	9 1/2 c	10 a/c Furness Withy ... £1	31/3	31/3	6 18 3
38/-	23/9	3 a	8 b P. & O. Deferred ... £1	25/6*	27/9	7 18 7
			MISCELLANEOUS			
36/10 1/2	24/9	22 1/2 c	18 a Allied Bakeries 'A' 5/-	29/6	31/6	4 15 3
50/3	29/9	6 b	3 a Assoc. Port. Cem. ... £1	34/3	34/9	5 3 8
27/9	18/5	12 1/2 b	22 a Beecham Group ... 5/-	29/-	32/4 1/2	5 6 3
47/9	26/3	8 b	4 1/2 a Bowater Paper ... £1	27/6	28/-	8 18 7
68/10 1/2	38/-	4 a	8 b Br. Aluminium ... £1	46/-	44/9	5 7 2
46/4 1/2	35/-	†10 a	16 1/2 b Br. Amer. Tob. .. 10/-	41 4 1/2	42/1 1/2	6 17 7
25/-	17/4 1/2	17 1/2 b	7 1/2 a B.E.T. 'A' Defd. .. 5/-	21/3	21 9	5 15 0
39/-	29/6	4 a	6 b Br. Oxygen ... £1	33/6	33/6	5 19 5
21/10 1/2	15/3	7 1/2	3 a Dunlop Rubber .. 10/-	15/6	15 6	6 15 5
46/6	36/1 1/2	6 b	4 a Imp. Chemical ... £1	39/6	40 9	4 18 2
50/6	36/-	8 1/2	11 1/2 b Imp. Tobacco ... £1	40/3	42/7 1/2	9 7 7
36/9	27/3	5 b	5 b I. Lucas (Inds.) ... £1	32/-	34/-	4 8 3
19/3	12/4 1/2	5 a	3 1/2 a Monsanto Chem. .. 5/-	12/10 1/2*	13/4 1/2	5 1 0
18/3	13/9	5 a	5 b Ranks ... 10/-	15 7 1/2	14/3	7 0 5
55/6	29/9	10 b	5 a A. E. Reed ... £1	29/6	29 6	10 3 5
15/10 1/2	11/3	20 c	22 1/2 c Sears Holdings 'A' 5/-	13/-	13 -	8 13 0
70/3	54/10 1/2	11 c	12 b Tate & Lyle ... £1	60/10 1/2	53 44	6 3 7
70/9	50/-	7 1/2 c	7 1/2 b Tube Investments .. £1	62/3	52/6	5 14 3
73/6	51/-	12 1/2 b	12 1/2 a Turner & Newall ... £1	56/7 1/2	55/10 1/2	5 5 5
114/6	71/9	11 1/2 b	11 1/2 b Unilever Ltd. ... £1	71/9	75 4 1/2	4 12 10
102/-	65/6	11 1/2 b	4 a Utd. Dominions Tr. £1	80/-	84/-	4 8 6
44/-	27/6	†10 b	11 1/2 a United Molasses .10/-	26/9	26 6	9 6 0
			OIL			
87/6	71/-	†10 b	15 a British Petroleum .. £1	83/9	83 10 1/2	6 0 3
79/7 1/2	17 1/2 b		15 a Burmah ... £1	69/4 1/2	68 15	6 12 2
17 1/2 b			7 1/2 a Royal Dutch ... 20 fl.	£15 1/4	£15 1/2	3 1 4
146 10 1/2	17 1/2 b		†5 a Shell ... £1	129 4 1/2	130 7 1/2	4 19 10
55/-	...		Ultramar ... 10/-	55/-	56/3	...
			MINES, ETC.			
115/-	20 a	60 b	Anglo-American .10/-	121/10 1/2	125/-	6 8 0
20/3	†2 1/2 a	†10 b	Cons. Tea & Lands. £1	20/6	20/9	20 19 0
48/6	15 b	6 1/2 a	Cons. Zinc Corp. ... £1	46/9	46/6	9 2 8
81/3	30 a	120 b	De Beers Def. Reg. 5/-	96/3	*91/10 1/2	10 17 3
58/7 1/2	20 b	40 a	Free State Geduld .5/-	80/-	79/4 1/2	3 15 7
7/3	30 a	30 c	London Tin ... 4/-	7/11 1/2	7/11 1/2	16 17 0
45/-	50 a	50 b	President Brand .. 5/-	49/10 1/2	49/4 1/2	10 2 6
13/10 1/2	8 1/2 a	16 3/5 b	Rho. Selection Tst. 5/-	15/9	16/10 1/2	7 8 2
25/3	175 b	25 a	Rhokana Corp. ... £1	22 1/2	24 1/2*	8 1 8
41/-	30 b	12 1/2 a	United Sua Betong .£1	49/6	49/6	17 3 4
58/1 1/2	60 b	60 a	Western Holdings .5/-	91/3	90/10 1/2	6 10 8

New York Closing Prices $

	Mar. 19	Mar. 26		Mar. 19	Mar. 26		Mar. 19	Mar. 26
Alcoa	71	72 1/2	DuPont de Nm.	176 1/4	176 1/2	N.Y. Central	14	13 7/8
Alumin'm Ltd.	30 1/8	30 1/2	Ford Motors	40 1/2	40 3/4	Sears Roebuck	26 1/8	26 1/4
Am. Smelting	43 1/4	44 1/2	Gen. Elect.	61	60 1/2	Shell Oil	67 1/8	69
Amer. Tel.	171 1/2	171 1/2	Gen. Motors	35 1/2	35 3/8	Std. Oil of N.J.	50 1/8	51 1/8
Anaconda	44 1/8	46	Goodyear	74 1/2	73 1/4	Tri-Cont'l tal.	30 1/2	30 1/8
Beth. Steel	39 1/2	39 1/2	Gulf Oil	107 1/8	109	Union Carbide	92	89 1/8
Can. Pacific	24 1/8	24 1/2	Int. Bus. Mach.	340	343 1/2	U.S. Steel	60 1/4	58 1/8
Chrysler Cpn.	52 1/4	51 1/4	Int'l. Nickel	74 1/2	75	West'house E.	62 1/2	61 1/2
Crown Zeller.	46 1/2	47	Int'l. Paper	91 1/2	91 1/2	Woolworth	42	42 1/4

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9 1/2 years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend (d) Latest date (e) To earliest date (f) Flat yield. (g) On 24%. (h) On 13 1/2%. (i) On 22 1/2%. (j) After Rhodesian tax. (k) On 40%. (l) On 13%.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared.

World Trade ..... January 18th

BRITISH

Prices and Wages	Mar. 8th
Production and Consumption	Mar. 15th
Manpower	Mar. 22nd
External Trade	This week
Financial Statistics	This week
Industrial Profits	Jan. 18th

OVERSEAS

Western Europe: Production and Trade	Mar. 1st
British Commonwealth	Mar. 15th
Western Europe: Prices and Money Supply	Mar. 22nd
United States	Mar. 8th

UK External Trade

Imports are valued cif; exports fob. Total trade unless otherwise stated.

	Unit	Monthly averages 1955	Monthly averages 1956	Monthly averages 1957	1956 Dec.	1957 Jan.	1957 Feb.	1957 Nov.	1957 Dec.	1958 Jan.	1958 Feb.
VALUE											
Imports:											
Total	£ million	323·6	323·8	339·6	307·9	376·5	320·8	319·9	313·6	325·1	288·2
Food, drink and tobacco	,,	120·1	120·7	124·7	119·9	143·6	125·9	114·0	117·2	118·1	111·0
Basic materials	,,	93·7	91·9	97·4	88·8	115·0	86·6	87·8	87·1	87·8	70·8
Mineral fuels and lubricants	,,	34·0	34·5	38·9	31·5	30·8	36·6	35·9	34·4	37·0	33·8
Manufactures	,,	74·7	75·5	77·4	66·3	85·1	70·4	80·8	73·4	80·1	71·7
Exports of UK produce:											
Total	,,	242·1	264·3	277·1	253·7	261·0	278·2	286·9	282·4	277·8	265·4
Manufactures	,,	199·0	218·3	229·5	202·9	213·5	231·8	233·5	233·5	233·9	222·1
Re-exports	,,	9·9	12·2	11·1	11·2	11·7	10·9	11·0	12·2	12·6	12·0
Balance of trade (exports *less* imports):	,,	− 71·6	− 47·3	− 51·4	− 42·9	−103·9	− 31·7	− 22·0	− 19·0	− 34·8	− 10·8
VOLUME											
Imports	1954 = 100	111	111	115	...	118*	...	115³	...	119	...
Exports	,,	107	114	116	...	117*	...	117³	...	116	...
BY AREA											
Imports:											
Dollar area—total	£ million	70·1	71·0	80·4	72·3	87·6	83·8	76·6	70·5	67·1	61·3
,, USA	,,	35·0	34·0	40·2	40·6	51·2	47·5	36·7	31·9	33·6	27·5
,, Canada	,,	28·6	29·0	26·7	24·8	24·9	23·3	29·0	27·8	22·0	20·9
Non-sterling OEEC countries	,,	78·4	79·6	80·8	71·2	84·9	73·6	84·8	77·6	85·2	73·4
Sterling area	,,	130·9	126·5	129·3	125·2	155·0	118·8	112·9	118·5	123·4	109·9
Exports:											
Dollar area—total	,,	34·8	45·2	47·8	41·5	41·8	41·9	51·4	49·3	41·2	45·6
,, USA	,,	16·6	21·6	21·5	20·2	22·9	20·7	22·9	21·6	20·4	24·5
,, Canada	,,	12·1	15·2	16·7	12·1	12·5	11·6	17·3	14·3	11·1	12·8
Non-sterling OEEC countries	,,	67·5	75·1	78·2	77·1	80·5	83·6	75·6	72·4	72·4	74·1
Sterling area	,,	120·9	122·4	127·2	116·8	118·3	130·8	133·7	135·3	140·1	124·8
Balance of trade (exports *less* imports):											
Dollar area	,,	− 35·3	− 25·8	− 32·6	− 30·8	− 45·8	− 41·9	− 25·2	− 21·2	− 25·9	− 15·7
Non-sterling OEEC countries	,,	− 10·9	− 4·5	− 2·6	+ 5·9	− 4·4	+ 10·0	− 9·2	− 5·2	− 12·8	+ 0·7
Sterling area	,,	− 10·0	− 4·1	− 2·1	− 8·4	− 36·7	+ 12·0	+ 20·8	+ 16·9	+ 16·7	+ 14·9
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	374·3	398·4	377·6	319·2	375·6	404·0	409·1	419·4	413·1	369·5
Meat	,,	67·0	72·4	74·2	61·2	76·9	63·2	64·0	51·7	70·4	68·1
Sugar, unrefined	,,	186·2	194·3	235·6	243·7	261·0	231·2	216·6	261·5	210·8	246·5
Raw cotton (1)	mn. lb.	24·2	27·0	30·7	32·7	46·8	45·1	22·3	25·8	29·3	27·8
Raw wool, sheep's and lambs' (1)	,,	55·1	53·2	51·6	69·0	81·7	45·8	36·1	53·1	57·4	45·4
Rubber, natural and synthetic (1)	'000 tons	24·6	18·2	22·7	17·2	31·8	19·0	30·3	26·0	32·2	17·6
Softwood	'000 stds.	140·0	104·8	120·0	99·3	89·1	53·1	140·8	102·0	80·1	52·1
Woodpulp	'000 tons	186·9	183·3	178·2	183·9	214·1	146·6	171·8	184·0	189·3	154·4
Crude petroleum	mn. galls.	601	618	605	508	424	465	651	618	673	645
Exports of UK produce:											
Coal, including bunkers	'000 tons	1,196	836	686	781	756	796	650	575	487	453
Woven piece-goods—cotton	mn. sq. yds	46	40	38	40	38	41	38	37	40	36
,, ,, wool (2)	'000 sq. yds.	8,965	9,107	9,028	7,532	9,970	9,207	8,310	8,340	9,578	8,917
Passenger cars and chassis	number	32,545	27,986	35,522	22,337	26,372	28,400	41,081	36,632	45,762	42,097
Commercial vehicles and chassis	,,	11,656	10,566	10,214	7,797	8,560	9,650	11,538	11,005	13,564	10,913
Agricultural tractors	,,	8,720	7,422	9,414	5,006	7,250	8,254	11,412	7,506	8,327	8,569
Machinery—electrical	£'000	5,158	5,314	5,602	4,130	4,385	5,613	6,023	5,358	5,877	5,797
,, other	,,	34,687	38 657	42,211	36,217	39,281	42,272	44,053	44,563	43,752	42,138
Chemicals, elements and compounds	,,	4,422	4,948	5,219	4,761	5,049	5,450	5,224	4,832	5,047	5,121

(1) Retained imports. (2) Excluding tents from January, 1956. (3) Average for fourth quarter. (4) Average for first quarter.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (1) (1953 = 100)												
1948	54	87	82	72	...	52	70	63	70	70	90	60
1956	138	122	111	133	133	134	102	123	124	123	114	128
1957	...	...	...	145	147	...	...	...	135	125	118	...
1957, August	142	117	116	93	133	145	90	116	122	125	116	...
" September	155	124	119	143	151	148		113	124	133	125	...
" October	160	126	118	159	154	157	...	147	133	131	125	...
" November	156	125	118	159	163	159	...	...	127	135	124	...
" December	...	...	...	163	151	...	...	...	115	119	124	...
VALUE OF EXTERNAL TRADE (2)												
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas[3]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lira
IMPORTS (c.i.f.)												
1948	243	7,249	285	56·08	264[4]	152[4]	11·36	70·36	414	310	413	64·2
1956	2,110	13,635	755	162·12	2,315	1,159	15·07	165·34	1,180	721	953	95·5
1957	2,445	...	...	187·16	2,615	...	15·18	188·88	1,309	755	1,044	92·7
1957, August	2,366	13,688	739	166·78	2,572	1,273	13·35	157·06	1,216	681	956	87·5
" September	2,430	13,101	694	159·07	2,567	1,240	13·68	173·30	1,182	708	938	103·8
" October	2,585	14,579	825	166·42	2,238	1,183	15·88	191·55	1,333	667	1,026	97·8
" November	2,479	13,519	815	175·78	2,732	...	17·10	174·22	1,226	761	1,052	111·6
" December	2,631	...	...	210·11	2,727	...	15·31	205·86	1,132	757	930	90·3
EXPORTS (f.o.b.)												
1948	165	6,171	228	36·18	264[5]	33[4]	4·11	47·99	226	172	332	45·9
1956	1,840	13,177	640	132·45	2,571	475	8·95	111·74	996	460	859	71·2
1957	2,120	13,234	...	155·84	2,996	...	10·90	132·39	981	489	925	80·6
1957, August	2,144	10,960	651	130·99	3,084	205	12·00	131·22	881	467	884	57·9
" September	2,186	13,093	643	134·69	2,865	412	10·87	123·49	1,075	463	1,038	64·5
" October	2,256	14,003	731	168·50	3,299	373	10·74	159·40	1,139	581	994	48·3
" November	2,098	13,159	752	170·91	3,183	...	11·35	131·46	1,075	436	957	93·2
" December	2,251	12,780	...	194·96	3,255	...	10·09	134·47	969	518	912	127·2
BALANCE												
1948	− 78	− 1,073	− 57	−19·90	− 113	− 113	− 7·25	−22·37	− 188	− 138	− 81	− 18·3
1956	− 270	− 458	− 115	−29·67	+ 256	− 684	− 6·12	−53·60	− 274	− 261	− 114	− 24·3
1957	− 325	...	...	−31·32	+ 381	...	− 4·28	−55·58	− 319	− 266	− 119	− 12·1
1957, August	− 222	− 2,728	− 85	−35·88	+ 512	− 1,068	− 1·35	−32·84	− 332	− 214	− 72	− 29·6
" September	− 244	− 8	− 51	−24·58	+ 298	− 828	− 2·81	−44·90	− 107	− 245	+ 49	− 39·3
" October	− 329	− 576	− 94	+ 2·08	+ 402	− 310	− 5·14	−41·15	− 194	− 86	− 102	− 49·5
" November	− 381	− 360	− 63	− 4·87	+ 451	...	− 5·75	−45·46	− 151	− 325	− 105	− 13·4
" December	− 380	...	...	−15·15	+ 528	...	− 5·22	−71·50	− 172	− 239	− 63	+ 36·9
VOLUME OF EXTERNAL TRADE (2) (1953 = 100)												
IMPORTS												
1948	48	85	59	81	...	...	90	57	64	71	85	46
1956	195	136	129	142	170	156	93	125	153	128	136	...
1957	223	...	...	...	190	...	...	...	...	...	144	...
1957, August	216	125	123[6]	140	182	164	77	121	149	116	149[4]	...
" September	227	...		124	187	163	79	132	147	123		...
" October	233	...	...	133	215	157	92	150	160	118	148	...
" November	233	...	...	127	207	...	99	...	158	128		...
" December	245	...	...	...	206	...	...	...	...	...		...
EXPORTS												
1948	37	69	48	48	...	...	55	66	34	70	69	55
1956	160	136	120	120	165	117	93	147	130	133	128	...
1957	185	...	...	...	187	...	...	...	...	...	138	...
1957, August	181	112[6]	127[6]	111	193	53	128	153	122	128	144[4]	...
" September	193			111	173	105	114	157	141	130		...
" October	199	...	...	135	205	208	115	187	154	149		...
" November	188	...	...	133	200	...	120	...	150	127	141	...
" December	194	...	...	205	194	...	...	...	...	...		...

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark excludes mining; Greece, mining and manufactured gas; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Germany excludes West Berlin, Luxemburg. Italy includes Trieste. (2) Special trade (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxemburg. (3) New drachma introduced May 1, 1954 (1 new drachma = 1,000 old drachmas). (4) Thousand million drachmas. (5) Bizonal area. (6) Average for third quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended March 22, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £1,705,000 compared with a surplus of £16,842,000 in the previous week and a surplus of £25,112,000 in the corresponding period of last year. There was a net expenditure "below-line" of £35,084,000, leaving a total deficit from April 1st of £89,041,000 (£315,038,000 in 1956-57).

£'000	Estimate, 1957-58	April 1, 1956, to Mar. 23, 1957	April 1, 1957, to Mar. 22, 1958	Week ended Mar. 23, 1957	Week ended Mar. 22, 1958
Ord. Revenue					
Income Tax	2176,250	2018,572	2120,112	56,350	79,869
Surtax	149,000	151,000	151,600	5,000	5,800
Death Duties	170,000	164,300	166,800	3,600	3,200
Stamps	60,000	60,500	62,500	1,000	900
Profits Tax, EPT & EPL	255,000	193,000	250,000	4,000	6,300
Other Inland Rev. Duties	500	520	450	...	...
Total Inland Rev.	2810,750	2587,892	2752,262	70,158	96,169
Customs	1204,250	1173,564	1180,964	22,380	23,472
Excise	912,850	891,015	929,400	5,620	4,735
Total Customs and Excise	2117,100	2064,579	2110,364	28,019	28,207
Motor Duties	93,000	90,092	99,447	...	...
PO (Net Receipts)	20,000	10,300	18,400	Dr. 7,400	1,700
Broadcast Licences	31,000	26,200	28,400	...	...
Sundry Loans	32,000	32,627	32,989	...	...
Miscellaneous	185,000	187,909	160,651	15,283	1,464
Total	5283,850	4999,598	5201,613	110,058	127,570
Ord. Expenditure					
Debt Interest	640,000	710,527	662,688	4,610	4,637
Payments to N. Ire. Exchequer	69,000	62,664	66,727	...	...
Other Cons. Funds	10,000	9,490	9,511	548	415
Supply Services	4215,635	3836,051	3972,852	79,214	124113
Total	4934,635	4618,732	4711,779	84,372	129235
Sinking Funds	38,000	36,880	37,362	573	40
"Above-line" Surplus or Deficit	343,985	452,442	25,112	1,705	
"Below-line" Net Expenditure	659,023	641,483	99,485	35,084	
Total Surplus or Deficit	315,038	189,041	74,273	26,789	
Net Receipts from:					
Tax Reserve Certificates	7,858	− 36,058	2,594	14,059	
Savings Certificates	72,700	− 20,000	400	− 100	
Defence Bonds	− 35,010	− 38,463	− 450	− 1160	
Premium Savings Bonds	64,220	79,099	1,500	800	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957 Mar. 23	2,910·0	1,284·4	272·1	1·5	4,468·1
Dec. 21	3,440·0	2,226·1	152·4	...	5,820·4
" 30	5,684·7		218·4	...	5,903·1
1958 Jan. 4	3,450·0	2,248·9	228·5	...	5,927·4
" 11	3,410·0	2,192·2	257·0	...	5,859·2
" 18	3,370·0	1,714·9	250·3	...	5,335·2
" 25	3,360·0	1,707·9	208·4	4·8	5,281·0
Feb. 1	3,220·0	1,768·6	179·1	...	5,167·7
" 8	3,160·0	1,746·9	157·6	...	5,064·5
" 15	3,120·0	1,403·1	206·5	1·3	4,750·9
" 22	3,080·0	1,463·7	183·4	...	4,727·1
Mar. 1	3,040·0	1,537·1	210·4	...	4,787·5
" 8	3,050·0	1,487·6	219·7	...	4,757·3
" 15	3,060·0	1,529·9	225·6	...	4,815·5
" 22	3,080·0	1,510·5	248·8	...	4,839·1

THE MONEY MARKET

At the tender on day after last week's Bank rate reduction, the Treasury bill rate dropped by ⅛ per cent to 5⅛ per cent. The discount houses raised their bid by 2s. 3d. to £98 12s. 2d. per cent; and the market again secured a good proportionate allotment of 52 per cent. Total applications were up by £29 million to £309 million, for an allotment up by £10 million to £260 million.

Money has been generally short since the Bank rate cut, and on both Friday of last week and again on Monday small amounts were taken at the new penal rate. The Bank also gave fairly large help through special purchases of bills, some of them from the banks, and this money was passed on to the market at rates up to 5⅝ per cent. The general rate for "floating" money has been 5-5⅛ per cent; the clearing banks' new minimum on "good" money is 4½ per cent. Dealings in June maturities began after the tender at 5⅛ per cent, but this week rates hardened to 5⅛ and even 5¼ per cent.

Rates on commercial bills have generally fallen by around ½ per cent. Thus two and three months' fine bank bills are down from 6¼-6⅜ to 5⅝-5¾ per cent, and three months' trade bills from 6¼-7¼ to 6¼-7 per cent.

The Bank return shows a pre-Easter outflow of notes of £10.2 million. The fiduciary issue has been raised by £50 million to £2,050 million.

LONDON MONEY RATES

	%		%
Bank rate (from 7%)		**Discount rates**	
20/3/57	6	Bank Bills: 60 days	5⅝-5⅜
Deposit rates (max.)		3 months	5⅝-5⅜
Bank	4	4 months	5⅝-5⅜
Discount Houses	4	6 months	5⅝-5⅜
Money		Fine trade bills:	
Day-to-Day	4-5	3 months	6¼-7
Treas. bills 2 months	5¼	4 months	6¼-7
3 months	5⅜	6 months	6¼-7

BANK OF ENGLAND RETURNS

(£ million)	Mar. 27, 1957	Mar. 19, 1958	Mar. 26, 1958
Issue Department:			
Notes in circulation	1,902·8	1,982·6	1,992·7
Notes in banking dept.	32·5	17·8	57·6
Govt. debt and securities*	1,921·3	1,996·2	2,046·3
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	33·7	15·2	37·2
Bankers	226·9	222·8	214·6
Others	72·5	74·5	79·5
Total	315·1	312·5	331·3
Securities:			
Government	269·5	263·6	231·4
Discounts and advances	18·6	25·8	16·6
Other	20·6	21·4	21·7
Total	308·9	310·8	269·7
Banking department reserve	24·8	20·2	60·0
	%	%	%
"Proportion"	7·8	6·4	19·2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £2,050 million from £2,000 million on 25th, 26th, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Amount (£ million) Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
1957	*91 Day*		s. d.	%
Mar. 22	250·0	365·2	18 6·72	44
	91 Day *63 Day*			
Dec. 20	220·0 50·0	403·9	128 9·94	82
	91 Day			
" 27	260·0	405·2	127 5·91	54
1958				
Jan. 3	260·0	405·7	126 6·70	55
" 10	260·0	358·7	126 7·25	45
" 17	260·0[a]	403·8	125 10·33	52
" 24	230·0	421·0	125 6·56	24
" 31	210·0	421·2	122 6·50	44
Feb. 7	230·0	387·5	121 3·29	65
" 14	230·0[b]	424·7	120 10·56	44
" 21	220·0	411·7	119 5·52	40
" 28	240·0	391·9	120 3·28	37
Mar. 7	240·0	388·6	120 5·10	47
" 14	250·0	370·3	120 6·59	61
" 21	260·0	399·2	111 1·52	52

* On March 21st tenders for 91 day bills at £98 12s. 2d. secured 52 per cent, higher tenders being allotted in full. The offering this week was for £260 mn. at 91 day bills. [a]Allotment cut by £10 mn. [b]Allotment cut by £20 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: March 26	Market Rates: Spot: March 20	March 21	March 22	March 24	March 25	March 26
United States $	2·78 2·82	2·81⅛-2·81⅜	2·81 7/16-2·81 9/16	2·81⅜-2·81½	2·81 7/16-2·81 9/16	2·81½-2·81⅝	2·81 9/16-2·81 11/16
Canadian $	...	2·75-2·75⅛	2·74½-2·74⅝	2·74½-2·75	2·74½-2·75	2·74⅝-2·75⅛	2·74⅝-2·75
French Fr.	1167·78-1184·62	1182½-1182¾	1182½-1182¾	1182½-1182¾	1182-1182¼	1182¼-1182½	1182¼-1182½
Swiss Fr.	12·15⅝-12·33½	12·27½-12·27⅝	12·26½-12·27	12·26⅜-12·26½	12·26⅜-12·26⅝	12·26⅜-12·26½	12·26½-12·26⅝
Belgian Fr.	138·95-141·05	139·77½-139·82½	139·77½-139·82½	139·72½-139·77½	139·77½-139·82½	139·82½-139·87½	139·77½-139·82½
Dutch Gld.	10·56-10·72	10·62½-10·62⅝	10·63-10·62½	10·61½-10·62½	10·62½-10·62⅝	10·62½-10·62⅝	10·62½-10·63⅛
W. Ger. D-Mk.	11·67⅝-11·84⅜	11·75⅜-11·75⅝	11·74½-11·74⅝	11·74½-11·74⅝	11·74½-11·74⅝	11·74-11·74⅛	11·74½-11·74⅝
Portuguese Esc.	79·90-81·10	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15
Italian Lire	1736⅝-1762½	1746¼-1746½	1746¼-1746½	1746¼-1746½	1746¼-1746½	1746-1746½	1745¾-1745½
Swedish Kr.	14·37⅝-14·55⅝	14·51½-14·52	14·51½-14·52	14·51½-14·51⅞	14·51½-14·51⅞	14·51⅜-14·51½	14·51⅜-14·51½
Danish Kr.	19·19½-19·42½	19·36¼-19·36½	19·36¼-19·36½	19·36¼-19·36½	19·35½-19·36¼	19·35½-19·35¾	19·35½-19·35¾
Norwegian Kr.	19·85 20·15	20·00⅝-20·01⅛	20·00⅝-20·01⅛	20·00⅝-20·01⅛	20·00⅝-20·01⅛	20·00⅝-20·01⅛	20·00⅝-20·01⅛
One Month Forward Rates							
United States $		⅞-⅝c. pm	⅞-⅝c. pm	⅞-⅝c. pm	⅞-⅝c. pm	1 1/16-15/16c. pm	1⅛-1c. pm
Canadian $		⅝-½c. pm	⅝-½c. pm	⅝-½c. pm	⅝-½c. pm	⅞-⅝c. pm	¾-⅝c. pm
French Fr.		½ pm ⅜ dis	½ pm ⅜ dis	½ pm ⅜ dis	par-2 dis	par-2 dis	par-2 dis
Swiss Fr.		3⅜-3¼c. pm	3½-3⅜c. pm	3⅜-3⅛c. pm	3⅜-3⅛c. pm	3½-3c. pm	3½-3c. pm
Belgian Fr.		¼ pm	¼ pm	¼ pm	⅜-¼ pm	⅜-¼ pm	⅜-¼ pm
Dutch Gld.		2⅜-2c. pm	2⅜-2c. pm	2⅜-1⅞c. pm	2⅜-1⅞c. pm	2⅜-2c. pm	2¾-2⅜c. pm
W. Ger. D-Mk.		2¼-2⅛pf. pm	2¼-2⅛pf. pm	2¼-2pf. pm	2¼-2pf. pm	2¼-2pf. pm	3-2¾pf. pm
Italian Lire		2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm par	2 pm par
Swedish Kr.		3⅞-3½ pm	3½-3⅜ pm	3½-3⅜ pm	3½-3⅜ pm	3½-3⅜ pm	3½-3⅜ pm
Danish Kr.		4-3⅝ pm	4-3⅝ pm	4-3⅝ pm	4-3⅝ pm	4¼-3⅞ pm	4¼-3⅞ pm
Norwegian Kr.		2¼-1⅞ pm	2¼-1⅞ pm	2¼-1⅞ pm	2¼-1⅞ pm	2¾-1⅞ pm	2¾-1⅞ pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/3	249/3½	...	249/4½	249/3	249/3½

Canada

Market Information

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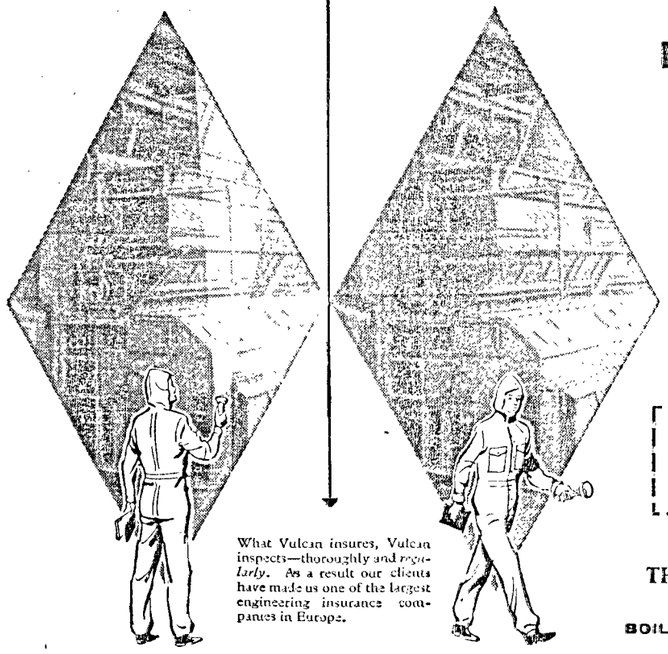
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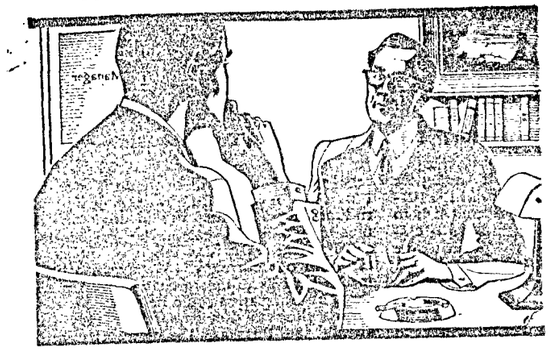
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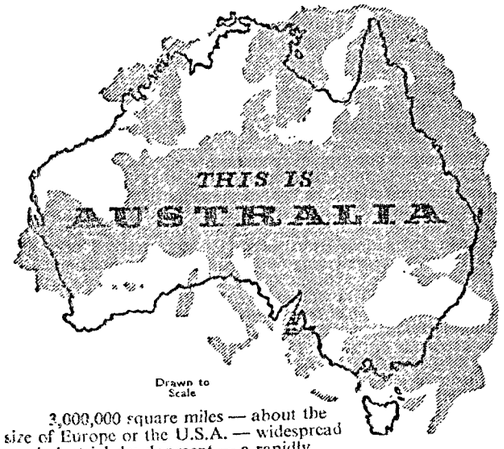
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COMPANY MEETINGS

LEWIS'S INVESTMENT TRUST

POSITION OF GREAT FINANCIAL STRENGTH

MR S. H. LEAKE ON DOUBTFUL MERIT OF A SALES TAX

The twenty-ninth annual general meeting of Lewis's Investment Trust Limited, will be held on April 15th in Liverpool.

The following are extracts from the circulated Statement of the Chairman, Mr S. H. Leake, OBE, to be delivered at the Annual General Meeting:

After a succession of record trading profits the Group consolidated net profit at £2,238,046 shows a reduction of £33,391 on the previous year. Our new Bristol Store, which was opened on September 26th, inevitably incurred a loss on trading in its early months. Building operations both in Liverpool and at Selfridges affected our trading in those Stores. We have also had to meet a further rise in working expenses, including wages.

The principal movement in the Accounts reflects the completion of our Bristol Store. Building construction, fixtures and stock represented a total investment of some £3 million, of which approximately £1,800,000 was paid out during the year. This was financed wholly out of our own resources, and the Consolidated Balance Sheet of the Trust shows that there is a reduction in the holding of Treasury Bills from £2,574,350 to £895,149. Nevertheless we end the year with more cash in the bank and a larger holding of Tax Reserve Certificates than last year.

While the net current assets of the Group of £6,806,448 show a reduction of £1,406,634 for the reasons already explained, our Fixed Assets, after Depreciation and Amortisation, at £19.175,144 show an increase of £2,306,786.

DIVIDEND POLICY

In the light of our capital commitments of £2,127,000 we decided to recommend that the final dividend should be kept to the same level as last year, leaving a balance to be carried forward of £335,798, against £309,970 brought in and adding a total of £1,336,891 to the Reserves, representing 59.73 per cent profits, as compared with 60.30 per cent in the previous year. You will observe that the Reserves, less Intangible Assets, are shown in the Consolidated Balance Sheet at £6,836,093, which compares with the Trust's Ordinary Capital of £5,715,978. This is a position of great financial strength, but after the heavy outflow which has occurred during the past year, it would clearly be wise to rebuild our cash resources to meet the capital commitments still outstanding.

We have completed an important stage in our development programme. We have planned and erected our Store in Bristol at a cost of some £3 million, which we have paid for without recourse to borrowing. The necessary funds were available within the Group because we have followed a policy of good husbandry in retaining considerable profits for use within the business. Prosperity is seldom static; it usually progresses or it falls away. It is our constant aim to keep your business on the up-grade and this demands expansion of our activities. To expand requires money and to raise money there are two obvious courses open to us—either to accumulate profit retentions or to approach Members or the Capital Market for fresh funds. Had we distributed a high percentage of the profits of the past and had to raise additional Capital, the £3 million necessary for our Bristol Store at the present time would have been costly, for the distribution of this sum would have attracted in Profits Tax no less than 7 per cent of the gross amount, or about £1,400,000. We have confidence that the project in Bristol will yield profit and advantage to Shareholders in the near future. We are now engaged in building up our reserves again not only to finance the completion of our present programme of over £2 million but to lay the foundation for further expansion as and when opportunity offers.

PRICES

There would now appear to be a genuine prospect of a reduction in the price level. In our own case from September, 1956, to December, 1957, we estimate that our non-food price index rose by 2 per cent, but our retail food index fell by 2 per cent. During the past few months we have been able to peg nearly all our non-food prices and to reduce further some of our food prices. We welcome this tendency. The department store is by tradition an opportunist organisation. It tends to buy little and often and to avoid long-term contracts on standardised lines. Its merchandise appeal is based on a wide choice of stock, reflecting constant changes in consumer goods which result from improved production techniques, new materials and manufacturing skill in adapting them to new uses and new demands from the public.

TAXATION

The total amount we pay in the form of Income Tax, Profits Tax, Employers National Health Insurance Contribution, Purchase Tax and Rates to Local Authorities has now reached over £5,826,000 per annum. Both the State and Local Authorities find it easier to pass on their financial burdens, from which stem some of our national inflationary problems, than to prune or even to halt ever increasing national and local expenditure. The habit of demanding constant increases in one form of tax or another grows by what it feeds on.

PURCHASE TAX

Purchase Tax continues to inflate retail prices, but the problem cannot be solved by replacing one form of tax by another, such for example as substituting a Sales Tax for Purchase Tax. If the intention is to collect the same revenue of £450 million as is now produced by Purchase Tax, then a Sales Tax not of 5 per cent as has been suggested, but of 14 per cent would be called for, unless the tax were extended to food, services and capital goods. Purchase Tax may sometimes be "crazy" in its application to individual articles, but it would be crazier still to replace it by a tax of doubtful merit, giving a highly speculative yield and having to be collected not from 62,000 sources at little expense to the Exchequer, but at very considerable expense from 500,000 or even more different retail units. Many of these would be one-man businesses or street traders keeping the most rudimentary accounts, and in common fairness should not be excluded. Furthermore, a percentage Sales Tax might be difficult to assess in our currency. We are also by no means clear as to how a change over in such a system of taxation could be effected without serious loss to Retailers, since they have already paid Purchase Tax on merchandise in their possession. In my view such a change would probably lead to our being saddled with both forms of tax and postpone still further the need to effect economies in public expenditure.

ANALYSIS OF TOTAL INCOME

We have noted the wish expressed by the Cohen Committee for more information on the relationship of profits to taxation and to wage and other costs. We accordingly give the following analysis of out total income:

	s.	d.
Cost of Goods, excluding Purchase Tax	12	8¼
Purchase Tax	1	1
Wages, Salaries and Pensions	3	3
Expenses, excluding Rates		7½
Depreciation, Amortisation and Debenture Interest		3
Taxation—Income Tax, Profits Tax and Rates	1	2½
Dividends		4½
Reserves		6½
	20	0

BRISTOL

The opening of our new Bristol Store at the end of September was a memorable occasion after more than three years of planning. The response of the public of Bristol has been encouraging. The building itself and its equipment have been the subject of much admiration and congratulatory comment, and we claim that this store is the most modern in Europe.

OTHER STORES

In Liverpool the last section of the store to be reconstructed after war damage reopened for trading at the end of October, and although much still remains to be done behind the scenes, the total selling area is now virtually complete. We look for a steady and progressive up-swing in both trade and profit-earning capacity. In the case of our other stores, notably Manchester, we are fully conscious of the importance of store modernisation, and we shall embark on a programme to bring them gradually into line with modern practice.

SELFRIDGES

Selfridges have had a difficult year and the Selfridge Group suffered a slight setback of £11,654 in their Consolidated Net Profit, after tax, of £573,502. The rebuilding operations in progress at the rear of the store; the extension of the forced ventilation system within the store and the repair of war damage on the roof have disturbed customary facilities, and have had some effect on the trading operations. We have formed a Garage Operating Company in association with Lex Garages Ltd. to deal with the operation of the Ramp Garage when it becomes available. Before the end of the year we hope to open a considerable extension of ground floor selling space in the main store. Capital commitments of some £1¼ million are outstanding and it is hoped that they will be financed out of the resources of the Selfridge Group itself.

I am pleased to say that our relations with staff continue to be cordial and I am sure that I have your authority to convey to them the thanks of stockholders for the efforts they have made to produce this year's results, and at all times to implement our guarantee of complete satisfaction to our customers.

BIRD AND COMPANY (AFRICA)

SIR ELDRED HITCHCOCK ON EXPANDING TEA DEVELOPMENTS

The Fortieth Annual General Meeting of Bird and Company (Africa) Limited was held on March 15th at Tanga, Tanganyika. The following are extracts from the circulated statement of the Chairman and Managing Director, Sir Eldred Hitchcock:

During the year the company reached the highest sisal output in its history. The net profit before tax was £279,000 and after tax £238,000. Taxation is lower because of allowances for tea development. This is an encouraging result having regard to the weakness in the sisal price and to some inevitable increases in costs. For the current year we anticipate, other things being equal, a production of sisal fully up to that of the previous year. Income from tea will not accrue until the year 1958-59. We have again paid a dividend of 17½ per cent on the issued share capital, but as increased to £900,000.

THE SISAL OUTLOOK

During the year under review, and since, the sisal price weakened, and some growers even sustained losses. This occurred before the recent general fall in primary commodities, which, however, did not cause a further deterioration in the sisal price. The weakness in the price was due, partly to some disbalance of world supply and demand which may well be temporary, but also and mainly to circumstances concerning Brazil and Mexico of a special nature. There is good reason to assume, however, that long-term prospects are more encouraging.

Sisal is still the cheapest by far of all fibres and it has no effective synthetic or natural competitor. On the present level of price, however, it is very difficult to improve the prosperity of those engaged in the industry.

An economic survey of the sisal industry has just been concluded by Mr C. W. Guillebaud, Reader Emeritus in Economics in the University of Cambridge. He takes a not unfavourable view of the future.

TEA DEVELOPMENT

Your Company produces more sisal than all the Sisal Companies combined quoted on the London Stock Exchange, and is adding tea development on an expanding scale to its sisal activities. This development is under the technical guidance of Mr Sydney Bolster, of London, who has a lifetime of practical experience of tea production in Africa, India, Ceylon, and elsewhere. In establishing our areas we are engaged in a pioneering effort in some of the most difficult country in Africa. I doubt, however, whether there is any better area in Africa for quality tea—and I would stress the word quality.

Last year, when I reported, I said that we then proposed to add 200 acres a year to our planted areas, in addition to the 300 acres already planted at Ngua.

Mr S. Bolster recently inspected our areas, and concluded his report as follows:

"The cleared areas are a fine sight, with well rounded hilltops and clean slopes. The forest soil which is rich in humus has remained fixed in spite of unusually heavy and continuous rain which has fallen. The motor roads have been carefully planned and are well laid out.

"Kwamkoro and Ngua have the makings of a first class tea group—they are situated in an area which I believe will prove to be the 'better part of Ceylon' in Africa, where Kenya and Uganda are 'Assam in Africa.' The close stand of heavy compact bushes should provide a large crop of fine quality tea for manufacture.

"This is a sizeable asset for any investor, and I feel that the Company would be well advised to purchase the neighbouring Ndola Estate, the valuation for which is very reasonable."

We have since acquired the adjoining Ndola Estate. Our areas now comprise 3,165 acres of which 750 acres are planted and I hope that by June, 1958, this will be increased to 1,000 acres. We contemplate a programme to complete over the next seven years a total of 2,700 acres, at a cost of approximately £300 an acre, all in, including roads, buildings, factory etc., although costs in the earlier years are higher than this average owing to heavy initial clearing, building and equipment expenditure.

We have been fortunate in securing the Kwamkoro-Ngua-Ndola areas which we are treating as one integrated group. It has taken us some years to acquire these areas. To safeguard ourselves we were at the same time acquiring a further 4,500 acres of which 4,000 acres are freehold, in the vicinity of which a small nucleus of 110 acres is planted with tea and is being extended.

The area is near the tea estates of the Assam Company and the Bombay-Burmah group. This is some of the last freehold land suitable for tea available in this area. We have not yet decided whether to develop the area ourselves in addition to our other large areas or to dispose of the whole or part.

The labour position on our tea areas is very satisfactory, and we employ almost entirely local labour. Our staff policy is to employ staff who understand local conditions and the African, speak fluent Swahili, and who know the climatic, soil, and cultivation conditions of this particular part of Africa. Without these qualifications, knowledge of tea in Ceylon, India, or elsewhere is not a sufficient qualification. We are fortunate in having our sisal organisation to support our tea development.

FUTURE FINANCE

Our tea development is expensive but, when once mature, tea continues to yield return for up to a century; in fact the full period is not yet known. Our tea development should strengthen and broaden the basis and future earning capacity of our business, but part of the cost of tea development must finally come from outside our own resources in some form of more permanent finance.

The Chairman added: "The Board hope shortly to be in a position to circulate proposals to shareholders."

TAIPING RUBBER PLANTATIONS

WELCOME IMPROVEMENT IN CROP

The forty-seventh annual general meeting of Taiping Rubber Planations Limited was held on March 26th in London, Mr G. R. Roper-Caldbeck (the chairman) presiding.

The following is an extract from his circulated statement:

The crop harvested for the year at 1,344,000 lb showed a welcome improvement of 128,000 lb on the previous year's output. For the current year the estimate is 1,350,000 lb and, providing the weather is kind and there are no untoward incidents, this should be achieved, as the crop harvested so far this year is well ahead of the output for the corresponding period in 1956-57. This year's bigger crop is partly due to a further area of postwar rubber coming into bearing and partly due to close attention being paid to tapping tasks and the greater use of stimulants on old rubber scheduled for felling.

The profit earned is some £3,000 less than last year for, although the crop was up, the average price of rubber was about 2¼d. per lb lower than last year. Estate Expenditure at £97,343 was some £9,000 higher but despite this the actual cost of production was fractionally lower than in the previous year.

The net result of trading is a profit of £17,174, to which should be added the refund of Replanting Cesses amounting to £1,969, making a total of £19,143. After providing £2,935 for taxation and transferring £5,000 to General Reserve, your Directors recommend payment of a dividend of 6 per cent, the same as last year, leaving the carry-forward about £500 more than brought in.

REPLANTING

After all, no further new planting was undertaken during the year. I said last year that we had learnt enough from our experiment in new planting to warrant a continuation and that we planned to fell and plant a further 80 to 90 acres during 1957. Unfortunately, however, we have had to re-consider this decision as the young trees in the 1956 area have suffered severe damage from monkeys from the adjoining jungle. This problem, quite unforeseen, will have to be tackled and a solution to it found before any further new planting is undertaken. Meanwhile, we have decided to concentrate on the policy of replanting, and the programme we now have in mind is to replant, finances permitting, some 480 acres over the years 1958 to 1961, thus taking full advantage of the Government's replanting scheme under which we receive assistance to the extent of $400 per acre. As I have indicated, the fulfilment of this objective is dependent upon the necessary funds being available, and these must come in great part, out of profits.

In December 1957, members were advised that the Board had accepted proposals from the Mining Company for a postponement of operations on our property until the dredge had worked out an area close to where it was presently operating. In view of the delay in commencing work on our property, which we understand may be from three to five years, the Mining Company has agreed to pay us a tribute on all tin ore won both from the area it is now about to work, and our property. The rate of tribute overall has been slightly reduced, but under the new arrangements we should receive some income much earlier than was originally envisaged, and the total sum received should be greater.

The report was adopted.

STATE BANK OF INDIA

YEAR OF ALL-ROUND PROGRESS

PROFIT INCREASED: DIVIDEND MAINTAINED

SHRI P. C. BHATTACHARYYA'S SPEECH

The third annual general meeting of the State Bank of India was held on March 14th at Bombay, Shri P. C. Bhattacharyya, the chairman, presiding.

The Bank has reported all-round progress for the year 1957 both in its traditional business as well as its developmental activities. The following are the salient features of the Bank's Annual Report for 1957 and the Chairman's Speech delivered at the Meeting:

INCREASE IN DEPOSITS AND ADVANCES

The Bank's deposits in India increased from Rs.221.5 crores at the end of December, 1956, to Rs.344.3 crores at the end of December, 1957, raising the Bank's share of the deposits of all scheduled banks from 20.1 per cent to 25.1 per cent. This increase of Rs.122.8 crores in the deposits helped the Bank to add to its investments by Rs.77.8 crores, to strengthen its cash reserves by Rs.10.9 crores and to dispense with borrowings from the Reserve Bank after the first week of April, 1957. The Bank's advances in India also increased from Rs.135.0 crores to Rs.164.6 crores, raising the Bank's share of the total advances of all scheduled banks from 17.1 per cent to 19.2 per cent. The advances reached a peak of Rs.185.4 crores in May, 1957. Industry continued to receive the bulk of the Bank's advances (61.5 per cent on June 30, 1957) while commerce obtained 21.8 per cent.

FOREIGN EXCHANGE BUSINESS

During 1957, the Bank recorded further all-round progress in its foreign exchange business. The increased number of accounts opened under bilateral arrangements and the emphasis laid on the building of cordial relations with correspondent banks, especially for financing the import of capital goods on deferred payment terms, yielded improved results. The Bank's activities were extended to direct dealings in 17 foreign currencies. The scheme to issue Rupee Travellers Cheques was finalised and the Cheques have been on sale all over India and abroad since January 2, 1958.

BRANCH EXPANSION

The Branch Expansion Programme gathered momentum during 1957, the number of new branches opened during the year being 91, as against 46 in 1956. The total number of new branches opened since the Bank's establishment till the end of February, 1958, was 176—out of which 160 branches were opened at places with a population below 50,000 (rural and semi-urban areas). At the current rate of progress, the Bank confidently expects to discharge its statutory obligation to open 400 new branches by June 30, 1960. At the close of 1957 the Bank had a total of 632 offices—3 Local Head Offices, the office in London, 393 branches and 235 sub-offices.

FINANCE TO CO-OPERATIVES

The Bank continued its policy of being responsive to the needs of co-operative institutions. The scope of the Bank's remittance facilities to co-operative banks was further extended during 1957. The Bank's limits of advances to co-operative banks against government securities amounted to Rs.8.5 crores and those against debentures of land mortgage banks to Rs.19 lakhs. The Bank's investments in the debentures of land mortgage banks amounted to Rs.41 lakhs on December 31, 1957. The Bank has also decided to finance co-operative marketing and processing societies. The Bank sanctioned in 1957 pledge advances to three sugar factories and a cash credit limit of Rs.2 crores to a State Co-operative Bank to enable it to finance sugar co-operatives.

FINANCE FOR SMALL-SCALE INDUSTRIES

The State Bank's Pilot Scheme for financing small-scale industries, initiated in 1956, is now extended to 36 centres and credit limits of over Rs.80 lakhs have so far been granted to 189 small industrialists. The Scheme was further liberalised in 1957 so as to enable the Bank to provide working capital to small concerns against almost any commodity, if the product turned out has an assured market. Clean advances are also granted to a limited extent provided fixed assets are offered as collateral security and in special cases, against the capacity of the unit to produce goods for specific orders. The Bank has decided to advance to the units securing orders through the National Small Industries Corporation, the full value of raw materials pledged with the Bank at *any* of its branches.

ADMINISTRATIVE REORGANISATION

The Bank has started a fourth Circle at New Delhi from January 1, 1958, and it is expected that this reorganisation will enable the Bank to maintain closer contacts with customers and exercise more effective supervision over its branches. A Rural Credit Section has been established at the Central Office for guiding and co-ordinating the Bank's efforts in the field of co-operative finance and each Local Head Office has established a Development Section for devoting special attention to all the developmental activities of the Bank.

PROFITS AND THEIR APPROPRIATION

The Bank earned a net profit of Rs.1.37 crores in 1957 as against Rs.1.56 crores in 1956. Earnings from interest and discount have gone up from Rs.6.19 crores in 1956 to Rs.8.25 crores in 1957 and those from commission, exchange and brokerage from Rs.2.44 crores to Rs.3.54 crores. Interest paid on deposits, borrowings, etc., also increased from Rs.1.59 crores to Rs.3.40 crores. The dividend to the shareholders is maintained at the rate of Rs.16 per share. Rs.25 lakhs have been transferred to the Reserve Fund and Rs.32 lakhs are absorbed as bonus to staff. The Staff Welfare Fund and the Staff Co-operative Housing Fund (a new item in the Balance Sheet) have been credited with Rs.10 lakhs each. The last two items are indicative of the bank's solicitude for the welfare of the staff and its readiness to assist constructive activities of a co-operative character.

PLACE IN THE ECONOMY

Both deposits as well as advances (in and outside India) have continued to rise, and at Rs.407.9 crores and Rs.205.2 crores respectively, they have exceeded all previous records. The State Bank thus continues to maintain its position of great and pivotal importance in the Indian economy.

STATE BANK OF INDIA

(Condensed) BALANCE SHEET AS ON 31st DECEMBER, 1957

CAPITAL AND LIABILITIES	Rs.	PROPERTY AND ASSETS	Rs.
1. Capital—Issued, Subscribed and Paid-up	5,62,50,000	1. Cash in Hand and due from other Banks	39,51,93,015
2. Reserve Fund and Other Reserves	7,36,75,000	2. Money at Call	2,00,00,000
3. Deposits	366,51,89,439	3. Investments	183,43,33,955
4. Borrowings	16,50,50,000	4. Advances	173,47,74,460
5. Bills Payable	5,11,49,642	5. Bills Receivable	1,00,16,654
6. Bills for Collection	1,00,16,654	6. Constituents' Liabilities for acceptances, endorsements and other obligations	20,41,115
7. Other Liabilities	2,22,29,765	7. Premises and Furniture	1,93,11,387
8. Acceptances, Endorsements	20,41,115	8. Other Assets	3,55,30,199
9. Profit and Loss	55,99,171		
	Rs. 405,12,00,786		Rs. 405,12,00,786

(Condensed) PROFIT AND LOSS ACCOUNT FOR THE YEAR 1957

EXPENDITURE	Rs.	INCOME	Rs.
1. Interest Paid	3,39,68,959	1. Interest and Discount	8,24,33,019
2. Salaries, Allowances, etc.	5,15,04,813	2. Commission	3,54,21,057
3. Other Expenditure	1,40,21,470	3. Rents	3,31,434
4. Balance of Profit	1,87,45,308		
Total	Rs. 11,82,40,550	Total	Rs. 11,82,40,550

Chairman: P. C. Bhattacharyya
Vice-Chairman: N. V. Gadgil. *Managing Directors:* B. P. Patel and S. P. Puri

THE BRITISH OXYGEN COMPANY LIMITED

HIGHER SALES AND PROFITS

CONTINUALLY GROWING DEMAND FOR PRODUCTS

MR J. S. HUTCHISON'S REVIEW OF WIDESPREAD OPERATIONS

The Seventy-second Annual General Meeting of The British Oxygen Company Limited was held on March 25th at Grosvenor House, Park Lane, London, W.1.

Mr J. S. Hutchison (the Chairman) presided. The following is an extract from his circulated statement:

The consolidated profit of £5,964,085, after depreciation of £3,217,463, compares with £5,198,464 in the preceding year. The profit increase relates to a sales advance of 14.7 per cent and to the employment of considerable additional capital during the year.

Taxation takes £3,215,099 against £2,699,611, and the net profit available to us is £2,440,245. Subsidiary companies retain £497,238; general reserve receives £750,000 (against £500,000); ordinary stock dividend requires £980,212, and £142,358 is carried forward to make the total of unappropriated profit £1,060,737.

CONSOLIDATED BALANCE SHEET

Additional investment in fixed assets was £8.7 million and stock and work-in-progress increased by £1.2 million, debtors by £1.4 million, and treasury bills and deposits by £2.1 million.

This addition of £13.4 million to assets and a reduction of £2 million in current liabilities and provisions, a total of £15.4 million, was provided by the issue of 5½ per cent debenture stock 1981/86, £10 million; by the issue of £0.8 million unsecured notes by Commonwealth Industrial Gases Limited, in Australia; by other loans £0.2 million; and by depreciation and profit retentions of £4.4 million.

We have re-examined thoroughly our programmes of capital expenditure for the next year or two in the context of the present national policy of restraint and have confined these strictly to essentials to enable us to meet the continually growing demand for our products. The total as it now stands is expected to be financed from existing resources and from depreciation and profit retentions which are in excess of £4 million per annum.

The allocation to general reserve this year has been increased from £500,000 to £750,000 in support of the continuing high rate of capital investment necessary to meet and anticipate the demand for our products. A sum of £142,358 also is added to the unappropriated profit carried forward. These amounts make an important contribution to our capital requirements.

The directors have considered most carefully whether the increase in available profit would enable them to recommend some increase in ordinary dividend. They have decided, however, that conservation of resources must have priority at a time when large capital expenditures have to be undertaken against a background of financial restraint.

UNITED KINGDOM GAS DIVISION

Expansion of industrial gas sales has continued mainly under the influence of the bigger steel outputs and we have before us a programme of extension of production capacity to enable us to meet fresh requirements as they arise.

Acetylene, propane, argon, nitrogen and other gases and gas mixtures maintained their sales advance whilst medical oxygen, nitrous oxide and other anaesthetic gases continued on a very steady basis.

Wages, salaries, materials and services all contributed to a significant rise in costs, so that despite greater output, increase in selling prices was unavoidable.

ENGINEERING DIVISION

British Oxygen Linde Limited, in addition to the contract mentioned last year for oxygen plants for the new steelworks at Durgapur in India has been selected as contractor for the oxygen plants valued at approximately £1 million required for the Rourkela Steelworks, and a contract for over £800,000 for plants required by African Explosives Limited.

The formation, in conjunction with Davy and United Engineering Company Limited, of a new company, "Davy British Oxygen Limited," was announced during the year. This company will make available to the steel industry "oxy-steel" processes utilising the steel plant manufacturing facilities of Davy and United Engineering Company Limited, Sheffield, and the metallurgical techniques and tonnage oxygen plant manufacturing facilities of British Oxygen.

British Oxygen Wimpey Limited has been actively engaged throughout the year on government contract work.

British Oxygen Aro Equipment Limited has continued to be occupied mainly on development work. The immediate outlook in this sphere is affected by recent changes in military requirements.

Sparklets Limited has been affected by under-activity in the die-casting industry. This has been compensated, however, by a substantial improvement in the syphon and bulb business following last year's successful introduction of the new popular-priced Hostmaster syphon and earnings have fully recovered from the low point of a year ago.

Woodside Die Sinking Company Limited, now successfully installed in new and improved premises, has made available its precision engineering service to a wider range of industry.

ELECTRIC WELDING DIVISION

Quasi-Arc Limited, with improved earnings, has maintained its position in the highly competitive fields of electrodes and electric welding equipment. The outlook remains favourable.

CHEMICALS DIVISION

Turnover of British Oxygen Chemicals Limited was up 40 per cent last year as a result of bigger sales of melamine and polyvinyl acetate and, in spite of increased costs and keen competition, contributed a larger profit. Sales growth continues in the current year in a favourable way.

Our project in Northern Ireland under Carbide Industries Limited, for manufacture of carbide and acetylene, associated with du Pont's undertaking there, is going according to plan with site work now well under way.

OVERSEAS INTERESTS

Last year sales expanded in all overseas countries, in some by as much as 25 per cent, and the enhanced outputs aided a general and sometimes considerable improvement in earnings.

RESEARCH AND DEVELOPMENT

Research and development activity continues to play a full part in our affairs. The range of investigation is wide and the results reach all sections of our business. Service is frequently given to other organisations whose problems impinge on our particular field of knowledge, for example, the importation of liquid methane and the use of oxygen in the increasingly important field of gasification. In contrast to this more direct application we engage in fundamental and pioneer investigations, as for example, in deep low temperature regions which may be the root of development in the future.

MONOPOLIES COMMISSION

Addressing the meeting, the Chairman said:

You may have seen references in the press in the last few days to the conclusion of our talks with the Board of Trade on the Monopolies Commission Report on certain gases.

In my statement last year I gave my views fully and indicated our agreement with many of the recommendations on matters towards which our policy had been directed and on which we have already acted. The undertakings we have given are in respect of these matters.

The Commission expressed divided views on profit margins. We note the Government statement that they do not propose to take any action to regulate the level of our prices and profits on oxygen and dissolved acetylene.

MANAGEMENT AND STAFF

The Chairman's circulated statement continued:

We are again indebted to our executive directors who carry the daily decision and guidance over the whole range of our activities. They are supported most ably by a loyal and experienced team of senior officers, staff and workers of all grades. Our full acknowledgment and thanks are due to them all.

PROSPECTS

Here is my view on the outlook. Industry in many overseas countries will continue to press forward. In the United Kingdom we respond to the activity of heavy industry and general engineering—a field which today shows many fluctuations. Prudence dictates caution and consolidation.

The width of our activity and the influence of new methods and new construction, particularly in the steel industry, encourage the view that we shall be able to give a good account to you at our next meeting, although the months ahead may prove to lack the buoyancy of some recent years.

The report and accounts were adopted.

THE MESSINA (TRANSVAAL) DEVELOPMENT COMPANY, LIMITED

(Incorporated in the Union of South Africa)

EFFECT OF FALL IN COPPER PRICES

CONFIDENCE IN LONG-TERM PROSPECTS UNCHANGED

COMMANDER H. F. P. GRENFELL'S REVIEW OF ACTIVITIES

The eighth Annual General Meeting of Stockholders of The Messina (Transvaal) Development Company, Limited, was held on March 19th in Johannesburg, Commander H. F. P. Grenfell, DSC, RN (Retired) presiding.

In the course of his address to the meeting the Chairman said: Ladies and gentlemen,

In the course of the year the price of copper fell from £295 to £195 per ton and since then there has been a further substantial drop. On February 13th it was quoted at £160 10s., which is the lowest level since 1950.

Had these prices persisted for any length of time few companies would have been able to make much more than a nominal profit in relation to the capital employed, while high cost producers might have suffered substantial losses.

I am glad to be able to reassure you today by telling you that our costs are such that we have been able to continue operating at a profit—moderate though this may be.

This can be largely attributed to the various measures designed to improve operating efficiency which we have introduced during the past ten years. They have involved considerable capital expenditure but our position today proves beyond doubt the correctness of our policy.

It is an interesting fact that the present recession in copper prices has occurred at a time when world consumption of copper outside the United States of America has reached an all time record figure. It is true that world production has also risen but on analysis it seems likely that if consumption had not fallen off in the United States the overall figures of consumption and production throughout the world would probably have been roughly in balance.

Copper still remains one of the essential metals and it would surely be unrealistic to assume that the present situation in the United States will be a permanent feature of the world's economy.

All this leads me to the view that the long-term prospects for copper and therefore of your Company are unchanged and in spite of our present difficulties I look forward to the future with confidence.

OPERATION AT MESSINA AND UMKONDO

During the year operations at Messina proceeded normally, the average tonnage of ore produced monthly being 76,300 as compared with an average of just over 70,000 tons for the previous twelve months while operating costs fell by 6d. to 36s. 6d. per ton of ore produced. You will see from the details in the summary of the General Manager's Report that a lower grade of ore was treated which had the effect of increasing the cost of refined copper to £130 per long ton.

At the end of the year the ore reserves showed little change in spite of the fact that the tonnage hoisted again showed an increase over the previous year.

At Umkondo on the other hand we have thought it wise, in view of the fall in copper prices, temporarily to re-classify the ore reserves into two categories, "Proved and Probable" and "Possible." All ore which cannot at present be mined profitably but which under more normal conditions would be payable, has been classed as "Possible" and excluded from this year's total which, as a result, shows a fall as compared with last year.

At Messina both the concentrator and smelting plants operated very satisfactorily over the year. A considerable improvement in results was obtained in the mill by the introduction of electronic control equipment while, as forecast last year, the smelter had a record year and produced 14,723 tons of copper which is the highest figure we have ever achieved.

INTERESTS IN SOUTHERN RHODESIA

Turning now to our interests in Southern Rhodesia, I must first bring to your notice the substantial decrease in operating costs of just over 10s. per ton of ore produced at Umkondo.

At Alaska we continued exploration on the surface by geophysical, geochemical and other methods and, so far, results obtained confirm the opinion I expressed last year that this property will prove to be a profitable asset.

At Sanyati further diamond drilling has indicated that our estimation of ore reserves can be increased to a total of just over 15 million tons containing 1.4 per cent copper, 1.35 per cent lead and 2.85 per cent zinc.

EXCELLENT PROGRESS AT MANGULA

I move now to Mangula where I am glad to report that excellent progress was made during the year on the surface construction and underground production programme. So much so that we began railing concentrates for shipment and subsequent treatment at refineries in Europe at the beginning of October last year. Since then—apart from teething troubles which are always to be expected with new equipment—the Mine has settled down well on a production basis.

The principal points of interest are as follows:

First, the increased ore reserves in the Molly section which in round figures now total over 25 million short tons estimated to contain nearly 350,000 tons of copper; second, as I have already mentioned, the fact that we are already receiving revenue from the sale of our concentrates; and third, that we expect to complete the installation of additional units in the mill and flotation plants by the first quarter of 1959 when output will be roughly doubled and operating costs substantially reduced.

I am sure you will be glad to hear that even at our present rate of production and at the current level of prices, revenue receivable from the sale of concentrates is sufficient to meet operating expenses.

I have made a number of visits to Mangula during the past twelve months, and on each occasion I was greatly impressed by the keenness evident in all sections. The community is a particularly happy one, the organisation is efficient and I am confident that under the able and energetic leadership of Mr Wilson, the Resident Manager, and his senior Staff, Mangula will develop into a most successful Mine.

The issued capital of the Company is now £4,500,000, and the 5s. stock units are quoted on the Rhodesian, London and Johannesburg Stock Exchanges. Following the Offer for Sale, your Company's holding is now approximately 80 per cent of the issued capital, and I have no doubt that once the price of copper recovers, the stock units will prove to be a profitable investment.

The Directors' Report and Balance Sheet and Accounts for the year ended September 30, 1957, were adopted.

The retiring Director, Mr P. U. Rissik, was re-elected, and the remuneration of the Auditors for the past year's audit was fixed.

There being no further business, the Chairman declared the meeting at an end.

BANQUE FRANÇAISE DU COMMERCE EXTÉRIEUR

The annual general meeting of the Banque Française du Commerce Extérieur was held in Paris on March 12th.

Monsieur Belin, Chairman of the Board of Directors, presided, and was assisted by Monsieur Assémat, Vice-Chairman of the Board and General Manager. The Government representatives were also present.

During the year 1957, the activity of the Bank developed satisfactorily and its endeavours were especially directed towards the granting of export credit, the total amount of which has grown sizeably larger.

Allowing for all charges and provisions, as well as for depreciation, net profits amounted to Frs 481,360,349, as against Frs 430,065,019, for the preceding year.

After making provision for statutory payments to shareholders, staff and social security funds, the Board have earmarked Frs 170 million for the general reserve, and have placed a balance of Frs 140,572,820 at the disposal of shareholders.

After the Accountants' report and the observations of the Management Committee had been duly read, the accounts were adopted unanimously. Further motions, to distribute a bonus dividend of 4 per cent and to strengthen the general reserve by a supplementary appropriation of Frs 50 million, were duly carried.

Apart from provisions and redemption payments, the total Bank's resources thus reached Frs 3,159 million.

SCOTTISH AMICABLE BUILDING SOCIETY

ANNUAL GENERAL MEETING

At the sixty-sixth Annual General Meeting held on March 17th, in Edinburgh, the President, the Right Honourable Thomas Johnston, CH, PC, LLD, said:

On behalf of the Vice-President, Trustees and Directors, and on my own behalf, I would extend to you all a very cordial welcome to this the 66th Annual General Meeting of the Society.

And I would like to say how greatly I appreciate the honour of having been invited by your Board to become President on the sudden and greatly lamented passing of my predecessor, the Right Honourable Lord Inverclyde.

Lord Inverclyde first became associated with the Society as a Trustee in 1941 and he was elected President in 1949. He therefore filled this office for nine years and presided at the Annual Meetings with general acceptance. His services to the Society and to other great public welfare organisations will always be remembered with gratitude.

I am happy also to announce that the Right Honourable the Earl of Eglinton and Winton, TD, DL, has accepted invitation from your Board to become Vice-President of the Society.

During the year we regret the passing of Mr W. D. M. Allison. He had become a Director in 1944 and Deputy Managing Director in 1945. The Directors wish to record their appreciation of his services to the Society.

And there is one lovable and conspicuous figure which, alas, will never again be among us at the Annual Meetings of the Society. As no doubt most of you know, Mr W. S. Allison passed away last week. He had never quite recovered from the sudden shock of the death of Mrs. Allison, and for the last five months he had himself been suffering from a coronary attack. He had hopes of recovery and two days before his end he informed me of his intention to be present at this Annual Meeting. He had, he said, not missed a meeting for 35 years. But, alas, it was not to be.

William Allison was a great Managing Director, architect, pioneer and guiding spirit of this Society. He took over 35 years ago in difficult times and guided the helm through many financial and building hazards until now it exists as a living monument to his efforts.

It had always been hoped that Mr Allison would recover and come back, and he himself had been confident of this and was loth to give up the reins. Even on the last day of his life he was signing letters dealing with the Meeting.

In these circumstances no permanent change could be made and matters involving a new policy have been justifiably held in abeyance.

The Board of Directors have given deep consideration to the position and have, and are, consulting experts to enable every aspect of the Society's activities to be closely examined.

I have now to present to you the Annual Report and Accounts for the Financial Year ended January 15, 1958. They have been in your hands for the requisite period of seven days and I propose with your permission to take them as read. I should, however, like to deal with a few figures.

The new savings in the Shares and Deposit Department amount to £4,538,526 and the total at the credit of shareholders and depositors is now £22,900,351. The average amount held by Shareholders at January 15, 1958, is £462 and by Depositors £802.

You may recall that on a past occasion the late Lord Inverclyde referred to the proposed introduction of a new Share Investment Department, and I am asked by the Board to report that this has proved to be successful.

Continuing their policy of careful and prudent lending the Directors have granted mortgages during the year on selected securities only, mainly consisting of dwelling houses for owner-occupation. The mortgages cover an ever increasing number of new houses. The sum advanced during the year on selected securities was £2,072,910. The mortgage assets now total £17,458,400.

During the year an increase of £36,908 is shown in our Trustee Investments, Bank Balance and Cash in Hand, which now total £6,546,218 and which represents 26.43 per cent of the total assets.

The reserve Funds now stand at £983,341 together with a carry forward of £14,451.

The Directors' policy has hitherto been to hold a substantial fund of Trustee and Government Securities, and these Trustee Securities at January 15, 1958, including Interest, amount to £5,597,642 which, as already pointed out, with cash in the bank and in hand provides a total of £6,546,218. These securities have been staggered so far as maturity dates are concerned. Government Stocks which are undated are, of course, a separate problem and affect all organisations which have lent money to the Government upon them.

Owing to the fall in Government and other securities the Society, in common with other financial institutions holding these securities, has experienced depreciation between the book value and the market value.

The book value of the Society's own properties stands in the Balance Sheet at the figure of £587,684, these properties having been valued by a qualified valuator in January, 1957, at £858,000. After charging all expenses, interest on Deposits, Income Tax and Profits Tax, the Directors have provided for the interest to Unadvanced Shareholders of £658,543 5s. 10d., calculated at the rate of 3½ per cent (Income Tax paid by the Society), from January 16, 1957, to January 15, 1958, and on Regular Savings Shares at the rate of 3¼ per cent (Income Tax paid by the Society) from January 16, 1957, to January 15, 1958. From the amount of £64,074 18s. 11d. available for appropriation, £49,623 8s. has been allocated to Reserves and the balance of £14,451 10s. 11d. has been carried forward.

The past year has been a difficult one for Building Societies and the Board, I am informed, have had the whole question of interest rates under constant review.

There is one disability under which Building Societies operate. It is the wrongful application to our affairs of the profits Tax. We have been compelled to allow this last year a sum of £22,836. Now we and every other building society are mutual organisations; we do not make profits in the customary sense of the word, and it is hoped that the promise given by last year's Chancellor of the Exchequer to review the position in this year's budget will mean substantial relief to the Scottish Amicable Society. In ten years the rate of Profits Tax that we are now paying would amount to quarter of a million sterling. It is an unjust imposition.

And further it is noteworthy, as you can see from our accounts that between Income Tax and Profits Tax it costs us about 2½ times the sum that it takes to run the Society.

The following Directors retire and in accordance with Rule 34 (Sub-section 5) I declare them re-elected.

Major Robert Bruce, MC, FRIC.
Mr H. S. Swan, JP.

I should like on behalf of the Directors to express their appreciation of the continued efficient service rendered by all the Society's officials, branch managers, agents and staff. I may say in connection with their work that the expense ratio of the Society stands at the very satisfactory figure of 11s. 6d. per cent against total assets compared with 11s. 9d. for the previous year.

The Auditors' Certificate having been read, I have much pleasure in moving that the Annual Report and Accounts be adopted.

The motion was seconded by Sir E. D. Stevenson, KCVO, MC, and the report was unanimously adopted.

THE BEAUMONT PROPERTY TRUST LIMITED

INCREASED PROFITS

The twenty-fourth annual general meeting of this Company was held on March 20th in London, Mr C. W. Black, DL, JP, MP, FRICS, FAI, chairman, presiding.

The following is an extract from his circulated statement for the year ended September 30, 1957:

The Accounts for the Group for the year will, I think, be regarded by our members as satisfactory. The Profit for the year, before taxation, amounted to £221,337, compared with £178,997 in the previous year.

The increased profits have made it possible for the Directors to recommend total dividends of 11 per cent, which compares with 10 per cent in the previous year.

THE RENT ACT

During the year under review the Rent Act 1957 passed into law, and this should enable us to secure a fair return on our residential properties in the future. There has been an enormous increase in costs but, until recently, we have not been able to increase rents. That position has now been rectified. I am glad to say that in 80 per cent of cases we have already concluded new arrangements with our Tenants which are mutually satisfactory.

The Companies own a very sound portfolio of freehold and leasehold properties. The demand both for business and residential properties appears likely to continue on a satisfactory scale, and your Directors therefore envisage a progressive and satisfactory future for your Companies.

The report and accounts were adopted.

ALUMINIUM LIMITED

A TRANSITIONAL PERIOD

ADJUSTMENTS TO COMPANY'S EXPANSION PROGRAMME

The thirtieth annual meeting of Aluminium Limited will be held on April 24th in Montreal.

In the course of his general review of the Company's affairs in 1957, Mr Nathaniel V. Davis, the President, stated:

The year 1957 was a year of transition for the Company and for the industry. The preceding 10 years were, with few exceptions, years of strong demand, full production, and rapid expansion. In 1957, however, supply exceeded demand. Free-world production did not increase. While consumption in Europe and many other areas continued to grow overall consumption dropped by about 3 per cent. At the same time customers reduced their inventories. The resulting decline in demand for primary metal led some companies, including Aluminium Limited, to retard their expansion programmes.

Under these changing conditions, Aluminium Limited's results for the year were adversely affected not only by a consequent reduction in sales, but also by the impact of a protracted strike at the Aluminum Company of Canada Limited's main smelter located at Arvida, Quebec. Aluminium Limited's net income, after all charges, including dividends on preferred shares of subsidiary companies, was $41,422,456 or $1.37 per share on the 30,168,212 shares outstanding at the year end. For the preceding year, 1956, the comparable figures were $55,657,372 or the equivalent of $1.85 per share, after giving effect to the three-for-one share split which occurred in 1957.

Cash generation in 1957, comprising net income, depreciation and reserves for future income taxes, was $93,339,106 or $3.09 per share, as compared with $105,711,431, or $3.55 per share in 1956.

The reduction in net income reflects the decline in sales and operating revenues from $483 million in 1956 to $453 million in 1957 and the impact of the strike at Arvida. It also reflects increased operating costs resulting from retroactive wage increases granted in Canada during the year.

Capital expenditures in 1957 under the Company's long-range expansion programme amounted in total to $180 million, principally to provide new basic facilities for production of hydroelectric power and raw materials on which future smelting expansion may be based. No new addition to the Company's Canadian smelting capacity was completed in 1957, although construction of potlines with an annual capacity of 80,000 short tons was continued at Kitimat, British Columbia, until October, when a decision was taken to defer their completion until justified by an upturn in demand.

Although the expansion programmes of some other primary aluminium producers have also been curtailed, there are large increases in aluminium capacity scheduled to enter production in the next year or two in several countries. The Company must, therefore, look forward to a continuation of overcapacity in the industry as a whole until world markets can be expanded to absorb the increases in production. The abundance of primary aluminium supply does, however, provide the opportunity to develop new uses and markets with every assurance that users' requirements can be met. During the past several years the shortage of supply has unquestionably impaired the growth of uses for aluminium.

Currently the Company's Canadian smelters are operating at about 80 per cent of rated capacity, producing substantially as much metal as in the year of peak production. Shipments so far this year are below this level. This reflects reduced sales to other producers who are bringing in new capacity as well as a lower demand in the trade generally. The general trade demand has shown some signs of stabilising in recent months.

Increased emphasis is being put upon an improvement in operating efficiencies, a strengthening of sales, market development and research activities, and expansion of fabricating outlets. While the Company remains confident that the growth in aluminium consumption will continue and will provide the basis for utilising the expanded facilities which are under construction, the continuation of this programme and the prospects of increasingly strong competition which may result in reduced profit margins will require the most careful utilisation of the personnel, plant, and capital resources of the Company.

With metal in over-supply, keen competition was experienced in all markets. During the latter part of the year, prices weakened in most markets outside of North America. In Britain, and to a lesser degree in Western Europe, primary aluminium of Russian origin emerged as competition of consequence at low prices.

The use of primary metal in the United Kingdom declined and our shipments followed this trend. Fabricators reduced their stocks to lower levels than those which had prevailed in the previous year and were encouraged in this by the Government's tight money policy. Shipments by United Kingdom fabricators commenced to improve in the latter part of 1957.

EXPANSION PROGRAMME

Commenting on the Company's expansion programme, the President said that during the course of 1957 adjustments were made in some segments. The overall effect of the adjustments made during the year was to defer completion in Canada of some 240,000 tons of primary smelting capacity and to reduce the previous capital outlay provision by about $200 million in the years 1957 to 1959 inclusive.

Under the revised programme, the Company was continuing the development of hydroelectric facilities and alumina plants, which required lengthy construction periods. Those facilities when completed would provide additional power for the Company's own needs and additional alumina for which there was an increasing outside demand. That programme would at the same time provide the foundation on which the Company's Canadian smelter capacity could be quickly increased to 1 million tons of aluminium per annum as market conditions warranted.

Turning to the scene outside Canada, Aluminium Limited's subsidiaries and affiliates were proceeding with various expansions of smelting capacity which although smaller in scope were, nevertheless, appropriate to their individual requirements.

The Company's long-term programme for the modernisation and expansion of fabricating facilities was continuing.

BLUNDELL, SPENCE AND COMPANY

ANOTHER SUCCESSFUL YEAR

The sixty-ninth annual general meeting of Blundell, Spence and Company Limited was held on March 26th in London, Mr E. B. Calvert, chairman and managing director, presiding. The following are extracts from his circulated statement:

Once again record sales figures were established both in respect of home and export markets with the result that despite a continued rise in operating costs the Company experienced another very successful year's trading. In the home market the period was one of consolidation and considerable further achievement. In addition to a substantial and encouraging expansion of business through existing main distributors, it was possible to improve still further the general pattern of distribution by the appointment of new stockists in certain areas of the country where sales progress was difficult without adequate merchant support.

In my last Statement I referred to the outstanding success of Pammastic—"The World's Best Emulsion Paint"—and predicted a still greater future for this first-class product. Backed by adequate and competent advertising sales of Pammastic continued to progress in a most heartening manner. Your Directors are particularly pleased with the strong and sustained demand there is for Pammastic for use on exterior surfaces for which it is so eminently suitable both from a decorative and protective point of view.

Sales of Pammel, your Company's first quality alkyd gloss finish incorporating Epikote, continued to develop and during the year steps were taken to revise and enlarge the colour range in which this product is offered. I am hopeful that in my next Statement I shall be able to report a further considerable expansion of sales.

The volume of business done with overseas markets is substantial and contributes very considerably to the well-being of the Company as a whole. Sales to export markets attained record proportions and Pammastic, of course, made a very large contribution to this success. Nevertheless, export business is very competitive and I consider it most regrettable that the competition between British manufacturers in certain markets is so cut-throat in nature that business becomes utterly unremunerative and reacts, therefore, most unfavourably on the Industry and the Nation as a whole.

The high reputation of your Company's products throughout the world is only made possible with well-equipped laboratories, a progressive technical staff and modern production methods.

After reviewing the affairs of the Subsidiary companies, the Statement continued:

The trading of the Group during the period under review has resulted in a profit of £377,059, and after various allocations and adjustments, including provision for taxation, there remains £103,825, an increase of £34,525, compared with the previous year. Your Directors propose a dividend of 15 per cent, of which 5 per cent was paid as an interim dividend on September 27, 1957, and have placed the sum of £40,000 to General Reserve.

Every year I find it most difficult to provide information regarding the probable result of the current year's trading. Nevertheless, information and figures so far available to me suggest that your Company can look forward to another satisfactory year. The report and accounts were adopted.

REVERTEX, LIMITED

(Manufacturers and Sellers of Concentrated Rubber Latex and Synthetic-Resin Emulsion)

ANOTHER SATISFACTORY YEAR

CURRENT YEAR'S PROSPECTS

The thirty-fourth annual general meeting of the shareholders of Revertex, Limited, was held on March 26th at 51/55 Strand, London, W.C., Mr A. F. Baillie (Managing Director) presiding.

The Secretary (Mr H. K. Marsh) read the notice convening the meeting and the report of the auditors.

The following is the Chairman's Statement which had been circulated with the report and accounts for the year to September 30, 1957:

You will probably already know that Mr D. H. Scott, CBE, died suddenly on February 10th, and in these unhappy circumstances, as Managing Director, it falls to me to preside over this meeting. I also regret to have to report the loss of Mr A. Palache, who died after a long illness on February 22nd.

Their passing is a sad blow to us all and before proceeding to formal business I wish to pay tribute to them. Denis Scott and Albert Palache were our friends and colleagues for very many years and we owe much to their wise counsel. We shall miss them both greatly.

GROUND HELD IN DIFFICULT PERIOD

I feel I cannot do better than present to you the statement which Mr Scott himself prepared prior to his death.

"You will see from the Accounts now before you that our Company has had another satisfactory year and that we have rather more than held our ground in a difficult period. I would like to express our appreciation of the good work done in their respective spheres by all our staff and employees both at home and abroad to whose efforts these results are so largely due.

DIRECTORATE

The Board appointed Mr C. J. Fitzgerald a Director as from January 1st this year and you will be asked to confirm this appointment later on in this meeting. Mr Fitzgerald joined the Company in 1935 and since 1951 has been General Sales Manager. Mr D. W. Stutchbury, who joined us in 1946, has been appointed General Sales Manager in his place.

REVERTEX (CONCENTRATED RUBBER LATEX)

During the year our deliveries of Revertex showed a further increase. As I informed you in my speech last year, although we hope to be able to count on our establishment at Kluang, Malaya, as our main base of operation on the latex side for many years to come, we thought it prudent to consider the question of installing a plant in Africa, and to that end the main rubber growing areas in Africa were visited. We are now carrying out tests on a pilot plant scale on the latex in the locality which we consider the most suitable. Should these tests prove satisfactory, as we hope, we shall then proceed to erect a full scale production unit.

Our policy in regard to our factory at Kluang is to do everything that is necessary to maintain it in a high state of efficiency and to provide new plant as required. At the same time we charge depreciation at the rate of at least twenty per cent per annum on the original cost, with the result that assets in Malaya costing £326,977 now stand in the Balance Sheet at £71,533.

EMULTEX (POLYVINYL ACETATE EMULSION)

Deliveries of Emultex were slightly greater than for the previous year. We believe that with the high standard of quality we maintain and the variety of grades we offer we are well placed to profit from any overall increase in the use of polyvinyl acetate emulsion.

During the past few years we have built up quite a considerable export business to the Union of South Africa, and we feel that the time has come when we should manufacture out there. We accordingly bought a suitable site on the Amanzimnyama Industrial Estate near Durban and a small factory is in course of erection. We have also formed a wholly owned subsidiary company, Revertex (South Africa) (Proprietary) Limited, to conduct our operations in the Union of South Africa, and according to our advisers it should rank as an Overseas Trade Corporation for tax purposes. These steps have been taken since October 1, 1957, and will thus only be reflected in the Accounts for the current year.

ALCOTEX (POLYVINYL ALCOHOL)

This product has made a small but welcome contribution to our profit during the past year and the new plant is now operational. We look for an increasing profit from this source during the current year.

ACCOUNTS

For the year under review the profit, before tax, amounted to £406,975, as compared with £392,198 for the previous year. The net profit, after making full provision for taxation, was £190,975, as compared with £193,198. The small decrease in the net profit, after tax, as compared with the increase in the profit before tax is due to three factors. In the previous year we were able to transfer £10,000 from provision for income tax no longer required; the proposed increased distribution this year will attract an additional £6,000 in profits tax; and the increased rate of profits tax was in force for the full year.

I am glad to say that the rubber market became more normal during the year, with the result that our hedging is now much less costly.

DIVIDEND AND PROSPECTS

The Directors recommend the payment of a final dividend of 20 per cent, less tax, making with the interim dividend of 10 per cent, less tax, paid last November, a total of 30 per cent, less tax, for the year. The total dividend of 30 per cent, less tax, will absorb the sum of £78,272 net and the unappropriated profits will be increased by £112,703 to £589,311.

It is again extremely difficult to forecast the results for the current year in the prevailing uncertainty about the near term prospects of world trade as a whole. The estimated profit for the first quarter approximates closely to that for the first quarter of the previous year and the outlook is so far not unpromising. Subject to unforeseen circumstances, I think we should have another fairly good year."

The report and accounts were unanimously adopted and the dividend, as recommended, was approved.

The retiring directors, Mr S. Whyte and Mr C. J. Fitzgerald, were re-elected, and it was resolved that the remuneration of the auditors, Messrs Deloitte, Plender, Griffiths and Co., be fixed by the Directors. The proceedings then terminated.

DUNFERMLINE BUILDING SOCIETY

FUNDS INCREASED BY ALMOST £740,000

The Society's eighty-ninth Annual General Meeting was held in Dunfermline on March 18, 1958, Mr Andrew Crocket, Chairman of the Society, presiding.

In proposing the adoption of the Report and Accounts the Chairman said that total funds had increased during the year by almost three quarters of a million pounds to a record figure of £11,918,889. Some 1,750 advances had been made during the year to assist house-purchase, totalling £2,095,594. With only one exception this was the largest amount advanced in any one year in the Society's history. These figures, he felt, gave evidence that the Society had continued to enjoy the confidence of the investing public, and this was the more gratifying in that conditions during the past year had been rather difficult in the Building Society movement as a whole.

SHARE CAPITAL UP BY £753,764

During the year under review the Society's share capital had been increased by £753,764 to a total of £10,835,823 at the end of the year. In accordance with the trend of preceding years, deposits showed a slight decrease and stood at the figure of £677,925.

The Society's advance department had been particularly active during the past year. The net increase in mortgage assets had risen by over £900,000. The rate of mortgage interest to old and new borrowers alike had been maintained at 6 per cent per annum.

Investments and cash together amounted to £2,257,372, and although this showed a reduction of some £180,000 over the year, the Society's actual cash balance at just over £633,000 is a considerable increase.

Reserves, etc., had now passed the quarter of a million mark to reach the figure of £253,273. With the heavy drain of taxation progress in building up the reserves is necessarily slow, but it is hoped that some form of relief from the present burden of taxation will be allowed by the Chancellor of the Exchequer.

In his concluding remarks the Chairman expressed confidence that the Society would continue to enjoy active business conditions at Head Office and throughout all its Branches. Attractive premises had been acquired in Ayr, where it was expected that an already rapidly developing business would still further expand.

The report and accounts were adopted.

BANK OF SCOTLAND

NEED FOR CONFIDENCE IN STABILITY OF STERLING

LORD BILSLAND'S VIEWS

The Annual General Meeting of the Proprietors of the Bank of Scotland will be held on April 1st within the Head Office, Edinburgh.

The following is an extract from the statement by the Governor of the Bank, The Right Honourable Lord Bilsland, KT, MC, DL, LLD, which has been circulated with the Report and Accounts.

It will be recalled that at this time a year ago the country's economy was in process of recovery from the effects of the Suez Canal incident. It became apparent, however, towards the late summer that all was not well. Distrust of the stability of Sterling abroad was apparently generated by the strength of the German Mark and the devaluation of the French Franc which coinciding with the seasonal pressure on Sterling resulted in speculation abroad on a devaluation of Sterling. The consequent drain on the country's Gold and Dollar Reserves was serious and firm action was necessary to protect the stability of Sterling. This action was taken in September when Bank Rate was raised to 7 per cent, capital expenditure in the public sector of the economy limited to the previous year's level, and the Banks were directed to ensure that the average level of advances over the ensuing year should not exceed the average level of the past year.

CRISIS SURMOUNTED

In retrospect, it may be said that if action had been taken sooner the necessary measures might have been less drastic. However that may be, the remedies appear to have been effective so far and, after making full allowance for the credits arranged with the International Monetary Fund and the Export-Import Bank, a substantial improvement in the Sterling Gold and Dollar Reserves has been achieved. Thus again a crisis has been surmounted but, so long as the reserves behind Sterling are insufficient to remove doubt on their complete adequacy in all circumstances, it is not possible to have confidence that a similar crisis may not arise again.

With Sterling pegged to the Dollar at an exchange rate varying within small limits, the speculators in Sterling have virtually nothing to lose and, as was shown last Autumn, they can create a situation in which, for reasons unrelated to the state of this country's export trade balance, they may gain substantially if our national efforts to recreate confidence in the stability of Sterling should for any reason fail.

While the importance of building up the Gold and Foreign Exchange Reserves of the country is thus clearly manifest, the situation cannot be said to have been conclusively dealt with until there has been a definite halt in the upward trend of industry's wage costs. The negotiations pending on wages levels are therefore of particular significance at this time. Foreign confidence in Sterling will not be permanently restored until convincing evidence of the country's determination and ability to resist continued inflation has been demonstrated. Towards this end the present downward trend in commodity prices is helpful as are recent announcements of price reductions in certain manufactured products attributable partly to lower raw material costs.

The current recession in trade activity and industrial production in the United States of America is of particular importance in its potential effect on world commerce and on this country's export trade. Opinion at the present time in the main supports the view that no major set-back will occur and that, after the necessary period of readjustment, the length and severity of which cannot be assessed, activity will be restored.

After reviewing conditions in Scotland the statement continued:

THE ACCOUNTS

The profits for the past year at £636,961 are less than the previous year by some £2,000. As I stated last year, the present high interest rates do not operate to our advantage. Allocations of £200,000 to Reserve for Contingencies and £80,000 to Pension Fund are again proposed, and after providing for the maintenance of the dividend at 14 per cent for the year requiring £362,250 net, the balance carried forward is £248,256, representing a reduction of £5,289.

In the Balance Sheet, Deposits are over £5 million less than last year at £168,077,105. During the greater part of the year deposits were higher than the previous year, and the reduction now shown has only emerged in the last two months of our year. Note Circulation has again expanded, this year by an additional £1,500,000, and Acceptances, Guarantees, etc., on behalf of customers are nearly £2 million greater at £22,376,062. Advances at £40,492,293 are approximately £1,500,000 lower than last year and over £4 million less than two years ago. The strong liquid position of the Bank is fully maintained with Cash, Balances, Documents in Transit, Money at Call and Bills Discounted totalling £80,781,826.

MIDLAND COUNTIES MOTOR FINANCE COMPANY LIMITED

BRIGHT PROSPECTS

MR HAROLD SHENTALL'S STATEMENT

The Twenty-ninth Annual General Meeting of the Midland Counties Motor Finance Company Limited, was held on Monday, March 24, 1958, at the Royal Victoria Station Hotel, Sheffield. The following is the statement by the Chairman which had been circulated with the report and accounts for the year ended December 31, 1957:

Although the year which I have to review shows an increase in the Group Trading Profit from £373,037 to £402,654, the net profit after taxation, depreciation and other charges shows a slight decline from £139,770 to £127,452.

Despite this reduction in the net profit there is no doubt that 1957 has been a very satisfactory trading year.

In my statement last year and on previous occasions, reference has been made to the fact that the results of this Company are to a substantial degree dependent on the previous year's trading.

Thus, 1956—a year of great crisis in the motor industry, to which the fortunes of Midland Counties are allied—benefited from the very favourable conditions experienced in 1955.

In 1957 our net profit is down due to the difficult trading in 1956. You will notice, however, that hirers' balances which had decreased by £593,545 at the end of 1956 show an increase of £445,893 at December 31, 1957.

A substantially higher proportion of the interest chargeable is carried forward into 1958 than was brought in at the beginning of 1957, and this will be of considerable benefit in the current year.

On the whole, despite the difficulties of the intensification of the credit squeeze, and the severe increase in the bank rate, 1957 was a very favourable year for your Company, showing a marked increase in the business transacted.

During the peak months of the year the amount of business done was limited by the funds available, but strenuous efforts have been, and are being, made to supplement these by the only method at present open to us—increasing our deposits. Progress is being made in this respect, and I would again draw the shareholders' attention to our scheme for the acceptance of deposits. We offer attractive rates of interest, security for your money, with a minimum of formalities.

Your Directors again recommend the payment of a final dividend of 20 per cent., making a total of 30 per cent. on the ordinary shares for the year. They also propose to place £50,000 to reserve, leaving an increase of £14,305 in the balance carried forward.

The current year has got off to a good start, and we have the advantages, to which I have already referred. At present there is no sign of any falling off in the favourable conditions enjoyed by the Motor Industry as a whole. The prospects, therefore, look bright, but the general conditions in the country do make it difficult to prophesy with any degree of confidence. Reduction in overtime working may affect the demand for the cheaper second-hand vehicles and this could have repercussions on the market as a whole. There is, too, always the possibility that fresh restrictions might be imposed on the Hire Purchase Companies. Such considerations must temper the optimism we feel at the present time.

Once more, I must express our sincere thanks to our management and staff for all the hard and intelligent work they have put in during the past year. The results achieved are due in no small measure to their efforts, and this mark of our appreciation is no empty formality.

The report was adopted.

THE SCOTTISH LIFE ASSURANCE COMPANY, LIMITED

A YEAR OF MANY RECORDS

Mr C. R. Munro, CA, Chairman of the Board of Directors, presided at the Annual General Meeting of The Scottish Life Assurance Company, Limited, held at Edinburgh, on March 26th.

In moving the adoption of the Report and Accounts for 1957 the Chairman said:

1957 has been for us a year of many records. Not only has it been the eighth year in succession in which we have produced record net new sums assured but these have for the first time exceeded £10 million. Our Life and Annuity Fund has, for the first time, exceeded £20 million, and our premium income now exceeds £2½ million, and the gross yearly income from investments £1 million. The net new business was 17 per cent and the group life business 41 per cent above the corresponding figures in the previous year.

In 1957 our premium income increased by £364,000, being 16 per cent over that for 1956 and 33 per cent above that for 1955. The gross rate of interest earned has risen to £5 18s. 2d. per cent compared with £5 13s. 11d. per cent in 1956. The corresponding net rates after deduction of income tax are £5 1s. 3d. per cent and £4 19s. 11d. per cent respectively. Both these rates of interest are the highest achieved in the Company's history.

One consequence of the increase in Bank Rate to 7 per cent in September, 1957, was a reduction in market value of our British Government securities and other fixed interest stocks. Furthermore, the decline in prices in this country, in USA and Canada, has affected the value of our ordinary stocks. Notwithstanding these falls in value, our investments are worth considerably more than the figure at which they stand in the balance sheet. During the year we made a substantial addition to our portfolio of debentures, in which section is included a number of the presently popular convertible debenture stocks. To a restricted extent we have remained active in the mortgage field, where we lend money on security of house property for owner-occupation in this country, and we also increased our portfolio of ordinary shares, including both American and Canadian stocks.

During 1957 we revised our basis of premium rates to take account of the latest mortality experience of assured lives. The result has been to produce considerably cheaper rates at certain ages, particularly for older lives, and for higher sums assured. It is our constant endeavour to provide life assurance against premature death, from whatever cause, to as large a section of the population as possible, and it is satisfactory to report that last year we were able to offer terms to 96½ per cent of our proposers, of whom over 90 per cent were granted terms at the normal rate of premium. Of the 3½ per cent to whom we could give no terms we have, in a number of cases, offered to reconsider them at a future date, in the hope that we shall then be able to offer them some terms of acceptance for life assurance purposes.

The Directors recommend that the Final Dividend for 1957 should be raised by 2s. per share to 8s. per share, making the total for 1957 12s. per share as against 10s. for 1956.

The Report and Accounts were adopted.

FORD MOTOR COMPANY LIMITED

RAPID RECOVERY AFTER EARLY DIFFICULTIES

SALES TO DOLLAR AREA EXCEED $50 MILLION

SIR PATRICK HENNESSY ON RESTRICTIVE HOME TAXATION

The twenty-ninth Annual General Meeting of Ford Motor Company Limited, will be held on April 18th in London.

The following is an extract from the statement circulated by the Chairman, Sir Patrick Hennessy, covering the year ended December 31, 1957.

The results for the year, showing a recovery in earnings to the level of three years ago, might well suggest steady and uneventful progress, but such was far from being the case.

There were two distinct phases within the year. During the first, which lasted until March, car business remained at a seriously low level, and during the second we experienced a period of rapid recovery to an unexpectedly high level of demand.

Commercial vehicles and tractors were less directly affected by fuel shortage. Demand was relatively well maintained, and stimulated by the introduction in the course of the year of two important commercial vehicle lines.

In May came the entirely new Thames Trader diesel and petrol commercial vehicles, ranging up to five tons in capacity, and in November they were further extended to include seven-ton vehicles. Many operators at home and abroad, following intensive demonstration of the Traders' robust and economical qualities are already placing substantial orders with us.

In November we announced our new forward control vans of 10-15 cwt. capacity to replace the model which has given such excellent service to many thousands of customers over the years. These new vehicles are supplied in a variety of goods and passenger carrying types.

Finally, this year of intensive development was capped by the introduction in November of a new diesel tractor, which we named the Fordson Dexta, and which, with the larger Fordson Major, provides power for the varying farming needs. With its comprehensive range of Ford-Ransome implements, the Dexta is well equipped to meet stern competition in its class in markets throughout the world.

HOME AND EXPORT SALES

During the year sales in the home market totalled 153,752 units, including 106,367 cars, 34,322 commercial vehicles and 13,063 tractors.

Exports were 134,206 cars, 18,399 commercial vehicles and 32,064 tractors, a total of 184,669 units, or 54.6 per cent of our overall sales. Foreign currency earned by those exports included more than $50 million.

Undoubtedly the most dramatic export market last year was the USA, where interest has increased so greatly that the imported car market, although still only a small fraction of the total, has quadrupled in the last two years. In the same period our sales of cars to the USA increased more than six times to over 22,000. The growth in this market fully accounts for the past year's export records; indeed, our total exports elsewhere did not exceed 1955 levels.

BURDEN OF TAXATION

During the past two years the German motor industry has increased car production by 36 per cent, whilst the British industry has declined by 4 per cent. In Germany, where there is no purchase tax and a sales tax of only 6 per cent, the home market increased by 33 per cent; ours, restricted by 60 per cent purchase tax, declined by 14 per cent. This gives weight to my recommendations last year when I contrasted their home market with our own, and urged the need for purchase tax relief. It would be wrong to assume that, with this disability, we can compete successfully in a European Free Trade Area.

An important cost factor in the motor business is high volume production, to justify the installation of modern equipment and enable us to compete in the market places of the world. This high volume can only be achieved and maintained with maximum sales at home.

No major industry in this country, bearing such heavy responsibility for export, is so restricted by taxation at home. Few industries are so modest in their claims upon imported materials: only raw materials normally are imported by the motor industry and, in the course of manufacture, they gain more than ten times their value for export.

Substantial reduction of purchase tax on passenger cars would give us no more than equal opportunity with our Continental competitors.

Further, purchase tax on commercial vehicles, now 30 per cent on chassis, is quite indefensible and ought to be abolished.

I welcome the fact that a start has been made on trunk-road construction in this country. It is as yet only a beginning and far short of what is necessary to correct our present deficiencies. However, it can be said that this Government has done more to implement road construction than any other in the post-war years. There is some basis of hope for the future inasmuch as road construction now appears to rank higher in official priorities.

In recent months the construction of the new Thames Foundry has been completed, and it is now running in. Later in 1958 our pressed steel shop will also be in production, and in the early months of 1959 the new assembly building, which is now at the steel girder stage, will be in use. These three projects are the cornerstones of our present programme, and will enable us substantially to increase productive capacity, improve our techniques and efficiency, and provide employee amenities of a high standard.

EMPLOYEE RELATIONS

A year ago I expressed our earnest desire that good employee relations might be established at Briggs Motor Bodies Limited. While there has been movement in this direction, I regret that it has not yet been possible to reach agreement on standardisation of working conditions for Briggs hourly-paid employees with those at Fords. It is my sincere hope that during this year we shall reach an understanding which will allow Briggs hourly-paid employees to enjoy the same benefits and working conditions as their Ford colleagues.

LEYLAND MOTORS LIMITED

OVERSEAS SALES EXCEED £20 MILLION

The thirty-ninth annual general meeting of Leyland Motors Limited was held on March 26th at Leyland, Lancashire.

The following is an extract from the circulated statement of Sir Henry Spurrier (chairman and managing director):

Taking it by and large the year under review has almost certainly been the most difficult one which the Company has had to face since the end of the War. Fuel shortages following the Suez Crisis, and financial difficulties consequent on the economic situation in various parts of the world brought many difficult sales problems. Within the commercial vehicle industry there has been little or no recovery of the situation, unlike the experience amongst car manufacturers. On account of all this, we must consider ourselves fortunate to have started the year under review with a very large backlog of orders on our books. Despite these difficult circumstances I am satisfied that we have more than maintained our share of any business which has been offered.

HOME AND OVERSEAS MARKETS

The home market now appears to have reached saturation point so far as the supply of new fleets of vehicles is concerned, and we must look to the smaller operator and the ancillary user for any increase in volume of business that we may win in the future. Bus services all over the country are experiencing more and more competition from other forms of transport, most of all from the private car. The expansion of transport of goods by road is not only restricted by statute, but also to no small degree by the limitation and lack of main trunk roads. The Government's road programme is far short of the essential requirements needed to put the country's transport system on a sound and economic basis.

The overseas market is a different story. After Suez nearly all markets were seriously unsettled, but most of these made some recovery, and generally speaking I believe that the end of the year found us holding the position we occupied at the beginning. During the past year the direct overseas sales value of vehicles, units and spare parts alone exceeded twenty million pounds.

In my statement last year, I referred to the Company's decision to purchase the Government owned Tank Factory built on Leyland property. We were faced with making a rapid change-over of its million square feet of shop floor from the production of tanks to that of our own domestic units—in particular the complete manufacture and testing of all Leyland diesel engines. By unrelenting efforts on everyone's part the work was accomplished in record time, enabling us to avoid redundancy which previously had appeared likely. The change-over will, I feel confident, provide a diesel engine factory with the most up-to-date equipment, second to none in its capacity for quality and quantity of output.

THE PRESENT YEAR AND THE FUTURE

Trading conditions, both at home and abroad, are now more difficult, and we are finding it increasingly necessary to offer more attractive purchasing terms and to give more and longer credits.

The world's markets today have, amongst other things, become noticeably price conscious. Because of the ever rising cost of production, through wage awards and increases in the prices of material, British goods are slowly but surely becoming less competitive against those of the foreign manufacturer.

From the point of view of the commercial vehicle industry I am convinced it is essential that we should find means to arrest the spiral of increasing costs, and we have not a great deal of time in which to do so if we are to continue on our present level of sales output. Any effort in this direction is more often than not offset by the negotiated wage increases which, when regard is paid to the future of the industry, we are having to face far too frequently.

ACCOUNTS

The profit and loss account shows a trading profit of £6,065,279, and taken by itself represents a record profit of the Company. It will, however, be understood that it has been earned with the great increased capital, and must therefore be compared against the profit and capital of last year.

We are faced with a payment of £2,632,340 for taxation. Anyone comparing this figure with the sum of £756,332 paid to shareholders must ask themselves if the country could obtain any benefit by a complete takeover, or whether financially we are not already nationalised.

The Directors recommend a dividend of 2s. 6d. per Stock unit, less tax.

The report and accounts were adopted.

THE FEDERATION OF MASTER COTTON SPINNERS' ASSOCIATIONS LIMITED

MR ERNEST HIRST PUTS THE CASE FOR A CEILING ON IMPORTS

The Annual General Meeting of the Federation was held on March 25th in Manchester, Mr Ernest Hirst presiding.

Mr Hirst said that the cotton industry faced the most critical moment in its history. The cotton industries and governments of all the OEEC countries were now experiencing the same problems as Lancashire owing to the threat of textile imports from Eastern countries with low standards of living and sometimes the added advantage of subsidies.

The world slump of the 1930s had been followed by the war, when half the mills were closed and no re-equipment had been permitted. Since the war the industry had made tremendous and successful efforts to put itself on a sound basis. A vigorous recruitment policy had been accompanied by the installation of improved amenities and welfare equipment which had begun to attract a fair share of young people. Juvenile rates of pay and promotion were good and technical education was encouraged.

£100 MILLION SPENT ON NEW EQUIPMENT

By 1954 Lancashire was installing new machinery at a faster rate than any other established cotton industry; between 1948 and 1957 more than £100 million had been spent on new equipment. The industry was being gradually streamlined and production was being concentrated in the more effective units.

Modernisation had now been slowed down by the threat of increasing and unlimited duty-free imports from India, Pakistan and Hongkong on a scale which no other country permits or would permit.

Shift working in Lancashire would gradually increase, largely in order to conserve capital, but it was a common fallacy to think that the cost of production would be greatly lowered thereby. The premium paid for the shorter hours worked on shifts largely negatived the advantage of more intensive use of machinery.

The Yarn Spinners' Agreement, although not operated by the Federation, was, in Mr Hirst's opinion, essential in order to provide a minimum margin for efficient firms so that they could continue with their re-equipment and modernisation plans. The fact that it did not provide a feather bed was shown by the large number of mills which had recently closed.

The greater part of the fall in exports had been caused either by low price Japanese competition or by the imposition of tariff or quota restrictions in markets which still wished to buy our quality goods. The present crisis was mainly caused by unlimited duty-free quantities of cheap goods from within the Commonwealth and Empire which were imported and not re-exported after processing.

UNFAIR COMPETITION

The Federation had circulated widely a short document which set out seventeen points demonstrating clearly the unfair nature of this competition and the facts given had not been disputed. Complete exclusion of these goods was not asked for, only a reasonable ceiling. Mr Hirst said that the Federation was non-political, but a Government which was so short-sighted as to ignore the danger of unemployment and dissipation of invested capital on such a scale must expect to lose the votes not only of those directly affected, but also of those who realised the soundness of Lancashire's case. It was quite untrue that a reasonable revision of existing policies, in order to give some safeguards to Lancashire, would undermine the whole system of Imperial Preference or affect other industries adversely.

The industry would continue to press on with the preparation of its own plan aimed at limiting imports. The announcement that high-ranking Government officials were proceeding to Hongkong to discuss the problem was naturally welcomed, but speedy action was required.

The industry had behaved with remarkable steadiness and had followed constitutional principles as it was felt that the soundness of its case must yield results, but the impatience of many Federation members, who had not had the opportunity to follow all the efforts made to press their case, could be appreciated. The present deadlock must be ended, as the cotton and allied fibres industry must remain a great basic industry which would continue to provide steady large-scale employment at home and be a spring-board for exports.

THE SCOTTISH MUTUAL ASSURANCE SOCIETY

EXCELLENT RESULTS

The seventy-fifth annual general meeting of The Scottish Mutual Assurance Society was held on March 19th in Glasgow.

Mr T. R. Patterson, CBE, DL, JP (the chairman), presided and, in the course of his speech, said:

This is our seventy-fifth year and we have invited all our Branch Managers and Resident Secretaries to attend. We are delighted to have them with us and to congratulate them on the excellent results of the past year. The number of new policies written has increased by over 10 per cent, while the sums assured have increased by over 20 per cent to the record figure of £6¼ million.

In the autumn it became necessary among other things to increase Bank Rate to the "crisis" rate of 7 per cent. As a result we have been able to invest new money on favourable terms and, with further increases in the dividends on our holdings of ordinary shares, the gross rate earned on our funds in fact increased by 4s. 5d. per cent to the new record figure of £6 3s. 4d. per cent. The net rate increased by 7s. to £5 6s. 4d. per cent—also a new record—partly due to an adjustment in our provision for income tax for previous years.

After a full review of the affairs of the Society as regards both Assets and Liabilities the directors decided to increase the rate of Intermediate Bonus to 44s. per cent per annum, the full rate declared two years ago at the triennial distribution of profits.

The report and accounts were adopted.

EASTBOURNE MUTUAL BUILDING SOCIETY

ASSETS EXCEED £7 MILLION

The eighty-first annual general meeting of the Eastbourne Mutual Building Society was held on March 19th at Eastbourne.

Mr Laurence A. Caffyn, chairman, in the course of his speech, said: It has been a year of steady progress. The total assets increased during the year by £80,000, and by the end of the year had reached the satisfactory figure of £7,221,000. Of these assets, £734,000 or 10.2 per cent of the whole comes under the heading of liquid assets.

The year 1957 was one in which most other financial institutions had to curtail activities. The result was that building societies were confronted with an unprecedented demand for loans. The primary object, of course, of building societies is to grant loans for home-ownership and, therefore, your Board had to concentrate on the task of helping people who wished to achieve this most desirable object. There have been rumours that building societies were not making the advances they ought to make, but during the year your society advanced £400,000 more than it advanced in 1956. The total of £822,000 was a highly creditable performance.

The society's liability to income tax and profits tax continues to increase. Building societies have always maintained that they should not be assessed for Profits Tax, for the simple reason that they are non-profit-making concerns. We still hope that Profits Tax for building societies will be completely abolished.

The report and accounts were adopted.

NATIONAL MUTUAL LIFE ASSURANCE SOCIETY

A MOST ACTIVE YEAR

MR KENNETH MOORE'S STATEMENT

The Annual General Meeting of the National Mutual Life Assurance Society was held on March 25th at the head office of the Society, 39 King Street, London, E.C., Mr Kenneth A. E. Moore, FCA, the chairman, presiding.

In a statement which had already been circulated to the members of the Society together with the annual report and accounts for 1957, the chairman said that the Society had once again had a most active year, with new sums assured totalling over three million for the first time.

He then went on to review the problems of investment in 1957—a year during which there were substantial falls in market values, not only of gilt-edged and other fixed-interest stocks, but also of equities both sterling and dollar. It had been the constant endeavour of the Directors so to adjust the investment portfolio as to minimise the impact both of falling investment values and of currency depreciation.

The Society was almost unique in showing its quoted investments in the balance sheet at their approximate middle market prices at the end of each year. The Reserve Fund, which was started 25 years ago and which had been a buffer against adverse fluctuations in market prices ever since, had sufficed to carry the whole of the investment depreciation of 1957 with a margin of nearly £250,000. This Reserve Fund was, of course, entirely distinct from the Actuarial Reserves which were carried under the Assurance Funds.

INTEREST RATES

The general fall in investment values in 1957 was, to a large extent, a reflex of the considerable rise in interest rates which occurred during the year, particularly following the rise in the Bank Rate. In the case of a life office there were countervailing advantages in that so long as these higher interest rates persisted it was possible to invest new moneys at higher yields than were normally assumed in actuarial calculations.

The statement then set out in a short table the effect of the moves that it had been deemed prudent to make during 1957 in fixed-interest and ordinary stocks, both sterling and dollar. Broadly speaking, the movement was away from ordinary shares into fixed-interest stocks to the extent of about 10 per cent of the Society's total assets, ordinary shares having been reduced to 17 per cent.

TRIBUTE TO STAFF

Mr Moore concluded his statement by placing on record the thanks of the Directors to the officials and staff for the competent and satisfactory way in which they had dealt with the day-to-day work of the Society, and to Mr Oram, who was appointed Actuary and Manager in 1956, their special thanks for the contribution which he had made to the tasks of management. Mr Oram had recently been appointed to the Board of Directors.

The report and accounts were unanimously adopted.

INTERNATIONAL COMBUSTION (HOLDINGS) LIMITED

Annual Report and Accounts of the I.C.L. Group for 1956-1957

INTERNATIONAL COMBUSTION LIMITED
Complete Steam Generating Plant for Power Stations, for Industry and for Nuclear Power Application in Great Britain.

INTERNATIONAL COMBUSTION PRODUCTS LIMITED
Steam Raising Equipment, Material Handling Equipment, Vibrating, Screening and Filtering Equipment, etc., for sale in Great Britain.

INTERNATIONAL COMBUSTION (EXPORT) LIMITED
All products of the Group for sale abroad.

RILEY (IC) PRODUCTS LIMITED
Mechanical Stokers and Oil Firing Equipment for small installations, Syntron Vibratory and Feeding Equipment.

THE CLAYTON EQUIPMENT COMPANY LIMITED
Locomotives and Vertical Kiln Plants.

PRINCIPAL FEATURES

1955–56 £		1956–57 £
913,414	Net Profit for Year after Taxation	1,274,745
5,175	Preference Dividend	5,175
372,900 (22½%)	Ordinary Dividend (25%)	413,665
535,939	Net Profit retained in the Group for Development, Expansion and Contingencies	856,905
913,414		1,274,745
4,269,783	Net Current Assets before providing for advance taxation	5,231,382
1,603,048	Fixed Assets (less depreciation)	1,102,376
400,203	Investments (less Provision)	464,354
5,763,034	Total Capital Employed	6,798,112

EXTRACT FROM THE REVIEW OF THE CHAIRMAN, SIR JAMES REID YOUNG

The Group profit of £2,601,201 is once more at a record level, due mainly to closure of several long-term Contracts.

Export deliveries and those for general industrial field were substantially increased. Output of Derby Works showed an increase.

Orders on hand showed an increase of £1 mn. over previous year. Since end of financial year order placed by Central Electricity Generating Board for 550 MW Unit Boiler for Thorpe Marsh, nr. Doncaster, having nearly three times the steam capacity of any previous individual unit placed by the Board. Also Contract received jointly with the B.T.H. Export Co. Ltd. for complete Power Station for City of Buenos Aires.

Subsidiary and Associated Companies, both home and overseas, have in general shown satisfactory working results.

Output is continuing on a satisfactory scale and current year's results may compare not unfavourably with those of 1956/57.

In respect of business now offering, overall profit margins tend to be less satisfactory than obtained in the past. Group's production resources are being substantially increased and modernised.

JAMES PASCALL, LIMITED

FURTHER INCREASE IN DOLLAR SALES

The sixty-first annual general meeting of James Pascall, Limited, was held on March 26th, in London.

Mr R. Ellman Brown, FCA (the Chairman), in the course of his speech, said :

The results for the year ended December 31st show a reduction in profits on the previous year. The net profit, subject to taxation, is £302,096, which represents a decrease compared with 1956 of £182,343. These two years cannot, however, be compared on precisely the same terms.

In retrospect, it is now clear that, through the Suez crisis, sales in the latter part of 1956 were inflated through stock building by the Wholesale and Retail Confectionery Trade as an insurance against the effects of petrol rationing. So, in fact, the record profit figure of 1956 in part contained profits from sales which would, without the Suez incident, have been made in 1957 and, in effect, coloured our estimates of the level of the 1957 sales. Competition during the year also became even more fierce under the impress of a continuing general decline in confectionery sales.

There is, however, one very encouraging feature brought about by the rationalisation of the Company's manufacturing processes. Despite the fact that sales for 1957 show a diminution against those for 1956, there was a reduction in production costs per ton produced in 1957, compared with 1956.

Our export trade continued on a most satisfactory level during 1957, and we are able to report a further increase in our dollar sales to Canada and to the West Coast of the USA. During the year our Irish sales have continued to increase, as has our manufacture under royalty in Italy. During this year we have also negotiated a satisfactory agreement for direct manufacture under royalty in South Africa.

The profit on trading amounted to £429,676, compared with £636,688 for the year 1956. Your Directors propose that the dividend on the Ordinary Shares shall be maintained at 55 per cent.

FUTURE OUTLOOK

We cannot gauge the ultimate effects of the credit squeeze upon consumer uptake, nor can we make allowance for any large-scale industrial unrest, such as occurred in the early months of 1957, and which undoubtedly contributed to the lessening of demand. We know already that the payment of increased margins to the Distributors will involve considerable additional cost in 1958. Sales to date this year are running at a higher level than at this time last year.

There has been a drop in sugar prices in recent months, but it is certain that the Sugar Board has for some time been selling at a loss, and it has just been announced that the distribution allowance is withdrawn and a surcharge will be added to the price.

There has been a steep rise in cocoa prices which, in the later part of the year, will affect our profit margins. On the other hand, rationalisation and mechanisation of the Company's manufacturing processes continue and we hope for further savings in the cost of production. I have faith in our ability to meet the present intensive competition in our industry, while fully maintaining the reputation for high quality manufacture upon which the success of this Company is founded.

The report and accounts were adopted.

BUSINESS AND PERSONAL

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AFICIONADOS of the noble sport of sherry-downing know all about H Cid, the best light amontillado. Do they know its companion sherry, Fino Feria? It's a dry fino they should take into their collections without delay.

THE COMMITTEE of LONDON CLEARING BANKERS.

Notice is hereby given that the MAXIMUM RATE of INTEREST allowed by the undermentioned London Clearing Banks on deposits, which must be United for a minimum period of 7 days and be subject to a minimum notice of withdrawal of 7 days, will be FOUR PER CENT. per annum until further notice.

BARCLAYS BANK LIMITED
COUTTS & CO.
DISTRICT BANK LIMITED
GLYN, MILLS & CO.
LLOYDS BANK LIMITED
MARTINS BANK LIMITED
MIDLAND BANK LIMITED
THE NATIONAL BANK LIMITED
NATIONAL PROVINCIAL BANK LIMITED
WESTMINSTER BANK LIMITED
WILLIAMS DEACON'S BANK LIMITED

THE COMMITTEE of LONDON CLEARING BANKERS.
R. H. BARKSHIRE, Secretary.
10, Lombard Street, London, E.C.3.
20th March, 1958.

MARITIME INSURANCE COMPANY LIMITED
INDIA BUILDINGS, WATER STREET, LIVERPOOL, 2.

The Directors of the Maritime Insurance Co., Ltd., announce with pleasure that Mr Max W. Wilson, Chairman and Managing Director of British and Continental Steamship Company Limited, has accepted their invitation to join the Board of the Company, with effect from March 14, 1958.

FLINTSHIRE TECHNICAL COLLEGE
DEPARTMENT OF COMMERCE, ADMINISTRATION AND LAW

A weekend conference on
"FREER TRADE IN EUROPE"
on Friday, April 25th
and
Saturday, April 26, 1958.
(Assembly 7.0 p.m.—Closure 5.0 p.m.)

The Conference will include papers on :

"The Common Market and Free Trade Area."
"British Industry in a Free Trade Area."
"The Commonwealth and the Free Trade Area."
"Balance of Payment Problems in a Free Trade Area."

There will also be an "Open Forum" for questions and discussion.

Fees, including meals in College: £4 4s.
Extra for bed and breakfast in Hostel: 10s. 6d.

Further particulars available on request. The final date for receipt of applications, which should be addressed to the Head of Commerce Department, Flintshire Technical College, Connah's Quay, Nr. Chester, is April 15, 1958.

B. Haydn Williams,
Director of Education.

APPOINTMENTS

DUNDEE TECHNICAL COLLEGE

DEPARTMENT OF MANAGEMENT AND HIGHER COMMERCIAL STUDIES

Applications are invited for the newly created post LECTURER IN BUSINESS ADMINISTRATION. Candidates should possess an honours degree, or an equivalent professional qualification. Good industrial or commercial experience is essential. Salary: either Grade II(b), £700 x £35 to £805 x £40 to £1,125, or Grade II(a), £785 x £35 to £890 x £40 to £1,250 x £50 to £1,350, according to qualifications and experience. Duties will commence on September 1, 1958, and the lecturer will be required to teach classes up to final management and professional examinations standard in his specialist subjects. Details of the subjects in which the College is particularly interested, together with further particulars and an application form, may be obtained from Mr. F. Raymond Wilkinson, Clerk and Treasurer, Dundee Institute of Art and Technology, 40, Bell Street, Dundee, to whom the completed application form should be returned not later than April 12, 1958.

ACCOUNTANT/STATISTICIAN

Major Oil Company requires qualified Accountant/Statistician, aged 25-30, for accounting and economic analysis work in Comptroller's Department. Oil company experience desirable but not essential.—Please send details of educational qualifications and experience to Box 899.

GOVERNMENT STATISTICIAN, BARBADOS

Candidates should possess a good Honours Degree in Economics or other appropriate main subject combined with Statistics, and should have had experience in economic analysis and the carrying out of sampling surveys. Duties include the supervision of the work of a statistical office engaged in preparing the Island's social and economic statistics for publication and also research into connected problems.

Appointment may be pensionable or on temporary terms, salary $7,680 (£1,600) per annum. B.W.I. dollars 4.8—£1 sterling. Income tax at local rates. Baggage and passage allowances.

Application forms and further particulars from Director of Recruitment, Colonial Office, Great Smith Street, London, S.W.1 (Reference B.D 59/28/01).

STATISTICIANS, HOME CIVIL SERVICE. Post-graduate academic qualifications in statistics or good honours degree, including statistics, by summer 1958. Selection by interview. Age at least 20½, under 24 (in some cases 28) on August 1, 1958 (extension for service in H.M. forces or Overseas Civil Service). Salary £615-£1,110 and after promotion scale rises to £2,050.—Write, Civil Service Commission, 6, Burlington Gardens, London, W.1, for application form, quoting No. 96/55/6. Closing date May 22, 1958.

STATISTICAL ASSISTANT (male) to investigate technical and administrative problems in our Public Telephone Engineering Department. Good educational standard essential, preferably with GCE passes in Maths. and Science. Age up to 23. Good prospects for a young man prepared to study.—Write, giving full details of age, education, experience and qualifications, if any, to Staff Officer, Ref. 744/5, Siemens Edison Swan, Ltd., Woolwich, S.E.18.

THE UNIVERSITY OF BIRMINGHAM

The University will offer a number of Scholarships, value £215-£310, to graduates and to those expected to graduate this summer who wish to read for higher degrees in the Faculty of Commerce and Social Science. There will be opportunities for advanced study and training in research in all the departments of the Faculty and in subjects common to more than one department.

Further particulars may be obtained from the Registrar, The University, Birmingham, 15, to whom applications should be sent before June 14, 1958.

NUFFIELD COLLEGE

GWILYM GIBBON RESEARCH FELLOWSHIP

Applications are invited from men or women who wish to conduct research in the field of government and administration. Preference will be given to candidates with experience in the public service. The Fellowship will be for one year in the first instance. Further particulars can be obtained from the Warden.—Applications should reach him by May 12th.

APPOINTMENTS REQUIRED

"TOP HATS," SUPERANNUATION FUNDS, PENSION ARRANGEMENTS and all associated subjects. Taxation, Estate Duty, Documents, all level negotiations, correspondence, initial interviews. Research. Adverliser (really proficient and experienced in these matters) would consider change of appointment. Progressive income from £2,000 per annum.—Write, Box 895.

TOP quality, senior Sales or Marketing Executive desires change to go-ahead business. Mature experience and excellent records of pre-war and post-war success in both capital goods and consumer markets. University degree and sound experience of intelligent production planning and financial control recommend for handling industrial design, advertising, public relations. Prefers to join company with technical background, but ready to consider any suggestion from business able and willing to utilise courageous initiative in difficult time approaching.—Write, Box 901.

ESTABLISHED REPRESENTATIVE, knowledge steel and engineering trades, based Birmingham, seeks Agencies. Willing travel home or abroad.—Box 900.

SECRETARIAL TRAINING, especially for university graduates, and older students. Sevenoaks and Immediate 11-week courses.—Write Organising Secretary, DAVIES'S, 2, Addison Road, W.14. PARK 8392.

EXPERT POSTAL TUITION

for Examinations—University, Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus—and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2)

METROPOLITAN COLLEGE, ST. ALBANS
or call at 30, Queen Victoria Street, London, E.C.4.

APPOINTMENTS

SCOTTISH INDUSTRIAL ESTATES, LTD.

The Directors of SCOTTISH INDUSTRIAL ESTATES, LTD., invite applications from suitably qualified persons for the position of Assistant to the General Manager of the Company.

Applicants, preferably not more than 45 years of age, should have had wide administrative, commercial and/or industrial experience, qualifying them to give effective assistance to the General Manager in the discharge of the managerial responsibilities inherent in a large-scale organisation responsible to a Government department for the erection, maintenance and general administration of industrial property which, at present, includes nearly 400 modern factories in Scotland.

The salary scale appropriate to the appointment is £1,600 to £2,000 per annum. The commencing salary will be determined by the Board. The Company operates a Contributory Superannuation Scheme which the successful applicant will be required to join.

Canvassing of the appointment, either directly or indirectly, will result in disqualification.

Applications, in duplicate, together with five copies of three recent testimonials, should be lodged with the DIRECTOR AND GENERAL MANAGER, 3, WOODSIDE PLACE, GLASGOW, C.3, not later than April 10, 1958.

MONSANTO CHEMICALS LIMITED

require a man preferably a graduate, to study and develop clerical methods and procedures in their London Administration Department. The job requires keen analytical power and ability to work with others. It offers an ideal opportunity for a man aged about 25-30 years to progress in this field in an expanding company.

Experience or training in commerce, economics or accounting would be an advantage, although full training will be given. Good prospects and salary. Non-contributory pension scheme.

Send full particulars to D.L.1, Personnel Department, Monsanto Chemicals Limited, Monsanto House, 10-18, Victoria Street, S.W.1.

DEVELOPMENT OFFICER required to undertake a special study of data processing, to review the scope for the use of electronic and other modern techniques within British Road Services and to implement data processing programmes. The work will require clear thinking, imagination and enthusiasm for new methods and the ability to organise and carry out prolonged detailed investigations. Applicants must have analytical ability and knowledge of administration, organisation and accounting systems and office methods and procedures. Knowledge of advanced mathematics and electronics is not required. The selected candidate will be required to attend training courses in the characteristics, programming and use of electronic data processing machines. Salary range £1,250-£1,600 p.a. Contributory superannuation scheme.—Applications, giving age, qualifications and experience, to Personnel Officer, British Road Services Ltd., 222 Marylebone Road, London, N.W.1.

A PROMINENT and expanding Group of Chemical Companies in Co. Durham seeks a fully experienced Secretary able to supervise preparation of financial accounts and thoroughly versed in Standard Costs, Budgetary Control and Modern Management Methods. This is a first-class job open only to a first-class man. Four-figure salary with bonus and non-contributory pension scheme.—Applications, which will be treated in strictest confidence, must give fullest possible account of experience as well as personal particulars, to Box 902.

UNIVERSITY OF LONDON.—The Senate invite applications for the Readership in the History of Philosophy tenable at the London School of Economics and Political Science (salary scale £1,475-£1,775-£2,150 a year plus £80 London Allowance).—Applications (10 copies) must be received not later than May 2, 1958, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars may be obtained.

UNIVERSITY OF LONDON

Applications are invited from experienced accountants for the P.D. Leake Research Fellowship. The emolument will be £2,000 tenable for one academic year. The successful candidate will be expected to carry out research in subjects with which the accountancy profession is directly concerned. Only members of the United Kingdom accountancy bodies, recognised for the purpose of United Kingdom law, are eligible.

Applications should be received not later than April 30, 1958, by the Director, the London School of Economics and Political Science, Houghton Street, London, W.C.2, from whom further particulars may be obtained.

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EDWARD WILSHAW POSTGRADUATE EXHIBITION

One Exhibition, of the order of £200, but the amount to be determined in each case by the applicant's merits and circumstances, will be offered each year from a fund founded by Sir Edward Wilshaw, K.C.M.G., D.L., LL.D., F.C.I.S., J.P. The Exhibition is open to graduates of this and other Universities who wish to prepare themselves for careers in business administration and management and who propose to read for the Graduate's Commerce Diploma in business administration.—Applications (two copies) including the names of two referees, should be sent by [illegible] strar, The University, [illegible]

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We are a well-known organisation, operating internationally from offices in Central London. We are looking for a man aged 25-27, with an Honours degree (Economics or Arts) to train initially in the absorbing and responsible job of large-scale buying. Subsequent progress may lie in the Buying Department or in another Division of the Company, depending on the aptitude of the selected candidate.

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CONSTRUCTORS JOHN BROWN LIMITED invite applications for a post of an Executive Director. Preference will be given to a man with experience in Chemical and Petroleum Chemical Engineering and Construction who also possesses proven administrative ability. —Applications should be addressed to the Chairman of the Company at 8, The Sanctuary, London, S.W.1, who will deal with them personally and confidentially.

IMPORTANT London association of merchanting houses requires during April-June full-time or part-time assistance in statistical analyses of various classes of primary data. Essential qualifications include not only arithmetical accuracy (or ability to use mechanical calculators) but also sound economic judgment in selecting and applying suitable methods of tabulating, summarising and analysing quantitative material as well as skill in graphic or other evocative presentation of results. Work could be done mostly at home and might suit young graduates in statistics or retired professional statisticians. Fees by arrangement.—Apply Box 894.

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Applications are invited for a Fellowship to be held in association with the College of Technology, Birmingham. The value of the Fellowship, which is for a two-year term, is £1,000 per annum.

A candidate for the Fellowship should normally have had two or three years' research or industrial experience. He must be acceptable to the College of Technology, Birmingham, as a post-graduate student, and should have an Honours Degree at a University in the British Commonwealth or an equivalent qualification.

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Full details may be obtained on application to the Secretary, Wilmot Breeden Limited, Amington Road, Birmingham, 25.

Final applications must be received by the Secretary before May 1, 1958.

UNIVERSITY OF HONG KONG

Applications are invited for the post of LECTURER IN THE DEPARTMENT OF ECONOMICS AND POLITICAL SCIENCE for the teaching of Accountancy and Business Administration in the Final B.A.(Hons.) course in Economics. Applicants should have a professional qualification in the above fields, besides a degree in Economics from a British University.

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Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36, Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in Hong Kong and London, is 3rd May, 1958.

MIDDLESEX COUNTY COUNCIL

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A sound knowledge of experimental design problems, statistical quality control and sampling.

Previous industrial experience desirable and an ability to work in collaboration with other technical staff of all grades is essential. Age not less than 25. Salary according to age and experience.

Please write, giving details of age, qualifications, experience and salary required, to the Secretary, J. & J. Colman Ltd., Carrow Works, Norwich.

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Applications are invited for the post of LECTURER in ECONOMICS in the Department of Commerce.

The College prepares students for the London University B.Sc. degree in Estate Management and for examinations of the A.C.C.A., C.I.S., and C.C.S.

Applicants should have a good honours degree in Economics ; a professional qualification, e.g. C.I.S. an advantage.

Appointment may be accepted on contract for 5 years or on pension or arrangements to continue policies initiated under the F.S.S.U. Scheme might be made by the College.

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Applications (6 copies) giving age, qualifications, experience and the names of 3 referees, should be sent to The Council for Overseas Colleges, 12, Lincoln's Inn Fields, London, W.C.2. Closing date April 20, 1958.

SALES and Marketing Analyst, man preferably in mid-twenties with Economics degree, some statistical knowledge and ability to interpret Research findings, required by Nabisco Foods, Ltd. (formerly Shredded Wheat Co., Ltd.), Welwyn Garden City. Familiarity with technique of Consumer and Retail panels, and experience of Grocery products field an advantage. Good salary grade, prospects and amenities.—Applicants invited to write to Executive Administrator Personnel, stating age, educational background, experience and present salary.

UNIVERSITY OF LONDON
INSTITUTE OF EDUCATION

Applications are invited for the post of Lecturer in the Methods of Teaching History which will become vacant on September 1, 1958. Salary scale, £900-£50-£1,350 and thereafter, subject to review, by annual increments of £75 to £1,650 a year, plus £60 London Allowance; family allowances and membership of the Federated Superannuation System for Universities. Good academic qualifications and teaching experience are essential. An interest or qualification in philosophy would be an additional recommendation. Forms and further particulars may be obtained on application.—Six copies of the application and testimonials should be returned to the Secretary, University of London Institute of Education, Malet Street, W.C.1, not later than April 19th.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of LECTURER IN SOCIAL ANTHROPOLOGY. Salary on a scale £900 to £1,650 per annum with membership of F.S.S.U. and Children's Allowance Scheme. Initial salary according to qualifications and experience.—Applications should be sent, not later than April 12, 1958, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

UNIVERSITY OF MANCHESTER

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Applications are invited for the above studentships and grants, tenable for one year in the first instance and renewable for a further period not exceeding two years. The studentships are normally of the value of £350 or £400 per annum. They are offered to candidates who have obtained the degree of Bachelor or Master in this or any other approved University, and applications are acceptable from students who expect to graduate this summer. —Applications should be sent not later than July 1, 1958, to the Registrar, The University, Manchester, 13, from whom further particulars and forms of application may be obtained.

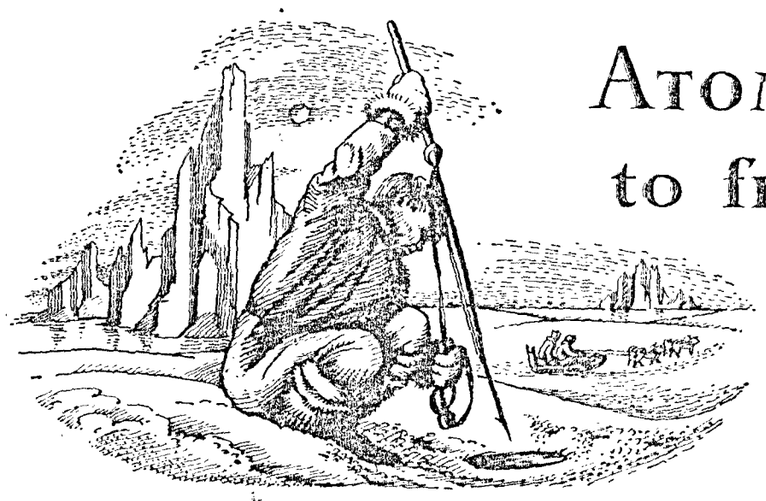
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RITCHIE CALDER'S *Signposts to the Atomic Age*



ATOMIC HEAT to freeze the Arctic...

"IN THE FROZEN WASTELANDS OF THE Canadian North, Eskimos and Indians, going off to hunt the caribou or trap for furs, are taught how to prospect for the fuels and metals of The Atomic Age. They are part of that Age and very much aware of it. *Innuit*, the Eskimo of the Barrens, no longer laughs at the eccentric interest which *Kabloona*, the White Man, shows in yellow-stained rocks; he knows what makes a Geiger-counter tick and recognises uranium when he sees it. His Tree-line neighbour, the Cree Indian 'brave' has already grasped the meaning of atomic energy—he calls it *Eskoitik-otchi-Kaochipyik* which is 'Lightning-which-comes-out-of-Rock'.

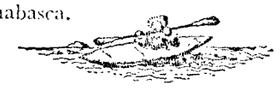
Those vast empty spaces, half the size of the United States, are already being systematically surveyed. Geologists, on the ground and from the air, are charting its fabulous mineral wealth. Helicopters, fitted with gravimeters, magnetometers, and scintillometers, can detect the ore-bearing deposits beneath the snow and ice, the pathless forests and the countless lakes. Their charts already speak eloquently of the abundance of the



atomic fuels and "new" metals for which the metallurgists and nuclear engineers are praying: but most of that wealth is locked up in remote parts of the Pre-Cambrian, or Laurentian Shield, so inaccessible to conventional haulage, by road or rail, as to seem unworkable.

Yet the answer could lie in atomic energy itself. Imagine 'industrial oases', powered and l— "packaged reactors" and reached only by a— reactors themselves could be assembled b— (which has already served in the const— massive defence installations in the Ca— Once the reactors are established and 'critical', fuel-replenishment would be no problem.

Completely civilised townships could be created with adequate heat to counteract the climate, and modern amenities to enliven the Long Night. Again the prototype exists in the Canadian base at Churchill on Hudson Bay and the U.S. base at Thule, in Greenland. With self-sufficient power, independent of coal-trucks, oil-tankers, or pipe-lines, the ores could be mined, milled and processed into small bulk and flown out by air, like the casks of sodium uraninate from the Eldorado mine on Lake Athabasca.



That raises another problem for which atomic energy could have a quaint answer. How to ensure all-the-year-round air-communications? The winter, contrary to popular belief, is the best time; the sea and lake ice can take the heaviest aircraft. The trouble starts with the coming of the sun. Ice thaws. Airstrips heave and toss and melt into mud, while the permafrost, the continuously frozen sub-soil and rocks, remains solid underneath. With sufficient power available, the airstrips and roads could be refrigerated and kept solid, like an ice-skating rink.

Atomic heat to freeze the Arctic! It is like selling refrigerators to the Eskimos." [R.C.]

* * *

MITCHELL ENGINEERIN— time approaching— *constructing Nuclear needs in th—*

The Economist

APRIL 5, 1958 ONE SHILLING AND SIXPENCE FOUNDED 1843

BEFORE THE BUDGET

Reliefs with Thanks ?

(page 5).

The implications of the Government's Economic Survey are reviewed in detail

Safe for Expansion ?

(page 43).

162853

In Both Stalin's Shoes

Why did Mr Khrushchev's challenge on nuclear tests follow so closely his assumption of the Soviet premiership? (page 7).

The Liberals Reply

Mr Mark Bonham Carter and others affirm their liberalism (page 20).

Flood-Tide for Canada's Tories (page 36).

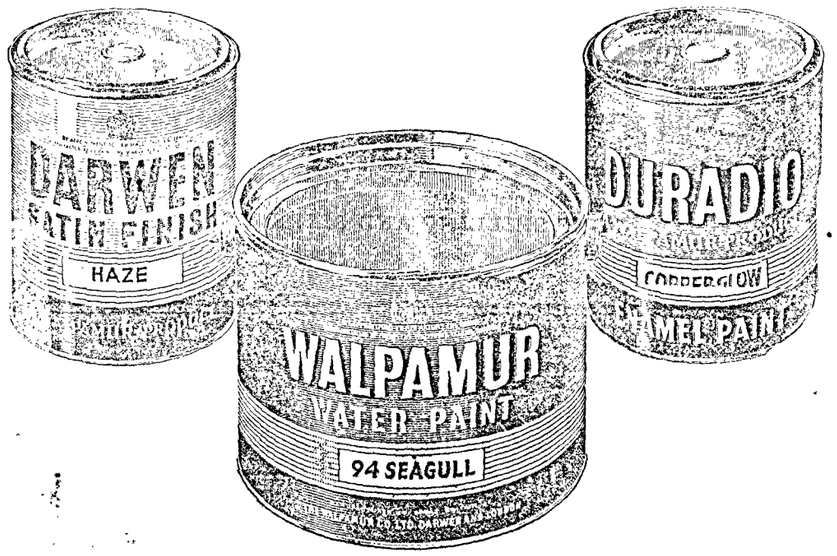
The Business of Burial
A look at British undertakers (page 8).

Democrats Count on Victory
in next Autumn's Congressional elections in the United States (page 27).

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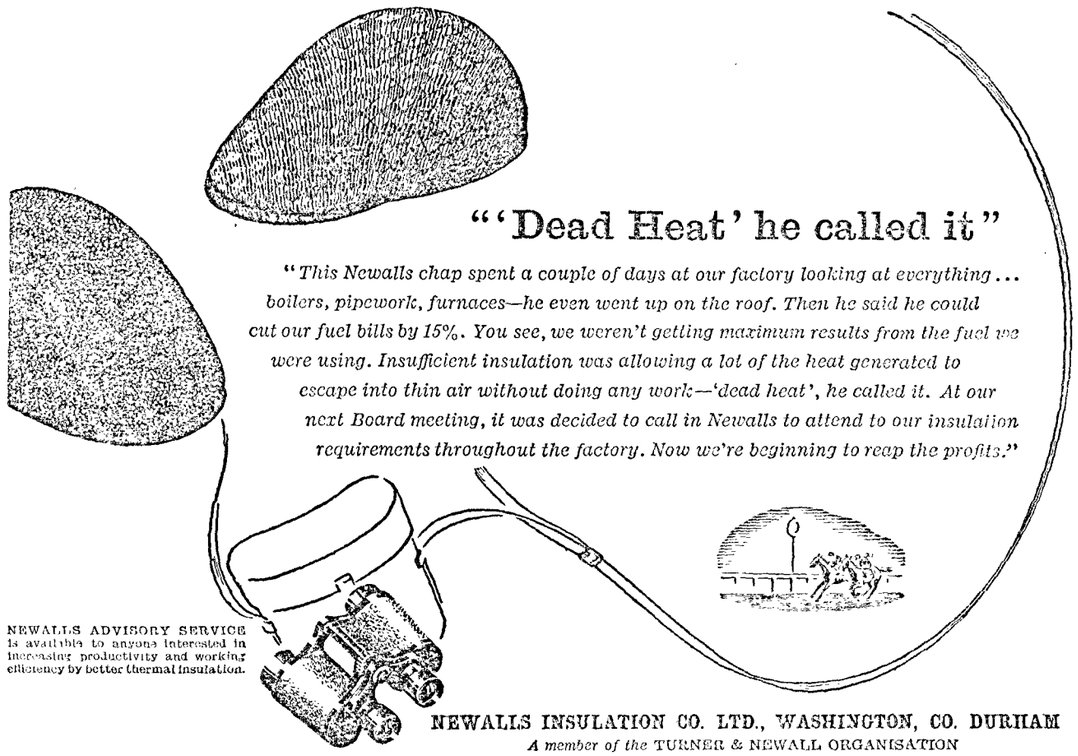
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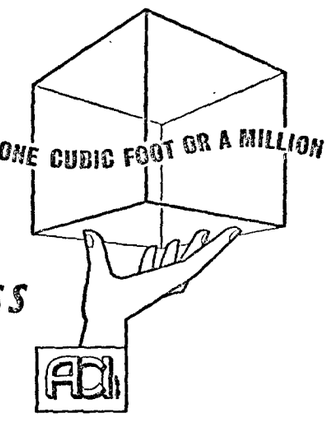
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Holidays? I'm going back to

Denmark

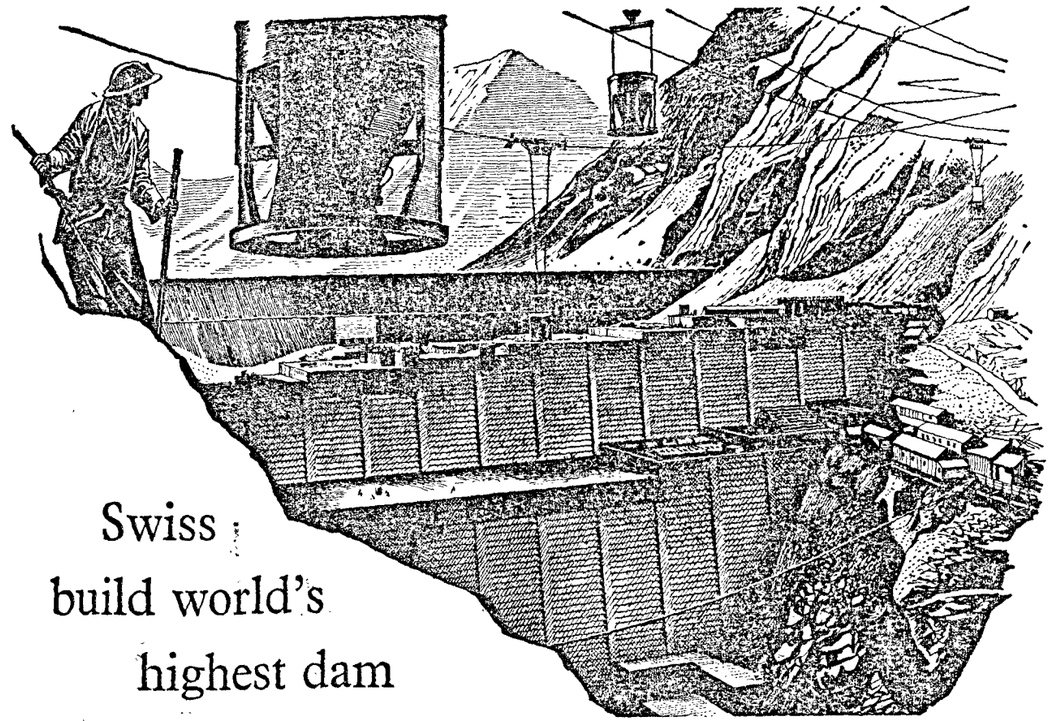
To me, Denmark with wonderful Copenhagen, its colourful past and fun-filled present, is irresistible. And it's such pleasure getting there! You step aboard a D.F.D.S. ship at Harwich or Newcastle and at once you revel in your first taste of real Danish hospitality. Go this year – you can take your car for as little as £5. 3s. 0d.—and there's an almost unlimited currency allowance for Scandinavia. Yes! it's Denmark again for me.



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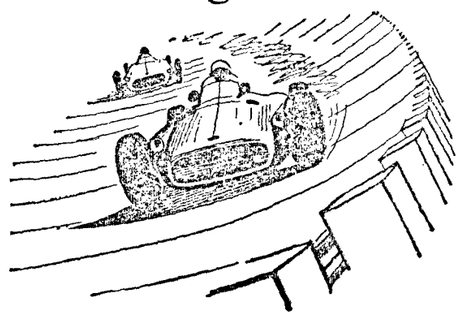
Swiss build world's highest dam

On the snow-covered slopes of the Alps, in the Canton of Wallis in Switzerland, one of the most amazing feats of modern engineering is being carried through to a triumphal conclusion. Simultaneously, two mighty hydro-electric projects, Mauvoisin and Grand Dixence, are under way. The dam at Grand Dixence will be the world's highest—931 feet, with the huge volume of 7.6 million cu. yds. of concrete. The Mauvoisin dam will be 777 ft. high and the four underground power houses will supply 1,200,000 kilowatts—one third of Switzerland's present capacity! More than 50 miles of tunnels have already been drilled with Atlas Copco drills and Sandvik Coromant drill steels—chosen for 75% of all the drilling operations. Atlas Copco equipment has also been used to excavate two of the power houses, as well as the dam sites, and to supply rock for the concrete.

Track smoothing speeds racing cars

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Atlas Copco puts compressed air to work for the world

The Economist

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Reliefs with Thanks?

THE implication which most people will draw from this year's Economic Survey is that the Chancellor may be going to grant some tax reliefs in his budget, but that he is likely to determine the extent of them by a pin or a hunch rather than by economic planning. This is not necessarily a criticism of Mr Amory. It may be more a criticism of the present state of economic planning, or even of the present prospect for the economy. The proper attitude in which any economist should review this year's survey, the details of which are more substantially discussed on page 43, is one of humility towards the failures of his own science.

The authors of the survey do not, at the outset, appear to share this humility. In its form, this year's survey is rather more of an "economists' document" than were either of its immediate predecessors. It begins, more determinedly than did the surveys for 1956 or 1957, with the sort of arithmetical analysis of real demand and production on which modern economics has taught that budgets ought to be founded. It shows more impatience than the survey did last year with the fact that "industrial production in 1957 was only slightly higher than in 1955," although "the high investment which has been going on for several years in most industries should provide a store of capacity for further expansion." The Treasury reports that the relatively small £435 million increase in real demand in 1957 does "not appear to have strained the economy"; and, on present trends, it apprehends that the "decrease in demand relative to industrial capacity which took place in 1957 will continue into 1958." But, at this stage, the return to the old planning phraseology stops short. After this sort of opening, the "planners" of economic surveys in the years until 1955 would have proceeded to work out the probable shortfall between effective demand and effective productive capacity; and to suggest that this shortfall represented the amount of tax reliefs that could legitimately be given away. On this old (though hardly yet conventional) basis of reckoning, there is no doubt that the scope for tax reliefs this year would have been very considerable.

But the survey for 1958, like those for 1956 and 1957, does not carry economic planning that far—and for a very good reason. Its optimistic arithmetic is held back by the three "disappointments" that have dogged these last two years of less buoyant demand. These are that prices have gone on rising, even though demand has fallen below effective industrial capacity; that exports have not sufficiently increased, even though (and while) pressure on the home market has been easing; and that Britain, although running a balance of payments surplus of £237 million in 1957, managed to incur a foreign exchange crisis as well. The "expansionist school" of economists has cited these disappointments as a sign that the price inflation of the last two and half years has been of the "wage push," not "demand pull" type; and as showing that the strain on sterling cannot sensibly be eased by measures that would depress internal

production, but only by measures to restrict the capital outflow from London. The authors of the survey certainly do not go as far as this. But they do back up —or seem to back up—their vague apparent inclination for a not-too-tough budget with an argument that emanates more familiarly from Whitehall.

This argument, not to put too fine a point on the matter, is based on the old policy of hoping for the best. The authors of the survey believe, or profess to believe, that the three major disappointments of the recent period of slackening demand may be avoided this year. After a brief look at the current trend of costs, they opine that there should be "a good opportunity in 1958 to stop the rise in prices which has troubled the country for twenty years." And, "externally, it may well prove that the United Kingdom will achieve a substantial current surplus on its balance of payments in 1958." Admittedly, and unfortunately, as a result of the fall in commodity prices, the countries of the overseas sterling area are already in large deficit with the non-sterling world; but the survey hopes that Britain's own surplus may be large enough to offset the resultant drafts on the overseas sterling area's balances, without "too great a strain" being imposed upon the reserves.

THESE adumbrations may be right. But they look and sound very unlike adumbrations based on confident forecasting, and much more like convenient hopes that there is no need yet to anticipate that anything will necessarily go wrong. Leaving aside the possibility of a world slump (which would require a change in policies then, not in programme promotion now), one internal thing which obviously could go wrong is a revival of wage inflation. The present indications here are still rather disturbing. There are newspaper reports that Sir John Forster and the railway wage tribunal are going to spend this weekend deciding whether they will recommend an increase to workers in yet another nationalised industry in deficit.

Another main thing which might go wrong is a renewed strain on sterling in the autumn. The trouble here is not simply that such buoyancy as there is in Britain's exports may have some adventitious elements in it; some of Britain's overseas customers, for example, have probably been bringing their purchases forward for fear that their own governments may soon impose import restrictions. The bigger apprehension for Britain is that if the American recession throws an increasing strain on the outside world's dollar reserves, then the scramble for these scarce reserves may react once again on sterling. This scramble may not occur; it is the sort of movement that it is always very difficult to foretell. But, in cold fact, one would have thought that there was more reason to apprehend such a misfortune this autumn, looking forward from the April of 1958, than there was last year, looking forward from the April of 1957.

If one enters these caveats to the survey's analysis, what view should one hold about the budgetary policy which seems to emerge as most likely from its general tone, the probability—it is, of course, by no means yet a certainty—that Mr Amory may feel that he is going to be able to give a few tax reliefs away? This is a matter of weighing uncertainty against uncertainty, and on which it is now necessary to express an opinion.

OUR own opinion is that, on balance, Mr Amory would be right to give some tax reliefs this year; and would remain right even if there were (as there may be) rather more danger than the survey admits to that the wages front may turn sour after April 15th and that speculation may turn sour in the autumn. It is unlikely, in the first place, that the scale of reliefs he may have in mind would react on the economy quickly enough to make defeat in the wages battle more likely; this battle, for 1958 at any rate, now depends mainly on the level of economic realism in the arbitration courtrooms and of commercial courage in the boardrooms of the nationalised industries.

Again, if there is a run on sterling later in the year, it will be mainly because of the world shortage of dollars and of the open-ended system of borrowing in London which many overseas countries enjoy. It is not really likely to be because any marginal tax reliefs accorded now will make it more profitable for many British factories to turn away from exports to take advantage of a noticeably softer home market. This argument about the need to avoid undue pre-emption by the home market was a powerful one when Britain's trouble was that the British people held too much sterling; the trouble now is that some foreign countries are earning too little of it and may soon keep our exports down by the imposition of more import restrictions. Most of the British production stimulated by moderate tax reliefs now would probably be production which otherwise would not be undertaken, not production which otherwise would go to export.

The forms of protection needed against the economic dangers of 1958 are more direct. Against the threat of wage inflation, the correct posture is obvious, and will be tested again this weekend. Neither the policy apparently indicated in this survey, nor any other policy with any imaginable relevance to 1958, will make any sense unless the country recognises that it will be far better to stand up to a transport strike this year than to absorb any further wage increase. Against the threat of an autumn capital drain on sterling, the proper remedies are to try to secure some strengthening of general international exchange reserve (through negotiations for a remodelling of the IMF, EPU or the International Bank?) and meanwhile to do all that is possible to discourage borrowing from (and encourage lending to) London. The obvious way to do this is through the maintenance of high interest rates. There is greater reason for doubts about the authorities' recent action in reducing Bank rate than about their apparent hints in this survey of a possibly not-too-unpopular budget.

In Both Stalin's Shoes

The Russian challenge on the suspension of nuclear tests is linked with Khrushchev's decision to make himself Soviet prime minister.

TO get Mr Eisenhower and Mr Macmillan up a gum tree, while at the same time tipping Marshal Bulganin into the dustbin of history and stepping into Stalin's second shoe, was no mean week's work even for the indefatigable Nikita Khrushchev. Two of his actions had been generally expected. Monday's announcement of a unilateral Soviet suspension of nuclear tests was preceded by much dropping of hints, which had already evoked gloomy commentaries on the painful dilemma it would imply for the western governments. The downgrading of the Soviet premier, who now returns to the post as head of the state bank which he occupied twenty years ago, had been forecast ever since it became known that his loyalty to Mr Khrushchev wavered during last summer's crisis. But none of the prophets foresaw the party secretary's spectacular action in making himself titular head, as well as actual master, of the Soviet government.

To what extent were these outwardly separate moves interlinked? In fact, the connection may well have been a close one. The halting of Soviet nuclear tests, which is further discussed on page 10, may indeed present the western governments with an unhappy predicament. But it should not be forgotten that Mr Khrushchev himself had previously rejected suggestions that Russia should give a lead in this respect—his argument being that to do so would jeopardise his own country's military security. That argument was doubtless fully endorsed then by his military commanders. They, and those of the Soviet civilian hierarchs who tend to caution, are very likely not entirely happy about the new gesture. Mr Khrushchev may intend both to show who is master and to make it clear that he takes upon himself full responsibility for the suspension of the tests. This alone could provide one reason for his decision to assume the premiership.

Obviously there are other aspects to the matter. The code of the "summit" prescribes that, whatever the realities of personal power relationships, the man who ranks as head of his country's government is regarded as the principal negotiator on its behalf. Understandably, Mr Khrushchev may have no wish to elevate a new man of straw to the post of premier, at least until after the conference for which he has been pressing. To appear at Geneva as a ventriloquist with a palpable dummy could be both inhibiting and humiliating for him. And, quite apart from this problem, which is part protocol, part hard political fact, it might have been difficult to find a reliably docile premier who would not at the same time make the office a shameful mockery in the eyes not only of foreigners but of Russians, too.

Many Russians (as well as foreigners) may now be inclined to draw perturbing conclusions from the sight of their party boss openly concentrating power and office in his own hands in a way that even Stalin did not employ until the war years. Mr Khrushchev must be aware that his new action was bound to excite suspicions at home as well as abroad. Like Stalin, he has used the party secretariat as the ladder up which to climb to supremacy. Since 1953 he has eliminated more rivals and opponents than Stalin ousted in the five years after Lenin's death. He is now quoted and praised throughout the Russian press, and by those of his colleagues who can get a speech in edgeways. At first sight, the cult of personality seems to be again in bloom, while that of collective leadership has abruptly withered away. The ingenious attempts of Mr Khrushchev's apologists to demonstrate the opposite carry as little conviction as their description of him as "a pupil of Lenin" (it may be questioned whether Lenin was ever aware that he existed).

Rightly or wrongly, the new premier has evidently calculated that he can ride over any internal opposition that his latest move may foster. His own pronouncements suggest that he is sublimely confident both of himself and of his people's loyal support. Ambition and natural ebullience may, admittedly, blind him to some of the dangers. But it is worth recalling how skilfully this outwardly impulsive and extrovert figure has, in the past five years, manipulated his way to the Soviet "summit" with a controlled cunning rivalling, if not outranking, Stalin himself.

ONLY a few days after Stalin's death his heir apparent, Mr Malenkov, was forced out of the party secretariat, relinquishing the substance of power for its shadow in the form of the premiership. From that moment onward, Mr Khrushchev was very clearly the senior member of the secretariat, with all that this implied. After the fall of Beria—who, as head of the hated political police, could easily be eliminated amid genuine public applause—he obtained the official title of first secretary. Mr Malenkov was less easily disposed of, for he was not only Stalin's crown prince; he also built himself up swiftly as a man who wanted to give the people a new deal. Not until early 1955 were the first secretary's party nets ready to catch him; his deposition from the premiership was then preceded by charges that

he was violating the sacred principle that heavy industry must be given precedence. The Molotovs and Kaganoviches of the "old guard" were mobilised against him then. But only a year later, in February, 1956, the old guard was itself thrown into confusion by Mr Khrushchev's "secret" denunciation of Stalin.

The first secretary's successful bid for the support of the anti-Stalinist elements did not, however, make his position finally secure; it was shaken, later in the year, by the explosions in eastern Europe that culminated in the Hungarian rising; and on the home front his sweeping reforms, although popular among the masses, antagonised a host of industrial tycoons and officials. Last June, when his various opponents in the party presidium united against him, his fate seemed to hang in the balance. His triumph then over what has since been labelled the "anti-party group" of Messrs Molotov, Kaganovich, Malenkov and Shepilov was formally achieved by switching the struggle into the central committee, which he had been industriously filling with his own nominees. But in reality, he seems to have rested his faith largely on the backing of the army, whose hero, Marshal Zhukov, had risen alongside him in the political hierarchy.

IT remained only to dispose of the marshal. By now Zhukov was the only independent figure in a party presidium packed with supporters of the triumphant secretary, and he was the only man able to deny complicity in Stalin's crimes. No doubt the launching of an inter-continental missile hastened his removal; in the rocket age generals are apt to be more expendable. When, in October, Marshal Zhukov was ousted both from the presidium and from the defence ministry, the last real obstacle to the supremacy of one man was removed. The latest events have simply given visible form to an already accomplished fact.

Thus Mr Khrushchev has good enough reason to feel confident that he can now risk coming out into the open as Russia's real master. His success as the great eliminator has shown that he knows precisely how to divide and disarm opponents and potential rivals. But he has reached his lonely pinnacle later in life than Stalin did. He is nearly 64. One wonders how long he can keep up the unflagging activity which is an essential part of his secret. Unlike Stalin, he seems fated by circumstance always to need something new to show—and something popular.

Stalin was able to embark on his ruthlessly unpopular collectivisation of Russia's peasants even while he was still disposing of his opponents. Mr Khrushchev, in contrast, has to woo the peasants and take over Mr Malenkov's popular appeal to the consumer. The peoples he rules are more educated; they are more articulate and less frightened than their fathers—partly because he himself has dismantled some of the apparatus of terror.

It is one thing to remove recalcitrant individuals by pulling wires behind a screen; it is quite another to keep a stirring nation in bondage. Stalin sat in Byzantine splendour on the throne of Soviet power. Mr Khrushchev, self-proclaimed a post-Byzantine, has to watch how the wind is blowing; he has to appeal, wherever possible and within the limits of a lately-Byzantine community, to popular aspirations. That is why he has come to be there. It can scarcely be a coincidence that he should have timed his assumption of the premiership to come just before this week's Soviet challenge on suspending nuclear tests—a challenge well calculated to appeal to both Russian and world public opinion.



The Business of Burial

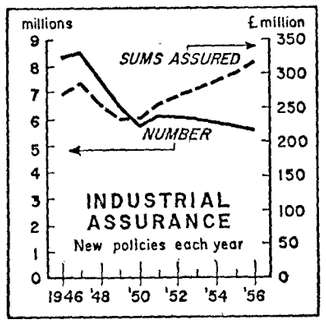
Funeral direction in Britain is mostly still a small and cosy family business. But it faces many of small business's typical problems.

FEW people speak of an undertaker in anything much above a whisper. He is naturally a person who is called in at times of sorrow; but almost alone among professional men, the undertaker as a person is closely linked in the public mind with the tools of his trade. It is a trade with a fixed market, which cannot exceed the half-million or more people who die each year—but which, as burial without the use of some undertaker is now rare, probably does not fall far short of that figure. Although precise statistics are naturally not available, it seems probable that the average sum passing through an undertaker's hands at each death is between £30 and £40, which would suggest an annual turnover for the whole trade of somewhere around £15 to £20 million. This turnover is spread thinly among many firms, for the business is essentially one of small scale enterprise.

In the 1951 census of England and Wales, 4,013 men and 249 women listed their occupations as funeral directors or their assistants; this is an increase of 15 per cent over 1931, although the death rate has slightly declined since then. Of these 4,262 people, 617 called themselves employers, 1,974 called themselves managers or workers on their own account, and only 1,671 were listed as operatives; funeral direction is quite

largely a co-operative business carried on by working partners belonging to the same family firm. To these must be added many part-time undertakers and workers—especially, of course, carpenters in the country districts (who will not be listed as funeral directors in the census figures)—and a declining number of funeral departments run by big department stores. But these latter are not proving very profitable, and many have been closing down.

The family firms which are the core of the business often have a long history, which in many cases goes back seven generations or more. A young man will normally enter the profession through his family connections and will then train for one or two years, first in the funeral workshop and garage and then in an office and an embalming centre. This voluntary apprenticeship scheme, and indeed the general co-ordination of funeral standards throughout the country, is organised at the centre by the National Association of Funeral Directors, to which 3,400 partners in undertaking business belong. As trade associations go, it is not a particularly restrictive one. Entry into the trade is quite free; there is no licensing or anything of that sort; and the capital required—including the cost of a workshop, plus say £3,950 for a Daimler hearse, and £1,000 for a following car—is sizeable but not exorbitant. Nevertheless there does not seem to be any great rush of eager young men into the trade, except by those for whom funeral direction is in the family blood; and the association suffers little undercutting of its suggested minimum price for a funeral of £25 (excluding the cost of the grave and extras). Because reputation and connections in funeral direction are so important, the trade believes that complete newcomers, without family ties and personal recommendations, rarely get enough customers to cover their costs for ten years or more. They are like barristers in that respect.



THE fact is that most customers who come to a funeral director are not at that moment in a mood for the careful higgling on which true competition depends. A death, like a birth or a marriage, is one of the most important events in British life, especially among the working classes. It provides an occasion for a family to meet and show its solidarity and, as such, is a time when it is felt that no expense should reasonably be spared. This love of solemn splendour—and conversely, the stigma of a pauper's grave—has been the foundation of the funeral directors' business. It led during the 19th century to the building up of an elaborate system of burial insurance, the weekly instalments on which often started the moment a child was born. These might have been expected to fall away when, under the national health service, a death grant of £20 (recently raised to £25) was made by the state to cover funeral expenses—and when the limit for private burial insurance was fixed at £20 (which can only be taken out on the lives of parents or grandparents). But, in fact, burial insurance continues today at a rate that must make any rationalist blink.

Burial policies are part of the more general industrial (or home service) assurance, which is

> the business of effecting insurance on human life when premiums are payable at intervals of less than two months and are received by collectors who make house to house visits for the purpose.

After 1948, when the death grant started, both the number and amount of industrial assurance policies fell away, as the accompanying table shows: since 1950, however, the number of policies has remained fairly steady and the amounts assured have risen sharply. A lot of these policies, of course, are merely small scale life insurances, including the rather morbid business of betting on grandfather's early death which is in some areas a popular working-class substitute for (or sideline to) the football pools. But, of the 5¾ million of new industrial assurance policies that are taken out every year, roughly 5 per cent, or 280,000, still explicitly cover funeral expenses. Since the average policy runs for twenty years, this means that between 5½ and 6 million people now hold a funeral policy; and the total assured under these funeral policies is of the order of £100 million.

Two facts go a long way to explain the continued popularity of burial insurance. The first is the strong sense of tradition in working class homes; the second is that the state grant of £25 is far from sufficient to cover the cost of most funerals today. Even in the 1930s it was estimated that an average funeral would cost between £20 and £25. Since then the cost of living has trebled, and the cost of dying has kept roughly in step. Today the price of a relatively unostentatious funeral in a town is likely to be at least £60. Of this, £35 would probably go on the coffin, the robe, the hearse, the following car and the services of the undertaker (this is the "money passing through an undertaker's hands" referred to in the first paragraph); £15 on the grave (or double if the burial took place outside the dead person's parish); and a minimum of £10 on extras, such as obituary notices and wreaths. (These last incidentally are the bread and butter of the flower trade, and are usually supplied at 2 guineas upwards). If a headstone and more following cars are required, another £25 or more may easily be added to the bill.

THE funeral directors' own most common complaints today are against bureaucracy and local authorities. The brochure sent out by their association contains a stirring plea that all undertakers "must be united to

combat the restrictions and regulations which threaten the independent businessman." A funeral director who wishes to improve his premises may often "have town planning difficulties"; every year the association is "opposing private bills in Parliament and local authority regulations which, if allowed to go by default, would cripple your businesses"; while purchase tax, speed limits (sic), coroners' removals, the Cremation Act and procedure and burial law "are some of the matters with which National Office deals on behalf of members every week."

One particular cause of complaint is that the cost of graves, which is outside the undertaker's control (although customers do not realise this always), is the item in funeral expenses that has recently been rising most swiftly. As existing cemeteries have been filling up, and local authorities have been forced to open new ones at heavy expense, the borough and county councils have put up prices sharply (though still not by enough to cover their costs). Prices in cemeteries owned by the Church have tended to follow suit at a later date.

This overcrowding of the burial grounds has led to a massive rise in the number of people choosing to be cremated. In 1939, only 3½ per cent of funeral services were in a crematorium; by 1950, the figure was 15½ per cent and last year it reached 28 per cent. To meet this increase in demand, many new crematoria have had to be opened. The total operating at the end of 1957 was 108; of these, 80 were owned by public authorities and the rest by private enterprise. Although the cost of a new crematorium can be formidably high (the one at Daldowie, seven miles from Glasgow, cost £210,000) construction at the average post-war price of £50,000 has been worth a local authority's while. For since municipal cemeteries are run at a loss of over £5 a burial, or as high as £15 in some towns, the 163,000 cremations last year saved £800,000 on the rates as well as 163 acres of land, much of it in valuable urban areas.

The increase in cremation has not affected the undertakers' receipts significantly, since they just arrange for a different service; for this reason, and because the expensive funeral drive to the nearest crematorium tends to be longer than to the nearest cemetery, the price of a cremation is not necessarily any less than that of the traditional burial. But it does indicate that the undertaking industry is going through a period of technological change (which, among other things, is hitting monumental masons hard). Another sign of the times is that less heavy black is being worn, and there is a trend towards the greater informality that characterises the American funeral. The (by British standards) excessive social ostentation of Forest Lawns, the Los Angeles necropolis which formed the background of Evelyn Waugh's "The Loved One," has as yet made no headway here. But forward-looking British undertakers are prepared for anything.

NOTES OF THE WEEK

NUCLEAR ARMS AND TESTS

After Me — No, After Me

A BOXER who has just received a crisp and efficient blow on the jaw recovers no points by claiming that he saw it coming. There is little profit for the West in explaining that the Russians' decision to suspend their nuclear tests was expected, and that anyway it came hard on the heels of a particularly long and loud series of Soviet bangs. If, even a month ago, the West had made its own proposals for a controlled suspension of tests, it might have stopped the Russians from holding their nine latest experiments, and have prevented them from harvesting kudos for an act of self-denial which in reality costs them nothing. It is now several months since it become clear that a suspension of tests might provide one area of possible agreement with Moscow. In the interval, the western governments have failed to make up their minds whether the political advantages of a suspension outweigh the military handicaps. Not surprisingly, the tortoise has been left standing at the post in the contest to impress world opinion.

But, as Mr Dulles correctly pointed out at his press conference this week, it is not only a matter of scoring propaganda points. Even if the present tempo of testing does not harm health, there are two arguments for urging a general halt to these experiments. If the Russians accepted even a simple and rudimentary system of controls in this field, it would become more difficult for them to refuse to extend the principle of inspection to the manufacture of nuclear weapons; Mr Gromyko himself conceded this week that a mere pause in testing would not end the threat of nuclear war. And if the three nuclear powers let a hush descend now, France—or Sweden or Israel—would find it embarrassingly conspicuous to violate the calm later. If western scientists want to go on with their explosions, they will have to produce some very convincing reasons. But—on this Mr Macmillan and Mr Gaitskell seemed in full agreement during their exchanges on Tuesday—if all the different kinds of nuclear weapon that scientists want to try out are multiplied by all the different countries which will sooner or later be able to conduct tests, there will never be a spare half-minute in which someone is not saying, "Just let me have my bang before we all stop." The main criterion is a simple one. If the West forgoes its next batch of tests, will it really be in danger of losing its deterrent power? If so, the tests must go on; but if not—and it is difficult to believe that the deterrent would evaporate if the forthcoming explosions did not take place—the West's next move should be to offer to give up its own tests under a reasonable system of inspection.

German Arms and Britain

THERE could have been no more apt conjuncture of events than Mr Sandys's visit to Bonn just when its parliamentarians were locked in debate about the equipping of the Bundeswehr with atomic arms. The dilemmas which were posed by Germany's original rearmament have now presented themselves anew. Are nuclear weapons in West Germany's hands necessary if it is to play its proper part in a joint defence plan—or would they increase the risk of war and spoil the chances of a solution to the problem of Central Europe? The mere thought of German fingers on missile buttons is enough to appal many people, while others, in this country and elsewhere, will share the view of the opposition in Bonn that to supply the Bundeswehr with Matador missiles now, even without warheads, is a singularly ill-timed move. How adequately have the military considerations that prompt the Nato generals been tested against the political considerations which the allies' civilian planners have to take into account?

Apparently it is intended at present that West Germany should be given only "delivery mechanisms"—missiles—and that the nuclear warheads would remain in American (and British?) hands. But cannot fissile material from atomic power stations be easily adapted for military use? In this respect the newly created six-nation Euratom community, which has powers to control such material in West Germany and the other member countries, has great military significance; and here there seems to be a strong additional argument for Britain joining it. Moreover, if there is any question of West Germany eventually having atomic arms fully under its own control, the already strong economic case for more international division of labour in arms production will be reinforced by an even more compelling reason for Britain to join its continental allies in a closer defence partnership. In continental eyes, Western European Union, which was supposed to lead to such a partnership, now stands mainly for a broken British promise. Mr Sandys, in Bonn, has been seeking to give it new life. More and more insistently, the question arises whether Britain would not get the best dividends out of its dwindling nuclear-arms assets by putting them into a European pool.

PARLIAMENT

Thames Not on Fire

THE parliamentary term between the end of the Christmas and the beginning of the Easter recess has not been a particularly ruffling one in the House of Commons itself; events have rather conspired to make Westminster little more than a backcloth to the excitements of Rochdale, Torrington and the nuclear-dominated international stage. In the opening weeks of the term the Prime Minister's absence abroad (and Mr Butler's adroit deputising) kept the political situation rather off the boil; even after Mr Macmillan's return, apart from an occasional question time rumpus, the Government has more often than not succeeded in its obvious desire to keep exchanges quiet across the floor. The Government's own programme of legislation has been well judged to this end. It has so far produced 39 Bills, of which 17 are on the Statute Book and the Life Peers Bill soon will be. Of the bigger technical measures, the Local Government Bill (the only really major technical bill) is working its way through standing committee; the Tribunals Bill is still in the Lords; the Agriculture Bill has only just been launched; the New Towns Bill is already law; and the Slaughterhouses Bill (a rich field for special pleading) is nearly through the Commons. Once MPs reassemble after Easter on budget day, Parliament will enter the period of the year when financial business dominates the timetable, but the Government seems to be well placed to get its modest legislative programme on to the statute book by the end of July.

Truth to tell, few of these measures are arousing much parliamentary interest. The sound that now echoes across the Thames is not so much of tongues wagging as of them lapping: Tory MPs are licking their wounds, and Labour MPs licking their chops. This is interposed on the Tory side with the usual hunt for scapegoats. This week, for some reason, some Tory MPs have blamed the Torrington defeat on Lord Hailsham, although the poor man never went near the place. By contrast, Mr Butler, who was the Tories' principal domestic Goldstein a short while ago, has regained respect in the party and (possibly) more influence in the Government; the fact that he was put up on television to answer questions about the H-bomb this week has revived speculation about the part he could play in foreign affairs.

On the Labour side, the immediate impression is that Mr Gaitskell has suppressed the Victory for Socialism revolt with considerable aplomb. But the party's propaganda tactics still seem considerably less adroit than its internal bossmanship. In its attempted escape from its H-bomb awkwardnesses, the leadership is pinning its flag to a whole series of aggravating side issues—such as no missile bases before the summit talks—which cannot possibly be of significance when general election time comes; and the things Labour has prophesied about the Rent Act are so dire that, when tens of thousands of people are not in fact turned out of their homes next October, the anti-climax could be a factor in helping the party not to be turned into office. The resurgent Liberals, for the present, have none of their own chicks to get cross with—except, as our letter columns show, *The Economist*.

TORRINGTON BY-ELECTION

The Liberal Triumph

THE Liberal victory at Torrington was compounded of several ingredients. Undoubtedly many of those who supported Mr Bonham Carter were voting from an old and personal Liberal tradition; these were the survivors of the 9,589 people who had voted Liberal here in 1950, and especially of the 4,000-odd who went to the polls last Thursday but who, when no Liberal candidate stood in 1955, had not voted at all. But Mr Bonham Carter would never have reached Westminster on their loyal votes alone. He also seems to have attracted support from more than one in three of those who voted Tory in 1955, and from about one in five of those who voted Labour in 1955. Some of the ex-Labour people no doubt supported him as the man most likely to keep out the Tory. Most of his other recruits voted Liberal as a protest against the two big parties. This last group can be subdivided between those who on principle dislike the monolithic, whip-driven structure of British politics, and those who objected to the big parties for not providing them with a higher standard of living than the nation can afford.

The Economist last week passed some stringent comments on the Liberal party's failure to try to turn this swing to negativism into a positive swing to liberal ideals; and deplored the impression they have given that their main aim now is to gain votes by offending no local interest rather than to advocate reform. The reaction of some leading Liberals to this charge appears in our correspondence columns on page 20; it is fair to leave it to our readers to judge between our last week's article and them.

This having been said, the Liberal revival remains an astonishing piece of spontaneous political combustion. The Torrington Liberals started their campaign with almost no organisation, whereas the Tories had an extremely good one, backing a candidate who had already put in two and a half years' work in the area. Bearing in mind the difference that organisation must have made in this scattered constituency—in collecting the postal vote, for instance, and ferrying voters to the polling booths—Mr Bonham Carter's majority of 219 was probably worth something more comfortable in terms of voters' real preference.

This disparity between the organisations, incidentally, presumably provides one explanation of why the public opinion polls went wrong in forecasting an easier Liberal victory. They registered the number of *potential* voters for each candidate; they could not allow for one party being more efficient than the others in getting those potential voters to the booths. What is less easy to explain is how, on the eve of the poll, the local Tories seemed genuinely convinced that their canvassing returns promised them with fully enough votes to win. There is evidence that current dissatisfaction with the Government is of the sort that one voices loudly to one's own friends, votes quietly about in the polling booth, but is not so deep-rooted that one feels obliged to be rude to any Tory canvasser who comes round to one's house. The future will show whether this element of mildness within the anti-Government protest is of any political significance.

How Many Others?

TORRINGTON has brought a whole new series of figures within the interested purview of the electoral statistician. Delighted Liberals are asking how many more potential Torringtons there might be, if only Tory MPs could cause early by-elections by dying or being ennobled in the right constituencies. The "right constituencies," in this context, are those with a reasonably strong Liberal vote in the recent past. Perhaps the best approximation to their number can be attained by looking at the Liberal vote in the general election of 1950, the last time the party tried to blanket the country with candidates.

Excluding the six seats won by Liberals last time, there were 44 constituencies (including Torrington and Rochdale) in which the Liberals got a vote of over 9,000 in that 1950 election. Of these, 12 are now held by Labour; on present trends, and assuming no new Tory-Liberal pacts, it seems unlikely that the Liberals would capture these. Another 13 are of what might be called the "Rochdale sort": that is to say, seats won by the Tories in 1955 but in which intervention by a Liberal would be more likely to secure the seat for Labour than for himself—although a really big direct swing of votes from the Conservatives could put the Liberal at the head of the poll. It is difficult to say how many of these the Liberals really could win if an early election befell. For what it is worth, however, on the basis of the 1950 figures, eleven of these 13 seats would seem to be easier for the Liberals to gain than Rochdale; they failed to gain Rochdale by 4,530 votes.

There remain the more precise equivalents of Torrington, which naturally arouse most interest. The 19 remaining (and hitherto firmly Tory held) seats from our 44 above can be set down as follows below, in order of apparent scope for a Liberal victory. The convention used for measuring "scope for a Liberal victory," in this very rough approximation, is the size of direct swing required from Tory to Liberal, compared with 1950 (assuming the Labour vote unchanged). Boundary changes have been ignored. The first two seats on the list were held by the Liberals in 1950, but have been lost to the Tories since:

Tory seats vulnerable to Liberals on basis of 1950 results.
Under 10 per cent swing of Tory votes to Liberal required: Roxburgh, Eye, North Dorset, Denbigh, North Cornwall.
10 to 25 per cent swing required: Berwick, North Devon, Bridlington, Bodmin, Penrith, Torrington.
25 to 40 per cent swing required: Totnes, Westmorland, Torquay, East Grinstead, West Bournemouth, West Southend, Hastings, Finchley.

It will be seen that Torrington comes twelfth on this list. As last week's Liberal majority there was nearly as small as a majority can be, it may perhaps be regarded as the present dividing line between Liberal prospects and Liberal possibilities. Add to the eleven other "equivalent Torringtons" the Liberal members already in the House, plus perhaps six or seven "Rochdale-type" seats the Liberals might win in Labour's teeth, plus three or four Tory seats where Liberal strength has considerably increased since 1950 (Inverness is the outstanding example), and the calculation seems to be: if the mood of the country at the time of the next general election were exactly the same as the apparent mood now, then the Liberals might be expected to get perhaps between 25 and 30 seats in the House. This is a long way short of the figure which some Liberals are hoping for, but it still represents an extraordinary improvement in their prospects in a very short time.

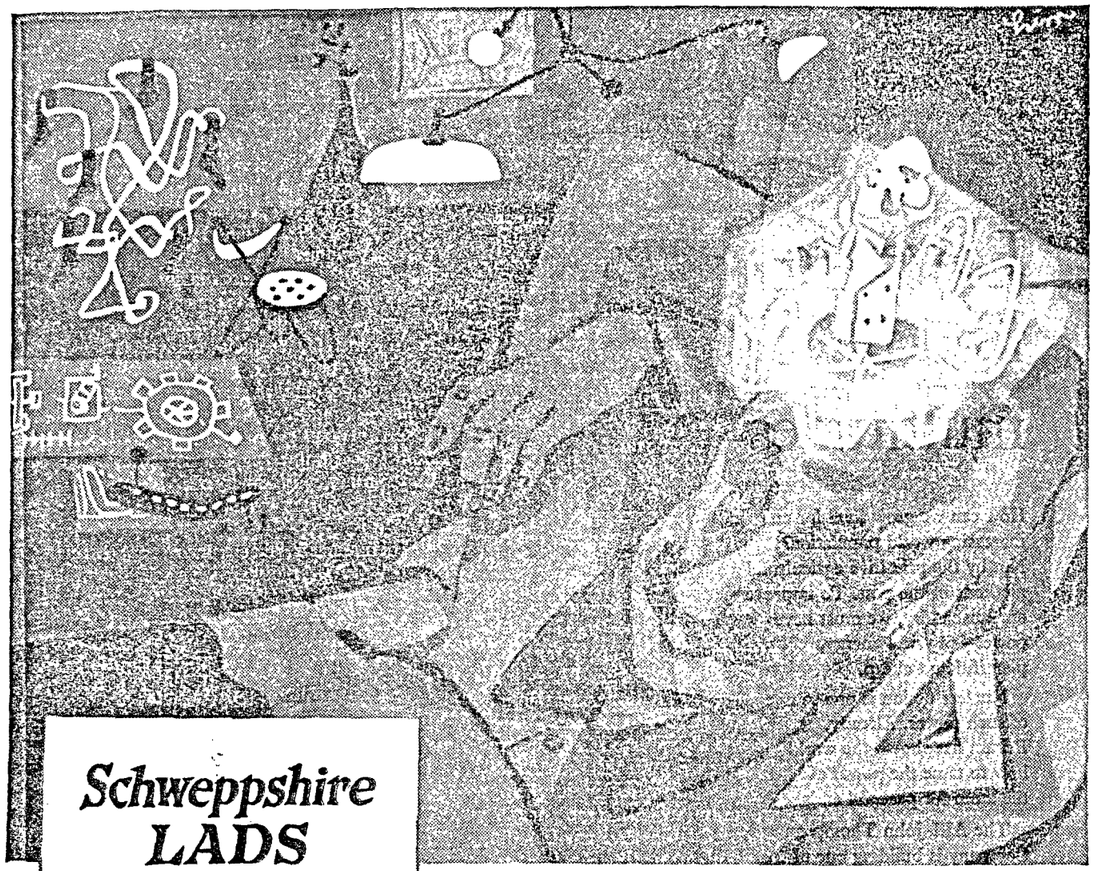
MR THORNEYCROFT

The Cause of Fission

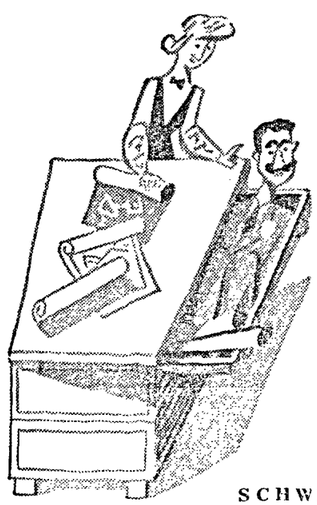
AFTER Mr Thorneycroft's speech to his constituents at Monmouth last weekend, it is nonsense to regard the ex-Chancellor as a potential leader of the dissident right wing of the Conservative party. He emerges, in foreign affairs, as an almost extreme supporter of its internationalist left. For Mr Thorneycroft made it clear that he considers it to be very "questionable" whether Britain should continue to manufacture its own H-bomb. He had no doubt, of course, that the west as a whole needs its bomb, but "we should ponder well the merits or demerits of duplicating the American effort." "Solvency and conventional arms are likely to be of greater benefit to us." In a palpable hit at Mr. Sandys's defence views, Mr Thorneycroft insists that "it is an illusion to talk as though we were engaged upon a serious discussion as to how we would take the Russians by ourselves"; such "language appertains to another age."

He would like to see "a meeting at the Western summit" to thrash out a sensible defence policy based on proper comparative costs; wider economic issues would be on the





COURT NILES



I always thought that Court Niles was unduly influenced by his peculiar name. Had he been called something more deep rooted like Barstone he might have gone on for ever taking ten deep breaths first thing, standing on the escalator of Green Park Underground Station, turning sharp right outside, and giving up smoking till noon in the office where he was Complaints Manager (Real Honey Export Co.).

But his name gave him a sense that he was born for something or other; which had the effect of making him feel that he simply could not leave anything alone.

The first thing he couldn't leave alone was sock drying. Instead of putting his socks on top of the electric heater in the ordinary way, he had a wire frame made which was not only sensible but also looked quite nice aesthetically. That was the awful thing about all his things, they looked quite nice aesthetically. From sock dryers it was an easy transition through buttonless cuffs to a television set which by interrupted invisible eye, housed in unpolished zinc, turned itself on automatically whenever you went into the room. Soon Real Honey itself was being transformed: not only of course by the creation of the Contemporary Hive Construction Co., (which was really only an old office desk under Court's office window covered with cigarette butts) but by the general infiltration of Design in e.g. the very small circular conference table in front of this old desk which Niles placed on some sort of central peg so that it could revolve for some purpose or other (Design in Movement).

Soon of course Niles was experimenting on the building itself with a simple design for avoiding direct sunlight, which was certainly effective on those three days of the year when direct sunlight was proved to have existed. Soon he had re-designed practically everything except the balance sheet, so that after the inevitable bankruptcy of his firm, and of each successive firm he worked for, he actually became Adviser on Town Planning for the Sunpine New Suburb Development Co., whereupon his work was placed so indefinitely far in the future that he was regarded as relatively safe, though he continued to make people personally uncomfortable about the absence of design in what he called "everyday living". Personally I was rather sorry for the old days when Court was bottled up in Real Honey Export.

Written by Stephen Potter, delineated by George Him

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

agenda, too, for Mr Thorneycroft is appalled at "the spectacle of America fighting a recession on one side of the Atlantic, and Europe struggling with inadequate reserves upon the other, with little or far too little recognition of the interdependence or even of the connection between the two." And

> when, in addition, each separate part of the west becomes engaged or is about to become engaged separately and in isolation and at vast cost in devising its own missiles, anti-missiles and other nuclear devices, one questions the reality of any defence policy, or indeed, of any other common policy at all.

Mr Thorneycroft's well-known economic views fit into this framework: "the truth is that we can't have more bombs, more welfare, more schools and hospitals, only one per cent of the population changing jobs, stable prices and a rising standard of life all at the same time." We "had better choose what we want and choose what we think right." There is, of course, a difference between Mr Thorneycroft and his colleagues here. He would clearly put stable prices first; others might prefer a rising standard of life. But those whom Mr Thorneycroft clearly feels he had to fight hardest against were those who would prefer more welfare, higher government expenditure, and—once again—that private British bomb. The split which appeared in the Government last January now appears less than ever a matter of that "mere £50 million," and more of a nuclear fission.

RUSSIA

Khrushchev's Malenkov?

The list of ministerial appointments announced by Mr Khrushchev this week in his new capacity as Soviet premier shows how completely he has now restocked the key positions in the state, either with his own men, or with prudent men from whom he presumably expects no trouble. A year ago the government presidium or "inner cabinet" comprised Messrs Molotov, Kaganovich, Malenkov, Mikoyan, Bulganin, Pervukhin and Saburov—a tough team for even Mr Khrushchev to handle, and all the more redoubtable because these deputy premiers were members of the party presidium, too. Now only Mr Mikoyan remains; he may not look very happy, but his familiar suavity will be of great value to the new premier at summit talks or other international confrontations. Firmly applying the "divide and rule" principle, Mr Khrushchev has arranged that only three men will now belong to both presidiums at once: himself, Mr Mikoyan, and a fast rising newcomer, Mr Frol Kozlov.

It is natural to suppose that this Mr Kozlov is already being groomed for the role of crown prince in somewhat the same manner as Stalin groomed Mr Malenkov. He is about fifteen years younger than Mr Khrushchev, and has visibly been his protegé for some time, coming into view for the first time at the end of 1953, when Mr Khrushchev put him in to run the Leningrad party machine. In the year of the sputnik he shot up in a three-stage trajectory, successively becoming a junior member of the party presidium, then a full member, and finally, as recently as last December, premier of the Russian member republic of the Soviet Union (a post which has lately served as a way stage for a swift succession of party hierarchs aiming at higher things). Now he comes abreast of Mr Mikoyan, the only other "first deputy prime minister," and stands immediately at his master's elbow. One wonders whether he has yet had time to reflect on the sad fate of Russia's last crown prince, who is now detained in central Asia at Mr Khrushchev's pleasure.

HUNGARY

Propping Up Mr Kadar

It looks as if Mr Kadar is not on the skids after all. Rumours that he was have been circulating in Budapest for some weeks, stimulated by his non-appearance on various public occasions, by his failure to lead a delegation to east Germany, and by an unusual silence about him in the Hungarian press. Now, however, his photograph has reappeared on the front page of *Nepszabadsag*, and he is being taken up by the great ones of the communist world. Last week he was received by Marshal Tito in his hunting lodge—a visit for which he is believed to have been angling for some time. This week Mr Khrushchev in person has been leading the Soviet delegation to Hungary's independence day celebrations.

Mr Kadar may well be in need of some powerful helping hands. His perpetual struggle against the extreme Stalinists inside his party appears to have grown more acute since, at the end of January, he resigned the premiership in order to concentrate on party work. Many of the smaller fry among the Stalinists have been able to hang on to their jobs ever since the October rising simply because there has been no one to replace them. And in the middle of February the central committee decided to readmit a number of the leading Stalinists who had been expelled in November, 1956. They included Mr Laszlo Piros, a former commander of the political police whose conduct helped to provoke the rising; General Bata, who was minister of defence in October, 1956; and Mr Istvan Kovacs, one of Mr Rakosi's principal lieutenants from 1949 onwards.

Although this decision is believed to have been opposed by many of the rank and file, the Stalinists must have been encouraged and strengthened; and the repression and reprisals in which the regime continues to indulge may be forced on Mr Kadar in an effort to keep the Stalinist wolves at bay. It is unlikely that there has been any active collusion between Marshal Tito and Mr Khrushchev over propping up Mr Kadar. But both must clearly have their reasons for wanting him to stay put. Many of the more realistic Hungarians, too, are believed to feel that he is the best boss they have.

HOLLAND

Swing Against Labour

The Dutch government received a warning signal from the electorate in the provincial elections that coincided with the Queen's visit last week. Since there were no specifically provincial issues at stake, the results can be taken as an interim verdict on the socialist-led coalition. The Labour party, led by the prime minister, Dr Drees, received 28.65 per cent of the votes as against 32.7 at the general elections, while the opposition Liberal party won 11.4 as against 8.77 per cent in 1956. These modest changes are significant in Holland, where the party balance is usually slow to change.

One of the main reasons for the swing against the government is its deflationary policy. This has, on the whole, been successful; foreign currency reserves have risen, the balance of trade has improved, and the volume of exports continues

to increase. But some of the repercussions have been unpleasant; in particular, there has been a considerable increase in unemployment (about 100,000 in the last three months), and this does not look well for a government dominated by the Labour party. Its popularity has also been weakened by the troubles with Indonesia. Business circles have now completely written off their investments in the former Dutch East Indies. Trade with Indonesia is almost at a standstill, which means the loss of about 3 per cent of the national income. About 40,000 Dutch citizens have been repatriated from Indonesia. Most of these are at present dependent on state aid; they may well add to the unemployment problem and are certainly adding to the huge housing shortage. There are also other sources of discontent. The recent introduction of a bill providing for large increases in children's allowances made many Dutchmen feel that the government was overdoing its social security policy and pandering inexcusably to the Roman Catholics. And the government's favourable attitude towards nuclear weapons and missile bases has met with some criticism.

Last week's election results are not likely to have immediate effects on the government's policies. But they will certainly make the already uncomfortable co-operation between the socialists and their Catholic coalition partners even more difficult.

DIRTY BOOKS

A Step Towards Reform

THE select committee set up originally to revise a private member's bill on obscene literature, and subsequently revived to consider the law in general, issued its report last week (HMSO 1s.). Its recommendations, if enacted, would go a long way towards meeting the views of the Society of Authors and others who have been campaigning for reform of the law, though the committee has not attempted to frame an entirely new definition of obscenity.

Instead it has preferred to modify the test of obscenity, laid down by Chief Justice Cockburn in 1868, on the lines of the liberal interpretation placed upon it in the case of R *v* Secker in 1954, as a result of which the defendant was acquitted. The select committee accordingly proposes:

(1) that a jury should have regard to the effect of a work as a whole and not deem it obscene because of isolated passages;

(2) that a work shall be deemed obscene if its effect as a whole tends to deprave or corrupt those among whom it was *likely* to be distributed or offered for sale (this would embody Mr Justice Stable's dictum that literature is not to be condemned as obscene because it is unsuitable for a schoolgirl or child in a nursery);

(3) it should be a defence to show that the work is of such literary or artistic merit that its publication should continue, and, to establish this, expert evidence should be allowed;

(4) the author should have a right to be heard in any proceedings where he is not himself a party, and should have a right of appeal if a destruction order has been made in respect of books he has written;

(5) booksellers and librarians should have a defence similar to that allowed in the anti horror-comics legislation—the Children and Young Persons (Harmful Publications) Act of 1955—that they have no reasonable cause to suspect a work is obscene;

(6) the Director of Prosecutions (not the Attorney General, as had been suggested) should have to give his consent to the initiation of any proceedings, in order to achieve greater uniformity in the administration of the law.

Unfortunately, the select committee was not itself of one mind in framing its proposals. In particular, the suggested defence of "literary or artistic merit" was only carried by the chairman's casting vote. The Government admittedly cannot be expected to find time for an official bill this session. But it would be a great pity if the Home Office were to use disagreement in the committee as an excuse for delaying legislation indefinitely, for the committee's proposals as a whole would not only protect reputable authors, publishers and booksellers but would also make it easier for the police to deal with the trade in real pornography.

BUTTER

Dumping and Crypto-Dumping

THE British Government will next week hold special talks with the Deputy Prime Minister of New Zealand on the marketing of New Zealand butter in the United Kingdom—or, more exactly, on the threat to that butter of competing imports from other countries. The dimensions of that threat, which between 1956 and 1957 was measured by a loss to the New Zealand export trade of 10,000 tons, need putting in perspective. Butter consumption in the United Kingdom has risen steeply over the last three years, from 412,000 tons in 1955 to 547,000 tons in 1956 and 640,000 tons in 1957. Of this total increase of 228,000 tons, home production, rising from 156,000 to 336,000 tons, accounts for over two-thirds. The controversial imports from Sweden and Ireland—which have been made to look large by the announcement that they increased respectively tenfold and fiftyfold from 1956 to 1957—now turn out to amount between them, in absolute terms, to only 28,600 tons. This is a quantity which, whether regarded as displacing New Zealand produce or as an influence on the market price, is obviously neither here nor there.

Of course, New Zealand has a legitimate grievance against subsidised competitors. So, for that matter, has Denmark. But the subsidised competitor who really counts, in this instance, is not the Swedish or the Irish but the United Kingdom producer. The increase in United Kingdom butter consumption has been made possible by a flood of what can justifiably be described as internally dumped milk; the quantity sold to manufacturers, at far below the farmers' guaranteed price, rose from 437.2 million gallons in 1955 to 696 million in 1957. An abatement of this flood, following on the newly imposed cut in the guaranteed price, would make incomparably more difference to the New Zealand exporter's prospects than would even a complete ban on Irish and Swedish and Finnish butter.

There is a good case for saying that anti-dumping legislation is altogether unsuitable to farm produce. Hardly a country in the world does not in one way or another subsidise its agriculture, and so lay its exporters open to the charge of dumping. A general banning of all foodstuffs to which the label of "dumped" could theoretically be attached would amount to a blockade. A selective banning could only be political, and correspondingly prolific of odium. New Zealand's request, coming as it does from a new administration with its reputation to make, is understandable enough; but the lever on which the New Zealand government is pressing could easily break in its hand. Wiser counsel would suggest patience—and a hopeful watch on the United Kingdom milk-production figures, following the recent price cut.

EUROPE

Made in Italy

THE Italian plan for the outer tariff wall of the free trade area is becoming a central issue in the negotiations. Under it the outer tariff would be as uniform as possible; a country could retain lower duties on certain imports from the outside world, but in that case high-tariff fellow-members could impose a compensatory tax on its exports to them. This idea may become one of the proposals that the six common market countries now hope to submit to the Maudling committee in May.

For some low-tariff countries the scheme would not be unattractive, provided their low tariffs are taken properly into consideration in the calculation of any uniform tariffs for the whole area. Sweden, say, could keep its low tariff on products of which it is mainly an importer. On products which it exports on a large scale it could raise the rate, and thus buy freedom from the compensatory taxes in the markets of Europe.

But for Britain the Italian proposal poses a more difficult problem. Britain gives free entry to Commonwealth goods not just because it wants cheap materials but as a *quid pro quo* for the concessions its exports get in Commonwealth markets. It cannot raise its tariffs against the Commonwealth without destroying the whole open Commonwealth trading system. The Italian suggestion appears to pose in some measure just that choice between the Commonwealth and Europe which the original idea of retaining separate national tariffs around the larger European grouping was designed to avoid. It would be absurd to turn down a constructive attempt to bridge the gap between Britain and its neighbours merely because it does not bear the label "made in Whitehall." Close inquiry to find out on which products Britain's tariff concessions really matter to the Commonwealth might reveal that even here the practical conflict is not great. But can the principle of free entry for Commonwealth goods be given up?

Some people are asking whether the possibility of solving the Commonwealth's problem by a broader approach—by forging new links between it and Europe—may not have to be raised in the current negotiations. But the continentals, though interested in sharing in Britain's preferences in Commonwealth markets, have shown little desire to offer *quid pro quo* opportunities for Commonwealth exports in their own markets.

*

Hardly anyone in Brussels believes that fundamental agreement can be achieved in the next three months, despite the salutary efforts at compromise set in motion by the French memorandum and Mr Maudling's "ultimatum." If the pessimists are right, there is great significance in the proposal, attributed to Professor Hallstein, that, as a stop-gap while they go on talking, the OEEC countries should all reduce their tariffs by ten per cent at the end of this year in step with the Six. At least this would avoid the catastrophic outbreak of tariff discrimination which otherwise threatens next January.

The Six have not always appeared to appreciate the destructive significance this break would have for their own ideal. They are at last forcing all western Europe to follow them along the path towards economic integration. Outer Europe, especially Britain, is really trying quite hard now to keep up with the sprinting leaders. But a setback now could let loose ugly reactions, playing into the hands of those who think in terms of a little socialist Scandinavia, a little pink Commonwealth. The shock troops of Europe will not be doing their job if they cut communications with the slower-marching army behind.

LIBYA

Roubles worth Biting

THE attention of Libya, which already has one ear cocked to Cairo and the other to the West, is being diverted by an offer of £10 million in "unconditional" aid from the Soviet Union. Exactly two years after the Libyan parliament rejected a previous Soviet offer of aid, Russia is again trying to embarrass Libya's western friends. The past two years having been such successful ones for Russia in the Arab world, it doubtless feels that it is time to have another try. The statement is neatly timed to upset the Anglo-Libyan negotiations now in progress to determine the amount of the British subsidies, for budget and development, to be provided over the next five years. It also comes at a time when economy-minded American congressmen are again discussing reductions in foreign aid. Both the United States and Britain have been generous to Libya. Half its national income since it became independent in 1951 has been in aid from foreign countries. Its present relations with its supporters have a businesslike give-and-take character, the give being economic and technical aid and the take being the use of bases on its soil. The Russians claim they ask for nothing.

There are two reasons which might, one day, induce the Libyans to accept a Russian offer if, indeed, these offers are genuine. One would be if aid from the West were to be stopped, and that is most unlikely. The other would be if events in North Africa should force Tunisia, Morocco and Algeria into the communist sphere; in that case, Libya could not stand alone against them. At present the Libyans are more anxious to keep their steady income from Britain and the United States than to accept handsome presents that would jeopardise that income.

Perhaps the Libyans can even put an end to these casual and disruptive Soviet offers of aid. If they are bold enough to accept the offer under the "disinterested" conditions so widely advertised by Moscow, they might ask the Russians to be kind enough simply to deposit the £10 million, in the name of the United Kingdom of Libya, in a reputable bank, and then wait to see from the reply just how "unconditional" the offer really is.

WEST INDIAN ELECTIONS

Too Even for Comfort

THE Governor-General of the Federation of the West Indies, Lord Hailes, faces some trouble in keeping a stable federal government going; his experi-

ences as a whip, so much held against him at the time of his appointment, may come in quite handy after all. The federal general elections have produced an inconveniently evenly divided house. Of the two parties which contested the elections throughout the island, the Federal Labour party, which is generally associated with the name and policies of Mr Manley, premier of Jamaica (who did not stand for a federal constituency), won 24 seats; and the Democratic Labour party, which takes its inspiration from Sir Alexander Bustamante (who also opted for the island, not the federal, legislature), won 21. But party allegiances are not clear cut in the minor islands, and it appears that at least two of the Federal Labour members might cross

THE NEW LEGISLATURE

	Jamaica	Trinidad	Barbados	Leeward Is.	Windward Is.
Federal Labour Party and allies (Manley/Williams/ Grantley Adams)	6	4	5	5	7*
Democratic Labour Party (Bustamante/ Gomes)	11	6	0	0	1

* 2 or more members of this group might join DLP.

the floor. The federal leader of the Manley Labour party is Sir Grantley Adams, long the chief minister of Barbados, who did forsake local politics; but experienced as he is, with a good lieutenant in Mr Bradshaw from St Kitts, he would clearly find it hard to keep going with a majority of two in an untried and inexperienced legislature. He will face a formidable opposition team led by Mr Albert Gomes (Chief Minister of Trinidad until he was displaced by Dr Eric Williams in 1956), with two other Trinidadian ex-ministers in support.

The results of the election, in fact, show that if Sir Grantley rules, it will be mainly by virtue of a small islands coalition; while Mr Gomes's problem is to attract enough small island members across the floor to enable the solid opposition block from Trinidad and Jamaica to take charge. It is unfortunate that the division between large and small islands should emerge so clearly so soon in the Federation's political development; but it is a not inconsiderable achievement that the islands have succeeded in putting an island-wide two party system into operation so swiftly even though the difference in their policies is small (the Bustamante-Gomes party is probably slightly more Conservative; the Federal Labour party more socialistic). Meanwhile, Mr Manley and Dr Williams in Jamaica and Trinidad respectively will have to look to themselves—for their party's failure to win a majority of federal seats in their own islands suggests that their local political fortunes are drooping.

NORTHERN RHODESIA

Variations on a Fancy Franchise

THE new constitution which is now put forward for Northern Rhodesia, in a white paper published in Lusaka last week, is not quite a carbon copy of the constitution and franchise which Sir Roy Welensky has successfully got through his own and the British parliament for the Federation as a whole; but it comes very near it, and indeed too near. (It is, alas, just as complicated.) It was high time that the Colonial Office liberalised the legislature of this territory, for which it is mainly responsible, but it ought to have given an even stronger lead to Sir Roy in widening the African franchise.

It should, however, be said at the outset that the new constitution is a big advance for Africans, who have hitherto elected only four members, by indirect election, to the Northern Rhodesian house. The new constitution enfranchises Africans with "protected person" status, in line with Sir Roy's federal constitution; and, as a matter of convenience, it sets up two identical electoral property franchises, one upper (and mainly white) and one lower (and mainly black). The upper will mainly elect 12 members, the lower will mainly elect six. It is certainly a great improvement in the Northern Rhodesian constitution that just as the number of "special" (i.e., mainly African) votes will be restricted to one-third of the voting for "ordinary" members, so the number of "ordinary" (i.e., mainly white) votes is to be restricted to one-third the votes for "special" members. This is much fairer than the much-criticised federal or Southern Rhodesian schemes, where the "rich" elect the whites, and then again are the preponderant vote in the election of the blacks.

But it is certainly entirely retrograde and wrong for the Colonial Office to propose that over a period of ten years the qualifications for the "special" (or African) roll shall be progressively raised until to get a vote everyone, black or white, must in ten years have the qualifications of a white voter. On the contrary, the movement should be the other way—the property and educational qualification should be progressively lowered so that in a period of ten or more years the country would move towards a genuine adult franchise, under which the Africans would become (as in the end they must) the voting majority. Africans will certainly, and rightly, object to this clause which would only be tolerable in conditions of rapid inflation of African incomes and property-values. Admittedly, the Colonial Office has a tough job in getting the settlers to agree to any liberalisation; but this clause sets the wrong, not the right, example to Sir Roy. It is therefore too dangerous to sustain.

CUSTOMS AND EXCISE

Out of Focus

SCHOOLBOYS' grouses do not often stir Parliament to debate. But last week it happened, and rightly. The boy concerned, an American arriving in England for a stay of a year or—an important possibility—a little more, had his new camera confiscated by the Customs because he could neither put down a large sum as security nor, being inconveniently honest, would promise to be gone, camera and all, within a twelvemonth. Mr Peter Smithers, MP for Winchester, took up the case in an adjournment debate and got a dusty answer. Were schoolboys exempted from the rule which limits duty-free privilege to visitors staying less than a year, why not university students too? And there is a "grave risk" that students, notoriously prone to "fall into impecuniosity," might be tempted to turn their privileged possessions into cash. Were the privileged period itself extended, visitors briefly outstaying it would still be aggrieved. The discretion of Customs officers must be exercised within the rules. "It is only fair to ordinary residents and traders who are dealing in similar goods" that they should be protected against the possibility of uncustomed articles coming on the market. In short, failing surety, the camera stays impounded. So runs, in drearily familiar phraseology, the official case, of which Mr Simon, the Financial Secretary to the Treasury, was the mouthpiece.

The kindest possible comment is that it is out of focus. Less kindly, it can be accurately described as hypocritical balderdash. It is out of focus because the amount of damage that could conceivably be done to the national revenue, to the home producer or trader, is minimal compared with the loss of goodwill and enduring exasperation generated by even one such case as that of the schoolboy's camera. To all the arguments about "grave risk," in fact, the proper retort is briefly and simply "so what?" It is hypocritical balderdash because, as every traveller knows, the "discretion" of the Customs rests overwhelmingly on the sheer impossibility of assessing the age, value and *bona fides* of each new arrival's every possession. The Customs' business should be to identify the sort of person who makes a business of smuggling, and give him the full treatment; not to harry, necessarily at random, the ordinary traveller who just conceivably might regard his camera (or other, less dutiable, possessions) as hockable in moments of shortage of cash. A change of policy would benefit not only the tourist trade, but respect for the law—and for the ministers who talk to its brief.

INCOME TAX WEDDINGS

Marriage on the Assembly Line

THE coincidence this year of Easter Saturday on April 5th and the end of the financial year has, over the last few days, created boom conditions in the marriage market. Easter week, and particularly Easter Saturday, has traditionally been a peak time for weddings; but, since the war, marriages at Easter have been overshadowed by those timed to reap the tax benefits available to couples who marry before the end of the financial year. This benefit is the increase, on marriage, of £100 in tax free allowances for the whole year in which the marriage takes place; it means, in effect, that for anybody who will be paying the full standard rate of tax on marginal income after marriage—that is, anybody earning over about £800 a year—a wedding before April 5th brings a bonus of £42 10s. For once the natural desire for this bonus does not conflict with that for an Easter wedding.

The registry offices, where a third of all British marriages now take place, report exceptionally brisk business. At Caxton Hall, weddings have been starting at 8 a.m.; on one morning last week twenty-five couples were married there in ten minutes each, while this week's time was fully booked. The same is true of Chelsea, except that a wedding there takes up to twenty minutes; for this registry office to marry twenty-four people a day, as it has been doing recently, therefore, means working from 9 till 5. The Tottenham registrars, who, using four marriage rooms, are believed to hold the London record of sixty-four weddings in a day, married forty couples last Saturday, compared with under fifteen for an average day. Wandsworth, another large registry centre in London, reports a similar rush of clients.

The churches, from all accounts, will also be working to capacity on Easter Saturday. But the clergy are bound to view with disquiet the present marriage peak in late March and early April. For one thing, the financial year usually ends in Lent when the Church is loth to hold more weddings than it can help. Secondly, since the religious service is longer and less flexible than the civil one, clergymen cannot easily accommodate the extra people who want to be married in Church at Easter; and the dominant partners in the more mercenary of these couples tend to hustle their spouses in under the Inland Revenue's wire by a registry office ceremony instead. And, whatever one's religious belief, it is

Gain from marrying on or before April 5th instead of after it

Income £	Income Tax £ s. d.	Surtax £ s. d.
150	—	—
300	14 13 4	—
500	27 12 10	—
800	42 10 0	—
2,500*	42 10 0	10 0 0
5,000*	42 10 0	22 10 0

* Maximum rebate from income tax £42.10.0. Reduction in surtax not obtained as cash rebate but as automatic reduction in assessment in the following year.

hard to feel that there is the same bond forged by a ten minute civil service at a time dictated by the tax collector as there is in a more seriously approached ceremony at a time to suit the couple getting married. If marriage allowances were deducted from quarterly instead of from annual income, would the gain to the Exchequer from clawing back a full bonus from these people offset the increase in administrative costs involved? If it would, many people will feel that there is a case here for Mr Amory to ponder in his budget; the present largely accidental system arouses a depressing vision of a land where marriage takes place and children are produced only after exhaustive financial calculation and where the whim of the Inland Revenue reigns supreme.

The Economist

APRIL 3, 1858

THE BANK'S DIRECTORS

SIR—. . . There is one topic which I would not touch on offensively, but which it would be childish to refrain from mentioning. The Bank of England is not a drag machine. It is governed by a body of Directors, all of whom are large merchants, and, in consequence, under very great liabilities. No doubt they are men of means and stability; they would not otherwise occupy so high a position. But those means consist, not of land or coin, but of bills of exchange, book debts in ledgers, produce in warehouses, ventures at sea. Once create a panic and those bills may be rendered worthless, those book debts may pay 3s. in the pound, the produce become quite unsaleable, the ventures will result in a loss. You cannot suppose that merchants in such a position will view a panic so calmly as a speculator on political economy. I do not mean for a moment to charge your Directors with a disposition to pursue their own interests at the expense of the interests of the public. I am sure that if a distinct opposition between the two were clearly made out, the Directors would pursue the public interest. But the operation of a personal bias is to prevent questions coming to a distinct issue. A man does not, in consequence of it, violate what he knows to be his duty. He only mistakes what is his duty. The Bank Directors will think it their duty to prevent a panic, and any formal regulation to the contrary will, when the occasion arrives, be thought "theoretical and pedantic." Experience shows that this reasoning is correct. In all crises, from 1797 to the present time, if the Bank Directors have erred, it has been on the side of liberality. We cannot rationally expect it to be otherwise. . . . I am, yours faithfully, A BANKER.*

[* Walter Bagehot.]

LETTERS

The Liberals Reply

SIR—You end your article "L or 1?" by saying that there is only one thing more painful than kicking an old friend when he is down and that is to kick him when he is getting up. You should have added that as far as "the old friend" is concerned, it is always more painful to be kicked below the belt.

Your article is so full of generalisations and deleterious implications which can only be regarded as directed at Mr Ludovic Kennedy and myself that it would require another article of the same length to correct them. Perhaps you will allow me space to correct one or two of the more inaccurate and misleading.

You write that "the two main policies propounded by recent Liberal candidates seem to have been support for protectionism and for sentimental pacifism." They may seem to have been, but they happen not to have been as any competent reporter would have learned had he bothered to attend one of my meetings.

At almost every meeting which I addressed I was asked by Tories (reading from the little handbooks with which they were supplied by the Central Office) whether or not I agreed with Mr Arthur Holt's suggestion that all tariffs should be cut by 50 per cent, and whether or not this would not *ruin* British agriculture. You, of course, will recognise these questioners as Tories who "have been broadly and liberally right." To this question I replied:

(a) that the farming industry was very lightly protected by tariffs compared with other industries; that only 15 per cent of our imports of food were protected by any tariffs; and that the highest tariff was 10 per cent.

(b) that as a consequence farmers would be likely to gain more than they lost from a reduction in such tariffs.

(c) that price supports rather than tariffs guaranteed the farmer his income.

(d) that Liberals preferred price supports to tariffs because the former were a subsidy to the community as a whole for which the community were well aware they paid, whereas the latter represented a concealed tax which raised the cost of living.

I was also asked by the Bideford glove-makers whether I would support a tariff on imported gloves, the importation of which has caused local unemployment.

I refused.

As to "sentimental pacifism," I imagine you refer to the Liberal policy on the H-bomb. I stated on the wireless, in a broadsheet, and at every meeting that the West must keep the deterrent, that it should be under international control, i.e., Nato, *but* that this country should not make it. I am glad to see that Mr Thorneycroft made a speech last weekend much on these lines. Has he now become a sentimental pacifist?

You say that dependence on Liberal votes would now bring more caution into Tory policy . . . if you refer to Suez, you are right. We would oppose with equal vehemence any attempt on the part of the Labour Party to renationalise steel.

Finally you suggest that Liberals oppose the Rent Act. As we suggested eight years ago that such an Act was necessary, this seems rather hard. As we voted for it in the House of Commons, it would seem inaccurate. The only alteration to it which we have suggested is that tenants should not be evicted in October 1958 if alternative accommodation is not available.

Your article also contains the following gem: "good ideas that would be initally popular have mostly been put into effect long ago." Who ever thought that the paper edited by Walter Bagehot, Walter Layton and Geoffrey Crowther would speak with the voice of the great Lord Eldon?—Yours faithfully,

MARK BONHAM CARTER

House of Commons

★

SIR—You say in your issue of March 29th "the two main policies propounded by recent Liberal candidates seem to have been support for protectionism and for sentimental pacifism."

This extraordinary statement suggests that you have neither read Liberal policy nor even taken the trouble to look at the election addresses or speeches at recent by-elections. You are simply repeating current catchphrases. The party's views on free trade and protection have been stated again and again. Mr Holt, a Lancashire member, who took a prominent part in the recent by-election campaigns, has made it clear that we do not support protection for cotton, and Mr Kennedy in his election address said he would reduce tariffs reciprocally and gradually. In spite of this you accuse us of vote-catching by demanding protection for the industry. Incidentally, as you ought to know, protection for cotton was not a dominant issue at Torrington. The loss of confidence in the Government goes far deeper than these events.

As for "sentimental pacifism," for over a year we have said that, while Britain should make her contribution to Western conventional defence and a contribution to a joint Western nuclear programme if needed, she should not continue to make nuclear bombs herself. We see no point in duplicating the American deterrent. This policy now apparently has the support of Mr Thorneycroft. How it can be called "sentimental pacifism" I do not understand.

It would be interesting to know how many meetings at these by-elections were attended by your correspondent. In fact we have fought all these by-elections on our main official policies.

Apparently, you want all Liberals to join the Conservative Party, perhaps under the smoke-screen of National Liberalism. I think this would be dishonest. The Liberal Party continues to believe that a body of forty or fifty Liberal MPs would enormously strengthen Liberalism in Parliament and, for instance, might have provided impetus for the various moves towards greater unity in Europe.

It is strange that you should publish this article so soon after your article of March 8th advocating the alternative vote.

Believing, as you appear to, that all Liberals are rogues, it seems odd that you should want some of them in Parliament.—Yours faithfully,

House of Commons DONALD WADE

★

SIR—I am very grateful for your article on the Liberal Party. You have said things which badly needed saying.

It would doubtless be charitable to claim that the Liberal Party has done no more than adopt the methods of its opponents in order to beat an unfair electoral system; and that having re-established itself it will speedily recover its soul. Unfortunately the type of recruit these methods have attracted makes such a happy conclusion more unlikely than ever.

A great opportunity has been missed. But perhaps it is not too late. Criticism from one's friends should be more tolerable than criticism from one's enemies and I should like to invite the "Liberal News" through your columns to throw the issues open to debate by re-publishing your article in full.—Yours faithfully,

S. E. GRAHAM
Liberal Candidate, 1955 General Election, Roxburgh, Selkirk and Peebles

Leeds

★

SIR—You say that "the main purpose of the Liberal Party should not be to get more Liberal MPs into Parliament by hook or crook but to inculcate more liberalism into the country." But this is to ask the Liberals to be above, not in, politics. Politicians must have seats and seats are not won by inculcating anything into anyone.

As a Conservative I would like to see twenty or thirty Liberals in the next Parliament determined, in your words "to probe down to the roots of every stalk in the national life." There is an obvious need for a third group of independent thinkers inside the House. If they will be of use inside by preferring truth to popularity, we should not cavil too much at the means they employ to get there.—Yours faithfully,

London, S.W.3 CHARLES JANSON

Oil in the Middle East

SIR—There are two comments I have to make on your article last week. First, it is not correct to say that 25 years ago "the large oil companies had the field to themselves." On the contrary the share of independent importers and marketers was, in several countries such as the UK, much greater than it is now; these marketers were supplied from Russia, Rumania and by American independents who were then still in the export business. The other point turns on your fatalistic assumption that the American conception of enforced competition will make it impossible for anyone to find ways of adjusting by mutual consent supply to stagnating—or even shrinking—demand. Originally co-operation of this nature among competitors was proscribed only within the USA, but in the last two decades the scope of that doctrine has been extended to cover foreign operations of American enterprises; now the wheel has turned full circle and the exclusion of restrictive practices only applies abroad. As far as the USA proper is concerned, crude production is rigidly controlled by the relevant states and lately import quotas have been imposed upon each one of the importers, in a system which in a positively Orwellian fashion has been called "voluntary."

The economics (and therefore the strategy and tactics) of stable or shrinking markets differs from that of rapidly expanding ones to which we had become accustomed. It might be that for a while some of the recipes of the 'thirties will be worth looking at and one should not perhaps assume that one has to take for granted a flat refusal of the Americans to co-operate. A way of thinking which makes it possible only for governments to regulate trade in minute detail is a tempting invitation for all of them to do so. Such trend would prejudice in the first place the far-flung American interests.—Yours faithfully,

London, W.1 P. H. FRANKEL

The Stock Exchange

SIR—May I question the thesis in your March 15th issue's leading article intriguingly captioned "The Confident Recession," that the strength currently exhibited on the New York Stock Exchange warrants optimistic conclusions about the extent and duration of our recession-depression. Exception is in order on the grounds of actual performance as well as logic.

Conceiving of the recurrent fluctuations of share prices as an indicator, either barometric or thermometric, of the nation's economy, manifests complete misunderstanding of the proper behaviour of the stock-holding investor and of the market's functioning. The *raison d'être* of the stock exchange is to provide liquidity, not a forum for placing bets on the future of business or politics.

The market's actual performance has conformed to this interpretation, via the recurrent major divergences of its fluctuations from the accompanying economic events. The tremendous stock market boom of the late nineteen twenties had no foundation in either the state of business or the commodity markets. Again, the great bull market of 1935-1936, marking a 50 per cent rise in the valuation of equities, was completely unrelated to industrial activity or corporate earnings. Conversely, the rise in production and national income from 1939 to 1942 was accompanied by a major decline in the stock market. And after the second world war, the market averages declined by 22 per cent in 1946 and remained in the depths until 1949, an interval marked by booming business with a 40 per cent rise in commodity prices.

Incidentally, your impression of optimism on the part of the Wall Street community calls for considerable qualification. Its inapplicability to the "smart" professional element is evidenced by the current official data showing at the highest figure since 1931 the total of short-sellers (those who borrow shares and sell them in the expectation that their price will decline and enable repurchase at a lower price to yield a profit). And with reference to the institutional and other long-term investors, to whose support you credit the strength of the Dow Jones Average: their forbearance from liquidation may well rest on assumed continuation of our current price inflation despite recession; coupled with their being "frozen" in the market because of the capital gains tax still accruable on their holdings at these historically high levels.

Our recession truly may be nearing its end. But surely stock market behaviour does not provide an easy answer to the highly complex question!—Yours faithfully, A. WILFRED MAY

New York City

The Universities

SIR—It has always been my impression (modesty prevents me from claiming more) that we who teach in Redbrick have always recognised it to be an essential part of our duty "to make the mass of the people . . . more educated than they are." Your scheme, to provide the two ancient universities each with one big new college apiece, may break open the eye of their needle but it will not avoid the depreciation of Redbrick degrees, particularly in the arts and social sciences. That failing of the British system of higher education comes from those who will always prefer a poor Oxbridge degree to a good provincial one, often for no better reason than that the man from Redbrick (and his sister) has not dwelt under gothic towers, looking over a thousand years of history—and also possibly from the school masters and school mistresses who lead their charges to believe that the chance of breaking into the circle of top dons and administrative civil servants is worth more than the adventure of becoming a part of that new generation of educated men and women in business without whom we British are going to remain among the backward, if technically developed peoples of the world.—Yours faithfully,

GILBERT WALKER

University of Birmingham

The Free Trade Area

SIR—Mr John Hay in his letter published in your issue of March 8th suffers from a disease common to politicians; if you believe a thing to be good you have only got to persuade other people hard enough and they will believe it good also. If you fail it is not the idea but your propaganda that is at fault. The proposition that effective propaganda in France for the Free Trade Area would make it more popular is very doubtful; more probably it will kill it altogether. To most Frenchmen the idea is merely a clever scheme by which Britain obtains the benefit of the Common Market without any of the sacrifices. To the French the benefits are political, the sacrifices economic. A purely "economic" scheme like the Free Trade Area is meaningless and unwelcome.

Why will our politicians not consider the political aspects seriously? They are surely impressive. The old rivalry of France and Germany is likely to be buried for good. A nucleus for wider European integration is created; there is a chance of regional atomic planning with all its possibilities, economic and technological. Finally, why not a Common Market foreign policy, at least in so far as it helps to iron out the problems created by members' "special interests"? Instead of being created with the pompous hesitancy of Strasbourg, it may well grow naturally all by itself, and for that reason be effective.

What politicians ought to be thinking about is not better salesmanship for the Free Trade Area but an alternative should its present form prove unacceptable to all or some of the Common Market countries. This alternative is likely to boil down to staying outside the Common Market altogether or joining it, possibly with as many special dispensations as skilful negotiation may get us. In fact, precisely the choice that was there before a Free Trade Area was thought of. Neither the Imperial Preference problem (the Commonwealth have not spoken officially on this subject; can we assume that they will refuse to budge from the present system under any circumstances?) nor the agricultural problem need really be insoluble.

A lot of people in industry are under the misapprehension that the Free Trade Area depends on their approval or disapproval, and will get a nasty shock when they realise that Britain's final decision to join it might well coincide with the final departure of the idea into limbo. That leaves us with the original alternative. In making our choice it might as well be remembered that the Common Market already exists without the Free Trade Area and that our possibilities of moral and economic leverage on Western Europe are declining every year that it continues so to exist.—Yours faithfully,

Bramhope J. P. NETTL

BOOKS

The Triumph of Capitalism

Les Bourgeois Conquérants

By Charles Morazé.
Armand Colin, Paris. 491 pages.

EVER since the appearance in 1949 of Professor Fernand Braudel's great work on the Mediterranean world of the second half of the sixteenth century, it has been obvious that the new school of French historians, whose inspiration derives from Marc Bloch, would be the major source of new historical ideas in the postwar era. Whether this would also be true of historical works, or whether Professor Braudel's achievement would be flanked only by monographs and sketches, has been less certain. But now we get the full challenge of the new school in a planned series of large volumes ambitiously entitled "Destins du Monde." Professor Morazé's, the first to appear, has a preface by Professor Braudel, who with the late Lucien Febvre planned the series.

Both in conception and in execution the volume is as far as could be from the manner and the matter of most contemporary British historiography. Instead of the juxtaposition of specialist to specialist, each bringing his own little brick to the building, in the manner of the new as of the old Cambridge histories, we have a highly personal survey of a great theme—the triumph and worldwide expansion of the European capitalism of the nineteenth century. Instead of the Oxford concentration upon whatever history can be extracted from monkish chronicles, we have history that ranges the globe geographically and all man's activities thereon. Most modern British history is of little relevance to the problems of the contemporary world; M. Morazé gives a foundation for analysis and comprehension.

The book is constructed on unusual lines, since the bulk of it consists not of narrative but of three cross-section surveys of the world in the 1780s, the 1830s and the 1890s. Such narrative as there is—developments in the sciences, in the economy or in exploration—is designed to link the surveys together and for the ordinary "1066" kind of events the reader has to look to the very elaborate "chronology" at the end of the book. As students of M. Morazé's earlier writings will guess, what gives the book its undoubted unity—so rare in "social" histories—is the personal conviction of the author about the order of priorities. It was not the bourgeois who conquered by their own merits, but rather the new advances in the sciences through the bourgeois; on the other hand, economic advance is not to be explained in terms of "inventions" only but in terms of demography, of social institutions, and in particular of the institutions of credit, as well. We begin with London and Berlin as the typical cities of contrasted maritime and continental worlds, with Paris partaking of both elements; we end with Europe as a whole challenged by the rising continental powers—the United States and Russia. We pass from the world of Newton to the world of Einstein.

The cautious, while accepting M. Morazé's broad patterns, may question one or two of his immediate equations between historical "events" (wars and revolutions) and fluctuations in the trade cycle. Any synthesis of this kind must to some extent be based upon the general state of historical knowledge in the country that produces them. And given the low ebb of Anglo-Saxon studies in France, it is not surprising that the American sections contain some odd errors, and that even some references to Britain are not quite correct. But these are minor blemishes on a work that should excite the imagination of the ordinary reader and teach the more humdrum historian of the nineteenth century how much he needs to know.

Although the bibliographical apparatus is weak, the use of maps and diagrams is as imaginative as one expects of the French. M. Morazé, without pretending to give an account of the history of culture, is well aware of the historical relevance of works of art, and the illustrations are well chosen and well produced. But as in almost all modern French books, the mis-spelling of English names and words reaches a degree of regularity that almost makes one feel they do it on purpose.

Seeing for Oneself

I Saw for Myself

By Anthony Nutting.
Hollis and Carter. 103 pages. 10s. 6d.

Journey into Chaos

By Paul Johnson.
MacGibbon and Kee. 178 pages. 15s.

Red Mirage

By John O'Kearney.
MacGibbon and Kee. 227 pages. 15s.

LAST year, three angry young men set out for the Middle East. One was dressed by Savile Row (he is on the dust cover); the second had borrowed a spiritual duffle coat from Mr Kingsley Martin; the third was an American reformer in a pink sweat shirt.

Mr Nutting would have written the best book had he resisted the convention, and the convenience, of staying with British ambassadors, using their addresses and their CD motorcars, and seeing only the best people. He starts from an excellent basis of knowledge founded on years of reading Foreign Office telegrams, but this range of interviews while seeing for himself is too narrow to allow of sure judgment. Although moving almost exclusively in high life, he acquires, every here and there, a sense of the social crisis that pervades his target area. His best chapters are on North Africa, on the Persian Gulf and on the pent up social discontent in Iran that colours the attitude of almost every Persian who can read towards the Shah and towards the vagaries that are forever holding up development.

On the middle section of his beat he is much less perceptive because he persists in regarding the Egyptian revolution as "Nasser" and not as a social phenomenon now stirring the whole of the Arab world, much as 1789 stirred the liberals of early nineteenth century Europe. He therefore gravely underrates Egyptian influence, particularly in his chapters on Saudi Arabia and on Iraq. This last, which is smug and over-optimistic, wholly fails to point out that "in order to put through a nation-wide programme of capital development, you must have a *social* policy," which the Iraqi ruling class has not.

The quotation, italics and all, is from Mr Paul Johnson, and is typical of his pithy style and pin-point perspicacity. But he reaches his conclusion via a factual exposé so carelessly put together that one could weep for talent gone to waste. Wrong dates, wrong facts, sweeping statements based on a single glance at some problem, misinformation on Saudi Arabia based on the kind of gossip heard in Beirut bars cannot be offset by periodic injections of shrewd judgment.

Mr O'Kearney's material is even less well processed. Still at the stage of exclaiming when invited to an Arab meal, he writes down only the bits of the conversation he wanted to hear (and as likely as not was told because his hosts thought it would please). He turns virtually red in his effort to prove that Mr Dulles, Mr James Richards and Mr Loy Henderson are seeing mirages when they discern a Red Peril. This is a pity because, on the subject he has chosen, there is a useful book to be written by some more balanced writer.

The most interesting point about the two English books—one by a Conservative, the other by a Labour author—is where they coincide and where they diverge on recommendations about policy. Both think the British position in the Persian Gulf has outlived its usefulness and could be brought to an end. Both are sure that western governments must help to induce first the oil companies (as an example?) and then the local governments to pool resources so as to lead to an evener spread of oil income throughout the area. Neither has worked out his plan, but both stir up thought on two imminent problems.

Paradise Regained

Big Sur and the Oranges of Hieronymus Bosch

By Henry Miller.
Heinemann. 355 pages. 30s.

AMERICAN literature has time and again produced classics of solitude, records of the estranged soul seeking out its millennial and private kingdom. Because the commanding national tradition has been one of collective endeavour, of aggregate responsibility and civic achievement, the protest of the eccentric has been the more vehement. Paradoxically, this continent of immense spaces has a literature of claustrophobia. With the advance of a space-devouring culture across the breadth of the land, it has become correspondingly more difficult to escape, to "get away from it all." Thoreau could leave Concord on foot and vanish, before he had gone very far, into virgin country of wondrous beauty. Mr Henry Miller, an author not always associated with pastoral repose, had to go much farther—to the wild, mist-shrouded Pacific coast south of Carmel.

There is no place on earth quite like Big Sur. The high, bleak cliffs descend into the icy Pacific. Patches of giant redwood tower over the dark glens and canyons, which cut inward from the coast. The grating of the sea and the murmur of the branches are borne on a constant wind. Hawks sail low over the cliff crests, and at night one can hear the bark of the sea lions gathered in tawny legions on fantastically shaped headlands. The road to southern California and Mexico is hewn into the living rock. There is a seventy-mile stretch without a petrol station. Cars hasten by like embarrassed beetles. They do not belong to this archaic and inviolate world. No doubt they will master it one day to their own sorry purpose. But not yet.

Scattered along the ridges in weird houses, which are thrust out above the sea like ships' prows, dwells a colony of writers, artists, hermits, astrologers, vegetarians and necromancers. Driven from France by war and weariness of spirit, Mr Miller came to Big Sur in 1944. This book is an account of his new home and of the fabled creatures that surround it. It is, literally, a book of hours, of *très riches heures*. There is little method to it: remembrance alternates with portrayal, portrayal with meditation. It is pervaded by the chaotic play of wind and water, of recollection and myth. Often the style falters or grows querulous as in conversation. It has nothing whatever to do with Hieronymus Bosch. Yet, Bosch would have understood its essential design, the caprice of order. As in his paintings, so we find in Big Sur an image of Paradise Regained. Mr Miller's Eden is destined for "the sort of American that never starts a war, never raises a feud, never draws the colour line, never tries to lord it over his fellow-man, never yearns for a higher education, never holds a grudge against his neighbour, never treats an artist shabbily and never turns a beggar away." As in all utopias, the strain of social criticism and irony runs strong. This paradise also is threatened with destruction. Beyond Big Sur, where the forests thin out, lies what Mr Miller has called the "air-conditioned nightmare."

His English publishers are men of gravity. They list "books by Henry Miller" without including any of his more celebrated works. And yet, there is a link between "Tropic of Cancer" and "Big Sur." In his purgatorial wanderings, Mr Miller was no less himself than in his *paradiso*. Eschatology and scatology are related concepts. This is, indeed, a strange man and a strange book—but so Emersonian, so wholly American.

Battle of Crete

Daedalus Returned

By Baron von der Heydte.
Hutchinson. 186 pages. 16s.

THE battle of Crete will have a special place in military history. It was an individual action, clearly and easily distinguished from the main stream of the war though not without influence upon its course. It was also the first—and possibly the last—example of an attack upon an island from the air without sea power. Like Waterloo it was a close run thing. How close is now being seen from personal accounts such as this. Baron von der Heydte was in command of a German parachute battalion which dropped at zero hour near Canea. He was thus on the flank of the main struggles for the aerodrome on Maleme and before the village of Galatas, and he cannot therefore give firsthand experience of the real turning points of the battle. But his account is valuable for the vividness with which it demonstrates the emotions and difficulties of the German parachutists: the immediate access of abounding confidence in the parachutist once his drop was over; the sense of utter bewilderment, as they crawled into position; the complete confusion of close range fighting in the oliveyards; and the tension caused by long, unexpected silences when the ammunition in some companies—not to mention the rations throughout the battalion—had run out.

The author has filled out the relevant shortness of his part in the battle itself with comparisons from his own long experience of fighting in North Africa, Italy, France and Russia, and with some less apposite and, for the British reader, somewhat sentimental personal recollections; but he emerges as a serious and chivalrous commander, with the sensitivity to feel keenly both the romance of the setting and the beastliness of blood and battle and to bring home to others something of a week that seemed larger than life. Thus, the final picture does not seem far-fetched: of a Cretan eagle poised and about to swoop upon the island from close by the author's aircraft as he flew from the sunlight of Maleme back to Athens after the capture of the island—on his way eventually to Russia.

Stability and Progress in the World Economy

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The five main addresses by leading economists and subsequent discussions of the Congress of the International Economic Association, Rome 1956. 25s.

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Literary Dabbler

Marcus Clarke

By Brian Elliott.
Oxford University Press. 281 pages. 35s.

A SLEDGEHAMMER of scholarly research has been used to crack this man, who wrote one classic of nineteenth century fiction and sparred with life and letters as a journalist in Melbourne between 1867 and 1881.

Through no fault of the author, the kernel is scarcely revealed. Clarke is too elusive to be caught in this way, except in an excellent preface where a comprehensive view catches some measure of the man for the last time. Then Clarke peers out from slitholes through an armour of irony and cruel wit in Australian newspaper columns written in Sala's style. Theatrical and literary criticisms, hoaxes, pre-Potter gamesmanship and a capacity for allowing himself to be surrounded by unpleasant legend or persistent financial troubles—all appear like parts in the repertoire of a literary actor whose only truly successful role came with the writing of "For the Term of his Natural Life."

Clearly Mr Elliott knew that Clarke would repeatedly disappear off the dissecting table; he ends his preface by declaring that the book was intended to be a personal study, but that he will not quarrel with the impression if in effect it should seem more like the portrait of an age. He writes freely and well about the small literary circle in Melbourne in the late nineteenth century, but he is seldom at home with Clarke.

The wider story will interest some students of a colonial age and enrich one part of the history of Australian journalism. General interest, however, must be focused on Clarke as author of "For the Term of his Natural Life." At Highgate School we find the beginning of the brew that makes an author. There, his best schoolfriends were the brothers Cyril and Gerard Manley Hopkins. Intended for a diplomatic career, he suddenly found himself left with less than £1,000 instead of an expected fortune and decided to emigrate to Australia where other members of his family had held distinguished posts.

This seems to have been a turning point in every sense. His failures in Australia as a bank clerk, farmer and librarian stem in part from his feeling that such work was for lesser minds. He was undoubtedly a gifted and facile writer and in journalism he found some outlet. Much of his behaviour in print or in life shows a continuing resentment at being cut off from his dreams of "elegant sophistication." He is more natural and more honest in the correspondence maintained for years with Cyril Hopkins. But even there he puts a gloss on facts to favour the view that a man of taste and superior intellect was wasting his talent among raw and rough colonials. He could have returned to London to make a good living as a journalist, but he could not come to grips with a decision of that kind. A bottle of bubbly, a good pipe and a carefully-selected cognac in a Melbourne literary club gave him the advantages of feeling superior in a colony without the disciplines and obligations of the elite society he imagined was his own.

Drift and dabbling brought him almost by accident to his great novel. Those who imagined that he wrote it in passionate protest against the cruelties of the penal system will find that it was offered as a serial in twelve instalments before he had put pen to paper or thought deeply on his theme. Once engaged upon it, the tragedies enclosed in the historical records broke out into his novelist's mind. Instalment by instalment, he grappled with the technical problem of making the life of the tragedies stay within the body of his serial. On one occasion the publisher is said to have locked him in his room to finish an instalment. He was not bedevilled by alcohol as many have supposed, but by a lack of self-discipline and direction—qualities forced into him by this work in which, as Mr Elliott admits, he transcended rather than mastered his limitations.

Between 1874 and 1877 the novel went into book form with editions in Australia, England, America and Germany. In the last two or three years it has been reprinted in the popular classics series by Oxford and by Collins. It will remain a landmark of nineteenth century fiction, but Clarke himself, as the book faithfully shows, could never strike a balance between his dreams and his world. It is typical and tragic that, having used his pen and his wit savagely against poverty and the suburbs, he died at the age of 35 in both.

Italian Partisans

The Story of the Italian Resistance

By Roberto Battaglia. Translated by P. D. Cummins.
Odhams. 287 pages. 21s.

No doubt one ought not to complain, when offered an apple, that what one really wanted was an orange. Roberto Battaglia's "Storia Della Resistanza Italiana" was rightly acclaimed as a sincere and careful effort to straighten for posterity a record of heroism and human decency (with lapses therefrom) that political strains and stresses in contemporary Italy had twisted into a disagreeable tangle. When part of public opinion was determined to have it that Italian partisans were rogues and vagabonds to the last man, and another part no less bitterly replied that they were heroes every one, it was hard to find out—or remember—just where the lines of truth had approximately run. Sr Battaglia's book was a great help.

Frankly partisan himself, he nevertheless succeeded with a fair measure of impartiality in showing how reluctance turned gradually into resistance, indifference into action, despair into hope. He recalled the fact—and it was a fact, though much questioned in 1945 and after by Italians who had done nothing in the battle (or nothing, at any rate, on the Allied side)—that the partisan brigades of northern Italy indubitably felt themselves in the true line of succession to those Garibaldini who had made Italy a century before. He re-established the truth—and it was a truth, though no less questioned—that patriotism lay on their side and treason on the other. He provided a reliable account of the growth of armed resistance from its somewhat futile beginnings in the south to its splendid triumphs in the north.

Is not this, then, the meditated fruit of all those struggles that one would like to taste? In this "edited version," at any rate, the whole thing has a dull and woolly taste. That is partly the fault of the original: trying for comprehensiveness, Sr Battaglia gave the first half of his book, or rather more, to the background and origins of Italian resistance. His account of the fighting in the north is accordingly much briefer than its fury and success would seem to warrant: the battle for Genoa—captured from a large German garrison two days in advance of Allied arrival and in face of great tactical difficulty—gets less than four pages. Inevitably there is no room for the smell and flavour of the real thing. Nobody reading these four pages—or the few allotted to the taking of Milan and Turin—could possibly know what cunning and what courage were involved.

But the failure of this book is also that of its editors in London. There is, for instance, an introduction in the style of "some of my best friends were partisans" whose only real object seems to be to shield the publishers from any suggestion that they may be supporting, at however far remove, some kind of propaganda for communism. But the fact—lamentable though it may be—is that the partisan resistance in Italy would have been, without the communists, little better than a sad fiasco. "In the partisan war," this introduction explains, "men were fighting as individualists in small units for their homes and their own cities." Were they? Many will reply that the whole point of the partisan war—what gave it its profound appeal to men and women of all classes and why it could become a national movement—is precisely that men and women felt themselves to be fighting for the self-respect of the whole of Italy: as Sr Battaglia says, to redeem the honour of Italy "which had been so vilely besmirched by the Fascists."

Editing of this book for an English public was probably necessary. But the editors have done themselves, and the book, no service. They might have usefully offered, by way of introduction, an adult summary of recent Italian history, a sensible analysis of partisan opinions, and—painful if necessary—a salutary account of the trouble that the Allies afterwards took in ensuring that partisans of whatever colour should have as little as possible to do with the government of post-fascist Italy. As it is, the editors have merely got themselves awkwardly between the reader and the real drama.

Gaul is Divided

La France Déchirée

By Jacques Fauvet.
Arthème Fayard. 152 pages. 500 francs.

THIS is not a book on the Algerian war. M. Fauvet, whose daily column in *Le Monde* is the best guide to current French politics, has decided to look at his subject-matter from a distance, to separate the permanent from the ephemeral. The result is a brilliant, epigrammatic essay. This elegant introduction to French politics contains at the same time a warning against facile generalisations.

In the first part of his book, M. Fauvet shows how in politics France has to pay a price for the seamy side of its virtues. Individualism, pushed to extremes, makes the exercise of governmental power extremely difficult. The intellectual bent leads to the survival of anachronistic quarrels, lends power to abstract slogans and feeds the illusion that to have set a problem means to have solved it. (This is illustrated by an example worthy of "This France": a deputy having proclaimed that "this cannot last, that we must strike a blow," concludes that he will write a letter to the *Revue des Deux Mondes.*) Finally, respect for tradition degenerates into resistance to change. Changes too long postponed bring about revolutions. Conservatism and revolution are thus linked in the French heritage.

M. Fauvet sets these features against the background of French divisions. France is divided on religious grounds between Roman Catholics and non-believers; on economic grounds between North-West and South-East; on political grounds between Left and Right. And these divisions do not always coincide. Furthermore, beneath the apparent changes in names and labels the deep divisions persist.

There cannot, therefore, be any easy remedy. Governmental instability is the result not the cause of divisions. To put the blame on the party-system is also superficial, since the structure of French parties varies from the communist monolith to the Radical club. The real solution according to M. Fauvet depends on the ordinary citizen. The Frenchman "takes an interest in elections, less in parties, very little in government." Until he changes his attitude, he cannot expect democracy to work efficiently.

At the end of his survey, M. Fauvet identifies three reasons for hope. By 1970 France will be driven to action by the demographic revolution, the continuing technological change and the challenge of its European partners. But if it does not prepare for this transformation, 1970 may prove a broken date.

One leaves this excellent guide to the apparent chaos of French politics with regret. Throughout we have the conviction that each comment, each epigram springs from a great deal of knowledge, of erudition. It is to be hoped that this masterly essay will be followed by other volumes in which M. Fauvet will be allowed to draw on a larger canvas for his readers' further enlightenment.

Thought Controllers

Mental Seduction and Menticide: *The Psychology of Thought Control and Brainwashing*

By Joost A. M. Meerloo.
Cape. 324 pages. 21s.

IN its modern sense brainwashing has for a long time been a preoccupation of the military authorities, particularly in the United States, and of specialist psychiatric journals. It has lately become a subject for the general reader, and this book inevitably invites comparison with Dr Sargant's recent "Battle for the Mind." Both deal with the psychology and technique of brainwashing, and both seek to put their subject in a wider setting. But here the resemblance ends, for whereas Dr Sargant founded his exposition on Pavlovian experiment and theory and dwelt much on the earlier and similar techniques of religious conversion, Dr Meerloo tries to drive Pavlov and Freud in double harness. He is more successful in this feat than might sound possible, particularly in his use of psychoanalytical concepts to explain how a person's inner weaknesses can contribute to his involuntary conversion.

Once a prisoner—military or political—has his stamina undermined by hunger, cold, lack of sleep, exhaustion, and, if necessary, by torture, the interrogator deliberately plays upon his deeper conflicts and needs—upon his despair, his wish to regress into dependence, the anxiety produced by his unconscious feelings of guilt, and on his urgent need to belong to a group.

The Chinese communists have, it seems, refined the technique learnt from the Russians; they rely less on extremes of physical torture and more on group pressure in cells of six or eight prisoners.

Dr Meerloo is at his best in describing events within his personal experience as a prisoner in Europe, or in helping those who had been exposed to interrogation to settle down after release. His efforts to account for the extraordinary success of brainwashing are, like so much psychoanalytical literature, persuasive but not completely convincing. Although he uses an occasional word—hypnosis, for example—in a peculiar sense, his writing is intelligible and unsensational—unlike the book's title, dustjacket and many of its sectional headings. In other parts of the book, he examines methods of propaganda in totalitarian countries and hidden persuasion nearer home—not only in advertising; but he is less successful the farther he strays from his main subject.

Like others the author has considered what steps can be taken to fortify people against brainwashing, and the answers are again vague and disappointing. They amount to little more than measures to boost individual and group morale. He believes that almost everyone can be forced to succumb to a determined assault and that it is consequently unjust to punish prisoners after they have been released and have recovered. This particular question was fully dealt with in an article in the *New Yorker* of October

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26, 1957; the low death-rate of Turkish prisoners in Korea and the failure to indoctrinate them were there contrasted favourably with the experience of American prisoners. The difference was attributed to the Turks' high morale and discipline. This explanation may be correct, but there are other possibilities: a lack of Turkish-speaking interrogators perhaps; or may not the Chinese have been interested, for political reasons, in converting only their English-speaking prisoners? It is probably still an open question whether high morale can make brainwashing impossible, or at least an uneconomic proposition when applied to large groups of men; but the single individual seems to have little chance of resisting it for long.

Greek Odyssey

An Affair of the Heart

By Dilys Powell.
Hodder and Stoughton. 280 pages. 21s.

THIS book is certain to put all Hellenophiles into a state of euphoria, even though they may have some reservations about the technique used by Miss Powell in trying to convey the authentic flavour of her conversations with Greeks. But it is not just another book about Greece and its appeal should not be only to those whom it will inspire to retrace nostalgically their own wanderings through Athenian streets and expeditions into the Greek countryside. It is a description of one English person's relationship towards Greece and the Greeks—a relationship that developed through the years while remaining fundamentally unchanged and which largely revolved round the small village of Perachora on the remote peninsula dividing the Corinthian and the Halcyonic Gulfs.

It was near Perachora village that in 1930 Humfry Payne, Miss Powell's first husband (who died in 1936), discovered an astonishingly rich ancient site. For three seasons, Miss Powell accompanied her husband to the Heraion; she watched the progress of the dig and the effect of this gradual uncovering of archaeological wealth on the Perachorans. This book, however, is not concerned with those idyllic days in the distant thirties, but with the three visits that Miss Powell has paid to Greece since the war—in 1945, 1953 and 1954. On the 1953 trip she travelled extensively in northern Greece, mostly by bus, sometimes by taxi and sometimes—to the amazement of the Greeks—on foot. On her last trip she accompanied an archaeological and diving expedition to the island of Chios, and in this book she gives a fascinating and amusing account of the part that diving can play in archaeological investigations. On each occasion she managed to revisit both Perachora village and Mycenae, where Humfry Payne was buried and where she had good friends at the local inn.

This book might have been unbearably sentimental—but it is not. Miss Powell is extremely reticent about her personal tragedy. Where she is moving is in her description of the plight of the Greek country people, who have had to endure war, foreign occupation and civil war, in addition to the painful poverty that is the lot of most of them even at the best of times. But she never lapses into the false sentiment that would be so inappropriate for these stoic characters. They are realists but they also dream dreams. The Perachorans hoped that if only they could build themselves a museum, their archaeological treasures would be returned to them and their village would become rich and famous. And when Miss Powell paid them her last visit in 1954 they had in fact at least set up a museum, "with the long faith in Tomorrow and Next Year which incessantly wars against the austerity of their lives and the majestic indifference of their landscape. . . ." But she found the museum still empty. One would very much like to know whether some of the Heraion's treasures have by now been returned to Perachora village.

North African Ramble

Corsair Country: *The Diary of a Journey Along the Barbary Coast*

By Xan Fielding.
Secker and Warburg. 232 pages. 25s.

THE pretty dust cover of Mr Xan Fielding's book shows a little harbour, with a blue sea and a blue sky, seen through an arch, with an Arab in the foreground and a quay with a few palm trees behind. It is clear therefore that the Corsairs whose country we are to visit were those of North Africa. The author began his journey at Tangier and finished it at Tripoli, having followed the coast line, as far as that is possible in a car, through Algeria and Tunisia. Internal evidence suggests that the journey took place about 1954. Since then great changes have taken place on the Barbary Coast. These, the author tells us in his introduction, have "no real bearing" on his subject, which is "the unchanging and perhaps unchangeable qualities of North Africa and the North African people" as they happened to strike him—"just a personal picture, take it or leave it."

The reader soon finds that the portrait which he encounters is that of the author rather than that of the people of North Africa. Of the latter Mr Fielding seems to have met few except the touts who abound in all tourist infested areas—and, of course, the proprietors and hangers-on of the hotels where he stayed. Indeed the snapshots of these casual acquaintances, sometimes odd, sometimes pathetic, sometimes disreputable, are the most vivid and in some ways the most satisfactory feature of the book. Of any deeper comprehension of the country or its people, whether Europeans or Muslims, there is very little sign. Too often we arrive at a city only to leave it again immediately, because to the author it seems at first sight exactly like somewhere else. Such snap judgments can be irritating, especially in a writer who seems to have been able to devote a whole year to this ramble. In other respects the books is readable enough.

OTHER BOOKS

Biography and Memoirs:—

THE STEADFAST MAN: A LIFE OF ST PATRICK. By Paul Gallico. *Joseph.* 240 pages. 12s. 6d.

THERE WAS A YOUNG MAN. By H. M. Burton. *Bles.* 189 pages. 15s.

RICHARD CŒUR DE LION. By Philip Henderson. *Hale.* 256 pages. 21s.

Ghana:—

GHANA IS BORN. By Lionel Birch. *Newman-Neame.* 106 pages. 18s.

THE NEW GHANA. By J. G. Amamoo. *Pan Books.* 142 pages. 2s. 6d.

PAGEANT OF GHANA. By Freda Wolfson. West African History Series. *Oxford University Press.* 266 pages. 30s.

Reprints:—

EPIC AND ROMANCE: ESSAYS ON MEDIEVAL LITERATURE. By W. P. Ker. *Dover Publications*, New York. London: *Constable.* 398 pages. 16s.

THE STUARTS. By Sir Charles Petrie. 2nd *edition. Eyre and Spottiswoode.* 285 pages. 25s.

Picture Books:—

OUR NATIONAL HERITAGE, with an introduction by John Moore. *Phœnix House* for the National Benzole Company. 112 pages. 12s. 6d.

THE PAGEANT OF LONDON. By J. Allan Cash. Text by Cyril Ray. *Batsford.* 110 pages. 16s. It is unusual in a picture book to find the text so much better than the illustrations. Many of the subjects of these photographs are hackneyed, and their colours are gaudy.

General:—

EPIC STORIES OF THE SECOND WORLD WAR. Selected by Guy Ramsey. *Odhams.* 318 pages. 15s.

DICTIONARY OF PHYSICS. Edited and compiled by H. J. Gray. *Longmans.* 544 pages. 84s.

BRITANNICA BOOK OF THE YEAR 1958. 544 pages. From 5 guineas according to the binding.

FOREIGN POLICY AND THE AMERICAN SPIRIT. By D. Perkins. Edited by G. G. Van Deusen and R. C. Wade. *Cornell University Press.* London: *Oxford University Press.* 254 pages. 30s.

COMMUNITY CHEST: A CASE STUDY IN PHILANTHROPY. By John R. Seeley and others. *Toronto University Press.* London: *Oxford University Press.* 594 pages. 60s.

PORTRAITS IN SATIRE. By Kenneth Hopkins. *Barrie.* 250 pages. 25s.

EARTH'S COMPANY. By Leslie Reid. *Murray.* 221 pages. 25s.

MENTAL DISORDER. By C. H. Rolph. *National Association for Mental Health.* 35 pages. 3s. A Brief Examination of the Report of the Royal Commission on the Law Relating to Mental Illness and Mental Deficiency, 1954-57.

MY FAIR LADY. Alan Jay Lerner's adaptation of Bernard Shaw's "Pygmalion." *Reinhardt.* 156 pages. 18s. To be published on April 10th.

EXILE AND THE KINGDOM. By Albert Camus. *Hamish Hamilton.* 156 pages. 18s. 6d. To be published on April 10th.

AMERICAN SURVEY

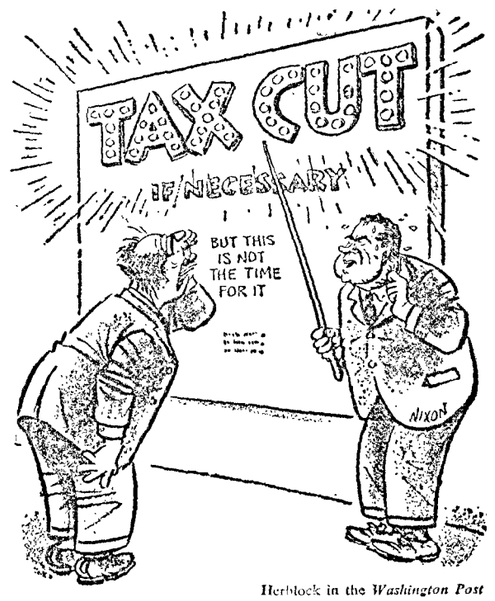
AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Democrats Count on Victory

WASHINGTON, DC

AS the members of Congress prepare to depart for their ten-day Easter recess, the Democrats are in a mood of optimism approaching euphoria and the Republicans transfixed by defeatism. With the congressional elections still seven months away, impartial observers and politicians from both parties unanimously forecast that there will be large Democratic gains in both the House and the Senate. For the first time since President Eisenhower took office, the opposition has a political issue with a strong national impact. The economic decline is increasingly severe and it is widespread: 70 of the country's 149 major economic centres are now classified as having "substantial" unemployment and the final figures for March, when they are available, are not expected to show any improvement. The Democrats visiting their constituencies during the Easter holiday are expected to return with fresh reasons for alarm and to call for more vigorous measures against the recession. But neither pump-priming nor a tax reduction is likely to alter the political picture very soon. The economy may have begun to "turn around" by November but the Democrats believe the voters will still be feeling the harsh effects of the recession. The 1954 elections, which came near the tail-end of a milder recession, cost the Republicans 27 seats in the House of Representatives.

"If You Get It, Remember I Mentioned It"



Herblock in the *Washington Post*

The present downturn in the economy is only the latest in a succession of unfortunate developments for President Eisenhower and his party. The Russian scientific successes, the bitter clash over racial segregation in Little Rock and the prolonged depression on the farms have all undermined his popularity and impaired his prestige. His minor stroke last autumn contributed to an impression of waning personal vigour and the conviction grows that this Administration has lost its touch. A year ago, during the now forgotten battle over the budget, Mr Eisenhower still had powerful reserves of popular confidence in the country upon which he might draw to overawe his critics in Washington; these are considerably less now.

The President's political popularity as measured by the Gallup Poll has ebbed to 52 per cent, the lowest figure since he came to office more than five years ago. The conservative press has become more critical of his Administration on important issues; *Time* magazine, the bell-wether of the Luce publications, which is influential in forming middle-class opinion, has attacked Mr Eisenhower sharply for the first time. At a party meeting Republicans in the Senate voted, 17 to 14, to ask the President to sign the Democratic farm Bill, an open revolt against the Administration's farm policies. Mr Eisenhower, nevertheless, insisted on vetoing the Bill, on the grounds that, by freezing agricultural price supports at present levels, it would only make the farm problem more difficult to solve. His obstinacy in this matter is likely to lead to other revolts by his nominal supporters on more vital questions, such as tariffs and foreign aid.

As a sign of President Eisenhower's steadily weakening position, Vice President Nixon's personal programme of disengagement from the Administration's decisions is more spectacular than poll ratings, press criticism, or party grumbling. Mr Nixon is generally considered to have by far the most sensitive antennæ in his party for detecting changes in the public mood. After more than four years as the President's devoted adjutant and political agent, Mr Nixon has in recent months begun to stand apart from his chief. When last autumn the President attempted to calm the post-sputnik excitement about missiles and satellites, Mr Nixon in his speeches gave much comfort to those who were demanding a keener sense of urgency. He has made no secret of the fact that he does not share the President's determination to stand by the unpopular Secretary of Agriculture. Finally, Mr Nixon has said publicly (although he was later obliged to modify this independent stand) that, if the economic decline continues, he would favour a large

tax cut; he emphasised that this was his opinion but not necessarily that of the Administration. He is almost certain to become his party's presidential candidate in 1960 but, if the present Administration drags to its end as a failure, the Republican nomination may not be worth very much. The Gallup Poll recently showed that the Democrats would run ahead with 56 per cent of the votes to 44 per cent, if next November's congressional election were being held now. This is the worst Republican showing in twenty-two years. If the Democrats were to increase this prospective margin by as little as one or two points in the real election, they would duplicate the enormous majorities of the early New Deal years. Between 1932 and 1938, their strength in the House of Representatives ranged from 313 to 346 seats out of 435. Such majorities are not, however, quite as overwhelming as they appear because sizeable defections by conservative southern Democrats on most domestic issues mean that the party must have about 275 seats to put through the progressive sections of its programme; the present division—235 Democrats to 200 Republicans—provides little more than nominal control.

A gain of 40 seats is the minimum goal of the Democrats. Since the Republicans won almost exactly that number of seats in the last election by majorities of 5 per cent or under of the votes, this goal now appears to be easily attainable, although it is about the most that the more realistic party leaders expect to achieve. A gain of this kind would probably be accompanied by an increase of at least four to six seats in the Democratic strength in the Senate, where the party now holds 49 seats to the Republicans 47. Any strikingly larger gains by the Democrats would indicate a fundamental shift in public attitudes and bring decisively to an end the stalemated politics of the past eight years.

When asked how he expected to counter the Democratic campaign, the chairman of the Republican National Committee answered with a single word: "peace." A well-managed summit conference in September might refurbish Mr Eisenhower's prestige as a peacemaker and restore the image of the Republican party as the peace party. Unless international events become critical, however, it may be doubted whether this theme will help Republican congressional candidates much. It was crucial in both of President Eisenhower's own contests, but the voters did not reward him for the Korean Truce by re-electing a Republican Congress in 1954 nor did they consider it of great importance that he should have a sympathetic Congress to help him to restore peace in the Middle East in 1956. Peace appears to be more of an issue in presidential than in congressional campaigns. Certainly it is not one which greatly worries the Democrats at present. They are confident that in November voters will be more concerned about the scarcity of jobs or the difficulties of farmers than about the reunification of Germany or the war in Algeria.

Labour Laws Go Astray

It is a great pity that Senator McClellan proved unable to control the longing of the Republican members of his special investigating committee to stir up the embers of the four-year-old Kohler dispute. Their hope was to scorch Mr Reuther, the president of the automobile workers' union and a power both in the labour movement and in Democratic politics. Instead, it is the committee's reputation for impartiality which has been consumed; it split at once along party lines. Mr Reuther, on the other hand, sustained his reputation for incorruptibility—which was never in doubt—and, as the last witness, held the committee spellbound by appealing for an end to personal vilification and by admitting frankly that members of his union had been guilty of reprehensible violence and illegal mass picketing, but only because they had been provoked by a "feudal management." Unlike Mr Kohler, who offered no concessions, Mr Reuther asked for arbitration.

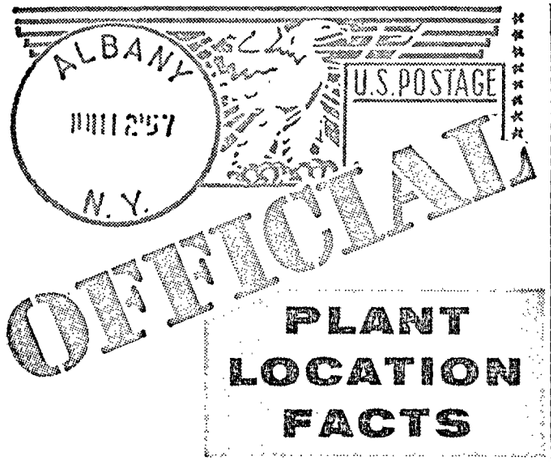
By allowing itself to become involved in the thankless and obstinate Kohler dispute, the McClellan committee has let slip the opportunity to secure legislation to correct the abuses it uncovered last year when it lifted the lid from the teamsters' union. Moreover, exhibitions of spite toward Mr Reuther on the part of Republican members—Senator Goldwater persists in calling him "a greater menace than the Russian sputniks"—have made it impossible for organised labour to support the committee any longer. When its report came out last week, Mr Meany, the president of the merged trade union federation, denounced it as a "smear"; Mr McNamara, a Democratic member of the committee and a former trade union official, had refused to sign it on the grounds that it was framed as a "blanket indictment of the labour movement" and he has now resigned from the committee.

A more valid criticism of the committee's report is that it lets management off lightly, although it was created to look for "improper activities" of employers as well as those of trade unionists. Its five recommendations are mild enough: regulation of pension and welfare funds; regulation and control of union funds; legislation to insure union democracy; the curbing of labour "middlemen" who fleece the workers; the abolition of the "no-man's land" in labour relations between the federal and the state governments. On some of these points—such as whether democracy can be secured inside trade unions by passing a law—there are well-founded doubts. It is also true, as Mr Meany argued last week, that the federation has made great efforts to clean its own house. But if this session of Congress fails—as seems likely—to strengthen the federation's hand, urgent reforms may be long postponed; if the next Congress is dominated by liberal Democrats, it will have more exciting and less embarrassing things to do.

New Twists to Aid and Trade

The recession has added a new twist to the plots of Washington's perennial serial stories—the congressional battles over funds for foreign aid and over renewal of the Reciprocal Trade Agreements Act under which tariff reductions are negotiated. Hearings on both of these Bills have been going on for several weeks and it is obvious that even some of the most internationally minded Congressmen are finding it difficult to overlook the fact that next autumn they will have to explain to the electorate why they voted to give money to foreign countries for public works when some of their own constituents were on public relief, or why they facilitated a lowering of tariffs to bring more foreign goods to America to replace those which their constituents might have manufactured.

An amelioration for the second complaint has been proposed by liberal Congressmen and trade unionists who advocate "special adjustment programmes" to help districts where industry has been disrupted by competition from



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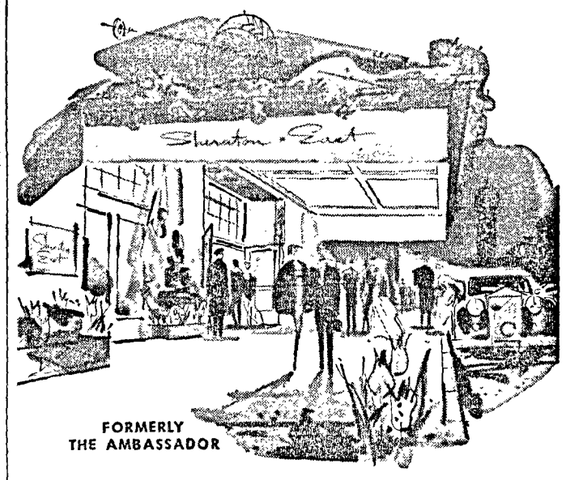
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imports. Such programmes are not apparently considered either necessary or desirable by the Administration; but the President has as usual been doing his best to placate some of the interests which feel most injured by foreign rivals. He has refused to make more than an infinitesimal improvement in the onerous quota restrictions on imports of wool and worsted; he has just put teeth into the "voluntary" curtailment of oil imports; and he is expected soon to provide more protection for domestic lead and zinc miners.

One of the Administration's great arguments for tariff reduction—and for foreign aid as well—is the encouragement which a more plentiful supply of dollars abroad gives to exports of American agricultural products and the help which this brings to the troubled American farmer. This year, in recognition of the growing unemployment in domestic industry, a great deal is also being heard of the number of Americans—4,500,000 is one figure—who owe their jobs to foreign trade; another 600,000 are said to be dependent on foreign aid. But there is also a new insistence that more foreign aid funds should be spent in the United States in order to make work there; the Administration strongly opposes this suggestion.

It is almost certain that the Trade Agreements Act will be renewed only for three years at the most, not for the five to which the Administration attaches great importance because of its desire to have negotiating powers in hand when bargaining on tariffs begins, probably not until 1962, with the European common market. The common market is another new twist to this year's trade agreement story, while in foreign aid the novelty is Russia's growing economic penetration of the uncommitted countries. The purpose of the two high-powered bipartisan conferences held recently in Washington was to rally behind these specific arguments of self-interest, and behind the more general case for both foreign aid and foreign trade, the pressure of public opinion to counteract that of the paid lobbyists who influence Congress out of all proportion to the importance—or the difficulties—of the groups they represent.

Churches on New Foundations

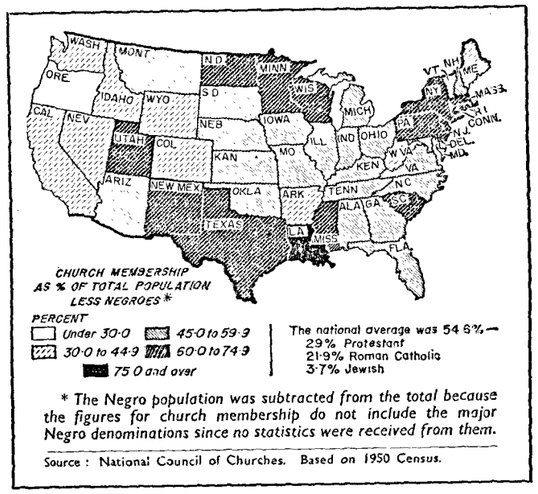
FROM A SPECIAL CORRESPONDENT

LAST year the construction of church buildings became a billion dollar business. A more than tenfold growth in annual spending for religious construction has raised the total from $76 million in 1946, when postwar shortages were still acute and controls were still in force, to an annual rate of more than $900 million towards the end of 1957. Another $3 billion, or three times as much, is spent every year on operating expenses by the churches; this is about one per cent of the country's disposable personal income.

The new buildings are going up almost exclusively in the suburbs. In the big cities a certain number of major churches, such as St Patrick's and St Thomas's on New York's Fifth Avenue, are maintained for reasons of prestige, chiefly to serve visitors from out of town. Along the eastern seaboard, from the Old South Meeting House in Boston to Trinity Church in the shadows of Lower Manhattan's skyscrapers to St Michael's in Charleston, the historic churches are carefully preserved, as are the seventeenth century missions on the Pacific coast. Occasionally, a city church—Riverside in New York is an example—retains its character as the centre of a community in which members know one another. But the lot of many urban churches, as their former parishioners move away to the suburbs, is to be deconsecrated and sold for secular uses or pulled down to make way for an office building.

The rate of attrition has been even more conspicuous in the rural areas where there has been a rapid decline of population. In the less productive farm areas two, three or even four churches are having to share a clergyman, with services monthly, bi-monthly, or at staggered hours. The rural churches have not been able to take advantage of the opportunities for consolidation provided by the automobile as the rural schools have; loyalty to a particular building—heartstrings are often drawn by its adjacent cemetery—makes congregations reluctant to change.

But anywhere near a city, today's farm is often tomorrow's new suburb. Many areas that were classified as rural only yesterday are the very places where the boom in church building is now the greatest. In these former farm areas, the scale of building shows that the old expression, God's acre, is obsolete: four to five acres are regarded as about the least that are needed for a modern layout. The task before church architects today—and the amount of work available in this field has produced many specialists—is not to design a sanctuary alone. In complexity, it resembles the task of



* The Negro population was subtracted from the total because the figures for church membership do not include the major Negro denominations since no statistics were received from them.

Source: National Council of Churches. Based on 1950 Census.

the builders of the abbeys of the middle ages much more closely than that of church architects since the Reformation, for the plan includes most of the facilities required for medieval corporate living, from refectory to necessarium. True, instead of the ambulatory, there will be a car park, and the dormitory will provide only for sleeping infants deposited with the nursery service by parents attending church. But there will be administrative offices, kitchens, a library, the choir room and the vestry, and, above all, an expanse of Sunday school rooms beyond the dreams of a teaching order.

The church will be designed to serve some 800 members and their children, which is about the number that can be accommodated conveniently in one edifice or served by the combination of clergyman, director of Christian education, and office secretariat that makes up the normal professional staff in Protestant churches. (In Roman Catholic parishes, both the numbers of communicants and the numbers of

priests are greater.) Even so, two services, at 9.30 and 11.0, are likely to be required on an average Sunday morning ; on special occasions, such as Christmas and Easter, a public address system, indoors and out, is necessary to pipe the celebration to worshippers for whom there is no room.

The cost of such a project can come very easily to $300 or $500 million, not including such increasingly common extras as air-conditioning or a carillon, and even perhaps not including a steeple ; modern congregations divide sharply on the subject of steeples. The collecting of funds of this order usually presents no great difficulty. Specialists in money-raising, who have appeared as personal incomes and the demands of good causes upon them have mounted, are employed with increasing frequency. For a fixed retainer or a percentage of the total subscribed, they come to a community to direct the drive. In the solicitation of gifts, emphasis is put on the tax-exempt status of money given to religious institutions, and use is made of the habit of instalment buying to which about one American family in two is already conditioned. Payments spread over three years make substantial pledges look much smaller to the giver, and the full employment to which all Americans under middle age have been accustomed so far makes this type of commitment seem reasonable to the signer of the pledge, and acceptable both to the finance committee that receives it, and to the banker who in return for a mortgage advances funds to pay the contractor.

Religious bodies are increasingly engaged in raising money for new plant before they actually need it. The present recession has postponed some schemes but most American enterprises of all kinds make their forward plans to fit a growing economy, and churches in the suburbs, where the birthrate is increasing so conspicuously, have special reasons for doing so. At the moment, every member of the Presbyterian Church is being asked to give one day's wages for building churches, over and above his current pledge.

Americans today are apparently much more willing to contribute to the building and maintenance of churches than they are to support other community activities. The Community Chest and United Givers Funds, through which most areas now raise their money for charities, have been experiencing increasing difficulty in reaching their goals in recent years. One possible explanation may lie in the vigorous efforts of the suburban churches to provide a sense of community for their members. In a new suburb, every one is a stranger, and the mobility characteristic of American life causes constant turnover even among the new arrivals. To relieve this sense of loneliness, many suburban churches appoint members to call on any newly arrived family of their denomination, and introduce it to its neighbours. At the church itself, organisations for people of all ages, children, young people, young adults and senior members exert themselves to make participants in the service feel at home. (This can be overdone—one newcomer remarked of a reception committee : " I had not expected to need a hostess in the house of my Father.")

To some extent, what the surburban church is supplying is more a sense of human community than a sense of religious community. Theology hardly figures in church life ; few members could give much account of any doctrinal difference between their church and the others. With the raising of incomes during the last twenty years, even the social differences which used to draw lines of distinction between Protestant denominations have been blurred—it used to be said that a Methodist is a Baptist who can read, a Presbyterian, a Methodist who has made some money, and an Episcopalian, a Presbyterian who has been accepted socially.

What is communicated is a kind of standardised goodness, but little of the tragic sense of life, little of awe or majesty. Yet the mounting figures of membership, the generous financial support, the full sanctuaries and the bursting Sunday schools show that the church is an institution which is winning increasing approval.

Buy American Oil

Oil producers in Texas, restricted to only eight days' output in April, appear unimpressed by the Administration's latest move to tighten the " voluntary " restrictions on petroleum imports. The lowering of the ceiling on imports of crude oil into the East Coast by 58,000 barrels a day is designed to bring them down to 713,000 barrels a day by September 1st ; this is equivalent to 12 per cent of domestic production east of the Rockies during the past three months. But this latest reduction would permit an increase of less than 1 per cent in the present restricted level of domestic output, which is still running 1,500,000 barrels a day below the peak achieved during the Suez shortage. Unless there is an unexpectedly sharp recovery in oil demand in the United States, therefore, the pressure in Congress for " mandatory " controls will be resumed with renewed vigour ; its real object will be to ensure more severe cuts in imports, not merely compliance with the present " voluntary " quotas which the domestic producers consider too liberal. Figures showing that, for the first time since 1943, the total proved reserves of oil in the United States declined fractionally in 1957 strengthen the argument of domestic producers that even the present level of imports discourages exploration for new sources of petroleum within the United States.

Despite the publicity given to the three importers who have so far failed to comply with their " voluntary " quotas, imports of crude oil, into both east and west coasts, are running below the limits set. Doubts about compliance are less likely to arise in future because the Administration is to deny contracts to supply government agencies to any importer who fails to observe his quota—though, as the critics have been quick to point out, this would still not affect any renegade importer who chose to do without government contracts. No quotas have been placed on imports of refined products. But these will be affected by the President's revocation of the exemption from the Buy American Act which has previously been allowed for oil imports.

This Act prohibits government agencies from buying foreign goods, unless similar goods are not available in the United States at " reasonable prices." Interpretations have varied, but normally domestic goods are considered " reasonably " priced if they are not more than 6 to 10 per cent dearer than the imported product. If these were the price differentials applied to oil, the Act might provide little assistance to domestic producers, as most foreign suppliers could undercut American prices by more than this. But if, as some reports suggest, government agencies are told to allow a wider price differential, or even not to take prices into account at all, they might have to stop buying imported oil entirely.

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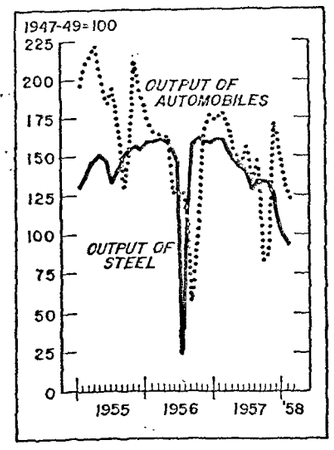
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Steel at the Bottom?

THE production of steel fell again at the end of March, bringing to a funereal close one of the most depressing three-month periods in the industry's history. Last week's output was estimated at 1,363,000 tons, equal to 50.5 per cent of capacity, and was the lowest for nearly six years, apart from the strike in July, 1956. Moreover, much of the restricted production of recent weeks has gone unsold, piling up at warehouses and mills; furnaces are being banked all over the country, and nearly half the industry's workers are either unemployed or on short hours. The steel companies believe they are at the bottom of the valley; but many feel that the peaks on the other side are a long way off. Steel production and shipments are sensitive indicators of the health of the economy; they often lead the way downward in a slump, since manufacturers planning cutbacks in production cancel their purchases of steel and use up existing stocks. Some steelmakers fell that this liquidation of stocks has nearly run its course, and that new orders will begin to appear soon. But the majority are more pessimistic; they see little hope of any real recovery before the third quarter of the year.

In support of this they point gloomily to automobile production, which is still far below that of last year—although it has increased slightly in recent weeks. Automobiles use about one-fifth of the steel produced, and the consequent relationship between the outputs of the two industries may be seen from the accompanying chart. At present motor manufacturers have large supplies of steel in relation to their production and none of the companies seems likely to step up buying in the near future. Indeed, help from this quarter is not generally expected until late summer, when the 1959 models go into production; the only optimistic note is that representatives of the United Automobile Workers' union, which opened negotiations for a new contract with the General Motors Corporation last week, have promised to do their best to avoid a strike which would further retard production in this already depressed industry.



The prospects of other big customers of the steel industry are also disappointing; the expected seasonal improvement in construction has not yet materialised, and makers of farm machinery, household appliances, heavy industrial equipment, and railway rolling stock are not buying in their usual amounts. The sole glimmer of hope in recent weeks has come from the machine tool industry, which reported increased orders for both February and March. But the rise which this forecasts may not benefit steel for some time since orders for new machine tools customarily come well in advance of any intended increase in manufacturing activity.

Mrs Mop Incorporated

FROM A CORRESPONDENT IN NEW YORK

AT five o'clock each evening New York's working population wearily boards the undergrounds, buses and suburban trains, leaving behind in the business districts of the city the inevitable by-product of their labours—a vast accumulation of dirt and rubbish. At the end of any day the office buildings, streets and other public places in the city are inundated with discarded newspapers and bits and pieces of scrap, cigarette ends, chewing gum and a thousand-and-one other forms of dirt. By the next morning the city is sparkling and fairly clean, waiting for the process to begin again. For each evening an army of men and women, using as their weapons brooms, mops, vacuum cleaners and scrubbing brushes, begin a relentless and never-ending, but virtually unseen, war on New York's dirt.

These daily spring cleaners are the employees of the dozen or so giant maintenance corporations in the city which are ready and able to perform any and every service for their clients, including electrical work and carpentry, general repairing, heating and air-conditioning service and maintenance, plumbing, painting and sandblasting. In fact, they take care of every aspect of a company's business except the actual business itself and are satisfied if they can just "stay even" in what they admit is never a winning battle against dirt.

By far the largest and most diversified of these concerns is the Allied Maintenance Corporation. Based on the Empire State Building—one of its clients—it sends out a daily force of more than 5,000 men and women to take care of the Statue of Liberty, the New York Daily Mirror Building, Saks Fifth Avenue, Abercrombie & Fitch and many other department stores, the Pennsylvania Railroad Station, the three mid-town airline terminals as well as Idlewild and LaGuardia Airports, the Yankee Stadium and hundreds of other structures. In return, its clients as a whole pay Allied Maintenance more than $25 million for its services every year. While most other maintenance firms have limited themselves mainly to providing cleaning services in specific metropolitan areas, Allied has been expanding and diversifying its activities through the years. The company was founded in 1888 to deal with the lamps on the Pennsylvania Railroad's trains, but soon moved into cleaning stores, buildings and even the more luxurious mansions along Fifth Avenue (this has since been abandoned and Allied no longer cleans private houses) and, much more recently, airports, fifteen of them, from Gander, Newfoundland, to Fort Worth, Texas.

IN the process of minding other people's business, Allied now tackles any and all types of jobs. At airports it not only cleans the terminals and hangars, but also scours the aircraft themselves, repairs engines, takes care of luggage, mans and even develops various fuelling systems, washes dishes and runs sightseeing tours. For many of its clients it supplies doormen and guards, works lifts and provides information. For its customers at sports stadiums, Allied collects tickets, runs the scoreboards, paints and cleans, mows the grass, and has developed new and tough varieties of grass which will withstand the continual pounding of athletes day after day.

The biggest portion of its business is still cleaning and its experiences in this field pretty much parallel, on a larger scale, those of the other maintenance concerns across the country. Each evening its staff in New York alone mops, sweeps, scours, scrubs, dusts and polishes more than 52 million square feet of building space. Every year it wears out more than 16,000 brooms and brushes; uses up more than 19,000 pounds of mopheads, 20,000 pounds of cleaning cloths, and 160,000 pounds of powdered detergents. In cleaning up after the millions who daily dirty a city the size of New York, the maintenance corporations constantly run into situations with which the available types of cleaning equipment cannot deal. In the past few years alone, Allied has been forced, in order to accomplish its jobs as cheaply and quickly and efficiently as possible, to develop new weapons and variations on old ones. It has produced an enormous vacuum cleaner to take care of miles of carpeting in department stores—it calls this instrument a "doodlebug"; in order to clean the steps of escalators quickly it worked out a new type of brush. Through time and motion studies, the company has discovered the ideal length of a broom handle, what is the most satisfactory material for a mophead and the best way of cleaning venetian blinds: they should be taken down and dumped into a bath of cleaning solvents.

Too Good to Govern

FROM A SPECIAL CORRESPONDENT

AMERICAN social-psychologists, having documented the personality of the business executive in great detail, are now turning their attention to a different type of executive, the federal civil servant. Their preliminary observations—the first fruits of a projected full-scale study—were presented recently by Professor Norman Martin, a sociologist at the University of Chicago, to the university's annual symposium on human development. A projective personality test was given to a hundred civil servants in, roughly, the "middle management" range; men earning between $7,000 and $12,000 a year and mostly between 35 and 50 years old. These federal government officials, Professor Martin said, were not the heartless, dictatorial bureaucrats of the popular image. They are "nice guys—perhaps too nice to fit the executive mould."

Their ability to organise is high, but their capacity for decision is somewhat handicapped by their strong desire for security and their intellectual approach; they tend to see all sides of a question and to be analytical. While the business executive is said to know what he is and what he wants, and to have well-developed techniques for getting it, the civil servant, especially in the middle ranks, lacks this sense of identity and purpose. "Instead of conviction, there is doubt." He is only moderately ambitious and does not have the businessman's urge to be mobile; he may want to change, but he does not do it. While a businessman fears that he may not succeed, the civil servant seems to fear that he has already failed.

Again, while the business executive's attitude to authority is positive and constructive, the civil servant's is negative. He tends to manipulate a situation to thwart the dictates of authority but he does not arrogate authority to himself. While the businessman models himself mainly on his superiors, the civil servant is guided by his colleagues of similar rank and his subordinates; these he sees in a warm glow, and this may circumscribe his loyalty to the larger organisation, the agency and the department. "It may lead to choices of action which benefit his immediate work group, but which are not necessarily in the best interest of the organisation and the public." Because he is highly frustrated and unsure of his aims, he tends to strike out; "activity and aggression, however, do not pay off. In the end, the only answer is conformity."

It may well be, said Professor Martin, that a number of different types would emerge from a full-scale study; the pilot study itself indicated that the higher the rank of the civil servant, the closer he resembles the business executive. Further study of the man, and also of his job, might not only qualify prevailing notions of the kind of people the federal service requires but might also suggest ways in which the government, the largest American business, could get the best out of the executives it has.

States Without Interest

FROM A CORRESPONDENT IN COLORADO

AMERICAN states are usually as hard pressed for funds as anyone else, but many of them are forced to keep an untapped source of money in their own back gardens. For many of them have what amounts in the aggregate to billions of dollars of inactive funds lying idle in local banks earning little or no interest, even though the states in question may be borrowing money for their other needs at current rates—to the benefit of no one but the banks. In 1956 some 18 states, bound by custom or law or, in some cases, by constitutional prohibition, were still receiving no interest at all on state funds deposited in banks for no matter how long a term. Six of them were also precluded from investing these funds even in federal government securities. The situation of course varies widely from state to state and some administer their long-term funds as shrewdly as any private investor.

In Kansas, as in some other states, the custom of charging no interest on inactive state accounts was inaugurated in 1937 to "help the banks" during the depression. In 1956 attempts to remedy this were only partly successful in overcoming the powerful influence of the bankers on the State Legislature, but a new law at least provided that, while one-fifth of any state-owned deposit must be held in a checking account paying no interest, the other four-fifths might draw up to 1 per cent. The result is that Kansas taxpayers earned some $560,000 last year on the $70 million deposited in the state's name—but they could have earned another $1,500,000 if the banks had paid the state the commercial interest rate on savings. In 1956 Missouri voters managed to change the constitutional provision which prevented the state from earning any interest on its deposits. But the state law which followed limited the interest payable to 1 per cent by providing that no state funds in Missouri might be deposited for more than thirty days—and federally insured banks may only pay 1 per cent on thirty-day deposits.

In Colorado there has recently been a more successful revolt. The state was found to have $27 million on loan to 142 banks at 1 per cent a year on contracts which compelled the money to stay there for a minimum of a year. State officials told the banks that, unless they would pay at least 3 per cent, the money would be put into short-term securities of the federal government, which at that time were paying more than 3 per cent. The difference in interest was enough to earn the state another $500,000 a year.

THE WORLD OVERSEAS

Flood-Tide for Canada's Tories

FROM OUR OTTAWA CORRESPONDENT

IT had been foreseen that the Conservative gains in Monday's elections would deserve the name of a sweep, but very few had expected such an overwhelming triumph. Four provinces returned nothing but Conservative members. Quebec elected twice as many Conservatives as Liberals—something which has not happened since the days of Sir John Macdonald between 1867 and 1882. The Social Credit party lost all its seats in the federal parliament, where since 1935 it has held a minimum of ten, and recently nearer twenty. The CCF (socialist) party, which had cherished some hope of replacing the Liberals as the official opposition, was cut down from 25 to eight seats, and all its principal stalwarts, including Mr Coldwell, have been defeated. Mr Coldwell will be greatly missed, for he has deservedly enjoyed great respect among all parties. The entire opposition will occupy little more than one-third of the seating on the opposition side of the House of Commons; subject to the final official figures, it looks like having only 55 members—47 Liberals and eight CCF.

No Canadian parliament in history has ever been so one-sided. The only one that came near this top-heavy government majority was that elected in 1949 when Mr St Laurent first led the Liberals to the polls. Organisation will now be the Conservatives' compelling need, and it will require talents different from the inspiring oratory which won votes and even from the "dedication" which Mr Diefenbaker again pledged in his television talk on election night. More than 200 Conservative MPs, representing either all or most of the constituencies in every province except Newfoundland, will have very diverse interests to foster. One danger is that the cabinet will feel so secure that it will give only scanty consideration to backbenchers; this almost inevitably ends by producing bored and listless men who may constitute a concealed time-bomb under the party's future. The opposite danger is that such a large party caucus might come to dominate the cabinet's policy planning, with the leaders always striving to reconcile the irreconcilable views of different sections.

This must end in the sort of government by pressure which Washington well knows under the name of log-rolling. But the main object of this election was to free the government from bondage to pressure groups. Mr Diefenbaker and his House leader, Mr Howard Green, may try to solve this problem by organising the backbenchers into a series of powerful committees, each studying some particular realm of policy. If they can achieve this successfully, they may give the backbenchers a sense of purpose and usefulness, and at the same time use their large majority to reconcile regional diversities of interest rather than exploit them.

Some of the reasons for the Tory sweep obviously go back to the state of the public mind before June 1957. Far more people voted against the Liberals this time, but not because they liked Mr Lester Pearson less than Mr St Laurent and Mr C. D. Howe. Many of them believed last year that the Liberals had been in too long, but they either saw no chance of their being beaten or else they simply could not see the Conservatives as an alternative government. Now they have concluded that the Tories are no less efficient than the Liberals, and in some respects perhaps more so. No reason for going back to the Liberal regime was apparent, and every instinct of commonsense and fair play led the voters to say, "Give the Tories a proper chance."

How much weight did the voters give to the new attitudes expressed by the Conservatives towards the Commonwealth and towards the United States? If we knew that, we should know whether Canada is in fact undergoing a definite change of orientation. It is almost impossible to judge the influence of this factor. But at least it is self-evident that very few Canadians were scared by Mr Pearson's warning that "rough talk" might provoke unfavourable American reactions. Moreover, the prevailing mood does not favour the Liberals' habitual attempt to be "buddies" with Washington; and it does favour Mr Diefenbaker's insistence on "developing Canadian resources for Canadians."

By all odds the most surprising feature of the election returns is the Conservative capture of fifty seats in Quebec, where since 1935 they have never had more than a handful: the eight seats won in 1957 represented the peak. Here again, the reasons are too complex to be distinguishable in this short perspective. Among the influences at work must be included the same weariness with the Liberals' long rule that swung the rest of Canada last year, but may then have been suppressed in Quebec out of loyalty to Mr St Laurent; an undoubted desire to be on the winning side, which Quebec has repeatedly expressed, as though instinctively realising the danger of having a solid French-Canadian block out of step with the rest of Canada; and the strong support for many Conservative candidates given by provincial organisers of Mr Duplessis's National Union party. The importance of this help varied from constituency to constituency. It was always based on local (or at most district) organisation. There was no alliance between Mr Duplessis and Mr Diefenbaker, and Mr Duplessis was never publicly committed to the support of the Conservatives. Nevertheless, he has his provincial machine under very direct and personal control. He certainly cannot have disapproved of what it did, though his own provincial interests would presumably have been better served by having the central government in Ottawa a good deal less secure than this one will be.

In the long term, the most intriguing speculation is whether this vote means anything like the final demise of the "conscription bogey" which has given the federal Liberal party a virtual monopoly of Quebec votes since 1917, has almost completely suppressed the old "bleu" tradition of French-Canadian Conservatism and seriously distorted the logic of federal politics. The inclusion of a large block of Quebec members in the bosom of the Liberal party was always basically contradictory, for they were always far to the right of members from other parts of Canada who took the party's title seriously and wanted to make it liberal with a small "l" as well as a large one. The reduction of the Liberals' Quebec contingent to 25 will help Mr Pearson to restore the small "l" liberal principles, as is his declared purpose—though Quebec still supplies more than half the Liberal MPs.

Another subject for speculation is raised by the new kind of approach to Quebec made by Mr Diefenbaker. He went much further than any previous political leader has done towards putting the French-Canadians on the same footing as any other ethnic minority. He repeatedly said he wants no "hyphenated Canadians." In his campaign speeches in the French language and in the French part of the post-victory telecast, he took care to praise the contribution made to Canada by other racial groups of neither British nor French stock. Obviously there is no implication that, say, Ukrainian should become the third official language, or that French should lose its position as an official language in the province of Quebec and in the federal parliament and courts. But the real nationalists of Quebec have always resented the suggestion that French-speaking Canadians were merely the largest of the minority groups. They see other groups being absorbed in the English-speaking majority: their object is to preserve their own identity. Yet Quebec has now given Mr Diefenbaker two-thirds of its federal representatives, not apparently resenting his talk about other ethnic groups nor the tone of his approach, which was far more aloof than the province has been accustomed to. Is it a temporary swing to ensure getting on the bandwagon, or does it indicate some fundamental underlying changes in Quebec thought?

FRANCE AT THE CROSSROADS

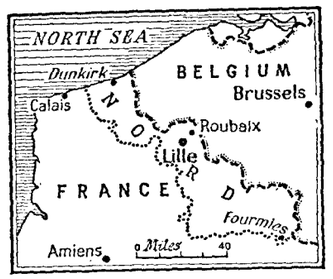
I—The Nord and the Common Market

FROM OUR SPECIAL CORRESPONDENT

GIVEN the impotence of government in Paris and Algiers, the mood of French public opinion at home will be one of the cardinal political points in the coming months. It is not entirely made up of Algerian complexes. Indeed, the paradox in France today is the contrast between the senility of politics and the rejuvenation of economic life and outlook. The effects of recent expansion are profound, and must finally have political consequences. To try to assess some of these effects and consequences, your correspondent has been in Lille, on the first leg of a modest Tour de France.

How real is the economic renaissance as seen from this French Manchester? Lille's patent prosperity, witnessed to in daytime by crammed streets, pavements and shops, at night by its massed neon lights, proclaims it as one of the marches of the middle kingdom whose spiritual capitals are Brussels and Düsseldorf. The natural test of French renewal is whether such a region is ready to meet the common market with confidence. A minatory wail went up when M. Gaillard visited the area some weeks ago: there would be disaster, the Nord would lose its vitality, or be drawn by the magnet of Antwerp into the Belgian fold unless the Lille-Dunkirk canal were immediately widened. . . . But in fact, the industrialists do not seem really alarmed.

The most go-ahead among them privately welcome the goad of the common market. They seem quite prepared to draw the bonds closer with Belgium—after all, the Nord is geologically the French end of the south Belgian coalfield. The textile employers, when asked what agreements they expect in the common market, admit only to "preliminary contacts" with Belgian rivals; but people who should know say they are looking for chances to buy themselves into Belgian firms. At semi-official levels, the first contacts have been taken with the Governor of the Belgian Hainault. As for the Germans, the area has for long had close contact with them, and considering how unpleasant some of them were, there is an astonishing lack of bitterness. Here, too, agreements seem to be in the offing.



Agreements or not, in the early sixties, the common market will force the area to face the problems which would in any case be forced on it through the arrival at the labour exchange of France's abounding postwar babies. Regional studies show that while the Nord's birthrate is twice the high French average, the rate of growth of its present industries—mainly textiles, coal and traditional engineering—will only be half the national norm. This underlines the Nord's problems: rich though it is, its industries are the kings of yesterday's economy rather than of tomorrow's. It produces half France's wool and coal, a third of its cotton; and though it also produces 40 per cent of its tractors, 25 per cent of its steel and much of its chemicals, its engineering is more developed in old lines, like railway rolling stock, than in new ones like machine tools, electronics or aircraft. To face the common market, it must modernise its existing industries. But this, by somewhat reducing employment, will increase the need to implant new ones to employ the young.

The problem is not insoluble: it is a matter of creating 20,000 new jobs a year after 1961, in an area which already employs over a million people. But it will require vigour and foresight, all the more since present labour shortages conceal the coming problem, and discourage new industries from coming in from the overloaded Paris area. A start has been made. The depressed cotton town of Fourmies, for instance, has been almost entirely reconverted by the arrival of an electronics firm, of Bendix washing machines, and other light engineering plant—mostly from the Paris

area. In Roubaix, some empty textile mills are being turned over to plastics or chemicals. But progress is still slow.

As for the common market, it will hit industries differently. Coal and steel, already in the coal and steel community, have nothing to fear. In fact, impending shortages of coal (in a coal-producing area) are driving the expanding steel industry to set up a major plant shortly at Dunkirk. French steel, in search of cheaper raw material imports, is for the first time migrating to the coast in the wake of its American, British and German rivals. But textiles and even some big engineering firms which have not been so well managed as they might have been—and together they employ 40 per cent of the region's labour—will have to make bigger reforms.

The textile industries have, admittedly, made a considerable effort to modernise already—as in the recession of 1952-54, for instance, when 45 out of 256 cotton spinning mills closed down. One informed guess is that a third of the firms, especially in wool, are now able to meet any competition. Most firms, indeed, seem to think that having weathered so many world crises, they will safely ride out the common market as well. For many of them, this may be over-optimistic; especially for the smaller ones. These suffer more than bigger companies from the old-fashioned distributive system, dominated by the Paris traders, who break up rather than group orders and hamper mass production and specialisation. The traders are strongly entrenched, as four wool firms which recently tried to by-pass them discovered. There will also have to be some mergers, if only because the capital market is such that only the biggest firms can launch loans. The obstacle here is the number of family-owned firms; families are always reluctant to yield up personal control. But wool at least does not seem to fear the common market (appreciably less than it fears Japanese or Uruguayan imports), and even cotton is less apprehensive for the future than Lancashire.

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This relative confidence assumes that the common market will "harmonise conditions of competition"—though the more intelligent industrialists seem less concerned today with old war-cries like "equal social charges" than with fiscal and financial policies that favour investment. One even said that "the problems of the common market are not those of France and Germany and Italy, but of the common market and the outside world." Yet he, like all his peers, was adamant against the free trade area. This was not because the French were only looking for safeguards, he said, "though we are not angels and are certainly influenced by protectionism. But it is also a question of the conditions in which markets are opened. Britain asks for our markets, but keeps those of the Commonwealth shut, excludes agriculture, and maintains separate tariffs. People here are even saying that only the British could have thought up such a one-sided arrangement." One informant thought some of the employers' objections might be filed down in the course of negotiations, but such phrases from a particularly scrupulous man show that opposition to the free trade area is far from merely tactical.

One's final impression of the Nord is that it carries too big a past to be quite free in its future movements; but that it has a broad enough back and sufficient mental resources not to be unduly weighed down by this. The most striking sign of vitality is the new awareness of long-term problems. One employers' representative pointed out that four years ago he would not have had a single one of the figures or studies of regional problems that he was quoting now. Some woollen factories began in 1950 a series of comparisons of productivity which has spread to Belgium and even Britain and today involves 80 firms: to the secretive French industrialists of yesteryear (too many of whom still survive) this would have been unthinkable. The new spirit must not be exaggerated; as one observer said, "most people agree in principle, but their principles don't always command their practice." A recession due to political upheavals, or a sudden end to the Fourth Republic's financial rake's progress, might well break the impetus of change. But the last four years have undoubtedly brought to the Nord an awareness of the advantages of an expanding economy, and some younger men who are unlikely to forget them. This is something France has not really had for fifty years, and which rising population and the common market should confirm.

(To be continued)

Tanganyika Moves Forward—I

FROM OUR SPECIAL CORRESPONDENT

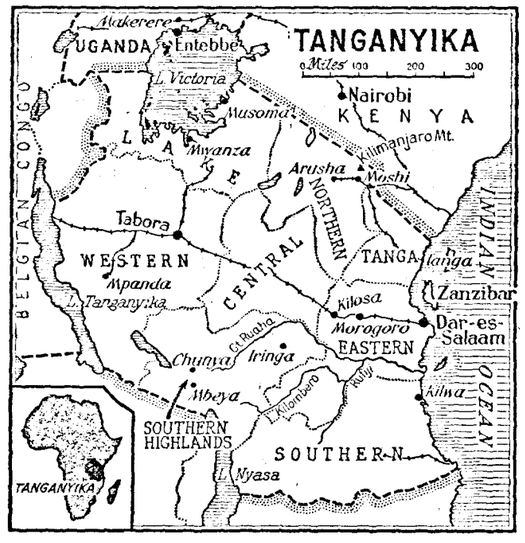
THERE is a European in Nairobi who is a polyglot mimic of genius. He can fill a cinema with the three races and make them roll about with laughter. One of his best turns is the recently immigrant housewife trying to order the food in Swaheli. His social value is more and more appreciated by the palefaces on whom the awareness is dawning that they bore the Africans to death. Half the political trouble lies there. The old European pioneers were different. "Honoured strangers" such as Livingstone and Schweitzer; all the great missionaries and explorer-scientists; the semi-pirates like Rhodes or Harry Johnston: all of them were numinous figures who did what they chose and held the Africans spellbound. The present discontent in East Africa and elsewhere in the continent is quite unmysterious. Without resorting to Jung, still less to Lenin, we can say that Africans feel depressed: the old life has gone and nothing genuinely human has replaced it.

Tanganyika, however, is so different from the run-of-the-mill colonies that one can already speak of it as a growing African country. The Germans opened it up in truly surgical fashion in the 'nineties, and the British then let it stagnate in tropical silence between the wars. Almost nothing happened until Mr John Strachey and Mr Leslie Plummer (as he then was) planted groundnuts. When their armies were evacuated, the African population could look at the primeval scene with equanimity. Sir Edward Twining was in his castle; the chiefs were in their houses; the district officers were in their offices; and nobody had interfered very much. Dar-es-Salaam had been put on the map and a few new roads (but no new railways) built. Above all, there were only some 20,000 Europeans in the whole vast country.

In the last eight years Tanganyika's economy has made great advances, which will be analysed in a second article. Two features seem politically important: the great increase in the earnings of rural Africans and the tribal and co-

operative character of African agricultural enterprise. Since 1948 the revenue of native treasuries has increased nearly six-fold. The brightest stars are the Kilimanjaro Native Co-operative Union (Chagga Tribe), which last year sold its coffee crop for £3 million, and the Sukuma, near Mwanza, who are making casual fortunes out of cotton. The Mwanza cotton-growers have lately formed a co-operative society to bargain with the Indians who own all the ginneries. Under European guidance, the arrangements are working well, and if now and again a secretary decamps with the funds, this is considered a price well worth the paying. Where, as on Kilimanjaro, prosperous Africans are loyal to the tribal council and to a highly educated and hard-working chief, there is African local self-government with a minimum of British rule from the centre.

Only a few rural areas enjoy these conditions; for instance, the Morogoro-Kilosa, Iringa and Chunya-Mbeya regions have such agricultural wealth, although on a smaller scale. Vast tracts of the country, especially in western and



central province, have nothing but native subsistence agriculture, and barely that. There, naturally, the chiefs are stagnant and the district officer the real leader of the community. Only irrigation could change the complexion of these regions, and even then it will not be easy to accustom the Africans in them to change their type of culture.

A third type of agricultural organisation is the sisal plantation, which is at present entirely European-owned and managed. The industry, which is concentrated on alienated land in Tanga province, is, with the railways and docks, the most explosive element in Tanganyika. This, however, is not saying very much. The labour force is casual labour from the poorer parts of Tanganyika and other African territories. It is discontented with its wages and with the refusal of some of the growers to recognise unionisation. But the Tanganyikan Federation of Labour, which was founded in 1955, has formed a plantation workers' union, and it is a matter of time, so it considers, before its officials will be permitted to organise in the camps themselves. Sisal is vital to Tanganyika, and its culture needs a lot of capital and skill. The political question is to what extent Africans will soon be able to take their place in the direction and ownership of the industry.

Unlike the Belgians, the Boers and the Portuguese, the British are introducing democracy into all their African territories. In Tanganyika the policy has run into difficulties. Any nascent parties have to deal with Africans with the diverse backgrounds already described, with a thousand or two scattered farmers of different European races (referred to by the Governor as "the peasants"), with the Indian shop-keepers in the few smallish towns and with the merchants of Dar-es-Salaam, including a few Ismaili grandees.

These people are separated by huge distances, with communications so sparse that it is hard to speak of Tanganyika as a political unit at all. Despite these obstacles, Sir Edward Twining, who has governed Tanganyika since 1949, has persisted in his plan of establishing multi-racial democracy. This should exist at several levels of government and in industry itself. The Governor's position has been adopted in spirit by the vast majority with the result that racial tension is as absent from his territory as it is from Ethiopia. But that does not mean that he or anyone else has succeeded in creating a tri-racial party or, indeed, any vigorous political group.

Such, indeed, was the purpose of the United Tanganyika party, invented in the Governor's study a few years back. Today the party's president, Mr Ivor Bayldon, and chairman, Sheikh Hussein, admit a relative failure. There are only about 1,000 subscribing members; Europeans are disinclined to put up candidates; the Indians are sitting on the fence; and the Africans, if they go to anything, are apt to go to TANU, the Tanganyika African National Union, led by Mr Julius Nyerere.

If Mr Nyerere (educated by the American Fathers of the Holy Ghost and at Edinburgh University) were a less charming personality; if TANU were racialist and aggressive; if it had a million instead of 150,000 to 200,000 members; then the UTP would have a rallying point, as had General de Gaulle's *Rassemblement*. As things are, it has nothing much to bite on. The UTP leaders claim that their cause, which is the government's, is frustrated by the district officers, who, when asked by Africans whether they should join, reply that "they have nothing to do with politics." They also complain that the government itself preserves its civil service manners in the Legislative Council, thereby devitalising the political atmosphere.

The Tanganyika African National Union has asked that there should be an unofficial majority on the Council, with the Governor retaining reserved powers. Elections should be under universal suffrage. Government policy, on the other hand, is for the election of ten constituency-members on a qualitative franchise under a system of cross-voting (in each constituency each voter votes for three persons of different race from among a number of candidates). These elections will be completed in the autumn of 1959, when there will be a constitutional committee to decide the future composition of the Legislative Council—that is, whether the elective system might be further extended; whether, perhaps, an unofficial majority might be introduced. It is generally held that responsible government (with a genuine ministerial system) will be an intermediate target between the present civil service government and full democratic independence. It is easy to make fun of Tanganyikan semi-politics which are, indeed, mock-politics in preparation for the future. But the observer cannot but be impressed by the embryonic administration which includes a small élite

of African assistant ministers, two African district officers and thirty African assistant district officers. There are several African trade unionists of quality. Finally, the traditional rulers of the country, the chiefs, who are vastly more prominent than in Kenya, fully intend to continue their functions. In the last year the representative chiefs have held two conventions in the manner of an upper house. Chief Marealle of the Chagga is, with Mr Julius Nyerere, the most forceful Tanganyikan politician. Both ably addressed the Trusteeship Council in New York last year.

Unless some unforeseen malady attacks Tanganyika, it should become a model state in a most unhappy continent. But in order that this should happen, a certain type of economic development is most desirable, even if it is not absolutely indispensable.

(To be concluded)

Denmark on the Brink

FROM OUR SCANDINAVIAN CORRESPONDENT

In its approach to the three European market plans, Denmark resembles an apprehensive bather, stripped but still shivering on the brink. At the deep end, marked "Free Trade Area," stands Mr Maudling making encouraging noises and proffering a lifebelt labelled "agricultural concessions." Beneath the sign "Nordic Customs Union," at the shallow end, the rest of the Scandinavian family clusters expectantly. A roped-off area between bears the inscription: "Common Market—Members Only." Here the Six are splashing about happily, assuring each other, "It's lovely once you're in"; but despite vicious shoves from the farmers, Denmark hesitates to join them.

The refusal of Denmark's Socialist-led coalition to be stampeded into a decision as momentous as that on Nato finds general endorsement, except by the farmers. But the recent *Folketing* debate, that was intended to stimulate popular interest, failed lamentably. It was useful, however, in showing that Danish opinion, hitherto nebulous or non-existent, has crystallised in broad support for the free trade area. It was also happily timed. Since last May's elections, when market plans were scarcely an issue, the press has given the topic immense coverage. Denmark's Agricultural Council (representing larger farming interests) has emphatically advocated adherence to the Six, despite the increasing misgivings of small holders; but the influential four-country Nordic Industrialists' Association, and Danish organised labour, have pronounced solidly for the free trade area, although the textile industry has cold feet. Only three deputies advocated immediate accession to the common market; several Liberals (representing agricultural constituencies) and Conservatives, formerly vocal partisans of the Six, recanted.

Hr. Krag, the minister of overseas trade, reiterated the advantages of "the big umbrella" beneath which Denmark's chief trading partners, Britain and the Six, as well as a Nordic customs union, could shelter. The Danes, he said, supported a multilateral, low-tariff system, particularly as the value of exports to non-OEEC countries had increased since before the war from 10 to 26 per cent of the total. Denmark could not, however, open the floodgates of industrial competition without compensatory agricultural concessions. Hr. Krag called Britain's readiness to modify its concept of an industrial free trade area "a considerable advance," but criticised the imprecision of its agricultural proposals. While admitting Denmark's dislike of imperial preference, Hr. Krag said the Danes would endorse a convention that recognised Britain's special Commonwealth commitments.

Hr. Dahlgaard, the minister of economic affairs, pointed out that the plans for a Nordic customs union would cover 80 per cent of Scandinavian trade, excluding agriculture. Simultaneous membership of this "liberal low-tariff club," and a high-tariff common market was impracticable, but a Nordic union within the free trade area looked advantageous. Alone it could not solve Denmark's problems, for Danish agricultural exports to Scandinavia are negligible. But Hr. Dahlgaard said that the block's position as the largest European customer of both Britain and the Six would strengthen Scandinavia's voice; consequently, the four were urgently studying full internal trade liberalisation and Scandinavia's role within a future free trade area.

The 64,000 dollar question being the future of agriculture, the gravamen of Danish opposition charges is the government's alleged tepidness towards the common market. Their fears of Danish isolation, if the free trade area negotiations collapse, seem ill-founded, since the common market expressly provides for new members, and Hr. Krag has tirelessly maintained personal contact. Arguments for the Six are superficially persuasive. For Denmark, Britain is a dwindling market, whereas the Six, with 165 million inhabitants, is an expanding one. In 1938, Britain absorbed 70 per cent. of Danish agricultural exports, and the Six a quarter, against 46 and 35 per cent today. Yet, although the British market for Danish eggs has disappeared, Britain is still the Danes' biggest customer for butter, and virtually the only one for bacon. The abrupt stop on Danish butter imports into Germany provided a salutary shock.

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The benefits for Danish farmers in a "managed" market with minimum prices might prove illusory. A system that excludes the Danes' best customer, Britain (thus inviting reprisals), and includes its worst agricultural and industrial competitors, Holland and Germany, is scarcely ideal. Danish labour distrusts supranational institutions, stresses the paradox of joining a primarily political grouping on economic grounds, and foresees an influx of low-paid foreign workers. Moreover, Russia's antipathy to the Six carries weight with neutralists. Fears of becoming a "German province," and the difficulty of putting Scandinavian integration into reverse, make Danish accession to the Six, except from despair, improbable.

Denmark alone among the members of OEEC pays no farm subsidies, condemns protection, and desires genuinely free trade in foodstuffs. Although industry's share of export earnings grows by 2-3 per cent annually—from 20 per cent before the war to 45 today—agriculture remains the economy's mainstay. Danish anxieties, allayed by Britain's conciliatoriness, have been reawakened by France's new proposals; but Italy's compromise plan indicates that France's common market partners may extract the sharpest teeth of its proposals. Nevertheless, the Danes foresee a show-down, although they still hope for an Anglo-French compromise. Mr Maudling has said: "It will be a dark day for Europe if negotiations break down"; for Denmark it may be disastrous.

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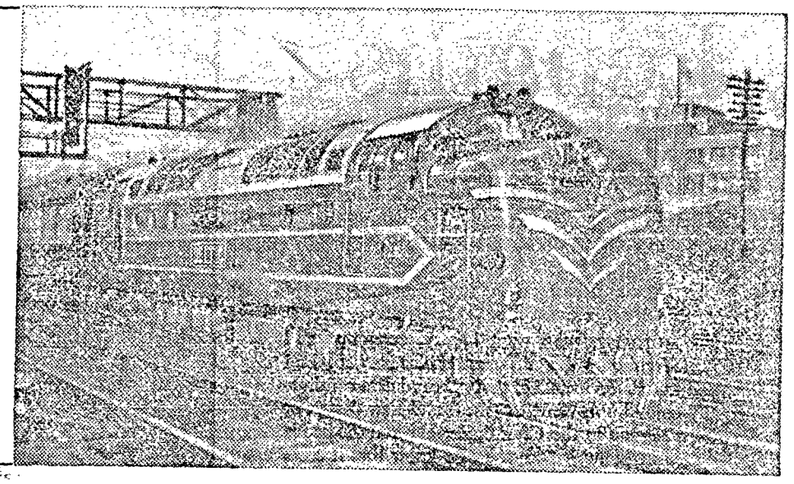
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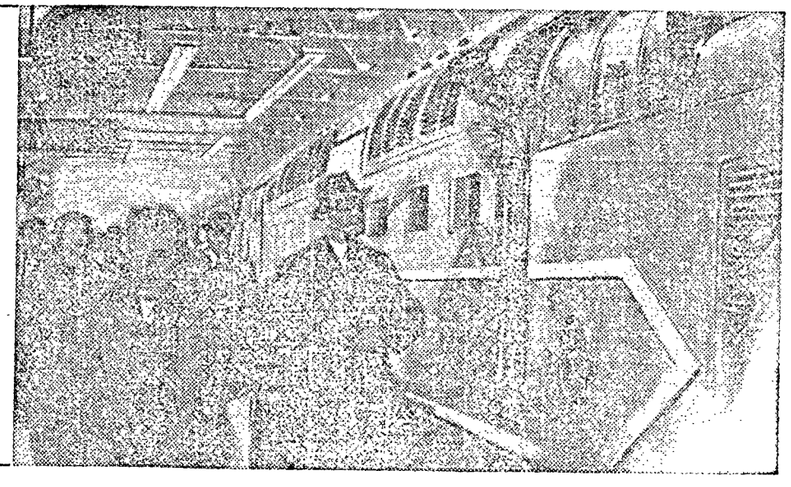
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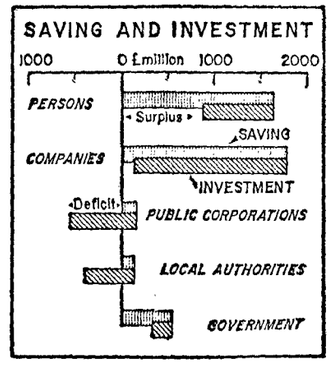
THE BUSINESS WORLD

Safe for Expansion?

For two years, in Britain, the pressure of demand upon productive resources has been easing—partly as a result of disinflationary policies, partly as a result of maturing investment. This year, again, productive capacity is likely to grow more than demand at home and abroad for the goods and services Britain could supply; and there is a good chance that prices may stop rising. But the country has managed to achieve a less inflationary climate than for several years only at a time when there are signs of deflation abroad. And Britain's own growing balance of payments surplus mirrors growing difficulties for our partners in the sterling area. In 1958, however, the Treasury thinks these Commonwealth countries can draw down their sterling balances without imposing too great a strain.

THROUGHOUT 1956-57, the investment boom that had overloaded the British economy in 1954-55 was steadily paying off. During the last five years, gross fixed investment rose from 14 per cent of the country's total output to 17 per cent, and net investment is now at the high rate of 9 per cent of the national income. "Over the economy as a whole," observes the Economic Survey this week, "there has been a substantial increase in productive capacity . . . even investment which has taken the form of replacing existing plant and buildings must have improved the quality and thus the productive capacity of the United Kingdom stock of capital." This steady growth of Britain's power to produce has been the one positive internal fact among the many economic frustrations of the past two-and-a-half years; as much as any policy, this has strengthened the country's "ability to exert its influence on world economic affairs in a positive direction." It may be significant that this year's survey reverses the editorial pattern of the last six years and puts its record of the British internal economy, emerging from inflation, first—before turning to the world economy with which this country's fortunes are inevitably bound up.

Investment continued to expand at a high rate in 1957, but its pattern was changing and it will rise less this year. The great surge of manufacturing investment came to an end; over the whole year it rose by only 3 per cent against 12 per cent in 1956, and by the end of the year, in real terms, was no higher than a year before. The big growth last year came in public investment, though housing, an important element here, continued to decline. Investment in transport and communications rose by nearly a quarter, and in the nationalised fuel industries it went on rising. Since 1951 private fixed investment, other than in houses, has grown by nearly a half, and public investment by about a third. The financing of investment, inside and outside the economy, reflected the diversion of extra resources towards the public sector. Private persons, and even companies, were still saving more money than they invested; so was the Government itself. But public corporations and local authorities were investing four times as much as they saved; they remained heavy net borrowers from the rest of the economy.



In 1957 as in 1956, the survey reckons, personal saving in all forms was of the order of 10-11 per cent of people's income after tax. Personal incomes of all kinds rose by 5½ per cent; wages and salaries, which are about two-thirds of the whole, by 6 per cent; but people spent only 4½ per cent more than the year before.

The £1,639 million of personal saving which comes as a residual in the estimates, played a substantial part in the financing of investment: the moderation of extra demand for personal consumption, which in real terms is calculated to have risen by 2 per cent, helped to ease demand upon the country's capacity. More than half the extra money people did spend still went to meet rising prices: but they did buy a good deal more cars, and durable household goods.

Government expenditure on current account, also, went down, for the fourth year in succession; last year, by as much as 3½ per cent in real terms. This resulted wholly from cuts in defence spending (other items were rising) and was concentrated in its effect; the number of people employed on defence work in manufacturing industry fell by nearly 150,000 (or about a fifth) and in the aircraft industry, for example, the cuts may already have reversed the upward trend of output.

In terms of real resources, these various factors added £150 million to fixed investment, £225 million to consumption, and only £10 million to the volume of exports, and reduced by £115 million the Government's current expenditure. In fact, the gross domestic product is reckoned to have risen by £300 million at 1956 factor cost, an increase of 1½ per cent. The total supply of goods and services rose slightly more, by two per cent, for imports, in real terms, rose by £135 million as well. In all, £435 million of extra resources were available in the economy last year, against the £270 million of extra demand itemised above.

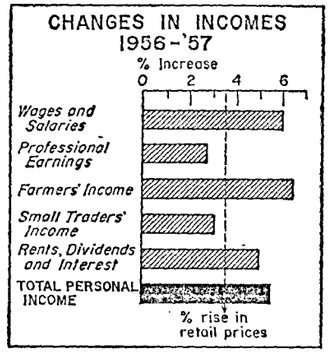
The other £165 million of extra resources went into a higher rate of stockbuilding throughout the economy. It would be unreal to list this formally as an element of extra demand, since some of the rise appears to have been involuntary—in other products as well as the obvious cases such as coal. The actual value of last year's physical increase in stocks, in the national income figures, is put at £425 million, much more than for several years past. Manufacturers' stocks, about half the total value of stocks in the country, rose by 8 per cent in value and 6 per cent in volume, about half of the extra volume being more work in progress. Interpretation of these figures is difficult; but over the past ten years stocks in manufacturing industry have grown at least as fast as output, with a relative increase in holdings of finished products and work in progress.

"Moderate Expansion," Moderate Inflation

Recovery in motors and consumer durables pushed production up a little. Costs and prices were still rising: but less than in most postwar years.

THOUGH output in the economy, within industry and outside it, rose by only 1½ per cent, national expenditure rose by nearly 6 per cent, to just under £19,000 million. Home costs rose by 4 per cent; the price of internal output plus imports, "final output," by 3 per cent. "The average increase in prices," comments the survey, "was indeed smaller than in most postwar years, but as it came after a long upward movement it was more than enough to cause serious concern both at home and abroad." Retail prices were 3½ per cent higher in 1957 than in 1956 (though the official statisticians appear to be assuming that the prices of all goods and services that consumers bought went up on the average by only 2½ per cent). Nine-tenths of the increase in costs of final output came from higher home costs; the rest from higher net taxes and slightly higher import costs.

Within industry, where output showed a small increase in the second quarter of 1957 and remained just above the 1956 level for the rest of the year, there were conflicting influences on costs. The survey hazards indices of "output per man-year" in industry as a whole and in manufacturing, which seem, against the changes that the Ministry of Labour has recently made in the manpower statistics, a brave exercise: but the trend of labour costs appears fairly clearly. In manufacturing, output went up about 1.8 per cent and the wage and salary bill by some 6 per cent; so labour costs per unit of output (which average about 20 per cent of turnover in the manufacturing industries) rose by about 4 per cent. The costs of materials (which along with semi-manufactures average some 65 per cent of manufacturing turnover) were substantially unchanged.



The survey, at one point, infers from these price indices that "labour and materials cost per unit of output (in manufacturing industries) probably rose no more than the prices of final output, so that there was probably little change in profit margins." For the economy as a whole, however, it records that gross trading profits and other trading incomes rose by 5 per cent against an increase of 1½ per cent in output, so that per unit of output they rose 3½ per cent. These two concepts of profits are not quite the same. Nevertheless, manufacturing contributes about two-fifths of the whole domestic product: Did its trading experience differ so much from all other business?

By December, 1957, prices of industrial materials used in manufacturing (mainly imported) were 7 per cent below the average for the year, and "it seems unlikely that there will be an upturn in the immediate future." It takes time for changes in material costs to work through, but wholesale prices of manufactures other than food had stopped rising by the last quarter of 1957. This year there should be growing scope for the reductions in prices that have already begun, unless wages rise enough to offset the lower cost of materials. Overhead costs per unit of capacity, since capacity has been rising faster than output, must also have gone up; but they would come down if expansion were resumed.

ECONOMIC POINTERS All figures £ million

TOTAL NATIONAL EXPENDITURE AND INCOME

	1955	1956	1957		1955	1956	1957
Expenditure generating gross national product:—				*Shares in the gross national product (factor income):—*			
Consumers' expenditure	12,780	13,433	14,045	Income from employment	11,209	12,189	12,920
Public authorities' current expenditure on goods and services	3,212	3,476	3,558	Income from self-employment	1,676	1,716	1,782
Gross fixed capital formation at home	2,842	3,115	3,388	Gross trading profits of companies and public corporations	3,204	3,373	3,517
Value of physical increase in stocks and work in progress	325	250	425	Other gross trading income	857	924	984
Exports of goods and services	3,932	4,386	4,532	Residual error	— 89	— 136	— 141
Less imports of goods and services	—4,154	—4,285	—4,444	*Less* stock appreciation	— 200	— 150	— 100
Less taxes on expenditure	—2,626	—2,825	—2,953	Gross domestic product at factor cost	16,657	17,916	18,962
Subsidies	346	366	411	Net income from abroad	177	203	226
Gross domestic product at factor cost	16,657	17,916	18,962	National income and depreciation (gross National product)	16,834	18,119	19,188

CHANGES IN EXPENDITURE AND SUPPLIES BETWEEN 1956 AND 1957

£ million at 1956 factor cost

Expenditure:—	
Consumers' expenditure	+225
Public authorities' current expenditure	—115
Gross fixed investment	+150
Investment in stocks and work in progress	+165
Exports of goods and services	+ 10
Total	+435
Supplies:—	
Gross domestic product	+300
Imports of goods and services	+135
Total	+435

BALANCE OF PAYMENTS: CURRENT AND LONG-TERM INVESTMENT ACCOUNT

	1955	1956	1957 (provisional)	1957 Jan.-June	1957 July-Dec. (provisional)
Imports	3,442	3,475	3,605	1,814	1,791
Exports	3,076	3,414	3,508	1,776	1,732
Visible balance	— 366	— 61	— 97	— 38	— 59
Government (net)	— 136	— 167	— 143	— 55	— 88
Other invisibles (net)	+ 433	+ 494	+ 477	+ 208	+ 269
Current balance, including defence aid	— 69	+ 266	+ 237	+ 115	+ 122
Of which:—					
With rest of sterling area	*+ 218*	*+ 307*	*+ 343*	*+ 115*	*+ 228*
With non-sterling world	*— 287*	*— 41*	*— 106*	*—*	*— 106*
Long-term investment transactions (net): (outflow —)	— 203	— 231	— 189	— 168	— 21
Balance of current transactions and long-term investment	— 272	+ 35	+ 48	— 53	+ 101

SAVING AND INVESTMENT

	1954	1955	1956	1957
Saving:—				
Private	2,311	2,656	3,216	3,402
Public	516	717	687	885
Total	2,827	3,373	3,903	4,287
Less stock appreciation	— 75	— 200	— 150	— 100
Capital transfers from abroad	11	14	14	4
Residual error	71	— 89	— 136	— 141
Total saving	2,834	3,098	3,631	4,050
Investment:—				
Gross fixed capital formation at home:				
Private	1,266	1,540	1,729	1,899
Public	1,288	1,302	1,386	1,489
Total gross fixed investment	2,554	2,842	3,115	3,388
Capital consumption	*1,420*	*1,551*	*1,652*	*1,770*
Net fixed investment	1,134	1,291	1,463	1,618
Investment in stocks and work in progress:—				
Private	237	421	255	402
Public	— 187	— 96	— 5	23
Overseas investment	230	— 69	266	237
Total investment	2,834	3,098	3,631	4,050
Total investment as per cent. of the gross national product	*18*	*18½*	*20*	*21*

GROSS FIXED INVESTMENT

£ million, 1948 prices

	1953	1954	1955	1956	1957
Analysis by industry group:—					
Agriculture, forestry and fishing	74	80	84	75	85
Mining and quarrying	50	63	68	66	70
Manufacturing	454	476	552	614	632
Building and contracting	26	29	36	33	34
Gas, electricity and water	205	238	252	234	243
Transport & communication	196	196	194	230	282
Distribution and other services	169	216	272	296	315
Dwellings	493	510	459	448	439
Social services	84	88	91	104	113
Other public services	63	65	67	75	81
Legal fees, stamp duties, etc.	35	37	41	33	29
Total	1,849	1,998	2,116	2,208	2,323
Public sector, *less housing*	668	681	701	728	789
Private sector, *less housing*	688	807	956	1,032	1,095
Housing: public	360	333	268	246	236
private	133	177	191	202	203
Total	1,849	1,998	2,116	2,208	2,323

PERSONAL INCOME AND EXPENDITURE

	1955	1956	1957
Wages and salaries	10,190	11,070	11,760
Income from self-employment	1,676	1,716	1,782
Rent, dividends and interest	1,809	1,936	2,031
Other personal income*	2,135	2,315	2,414
Total personal income	15,810	17,037	17,987
Less tax payments, national insurance contributions, etc.	—1,973	—2,128	—2,303
Total disposable income	13,837	14,909	15,684
Consumers' expenditure	12,780	13,433	14,045
Balance: saving before providing for depreciation, stock appreciation and tax reserves	1,057	1,476	1,639

*Forces' pay, employers' contributions to national insurance, superannuation schemes, etc., and grants from public authorities.

This was already the experience of the motor industry—for most companies—in 1957; its sharp recovery, the main element in the slight increase in engineering output from 1956 to 1957, brought down unit overheads sharply. Total engineering production did not regain the high level of 1955, though output of plant and machinery for investment and exports went on rising during the two years, more slowly in 1957. The total dipped and rose again mainly in accordance with the collapse and recovery in production of cars and consumer durables. What was good for motors (though not General Motors) was indeed good for British industry as a whole last year; the recovery of this industry, and its demands upon intermediate engineering, constituted probably the largest single influence in the slight improvement of total industrial output during 1957.

Living with the World

As traders and investors we had a moderately satisfactory year, but in our third role as international bankers we were obliged to borrow to meet unusually large calls upon us by our clients.

STERLING'S third-quarter crisis slips into the background of the Economic Survey as a major nuisance that the British economy has already managed, with outside help, to live down. There are some elisions both of argument and statistical presentation in the survey's chapter on overseas trade and payments that receive a closer look in Business Notes on a later page. But the end result, for a year that opened with the threat of grave economic damage from Suez and closed after the autumn run on sterling with the breath-regaining exercise of deferring the instalments on the North American loans, was satisfactory beyond all but the most optimistic hopes. The surplus on current account turns out at this stage (for it is certain to be materially revised later) at £237 million, against £266 million (itself revised upwards by more than £30 million) in 1956. This is a result that has been greeted with a certain degree of disappointment, but it deserves to be treated with reserve not because of its absolute size so much as the special ingredients that have gone to its making. The odd £37 million represents interest unpaid for the second year running on the dollar loans and postponed into next century. Once again the terms of trade came to the rescue without, as yet, imposing any significant burden on British exports, which continued to rise, though only slightly, in volume and were only checked in prices from September, whereas an increase of 3½ per cent in the volume of imports was accompanied, from May onwards, by a sharp fall in import prices. A payments deficit on visible trade of £97 million, though £36 million higher than in 1956, still represents a fortunate outcome for a year beset with currency alarms, slacker trade and falling prices. Britain can be thankful that world trade in 1957 rose more rapidly than world production; it is time for a certain apprehension whether Britain can make a more determined effort in exports during 1958.

In no year since the war was there a greater contrast between this achievement on Britain's own current account and the drain on the central reserves that are held on behalf of the countries of the sterling area. These countries took the first impact—and it was a heavy one—of lower prices for their own exports but they continued, with few exceptions, to import on a liberal scale. So Britain was, in effect, forced to trade a big slice of the dollar reserves against a further sharp reduction of the sterling balances on which these countries were freely drawing. That is the essence of being in the international banking business—to redeem deposits when the customers are short of cash and to pay them out in dollars if need be. The other side of that medal is that Britain last year got its imports more cheaply and earned rather more from its exports.

The survey refers with a certain delicacy to the other factor in the loss of the reserves. There are few blunt references to the sterling crisis of last August and September; but there are some opaque neologisms such as "a sharp decrease in the external monetary reserves of most countries, apart from the United States and Germany" and "large-scale capital movements in favour of the mark." The survey spends some paragraphs explaining how "a current surplus . . . does not in itself prevent a severe exchange crisis." It notes "the marked rise" in the flow of capital into non-sterling securities "through free markets in the sterling area." It claims that in a year of tighter monetary conditions in the United Kingdom, the traditional flow of private capital to the colonies was maintained at a level comparable with that in the past. But a major slice of the long-term investment outflow of £168 million in the first half of the year must have found its way via the "Kuwait gap" into dollar securities, and the shrinking modesty of a mere £21 million for net investment abroad in the second half of the year marks both the closing of that gap and the resort to new borrowings from and deferred repayments to the United States and Canada.

It may be reasonable to describe the resultant of these complex operations as "a significant strengthening" of the overseas monetary position. A kind of funding has occurred by which sterling liabilities have been reduced and the dollar reserves have been increased by incurring new medium and long-term dollar liabilities. It may have been a good bargain to buy time in this way, but the improvement in the reserves has involved important changes in the character of the liabilities which they carry.

The Prospect Now

After last year's fortuitous benefits, how far can Britain defend itself and the world against a deflationary spiral?

THE survey can fairly claim that the economic climate is less inflationary than for several years and that this change has been reflected in increased confidence in sterling. In retrospect, it is clear that while Britain did much last autumn to help itself, it was also aided by a

certain amount of good luck that fell as a misfortune on other countries. When will the advantage of improving terms of trade turn into a positive disadvantage by reducing the demand for British exports? There are three question marks about 1958. One is the course of economic activity in the United States; on this the survey notes that the United States government have expressed confidence that the American recession need not be prolonged, though it wisely adds the footnote that most countries of the world have been losing dollar reserves and are less able to ride out a period of difficulty. A second is the effect of falling commodity prices on the payments accounts of primary producing countries. And a third is the prospect that the recession in the United States is not likely to be offset by expansion in Europe, as it was in 1953-54.

This is a sombre background, though not without some brighter features. This year presents "a good opportunity . . . to stop the rise in prices that has troubled the country for years." Difficult conditions in overseas markets will impose the need on British manufacturers to keep their prices down; even so, the survey suggests that there may be "a substantial current surplus" on the balance of payments this year. But the other side of that medal is that lower commodity prices will eat further into the "non-sterling earnings" (*sc.* dollars) that the primary producing countries fed into the central reserves during the years of boom. They will be living to a greater extent on their accumulated sterling reserves; and the counterpart to that fact will be a reduction or even a reversal of the flow of dollars to the central reserves.

The final question, then, is whether Britain can afford to carry the rest of the sterling area through a rough time. The survey concludes that it should be strong enough to enable other countries in the sterling area to draw on their sterling balances without imposing too great a strain on the central dollar reserves. Certainly, there should be adequate room within the British economy to meet all the demands that are likely to be made on it—certainly for exports, which disappointingly made no increased demand on the country's resources last year. It is, then, not unduly optimistic to be hopeful about the prospects for Britain this year; but it would also be wise to consider in good time the dispositions that would be needed if things go wrong. On these matters the survey maintains a silence that is understandable, and so does not entirely escape the charge of undue dependence on hope—about the recovery of the American economy; about the ability of British exports to sell in difficult markets all over the world; and about the ability of the central reserves to carry increased burdens this year without attracting the attention of the speculators in sterling this summer. Britain's economic destiny is not within its own hands. But the concluding sentence of the survey rightly observes that its ability to exert its influence on world economic affairs in a positive direction depends upon its own economic strength. Past mistakes have weakened that strength; but recent achievements have made a good beginning towards increasing it. There may presently be room for modest initiative at home, if the need arises, without running too desperate risks externally.

BUSINESS NOTES

BALANCE OF PAYMENTS

The Current Surplus

THE official estimate of the current external surplus in 1957 is perhaps not quite so good as had recently been hoped; but it is possible that the official statisticians have merely been cautious. Thus while the surplus in 1956 is written up from £245 million to £266 million, that for the first half of 1957 is written down, from last October's estimate of £125 million to £115 million; the surplus for the second half of 1957 is put at £122 million, making £237 million for 1957 as a whole. But in the capital account, the item "miscellaneous capital and errors and omissions" is extraordinarily large, at £50 million in the first half-year and £104 million in July-December. It is difficult to believe that hidden movements of short-term capital resulted in an inflow of this magnitude—did the favourable turn in the commercial leads and lags in the last quarter as much as make good the adverse swing in the third quarter?—and the unexplained inflow may in fact have been in current items.

The current surplus in 1957, as in 1956, was swollen by the postponement of the £37 million of interest due on the postwar North American loans. On the other hand, invisible earnings were adversely affected by the Suez disruptions; and while export prices rose, import prices in the year as a whole were not lower than in 1956, whereas in the first months of 1958 they have been down on the year by 10 per cent. The improvement in the terms of trade in 1957 amounted to 3 per cent, so that an increase of 3½ per cent in the volume of imports along with an unchanged volume of exports widened the visible deficit, on a true payments basis, by only £36 million, to £97 million—still the narrowest gap for any postwar year other than 1956. It may be noted that this deficit corresponds to that of £617 million given in the monthly figures of trade shipments, which show exports fob but imports cif.

The small increase in the visible deficit was entirely attributable to a decline in the surplus with the overseas sterling

area; the visible deficit with non-sterling countries was virtually unchanged, at £143 million. The fall in invisible receipts, on the other hand, was concentrated in payments

THE SURPLUS AND THE STRAIN
(£ million)

	1955	1956	1957	1957 Jan. to June	1957 July to Dec.
Current balance	− 69	+266	+237	+115	+112
Long term investment (net)	−203	−231	−189*	−168	− 21*
Net "commercial" surplus or deficit	−272	+ 35	+ 48*	− 53	+101*
Financial balancing items:					
Changes in—					
Sterling liabilities	−127	−155	−154	+ 73	−227
To RSA	− 45	− 23	−157	+ 69	−226
To other countries	− 82	−132	+ 3	+ 4	− 1
EPU debt, official holdings of non-£ assets, etc.	− 6	+ 2	− 35	− 19	− 16
Special waiver account	...	− 37	+ 37	+ 37	...
Short term capital, errors and omissions	+176	− 41	+154	+ 50	+104
IMF drawing	...	+201	...	...	...
Drawing on reserves (*plus*) or investment in reserves (*minus*)	+229	− 5	− 50	− 88	+ 38

* Not strictly comparable; see below.

with non-sterling countries; the surplus on private invisible transactions with sterling countries rose from £396 million to £451 million.

The Most Sophisticated Crisis

THE patient layman who has accepted the ever more exacting and more complex prerequisites of external stability that have been laid down by the official and the unofficial experts through the years is now entitled to a gasp of despair at the exercise presented to him for 1957. For the second year running, a major crisis for sterling and the reserves was accompanied by large surpluses in the balance of payments. The paradox for the half-year of Suez was explained in a new classification of the accounts: the current surplus has to be large enough to finance commercial long-term investment, and since it was not, the overseas monetary or banking position necessarily deteriorated; and the reserves themselves fell by more than this deterioration, owing to the run down of sterling liabilities.

Now for 1957 the Treasury presents an even more startling conjuncture; the worst sterling crisis since 1949 was accompanied not only by a large current surplus but by a surplus in the new "net commercial balance," capital items included. Hence the overseas monetary position is shown to have improved in July-December by £101 million. What then rocked the boat? The run on the sterling bank is the explanation that has been accepted from common observation, but the official attempt to spell this out statistically has not been entirely happy.

Part of the mystery arises from the wide time span; figures for end-September would have shown a much larger fall in sterling balances, and presumably would have reflected the outflow of short-term capital. But a big element of the confusion lies in the coverage of "long-term investment (net)." The incongruous surplus here reflects entirely the drawing equivalent to £89 million from the Export-Import Bank and the saving of £26 million from the postponement of last year's capital repayment of the American loans. Admittedly, these transactions achieved an improvement of quick assets by incurring a longer-term liability; but the border line is thin between the Ex-Im loan, repayable over seven and a half years, and the 1956 IMF loan, repayable in three to five years and classified as a short-term liability.

The third major special support that shielded the impact on the official reserves was Germany's deposit of advance instalments on its postwar governmental debt to Britain. In July-December this deposit reached £67½ million; without it, the sterling balances of non-sterling countries would have fallen by some £68 million in the half-year, whereas in fact they fell on balance by only £1 million. The German payment, the Ex-Im drawing, and the loan postponement (of interest and capital) together gave relief amounting to nearly £220 million. That is why the reserves in the half-year fell by no more than £38 million.

IN THE MARKETS

The Corporation Twins

A STRONG market in gilt-edged stocks—so strong in the irredeemable stocks that the jobbers were clearly being squeezed—developed as the Easter holiday approached. Short-term punters were not active, because the long week-end was at hand. In the short and medium dated stocks there was steady institutional buying. So the first of a new series of corporation issues—the 5¾ per cent series—got off successfully even though the terms had been drawn finely. Lists were quickly over-subscribed on Wednesday for twin issues for the corporations of Swansea and Hull, each borough offering £3 million 5¾ per cent stock 1976-78 at £98.

It is not unknown for a single prospectus to cover more than one issue. East Africa has made a double issue for two of its public utilities on a single prospectus recently, but it is necessary to go back to the housing bonds of the nineteen twenties to find separate English local authorities sharing a single prospectus. The technique of choosing partners for such an offer presents obvious difficulties; the two must be of approximately the same status and the prospectus, which reveals the yield of a penny rate to be £8,028 in Swansea and £12,250 in Hull and the actual rates to be 20s. 8d. in the £ in Swansea and 22s. 6d. in Hull, shows that this can only approximately be arranged. On the single application form investors may apply for the stock of either corporation or of both, but not for one or the other without saying which. The advantage of amalgamating two small issues and thus reducing the long waiting list is obvious.

For investors the more immediate question is whether the terms—an interest yield of £5 17s. 3d. per cent and a gross redemption yield of £5 18s. 6d. per cent—are right. Those yields in fact are so close to the yields on the generally more popular London County Council 6 per cent stock now standing at £102⅛ that the issue would have been in some doubt if the whole gilt edged market had not been moving upwards.

GOVERNMENT SPENDING

Treasury Taken for a Ride

POSTWAR experience has led many people to suspect that the problem of reducing the load of Government expenditure, or even of preventing its steady increase, never will be solved without an entirely new approach in official techniques of planning and control and in definition of objectives. Weighty support for this view now comes from Mr Enoch Powell, who served as Financial Secretary to the Treasury last year during Mr Thorneycroft's chancellorship, and who resigned with him and Mr Nigel Birch in January. In an article in the current issue of *The Banker* Mr Powell considers "Treasury Control in the Age of Inflation": his carefully reasoned survey of the weaknesses of traditional techniques makes disturbing reading. The classical instruments, which once were formidable, are now, he says, actually dangerous, because they present all the appearance of full control without the reality.

The most evident cause of this undermining of the traditional defences is the course of inflation itself, which makes supplementary estimates virtually a matter of course and compels officials to shrug off unbudgeted increases as "water over the dam." Moreover, Mr Powell shows, inflation is "not the only escalator which takes traditional Treasury control 'for a ride'." There are nowadays at least three other types of "built-in escalators" represented by automatically expanding services, Government "commitments," notably in the sphere of defence, and Exchequer undertakings to meet given proportions of expenditure the total of which is determined by other bodies, such as local authorities. The reforms needed to give effective control—which has to be both more intensive in each financial year, and also more extensive over longer periods of estimate and planning—would, Mr Powell believes, have far-reaching implications for the habits of Government itself.

ATOMIC ENERGY

Dounreay Delayed

A YEAR ago it was forecast with some confidence that the Atomic Energy Authority's breeder reactor at Dounreay would come into operation last Tuesday. Many changes have since been made to details in its design and to staff arrangements. There are also some second thoughts on the long-term prospects of this type of power-producing reactor. The date on which Dounreay goes "critical" has been moved back to some time during the summer. Since May last year, when the main construction of the reactor with its roc's egg shell was completed, AEA engineers have been changing their ideas on some aspects of Dounreay's design, particularly since they had a chance to look at similar American work. The biggest of these changes concern safety devices to stop the highly concentrated fuel from flowing—if by mischance it over-heated and melted—into a dangerous puddle of fissile material at the bottom of the reactor. The Fleck report has also had its effect on the organisation of the Dounreay site, which is developing into one of the AEA's major research and production establishments.

A breeder reactor uses some of the atomic particles released during fission to create new fuel. The system is the same as that used to manufacture plutonium in a Calder Hall type reactor, but the reaction takes place at a faster rate, to yield rather more fresh fuel than the reactor is actually consuming in its core. Dounreay is a pilot model of a power station based on this system, with a token net electrical output of 15 megawatts. In recent weeks both Sir John Cockcroft and Sir Christopher Hinton have hinted that were they designing Dounreay now, instead of three or four years ago, it would be a very different plant. "In the course of its design," Sir John has said, "we have come to appreciate more fully the difficult technological and safety problems of this reactor, so we will proceed cautiously with its operation and development and will not expect it to play a major part in our programme before the 1970s."

By that time, engineers may see their way more clearly towards a power system based on fusion; in fusion vast quantities of atomic particles are available for breeding quantities of nuclear fuel of quite a different order to the limited amounts likely to be produced from a Dounreay-type reactor operating under optimum conditions. Whether Dounreay will become something more than an interesting experiment depends largely on what progress is made with fusion, on the one hand, and with high temperature offspring of the basic Calder Hall system, on the other. By 1962, decisions will have to be taken about the next generation of nuclear power stations.

AIR TRANSPORT

Is Your Airline Really Necessary?

IT may not have been too tactful of Mr B. S. Shenstone, chief engineer of British European Airways, to express himself forcibly on the multiplication of airlines ("no nation feels it is properly a nation unless it has a national airline") so soon before the Easter week-end when latecomers will be lucky to get seats on any airline, whatever its size. But his argument that the small national airline is a dubious asset to international air traffic and a millstone around the neck of its own economy needed to be put.

The international rules of air traffic are a constant temptation to small countries to set up their own airlines. Services from one country to another are agreed by governments on a reciprocal basis; hence the country with a small airline can make certain that its own services get a big enough share of traffic into local airports to keep it happily employed. The bigger airline, with so much more at stake, can only bow to this pressure, even when this means pooling the profits. It is too easy to get a foot into the international air business, and most small countries cling to the strange idea that their prestige will be enhanced if they can show the flag at those most blasé of international establishments, the world's major airports.

So one-third of the 82 international airlines belonging to, or associated with, the International Air Transport Association have fleets of 20 aircraft or less, a high proportion of which are local runabouts. Between them these small operators own less than 13 per cent of the 2,900 aircraft belonging to IATA members; more than a third of their fleets are DC3's of anything up to 22 years old, with a substantial sprinkling of other elderly types like Vikings, Catalinas, Rapides and early marks of Convairs. The cream of these fleets, reserved for prestige international services, consist for the most part of Viscounts—a big slice of Vickers-Armstrong's order book is for batches of as few as three Viscounts—or from two to five long-range aircraft of the Douglas-Boeing-Lockheed class. A small country can have a big airline—witness the Dutch KLM with a fleet of 96 modern machines—and an airline can also grow from small beginnings—as the German Lufthansa is doing. It may have special reasons for a token international fleet; El AC's

three Britannias and five Constellations are a lifeline with the West in case land and sea communications are cut by hostile neighbours. But international airline operation by small countries usually achieves nothing more than the tying up of capital that might be better used for their own economic development. A long-range airliner costs over £1 million; against this, the average profit of the world's operators, heavily weighted by the results of the streamlined giants, is no more than 1 per cent. The difficulty that small airlines find in raising capital to keep their token fleets up to date explains why aircraft manufacturers are badgered on all sides to give credit terms that no other industry would tolerate. And yet they multiply. Ghana is discussing the possibility of an airline under its own flag, while Aer Lingus, one of the more level-headed of small operators, has finally succumbed to temptation and started transatlantic services this week—although admittedly using chartered aircraft and crew. Competition in the passengers' interest is most desirable, but it is now generated in an odd way through government protection for the smaller operator coupled with government curbs on the bigger foreign airline—not competition so much as airlinesmanship.

MOTOR INDUSTRY

Vauxhall's Growing Pains

In the three years 1955-6-7, Vauxhall Motors expanded its total net investment in manufacturing operations more than fourfold, from a total of £15½ million, divided more or less equally between net fixed plant and net working capital employed (that is, stock and work in progress plus debtors less creditors) to £64 million, of which £15 million represents net working capital employed, and £49 million represents net fixed assets (including £9 million of special tools, jigs and dies). This expansion has nearly completed the programme announced towards the end of 1954 to double the company's production capacity from 130,000 vehicles a year (the number actually produced in 1954), to 260,000 units a year, of which the plant should shortly be capable. But the simultaneous processes of bringing the new plant in, training a big intake of green labour, and introducing more model changes in a year than ever before played havoc with Vauxhall's costs last year. In 1957 the number of vehicles produced rose 18 per cent: turnover rose by 6½ per cent to £76 million; but the company showed a net operating loss of £2,366,831, after providing for interest, depreciation and tool amortisation. Tax adjustments reduced the net loss to £1,134,744, against a net profit of £3,934,443 in 1956. All the ordinary capital of Vauxhall is held by General Motors.

"Production development costs" for a completely new range of passenger cars, together with two new diesel engines for the Bedford trucks, were expensive: so were extemporised methods of manufacturing in the place of parts of the plant whose delivery and installation could not be accelerated to earlier dates than those originally planned. Moreover it was not possible to utilise to the full the major manufacturing facilities that were little disturbed, since the demand for trucks both at home and abroad was less than in 1956; but depreciation, special tooling and loan interest on the new facilities, which were £3½ million higher than in 1956, had to be borne. The company's difficulties arose essentially from the decision to accelerate a five-year development plan, originally not intended to reach full capacity before 1960, into 2½-3 years. Physically, it succeeded: and with doubled capacity, for this year's continuing high demand, the earning power of the new plant should in due course make profitable use of the time that has been gained. But the price, in the short run, has been a brutally heavy one: and comparisons with Ford, which has still to complete its development programme but weathered the car recession well and has made hay out of the recovery so far, are inevitable.

THE BUDGET OUTTURN

Surplus Below Estimate

In spite of the large supplementary votes required of Parliament a few weeks ago, the net outturn of the financial year ended last Monday came within striking distance of the budget estimate. In the above-line account there was a surplus of £423 million, which surpassed the 1956-57 surplus by £133 million but fell short of estimate by £39 million. This is a distinctly better result than many people were expecting at the time of Mr Thorneycroft's resignation. The improvement upon those expectations reflects three main factors—the buoyancy of the revenue, the fact that the supplementary votes were offset to a considerable extent by under-spendings on other votes, and a special non-recurring saving affecting the debt service.

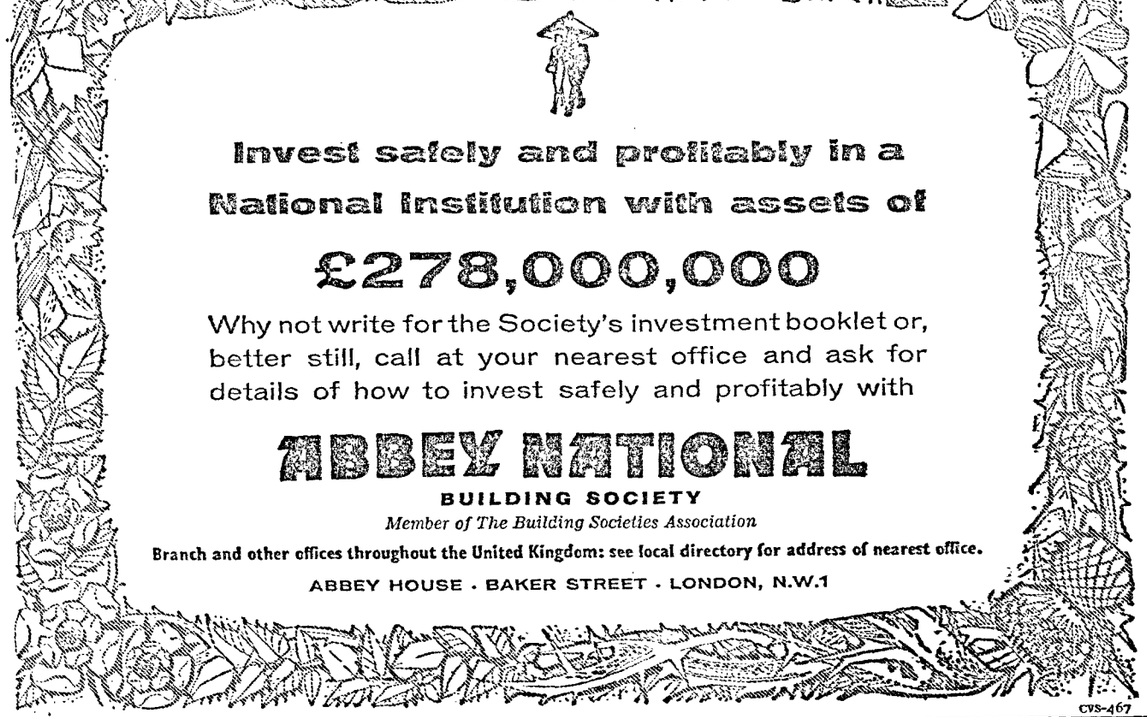
Ordinary revenue, as the accompanying table shows, surpassed estimate by £54 million, in spite of a substantial shortfall in non-tax revenue. Miscellaneous receipts, although including a book credit of £37 million from the suspense account to which the 1956 annuity, later postponed, on the North American debt had been placed, were £30 million less than in 1956-57 and £19 million below estimate; and the net receipt from the Post Office was only £7.8 million, compared with the estimated £20 million. Income tax alone almost sufficed to offset these shortfalls:

THE YEAR'S OUTTURN AND ESTIMATES
(£ million)

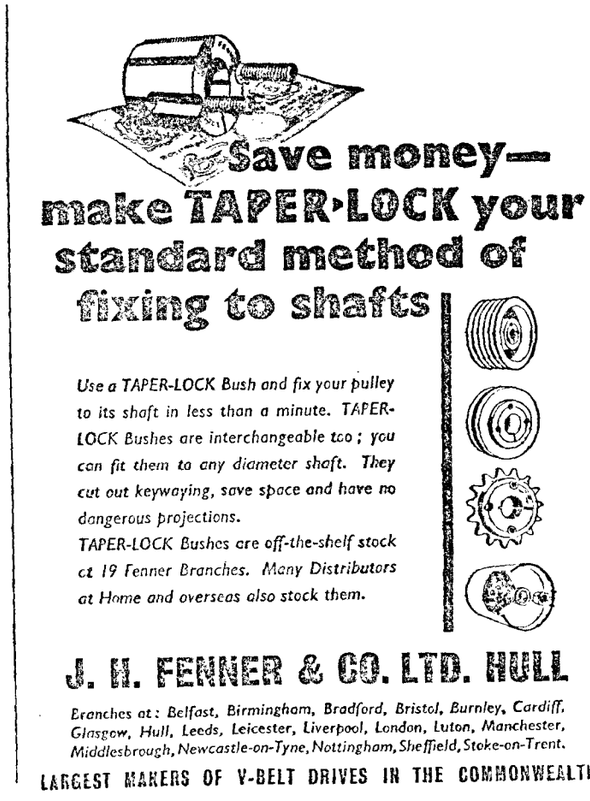
	Out-turn	Change in 1956-57	
		Actual	Original budgeted change
Income tax	2,208	+ 94	+ 62
Surtax	157	− 1	− 9
Death duties	171	+ 2	+ 1
Stamps	64	+ 1	− 3
Profits tax, EPT and excess profits levy	255	+ 55	+ 55
Other inland revenue	1	...	...
Total inland revenue	***2,856***	***+151***	***+105***
Customs	1,207	+ 9	+ 5
Excise	942	+ 40	+ 11
Other revenue	337	− 15	+ 9
Total ordinary revenue	***5,343***	***+185***	***+131***
Debt interest	663	− 48	− 71
Sinking fund	38	+ 1	+ 1
Other Consolidated fund	81	+ 5	+ 3
Supply services	4,138	+ 93	+ 26
of which:—			
Defence	*1,430*	*− 95*	*−105*
Civil	*2,650*	*+186*	*+127*
Tax collection	*58*	*+ 3*	*+ 3*
Total ordinary expenditure	***4,920***	***+ 52***	***− 41***
Above-line surplus	***+ 423***	***+133***	***+172***
"Below-line" net expenditure	635	− 14*	+ 31†
Net deficit	***− 212***	***+119†***	***+203†***

* Increase in deficit. † Reduction in deficit.

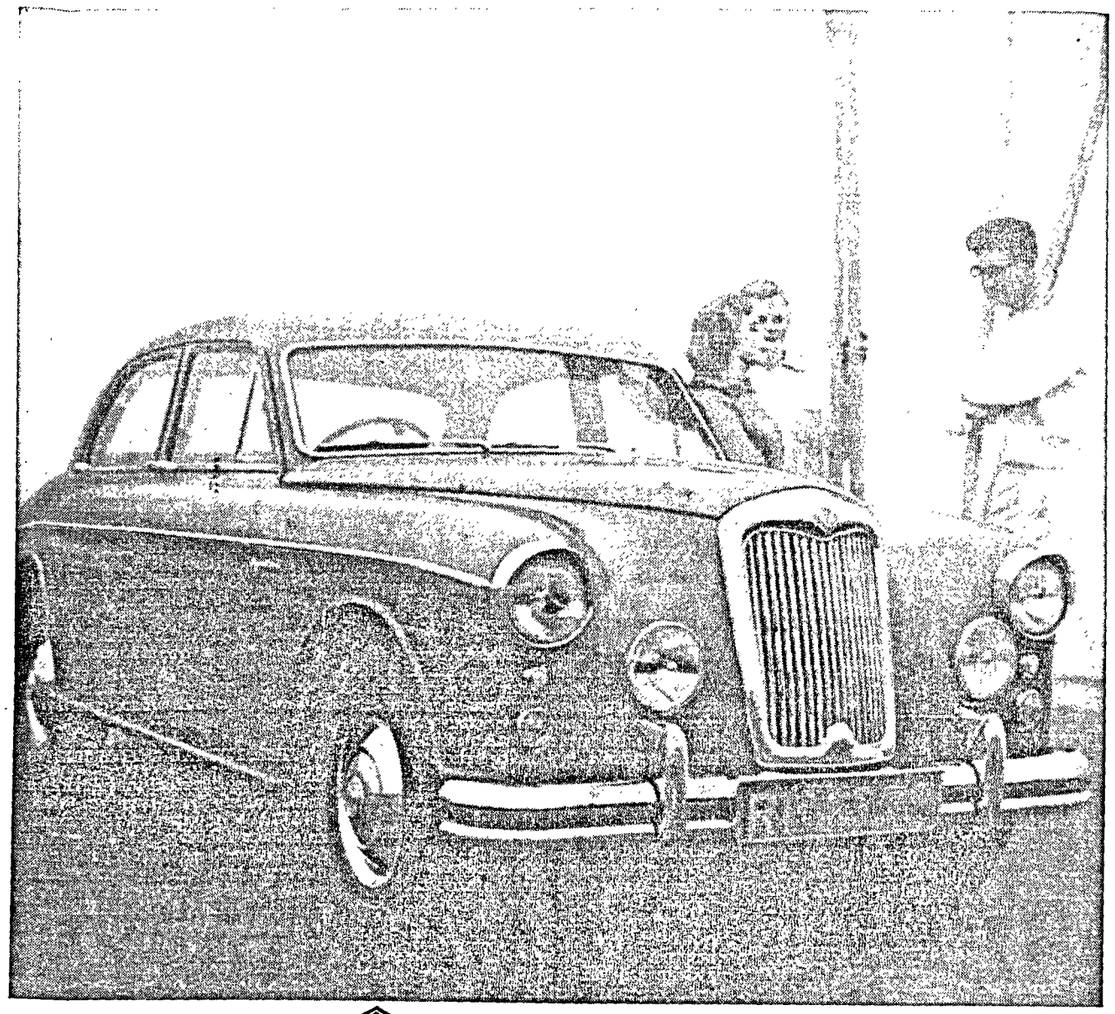
the gain on the 1956-57 yield was no less than £94 million, compared with a budgeted gain of £62 million. Even more







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striking was the performance of Excise, which topped its estimate by nearly £30 million. Motor duties, surtax, stamps, customs and death duties also exceeded estimate, the last two only slightly.

Expenditure also Buoyant

TOTAL ordinary expenditure, at £4,920 million, was £52 million more than the actual expenditure of 1956-57 and £93 million more than the budget estimate for 1957-58. Of this latter increase, £68 million was attributable to supply services, which totalled £4,138 million, compared with £4,044 million in 1956-57. The estimates for supply services for the coming year stand at £4,259 million (assuming the local costs of the BAOR to be met by a German contribution), so that the minimum prospective increase over actual expenditure in 1957-58 proves to be two and a half times the £50 million that was widely supposed to be the only difference between Mr Thorneycroft and his Cabinet colleagues last January. Other ordinary expenditure last year also exceeded estimate. Interest and management of the national debt had been estimated through the spectacles of April, 1957, to decline sharply, by £71 million. Then Bank rate had recently been reduced and a slackening of the abnormal rate of encashments of savings certificates experienced in 1956 was also expected. In the event, the debt charge shrank by £48 million, and thus exceeded estimate by £23 million, in spite of the fact that it was relieved of £37 million of interest through last December's deferment of the 1957 payments on the North American loans.

Net expenditure below-the-line, which in 1956-57 had fallen well short of estimate, has this year moderately exceeded it. It rose by £14 million, to £635 million, compared with the estimate of £587 million. Most of this excess is due to a steep rise in advances to the Coal Board for capital expenditure ; in the previous year the board had drawn much less than the estimate, but last year it surpassed an increased estimate by £37 million, drawing £82 million net, compared with only £26 million in 1956-57. PWLB loans to local authorities showed a further slight decline, and were £8 million below estimate, at £92 million, so that the net drain on the Exchequer was no more than £45 million ; at their peak, in 1952-53, these loans absorbed £412 million gross and nearly £400 million net. Loans to nationalised industries under the two-year arrangement made in 1956 (the future of this temporarily prolonged arrangement is to be disclosed in the budget) rose by £11 million gross, to £295 million, slightly more than estimate. Advances for the finance of the railway deficit, under last year's Act, rose by £14 million to £66 million, compared with an estimate of £50 million. The net deficit on the Exchequer accounts as a whole, as the table shows, was £212 million—more than a hundred million less than in 1956-57, but almost a hundred million more than Mr Thorneycroft had estimated.

ALUMINIUM

Canadian versus Russian

A REDUCTION this week of nearly 9 per cent in the price of Canadian aluminium, which lowered the UK delivered price from £197 to £180 a ton, might help to develop the new uses on which the producers of aluminium are now relying to justify their plans for expansion. Falling industrial activity, aggravated by defence cut-backs in the aircraft industry, led to a fall of 3 per cent in the free world's consumption of aluminium last year, and a sharper reduction in demand as consumers began to run down inventories. The Aluminium Company of Canada has already cut back production to about 80 per cent of capacity, and deferred the completion of some 240,000 tons of additional smelting capacity. Although this is the first price reduction for nearly ten years, the price of aluminium stopped rising eighteen months ago, and has since been stable. By contrast prices of British steel rose in Britain by an average of 7½ per cent last July, and have now been cut, at the same time as aluminium, but by only about 1½ per cent. On the other hand the London price of copper, which two years ago was well over twice as high as aluminium, is today fluctuating very near the new price for aluminium.

Slackening demand and competition from other metals are not the only worries for the Canadian producers. Although UK imports of aluminium have fallen steadily from 258,000 tons in 1955 to 191,000 tons last year, imports of the Canadian metal have fallen rather faster, from 239,000 tons in 1955 to 153,000 tons last year. At the same time British imports of Russian aluminium, which were only 2,500 tons in 1955 and fell to 200 tons in 1956, reached an annual rate of 24-25,000 tons during the latter half of 1957 and the first two months of this year. The Russians, who in times of scarcity were asking premiums of as much as £70 a ton above the Canadian price, are now offering the metal at discounts of up to £18 a ton off it. The Canadians have countered this—but only partly—by the offer of a loyalty rebate of 2 per cent (under £4 a ton), to be paid at the year end to loyal buyers of the Canadian metal. But it seems unlikely that the Russian inroads will be reduced either by that or by this week's reduction in the Canadian price, for the Russian contracts often guarantee to maintain the same price discount even if the Canadian price falls.

Faced with this form of competition—which, though no doubt unpleasant for the Canadians, does not by itself constitute dumping—the Canadian producers asked the Board of Trade last January to impose an anti-dumping duty on imports of the Russian metal. Their case, which is still under consideration, rests on a necessarily arbitrary calculation of the fair market price, or of costs of production, in Russia. It is true that unless an arbitrary judgment were made, the anti-dumping duty could never be applied, under the terms of the present Act, to goods originating in a Communist country: but to stifle such limited price competition as has appeared in aluminium might be a dubious use of the duty.

BANK FIGURES

Falling Deposits

THE full statements for mid-March of the eleven London clearing banks, aggregated below, confirm that the decline in deposits has been more than seasonal : the adjusted index compiled by Lloyds Bank dropped by 0.5, to 109.3. In the first two and a half months of 1958, net deposits have fallen by £429 million, compared with the fall of £408 million in 1957, which itself was big. Advances

have risen notably less steeply than a year ago—the March increase to borrowers, other than state boards, was £42 million, compared with £71 million in March, 1957. The fall in liquid assets, by £493 million since end-December, has actually been a little larger than last year. This is no

LONDON CLEARING BANKS

	March 19, 1958 £mn		Change on Month £mn	Change on Year £mn
Deposits	6,365·4		− 35·0	+204·1
"Net" deposits*	6,036·8		+ 43·9	+193·0
		% †		
Liquid Assets	2,160·2	(33·9)	− 93·3	+152·9
Cash	515·9	(8·1)	+ 1·0	+ 14·8
Call Money	438·4	(6·9)	+ 24·0	− 7·9
Treasury Bills	1,081·9	(17·0)	−125·3	+165·9
Other Bills	124·1	(1·9)	+ 7·0	− 21·0
Risk Assets	4,010·8	(63·0)	+ 47·0	+ 41·1
Investments	2,093·7	(32·9)	+ 9·8	+100·5
Advances	1,917·1	(30·1)	+ 37·2	− 59·4
State Boards	50·7		− 4·9	+ 10·9
All Other	1,866·4		+ 42·0	− 70·3

* Excluding items in course of collection
† Ratio of assets to gross deposits.

mean achievement, since the Government must have needed part of its revenue surplus to finance the exceptionally large surplus in external payments. But the surplus on the Exchequer's domestic finances has been notably larger than in early 1957; and net sales of long-term securities in the market have probably at least matched those in the short-lived spurt preceding the cut in Bank rate in February last year.

NEW ISSUES

Dodging the CIC

THE Chancellor is looking into the ways of raising new money, especially for hire purchase, which by-pass the Capital Issues Committee. The fear that he may soon try some new way of blocking the loopholes undoubtedly has some connection with the spate of these plans in the weeks before the budget. Two companies in the motor car trade are the two most recent sponsors of what is in effect a rights issue of ordinary shares "ex CIC." Both have taken over, in exchange for their own shares, companies whose only asset is cash, and the shares so issued have then been offered, through an issuing house, to shareholders of the companies buying the cash.

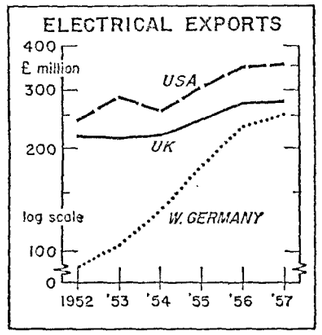
Midland Counties Motor Finance Company, an hire purchase finance house for the motor trade, has bought all the share capital of Townhead (Glasgow), whose only asset is £400,000 of cash, for 105,290 of its ordinary shares of £1 each. The Townhead vendors have re-sold these shares to Erlangers, who, in turn, are offering them in the ratio of three new for every eight held to existing ordinary shareholders in Midland Counties at 77s. 6d. per share. Henlys, the motor trading company, has bought all the issued capital of H.P. (Yorkshire), whose only asset is £302,370 of cash, for 448,288 of its ordinary shares of 4s. each. The new shares have been sold to Robert Benson, Lonsdale by the H.P. (Yorkshire) vendors at 13s. 10½d. each and Robert Benson, Lonsdale is offering them to ordinary shareholders in Henlys in the ratio of one new for every three held at 14s. 3d. per share, free of all expenses. So everyone, except the Chancellor, is satisfied: the companies have new capital; the vendors have cash; and shareholders are given a small turn in the rights issue.

EXPORTS

Electric Currents

IN 1953, before the investment boom, Britain's electrical manufacturing industries were exporting about 28 per cent of their output; by last year, the proportion was down to 22 per cent (though a good deal of electrical equipment is exported indirectly, for example in cars). As the British Electrical and Allied Manufacturers' Association says in its annual report, published last week, this does not mean a fall in exports, which rose during the period both in value and in volume: it shows that home demand for these industries' products rose much more. Coincidentally, Britain's share of world export trade in electrical goods also dropped from 28 per cent in 1953 to 23 per cent in 1957. The United States is still the world's main electrical exporter, though its share was down to just under 30 per cent last year. The major exporter showing the biggest rate of increase, as one has come to expect, was Germany, which last year was only barely behind Britain in its share of world business.

Rather more than half Britain's electrical exports still go to Commonwealth markets, but more than 18 per cent, last year, went to Western Europe. The electrical manufacturers are well aware of the prowess of some of their European competitors, but the Free Trade Area is a far less worrying prospect for them than being shut out of the Common Market, which alone, in 1957, took nearly 10 per cent of all British electrical exports. At present, British heavy electrical engineering companies are tendering for "everything and every job": this means tens of thousands of tenders a year, to some 120 countries, and for about four times as many jobs as they get contracts. Their competitors—among which BEAMA notes East Germany, Czechoslovakia and Hungary, though Russia's own exports were mainly inside the Curtain—tender much more selectively on an "in and out" basis, and are hence less worried about spoiling the general market in a country by cutting prices on one job there. This is inevitable for Germany, coming late into a market where the United States and Britain both enjoy special advantages in their own spheres. But it places a very heavy burden on the fairly few British heavy electrical companies that do export, and as BEAMA comments, "it is regrettable to record that there is still an unduly large proportion of British electrical manufacturers who do not export at all."



INDUSTRIAL DEMOCRACY

Employees' Share Schemes

SEVERAL big industrial companies have introduced plans to encourage their workers to become shareholders. The most open-handed of such schemes invests a sum of money (usually linked to the dividend) in shares that are

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handed out free to the workers; this type of scheme is run by ICI and Courtaulds. Other schemes supplement the worker's own investment by a contribution from the company: Rhodesian Selection Trust and a number of American companies are examples. Yet other schemes give long-service employees shares of a special class (usually preferential and usually unmarketable) and there are various trust and savings bank schemes in which the worker is not a direct shareholder but receives the benefit without being a personal holder of a special class of high dividend share deposited by the company: Joseph Lucas is one example. In "The Challenge of Employee Shareholding,"* Dr George Copeman analyses the schemes existing in this country and in the USA into ten categories and offers carefully checked summaries of the principal schemes.

Dr Copeman obviously prefers the schemes in which the workers become fully enfranchised holders of ordinary shares that they can keep or sell at will. That is the ICI method; and ICI is apparently not seriously disturbed by the fact that 23 per cent of the £1.7 million ordinary stock that was handed last year to 50,500 employees was sold, depressing the price at the time by 1s. 10½d. to 40s. 6d. It also emerges that the ICI scheme is in practice more generous than the Courtaulds scheme, the average bonus per participating head being £33 in ICI and £20 in Courtaulds. But there are many diverse factors, including the relation between capital structure and industrial process, and it is inevitable that each scheme should be *sui generis*.

*The Challenge of Employee Shareholding, by George Copeman. Business Publications in association with Batsford. 200 pages. 18s.

TAX RESERVE CERTIFICATES

Interest Cut

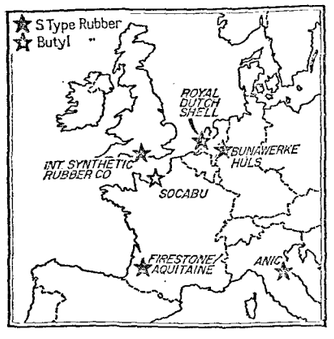
REDUCTION of Bank rate on March 20th made Tax Reserve Certificates carrying interest at 3½ per cent tax free an exceptionally attractive investment for their purpose. Interest is payable only for two years, and the holding can be employed only in payment of income tax, surtax, profits tax, and land tax. But TRCs are held mostly by people and institutions which suffer a high rate of tax, and even at no more than the standard rate of 8s. 6d. the tax-free interest was worth £6 1s. 9d. per cent. For holders in the surtax class it was worth more. Money poured into tax certificates. The average rate of investment is just over £7 million a week, but in the last two weeks and one day of the financial year £40.6 million of certificates were bought, against £18.7 million in the last two weeks of the previous financial year. Naturally the Treasury has now found it necessary to bring the rate of interest into line. New certificates bought after March 29th carry interest at 3¼ per cent tax free (equal to £5 13s. per cent gross to a taxpayer on the standard rate)—still an attractive rate.

SYNTHETIC RUBBER

Europe Makes Its Own

NEW styrene-butadiene and special-purpose rubber plants nearing completion in Britain, Germany, Italy and France, together with projects recently announced in the Netherlands, should make Western Europe virtually self-sufficient for most types of synthetic rubber by 1960. Western Europe consumed over 200,000 tons of synthetic rubber last year, mostly of the standard general purpose type, against about 600,000 tons of natural rubber. But it produced only about a tenth of its requirements of synthetic—special-purpose rubbers made in Britain, and Buna rubber made in Germany—so that the balance had to be imported, and paid for in dollars. During the next two years this supply position will be radically changed.

In Britain, the International Synthetic Rubber Company's plant near Fawley, owned by the UK tyre makers, will come into production during 1958; full production of S-type rubber, at an annual rate of 50,000 tons, is scheduled for the last quarter of the year. At Ravenna, in Italy, a plant to produce S-type synthetic rubber and fertilisers from natural gas has been built by the Anic Company, a subsidiary of the state-owned ENI group. Running on imported butadiene, this plant should be producing at an annual rate of 30,000 tons of rubber by the end of this year, and if the company carries out its plans to make butadiene locally it hopes to reach an annual output of 50,000 tons or more by 1960. Germany, too, is about to re-emerge as a large-scale producer of synthetic rubber with a new plant built in the Ruhr by Bunawerke Hüls AG, in which Chemische Werke Hüls, AG has a half interest, with the other half divided equally between the "big three" chemical concerns, Bayer, Hoechst and BASF. Designed for an annual output of at least 45,000 tons of cold rubber, this plant should also be in full production by the end of this year. Any losses, up to £850,000 a year for five years, will be underwritten by the German tyre manufacturers. In France, the Firestone Tire and Rubber Company's plans (jointly with Société Nationale des Pétroles d'Aquitaine) for a 40,000-ton S-type rubber plant have not yet reached the construction stage, but a plant to make 20,000 tons a year of butyl rubber, sponsored by a consortium led by Esso Standard, is due to come into production next October. The first of its kind in Europe, this will provide for all of Europe's current demand for butyl. At Pernis, near Rotterdam, the Royal Dutch-Shell group plans to produce at least 50,000 tons a year of S-type rubber, though in view of its later start this plant is unlikely to be producing much before 1960.



If all of these plans are fulfilled, Europe's capacity for the production of S-type rubber could reach nearly 250,000 tons of cold rubber by the end of 1960; the actual output of oil-extended rubber would be 10 or 15 per cent higher; and the addition of some 10,000 tons of hot Buna rubber, 20,000 tons of butyl, and some 30,000 tons of other special-purpose rubbers made by Du Pont, ICI, Bayer, and others, brings the total to over 300,000 tons a year. Synthetic rubbers account for only 25 per cent of Europe's total rubber consumption, compared with over 60 per cent of total consumption in the United States, so even if natural rubber prices do not rise, some switch from natural to synthetic in Europe may be expected to augment the normal growth in demand. Although some American synthetic rubber may continue to be imported, there should still be room for most of Europe's planned output within its own borders.

WOOL

Stockpile Stops Selling

THE British stockpile has decided to offer no wool at the London May sales. An announcement about further sales is to be made later. That it is right for the British stockpile to stop selling on a sagging market is not open to doubt. Clearly the decision is intended to comply with the Defence White Paper's policy of selling so as not to disrupt markets. Equally certainly the governments of the wool producing dominions have been consulted. What is extraordinary about the decision is the haste with which it appears to have been taken. Last week the Committee of London Wool Brokers was fixing up the programme for the stockpile's May offering and some of the wool not now to be sold was on its way to London from the North.

The inference must be that the Board of Trade has discovered a desire to appease the New Zealand trade mission shortly expected in this country. It has not necessarily been much influenced by the fact that sales at current prices almost certainly involve a small loss. The British stockpile originally of about 500,000 bales has been sold at the rate of about 100,000 bales a year down to an estimated figure of about 350,000 bales. The influence on world prices of releases of that order must be marginal.

BUILDING CONTRACTS

Tendering at Firm Prices

THE Ministry of Works could hardly have chosen a more opportune time than the end of April last year to try to get the building industry back on to its prewar practice of firm price tendering. Soon afterwards, the rate of constructional activity began to slow down, and pressure on the industry's costs also lessened. And this change in the climate of trade both in the building industry itself and in the supply of building materials has certainly made it easier and more advantageous for builders to submit firm prices for contracts.

For a year from May, 1956, the Ministry tried out the idea as an experiment with selected contracts costing less than £100,000 and with one—for a large office block in Manchester—that cost more. But since May last year government building contracts of all values "thoroughly planned in advance" and due for completion within two years—the two conditions the Ministry conceded to the industry—have been let at prices that only variations in the design or extra work could cause to be changed. Local authorities and the nationalised industries were encouraged to follow suit. By last January as many as 37 per cent of the new houses and flats in contracts approved by the Ministry of Housing for England and Wales were let on firm price contracts. This is progress indeed: as recently as June last year the proportion was only 3 per cent, and the current figure probably covers about £100 million of new work a year. In road construction, where more machinery and fewer materials are used, the contractor has even greater chance of making money by putting in a good performance on a firm price contract; the £15 million contract for the Birmingham motorway is one recently let on the new basis. Educational building work—the other main form of governmental construction—has been a little slow to switch over since many contracts were already in the pipeline. The power station programme and railway modernisation, among nationalised industry contracting, are somewhat special in the nature of the work involved, and may also consist largely of contracts extending beyond the present concessionary limit of two years. But if all public sector building work that qualifies were let on the new basis then perhaps a third of all new construction would be on firm prices, say £500 million or more a year.

How far the practice has begun to spread among work done for private clients is somewhat obscure. But the advantages should be apparent to the industry and to the owner. The latter may get his building more cheaply and more quickly; and the contractor should be able to get the client—and his architect—more readily to make up his mind on the detailed design at the outset and keep to it, which in turn should allow him to plan his own operations and the contributions of the sub-contractors more effectively. That objective, allowing keener attention to costs, particularly in any future period of over-load on the industry, is in everyone's interest. Encouraged by present progress, the Ministry of Works may well decide to start pressing its recommendations home more insistently.

BANK NOTES

The Tourist Market

FOREIGN exchange rates quoted in *The Economist* and in other papers are telegraphic transfer rates. They are, broadly, the rates at which commercial transactions are settled by the change of ownership of bank balances. Frequently inquiries from readers suggest surprise because the rates at which the travelling public can buy and sell foreign bank notes differ from the telegraphic transfer rates. Such differences were narrowed recently when the British Government withdrew the prohibition on the importation of sterling bank notes into this country. But some other countries still maintain rules about the amount of their own bank notes that the travellers can take in or out and the price of their bank notes in international markets reflects these rules.

	Telegraphic Transfer Rate		Wholesale Bank Note Rate	
	Buyers	Sellers	Buyers	Sellers
Austria	72·71	72·75	72·40	72·80
Belgium	139·65	139·70	139⅛	139⅝
France	1,182	1,182½	1,251	1,254
Germany	11·74⅛	11·75	11·72	11·77
Italy	1,745½	1,746	1,735	1,743
Norway	20·01	20·01½	19·94	20·05
Spain	117·4*		147½	148
Switzerland	12·25⅜	12·25⅞	12·18	12·22

* Fixed rate.

The accompanying table sets out the rates for bank notes quoted by a London merchant bank specialising in this business, and compares them with the telegraphic transfer rates. The individual traveller naturally will make his arrangements not with a wholesaler but with his own clearing bank and the rates he will pay will have to cover the

bank's risk in holding a stock of notes and its commission. As an example, the joint stock banks have recently been quoting French franc notes in small quantities at around 1,245-1,270 to the £.

SHORTER NOTES

The Shell Company of Palestine, which distributes about 40 per cent of the 1,300,000 tons of petroleum products consumed annually in Israel, has been sold by its joint owners, Royal Dutch-Shell and BP, to a group of investors headed by Mr Isaac Wolfson. The company's assets in Israel, which include a storage installation at Haifa, bulk oil depots at Tel Aviv, Jerusalem and Beersheba and about fifty service and filling stations, together with road tank wagons, have a book value of about £4,250,000, but may have been sold for less. Haifa refinery, which is also owned jointly by Royal Dutch-Shell and BP, is not included in the deal, but Mr Wolfson has no doubt received assurances about his future oil supplies.

* * *

Investment in new road construction and major improvements, as provided in the Civil Estimates, is expected to rise by £15 million to £42 million in the new financial year. With local authority contributions this will probably bring total road investment up from not quite £40 million this year to nearly £55 million. £10 million of this increase will go on the Birmingham motorway and the new Thames tunnel. Authorisations next year will be £37 million higher at £106 million, which will leave the government committed to spending a further £178 million by this time 1959.

* * *

Mr Arthur John Whitehead, head of the Whitehead Industrial Trust and four others have been charged on a warrant which refers to Boundia Securities Limited, as well as to the Whitehead Industrial Trust, alleging a conspiracy to defraud such persons as might be induced to purchase the shares of Tati Goldfields and Sage Oil Company.

* * *

Returns collated by the UK Chamber of Shipping show that 182 ships totalling nearly 1 million gross tons were laid up in UK ports on March 1st. A further half million tons were awaiting or undergoing repair. British ships laid up totalled 611,000 tons (120,000 tons more than on February 1st) and included 254,000 tons of tankers; foreign ships laid up rose by 70,000 tons to 357,000 tons, of which only 21,000 tons were tankers. British ports probably contain only about a fifth of the total tonnage now laid up throughout the world.

* * *

Monthly instalment contributions in the savings plan of the unit trust, Domestic Investment Trust Second Series, can now be made over the counters of the branches of the Midland Bank in England and Wales.

COMPANY AFFAIRS

UNION ACCEPTANCES

THE late Sir Ernest Oppenheimer saw that South Africa needed to develop a money market of its own—a necessary corollary of the need to generate locally a larger part of the capital that its mines and industries (including the Anglo American group) use. Union Acceptances was his instrument, initially a combined issuing house, acceptance house and discount company. It was followed by Union Acceptances (Zurich) to tap Swiss capital; then by Rhodesian Acceptances to help along with others in the development of a money market in the Rhodesias; and more recently by the Discount House of South Africa, which separated the bill-carrying from the acceptance functions.

The second balance sheet of Union Acceptances and the speech of Mr Harry Oppenheimer show how much of his father's dream has been accomplished, and what still remains to be done. The business has expanded; net profits have risen from £50,607 in 1956 to £116,744 in 1957, the issued capital from £500,000 to £1 million and the balance sheet total from £6.6 million to £11.2 million. Nothing has yet been taken out in dividend. The big balance sheet change, compared with 1956, is that on the formation of the discount house, Union Acceptances has ceased to hold its own accepted paper. So while acceptances are up from £3.3 million to £7.5 million, holdings of bills are down from £1.9 million to a mere £94,000 of commercial bills and £100,000 of Treasury bills. Cash is up from £343,000 to nearly £2 million.

To make a discount market work Mr Oppenheimer wants the South African Government to issue tender Treasury bills, the price of which would fluctuate with market conditions. He can now argue that the new Rhodesian Central Bank, which operates in a much less fully developed financial environment, has agreed to do so. Union Acceptances perforce had to build up an information and investment management service to support its own duties and this, it finds, can be turned to other uses. For some time it has been offering a financial advisory service, and now it is ready to manage an investment trust. Mr Oppenheimer discloses that he has been attracted by the idea of an open-ended trust, but finds legal and other difficulties still to be overcome. Meanwhile an orthodox investment trust—First Union General Investment Trust—has been established with a wide industrial spread. Its shares are held by large institutions in South Africa and overseas and it is intended later to give them a wider distribution.

REYROLLE

THE preliminary statement of Reyrolle, the electrical manufacturers specialising in switchgear, is skimpy in detail but reasonably satisfactory in content. The group's profits, which had fallen sharply in 1956, made a slight recovery last year though not sufficient to bring them back to their 1955 level. Profits before tax rose last year from £2,563,273 to £2,762,274, and profits after tax from £1,253,920 to £1,353,036. On the ordinary capital as increased to £4,579,411 by the rights issue in December, 1956, the dividend is maintained at 17½ per cent.

Cold Wind for Unilever

THE investor in Unilever is tied to the housewife's apron strings. Whether she is black, brown or white it is the way she spends her francs, rupees or shillings that govern the size of the earnings and dividends of the Unilever diarchy. In holding Unilever ordinary stock the investor has to strike a balance between the prospective advantages that will accrue from the secular growth of trade as living standards improve and the immediate threat that a trade recession will temporarily interrupt that growth. The investors' choice still seems to be tilted towards long term growth, for on the maintained ordinary dividend of 17½ per cent the shares of Limited yield nearly 4¾ per cent.

This comfortable view of the long term future is supported by the fact that the dividends are covered about four times by earnings. The directors of Unilever are prepared to take long views too: they spent £42 million on fixed assets last year and another £38 million is listed against capital projects. With equanimity they contemplate a fall in liquid resources from the "unusually high" figure of £47.7 million to £22 million with the remark that resources are expected "to be sufficient to meet requirements in 1958."

But it is clear that the rate of growth of earnings has been checked. That is apparent from the fall in net profit margins on turnover from 2.9 per cent to 2.4 per cent and on capital employed from 10.2 to 8.2 per cent last year. The economists of Unilever estimate that world industrial production increased last year by less than 2 per cent, that this small increase occurred almost entirely in the first half of the year and that "the expansion of international trade had clearly been checked." In such circumstances, an increase of 3 per cent in the money value of turnover from £1,671 million to £1,720 million may be considered more as a cause for congratulation than despondency. In the United Africa Group, where the fall in commodity prices had an immediate effect on money incomes, sales increased by only 1½ per cent to £295 million.

Bigger sales of the group as a whole, however, earned smaller profits. Trading profits fell from £99 million to £85¼ million. In keeping with the detailed frankness of the Unilever reports, the directors list the causes of this decline in profits. At the beginning of the year it was "more than usually difficult"—which may be a roundabout way of describing consumers' resistance—to adjust the price of margarine and edible fats to match the steep rise in raw material prices at the end of 1956. Abundant supplies of cheap butter checked the expansion of sales of margarine and actually led to a fall in the Netherlands and Germany—a fact which helps to explain why NV's profits fell more steeply than Limited's. In the face of this competition, selling prices had to be reduced later in the year. In animal feeding stuffs, selling prices had to follow the fall in commodity prices and margins were reduced by the "combination of this price movement and the higher cost of raw materials acquired earlier." Moreover, in Europe the demand for animal feeding stuffs was reduced by the unusually mild winter.

The devaluation of the French franc and the exclusion of earnings in Indonesia from the 1957 reckoning make their own contribution to the decline in profits (notably in the NV accounts). But the directors set down the principal reason thus: "Although turnover increased in most of the main commodity groups intensified competition meant that this could only be achieved by an increase of advertising and other expenses." Of soaps and detergents the directors report "total sales continued to rise, though profits were lower"; soapless detergents made "further substantial progress in almost every country," but sales of soap products fell slightly. Unilever's total sales of soaps and detergents were lower in the British market; and in this country Unilever products more than held their own in a shrinking market for synthetic powders, but "Persil" failed "to continue its record breaking progress" in an appreciably bigger market for soap powders.

All this is a reckoning of the past. But it is also a pointer to the immediate future. Trade has shrunk; competition may be even sharper than it was last year; and margins may suffer. And it is notable that the emphasis in capital projects has been tilted towards food (other than margarine and fats) where sales have been expanding and where profits have been holding up. The outlook, on which the directors make no comment, would thus seem to be that the diarchy will find it difficult to secure bigger sales and even more difficult to do more than to earn recent margins of profits upon them. This is a cold wind, but it would take a hurricane in world trade winds to topple this giant from its secure pedestal.

PROFITS AND ASSETS
(£'000s)

	Unilever Limited		Unilever NV		Combined	
	1956	1957	1956	1957	1956	1957
Profits and Dividends :—						
Trading Surplus	56,659	52,331	62,111	54,705	118,770	107,036
Depreciation	9,511	10,502	9,836	10,831	19,347	21,333
Trading profit	46,886	41,546	52,143	43,710	99,029	85,256
Investment income	1,154	1,257	339	467	1,493	1,724
Loan interest	977	980	764	718	1,741	1,668
Taxation	23,999	21,032	27,873	24,103	51,872	45,155
Profit after tax	23,064	20,801	23,845	19,356	46,909	40,157
Net income	25,204	21,132	21,929	19,138	47,133	40,270
Preference dividends	2,500	2,500	1,104	1,104	3,604	3,604
Ordinary dividends	2,695	2,695	5,555	5,555	8,250	8,250
Retained profits	20,009	15,937	15,270	12,479	35,279	28,416
Assets and Liabilities :—						
Preference capital	56,294	56,294	20,289	20,289	76,583	76,583
Ordinary capital	26,746	26,746	35,615	35,615	62,361	62,361
Retained profits	143,265	161,330	80,913	93,237	224,178	254,575
Minority interests	15,230	14,671	9,316	9,558	24,546	24,229
Loan capital	24,257	23,991	21,180	19,384	45,437	43,375
Future tax	26,800	25,600	10,714	12,406	37,514	38,006
Capital employed	276,844	296,418	193,775	202,711	470,619	499,129
Land, buildings and equipment, etc.	104,234	124,251	95,174	102,797	199,508	227,048
Net fixed assets	111,555	131,618	103,529	111,183	215,084	242,801
Stocks	138,312	145,157	104,629	114,856	242,941	260,013
Debtors	72,990	75,309	41,529	42,531	114,519	117,840
Investments	21,890	18,266	10,095	8,805	31,985	27,071
Cash	17,766	16,673	24,844	17,565	42,610	34,238
Creditors	46,312	45,016	50,724	47,732	97,036	92,748
Short-term borrowings	14,380	19,773	12,538	19,672	26,918	39,445
Taxation	21,638	22,488	23,167	20,362	44,805	42,850
Dividends	3,339	3,328	4,422	4,463	7,761	7,791
Net current assets	165,289	164,800	90,246	91,528	255,535	256,328
Total	276,844	296,418	193,775	202,711	470,619	499,129

SWAN, HUNTER

INVESTORS were given an inkling that the Tyneside shipbuilders, Swan, Hunter, and Wigham Richardson, might be adopting a more generous dividend policy last July when the directors raised the interim payment from 3 per cent to 5 per cent. So in front of the final dividend announcement the price of the £1 ordinary stock was moving up. The guess was right; the final payment is up from 11 to 13 per cent, making a total dividend of 18 per cent, against 14 per cent. On the new dividend the £1 stock at 57s. 3d. yields 6.3 per cent.

Such a decision could hardly have been taken unless the directors were happy about the order book and the current trend of profits, especially as the dividend relates to a year when gross profits actually fell from £3,398,860 to £3,054,757, but these figures are struck after an unspecified (and presumably higher) charge for depreciation. Moreover, variations in shipbuilding profits are often connected with the uneven completion of contracts. After tax, net profits have risen slightly—from £1,482,952 to £1,493,663—and the new dividend is covered more than three and a half times by earnings.

GLAXO LABORATORIES

BIG profit retentions are needed by pharmaceutical manufacturers to cover the costs of continuing research and development. The big earnings cover of Glaxo Laboratories seems to have hypnotised investors, and the dividend yield on the stock has remained low, but dividends on the 10s. units have gradually been raised. This year's payment may be raised again, for the interim has been increased from 5 to 6¼ per cent, which undoubtedly has raised hopes that the total payment for the year to June 30th next will be more than 12½ per cent paid for 1956-57.

Certainly the market was pleased with the interim and with the half-yearly results supporting it. The 10s. units were marked up from 35s. to 36s. 9d. Turnover has risen and profit margins have widened. In the six months to December 31st turnover was 24 per cent higher than in the same period of 1956 and 5 per cent higher than in the first six months of last year. Trading profits at £2,509,000 were nearly 57 per cent higher than in the last six months of 1956 (when they were £1,601,000) and about 9½ per cent higher than the £2,289,000 earned in the first six months of 1957. These figures suggest that the rate of growth has slowed down and the directors warn shareholders that "whilst profitability before taxation has been more than maintained . . . it is not to be inferred that a further improvement will be possible during the current half year. Conditions in a number of overseas markets are difficult, and restrictions on importations have been imposed in certain instances."

PRESSED STEEL

THROGMORTON STREET had naturally expected some recovery in the profits and dividend of Pressed Steel, whose fortunes are tied closely to the motor industry, though it makes refrigerators and railway wagons as well as motor bodies. Satisfaction with the results actually achieved last year was reflected in the rise of 7½d. to 15s. 4½d. in the price of 5s. ordinary stock and of 3 points to 107½ in the 5½ per cent convertible debenture, which provides the option to convert into ordinary stock from June 1st this year. On the issue price of £100 the conversion option is equivalent to 14s. 3d. for the ordinary stock when it starts on June 1st this year and to 15s. 7½d. on its final date of June 1, 1961.

Pressed Steel's net profits after tax rose from £951,682 to £1,527,121 in 1957 and its gross profits before tax from £2,190,160 to £3,508,051. The total ordinary dividend has been raised from 15 per cent, to which it was cut in 1956, to 20 per cent, but the rate is still lower than in 1954 and 1955 when 22½ per cent was paid. Earnings appeared to justify the complete restoration of the dividend but the directors have not thought it wise to go the whole way.

London Stock Exchange

FIRST DEALINGS:	Mar. 12	Mar. 26	April 16
LAST DEALINGS:	Mar. 25	April 15	April 29
ACCOUNT DAY:	April 1	April 22	May 6

THE fall in the Treasury bill rate, expected though it was, helped to keep gilt-edged prices moving upwards, just as the announcement of Corporation issues at 5¼ per cent (expected though this break with 6 per cent was) did. Throughout the list of Government stocks prices moved up, especially on Tuesday in anticipation of the gold and dollar figures when a strong demand, which embraced those dates which fit the requirements of the banks, developed. In the four days to Tuesday's close War Loan rose from 64⅞ to 65⅞, 3 per cent Transport (1978-88) from 63⅛ to 64⅛, and 3 per cent Saving (1955-65) from 86⅛ to 86¼. And the new Belfast stock established a premium of ⅛.

The gains in gilt-edged prices were not made at the expense of industrial equities. Their prices in a narrow market made modest gains, with *The Economist* indicator rising from 176.0 to 179.4 in the four days to Tuesday's close. Industrial prices were particularly stimulated by good company results; after the dividend announcement, for instance, ICI gained 3s. to 43s. 9d. and then held this gain in active dealings. Selective buying included building and constructional shares, under the lead of Richard Costain after that company announced a bigger dividend. One of the biggest rises was that recorded in the stores group by William Whiteley, which in four days rose from 20s. 10½d. to 27s. 6d.

The market in oil shares remained quiet, with prices moving erratically within narrow limits, but Ultramar went ahead. Kaffir shares after the week-end were firm, notably the Free State issues. Rubber and tea shares held earlier gains in a quiet market. Among the metal issues, copper shares moved up on the improvement in the price of copper.

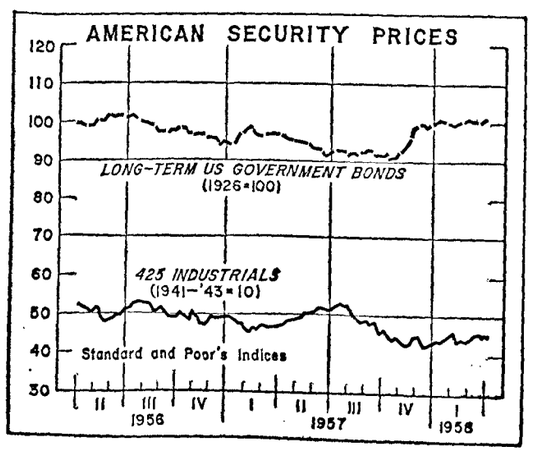
LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Mar. 26, 1958	Price April 1, 1958	Net Yield, April 1, 1958 § £ s. d.	Gross Yield, April 1, 1958 £ s. d.
97 19/32	93 1/4	War Loan 3% ... 1955-59	97 1/4	97 9/32	3 7 11	4 13 3
95 23/32	87 1/8	Funding 2½% ... 1956-61	93 3/8	93 23/32	3 12 2	4 14 0
99 9/32	98 3/32	Conversion 4% ... 1957-58	99/13/2	99/13/3	1 7 0	5 11 3
97 13/32	94 1/32	Conversion 2% ... 1958-59	97 5/32	97 1/16	3 11 10	4 13 10
95 5/16	90 1/4	Exchequer 2% ... 1960	95 1/8	95 1/16	3 14 3	4 13 0
97 3/8	92 1/2	Exchequer 3% ... 1960	96 3/4	97 1/16	3 5 1	4 12 2
99 5/8	93	Conversion 4½% ... 1962	98 1/32	98 3/32	2 16 5	4 16 4
89 3/4	84 3/8	Savings Bds. 3% 1955-65	86 1/4	86 3/8	3 16 10	5 5 2
84 1/2	77	Funding 3% ... 1959-69	78 1/8*	78 1/2*	4 2 7	5 11 9
92 3/8	84 11/16	Funding 4% ... 1960-90	86 3/8*	86 1/2*	9 7 4 / 2 18 8	11 3 0 / 4 15 11
81 1/8	74	Savings Bds. 3% 1960-70	76 3/8	76 5/8	4 3 5	5 13 7
94 5/8	87 3/8	Exchequer 3% ... 1962-63	92 1/4	92 3/8	3 7 11	4 16 4
89 5/8	83	Exchequer 2½% ... 1963-64	87 3/8	88 1/4	3 14 7	4 19 3
83 1/16	77 1/4	Savings Bds. 2½% 1964-67	78 1/8*	79 1/4*	4 4 3	5 8 3
77 1/2	67 1/2	Savings Bds. 3% 1965-75	70 3/4	71 3/4	4 1 1	5 12 10
—	—	Exchequer 5½% ... 1966	100 7/8	100 7/8	3 2 5	5 9 5
84 5/8	78 1/4	Funding 3% ... 1966-68	80 1/2	80 3/4	4 1 6	5 11 1
95 1/4	91 1/4	Victory 4% ... 1920-76	91 1/2	91 3/4	3 6 10	5 3 6
88 1/8	80 3/4	Conversion 3½% ... 1969	83 1/8	83 1/4	3 17 1	5 10 6
81 1/2	69 1/2	Treasury 3½% ... 1977-80	73 1/4	74 1/4	3 15 6	5 12 7
80	68	Treasury 3½% ... 1979-81	72 1/16	73 1/8	3 15 8	5 12 6
—	—	Funding 5½% ... 1982-84	98 1/2	99 1/4	3 4 9	5 12 4
71 1/2	57 1/4	Redemption 3% ... 1986-96	62*	62 3/8	3 10 0	5 5 8
80 3/8	63 1/2	Funding 3½% ... 1999-2004	69 1/8	69 1/8	3 6 8	5 6 7
81 13/16	68	Consols 4% after Feb. 1957	71 1/4	72 3/8	3 3 11	5 11 7
75	60 1/2	War Loan 3½% after 1952	64 15/16	65 1/32	3 1 10	5 8 4
75 1/2	58 1/2	Conv. 3½% after Apr. 1961	63 3/4*	64 1/8	3 2 7	5 8 11
65 1/2	51 1/2	Treas. 3% after Apr. 1966	55 5/8*	56*	3 1 7	5 7 1
55 1/16	45	Consols 2½%	48 1/2*	49 1/8*	2 17 11	5 0 9
55 1/16	44	Treas. 2½% after Apr. 1975	47 1/4*	47 1/32	3 0 2	5 4 7
96 1/2	88 3/4	Br. Electric 4½% .1967-69	92 3/8	93	3 7 6	5 8 2
80 1/16	70	Br. Electric 3% ... 1968-73	73 1/4*	73 1/4	4 2 3	5 12 11
78 1/8	66	Br. Electric 3% ... 1974-77	70 1/4	70 7/8	3 18 6	5 10 2
92 7/8	79 1/4	Br. Electric 4½% .1974-79	83 3/8	83 5/8	3 10 10	5 11 6
81 1/16	69 1/8	Br. Electric 3½% .1976-79	74 1/4	75 1/8	3 15 1	5 12 2
90 1/4	81	Br. Gas 4% ... 1969-72	84 1/2	85 1/4	3 13 6	5 11 8
87 1/2	78	Br. Gas 3½% ... 1969-71	80 7/8	81 1/4	3 16 8	5 10 8
72 1/2	58 1/2	Br. Gas 3% ... 1990-95	62 1/2*	63*	3 10 3	5 5 4
80 1/16	70	Br. Transport 3% 1968-73	73 1/4*	73 1/4	4 2 3	5 12 11
88 1/4	77 1/8	Br. Transport 4% 1972-77	81 1/2	82	3 12 8	5 12 4
72 1/2	59	Br. Transport 3% 1978-88	63 1/16	64 1/2	3 14 5	5 9 6

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Mar. 26, 1958	Price, Apr. 1, 1958	Yield, April 1, 1958 £ s. d.
92 3/8	82	Agric. Mortgage 5% ... 1959-89	86 1/2	86	6 0 0
81 1/2	75	Australia 3½% ... 1965-69	77 1/2	77	6 3 4
97 1/2	91 1/2	Birmingham 5% ... 1973-75	95	95	5 9 3
100 1/2	91	East Africa 5½% ... 1977-83	91	90	6 11 6
105 1/2	96	L.C.C. 5½% ... 1977-81	98 1/2	98	5 13 1
69 3/8	54 1/2	Met. Water Board 'B' 3% 1934-2003	57 1/2	59	5 9 10
87 1/2	77	New Zealand 4% ... 1976-78	80 3/4	80	5 14 5
75 3/8	67 1/2	S. Rhodesia 2½% ... 1965-70	69 1/2	68 1/2	6 6 3
87	72 1/2	German 7% (Br. Enfaced 5%) ... 1924	90 1/2	90 1/2	...
169 1/2	147 1/2	Japan 5% (Enfaced) ... 1907	161 1/2	161 1/2	...

Prices, 1957 High	Prices, 1957 Low	ORDINARY STOCKS	Price, Mar. 26, 1958	Price, Apr. 1, 1958	Yield, April 1, 1958 £ s. d.
		BANKS & DISCOUNT			
30/9	19/6	4 a 5 b Bk. Ldn. & S. Amer. £1	28/6	28/-	6 8 7
47/3	40/-	6 a 6 b Barclays Bank ... £1	41/6	42/-	5 14 3
35/3	27/6	4 a 4 b Barclays D.C.O. ... £1	28/-	28/-	5 14 3
42/6	34/6	7½a 7½b Chartered Bank ... £1	35/6	36/-	5 8 8
51/3	42/9	6½a 6½b Lloyds Bank ... £1	43/6	45/-	5 15 7
66/7½	58/-	9 a 9 b Midland Bank ... £1	58/6	59/6	6 1 0
40/6	28/6	5 a 5 b Nat. Discount 'B' .. £1	31/6	32/-	6 5 0
51/6	39/3	6½a 6½b Union Discount ... £1	44/6	44/6	5 12 4
		INSURANCE			
86/4½	61/7½	43½b 30 a Commercial Union 5/-	68/6	70/-	5 5 3
177/6	102/6	40 a 60 b Legal & General .. 5/-	121/3	6½	4 0 0
113/9	87/6	†20 a †50 b Pearl ... 5/-	95/-	93/9	5 9 11
46	34½	†132½c †147½c Prudential 'A' ... £1	40½	41	6 5 2
		BREWERIES, ETC.			
32/6	26/4½	10 a 36 b Bass ... 5/-	33/6	33/6	6 17 4
25/9	19/7½	18½c 7½c Distillers ... 6/8	20/7½	21/3	5 17 8
44/9	36/-	10 a 15 b Guinness ... 10/-	38/-	38/1½	6 11 2
87/3	63/6	8 a 17 b Whitbread 'A' ... £1	78/-	79/4½	6 0 11
		MOTORS & AIRCRAFT			
21/6	11/9	6½b 3½a Bristol Aeroplane 10/-	10/3	10/6	9 10 6
8/7½	6/-	12½c 12½c British Motor ... 5/-	7/3	7/3	8 12 5
40/-	29/3	3 a 6 b Ford Motor ... £1	35/1½*	35/7½*	5 1 8
48/9	27/6	3 a 7 b Hawker Siddeley ... £1	25/4½	25/9	7 15 4
53/-	41/9	12½c 12½c Leyland Motors ... £1	40/3	39/4½	6 7 0
121/-	90/7½	15 b 5 a Rolls-Royce ... £1	91/3	88/3	4 10 8
9/1½	5/11½	8 c 8 c Standard Motor ... 5/-	8/-	7/6	5 6 8

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Mar. 26, 1958	Price, Apr. 1, 1958	Yield, April 1, 1958 £ s. d.
		% %	STEEL & ENGINEERING			
83/-	52/-	8 b 7 a	Babcock & Wilcox .. £1	47/-	47/6	5 9 6
29/3	20/-	4 a 6 b	Dorman Long ... £1	22/7½	22/9	8 15 10
56/6	41/9	10 b 5 a	Guest Keen N'fold .. £1	46/6	48/3	5 11 11
76/4½	50/6	†4 a †8 b	Alfred Herbert ... £1	62/6	62/6	6 13 7
59/-	40/-	7 b 4 a	Metal Box ... £1	45/9	46/3	4 15 2
34/-	19/-	3 a 8 b	Stewarts & Lloyds .. £1	20/1½	20/7½	10 13 4
81/-	52/-	5 a 13 b	Swan Hunter ... £1	55/3	57/6	3 2 7
24/1½	18/-	4 a 4 b	United Steel ... £1	18/-	18/6	12 8 8
46/-	29/3	7½b 2½a	Vickers ... £1	29/10½	30/-	6 13 4
			ELECTRICAL			
72/3	47/6	7½a 7½b	Assoc. Elec. Inds. .. £1	49/3	49/4½	6 1 6
55/-	39/4½	8½b 4 a	Br. Ins. Callenders .. £1	41/3	40/9	6 2 8
32/6	24/-	14½a 29½b	Decca Record ... 4/-	26/9	27/-	6 9 3
36/3	24/-	15 c 15 c	Elect. & Mus. Inds. 10/-	29/9	31/6	4 15 3
64/9	47/3	4 a 10 b	English Electric ... £1	51/6	51/10½	5 7 11
59/-	37/9	8 b 3½a	General Electric ... £1	30/6	30/7½	7 10 3
			TEXTILES			
24/1½	14/-	3 a 3 b	Bradford Dyers ... £1	13/4½	14/-	8 11 6
55/-	39/4½	8½b 2½a	Coats, J. & P. ... £1	20/6	21/-	8 6 8
37/9	20/10½	6 b 3 a	Courtaulds ... £1	20/3	20/6	8 15 7
38/7½	31/10½	5 a 12½b	Lancashire Cotton .. £1	31/1½	32/-	10 18 8
41/7½	30/10½	12½b 2½a	Patons & Baldwins .. £1	31/4½	31/3	9 12 0
			SHOPS & STORES			
24/6	13/9	16 c 6 a	Boots Pure Drug .. 5/-	19/-	20/-	4 0 0
42/10½	31/4½	20 b 7½a	Debenhams ... 10/-	34/10½	36/10½	7 9 2
55/7½	33/3	50 b 15 a	Gt. Universal 'A' .. 5/-	37/9	39/-	8 6 8
57/3	30/3	20 b 10 a	Marks & Spen. 'A' 5/-	39/4½	40/6	3 14 1
30/3	19/3	20 b 12½a	United Drapery .. 5/-	23/6	23/6	6 18 3
49/-	37/10½	13½a 26⅜b	Woolworth ... 5/-	37/9	38/-	5 5 3
			SHIPPING			
47/9	30/6	11 b 6½a	Brit. & Com'wealth 10/-	31/-	31/-	5 12 11
27/9	17/6	8 b 2 a	Cunard ... £1	16/9	17/6	11 8 6
48/10½	28/3	9⅜c 10⅜c	Furness Withy ... £1	31/3	31/-	6 19 4
38/-	23/9	3 a 8 b	P. & O. Deferred ... £1	27/9	28/6	7 14 4
			MISCELLANEOUS			
36/10½	24/9	22½c 18a	Allied Bakeries 'A' 5/-	31/6	34/-	4 8 3
50/3	29/9	6 b 3 a	Assoc. Port. Cem. .. £1	34/9	36/3	4 19 4
27/9	18/6	12½b 22 a	Beecham Group ... 5/-	32/4½	32/-	5 7 10
47/9	26/3	8 b 4½a	Bowater Paper ... £1	28/-	28/-	8 18 7
68/10½	38/-	4 a 8 b	Br. Aluminium ... £1	44/9	45/-	5 6 8
46/4½	35/-	†10 a †6⅜b	Br. Amer. Tob. .. 10/-	42/1½	43/-	6 14 10
25/-	17/4½	17½b 7½a	B.E.T. 'A' Defd. .. 5/-	21/9	23/-	5 8 8
39/-	29/6	4 a 6 b	Br. Oxygen ... £1	33/6	34/-	5 17 8
21/10½	15/3	7½b 3 a	Dunlop Rubber .. 10/-	15/6	16/9	6 8 4
46/6	36/1½	4 a 8 b	Imp. Chemical ... £1	40/9	43/6	5 10 4
50/6	36/-	8½a 11½b	Imp. Tobacco ... £1	42/7½	43/-	9 6 0
36/9	27/3	5 b 2½a	J. Lucas (Inds.) ... £1	34/-	33/9	4 8 11
19/3	12/4½	5 a 8½b	Monsanto Chem. .. 5/-	13/4½	15/-	4 10 0
18/3	13/9	5 a 5 b	Ranks ... 10/-	14/3	14/6	6 17 11
55/6	29/9	10 b 5 a	A. E. Reed ... £1	29/6	29/6	10 3 4
15/10½	11/3	20 c 22½c	Sears Holdings 'A' 5/-	13/-	13/-	8 13 0
70/3	54/10½	4½a 12 b	Tate & Lyle ... £1	53/4½	54/3	6 1 8
70/9	50/-	7½a 7½b	Tube Investments .. £1	52/6	52/6	5 14 3
73/6	51/-	2½a 12½b	Turner & Newall ... £1	56/10½	60/-	5 0 0
114/6	71/9	6 a 11½b	Unilever Ltd. ... £1	75/4½	73/9	4 14 11
102/-	65/6	14½b 4 a	Utd. Dominions Tr. £1	84/-	82/6	4 9 8
44/-	27/6	†10 b †4½a	United Molasses .10/-	26/6	26/9	9 4 0
			OIL			
173/7½	87/6	†10 b †5 a	British Petroleum .. £1	86/10½	87/6	5 19 3
119/4½	70/7½	17½b †5 a	Burmah ... £1	68/1½	69/4½	6 9 8
£25	£14⅜	17½b 7½a	Royal Dutch .... 20 fl.	£15½	£15	3 2 8
218/3	136/10½	†15½b †5 a	Shell ... £1	130/7½	131/3	4 19 4
104/-	55/-	... ...	Ultramar ... 10/-	56/3	61/9	...
			MINES, ETC.			
137/6	115/-	20 a 60 b	Anglo-American .10/-	125/-	126/3	6 6 9
29/-	20/3	†2½a †10 b	Cons. Tea & Lands. £1	20/9	20/9	20 19 0
92/6	48/6	15 b 6½a	Cons. Zinc Corp. ... £1	46/6	47/4½	8 18 6
113/1½	81/3	80 a 120 b	De Beers Def. Reg. 5/-	*91/10½	*90/7½	11 0 8
83/1½	58/7½	20 b 40 a	Free State Geduld. 5/-	79/4½	79/4½	3 15 7
12/10½	7/3	30 c 30 c	London Tin ... 4/-	7/1½	7/-	17 3 0
56/7½	45/-	50 a 50 b	President Brand .. 5/-	49/4½	49/6	10 2 0
24/9	13/10½	8½a 16⅜b	Rho. Selection Tst. 5/-	16/10½	16/6	7 11 6
42½	23½	175 b 25 a	Rhokana Corp. ... £1	24½*	24½*	8 1 8
55/-	41/-	30 b 12½a	United Sua Betong. £1	49/6	50/-	17 0 0
88/4½	58/1½	60 b 60 a	Western Holdings .5/-	90/10½	90/7½	6 12 8



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
Mar. 5	173·1	6·85				
,, 12	176·4	6·73				
,, 19	173·8	6·83				
,, 26	176·0	6·77	225·0 (July 10)	171·2 (Nov. 6)	210·4 (Jan. 4)	170·0 (Nov. 28)
April 1	179·4	6·66				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½% Consols Yield %	Bargains Marked	1957	1956
Mar. 26	161·7	6·87	89·00	5·13	7,711	High 207·6 (July 9)	High 203·5 (Jan. 3)
,, 27	162·1	6·86	88·99	5·11	6,527		
,, 28	163·5	6·84	89·00	5·09	7,181		
,, 31	164·5	6·86	88·99	5·07	8,402	Low 159·0 (Nov. 5)	Low 161·5 (Nov. 29)
April 1	164·7	6·85	89·11	5·04	7,712		

Bases :—* 1953 = 100. † July 1, 1935 = 100. ‡ 1928 = 100.

New York Closing Prices $

	Mar. 26	Apr. 1		Mar. 26	Apr. 1		Mar. 26	Apr. 1
Alcoa	72⅛	67⅝	DuPont de Nm.	176½	175½	N.Y. Central	13½	13⅝
Alumin'm Ltd.	30⅜	28⅛	Ford Motors	40⅞	40⅝	Sears Roebuck	26⅜	26⅞
Am. Smelting	44⅛	43¼	Gen. Elect.	60⅜	60⅛	Shell Oil	69	68½
Amer. Tel.	171½	172⅜	Gen. Motors	35⅜	35⅛	Std. Oil of N.J.	51⅜	51⅛
Anaconda	46	44½	Goodyear	73½	72½	Tri-Conti'tal.	30½	30¼
Beth. Steel	39⅛	38½	Gulf Oil	109	108½	Union Carbide	89⅜	86½
Can. Pacific	24⅝	25	Int. Bus. Mach.	348½	344½	U.S. Steel	58⅜	57
Chrysler Cpn.	51¼	49	Int'l. Nickel	75	74⅜	West'house E.	61⅞	61¼
Crown Zeller.	47	46½	Int'l. Paper	91⅜	90⅝	Woolworth	42½	41½

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) On 24%. (k) On 13½%. (s) On 22½%. (y) After Rhodesian tax. (k) On 30%. (l) To latest date. (m) On 13%.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared

World Trade ..... January 18th

BRITISH		OVERSEAS	
Prices and Wages.....	Mar. 8th	Western Europe :	
Production and Consumption	Mar. 15th	Production and Trade.....	Mar. 29th
Manpower.....	Mar. 22nd	British Commonwealth	Mar. 15th
External Trade.....	Mar. 29th	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	Mar. 22nd
Industrial Profits	Jan. 18th	United States	This week

Prices and Wages

	Unit	1955	1956	1957	1957			1958			
		mid-June			Mar. 12	Mar. 19	Mar. 26	Mar. 4	Mar. 11	Mar. 18	Mar. 25
WORLD PRICES											
Commodity Price Indicator :											
All items	1952=100	93	91	94	96	95	95	84	84	85	85
Food	,,	92·0	90·8	98·8	98·7	97·7	97·5	93·3	94·0	93·4	94·3
Fibres	,,	83·2	81·5	95·9	92·3	91·9	91·9	78·4	78·7	79·4	80·1
Metals	,,	95·7	95·6	79·7	89·6	89·2	89·7	67·2	67·5	67·9	68·0
Other items	,,	106·9	96·1	99·2	101·4	99·9	99·5	93·8	94·4	95·8	95·7
		Monthly averages			1956	1957				1958	
		1955	1956	1957	Dec.	Jan.	Feb.	Nov.	Dec.	Jan.	Feb.
BRITISH WHOLESALE PRICES											
Materials used in :	June 30,										
Non-food manufacturing (excl. fuel)	1949=100	152·4	156·2	154·7	161·6	161·3	159·9	146·2	144·1	141·8	141·3
Mechanical engineering	,,	168·1	177·3	183·9	181·0	183·4	182·1	186·9	186·6	186·2	185·6
Electrical machinery	,,	185·7	190·0	181·7	187·8	188·4	185·0	179·5	178·4	177·8	177·6
Building and civil engineering	,,	137·3	142·4	146·9	144·5	146·6	146·5	147·7	147·0	146·9	146·6
House building	,,	137·1	142·3	146·4	144·6	146·5	146·3	146·6	146·1	145·9	145·5
Products of :											
Non-food manufacturing (excl. fuel)	,,	129·6	135·6	139·9	137·5	138·1	138·2	141·6	141·6	141·6	141·5
Food manufacturing	,,	143·9	148·1	156·2	154·3	160·3	160·8	151·0	152·2	152·0	152·1
Commodities :											
Cotton, raw	,,	149·7	154·0	146·2	159·9	159·2	157·8	131·8	129·5	127·1	126·6
Wool, raw	,,	142·0	145·3	161·3	161·2	164·5	170·0	140·8	130·4	129·6	132·6
Rubber, No. 1 RSS, one month future	,,	329·9	284·2	260·8	321·3	288·2	260·2	229·0	244·7	232·4	227·1
Softwood, imported	,,	154·9	155·9	156·1	155·8	156·5	156·2	156·0	156·1	155·6	154·4
Copper, ex-warehouse	,,	295·7	280·5	189·0	234·9	229·3	211·0	161·4	155·8	147·2	139·9
UK RETAIL PRICES	Jan. 17,										
All items(1)	1956=100	...	102·0	105·8	103·4	104·4	104·3	107·7	108·2	108·1	107·6
Food	,,	...	102·2	104·9	102·3	104·0	103·5	104·8	106·0	105·4	103·9
All items	1938=100	242	254	263	257	260	260	268	269	269	268
Food	,,	257	269	276	269	274	272	276	279	277	276
Rent and rates	,,	138	145	155	148	148	148	163	165	166	165
Clothing	,,	256	263	267	264	264	265	269	269	269	270
Fuel and light	,,	228	251	268	263	263	264	286	287	287	288
Household durable goods	,,	288	303	308	309	310	311	309	309	309	309
Drink	,,	260	264	272	268	268	268	276	276	276	276
Tobacco	,,	389	411	421	418	418	418	428	428	423	423
Purchasing power of £ (based on all consumer spending)	1938=100	39	38	36	37	37	37	36	36	36	36
UK TERMS OF TRADE											
Import prices :											
All items	1954=100	103	105	107	109	110	111	103	101	100	99
Food, drink and tobacco	,,	101	101	101	106	104	105	96	96	95	95
Basic materials	,,	104	106	110	109	112	111	107	104	102	101
Export prices :											
All items	,,	102	106	111	108	109	110	111	111	110	111
All manufactures	,,	102	106	109	108	107	108	111	111	111	111
Metals	,,	104	112	115	114	114	114	117	117	118	120
Engineering products	,,	103	107	112	110	109	110	114	115	114	115
Textiles (excluding clothing)	,,	100	99	101	99	100	100	102	102	102	104
Terms of trade :											
Ratio of import to export prices	,,	101	99	96	101	101	101	93	91	91	89
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	127·7	157·0	112·7	189·4	173·7	167·6	82·3	71·6	64·9	64·0
UK WAGES											
Weekly wage rates :	Jan. 31,										
All workers(2)	1956=100	...	104·7	110·0	106·4	106·5	106·8	111·9	112·1	112·3	112·5
Men	,,	...	104·7	110·0	106·3	106·4	106·8	111·9	112·0	112·1	112·4
Women	,,	...	104·2	109·7	106·3	106·4	106·8	111·8	112·1	112·2	112·4
	Sept.,										
All workers	1939=100	252	272	286	277	277	278	291	291	292	293
Weekly earnings : (4)											
All workers	s. d.	187 2	200 8	212 5	...	...	...	...	...	...	...
Men	,,	222 11	237 11	251 7	...	...	...	...	...	...	...
Women	,,	115 5	123 2	129 6	...	...	...	...	...	...	...
	Oct.,										
All workers	1938=100	351	377	399	...	...	...	...	...	...	...
Men	,,	323	345	365	...	...	...	...	...	...	...
Women	,,	355	379	398	...	...	...	...	...	...	...

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (4) Surveys made twice a year; annual figures relate to October survey.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1957 prices
	1947-49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	48·30
1956	114·3	88·4	116·2	111·7	105·5	121·7	123	107	115	345·0	79·99	82·72
1957	117·6	90·9	120·2	115·4	106·9	125·6	...	111	...	331·4	82·39	82·39
1957, October	117·8	91·5	121·1	116·4	107·7	126·6	122	113	108	306·4	82·56	81·99
,, November	118·1	91·9	121·6	116·0	107·9	126·8	122	112	109	301·8	82·92	81·94
,, December	118·5	92·6	121·6	116·1	107·6	127·0	...	111	...	298·5	82·74	81·76
1958, January	118·8	93·6	122·3	118·2	106·9	127·1	...	...	...	304·7	81·06	79·71
,, February	118·9	95·5	122·5	118·7	106·8	127·3	...	...	...	304·0	80·85	...

PRODUCTION AND MANPOWER

	Gross national product	Total industrial production	Manufacturing production						Building	Civilian employment [1]		
			Durable goods			Non-durable goods			New construction; seasonally adjusted annual rates	Total labour force	Total employment	Unemployed as % of labour force
	Seasonally adjusted annual rate		Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals and petroleum products				
	$ billion	Index 1947-49=100; seasonally adjusted							$ billion	thousands		% rate
1939	91·1	58	49	54	47	66	80	49	8·2	55,230	45,750	17·2
1956	414·7	143	159	138	199	129	108	167	46·1	67,530	64,708	4·2
1957	434·4	143	160	132	213	130	105	172	47·3	67,946	65,011	4·3
1957, October	432·6	142	156	128	208	130	104	173	48·8	68,513	66,005	3·7
,, November		139	154	121	203	128	101	171	48·5	68,061	64,873	4·7
,, December		135	146	107	194	127	97	169	48·6	67,770	64,396	5·0
1958, January	...	133	143	99	192	126	96	169	48·2	66,732	62,238	6·7
,, February	...	130	137	95	186	125	96	167	47·5	67,160	61,988	7·7

TRADE

	Personal consumption Annual rates	All business [2]		Total retail [2]		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res.	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1948=100	
1939	67·6	10·8	20·1	3·5	5·5	190	62	41	260	139	76	53
1956	267·2	54·8	89·1	15·8	23·9	1,043	256	250	1,589	911	143	141
1957	280·4	56·3	90·7	16·7	24·5	1,076	265	243	1,719	981	...	150
1957, September	283·6	56·3	91·3	16·9	24·4	1,010	279	220	1,527	883	137	132
,, October	282·4	55·7	91·1	16·7	24·2	1,152	296	245	1,659	970	131	143
,, November		54·7	91·0	16·6	24·3	1,037	244	218	1,667	1,005	131	144
,, December		54·5	90·7	16·9	24·5	1,134	272	241	1,626	961	...	142
1958, January	...	53·7	90·0	16·7	24·5	...	...	...	1,495	...	...	...
,, February	...	...	...	16·2	...	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics [3]		Budget expenditure [4]		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds [6]	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion end of period		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	— 3·9	0·023	...	3·01
1956	326·9	234·8	11·6	42·10	31·83	74·8	90·3	66·5	+ 1·6	2·658	3·08	3·36
1957	343·4	246·7	12·1	44·78	34·11	75·6	94·3	69·4	+ 1·6	3·267	3·47	3·89
1957, September	347·2	249·5	12·2	43·27	33·42	72·9	93·4	5·7	+ 1·6	3·578	3·66	4·1[illegible]
,, October	346·8	248·1	12·2	43·27	33·50	74·9	93·0	6·5	— 3·4	3·591	3·73	·0
,, November	346·2	247·5	12·2	43·53	33·60	74·3	93·0	5·8	— 1·0	3·337	3·5[illegible]	·08
,, December	343·6	246·8	12·2	44·78	34·11	75·6	94·3	5·8	+ 0·1	3·102		3·81
1958, January	343·6	244·9	12·2	43·97	33·74	75·5	92·1	6·0	— 1·2	2·598		3·60
,, February	341·8	242·6	12·5	...	...	...	...	5·5	+ 0·8	1·562		3·59

(1) 1939 figures calculated on the basis of a smaller sample. (2) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (3) All commercial banks. (4) Annual figures are total for the fiscal year ended June 30th. (5) Figure for third quarter. (6) Bonds due or callable from 10 to 20 years.

Financial Statistics

EXCHEQUER RETURNS

For the nine days ended March 31, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £29,440,000 compared with a deficit of £1,705,000 in the previous week and a deficit of £54,204,000 in the corresponding period of last year. There was a net receipt "below-line" of £5,843,000, bringing the total deficit for the financial year to £211,563,000 (£331,354,000 in 1956-57).

£'000	Estimate, 1957–58	April 1, 1956, to Mar. 31, 1957	April 1, 1957, to Mar. 31, 1958	8 days ended Mar. 31, 1957	9 days ended Mar. 31, 1958
Ord. Revenue					
Income Tax	2176,250	2114,173	2208,266	95,601	88,154
Surtax	149,000	158,000	157,400	7,000	5,800
Death Duties	170,000	169,000	170,600	4,700	3,800
Stamps	60,000	63,000	63,700	2,500	1,200
Profits Tax, EPT & EPL	255,000	200,000	255,150	7,000	4,350
Other Inland Rev. Duties	500	640	550	120	100
Total Inland Rev.	2810,750	2704,813	2855,666	116921	103404
Customs	1204,250	1198,882	1207,452	25,318	26,488
Excise	912,850	901,735	942,360	10,720	12,960
Total Customs and Excise	2117,100	2100,617	2149,812	36,038	39,448
Motor Duties	93,000	90,610	100,734	518	1,287
				Dr.	*Dr.*
PO (Net Receipts)	20,000	4,464	7,785	*5,836*	*10,615*
Broadcast Licences	31,000	28,400	30,700	2,200	2,300
Sundry Loans	32,000	32,714	32,168	87	79
Miscellaneous	185,000	196,195	165,720	8,286	5,069
Total	**5288,850**	**5157,813**	**5342,584**	**153215**	**140971**
Ord. Expenditure					
Debt Interest	640,000	710,634	662,968	107	280
Payments to N. Ireland Exchequer	69,000	66,444	71,631	3,780	4,904
Other Cons. Funds	10,000	9,669	9,664	179	153
Supply Services	4215,635	4044,299	4137,779	208248	164927
Total	**4934,635**	**4831,046**	**4882,041**	**212314**	**170263**
Sinking Funds	38,000	36,985	37,541	105	149
"Above-line" Surplus or Deficit	**+ 239,782**	**+ 423,003**	**— 54,204**	**— 59,440**	
"Below-line" Net Expenditure	621,136	634,566	37,857	*Cr.* 5,843	
	—	—	—	—	
Total Surplus or Deficit	**331,354**	**211,563**	**16,318**	**23.597**	
Net Receipts from:					
Tax Reserve Certificates	20,993	—16,815	13,135	19,243	
Savings Certificates	72,000	—21,300	— 700	—1300	
Defence Bonds	—35,631	—39,921	— 621	—1458	
Premium Savings Bonds	64,980	80,199	700	1,100	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
Mar. 31	4,195·3		276·9	...	4,472·2
Dec. 30	5,634·7		218·4	...	5,903·1
1958					
Jan. 4	3,450·0	2,248·9	228·5	...	5,927·4
,, 11	3,410·0	2,192·2	237·0	...	5,839·2
,, 18	3,370·0	1,714·9	250·3	...	5,335·2
,, 25	3,300·0	1,707·9	208·4	4·8	5,221·0
Feb. 1	3,220·0	1,768·6	179·1	...	5,167·7
,, 8	3,160·0	1,746·9	157·6	...	5,064·5
,, 15	3,120·0	1,405·1	206·5	1·3	4,739·9
,, 22	3,080·0	1,463·7	183·4	...	4,727·1
Mar. 1	3,040·0	1,537·1	210·4	...	4,787·5
,, 8	3,050·0	1,437·6	219·7	...	4,757·3
,, 15	3,060·0	1,529·9	225·6	...	4,815·5
,, 22	3,080·0	1,510·3	248·8	...	4,839·1
,, 31	4,571·2		277·1	...	4,848·2

THE MONEY MARKET

THE Treasury bill rate fell modestly at the tender on Friday of last week, following its decline of 7/8 per cent on the morrow of the 1 per cent reduction in Bank rate. The discount houses raised their common bid by 3d. to £98 12s. 5d. per cent, marking a reduction in their discount rate of 1s. per cent. Bids by outside applicants appear to have been rather more conservative, as the average rate of discount on the whole allotment fell by only 8d. to £5 10s. 5.54d. per cent. Accordingly, despite the increase in total applications by £23.6 million to £422.8 million, for an unchanged allotment of £260 million, the proportionate allotment at the minimum bid fell only slightly, from 55 to 52 per cent. At Thursday's tender, the allotment was again unchanged.

Credit has continued to be in short supply in Lombard Street. On Thursday before the week-end, conditions were very stringent and despite very large special help one or two houses found themselves "in" the Bank at 6 per cent, for a small amount. Moderate special help was given on Friday and small help on the following day; on Monday, when there was calling associated with the end of the fiscal year, one or two houses had to make penal borrowing despite very large official purchases, as they did also on Tuesday, despite moderate special help.

Hence rates on floating money have been kept up, reaching 5¼ and 5⅝ per cent, and dealings in June maturities have taken place at 5 7/16 and 5 1/2 per cent.

LONDON MONEY RATES

	%		%
Bank rate (from 7/3/58)	6	**Discount rates** Bank bills: 60 days	5 5/16–5 3/8
Deposit rates (max.) Bank	4	3 months	5 5/16–5 3/8
Discount houses	4	4 months	5 5/16–5 3/8
Money Day-to-Day	4½–5	6 months	5 5/16–5 3/8
Treas. bills 2 months	5 5/8	Fine trade bills: 3 months	6½–7
3 months	5 5/8	4 months	6½–7
		6 months	6½–7

BANK OF ENGLAND RETURNS

(£ million)	Mar. 27, 1957	Mar. 19, 1958	Mar. 26, 1958
Issue Department:*			
Notes in circulation	1,902·8	1,982·6	1,992·7
Notes in banking dept.	32·5	17·8	57·5
Govt. debt and securities*	1,921·3	1,996·2	2,046·3
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	13·7	15·2	17·2
Bankers	223·9	222·8	214·6
Others	72·5	74·5	79·5
Total	315·1	312·5	311·3
Securities:			
Government	269·5	263·6	231·4
Discounts and advances	18·6	25·8	16·6
Other	20·6	21·4	21·7
Total	308·9	310·8	269·7
Banking department reserve	24·8	20·2	60·6
	%	%	%
"Proportion"	7·8	6·4	19·2

* Government debt is £11,015,100, capital £14,553,0[illegible]. Fiduciary issue increased to £2,050 million from £2,000 millio[illegible] on March 26, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills Average Rate of Allotment	Allotte at Ma Rate[a]
1957	*91 Day*		s. d.	%
Mar. 29	250·0	391·6	81 11·79	50
Dec. 27	260·0	409·2	127 5·91	54
1958				
Jan. 3	260·0	405·7	126 6·70	55
,, 10	260·0	398·7	126 7·25	45
,, 17	260·0[a]	405·8	125 10·33	52
,, 24	230·0	421·0	125 6·56	24
,, 31	210·0	421·2	122 6·50	44
Feb. 7	230·0	387·5	121 3·29	65
,, 14	230·0[b]	424·7	120 10·56	44
,, 21	220·0	411·7	119 5·52	40
,, 28	240·0	391·9	120 3·28	37
Mar. 7	240·0	388·6	120 5·10	47
,, 14	250·0	370·3	120 6·59	61
,, 21	260·0	399·2	111 1·52	52
,, 28	260·0	422·8	110 5·54	55

* On March 28th tenders for 91 day bills at £98 12s. 5[illegible] secured 55 per cent, higher tenders being allotted in full. Th[illegible] offering this week was for £260 mn. at 91 day bills. [a]Allotmen[illegible] cut by £10 mn. [b]Allotment cut by £20 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates April 1	Market Rates: Spot March 26	March 27	March 28	March 29	March 31	April 1
United States $	2·78·2·82	2·81 1/16–2·81 3/16	2·81 1/16–2·81 3/16	2·81 1/16–2·81 3/16	2·81 1/16–2·81 3/16	2·81 1/16–2·81 3/16	2·81 1/16–2·81 3/16
Canadian $	...	2·74 3/4–2·75	2·74 3/4–2·74 7/8	2·74 3/4–2·74 7/8	2·74 3/4–2·74 7/8	2·74 3/4–2·74 7/8	2·74 3/4–2·74 7/8
French Fr.	1167·18–1184·82	1181 1/4–1181 1/2	1180 –1180 1/2	1181 1/4–1181 1/2	1181 1/4–1181 1/2	1181 –1181 1/2	1182 1/4–1182 1/2
Swiss Fr.	12·15 1/16–12·33 1/16	12·26 1/4–12·26 1/2	12·26 1/4–12·26 1/2	12·26 –12·26 1/4	12·25 3/4–12·25 1/2	12·25 1/4–12·25 1/2	12·25 –12·26
Belgian Fr.	138·95–141·05	139·77 1/2–139·82 1/2	139·72 1/2–139·77 1/2	139·62 1/2–139·67 1/2	139·60–139·65	139·57 1/2–139·62 1/2	139·70 –139·75
Dutch Gld.	10·56–10·72	10·62 1/2–10·63 1/4	10·63 1/2–10·63 3/4	10·63 1/4–10·63 1/2	10·63 1/4–10·63 1/2	10·63 1/2–10·63 3/4	10·64 1/4–10·64 1/2
W. Ger. D-Mk.	11·67 1/8–11·84 1/16	11·74 1/4–11·74 1/2	11·74 1/4–11·74 1/2	11·75 –11·75 1/4	11·75 –11·75 1/4	11·74 1/4–11·74 1/2	11·75 –11·75 1/4
Portuguese Esc.	79·90–81·10	80·00 80·15	80·00 80·15	80·00 80·15	80·00 80·15	80·00 80·15	80·00 80·15
Italian Lire	1736 3/4–1762 1/4	1745 1/4–1745 3/4	1744 1/4–1745	1745 –1745 1/4	1745 1/4–1745 3/4	1745 –1745 1/4	1745 1/4–1746 1/4
Swedish Kr.	14·37 1/2–14·59 1/2	14·51 1/4–14·51 3/4	14·51 1/4–14·51 3/4	14·51 1/4–14·51 3/4	14·51 1/4–14·51 3/4	14·51 1/4–14·51 3/4	14·52 1/4–14·52 3/4
Danish Kr.	19·19 1/4–19·48 1/2	19·35 1/4–19·35 1/2	19·35 1/4–19·35 1/2	19·35 –19·35 1/4	19·35 1/4–19·35 1/2	19·36 1/4–19·36 1/2	19·36 –19·36 1/4
Norwegian Kr.	19·85–20·15	20·00 1/8–20·01 1/4	20·00 1/8–20·01 1/4	20·00 1/8–20·01 1/4	20·01 –20·01 1/4	20·01 –20·01 1/4	20·01 –20·01 1/4
One Month Forward Rates							
United States $		1 1/4-1c. pm	1 1/4-1c. pm	1 1/4-1c. pm	1 1/4-1c. pm	1 1/4-1c. pm	1 1/4-1c. pm
Canadian $		1/4–2c. pm	1/4–2c. pm	1/4–1/2c. pm	1-3/4c. pm	1-5/8c. pm	1 1/4c. pm
French Fr.		par 2 dis	par 2 dis	par-2 dis	par-2 dis	par-2 dis	par-1 dis
Swiss Fr.		3/4-3c. pm	3/4-3c. pm	3/4-3c. pm	3/4-3c. pm	3/4-3 1/4c. pm	3/4-3 1/4c. pm
Belgian Fr.		3/8–1/2 pm	3/8–1/2 pm	3/8–1/2 pm	3/8–1/2 pm	1/2–3/4 pm	1/2–3/4 pm
Dutch Gld.		2 1/2-2 1/4c. pm	2 1/2-2 1/4c. pm	2 1/2-2 1/4c. pm	2 1/2-2 1/4c. pm	2 1/2-2 1/4c. pm	2 1/2-2 1/4c. pm
W. Ger. D-Mk.		3-2 1/4pf. pm	3-2 1/4pf. pm	3-2 1/4pf. pm	3-2 1/4pf. pm	3-2 1/4pf. pm	3-2 1/4pf. pm
Italian Lire		2 pm-par	2 pm-par			3-1pm	3-1 pm
Swedish Kr.		3 1/4-3/8 pm	3 1/4-3/8 pm	3 1/4-3/8 pm	3 1/4-3/8 pm	3 1/4-3 1/8 pm	3 1/4-3 1/8 Ora
Danish Kr.		4 1/4-3 1/8 pm	5-3/8 pm	5-3/8 pm	5-3/8 pm	5-3/8 pm	5-3/8 pm
Norwegian Kr.		2 1/4-1/8 pm	2 1/4-1/8 pm	2 1/4-1/8 pm	2 1/4-1/8 pm	2 1/4-1/8 pm	2/8 pm-par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/3 1/2	249/4	249/4 1/2	...	249/3 1/2	249/4



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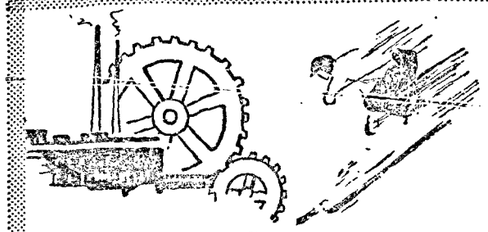


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COMPANY MEETINGS

THE BRITISH OIL AND CAKE MILLS LIMITED

HIGHLY COMPETITIVE EXPORT TRADE IN OILS

INTRODUCTION OF NEW COMPOUND PRODUCTS

EXPANSION AND MODERNISATION OF ANIMAL FEEDING STUFFS PLANTS

MR GUY CHIPPERFIELD'S REVIEW

The Annual General Meeting of The British Oil and Cake Mills Limited will be held on April 23rd at Unilever House, Blackfriars, London, E.C.4.

The following is the review by the Chairman, Mr G. Chipperfield, CBE, which has been circulated with the Report and Accounts for the year ended December 31, 1957.

SEED CRUSHING AND EDIBLE AND TECHNICAL OILS

During 1957 the throughput of our seed crushing mills was at a somewhat lower level than during the previous year and there was some change in the nature of the seeds processed. The demand for liquid oils was lower in the face of reduced requirements on the part of some of the edible trades which we supply, and another important factor was the persistently depressed condition of the cake and meal market throughout the year. Obviously, the prosperity of the seed crushing business is closely linked with the feeding stuffs market and, if cake prices fall, then to remain profitable, crushers must either look for lower seed prices or higher prices for the oil produced. The year 1957 was almost winterless so far as animal feeding conditions were concerned, both in this country and in Western Europe, and, bearing in mind the relative production of cake and oil, there was a tendency for crushers to favour the processing of a greater proportion of high-oil-yielding seeds than might otherwise have been the case.

Except for the continuance of disturbed conditions in the Middle East and North Africa throughout the year and the troubles in Indonesia towards its close, 1957 saw no political or military crisis of great significance. Certainly markets were not affected to such a violent extent as was the case with the crises of Korea in 1950/53 and Suez in 1956. Particularly in the case of groundnuts, which at one time were hard to obtain, the latter event precipitated a high level of prices at the commencement of 1957 and, to illustrate the hazards which the seed crusher has to face, it may be of interest to record briefly some of the movements in prices which took place during the course of the year:

PRICES OF CRUDE/RAW OILS
(Per ton, naked ex mills)

	Dec. 31, 1956 £	Mar. 31, 1957 £	June 30, 1957 £	Sept. 30, 1957 £	Dec. 31, 1957 £
Liquid Oils					
Groundnut oil.....	170	140	123	128	126
Cotton oil (washed).	166	140	124	126	126
Soya bean oil.....	144	126	115	117	115
Consistent Oils					
Palm kernel oil.....	97	90	95	95	104
Coconut oil.....	101	96	97	95	107
Drying Oils					
Linseed oil.....	150	121	103	105	116

A noteworthy feature is that, whereas consistent oils showed relatively little difference in price at the end of the year compared with those ruling at the beginning, liquid oil prices showed an appreciable reduction, which in the case of groundnut amounted to more than 25 per cent. One reason for this tendency is, of course, that world production of palm kernels and copra has not progressed to the same extent as that of the other seeds referred to, because planting cannot be quickly developed as is possible in the case of annual crops such as groundnuts and soya beans. Moreover, the production of olive oil was at a higher level in 1957, and this led to reduced demand by Mediterranean countries for other liquid oils. The principal drying oil (linseed) also finished the year more than 20 per cent lower in price than at the commencement, after touching an even lower figure about the middle of the year, there being a considerable increase in supplies of seed from Canada and the United States.

The supply of oilseeds is subject to many varied factors which may operate against normal economic trends. For instance, the export policy of certain countries (e.g., India and the Argentine) can unsettle world markets through supplies in large volume suddenly becoming available or appearing likely to become available as a result of political planning or the incidence of export quotas. Likewise the application of artificial price levels, such as occurs in France and Italy, or the operation of a Farm Support price policy as in the USA, can play their part in disrupting the normal interplay of market influences.

The tonnages of vegetable oils produced in our mills—much of which we refine or harden—are sold both to the edible trades and to the technical industries in their many categories, and, generally speaking, our 1957 deliveries in total were well maintained in comparison with previous years, although, in the case of the Margarine and Compound Cooking Fat industries, where demand was affected by competition from subsidised imports of butter and lard at low prices, there was a slight reduction. As regards profit margins, it will be readily understood from the statistics quoted that conditions made it difficult to maintain them on a basis which we regard as reasonable in relation to the capital employed.

The export trade in oils continues to be highly competitive. We sell our products in some sixty overseas markets and we aim to increase this trade by supplying oils of a consistently high standard of quality, as well as giving attention to quicker delivery and efficient service. A point we have to bear in mind is the tendency for the export trade to change in the light of the fact that other countries are processing seeds locally to an increasing extent and thereby providing additional sources of competition to us. We must seek to keep our costs down to a minimum.

MORE DIFFICULT CONDITIONS IN THE COMPOUND FEEDING STUFFS TRADE

In the face of difficult market conditions, profit margins in our animal feeding stuffs business were lower than in the previous year, in fact we barely obtained an adequate return on the capital employed. The tonnage was rather lower than that of 1956, the latter part of which was weighted by the exceptional demand caused by the Suez crisis, but it was appreciably higher than that of 1955.

The effect of Suez was to raise freights and ingredient prices to the highest level since decontrol, but they began to ease in the spring and thereafter the downward trend continued practically unbroken through the year.

Whilst on the subject of prices, it is interesting to note that, compared with those ruling for compounds in August, 1953, when feeding stuffs were decontrolled, our prices have fallen by more than £4 a ton in the case of dairy feeds and between £6 and £7 in the case of pig and poultry feeds, even though wages and salaries rose by 30 per cent during the intervening period and the cost of fuel and transport and other services increased correspondingly.

Falling ingredient prices favoured the small manufacturer able to manage with local supplies as compared with the larger processors like ourselves who shoulder the financial responsibilities of the considerable cover in imported ingredients which is essential to fill the deficiency in feed requirements for livestock which are not obtainable in this country. Naturally the first priority in our buying policy is to make the maximum use of available home-grown supplies; in fact during the present crop year we have already bought more home-grown cereals than last year, when we used 280,000 tons.

Questions have been asked in Parliament and elsewhere about the relative percentages of home-grown and imported materials used in compounded feeding stuffs. Assuming, as I suppose we can, that all home-grown cereals, etc., are used and that relatively none is wasted, obviously the percentage of imported materials used simply reflects the deficiency not obtainable at home. In this country's economy, the compounding of livestock feeds is especially in the national interest because we cannot produce high energy ingredients here in anything like the required volume, and there is an over-riding need to keep the cost of food produced on the farm to a minimum. The appreciable increase in the production of food on our farms which has been welcomed both by the Minister of Agriculture and by the President of the National Farmers' Union, has been

made possible by improved breeding and management and by sound scientific methods of feeding, and in this the proper blending of imported and home-produced ingredients has played a vital part. It has also made possible a 30 per cent reduction in imported feeding stuffs compared with prewar.

The campaign for "self-sufficiency" and a reduction in imports of feeding stuffs has continued. However, it is often dangerous to generalise on the subject of animal nutrition in a country where conditions of soil may vary almost from farm to farm and where climatic conditions are unpredictable: but one can certainly state, as a maxim, that all producers, whether of industrial or agricultural products, should aim to make the maximum economic use of raw materials or ingredients obtainable from home sources. The keyword is, however, "economic" and the guiding principle increasing productivity. In the case of imported feeding stuffs, I think it unsound to regard them in isolation without considering at the same time imports of meat and other food products which could be replaced by those produced at home, and to consider as well exports to those countries which sell feeding stuffs or farm products to us. In any case, it must be clear that any short-sighted attempt to economise by improvising feeds or cutting down on essential ingredients will fail to show any true economy, and that the true test must be the cost per gallon of milk of requisite quality or per pound of meat or per egg and not the initial cost per ton of the feed. It is often overlooked that, in a scramble to cut expenses, apparent economies made in the feeding stuffs bill are useless if they result in a fall in productivity... The same applies to money put into feed processing equipment on which apparent savings are submerged by a variety of costs of installation, operation and maintenance, as well as by loss of revenue as a result of lower yields of end products. There is such a thing as being a penny wise and a pound foolish. The real interest of the farmer lies surely in the direction of greater productivity per acre and per head of livestock and not in dissipating his capital, his time and his energy in undertaking a variety of specialist tasks which are best left to ancillary industries equipped for the purpose.

THE INTRODUCTION OF NEW PRODUCTS

Almost every year since feeding stuffs were decontrolled, our Company has launched one or more new compound products that have exerted a considerable and beneficial influence on farming economy. Thus, "Sowlac," the first sow milk substitute to be produced, has been instrumental in appreciably raising the productivity of the pig industry by the early weaning technique of which our Company were the pioneers. In a similar context the early weaning of calves was first introduced on a practical scale by the launching of "Calfwena" in 1956. This food, now one of the most popular of the Company's specialist products, has afforded considerable economic benefits in the saving of labour and time in the rearing of calves for both milk and beef, apart from its many nutritional advantages. To meet the needs of pig farmers in areas where large quantities of cereals are available, the Company introduced "Cerecon," and towards the end of last year "Dairicon" was launched as a balancer concentrate for use with cereals for the dairy and beef farmer. We also introduced "Broiler Feed 3-8-8," the highest energy ration yet produced for the broiler industry, designed, as its numerical suffix indicates, to produce a 3 lb. bird in 8 weeks on 8 lbs. of feed.

INCREASED IMPORTS OF FEEDING STUFFS FOR BROILERS MAY BE NEEDED

Although the production of broilers in this country—20 million in 1957—is at present relatively insignificant compared with that of the USA, where it is over 1,300 million a year, there is undoubtedly room for considerable expansion, particularly as more and more centres become better equipped for the marketing of frozen poultry in an attractive form at reasonable consumer prices. The British Broiler Industry is faced with considerable problems, not only by way of production and housing difficulties, but also in training the skilled staffs required to rear large quantities of birds satisfactorily to killing weight. We wish them all success and are ready to play our part in the economical provision of feeding stuffs which will help development of the broiler trade at popular prices.

The distributive trades, whether butchers, provision merchants, chain or self-service stores, seem confident that there is considerable scope for expansion in the broiler trade, which should make rapid strides as processing and distribution facilities enable wider sections of the community to enjoy chicken meat at popular prices. This healthy tendency, which can provide an important new outlet for greater productivity on our farms, will in due course mean an increasing need for imported feeding stuffs, and, undoubtedly, there is an advantage to this country in that purchases of requirements of grain in excess of home supplies from our Commonwealth friends enable them to increase their purchases of our manufactured goods. Moreover, in encouraging the overall productivity of our farms in this way, we retain overheads and profits here instead of paying them to foreign producers.

Contrasted with 1952, when 25 per cent of eggs for home consumption were imported, the figure for 1956 was already 6.72 per cent and in 1957 the country was virtually self-sufficient, home production accounting for about 98.8 per cent of all commercial supplies. This automatically means that any further increase can result in an egg surplus unless housewives can be influenced to purchase them more freely and no doubt one of the tasks of the newly formed British Egg Marketing Board will be to undertake virile marketing propaganda to this end.

FIELD WORK

The annual BOCM Milk Yield Competition, the 19th of which was held last year, continues to emphasise the more important economic aspects of dairy farming. In figuring costs of milk production, it is easy to overlook the fact that, regardless of yield, every cow costs at least £50 a year to maintain before she delivers a gallon of milk, and these inescapable overheads have to be charged to each gallon of milk she eventually yields. Thus, at the average yield of 720 gallons per animal for all recorded herds in England and Wales, a minimum of 1s. 4½d. has to be borne on every gallon produced to meet the initial overhead of £50. In comparison, the animals entered in the BOCM Milk Yield Competition averaged 1,087 gallons per cow and the commensurate overhead charge was therefore reduced to 11d. a gallon, or a saving of nearly 6d. a gallon through the proper use of concentrates.

It is gratifying to note that the Company's pioneer work on Pig Progeny Testing has paved the way to a wide extension officially of this important contribution to improved bacon production. By the end of this year five Government controlled Progeny Testing Stations will be in operation and, in view of this, we are discontinuing our own Tests. We shall now concentrate on other practical aspects of bacon and pork production.

Our Bull Progeny Tests, which have provided much useful data to milk producers, continue to operate at Barlby in Yorkshire and South Cathkin near Glasgow; Dairy Shorthorns are at present under test at Barlby and they will be followed by Guernseys and some 60 Friesian calves, purchased at week old, which are now being reared at Barlby to form the nucleus of our 1959/1960 Test. This will be another pioneer effort, in that the animals taking part will all have been reared under standardised conditions almost from birth, and it could produce results of considerable interest. The Ayrshire breed continue to be tested at our Scottish Station.

In conjunction with the Breed Societies concerned and the Fatstock Marketing Corporation we are now undertaking further pioneer work in connection with Sire Performance Testing of bulls for beef. Together with a representative of the Fatstock Marketing Corporation, Mr J. C. Leslie, the Company's Chief Agricultural Adviser, paid a visit recently to the United States and Canada with the object of studying the latest methods practised in those countries. Special housing and equipment have been installed at our Barlby Station for the purpose and arrangements are being made to test the Aberdeen Angus and the Beef Shorthorn breeds with the co-operation of the Breed Societies concerned. The aims are to provide records which may help towards improving genetically the weight for age of commercial fatstock, to improve genetically their carcase quality and to help provide sires proven by test and whose progeny have the highest daily live weight gain and, when slaughtered, the best carcase quality.

Three new productions were added in 1957 to our catalogue of Advisory Films. The first, "Artificial Insemination in Chickens and Turkeys," was made in collaboration with the Poultry Research Station, Houghton, and was among the films selected to represent British scientific film achievement at the International Congress of Scientific Films in Amsterdam last September. The second, "Quality Milk." deals with problems of the fatty and non-fatty solid content of milk and has a timely importance in the light of the stress which is now being placed on these factors in the economy of milk production. Released in November, 1957, it has already proved to be one of the most popular ever made by the Company. The third in our current series is titled "Modern Turkey Production" and presents the year-round activities of Hoppers Farm, High Wycombe, one of the largest turkey farms of its kind, with an annual output of 60,000 birds, all of which are fed on the Company's products.

ACCOUNTS

As already indicated, the profits from our animal feeding stuffs trade were lower in 1957. On the one hand, production and selling costs continued to rise, on the other, there was some diminution in deliveries, due to the abnormal off-take towards the end of 1956 and the exceptionally mild season in 1957. Besides this, we had to meet the impact of falling raw material markets. Although our sales of edible oils were maintained, profits were disappointing, largely because of the sharp fall in the price of groundnut oil, to which I have already drawn attention. Our business in technical oils continued to show satisfactory profits.

Reference is made in the Directors' Report to the agreement which we entered into in 1945 for the pooling of profits with our Holding Company and other of its subsidiaries having interests in the seed crushing and ancillary industries. As we mention in the Report, this agreement was of considerable value to your Company in facilitating the reorganisation and development of its business in the years following the last war, but we felt that it had now served its purpose and that it could be terminated without any loss of the advantages which result from the Company's relationship with its Holding Company and its fellow subsidiaries.

Therefore, as mentioned in the Report, the agreement was terminated with effect from January 1, 1957. I would like to make it clear that the interests of the preference and preferred ordinary shareholders have not in any way been prejudiced nor their rights and privileges in any way lessened by this rearrangement.

The profit for the year, before taxation, was £2,880,462. After providing for taxation of £1,417,000 on these profits and including released provisions of £13,321 for taxation of previous years, there remained a surplus of £1,476,783 of which dividends will take £682,591, leaving £794,192 retained in the business.

Turning to the Balance Sheet, capital expenditure at £1,760,000 was again heavy in 1957 and was mainly devoted to our programme of extension and modernisation of our compound plants, now nearing completion.

Due to lower raw material and selling prices, the amount tied up in stock and debtors fell from £17,942,000 at December 31, 1956, to £16,468,000 at December 31, 1957.

We have arranged to co-operate with three other animal feeding stuffs manufacturers, who are at present shipping their products from England or Scotland to Northern Ireland, in building a mill at Belfast. The trade investment of £46,500 represents our subscription for shares in Associated Feed Manufacturers Limited, which has been incorporated in Northern Ireland to own and run this mill. A site has been acquired on which work has begun, and we have been deputed by the other participants to undertake the erection of the plant. As the name implies, Associated Feed Manufacturers Limited will undertake only the manufacturing operations for the participants, whose independent marketing arrangements will not be affected.

TECHNICAL DEVELOPMENTS

The expansion and modernisation of our animal feeding stuffs plants is nearing completion. However, as in any other live and progressive industry, technical improvements which cheapen our products or enhance their quality continue to be made and are being incorporated in our manufacturing processes. For instance, attention has been increasingly directed towards the growing importance of the accurate inclusion of small quantities of vital ingredients which are associated with modern high performance feeding stuffs. This, coupled with the mounting complexity of our manufactures to satisfy the demands of our customers, has led us to plan the installation at our Avonmouth Mill of a completely automatic punched card operated plant for the proportioning and correct addition of some 30 separate trace ingredients. This plant would be among the most advanced of its kind in the world.

In the field of technical and drying oils, we have completed the installation of an Alfa-Laval hermetic pressure degumming plant in our Greenock Refinery for the production of crude linseed oil of the highest quality.

Our oil refinery at Hull, which was in the process of modernisation, was badly damaged by fire early in the year but, as a result of commendable effort on the part of our local management and staff, the ravages of the fire were made good and renovations completed by the end of the year.

We have continued to develop the scope of our research activities in all the fields in which we operate for the improvement of our existing products and the search for new ones. Apart from the new feeding stuffs products to which I have already referred, our Development Laboratory and factory scale pilot plant at Erith, which came into operation during 1956, have provided us with the first batches of our new "Trokene" products —a new class of film-forming materials which has recently been developed by us and which we believe may in due course prove to be of great interest to many customers by opening up a number of possible applications.

TRIBUTE TO STAFF

In conclusion, I want to pay a high tribute to the loyalty and efficiency of the Company's employees at every level and in every category, which have stood us in good stead throughout a somewhat difficult year. This was notably so during the periods when the 'flu epidemic hit various parts of the country and all concerned put in hours of extra work to keep the wheels turning normally.

THE WINTERBOTTOM BOOK CLOTH COMPANY, LIMITED

STATEMENT BY MR MARK BRICKHILL

The sixty-sixth annual general meeting of The Winterbottom Book Cloth Company, Limited, will be held at the Manchester Chamber of Commerce, Ship Canal House, King Street, Manchester, on April 22nd.

The following is the statement by the chairman, Mr Mark Brickhill, which has been circulated with the report and accounts for the year ended December 31, 1957:

Before proceeding to deal with the affairs of the company, I regret to report the death, on July 6, 1957, of Mr Elkanah Stott, a Director of the Parent Company and a Managing Director of Dawson, Payne & Elliott, Limited. Mr Stott had been a member of the Board for 11 years, and his death caused profound sorrow to his colleagues and to all who knew him.

FIXED ASSETS

The policy of expansion and modernisation which I have mentioned to you in previous years has continued during 1957, and the fixed assets of the Group before depreciation have increased by £454,998. This expansion programme has been financed without recourse to the Company's portfolio of quoted investments. It is the intention to continue this policy, and an amount of £184,000 is shown in the Notes on the Accounts as the capital commitments of the Group at December 31, 1957.

QUOTED INVESTMENTS

The book value of the Parent Company's quoted investments at December 31, 1957, stood at £2,074,311, from which should be deducted the Investment Reserve of £267,109 giving a net value of £1,807,202. Against this, the market value was £1,853,607 showing a surplus of £46,405.

Based on the market value at December 31, 1957, the approximate distribution of the investment portfolio was:

Fixed Interest Investments ...	35 per cent.
Equity Investments—United Kingdom	45 per cent.
Equity Investments—USA and Canada	20 per cent.
	100 per cent.

PROFITS AND DIVIDENDS

Although some of the Companies of the Group have reported increased profits for the year, others have been adversely affected by increased costs of materials and labour and more difficult trading conditions in foreign markets. As a result, profit margins have been reduced, particularly in our textile trades.

The Group Profit before Taxation has decreased from the 1956 figure of £1,166,850 to £918,237. The Group Profit after Taxation amounts to £360,515, and after allowing for Minority Interests and Subsidiary Company adjustments, the profit of the Parent Company is shown as £365,087.

Your Board has decided, in view of the results of the year, to recommend a final dividend on the Ordinary Stock of 11 per cent which, with an interim dividend of 4 per cent, makes a total of 15 per cent for the year.

RESERVES

The opportunity has been taken this year to consolidate some of the Parent Company's Reserves. The Special Reserve of £100,000 has been transferred to Group Plant Replacement and Development Reserve, which has also received an amount of £76,000 from Profit and Loss Account. After applying £16,000 in reducing the Investment in a Subsidiary Company, this Reserve stands at £900,000 in the books of the Parent Company.

The Stock, Debtors, Exchange and Contingencies Reserve of £93,069 has been transferred to Investment Reserve to which has also been added the net profit arising on realisation of investments, etc., of £1,438, making a total of £267,109.

In addition £50,000 has been appropriated from profits to General Reserve, bringing the total to £875,000 in the Parent Company.

GROUP ACTIVITIES

It is the intention of your Board to continue a policy of diversification in order that the success of the Company should not be dependent upon the trading conditions in any one industry. At the same time, I am sure that you will agree that our programme of modernisation of existing plants must continue so as to be in the position to take advantage of any improvement in trading conditions.

This year it has been possible to include the German Subsidiary Company, Bamberger Kalikofabrik AG, in the Group Accounts for the first time and the corresponding figures for 1956 have been adjusted accordingly.

Finally, may I express on behalf of your Board thanks and appreciation to the staff and workpeople of all our Group Companies both at home and abroad for their co-operation. I am pleased to report that the happiest relations continue to exist.

ASQUITH MACHINE TOOL CORPORATION

TAXATION NULLIFIES EXPANSION OF TURNOVER

GROUP'S SALES LARGER

INCREASE OF CAPITAL APPROVED

MR ROBERT W. ASQUITH'S REVIEW

The thirty-seventh annual general meeting of the Asquith Machine Tool Corporation, Limited, was held on March 31st at the registered office, Highroad Well, Halifax, Mr Robert W. Asquith, MIPE, chairman, presiding.

The following are extracts from the chairman's review circulated with the report and accounts for the year to September 30, 1957:

I am pleased to report the trading profit for the Group before taxation has increased from £666,375 to £699,569. However, as taxation demands have also increased from £332,700 to £373,720, the net profit attributable to the shareholders of the Corporation is reduced from £328,809 to £321,460. The payment of the dividend totalling 25 per cent and the bonus of 5 per cent on the ordinary shares of the company, if approved, will absorb £115,575, leaving a profit of £195,535 to add to the revenue reserves of the Holding Company and its Subsidiaries, which now total £1,054,190.

There is no point in my making any comment on the crippling load of taxation. This has been brought to the attention of the Chancellor by many different people from many different sources.

The depreciation charge has increased from £113,378 to £147,388, which in view of the expansion programme of the Group, is, of course, to be expected.

I consider the results satisfactory in view of the conditions obtaining during the year under review: however, I should point out that the Group's sales increased by 20 per cent, and the results, therefore, will indicate to you that profit margins were reduced during the year.

I am pleased to report that all your subsidiary companies operated at a profit during the year, and I comment on them individually as follows:

WILLIAM ASQUITH LIMITED

This Company again maintained a high volume of business, and the new Shrewsbury plant, for the first time, really contributed to this company's production.

The Company installed a number of major Transfer Lines in Automobile Plants, which did not show the ratio of profit one would normally expect, and in addition to the narrowing profit margins mentioned above, this has played some part in reducing the profitability of the overall turnover. However, the company has acquired valuable experience, and we are certainly now in a position to cater for the demands of those industries which look to automation to improve their productivity. I would also like to report that the Company's additional Design and Engineering Division, recently installed in the Birmingham Office of the Sales Company, has been, and will be, invaluable as far as these activities are concerned.

DRUMMOND BROTHERS LIMITED

This Company again had a satisfactory year. Although their backlog of orders at the end of the financial year was not as high as in previous years, this was due in no small degree to the upsets in the automobile industry, one of the Company's most important customers, arising out of the Suez crisis. However, I am pleased to report that prospects are more hopeful.

GEORGE SWIFT & SONS LIMITED AND SWIFT-SUMMERSKILL LIMITED

These Companies have made a substantial contribution to the Group's results, and their backlog at the end of the year was substantially longer than I like to contemplate. Plans are being developed for the provision of additional facilities, so that both George Swift & Sons Limited and Swift-Summerskill Limited will be in a position to give improved service to the engineering industry.

MODERN FOUNDRIES LIMITED

This Company has had a very satisfactory year, and it is the intention of the Board during the coming year to spend additional money with a view to improving its efficiency. I particularly refer to the intention to install a Hydro-Blast Plant, which will not only make more floor space available in the main Foundry, but will also improve considerably the working conditions.

ROTADOP LIMITED

As reported last year, this company has specialised more on engineering activities for the Group, and I am pleased to report that these have produced a very real benefit. Whilst the diamond polishing section of the company continues to be profitable, I think it would be correct to say that without the engineering activity, diamond polishing as such, in present conditions of the trade, would not be justified.

DRUMMOND-ASQUITH (SALES) LIMITED

The real benefit of this Company has now begun to be felt, in as much as selling is becoming every day a more important function of the engineering industry. I firmly believe that an efficient and live selling organisation is an essential prerequisite to manufacturing. In other words, the first operation in manufacturing organisations, however efficient they may be, is the "selling operation." I am convinced that the enthusiasm of your selling company is such that we should obtain our fair share of any business which is obtainable.

Your directors have constantly under review how the selling organisation can be used to the greater benefit of the Group as a whole.

ASSOCIATED MACHINE TOOL CORPORATION (USA)

This Company had a reasonably satisfactory year. It has been decided to move its headquarters from Pittsburg to Erie, Pennsylvania, as it was felt that certain economies could be obtained by shipping direct to this Great Lake Port.

During the course of the year, Davy and United Engineering Company Limited, a member of Indian Steelwork Construction Company Limited, who obtained the contract for the supply of one of the Steel plants at present being installed in India, entrusted to your Company the contracts for the supply and installation of all the machine tools for the Central Engineering Maintenance Department for this particular project at Durgapur.

INCREASE OF CAPITAL

During the last few years your Group has followed a policy of expansion, partly to broaden the range of its products and partly to increase its productive capacity in its traditional lines of manufacture.

The first stage of this development was at Shrewsbury to take advantage of the favourable labour situation in that area. I am glad to say that labour is now more readily available in Halifax and we now propose a major expansion of the Halifax plants of William Asquith Limited, Modern Foundries Limited and George Swift & Sons Limited.

In this connection, shareholders will receive a notice convening an Extraordinary General Meeting to be held immediately after the Annual General Meeting on March 31, 1958, to increase the Company's Ordinary Share Capital to £1,050,000. Subsequently your directors intend to raise further capital by offering 1,340,000 ordinary shares of 5s. each, to ordinary shareholders, in the proportion of one share for every two held, at a price to be announced later. Subject to no unforeseen changes in business conditions as they affect your Company, the directors are of the opinion that it will be possible to pay a total dividend of 25 per cent on the increased capital for the year ending September 30, 1958.

THE OUTLOOK

The expansion scheme is an important one and I am sure that you will want me to say something about our prospects for the future. As far as we can see 1958 should be another successful year but orders in hand in the industry generally are becoming less and competition is growing keener all the time. In the view of your Board, the best way that we can face this competition is to be constantly improving the designs we can make available to our customers and, at the same time, to broaden the range of equipment that we can offer them. I have already expressed my belief in your sales company and we are constantly adding to and improving our manufacturing facilities. We view the future therefore with the confidence that we shall obtain our full share of any business which is available.

It is in the light of this confidence, and having in mind the increasing benefits now arising from recent expansion, that your directors have felt justified in recommending a bonus for the past year.

The report and accounts were adopted.

At a subsequent extraordinary general meeting the proposed increase of capital was approved.

Another Record Year at

AMF

It is a pleasure to tell you that in 1957 American Machine & Foundry Company again established new records.

- **Sales and Rentals: $261,754,000, an increase of $63,696,000—32% over 1956.**
- **Net Income (after taxes and preferred dividends): $11,436,000, an increase of $2,815,000—33% over 1956**

AMF has paid dividends for thirty-one consecutive years. Dividends of 30¢ per share were paid on the common stock in each of the first three quarters of 1957. In the fourth quarter, the regular dividend was increased to 40¢ per share. At the year end, AMF stockholders numbered 21,213, an increase of 92% in five years.

Carter L. Burgess was elected President of AMF at the Board of Directors' meeting held February 4, 1958. His wide and varied experience in business and in the service of the Government will be of great value in matters of policy and administration.

I am entirely confident that AMF will continue to expand, to the benefit of its employees, customers and stockholders.

Morehead Patterson

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

We will be pleased to send you a copy of the 1957 Annual Report

In its 58-year history, AMF has progressed into a broad-based company operating in four important areas:

- consumer products for recreational and leisure time activities
- automatic machinery and equipment for industry
- handling and launching systems for guided missiles
- atomic reactors and related nuclear equipment

PLEASE USE COUPON

Mr. C. J. Johnson, Secretary, Room 211
American Machine & Foundry Company
AMF Bldg., 261 Madison Ave., New York 16, N. Y.

Please send me a copy of your 1957 Annual Report.

NAME_____

ADDRESS_____

CITY_____ Zone____ STATE_____

HARRODS LIMITED

QUALITY GOODS AT LOWEST POSSIBLE PRICE

COMPANY'S RECORD OF PROGRESS AND EXPANSION

SIR RICHARD BURBIDGE ON RUMOURS OF "TAKE-OVER BIDS"

The sixty-eighth annual general meeting of Harrods Limited will be held on April 14th at the Company's Premises, Brompton Road, London, S.W.1.

The following is an extract from the circulated statement of the chairman and managing director, Sir Richard Burbidge, Bart, CBE:

Trading conditions during the year under review were never easy, the second half in particular being adversely affected by the mild Autumn which handicapped the fashion trade and by the epidemic of influenza which not only caused serious shortages of staff, but which also kept many potential customers from the Stores. The raising of the Bank Rate and the restriction of credit facilities undoubtedly achieved its object in reducing spending, and it was only as a result of the exceptionally good Christmas Trade and later the January Sales that we were able to show a moderate increase on Sales for the Year.

This increase in turnover is reflected in the Gross Profit of the Group, which at £9,282,181 shows an increase of £246,560 over last year. The Profit after Taxation is £1,073,565 and is £24,204 more than last year. The Net Profit Available to be dealt with by Harrods Limited at £991,244 is £76,719 more. It is proposed to pay the same dividend as last year, but to increase the appropriation for Reserves by £83,613 to £400,000.

CONSOLIDATED BALANCE SHEET

In the Consolidated Balance Sheet you will notice that the total Reserves including Future Income Tax amount to £7,314,964, an increase of over half a million pounds on last year and £1,130,558 more than two years ago. Fixed Assets show a slight increase and the Current Assets at £10,334,289 are £4,173,424 in excess of Current Liabilities, £261,929 more than the excess last year.

The general picture in all the stores was much the same—a small increase in turnover with a hard struggle to curb expenses and hold the net profit. Harrods in Brompton Road, which store, as you know, brings in half the net profit of the Group, succeeded in achieving slight increases in sales and net profit. The main exceptions to the general trend were John Walsh Limited in Sheffield, who did exceptionally well both as regards trade and net profit, and Hendersons of Liverpool, who were handicapped very considerably by rebuilding operations and lack of space and whose trade and net profit suffered accordingly.

"THERE IS ONLY ONE HARRODS"

I should like to refer now to a matter that received considerable publicity during the latter part of the year, namely, the rumours of "take-over bids" being made for your Companies. I immediately denied the rumours and I have been unable to trace any buying of Harrods Stock that might indicate any such move.

It has always been the object of your Directors to build for the future as well as live for the present, and as a result of this policy Harrods has become a name which is known and honoured all over the World, earning a goodwill which is unique and priceless, and which should be preserved at all costs.

The Company was founded in 1890 and not once since then has it failed to pay a dividend on the Ordinary Stock. During the last 30 years the businesses of D. H. Evans, Walsh's, Hendersons, Rockheys and Rackhams have been purchased and the first three businesses as well as Kendal Milne and Dickins & Jones have been rebuilt or expanded, all largely from internal resources ploughed back.

A take-over bid can be made so attractive on paper that many stockholders might be tempted to exchange the substance for the shadow and it is for this reason that I am giving the facts. The present book-value of the assets attributable to the Ordinary Stockholders is £10,159,962, but the real value is of course much more. It is safe to say that the present value of the Ordinary Stockholders' assets is at least £20 million, or £5 per £1 unit of Ordinary Stock, without taking into consideration the valuable goodwill of Harrods and its subsidiary companies.

BIRMINGHAM

The final plans have now been approved and a concurrent lease with the Birmingham Corporation has now been signed, which together with our freeholds will form the whole of two city blocks, bounded by Temple Row, Cherry Street, Corporation Street and Bull Street including the North Western Arcade.

A contract amounting approximately to £3,500,000 has been placed with Taylor Woodrow Construction Limited for the erection of a new building—which will comprise our new store and shops and offices. You will see from the sketch plans on the inside back cover of the report and accounts what the new buildings will look like when completed, which should be by 1962. Vacant possession will be obtained in stages over the next 18 months, and building has already commenced on Temple Row for the rehousing of Rackhams.

The main part of this development will be spread over three to four years and the Directors consider that the Company will be able to cover the costs incurred during the first two years of construction from its own internal sources. It will be necessary to make arrangements to cover the balance of the cost and careful consideration will be given to the matter in due course.

PROSPECTS

The outlook for 1958 cannot be reviewed with a great deal of optimism, and with certain increases in expenditure in some directions profit can only be maintained by increased trade. Your group of stores serves a wide range of the public from the top to the lower medium class of trade, and I feel sure that by skilful buying and selling in each of our stores we shall be able to hold our own with the increasing competition despite the continuing adverse conditions of high bank rate and Government efforts to restrict home consumption. I am hopeful, therefore, that with our Managements well alive to circumstances we shall be able to show a satisfactory result in the current year.

GHANA MAIN REEF LTD.

The twenty-fourth annual general meeting of Ghana Main Reef Limited, was held on March 31st in London.

Major-General W. W. Richards, CB, CBE, MC, Chairman, presided. The following is an extract from his circulated statement:

The year ended June 30, 1957, witnessed a most satisfactory recovery in our financial position—the debit balance of £15,584, with which we started the year, was converted into a credit balance of £61,362 by the end of the year. It is your Board's intention to rebuild and maintain the sound financial structure enjoyed by the Company prior to the 1955-56 wages dispute. For this reason, no Dividend has been recommended for the year under review.

For the current year, ending June 30, 1958, we have declared an Interim Dividend of 5 per cent, less Income Tax.

The available Ore Reserves at June 30, 1957, including ore in pillars, amounted to 371,201 tons, averaging 8.49 dwts per ton over a width of 77.0 inches.

Bondaye: Development of the 20th level orebodies has met with but modest success. However, the results point to the desirability of deeper exploration; and sinking is being resumed to the 22nd level horizon.

Tuappim: Development on the 16th level Southern Ore Shoot, proved a continuous payable length of reef for 430 feet, averaging 11.66 dwts per ton, over a width of 121 inches. The Northern Ore Shoot gave 17 feet, averaging 7.84 dwts per ton, over a width of 107.3 inches.

Working Costs, comprising mining, treatment, etc., showed a gratifying improvement.

The report and accounts were adopted.

JOHN EMSLEY LIMITED

WELL FILLED ORDER BOOKS

The Eleventh Annual General Meeting of John Emsley Limited was held on April 2nd at Bradford, Mr Harold Jaques, ASAA, chairman and joint managing director, presiding. The following are extracts from his circulated review:

The trading profit and sundry income of the operating subsidiaries for the year ended November 30, 1957, subject to taxation, amounted to £122,366, as compared with £287,515 for the previous year. The net profit and income after taxation amounted to £25,884, as against £132,345 for the year to November 30, 1956. During the year under review there has been a serious fall in wool prices, which is the main cause of the reduction in the profits, by reason of the valuation of the stocks at the market price of replacement.

The distribution of our goods in the United States of America by means of our five companies operating there has been maintained, with beneficial results to the Group. These American companies have established a good reputation for our goods from "coast to coast," whilst our business in Canada has also shown considerable improvement.

During the year negotiations have been concluded for a further addition to the Group by the purchase of the shares of the well known spinning firm of Abram Ambler & Sons Ltd.

Despite keen competition we have obtained a good share of the business available, and our Group turnover shows a substantial increase and our order books are well filled.

The report was adopted.

THE BRITISH SOUTH AFRICA COMPANY

CLAIM AS "OVERSEAS TRADE CORPORATION" ADMITTED

ANTICIPATED BENEFITS FROM REORGANISATION

The sixtieth annual meeting of The British South Africa Company was held on March 27th in London.

Colonel Sir T. Ellis Robins, KBE, DSO (the President), presided, and, in the course of his speech, said: It will come as no surprise to you to learn that our revenue from Mineral Royalties, after providing for the Northern Rhodesian Government's twenty per cent interest in that revenue, has dropped by some £3,500,000 as compared with the figure for the previous year. In 1956 copper averaged £316 per ton for royalty purposes. Last year the average was £220. For the first five months of the current year the average was between £161 and £162 per ton.

It must be apparent that Rhodesian copper producers have for some time past been going through a period of over-production, which has indeed been world-wide, and that shareholders in copper companies and the Charter itself must be prepared for lean fare, which even the voluntary percentage cuts in production already announced cannot improve materially.

Although the present price is a little too near the margin of profitability, the industry can survive on it, and it will almost certainly have beneficial effects in bringing about more economical working and a determined effort to increase the uses of the metal.

It follows that, in addition to causing a decrease in its direct mineral revenue, the depressed state of the copper market must necessarily mean smaller dividends from the producing copper mining companies in which the Company is a substantial shareholder.

Members have received a favourable dividend this year as copper stood at a reasonably high level during the early part of 1957, thus giving a fairly good average price for the year. I feel, however, that I must repeat the words of warning uttered by my predecessor last year that, if the price of copper remains at today's level or goes lower, the Company's revenues must be adversely affected and possibly its dividend rate may have to be reviewed.

OTHER SOURCES OF INCOME

Against last year's drop in royalty revenue the income from the Company's estates, investments, interest and underwriting commissions rose by about £300,000, largely due to increased dividends from investments in gold-mining companies, interest on gilt-edged securities and on loans to Bancroft and to the Kariba Hydro-Electric Scheme.

The total Group income for the year was £12,260,000 odd, against which must be set expenses totalling some £1,322,000. After deduction of expenses, the consolidated profit for the year, before taxation, comes to approximately £10,938,000. The taxation charged on those results is £6,088,000 odd, leaving a figure of £4,830,000 available for appropriation—some £2,180,000 less than the previous year. The Directors recommend the total distribution of 4s. 6d. less income tax, per stock unit or bearer share, compared with the distribution of 5s. 3d., less income tax made last year.

STATUS AS AN OTC

Some of you may have seen an announcement in the press by the Company that it had been advised that, subject to the Directors taking certain steps, the Company's revenues from its mining and estate operations in Rhodesia should qualify for the benefits accorded to overseas trade corporations by the Finance Act, 1957. Your Directors in consultation with their accountants and lawyers, devised certain measures which have now been carried out and which have had the effect of qualifying the Company provisionally as an "overseas trade corporation" for the purposes of the 1957 Act with effect from March 21, 1958.

One of the main steps which has been taken is the formation of a new subsidiary company "The British South Africa Company Investments Limited," for the purpose of acquiring from The British South Africa Company its securities other than those which have been acquired for permanent investment. This new subsidiary will operate in the United Kingdom as an investment dealing company.

It has also been thought convenient and desirable to form a second subsidiary, "Cecil Holdings Limited," for the purpose of acquiring certain fixed investments held by the new investment dealing company. This Company will operate in the United Kingdom as an investment trust company. Other subsidiaries have been formed for the purpose of performing certain ancillary services for the functions of the group. The shares of these companies will also be held by Cecil Holdings Limited.

ANTICIPATED BENEFITS

The result of the reorganisation should be that the Company's trading income derived from its activities in Africa (the bulk of which will consist of its mineral revenues) will be exempt from United Kingdom Income Tax and Profits Tax (subject to the proviso that the payment of dividends out of such trading income will give rise to a charge of United Kingdom Income Tax upon the gross amount of such dividends). The group's investment income will continue to be subject to United Kingdom Income Tax and Profits Tax as heretofore. It may, nevertheless, be reasonably assumed that the various measures we have taken will result in an appreciable saving of tax, which will assist the Company in expanding and developing its overseas activities.

On the assumption that our mineral revenue will amount to £5,400,000 in a full year, and that we continue to pay a dividend of 4s. 6d. and on the basis of current rates of taxes in the United Kingdom and overseas, then our tax saving as an overseas trade corporation will be of the order of £1 million per annum.

To that extent, therefore, the somewhat sombre picture presented by the copper market and its effect on the Company's revenue can be brightened, and it must be regarded as very satisfactory that the Company's claim to qualify as an overseas trade corporation has been admitted.

The report was adopted and the total distribution of 4s. 6d. less income tax, per stock unit or bearer share was approved.

ALLIANCE BUILDING SOCIETY

ANOTHER GRATIFYING REPORT

The ninety-fifth annual meeting of The Alliance Building Society was held on March 28th at Brighton, Mr F. J. Wellman, JP, chairman, in the course of his speech, said: It is once again my very great pleasure to present to you yet another gratifying Annual Report and Statement of Accounts. I use the expression, "gratifying" without any false sense of modesty because by any reasonable test which you may apply to the Report and Accounts, we have done well during 1957 both by comparison with other Building Societies and in comparison with our own previous Reports.

After crediting interest amounting to £1,915,489 (free of all income tax) and paying withdrawals of £9,282,012, the total invested in shares in the Society was up by nearly £6 million to the new record total of £58,535,173.

INTEREST RATES

Touching upon the question of interest rates and the recent movements in Bank Rate, he said: While Bank Rate was at 7 per cent, the policy of the large Building Societies in maintaining their steady rate of 3½ per cent per annum, free of income tax, tended to come in for criticism. Your directors and the Council of the Building Societies Association took the view that a 7 per cent Bank Rate was a crisis rate. While, therefore, your directors were at all times wishful to pay a fair and even generous rate of interest to investors, they continued to feel that a gross equivalent yield of £6 1s. 9d. per cent per annum without risk of depreciation and with the splendid facilities for withdrawals we offer, represented a fair and attractive yield.

At all events those who have savings invested in a Building Society can look with more confidence to the future than the holders of securities which are at the mercy of fluctuating market prices.

I should like once more to pay my annual tribute to all the executives and staff.

IMPORTANCE OF STABILITY

Mr Lewis C. Cohen, deputy-chairman, in the course of his speech, said: The whole basis of Building Society work and their attraction to the public can be summed up in one word—stability. We say to investors—security is far more valuable than an infinitesimal advantage in interest on investments. Rock-like we have continued to offer to our investors 3½ per cent free of tax equivalent to £6 1s. 9d. per cent and continued to lend all the time at 6 per cent, which for some months has been a rate below the Bank Rate.

We are an organisation which for 95 years has been able to say—no shareholder has ever lost a penny, that we have paid a fair and proper rate of interest, and that £1 invested in the Society has always been worth £1. That record means far more than a fluctuating rate which sometimes may spell a loss to the investor. I look forward to the time when it may be possible to extend the activities of British Building Societies into our Commonwealth, in Canada, Australia and New Zealand, which may have branches of British Building Societies, and in the first case possibly money invested in England might be used to assist in housing in our Commonwealth, but later as the Commonwealth develops the money and the wealth of the Commonwealth may be utilised here in the old country for assisting us with our problems.

The report and accounts were adopted.

HALIFAX BUILDING SOCIETY

ONE HUNDRED AND FIFTH ANNUAL MEETING

MR ALGERNON DENHAM'S SPEECH

The one *hundred* and *fifth* Annual Meeting of the members of the Halifax Building Society was held in Halifax on March 31, 1958, the President, Mr Algernon Denham, JP, presiding. In his review of the year the President stated :

The year has presented a number of problems including an abnormal demand for mortgages, a wide fluctuation in the value of our liquid funds and a comprehensive revision of our Rules.

Gross receipts from investors in the year at £85.3 million are a record for the Society and although withdrawals increased from £46.9 million to £50.2 million this figure is a smaller percentage of our investment balances than we have experienced for many years.

We lent during the year £66,674,883, an increase of £20,546,318 over the previous year. This we regard as no mean performance, and since the year-end our lending has continued at a similar high level.

During the year the assets increased from £297 million to £344 million. While growth is not the only yardstick by which success should be measured nevertheless we regard this accretion of assets as an impressive mark of public confidence.

The maintenance of our liquidity ratio at last year's figure of 17.9 per cent has involved a considerable addition to our investment holdings which have risen by £8.3 million to a total of £61.5 million.

Our reserves are the measure of our financial strength. Traditionally the purpose of reserves is primarily to give confidence to the investor and, secondly to provide a fund to meet any losses we might sustain on our mortgage securities. Today it would appear that the main object of reserves is to act as a hedge against the depreciation in our holdings in British Government Securities.

A year ago I indicated that your Board contemplated the recommendation of changes in the Rules of the Society. They had not been revised since 1940 when the total assets were £129 million. The most important change provides that a postal ballot of all members may be taken in the event of a contested election of Directors and on other matters of importance.

The new Rent Act came into force in July last and has since become a cockpit of political manœuvre. Rent restriction over the years whilst rightly giving protection to tenants during a period of acute housing shortage, created substantial hardships for property owners whose rents were pegged on a basis which paid no regard to the increasing cost of repairs.

By permitting increases in rents, the new Act has remedied this defect and it is much to be desired that landlords, with their justifiably increased income, will shoulder their responsibilities for upkeep and repairs.

We are told that on a change of Government priority will be given to a measure involving the nationalisation of tenanted houses. The majority of these houses will fall into the category of pre-1914 properties and it would be a great disservice to the State if the Government were to perpetuate their occupation on a rental basis rather than encourage their purchase for owner occupation with resultant benefits not only to the properties but to the community as a whole.

HICKSON & WELCH (HOLDINGS)

ANOTHER SUCCESSFUL YEAR

The sixth annual general meeting of Hickson & Welch (Holdings) Limited was held on March 27th in London, Mr Bernard Hickson, MSc, FRIC (Chairman and Managing Director), presiding.

The following is an extract from his circulated statement:

There has been an appreciable increase in the trading profit and the net profit after taxation of £254,211 amounted to £251,397 (£202,612 last year). Last year I sounded a note of warning in case there had been stockpiling because of the Suez crisis. This caution proved unnecessary, and we continued to trade at a satisfactory level throughout the whole year. In fact, the total sales to customers of the products and services of the Group have increased by 21 per cent over the corresponding total for last year.

The increased profits are the result of greater output, higher yield efficiency and the earning power of new capital assets provided out of the high proportion of profits which it has been our policy to retain in the Group each year. The sale prices of our major products at the end of our financial year were no higher, and in some cases were less than those of twelve months ago, even though costs of raw materials, labour and services had risen.

Hickson & Welch Ltd. have had a very successful year, and the output, sales turnover and profit are again records. There has been a major reorganisation of the companies at Huddersfield, John W. Leitch & Co. Ltd., and the Gardinol Chemical Co. Ltd. In the middle of the year it was decided to combine the management with that of Hickson & Welch Ltd., and the Huddersfield works are now under the direct supervision of Castleford staff. Chemicals made at Huddersfield are now sold by Hickson & Welch Ltd. as part of their general range of products. The name of the Gardinol Chemical Co. Ltd. has been changed to Ronsheim & Moore Ltd., and it continues to supply specialised products to the pharmaceutical and cosmetic trades. Your associated company in India, Hickson & Dadajee Private Limited has had a most satisfactory year.

Hickson's Timber Impregnation Co. (GB) Ltd. has again increased its sales of timber preservatives throughout the world. The success of our service can be measured by the fact that further vacuum and pressure impregnation plants have been erected in this country and abroad during the last year.

The Statement then reviewed the satisfactory progress of the Timber Impregnation Companies in New Zealand, Malaya and Singapore, Australia and South Africa and continued:

I have before me details of the results of all the companies in the Group for the first four months of the current financial period, and an excellent start has been made. Our order position is in a healthy state and unless there are any major upheavals in national or international economies, we can look forward to results comparable with the year under review and the maintenance of dividends at the present rates.

The report was adopted and the final dividend of 13½ per cent, making 17½ per cent for the year, was approved.

THE STEETLEY COMPANY LIMITED

(DOLOMITE AND REFRACTORIES)

The Annual General Meeting was held in Sheffield, on 31st March, 1958. The accounts for the years ended 31st December, showed:

	1956	1957
	£	£
Trading Surplus	1,561,155	1,943,506
Taxation	801,874	1,017,543
Profit	759,281	925,963
Issued Share Capital	3,164,874	3,221,874
Dividends	217,636	269,150
Undistributed Profits	541,645	656,813

The following is an extract from the statement to shareholders made by Mr N. M. Peech, Chairman:

The growth of the Company continued with production and sales at home and in Canada advancing to new peaks. By the end of the year a substantial extension to the sea-water magnesia works and a new refractory brick plant were completed. The capital expenditure during the year, incurred mainly on these projects, amounted to £2,379,558. The dividend on the ordinary shares of 16% compares with 13% for the three preceding years. Current demand for the Company's products is satisfactory.

GRAYS BUILDING SOCIETY

(Established 1880)

SATISFACTORY POSITION MAINTAINED

The Annual General Meeting of the Grays Building Society was held on Monday, March 24th, at Grays, Essex. Mr A. E. Frost, the Chairman, stated that during the year the assets had increased over the previous year by £127,024 to £2,580,119. The total standing to the credit of Shareholders and Depositors was £2,462,436, showing an increase on the year of £121,869. Reserves now stand at £92,803. The Liquid Assets £279,805 being nearly 11 per cent of the total assets. The sum advanced on mortgage during the year was £168,750.

The Society—like most other Societies—had found the year difficult, and of a large number of applications for mortgages only a few could be satisfied.

Mr Frost went on to state that during the year the rate to Shareholders had been increased to 3¾ per cent or 4 per cent Fixed Term, and Depositors to 3¾ or 3½ per cent Fixed Term. Since January, 1958, the rates of interest had again been increased—Shares to 4 per cent or 4¼ per cent Fixed Term, and Deposits to 3½ per cent or 3¾ per cent Fixed Term. The Fixed Term being for a period of two years on all Investments or Deposits of £100 and upwards. The Chairman said that this form of investment was proving most attractive.

The report and accounts were adopted.

ERICSSON TELEPHONES

The annual general meeting of Ericsson Telephones Limited was held on March 28th in London.

Sir Harold A. Wernher, GCVO (the chairman), in the course of his speech, said: It is with pleasure that your directors meet you with another satisfactory report. The year commenced with a good order book and business subsequently received enabled us to maintain a high level of production throughout the year. Turnover from the factories was up by 12 per cent, but operating costs were higher, due primarily to a substantial increase in our weekly wage bill.

Last year I told you of the considerable improvements and extensions we were carrying out at our main factory at Beeston. Some of these were completed and brought into service during the year and contributed to the greater volume of production.

The UK must maintain a steadily expanding export of manufactured goods and we at Ericsson's get considerable satisfaction from our own contribution to these export efforts. As for some years past, nearly half of our total production was sold overseas.

Referring to the accounts, we have a trading profit of £1,251,112 against £1,414,061 in 1956, which was a record year. Taxation continues to be a heavy burden on industry; in our case it takes over 53 per cent of our trading profit. There is no question that this restricts the full development and expansion of progressive businesses. We have started the present year with a good order book. This is fortunate because there are indications of recession in world trade.

The report was adopted and a final dividend of 10 per cent, free of tax, on the enlarged Ordinary Stock, amounting to £200,012, was approved.

SUN LIFE ASSURANCE SOCIETY

MR C. G. RANDOLPH'S STATEMENT

The annual general meeting of the Sun Life Assurance Society will be held at 63 Threadneedle Street, London, E.C.2, on Tuesday, April 22, 1958. Mr C. G. Randolph, Chairman of the Society, has issued a statement to shareholders, which in outline is as follows:

DIRECTORS

During the year Mr G. J. A. Jamieson was appointed a director, and his re-election will be proposed at the forthcoming General Meeting.

FUNDS, INCOME AND OUTGO

The funds increased during the year by £6,100,000 (after allowing for the reduction in the balance sheet value of the assets, to which I refer later) and now stand at over £126 million. The life premium income and the consideration for annuities granted reached the totals of £15,658,000 and £3,091,000 respectively.

The gross interest income of the Life Assurance, Annuity and Sinking Fund Accounts amounted in all to £5,991,000, representing a rate of £5 2s. 3d. per cent, an increase of 3s. 10d. over the rate for 1956.

The number of claims by death was substantially less than the number expected according to the mortality table employed in the calculation of our current rates of premium; the total amount of such claims at £2,698,000 was, in fact, less than the corresponding figure for 1956 notwithstanding the growth in the business in force.

NEW BUSINESS

I am glad to be able to report that last year the new life sums assured reached the record total of £60,806,000, an increase of £4,670,000 over that for 1956, and annuities (including deferred annuities and group pensions) for £1,565,000 per annum were granted.

PENSION SCHEMES

A considerable number of new schemes of various descriptions were inaugurated during the year. Many of the new group pension schemes have been arranged on a "with profits" basis, and I feel sure that the rates of bonus now declared for the past triennium in respect of such schemes will give cause for satisfaction.

Much has been heard during the last year regarding state pensions. It is our opinion that the state pension scheme should be limited to the provision of pensions to cover basic needs and that any additional pension provision should continue to be made by occupational pension schemes operated on sound lines, or by individual retirement annuities, neither of which involves the Exchequer in any cost other than the taxation concessions allowed in respect of such schemes and annuities.

HOUSE PURCHASE

I have again to report that the applications for advances under our house purchase scheme continue to exceed the number which we consider it advisable to entertain and we are therefore maintaining the quota system which was introduced in 1955.

NEW DEVELOPMENTS

Recently we have given much thought as to how we could best meet the needs of the man who cannot at present afford all the life assurance cover that he will eventually require. The need for cover will increase with his responsibilities, and he will no doubt hope that his financial position will improve correspondingly, thus enabling him to pay more in premiums. His problem is that should his health deteriorate he may find himself unassurable or acceptable only at a specially increased premium. To meet this situation we have devised a policy called the "Increasable Assurance," which includes the option at regular intervals of effecting additional assurance up to stipulated amounts without further evidence of health. We shall be pleased to supply full details on request.

INVESTMENTS

In view of the prevailing financial and economic uncertainties, the directors have decided to apply £4 million of the Investment Reserve Fund to reduce the balance sheet values of the assets, thus bringing such values more closely into line with current market values, and to transfer sums amounting to £4,500,000 to the Investment Reserve Fund, which now stands at £5 million.

TRIENNIAL VALUATION

The substantial increase in the interest yield on our Funds in recent years and the large transfers which have been made to the Investment Reserve Fund amply justify some relaxation in the stringency of our actuarial valuation, which, in the life account, has on this occasion been made at 2¾ per cent per annum instead of partly at 2½ per cent and partly at 2 per cent. This change in the interest rate has resulted in a reduction of approximately £3,400,000 in the actuarial liability, which may be compared with the much greater sum of £5,560,000 transferred during the triennium from the Life Assurance Fund to the Investment Reserve Fund. The valuation shows an aggregate surplus of £5,353,086 of which £4,780,875 is being divided.

The very satisfactory result of the valuation has enabled us to increase once again the bonus on life assurance policies, the new rate being 46s. per annum per £100 sum assured compared with 40s. three years ago.

Since the last valuation was made we have opened two new classes of profit-sharing policies, viz., group pension policies with profits and retirement annuities with profits. Under both these classes the rates of bonus now declared are markedly higher than the rates which we have put forward by way of illustration of the bonuses likely to be declared if the rate of profit remained the same as when the policies were first introduced.

The amounts of the bonuses allotted to the individual policies are being calculated and will be notified to the policyholders as soon as possible.

DIVIDEND

The proprietors' share of the divisible surplus is £478,087. The directors have declared a half-yearly dividend of 3s. 6d. per share, free of income tax, payable on *June 30th* next, and, in the absence of unforeseen circumstances, it is expected that this rate will be maintained until the date of the next triennial valuation.

NATIONAL SAVINGS

In times such as the present when inflation imposes such a strain upon the economy of our country, it is particularly desirable that each one of us should make the maximum effort to increase the amount of his personal savings. A substantial increase in personal savings would considerably reduce inflationary pressures and would be most beneficial to the economy. In my statement last year I drew attention to the attractions, as a form of saving, of a "with profits" endowment assurance policy effected with an old-established office such as ours, and I am sure that you will agree that the rate of bonus which we have declared in respect of the past triennium amply justifies my recommendation.

STAFF

A chairman who repeats himself may be accused of showing signs of age, but I must risk that because I wish to emphasise again the praise that is due, and how sincere our thanks should be, to the executive and to the staff for enabling me to put before you these Accounts.

MONSANTO CHEMICALS LIMITED

The following are salient features of the circulated Report of the Directors, 1957, and of the statement by the Chairman, Sir Miles Thomas, D.F.C., which will be presented at the Annual General Meeting on April 23rd, 1958.

SALES New records were achieved in both total sales and exports.
Sales at £15,683,000 were 11¾ per cent. higher than in 1956.
Export sales at £6,416,204 were 10¼ per cent. higher.
Exports represented 41 per cent. of total sales and were distributed through over 100 countries.
Home selling prices were in general held to existing levels whilst export prices were dictated by continued and intensifying international competition. It was consequently necessary to absorb most of the continuing increases in the cost of raw materials, services and labour.

PRODUCTION The year was notable for very substantial progress in the production field; the gross volume of output was increased by 11½ per cent. over that of the preceding year. At Ruabon a new plant for the manufacture of Santosite was commissioned and extensions to the phenol and acetyl salicylic acid (aspirin) plants were completed. At Newport new plants were brought into commission for the manufacture of cyclohexylamine, Santocure AW, maleic anhydride, "Tred" and continuous production of oil additives.
Several existing plants were extended.
Improvements resulting from process research and plant investigation work yielded substantial increases in output.

FUTURE DEVELOPMENTS During the year an excellent start was made on the construction of the polyethylene plant at Fawley where civil engineering design work was substantially completed.
Further extension at Fawley is under long term study and we have space for development at Ruabon and Newport. Programmes of expansion are being considered, particularly with intent to strengthen further our sound positions in rubber chemicals, oil additives, fine and heavy chemicals and styrene-based plastics.

THE YEAR AT A GLANCE

	1957 £	1957 Percentage of Total Income	1956 £	1956 Percentage of Total Income
WE RECEIVED: From the sales of our products and from dividends, interest, etc.	£15,897,945	100·0	£14,166,890	100·0
WE PAID OUT OR PROVIDED FOR:				
Raw materials, fuel, supplies, etc.	10,417,461	65·5	9,237,728	65·2
Wages, salaries, national insurance, pensions, etc.	2,849,920	17·9	2,635,093	18·6
Depreciation and obsolescence	728,264	4·6	574,990	4·1
Interest on loan stock	188,000	1·2	175,000	1·2
	£14,183,645	89·2	£12,622,811	89·1
WHICH LEFT	£1,714,300	10·8	£1,544,079	10·9
THIS HAS BEEN APPLIED AS FOLLOWS:				
For payment of income and profits taxes	842,180	5·3	708,975	5·0
For payment of dividends to our shareholders	492,487	3·1	422,625	3·0
For items not applicable to the year	—	—	38,501	·3
Retained in the business	379,633	2·4	373,978	2·6
	£1,714,300	10·8	£1,544,079	10·9

Copies of the Annual Report are available on application to the Public Relations Department.
MONSANTO CHEMICALS LIMITED
Registered Office:
Monsanto House, 10-18 Victoria Street, London, S.W.1

GENERAL INVESTORS AND TRUSTEES

The fifty-first annual general meeting of General Investors and Trustees Limited was held on March 27th in London, Mr R. G. Mills (the chairman) presiding.

The following is an extract from his circulated statement:

The valuation of the investments at the date of the Balance Sheet shows a drop from £4,921,380 to £4,594,922. A diminution in value for the past year unfortunately is a common feature of nearly all investment portfolios. In spite of this depreciation, at the Balance Sheet date each 5s. Ordinary Share was backed by net assets of 12s. 8½d. against the market price of 11s. 9d. The gross revenue, on the other hand, has stood up well. This shows an improvement of approximately £29,000 over that of the previous year, but the increase in the net revenue is sharply reduced to £9,637, partly owing to provision for Profits Tax having been increased by £6,300 to £13,000.

It may be of interest for you to learn that a purchase of £100 of the Company's Ordinary Stock in February, 1948, would, if retained up to January 31st last and supplemented by the exercise of three rights issues and two free issues, have resulted in a nominal holding of £296 costing in all £317 and worth in market value today more than double that figure or in fact £695. Over the same period gross dividends received by the Shareholder would have amounted to £215.

The report was adopted and a total distribution of 15 per cent was approved.

LUTON WATER COMPANY

The ordinary general meeting of the Luton Water Company was held on March 27th at Luton, Mr Edmund Walker, MC, chairman, presiding.

The following is an extract from his circulated statement for the year 1957:

Revenue from all sources showed an increase of £8,564. Expenses, however, including taxation, are up by £9,742 and the net revenue is £26,018 compared with £27,196. There will be a balance of £24,856 to be carried forward as compared with £23,654.

The Government White Paper published in 1945 drew attention to the multiplicity of water undertakings, and since then the policy of the Ministry has been to press for regrouping within the industry. In a circular issued nearly two years ago the Ministry called on the industry to proceed much faster and more radically. Your directors have been concerned with the position of the company in relation to the Dunstable Water Undertaking of the Eastern Gas Board and came to the conclusion that it would be logical and in the best interests of all concerned for the two undertakings to be amalgamated. Mutually satisfactory terms for the acquisition of the Dunstable undertaking by your company have been agreed. Those terms will be embodied in an agreement scheduled to a Draft Order and will then be submitted first to the stockholders and then to the Minister for approval. One result will be that the company will assume responsibility for the whole of the Bow Bridge scheme instead of two-thirds as now envisaged.

The report and accounts were adopted.

UNIVERSAL ASBESTOS MANUFACTURING

HIGHER TURNOVER

The twenty-first annual general meeting of The Universal Asbestos Manufacturing Company, Limited, will be held on April 25th in London.

The following are extracts from the circulated statement by the chairman, Mr F. W. R. Douglas for the period from October 1, 1956, to September 29, 1957:

The financial results for the year show a substantial fall in profits, especially when compared with the record results of the two previous years. Our total turnover during the year under review was marginally higher than in the previous year, which fact is in itself satisfactory, showing that, in spite of the general decline in building activity at home, we are able to maintain our position and to sell the full output of our factories. The decline in profit was due to increased costs of raw materials, labour and overheads; to increased worldwide competition in export markets; and to a loss sustained in the first year's trading of one of our new operating subsidiaries, Union Fibre Pipes (Great Britain) Limited.

As I told you last year, we felt it highly desirable to stabilise our prices for as long a period as possible and it was, of course, inevitable that with rising costs the effect would be to reduce the margin of profit. Towards the end of the financial year we felt it necessary to make a small increase in our prices—too late, however, to have any material effect on the results for the year.

In the Export field our turnover showed an increase of some 25 per cent, compared with the previous year, but the prices which were obtainable under intense competition in world markets were very low indeed and scarcely did more than absorb their proportion of the standing overheads of the business.

The Trading Profit of the Group amounts to £201,358 compared with £340,135 for the previous year, and the Group Net Profit, after making full provision for taxation, is £84,309. The Board have decided to pay a second interim dividend of 6d. per share, less tax, on the Capital as increased—the amount so distributed being the same as the Final Dividend last year.

THE CURRENT YEAR

It is, in my view, inevitable that, with the continued official discouragement of spending, the building industry will be among those to suffer, and I think one can only reasonably forecast reduced operations and sales over the next few months. Although this news may appear somewhat depressing, I can perhaps relieve the situation by saying there are certain heartening features in our present trading in that, in spite of difficult conditions, the profits so far this year show a marked improvement over the comparable period of last year, although the volume of demand has somewhat declined. If the present improved profit figures are maintained throughout the year, we shall be able to present to you results of a more favourable nature than those now before you.

To meet the cost of future developments and to provide the Company with additional working capital it is intended to issue £260,000 Convertible Unsecured Loan Stock which will shortly be offered to Shareholders.

COW & GATE LIMITED

WIDE RAMIFICATIONS OF COMPANY'S BUSINESS

The forty-ninth annual general meeting of Cow & Gate Limited was held on March 31st at Guildford, Mr Ernest E. Taylor, CBE (Chairman and Joint Managing Director), presiding.

The Secretary (Mr J. W. Barter, FCIS, ACWA) read the notice convening the Meeting and the Auditors' Report.

The Chairman, in the course of his speech, said:

Your Company has had another successful year's trading.

There must, I think, be many of our shareholders and also members of the general public who still think of your Company as mainly the manufacturers of infant and invalid foods. This may have been so thirty years ago. Today, however, its business has wide ramifications. Not only have we a very large and, I am glad to say, an expanding business in infant and invalid foods, but our factories throughout England and Wales are large makers of cheese, butter and cream and evaporated and condensed milks. I understand that we are now the second largest buyers of milk by wholesale contract in the country and the second largest manufacturers of milk products. In addition to this there are our very considerable retail interests, mainly in London and the south and west of England.

ACCOUNTS

You will remember that in September last there was an issue of 13,849,078 Ordinary shares at the price of 2s. per share and it gives me much pleasure to be able to tell you that not only did shareholders take up a very high percentage of their "Rights" but they also subscribed for the "Excess" shares several times over.

Turning to the Profit and Loss Account, it will be seen that the net profit of the Group before taxation is £1,567,525 compared with £1,396,006 for the previous year, and this increase has been achieved solely as a result of an increase in Sales. Current Taxation requires the very large provision of £894,051, but this year there is a special non-recurring credit of £312,533. In view of this and the increase in the net profit your Directors considered it proper that shareholders should benefit by a modest increase of 2½ per cent in the rate of Ordinary Dividend while at the same time transferring to General Reserve a sum of £458,781 to bring this Reserve up to £1,200,000.

The position with regard to our well-known range of infant foods continues to be most encouraging. Sales of our baby food are steadily increasing and the broadening of the distribution of our carton pack is resulting in an increased volume of sales. The new Cow & Gate Cereal Food introduced just over a year ago is now firmly established and is proving a very popular addition to our range.

Sales of our territorial cheeses continue to expand and again we have won numerous prizes for factory-made cheeses at Shows throughout Britain.

FARMERS WIFE Double Devon Cream and Creamed Rice which have been consistently advertised on television are proving exceptionally popular throughout the country.

The turnover of our Retail Subsidiaries has been further expanded during the year.

Although exports of our products have in the past been comparatively small, we have been making a determined effort to increase them. We find competition from other countries severe but we have every reason to hope that we shall be able to increase our export sales in the next few years.

The report and accounts were adopted.

WILLIAM HOLLINS

(Manufacturers of "Viyella" and "Clydella")

RECORD VOLUME OF BUSINESS

The fiftieth Annual General Meeting of William Hollins and Company, Limited, was held on April 1st at Nottingham, Mr Joseph Wild (the Chairman) presiding.

The following is an extract from his circulated statement:

Our total turnover in Home and Export Markets for the year 1957 showed a further substantial increase over the preceding year. In fact, the Report and Accounts now submitted reflect the highest volume of business ever transacted in any year in the history of the Company.

INTRODUCTION OF NEW PRODUCTS

In the Home Market the demand for our products continued at a high level and sales showed a further substantial advance, but the continuing increase in the cost of production has brought the retail prices of many of our lines of merchandise to levels at which further large expansion of sales is becoming ever more difficult. We have, therefore, during the past year, introduced several new products to meet the large demand for good quality merchandise in the lower price brackets.

WOOL VALUES

During December last the price of wool reached its lowest point for the year, with the result that we had to face a write-down of approximately £200,000 to bring the value of our stocks of raw materials and processed and finished merchandise into line with current raw material prices.

The whole of this sum has been provided out of the year's profits and without recourse to Reserves which now exceed £2 million.

OUTLOOK

Looking at the future, much depends on the United States of America—a very important market to your Company. The recession in trade there could have far reaching effects on world trade. In Europe the implications of the Free Trade Area will not be fully apparent for some years, but these developments will continue to receive our closest attention.

Your Board will not fail to seize every opportunity of expanding our sales both at home and abroad and to effect every possible economy without impairing efficiency or service.

The Chairman concluded by paying tribute to the work of the many thousands of employees of the Company and of its Subsidiaries at home and abroad.

The report was adopted and the Dividend on the Ordinary Stock of 10 per cent for the year 1957 was approved and the retiring Directors re-elected. An increase in the authorised capital of the Company by the creation of 1,130,000 Ordinary Shares of £1 each was approved.

ARISTON GOLD MINES

EXCELLENT RELATIONS WITH GOVERNMENT

The twenty-eighth annual general meeting of Ariston Gold Mines (1929) Limited was held on April 1st in London.

Major-General W. W. Richards, CB, CBE, MC, presided.

The Chairman said: Considerable comment has been made in the press and elsewhere recently concerning mining companies operating in Ghana who may qualify for taxation purposes as an Overseas Trading Corporation. On a Revenue view your Company was not automatically eligible for OTC status as at April 6, 1957. We have consequently modified existing selling arrangements so as to qualify without any doubt as from April 6, 1958. Had we not elected to be so considered the taxation charge in respect of the year under review would probably have been some £50,000-£60,000 greater.

It will be appreciated that profits for the year ended September 30, 1956, were adversely affected by the strike which precluded any material benefit being derived from the new legislation during 1957-58. It is anticipated that savings in profits tax per annum on an assumed dividend of 30 per cent would be in the region of £100,000. Current dividend distributions have been based exclusively on the adoption of the above policy on the best advice available and in the best interests of all concerned.

The net profit for the year ended September 30, 1957, after taxation, was £244,167. The directors recommend a final dividend of 5 per cent, making 10 per cent, less tax, for the year. They have also declared an interim dividend of 15 per cent, less tax, and a bonus of 10 per cent, less tax, in respect of the year ending September 30, 1958.

The total Ore Reserves at September 30, 1957, were 2,662,338 tons averaging 6.84 dwt over a width of 122 inches.

MR C. J. BURNS ON HIS VISIT

Mr Burns, a director of the company, in the course of addressing the meeting said: I would like to present to you a picture of your company, its difficulties and its achievements, and the high standard of technical efficiency of the mines' staff, also to give you an up-to-date picture of the relationship between the Ghana Government and the mining industry to correct certain misapprehensions relating to the future of British capital in Ghana and the prospects there for our mining industry generally.

From the mining angle it must be remembered that apart from strikes and essential maintenance the mine does not close down. A seven-day week is the normal, not the unusual, and consequently an adequate supply of stores must be maintained to avoid the necessity of a shutdown.

Dealing with the mining techniques evolved after careful study by your management in conjunction with their technical consultants, West African Gold Corporation, Limited, and West & South African Gold Mines, Limited, it is perfectly true to say that their standards are as high as, if not higher than, the standards in other parts of Africa.

GOVERNMENT'S ATTITUDE

I would now like to touch briefly on the relationship between the mining industry in Ghana and the Ghana Government. Since Ghana achieved independence on March 6, 1957, numerous articles have been written in some sections of the British press which have given rise to a belief that politically and economically Ghana was not a stable country. As part of the gold mining industry it will be quite wrong for me to discuss the political scene in Ghana, that is purely a matter for the citizens of Ghana. I do wish to emphasise most strongly, however, that within the framework of the present administration in Ghana the gold mining industry not only has full scope to develop unharmed by Government restriction, but in addition has received the fullest co-operation from Government towards the peaceful settlement of wage disputes, and the Government itself has shown that it is fully aware of the difficulties experienced by low grade mines in terms of fixed price for gold and has done all in its power to alleviate those difficulties.

It has been my privilege to negotiate with Government the terms of assistance to be given to the marginal mines. In July, 1956, Government made a grant of £200,000 to the marginal mines to cover the period from June, 1956, to July, 1958. They have now undertaken to bring out to Ghana an independent mining expert who will report to Government on the state of the gold mining industry with a view to the passing of new legislation granting a subsidy to marginal or low grade mines on the lines of similar legislation enacted both in Canada and Australia. This alone shows quite clearly the importance which the Ghana Government attaches to the preservation of a strong and profitable gold mining industry. I can also say from personal experience that Government does realise the very great assistance given by the industry to the development of those areas of Ghana where the mines are situated.

Of recent time the Mines Employees Union have shown increasing awareness of their responsibilities, and relations between the mining industry and the Union have been both cordial and co-operative. Given the industrial peace which both Government and the industry have striven so hard to establish and which now seems assured, and a realistic price for gold, the West African gold mining industry can in my view look forward to many prosperous years.

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Egypt	£7 15s.	£6 10s.
Europe	£6 0s.	—
Ghana	£9 0s.	£6 10s.
Gibraltar, Malta	£5 0s	—
Hongkong	—	£8 15s.
India	£9 0s.	£7 10s
Indonesia	£9 0s.	—
Iran, Iraq	£7 15s.	—
Israel	£7 15s.	—
Japan	£10 6s.	—
Jordan	£7 15s.	—
Lebanon	£7 15s.	—
Malaya	£9 0s.	—
New Zealand	£10 6s.	—
Nigeria	£9 0s.	£6 10s
Pakistan	£9 0s.	—
Philippines	£10 6s.	—
Rhodesia (N. and S.)	£9 0s.	—
South Africa	£9 0s.	£7 10s
South America	£9 0s.	—
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The April issue contains "Duke of the Month" between Thomas K. Finletter and Maj. Sir Charles Mott-Radclyffe (about Disarmament). Other contributors guide John Midgley of "The Economist."

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ROBT. T. HUTCHESON,
Secretary of University Court.

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SOUTHERN GAS BOARD

Vacancies exist for two Assistant Statisticians at the Board's Headquarters in Southampton. Both positions call for a high degree of intelligence and personality.

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The successful candidates will be required to pass a medical examination and, unless already subject to a Pension Scheme by virtue of the Gas (Pension Rights) Regulations, 1950, will be required to join the Board's Staff Pension Scheme.

Applications, marked "Assistant Statisticians," should be accompanied by a separate sheet showing name, age, education, experience, present appointment and salary. They should any supplementary information, in that order, addressed to the Personnel Manager, Southern Gas Board, ... Above Bar, Southampton, to reach him not later than ... 1958.

SURVEYS CLERK

A vacancy exists in our Market Research department for a woman of good education aged between 21 and 32 years.

The duties involve coding and tabulating market research surveys and tests and the translation of research plans into fieldwork action. In addition the successful applicant will participate, under the direction of the Consumer Analyst, in the construction of questionnaires, the analysis of consumer research operations and in the application of appropriate statistical techniques.

This position will provide a valuable training for an executive career in market research.

The gross remuneration offered will be in the range of £550 to £700 p.a.

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Write, giving details of age, education and experience to the Personnel Officer, Petfoods Limited, Melton Mowbray, Leicestershire.

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Candidates should have experience of industrial library work and a qualification in economics and/or statistics would be a strong recommendation. Starting salary in the region of £510 per annum. The post carries membership of pension and profit-sharing schemes.

Application should be made, in writing, giving full particulars, to:

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Renold Chains Limited,
Renold House,
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MARKET RESEARCH. A London Advertising agency requires an Assistant in the Research Department. Candidates should preferably be between 25 and 30 and should have either a university degree in Economics and Statistics or practical experience in market research and/or marketing. Some knowledge of advertising practice and particularly media selection would also be an advantage.—Please write to the Secretary, C. R. Casson, Ltd., 6 Aldford Street, W.1.

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UNIVERSITY OF LONDON.—*The Senate invite applications* for the Readership in Statistics tenable at the London School of Economics and Political Science (salary scale £1,475-£1,775-£2,150 a year plus £100 London Allowance).—Applications (10 copies) must be received not later than May 9, 1958, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars may be obtained.

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Applications are invited for the post of LECTURER IN SOCIAL ANTHROPOLOGY. Salary on a scale £900 to £1,650 per annum with membership of F.S.S.U. and Children's Allowance Scheme. Initial salary according to qualifications and experience.—Applications should be sent, not later than April 12, 1958, to the Registrar, the University, Manchester 13, from whom urther particulars and forms of application may be obtained.

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Duties should be assumed as early as possible.

A prescribed form of application and further particulars may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

The closing date for applications is May 15, 1958.

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AIR EDITION

The Economist

APRIL 12, 1958 ONE SHILLING AND SIXPENCE FOUNDED 1843

23 APR 1958

A Budget for Uncertain Weather (page 93).

Nine More Rivers to Cross

The end of temporary legislation on which some important economic controls depend is long overdue. But the Government will need much courage, and meet much trouble, in bringing it about (page 135).

Wages: The Showdown? (page 99).

Bonn's Atomic Rearmament

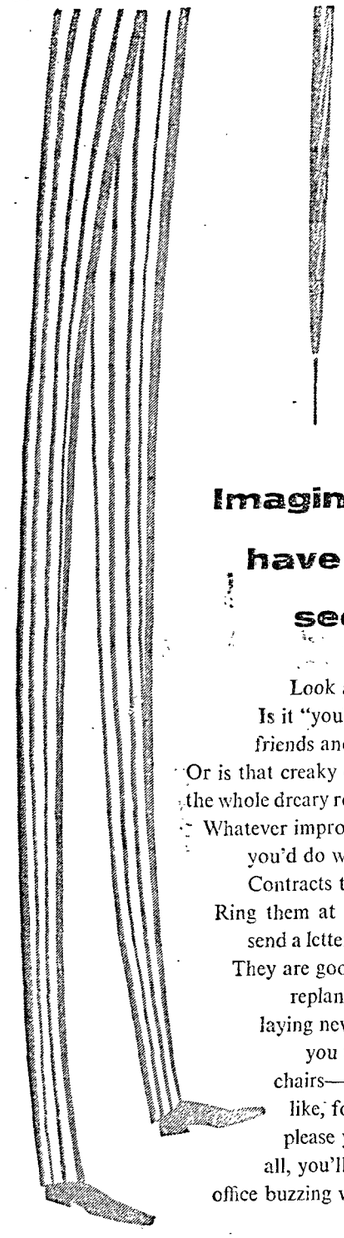
The hasty arming of west Germany with atomic weapons is likely to make the German problem insoluble (page 95).

East Germany
The German Democratic Republic is getting on its feet (page 125).

Lessons from Vauxhall (page 137).

Scorecard for County Elections (page 97).

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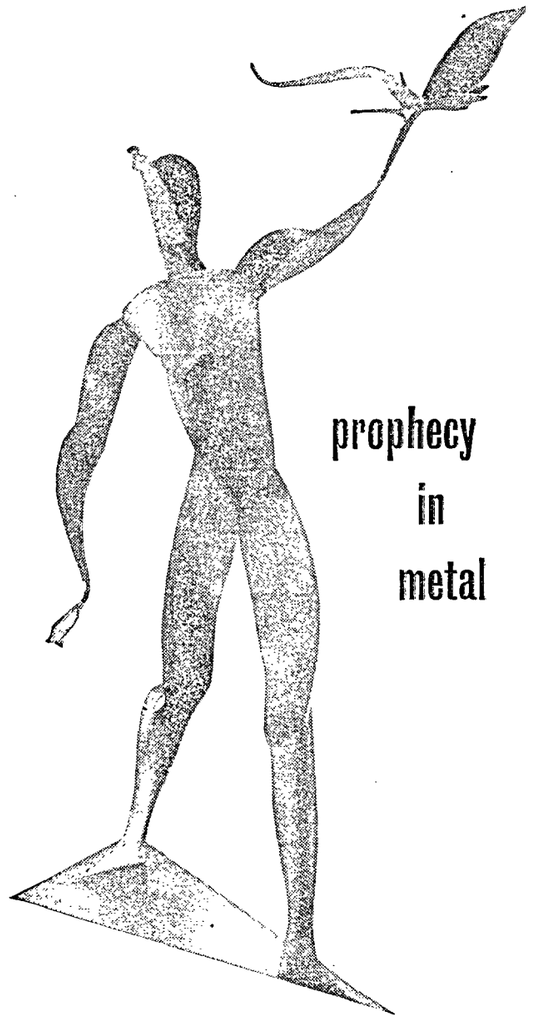
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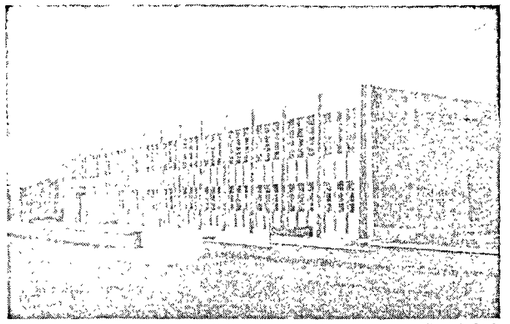
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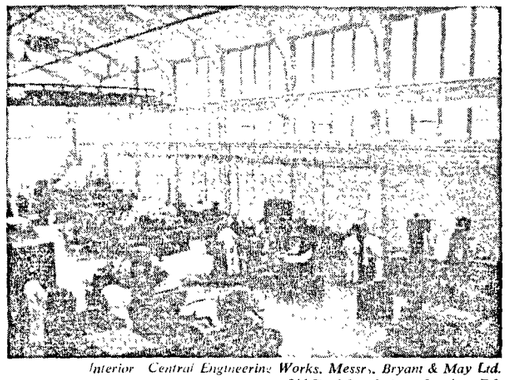
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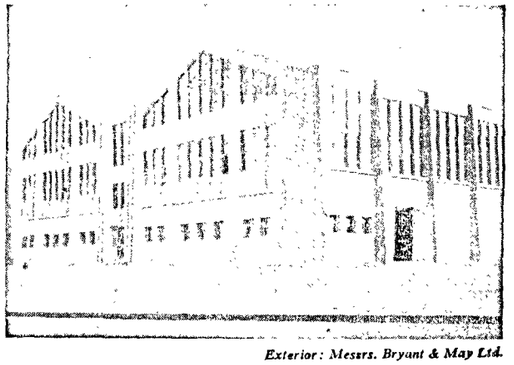
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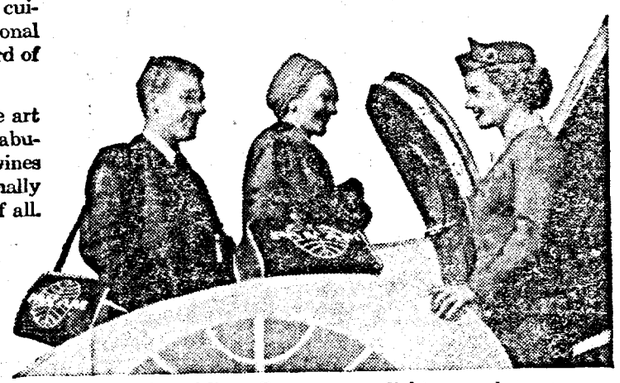
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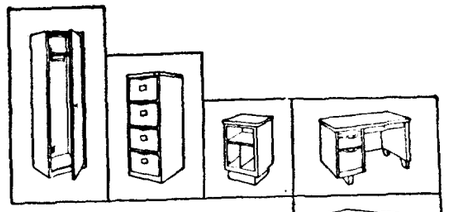
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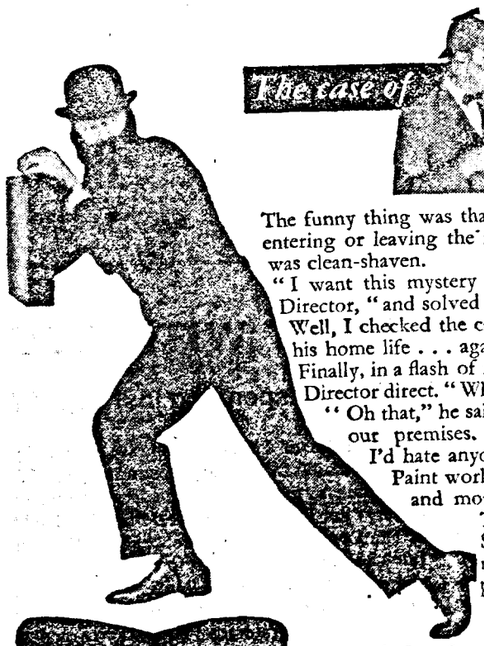
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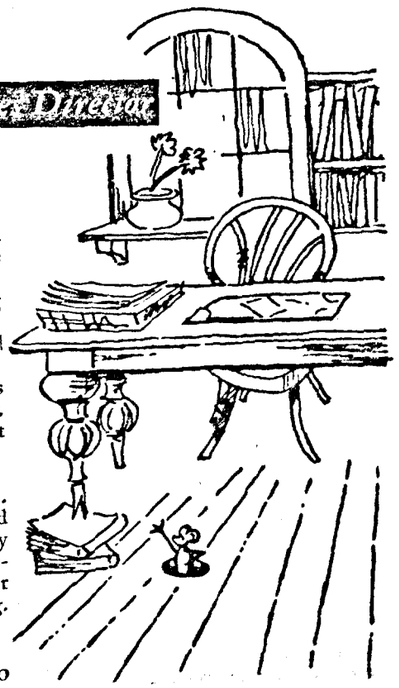
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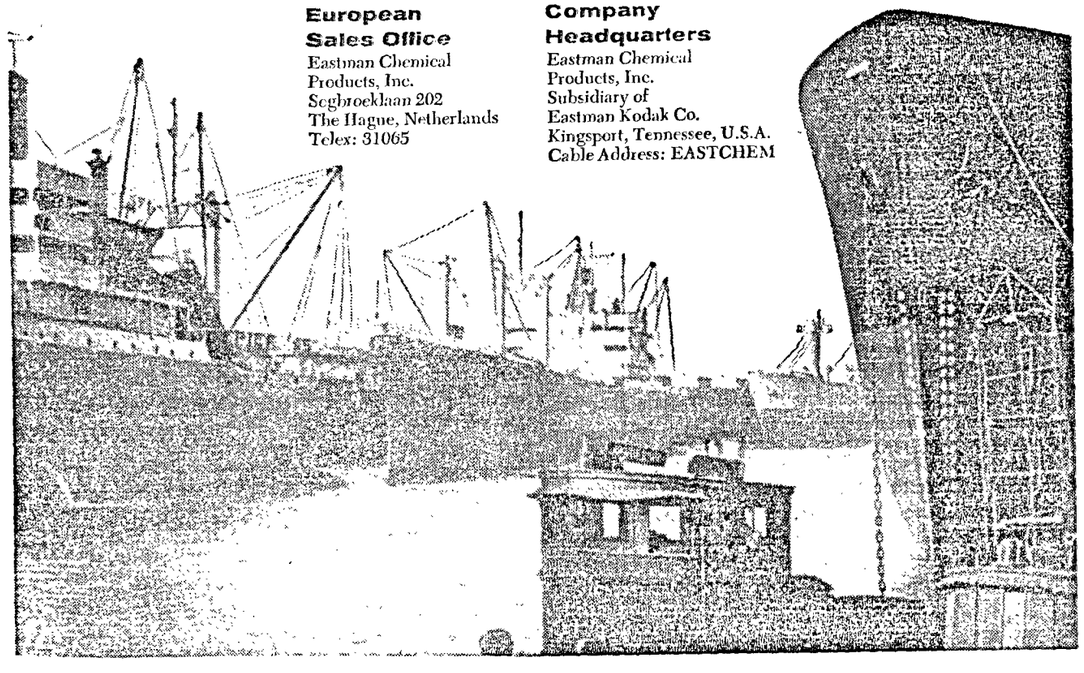
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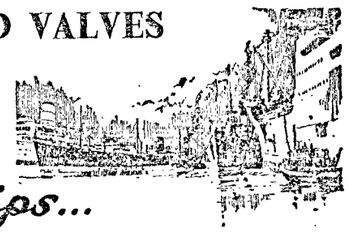
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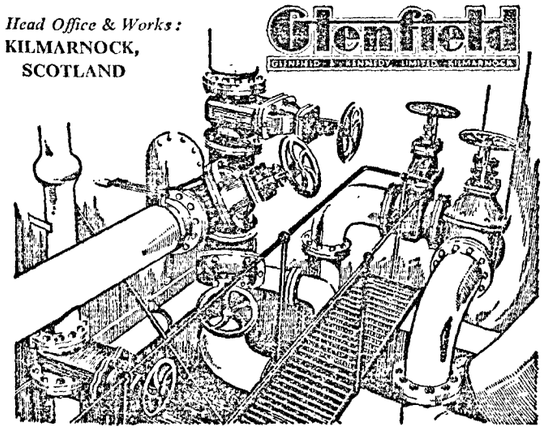
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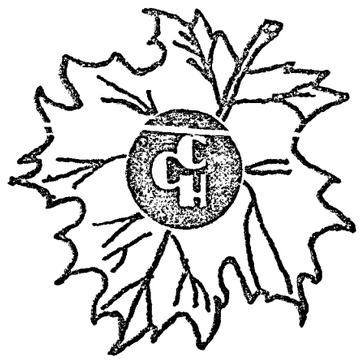


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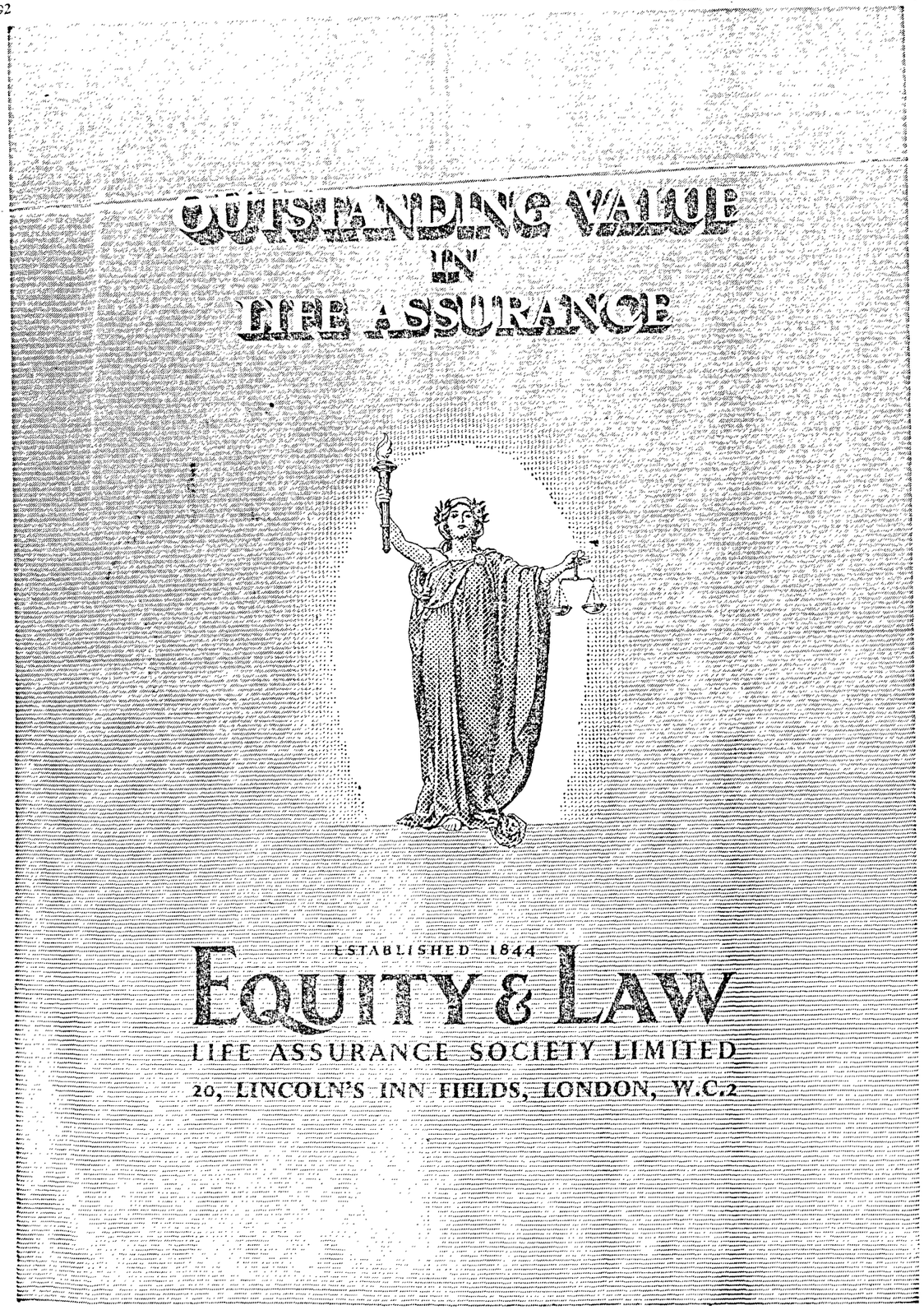
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The Economist

APRIL 12, 1958

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A Budget for Uncertain Weather

MR HEATHCOAT AMORY'S greatest political virtue has always been his level-headed intellectual modesty, and when he opens his first Budget next Tuesday he may have need of it. He is being assailed with advice to decide here and now whether he is more likely to have to fight against inflation during the coming year or against a slump. In fact it will be much wiser of him to recognise that neither he nor anybody else can really tell which will be the main danger throughout 1958-59. Quite possibly Britain will face both dangers, but at different times of the year. The Chancellor's real problem is to fit his budget into a setting of prudent uncertainty.

There seem to be two alternative ways of doing this. One would be to introduce only an interim "standstill budget" at this time, and to say that he may introduce another budget later on, when it has become clearer whether the weather outside will demand a sunshade or an umbrella. If he did this he could (and should) still carry through some technical adjustments—they are especially badly needed in the field of company finance—but he would give no net reliefs away. His alternative course would be to introduce a budget designed to meet the economic situation as it at present is, instead of trying to forestall the situation as it may become; he could still, of course (and probably will) foreshadow the possibility of a second budget later in the year if the outlook changes. On balance, this second course would seem the better one. It would certainly be politically the more attractive.

For most people are agreed that in a budget designed to meet the "situation as is" it should be possible to grant a few tax reliefs. Three different methods are in vogue for guessing at the amount of the possible reliefs, and all seem to point to roughly the same range of figures. On commonsense grounds, it would hardly seem worth giving away less than £50 million a year and hardly seem prudent to give away more than £150 million. On grounds of budget arithmetic, if Mr Amory hives the borrowing of some nationalised industries out of the below-line Exchequer accounts on to the market, he may conceivably be able to show (albeit misleadingly) an overall budget surplus somewhere within this same range. And, as it happens, Mr Amory might reasonably reach much the same conclusions after nice calculations of the most probable balance in 1958 between real demand and supply. The Economic Survey opined that last year's increase of £435 million in real demand did "not appear to have strained the economy," and most estimates suggest that the real increase in demand this year may be at least £150 million smaller. To give anything up to £150 million of tax reliefs away would not in these circumstances seem to be an improperly reflationary thing to do.

Reliefs to whom? In the field of personal taxation, which is what most people are most immediately interested in, the proper recipe for any modern British Chancellor is to increase the incentive to earn rather than the incentive to spend. Economically, therefore, there is a better case

for reducing direct than indirect taxation ; this would be a good year to make another rearrangement of income tax allowances—perhaps one designed to free from tax some of the several million people whose incomes have lately risen above the exemption limit, not because they have reached the level of real affluence where people traditionally do pay income tax, but simply because that exemption limit has not been raised in step with the decreasing value of money. Politically, however, the more immediate pressures on the Chancellor of the Exchequer in these weeks before the budget have centred, not on earned income tax, but on four other unpopular taxes.

APART from the perennial pressure to reduce the motor fuel tax—which some Chancellor should bow to one day, but not yet—the main recent political campaigns have been against the purchase tax, the entertainments tax, and the Schedule A tax on house owners. The assault on purchase tax has a great deal of good sense in it, provided Mr Amory realises what the real point of it is. The case now is not for reducing the burden on popular household goods which are taxed at the lowest rate ; it is for reducing the anomalies that are inseparable from the attempt to tax luxuries at a higher rate, so that getting goods shifted into a lower tax range by turning door-knocking nutcrackers into nutcracking door-knockers has become a publicised side-play in a now common industrial sport. The clearest and boldest way of removing these anomalies would be to replace all rates of purchase tax by a flat rate sales tax ; this would mean, in effect, reducing the tax on all "inessential" manufactured goods but imposing a new tax on "essential" manufactures, on services (hairdressing, laundry work, and so on)—and, if the Chancellor wanted to keep the flat rate as low as possible, also imposing the tax on some foods such as confectionery. Assuming that Mr Amory does not feel able to go as far as this (and he almost certainly does not), then to reduce all purchase tax rates at present above 30 per cent to 30 per cent would cost about £120 million a year. To take a substantial step in this direction would be a good second-best course to rearranging income tax allowances.

To remove the entertainments tax on cinemas would cost £30 million a year. If the sole effect of this was that admission charges went down, and the public then spent that £30 million in going to the cinema more frequently, it would not lead to an equivalent pre-emption of scarce real resources, but only of empty cinema seats. Unfortunately, however, the public would be more likely to spend most of its £30 million on other things. Some relief may be in order ; but total remission, besides being inflationary, would not help the cinemas as much as that secularly declining industry at present likes to think. Much the same may be true of the present Conservative backbench urge to pave the way for what they call an "advance towards a house-owning democracy": by reducing or abolishing or regrading both the stamp duty on transfers of property and the Schedule A tax. The sad truth is, that if political gimmicks such as this do not involve giving a lot of money away to much of the mass electorate then they are unlikely to work as political gimmicks, and if they do involve giving a lot away then they cannot be afforded. This is not to say that the urge to encourage private house-ownership should be opposed ; but it is to say that there are a lot of other things that should be accorded a higher priority.

AMONG these other things are a wide range of changes in business taxation, which would have the advantage of removing distortions at some points of real strain while not costing the Chancellor very much money. In business taxation, desirable technical reforms jostle each other in a long queue ; they include the need for a new look at some non-taxable emoluments and for a fairer formula for dealing with irregularly fluctuating incomes. But two big questions tower above this weedy plain. The first is whether Mr Amory is going to be brave enough to amalgamate the 3 per cent undistributed profits tax and the 30 per cent tax on distributed profits ; if he imposed a combined tax of about 10 per cent, he would not necessarily give any net revenue away. The economic case for combining these taxes has been recognised by practically everybody, including both the majority and the Labour-inclined minority of the royal commission on taxation. The thing that has stood in the way so far has been the political convenience of treating dividends as a dirty word, and therefore as a discriminatorily taxed reward. But there could not be a better year for making the change than 1958, when dividends are going to be held down by other factors in any event. There would admittedly be a vast undergrowth of administrative difficulties—of apparent "unfairnesses" between company and company—involved in any such sudden change ; but the need to bring competition back to the capital market is urgent, and the best principle here may be "never mind the undergrowth, merely swing the axe."

The second big question about business taxation is whether Mr Amory is going to restore the investment allowances ; this would not affect his revenue for 1958-59, but only for later years. Perhaps the problem as it presents itself to the Chancellor next week will be whether to restore the allowances now, or to hold them over as a near-first priority for any anti-recession budget that he may have to be ready to introduce later ; there is a reasonably strong case for action now, because decisions to invest have already begun to decline. But Mr Amory should be urged not to try to reach for a halfway house : by restoring the allowances selectively —for, say, export industries only. The main effect of introducing such distinctions between essential and presumed unessential industries would be to intensify in the taxation of investment just those distortions and anomalies which opponents of the purchase tax are urging the Chancellor to remove from the taxation of consumption. Together with any other measures of disguised export subsidy, this step should be avoided in next week's budget like the plague.

THERE, as regards taxation, advice to Mr Amory may rest. There are two other things that he will be widely expected to talk about next Tuesday. First, the time may be approaching when the Conservatives will have to do something about the nationalised industries ; the essentials of this problem are discussed in a separate note on page 101. Secondly, it is generally presumed that in his budget speech Mr Amory may disclose the plans which the Treasury has prepared for countering any real slump, if one should befall. Internally, these plans could sensibly include preparations for the release of postwar credits, for road programmes and other public works ; externally they should certainly centre on negotiations with America for increasing international exchange reserves—or, if America will not assent to these, for negotiations with Europe and the Commonwealth about widening non-dollar credit lines within the European Payments Union.

But these are arrows for the quiver. Next week the nation's main concern will be with Mr Amory's actions in the present breach. His best course there would be to give some moderate tax reliefs. The present state of the nation's finances seems to allow them ; and, in this appallingly over-taxed economy of Britain's, any British Chancellor, whenever circumstances do not positively forbid, should admit to an unashamed bias towards relief.

Bonn's Atomic Rearmament

To arm the Bundeswehr with nuclear weapons will probably be an irreversible step. The western powers should pause to consider what the consequences are likely to be

ABSORBED in the conflict of conscience about its own nuclear weapons, the British nation has paid little attention to the convulsion of German opinion over an issue that is in many ways more portentous, the nuclear rearmament of west Germany. It is true that the debate which lasted from March 19th to March 25th in the Bundestag at Bonn was too vast a war of words for any newspaper fully to report. Yet the general course was clear enough. What began as a debate on foreign policy, with particular reference to summit conferences, turned into a debate on atomic rearmament, and ended with a government majority for the proposition that the armed forces of the German Federal Republic "must be equipped with the most modern weapons."

History has many strange things to tell of the relations between former enemies after wars that had seemed vital at the time they were fought. Perhaps there has been none as strange as the passivity with which this decision by Bonn has been accepted by Germany's ex-enemies in the West. Dr Adenauer is coming to London next week for talks with Mr Macmillan ; there is no reason to suppose that this subject is even on the agenda.

Evidently it will, however, be on the agenda of the Nato defence ministers when they meet in Paris on Wednesday ; for it was this approaching meeting which, Dr Adenauer told the Bundestag, had forced his hand and obliged him to insist on an immediate vote. As he explained, Nato was planning a military reorganisation which would require the member states to accept rockets and nuclear weapons. Since the Soviet Union possessed rockets and nuclear weapons, Nato would become "meaningless and pointless" if one of its important members were without weapons "of the same strength as those of the potential opponent." Indeed, he went on, Bonn practically had to decide whether to stay in Nato or not ; for if it rejected the requirements of Nato's strategic planning, it would have to leave the alliance.

If this were true, it would be a fearful condemnation of an alliance that it should impose such a choice on a member state placed as Germany is. But in fact, not only could the Nato ministers not take up any such attitude without the affirmative vote of their German colleague ; it is obvious that they would not take it, whatever their German colleague thought. Dr Adenauer when he spoke in that way was bringing a familiar form of persuasion to bear on his parliament ; he was also preserving the formal position that nuclear rearmament has not been an aim of policy of the west German government, but is a burden thrust upon it by its friends and accepted from loyalty.

The "strategic planners" of Nato are no more able to dictate requirements to Bonn than the ministers are. They can, and should, state their views about what is militarily desirable. They can urge that the Supreme Commander ought to have more atomic cannon and more rockets than he has now. They may even have advised him that it would be more convenient if the rockets and cannon were in the hands of the various national components of the Nato forces, instead of (as at present) only in American units that are kept on call. But the military planners cannot set aside the

political objections; only the political leaders can do that. If they have—and it is unlikely that Dr Adenauer would have committed himself without making reasonably sure of the acquiescence of Washington, London and Paris, at least—then the responsibility does not fall on the soldiers. It falls on the western governments, in whom the habit has grown of accepting—so long as no expense to themselves is involved—an automatic priority for military considerations over political ideas. Their indispensable concern for security need not cause them to distribute nuclear weapons indiscriminately.

IN the particular case of Germany the military advantage of putting the new weapons in German hands looks minor, while the political arguments against it appear decisive. What appears to be proposed at this stage is that the "means of delivery" of nuclear warheads should be supplied to the west German armed forces, while the warheads themselves are kept under the Supreme Commander's control under the arrangements hinted at in the communiqué that followed the meeting of Nato heads of government in December. Is this imperative to western security? There are already two atomic powers (the United States and Britain) among the states that keep armies in west Germany. Obviously Nato's nuclear fire-power there could be reinforced with additional American (and even, if necessary, British) nuclear units. It might not be convenient, but it would be perfectly possible, and it would have the advantage that one day, when they were no longer needed, they could be taken away again. Thus the western powers would remain able to negotiate for a pacific solution of the German question if and when the opportunity offered. If the present intention is carried out they may quickly lose any such power.

Against this it is being seriously argued in the western governments that they could not "discriminate" against the Germans by keeping nuclear weapons out of their hands. Why not? When it was agreed in 1954 that west Germany should join Nato and raise an army, the west German government itself accepted a special position, for excellent reasons, promising formally not to produce certain kinds of weapon, including atomic weapons, rockets and guided missiles. Nobody called that promise unfair to the Germans. Since nobody supposed then that the Americans (let alone the British) would think of supplying the Germans with nuclear weapons, the promise was treated as an effective guarantee that Germany would stay out of the atomic weapons club, and opinion in the west was persuaded to accept a German army on that understanding. Dr Adenauer himself told the Bundestag in October, 1954, that his government had renounced *the use* of weapons of mass destruction, thus giving exemplary proof of its peaceful intentions. His attitude then was regarded as praiseworthy; it was not until last month that he questioned whether he had been rightly reported.

The west German army created under the treaties of 1954 is a very different thing from the German contingents in the European army that would have been if the European Defence Community treaty of 1952 had gone through. The west Germans now have a national army, air force, and navy in their own control; and this was accepted as following logically upon the decision to have German soldiers at all. It is now in course of being accepted, as following logically again, that the German army shall have the means of delivering nuclear warheads over limited ranges. (Apparently Warsaw, Prague, Budapest and Belgrade would be within range of the Matador, which Herr Franz Josef Strauss has ordered. As might be expected, the prospect has set off a new round of consultations in Prague and elsewhere between the communist governments.) What, then, about the warheads themselves? Do they not follow logically? And if the possession, why not the production? Is it seriously supposed that the west German government will be content to bear heavy expense in procuring and maintaining the vehicles, and not to concern itself with the supply of explosives?

THE danger in this prospect is heightened by the fact that there are not one, but two, German states each of which is technically fully capable of producing a range of nuclear weapons for itself. The two states live in a condition that amounts to suspended civil war, each denouncing the aggressive designs of the other, and each increasingly the victim of its own hostile propaganda. As an article on page 125 indicates, the tension in east Germany has risen sharply with the Bonn decision in favour of atomic weapons. It is fair to say that neither of the two German governments is actually plotting war, though each would refuse to believe this of the other. What is tragic is that they are pursuing aims unattainable by any but violent means. Where it would be reasonable to seek a *modus vivendi*, they stake their claims constantly higher. Reacting against each other, they veer ever further away from any middle course in all-German policy.

The two hostile German states stand today under the protection of the two hostile world powers. So the peace is precariously kept, but the two sides in Germany grow ever more bitter against each other, outdoing their protectors; and the arrangement has the further drawback that any armed conflict between Germans would be likely to lead to world war. Suppose that Moscow and Washington one day grow tired of their permanent wrestlers' lock in Germany and wish to detach themselves? Once the two German states, or one of them, has nuclear armaments the world powers will not be able to leave; nor will they be able with safety to stay.

This nightmare is vivid in the minds of many people in Central Europe. It is made worse by the absence of a recognised German eastern frontier. Evidently it moved the Polish government to produce, and to persuade the Russians to approve, Mr Rapacki's plan for a zone free of nuclear weapons. The plan is not, by itself, acceptable to the West. But it faces western policy with its real problem, which at this stage is not to choose this or that plan as practicable, but to decide in which direction it would wish to go.

Is it the western purpose to make disengagement impossible? Many people do think it an excessive risk, in any circumstances, holding the German nation to be so deeply untrustworthy that a unified and evacuated Germany would be unsafe; on that argument, the sole object of policy towards Germany must be to tie Bonn ever more closely to Nato. But the bizarre thing is that this train of thought should have led them to think it mere common prudence to arm the Germans, whom they distrust, with the weapons of mass destruction.

Scorecard for the County Elections

The county council elections started on Thursday, and will continue in different counties on different days of the coming week up to April 16th. As the last of these three-yearly elections took place on the eve of the 1955 general election, these contests will provide one of the widest and tidiest measures yet of by how much Conservative popularity has fallen since then.

IN this week's triennial renewal of the 62 county councils in England and Wales, there are just over 4,000 seats to be filled. Some 2,400 of them are being filled by unopposed returns, but these lucky councillors (623 of them Labour, the rest anti-Labour) would have got in in their areas in any event. In most of the other 1,600 constituencies, a Labour candidate is standing and is being opposed by somebody with official Conservative support.

Last time these elections were held—in April, 1955, a month before the Conservatives' victory in the parliamentary general election—Labour elected 1,040 county councillors. This was slightly below the 1946 Labour figure, 200 better for them than in 1949, but nearly 200 fewer than in Labour's peak year of 1952 (when Labour enjoyed a comfortable 6 per cent lead on the Gallup poll). It is hazardous to argue from local elections with a 30 per cent turnout to general elections with an 80 per cent one, but the coincidence of timing between the last county elections and the last general election makes the temptation irresistible. As a very rough rule of thumb, then: Labour men who are already counting their parliamentary chickens should probably feel jolted if their party secures fewer than 150 net gains of seats. It will be more in accord with recent trends in parliamentary by-elections if they secure between 200 and 250 net gains.

Outside London

OUTSIDE London, Labour at present controls six county councils: Derby, Durham, Glamorgan, Monmouth, Nottingham and Northumberland. Only the last of these has, since the war, ever slipped from the party's grasp. What Labour has now in the counties, it will therefore obviously be expected to hold, plus between two and six other counties. The two most likely new Labour captures are **Carmarthen** (which was narrowly lost to the anti-Socialists in 1955 and where Labour has since won a by-election) and the **West Riding of Yorkshire** (which has changed hands at every postwar election, but where the Conservatives did exceptionally well in 1955, reducing Labour representation to its lowest point since the war). The other counties won by Labour in 1952, but then lost in 1955, were **Essex, Staffordshire** and **Lancashire**; if Labour gets all these back, as it well may, it will feel fully satisfied. The most exciting contest of all, however, may be in **Middlesex**. If Labour recaptures this, after nine years of Conservative rule, this will confirm the gloomiest Tory fears. But the Tories seem likely to be less worried by the Liberals in these county elections than they may be in a general election. Liberal candidacies in this coming week (just over a hundred of them in contested seats) look like being just sufficiently strong to be interesting, but also sufficiently scattered to keep the main two-party battle in its familiar place in the foreground.

The London Marginals

THE London County Council elections, which take place on April 16th, will in many ways provide the neatest yardstick of all; it is to them, therefore, that we devote the fullest analysis. Each of London's 42 parliamentary constituencies returns three county councillors. Labour has a majority of 22 in a council of 126 now. After next Wednesday, it will be expected to have a majority of at least 54; indeed, as will be seen from the table on the next page, unless it reaches this figure it will not be doing well enough to make it a favourite to win any early general election in the country as a whole. The most probable Labour majority for the LCC after next Wednesday would, on present form, be about 72 (i.e., 99 councillors to 27). The sensible peak of Labour ambitions may be a majority of 90. For those who expect Labour gains, the interest must centre solely on Tory held (or partly Tory held) constituencies. Among these, the following are regarded as the crucial fights, in the possible order of Labour hopefulness:

(1) **Barons Court**: Labour got two of the three LCC seats in 1955, then won the constituency parliamentarily by a tiny majority of 125. A third Labour seat seems in the bag this time, especially as there is Liberal intervention.

(2) **Clapham**: Labour lost the LCC election in 1955, but scraped home parliamentarily (majority 225). Three Labour gains of seats confidently expected.

(3) **Wandsworth Central**: A Labour constituency both on LCC and parliamentarily until 1955, then Tories gained it in both. Labour should get these three seats back.

(4) **Battersea South**: Labour expects to gain these three seats narrowly, especially as there is Liberal intervention.

(5) **Holborn and St. Pancras**: The Labour party holds this constituency in Parliament. But the Conservatives hold it in the LCC because there is a "local government only" franchise there. The Labour effort in 1955 was

very bad, but will be very strong, and very left wing, this time. Labour should win, it thinks; the Tories hope that the unpopularity of Labour's extreme left councillors here will save them. There is Liberal intervention.

(6) **Dulwich**: The party machines are well matched, and there is no Liberal intervention (as there was in the 1955 general election). But Labour thinks it should just win.

(7) **Woolwich West**: This was won by Labour in 1952, and Labour thinks it should win again. Both parties are very well organised here.

(8) **Lewisham North**: This is regarded by Labour as a key fight. Labour gained it parliamentarily in a by-election last year, when an Independent Loyalist split the Tory vote. Now a Liberal splits it.

(9) **Lewisham West**: Not quite as marginal as Lewisham North (see table) and no Liberal intervention. Tories expect to hold; Labour thinks it has a chance.

(10) **Lambeth Norwood**: Labour made a mess of the previous election: the party was in a state of disintegration with personal and policy splits. It was then regarded as marginal; now that Labour is well organised it may be considered marginal again. If Labour wins, this will be regarded as a sign of considerable electoral strength.

(11) **Putney**: This does not look very hopeful for Labour but the area is becoming less middle class as the LCC have built a lot of council flats. The Labour campaign here, run by an advertising expert, is unabashedly anti-rent act. Putney will vote on that—and rates.

(12) **Paddington South**: In 1955 the Conservatives had a good majority but on a very low poll. Labour thinks that in event of a revival by the intervening Liberals, and a higher poll, the Tories could lose the seats.

If Labour won all these seats, then it would win a majority of 90 (108 councillors against 18) in the LCC, thus wiping the Tories out of all but six constituencies. Those remaining six Tory constituencies, however, look pretty safe—unless indeed the Liberals have some sensational success in the Tory strongholds of Chelsea, Hampstead or St. Marylebone (in all of which, as in seven other constituencies, they are intervening).

The following table, although it ignores the effect of Liberal interventions, is in other ways self-explanatory; it may serve as a useful scorecard for analysing what the LCC results will imply for a general election. The figures in the last column are necessarily very rough:

Constituency	Presumptive Labour majority on LCC if constituency secured (seats)	Swing to Labour required to win Parliamentary seat (% of votes)	Presumptive Labour majority in Parliament if it only just won this seat* (seats)
Barons Court	24	*Labour seat*	— 70
Clapham	30	*Labour seat*	— 70
Wandsworth Central	36	1·1	— 35
Battersea South	42	1·1	— 35
Holborn & St.Pancras	48	*Labour seat*	*See text*
Dulwich	54	1·8	— 10
Woolwich West....	60	2·2	+ 10
Lewisham North ...	66	4·0	+ 60
Lewisham West.....	72	5·0	+ 90
Lambeth Norwood .	78	5·7	+110
Putney	84	7·1	+150
Paddington South...	90	11·8	+275

**Explanation of this column*:—The Tories had a majority of 67 seats over Labour in the last general election. Wandsworth Central, to cite one example, appeared to be approximately the fifteenth of the most precarious seats among all those that the Tories held. So if Labour *just* won this LCC seat next week, the indication would be that the Tory majority in Parliament might come down in a new general election by 30, to 37. This latter figure is called 35 in the table, so as not to be finicky.

Report from the Field

OUR correspondent roving around London's hustings reports: A week before the LCC election it was not always easy to find it—and this is the electorate's trouble, too. All the parties have published manifestos to say what they intend to do with London if they stay or get in for the next three years, but none of the papers has given them much publicity. "The trouble is, London hasn't got a provincial paper of its own," grumbled one party organiser, "What do the big nationals care about the LCC?" Meetings are even less important than in parliamentary elections: "Only a few cranks and pressmen go usually; but even that's part of the—er—proper ritual, you know."

So local government electioneering is strictly an infantry guerrilla warfare, in which unpaid devoted souls load themselves up with voting-cards and go from door to door breaking up happy television parties. "The problem," said one conservative candidate, "is to get them to realise what the LCC *is* and what it *does*. They've heard about Parliament, of course, and some of them know about the local borough council, but the LCC—well, that's a bit beyond them."

Hence the following colloquy which your correspondent overheard on the landing of an LCC block of flats: "Good evening. May I introduce myself? I'm your Conservative LCC candidate for the elections next Wednesday." "Oh, are you? Well, I'm afraid you're not very welcome this year." "Oh, dear, I'm sorry to hear that! What have I done?" "Well, just look at the Government! Just look at what they—" "Excuse me a moment, this is an election for the LCC. The *socialists* are the government there—been in since before the war. They've done it—not us." "Oh, er, yes; that's so, of course. The *LCC*, you said?" "Yes, and we think you should throw them out, they've been wasting money long enough, don't you think?" "Well, sir, you may be right, at that. Maybe—" "Here's our voting card, Mrs. So-and-so, then; three votes, three candidates, day after budget day. . . ."

And so to the next, who says, "Well, now, dear, I did vote for the Conservatives last time, but now I think it's the Liberals' turn. . . . Yes, I know, dear, but let's hope they can get enough votes to form a government . . . and then we can stop this dreadful bomb. . . ."

This can work the other way. In a solidly Labour borough your correspondent detected Labour embarrassment over the communist appropriation of the slogan "Homes not H-bombs"; fresh from the Aldermaston march the Communist canvassers here were visiting nearly all of the borough's 60,000 voters, in support of one of the four Communist candidates for the LCC. "We shall be bottom of the poll," a young Communist said, "But things are looking up." Labour, by contrast has abandoned meetings in this constituency, and was depressed about the smash-up of its loud-speaker van. In the marginal constituency of Holborn and St Pancras, intense irritation has been provided by the local—and strong left wing—Labour council, which is flying the red flag instead of the Union Jack, and is giving its employees a holiday on May Day.

Theoretically, the Conservatives are the attacking force, basing their campaign upon detailed charges of maladministration, extravagance and a growing dictatorial complex in County Hall. They play with such facts as that LCC expenditure has risen from £55.9 million in 1950-1 to £109.6 million in 1958-9, while it costs the LCC 19s. 11d. to keep a child in a day nursery and over £10 a week in a residential nursery. But when it comes down to the electorate, the issues are apt to be national, not local, desperately though the Tories plug the issue about the rates.

Labour, theoretically on the defensive, is in fact the attacking party. It defends its stewardship with a wave of the hand towards the new blocks of flats, and says piously, "London can't be run on the cheap." Then it turns to the Rent Act, the block grant, the "iniquitous eleven-plus," unemployment (coming, not present), and even the H-bomb. "Oh, yes, this is a local government election and the issues are local," its party organisers say; "but you can't ignore the fact that the Aldermaston march began in Trafalgar square." Tactically, Labour has not raised LCC rates this year, as in previous election years; familiarly enough, in the marginal counties of Lancashire and West Riding the Tories are taking credit for not raising rates, too.

In the main, such voters as vote will vote the national party label, not the record of an upper tier local authority which taxes them more by stealth than anything. But there is plenty of public spirit in organising the election and in the efforts of the candidates. The latter come from all walks of London life, which will be represented whoever wins; one in four on both sides is a woman. Labour has put up two peers to the Tories' one peer and Lady Lewisham. The Tories come up strongly with business men and lead Labour on professional people, ranging from QCs and an ex-Lord Provost of Edinburgh through an average adjuster to Mr Christopher Chataway. Both parties draw heavily on London office workers for would-be county councillors, but even Labour has put up only eleven factory workers. Retailers and shopkeepers, who seem so vitally interested, are really too tied to their shops to stand (five for the Tories, three for the Liberals, none for Labour). Sadly, there are only seven independents; perhaps significantly five of them are old-age pensioners and another a "philosopher and entertainer". Five of the independents are standing in Labour's stronghold of Woolwich East. The successful candidates next Wednesday will get in as politicians, but stay in as administrators and loyal party men; and after their brief appearance on the doorsteps London will no doubt forget about most of them as individuals altogether.

NOTES OF THE WEEK

RAILWAY WAGES

The Showdown?

THE wages test has arrived. On Thursday the majority of the railway wages tribunal rightly decided that it could recommend no increase for railway workers this year. Taken in conjunction with Mr Cousins's ultimatum on behalf of the London bus workers, the presumption, as we write, is therefore that the country may have to prepare to stand up to a national transport strike. The long-delayed conflict, if it comes, will be between two attitudes. One is the attitude that bases itself on "fair shares": on the instinctive belief of so many British people—by no means only trade unionists—that a man's wages in any occupation should, as of right and if need be by public subsidy, be made roughly equivalent to what they are in any other occupation that is comparable in arduousness. The other attitude is that based on solvency: on the recognition that a man's wages in any occupation can depend only on what he earns from his industry's customers. If people are to move into the right jobs, this latter view has got to prevail; it is the prerequisite of keeping up the whole country's standard of life, trade unionists' as well as everybody else's.

It will, of course, be appalling if Britain has got to face a period of major industrial strikes in order to drive this point home. So many times since the war governments, arbitration courts, trade unions and employers (especially nationalised employers) have had the opportunity to reach a solution in some other way. If only this country could get back to a rate of faster industrial expansion the problem could be solved, in this age of industrial revolution, by differential rates of enrichment for everybody, rather than by intervals of standstill for some. But the trade unions themselves have not been the least among those who have stood in the way of this expansion. Whether a spring and summer of strikes would induce them to get out of the way of it is a point which only the future can show; the national tendency in recent years may well have been to overestimate the bad effects of a short period of bitterness, and to underestimate the bad effects of a long period of easy meat. Let nobody doubt that a transport strike, if it comes, will be a major political and social upheaval—much more in fact, than it will be an economic one. But the annual hand-out of wage increases far in excess of productivity, to workers even in industries that are over-expanded and in deficit, has been a recipe for general inflation and overall stagnation at the same time. There is no doubt that it will be worth while to stand up to the threat of a transport strike on this issue; just conceivably, this could be the turning point away from Britain's main economic misfortune since the war.

TOP-LEVEL MISSIVES

Logical Negativism

"ZERO plus zero plus zero plus zero," in Mr Suhrawardy's lapidary words, "still equals zero." Some such thought comes all too naturally to the observer of the latest top-level exchanges on disarmament and related matters. The spring spate of official communications between the Soviet and the western governments has been accompanied by a freshet of Khrushchev speeches, press conference remarks by Mr Eisenhower and Mr Dulles, and miscellaneous utterances by Mr Macmillan and others. The Aldermaston marchers, of whom over ten per cent actually

managed to walk fifty miles in four days, have been rewarded with the Soviet ambassador's assurances that "I solemnly declare that your demands and our position coincide." Unfortunately even this terminologically inexact statement can give little cheer to any sincere champion of disarmament; and where else is there a ray of light in the gloom?

In America, the Administration is now meeting both sharp and widespread criticism of its failure to recapture from Russia the initiative in either diplomacy or propaganda. As a note on page 118 indicates, this week's press reports have tended to exaggerate the differential in language and tone between the latest utterances of Mr Eisenhower and Mr Dulles (a natural error, in view of the past record, but an unfortunate one, since it further confuses an already cloudy picture). In fact, both President and Secretary of State seem to concur in regarding Mr Khrushchev's suspension of nuclear tests as essentially a propaganda move; yet both have hinted at the possibility of an early suspension of American tests too, and Mr Eisenhower's harking back to his "atoms for peace" plan of 1953 was undoubtedly endorsed, and probably inspired, by Mr Dulles. But their joint posture has neither squared up to the fact that in present conditions policy and propaganda are hopelessly inseparable, nor appeased the critics in the United States or the wider world.

True, the critics themselves offer few constructive suggestions. At the moment, even a twelve-year-old could easily catalogue and castigate the shortcomings of western diplomacy, and some of the silly alternatives now being propounded look like the work of a still younger child. Certain things that the West should *not* do are clear enough—one of them being the subject of a leading article in this issue—but so far no positive alternative to the existing and dispiriting programme has been framed. A kind of logical negativism reigns. The western governments look as if they are going to find themselves embarking on the climb to the summit without faith in their old policies and without any grip on new ones. That is why the great public debate on these matters, unsettling and disruptive though it may be, must go on. Indeed, it must be intensified; and the accent must be switched from the sterile interplay of rigidity and destructive criticism to a search for positive policies which, unlike those hitherto canvassed, will hold water.

SOVIET UNION

On the Wings of a Dove

MR KHRUSHCHEV is making great efforts to appear as the untiring apostle of peace to his own people as well as to the foreign public. The first act of the new Soviet premier, after he had taken over from Marshal Bulganin, was the announcement of a suspension of nuclear tests. The clumsiness of the initial western reactions to that Russian gesture gave the new premier an excellent opportunity to score fresh debating points. He did not fail to ask President Eisenhower and Mr Macmillan why, if Moscow's unilateral action was nothing more than propaganda, the western governments still refused to follow suit. In a less polemical mood, Mr Khrushchev added that the Soviet government would be glad to collaborate in a system of inspection which, he believed, would not be difficult to set up.

These and similar statements were made by Mr Khrushchev in his travels through Hungary. For his first foreign tour after the reduction of the B and K duet to a solo act, Hungary looked like a tough assignment. But Mr Khrushchev knows no stage fright. To relieve the resentment against the presence of Soviet troops, he repeated Moscow's offer to remove all its armed forces from eastern Europe, and to demobilise them as well, if the western powers would do the same about their troops on the continent. On the insurrection itself he was on one occasion less dishonest than in the past: he admitted that Soviet tanks had to fire on Hungarian workers. He added that this decision was reached after sleepless nights in the Kremlin, and warned the Hungarians not to rely again on Soviet "help" in similar circumstances.

In eastern Europe this cryptic statement could have been taken to mean that the Soviet army will no longer come to the rescue of a collapsing communist regime. Mr Khrushchev subsequently realised that he had been dangerously carried away, and put the blame on misinterpretation by "bourgeois" journalists. A rising "in any socialist country," he now proclaimed, would be crushed by the combined forces of Russia and other communist states. Yet, despite this correction, Mr Khrushchev's emphasis on nuclear disarmament and disengagement must be distasteful to some of his more conservative colleagues. Mr Khrushchev is aware that nothing could consolidate his position at home better than a spectacular international agreement combined with a shift of resources from defence to consumer goods. What is not so clear is whether his current peace drive has a deadline beyond which he will call a retreat. Once the Americans have carried out their forthcoming nuclear tests, rocket bases have been deployed on the Continent, and the German army has been equipped with atomic weapons, will Mr Khrushchev still preserve his enthusiasm for summit-climbing?

RENT ACT AMENDED

Hard Cases Make What Law?

IN the spirit of Easter charity, Mr Henry Brooke's sudden decision to rig a safety net under the Rent Act may be put down mainly to humanitarian, and only secondarily to political, motives: at any rate, he is not likely to get much out of it politically, as he must well know. Nor is the amending bill, as he described its intention last week, seriously running away from the principle of rent decontrol. It was, perhaps, a pity that Mr Brooke spent the first half of his statement explaining that the Rent Act was working well and intimating that no amendment need be made, and the second saying that the Government had nevertheless decided to introduce just such an amendment. It is a still greater pity that the House should have spent all its time discussing relative fairness between the much-favoured sitting tenants and the much-maligned landlords, without saying anything about unfairness to other—and long unsubsidised—tenants who want to move into the accommodation that the Rent Act will set free. But a sense of proportion needs to be kept.

Under the present law, a landlord seeking to regain possession of his property for a new tenancy will normally not have to wait more than four weeks for a court order to become operative. Under Mr Brooke's new bill, which will stay in force for a limited period after the Rent Act comes into full operation after October 6th, the courts will in certain

circumstances be able to grant a stay of execution for a longer period than four weeks: for just how much longer has not yet been revealed. The main circumstances which will be held to justify a temporary extension of tenure will be if the tenant cannot find alternative accommodation, and if he can show that eviction would cause greater hardship to him than extension of his tenure would cause to the landlord. The Government believes that most of those who will qualify under this clause will be elderly people, especially in large towns; this, of course, prompts the immediate objection that it is precisely the squatters' rights exercised by so many retired folk, on over-roomy accommodation in the large towns, that is the principal cause of the acute housing shortage for young people around the main centres of work.

But, even for those who secure a temporary extension of tenure, the increased rent will become payable after October 6th; and it is this push of higher rents that has always promised to be the main factor in producing a more equitable spread of tenants over tenantable space. If the Rent Act does what is hoped of it, relatively few people will be able to show for long that they cannot get alternative accommodation. It is only if the provisions of the new bill significantly delay that freeing of alternative accommodation that Mr Brooke will have rueful cause to agree with Publilius Syrus, that hard cases do indeed make bad law.

BEFORE THE BUDGET

The Nationalised Nettle

MANY people are expecting that Mr Amory may decide to say, and possibly do, something new about the nationalised industries in his budget statement next week. A significant table was inserted into the Economic Survey which showed that the only two sectors which invested more than they saved last year were the nationalised industries and the local authorities, with excesses of £556 million and £430 million respectively; everybody else—persons, companies and the Government—showed a surplus of savings over investment. Some Tories are interpreting this to mean that the whole blame for recent inflation can be laid at the door of the public corporations and the local councils. The point for the Conservatives to grasp, however, is that the main trouble about the nationalised industries is not that their investment programmes are too large (although some of them may be); it is that their savings—which means their current profits—are too small, indeed in most cases non-existent.

In the days of more buoyant demand their profits were too small because they did not increase their prices by as much as they could have done; now they are too small because they are being much too slow in laying out of employment their most unprofitable services—together with the men who operate them. The wage inflation which the nationalised industries have hitherto annually led has had its roots in the same attitude: in the belief that they must pay high enough wages to attract sufficient workers to operate all their money-losing services as well as their money-making ones. If Mr Amory next week takes the borrowing of the nationalised industries out of the Exchequer accounts on to the gilt-edged market, but pays no new attention to this much more essential failing, he will have touched only an unimportant fringe of the problem; the need now is not to foreshorten the public corporations' investment projects so much as to find some further and tougher way of foreclosing on their current deficits.

CANADA

Star Without a Script

FAIRLY enough, many commentators on last week's Canadian elections—including our correspondent in Ottawa—dwelt on the dangers implicit in too large a parliamentary majority. Even some of the Conservatives themselves, having evicted a Liberal ministry whose insolence of office arose from its exaggerated sense of security, now fear that they may have got out of the frying pan into the fire, for Mr Diefenbaker's government is more firmly entrenched in terms of parliamentary seats than any Canada has known. The new premier will have to work hard to prove these fears false. But there is a bright side to the same coin. While the Liberals' imagined security in office admittedly led them to a prideful fall on the home front, it also emboldened them to launch out on imaginative courses in foreign policy. Mr St Laurent and Mr Pearson—whom it is now sad to see relegated to the leadership of a virtually helpless domestic opposition—had made their country count for a great deal in the world. Only a strong, secure government can perform such feats—and now, after nine months, there is again a secure government in Ottawa.

For the outside observer, indeed, the disturbing feature of last June's electoral outcome was that it brought to power a minority government which could scarcely be expected to play a full part on the international stage. Yet it proved possible to go on playing *Hamlet* without the Prince at least for a while. At the last United Nations Assembly, for example, the Canadian element in the diplomatic fire brigade worked on tirelessly, and continued to enjoy its special status. The gap thus tided over, and a government again installed which is secure enough at home to speak with authority abroad, what will it say? One may discount, as natural election material, some of Mr Diefenbaker's more thumping statements about Canada's future posture in the world. But a solid substratum remains, as authentically Canadian as the Laurentian Shield. The newly published report of the Gordon commission (ironically, a Liberal-appointed and Liberal-led body) seems, as our Ottawa correspondent shows on page 126, to point the way for a new effort to build a greater and more independent Canada. This is a goal after Mr Diefenbaker's heart, and a wholly legitimate one. But if the triumphant Conservatives become so absorbed in cultivating their huge garden that they turn their backs on the world, the world will feel the loss; for it still needs a loud and clear Canadian voice in its councils.

TERRITORIAL WATERS

Taking the Plunge

WITH a muffled plop, Britain dropped overboard last week an old and favourite concept of international law. The belief that a country's sovereignty cannot legally extend more than three miles out from its coastline is an ancient one, so ancient that in British eyes it has acquired the look

of revealed truth. Now, as one country after another (including some of Britain's friends) declines to conform to old-fashioned ideas of what is right and proper, we have been compelled to change our attitude. Last week, at the United Nations conference on the law of the sea in Geneva, the British delegate proposed that the limit of territorial waters "should not extend beyond six miles." He claimed that this should not be taken to mean that Britain had abandoned the idea that three miles was the real legal maximum. But this attempt to distinguish between what is "accepted" and what is "permitted" is bogus. The effect is plain: if the proposal were accepted, six miles would soon be the generally acknowledged boundary of sovereignty—even if, as the British proposal suggests, the rights of passage for ships and aircraft between three and six miles were to stay unaltered.

But will the proposal be accepted? In 1956 the International Law Commission, which was instructed to draw up a draft code of sea law, had to confess itself baffled on this point. Apart from declaring that there was no basis in law for claiming more than 12 miles of territorial waters, it simply referred the matter to an international conference. There are a number of purposes for which countries want to exercise power beyond the three-mile limit, but for the majority of them the most important is fishing. Iceland's reported determination to push its fishery limits still further out to sea is only the latest example of the desire of many countries to keep the fish that breed near their coasts under their own control. For powerful maritime nations like Britain, which want the fish that lie close under foreign shores and have the vessels to go and get them, the freedom of the seas has been a beneficial concept. It is now necessary to realise that many countries do not look on it with so kindly an eye. The British proposal is a step in the direction of meeting their demands, but it is not at all sure that it goes far enough to rally the necessary two-thirds of the conference. If it fails, the essential thing will be to try to stop the claims of unrestricted sovereignty spreading wider yet and wider. Is there not a case for making a distinction between territorial waters, in which a country enjoys sovereignty, and a slightly broader zone round it in which it merely enjoys a special privilege in the allocation of fishing rights? This is the core of the proposal made by the Canadians at Geneva. If Britain's suggestion makes no headway, it may be necessary to take a closer look at this idea.

LABOUR AND DEFENCE

Demonstration for the Bomb

THE appearance of Mr Gaitskell, Mr Bevan and Mr George Brown arm in arm at Shape headquarters in Paris this week was not only a remarkable exercise in peaceful co-existence. It was also a gesture that should do Britain, as well as the Labour party's reputation, a lot of good. It has always seemed unimportant whether Labour should hold consultations on defence policy with Mr Macmillan, but very important that it should hold them with General Norstad: if only to show that the accession of Britain's alternative government would not in any way impair this country's solidarity with the western defence alliance. This week's visit was calculated to demonstrate precisely that. It was testimony to the effectiveness of Mr Gaitskell's leadership in the party, and he ought to have credit for it: for in this matter nobody can doubt what an awkward corner he had to turn.

The visit coincided with the publication by Mr Strachey, under the seal of Mr Gaitskell's approval, of a pamphlet bearing the ingeniously misleading title of "Scrap *All* the H-bombs": the pamphlet's central theme is that Britain should not unilaterally scrap its own. Mr Strachey bases his argument against unilateral British renunciation of the bomb on the grounds that (a) renunciation would leave Russia and America as they were with the means to destroy the world and without the slightest expectation that they would follow suit; (b) that British renunciation of the bomb would still leave the country committed to alliances backed by the American deterrent and thus to moral complicity which would make nonsense of the "gesture"; and (c) that if the "gesture" were backed by British withdrawal from the alliances the resulting disturbance to the balance of power would increase, not diminish, the risk of nuclear war.

This is the case put forward for the Labour pacifists to answer, albeit worded with every concession to their susceptibilities. If Mr Strachey plumps rather hastily for following Russia in the suspension of tests, if he commits the party to delay in establishing missile bases and to grounding the H-bombers without serious study of the technical issues, and tries to take some political mickey out of the Tories over the summit talks—still, much can be forgiven the official Labour thinkers on defence for the intellectual toughness with which they are now facing the central issue of commitment to the alliance. Mr Strachey's policy, as it emerges in this pamphlet, wears a touch of Sandysianism in his belief that Britain should keep the bomb so long as anybody else has it, and of propaganda wheedling over the side-issues. He can be criticised under both heads. But the criticism he invites is mercifully smaller than one might have expected a Labour pamphlet to invite, at this time of marches to Aldermaston.

MALTA

New Round?

MR MINTOFF'S retort to the debate on Malta at Westminster last week has been the firm reiteration of his demand for integration on his own terms, coupled with the threat of a campaign in favour of independence unless the Colonial Office—and indeed Parliament—cave in. His references to the idyllic state of Libya, subsidised on all sides, provides a preview of the form that campaign would take: independence, if Mr Mintoff fights an election on it, will be dressed up as equivalence even more alluringly equal than was integration. (But not, one fancies, equivalence with Libya.) Mr Mintoff's ability to project his own fantasies should not be underrated; his almost dictatorial grip on the media of persuasion in the island, from the rediffusion system to government control of people's livelihoods, has recently been emphasised and re-emphasised by Miss Mabel Strickland. Her complaints are somewhat exaggerated, but not much.

Does Mr Mintoff really wish finally to cut the painter? The sad truth seems to be that he is now a split personality. In his more coolly calculating moments, there are signs that he regards his rejection of the British offer, his dismissal of Mr Lennox-Boyd's explanations of it as a "pack of lies," his present round of quasi-election rallies, and his presenta-



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tion of Malta's budget with a £7 million deficit without funds to meet expenditure much after the end of this month, as simply a further raising of the ante. He has no doubt noted how many British MPs last week hoped that negotiations would be resumed, *and that a minority* of them even thought that he should be given another million pounds towards his budget and something more towards equivalence. He still thinks he can extract more from Britain.

Even if he could, however, the angry sprite within him might still prevent him from coming to terms. His terms in this angrier mood are a blank cheque, an open credit, a promise to repair warships at Malta even should there be no warships left to repair; and, when Hyde really takes over from *Jekyll*, it is questionable if he could bear to agree even on that basis. It is very doubtful, therefore, if much is to be salvaged by luring him back to London. It will be best to leave the British offers open, but to make a far bigger effort than through official speeches to tell the Maltese what those offers are—and to let Mr Mintoff get on with his election. His present intention seems to be to hold it in the chaotic conditions produced by a government which has run out of money to pay *its bills and pay-cheques*; such conditions ought to tell against himself with sensible people. If not—if all Maltese are Mintoffs—then proceedings for divorce instead of marriage may be put in hand. But it is for the people of Malta to choose if they are to be, not for Mr Mintoff or the British Government to prejudge their choice. To that act of choice we now come very near.

BAHAMAS

The Colour of their Money

AFTER his wrestlings with Malta, nobody will grudge *Mr Lennox-Boyd his* Easter in the Bahamas. His business there should not be unduly arduous. It is to draw up a new constitution, which is the sort of thing any colonial secretary of Mr Lennox-Boyd's seniority is by now doing in his sleep. But the situation in the Bahamas should be stimulating, since the present constitution has been described as comparable with those of the American colonies before independence. This means that the individual rich and the corporate rich have votes by virtue of their wealth, and often a great many more votes than one; while the poor and coloured have relatively few votes, and, it would seem, no position in the Bahamian government comparable with that of, say, Barbadians in Barbados. Feeling that this situation was overdue for change, *last January* the coloured population, led by the taxi drivers, indulged in a good deal of striking and rioting—bad though this was for the tourist trade—in support of the principle that man does not live by tips alone.

The Bahamas *attract tourists* and wealth *just because a* system of rotten boroughs suggests to outsiders a stable oligarchic administration and promises them smoothly run hotel amenities. The Bay Street merchants, as the white people in power are called, will probably tell Mr Lennox-Boyd, adapting Wellington's words before the Reform Bill of 1832, that they are "fully convinced that the colony possesses at the present moment a legislature which answers all the good purposes of legislation, and this to a greater degree than any legislature ever has answered in any colony whatsoever. . . ." To that many Europeans in many colonies would enviously subscribe. But Mr Lennox-Boyd cannot agree; and he should be able to sketch something along the lines of, say, Trinidad's territorial constitution, on the back of an envelope—with, perhaps, a reference to West Indian federation? The Bahamians have asked for a royal commission to make recommendations; a constitutional commission, at any rate, should be easy to arrange and should be promptly conceded. Mr Lennox-Boyd should then coin the terrible word "Bahamianisation," present it to the Governor, and return refreshed to a good many more serious colonial problems.

FRANCE AND TUNISIA

Trail's End

THE "good offices" mission set up after the bombing of Sakiet appears to be on the point of dispersal. Paris newspapers regard it as a failure and look hopefully to Mr Hammarskjöld for a formula to control the frontier between Tunisia and Algeria. The present deadlock between France and Tunisia can surprise no one. From the beginning it has been obvious that whatever difficulties there are between France and Tunisia, they will not be finally settled as long as the war in Algeria continues.

Many Frenchmen may be pleased that the "good offices" mission has made little progress toward a final solution. They may even think that a purely domestic affair is no longer exposed to foreign intervention. But the free world is again at the mercy of the contending parties. Both France and Tunisia threaten dire consequences if each does not have its way. France means to keep Algeria in the French Union. Tunisia means to see Algeria independent. If the continuing efforts of "good officers" cannot succeed, then a solution imposed from some quarter (which might not be hostile to France) becomes in the long run more likely.

M. Bourguiba threatens that the Algerian rebels may form a government in Cairo, where they would presumably enjoy the blessing and support of the Afro-Asian and communist blocks. The implication is that Algeria must be independent if the whole of North Africa, from Libya to Morocco, is to be saved first from President Nasser and then from the communists. From the other side of Algeria, the King of Morocco has said that any defence pact Morocco signs must be based on the withdrawal of foreign troops.

If Anglo-American "good officers" cannot succeed, or if their presence is regarded as interference, why should not the French government set up its own good offices, bringing in Tunisia and Morocco as equal partners to settle their differences in North Africa? The obstacle is in French internal politics. It may have become impossible to prevent Algerian independence; but France could still influence the manner in which independence came about. Probably it will not be able to do so for much longer.

FRANCE

The Lull is Over

PARISIANS who woke up last week to find that the water was lukewarm and the gas feeble, and that they were faced with the prospect of walking to the office, could not laugh it all off by looking at the calendar. April Fools' Day had been chosen as the date for a token strike by the employees of such public utilities as transport, gas and electricity. That workers in the public sector should have been the first to issue a warning was no surprise. While real hourly earnings have gone down in the last two years, the decline has not been uniform. Many private employers, riding on the boom, have been willing to share some of the rising nominal profits with their workers. The lag of wages behind prices is more striking in nationalised industries and public utilities because the government, aware that each increase in wages would spread almost automatically throughout the public sector, has been trying to apply the brake.

Differences in the position of the various groups of workers may explain why, despite the decline in real wage rates, there has been comparatively little social strife. Wage differentiation during the previous three years of prosperity has helped to soften the fighting spirit of the French workers and to delay their customary protests. Last week's strike, however, was a warning that peace on the labour front may not last long. M. Gaillard reacted to it immediately with an appeal to the nation about the gravity of the economic situation. France, he exclaimed, was on the razor's edge; if the inflationary forces were not contained, the country would be precipitated into a new foreign payments crisis, which would be disastrous.

M. Gaillard, who as an economist should know better, kept the cost of the Algerian conflict out of his public accounts. Nevertheless, his message was a timely reminder. It was given a sense of urgency by the simultaneous announcement that the French balance of payments, after two unexpectedly good months, showed a current deficit of $62 million in March. Seven months after the last virtual devaluation, the French government is once again faced with a difficult struggle to hold the value of the franc. The deceptive lull, induced by the dollars M. Monnet brought back from Washington, is over. M. Gaillard now has to show whether he can stick to his pledges of austerity and credit restriction. If he fails, France will pay the penalty later in the year.

CO-OPERATIVE PARTY

A Party of Shopkeepers

THE Co-operative party seems to be getting rather the better of its argument with Transport House about its future relations with the Labour party. Some Labour leaders have been worried by the prospect of the group of (at present twenty) Co-operative MPs holding the balance in Parliament after the next election, and so being able virtually to dictate a Labour government's policy. These anxieties have been heightened by the sight of Co-operative candidates being selected by local Labour parties in constituencies that were formerly regarded as trade union pocket boroughs. In negotiating a new agreement with the Co-operators, therefore, the Labour leaders have been trying to make Co-operative MPs more firmly answerable to the Labour whip, and to limit the number of Co-operative candidates. At one point, Transport House proposed to ration the Co-operators to six MPs, although with the bait that the people concerned should be senior figures. But judging by the reports, both open and implicit, to the annual Co-operative party conference over Easter, the more extreme Labour proposals have been defeated.

Some limitation is fairly certain, but the Co-operators appear likely to be able to put into the field at the next election their existing twenty MPs, plus another ten candidates. In addition, the conference was assured that the Co-operative negotiators had not budged from the position that their party must remain responsible to the Co-operative movement. It was said that the new agreement with Transport House would ease any difficulties the Co-operative MPs might have in meeting the Labour whip on matters of special Co-operative interest. There have been hints that Co-operative activities at constituency level may be curtailed—in response to recent union mutterings that the Co-operators work unfairly hard and beguilingly to get their candidates adopted by selection conferences. But at least the Co-operative movement's political wing faces a more flourishing future than seemed likely a few months ago.

It is tempting to paint this controversy in David and Goliath terms, and to picture the gallant little Co-operative group striking a blow for Parliamentary independence. One such sign of independence, it might be said, was the attack that the Co-operative party conference launched this week on the new Labour policy of state shareholding in private firms—an attack, incidentally, which cannot make the Labour leaders look any more favourably on their allies. But the motives behind that motion were significant: the Co-operators' expressed objection to the share-purchasing scheme was that the state would be backing the Co-operative shops' private competitors.

It is in matters of their own trading concern that the Co-operators' influence on a Labour government could be pernicious: not in the big issues, but in little clauses poked into little bills to help their enterprises along (as a matter of history, one such clause was inserted into Labour's nationalisation of transport act ten years ago). Sometimes, the Co-operators' influence could work the liberal way: in their opposition to agricultural marketing boards, for example. But more often, especially nowadays, their interest in trading matters would be very similar to that of any other similar vested interest. To say that Labour is made more independent by its alliance with the trade unions and the Co-operatives is rather like saying that the Tories could be made more independent if a hundred of their MPs were sponsored by the FBI and another twenty specifically by the National Association of Small Shopkeepers. Does anybody imagine that they would be?

INDONESIA

Too Soon for Shouting

FROM the casually confident statements in Jakarta, Indonesia's almost bloodless civil war is all over, bar whatever shouting President Sukarno may allow himself to celebrate the central government's victory. But the truth may not be so simple. Some things are plain enough; thus, it is now clear that the rebels in Sumatra and Celebes were hasty in challenging Dr Sukarno's "guided democracy" to mortal combat; that in their preoccupation with autonomous economic progress in the year before they formed their government they neglected to lay the political groundwork for a rebellion or to accumulate the arms to defy Jakarta effectively. Having failed to achieve unchallenged authority even over Sumatra, Dr Sjafruddin, the rebel premier, failed to allow for the fact that a clarion call, in politics as in acoustics, fades over receding distances; by the time it

reached even parts of Java it was too faint to arouse support.

Scarcely impeded by rebel resistance, the central government forces have gained a sure hold on the Caltex oil centre at Pakanbaru, in central Sumatra, and on Medan in the north. They have landed in eastern Sumatra and threaten the rebel strongholds of Padang and Bukittinggi ; they claim successes in central Celebes. At this point, however, the picture becomes blurred, for Jakarta admits reverses as well as successes in Celebes. More significant, perhaps, than tactical gains or losses, is the fact that Dr Assaat, a Simonpure patriot who deputised for President Sukarno in the early days of the fight for independence, has chosen this dark moment to join the revolutionary government. His action argues a confidence that the rebels are in a position to defy Jakarta indefinitely in guerrilla war.



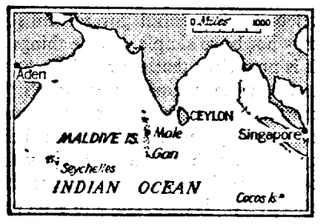
Another element in Dr Assaat's confidence could be the expectation that the American government will not allow the revolutionary government to be overcome. The rebels may have drawn comfort from this week's comment by the State Department, expressing regret that Indonesia had turned to the communist block to buy arms "for possible use in killing Indonesians who openly oppose the growing influence of communism." But there are still no grounds for supposing that Washington would actively intervene on behalf of the rebels except in circumstances which all Indonesians would deplore.

If, as everyone must hope, the Indonesian fighting remains an internal matter, then the rebels may derive comfort from the fact that the revulsion of which their government is the expression goes too deep to be blotted out by a military victory. In that sense, the civil war may be only beginning.

THE MALDIVES

"Sad Cry" from Gan

It was evidently too readily assumed last year that the agreement made with the government of the Maldives to reactivate the Royal Air Force air staging point at the southern extremity of the islands successfully got round the loss of the air and naval bases in Ceylon. The spreading dislike of foreign bases seems to have reached the Maldives as well, though whether by way of Ceylon or by some other route is uncertain. Soon after the agreement was signed with the Maldivian prime minister, Ibrahim Ali Didi, a new government came into power under a new prime minister whose name, Ibrahim Nassir, may carry suggestive but misleading overtones to the English ear. The new government has apparently become increasingly restive as the base has neared completion. Under the original agreement, it was specified that the Maldivian government should resettle the few hundred inhabitants of Gan—the island selected for the airstrip—elsewhere at British expense, and subsidiary arrangements would be drawn up by the two governments to implement this.



The Maldivian government has chosen to make difficulties at this juncture. It sent a mission to Gan which heard the "sad cry" of the Ganians, and discovered that Ali Didi made the agreement with Britain without fully discussing it in, and gaining the concurrence of, the majlis (the Maldive parliament). Thereupon the British High Commissioner in Ceylon, through whom British protection over the islands is exercised, went twice for consultations to the capital, Male—and, purely for convenience's sake, each time in a warship. The Maldivian representative in Colombo has now delivered himself of a communiqué to the Ceylon press of oriental eloquence, hinting that agreements are being forced through at naval gun point, and expressing alarm at the way a small country is being forced to do the will of a big democracy. The British High Commissioner has replied with full explanations about international agreements, British rights, and the use of warships to take High Commissioners to places where no steamers regularly ply. This, it is to be feared, will do Britain no good in Ceylon ; but the more pressing problem is to keep the goodwill of the Maldivians as well as the important staging-post. If it is so important, surely the stationing of a British minister in Male is overdue ? And if, as is said, the Maldivians are unsettled because they are beginning to hear about world affairs, would it not be well to have a Foreign Office information officer at Male, equipped with a wireless set, to put them in the picture ? It looks as if too much was being taken for granted by those in authority simply because the Maldives are a small, remote place, where a mission would certainly live a dullish life.

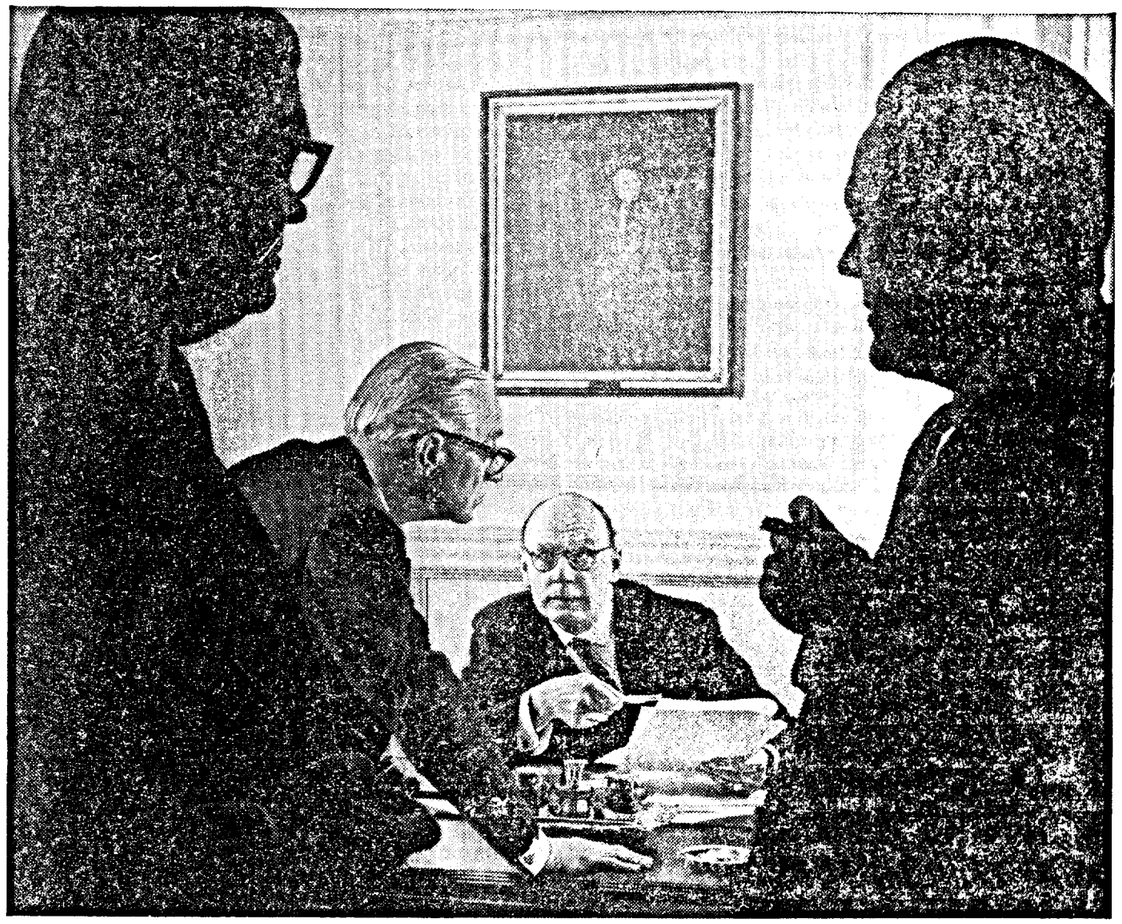
CAMBODIA

Sihanouk Still on Top

Prince Sihanouk of Cambodia makes a habit of winning his elections with a finality that would attract less attention in a communist than in a democratic country. In 1955, in the first elections after Cambodia recovered its independence at the Geneva conference a year earlier, the prince's Sangkum party swept the board by winning all the 91 seats in the National Assembly. Prince Sihanouk felt obliged to apologise for his "too complete success." Will he apologise again now that the Sangkum has won all the 62 seats contested at the new elections late last month ?

To be fair, this unanimity is not quite so suspicious in Cambodia as it would be elsewhere. When the prince, shortly after he had abdicated the throne in March, 1955, founded his Sangkum (Popular Socialist Community), he declared it to be, not a party, but a mass movement. And this it has proved to be. A deep-seated respect for the throne—and the prince, though an ex-king, is still heir to the throne now occupied by his father—together with popular enthusiasm for the man who won back independence from the French, have combined to give the Sangkum an unassailable position. In miniature, it is Pandit Nehru and Congress all over again, but more so.

The only opposition of importance is the People's Party, which is generally regarded as the organ of Viet Minh (Vietnamese communist) subversion in Cambodia. But in



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electoral terms this carries next to no weight. The People's Party alone put up candidates against the Sangkum; there were five of them, of whom four received no votes at all and the fifth fewer than 400. Prince Sihanouk, though intent on remaining neutral between the great power blocks, has scathingly denounced communism in recent speeches.

On paper, the prince has demonstrated—as President Nasser is demonstrating in the United Arab Republic—that nationalism can be more potent against Communist parties than military pacts. The dangers in Cambodia now seem to lie entirely in the future; they are inherent in the facts that the Sangkum is the party of one man, that its membership and candidates tend to be middle-aged, and that many of the country's young intellectuals put their faith in the People's Party or other left-wing groupings even if they do not express it now by voting for them.

EDUCATION

What the Teachers Want

THE weather no doubt contributed something to the monumental gloom of the teachers at the annual conference of the National Union of Teachers at Scarborough over the Easter weekend. They were clearly determined to put the worst possible face on everything: even though the £613 million estimated for education in the new financial year is the highest ever provided, it is a long way short of the £1,000 million which the teachers feel is "needed to carry out the first requirements of the Education Act." The size of classes and the shortage of staff provided at once a theme for crying woe, and a setting for the teachers' wage claims. The union executive committee has recommended that the union should press for an increase of the basic salary scale, which is at present £475-£900, to £600-£1,200.

Such an increase would bear little or no relation to the real nature of the teacher shortage. The case for a flat increase in the basic salary scale at present is frankly not a good one. The women teachers, who form the majority of the union's membership, are already doing relatively well. A woman teacher of an ordinary class, with no special responsibilities and on the maximum scale of nearly £900 a year, is getting as much as (perks apart) a matron in a 700-bed non-teaching hospital. As equality of pay is reached (in 1960) her position will further improve. This, of course, is not to say that existing salaries are adequate to attract the (mostly male) teachers of mathematics and science who are urgently needed both in grammar and secondary modern schools; all male teachers *sotto voce*, and the schoolmasters' association vocally, complain that they are also unfair to the married teacher with a family. It has long been accepted, however, that, in view of the determination of the women teachers to get equality of pay, this problem can only be met by graduate and responsibility allowances. The practical problem is to wield these effectively.

As it happens, a survey of these special allowances has just been published by Dr W. P. Alexander, secretary of the local authorities' panel of the Burnham committee.* Dr Alexander clearly shows that local education authorities have consistently tried to use allowances to provide such pay differentials—and a third of primary school teachers, 42-45 per cent of secondary modern teachers, and 77 per cent of grammar school teachers already get them. The use of special pay for "heads of departments" could, however, be further extended to attract teachers of the most urgently needed types, particularly in secondary modern schools. More special pay, and more grades for which it can be given, is the right answer; but Dr Alexander's figures certainly show that most teachers of any calibre are already getting substantial extras over and above the Burnham scale.

* Teachers' Salaries: Special Allowances for Teachers—An analysis of the 1956 Burnham Report. By W. P. Alexander. *Councils & Education Press.* 4s. 6d.

HEALTH SERVICE ESTIMATES

This Year's Bill

THE total of the health service estimates for 1958-59 were given by the Chancellor of the Exchequer a few weeks ago, when the rise in the gross total to nearly £740 million caused the Government to increase the health service portion of the weekly national insurance stamp. The table overleaf, based on the detailed estimates recently published, shows how the total is made up and the respective shares of the taxpayer, the ratepayer, the insured worker and the patient in meeting the bill.

The higher expenditure budgeted for represents a combination of greater demands on the service and the payment

The Economist

APRIL 10, 1858

VIRTUES OF THE ALLIANCE

"Scarcely any estimate of the value of a real alliance between France and England can be too high; scarcely any price can be too great to pay for its attainment and consolidation. By a real alliance, we mean a genuine, unforced, spontaneous union;—a connection not only dictated by community of temporary interests, but cemented by cordiality of feeling, by a conscious sympathy in the same noble and unselfish aims, and by an essential agreement in the great principles of policy; . . . We can scarcely trust our imagination to dwell on the influence which an alliance of this nature between the two great Peoples which stand at the head of modern civilisation would exercise on the destinies of Europe and the fortune and felicity of all other lands. . . . Two nations, unrivalled in wealth, and unequalled in the wide extent of their dominions; both consummate in intelligence, but harmoniously diverse in the characteristics of their respective genius; both endowed with wonderful energies, but varying in the objects to which those energies are habitually applied; the one essentially naval, the other essentially military, but both at least the equals of any other State on either element; each so full of glory in its past history that to seek for added glory now would be mere greedy and silly surplusage; both having passed through so many phases of deep and sad political experience that they cannot but have learned at last wherein consist the true well-spring of a nation's happiness and grandeur; . . .—of two nations, thus constituted and thus allied, what could resist the silent, easy, inevitable influence for good? . . . What despotism could live in juxtaposition with such a mighty and diffusive atmosphere of freedom? What intellectual darkness must not be penetrated by the neighbourhood of such lambent and irradiating light! What barbarities could continue to be perpetrated in the face of two such frowning and grieving guardians of justice and advanced humanity! . . . No war could take place without our sanction. Oppressors would not dare to call down our displeasure.

of higher wages and salaries to those working in it, including the 5 per cent interim increase to doctors announced last spring. But the main interest in the estimates now lies in the methods chosen to meet the bill. In recent years, the Government has tried to prevent the full increase of the cost from falling on the taxpayer, first, by making the shilling on prescriptions a charge on each item instead of on each form and, secondly, by increasing the national health contribution. It is doubtful, however, whether this last device can be repeated indefinitely so long as it remains a flat sum. If the Government is determined to keep the cost to the taxpayer down, and unless all insurance contributions are to be graded as a proportion of income, the patient may next year be called upon to pay more.

	Actual expenditure 1956–57	Final estimate 1957–58	Estimate 1958–59
		£ mn.	
Gross Expenditure	653·4	705·9	736·7
of which			
Hospitals	373·3	402·2	421·1
General medical service	65·9	70·7	72·2
Pharmaceutical service	67·0	72·6	74·3
Dental service	44·0	48·1	50·6
Ophthalmic service	15·5	16·4	17·0
Local authority services	51·7	58·0	61·6
Other expenditure	36·0	37·9	39·8
Less:			
Patients' payments:—			
Hospitals	4·9	5·4	5·8
Pharmaceutical	8·7	12·7	12·7
Dental	8·7	9·2	9·6
Ophthalmic	6·1	6·1	6·3
Superannuation and other deductions	32·3	34·7	35·7
Net expenditure falling on taxpayer and ratepayer	592·7	637·8	666·5
National Health contribution	40·8	63·5	105·0
Rates' contribution	25·9	29·0	30·8
Net cost to central government	**526·0**	**545·3**	**530·7**

Correction—Butter Statistics: *Peccavimus* last week, badly. Our note on "Dumping and Crypto-Dumping" contained some figures that were completely wrong. British domestic production of butter (excluding farm production) amounted to 15,000 tons in 1955, 25,000 tons in 1956 and 33,800 tons in 1957. Butter disposals, allowing for stock changes, rose from 330,000 tons in 1955 to 353,000 tons in 1956 and to 398,000 tons in 1957. No account is taken in any of these figures of private production of butter on British farms, but this amounts to only about 9,000 tons a year.

Imports from New Zealand fell in 1957 by 9,600 tons to 146,000 tons; those from Sweden and Ireland, although increased respectively tenfold and fiftyfold, amounted together to only 28,600 tons. Thus Britain's domestic production of butter is certainly not the preponderant factor in the subsidised competition faced by New Zealand exporters, as our note last week represented. The most that can be said is that the recent increase in British production is a significant factor; the increase between 1956 and 1957 was nearly equal to the falling-off in New Zealand imports. A reduction in the extent of subsidies (via cheap milk) to the United Kingdom butter producer would therefore be a legitimate objective for New Zealand exporters—as legitimate, though perhaps not so polite, as the reduction which they are pressing for in imports from Sweden and Ireland, to a level warranted by Swedish and Irish costs.

LETTERS

The Liberals

SIR—*The Economist* is not commonly inconsistent, but there seems a glaring contrast between your admirable article on March 8th advocating the Alternative Vote and your more recent article "L or I" suggesting that the Liberal party should concentrate on inculcating "more liberalism into the country." I deplore seeming inconsistencies in Liberal policy as much as you do, but a party without MPs is no party at all, nor is the radicalism you want the whole of Liberalism. Respect for the rights and feelings of others is needed to prevent it drifting into an oppressive socialism and a blatant bid for power by an appeal to majority self interest—which is, curiously enough, just what you accuse the Liberals of doing at present.—Yours faithfully,

W. N. LEAK

Winsford

★

SIR—Mr Mark Bonham Carter in his letter to you of April 5th says that Liberals preferred price supports to tariffs. We feel it right to point out that those who favour liberalism will recognise that price supports in the form of guarantees or other devices are in the same category as tariffs and can be no part of liberalism.

The Liberal party itself gave full support to that view when it passed a resolution in that respect at its assembly at Ilfracombe in 1953. That resolution called "for a drastic revision of agricultural policy," "the relaxation and gradual abandonment both of the control of prices and markets" and that guaranteed prices and assured markets should be abandoned "always provided that in changing the present system, the arbitrary powers centralised in the hands of the Minister be terminated in all cases before the abandonment."

It is clear that the Government is in process of abandoning its arbitrary powers of dispossession and that Liberals should now firmly advocate the abandonment of guaranteed prices.—Yours faithfully,

S. W. ALEXANDER
(former Chairman, London Liberal party)
PAUL ROSE
(Vice-chairman, Nat. League of YLs)
OLIVER SMEDLEY
PETER LINFOOT
LYNDON H. JONES

London, E.C.2.

Generating Electricity

SIR—Your article on fitting more and more nuclear power stations into the electricity grid draws attention to the fact that by 1966 the nuclear plant we shall be starting to construct will have to market energy in a system whose base load is already completely covered by earlier nuclear stations, and that therefore these new stations must be competitive with new conventional plant at lower load factors. When that point is reached the use of hydro-electric pumped storage becomes most attractive.

A fluctuating load on an atomic power station involves the using up of expensive control rods, and so the annual operating cost will be increased compared with steady load operation. This means that the cost of energy from a nuclear station rises rather more steeply than in inverse proportion as the load factor is reduced.

Hydro-electric pumped storage plants consist of two lakes, natural or artificial, at different levels, water being passed down to the lower lake through a turbine to provide peak generation for about four hours every day and being pumped back up again at night in about seven hours using off-peak energy. After 1971, when the 1966 nuclear stations start to operate, off peak energy (for which there is otherwise no demand) will be free or even have a negative value. Since the operating costs of hydro-electric stations are extremely low, the cost of peak power produced will be little more than the capital cost including transmission to the load centres of £50 to £60 per kilowatt, about the same range as that of conventional plant, and about two-thirds of the predicted future cost of nuclear plant for the same period. Since a hydro-electric station has a much longer life than other generating plant, the annual charges per pound of capital cost are less.

Pumped storage compares favourably in cost with conventional plant as well as with nuclear plant at lower load factors, and combines the two advantages of minimum capital cost and no dependence on imported or scarce fuels.—Yours faithfully,

IAN MACKINTOSH

Bath

The Bank Rate

SIR—I am sorry to learn of the drop in the Bank rate. I had considered the 7 per cent rate an utterly brilliant move, and the one sure thing that would protect Britain from the impact of the American recession.

Assuming that the 7 per cent rate were maintained throughout the period of the American recession, I had hoped it would have had these effects. First, that if exports suffered, the use of the "hot money" would enable necessary import levels to be maintained without an apparent drain of the reserves. And second, when exports were fully recovered and strong, then the Bank rate could safely be lowered and "hot money" discouraged, again without straining the reserves.

As a buffer against our recession your high bank rate has so far been successful. Even 6 per cent is high enough since the Federal rediscount rate has dropped. The timing of the drop, however, makes me wonder whether a marked disparity in rates was ever intended as a buffer to recession, or whether it was merely a matter of accidental brilliance.

I also fully agree with *The Economist* that the "hot money" does not necessarily have to turn "cold," and that it could become a permanent beneficial factor for the British economy. The British penchant for a remarkably low level of unemployment could well be offset by a remarkably high Bank rate which might give the economy a measure of stability that recurring crises in sterling suggest that it needs.—Yours faithfully,

JOSEPHINE OLIVER

Harrisburg, Pa.

Canadian Trade

SIR—The recent trade mission to the United Kingdom by Canadian businessmen, the establishment of an official office in Canada by the Canadian government to promote the import of United Kingdom goods, and other actions, raise the question among Canadians, "What is the United Kingdom government prepared to do, in addition to what it is already doing, to expand exports to Canada?" May I put forward a proposal which your readers and the United Kingdom government may wish to consider?

A major reason for the lack of growth in United Kingdom exports to Canada is the generally poor performance in the after sale service of certain goods, the lack of an adequate line of types and sizes which can be obtained promptly, and the difficulty of displaying the wide variety of goods which could be used here. Those firms which have stocked adequate parts and a range of products, which have given fast and competent after sale service, and which have properly displayed their wares have, as a rule, found it easy to sell in this market. I suggest that overcoming this problem of availability and service (as well as the allied problem of proper marketing) is crucial and can be solved along the following lines:

1. The United Kingdom government can arrange on a sale-leaseback arrangement for the construction of a number of large, well-located, *bonded* warehouses and product display centres in major selling areas of Canada. These warehouses could be operated by a Crown corporation or on contract to a private Canadian firm.
2. United Kingdom manufacturers could rent space in the warehouses sufficient to create adequate stocks of goods from which local deliveries could be made in a variety of ways. Proper facilities would exist at the warehouse for the clearing and assembling of crated goods. Showrooms and office cubicles would be available so that a manufacturer's display could be assembled for inspection. Sales from bond would be notified to customs and warehouse management would collect duties, sales taxes and other charges.
3. An incentive to stock goods in bond would have to be given by the United Kingdom government. This might take the form of allowing special low or nominal interest loans to United Kingdom manufacturers who ship to Canadian bonded warehouses either a basic stock of goods or an inventory related to sales or planned sales. Similar loans might be considered against promotional expense on a formula basis.

The scheme above would likely be self supporting—rent of warehouse space paying for the lease—except to the extent of the subsidy involved in differential rates of interest on the proposed loans. But this subsidy would pay for itself so long as the rate of corporation tax taken against the rate of profit on sales is equal to the subsidy expressed as the difference between the market and the subsidised rate of interest. Inasmuch as rental for inventory space must be paid in any case, the added charges involved for storage represent the differential in storage costs in the two countries. I envisage that the shipping charges would be part of the loan suggested.

There is a limit to the role of government if the price system is to function smoothly in the business world. One of the proper roles of government is to create the environment within which businessmen can operate. The first thing which is required of the United Kingdom government is that it obtain sound and extensive advice about the problems of the Canadian market and of those who deal with United Kingdom businessmen. Having this, the next step is to act. We in Canada feel that we have done about enough.—Yours faithfully,

GEORGE F. BAIN

Canadian Economic Research Associates, Toronto

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BOOKS

The Other Place

The House of Lords and Contemporary Politics, 1911-1957

By P. A. Bromhead.
Routledge and Kegan Paul. 283 pages. 30s.

THE House of Lords has long been among the more improbable of constitutional anachronisms. It is an anomaly that would be intolerable if it did not happen to work quite well. Its reform has been imminent for half a century and more, and in the endless discussions about its fate it has figured alternately as a romanticised symbol of national continuity and as a monstrous survival of aristocratic privilege, as a bulwark against ill-considered legislation and as a barrier to democratic progress. Such emotional theorising has tended to divert attention from the actual facts about who runs the House of Lords and about what functions it performs in practice.

Mr Bromhead's book provides a long overdue corrective. He has assembled the data that are available about the working of the upper house since its wings were clipped in 1911. He punctures many of the excessive claims made both for and against the Lords. Some of his conclusions confirm the findings of recent Fabian pamphlets and of articles in *Parliamentary Affairs* and this journal; some are new and surprising. The peers who *really* keep the House going today are about sixty in number, forty or so being Conservatives and twenty Labour (mostly ex-MPs). Backwoodsmen intervene less often and less decisively than is often supposed. First creations supply almost all the active Labour peers and about half the active Conservatives. (But dukes, marquesses, and earls are still disproportionately prominent among leading Conservatives.) Cross-voting by avowed party supporters is as rare in the Lords today as it was in the Commons fifty years ago. Bishops have become increasingly inactive as legislators and, for the most part, peers who have achieved fame in other fields than politics have made surprisingly little contribution to debates. Twentieth century reform has done little to regularise the smooth-running anarchy that has so long characterised the Lords' proceedings.

Mr Bromhead is, however, able to document the silent revolution which has overtaken the upper house in the last fifty years, as it has accepted more and more fully that power has passed from it. The co-operative approach demonstrated between 1945 and 1950 is in sharp contrast to the blunt obstructiveness of 1911-14 and, to a lesser extent, of 1929-31. Even more striking is the change in the Lords' attitude to the measures of Conservative governments which, in the 1920s and 1930s, were treated rather more roughly than socialist legislation after the war. Since 1951, however, the Lords have been but a tame shadow of their former selves; only on capital punishment did the old *Adam briefly reassert itself.*

The debate on the future of the House of Lords has too long centred on its right to block legislation. But it can only have a future at all if both the government and the alternative government agree that it serves a useful purpose. The left will never accept the principle that a non-elected house should be able to prevent legislation; therefore the most the upper house can hope for is to have influence rather than power, to possess the right to delay bills for long enough to guarantee that the lower house will give serious consideration to its amendments. For, as Mr Bromhead's book makes plain, much the most useful function performed by the Lords has been the improvement of the details of legislation. In the other roles assigned to it by the Bryce committee in 1917—the imposing of delay, the initiation of Bills, and the ventilation of public issues—its record has been less notable.

As a sound, clearly documented, up-to-date work of reference, this book is of high quality. But it remains an outsider's view, based on Hansard rather than upon what peers actually think and say about their House. The author meekly accepts, for instance, that the Independent Unionist Peers (the coroneted version of the 1922 Committee) is a private organisation about which he can write nothing; and, despite his vast reading in the field, he is reluctant to make judgments about the abilities or attitudes of peers or the impact of their interventions upon the determination of public policy. Mr Bromhead has provided an invaluable mass of evidence for use in the continuing debate on the reform of the Lords—but he has rather left on one side the human elements that have to be considered when attempts are made to devise a better revising chamber than now exists.

Climbing to Power

The Rise of Khrushchev

By Myron Rush.
Public Affairs Press, Washington, D.C. 116 pages. $3.25.

DR RUSH, a member of the Social Science Division of the Rand Corporation, is one of those specialists in Soviet affairs who interpret events by studying nuances of official publicity that normally are—and are meant to be—devoid of meaning outside the inner circles of Communist parties. He argues that the political processes leading to party decisions in Moscow are wrapped in secrecy, but that whenever there is controversy among the leaders the protagonists endeavour to gain support among the middle grades of party members, and these middle grades for their part are vitally interested in knowing what is going on at the top; hence the slightest variations in the stereotyped party language have great significance for the initiated, and major controversies can be carried on by hints and insinuations without any acknowledgment of dissension within the party either to the masses of the Soviet people or to the outside world.

Applying these principles of interpretation to the career of Mr Khrushchev since the death of Stalin, Dr Rush traces through a series of obscure battles of words Mr Khrushchev's quest for supreme power and the efforts of his rivals to prevent him from getting it. The key to the situation just after Stalin's death was a general unwillingness in high party circles to see anyone invested with the unlimited authority which he had wielded. Hence Mr Malenkov was not allowed to combine the positions of head of the government and first secretary of the party and had to hand over the latter office to Mr Khrushchev. The formula of "collective leadership" was appropriate to a balance of factions in which no individual had dictatorial power. But Mr Khrushchev used his control of the party machine, as Stalin had done before him, to manipulate local politics and pack the central committee with his nominees. He sought to strengthen his authority by enhancing the importance of his office. He ran, however, into considerable opposition.

Dr Rush demonstrates in detail how the movement for reducing Stalin's stature in retrospect was indirectly aimed at Mr Khrushchev. The attack on "the cult of personality" was designed to thwart the emergence of a new autocracy in the party, and Mr Khrushchev was the only candidate. When the Twentieth Congress opened, the question what to do about Stalin was still undecided, and Mao Tse-tung's message to the Congress, read out on February 15, 1956, eulogised both Stalin and Khrushchev in association. But next day Mr Mikoyan made the first direct public attack on Stalin, and of the two victims of Stalin's terror whom he mentioned by name one was Kossior, to whose office, after his execution, Mr Khrushchev had been promoted by Stalin. This was a very damaging blow at Mr Khrushchev. But nine days later, at the notorious secret session of the Congress, he averted the attack from himself by taking the lead in the demolition of the Stalin myth. He hurriedly substituted a new cult of Lenin as the basis for his own ambitions.

Dr Rush has provided the most adequate explanation so far of Mr Khrushchev's tactical vagaries in his climb to power. It may be objected that, if Mr Mikoyan so nearly upset Mr Khrushchev's apple-cart, it is strange that he should have survived politically when Messrs Malenkov, Molotov and Kaganovitch have been swept away. But Dr Rush argues that although Mr Mikoyan was a champion of "collective leadership" against the new autocracy, he was also a supporter of Mr Khrushchev in the latter's foreign policy innovations, particularly with regard to Marshal Tito, and that Mr Khrushchev has not been able to dispense with this support. If this is so, Mr Mikoyan is likely to disappear suddenly from Soviet politics just as soon as Mr Khrushchev feels he can do without him. Or it may be, in view of the remarkable capacity for survival that Mr Mikoyan has shown over the last forty years, that he will last the longer of the two.

Furnace, Forge and Foundry

History of the British Iron and Steel Industry

By H. R. Schubert.
Routledge and Kegan Paul. 445 pages. 60s.

THE proprietor of the Heathfield blast furnace in Sussex wrote, in 1754, to the Prince of San Sorrino: "A furnace is a fickle mistress and must be humoured and her favours not to be depended upon. I have known her produce 12 tons per week, and sometimes but 9 tons, nay, sometimes but 8, the excellency of a Founder is to humour her dispositions, but never force her inclinations."

Dr Schubert's scholarly and devoted account of iron and steel making in Britain from prehistoric times to the Industrial Revolution will make its greatest appeal to those who have some familiarity with this mistress, and affection for her. The book is primarily a description of technical processes and of the topography of the industry; and the author's technical knowledge and historical craftsmanship are both equal to the task he set himself. The result is a work that will certainly remain standard in its field for a very long time.

Except for matters of detail, there will probably not be much that is new to students of any single segment of the long period covered by the study. The first half of the book is devoted to iron and steel manufacture in prehistoric, Roman, Anglo-Saxon, Norman and medieval Britain. During these long centuries the process of iron making remained fundamentally the same, the ore being converted directly into iron blooms in a charcoal furnace. This process required very little fixed capital and produced a good quality wrought iron. On the other hand, it was wasteful of both fuel and ore. In response to government demand for cast iron for bullets and cannons, it gave way, hesitantly after 1496 but more rapidly after 1543, to the indirect process of iron making in the charcoal-fired blast furnace. The introduction, expansion and decline of the industry under this new process, which had as by-products the establishment of the foundry industry and the separation of furnace and forge, is the subject of the second half of Dr Schubert's book. The application of water power to various processes in the making of iron forms an important secondary theme throughout the study.

While this is not an economic history, the author has included, where possible, material on the supply of fuel and ore, the nature of demand, foreign and domestic trade, prices and production costs. Of particular interest are the examples of the introduction of skilled workers from the Continent to initiate new processes. French workmen were brought to England to help to get the new blast furnaces and casting process working in the early sixteenth century; and German workmen were called in to instal new machinery for wire-drawing, to meet the demand for fine wire for wool carding, in the third quarter of that century. Dr Schubert found merchant capital important in financing the new blast furnaces; this found a parallel in the merchant capital that helped to finance the Bessemer and open-hearth processes in the nineteenth century.

Between Worlds

Face to Face

By Ved Mehta.
Collins. 320 pages. 16s.

AT the age of twenty-three Mr Ved Mehta writes with a simplicity and directness of style and thought that generally escape writers of supposedly greater maturity. But then he has been exposed to tests of spiritual endurance most people evade all their lives. There is no part of his life that has come to him straightforwardly and without challenge. The happiness of childhood in a devoted Indian home was darkened—literally—by blindness and by the division of mind between two great-souled parents on the methods—traditional and modern—by which it might be treated. Early adolescence brought the division of India and the breaking up of the material framework of family life and prosperity. And, as if that burden were not heavy enough, it coincided with the discovery that, being blind, the growing boy could find no Indian institution adequate to carry his education further.

Then followed the long, painful efforts to find a place in America, the late, last, unexpected success with the Arkansas School for the Blind and thereafter the fantastic gulf to be bridged between a sophisticated cultured Indian Hindu environment and the rough surroundings and attitudes and companionships of handicapped adolescents in the American South.

Through all this turmoil, Mr Mehta takes us with an objective, sensitive touch. We learn almost to feel the physical condition of sightlessness and to sense the spiritual condition of living between two civilisations, fully member of neither, torn between memory and fact. It is a record which, without pretensions of any kind, is a record of heroic endurance. Indeed, in the short tragic story of K, the Nisei student, Mr Mehta, allows us to see the fate of a man similarly caught for whom the strain was too great. But there are no heroics, no underlying self-congratulation. Simplicity, freshness and objectivity are more than the style of Mr Mehta's book. They are the roots from which this record of fortitude draws its power.

1588 and All That

The Enterprise of England

By Thomas Woodrooffe.
Faber. 301 pages. 25s.

COMMANDER WOODROOFFE has adapted Philip's name for what we call the Armada to describe the emergence of England as an oceanic power. That is, perhaps, the most original thing about a book that tells once more the oft-told story of the voyages of Hawkins, Drake, Frobisher, Gilbert, *et al.* It concludes quite arbitrarily with the defeat of the Armada, thus giving the erroneous impression that the war was over and the process of Elizabethan expansion complete. But, of course, it had hardly begun. Even in the narrow terms of naval history one cannot describe the force employed in 1588 as "an oceanic navy." Spanish power was not so feeble as the epic story of Drake's early years suggests: for him the worst was still to come. What happened during the last ten years of the reign puts the achievement of the age into a better perspective.

Within its limits the story is told in fluent and readable fashion. It is refreshing to see the Armada largely from the Spanish point of view, but the book makes no attempt to solve any of the problems with which the voyages abound; nor does the meagre evidence justify the author's confidence in the tactics employed. In more than one book Dr Williamson has surveyed the period with far more authority. The present volume can be recommended for the school library, though even there a good edition of the contemporary narratives would be preferable. What we still require is a study of the whole business of Elizabethan privateering: the organisation of the syndicates that launched these voyages, with a profit and loss account of their activities. Such work has begun. Only when it is completed shall we be able to understand the golden age of private enterprise, which, at sea, was by no means the same thing as the enterprise of England.

Guerillas in Malaya

Red Jungle

By John Cross.
Hale. 244 pages. 16s.

THE author was a member of a signals unit that was left behind in South Johore shortly before the fall of Singapore. The party and their Communist guards tended their heavy equipment with great devotion, lugging it from one camp to another to evade the Japanese. Failing to make contact as arranged beforehand, they asked the Communists to send couriers out of Malaya, but in more than three years' listening they

never heard a thing except the news and they ended up as "Comrades of the News Press."

Mr Cross reproduces from their jungle newspaper Communist claims of successes against the Japanese in the two and a half years up to August 1944. His only comment is "interesting," which is inadequate. The figure of 5,085 seems very high for enemy killed and seriously wounded, and 22 casualties per clash is at least ten times the rate recorded during the height of the emergency. If 5,000 casualties were inflicted, why were only 344 weapons captured?

There is no doubt that the Japanese found it necessary from time to time to send large forces against the guerillas; but one of the lessons of these operations was the difficulty of inflicting casualties in the Malayan jungle whether one was attacking or being attacked and, when Mr Cross reports 70 of the enemy killed in two engagements, some commentary is called for. It was Mr Cross's duty to keep away from engagements; otherwise he would probably have noted discrepancies between Communist claims and his own observations.

From early 1945, when numbers of British officers began to arrive in Malaya, the Communists were anxious to conceal the political aspect of their guerilla movement and they certainly succeeded with some officers. This prompted Mr Cross to ask one of the leaders what the Communists would do after the war with the arms supplied to them. The leader of his party, Major Barry, seems to have been asking himself, before he died in July 1944, the even more penetrating question: what would the Communists do during the battle for the liberation of Malaya?

We now have two books about Malaya under the Japanese, both written from the guerilla point of view. Spencer Chapman did not visit South Johore, an area always very important to the Communists, so "Red Jungle" fills a gap. But it is time someone attempted a comprehensive account of the Japanese occupation, including a picture of the guerillas as seen from the towns and villages.

Justice

Aspects of Justice

By Carleton Kemp Allen.
Stevens. 310 pages. 25s.

BETWEEN the preface and the introduction to this book the author inserts a lovely sentence from Plato warning his readers that they may find the work stiff reading; but he hopes they will persevere. Both warning and encouragement are justified. Only a mind trained to philosophy will find the book easy, but non-philosophers who persevere will be rewarded for their persistence. It is a stimulating and invigorating piece of writing.

Drawing largely on Plato and Aristotle, Sir Carleton distinguishes four accepted characteristics of justice. It lies in the domain of morals. It is a social virtue. It maintains an equilibrium in human affairs. It does not demand equal status for all, but it does postulate equality of consideration for all. But, even when these dogmas are honestly accepted, their application varies so much from age to age and from land to land that it is dangerous to regard any manifestation of justice as revealed truth—universal and inevitable. In England it is never doubted that newspaper comment before the trial poisons justice at the springs. It is a doctrine that ranks with the decalogue. In the United States (whose legal system is blood brother to ours) the press has free play from the word "go," and nobody thinks that justice is outraged thereby. That is a most curious and perplexing difference of outlook between two closely related systems of justice.

To the philosophic mind the core of the problem of justice lies in the question: is justice an absolute? Sir Carleton does not think it is, and most people of an earthier quality than his will doubtless agree with him. A practising lawyer, asked for an opinion on whether a huntsman should pay income tax on his Christmas tips, may retort impatiently, "What the hell has the absolute got to do with a huntsman's tips?" And indeed the connection is not obvious. But Sir Carleton, though maintaining his belief that justice is relative, nevertheless finds, in the views of a jurist who does revere justice as an absolute, something of great worth in the daily administration of the law. They help the practising lawyer to keep his eye on the ever-fixed mark that looks on tempests and is never shaken.

In the second half of the book Sir Carleton discards the board and gown of the professor to narrate one of the most remarkable true-life crime stories ever told. It is a tale of a murder trial in the New South Wales courts of sixty-three years ago. It has everything that a story of this kind needs—passion, crime, mystery, surprise, and just the right amount of complication. The murderer is first convicted, then pardoned, then retried for perjury and sentenced to fourteen years' imprisonment. The secondary villain ended as speaker of the New South Wales assembly and President of the Labour party. Beyond that no further details will be disclosed in this review.

OTHER BOOKS

DOMINION OF THE NORTH
By Donald Creighton. *Macmillan.* 619 pages. 25s.

There are a number of good general histories of Canada. Among them "Dominion of the North" is outstanding for its insight into the significant relationships among the complex forces that have shaped Canadian development. The fruit of mellow and meticulous scholarship, it achieves compactness and clarity, not by over simplification or by leaving gaps, but by masterly perspective.

The original edition ended with Canada's declaration of war on September 10, 1939. This very welcome revised edition carries the story on through the second world war and postwar years. A new concluding chapter, "Modern Canada in a Great-Power World," analyses a proud war record and the problems and achievements of a maturing "middle power" in the subsequent years of uneasy peace. For many readers it will throw a new light on the nature of the Canadian nation and its international relationships. It is especially illuminating in its examination of Canada's attitude *vis-à-vis* the United States and the changing Commonwealth, and in its thought-provoking interpretation of the lusty flowering at mid-century of a characteristic Canadian culture to the growth of which Professor Creighton has himself contributed so much.

ECONOMICS OF THE FUR INDUSTRY.
By Victor R. Fuchs. *Columbia University Press.* London: *Oxford University Press.* 168 pages. 40s.

Most books that have been published about the fur trade concentrate on the historical and romantic side of the industry; this is certainly not the case with Mr Fuchs's book. It may be heavy going for those who have no intimate knowledge of the trade; on the other hand it will be both interesting and invaluable to all those engaged in the industry as well as those indirectly affected by its activities.

The book refers primarily to the economics of the American part of the industry, but its diagnosis would apply in most instances to the trade in other parts of the world. Mr Fuchs had to undertake much arduous research because of the variety of the raw material, the varying sizes of manufacturers, the number of sections included in the trade and the extremely competitive and individualistic nature of the industry.

Mr Fuchs has gone to great lengths to account for the decline in the consumption of fur and at the same time the absence of any long-term planning to ensure sufficient supplies of raw material. His criticisms on the cut-throat competition in certain sections of the industry may appear somewhat severe but there is no doubt that the exceptional individualism precludes even limited unity among the manufacturers. He deplores the lack of any effort in the trade to attract the new middle income group into buying furs, and in his criticism of the absence of any long-term planning he points out that there is no organised second-hand market such as exists for instance in the motor trade.

Not everyone will agree with Mr Fuchs's emphasis on the dangers of excessive individualism and cut-throat competition. But he has gone to great trouble to gather facts about a relatively unknown industry and those engaged in the trade will find his work invaluable.

THE SCHOLASTIC ANALYSIS OF USURY.
By J. T. Noonan, Jnr. *Harvard University Press.* London: *Oxford University Press.* 432 pages. 72s.

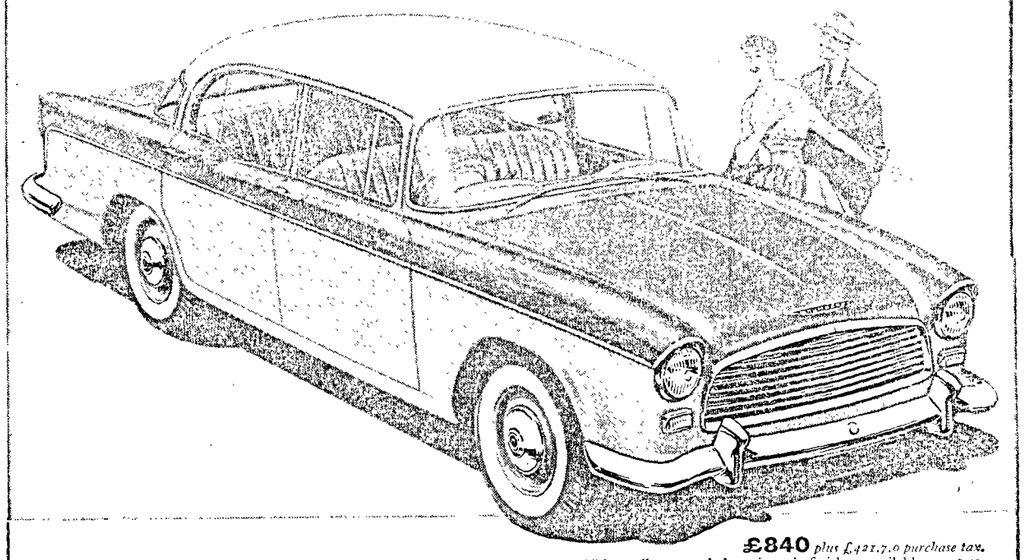
This book traces the history of Catholic thought on credit from the first crude prohibitions of the Dark Ages, through the increasingly refined and realistic distinctions of the scholastics proper, down to contemporary doctrine, and links it to the parallel development of lay economic theory. It is likely to rank as the definitive study of its subject.

General :—

CAREERS ENCYCLOPEDIA. *2nd edition.* Edited by G. H. Chaffe and P. J. Edmonds. *Cleaver-Hume.* 672 pages. 15s.

This second edition gives facts about some 200 careers in callings as far removed as riding and the lighthouse service. For those who refuse to be satisfied, there is also a section on emigration. The information given is concise and clear, and—rare these days—the price of this second edition is little more than half that of the first.

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Statement of Condition March 31, 1958

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Cash on hand and due from banks	$233,401,541
United States Government securities	189,603,456
State and municipal bonds and notes	50,052,767
Other bonds and securities	15,459,683
Loans and bills purchased	392,661,844
Accrued interest, accounts receivable, etc.	4,619,451
Stock of the Federal Reserve Bank	1,950,000
Investments in Morgan Grenfell & Co. Limited, Morgan & Cie. Incorporated, and 15 Broad Street Corporation	5,810,000
Banking house	3,000,000
Liability of customers on letters of credit and acceptances	24,307,405
	$920,956,147

LIABILITIES

Deposits: U. S. Government	$ 53,851,335
All other	718,988,340
Official checks outstanding	31,153,634
	$803,993,309
Accounts payable, reserve for taxes, etc.	8,818,306
Acceptances outstanding and letters of credit issued	24,307,405
Capital—550,000 shares	35,600,000
Surplus	30,000,000
Undivided profits	18,747,127
	$920,956,147

United States Government securities carried at $63,810,603 in the above statement are pledged to qualify for fiduciary powers, to secure public moneys as required by law, and for other purposes.

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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

America's Space Suit

WASHINGTON, D.C.

THE President has been widely hailed for his tact in proposing that the permanent agency for exploring outer space should be built around the existing National Advisory Committee for Aeronautics. With any luck this should avoid a repetition of the fight between the civilians and the military that preceded the birth of the Atomic Energy Commission. Although it is headed by the General Doolittle who commanded the first American raid on Tokyo, NACA's complexion is indisputably civilian. Yet over the forty-three years in which it has been carrying out its statutory duty "to supervise and direct the scientific study of the problems of flight with a view to their practical solution," it has earned the confidence of the armed services, the aircraft industry and the world of science for its skill in marrying their energies and enthusiasms without red tape.

The committee, whose seventeen members include civilians from outside the government as well as representatives of several civil and military departments, has its own technical staff and laboratories; these are used for fundamental research, for the benefit of both civil aviation and the armed services, and for trying out inventors' ideas. Under the proposed new arrangement all these facilities and functions —and it is hoped the forty-three years of goodwill into the bargain—will be inherited by a National Aeronautics and Space Agency, headed by a director appointed by the President, and the old advisory committee will be refurbished as an Aeronautics and Space Board. The agency will be responsible for all activities connected with "aeronautical and space science" except for those associated with primarily military projects. These will remain in the hands of the Department of Defence.

Since Congress obviously had no intention of turning the whole cosmos over to the military anyway, the services seem prepared to accept in general these proposals for a civilian entry into space. But there is some dismay in their research departments at the extent to which the President is evidently leaning on his own special Science Advisory Committee which has recently poured a shower of meteorites on to the more high-flying military fantasies about the potential applications of space technology, such as the establishment of military bases on the moon. At a hearing before the House Armed Services Committee last February, General Putt of the Air Force explained that it was easier to shoot a missile from the moon to the earth than in the reverse direction. Less energy would be required since there is no atmosphere, the warhead could be catapulted from shafts sunk deep into the moon's surface and the missile could be observed and guided from start to finish. Lunar outposts and even launching sites could be put on the dark side of the moon and a missile attack from the earth could be detected by telescopes in time to give several hours' warning. Since there is no atmosphere on the moon, there would be no blast when the enemy's bomb arrived.

If the United States had lunar bases, said General Putt, the Russians would not start anything until they had first neutralised these sources of retaliation; since they would need to fire their missile at the moon a day or two in advance of any attack on earth, this would give the game away. However, the General cautioned the committee:

> We should not regard control of the moon as the ultimate means of ensuring peace among the earth nations. It is only the first step toward stations on planets far more distant—from which control over the moon might then be exercised.

One admitted snag is that wherever Americans go the Russians will probably turn up too and may well be there first. But at least one official scientist, Mr James Edson, Assistant to the Army's Director of Research and Development, sees in this a pale silver lining. The moon, he suggests, might become

> the agreed arena of conflict for the settlement of terrestrial power disputes, terrestrial damage thus being avoided by both sides and the winner emerging in a position to impose his will upon the earth.

Mr Edson has worked out a timetable under which the first permanent lunar bases for military and commercial purposes would be established some time between 1968 and 1973. According to him the garrison may not have to breathe, eat or drink because "space medicine" will have supplied a "synthetic nutrient." A little breathing, however, will still be a good thing, so that the troops do not get out of the habit and are able to speak.

Dr Wernher von Braun, the head of the Army's German scientists at the Redstone Arsenal, is not so much interested in either the earth or the heavens as in the gadgets for reconnaissance and weather prediction which he can let loose in between. He claims, and his views are no longer seriously challenged, that once a satellite with television equipment is aloft "there will never be a period of more than a week to two weeks when you don't have a clear record of what goes on at every spot on earth"; that for the first time it will be possible to tell immediately what the total cloud coverage of the earth is at each instant; and that with six satellites using multi-channel tape recorders all the world's post could be rapidly delivered.

But the direct military value of satellites or moon is much less fully accepted. Dr von Braun naturally enthuses: according to him, a bomb is not dropped from a satellite but pushed gently into space, with a decelerating rocket that causes it to glide into the atmosphere at a shallow angle. Both satellite and bomb whizz around the earth until ultimately the target appears in their direct line of sight, whereupon the bomb is guided home in much the same way as anti-aircraft missiles are controlled now. To Dr von Braun

such a bomb has the supreme advantage of being much more effective against a moving target—a fleet taking evasive action, for example—than is an intercontinental ballistic missile, whose course is fixed once it is launched. But to the President's special committee, which contains some of the biggest names among American scientists, a satellite, like the moon, seems a clumsy type of bomb carrier. Such a procedure, the advisers say, amounts to launching a missile

> from a moving platform halfway around the world with every disadvantage compared to a missile base on the ground. In short, the earth would appear to be, after all, the best weapons carrier.

But on such matters the civilian space agency will not necessarily have the last word.

Nowadays the strategic weapon of the future is thought of not as a bomber or as a missile but as a missile fired by a bomber. Attempts are to be made to equip both the B52 and the B58, the new supersonic medium bomber, with ballistic missiles such as the Hound Dog, which is now being perfected. The true bomber-missile will be the chemically-fuelled B70, which will also be the country's first truly intercontinental bomber, in that it will be independent of overseas bases even for refuelling ; it is hoped that this will be airborne by 1963. But the real stepping stone to the military use of space is supposed to come next year with the X15, a research vehicle launched by a mother plane in which a test pilot will fly at a mile a second a hundred miles up. This is meant to prepare the way for the Dynasoar (for dynamic soaring), a bomber using the boost-glide principle. Strictly speaking it will be a satelloid rather than a satellite: although the pilot will revolve round the earth one or more times before swooping down to strike his target, his plane will remain under the influence of gravity, moving by momentum but not being in orbit.

With all these wonders in prospect it is not so astonishing to hear Mr Dulles, who has taken to brooding of late about his worldwide reputation for negative thinking, speaking with unusual passion about the need to arrange the disarmament of space before irrevocable steps are taken.

Propaganda Tests

LAST week President Eisenhower admitted that, although in his view the Russian abandonment of nuclear tests was just a "gimmick," not to be taken seriously, yet he might have been mistaken when he refused to try and counteract its undoubted propaganda value by explaining in advance why the United States intended to continue its own tests. This week he took a positive step forward by saying that the United States itself might suspend nuclear testing unilaterally and unconditionally after the series which is to begin later this month. Whether or not American testing will actually be abandoned depends officially on whether or not the coming series gives the scientists all the information they want. But it looks as if, when the matter next comes before the National Security Council, the President will move over to the side of those who put political and psychological considerations ahead of military ones in this matter ; according to reports this group is headed by Mr Dulles, while the Secretary of Defence and the head of the Atomic Energy Commission lead those who insist that military needs must come first. This disagreement, it is said, explains the lack of initiative and imagination in the Administration's approach to the suspension of nuclear tests, a question which has been under discussion for two years. But even now the President is trying to avoid taking the final decision: he has ordered his advisers to present him with an agreed view on this and other aspects of disarmament policy by the end of the month.

There is a good military case for the coming series of tests—and a good psychological one, too, if only it had been presented before the Russians seized the limelight. Warheads for the long-range missiles on which American defence depends increasingly are to be tested and so are small atomic weapons for tactical use. The emphasis will be on "clean" explosions, which do not spread radioactivity. Only those who oppose all nuclear tests on principle, such as the international group of distinguished scientists and citizens who have filed suit in a Washington court against the Secretary of Defence and the AEC, argue that the coming series should be abandoned. To do that, even critics of the Administration realise, would be to give the Russians, who have just finished their own annual series of tests, a real as well as a propaganda victory. Many of these critics are, however, urging that, as a counter-propaganda move, the United States should publicise the "dirtiness" of the Russian tests which are alleged to have brought a record amount of radio-active fall-out around the world. But the AEC opposes such a campaign, partly because it claims that the facts could not be given without exposing its secret system of collecting information and partly because that information will not have been fully assessed for months —and when it is the notorious American tests of 1954 may turn out to have been more noxious.

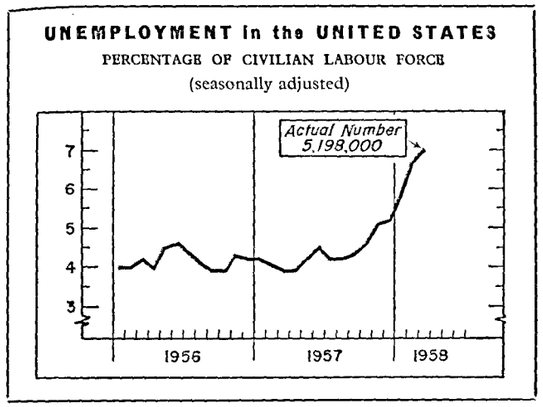
Recovery Marks Time

HARD-WORKING members of Congress, who have accomplished far more than is usual by this time of year, have been spending their ten-day Easter recess at home picking up their cues for the second half of the session. For the President, who has been urging Congress to restrain its spending for recovery, this breathing-space may well be the lull before the storm. Mr Eisenhower has taken a hopeful view of the March unemployment figures which appeared this week and, standing almost unchanged at 5.2 million, did not show the 200,000 increase that had been widely feared. But neither did they show much sign of the revival of activity that is usual in March, although the bad weather early in the month, when the sample was taken, must be partly to blame.

So far, although members of both parties are trying to take the credit for long lists of anti-recession measures, they have hesitated to plunge into massive spending ; in the rush to get away, Republicans, for example, were able to postpone action on the Democratic Bill to provide $1 billion in loans to communities for local public works. But if the voters are in a mood for more drastic remedies, Congress may not be deterred even by the warning of the Director of the Budget that this fiscal year, which ends on June 30th, will show a deficit of about $1.5 billion because of higher spending and lower revenues than were expected last January.

Before it left Washington, Congress had ensured its welcome home by voting, with unexpected speed, to provide

a new $1.5 billion transfusion of cash for highways—both for the interstate system, which no longer will have to cut its construction to receipts from specified taxes, and for the ordinary road system ; here the federal government normally expects the states to match its grants 50-50. Now, the federal proportion will be two-thirds and hard-pressed states, which cannot even find their 33 per cent, will be given temporary loans. Another $1.6 billion will be made available to the states in July, instead of in December. All this



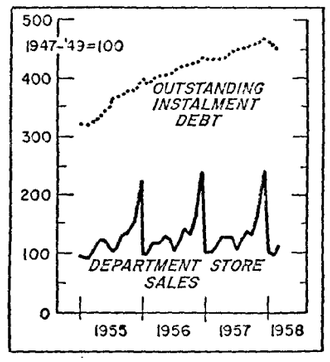
is more for highways than the Administration requested, but the big bi-partisan majorities for the Bill, which unexpectedly swept a mild control of advertisement hoardings on the inter-state system along with it, are convincing arguments for the President's approval ; he has already signed, though with considerable reluctance, the housing Bill, which was the first big anti-recession measure of this Congress. Down payments for house purchases have now been reduced, and abolished for ex-servicemen, and the President has released $300 million of the $1 billion provided for the purchase of government-insured mortgages, despite his objection that such a direct drain on the Treasury discourages private enterprise from doing its share.

Whether Mr Eisenhower will also swallow the $1.5 billion "pork barrel" Bill authorising river and harbour improvements, which he vetoed in 1956, is more doubtful ; the Administration is fearful of starting new public works which may not get under way until the recession is past and inflation is once more the real enemy. Apart from the increased spending on defence, which, although it is not technically a recession measure, is due to give the economy its greatest stimulus, the Administration has tried to confine itself to bringing forward spending which would have taken place in any case—such as the purchase of lorries and trailers for the armed forces—and to encouraging spending on the part of private individuals (for housing, for example) and of communities for hospitals, roads, airports, and so on. Mr Eisenhower is convinced that it is private, not public, spending which will exorcise the recession ; he also does not want to enlarge the already formidable deficit looming up for the financial year which begins in July. But to accelerate bureaucratic spending takes time, while the response of local governments and private individuals is hard to gauge. Consequently economists are not finding it easy to estimate the impact of what has been done and to decide whether it is likely to be enough, without a tax cut, to refloat the economy. But by next week the politicians may have taken the decision out of their hands.

Plight of the Salesmen

RETAIL trade, plagued by snowstorms as well as by an inclement economic climate, had little to warm its heart during March. Preliminary estimates showed that department store sales were higher than in February, despite the bad weather in many parts of the country, but below expectations, considering that they reflected buying for this year's early Easter. Robbed of this holiday stimulus, sales for April will probably be down and so, on balance, the year thus far remains a disappointing one. It is true that some items have not been badly affected ; the demand for clothing and other non-durable goods has not suffered much. But sales of cars, household appliances, television sets, and furniture, in particular, have been below what the American retailer has come to regard as "normal," and at present these show no signs of turning up. Even the worker who still has his job has become cautious and has postponed or even cancelled his plans for buying more expensive articles ; this caution has been reflected in, among other things, an increase in mail-order buying, as prices in the catalogues are often as much as five per cent lower than in retail stores. A survey recently conducted by a university research group on behalf of the Federal Reserve Board showed consumers generally more pessimistic than a year ago about their incomes and financial situations, and about business in general.

Shopkeepers have responded to this air of caution with increasingly vigorous salesmanship, meanwhile keeping a Spartan eye on ever-increasing costs ; few are optimistic about the near future. Reluctant to lower their profit margins, they have hesitated to cut prices, with the exception of those of household appliances, reduced since the abandonment by the General Electric Company of its retail price maintenance policy. Later this month, the automobile manufacturers will stage a "buy now" campaign in 23 cities across the country, highlighted—perhaps quixotically—by the slogan, "You Auto Buy a Car." A similar drive recently held in Cleveland resulted in a sharp rise in new car sales, in spite of the slogan.



Whether the consumers will respond to these appeals remains uncertain. This week the President asked them to buy ; but they may pay more attention to the Secretary of the Treasury, who urged them, two days before, to invest in government savings bonds. Personal savings in Federal Reserve member banks have risen by nearly sixteen per cent since the beginning of the year, and consumer instalment debt, which is largely governed by sales of cars and appliances, fell during February, on a seasonal basis, for the first time in over three years. These figures have led some economists to doubt whether tax reductions can be counted on to check the slump ; unless consumers can be persuaded that "things are looking up," the extra money they receive may wind up in savings accounts, rather than in the retailers' tills.

Unified Command for Defence

FROM A SPECIAL CORRESTONDENT

PRESIDENT EISENHOWER'S bold proposals for streamlining the military establishment make plain how far it still falls short of the unification of the three services decreed by Congress in 1947. Despite further changes in 1949, when the Joint Chiefs of Staff acquired a chairman for the first time, and in 1953, a long and tangled chain stretches from the Secretary of Defence through the individual services to the commands in the field; these commands themselves are loosely organised and suffer from conflicts between their responsibility to the services and to the supposedly overriding central authority. If a major war were to break out, such a clumsy arrangement would be intolerable; at almost the first shot the history of 1917 and 1941 would be repeated and there would be a major reorganisation into a command system capable of swift decision and firm action. The President, arguing that the revolution in weapons makes it impossible to wait until another emergency arises, is putting all his personal authority behind his reforms.

In the plan it is easy to see the hands of General Gruenther and General Bradley, who know from personal experience how unworkable the present system is; they were members of the small group consulted by Mr McElroy, the Secretary of Defence, when he was preparing his recommendations for the President. The plan underlines heavily the civilian control of the military by the Secretary of Defence. His powers would be greatly increased and at last the professional military establishment would be designed to respond to such control. Hitherto, although lip service has been paid to unity, each Joint Chief has still been unmistakably the head of his own particular armed service. The "unified commands" overseas have been under a single commander in each case, a naval one in the Pacific and an air force one in Alaska, for example, but in each theatre the commander might find that a part of his force was being reassigned by the Secretary of one of the services back in Washington. Under the new scheme, this could not happen; the Secretaries of the Army, Navy and Air Force would simply be assistants to the Secretary of Defence, concerned with administration, supply and training for their respective services, but having no control whatever over overseas or other field commands. The Chiefs of Staff, on the other hand, would be empowered to delegate most of their service responsibilities, leaving themselves free for their joint duties.

The unified commands would be responsible, not to any single service, but to the Joint Chiefs as a whole, who would act in the name of the Secretary of Defence. Indeed these commands would be created, and their commanders chosen, not by the services but by the Joint Chiefs. To discourage partisan attachment to a single service, the President has decided that promotion to the top ranks, from which the high commanders are chosen, should be at the discretion of the Joint Chiefs, rather than being left, as at present, to promotion within the individual services.

The strongest objections are being taken to the President's proposal that, in the next Budget, the Secretary of Defence should be given complete power over research and the authority, which he lacks today, to redistribute appropriations among the services to meet new situations. Congress is traditionally unwilling to relinquish its power of the purse, and Mr McElroy has suggested tactfully that Congress might set a limit on the amount that he may reallocate should emergency require.

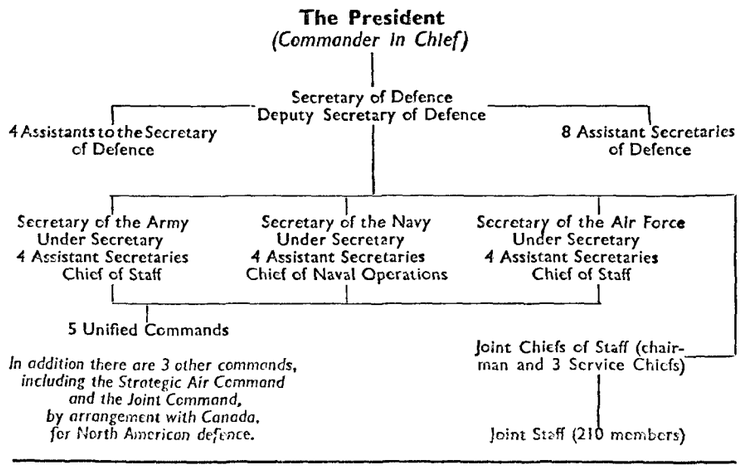
ONLY a few lines in the President's Message are devoted to a problem which the professional soldier recognises as the very key to effective planning and command. The Joint Staff was created in 1947 on a pattern that was frankly a compromise in order to win the acceptance of the Navy. Suspicious of the ambitions of the Army and the Air Force, the Navy insisted that the Joint Staff be limited to 210 officers, with an equal representation from each service, and that it should function solely by similarly balanced committees. The purpose was to give each service a voice, and tradition is such that a young Joint Staff officer who votes in committee "against his own service" does not fare well in promotion. The result is that, where

service rivalries exist, decisions are hard to reach and end as weak compromises, or else no decision can be taken; this means that the time of the Joint Chiefs is squandered in settling trivialities. Moreover, under the unification law of 1947, the director of the Joint Staff has always been named by the Joint Chiefs—which means by rotation among the services.

Under the new organisation of defence the Staff director would be named by the Secretary of Defence, presumably because he is able rather than because he is acceptable to the other services. The present committee system has already been ended, by presidential order; in future, membership will be determined by functional purposes, not by service representation. Moreover, Congress is being asked to raise or remove the 210-man limit on the size of the Joint Staff.

The President's programme faces very great difficulties. Parts of it can be, and are already being, put into effect by administrative order. But the approval of Congress must be won for other essential steps: the removal of the limit on the number of staff officers, the diminishing in importance of the three service secretaries, and the empowering of the Secretary of Defence to reallocate appropriations. The reaction of Congress, as soon as the message was published last week, was to concentrate on the objections and to ignore the President's courageous demand for major reforms. Some Congressmen are outraged by the President's inclination to retain all the Assistant Secretaries of Defence, whose profusion and whose short stays in office have caused much indignation. The President will certainly have to consider jettisoning some of the less important aspects of his plan to save what is vital, particularly the reform of the Joint Staff which in some respects is the most important of all.

PRESENT CHAIN OF COMMAND



Cold Comfort on the Farm

ALTHOUGH it is unlikely that the two-thirds majority needed to over-ride the President's veto of the Farm Bill will be found in the House of Representatives, a determined effort to register a protest in this way is promised in the Senate after the recess. But some members on their visits home may have found ordinary farmers as sympathetic as is the official American Farm Bureau Federation to the President's view that to freeze price supports and acreage allotments at their current levels for a year, as the Bill would have done, would only aggravate the farm problem and check the little progress that has recently been made toward a solution. This progress was conveniently underlined, as the veto message was being prepared, by a sharp monthly rise in farm prices for the third time this year. The index has now gone up by 9 per cent since the present flexible system of supporting prices came in in 1955 and the farmer's purchasing power has also gone up recently—in contrast to that of the rest of the community. The gains have been due mainly to higher prices for cattle, poultry, fruit and vegetables, none of which are supported, and this reinforces the President's argument that what farmers need is less government intervention, not more, a thaw rather than a freeze.

The Administration did, however, try to warm up the veto a little. As a result of it the levels at which the prices of several commodities are to be supported this year were reduced, but they have all been cut by rather less than had been expected. And the President promised to step up the disposal of agricultural surpluses abroad, as soon as Congress extended his authority to do so. Meanwhile he is at once applying the present export scheme for wheat to cotton, maize and other feed grains, of all of which the government holds substantial stocks. Under the wheat programme, very successful from the American point of view and designed to take the government out of the export trade, commercial exporters are reimbursed for the difference between the high American prices they pay and the low foreign prices they receive, not in cash but in kind with grain taken out of the government stocks. But these measures, by reducing the surpluses held by the government, must inevitably push support prices up again and encourage the accumulation of more surpluses, under the present law. The President appealed again, as he did in January, for a change in the law to prevent this, but his veto has made it even more certain than it was before that Congress will do nothing to help him.

Stakes in California

FROM A CORRESPONDENT IN SAN FRANCISCO

FOR the first time in many years, California is approaching an election divided by genuine issues and with both parties led by well-known and hard-hitting candidates. Senator Knowland, the Republican choice for Governor, is the Senate minority leader and, until Congress adjourns, can campaign in person only when Congress is in recess, as it was over Easter. An orthodox conservative on economic matters, he has stirred up the campaign by sponsoring, as part of his programme of labour reform, a state right-to-work law; this would make membership in a trade union entirely voluntary by outlawing the union shop which requires employees to join after they have been hired.

So far Mr Knowland is the only outstanding leader of either party to sponsor this measure; it is too much for a number of Republican members of the State Legislature, it is opposed by two important Republicans, Senator Kuchel and Governor Knight, who is standing for the Senate in Mr Knowland's place, and the Vice President, Mr Nixon, also a Californian, has sidestepped the issue. Senator Knowland is also the state's only political leader to support the Eisenhower Administration's highly controversial programme of partnership with private enterprise in developing water power.

On the Democratic side, Mr Pat Brown, the Attorney General, who is running for Governor, and Representative Engle, the senatorial candidate, are well-known, middle-of-the-road leaders for whom even conservatives can vote; this is something new for California's Democrats. A series of public opinion polls shows that Mr Brown is ahead of Senator Knowland, and Mr Engle ahead of Mr Knight, even though he is far less well known than the Governor. The Democrats also have the advantage of a united front against both the right-to-work Bill and the partnership programme.

ASIDE from these immediate issues, the political control of the state for many years to come is at stake. In 1961, after the next federal census, the state will be redistricted to take account of its growing population. The party in power will be in a position to draw the boundaries of electoral districts so as to favour its chances for the next ten years. Furthermore, the political fate of two potential Republican presidential candidates, Vice President Nixon and Senator Knowland, may well depend on whether Mr Knowland becomes Governor and head of California's big delegation to the Republican convention in 1960. To seize control of the state Republican machinery and of the delegation, Mr Knowland must either be elected Governor or, failing that, win a substantially bigger vote than his Republican rival, Governor Knight, receives in his Senate race. In view of Senator Knowland's apparent agreement to leave Mr Nixon a clear track in 1960 in return for support in a later contest, it is vital for both that Mr Knowland should become the undisputed head of the party in California.

The hardening of party lines in the state since the end of the Warren Administration in 1954 gives an advantage to the Democrats since they have about 800,000 more registered voters than the Republicans. They also welcome Senator Knowland's insistence on making California a testing-ground for the right-to-work principle, since this will discourage further the tendency of Democrats in this state to vote for Republicans. Senator Knowland, on his flying visits, seems confident that an active campaign in the late summer will restore his fortunes. He scoffs at the public opinion polls, recalling that in 1952 when he was an active supporter of the Taft-Hartley Labour Relations Act, he won in 57 of California's 58 counties. And the latest poll in the state, on the right-to-work Bill itself, shows 51 per cent for the Bill, 44 per cent opposed, and only 5 per cent undecided. Many observers point out, however, that this year Senator Knowland is running for the first time against a popular, proven vote-getter, and at a moment when half a million unemployed cast a shadow over sunny California.

EXPLODING CITIES—V

Suburbia Goes to Market

FROM A SPECIAL CORRESPONDENT

IN the suburbs, curiously enough, debt is credit ; the more a suburbanite owes the more he owns ; and it is through buying a house that he achieves a transient existence. The suburbanites, in fact, are nomad-capitalists, drawing their mobility and wealth not from owning tents and goats or even stocks and shares, but through two financial devices known as the government-insured mortgage and the instalment plan. The man who moves his family to the suburbs to start a fresh way of life is entering a new middle-class group and must undergo the painful educational process of "upgrading" his tastes, habits and possessions. It is the economic impact of the collective suburbanite on his way up that has created today's "luxury economy."

His income is on the average 15 per cent higher than that of the urban dweller and this enables him to build up equity in a house and possessions, and thus to become a capitalist, by a process of monthly budgeting. With the help of the post-war system by which the government insures mortgages, he can buy a house by monthly instalments like rent and can sell it when his increasing investment and income permit him to buy a more expensive one; he thus expects to move about once in six years and to come out richer each time. The process of acquiring furnishings and household appliances and even minor items is speeded by such devices as revolving credit at department stores, an instalment plan which enables and encourages the buyer to keep his monthly spending on credit up to a certain level ; he seldom thinks of this as debt or as expensive in terms of interest payments.

While the suburbanite has often been accused of an irresponsible "live now, pay later" attitude, he is thought by some economists to be not only a good credit risk now but also a man of substance for the future and the firm foundation of national prosperity. He is perforce a man of property and in 1956 58 per cent of those owner-occupied homes which had been occupied for two and one-half years or more were debt free. A survey in the same year indicated that about 95 per cent of home-owning families had motor cars, television sets and automatic washers and that a high proportion of them had insurance and savings as well. Another survey early in 1957, however, made it apparent that, even before there was talk of recession, a growing number of suburbanites were curbing their buying plans and felt that they had all the major equipment and all the debts that they wanted. There seems after all to be a limit to the number of refrigerators, lawn mowers and automobiles, even of different colours and shapes, which the best intentioned supporters of the economy can use around the house.

As a refreshing change from statistics and generalities, last February's issue of the *Ladies' Home Journal* contained two interviews entitled "We Can't Live on $25,000 a Year" and "We're Doing Fine on $8,400 a Year." The $25,000 man, a New York advertising executive whose job requires him to have an "exurban" estate, spends one out of every three dollars of his take-home pay on shelter. Aside from this, he apparently does not feel obliged to keep up with the wealthier local Joneses, for he has no servants and does not belong to the country club. Nevertheless, he overspends his income by $2,000 a year and his wife does not expect to pay the milk bill regularly until he is making $60,000 a year. On the plus side he is accumulating capital in the form of equity in a valuable property and through his company's compulsory investment plan. The $8,400 man, a mining engineer, has a 1949 car and owns a three-bedroom, two-bath, $17,800 house outside a midwestern town ; he spends $200 a month on shelter and on instalments on two household appliances ; he carries seven kinds of insurance, puts $68.50 into various kinds of savings and still has a surplus of almost $60 a month.

WITH the outward movement of industry and commerce from the cities, many suburbs are no longer merely bedroom communities whose inhabitants return daily to the centre of the town to do their work and their shopping ; they are becoming self-contained entities offering both employment and shops, services and entertainment. The advent of the giant shopping centres in the suburbs has cut into retail sales in the cities ; in some cases these have declined drastically while in the suburbs sales have boomed. Last year there were reported to be 1,200 shopping centres doing more than $20 million worth of business a year each. These large centres may cover up to 1 million square feet of land and contain branches of one or two department stores, various speciality shops, supermarkets for food, drug stores and shops selling household equipment. Success in creating the "perfect shopping centre," however, sounds as complicated as hitting the moon, since it is related to an Einsteinian theory called "Reilly's Law of Retail Gravitation," which can be adapted to calculate the pull of a shopping area, whether local or down town, on potential customers. It now appears that the shopping behaviour of the suburban housewife is as predictable as night and day.*

But what the suburbanites will actually buy still keeps manufacturers and advertising men guessing. This involves the intangibles of the search for the good life and the laws of the economics of happiness have proved exceedingly capricious, since suburban consumption seems to be governed as much by social as by material motivations. While individual items may become fads or failures, the special conditions of life in Suburbia have created enormous new markets related to outdoor living, leisure activities, the do-it-yourself movement and so on. There are for example an estimated 18 million home gardeners demanding tools, shrubs and even, it is said, plastic rocks ; 90 per cent of sales of house paint used to be to paid artisans, now 70 per cent are to amateurs. One of the most phenomenal booms is in garden swimming pools, with an estimated 45,000 built last year, 36 per cent more than the year before.

The suburbanite who can be seen at the shopping centre with his entire family on Saturday has not in the past been noted for his shrewdness. He and his wife have made a large part of their purchases on impulse. But now that the buying spree is falling off, it is reported from many sides that the consumer is becoming more sophisticated and has obviously learned a lot about prices, values and credit. This situation has apparently driven the advertising agents to psychoanalyse themselves in order to find out why buyers are resisting their blandishments.

* For more scientific discussion of Reilly's Law, see *Technical Bulletin No. 24, Shopping Habits and Travel Patterns*, March, 1955, published by the Urban Land Institute, Washington, D.C.

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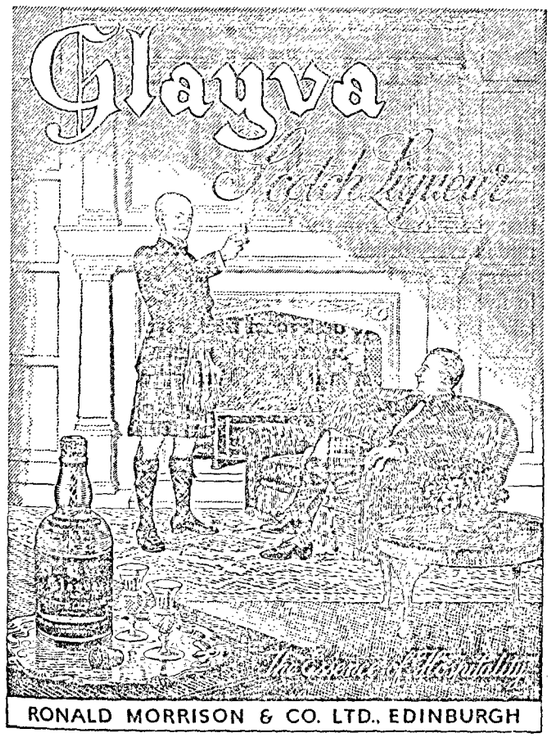
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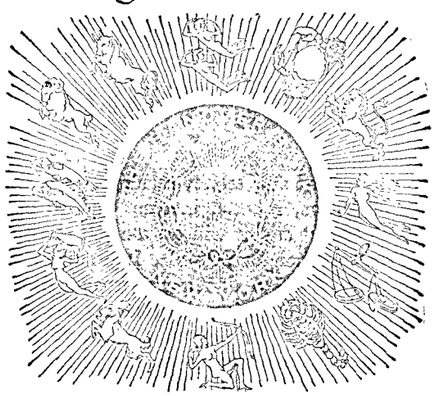
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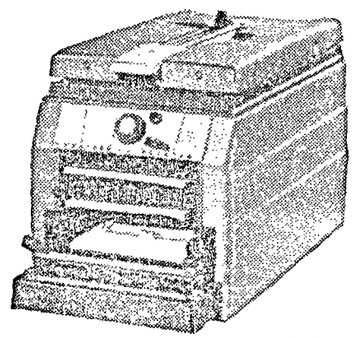
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THE WORLD OVERSEAS

EAST GERMANY—I

A Look of Permanence

FROM OUR SPECIAL CORRESPONDENT

WESTERN policy towards east Germany is based on the exclusive recognition of Bonn as the only government entitled to speak for Germany—a principle interpreted with singular whole-heartedness: not only *de jure* recognition, but even *de facto* dealings, are studiously avoided. An east German resident cannot travel to Britain on his passport, but must procure a temporary travel document in west Berlin. Agreements for trade are negotiated (when at all) by the Federation of British Industries instead of by the British Government. At a ceremonial farewell to the Russian troops departing for home last month, the western military representatives, attending as guests of the Russians, chatted informally among themselves when the east German national anthem was played.

What purpose can this theory of non-existence serve? Obviously it can annoy and inconvenience the government and ruling party; but it cannot do much more, unless the German Democratic Republic is so shaky politically and such a failure economically that, left alone, it is bound to collapse. But to judge this prospect requires an assessment, continually brought up to date, of the regime's actual state of health.

An extensive tour of east Germany this spring can lead to no other conclusion than that the east German state is not going to collapse. Time is not on the western side; indeed, the visitor is forced to doubt whether time is on the side of peace in central Europe if the present eastern and western policies are continued. Neither the western taboo, nor the economic and psychological warfare conducted from Bonn, nor its own inherent weaknesses—not even the scepticism and hostility of a large part of its own population—are preventing the German Democratic Republic from getting on its feet. It would be misleading to depict its people as contented with their lot; they are not. But the economic improvement compared with three or four years ago is apparent at a glance in the street scene of a dozen towns, the look of the children on their way to school, the traffic on the roads, the crowds in the cafés and theatres.

Only the agricultural scene is superficially unchanged. In east as in west Germany, industry is the dominant interest, and the first beneficiary of a change for the better is the industrial population. The workers' and peasants' state seems to manage its peasants no better than the so-called capitalists' and landlords' state did. The grievances of the country people are still serious. The grievances that are aired in the towns—and they are still aired very readily—are of a relative kind; in effect, everything western is considered to be superior to the products offered on the socialist market.

For very many products, this belief is still well founded. Socialist television sets have small screens; socialist gearboxes wear out too quickly, for lack of hard steels; socialist coffee is old and tired and very expensive; socialist films are dreary and socialist newspapers unreadable. These grumbles do not compare with the bitter complaints of five years ago. Bottlenecks have been overcome; industry is productive; there is plenty to eat and drink and plenty to buy with the high wages that the industrial worker can earn, or with the good salaries that are open to the technicians, managers and intellectuals so long as they are on good terms with the state. What used to be the special standard of consumption provided in Leipzig for the Fair is now expected generally and, but for the occasional slip, generally provided.

The source of this relative well-being is precisely the same in east as in west Germany. For all its misfortunes, east Germany was left with a pool of technical skill and of basic industrial equipment sufficient to secure it a place in the communist economic world not dissimilar to that of west Germany in the western world. With a substantial part of the mechanical engineering industry (as well as of the chemical, electrical, and optical industries) of the former German Reich, the German Democratic Republic is prospering as a supplier primarily of investment and production goods, primarily to the communist block with its insistent demand for machinery, machine tools, and industrial installations. The basic resource, as it has turned out, was the human skill. It is not only in the west that the Germans have contrived, after a period of stagnation and gloom, to re-equip their dismantled factories better than new and re-establish an urban standard of living. Labour is short; but productivity—though still well below that of west Germany—has risen as the new machines have come in. Flight to the west has probably become less attractive and has certainly been made more difficult; its volume is diminishing.

Unfortunately, no improvement in the temper of east German politics has accompanied the economic recovery. An effort in that direction was made last year by the group headed by Herr Schirdewan, Herr Oelssner, and Herr Wollweber. Herr Schirdewan appears, from the general answers that are given in Berlin to a tactless foreign questioner, to have pressed for a general policy less calculated to widen the breach between the east and west German states than is the present policy of Herr Ulbricht. Herr Oelssner is said to have desired an economic policy less ruthlessly set on squeezing out the small surviving private interests. Herr Wollweber found himself in

the curious position of a chief of the security services seeking to abate the severity of the police system. It is in the logic of things that an eventual alternative east German government might have some such programme as this, and there were indications that the Russians for a time last year were inclined to give Herr Schirdewan some support ; but if they were, in January they withdrew it and the dissidents were expelled from their offices in the party and the state. Some of the economic reforms that they desired seem, nevertheless, to be going through ; but in politics, and in particular in all-German questions, the Ulbricht line is more severely in force than ever.

The days are gone when east German communists would impress on the foreigner their earnest desire for the reunification of their country. Germany, they now say, is not going to be united at the expense of the German Democratic Republic ; an attempt by Bonn to extend its system to east Germany would mean world war ; the most that can be done is the so-called " confederative " solution, which, when explained, boils down to no more than an all-German advisory council, each of the two German governments retaining all its powers, including its separate foreign relations and its separate armed forces. This bland requirement of an indefinite shelving of the problem of German unity might be taken as the expression of a reviving self-confidence, which the present rate of east German economic progress could very well be held to justify—if it were not accompanied by a crescendo of hostile propaganda against the West generally and west Germany in particular. The tone of the east German press and radio, and indeed of party spokesmen individually (civil and helpful as they are to a seriously interested visitor) is truly terrifying. Bonn, in particular, is spoken of constantly as a hostile power resolved to seize power in the east by armed attack.

This atmosphere has been made worse than ever by the west German government's disclosure last month of its intention to accept atomic weapons. It is the custom of the east German press, radio, and politicians to portray Dr Adenauer and his ministers as the successors of Hitler, Goering and Goebbels. When the Bundestag foreign affairs debate from March 21st to 25th turned into a debate on atomic rearmament, the east German population was drenched daily and hourly with commentaries and denunciations on the bloodthirsty schemes of Bonn. People receive this, in general, sceptically enough, with an imperviousness induced by years of tedious exhortation. The regime has not learnt how to make itself believed, much less loved ; still, it is making itself accepted as permanent.

(To be concluded)

Steering Canada's Future

FROM OUR OTTAWA CORRESPONDENT

FRESH from the awe-inspiring and rather worrying capture of 209 parliamentary seats out of 265, Mr John Diefenbaker met his cabinet on Maundy Thursday when, as one minister said, they were mostly too bemused and exhausted to do much serious business. But each minister was presented with a volume of 509 pages to add to his pile of homework. It is the final report of the royal commission on Canada's economic prospects which was appointed by Mr St Laurent's government in June, 1955, with the staunch Liberal Mr Walter Gordon as chairman. At first sight it throws political divisions into hopeless confusion. It reads more like a Conservative than a Liberal document ; yet Mr Gordon was actively helping and advising Mr Pearson during the election campaign.

This very fact, however, is the clearest evidence yet provided about the nature of the great swing of Canadian opinion demonstrated last June 10th and on March 31st. The task of Mr Gordon's commission, with four very able commissioners and a secretary of genius (Mr Douglas LePan) was to enquire into the long-term prospects of the Canadian economy, its probable development and future problems. Mr Gordon prepared and published a preliminary report at the beginning of 1957 when the Liberal government was still in power. It trampled like a bull elephant through the pleasant pastures where the government kept its favourite pets with Mr Howe as their head keeper. Mr Howe was contemptuous of the hulking brute's incursion. Mr St Laurent was irritably impatient. But he had invited the brute and he could only try to freeze it out by ignoring it.

Since then Conservative triumphs have provided an entirely different background for the final report, which is a much better document. The recommendations of the preliminary report, which Mr Gordon was evidently anxious to place before the Liberal government, stuck out like awkward bones from a half-starved body. In the final report they are well covered with flesh, nourished on a score of special studies which have been published. This well-fed creature reveals far more clearly than the half-starved youngster where its affections are set—and it is not on Liberal policy as practised in the last dozen years. This is a definitive sign of the kind of revulsion against the Liberal government's policies which produced the present political upset. It shows a revolt against *laisser-faire* economics and American continentalism. It reflects, though more mildly than public feeling seems to wish, fear of American domination and reassertion of the Canadian will to independence, whatever economic laws may say.

The key passages come in the first and last chapters. Here is the keynote from the opening chapter:

> It is doubtful whether Canada would be a separate nation today if economic forces had been allowed to determine our destiny. . . . Those who built this country showed in what they did that they believed its economic future was not entirely beyond their power to control. . . . We commend their spirit to our fellow countrymen as a proper guide for the future.

This bears no echo of Mr St Laurent or Mr Howe. It is a polite and literate expression of the " vision " which Mr Diefenbaker proclaimed with such success from the hustings last month.

When Mr Howe was their prophet, the Liberals believed in letting things run themselves with a minimum of government intervention. If the mantle falls on Mr Gordon, the order of the day will be purposive governmental direction. In the concluding page of the report it is stated that Canada's prospects will be dimmer if the government makes wrong decisions or—and here is the emphasis—takes no action on certain problems.

Another characteristic Conservative goal on which the commission has clearly set its heart is the growth and diversification of Canadian secondary industry. It says:

> There is no satisfactory way of measuring or evaluating the advantages that the nation gains from having domestic manufacturing industries which provide it with assured sources of supply for many commodities and which give the economy a measure of diversification and thus a greater degree of stability than it might otherwise enjoy.

But it clearly rates these advantages highly. This willing of Conservative ends, however, does not mean accepting Conservative means. The commission pours cold water on the Conservatives' ambition to get more of Canada's raw materials processed here before export, though it suggests how pressure might be applied in suitable cases. It dismisses without argument the possibility of increasing manufactured exports. It does not mention an Anglo-Canadian free trade area and barely mentions European free trade plans. Yet it realistically examines the competitive position of Canadian secondary manufacturing. It says that Canadian productivity in this sector is 35 per cent lower than American. " Capital intensive " industry cannot compete against American production because of its small domestic market. " Labour intensive " industry cannot hold its own against the low wages of overseas countries, including Britain. But the report rejects the theme song of tariff-seeking Canadian manufacturers by saying that, except in a few industries which employ a lot of labour, Canadian labour costs per unit of output are far lower than in any country in the world except the United States. Industries which do depend heavily on labour, it says, are victims not of lower overseas wages but of high wages paid by more productive Canadian industries. Canadian secondary manufacturing is left, therefore, to expand in a growing but still small domestic market. Apart from any economies made possible by concentration on fewer lines of goods, it is condemned to permanently higher costs than American factories. But its tariff protection should remain, says the commission, at the same general level as now. The question is whether this provides any tenable basis for long-term expansion.

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Besides dismissing the hope of any significant increase in manufactured exports, the commission predicts that Canada will gradually come to do more, not less, of its trade with the United States. Its economic orientation is thoroughly North-American in line with the Liberal tradition. But it is far more Conservative than Liberal (on any past performance) in pressing proposals for limiting the pervasive influence of American control over Canada's most productive resources. It urges tax incentives to induce foreign companies to sell stock in their Canadian subsidiaries to Canadians and to put Canadians on the boards of directors. It wants stricter control and less haphazard policies to safeguard Canadian interests in all forms of energy, specially oil and gas.

In general outlook, then, the Gordon commission adopts, in somewhat more apologetic form, the Conservatives' insistence on maintaining Canadian independence before the threat of economic domination by the United States. It seeks to combine this with the Liberals' traditional continental orientation while rejecting Liberal economic theories which frustrate its first nationalistic aim. But while the Conservatives reinforce their reassertion of Canadian independence with the help of the long neglected forces of history, and can appeal to the enduring ties with the Commonwealth and Europe, the Gordon commission's new style Liberalism seems unwilling to call on any outside supporters. Its orientation is to be towards its own navel.

Jordan Mends its Fences

FROM OUR SPECIAL CORRESPONDENT IN AMMAN

THE Jordanian and Saudi governments are beginning talks in the near future, though the date and place of the meeting have not yet been decided. It is expected that these discussions will put an end to the rumours that are circulating about the future of the Saudi subsidy to Jordan (£5 million annually) and of the Saudi troops sent into this country to help King Hussein during the crisis last April. The fate of the subsidy is already certain. In a statement last Sunday, Samir al-Rifai, the Jordanian deputy premier and foreign minister, clearly foreshadowed its termination. Rather than question its imminent demise, the Jordanian leader seemed concerned primarily to assert that, in contradiction to authoritative reports emanating recently from Saudi Arabia, the initiative in this matter came from Amman and not from Riyadh. Clearly any suggestion to the contrary might be interpreted by Jordan's enemies as a defeat for the Jordanian government and a weakening of its position. " It is not in conformity with the nature of the new regime (the Arab Federal State)," Samir al-Rifai said, " that Saudi Arabia should continue to fulfil its commitments when Egypt and Syria have failed to do so." Thus the ending of the subsidy would be due to a reconsideration by the Amman government rather than to any change in the attitude of the new Saudi government towards Jordan.

The Jordanian government is at pains to minimise the effect of the recent change in Saudi Arabia. Official statements continue to speak of decisions made and policies formulated by King Saud or " by King Saud and his government." References to Prince Feisal are few and far between. It is clear that the Jordanians, having hitched their wagon so securely to King Saud's star, are reluctant to believe the star may no longer be in the ascendant. In keeping with this belief, a government broadcasting station continues to conduct a vigorous polemic in defence of the Hashemite Federation against the union of Egypt and Syria. But the press takes a more cautious line ; references can be found to " two sectors of the Arab Union " and to the contribution which both can make to further the general interests of the Arabs.

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The future of Saudi troops in Jordan is obscured by official utterances of unusually delphic quality. The Jordanian line is that King Saud is anxious that his forces should remain in " the front line of Arabs " which presumably means in Jordanian territory facing Israel. At the same time it is emphasised that the number of Saudi troops in the country is fixed " by the Jordanian government in agreement with the Saudi government in the light of the common interests of the Arabs." Such statements leave it far from clear what would happen if the Saudis and Jordanians disagreed in their interpretation of common Arab interests. Despite strong rumours from Riyadh of an early withdrawal, there is as yet no sign of any Saudi movement southeastwards. Even if it should occur, its political significance would be hard to assess, though Amman evidently fears that it might be interpreted as a withdrawal of Saudi moral as well as military support.

Meanwhile, General Rafiq Aref, chief of the Iraqi general

staff, is now in Amman discussing with the military authorities ways and means of setting up a unified command of Jordanian and Iraqi forces. It would be difficult to conduct a war against Israel from remote Baghdad; and despite hard words exchanged between Cairo, Damascus, Amman and Baghdad, a war with Israel is the only war that any Arab army is likely to fight in the foreseeable future.

Whether unification will extend in practice below the level of supreme command is doubtful. It would require the solution of many complex problems, not the least of which is a sizeable differential in pay. In the past, the Iraqis have shown little disposition to send troops beyond their frontiers; and there is no earthly reason why Jordanian units should serve in Iraq. It is therefore probable that, substantially, both armies will retain their separate identities though bearing the same name and operating under the co-ordinating direction of a supreme command. The armed forces, incidentally, will absorb a very high proportion of the federal budget of which Iraq has undertaken in the first year to carry eighty per cent. It must be remembered, however, that Jordan has never paid for its army. It was at first financed directly by Britain; then during the past year by aid received in various guises from the United States. Therefore detailed figures of the federal and state budgets must be awaited before it can be determined whether the Iraqi gesture is as generous as it looks.

The prevailing calm in Jordan has led to a cautious relaxation of the repressive measures introduced nearly a year ago at the time of the April crisis. Two hundred members of the opposition (mostly small fry) were released from prison last week and a further list of candidates for release, largely in prisons in Jerusalem and Nablus, is now under consideration by the authorities. Some official statements have led to the expectation that the severity of martial law may be lightened in the near future. One influential newspaper, while expressing appreciation of past efforts, assures the government that steps to modify martial law would be favourably received by the people.

A FRENCH JOURNEY—II

Agriculture's Industrial Revolution

FROM OUR SPECIAL CORRESPONDENT

"IT is a pity our politics give us such a reputation for inconsequence," said the Lyons banker. "Nobody thinks we can do anything else. My English friends have no idea of our economic revolution since the war. They know nothing of our new industries here on the Rhône. Chemicals, plastics, electrical engineering . . . of course, it's our agriculture that is backward."

This certainly *was* true. But is it still? The impression after a trip to the Auvergne, one of France's traditional poor regions, is that rural rejuvenation is almost more astonishing, because less expected, than industrial renewal. Nobody would yet propose the rural equivalent of visits to the Renault automatic plant or the Donzère dam, the "industrial tourism" now being conceived for transatlantic busmen on holiday. There is no plumbing lost in the Auvergne, and stables run ankle-deep in classical manure. But in the barn, the farmer points proudly to his tractor, and even overlooks the station wagon or second hand car beside it. In fact, I was once told that "in this village, we have three times more combines than we really need." These local impressions confirm the evidence of official yardsticks. In 1955, 10 per cent fewer people than in 1938 raised 25 per cent more from the land. As for tractors, last year there were 530,000, against 70,000 in 1948—relatively much fewer than in Britain, but the gap is rapidly closing. *Le Monde* recently estimated that postwar productivity has risen still faster in agriculture than in industry.

A good example of this advance is Saulzet, a village in the plain between the Auvergne mountains north of Clermont-Ferrand. Like most of France south of the Loire, this is a village of smallholders; the average farm is only 25 to 30 acres. The root cause of mechanisation, apart from the lure of the machine, is scarcity of labour. There were seven million people on the land in France in 1920, there are five million now; and nearly 100,000 people leave yearly for the towns. In Saulzet, this movement began around 1900, and induced some mechanisation as early as 1920. But it was on nothing like its present scale, where the more successful farmers now talk of investment and machines in almost the same terms as the Paris experts. What seems to have finally released the floodtide of machinery in Saulzet was the "remembrement," the voluntary redistribution of the peasants' holdings, carried out immediately after the Liberation.

Previously, here as in most French villages, land was held in strips, almost mediaevally. Peasants spent more time walking between than working on their innumerable, tiny, scattered plots that were often miles apart. Whereas enclosures were completed in Britain in the 19th century, the Revolution's land and inheritance laws perpetuated France's archaic system into the mid-twentieth. Since peasants today, as in Plautus or Molière, still suspect that exchange is fair robbery, the process of voluntary land-concentration in a single village usually demands three years of a tactful—and government paid—land surveyor's efforts. But, once achieved, its results are spectacular. In Saulzet, 2,300 strips were reduced to under 1,000—less than the average, for in one typical commune near Paris 5,000 were

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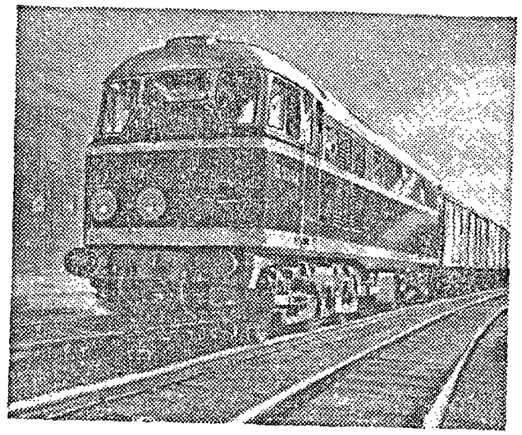
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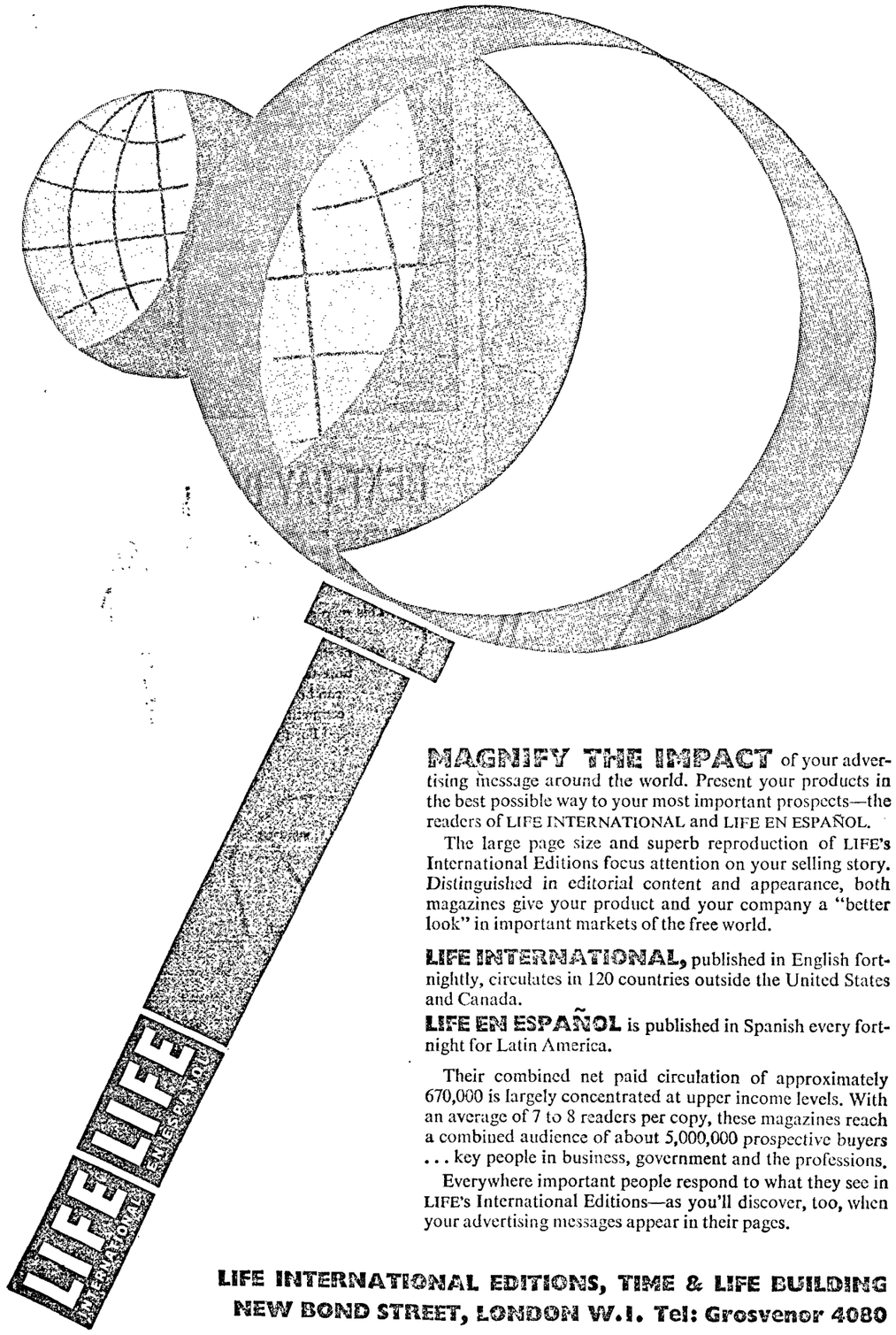
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reduced to 750. This is partly due to the canniness of the Auvergnat peasant ; now most of the farmers would like a new redistribution to redress their former caution. Many still have 12 to 16 plots, and realise that they would have done better to have even fewer. (In some other places 50-acre farms with over 100 strips now fit happily into four or five fields.) After concentration productivity immediately goes up by at least 25 per cent. But its main advantage is that it permits long-term mechanisation, hitherto impossible. For instance, the farmers of Saulzet, the first village in its locality to concentrate (many have now followed it), have encroached on their neighbours by renting a third as much land again as they worked before.

"*Remembrement*" is a cumulative process: the success of the pioneers is infectious. Since the war, about one-sixth of the 30 million acres that need it have been enclosed ; and the waiting-list is now as big as all that has already been done. This acceleration is equally characteristic of the Study Centres in Agricultural Techniques (CETAs), which may prove still more important for French farming. These are groups of about fifteen farmers each, who experiment and assess new farming methods communally. They meet monthly, compare results in the field, discuss them with a hired agronomist, and draw up a programme ; the factual findings are circulated afterwards to them all. This remarkable network of informal research cells is almost unique in France in that it owes nothing to government initiative, though the cells are now subsidised. The first was started just after the war by a big farmer and his friends in, significantly, the capitalist farming country round Paris. In 1948, there were but four offshoots, in 1952 still only 60 ; today there are over 500, and they are multiplying too fast for the number of agricultural engineers available to advise them. There is still far to go—perhaps several thousand are needed—but they already exert tremendous influence in popularising techniques. They are equally useful to the experts, who often ignored the practical difficulties of new methods. The tremendous growth of the CETAs in the last three years is probably the most hopeful sign in French farming.

★

Rapid change has its dangers, in particular those of over-investment. The smallholder buys a combine to ape his neighbour, and then either finds he must buy more land to use it economically—and gradually expands—or discovers he cannot pay his way and eventually sells out. "There were 40 farmers in Saulzet ten years ago, now there are 30, and in ten years I dare say there will only be twenty." Some of the ousted peasants become landless labourers, and the experts object to this on social grounds. Others drift to the towns ; thus labour is lost which is needed for meat and dairy farming, which farming requires a lot of labour. Why not have freeholding peasants rather than hired labourers ? The experts fear that once highly-populated areas like the Auvergne mountains, which could usefully raise meat, will soon be abandoned. They try to persuade farmers to avoid over-investment by owning machines co-operatively. The farmers' usual objection is that "we all want the same machines at once." As one mountain farmer, who appreciates the problem, added, "You see, we have to 'over-invest.' The labour would not work without machines."

These are, however, the risks of a renaissance. French agriculture is being qualitatively transformed: go-ahead producers of the south are turning from peasants into capitalist farmers, as they have long since in the industrial north. France's rural backwardness has often been attributed to its industrial weakness. Conversely, though, while a third of the French population lived outside the commercial circuits, in narrow self-sufficiency, industry lacked a market. Now that the vicious circle is broken, the change is more than economic. Perhaps the main reason for France's industrial tardiness was the immense wealth, relatively, of its early 19th century rural society. Fidelity to this world and its values was a primary obstacle to rapid industrialisation. Now agriculture itself is "industrialising," and changing as fast as the never-quite-French France of the factories ; these signs of a revolution in French attitudes are more important than any production graph.

(To be continued)

Can Black South Africa Take a Hand?

FROM A SPECIAL CORRESPONDENT

TRADITIONALLY, South African politics centre round the "native question." But in the past the African himself has been aloof: effectively voteless, he has kept detached from the passionate white struggles over his own destiny, and the contending parties have barely needed to consider him even as a passive observer. The election next Wednesday will be different. The politically organised Africans have reversed their longstanding policy of boycott and indifference towards white elections. On March 16th two thousand delegates to a "National Workers' Conference" issued a call for a mass protest to begin two days before election day. The president-general of the African National Congress, Mr Albert Luthuli, has described the protest as a direct appeal to the white electorate: "it is time the voters took into account the real majority in South Africa."

The appeal will stress in particular the African misery that results from the government's policies, from the pass laws and from the low standard of living. "£1 a day" has been proclaimed as the objective—a rate which has been described as hopelessly unrealistic, though it would still leave a vast gap between the incomes of the average European and the average African wage-earner. Other grievances to be stressed include the reservation of skilled jobs for whites, the Group Areas Act extending racial control of land tenure, and, of course, the exclusion of Africans from the elections.

On the Rand and in Port Elizabeth, the protest is likely to take the form of at least a partial general strike: in Johannesburg the cry is "Stay at home on April 14th, 15th and 16th," while in Port Elizabeth a whole week's strike has been suggested. In less tightly organised centres, action may be confined to an economic boycott: in Natal, the *ad hoc* Protest Week Committee has called for abstention from shops and entertainments, and a special ban on the products of firms regarded as Nationalist. The white reaction has been sharp: the government has given a warning that demonstrators will be handled "with the gloves off," and police leave has been precipitately cancelled throughout the Union. The United party, condemning the protest, has hinted at a dark plot by African Nationalists to ensure re-election of the government. But within the African

National Congress, the only dissentients from the strike are the numerically insignificant "Africanists," who reject the multi-racial, moderate, policy of the leadership.

Mr Albert Luthuli was deposed as Chief by the government for insubordination, but he remains the incarnation of natural chieftainship: magisterial, intellectually dominating, yet not without humour. In conversation he has expressed his conviction that the United party had missed their chance to turn the strike against the government. "Hertzog in 1924 knew well how to turn unrest in the country against the party in power, and Smuts suffered by it. Our immediate problem is to get rid of the Nationalists: if the United party won, we should still fight them, just as we should fight the Liberals. But when it is suggested that we are trying to put the Nationalists in, it hurts me."

Congress supporters maintain that if they accept the argument that "the white voter will be stampeded" by action at this time, then all action by Congress would be stultified and it would be enmeshed in the same toils of expediency which strangle the United party. "We must assume that the white electorate is a thinking group," said Luthuli; "they should be capable of realising that, with the African people taking a more and more active role, ten years more of Nationalist rule would bring disaster." Congress argues that both the Nationalists and the United party, as well as the outside world, will pay more attention to mass action now than at a less crucial time.

Tanganyika Moves Forward—II

FROM OUR SPECIAL CORRESPONDENT

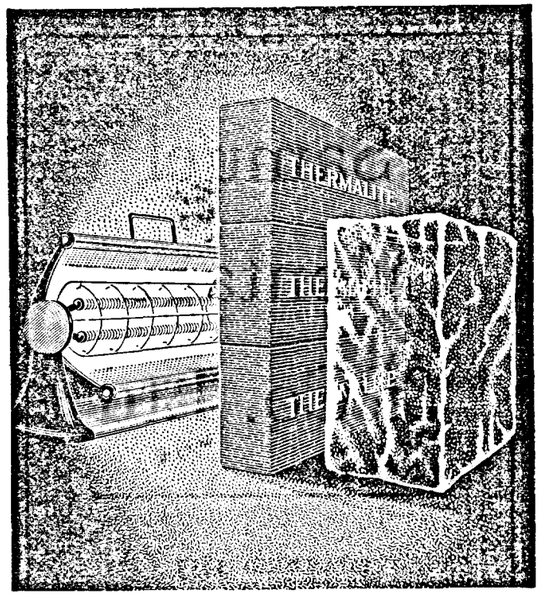
TANGANYIKA is waiting for another Dr Williamson. Hitherto no new mining genius has come to swell its revenue. But several powerful concerns are prospecting hard. In the south-west the Western Rift exploration company is looking for radio-active minerals; the United Kingdom Atomic Energy Authority is drilling for helium at Musoma near Lake Victoria; and, most important, BP Shell, having failed on Zanzibar and Mafia islands, has sunk a test well at Kilwa. The results of all these surveys will not be known for from five to seven years. But the hoped for consequences are clear enough: more minerals will mean more revenue and so more education, irrigation, communications. Perhaps Tanganyika's lack of mineral wealth and communications have until now been a blessing in disguise. Its sole connections with the outside world are with Uganda, which influences the cotton-growing province around Mwanza on Lake Victoria, and with Kenya. But the last link is only with Mombasa. There is neither a railway nor an all-weather road between the African political centre of Nairobi and anywhere in Tanganyika. The territory is thus spared both the troubles of an industrial belt and contagious diseases from abroad. All Tanganyikans, including the African Nationalists, want minerals now because they know they would be exploited, not by autonomous southern African big business, but according to strict rules laid down by the government of Tanganyika. Africans would play a part at all levels.

Like most British dependent territories, Tanganyika receives small colonial development and welfare grants. It can raise loans on the London market. It gets a trickle of aid from such bodies as the Food and Agriculture Organisation and the International Co-operation Administration, but on the whole the territory must finance itself. This within very frugal limits, it has managed to do. Total revenue stood at £20 million in 1956-57 (more than twice that of 1949). Domestic exports reached nearly £45 million in 1956. Sisal provided less than half of the 1951 value when the United States was stockpiling; but in the same period the value of coffee exports doubled and cotton trebled. Other cash-crops of growing value are castor seed, sunflower seed, cashew nuts and ground-nuts. There are two disturbing signs: competition from Brazilian sisal-growers who are juggling exchange rates Miranda-wise; and a decisive slump in coffee this year. Added to the Brazilian threat is that of a serious American recession; this would make itself felt in the motor car trade, which largely uses sisal for upholstery. Tanganyika can do nothing much about these dangers to its cash crops except improve productivity and quality. A big slump in coffee would ruin the 300,000 Chaggas whose coffee sales have quadrupled in the last ten years.

At present 60 per cent of the revenue comes from non-African sources. This reflects the low degree of urbanisation and the prevalence of subsistence agriculture in many areas. Irrigation is essential to improvements in this sector but irrigation in Africa south of the Sahara is a very ticklish business. Tanganyika is very short of rivers. One of them, the Rufiji, is under a five years' survey and a 5,000 acres pilot project has been already selected. In general the problems of soil-types, salinity and water storage are extremely difficult. Further, in order to persuade the "subsistence-peasant" to grow cotton or rice, convincing demonstrations are indispensable—and after groundnuts a certain caution is advisable. One hopeful development is the recent decision by the Tanganyika Sugar Company, partly financed by Dutch capital, to grow sugar in the Kilombero valley in Eastern Province. With a capital of £2,500,000, this factory will swell the present production of 18 million tons a year, which is all produced at Arusha-Chini in Northern Province.

Throughout Africa there is a passionate demand for education even if the economic opportunities that follow it are still very few. Mr Julius Nyerere has recently complained that the government education system has produced only one district officer in forty years. This is not quite fair. But in spite of the greatest efforts by the government in the last ten years only about 10 per cent of the children go to school at all. The cream of Tanganyika's brains is represented by 183 students at Makerere, Uganda. In a population of 8½ or 9 million, 2,500 children at secondary schools is obviously a pathetic figure. But what can be done about it? The only solution would seem to be a massive outside aid covering both the capital costs of building schools and some of the recurrent expenditure. Indeed, failing the discovery of vast mineral wealth in Tanganyika, only an injection of foreign funds could accelerate the educational drive. The territory would seem to be a perfect field for United Nations aid and for the larger and wiser American private foundations. There is also a serious need for the introduction of American technical personnel into the territory for irrigation schemes. Whatever Tanganyika is, it is not a "colony" in the American sense of the term. It is an African country whose political development, guided by the British, its outrunning its economic resources. No place, it seems, would benefit more from well-directed American enthusiasm.

(Concluded)



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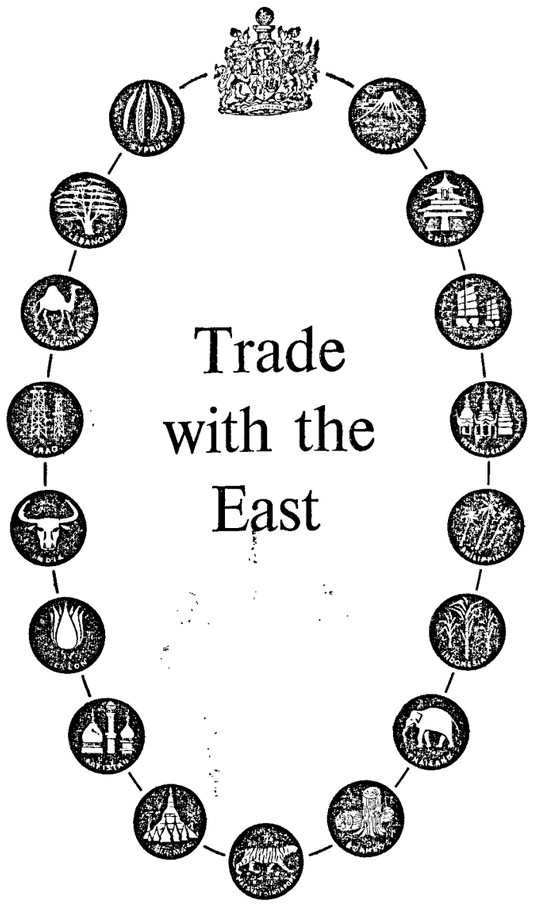
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THE BUSINESS WORLD

Nine More Rivers to Cross

IN a speech last month the Home Secretary foreshadowed legislation the technicality of which should mask neither its importance nor its controversial character. How constitutionally important can be gauged by the fact that, after twenty long years, it should end government by war-time decree; how politically controversial by Mr Butler's frank avowal that its purpose is to abolish powers "that would enable a Socialist State to be brought in, as it were, by the flick of a switch."

Its object is the elimination or replacement of all the remaining emergency controls, which are contained for the most part in the Defence Regulations. There are to-day 42 of these still in force, compared with 342 on VE-Day. The Regulations were originally made under the Emergency Powers Acts, 1939 and 1940, for purposes connected with the war. These Acts expired in February, 1946, but many of the Regulations made under them were given a new lease of life. Some were prolonged by the Emergency Laws Acts, 1946 and 1947, but most were kept alive by the Supplies and Services Act, 1945, for the purposes laid down in that Act, i.e. generally for assisting the transition from war to peace. In 1947, when the economy was under great strain, additional economic purposes were brought within the power of regulation and in 1951, because of Korea and rearmament, certain defence purposes.

During the war, emergency powers had to be renewed annually by Parliament. In 1945, the Labour government took them for a span of five years. Since 1950, they have again had to be renewed each year, and each year they have become fewer and fewer. Sometimes they have been revoked as a result of the deliberate abolition of a particular control, such as identity cards or building licences. Sometimes they have automatically become obsolete, for example upon the dissolution of the Miners' Welfare Commission or the renaming and reorganisation of the old ATS. Sometimes the promotion of new general legislation has made it possible incidentally to dispose of regulations on the same subject: the food and drugs legislation of 1954 was such a case. And sometimes legislation has been promoted for the specific purpose of replacing emergency enactments: the Land Powers (Defence) Bill, now passing through Parliament, is an admirable example.

The Land Powers Bill itself, the Opencast Coal Bill and the Water Bill will together dispose during this session of seven of the remaining Defence Regulations. Twenty-six others may be described as formal or ancillary and their revocation must wait until the substantive provisions are got rid of. The remainder number (like the rivers of hell) precisely nine.

NINE more rivers to cross, then—but not all of them by any means difficult to negotiate. Defence Regulation 59, for example, which permits exemptions from some insufficiently flexible provisions of the 1937 Factories Act, could well be swept into modern and tidy legislation on factory conditions, which indeed is badly needed. Defence Regulation 62, which gives the Minister of Agriculture power to control the cultivation of requisitioned land, is being retained only to wind up these operations and may well be revoked this year. Regulation 6 of the Defence (Armed Forces) Regulations, under which servicemen can be used temporarily for urgent work of national importance, particularly on the land, has not been pronounced upon, but its future is unlikely to keep active politicians awake at night.

At this point one minor and, quite possibly, one major embarrassment present themselves. The minor embarrassment concerns what is left of the emergency enactments relating to patents and trade marks. The Government had one shot, in 1953, at providing permanent powers for departments to authorise the "use" and "disclosure" of technical information for "the services of the Crown" in disregard of any licence or agreement restricting the use of such information. It is still nurs-

ing its bruises. The Bill encountered such fierce and unanimous opposition in the House of Lords that Lord Woolton himself had to step in as peacemaker and withdraw it. Protracted discussions with industry followed, and in the summer of 1956 the report of a departmental committee under the chairmanship of Sir Harold Howitt. If the Howitt proposals were adopted, the eventual legislation would differ from the present emergency powers in that it would be strictly limited to production for defence and would provide for a period for the renegotiation of agreements, for compensation, and for appeal to the High Court. It would give the Crown permanent powers to authorise the use of technical information for government defence contracts, but would expressly exclude powers to authorise disclosure of information to the Crown or to any other person. Thus refitted the bill might not have a smooth passage but it would hardly be shipwrecked.

The other embarrassment concerns Defence Regulation 58AA, under which the Industrial Disputes Tribunal is kept in being. Our permanent law provides for industrial arbitration only where it is voluntary and by the consent of both sides. During the war the imperative need to avoid stoppages of work led to emergency arrangements under which, *inter alia,* trade disputes that could not be settled by means of existing negotiating machinery could be referred to "compulsory" arbitration, invoked by only one party to the dispute, for a decision which would be binding upon both. These arrangements continued into the postwar period, though they were considerably modified in 1951. Is the present Industrial Disputes Tribunal to be permanent? Is it to be retained for some industries only where it may be thought to serve a particularly useful purpose? Or is it to be abolished altogether? The choice probably lies between the second and third course, with a bias in favour of the third, though no course is likely to prove plain sailing.

Finally, we come to the heart of the problem: exchange controls, controls over the import and export trade, general economic controls which include rationing, and price controls. The first two of these are not primarily dependent upon Defence Regulations at all. Exchange control has been part of the permanent law since the passage of the Exchange Control Act of 1947. It is, however, the case that Regulation 2A of the Defence (Finance) Regulations is used to supplement existing controls over financial relations with other sterling countries and the need to determine the future of this relatively minor power might possibly lead to reconsideration of the exchange control powers as a whole. Again, the general power of control over imports and exports derives not from a Regulation but from the Import, Export and Customs Powers (Defence) Act, 1939. There is, however, a weakness in this Act. It can be used, for example, to regulate the supply of strategic goods to foreign countries from the United Kingdom, but it cannot be used to regulate the supply of strategic goods situated outside the United Kingdom. For this purpose the wider powers to control transport rest on Defence Regulation 55, reinforced by Defence Regulation 46, which controls voyages that British ships may make. It will hardly be possible, therefore, to touch 46 and 55 without raising the whole question of the future of import and export controls. This is especially so since the Act of 1939, though it is not limited in time and is not subject to annual renewal, specifically provides for its own termination by Order in Council at the end of "the emergency."

No one who has studied the extraordinary wording of Defence Regulation 55 can feel any surprise at its use for stretching the powers given by an already widely drawn Act of Parliament. It would be difficult to think of any economic liberty through which it would not be possible to drive a cart and horse, given the power to provide by order "for regulating or prohibiting the production, treatment, keeping, storage, movement, transport, distribution, disposal, acquisition, use or consumption of articles of any description" and "for any incidental and supplementary matters for which the competent authority thinks it expedient for the purposes of the order to provide." At present the scope of this power has been narrowed by statutory instrument, and it can be used, apart from strategic regulation, only for dealing with various fuels like coal and petroleum, iron and steel scrap, certain agricultural products, bread, flour and welfare foods and the control of hire purchase and credit sale agreements. But its scope can be extended once more by statutory instrument at any time and in any direction. This is *par excellence* "the flick of a switch" regulation. It was by such a flick of the switch that the present Government, having much reduced the scope of the regulation in 1954, was able to extend it to include hire purchase in February, 1956, and petroleum in the Suez crisis.

The other "flick of a switch" regulation is 55AB. At present it authorises price control of about a half a dozen groups of goods only, including coal and petroleum, iron and steel scrap, welfare foods and medical supplies; but it can at any time be extended to enable a competent authority to provide by order "for controlling the prices to be charged for goods of any description or the charges to be made for services of any description."

In dealing with these central economic controls the Government will have to ask itself three questions. The first is to what extent they can be dispensed with altogether. The litmus test here will surely be provided by general price controls. If the Conservatives have not the courage of their economic convictions on this issue they are not likely to have it on any other. The second question is how far economic powers on the statute book can be limited in time. Ministers might refresh their memories of the debates of 1946, when they waxed eloquent, in Opposition, about the iniquity of adopting permanent legislation on exchange control. Are we really to accept that exchange control

(or import control) is here for all time? Should not their use and continuance be subject to annual challenge under the Expiring Laws Continuance procedure or in some other way? The third question is whether the scope of remaining powers can be narrowed before they are put on the statute book. Here a real constitutional point arises. It is intolerable that a major economic decision, such as the decision to re-impose rationing, does not in fact require an Act of Parliament, but could be implemented by a "flick of the switch." If Mr Butler really intends to make a dead set against these blanket powers, his arm must be strengthened.

It will not be easy for Ministers to do the right thing. Every kind of pressure will be upon them in the opposite direction—the caution of the bureaucracy, reluctant to give up any power that might some day come in useful; the wrath of the Opposition, both simulated and sincere; the prudence of parliamentarians aware that there is a limit to the number of blazing rows that can be sustained in the closing stages of a Parliament. But there is room for hope. Even if the Government should be unmoved by economic argument or constitutional propriety, its political instinct ought to push it in the right direction. It did, after all, gain power on the promise to "Set the People Free" and retain it on the slogan that "Conservative Freedom Works." The powers of permanent economic control it could now put on the statute book without making itself look thoroughly ridiculous are therefore mercifully limited.

Lessons from Vauxhall

"Too little and too late" has been the epitaph of many unsuccessful enterprises. Vauxhall Motors has recently shown the price that part of the world's largest industrial undertaking was ready to pay to be on time.

In September, 1954, Mr Curtice, president of General Motors, announced that its British subsidiary, Vauxhall Motors, was to embark on a major expansion scheme that would increase its annual rate capacity from 70,000 passenger cars and 50,000 commercial vehicles a year to 155,000 passenger cars and 95,000 commercial vehicles. The expansion called for an additional investment in plant and tooling of £36 million, and was to be completed in five years, towards the end of 1959. That was the original intention. In fact, the whole programme was virtually completed last year; limited production began in part of the new plant more than twelve months ago. This acceleration has been highly impressive—and highly expensive.

In 1954, working slightly over rated capacity, Vauxhall made some 70,000 passenger cars (just over 9 per cent of the country's total), and 60,000 vans and trucks (just over 22 per cent of the total). But in the next year the British motor industry achieved an output record that still stands, and although Vauxhall squeezed about 9 per cent more units out of its old plant, its share of the market was shrinking. Both Ford and the British Motor Corporation group as a whole increased their output more than Vauxhall could, and gained bigger shares of the business. The prospect of further increases in the total output of cars in this country looked very rosy in mid-1955. This gave Vauxhall a powerful reason for accelerating its expansion—the danger of losing ground for four more years because it was unable to match the expansion of the rest of the industry.

A second powerful reason was that the Velox and Wyvern models introduced in 1951 were then entering the fourth year of their market life—a stage at which any British manufacturer would be reluctant, and any American more than reluctant, to invest any substantial sum in new plant to increase their output, or to contemplate a further five years of market life for them. Indeed, taking advantage of the hindsight of 1958, it is remarkable that five years should ever have been accepted originally for bringing in the new production facilities on which basic model changes largely depended.

In the event, it was decided to reduce the five-year period to about 3½ years. The necessary re-arrangements of dates with innumerable outside suppliers were carried through, even though many of the contractors, especially those supplying production machinery, were thus giving up margins of time that they could not in every case spare; so some contractors did not manage to meet the advanced dates. The laggards were more often British than Continental or American manufacturers, though this may have been an inevitable consequence of the general overload upon the British economy—in which machinery manufacturers had to cope, among other things, with a surge of orders from all British motor manufacturers.

Despite these delays, Vauxhall did bring its new plant into production in about two-thirds of the time it had originally planned. Part of the price it paid for doing so was bluntly set out in the financial results of 1957, published last week—a net loss of more than a million pounds, against a net profit of nearly £4 million in 1956, in spite of higher turnover and much higher unit sales than the year before. Vauxhall bought its extra time dearly.

A considerable part of the extra cost of saving time is to be found in the expenditure on special tools, jigs and dies involved in its 1957 model changes—over to

the Victor and the new Velox and Cresta in cars, and to two new diesel engines for the Bedford commercial vehicles (a field in which Ford had recently been reducing Vauxhall's lead). Such expenditure for the three years to the end of 1951 was under £2½ million; the total in the three years to the end of 1957 was almost £12 million. One might reasonably guess—allowing for price increases and for the fact that two sets of body dies were required for the two separate car models, instead of just over one for the old Wyvern/Velox/Cresta range—that a comparable tooling cost for the 1957 range could be put at £9 million: this allows, moreover, for more labour-saving arrangements and a greater investment in equipment. But that would be nearly £3 million less than was actually spent, and of this at least £2 million remains to be amortised.

The smallest part of these extra tooling costs would be overtime in Vauxhall's own toolmaking shops, which would ordinarily have done much more of this work than proved possible under the accelerated programme. It cost more to have the work done outside by British suppliers—and competitors, as is the sensible custom of the trade—which naturally cover more of their own overheads and profit on such jobs; yet more to get some of it done by Continental suppliers (among which Renault are to be counted); most of all to have some done in the United States.

VAUXHALL'S sales in 1957, in money terms, were almost 7 per cent above those for 1956, and this probably gives a fair measure of the physical increase in output. At 1956 rates, this would have meant an increase of £800,000 in wages and salaries; in fact, the bill went up by almost £4 million. The number employed at the end of last year was up by about 6,000, no less than 37 per cent; moreover, there was an increase of 14 per cent in average earnings through the year. With such an intake of new labour, presumably at lower than average rates, established Vauxhall employees must have had an even bigger increase in annual earnings—due more to extra night-shift and overtime earnings than to higher basic rates. At Luton shift and overtime premiums are paid as percentages of the whole consolidated wage rate, and not merely on the basic rate—which makes the cost of emergency working higher.

Two other items of pre-production expenditure must have been heavily inflated by the decision to telescope a five-year plan into 3½ years—engineering and development costs of the new models and the costs of relocating production equipment. In both, the extra load involved paying other principals to do work that could normally be done by the company's own staff. No company can economically maintain an engineering organisation capable of taking much more than the average load to be expected over the years; the overload of the accelerated programme meant much more reliance on outside contractors. Similarly, engineering and development work, both on the products to be made and the techniques to be employed in making them, costs much less when done at a measured pace by the company's own organisation, and it is generally acknowledged that in the field of production engineering Vauxhall has an outstanding team. Vauxhall's American parentage made it possible to "sublet" this work to a degree not open to a British-controlled company; but it was at a substantially higher cost.

Actual production costs, even on existing models, must have been increased by the difficulties created in this vast reorganisation. Some of the planned equipment was not ready until after production had started, and improvisations of all sorts had to be brought into play. The result, inevitably, was extra costs: extra direct costs in cutting and shaping metal; extra costs in handling and re-handling workpieces from one place to another for successive operations; and extra costs in scrapping or re-working components that therefore failed to pass inspection. In modern practice, every part of a motor vehicle is designed with the closest attention to the equipment that will eventually make it; improvised methods, even if they yield an identical component, may cost several times as much. One particular feature of the new Vauxhalls that must have been a production nightmare in the circumstances is the cranked member which forms the rear edge of the wrap-around windscreen, carries the front doors, and has important loads to carry as part of the structure.

VAUXHALL'S INCOME ACCOUNT
(£000)

	1955		1956		1957	
Net sales		75,113		71,293		76,000
Operating costs	59,296		58,757		67,751	
Selling and administration expenses, etc.	1,938		2,472		2,950	
Pension fund	633		769		964	
Profit-sharing	616		366		nil	
		62,483		62,364		71,665
		12,630		8,929		4,335
Special tools, jigs and dies written off	429		557		2,208	
Depreciation	1,430		1,686		3,253	
		1,909		2,243		5,461
		10,721		6,686		Dr.1,126
Interest, less miscell. income		Cr.104		300		1,241
Taxation		4,282		2,452		Cr.1,232
Net earnings after tax		6,543		3,934		Dr.1,135

VAUXHALL does not find it hard to foresee a period in which its growing earnings should rapidly put paid to this account of costly development. For the years 1953-55, the heyday of the range introduced in 1951 and the period of fruition of the company's first postwar expansion plan, it was earning £10 million or more a year before tax. Its capacity is now more than double what it was then—both for cars, now in record demand, and for trucks, where full employment of its facilities must wait upon stronger revival of the at present comparatively depressed truck market. When its capacity is fully employed, the peak earnings of a few years ago should be handsomely exceeded (though on a much higher capital employed).

For the outside observer, there are perhaps two lessons to be drawn from this accelerated, expensive feat of expansion. The first is that when any organisation of human beings undertakes a task of magnitude far exceeding what it is designed for, and money has to be spent at a far higher rate, a rigid control of costs is one of the first inevitable casualties. Signs of this peep from the company's annual accounts—and physically they can be seen in the magnificent new facilities at Luton. The second lesson might be an enhanced appreciation of the economic value of the normal disciplines of the market place. If Vauxhall had been an independent company, financing itself from year to year, it would have found it very difficult to mobilise either the human or the financial resources for this operation—the latter including last year a call of over £16 million of new cash, in addition to a rundown of £10 million in liquid assets. An independent company, with no massive parent to support it, might have had to make its crucial decision two years earlier—or face a most unholy mess.

BUSINESS NOTES

IN THE MARKET

Gilt-Edged All the Way

INVESTORS left for the Easter holiday with a strong predilection for gilt-edged stocks. They came back with their buying boots still on. Industrials have moved up in sympathy, *The Economist* indicator rising from 179.4 to 182.8 in the eight days ended on Wednesday. But the heavy and sustained demand for gilt-edged stretching right along the line from the short and medium dates that the banks normally prefer to the irredeemables, has been the main feature. Between the end of last month and Wednesday of this week the *Financial Times* index of Government securities has risen from 81.53 to 83.31 without a pause, though on Thursday reports of the rejection of the railway wages claim caused markets to hesitate. Investors may talk of Bank rate; they may indulge in guesswork about the budget; those notions merely seek to rationalise a decision to buy gilt-edged stocks that had been taken independently. The banks have bought some stocks of rather longer dates than they have latterly fancied; the 5½ per cent Exchequer stock of 1966 is no longer too long for them. In consequence funding operations by the Government broker have been heavy. Insurance companies and other institutions have bought at the long end of the market and quite a number of industrial companies have been investing surpluses.

GILT-EDGED NET PRICES

	Sept. 18, 1957	Sept. 20, 1957	Mar. 19, 1958	Mar. 24, 1958	April 9, 1958
War Loan 3% 1955/59	97 3/32	94 1/4	97 1/4	97 4/16	98
Exchequer 2% 1960	94 13/32	91 1/2	94 5/16	95 2/32	95 13/32
Conversion 4½% 1962	98 1/16	93 1/4	97 1/8	98 1/16	99 1/4
Savings Bonds 3% 1955/65	87 1/2	84 13/32	85 31/32	86 1/16	86 11/16
Savings Bonds 3% 1965/75	70 5/16	67 5/32	70 9/32	70 7/16	71 13/16
Brit. Transport 4% 1972/77	79 1/8	76 1/2	80 1/4	80 1/16	81 3/32
Treasury 3½% 1977/80	71 11/16	68 1/32	72 11/16	72 23/32	74 3/8
Brit. Transport 3% 1978/88	61 1/32	58 1/16	62 5/32	63 1/16	64 1/16
Brit. Gas 3% 1990/95	61 13/32	57 13/32	62 7/32	62 21/32	64 13/32
Funding 3½% 1999/2004	67 3/32	62 1/2	68	68 1/4	69 13/32
War Loan 3½%	64 11/16	60 13/32	63 11/16	64 13/32	66 1/16
Consols 2½%	48 1/4	44 3/16	48 13/32	48 1/16	51 3/8

Two dangers now seem to confront the market, either of which could produce a temporary dip. There are now quite a number of speculative and semi-speculative holders of gilt-edged—speculative inside the House and semi-speculative outside, where companies and institutions have bought ahead of their investment needs and have gone for stocks which are longer dated than they normally would buy. Moreover, the pressure of new issues on the market promises to be heavy both in gilt-edged and industrial offerings. On the industrial side there is news that Pye, the radio and television company, is to raise £2½ million of debentures, and Lord Chandos has disclosed that Associated Electrical Industries has received Treasury consent for a new debenture issue during the summer. On the gilt-edged side the twin 5¾ per cent issues for Swansea and Hull were well received and both have now established a small premium. The queue of borrowers remains long, and it is likely that very soon after the budget the turnstiles will admit a large one. These influences need not destroy the bull market in gilt-edged, but they may suggest the wisdom of temporary caution.

PRODUCTION

Varying Fortunes

THOUGH the broad statistical indicators continue to show "total" industrial output in Britain as just about level—the official index for "all industries" in February, allowing for seasonal changes, is expected to be 136-137, against 137 a year before—this stability continues to mask sharply divergent trends for the country's different industries. There are the industrial sectors where expansion has hardly faltered, through boom and disinflation, such as the public utilities—essentially electricity—and the chemical trades; industries that were hit in 1956 and recovered sharply last year, of which motors is the outstanding example; and others where output has shown practically no growth at all for several years, such as the textiles and clothing group, where output in 1957 was a shade lower than in 1950. Mining and quarrying output, too, was no better in 1957 than it was six years before; so far this year it has been substantially lower. Paper and printing was one of the

most rapidly expanding industries up to 1956, when it suffered its second setback since the war; last year its output began to rise again. Building output, which rose sharply as investment grew in 1956, remained broadly level

CHANGES IN INDUSTRIAL PRODUCTION, 1955–57
(Percentages)

Industrial group	1955 to 1956		1956 to 1957		Index, last quarter 1957 (1948 = 100)
	Change in production	Effect on total index	Change in production	Effect on total index	
Building materials (excluding timber)	+1·0	...	−3·0	−0·1	128
Metal manufacture	+1·0	+0·1	+2·0	+0·1	141
Vehicles (incl. aircraft)	−7·0	−0·6	+3·0	+0·2	170
Other engineering and allied industries	−3·0	−0·6	+2·0	+0·4	152
Chemicals and allied trades	+4·0	+0·2	+4·0	+0·2	194
Textiles and clothing	...	...	...	...	111
Food, drink and tobacco	+3·0	+0·3	+1·0	+0·1	126
Paper and printing	−1·0	−0·1	+2·0	+0·1	174
Other manufacturing industries	−4·0	−0·3	+4·0	+0·3	154
Total manufacturing	−1·3	−1·0	+1·8	+1·3	146
Mining and quarrying	+1·0	+0·1	...	...	116
Building and contracting	+6·0	+0·6	...	...	123
Gas, electricity and water	+5·0	+0·2	+2·0	0·1	180
All industries	...	...	+1·4	+1·4	142

last year; today there are signs that its activity is on the decline. Its suppliers, such as bricks, cement, and glass manufacturers, have levelled off along with it, and are now producing somewhat below capacity: so is the steel industry.

Engineering Demand Shifts

IN 1957, the emphasis of the investment boom shifted on to engineering: it was time for the plant and equipment to be put into the new factories. In its customary estimate of where engineering products were used in the British economy, the Economic Survey showed last week that while the total value of the supplies available rose by only £100 million between 1956 and 1957 (at 1956 prices), investment, excluding cars, took £130 million more engineering resources than in 1956. Defence demand upon these

DISTRIBUTION OF SUPPLIES OF ENGINEERING AND ALLIED PRODUCTS
(£ million 1956 factory prices)

	1955	1956	1957
Supplies :—			
Production	5,055	4,890	4,980
Imports	115	125	135
Total	5,170	5,015	5,115
Demand :—			
Defence	660	635	595
Investment (excluding cars)	1,480	1,530	1,660
Passenger cars for the home market	225	175	190
Consumer goods for the home market	430	360	415
Other industrial goods, repair work and stock change	990	825	745
Exports	1,385	1,490	1,510
Total	5,170	5,015	5,115

industries continued to decline. These estimates show the miscellaneous item in the Treasury table "other industrial goods, repair work and stock exchange" as declining quite considerably, though this item ordinarily moves more in line with consumption and stocks, which were presumably both rising. Exports of engineering products rose a little.

As a whole, engineering output was just under 1¼ per cent up on 1956; not quite back to the level of 1955, though its exports were nearly 10 per cent higher than in that peak year of internal demand. Plant and machinery deliveries were up by 3 per cent; the value of machine tool output rose by 11 per cent, and the volume probably by 6 per cent. Though most producers of capital goods are still busy, their orderload is tending to drop. But for the moment, the continued strength of the motor industry—and of its widely ramified demand upon intermediate engineering industries—is probably sustaining total output in engineering 3 per cent or more above a year ago.

STEEL

Home Demand Still Strong

THERE is still no sign that consumers of steel in Britain are beginning to run down their stocks to any considerable extent, which is an indication of the underlying strength of demand for steel. The current rate of ordering, for most steel products, is continuing to decline somewhat, bringing down the length of order books; but this is mainly because customers, knowing they can get deliveries more quickly from the steel industry's expanded and no longer quite so busy capacity, are not placing orders so far ahead. Even the motor industry, still the main ebullient exception to rather slacker activity in engineering, is ordering more cautiously: its demands are continuing to grow in quantity, but it is not committing itself so far ahead. This reasonable attitude is spreading to some of the customers for heavy steel—who take large tonnages and ordinarily order much farther ahead, and therefore can affect the industry's total tonnage on order quite significantly.

But demand in the first quarter of 1958 has certainly been no worse than the industry expected. In the second quarter it may dip rather more: demand for building steel, which after the September tightening of credit was held up for a time by the fact that companies with factories half-finished wanted to get them operating and earning money quickly, is now beginning to feel the backwash. Steel consumption, which rose somewhat in the last half of 1957, is still probably remaining fairly high. Steel output in the first quarter was 5,475,000 ingot tons, about 1 per cent lower than in the first three months of 1957: production in March, at the rate of 432,300 ingot tons a week, was indeed fractionally better than in March, 1957. The expected fall in building output has reduced demand for tubes, affecting steel production in the Midlands, and demand for oil country tubes seems also to be softening somewhat. Output in Scotland has been affected by weakness in demand for light bars and in South Wales by the closing of older steelworks and some production difficulties at the modern mills.

Export Prices Dropping

ON the world market, steel prices are still coming down. Last week's reductions in the prices quoted by the Brussels steel cartel—cuts of 13 per cent for certain products—for the most part did no more than regularise the price levels at which business was actually being done by Continental steel exporters (though it may be noted that for

a few items the export cartel prices now appear to have been brought below the home trade prices ruling in the German market). It seems likely that even the new list of reduced prices will still be shaded by the Belgian and Luxembourg producers, who are exceptionally dependent upon the world market, where demand for most products is still very soft. British export prices are co-ordinated only for a few products: all are tending to slip.

Belgian steel producers, indeed, are said to be shading their "official" home trade prices under the ECSC lists, in order to meet competition from cheaper French and German steel. The rules of the community do not allow French or German producers to sell above their home prices in Belgium, so that when premiums can readily be obtained by exporting steel Belgian producers are in no danger of being undercut; but when demand drops off in the world market the situation changes. There are reports that various "packets" of steel are being offered to British consumers from abroad at attractive prices, but few reports of business being done. At present duties on most kinds of steel imports are suspended until September, when they will come back into force at the recently reduced rates; duty on steel sheet and plate is suspended for a further six months beyond September.

GOLD RESERVES

Another Big Inflow

THE near-record rise of $231 million in the gold and dollar reserves in March is encouraging, even after making allowance for the exceptionally large receipt of $94 million in settlement of the surplus with the European Payments Union for the previous month. That surplus was swollen by the deposit in London by the Royal Dutch Company of proceeds of its New York/Amsterdam issue; making allowance for this, the March figures seem to indicate no abatement of the mid-winter flush in the reserves. This reflects Britain's large current surplus, as well as bear covering and some arbitrage money. The surplus with EPU last month reached £5 million, and will bring in $10 million in gold in the middle of this month. Thus the

RESERVES SINCE THE CRISIS

	True dollar balance in period*	Actual change in reserves	Reserves at end of period
1957 :—			
July	− 32	− 14	2,367
August	−300	−225	2,142
September	−256	−292	1,850
October	+141	+243	2,093
November	+ 71	+ 92	2,185
December	+ 86	+ 88	2,273
1958 :—			
January	+166	+131	2,404
February	+260	+135	2,539
March	+147	+231	2,770

* Adjusting for one month lag in EPU settlements, for $250 million drawn from Export-Import Bank in October, and for small receipts of US aid

"true" current gain for March, adding in this EPU receipt and deducting the February receipt, was $147 million; and without the quarterly instalment on the 1942 Canadian loan it would have reached $154 million. This compares with February's exceptional figure of $206 million, and with $166 million in January.

The gold gain carries the reserves to $2,770 million. This is the best total since November, 1954—when Bank rate stood at 3 per cent. Even without the $250 million borrowed from the Export-Import Bank last autumn, the total is the best since mid-1955; but this reflects the $561 million borrowed during the Suez crisis from the International Monetary Fund. This has to be repaid by 1961, and the Ex-Im loan from 1960 to 1965; there is still a long way to go before the reserves are at safety level.

BALANCE OF PAYMENTS

How Sterling Took the Strain

BURIED in the technicalities of the latest white paper on the balance of payments lies a convincing answer to the sceptics, domestic and overseas, of the worth of sterling's international role. In 1957 as a whole, the overseas sterling countries ran down their London balances by £157 million—contributing, admittedly, to sterling's autumn crisis, but contributing, too, to the maintenance of exports and employment in Britain, and still more of the exports and employment of its competitors. Because of a more than seasonal sag in exports in the second half of the year, but even more because of a persistent rise in imports, the overseas sterling area ran into heavy deficit in 1957. The current deficit with Britain widened from £307 million to £343 million (entirely as a result of Britain's increased surplus on invisibles); net earnings of non-sterling currencies plus gold sales finding their way into the United Kingdom reserve—which are the best available measure of the overseas sterling area's non-sterling balance—dropped from £161 million to £72 million. The overseas sterling area's increased deficit was financed first by the receipt of investment funds from Britain, and secondly by the drawings on the sterling balances. Without these, these countries could not have financed their increasing imports, which in 1957 came mainly from sources other than Britain.

EXTERNAL PAYMENTS OF OVERSEAS STERLING COUNTRIES
(£ million)

Transfers to, or drawings on, central reserve arising from surplus (+) or deficit (−) with :—	1955	1956	1957	1957 Jan. to June	1957 July to Dec.
Dollar area	+ 34	+ 11	+ 47	+ 76	− 29
Oth. western hemisphere	+ 20	+ 6	+ 16	+ 7	+ 9
OEEC countries	+ 39	− 10	− 89	− 16	− 73
Other non-£ countries	−122	− 68	−138	− 38	−100
Non-territorial organisations	...	+ 2	+ 13	+ 3	+ 10
Total exchange transfers	− 29	− 59	−151	+ 32	−183
Gold sales to UK	+176	+220	+223	+105	+118
Net transfers to UK	**+147**	**+161**	**+ 72**	**+137**	**− 65**
Current balance with UK	−218	−307	−343	−115	−228
Drawings on sterling balances (−)	**− 45**	**− 23**	**−157**	**+ 69**	**−226**

The sources of the worsening in these sterling countries' payments are summarised in the table, which shows that no deterioration occurred with the dollar area: indeed, transfers of gold and dollars alone to the central reserve actually increased, from £231 million to £270 million. But the balance with OEEC countries, which in 1956 had been transformed from a surplus of £39 million to a deficit of £10 million, underwent a still sharper deterioration, to a deficit of £89 million, comprising a substantial element in Britain's deficit in the European Payments Union. An equally serious deterioration was suffered in payments with

other non-sterling countries; here the traditional deficit widened from £68 million to £138 million.

Of the individual sterling countries, India's drawings more than accounted for the decline in the balances of the overseas sterling area as a whole in 1957, with a big counterweight supplied by Australia whose balances rose by around £120 million. By the second half of the year however the pressure had spread to nearly all the other overseas countries, and notably to New Zealand. The fall in export prices was having some effect; but the bigger influence was the continued buoyancy of imports, particularly in India and New Zealand. This suggests that the main effect of the reduction in the purchasing power of the primary producing countries has still to be felt by Britain and by other industrial countries, whose exports in 1957 were being sustained by the use of the international sterling reserve.

More Information, Please

WHEN an official estimate of the overseas earnings of all forms of banking, insurance, merchanting and brokerage in the UK was made for the first time last December in reply to a parliamentary question—it came to £125 million for 1956—the then Economic Secretary to the Treasury undertook to consider a suggestion that these details should be published in future in the annual Balance of Payments white papers. This raised hopes that, at long last, the Treasury had decided to change its policy of hiding the details of the "invisible" transactions that play such a fundamental part in Britain's balance of payments. They were false hopes. The latest white paper gives no more information, in this respect, than its predecessors.

The overseas earnings of the City of London are again completely hidden—as they were in 1956 until the Economic Secretary unearthed them—in that meaningless catch-all, the "other (net)." This cloak also covers the overseas earnings of the British oil companies, including those of their oil tankers. In a letter to *The Economist* of March 15th, Mr Joseph Alsop, the American columnist, said that he had been "authoritatively informed in London that what may be called the British oil account currently shows a net surplus of £50 million a year, after payment for all oil consumed." No one else has. No hint of this figure graces the white paper.

This is surely carrying a regard for commercial secrecy too far. The validity of important arguments in the continuing debate on the future of the sterling area rests on an accurate appraisal of the City's overseas earnings. Not only energy policy in Britain, but British policy in the Middle East, must be directly influenced by the net foreign exchange gain or loss made by the oil companies. But without the relevant figures how can these matters of vital public interest be objectively discussed in Parliament, in the press, or anywhere else outside the Government? The speed with which an official estimate of the City's overseas earnings appeared when some unofficial ones began to be bandied about last year showed that there is no compelling reason why a detailed breakdown of the figures should not be published.

OIL

50:50 for the Sahara?

UNDER the present French mining law covering Algeria and the Sahara desert, foreign oil companies pay taxes to the Algerian government on a basis that appears, in most respects, to be more favourable to the company than the equal profit sharing arrangements now in force in Venezuela and the Middle East. But it had always appeared unlikely that, once substantial quantities of oil began to be produced in the Sahara by foreign oil companies, any Algerian government—whatever its relationship with France might be by that time—would be satisfied with an arrangement which gave it a lower share of the profits than the governments of other producing countries receive. That the new law which is now being drafted for the approval of the French Minister for the Sahara and the French Government should include a 50:50 profit-sharing provision therefore comes as no surprise. Indeed the major foreign oil companies, who set great store by the equal profit sharing principle between oil companies and host governments throughout the world, would probably welcome the extension of this principle to the Sahara—especially if the provisions for depletion allowances and the amortisation of exploration costs prove as generous as first reports suggest.

Arrangements for the equitable division of profits between the operating company and the host government do not, however, solve the more immediate issue: the division of ownership and control of the operating company between foreign oil companies and French interests, both government and private. No non-French oil company has undivided control over any operating company with a concession in the Sahara. The Royal Dutch-Shell group has a 65 per cent interest in an exploration company which was granted a concession before any oil was found in the Sahara—but which has not been fortunate enough to find any oil itself. In every other case effective control rests with the French partner and in many cases with the French Government. A few American independent companies have accepted these terms as an "entry fee" to oil production in the Eastern Hemisphere. But the major companies, such as Standard Oil (New Jersey) are still unwilling to bid for concessions at the cost of yielding control over the development of the oilfield and the disposal of the output. They regard as reasonable the French Government's insistence that France

The Paper Bulletin

The latest issue of this quarterly bulletin contains two Special Reports:—

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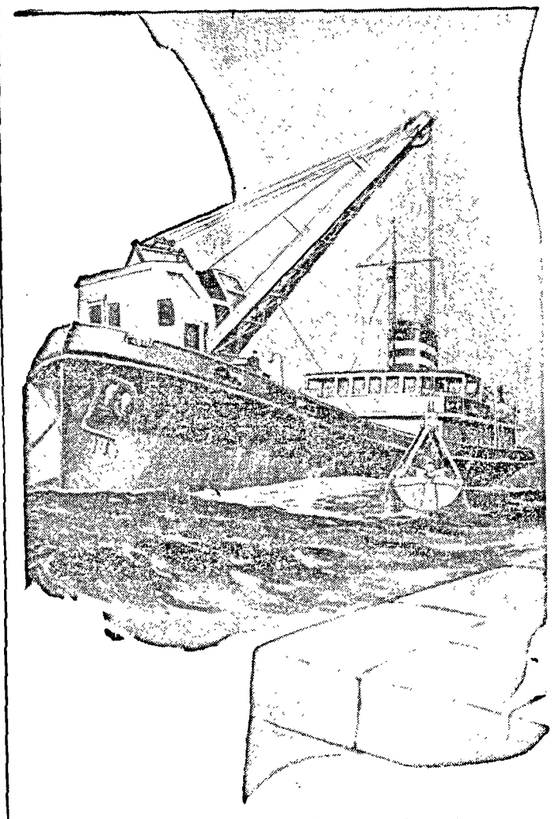
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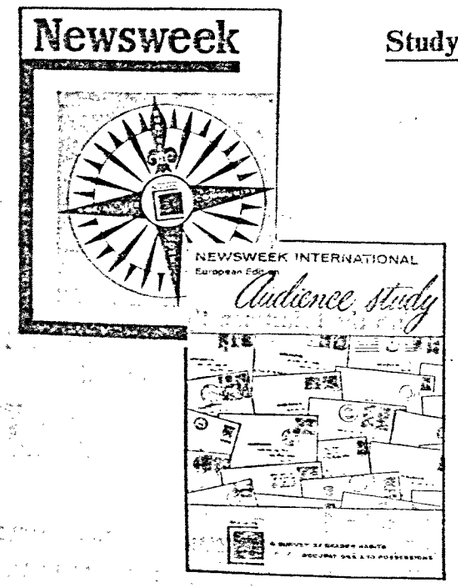
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should be assured the full foreign exchange benefit of any oil produced in the Sahara ; but unless they are allowed at least a 51 per cent interest in the producing company, the negotiations they have begun seem likely to end without agreement.

FOREIGN EXCHANGE

Premium on Gold

THE London price of gold if converted into dollars strengthened this week to $35.13 per fine ounce. This premium reflects a demand for gold going rather beyond routine Middle East and Far East buying. There has even been evidence of purchases, as yet modest, on behalf of Continental operators who are switching from US dollars into gold on the reasoning that every downward notch in the American recession must reduce the long odds against an ultimate adjustment of the dollar price of gold. Demand of that sort is, however, marginal, and a little central bank offering in London on Wednesday was sufficient to move the price down sharply to $35.10. Another reason for the rise in the dollar price of gold has been the recent paucity of supplies. The Bank of England has been a very meagre seller. This in turn reflects the current demand for sterling. The Bank of England, acting for the Exchange Equalisation Account, is still receiving a fair supply of dollars and is, therefore, under no necessity to replenish its dollar balances by sales of gold in the London market.

Sterling Firm

IN the official market for sterling the rate has risen this week to $2.81⅞ but tailed off slightly on Wednesday to around $2.81⅝. The commercial demand for sterling persists. There is also continued evidence of capital movements to London. In this latter type of operation it is difficult to distinguish between the normal rebuilding of the working balances that were depleted last year and the attraction of short-term money by London's higher interest rates. The New York Treasury bill rate fell again this week to under 1 per cent and the London rate dropped by ⅛ per cent to just under 5 7/18 per cent. After those changes and with the prevailing forward foreign exchange rates the margin on arbitrage with the exchange concerned is no more than moving money to London. A certain amount of new interest arbitrage business is still being done.

A feature of the foreign exchange market during the past week has been the strength of Canadian dollars, both in terms of sterling and of US currency. The premium over the US dollar has risen to 3⅛ per cent. The demand for Canadian dollars is wholly due to capital movements and notably to remittances to Canada of the proceeds of some substantial bond issues recently made in the New York market. US investment in Canadian equities has fallen away but the prevailing low level of interest rates in New York is encouraging a fair volume of bond offerings on Canadian account.

RUBBER

Russian Buying

RUSSIAN buying of rubber in London which reached high figures between September of last year and this January has died down, but not because the Russians have lost interest. They have transferred much of their buying to the East, where it is being done through London houses. A purchase of 11,000 tons for shipment from the East to Odessa was recently announced and it appears that in total the Russians are still taking about 15,000 tons of rubber a month, with the difference that because of the availability of shipping or for some other reason the rubber will not now come to London and be trans-shipped.

It is that steady Russian buying which holds the price of rubber steady at around 23d per lb in the face of industrial recession in America. At present prices natural rubber is fully competitive with synthetic, the American price of synthetic being equal to about 24¼d per lb cif, including the 10 per cent import duty in this country ; the Canadian price of synthetic, which is duty free, is 10 per cent higher. No 3 sheet natural rubber, normally regarded as the competitor with synthetic, is about 20½d a lb. This will not quickly tempt American consumers already using mixtures of natural and synthetic rubber to vary their proportions. They do not move for the sake of small differences and when monthly figures of consumption from America show changes in the proportion of natural to synthetic rubber used they more often than not reflect changes not in the mix, but in output as between truck tyres which contain a high percentage of natural rubber and passenger car tyres containing a high proportion of synthetic.

TRAMP SHIPPING

A Greco-British Accord?

WHEN the members of the Greek Shipping Co-operation Committee meet round the table with a sub-committee of the tramp section of the UK Chamber of Shipping on April 11th, they will discuss two plans—one Greek and one British—to help bring about a revival of tramp freight rates. Both plans are concerned solely with dry-cargo shipping ; it is generally agreed that the oil companies would not at present support joint action in the tanker market.

About 800 Greek-owned ships flying either flags of convenience or the Greek flag (in the ratio 5:3) account for some 40-45 per cent of the world dry-cargo tramp tonnage ; British flag and other flag ships make up the remaining 55-60 per cent, in roughly equal proportion, but include a substantial number of Greek-owned ships operated by British and other non-Greek subsidiaries under British and Canadian flags. About 360 Greek ships, or not far short of half the Greek tramp fleet, are now laid up—a total of some 3,600,000 deadweight tons, against some 1,600,000 tons of British cargo ships laid up.

British owners, having lost ground since the war to Greek-owned ships operated under flags of convenience, may be inclined to rejoice in the fact that their rivals' present predicament is worse than theirs. But at the current level of freight rates British owners as well as Greek are losing money, and although some of the smaller and more speculative Greek owners may be forced to the wall, British owners cannot hope to eliminate the more powerful of their Greek rivals without crippling themselves in the process. If they accept this, then there is no half-way house, for no plan to raise freight rates could succeed unless it had the support of both Greek and British owners. This may be a bitter pill for the British owners to swallow, but may be sweetened by the fact that Messrs Niarchos and Onassis, who flourished on flags of convenience in the past, are almost

solely tanker owners and will play no important part in any dry-cargo lay-up scheme, while Mr Kulukundis, the chief Greek spokesman, runs many of his ships under British and Canadian flags.

The Greek proposals, which are only tentative, are also rather mild. The laying up of shipping would be accelerated only to the extent that all signatories to the agreement would bind themselves not to operate at a loss. But once a ship was laid up, it would stay laid up for at least six months, and would then come back into service only at an agreed minimum rate set high enough to cover out of pocket expenses, though not full depreciation. Unlike the original plan of Britain's Chamber of Shipping, the Greek proposals contain no provision for the payment of compensation to owners of laid up ships out of a levy on those operating, but the Greeks are not adamant about this. If the British owners are willing to bury the hatchet it may not be difficult to reach a compromise on a plan to be adopted. Whether all of the small tramp owners could be induced to adhere to such a plan, or how soon it would help to raise freight rates, is another matter.

COTTON IMPORTS

A Response from Hongkong?

SIR FRANK LEE'S Board of Trade mission to Hongkong evidently found the colony's textile industries no more ready to consider putting a voluntary limit on its exports of cotton cloth to Britain than when Lancashire sent the Clegg mission early last year, though negotiations had been taking place sporadically since then. It was Hongkong's blunt refusal to fall in with India and Pakistan in any voluntary scheme of limitation that finally wrecked that previous attempt to satisfy Lancashire's desire for some form of protection from Commonwealth competition. But the statement the colony's special negotiating committee put out after twelve days of discussions could be read as suggesting that the Permanent Secretary's visit may have been of some value for Lancashire. In it Hongkong stated its willingness to talk directly with Lancashire about a scheme of limitation provided the industry here reaches a prior agreement with

Enlarging London Airport

EVENTS have caught up with the Minister of Transport and with the committee that reported to him last summer on the future of London Airport. When Mr Watkinson announced before Easter that he had accepted the framework of the committee's report and was inviting tenders for the next stage of the airport's extension, it was already too late to save one of the world's major international airports from near-chaos in roughly a year's time.

The basic services at London Airport can deal with any aircraft likely to use them in the foreseeable future, with the possible exception of the 180-ton Russian Rossiya, which lands at very high speed. It is one of the few airports in the world whose runways are already long and strong enough to handle the big American jets expected to come into service next summer; but having landed them, it has nowhere to park them. This fact explains the urgency of a new bout of building at an airport on which £26 million has already been invested. London Airport's six runways form two interwoven triangles enclosing a central area that was originally intended for the handling of all passengers. Short haul services have been flown from this central area for more than two years but long range services are still operated from the Indian village that sprawls inelegantly along the north side of the airport a good mile away. One of the main recommendations of the Millbourn committee was concerned with finding room for these long range services within the constricted central area by spilling over into the least used of the six available runways.

It is a good scheme, but unfortunately the jets will not wait for it to be completed at leisure. And whatever is done about the long-distance passengers in the all too endurable "temporary" huts, neither the Douglas nor Boeing jet airliners can be parked on the aircraft stands from which trans-Atlantic passengers normally board their aircraft on the northern side of the airport. The concrete will not hold them, and the area is already too crowded with other long-range aircraft to leave room to manœuvre the big jets in and out of the stands.

Cynics hope that the jets will not be ready for service next summer, but urgent steps must be taken to prepare aircraft stands for them in the central area. Tenders are being invited now; since some concrete is already there, it is hoped to have the stands ready by next summer. Work is also being rushed forward on a new building for long-range passengers to match the new stands. But since permission was held back so long, the Ministry of Transport is putting it up in two halves in a desperate race to have some accommodation ready as early as possible—not so much to ease the journey of passengers as to move traffic from the long-distance huts before the expanding crowds actually burst their walls. It is therefore intended to shift BOAC and some of the Commonwealth airlines into the first half of the new building as soon as it is finished—with luck, by mid-1960, a full year after the new aircraft stands come into use. Foreign airlines will not be able to move into the central area until the second half of the building is finished a year or so later. Operators like Pan-American, which will be the first to have the new jet airliners in service, will for several years have to shuttle passengers between the aircraft stands in the middle of the airport and the northern terminal buildings.

An opportunity will be taken to experiment with the "finger-and-gate" system on the new stands, by which passengers walk down covered piers that project from the airport buildings and through exit gates into the aircraft drawn up alongside. This is one of the devices suggested for increasing available parking space. Parks in the central area for short-haul aircraft are already so crowded that new stands are being constructed for these at the same time as work begins on those for the long-range jets. The cost of the new stands is put at £1.3 million; the passenger building might not cost more than £2 million; and a further £1 million will certainly have to be spent on another pier and aircraft stands when the second half of the building is finished. This represents construction that cannot be held up any longer without disrupting the whole work of the airport. All told, the improvements and extensions that the Millbourn committee considered necessary were put at £17 million, bringing projected expenditure on the airport up to £47 million. Those sections of it that deal with new restaurants and other non-technical frills should, in the circumstances, be very closely scrutinised.



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India and Pakistan; that by entering into talks exporters would not be committed to any figure for exports; and, that the discussions would be confined to shipments of grey cloth retained in this country.

By stipulating a prior agreement with India and Pakistan, Hongkong could well be offering no more than an oriental passing of the buck. But that Sir Frank Lee went on to spend two days in New Delhi and a day in Karachi may mean that he has found some basis for further inter-industry meetings, and both India and Pakistan had already agreed to send delegations to Lancashire next month. It seems fairly clear at least that Sir Frank Lee has not been able to wring the agreement he would have liked from the colony, but Hongkong's apparent acceptance in principle of the idea of a voluntary limitation, with conditions, may save the Government from again having to decide between putting a quota on Commonwealth imports for the first time and letting an industry based largely on Chinese refugee capital and management continue to use colony status to compete without hindrance with a domestic industry in its own market.

AIRCRAFT INDUSTRY

Flying High

When aircraft designers talk of "high" altitudes they think of the region between 8 and 20 miles above the earth, which is being used increasingly by bombers, fighters and certain types of guided missiles. It is bounded by the hazy upper limit at which the rarefied air still provides enough oxygen to sustain combustion. The task of developing jet and ram-jet engines to operate efficiently in the conditions found at such altitudes is complicated. Last week, the Bristol Aeroplane Company officially opened its first high altitude test plant, a relatively small installation costing £1 million and financed largely by the Ministry of Supply to speed the development of the ram-jet engines used in Bristol's guided missiles. The biggest of these measures only 16 inches diameter. A much bigger plant to test full-size jet engines will be opened by Rolls-Royce during the summer. This has cost nearly £6 million; it is more complicated than the Bristol installation since it is designed to run continuously and not in short bursts. These plants artificially reproduce the conditions found at a range of speeds and altitudes. Bristol's range is 100,000 feet and speeds 3.5 times that of sound; Rolls-Royce go to 70,000 feet and speeds 2.5 times that of sound. The installation of a high altitude test plant at Bristol indicates a fairly plain intention on the part of the Ministry of Supply to provide in a reduced aircraft industry for at least two aero-engine manufacturers and discussions are still going on about a possible merger of Bristol's engine division with the smaller Armstrong-Siddeley section of the Hawker Siddeley Group.

RETAIL STANDARDS

Pillow Case

On Tuesday, the Marlborough Street magistrate ordered the Downland Bedding Company to pay 500 guineas costs to the Retail Trading Standards Association whose business is accurate trade descriptions and which had prosecuted the company for selling pillows with fillings containing more than a prescribed two per cent of impurities (mainly ground feather and quill dust which tends, among other things, to plump up the weight of the filling). The intriguing aspect of the case was the fact that the offending pillows bore two marks authorised by the British Standards Institution, one showing that the filling was of such a prescribed purity, the other that it was of all-round reasonably good quality. The BSI, however, took no active part in the proceedings and can only blame itself if confusion arises in the public mind about the value of its licensed marks to protect customers.

Yet witnesses from the BSI said that in 1953 they had issued strong warnings about the level of purity in the fillings used by this firm; since then its inspectors, including those who make sporadic purchases, had kept watch on its products. If their analysis had ever given the same results as the three pillows bought by the RTSA—that is, between 3 and 4 per cent of impurities instead of the prescribed maximum of 2 per cent—the company's licence from the BSI would have been in peril. But apparently that never happened, and the BSI had no hint of the impending prosecution until the writ was issued. But the wording of the standard itself was ambiguous; even though the BSI's own officers had no doubt themselves about what it meant, the court certainly had, and this may be the reason why the magistrate, although he recorded an offence, imposed no penalty other than costs. So the BSI is in the undignified position of having had its barking done for it by another watchdog and has now to decide what action to take about a company that still holds a valid licence to apply both BSI marks to its pillows.

Tweedledum and Tweedledee

An old feud looks like coming to the boil between the Harris Tweed Association in the Hebrides and the Retail Trading Standards Association. Since 1934, the Harris Tweed Association has owned a trade mark that defines Harris tweed as cloth hand woven from Scottish yarn spun—but not necessarily hand spun—in the islands of the Outer Hebrides. Between six and seven local mills supply yarn to hand weavers, who return cloth to them for finishing. For a levy of 2d. a yard, inspectors of the Association will stamp this cloth with the trade mark. The proceeds, running at about £60,000 a year on an output of 7 million yards, go on publicity, of which the *leit-motif* is that stamped cloth is the only genuine Harris tweed on the market.

This, in the view of the Retail Trading Standards Association, is going altogether too far. It argues that if a proportion of hand weavers on the islands prefer to buy their yarn on the mainland rather than from island mills, for reasons that are partly technical and partly connected with cost, they are entitled to call their product Harris tweed even though the Harris Tweed Association will not recognise it as such.

This storm in a porringer has two consequences for the islanders, whose main livelihood is this one, specialised product. There have been complaints—which certainly need examination—that those of them who hand-weave mainland yarn find it difficult, if not impossible, to buy any yarn at all from the local mills that support the Association. The two main export markets, Canada and the United States, are also closed to them because customs authorities in both countries accept the term "Harris tweed" as part of a protected trade mark and so will not allow it to be attached

to cloth that has not been stamped by the Association and paid its levy. Opportunity played into the hands of the RTSA last November when an over-enthusiastic American copy-writer described the Harris Tweed Association in a full-page advertisement as created by Board of Trade charter. This was denied in Parliament by Sir David Eccles, who not only disowned the Harris Tweed Association's cherished definition but went further than anyone expected in saying that " the description Harris tweed is very like that of Bath buns." The RTSA is now trying to get this view accepted by the American and Canadian customs. The Harris Tweed Association, which described the Board of Trade's action as " unhelpful," hinted darkly in a recent statement that the correct description of " this famous cloth . . . is a matter for the Courts, and not for the Board of Trade to decide."

NATIONAL SAVINGS

Last Year's Poor Showing

THERE is an " odd year crisis " complex about the returns of the National Savings Movement. The table shows that the financial year 1957-58 was one of those odd years with a deficit (an excess of withdrawals over new savings disregarding the accumulations of interest on the outstanding savings certificates) of £15.6 million, against a surplus in the previous year of £119½ million. The result

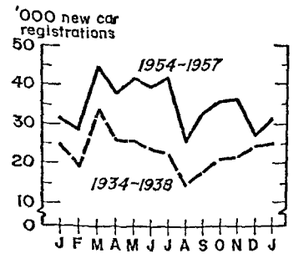
NET INVESTMENT IN NATIONAL SAVINGS
(£ million)

Financial years	1953–4	1954–5	1955–6	1956–7	1957–8*
Savings Certificates ...	+19·1	+ 45·9	+20·6	+ 72·0	−21·3
Defence Bonds	+ 0·3	+ 50·0	+21·7	+ 3·2	−22·2
Post Office Savgs. Bank	−89·5	− 59·7	−75·0	− 42·6	−62·4
Trustee Banks†	+ 6·7	+ 24·2	− 2·4	+ 22·0	+10·1
Premium Bonds	...	...	...	+ 64·9	+80·2
Total New Savings..	−63·4	+ 60·4	−35·1	+119·5	−15·6
Interest on Savings Certificates accrued, less paid out	+87·4	+ 86·2	+79·1	+ 35·5	+45·9
Defence Bonds repaid on maturity.....	−38·4	− 28·8	−50·8	− 38·9	−17·7
Grand Total	−14·4	+117·8	− 6·8	+116·1	+12·6

* Approximate. † Including for the latest year one department of the Birmingham Municipal Bank.

has caused the chairman of the National Savings Committee, Lord Mackintosh of Halifax, disappointment but the reasons for it are not hard to find.

In the previous financial year 1956-57, savings were being swelled by heavy purchases of the attractive new savings media, the new certificates, and the premium bonds, while the trustee banks had been enabled to offer freedom from income tax on deposits in their ordinary departments not exceeding £600. Those attractions still looked good in the first half of 1957-58. But against a 7 per cent Bank rate not matched by any adjustment in the terms offered on " national savings " they lost their attraction. Lord Mackintosh draws the conclusion that the rates of interest paid were out of line. He naturally expects better results in the atmosphere of a 6 per cent Bank rate.



THE SEASONS AND CAR SALES

Since before the war, the seasonal pattern of new car registrations has altered. Holiday motoring now boosts sales more in July: but buying dips more in December than it did.

DIAMONDS

Glitter Dimmed

SALES of gem and industrial diamonds by the Central Selling Organisation, which markets just over four-fifths of the free world's diamonds, were the lowest in the first quarter of this year since the third quarter of 1954. The decline, so long expected, began in the last quarter of 1957 and it now looks as if the postwar boom in diamonds has at last been checked. Only the cheapest industrial quality, crushing boart, remains in short supply. The United States' stockpile has virtually stopped buying industrials but sales did not really falter until the recession

	Gems £ million	Industrials £ million	Total £ million
1953	43·3	17·8	61·1
1954	45·6	16·5	62·1
1955	50·3	24·0	74·3
1956	50·5	24·0	74·5
1957	52·8	24·0	76·8
January — March, 1957....	11·0	6·8	17·8
April — June, 1957	14·4	5·5	19·9
July — September, 1957 ..	15·1	6·3	21·4
Sept. — December, 1957..	12·3	5·4	17·7
January — March, 1958....	10·5	4·8	15·3

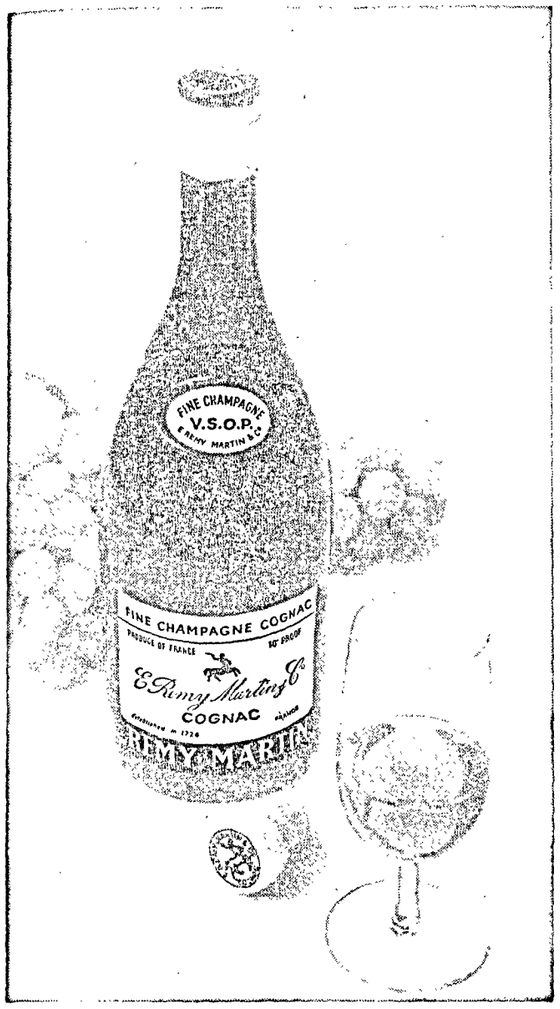
in the American economy appeared. Then the demand for gem stones also slackened for, faced with an uncertain outlook, cutters have not been anxious to add to their stocks. A gem stone, after all, is a luxury and a hedge against inflation, not against deflation. The fall in sales so far is no disaster for the producers; total sales are running at the levels reached five or six years ago, and then regarded as high prosperity. Moreover, the Central Selling Organisation has ample cash and next to no stock of diamonds.

WOOL TOP FUTURES

London's Success

ONLY one new commodity futures market has been added in the postwar era to the array of terminal markets that Britain offers—the London wool top futures market. It started not by accident but thanks to a stroke of luck. The London Produce Clearing House (a United Dominions Trust subsidiary) worked hard to open the market. But the Bradford trade as a whole did not want it, and the Wool Textile Delegation was more than cool. In the Korean boom and the slump that followed, however, some wool traders applied for and were granted foreign exchange to hedge in the international markets—New York, Antwerp and Rubaix. It seems likely that that small demand for scarce foreign exchange just swung the balance in favour of having hedging facilities here.

The London Wool Top Futures market now at the end of its first five years finds itself the largest in terms of turnover in the world. Messrs Buxton Ronald Du Croz and Company, one of the three member firms of the London





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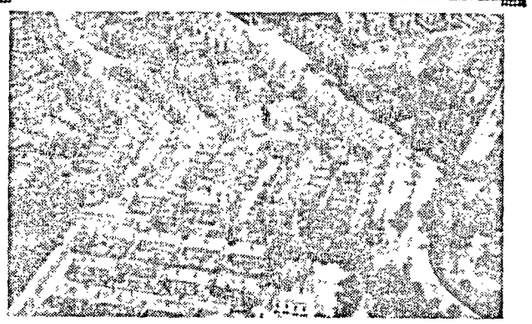
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REMY MARTIN

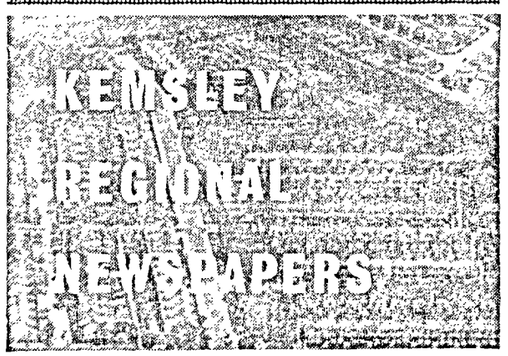
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SUNDAY (*ABC* 217,320) The Sunday Sun
WEEKLY (*ABC* 83,012)
Lancashire & Cheshire Weekly Newspapers



Wool Exchange (London's wool auction market) that supported the new futures market from the start, reports its last year's trading in the merino contract to have been 37,000 contracts (of 5,000 lb of Bradford 64s "B" tops each). The new crossbred contracts has so far hardly caught on. That makes London comfortably the largest of the four wool futures markets; one calculation represents the London turnover at just over half the total turnover of all four, but that reckoning seems to ignore the fact that New York also has a greasy raw wool contract with an active trade. The volume of business in the merino contract is just about the same as Bradford's total output of merino tops. But that naturally does not mean that all topmakers are using the futures market. The wool trade, topmakers and spinners, are using the market to a growing extent as are the international wool merchants. Some of the business is arbitrage with New York and some is speculative.

It is nevertheless true that the Bradford system of dealing without hedging has not died. The topmaker counts himself protected when he has sold his tops for future delivery and bought only sufficient wool to make them. This method can fail when cover is most needed, that is when prices are fluctuating violently, as in the 1951-52 season and on many occasions during the recent decline in prices. It is then that topmakers are at grave risk of spinners wishing to postpone taking up the tops ordered and at risk of being caught either long or short of wool during the long gap between the end of one wool selling season at midsummer and the opening of the next in the autumn.

SHORTER NOTES

Last year British Paints (Holdings) achieved record sales and profits. Before tax the consolidated profit advanced from £951,023 to £1,329,068 and after tax from £398,207 to £623,803. The ordinary dividend is raised from 25 to 30 per cent.

* * *

The two per cent increase in retail sales during February, about a half of which is estimated by the Board of Trade to have been the result of higher prices, suggests that personal spending is continuing to remain fairly steady, showing neither much growth nor any inclination to fall. Household goods shops, however, suffered "a sharper seasonal decline than in recent years."

* * *

United Glass Bottle has left its ordinary dividend unchanged at 11¼ per cent for the year to January 4th, in which trading profits fell from £1,257,725 to £1,044,271. Sales were "exceptionally high" in the closing weeks of the year but this increase came too late fully to offset the "very much reduced" profits of the first half of the trading year. Current sales and orders are described as "encouraging."

* * *

The area of new factory floor space in plans receiving Board of Trade approval between January and March was the lowest for any quarter since the end of 1953. The total floor area in the 583 schemes approved, 11.8 million square feet, was 2 million square feet lower than a year ago.

COMPANY AFFAIRS

ROYAL DUTCH/SHELL

As forecast in the recent prospectus, the directors of "Shell" transport have maintained the tax free ordinary dividend of 18¾ per cent on the increased capital. The preliminary statement sets out the experience of the Royal Dutch/Shell group for the whole of last year. Production of crude oil was higher, as was refinery throughput. Sales proceeds and other income rose by nearly 13½ per cent, by £313 million to £2,634 million. Although operating expenses rose by £183 million to £1,497 million, sales taxes by £58 million to £543 million, and depreciation and depletion by £20 million to £197 million, the net income of the group after tax rose by 18½ per cent—from £179½ million to nearly £212¾ million.

From this income of £212¾ million, £44.3 million was distributed to the two parents, "Shell" Transport and Royal Dutch, and the remainder retained in the business. Including depreciation and depletion provisions the group ploughed back in all nearly £386 million, exactly matching the sum it spent on capital development and exploration, and over the year the total of cash and securities rose from £320 million to £349 million. These figures underline the fact that the gigantic issue of the Royal Dutch/Shell group, which raised in all about £115 million, looked forward. The issue, in fact, foreshadowed a period of heavy capital expenditure, most of which will continue to be met by retained earnings.

The oil companies have now to accept the prospect of smaller profit margins. Product prices have come down and the narrowing of margins, as costs continue to rise, is reflected in the quarterly estimates of the group's trading experience set out in the table. The rate of growth in sales was sharply reduced and the pressure on margins intensified in the latter months of last year so that the big expansion in profits reflected in

SALES AND INCOME
(£ million)

Quarter	1956 1st	1956 2nd	1956 3rd	1956 4th†	1957 1st	1957 2nd	1957 3rd	1957 4th†
Sales :—								
Including duties	535·4	559·7	591·2	635·2	643·8	663·6	667·9	659·0
Excluding duties	432·5	437·1	456·3	510·0	528·3	527·4	516·0	519·0
Income :—								
Gross	79·5	81·3	84·8	74·0	103·3	109·0	92·4	73·0
Net	40·7	43·3	48·2	47·3	51·7	58·8	56·9	45·3
Income/sales :—*								
Gross (per cent)	*18·4*	*18·6*	*18·6*	*15·5*	*19·6*	*20·5*	*17·9*	*14·1*
Net (per cent)	*9·4*	*9·9*	*10·6*	*9·3*	*9·8*	*11·2*	*11·0*	*8·7*

* After deducting sales taxes and excise duties, etc., from turnover. † Estimated figures.

the annual figures really occurred in the first months of the year, when Venezuelan production made a notable contribution. The comment of the directors is: "Gains were recorded in sales of aviation fuels, kerosene and chemical products, but some slackness in demand for gas oil and fuel oil was experienced as a result of unusually mild weather, and sales of these products in Europe were also adversely affected by interference with supplies from the Middle East in the year, so that in total they were slightly lower in 1957 than in the previous year."

DE HAVILLAND

One of de Havilland's biggest problems must be finance. Work in progress on the Comet IV's, which have yet to make their contribution to earnings, must have been built up and the company's success in securing the BEA order for a medium range jet airliner must ultimately add to working capital commitments. Conservation of resources is thus inevitable and no one need be surprised at the decision to leave the ordinary dividend unchanged at 7½ per cent. Nor can there be much surprise at the drop in profits in the year to September 30th, though it is sharp. Before tax, the group's earnings fell from £3,846,338 to £1,544,415. Those figures are struck after charging £1,878,444 (against £930,481) for jig and tool expenditure and after carrying forward against contracts for the sale of aircraft another £1,276,783 for further expenditure on jigs and tools. The directors explain this decision to spread out such expenditure over more than one accounting period in terms of "the protracted production cycle of new large civil aircraft."

After tax, the group's net earnings have fallen from £1,659,238 to £619,611. The fall in profits seems to reflect several factors. First, the accounts have had to bear some of the cost of bringing new aircraft into production before the sale of these aircraft yields a final profit. The first production Comet IV, which the British Overseas Airways Corporation will bring into service later this year—neck and neck with Air France's medium-range jet Caravelle—was rolled out to prepare for its first test flight only last Wednesday. With the imminent signing of a contract with Argentine Airlines, total orders for this aircraft now stand at 31, to be delivered over the next three years. Secondly, profits from the Canadian subsidiary have fallen from the exceptional levels reached in 1955-56 when the company was completing defence orders for the US services. Thirdly, there has been some run down in military orders; the cancellation of the Saunders Roe fighter hit the de Havilland engine division particularly hard. It will, however, provide engines for the Blackburn navy bomber that the Minister of Defence is trying to get adopted by the RAF as a Canberra replacement. Deliveries have also begun, since the period covered by the accounts, of airborne guided missiles, and the company is one of three main contractors for the 2,000 mile range ballistic missile under development.

RIO TINTO

Equity stocks with the label "growth" pinned on them in a boom often suffer the worst beatings in the slump that follows. A year ago the 10s. ordinary stock of Rio Tinto wore this tag and stood at 95s. to yield only 2¼ per cent. By October the price was down to 63s. 9d. and the company then made a one-for-six rights issue at 50s. a share. The stock is now quoted at 54s. 4½d. and on a 26 per cent dividend on the enlarged capital yields about 4¾ per cent. That dividend was forecast in October and is approximately equal to the tax-free payment of 15 per cent paid for 1956 on the smaller capital.

In the past twelve months the fall in metal prices and the slowing down of industrial activity has caused investors to think more cautiously. And the company's preliminary statement does nothing to disturb the assessment that the risks in Rio Tinto are still big. Excluding the earnings of Rio Tinto of Canada, the income of the group rose last year from £3,485,000 to £3,900,000, which seems a fair result. But currently the biggest single source of Rio Tinto's income is the dividends on its Rhodesian copper investments. These have been reduced, cutting Rio Tinto's investment income from £3,517,000 to £2,643,000, and they will probably be cut further this year. So the increase in Rio Tinto's total income must owe a good deal to the consolidation into the 1957 accounts of the earnings of Kern Oil, which the group acquired early last year.

It can be argued that neither current income nor the fact that the net dividend absorbs as much as £1,091,000 from a net income of £1,491,000 is of paramount importance. What is important, this argument runs, is the profit likely to accrue from uranium production and the hope that Rio Tinto's extensive mineral exploration programme will produce a winner. The Mary Kathleen mine in Australia is not due to produce uranium until later this year. But uranium production is already under way in Canada and the proportion of the profit of Rio Tinto of Canada attributable to the parent company went up last year from £41,000 to £380,000. That income is not consolidated into the group accounts. Earnings from uranium are not in effect distributable to the Rio Tinto equity until the big loans which made production possible both in Canada and Australia are largely paid off. The uranium is sold under fixed price contracts over a limited period of years. At the end of the period the capital cost of the mines will be amortised, but then Rio Tinto may be selling uranium at a free market price. The risks of undue dependence on uranium are obvious and Rio Tinto has pushed ahead with an ambitious and costly programme of exploration for other minerals. That programme now has to be re-assessed against a background of much lower metal prices than ruled when it was started.

ALLEN AND HANBURYS

The stock market's reaction to the intended offer by Glaxo Laboratories to acquire all the ordinary share capital of Allen and Hanburys was that shareholders cannot afford not to accept. It is to be an agreed merger supported by the directors of both these companies and the terms are three 10s. ordinary shares of Glaxo for every £1 ordinary share in Allen and Hanburys. On the eve of the announcement, the Glaxo units stood at 37s. 3d. Thus the bid put a price of 111s. 9d. on the Allen and Hanburys units, which were then standing at 65s. After the announcement, these units were marked up by 41s. 3d. to 106s. 3d. The Allen and Hanburys shareholders in accepting the bid will gain in dividend cover and in income, though quite how much is not yet clear, as Glaxo recently announced a higher interim dividend out of bigger earnings without forecasting what the final dividend will be. There is a bigger asset backing to the Allen and Hanburys equity than to the Glaxo equity, but the big point in the bid's favour, which should override all others, is the immediate gain in capital value.

Glaxo is much the bigger concern, its gross profits in the year to June 30th being about seven times as big as Allen and Hanburys' and its net assets nearly four times as big. Each company will retain its "own name, individuality and pattern of business" but the directors are certain that the merger should "establish a concern of great strength and comprehensiveness in the pharmaceutical field," remarking that the two businesses are "complementary rather than competitive." The two groups have in the past concentrated upon rather different ranges of pharmaceuticals and drugs. In particular, Glaxo, through this merger, will enter the important markets for insulin and anti-allergy drugs.

THOMAS TILLING

The pattern of investment in an active industrial holding company such as Thomas Tilling is always changing. Big changes, including the sale of its holding in the Brush Group, occurred in the investments of Thomas Tilling last year. The results, however, suggest that the investment policy has paid. Last year the gross profits of the group rose from £2,487,065 to £2,894,388 and net profits from £1,206,691 to £1,324,585. The ordinary dividend has been raised from 11¼ to 13¼ per cent.

C. A. PARSONS

On the 7½ per cent dividend for 1957 the £1 units of C. A. Parsons at 50s. 9d. yield just under 3 per cent. That low figure still reflects the "nuclear power boom" of 1956-57. But the steam is now out of the boom. Twelve months ago Sir Claude Gibb, the chairman of C A. Parsons, said that unless the group secured a "very big increase in output" profits were likely to fall in 1957. They have fallen, declining after tax from £2,293,264 to £1,996,714.

RHODESIAN ANGLO AMERICAN

BECAUSE of the decision of the Capital Issues Committee, Rhodesian Anglo American was able to offer to its British resident shareholders only £500,000 of the £4,000,000 issue of a 6 per cent loan stock at 95, carrying the option to convert the stock in the next five years into Rhoanglo ordinary shares at 80s. a share. The result was Gilbertian: British shareholders oversubscribed their quota applying for about £580,000 of the stock and applicants for over £30,000 of stock had to be scaled down to about 65 per cent of their application.

But the issue as a whole was undersubscribed and Anglo American Corporation of South Africa which had underwritten the whole at a commission of 2½ per cent had to take up 36.5 per cent. Anglo American, itself a big shareholder in Rhoanglo, could equally have mopped up the surplus with an application for excess shares. The effect of Anglo American taking them as an underwriter is that the mining finance houses and South African institutions which have sub-underwritten the issue get their proportion on sub-underwriting terms. They presumably are not displeased and are likely to be firm holders. Dealings began in the new stock at par.

HUDSON'S BAY

WHY, with the cooling winds of recession blowing across the North American continent, was the trading dividend of Hudson's Bay raised from 15 to 20 per cent? The group's sales and profits as a whole in the year to January 31st last were better. But the Hudson's Bay retail stores earned slightly smaller profits from a bigger turnover and profit margins in the wholesale department were slightly lower; moreover, the rate of increase in sales achieved by the retail stores in the spring and summer was not maintained later in the year. Thus the increase in income came from royalties and from the fur trade, where the company's three auction houses enjoyed "a very good year." About £120,000 of the increase in the profit of the fur trade department represented a non-recurring credit on the sale of fixed assets. Furs, retailing and wholesaling would all seem likely to be affected by the recession this year and yet the directors must have felt confident about the future when they raised the dividend.

It cannot have been merely because Hudson's Bay has now qualified as an overseas trade corporation. At current rates of profits and dividends this will save the group about £250,000 in tax a year. Was it because Hudson's Bay Oil and Gas, now a public company, is out of the red? Last year that company stepped up its oil production and earned a profit of $3 million which, with the help of non-recurring gains of nearly $4½ million, converted the deficit account brought forward from previous years into a surplus of $629,000.

Years to January 31,	1957 £	1958 £
Total sales	69,360,000	72,397,000
Total gross profit	4,024,000	4,329,000
Total net profit	1,909,000	2,312,000
Retail sales	44,092,000	46,834,000
Retail profit	2,408,000	2,405,000
Fur sales	9,409,000	9,215,000
Fur profit	825,000	1,099,000
Wholesale sales	15,859,000	16,348,000
Wholesale profit	197,000	199,000
Royalties	509,000	542,000

In addition to the trading dividend, shareholders received a maintained tax free payment of 2½ per cent from the land account. Under a supplemental charter recently granted to Hudson's Bay the length of life of this land account has in effect been extended, for the company has been able to transfer £672,000 from capital reserves to the land account, bringing its undistributed surplus up from £1,135,000 to £1,771,000. The total distribution, taking the trading dividend and land account dividend together, has been raised from 19.34 to 24.34 per cent gross, on which the £1 ordinary shares at 157s. 6d. xd yield only 3.1 per cent—a return that continues to discount the development of the company's oil interests as well as the growth of the Canadian economy as a whole some way ahead.

London Stock Exchange

FIRST DEALINGS:	Mar. 26	April 16	April 30
LAST DEALINGS:	April 15	April 29	May 13
ACCOUNT DAY:	April 22	May 6	May 20

AFTER making substantial gains on each day of dealings last week, gilt-edged resumed their rise after the holiday. Turnover was heavy and there was outright buying by institutions; the *Financial Times* index of Government securities rose from 82.45 at last Thursday's close to its highest point this year of 83.31 on Wednesday. Considerable interest was shown in corporation and Dominion loans, 5 per cent Agricultural Mortgage (1959-89) gaining 1¼ to 88¼ since last Tuesday, while 5¾ per cent East Africa 1977-83 rose the same amount to 92¼. The new Australian 6 per cent loan rose from a discount of ⅛ to a premium of ⅝ and the new LCC 6 per cent stock advanced to 3/16 premium.

There was a less pronounced rise in industrial stocks, the fear of industrial disputes partly offsetting hopes of a favourable Budget, but nevertheless prices had recovered the ground lost since the beginning of the year before the holiday began, and improved further from Tuesday. Banks advanced, Midland rising 3s. 3d. to 63s., National Provincial 3s. to 63s. and Lloyds 2s. 9d. to 47s. 9d., while discount houses became a little firmer. Insurance shares weakened, Alliance losing 2s. to 71s. 6d. Building shares were strong and paint producers jumped on the increased dividend by British Paints whose stock gained 1s. 6d. to 16s. 3d.; Pinchin Johnson rose 9d. to 17s. Orders at the International Motor Show helped motor shares, but Raleigh fell 1s. 6d. to 30s. 4½d. on the decision to work a four-day week for an indefinite period.

Oil shares were dull and little interest was taken in Kaffirs, although Harmony was an exception, rising 1s. 3d. to 34s. 9d. A sharp decline in copper mines was halted on Wednesday. Rubber plantations have been consistently firm.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Index Dec. 31, 1957 = 100 Mar. 26, 1957	Feb. 25, 1958	Mar. 25, 1958	Average Yields (per cent) Mar. 26, 1957	Feb. 25, 1958	Mar. 25, 1958
Ordinary Shares :—						
Electrical engineering	124·4	93·7	99·4	5·02	6·09	5·76
Engineering	124·1	93·3	100·0	4·98	6·14	5·91
Motors and aircraft	121·6	96·4	101·8	5·39	6·65	6·37
Steel	...	91·4	89·4	...	10·51	10·75
Chain stores	100·6	87·8	93·6	4·00	4·86	4·55
Cotton and rayon textiles	102·6	90·1	90·1	8·67	10·33	9·84
Chemicals	111·4	94·7	102·5	5·31	5·66	5·35
Oil	124·9	84·2	94·8	4·89	7·86	6·96
Shipping	126·0	91·8	98·9	5·49	7·94	7·36
Investment trusts	102·4	95·8	99·0	5·01	5·66	5·51
Industrials :—						
Ordinary (all classes)	111·8	92·8	98·9	6·16	7·25	6·85
Preference	106·1	100·5	100·1	5·99	6·33	6·36
Debenture	113·2	101·9	103·4	5·71	6·35	6·26
Total (capital goods)	123·6	93·6	98·6	5·28	7·05	6·81
Total (consumption goods)	103·8	95·7	99·8	7·15	7·50	7·19
Consols 2½%	115·1	103·8	105·4	4·70	5·21	5·13

STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1957 High	1957 Low	1956 High	1956 Low
Mar. 12	176·4	6·73				
" 19	173·8	6·83				
" 26	176·0	6·77				
April 1	179·4	6·66	225·0 (July 10)	171·2 (Nov. 6)	210·4 (Jan. 4)	170·0 (Nov. 28)
" 9	182·8	6·55				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1957	1956
		%		%			
April 1	164·7	6·85	89·11	5·04	7,712	High 207·6 (July 9)	High 203·5 (Jan. 3)
" 2	166·1	6·79	89·19	5·01	7,643		
" 3	165·8	6·81	89·26	4·96	7,855		
" 8	166·3	6·79	89·62	4·93	7,923	Low 159·0 (Nov. 5)	Low 161·5 (Nov. 29)
" 9	168·1	6·72	89·72	4·88	7,762		

Bases :—* 1953 = 100. † July 1, 1935 = 100. ‡ 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price April 1, 1958	Price, April 9, 1958	Net Yield, April 9, 1958 § £ s. d.	Gross Yield, April 9, 1958 £ s. d.
97 13/16	93½	War Loan 3%	1955-59	97⅞	98	3 1 11	4 7 7
93 5/16	87⅛	Funding 2½%	1956-61	93 5/16	94⅛	3 9 10	4 11 9
99 5/16	98⅜	Conversion 4%	1957-58	99 1/32	99 1/16	0 14 9	5 9 3
97 13/16	94 13/16	Conversion 2½%	1958-59	97⅛	98⅜	3 8 6	4 11 1
95⅞	90½	Exchequer 2½%	1960	96⅛	95⅞	3 12 9	4 11 9
97⅜	92½	Exchequer 3%	1960	97⅛	97⅛	3 1 11	4 9 4
99 3/16	93	Conversion 4½%	1962	98 3/16	99⅛	2 14 4	4 14 4
89⅜	84⅜	Savings Bds. 3%	1955-65	86⅛	87⅛	3 15 10	5 4 2
84⅛	77	Funding 3%	1959-69	78⅛	80⅛*	3 19 4	5 8 4
92⅜	84 11/16	Funding 4%	1960-90	86 1/2*	87*{	9 6 5	11 2 5
						2 18 5	4 15 8
81⅝	74	Savings Bds. 3%	1960-70	76⅜	77½	4 0 11	5 10 10
94 5/16	87⅜	Exchequer 3%	1962-63	92⅜	92⅝	3 7 1	4 15 8
89 5/16	83	Exchequer 2½%	1963-64	88⅛*	88*	3 12 6	4 14 11
83 11/16	77⅛	Savings Bds. 2½%	1964-67	79⅛*	80⅛*	4 1 1	5 4 11
77⅜	67½	Savings Bds. 3%	1965-75	71⅛	72⅜	3 19 3	5 10 10
—	—	Exchequer 5½%	1966	100 7/16	100 11/16	3 1 11	5 9 0
84⅝	78⅛	Funding 3%	1966-68	80⅝	82	3 18 0	5 7 5
95⅛	91½	Victory 4%	1920-76	91⅝	92	3 6 4	5 3 11
88 5/16	80⅜	Conversion 3½%	1969	83⅜	85⅛	3 14 0	5 7 2
81⅜	69½	Treasury 3½%	1977-80	74⅛	75⅛	3 13 11	5 10 8
80	68	Treasury 3½%	1979-81	73⅝	74⅜	3 14 2	5 10 9
—	—	Funding 5½%	1982-84	99⅛	99⅞	3 4 5	5 12 1
71⅞	57½	Redemption 3%	1986-96	62⅜	63¾	3 8 8	5 3 10
80⅜	63½	Funding 3½%	1999-2004	69⅞	70⅜	3 5 8	5 5 5
81 11/16	68	Consols 4% after Feb.	1957	72⅜	74½	3 2 4	5 8 10
75	60½	War Loan 3½% after	1952	65 13/16	67⅜	3 0 3	5 5 7
75½	58½	Conv. 3½% after Apr.	1961	64⅜	65¾	3 1 2	5 6 5
65⅞	51⅜	Treas. 3% after Apr.	1966	56⅜	57½	3 0 4	5 4 11
65 11/16	45	Consols 2½%		49⅛*	51⅜	2 16 3	4 17 11
55 11/16	44	Treas. 2½% after Apr.	1975	47 1/16	49	2 18 9	5 2 2
96⅛	88⅜	Br. Electric 4½%	1967-69	93	94½	3 4 10	5 5 4
80 1/16	70	Br. Electric 3%	1968-73	73⅜	74⅜	3 19 11	5 10 5
78⅛	66	Br. Electric 5%	1974-77	70⅜	71⅜	3 17 3	5 8 9
92 7/16	79⅛	Br. Electric 4½%	1974-79	83⅜	84⅛	3 10 0	5 5 10
81 11/16	69⅜	Br. Electric 3½%	1976-79	75⅛	74⅜*	3 14 2	5 5 9
90½	81	Br. Gas 4%	1969-72	85⅛	86	3 11 11	5 9 11
87⅛	78	Br. Gas 3½%	1969-71	81⅛	82½	3 14 5	5 8 2
72½	58½	Br. Gas 3%	1990-95	63*	64⅛*	3 8 6	5 3 1
80 1/16	70	Br. Transport 3%	1968-73	73⅜	74⅜	3 19 11	5 10 5
88⅞	77⅛	Br. Transport 4%	1972-77	82	82⅝	3 11 3	5 10 9
72⅜	59	Br. Transport 3%	1978-88	64⅜	65⅜	3 12 6	5 7 1

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Apr. 1, 1958	Price, Apr. 9, 1958	Yield, April 9, 1958 £ s. d.
92½	82	Agric. Mortgage 5%	1959-89	86	88½	5 16 6
81½	75	Australia 5½%	1965-69	77	78¼	6 0 3
97⅛	91½	Birmingham 5%	1973-75	95	95	5 9 3
100½	91	East Africa 5¾%	1977-83	90	92¼	6 7 6
105½	96	L.C.C. 5½%	1977-81	98	99½	5 10 6
69½	54½	Met. Water Board 'B' 3%	1934-2003	59	59¼	5 9 3
87⅛	77	New Zealand 4%	1976-78	80	81½	5 11 0
75⅝	67½	S. Rhodesia 2½%	1965-70	68½	70⅜	6 0 6
87	72⅜	German 7% (Br. Enfaced 5%)	1924	90⅜	90½	...
169½	147½	Japan 5% (Enfaced)	1907	161½	161½	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Apr. 1, 1958	Price, Apr. 9, 1958	Yield, April 9, 1958 £ s. d.
		%	%	BANKS & DISCOUNT			
30/9	19/6	4 a	5 b	Bk. Ldn. & S. Amer. £1	28/-	28/6	6 6 4
47/3	40/-	6 a	6 b	Barclays Bank £1	42/-	44/-	5 9 1
35/3	27/6	4 a	4 b	Barclays D.C.O. £1	28/-	28/6	5 12 3
42/6	34/6	7½a	7½b	Chartered Bank £1	36/-	36/-	8 6 8
51/3	42/9	6½a	6½b	Lloyds Bank £1	45/-	47/9	5 8 11
66/7½	58/-	9 a	9 b	Midland Bank £1	59/6	63/-	5 14 8
40/6	28/6	5 a	5 b	Nat. Discount 'B' £1	32/-	32/6	6 3 1
61/6	39/3	6½a	6½b	Union Discount £1	44/6	45/-	5 11 1
				INSURANCE			
86/4½	61/7½	43½b	30 a	Commercial Union 5/-	70/-	69/-	5 6 4
177/6	102/6	40 a	60 b	Legal & General 5/-	6⅛	6⅜	3 19 3
113/9	87/6	†20 a	†50 b	Pearl 5/-	93/9	91/3	6 13 5
46	34½	†132½c	†147½c	Prudential 'A' £1	41	40½	6 5 11
				BREWERIES, ETC.			
32/6	26/4½	10 a	36 b	Bass 5/-	33/6	34/3	6 12 5
25/9	19/7½	18½c	7½c	Distillers 6/8	21/3	22/9	5 9 10
44/9	36/-	10 a	15 b	Guinness 10/-	38/1½	39/3	6 7 5
87/3	63/6	8 a	17 b	Whitbread 'A' £1	79/4½	80/-	6 0 0g
				MOTORS & AIRCRAFT			
21/6	11/9	6½b	3½a	Bristol Aeroplane 10/-	10/6	10/4½	9 11 9
8/7½	6/-	12½c	12½c	British Motor 5/-	7/3	7/9½	8 0 0
40/-	29/3	3 a	6 b	Ford Motor £1	35 7½*	35/6*	5 1 5
45/9	27/6	3 a	7 b	Hawker Siddeley £1	25 9	26/1½	7 13 3
53/-	41/9	12½c	12½c	Leyland Motors £1	39 4½	39/9	6 5 6
121/-	90/7½	15 b	5 a	Rolls-Royce £1	88 3	91/4½	4 7 7
9/1½	5/11½	8 c	8 c	Standard Motor 5/-	7/6	7/5½	5 7 6

Prices, 1957 High	Prices, 1957 Low	ORDINARY STOCKS	Price, Apr. 1, 1958	Price, Apr. 9, 1958	Yield, April 9, 1958 £ s. d.
		STEEL & ENGINEERING			
83/-	52/-	†10 a †6 b Br. Amer. Tob. 10/-	43/-	44/-	6 11 10
29/3	20/-	4 a 6 b Dorman Long £1	22/9	22/9	8 15 10
56/6	41/9	10 b 5 a Guest Keen N'fold. £1	48/3	50/3	5 7 6h
76/4½	50/6	†4 a †8 b Alfred Herbert £1	62/6	63/-	6 12 5
59/-	40/-	7 b' 4 a Metal Box £1	46/3	48/-	4 11 8
34/-	19/-	3 a 8 b Stewarts & Lloyds £1	20/7½	21/6	10 4 8
81/-	52/-	5 a 13 b Swan Hunter £1	57/6	56/3	6 8 0
24/1½	18/-	4 a 7½b United Steel £1	18/6	18/6	12 8 7
46/-	29/3	7½b 2½a Vickers £1	30/-	30/3	6 12 3
		ELECTRICAL			
72/3	47/6	7½a 7½b Assoc. Elec. Inds. £1	49·4½	49/6	6 1 3
55/-	39/4½	8½b 4 a Br. Ins. Callenders £1	40·9	42/1½	5 18 7
32/6	24/-	14 3/4a 29½b Decca Record 4/-	27/-	27/1½	6 9 0
64/9	47 3	4 a 15 c Elect. & Mus. Inds. 10/-	31·6	33/3	4 10 2
59/-	37/9	8 b 3½a General Electric £1	30/7½	31/3	7 7 3
		TEXTILES			
24/1½	14/-	3 a 3 b Bradford Dyers £1	14/-	13 10½	8 12 11
28/-	21/1½	6½b 2½a Coats, J. & P. £1	21/-	21/3	8 4 10
37/9	20/10½	6 b 3 a Courtaulds £1	20/6	20/6	8 15 7
38/7½	31/10½	5 a 12½b Lancashire Cotton £1	32/-	31/6	11 2 3
41/7½	30/10½	12½b 2½a Patons & Baldwins £1	31/3	32/1½	9 6 10
		SHOPS & STORES			
24/6	13/9	16 c 6 a Boots Pure Drug 5/-	20/-	20/4½	3 18 8
42/10½	31/4½	20 b 7½a Debenhams 10/-	36/10½	38/9	7 2 0
55/7½	33/3	50 b 15 a Gt. Universal 'A' 5/-	39/-	39/9	8 3 8
57/3	30/3	20 b 10 a Marks & Spen. 'A' 5/-	40/6	42/10½	3 10 0
30/3	19/3	20 b 12½a United Drapery 5/-	23/6	24/3	6 14 0
49/-	37/10½	13½a 26½b Woolworth 5/-	38/-	38/10½	5 3 7
		SHIPPING			
11 b	6½a	Brit. & Com'wealth 10/-	31/-	31/-	5 12 11
27/9	17/6	8 b 2 a Cunard £1	17/6	17/-	11 15 4
48/10½	28/3	9⅜c 10½c Furness Withy £1	31/-	30/6	7 1 8
38/-	23/9	3 a 8 b P. & O. Deferred £1	28/6	28/-	7 17 3
		MISCELLANEOUS			
36/10½	24/9	22½c 18a Allied Bakeries 'A' 5/-	34/-	35/3	4 5 0k
60/3	29/9	6 b 3 a Assoc. Port. Cem. £1	36/3	37/-	4 17 3
27/9	18/6	12½b 2 a Beecham Group 5/-	32/-	32/9	5 5 5
47/9	26/3	8 b 4½a Bowater Paper £1	28/-	28/6	8 15 5
68/10½	38/-	4 a 8 b Br. Aluminium £1	45/6	45/6	5 5 5
46/4½	35/-	†10 a †6½b Br. Amer. Tob. 10/-	43/-	44/-	6 11 10
25/-	17/4½	17½b 7½a B.E.T. 'A' Defd. 5/-	23/-	23/3	5 2 8
39/-	29/6	4 a 6 b Br. Oxygen £1	34/-	35/-	5 14 3
21/10½	15/3	7½b 3 a Dunlop Rubber 10/-	16/9	17/-	6 3 8
46/6	36/1½	4 a 8 b Imp. Chemical £1	43/6	43/9	6 9 10
50/6	36/-	8½a 11½b Imp. Tobacco £1	43/-	43/4½	9 4 5
36/9	27/3	5 b 2½a J. Lucas (Inds.) £1	33/9	33/6	4 9 8
19/3	12·4½	5 a 8½b Monsanto Chem. 5/-	15/-	16/-	4 4 5
18/3	13/9	5 a 5 b Ranks 10/-	14/6	14/6	6 18 0
56/6	29/9	10 b 5 a A. E. Reed £1	29/6	30/-	10 0 0
15/10½	11/3	20 c 22½c Sears Holdings 'A' 5/-	13/-	13/6	8 6 8
70/3	54/10½	4½a 12 b Tate & Lyle £1	54/3	55/3	5 19 5
70/9	50/-	7½a 7½b Tube Investments £1	52/6	54/-	5 11 3
73/6	51/-	2½a 12½b Turner & Newall £1	60/-	60/-	5 0 0
114/6	71/9	6 a 11½b Unilever Ltd. £1	73/9	74/6	4 14 0
102/-	65/6	14½b 4 a Utd. Dominions Tr. £1	82/6	85/-	4 7 0
44/-	27/6	†10 b †4½a United Molasses 10/-	26/9	27/3	9 0 10
		OIL			
173/7½	87/6	†10 b †5 a British Petroleum £1	87/6	86/10½	6 0 3
119/4½	70/7½	17½b †5 a Burmah £1	69/4½	68 1/4	6 12 2i
£25	£14½	7½a 17½b Royal Dutch 20 fl.	£15	£15½	3 1 0
218/3	136/10½	†5 a †13½b Shell £1	131/3	131/3	4 19 4
104/-	55/-	... ... Ultramar 10/-	61/9	61/6	...
		MINES, ETC.			
137/6	115/-	20 a 60 b Anglo-American 10/-	126/3¾	126/3	6 6 9
29/-	20/3	†2½a †10 b Cons. Tea & Lands £1	20/9	21/3	20 0 0
92/6	48/6	15 b 6½a Cons. Zinc Corp. £1	47/4½	47/-	9 0 0
113/1½	81/3	80 a 120 b De Beers Def. Reg. 5/-	90·7½*	89/4½*	11 4 0
83/1½	58·7½	20 b 40 a Free State Geduld 5/-	79·4½	80/-	3 15 0
12/10½	7/3	30 c 30 c London Tin 4/-	7/-	7/1½	16 17 0
56/7½	45/-	50 a 50 b President Brand 5/-	49/6	49/4½	10 2 6
24/9	13/10½	8½a 16⅜b Rho. Selection Tst. 5/-	16/6	15/10½	7 17 6j
42½	23½	175 b 25 a Rhokana Corp. £1	24½*	23½*	8 10 3j
55/-	41/-	30 b 12½a United Sua Betong £1	50/-	52/3	16 5 5
88/4½	58/1½	60 b 60 a Western Holdings 5/-	90/7½	90/7½	6 12 5

New York Closing Prices $

	Apr. 1	Apr. 9		Apr. 1	Apr. 9		Apr. 1	Apr. 9
Alcoa	67½	63½	DuPont de Nm.	175½	173	N.Y. Central	13½	13½
Allmin'm Ltd.	28½	27½	Ford Motors	40½	40	Sears Roebuck	26½	26½
Am. Smelting	43½	41½	Gen. Elect.	60¼	57½	Shell Oil	68½	69½
Amer. Tel.	172½	174½	Gen. Motors	35½	34½	Std. Oil of N.J.	51½	51½
Anaconda	44½	43	Goodyear	72½	72	Tri-Conti'tal.	30⅜	30⅜
Beth. Steel	38½	37½	Gulf Oil	108½	107½	Union Carbide	86½	86½
Can. Pacific	25	24½	Int. Bus. M.	344½	335	U.S. Steel	57	56½
Chrysler Cpn.	49	47½	Int'l. Nickel	74½	74	West'house E.	61½	68
Crown Zeller.	46½	45	Int'l. Paper	90⅛	88½	Woolworth	41½	41½

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) On 24 %. (h) On 13½%. (i) On 22½%. (j) After Rhodesian tax. (k) On 30%. (l) To latest date. (m) On 15%.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared

World Trade ..... January 18th

BRITISH		OVERSEAS	
Prices and Wages.....	April 5th	Western Europe :	
Production and Consumption	This week	Production and Trade.....	Mar. 29th
Manpower.....	Mar. 22nd	British Commonwealth	This week
External Trade.....	Mar. 29th	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	Mar. 22nd
Industrial Profits	Jan. 18th	United States	April 5th

UK Production and Consumption

M=Monthly averages or calendar months. W=Weekly averages. Stocks at end of period.

		Unit	Monthly averages 1955	Monthly averages 1956	Monthly averages 1957	1956 Dec.	1957 Jan.	1957 Feb.	1957 Nov.	1957 Dec.	1958 Jan.	1958 Feb.
INDUSTRIAL PRODUCTION												
Index :												
All industries		1948=100	137	136	138	133	138	143	148	135	137	141–142[1]
„ „ *seasonally adjusted*		„	...	...	...	*136*	*136*	*137*	*139*	*137*	*136*	*136–137*[1]
Mining and quarrying		„	108	109	109	110	114	121	118	108	109	...
Building and contracting		„	116	123	123	127[4]	...	122[5]	123[6]	...	...	...
Gas, electricity and water		„	153	160	163	178	188	183	184	191	201	...
Manufacturing, total		„	142	140	142	135	140	147	152	136	139	...
„ „ „ *seasonally adjusted*		„	...	...	...	*139*	*139*	*142*	*144*	*140*	*139*	...
Engineering, shipbuilding, electrical goods		„	155	151	155	152	151	160	170	153	...	...
Vehicles		„	172	160	165	144	156	164	179	159	...	...
Chemical trades		„	179	185	192	185	195	200	201	184	...	...
Textiles and clothing		„	116	117	116	104	119	130	116	99	...	...
Food, drink and tobacco		„	117	121	123	126	114	117	131	123	...	...
BASIC MATERIALS												
Production of :												
Coal [1] [3]	W	'000 tons	4,250	4,269	4,301	4,285	4,455	4,736	4,610	4,219	4,272	4,579
Pig iron	W	„	240	253	275	262	257	268	282	276	271	273
Steel, ingots and castings	W	„	381	397	417	396	416	432	429	398	407	428
Sulphuric acid	M	„	174·6	187·2	194·7	201·6	205·5	184·0	191·0	206·8	214·1	...
Newsprint	W	„	11·91	12·36	12·55	12·67	13·67	14·55	12·26	11·06	11·97	...
Electricity [1]	M	mn. kwh	6,679	7,263	7,581	8,456	9,030	7,889	8,812	9,443	10,076	8,723
MANUFACTURING												
Textile production :												
Cotton yarns, single	W	mn. lb.	16·91	16·33	16·85	16·00	17·54	18·25	18·31	15·82	17·23	17·33
Worsted yarn	M	„	18·48	19·38	19·48	17·62	22·00	19·96	20·11	16·60	19·66	...
Rayon and synthetic fibres, total	M	„	39·32	40·21	41·32	36·59	43·30	40·49	39·94	35·15	40·85	35·73
„ „ „ „ staple fibre	M	„	19·94	21·31	21·93	19·82	22·80	21·65	21·94	18·60	21·93	13·95
Cotton cloth, woven	W	mn. yds.	34·3	31·0	31·4	30·0	32·1	34·1	34·3	29·4	31·4	...
Wool fabrics, woven	M	mn.sq.yds	34·2	33·1	32·8	29·5	37·9	34·1	33·6	30·1	35·5	30·9
Engineering production :												
Passenger cars and chassis	W	'000s	17·26	13·61	16·56	10·24	10·40	11·91	20·99	18·18	21·41	20·86
Commercial vehicles and chassis	W	„	6·53	5·71	5·54	4·42	4·65	5·25	6·74	6·18	6·66	6·87
Metal working machine tools	M	'000 tons	12·52	12·90	...	13·44[4]	...	13·40[5]	13·90[6]	...	...	...
Internal combustion engines	M	'000 BHP	408	411	...	353	424	393	382	403	...	...
BUILDING ACTIVITY												
Permanent houses completed : [1]												
Total	M	'000s	26·42	25·03	25·09	27·77	22·75	23·46	26·48	23·90	20·58	20·09
By private builders	M	„	9·46	10·35	10·54	10·73	9·97	9·36	11·23	10·05	9·31	8·79
By local housing authorities	M	„	15·98	13·86	13·83	16·14	12·10	13·47	14·81	13·22	10·94	11·00
Other	M	„	0·98	0·82	0·73	0·91	0·68	0·63	0·45	0·63	0·34	0·31
WHOLESALE SALES [1]												
Textile houses :		Av. value										
Total home sales		1950=100	98	101	101	93	65	92	118	101	62	...
Women's and children's wear		„	98	102	101	95	63	93	107	95	60	...
Men's and boys' wear		„	94	99	99	98	62	75	121	110	57	...
Piece-goods		„	62	63	64	53	53	84	60	48	50	...
RETAIL SALES [1]		Weekly av. value										
All kinds of business :		1950=100	139	146	153	189	143	137	165	196	146	140
All retailers		„	136	140	146	175	139	132	154	181	141	134
Independent retailers		„	152	162	173	229	149	148	190	241	157	154
Multiple retailers		„	142	154	164	183	154	156	177	186	161	161
Co-operative societies		„	117	121	127	181	128	97	153	189	123	93
General department stores		„										
By kind of shop :												
Food		„	148	156	163	178	157	157	167	185	162	162
Clothing and footwear		„	121	127	131	184	119	97	144	190	118	93
Household goods		„	151	153	166	205	161	154	195	213	165	152
STOCKS												
Basic materials :												
Coal, distributed [1]		'000 tons	18,340	17,893	18,765	17,893	16,088	15,710	20,192	18,765	16,741	16,930
Steel [8]		„	1,365	1,573	1,553	1,573	1,515	1,470	1,609	1,553	1,542	...
Copper [9]		„	76·2	59·6	91·5	59·6	59·2	62·1	81·6	91·5	82·5	...
Sulphur [8]		„	66·6	84·6	102·5	84·6	78·0	80·4	95·7	97·2	82·2	...
Newsprint [7]		„	105·0	133·6	145·6	133·6	124·0[7]	131·2	151·5	145·6	153·8	...
Textiles :		Av. value										
Wholesale houses, total [1]		1950=100	90	95	95	95	108	122	107	95	108	...
Large retailers, clothing and footwear [1]		„	110	118	124	118	110	140	149	124	116	...

[1] Great Britain. [2] *Provisional estimate.* [3] Excluding all screening losses normally amounting to around 5,000 tons a week. [4] Excluding government stocks. [5] Average for first quarter. [6] Average for fourth quarter. [7] From January, 1957, excluding newsprint for periodicals and certain other purposes for which stocks at end December, 1956, totalled 19,600 tons. [8] For sulphuric acid only, including filter cake from May, 1956. [9] Revised series ; stocks at producers' works of ingots, semi-finished steel and alloy, in terms of ingot equivalent.

British Commonwealth

PRODUCTION OF FUEL AND POWER [1]

Monthly averages or calendar months	Coal: Australia	Coal: Canada	Coal: India	Coal: S. Africa	Crude petroleum: Canada	Crude petroleum: Brunei	Electricity: Australia	Electricity: Canada	Electricity: India	Electricity: N. Zealand	Electricity: S. Africa
	'000 tons						million kwh				
1948	1,232	1,255	2,511	1,969	139	220	728	3,714	381	204	772
1956	1,608	935	3,286	2,781	1,897	461	1,470	6,807	805	347	1,472
1957	...	809	3,622	...	...	...	...	7,559	...	396	...
1957, August	1,840	593	3,376	2,997	2,087	459[10]	1,773	6,919	923	446	1,695
„ September	1,825	776	3,641	2,824	1,904		1,641	6,964	925	418	1,592
„ October	1,904	1,077	3,553	3,050	1,885	...	1,666	8,079	918	418	1,636
„ November	...	956	3,920	2,872	1,630	...	1,584	8,180	930	390	...
„ December	...	871	4,013	...	...	...	...	8,225	...	387	...

PRIMARY PRODUCTION [2]

Monthly averages or calendar months	Copper: Canada	Copper: N. Rhodesia	Rubber: Ceylon	Rubber: Malaya	Tin: Malaya	Steel: Australia	Steel: Canada	Steel: India	Steel: S. Africa	Gold: Australia	Gold: Canada	Gold: S. Africa
	'000 tons									'000 fine ounces		
1948	16·3	17·4	7·9	58·2	4·14	106	238	104	49	73·8	294	965·4
1956	23·9	32·4	7·9	52·3	6·32	217	395	145	132	85·9	365	1,321·1
1957	24·1	35·0	8·2	53·2	5·94	251	375	...	...	...	...	1,419·3
1957, October	24·8	38·4	8·9	55·9	6·52	252	340	150	158	88·8	398	1,456·2
„ November	27·9	39·4	8·9	57·1	5·12	236	320	146	148	91·9	375	1,422·5
„ December	29·1	38·0	10·2	54·5	5·49	241	313	...	...	...	...	1,402·1
1958, January	27·1	38·5	9·9	61·2	...	...	...	...	...	...	...	1,418·0
„ February	...	...	6·6	51·6	...	...	...	...	...	...	...	1,356·7

EXTERNAL TRADE [3]

Monthly averages or calendar months	Australia: Imports	Australia: Exports	Canada: Imports	Canada: Exports	India: Imports	India: Exports	New Zealand: Imports	New Zealand: Exports	Pakistan: Imports	Pakistan: Exports	S. Africa [6]: Imports	S. Africa [6]: Exports
	mn. £A		mn. $C		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1948	28·2	33·8	220	259	537	382	10·71	12·27	85·9	136·1	29·5	11·4
1956	68·2	64·5	475	495	707	501	22·38	22·91	165·5	135·0	41·2	34·4
1957	59·7	81·7	469	411	...	...	...	...	...	...	...	...
1957, September	56·9	76·8	445	424	834	615	28·2	16·9	177·0	81·7	42·3	34·3
„ October	71·9	94·8	480	486	731	...	22·6	15·9	192·3	107·3	48·6	40·8
„ November	64·3	83·2	451	436	...	...	27·6	18·8	...	...	47·3	38·1
„ December	61·8	70·7	395	453	...	...	...	...	...	...	...	...
1958, January	...	...	401	390	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES [4]

	Gold and Foreign Exchange Holdings: Australia [5]	Gold and Foreign Exchange Holdings: Canada	Gold and Foreign Exchange Holdings: India [6]	Gold and Foreign Exchange Holdings: New Zealand [5]	Gold and Foreign Exchange Holdings: S. Africa	Cost of Living: Australia	Cost of Living: Canada	Cost of Living: India	Cost of Living: New Zealand	Cost of Living: Pakistan	Cost of Living: S. Africa	Cost of Living: S. Rhodesia
	End of period : mn. US dollars					1953 = 100						
1948	1,265	1,011	3,355[7]	237	652	56	84	...	75	89[8]	77	73
1956	952	1,944	1,360	193	372	110	102	99	111	97	107	105
1957	1,321	1,836	872	138	289	113	106	104	113	106	110	108
1957, October	1,296	1,933	934	201	300	113	107	106	114	110	113	109
„ November	1,317	1,894	897	167	250		107	107		110	112	110
„ December	1,321	1,836	872	138	289		107	107		110	112	111
1958, January	...	1,867	842	167	282	...	107	...	...	...	...	112
„ February	...	1,872	...	...	264	...	...	...	...	...	...	...

[1] Electricity production in New Zealand represents deliveries only and in Canada, prior to 1957, excludes industrial generation for own use. [2] Copper and tin refer to metal production. [3] General trade (including re-exports) except for Canada, which is *special trade only.* Imports are cif except for Australia, Canada and S. Africa which are fob ; exports are fob. Trade for India includes that going by land ; annual figures for India are for 12 months beginning April 1st of year stated and for Australia 12 months ended June 30th. [4] Gold and foreign exchange holdings are those of the government and central bank ; only figures for Australia include holdings of commercial banks. Cost of living for S. Africa and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. [5] Including foreign investments. [6] Including semi-processed gold. Beginning January, 1955, including South-West Africa. [7] In July, 1948, part of holdings was transferred to the State Bank of Pakistan. [8] April, 1948—March, 1949. [9] Including some long-term securities. [10] Average for third quarter.

Financial Statistics

EXCHEQUER RETURNS

For the five days ended April 5, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £25,846,000 compared with a deficit of £29,440,000 in the previous nine days and a surplus of £17,999,000 in the corresponding period of last year. There was a net expenditure "below-line" of £25,560,000, leaving a total surplus of £286,000 compared with £9,506,000 in 1957–58.

£'000	Estimate, 1957-58	Financial Year 1956-57	Financial Year 1957-58	5 days ended April 6, 1957	5 days ended April 5, 1958
Ord. Revenue					
Income Tax	2176,250	2114,173	2208,266	50,065	59,150
Surtax	149,000	158,000	157,400	4,500	4,600
Death Duties	170,000	163,000	170,600	2,700	2,700
Stamps	60,000	65,000	63,700	500	400
Profits Tax, EPT & EPL	255,000	209,000	255,150	3,000	3,300
Other Inland Rev. Duties	500	640	550	...	...
Total Inland Rev.	2810,750	2704,813	2855,666	60,765	70,150
Customs	1204,250	1138,882	1207,466	23,015	19,127
Excise	912,850	931,735	942,360	12,940	10,215
Total Customs and Excise	2117,100	2100,617	2149,812	35,955	29,342
Motor Duties	93,000	90,610	100,734	3,438	3,171
PO (Net Receipts)	20,000	4,464	7,785	...	...
Broadcast Licences	31,000	428,400	30,700	...	...
Sundry Loans	32,000	32,714	32,168	48	...
Miscellaneous	185,900	136,195	165,720	5,430	5,406
Total	**5238,850**	**5157,813**	**5342,584**	**105635**	**108069**
Ord. Expenditure					
Debt Interest	640,000	710,634	-662,968	26,982	26,709
Payments to N. Ireland Exchequer	69,000	66,444	71,631	2,286	2,479
Other Cons Funds	10,000	9,669	9,664	...	...
Supply Services	4215,635	4044,299	4137,779	58,200	52,850
Total	**4334,635**	**4331,046**	**4382,041**	**87,468**	**82,039**
Sinking Funds	38,000	36,985	37,541	168	185
"Above-line" Surplus or Deficit		+ 283,782	+ 423,003	+ 17,999	+ 25,846
"Below-line" Net Expenditure		621,135	634,566	8,493	25,560
Total Surplus or Deficit		**331,354**	**211,563**	**9,506**	**286**
Net Receipts from:					
Tax Reserve Certificates		20,993	−16,815	9,454	4,971
Savings Certificates		72,000	−21,300	1,300	−300
Defence Bonds		−35,631	−39,921	680	−1083
Premium Savings Bonds		64,980	80,190	1,200	1,570

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
April 6	2,860·0	1,595·4	289·3	...	4,455·7
1958					
Jan. 4	3,450·0	2,213·9	223·5	...	5,927·4
„ 11	3,410·0	2,112·2	237·0	...	5,759·2
„ 18	3,370·0	1,714·9	257·3	...	5,555·2
„ 25	3,309·9	1,707·9	203·4	4·8	5,221·0
Feb. 1	3,220·0	1,764·5	179·1	...	5,167·7
„ 8	3,160·0	1,615·9	157·6	...	5,054·5
„ 15	3,120·0	1,433·1	205·5	1·3	4,759·9
„ 22	3,080·0	1,463·7	183·4	...	4,727·1
Mar. 1	3,040·0	1,537·1	210·4	...	4,787·5
„ 8	3,050·0	1,487·6	219·7	...	4,757·3
„ 15	3,060·0	1,529·9	225·6	...	4,815·5
„ 22	3,030·0	1,510·3	248·8	...	4,833·1
„ 31	4,571·2		277·1	...	4,848·2
April 5	3,120·0	1,499·4	259·6	...	4,859·0

THE MONEY MARKET

THE Treasury bill rate at the tender on the eve of the holiday fell by 2s. per cent to £5 8s. 6.30d. per cent, ⅛ per cent below its level on the morrow of the Bank rate reduction. But the current rate is by no means abnormally low in relation to a 6 per cent Bank rate; rather, the fall of 7/16 per cent in bill rate was abnormally small in conjunction with the Bank rate reduction of 1 per cent.

At last week's tender, total applications for the unchanged allotment of £260 million fell by nearly £21 million, to £402 million; and the increase of 6d., to £98 12s. 11d., in the discount market's common bid resulted in an increase in the proportionate allotment from 55 to 61 per cent. At yesterday's tender, the offer was again unchanged at £260 million.

Credit conditions have continued stringent in Lombard Street, and on both Thursday before the holiday and on Tuesday a few houses were forced to take very small loans at Bank rate, despite small special official help through purchases of bills from the market. Dealings in June maturities have generally been at 5 11/16 per cent, and rates on floating money have ranged up to 5¾ and even 5⅞ per cent.

Wednesday's Bank return shows a further rise in the active note circulation of £7.1 million, to £2,025.1 million, in the week straddling Easter. This brings the rise in the last three weeks together to £42.5 million, against £37.0 million in the three pre-Easter weeks last year.

LONDON MONEY RATES

	%		%
Bank rate (from 7% 20 3/58)	6	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	5 13/16–5⅞
Bank	4	3 months	5 13/16–5⅞
Discount houses	4	4 months	5 13/16–5⅞
Money		6 months	5 13/16–5⅞
Day-to-Day	4½–5½	Fine trade bills:	
Treas. bills 2 months	5 13/16	3 months	6½–7
3 months	5⅞	4 months	6¼–7
		6 months	6½–7

BANK OF ENGLAND RETURNS

(£ million)	Apr. 10, 1957	Apr. 2, 1958	Apr. 19,
Issue Department:			
Notes in circulation	1,326·8	2,013·0	2,02
Notes in banking dept.	48·6	32·5	2
Govt. debt and securities*	1,971·3	2,046·2	2,01
Other securities	0·7	0·7	
Gold coin and bullion	0·4	0·4	
Coin other than gold coin	3·0	3·0	
Banking Department:			
Deposits:			
Public accounts	20·1	11·4	1
Bankers	210·7	218·7	20
Others	71·8	75·0	7
Total	302·6	305·1	30
Securities:			
Government	198·9	248·0	24
Discounts and advances	51·6	19·7	2
Other	18·9	21·3	1
Total	269·4	289·0	27
Banking department reserve	50·9	34·7	2
"Proportion"	16·8	11·3	

* Government debt is £11,015,100, capital £14,553,0 Fiduciary issue increased to £2,050 million from £2,000 mil on March 26, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Three Months' Bills Average Rate of Allotment	Allotted at Ma Rate
1957	*91 Days*		s. d.	%
April 5	250·0	249·0	82 11·49	53
1958				
Jan. 3	260·0	405·7	125 6·70	55
„ 10	260·0	398·7	125 7·25	45
„ 17	260·0*	493 8	125 10 33	52
„ 24	250·0	421·0	125 6 56	24
„ 31	249·0	421·2	122 6·59	44
Feb 7	250·0	387·5	121 3 23	05
„ 14	250·0*	424 7	120 10 56	44
„ 21	250·0	411·7	119 5·52	40
„ 28	240·0	331·9	120 3·28	37
Mar. 7	240·0	388 6	120 5·10	47
„ 14	250·0	370·3	120 6·59	61
„ 21	250·0	399·2	111 1·52	52
„ 28	250·0	422·8	110 5 54	55
April 3	260·0	491·9	108 6·30	61

* On April 3rd tenders for 91 day bills at £98 10s 1 secured 1 51 per cent, higher tenders being allotted in full T offering this week was for £260 mn at 91 day bills †Allotm cut by £10 mn ‡All tenders cut by £20 mn

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Odd'd Rates April 9	Market Rates: Spot April 1	April 2	April 3	April 5	April 8	April 9
United States $	2·78-2·82	2·81⅞–2·81¹⁵/₁₆	2·81⅞–2·81¹⁵/₁₆	2·81¾–2·81¹⁵/₁₆	2·81¾–2·81¹⁵/₁₆	2·81¾–2·81¹⁵/₁₆	2·81¾–2·8
Canadian $		2·74¹⅞–2·74¹⅞	2·74¹⅞–2·74¹⅞	2·75–2·74	2·75–2·74	2·75–2·74	2·75–2·7
French Fr.	1157-18–1184-34	11821–11821	11821–11821	11821–1183	11821–1183	11821–11821	11821–118
Swiss Fr.	12-15–12-35	12-25–12-26	12-25–12-26	12-25–12-26	12-25–12-25	12-25–12-25	12-25–12-2
Belgian Fr.	138 95–141-05	139 70–139 75	139 70–139 75	139 77–139 80	139 75–139 80	139 75–139 80	139 72½–1
Dutch Gld.	10-56–10-72	10-64½–10-64¾	10-64–10-63½	10-63½–10-63¾	10-63¼–10-63½	10-63½–10-63¾	10-62½–10
W. Ger. DM.	11-67¼–11-84½	11-75–11-75¼	11-74½–11-74¾	11-74½–11-75	11-74¼–11-74½	11-74¼–11-74½	11-73¾–11
Portuguese Esc.	79 90–81 10	80-00–80-15	80-00–80-15	80 00–80 15	80 00–80 15	80 00–80 15	80-00–80-
Italian Lire	1735½–1754½	1745–1745½	1747–1747½	1746¾–1747½	1746¾–1747½	1746¾–1747½	1746¾–174
Swedish Kr.	14 37½–14 53½	14 52½–14 53½	14 52½–14 53½	14 52½–14 53½	14 52½–14 53½	14 52½–14 53½	14 52½–14
Danish Kr.	14 19½–14 35½	19 36–19 36½	19 35½–19 36½	19 35½–19 36½	19 35½–19 36½	19 35½–19 36½	19 35½–19
Norwegian Kr.	19-85–20-15	20-01–20-01½	20-01–20-01½	20-01–20-01½	20-01–20-01½	20-01–20-01½	20-01–20-
One Month Forward Rates							
United States $		1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. p
Canadian $		1 3c. pm	1 3c. pm	1 3c. pm	1 3c. pm	1 3c. pm	1 3c. p
French Fr.		Par–1 dis	1 pm 1 dis	1 pm 1 dis	1 pm 1 dis	1 pm 1 dis	1 pm–1 d
Swiss Fr.		3½–3¼c. pm	3½–3¼c. pm	4¼–3½c. pm	4¼–3½c. pm	4 3½c. pm	3½–3¼c. p
Belgian Fr.		1 pm	1 pm	1 pm	1 pm	1 pm	1 pm
Dutch Gld.		2¼–2¼c. pm	2¼–2¼c. pm	2¼–2¼c. pm	2¼–2¼c. pm	2¼–2¼c. pm	2–1¾c. p
W. Ger. DM.		3–2½pf. pm	3½–2½pf. pm	3½–2½pf. pm	3½–2½pf. pm	3½–2½pf. pm	3–2½pf. p
Italian Lire		3 1 pm	3 1 pm	3 1 pm	3 1 pm	3 1 pm	3–1 pm
Swedish Kr.		3½–3¼ pm	3½–3¼ pm	3½–3¼ pm	3½–3¼ pm	3½–3¼ pm	3½–3¼ p
Danish Kr.		5–3½ pm	5–3½ pm	5–3½ pm	5–3½ pm	5–3½ pm	4½–2½ p
Norwegian Kr.		2½ pm–par	2½ pm–par	2½ pm–par	2½ pm–par	2½ pm–par	1½ pm–p
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/4	249/6	249/4½	...	249/3½	249/2½



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Head Office

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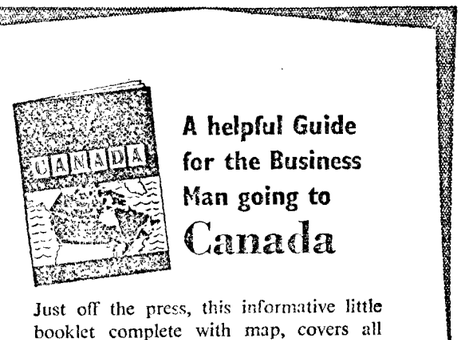
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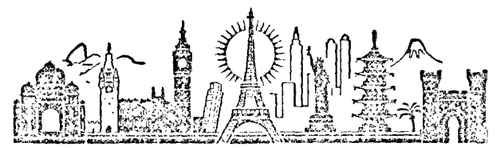
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Position as at

31st JANUARY 1958

Assets £344,000,000

Liquid Funds £61,500,000

Reserves £13,000,000

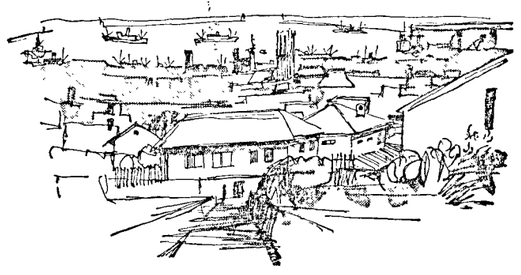
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Established 1911

...

Paid-up Capital ... Rs. 3,14,54,250 (£2,359,068)

Reserve Fund and Other Reserves ... Rs. 4,03,60,820 (£3,027,061)

Deposits (31.12.57) Rs.1,55,14,50,664(£116,358,800)

Note: The Sterling equivalents of the Rupee figures shown above have been converted at the rate of 1/6d. per Rupee

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RESERVE (Banking Dept.)	Rials	586,500,000
DEPOSITS	Rials	20,974,622,933

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ADMINISTERS NATIONAL SAVINGS

ABRIDGED REPORT

CANADIAN PACIFIC RAILWAY COMPANY

(Incorporated in Canada with limited liability)

SEVENTY-SEVENTH ANNUAL REPORT OF THE DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 1957

TO THE SHAREHOLDERS:

Railway revenue was the second highest in the history of your Company having been exceeded only by that of 1956. Freight traffic volume as compared with 1956 was down 10%, with over half of the decrease having occurred in grain and grain products moving under low statutory rates. A factor contributing to the decrease in volume was the strike by locomotive firemen in January. Rate increases added 5% to freight revenue.

Other Income was $6.6 million lower than in the previous year. Decreases were widespread but were particularly marked in dividends declared by The Consolidated Mining and Smelting Company of Canada Limited and in net earnings from your steamships.

Net Income amounted to $46.8 million, which, after providing for dividends of 4% on Preference Stock and dividends amounting to $1.50 per share on Ordinary Stock, left a balance of $22.7 million available for modernization and other corporate purposes.

The Income and Retained Income Accounts of your Company show the following for the year ended December 31, 1957:

INCOME ACCOUNT

Railway Revenue		$487,565,479
Railway Expenses		449,319,097
Net Earnings		$38,246,382
Other Income		23,441,276
		$61,687,658
Fixed Charges		14,901,935
Net Income		$46,785,723
Dividends:		
Preference Stock	$3,029,053	
Ordinary Stock	21,090,379	
		24,119,432
Balance transferred to Retained Income Account		$ 22,666,291

RETAINED INCOME ACCOUNT

Retained Income (Balance), December 31, 1956		$452,979,869
Balance of Income Account for the year ended December 31, 1957	$ 22,666,291	
Net Proceeds from Sales of Lands and Townsites	7,561,504	
Gain on Redemption of £1,300,000 Debenture Stock of Atlantic and North-West Railway Company	2,653,490	
Excess of considerations received for sales of properties over book values, and miscellaneous items	1,259,493	
		34,340,778
Retained Income (Balance) December 31, 1957, as per Balance Sheet		$487,320,647

GENERAL BALANCE SHEET, DECEMBER 31, 1957

ASSETS

Current Assets:		
Cash	$ 25,536,183	
Temporary Cash Investments	26,794,613	
Special Deposits	4,817,965	
Agents' and Conductors' Balances	21,213,617	
Other Accounts Receivable	24,238,027	
Material and Supplies	46,459,358	
		$ 149,059,763
Deferred Payments and Mortgages on Properties		8,322,867
Unsold Lands and Properties		9,269,878
Insurance Fund		13,188,540
Deferred Debits:		
Prepaid and Unadjusted Charges	$ 4,120,934	
Unamortized Discount on Funded Debt	3,189,822	
		7,310,756
Investments:		
Controlled Companies	$ 100,203,202	
Other Companies	36,131,521	
		136,334,723
Properties:		
Railway	$2,084,669,134	
Communications	52,813,638	
Hotels	66,159,833	
Steamships	94,944,283	
Other Properties	10,675,224	
		2,229,262,112
		$2,552,768,636

LIABILITIES

Current Liabilities:		
Accounts Payable and Wages Accrued	$ 49,933,364	
Taxes Accrued	9,624,093	
Dividends Declared	12,508,350	
Other Current Liabilities	13,052,543	
		$ 85,118,790
Deferred Liabilities		3,467,579
Deferred Credits and Reserves:		
Deferred Credits	$ 5,151,028	
Tax Equalization Reserve	32,850,000	
Insurance Reserve	13,188,540	
Investment and Other Reserves	4,914,092	
		56,103,660
Provision for Depreciation		878,196,192
Funded Debt		144,133,500
Debenture Stock		292,548,888
Shareholders' Equity:		
Preference Stock	$ 137,256,921	
Ordinary Stock	351,656,775	
Premium on Stock	37,992,349	
Donations and Grants	78,973,335	
Retained Income (Balance)	467,320,647	
		1,093,200,027
		$2,552,768,636



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COMPANY MEETINGS

BANCO DE MEXICO, SA

(MEXICO DF)

The thirty-sixth Regular General Stockholders Assembly of the Banco de Mexico, SA, was held recently, and the following are details from the Report presented by the Board of Directors:

ECONOMIC ACTIVITY

During 1957 the increase in the real product, that is, after deducting price rises, was 4 per cent, a rate which exceeds the population growth. The drop in the external prices of some of Mexico's leading mineral and agricultural exports and the adverse climatic conditions which caused an unusual reduction in the Central Plateau harvests, especially corn, limited the increase in the national product.

There was an increase of real income per capita and private consumption was somewhat higher than in 1956. The reduction in farming slowed the increase in incomes demand for consumers' goods and limited the expansion in commercial activities to only 3 per cent with respect to the volume registered in 1956.

Investment, both public and private, constituted the leading sustaining factor in the growth of production. Total real investment increased 7 per cent over that of 1956. Real investment of the public sector increased 8 per cent and private investment rose 6 per cent in real terms.

Total wages represented a similar share in the real product as in 1956. Profits of non-agricultural enterprises increased somewhat their share in the total product and farmers experienced a slight reduction in their share.

Agriculture. — Agricultural production dropped slightly in 1957. Increases in production of cotton, sugar cane and coffee did not fully offset the reduction in non-irrigated crops, particularly corn and beans.

Livestock.—The severe dry spell in the northern part of the country originated a reduction in livestock production and forced the export of about 300,000 head of cattle, because of the shortage of pastures, as compared with the 110,738 head exported in 1956.

Forestry.—Forest production continued without increasing. Domestic demand for forest products has been met, and there was a reduction in wood exports.

Fishing.—Poor weather conditions adversely affected fishing activity, which experienced a reduction in 1957 with respect to 1956.

Mining.—Mining production registered an increase of 7 per cent in 1957. Sulphur extraction rose 35 per cent; metals output increased 5 per cent, despite the sharp drop in international prices. Copper production increased 11 per cent; lead, 8 per cent; iron, 16 per cent; manganese, 29 per cent. Zinc output went down 2 per cent; bismuth, 44 per cent, and gold, 1 per cent. Certain exemptions on mining taxes, conditioned to additional investments, provided a stimulus to this activity in spite of unfavourable conditions in foreign markets.

Petroleum.—Activity in the petroleum industry was 10 per cent higher than in 1956. Crude petroleum extraction dropped 2 per cent, while refining increased 14 per cent. The petroleum industry pursues its programme designed to produce increasing quantities of petroleum products in order to meet the constant increase in domestic consumption and reduce imports. As a result of continued explorations proven reserves of crude petroleum continue to increase.

Manufacturing. — Manufacturing output experienced further growth and in 1957 was 6 per cent higher than in 1956. The slowing of the growth of internal demand due principally to the reduction in farm income, led to limited increases in the production of consumers' goods. The demand for investment goods, which has remained high, was the main factor in the increase in total manufacturing output. The steel industry registered an increase of 14 per cent in output; the fertiliser industry lifted output by 22 per cent; the sugar industry, 37 per cent; the cigarette industry 3 per cent. In the textile industry, production of wool and cotton fabrics rose while output of synthetic fibres and woven fabrics was reduced. Production decreased in the glass and rubber industries.

Electric power.—Electric power generated rose 8 per cent in 1957, reaching an estimated total of 8,453 million kilowatt hours. Constant investment has permitted an increase of 7 per cent in generating capacity. The Federal Electricity Commission as well as the private enterprises have participated in this achievement.

Construction.—Public sector construction increased 7 per cent; private construction rose 15 per cent. Total increase in this field was 12 per cent.

Transportation and communications.—Railway freight traffic was 9 per cent higher in 1957 than the year before. Rail passenger transportation did not rise in 1957, reflecting a continuous shifting to the use of highway and air transport. Air passenger transportation rose 9 per cent while air freight dropped 1 per cent. The increase of 7 per cent in gasoline consumption indicated an increase in services provided by motor vehicle transportation.

Prices.—From January to August, 1957, wholesale prices registered increases; in September they went down slightly and remained stable for the rest of the year. In spite of decreases in the prices of some articles, the monthly average of the 210-article wholesale price index was 4.3 per cent higher for 1957 than for 1956. Wholesale prices were 6.2 per cent higher in December of 1957 than in December of 1956. The price rises were due chiefly to a reduction in the supply of agricultural products, in addition to an increase in over-all demand, although total demand grew at a slower pace than in 1956. Price rises abroad and some increase in internal costs also affected the index rise.

BALANCE OF PAYMENTS

In spite of several unfavourable factors, the loss of foreign exchange in the reserve of the Bank of Mexico was less than the amount paid in cash for the unusual corn imports. The reserve stood at 441.2 million dollars as at December 31, 1957, showing a loss of less than 6 per cent from the level of the same date in 1956.

International prices of export products went down in general, while prices rose on products imported, so that the terms of trade were unfavourable to Mexico in 1957, as in 1956.

Exports.—Total income from exports of goods and services—including tourism, immigrant workers abroad and other services—amounted to 1,399.7 million dollars in 1957, representing a drop of 1.6 per cent with respect to 1956. Receipts from cotton exports decreased in comparison with the unusual sales which had been made in 1956. In addition, world prices of copper went down 30 per cent; lead, 7 per cent; and zinc, 14 per cent.

Imports.—Imports of merchandise and services amounted to 1,560.0 million dollars, which represents an increase of 104.0 million over 1956. Purchases of corn and petroleum were responsible for increases in the merchandise item. It is to be noted that a purchase of 500,000 tons of corn was contracted in the latter part of 1957 and that Petroleos Mexicanos considers that oil imports will be reduced considerably this year.

The value of total imports, an important part of which is composed of production goods reached a record level in 1957. These imports together with increasing domestic production of investment goods should be reflected in higher levels of output in coming years.

Tourism.—Total income from tourists and from border transactions amounted to 590.5 million dollars in 1957, as compared with 508.2 million in 1956, that is, an increase of 16 per cent.

Direct Foreign Investment.—Because of favourable economic and political conditions in the country, foreign exchange income from direct foreign investment—new investment and reinvestment—rose to 140 million dollars, that is an increase of 10 million with respect to 1956. The main fields of activity in which the 140 million was invested were manufacturing, trade, mining, and to a lesser extent, public utilities. As for origin of the funds, 78 per cent corresponded to the United States.

During 1957 gross direct foreign investment represented 11.3 per cent of total investment in the country; in 1956 it accounted for 11.8 per cent.

External Medium and Long-term Credits.—In 1957 the country received net income of 77.2 million dollars on account of medium and long-term credits—that is, with maturity of over one year—for financing economic development projects and obtained abroad by Nacional Financiera and other institutions. This amount represented an increase of 33.8 million dollars with respect to 1956.

MONEY, BANKING AND SECURITIES

During 1957 the authorities continued the policy of monetary stabilisation and of channelling credit to productive activities, without neglecting the credit needs of trade. Continued firm support was provided to the banking system and to the sound development of the securities market.

Money supply.—The monetary measures adopted in previous years and in 1957 permitted an expansion of 6.7 per cent during last year in total means of payments, an expansion consistent with the needs of financing the real output of goods and services. Of the total increase of 781.4 million pesos in the money supply, 360.5 million corresponds to bills and coins and 420.9 million pesos to checking accounts in domestic currency.

Financing provided by credit institutions.—Total financing granted by the banking system, including credits and investments and excluding inter-bank operations, reached a new high of 22,408.8 million pesos as of December 31, 1957, which represents an increase of 14.0 per cent in comparison with the level attained one year earlier.

The policy of channelling the resources of the banking system to productive activities was continued in 1957 with satisfactory results. Credit granted by private banks to industrial enterprises rose 20.5 per cent, and that granted by official institutions, excluding the Bank of Mexico, rose 13.9 per cent. In addition, industry was financed through purchases of securities. Agricultural credit increased 12.5 per cent.

Securities market. — The outstanding volume of interest bearing and other type of securities rose again during 1957. Interest bearing securities outstanding rose to a new record level of 10,833.5 million pesos as of December 31, 1957, showing an increase of 14.3 per cent compared with the previous year. As for other securities, in the Federal District increases were registered in authorised capital of corporations of 3,522.1 million pesos during 1957, an amount 562.6 million higher than in 1956.

FEDERAL INCOME AND EXPENDITURE

Notwithstanding the considerable increase registered in the investment expenditures of the Federal Government in 1957 with respect to 1956, directed to accelerate and in some cases terminate public works and installations urgently required by the country's development, preliminary figures indicate that during the fiscal year of 1957 a total deficit of only 75.0 million pesos was incurred, less than 1 per cent of federal income.

Current cash revenue amounted to a record 8,320.7 million pesos, that is, 426.8 million more than the year before. The income tax provided the biggest increase in receipts—222.7 million pesos—and income tax receipts accounted for a third of total current revenue of the Federal Government.

Cash budgeted expenditures amounted to 8,131.1 million pesos in 1957 according to preliminary figures, 682.4 million higher than in 1956.

PUBLIC SECTOR INVESTMENT

Total investment of the public sector—Federal Government, States, Federal District, Territories and Municipalities, decentralised institutions and state enterprises—amounted to 5,357.3 million pesos in 1957. The increase —14.2 per cent—reflected the intention of the Federal Government to help maintain the economic development of the country at a satisfactory pace.

Direct investment of the Federal Government accounted for the major part of the increase in public investment, expanding by 494.4 million pesos, or 31 per cent. Investment of decentralised institutions rose 29.8 per cent (by 68.3 million pesos); that of state and mixed enterprises rose 1.5 per cent (by 30.6 million pesos); that of the Federal District increased 16.2 per cent (by 59.8 million); and investment of the States, Territories and Municipalities increased 19.9 per cent (by 63.9 million pesos).

SCOTTISH AMICABLE LIFE ASSURANCE SOCIETY

A YEAR OF NEW RECORDS

CONTRIBUTION TO COUNTRY'S ECONOMY

The one hundred and thirty-second Annual General Meeting of the Scottish Amicable Life Assurance Society was held in Glasgow on April 9th, Sir Lynden Macassey, KBE, QC (President of the Society) presiding.

In moving the Adoption of the Report and Accounts, Mr Howard Cunningham, CBE, MC (Chairman of the Ordinary Directors) said that the Life Assurance industry had made a tremendous contribution to the welfare of the economy in all the difficulties of the postwar era. This was confirmed by the Treasury in the February, 1958, number of their Monthly Review of the Economic situation, which demonstrates that a very substantial part of the total increase in personal saving between 1952 and 1956 was through Life Assurance and Superannuation Funds and adds that the payment of premiums and contributions at regular intervals imparts a capacity for steady growth that is lacking in most other forms of personal saving.

The Treasury Review points out that this rapid rise in saving through assurance and pension funds has helped to make possible the acceleration in investment during the period under review and concludes that, to secure higher living standards without heavier Government saving through higher taxation, further increases in personal saving are necessary. This objective tribute to the contribution made by the Life Assurance Offices and by the Pension Funds to the economic needs of our country may well raise doubts as to the wisdom of proposals for extending the State pension arrangements beyond the subsistence level—an extension which would inevitably reduce the scope for the "rapid rise in saving through assurance and pension funds" which the Treasury regard as necessary for the provision of higher living standards in the future. The outstanding success of the Life Offices and Pension Funds in attracting savings is too precious an asset to the economy of our country for it to be prejudiced by political action or by state interference of any kind.

RECORD OF CONTINUOUS PROGRESS

The Society's contribution to the growth of personal savings was amply illustrated by the figures in the Annual Report. This was the first occasion on which the Society's premium revenue, which now amounted to almost £8,250,000, had risen by more than £1 million in a single year. Net new sums assured under individual assurances had reached new records in every successive year since 1945. In all respects, in relation to mortality experience, interest earnings and expenses, the past year had been very favourable—so much so that, as at July 1st last, the rate of interim bonus was increased to 45s. per cent per annum compound—the highest rate ever payable during the Society's history of 132 years. This same rate of bonus applies to participating annuity contracts—both for group pension schemes and for the new "self-employed" retirement annuities.

The Society's investment policy throughout the past year was designed to take full advantage of the exceptional opportunities to acquire first-class securities providing high interest yields for many years to come. It was indeed fortunate that almost one-third of the Society's total funds of £57 million had accrued during the past three years and had been invested under these extremely favourable conditions. The Board had welcomed the opportunity of being associated in the formation of Thistle Industrial Holdings Limited whose main object is to assist in the development of selected industrial companies by the provision of capital for this purpose.

The past year had been one of intense activity at Head Office and at all the Society's Branch Offices—which now consisted of 20 main Branches and a further 21 Sub-Branch Offices spread geographically from Elgin in the north to Bournemouth in the south. The Chairman added that, during his year of office, it had given him great pleasure to visit many of these offices and that he had been very impressed by the enthusiasm and efficiency of the staff throughout the whole of the Society's widespread organisation. In reply to a question, the Chairman said that he welcomed the opportunity of stating most emphatically that there was no connection or relationship whatsoever between the Society and the Scottish Amicable Building Society.

The Report and Accounts were adopted.

TWINING CROSFIELD & COMPANY

A DIFFICULT YEAR

The Forty-first Annual General Meeting of Twining Crosfield & Company, Limited, was held on April 2nd, Mr H. W. Backhouse, the chairman, presiding.

The following is an extract from his circulated statement:

The fall in Trading Profit in the year 1957 is mainly due to difficulties incurred during the first three months of the year following the Suez crisis. One result of excited buying at all levels during November and December, 1956, was a relatively small turnover during January, February and March. Another factor was a considerable fall in the market price of tea, from 5s. 6½d. per lb for plain tea in December, 1956, to 3s. 3d. at the end of March, 1957, which meant that our stocks bought at the higher levels could not be sold profitably. For the remainder of the year we were able to trade at a reasonable profit and the results should not be regarded as disappointing in the circumstances.

After the end of March the market price of tea remained reasonably stable for the remainder of the year. The outlook appeared "bearish" owing to evidence that world production of tea was exceeding consumption as it had in 1956 and there appears to be no immediate prospect of a revival of an International Tea Agreement to regulate production to the World's requirements. During the year under review plain tea was often selling at prices which were below the cost of production and the consumer in the United Kingdom was offered a wide range of retail prices and very good value for money especially in the higher priced lines.

The Board recommends the payment of a final dividend on the Ordinary Shares of 12 per cent, making 18 per cent for the year, which is at the same rate as last year's distribution. The carry forward is increased by about £22,000 to £149,318.

While we can report increased turnover in our proprietary teas and coffees there is intense competition, which we face with confidence, and we shall continue to push our sales with energy. We have started 1958 with two good months trading.

The report and accounts were adopted.

Peninsular and Oriental **P&O** *Steam Navigation Company*

THE SPREAD OF GROUP INTERESTS

THE earned surplus for the year before charging taxation rose from £12·5 million to over £17·5 million, a record in the annals of our Group. The explanation of this rise is not difficult to find. Although in the popular mind P & O is regarded as a passenger liner company, over 40 per cent of its tonnage consists of cargo liners. Moreover, it is the parent company of a large Group of shipowning companies, two of which are concerned wholly in the trading of tramp ships. Those ships are traded on the open market and depend entirely on the law of supply and demand for the rates of freight they can obtain. At the present time it is impossible to fix one at a rate which will show a profit. Yet eighteen months ago the demand for tramp ships was at its height and freight rates reached almost unheard of levels after a year or more when rates had been steadily rising. Herein lies the difference between 1957 and 1952. The year 1952 had the benefit of a peak in tramp rates as high as has been lately experienced yet the 1952 profits were only two-thirds of the 1957 profits. But the rise in tramp rates which resulted from the Korean War arrived suddenly and receded equally suddenly. The number of voyages that could be fixed at the high rates then ruling was strictly limited. On the other hand, all voyages finishing in 1957 had the benefit of the very firm rates which ruled throughout 1955 and 1956 culminating, of course, with the peak rates secured by the relatively few voyages fixed at the end of 1956. Furthermore, most cargo liners carry some cargo at rates related to those ruling in the open market and when those rates are very high the benefit is reflected in the voyage results. As I have explained on previous occasions, liner rates of freight do not fluctuate so spectacularly as do tramp rates of freight and it is important to remember that the results of the past year have been derived very largely from the profitable state of the tramp market.

The operations of the Group are world wide. A drought in India necessitating the import of extra quantities of rice; a bumper wool cheque in Australia; Government restrictions on imports into any of the countries which we serve; a major disturbance somewhere in the world resulting in a temporary shortage of shipping space; all these occurrences can have an important influence for good or ill on our trade.

The closing of the Suez Canal caused disturbances to the pattern of world trade beyond that actually passing through the Canal. To give just one instance, the difficulty of obtaining goods from Europe caused India and other countries in the East to turn to alternative sources of supply. And so it happened that at a time when the earnings of the Group's cargo ships were swollen by the high rates of freight obtainable in the open market, certain of the liner trades experienced exceptionally good trading conditions.



Great Britain
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Syria
Iraq
Saudi Arabia
Pakistan
India
China
Korea
Thailand
Philippines
Kuwait
Canada
Sudan
Tanganyika
South Africa
New Zealand
Eire
Netherlands
Rumania
Spain
Italy
Greece
Turkey
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Egypt
Kenya
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360 ships serving 44 countries...

DIVIDEND POLICY

The profit for the year after taxation is £4 million more than in 1956 and the Board were faced with the question of what dividend to pay. As we may well be on the threshold of a major depression in the industry, it might have been argued that the Board should not have raised the dividend above what was paid in 1956.

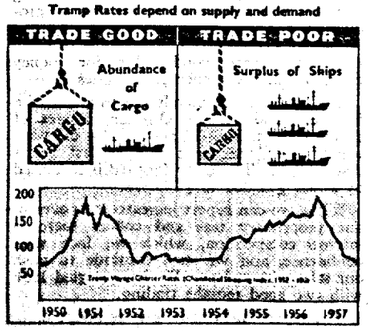
I fully realise, however, that the dividend that we have been able to pay for a number of years past has represented an extremely small percentage of the capital employed by the Group. Taking this and all other factors into consideration, the Board have decided to recommend an increase in the final dividend, making 11 per cent for the year. Even so, after increasing the dividend, the amount paid out by the Group is no more than 1¼ per cent on the book value of the net assets, which is very low in comparison with the rate of return that is paid by most other industries.

Whether we shall be able to maintain the dividend at 11 per cent next year is obviously a matter of conjecture and I am anxious that nothing I say on this subject should be misunderstood. I would emphasise that shipping is a speculative industry whose fortunes fluctuate more sharply perhaps than those of most land based industries. As to the future I would remind you of the warning given in the Directors' Report.

OUTLOOK FOR THE FUTURE

In face of the complex influences I have described, this is a most difficult moment to forecast the results of a large shipping organisation. Although some of our passenger trades, which were particularly badly hit by the closing of the Suez Canal, have been showing improved results during the past few months, the general position of cargo trades has deteriorated, particularly since the end of 1957. Nevertheless, as a result of the normal time lag before such influences make themselves felt on our voyages, the current results do not yet reflect the full effect of the collapse in tramp rates and the shortage of cargo which lies behind it. At present there is little prospect of any improvement and if these conditions persist for very long it will be necessary to lay up ships. Fortunately the spread of the Group's interests affords some insurance against the worst effects of the slump, but until there is a general improvement in world trade the trend will be downward.

Tramp Rates depend on supply and demand



TAXATION

Despite an increase in the Group surplus of £5 million, the charge for taxation has risen by not quite £1 million. The explanation of this very modest rise in the Group tax charge is to be found in the relief that the Group has received by reason of the operation of the investment allowance, amounting in 1957 to over £1,800,000 as compared with £900,000 in 1956. We are likely to feel the benefit of the investment allowance for some considerable time ahead in view of our large building programme.

If you are interested in these extracts *from Sir William Currie's speech at the 118th Annual General Meeting write for a full report to the Secretary, P & O Steam Navigation Company, 122 Leadenhall Street, London, E.C.3. Other items from the speech include:* 1. *The necessity for profit retention.* 2. *Investment in Australia.* 3. *Ventures in the Pacific.* 4. *The Tanker Building Programme.* 5. *Foreign Shipbuilding Competition.*

Report on Company Meeting of Associated Electrical Industries Limited

Lord Chandos, Chairman of Associated Electrical Industries, tells stockholders—

NEW FACTORIES SWELL THE OUTPUT OF A.E.I.

Orders booked total £177,000,000 — Product Divisions to be formed.

Presiding at the Annual General Meeting of Associated Electrical Industries held on April 9th, Lord Chandos (the Chairman) said that in 1957 the total value of electrical apparatus shipped and invoiced to their customers surpassed that in the record year of 1956 by over £16,500,000. Notwithstanding that increase, the profits remained at about the same level as those for 1956. It was estimated that two factors alone, the strike in the engineering industry and the influenza epidemic, caused a loss of trading profit before tax of a little over £1 million. Apart from those unusual influences the profits last year were still affected by the heavy initial expenses involved in starting new plants.

Touching on the more encouraging counterparts to the adverse features of 1957, Lord Chandos said the first was the order book. The orders booked by the Company during the year totalled £177 million, exceeding by £40 million the highest previous figure reached in 1956. In spite of their efforts and additional capacity, orders in hand rose to £180 million. Of the 1957 total £7,300.000 related to equipment for nuclear power plant. The total of orders received was largely due to a striking increase in export business, and was all the more encouraging because world markets had been buyers' markets and competition had been keen.

FORMATION OF PRODUCT DIVISIONS

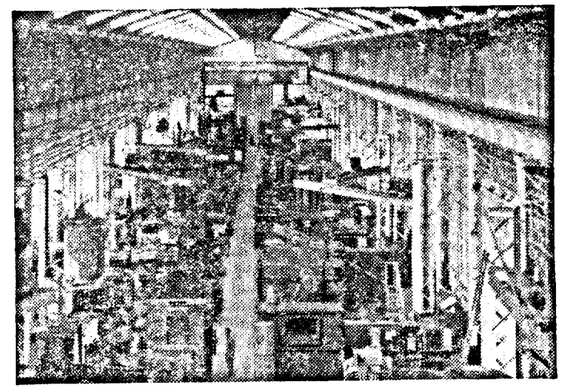
Dealing with the formation of Product Divisions, Lord Chandos said: We have decided that over the next few years we should change to a divisional organisation based on products. The three principal operating companies—B.T.H., M.-V. and S.E.S—will manage various A.E.I. divisions under a policy laid down by the board of the A.E.I.; these companies will remain the instruments through which general A.E.I. policy is carried out, and they will devolve some of the day to day executive work upon the divisions.

Initially two A.E.I. divisions are being formed. The A.E.I. Turbine-Generator Division will be managed by M.-V. and the A.E.I. Heavy Plant Division by B.T.H.; these divisions will control the design, manufacture and sales of all products falling within these categories.

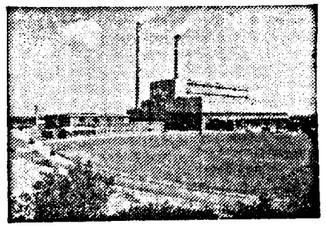
By forming these divisions, we shall eliminate duplication of effort and make the best use of all personnel currently employed by B.T.H. and M.-V. and of all manufacturing facilities available. We shall achieve this without disturbance to existing contracts with our customers. Our employees may be assured that increased opportunities are now open to them, and that it will rarely be necessary for them to change the present location of their work.

Many established M.-V. and B.T.H. designs will continue to be available for some years, but with continuing engineering development they will be superseded by a comprehensive range of A.E.I. designs.

In conclusion Lord Chandos said: By the end of the year the numbers of those working for A.E.I. had risen to just over 90.000, and I wish once again to emphasise that, despite the strike in the engineering industry last year, our relations with the men and women in our factories continue good and are marked by a confidence on both sides. I wish to thank them all for their efforts which have maintained our pre-eminent position in the industry.



"The Wythenshawe Transformer Plant near Manchester is the first of our great projects to be in full effective production in 1958. The load on the plant has built up satisfactorily and will be a substantial profit earner from now onwards." *This photograph of one bay of the new factory shows the tanks which are filled with oil to cool the transformer core and windings.*



"Forty-three per cent of the major generating plant commissioned by the Central Electricity Authority during 1957 was of our manufacture. Of the Authority's four steam power stations having the highest thermal efficiencies during the year ended March 31, 1957, three had our generating plant." *This, the Castle Donington Station, where we installed three 100,000 kW turbine-generator sets, headed the list.*

THERMONUCLEAR FUSION. "Once again it has been demonstrated that the British have an inventive skill second to none. Our congratulations are due to the brilliant young scientists at the A.E.I. Research Establishment, Aldermaston, who designed and built Sceptre and to those of the Metropolitan-Vickers Company who built and partly designed Zeta for the Authority. The results achieved with Zeta and Sceptre lead us to believe that mankind has now within reach a source of power which will last for all time." *Dr Allibone, Dr Ware and Mr Chuck with Sceptre III at Aldermaston Court.*



A·E·I ASSOCIATED ELECTRICAL INDUSTRIES LIMITED

Crown House, Aldwych, London, W.C.2

TELEPHONE AND GENERAL TRUST

ANOTHER SUCCESSFUL YEAR

SIR ALEXANDER ROGER ON STRENGTH OF INVESTMENT PORTFOLIO

The thirty-second annual general meeting of the Telephone and General Trust Limited will be held on April 29th in London.

The following is an extract from the statement by the Chairman, Sir Alexander Roger, KCIE, which has been circulated with the report and accounts:

Again I am happy to put before you satisfactory results for the year.

The Gross Profit of the Trust—the Holding Company—before taxation was £387,800 compared with £369,594 in the previous year. Taxation at £201,950 (£189,200 last year) took over half the Gross Profit, leaving a Net Profit of £185,850—an increase of £5,456.

At the last Annual General Meeting you approved an increase of £400,000 in the Authorised Ordinary Capital, and the capital duty of £2,000 thereon has been written off.

We have transferred £50,000 to General Reserve (£25,000 last year), bringing the balance thereon to £250,000.

An Interim Dividend of 5 per cent on the £1,355,000 of Ordinary Stock was paid in October last as compared with an Interim of 3 per cent on £1,110,000 Stock in the previous year. This was to bring the Interim and Final Dividends into closer relationship and, as was then announced, did not imply an increase in the total rate of dividend for the year.

We are proposing a Final Ordinary Dividend of 8 per cent, again making 13 per cent for the year, in addition to which this rate is also being repeated on the "A" Ordinary Stock.

After providing for the foregoing and the 7 per cent Preference Dividend, Profit and Loss Carry Forward is increased by £2,952 to £188,582.

BALANCE SHEET

Capital Reserve is increased by £49,500 to £675,000 as referred to in the Directors' Report, and Revenue Reserves now total £538,582.

The valuation of £3,239,072 for quoted investments represents an appreciation of £1,509,215 on the net book cost of £1,729,857. This emphasises the strength of our investment portfolio in spite of the general decline in market values during 1957.

Interests in Subsidiary Companies totalling £3,076,638 have increased only slightly over the previous year's total of £3,055,719. The increase of £898,907 in Shares is the result of funding of part of the Trust's loans to the Jamaica and Trinidad Telephone Companies, which accounts for the reduction in these loans as at December 31st last.

Of the Trust's total investments including loans to Subsidiary Companies, on the basis of book cost, 22.17 per cent is in Loans, Debentures and British Government Stocks, 7.57 per cent in Preference Stocks and 70.26 per cent in Ordinary Stocks.

Geographically, 95.87 per cent is in the British Commonwealth and 4.13 per cent in foreign countries.

Deposits at Call and Bank Balances amount to £754,731, but again most of this will be required at least temporarily towards the capital expenditure programmes of our overseas subsidiary and associated operating companies.

The Group Reserves total £1,983,211—an increase of £172,319.

The Net Assets of telephone operating and servicing subsidiary companies have increased by £452,429 to £5,583,412.

TELEPHONE OPERATING COMPANIES

PORTUGAL

During the period of some thirty years of close association with the Anglo-Portuguese Telephone Company the Trust has provided short-term financial assistance on a mutually convenient basis, and over the whole period has advanced several million of pounds sterling by way of temporary loans to enable the Anglo-Portuguese Telephone Company to expand and develop. These loans have been repaid from time to time from the proceeds of issues of capital made by that Company.

The number of stations in the Anglo-Portuguese Company's Concessionary Areas, namely the cities and suburbs of Lisbon and Oporto, has increased in the last thirty years from just over 21,000 to 209,493 at December 31, 1957, of which 19,778 were added during 1957.

Applications for service show no abatement and a heavy task is placed upon the Anglo-Portuguese Telephone Company to keep pace with the demand, in which the Trust and its associates continue to give every support and assistance both financial and technical.

WEST INDIES

The telephone operating Companies in which we are interested in Jamaica, Trinidad and Tobago, and Barbados expended collectively during 1957 some £835,000 on the expansion and improvement of their plants, the aggregate gross book value of which amounted to £7,057,000 at December 31, 1957.

Stations in service increased during the year by 5,402 to a total of 62,550.

The provision of the considerable amount of new money required to enable these Companies to cope with the rapidly expanding demand for exchange and trunk service is an ever-present problem. We do all we can to provide temporary loan facilities to permit the Companies to go ahead with essential projects, and during 1957, as mentioned earlier in this review, we increased our shareholdings in Jamaica and Trinidad by nearly £900,000 in reduction of these loans.

In addition, during the year these two Companies between them raised from outside sources a total of £410,000 in Preference and Ordinary Share Capital.

It is apparent that increasing supplies of new capital will be required and this matter is kept under constant review by us in London and our associates in the West Indies. It is encouraging to be able to say that there is a widening investment interest being taken in the West Indies.

GENERAL

We remain satisfied as to the future of our telephone interests, and I feel that this together with our well-spread general investment portfolio allows us to look ahead with confidence.

BRITISH-AMERICAN TOBACCO COMPANY LIMITED

GRATIFYING TRADING RESULTS

The fifty-fifth Annual General Meeting was held on April 2nd in London. Mr D. M. Oppenheim, the Chairman, in the course of his speech said: The increase in the Consolidated Trading Profit is approximately £4,750,000, which I am sure you will find very gratifying. Last year I mentioned that the dividends received by the Holding Company from its subsidiaries had increased. I am sure you will be glad to know that this trend continues, as reflected in the increased amount of Group Net Profit dealt with in the accounts of the Holding Company. The fact that the increase in the Holding Company's share in this profit is proportionately less than the increase in the total is primarily due to the subsidiaries' need to retain profits in order to finance the very considerable increase in the investment in fixed assets and stocks. One of the factors which accentuated the increase in stocks is the high price at which leaf tobacco had to be purchased during the year.

You will have noticed from the accounts that the Group transfer to Fixed Asset and Stock Replacement Reserves has increased by £2,600,000 as compared with last year and £950,000 of this increase applies to the Holding Company.

In a time of rising prices, profits calculated on the basis of historic cost are unrealistic in that some proportion of them is not represented by additional real assets of the business but only by the higher money value of the assets required to maintain and not expand the productive capacity of the business. It cannot be said, therefore, that a profit in the real sense has been realised until provision has been made for the difference between the cost of materials and manufacturing assets consumed in production and the cost of their replacement. The transfer to Fixed Asset and Stock Replacement Reserves shown in the accounts is a reasonable approximation calculated from year to year on consistent principles of this difference in value which it is considered should be taken into account in arriving at the Net Profit for the year available for dividends and normal reserve appropriations.

The greater part of this transfer relates to tobacco leaf stocks and is an approximate calculation on LIFO principles of the amount by which profits would have been reduced if the current replacement value and not the book value (which is average cost) of leaf used in production had been charged against trading profits. The fact that this year's transfer is so large is due to a general increase in the cost of leaf tobacco throughout the many countries in which the Group operates. I am sorry to say that we have no reason to expect any decrease in prices in the current year.

The sales of the majority of the subsidiaries increased during the year to

September last, although there were a few exceptions. In the first five months of the current year, total Group sales again show an increase over the corresponding period of last year, but I think I should say that the increase is considerably less generally spread.

The cost of materials and tobacco taxation in various countries overseas are still showing a tendency to rise and competition is intensifying with the extensive introduction of new types of cigarettes and packages. These factors, combined with price controls in some countries, may make it impossible for adequate price adjustments to be made so as to maintain profit margins. Whilst trading conditions will probably be more difficult, I am hopeful that the adverse factors will be largely, if not entirely, offset by some increase in sales and increased manufacturing efficiency, and I am reasonably hopeful that the Holding Company's share of the Group Net Profit will be at least maintained for the year 1957-58.

The report was adopted.

ASHANTI GOLDFIELDS CORPORATION

RECORD OUTPUT AND TONNAGE IN JUBILEE YEAR

The sixty-first annual general meeting of Ashanti Goldfields Corporation Limited was held on April 2nd in London.

Major-General Sir Edward L. Spears, Bart, KBE, CB, MC, FInstD (Chairman and Managing Director), presided and, in the course of his speech, said:

The Corporation has celebrated its Jubilee by achieving the largest tonnage, and the highest gold output, in the sixty years of its history.

This result is due to the programme of development, shaft sinking and modernisation planned and carried out since the war ended. It has been achieved, at a cost of £3,329,096, entirely from the Corporation's own resources.

Development and exploitation of the mine will require further large capital sums; but these also we expect to provide out of earnings. We have no reason to doubt that we shall be able to keep up the present high level of output. Recent development results, especially in the deeper levels, are very encouraging.

The Profit before tax was £1,349,657, an increase of £707,305 over the previous year. Income Tax on these profits, mainly Ghana Tax, was £576,126, leaving a profit after tax of £773,531. This is the highest profit since 1940. Because of the Corporation's status as an overseas trading corporation, £200,000 has been placed to general reserve.

Production in the year under review was 338,727 tons milled, yielding 275,217 ounces of gold. Both these figures are the highest in the history of the mine. It is our policy to maintain the high level of output achieved last year. In the current year, the production programme is 22,500 ounces monthly from 29,000 tons milled.

The report was adopted.

GEGR. BV 1869

BAYERISCHE VEREINSBANK

MUNICH NUREMBERG

Condensed Balance Sheet as at 31st December, 1957

ASSETS	in 1000 DM	LIABILITIES	in 1000 DM
Cash	15.320	Deposits	957.941
Balances at Land Central Bank	78.883	thereof	
Balances on Postal Cheque Account	5.858	a) Sight Deposits 363.463	
Balances at Credit Institutions (Nostro-Balances)	73.383	b) Time Deposits 304.052	
Matured Bonds, Interest and Dividend Coupons	165	c) Savings Deposits 290.426	
Uncleared Cheques on other Banks	13.892	Monies Borrowed at Short Term	8.644
Bills of Exchange	246.292	Own Acceptances and Promissory Notes	2.869
Treasury Bills and Non-Interest-Bearing Treasury Bonds of the German Federal Government and the Lands	22.024	Monies Borrowed at Medium Term	9.572
Securities	127.629	Loans taken at Long Term by the Banking Department	73.459
Own Mortgage Bonds and Municipal Bonds	6.572	Loans taken at Long Term by the Mortgage Department	71.722
Equalisation Claims and Covering Claims on the Public Authorities	118.981	Bonds issued outstanding in the Market (Mortgage and Municipal Bonds)	656.215
Holdings in Syndicates	22.460	Loans on a Trust Basis at Third Party Risk	13.618
Debtors	328.770	Capital	33.000
Long-Term Lendings of the Banking Department	109.165	Reserves	25.000
Long-Term Lendings of the Mortgage Department (against Mortgages on Real Estate and to Municipalities)	670.228	Pensions Reserve	21.323
Loans on a Trust Basis at Third Party Risk	13.618	Other Reserves for Special Purposes	24.669
Participations	27.153	Other Liabilities	17.526
Bank Premises	18.677	Net Profit	2.960
Other Real Estate and Buildings taken in the course of Mortgage Business	1.218		
Office Furniture and Equipment	—		
Own Shares	—		
Other Assets	19.830		
	1.919.518		1.919.518
		Own Drawings in Circulation	—
		Liabilities arising from Guarantees, including Guarantees of Bills and Cheques, and from Indemnity Agreements	79.002
		Endorsement Liabilities on Bills of Exchange in Circulation	28.044

Munich, March 1958

Board of Management: Dr. Wilhelm Biber, Munich; Wilhelm tom Dieck, Munich; Albin Hartlig, Munich; Jürgen von Köller, Munich; Dr. Werner Promauer, Munich, Dr. Franz Steffan, Munich; Dr. Werner Teichmann, Munich; Dr. Hans Christoph Freiherr von Tucher, Munich; Elmar Warning, Munich; alternates: Dr. German Schweiger, Nuremberg.
Board of Directors: Dr. Ludwig Mellinger, Munich, Chairman; Dr.-Ing. E. h. Karl Butzengeiger, Kommerzienrat, Munich, Vice-Chairman.

BANCA COMMERCIALE ITALIANA

HEAD OFFICE — MILAN

London Representative Office : 21, Birchin Lane, E.C.3

BALANCE SHEET AS AT DECEMBER 31, 1957

LIABILITIES			ASSETS		
Capital Stock	L.2,450,000,000		Cash on Hand	L.	28,940,441,360
Surplus	„ 3,300,000,000		At Central Bank	„	81,659,630,525
Undivided Profits	„ 888,415		Government Securities and Securities guaranteed by the State	„	80,889,972,951
Net Profits 1957	„ 1,019,431,419		Bonds and Shares	„	1,990,432,563
	L.	6,770,319,834	Participations in Affiliated Foreign Banks	„	154,646,925
Deposits	„	733,734,919,735	Participation in Banca di Credito Finanziario	„	1,294,980,000
Cheques Outstanding	„	24,390,953,562	Advances and Current Accounts	„	385,988,684,501
Liability on Acceptances	„	12,444,272,964	Bills Discounted	„	202,164,169,337
Liability on Confirmed Credits	„	25,820,260,432	Contango Loans	„	11,908,865,135
Liability on Guarantees and Endorsements	„	103,473,058,003	Customers' Liability for Acceptances	„	12,444,272,964
Bills for Collection	„	21,994,741,580	Customers' Liability for Confirmed Credits	„	25,820,260,432
Unearned Discount	„	1,943,172,692	Customers' Liability for Guarantees and Endorsements	„	103,473,058,003
Profits Brought Forward	„	12,859,470	Bank Buildings and Other Real Estate	„	160,337,000
			Furniture and Fixtures	„	1
	L.	930,584,558,272		L.	936,889,751,697
Other Liabilities	„	6,305,193,425			
Depositors of Securities	„	413,497,062,475	Securities on Deposit	„	413,497,062,475
	L.	1,350,386,814,172		L.	1,350,386,814,172

WESLEYAN AND GENERAL ASSURANCE SOCIETY

SIMPLIFIED PENSION SCHEMES

The Annual General Meeting was held on April 1, 1958, Mr A. H. Sayer, MC, JP, the Society's Chairman, in moving the adoption of the Reports, said :

The past year's operations, now under review, show good progress in all Departments of the Society's activities, and are a justification for the claim that the Society shapes its service to current social and economic needs. To illustrate this, may I mention that when, in October last, the Prime Minister appealed for more savings to check inflation, the Society responded by introducing a special incentive, unique in the life assurance business, in the form of initial premium reductions, to purchase ordinary life assurance during the period of the 7 per cent Bank Rate. This action received encouraging support from all quarters.

The formal Annual Report over my signature, now in your hands, shows that the Total Premium Income for the year amounted to £4,542,000, being an increase of £117,000 over that of the previous year. The Total Assets now amount to over £35 million. The Total Sums assured under standing policies in the Ordinary and Industrial Departments together now exceed £100 million.

The Actuary's report shows that there is a surplus in each Department. From these surpluses, totalling £973,000, the Directors have declared Divisible Profits, namely £350,640 in the Ordinary Life Department and £192,500 in the Industrial (Home Service) Life Department. The Reversionary Bonus declared in the Ordinary Department is 36s. per £100 sum assured, compared with 32s. at the last declaration. In the Industrial Department the Bonus to be paid on claims arising in the period to the next Annual Meeting has been materially increased for endowment assurances maturing.

While it is gratifying to report the improved profits that are a clear indication of a successful year's operation, profits in this day and age are not the only criterion of service to the community. We are equally proud to record the fact that a large majority, among those families who are purchasing their homes through the assistance of the Society, are paying interest even today at only 4 per cent or 4½ per cent.

While the Bank Rate remains at a high level, investments can be made profitably to give a high interest yield. A progressive insurance organisation such as the Wesleyan and General, has a continuous supply of money to be invested consequent upon the normal growth of its accumulation of policyholders' savings and the necessity for reinvesting the proceeds of securities which have been redeemed on reaching maturity date. The present period is, therefore, favourable.

Inevitably high interest rates are associated with low market values, but these are only of technical importance as far as British Government and other fixed interest securities are concerned, because the Society does not need to sell. When sales are made, it is to take advantage of market anomalies in prices, or, for example, to invest long instead of short, and such sales are always followed by immediate reinvestment.

The Society is introducing a simplified Pension Scheme which avoids the complicated rules and the special approval by the Inland Revenue usually associated with pension schemes. Being simple in form, it can be easily understood, and appreciated by Employer and Employee alike. It will be welcomed by firms which at present have no Pension Scheme in operation. A descriptive booklet will be sent to anyone making application.

The report and accounts were adopted.

FALCON MINES

The forty-eighth Annual General Meeting of Falcon Mines, Limited, was held on March 31st at Bulawayo.

Mr F. L. Wigley, Chairman, presiding, said: The Directors' Report and Accounts together with my Review of the Company's activities, which have been in your hands for some time, give full details of the operations of your Company for the year ended September 30, 1957, and I now propose to give you a brief account of the work done and the results obtained since the close of the financial year.

The tonnage milled at the Dalny Mine for the five months ended February 28, 1958, was 85,300 tons, which yielded 15,506 ounces fine of gold, equal to a recovery of 3.63 dwts per ton milled. The working profit at the mine for that period, based on a selling price of gold of 245s. 6d. per ounce, was £41,990. In addition £1,265 accrued from sales of gold at prices above 245s. 6d. per ounce in respect of gold produced during three months ended December 31, 1957.

Regarding development, the total footage advanced was 3,206, of which 1,255 feet were sampled and 545 feet, equal to 43 per cent, were payable, averaging 6.2 dwts per ton over a width of 68 inches.

At the Sunace and Bay Horse Mines the estimated working profits for the five months were £4,861 and £991 respectively.

The working profit for the three mines for the period was thus £49,107, excluding additional revenue which will accrue from the sales of gold at prices in excess of 245s. 6d. per ounce for the months of January and February, 1958.

On March 10th, Dividend No. 9 of 4¼d. per share, equivalent to 7½ per cent, was declared payable to Shareholders registered on March 31, 1958. This is the same as declared in March, 1957. Dividend warrants will be posted on or about May 9th.

The Report and Accounts were adopted.

ARMY & NAVY STORES LIMITED

The eighty-sixth Annual General Meeting of Army & Navy Stores Limited will be held on May 2, 1958, at 105 Victoria Street, S.W.1.

The following is an extract from the statement by the Chairman, Commander S. C. Lyttelton, OBE, DSC, RN, which has been circulated with the report and accounts for the year ended January 31, 1958:

Up to the end of July sales were good and it looked as though the results would be most satisfactory. From July, however, sales slowed down considerably, which had a detrimental effect on the final results. In view of these difficulties it is pleasant to report that group trading profits are up by some £24,000.

TRADING RESULTS

Trading profits for the Group, omitting all transfers from reserve : 1956-57, £292,613 ; 1957-58, £316,449. Taxation is up by about £15,000, leaving the group profit after taxation at £116,003 against £111,477 for last year.

Last year there was a figure for Exceptional Income of £36,657. This year Exceptional Income is about £31,000 less, leaving a group profit available of £121,760, against £148,134 last year. With £153,277 brought forward and a transfer from Repairs and Maintenance Equalisation Reserve of £2,027, the amount available for appropriation is £277,064. Of this figure £123,734 is retained in the accounts of the subsidiaries, leaving a sum of £153,330 available for appropriation in the Parent Company.

APPROPRIATIONS

A provision of £10,000 has been made for maintenance and departmental re-grouping and a sum of £7,458 has been transferred to the General Reserve. It is recommended that a dividend of 10½d. per Stock Unit, less tax, be paid, against 9d. per Stock Unit, less tax, last year. Now that we have reached the position where improved earnings enable us to recommend an increased dividend, it is in accordance with the policy of the Board that the capital distribution should be reduced. Various factors must be taken into account and after very careful consideration your directors have come to the conclusion that, at a time of great financial stringency in this country and of extreme uncertainty in the economic outlook both here and abroad, a prudent course must be the right policy. We have therefore decided to recommend that the distribution from capital profits this year should be 1½d. per stock unit against 4½d. last year.

CONCLUSION

The uncertainty in economic outlook makes it impossible to foresee what the future may bring, but your Directors are confident that now that so much modernisation and improvement has been carried out, your group is in an excellent position to trade with satisfactory results.

TAYLOR, WALKER & COMPANY

YEAR OF RE-ORGANISATION AND EXPANSION

DEVELOPMENTS FINANCED FROM OWN RESOURCES

LIEUTENANT COLONEL W. H. KINGSMILL'S STATEMENT

The fifty-first annual general meeting of Taylor, Walker & Company Limited will be held on May 1st in London.

The following is the statement by the Chairman and Managing Director, Lieutenant Colonel W. H. Kingsmill, DSO, MC, which has been circulated with the report and accounts for the year ended December 31, 1957:

Ladies and Gentlemen,

Although last year started well, due to the very mild weather in January and February, the last half of the year did not fulfil the early expectations. This was due to two reasons. Firstly, there was little or no summer from the end of June onwards, and secondly, the increase in the Bank Rate meant that money became scarcer for the purchase of luxuries. Beer, in spite of the fact that it is a traditional national drink, does count amongst the luxuries to the public, whereas, for example, tobacco is looked upon as a necessity. To put it very plainly, it is easier to give up a glass of beer, or wine, or spirits, than it is for the average person to give up a packet of cigarettes.

During the year under review there have again been several wage awards granted due to the increased cost of living, which have obviously affected the cost of production. In addition, your Board considered that the office staff, to whom so much is due, should have an increase based on the reduced purchasing power of the £. This increase in staff salaries was the first for some three years, and in the opinion of your directors it was more than justified. I would remind stockholders that office staffs have no union to fight their case and rely entirely on the goodwill of the directors as trustees for the stockholders to see that they are suitably rewarded, in order to enable them to maintain a comparable standard of living.

THE YEAR'S RESULTS

Turning to the accounts, you will notice that the gross Group profit after taking income from investments, but before depreciation and tax, etc., has risen by £44,642. The item shown as " Loss on redemption of debentures " of £15,347 refers to the redemption of the Chesham & Brackley Debentures, which in the opinion of your Board was a wise thing to do. There are now only £4,135 of the three debentures outstanding and we have given the holders of these debentures six months' notice to redeem in accordance with the debenture trust deeds. The additional items of depreciation and goodwill written off totalling some £61,000 are of a non-recurring nature and result from the projected merger of UK Marketing Trade of Curtis Distillery Company Limited and J. W. Nicholson & Company (Holdings) Limited whereby Nicholsons will acquire a half interest in the existing Curtis Distillery Company which will change its name to Curtis Nicholson Limited. Another Company in the Taylor Walker Group will change its name to the Curtis Distillery Company Limited and trade in a modified manner alongside Curtis Nicholson Limited and the new distilling company called English Gin Distillers Limited

CANNON BREWERY

The conversion of the Cannon Brewery property is now well under way and it is hoped that the new distillery portion for the manufacture of gin will be in operation by the end of April. The main bonded warehouse and bonded bottling stores and the duty paid bottling stores should be finished and in operation by the end of July. Work, unfortunately, on these two parts of the project has been held up by additional LCC requirements due to a certain amount of corrosion being found on some of the steel girders when they were exposed during the alterations.

During 1957 we and the Cannon Brewery Company Limited, opened five new houses and it is confidently anticipated that these will show a more than economic return on their outlay. In addition, one house, the "Lion and Lamb" at Chelmsford, was rebuilt and major alterations were carried out on several other licensed properties. Further, considerably more money was spent on the maintenance of our houses during the past year, as your directors feel that with every sign of continuing inflation it would be wise to put your company into a position whereby they can cut down over the next year or two on repairs and maintenance should this trend continue. I would also like to point out that the above-mentioned alterations to the Cannon Brewery premises and additions to the Brewery at Limehouse have to date been financed from our current cash resources as your directors are of the opinion that this is not the time to make a long term borrowing policy economic or advisable.

NEW ACQUISITION

During the course of the past twelve months we have bought the old-established family brewery of Ward and Son, Limited, which owns 29 licensed premises around the Essex/Suffolk border. This also has been financed from our current cash resources and is in pursuance of our aim of expanding whenever and wherever possible to the stockholders' ultimate advantage. This will extend our influence further eastwards and we already have evidence that Taylor Walkers Beers are being received with satisfaction in Ward's houses.

You will have noted a trend in this Country towards the supply of beer in cans. Your company decided to put down a plant at Limehouse to satisfy this demand and by the end of April it is hoped that Reserve and Cannon Stout will be available at all our off licences and all Victoria Wine Company's shops, as well as being exported to the West Indies and other markets.

From the foregoing, stockholders will appreciate that considerable re-organisation and expansion has taken place within the Group during the year under review, but these developments will take time to show results before they can be reflected in profit earning capacity.

Your directors once again have much

pleasure in recommending to stockholders that a final dividend of 7 per cent gross, making with the interim dividend a total of 10 per cent gross for the year 1957, be paid.

The future of the brewing trade under today's conditions is difficult to forecast, but your directors feel that given reasonable summer weather there is no reason why 1958 should not equal or exceed the trade of 1957.

Lastly, I would like, once more, to thank all the staffs and employees in the Taylor Walker Group for their loyal services to their respective companies, and to say that your Board consider that the Management/Employee relationship is second to none in the Industry.

THE CHARTERED BANK

104TH ANNUAL GENERAL MEETING

The One Hundred and Fourth Annual General Meeting of The Chartered Bank was held on April 2nd at the Bank's Head Office, 38 Bishopsgate, London, E.C.2.

The Chairman of the Bank, Mr V. A. Grantham, presided.

Mr H. F. Morford, Chief General Manager, read the notice convening the meeting and the report of the Auditors. With the consent of the stockholders present, the Report and Accounts, which had been circulated previously, were taken as read.

The Chairman then moved that the Report and Accounts for the year 1957 be approved and that a final dividend of 7½ per cent, less Income Tax, be declared; this, together with the interim dividend of 7½ per cent already paid, made a total distribution for 1957 of 15 per cent.

The resolution was seconded by Sir John Tait and carried unanimously.

The retiring Directors, Sir Arthur Atkinson Bruce, KBE, MC, The Right Honourable The Earl of Inchcape, Sir Harry Greenfield, CSI, CIE, and Sir Charles Watt Miles, OBE, were re-elected, and Mr Clifford Waite, Mr Ian Lilburn MacEwen, Sir Evan Meredith Jenkins, GCIE, KCSI, Mr William Ewing Eadie, CA, Sir Stephen Gibson, CBE, and Mr Ernest John Pakes, CBE, were elected Directors of the Bank.

It was resolved that under the provisions of Bye-Law 81 in respect of the year ended December 31, 1958, and until otherwise determined by the Company in General Meeting, the remuneration of the Directors should be such sum as might from time to time be determined by the Court of Directors not exceeding £50,000 per annum.

Messrs Deloitte, Plender, Griffiths & Company and Messrs W. A. Browne & Company were reappointed Auditors, and their remuneration was fixed.

A vote of thanks to the Directors, General Managers, Branch Managers and the Staff at home and abroad for their successful conduct of the affairs of the Bank was proposed by Sir Esler Dening, GCMG, OBE, and seconded by Mr Joseph Nissim.

Binding Cases

Binding cases for THE ECONOMIST *are available from* EASIBIND LTD. *The cases are in stiff, dark blue cloth covers, and are gilt-lettered on the spine; they provide an extremely effective and firm binding and will hold 13 issues of the normal edition together with the quarterly Index, or 26 issues of the air edition with two quarterly Indexes. The year can be stamped on the spine. The cost per case, post free throughout the world, is 12/6. Orders, stating requirements clearly and enclosing a remittance, should be sent,* **not** *to* THE ECONOMIST, *but to—*

EASIBIND Ltd.
(Dept. E),
84 Newman St., London, W.1

APPOINTMENTS REQUIRED

ASSISTANT COMPTROLLER famous American manufacturing marketing company, Venezuela, seeks executive post with British or American firm operating Latin America or other countries. Young Englishman, University graduate in Maths., Fluent Spanish, proven ability in business administration, public accounting and top-level negotiation. Present salary US $13,000 p.a. Excellent reference present employers.—Write E. Newton, Apartadu 2617 Caracas, Venezuela.

SCOTTISH ELECTRICAL ENGINEER (33) seeks position in management or as representative for firm abroad. Widely travelled. Prefers Scotland, Sweden or Canada.—Write Box 911.

POSITION as mathematical statistician sought by young gentleman (British), with Continental Mathematical and Commercial qualifications. Experience in Industry and Commerce. Languages.—Box 914.

EDUCATIONAL

B.SC.(ECON.) LONDON UNIVERSITY
UNIVERSITY CORRESPONDENCE COLLEGE provides postal tuition for the above Degree (obtainable without residence), which is a valuable qualification for those seeking executive appointments in commerce or industry, government or municipal posts. The College, established 1887, is an Educational Trust. Highly qualified Tutors. Low fees: instalments.—Prospectus of U.C.C. Courses for London Degrees and Diplomas. G.C.E., Law, free from the Registrar, 60 Burlington House, Cambridge.

SECRETARIAL TRAINING, especially for university graduates and older students. Six-month and intensive 14-week courses.—Write Organising Secretary, DAVIES'S, 2 Addison Road, W.14. PARK 8392.

EXPERT POSTAL TUITION
for Examinations—University, Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus—and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2).
METROPOLITAN COLLEGE, ST. ALBANS
or call at 30 Queen Victoria Street, London, E.C.4.

SALZBURG SEMINAR IN AMERICAN STUDIES
Schloss Leopoldskron Salzburg, Austria.
Scholarships are offered for the following sessions:
AMERICAN LAW AND LEGAL INSTITUTIONS, June 15 to July 12, 1958.
AMERICAN LITERATURE AND CRITICISM, July 20 to August 16, 1958.
RACES AND MINORITIES IN AMERICA, August 24 to September 20, 1958.
Lectures and seminars at the post-graduate level.
Admission is granted for evidence of ability and accomplishment. General age range 23 to 35. Special attention given to those engaged in public life, teaching, journalism, and creative work.
For further information and application forms, please write promptly to: Salzburg Seminar, 38 Upper Brook Street, London, W.1.

APPOINTMENTS

Established company of national repute in the *Provision* trade require a

BUYING EXECUTIVE AND COMMERCIAL MANAGER

for appointment in London. Must have a successful buying record and be experienced in the manufacture and marketing of dairy and allied products. In connection with the Works Manager would be responsible for control of stores and factory administration. Age 35-50 years. Starting salary £1,500-£2,000 with contributory pension scheme. Good prospects.—Write Box HE.245, c/o 191 Gresham House, E.C.2.

IBM UNITED KINGDOM LIMITED
wishes to appoint a man in the Head Office Finance Department at 101 Wigmore Street to work specifically in Budgetary Control. This is to some extent a new job and carries with it great interest and considerable prospects.

Applicants, aged 25-35, preferably with a professional qualification and experience in budgetary control, should have a real interest in this field and a grasp of the considerable possibilities in it.

Good salary and generous free life insurance and pension plans are in operation.

Please write to Personnel Manager, 101 Wigmore Street, London, W.1, quoting Reference FBC/5871.

FINANCIAL JOURNALIST wanted by high-grade periodical for editorial post offering unusual opportunity to young man of initiative having economics degree, writing ability and not less than 3 years' post-graduate experience in journalism or in City or university plus part-time journalism. Also vacancy for economics graduate of high calibre as trainee in economic journalism: research experience an advantage. Both appointments are pensionable.—Send full particulars education, experience, special interests, to Box 915.

NATIONAL SAVINGS COMMITTEE: ASSISTANT COMMISSIONERS.—Six pensionable posts for men and women at least 21 on March 1, 1958. *Desirable qualifications:* university education; knowledge of economics; experience of public speaking and of organising voluntary workers. Final year students may apply. Men's starting salary (London): from £510 to £655. Maximum £1,285. Promotion prospects.—Write Civil Service Commission, Burlington Gardens, London, W.1, for application form, quoting 154/58. Closing date May 6, 1958.

ASSISTANT TO STATISTICIAN required to work at its Berkhamsted headquarters by company engaged in Market Research. Graduate of either sex, under 30 years of age, capable of working on own initiative and able to handle figures confidently; of non-graduates with proven experience will be considered. Salary according to age, qualifications and experience.—Send particulars of personal details, qualifications, references to date and salary expected, to Box 913.

CORRESPONDENT and Travelling executive required.—Engineering export central Europe, working knowledge German essential.—Write Box MR/148, c/o 95 Bishopsgate, E.C.2.

COMMERCIAL MANAGER, Box 884.—All applicants thanked. Post now filled.

BOX 885.—Applicants are informed that the position has now been filled.

FEDERATION OF NIGERIA
STATISTICIAN TO SUPERVISE STAFF TRAINING

Qualifications: Good Honours Degree or other appropriate qualifications in Statistics and appropriate teaching experience.

Duties: The training of Assistant Statistical Officers to final standard of *Association of Incorporated Statisticians*; the officer may also be required to undertake the ordinary duties of a Statistician in the Department.

Terms: Contract/gratuity. Gross emoluments ranging from £870-£1,824. Free passages; free medical attention. Generous home leave; low income tax.

Application forms and further particulars from Director of Recruitment, Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1. Quote BCD 59/14/02.

Closing date for the receipt of initial applications May 9, 1958.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the full-time posts of ASSISTANT in the Research Section of the Faculty of Economic and Social Studies. The successful candidates will be expected to pursue research in ECONOMICS, ECONOMIC STATISTICS, GOVERNMENT, SOCIAL ADMINISTRATION, SOCIAL ANTHROPOLOGY or SOCIOLOGY and should be graduates in any of these subjects or in Modern History or Economic History. There are vacancies in both Grade II (which carries the status of Assistant Lecturer) and Grade III. The salary scales are as follows: Grade II—£700 to £850 per annum; Grade III—£600 to £650 per annum.—Applications should be sent, not later than April 28, 1958, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

ORDERS for advertisements in The Economist *are accepted on condition that they are liable to rejection at the discretion of the Editor; that while every effort will be made to publish an advertisement on a specified date, no guarantee is given; and that white on black, reverse blocks or large sizes of black-faced type may be stippled or lined at the Editor's discretion.*

APPOINTMENTS

TELEVISION ADVERTISING

The Advertising Department of a nationally known manufacturing company requires a suitably *qualified man to join the group which handles the* company's television advertising.

Applicants should be 23 to 27 years of age, of first-class education, preferably graduates with a good honours degree, probably Arts. Previous experience, whether in television, films, theatre, or advertising agencies will obviously be useful but not essential.

The man will contribute to the development of effective television commercials on a wide variety of brands. This work demands imaginative thinking as well as the quality of mind and temperament which enables a man to plan and organise. Confidence and effectiveness in dealing with people are also important since the work involves considerable negotiation.

The commencing salary will be a good one and our salary policy ensures opportunity for high earnings in the future. There is a good pension scheme as well as other benefits. Applicants should write, giving details of background, education and career to date, to Box 908.

PUBLIC RELATIONS

Major Oil Company offers newly created post to experienced male journalist able to prepare, write and present material for all media, including spoken word. Understanding of Public Relations work and knowledge of *oil industry preferred*; versatility and adaptability important. This appointment offers scope to a man (25/35) with real ability; he will be paid accordingly.—Applications, *giving details of experience*, to Box 912, quoting ref. PR/96.

SALES and Marketing Analyst, man preferably in mid-twenties with Economics degree, some *statistical* knowledge and ability to interpret Research findings, required by Nabisco Foods, Ltd. (formerly Shredded Wheat Co., Ltd.), Welwyn Garden City. Familarity with technique of Consumer and Retail panels, and experience of Grocery *product field an advantage.* Good salary grade, prospects and amenities.—Applicants invited to write to Executive Administrator Personnel, stating age, educational background, *experience and present salary.*

ACTUARIAL STUDENTS

If you

(1) have completed or are completing part II of the examinations,

(2) are confident of qualifying in a reasonable time but cannot quite see where qualifications will get you and

(3) would like to live in South Africa (a country which, while it has disadvantages also has many big advantages),

you may be just the man we are looking for as Assistant to our Actuary in Johannesburg. The position carries a generous salary and the prospects for a *hard worker with* a sound practical approach are excellent.

If you are interested, please write to "The Actuary," P.O. Box 8791, Johannesburg.

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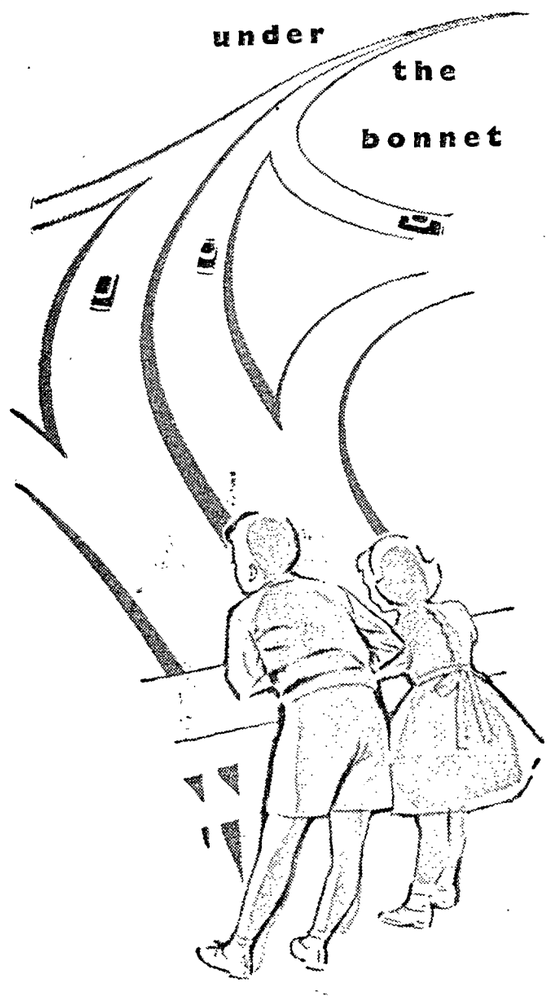
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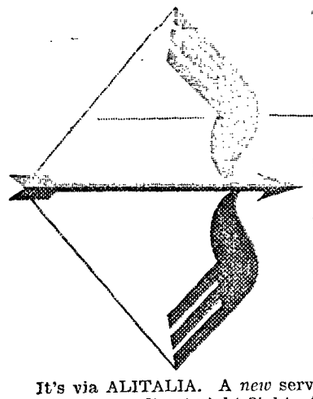
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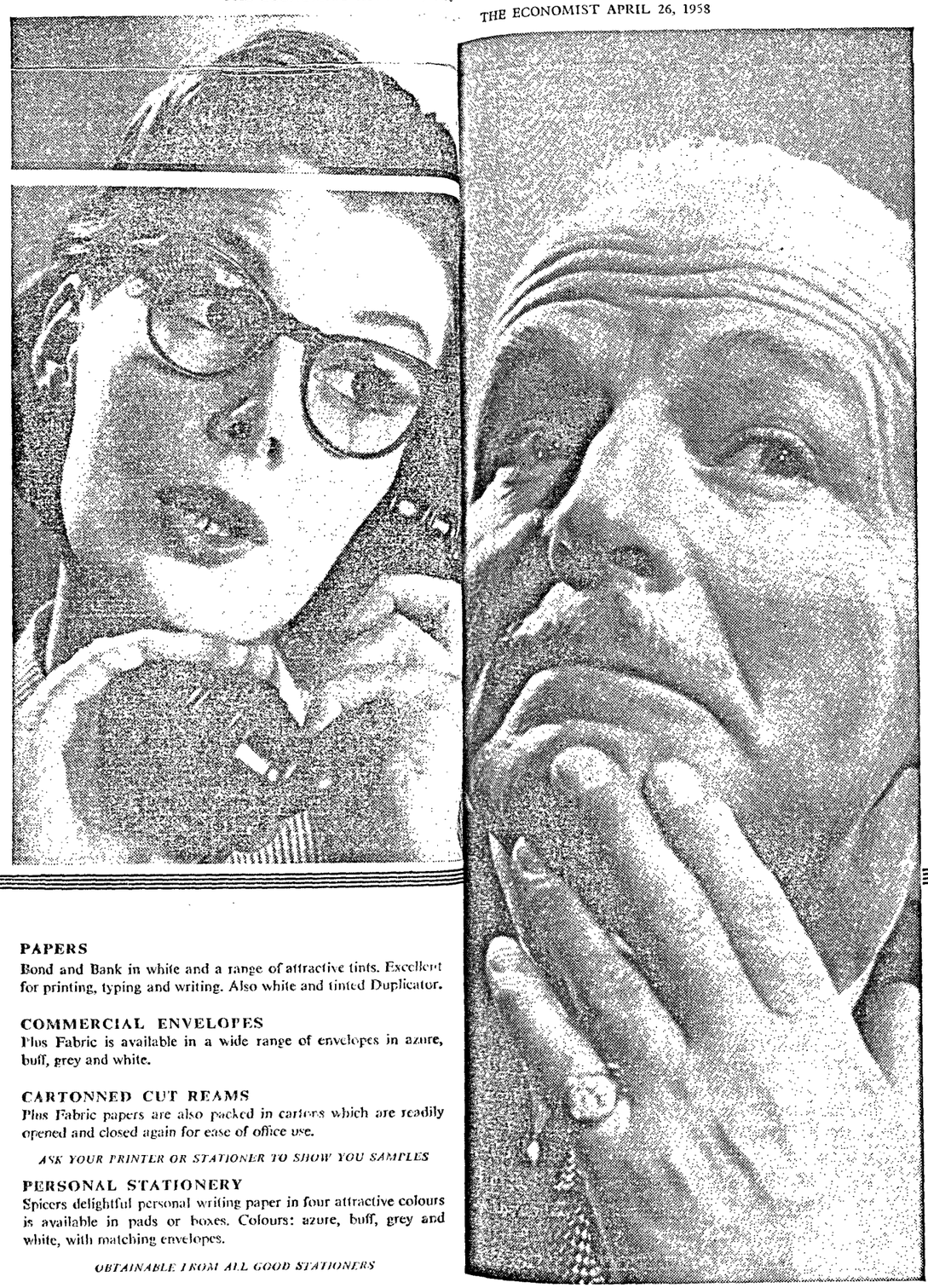
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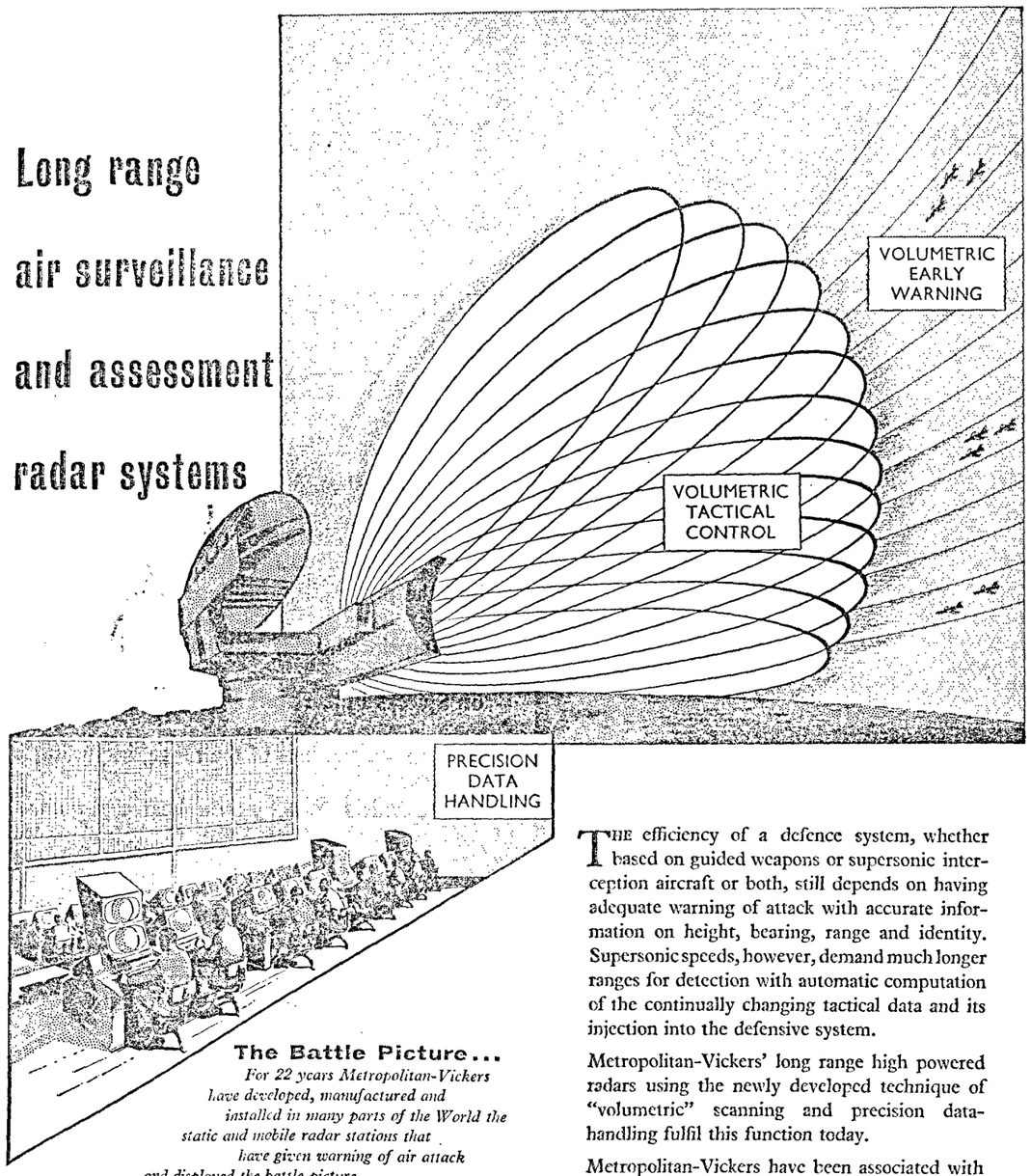
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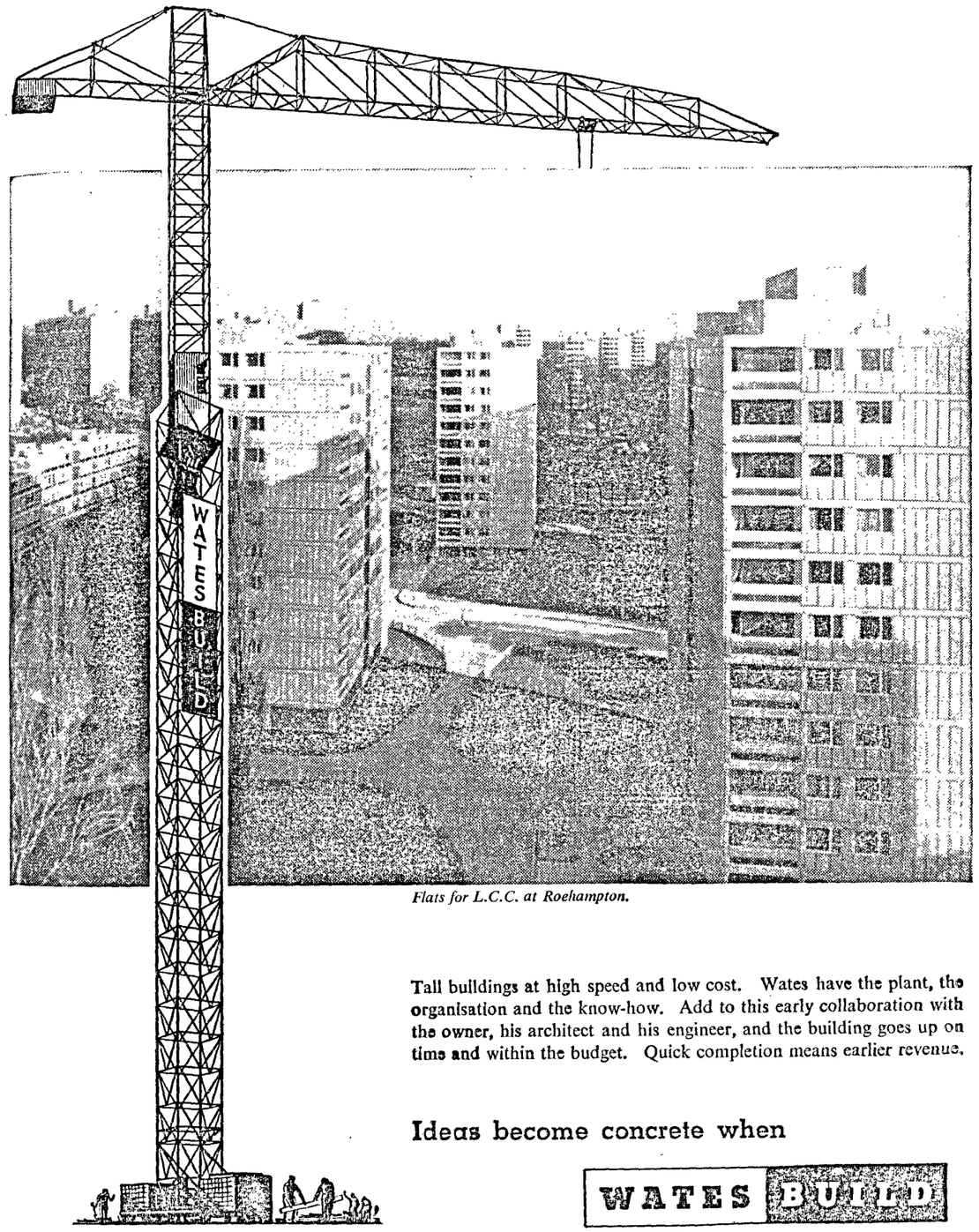
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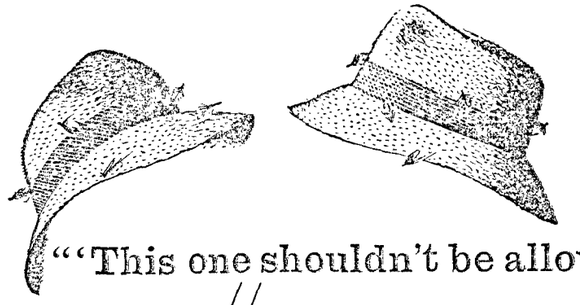
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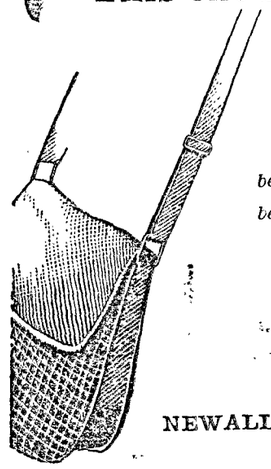
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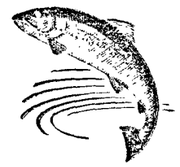


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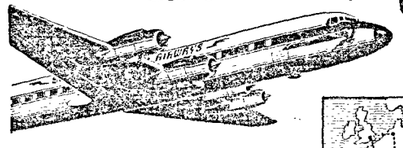
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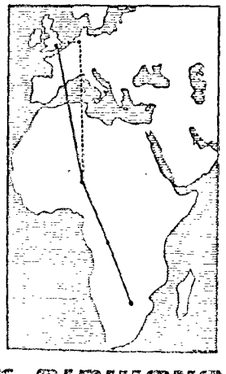


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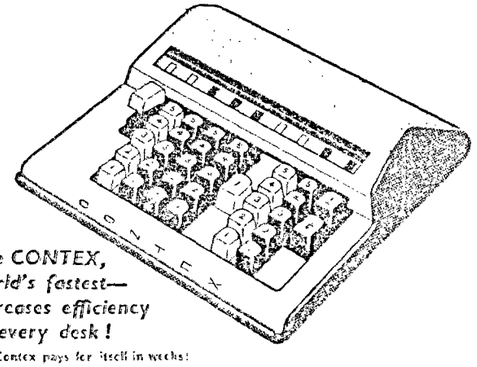
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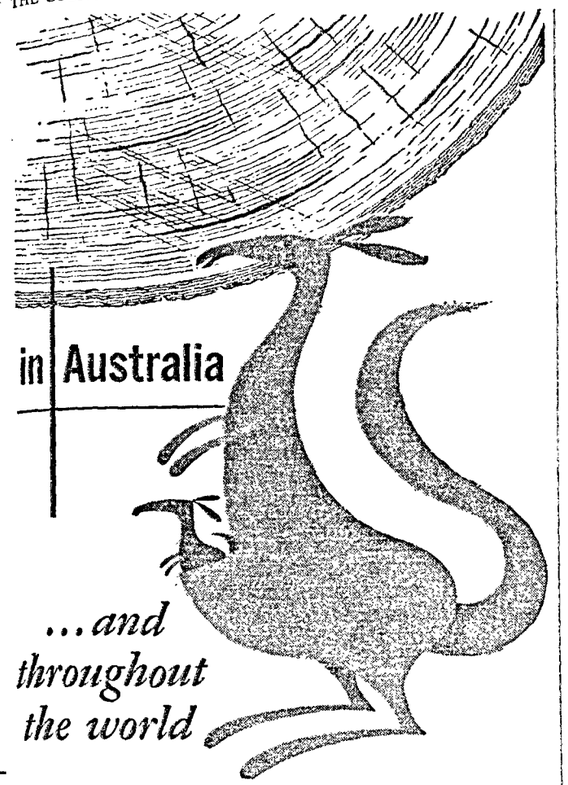
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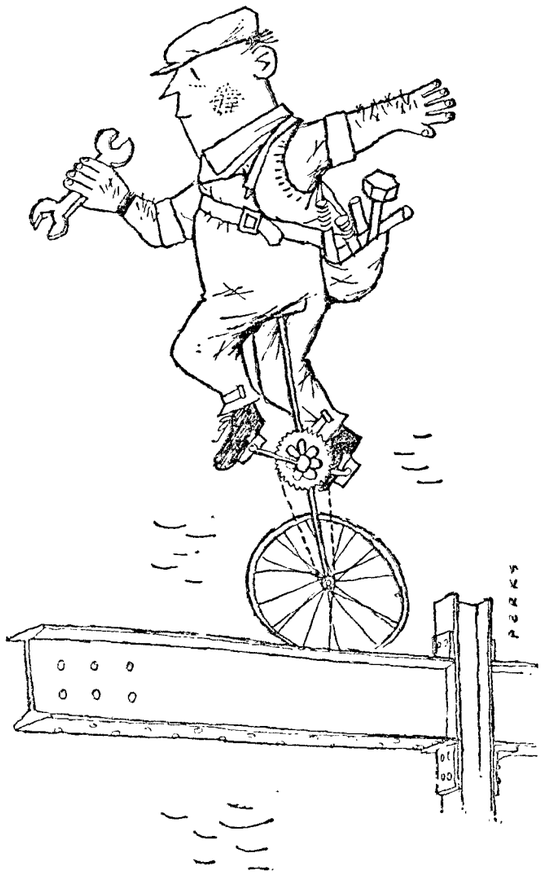
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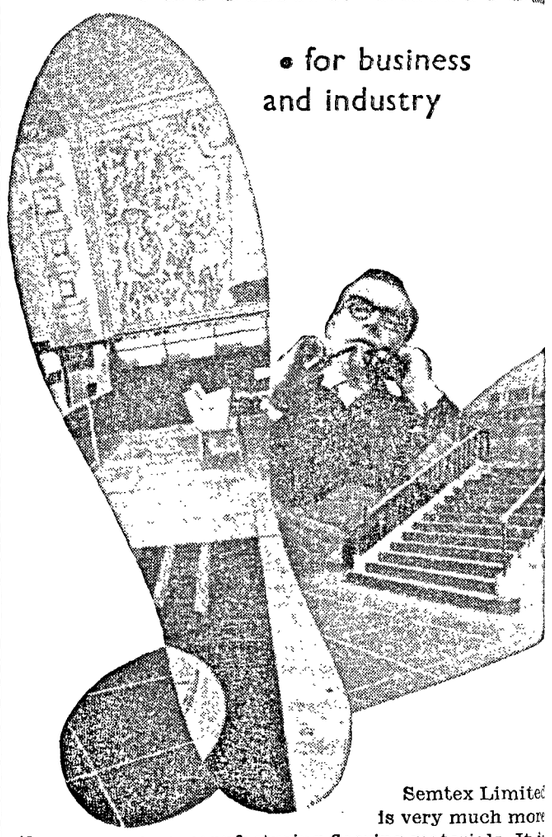
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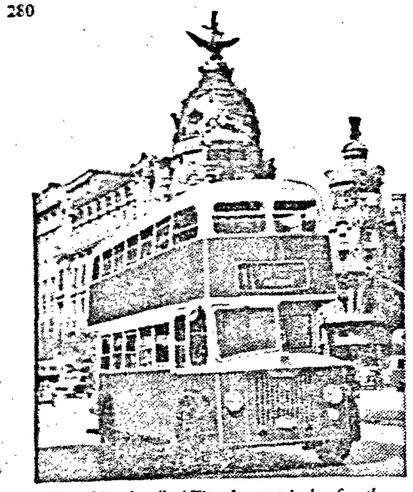
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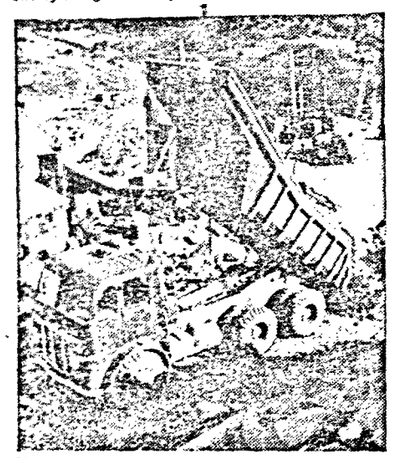
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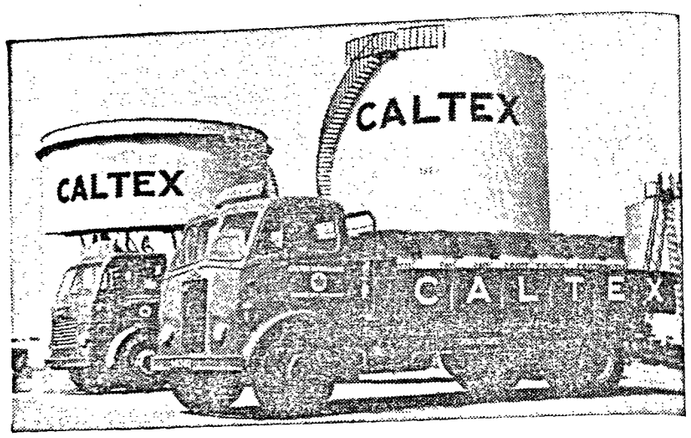
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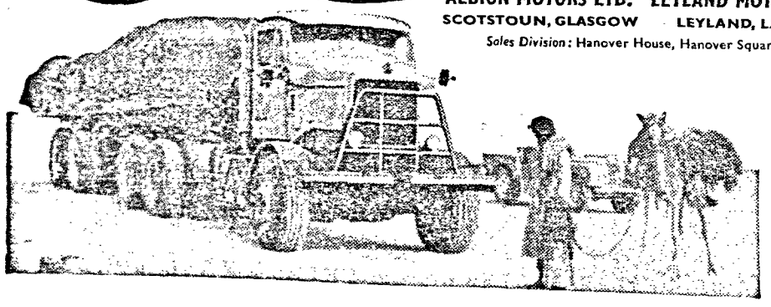
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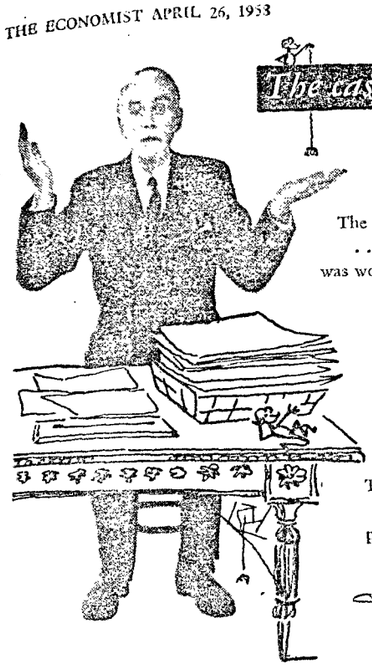
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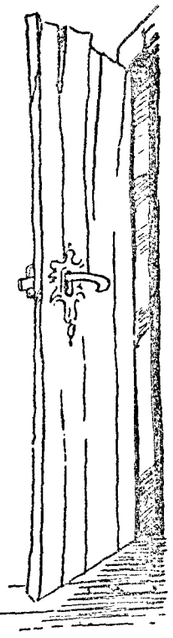
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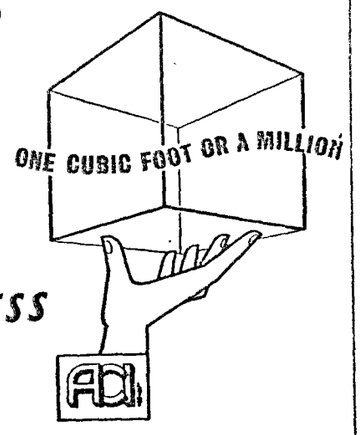
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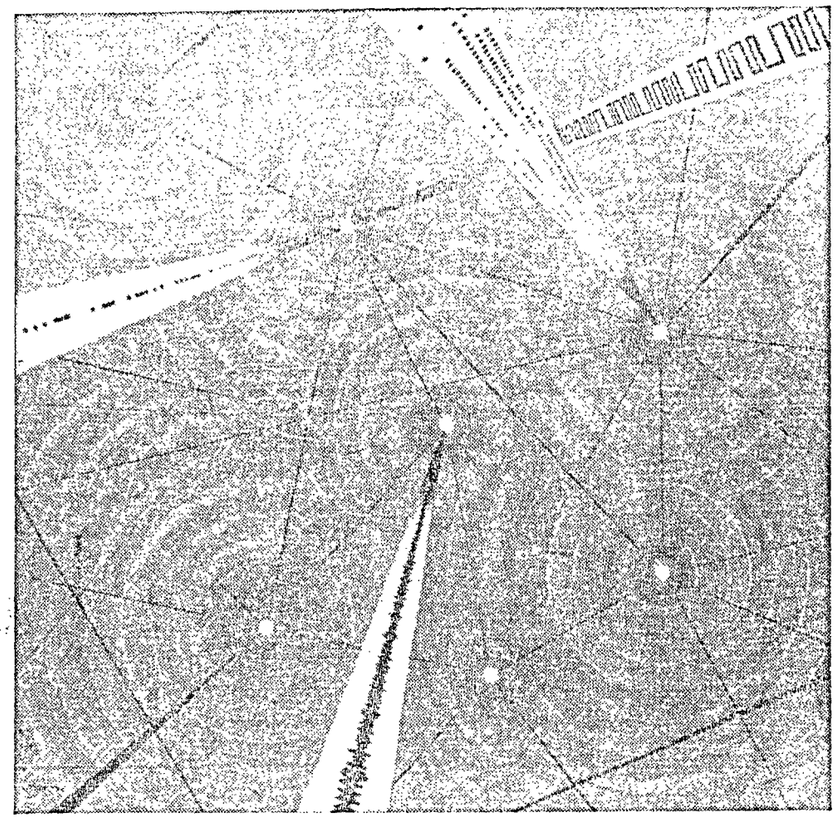
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The Economist

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Foresight for Tories

COMING on top of the recent by-elections, the results of the county council elections have caused a good deal of baring and beating of Tory breasts. The chief mourner and chairman of the party, Lord Hailsham, has gone so far as to say that "Britain is in danger of becoming a socialist state." Very likely he means no more than that the Labour party looks like winning the next general election, which is still by no means the same thing, however depressing the prospect may seem. But the real danger is that the Tories may still not understand what the next election will be about.

Pace Lord Hailsham, who speaks of "deep-seated and massive causes," there is nothing apocalyptic, or even unexpected, about the recent political trend. The swing against the Government is, at this stage of its life, usual. It may well be, indeed, that nowadays no government can normally expect more than its four or five years in office, with the rival parties ranking rather as Ins and Outs than as deadly ideological opposites. What is more, apart from the county elections in and around London, where low polls and the loyalty of the Labour faithful added emphasis to the results, the pendulum has not yet swung across decisively to the Opposition. Just as the 1945 Labour Government gained a few extra uneasy months of office, if not of power, five years later, because the prewar image of "Toryism" still rankled, so now the image of postwar socialist "austerity" still stops dissidents from crossing over to Labour. This, presumably, is the pragmatic justification for Lord Hailsham's cry of "wolf." The socialist bogey is still, politically, worth parading—while the Tories work out another more positive appeal.

For the next election will not be about socialism but about capitalism—or, more precisely, about the present state and future expectations of its British version. This will remain the crux even if Labour, with its split mind, does win next time. The only way to enlarge this nation's wealth and the freedom of choice of its people, the only way to underpin its security and a rising standard of life, is continuously to enlarge its capital. The focus, now more than ever, has to be on investment. The key question now in politics is: How?

To say this is emphatically not to endorse the caricature of Britain today as one vast depressed area. By all the ordinary tests—the state of trade and employment, the balance of payments, and the cost and the level of living—the country is in encouragingly good shape. But economically, it is not, and has not been, growing. That is the danger signal, whether one looks at the flattening-out of both investment and output or at the steady decline over the years in the British share of world trade.

Again, to say this is emphatically not to deny the necessity, as things were, for the policy of Tory austerity applied last year by Mr Thorneycroft and now continued by his successor, or to detract in the least from their political courage (and their success so far) in defending the pound. The preservation of the value of the currency both abroad and

at home is rightly, and inevitably, a first charge ; justice and expediency alike demand it. And it is no retort to say that, in other circumstances, the pressure upon the pound last summer need not have arisen ; it did arise. What is really, and urgently, wanted is the frank recognition that this kind of austerity—the cutting back of investment in 1955 ; the brake which has been put upon production for three years ; the holding-back of investment now, coupled as it is with the paring-down of private industrialists' programmes as well—is particularly bad for Britain. To say that expansion should be resumed, even if it means "letting the pound go," is foolish and irresponsible ; but the frame of mind which accepts as axiomatic that expansion cannot be resumed without the pound being devalued is impossibly defeatist, and just as silly.

The problem can be stated very simply. One thing can be taken for granted : if there is not enough room, without overloading the economy or imperilling the pound, for the productive investment (in machines, in buildings, in power and in communications) upon which our future depends, then the other calls upon the economy, whether for consumption or for the activities of government, whether at home or abroad, are too large. The sum, until now, has too often been done precisely the wrong way round: investment and production have become the residual, and unsatisfied, legatees. The process of limiting the country's liabilities, hearteningly seen to be needed after the Suez experience, has still not gone far enough. Only when this process has gone far enough—and no liability, social, military or financial, including all commitments overseas, can be exempt from the continuing reappraisal—will it be possible to reconcile the long-term necessity for national growth with the short-term necessity to escape from exchange or inflationary crises.

This is the challenge—to both parties. The proper reason for alarm at the prospect of a victory for Mr Gaitskell and Mr Bevan (to say nothing of Mr Wilson) at the general election is not that a Labour government will bring in the socialist state ; the programme for 1959-60, for all the tampering and tinkering which it proposes, is less socialist than the programme for 1945. It is rather that the Labour party (including its component of the great trade unions) seems no better equipped now than it was ten years ago with a policy, or even with an attitude, calculated to bring into being an enterprising, enrichening and innovating Britain. Its spokesmen have proclaimed the need this week for more production ; but too many of them, by their bearing towards capital and business, make it likely that the mere advent of a Labour government will be regarded as a threat to the pound. And its leaders, if they win, will have neither the national (post-coalition) standing of their 1945 predecessors nor the postwar array of controls and controllers—upon which, it seems, they still intend lugubriously to rely.

All this is true. The question is whether the Tories will have, and will be seen to have, a long-term policy themselves—for 1959, or even for 1964. The Prime Minister, it should be noted, is unworried. Everything, he hopes, will be all right on the night: when the next election comes, disinflation will have put a new solid foundation into the economy, and the advance can be resumed ; Mr Amory's modest budget is, in this cool calculation, a brave stroke. Much can happen—including, possibly, the unsought import of a depression—before then. But this can be said already. Unless the Conservatives do show proofs of being able to follow up their stout, if belated, stand for a thrifty economy with their own design for a thriving one, then the Labour model will certainly win another trial.

Nasser's Russian Friendship

It suits the Egyptians' book to argue that they need western help if they are to stave off Russian influence; all the same, it may be true.

PRESIDENT NASSER is about to visit Moscow. Although it would be more neutral to stay at home, and presumably more positively neutral to balance the journey with a call at a western capital, he could not indefinitely postpone paying his respects to the Kremlin while the West makes up its mind whether or not to receive him. As with every other country that is hard up, Egypt would like to be in the happy position of playing the affections of one rich suitor against another : an adroit mixture of juggling and gentle blackmail should theoretically produce twice as much money without jeopardising independence. But in Egypt's case there are two obstacles : President Nasser is not subtle enough for a delicate double flirtation and, until now, the American swain has shown too jealous a temperament to play its allotted part in a triangle. Egypt now depends on the Soviet Union alone for economic and military aid.

Few Egyptians are happy about this state of affairs. The complaint, often heard in Cairo, that President Nasser for all his good intentions will not be able to remain neutral if pushed by the West as well as pulled by the East, is not the less true because it is also a way of angling for western help. American policy is interpreted in Cairo as a bungled attempt to freeze the President out ; it is marvelled that Washington should

fail to realise that the consequences of its manœuvre are bound to be very different from what was intended. In fact this bell may have rung at last ; Mr Dulles has evidently been contemplating a change in American tactics towards Egypt. Agreement over compensation for the Suez Canal Company's shareholders may be the overture for the United States to release the blocked Egyptian dollars and resume more normal trading relations. Mr Dulles may have recognised that, however unwelcome it is to have President Nasser on a neutral tightrope, it would be very much harder to have to try to fish him up if he and Egypt fell into Soviet waters.

EGYPT is not yet dangerously deep in Russia's debt. Soviet tanks and aircraft are being paid for slowly at a rate of about £5 million a year—or no more than a modest rate of interest on what was advanced. The replacements for the arms destroyed by the British, French and Israelis were, according to Cairo, given to Egypt free. Even if this is not strictly true, the description of the relationship between the two countries as an economic stranglehold is not yet justified. On the civil side, the credit of £62 million that the Soviet Union has promised for industrial development does not have to start being paid back until a year after the delivery of all Soviet equipment is completed, and is then spread over twelve years.

Dr Aziz Sidky, the minister of industry, came back very cock-a-hoop from his trip to Moscow to fix the credit agreement. His confidence was understandable ; the Russians had not only been amenable, they had obviously been out to please. On Dr Sidky's request, the terms of credit were extended ; and Russian experts were only to be allowed into Egypt or Syria by mutual agreement. But who is really getting the better of whom ? The numbers of Soviet experts may be controlled, but if no technicians are available from anywhere else, Russia will have the monopoly. After a time, Russian spare parts will have the run of the market. Who but communists will buy this year's crop of Egyptian cotton ? Egyptian schools even have to get their English text books from Russia.

The Egyptians' position is sufficiently clear: they would rather get help from both sides, but if the West will not co-operate, they must rely on the other side alone. But what is it all worth to Russia ? There is no obvious material advantage : unlike the Americans, the Russians do not need oil for their allies or military bases for themselves. Their friendships with the Arab states are of little intrinsic value. They are, however, valuable counters in the suppressed world war against the United States. The Americans got into the Middle East first. The Russian game is to divide allegiances and secure some for themselves. A second question is why they chose Egypt and 1955 as the place and time to develop a policy that has been essentially a counter-attack against American containment. The choice may have been settled by shrewdness, or by chance. Egypt after the fall of King Farouk had the dynamic of revolution. Its strategic position is unique: it is in Africa as well as in the Arab world and it sits astride one of the principal channels for the flow of oil to Europe. And the door was invitingly open when the West refused to give Egypt's new soldier rulers all the arms they wanted.

Having chosen Egypt, the Russians have shown faultless giftmanship. Their touch is unoppressive and they show remarkable aptitude for swallowing disagreeable facts. They have not tried to interfere with President Nasser's policy of locking up Egyptian communists in prison. They were first on the steps to welcome the United Arab Republic, although the union cut their direct line to Damascus through the Syrian communists and near-communists. The Soviet Union has performed the acrobatic feat of placing Egypt in its debt and at the same time boosting the Egyptian leaders' self-respect. Even those sceptical Egyptians who believe Russian flattery to be mostly false like to hear the soothing phrases just the same.

President Nasser, for instance, does not seriously believe that the Russians want him at a summit conference, but when they made the suggestion in January his vanity was tickled. The Russians, in their dealings with Egypt, choose their words more tactfully than the Americans do. The terms of the Eisenhower doctrine sounded humiliating in Egyptian ears: it offered the Arabs "mutual defence," a phrase and a concept used by the British and resented by the Egyptians for twenty years. American talk of "interdependence" is not calculated to appeal to a newly independent, nationalist state. Although the Egyptians knew that the sweeping promise of the Russian delegate, Mr Arzumanian, at the Afro-Asian conference in Cairo—to give Soviet aid to any country that asked—could not be carried out to the letter, the spirit of it delighted them.

IN the face of the Russian success in Egypt, the West can either continue to hold off—or it can enter the lists. Holding off means giving the Russians time, and it would be strange if they did not use this time to make the western position worse. Entering the lists need not mean a competition with the communists on the lines that everything they can give, the West can give better ; nor does it mean giving President Nasser whatever he may ask on his own terms. But it does mean that the policy of treating Egypt on the assumption that Arab nationalism is merely an unpleasant, temporary phenomenon is unprofitable and ought to be dropped.

However great President Nasser's demerits, western ostracism is no more going to unseat him than it unseated General Franco. If a new kind of Egypt has come to stay, the West cannot afford not to get on normal working terms with it. For the present this means trade, financial clearing, and diplomatic relations. Later it may even mean aid as well. The Egyptian plea that western help is needed to counter Russian influence is the sort of propaganda that raises hackles ; yet it is valid, as the United States government is beginning to recognise.

Africa Awakened

The pace of African emergence from tutelage to independent status is visibly quickening. Events in four capitals—Accra, Nairobi, Salisbury, and Pretoria—this month have dramatised the problems of the continent. The article below looks at the strengths and weaknesses of the independent African block which met at Accra. The succeeding article examines the particular test British policy is undergoing in Kenya. Reports on the political crisis in Southern Rhodesia and on the Union of South Africa after the Nationalist party's electoral triumph appear on pages 321 and 322.

A Beginning at Accra

INDEPENDENT Africa's first conference, to which Dr Nkrumah has been playing host at Accra, just failed to be a big stir. But its ripples are meant to spread, and may spread awkwardly for the colonial powers. Time must tell. Accra, simply, is a beginning. It is the start for the young African states as Bandung, more pretentiously, was a start for the Asians: the announcement of a new block, perhaps of a new force, but above all of their own, surprising existence in diplomacy. It need not take too long before African meetings make a pretty big splash—in the headlines at least.

But this time, while the men of Accra talked to themselves behind closed doors in one corner of the continent, the important news for Africa seemed to be coming from everywhere else. Dr Nkrumah's conference, planned for a dozen years to propagate his pan-African ideal, met in a week in which urgent, and often highly unplanned, things were happening to other people. The record was eloquent enough. The French Assembly overthrew the Gaillard government for thinking of talking to the Tunisians, and by that act opened a public split between French and American policy on Algeria. In South Africa the party of apartheid further increased its dominance, unseating the United party leader in the process. The Kenya government swooped on seven African leaders and charged them with preventing other Africans from standing in the special elections under the Lennox-Boyd constitution. The new Southern Rhodesian prime minister, trying to win his way into parliament, was turned back by anti-liberal voters at Bulawayo; he has called a general election. The ruling United Federal party has now been split. Morocco had a sudden political seizure (serious enough to recall its chief delegate from Accra) when its prime minister joined forces with the opposition against the Istiqlal. And in Algeria itself the long war went on.

YET it was at Accra that history was made. It is true that the African states were invited in 1955 to Bandung—where the Egyptians, at least, were in their element—but they could then still be counted on the fingers of one hand. Now they are eight: Ethiopia, Ghana, Liberia, Libya, Morocco, Sudan, Tunisia, and President Nasser's United Arab Republic, the one African state with a foot in two continents. (The South Africans, though not on bad terms with Dr Nkrumah personally, refused to join his new club.) What matters is that since the early Afro-Asian days the eight Accra powers have been learning to make their own way in the world and within the United Nations. Their fraternal declaration was fully due.

But whose fraternity is it? Probably not even Dr Nkrumah himself can yet recognise at sight that "African personality in international affairs" which he charged his colleagues to exhibit abroad. The personality may still be built by the independent Africans as relationships among themselves, previously too distant and difficult, are developed. But at Accra it was a figment, no more. It has taken the first conference of emergent Africa to demonstrate round one table how variously the independents are already divided.

Of the three monarchies, one (Ethiopia) is the antique inheritance of the Lion of Judah, the second has just been elevated from the old but precarious Sultanate of Morocco, the third was created from the desert sands after Italy's expulsion from Libya in the second world war. Ghana, a parliamentary democracy, retains its place in the Commonwealth and, a trifle uncertainly, acknowledges Queen Elizabeth as titular head. The Sudan keeps cautiously uncommitted—particularly to its authoritarian Egyptian neighbour. The last three independents, the republics of President William V. S. Tubman in Liberia, Habib Bourguiba in Tunisia, and Gamal Abdel Nasser in Egypt have almost nothing in common except that they are republics. Two of them are now open rivals.

THESE differences count already, and will count more as the Africans get to know each other in the future. But what matters immediately is the one experience they have almost all shared: European colonialism. (The Liberians, Afro-American colonisers in an aboriginal Africa, have an experience, and possibly a psychology, peculiar to themselves.) In such a convocation, met with one purpose—to agree—and using one argument—anti-colonial morality—it was all too easy to concentrate on the cockshy issue that divided everyone least. The FLN in Algeria was only one, the most obvious, nationalist organisation looking to the Accra powers for direct political support. Had Presidents Nasser and Bourguiba descended in person, each bidding up the price in hopes of keeping the FLN in his own pocket, the less-committed Accra negotiators might have been confronted with an unduly stiff anti-colonial manifesto to sign at the final meeting. The Liberians and Ethiopians, who have always made it clear they have no wish to stir up trouble for the West—and for themselves—among their neighbours, might well be relieved that the big names chose to stay away this time.

As it was, President Tubman arrived with a French decoration on his lapel and did not mention Algeria in his opening speech. Dr Nkrumah himself, although more pointed, seemed intent on impressing his colleagues with necessary moderation, and although the FLN delegates were eventually heard it was only after reports of a stand by the Sudanese and the three negro powers to restrict their position. Even then, the FLN, under what was thought to be Moroccan influence, did not press things as far as it might have done.

IF this mildness was meant to reassure the outside world, and particularly the United States, Accra's message was still easy to read. It tells the colonial powers that someone else is writing a time-table for African independence. But, perversely enough, it is the faster colonial time-tables that have attracted independent Africa's harder looks. It has not been the Belgians and the Portuguese (who simply say that no time-table is needed) or the distant Afrikaners (who have handled Dr Nkrumah with some skill) that the Accra eight have really been talking about. What concerns them, besides Algeria, is the pace of change in Cameroon (where a nationalist *maquis* claims to exist), throughout the potential federation of French West Africa, and in Nigeria and Kenya. For it is the absentees, the Africans whom Dr Nkrumah did not invite, who have most to gain from the conference and who, once they take their place in a new African state system, can dominate the affairs of the continent and overshadow the little Ghana which has paved the way.

Nigeria, if it proves viable, with its population of more than 30 million, is the black African giant of the future; together with a West African federation or federations it could bring the seat of African power south of the Sahara and away from the Moslems of the Mediterranean coast. The clash of interest is beginning. The West Africans fear Morocco's claims to Mauretania, while the recent flight of four Mauretanian leaders to Rabat exemplifies Moslem anxiety to escape isolation within a black African community. On the other side of the continent the Ethiopians are worried about Egyptian motives in Somalia. Even Dr Nkrumah, who wants to have his Volta dam financed whatever happens at Aswan, has just accepted Israeli assistance in running a shipping line—a declaration that black Africa is not there to back Arab interests in the Middle East. Were the Maghreb once united from Morocco to Libya (a process about which the Tangiers conference should have something to say) and West Africa on its feet, the danger of Egyptian influence must sensibly decline.

NEVERTHELESS, the moderation which the Accra powers have shown this week, and may show in the future, depends in the last resort not so much on expectations of sterling or dollar aid or on distrust of Egypt's flirtation with Moscow, but on the skill and imagination the West displays in putting its African house in order. Even if American pressure eases France out of Algeria one day, will France take the right steps to stop Cameroon exploding? The Moroccans are pushing the Spaniards out of their enclaves; will the Portuguese take the hint, or do they hope to hold another, more grandiose Goa? The South Africans now seem to have turned the decisive corner away from racial integration; for the moment they are probably too distant for the Accra powers to spend too much time on them, but their turn will come. And as for Britain, it should not need Sir Roy Welensky's warning that Russia "is looking to African nationalism as a prerequisite for revolution" to grasp how much is at stake. The Rhodesian tussle has been made dramatic by Sir Edgar Whitehead's by-electoral defeat and Mr Todd's secession; the Central African experiment has reached its test. Finally, Kenya offers the Colonial Office a nettle to be grasped. The following article suggests a British policy for this awkward trial in gradual emancipation.

Kenya in Context

KENYA is embarking on a new political course under Mr Lennox-Boyd's constitution. This week the legislative council, sitting as an electoral college, appointed ten of the twelve special (or cross-bench) members which the constitution has added to the council's numbers. But it was ominous that all the African elected members boycotted the meeting, and that in the previous week Mr Tom Mboya and six of his colleagues among the African elected members were charged with conspiracy to prevent other Africans standing in these special elections at all. Mr Mboya wants an African majority now, and while Kenya's liberals are eventually prepared to accede they have not been encouraged by Mr Mboya's intransigence at this early stage.

"For anyone who believes in democratic principles an African majority in the legislature is inevitable," Mr Vasey, the colony's Minister of Finance, declared recently. He stated what is obvious in the long run: there are 6 million Africans in Kenya to 200,000 Asians and 60,000 whites. No dam woven of fancy franchises can hold back the pressure of that majority indefinitely in the world of today, nor can the complexities of an ingeniously balanced colonial legislature, special members and all, for long divert it. But with the African

elected members in the deck for intimidation and attempting by extra-parliamentary means to keep out of the legislature any black man with views different from their own, the question must be asked: what sort of democratic principles are to govern progress in Kenya?

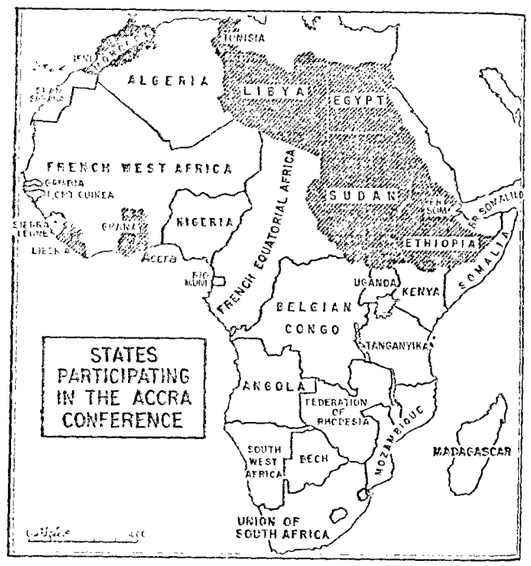
Recent events—the special elections (in which Mr Vasey, a liberal, was beaten by the luck of the draw), Mr Mboya planning a new kind of Kenyatta *cause célèbre*, and arrests for new Mau Mau oath-taking in the reserves—have put British policy in Kenya in a dilemma. Clearly the only questions now are when the majority in Kenya will find expression in the government, and how; and who the African leaders will then be. A lot of progress has to be packed into a tight timetable, yet the train is not even ready to start. On the contrary, the "emergency" is technically still on; the African leaders are deadlocking normal political advance, while the government's refusal to swallow the purge prescribed by the East African Royal Commission four years ago lost a golden chance to unclog the country economically.

To get Kenya from its present constipated condition to some sort of responsible multi-racial government would take all of five years, even with skilled handling; even then it may be a long way from full self-government. But within five years Kenya will certainly have another independent African state on its northern border, while the whole of west and Saharan Africa (conceivably including Uganda) will be composed of independent or nearly independent African states. Whatever the hard realities of East African backwardness may be, it would be folly to think that this will not greatly change the climate in which nationalist claims will be pressed; the only event that might work the other way would be the spectacular collapse of some new African state.

THE danger is that because the new Lennox-Boyd constitution has now got under way, and because theoretically it runs for ten years, it will be thought that something has been settled, at least for a time, in Kenya. It cannot be too strongly stated that the new constitution settles nothing. It puts a stronger African nationalist block into opposition; and it balances this by bringing into the house enough official members and cross-bench members to enable government to vote that opposition down. The Africans led by Mr Mboya are determined to show that they can build a glacial nationalist movement, an unbroken irresistible black front; and, restricted in their freedom to organise political parties, they resort to intimidation to do so. The government inevitably reacts by putting down intimidation and by restricting African political organisation, which deepens African hostility. Each side seeks to wear out the other. This is a poor basis for political progress towards self-government.

To the Europeans, Mr Mboya's present non-co-operation is sheer perversity. He has been made a fair offer. The European attitude has, they feel, become liberal. If the elected Africans would co-operate, obviously they would in the fullness of time come to power in an orderly and British manner; and then Kenya would remain a country in which Europeans and Asians could still live, serve, make money and enjoy their distinctive ways of life.

To the African leaders, however, such an offer smells like a trap. Though they are buoyed up by the feeling that black nationalism is the winning cause almost everywhere north of the Limpopo, they are fearful of being baulked of their reward. The 5,000 white farmers in the Highlands at one moment look as formidable to them as the embattled French in Algeria or Afrikaners in the Union; at another, they seem so weak as not to be worth conciliating with any promises about minority safeguards. In a country where black outnumbers white by 100 to 1, the Africans yet fear a common roll (as a means of breaking the communal deadlock) lest by



some Welenskian legerdemain they find themselves signing for a scheme in which each white vote is worth more than 100 black.

Not only do they fear that if they worked for political advancement within a multi-racial government they would become prisoners of white chicanery; they also fear to expose their own incompetence. It is one thing for West Africans to run governments with the support of obedient colonial servants; quite another to work with tough European farmers and business men with no tenderness for African susceptibilities. So they react with the cliché that efficient government is no substitute for self-government. They shout that a poor African-ruled Kenya is better than a rich white-ruled one. Privately, they do not believe that, if they got power, the country would go smash even if they were inexperienced: they seek the European lands and fixed assets as a comfortable nest egg to tide them over.

To state the Africans' attitude in these stark terms is not to be unsympathetic. Their uncertainty is real, their suspicion ingrained. Nor does the present more flexible mood of the Europeans purge their past mistakes. If their wealth now excites African covetousness, it is because Europeans have clung to privilege and to the notice "trespassers will be prosecuted" when, by implementing the Royal Commission's ideas, they might have relied on their own productivity and skill to make them necessary to any future African government. They must blame themselves for much of the mess they are in.

THE fact must be faced, therefore, that the Lennox-Boyd settlement can only be a starting point for new measures. What should these be?

The advantage of the Lennox-Boyd constitution is that it enables Kenya to be governed by a ministry of all races without Mr Mboya; and clearly there can be no surrender to Mr Mboya in his present mood. But that alone is not enough: what is needed is to set up the goal of self-government, but to give Africans an alternative route to get there. What Mr Mboya needs, in fact, is competition—competition with his policies and with his leadership. The government should seek to increase the number of African politicians in Kenya: there are too few, not too many. Let the four Africans who have come into the legislature this week for the special seats be offered ministerial office; they should also be given the authority and standing (and the protection, moral and material) to enable them to command respect.

Beyond this, steps should be actively taken to bring more Africans into the chamber as representatives of multi-racial constituencies, perhaps on the Tanganyika model in which the franchise is equal. Only in this direction can the country move from a colonial constitution towards responsible cabinet government. African nationalists might win such seats. The ideal is to create seats which nationalists can win, but not by intimidation or by racialism. The soundest policy now is not just to rule Kenya firmly; but to rule it so firmly that politics are possible. It should be made plain to Africans that they will be able to come at a fair pace to a decisive voice in Kenyan affairs—but only by orderly methods, not by politics with a Mau Mau spirit behind a western façade.

Such a prescription for getting Kenya on to a forced march to multi-racial self-government may seem difficult. It may be conceded that it would need an energy and decisiveness about objectives and methods only seen in Kenya at the height of Mau Mau. But what is the alternative? If the Europeans and Asians do not wish in the end to be ruled by governments dominated by men of Mr Mboya's outlook, they must find Africans with a different outlook to whom to confide their future. As it is, it looks only too likely that, on the African tide, the last word will be Mr Mboya's.

NOTES OF THE WEEK

WAGE DISPUTES

Mr Cousins Missing the Trains?

THE attempt to drive towards a railway settlement seems to be proceeding on nearly, if not quite, the right lines. Sir Brian Robertson has said that, once he has formed a clear estimate of the economies in railway working he can expect this year, he hopes to be able to give the unions a date by which wages can again be reviewed; it would be wiser to promise that this review will take place once certain target economies have been achieved, rather than to talk about dates yet awhile. But the sort of post-dated wage bargain now being discussed promises, at any rate, to be many times better for the economy (and for the railways) than the sort of wage surrender in which the commission has indulged in every other recent year. The detailed problem of the railways' finances is discussed on page 331.

The leaders of the three railway unions have shown themselves to be praiseworthily canny men in these last two weeks. Next week will show whether they will continue to display this caution in the case of the London Underground train drivers; workers on the Underground were refused a wage increase this week, but their claim still has another stage of the arbitration machinery to go through. It is now increasingly possible to hope that the strike of London busmen, which is due to start on Monday week, will, if it does go forward, be a busmen's strike alone.

Mr Cousins came back from Jugoslavia this week to make preparations for this bus strike. Financially, his union could sustain a strike for a long time. As the London busmen form only a small part of the Transport and General Workers' Union's membership, it is being said that even an eight-week strike by them would cost only £1¼ million out of the union's total available funds of over £11 million. But this calculation is on the assumption that strike pay for each striker will be only £2 a week, plus 10s. a week for his wife and 6s. for each child. The average central London busman is thus being asked to give up many pounds a week in earnings—in a fight in which his declared aim is to get only an extra 2s. a week above the 8s. 6d. recently offered to him. The men do not seem likely to enthuse over this prospect, and there must be some danger to Mr Cousins that after a time the strike might simply peter out. Without support from the railways or the Underground men, a bus stoppage may cause less massive inconvenience to

most of London's commuters than is generally supposed, and the public demand for a settlement may not be insistent. Mr Cousins therefore faces an awkward personal decision: having probably missed the trains, he must suspect that the course of discretion would now be not to stop the buses. It seems a poor sort of gamble to bring most of his men out on odds of a hiding to two bob.

THE SUMMIT

Too Many Angels

It is, of course, perfectly legitimate for America, Britain and France to make propaganda out of Mr Gromyko's insistence on seeing their ambassadors separately rather than together—just as it is legitimate for the Russians to make propaganda out of American bomber alerts. All's fair in love, war and summitry. Both Russians and westerners are out to score all the points they can along the road to the summit. Both have in mind the need to be able to blame the other fellow when disenchantment ensues. The in-fighting will get tougher yet.

So far, the Russians have scored most of the points. This has hardly been difficult so long as they could represent themselves as eager, and the West as reluctant, to initiate talks. It is tactically shrewd, therefore, for the western governments to play up the Soviet rejection of their proposal that a diplomatic working group should get down to things in Moscow. But it is all quite irrelevant to reality. The Russians have long made it clear that they are not interested in a summit meeting on the 1955 model—*that is*, a meeting with the Americans, British and French. Last week Mr Gromyko fulfilled (indeed, over-fulfilled) his promise to "start an exchange of views" by summoning not merely the three western envoys, but also those of twelve communist governments and of India and Sweden. Mr Dulles may object to the participation of "neutrals," the Foreign Office and the Quai d'Orsay to being equated with satellites; but since the core of a top-level meeting must in any case be a Russo-American confrontation, it scarcely matters how many other angels are theoretically dancing on the summit. Indeed, the two super-powers could slip off together into a corner more tactfully at a conference of eight, twelve or fifteen governments than if there were only four.

Mr Eisenhower's public rejection on Wednesday of the idea of a "summit for two" was only to be expected. Less explicable were the suggestions this week that the latest Soviet tactics have led him to have second thoughts about the wisdom of having a summit meeting at all. If this is so, the President must have clung longer than most to the belief that the Russians actually intend to come to terms. On the more likely assumption that their chief aim is to exploit western reluctance to meet them, it is surely playing into their hands to start back-tracking at this stage.

When "Fail Safe" Fails

Mercifully, time has not yet been altogether annihilated by the rocketeers. It is estimated that Soviet nuclear missiles would need half an hour to reach the United States across the North Pole. This slender margin, plus an Arctic radar warning system, enables the thirty-minute men of the Strategic Air Command to get airborne and on course for retaliatory strikes at Soviet targets. As their lumbering old subsonic B-52s take several hours to travel the necessary 5,000 miles, it is easy to calculate that they can never get far before it becomes clear whether the objects seen on the radar screens were or were not rockets. The "fail safe" procedure, under which they turn back in any case if they do not receive positive orders to proceed before reaching a certain point, is an assurance against the risk of communications breaking down. There is no pressing on regardless.

Hence the calm with which the world at large, and the Security Council in particular, received last week's Russian complaint about these "provocative" American arrangements. Even the Soviet rulers do not seem to take their own case very seriously. In New York on Monday, they were quick to withdraw their resolution as soon as they had achieved their objective of using the council as a sounding board; and in Moscow the same evening, Mr Khrushchev put on his familiar show of convivial bragging without a trace of anxiety about being near the "brink."

Nor can the Russians have really hoped to get the Americans to promise to be good little sitting ducks. Suppose the roles were reversed, and Washington, not Moscow, could claim the ability to hurl ICBMs over the Pole. The Soviet air headquarters at Omahasky, Nebraskov, would surely be all set to get its nuclear bomber fleet off the ground at the first flicker of a radar screen in Novaya Zemlya. And no doubt the Russians, too, would operate a "fail safe" procedure. Perhaps they already do; who can tell? But the really disturbing thought provoked by the disputation is this. Even the fastest bombers can be, and evidently are, turned back to base in good time when the alarm proves to be a false one. Missiles, one suspects, cannot. When both sides come to depend on ICBMs, what new safety measure can replace "fail safe"?

BUDGET DEBATE

Swopping Their Battlefronts

"The right honourable gentleman and his honourable friends recommend maximum production as top priority. Our top priority in present circumstances is the maintenance of the strength of sterling and a stable price level." Thus the Chancellor in summing up one of the most interesting post-budget debates of recent years. It is, after all, a considerable change from 1955 to find that the principal tenor of the exchanges lay in this: that Labour was putting its main emphasis on the need to increase total income, and the Government was putting more emphasis on the need to avoid unfairness in the distribution of income—as exemplified by the effect of inflation on (to quote the Financial Secretary to the Treasury) "the pensioners, the sick, the disabled, the widows, and those living on small fixed investment incomes." As all these latter are minority groups, it is a fair guess that in this exchange of arguments Labour has succeeded in picking up the politically more popular clothes in the country.

In the Commons, however, the honours went to the Government, and Mr Amory continued to enhance his reputation as a parliamentarian. He intimated again, in his winding-up speech, that his first priority "in the event of an incipient recession" may be bigger foreign lending "to assist exports." One might have expected an Opposition charge that it would be better in these circumstances to increase investment at home than to bolster up the demand

of those of Britain's customers who have run into debt; but the charge did not come. Among measures that could be used to stimulate home demand, the Chancellor emphasised that "arrangements for holding bank credit, hire purchase and the raising of capital can be modified or removed at any time." "The same applies," he said, "to interest rates"; in his speech he put his reference to a possible lowering in interest rates after his reference to a lowering of other controls, and it would be nice to think that he might observe the same order of priority in his programme.

In his study of investment programmes in the public sector, the Chancellor has thankfully found that there is a "substantial volume" of appropriate anti-recession projects—"short-term schemes which can be started quickly and completed within a year or eighteen months." On the consumer front, there are also many things that could be done quickly "if it comes to the direct stimulation of consumer expenditure," but Mr Amory restrained himself from going into details because "most of what could be said would sound more like a cookery book . . . than the actual menu to be served on a given occasion." He made no reference to the possibility of introducing a second budget in the event of incipient recession; probably he should have done. There was, however, an undoubted air of quiet confidence in all these references to the ways in which home demand could be quickly restimulated, if he felt that he should give the word.

To Live with the Dollar

Where Mr Amory cannot be so confident is whether the world will be able to ride off a dollar liquidity crisis this autumn, whatever happens to British demand; there was, indeed, something of a conspiracy of silence about this danger all through the debate. But the delicate international negotiations that are an obvious need for this nervous spring are, as one had suspected, afoot. "The Government," said Mr Amory in one of his most interesting revelations, "have had some discussion with the American government at official level" about "long-term financial liquidity and other problems."

This seems to confirm the guess made by *The Economist* on March 1st about the significance of the unpublicised British "knights' moves" then in progress at Washington. Mr Amory continued, in this dissertation on the need to inject more hard currency credit into world trade:

> In a few weeks' time, there will be a meeting of Commonwealth officials at which it is hoped that the matter will be discussed further. There are a number of solutions, but all involve some expansion of the scale of existing international co-operation.

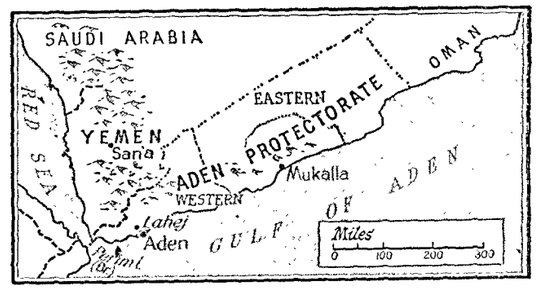
Once again, the Chancellor did not go into details, although he did say, perhaps not very hopefully, that it would be in Britain's interest that "the price of gold should go up." But he is "strongly of opinion that the time is now approaching, if it has not already arrived, for another forward move in international economic co-operation." A much more effective International Monetary Fund? Stand-by credits by different national central banks? Some sort of Atlantic Clearing Union? Five years ago discussion was rife about these and other possible ways of making it easier for expanding world trade to "live with the dollar"; a main feature of this summer might be—it certainly ought to be—that all this discussion should again be unblushingly and determinedly taken up.

ADEN

Up a Blind Alley

If it is true that misery loves company, then only the French, with their trouble in North Africa, can derive any comfort from the sending of British warships and troops to Aden.

It has long been said that the British Government is fighting a rearguard action at Aden. The strategic position of Aden has been rendered more important by the spread of Egyptian influence in Arabia and the Persian Gulf. Has the position of the British proprietors of Aden been that they one day expected to sail away and leave it to the Imam of Yemen or to some other petty local ruler? There have been few signs of that. The location of the great refinery at Aden appeared a masterly plan. After the loss of Abadan it seemed wise, no matter where the crude oil came from, to have the refinery on one's own property. A new era in the colony and the protectorates could have begun then, for it was clear that the British Government meant to stay. It was a time to insure the British position by making Aden such an attractive proposition that the Yemenis could look on with all the greed and envy they liked, but could make no headway with the people either of Aden or



of the protectorates. Instead, the coming of the refinery has brought industrial strife, which has made more friends for Nasser. The general policy of keeping the place a backwater was persevered with for too long.

Efforts to set up a federation of the twenty-three petty protected states came too late. When the plan was first proposed Nasser was still a soldier of King Farouk, and Imam Ahmad of Yemen had no foreign friends at all. By the time the Government tried to put it into effect the missionary work of Cairo had begun, and the Imam had begun to have some success in recruiting dissidents in the protected areas.

Politics in south Arabia have now reached the stage when the inhabitants, or many of them, are clamouring to trade indifferent British protection for the promises of Cairo and the claims of the Imam. They see no danger in trading an old-fashioned imperialism for the new one that is now all the rage in the Arab world. To them, Russian activity in the mountains and harbours of Yemen only emphasises British inactivity for the past hundred years.

The British Government cannot now give in without providing Nasser with another triumph. Perhaps it is necessary to send in the troops. Perhaps it is necessary to hold on. But it is sad that Aden, after London and Liverpool the busiest port in the Commonwealth, should have been left far behind in every way for so long.

MALTA

A Prime Minister on Strike

MR MINTOFF'S "resignation" as Prime Minister of Malta should be stigmatised for what it is: a prime minister, who has run out of money for the management of essential services, and who is unable to raise more of it from Britain and unwilling to raise more of it at home, has thought it consistent with the dignity of his office to go on strike. A dissolution of the Maltese parliament and an early election will not necessarily restore matters to order, for Mr Mintoff might well be returned in emotional triumph. It would be best to recognise frankly that for some time to come the political side of the government of Malta is likely to be a matter, not of professional administration, but of amateur dramatics.

Britain's interests in this matter are plain. They are, first, and most important, that the island should not become another Cyprus; and, secondly, that the British Exchequer need not become Malta's milch cow. The strictly military importance of the base, as Commonwealth terrain, is rapidly declining; the shadowy fear that Malta might become a communist enclave haunts British policy in the background, but only monumental mismanagement by both Britain and the Maltese could bring that about. The best course for Britain might well be if the Maltese people were now to hold, not an election, but a referendum: to find out whether their choice would really be for independence (which they would be unlikely to opt for in any calm vote, because independence would mean poverty), or for integration on Britain's original generous terms, or for Mr Lennox-Boyd's more recent compromise suggestions. Unfortunately, it will now be very difficult to work towards any such solution, especially if no Maltese can be found to run the country as something more than a disorganised anthill in the interim. Nevertheless, the proper course for Britain is to do all it can to expedite the opportunity for the Maltese people to make their own choice; and despite all that has happened, the best Maltese for holding office in the meanwhile would still be Mr Mintoff. For Mr Mintoff remains, on one side of his split personality, an exceedingly able man: his besetting tragedy is merely that he is apt to put love of his own vast pride in front even of his considerable love for his own country.

LABOUR POLICY

Lorries,

As usual at this season, press reports have begun to appear about Labour's projected policy statements for this year. As usual, party spokesmen have described some of these press reports as "ill-informed," but they generally provide a reasonable picture of the party's current trend of thought. All this year's leaks so far have suggested that Labour may want to look more moderate, but not necessarily to be so.

In road transport the reports have suggested that, under a Labour Government, the still-nationalised British Road Services may not necessarily re-acquire compulsorily all the country's long-distance lorries for hire, but that there may be greater restrictions on the grant of C licences under which traders are allowed to carry their own goods. This is without doubt the solution that the nationalised industry would like: BRS's long-distance lorry fleet is just about the right size now to secure economies of scale, and it does not much want to add a lot of other people's old lorries to it. Some of these private lorries, Labour might think, are not worth the compensation money, and marginal competition from them does little harm to big brother's profits. The much more effective competition, which the nationalised concern would like selectively to restrict, is that from traders who find it more economic to carry their own goods according to their own chosen timing schedules, instead of getting them carried according to BRS's schedules. There may be a case for one element of tighter restriction on C licence vehicles: greater restriction on the use of firms' delivery vans in big cities at certain times of the day. But any other new restriction would be a deliberate attempt to make Britain's transport system less efficient, in order to make the nationalised part of it—and, incidentally, the remaining private road hauliers—look more efficient by giving them a bigger monopoly profit.

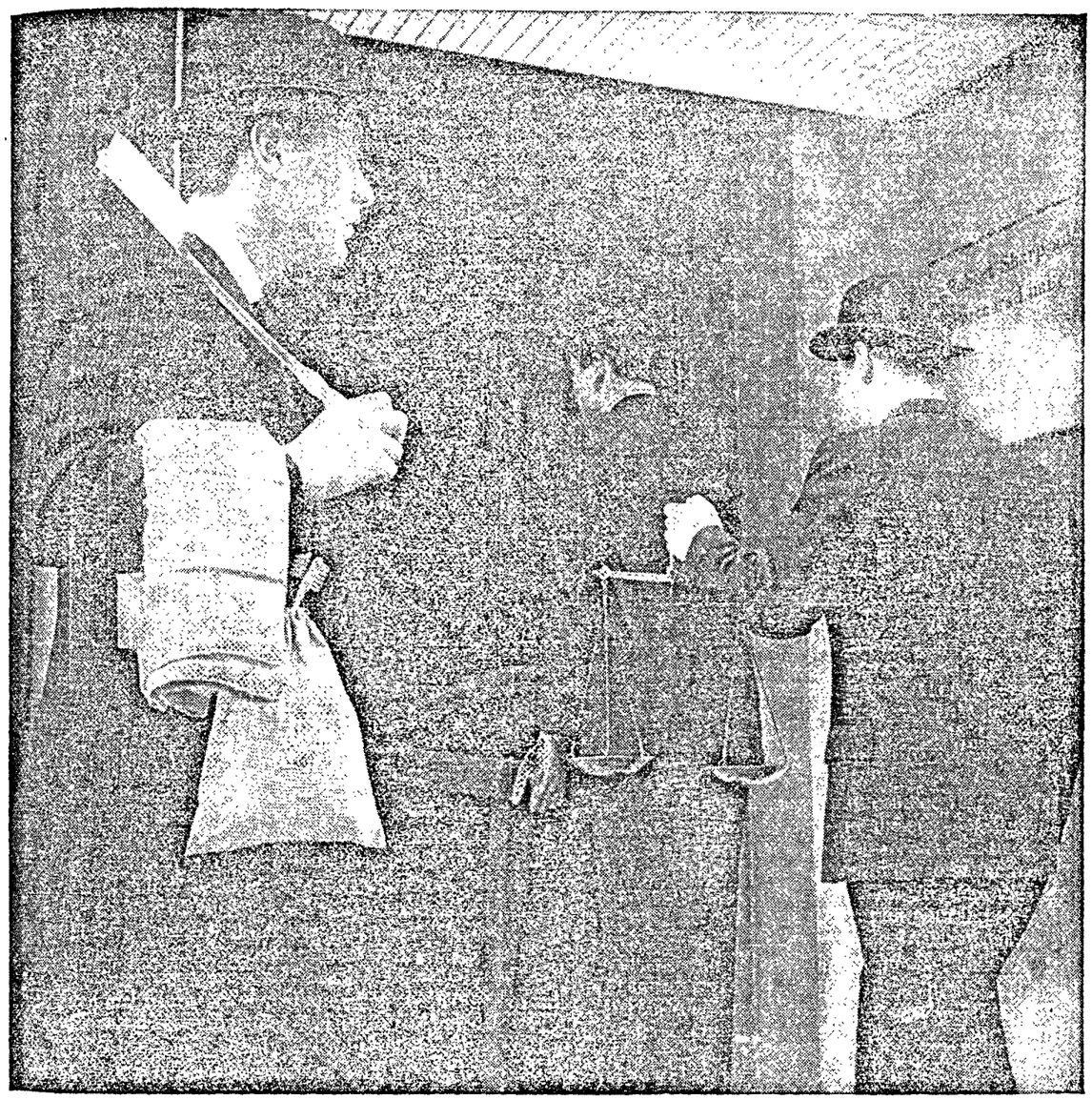
Steel,

IN steel, by contrast, Labour does seem to be edging its renationalisation policy—if it has got to have one—the right way. To moderate Labour men, the only thing a renationalisation of steel act really needs to do is to renationalise the Iron and Steel Board. This board already has considerable influence over the industry's prices, production, investment research and exports. In fact, in dealing with the private enterprise steelmakers, that influence is now more effective than any the former nationalised corporation ever had. It is also probably presently tending to increase; under nationalisation it would no doubt increase further. The new Labour plan for steel is said to concentrate mainly on increasing the Board's powers, and to propose that the steel companies themselves, although their shares should be taken over, should be left with their separate names and individualities. Some Labour extremists had wanted to destroy these separate companies next time, merely in order to make any subsequent denationalisation more difficult. The reported new plan, if carried out, would therefore represent something of a victory against those who believe that the main purpose of making an omelette is to enjoy the sadistic pleasure of breaking up eggs.

, and Which Schools?

IN education, it is reported that the Labour planners do not propose to make the great public schools of Britain illegal institutions (which is no doubt very nice of them); that there is strong opposition within the party to "bolstering up" these "forcing grounds for a class-conscious elite" by granting a pursefull of state scholarships to poorer students wanting to enter them; but that a majority want the schools to "wither away," perhaps with the aid of some nasty-minded fiscal "reforms" to check family covenant arrangements that are designed to help the payment of school fees.

The big problem hanging over the party's education policy, however, concerns the state system of education, not the small private sector of it. The party's propagandists are anxious to be able to say that they are going to "abolish the eleven-plus examination." They think that this would be a vote-catching slogan with that great majority of parents whose children do not p[illegible] it. To some Labour extremists,



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"abolishing the eleven-plus" means in effect abolishing the grammar schools and the whole principle of selectivity in education; this could not be done at a stroke of the pen, but great damage might be effected by vicious attempt. Fortunately, there is some sign that moderate counsels may be prevailing here also: that Labour's platform of abolishing the eleven-plus will really mean merely mitigating the ordeal of relying mainly on a single examination on a single day, and setting greater store by teachers' reports. This would no doubt be accompanied by efforts to merge more grammar schools into comprehensive schools, but mainly for the purposes of experiment. There is no doubt, however, that the party's statement on education deserves to be the most uneasily-awaited of its policy documents this year.

JUGOSLAVIA

Belgrade's New Challenge

SOVIET-JUGOSLAV relations, always uneven, have taken a sudden turn for the worse. The trouble arose out of the massive draft programme, originally published early in March, for the seventh Jugoslav communist party congress. The Russians took strong exception to parts of it, and apparently said so in decided terms behind the scenes in Belgrade. Early this month they privately told the Jugoslavs that they would not after all attend the Jugoslav party congress; and last week they openly attacked the programme's "erroneous propositions." Last-minute amendments did not serve to blunt Moscow's displeasure, and so the Jugoslav Communists have been holding their congress in Ljubljana this week with practically no "fraternal" support from abroad.

The offending party programme contains nothing that the Jugoslavs have not said often since 1948. But for the first time it enshrines in an authoritative and comprehensive form their ideas not only on Jugoslav problems but also—most maddening for the Russians—on communism in general. The theory that different countries must pursue separate (in effect national) roads to socialism is deliberately spelt out. The primacy of the Soviet Union in the international communist movement is implicitly denied; so is the concept that "communist parties have a monopoly of every form of movement towards socialism." (This last point has a rather hollow ring in the light of Marshal Tito's diatribes against Mr Djilas on Tuesday.) No one should be surprised that the solemn presentation of these and other ideas should have stuck in Mr Khrushchev's throat, even though in the past he may have paid lip-service to some of them.

This new estrangement from Moscow is clearly a serious blow to the Jugoslavs, especially as in matters of foreign policy they have recently been lining themselves up more closely with the Russians. Yet there is little doubt that they will stick to their guns. On Wednesday, Mr Rankovic's uncompromising attack on the Russian attitude to Jugoslavia roused the congress delegates to what was in effect an anti-Russian demonstration. The observers from the Soviet block (with the notable exception of the Polish representative) absented themselves from the conference hall during this part of Mr Rankovic's speech. How much further Soviet resentment will be pushed remains to be seen. Will the Russians be so foolish as to send Marshal Tito to Coventry again?

FRANCE

M. Bidault Proves the Point

ADVOCATES of a reckless policy of reconquest in North Africa cannot muster a majority in the French national assembly. This has been shown by M. Bidault's failure to form a government after a week of crisis in Paris. As was logical, President Coty decided to call first on one of the opponents of compromise who had voted against M. Gaillard. M. Bidault, in spite of his past career as progressive Catholic and a distinguished resistance record, fitted the bill perfectly. Though a member of the Christian MRP, he has become in recent years one of the most vehement spokesmen of the colonialist Right. If his name and record could lead to some confusion, the list of M. Bidault's prospective cabinet ruled out any misunderstanding. He offered the post of minister-resident in Algeria to the ex-Gaullist M. Soustelle and the ministry of defence to the dissident Radical, M. Morice.

Evidently it was going to be a government of the *ultras*, and this was too much for the Socialists to swallow. M. Mollet announced that they would vote against. M. Bidault went on with his cabinet-making undaunted, but he was finally compelled to throw in his hand on Tuesday, when his own party—the MRP—decided to refuse its support. One week was enough to show that the Assembly's extreme intransigents on North African policy are more vociferous than they are numerous.

The course of the present crisis is complicated by the fact that cantonal elections are being held at the same time. These are roughly equivalent to county council elections, with the difference that more French deputies are directly involved. The first ballot showed no important shifts and confirmed the basic stability of the French electorate. The second ballot, to be held on Sunday, may give some indication of the likely party alliances in parliament. In the meantime, President Coty has drawn the lesson from the defeat of the candidate of the Right and has turned to M. Pleven, a man of the centre. It has been proved that the Right is not strong enough to govern; but can it rule negatively, by vetoing any compromise proposal for Algeria? M. Mollet and the Socialists probably hold the answer.

FREE TRADE AREA

The Key Drops Out

THREE contributions have been made in ten days towards better British relations with Europe and a more hopeful footing for the free trade area talks. The German leaders who visited London last week seemed aware that only they and the British Government are at present in a position to provide the western world with the lead that it needs. Dr Adenauer went home more convinced, as it appeared, of the political importance of the free trade area project, and prepared to throw his weight into the scales for a compromise.

A second contribution to better British relations with "little Europe" was made by Mr Sandys in Paris with his new proposals for co-operation on arms development and production. A start seems to have been made on breaking down the wall of mistrust in western Europe.

A third impetus for the free trade area has been provided by the joint statement by the industrial federations of six countries outside the common market—the Scandinavians, Austria, Switzerland and Britain. Few of their ideas are new; but this evidence of solidarity among industrialists strengthens the hand of their six governments in seeking early decisions on the free trade area project. The Austrians and Swiss have given the lie to fears that their countries might seek agreement with the common market on a bilateral basis. The next step for the industrial outsiders is to come to terms with their counterparts within the common market itself.

Outside France, many forces are thus pressing the negotiations forward. Even in France, thought is being given to possibilities of compromise. But at the critical moment the key to the negotiations has dropped out—the French government. The ministers of the six common market countries hoped to thrash out a compromise solution at their meeting this week. With France out of the game, they could not do so. As a result the next meeting of Mr Maudling's OEEC committee on May 2 looks like being fruitless. The next French government will not necessarily be any easier to negotiate with than M. Gaillard's was. But it will be better than none at all.

RENT ACT AMENDMENT

Much Worse than Expected

MR HENRY BROOKE'S Landlord and Tenants (Temporary Provisions) Bill is a much worse measure than one had been led to expect by his announcement on April 2nd, and for five reasons. First, the bill will last for three years, which is a far longer period than is needed to allow people of small means to find time to arrange for alternative accommodation. Secondly, the periods for which the county courts can suspend orders for possession are to be a minimum of three and a maximum of nine months, with a possibility of extending suspension of an order for a further six months on each renewed application; these periods, again, are longer than expected. Thirdly, a great administrative muddle is likely to arise from the clause which lays down that the rent to be paid pending a court hearing—and the *minimum* rent which the court can order successful tenants to pay after this hearing—will be "twice the gross value of the property occupied, together with rates and a reasonable charge for services where appropriate." Fourthly, the provisions about the *maximum* rent which the court can order a successful tenant to pay will introduce an eyebrow-raising new principle to the statute book of England. Fifthly, the scope of the bill is almost entirely arbitrary.

Consider this arbitrariness first. About 80 per cent of tenants, according to a reliable sample, had already agreed to new terms with their landlords before April 2nd; the lucky people under the bill will be a proportion of the remaining 20 per cent who had not made agreements by then, and who also were in accommodation for which the landlord had not signed an agreement with a *new* tenant for after October 6th. (These agreements with new tenants will still hold good.) The people lucky enough to qualify for the safety net seem likely to hold the landlord by the short horns in the first stage of their negotiations with him. Until he has agreed with them what is the proper controlled "interim" rent—which really means agreeing what is a "reasonable charge for services"—the landlord will usually not dare to go to court for an eviction order; for if this is not granted, the rent being paid at the time of the hearing will form the minimum that the landlord can be forced by the court to accept. The jamming of the courts, first with cases to decide on reasonable charges for services and then to decide if a tenant's means and circumstances are such as to protect him from eviction, seem likely to delay the making of any orders for six months—if not for more.

When the cases do begin to come before the courts, it is possible that more eviction orders will be granted than optimistic tenants may at present expect; the provisions that eviction can be suspended only if the order would cause greater hardship to the tenant than refusal would cause to the landlord are those that Mr Brooke promised on April 2nd. For those tenants who are allowed to stay on, however, the bill lays down that the rent payable, although it cannot go below what he is paying when the hearing opens, "will be the rent asked by the landlord, unless the court is satisfied that this is beyond the means of the occupier." This last sentence formally embodies in a statute the extraordinary principle that one private person can be compelled to subsidise another, depending on that other person's means. Nobody has ever suggested that the proper way of implementing price control for, say, bread would be to vary the permissible price from customer to customer—so that bakers in the poorer areas would all go bankrupt. It will be interesting to see whether Parliament lets this astonishing clause pass wholly without comment.

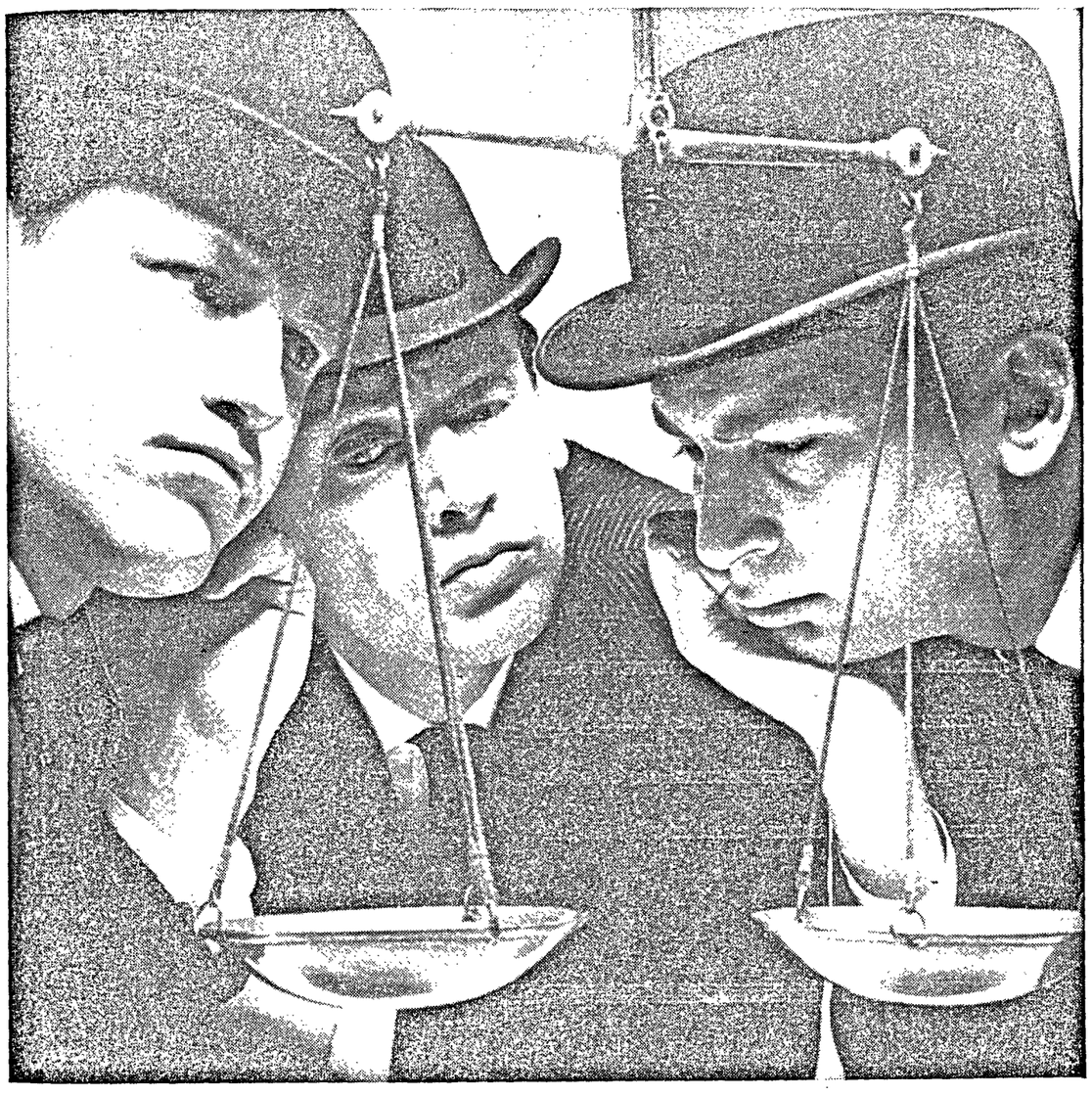
SMITHFIELD STRIKE

Paddling Their Own Canoe

SINCE last Saturday, 1,700 meat haulage drivers at Smithfield market, the centre of meat distribution for London and the home counties, have stopped work in support of a claim for a 15 per cent rise in wages. The men claim the increase on the grounds that their productivity has risen since their last pay award a year ago, because since then the speed limit for heavy vehicles has been raised from twenty to thirty miles an hour. The employers have replied that no driver has yet been asked to go any faster, that because the new speed limit on heavy vehicles has no relation to the job of driving meat round London less than one in ten of the strikers ever could be so asked, and that in any case the men's pay is on average 11 per cent above the basic rate. Since ten months of negotiation had produced no compromise acceptable to both sides, the men finally decided to come out on strike.

This has not so far caused any of the dislocation or shortages in the butchers' shops that had been feared. Because the hauliers drive meat from the docks to the wholesalers in the market, imported supplies have been below normal. But home abattoirs have made extra meat available to meet the gap, and the retailers who usually have deliveries made to them have driven up to Smithfield in vans and private cars to collect their meat themselves. Apart from the inconvenience caused to motorists by traffic congestion round the market, and that caused by loss of earnings to the striking van drivers themselves, the only real sufferers look like being the checkers for the haulage companies, most of whom now have no work and have been given a week's notice.

One disconcerting fact does, however, emerge from a tour of the market, and from a look at the list of charges for portering (1s. 3d. for hindquarters, 2s. 6d. for a sow) that seem



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exorbitantly high : the monopoly of the Smithfield bummarees in carrying the meat the few yards from the wholesale stalls to the vehicles is still as tight as ever. This monopoly, it will be recalled, was challenged by a butcher in court in 1955, who said that butchers should be allowed to carry their own meat back to their vans if they want to, rather than waste time by waiting in a long queue for the favour of attention by the bummarees. The butcher won his case, but the Transport and General Workers' Union, to which the porters belong, intimated very plainly that the market had better not put the court's ruling into effect. As one union spokesman was reported as saying at the time : "the judge says butchers can carry their meat, we say they can't, and they won't." And, over two years later, they still don't.

KOREA

Frost in May?

SPRING, which softens the earth everywhere in the northern hemisphere, leaves the politics of South Korea as ironbound as ever. The Koreans go to the polls on Friday next week to elect a new parliament, the second since the fighting ended nearly five years ago. They seem unlikely to repeat their achievement in the presidential poll of 1956 when they surprised foreign observers and President Rhee alike by voting against his regime in large numbers. The opposition Democrats, who then won the vice-presidency and might conceivably have taken the presidency as well had their candidate not died a natural but untimely death just before polling day, have been quarrelling among themselves.

Some of their members have broken away to form the rival Unification Party, though their ideas about achieving national unity appear to be no more subtle than the orthodox blood-and-conquest proposals of most Korean politicians. At present the Democrats hold 43 of the 203 seats in the legislature. They are likely to do fairly well in the towns where the voting is genuinely unconstrained ; but the issue will be settled in the country villages, and here Dr Rhee's policemen are expected to keep their usual avuncular eye on his party's interests.

The one small political group which has advocated peaceful reunification, the Progressives, has now been banned. Its leader, Mr Chough Bong Am, sits in prison, having allegedly confessed to receiving funds from North Korea in the 1956 election. South Korean policy thus seems to be frozen even more rigidly in its formal threat to march back into the north. The chief hope of future improvement lies in the messages being exchanged between the Chinese government and the governments of the 16 countries that fought against its armies in Korea. The Chinese, having announced the withdrawal of their troops from the peninsula and suggested a form of vaguely "supervised" elections, have now been asked exactly what they mean by this. Might "neutral" supervision mean inspection by a United Nations team ? Would inspectors be allowed to enter polling stations in North Korea, or would they be confined to sitting frustrated in a few centres, as the truce commission was ? Would the elections be on a proportional basis, or would the North Koreans expect their quarter of the electorate to get half the seats ? Extracting an answer to these questions is liable to be a lengthy and laborious business. But they lead to the heart of the matter ; and sooner or later, whatever Dr Rhee says, the South Koreans will have to acknowledge that reunion will not be achieved by bayonets.

TERRITORIAL WATERS

The Narrowing Seas

THE combined forces of idealism, nationalism and realism have not brought success to the United Nations conference on the law of the sea at Geneva during the past nine weeks. The stickiest point for the representatives of eighty-six countries has been that of the extent of the territorial sea. Claims and proposals have ranged from the traditional British and American three miles to Peru's claim to two hundred miles for exclusive fishing rights. The Russians, for once, cannot be said to have scuttled a conference. Having had a twelve-mile limit for years, they suggested that a country should be free to choose any number of miles from three to twelve. But with twelve miles becoming more popular (Saudi Arabia and Egypt have adopted it since the conference began), who is to stop at three, six or nine ? The United States and Britain, having abandoned the three-mile limit, propose a six-mile territorial sea plus an additional six-mile fishing zone with the rights of those already fishing therein to be preserved.

These proposals and the compromises on them are based on the natural desire of each country to preserve existing practices, the disarrangement of which would affect industry or national pride. In the fishing ports of Britain, genuinely disturbed trawler men have uttered warnings of dear fish and chips if Iceland begins to enforce a twelve-mile limit.

If, as now appears, none of the proposals can muster the necessary two-thirds majority by the end of the conference

The Economist

APRIL 24, 1858

A DEMOCRATIC FOREIGN POLICY?

The democratic spirit, in this narrower sense in which we are using the term, is egotistic in its international relations, mainly, we believe, because all complex foreign relations and alliances tend to limit the direct influence of the masses on public affairs. An anxious and thoughtful foreign policy is scarcely possible without reposing ample trust and devolving great responsibility on the Executive Government. The people as such cannot have a *policy*. They may feel large sympathies, and strong antipathies, and have accesses of vehement impulse; but a foreign policy is essentially a thoughtful and reflective *scheme* of foreign relations, and this cannot be carried *out at all without taking for long periods of time a carte blanche* from the elective classes as to the line of conduct to be pursued. Hence the American Government has always been forced to keep as clear as possible of *hampering* alliances. The American Executive has no sufficiently durable power for such relations. What the President might do one day, a popular vote might deprive him of the power of adequately executing the next. Again, the change of Presidents often involves a complete change of political *bias* every four years. With such conditions of government to comply with, it is obvious that no scheme of foreign policy, such as Pitt's or Chatham's, could be sanely attempted by the Foreign Minister of the Republic. Indeed, democratic Governments can never long exercise the check on the capricious will of the masses, which the ascendancy of one mind and one deeply-considered and consistent purpose requires. The people are impatient of a scheme. They break in upon it from time to time with hasty vetoes.

on April 25th, the United Nations General Assembly will be expected to arrange another conference. Perhaps it will have more chance of success if the purely local problems that have blocked this one are settled before it convenes. If the legal experts of eighty-six nations can agree at all, it will be easier if they can do so away from the glare of publicity. The conference at Geneva has accomplished much of its purpose by clearing away not only many misunderstandings, but many points on which there is little or no disagreement, such as pollution, piracy and slavery.

If this conference breaks down there will probably be a general rush to declare the twelve-mile limit. Perhaps that will provide a working arrangement until some country, as yet unborn or uninformed, claims for itself a territorial sea of fifteen miles. Then it may all begin again.

HOSPITALS

Minister on the Defensive

THERE is a faintly peevish tone about the white paper which Mr Walker Smith has just published in response to the strictures on the running costs of hospitals that were made by the Select Committee on Estimates, 1956-57. That committee, after paying tribute to "the devotion and enthusiasm that prevails throughout the hospital service" both among voluntary workers and paid staffs, alleged that there was an "apparent lack of vigour" in the way that the Ministry of Health faced "some fundamental problems." The minister dissents, claiming for his department "vigour and determination, perseverance and constructive energy," and offering as evidence of these qualities the fact that a number of the select committee's criticisms and suggestions have "already been the subject of action." Listed under thirteen heads, the action amounts in most instances either to reminding hospital authorities of one or another desirable line of conduct (such as choosing members of Hospital Management Committees for their experience and ability rather than as representatives of local or other interests) or to "considering" the committee's recommendations (such as "that the Ministry of Health's Organisation and Methods Service should be established on a permanent basis and expanded so as to enable it to cover the hospital service as a whole"). An exception is the encouragement of joint contracting and service arrangements by hospital authorities, in which "considerable progress" is reported.

These things take time, and there is not much to be gained by nagging the Ministry on points of detail and tempo. The white paper, however, gives little encouragement to those who look to the ministry for a vitalising and dynamic drive which should bring the full benefits of unification to the hospital system. Admittedly there is a nice balance to be struck between an over-use of central power and initiative (which could devitalise the regional boards, clutter hospital administrators' desks with superfluous paper, and even bring about the withering away of the voluntary system) and an under-use (which misses the opportunities of leadership and even of mere co-ordination). But it is certainly not the first of these dangers which threatens the hospital service today. The Ministry of Health does not wield a deadening tyranny; it does not as a rule unduly badger the bodies over which it is set in authority; and no one seriously complains of its efficiency in the narrower sense. But neither does it inspire, cross-fertilise, or even, less ambitiously, provide a clearing-house of experience which would allow each hospital authority to learn from the mistakes—and the successes—of others. This is not the sort of deficiency that can be pinned down under specific headings in an official document. It is eminently a matter of personalities, general attitudes, and nascent tradition. One cannot conjure a Morant out of thin air; the fact remains that a Morant—preferably with more tact than the original—is what the hospital service needs.

POLAND

Warning Bells

MR GOMULKA is no longer carried forward by a wave of revolutionary and patriotic fervour. His is now the more prosaic job of prodding production in a country where hopes pitched too high have bred disappointment. The change in mood and method is illustrated by the move, sponsored last week by Mr Gomulka at the congress of trade unions, to curtail the powers of workers' councils. In October, 1956, these very councils, springing up spontaneously in factories throughout the country, played a crucial part in the movement that brought Mr Gomulka back to power. Their part then could almost be compared to that of the Russian soviets in October, 1917. Now the Polish leader feels compelled to curb the powers of an institution to which he partly owes his present position.

The workers' councils in Poland were not modelled on the early Russian or on the Jugoslav pattern. Indeed, since they sprang up from below, they varied greatly from factory to factory. In some, they tried to take over most functions of management; in others they merely sought better pay. But from the very first it was clear that, once conditions had returned to normal, a clash was likely between the councils, representing local workers' interests, and the central planning authority. To avoid such a conflict it is now proposed not to abolish the councils, but to make them subordinate to a new factory institution—the workers' conference. Such conferences, which are to meet at least once every quarter, will include delegates from trade unions and from the communist party as well as representatives of the workers' councils. The exact composition and functions of these bodies are not yet known, but party control will undoubtedly be strengthened. Mr Gomulka has also emphasised that workers' assemblies can supervise the factory manager; they cannot dictate his policy.

Poland is also faced with other labour problems, including acute over-employment. Attempts to sack and shift the redundant are meeting with strong resistance. The planners, on the other hand, plead that without such steps to raise productivity it will be impossible to increase the national income. Workers are pressing for higher wages and this has led to some strikes, which Mr Gomulka has now condemned. Mr Loga-Sowinski, the trade union chairman, was less categorical. When legitimate demands are repeatedly dismissed, he declared, workers should be allowed to stage warning strikes . . . "for the fraction of an hour." Ideally, the assumption should be that such a warning will suffice. Yet, on this, as in other aspects of labour relations, practice alone will show how much democracy is preserved in the Polish experiment as Mr Gomulka is forced to retreat from the hopeful positions of eighteen months ago.

WEST INDIES

The Last Lap

THE opening by Princess Margaret of its first parliament on Tuesday marked the penultimate stage in the West Indies Federation's peaceful journey towards independence. For the time being, the Colonial Office, through the Governor-General, Lord Hailes, reserves the right to go against the federation's executive body on questions of defence, foreign affairs and finance. But the constitution is to be reviewed in five years, and then, if things go smoothly, the final step to full dominion status may be taken.

The last lap has started well with the election of Sir Grantley Adams as the federation's first prime minister, who can give the young state the experienced navigation that it needs. He and his government have the formidable problem of knitting the islands together by common trade policy and free inter-island travel. But although it has many problems, the federation has one outstanding advantage over other multi-racial states. Colour is not the principal political issue. Although colour prejudice still exists in the West Indies, black and white are moving towards independence together and not fighting, as they are in many parts of Africa, for the power that independence will bring. This means that the journey to independence has not been bedevilled by constitutional deadlocks and wrangles about franchise. Although the islands are separated by awkwardly long distances, they are not divided by the racial emotions that pull at other emergent colonial territories.

The County Elections

LABOUR did very well in the county council elections, taking 222 seats from its rivals and 21 new seats, and returning the largest number of county councillors it has ever had—1305 out of a total of about 4000. This compares with 1096 in 1946, 831 in 1949, 1229 in 1952 and 1,040 in 1955.

Labour's most spectacular success was in London, where the direct swing from Tory to Labour was 9 per cent, which would be enough to give Mr Gaitskell a majority of well over 200 in the Commons if it were repeated all over the country in a general election. In no London division was this swing reversed. It was least—of the order of 3 to 4 per cent—in Shoreditch and Finsbury, South Kensington and North Lewisham; two out of the three council seats in this latter constituency were saved for the Tories, helped by the fact that one of their candidates was Mr Christopher Chataway, and there was a similar saving in neighbouring West Lewisham (5½ per cent swing) where the Tories put up another television personality in Lady Lewisham. Labour's greatest triumph was in another marginal constituency, in Dulwich, where the swing of 14 per cent gave them three new seats on the LCC; presumably because the Rent Act is important in this area, the swing was nearly as great next door in the Labour stronghold of Peckham. In addition to Dulwich, Labour gained all three seats from Conservatives in six other marginal London constituencies, and did rather better than average in five of them (the exception was West Woolwich, gained with a swing of 6 per cent). The Liberals put up candidates in eleven London divisions; their share of the polls in these averaged 9.7 per cent against just over 4 per cent in the thirteen divisions they fought last time. Their vote ranged from 3.5 per cent in Hollern and St. Pancras to 16.9 per cent in Hampstead, which was much better than in 1955 but still not very good.

In the other home counties around London, Labour marked up successes very much on its LCC scale. In Middlesex, Essex, Kent and Surrey, Labour representation is now higher than ever before. The Rent Act doubtless helps to explain this success in and around London, but it cannot wholly account for it, for there are eighteen other counties (including Lancashire and Cheshire) in which Labour strength is at a new peak, and only in one region (the north, including Yorkshire) is it below the 1952 figure. The failure to capture outright control of the West Riding of Yorkshire was Labour's one major disappointment.

The turn-out was generally low, lower even than in 1955 (when optimists had blamed the newspaper strike for the poor voting figures). In one Leicestershire division only 7 per cent went to the polls, but really freakishly small turn-outs of this sort occurred only where independents were standing against each other. The major parties may be boring the electorate, but not quite to this extent. Normally the turn-out in party-contested seats ran between 30 and 40 per cent. In London the vote was 30.3 per cent compared with 32.4 per cent three years ago; in Middlesex it was 33 per cent compared with 35 per cent; in the West Riding, perhaps significantly, it varied from 43 to 52 per cent. Across most of the country the Conservative vote was well below that of 1955. Even in South-West Hertfordshire, where the population is rising rapidly, the Tories dropped (in fourteen divisions) from nearly 23,000 to 18,000, while Labour's vote rose from 14,000 to 21,000.

But as a rule the Labour vote rose much less than this, or indeed dropped. It was the Conservative decline which mainly accounted for Labour's victories. For instance, in two-thirds of the comparable Middlesex seats, Labour polled worse in this victory year than it did in 1949, a year of local and national defeat. The three "barometer" Middlesex constituencies which have changed hands at every county election since the war—Hounslow Central, Wembley North-East and Willesden Kensal Green—were won by Labour in 1958 with 800 fewer Labour votes than nine years earlier, when they were lost. Similarly in Bucks, two Wycombe seats lost in 1949 were won in 1958—with similar Labour votes. In Northants, three of the four Labour gains were made on below-average polls (two of them on turn-outs which were among the lowest in the country).

It is probably reasonable to infer from these results that Labour will do very well in the May borough elections. To beat its 1952 record, Labour must elect 1,650 borough councillors (or, allowing for boroughs created in the last six years, 1,700) out of a total of some 3,300. This would make Labour gains of 400 to 450 seats quite probable, without counting the presumed extra effect of the Rent Act in the towns. And gloomy Tory MPs will have taken note that across the country, not merely in London, many Labour county victories were in marginal Tory parliamentary seats—for instance in Brentford, Watford, Devizes, Westbury, and Stroud (all with Conservative majorities of less than 4,000) and in Spelthorne, Heston, Wycombe, Banbury and Salisbury (with 4-8,000). Once again, the West Riding showed a different picture; there, indeed, the anti-Socialists even made gains in two Labour parliamentary constituencies with small majorities, Sowerby and Brighouse-Stanbarough. But that was a very meagre Conservative crumb of comfort amid such a fancy meal.

LETTERS

The Liberals

SIR—It is very difficult for the uncommitted voter, or any sort of voter, to know precisely what the Liberal party stands for on many important issues. For example Mr Mark Bonham Carter, MP, said in his letter to you of April 5th that Liberals preferred price supports to tariffs. No doubt this allayed quite a lot of anxiety in Torrington and swayed quite a lot of voters. On the other hand, Mr S. W. Alexander, whose services and fidelity to Liberalism cannot be impugned, points out in your issue of April 12th that price-supports "are in the same category as tariffs and can be no part of Liberalism," a conclusion which the Liberal party officially endorsed in 1953.

This discloses, on a fundamental question, a contradiction which may not matter when only by-elections are involved, but which must, surely, be settled one way or the other before the next general election takes place.—Yours faithfully, BERNARD BRAINE

House of Commons

Kenya

SIR—Lord Altrincham writes in your issue of March 29th of what he is pleased to describe as our absurdly low rates of taxation in Kenya. Unless Lord Altrincham thinks that rates of taxation in the United Kingdom and in a number of other countries are also absurdly low, what he says in this connection must also be regarded as absurd.

It is a fact that individuals in Kenya in the lower middle income brackets, with families to support, pay more in direct taxation than their counterparts in England, if one takes into account the family subsidies which are paid here in England and which are not paid in Kenya, and treats these as remission of taxation. This fact is not sufficiently well appreciated, and Lord Altrincham may be forgiven, perhaps, for not being aware of it, but before he chooses to speak in such emphatic terms on Kenya's rates of taxation he should surely first of all acquaint himself with authoritative and objective opinion on the matter, such, for instance, as that expressed by the East African commission of inquiry on income tax which published its report last year and which, incidentally, consisted entirely of people from the United Kingdom. This commission has recommended that rates of income tax on the individual in East Africa should be reduced.

Lord Altrincham, for some reason which is not quite clear, seems to think that in deciding whether our rates of tax are high or low, the return we get in the way of Government services is quite irrelevant, or if it is not, his argument appears to be that we should not forget that the supply of labour in Kenya is both plentiful and cheap. The supply and cost of labour to those in the lower middle income brackets is of no practical personal interest, as they cannot afford servants; as for the rest, there can be few people with any real experience of labour in East Africa who would maintain that labour is cheap—that is if its value is measured in terms of its product.

As one who has some recollection of Lord Altrincham's father when he was Governor of Kenya and who is a native of Kenya, albeit a European one, I feel sure I am not alone in deploring the sort of ill-considered remarks made by Lord Altrincham to which this letter refers.—Yours faithfully, P. J. GILL

Nairobi

Dividend Stripping

SIR—Your comment that the Chancellor's proposals on dividend stripping "hardly warrant too much excitement. This is professional stuff . . ." seems rather superficial.

Of course it is professional stuff. It is also an "obvious avoidance trick" which I, for one, would certainly not attempt to justify. But in taking your present line you seem to me to be taking a narrow view by concentrating on the immediate issue (which is not important) and ignoring the underlying principle, which is vital.

To me, back-dated legislation—by whatever name it is called—is an authoritarian device and as such it stinks, irrespective of party or pretext. It is a device which is capable of very great abuse. I feel that the provisions as to retrospective effect of the Chancellor's proposals would be very well lost on the committee stage of the Finance Bill.

The only democratic method of changing the law and thereby controlling the actions of individuals is by legislation, not by threat. I think that the Government should have acted sooner, but to attempt to rectify this delay retrospectively seems to me to be quite wrong. If retrospective legislation is accepted as legitimate, the way is opened to serious inroads on the liberty of the subject. I can see no difference in principle between retrospective fiscal legislation and retrospective legislation for other purposes. Nor do I consider the question of "warnings" to be relevant to the question of principle involved. This business of "warnings," if carried to its logical conclusion, would cause chaos by destroying confidence.—Yours faithfully, G. R. DUCK

Manchester 3

Domestic Servants

SIR—In *The Economist* of March 29th, an article entitled "The Servant Problem—II", makes what would appear to be misleading statements regarding the National Institute of Houseworkers. You are evidently not aware that members of the daily houseworkers' service (except in about half a dozen cases) are not institute-trained workers; they are people who have gained their knowledge and skill by experience, and, in order to ensure that this is adequate, have been successful in the institute's diploma examination, which sets the national standard for skill in private domestic work. The administrative overheads of the daily houseworkers' service are not high and have not generally been the cause of restricting its services. No grant is given towards it, and its development has been by means of a loan from the Ministry of Labour, which has yet to be repaid. The amount of the current service charge is 3s. 1d. an hour, not 3s. as stated.

As one aspect of the work of the institute has been mentioned, it should also be said that it has undertaken even greater responsibilities than the daily houseworkers' service. In colleges situated at Harrow and Swansea it trains young people for domestic work, and it has also made an important contribution to the training of workers in hospitals. Trainees are carefully selected and are helped to find employment after they have qualified. Anyone who has been closely integrated with the work of the institute will have been impressed with the fact that one of its primary objects is to raise the status of the domestic worker and to set a national standard of skill, wages and conditions of employment for those whose work is so urgently needed in the general pattern of home economics at the present time.—Yours faithfully,

FLORENCE HANCOCK
LILY NEWTON

London, W1

Japan

SIR—In your appraisal of the Japanese economy in the issue of March 8th, three points relating to foreign trade need correcting.

Japan's prewar foreign trade statistics did not include Japan's trade with the empire areas of Korea, Taiwan, and Karafuto, since the empire was regarded as one domestic trade area. For this reason the importance of Japan's prewar trade with Asia is usually understated. In 1936, Japan imported not 39 per cent of her imports from the rest of Asia, but 55 per cent, if imports from Korea, Taiwan, and Karafuto are taken into account; similarly, her exports to Asia accounted for 64 per cent of all exports, not 50 per cent, as your correspondent suggests. Thus, the shift in the postwar trade away from Asia, which your correspondent points out, has been very much greater than the data he presents suggest.

For the same reason, he tends to exaggerate the increasing dependence of Japan on imported foodstuffs. The eight per cent of foodstuffs imported in 1934-6 did not include imports from Korea, Taiwan, and Karafuto, the first two supplying Japan at that time with virtually all her paddy imports. If imports from these areas are taken into account, Japan's prewar food imports would much more nearly approximate to the 20 per cent of 1956. It is most remarkable that in view of a rapidly increasing population, Japanese agriculture has been able to so effectively hold down the need for additional imports.

Finally, there is a reference to Japan's imports of iron ore, presumably in quantity, from northern China and Manchuria. In fact, very little iron ore moved to Japan from Manchuria and north China. For the most part the low-grade and difficult Manchurian ores were refined in Manchuria. However, pig-iron was a major export from Manchuria to Japan, and for a time from north Korea as well.—Yours faithfully,

NORTON GINSBURG

University of Chicago

[But should the resources which are extracted from colonial possessions be counted as "foreign trade"? The food which Japan imported from its overseas territories before the war came virtually as a prize of empire. Koreans and Formosans still ruefully recall Japan's demands on them. Now that Korea and Formosa are independent, Japan can no longer depend on their supplies with the same confidence. The present dispute with the Formosan authorities illustrates this point well. Similarly, the Manchurian ore was under Japan's control even though most of it was refined on the spot. Where the geographical distribution of Japan's resources is the important point, Professor Ginsburg's correction is just. Where Japan's dependence on "outside" sources is the point at issue, it seems best to exclude statistics from the prewar colonies.—ED.]

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BOOKS

Gunther in the Red

Inside Russia Today
By John Gunther.
Hamish Hamilton. 591 pages. 25s.

"No Soviet mother has ever seen a napkin." Let's face it, this is the kind of thing that makes Mr Gunther's books irresistible. Mrs Furtseva's little sports car gets its mention along with Mr Khrushchev's secret denunciation of Stalin. Tiflis streets are "filthier than any I've ever seen, except in certain areas of New York." Mrs Molotov has two brothers, one in Israel, one in Bridgeport, Connecticut. Russian babies are liable to be christened—oops, sorry, named—"Unit of Society" or "I Didn't Expect." The Soviet Union possesses a fifth of all known reserves of coal and iron ore, the world's largest black-earth area (247 million acres), jet airliners that make it possible to get from Paris to Peking in 19 hours 45 minutes, a fast increasing number of schizophrenics, and an acute shortage of bath-plugs. All self-respecting Soviet towns have theatre companies and many have ballet too; meanwhile the public is eagerly paying £35 apiece for black market records of American singers, taken on tape from foreign broadcasts and then reproduced on discs made from old X-ray plates scrounged from hospitals; Messrs Presley and Sinatra and Miss Clooney top the list. Sputniks in the sky, testifying to the triumphs of Soviet science, contrast with the Russians' drab clothes ("still revolting") and their fixation about shoes ("Moscow is the city where, if Marilyn Monroe should walk down the street with nothing on but shoes, people would stare at her feet first").

Mr Gunther has visited Russia four times, in 1928, 1935, 1939 and 1956. This, the sixth of his "Inside" books, belies its title more than its predecessors, which is hardly surprising. No foreign visitor is permitted to get really "inside" Russia in the sense of living a normal life there; no Russian is permitted to publish a true "insider's" account of his country's affairs. But the Gunther technique, which is to collect vivid impressions during a brisk tour and then retire for a year's intensive combing of source material, fills the bill remarkably well. Mr Gunther cites authorities rather than posing as one. Nothing daunts him, and very little escapes him. Between his two covers he squeezes in a long and appreciative account of Soviet technical and educational achievements, a terse summary of the post-Stalin conflicts among the party leaders and in such fields as art and literature, and much shrewd comment on Soviet policy towards America, Europe and Asia. He throws in a Who's Who—updated to 1st October, when Marshal Zhukov was laid low—and some travel notes, which include many very useful tips for other intending visitors. He can be formidably fair, not only giving credit where it is due but also offsetting some of his sharpest criticisms with reminders of corresponding defects in democratic countries.

But it is, of course, the icing on the cake that makes his books so hugely alive and readable. Everything fascinates him. The Muscovites who read books (not newspapers, books) on escalators. The over-hasty Tajiks who renamed Molotovabad and Kaganovichabad the day before the two heroes' disgrace was made public. The Gorky Street prostitutes who, for lack of premises in an over-crowded city, use slowly cruising taxis. The one and only visa issued by the Ukraine "foreign office," solemnly numbered 100,001. Obraztsov's wonderful puppets, Gerasimov's dreary court portraits, Dostoevsky's still unobtainable masterpieces. Fadeyev, the alcoholic who ruled the Writers' Union for a decade and killed himself when the victims of his purges began to trickle back from Siberia. The interpreters and guides whose unflagging helpfulness made up for the boorish obstructiveness of officialdom. The real-life re-enactment of Gogol's "Inspector-General" last year at Novosibirsk, by an ex-convict posing as a deputy minister.

An advertisement in a Soviet newspaper offering 2,400 houses for sale catches Mr Gunther's eye and leads him on to tell us that in Russia today you can not only buy houses but inherit them, and obtain rent from tenants; and that a third of all house building is now being done by private enterprise. Doctors, too, take fee-paying private patients, and some Russians abhor the free health services. Private cars are beginning to multiply, which is hardly surprising if, as Mr Gunther reports, a small car costs no more than a dozen pairs of shoes. But pressure for mental conformity is still intense; in the author's words:

> What really makes scandal in the Soviet Union is a report that (to cite a recent example) only 211 out of 3,300 students showed up at an indoctrination course in a provincial town. The nation reels. It is as if, in Hollywood, some celebrated movie star were to be found in bed with a horse.

Information at a Glance

Everyman's Encyclopædia: *Fourth Edition, Vols I and II.*
21s. each, 24s. after publication of the twelfth and final volume. 756 pages and 792 pages.

THE making of an encyclopædia is an exercise in compromises: between comprehensiveness and avoidance; between generality and detail; between history and current events; and increas-

we shall never have Christian unity until we are all agreed upon Christian truth. Meanwhile the papists are wrong because the doctrine of papal infallibility is self-contradictory and unhistorical. The Lutherans are wrong because they have no bishops. Dr Norman Sykes is wrong because he likes bishops but thinks the Lutheran Church is a Christian Church. The Presbyterians are wrong because—for reasons too numerous to catalogue here. Everyone seems to have strayed off the beaten track, probably during the later Middle Ages.

The book is not so negative as this sounds. We have to travel round the fairer meadows of Christendom culling blossom. We must look towards Rome or towards the Eastern Orthodox for assistance in understanding the pattern of Christian truth. We must use, he says, "at every stage whatever powers of discrimination we possess" as we ransack the history of the Church and thereby seek to disentangle the "authentic norm" of faith and practice. But the principles upon which we are to pursue this process of discrimination are elusive. What is the yardstick which enables Dr Mascall to pass such serene condemnations on everyone else?

He seems, on some pages of his book, to reply thus: the test of the authentic norm is the faith of the "Scripture and the Fathers and the undivided Church." This ought to give us a clear light whereby we may discriminate. But elsewhere he tells us that we are not to be antiquarians and archaeologists, that we are not to suppose the primitive and undivided church to have been free from serious blemish. Nor are we to think that even in the chief heads of doctrine we should follow the ancient Church. For the ancient Church believed the early chapters of the book of Genesis to be a record of historical events: and Dr Mascall regards it as a ground for one of his calm verdicts of guilty when he finds a modern church hampering the scholarship that proves the early chapters of Genesis to be unhistorical. Sane reasoning evidently enters into his yardstick. And if he avows that the authority of the primitive Church is not absolute in one particular, how comes his confidence in several other particulars to be so much more than modest?

But perhaps a suspicion may grow which, if confirmed, would solve the whole difficulty. Is it Dr Mascall's view that the only way to recover unity will be that everyone should assent to the opinions of Dr Mascall?

Coats, Skirts and Brands

The Women's Outerwear Industry

By Margaret Wray.
Duckworth. 318 pages. 30s.

THIS is a study of the extent to which new methods of production and marketing have permeated the manufacture of women's clothing since the war. Dr Wray has produced a painstaking and factual but prosaic book, repetitive, weighed down with detail and drenched with footnotes. She has collected a vast amount of information, has visited many factories, but shows little skill in presenting her research; this is a pity, for a sound, well-written book on the strategy of women's clothing manufacture would have been valuable.

Dr Wray concludes broadly that clothing manufacturers have introduced considerable innovations in marketing since the war, but that in production technique the industry is on the whole going ahead slowly and unevenly. The chapter on marketing, which shows how extensively the industry relies (especially in coats and suits) on branded lines and national advertising, is important. There has been a revolution in the sale of women's outerwear (in selling, that is, by manufacturers) in the past two decades, and Dr Wray does well to underline its significance. Today a substantial part of the trade in tailored wear is in the hands of a small number of big firms, who sell brands rather than coats.

So far as the spread of engineering techniques, sectional manufacture, modern machinery and other innovations in the manufacture of women's clothing are concerned, the picture is not clear-cut. It is not a "tidy" industry. It makes dresses, blouses, tailored outerwear, and it makes them in London factories, factories in old-established provincial clothing centres and factories in development areas—with a different and far from uniform set-up in each. The conclusions reached are that in London factories, which are the most progressive (in types of clothing), methods have changed least, while in factories in the development areas modern engineering techniques have achieved their biggest hold. This is partly due to labour factors: London has the most experienced workers, and older skilled labour hates change. The factories in the newer clothing centres rely on green labour, which is best run on planned sectional production. But modern high speed machinery has made itself felt in London workshops, except where the premises are too small or too inconvenient. They often are; but garment makers prefer to stay in London in cramped quarters at high rents because the "climate is right" for the industry.

A weakness of the book is some lack of feeling for this nonconformist industry, so individual in outlook that even its big boys fight against regimentation. Every now and then we catch a glimpse of impatience with the spirit of fashion, which disorganises the flow of production. Thus Dr Wray, referring to "Market Therapeutics" (taking the variation out of fashion), says rather loftily that "reorganisation of the industry based solely on technological planning for lowest cost production that resulted in the production of clothing in uniform styles would lead to an unwarrantable reduction in consumer satisfaction." The point, surely, is that it would lead to a mighty reduction in consumers.

It is an industry where customs as well as habits are at times quaint. Thus Dr Wray discovered two factories operated by a firm on different floors of the same London factory block. Each is a separate unit, one staffed wholly by Jews, the other wholly by Gentiles; but there is no Orange flavour in the split, which is due to differences, not of religion, but of styling: the Jewish factory makes garments of high fashion appeal and poor finish; the Gentile unit supplies good finish but less style.

There is a slip on page 47, where Mr Harry Wadsworth, most modest of men, is elevated to Sir Raymond Streat's post (now ex-post) as head of the Cotton Board.

OTHER BOOKS

RELATIONS BETWEEN THE CENTRAL BANKS AND COMMERCIAL BANKS. *Fritz Knapp* (Frankfurt on Main). 212 pages. 24 DM.

This volume reproduces the lectures given to the tenth international banking summer school held last year in Germany. The speed with which the book was published (less than three months) is commendable, although the translation of some of the lectures is at times very laboured.

The annual banking schools provide an opportunity for the exchange of ideas and experiences; their value is far beyond the measure that can be gauged from reading the prepared papers that are used to initiate discussion. It is wise to remember the context when studying this record. At the same time any book should be capable of standing on its own merit. This book does that. Inevitably the standard of the contributions varies, despite the fact that speakers were seemingly given the broad headings around which to compile their notes. Nevertheless the book will be a handy and up-to-date work of reference for students of banking and monetary control.

Most chapters are devoted to a country by country examination of the theme indicated by the title of the book. Eleven countries are considered, including the United Kingdom, United States and Russia. The last is a particularly welcome contribution by V. Gerashchenko, First Deputy Chairman of the State Bank of the USSR, who first broke silence on Russian banking in an unscheduled address at the summer school in Oxford two years earlier. A final chapter reproduces an address by Herman Abs on aspects of the relationship between the German banking system and the Government. Those who recall the sharp criticism by Dr Adenauer of the increase in the central bank's rediscount rate in the spring of 1956 will be stimulated by the opinions of the author on the distribution of responsibility between the Government and the central bank. They are not without relevance to affairs in the United Kingdom.

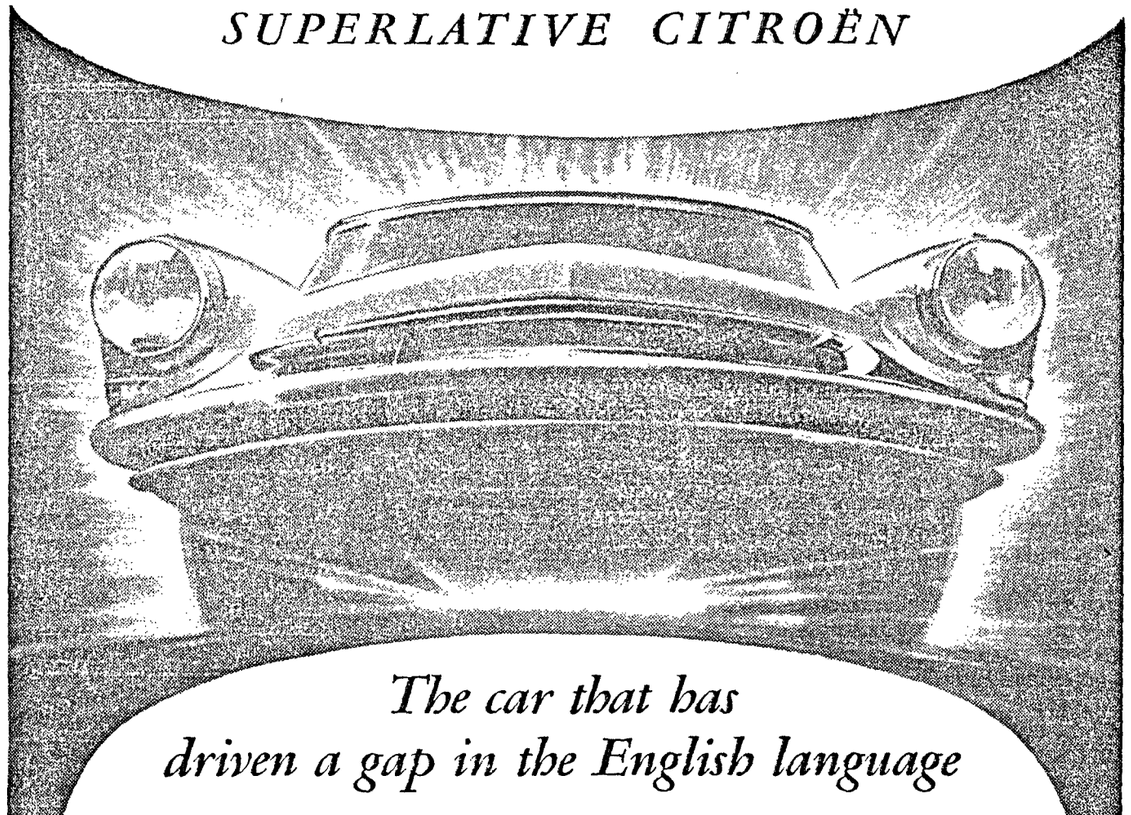
THE ONCE AND THE FUTURE KING. By T. H. White. *Collins.* 677 pages. 25s.

Admirers of the author's Arthurian epic can now have all the stories in one volume. It includes "The Sword in the Stone," the first—and perhaps best known—which has two new chapters: "The Witch in the Wood," which has been rewritten and renamed "The Queen of Air and Darkness"; "The Ill-Made Knight"; and "The Candle in the Wind," which has not been published before.

MR PEPYS OF SEETHING LANE. By Cecil Abernethy. *W. H. Allen.* 384 pages. 25s.

The author admits that he has "occasionally taken a novelist's liberties"; "adopted a third-person point of view for the narration"; and "added some dialogue." The result is a story entertaining enough to encourage readers to turn to Sir Arthur Bryant or, better still, Pepys's Diary.

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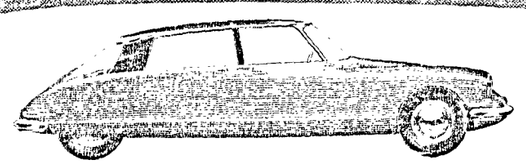
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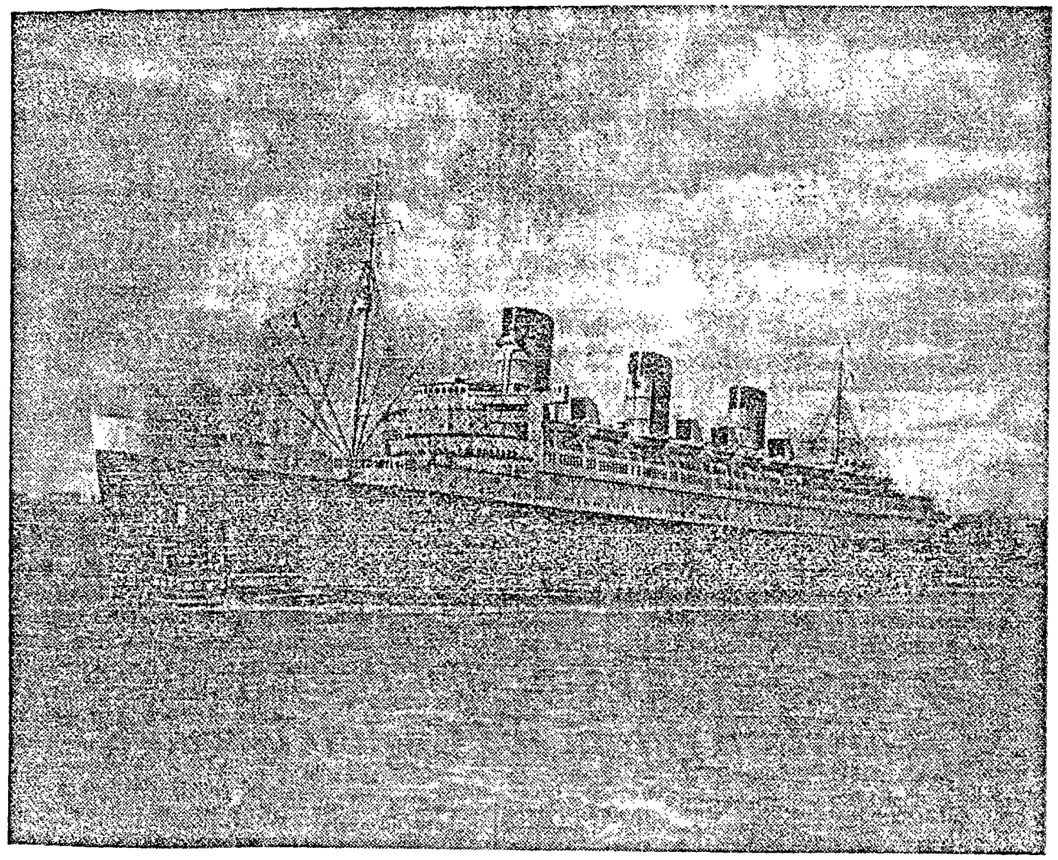
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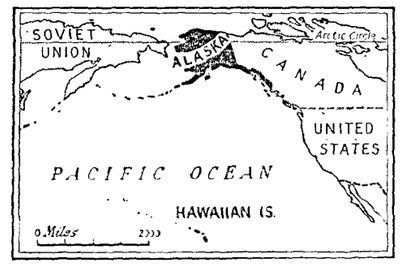
AMERICAN SURVEY *is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.*

Alaska's Flickering Star

WASHINGTON, DC

THE false alarms over the Arctic have called attention to America's northern border line with the Soviet Union. This is the territory of Alaska which was "liberated" from Russian rule as long ago as 1862, when it was bought for $7,200,000, and which started this year with high hopes of throwing off "colonial rule" and achieving "self-determination" as the forty-ninth state of the Union. Whether the hopes will prove as false as the alarms may be decided as this issue of *The Economist* goes to press, since that strange mandarinate, the Rules Committee of the House of Representatives, was to consider on Thursday whether or not the Alaskan Statehood Bill should be brought to a vote on the floor of the House.

Statehood for icy Alaska and for its fellow suppliant, the tropical islands of Hawaii, has been promised by both political parties in every presidential election since 1948. President Eisenhower has proposed that Hawaii be admitted to the Union every year since he took office and this year he also threw his support behind Alaska. According to a Gallup Poll, 73 per cent of those asked were in favour of admitting Alaska and 6 per cent against, while 65 per cent supported the admission of Hawaii and 12 per cent were opposed. On Alaska alone there have been eighteen congressional hearings, accumulating over five thousand pages of testimony. Since 1948 both Houses of Congress have passed Bills for admitting both territories, but never, unfortunately, in the same Congress. When everyone seems to favour creating two new states, why does the congressional cow go on chewing the end of these proposals?



The explanation is that, while there is a group in Congress which is strongly against statehood, those who are for it are not for the most part very strongly in favour of it. In a Legislature which lacks party discipline the issue of statehood is part of the small change of political bargains; no one is going to be elected or defeated in his constituency because of the way he votes on it. The Southerners, who occupy most of the influential places in both Houses, oppose statehood because, whatever position in the political spectrum the Senators sent by Alaska and Hawaii might adopt on other issues, the one certainty is that, representing such mixed populations, they would supply four extra votes on behalf of civil rights for Negroes and against southern obstruction on such questions. To do nothing about statehood is therefore a cheap way for a member of Congress, who is hoping to advance something of greater interest to his constituents, to oblige the southern leaders. When the signs of the political zodiac are in exactly the right combination, a vote for statehood will be an equally inexpensive way for a politician with too conservative a reputation to chalk up a liberal credit. Then Alaska and Hawaii will become states.

The active opposition is not entirely confined to the South. The single most vocal opponent in the House of Representatives, Mr John Pillion of New York, objects to adding to the number of sparsely populated states, such as Nevada, whose two Senators, representing 200,000 people, can cancel out the votes of New York's two, representing 16,000,000. In the Senate, however, the leading opponent is from Nevada, Senator Malone, who thinks that the admission of "non-contiguous areas" to the Union would be a precedent used by the eastern internationalists for admitting all manner of states such as Formosa, the Philippines and the countries of western Europe as part of a conspiracy to establish a "United States of the World." Less extravagantly, many eastern and mid-western conservatives are apprehensive that Alaska's two votes in the Senate would be added to those of the westerners who favour big federal spending on the reclamation of America's own under-developed areas.

Nevertheless, at the beginning of this session of Congress, the signs seemed set fair for Alaska. Mr Fred Seaton, who had been an enthusiast for Alaskan statehood when he was Senator from Nebraska, had become Secretary of the Interior, the department which administers the territories. The President, who as an old army man had shared the services' reluctance to relinquish federal control over an area so largely devoted to military purposes, was satisfied with a new provision giving him the authority to withdraw any part of the remote and barren areas of north and western Alaska from state rule. The Alaskan people had two years ago approved a state constitution, which is held by many political scientists to be a model of its kind, and had sent two Senators-elect and one Representative-elect to Washington to knock hopefully at the legislative doors. But from the viewpoint of practical politics two other developments were perhaps even more to the point: real political competition between the two parties had sprung up within both territories, and Hawaii had asked to wait until Alaska had been admitted.

Thanks to Mr Seaton's unusually popular administration

of the territory and his intelligent use of patronage, an effective Republican party has emerged in what was formerly one-party—Democratic—Alaska, and is now clearly in a position to challenge the past assumption that the two Senators whom Alaska would send to Washington on becoming a state would automatically be Democrats. It was for that reason that the Republicans always insisted that Hawaii, which is traditionally in their camp, be brought in at the same time. In past Congresses, the two Bills have been tied together by a coalition of those who wanted to pass both and those who wanted both to fail and it was the latter group whose purpose was served.

This is because Hawaii has been the more vulnerable of the two candidates, actually because some respected figures in the senatorial club are reluctant to admit an oriental face (37 per cent of the people of Hawaii are of Japanese origin and there are other exotic strains) but ostensibly because the Kremlin might be able to "reach out and control a member of the Senate Foreign Relations Committee." This alarming contingency is alleged to be quite on the cards if Hawaii is admitted, as a result of the political and economic power on the island of the International Longshoremen's and Warehousemen's Union, which with a single strike could paralyse the islands' three industries—sugar, pineapples and tourism—and which has frequently been accused of having Communist leaders. But this year Hawaii has a new strategy, of letting Alaska be admitted first to set a precedent, and the Islands' non-voting delegate in the House of Representatives, being a Democrat, is living proof that Hawaii is not necessarily Republican.

Why then is statehood for Alaska still held up? Because Mr Howard Smith, an elderly and extremely conservative Virginian who heads the House Rules Committee, has indicated that the measure will be passed only "over his dead body." It is a peculiarity of the House of Representatives that the role played in Westminster by "the usual channels" in fixing the calendar and deciding the length of debates is carried out by a formal committee, whose members feel free to act according to their own opinions rather than as delegates of their party leaders; moreover, the chairman has wide powers—he alone decides when meetings are to be called and what Bills are to be considered for placing on the calendar. Although there are ways of over-riding him they are technically difficult and the committee has a strong corporate feeling. If Mr Smith can delay the measure for several weeks more before allowing it to be debated in the House, there will probably not be enough time for it to be considered in the Senate before the present Congress adjourns late in July. Senator Lyndon Johnson, the leader of the Democratic majority in the Senate, has said that he will only bring the Bill up there if it has already passed the House. After all, if there is no certainty that statehood for Alaska can be got through the House, there is no purpose in offending its opponents in the Senate by voting on it there.

Atoms for Nato

LAST week Mr Dulles appeared before the Joint Congressional Committee on Atomic Energy on behalf of the Administration's proposals for permitting freer nuclear exchanges, in an attempt to save them from the friends of international co-operation. The Democrats on the committee, led by Representative Holifield and Senator Anderson, contend that the Administration wants to supply allied countries with "do-it-yourself kits" for making atomic weapons; in their view the legislation would thus have the effect of spreading the ownership of nuclear bombs—and the dangers which accompany that ownership—round the world, and would also diminish the chances of achieving an agreement on disarmament. In particular the Democrats, always suspicious of the Atomic Energy Commission, object to the lack of any effective provision for congressional approval of the agreements under which the transfer to other countries would be made.

Mr Dulles declared that, under the proposed amendments to the Atomic Energy Act, information on how to make nuclear weapons and the material with which to make them would be supplied only to countries which were already manufacturing such weapons. This in fact means only to Britain, for the present at least, and President Eisenhower reinforced Mr Dulles's efforts this week by adding that what Britain mainly needed was information on the "clean" atomic weapons of which the United States is so proud. Other allied countries are apparently to get information about the effects of atomic weapons and also to be given the weapons themselves, but without their warheads, which would be delivered by the United States when actually needed. Mr Dulles argues that, unless the other members of the North Atlantic Treaty Organisation are armed in this way, they will cease to have the will to resist and the whole European defence system will collapse. Alternatively, he claims, they will do just what Mr Holifield wants to avoid, and start making their own atomic bombs. Furthermore, in Mr Dulles's opinion, America's allies would refuse to consider any disarmament agreement that would stop nuclear tests, and thus keep them from developing their own atomic defences, unless they were certain of being able to share in the work which the United States has already done in this field.

Tax Cut—a Bargain?

To the relief of the Administration, Congress returned from its Easter visit to the voters quite willing to postpone for a little longer the question of cutting taxes to cure the recession. But powerful voices, including those of ex-President Truman and Mr Eccles, a former chairman of the Federal Reserve Board, continue to urge the need for immediate action. Even bigger guns were brought up this week when a panel of distinguished economists, businessmen and educators who have been assessing the problems of economic growth for the Rockefeller Brothers Fund recommended an immediate tax cut, as well as a programme of short-term public works and tax advantages for businessmen who invest in capital improvements, to enable the United States to resume and increase its rate of economic expansion. The group proposes the tax cut as a first step toward a permanent policy of lowering taxes during recessions and raising them with prosperity "to the necessary levels."

The fear that such levels might be astronomically high and politically unacceptable is, however, one reason why Mr Eisenhower and his Secretary of the Treasury are reluctant to embark on further deficit financing unless it becomes unavoidable. Mr Anderson estimated last week that there will be a deficit of $3 billion in the fiscal year



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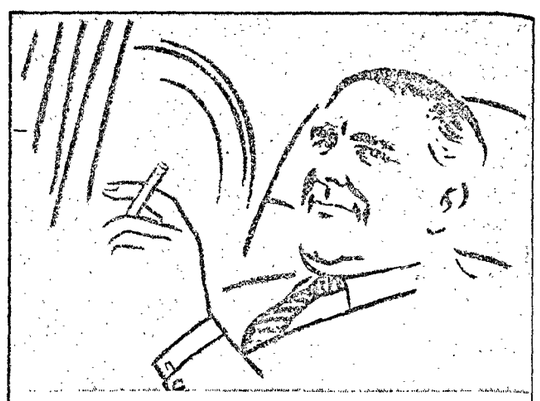
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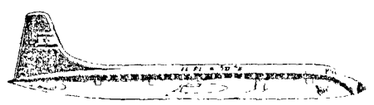
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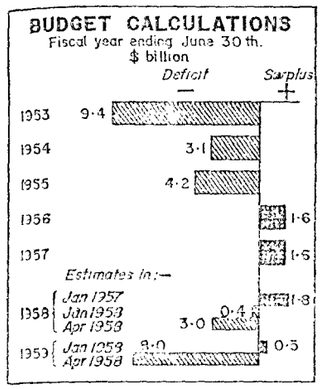
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which ends this June, and that in the following year expenditures, swollen by anti-recession spending already reluctantly approved by the President and by rising defence costs, will rise to $78 billion at least, $4 billion more than was expected last January and more than has ever been spent in peacetime or even at the height of the Korean War. If revenues, as now forecast, fall under the impact of the recession to $70 billion, there will be an $8 billion deficit—and a need for a higher debt ceiling — without any tax cut. Given time, this deficit should provide a powerful stimulus for the economy, while a larger one might simply renew inflationary pressures.



Alive as it is to the risk, the Rockefeller panel takes the view that without positive action now there is a danger that a downward spiral may develop. It also argues that the fall in the gross national product to $424 billion at annual rates in the first quarter of the year already represents a loss of $25 billion a year in output, for the national product, given steady growth, should have risen from an annual rate of $432.6 billion in the last quarter of 1957 to $450 billion. A tax cut which hastened recovery would, the report insists, be a good bargain, and to delay it might mean that more drastic measures would be needed later.

Safe and Solvent

WHATEVER Mr Vinson, the experienced chairman of the House Armed Services Committee may say, the President's proposed reorganisation of the defence establishment could never lead to a military "man on horseback" running the country, since the American Army no longer has horses. Mr Vinson's unfortunate choice of words is an illustration of the outmoded approach to military matters which President Eisenhower condemns among the critics of his plan. They also claim that it will make a "czar" out of the Secretary of Defence and set up a "Prussianised" general staff. But the ideas behind these doubtful historical allegations are not so far-fetched as the language—or as the President asserts. For Mr Vinson and the many members of Congress who share his concern are genuinely anxious lest the armed forces should be over-centralised, lest civilian control should be lost and, above all, lest congressional responsibility should be undermined.

Congress exercises its responsibility through its power of the purse and originally the President seemed to be trying to weaken this drastically. He gave the impression that he wanted all funds to be appropriated directly to the Secretary of Defence instead of for particular purposes and individual services as at present. It now appears that all that he wants is limited authority for the Secretary of Defence to allocate a small proportion of military appropriations as he sees fit, in order that he may be able to find money for new or changed plans. In any case no legislation is needed to allow this flexibility and it can be arranged through alterations in the way in which the next budget is presented to Congress—which will not happen until next January.

What had looked like being the most controversial section of the President's proposals is therefore not included in the Bill on which hearings have just been opened by Representative Vinson's committee. Nevertheless, these will certainly bring abundant and lengthy controversy, encouraged by Mr Vinson himself. Much of it will arise out of the evidence given by the opponents of the President's plan from the armed forces; testimony on oath before a congressional committee does not come under the Secretary of Defence's ban on public criticism of the reorganisation scheme by serving officers. This is one scheme, however, for which President Eisenhower really seems prepared to fight hard—and, more important, to go on fighting—for he ardently believes that it is the only way to keep the country both safe and solvent.

Squeeze on the Press

FROM A SPECIAL CORRESPONDENT

EARLY this year the *Washington Post* raised its weekday price for street sales to ten cents (about 9d.) although when the paper is delivered to people's houses it will still cost only five cents; this is because advertising managers prefer sales which bring the paper to the whole family. The price of the big Sunday edition remains unchanged at twenty cents, either at the corner or at the front door. The *Post* is the latest newspaper to be squeezed between rising costs and advertising revenues which are either stationary or slow to rise. Since it went up to five cents in 1944, the price of newsprint has more than doubled; so have wages, on the average.

Increased costs have caused 450 daily papers, about 1 fourth of the total, to raise their price either to seven or to ten cents on weekdays. Washington is one of the last big cities to be affected. Los Angeles was the first, six years ago, and it was followed by San Francisco. Last spring all the evening papers in New York City went up to ten cents, but the damage done to their circulations and advertising revenues did not encourage the morning papers to follow suit. In Chicago the newspapers acted in concert in order to prevent any change in the competitive situation. The initiative was taken by the powerful *Chicago Tribune* shortly after it bought the failing *Chicago American* from the Hearst chain. The increase to seven cents last summer is reported to have brought the *American* $1 million a year in new revenue and its first profit for years.

Few metropolitan newspapers are in good financial health. Even the prosperous *New York Times*, which has just published, for the first time, a statement of its earnings, draws more than half of them from a newsprint company. During the first six months of 1957 seven of the ten newspapers with the largest volume of advertising lost advertising. Last year newspapers as a whole received $3.3 billion of the $10 billion spent on advertising of all kinds, more than television, radio and magazines put together and nearly 3 per cent more than in 1956. But the papers' share of the advertising revenue received by all four major media has declined steadily since 1949, when television stations began

to open in large numbers. In that year newspapers took about 62 per cent of the total advertising revenues of the four media; in 1957 it is estimated that their share had fallen to about 55 per cent. This percentage loss was due almost entirely to competition from television, since the dollar figures and the percentages for sound broadcasting and magazines have remained almost unchanged for five years.

Many owners of newspapers in the big cities also put much of the blame for their troubles on competition from "satellite" dailies which have sprung up like mushrooms in the suburbs and small cities nearby. These "community newspapers," which have roughly 20,000 to 70,000 readers, drain off circulation and advertising revenue by supplying local news and local shopping guides. And the ponderous metropolitan giants have been slow to counter with the logical weapon: special news and advertising sections for different areas slipped into the regular editions.

Metropolitan newspapers have seen their share of newspaper readers fall from 39 to 37 per cent since 1953. Moreover, production costs, distribution costs and journalists' salaries are lower in the suburbs and the surrounding country, with the result that the smaller papers earn from 8 to 12 per cent on their capital compared with 3 to 5 per cent for the big ones. In greater Los Angeles there are thirty flourishing middle-sized papers sharing 700,000 readers. Long Island's *Newsday* has captured 269,000 readers, mostly from the big New York City dailies.

Informed critics, however, such as Mr Mark Ethridge, the publisher of the influential *Louisville Courier-Journal*, feel that the continuing loss of newspaper circulation in relation to the growing population is the fault of the newspapers themselves. They point to the extensive use of syndicated leaders and poorly-written syndicated columns and to the running as news of dull and slanted press releases. They also criticise the failure to cover local news and to lead crusades against such evils as slums, and the lack of responsible interpretation of national and international affairs. Moreover, when profits fall, too many publishers try to economise on their editorial departments. The *New York Herald Tribune* gave an example which the critics would like to see followed when it decided late last year to try to save itself by putting out a better and more serious paper.

THE United States has no national newspapers similar to those in Britain. Two years ago the *New York Times* actively explored the idea of printing in various parts of the country, but it is believed that the costs were too great. Circulations, therefore, are small compared with those in Britain. The largest is that of the *New York Daily News*, a racy tabloid which sells 2,156,000 copies a day during the week and 3,857,000 on Sundays. In second place is the *Chicago Tribune* with a daily circulation of 954,000 and 1,304,000 on Sundays. The *New York Times* is sixth, with 557,000 on weekdays and 1,189,293 for its Sunday edition.

The closest approximations to national newspapers are provided by the chains, of which there are about a hundred. Leading the list is Scripps-Howard, with 22 dailies. Other groups with large numbers of influential newspapers are Hearst, with 15, and Newhouse, Copley and Newhouse with 13. The newspapers of the chains reflect, to a greater or lesser degree, the political and social viewpoints of their owners, with the exception of those run by Mr Samuel Newhouse, who is fiercely insistent on editorial independence. Consequently most of them are conservative and Republican and increase the one-party character of the press. During the last election newspapers with nearly 80 per cent of the readers supported Mr Eisenhower. More than half of the rest supported neither side. The dreary sameness of daily newspapers from New England to California alarms Americans who fear the growth of a dangerous uniformity; this is also fostered by radio and television programmes.

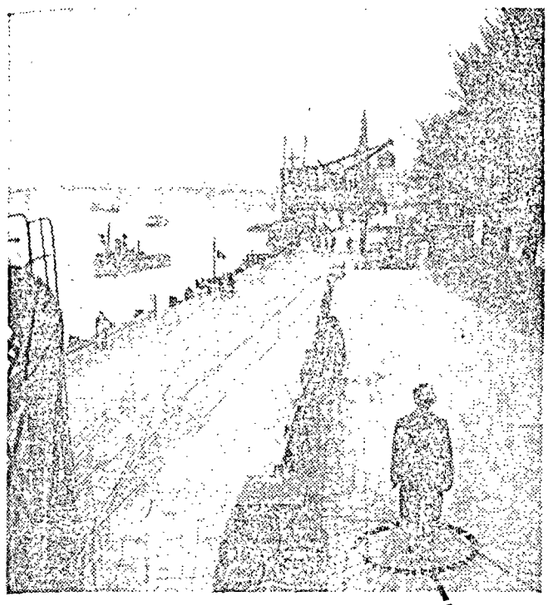
Most of the present generation of newspaper owners have not been newspapermen themselves and as a general rule take much less interest in the newsroom than in the advertising and accounting offices. The result is that editors and reporters are no longer fired by the traditional ambition to get all the news first and best or perish in the attempt. The profession has become stale, stodgy and standardised. Editors have apparently ceased thinking of themselves as the consciences of their communities and pride themselves instead on being businessmen.

Mergers and purchases which guarantee surer and larger profits with less worry have occurred at a rapid rate in recent decades. In 1900, 700 cities had competing dailies with independent editorial managements; now there are only 85, and rising costs are likely to increase the number of one-paper cities. In 1900, 2,700 newspapers appeared each day; the number has fallen to 1,759. More than one out of every four newspapers is run by a chain. Eighteen states have no cities with competing dailies. About a third of all daily newspapers are absentee-owned. Mergers sometimes stop half-way, combining composing, printing and advertising to save money, but leaving the newsrooms separate. But this loudly proclaimed maintenance of editorial independence is usually a fiction.

The high executives of the metropolitan papers have only recently become concerned by the apparent loss of American faith and interest in their newspapers. After many conferences, the publishers' association decided early last year to spend $1 million on a public relations campaign. This kind of thinking has been sharply criticised. Qualified observers feel that the newspapers' troubles are too deep-seated to be cured by self-advertisement. Apart from noting the small salaries paid to reporters and the failure of journalism to attract able college graduates, the critics say that the magazines, sound broadcasting and television have increasingly taken the lead in dealing with controversial issues. Hard-hitting crusades, out-spoken comment and three-dimensional reporting that pulls no punches are seldom found in the newspapers, unless they are dealing with shocking conditions far from home and retaliation. A number of publishers believe that rising costs and falling circulations may force a third of the present daily newspapers out of existence by 1975. If this comes true, few believe that the newspapers of quality will be among the casualties.

Reserves for Loans

THE Federal Reserve Board last week took two further steps to relax an already-easy supply of money. First, it lowered reserve requirements—the percentage of deposits which banks must hold in cash at a Federal Reserve Bank—by one per cent for member banks in New York and Chicago, and by one-half of one per cent for banks in 48



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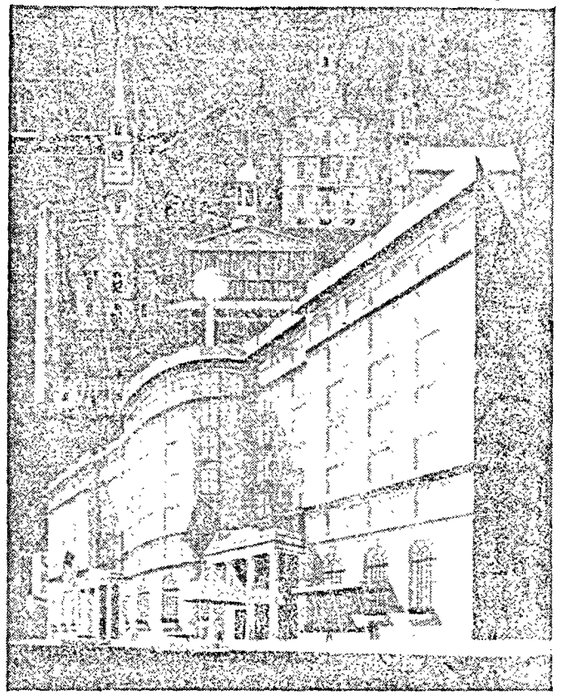
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Why not? I used to think like you, but since I joined I.C.I. I've seen that research in industry can be just as satisfying. Think of the value to hospitals of the new anaesthetic 'Fluothane' and the importance to farmers of 'Helmox', a new treatment for lung-worm disease in their cattle. Both are recent I.C.I. discoveries and this is obviously work of national importance.

Perhaps it is, but I'd prefer to continue pursuing knowledge for its own sake.



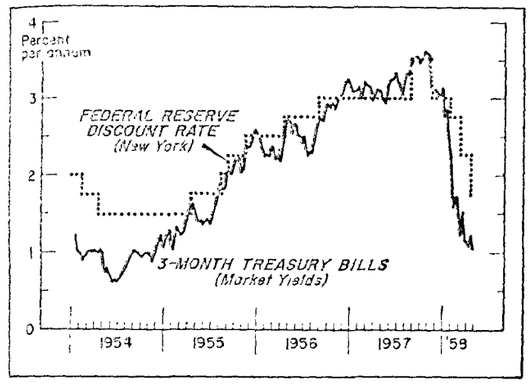
Maybe, but whether you work in a University or in an industrial laboratory you'll be employing the same scientific method, the same mental approach—and is there anything derogatory in acquiring scientific knowledge to use it for practical ends?

I don't suppose there is, really.

Of course there isn't. And you might find yourself doing pure research in I.C.I. anyway. About 15% of I.C.I.'s big research budget is devoted to fundamental work, and some of the men engaged in it have achieved international recognition in their particular fields.

ICI

other large cities. It then approved a reduction of the discount rate, roughly the equivalent of British Bank rate, by the Federal Reserve Banks. The first of these moves will increase member bank reserves by $450 million, which will enable them to make up to $2,700 million of new loans and investments through the multiplying feature of the reserve system. New York and Chicago banks will now be required to keep 18 per cent of their customers' deposits as reserves and the other city banks 16½ per cent. Though the reductions are intended as a stimulus to business borrowing, they will also offset the loss of reserves caused by foreign purchases of gold. When foreign depositors use the money in their accounts to buy gold (from the Treasury), this money



leaves the banking system entirely, thus diminishing reserves; in the past two months more than $600 million has left the United States in this way—much of it going to Britain.

The discount rate, which is the interest paid by member banks borrowing from Federal Reserve Banks, was reduced from 2¼ per cent to 1¾ per cent, its lowest level since August, 1955. This rate has fallen four times since November, 1957, when it stood at 3½ per cent. The latest reduction should be followed by a further lowering of the interest which banks charge their borrowing customers and should give a psychological stimulus to businessmen to abandon the cautious attitude toward borrowing which they have displayed in recent months. In fact, three of the largest New York banks have already reduced their prime rate to 3½ per cent, and others may be expected to follow their lead soon. This is the rate at which depositors with the best credit ratings borrow, and it has been held at 4 per cent since the beginning of the year, although some other interest rates have fallen sharply, especially that of 91-day US Treasury bills. While lower interest rates may increase borrowing by businessmen, it would probably be more helpful if the banks were to encourage borrowing more actively than they have done recently.

Over-ruling the Court

MANY conservatives in both parties hold that the Supreme Court, in the past four or five years, has been guilty of grossly exceeding its judicial powers. The Southerners feel most strongly about the decision in 1954 declaring unconstitutional the practice of racial segregation in tax-supported schools; other critics, not all of whom are to be dismissed lightly, object most vigorously to the Court's recent decisions upholding the rights of the individual, on the grounds that they make subversion safe. Last week, in the Senate Judiciary Committee, these two groups won over Senator Watkins and Senator Dirksen, Republicans whose conservatism has usually been tempered by loyalty to the President, and rang up a preliminary success for a measure to curb the powers of the Court. This is the first threat to the independence of the judiciary since President Roosevelt, over twenty years ago, tried to "pack" a Court which was throwing out New Deal measures almost as fast as they could be passed.

The original Bill was Senator Jenner's, a bald attempt to deprive the Court of the right to review cases involving subversion and congressional investigations. It would have created legal chaos by paralysing the only court empowered to settle differences between state and federal law and stood no chance of passage even in committee. Senator Butler's less vulnerable substitute, on which the committee is voting, confines itself in the main to reversing the Court's decisions in the cases which have most offended conservatives. The exception would prohibit the Court from reviewing state regulations for admissions to the bar; some lawyers have been refused permission to practise because of alleged Communist associations, and in the South the grounds might be that they had acted for Negro clients. The other decisions involve setting up standards for congressional investigations, the scope of the security programme for government employees, whether it is a crime to advocate, in theory only, the overthrow of the government, and whether federal laws supersede state ones in the same field. On the first two provisions, the committee, by 9 votes to 6, decided to overrule the Court; on the third, to sustain it. It has yet to reach the last two.

Many lawyers reluctantly concede that the Constitution gives Congress the right to alter the appellate jurisdiction of the Court, although it has not done so since the days of reconstruction, nearly a century ago. But most of them strongly oppose the present Bill; so does the Department of Justice. The Senate is not likely to shrug off this weight of responsible opinion. But the President could demonstrate his well-known attachment to the separation of powers by acquainting himself with Senator Butler's Bill and making the case against it overwhelmingly clear, particularly to his own supporters.

Berkeley's BBC

FROM A CORRESPONDENT IN SAN FRANCISCO

THE domination of the American airwaves by advertising has so lowered the quality of most broadcasting that the independent committees, which allot the industry's highest honours, the annual George Foster Peabody Awards, have always had a difficult task. Not only are there seldom enough programmes of real excellence from which to choose, but even these few seem subject to an inexorable Gresham's law of taste that displaces them with programmes which appeal to wider audiences and therefore are preferred by commercial sponsors. The Peabody awards consequently go to an odd assortment of non-obnoxious popular entertainments and less popular programmes of cultural or educational value. The awards presented this month honoured

not only Mr Bob Hope, the comedian, Miss Dinah Shore, the popular singer, and Mr Edward Murrow's documentary series, "See it Now," but reached outside the commercial broadcasting field to reward a unique non-commercial station in Berkeley, California, for its local public service and cultural excellence.

This station, KPFA, has been dubbed the "BBC of Berkeley"—the home of a large section of the State University—not only because it actually offers its Northern Californian audience many transcriptions from the BBC's Third Programme but also because its operations are not supported by advertising. It is financed by the direct contributions of subscribing listeners who pay a minimum of $10 a year to provide its operating costs. But KPFA's uniqueness does not consist entirely of its freedom from commercial slogans and jingles; by addressing its audience directly instead of attempting to sell it, as a market, to advertisers, the station has been able to retain control of its broadcasting standards.

America's ordinary commercial wireless stations, in search of the widest possible audiences, are forced to fit their programmes to a lowest-common-denominator of listener taste and intelligence if only because, as Dr Robert Hutchins, the educator, once explained, the advertising of a soap manufacturer must naturally appeal to the "great unwashed." KPFA intends to attract a variety of small, discriminating, audiences who together will be numerous enough to support the station. It therefore presents almost all the BBC's "World Theatre" and other recordings and live programmes which cover the entire spectrum of literature, including a few in foreign languages. Many of the contemporary works are read by the actual authors, who either live in or visit the San Francisco Bay area, one of the cultural centres of the United States. A similarly broad selection of serious talks and lectures from the station itself, from universities far and near and from the BBC, range widely over the arts and sciences, over politics and local affairs. KPFA's musical programmes concentrate on seldom-heard works of serious composers, ancient and modern, as well as jazz, folk and experimental music. It has presented the first performances of countless contemporary compositions, broadcasts numerous local concerts and offers its facilities to many artists who cannot appear profitably on the commercial concert stage.

Few of KPFA's programmes would survive long or even appear on commercial American wireless. Even the non-commercial stations supported by universities or municipalities are not as formidably highbrow as KPFA. Its independence, for instance, has led it to specialise in broadcasting seldom-heard political opinions, voiced by communists, socialists, anarchists and single-taxers as well as by conservative and liberal Republicans and Democrats. KPFA also differs from the numerous commercial stations which have lately found it profitable to broadcast to the specialised audience that seeks relief in almost continuous "good music" from the crassness of ordinary radio. While KPFA's offerings range from Palestrina to *musique concrète*, their repertory seldom strays farther than Tchaikovsky or Léhar and avoids anything, such as dissonant music, that might offend any portion of the maximum audience which is sought for the advertisers.

For the same reason commercial radio also avoids anything that anyone might find "controversial" and has relegated itself, quite literally, to the background of American life. Sets are commonly turned on and thereafter left untouched and largely ignored—a practice encouraged by the broadcasters, whose greatest fear is that the listener will tune to another station; to attract momentary attention advertising messages are often actually louder in volume than the programme itself.

KPFA, whose programmes are each meant to be listened to by someone, makes no attempt to stay in the background and assumes that the uninterested will turn the station off. This is unfamiliar, even uncomfortable, to American listeners, as is KPFA's habit of not cutting off or interrupting long programmes; it sometimes even observes complete silence—a cardinal sin on commercial wireless. KPFA's success has been hindered by the fact that it broadcasts only on frequency modulation (FM) which is little known to the public since neither commercial broadcasters nor set manufacturers have promoted it vigorously. In its nine years of operations, KPFA has very slowly attracted only 6,000 paying listeners—although, in its broadcast area of 3 million people, many listen to it without paying. This is enough, however, to provide its basic annual budget, with the help of such special efforts as jumble sales. Its tiny group of supporters, including a few sympathisers far out of range of its signal, are fanatically devoted to KPFA. They contribute or raise a total of $105,000 a year for it, actively campaign for new listeners and subscribers, and deluge it with letters of detailed praise and criticism.

With the spread of its reputation and the wireless industry's recent "discovery" of FM, resulting from the inroads of television and a nationwide craze for high-fidelity sound equipment, KPFA's future prospects are felt to be bright. It is planning another outlet in Southern California later this year. But, since the high-quality programmes which have attracted its small group of supporters would not be possible without much volunteered talent and the special arrangements with the tax-collectors that only its non-profit status makes possible, it is unlikely that KPFA will have much effect on American wireless as a whole.

SHORTER NOTES

The output of crude oil in Texas, the biggest producing state, will continue to be held down in May, as it was in April, to the equivalent of eight days' full production. This is the lowest level ever set by the Texas Railroad Commission, the state regulatory agency. Stocks of crude oil and its products, at 642 million barrels, are still higher than usual at this time of year and the independent producers find that they can sell their full quotas only if production is restricted.

* * *

When Ellis Island, through which so many millions have passed on their way to becoming Americans, was no longer needed for the Immigration Service, it was put up for sale. But the largest bid was only $201,000, from a private source; this has been rejected, as the buildings and 21 acres of land are appraised as being worth more than $6 million. So far no worthy or imaginative public use has been found for this historic island in New York's busy harbour.



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THE WORLD OVERSEAS

Afrikaner Triumph

FROM OUR CORRESPONDENT IN SOUTH AFRICA

OUTSIDE a newspaper office in Durban a large crowd was gazing at a huge election scoreboard and watching the Nationalist party's majority creep up relentlessly to give it its third successive victory since 1948. More than nine-tenths of the spectators were non-Europeans—Africans, Indians and a few Coloureds—mute observers of a drama in which they figured prominently but in which they had no voice. Nobody could tell precisely what they thought as they watched. It was obvious that they were filled with bitterness towards the white man whose government a few days before had used an unprecedented display of force, and threats of force, to crush a demonstration organised with the dual purpose of protesting against the white monopoly of government of the country and of demanding a minimum wage of £1 a day. For them the Nationalist victory means more years of repression and resentment.

A post office worker walked into the tense atmosphere of a Johannesburg polling booth. As he went up to the United party table to get his voting number he was recognised by some of the crowd and greeted with howls and jeers. "He reads the Nationalist newspaper, goes to church on Sundays and now he votes for the United party. He's a traitor. I'll see that he's fired," shouted the Nationalist cheer-leader. It takes courage, these days, for people in vulnerable occupations to resist the Nationalist juggernaut openly: the pressures to conform are tremendous.

THESE vignettes of South Africa's polling day indicate the atmosphere surrounding a triumph that has mystified the outside world and depressed the anti-Nationalist forces in the country. Quite simply, the electorate, frightened with tales of racial submersion, let "blood" decide: the Afrikaner racial tom-tom prevailed. It was a vote for the white man to remain boss and no nonsense about sharing or consulting. It was, too, a vote to make the Afrikaner top dog in the white camp, a vote for a separate Afrikaner nation which will call the tune and co-operate with non-Nationalists only on its own terms. Two of those terms are apartheid and republicanism. Mr Strydom convinced the majority of Afrikaners, and a handful of English-speaking South Africans, that their existence as a white nation was in danger unless the Nationalist party remained in power. That is why, on election eve, his injunction was: "Vote for the Nationalists—or death." That this call was heeded is at once a tribute to the power and skill of Nationalist propaganda and organisation, and a reflection on human receptiveness to fear, selfishness and race prejudice when they are skilfully exploited.

The election produced a 5 per cent swing in favour of the Nationalists. The consistent increase in their vote is explained largely by the fact that they have captured most of the young voters who have come on the roll since 1953. This was the handsome dividend produced by twenty-five years of Christian-National education openly aimed at indoctrinating youth with the religion of Nationalism. For the first time South Africa has become aware of the real power of the Afrikanerdom that was launched by the influential Calvinist church and the Nationalist party in the early nineteen-thirties, when Dr Malan and General Hertzog parted company, and when the goal of a "pure" Afrikaner nation took the place of the broader Hertzog concept of a South African nation compounded of the two language groups.

In the Cape, the Nationalist majorities were also boosted by the removal of the Coloured voters from the common electoral roll. These factors, combined with an exceptionally favourable delimitation of constituency boundaries, the loading of the franchise in favour of the rural areas, and a postal vote sadly open to abuse—in brief, an electoral system ruthlessly exploited in every way—produced a result beyond the Nationalists' best expectation. They won 103 seats (96 in the last parliament) compared with the United party's 53 (52 in the last parliament), in a 90 per cent poll. The Nationalists gained six seats from the United party, while the United party gained three from Labour and three from the independents.

For the first time since the Union was formed the Labour party will not be represented in parliament, its two able members in the last parliament having been badly beaten in three-cornered contests on the Witwatersrand. And of the three Liberal party candidates, only one, in Cape Town, managed to save his deposit. Thus, apart from three representatives of the Cape Africans and four of the Coloureds, there will be only two parties in the Lower House. And both groups representing the non-whites will disappear if Dr Verwoerd, Minister of Native Affairs and Mr Strydom's heir-apparent, has his way.

The Nationalist party will now be compelled to enlarge its catalogue of restrictive and repressive measures in order to achieve some of the apartheid which stubbornly eludes it, and to damp down the slightest sign of non-European protest or unrest. There is little doubt that the African National Congress played into the hands of the Nationalists with its abortive election week stay-at-home demonstrations. And the government is certain to make its display of force and threats on this occasion the model for the future.

Some of the Nationalists' more thoughtful commentators have obviously been worried by some of the implications of this electoral victory, and in particular by the fact that Nationalist policy has driven the two language groups into separate compartments. The Nationalists have isolated themselves in their own laager, and they realise, after last week's poll, that they might feel more than a bit lonely

The efforts made to remedy these disproportions are a sharp reminder that German industrial eminence is not confined to the Federal Republic. Brown coal production is being expanded on a huge scale; this is relatively simple, since the deposits are there and are accessible, but it does require very large excavators and elaborate handling installations, which are being produced and put into service. A process for producing metallurgical coke from brown coal has been developed at Lauchhammer, north of Dresden. Three briquetting plants process 6 million tons a year of brown coal under high pressure into 2 million tons of special-quality briquettes; these are delivered by conveyor belts to the Lauchhammer cokery, where they are further processed into 1 million tons of unusual-looking coke (700,000 tons of which is considered of metallurgical quality), together with coal gas and the usual by-products.

Brown coal coke from Lauchhammer is among the materials fed to another novel plant, at Calbe, near Dessau, designed by east German metallurgists to produce foundry iron on a large scale from very poor materials: Harz and Thuringian ores with brown coal ash (which contains iron), brown coal coke, and an admixture of gasworks coke. The ten blast furnaces, smaller and lower and designed for very different charging, combustion and discharging conditions than the conventional blast furnace, produce about 100 tons a day each; they supply the entire east German requirement of foundry iron, with a surplus for export. (Iron for steelmaking is produced from imported conventional materials by the Stalinstadt iron works near Frankfurt on the Oder.) The original plan for Calbe, which envisaged twenty furnaces, was found to be more than was needed; work on the second group of ten furnaces was stopped, and the installations, though partly built, are being scrapped and their site levelled. Any embarrassment felt about that piece of over-investment seems to be completely outweighed by satisfaction at the good performance of the plant as it now stands, and at the interest it has aroused in west Germany and abroad.

★

Another unexpected industrial sight is the Warnow-Werft shipyard at Warnemünde (Rostock). The Soviet zone of Germany included no important seaport and no important shipbuilding centre; its seaborne trade was formerly carried through Hamburg (now west Germany) and Stettin (now Poland), and the German shipbuilding centres on the Baltic were Stettin and Danzig. Rostock is to be the new centre for shipping and shipbuilding; preparatory and dredging work has just begun on a new port, to take ships up to 10,000 tons, in the salt lake called the Breitling at the mouth of the Warnow. Across the Breitling from the pine wood which now marks the harbour site, a new shipyard has been built where there was formerly a private yard building small boats and repairing fishing craft. The new yard has an orderly layout and ample space for sectional assembly. Its labour force is mostly young, recruited from other occupations and trained on the spot. All the overhead crane operators are women. Most of the technical staff are under thirty and come from the shipbuilding faculty at Rostock; the director is 36.

These three plants are all in one way or another showpieces; but a visit to some of the mechanical engineering centres of Saxony and Thuringia leaves no doubt that the traditional skills of what used to be central Germany are still there, and are hard at work in re-equipped factories. At the former Wanderer works at Chemnitz (now called Karl-Marx-Stadt), from which the Russians removed virtually everything that the bombers had failed to destroy, highly automatic machine tools are being turned out in series with 98 per cent of new machines. The east Germans are well-equipped with the means for their own re-equipment. Defeat, revolution and emigration have left them still an advanced industrial country which can be seen, through the clouds of dogma, once more fully at work.

(The first article appeared on April 12th)

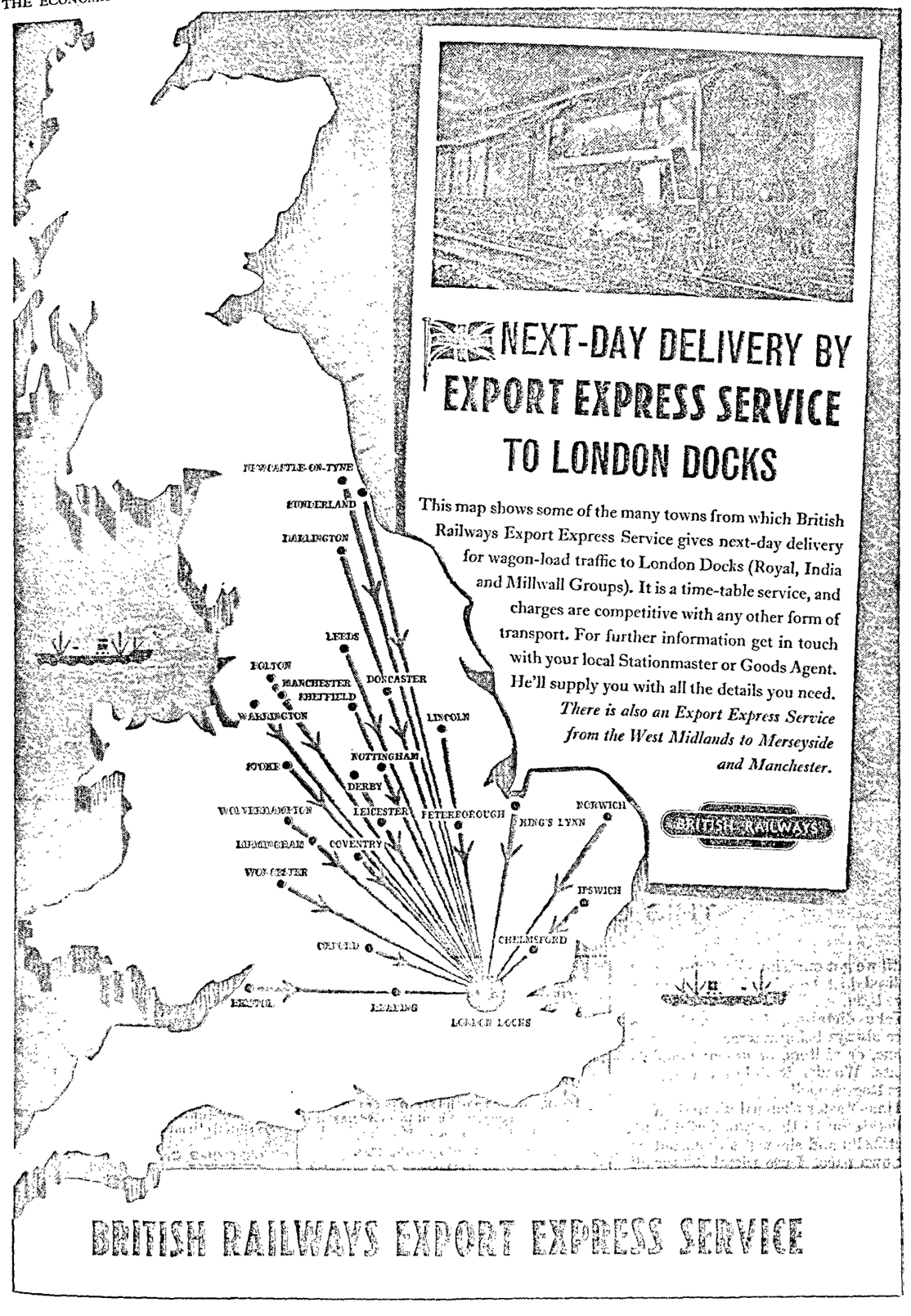
Death Under the Cherry Blossom

FROM OUR CORRESPONDENT IN TOKYO

DESPITE many postwar changes, Japan continues to be the land of geisha, cherry blossom and *hara-kiri*. The geisha and cherry blossom are well-established and well-exploited tourist attractions, putting $50 million a year into the Japanese economy, more than enough to pay for the foreign patents that materially contribute to Japan's swift industrial advance. Meanwhile, the Japanese go on being one of the most suicidal races on earth. The geography itself is suicidal, with its precipitous mountains, abundance of lakes and swift-flowing rivers, and its smoking volcanoes. Taking full, melancholy, advantage of these natural features, the Japanese also throw themselves under electric trains, and the suicide-rate is further maintained by easy purchase of either sleeping pills or poison.

Hara-kiri, in the strict sense of formally ritualistic bowel-slashing, is no longer much indulged in; but *jisatsu*, or common-or-garden suicide, is all too common. The suicides, however, try to make even of *jisatsu*, as the Japanese do of most things, an art. The cherry blossom that tempts the tourists also inspires the suicides. The suicide-rate rises sharply and seasonally with the advent of spring because the Japanese prefer to take their lives in the most pleasant possible surroundings. In the spring the nation's most celebrated beauty spots never lack their quota of suicides mingling with the trippers. On a single day this March, Nikko was the scene of five spectacular double suicides: the highest number in one day at Nikko since 1875.

This year since the buds began to peep (it has unfortunately been an extraordinarily early spring), the number of *families* commiting suicide has risen to an average of three a day, while thwarted young lovers have contributed an average of one suicide pact per day. Even this does not tell the whole story, for it excludes such suicides as that of the 13-year-old schoolboy who hanged himself from a rafter in his father's barn because his favourite professional wrestler failed to win the spring *sumo* championship in Osaka. Though Japan is probably the most prosperous country in Asia (only an estimated ten or twelve per cent of the population being destitute), a number of family suicides occurring this spring have been prompted by economic hardship. But a much larger number, the authorities say, were precipitated by emotional upsets—chiefly





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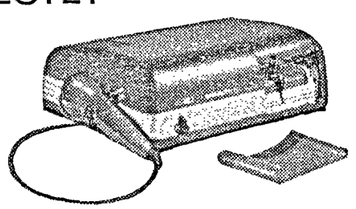
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jealousy by a husband of his wife or vice versa. The suicides of "young couples" are almost all prompted by parents' opposition to their getting married. The Japanese, who falsely pride themselves on their ability to conceal emotion and who are never more pleased than when some superficial observer compares them with another island race, the stolid British, are in fact intensely and even neurotically emotional. Japan's innumerable newspapers do not include a *News of the World*, but one feels that such a newspaper would do well.

An irony of the situation is that, while the suicide-rate continues to rise, the Japanese mortality rate from more natural causes has plunged steeply down. Since 1947 the death-rate has fallen a full fifty per cent to eight per 1,000. The chief factors are a sensational fall in the infant mortality rate (since 1935) from twelve to four per cent, and a fall in the tuberculosis death-rate from two to .49 per 1,000. Correspondingly, the life expectancy of a Japanese male has risen by 16 years since 1935 to 63, and that of a Japanese woman by 17 years to 67. Yet the suicides persist in trying to put a dent in these highly encouraging figures and to shorten lives which medical science seems determined to lengthen.

The most astonishing phenomenon of all is the attitude of many young Japanese "intellectuals" to the suicides. These young men—mostly writers, artists, university lecturers—give the impression of being very much a part of the postwar world. Much less aggressive and aggrieved than their counterparts in, for example, India, they are keenly interested in both the culture and material achievements of the West, without seeming to have acquired any sort of contempt for their own considerable heritage in both spheres. They appear to be reasonable and well-balanced young men. But this impression receives a setback when the subject of suicide is raised. With charm, with eloquence and with a deep-seated melancholy that one had not hitherto suspected, they gravely defend the custom. "Surely," they argue, "it is better to die for love, for passion, than to live without either?" But, the foreigner protests, surely also the ill-starred lovers could have found some less drastic solution or, failing a solution, something else to live for than love? "Ah," the young men gravely reply, melancholy finally getting the decisive upper hand; "but is life, in fact, so worthwhile as you imagine? Doesn't it have more burdens than pleasures? The thought of death can often be very enticing."

There is a point beyond which this argument can obviously not be pursued. An awkward *impasse* between two ways of thought has been reached and seems unbridgable; a yawning gulf has disconcertingly opened; both sides agree to change the conversation.

A possibly significant footnote is that the young women of Japan palpably do not share the male view—though they commit suicide when the male decides they should. In most suicide pacts, the man announces the intention, the girl is reluctant, but lets him have his way with himself and with her. In death, as in life, Japan is still a man's world.

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Racial Conflict in Ceylon

FROM OUR CORRESPONDENT IN COLOMBO

CEYLON is again faced with the threat of communal conflict. The Tamil Federal party is making plans for a satyagraha movement in the northern and eastern provinces, where the majority of the indigenous Tamil-speaking people live. The agreement reached between the government and the Federal party last July has been pronounced dead. This agreement brought about a truce in the linguistic conflict, and the Federalists then called off the satyagraha they had planned for last August. Two Bills were promised under the agreement: one to make provision for the reasonable use of Tamil (in local administration, correspondence, recruitment to the public service and education); the other to set up regional councils which would provide greater provincial autonomy.

Mr Bandaranaike now says that the Federal party, by renewing direct action with its campaign against the use of buses with Sinhalese registration plates in the north, has invalidated the agreement. The Federal party has suggested that the government was bullied into abrogating the agreement by Sinhalese-Buddhist extremists. It is probably too facile an explanation to say that the prime minister was intimidated by the Buddhist monks who set up camp on the road leading to his house. Opposition to the agreement had in fact mushroomed. Government MPs were also perhaps concerned that the United National party, which was also against the agreement, was trying to benefit by the situation. It is even said that, within the cabinet, the marxist element was prominent in urging the prime minister to take a tougher line with the Federalists.

Who broke the pact is now largely an academic question. The tragedy is that the agreement, reached after so much patient negotiation, should have been sacrificed on such a petty issue as that of number plates on a few buses. The transport minister had decided, before July, that new motor vehicle registration plates should have a Sinhalese letter in place of the English ones so far used. The Tamils objected, and in the north, Federal party volunteers began to deface private vehicles with the new number plates; but after the July agreement was reached, their campaign was stopped

A few weeks ago, the transport board decided to send new buses (with the Sinhalese registration plates) to the north. It was explained that these areas, poorly served by the former private operators, needed new buses urgently. There was no immediate dissatisfaction among travellers in the north. But some days later the Federal party called on its volunteers to pick up their cans of paint and set to work on these buses.

The police took no action, even when faced with a

retaliatory movement in the Sinhalese areas to obliterate Tamil lettering on office nameboards. The government was, however, forced to take more serious note when violence ensued and a few lives were lost. Mr Bandaranaike announced that the Federal party had rendered the agreement null and void, and had also created a situation in which it was not possible to proceed with the implementation of the agreement. He also asked the police to prosecute anyone who broke the law as a means of registering his protest, pro- or anti-Sinhalese. The tar-and-brush brigades which went round the Sinhalese areas defacing Tamil nameboards immediately gave up their activities, but the Federal party has shown renewed vigour in its own campaign in the north. Its leaders, with their families, have rushed to court arrest. They are no doubt eager to don the haloes of martyrdom, and have said that they will fill the country's jails. Prosecutions have been launched, but the cases have not gone to trial yet. Arrested persons are released immediately after their statements are recorded.

Rubbing out Sinhalese characters on bus number plates is only a beginning. The Federal party intends to break other laws, and plans are being drawn up for a full satyagraha programme. The leaders insist that their campaign will be Gandhian and non-violent, but it seems doubtful whether it can ensure self-discipline among its ebullient followers.

When the talks between Mr Bandaranaike and the Federal party resulted in agreement last year, there was general relief. Both parties made efforts to convince the people that a fair compromise had been struck. Now the delay in implementing the agreement has given extremist elements time to sow their seeds of discord. The delay cannot, however, be fairly laid at the door of the government. Mr Bandaranaike has said, and the Federalists have not denied, that the delay was the result of two requests made by the latter. They had asked that both Bills should be presented to parliament together, and that the second Bill should indicate the powers of the councils in detail.

★

The prime minister has stated that, pact or no pact, the government will carry out what it had intended to do, in justice to the Tamils. It has now been announced that the first Bill will be introduced in parliament immediately after it reassembles in June. The introduction of the two Bills should take the edge off Tamil bitterness. What the reaction will be in Sinhalese areas, however, remains doubtful. It is clear that the mood has changed since the agreement was reached and the Bills promised. The United National party also appears to have found common cause with Sinhalese extremists in opposing these Bills.

Another rather dangerous development is the spread of the Dravida Munetra Kazagam movement to some parts of the country. What began as an anti-Brahmin movement in Madras state has grown into a pan-Tamil agitation, and the idea of a single state embracing south India and parts of Ceylon has been openly suggested. Efforts to find converts to this idea have apparently been made, both among the Indian plantation workers in Ceylon and the indigenous Tamils in the north. Sinhalese extremists may be able to arouse fears among the Sinhalese on this score, alleging that there is a move to annex north Ceylon to south India.

The situation is therefore not without combustible elements, and irresponsible demagogy on either side can provide the sparks. Mr Bandaranaike has appealed for calm and restraint. Unless this plea is heeded, the danger of considerable conflict and tension remains grave.

Cuba's Rightist Rebel

BY A CORRESPONDENT

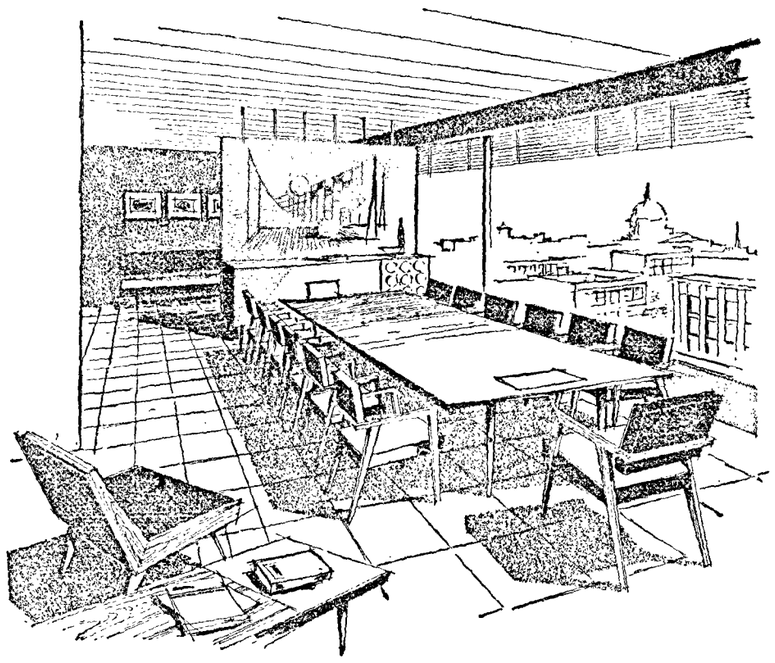
A YEAR ago, Señor Fidel Castro, the leader of the rebel opposition in Cuba, stood as a champion of freedom in the Caribbean : today he is less respected. By Caribbean revolutionary standards, he has failed rather badly because after a year's fighting he has been unable to overthrow the president, General Fulgencio Batista. More important, he has not yet given any convincing account of what he stands for or what alternative to the existing dictatorship he can offer. In fact, some sarcastic Cubans are saying that Señor Castro is only distinguished from General Batista by his beard.

General Batista has the largest and best equipped army in the Caribbean. But some years ago, realising that military power alone might not be sufficient protection, he decided to follow in the steps of General Perón and establish strong trade unions, which enjoy a certain amount of official favouritism. The condition of the Cuban working class is still appalling, but it is at least better than it was ten years ago. And the president's hold over the masses was demonstrated during the three general strikes that were called by Señor Castro. On all three occasions the largest proportion of stoppages took place among the white collar workers—especially among the bank clerks—while the unskilled workers remained inactive.

Señor Castro has been accused of communist sympathies, but this means very little since all opponents of the regime are automatically called communists. In fact he is further to the right than General Batista. He draws support from the Catholic church, the largest industrial concerns and the landowning aristocracy, and his couriers include adventurous debutantes and young men about town. At the beginning of his campaign against the dictatorship, he published a pamphlet advocating agrarian reform, nationalisation of public services and free trade unions. Now he appears to have changed his mind and is advocating free enterprise, stability, a fair deal for the landowner and free but "responsible" trade unions.

Neither of these two programmes can be taken seriously. Señor Castro originally sought to lead a popular revolution. When this failed, he appealed to those elements in the wealthier classes who were interested in overthrowing the regime. To get their support he had to change his programme, and this he did without much hesitation. He is now riding on the simple and straightforward slogan : "Get rid of Batista."

What will happen if Señor Castro succeeds ? He will not himself be accepted as president by those who support him now. He knows this and has already proposed Dr Manuel Urrutia, an obscure judge, as his presidential nominee. But whoever becomes president after General Batista, it is unlikely that the Cubans will escape the system of official corruption and favouritism that has long dominated their politics.



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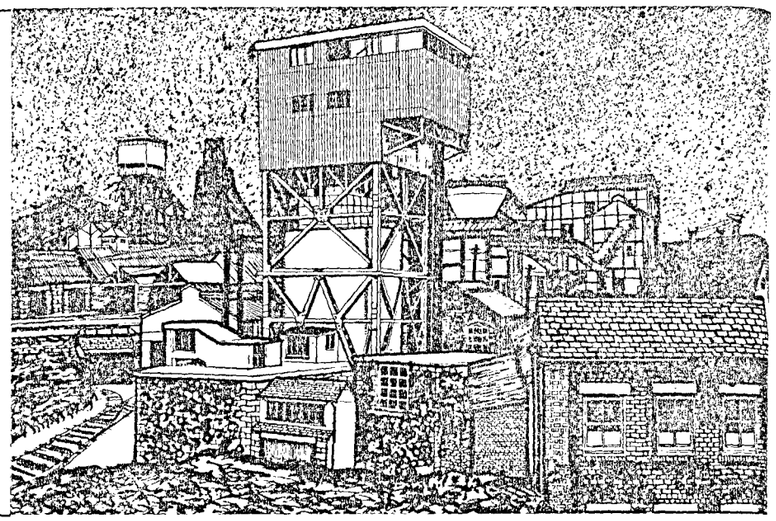
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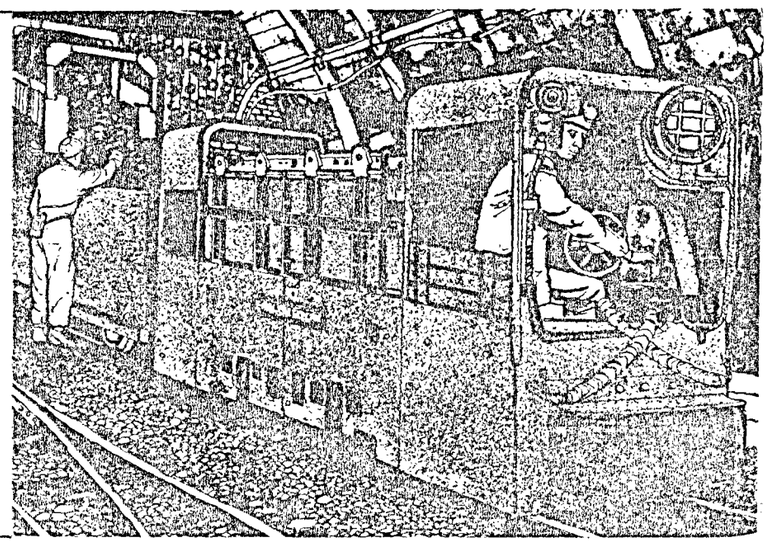
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THE BUSINESS WORLD

Finding the Means

THE stroll round the garden path in Downing Street this week had some important results. The Government has made it unmistakably clear to the railway unions and to the Labour party that it has set its face against any subsidy-cum-loan to the Transport Commission beyond the £250 million already committed and now half-spent. The commission and the unions, with the joint incentives for the one of some restoration of the "Thorneycroft cuts" in the accelerated railway investment programme and for the other of a consequential pay rise at some not too distant date, may be induced to make a joint attempt to prune railway costs and increase railway efficiency.

Whether this will go as far as finding the £11 million or so a year needed to finance a three per cent pay rise remains open. The commission has already had to instruct the regions to cut this year's programmes for revenue expenditure to produce savings of £15 million to keep the deficit within the bounds that the Government is pledged to meet. Much more could probably be squeezed out with stronger wrists; they have recently been at work in Marks and Spencer and in the Post Office and might well produce dramatic results inside the Transport Commission. Such economies would be welcome in tailoring manpower, organisation, and services to current needs; most of the £15 million that the regions have already had to cut out of their revenue budgets has come from maintenance and repair expenditure, which it is not prudent to cut.

The reductions in the railway investment programme last September were inevitably in conflict with the specific Government policy of giving all help to the commission short of a permanent subsidy or larger loan. It was never expected that the full 15-year programme would remain unmodified in the light of the changing prospects for the railways. But to hold back the pace of renovation over the much shorter period of seven years is rather different, for in that time the commission has calculated (and apparently still expects) that it will break even and so be able to start paying back the £250 million revenue loan. It now appears that the extent of the cuts in railway investment last autumn came about by accident and the Government remained unwilling to change its decision, despite their serious reaction on some parts of the development programme. In the *Proposals for the Railways** of October, 1956, the commission envisaged the spending of £135 million on capital equipment in 1958 and £140 million in 1959. Pressed for more up-to-date estimates last autumn, the commission put forward £151 million for this year and £148 million for next, which allowed for the subsequent rise in costs and the quicker tempo of the actual work. Only after the Government had cut these figures back to £145 million for both years did the commission receive detailed proposals from its regional boards which added up to a much higher total. The regions had been able to get ahead far more quickly than the commission had realised.

So the regions then had the disheartening job of selecting the contracts they could prolong and the delivery schedules they could postpone without involving even larger consequential delays elsewhere. In general, this meant leaving intact the electrification programme and other works of long-term construction, such as the new marshalling yards, which would not produce returns for some time; and slowing down the main-line diesel and new wagon programmes—items that can bring immediate benefits in lower costs or better performance but were more easily brought under the chopper. Yet the extent of the reductions in railway investment was trifling. What really happened was that the railways lost an opportunity to push ahead faster.

This sorry tale is bound to affect the commission's revenue this year. Modernisation was expected to show its first noticeable returns in 1958. In the 1956 white paper the commission expected to achieve a fairly high level of investment almost immediately but to run into deeper deficits before this capital spend-

* Cmd 9880

ing took effect. Clearly, however, the immediate rate of loss has been larger than was expected. Of the £250 million the commission can borrow to cover its revenue losses up to 1962, £54.4 million was claimed for the net deficit in 1956 and a further £64 million has been drawn for its net deficit in 1957. Another £61 million was provided in the budget estimates for 1958-59—of which £10 million has already been claimed. Thus almost £180 million of the £250 million is likely to be used up in the first three of the seven years—broadly £20 million to £30 million more than was implied in the white paper.

This would not be so very serious if the deficits were to start declining this year. But will the rate of deficit start to fall from now on? Why has the recent and present rate of loss been higher than expected? Three years of stable industrial output and the more recent rundown in most kinds of investment spending provide most of the answer, and the further rise in costs, particularly last year's wage increase, provides the rest. Railway freight services have been particularly sensitive to the economic climate since petrol was derationed in 1951 and the private haulier was freed of the 25 mile restriction at the end of 1954. Since 1951, railway freight movement has fallen by about a tenth.

WHEN the commission first framed its proposals for modernisation at the end of 1954 and then elaborated and slightly modified them in the summer of 1956 it made several important assumptions. It assumed no change in prices and accepted the general expectations then current about the likely future rate of growth in the economy. The commission could hardly have built any precise rate of general inflation into its plans, nor could it have been expected to foresee the levelling off in economic growth since 1955-56. It might perhaps have reckoned with a continued growth in the numbers of "C" licence road vehicles (which has in fact accelerated), and with sharper competition in transport following the partial denationalisation in road haulage. But it probably did not expect competition between road and rail freight rates to become as keen; on some of the busiest and most competitive traffic routes between the main industrial cities the rates are no higher than ten years ago.

Over the full fifteen years the commission reckoned on a slight increase in rail freight traffic and a small drop on the passenger side. In the event, since 1956, passenger mileage on the railways has shown a slight steady growth (partly the result of better services and new equipment such as the multiple unit diesels), while freight ton mileage, which is by far the larger revenue earner, has fallen further, despite the windfall gained a year ago from five months of petrol rationing. The margins between receipts and costs are so razor-edged that even a small drop in freight traffic has a serious impact on net receipts. The commission has been able to make even less use of the 10 per cent general increase in maximum freight charges last August than is expected, and the chances of raising passenger and freight charges generally again are nil at present, since the railways would lose more traffic—and perhaps lose it permanently. The commission is considering how to get higher rates from a few selected traffics that would not result in less net revenue, and it could certainly extract more from certain bulk traffics if the commission—and the Government—were to abandon their conceptions of public policy. But the extra receipts from selective rate increases could not be large.

THE railways may thus not be wholly to blame for so far doing worse than they expected. Their prospects depend, not upon any early general raising of charges, but upon three further factors: an early revival of industrial activity, which is outside their control; genuine revenue economies achieved by administrative action, which the commission and the unions are now supposed to be intensifying; and the due materialisation of the expected benefits from the various modernisation proposals. These were spelled out with a certain apparent precision in 1956:

BENEFITS OF MODERNISATION

	1956 to 1961-62	1961-62 to 1970	1956 to 1970
	£mn.	£mn.	£mn.
Pruning services	+ 3	—	+ 3
Improved productivity	+ 5	+ 5	+ 10
Commercial freedom	+ 20	+ 5	+ 25
Re-equipment	+ 35	+ 50	+ 85
Gross revenue improvement	+ 63	+ 60	+ 123

This figuring at least indicated that the commission did not expect much from cutting out uneconomic services and from improved labour productivity as such (as distinct from the higher productivity that results automatically from re-equipment). By far the greatest returns were expected to come from its new freedom to vary charges, mainly in the first half of the programme, and from re-equipment which would be more productive of results towards the end of the full period.

Up to now the commission's policy has been to abandon only those "uneconomic" services which do not contribute to their direct costs and are unlikely to do so even after money has been spent on them. The commission claims that its nascent costing system can allocate all but about a quarter of total revenue outgoings as direct costs to particular services. Presumably the harder pruning of uneconomic services discussed this week means cutting out the remaining "direct losers" and taking a new view of the "small contributors." The trouble is that procedural delays seem interminable and public attitudes towards the closing of "Bluebell" lines is perverse. Really large benefits from a revision of uneconomic services would come from differential pricing for peak traffics. The London suburban services, which are the biggest headache, probably just about cover their direct costs, but administrative and political difficulties stand in the way of making them contribute more to indirect costs.

The relatively small gains expected from improved labour productivity pure and simple were bound to be more than offset by wage advances. Progress towards better manpower performance has taken a slow, negotiated path, in which the diesel manning agreement and co-operation in work study have been the brightest features. It is always difficult to match manpower to short-term fluctuations in traffic, but the discussions now taking place between the commission and the unions on staffing ratios and co-operation in new methods may for the first time lead to a pay rise after better results, and not before. If this is the case, it could have immense benefits on the way a renovated railway service is worked.

So far the commission has not made any major use of the merchandise charges scheme that came into effect last July, apart from abandoning the historic "any quantity" rates and revising charges for consignments smaller than one ton. Given a general 10 per cent increase in maximum rates a month later, the commission decided not to make wholesale and radical changes straightway. Over-hasty changes might be unwise, indeed, in view of the fact, revealed by the Parliamentary Secretary on Tuesday, that 50 per cent of the railways' freight business comes from 80 firms. The present narrowness of operating margins means that commercial freedom can become effective only as renovation lowers costs and allows the railways to undercut road operating costs on an appreciable scale.

Perhaps it is too early, therefore, to get cold feet about the railways' real chances of ever becoming profitable again. The odds against the railways paying their way by 1961-62, have lengthened and while there are some encouraging signs they are small beer compared with the benefits the commission hope to get in a year or two and thereafter. It will be time to take a cold sceptical look at the commission's prospectus at the beginning of the sixties, when it expects to be out of the red and by then yet another government may have issued its own revision to the prospectus. For the present, everything hangs on the discussions now taking place with the unions, and on the use the commission makes of the benefit of the doubt during the next two to three years.

Building Society Reform

The seven per cent squeeze has produced one major casualty among the building societies. The £24 million Scottish Amicable is to be taken over by the Co-operative Permanent.

LOOKING back to last autumn, the building societies may well feel satisfied. Their final figures will not be available for another month, but pretty close estimates are possible and they show solid achievement. The societies have the last laugh against those (including *The Economist*) who thought that they should adjust their interest rates to fit a 7 per cent Bank rate. Most of them stuck to 3½ per cent net on shares and to 6 per cent on most mortgages. Their rates on investment looked unattractive and produced markedly less money for lending on mortgage than could have been absorbed. All the same, the line was held until Bank rate came down. And now the provisional figures show that only twice before were last year's mortgage advances exceeded; with few exceptions the societies have emerged from last year's test with strength unimpaired, and 3½ per cent net on their shares (equal to £6 1s. 9d. per cent at the standard rate of tax) is again a competitive return in a 6 per cent world.

The building societies insist often enough that their interest rates are not directly connected with Bank rate. Having guessed right about Bank rate, what prospect could be more inviting than to find interest rates now moving their way? If growth in occupier house buying emerges, as a by-product of the Rent Act, more money will be flowing in to finance it. The Chancellor, too, has done his little bit to help. The margin between interest paid on shares and interest charged on mortgages has been much too narrow for comfort—the annual addition to reserves has varied with the expense ratios of individual socities, but even for the whole movement it works out no higher than 5s. per £100 of assets. Now the profits tax concession will relieve the societies of about £1 million out of a profits tax burden that would otherwise have approached £2.3 million this year. That would raise the average margin for reserves towards 6s. per £100 of assets—not affluence, but at any rate frugal comfort. If interest rates in general should fall to the point at which both mortgage interest and share interest could be reduced, the burden of income tax that the socities pay at the composite rate would fall too.

IT sounds a cheerful prospect. But there are some awkward obstacles. One of them is a legacy of the financial stresses of last year—investment depreciation. Building societies are taxable at the standard rate on their retained surpluses. They are not taxable on capital gains and last year they could buy gilt-edged stocks below par with grossed up net yields higher than a 6 per cent return on mortgage money. The societies might have been excused for thinking the "shorts" preferable to mortgage business, and they certainly invested in them freely and sought to run at a higher liquidity ratio. But they were bargaining on stiff rates, not a crisis rate, and 7 per cent Bank rate

inflicted severe depreciation on their investment portfolios. Fortunately this was acute only in one case, the Scottish Amicable, whose whole reserve failed by £400,000 to cover the depreciation. Now shareholders may lose their interest from January 16th until some date of amalgamation in June to cover the investment mistakes of years ago. Share interest from January 16th to the transfer date will depend on the recovery of the gilt edged market, which could mean that the Co-operative takes over at the equivalent of 19s. 5d. in the £. At the other end of the scale, the Halifax and the Leicester Permanent write down their investments at least to market value, and show no depreciation. But, as Mr Denham's recent speech to the members of the Halifax society showed, that society is worse off by over £1 million on its investments over the year.

The best course for investment policy is not easy for a building society to find. The Scottish Amicable figures prove that the gilt-edged holdings must be short-dated, but the Halifax figures prove that shorts and short mediums—the only stocks that that society uses—offer no full protection in periods of great market strain. One side-stepping device used by many societies is to invest in unquoted loans to local authorities (often supported with stress clauses that enable the society to call for its money in circumstances to which most of them would be reluctant to admit), phased so that some portion is constantly being repaid. Indeed the Bradford Equitable makes up its whole portfolio of such stocks and so shows no depreciation. But depreciation is not necessarily escaped because it is not shown. At the best of times local authority mortgages are marketable only with difficulty, and anyone who took a local mortgage at par when Bank rate was 5 per cent could certainly not have sold it near par with Bank rate at 7 per cent. But in reckoning true liquidity it really is the market value of investments that counts.

If there is no short cut to safety in investment, there are several gambits for reducing risk. The first is to keep the dates short and in a phased sequence. The second, for those societies whose liquidity ratios are already high (in the big societies they range from 13½ per cent to 18 per cent), is not to let liquidity run higher. Nearly half the money that building societies handle arises from mortgage repayments. And several societies have recently been trying new ways of raising on longer term the money that is to be lent on long mortgage. Fixed-term deposits at more attractive rates of interest might give the societies more assurance against withdrawals by investors. But though useful, the term deposit has its limitations. Certainly, the fine balance between rates paid and rates charged by the societies would be overturned if anything but a small proportion of their total funds were to take the form of fixed-term deposits. Nor is it evident that the societies could induce investors to prefer building societies' shares to Stock Exchange securities without the offer of repayment at short notice.

Two longer range problems also confront the societies. The composite rate of income tax that they pay on behalf of their members is an average personal rate of tax, based on a sample taken every four years but recalculated after each budget. Over the decade 1948-49 to 1957-58, the composite rate has risen from 4s. 3d. in the £ to 5s. 6d. in the £, though the standard rate of tax has gone down from 9s. to 8s. 6d. and various personal allowances have been extended, and this year again the composite rate may again be a penny or two higher. Pay packets have been better filled and the societies particularly in the south have been attracting a more substantial type of investor with a higher personal rate of tax. The composite rate arrangement seems inexorably bound to lose its value to the societies and, as it does so, their working margins between interest charged and interest paid may be squeezed.

Last, the law under which the societies work dates mainly from 1874 and 1894. It calls urgently for rethinking. Glaring contradictions exist between the conceptions that it still imposes on building societies and those that modern company law imposes on public companies. A subcommittee of the Building Societies Association pegs steadily away at law reform and the recent suggestion that trustee status should be accorded to deposits in certain societies underlines the need for new thought. But agreement still seems far away. The mere fact that most societies are intelligently administered and do good work ought no longer to serve as an excuse for delaying reform. One point would be generally agreed: that the Chief Registrar's powers over the registration and naming of new societies ought to be strengthened. At present any three persons, whatever their resources and whatever their history, can register a society and start collecting money. It can also be argued that directors' outside interests—their personal borrowings from the society, and their other directorships—ought to appear in the accounts. And although majority opinion in the movement is strongly against the idea, the outsider finds it hard to understand why the members of the association do not favour legislation that would enable them to protect their movement by some central guarantee fund. The great controversy in Halifax a year ago showed that democratic rules which are not kept up to date themselves become undemocratic. One point of comparison which is still overlooked is that the opposition in a building society does not enjoy, as it does in a company, the right to address its fellow members. There is simply no access to their names and addresses.

THE MOVEMENT'S GROWTH
(£ millions)

	1955	1956	1957
Mortgage assets	1,732	1,882	2,035
Investments (book value)	240	237	335
Cash	57	59	60
Other	16	16	23
Total	2,055	2,234	2,453
Shares	1,732	1,913	2,083
Deposits	217	134	193
Reserves	95	102	107
Others	20	25	33
Advanced on mortgage	394	339	373
Mortgages repaid	221	302	335
Shares subscribed	377	393	353
Shares withdrawn	223	259	235

Source: 1955 and 1956 Chief Registrar's report; 1957 *Economist* estimates.

PROGRESS OF THE BIG SOCIETIES

Society	Total Assets 1956 (£'000s)	Total Assets 1957 (£'000s)	Liquid Assets at Market Value 1956 Per cent of total assets	Liquid Assets at Market Value 1957 (£'000s)	Liquid Assets at Market Value 1957 Per cent of total assets	Depreciation on Quoted Investments* 1956 Per cent of portfolio	Depreciation on Quoted Investments* 1957 Per cent of portfolio	Reserves 1955 Per cent of total assets	Reserves 1957 Per cent of total assets	Operating Expenses per £100 of Mortgages 1956 s. d.	Operating Expenses per £100 of Mortgages 1957 s. d.	Margins for Reserves per £100 of Total Assets† 1956 s. d.	Margins for Reserves per £100 of Total Assets† 1957 s. d.
Halifax	297,298	344,012	54,233	18·2	61,700	17·9	4·70‡	0 61‡	4·2‡	3·8‡	15 0	14 4	4 3	4 5
Abbey National	258,246	278,204	35,803	13·9	38,510	13·9	9·04	9 32	3·8	3·8	12 10	13 0	4 3	4 3
Co-operative Permanent	143,595	162,521	19,572	13 9	21,594	13 4	7·78	10 12	3 9	2·9	19 7	17 9	2 8	2 10
Woolwich Equitable	125,703	133,331	17,169	13·9	18,576	14·2	14·56	14 72	4·1	4·1	13 10	13 11	5 5	3 8
Leeds Permanent	102,735	110,709	16,643	16·2	17,749	15 1	5·25	17·59	5·2	5·1	11 6	11 4	4 0	5 10
Provincial	67,182	71,930	9,708	14·5	11,051	15·7	12·61	14·13	6·4	6·5	12 6	14 4	7 8	8 7
Alliance	56,230	62,917	9,218	16·6	9,714	15·6	10 54	14·05	2·2	2·2	17 11	19 4	5 5	4 8
Burnley	49,759	51,429	7,687	15·8	7,527	14 9	12 81	15·91	4 1	4·2	13 0	13 1	5 8	6 0
Leicester Permanent	41,515	44,322	6,010	14·5	5,522	12·2	Nil†	Nil†	6 3‡	5·9‡	13 0	13 11	4 8	4 3
Temperance Permanent	36,125	38,590	5,451	15·2	5,664	14·8	12·13	14·16	5·7	5 5	17 11	17 10	3 10	3 0
Leek & Moorlands	36,057	37,900	5,547	15·5	5,592	15·1	15·17	17·60	4·4	4·9	11 10	12 4	6 8	12 0
Bradford Equitable	31,354	32,812	4,617	14·7	4,693	14·3	...	...	4 5	4·5	14 1	14 3	4 10	6 0
Huddersfield	30,524	32,330	5,917	19 2	5,942	18·2	14·45	15·22	5·0	5 0	15 9	15 3	4 10	5 5
Northampton Town & County	29,513	31,798	3,452	12·2	3,713	12·0	17 10	23·43	4·3	4 3	12 6	12 10	4 10	6 8
Cheltenham & Gloucester	28,672	30,375	3,758	13 3	3,795	12·6	11·45	12·12	5·9	5 9	14 10	13 6	5 0	6 6
Westbourne Park	25,747	26,457	3,193	12·4	3,051	11·6	15·22	17·54	7 0	7·1	12 11	12 11	4 3	5 3

* Including Treasury bills. † After writing down investments ‡ Excluding profit on sale of investments and before deducting amount written off investments.
Accounts to December 31st except: Halifax (January 31st); Woolwich and Leeds (September 30th)

BUSINESS NOTES

FOREIGN EXCHANGE

Sterling Sold

After bumping against its ceiling of $2.82 towards the end of last week (the rate in the official market touched $2.81⅞ which, allowing for brokerage, is as near the limit as it can go), sterling has this week relapsed to $2.81½. This movement is attributable partly to commercial operations, and in particular to a substantial switch from sterling into dollars on the part of one of the big oil companies. This order is said in the market to have been handled with less than the accustomed degree of skill. On the appearance of a substantial commercial demand for dollars the Exchange Equalisation Account wisely withdrew from the market and let the rate slip. There is no suggestion that the past week's activities have cost the Exchange Equalisation Account dollars and the substantial gains made in the earlier part of the month remain largely intact. Transferable sterling weakened slightly, to $2.7920; it has now completed six months above $2.78, the lower limit in the official market.

New York is still short of sterling, but with the first indications of the sterling rate slipping away there has been a tendency to postpone purchases. The underlying mood is still strongly favourable to sterling, though some adverse influence is attributed to the publicity given to disturbances in Malta, Cyprus, and the Middle East. In the first half of the week a further deterrent to the buying of sterling was the reappearance of pre-Bank rate selling, which was so regular a feature of the market in the few weeks that preceded the cut in the Bank rate from 7 to 6 per cent. This selling was normally followed by covering purchases on Thursdays and Fridays and it is significant that when Bank rate did fall from 7 to 6 per cent, sterling after a momentary hesitation regained its former strength. In spite of this, the "hedge" selling of sterling has again been in evidence.

Since the cut in the Treasury bill rate last Friday there have been fewer signs of foreign money coming into London. The forward discount on sterling against dollars now represents an interest equivalent of about 3¾ per cent per annum, a figure which leaves an advantage of under ½ per cent in a switch of money from investment in New York to London Treasury Bills. A margin of this size is inadequate to stimulate any substantial further movement of money covered against the exchange risk.

INTEREST RATES

Out of Line Again?

The Federal Reserve Board last week sanctioned a further cut in the discount rate in New York and other key centres, by ½ per cent to 1½ per cent; and at the same time it made another reduction—this time a selective one, lessening the discrimination against the big centres—in the minimum requirements that member banks have to keep with the central bank in reserve balances. The "Fed" began its moves towards cheaper money cautiously, with its reduction of ½ per cent from 3½ per cent in the discount rate in mid-November; recently its policy has become unequivocally expansionist. Open market purchases have contributed to a steep fall in the Treasury bill rate, far below the discount rate; this week, the New York bill rate has fallen from 1.22 to 1.06 per cent. The margin of New York money rates below London rates is still not quite as big as it was on the eve of the Bank rate reduction in the London Bank rate to 6 per cent; but it is still substantial, and the margin above Continental money rates is also significant.

The differential naturally enhances the expectation of a

further Bank rate reduction here, and the New York move was a contributory influence in the sharp fall in the London bill rate last week, by ⅛ per cent, to 5.2 per cent.

IN THE MARKET

£20 Million for New Zealand

THE New Zealand issue was for no less than £20 million of new money, a large sum for a small country, and carried another 6 per cent coupon. It was made at £99, and its redemption dates of 1976-80 imply a gross redemption yield of £6 1s. 8d. per cent. These terms differ only narrowly from those on the shorter dated £16 million Australian cash and conversion issue made at 99½ when Bank rate was still 7 per cent. The Australian stock now stands at a premium of only ⅛ over the the issue price. But the New Zealand stock did not upset the gilt-edged market, which through the week to last Wednesday continued to climb gently, carrying the *Financial Times* index of Government securities from 83.29 to 83.58. The demand for gilt-edged stocks stimulated by bank buying and by the growing belief in the market that another Bank rate move may not now be far away remains strong.

But the New Zealand issue tested the market even though it did not knock it. The result when lists opened on Thursday was a little less favourable than the market expected, rather more than half the issue being left with the underwriters. It must now take a little time for the new stock to find a permanent home. That is a familiar problem. Even the Australian issue, though it ranked as a success cannot yet be regarded as entirely absorbed. One difficulty that issuing brokers concerned with these Dominion issues experience is the fact that the Government broker still has a big block of Funding 5½ per cent stock 1982-84, which is tax free to residents abroad. Investors who would otherwise have been attracted to Dominion stocks on tax grounds find the differential of ½ per cent in interest coupons compared with a British government issue barely attractive enough.

Not An Empty Shell

A HEAVY period for industrial issues, chiefly of prior charges, is now beginning. Pye Radio's issue of £2½ million 6 per cent debenture stock at 98 has just been underwritten. It is redeemable at par between 1976 and 1981. Gallaher's larger issue of 6 per cent stock is soon expected. Associated Electrical Industries will come to market with a big issue in June, and several others are known to be on the way.

The most intriguing, though by no means the largest of the capital market operations this week has been the arrangement for providing a quotation for 48 per cent only of the ordinary capital of Guthrie and Co. the eastern merchants, best known in the City as a leading rubber agency, with Sir John Hay as its dominating figure (though he is not its owner). The Anderson family, which owns this old-established public company, registered in Singapore but quoted nowhere, also owns 58 per cent of Malayan Rubber, Loan and Agency Corporation, a quoted investment company specialising in rubber shares. That company, after reinforcing its cash by buying a shell—Taipan Trust which has £50,000 cash—is taking over 48 per cent of the Guthrie equity (288,000 shares of 100 Malay dollars). The purchase consideration is £588,000. Of this £159,600 will be paid at once in cash, £104,400 will be covered by the issue to the vendors of Malayan Loan and Agency shares (taken at 3s. 7½d. per share). The balance is an unsecured loan, initially non-interest bearing, of £324,000 and will be paid off gradually out of resources remaining after the Loan and Agency Company has paid a minimum dividend of 10 per cent.

The implications of the scheme are clear. The Loan and Agency Company's 2s. shares recently fluctuated in the range 4s. to 4s. 6d. and may remain in that range when the new shares come on the market. The yield on a 10 per cent dividend will be under 5 per cent, but the build up possibilities as it gradually pays for its portfolio will be interesting to surtax payers seeking low income and chances of capital gains. For the vendors there is also a tax angle. Not only does the partial grant of a quotation do something to simplify the burdens of a family struggling with Malayan as well as British estate duties, but during the next few years while the Loan and Agency Company is paying for its shares the vendors will be receiving substantial sums by way of repayment of a loan—and these do not attract tax.

MOTORS

The Brightest Jewel

THE motor industry is now one of the very few bright spots left in the national economy. The current rate of car, lorry and bus production is a full twelfth more than towards the end of 1955 when the industry went in for its own recession, and export shipments are also higher. Daily output rose still further last month, by nearly 150 units to 5,685 units a day all told. The increase was confined entirely to car output, however, which in the previous four months had been stable at a daily average of about 4,200 units. The March figures were a full 200 units a day higher than in February when 4,173 cars left the factories every working day. Commercial and public service vehicle production slipped a little last month. This side of the industry is still producing 8-9 per cent fewer vehicles than just before it started to go downhill in the early part of 1956; overseas shipments of lorries and buses, which were rising until March, have also still to make good the ground lost in 1956 and 1957.

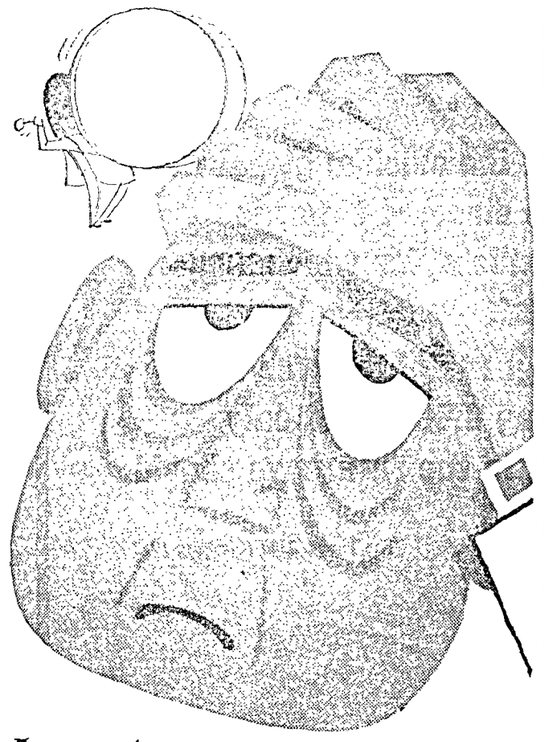
DEVELOPMENT PLACES

A Blank Bill

THERE is only one clause to the Development of Industry (Industrial Finances) Bill which will give effect to the decision, announced in the budget speech last week, to extend the Treasury's powers to make grants or loans to industrial companies to places outside the development areas. The bill was published this week. It waives the existing conditions upon such financial assistance if the Board of Trade

> is satisfied that the purpose for which the grant or loan is required is a purpose likely to relieve or contribute to the reduction of the rate of unemployment in any locality in which, in the opinion of the Board, a high rate of unemployment exists and is likely to persist.

There are a number of places outside existing development areas, such as Hull, Plymouth and Aberdeen, where unemployment has been high for a considerable time, and where existing undertakings are known to be running down their



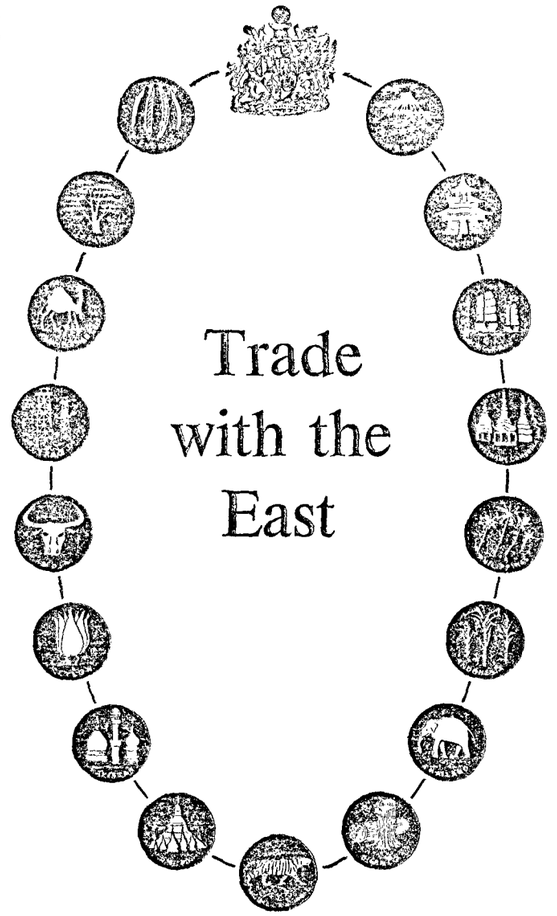
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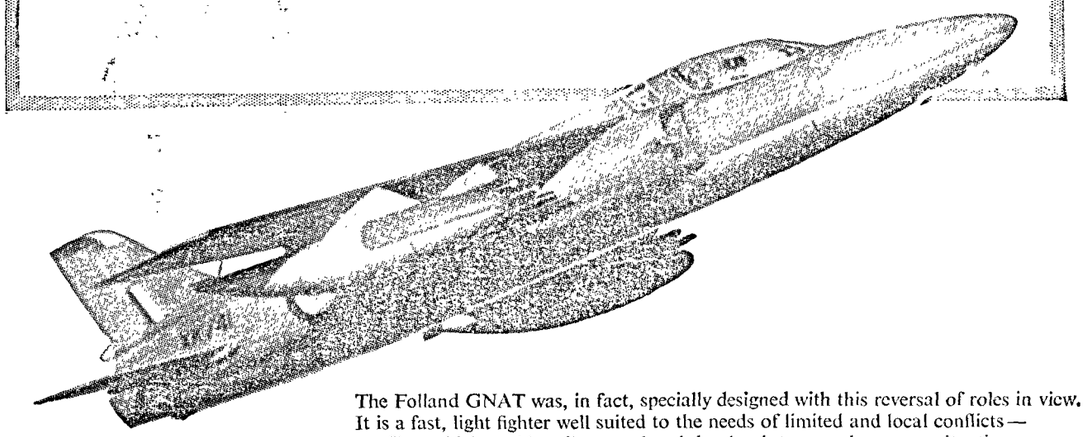
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The Times, *22nd February, 1958*



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labour force. To schedule these as development areas would hardly be appropriate; the situation may be very localised. Moreover, experience has shown that any region once scheduled as a development area is never willing to give up the minor advantages in attracting industry (for example, the power to put up factories for rent to industrialists) that this brings with it, even though those advantages over the years may have brought it relative prosperity. There may be some advantage in not being committed to give this preferential treatment to an area for all time, and in being able to deal with places—and enterprises—on an *ad hoc* basis. Nevertheless, this will certainly swell the incessant chorus of special pleading to which it is broadly the Board of Trade's main function in life to listen. Without due stony-heartedness there and at the Treasury there could be more than formal significance to the concluding sentence of the explanatory and financial memorandum published this week: "It is not possible to form any estimate of the increase in expenditure which is likely to be incurred as the result of the bill."

TERYLENE

British Celanese v. *Calico Printers*

The ordinary stock units of Calico Printers Association dipped 4s. and then recovered 3s. on Tuesday after the news that British Celanese has lodged an objection to the extension of the "Terylene" patent due to expire in the middle of July. The move was unexpected and investors found it hard to assess. Calico Printers, with supporting evidence from its exclusive British licensee, Imperial Chemical Industries, had applied for an extension of the polyester fibre patent on which "Terylene" is based, on the ground of loss of exploitation during the war years. There is power to grant a maximum extension of 10 years; Calico Printers sought a substantial number of years, but less than the maximum. Here are the essential facts:

"Terylene" is a trade name owned by ICI. On the expiry of the patent, others could manufacture and sell polyester type textiles in the British market, but not under the name "Terylene."

The bulk of Calico Printers' royalty income, which amounted last year to £522,000 and thus approximately covers the net cost of a 22½ per cent dividend, comes from "Terylene," and most of it in this country. Refusal to extend the patent would lose Calico Printers the "Terylene" royalty income from this country but the royalty from the Continental and Canadian patents runs to later dates.

British Celanese, now a subsidiary of Courtaulds, opposes the application for extension. It owns three patents (not at present being exploited) covering the manufacture of polyester (the raw material), not the textile adaptation of it). The Courtaulds group thus have a foot in the polyester camp and as the biggest makers of man-made textiles, may not wish to be bound for a fixed period of years not to develop that field. Courtaulds share with ICI the ownership of British Nylon Spinners.

The argument will now extend beyond mid-July and the patent will remain valid while it does so. If the result should be an extension but for a shorter period than Calico Printers sought, ICI with its heavy development behind it and an established trade name would have relatively little to fear. Indeed not to pay royalties to Calico Printers might almost be an advantage. Calico Printers has more at stake, but less than the whole of the group's royalty income.

BRITISH TRADE

Changing Pattern of Imports

Last week's provisional figures showed that imports in the first quarter were 12 per cent lower in value than in the same months of 1957 and exports 1 per cent lower. Since import prices were reduced by 10 per cent, the volume of imports was about 3 per cent less. But allowing for cargoes delayed into 1957 by the closing of the Suez Canal, there was probably little difference in the level of importing. On the other hand, export prices were a shade higher at the beginning of this year than last, and shipments of British goods were slightly down.

The average decline of 10 per cent in prices was not evenly spread over the import bill. Between a third and a quarter of the fall is represented by lower freight charges, and these cut deep into the landed cost of bulky commodities such as oil, grains and iron ore. Among commodities imported in any quantity, those which have fallen most in price include wool, rubber, dairy products, tea, sugar, bacon, mutton and lamb. In actual volume too there have been big changes. Petroleum imports are naturally much higher (coupled with a switch away from dollar oil). The big increase in rubber imports so far as it concerns synthetics has been retained here, but increased imports of natural rubber simply match big re-exports to Russia, and now that Russia has changed tactics and is buying in the

VALUE AND VOLUME OF TRADE

	First quarter, 1958		Percentage change 1958 on 1957	
	Value (£mn.)	Volume	Value	Volume
Imports :—*				
Wheat	27·9	22·1 mn. cwt.	−23·1	− 7·6
Meat	75·0	7·4 " "	− 5·3	− 1·0
Butter	27·2	2·3 " "	− 9·5	− 1·6
Sugar, unrefined	24·9	13·8 " "	−29·5	− 3·3
Raw cotton	21·1	91,000 tons	−38·0	−36·1
Raw wool	41·9	171 mn. lb.	−28·0	−12·8
Rubber	13·6	64,000 tons	− 9·9	+ 7·4
Crude petroleum	67·1	1,951 mn. galls.	+ 8·1	+31·5
Exports :—				
Coal	6·2	1·1 mn. tons	−48·2	−43·3
Wool piece-goods	19·8	29 mn. sq. yds.	+ 1·9	− 2·2
Cotton piece-goods	15·2	116 mn. sq. yds.	− 3·4	− 3·3
Cars and chassis	50·0	132,000	+50·0	+45·9
Commercial vehicles & chassis	24·3	36,000	+17·3	+22·9

* Retained.

East instead of in London these imports may fall. Imports of most raw materials were lower than a year ago, particularly textile fibres. Tobacco imports were also down, by one-fifth. Among semi-manufactures, as much copper, lead and zinc was being bought, more aluminium and more tin (much of the world's tin production tends to be delivered in London now, as the buffer stock manager knows). The value of imported chemicals continued to rise and nearly all finished manufactures were higher. In consequence, the drop in payments was concentrated entirely on the dollar and sterling areas; payments to OEEC and other non-sterling countries were slightly greater.

On the export side, engineering shipments continued to grow and reached a record quarterly figure of £355 million. Car exports, particularly to dollar markets, were booming and provided three-fifths of the whole rise in engineering exports between the first quarter of last year and this.

Exports of agricultural tractors and aeroplane engines also did well. But, outside the engineering field, exports of all the other main groups, even of chemicals, were lower in value than a year ago. And British sales did particularly badly in the OEEC countries, where they declined by 12 per cent in value in the quarter.

SHIPBUILDING

More Cancelled Than Ordered

THE British shipbuilding industry has begun to live off its fat. It still has plenty of fat—figures published this week by the Shipbuilding Conference show that the British order book at the end of March contained 765 ships, totalling 6,331,000 gross tons. But during the last three months that order book has shrunk by about 500,000 tons, which is nearly 150,000 tons more than the total of ships completed during the quarter. The reason for the decline is that cancellations of 183,000 tons were not offset by new orders, which consisted of only 39 small ships totalling 41,000 tons. If this trend were to continue unchecked the order book would be worked through in considerably less than its "book value" of about four and a half years' current output.

Some comfort can be derived from the fact that foreign yards have been hit harder by cancellations than have the British. There is no sign of an end to the recession in freight rates either in the tanker market or in the dry cargo tramp trades. But of these the hardest hit have been the independent owners of both tanker and dry cargo tonnage who normally operate their fleets under flags of convenience. Most of the new orders placed by these owners were in foreign yards, and consequently the main effect of cancellations has been felt abroad. Even in Britain, the greater part of the cancellations made during the first quarter—109,500 out of 183,000 tons—were of orders placed by foreign owners; for once the fact that only about 20 per cent of the total British order book is for foreign account has its compensations. Admittedly, the greater part of the cancellations during the first quarter—129,000 out of the 183,000 tons—were also tankers, and tankers account for over half of the total British order book (and about three-fifths of the orders for foreign account). But a large proportion of the orders for tankers from British yards has been placed by the major oil companies, which have shown no signs of cancelling them; the independents, who have been forced to cancel, had placed most of their orders abroad. This is almost a traditional pattern of shipbuilding boom and recession: Britain, building a wider range of kinds of ship, but generally more slowly than its foreign competitors, never gains as much in the surge of boom orders, particularly for big simple bulk carriers and never steps up its output as much; but equally never loses quite as much as quickly when cancellations come in their turn. It is no doubt comforting on the Clyde, and will strengthen some traditional attitudes in the industry: elsewhere, feelings may well be mixed.

THE BUDGET

Dividend Stripping Again

IT is a measure of the uncontroversial nature of Mr Amory's proposals that the loudest criticism should be vented on his retroactive moves against dividend stripping. There is undoubtedly an important principle here—taxpayers should be able to conduct their affairs knowing that their liabilities will depend firmly on the law (though how much law comes into a prolonged surtax or estate duty negotiation?) and not on warnings. It is true, too, that the form of avoidance that the Chancellor proposed to deal with is rather different from that covered by the 1955 legislation and that two and a half years, with two opportunities to put the matter right, is unduly long. Mr Amory is said to be having second thoughts about retrospective action against this "pure tax dodging," but he has chosen his words carefully: "If I am convinced by argument I do not mind changing my mind."

Not all the arguments are valid. To say that dividend stripping merely remedies the law's failure to allow trading losses to be set off against earlier profits, as well as to be carried forward against future profits, is not good enough; such a proposal has often been put forward but never accepted by the legislators. And granted that retroactive legislation ought always to be regarded with distrust and suspicion (for reasons that Mr Paget's speech made abundantly clear in the House of Commons on Monday), it is the fact that the "stern warnings" of 1955 were pretty strong and clear. Mr Henry Brooke, then Financial Secretary, said:

> The dividend strippers have been given notice to quit. With the authority of my Right Hon friend the Chancellor of the Exchequer my Hon friend the Economic Secretary has also put it on record that if clever people should discover ways and means of getting round this legislation which is squarely directed against dividend stripping the Government will not hesitate to stop any such loophole by further legislation and to make such legislation retrospective.

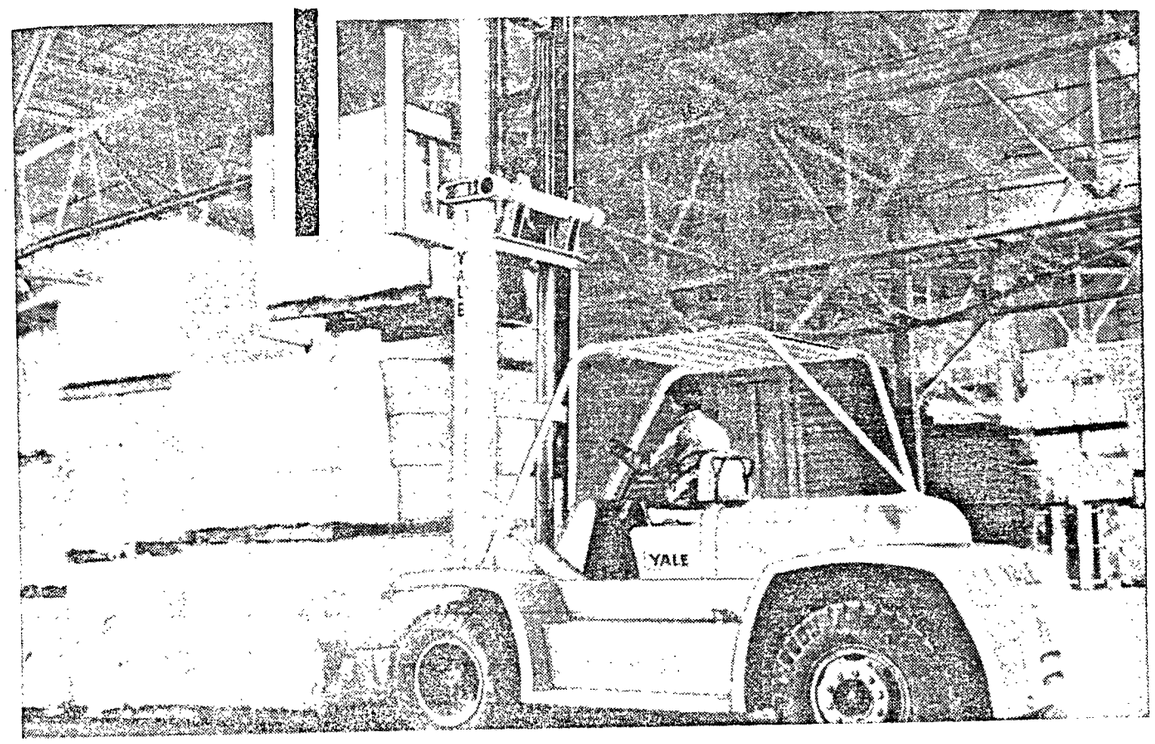
As Mr Amory has observed, the time for protest was in 1955, when the threat was made, not in 1958 when the Government has kept its word. The alternative, too, must be considered. In tax matters, an increasing area of decision is left to administrative action rather than clear statutory definition. There is give and take between the taxpayer and the Revenue, and in many ways it works to the taxpayer's advantage. If the Revenue is to be put on its mettle to produce watertight legislation for every case of avoidance it would be of a length and complexity which would make the ring fence put round OTCs last year look like a nursery play-pen.

RESTRICTIVE PRACTICES

Is No Defence the Best Defence?

THE first session of the Restrictive Practices Court, which was held this week, proved inconclusive and—from the point of view of the Registrar's office—rather disconcerting. The seven-member court, headed by Mr Justice Devlin, had been convened to deal with two price-fixing agreements registered last year by the trade associations involved. Both agreements had been abandoned by the groups concerned, after having been referred to the Court; and it had been expected that this week's hearing might perfunctorily declare the agreements to have been contrary to the public interest, and enjoin the parties involved against bringing them back into force in future. The court would thus have presumed that the associations abandoned these agreements because they saw no chance of defending them successfully in practice. However, the court was not pre-

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pared to presume this from the Act's provision that such agreements are against the public interest unless proved justifiable.

The first association, representing six manufacturers of fractional electric horsepower electric motors including General Electric and English Electric, argued that abandoning and failing to defend the present agreement should not stop them from "re-activating" it and subsequently defending it before the court in the future, perhaps after successfully defending other agreements to which they happened to be parties. In effect, the Court conceded this point; after obtaining undertakings that the companies would not re-activate the agreement without the permission of the Court, it adjourned the proceedings. In the second case, the Association of Corrugated Paper Makers had abandoned a price-fixing agreement and were perfectly willing to promise not to bring it back; but they asked the Court not to declare that it had been contrary to the public interest. The companies claimed they had quit the agreement for competitive reasons, and should not be stigmatised simply because they had not defended their case. Despite the dogged reiteration by the Registrar's lawyers that the Act assumes that agreements are contrary to the public interest until proved otherwise, the Court, instead of issuing an order enjoining the companies from operating under the agreement, accepted their undertaking that they would not, and dropped the whole matter. Thus in neither case did the Court do what the Registrar had assumed it would do. But the Court did make it quite clear that these two cases should not be taken as a precedent—indeed its actions are best explained by its reluctance, to set a precedent in cases that had not been argued.

The Court also fixed the dates for hearing two future cases, in both of which agreements will be defended by the associations involved. The first case, involving an agreement between members of the Chemists' Foundation, will be heard on October 6th, and will be followed, not before October 27th, by hearings on the Yarn Spinners' Agreement. The Cotton Yarn Doublers' Association will follow the Yarn Spinners' group, as their cases are similar. The Court rejected the request of the Registrar that it should sit in two divisions to accelerate hearing these cases. Finally, in postponing the setting of a date for hearings involving the Agricultural Twine Manufacturers, the Court touched on the extraordinary complexity which the documentation and cost accounting of these cases may involve. In contrast to the cases heard this week, the agreements defended in the autumn will necessitate a great deal of paperwork and, possibly, the calling of a large number of witnesses.

BANK FIGURES

Funding at Work

THE individual statements of the eleven London clearing banks at their make-up on April 16th show some dramatic changes. As expected, the banks are seen to have added to their gilt-edged portfolios since the mid-March make-up, but the extent of the increase, of £42 million, is unusually large. Hitherto, the banks' ventures into gilt-edged have been hesitant; they took up a net £33½ million in January, the time of the issue of the 5½ per cent Exchequer stock 1966, nothing in February, and £10 million in March, all attributable to Lloyds Bank. Of the latest increase, Barclays accounts for more than half, thus raising its proportionate commitment in gilt-edged still further above the average; the Midland has bought £10 million, the National Provincial £4½ million and Lloyds a further £2¼ million.

At the same time, the banks' advances have risen more than seasonally by £47 millions. In earlier months this year, however, the rise has been rather less than seasonal, and it may be that part of the explanation may lie in delays in tax payments prompted by the very high cost of running an overdraft. The banks' "risk" assets in the latest month have thus risen by £89 million. But their liquid assets have fallen, contra-seasonally, by £24 million.

As a result, liquidity ratios, which at the usual low point of mid-March seemed more than adequate at an average of 33.9 per cent, have suddenly assumed a less comfortable look. The ratio of the National Provincial is down from 34.0 to 31.8 per cent, that of Lloyds from 31.9 per cent to a bare 30.1 per cent, while at Williams Deacon's the ratio has actually slipped below the conventional minimum to 29.5 per cent. The squeeze on liquid assets reflects reduced dependence by the Government on bank borrowing, and that reflects to a significant extent the Government's increased sales of long-term securities, including those to the banks. Funding policy is succeeding.

EXPORT CREDITS

The New Concession

THE extension of the export credits guarantee scheme announced by the President of the Board of Trade last week in amplification of the Chancellor's budget hint, is small. Perhaps it had to be small until the Speed Committee's report has mapped out the future for the Export Credits Guarantee Department. Nevertheless the concession on the guarantees that the department gives direct to bankers is useful. On capital goods guaranteed in that way, the minimum sum qualifying for guarantee has hitherto been £250,000 and the percentage of the relevant importers' bills that the department was prepared to cover has been 85. The minimum sum is now reduced to £100,000 and the maximum percentage cover is raised to 90.

SUEZ CANAL COMPANY

No Corn in Egypt

MONDAY'S meetings of the Suez Canal Company's shareholders in Paris cleared the capital reconstruction schemes not with unanimity, but by big majorities. They failed to provide stockholders with any of the news for which they had hoped. Neither did M. Georges-Picot, the chairman, speak confidently of agreement with Egypt, nor (perhaps because negotiations on compensation had reached a delicate stage) did he give the revised estimate of the break-up value of the assets outside Egypt that stockholders had been led to expect. It was not the chairman's statement but the reports from Cairo which caused the activity in Suez Canal shares this week, and which for a time carried the capital shares to £56½ and the jouissance to £39¾.

The company's main contribution has been emphatically to deny the existence of agreement between itself and the Egyptians. But the reports from Cairo—including a statement from the Governor of the National Bank of Egypt—maintain that agreement has been reached. The difference

presumably can be explained by the fact that a measure of agreement exists between the World Bank and the Egyptians but that the board of the company as such has not yet assented. Individual directors, however, must be aware of what is going on. What will agreement, when it comes, be worth to stockholders? Something, it may be expected, much nearer to Egypt's first offer to pay the equivalent of the Paris Bourse prices on the day before nationalisation than the company's counter claim for £204 million plus the assets outside Egypt. Nevertheless it is believed that it will be a little better than the first Egyptian offer.

ANGLO-CANADIAN TRADE

A Long-Term Exercise

By its own sheer enthusiasm and the welcome it received in British industry, the large and distinguished Canadian trade mission that recently visited Britain could have obscured the simple realities of Anglo-Canadian trade. There is no dispute about the soundness of its objectives. It is clearly in the national interest of Britain to earn more dollars by exporting more goods to Canada; it is as clearly in the national interest of Canada that Britain should earn more dollars with which to buy Canadian exports. Canadian reluctance to depend too completely on the American economy may or may not be economically wise: but that too is understandable. The relevant decisions, however, will be taken not by the two governments but by private firms—which cannot be expected to take patriotism to the extent of acting against their own interests. In general, British manufacturers can be expected to promote the sales of their goods in Canada only if they are convinced that money spent on penetrating the Canadian market will bring a better return than the same amount spent on developing markets at home or in other foreign markets. By the same criteria, Canadian firms can be expected to buy British only if the British product is of better quality, or cheaper, or more attractively designed and packaged than the American or other goods with which it competes. And it would be unrealistic to expect any lasting market to be built up by displacing Canadian-made goods, for the Canadian government cannot be expected to deny protection to its domestic industries.

The report of the Canadian trade mission to Britain, issued this week, does not dispute these conclusions—indeed many of its recommendations reinforce them. It emphasises the commercial advantages already enjoyed by American exporters to Canada: close proximity, in distance, in consumer taste, and in engineering practice; a flood of American newspapers, magazines and television programmes carrying enormous waves of advertising to Canada; and the establishment in Canada of a large number of subsidiaries of American firms, which tend to look first across the border for their supplies. To counter this British firms must advertise, advertise, advertise—and do so not only in print but in the person of the Managing Director. A closer understanding of Canadian requirements, quick delivery from inventories maintained in Canada, and follow-up service to American standards—all can stand frequent reiteration.

The Canadian market may therefore be, as the Canadian trade mission points out, more costly to penetrate than sterling markets, and even so British exporters "should be prepared to allow for a three to five year period" during which "returns may not be particularly encouraging." Only long-term prospects would provide the justification, and these Canada can certainly offer—with a gross national product which has increased over the last decade faster than that of the United States, a fast growing population with the door still open to immigration, and consumption per head already twice as high as Britain's. But as Canadian consumption grows, so will Canadian industry. Many more British manufacturers may well decide, as many have done already, that a secure share of this expanding market is best achieved by setting up manufacturing subsidiaries in Canada (a decision made no harder by the fact that it is a way of getting capital out of this country, and into dollars).

STEEL

Capacity and Demand

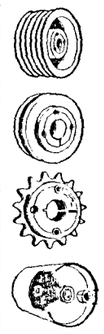
Blast furnace capacity in the British iron and steel industry increased to 14.7 million tons in 1957, and crude steel capacity to about 22.3 million ingot tons; thus providing, the British Iron and Steel Federation says delicately in its annual report this week, "some margin over actual production," which amounted to 14.3 million tons of pig iron and 21.7 million ingot tons of steel. The Paymaster-General, in a recent Parliamentary answer about current steel production, also mentioned that the industry's current output represented about 95 per cent of capacity. There is a certain amount of intestinal fortitude in an industry that starts talking about capacity figures, after declining to do so for several years, at a time when it happens to be producing less than it could (the American industry has been busy these four months explaining why capacity figures don't really mean what they suggest). The British notion of capacity is what reasonably could be produced during the whole of a year, counting in new plant as it comes in, which is more sensible than the rigid American concept of what could be produced from plant in commission on the first of the year: but it would be as well to have the British meaning quite specifically defined.

Consumption of steel in Britain began to slacken in late 1956, not in 1957. In the first half of last year, it was markedly below that of the first half of 1956 (reflecting, presumably, mainly recession in the motor industry and among its suppliers). Consumption picked up last autumn along with the recovery in car demand; though other consumers' activity was slackening, and demand prospects are still uncertain. The industry nevertheless managed to increase its output steadily over 1956, though the rate of growth was slackening. This it did by cutting its import tonnage nearly in half, and by contriving to push up its direct exports of steel by nearly a quarter. The effect, quantitatively, was an increase in "net exports" of finished steel from 1½ million ingot tons in 1956 to 3 million tons in 1957. In money, the net gain was about £77 million; in addition, it is reckoned that "indirect exports" in goods made of steel sold abroad rose by £87 million in value of nearly £1,523 million in 1957. But the Federation records that the slackening in growth of demand for steel during the year was quite international: and not simply in the capitalist world. Current production and future plans in the USSR and Eastern Europe, it notes, "were similarly affected."



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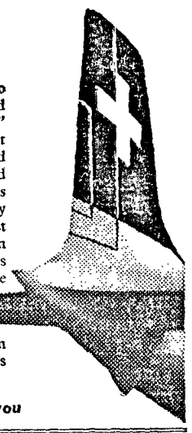
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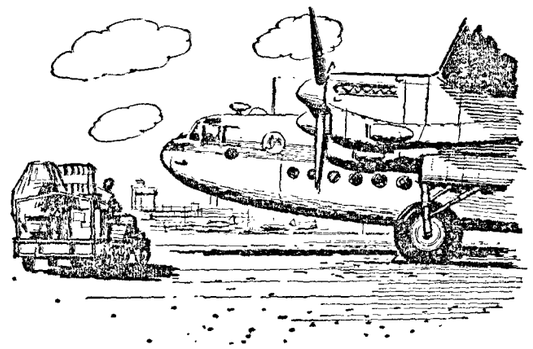
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DIESEL ENGINES

Motoring on Diesel?

THE "Four 99," a small compact four-cylinder high-speed 1.6 litre diesel engine, now in production at the Peterborough factory of F. Perkins, Ltd., brings a British diesel for the first time to the fringes of the passenger car market. It certainly reduces, but could not be said to eliminate, the main disadvantages of a diesel engine compared with a petrol engine used in a light vehicle—the familiar diesel "knock" and its lack of flexibility, especially in acceleration. The question is whether the customers can be persuaded that the disadvantages that remain, including the higher initial cost of the engine, are more than offset by the very striking economies in fuel consumption that the new engine has demonstrated. In RAC trials a Vauxhall Velox car equipped with a Perkins Four 99 diesel engine averaged over 56 miles per gallon at an average speed of 35 miles an hour over a total distance of 218 miles. A Ford Consul Mark II achieved over 50 miles to the gallon under similar conditions. Taxis operating in the London metropolitan area showed a fuel saving of 50 per cent when using this diesel engine instead of petrol, and a loaded Bedford light van, on door to door delivery, showed a fuel saving of nearly two-thirds.

This last test points to the probable first large scale market for the light diesel: when operating at slow speeds, and with frequent stopping and starting, the advantages of the diesel increase. Although assembly line production of the new diesel has begun at Peterborough, and a market has been established for it in combine harvesters, it is available for installation in cars and vans only in "conversion kits" costing a little over £200. Not until a maker of, say, delivery vans, offers a diesel engine as first equipment, can the light diesel penetrate beyond the fringes of the petrol engine's last remaining preserve. Given the advertised reliability and low maintenance costs, which must be confirmed in every day operation, the attraction of the diesel is influenced directly by the height of the fuel tax, and the differential between petrol and diesel fuel prices. At present in Britain there is little to choose between the two fuels in price, but the height of the tax, which both fuels attract, tells strongly in favour of fuel economy. In some continental countries, diesel fuel is also taxed less heavily than petrol, making the diesel engine an even more attractive buy. In countries such as the United States, where taxation on all oil fuels is low, the incentive to widen the use of the diesel is correspondingly less.

COPPER

Chile Seeks Stability

FIRST reactions in London to Chile's new attempt at price stability for copper—its request to the United Nations International Trade Commission for a stabilisation scheme—have been sceptical. How long, the metal trade asks, would it take to set up an international body under Uno and get it into action? Would not the copper slump by then have passed? The path to a fully ratified commodity scheme for copper under the Havana Charter would be long, a matter not of months but of years.

If that were accomplished and if there were still need for the scheme, where would the Americans stand? The same benevolent neutrality that they have shown to the tin scheme could hardly be expected in the case of a commodity of which the United States is a major producer. American copper interests would not find it easy to get Congress to participate in an international organisation in restraint of trade. Nor can the United States really talk turkey with the world on copper while the future of its import duty remains undecided. That duty is now suspended and if, as seems likely, suspension is not renewed, a duty of 1.7 cents per lb will be restored on July 1st; and strong pressure is afoot for a 4 cent duty, equivalent to £32 a ton.

The difficulties of stabilising the price for copper are not easily overcome. Any full international scheme would have to reckon with the fact that about a quarter of the copper the world uses is "secondary," metal from scrap and residues. That fact enables American custom smelters frequently to quote lower prices than the primary producers as they are now doing with a price of 23½ cents per lb, against the producers 24 cents. Moreover, an efficient international control scheme would require a buffer stock of most formidable size and with much greater financial backing than the tin scheme needed.

The next stage for the Chilean plan may occur at a conference convened in London on May 8th by the International Wrought Non-ferrous Metals Council, which represents consumers. But representatives of some of the important producing groups will also be there again, including Señor Lagarrigue, the Chilean copper industry's energetic representative. It will be surprising if he does not press his country's views.

ADVERTISING

Biggest Client of All?

IN 1957 the Unilever group sold some £1,220 million worth of goods to outside customers and spent £83 million on advertising. It should not be concluded that without advertising its customers could have had those goods 7 per cent cheaper; nor indeed, alternatively, in comparing the advertising expenditure with total trading profits of about £85 million and dividends of about £8¼ million net, that without advertising it could have doubled its profit and paid out ten times more to its shareholders. "Advertising has played—and will always play—a vital part in the growth of Unilever," said Lord Heyworth this week, when he disclosed these figures in an annual speech focusing on this specific aspect of the group's activities. This advertising expenditure covers hundreds of brands of different kinds of goods, in nearly 200 companies of the group, in 50 countries where Unilever manufactures and markets and in more than 50 others where its products are sold.

"We spend large sums of money, time and thought on the development and manufacture of the goods we believe the consumer wants," said Lord Heyworth. "It would be foolish indeed to stop short at that point, and not take steps to tell them what we have to sell and try to persuade them to buy." Apart from the effect of advertising in extending the market for particular goods, and therefore allowing economies of scale in mass production, he mentioned similar economies in distribution: "It speeds up the turnover of stock and thus makes lower retail margins possible, without reducing the shopkeeper's income."

More broadly, he proclaimed the value of advertising, even as an irritant, in overcoming inertia and making the consumer receptive to the process of change. In a concern such as Unilever this change is continuous. Nearly a quarter of the group's detergent trade in Britain and a third in Holland come from products introduced in the last six years. Change, too, affects existing products:

> In the past five years in the United Kingdom there have been four changes in Lux Toilet Soap, six in Persil, two in Omo and two in Gibbs S.R. Toothpaste. In Holland in the same period there have been five changes in Blue Band, three in Lux Toilet Soap, six in Omo, five in Sunil, five in Radion and two in Vim.

To see if the public likes these changes, the free coupon offer is frequently used. Lord Heyworth stoutly defended this device (though recording that it now represents a much smaller proportion of the group's advertising than it did in 1954). The coupon amounts to a temporary price cut, and seems to assist sales more than cutting the price permanently by the tiny margin that its cost would permit. "We have tried it," said Lord Heyworth, "and it did not work. The amount of money which is saved by dropping the promotion is too small to make any significant impact if it is applied to reducing the price."

SHORTER NOTES

Montague Burton, the multiple tailors, is to make a £3,400,000 bid for the share capital of Hide and Company, the drapery group of which Mr L. P. Jackson was chairman. The bid is of 11s. in cash for the 10s. preference shares (whose market price was 8s. 9d.) and the equivalent of 5s. 1½d. for the 1s. "A" ordinary and 1s. ordinary units (whose market price was 4s. 6d.). The offer for the ordinary will be partly in cash and partly in unsecured loan stock, but Robert Benson Lonsdale has agreed to buy any loan stock accepting shareholders may wish to sell.

* * *

As forecast in the prospectus of one for four rights issue at par of £1 ordinary shares in Babcock and Wilcox, the company is paying a final dividend of 6¾ per cent on the enlarged capital; the interim payment on the smaller capital was 7 per cent and the total dividend is equivalent to 13 per cent on the new capital, a rate which the directors have already said they hope to pay for 1958. Last year the gross profit of this group of boiler-makers advanced from £3,668,461 to £3,865,812.

* * *

After the meeting of the International Sugar Council in London, the statistical committee announced a revised estimate of world market requirements for sugar this year of 5,610,000 metric tons raw value; this compares with a previous estimate of 5,515,000 metric tons.

COMPANY AFFAIRS

UNITED DRAPERY STORES

THE encouraging fact in United Drapery's announcement is not the maintenance of the ordinary dividend at 32½ per cent on the capital as increased by a 10 per cent scrip issue but the trend in profits. The small effective increase in the dividend had been discounted; the big advance in this multiple empire's profits in the second half of its financial year compared with the first half had not. Over the full year to February 1st the group's profits rose from £6,294,939 to £7,131,877. The successive half-yearly steps in the past two years' profits are thus £3.0 million, £3.3 million, £3.3 million again, and £3.8 million. There is another sign that trade picked up. In 1956-57 more than £350,000 was written back into the profit account from the provision against unearned profit on hire purchase, because hire purchase debt against which these reserves were held had run down. In 1957-58 over £72,000 has been charged against profits to increase this provision; this suggests that hire purchase debts have risen again, particularly in the second half of the year. But investors in the distributive trades who look for signs beyond the beginning of February may notice that a smaller group, New Day Furnishing Stores, reports a falling off in sales since then though before they had been "showing a steady increase." The directors of New Day, considering it "prudent to husband the company's resources," have cut the interim dividend from 5d. to 3d. per 2s. ordinary unit.

United Drapery's net profits have risen from £2,599,877 to £2,710,133 and the bigger dividend, requiring £1,424,891 net, is paid without much inroad on profit retentions, which amount to £1,280,408 against £1,299,697 in 1956-57. United Drapery 5s. units at 24s. 9d. yield £6 11s. per cent on the 32½ per cent dividend.

VICKERS

A BIG turnover in the ordinary stock preceded Vickers' final dividend announcement. It seemed that some underwriters of the unhappy Vickers ordinary issue of last September had decided to sell at a small loss. The twin issue of 11,772,756 ordinary shares at 33s. and of £10 million 6 per cent unsecured loan stock at 96 was a casualty of the increase in Bank rate to 7 per cent. Only now does the indigestion of last September show signs of wearing off.

This market situation may be of more immediate importance than the profit and dividend figures, which had largely been foreshadowed in the prospectus. The final dividend is 7½ per cent on the increased capital (making 10 per cent for the year, the same rate that was paid in 1956 on a smaller capital). Trading results, expected to be "just about as good" as those in 1956 turn out now as profits before tax of £13,515,932, against £12,701,167, and after tax of £6,384,464, against £6,180,122. Vickers ordinary shares are now at 32s. 9d. and yield 6.3 per cent; they have growth on their side, but plums are not likely to drop in the laps of stockholders until the £60 million capital programme, largely for expansion but partly for consolidation, is completed.

CAMMELL LAIRD and HARLAND AND WOLFF

THE preliminary reports for 1957 of the Birkenhead shipbuilders, Cammell Laird, and the Belfast and Glasgow shipbuilders, Harland and Wolff, present strong contrasts. Both companies have plenty of work on hand, but while Cammell Laird's gross profits have risen from £1,265,746 to £1,603,201 those earned by Harland and Wolff, much to investors' surprise, have fallen from £1,802,142 to £1,203,538. The net profits of Harland and Wolff have come down from £896,085 to £463,944 and its ordinary dividend is left unchanged at 10 per cent. Cammell Laird's net profits have risen from £859,734 to £1,091,795 and its ordinary dividend has been raised from 14 to 15 per cent. Cammell Laird's 5s. ordinary units have risen by 6d. to 8s. 6d., while Harland and Wolff's £1 units have fallen by 2s. 1½d. to 22s. 7½d. Both equities now yield 8.8 per cent.

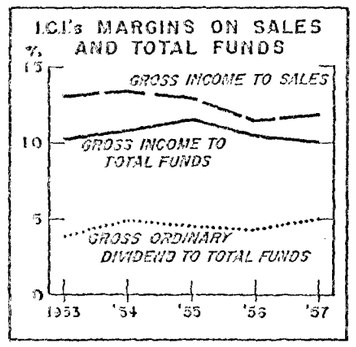
ICI Makes Its Way

No business, however big, can insulate itself from market forces. ICI's size and dominant position as a supplier of basic materials to industry, for instance, gives the group no more than a qualified freedom in its commercial policy. But the element of purposefulness in what it does and says is always apparent. For its ordinary stockholders the increase in the dividend from 10 to 12 per cent is justified in terms of "a reasonable return to stockholders on the total funds invested in the business"—a phrase that almost suggests that the directors have in their minds a percentage bracket within which this return can fairly move. Is it simply an arithmetic coincidence that when the reserves last approached £200 million there was a 100 per cent scrip issue and that now this mark has again been reached there is to be one of 50 per cent?

This scrip issue requires a recalculation of the conversion options on the loan stock. Ex-all, the ICI ordinary stock would stand at 29s. 6d. to yield £5 9s. per cent; the current price of 107½ for the convertible loan stock imputes a value of 29s. 10½d. for the ordinary stock on the first option this year, of 31s. 2d. on the second in 1959 and of 32s. 7d. on the third in 1960. The employees' profit sharing scheme, calculated by reference to the ordinary dividend and taking the form of ordinary stock, also has to be adjusted to the scrip issue. This scheme must be considered a success, for about 75 per cent of the stock distributed last year is still held by employees. They have a direct stake in a policy that is aimed at more capital-intensive operations.

How much further along this road ICI travelled last year can be illustrated quantitatively. Sales to external customers, including a rise of £3½ million to £76½ million in direct exports, rose by £27½ million to nearly £463 million. The increase was achieved with a net addition of only 396 to the number of employees but with a capital expenditure of £67.7 million and an addition of £66 million to the group's total net assets. Gross income rose by £5 million to £55 million, but the gross return on funds invested was lower, for the third year running. It is this figure which the directors reproduce in the report and not the ratio of gross profits to sales. Over the full year this margin improved a little, but this movement conceals a decline in profit margins on sales in the second half of the year, when the ratio came down from 13.1 per cent to 10.6 per cent.

Last year ICI's sales and production rode high. Almost every division secured bigger sales—heavy chemicals, organic and inorganic chemicals, fertilisers, dyestuffs, paints, explosives and "Terylene," sales of which doubled despite some falling off towards the end of the year. The big disappointments were "Alkali" (which ICI no longer makes) and titanium (in which the directors express long-term confidence). By "improvisation and modification" ICI was able to maintain supplies to customers after the Suez episode "with little or no disruption" while the increase in Bank rate in the autumn had "little effect on the general level of demand for the company's products." Indeed, sales in the last quarter of the year were higher than in preceding



quarters. But the directors also refer to signs of a reduction in stocks and orders, sufficient to generate "some feeling of uncertainty about trading prospects in 1958." They specifically refer to the slackening of the pressure of demand on the iron and steel industry and on certain sections of the engineering industry, to "reduced activity" in the building trade and allied industries and to "a falling off in demand for textiles." ICI's power of independent manœuvre is thus restricted, but it still has some independence. On prices it moves cautiously; when its self-imposed "price freeze" came to an end last June it was with seeming reluctance that some prices were raised and with pride that some were reduced.

In pricing the group cannot ignore the massive cost of its development programme. That has to be financed largely from ploughed back profits and so to some extent consumers pay a share towards it. As yet it cannot be said—certainly not on the evidence of the fall in the year-end capital commitments from £41½ million to £37½ million—that the capital programme has been trimmed, though clearly such plans as the development of the site on the Severn on the lines of Wilton could be stretched out in time if the need arose. Most of the capital sums are earmarked for extensions of existing plant—the increase in "Terylene" capacity alone will cost £20 million. ICI is not lured into innovation for its own sake. It is indeed an innovator, but its efforts are often directed towards bringing a well-tested scientific discovery out of the laboratory into full scale manufacture and distribution.

ICI is an institution solid and big enough to attract the sheep's eyes of those who press for public ownership. It is about as big as the nationalised gas industry, but it invests faster. Its main divisions by themselves would rank among this country's big companies. Yet it always tends to be looked upon as a single entity. Figures of the performance of the separate divisions would enhance the ample account of their activities which the directors already provide.

INCOME AND ASSETS

(£'000s)

	1953	1954	1955	1956	1957
Sales	281,873	352,113	411,013	435,317	462,833
Trading profit	47,626	65,267	76,866	76,904	85,000
Depreciation	*11,551*	*16,618*	*20,330*	*23,459*	*24,485*
Profit after depreciation	36,075	49,649	56,436	53,445	61,515
Employees' profit sharing	—	*2,653*	*2,837*	*3,147*	*4,958*
Income before tax	36,963	47,684	53,579	50,122	55,135
Taxation	*17,209*	*21,226*	*23,900*	*23,765*	*26,329*
Net income	19,357	25,178	27,853	24,172	28,834
Retained by subsidiaries	1,263	3,436	3,873	4,979	4,692
Retained by parent	10,948	12,831	14,840	10,079	11,221
Ordinary dividend	*5,829*	*7,984*	*8,169*	*8,225*	*9,952*
Ordinary dividend (per cent.)	*15*	*10**	*10*	*10*	*12*
Net fixed assets	263,952	305,055	324,996	358,785	398,259
Net current assets	61,770	101,481	103,172	87,256	111,091
Total net assets	360,198	437,937	459,225	479,395	545,217
Ordinary capital	70,651	141,302	142,045	143,045	144,233
Reserves	199,381	147,923	157,263	186,455	199,749
Preference capital	24,078	33,709	33,709	33,709	33,709
Minority interests	12,830	19,422	19,514	21,200	23,136
Future tax reserves	23,866	26,797	27,535	24,432	26,970
Debentures and loans	29,392	68,784	70,159	70,545	117,362
Total Funds	360,198	437,937	460,225	479,325	545,219

* Paid on capital as doubled by scrip issue.

SEARS HOLDINGS

Shaw and Kilburn, distributors of Vauxhall vehicles, was the only big concern Mr Charles Clore added to his industrial empire last year. Its accounts are consolidated into those of Scottish Motor Traction which may help to explain why the SMT group earned a profit in 1957 of £607,858, against £536,009 in the previous fifteen months. That increase plus the advance in the profits of the British Shoe Corporation from £2,754,999 to £3,012,325 largely account for the rise in the total profits of Sears Holdings from £6,121,129 to £6,478,285. The inference is that Mr Clore's other interests in Bentley Engineering, Furness Shipbuilding and Parmeko have collectively done little more than to hold their own, though Furness Shipbuilding, with yards fully booked, should have continued to do well. Diversity, so long as the second echelon of management is as sound as the financial control, brings obvious advantages.

At the moment consolidation rather than further expansion may look more tempting in Park Street. The directors have been content to leave the ordinary dividend unchanged at 22½ per cent, though net profits have risen from £1,928,068 to £2,378,096. There was some disappointment with these results and the 5s. "A" ordinary shares came down from 14s. 7½d. to 6½d., to yield £8 11s. per cent.

THOMAS TILLING

"We are not interested in the blues." In this remark, Mr Lionel Fraser, the chairman of Thomas Tilling, expresses a distaste not for jazz but for pessimists and their "gloomy predictions." Certainly, in his comments on the subsidiary and associate companies of this industrial holding company, Mr Fraser can usually express satisfaction with the trading results or confidence in the prospect—and with good reason. Thomas Tilling's gross profits advanced last year from £2,487,065 to £2,894,288 and the ordinary dividend was raised from 11½ to 13¾ per cent, maintaining the company's record of expansion.

There are some trump cards in Thomas Tilling's hand—James A. Jebling, the "Pyrex" manufacturer, is one, and Mutual Finance, the hire purchase house, may prove to be another. But the cards were reshuffled last year. The company sold its holding in Hawker Siddeley, which represented Thomas Tilling's original investment in the Brush Group, "at a good profit" and later sold its 100 per cent interest in Daimler Hire and its property in Rutland Gate and a minority interest in E. R. Holloway, makers of plastic goods. In all, these transactions provide well over £2 million in cash of which about half had been absorbed into the balance sheet at the end of last year. Thomas Tilling now has a controlling interest in Hibbert and Buckland, nylon stocking manufacturers, VW Motors, the sole concessionaire for Volkswagen vehicles in this country, and in Holyrood Knitwear and it has raised its investment in Heinemann Holdings, the publishers, to a majority holding. On December 31st Thomas Tilling held £811,814 in cash (against £319,731 in cash and £90,000 in tax reserve certificates) but its total bank overdrafts came to £1,807,695, against £891,964. And Mr Fraser now asks stockholders to support a proposal doubling the company's borrowing powers.

BRITISH MOTOR

A year ago the British Motor Corporation passed its interim ordinary dividend, because of a loss on trading in the previous six months. Sales and profits made a strong recovery in the latter months of the financial year ended on July 31st and the directors in the end paid out a single dividend of 12½ per cent, which was the same in total as in 1955-56 when the payment was made up of an interim of 4 per cent and a final of 8½ per cent. This year (1957-58) interim payments have been resumed with 4 per cent. The directors say nothing about trading results, but it can be assumed that these are good.

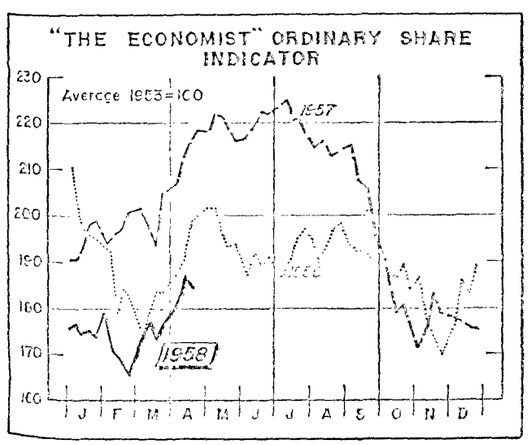
London Stock Exchange

FIRST DEALINGS:	April 16	April 30	May 14
LAST DEALINGS:	April 29	May 13	June 3
ACCOUNT DAY:	May 6	May 20	June 10

Before and after the announcement of an unchanged Bank rate Government securities made further steady progress. Short-dated stocks responded to the lowering of the Treasury bill rate, but turned quieter after Monday; 3 per cent War Loan 1955-59 rose ¼ to 98½, but 2 per cent Conversion 1957-58 was only ⅛ higher at 98¼. There were gains of nearly a point in medium and long dated stocks; 3 per cent Exchequer 1962-63 improved ⅞ to 93¾ and 2½ per cent Savings 1964-67 ⅜ to 81 xd, while 4½ per cent Electricity 1974-79 gained ⅞ to 85¼. The New Zealand issue checked the rise in Dominion stocks, but prices were firmer by Thursday. The New Zealand lists closed at 10.30 a.m. partially undersubscribed.

Although discount houses eased later, fairly large gains were made on balance, Alexanders Discount rising 2s. 6d. to 25s. But bank shares slipped back, English, Scottish and Australian falling 2s. 6d. to 26s. 6d. on the dividend prospect. Insurance stocks were also weak, Legal and General losing 3s. 9d. to 122s. 6d. in the week to Wednesday's close. After the initial marking up on the Budget proposals, industrial equity prices drifted lower. Persistent small losses brought *The Economist* indicator down by 2.3 points to 184.5. Among cinemas, Rank Organisation lost 9d. to 6s. 10½d. Hoover "A" improved 1s. 3d. to 38s. Gus "A" rose 3s. 6d. to 44s. 1½d. on the scrip issue. A decline in gramophone record production led to losses in EMI and Decca. Motor shares weakened and Rolls-Royce fell 4s. 3d. to 88s. 6d.

British Petroleum declined 2s. 6d. to 91s. 10½d. following the dividend, but Apex (Trinidad) and Trinidad Central were strong. Kaffirs weakened after the quarterly results, with Virginia falling 6d. to 7s. 9d.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1957		1956	
Mar. 26	176·0	6·77	High	Low	High	Low
April 1	179·4	6·66				
" 9	182·8	6·55				
" 16	186·8	6·39	225·0 (July 10)	171·2 (Nov. 6)	210·4 (Jan. 4)	170·0 (Nov. 28)
" 23	184·5	6·46				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1957	1956
		%		%		High	High
April 16	172·4	6·55	90·02	4·94	8,349	207·6	203·5
" 17	170·8	6·61	90·11	4·94	7,931	(July 9)	(Jan. 3)
" 18	171·4	6·59	90·18	4·94	8,000		
" 21	171·0	6·60	90·21	4·94	9,497	Low	Low
" 22	169·9	6·65	90·21	4·94	8,302	159·0	161·5
" 23	169·7	6·65	90·23	4·94	7,514	(Nov. 5)	(Nov. 29)

Bases:—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1957 High	Prices, 1957 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, April 16, 1958	Price, April 23, 1958	Net Yield, April 23, 1958 §	Gross Yield, April 23, 1958
					£ s. d.	£ s. d.
97 18/32	93 1/4	War Loan 3%...1955-59	98 1/4	98 1/2	2 14 11	4 1 1
93 23/32	87 1/2	Funding 2 1/2%....1956-61	94 15/16	95	3 4 0	4 6 2
99 29/32	98 5/8	Conversion 4%....1957-58	99/15/8	99/16/7	...	5 3 11
97 16/32	94 13/32	Conversion 2%....1958-59	98 7/8	98 1/4	3 5 6	4 9 4
95 5/8	90 1/2	Exchequer 2%.....1960	95 1/4	96 1/4	3 2 9	4 2 1
97 1/8	92 1/2	Exchequer 3%.....1960	97 11/32	97 1/2	2 16 8	4 4 6
99 5/32	93	Conversion 4 1/2%.....1962	99 3/8	99 15/32	2 12 9	4 13 1
89 1/2	84 9/16	Savings Bds. 3%..1955-65	87 1/4	87 1/2	3 14 1	5 2 6
84 1/2	77	Funding 3%.....1959-69	80 1/2	80 11/16	3 18 3	5 7 2
92 3/8	84 11/16	Funding 4%.....1960-90	87*	87 1/8*	2 18 5	4 15 8
81 1/8	74	Savings Bds. 3%..1960-70	77 1/2	78	4 0 7	5 10 7
94 5/8	87 1/2	Exchequer 3%....1962-63	92 1/2	93 1/2	3 3 9	4 12 5
89 5/8	83	Exchequer 2 1/2%..1963-64	88 3/8*	88 1/2*	3 11 0	4 13 6
83 11/16	77 1/2	Savings Bds. 2 1/2%..1964-67	80 1/16*	81*	3 19 2	5 3 1
77 1/2	67 1/2	Savings Bds. 3%..1965-75	72 11/16	73	3 18 3	5 9 9
—	—	Exchequer 5 1/2%.....1966	100 13/16	101	3 1 4	5 8 8
84 1/8	78 1/2	Funding 3%.....1966-68	82 1/2	82 15/16	3 17 2	5 6 7
95 1/2	91 1/2	Victory 4%.....1920-76	92	92 1/2	3 6 4	5 3 3
88 5/8	83	Conversion 3 1/2%.....1969	85	85 3/8	3 13 10	5 7 1
81 1/8	69 1/2	Treasury 3 1/2%....1977-80	75 3/8	76 1/2	3 12 7	5 9 2
80	68	Treasury 3 1/2%....1979-81	74 1/2	74 7/8	3 13 6	5 9 11
—	—	Funding 5 1/2%.....1982-84	99 3/8	99 13/16	3 4 2	5 11 10
71 1/2	57 1/2	Redemption 3%..1986-96	64 1/2	64 3/4	3 7 6	5 2 4
80 1/8	63 1/4	Funding 3 1/2%..1999-2004	71	71 1/2	3 4 7	5 3 9
81 1/16	68	Consols 4% after Feb. 1957	74 3/8	74 7/8	3 2 3	5 8 10
75	60 1/4	War Loan 3 1/2% after 1952	67 3/8	68 1/2	2 19 9	5 4 11
75 1/2	58 1/2	Conv. 3 1/2% after Apr. 1961	65 5/8	66 7/8	3 0 8	5 5 9
65 1/2	51 1/2	Treas. 3% after Apr. 1966	58	58 1/2	2 19 4	5 3 4
55 1/16	45	Consols 2 1/2%.....	50 3/8	50 3/8	2 16 11	4 19 0
55 1/16	44	Treas. 2 1/2% after Apr. 1975	49 1/4	49 3/8	2 18 4	5 1 7
96 1/4	88 1/2	Br. Electric 4 1/2%..1967-69	94 1/16	95 1/4	3 2 11	5 3 4
80 1/4	70	Br. Electric 3%...1968-73	74 15/16	75	3 19 5	5 9 11
78 1/2	66	Br. Electric 3%...1974-77	71 5/8	72	3 16 9	5 8 3
92 7/8	79 1/2	Br. Electric 4 1/2%..1974-79	84 3/8	85 1/2	3 8 8	5 9 0
81 1/16	69 1/2	Br. Electric 3 1/2%..1976-79	75 1/4*	75 1/2*	3 13 2	5 8 6
90 1/2	81	Br. Gas 4%.....1969-72	86	86 3/4	3 11 5	5 9 5
87 1/2	78	Br. Gas 3 1/2%.....1969-71	82	82 7/16	3 14 3	5 8 1
72 1/2	58 1/2	Br. Gas 3%.....1990-95	64 1/2*	65 1/16*	3 7 3	5 1 6
80 7/8	70	Br. Transport 3%..1968-73	74 15/16	75	3 19 5	5 9 11
88 1/2	77 1/2	Br. Transport 4%..1972-77	83	83 11/16	3 10 3	5 9 8
72 1/2	59	Br. Transport 3%..1978-88	65 1/2	66 1/8	3 11 10	5 6 4

Prices, 1957 High	Prices, 1957 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Apr. 16, 1958	Price, Apr. 23, 1958	Yield, Apr. 23, 1958
					£ s. d.
92 1/2	82	Agric. Mortgage 5%.....1959-89	88 1/2	88 1/2	5 16 1
81 1/2	75	Australia 3 1/4%.....1965-69	78 1/2	78 1/2	5 19 6
97 1/2	91 1/4	Birmingham 5%.....1973-75	95	95	5 9 3
100 1/2	91	East Africa 5 1/2%.....1977-83	92 1/2	92 1/2	6 6 6
105 1/2	96	L.C.C. 5 1/2%.....1977-81	99 1/2	99 1/2	5 10 6
69 1/2	54 1/2	Met. Water Board 'B' 3% 1934-2003	60	60 1/2	5 7 6
87 1/2	77	New Zealand 4%.....1976-78	82	81 1/2	5 11 0
75 1/2	67 1/2	S. Rhodesia 2 1/2%.....1965-70	70 1/2	70 1/2	5 19 6
87	72 1/2	German 7% (Br. Enfaced 5%)..1924	89 1/2*	90 1/2*	...
169 1/2	147 1/2	Japan 5% (Enfaced).....1907	161 1/2	161 1/2	...

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Apr. 16, 1958	Price, Apr. 23, 1958	Yield, Apr. 23, 1958
		% %	BANKS & DISCOUNT			£ s. d.
30/9	19/6	4 a	5 b Bk. Ldn. & S. Amer. £1	28/6	29/-	6 4 2
47/3	40/-	6 a	6 b Barclays Bank.....£1	42/6	41/9	5 15 0
35/3	27/6	4 a	4 b Barclays D.C.O. ...£1	29/-	29/-	5 10 4
42/6	34/6	7 1/2 a	7 1/2 b Chartered Bank....£1	36/-	36/6	8 4 5
51/3	42/9	6 3/4 a	6 3/4 b Lloyds Bank £1	47/-	46/6	5 11 10
66/7 1/2	58/-	9 a	9 b Midland Bank £1	63/-	62/3	5 15 8
40/6	28/6	5 a	5 b Nat. Discount 'B'..£1	32/9	34/3	5 16 9
51/6	39/3	6 1/4 a	6 1/4 b Union Discount....£1	45/9	48/3	5 3 7
			INSURANCE			
86/4 1/2	61/7 1/2	30 a	43 1/2 b Commercial Union 5/-	67/3*	67/-*	5 9 5
177/6	102/6	40 a	60 b Legal & General ..5/-	6 5/8	6 1/8	4 1 8
113/9	87/6	†20 a	†50 b Pearl.....5/-	90/-*	90/-*	6 15 0
46	34 1/2	†132 1/2 c	†147 1/2 c Prudential 'A' £1	40 1/2	40 1/2	6 5 11
			BREWERIES, ETC.			
32/6	26/4 1/2	10 a	36 b Bass 5/-	35/3	35/-	6 11 5
25/9	19/7 1/2	18 3/4 c	7 1/2 c Distillers.....6/8	23/-	22/6	5 11 3
44/9	36/-	10 a	15 b Guinness.....10/-	39/6	39/6	6 6 7
87/3	63/6	8 a	17 b Whitbread 'A'.....£1	85/6	85/-	5 12 11
			MOTORS & AIRCRAFT			
21/6	11/9	6 1/2 b	3 1/2 a Bristol Aeroplane 10/-	10/4 1/2	10/3	9 15 1
8/7 1/2	6/-	12 1/2 c	4 a British Motor.....5/-	8/1 1/2	7/4 1/2	8 9 5
40/-	29/3	3 a	6 b Ford Motor £1	34/3 1/2	33/6	5 7 5
45/9	27/6	3 a	7 b Hawker Siddeley....£1	26/10 1/2	26/4 1/2	7 11 8
53/-	41/9	12 1/2 c	12 1/2 c Leyland Motors....£1	40/6	40/-	6 5 0
121/-	90/7 1/2	15 b	5 a Rolls-Royce.....£1	92/9	88/6	4 16 5
9/1 1/2	5/11 1/2	8 c	8 c Standard Motor...5/-	7/5 1/2	7/1 1/2	5 12 3

Prices, 1957 High	Prices, 1957 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Apr. 16, 1958	Price, Apr. 23, 1958	Yield, Apr. 23, 1958
		% %	STEEL & ENGINEERING			£ s. d.
		7 a	6 1/2 b Babcock & Wilcox..£1	49/3	48/6	5 1 1
83/-	52/-	4 a	6 b Dorman Long £1	22/3	22/7 1/2	8 1 1
56/6	41/9	10 b	5 a Guest Keen N'fold..£1	52/6	52/3	5
76/4 1/2	50/6	†4 a	†8 b Alfred Herbert £1	65/6	67/-	6
59/-	40/-	7 b	4 a Metal Box £1	48/9	48/-	4 1 1
34/-	19/-	3 a	8 b Stewarts & Lloyds..£1	22/3	22/3	9 1
81/-	52/-	5 a	13 b Swan Hunter.....£1	55/3*	55/3*	6 1
24/1 1/2	18/-	4 a	7 1/2 b United Steel.....£1	18/7 1/2	18/3	12 1
29/3	23/3	2 1/2 a	7 1/2 b Vickers £1	32/9	32/9	6
			ELECTRICAL			
72/3	47/6	7 1/2 a	7 1/2 b Assoc. Elec. Inds...£1	51/-	50/-	6
32/6	24/-	8 1/2 b	8 1/2 b Br. Ins. Callenders..£1	42/6	44/1 1/2	5 1
14 3/16 a		29 1/2 b	29 1/2 b Decca Record 4/-	28/9	28/-	6
36/3	24/-	15 c	15 c Elect. & Mus. Inds. 10/-	34/6	33/3	4 1
64/9	47/3	4 a	10 b English Electric ...£1	56/-	55/3	5
59/-	37/9	8 b	3 1/2 a General Electric ...£1	33/9	32/9	7
			TEXTILES			
24/1 1/2	14/-	3 a	3 b Bradford Dyers....£1	13/7 1/2*	13/7 1/2*	8 1
		6 1/4 b	2 1/2 a Coats, J. & P. £1	22/-	23/1 1/2	7 1
37/9	20/10 1/2	6 b	3 a Courtaulds £1	21/7 1/2	21/10 1/2	8
38/7 1/2	31/10 1/2	5 a	12 1/2 b Lancashire Cotton..£1	33/6	33/4 1/2	10
41/7 1/2	30/10 1/2	12 1/2 b	2 1/2 a Patons & Baldwins..£1	32/1 1/2	31/10 1/2	9
			SHOPS & STORES			
24/6	13/9	16 c	6 a Boots Pure Drug..5/-	21/-	20/10 1/2	3 1
42/10 1/2	31/4 1/2	20 b	7 1/2 a Debenhams 10/-	38/3*	38/4 1/2*	7
55/7 1/2	33/3	50 b	15 a Gt. Universal 'A'..5/-	40/7 1/2	44/1 1/2	7
57/3	30/3	20 b	10 a Marks & Spen. 'A' 5/-	42/10 1/2	42/7 1/2	3 1
30/3	19/3	12 1/2 a	20 b United Drapery...5/-	25/3	24/9	6 1
49/-	37/10 1/2	13 1/2 a	26 3/4 b Woolworth.....5/-	38/9	38/9	5
			SHIPPING			
47/9	30/6	11 b	6 1/2 a Brit. & Com'wealth 10/-	31/6	31/6	5 1
27/9	17/6	2 a	8 b Cunard £1	17/9	18/9	10 1
		10 3/4 c	Furness Withy.....£1	32/-	31/9	6 1
28/3	23/9	3 a	8 b P. & O. Deferred...£1	28/3	27/3	8
			MISCELLANEOUS			
35/6	24/9	22 1/4 c	18 a Allied Bakeries 'A' 5/-	35/-*	34/-*	4
23/9	17/4 1/2	17 1/2 b	7 1/2 a B.E.T. 'A' Defd...5/-	22/9	22/3	5 1
35/6	29/6	4 a	6 b Br. Oxygen £1	34/6	34/6	5 1
21/10 1/2	15/3	7 1/2 b	3 a Dunlop Rubber..10/-	17/1 1/2	17/-	6
46/6	36/1 1/2	4 a	8 b Imp. Chemical.....£1	44/-*	44/3*	5
50/6	36/-	8 1/4 b	11 1/2 b Imp. Tobacco £1	43/4 1/2	44/6	9
36/9	27/3	5 b	2 1/2 a J. Lucas (Inds.)....£1	33/-*	32/9*	4 1
19/3	12/4 1/2	5 a	8 1/2 b Monsanto Chem..5/-	15/10 1/2	16/-	4
18/3	13/9	5 a	5 b Ranks 10/-	14 6	14/-	7
55/6	29/9	10 b	5 a A. E. Reed.....£1	32/-	32/6	9
15/10 1/2	11/3	22 1/2 c	22 1/2 c Sears Holdings 'A' 5/-	13 9 1/2	13/6 1/2	8 1
70/3	54/10 1/2	4 1/2 a	12 b Tate & Lyle.....£1	56/3	55/9	5 1
70/9	50/-	7 1/2 a	7 1/2 b Tube Investments..£1	54/6	52/9	5 1
73/6	51/-	2 1/2 a	12 1/2 b Turner & Newall...£1	61/1 1/2	60/7 1/2	4 1
114/6	71/9	6 a	11 1/2 b Unilever Ltd.....£1	71/9*	71/-*	4 1
102/-	65/6	14 1/2 b	4 a Utd. Dominions Tr. £1	90/-	89/-	4
44/-	27/6	†10 b	†4 1/4 a United Molasses .10/-	29/-	29/-	8 1
			OIL			
173/7 1/2	87/6	†5 a	†10 b British Petroleum..£1	94/4 1/2	91/10 1/2	5 1
119/4 1/2	70/7 1/2	17 1/2 b	†5 a Burmah £1	71/3	70/7 1/2	6
£25	£14 3/8	7 1/2 a	17 1/2 b Royal Dutch....20 fl.	£15 1/2	£15 3/4	3
218/3	136/10 1/2	†13 3/4 b	†5 a Shell £1	131/10 1/2*	133/9*	4 1
104/-	55/-	...	... Ultramar 10/-	64/-	69/6	
			MINES, ETC.			
137/6	115/-	20 a	60 b Anglo-American .10/-	124/4 1/2*	122/6*	6 1
29/-	20/3	†2 1/2 a	†10 b Cons. Tea & Lands..£1	21/9	22/6	19 1
92/6	48/6	15 b	6 1/2 a Cons. Zinc Corp. ...£1	48/3	48/9	8 1
113/1 1/2	81/3	80 a	120 b De Beers Def. Reg. 5/-	90/-	90/-	11
83/1 1/2	58/7 1/2	20 b	40 a Free State Geduld..5/-	79/4 1/2*	76/10 1/2*	3 1
12/10 1/2	7/3	30 c	30 c London Tin 4/-	7/3	7/3	16 1
56/7 1/2	45/-	50 a	50 b President Brand ..5/-	48/4 1/2*	47/3*	10 1
24/9	13/10 1/2	8 1/2 a	16 3/8 b Rho. Selection Tst. 5/-	16/3	15/10 1/2	8
42 1/2	23 1/2	175 b	25 a Rhokana Corp. £1	23 1/2	23 1/2	8
55/-	41/-	12 1/2 a	37 1/2 b United Sua Betong..£1	53/-	54/-	18 1
83/4 1/2	58/11 1/2	60 b	60 a Western Holdings..5/-	88/9*	86/10 1/2*	6 1

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) On 24%. (h) On 13½%. (i) On 22½%. (j) After Rhodesian tax. (k) On 30% (l) To latest date.

New York Closing Prices $

	Apr. 16	Apr. 23		Apr. 16	Apr. 23		Apr. 16
Alcoa	66 1/8	66 3/8	DuPontdeNm.	174 1/2	176	N.Y. Centrai .	14 1/2
Alumin'm Ltd.	27 1/8	28	Ford Motors..	39	38 3/8	Sears Roebuck	26 1/2
Am. Smelting.	40 1/2	43	Gen. Elect....	58 1/4	57 1/8	Shell Oil	68
Amer. Tel. ...	175	177	Gen. Motors ..	35 1/8	36 1/8	Std. Oil of N.J.	53
Anaconda....	43 1/2	43 7/8	Goodyear	71 1/8	72 1/4	Tri-Conti'tal..	31 1/4
Beth. Steel...	37	38 1/8	Gulf Oil.....	110 1/4	112 1/2	Union Carbide	84 1/8
Can. Pacific ..	24 1/4	24 3/8	Int. Bus. M...	344	348	U.S. Steel....	57 3/8
Chrysler Cpn..	45 1/2	45 1/2	Int'l. Nickel ..	72 1/4	72 3/8	West'house E.	58 1/2
Crown Zeller..	44 1/2	44 1/2	Int'l. Paper ..	90	90	Woolworth....	42 3/8

STATISTICS

The following list shows the most recent dates on which each statistical page appeared.

World Trade ..... April 19th

BRITISH		OVERSEAS	
Prices and Wages.....	April 5th	Western Europe:	
Production and Consumption	April 12th	Production and Trade.....	Mar. 29th
Manpower.....	This week	British Commonwealth	April 12th
External Trade.....	Mar. 29th	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits	April 19th	United States	April 5th

Manpower in Great Britain

	Unit	Mid-year or monthly averages (1) 1955	1956	1957	1957 Jan.	Feb.	Mar.	Dec.	1958 Jan.	Feb.	Mar.
TOTAL MANPOWER		June figures									
Working population:											
Total	'000s	23,912	24,107	24,188	24,227	24,186	24,147	24,148	24,124	24,089	...
Men	"	16,084	16,183	16,225	16,286	16,252	16,234	16,218	16,210	16,199	...
Women	"	7,828	7,919	7,963	7,941	7,934	7,913	7,930	7,914	7,890	...
Armed Forces	"	803	761	702	740	728	719	650	639	632	...
Civil employment:											
Total	"	22,933	23,140	23,245	23,121	23,110	23,094	23,131	23,093	23,057	...
Agriculture, forestry and fishing	"	1,066	1,032	1,025	993	998	1,002	964	964	960	...
Mining and quarrying	"	862	858	868	866	868	869	868	870	868	...
Building and contracting	"	1,496	1,541	1,519	1,503	1,501	1,510	1,470	1,456	1,463	...
Distributive trades	"	2,881	2,870	2,945	2,921	2,916	2,911	2,981	2,966	2,956	...
Public administration	"	1,289	1,300	1,298	1,298	1,298	1,297	1,288	1,288	1,289	...
Manufacturing industries	"	9,206	9,269	9,271	9,296	9,284	9,253	9,300	9,284	9,264	...
CHANGES IN EMPLOYMENT											
Increase or decrease since June, 1955: (2)											
Employees in engineering(3)	"	...	+ 53	+ 48	+ 52	+ 45	+ 36	+ 106	+ 106	...	...
" " consumer goods industries(4)	"	...	— 9	+ 2	+ 17	+ 12	— 6	— 27	— 39	...	...
UNEMPLOYMENT		Monthly averages									
By duration:											
All durations—total	"	232·2	257·0	312·5	382·6	380·1	363·0	335·4	395·5	424·5	433·1
" " —men	"	146·7	168·8	216·6	267·7	262·4	251·2	235·2	282·4	301·5	307·0
" " —women	"	85·5	88·2	95·9	114·9	117·7	111·8	100·2	113·1	123·0	126·1
Temporary or under 2 weeks—*men*	"	51·5	62·7	65·1	103·2	76·3	74·0	67·8	86·5	84·3	85·1
" " —women	"	36·7	35·5	30·6	44·3	37·2	32·9	28·4	40·4	38·8	41·5
Over 8 weeks—men	"	67·7	65·7	94·3	90·6	103·9	110·6	96·2	114·6	127·9	138·6
" " —women	"	26·5	27·4	35·0	40·3	41·4	42·8	33·2	41·9	44·0	47·4
By industry (5):											
Textiles	%	1·6	1·4	1·2	1·1	1·2	1·2	1·3	1·7	2·3	3·1
Clothing	"	0·9	1·0	1·1	1·3	1·2	1·1	1·4	1·5	1·5	1·6
Vehicles	"	0·4	1·2	1·0	2·7	1·4	1·6	0·7	0·7	0·8	0·9
Engineering, etc.	"	0·8	0·9	1·1	1·1	1·2	1·3	1·1	1·3	1·5	1·6
Coal-mining	"	0·1	0·1	0·2	0·2	0·2	0·2	0·3	0·3	0·3	0·3
Distributive trades	"	1·0	1·0	1·2	1·5	1·6	1·5	1·2	1·5	1·7	1·7
By regions (6):											
Great Britain	"	1·1	1·2	1·4	1·8	1·8	1·7	1·5	1·8	1·9	2·0
London and South Eastern	"	0·7	0·8	1·0	1·5	1·3	1·2	1·1	1·2	1·3	1·3
Eastern	"	0·9	1·0	1·3	1·7	1·9	1·7	1·5	1·8	2·0	2·0
Southern	"	0·9	1·0	1·3	1·7	1·8	1·5	1·4	1·6	1·7	1·6
South Western	"	1·2	1·2	1·8	2·1	2·2	2·0	2·2	2·3	2·3	2·4
Midland	"	0·5	1·1	1·3	1·5	1·6	1·8	1·0	1·2	1·3	1·4
North Midland	"	0·6	0·6	1·0	1·1	1·1	1·1	1·0	1·3	1·4	1·5
East and West Ridings	"	0·7	0·8	0·9	1·0	1·0	1·0	1·0	1·2	1·4	1·5
North Western	"	1·4	1·3	1·6	1·7	1·8	1·8	1·6	1·9	2·1	2·4
Northern	"	1·8	1·6	1·7	2·0	2·0	1·9	1·8	2·1	2·2	2·2
Scotland	"	2·4	2·4	2·6	3·0	3·1	2·9	2·9	3·4	3·6	3·6
Wales	"	1·8	2·0	2·6	2·9	3·0	2·9	3·0	3·5	3·8	3·7
VACANCIES											
Notified vacancies notified to Employment Exchanges (7)											
Total	'000s	382	279	236	256	239	250	236	220	209	217
Men	"	214	152	122	134	124	128	122	113	107	109
Women	"	168	127	114	122	115	122	114	107	102	108
DISPUTES (8)											
Workers involved	"	55	42	113	43	34	638	22	61	54	...
Working days lost:											
Total	"	315	174	701	124	106	3,969	43	102	110	...
Mining and quarrying	"	93	42	43	27	34	91	23	43	57	...
Engineering, etc.	"	56	55	549	46	52	3,829	14	32	34	...
Other industries and services	"	166	47	109	53	22	49	7	27	18	...

(1) Employment figures relate to June of each year; other figures are monthly averages. (2) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) From June, 1956, onwards, comparison with earlier figures is affected by the revocation of the Notification of Vacancies Order, 1952. (6) United Kingdom. (7) Figures have been revised back to July, 1956, on the basis of mid-1957 count of National Insurance Cards.

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
WHOLESALE PRICES (1) (1953 = 100)												
1948	42	94	74	65	90[2]	...	78	104	75	66	72	94
1956	110	104	106	102	103	129	101	102	104	109	108	142
1957	114	106	106	108	105	130	...	103	107	113	110	...
1957, October	113	106	105	112	105	129	110	103	107	112	108	...
„ November	112	106	105	116	105	129	110	103	107	112	109	...
„ December	111	106	105	119	106	129	...	103	107	112	109	...
1958, January	111	105	105	121	106	129	...	...	...	111	109	...
„ February	98	...	...	...	...	...	...	...	...	111	108	...
COST OF LIVING (3) (1953 = 100)												
1948	50[2]	95	81	60	93	63	79	86	78[4]	74	77	89
1956	108	104	113	103	105	126	107	109	108	109	109	136
1957	112	107	116	106	106	129	112	110	114	112	113	...
1957, October	113	108	116	109	108	130	...	111	118	113	115	169
„ November	113	108	...	111	108	130	114	112	117	113	115	...
„ December	113	109	...	113	109	130	...	112	117	113	116	...
1958, January	113	109	116	117	110	131	...	...	117	114	117	...
„ February	...	108	...	119	...	...	...	...	...	...	...	...
IMPORT PRICES (6) (1953 = 100)												
1948	37	84[7]	84[5]	59	...	...	82	98	85	80	72	113
1956	97	99	102	102	102[11]	124	106	105	102	102	103	...
1957	98	...	103	...	103[11]	127	...	...	108	109	106	...
1957, September	96	102	102[10]	110[10]	104[11]	128	114	109	109	105	105[10]	...
„ October	97	99	}	{ ...	101[11]	126	114	109	106	103	}	{ ...
„ November	96	...	} 102	{ ...	101[11]	127	113	107	104	111	} 104	{ ...
„ December	96	...	}	{ ...	100[11]	129	...	...	104	107	}	{ ...
1958, January	95	...	...	...	99[11]	...	...	...	...	...	...	...
EXPORT PRICES (8) (1953 = 100)												
1948	42	95	91[5]	68	...	...	78	103	97	84	76	91
1956	105	103	104	99	101[11]	143	96	104	102	115	103	...
1957	105	...	102	...	103[11]	140	...	...	106	119	105	...
1957, September	103	106	101[10]	107[10]	104[11]	139	99	105	106	118	105[10]	...
„ October	105	106	}	{ ...	104[11]	148	98	103	107	115	}	{ ...
„ November	103	106	} 103	{ ...	104[11]	144	100	105	106	114	} 106	{ ...
„ December	107	...	}	{ ...	103[11]	141	...	...	105	124	}	{ ...
1958, January	99	...	...	...	105[11]	...	...	...	...	...	...	...
TOTAL MONEY SUPPLY (7)												
End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn D. marks	'000 mn. drachmas[9]	mn. £	'000 mn. lire	mn. guilders	mn. krone	'000 mn. kroner	mn. liras
1948	...	154·0	7,110	2,165	11·8	1,984	110·3	1,989	7,285	...	6·27	1,715
1956	29·71	198·9	7,633	6,585	31·2	9·17	154·7	4,927	9,227	6,865	9·90	6,051
1957	32·15	...	7,902	7,142	35·8	...	165·5	...	9,019	...	10·13	...
1957, October	31·38	194·3	7,877	6,960	34·4	...	163·8	...	8,852	6,861	9·22	...
„ November	31·34	193·3	7,928	6,942	34·8	...	165·8	...	8,879	6,706	9·12	...
„ December	32·10	...	7,902	7,142	35·8	...	165·5	...	9,019	...	10·13	...
1958, January	31·46	...	7,893	7,085	...	...	161·3	...	9,026	...	9·28	...
„ February	...	...	...	...	...	...	157·3	...	...	...	...	...
GOLD AND FOREIGN EXCHANGE HOLDINGS (8) (mn. US Dollars)												
1948	62	938	84·0	...	295	...	209	539	343	140·6	233	192
1956	406	1,146[11]	131·1	1,356	4,291	211·4	234	1,308	1,072	178·8	473	230
1957	510	1,132[11]	171·9	775	5,643	...	258	1,532	1,056	184·2	456	316
1957, October	510	1,043[11]	146·1	...	5,745	...	256	1,456	972	177·3	469	314
„ November	511	1,062[11]	150·6	...	5,711	...	258	1,487	988	177·1	456	309
„ December	510	1,132[11]	171·9	775	5,643	...	258	1,532	1,056	184·2	456	316
1958, January	514	1,148[11]	169·6	...	5,558	...	249	...	1,109	173·9	450	317
„ February	511	1,176[11]	168·1	...	5,530	...	251	...	1,248	169·2	435	...

(1) Relates to wholesale prices in Athens and Piraeus only for Greece. Figures for Ireland from 1955 onwards are for home-produced goods only. Figures for Germany, F.R. are producers' prices of industrial products. (2) July-December. (3) Relates to prices in capital cities only for Austria, France, Greece and Turkey. Austria and Belgium exclude rent. Denmark includes direct taxes. Figures for Ireland are based on August, 1953=100. (4) Including direct taxes. (5) Including trade with Faroe Islands. (6) Index numbers of unit value which compare the current average value of trade with its value in 1953; they are influenced by changes in the composition of trade as well as price movements. Export prices in Ireland are adjusted for seasonal variations. (7) Deposit money and notes and coins held by business, individuals and foreigners. Except for Greece, holdings of the issuing authority and other banks are excluded. (8) Holdings of the government and central bank at end of period. Foreign exchange figures for Norway exclude government holdings; Netherlands, Norway and Sweden include foreign investments. Ireland includes some long-term securities. (9) Beginning May, 1954, a new drachma equal to 1,000 old drachmas was introduced. (10) Average for third quarter. (11) New series.

Financial Statistics

EXCHEQUER RETURNS

For the week ended April 19, 1958, there was an above-line" deficit (after allowing for Sinking unds) of £59,958,000 compared with a deficit of 5,460,000 in the previous week and a deficit of 41,045,000 in the corresponding period of last year. here was a net expenditure "below-line" of 20,651,000, leaving a total deficit of £87,835,000 ompared with £31,215,000 in 1957-58.

£'000	Estimate, 1958-59	April 1, 1957, to April 20, 1957	April 1, 1958, to April 19, 1958	Week ended April 20, 1957	Week ended April 19, 1958
Ord. Revenue					
ncome Tax	2312,500	87,788	97,434	20,012	17,402
ortax	163,000	8,900	9,000	1,400	1,900
eath Duties	163,500	7,900	8,200	2,200	3,300
tamps	66,250	3,300	2,700	1,300	800
rofits Tax, EPT & EPL	275,000	9,800	10,100	2,800	2,400
ther Inland Rev. Duties	...	...	...	...	...
otal Inland Rev..	2970,250	117,688	127,434	27,712	25,802
ustoms	1256,940	67,748	65,553	21,118	24,894
xcise	932,310	21,820	18,815	4,315	4,440
otal Customs and Excise	2189,250	89,568	84,368	25,433	29,334
lotor Duties	104,000	5,630	6,178	...	170
O (Net Receipts)	2,000	...	...	...	...
roadcast Licences	34,000	...	...	...	...
undry Loans	30,000	107	82	...	37
iscellaneous	110,000	6,716	6,003	1,150	196
Total	5439,500	219,709	223,065	54,295	55,540
Ord. Expenditure					
Net Interest	695,000	57,611	58,242	24,114	24,078
Payments to N. Ireland Exchequer	73,000	2,286	2,479	...	...
Other Cons. Funds	10,000	276	...	276	...
Supply Services	4259,584	211,500	200,800	70,300	90,750
Total	5037,584	271,674	261,521	94,890	114828
Sinking Funds	38,000	1,208	1,125	650	670
"Above-line" Surplus or Deficit	—	53,173	39,581	41,045	59,958
"Below-line" Net Expenditure	—	*Cr.* 21,958	48,254	*Cr.* 33,462	20,651
Total Surplus or Deficit	—	31,215	87,835	2,417	80,609
Net Receipts from:					
Tax Reserve Certificates	11,602	5,491	1,970	1,888	
Savings Certificates	5,400	−1,300	800	100	
Defence Bonds	−340	−2,219	−509	3	
Premium Savings Bonds	1,800	3,110	400	620	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
April 20	2,830·0	1,390·5	273·5	...	4,494·1
1958					
Jan. 18	3,370·0	1,714·9	250·3	...	5,335·2
„ 25	3,300·9	1,707·9	208·4	4·8	5,221·0
Feb. 1	3,220·0	1,768·6	179·1	...	5,167·7
„ 8	3,160·0	1,646·9	157·6	...	5,064·5
„ 15	3,120·0	1,403·1	206·5	1·3	4,730·9
„ 22	3,080·0	1,463·7	183·4	...	4,727·1
Mar. 1	3,040·0	1,537·1	210·4	...	4,787·5
„ 8	3,050·0	1,487·6	219·7	...	4,757·3
„ 15	3,060·9	1,529·9	225·6	...	4,815·5
„ 22	3,080·0	1,510·3	248·8	...	4,839·1
„ 31	4,571·2		277·1	...	4,848·2
April 5	3,120·0	1,499·4	239·6	...	4,859·0
„ 12	3,120·0	1,492·7	259·4	...	4,872·1
„ 19	3,120·0	1,580·5	252·0	...	4,952·4

THE MONEY MARKET

THE pace of the decline in the Treasury bill rate accelerated at the tender on Friday of last week. The average rate fell by 2s. 6d. per cent, to £5 4s. 0.93d. per cent, 7s. per cent below the rate on the morrow of the Bank rate reduction. The discount houses raised their common bid by 7d. to £98 14s. per cent, following the adjustments of 6d. at each of the two preceding tenders; but the allotted portion of applications at these bids dropped from 59 to 49 per cent. Applications dropped by £16 million to £406 million, but the allotment fell by £20 million to £240 million. At yesterday's tender the offer was increased by £10 million.

Credit was plentiful in Lombard Street just before the tender, and on the Thursday some funds were unlent. Subsequently, however, conditions have been fairly tight, necessitating help from the Bank. On Monday, despite fairly large special purchases made both directly and through the banks, three or four houses had to take a small amount at Bank rate, and on the two following days the market remained "in" the Bank, although the amounts involved were trifling. Business in bills was substantial on Tuesday, and the keen demand for June and July maturities brought the rate down from 5⅛ to 5⅛ per cent. Flexible rates for overnight money have ranged as high as 5¼ per cent—actually above the Treasury bill tender rate—but at times they have dropped below the clearing banks minimum of 4½ per cent.

LONDON MONEY RATES

	%		%
Bank rate (from 7th Jan., 58)	6	**Discount rates**	
		Bank bills: 60 days	5⅝–5⅞
Deposit rates (max.)		3 months	5⅝–5⅞
Bank	4	4 months	5⅝–5⅞
Discount houses	4	6 months	5⅝–5⅞
Money		Fine trade bills:	
Day-to-Day	4½–5½	3 months	6¼–7
Treas. bills 2 months	5⅛	4 months	6¼–7
3 months	5⅛	6 months	6¼–7

BANK OF ENGLAND RETURNS

(£ million)	Apr. 24, 1957	Apr. 16, 1958	Apr. 23, 1958
Issue Department:			
Notes in circulation	1,952·2	2,016·5	2,008·0
Notes in banking dept.	23·1	33·8	42·4
Govt. debt and securities*	1,971·3	2,046·3	2,046·2
Other securities	0·7	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	11·5	9·7	12·0
Bankers	202·4	258·1	214·0
Others	74·5	75·1	74·0
Total	288·4	322·9	300·0
Securities:			
Government	240·2	262·8	230·9
Discounts and advances	21·5	22·4	22·8
Other	19·0	19·3	19·2
Total	280·7	304·5	272·9
Banking department reserve	25·6	36·2	44·8
" Proportion "	8·8	11·2	14·9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £2,050 million from £2,000 million on March 26, 1958.

TREASURY BILLS

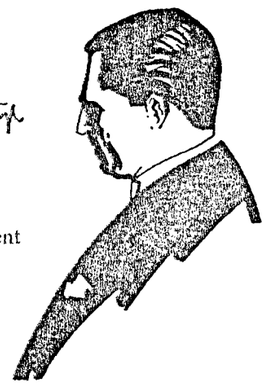
Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1957				s. d.	%
April 18	240·0	411·5	240·0	78 9·15	55
1958					
Jan. 17	260·0	403·8	240·0	125 10·33	52
„ 24	230·0	421·0	230·0	125 6·56	24
„ 31	210·0	421·2	210·0	122 6·50	44
Feb. 7	230·0	587·5	230·0	121 3·29	65
„ 14	230·0	424·7	220·0	120 10·56	44
„ 21	220·0	411·7	220·0	119 5·52	40
„ 28	240·0	391·9	240·0	120 3·28	37
Mar. 7	240·0	388·6	240·0	120 5·10	47
„ 14	250·0	370·3	250·0	120 6·59	61
„ 21	260·0	399·2	260·0	111 1·52	52
„ 28	260·0	422·8	260·0	110 5·54	55
April 3	260·0	461·9	260·0	108 6·30	61
„ 11	260·0	422·0	260·0	106 6·19	59
„ 18	240·0	406·3	240·0	104 0·95	49

* On April 18th tenders for 91 day bills at £98 14s. 6d. secured 49 per cent, higher tenders being allotted in full. The offer this week was for £260 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: April 23	Market Rates: Spot: April 17	April 18	April 19	April 21	April 22	April 23
United States $	2·78–2·82	2·81⅛ 2·81⅜	2·81⅛ 2·81⅜	2·81⅛ 2·81⅜	2·81⅛ 2·81⅜	2·81⅛ 2·81⅜	2·81⅛ 2·81⅜
Canadian $	...	2·75⅞ 2·76⅛	2·75⅞ 2·76⅛	2·75⅞ 2·76⅛	2·75⅞ 2·76⅛	2·75⅞ 2·76⅛	2·75⅞ 2·76⅛
French Fr.	1167·18–1184·82	1181¼ 1181½	1181¼ 1181½	1181¼ 1181½	1180½ 1180½	1179½ 1179½	1180½ 1180½
Swiss Fr.	12·15⅛–12·33⅛	12·24½ 12·24¾	12·24½ 12·24¾	12·24½ 12·24¾	12·24½ 12·24¾	12·24½ 12·24¾	12·24½ 12·24¾
Belgian Fr.	138·95–141·05	139·62½ 139·67½	139·60 139·65	139·60 139·65	139·50 139·55	139·45 139·50	139·47½ 139·52½
Dutch Gld.	10·66–10·72	10·61¼ 10·61½	10·61 10·61¼	10·61¼ 10·61½	10·60½ 10·60¾	10·60¼ 10·60½	10·60 10·60¼
W. Ger. D-Mk.	11·67⅛–11·84⅛	11·73½ 11·73¾	11·73½ 11·73¾	11·73½ 11·73¾	11·74½ 11·74¾	11·74½ 11·74¾	11·74½ 11·74¾
Portuguese Esc.	79·90–81·10	80·00 80·15	80·00 80·15	80·00 80·15	80·00 80·15	80·00 80·15	80·00 80·15
Italian Lire	1734–1762½	1745½ 1745½	1745½ 1745½	1745½ 1745½	1745 1745½	1744½ 1745	1744½ 1745½
Swedish Kr.	14·34½–14·59⅜	14·50½ 14·51	14·50½ 14·51	14·50½ 14·50⅝	14·50⅜ 14·50⅝	14·50⅜ 14·50⅝	14·50⅜ 14·50⅝
Danish Kr.	19·19½–19·48½	19·35½ 19·35¾	19·35½ 19·35¾	19·35½ 19·35¾	19·35½ 19·35¾	19·35½ 19·35¾	19·35½ 19·35¾
Norwegian Kr.	19·85–20·15	20·01¼ 20·01½	20·01¼ 20·01½	20·01¼ 20·01½	20·01¼ 20·01½	20·01¼ 20·01½	20·01¼ 20·01½
One Month Forward Rates							
United States $		1⅛–1¼c. pm	1⅛–1¼c. pm	1⅛–1¼c. pm	1⅛–1¼c. pm	1⅛–1¼c. pm	1⅛–1¼c. pm
Canadian $		1 1/32c. pm	1 1/32c. pm	1 1/32c. pm	1 1/32c. pm	1 1/32c. pm	1 1/32c. pm
French Fr.		1 3/4dis	2 5/8dis	2 5/8dis	2 5/8dis	2 5/8dis	2 5/8dis
Swiss Fr.		3/32–1/32c. pm	3/32–1/32c. pm	3/32–1/32c. pm	3/32–1/32c. pm	3/32–1/32c. pm	3/32–1/32c. pm
Belgian Fr.		1/8–1/4 pm	1/8–1/4 pm	1/8–1/4 pm	1/8–1/4 pm	1/8–1/4 pm	1/8–1/4 pm
Dutch Gld.		1¼–1⅜c. pm	1¼–1⅜c. pm	1¼–1⅜c. pm	1¼–1⅜c. pm	1¼–1⅜c. pm	1¼–1⅜c. pm
W. Ger. D-Mk.		2¼–2¾pf. pm	2¼–2¾pf. pm	2¼–2¾pf. pm	2¼–2¾pf. pm	2¼–2¾pf. pm	2¼–2¾pf. pm
Italian Lire		2 1 pm	2 1 pm	2 1 pm	2 1 pm	2 1 pm	2 1 pm
Swedish Kr.		3/8–3/4c. pm	3/8–3/4c. pm	3/8–3/4c. pm	3/8–3/4c. pm	3/8–3/4c. pm	3/8–3/4c. pm
Danish Kr.		4–5c. pm	4½–5c. pm	4½–5c. pm	4½–5c. pm	4–5c. pm	4–5c. pm
Norwegian Kr.		2c. pm–par	2c. pm–par	2c. pm–par	2c. pm–par	2c. pm–par	2c. pm–par
Gold Price at Fixing							
Price (s. d. per fine oz)		249·2	249/6½	...	249/0	249/2½	249/4

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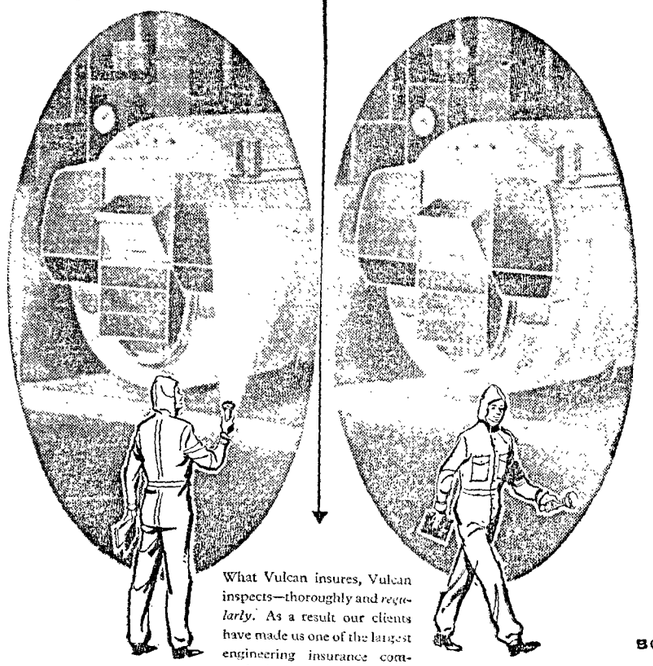


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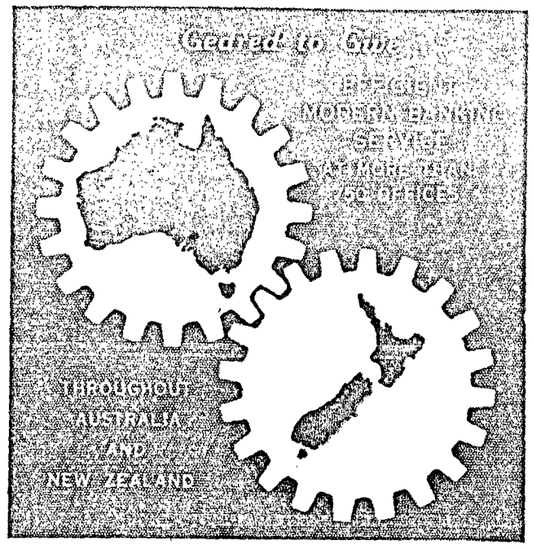
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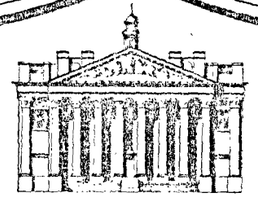
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COMPANY MEETINGS

UNILEVER LIMITED

ADVERTISING EXPENDITURE IN 1957

MEANS OF COMMUNICATION WITH 1,800 MILLION POTENTIAL CONSUMERS

PRE-REQUISITE TO REAL FREEDOM OF CHOICE AND AID TO MATERIAL PROGRESS

PRICE FACTOR: UNREALISTIC COMPARISON BETWEEN COST OF ADVERTISED AND NON-ADVERTISED PRODUCTS

TELEVISION AND ADVERTISING

LORD HEYWORTH ANSWERS SOME CRITICISMS

The Annual General Meeting of the Members of Unilever Limited was held on April 24th at The Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.2. Lord Heyworth presided.

Addressing the Meeting the Chairman said:

In 1957 Unilever spent on advertising £83 million. True, this expenditure covered hundreds of brands and a wide range of goods such as soaps, toilet preparations, margarines and other foodstuffs; it was spread over nearly two hundred companies; it was spread over more than a hundred countries, fifty of them being countries where we manufacture and market and the rest territories where our products are sold; North America alone accounted for nearly half the total. But with all these qualifications £83 million remains a sum of sufficient magnitude in its own right—almost equal to the trading profit for the same period—to warrant the choice of advertising as the subject for my address today. Moreover, advertising has played—and will always play—a vital part in the growth of Unilever. And if a topical note is required, it is to be found in the Directors' Report, which tells you that in 1957 we were compelled to increase our advertising expenses, with a consequent reduction in net profits despite a greater turnover.

I do not then apologise for my choice of subject. Nor have I any intention of making an apology for advertising, and if I try to deal with some of the criticisms of advertising which have been voiced in recent years, please do not think that I am doing so in the white sheet of penitence.

CHANNEL OF COMMUNICATION

Advertising must expect to be criticised. It is part of our daily life and because it is a very public act, everyone is conscious of it. It is a matter of public interest and as such, open to comment. Everyone has his or her views about it and everyone expresses them. Some dislike it, or some of its manifestations, and readily assume that the rest of the public share that dislike. But the consumer would often be hard put to make her choice without it. And to us, advertising is a necessary part of our business because it is the way we communicate with our customers. 1,800 million consumers—the whole population of the free world—make up the potential market for our goods and there is no other way to communicate with them. We spend large sums of money, time and thought on the development and manufacture of the goods we believe the consumer wants. It would be foolish indeed to stop short at that point, and not take steps to tell them what we have to sell and try to persuade them to buy.

First and foremost, then, the advertiser, whether he be the huckster in the marketplace crying his wares to those within earshot, or the big advertiser communicating with millions through the Press or the television screen, is communicating with his customers. But, more than just business communication, advertising is essential to a free economy. A free economy presupposes freedom of choice for the consumer, just as at the other extreme a totalitarian economy restricts freedom of choice by restricting what can be chosen. Freedom of choice for someone who is not made aware of the alternatives from which choice can be made is an illusion. More than that, freedom of choice includes freedom to try to persuade others to your way of thinking, and, for us, advertising in a free economy is not only our means of informing the consumer how she may exercise her choice but also of asking her to exercise it in our favour. No doubt the fact that advertising is essential to real freedom of choice is one reason for its being disliked by those who believe with Oliver Cromwell that the public should have "Not what they want but what is good for them."

PUBLIC NOT EASILY MISLED

An idea appears to have grown up that people must be protected—though what they are to be protected from is not always clear. From making the wrong choice, I suppose, or what the benevolent and protective planner *thinks* is the wrong choice. I am sometimes tempted to wonder by what criterion those who think on these lines propose to divide the population into the select minority who are to have the right to pick and choose, and the remainder who are not considered fit to do so. Will provision be made for transfer rights from one group to the other—the issue, maybe, under appropriate safeguards, of a provisional Learner's Licence to pick and choose for six months, pending passing the test?

But seriously, I think that most people are a good deal tougher than those who wish to protect them in this way have realised. Naturally they will sometimes make mistakes, but they learn from those mistakes, and build up a resistance which one might compare to that which the human body develops from measles and other childhood ailments. As a result, they are not all that easily misled. And they are essentially human. Their lives revolve round the places where they live, their families and their gardens. They are full of plans for the betterment of their homes, for providing good things for their children, dressing better, striving towards an improved standard of life. They lay great store by what they possess and what they have achieved. In these matters they have a well developed sense of self-protection. They want to lead their own lives in their own way, and above all they want freedom of choice, including the right to make their choice, for whatever reasons seem best to them, whether they be emotional or icily rational.

AID TO MATERIAL PROGRESS

Advertising, I have suggested, is a prerequisite to real freedom of choice. It is also an aid to material progress. No society can remain static; it must either progress or deteriorate. Most are striving to improve their standards of living, to reduce poverty and drudgery. How, then, does advertising help to bring about a rising standard of living? First, I suggest by making people receptive to the idea of change. For, paradoxically, although human beings want to improve, there exists in most of us a certain inertia towards change and one of the justifications of advertising is the part which its persuasive power plays in helping to overcome that inertia and bringing people to see that the old ways are not necessarily the best ways. To take one example from our own past, one might ask what the British soap trade would be like today but for the first Lord Leverhulme's passionate belief in advertising. How much longer would it have taken to get beyond the anonymous bulk of the long unwrapped bars that were the normal form of soap until he burst upon the scene? And if the force of advertising sometimes seems to be not so much to persuade as to act as an irritant, that is not necessarily a bad thing either. Anything that attempts to change us or jerk us out of our existing habits is apt to be regarded as an irritant. Yet although a challenge to go one better than before can be an uncomfortable bed-fellow it is a prime cause of progress in every field of human life, and it is advertising that brings that challenge home to the individual.

CONTRIBUTION TO ECONOMIC STABILITY

While I am dealing with the part played by advertising in general in the economic life of the community, I should make a brief reference to its contribution in bringing about economic stability. For advertising not only promotes the development of new products but helps to establish them on a more predictable basis and thus mitigates violent fluctuations. Indeed, many economists now

think that in a recession advertising expenditure should be increased, not cut down. In a time of depression anything that helps to re-animate economic activity is of enhanced value. Certainly our own experience suggests that in a slump the well established and advertised brand will hold its sales better than its non-advertised counterpart, even when the latter is priced lower.

"WHO IS PAYING?"

Now, who is paying for the advertising? It is often said—sometimes with some asperity—that the consumer always pays. In a sense that is perfectly true, since advertising is part of the cost of the product. But it is a fallacy to go on from there, as many do, to the inference that if the advertising were cut out the goods would be cheaper. This comparison between the cost of advertised goods and what it is said would be the cost of the same goods unadvertised is completely unreal. A world without advertising would be a different world and it is impossible to make any comparison that would have any meaning.

Advertising is certainly one of the costs of a product but it is a cost which brings savings in its wake. On the distribution side it speeds up the turnover of stock and thus makes lower retail margins possible, without reducing the shopkeeper's income. On the manufacturing side it is one of the factors that make large scale production possible and who would deny that large scale production leads to lower costs? This reduction in costs is perhaps most clearly seen in the field of what economists call "consumer durables," such things as motor cars, television sets and refrigerators, all heavily advertised. But the same result is achieved in consumer goods of the kind which we produce. Take, for example, two of our best known products, the soap powder Persil in the United Kingdom and the margarine Blue Band in Holland. Both have been consistently and heavily advertised. The prices of both, though they have not fallen, have kept below the general rise in consumer prices. If we take the price of Persil and Blue Band as 100 in 1938 and the Cost of Living index in both countries, at that time as 100 also, Persil in 1957 had risen to 148 against a rise in the Cost of Living index to 264, while Blue Band had risen to 267, against a rise in the index to 310. The comparison becomes even more striking when one remembers that not only were the prices of oils and fats about six times as high in 1957 as they were in 1938, but that the quality of the products has been noticeably improved.

Large-scale production does not only result in lower costs for the specific goods produced, but is also usually associated with high productivity of labour and the result is higher real wages. In the United States, where there is more advertising than anywhere in the world, the wages of the worker will buy a bigger and more varied basket of products than those of his counterpart in Britain or Holland. This fact does not of itself provide final proof of the value of advertising, for the actual and potential resources of the United States are enormous and that could be the answer. But the fact remains that Americans believe—and we join them in that belief—that among the instruments necessary to turn that enormous potential into usable consumer resources advertising plays the leading part. It would indeed be a sorry thing if in this time of increasing scientific change and development, advertising were to be forbidden to play its part in translating the fertile thoughts of scientists into results that mean something in everyday life.

APPENDIX I

SALES OF PRODUCTS INTRODUCED SINCE 1951 SHOWN AS A PERCENTAGE OF SALES IN 1957

	Margarine	Detergents	Toilet Preparations	Foods
	%	%	%	%
UK	30	22	32	23
USA:				
Lever	56	71	8	100
Lipton	—	—	—	14
Canada:				
Lever	—	55	16	—
Lipton	—	—	—	12
Netherlands	—	34	11	17
France	—	59	25	109
Belgium	41	15	25	61
Germany	69	52	27	—

UNILEVER'S OWN EXPERIENCE

Up to this point I have been outlining in a general way some of the benefits which I believe that advertising brings to the economy of a country. The story has had to be brief and I have not, I know, covered all the aspects. But there I must leave it and for the second half of my speech turn to some of our own experiences as a big advertiser.

First, let us take note of the fact that advertising reflects the quickened tempo of our times. New products and product improvements follow fast upon each other and news of them reaches mass audiences quicker than before. People switch more readily to more convenient or more efficient innovations and the advertiser must spend more money more quickly if he is to bring home to the consumer the advantages which his product offers, and not risk the loss of his market. Competition is an integral part of this quickened tempo and intense competition increases advertising expenditure. But manufacturers compete because there is a prize worth winning and in doing so they tend, in our experience, to develop the potential market more rapidly than could be done by one manufacturer alone. And the consumer, too, gains from the manufacturer's incentive to improve his product and the greater choice that results from new products.

Our own records provide some measure of the increased pace of life since the war. Nearly one quarter of our detergents trade in the United Kingdom and one third in Holland come from products that have been first put on the market in the last six years. Nearly 70 per cent of our margarine sales in Germany and 61 per cent of the total turnover of our Lever Company in the United States comes from products introduced in the same period. This acceleration has changed some of our businesses substantially within the last few years and the need to keep pace with changes like this has caused us to spend considerably more heavily on advertising in a number of countries. In general, the more sophisticated the country the greater the advertising.

But though the weight of our advertising may vary from country to country, certain broad principles seem to be established. First, the need for courage to risk making mistakes. We have to try things. If the attempt fails, the money is wasted. That may be deplored but it is a risk comparable to those we run in research, where a proportion of the projects pursued by our scientists are almost bound to end up in blind alleys. This is all part of the price we pay for finding out what works.

Just as one must have the nerve to risk making mistakes, so must one have courage in deciding how much money needs to be spent on a particular product or promotion. There is no cut-and-dried formula. We have to build on our experience to find out how to spend no more and no less than is needed to achieve the object. Refusal to recognise that the moment has come to cut one's losses is a serious mistake; but so is the failure to appreciate that to keep on that little bit longer may be just what is needed to turn the scales and make a product a success instead of a failure.

WIDE CHOICE OF MEDIA

Today there are available many means of advertising: newspapers, magazines, posters, the cinema, wireless and television. There is shop display, and there are the many forms of schemes such as coupons, bargain packs and other methods of sampling. The advertiser must choose which to use and in what proportions, so as to get the best return for his money and cut wasteful overlapping to the minimum. This is a big potential source of error which can be very costly, since the cost of buying space in the newspaper or time on the air is extremely high, and in fact normally greater than the cost of composing the advertising. In so far as the solution to this problem of the choice of media lies in more accurate information about the extent and nature of their circulation, a responsibility lies on the owners of the media as well as on the advertisers. In the United Kingdom, the Netherlands and two or three other countries excellent information is available, but in most countries Unilever companies are still struggling with problems for whose solution much basic information is lacking. The media owners can play a big part by providing this information, which will make possible more effective and less wasteful advertising.

APPENDIX II

COMPARISON BETWEEN RISE IN PRICE OF TYPICAL UNILEVER BRANDED PRODUCTS AND RISE IN COST OF LIVING, 1938–1957

	1957 (1938 = 100)	
	Cost of Living Index	Unilever Consumer Selling Price Index
United Kingdom	264	—
Persil soap powder	—	148
Lux flakes	—	270
Vim	—	172
Lux toilet soap	—	283*
Stork margarine	—	263
Sausages	—	220
Ice cream	—	150
Holland	310	—
Sunlight soap	—	294
Radion soap powder	—	270
Vim	—	223
Lux toilet soap	—	284
Blue Band margarine	—	267
Belgium	412	—
Sunlight soap	—	355
Soleil soap powder	—	240
Vim	—	250
Lux toilet soap	—	275
Solo margarine	—	259
France	2,432	—
Persil soap powder	—	2,188
Lux toilet soap	—	2,857
Germany	180	—
Sunlight soap	—	210
Vim	—	186
USA	192	—
Lux toilet soap	—	163
Lifebuoy soap	—	205
Rinso soap powder	—	183
Australia	285	—
Sunlight soap	—	310
Velvet soap	—	271
Rinso soap powder	—	231
India	325	—
Sunlight soap	—	334
Lux toilet soap	—	215

Note.—Products with high edible fat content, such as margarine, hard soaps and toilet soaps, etc., are particularly affected by the substantial rise in oils and fats prices—which in 1957 were about six times as high as in 1938.

* 221 excluding Purchase Tax.

TELEVISION

The most recent means of advertising is television, and I will mention briefly our present assessment of this medium. Its growth in the United States and Canada in the past few years has been remarkable and we are now witnessing a comparable development in the United Kingdom where, after the controversy and doubts which preceded its introduction, commercial television is now firmly established. In Holland, where the whole question is at present under discussion, we have no doubt that the use of television for advertising is bound to come before long.

Television costs the advertiser a lot, but it is worth the money, and it gets more economic as it covers more and more of the country. Both in the United States, where it is now generally our first choice, and in Britain, it has provided a means of communicating with our consumers in a way that not only seems very welcome to them but has proved efficient to us. In Britain there are still a number of transitional problems and uncertainties, but by the end of 1957 it was covering one-third of the homes in the country and is clearly taking its place as yet another national medium for advertising. This is not to say that as time goes by it will necessarily grow at the expense of other media. Not all products are ideally suited for advertising on television. Moreover, in a developing economy in which more and more advertisers are seeking ways of advertising a growing diversity of products one can expect a general increase in all the means of advertising. American experience points to this conclusion. In the United States television advertising revenue continued to increase in 1957 but radio had a surprising revival and reversed the downward trend that had started in 1952. Newspapers, too, and magazines increased their advertising revenue, while the outdoor advertising business enjoyed a record year.

NEED FOR FREE AND GENUINE COMPETITION

At present there is a severe practical limit to the amount of advertising that television can take. In the United Kingdom it is already difficult for advertisers to get all the time they want, and this difficulty will get more acute unless and until another service is provided. It seems to me that this will have to come and that, once the plunge has been taken and the decision made to allow commercial television at all, it is no more than logical to allow free and genuine competition in this new field. This would give viewers still greater choice at no extra cost to themselves, and since commercial television can only pay for itself by attracting worthwhile audiences, the emphasis will remain on the quality of programme that will persuade people to watch it.

Doubts are usually expressed about this quality of the programmes when the possible introduction of commercial television in a country is under consideration. The opponents fear that to attract mass audiences the programmes will be designed to appeal to the lowest common denominator of public taste and that Gresham's Law—a very hard-worked, and indeed misapplied, metaphor in this context—will operate to bring all programmes down to the same vulgar level. But it does not seem to have worked out quite like that in the United Kingdom. Sir Robert Fraser, head of the British Independent Television Authority, had some interesting things to say on this theme when he spoke at Bonn early in March. He pointed out, for example, that in 1955, before the coming of commercial television, there were only four programmes of religion in the average ten-week period, one church service and three discussion programmes; now there were thirty-two, twelve services and twenty discussion programmes. Similarly, where previously there had been only two programmes a week which dealt mainly with politics and current affairs, there were now nine. And, as he said, it was difficult not to believe that in this way television was reducing the passion and prejudice of the democratic party conflict and leading us perhaps a little closer to the ideal of a fair-minded and temperate democracy.

PROMOTION SCHEMES

Apart from television, the form of advertising that attracts most attention today—not all of it friendly—is coupons, bargain packs and similar offers.

Some people seem to think that there is something bogus about these promotion schemes and that their cost would be better applied in making a permanent price reduction. They suggest that if a manufacturer can from time to time offer a soap powder, for example, at, say, 4d. below the normal price, he could equally well afford to reduce the price permanently—if not by the full 4d., at least by some smaller sum. This suggestion misses the point that for the scheme to succeed in its first object, which is to induce people to sample the product, it has got to represent an opportunity to get the product at a genuine bargain price, and for that reason the offer cannot be other than temporary.

Now, if it be asked why we should go on making people sample our products when they are still the same, the answer is that they are not the same. I mentioned earlier the changes that had come about in our business in the past few years through the introduction of new products. What is less obvious is that our products, new and old, are continually being changed and improved from year to year. As examples, in the past five years in the United Kingdom there have been four changes in Lux Toilet Soap, six in Persil, two in Omo and two in Gibbs S.R. toothpaste. In Holland in the same period there have been five changes in Blue Band, three in Lux Toilet Soap, six in Omo, five in Sunil, five in Radion and two in Vim. While some of these are old-established products and some are relatively new, all are subject to change as we go on finding ways of making our products more efficient and more acceptable. Big changes are rare but small improvements are constantly being made, which over the years add up to big developments. This continual state of evolution is enough to justify our constantly persuading the public to give them a further trial. We want the public to get quickly acquainted with each change, particularly as we find that the public sometimes disagree with us that a change is an improvement. It is a matter of very practical importance to us to find out quickly whether the change we have made is to the public taste.

The other purpose of a promotional scheme is to make our advertising more effective, for the claim made by an advertisement is much more intelligible to the consumer if he or she is actually using a product at the time we advertise. She can verify for herself what we mean, for example, when we talk about the whiteness of Persil, the brightness of Omo or the perfume of a toilet soap.

COUPONING

A permanent price reduction is not the alternative to promotions. We have tried it, and it did not work. The amount of money which is saved by dropping the promotion is too small to make any significant impact if it is applied to reducing the price. And the fact is that if we were to drop promotions we would have to find other ways of achieving the same objects, not necessarily so efficient and not necessarily less expensive. But we are not rigid in outlook and we continually search for new ideas and forms of promotions, as the attitude of the consumer and her needs keep changing. For example, in 1954, 24 per cent of our advertising expenditure in the United Kingdom and 20 per cent in Holland went on couponing. In 1957 the proportions were 13 per cent for the United Kingdom, 11 per cent for Holland. But though this reflects our assessment of the changing pattern, we still consider couponing one of the most effective methods of introducing a new or an improved line.

MARKET RESEARCH

I have more than once mentioned the pattern of change. The advertiser himself must be flexible and adaptable to change, he must constantly question his own experience and be alert to recognise the change inevitable in all human and social behaviour, and one of the tools of the trade that helps him to do so is the way he gets information about the consumer's real needs.

Methods of statistical market research have been evolving and developing in the last 30 years and their techniques are well known. They still depend on getting answers to questions and the answers will never be better than the questions asked. A wrong question may produce a misleading answer, causing wasted advertising expenditure and perhaps serious business losses. The business man has relied on his experience and commonsense to prevent him asking silly and misleading questions and now psychological study is beginning to add a new tool to market research and perhaps bringing further accuracy to the science of advertising. The first Lord Leverhulme used to say that half his advertising was wasted, but he never knew which half. We hope that we are on the way to bettering that score.

Information through research is the basis on which a business forecasts future patterns. Our aim must be not only to give the consumer what she wants, but to find out what she will want—next year and the year after. We have to discover her latent wants and be ready to meet them when she becomes aware of them.

CONCLUSIONS

Within the limits of this speech I have not been able to deal with more than a few aspects of a very large subject. Some facets of advertising are, I know, easy targets for the criticism of the intellectual, and some of the criticism is legitimate. But just as advertising sometimes overstates the case, so does its critic. He will tell you, for example, that the

money-grubbing advertiser tempts people into spending more than they can afford and thus reduces them to a state of misery through financial worry, at the same time continuing to tantalise them with the prospect of all the other delectable things that they cannot buy. This particular attack, I may say, leaves Unilever's withers reasonably unwrung, for we have yet to hear of a housewife driven to bankruptcy through lavish expenditure on soap, margarine, sausages or toothpaste. But all such criticism leads, in the end, to the dilemma of weighing the need to protect the weak-willed and weak-witted minority against the need to leave the robust and shrewd majority with the right to pick and choose for themselves. Let us by all means continue to improve the ethics of advertising, which indeed in many countries is already subject to codes of conduct far stricter than some critics realise. But if this process of improvement results in the advertiser being deprived of the basic right to try to persuade the consumer to exercise her choice in his favour, the consumer too will find that she has lost something. She will have lost her freedom of choice.

The Chairman concluded by moving the adoption of the Report and Accounts for the year 1957. Mr G. J. Cole, Vice-Chairman, seconded the motion and it was carried unanimously.

The proposed final dividend of 11½ per cent on the Ordinary Stock and a dividend of 6 per cent on the Deferred Stock payable on May 13, 1958, were approved.

The retiring Directors were re-appointed.

The remuneration of the Auditors, Messrs Cooper Brothers & Co. and Messrs Price Waterhouse & Co., who had been re-appointed under the provisions of the Companies Act 1948, was fixed.

The proceedings terminated with a vote of thanks to the Chairman, Directors and all employees.

UNILEVER N.V.

The Annual General Meeting of the Members of Unilever N.V. was held on April 24th at Museumpark, Rotterdam. Mr F. J. Tempel presided and made a speech in similar terms to that delivered by Lord Heyworth at the Annual General Meeting of Unilever Limited, reported above.

The Report and Accounts for the year 1957 were adopted. The proposed final dividend of 10½ per cent (being the equivalent of the final dividend for the same year to be paid by Unilever Limited to its Ordinary Stockholders calculated in accordance with the provisions of the Equalisation Agreement) was approved, the retiring Directors were re-appointed and the Auditors, Messrs Price Waterhouse & Co. and Messrs Cooper Brothers & Co., were re-appointed.

NATION LIFE AND GENERAL ASSURANCE

EXTREMELY SOUND POSITION

The Thirty-third Annual Ordinary General Meeting of Nation Life and General Assurance Company Limited was held yesterday at Teddington, Mr H. Cox, the chairman, presiding. The following are extracts from his statement:

During the year the Company opened the Ordinary Life Branch and issued retirement annuity policies under the Finance Act, 1956. The Company's Policy was approved by the tax authorities, and we were authorised to issue this type of policy. The amount of new business for 1957 was £51,464, and our expectations for the coming year have been doubled. This Branch will continue its development. We propose to extend the range of our policies in our Ordinary Life Branch.

The Company's income during 1957 was £336,235, as compared with £324,359 for 1956, an increase of £11,876. The premium income in our various branches was £282,523, an increase of £6,826. Our interest income was £52,402, an increase of £5,031. Our claim payments—Industrial Life Branch —were £156,354, an increase of £4,301. In the Life Branches the sum assured, with bonuses, of policies in force was £4,365,661.

Our assets shown in the balance-sheet are £1,237,754 with our Life Funds (including the investment reserve fund), £1,080,454 and taking into account the additional reserves which are included in our valuation, shows an extremely sound position.

The directors have recommended that a final dividend of 6d. per 5s. stock unit, free of tax, be paid, making a total dividend of 8d. per 5s. stock unit, free of tax, for the year ended December 31, 1957. The directors further recommend that the payment of an interim dividend of 3d. per 5s. stock unit, free of tax, be made for the year ending December 31, 1958.

The report and accounts were adopted.

BANK LEUMI LE-ISRAEL BM

SATISFACTORY PROGRESS

The seventh Annual General Meeting of the Bank, being the fifty-sixth of the business established in 1902, was held in Tel-Aviv on April 17, 1958.

In his address the Chairman, Dr Y. Foerder, drew attention to the Bank's satisfactory progress during the Year: Deposits of the public had risen by IL.36 million to IL.208 million, and the rate of increase had again been greater than the average increase with all banking institutions in Israel. Special Deposits of the Government and Government Institutions remained practically unchanged at IL.76 million. The Bank's savings scheme, introduced two years ago, was making satisfactory progress.

Advances and loans remained subject to the Government's anti-inflationary policy of credit restrictions. They had risen during the year from IL.86 to IL.95 million, and rediscount facilities were increased from IL.16 to IL.22 million. Documentary Credits and Acceptances had increased from IL.54 to IL.59 million, indicating the expansion in foreign trade.

The Directors had appropriated IL.250,000 to the Reserve Fund, bringing it up to IL.3,250,000 and IL.100,000 to the Contingencies Reserve.

In reviewing the general economic conditions, the Chairman drew attention to the need to balance claims on the Government's budget by fixing priorities. The country tended to want security, large immigration, expansion and development, and at the same time increased standards of living. All these together were incapable of achievement. The country must prepare itself for the day when outside support will diminish considerably.

The meeting approved the accounts and the proposed final dividend of 6½ per cent, which again brings the total for the year to 12½ per cent, subject to tax.

BROWN BROTHERS LIMITED

RECORD GROUP TURNOVER

The sixty-first Annual General Meeting of Brown Brothers Limited was held at the Great Eastern Hotel, Liverpool Street, E.C.2, on Friday, April 18, 1958.

Sir Richard Yeabsley, CBE, FCA, the Chairman, presided. The following is an extract from his circulated statement:

I am pleased to report for the fourth year in succession the sales of the Company and its subsidiaries at a record level.

The trading profits of the Group for the year 1957 amounted to £1,103,359, compared with £976,894 the previous year.

After charging depreciation, mortgage interest, directors' emoluments, auditors' remuneration, and a sum of £36,774 in respect of Employees' Profit Sharing Scheme, the net Group profit, before charging taxation, amounts to £891,820, as against £789,342 a year ago. Provision for taxation amounts to £512,148, compared with £460,419, leaving a net profit of the Group, after charging taxation, of £379,672. Of this figure, £70,298 has been retained in the subsidiary companies, leaving a net profit for the year of £309,374 to be dealt with in the Profit and Loss Appropriation account of the parent company, compared with £256,354 a year ago.

It is recommended that £150,000 should be transferred to General Reserve, against £100,000 for the previous year.

The directors propose a final payment of 10 per cent on the issued Ordinary share capital, making a total of 12½ per cent for the year.

The unappropriated profit carried to the Balance Sheet is increased by £3,704 to £369,593.

TRADING CONDITIONS

I have already referred to the record sales of the year, and I am pleased to report that the motor trade now appears to have fully recovered from the difficulties experienced early in 1957.

The sale of transport service equipment, plant and tools, showed some setback early in the year, but towards the end of the year sales were again increasing. Restricted mileages must obviously reduce tyre demand, but once again we can report that our tyre sales are back to their normal progressive level.

In the Cycle section of our business, sales of complete machines, components and accessories, showed a considerable rise in the early part of the year, undoubtedly due to the restrictions placed on private motoring. Towards the end of the year there was some fall in demand, but business is now more normal.

It is pleasing to report a considerable increase in the sales of our Radio and Electrical Group, where increasing demand for radio and television receivers has produced record figures for this section of our business.

In a business as complex and varied as ours it is always difficult to give any reliable forecast for the coming year. Certainly sales in the first two months of 1958 have been most encouraging. Nevertheless, it would seem that the Government restriction of capital investment and monetary policy must have an effect on some of our departments in the months ahead.

The report was adopted.

PHILIPS' INCANDESCENT LAMP WORKS HOLDING COMPANY EINDHOVEN

The Annual Report and Accounts of the above-named company and of the Operating Company, Philips' Incandescent Lamp Works, are now available in their English translation. The Holding Company owns fl.494,730,000 Ordinary shares of the Company out of a total of fl.495,047,000 and fl.143,593,000 Preference shares out of the fl.144,000,000 in issue. Below are given the Balance Sheet and Profit and Loss Account of the Operating Company as at 31st December, 1957.

BALANCE SHEET AS AT 31st DECEMBER, 1957

ASSETS			LIABILITIES		
Property, plant and equipment:			**Share capital and reserves:**		
Replacement value	662,038,000		Ordinary share capital	495,047,000	
Depreciation	312,179,000	349,859,000	6% cum. part. pref. share capital	144,000,000	
Intangible Assets:		—	Share premium account	63,622,000	
Investments in and amounts due from Associated Companies		1,350,442,000	Retained profit	494,903,000	
Sundry non-current assets		5,895,000		1,197,572,000	
Stocks:			Revaluation	320,544,000	1,518,116,000
Factory stocks	180,198,000		**Sundry provisions:**		
Commercial stocks	75,399,000	255,597,000	Long-term provisions	34,818,000	
Debtors:			Short-term provisions	29,295,000	64,113,000
Trade and other debtors	118,511,000		**Long-term Liabilities:**		
Prepaid expenses	7,016,000	125,527,000	3½% 25-year debentures (unsecured)	60,000,000	
Liquid Assets:			3½% 20-year dollar debentures (unsecured)	18,925,000	
Marketable securities	5,887,000		4% 25-year dollar debentures (unsecured)	75,700,000	
Cash at bank and in hand	170,457,000	176,344,000	5% 15-year Convertible debentures	186,268,000	
			Other long-term liabilities	185,502,000	526,395,000
			Current Liabilities:		
			Creditors, including provision for taxation	53,828,000	
			Accrued expenses	36,085,000	89,913,000
			Profit available for distribution		95,127,000
(All amounts in guilders.)		2,293,664,000			2,293,664,000

PROFIT AND LOSS ACCOUNT FOR THE YEAR 1957

Profit, including profits made by Subsidiaries, after foreign taxation and before deduction of the following items		326,954,000
Depreciation of property, plant and equipment	36,814,000	
Interest paid	21,198,000	
Contributions to Pension Funds	14,438,000	72,450,000
Profit before taxation		254,504,000
Provision for Netherlands tax on profits		80,603,000
Net profit for the year		173,901,000
Profit available for distribution:		
Shareholders' dividends at the rate of 7.6 per cent. per annum on the Cumulative Participating Preference Shares and 14 per cent. on the Ordinary Shares		80,250,580
Board of Directors and Board of Management		7,027,036
Personnel interests		7,849,651
		95,127,267

The development of the Philips Group as a whole over recent years is shown in a table published in the Annual Report, from which the following figures have been extracted.

	1957	1956	1955	1954	1953
	In millions of guilders				
Sales	3,177	2,686	2,280	1,936	1,601
Profit before taxation	394	313	269	231	172
In relation to sales	12.4%	11.6%	11.8%	11.9%	10.7%
Net profit for the year	187	158	148	119	88
In relation to sales	5.9%	5.9%	6.5%	6.2%	5.5%
Profit distributed	95	94	71	48	37
In relation to net profit	51%	60%	48%	40%	42%
Dividend on ordinary shares	14%	14%	14%	14%	14%
Dividend on preference shares	7.6%	7.6%	7.6%	7.6%	7.6%
Additions to property, plant and equipment	275	293	239	154	82
Depreciation of property, plant and equipment	118	100	82	74	64
Current assets	2,442	2,135	1,916	1,481	1,378
Current liabilities	1,164	1,038	839	713	618
Long-term liabilities	925	654	491	393	378
Net worth	1,665	1,535	1,426	1,025	949
Ratios:					
Current assets to current liabilities	2.1	2.1	2.3	2.1	2.2
Net worth to liabilities	0.8	0.9	1.1	0.9	1.0
Number of persons employed	160,000	152,000	143,000	123,000	109,000

Copies of the above Accounts may be obtained from the Company's British Fiscal Agents,

PHILIP HILL, HIGGINSON & CO. LIMITED

55, MOORGATE, LONDON, E.C.2.

SAXONE, LILLEY & SKINNER (HOLDINGS)

A YEAR OF GREAT ACTIVITY

WELL BALANCED DISTRIBUTION OF OUTLETS

MR THOS. LILLEY ON EFFORTS TO OBTAIN FULL ADVANTAGE FROM AMALGAMATION

The annual general meeting of Saxone, Lilley and Skinner (Holdings) Limited will be held on May 14th at Kilmarnock.

The following is the statement by the Chairman, Mr Thos. Lilley, which has been circulated with the report and accounts:

The Saxone and Lilley & Skinner groups of companies were merged on January 8, 1957, and accordingly the accompanying Accounts are the first to be issued covering the combined trading activities of the whole group.

Your Company has now over 470 retail outlets, mainly through the well-known Saxone, Lilley & Skinner, Benefit and Cable chains of shops, but also through over 60 departments in department stores. The establishment of shoe departments in department stores is a growing development in this country and through its Store Group your Company has ensured for itself a fair share of this trade. Together these shops and departments give a well balanced distribution of outlets throughout the British Isles and Eire and they form the main trading activity of the group. The Company also owns five factories in Kilmarnock and Leicester which supply our wholesale customers and retail outlets of the Group and in addition support a growing export trade. The Company's other interests at home and overseas are shown on page 2 of these Accounts.

PROFIT AND LOSS ACCOUNT

Turning to the Accounts themselves, it is not possible to draw from them a true comparison with 1956 because the figures shown for that year are those of the former Saxone Shoe Company only. Had such a comparison been drawn the net profit before tax of £1,128,232 would have shown a decrease of approximately £90,000 on 1956 profits calculated on a similar basis. Turnover was maintained at a higher level than in previous years, but the extra gross profits made were not enough to absorb the increase in overheads incurred during the year.

Some of these overheads are of a non-recurring nature. The initial expenses of the amalgamation and the cost of the capital payment to the Lilley & Skinner shareholders led to heavy borrowings during a year when the bank rate and the interest rates which follow it have been exceptionally high. The opportunity has been taken also during the first year of the amalgamation to bring the accounting years of the various companies into line, and so far as the Lilley & Skinner companies are concerned the Accounts cover a period of 51 weeks only. As the process of integration and rationalisation goes on certain of these overheads will be substantially reduced, and a fall in them is to be expected in 1958.

NEW LEEDS WAREHOUSE

There are, however, certain expenses, such as interest charges, wages and rates, control of which is largely out of our hands. It is in the Company's manufacturing interests in Kilmarnock and Leicester that the burden of these increased overheads, and especially of increased wages, has been most severely felt. In an industry as intensely competitive as ours profit margins are narrow, and wage increases cannot be added to retail prices if sales, and consequently full production in the factories, are to be maintained. Our aim is to peg and if possible reduce our prices and since we are not prepared to lower the quality of the shoes we are taking active steps to increase the output and efficiency of the factories beyond what has already been achieved. Plans are in hand now to distribute the manufacture of shoes between the Company's factories in the United Kingdom in such a way that the best use is made of the knowledge and experience, and of the plant itself, in each factory.

Although credit restrictions have made it necessary to limit or postpone some of the developments envisaged when the amalgamation took place, there is one major project which we intend to carry out right away. This is the building of a new warehouse at Leeds. The increase in the number of shops over the last few years has made the existing warehouse accommodation inadequate, and it is not well situated geographically to give as economical and efficient a service to the branches as we would wish. A modern warehouse has therefore been planned which will occupy a site near Leeds, and will supply the Company's shops in the Midlands and the northern part of the United Kingdom, while the Lilley & Skinner warehouse at King's Cross will supply those in the south. The new warehouse, which should be ready for occupation early in 1959, will incorporate the latest methods of mechanical handling and storage of goods, and, apart from the improved service it will give to branches, should in itself provide a substantial saving in running costs.

Your Company met with disappointing results in both the overseas manufacturing subsidiaries in South Africa and Australia. Difficult trading conditions in both these countries have been experienced during the past year but visits have been paid to both factories by Directors and senior executives of the group to investigate these conditions and steps have been taken now to ensure that the most is made of the capital invested in the two countries.

NEW BRANCHES AND EXTENSIONS

Your Directors believe that the difficulties to which I have referred are temporary only, and are no reason to alter the forecast I made a year ago that in the long run the amalgamation will be beneficial to everybody connected with Saxone, Lilley & Skinner (Holdings) Limited. It has been a year of great activity in the group. New shops have been opened by Saxone in Strand, London, and in Leicester and Bristol, and important and profitable extensions were made to many existing shops. Saxone have also opened since December 31st three very fine branches at Portman House, Oxford Street, London, at Brixton and at Birmingham, and have established three new shoe departments in department stores. Lilley & Skinner opened new shops in Exeter, Chelmsford and Sutton. A new site in a prominent position in the centre of Ealing has been purchased for development and the building which is planned for it will include a new Lilley & Skinner shop. A comprehensive programme of modernisation is well under way and includes extensive alterations and a new shop front to Lilley & Skinner's branch at 358 Oxford Street which is still the largest shoe store in the world.

In addition to these extensions to the Company's trading activities very considerable reorganisation has been going on within the group, and considerable planning for the future has been undertaken which will enable full advantage to be taken of the amalgamation and of the separate knowledge and experience which each company can contribute. The technical exchange of information has proved most valuable, particularly in the fields of manufacture, to which I have already referred, and merchandising. Care has been taken during the past year, and particularly during its second half, to ensure that the Company begins 1958 with clean stocks and is well placed to meet the new fashion trends in women's shoes which are known to exist. Your Directors believe therefore that if general trading conditions in 1958 show no marked fluctuation, the end of last year will mark the beginning of an upward trend in your Company's fortunes.

There are no other items in the consolidated profit and loss account which require special comment, but I should like to draw attention to the very large amount set aside for depreciation, of £238,507, to which should be added a further appropriation of £30,000 which appears later in the profit and loss account. The cost of maintaining a high standard of shop fittings is ever increasing in these days of inflation. We are sure that the expenditure incurred on these assets is well justified by the sales which they encourage, and by the comfort and service to customers which they offer, but we are equally sure that the cost of maintaining them should be found from profits retained in the business and warrants a large appropriation.

DIVIDEND

Your Directors have given careful consideration to the rate of dividend payable on the ordinary shares and in view of all the circumstances of the year have felt justified in maintaining the total distribution at the same rate as last year, of 22½ per cent. Accordingly they have declared a second interim of 15 per cent which will take the place of the final dividend ordinarily paid at this time of the year.

The balance sheet again compares the assets and liabilities of the present group with those of Saxone Shoe Company Limited only for 1956 and a large increase in the various items in the balance sheet is therefore to be expected. It is perhaps worth reminding you that the current value of the freehold and leasehold properties is substantially in excess of £8 million.

I referred last year to the staff and employees and the very great contribution which their goodwill and loyalty make towards the Company's success. That I do so again is not merely a conventional expression of thanks. The friendliness and enthusiasm with which all members of the staffs of the two companies have co-operated during the past year has been a most happy feature of the amalgamation. There is no doubt that with such willing support on all sides the steps which have already been taken and planned for the future well-being of the Company are assured of success.

JAS. WILLIAMSON & SON

GREATER EFFORT FOR LESS REWARD

INTENSIFIED COMPETITION

LORD PEEL'S STATEMENT

The twenty-seventh annual general meeting of Jas. Williamson & Son, Limited, was held on April 16th at Lune Mills, Lancaster, The Right Honourable The Earl Peel (chairman of the company) presiding.

The Secretary (Mr L. Beswick) read the notice convening the meeting and the report of the auditors was read by Mr R. W. Gorman, FCA, of Messrs Viney, Price and Goodyear.

The following is the Statement by the Chairman, which had been circulated with the report and accounts for the year ended December 24, 1957, and was taken as read:

In common with many other enterprises our experience in 1957 was one of greater effort for less reward. This was due to intensified competition between firms and products and to the steady rise in wages with its reflection in overhead expenses and the manufactured materials which we buy.

NET PROFITS AND ALLOCATIONS

Net profits for the year to December 24, 1957, before taxation, were £714,629, which is a decrease of £154,786 when compared with the previous year. Charges for taxation on those profits in the Company's Profit and Loss Account are £431,304 which is 60 per cent (56 per cent last year) of the profit for the year. This higher effective rate of taxation arises in part from the penal rate of Profits Tax on distributed profits. Despite the reduction in profits for the year, the Board have maintained the policy, which they have followed for many years, of making a transfer on a calculated basis from taxed profits of the year to Plant Replacement Reserve in the sum of £65,000. You will recall that in my statement to you in 1955 when profits were higher I said that we felt it right that the stockholders should receive some benefit in those circumstances. On the results for 1957, the Board now recommends the payment of a Final Dividend of 6 per cent on the £1,996,272 of 10s. Ordinary Stock and on the £665,424 of 10s. "A" Ordinary Stock, less Income Tax at 8s. 6d. in the £, making a total of 10 per cent for the year, and after setting aside an amount of £100,000 for transfer to General Reserve, leaving £45,612 to be carried forward to next year.

FLOORCOVERING AND COATED FABRICS

On the floorcovering side, competition in our conventional lines has been intense as much fresh productive capacity from up-to-date machinery has been brought into operation, while prices have been held at a very low level in relation to the capital employed. The result has been concentration on design and quality—fields in which we are capable of holding our own against all comers. The advent of new products, heavily advertised, has intensified the struggle and is being met by wider publicity on our part, with the object of familiarising buyers with the merits of our products and our own ability as manufacturers.

On the coated fabrics side of our business, our wallcovering Dadolin has made considerable progress, while Lionide, the name we adopted twelve years ago for our vinyl-coated material, has come to be recognised as one of the leaders of high-quality leathercloth and has commended itself to a wider circle of users by the attractive range of effects and colours in which it is now available.

RESTRICTIVE POLICIES OF OVERSEAS COUNTRIES

While our efforts have increased our turnover in both the above fields, our overseas task has been rendered more difficult by restrictive policies on the part of several overseas countries, designed either to conserve their resources in foreign exchange, or to support the establishment of floorcovering or leathercloth industries within their own frontiers. The impact of such protective measures is often sudden and, when a large market is concerned, may well involve us in a drop in the value of sales which it is hard to recoup in any other foreign market, owing to our already widespread export endeavours.

It is a matter for some satisfaction that in these circumstances the value of our total turnover increased over the year. This is not only the result of vigorous selling but is also some reward for the expenditure on new plant over the last ten years, and of continuous improvement in manufacture. As a measure of what has been done, the average figure of capital expenditure over the past five years is £316,282 per annum, and you will note, as an indication of our policy to continue the modernisation and replacement of plant and buildings, that as at December 24, 1957, we have commitments to the value of £350,243.

INCREASED LEATHERCLOTH BUSINESS

Last year I made mention of the integration of The Leather Cloth Company business with that of Williamsons. During 1957 sales have been combined in one Leathercloth Division with the result that increased and more widely-spread business has been secured. Further, the Cotton Mills of the two companies have now been concentrated in the Bath and Greenfield Mills in Lancaster and, whilst cloth production from our own mills was lower this year owing to the disruption caused by the changeover of machinery and the transfer of the Leather Cloth Company's automatic looms, considerable savings are expected in future years from the modernisation of this section of our manufacturing plant.

There is a theory, widely held and much canvassed of late, that inflation can be fought by Industry holding the prices of its products and accepting profits continually reduced by increased overheads to which the Nationalised Industries contribute in no small way. This theory rests on the tacit assumption that Industry has been making and retaining too large profits in the past. We, and the Linoleum Industry as a whole, have certainly not done so and, indeed, need to earn larger profits if we are to secure the money we require to reinforce our competitive capacity and continue our progress at home and abroad. We are well equipped to take advantage of all available opportunities, but our success in 1958 and the years that follow must be qualified by the results of the financial and economic measures now being taken by the Government.

RETIREMENTS FROM THE BOARD

You will observe from the Directors' Report that Mr F. E. Winmill has expressed his wish to retire from the Board this year. Mr Winmill joined the Company in 1931 and was appointed to the Board in July, 1938. He retired from the executive position of Commercial Manager in 1946, but has continued to give us the benefit of his experience as a non-executive director since that date. Mr J. A. Black, who joined the Company in 1931, and who was appointed a director in 1946, also leaves the Board on retiring from his position as Chief Buyer on March 31st. I am sure that it will be your desire that I should express here our appreciation of the loyal service rendered to the Company by both these gentlemen for over twenty-five years and wish them a long and happy retirement.

In conclusion I should like to thank, on your behalf, the Management, the Staff and all employees of the Company for their loyal support during the past year.

The report and accounts were unanimously adopted and the dividend, as recommended, was approved.

The retiring director, Mr H. Priestley, was re-elected, and the remuneration of the auditors, Messrs Viney, Price and Goodyear, having been fixed, the proceedings terminated.

SUN INSURANCE OFFICE LIMITED

A YEAR OF SUBSTANTIAL PROGRESS

TOTAL PREMIUM INCOME EXCEEDS £20,000,000

MR C. G. RANDOLPH'S STATEMENT

In his statement to Shareholders Mr C. G. Randolph, the Chairman, drew attention to two changes in the Board. Mr J. R. Abbey had resigned and Mr G. J. A. Jamieson had been appointed in June.

They had heard with profound regret of the death of Mr H. B. Watts in a motor accident while on an official visit to Tasmania little more than a year after his appointment as Manager for Australia. Mr H. G. Foord, Agency Manager at Head Office, had been appointed in his place.

FACTORS AFFECTING THE BUSINESS

He believed that the capacity of the world insurance market was greater than was required to handle the volume of business available; the excessive competition so produced meant that there was a continual process of rate reduction and widening of the scope of the cover granted.

The problem of rising costs had been a source of anxiety since the war and he felt that their success in reducing the expense ratio in recent years was noteworthy.

The regulation of rates by state control, a feature of insurance business in certain overseas territories, greatly affected the results, particularly during periods of inflation. At present the business seemed to be in one of the cycles when losses were abnormally heavy and he thought that underwriting profits would probably remain meagre.

During 1957 a substantial increase in Fire and Accident income was obtained from all the principal areas of operation. The total premium income in all Departments increased from £18,171,206 in 1956 to £20,669,283 in 1957. This exceptional increase was due to a combination of circumstances and was not likely to recur.

FIRE ACCOUNT

The increase in income of £791,869 compared with one of £447,498 in 1956. The comparative figures were:—

	1956	1957
	£	£
Premiums	8,441,339	9,233,208
Claims	4,202,284	4,349,160
Profit	579,309	777,758
Ratio of profit	6.86%	8.42%

At home the experience had improved, though there had been several very large fires. In the United States an improvement had also been shown, but underwriting conditions continued to be extremely difficult. In Canada there had been a further deterioration and in New Zealand losses had been heavy. Elsewhere, their overseas results generally had been satisfactory.

ACCIDENT ACCOUNT

An increase of £1,619,306 had been secured and the comparative figures were:—

	1956	1957
	£	£
Premiums	8,476,333	10,095,639
Claims	4,782,502	5,552,805
Profit	400,642	310,148
Ratio of profit	4.73%	3.07%

The additional income was well spread although the Motor account showed the greatest expansion. This class continued to cause concern. In this country rationing of petrol had brought about a temporary improvement but the toll of accidents had now again risen. Through a subsidiary a varied portfolio of transit risks, including goods by road, was transacted; this was a difficult class and results had been adverse in 1957.

MARINE ACCOUNT

Premiums had increased by £86,902 and the comparative figures were:—

	1956	1957
	£	£
Premiums	1,253,534	1,340,436
Fund at the end of the year	2,216,854	2,330,396

In the hull account there had been a number of heavy casualties and the underwriting outlook was not encouraging. Competition on the cargo side had become more intense. After transferring the sum of £50,000 to Profit and Loss Account the amount remaining in the Fund was equivalent to 173.85 per cent of the premiums.

PROFIT AND LOSS ACCOUNT

The transfers from Revenue accounts totalled £1,137,906.

It had been decided, now that pension plans for overseas staff were fully operative, to adopt uniformity by showing the total cost of pension arrangements in the Profit and Loss Account; the figure amounted to £400,000. It had also been thought desirable to strengthen the Foreign Exchange Account by a transfer of £150,000.

The income from Interest, Dividends and Rents had expanded satisfactorily and the total, before deduction of Income Tax, amounted to £1,222,335 against £1,106,761 in 1956. The book value of investments stood at £24,264,299.

The Directors recommended a final dividend of 4s. 3d. per share, less tax, making a total of 6s. 9d. per share for the year against 6s. 6d. for 1956.

The Chairman concluded by thanking the staff, Advisory Committees, Local Directors and representatives of the Office at home and overseas for their ready co-operation and hard work.

THOMAS TILLING LIMITED

(INDUSTRIAL HOLDING COMPANY)
Comprising 22 Principal Companies

Insurance, Textiles, Engineering, Building Materials, 'Pyrex' Glass, Car Distribution, Electrical Equipment, Hire Purchase Finance, Publishing and many other interests

"WE CONSTANTLY SEEK WAYS OF GOING AHEAD"

"WE ARE NOT INTERESTED IN THE BLUES"

MR W. LIONEL FRASER
CHAIRMAN

The Sixty-first Annual General Meeting of Thomas Tilling, Limited, will be held on May 15th at Crewe House, Curzon Street, London, W.1.

The following is an abridgement of the review by the Chairman, Mr W. Lionel Fraser, C.M.G., which has been circulated with the Report and Accounts for 1957:

NEW DIRECTOR

Mr Graham G. Thompson, who joined us at Crewe House in 1956, with a wealth of financial and industrial experience, has been appointed to the Board as an Executive Director. He is doing valuable work, the results of which cannot fail to be beneficial.

EXPRESSION OF THANKS

I am continually inspired by the dedicated service rendered by all at Crewe House, from the Managing Director, Mr Peter Ryder, and his colleagues in the Higher Management, to those who work in the various departments, Accounts, Estate, Legal, Pension, Registration and Secretarial. I am equally impressed by the support we receive from our Subsidiary and Associated Companies. I salute them all, as well as my fellow Directors on the Board of the Parent Company, and once again express to them my unreserved appreciation.

FINANCIAL COMMENTS AND RECOMMENDATIONS

The proportion of the 1957 profit before tax of £2,894,388 attributable to Thomas Tilling, Limited, was £1,984,311. This compared with £1,675,455 for 1956.

The consolidated profit for the year 1957 attributable to Thomas Tilling, Limited, as shown by the Consolidated Profit and Loss Account (after allowing for tax and the interests of minority shareholders) is £899,842, which is an increase of £85,157 over 1956.

Preference Dividends of £79,062 have been paid and an Interim Dividend of 6¼ per cent on the Ordinary Stock was paid on November 23, 1957. Your Board recommend the payment of a Final Dividend of 7 per cent, making a total of 13¼ per cent for 1957 (1956, 11¼ per cent).

The Chairman having given reports on the various Companies then continued:

GENERAL REVIEW AND PROSPECTS

Since my last report there have been some major changes in our investments upon which it would be well to enlarge. We sold at a good profit our holding in Hawker Siddeley resulting from our investment in the Brush Group, Limited, and we also disposed of our minority participation in E. R. Holloway, Limited, mostly to the family. With sadness, we parted with our interest in Daimler Hire early in 1958, and, in addition, we turned into cash on satisfactory terms our flats and garages in Rutland Gate. These transactions will ultimately yield a sum well in excess of £2 million, though, in fact, the Accounts now published only fully reflect the Hawker Siddeley and the property operations, representing about one half of that amount.

The significance, of course, is that these funds can be put to work, either in new investment, such as in the three new Companies welcomed earlier in this Review, Hibbert & Buckland Ltd., VW Motors Ltd., and Holyrood Knitwear Ltd. or they can be used to meet the calls on us from our existing interests for additional funds, in either case with likelihood of much more remunerative returns than those obtainable if we had not taken these steps. Let me make it clear that ordinarily we invest to keep—indeed that is one of our basic tenets. Needless to say, we took great trouble in these changes to carry all parties with us and enjoyed their full co-operation and agreement.

Once again it is gratifying to be able to present a favourable report, and as I am happy that our basis is firm, our friends true, our businesses robust, it is reasonable for me to express confidence and indeed to repeat my statement of last year that Stockholders should have no cause for disappointment in our future. Aware as I am of the ups-and-downs in business activity and the changes in world atmosphere that take place, I do not hesitate to say that our Family of Firms, founded as it is on friendship and efficiency, is fulfilling, and will continue to fulfil, the hopes we place in it. I say this in all modesty and in gratitude for the support your Directors receive alike from Stockholders, and other friends who have watched the birth and development of a new idea now thoroughly established. Like others we could not avoid the effects of a downward turn in economic conditions but the diversification of our interests provides us with a good measure of insurance.

Lately, we in this country have had to submit to a surfeit of negative forecasts about coming events from all sides, but has there not been too much singing of the blues? Have some people, I wonder, been spending too much time in gloomy predictions instead of vigorous counter-measures? In Tillings we constantly seek to find ways and means of going ahead, and of strengthening our businesses for the building of progress with prosperity. We are not interested in the blues. In our endeavours we count on the full support of our colleagues who manage our underlying Companies, and we on our part ever remember our responsibilities towards them. Tillings is growing and this is demonstrated by the Record of Growth for the last nine years. Many knock at our door for entry but we are very selective.

We believe, and we derive encouragement from our belief, that our Group of Companies performs a rare and beneficial service to the community.

If you are interested in obtaining a copy of the Report and Accounts please write to The Secretary, Thomas Tilling Limited, Crewe House, Curzon Street, London, W.1

TELEGRAPH CONSTRUCTION & MAINTENANCE COMPANY

The ninety-fourth annual general meeting of The Telegraph Construction and Maintenance Company Limited will be held on May 15th in London.

The following is an extract from the circulated statement of the Chairman and Chief Executive, Sir John Dean, BSc, ARIC, FIRI:

The Group Profit for the year before taxation, £626,274, is 26 per cent above that for the previous year. Turnover showed a very slight increase over that for 1956 but, in making this comparison, it must be borne in mind that the price of copper fell from £260 per ton in January to £180 per ton in December. This means an increase in volume of turnover of nearly 10 per cent. Exports, too, have been well maintained and similar remarks apply.

Your Directors have decided to recommend a final dividend of 3¼ per cent as for 1956, but to increase the cash bonus from 1 per cent to 2½ per cent.

Despite extremely difficult trading conditions the Cables Group has succeeded in attaining a moderate profit.

The Metals Group has again made a most valuable contribution to the profits of the year and the Plastics Division has had a very successful year.

Toolpro Limited. Output was substantially increased and profitability maintained.

Speaking generally, the Company may be considered to have concluded a most satisfactory year in the light of current conditions.

HENEKEYS LIMITED

ANOTHER SATISFACTORY YEAR

The thirty-eighth annual general meeting of Henekeys Limited was held on April 23rd in London, Sir Bernard D. F. Docker, KBE, JP (the Chairman), presiding.

The following is an extract from his circulated statement:

As I forecast last year we have had what I think is another satisfactory year—the profits before taxation being up by £12,387, and we have recommended an additional 1 per cent to the dividend.

The Lease of our Hammersmith Branch expired two months ago. I am fairly sure we shall soon be offered another House by the Brewers concerned. We have acquired the tenancy of a branch at Ilford, which, subject to street widening schemes allowing, should be re-built.

During the year we have continued our policy of improving our Houses, and Camberwell, Richmond, Regent Street, Hounslow and Ramsgate have benefited in this way.

Turnover to date is slightly down in most branches, although our Head Office home delivery trade is up.

During the past year you may have seen statements in the press which may have led Stockholders to assume that offers to acquire the Company have been made. Although it is true that enquiries have been received there has been nothing in the nature of an offer, and there are no negotiations in progress.

A professional valuation of the Company's property placed a much higher value on our properties than the figures shown in the balance sheet.

The report was adopted.

SUEZ CANAL COMPANY

M. J. GEORGES-PICOT'S SPEECH

The Annual General Meeting of the Suez Canal Company was held on April 21st in Paris. M. J. Georges-Picot, the Chairman, speaking in French, said:

I cannot overlook the fact that the Report you have just heard falls far short of giving you all the explanations you would wish to [illegible] particular the all-important matter of compensation due to you.

It is unfortunately impossible for me, even in an address which is more personal than your Directors' Report, to tell you today anything more precise. I am sure you will understand and that you will be content for the time being with the following information: Your representatives met those of the Egyptian Government in Rome for the first time from February 19th to 22nd and a second time between March 31st and April 4th. Both delegations showed the greatest desire to arrive, if possible, and as quickly as possible, at an agreement acceptable to both parties. Delegates from the International Bank for Reconstruction and Development which, under the auspices of its President, is lending its good offices in these negotiations, made every effort at these Meetings to bring the opposing points of view together. I wish, in your presence, to pay tribute to the selfless work done by the representatives of this great international organisation.

These discussions, needless to say, clearly brought to light the wide gap between the respective points of view, not only as to figures but even more so in regard to the legal aspect or, perhaps more accurately, the very spirit in which the whole question should be approached. I do not think this will surprise you, and at the same time I hope it will not dishearten you.

SETTLEMENT OF A PROBLEM—THE CHOICE

It is my belief—and I want to convey it to you today—that in every sphere of the troubled world in which we live, but even more so when faced with a problem such as ours, dominated as it is by so many far-reaching political questions, it is necessary to know at every step how to choose between upholding certain principles steadfastly at the risk of postponing a settlement indefinitely and, without losing sight of these principles, making mutual concessions to reach agreement in the only way which is in fact possible. This is the choice you will no doubt have to make yourselves some day since your Directors have undertaken to report to you any proposed agreement or basis of arbitration before those negotiating on your behalf signify their final agreement.

We have given another undertaking in today's Report, that of calling you together to propose a distribution as soon as you are again free to dispose of your blocked assets.

Correspondence reaching me daily brings home to me how hard, and at times how distressing, it is for some shareholders to have had no dividend for nearly two years. I want to tell you that along with every member of the Board, I feel very strongly the necessity of putting an end to this state of affairs as soon as circumstances allow.

Will you also permit me to say once more how much I appreciate the solid support you have given your Board these last two years and the way you have shown your trust in your representatives during the period of trial which, I pray as eagerly as you do, may soon come to an end.

A translation of the Directors' Report and Accounts is obtainable from the London Office of the Company, 6 Bishopsgate, London, E.C.2.

The Times FURNISHING (HOLDINGS)

RECORD TURNOVER

The tenth Ordinary General Meeting of The Times Furnishing (Holdings) Limited, was held on April 24th in London, Mr Henry Jacobs (the Chairman) presiding.

The following are extracts from his circulated Statement:

Record turnover for the year to December 31, 1957, was achieved by both the Times Furnishing and Willerby Tailoring Groups. Profits are in excess of the previous year (£908,559 against £872,430).

Times Furnishing.—Turnover of this Group of 45 Stores rose by 14% and that of the *Willerby* Group of 65 Shops by 5%.

The increase in Fixed Assets is mainly represented by expenditure on new buildings and shop premises to provide Head Offices for *Times Furnishing* in St Marylebone, a Furnishing Store in Watford, an additional Tailoring Production Unit in Basildon and *Willerby* shops in Oxford Street, Sutton, Kingston, Cheapside, Hounslow, Finchley, Holborn, Putney and Walthamstow.

Capital commitments are for the rebuilding of the Furnishing Store in Market Street, Manchester, and a large new Store in Stratford, E.15.

The successful trading results are the outcome of the policy of supplying goods of high quality at competitive prices on reasonable credit terms. In spite of the increase in the Bank Rate, the charge for credit-service has remained at 5 per cent per annum.

The current year shows that trading figures are being well maintained.

The report was adopted.

FINANCIAL NOTICES

OTTOMAN BANK

(Incorporated in Turkey with Limited Liability).

NOTICE is hereby given that in accordance with Article 29 of the Statutes, the ANNUAL GENERAL MEETING of Shareholders will be held on Wednesday, May 14, 1958, at Winchester House, Old Broad Street, London, E.C.2, at 12.30 p.m., to receive a Report from the Committee with the Accounts for the year ending December 31, 1957; to propose a Dividend, and to elect Members of the General Committee.

By the 27th Article of the Statutes the General Meeting is composed of Shareholders possessing at least 30 shares, who to be entitled to form part of the Meeting, must deposit their shares at the chief office of the Company, Istanbul, or at any of the several branches or agencies abroad (in London at 18-22 Abchurch Lane, E.C.4, and in Paris at 7 rue Meyerbeer, 9ème) 10 days at least before the day fixed for the Meeting.

J. VASSALL ADAMS,
Secretary to the Committee.

23rd April, 1958.

THE CUNARD STEAM-SHIP COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the TRANSFER BOOKS for ORDINARY STOCK and PREFERENCE STOCKS will be closed from the 7th May until the 20th May, 1958, both dates inclusive.

By Order of the Board,
J. C. TOMLINSON,
Secretary.

Offices:—Cunard Building, Liverpool.
24th April, 1958.

EDUCATIONAL

EXPERT POSTAL TUITION

for Examinations—University, Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus—and for advice, mentioning examination or subjects in which interested, to the Secretary (G9/2),

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4.

SECRETARIAL TRAINING, especially for university graduates and older students. Six-month and Intensive 14-week courses.—Write Organising Secretary, DAVIES'S, 2 Addison Road, W.14. PARK 8892.

APPOINTMENT REQUIRED

MANAGING DIRECTOR (49), B.Sc.Tech., desires change; many years M.D. large manufacturers nationally advertised consumer/industrial goods; first-class organiser, leader, having drive and enthusiasm; fully experienced modern factory practice and administration; widely travelled in U.S.—Write Box 919

EXPORT Marketing Executive, considerable knowledge Common Market, senior positions manufacturers and advertising agencies, seeks change. Experienced in Market Research, Promotion, Sales Management and handling staff. Honours graduate, languages, age under 35.—Box 925.

BUSINESS AND PERSONAL

DON'T you often wish you could afford a brand-new Portable Typewriter, incorporating all the latest gadgets and in an attractive case? Here then, is how YOU can do just this, simply, economically and at remarkably low cost, well within everyone's reach — Write today for Leaflet 9117 [illegible] to:—

The City Ltd., 109, Waterloo Road, London, S.E.1.

AN *impartial* guarantee of workmanship and durability is the BEST KEPT MARK. Look for it on Phoenix bookcases—Britain's widest range. Free 28-page illustrated catalogue from Phoenix Bookcase Gallery (Dept. S), 36a St. Martin's Lane, London, W.C.2; or call.

A CAMERA OF QUALITY. The Swedish Hasselblad—Perfection. The best camera in the world, £244 19s.—City Sale & Exchange Ltd., 94 Fleet Street, London, E.C.4.

WHO are the best tailors in London? Try POPE & BRADLEY LTD., 35 Dover Street, London, W.1. Tel.: HYDe Park 5866.

A BARGAIN, £25.—For sale, Co. Regns. (Seal, Statutory Books). Guaranteed no trading, ready now. State trade wanted. BUSINESS ECONS (E/Sp.), 156 Strand, London, W.C.2. (Tem. 8377/2294). Also Seven-day incorporation service.

TELEPHONES, TELEPHONES, TELEPHONES for works and offices. We install and maintain for moderate rental. Communication Systems Ltd. TEMple Bar 4506.

HOW soon will man reach the moon? Why worry, when all the El Cid sherry is here on earth! (And the Fino Feria, too.)

The new international magazine,

"WESTERN WORLD"

brings NATO and the Atlantic World under the spotlight of informed criticism from journalists and politicians from the left, right and centre. The first forum for politically conscious people everywhere in the free world. "Western World" is produced by an international team for a large international readership.

The May issue includes debate "Which regime does most for the people?" (Paul Hoffman, Andre Philip and Palmiro Togliatti) and report on the magazine's London meeting on "Disengagement in Europe."

Published in Brussels, edited in Paris and Washington, "Western World" is obtainable each month, price 4s., from leading London bookshops; subscriptions taken by W. H. Smith & Son Ltd., or at 10 Wyndham Place, London, W.1.

OTHER CLASSIFIED ADVERTISEMENTS PAGE 365

LARGE British company with factories and agencies throughout the world is interested in contacting another British company with a view to expansion in Australia and Canada where management and land for building purposes are available. Replies will be treated in strict confidence.—Write 2241, Wm. Porteous & Co., Glasgow.

Invest in

CITY OF COVENTRY

Mortgage Loans

(TRUSTEE SECURITIES)

SIX PER CENT FOR TEN YEARS

Special terms will be quoted for loans of £10,000 and over.

For further particulars apply:

CITY TREASURER (C.), COUNCIL HOUSE, COVENTRY.

LE mercredi 30 Avril à 20h 15, le professeur Maurice Allais parlera, à l'Institut Français, 15 Queensberry Place, S.W.7, des théories Keynésienne et Néo-Keynésienne. Entrée gratuite.

UNIVERSITY OF LONDON: A lecture entitled "The Evolution of the General Agreement on Tariffs and Trade" will be delivered by Mr. E. Wyndham White (Executive Secretary of the General Agreement on Tariffs and Trade) at 5 p.m. on May 1st at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. ADMISSION FREE, WITHOUT TICKET.—James Henderson, Academic Registrar.

INDUSTRY AND OPERATIONAL RESEARCH

Conference at Harrogate

The Operational Research Society is to hold an open Conference at the Old Swan Hotel, Harrogate, on May 21 and 22, 1958. The theme of the Conference is "Aids to Decision Making."

This conference is particularly intended for industrialists who may wish to learn how operational research can assist in tackling management problems and providing aids to decision taking in the fields of industry and commerce.

The fee for the Conference will be £7 10s., to cover accommodation, on the night of May 21st-22nd, a reception and dinner on the evening of May 21st, meals on May 22nd, and conference papers.

Further details, and application forms, may be obtained from the Honorary Secretary of the Operational Research Society, 3rd Floor, 20, Albert Embankment, London, S.E.11.

APPOINTMENTS

SALES MANAGER (Textiles)

In the near future a leading Scottish Knitwear Firm of international repute will appoint a Home Sales Manager.

The position will carry attractive basic remuneration and offers excellent prospects. The man we want will be capable of selecting, training and directing a staff of [illegible]

[illegible] an up-to-date, well-planned, high quality, high price Sales Lay-out to Retail Outlets in the United Kingdom.

Detailed knowledge of the Women's and Men's Knitwear trade is desirable but not essential.

What is essential is proved success as a Sales Manager, complete integrity, appreciation of method, and the ability to work to a forward plan and enthuse his Sales Staff to do so.

A strong expansion Programme is about to start, and this is an exceptional opportunity for a qualified man—preferably 35/40—with drive and energy to build up a progressive and attractive career.

Please write to me personally, in strict confidence, giving fullest particulars of education, training, career to date, and your views for the future including your immediate and long-term financial requirements.

I hope to arrange preliminary interviews in London or in Scotland.

J. W. GALLOWAY, MANAGING DIRECTOR, BRAEMAR KNITWEAR LIMITED, HAWICK.

BRITISH PAPER and BOARD INDUSTRY RESEARCH ASSOCIATION of Kenley, Surrey, require a MATHEMATICAL STATISTICIAN for design and analysis of experiments and advice to the Industry. Age about 30 with general industrial experience. Full responsibility. Pleasant surroundings.—Write to the Director for details.

CHAIRMAN of large company 20 miles S.W. of London requires secretary-assistant with highest qualifications. Salary £18 per week; pension scheme; work varied and responsible; five-day week of which one in central London office. Fuller description of duties sent to qualified applicants before interview; preference to applicants not over 35; Chronological Statement of Education and experience essential.—Box 926.

COMPUTER PLANNING AND PROGRAMMING

BRITISH INSULATED CALLENDER'S CABLES, LIMITED

Invite applications for appointments in their Computer Department. Candidates will be required to assist Company staff in the investigation of Computer applications, and will be trained to carry out the necessary Computer programming. Applicants should have either experience in O. & M. investigation work or hold a degree in Mathematics.

Please submit applications in writing to:

THE WORKS PERSONNEL OFFICER,
Ref. 26/58/14,
B.I.C.C. LTD., PRESCOT, LANCS.
(Tel. No.: Prescot 6571.)

SHIPPING—A United Kingdom Company with extensive overseas interests is seeking to fill a *chief* executive's post in the Caribbean area. The candidate must have had top management experience in shipping, particularly shipping agency work, chartering, insurance and operation of coasters. He should be not less than 40 years old, and should preferably have had some previous experience working abroad. Salary will be commensurate with the high responsibilities of the post; and it can be confidently stated that terms and conditions of service stand comparison with the best offered by other Commonwealth employers.—Box 924.

FORD MOTOR COMPANY LTD. invite applications for a post in Market Analysis and Product Research. Applicants should preferably be Economics graduates and have some knowledge of statistical techniques or market research. Above all they should be enthusiasts about cars or automotive matters. Some technical knowledge would be advantageous. Salary will depend upon ability and there will be plenty of scope for initiative.—Please write to Training and Recruitment Department (012A), Ford Motor Company Ltd., Dagenham, Essex, giving full details and quoting reference AMR.

UNIVERSITY OF BIRMINGHAM

FACULTY OF COMMERCE AND SOCIAL SCIENCE

Applications are invited for the post of ASSISTANT LECTURER or LECTURER in SOCIOLOGY, to begin duties on October 1, 1958, or as soon after that date as possible.

Salary scales: Assistant Lecturer £700-£850, Lecturer £900-£1,650, with F.S.S.U. and family allowances. The appointment will be made initially at a point on the scale according to qualifications and experience.

Applications (three copies), with the names of three referees, should be sent by May 22, 1958, to the Registrar, The University, Birmingham, 15, from whom further particulars can be obtained.

APPOINTMENTS

IBM UNITED KINGDOM LIMITED, manufacturers and distributors of Punched Card Accounting Equipment and Electronic Data Processing Machines, require men of outstanding ability, capable of meeting and working with senior executives. They is intensely interesting work concerning the investigation of accounting, computing, book-keeping methods and systems, the preparation of reports and proposals and the supervising of installation or recommended machine accounting systems. In other words, this is a specialist consultant's job.

Vacancies should be under 35, preferably with a degree or professional qualification or with a wide experience of commercial and/or industrial systems and methods. No experience in a large Punched Card installation. Recent graduates without experience will, however, be considered.

Up to two years training is given and good salaries based on proved earnings and needs are paid during this period. [illegible]

[illegible] successful candidates will be in the high income group. Vacancies exist in the London, Birmingham, Manchester, Newcastle and Scottish areas, and applicants for the next course beginning mid-1958 should write, giving full particulars of education, qualifications and experience (with recent photograph, returnable), to the Personnel Manager, 101 Wigmore Street, London, W.1, quoting reference DPT/AM 5871.

MANCHESTER CORPORATION TRANSPORT DEPARTMENT require CHIEF ACCOUNTANCY (Qualified), preferably with considerable experience of transport accountancy. Salary £1,025/£1,300 per annum.—Forms of application returnable by Friday, May 23, 1958, and further particulars available from Town Clerk, Town Hall, Manchester, 2.

THE UGANDA COMPANY LIMITED

is appointing a

DEPUTY GENERAL MANAGER

to its organisation in Kampala.

Applicants for this important executive post should be between 30-35 with proved commercial and managerial experience. Excellent opportunity for man with sound trading knowledge and ability to interpret and act upon financial and accounting information. An attractive character is essential to play a leading part in the further development of this composite group whose assets exceed £4 million.

Remuneration around £3,000 per annum, plus free housing, medical facilities, car and entertainment allowances, etc. Married or single. Three months paid overseas leave with passages in alternate years. Contributory pension scheme.

Full details of experience, which will be treated as strictly confidential, to:—

THE UGANDA COMPANY, LIMITED,
16 BYWARD STREET,
LONDON, E.C.3.

MARS LIMITED, the well-known confectionery manufacturers, invite applications for the post of Market Research Officer (Trade Research). The successful candidate will be responsible for the detailed planning of all research concerned with the distribution and sales of company products and services. He will also be required to work with the Statistical Department on the preparation of reports on distributive research.

Candidates should be between 23 and 30 years of age, be graduates in economics (preferably with statistics as a subsidiary subject) and be car owners. Previous experience in an economics/forecasting department, a real understanding of sampling theory, and an interest in helping to produce and interpret statistics are also desirable qualifications.

The post carries an initial salary in the range of £850 to £1,250 per annum, plus a generous non-contributory pension, life assurance and sickness scheme.

Applications, stating age, education and experience, should be addressed to the Personnel Officer, Mars Limited, Dundee Road, Slough, Bucks.

YOUNG GRADUATES

with some experience of

MARKETING OR MARKET RESEARCH

should apply for a progressive post in a newly created department in a Group of Companies manufacturing a wide range of industrial rubber and plastic products, with an increasing interest in consumer markets. Tabulated details of education, experience, etc., will be treated in strict confidence by:—

Group Personnel Officer (Ref. MR), B. T. R. INDUSTRIES Ltd., Herga House, Vincent Square, London, S.W.1.

MARKET RESEARCH—An experienced Market Research Executive is wanted for a senior post in a major London Advertising Agency. A sound knowledge of statistical methods in Market Research and experience in devising, organising and interpreting consumer surveys are essential. The man or woman chosen will be expected to work very much on his her own, assuming complete responsibility for Research work on a group of important National advertising accounts.—Applicants should write in confidence stating age, experience and salary required, to S. G. Abbott, Research Department, F. C. Pritchard, Wood and Partners Ltd., 25 Savile Row, London, W.1.

GRADUATES are invited to apply for interesting good progressive post as Personnel Assistant to Managing Director of Pharmaceutical Manufacturing Company. Young man under 30 with good degree, preferably Arts, should possess initiative, organising and administrative ability; should write fully and in confidence, quoting Ref. AV, to Box 923.

University of Bristol

Applications are invited for the post of Research Assistant in Accounting within the Department of Economics. Candidates should be graduates with some accounting experience but applications from persons about to graduate will be considered. Salary within the range £600 to £700 per annum, according to qualifications. —Further particulars may be obtained from the Registrar, The University, Bristol, 8, to whom applications should be sent by May 12th.

APPOINTMENTS

MSL have been retained to advise on the appointment of a

MANAGING DIRECTOR

for the British subsidiary of an overseas company manufacturing high quality specialty steels. Present turnover of this comparatively young company exceeds £12 million.

The Managing Director will play an important part in the development of the British subsidiary which is about to embark on a programme of development.

Candidates must have an engineering or science degree, preferably in metallurgy, and have at least 10 years' experience selling stainless, tool and other speciality steels. They should also have general management experience and be familiar with warehouse operations and accountancy. Works experience is also desirable. Age 30 to 50.

Minimum salary £3,500.

No information will be disclosed to our clients until candidates know their identity and have given permission after personal discussion. Please send brief details in confidence, quoting reference S.927, to P. J. H. Fryer.

MANAGEMENT SELECTION LIMITED
17, Stratton Street, London, W.1.

SEALE-HAYNE AGRICULTURAL COLLEGE, Newton Abbot, Devon.

Applications are invited for the post of LECTURER or ASSISTANT LECTURER IN AGRICULTURAL ECONOMICS and FARM MANAGEMENT from persons with a degree in Agriculture and some training or experience in the field of Agricultural Economics, or a degree in Economics with a good background and interest in Agriculture.

The duties will include lecturing in Agricultural Economics and Farm Management to diploma and post-graduate students and the preparation of material for farm classes and seminars.

The salary scales are £850 x £50—£1,200 for Lecturers and £600 x £30 to £850 for Assistant Lecturers. The appointment will be made to a grade and at a starting salary commensurate with qualifications and experience. Superannuation under F.S.S.U. Accommodation in College at a nominal charge will be available for a single person.

Applications to be sent to the Principal, together with the names of two referees not later than May 31, 1958.

BEMBRIDGE OF NEWCASTLE, a branch of the John Lewis Partnership, require an ACCOUNTANT, aged 35-45, experience in handling of staff, preferably with a good knowledge of departmental store accounting and control. Pay according to qualifications and experience but not less than £1,500 a year with prospects up to £2,000 a year. All workers are partners and share all profits, with good holidays, sick pay, shopping discount and non-contributory pension.—Applications, giving full details, to Director of Personnel, John Lewis Partnership, W.1. Letters must be received by May 6th, and those selected for interview will hear before May 24th.

MATHEMATICIAN

LAPORTE INDUSTRIES LIMITED invite applications from Mathematicians with experience of application of mathematical statistics to the solution of industrial and scientific problems.

The post offered is a new one involving investigation of problems of considerable variety and scope. It is expected that this appointment will give rise in due course to the formation of a Department which the successful applicant will be expected to build up and lead.

The appointment will operate from and in London and will command a high salary.

Applications, which will be treated in confidence, should quote Ref. LIL/LC2/11 and be addressed to the Laporte Group Personnel Manager, LAPORTE INDUSTRIES LIMITED, Hanover House, 14 Hanover Square, London, W.1.

UNIVERSITY OF CAMBRIDGE

Applications for the post of ASSISTANT in RESEARCH in the Department of Human Ecology, vacant from October 1, 1958, or as soon as possible thereafter. The person appointed will be expected to engage in research in the field of national and international vital statistics, and to give assistance with the design and analysis of a wide range of medical research projects. Applicants should be graduates in mathematics, mathematical statistics, or statistics; those expecting to graduate in the coming summer will be considered. Salary scale, £650 x £25 to £850, with superannuation benefits and family allowance where applicable.—Further particulars and information may be obtained from Dr. G. A. Gresham, Secretary of the Appointments Committee of the Faculty of Medicine, The Medical School, Tennis Court Road, Cambridge, to whom applications should be sent to reach him not later than July 30, 1958.

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(Designated College of Advanced Technology)

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Applications are invited for the new appointments of:

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2. Senior Lecturer in Production Organisation and Cost Control.

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5. Lecturer in Economics.

6. Lecturer in Personnel Administration and Industrial Relations.

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Applicants must be of graduate or professional status and have industrial experience corresponding to the specialisation of the post concerned. Salaries will be in accordance with the Burnham (Further Education) Scales for Colleges of Advanced Technology, viz., Senior Lecturers:—£1,350 by £50 to £1,550 (men) and £1,080 by £30 to £1,230 plus equal pay increments (women). Lecturers:—£1,200 by £30 to £1,350 (men) and £960 by £24 to £1,080 plus equal pay increments (women). In fixing the commencing salary, account may be taken of industrial, professional or research experience up to the maximum of the scales. Further particulars and forms of application from the Registrar, College of Technology, Suffolk Street, Birmingham, 1, on receipt of a stamped addressed envelope. Applications to be received within 14 days of this advertisement.

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(b) to teach Geography to B.Sc.(Econ.) special subject standard with preferably Economics as a subsidiary subject.

The salary scale for a graduate rises to £1,100 per annum, plus London Allowance of £36 or £48. Additional allowances are payable for a good honours degree and training where appropriate. The commencing salary will depend upon qualifications and experience and may include up to twelve increments in respect of approved industrial service. The posts are subject to superannuation and some concession in this respect may be made for previous industrial employment.

Further particulars and application form, to be returned by May 10, 1958, may be obtained by sending a stamped addressed foolscap envelope to the undersigned.

J. E. RICHARDSON,
DIRECTION OF EDUCATION.

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Applications will only be considered from persons with a wide knowledge and successful experience in the promotion and development of industrial undertakings including experience and contacts in at least one of the Principal commercial centres of the world. Applicants must have a sound knowledge of advertising techniques and have a reputation for drive and integrity which commands respect in the commercial field.

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Applicants are invited to apply by letter direct to the SECRETARY, PUBLIC SERVICE COMMISSION, P.O. BOX 1618, ACCRA, GHANA. All applications will be treated as confidential. Any applications received later than 6 weeks after the appearance of this notice will not be considered.

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(iii) Experience of punched card operating or of computer processing.

Training in programming the computer will be provided.

Apply briefly to the Staff Manager, Imperial Chemical Industries Limited, Plastics Division, Black Fan Road, Welwyn Garden City, Hertfordshire.

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UNIVERSITY OF MANCHESTER

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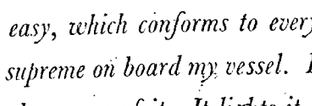
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Bus Stop (page 380).

The Ljubljana Quarrel

What are the implications of the latest argument between Moscow and Belgrade? (page 381).

Less Money from Oil

Shell and British Petroleum compared, against the less exciting prospects for big oil this year (page 421).

Lessons from Benelux
A customs union that works (page 383).

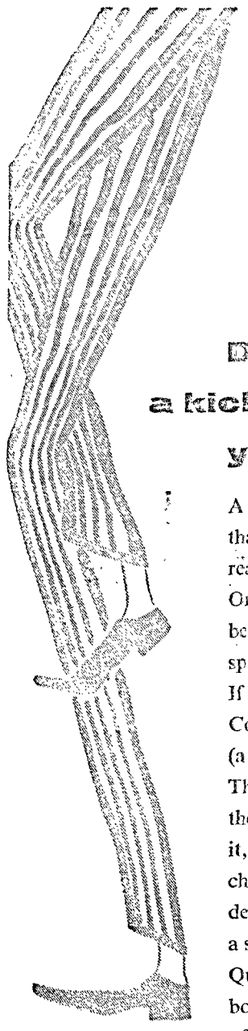
New Phase for Funding
"Vigorous funding" is the keynote of the Government's latest conversion offers (page 423).

Fishermen's Differences
A suggestion for partnership on the northern coasts (page 416).

Hemisphere's Poor Relations
Washington looks at Latin America's difficulties (page 403).

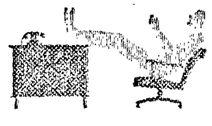
Indonesia without Solution
Is there intervention in the civil war? (page 413).

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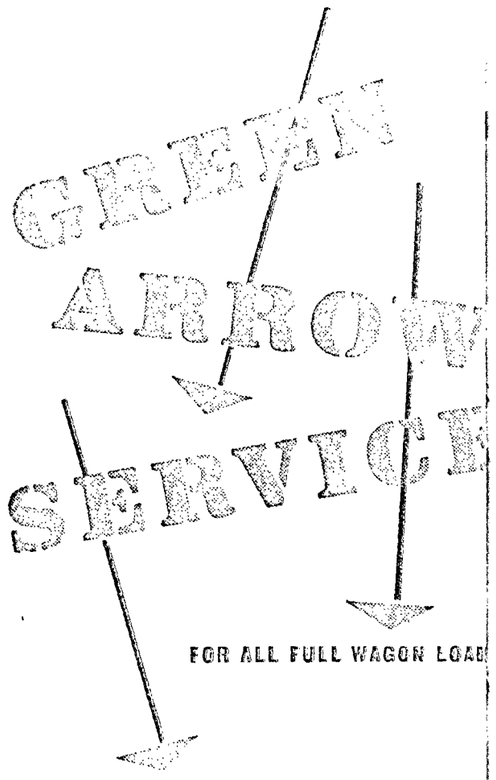
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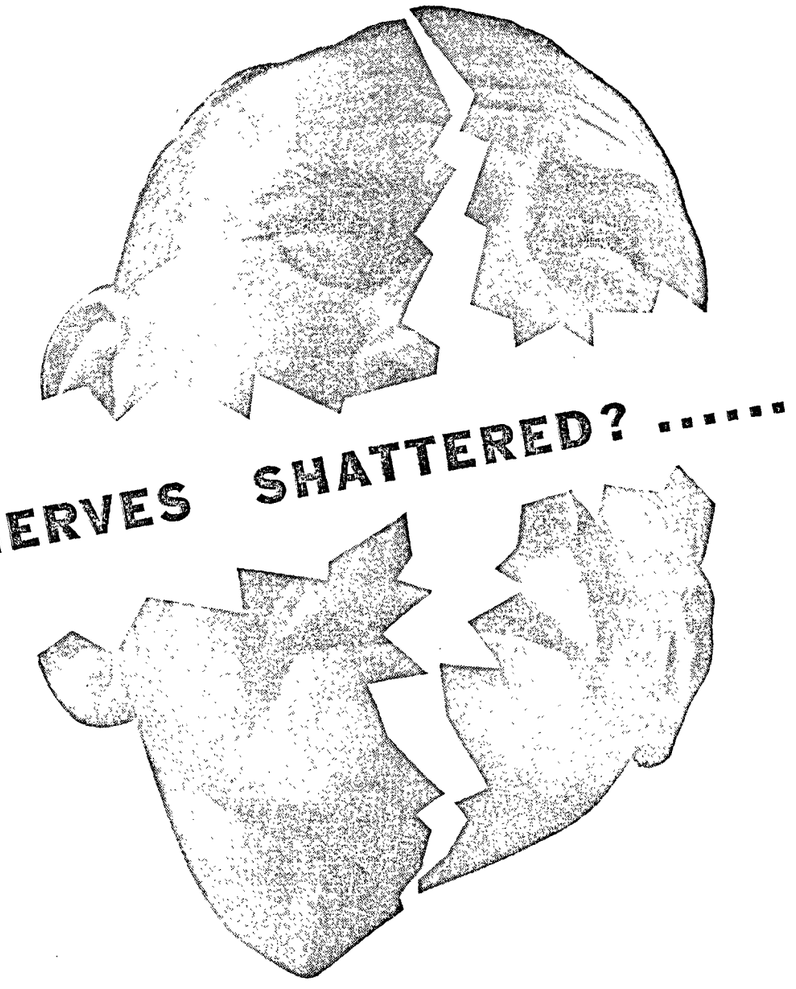
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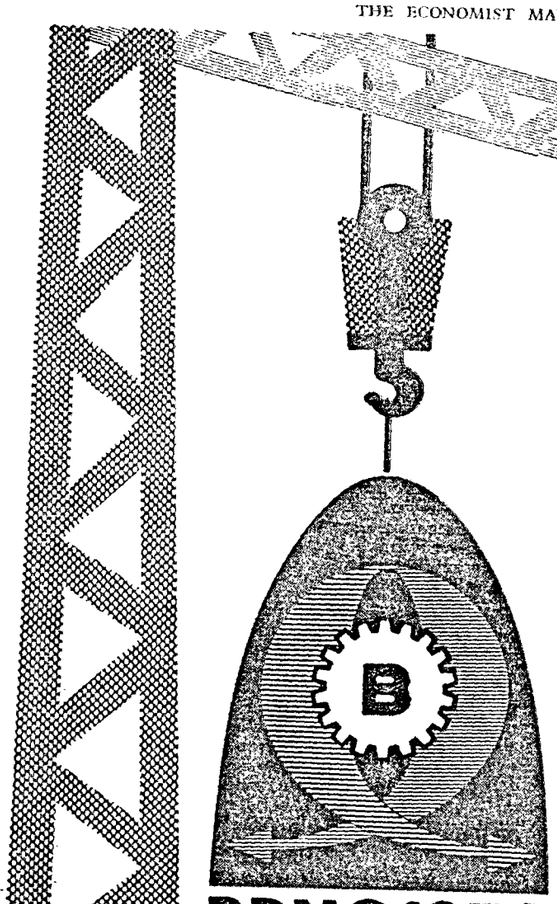
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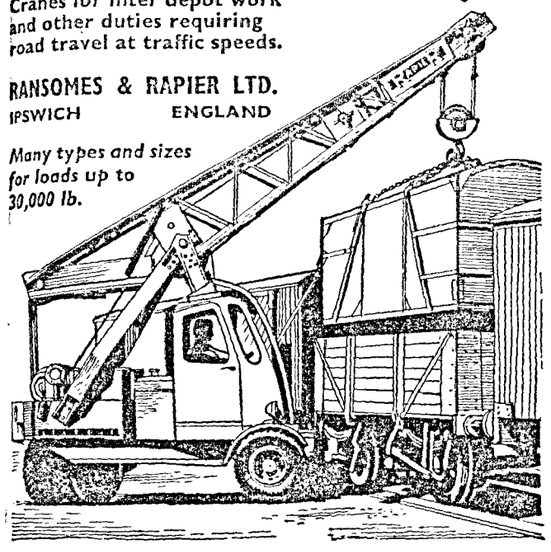
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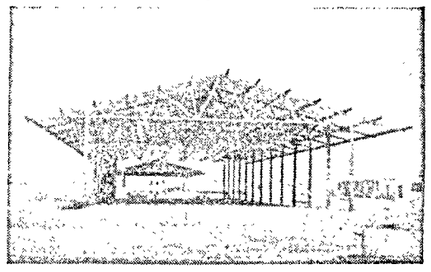
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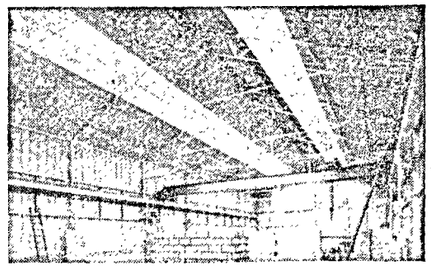
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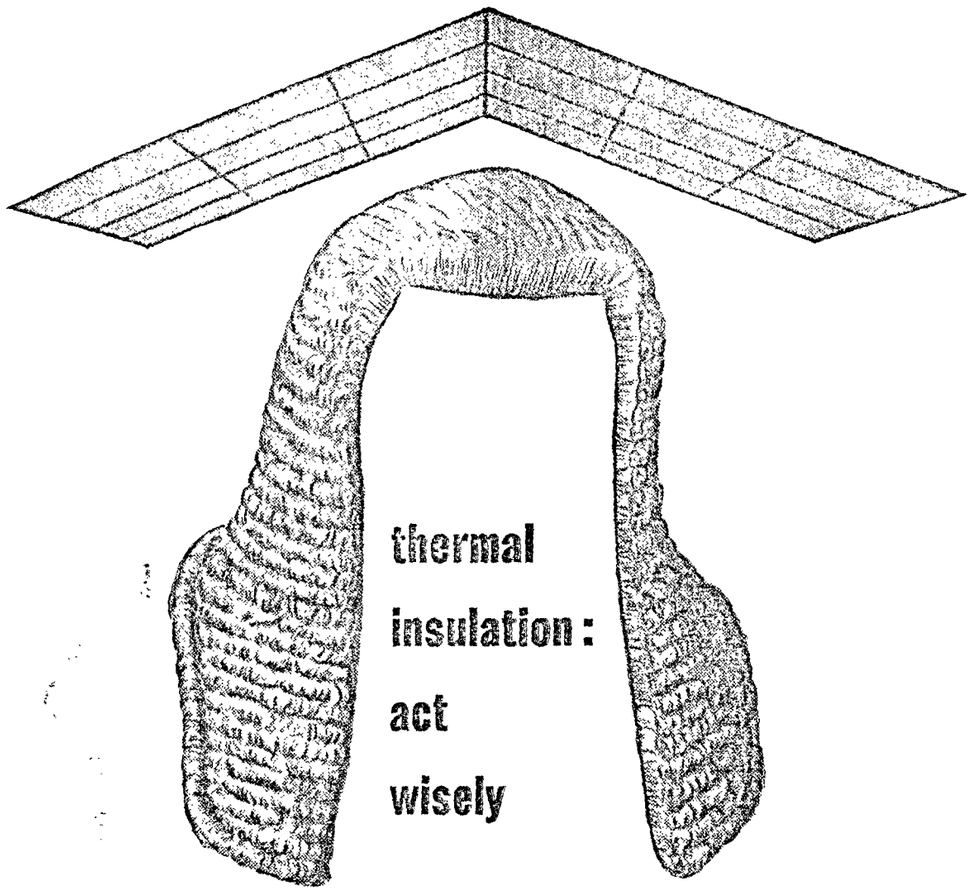
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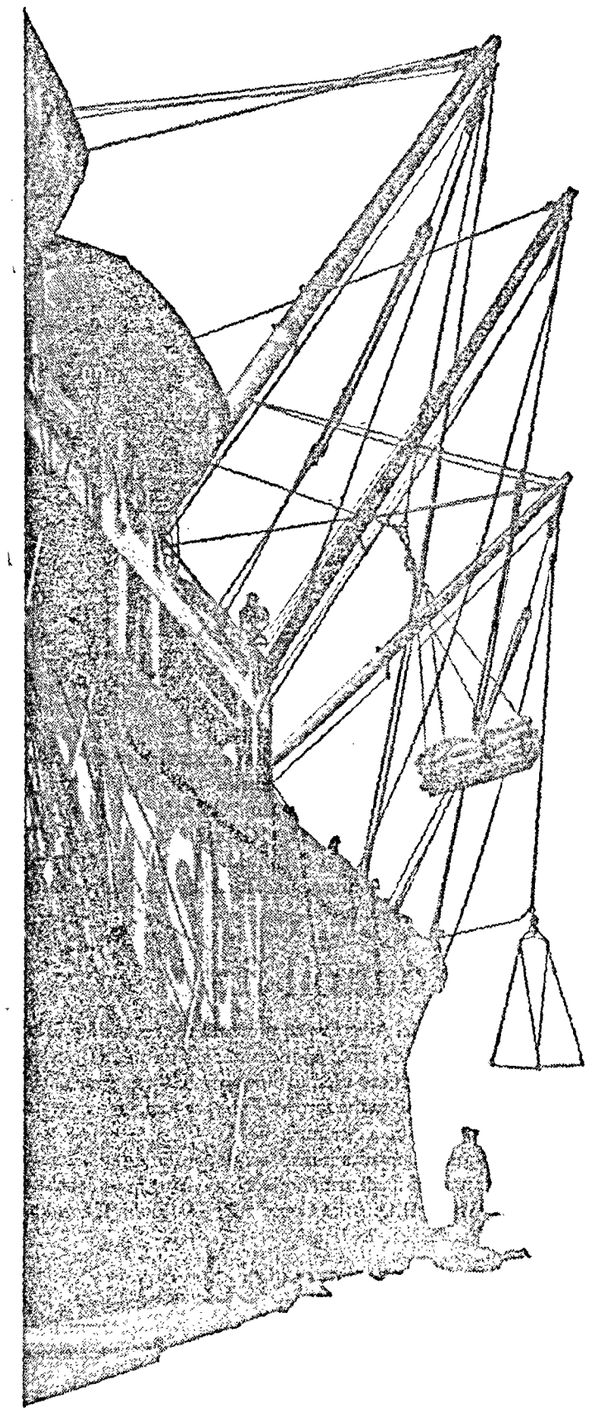
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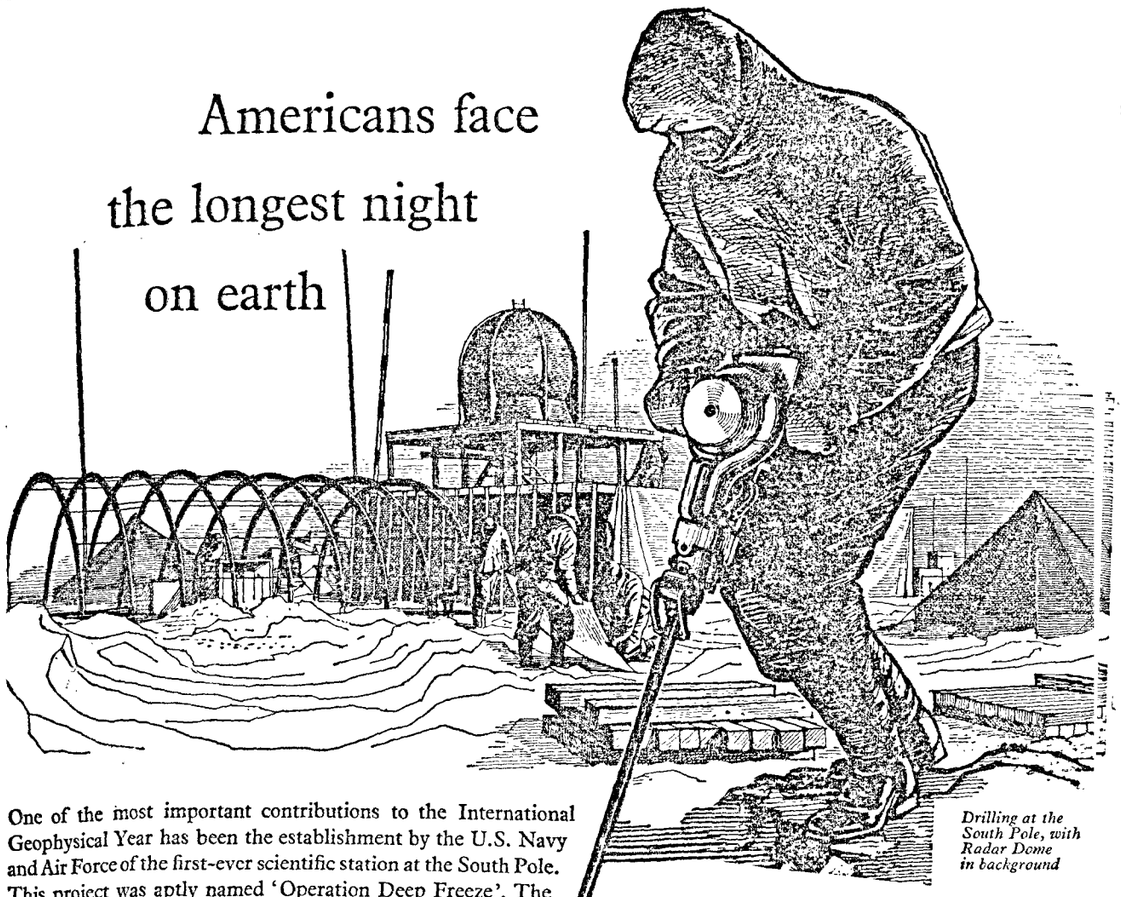
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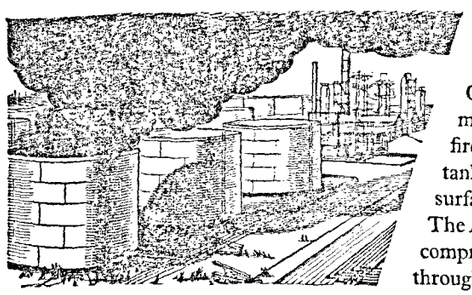
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One of the most important contributions to the International Geophysical Year has been the establishment by the U.S. Navy and Air Force of the first-ever scientific station at the South Pole. This project was aptly named 'Operation Deep Freeze'. The base, manned and operating since November 1956, stands on a high, featureless snow and ice plateau. Its object: to study some of the worst weather in the world—blizzards, 'white-outs' and temperatures of 102° F. below—all through the long six months of the Antarctic night.

For anchoring wireless masts and other drilling jobs it was essential to use a rock drill that was portable, reliable and easy to maintain—as well as being able to operate in the Antarctic cold at a height of 9,200 ft. The expedition chose the Atlas Copco 'Cobra', using Sandvik Coromant drill steels. The 'Cobra' is the lightest self-contained rock drill in the world. Weighing only 53 lb. with a built-in gasoline engine, it can drill up to 26 ft. per hour through granite.



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Appeal to America

"I AM strongly of the opinion that the time is now approaching, if it has not already arrived, for another forward move in international economic co-operation." Thus the Chancellor of the Exchequer in the budget debate. What Mr Amory meant was that Britain, the Commonwealth and Europe are soon bound to approach America with proposals for increasing (in economists' jargon) "international liquidity." What Mr Amory could not say was that this approach seems all too likely to fall on stony ground, that any deepening of the American recession later this year looks like finding the international monetary system still so starved of short term credit that other countries will have to resort to the sort of deliberate beggar-my-neighbour policies of restriction that characterised 1931-32. But a newspaper can say this, and the time has come when it ought to say it. This article is addressed to friends in America, in terms of genuinely friendly concern; the danger is that, unless the problem is frankly discussed now, an unfavourable march of events may soon cause the debate to be taken up in terms that are much more shrill.

Indeed, some would say, as Mr Amory suggested, that a major problem has "already arrived." To many thinking people on this side of the Atlantic, the most immediate political fact today is not the hydrogen bomb, which nobody looks like using. The most immediate political fact now is that productive power has recently been increasing more swiftly in the communist than in the free world, and this year the balance against the side of the angels is likely to be even worse; in many communist countries production may well increase by anything up to 10 per cent again in 1958, and in many democratic countries it is going, at best, to stand still. Now, Americans can justly argue that it may be worth the United States' while to tolerate a temporary interruption in its own industrial advance, if this serves to stop its price inflation; there may be an even better case, on the same domestic lines, for continuing temporarily to curb industrial expansion in Britain in order to check price inflation here. What is important for the free world's solidarity, however, is that when America or Britain decide to pause in their industrial expansion, other countries should, within reason, have at least as big a cushion as before the war to protect themselves from being forced to check their development also, or still worse to go into a recession at what will look to them like America's behest.

This cushion used to be provided by international gold reserves. At the end of the war everybody was saying that even those prewar reserves were too small; conferences were held at Bretton Woods and other places in order to discuss ways of increasing them. The speeches made at those conferences make strange reading in view of the figures today. For in 1937, total world gold reserves of just over $25 billion had underpinned total world imports of $27 billion, a liquidity ratio of nearly one to one; last year, total world gold reserves of just over $38

billion underpinned total world imports of $107 billion, a liquidity ratio not much greater than one to three. Moreover, outside the United States the decline in liquidity has been even more serious: from a gold liquidity ratio of more than one to two in 1937 to the desperately precarious gold liquidity ratio of not much more than one to six in 1957 (under $16 billion of gold reserves held outside America against some $93 billion of non-American imports). The simple reason for this thoroughly undesirable squeeze on liquidity is that since prewar days the dollar price of many commodities entering into international trade has trebled, while the dollar price of gold has stood still. If anybody had suggested before the war that this effective situation should be reached by a deliberate act of policy—by, say, cutting the real price of gold by two-thirds while leaving commodity prices stable—he would have been regarded as a madman.

The Price of Gold

ECONOMICALLY, therefore, there is now a very strong case for either (a) increasing the supply of the substitutes for gold which the world has necessarily created for itself in the last twenty years; or (b) increasing, perhaps trebling, the price of gold itself. The latter case is now effectively opposed mainly by America. This may seem rather odd, for the gold whose price the outside world would like to increase is, after all, a commodity of which America is by far the largest holder. But the Americans have two objections: one is that it might be difficult for them to sterilise the internal inflationary effects of a rise in the gold price; the other is that the Russians are large producers of gold and would benefit greatly from such a move. As America is the free world's leader, it may be right for other countries to defer to this latter argument, at least, without too much demur. But, in that event, the Americans should have an obligation to help to see that some substitute for gold continues to circulate in the squeezed exchange markets of the world.

In the usual process of free enterprise's adaptability, the world has, of course, created some such partial substitute for (or, rather, addition to) the role of gold during these last twenty years. This has taken the form of larger holdings of foreign exchange. In 1937 the central banks of the world held, in addition to $25 billion of gold, some $2½ billion of each other's currencies, as a sort of small change for international trade; by mid-1957, these "foreign exchange reserves" (virtually all held by countries other than America) had increased nearly tenfold, to over $23 billion. Together with the $16 billion of gold held outside the United States, this therefore lifted the non-American countries' total liquidity ratio (measured against $93 billion of imports in 1957) to not so very much less than the one to two ratio which they held before the war. That is how postwar international trade has been carried on. But a glance at two of the three main components of the $23 billion will show why there is

a fear of renewed liquidity crisis now: very briefly, t system has been underpinned, so far, first by American economic policy which the rest of the f world does not now feel sure will continue, a secondly (this is the most important development) a sterling area confidence system which was grievou hit by the events of last year.

Dollar Loans—What Sort?

CONSIDER first the problem of dollar exchange. (the $23 billion of international exchange reserv already mentioned, just over $8 billion at the middle last year consisted of dollar reserves held outside t United States. Until last year these reserves ha increased steadily—from under $3 billion in 1948 nearly $9½ billion at the end of 1956—because Ameri had more than covered the dollars it sucked in throug its current trade surplus by two compensating mov ments on capital account: by extraordinarily generou aid to, followed by wise investment in, the outsid world. In the first half of last year, however, this flo of dollars out of America was sharply reversed; it i true that the outflow has started again since then, rathe against the trend that might have been expected in time of American recession, but everybody in Europ is afraid that the dollar gap may reappear this autumn Moreover the current gap has been kept down in thes past few months only because most other countrie have slowed their production to keep in time with th slower American tune.

One way in which the United States could help t prevent a world liquidity crisis would be by continuing to close any mounting current dollar gap by increased aid or investment to the outside world. Indeed, i America rejects other suggestions this year, and if it recession continues, it is probable that this is what will be done in the end. The United States will not want to incur the great political odium of having exported any really serious and lasting depression to its allies, o the economic inconvenience of having forced other countries into measures of "reflation on their own" which would eventually involve them in greater dis crimination against dollar imports.

The choice is probably going to be between hastily devised stopgaps, thought up after a crisis, and more deliberate measures to increase the investment outflow of dollars now. There are several deliberate ways in which the direct flow of investment dollars to the outside world could now be increased. One suggestion which has received some publicity this week is that the World Bank might borrow more dollars on the American capital market—where interest rates are at present low—and plough them into other countries' dollar reserves on the nominal collateral of their internal investment projects, like Britain's atomic energy power stations. This sort of dollar investment would be better for everybody than no immediately increased dollar investment at all. But, of course, the nominal association of things like power stations with these loans would be a dubious gimmick, and there are other ways of attacking the world liquidity problem that would be much better.

Restoring Sterling's Function

CONSIDERATION of the "sterling exchange" problem may help to point to one of these better ways. The second component of those $23 billion of international foreign exchange reserves at the middle of last year was over $6 billion of overseas holdings of sterling. These sterling balances first made their appearance as a result of the debts that Britain ran up during the war, and in retrospect it can be seen to have been a fortuitously good thing for the world that they did. It was largely because there was all this sterling lying around that the postwar world has found a convenient medium of exchange in which to conduct more than half of its international trade. As these $6 billion of sterling balances have been backed at times by a sterling area reserve of only about $2 billion of convertible currencies, there has been some element of a confidence trick in the operation. It has been a perfectly respectable confidence trick, precisely of the same sort that is indulged in all the time by the great commercial banks of the world, which generally have a cash reserve equal to less than one tenth of their sight liabilities. But, unfortunately, last autumn there was a run on the sterling bank, and it has now become a declared and necessary objective of the British Government that it cannot afford to have so much sterling lying around the world; this is what is meant by the policy of "keeping sterling strong." It does not matter for this purpose whether the sterling is going to be sucked back from the rest of the world by Britain running a bigger surplus on current account (as the Government says it has got to do), or by attracting capital funds to London by high interest rates (which also restrict industrial activity here), or by restricting Britain's capital outflow to the rest of the world by controls (a policy which the Chancellor calls "breaking up the sterling area," and with the advocates of which, in his budget speech, he waxed surprisingly cross).

One reason why Mr Amory waxed cross may be that he wants, quite justifiably, to lay great emphasis on the "international value of the sterling system" in his approach to America about the problem of world liquidity. A perfectly good case can be made out for saying that the best and cheapest way of preventing a world liquidity crisis would be for America, in effect, to underwrite the sterling area. It would not necessarily cost the Americans a cent to do so, because once the sterling area was underwritten there would be no speculation against the pound and the ordinary bankers' confidence system could continue as before; indeed the operation might even be arranged commercially, for an appropriate underwriters' fee. If the sterling area's gold reserve were put into some new Commonwealth bank, with directors from all the Commonwealth countries, an approach to America on these lines might look rather less insular than it would so long as the reserve remains in Britain's own Exchange Equalisation Account.

The Clearing Union Approach

THE third obvious way of tackling the international liquidity problem would be through the "clearing union approach." The last main component of those $23 billion of international foreign exchange reserves in the middle of last year was over $8 billion of what might be called institutionally created units of account. The most important instrument available here is the International Monetary Fund. When the IMF was set up by the Bretton Woods conference, with $6½ billion of foreign exchange at its disposal and a smaller holding of gold, it was originally supposed to enable international trade to be carried on on the basis of a world monetary system that would be more liquid than before the war. Of course, these relatively tiny IMF quotas have not sufficed in any way for this objective; if the Bretton Woods conference was being held now, everybody would agree that all members' lending obligations and drawing rights should be substantially increased. But instead of increasing these "quotas" now, and otherwise continuing with the original system, many Europeans believe that it would be better to turn the IMF into a "super central bank." This is what Sir Oliver Franks, the chairman of Lloyds Bank, suggested last January when he urged that

> countries should be prepared to deposit exchange reserves with the Fund and treat the Fund's certificates of indebtedness as exchange reserves, in the same way as some European countries already treat as part of their exchange reserves their stake in the European Payments Union.

Let it be made clear to the Americans what such a "clearing union system" would mean. If America continued to pump out more dollars to the rest of the world than it draws gold from it, as it has done in most recent years, the Franks suggestion would not involve it in lending one cent of new money. If America became a net absorber of funds again, then it would not receive all those net funds in gold, but would agree to take some of them in IMF units of account. These units, however, would be just as good as gold; after all, the object of receiving gold is in order to have the unrestricted power to buy more of other people's resources with it, which IMF units of account would equally give. This might be called lending, but only in the sense that any ordinary person "lends" to a bank when he finds it convenient to receive payment of his salary, not entirely in silver and coppers, but in a cheque paid into his banking account.

The analogy with a banking account is, indeed, exact. The great increase in national production and trade that took place in the twentieth century would never have occurred if the old internal monetary system,

whereby internal purchasing power depended wholly on fluctuations in gold supply, had not been swamped by the happy accident of the spreading cheque system ; in the twentieth century circumstances have combined to produce an urgent need for the adoption of the cheque system in the international sphere. It would be entirely proper that America, Germany, Britain and the other potential export surplus countries should have the principal say in drawing up the rules which would ensure that the international fund that cleared these cheques should be as solvent as any other great bank is.

A TYPICAL American reaction to all these proposals may be to say that they are premature. The increased crisis of world liquidity, which many free countries now fear, may, of course, never happen. The Americans may discount the apprehensions aroused in the outside world by the present American recession (which most Americans, perhaps rightly, say will not seriously deepen), and ignore last year's breakdown in the old sterling system (the implications of whic almost all Americans seem to underestimate). But no new strain on international liquidity does occu then the setting up of the precautionary mechanism suggested here would do no one any harm ; mo of them are trigger devices which only a new strai would bring into operation. How many of the fact presented in this article, at least if they are presente in the guise of possible and contingent dangers, woul economists in the American administration reall deny ? If they would deny few of them, cannot they in advance of the approach from Europe that is bound to come, start working on the minds of the non-economists among their colleagues ? The danger a the moment is not so much that the approach will b met by a reasoned obduracy, as by an invincible bewilderment ; it will be a tragedy if the only American reaction is that this whole argument is very complicated and probably exaggerated, and that the wise thing for a businessman's administration to do is to keep quiet and lock up its spoons.

Bus Stop

The sole purpose of a London bus strike now will be to demonstrate a quite unacceptable principle

IT is now almost certain that by Monday morning London's busmen will be out on strike. All efforts at compromise were exhausted this week. Mr Cousins rejected London Transport's offer to give 8s. 6d. more to the 36,000 central busmen and to review the wages of the 14,000 maintenance and country workers in the autumn ; London Transport refused Mr Cousins's last minute "compromise suggestion" that the 8s. 6d. offer to central men only should be changed to an offer, which would have cost the same £1 million a year in total, of 6s. 6d. all round ; and a conference of garage delegates—roughly, the busmen's equivalent of shop stewards—then rejected Mr Cousins's suggestion themselves. They shuddered at the thought of telling three-quarters of the men that they were coming out on strike in nominal support of a claim for two shillings less than they had been offered already. The delegates said that the strike must be labelled as one for 10s. 6d. more a week all round.

But the particular slogan the union puts upon its banners will not affect the strike's result. This strike is being started without initial support from the railwaymen or from the London underground workers, which makes any "victory" for the union rather unlikely, and hopes of a victory that could compensate the men for their losses during the stoppage completely forlorn. Even the country busmen are going to sacrifice more money in a single week of strike than they could gain from any settlement that brought a review of their wages forward from the autumn to this spring. And, whatever happens in the main fight, Mr Cousins must know that the number of Londoners who travel daily by bus, already down by 16 per cent since 1950, is likely to be again permanently reduced as a result of travelling habits caught during this stoppage ; if so, further cuts in bus schedules will soon have to follow the cuts already made this week. This may be a good thing for London, which has too many buses in its streets for economic comfort ; but it is one of the things that a calculating busmen's leader should most have wanted to avoid.

What comments can be passed on all this ? First, that if this bus strike is all that the country has got to endure, the 1958 struggle over wages, about which so much has been said and so many warnings given, will have turned out to be a molehill instead of a mountain. Secondly, that London Transport, which has made a generous offer that will probably in the end be accepted, should give no further ground. For if, with so many cards stacked in its favour, the executive yields to a threat as hollow as that of the busmen, there can be no hope of price stability this year. Thirdly, that Mr Cousins needs to find a face-saving compromise and grasp it as soon as he can. The most likely face-saver may be that he will claim at the end that the offer to review wages in the autumn, which London Transport has already made, is something he has got redefined, in some not very specified way, *during* the strike.

But the final comment to be passed is the fundamental one. The ordinary London bus driver and conductor did not want this stoppage. They have known no more of the gesture which Mr Cousins has chosen to make with their livelihoods than the things they have read in the newspapers this week. To call the garage delegates at Wednesday's conference "representatives of the men" is absurd ; they are a largely self-perpetuating group, composed of the handful of articulate zealots who enjoy making speeches to each other at off-duty meetings, after their colleagues have gone home.

This strike is purely a gesture on their behalf. It is not being launched after careful estimation that the men's losses from it should be less than their eventual gains. It is being launched because Mr Cousins, and still more those immediately below him, feel that it is the professed obligation of trade union enthusiasts to make a demonstration in favour of the principle that *all* workers ought to get some wage increase, even in advance of their productivity, every year. This is precisely the principle against which it has long been necessary that a stand should be made.

It is a stand not against the interests of the organised workers, but against a machine which has got completely out of ordinary workers' control ; the London busmen in this case are not going to be the demonstrators, but the tools their leaders choose to demonstrate with. It used to be said that Ernest Bevin, Arthur Deakin and the old, carefully calculating leadership of the Transport and General Workers' Union were out of touch with their rank and file, and that the more militant Mr Cousins would bring in a new era of union democracy. Some of the conscripted strikers among the central London busmen may find that this argument now rings rather strangely ; in the next few weeks the extraordinary loyalty of the ordinary British trade unionist on the buses is going to be put under extraordinary strain.

The Ljubljana Quarrel

The latest rift between the Jugoslav and Soviet Communists has weakened Jugoslav hopes of leavening the mass of Communist orthodoxy in eastern Europe

LAST week's fall-out between Moscow and Belgrade was sufficiently spectacular to invite comparison with their first quarrel in 1948. The comparison can, however, easily be pushed too far. Marshal Tito has, it is true, again defied the Russians, openly and unequivocally. But defiance in the atmosphere of 1958 is not nearly as risky as it was in Stalin's time. Although Mr Khrushchev has now stepped into Stalin's two shoes, he is unlikely either to want, or to be able, to follow undeviatingly in Stalin's footsteps. Ten years ago the Jugoslavs were heavily dependent economically on the Communist block ; today, a Communist economic boycott would hold no great terrors for them.

With his position so much more secure, (some of the domestic factors that make it more secure are described by a special correspondent on page 415) Marshal Tito can afford to speak with gentlemanly, though uncompromising, moderation. Mr Khrushchev, too, having huffed and puffed without bringing down the Titoist house, may feel that it will do him no good, either, to push matters to extremes. Yet neither is likely to underestimate the significance of the critical exchanges that were provoked by the draft programme for the seventh Jugoslav party congress in Ljubljana on April 22nd. The Jugoslavs do not claim that their programme represents the last word in Marxist theory ; but it does contain what is to them the accumulated wisdom of ten years of practical experiment and ideological exegesis. And, unfortunately for their harmonious relations with Moscow, they are unable or unwilling to keep the fruits of their experience to themselves. So much should have been clear to the Russians ever since the Jugoslavs refused to sign the declaration of the twelve communist parties in Moscow last November.

Fortunately, it is not necessary to become entangled in the intricacies of Marxist dialectic to understand why the publication of the Jugoslav programme upset the Russians. To begin with, the Russians dislike the Jugoslav attitude to the east-west tension. In practice, Belgrade's foreign policy has for months past been moving steadily closer to that of Moscow, and it would be hard to find any major international issue on which the Jugoslavs do not now appear to be on Moscow's side. But they base their attitudes on empirical, not ideological, arguments. It has been irritating for the Russians to see the Jugoslavs, in their theorising, lump the socialist and imperialist camps together as being equally responsible for the present tensions. This is a point—almost the only important one—on which the Jugoslavs have shifted or, as they would prefer to call it, clarified their position as a result of Russian representations. They now hold that Nato, although admittedly called into existence through fear of Stalin's policies, has world domination for its goal, while the Warsaw Pact is a purely defensive counterpoise.

But if the Russians hoped that to budge the Jugoslavs in their theoretical stand would edge them into the Moscow camp, they are plainly mistaken. At the Ljubljana conference, the leaders made it clear that they would continue to judge each international problem on its merits ; on no account would they commit themselves in advance to indiscriminate support of Soviet policies. This attitude, however, is perhaps not quite so discouraging for the Russians as it seems. For some time, as the Jugoslav communists' self-confidence and feeling of security has grown, they have felt increasingly justified in giving more rein to their natural predisposition towards the communist block without actually becoming part of it. As Mr Kardelj puts it, their foreign policy is based on the fact that Jugoslav socialism and the country's security "depend to a great extent on the development and strengthening of socialism in the world generally" and this fact "imposes on us definite obligations towards international socialism." The snag (from the Russian point of view) is that the Jugoslavs intend to decide for themselves what exactly these obligations are.

One suspects, however, that the Russians are really incensed by two attitudes that emerge with devastating clarity from the turgid pages of the Jugoslavs' programme. One is their refusal to recognise Soviet primacy and their implicit criticism of Russia and of Stalin. The other is their insistence on airing their ideas on the international communist movement in general. In the Jugoslavs' view, Stalinism arose not because of Stalin's defects but because of "deformations" in the Soviet system, which, it is implied, have not yet been completely straightened out. They seem to imply that there is still much too much hankering in Russia after the bad old days ; too many Russian dogmatists attack as revisionism every effort to develop Marxist thought in tune with contemporary conditions. To the Jugoslavs these dogmatists are the real revisionists, not the advocates of "different roads to socialism" against whom Moscow has been campaigning vigorously for months past.

Again and again, in the party programme and in the speeches at Ljubljana, the idea that the forms of socialism developed by any one country can have universal application is heavily and heartily slapped down. So is the view that any one country has the slightest right to dictate the policies of any other country. Jugoslav views on the infinite diversity of socialism range from rather high-falutin' and even mystical concepts of the social progress of mankind to the down-to-earth belief that socialism can even in some cases be reached by peaceful parliamentary methods, and to the startlingly heretical assertion that communist parties do not have "a monopoly of any form of movement towards socialism." The smaller communist countries are explicitly encouraged to resist domination by larger ones who have a tendency to impose an "ideological monopoly" or even "political hegemony" on them. Interference by any communist international organisation (like the Cominform) is equally firmly rejected ; but bilateral contacts, which combine maximum opportunities for influencing other people with minimum danger of being pushed around oneself, are another matter.

This may be old stuff, but it is not what the Russians want to hear. Unpalatable ideas expressed in speeches and newspaper articles can be overlooked ; it is different when they are set out in a party programme. Moreover, the Jugoslavs do not consider that the careful exposition of their views should be regarded as a theoretical exercise without relevance to real life. They clearly believe that Jugoslav-Soviet relations should be, as it were, the test case for Moscow's relations with the rest of the communist world.

But this is precisely what the Russians have always refused to contemplate. The hopes aroused after the twentieth Soviet party congress that the beginnings of liberalisation within the individual communist regimes might be accompanied by a real loosening of the Muscovite straitjacket were killed when the Soviet army crushed the Hungarian rising. Last month in Hungary, Mr Khrushchev served notice on the whole block that Russian force would crush any other "counter-revolutions" in the same way. But he also conveyed the impression that he is aware of the deplorable impression made by this brutal snuffing-out of bids for freedom, and is anxious to avoid doing it again if he can. Perhaps he will not need to do it again. But Mr Khrushchev must know that the upheavals of 1956 have not made life easy for the small governments of eastern Europe. On the one hand, the secret police systems have been partially—but only partially—dismantled and, on the other hand, the ferment of ideas that was started by the criticism of Stalin is still working away, especially among the intellectuals. All the more reason, therefore, to keep at bay the dangerous thoughts emanating from Belgrade.

This is what the Russians must hope to have accomplished by boycotting the Ljubljana congress. No doubt they also hope that the Jugoslavs will have taken the hint to concentrate on cultivating their own garden. Whether this hope turns out to be justified or not, the Jugoslavs will certainly have noted the demonstration of the Soviet party's control over its satellites. The spectacle must have stiffened Marshal Tito's determination to keep clear of Mr Khrushchev's leading strings. (He will never, one imagines, feel quite the same about Mr Khrushchev again.) More regrettably, from the Jugoslavs' point of view, a rebuff has been administered to that co-operation and exchange of views between the Jugoslavs and all the other parties of the Soviet block upon which so much store was set in Belgrade after Marshal Tito's visit to Moscow nearly two years ago. Relations at government level may, probably will, remain correct. But inter-party relations seem bound to dwindle ; so do the Jugoslavs' hopes of propagating their comparatively enlightened ideas throughout eastern Europe.

Lessons of a Union

Customs unions are in fashion. Benelux is one that works, mainly because its members have adapted their economic policies to make co-existence possible

The year of the Brussels Fair is, for Belgium, the occasion of a double celebration. The common market has been born: there is a prospect that Brussels may become the European "capital." Two months ago Holland and the Belgium-Luxemburg economic union took another important step together. For a decade now they have been living together in a customs union. In February the Benelux match was legally solemnised in a treaty that for better or worse binds the two in an economic union for half a century. The contrast is striking with the common market treaty —where, after the lawyers had haggled for a long time over the dowry, the feasting has now begun and the banns are out in Gatt, though the union will not be complete for a dozen years, and nobody knows how intimate the whole thing will become in the end. But the Benelux union works ; unpretentious as it is, it carries timely lessons for the new European schemes.

The initial plunge into Benelux was made relatively easy by the many interests the two main partners share. It was the revival of an old political relationship ; and these two merchant nations, lying astride the rail and water routes of north-west Europe, share a liberal attitude to trade. Both had low tariffs before their union and found it fairly easy to sweep away the barrier between them and erect a low common tariff against the world outside in January, 1948.

Yet Benelux has not been one of those dull predestined matches between people who think alike on everything. Indeed, it is in many ways a union of opposites. After 1945, Belgium stood for *laisser-faire* and orthodox economics, while Holland seemed a model Keynesian economy. Their differences have not been bridged by ambitious institutions. Only recently have a formal council of ministers and a parliamentary assembly been set up. But the civil servants and cabinets have developed a close working partnership ; and they have adapted their policies to overcome the payments difficulties and differences in competitive stature that are the bugbear of customs unions.

In the first postwar years Belgium wore the trousers. When Holland was at last liberated it had lost about a third of its national assets ; dykes were broken, cities razed ; the wealth of the East Indies was gone. By contrast, Belgium seemed a sort of European Lucky Jim. At first the Benelux union was constantly strained by Belgium's payments surplus and Holland's deficit.

After 1952, the roles were reversed. Belgium, like Britain, is an old industrial nation. Its population is almost stationary ; the heart of its economy is still the blackened old industries along the Meuse and Sambre —steel, engineering, coal mining—which were the first children of the industrial revolution on the Continent. Its postwar spree raised its industrial wages to the top of the continental list ; and lately it has invested relatively little, even if it has invested well.

Holland, in contrast, bears all the marks of a young economy. Postwar difficulties compelled the Dutch to pare wages and consumption to the bone and drive resources into investment. This, together with a soaring population, brought swift economic growth. And the weight of the industrial effort is concentrated on clean new processing industries. In 1952 the Dutch balance of payments swung into surplus, and the main problem of the Benelux union took a new form: the adaptation of Belgium's old industrial society to co-exist with its young neighbour.

In this second phase the Dutch government consciously pursued a policy of controlled cost inflation. Wages were allowed to rise 18 per cent in two years, and with them consumption. Soon Holland's payments surplus disappeared. The change in the competitive position of some Belgian industries—like shoes and textiles—was apparent in a few months as trade currents went into reverse.

External events, such as the change in the world economic climate in 1952, the formation of the European Payments Union and of the coal and steel community, have helped to resolve the problems of Benelux. Yet its experience does show that trading economies can live together without industrial quotas and tariffs, though they have not only different industrial patterns but different wage and price levels, different tax and social structures, and even different rates of economic growth, so long as their governments pursue policies which achieve a general external balance, avoiding both excessive surpluses and deficits.

The Low Countries have learnt that if this can be achieved, some other problems that afflict customs unions are reduced to insignificance. In 1952, when Belgium's shoe, textile and paper industries were feeling the pinch of Dutch competition, it seemed that Belgium might have to beat a retreat and bring back some import quotas. In fact the change in relative costs as the Dutch economy expanded has meant that the escape clauses have been rarely used. True, an expedient questionable in the eyes of liberal economists has been adopted to ease the problems of weak industries ; the two governments encouraged them to get together with their competitors across the border and reach gentlemen's agreements on specialisation in different products. But the stimulus of competition has been real, forcing

Belgium in particular to adapt itself. In textiles, for instance, high-wage, skilled Belgium has been forced to concentrate on quality goods. Leading firms in both countries have begun to set up plants across the border. It has all been an invaluable preparation for competition in the European common market.

THE flaws in Benelux are as instructive as its achievements. Belgium has been laughing at the news that the special train carrying Belgian ministers home from The Hague, after the signature of the treaty of economic union, was stopped at the frontier while Belgian customs officials searched for smuggled butter. Benelux has certainly not achieved free trade in food, and the new treaty's aim to achieve it by 1962 will not be easily fulfilled. Here, in miniature, is the farming problem which has to be resolved in the European common market. How can the Belgian peasantry, steeped in high-cost traditional ways, be enabled to co-exist with the low-cost husbandry of Holland ? Some progress has been made in raising Belgian standards. The peasant labour force is dwindling as mechanisation spreads. Land reform is beginning to merge the tiny patchwork holdings of the Flemish plain into larger viable units. But Belgian farm prices are still well above Holland's.

Benelux has opened frontiers to a flow of goods freer than that between any other European nations. Yet it has shown that two stable societies cannot be merged in a decade. Movement of labour and capital, as well as of goods, has been freed in theory. But few workers have been lured away from Holland, where there is full employment, by higher Belgian wages ; there has been no migration to compare with the movement from Italy which may take place in the common market. Nor has there been much flow of capital, apart from direct investments in plant or subsidiaries across the border. In taxation, too, there are still evident differences. Budgets are the key to government, and behind Benelux there are still separate parliaments and electorates. The new economic union envisages a further alignment of taxes. But the Low Countries have learnt that an economic merger requires years of political effort.

Today the political impulse behind Benelux has become secondary. All three member governments are now throwing the weight of their endeavours into a bigger European union. Benelux is too small for them. Antwerp and Rotterdam live and flourish on the shipping service and trade which they provide for the smoking hinterland of the Ruhr upstream ; the tug-masters of Rhine and Scheldt are chronically worried by issues of discriminatory national practices which concern all the riparian nations. Above all, Benelux is not enough politically. Whatever illusions their larger neighbours nurse, the Low Countries know that their future depends on ever-increasing integration with all their neighbours.

NOTES OF THE WEEK

THE SUMMIT

Ping-Pong Preliminaries

To and fro jumps the bouncing ball. Let's have a four-power pow-wow in Moscow. No, let's have exchanges of views. No, no, we meant a foursome. Sorry, can't manage that, it'll have to be six—three a side, you know, fair play and all that, old man, eh ? Oh well, if you're going to be *huffy*, we'll just have to come and see you one by one. Who's huffy ? Why, *you* are ; we thought you wanted to get started. Of course I do ; you're the ones who are holding things up. But excuse us, dear fellow, it's *you* that's holding things up ; we could get on *much* quicker if you'd only meet us together. But how *can* I—I'd be outnumbered—you must let me bring some friends along to back me up. Ha-ha-ha, as if you needed backing up !

Now, folks, let's see what's happening at the next table. H'm. Looks like more of the same kind of game, if you ask me. Listen to them. Hey, you dangerous fellows, you must stop flying your bombers up towards the Arctic every time you see specks in front of your eyes. Calm down, friend, it's all quite safe ; and just to reassure you, we'll have the Security Council vote on it. Oh no, we won't, I'm withdrawing my resolution. All right, then, *we'll* put up a resolution ; let's have Arctic inspection, like we suggested last year, remember ? No, no, no—bunkum, piffle, eyewash !—what we really need is a resolution calling for summit talks. Summit talks ? Isn't that where we came in ? That is indeed where we came in ; and round about this point the public begins to tiptoe quietly out, having had about enough.

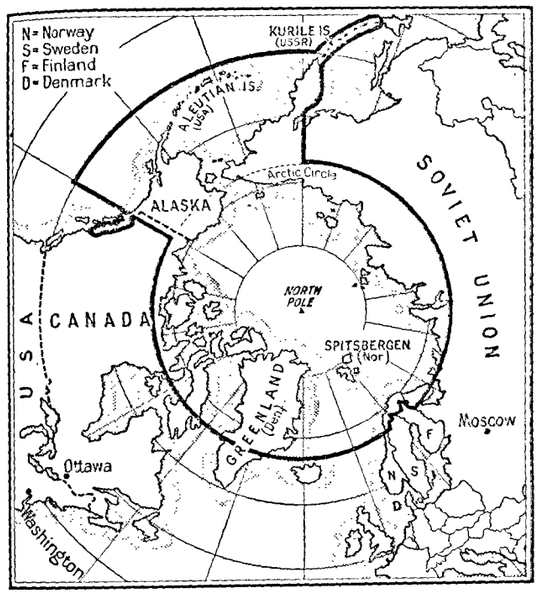
ARCTIC INSPECTION

ICBM Alley

MESSRS Gromyko and Sobolev have summarily rejected the American proposal to open to international inspection all Soviet and allied territories north of the Arctic Circle, and other areas where American and Soviet frontiers approach each other—Alaska and the Aleutians, Kamchatka and the Kuriles. In the Security Council on Tuesday Mr Sobolev called the plan "a diversionary manœuvre" intended to obtain military intelligence about northern Russia. In Moscow on the same day, Mr Gromyko termed it a pure publicity stunt, "detached from any practical steps

towards disarmament." If the proposal is pressed to a vote this week, it will presumably be vetoed by Russia. But even the Russians seem ready to accept Arctic inspection as an item that could be laid before a summit conference ; so the idea cannot yet be written off altogether.

In Tuesday's debate the representatives of Japan and Sweden supported the Arctic proposal, and the Secretary-General himself, in one of his rare interventions, welcomed it as something that might lead to a "major break-through" in the disarmament deadlock. It is, of course, a chip off the old block of the western powers' disarmament programme presented last summer, which was turned down very firmly by a Russia convinced that its development of inter-conti-



nental missiles would enable it to bargain "from strength" for better terms. At that time, official Soviet statements poured scorn lavishly upon the Arctic project. Inspection of these "icy wastes," said Mr Zorin, was "devoid of real meaning," and could yield "no information useful either for disarmament or for the prevention of surprise attack." The criticism seemed wide of the mark even last year, for the western allies were also proposing ground and air inspection of the whole of North America and Russia and of the greater part of Europe ; they offered the Arctic plan as a substitute if the Russians rejected these broader areas. Since then, however, the coming of the ICBM has made the Arctic the obvious "rocket alley" for long-range warfare between the super-powers. Even the Russians no longer seem inclined to mock the idea of policing "icy wastes." They themselves, by their latest complaints against America, have helped to break Mercator's hold on the public mind.

POLITICS AND TRADE UNIONS

Primrose and Pink

THE two most interesting political developments of the past week have both occurred outside Parliament. Last weekend, in a speech to 4,000 members of the Primrose League in the Royal Albert Hall, Mr Macmillan recounted the measures which the Chancellor had already said that the Government would take to meet any change in the economic climate arising from a world depression. But the Prime Minister also included a reference to the measure which the Chancellor left out ; he gave the clearest hint yet that, if recession really should hit Britain by the autumn, then Mr Amory will stand ready to introduce an autumn budget. The healthiest and simplest way to increase both investment and consumption, said the Prime Minister with some emphasis, would be by further reductions in taxation ; and, quite apart from plans to meet a recession, he promised his audience that it is the Government's firm aim to give further substantial reductions in taxation as soon as it is possible and prudent.

These chop-licking references to the possibility of tax reductions, if present economic policies work, have become a suddenly increased feature of Conservative propaganda in the past ten days. They have been accompanied by a reminder, apparently officially inspired, that there is no statutory basis for the common political assumption that the general election must be expected in the autumn of next year ; at a pinch, it will be constitutionally permissible to postpone it until the spring of 1960. Tories are therefore being told that there could still be two—in the event of a recession, even three—more Conservative budgets to come in this Parliament.

This is the stuff to feed the troops. On their opponents' side, by contrast, the main propaganda concern just now is to keep a watch on their industrial field marshals. Labour has something of a split mind about its immediate trade union problem. On the one hand, it believes that the imminence of a railway strike at the time of the general election of 1955 was a factor that lost it a lot of votes then. On the other, it is a historical fact that in the aftermath of the failure of the general strike in 1926 there was a considerable swing of support to Labour, as the trade unions moved over from industrial to political action ; if the bus strike fails in the next few weeks—and most politicians expect that it will fail—then some Labour people think that the post-1926 situation might be repeated.

Mr Gaitskell between Two Spectacles

IT was in these circumstances that Mr Gaitskell took the very bold decision to devote this week's Labour party television programme to an unscripted discussion between himself, Mr Cousins and the shopworkers' leader, Mr Birch. From the point of view of television presentation, he ran a considerable risk in this ; the impression that could easily have come over to the mass audience was of Mr Gaitskell being overshadowed by two very large trade union leaders in very big and impressive horn-rimmed spectacles. Tactically, however, the course of the discussion was interesting.

For it was quite clear that the point that Mr Gaitskell was trying to get across was that, while he is very chummy with the trade union leaders, he is not going to be ruled by them when and if he becomes Prime Minister, and will hope for "what you would call responsibility and I would frankly call restraint" ; while the point the trade union leaders were intent on getting across was that annual wage claims of some sort will go forward under any administration. On the whole, this impression of friendly independence and a certain bluff honesty was probably good television policy. It will certainly have made a better

impression than one other recent development between Labour and the trade unions has done. This other development is the strange affair at St Helens.

The Affair at St Helens

MR TOM DRIBERG is not everyone's political cup of tea, but the way he has been blocked from the Labour candidature at St Helens for once leaves him on the side of the angels (even if not, apparently, sufficiently on that of the saints). When Sir Hartley Shawcross's much forecast resignation at last became fact, some local socialists in St Helens asked Mr Driberg if he would like to stand; and the chairmen's committee of the Labour party's national executive—which has hitherto been responsible for Transport House recommendations—agreed to support him. As both the committee and Mr Driberg well knew, this by no means guaranteed him the seat, even though he is this year's party chairman; more distinguished Labour figures than he have had to be pushed by Transport House on to many selection boards before they at last found a constituency that would take them.

But Mr Driberg was not even destined to reach the St Helens selection board. In part, this is said to have been because of Roman Catholic influence in the local Labour party. But allied with this interest was a more familiarly powerful voice. The leaders of the miners' union in Lancashire intervened and brusquely claimed the seat as a miners' preserve. As Sir Hartley Shawcross was not renowned as a pick and shovel man, one might have expected the National Executive to tell the miners where they got off. But, on the contrary, the Transport House recommendation of Mr Driberg was hurriedly cancelled; and the chairmen's committee was not only rapped over the knuckles for ever having backed him, but was also deprived for the future of its power to make such recommendations. The powerful union block on the executive insisted that in future such matters must be handled by the whole executive.

This particular change may not very much matter. The chairmen's committee comprises the chairmen of the various sub-committees of the executive; these chairmen usually tend to be hard-working old warhorses like Mr Griffiths, and any difference between their views and the whole executive's views on any particular matter is likely to be purely coincidental. But the general principle being invoked by the unions is highly disturbing. The reason for union touchiness is not hard to find. Several seats hitherto held by union men have recently fallen to non-union candidates—to Co-operative nominees, or "intellectuals." That the unions should find the ex-Bevanite Mr Driberg personally suspect is understandable, but it was not their right to block him. Mr Gaitskell should have warned them bluntly that neither they nor any other group can claim to have rotten boroughs in their pocket, any more than they can claim to have Labour Prime Ministers there.

NORTH AFRICA

Off the Fence

THE Algerian rebels have had their way at the Maghreb conference which ended at Tangiers on Wednesday. However much the Tunisian and Moroccan delegates would have preferred a more innocuous form of solidarity, they have had instead to commit themselves to the support of a "free" Algerian government to be formed by the National Liberation Front (FLN). This is forcing the pace. But two points should be emphasised. The formation of the government in exile is still only a threat held in reserve. And the Tunisian and Moroccan delegations represented not their governments (which would have made their relations with France even worse than they are already) but the Neo-Destour and Istiqlal parties; still, these are the ruling parties and their governments would have to go circumspectly in disavowing or watering down their commitments.

It is difficult to see how the Tunisian or the Moroccan government will be able to avoid recognising an FLN government if it is formed. The effect of the conference may be to force the two North African countries off the shaky fence between disloyalty to the nationalist objectives of the FLN and the danger of disrupting their own relations with France.

There were reports at Tangiers of a stream of messages from outside urging the Algerians to hold back. Now that Tunisia and Morocco are being forced into a position of more open support for the FLN, other governments, particularly the British and American, are going to be highly embarrassed to know what attitude to take in the quarrels that will inevitably follow between the Moroccans and Tunisians and the French. The last thing France's Atlantic allies want is to be forced into such a choice. If this is to be avoided, it has become all the more urgent to make a serious attempt at negotiation in Algeria before the FLN takes an irreversible step. For this reason it is a pity that the French caretaker government has decided after all not to raise the Algerian question at the Nato meeting next week in Copenhagen. When Nato does eventually discuss the question, it will be very much better if it is the French themselves who put it on the agenda.

FRANCE

The Turn of M. Pleven

THE French crisis is being played out in slow motion. M. Pleven, who has agreed to try to form a government, is not expected to face the assembly before Tuesday—three weeks exactly after the defeat of M. Gaillard. The delay is partly due to the deputies' interest in local elections, but it also reflects the difficulties involved in cabinet-making. M. Bidault's failure has demonstrated the impossibility of forming a right-wing government. M. Pleven (who belongs to the UDSR, a small centre group) is now trying to revive a national coalition; he wants to include important representatives of all the non-communist parties in his cabinet. As a first step he has drawn up a policy programme for Algeria which has been approved by all the parties except the communists and the poujadists. The plan's contents are not yet known, but this wholesale approval by people of differing opinions suggests that it is innocuous. M. Pleven's supporters, however, claim that it will be sufficiently flexible to allow for some departures from the present Algerian policy which has failed to bring results.

But M. Pleven cannot stick to general principles. Events and bills do not wait until French deputies have made up their minds. Efforts to seal off Algeria's frontiers with Tunisia and Morocco have made it necessary to keep French conscripts 27 months in the forces. Combined with some other additional military credits, this new defence expendi-

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* * *

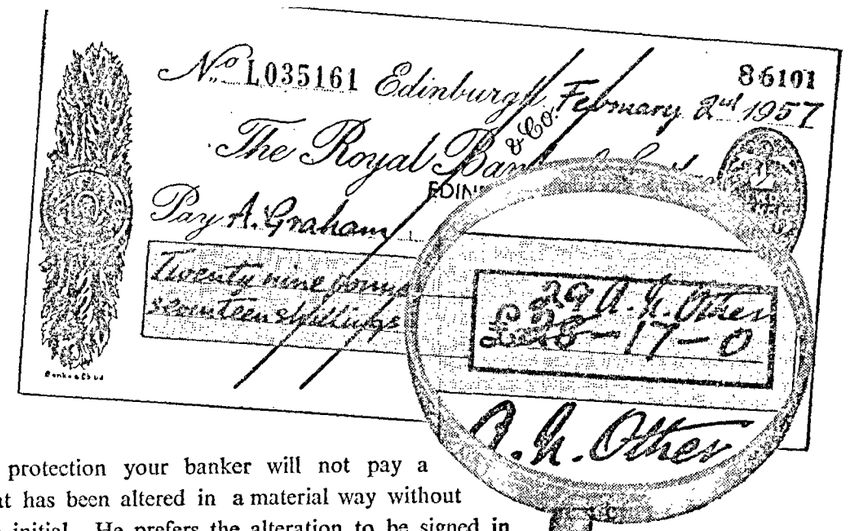
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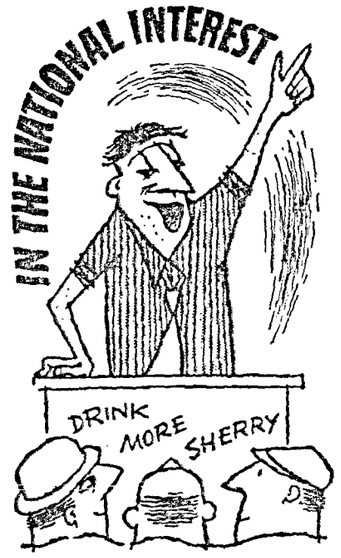
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I've always had a soft spot for crackpots. The pottier their ideas the better I like them. Of course, I am not alone in my admiration for crackpottery. Eccentricentialism, to use its proper name, is quite a flourishing philosophy, with some six hundred adherents who frolic regularly at Folly Berserk, the national headquarters.

It was there that I heard an insanely sensible idea regarding advertising. It wasn't reported, being overwhelmed by the less worthy news of an epidemic of apoplexy among advertising agents following a proposal to nationalise their industry. The kernel of the suggestion which escaped notice was that advertising space should be allotted according to the product's value to the community.

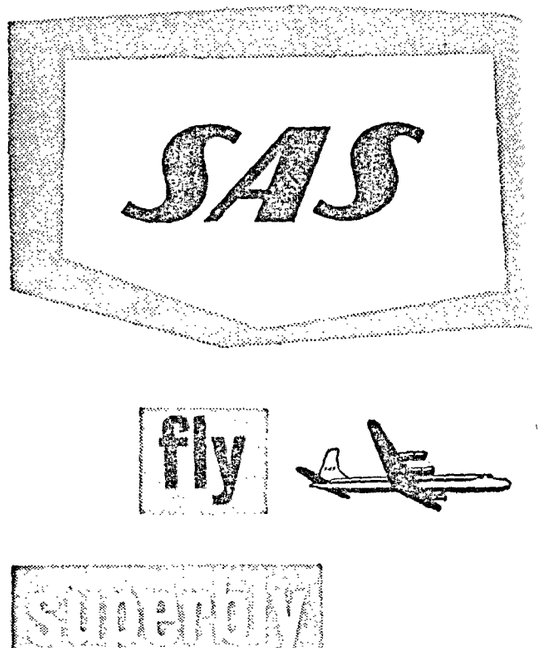
Thus, products like *Ugh*, the *Discreet* Cleanser, would be advertised only in appropriate places for private viewing by people one at a time, while the things that contribute to our happiness—books, good wines, handmade shoes, paintings, etc. —would receive their due measure of publicity.

Now that's *true* proportional representation. I'm all in favour of it—and for a start I nominate Mackenzie's Sherry, surely one of life's pleasantest products, for nationalised advertising on a national scale. I don't quite know what one would write about it in order to fill a whole-page newspaper advertisement: I've been a devotee of Mackenzie's Sherry for years but can't say that it has repaired a broken romance, or led me to a better job. Still, the advertising experts should think of something to convince you that it's an exquisite sherry. But why wait?—try a bottle now. You'll agree that Mackenzie's Sherry is worth any taxpayer's money.

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SCANDINAVIAN AIRLINES SYSTEM

ture is estimated at 80 billion francs (about £67 million). The representative bodies in the nationalised industries are only waiting for a government to be formed to press their wage claims. The cost of living is rising. About a fifth of the dollar loan has by now been spent.

Socialists and conservatives are at odds over the means to contain the budgetary deficit. The former want new taxes; the latter, further cuts in expenditure. To reconcile them will not be easy, though M. Pleven is an excellent choice for the job. He served in many postwar governments until his temporary eclipse after the Dien Bien Phu disaster. He has a reputation as an efficient administrator and a born committeeman. If he proves a successful matchmaker, it will still remain to be seen whether he will be better able than M. Gaillard to get action out of a disparate coalition.

EGYPT

Better than Never

AGREEMENT between the Suez Canal Company and the Egyptian government over the amount of compensation to be paid to the shareholders is welcome as the first positive sign of the return to normal relations between Egypt and the West. It has been a long haggle over £29 million. The terms now accepted are probably very little different from what might have been fixed six months or so ago, but at that stage the western powers, habituated to cold-shouldering President Nasser, showed no determination to get the negotiators to come to terms. Now it has come home, to Mr Dulles at least, that this policy was doing no good. Discreet heat was turned on both sides, and a bargain struck.

The next step for the British Government is to reach agreement with the Egyptians over the sequestered and nationalised British property and to release Egypt's frozen sterling balances. The financial talks in Rome have drifted on in as long and as useless a way as the wrangles over compensation. As long ago as January the two sides had substantially agreed on what should be done—but the signatures are still missing. The British side has been anxious to guard against a possible future Egyptian demand for compensation for the damage done on Egyptian soil by the British and French armies. But the Egyptians may prefer to keep this card up their sleeve.

MOVEMENT ALLOWANCES

The Workers to the Work

ANYTHING that makes it easier for workers to change their jobs, when necessary, without incidental loss, is a contribution both to keeping employment high and to ensuring that the unemployed shall be put to the right work. The measures announced by Mr Macleod in the House of Commons last week will have this effect. They raise by 10 per cent the maintenance allowances payable to workers undergoing training at industrial rehabilitation centres. They increase from £2 to £10 the grant available (on top of free removal for household and personal effects) for incidental moving expenses. More important, they break new ground by providing for the payment, up to a maximum of £50, of half the solicitors' and agents' fees involved in house purchase and sale by a worker leaving an area in order to go where employment prospects are better.

This last is a realistic provision which can be expected to become more and more important in a "property-owning democracy." Home ownership, whatever its social attractions, risks being a brake on *mobility*—though the home-owner can hardly be more thoroughly immobilised than the rent-controlled tenant whose privileged position depends on his staying put. It is impossible, as Mr Macleod pointed out in his speech, for the Government to "enter into the whole field of a change in property values," and the likelihood remains that the home-owner who sells a house in a massively declining area, in order to buy in a massively expanding one, will make a net loss on the transaction. Even where actual buying and selling prices are equal, however, outlay on solicitors' and agents' fees can constitute a heavy burden on a migrant. The halving of that burden, together with the reduction in stamp duty in the budget, will make a change of home a significantly less forbidding prospect.

As a means of ensuring that throughout the country available manpower shall be matched to available jobs, getting the workers to the work lacks the fine sweeping emotional appeal of taking the work to the workers—whether by development area policy or by the more elastic and temporary provisions of the new Development of Industry (Industrial Finances) Bill. Nor can it deal with those major tidal shifts of industrial fortune for which development area policy is the appropriate specific. Adequately used, however, it could lessen the pressure for an inappropriate—and far more expensive—use of development area techniques; and although some safeguards may be needed against abuse by ingenious individuals moving for reasons other than an enforced change of job, it offers much less scope for pork-barrel politics. Mr Macleod's initiative is most welcome; this is an example of the sort of peripheral welfare policy at the Ministry of Labour at which he has always been adept.

RENT ACT IN BIRMINGHAM

Take Over Bid

WITHIN very strict limits, the decision of Birmingham Corporation to buy out landlords who have threatened their tenants with eviction is more reasonable than some press reports may have made it appear. The price that the corporation will pay for the houses—it expects to set aside £1 million for the 700 or so affected—will be based on what the property with vacant possession would fetch on the open market. Most landlords may be ready to negotiate on this basis. If they refuse, the corporation will reserve the right to acquire the houses by an order for compulsory purchase, but this is neither so unusual nor so authoritarian as it may sound. The owner will have a right of appeal to the Minister of Housing (who must confirm any such order before it can take effect), and to the Lands Tribunal if he considers that the price offered is not sufficient. These safeguards should ensure that the owners are not victimised; for this reason the proposal, though coming from the Labour majority on the corporation, received Conservative support. As usual, however, the ratepayer who will have to foot the bill has had the smallest say of all.

On a broader view, the Birmingham council's decision is open to criticism for two good economic reasons. The first of these has to do with its timing. Of the 750 Birmingham tenants at present thought to be in danger of eviction, only 382 are said to have exhausted all channels of negotiation with their landlord. Many of the other 368 were still bargaining, but now that the tenant is to be given protection

by the Rent Act amendment introduced in Parliament last week, and the landlord by the city's offer to buy his house if he persists with his eviction notice, both sides may come to feel that they have nothing to gain by reaching a settlement. Because of this, the city will have to acquire more houses and pay more for them.

The second criticism that can be levelled against the corporation's plan is that, in so far as it will stop the movement of a few (and not necessarily the most deserving) tenants to accommodation that they can really afford, it will introduce a new source of unfairness into the city's rent structure. However, because the difference between the free market rent and what the tenant will have to pay will fall on the local rates, some incentive to charge realistically will still remain. This was not true of the London County Council's idea, put forward some months ago, which was that the houses of threatened tenants should be requisitioned and the loss to the landlord made good by the central government. This was a piece of LCC electoral nonsense, and nothing is likely to be heard of it now that the LCC elections are over. The Birmingham device, although wildly extravagant for the ratepayers, at least does not appear to fall into this category.

ADEN

An Interior Problem

ADEN and the neighbouring protected areas present the same kind of problem as do the trucial sheikhdoms along the southern shores of the Persian Gulf. Seaports and strongpoints on the coasts of Arabia were once the only vital spots for the British Government. Whether for coaling, for the protection of distressed seamen, or for control of the arms and slave traffic, a coastal point was important and the interior was of little or no interest.

This easily manageable pattern has been upset by the rise of Arab nationalism and by oil, or the hope of oil. The forbidding deserts and mountains, often unvisited or unknown to the protecting power, now represent prizes to be gained by one side or lost by the other.

In Aden and the protectorates the protecting power is now called upon to revise long-standing procedures for maintaining its influence. The British Government will have to decide exactly what it can do during the next ten or more years and begin doing it with vigour. The immediate problem is to find some substitute for Nasser. There will have to be food on the mat, and money for qat, to take the place of promises from the north. The only substitute that has had any measure of success seems to be popular support of a local indigenous government, as in the Sudan and Tunisia.

In Aden the government can do one of two things. It can withdraw its protection from the areas outside the colony itself and concentrate its efforts in that tiny area. If, on the other hand, the protected areas cannot be left to the questionable care of Imam Ahmad of Yemen, and if they would soon starve in any kind of independent status, then it will be necessary to treat the colony and the protectorates as one enormous problem.

Only when the people of South Arabia can discern clear intentions and can see work in progress will the distant charms of Cairo be overcome. Perhaps Aden can then become the Eden which its name, and local tradition, suggest that it once was.

INDONESIA

The Persistent Rebellion

THE Indonesian rebellion pursues its wayward course apparently it has refused to be extinguished, but merely transferring its centre elsewhere. In Sumatra, at fi the main centre of the rebellion, the central governmen forces have had things all their own way. Padang has falle though its radio transmitter continues to function from point unknown. The official capital, Djakarta, expects t capture of its unofficial rival, Bukittinggi, in "a matter days." In most places, the rebels have shown little heart f fighting; in Pakanbaru, the Caltex oil centre, Djakarta forc left captured rebel troops in charge of the airfield while th drove further into rebel territory.

Yet though the rebellion flags in central Sumatra, it su vives in parts of northern Sumatra, has burst out unex pectedly in the south, and is assuming a new and startlin vitality elsewhere. Widespread targets have been bombed including the oil port of Balikpapan in Indonesia Borneo, where two British tankers were hit—a hazard tha protests to the recognised government cannot remove. Th Shell Petroleum Company has had to halt operations These new and spectacular attacks are being launched from north Celebes, which now looks like becomin



the main centre of the rebellion. It has not escaped the attention of armchair strategists that north Celebes is hundreds of miles closer than central Sumatra to Formosa, a conveniently friendly source of arms. There has been no confirmation of Singapore reports that Dr Sjafruddin, the rebel prime minister, has made his way to north Celebes, but several members of his team are believed to be there.

The rebels' long-term intentions are not clear. They have undergone not merely the shock of an unexpectedly swift military blow from Djakarta, but also a political and military counter-rebellion in Sumatra. Abroad, however, their numbers have been swollen by many defections from the Indonesian diplomatic service, including lately that of the ambassador in Rome. Are they prepared to carry on indefinitely, now that the prospect of gaining control over the whole of Indonesa seems remote? It does seem that some of them, at any rate, will try to do so, arguing that the central government cannot hope to occupy north Celebes without withdrawing troops from Sumatra, thus inviting further outbreaks there.

SWEDEN

Man Bites Dog

SWEDISH politics rarely set headline writers groping for their pencils to record a reversal of the customary order of things. This week, however, Nordic normality has been violated. Last Friday the Social Democrats, who have been

in government with only a single summer's interruption since 1932, were defeated in the lower house of the Riksdag by the combined vote of the opposition parties. On Monday parliament was dissolved for a special election, the first of its kind since 1914 and only the third in the entire history of Sweden's parliamentary democracy. The cause of this upheaval was the government's proposal for a national scheme of "additional pensions" over and above the basic old age pension.

Unlike the basic pension, this would have been graduated according to previous income and would have been, with limited exceptions, universal and compulsory. The debate in the Riksdag was conducted under the beguiling eye of the television cameras; the minister of social affairs infuriated the opposition by hogging a peak viewing-hour, and the Conservatives exploited visual-aid techniques by holding up a large chart while their leader was on the rostrum. In the end the three non-socialist parties, though divided in their own ideas about extra pensions, jumped in unison at their unfamiliar opportunity and pushed the government under by 117 votes to 111.

This does not necessarily mean the end of the Social Democrats' long supremacy. They have hopes that the pensions issue will arrest the slow decline their electoral fortunes have been suffering since the war. In particular, some of the white-collar workers who usually vote Liberal may find the government's proposition too attractive to oppose. If the Social Democrats gain even one or two seats they are expected to continue in office. But this will not be enough to force their pensions bill through. To do that, even with communist support, they will need half a dozen extra seats, which by Scandinavian standards would involve a minor landslide; and customarily the Swedish electorate does not slide, it inches like a glacier.

If, on the other hand, the Social Democrats lose any seats, they are likely to resign and let the opposition parties see if they can resolve their differences enough to form a ministry. Elections are normally held in the autumn, under the inhibiting influence of the approaching northern winter. But this one will take place in the exhilarations of early summer; it may be that the Swedes, stirred by the season into a mood of decision, will settle their political course for some years to come.

POLICE

Constables and the Commons

THE British police are very probably still the best in the world, but outside London they are also the most haphazardly controlled. This is a matter on which it is always very difficult to get any calm discussion started, because there is a lobby of the Establishment which bays indignantly whenever the matter is mooted (in much the same way as, for example, there is a lobby that deprecates any critical discussion of spending in the universities). Hackles are particularly apt to rise at the moment because there is an admitted danger that, with an eye on certain recent events, any inquiry into police organisation might degenerate into a witch hunt. On the other hand, there has over the past few years been a sufficient trickle of "incidents" to raise some anxiety in the mind of the general public; and the implications of ruling by the Speaker this week are worth pondering.

The point emerged when an MP tried to get a debate on a motion about the powers of chief constables. The Speaker ruled that an issue of this sort, except when it concerned the police in London, could only be raised in a bill or on a private member's motion—not, as the MP wanted, on Supply, or on the adjournment. But the real limitation on MPs emerged when the Speaker defined the only three powers which the Home Secretary possesses over local police forces, and therefore the only issues on which he can be tackled at question time. The Home Secretary approves the appointment of Chief Constables (who are picked, however, by local watch committees); he hears appeals in disciplinary cases; and he controls HM Inspectors of Police, who advise him about the efficiency of local forces before he authorises the central government grant. The Speaker specifically stated, however, that the day-to-day administration of the police forces is a matter for the local authorities and not for the Home Secretary.

It is obviously silly that if a metropolitan policeman is rude to an old lady in Piccadilly (London) an MP can ask questions about it in the Commons, but if a provincial policeman does the same thing in Piccadilly (Manchester) Parliament cannot discuss the matter. Perhaps Parliament should not discuss the matter in either case. Perhaps day-to-day activities in all police forces should be kept out of parliamentary questioning, in the same way as activities in the nationalised industries. Perhaps there should be an annual select committee looking into them. Perhaps there should be as complete an isolation of Parliament from the police as there is from the judicature. Perhaps any residual parlia-

The Economist

MAY 1, 1858

LORDS v. COMMONS

"Lord Grey's most wise and dignified warning to the Peers in relation to their conduct on the Jewish Disabilities Bill has been lost upon the Ministry and the House of Lords. . . . There is every reason to apprehend, therefore, a real collision between the Houses. For nearly thirty years the Lower House has consistently and temperately urged, and supported moreover by constantly increasing majorities, a change which primarily affects its own privileges and its own constitution. The House of Lords has obstinately and continuously resisted that change. . . . Now, if the Lords, mistaking their true function, obstinately and fruitlessly assert for themselves a fully co-ordinate and equal power in the State, what will be the inevitable result? Clearly that the one class which opposes itself not to the hasty first thoughts, but to the maturedly ripened convictions of the whole community, will begin to lose its legitimate influence, to be regarded with jealousy even in cases where it exercises its prerogative with wisdom and prudence, and to be exposed to constant and irritating collisions with the body of the people. If the Lords wish to retain their influential place in the English State, they must never forget that they do not represent more than a small section of that State,—a section, no doubt, that has more than ordinary leisure and opportunity for maturing wise counsels and attaining broad views of legislation, but, nevertheless, in no way entitled to impose its prejudices, where they are proved by reiterated trial to be peculiar to itself, on the community at large. The only possible issue of a passionate contest between the people and the Peers will be, that the Peers must eventually be overruled by one of those extreme constitutional measures which the Crown can adopt whenever the least important section of the Legislature proves obstinately obstructive.

mentary questions that can be asked should be asked of the Attorney-General rather than of the Home Secretary. Perhaps the local authority watch committees are the right bodies to exercise their present powers, and perhaps the present diversity of size among local authorities which run police forces—and equally great diversity of modes of operation among watch committees—are exactly right for the different needs of different areas of the country. But it would be astonishing if the present British system of dealing with all these problems, a system which has grown up through an odd series of historical accidents, did indeed prove to be the ideal one in every particular. The present time, when the system of local government as a whole is being reorganised, would be a good one for a separate committee of inquiry.

HOUSING

The Subsidised Scots

A GOVERNMENT inquiry is going to examine whether the socialist council of Glasgow has lived up to its statutory obligations in charging sufficient rent for its council houses. Scottish habits in subsidising tenants are pretty startling. A recent white paper (Cmnd 393) showed that the average rent in all Scottish cities last year was only 5s. 4d. a week for a prewar house (or flat) and 7s. 3d. for a postwar one. The rents charged in the Scottish burghs are somewhat higher, and have risen sharply since 1956 ; but in the counties they are even lower—their "average" prewar house (no doubt an average of a croft and a typical 1930s council house) is rented at 4s. 9d., and their average postwar one at 6s. 3d.

Official figures are not produced in the same way for England and Wales, but most council rents south of the border are of course much higher than this. According to the Institute of Municipal Treasurers and Accountants, the average weekly rents charged by authorities outside London for a standard three-bedroomed council house built before 1945 ranged last year from 8s. in the urban district of Swadlincote to 28s. 11d. in Merton and Morden ; for postwar houses of a similar size, they ranged from 13s. 6d. in Wallsend to 46s. 3d. in Finchley. In London the corresponding rents were 19s. 11d. (for an average prewar house) and 23s. 9d. (for an average postwar one). The divergence is obviously very wide and there are some authorities of each type—borough, urban and rural—where average rents are near the lower end of the scale and some where they approach the upper, although only four charge on the average over 35s. a week for the standard postwar house. But rents in England seem to be two to five times higher in actual cash than those in Scotland.

AVERAGE WEEKLY RENT PER ROOM

	Scotland	
	Prewar house	Postwar house
Cities	1s. 8d.	2s. 0d.
Large Burghs	2s. 2d.	2s. 4d.
Small Burghs	2s. 5d.	3s. 0d.
Counties	1s. 5d.	1s. 8d.

	England and Wales	
	Built before 1945	Built after 1945
LCC	3s. 4d.	4s. 0d.
County Boroughs	1s. 5d. to 4s. 3d.	2s. 4d. to 5s. 2d.
Non-County Boroughs	1s. 6d. „ 4s. 9d.	2s. 3d. „ 7s. 9d.
Urban Districts	1s. 4d. „ 4s. 10d.	2s. 7d. „ 5s. 11d.
Rural Districts	1s. 7d. „ 4s. 3d.	2s. 4d. „ 5s. 2d.

But what do the tenants get for this cash ? Relatively few in Scotland can boast of accommodation of six rooms ; the average council property in Scotland has only 3¾ rooms including the kitchen. An attempt at a more realistic comparison of rents is made in the table where charges for the 3-bedroom English council house and the average Scottish property are standardised on a "per room" basis.

The differences, it will be seen, are still there. The Scottish tenants are still more highly subsidised by their ratepayers. But the differences, when looked at in this table, do assume slightly more reasonable proportions.

INDIA

Breather for Mr Nehru

FOR the third time Mr Nehru has announced his intention to step out of politics for a while in order to think. This time he means it, and the Congress party has decided not to stand in his way.

The prime minister's prestige among the masses is as high as ever, but both his party and the educated classes as a whole feel that he would benefit from a rest. Articulate critics have been grumbling for eighteen months that he has grown "stale"; the party is no longer willing to follow his every move. This was to be expected. The broad lines of Indian policy are set. What is wanted at the top now is attention to details of implementation. The educated do not have to be convinced that India needs a development plan. They want to know where the foreign exchange is to come from for larger imports of fertilisers. They do not want lectures about neutrality ; they want to be told just how to get Goa.

The Congress party, meanwhile, has shrunk from being a national movement to representing a series of sub-national interests ; language and caste are now key electoral factors. Moreover, the party leaders at the centre are mainly to the right of Mr Nehru. They remember that their seats are more vulnerable than his, and that their electorates are more likely than his to visit upon their heads any increase in austerity.

Mr Nehru's temporary stepping aside is very much in the Indian tradition, and will enhance his prestige while preparing the public mind for the idea that after him there must one day be somebody else. If, as seems possible, he were to come to Britain for a while, he could "discover" postwar Europe at leisure ; and this, too, would be to India's advantage, for there is no doubt that he intends to return to power. Finally, there is the advantage that the Indian cabinet will now be able to demonstrate that Mr Nehru can take a holiday without his country collapsing.

COMMONWEALTH

What Sort of Bank?

IT would be nice for Mr Macmillan as well as Mr Diefenbaker if next September's Commonwealth conference produced something larger than a mouse. But the free trade fiasco in Canada last year showed how difficult this will be. In the House of Commons on Monday, however, both parties demonstrated their very proper wish to make the conference a success and gave, in particular, plenty of support to Mr Macmillan's idea of some sort of Commonwealth Bank.

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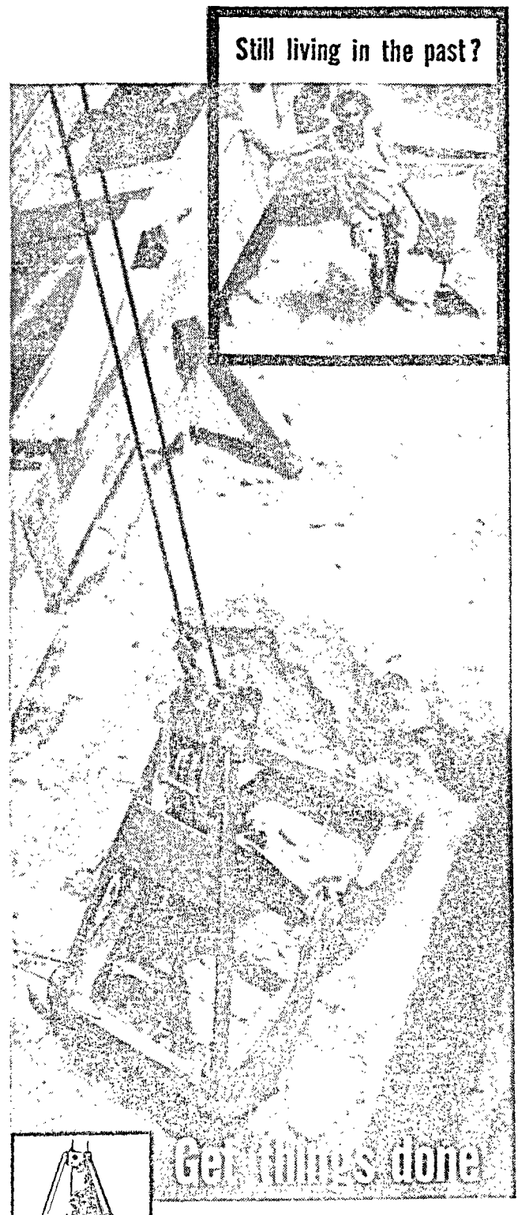
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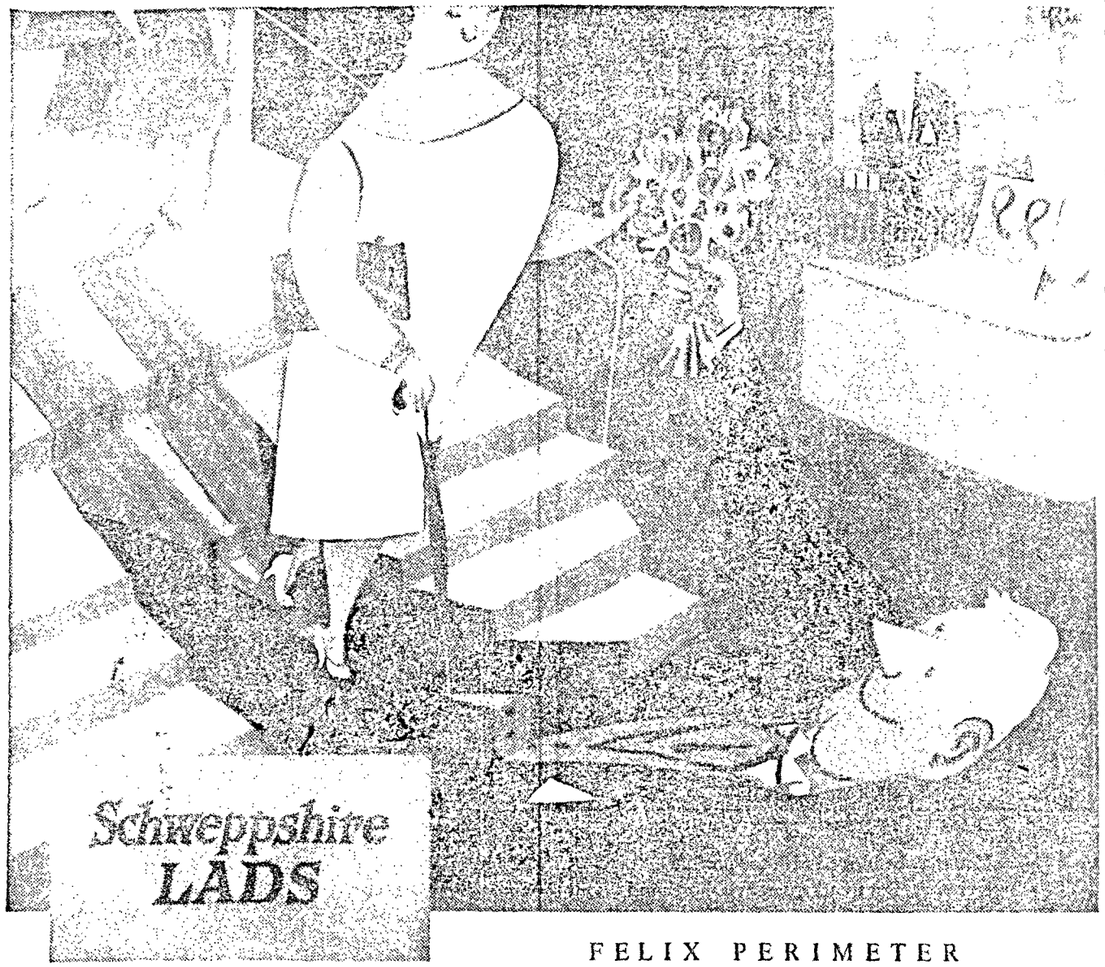
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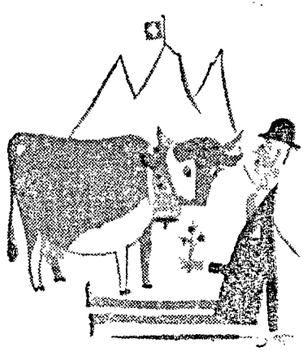
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FELIX PERIMETER



Of all the examples of *Schweppshire Lads who Made Good*, few teach a simpler or more cogent lesson than the story of Felix Perimeter.

Nobody liked him at school and his teachers in particular loathed him: for Felix was always saying "No." "Keep your hands clean," said his Kindergarten Form Mistress.

"No," said Felix. "The tactile approach is awf'ly 'portant."

Obviously destined for the Army, he did well until Colonel Gravy, of Ballistics, told him that after three years he ought to be able to multiply 2x by 2y. "No," said Felix. "You are asking me to elaborate an abstraction before I have been made to comprehend the concept of fluid measurement on which algebra is founded."

Obviously destined for the pen, Felix yet did badly by always sending in the wrong stuff for the right paper and vice versa. To the Editor of the Dry Fly Fisher's Gazette, for instance, he often sent 5,000 words on the "Lack of Anthropomorphism in D. H. Lawrence's Animal Poetry, Part I". "Unsuitable," said the Editor. "No," wrote Felix, posting Part II. Success came when Coke, of Personnel, made Felix salesman in the china department of Hipmaster's Store, to help clear the 1922 stock of Spanish Galleons painted with a chocolate porcelain finish on a nickel base. "Your 'No' approach has emptied the shelves," said Coke. "No," said Felix and thereafter started to say Yes. This change of personality did him no good. Women customers liked it, but our illustration of this phase of Felix shows that his personality lost much of its independence.

The end is well known. Forcibly promoted through the executive ranks, he finally became F.R. Advisor to Hipmaster Subsidiaries where his salary is now so high, that he has to live in Switzerland in order to earn it, where of course he can't earn it, so that he has no salary.

Poems by Stephen Potter, designed by George Him

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

Just what this would be is not so clear. Some want a Commonwealth version of the secretariat of the Organisation for European Economic Co-operation, others a miniature International Monetary Fund. Some see the Commonwealth Bank as an all-red world bank; yet others as an Export-Import Bank for British exports. If a Commonwealth bank tries to do every financial job under the sun it will probably achieve nothing at all.

There are, however, two needs which seem to require new institutional arrangements. The first and most vital is for a tighter control of the use of sterling balances. This is something that can be achieved only by a body in which the Commonwealth countries have a real political say. Not only the Queen, but sterling, must belong in some measure to Ghana and Malaya as well as to Britain. The second need is for some sort of development bank for the whole Commonwealth—the miniature world bank idea—which would take over the Colonial Development Corporation and do the same job on a much broader scale, drawing capital not only from Britain but from other rich Commonwealth countries like Canada. A third possible gleam in Mr Macmillan's eye when he mentioned the idea of a Commonwealth Bank is discussed in the leading article of this issue: just conceivably, there could be a political advantage, for any delicate financial negotiations ahead, in having the sterling area's gold reserve held in a broadly based Commonwealth institution, rather than leaving it tucked away in the Exchange Equalisation Account in London.

Commonwealth banks, however, are no panacea. They will not of themselves create either the capital for long-term investment or the exchange reserves to keep the sterling area going. For both, the Commonwealth must look to America, or, perhaps increasingly, especially if any direct application to America fails, to Europe and the European Payments Union. EPU's future, linked as it is to that of the European free trade area, is in doubt today. But if the free trade scheme comes off, what is today a clearing union might well grow into something bigger, a centre where exchange reserves are pooled and which would do much to overcome the liquidity problem of the non-dollar world.

TANGANYIKA

Trade Union Dilemma

One of the most difficult problems in the developing African territories is the tendency, which is natural enough, of nationalist-minded, but immature, political organisations to run the equally immature nascent trade unions very largely for political purposes. Neglect of this problem by colonial governments (the East African Royal Commission in a moment of aberration opposed unions entirely) has led to attempts by outside bodies to develop mass unions of a type quite unsuited to the training of African workpeople to organise themselves for their own industrial interests. Little direct help comes from the TUC in Britain, but it often happens that the International Confederation of Free Trade Unions sends representatives to stimulate colonial trade unionism with little knowledge of the territory or its trades and institutions; and this is sometimes paralleled by the appearance of even greener representatives of the CIO-AFL from the United States who combine fierce anti-communist fervour with no less fervent anti-colonial messianism. The total result can be bad for workpeople as well as infuriating for employers.

In Tanganyika, the sisal industry has now sought to forestall these developments by convening a conference of workers' and employers' representatives under the chairmanship of Sir Barclay Nihill. This has worked out a scheme for a central joint council of the industry to deal with all aspects of labour relations and to operate as something between a Whitley council and a wages board. There is to be equal representation on both sides under an independent chairman, and the council's functions are to cover the whole field of labour relations, including wages.

The sisal growers' executive evidently hopes that, around the scaffolding provided by this agreed machinery of negotiation and conciliation, a more practical industrial trade unionism may develop. They have declined to recognise the Tanganyika Federation of Labour, sponsored by the ICFTU, or the Tanganyika Plantation Workers' Union as speaking for sisal workers—who form the bulk of plantation workers, and one third of the employed workers in the country. Whether union leadership of the kind sought by the sisal growers will now develop within the industry, or whether the existing outside bodies will in the end capture the sisal workers among whom they already have some members, has now to be seen. Certainly the workers' industrial interests should be, as they have not been, the first concern; but it may well prove no more possible in Tanganyika than elsewhere to divorce trade unionism from the pressure for larger political rights.

GRADUATES

Which Degrees Pay Off

If economic considerations are important in the choice of degree courses, there should now be a rush to read science rather than arts. The quinquennial survey of graduates' appointments which was made by Manchester University shows what was actually being earned in 1954 by two-thirds of those who graduated at Manchester in all faculties except medicine in 1949. It is probably fairly representative of graduate careers in their early phases everywhere. It shows, as might be expected, that Manchester arts graduates were found, five years on, to be congregated in the teaching profession, law and the public services; those who had done science, or sub-science, were in industry, while in commercial avocations there was an overlap between both types of graduates.

The science graduates were decisively better off in material terms. Though no average can be given, owing to the way the statistics are presented, it is clear that, in general, they were earning from £250 to £750 a year more than their classmates who did arts. Some of the arts men who had got plum industrial jobs were runners-up in terms of wealth to the science graduates; here and there science graduates had lingered on the ill-paid lower rungs of business. But in general £2,000 a year was no unusual salary for a science graduate five years out of the university, while it was a very unusual salary indeed for a Manchester arts graduate. Most of these were doing nicely if they had attained over £1,000 a year. In industry, too—as distinct from in the professions—the class of the degree counted for relatively little in material terms; ordinary degrees in technology were bringing in the shekels, apparently, just as were firsts in science. Nor did honours in law (rather surprisingly) or economics (less surprisingly) confer much advantage in "arts careers."

LETTERS

Liberals

SIR—There are bound to be differences of opinion in every party on specific issues and I believe that even the Conservative party, for all its monolithic qualities, is not altogether exempt from this symptom of vitality. Some Tories abstained on Suez, to their everlasting honour, a cabinet minister resigned on Cyprus, and three members of the Government resigned earlier this year because they differed from their colleagues on Government expenditure. Mr Braine reads the resolutions of the Liberal party assembly, but he has conveniently omitted to read the resolution passed in 1955 which endorsed price supports and makes our position on this subject quite clear. He has failed to notice that the Parliamentary Liberal party voted for price supports in the House of Commons.—Yours faithfully,

MARK BONHAM CARTER

House of Commons

The American Recession

SIR—In your last issue you say in a note on the American economy: "If revenues, as now forecast, fall under the impact of the recession to $70 billion, there will be a $8 billion deficit—and a need for a larger debt ceiling without any tax cut. Given time, this deficit should provide a powerful stimulus for the economy while a larger one might simply renew inflationary pressures."

It is regrettable that *The Economist* should appear to give approval to the elementary fallacy that a budget deficit which is the resultant of a fall in revenue and not a cut in taxes (i.e. of an *increase* in spendable incomes) or of an increase in expenditure can provide any stimulus at all, let alone a powerful one. The most it can do is to mitigate the rapidity of the decline. On this basis we shall indeed be landed into a real crisis.—Yours faithfully,

T. BALOGH

Balliol College, Oxford.

Tanganyika

SIR—At least two errors in your correspondent's despatch, "Tanganyika Moves Forward," should be corrected at once. First, it is not true that the sisal industry is entirely European-owned. The Karimjees, an old established Asian firm, have considerable sisal holdings and there are several other small Asian-owned estates.

Secondly, Arusha Chini sugar works produced 18,000 tons last year, and not 18 million tons as reported by you. Also, the Tanganyika Sugar Company Ltd. is not, as yet, part Dutch-financed.

In the political field, the United Tanganyika Party has failed because it was a party based on expediency, with so many strange and incompatible bedfellows. Its professed multi-racialism was bound to appear an attempt to entrench separate racial streams. And too many educated Africans had already deeply felt the humiliations of European racial arrogance in everyday life. Besides, there never has been any common platform where the masses and the privileged groups could ever stand together. The Tanganyika African National Union of course met the psychological need, and Mr Nyerere, apart from being charming, is a person of impeccable integrity and burning with deeply felt patriotism.

The present uncertainty regarding coffee prices may succeed in driving home the need to diversify the Chagga economy, apart from helping to form a more realistic outlook in the prosperity-minded members of the community.

Your correspondent is right about the undoubted scope that exists for American and United Nations aid. If this were forthcoming in good measure now or soon, Tanganyika's unique status and circumstances will be further underlined to the credit of everyone concerned, including above all the administering authority. But to be of real long-term value, it will be necessary to have the proper apparatus ready for it within the territory, with a national planning committee at the head, consisting of the most suitable persons commanding respect of the majority. Perhaps the most opportune time for the setting up of such a committee will be as soon as the country-wide elections have been completed next year. Such a team of men will be eminently suited for the task of attracting foreign and United Nations aid and provide the stimulus to legitimate national aspirations. There will no doubt be great difficulties, and calibre will not easily be found. But, as your correspondent says, it is easy to make fun of the territory's semi-politics. What matters is direction now.—Yours faithfully,

AMIR JAMAL

Dar Es Salaam

Pakistan

SIR—I am afraid you have been doubly unfair to the Prime Minister of Pakistan in your observations on his recent speech. He was neither intending to alarm Britain and the United States, nor were his "wilder remarks" occasioned by the fact that he was replying to a Parliamentary debate. He was voicing the true feelings of the people and the intelligentsia of the country who feel disillusioned and frustrated by this deliberate attempt on the part of the western powers to bend backwards to win the good will of the so-called uncommitted nations.

By entering into defence pac[t] Pakistan has not only imposed upon [its] economy an intolerable burden but h[as] also exposed itself to the criticisms [of] the Soviet block as well as of prominen[t] neutralists—Nehru, Nasser, and Ti[to]. The man in the street naturally asks h[is] government the meaning of all this, an[d] the Prime Minister of Pakistan, short [of] telling a lie, could not have spoke[n] otherwise than he has done. He mu[st] have known that some of the things h[e] was saying would be thoroughly un[-]palatable to some people. He must hav[e] no doubt hoped that his observation[s] would lead to the process of self-examination similar to the one he ha[s] undergone, and I am sure if *The Economist* and others, who are criticising the Prime Minister, had done what h[e] himself did, they would have come t[o] quite a different conclusion. Pakistan is one of your few friends in the eas[t] and it is, therefore, necessary for thi[s] country to know how unhappy and dis-satisfied it is with some of the policies of its friends. This gives them an opportunity to redress the position in good time before it is too late.

Some of the journals in this country suffer from an exuberance of self-righteousness. If subsequent events could justify that attitude there would perhaps be some justification for it. But they are hopelessly out of touch with current movements in the Muslim world. How many of them knew or imagined that the Middle East would undergo these vast changes so quickly and most of them to the disadvantage of this country? Is it a major sin for a friendly country to point out another blunder which this country is about to commit in respect of Pakistan?—Yours faithfully,

YEHIA SYED

London, E.C.4 *Morning News, Dacca-Karachi*

Cobham Cricket

SIR—As a member (alas no longer active) of the Cobham cricket club, may I ask for an inch or two of space to defend the butterfly against the sledge-hammer?

For good or ill, Cobham was, but is no longer, a village: and the club once was, but has inevitably ceased to be, a village cricket club. The changed name reflects this fact. The village blacksmith (if we had one) would be as welcome as ever, braced or otherwise, on his merits as a cricketer: the only difference is that he might find competition for a place somewhat stiffer.

All would, I think, agree with what you say of the traditional spirit of village cricket: but, having played both village and minor club cricket at various times and places, I cannot on my own experience accept any suggestion that the shooters tend to go up prematurely in the latter.

Forgive me if I conclude by saying that your note reminds me of the story of Catherine the Great and the sentry.—Yours faithfully,

A. V. T. DEAN

Cobham

BOOKS

Programme for Expansion

British Economic Policy Since the War

By Andrew Shonfield.
Penguin Special. 283 pages. 3s. 6d.

BOOKS on current economic policy are surprisingly rare. There are plenty of articles, pamphlets and official reports on particular problems. But few economists have the courage to survey the country's problems at length, to question established policies and prejudices, and to say what they think ought to be done. It is a delight to find an author who is ready to do this and who can produce a lively, polemical book in language comprehensible to the intelligent layman.

Mr Shonfield has a thesis to propound. Looking back over the postwar years, and comparing Britain's performance with that of other countries, he argues that it is the slow rate of growth of production that is at the root of most of our difficulties. If production rose faster it would be easier to maintain a satisfactory balance of payments. It would be easier to meet demands for increases in wages and other incomes, without suffering from rising prices. The improvement in living standards is, after all, the fundamental object of economic policy; Mr Shonfield wants it to be more specifically recognised as such.

The main reason for the slow growth of British production, Mr Shonfield argues, is too little investment. Since the war our policies have repeatedly caused excessive demands to be made on our production capacity. Every time that this has led to inflation or to a balance of payments crisis, governments have checked investment in order to make way for the competing demands. But by checking investment, they have retarded the growth of production, thus obstructing the one sure way out of our difficulties. The competing demands to which the politicians have yielded—notably our large defence expenditure and our high level of investment and military expenditure abroad—result, in Mr Shonfield's view, from *folies de grandeur*. Britain, like a rich but imprudent man who has fallen upon hard times, has been spending too much on the battlements and has been scattering its money abroad too freely: to reverse this policy and devote more to investment requires a change of heart in the country. Having shrewdly criticised the policies of the postwar Labour and Conservative Governments—and the forces that lie behind them—Mr Shonfield calls for a reconsideration of our national aims and for a five-year programme to raise investment and accelerate the expansion of production. In this context, he rightly concentrates on external policy, on the grounds that our weak foreign payments position is the most serious obstacle to expansion. He calls for less investment and military expenditure abroad and for more borrowing from abroad. He proposes that there should be a substantial retreat from convertibility, especially in capital transactions, so as to stop Britain from being so much at the mercy of currency speculation.

Few people would dispute Mr Shonfield's central thesis: international comparisons show clearly that the growth of production in Britain is slow and that abroad higher rates of growth have been achieved through higher rates of investment. Moreover, present policies have brought us to the point where production has been almost static for two years and where investment, after an encouraging increase, has again been checked.

It is the proposals for external policy that are the controversial heart of the book. To restrict foreign investment, to retreat from convertibility and to block part of the sterling balances (while guaranteeing their exchange value) would be to dismantle a substantial part of the present sterling system. Because of the risk of a flight from sterling at the start, and because of the need to replace the sterling system by some new international reserve system, that would be a vastly more difficult operation than the uninitiated reader might gather from this book. But that does not mean to say that it is altogether the wrong direction in which to look. Our balance of payments could be strengthened to the advantage of the sterling system by cuts in military expenditure abroad, by improved exchange control, by mobilising dollar assets, and by selective cuts in overseas capital expenditure, especially investment in non-sterling countries. Steps of this sort alone would give us more room to expand. But to go further—in particular to block part of the sterling balances—would be injurious to other sterling countries and would leave a gap in the world's monetary system. The question how far you go and what co-operation you seek from other countries is vital.

While, therefore, Mr Shonfield's programme cannot be accepted as a satisfactory answer to our external difficulties, his proposals should not be brushed aside. He has argued cogently the case for a change in external policy. It is to be hoped that people will improve on his proposals, not dismiss them. That indeed is the spirit in which he puts them forward.

Lobbying in Whitehall

Anonymous Empire: *A Study of the Lobby in Great Britain*

By S. E. Finer.
Pall Mall Press. 151 pages. 12s. 6d.

LOBBYING has been extraordinarily neglected by students of British government. The workings of Parliament and the Civil Service have been thoroughly examined, but Mr J. D. Stewart's *British Pressure Groups*—reviewed here on February 22nd—was the first book to deal seriously with the activities of those who seek to influence legislation and administration. Now Professor Finer has offered a still broader approach to the subject. Although *Anonymous Empire* is briefer and, in some ways, more elementary than Mr Stewart's book, it is undoubtedly more important. In 30,000 words Professor Finer has provided an extraordinarily readable and lucid summary of a very large subject, identifying the various groups which try to shape the policies of Westminster and Whitehall towards their own ends, describing their tactics, and assessing their effectiveness. He underlines how indispensable these groups have become to the process of government—how much departments rely on their contacts with organised representatives of industry and labour, and how much debates on legislation are based on speeches and amendments drafted by interested bodies.

The work of lobbies and pressure groups used to have a bad name through the publicising of American excesses. Now there has been almost too much of a reaction. Writers stress how fundamental to democracy is the right of petition and how essential it is for groups to organise if their interests are not to be neglected amid the complexities of modern government. In much of his book Professor Finer verges on being a Pangloss; he makes everything about the lobby seem too perfect and orderly and in the public interest. But in his final, and most important, chapter, he admits that all points of view do not secure an equal measure of attention from the powers that be, and that the process of 'squaring' tends to be undesirably secretive. In a plural society where organised groups battle to get as much as they can from the community as a whole, those who are unorganised tend to suffer. To some extent, the organised groups check each others' excesses: trade unionists counterbalance employers, margarine manufacturers object to special favours for butter producers, and fox-hunters marshal their forces against anti-blood sport leagues. The defence of the ordinary consumer, however, is left largely to the political parties, eager to win the votes of the disgruntled. But this does not always prove a very effective defence and the welfare of the community as a whole, represented by no single articulate spokesman, may give way to the demands of the National Farmers Union or the TUC.

Yet on balance the evils of the lobby do not seem very great to Professor

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Finer—in so far as reform is needed, he rightly advocates compulsory publicity about their activities and, in particular, about the links between MPs and outside bodies. He has certainly not said the last word on the lobby. His book will whet the appetite of many readers for his own more detailed studies and for the counter-attacks on his viewpoint which will surely come.

Spain Changing

The Yoke and the Arrows: *A Report on Spain*

By Herbert L. Matthews.
Heinemann. 178 pages. 18s.

MR MATTHEWS is a frank and impenitent adherent of the Republican side in the Spanish Civil War. One might have hoped that his open declaration of his bias, prefacing a conscientious attempt to describe fairly the state of Spain today, would have been accepted by the present Spanish regime as an act of honesty towards the reader of his book. Instead, Spanish official spokesmen have filled the air with complaints of his bias. But how strange that the lengthy refutations it has put out should concentrate on the detail of what happened in the Alcazar and the Montana barracks at Toledo on July 22, 1936. Absorbed in the memories that haunt the men of his generation whose emotions were engaged in the Spanish conflict, Mr Matthews found himself angered and disgusted by the rewriting of history to which the victors still devote so much of their time; so he questioned whether Colonel Moscardo ever held that heroic conversation with his son, and whether the son's life ever was used to blackmail the rebel garrison.

The present rulers of Spain are absorbed in their memories, too. For men who do not believe in the freedom of the written word, they meet attacks on their method of government, their taboos, their economics, their administrative morals and their intelligence with an urbanity that it is impossible not to respect; but stick a pin in the Alcazar legend and they spring to their typewriters, afire.

The present Spanish regime has had some notable successes, but it is not a success. Something is wrong with it; can it be this—that the past is more real to it than the present? What is striking is not its badness (though it cannot be called a good government) but that it is completely out of touch—with the people it governs, and with the times in which it lives. The Spaniards themselves, by contrast, are furiously anxious to be in touch with the times and to be in the world, not in an enchanted backwater. They are not so much in opposition to their government as intolerant of what they regard as its nonsense.

Mr Matthews notes a change for the better in the Spanish people's political state of health. He finds that they are becoming more tolerant, more stable and more mature, more middle-class—even "more European." Enigmatic as it looks, this last phrase may contain the key: the Spaniards have become more consciously open to outside influences than they have been for a long time. There may be a change in the national character, as one is tempted to suppose. Or it may merely be that the common notion of Spain as essentially un-European was always more superficial, and more of a rationalisation from transient circumstances, than anyone supposed.

Like other critics of the Spanish regime, Mr Matthews appears a little puzzled by the substantial, though patchy, economic and social progress of the last few years. He attributes more of this progress to American aid than the facts probably justify (against the superficial evidence, he claims that American aid has not been inflationary in its effects). Probably the answer is simple and humdrum: Spain may not be very well governed, but it has had nearly twenty years of continuous government uninterrupted by war or revolution. Naturally, in such a period, capital is formed; the efforts at economic improvement do produce some results; it is not necessary to like a regime to admit that something real can be achieved under it.

Mr Matthews is honest and does not attempt to deny the achievements. His book is not free of the faults of sketchiness and imperfect observation that tend to mark journalists' accounts of affairs in Spain: why is it that the available political and economic facts about Spain are rarely tangible and never coherent?

Communist Commander

The Great Road: *The Life and Times of Chu Teh*

By Agnes Smedley.
Calder. 461 pages. 35s.

AGNES SMEDLEY was born in a village in Missouri in 1893, the daughter, as she tells us in this book, of "a poor farmer who ploughed the fields in his bare feet but wore leather shoes most of the time." While she was still a child, according to the publisher's foreword, her family moved to "a Rockefeller mining camp in Colorado where she acquired a hatred of capitalism with the air she breathed." She became a journalist with a special taste for Asian revolutionary movements, and though she seems always to have been personally too much of an individualist to be a card-carrying Communist, she was to become one of the most effective western propagandists for the Chinese Communist cause. Her career was identified for several years with Indian nationalism, but she transferred her affections to China when she went there as a correspondent in 1928. She died in England in 1950, but left her property in her will to Chu Teh and directed that her ashes be buried in Peking.

"The Great Road" is based on a series of interviews Agnes Smedley had with Chu Teh in Yenan in 1937, when she induced him to tell her the story of his life up to that time. In the book she carries the tale to 1946, but she had no further opportunity after 1937 to obtain his own testimony. The part dealing with the period before 1937 comprises sections in inverted commas that purport to represent Chu Teh's own words, passages that appear to be paraphrases of what he said, and other passages in which Agnes Smedley gives us her own opinions or versions of facts derived from other sources. It is not always certain how much has come through in its original form from the Chinese Communist commander and how much has been interpreted or interpolated by his American admirer, but a strong impression of personality emerges.

The autobiographical picture is of a son of a peasant family in Szechwan, who was with great difficulty given an education in order that he might become a civil official, but disappointed his parents by taking up a military career instead; of his rise to high rank and affluence in the Yunnan provincial army; of his flight after the defeat of his faction in Kunming, his refusal to enter the service of the Szechwan warlord Yang Sen, his departure to Europe for study, and his conversion to Communism while living in Germany between 1922 and 1924. This version differs considerably from that given in "Red Star Over China," by Edgar Snow, who says he got his information from Mao Tse-tung, Peng Teh-huai and other party colleagues. Snow describes Chu Teh as a "scion of a family of landlords." Whether he sprang from the peasantry or from the gentry, he has certainly been an unswerving Communist since 1924 and has been the principal architect of his party's military victory in the civil war. But it is strange that there should be so much doubt about his origin. In any case no western biographer can today go to his birthplace and conduct an investigation on the spot.

Without Taint?

Rider on a Grey Horse: *A Life of Hodson of Hodson's Horse*

By Barry Joynson Cork.
Cassell. 178 pages. 21s.

TO know that Hodson was killed at the age of thirty-six, as a result of his own headstrong action at Lucknow, is partly to understand him. Self-assertive, ill-tempered and disliked by many of his contemporaries, he was one of Henry Lawrence's young men. It was that small band of men which saved India for Britain in the Mutiny. They saw that as their plain duty, excusing the follies of savagery and injustices they committed. They plucked the sword of revenge out of the feeble grasp of the older generation of Indian officers and administrators, who kept their belief in the Sepoys until the moment they were shot down. But did these young men, the real pioneers of imperial rule, understand India as well as the older, weaker generation? Perhaps not, for, left to themselves to rule in an alien land, they were given the power to command—the power to condemn and to punish—too early.

Hodson was one of them and the most controversial figure of them all. Mr Cork, making use of original correspondence, has now produced a slim biography trying to exonerate Hodson. He does not altogether succeed. Hodson's exploits in intelligence and reconnaissance in the Mutiny are not all that startling. Mr Cork's examination of Hodson's conduct at Murree, while in command of the Corps of Guides, which led to Hodson's demotion, may quit him of the charge of deliberate dishonesty, but it does not excuse Hodson's failure to secure the loyalty of his officers.

Hodson, it is clear, was a lonely, sick man, unable to work easily with his fellows: at his death, there were untrue rumours that he was killed looting. Mr Cork's principal concern is to show that Hodson did not, as some thought at the time, coldly murder the sons of the last King of Delhi. The charge is reduced to a rash act of manslaughter. Mr Cork does his best and it is as well to have all the evidence freshly paraded, but nothing perhaps will ever remove the question mark that hangs over Hodson's career. It is appropriate that he gave his name to a band of irregular cavalry.

Russian Space Travel

Sputnik into Space

By M. Vassiliev with Professor V. V. Dobronravov.
Souvenir Press. 147 pages. 15s.

THIS book is a translation from the Italian of a translation from the Russian and could properly be described as a collector's piece. Except for one startling statement that the rocket that launched sputnik 1 stood 120 feet high and measured 30 feet across, or one-third bigger than the biggest American rocket, the intercontinental Atlas, the book has less to say about either sputnik than the Soviet news agencies; and what it does say is so bound up with Professor Dobronravov's theorisings on space travel that it is difficult to tell where fact ends and fancy begins. This theorising has a certain interest; Russian scientists have an irrepressible enthusiasm for space travel, and the sputniks appear to them merely as logical stepping stones on the way to space.

Their ideas are essentially conventional. The authors quote extensively from estimates made by the German-born, American-naturalised rocket designer—von Braun—for whom they obviously have great admiration as builder of the world's first ballistic missile, the V2. In passing, they also clarify the status of some of the more confusing illustrations of huge winged carrier rockets that have appeared in Russia since the sputniks were launched and which the captions in this book mischievously describe as the sputniks' actual launching rockets (as on another page they describe a British Sea-slug guided weapon fired from a destroyer as "another way" of launching a V2). The authors credit these designs to N. Varvarov, who argues that the most economical way to lift a heavy rocket through the lower reaches of the atmosphere is by a jet-powered, winged structure of this kind with its own separate crew to fly it back to earth after it parts company with the main rocket on the fringes of the upper atmosphere. The use of wings, particularly retractable wings to solve the re-entry problem, recurs repeatedly. Written in the "mother's knee" genre, perhaps even because of it, the book turns out to be a more successful layman's primer to the physical and technical difficulties of rocket building and flight outside the atmosphere than some of its more sophisticated counterparts in the English language.

Massive Study

Financial Intermediaries in the American Economy since 1900

By Raymond W. Goldsmith.

Princeton University Press. London: *Oxford University Press.* 415 pages. $8.50. 68s.

PUBLISHED for the National Bureau of Economic Research, this is the third of a series of seven monographs examining long-term trends in capital formation and financing of residential real estate, agriculture, mining and manufacture, public utilities and government. The "intermediaries" are the American commercial banks, savings and loan associations, private insurance companies, government insurance corporations, investment companies, credit unions, personal trust departments, finance companies, investment bankers, land banks and government lending institutions, which receive the savings of individuals, enterprises and government and channel them to the domestic economy. There were about 45,000 of these financial intermediaries in the United States by 1952, twice as many as in 1900. Based on a series of standardised balance sheets for 1900, 1912, 1922, 1929, 1933, 1939, 1945, 1949 and 1952, the findings are supported by 127 tables and 13 charts.

Although admittedly these findings constitute only a beginning in an inadequately studied field, the author selects various factors that may help to determine the role of financial institutions in the economic and financial structure. Among them are the following. In 1860 the proportion of the national assets held by financial intermediaries was some 6 per cent; by 1945 it had risen to 25 per cent, declining slightly to 20 per cent in 1952. Holding the lion's share of more than half of the total funds of financial institutions in 1900, commercial banking today has to be satisfied with one-third. Insurance, mainly because of increased government and private pension funds, has risen from 15 per cent in 1929 to 27 per cent in 1952. Financial intermediaries owned or controlled by government, whose holdings were negligible in the early part of this century and only 4 per cent of the total by 1929, have increased these to 24 per cent. Half the external funds required by



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Japan's Economic Recovery

G. C. Allen

The author describes and explains the course of Japan's recovery in industrial production, foreign trade, agriculture and finance, and compares and contrasts the present with the pre-war economy in its structure and organization. *25s. net*

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agriculture, non-farm households, unincorporated businesses, non-financial corporations, and government—local, state and federal—come from these financial intermediaries. By far the biggest user is the federal government: one-quarter of its borrowings in the first world war were supplied by these intermediaries; in the second war they supplied two-thirds.

Though far from being a book for the general reader the monograph contains a fund of information on long-term trends of great use to scholars; it could also be studied with profit in similar institutions outside the United States, for they should find the tables and charts of absorbing interest. Given the greater amount of concentration among British financial institutions, it should not be impossible to provide approximately similar statistics here—at least for a few of the base years, such as 1900, 1912, 1939, and since 1945. This massive study shows how to go about the job in no mean spirit.

Trade Across the Desert

The Golden Trade of the Moors

By E. W. Bovill.
Oxford University Press. 281 pages. 30s.

MR BOVILL'S book is a discursive history of the countries lying immediately south of the Sahara, and it is strung on the theme of the gold that for centuries was traded northwards across the desert from some unknown source farther south. In his earlier book, "Caravans of the Old Sahara" (written in Kano and surveying the scene from the south), the author showed how the Saharan trade routes had woven ties of blood and culture between the peoples north and south of the desert. The present book embodies the work of twenty-five years' further research and is intended to show that "the great markets and modest seats of learning of the south sometimes determined the course of events in the north." This seems to be going too far. Certainly the people of the north profited from trade with the south and the Saadian Sultans of Morocco, who conquered and ruled the Songhai kingdom, gained both wealth and prestige thereby. But this can hardly be called "determining the course of events."

The author seems in general more familiar with the south than with the north. He describes his travels in Barbary as modest, and certainly slips over Aghmat which he describes as "only a few days' journey from Marrakesh" when it is in fact only a little more than twenty miles from that city. It is as an authority on the little known history of the southern Saharan regions and the adjoining lands that the book will be most useful. In one respect, however, it is highly topical with regard to northern affairs. For it contains a fairly detailed account of the capture of Timbuktu by the Moroccan Sultan Ahmed el Mansour in 1560 and the subsequent years of Moroccan rule in the western Sahara. This is the principal basis of the Moroccan claims today to territorial expansion south of Morocco. In an article published on the occasion of the recent visit of King Mohammed V to the south of the country a Moroccan paper came out with the statement that Moroccan territory stretched to the Senegal and that Timbuktu was its final limit.

The book is well documented and full of information which is not easily available elsewhere. No doubt it will continue to be appreciated and found useful as long as was its predecessor, the continued demand for which gave rise to the writing of the present work.

Farming Here and There

Types of Rural Economy: *Studies in World Agriculture*

By René Dumont.
Methuen. 556 pages. 45s.

THIS is not quite so systematic a study of agricultural types as the title suggests. It consists of descriptions of farms and farming practices in about fifteen different countries which the writer has studied, often in some detail. Three chapters are devoted to agriculture under tropical and semi-arid conditions in Belgian and French Africa, and one to an account of the appalling round of peasant life in the Red River Delta of northern Vietnam before the war. The remainder of the book is taken up by a series of European examples, which range from marginal wheat farming in arid Spain through intensive commercial dairying in the Netherlands to the *kohlkoz* and *sovkhoz* of Russia, a culmination which is not fortuitous. There is a chapter on Britain, somewhat curiously confined to the examination of a group of predominantly grass farms in the Welsh Border country, but nothing from the United States or from such distinctive farming regions of the southern hemisphere as New Zealand or Argentina.

Professor Dumont's view that food production must be increased irrespective of market considerations, and his tenderness for the directed economy, will not meet with universal approval. Indeed, a postscript suggests that he has modified some of his opinions on collective agriculture since the Hungarian revolution. Such views in any event detract little from the value of the descriptive chapters, which obviously result from shrewd and skilled observation, and which are illuminated by a passionate concern that the peoples of the world shall have enough to eat.

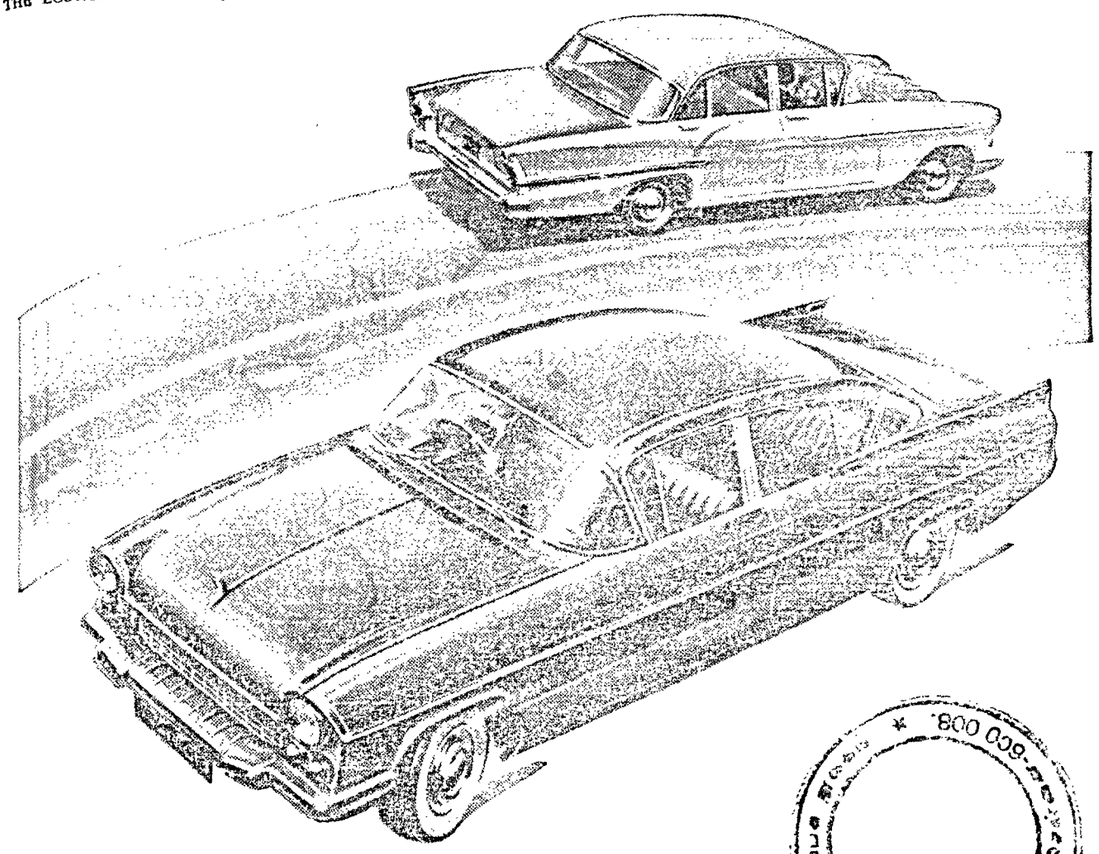
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THREE PLAYS. By Thornton Wilder. *Longmans.* 401 pages. 18s.

TEN STEPS FORWARD: World Health 1948-58. By Ritchie Calder. *World Health Organisation.* London distributors, *HM Stationery Office.* 66 pages. 2s. 6d.

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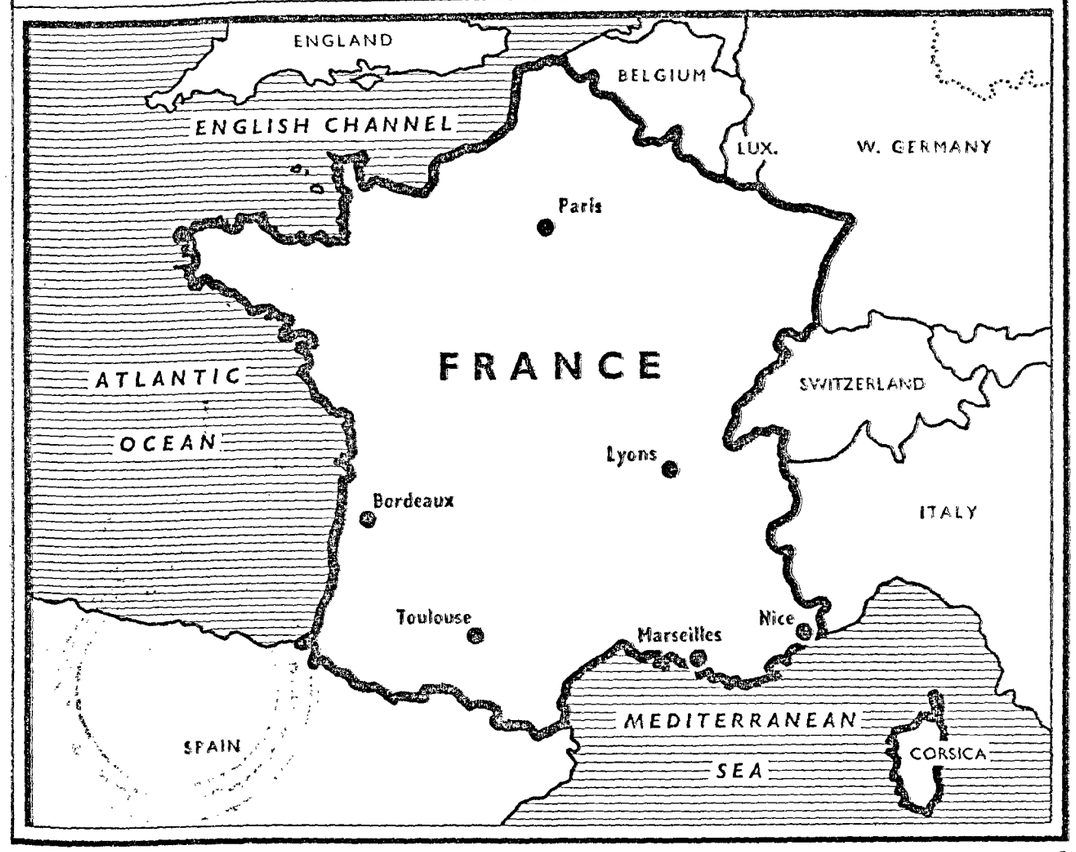
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Resident population	43,648,000 (1956)	Homes	13,401,500 (1954)
Density per square mile	205	Cars in use (private)	3,720,000 (July, 1957 estimate)
NATIONAL INCOME		(business)	1,312,000 (July, 1957 estimate)
Total, net ($ million)	39,971 (1956)	Telephones	3,985,212 (1955)
Per Head ($)	916	Radios	10,158,600 (1956)
Money circulation at end of year ($ million)	7,960 (1957)	Television	442,000 (1956)
EMPLOYMENT		Homes wired for electricity	12,500,000 (1954)
Working population (economically active)		Refrigerators (electric)	897,900 (1954)
Male	12,514,100 (1954)	Washing machines	1,125,700 (1954)
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Total	19,182,060 (1954)	Vacuum cleaners	1,876,100 (1954)

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Hemisphere's Poor Relations

WASHINGTON, DC

WHEN Vice President Nixon landed at Montevideo on Monday to spread "good will" in Latin America he was greeted with a mixture of cheers and catcalls from the crowd, with the news that an American-owned meat packing plant had just been seized by his hosts, and with five speeches in a row lamenting Uruguay's economic decline and calling on the United States to do something about it. The meat plant had suspended operations in December, on the ground that political interference was preventing it from making a profit, but it had recently been sold to another American firm which was also soon at odds with the government. The economic decline is attributed firmly by the Uruguayans to the American wool tariff, which is blamed for the catastrophic fall in Uruguay's exports to the United States, from $129 million in 1950 to $12.5 million in 1957. Finally the point was underlined for the Vice President's benefit by suitable references to Uruguay's unfortunate inability to pay in dollars for the oil it normally obtains from American suppliers, and to the pressing necessity which is forcing Uruguay into the barter deal which is currently being negotiated with the Russians—Uruguayan wool and meat for ten tanker-loads of oil and 2,000 tons of cotton.

In short, Mr Nixon encountered at his first stop most of the elements that will confront him during the rest of his journey—genuine tales of economic woe; a tendency to put all the blame on the policies of the United States (which charged exactly the same duty on its wool imports in 1950, when Uruguay's dollar earnings were at their height, as it does now); complaints of political interference by the American investor; and strong hints by the Latins that, unless something is done quickly, the western hemisphere is about to be the scene of the Russians' greatest economic triumph.

The official line in Washington hitherto has been to treat the Latins as improvident children who have the resources to make their countries every bit as prosperous as the United States if they could only develop a protestant ethic, who must once in a while be rescued from the trouble into which they have got themselves, but who should more often be allowed to suffer because it is good for them. American officials point out that Congress has voted Latin America a substantial slice of technical assistance each year—usually more than the Administration has requested; that $7.5 billion, one-third of all private American investment overseas, is now sunk in that area; and that it has received over forty per cent of the dollar value of all loans from the Export-Import Bank during the last decade. This austere attitude, with its emphasis on the need for the Latin governments to provide the right climate for private investment, has of course had the tacit support of the International Bank; although the bank has recently increased its activity in South America somewhat, it is regularly, and often unfairly, denounced for its implacability in demanding that potential borrowers first put their own usually inflationary houses in order.

But there has been growing in Washington a sense of uneasiness at the widening gap between the fulsome cordiality, seasoned by delicate attention to Latin susceptibilities, which characterises the United States' handling of political relations through the Organisation of American States, and the cold sermons with which the United States' delegate regularly reduces the same organisation's discussion of economic problems to impotence. At the very moment when the Canadians, for similar economic reasons, have become impatient at the ritual toasting of the "unguarded frontier," the southern neighbours of the United States are beginning to make felt their irritation at the standard references to the OAS as "the model regional organisation." Indeed, the Assistant Secretary General of the OAS said last month that relations between the United States and the other American republics were in "a period of decline and deterioration" and that one would have to go back to the nineteen-twenties to find a period when they had reached as low an ebb. Then the issue was political, today it is economic.

THERE is some evidence that this sense of alarm is reaching the highest level. In a somewhat oracular pronouncement to a meeting celebrating Pan American Day, Mr Dulles made a passing reference to the desire of the United States to "share fairly" the burden of adjustment to the recession, which can hardly fail to hit the Latin American producers of primary products particularly hard. The speech was overlooked as a disappointingly routine affair until a question at Mr Dulles's press conference elicited the unexpected statement that it was intended to herald "a considerable advance" in the American position. So far there is no direct evidence that this observation, unsupported as it was by any specific promises, means much more than that the United States will modify its stand-offish attitude towards economic conferences when they are proposed by its Latin neighbours. Until now the State Department has taken the view that the United States would rather not go at all than simply act as a wet blanket for eager ideas about the establishment of commodity stabilisation schemes or new development funds and banks. Now the Americans will probably go, but whether or not they will be any less of a wet blanket remains to be seen.

Undoubtedly the Administration remains highly sceptical about the value of commodity agreements and in particular has no intention whatever of undertaking the financial responsibility for supporting the world price of

coffee. The world, indeed, is floating in coffee and, while the Brazilians have lined up six other Latin American countries behind a scheme for controlling exports, there are not only other Latin producers which remain outside but, much more seriously, coffee growing is spreading rapidly in Africa. The Americans point, as a lesson from which Latin coffee growers should learn, to their own sad experience in attempting to maintain high rigid price supports for domestic cotton, which has had the effect of giving a handsome incentive to the growing of cotton abroad. But if the Latin producers were able to come to any sort of arrangement with their African rivals, the United States might look more kindly than hitherto on the impact of such an agreement on the American market. There also may be a more sympathetic reaction if the idea of an inter-American development bank is raised again; the last time, when it was proposed by Venezuela, the idea was allowed to get nowhere at all.

Indirectly the new, more considerate, approach has become apparent in connection with lead and zinc, two commodities of vital importance to the economies of Bolivia, Mexico and Peru as well as of considerable interest to Canada. Only last week came the long expected blow of a unanimous finding by the Tariff Commission that "serious injury" was being done to domestic lead and zinc miners by foreign competition. The three Republican members of the commission recommended the highest permissible increases in the duties, combined with a system of quotas which would cut imports in half. However, the three Democratic members, while recommending a smaller increase in duties, attacked the idea of quotas so caustically that they threw doubt on the utility of any action against imports at all.

It has been no secret that the twelve Senators from the western mining states are quite determined to exact a substantial price for their support of any extension of the Reciprocal Trade Agreements Act; the price seemed certain to include increased tariffs on metals and therefore to damage America's neighbours to the north and south. But on Monday the Secretary of the Interior came up with an alternative and entirely new scheme for subsidising American metal producers by paying them the difference between market prices and higher "stabilisation" prices. He specifically pressed the scheme on Congress as a way of making a practical contribution to good neighbourly relations with foreign suppliers. If Congress buys the idea it will also have made a practical contribution to Mr Nixon's "good will" and Mr Dulles's "considerable advance."

Cut-price Bargaining

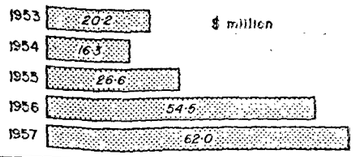
THE three large automobile companies have brusquely rejected the offer of Mr Reuther, the automobile workers' president, to extend the union's expiring contract for three months if the industry authorises a "gigantic clearance sale" of its new cars. This has cast cold water on hopes that sales might be stimulated and the recession abated by a joint effort on the part of industry, labour and the government to bring prices down in a vital sector of the economy. Senator Douglas is proposing a relaxation in the 10 per cent excise tax on automobiles if the companies will cut prices by about $100 and if the union offers to help; after all, profits have fallen sharply this year. Mr Reuther is ready to forgo the automatic wage increase of 6 cents due under the present contract on May 29th—the day his agreement with General Motors expires—if a similar provision is embodied in the new contract.

UNITED STATES BALANCE OF PAYMENTS WITH LATIN AMERICAN REPUBLICS

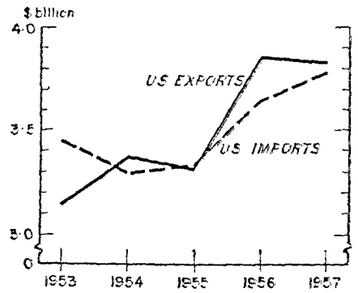
	$ million 1956	1957
Exports of goods & services	5,645	6,624
Merchandise	3,830	4,631
Transport	366	410
Travel	216	238
Services	238	256
Investment income	918	1,009
Military transactions	77	80
Imports of goods & services	4,787	4,913
Merchandise	3,775	3,915
Transport	359	313
Travel	363	387
Services	238	234
Investment income	25	29
Military outlays	27	35
Balance on goods & services	858	1,711
US capital (net outflow—)	−923	−1,444
Foreign capital & gold	387	163

US ECONOMIC AID TO LATIN AMERICA

Actual expenditure; fiscal years ending June 30th



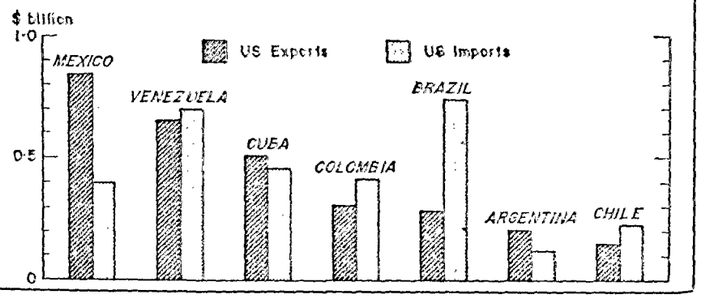
TRADE WITH LATIN AMERICA



VALUE OF LEADING ITEMS IN 1956

	$ million
US Exports:	
Industrial machinery	577
Motor cars	475
Chemicals	401
Electrical apparatus	241
US Imports:	
Coffee	1,301
Petroleum	656
Non-ferrous metals	482
Cane sugar	331

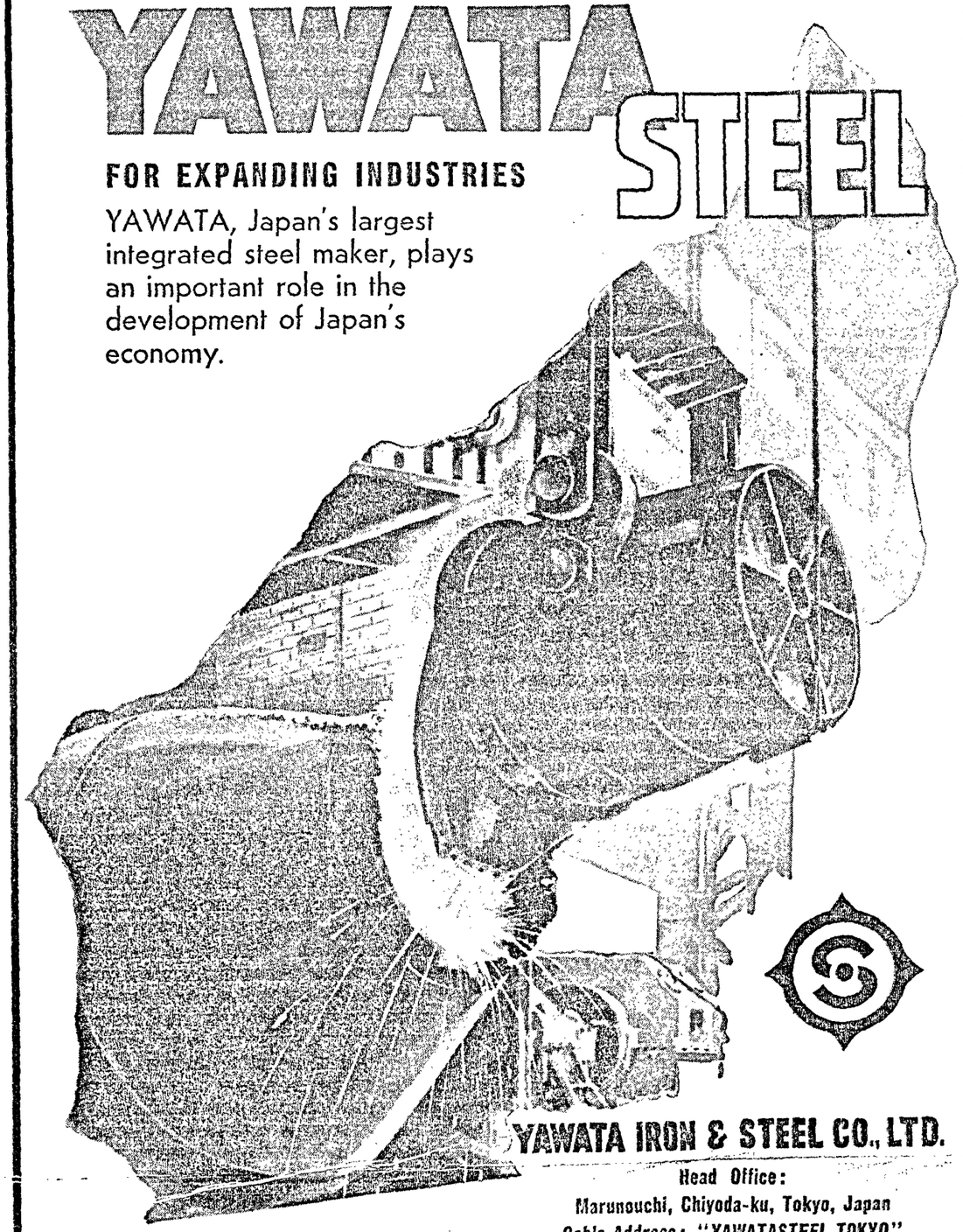
MAIN TRADING PARTNERS IN 1956



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But the producers, who have always stood firm against giving the union a voice in pricing policy, argue that this 6 cents is not Mr Reuther's to give away until a new contract is signed; moreover, while a strike now—when dealers have a two-month supply of cars on hand—can be faced with equanimity, a strike in September, when the companies hope to be working full tilt on their new models, would be damaging. Mr Reuther, whose bargaining position is the weakest it has been since the war, is playing with his usual skill upon the public anxiety over constantly rising prices to avoid signing a long-term contract until he can exact better terms. But the companies, who are working more closely together than ever before, feel that this is a golden opportunity to demand a two-year non-inflationary contract in an industry which sets the wage pattern for many others; General Motors has shown that it is in earnest by "terminating" its contract on the set date.

In another basic industry, steel, which is even more depressed, it is some of the companies which are seeking a price bargain with labour. They see real advantages in the suggestion made by a consumer of steel that the union should forgo the automatic wage increase due to it this summer if the companies promise to freeze prices. The industry is now operating at less than 50 per cent of capacity and cannot hope to raise its prices enough to cover the cost of the rise in wages. So far the steelworkers, while urging a cut in prices, have rejected the idea of a wage standstill. And so far, the President, although he beams upon the idea of "industrial statesmanship" in the abstract, has taken no practical steps to promote it in either Pittsburgh or Detroit.

Two Views on Tests

WHILE Washington—and the world—have been waiting for President Eisenhower to reach a decision about a new American policy on disarmament in general and on nuclear tests in particular, the opposing pressures which are being put upon him by two sharply-divided groups of advisers have become clearer. Moreover, it is now apparent that the division is not simply between Mr Dulles and the State Department, conscious of the propaganda value of suspending nuclear tests and anxious to have some basis for negotiation if the summit is ever reached, on the one hand, and, on the other, the Department of Defence and the Atomic Energy Commission, maintaining that with continued testing of atomic weapons the United States will become strong enough to establish peace by the force of its own nuclear power and that this is the only way to prevent an annihilating war.

For this reason Mr Strauss, the head of the AEC, and his *fidus Achates*, Dr Teller, the inventor of the hydrogen bomb, insist that the United States ought only to weaken itself by suspending tests if this were part of a much more far-reaching disarmament agreement. But theirs is no longer the only scientific view reaching the President, for Mr Strauss is no longer his closest link with the scientific world. Mr Eisenhower now has his personal scientific advisers, Dr Killian, from the Massachusetts Institute of Technology, appointed as part of the attempt to find an answer to the sputnik, and Dr Bethe, a physicist less well-known but just as well thought of as Dr Teller, who is studying inspection and controls in connection with disarmament. And both Dr Killian and Dr Bethe are understood to favour the suspension of tests without waiting for a simultaneous agreement to suspend the production of nuclear weapons.

Dr Bethe gave his reasons for this view in secret to the Senate sub-committee on disarmament and they are therefore not yet available in detail. But he does not base his case, as do so many scientists, on the danger to human health of radioactive fall-out and he does believe that it would be comparatively easy to set up a workable international system for ensuring that a ban on tests would be kept. The contention of Mr Strauss and Dr Teller that this could not be achieved seems now to be almost entirely discredited—among the general public, at least. These two men are now emphasising the other side of their case—the importance of continued testing to the development of nuclear weapons, which can be used in limited wars and to defend the United States against a surprise attack, and to the development of still "cleaner" bombs. Whether or not these arguments are outweighed not only by those of Dr Bethe, but also by the less tangible political arguments for the suspension of tests seems a matter for the statesman rather than for the scientists.

Receding Profits

THE decline—not to say fall—of American business has been chronicled in recent months as thoroughly as that of Rome; and the reports of corporations on their profits, somewhat more succinct than Gibbon and about as readable, continue to grow more gloomy. Actually, according to the calculations of the National City Bank of New York, out of the 65 major industrial groups comprising 3,521 large companies, 34 reported that profits had increased in 1957 over the previous year; and the 3,521 firms as a whole earned one per cent more than in 1956. But the slow pace of the fourth quarter was apparent; most companies had higher earnings in the first nine months of the year but these were largely swallowed up in the last three. The biggest drop in 1957 was experienced by the airlines, caught between rising costs and fixed fares; their profits declined by 92 per cent in the fourth quarter and were 55 per cent lower for the year. Other industries with lower earnings were building materials, farm equipment, textiles, railways, pulp and paper, and metals and mining.

The reports for the first three months of 1958, now being published, continue to tell a solemn tale, and estimates are even more pessimistic. Automobile and steel manufacturers' returns were 5.1 and 13.5 per cent higher, respectively, in 1957; but this year they have suffered the most spectacularly. The Ford Motor Company's profits were 77 per cent lower than in the first three months of last year; and the Chrysler Corporation lost $15 million and reduced its quarterly dividend by two-thirds. The General Motors Corporation, while faring better than its two principal competitors, earned less than it did in the same period last year. The best showing in the industry has been made by American Motors, whose profits were greatly increased, owing largely to demand for its small Rambler cars. Those first quarter earnings of steel companies which have been published so far have all fallen drastically, reflecting both lower output and higher costs. Few of the mighty have been spared; the General Electric Company's earnings were down appreciably, as were those of E. I. DuPont & Company.

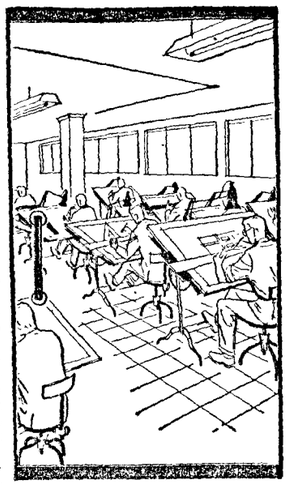


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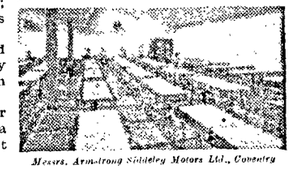
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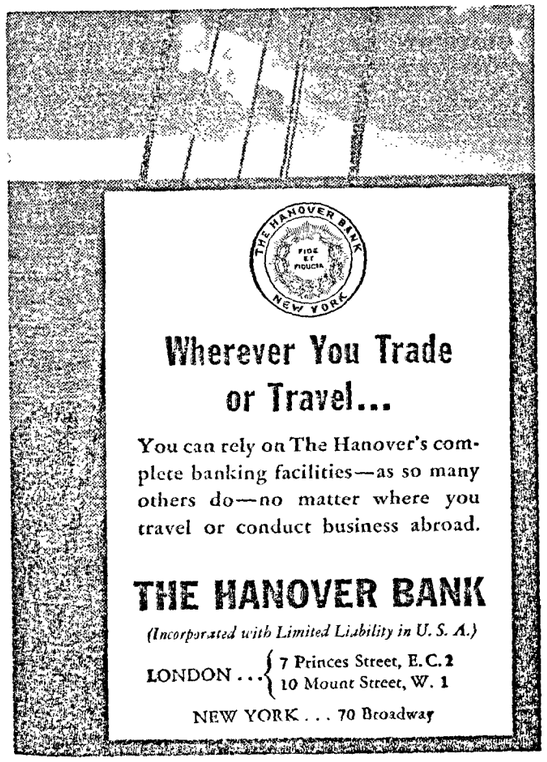


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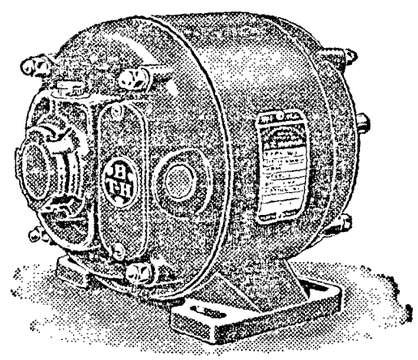
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Not all of the news has been bad. Tobacco companies had higher profits in the last quarter of 1957 and for the year as a whole, and have continued at high levels so far this year. Food companies and grocery chain stores have been relatively unaffected, as have manufacturers of drugs and pharmaceuticals. Finally, shareholders have suffered little so far; few companies have cancelled or reduced their first-quarter dividends, though in many cases earnings have not covered them. This may account in part for the absence of any marked reaction from the stock market; prices have not fallen much in recent weeks, and in some cases have actually risen contrary to earnings. But some observers hold that the market had already discounted the recession, and that lower earnings did not surprise shareholders.

Trade Union Nettle

WASHINGTON, DC

By sheer personal will-power Senator Knowland, the leader of the Republican minority, forced the Senate at the end of last week and the beginning of this to face the issues of personal liberty in the trade unions. Ignoring all advice that his harping on "union democracy" was endangering his campaign for the Governorship of California, Mr Knowland crashed into what had been planned by the leader of the Democratic majority, Senator Lyndon Johnson, as a short, uncontroversial debate on a modest Bill to require public disclosure and auditing of pension and welfare funds. He offered thirty-six riders to the Bill which amounted to a fundamental revision of the general law on trade unions.

Senator Johnson, whose unconcealed irritation at this interference with his plans was in marked contrast to his usual smooth working relations with his Republican opposite number, moved swiftly to box Senator Knowland off. As usual he proved the more skilful party manager; moreover, many Senators hesitated to write such controversial legislation without the benefit of committee hearings—though these have often been the graveyard of similar Bills—and so jeopardise the welfare fund provisions. Calling abnormally long sessions late in the evenings and on Saturday morning Senator Johnson had the amendments voted down one by one. Although most of the southern Democrats sympathise with the substance of Mr Knowland's plan, Senator Johnson lost only one Democratic vote to the other side; Senator Knowland lost ten "liberal" Republicans. But the price which the Democratic leader had to pay was an absolute promise to his southern colleagues that the Senate Labour subcommittee would push ahead right away with a Bill involving such major proposals for labour reform as those offered by the Administration, by Senator Knowland, and by Senator McClellan, the chairman of the committee investigating abuses in the field of industrial relations; these are discussed on the opposite page. Mr McClellan declared in a recent impassioned speech that now if ever was the time to curb the bullying and defrauding of trade union members by their leaders and that he was determined to see that the chance was not lost.

This places the ball firmly in the court of the chairman of the Labour subcommittee, Senator John Kennedy of Massachusetts, who as a presidential aspirant can afford to alienate permanently neither the unions nor the South. He has already disturbed his labour supporters by vague references to the need to ensure "union democracy." But whatever happens in the Senate this year the chances are that any major innovations in the legal framework within which unions operate will be blocked in the House of Representatives by northern Democrats who are dependent on trade union contributions to finance their campaigns in the approaching congressional elections.

Back on the Dole?

Unemployment, which normally falls about 10 per cent between mid-March and mid-April, this year receded only from 5,198,000 to 5,120,000. Many of these workers have exhausted their claims to unemployment benefit under state laws and further help is urgently needed, both to avert hardship and to maintain consumers' purchasing power. Unfortunately there is a wide gulf between the President's proposals and the Bill now being debated in the House. The Administration's Bill was drawn with great care to preserve the present state system of unemployment insurance; to overcome the objections of upholders of states' rights; and to cost as little as possible. The Democratic measure would cost at least $1.5 billion (about three times as much) and would, at least according to the Republicans, "put America back on the dole."

This is because the House Bill would make benefits available to the 2 million unemployed who have never been insured under the state systems as well as to the 3.3 million who are; one of the great defects of the present system is that only two-thirds of the workers are covered. Benefits, under this scheme, would be paid for sixteen weeks no matter how long the state normally pays them, while the Administration Bill would only have extended the usual period in each state by a half; on the average, according to the Secretary of Labour, this would have meant benefit for another 7 or 8 weeks. The House Bill makes a clear grant of the money to the states; the Administration proposed to recover it all in time.

According to Senator Knowland, Mr Eisenhower disapproves so strongly of the Bill and its threat to the present pattern of federal-state relationships that he will veto it if Congress passes it. The Democrats may relish the prospect of a Republican President vetoing a Bill, in an election year, because it is too generous to the unemployed; they can also argue, with much justice, that they are trying, in an emergency, to make good faults in the insurance scheme which should have been put right during prosperity. But it is the unemployed who will be the chief sufferers if there is a long battle between Congress and the White House, and the President apparently would not oppose a separate Bill extending aid, outside the insurance scheme, to those who at present have no claim to benefits.

EXPLODING CITIES—VI

Governing Metropolis

FROM A SPECIAL CORRESPONDENT

In 1950, when the last census was taken, the city of Boston had a population of 801,000, but its metropolitan area contained 2,370,000 people; only one-third of all Bostonians lived in the city of Boston. For Pittsburgh, the

Continued on page 410

Labour Under the Law

WASHINGTON, DC

The legal framework within which trade unions operate in the United States is much more elaborate than it is in Britain. Fixed rules for industrial disputes are set out in codes of "unfair labour practices" which are forbidden to trade unions and to management; last year 5,500 complaints were filed, 3,655 of them against employers. The codes are ultimately enforceable in the courts. The basic assumption of the law is that there are four parties with legitimate interests to be considered: the employer, the trade union, the individual worker and the general public, including employers and workers not directly involved in the immediate dispute. Most of the reforms now being discussed stem from the revelations of Senator McClellan's investigating committee; consequently Senator Knowland's radical proposals, as well as the more moderate Bill offered by the President and another sponsored by Senator McClellan himself, deal principally with the rights of the individual worker and the public.

Balance of Rights

An example of the delicate balance between competing rights sought by the present law, the Taft-Hartley Act, is the provision for compulsory union membership. The closed shop, which prevents non-union members from being hired, is banned. The union shop, under which new workers have to join within thirty days, is permitted except where it is illegal under state "right-to-work" laws. But when the union wins this concession, it automatically forfeits its right to expel any member in that plant except for failing to pay reasonable dues. Senator Knowland proposes that a union should also be compelled to accept into full membership any worker—Negroes for example—whom it has won the right to represent.

The protection which the law gives to the general public, including "neutral" employers, against sympathetic strikes is a very sore point with the unions. So-called "secondary boycotts"—in which the union tries to get at one employer by picketing another with whom it has no dispute—are forbidden, and the National Labour Relations Board, the quasi-judicial body that passes on all cases of "unfair labour practice," is required to give priority to this type of complaint. But the President wants to make it clear that the unions are entitled to act against a firm undertaking work for a struck employer, although they may not apply coercion against the handling of "black" goods nor may they call a strike over which union is to handle a job.

The employer's principal obligation is to bargain in good faith with the representative of a majority of his workers in a given "bargaining unit." This raises three central questions: what is a unit, what is good faith, and how is the will of the majority to be determined? When there is a dispute about the unit the board makes the decision, taking into account the history of collective bargaining at the particular plant. As for good faith, the board has said that it will judge an employer's attitude by his "entire conduct" rather than by each individual incident. For example, although bargaining in good faith is not consistent with a predetermined resolve not to budge from an initial position, "it is not necessarily incompatible with stubbornness or even with what to an outsider may seem unreasonableness." And the board has made it clear that it will not "police the language, sometimes overheated, that may be used in collective bargaining conferences." But the employer may not withhold information which a union needs to present its case, such as the results of time and motion studies or ledgers that will throw light on a claim that the business cannot stand any increases in wages. And unilateral concessions which have not been discussed with the union are held to be a sure sign of bad faith.

To establish a bargaining representative, the employer or a union presenting the signed cards of 30 per cent of the workers, or 30 per cent of the workers acting on their own initiative, may petition the board to hold an election in a plant. A number of unions may compete and there must be a line on the ballot paper marked "No Union." If a union wins it is certified as the exclusive representative with whom the employer must bargain. At least a year must elapse before the employer or another union can reopen the issue.

Strikers' Votes

A trade union has the right to strike, but it may not do so while a contract is in effect, and it should give sixty days' notice. Senators Knowland and McClellan, but not the President, want to add a provision that, at the request of a substantial number of the workers (Senator Knowland says 15 per cent), the board should conduct a secret ballot on a proposed strike; it would be legal only if there were a majority in favour. The present law provides for what is virtually a strike ballot in cases in which the President finds that a strike would "imperil the national health or safety."

An acute issue, on which the President has come down on labour's side, concerns the voting rights of strikers. If a union goes on strike and the employer hires strike breakers, all he has to do to smash the union is to prolong the dispute until a year has elapsed since the last election. If he is skilful and avoids a charge of unfair labour practice, he can ask for a "decertification" election and, since the strikers do not have a vote, the strike breakers will presumably vote the union out. In such a case, the Administration would give the strikers a voice, but a union would not be permitted to picket a plant for twelve months after it had been defeated in an election.

More Democracy in Unions?

The present law hardly touches on the topic which dominated last week's debate in the Senate—whether or not there should be any public guarantees of "union democracy." It provides that a union may enjoy the legal advantages that go with access to the processes of the National Labour Relations Board only if it has filed with the Secretary of Labour a list of its officers with their salaries and allowances and a detailed statement of its constitution, including the procedure for the election of its officers. Unfortunately the law does not provide that these reports have to be accurate or that they can be made public.

The President now proposes that a Commissioner for Labour Reports be set up in the Department of Labour, who will receive, check and make public somewhat expanded versions of these reports, which would have to include evidence that officers are elected by secret ballot at least once every four years. A union which filed false reports would stand to lose its exemption from taxation. Senator Knowland's proposals go much further. On a petition by 15 per cent of the members of a trade union the board would conduct a referendum on such issues as the salaries of union officials and the spending of union dues for political purposes. "Recall elections" for the removal of officers would be authorised. Trusteeships, the practice whereby national unions remove the elected officials of a local branch and place it under central administration, would not be allowed to continue for more than a year. The Senator would have an errant union deprived of its immunity from prosecution under the anti-trust laws.

While it seems very unlikely that anything as radical as this will be enacted by this Congress, Mr Knowland's determination is evidently to make the place of trade unions in American society one of the major issues of the coming campaign—at least in California, where he is running for Governor, and probably in several other states.

Continued from page 408

proportion living in the actual city was even less, 30.6 per cent, and in none of the fifteen biggest metropolitan areas did as many as 75 per cent of the people live in the "central city." Between 1950 and 1955 the suburbs grew seven times as fast as did the cities they surround; thus the political boundaries of these cities correspond less and less closely to their boundaries as economic and social units. Therefore it is becoming more and more difficult for a city government, however efficient and enlightened it may be, to deal effectively with the many pressing problems that concern the whole metropolitan area.

Faced with a need to co-ordinate services, to plan new roads, or to seek new industries for which there is no space left in the centre the city fathers find themselves confronted, more often than not, with a host of incorporated suburbs, each boasting a full-fledged municipal government, and each jealous of its autonomy and reluctant to co-operate with its neighbours in solving common problems. These suburban municipalities are united only in opposing any suggestion that, since their social and economic destinies are linked with the central city, their political fortunes ought also to be joined to it.

Such suggestions are nevertheless being made, with ever-increasing urgency, as the difficulties of metropolitan agglomeration pile up and threaten to choke the growth, not only of individual places, but of the entire country. Gradually the suburbs themselves are realising that autonomy can be a costly luxury. Many struggle along without important public services, such as rubbish removal, because their tax revenues, being based almost entirely on residential property, cannot be raised enough to pay for these services. Careful traffic regulation in one municipality may be stultified by a lack of it in the next. If each little city tries to support its own separate and complete police department, many will lack essential facilities that could easily be provided by a single force for the whole area.

In such conditions as these, moreover, many metropolitan problems will not even be considered, much less solved. And while the suburbs are guarding their autonomy, the city at the centre, upon whose prosperity all depend, is often engaged in a desperate struggle against urban blight—a struggle that can only be won if the whole metropolitan area recognises its common interest and offers its help. Furthermore, without such co-operation, the blight may in time spread to the suburbs themselves, as a result of years of unplanned growth.

But to achieve any sort of metropolitan government is likely to require new state laws, frequently hard to obtain from rurally-minded Legislatures, and often amendment of the state constitution as well. Even when the path has been opened by permissive legislation, a favourable majority has to be mustered for it—usually several of them. When Allegheny County (the Pittsburgh area) voted on a new charter in 1929, the proposal needed a clear majority in the county, plus a majority of two-thirds in each of two-thirds of the affected municipalities; it won in the county by 48,000 votes, but only got the required local majorities in forty-nine municipalities instead of the minimum sixty-two, and so failed to be adopted.

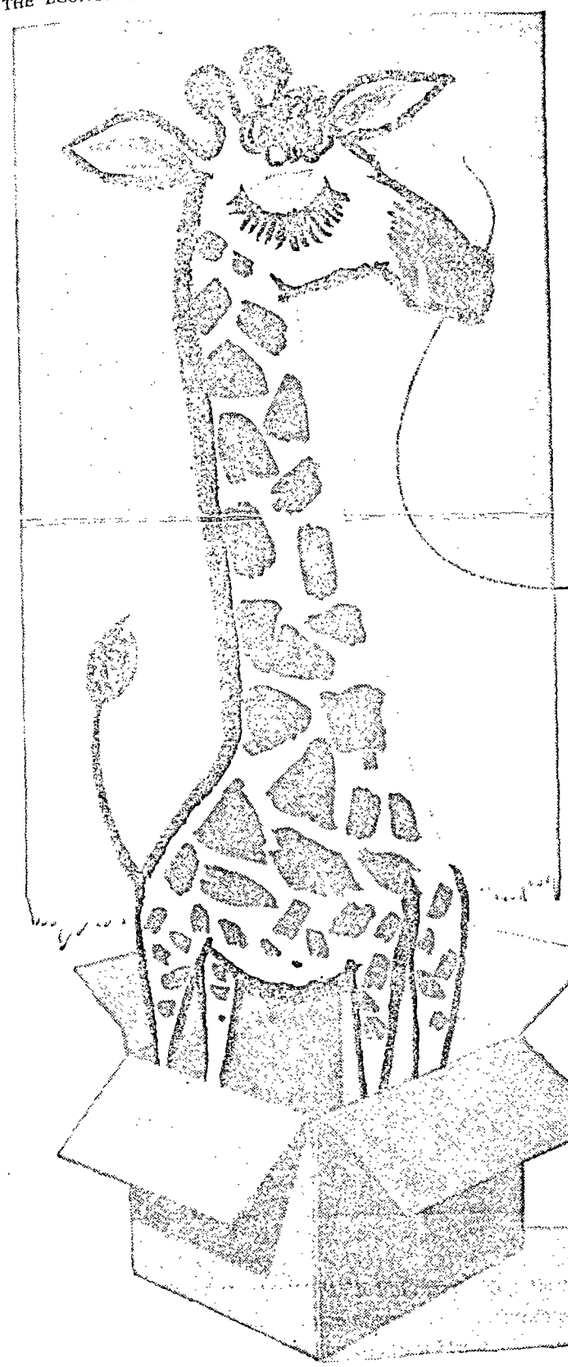
To the layman, the simplest solution might seem to be for the central city to annex surrounding territories. Yet this is usually ruled out by the fact that annexation can be applied, in effect, only to unincorporated areas, while the real difficulty in most cases is the incorporated, indigestible suburban municipalities. To consolidate the city with its surrounding county also seems alluringly simple on the surface, but has usually failed to win acceptance, even where, as in St Louis, it could be done legally with only two majorities—one in the city, another in the outlying county as a whole. Suburbia tends to fear it as annexation in disguise, a subtle way for the downtown wolf to swallow the peripheral Red Ridinghood.

A variant of consolidation is to transfer a number of functions simultaneously from both city and surrounding municipalities to their common county government. This has been done, after many complications, in Dade County (the Miami area). A reform of the county government is usually a prerequisite, since the average American county is a superbly anachronistic political museum piece, lacking in centralised responsibility and burdened with a plethora of elected officials. It is significant that "urban counties" are a popular solution in California, where efficient county governments are not so rare as they are elsewhere.

A plan very similar to the urban county is the federal solution, best exemplified by the reforms made in Toronto, Canada, in 1954. By this method, powers to be given the metropolitan government can be enumerated and local self-government safeguarded in those matters for which it is suited. Yet even in Toronto most of the suburbs resisted the proposal, although their difficulties, from sewage to education, cried out for a co-ordinated metropolitan solution. Success was possible only because the plan could be sent to the Provincial Legislature for approval. In the United States, only Virginia has any regular machinery for dealing with metropolitan problems over the heads of the recalcitrant local residents and their entrenched governments.

Faced with seemingly impenetrable barriers of legal restrictions, official rivalries and public prejudice and apathy, many metropolitan reformers have resorted to the setting up of Metropolitan Special Districts to handle specific functions where the need for co-ordination has become particularly pressing. These are separate entities, not under the direct control of city or county governments; often they are so far from direct accountability to the citizens as to seem unreachable. A Special District is often relatively easy to establish without either amending state constitutions or obtaining multiple majorities in the affected municipalities, and it can be made to reach across the boundaries, not merely of cities, but of counties and even states; the Port of New York Authority, for instance, serves both New York and New Jersey, and is named by the two State Governors.

This is an important consideration, for thirty metropolitan areas involve more than one county, and twenty-four more than one state. But when special districts are restricted to one or two functions—the Alameda County (California) Mosquito Abatement District, for example—they do not go far towards solving the general metropolitan problem. In fact they may aggravate it by still further proliferating governmental units without providing any effective control of their activities. The government of a metropolitan area in such circumstances is likely to become a fantastic game of intra-urban diplomacy among semi-sovereign Districts and Authorities, few of them in close touch with, or even understood by, the public they supposedly serve.



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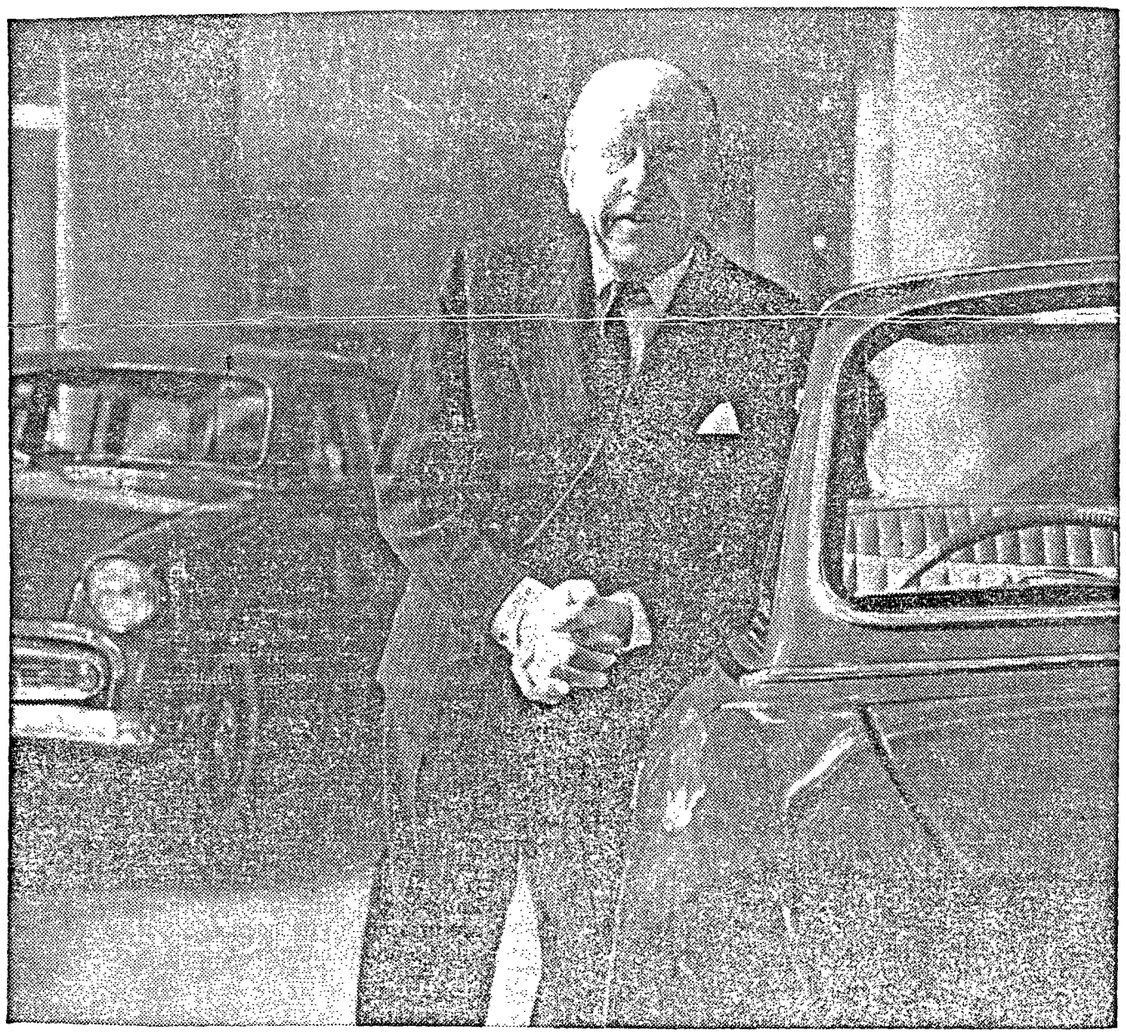
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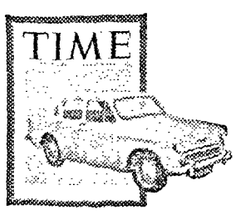
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THE WORLD OVERSEAS

Indonesia without Solution

FROM OUR CORRESPONDENT LATELY IN DJAKARTA

NOTHING happens quickly in Indonesia—except the daily dramatic Djakarta thunderstorm. No quick or decisive sequel to the abortive "civil war" in Sumatra can be expected. The rebels may stay in the trees, or they may surrender. The government may continue its leisurely and expensive campaign of suppression, or it may quarantine the rebels' stronghold and try to forget them. But the fundamental tensions and conflicts that precipitated the ill-starred revolt continue to rub, fret and inflame, and it is difficult to see how, or when, they can be smoothed or soothed away.

Even if the historic *Dwi Tunggal* (Sukarno-Hatta accord) were restored, the principle of "guided democracy" discarded and Communist activities magically dissolved or ruthlessly suppressed, the basic problem would remain unsolved. So long as 52 million of Indonesia's 85 million people live in crowded Java and monopolise the wealth of Indonesia, produced overwhelmingly in Sumatra and the other outer islands, there must be economic unrest, if not crisis, in the infant republic.

A solution, most experienced western observers in Djakarta believe, can come only from a more flexible federalist constitution, affording greater local autonomy and more equitable distribution of the national wealth to the outlying areas. But a unitarian republic was the dream and the decision of the revolutionaries, and any federalist variation is damned by Dutch parentage and recommendation.

General Nasution, President Sukarno's able chief of staff, who is a proud Sumatran and anti-Communist, has won a pyrrhic victory in Sumatra. He dreads any strengthening of the influence of the Communist elements that have infiltrated the palace and Javanese sections of the army. But the precarious balance which he had succeeded in establishing between Communist and anti-Communist groups has now been dashed and he must move warily in desperate correction.

Mr Sukarno himself is no Communist, despite his weakness for the comrades and his naive but dogged attempts to make himself their captive. According to report, he cannot be persuaded to treat the basic economic emergency seriously. He thinks in terms of popular votes, not of unpopular economics. He believes that when he has talked about a problem, especially to a large and reverent congregation, he has solved it. He is, it seems, now even more radiantly unrealistic in the wake of his chief of staff's reluctant success in Sumatra. "Bung Karno" is still the shining symbol of successful revolution—in Java, at least. Many of the "advisers" who surround him would, of course, lose position and influence if democratic and autonomous reforms were granted.

No one is quite sure even yet what folly of miscalculation betrayed the rebels into their inept and ill-timed challenge. Apparently they believed until the last minute that Colonel Barlian in South Sumatra would join them. If they were so ill-informed or misinformed in their own island, it is easy to speculate on their liaison difficulties elsewhere.

It is openly asserted in Djakarta that two United States agents in Sumatra conveyed the impression—inadvertently, carelessly or accidentally—to rebel colonels that decisive American aid and even intervention would follow an uprising. Certainly two "foreigners" in the Padang area gave instruction in the use of some of the modern small arms delivered in early air drops. In the opinion of Djakarta army officials, the planes which dropped arms—for both Sumatra and north Celebes—came from Formosa and the Philippines.

At no time was there any sign of tension or war excitement in Djakarta. Sentries lounged outside government offices. Barbed-wire barricades had been dragged outside the entrance to air force headquarters. A press censorship of sorts existed, but it was used only to delay reports of military movements that eager correspondents had picked up or winkled out ahead of the leisurely HQ communiqués. The one angry complaint by government officials about inaccurate foreign reporting was that some correspondents had conveyed a "wrong" impression of personal hostility towards, and even persecution of, Dutch residents; no one was concerned over appropriation of Dutch assets and property, but there was general and sensitive indignation at suggestions of discourtesy. The Indonesian does not mind being called a Communist, but he resents being branded as a hoodlum. An armed soldier spoke to me in stern reproof as I sat meekly in my pedicab at a street intersection, but it transpired that he was merely warning me that it was dangerous to drive around in the hot sun without a hat.

Presumably there will now be some gestures of appeasement in Djakarta to the restive outlying areas. The government's threats of strong punitive action and public trials of the rebel leaders are treated with reserve. It is considered that Sjafruddin Prawiranegara and his top military advisers should now have the good taste to withdraw gracefully to, say, Switzerland for a few months to clear the way for an amnesty.

The implacable withdrawal of former vice-president Hatta from the scene has not improved his prestige among intelligent Indonesians. They feel that, instead of displaying personal strength by his continued refusal to co-operate with the president in his acceptance of Communists, he has shown weakness by his continued refusal to recognise a leader's and a patriot's responsibilities in his country's crisis. As a good Indonesian, he should know that the only real success lies in compromise, his critics say. Maybe, western diplomats interpolate hopefully, he knows what he is doing.

Similarly, the local Communists, who have built up a following of six million voters in Java, indicate no desire to take a more active party line; they are quite content for the time being to merge with the "guided-democracy" movement and serve dutifully under "Bung Karno" as their non-party commissar. This is doubtless good sense. The Communists are in no hurry; they do not need to be; they are doing very well now, while escaping any adverse reaction for responsibility for failure, incitement, disloyalty or disunity.

Indonesian discontent will not be settled by military suppression in Sumatra or the Celebes, but by long-range policy-making in Java. It certainly will not be settled in a hurry; nothing ever is in Indonesia.

Peking Breaks it Off

FROM OUR CORRESPONDENT IN TOKYO

LIKE an untidy housewife, the Japanese government has swept the problem of trade with Communist China under the carpet until after next month's general election. The prime minister, Mr Kishi, has made his peace with Formosa and at his cherry blossom viewing party in Tokyo —marred as usual by rain—shared an umbrella with the Nationalist Chinese ambassador. Peking, for its part, has lost no time in resuming its lambasting of Mr Kishi with even more than its former vigour, denouncing him at great length as a former fascist, former imperialist and former war criminal. Many Japanese trade representatives in China have been refused extensions of stay. In Tokyo, the Chinese Communist technicians who were discussing the details of the recently concluded steel agreement abruptly produced some new demands. They now want Japan to deliver 180,000 instead of 150,000 tons of steel this year, and want 150,000 tons delivered before the end of June. Moreover, they propose that China make part payment not in soya beans, which nobody much wanted, but with rice, which Japan does not want at all. When the Japanese side demurred, the Chinese broke off the talks without giving any indication when they would be prepared to resume them. Prospects for increased Japan-Communist China trade now look dimmer than they did before the talks on a fourth trade agreement ever began.

Domestic pressure on the Kishi government for a successful conclusion to those talks was so strong that one would logically have expected a considerable outcry against their failure. Peking (though its anger with Mr Kishi is no doubt perfectly genuine) probably counted on provoking such an outcry. In fact, the breakdown has been received in Japan with tolerable calm. The reason is both interesting and revealing. Despite all the commotion over the Chinese Communists' insistence that they should be allowed to fly their flag in Tokyo and that the Japanese government should accord it the full legal protection afforded to other nations' flags, and despite Peking's rage that Mr Kishi should have equivocated over the first instalment of the demand and firmly rejected the second, the Japanese refuse to believe that the Chinese will really allow this to stand in the way of increased trade. The official Japanese view is that Peking's rage is simulated and is intended solely to try to gain votes for the Japanese Socialists in the forthcoming elections: once the elections are over—and the Socialists have been defeated—Peking will "calm down" and will be ready to resume serious trade talks, with no further fuss about flags.

Taking their stand on this comforting theory, the Japanese newspapers that support Mr Kishi—or at least do not back the Socialists—have been busy returning soft answers and shaking indulgent heads over Communist China's tantrums. Thus both the *Asahi* and *Mainichi* gently reproached Peking for being in too much of a hurry to gain diplomatic recognition—the *Asahi* particularly urged more patience, on the ground that there is "a steady trend of popular opinion in Japan" towards recognition. The *Yomiuri* mildly expressed the view that, in rejecting the proffered compromise of being allowed to fly its flag so long as it did not insist on its formal protection, Communist China had been far too hasty. The Japanese, in short, still think their compromise solution was an ideal way of appeasing the Nationalist Chinese while moving closer to the Chinese Communists, and they find it difficult to understand why Peking failed to appreciate the Machiavellian mechanics of the manœuvre. Meanwhile, however, they remain convinced that Peking's good sense will triumph over its temporary fit of ideological spleen. The finance ministry indeed is so sure this is a correct reading that in the face of all Peking's thunderclaps, it has gone ahead with its arrangement for the Bank of Tokyo to deal directly with the Bank of China on all future transactions, instead of through London as hitherto.

It is at least doubtful that Peking's mind works the way Japan thinks it does. Mr Fujiyama, the foreign minister, may yet find his description of trade with Communist China, as a "necessary evil" for Japan, being interpreted by Peking in a quite discomfiting way. A careful reading of Peking's detailed critique of Mr Kishi suggests that the Chinese Communists seriously regard him as a man who is doomed to become enmeshed in his own contradictions. "By trying to be all things to all men," remarked the *People's Daily*, "he will discover that he is only walking down a blind alley." Far from having as its goal the gaining of some votes for the Japanese Socialists—with a quick return to a more accommodating attitude after the Japanese elections are over—Peking may well be playing for bigger stakes in a longer and harder game. This would certainly fit in with Russia's attitude towards Japan: Mr Khrushchev has just finished telling the Japanese Socialists that, if Japan wishes an easement of its fishing quandary, it can get it only by "the early conclusion of a peace treaty with the Soviet Union." If, as the Japanese think, Peking is primarily anxious just to do business with Japan, it is hard to conceive why the Chinese Communists made such a point of including a proviso about flag-hoisting in the trade agreement in the first place.

Mr Mikoyan on the Rhine

FROM OUR BONN CORRESPONDENT

NEVER far from the mind of every ambassador in Bonn is his standing instruction to anticipate, observe, and assess any change in the nature of western Germany's relations with the Soviet Union. Well aware of this immense curiosity, and of its implications, the Federal Government did all it decently could to avoid appearing to give too glad an eye to Mr Mikoyan during his visit in the past week. It has been at pains since to inform the western embassies fully about the animated discussions, private and public, between the Soviet deputy prime minister and various German political and industrial personages. Doubtless the gist of most of the long despatches that have been pouring out of Bonn this week to foreign capitals could be adequately summed up in the one five-letter code-word reputedly used by British signallers during the war to report that an ungratifying situation remained much the same as before. And that surely is what Mr Mikoyan has reported reassuringly to Herr Ulbricht, who has most to gain from the preservation of the *status quo*.

Not that, in the circumstances, anything very new was expected. Only two days before Mr Mikoyan's arrival in Bonn the Bundestag was discussing the cost of atomic armament, candidly assuming—as Mr Mikoyan pointed out —that Soviet Russia was the only possible aggressor. At the same time *Isvestia*, fulminating that "the torch of atomic war" had been placed "in the hands of those who twice in this generation have plunged Europe into an abyss of indescribable misery," went on to recall that the Federal Republic was the only European state today demanding a revision of its frontiers, and to deplore the "many signs that Bonn is ready to follow the worst traditions of German militarism." Simultaneously, the Supreme Soviet sent a widely-publicised message to the east German People's Chamber declaring that by its decision to arm the Bundeswehr with nuclear weapons the Federal Government had cast off the mask of an advocate of German reunification.

Mr Mikoyan's generous flow of words at Bonn, Duisburg, and Hanover never went beyond variations on these themes. Yet it was an exaggeration to maintain, as did some of those who were anxious to exorcise the shades of Rapallo and Ribbentrop, that Mr Mikoyan's visit had absolutely no political significance. Its political significance was clear from the outset, and not inconsiderable. It demonstrated once again that the Soviet Union is delighted to do business with the German Federal Republic on terms that emphasise its divorce from the German Democratic Republic. There is good reason for believing that at the drop of a west German hat Mr Khrushchev himself would have come bustling along to rub the point in.

For, however much they regret its sturdily anti-communist society, the Russians are frankly impressed by the material robustness of the west German state—which, after all, is the home of more than two-thirds of the German people, which has diplomatic relations with 71 other states (the struggling Democratic Republic with twelve), and which has become one of the world's leading industrial powers. The trade, consular, and repatriation agreement signed by Mr Mikoyan is a fruit of this realistic attitude. Admittedly, a rather puny fruit. The trade agreement now has a term of only three years, whereas the eager Russians had pressed originally for five. The volume of direct trade is to be expanded (without guarantees, however) to DM 422 million (£35.7 million) each way in 1958; to DM 523 million (£44.4 million) in 1959; and to DM 630 million (£53.5 million) in 1960. Thus, if hopes materialise, the total value of the three years' traffic in both directions should be DM 3,150 million, or roughly £267.7 million.

For both partners this business constitutes an almost negligible fraction of their total foreign trade. For Bonn the volume of trade contemplated with Russia in 1960 represents only 1.6 per cent of west German trade with the rest of the world last year. British trade with the Soviet Union is running today approximately at the level which west German trade is expected to reach in 1960. German importers and exporters interested in doing business with the Russians will be able to obtain advice from the Soviet trade mission which is to open shop more or less immediately at Cologne. They are also expressly permitted to negotiate, if they so prefer, directly with the import and export organisations in Moscow. Soviet hopes of establishing consulates in west German cities such as Hamburg, Munich, and Stuttgart, seem to have been dashed for the time being through German insistence on reciprocity on the one hand, and reluctance on the other to extend consular operations in the Soviet Union.

For Germany the principal gains are firstly an exercise in commercial co-operation with a long-neglected but once important customer who may become important again, and secondly, the repatriation, it is hoped, of 15,000 to 30,000 nationals. The intended repatriates are all those wishing to leave who were of German nationality on June 21, 1941, the day on which the Wehrmacht broke into the Soviet Union. They are mostly residents of the territories formerly marked on the map as East Prussia and (except on Lithuanian maps) Memelland. It will take some time to handle all the expected applications. Not until the end of 1959, it is reckoned, will it be possible to judge how genuinely ready the Russians are to let these people make a choice.

Apart from these modest arrangements, and the prospect of a cultural agreement which the chary Germans say they are resolved to confine to an experimental period of twelve months, Mr Mikoyan's visit does not seem to have brought the two governments any nearer. The huge and hoary obstacles in the way of a real *détente* remain—hardening partition, west German membership of Nato, atomic rearmament, the Oder-Neisse line, an unrepresentative east German government, and, always, the Soviet long-term aims. Most of these obstacles would still be there if a Social Democratic government were in power at Bonn. Their removal requires more than the work and good will of Russians and Germans alone.

Jugoslavs Loosen their Belts

FROM A CORRESPONDENT LATELY IN JUGOSLAVIA

LIFE in Jugoslavia has been becoming more comfortable and uneventful—apart from the broadsides from Moscow—than at any time since the war. In spite of some ferment at the top (in the Communist party), and undercurrents beneath (mostly in the regions), the country is beginning to reap some benefits from past sacrifices, heavy investment and thirteen years of stable government. Everybody, having tightened his belt for so long, has let it out a bit.

A westerner in Belgrade this spring might be pardoned for not always remaining aware that he is in a Communist country. The shops are full of food, the streets are full of traffic and the restaurants are full of ordinary people—not only party officials or members of export firms blueing their bonuses or boosting their expense accounts. Housewives have plenty of domestic equipment and anyone who can afford it (not many can) can buy a refrigerator, house, motor-car, washing machine, typewriter and so on. Plenty of people have bicycles, the sale of radios in one year has

exceeded the total of previous postwar sales and a surprising number of families have long-playing record players. This is a nice change from the days when visitors could live on a few combs, packets of needles and a gold watch sold on the black market.

This prosperity is new and almost everyone benefits to some extent from it; but the improvement is only by comparison with what Jugoslavs used to have and it does not give the whole picture. Wages in general are still very low, housing everywhere is totally inadequate, there are many very poor people in the overcrowded towns; and anyone travelling in the interior can see villages where peasants still live in the poverty that their ancestors have experienced for hundreds of years.

But even in the villages a change has set in. Last year's record harvest and fairly high agricultural prices (not subject to price control) mean profits for farmers in the good agricultural areas, and it is indeed a change to see peasants queueing to buy farm implements and fertilisers. They are still leery of a Communist state that has slapped them down so often, but they seem to have accepted for the time being the assurance that they have security of possession of their land and to believe that the government wishes to help the private peasants. For the first time for years all available land has been sown to crops.

★

In industry too the emphasis is now on increased production, and a special government department to analyse and help productivity is working overtime. One of the main problems is the wages system which has been attacked both on economic and political grounds. The complicated system now in force gives low basic wages but allows workers in profit-making enterprises to be paid bonuses out of current profits. These have been calculated in terms of extra monthly wages so that in discussing their wages workers will tell you that they have earned fourteen, fifteen or even over thirty months' wages in one year. These high wages have gone to workers in enterprises dealing with food and consumer goods—especially electrical goods which are newly on the market—and in export-import firms. They have not been available for many people who were working just as hard—many said harder—in mines and factories; there has consequently been much discontent.

A new system that is about to be launched is designed to make the wage spread fairer and to prevent too high a proportion of profits from going in bonus payments; these are to be reduced to two to three a year. Extra profits are to be used for workers' houses, piped water, electricity supplies, local roads and other basic services which are desperately needed. A progressive income tax is to be introduced on all earnings including extra earnings in the second jobs that many workers find necessary to make ends meet. How successful this will be, whether it will act as a disincentive, how many officials will be necessary to enforce it against a traditionally tax-hostile population, remains to be seen.

The ferment in the Communist party has been due not to these economic adjustments, important though they are, but to the famous circular letter from the party executive, sent at the end of February, which administered a sharp rap on the knuckles to Communists, high-ups as well as the rank and file, for getting slack. Slightly reminiscent of the tone of the Ten Commandments, it told Jugoslav Communists "Thou shalt not":—neglect party political work; run up expense accounts; order expensive cars for office use and use them for private joy-riding; have luxurious offices and flats and change the latter frequently to get better ones; use the old-boy system (Communist style) for appointments to scholarships, pensions, jobs, special allowances; go for prolonged swanning trips abroad; build expensive local buildings and offices and neglect such things as workers' housing, public services and the needs of the ordinary people, and so on.

Many slightly rueful jokes are being told about the letter, and although cynics wonder how long its effect will last, it is clearly being taken seriously. The privileges of Communist party members whose position as "first-class" citizens allowed them to acquire perks of all kinds had aroused the envy of the under-privileged majority. With the greater freedom now prevailing, people can speak their minds and Marshal Tito, despite his eminence and his travels, has again shown that he has a nose for what is going on beneath him. He may have learnt a lesson from Hungary and Poland; he almost certainly still has a feeling "pro bono publico."

The undercurrents beneath this top-crust ferment are more difficult to detect and assess. The important question in Jugoslavia is always how far real unity has progressed. In recent years the government has allowed considerable decentralisation. It may have been wise to provide a safety valve for regional feelings but at the same time decentralisation has helped to encourage them and some recentralisation is now taking place. Some republics have taken a very independent line in things like finance and education, and Croats and Slovenes, with so much to do in their own republics, still do not like having to fork out heavily in order to help to raise the standard of living in the more backward republics. But on the whole progress towards greater unity has been made and although regional loyalties, the bane of prewar Jugoslavia, are probably still a potential danger to the state, they are not an actual one as long as there is peaceful economic improvement and Marshal Tito remains in power.

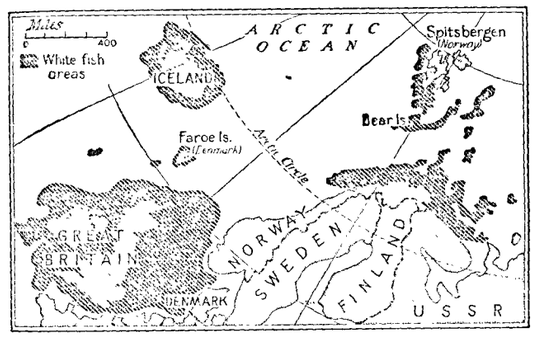
Fishermen's Differences

"SAVE our fish and chips" has become the standard expression of the British position in the debate on the law of the sea. Of the fish British trawlermen bring home from deep waters, 40 per cent is caught in waters which would be closed to them if territorial waters were extended from three to twelve miles. What, asked the Attorney-General during the recent conference at Geneva, would happen to John Bull's favourite dish? The same solicitude for the consumer has not, however, determined the British Government's attitude to fish in a European free trade area. Concern for the trawlermen who bring home the livelihood of Hull, Grimbsy and Fleetwood has made the Government want free fishing; but not free trade in fish.

Two of Britain's northern allies, however, Iceland and Norway, take precisely the opposite view. If fishing is a major British industry, it is the lifeblood of their economies. The north-east Atlantic yields a third of the world's fishing catch and some of the richest hauls are made in the coastal waters now in dispute. Each spring the fat cod and herring circle into the warm Gulf Stream waters off the Norwegian

coast in order to spawn. Later in the year the annual cycle of the cod brings them to Iceland. And so, while the British trawlermen who scour distant waters all the year round want open fishing, the Icelanders and Norwegians who have plenty of fish at their door seek to enlarge the limits which make the rich coastal waters a private national preserve. Along the invisible territorial line a cold war is already waged between British trawlermen and the coastal fishermen, and the temperature rises unpleasantly when nets are fouled or when there is poaching in the fog. The political battle which followed Iceland's attempt to enforce a four-mile instead of a three-mile limit is a familiar story. Norway has also contrived to enlarge its territorial waters by "straightening" out the line from island to island. And at the Geneva conference both supported an extension of the limit—Iceland to twelve miles, Norway to six.

Thus, unlike Britain, the two northern allies do not want free fishing; they do, on the other hand, want free trade in fish. While Britain imports fish, Norway and Iceland depend on exports. Fish forms a sixth of Norway's total exports, and almost all Iceland's. Norway has taken the initiative in the last few weeks and suggested that fish be included in a European free trade area on the same basis as industrial products. This straightforward collision with the British view has obvious political significance. For some



time Russia has exerted considerable influence on Icelandic and even Norwegian politics by buying the herrings which cannot be sold in western Europe. Although Nato's vital northern bases will not be lost to communism through a Russian taste for herring, good relations between the North Sea countries do depend on getting over their squabbles about fish.

The fishermen's differences can probably not be resolved at Geneva, where debate becomes complicated and confused by the alignments of world politics and by other extraneous issues. Bilateral arrangements or, still better, a discussion in the broader political context of the "free trade area" may be needed. More than a mere horse-deal seems wanted too. And in Norway a number of constructive ideas for partnership between the North Sea fishermen are in the air. The most interesting is a suggestion that British trawlers might make use of the deep-freeze plants on the coast of northern Norway. These modern plants are at present used only for an uneconomic average of twenty days a year, when the Norwegian coastal fishermen bring in their annual haul. Out in deeper waters around Bear Island and off Spitzbergen, British trawlers are fishing all the year round. They must, however, make a 14-day voyage home after every catch, and the quality of the fish often deteriorates so that it is unsuitable for freezing when it arrives. Instead of making this wasteful voyage, the British trawlers might slip into the fjords, leave their fish to be processed there and go out for more. The Norwegians in return would be given freer access to the British market for their own exports.

The idea would not be popular with the British frozen-food industry. And what, it will be asked, more pertinently, about the market for fish? Even today it hardly seems big enough for everyone. Yet while the fishermen are right to doubt whether the fresh fish market can be expanded, they would be wrong to underestimate the possibilities for frozen fish, particularly in the form of exports to a Europe that is entering the refrigerator age. When the Attorney-General made his plea, he left out an interesting new development—that frozen fish and chips had become in the past year a significant British export, carrying, as Scotch does for Scotland, the tang (or, at any rate, the whiff) of a way of life to Lagos, Accra and New York.

Iraq and the Facts of Life

FROM OUR SPECIAL CORRESPONDENT

THE third annual development week in Iraq which began last weekend sees the beginning or end of schemes costing over £45 million. The largest single project included in the programme is the Derbendi Khan dam on the Diyala river, the foundation stone of which will be laid early in May. Other ventures to be launched include schemes for power, grain storage, water supply and housing at Basra; while factories (textiles, sugar and cement), bridges, roads and more housing schemes will be opened at Baghdad and Mosul. The third ceremonial week has been planned on a more modest scale than the corresponding enterprise last year, the bill for which must have been formidable. Next year, say the enthusiastic officials of the Development Board, the show will be bigger than ever, to mark the inauguration of such large projects as the Dokan dam.

This year's celebrations will be clouded, especially for the British community, by the retirement of the British member of the Development Board, Mr M. G. Ionides, who deserves well of Iraq and of the Arabs as a whole. His withdrawal is not unusual in itself, as he himself conceded in a statement to the Baghdad press. Yet it is an open secret that nationalist pressures were at work. The government would doubtless have been glad to retain Mr Ionides's services. But Nuri es Said would hardly have relished a fight with the extreme nationalists on so tricky an issue as the retention of a foreigner on a policy-making board. Thus the last British official with any responsibility for policy is leaving Iraq. His post will probably be filled—if at all—by an Iraqi; though the suggestion is being canvassed that it might be well to call in a technician from one of the smaller European states.

This year's emphasis on the smaller development schemes is perhaps to be welcomed. It is incontestable that, in terms of economics, Iraq is using its oil revenues wisely, thereby setting an example to spendthrifts elsewhere. Yet ambitious investment programmes looking far into the future have their political dangers in a backward land like Iraq, where the pressure for primary necessities, such as food, clothes and housing, is great. It is the underdeveloped countries

that can least afford development. The opposition to the system of Nuri es Said has made much of this point, and is still making it. The great schemes for flood control and irrigation are described contemptuously as "Nuri's pyramids." Even in the field of housing, the plethora of plans is contrasted with the small number of houses actually built and in occupation; the famous Doxiadis Associates have been criticised for "turning Iraq into a guinea-pig." Much of this criticism is factious in origin. If the government had gone for consumers' goods, the opposition would doubtless have demanded a long-range programme. Yet the doubt is there. Iraq is beset by internal want and external pressures now. In such circumstances, "pie later" is not a stirring battle-cry.

These considerations have little relevance to this month's general elections in Iraq, which are well under control. There is a strong suspicion that the opposition leaders prefer the wilderness to serious struggle on the Chamber floor. In any case, they have declared a boycott of the elections on the grounds of fraudulent procedure, and very few seats will be contested. There was some flurry when it became known that one of "Nuri's young men," Khalid Kenna, former finance minister and now president of the Chamber, was advocating the formation of a moderate opposition group. A year ago, it looked as if Kenna was being measured for Nuri's mantle, though his relatively successful attempts since then to carve out a personal following have done him more harm than good. This last-minute hitch was smoothed out by Nuri with his usual adroitness; and Kenna, having announced his retirement from politics on a Tuesday, put down his electoral deposit on the following Thursday. All should now be plain sailing for the parliament of Nuri's choice and for ratification of the federal constitution.

★

Federation with Jordan—euphoniously called "Arab Union"—has aroused little enthusiasm in Iraq. It is regarded as at best a defensive measure to stave off a dangerous situation in Jordan. As such, it has already served some purpose, and the main preoccupation of Iraq now is to see that the price is not too high. Iraq's contribution to the federal budget, which covers defence, foreign affairs and a few minor items, has been set at 80 per cent for the first year. A figure of £40 million has been mentioned as the ceiling for federal expenditure, but it seems to be on the low side, as the armies of the two states alone cost that. Little economy can be hoped for there, as the training of both armies in the use of modern weapons—or lack of it—leaves much to be desired; and training is an expensive item. Taking the separate state budgets of the two countries as a guide, it would seem that Iraq's share of federal expenditure can scarcely be less than £34 million, of which some £27 million would have been spent anyway on the Iraqi armed forces, foreign service and related matters. Its contribution to the federation is therefore of the order of £7 million—£2 million more than the Saudi subsidy now lost to Jordan. As western aid to Jordan for defence and budgetary support alone, that is, excluding development programmes and UNRWA expenditures, is running at over £16 million per annum, there is no question of Jordan doing without it.

Equally, there is no question of Iraq curtailing its development programme, based on 70 per cent of the oil revenues, to finance investment in Jordan. The best prospect at the moment is the establishment of an Arab Development Bank, now under active consideration in Baghdad. The limitations of such a project are obvious. A bank, even if backed by government funds, must operate on commercial lines, and the openings for sound commercial investment in Jordan are restricted. Even so, the Iraqis make no secret of their hope that a new bank of this nature would receive generous support from the West.

The probable cost of federation is leading many Iraqis to look towards the Persian Gulf. The thought that Saudi Arabia might join—it was never more than a wishful fantasy—is now dead. Today's target is Kuwait. The Ruler's idle surpluses are ampler than anything that Jordan could absorb on an economic basis. But can he really contemplate such a step, any more than King Saud or Prince Faisal? It would be against his own interest (his money is perfectly safe where it is) and against the wishes of his people (who are strongly Nasserist). And if the Iraqis or British, who control the Ruler's foreign policy, pressed him, they might well start something—not for the first time—that they would later regret.

The Mexican Presidency

FROM A CORRESPONDENT

THERE is only one element of doubt about the outcome of the Mexican presidential elections which are to be held in July. The governing party, the Partido Revolucionario Institucional has not yet decided on the number of votes which will be allotted to the opposition parties when the results are published. Among these parties, only one has any real significance, the ecclesiastically tinged Partido Accion Nacional under the leadership of Sr Alvarez. But this party is primarily a north Mexican phenomenon and is a genuine force only in the state of Chihuahua. Even if the counting of votes were scrupulous, moreover, there is little doubt that PRI would obtain anywhere from 90 to 95 per cent of the total suffrage. For the average Mexican at present looks upon it not so much as a political party *inter pares* but as the national party and the necessary medium of progress.

This does not mean that there are no factions or tensions within the PRI. But once the party has decided on a candidate (and presidents are not eligible for re-election), that candidate assumes an immediate aura of national leadership. This fact is brought home even to the most casual visitor. The countenance of Sr Lopez Mateos beams at one from every shop window and bill board, his name is engraved on every wall, and slogans on his behalf vandalise every other turning on the scenic highroads. Mexicans have nothing to learn from any other country about the cult of personality.

Precisely because he is assured of victory by so massive a plurality, Sr Lopez Mateos has been able to afford political independence. Outside his commitment to the maintenance and expansion of the nationalised oil and gas industry, Pemex—a formalised ritual in Mexican politics—he is said to have made few promises and contracted few obligations. Throughout his campaign (for despite the automatic nature of the election, PRI addresses itself vigorously to the voter), the future president has concentrated on regional development and on the high hopes Mexico places in the fertile south, once the great drainage operations have conquered malaria. Sr Lopez Mateos's few pronouncements on foreign affairs and on the need for foreign capital have been vague.

World sees Britain's revolutionary new steel techniques at Brussels exhibition

New steels – new uses – new ways of making it – these are what the world's steel experts will see at the British Steel Industry's stand

AT THE BRUSSELS EXHIBITION Britain's Steel Industry is on show to the world. The Steel stand in the British Industries Pavilion has something to say not only to steel experts, but to everybody.

No one who visits it can be left in any doubt about the vitality and modernity of our Steel Industry, nor of the vision and enterprise of the men, *at all levels*, who keep it running.

Elaborate models

It is a fascinating story that it tells, and it is told in a fascinating way. There are vivid colour photographs of skilled men at work; examples of advanced steel products and alloys; elaborate and ingenious models.

One model shows the great new steelworks being built at Durgapur in India by a group of British firms. Another shows the two stages in making castellated beams, a unique constructional principle which can be seen in use in the stand itself.

More steel—new uses

Britain's steel output has increased by over two-thirds since 1946, while fuel consumption per ton of steel has been reduced 15%. Visitors will be told of plans to increase capacity by a further 7 million tons in the next five years.

They will see some of our new high-performance special alloys; heat resistant and stainless steels for beating the 'heat barrier' in flight and for atomic power stations; vacuum-melted steels of exceptional purity.

Something they won't see

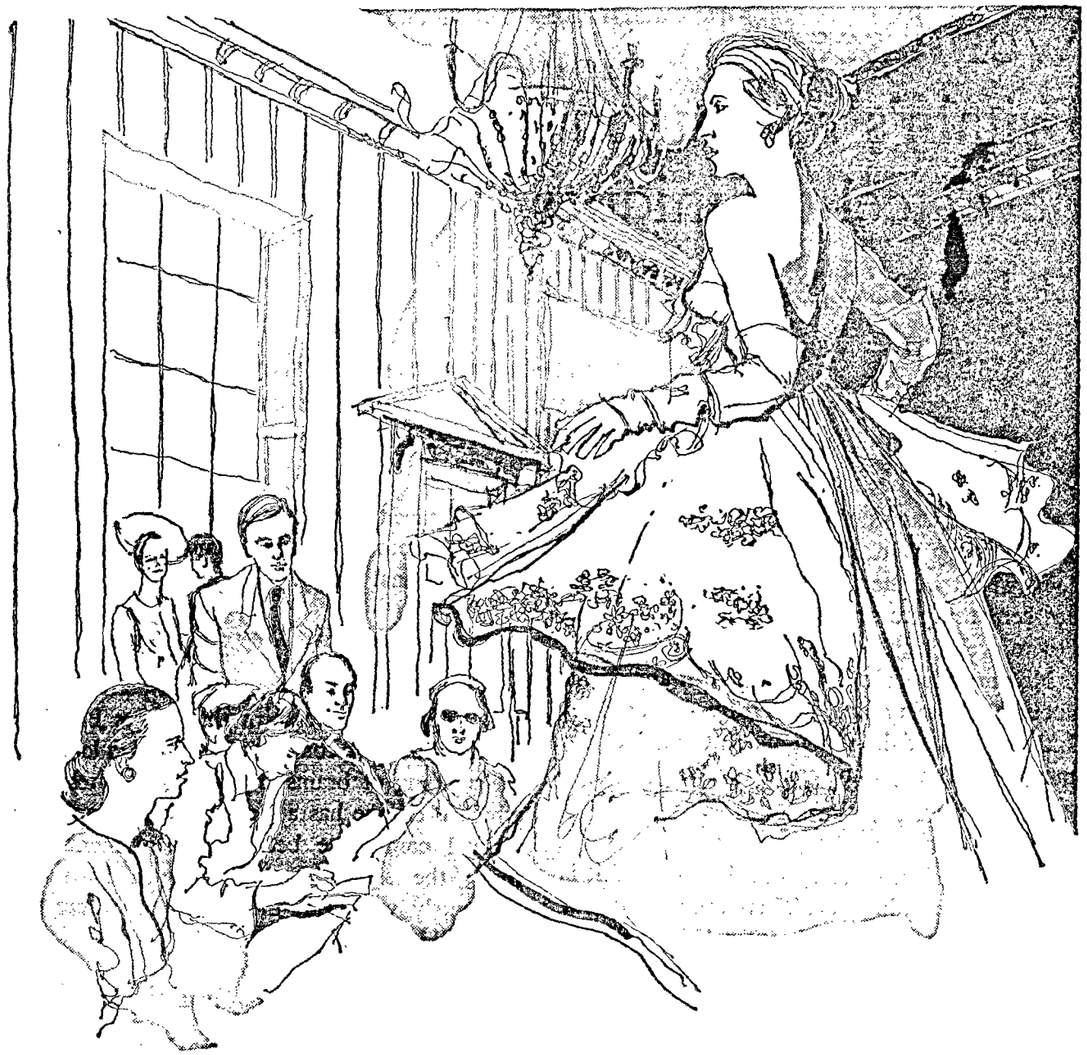
What visitors *can't* see – though perhaps they may infer it – is the spirit that makes Britain's Steel Industry so confident and forward looking: the welding of brains and skill into a team in which everyone has a sense of 'belonging'; the mutual confidence between management and men; the satisfaction of doing a hard job supremely well. But the results are there for the world to see.

How British steel spans the world

There are exhibits showing British steel in use all over the world: models of the projected Forth Road Bridge and of the world's largest radio telescope, jet engines, surgical instruments, a diesel engine bogie cast all in one piece – all of British steel.

There are other countries that make more steel than Britain, but none that makes it better and no major producer that makes it so cheaply – and prices were reduced in March. The story of the great technical advances that make this claim possible is the theme of the British Steel Industry's stand at Brussels.

THE BRITISH IRON AND STEEL FEDERATION



A modish swirl . . . a spellbound hush . . . a burst of applause . . .

The hour of the couturier's personal triumph

is touched also by the hand of science,

anonymous, remote, yet strangely distinctive.

* *Many modern finishes owe their origin to the laboratory. Durable glazing of chintz, crease-resist and shrink resist; water-repellency and stain-resist; durable crispness or stiffening—all these effects, and others besides, can be obtained with Beetle Fashion Finishes, as used by Britain's leading textile finishers . . .*

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THE BUSINESS WORLD

Less Money from Oil

The combination of a surplus of oil and of tankers has naturally resulted in an intensification of competition in the industry, which is now as severe as it has ever been.
—Lord Godber of "Shell" Transport.

The degree of the current imbalance is such as to indicate the probable continuance of difficult trading conditions.
Sir Neville Gass of British Petroleum.

THE Suez episode and its consequences dominate the accounts that the two oil giants, Royal Dutch/Shell and British Petroleum give of their operations in 1957. Then, the task was to get scarce supplies to a hungry market. Now, the task is to sell expanding quantities of oil to world markets that have lost the edge of their appetite. The theme that dominates the statements of the chairmen of the two companies is how the big oil groups can make out when they are merely prosperous. Looking back, the 1957 accounts tell of a wholly abnormal year. The closing of the Suez Canal more than trebled the tanker voyage from the Persian Gulf oilfields to European markets when the world demand for oil was strongly rising and the world's tanker fleet was already fully employed. Both Royal Dutch/Shell and British Petroleum had to pay more for oil and for freight, though they recouped part of the extra costs by higher selling prices.

By making Middle Eastern oil less accessible, the Suez episode put a premium on Western Hemisphere production and Royal Dutch/Shell, rapidly expanding its output in Venezuela and the United States, was a gainer. British Petroleum, more heavily committed in the Middle East, had no Western Hemisphere oil to sell and was forced by the tanker shortage to reduce its offtake from the Middle East and to buy at high prices in the Caribbean.

The second half of the year spanned a period in which the lingering consequences of Suez were wearing off and the full consequences of the American recession were not yet apparent. Thus Royal Dutch/Shell's margins fell back from abnormally high levels and British Petroleum's recovered from abnormally low levels. Over the full year, the net income of Royal Dutch/Shell rose from £179.5 million to £212.7 million and that of British Petroleum fell from £56.2 million to £54.6 million; both companies left their tax free ordinary dividends unchanged, at 15 per cent for British Petroleum and at 18¾ per cent for "Shell" Transport. British Petroleum units have risen sharply on the statement in the report that a scrip issue is to follow this year; they stand at 100s. 7½d. xd to yield 5.2 per cent. "Shell" Transport units are 145s. and yield 4½ per cent.

A year ago, profits from oil were circumscribed only by the unavoidable rise in costs; today the boot is on the other foot. Who benefits most from falling costs? Supplies in the Middle East are increasing and the routes are wide open. With over four million deadweight tons laid up, tankers are abundant and freight rates have collapsed. Supplies are more than plentiful and demand has slackened. The steady growth of oil consumption in the United States since the war has given way to a slight, if temporary, decline and, though demand continues to rise in the Eastern Hemisphere, it is at a slower rate. There is now acute competition in oil and the craven are recalling—pressing things rather far—the oil war of the early 'thirties.

WHEN competition is fierce the low-cost producer leads from strength. Nowhere is crude oil produced at lower cost than in the Middle East. So long as production and the supply routes through the Middle East are unimpeded, this is a source of strength for British Petroleum. Both Middle Eastern and Venezuelan producers are hurt by restrictions on imports into the United States, but Royal Dutch/Shell is much more directly affected than is British Petroleum by conditions in the United States. When both crude

oil and refined products are on offer at cut prices Royal Dutch/Shell may have some advantage as a net purchaser of oil:

	Royal Dutch/Shell (mn. tons)	British Petroleum (mn. tons)
Crude Oil Production in 1957:		
Middle East (including Kuwait Contract)	28	43·7
Other	72	0·7
Total	100	49·4
Processed in own refineries	110	32·1
Sales of crude oil and products	122	53·0

But another and more important test will determine profits this year: the extent and the security of the companies' markets. With oil in surplus it is the hand at the petrol pump and the negotiator of bulk contracts at shaded prices, rather than the oil driller, who stands sentinel at the oil companies' coffers. British Petroleum is making strenuous efforts, as its recent purchase of a large chain of service stations in Italy shows, to extend its marketing organisation. Extensive though that now is, it is overshadowed by Royal Dutch/Shell's traditional hold over the world's markets, which may give it better protection for its profit margins than British Petroleum's control over the world's lowest cost crude oil.

For both groups 1958 will be a hard year. Because of slacker demand, production will have to be cut back in the Middle East and Venezuela as it already has been, drastically, in the United States. Widespread price cutting is now occurring at all stages from the well-head to the petrol pump. Not all the cuts appear in posted prices, but they are none the less real. Fuel oil from the Caribbean delivered in Europe, in effect, free of freight; three-year freight contracts fixed at impossibly low spot rates; a variety of discounts off posted prices—all amount to the same thing, whatever their form: a lower profit on the final sale. So widespread is the weakness that a fall of between 20 to 30 per cent in the industry's net profits has become the current well-informed guess about the year's outturn. If British Petroleum and Royal Dutch/Shell do better than most of their competitors, as they might, they will certainly not do nearly as well as they did last year. This will be no year for bigger oil dividends, especially as Royal Dutch/Shell now has an enormously increased capital to service, and it would be optimistic to assume that British Petroleum's projected scrip issue will do more than tidy up the balance sheet.

Both groups will still have vast capital expansion programmes to finance. Capital programmes in the oil industry are decided in the light of estimates of demand five or more years ahead, and acquire a momentum that cannot be synchronised to short-term fluctuations in demand. Even in the "crisis" year, 1957, Royal Dutch/Shell's capital expenditure of £386 million was only £2 million less than the group had spent in 1956 and British Petroleum's expenditure of £100½ million was £14½ million more. British Petroleum will again spend over £100 million on capital account this year and Royal Dutch/Shell's expenditure is not likely to fall far. Neither will be pressing forward with new commitments. But next year there will have to be changes. If the oil industry is still in the dumps, there will be a sharp fall in capital spending from the running down of expansion programmes; if it is perking up, expansion will be on again, though it may not be easy to finance. Given maintained capital expenditures this year and smaller profits to contribute towards their finance, the new issues by the two companies—British Petroleum's £41 million in convertible debentures and Royal Dutch/Shell's £126 million in equity stocks—prove to have been made in the nick of time; they would certainly have cost a lot more a few months later.

The new money is now available at the moment when it is most needed. But the policy of capital expansion rests on the assumption that the setback in demand will be short lived. There are signs that drastic reductions in crude oil production and in refinery operations in the United States are putting stocks into better balance, and setting the stage for a smart recovery if demand should begin to pick up later this year. But if the recovery fails to appear, or if demand in Europe falls, the oil companies will not have the resources to carry through all their capital intentions, whatever faith they may profess in the long-term demand for oil. They and their shareholders look like having to wait quite a time for the return of the lush years.

SALES AND PROFITS
(£ million)

	ROYAL DUTCH/SHELL						BRITISH PETROLEUM					
	Half years				Years		Half years				Years	
	1956		1957				1956		1957			
	I	II	I	II	1956	1957	I	II	I	II	1956	1957
Gross sales	1,095·2	1,225·3	1,307·4	1,327·2	2,321·5	2,634·6	350·3	371·3	386·4	406·6	721·6	793·0
Sales taxes, etc.	225·5	260·0	251·7	291·4	485·5	543·1	81·0	93·3	93·2	103·9	174·3	197·1
Net sales	869·7	966·3	1,055·7	1,035·8	1,836·0	2,019·5	269·3	278·0	293·2	302·7	547·3	595·9
Operating expenses, etc.	617·5	696·2	738·4	758·7	1,313·7	1,497·1	178·5	203·0	222·6	211·8	381·5	434·4
Depreciation, etc.	91·4	106·2	106·1	111·2	197·6	217·3	17·1	20·2	19·7	23·8	37·3	43·5
Loan interest	3·0	2·9	2·9	4·1	5·9	7·0	1·3	1·3	1·7	1·7	2·6	3·4
Gross profit	157·8	161·0	208·3	161·8	318·8	370·1	72·4	53·5	47·2	65·4	125·9	114·6
Investment income	*2·4*	*5·4*	*2·9*	*6·3*	*7·8*	*9·2*	*5·0*	*5·3*	*5·8*	*6·2*	*10·3*	*12·0*
Gross income	160·2	166·4	211·2	168·1	326·6	379·3	77·4	58·8	55·0	71·6	136·2	126·6
Taxation	66·1	60·7	89·6	57·9	126·8	147·5	43·5	36·1	32·4	39·1	79·6	71·5
Minority interests	10·0	10·3	11·1	8·0	20·3	19·1	0·2	0·2	0·2	0·3	0·4	0·5
Net income	84·1	95·4	110·5	102·2	179·5	212·7	33·7	22·5	22·4	32·2	56·2	54·6
Gross profit as % of net sales	*18·1*	*16·7*	*19·7*	*15·6*	*17·4*	*17·7*	*25·9*	*19·2*	*16·8*	*21·6*	*23·0*	*19·2*
Net income as % of net sales	*9·7*	*9·9*	*10·5*	*9·9*	*9·8*	*10·2*	*12·5*	*8·1*	*7·6*	*10·6*	*10·3*	*9·2*

New Phase for Funding

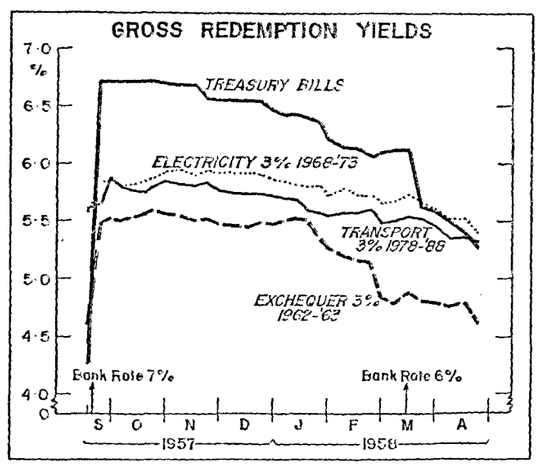
Two new Government issues were announced late last week. They mark no turning point in policy; they denote no relaxation of the credit squeeze; and only indirectly do they carry any suggestion about Bank rate. Yet this seemingly routine replacement of £676 million of 4 per cent Conversion stock 1957-58, is made on terms that call for no fresh money, and are calculated not to force the market upwards but to borrow much more cheaply than has recently been possible. This twin issue marks an important stage in the successful gilt-edged policy. It gives the gilt-edged investor a clear picture of what the Chancellor means by "vigorous funding."

Holders of the maturing 1957-58 stock are offered two options—to convert at par into 4¾ per cent Conversion redeemable on June 15, 1963, or into 5¼ per cent Conversion 1974, effectively at £97 10s. Holders who accept neither option will be paid off on June 15th. The two new stocks are in effect already being dealt in, as 4 per cent Conversion (1963 assented) and 4 per cent Conversion (1974 assented); the former stands at about 99⅞ to yield £4 15s. 2d. per cent and the latter at around 98⅞ (ex the £2 10s. conversion bonus which belongs to the assenting holder) to yield £5 9s. 8d. per cent. An active demand has sprung up for the shorter dated stock, which the official portfolio is meeting.

These new stocks are liked and so is the fact that no cash applications were invited. But there is a surprise about the timing. The maturing stock still has six weeks to run and underwriters are holding undigested New Zealand stock. The time-table, all possibility of strikes apart, did not suggest that Exchequer needs were pressing. The 1957-58 stock is the only compulsory maturity this year and the authorities had already this year created two new issues—£500 million 5½ per cent Exchequer Stock 1966 and £300 million 5½ per cent Funding Stock 1982-84. These are being sold, and the 1966 stock in particular is proving very popular. Issues nowadays are formally timed and tailored to maintain the quantity and the range of the Government Broker's wares, and it is his selling to the market that constitutes the real process of issue. The date of the maturities, which the departments usually buy in substantial volume before they fall due, is rarely the dominant factor; it is not on this occasion. The more important departure is the decision to issue a new "short." At first glance this may seem to run counter to one of the twin objectives of open market policy. Funding policy, as now understood, involves not only selling stock from the official portfolio to the public, but also inducing the public to invest longer. In effect the authorities collect the shorts and sell the longs in exchange for them. The issue of a short to give the money market some pabulum must have been tempting several times this year, but the Bank of England seemed set against it. The object of policy was to fund longer and so the short end of the gilt-edged market remained almost unaffected by the moves to bring the other sections under fuller and more efficient control after 7 per cent Bank rate. The inflow of foreign money, with growing confidence in sterling, makes its direct impact on the short end of the market and there was sometimes a risk that the official hand might be forced into reducing Bank rate earlier than might be warranted on general grounds if the flow of foreign money on covered arbitrage became overwhelming. That did not happen and the flow is now diminished.

But at last the authorities have found it desirable to create a "short"—a good bank stock which ought also to have a money market appeal. "Assented" 1963 stock is in fact six weeks longer than the conventional five year maximum observed by the money market; it is dealt in as a "short" only by dispensation of the Stock Exchange Council. There will be no increase in the number or the amount of the shorts; the 1957-58 stock will not be wholly converted and less than the whole of what is converted will be into 1963 stock, This therefore is still funding.

To the extent that it is not already held in the departments the 1957-58 stock is held largely as a "short" by the money market, by the banks and by some industrial companies; to many such holders only a short is acceptable. The 1974 stock is an attractive medium date, but if no short dated option had been offered, a large payout on June 15th would have been unavoidable and that would have increased the demand for Treasury bills and the remaining shorts. To what extent the Government already



holds the maturing stock is unknown, but it has been tough to get it in. The story is told in the chart, which shows how fast the yields on short-dated stocks and on Treasury bills have fallen as money and confidence returned.

A block of 1963 stock in the Government broker's hands, while it lasts, will thus assist the Bank of England's control over the gilt-edged market. Only one deduction about the future of Bank rate can be made from the operation. The authorities have a little more elbow room in their timing; they have used a little of it in deferring any further change in Bank rate until after the critical date of May 5th. On broad financial grounds the stage has seemed set for a reduction for a fortnight past. It remains so. But on industrial-cum-political grounds, there was a case for walking warily in the week before a major strike. To have this conversion out of the way was also wise.

The conversion operation will diversify the range of stocks that the Government has on "tap." The Government broker can for the moment offer four, all with high coupons, 5½ per cent Funding, 1982-84, 5¼ per cent Conversion 1974, 5½ per cent Exchequer 1966, and 4¾ per cent Conversion 1963. He can suit a wide range of demand at the moment, but the new operation must have been timed with one eye on the approaching end of the supply of the 1966 stock. Even then, however, he will still be able to offer stocks covering the wide range of requirements of the money market, the banks, and such longer term investors as the life insurance and pension funds. That £500 million of 1966 stock created only on January 14th should find a permanent home so quickly is one of the best indications of vigorous funding this year.

The offer to the holders of 4 per cent Conversion 1957-58 expires on Monday. It has risen to £99 17s. 2d., which is just beyond what the Government broker will pay—on terms that yield the vendor the equivalent of the current Treasury bill rate over its last weeks of life, which impute a price of about £99 16s. 11d. If the total assents reach £600 million, leaving only £76 million to be paid off, the operation will have been most successful. Those financial institutions that convert are likely to prefer the 1963 option. The Government will no doubt seek to divide its own conversions between the 1963 and 1974 options to end the day with respectable amounts of each.

This conversion operation is well planned and likely to strengthen the control of the market. For that reason, the gilt-edged market's recent buoyancy may for a time be restrained. Intrinsic public confidence in British Government stocks is standing higher than for several years and given intelligent market management, confidence should continue to grow. But on a close view, some slackening of the recent active demand would not be surprising. A further Bank rate reduction is already largely discounted; when it does come there can now be little surprise in it. The banks have bought heavily of gilt-edged stock (£42.6 million in the last month) but can hardly continue to invest on that scale indefinitely: and the New Zealand 6 per cent stock, well held by the underwriters at only ⅛ discount, has to be absorbed. The outlook in the gilt-edged market does not suggest another upward surge, but investors, if they pause now, are likely to return.

BUSINESS NOTES

FOREIGN EXCHANGE

Switch Sterling in Demand

End of month influences have made the past week an uneven one for sterling, but on balance the pound has lost no ground against the dollar, and the official rate has made a slight net gain to just over $2.81¼. It appeared that the Exchange Equalisation Account had again been taking in dollars and the end-April figures—not available as *The Economist* went to press—were expected to show another substantial reinforcement of the reserve. The capital of the Exchange Equalisation Account was increased this week by £50 million. This gives no indication in itself of the extent to which the account is filling itself up with dollars, but it is an unmistakable indication of the trend. In recent weeks the acquisition of gold, dollars and other currencies has reached a point at which the account had run down its sterling. The general commercial demand for transferable sterling has been particularly good during the past week, with renewed buying from New York and Zurich. The rate has strengthened to $2.7960. Had it not been for some official holding down of the rate, it is almost certain that transferable sterling would have crossed the parity line of $2.80 for the first time.

The other main feature of the exchange market has been the strength of switch sterling which has appreciated this week to around $2.79 on substantial American and Continental buying to meet the imminent calls on Shell and BP shares. In addition the American buying of oil shares which became so pronounced on Wednesday generated a further demand for switch sterling. There has also been some American buying of sterling gilt-edged securities. In the ordinary way switch sterling is bought for delivery to coincide with the end of the Stock Exchange account. For operations in gilt-edged securities, of course, immediate delivery is required, and it has been significant that recently the market in switch sterling has in fact divided into two sections of almost equal importance—one for cash and the other for end-account delivery.

IN THE MARKET

Pressure of Issues

The conclusion that thoughtful investors draw from the balance sheets of the oil giants hardly supports the beemlet in oil shares that greeted the opening of the New Stock Exchange Account on Wednesday. But the less thoughtful took hold of British Petroleum's intention to make a free issue later this year: on the back of their buying the Americans came in. BP rose 5s. 9d. to 100s. 7½d. and Shell (registered) rose 8s. 10½d. to 145s. Whether rational or not, the movement exemplifies an important feature of the Stock Exchange at the moment—that speculative activity will seek the side lanes, such as the oil share-market while the pressure of new issues seeking to come forward combines with industrial news and strike news to damp the industrial share market.

That pressure of new issues promises to be at least as heavy as can conveniently be absorbed. Next week Gallaher, the tobacco company, will publish its prospectus for the issue of £10 million 6 per cent loan stock dated 1983-85 and priced at £96. This week Fisons, the chemical company, has announced the issue of 1,934,954 new ordinary shares at 31s. 3d. The issue will bring in approximately £3 million towards capital projects of £5½ million and is offered to shareholders in the proportion of one for three. With the existing stock standing at about 52s. the rights are worth approximately 5s. 3d. per share. Mutual Finance, the hire purchase subsidiary of Thomas Tilling, is raising £300,000 by the issue of new 5s. shares to existing shareholders at 20s. in the ratio of three 5s. shares for each 2os. of stock held. And looking slightly further ahead Associated Biscuit Manufacturers, which controls Peek Frean and Huntley and Palmer, announces, without detail, its intention to make a debenture issue. This is contingent on a reorganisation of capital being carried through and it is intended to offer holders of the 1½ million unsecured loan stock of the parent company and of the £300,000 4 per cent debenture of Peek Frean conversion into the new stock.

Such plans promise that the flow of industrial issues will be heavy. Already this year it has been abnormally heavy despite dull share markets, thanks to the Shell issue. According to the Midland Bank's figures (which exclude all Government loans), the total for the first four months of this year is £148.0 million against £133.4 million in the same months of 1957.

THE ECONOMY

Output Hardly Slipping

When in his budget speech Mr Heathcoat Amory said "the level of industrial production has tended to decline slightly in the last few months . . ." he was going rather further than outside observers could have done on the evidence then available from the official production index: of late, the impressive thing about output has been its apparent stability. This week, early indications of what production may have been in March have shown the fractional turn downwards that has been expected for some months, but has in fact taken quite a long time to appear. But the January and February indices have both been revised upward. So, oddly enough, have those for January, February and March, 1957. These last occurred because there are a few items of production for which Whitehall either receives only annual figures, or receives much more accurate annual than other figures. Only tiny revisions, of about 0.1 of a point were made; but for early 1957 these happened to change the rounded figures. For March this year the first estimates suggest an index of 137-138, against 138 a year before, when output was slightly affected by strikes in shipbuilding and engineering, but it is still premature to trace any significant downward trend from this.

CHANGES IN FIXED INVESTMENT, 1956 to 1957
(Per cent. change from corresponding period of previous year, at constant prices)

	First qtr.	Second qtr.	Third qtr.	Fourth qtr.
Public sector excluding dwellings ..	+4	+5	+ 8	+15
Private sector excluding dwellings.	+5	+7	+10	+ 3
Of which:				
Manufacturing.....	+9	+5	+ 1	− 5
Dwellings.....	+8	−1	− 8	− 6
Total.....	+5	+5	+ 6	+ 5

Record output in the motor industry, with its widely ramified demands upon intermediate engineering, is still broadly offsetting the declines in other sections of industry. These include building and its materials suppliers, plus certain kinds of machinery manufacture. In both groups, output is being affected by the decline in investment demand for houses, industrial buildings, and now generally in manufacturing. But total investment demand is still high, with the public sector increasing its demands rapidly as private investment levels off. In real terms, fixed capital expenditure in manufacturing industry in the last quarter of 1957 was 5 per cent lower than a year before: but total fixed investment across the whole economy, in contrast, was 5 per cent up.

Building Orders Fall

An indication of the changing demand for new building work is provided by a new set of figures published by the Ministry of Works: this series gives quarterly totals of new contracts received by building and civil engineering contractors since the last three months of 1956 and is a welcome addition to the very limited published information about new industrial orders. The flow of new building contracts fell fairly steadily throughout last year; the decline was most marked for public housing contracts, which totalled £51 million in the last three months against £75 million in the final quarter of 1956, and only slightly less so for private housing development, for which contracts totalled £63 million against £79 million respectively. New industrial building contracts slipped slightly, from £54 million to £51 million between the two final quarters, but the rate of orders for other new work on public or private account fluctuated more uncertainly. The difficulties in compiling these statistics of the final value of new contracts actually placed leads the Ministry to be somewhat cautious about conclusions from them until they have had a longer run: they are based on a quarterly sample and a full census every April.

Are Prices Stabilising?

"Now there are signs," the Treasury observes in its latest *Bulletin for Industry*, "that the falls in prices of some manufactures are becoming sufficiently large and widespread to have a major stabilising effect on the index."

The index of basic materials prices, other than fuel, used in manufacturing industry, in March, was 12 per cent below March 1957—and below the average for the whole of 1957, since most of the fall in prices of these materials came in the last four months of last year. Imported materials have come down much more than that in price—the index includes many items made or largely processed in Britain—but the "import content" of the ex-works cost of manufactures, on average, is only about 20 per cent, and there seems to be an average time-lag of about 6 months before any fall can in practice be passed on. "Prices," says the Treasury, "are mainly dependent on labour costs," which may certainly be the biggest single item in total costs. Moreover, prices of the vast array of semi-manufactures and components which pass from one industry to another and are included in any industry's total outside purchases, will probably have gone down less than those of crude materials, home-produced or imported; and fuel prices have only just turned downward.

HOW PRICES HAVE MOVED

DOWN: Bricks, china, concrete, insecticides, general chemicals, sulphuric acid, drugs, steel sheet and tube, tinplate, brass, perambulators, galvanised cisterns, cotton yarn and cloth, Harris tweed, serge, spun rayon, wool tops, worsted, linen, jute goods, rope, hosiery, lace, canvas goods, leather, hardwood, cardboard, rubber goods.

LEVEL: Electrical porcelain, glass containers, cement, hard coke, dyes, polishes, iron castings, spectacles, gramophone records, felt, rayon filament, linen yarn, wallpaper, paper bags, stationery.

UP: Glass, abrasives, disinfectants, fertilisers, synthetic resins, toilet preparations, paint, soap and detergents, domestic electrical appliances, hand tools, cutlery, domestic hollow-ware, dental goods, spoons and forks, rayon fabrics, carpets, travel goods, clothing, footwear, soft furnishings, furniture, wooden boxes, paper and board, linoleum, brushes and brooms, toys and games, sports goods, pens and pencils, plastic models, photographic paper and film.

The price index for manufactures, which fell slightly in February and March for the first time in three years, covers about 7,000 separate items of manufactures other than food products. For most of last year, all the main groups of these showed increases: but between October and March, for all except clothing and footwear, this trend was reversed. Since that March index was calculated, prices of iron and steel, metal boxes, aluminium, some commercial vehicles, wire netting, television tubes, and certain types of cable have come down. It may take some considerable time, however, for these changes to affect the retail price index; for this includes prices of food (now fairly steady) of housing (still going up) and of fuel and services, where prices remain dependent upon this spring's bargaining about wages.

SUEZ CANAL COMPANY

Nasser's Agreement

PRESIDENT NASSER decreed the nationalisation of the Suez Canal Company on the basis of Paris Bourse prices. That meant a total price of about £71 million or about £15 million more than the value of the company's assets outside Egypt. The company's counter claim suggested that it should keep its assets outside Egypt and be paid in addition £204 million. Pushed hard by the World Bank the parties have now agreed to a compromise which is subject to the approval of shareholders in general meeting. Shareholders may condone but they will not rejoice for the line of compromise has been reached very near to the Egyptian starting point. The company keeps its assets outside Egypt and the Egyptians will pay a total of £E28.3 million (about £29 million sterling). Of that sum rather over £E5.3 million is in Canal dues collected after nationalisation which the company already holds. So the company in effect receives £E23 million. It has had to accept a liability for the pensions of all employees except those who remained in Egypt, which may cost about £13 million. Apart from the initial payment the compensation is spread over five annual instalments of £4 million and one of £3 million spread over the years 1959-1964.

So Tuesday looked like a red letter day for the Egyptian President, who could sit down with the Russians having driven a hard bargain with the West, largely cleared himself with the Americans and begun to clear himself with this country. Nevertheless from the Suez Canal shareholders' point of view the outlook is not wholly bleak. They get a little more than the Egyptians intended, and they get it clear of exchange risk and outside Egypt, which the Egyptians did not originally offer. The whole payment—40 per cent of it in sterling—is calculated in Egyptian pounds at the fixed rate of $2.87 to the £E. In addition to the first instalment of £E5.3 million due at once, two further instalments can also be paid immediately if the British Government releases the appropriate amounts from the blocked Egyptian No. 2 account. Yet another two could be paid at once if the British Government were to release the whole of that account. The British Government, however, seems unlikely to go so far at present. The Canal Company's compensation is not the only or the largest British claim against Egypt. Further negotiations will have to cover the compensation to British citizens and undertakings stripped of their property and expelled.

From the shareholder's point of view there remain many uncertainties, the default risk on the later instalments among them. But a rough guide to the break-up value is now available. The net assets outside Egypt are understood to have been equivalent to 40,000 francs (£34) per jouissance share on December 31st. The net £23 million that the Egyptians will pay is equal to about 26,000 francs (£22) per jouissance share making no allowance for any default risk or for the delay in time. That suggests on the most favourable interpretation an ultimate value of around 66,000 francs (£56) for the jouissance share and seems to leave scope for a little recovery from present market values of about £40 for the jouissance and £56 10s. for the capital shares, even though realisation of ultimate values may still be a long way away.

INDUSTRIAL DEVELOPMENT

"Selective Reflation" by DATAC

SINCE 1945 about £70 million of public money has been spent on building factories for industrial companies coming into Britain's development areas, and nearly £7 million has been lent to certain of these that satisfied an advisory committee to the Treasury that their projects would eventually pay but that they could not finance them from other sources. It is this second Treasury power—to lend or grant money, but not to finance the building of "advance factories"—that is to be extended throughout the country by the new Distribution of Industry (Industrial Finance) bill that had its second reading last week. The condition qualifying any "locality" (i.e. unemployment exchange area) to receive such assistance will be that it has a high rate of unemployment which seems likely to persist.

EXECUTORS & TRUSTEES

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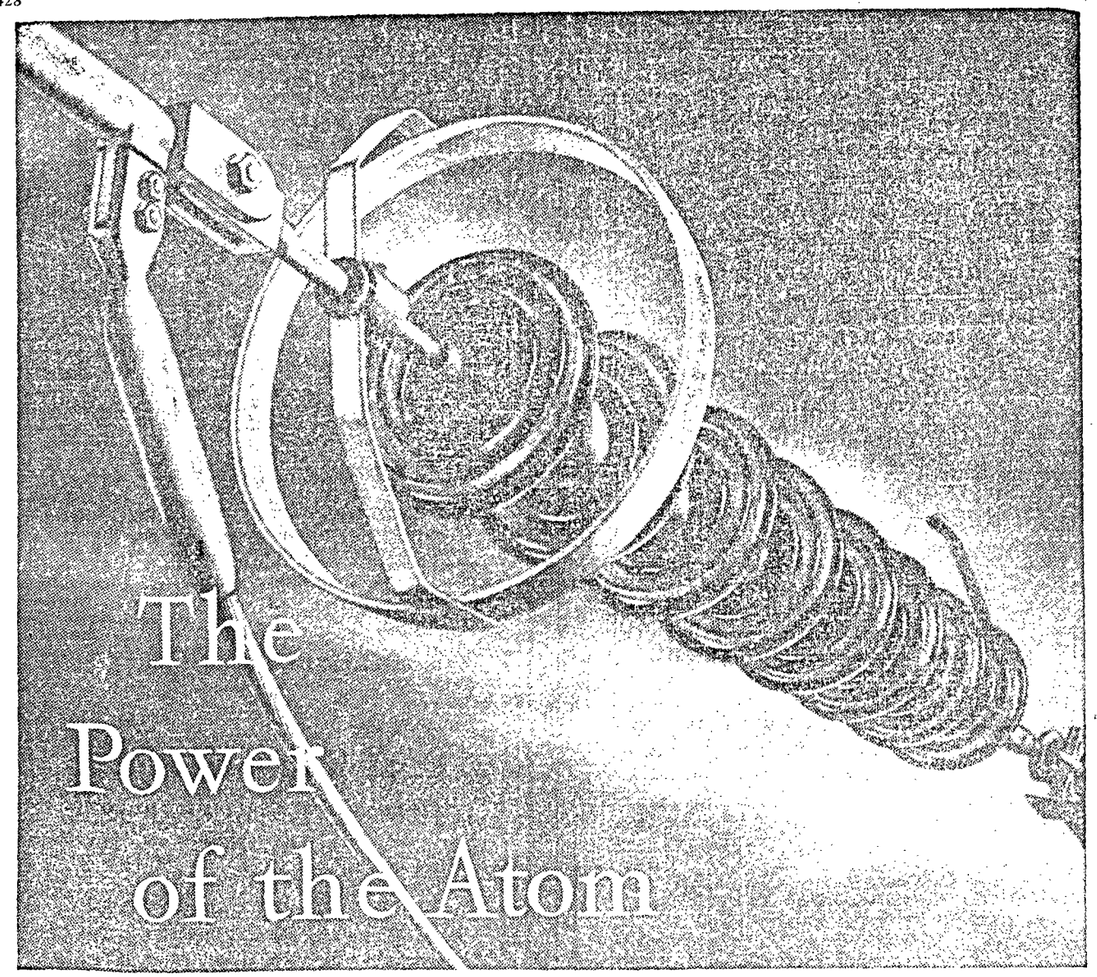
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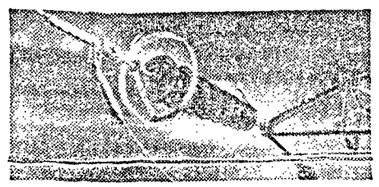
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The bill makes two changes of significance in the existing Treasury powers under Section 4 of the Distribution of Industry Act of 1945, in that it allows loans or grants to all forms of trade or business, not industrial projects alone, and that it permits this financial assistance whether or not the project complies with "the proper distribution of industry." As possible non-industrial candidates, the Parliamentary Secretary to the Board of Trade instanced "insurance companies, mail-order businesses, hire-purchase companies, or research establishments": he noted that institutions such as the Crofters' Commission would not qualify unless they decided to "carry on an undertaking by way of business." Other contributors to the debate, as might be expected, had plenty of likely localities to suggest: the Western Isles have 35-38 per cent of unemployment, Anglesey has 11 per cent, Greenock and Dundee have 6-7 per cent, and Hastings (outside the holiday season) has 6 per cent. The Minister of Labour, who introduced the bill, noted that the existing development areas themselves still had an unemployment percentage of 3.1 per cent against 2.1 per cent for the whole country or, to take an example of prosperity, about 1.3 per cent for London and South-East England.

The existing Development Areas Treasury Advisory Committee, DATAC, will continue to scrutinise applications by companies: the Treasury does not have to lend money to every project it approves, but cannot lend money to one the committee has turned down. For this year, the total amount lent will appear in a supplementary estimate: in succeeding years, in the main vote. Mr Macleod defined the whole idea, and others that the government has been putting forward, as "selective reflation": if there were not such a phrase, he said, there ought to be. Lord Hinchingbrooke had some other words for what this might become: "using the taxpayers' money to reduce the unemployment we have otherwise deliberately created."

AIRCRAFT INDUSTRY

Return of the Comet

THE Comet IV airliner that began its test flights last Sunday is, from an engineering point of view, the most highly developed jet airliner now flying or about to fly. It is as different from the Comet I that first flew nearly nine years ago as a racehorse from a coster's pony. The reserve of power in its engines is far greater than that of the French-built Caravelle; it has significantly better fuel consumption and faster rate of climb than the Russian-built Tu 104; and has the two basic requirements of partially silenced engines and reverse thrust for braking on landing that have yet to be fitted on either American jet and without which London, New York and Paris will not allow jet airliners to land, and the airlines will not consider them wholly safe to operate. The strengthened fuselage has been given a minimum fatigue life of 30,000 hours, or ten years' commercial service, based on a 6:1 fatigue ratio (so that the life might in fact prove 180,000 hours); the standard of finish on essential components is well above what is customary in the British or any other aircraft industry.

This skill and care and sheer beauty does not necessarily add up to a sound commercial airliner. Whether the Comet is what BOAC needs or other airlines want has yet to be shown. In its various forms it can carry between 75 and 85 passengers over all routes short of the North Atlantic; orders stand at 31, of which 19 are for BOAC, 6 for British European Airways and 6 for the Argentine airlines. At £1 million, the Comet IV is not expensive by modern standards. By the end of the year at least four should have been delivered to BOAC with full certificates of airworthiness, the first arriving in the autumn; it is then up to the corporation to decide when to put it into service. But this depends on keeping to an exceptionally tight schedule, for the first flight is itself five months late.

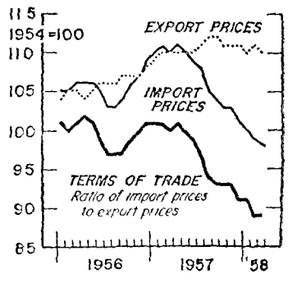
With the Comet IV in the air, de Havilland's fortunes seem to be looking up. Within the past few weeks it has won the order for BEA's medium range jet airliner, ironed out the production troubles that had held up its Firestreak guided weapon; it may be on the verge of receiving a German order for it; yesterday the company was allowed to announce that it was the main contractor for the country's only ballistic weapon, the 2,000-mile-range rocket it is building with Rolls-Royce and Sperry—a function taken over from English Electric some time ago. If the Comet is a commercial success, it may be due in large part to the 10,000 hours of flying put in by the RAF and all of which experience was fed back on to the de Havilland drawing board. This is commonplace in America but has not happened before to a British civil airliner. Nothing is so important to the development of an aeroplane as the hours it spends in the air and it is here, not in money, that the Government can make its most important contribution to aircraft development.

BANK FIGURES

Credit Expansion Resumed

NET deposits of the clearing banks rose more sharply last month than in any corresponding period since 1954. The full statement for the mid-April make-up revealed a rise of £65.6 million over a four-week period, compared with increases of £18 million in 1957, £25 million in 1956, £8 million in 1955 (a five-week period), and £79 million in 1954. This more than seasonal movement was reflected in a rise of 0.6 in the seasonally corrected index compiled by Lloyds Bank, carrying it to 109.9 (1948 = 100), or back to the end-1957 peak. The counterpart of this credit expansion, as was explained in a Business Note last week, was a rather sharp increase in both investments and advances. A substantial part of this reflected finance for the public sector. State boards took £15.1 million of the £46.9 million rise in advances; and, given the tactics of the "departments" in selling stock whenever opportunity offers, much of any rise in bank investments can be regarded

IMPORT PRICES FALL AGAIN



Import prices fell further during March—by one point. A corresponding fall in export prices left the terms of trade unaltered at the most favourable level for many years.

Some imported foods rose in price, but butter became still cheaper.

as finance for the central government at one or more removes. Financing of that kind evidently provided one of the main reasons for last month's contra-seasonal decline in liquid assets. As will be seen from the accompanying table, a further important factor was the shrinkage in portfolios of commercial bills.

	April 16, 1958 £mn	%	Change on Month £mn	Change on Year £mn
Deposits	6,450·3		+85·0	+247·4
"Net" Deposits	6,152·2		+65·6	+243·8
Liquid Assets	2,136·2	33·1	−24·1	+110·9
Cash	543·1	8·4	+27·2	+ 52·0
Call Money	421·3	6·5	−17·1	− 15·0
Treasury Bills	1,051·1	16·5	−20·8	+110·0
Other Bills	110·7	1·7	−13·4	− 36·2
Risk Assets	4,100·3	63·6	+89·5	+137·9
Investments	2,136·3	33·1	+42·6	+167·2
Advances	1,964·0	30·4	+46·9	− 29·5
State Boards	65·8		+15·1	+ 13·4
All Other	1,898·2		+31·8	− 42·9

Excluding items in course of collection.
Ratio of assets to gross deposits.

OPTION DEALING

Argument on the Stock Exchange

WHEN Stock Exchange business shrinks the demand for a revival of option dealing often crops up. It has now cropped up again so strongly that a requisition for a special meeting to discuss it has been signed by more than 50 proprietors and will be held after the annual general meeting on May 21st. The argument this time is more evenly balanced than it has been since the war. Possibly not even the council is now unanimously opposed.

Buying the "call," that is, the right to call for shares at an agreed price, or the "put"—the right to deliver them at that price, or even the "put and call" was an accepted and well developed part of the market's prewar mechanism. The argument for restoring it is first that speculation is not necessarily evil and second that forward transactions are permitted in the foreign exchange and in many commodities. To restore options would almost certainly increase the volume of business, but it is still on balance unlikely that the prewar system will be re-established or that the majority of members want it. It would open the way to some undesirable practices. What, for example, would be the use of compelling company directors by law to expose their transactions in the company's shares to the shareholders, if they had freedom to do the equivalent of share dealing through the option market? It is also doubtful whether the market now could readily support option trading. The jobbers who would sell options have little capital to spare, but they would have to cover themselves at least in part. They used to do so by buying half the shares represented by the options they had sold. It could easily turn out that the market's present resources are not adequate to support a large volume of speculative business. Markets would of necessity be more volatile just because option trading enables the dabbler to get command of a large number of shares for a small money commitment.

MOTORS

The Gain in Productivity

THE motor industry is making more vehicles—about a twelfth more—than at its previous peak level of output in October and November, 1955. But it is not using any more labour. Much of this apparent increase in productivity is no doubt the result of the various investment programmes that the leading manufacturers went in for in 1954 and 1955 and have now mostly finished; but the industry's recession may also have helped by giving manufacturers the opportunity to take back only the labour they actually wanted, which appears to have been a little less than they were employing before. How much less it is rather difficult to tell. The Ministry of Labour's monthly employment figures are not a great help since labour employed in cycle manufacture, which is still in a bad way, is included with vehicle manufacturing employment and the separate set of figures for the component and accessory side of the industry is combined with the making of parts and accessories for aircraft. Not all of the three per cent reduction in total employment shown by these two figures could be ascribed to the vehicle industry alone.

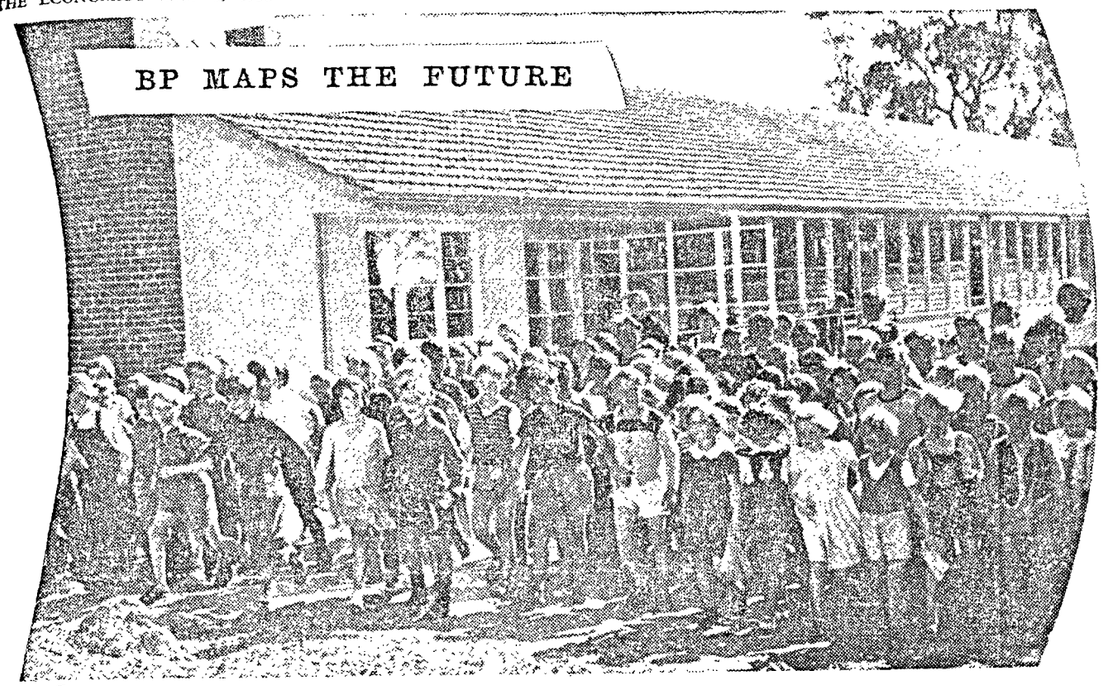
Another difficulty in the way of calculating the growth in labour productivity in the vehicle industry lies in the way in which it is made up. The extent of bought-in supplies varies between firms and some are more heavily engaged in car manufacture, which is now 16 per cent higher than towards the end of 1955, than in the production of vans and trucks, which is still 12 per cent below the previous peak. Three of the five main firms also make tractors, where output is also up on 2½ years ago. But for four of these five manufacturers—that is excluding the largest, BMC—total employment is now fractionally lower than in October, 1955, while daily output of all kinds of vehicles, including tractors, is 22 per cent higher, which suggests a gain in labour productivity of roughly the same amount. Vauxhall, alone of the five, is using more labour than before and it is the only one of the four whose apparent productivity is lower: its labour force has risen by about a third while output—still below the full capacity of the firm's new plants—has grown by only a quarter. Of the other three it would seem that Standard has achieved the best performance, mainly because of the new tractor plant that has now been fully brought in, with Rootes and Ford (whose expansion programme has still to be completed) following in that order. British Motor Corporation is also employing slightly fewer men than 2½ years ago, but it is not saying how its present rate of output compares.

FINANCING THE COLONIES

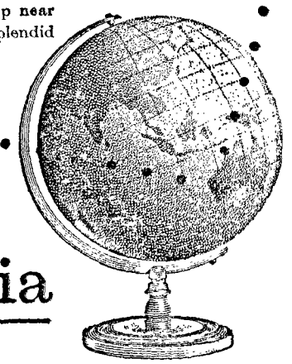
Colonial Development Corporation

IN a shrinking colonial empire and in an atmosphere of more stringent financial control, fresh thinking has gone into the organisation and the objectives of the Colonial Development Corporation, the Government-owned corporation which should not be confused with Colonial Development and Finance Corporation supported by money from the City. Two vital changes that affect CDC's report for 1957 issued this week are first the decision about what the corporation may do in the so-called "emergent territories"—countries like Ghana and Malaya that were colonies but have become self-governing. It was decided that existing projects might be continued, but on new ones CDC might only act as managing agent without investment. And though it has thought hard on the subject it has not found it easy to become a managing agent on those terms.

Secondly, the corporation's borrowing powers were raised from £100 million to £150 million, but the Colonial Secre-



Children of Medina, the new township near Kwinana Refinery, outside their splendid modern school.



A new township springs up in Australia

SEVENTEEN MILES south of Fremantle, the main port of Western Australia, is Australia's biggest refinery – Kwinana – owned and operated by one of the British Petroleum group of companies.

Nearby a new township has risen amid the gum trees and casuarinas of the Australian bush. Named Medina, it has been built by the Western Australian authorities as the first part of a large new town to house many thousands of people whose livelihood will be mainly bound up with oil.

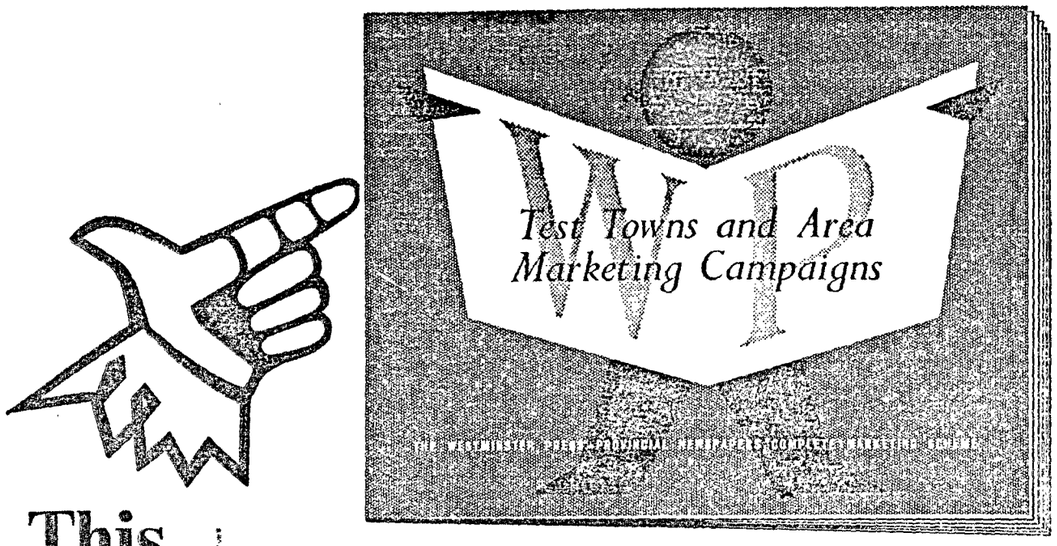
This new town has been planned not only for personnel of Kwinana Refinery, but also for employees of the new industries attracted to the area by the building of the refinery, with its ready supply of fuel oil and other products.

Kwinana started operating in 1955, and can now process 3,000,000 tons of crude oil a year. Important new plant is at present being added to meet Australia's ever increasing demand for oil products.

In Australia, as elsewhere, The British Petroleum Company plans the future by taking practical steps today.

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tary's lending powers were raised by only £30 million to £130 million, so that for the first time there was a margin of borrowing that CDC could raise from non-Government sources. It is a fact, so far, that it owes the Government only £56 million, though the outstanding capital commitment is £80.5 million, but the possibility of market borrowing has started fresh thinking about the form it should eventually take. It seems clear that CDC could at the moment only raise loan capital, but the possibility of a quasi equity, without a predetermined rate of interest is among the suggestions being considered.

Another (which might make equity financing easier) is of capital reconstruction in which CDC would be allowed to write off its £8 million special losses made in the slap-happy days before 1951, the biggest of these being the Gambia egg adventure. Now CDC with nearly 80 associated and subsidiary companies is much more humdrum. It shows a consolidated profit (after charging loan interest) of £732,868 in 1957, against £572,809 in 1956, and that has been achieved despite the fall in copper which severely hit one of the projects—the Macalder-Nyanze Mine—involving the company in a loss of £207,505 against a loss of £77,168.

BOAC

Well in the Red

FACED with a much bigger deficit on the 1957-58 operations of the British Overseas Airways Corporation than anyone had reason to expect, union leaders intended to try yesterday to talk the corporation's maintenance engineers out of their overtime ban so that they could re-open discussions with the management—not about concessions, for none have been offered but on the sorry subject of severance pay. There has been no change of any kind in BOAC's plans to dismiss 3,000 engineers during the next two years in a general reorganisation of its entire engineering operations and the only room for manœuvre left to the unions is on the way this re-organisation is carried out and the compensation offered to the men. It is a delicate subject that could set awkward precedents for the other nationalised industries, and it is unlikely that BOAC can make any offer without first having it approved by the government.

The financial background against which the talks will be carried out is a depressing one not only for BOAC but for all the major airlines. It had been expected that difficulties with aircraft, particularly the delays in bringing the Britannia into service, would have built up a net loss of about £2 million on operations in the last financial year; but the loss announced by the Minister of Transport last week was "about" £2.75 million, the unexpected increase being due to a sharp setback in traffic during the last few weeks of the 1957-58 financial year. Superficially BOAC appeared to do well; its North Atlantic traffic shot up by 15 per cent when some of its biggest competitors were showing increases of less than 5 per cent. But, in fact, all the North Atlantic airlines had budgeted for a much bigger increase in traffic, BOAC included, and while the corporation has had a much smaller proportion of empty seats than some other operators who have been flying more than half-empty, it built up a loss of £750,000 on this and other routes in an alarmingly short period. It is too early to say whether the third class fares introduced a bare month ago have come just in time to stop the rot from spreading to the summer tourist traffic.

MIDDLE EAST OIL

Standard Indiana's Entrance Fee

IT is always dangerous to comment on new concession agreements before the full details are confirmed. First interpretations of the agreement between Mr Mattei's ENI group and the Persian government last year were well wide of the mark, and many weeks passed before that agreement could be seen in proper perspective. The draft agreement between the Standard Oil Company of Indiana and the Persian government, providing for oil exploration in a 6,200 square mile tract offshore in the Persian Gulf, which has been submitted to the Persian Majlis for its approval, is not yet available for perusal, and the terms which have been reported have not yet been confirmed by the oil company. But if the first reports are correct, and the agreement is eventually confirmed by both parties, then the Persian Prime Minister seems justified in describing it as "unbelievably profitable to Persia and unprecedented in meeting her aspirations."

At first sight the Standard Indiana bid, which has been accepted in the face of keen competition from several larger oil groups, follows the pattern first established by the Italian company last year. Standard Indiana would form a joint operating company with the National Iranian Oil Company and if oil is found the two participants would divide the profits equally. The Persian government would then be entitled to a further half share, on a normal 50:50 profit-sharing basis, of the American company's half of the operating company's profits. Like the Italians, the American company would guarantee to spend a minimum sum on exploration—but the minimum is much higher: $82 million against the Italian $22 million. There the resemblance ceases. The Italian company's exploration commitment was in lieu of a cash bonus; Standard Indiana is said to have offered a cash bonus of $25 million in addition to its exploration commitment. This is certainly a heavy price to pay for unproven offshore acreage, even if the chances of a rich strike are rated high. Other companies may have offered the Persian Government fatter bonuses—but not both participation and a bonus. Why would any oil company offer so much, if indeed the offer is confirmed?

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Standard Indiana, one of the most powerful of the American *independents*, has no production in the Middle East, not even in the Iranian consortium. It may, therefore, be willing to pay more for its first foothold than other companies who have to consider the effects of their bids on existing concessions elsewhere in the Middle East. But the key to the deal may lie in an offer, reported from Persia but not confirmed by the company, to find a market for the 12½ per cent of the consortium's production that the Persian government has the right to take as royalty oil. If the Persian government cannot find a market for this oil, it already has the right to sell it back to the consortium companies, but it has long wished to establish other markets independently. For Standard Indiana, if its offer of an assured market would gain for it an assured supply of Middle East oil, the attractions might be greater. In ten years' time, after the current world surplus of oil had disappeared, an assured supply of perhaps 10 million tons a year of low cost oil would be a useful asset—though the Persians would be unlikely to concede much discount off *posted prices*. But if this is in fact part of the off-shore concession agreement, then, while the world surplus of oil lasts, Standard Indiana will have bought itself a costly marketing problem.

NON-FERROUS METALS

Subsidy v. Tariff?

PRESIDENT EISENHOWER and his Administration have good reasons for preferring to subsidise the American non-ferrous metal producers rather than give the lead-zinc producers the higher tariff that was recommended a few days ago by the Tariff Commission. The question is whether Congress will endorse the proposals put forward by the Secretary of the Interior, Mr Fred Seaton. The full details of the project, and so far it is worthy of no more definite name, are not yet clear. But, in essence, the American Government would subsidise American producers—at a notional cost of $161 million in five years—by giving them support payments to make up the difference between domestic market prices and "stabilisation" prices. These stabilisation prices, running above current market prices, would be: copper, 27½ cents per lb; lead, 14¾ cents; zinc, 12¾ cents; $48 per short ton for fluorspar acid grade; and $36 per short ton unit for tungsten. The only apparent limit on the subsidy is that support payments each year would be confined to specific quantities of the metals: copper, one million tons; lead, 350,000 tons; zinc, 550,000 tons; fluorspar, 180,000 tons; and tungsten, 375,000 ton units.

The London metal market has received this plan, as it did the Chilean proposals for a copper price scheme, with sceptical distaste—scepticism because the plan has to get the approval of Congress and distaste because as it stands it might turn the American metal producers as a whole into weak sellers, forcing down the price at the immediate expense of the American government and at ultimate cost to producers outside the United States. If the plan did go through it would have bearish implications for non-ferrous metal prices.

The scheme would help the American lead-zinc producers, particularly the high cost mines, though possibly less than a tariff on imported metals. Recession and the cut-back in defence and stockpile orders leave them in real trouble. The stockpile, which had absorbed about 1,000 tons of lead and about 1,000 tons of zinc a month, has already stopped buying zinc and will stop buying lead in June. Stocks have been piling up at the mines and the smelters and lead is quoted at 12 cents per lb and zinc at 10 cents per lb. The plan will no doubt be scrutinised at the London meeting early in May of the International Wrought Non-Ferrous Metals Council. Will the plan prove to be the precursor of an international stabilisation scheme for lead and zinc, favoured already by a substantial body of opinion within OEEC?

GRAMOPHONE RECORDS

Mixed Platter

THE Board of Trade takes no account of the Hit Parade, and its statistics recording the monthly rise and fall in the production and sale of gramophone records cannot distinguish short-term popularity from long-term trends. In any other industry the fact that production in February fell 12 per cent and sales fell two per cent compared with a year ago would be taken at the very least as a warning signal. Yet it found the two biggest record producers, Decca and EMI who between them control between 80 and 90 per cent of output, in a buoyant mood with rapidly rising production and sales, particularly Decca which has three-quarters of the current Hit Parade records in its catalogues. The prestige of the industry may rest on the high quality of its classical recordings; but its fortunes are decided in the "pop" market, a capricious combination of avid appetite and rapidly changing taste.

This makes the advent of the Rank Organisation in the record business something that both big companies are watching with care. Rank is now busy signing up its own recording artists for discs that it will market not through the normal retailers, but through clubs organised by its own cinemas, the equivalent of a nation-wide distribution chain of 480 shops. Records sold through clubs cost, on average, almost half that of a normal recording—say 22s. 6d. to 25s. for a long-play record compared with 39s. 11½d. to 41s. 9d. for some of the dearest in the normal catalogues; but no club has been organised before on the scale contemplated by Rank. Decca has prepared to meet this competition not by forming its own club, but by re-issuing 7 to 8 year-old recordings under a new label, Ace of Clubs, to be sold by retailers in the normal way but at club record prices.

FINANCE BILL

A Few Small Rabbits

THE Chancellor has not pulled many rabbits from his hat in the Finance Bill. His decision not to make the new dividend stripping regulations retroactive is the most newsworthy of them. The profits tax is thoroughly cleaned up and will at some convenient time require a short consolidating act. The concessions on the allowance of professional subscriptions against Schedule E assessments seem very tightly drawn. The withdrawal of the proposal to tax miner's boots at 5 per cent is a political move to remedy what seems to have been a fiscal inadvertence.

There are a few points of useful clarification. The budget undertaking to deal with certain instalment contracts at present liable to *ad valorem* duty is now explained. The Chancellor is taking the *ad valorem* duty off credit sale agreements. These, like hire purchase contracts, will in future bear only a sixpenny stamp. One other section of

the hire purchase trade—block discounting—still bears an *ad valorem* duty. A retailer assigns a block of his individual hire purchase agreements with customers to a finance house. This is closely parallel to trading in bills, and it will continue to bear a duty that starts at 6d. for the first £5 and rises to 2 per cent when the consideration exceeds £5. The building societies may relax, for the finance bill makes it clear that in assessing the residual profit liable to profits tax the societies may deduct not only the interest they pay to shareholders but also the composite rate tax thereon, which they pay on behalf of their members.

NON-LIFE INSURANCE

Another Lean Year

LAST year there was little or no relaxation in the squeeze on fire and accident underwriting profits. For the second year running North American business resulted in heavy underwriting losses, though dollar interest earnings were probably sufficient to offset these with a little to spare. The offices that underwrite almost wholly in this country did considerably better than the others. But taking the rough with the smooth is the essence of insurance, and the offices possess massive free reserves; dividends are traditionally paid out of interest income, while underwriting profits are ploughed back.

The main source of trouble in 1957 was, as usual, motor insurance. At home sharply higher premiums since last July have helped to offset the increase in claims. Abroad, and particularly in North America, things have gone from bad to worse, though rates have been increased in some areas. Even more expensive motor insurance is a distinct possibility in this country and a certainty in North America. Sooner or later all premium rates must match claims. The insurance companies are looking for some improvement in fire and accident results this year; in 1959 they hope that the pendulum will swing further towards more normal

Recipe for a Sandwich

IN spite of an austerely-worded note from the Montreal headquarters of the International Air Transport Association listing the six requirements of a "simple, cold and inexpensive sandwich," victory in the three-week old dispute about the ingredients of an airline sandwich, third class, appears to have gone to the gourmets—and to common sense. Only one of the offending European airlines taken to task by their puritan British and American competitors has actually agreed to modify the collation served to third-class passengers in place of a main meal. The sooner the airlines bury the dispute the better, for it adds nothing to their credit or to the case for international regulation of air transport.

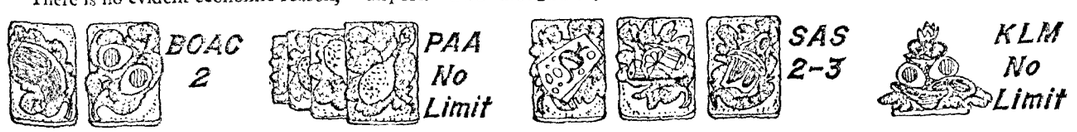
When the airlines originally agreed to introduce third-class fares this spring, it was intended that passengers should buy their own lunch boxes at the airport, but some operators, horrified at the prospect of aircraft full of orange peel and garlic sausage, pressed for a slightly higher fare and free sandwiches. The purpose of cutting out meal services was not to save money on food, because the cost of this is negligible even when it is accompanied by free champagne. It was to save the weight and space of a galley and to use the room for extra passengers. The acid test of a suitable third-class meal is whether or not it can be served without having to install a galley.

There is no evident economic reason, unless it is a desire to make a third-class passenger fully aware of his lowly station, why such meals should consist preponderantly of bread, and understandably enough, the sandwiches that have been appearing on third-class services reflect sharp differences in national cuisine. Following two broad principles observed by all airlines—that continental sandwiches based on a single slice of bread are served in place of main meals, and English type sandwiches or split rolls in place of light refreshments—*different operators* have produced very different answers, roughly illustrated below.

British and American airlines hold that a continental sandwich should be nothing more than a normal English sandwich with the top layer removed. European operators like SAS and Air France show that it can be a culinary work of art. KLM follow the Dutch view that a sandwich can make a square meal. Most airlines do allow passengers as many of these sandwiches as they want, but BOAC restrict them firmly to two apiece. Swissair offer them as a running buffet and manage to provide not only protein in the form of meat, fish and cheese, but also a selection of fruit and salad simply by placing these on rounds of bread as the regulations require. Otherwise third-class passengers get no fruit at all, just as they get no cigarettes or drinks unless they buy them at the airport. SAS thoughtfully sell at the airport a pack of wines, spirits and beer to cheer the 12-14 hour crossing.

But all these regulations apply only to services flown across the North Atlantic, not to flights inside Europe. An ingenious operator such as Swissair can therefore serve normal tourist meals and drinks with perfect propriety on the last leg of a third-class flight from New York into Cologne, Lisbon or Zurich provided that it has made a scheduled stop at some point like Shannon on the way. If the flight is made non-stop, it must observe full third-class austerity. A non-IATA operator, Icelandic Airways snaps its fingers at these quibbles and offers full meals and free brandy for a return fare £22 less than the cheapest prescribed by IATA.

KLM has now agreed, as a result of heated IATA discussions, to make its bread thicker and its sandwiches thinner than the multi-tiered offerings it has been serving to date, but only to the extent of bringing them into line with those served by the other main offenders, SAS, Air France and Swissair, who have stood their ground to the last radish and refused to alter their menus. Air France has, however, agreed to give up serving Coca-Cola among its soft drinks, which could involve a different kind of argument. The protesting airlines, predominantly American with BOAC sitting on the fence, have been pace-setters at IATA for so long that they should act as grown men when their continental competitors score a point instead of appealing to a non-existent sandwich standard of fair trade practice.



underwriting results. But transfers of profits from marine departments, which so far have held up, are likely to fall off in the future. Low freight rates and laid-up vessels are anathema to marine underwriters.

ELECTRICITY SUPPLY

Pricing and The Peak

In few industries do capital charges bulk as large in the total costs of supply as in the electricity system; yet the introduction of nuclear generation will make electricity even more capital-intensive. Moreover, electricity cannot ordinarily be stored, and is supplied on demand at the flick of the customer's switch, not at the discretion of the supplier. So the industry must generally aim at having enough capacity installed to meet the utmost demand it expects on the peak hour of the coldest winter day, and must resign itself to the fact that much of this capacity will be idle during the rest of the year and during most of every night. But the sharp step upward in the cost of installing each kilowatt of extra generating capacity—if it happens to be a nuclear power station as against a coal station—is sharpening the industry's desire to improve load factor on the whole of its huge capital employed. During the past year or two there has been much more discussion in British electricity circles of cheap rates for off-peak power, which might make more profitable use of plant now idle at night, deepening the base load of power stations that run more or less continuously.

An OEEC working party has just published a report upon the application of the marginal cost principle to electricity tariffs, which argues that this principle would justify, for example, the application of two or three different rates for different times of the day, and perhaps also for different seasons of the year. The group also surveyed the actual pricing policies of electricity undertakings, both nationalised and private, in ten OEEC countries: it found few except *Electricité de France* making much specific use of the marginal principle in devising tariffs, but most of them aware of the advantages of selling off-peak power cheap. For Britain, the then Central Electricity Authority argued that tariffs should be simple, should broadly reflect costs—"there is obviously room for varying opinion as to what extent off-peak consumers should pay a rent for the plant employed in the production of off-peak units"—and should be "promotional." This last feature of tariffs, which has generally been interpreted as "making the next unit cheaper," has been a ruling principle in electricity pricing throughout the industry's proud history of expansion: in the past, by developing ever new and diverse uses at different times of the day, it has tended to improve the utilisation of the electricity system. Pricing according to when the power is wanted—offering even more "promotional" rates at off-peak hours, but deliberately making power at peak hours—is foreign to the mind of many people in this industry, and repugnant to some. The actual difference in price between peak and off-peak times that can be justified by a precise allocation of costs between capital and running charges, moreover, has always been a matter of controversy in British electricity. Under the new dispensation which separates the generation and bulk transmission of power from its retail distribution in this country, the arguments seem likely to increase rather than abate.

STEEL

Looking Towards Luxemburg

Though it advised against joining the European Coal and Steel Community five years ago, and again thought that participation in the wider Common Market would have more disadvantages than benefits, the British steel industry has on balance supported British membership of a Free Trade Area. It holds that the determining factor is that Britain's steel-consuming industries should not be forced to compete inside Western European markets over tariff barriers that would not apply to Germany and its other competitors within such an area. But it is now urging, in its quarterly *Steel Review*, that if a Free Trade Area is established, arrangements for steel, so far as possible, should be on the same lines as those applying to other products, with as few special rules as possible. How would this alter the position of ECSC?

"The position of steel would not be so complex," the Federation observes, "if it had not been the guinea-pig on which the Common Market was tried out before any rules for industry generally had been worked out." It recognises the impressive progress in output, trade and investment in West European steel since the industries there became associated in ECSC—but also comments that this in any case was a time of boom, and for Germany in particular of recovery. It accepts that ECSC has opened up some natural "trade flows" and removed obstacles to growth, thus contributing to the vast expansion actually achieved. But experience in ECSC is not necessarily indicative of what would happen in a general Common Market if only because many of the elaborate rules, for example on prices, in the ECSC treaty have not been reproduced in the European Economic treaty.

The Coal and Steel Community itself has also given some indications lately that its views on the position of steel and coal in the Common Market or a Free Trade Area are flexible. Luxemburg would not expect the eleven OEEC countries outside the community to adopt all its formulæ. A recent speech by the Vice-President of the High Authority, however, suggests anxiety to put an end to direct and indirect subsidies by governments as well as to discrimination and dumping. And M. Spierenburg has expressed the hope that the Free Trade Area countries would be able to work out means of joint action with the community, in the event of a recession, "to preserve from disruption productive capacity required for normal conditions."

SICKNESS INSURANCE

Cover for Permanent Sickness

The half-dozen offices that offer permanent sickness and accident insurance are led by the Medical Sickness Annuity and Life Assurance Society, a mutual office catering exclusively for doctors and dentists. This society has now formed the Permanent Sickness Insurance Company to do business (on a proprietary basis) for other—largely professional—people. The new office, like its parent, will normally insure up to £50 a week and offers staff schemes as well as individual insurances.

Personal accident and sickness insurance can usually be discontinued by the office on any annual renewal date. Permanent sickness policies, however, bind the insurer to renew up to an agreed age (normally 65) or previous death. This commitment stands no matter how unprofitable the claims experience has been, so that underwriting has to be strict. Benefit is payable during complete incapacity through illness or through accident arising from the policyholder's ordinary occupation. Including receipts from National Insurance, the benefit is limited to three-quarters of normal earnings, which leaves the beneficiary reasonably well off, since receipts from voluntary sickness insurance are not taxed unless they extend for more than a full fiscal year. The lowest premiums charged by the new company are to self-employed accountants and lawyers; women pay rather more than men. A self-employed man of 35 pays about £35 a year, until he is 65, to insure a weekly benefit of £20 starting after four weeks' illness: if the benefit is deferred for twenty-six weeks' illness the premium is £22.

SHORTER NOTE

The line of a further 77 miles of the London-North West motorway has been confirmed, with a few minor changes, by the Minister of Transport—this is the stretch from the Preston by-pass south to what will be the by-pass at Stafford. Actual construction, the Ministry hopes, may start towards the end of 1959 or in 1960. But the middle stretch from Stafford to Birmingham has run into difficulties both in its location and from mining subsidence and the detailed route is being looked at again.

COMPANY AFFAIRS

PRUDENTIAL AND PEARL

Between them, the Prudential and the Pearl insurance companies hold over £1,150 million in assets, though the Pearl is now the third and not the second in size. Sheer bulk circumscribes their investment activity, and the most they can do in a threatening situation, as occurred when Bank rate was jacked up to 7 per cent, is to divert the flow of new money into such safety first holdings as Treasury bills or short term loans to local authorities. But whatever temporary precautions were taken at the height of last year's credit crisis, their 1957 balance sheets show little or no change in the established trend in both offices away from gilt-edged into debentures, mortgages, equities and property. This emerges more clearly in the Pearl, which reduced its stake in gilt-edged stocks both absolutely as well as proportionately, than in the "Pru" which added £12 million to its gilt-edged portfolio, compared with £14 million to its equity portfolio. Whether they have made any change in policy with the advent of a "bull" market in gilt-edged this year is naturally not yet apparent.

Both offices give an impressive display of strength. The market value of their assets was in the aggregate in excess of balance sheet values, after taking into account reserve funds of £34.7 million for the "Pru" and £9.9 million for the Pearl, though some of the separate investment groups of the portfolio may naturally show depreciation. Neither office increased its transfers to investment and contingency reserves nor were the stringent bases of the actuarial valuation of the liabilities eased, as with propriety they could have been.

The "Pru" has increased its bonuses on both ordinary and industrial policies and the Pearl is going to increase its bonuses on ordinary policies. The tax free dividends on the Prudential "A" £1 shares (which are to be split into five 4s. shares) were raised from 26s. 6d. to 29s. 6d. and from 3s. 6d. to 3s. 9d. on the "B" (£1, 4s. paid) paid shares, which are to be split into four 5s. shares (1s. paid). The tax free dividend on the Pearl ordinary shares was left unchanged at 70 per cent; these £1 shares have now been split into 5s. units.

	PRUDENTIAL			PEARL		
	End 1957		Change on Year	End 1957		Change on Year
	£ mn.	%	£ mn.	£ mn.	%	£ mn.
Mortgages, including Policy Loans	74	8·1	+ 7	16	5·9	+ 3
British Govt. and Govt. guaranteed Stocks	282	31·2	+ 2	80	30·6	− 5
British Municipal and County and Overseas Government and Municipal Stocks	53	5·8	+ 3	21	8·0	− 2
Debenture Stocks	154	17·0	+11	47	17·7	+ 7
Preference Shares	61	6·7	...	18	6·9	...
Ordinary Shares	151	16·7	+14	52	19·7	+ 6
Other Investments	2	0·2	...	1	0·4	+ 1
Property	101	11·2	+ 9	17	6·6	+ 2
Cash, Agents' Balances, etc.	28	3·1	+ 4	11	4·2	+ 2
TOTAL ASSETS	906	100·0	+50	263	100·0	+14

CUNARD STEAM-SHIP

Few decisions taken by the directors of Cunard Steam-Ship Company could have been as unpleasant as postponing the building of a new liner needed to replace the twenty-eight years old "Britannic" on the North Atlantic passenger route. In that service, the chairman, Colonel D. H. Bates, shows, "the real weight" of Cunard's interests lies; to secure the custom of the "American holiday traveller" Cunard has to replace its old ships to keep on competitive terms with other shipping companies and with the air lines. Investment allowances of 40 per cent and liquid assets of over £20 million do not suggest that Cunard's replacement problem is impossibly big. But Colonel Bates explains the postponement by referring to last year's fall in the operating surplus from £8,419,874 to £6,230,030; the fall was big enough to prevent the company from obtaining the full cash relief in 1957 from investment allowances accruing from its current building programme. Indeed, the investment allowance relief came down last year from £802,476 to £248,600 and the unabsorbed allowance which is carried forward amounts to nearly £1 million.

What are the chances that the profit surplus will improve so that Cunard could gain the full benefit of investment allowances? Last year Cunard was hit by strikes in America and this country and it was a net loser in the aftermath of the Suez crisis, which added an extra £750,000 to its oil bill and which contributed to the drop of about £1 million in passenger revenue in the early months of the year. Freight rates have now fallen steeply and Colonel Bates says that Cunard's cargo earnings cannot be expected to give the same support as they did last year. But forward bookings for cruises and main passenger services are "promising" and granted international and industrial peace Colonel Bates is "moderately optimistic." For ordinary stockholders, whose dividend has been shaded from 11 to 10 per cent, that may be moderately encouraging news. But it is also important to them that Cunard should not fall behind in the competitive struggle for the North Atlantic passenger traffic. The £1 ordinary stock at 19s. 6d. yields £11 8s. per cent.

CEMENT PROFITS

Seven months ago the directors of Associated Portland Cement said that the indications were that the trading profits of the British companies in the Blue Circle group in 1957 would be "slightly lower" than in 1956. The

group's preliminary report now shows that last year the consolidated trading surplus rose from £13,672,157 to £14,627,419. It looks therefore as though the increase came from the group's overseas companies, which the directors in their interim report described as "making good progress." This inference finds support in the fall in the profits of the two British subsidiaries, British Portland Cement and Alpha Cement. British Portland's consolidated surplus fell from £3,994,631 to £3,852,877 and Alpha's trading surplus from £1,197,397 to £1,144,630 last year. The two subsidiaries are leaving the dividends on their £1 ordinary units unchanged, at 1s. 6d. and 7s. respectively. So, too, is the parent of the group, Associated Portland, with a repeated payment of 1s. 9.6d. per £1 unit (or 9 per cent); at 34s. 6d. the units yield £5 4s. per cent.

Thus the increase in the Associated Portland group's net profit from £3,798,467 to £4,618,589 has been used to bolster reserves and not to pay a better dividend. The reasons for that policy are not hard to find. They are, indeed, set out in the statement of Sir Halford Reddish, the chairman of one of Blue Circle's rivals, Rugby Portland Cement: "the falling trend [in the demand for cement] is of course continuing in 1958 and has been accompanied by a similar lessening of demand in some, though by no means all, overseas markets normally supplied from this country." Rugby Portland's works are not now producing to capacity, which adds to costs and reduces margins. Are Associated Portland's works in this country in a similar case?

UNITED MOLASSES

AFTER reporting that satisfactory profits had been earned in the first nine months of 1957 but that trading conditions had worsened, the directors of United Molasses said last November that the full year's results would justify dividends at the same rate as in 1956. The full year's tax free ordinary dividend is left unchanged at 1s. 5d. per 10s. unit (or 14⅛ per cent). But there is an unexpected bonus: the directors propose a special distribution from the capital reserve, not subject to income tax, of 4½d. per 10s. unit. United Molasses last made such a distribution in 1954 and there is no knowing whether it will reappear again. The 10s. units were marked up to 30s. 3d. on the announcement, but the yield calculated on the trading dividend alone is £8 3s. per cent. Despite the fall in freight rates last year, the dividend is backed by satisfactory profits. The group's trading profits have fallen by only £528,211 to £6,573,322 and net profits by only £127,815 to £2,180,275. Time charters may have stood this now predominantly shipping company in good stead last year, but presumably earnings now are less satisfactory.

ENGLISH SEWING COTTON

A FEW sums are needed to reveal the meaning of the preliminary statement of English Sewing Cotton for the year to December 31st. The group's trading profits fell from £3,022,634 to £2,909,495; within these totals the profits of the American subsidiary, American Thread, rose from £1,502,874 to £1,543,157. The 1957 profit of that subsidiary however includes a credit of £340,107 arising from a reduction in raw cotton stocks. On trading therefore the profits of the American subsidiary also fell—from about £1.5 million to £1.2 million. That result is not out of line with the experience of the American textile industry last year, as the results of Linen Thread which also has American subsidiaries have shown.

If the profits of American Thread are excluded it appears that the profits of English Sewing Cotton at home fell from £1,519,760 to £1,375,338, after writing £198,000 (against £27,000) off stocks, to bring them down to market prices. Purely on trading, the English side of the business appears to have held its own. The final result is that the group's net profits have come down from £764,831 to £626,153 and the ordinary dividend is left unchanged at 12½ per cent. At 24s. 4½d. the £1 units yield £10 14s. per cent.

London Stock Exchange

FIRST DEALINGS:	April 16	April 30	May 14
LAST DEALINGS:	April 29	May 13	June 3
ACCOUNT DAY:	May 6	May 20	June 10

BRITISH funds behaved uncertainly this week; small losses predominated at first, but these were followed by firmer conditions. The new Zealand issue slipped to a discount of a point in early dealings, but by Wednesday the stock recovered to ⅛ discount. The conversion offer had little effect on prices; 5½ per cent Exchequer 1966 improved ⅜ to 101⅛ and 5½ per cent Funding 1982-84 ⅜ to 99⅛.

Strike threats and industrial uncertainties led to falls in ordinary shares. The decline was halted at the start of the new account, when there was a steep rise in oil stocks and the general tone was better on Thursday. Building shares weakened at first and Wall Paper deferred fell back after the recent advance. Boots jumped 1s. 1½d. to 22s. and Beecham Group made an advance of 1s. 3d. to 34s. 3d. Aircraft producers suffered mixed fortunes; Handley Page lost 1s. 1½d. to 6s. 6d., but Bristol rose 4½d. on the joint venture with Hawker Siddeley though the latter's shares declined. De Havilland improved on the Comet order from Argentina. Finance shares were firm, Bowmaker rising 1s. 10½d. to 21s. 10½d. and Mercantile Credit 2s. 10½d. to 16s. 6d. ex all.

Oils, which were weak immediately after the Shell report, made large gains on Wednesday. Shell rose 11s. 3d. on balance to 145s., BP gained 8s. 9d. to 100s. 7½d., helped by the prospective scrip issue, and Burmah gained 5s. 7½d. to 76s. 3d. Among Kaffirs President Brand and President Steyn suffered only small losses on the announcement that new money will be raised. Lead and zinc mines tumbled on the reduction in dividends, but Central Provinces Manganese rose steeply on the increase in dividend. The sudden fall in the price of rubber caused widespread losses in rubber estate shares.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, April 23, 1958	Price, April 30, 1958	Net Yield, April 30, 1958 £ s. d.	Gross Yield, April 30, 1958 £ s. d.
99⅛	98⅝	War Loan 3½%....1952-59	98⅛	98⅛	3 13 11	4 0 5
99⅝	99⅛	Funding 2½%....1952-57	99⅛	99⅛	3 2 9	4 5 0
99⅞	99⅝	Conversion 4%....1957-58	99 16/32	99 17/32	...	5 3 6
99⅝	—	" 4% cd 1963	99⅞	99⅞	2 12 3	4 15 2
99⅞	—	" 4% cd 5½% 1976	98⅛	98⅛	3 3 5	5 9 8
99⅝	98⅝	Conversion 2½%....1954-59	98⅛	98⅛	3 1 8	4 6 11
98⅜	98⅛	Exchequer 2½%....1956-59	98⅛	98⅛	3 2 3	4 1 9
97⅝	97⅜	Exchequer 3%....1959	97⅜	97⅜	3 2 10	4 3 4
99⅞	99⅝	Conversion 4½%....1962	99½	99½	2 12 2	4 12 9
88⅜	88⅛	Savings Bds. 3%....1955-65	88⅛	88⅛	3 13 1	5 1 6
77⅜	77⅛	Funding 3%....1959-69	80⅛	80⅜	3 18 3	5 7 3
86⅜	86⅛	Funding 4%....1960-90	87⅛*	87⅛	9 10 4 / 2 18 5	11 7 5 / 4 15 10
78	75	Savings Bds. 3%....1960-70	78	77⅞	4 1 0	5 11 2
88⅜	88⅛	Exchequer 3%....1962-63	93¼	93⅛	3 3 5	4 12 2
84⅜	84⅛	Exchequer 2½%....1963-64	88⅜*	88⅜*	3 11 6	4 14 11
78⅜	78⅛	Savings Bds. 2½% 1964-67	81⅜	80⅜	3 19 7	5 3 6
69⅜	69⅛	Savings Bds. 3%....1965-75	73	72⅜	3 18 7	5 10 2
99⅛	98⅞	Exchequer 5½%....1966	101	101⅛	3 0 5	5 7 10
78⅜	78⅛	Funding 3%....1966-68	82⅞	82⅜	3 16 8	5 6 2
91⅛	91⅛	Victory 4%....1920-76	92⅛	92⅛	3 6 6	5 3 6
85⅞	85⅜	Conversion 3½%....1969	85⅝	85⅝	3 13 10	5 7 2
71⅛	70⅞	Treasury 3½%....1977-80	76⅛	76⅜	3 12 5	5 9 0
70⅜	70⅛	Treasury 3½%....1979-81	74⅜	75	3 13 4	5 9 10
98⅜	98⅛	Funding 5½%....1982-84	99⅜	99⅛	3 4 1	5 11 10
60	60	Redemption 3%....1986-96	64⅛	64⅜	3 7 8	5 5 2
64⅜	64⅛	Funding 3½%....1999-2004	71⅛	71⅜	3 4 5	5 3 7
69⅜	69⅛	Consols 4% after Feb. 1957	74⅜	74⅜	3 2 3	5 8 11
63⅜	63⅛	War Loan 3½% after 1952	68⅛	66⅜	3 0 5	5 4 11
62⅜	62⅛	Conv. 3½% after Apr. 1961	66⅜	66⅜	3 0 10	5 5 11
58⅜	58⅛	Treas. 3% after Apr. 1966	58⅛	58⅛	2 19 4	5 3 5
50⅜	50⅛	Consols 2½%.......	50⅜	50⅜	2 17 2	4 19 7
49⅜	49⅛	Treas. 2½% after Apr. 1975	49⅜	49⅛	2 18 8	5 2 3
96⅛	95⅞	Br. Electric 4½%....1967-69	95⅞	95⅜	3 2 11	5 3 5
74⅛	74⅛	Br. Electric 3%....1968-73	75	74⅛	3 19 8	5 10 2
68⅜	68⅛	Br. Electric 3%....1974-77	72	72⅛	3 16 8	5 8 3
85⅜	85⅛	Br. Electric 4½%....1974-79	85⅛	85⅛	3 8 6	5 8 10
76⅜	75⅞	Br. Electric 3½%....1976-79	75⅞*	75⅞*	3 12 10	5 8 2
86⅛	86⅛	Br. Gas 4%....1969-72	86⅛	86⅛	3 11 3	5 9 4
82⅜	82⅛	Br. Gas 3½%....1969-71	82⅜	82⅛	3 14 3	5 8 2
65⅜	65⅛	Br. Gas 3%....1990-95	65⅜*	65⅛	3 7 6	5 1 11
75	74⅜	Br. Transport 3%....1968-73	75	74⅜	3 19 8	5 10 2
84⅛	83⅜	Br. Transport 4%....1972-77	83⅜	83⅜	3 10 0	5 9 5
67⅛	66⅜	Br. Transport 3%....1978-88	66⅜	66⅛	3 12 2	5 6 10

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Apr. 23, 1958	Price, Apr. 30, 1958	Yield, Apr. 30, 1958 £ s. d.
83	83	Agric. Mortgage 5%....1959-89	88½	88½	5 16 11
76½	76½	Australia 3½%....1965-69	78½	78	6 0 0
95⅜	93⅜	Birmingham 5%....1973-75	95	95	5 9 3
92⅜	90⅛	East Africa 5½%....1977-83	92½	92⅜	6 6 6
95⅛	95⅛	I.C.C. 5½%....1977-81	99⅜	99⅛	5 10 9
56⅜	56	Met. Water Board 'B' 3% 1934-2003	60⅛	61¼	5 6 6
78	78	New Zealand 4%....1976-78	81⅛	81	5 12 6
69⅜	69	S. Rhodesia 2½%....1965-70	70½	70⅜	5 19 9
83	83	German 7% (Br. Enfaced 5%)....1924	90⅛*	91	...
161⅛	160	Japan 5% (Enfaced)....1907	161⅛	161¼	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c) % %	ORDINARY STOCKS	Price, Apr. 23, 1958	Price, Apr. 30, 1958	Yield, Apr. 30, 1958 £ s. d.
			BANKS & DISCOUNT			
29/-	28/-	4 a	5 b Bk. Edn. & S. Amer. £1	29/-	28/6	6 4 2
41/-	40/-	6 a	6 b Barclays Bank.... £1	41/9	41/3	5 16 4
30/-	27/6	4 a	4 b Barclays D.C.O. ...£1	29/-	28/6	5 12 3
41/6	35/6	7½a	7½b Chartered Bank....£1	36/6	39/6	7 11 11
47/9	41/3	6½a	6½b Lloyds Bank £1	46/6	45/6	5 14 4
63/9	57/6	9 a	9 b Midland Bank £1	62/3	61/-	5 18 0
35/-	29/6	5 a	5 b Nat. Discount 'B' ..£1	34/3	34/9	5 15 1
49/3	40/9	6½a	6½b Union Discount....£1	48/3	49/3	5 1 6
			INSURANCE			
76/-	67/-	30 a	43½b Commercial Union 5/-	67/-*	67/6	5 8 8
132/6	113/9	40 a	60 b Legal & General ..5/-	126/3	123/9	4 0 10
23⅛	88/9	†20 a	150 b Pearl.....5/-	90/-*	88/9	6 17 2
43⅜	38⅛	†132½c	†147½d Prudential 'A' £1	40⅝	40¼*	6 7 7
			BREWERIES, ETC.			
35/3	31/-	10 a	36 b Bass 5/-	35/-	34/-	6 15 3
23/-	19/7½	18⅝c	7½c Distillers.....6/8	22/6	22/3	5 12 5
39/9	37/-	10 a	15 b Guinness.....10/-	39/6	39/9	6 6 9
85/6	76/6	8 a	17 b Whitbread 'A'.....£1	85/-	84/6	5 13 6g
			MOTORS & AIRCRAFT			
14/4½	10/1½	6½b	3½a Bristol Aeroplane 10/-	10/3	10/7½	9 8 3
8/1½	6/7½	12½c	4 a British Motor.....5/-	7/4½	7/2½*	8 14 0
37/12½	31/9	3 a	6 b Ford Motor £1	33/6	33/9	5 6 8
30/9	25/4	5 a	7 b Hawker Siddeley....£1	26/4½	25/7½	7 16 0
44/9	39/-	12½c	12½c Leyland Motors....£1	40/-	39/6	6 6 7
93/-	82/9	15 b	5 a Rolls-Royce.....£1	88/6	88/3	4 10 8
8/1½	6/10½	8 c	8 c Standard Motor....5/-	7/1½	7/1½	5 12 3

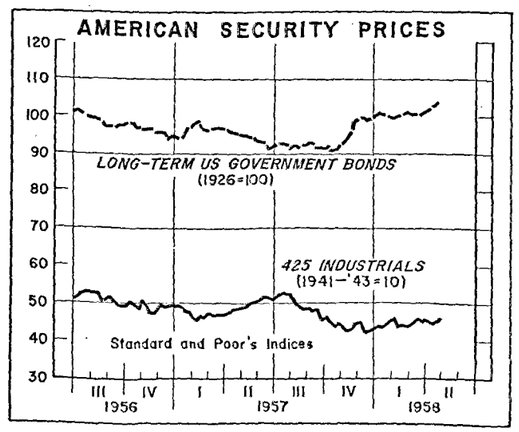
Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Apr. 23, 1958	Price, Apr. 30, 1958	Yield, Apr. 30, 1958
		% %				£ s. d.
			STEEL & ENGINEERING			
49/9	41/10½	7 a	6½b Babcock & Wilcox .£1	48/6	47/9*	6 9 6a
25/-	21/7½	4 a	6 b Dorman Long £1	22/3	22/4½	8 18 9
54/-	45/-	10 b	5 a Guest Keen N'fold.£1	52/3	53/7½	5 0 8½
16/1½	12/6	½4 a	½8 b Alfred Herbert £1	67/-	66/9	6 7 0
48/9	41/-	7 b	4 a Metal Box £1	48/-	46/10½	4 13 10
24/3	20/-	3 a	8 b Stewarts & Lloyds.£1	22/3	21/9	10 2 3
57/3	48/-	5 a	13 b Swan Hunter.....£1	55/3*	55/-	6 10 10
21/3	17/9	4 a	7½b United Steel.....£1	18/3	18/6	12 8 8
32/9	29/6	2½a	7½b Vickers £1	32/9	31/4½*	6 7 6
			ELECTRICAL			
52/-	47/-	7½a	7½b Assoc. Elec. Inds...£1	50/-	50/-	6 0 6
44/7½	39/3	4 a	8½b Br. Ins. Callenders.£1	44/1½	44/1½	5 13 0
29/-	24/10½	14½a	29½b Decca Record 4/-	28/-	27/-	6 9 7
34/7½	28/-	15 c	15 c Elect. & Mus. Inds. 10/-	33/3	32/3	4 13 0
56/3	44/6	4 a	10 b English Electric ...£1	55/3	54/9	5 2 3
38/9	29/9	8 b	3½a General Electric ...£1	32/9	31/9	7 4 10
			TEXTILES			
16/3	12/4½	3 a	3 b Bradford Dyers....£1	13/7½*	13/7½	8 16 7
23/3	20/3	6½b	2½a Coats, J. & P. £1	23/1½	22/3	7 17 6
22/10½	20/-	6 b	3 a Courtaulds £1	21/10½	20/6	8 15 8
34/7½	29/10½	5 a	12½b Lancashire Cotton..£1	33/4½	32/7½	10 14 8
35/4½	31/4½	12½b	2½a Patons & Baldwins..£1	31/10½	31/7½	9 9 10
			SHOPS & STORES			
22/-	18/6	16 c	6 a Boots Pure Drug..5/-	20/10½	22/-	3 12 10
38/10½	33/6	20 b	7½a Debenhams 10/-	38/4½*	37/9	7 6 8
44/6	34/6	50 b	15 a Gt. Universal 'A'..5/-	44/1½	43/3	7 10 3
43/11½	37/3	20 b	10 a Marks & Spen. 'A' 5/-	42/7½	42/11½	3 11 3
25/6	21/-	12½a	20 b United Drapery...5/-	24/9	23/9	6 16 10
41/6	34/7½	13⅛a	26⅛b Woolworth.....5/-	38/9	38/3	5 4 8
			SHIPPING			
11 b		6½a	Brit. & Com'wealth 10/-	31/6	31/-	5 12 11
		8 b	Cunard £1	18/9	17/6*	11 8 6
32/6	27/3	9⅞c	10½c Furness Withy.....£1	31/9	31/-	6 19 6
28/9	22/-	3 a	8 b P. & O. Deferred....£1	27/3	26/3	8 7 8
			MISCELLANEOUS			
		18a	Allied Bakeries 'A' 5/-	34/-*	33/3	4 12 6d
		3 a	Assoc. Port. Cem...£1	36/-	34/6	5 4 5
34/3	26/9	12½b	22 a Beecham Group....5/-	33/-	34/3	5 0 10
30/9	26/6	4½a	8 b Bowater Paper £1	29/9	29/-*	8 12 5
48/-	38/9	4 a	8 b Br. Aluminium £1	39/9*	38/9	6 3 10
45/-	37/7½	†10 a	16⅜b Br. Amer. Tob. ..10/-	43/6*	43/9	6 12 8
24/-	19/9	17½b	7½a B.E.T. 'A' Defd..5/-	22/9	22/9	5 9 10
35/6	28/3	4 a	6 b Br. Oxygen £1	34/6	33/9	5 18 7
17/4½	14/4½	7½b	3 a Dunlop Rubber..10/-	17/-	17/3	6 1 10
45/-	36/4½	4 a	8 b Imp. Chemical....£1	44/3*	44/-	5 9 6
42/-	37/-	8½a	11½b Imp. Tobacco £1	44/6	43/6	9 4 0
34/-	28/-	5 b	2½a J. Lucas (Inds.)....£1	32/9*	33/-	4 10 11
16/1½	12/6	5 a	5 b Monsanto Chem..5/-	16/-	15/10½	4 5 0
32/6	27/9	5 a	5 b Ranks.....10/-	14/-	13/9	7 6 5
14/3	11/8½	10 b	5 a A. E. Reed.....£1	32/6	32/6	9 4 7
56/3	48/9	22½c	22½c Sears Holdings 'A' 5/-	13/6½	12/10½*	8 14 10
64/6	48/6	7½a	12 b Tate & Lyle.....£1	55/9	55/-	6 0 0
61/4½	52/1½	2½a	12½b Turner & Newall...£1	60/7½	60/4½	4 19 6
80/4½	70/6	6 a	11½b Unilever Ltd.....£1	71/-*	72/-	4 17 3
90/-	77/-	14½b	4 a Utd. Dominions Tr. £1	89/-	90/-	4 3 0
34/3	26/-	↑14½a	↑10 b United Molasses .10/-	29/-	30/3	8 3 0
			OIL			
100 7½	79/6	↑5 a	↑10 b British Petroleum..£1	91/10½	100 7½*	5 3 10
76/3	59/1½	17½b	↑5 a Burmah £1	70/7½	76/3	5 18 0
£17	13⅞	7½a	17½b Royal Dutch....20 fl.	£15⅞	£17	2 15 6
146/10½	117/6	↑5 a	↑13½b Shell £1	133/9*	145/-	4 10 0
74/6	41/6	...	... Ultramar 10/-	69/6	73/6	...
			MINES, ETC.			
128/11½	115/-	20 a	60 b Anglo-American .10/-	122/6*	126/3	5 6 10
23/-	19/6	12½a	↑10 b Cons. Tea & Lands.£1	22/6	22/6	19 6 6
51/-	42/9	15 b	6½a Cons. Zinc Corp. ...£1	48/9	45/9	9 5 10
99/4½	80/7½	80 a	120 b De Beers Def. Reg. 5/-	90/-	91/10½	10 17 8
83/9	75/11	20 b	40 a Free State Geduld.5/-	76/10½*	78/9	3 16 5
7/6	6/6	30 c	30 c London Tin 4/-	7/3	7/3	16 11 0
50/4½	46/6	50 a	50 b President Brand..5/-	47/3*	47/-	10 12 10
17/6	12/10½	8½a	16⅜b Rho. Selection Tst. 5/-	15/10½	16/9	7 9 2§
25	20	175 b	25 a Rhokana Corp. £1	23½	25	8 0 0§
54/6	46/3	12½a	37½b United Sua Betong..£1	54/-	48/6*	20 12 4
93/9	84/4½	60 b	60 a Western Holdings.5/-	86/10½*	88/9	6 15 3

New York Closing Prices $

	Apr. 23	Apr. 30		Apr. 23	Apr. 30		Apr. 23	Apr. 30
Alcoa.....	66⅛	65¾	DuPont de Nm.	176	178	N.Y. Central .	15½	15½
Alumin'm Ltd.	28	27*	Ford Motors..	38⅜	39½	Sears Roebuck	26½	27½
Am. Smelting.	43	43½	Gen. Elect....	57⅞	59½	Shell Oil	68	71½
Amer. Tel.	177	175½	Gen. Motors ..	36⅜	37½	Std. Oil of N.J.	54½	55½
Anaconda.....	43½	45½	Goodyear	72½	75½	Tri-Conti'tal..	32⅜	32½
Beth. Steel ...	38⅜	39*	Gulf Oil.....	112⅜	114½	Union Carbide	85½	86¼
Can. Pacific ..	24½	24½	Int. Bus. M....	348	351	U.S. Steel	59⅜	60⅜
Chrysler Cpn..	45½	45	Int'l. Nickel..	72½	72½	Westhouse E.	58½	58⅜
Crown Zeller..	44½	46⅜	Int'l. Paper ..	90	93*	Woolworth....	44½	43⅛*

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) To earliest date. (f) Flat yield. (g) On 24%. (h) On 13½%. (i) On 22½%. (k) After Rhodesian tax. (s) On 90%. (x) To latest date. (y) On 5%.

AMERICAN SECURITY PRICES



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
April 1	179·4	6·65				
" 9	182·8	6·55				
" 16	186·8	6·39				
" 23	184·5	6·46	186·8 (Apr. 16)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
" 30	183·6	6·51				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½% Consols Yield %	Bargains Marked	1958	1957
April 23	169·7	6·65	90·23	4·94	7,514	High 172·4 (Apr. 16)	High 207·6 (July 9)
" 24	169·7	6·65	90·28	4·93	7,741		
" 25	169·5	6·66	90·28	4·93	8,326		
" 28	168·3	6·71	90·25	4·94	10,699	Low	Low
" 29	165·3	6·79	90·21	4·96	9,055	154·4 (Feb. 25)	159·0 (Nov. 5)
" 30	167·1	6·76	90·21	4·95	8,073		

Bases :—* 1953=100. † July 1, 1935=100. ‡ 1923=100.

STATISTICS

The following list shows the most recent dates on which each statistical page appears:

		World Trade	April 19th
BRITISH		OVERSEAS	
Prices and Wages	April 5th	Western Europe:	
Production and Consumption	April 12th	Production and Trade	This w
Manpower	April 26th	British Commonwealth	April 1
External Trade	This week	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	April 2
Industrial Profits	April 19th	United States	April 3

UK External Trade

Imports are valued cif; exports fob. Total trade unless otherwise stated.

	Unit	Monthly averages			1957				1958		
		1955	1956	1957	Jan.	Feb.	Mar.	Dec.	Jan.	Feb.	Mar.
VALUE											
Imports:											
Total	£ million	323·6	323·8	339·6	376·5	320·8	361·8	313·6	325·1	288·2	321·
Food, drink and tobacco	„	120·1	120·7	124·7	143·6	125·9	140·3	117·2	118·1	111·0	124·
Basic materials	„	93·7	91·9	97·4	115·0	86·6	98·8	87·1	87·8	70·8	82
Mineral fuels and lubricants	„	34·0	34·5	38·9	30·8	36·6	44·8	34·4	37·0	33·8	34
Manufactures	„	74·7	75·5	77·4	85·1	70·4	76·8	73·4	80·1	71·7	78·
Exports of UK produce:											
Total	„	242·1	264·3	277·1	261·0	278·2	297·1	232·4	277·8	265·4	273·
Manufactures	„	199·0	218·3	229·5	213·5	231·8	247·4	233·5	233·9	222·1	234·
Re-exports	„	9·9	12·2	11·1	11·7	10·9	16·4	12·2	12·6	12·0	16·
Balance of trade (exports *less* imports)	„	− 71·6	− 47·3	− 51·4	−103·9	− 31·7	− 48·4	− 19·0	− 34·8	− 10·9	− 26·
VOLUME											
Imports	1954=100	111	111	115	...	118[4]	...	115[4]	119	106	...
Exports	„	107	114	116	...	117[4]	...	117[4]	116	111	...
BY AREA											
Imports:											
Dollar area—total	£ million	70·1	71·0	80·4	87·6	83·8	85·7	70·5	67·1	61·3	67·
„ USA	„	35·0	34·0	40·2	51·2	47·5	46·4	31·9	33·6	27·5	29·
„ Canada	„	28·6	29·0	26·7	24·9	23·3	24·4	27·8	22·0	20·9	21·
Non-sterling OEEC countries	„	78·4	79·6	80·8	84·9	73·6	78·2	77·6	85·2	73·4	79·
Sterling area	„	130·9	126·5	129·3	155·0	118·8	154·3	118·5	123·4	109·9	128
Exports:											
Dollar area—total	„	34·8	45·2	47·8	41·8	41·9	46·9	49·3	41·2	45·6	49·
„ USA	„	16·6	21·6	21·5	22·9	20·7	23·2	21·6	20·4	24·5	24·
„ Canada	„	12·1	15·2	16·7	12·5	11·6	14·4	14·3	11·1	12·8	16
Non-sterling OEEC countries	„	67·5	75·1	78·2	80·5	83·6	94·5	72·4	72·4	74·1	80·
Sterling area	„	120·9	122·4	127·2	118·3	130·8	131·3	135·3	140·1	124·8	131·
Balance of trade (exports *less* imports):											
Dollar area	„	− 35·3	− 25·8	− 32·6	− 45·8	− 41·9	− 38·8	− 21·2	− 25·9	− 15·7	− 13·
Non-sterling OEEC countries	„	− 10·9	− 4·5	− 2·6	− 4·4	+ 10·0	+ 16·3	− 5·2	− 12·8	+ 0·7	+ 0·
Sterling area	„	− 10·0	− 4·1	− 2·1	− 36·7	+ 12·0	− 23·0	+ 16·8	+ 16·7	+ 14·9	+ 2
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	374·3	393·4	377·6	375·6	401·0	418·9	419·4	413·1	369·5	332·
Meat	„	67·0	72·4	74·2	76·9	63·2	105·5	51·7	73·4	68·1	87·
Sugar, unrefined	„	186·2	194·3	235·6	261·0	231·2	222·0	251·5	210·8	246·5	234·
Raw cotton [1]	„	24·2	27·0	30·7	46·8	45·1	35·3	25·8	29·3	27·8	24·
Raw wool, sheep's and lambs' [1]	mn. lb.	55·1	53·2	51·6	81·7	45·8	63·6	53·1	57·4	45·4	67·
Rubber, natural and synthetic [1]	'000 tons	24·6	18·2	22·7	31·8	19·0	8·7	26·0	32·2	17·6	14·
Softwood	'000 stds.	140·0	104·8	120·0	89·1	53·1	59·6	102·0	80·1	52·1	33·
Woodpulp	'000 tons	186·9	183·3	178·2	214·1	146·6	141·2	184·0	169·3	154·4	139·
Crude petroleum	mn. galls.	601	618	665	424	465	595	618	673	615	65·
Exports of UK produce:											
Coal, including bunkers	'000 tons	1,196	836	686	756	706	709	575	437	453	3·
Woven piece-goods—cotton	mn. sq. yds	46	40	38	38	41	42	37	40	36	4
„ „ wool [2]	'000 sq. yds.	8,965	9,107	9,028	9,970	9,207	10,150	8,340	9,578	8,917	10,60
Passenger cars and chassis	number	32,545	27,986	35,522	26,372	23,109	35,925	36,632	45,762	42,007	41,4
Commercial vehicles and chassis	„	11,656	10,506	10,214	8,560	9,950	10,538	11,005	13,564	10,915	11,4
Agricultural tractors	„	8,720	7,482	9,414	7,250	8,254	8,568	7,505	8,327	8,569	9,3
Machinery—electrical	£'000	5,158	5,314	5,602	4,385	5,613	6,010	5,353	5,377	5,797	6,2
„ other	„	34,687	38,657	42,211	39,281	42,272	44,997	44,545	43,792	42,138	45,1
Chemicals, elements and compounds	„	4,422	4,948	5,219	5,049	5,450	5,861	4,332	5,047	5,121	5,2

[1] Retained imports. [2] Excluding tents from January, 1956. [3] Average for fourth quarter. [4] Average for first quarter.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, FR	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION [1] (1953 = 100)												
1948	54	87	82	79	...	52	70	62	70	70	90	69
1956	138	122	111	133	139	134	102	128	124	122	114	128
1957	146	123	115	145	147	...	...	138	126	126	118	...
1957, September	155	125	119	148	151	148	99[6]	143	124	136	125	...
„ October	160	126	118	150	154	157	...	146	133	134	125	...
„ November	156	125	118	159	162	159	...	140	128	135	124	...
„ December	142	123	111	163	151	...	...	138	117	119	124	...
1958, January	...	...	118	155	144	...	...	...	...	122	...	...
VALUE OF EXTERNAL TRADE [2]												
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas[5]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lira
IMPORTS (c. i. f.)												
1948	243	7,249	285	56·08	264[3]	152[4]	11·36	70·36	414	310	413	64·2
1956	2,110	13,635	755	162·12	2,315	1,159	15·07	165·34	1,180	721	953	95·5
1957	2,445	14,263	782	187·16	2,624	1,312	15·18	188·88	1,300	758	1,044	92·7
1957, September	2,430	13,101	694	159·07	2,567	1,240	13·68	173·39	1,182	708	998	103·8
„ October	2,585	14,658	825	166·42	2,885	1,183	15·88	191·55	1,333	672	1,096	97·8
„ November	2,479	13,840	815	175·78	2,753	1,372	17·10	174·92	1,226	774	1,062	111·6
„ December	2,631	13,877	762	210·11	2,747	1,435	15·31	205·86	1,132	757	980	90·3
1958, January	2,339	13,312	887	216·02	2,691	...	...	160·88	1,179	...	1,225	81·8
EXPORTS (f. o. b.)												
1948	165	6,171	228	36·18	151[3]	39[4]	4·11	47·99	226	172	332	45·9
1956	1,840	13,177	640	132·45	2,571	475	8·95	111·74	906	460	839	71·2
1957	2,120	13,234	676	155·86	2,996	549	10·90	132·30	981	489	925	80·6
1957, September	2,186	13,093	643	134·69	2,865	412	10·87	128·40	1,075	463	1,038	64·5
„ October	2,256	14,003	731	168·50	3,260	873	10·74	150·40	1,139	584	994	48·3
„ November	2,098	13,132	752	170·91	3,183	1,032	11·35	131·46	1,075	436	957	98·2
„ December	2,251	12,787	742	194·96	3,265	1,102	10·09	134·47	960	618	912	127·2
1958, January	1,727	14,167	690	174·48	2,599	...	...	122·87	998	...	916	103·2
BALANCE												
1948	− 78	− 1,078	− 57	−19·90	− 113	− 113	− 7·25	−22·37	− 188	− 138	− 81	− 18·3
1956	− 270	− 458	− 115	−29·67	+ 256	− 684	− 6·12	−53·60	− 274	− 261	− 114	− 24·3
1957	− 325	− 1,029	− 106	−31·30	+ 372	− 763	− 4·28	−56·58	− 319	− 269	− 119	− 12·1
1957, September	− 244	− 8	− 51	−24·38	+ 298	− 828	− 2·81	−44·99	− 107	− 245	+ 40	− 39·3
„ October	− 329	− 655	− 91	+ 2·08	+ 375	− 310	− 5·14	−41·15	− 194	− 88	− 102	− 49·5
„ November	− 381	− 708	− 63	− 4·87	+ 430	− 340	− 5·75	−43·46	− 151	− 338	− 105	− 13·4
„ December	− 380	− 1,090	− 20	−15·15	+ 518	− 333	− 5·22	−71·39	− 172	− 239	− 68	+ 36·9
1958, January	− 612	+ 855	− 197	−41·54	− 92	...	...	−38·01	− 181	...	− 309	+ 21·4
VOLUME OF EXTERNAL TRADE [3] (1953 = 100)												
IMPORTS												
1948	48	86	59	84	...	...	90	57	64	71	85	46
1956	195	136	128	142	171[7]	156	93	125	153	128	136	...
1957	223	...	131	...	192[7]	174	...	...	162	128	144	...
1957, September	227	125[6]	123[6]	124	187[7]	163	79	132	147	123	140[6]	...
„ October	238	136	}	133	215[7]	157	92	133	169	120	}	...
„ November	232	...	136	127	206[7]	182	99	138	158	128	148	...
„ December	245	...	}	...	209[7]	186	...	...	147	130	}	...
1958, January	220	...	...	...	205[7]	...	...	...	...	...	...	...
EXPORTS												
1948	37	69	48	48	...	...	55	66	34	70	69	85
1956	160	136	120	120	165[7]	117	98	147	130	133	128	...
1957	185	...	129	...	188[7]	139	...	...	137	133	138	...
1957, September	193	112[6]	126[6]	111	178[7]	105	114	157	141	130	144[6]	...
„ October	197	137	}	135	204[7]	208	115	187	154	149	}	...
„ November	187	124	140	133	198[7]	254	120	160	150	127	141	...
„ December	194	...	}	...	206[7]	276	...	...	136	138	}	...
1958, January	160	...	...	...	161[7]	...	...	...	...	...	...	...

[1] This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark excludes mining; Greece, mining and manufactured gas; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Germany excludes West Berlin. [2] Special trade (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxemburg. Italy includes Trieste. [3] New drachma introduced May 1, 1954 (1 new drachma = 1,000 old drachmas). [4] Thousand million drachmas. [5] Bizonal area. [6] Average for third quarter. [7] New series; original base 1954 = 100.

Financial Statistics

EXCHEQUER RETURNS

For the week ended April 26, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £14,149,000 compared with a deficit of £59,958,000 in the previous week and a deficit of £16,568,000 in the corresponding period of last year. There was a net receipt "below-line" of £32,779,000, leaving a total deficit of £69,205,000 compared with £60,109,000 in 1957–58.

£'000	Estimate, 1958-59	April 1, 1957 to April 27, 1957	April 1, 1958 to April 26, 1958	Week ended April 27, 1957	Week ended April 26, 1958
Ord. Revenue					
Income Tax	2312,500	106,140	124,672	18,352	27,238
Surtax	163,000	10,500	10,900	1,600	1,900
Death Duties	163,500	10,000	11,800	2,100	3,600
Stamps	56,250	4,000	3,500	700	800
Profits Tax, EPT & EPL	275,000	11,500	11,700	1,700	1,600
Other Inland Rev. Duties	...	...	...	...	...
Total Inland Rev.	2970,250	142,140	162,572	24,452	35,138
Customs	1256,940	83,250	88,019	15,502	22,466
Excise	932,310	38,994	27,897	17,174	9,032
Total Customs and Excise	2189,250	122,244	115,916	32,676	31,548
Motor Duties	104,000	6,827	5,943	1,197	315
PO (Net Receipts)	2,000	...	...	...	...
Broadcast Licences	34,000	1,800	...	1,800	...
Sundry Loans	30,000	107	82	...	...
Miscellaneous	110,000	7,058	6,180	342	173
Total	**5439,500**	**280,176**	**290,244**	**60,467**	**67,179**
Ord. Expenditure					
Debt Interest	695,000	61,954	64,692	4,353	6,451
Payments to N. Ireland Exchequer	73,000	4,923	5,309	2,637	2,829
Other Cons. Funds	10,000	655	101	359	101
Supply Services	4259,584	281,047	272,477	69,547	71,677
Total	**5037,584**	**348,569**	**342,579**	**76,895**	**81,058**
Sinking Funds	38,000	1,348	1,395	140	270
"Above-line" Surplus or Deficit	— **69,741**	— **53,730**	— **16,568**	— **14,149**	
"Below-line" Net Expenditure	*Cr. 9,632*	15,475	12,326	*32,779*	*Cr.*
Total Surplus or Deficit	— **60,109**	— **69,205**	— **28,894**	— **18,630**	+
Net Receipts from:					
Tax Reserve Certificates	14,441	11,103	2,839	5,617	
Savings Certificates	5,400	1,000	...	2,300	
Defence Bonds	—837	—3,646	—517	—1,427	
Premium Savings Bonds	2,400	3,890	600	780	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
April 27	2,830·0	1,377·7	313·6	...	4,521·2
1958					
Jan. 25	3,300·9	1,707·9	233·4	4·8	5,221·0
Feb. 1	3,220·0	1,768·6	173·1	...	5,167·7
„ 8	3,160·0	1,646·9	157·6	...	5,064·5
„ 15	3,120·0	1,403·1	206·5	1·3	4,730·9
„ 22	3,080·0	1,463·7	185·4	...	4,727·1
Mar. 1	3,040·0	1,537·1	210·4	...	4,787·5
„ 8	3,050·0	1,487·6	219·7	...	4,757·3
„ 15	3,060·0	1,529·9	225·6	...	4,815·5
„ 22	3,080·0	1,510·3	248·8	...	4,859·1
„ 31	4,571·2		277·1	...	4,848·2
April 5	3,120·0	1,499·4	239·6	...	4,859·0
„ 12	3,120·0	1,492·7	259·4	...	4,872·1
„ 19	3,120·0	1,580·5	252·0	...	4,952·4
„ 26	3,120·0	1,648·4	205·8	4·0	4,978·2

THE MONEY MARKET

THE discount houses made no further increase in their agreed bid at last week's Treasury bill tender, but outside applicants apparently paid a good deal more, since the average discount rate at which the £250 million of bills was allotted declined from £5 4s. 0.93d. to £5 3s. 6.97d. per cent and the market's "basic" proportion dropped from 49 to 40 per cent. Applications rose to £426.8 million, their highest since early December last. At yesterday's tender the amount offered was reduced to £220 million—still, however, £10 million beyond maturities.

Credit throughout the week has been kept on a tight rein. This, together with the maintenance of the market's tender bid, imparted a slightly firmer tone to bill rates. Before the tender, July dates and "hot" bills had changed hands at 5⅛ and 5⅜ per cent; whereas since then the minimum rate has been 5⅜ per cent, and at moments of money stringency at least one clearing bank has consistently tried to work at 5½ per cent—not, however, with conspicuous success. Discount houses have been "in the Bank" for seven-day money at Bank rate on three successive days—two or three of them for a small amount on each of the first two days, and three or four of them for a very small amount on Wednesday, when month-end pressure caused dislocation in spite of large aid from the special buyer. Rates in the market then ranged up to 5¼ per cent.

LONDON MONEY RATES

	%		%
Bank rate (from 7% 20/3/58)	6	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	5⅝–5¾
Bank	4	3 months	5⅝–5¾
Discount houses	4	4 months	5⅝–5¾
Money		6 months	5⅝–5¾
Day-to-Day	4½–5½	Fine trade bills:	
Treas. bills 2 months	5⅞	3 months	6½–7
3 months	5⅞	4 months	6½–7
		6 months	6½–7

BANK OF ENGLAND RETURNS

(£ million)	May 1, 1957	Apr. 23, 1958	Apr 3 19
Issue Department:*			
Notes in circulation	1,952·2	2,008·0	2,010
Notes in banking dept.	23·2	42·4	3
Govt. debt and securities*	1,971·2	2,015·2	2,015
Other securities	0·8	0·7	0
Gold coin and bullion	0·4	0·4	0
Coin other than gold coin	3·0	3·0	3
Banking Department:			
Deposits:			
Public accounts	11·8	12·0	9
Bankers	219·5	214·0	220
Others	74·0	74·0	75
Total	305·3	300·0	305
Securities:			
Government	243·4	230·9	230
Discounts and advances	35·3	22·8	23
Other	18·9	19·2	18
Total	297·6	272·9	278
Banking department reserve	25·6	44·8	42
" Proportion "	8·3	14·9	13

* Government debt is £11,015,100, capital £14,553,2[illegible]. Fiduciary issue increased to £2,050 million from £2,000 million on March 26, 1953.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate
1957				s. d.	%
April 26	200·0	359·3	200·0	78 3·43	24
1958					
Jan. 24	250·0	421·0	230·0	125 6·56	24
„ 31	210·0	421·2	210·0	122 6·50	44
Feb. 7	230·0	387·5	230·0	121 3·29	65
„ 14	250·0	424·7	220·0	120 10·56	44
„ 21	220·0	411·7	220·0	119 5·52	40
„ 28	240·0	391·9	240·0	120 3·28	37
Mar. 7	240·0	388·6	240·0	120 5·10	47
„ 14	250·0	370·3	250·0	120 6·59	61
„ 21	250·0	399·2	260·0	111 1·52	52
„ 28	260·0	422·8	260·0	110 5·54	55
April 3	260·0	401·9	260·0	108 6·30	61
„ 11	260·0	422·0	260·0	106 6·12	59
„ 18	240·0	406·3	240·0	104 0·95	49
„ 25	250·0	426·8	250·0	103 6·97	40

* On April 25th tenders for 91 day bills at £94 14s. 0[illegible] secured 40 per cent, higher tenders being allotted in full. The offer this week was for £220 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

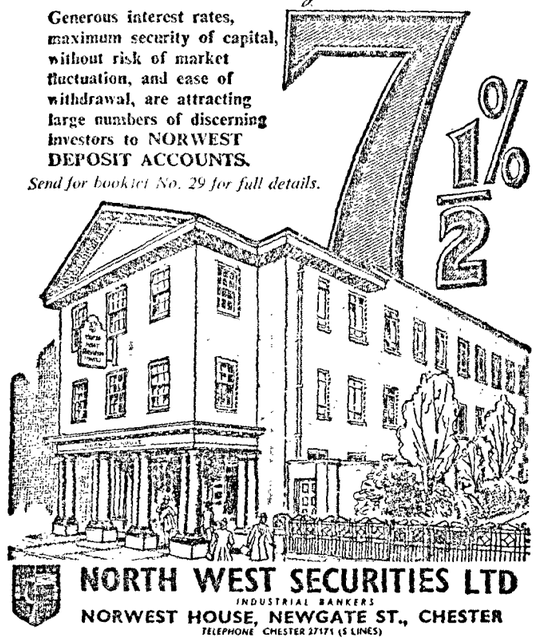
	Official Rates: April 30	Market Rates: Spot: April 24	April 25	April 26	April 28	April 29	April 30
United States $	2·78-2·82	2·81⅛-2·81⅜	2·81⅛-2·81⅜	2·81⅛-2·81⅜	2·81⅛-2·81⅜	2·81⅛-2·81⅜	2·81⅛-2·81⅜
Canadian $	...	2·73·2·73¼	2·73¼-2·73¼	2·73¼-2·73¼	2·73⅛-2·73⅜	2·73⅛-2·73⅜	2·73⅛-2·73⅜
French Fr.	1167·18-1184·82	1180-1180½	1179-1179½	1178-1179½	1176½-1176¾	1177-1178	1178-1178½
Swiss Fr.	12·15⅛-12·35⅜	12·24-12·24½	12·24-12·24½	12·24-12·24½	12·24½-12·25	12·24½-12·24¾	12·24½-12·24¾
Belgian Fr.	138·95-141·05	139·52½-139·57½	139·50-139·55	139·47½-139·52½	139·52½-139·57½	139·47½-139·52½	139·50-139·55
Dutch Gld.	10·56-10·72	10·60-10·60½	10·59½-10·60½	10·60-10·60½	10·60-10·60½	10·59½-10·59¾	10·59-10·59½
W. Ger. D-Mk.	11·67⅛-11·84½	11·72½-11·72¾	11·72½-11·72¾	11·72½-11·72¾	11·72¾-11·72¾	11·71⅛-11·71¼	11·71⅛-11·71¼
Portuguese Esc.	79·90-81·10	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15
Italian Lire	17363-17627	17451-17452	17441-1745	17444-17451	1746-17461	17463-17462	17462-17463
Swedish Kr.	14·37⅜-14·59⅜	14·50¼-14·50¼	14·50¼-14·50¼	14·50¼-14·50¼	14·50¼-14·50¾	14·50¼-14·50¼	14·50¼-14·50¼
Danish Kr.	19·19⅛-19·48⅛	19·34⅜-19·35⅛	19·34⅜-19·34⅝	19·34⅛-19·34⅜	19·34⅜-19·34⅝	19·34⅛-19·35	19·35⅛-19·35⅜
Norwegian Kr.	19·85-20·15	20·01¼-20·01½	20·01¼-20·01½	20·01¼-20·01½	20·01¼-20·01½	20·01¼-20·01½	20·01¼-20·01½
One Month Forward Rates							
United States $		1⅛-1⅛c. pm	1⅛-1c. pm	1⅛-1c. pm	1⅛-1c. pm	1⅛-1c. pm	1-⅞c. pm
Canadian $		1-⅞c. pm	1-⅞c. pm	1-⅞c. pm	1-⅞c. pm	1-⅞c. pm	⅞-⅝c. pm
French Fr.		3-5 dis	3-5 dis	3-5 dis	4-6 dis	4-6 dis	5-7 dis
Swiss Fr.		3⅞-3⅝c. pm	3⅞-3⅝c. pm	3⅞-3⅝c. pm	3⅞-3⅝c. pm	3⅞-3⅝c. pm	3⅞-3⅝c. pm
Belgian Fr.		¼-¼ pm	¼-¼ pm	¼-¼ pm	¼-¼ pm	¼-¼ pm	¼-¼ pm
Dutch Gld.		1⅞-1⅝c. pm	1⅞-1⅝c. pm	1⅞-1⅝c. pm	1⅞-1⅝c. pm	1⅞-1⅝c. pm	1⅞-1⅝c. pm
W. Ger. D-Mk.		3-2½pf. pm	3-2½pf. pm	3-2½pf. pm	3-2½pf. pm	3-2½pf. pm	2½-2pf. pm
Italian Lire		2-1 pm	2-1 pm	2-1 pm	2-1 pm	2-1 pm	2-1 pm
Swedish Kr.		4-3½ pm	4-3½ pm	4-3½ pm	4-3½ pm	4-3½ pm	4-3½ pm
Danish Kr.		3½-2⅜ pm	3-2⅜ pm	3-2⅜ pm	3-2⅜ pm	3-2⅜ pm	3-2⅜ pm
Norwegian Kr.		25 pm-par	25 pm-par	25 pm-par	25 pm-par	25 pm-par	25 pm-par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/5	249/5	...	249/4½	249/3½	249/0½

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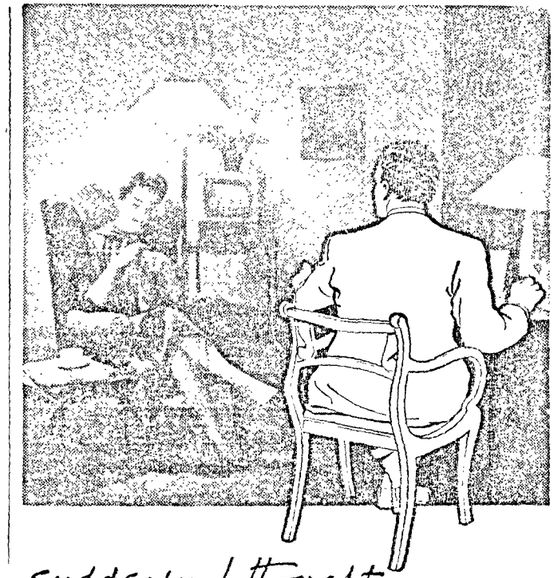
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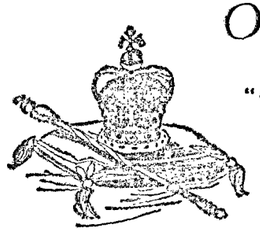


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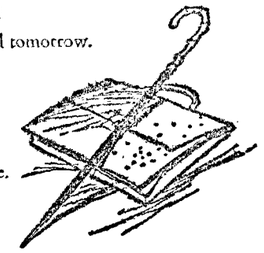
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Head Office: Amman, Jordan

Balance Sheet as at 31st December, 1957

(To the nearest J.D. (Jordan Dinar))

ASSETS	1957 J.D.	1956 J.D.
Cash in Hand and at Banks	18,283,782	17,621,546
Securities (Market price)	433,192	404,668
Bills Discounted	4,628,236	3,386,340
Loans to Customers	23,736,807	17,475,180
Customers' Liability on Guarantees and Credits (per Contra)	26,357,040	20,542,875
Bank Premises and Sites (at cost, less amounts written off)	950,175	850,531
Furniture (at cost, less amounts written off)	246,536	233,720
Other Assets	1,077,974	415,597
	75,713,742	60,930,457

LIABILITIES		1957 J.D.	1956 J.D.
Deposits and Other Accounts		41,580,275	35,242,211
Bills Payable		1,096,663	514,898
Guarantees and Credits on Account of Customers (per Contra)		26,357,040	20,542,875
Other Liabilities		460,523	473,351
Authorised and Fully Paid Capital	J.D.		
37,500 Founders' Shares at J.D.8	300,000		
337,500 Ordinary Shares at J.D.8	2,700,000		
	3,000,000		
Reserve Fund	1,000,000		
Special Reserve (including Premium on new Shares)	1,600,000		
		5,600,000	3,800,000
Balance of Profit and Loss Account		619,241	357,112
		75,713,742	60,930,457

Abdul Hameed Shoman, *Chairman, Board of Directors* — Abdul Majeed Shoman, *Member, Board of Directors*

J.D.=£1 sterling

COMPANY MEETINGS

THE BRITISH PETROLEUM COMPANY LIMITED

OIL INDUSTRY NOW IN A PERIOD OF IMBALANCE AND ADJUSTMENT

SATISFACTORY RESULTS FOR 1957 DESPITE DIFFICULT TRADING CONDITIONS

1958 CAPITAL EXPENDITURE TO EXCEED £100 MILLION

SIR NEVILLE GASS'S STATEMENT

The forty-ninth Annual General Meeting of The British Petroleum Company Limited will be held on May 22nd at Britannic House, Finsbury Circus, London, E.C.2.

The following is the statement by the Chairman, Sir Neville Gass, KBE, MC, which has been circulated to Stockholders with the Report and Accounts for the year ended December 31, 1957:

Since our last meeting Sir Kenneth Harper has retired from the Board, of which he had been a member for eleven years. During that time we have derived much benefit from his wealth of experience gained from over forty years' association with the oil industry and his wise counsel will be missed at our meetings. He has been succeeded on the Board by Mr R. P. Smith, who is a Managing Director of The Burmah Oil Company and has been in the industry for more than thirty years.

The Board have appointed Mr H. E. Snow and the Honourable M. R. Bridgeman to be Deputy Chairmen.

Our Group Income Statement for the first six months of 1957, published in September last, showed net income one-third less than in the same period of 1956, because of the lower sales and higher expenses caused by the Suez crisis. For the whole year 1957, as forecast last December in the prospectus for our Convertible Debenture issue, Group sales tonnage and net income approximate closely to those for 1956, a satisfactory result considering that the adverse effects of the crisis had to be sustained for a longer period in 1957 than in 1956.

The international oil industry has in recent years been heavily engaged in expanding its facilities for production, refining, transportation and delivery to keep pace with continual and substantial increases in consumers' requirements. Because of the time needed to create these facilities, such development is a matter of long-term planning based on estimates of requirements some years ahead. Its momentum cannot be immediately arrested at any given point, so that periods of imbalance are likely to occur if the tempo of increase in consumption is unexpectedly retarded. The industry is currently in such a period. A combination of various factors has contributed to a slowing down of the growth of consumption, and consequent pressure of supply on demand has resulted in reductions in world prices for oil products and deteriorated trading conditions. While the degree of the current imbalance is such as to indicate the probable continuance of difficult trading conditions, we believe that the present period should be regarded as a phase of adjustment and does not imply a lessening of the important and expanding contribution to be made by oil to world energy supplies.

COMPANY'S 50th ANNIVERSARY NEXT YEAR

The first discovery of oil in Iran was made in 1908, an event which earlier this year was the subject of Jubilee celebrations in Iran, and in 1909 led to the formation of our Company, whose fiftieth anniversary occurs next year. From that beginning has developed the present huge oil production in the Middle East, at a rate now approaching 200,000,000 tons per annum and, given stable conditions to permit the free flow of international trade, confidently expected to continue to increase. Under their 50/50 profit-sharing agreements with the operating oil companies, the Governments of the countries from which this production is drawn benefit from very large revenues, now at a rate nearing £450,000,000 per annum. It is not always realised that in fact the oil companies have to reinvest most of their share in the development of the facilities and outlets on which the scale and continuance of production and revenues depend. The magnitude of investment so needed is such as to require fresh finance as well.

Because of the continuing heavy incidence of capital expenditure, it became necessary for us to seek further finance in 1957, and this was obtained by the issue of £41,000,000 6 per cent Convertible Debenture Stock at the end of the year.

The difficult trading conditions already referred to make it more than usually hazardous to attempt at this early stage to forecast how results from our 1958 operations may compare with those for last year. Having had no increase in sales tonnage in 1957 we are hoping for higher figures in 1958; for the twelve months ended 31st March, 1958, our sales amounted to over 57 million tons compared with 53 million tons in 1957. While prices this year have been depressed by the deterioration in trading conditions, we have in mitigation had relief from the exceptional expenses incurred last year, when we were involved in large and expensive oil purchases, in very heavy freight expenditure and in many other expenses inherent in the Suez dislocation. Thus there are factors which should bear favourably on this year's comparative results, but it is too early to say whether or not they may be outweighed by further depression in market conditions.

ACCOUNTS AND FINANCE

The Accounts of the Company which are now presented fall into three parts.

(1) The Balance Sheet of The British Petroleum Company Limited and the Consolidated Balance Sheet and Profit and Loss Account of The British Petroleum Company Limited and Subsidiary Companies, excluding those referred to in note 11 on page 10 (of the report).

(2) A Group Income Statement showing the income of The British Petroleum Company Limited and all Subsidiary Companies (excluding The Tanker Insurance Company, Limited) and the amount of the net income dealt with in the Consolidated Profit and Loss Account.

(3) The Accounts of The Tanker Insurance Company, Limited, which, owing to the nature of the business, cannot properly be incorporated in the Consolidated or Group figures.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The trading profit in the Consolidated Profit and Loss Account, after providing for depreciation and amounts written off, totals £113,947,431 for 1957 compared with £124,171,691 for 1956.

Depreciation and amounts written off total £30,268,330 compared with £25,202,874 for the year 1956, the increase being mainly in the amount written off exploration interests, due to increased expenditure in 1957 in searching for new sources of oil, and in the increased depreciation arising from the expenditure on the expansion of the Kent Refinery.

The decrease in trading profit prior to taking into account depreciation and other amounts written off was thus £5,158,804 although the sales tonnage was approximately the same as in 1956. This is mainly due to the heavy expenses incurred in the first half of the year as a result of the Suez crisis.

The total taxation is £67,611,925 of which £63,573,173 is overseas taxation arising mainly in Iran, Iraq, Kuwait, Qatar and Trinidad.

After providing for the amounts mentioned above, for debenture interest on the 5 per cent First Debenture Stock and after deducting the income applicable to the minority shareholders, the Consolidated Net Profit amounts to £52,018,461 compared with £53,014,561 for 1956.

Of the Consolidated Net Profit £5,748,850 is retained by subsidiary companies and £46,269,611 is dealt with in the accounts of The British Petroleum Company Limited.

In the Accounts of The British Petroleum Company Limited your Directors have placed £1,000,000 to Debenture Stock Reserve and allocated £30,000,000 to General Reserve, leaving, with the £7,176,943 brought forward from last year, £20,567,142 available for disposal.

The Preference Dividends, net, amount to £615,960 and the interim dividend of 1/-d. per £1 Ordinary Stock unit free of income tax was £5,052,521. Your Directors have recommended a final dividend on the Ordinary Stock of 2/-d. per £1 stock unit free of income tax, making a total for the year of 3/-d. per £1 stock unit free of income tax. They consider that no increase in dividend should now be paid in view of the disturbed conditions which have developed in the world oil markets.

This leaves £4,793,618 of unappropriated income to be carried forward in the accounts of The British Petroleum Company Limited which, together with the unappropriated

income of Subsidiary Companies, makes a total carry forward of £13,342,667 compared with £10,278,113 in the previous year.

CONSOLIDATED BALANCE SHEET

The Capital Reserve, which at the end of last year amounted to £38,462,162 has been increased during 1957 by £9,396,019. The increase is made up of £2,500,000, being the first of ten equal annual instalments received from the Government of Iran under the terms of the 1954 Agreement, and £6,896,019 being sums payable by the companies with whom we are associated in the operations in Iran.

The Revenue Reserves now total £151,549,632 having been increased this year by a total of £33,358,886 as follows:

	£
In The British Petroleum Company Limited :	
Allocation to General Reserve.....	30,000,000
Less: Reduction in the balance of Unappropriated Income	2,383,325
Total	27,616,675
In Consolidated Subsidiary Companies; Net increase in Reserves and Unappropriated Income	5,742,211
Total Increase	33,358,886

Your Directors recognise that Reserves have reached a level which calls for measures of capitalisation of reserves in part, and they contemplate recommending such action later in the year unless unforeseen conditions arise. The total capital expenditure for the Group was as follows:

	1957 £	1956 £
Exploration and Production	23,250,000	21,750,000
Refineries.....	38,500,000	22,000,000
Tankers	8,250,000	12,750,000
Distribution and Marketing Facilities	30,500,000	29,500,000
	100,500,000	86,000,000

Capital expenditure on tankers which prior to December 31, 1957, were sold after delivery to Tanker Charter Company Limited, has not been included in the above figures. These sales are under the £40 million tanker financing programme entered into in February, 1957, and fully reported in last year's Statement to Stockholders.

The amounts retained in the business in 1957 as shown in these Consolidated Accounts to meet capital expenditure and to provide working capital may be summarised as follows:

	1957 £	1956 £
Capital Reserve increase.	9,396,019	3,695,568
Revenue Reserves increase	33,358,886	36,277,291
Depreciation and amounts written off	30,269,330	25,202,874
Total	73,023,235	65,175,733
In addition there was received in 1957 from the 6% Convertible Debenture Issue	8,200,000	

In addition the non-consolidated Companies retained £15,811,000, consisting of depreciation £13,195,000 and profits £2,616,000.

The Investments in Subsidiary Companies not Consolidated show a decrease of £4,537,619 to a net total of £77,442,253. These Companies are engaged mainly in the distribution of petroleum products overseas and the decrease is accounted for by the consolidation this year for the first time of Trinidad Petroleum Development Company Limited which was included last year under this heading.

The Investments in Allied Companies include our refining interests in Belgium and Italy, advances to the Refining Company in Iran and holdings in The Lowland Tanker Company Limited, in British Hydrocarbon Chemicals Limited and in certain marketing companies which are not subsidiaries. These investments now stand at £44,999,440 an increase of £11,056,205 which represents mainly additional investment in marketing companies.

The heading Expenditure on Exploration and Production interests covers our investments in exploration and producing Companies including those in Canada, Iraq, Nigeria and Qatar and our advances to the Exploration and Producing Company in Iran. Our one-half interest in Kuwait is held by the subsidiary company BP (Kuwait) Limited, which is consolidated in these accounts and whose assets are, therefore, included under the appropriate headings in the Consolidated Balance Sheet.

Under the heading of Current Assets it will be noted that a considerable increase has taken place in Oil Stocks. This reflects mainly an increase in the quantity, the shipping position having enabled us to build up stocks to higher levels.

GROUP INCOME STATEMENT

The Group Income Statement for the year showing the summarised trading figures of The British Petroleum Company Limited and all Subsidiary Companies appears on page 13 of the report and accounts. The net income for the year 1957 is £54,634,000 (compared with a corresponding figure of £56,194,000 for 1956) of which £52,018,000 is dealt with in the Consolidated Profit and Loss Account, and £2,716,000 relates to subsidiary companies which are not included in the Consolidated Accounts.

GENERAL

In December, 1957, the Company issued £41 million 6 per cent Convertible Debenture Stock which, after deducting the expenses of the issue, provides the Company with just under £40 million additional finance of which £8,200,000 was received in 1957.

Contracts for Capital Expenditure at the end of the year were estimated at £131,300,000. £119 million of this commitment relates to shipping on order for delivery over the next five years including contracts for tankers which will be financed under the £40 million Tanker Charter Company arrangements of which £27,500,000 remained to be taken up at December 31, 1957.

The Capital Expenditure of the Company and its Consolidated Subsidiaries is expected in 1958 to exceed again the £100 million level, necessitating the retention in the business of a substantial proportion of the earnings.

PRODUCTION AND EXPLORATION

In 1957 our main sources of crude oil were again Kuwait, Iran, Iraq and Qatar, from which we obtained some 48,700,000 tons. By reason of the Suez crisis this was about 1 million tons less than in 1956 but still some 3 million tons more than in 1955, the last normal year.

In Kuwait there has been further development of the Burgan fields ; good progress has been made with appraisal drilling at Raudhatain in North Kuwait and the stage has been reached when the installation of production facilities there is considered to be justified. Construction was commenced on a new oil loading jetty one mile north of the existing jetty at Ahmadi capable of handling the largest tankers.

In Iran production increased to 34,765,000 tons, the highest total yet reached in that country, and exploration and development continued in the Consortium agreement area. Large-scale projects are now in hand to expand productive capacity in both the Gach Saran and Agha Jari fields where further drilling has indicated substantial increases in proved reserves. From Gach Saran another pipeline is to be built to a new loading port to be constructed on Kharg Island, and equipped to handle the largest tankers. The pipeline capacity from Agha Jari is to be increased by construction of a loop-line to the Bandar Mashur tanker terminal where two new jetties are being added to the four already existing. Apart from the additional production and ancillary plant which these developments entail, plans include the necessary additional housing and welfare facilities.

In Iraq, following the destruction of pumping stations in Syria in November 1956, pumping through the Iraq Petroleum Company's pipelines from Kirkuk and Mosul to the Mediterranean did not recommence until March 11, 1957, and then at a reduced rate. Production from North Iraq was accordingly lower than for some years. In South Iraq production from the Basrah fields, which were unaffected, increased to 9,140,000 tons.

In the United Kingdom, production of crude oil rose from 66,000 tons to 82,000 tons due to continued development of the Eggarton field. Our exploration programme continued throughout the year, mainly in the E. Midlands, and resulted in the discovery of a new oilfield at Langar in Nottinghamshire. Early in 1958, a further oil discovery was made at Bothamsall, also in Notts. Our exploration programme on behalf of the Gas Council was suspended throughout the year, but several minor gas discoveries were made in the course of our drilling for oil and have been offered to the Gas Council for development, in accordance with the terms of our agreement with them.

LOSSES ON SHALE OPERATIONS

Shale oil production in Scotland at 71,000 tons was lower by 6,500 tons than in 1956. As mentioned to you in previous statements, the losses incurred on our shale operations have already necessitated measures of curtailment, but with rising costs, mainly in wages and also for coal, further operating losses have been sustained. After full consideration of representations made jointly by the Company and its employees' Union for an increase in the duty preference, at present 1s. 3d. per gallon, on motor fuels produced from shale oil, the Government was unable to accede to this request and, as recently announced it has unfortunately become necessary further to curtail operations by discontinuing working the poorer seams. We hope that the economies so effected will enable the industry to continue in operation, though on a smaller scale, for a considerable period.

In Canada, Triad Oil Co. Ltd.'s output increased in 1957 despite considerable curtailment of Alberta's production due to restricted markets for Canadian oil. This increase does not fully reflect the increase in potential production which should make itself felt as the outlets for Canadian oil improve. Triad is continuing with its programme of long term evaluation of its holdings and three useful gas discoveries were made in the Central Foothills.

In Trinidad there was a further increase in production from the Soldado field of Trinidad Northern Areas, in which we have a one-third interest. The Trinidad Petroleum Development Company also increased its production.

The property of The Anglo-Egyptian Oilfields Ltd. which was sequestrated in November, 1956, remained throughout the year in the hands of the Egyptian authorities, who continue to operate its fields and refinery.

In Papua drilling under most difficult conditions has continued, two wells being completed and two more begun ; though they have given further evidence of natural gas none of them has proved the presence of an oilfield. In these circumstances we and our partners are taking careful stock of the position, as continuance of this enterprise will largely depend on the results of the wells now drilling.

In Australia, despite widespread effort by many companies, no commercial oilfield has yet been discovered. Last year we participated in drilling one well in Queensland ; we also continued our work of geological and geophysical surveys in parts of Queensland, New South Wales, Victoria and South Australia.

In the North Island of New Zealand geological and geophysical surveys continued throughout the year.

In East Africa core-hole information drilling was carried out in south Tanganyika and drilling a deep test well at Mandawa has begun.

NIGERIAN OIL PROSPECTS

In Nigeria the prospects of commercial oil production have been greatly enhanced by two further discoveries at Afam and Soku ; the first cargo of oil was exported from Nigeria in February, 1958. Appraisal drilling at both Oloibiri and Afam was continued. To enable prolonged test production to be carried out a pipeline has been built linking the latter field to an export terminal at Port Harcourt and a similar pipeline from Oloibiri is under construction.

In Malta, after protracted negotiation, the Government recently granted us petroleum exploration and development rights.

In Sicily, two further wells drilled by us failed to find oil ; experimental production from the accumulation of very heavy asphaltic oil already discovered is in progress.

In Libya we have increased our concessional holdings and test drilling, as well as geological and geophysical survey work, is being carried out.

Our participation in exploration in France and the French Union has continued in the Rhone Valley and Normandy and has been extended to S.W. France. In the Algerian Sahara, where important discoveries have been made, applications have been filed for exploration permits ; the first of these, covering an area of some 1,800 square miles in the Touggourt area, was granted in February, 1958.

In West Africa geophysical surveys were carried out in Senegal and the adjoining British colony of Gambia where we hold prospecting rights in association with French interests. A location for an initial test well was selected in the former territory and drilling began in January, 1958.

In Austria we have entered into an association with the Osterreich Mineralol Verwaltung, for the exploration of certain areas in lower Austria.

In Germany, BP Benzin und Petroleum A.G. has acquired as a wholly owned subsidiary Gewerkschaft Norddeutschland, through which it now holds an interest in the exploration and development of production areas in North-west Germany.

Abu Dhabi Marine Areas Ltd., in which we have a two-thirds interest, began drilling its first off-shore well in the Persian Gulf in January, 1958. This well had reached a depth of 5,800 ft. by April 14, 1958.

At no time has so great and costly an effort been devoted, throughout the world, to the discovery of further reserves of crude oil. In this effort as the foregoing review shows, your company is continuing to play its part.

The following table shows the BP Group's percentage shareholding in companies producing crude oil in various parts of the world and the total production by each company in 1957 compared with 1956.

Company	BP Group Shareholding Per cent	Total crude oil production 1957 Tons	1956 Tons
KUWAIT			
Kuwait Oil Company Ltd.	50	56,376,000	54,117,000
IRAN			
Iranse Aardolie Exploratie en Productie Maatschappij N.V. (through Iranian Oil Participants Ltd.)	40	34,765,000	25,934,000
IRAQ			
Iraq Petroleum Company Ltd.	23¾	11,657,000	21,086,000
Basrah Petroleum Co. Ltd.	23¾	9,140,000	8,439,000
Mosul Petroleum Co. Ltd.	23¾	564,000	1,078,000
QATAR			
Qatar Petroleum Company Ltd.	23¾	6,505,000	5,784,000
TRINIDAD			
Trinidad Petroleum Development Co. Ltd.	77	637,000	600,000
Trinidad Northern Areas Ltd.	33⅓	140,000	76,000
UNITED KINGDOM			
BP Exploration Co. Ltd.	100	82,000	66,000
Scottish Oils Ltd. (Shale Oil)	100	71,100	77,600
CANADA			
Triad Oil Co. Ltd.	42	94,000	77,000
GERMANY			
Gerwerkschaft Norddeutschland	100	3,900	2,600

REFINING

During the early part of 1957 BP Group refinery throughputs and also our processing arrangements at other refineries were seriously affected by the dislocation in crude oil supplies caused by the closing of the Suez Canal and interruptions to the Iraq Petroleum Company's pipeline deliveries to the Mediterranean. In the circumstances it is satisfactory to record that our total throughput for the year of 32,100,000 tons was only 400,000 tons less than in 1956.

Whilst there was little change in the total there were, however, considerable variations in the different areas, the refineries west of Suez suffering a reduction with an almost corresponding increase east of Suez.

In the United Kingdom there was a comparatively severe decrease and the quantity of crude processed at our four refineries (Kent, Llandarcy, Grangemouth and Pumpherston) was only 7,600,000 tons compared with 8,900,000 tons in 1956.

Construction work on the major expansion scheme at Kent refinery is nearing completion and the new units are being progressively brought into operation. The distillation unit to raise the capacity of the refinery to 7,100,000 tons per annum was commissioned in March, 1958, and also the hydrofiner for the production of high quality gas oil. The units for the manufacture of aviation spirit and the catalytic reformer for the production of additional high grade motor spirit will start operation later this year.

The capacity of Grangemouth refinery is to be increased from 2,200,000 to 3,200,000 tons per annum by the erection of a new distillation unit and ancillary equipment which should be commissioned early in 1959 ; construction work on the new terminal facilities for the largest tankers at Finnart, whence crude oil is piped to the refinery, is expected to be completed in September. Work has begun at Angle Bay in Milford Haven on similar facilities for supplying Llandarcy refinery.

In the Republic of Ireland construction of a refinery near Cork to meet that market's requirements, in which we are associated with other oil companies, began in August, 1957, and is expected to be completed in mid-1959.

On the continent of Europe our throughputs were also reduced, crude oil processed at the six BP Group refineries amounting to 8,300,000 tons compared with 9,500,000 tons in 1956.

The new distillation unit at Lavera, near Marseilles, was commissioned in December and modifications to the existing units at Antwerp and Hamburg were also completed during the year. As a result the capacities of Lavera and Antwerp refineries have each been raised to nearly 4 million tons per annum and Hamburg to 1,900,000 tons. The hydrofiner (for refining gas oil) under construction at Hamburg has been commissioned and good progress has been made on the hydrofiner at Antwerp and catalytic reformers (for high octane motor spirit production) at Antwerp and Dunkirk, all of which are expected to come into operation about the middle of this year. In addition, a plant is under construction at Hamburg for the production of butane for sale as a petro-chemical feedstock. The planning stage of our new refinery in the Ruhr, whose capacity is to be 4 million tons per annum, is almost complete and construction should begin shortly.

At the Aden refinery throughput was 4,240,000 tons as compared with 4,615,000 tons in the previous year.

At Kuwait throughput was 1,352,000 tons. New units, raising the distillation capacity to 8,400,000 tons per year, were completed early in 1958.

In Australia throughput of our Kwinana refinery was 2,287,000 tons compared with 2,304,000 tons in 1956. A start has been made on the erection of a second catalytic reformer for the manufacture of additional high grade motor spirit.

In Iran the quantity of crude oil processed for us at Abadan was 5,800,000 tons compared with the 4 million tons in 1956, this substantial increase compensating to a large extent for reductions elsewhere.

SITE FOR REFINERY IN CANADA

In Canada a site has been purchased at Ville d'Anjou, Montreal, for our projected refinery, and arrangements are being made with the Canadian National Harbour Board for the construction of a tanker jetty on the St. Lawrence river. Detailed plans for the refinery are under preparation, and pending finalisation of the complete project, a proportion of its tankage and associated facilities

are being installed to permit the importation of products as a temporary measure to supply our Canadian marketing subsidiary.

In Turkey we are associated with other oil companies in plans for the construction of a refinery with a capacity of about 3 million tons per annum.

The following table shows the BP Group's percentage shareholding in companies with refineries in various parts of the world and the total throughput of each refinery in 1957 compared with 1956.

Company	Refinery location	BP Group Share-holding per cent.	Total throughput 1957 Tons	Total throughput 1956 Tons
UNITED KINGDOM				
BP Refinery (Grangemouth) Ltd.	Grangemouth	100	1,881,000	2,152,000
BP Refinery (Kent) Ltd.	Isle of Grain	100	3,275,000	3,854,000
BP Refinery (Llandarcy) Ltd.	Llandarcy	100	2,311,000	2,777,000
Scottish Oils Ltd.	Pumpherston	100	151,000	143,000
ADEN				
BP Refinery (Aden) Ltd.	Aden	100	4,240,000	4,615,000
AUSTRALIA				
BP Refinery (Kwinana) Ltd.	Kwinana	100	2,287,000	2,304,000
BELGIUM				
Société Industrielle Belge des Pétroles SA	Antwerp	50	2,574,000	2,595,000
FRANCE				
Société Française des Pétroles BP, SA	Dunkirk	70	1,677,000	1,949,000
	Lavera	70	1,900,000	2,229,000
GERMANY				
BP Benzin und Petroleum AG	Hamburg	100	1,266,000	1,447,000
Oelwerke Julius Schindler GmbH	Hamburg	97	165,000	245,000
IRAN				
Iraanse Aardolie Raffinage Maatschappij NV (through Iranian Oil Participants Ltd.)	Abadan	40	15,202,000	11,227,000
ISRAEL				
Consolidated Refineries Ltd.	Haifa	50	1,052,000	975,000
ITALY				
Industria Raffinazione Oil Minerali, SpA	Venice	49	1,370,000	1,564,000
KUWAIT				
Kuwait Oil Company Ltd.	Kuwait	50	1,352,000	1,427,000
LEBANON				
Iraq Petroleum Company Ltd.	Tripoli	23¾	495,000	505,000

PETROLEUM CHEMICALS

Major expansion in the Group's activities for the manufacture of chemicals from petroleum in the United Kingdom, France and Germany took place during the year.

In the United Kingdom, the three companies in which BP participates have operated very satisfactorily with all manufacturing units maintaining a high output of intermediate petroleum chemicals. These companies, all at Grangemouth, are British Hydrocarbon Chemicals Ltd. (in which BP has a half interest), Forth Chemicals Ltd. and Grange Chemicals Ltd. (in both of which BHC has a two-thirds interest). Plants for the production of phenol and acetone using The Distillers Company process are under construction by BHC. Several plants employing this process are in successful operation elsewhere but this is the first of its kind in the United Kingdom. BHC also have a plant under construction for the manufacture of linear polyethylene of improved physical characteristics using the newly developed Phillips low pressure catalytic process. These units are expected to be completed in 1959 at a cost of about £8 million. A further expansion of ethylene production at BHC is being considered.

When plants now being built are completed, the production of chemicals at Grangemouth will approach 200,000 tons per annum and in addition to the products mentioned above, will include large tonnages of industrial alcohol, isopropyl alcohol, monomeric styrene, butadiene, propylene tetramer and detergent alkylate.

In addition to the three companies in which BP participates, Gemec Ltd., a subsidiary of Union Carbide Ltd., has recently commissioned a plant at Grangemouth to produce 12,000 tons per annum of polyethylene using ethylene purchased from BHC.

Our French associate, Société Française des Pétroles BP, has a substantial holding in Naphtachimie whose chemical works are near Lavera refinery. The capacity of the cracking plant at Naphtachimie was enlarged during 1957 and its production of ethylene increased from 10,000 to 18,000 tons per annum. The production of polyethylene using the Ziegler low pressure process will start shortly and extensions are in hand which will include increasing the ethylene production capacity to 48,000 tons per annum. Total production of chemicals is then expected to reach 80,000 tons per annum. These include ethylene oxide and its derivatives such as glycols, ethanolamines and glycol ethers, and also acetone and isopropyl alcohol. The expansion now in hand is expected to cost £16 million.

A joint company (Erdölchemie GmbH) has been formed by our subsidiary company in Germany, BP Benzin und Petroleum AG, and Farbenfabriken Bayer of Leverkusen to manufacture intermediate petroleum chemicals. Present plans call for an expenditure by Erdölchemie of about £25 million, over a period of four years and each partner will have a 50 per cent participation. The site of the new company's operations will be adjacent to the Bayer works at Dormagen, Cologne; some production units are already under construction. About 250,000 tons per annum of petroleum feedstock will be required by Erdölchemie and this will, in due course, be supplied from the new BP refinery to be built in the Ruhr.

SEA TRANSPORT

At the end of 1957 BP Group tankers, comprising the fleets of BP Tanker Company, Tanker Charter Company, and Société Maritime des Pétroles BP, totalled 157 ships (2,411,000 deadweight tons), compared with 154 ships (2,227,000 deadweight tons) at the end of 1956. The Group also had over 3 million deadweight tons of tanker shipping on charter, approximately the same as a year previously.

BP Tanker Company's fleet is now 133 ships (1,920,000 deadweight tons), compared with 143 ships (2,016,000 deadweight tons) at this time last year. Owing to the very large size of the fleet under that Company's operational management, in the interests of

administrative efficiency we have arranged for the operation of part of its fleet to be transferred to BP Clyde Tanker Company Limited (as our subsidiary the Petroleum Steamship Company Limited has been renamed). Seven vessels have already been so transferred and others will follow later. The present position as regards these ships, and also those financed to date by Tanker Charter Company Ltd. (as described last year) which operate as part of our fleet, is as follows:

BP Tanker Co. Ltd.
133 ships (1,920,000 dw tons)
BP Clyde Tanker Co. Ltd.
7 ships (90,000 dw tons)
Tanker Charter Co. Ltd.
9 ships (255,000 dw tons).

We have 55 tankers under construction or on order for delivery over the next five years for these companies; they comprise 7 ships of 65,000 deadweight tons each, 12 of 50,000 tons, 7 of 42,000 tons, 15 of 34,500 tons and 14 of 15,500 tons. Through our marketing subsidiary in Denmark we have made a partnership arrangement with East Asiatic Company Ltd., of Copenhagen, whereby the construction of two further tankers of 34,500 deadweight tons each already on order for us in this country will be mainly financed in Denmark.

Our French associated company's shipping affiliate, Société Maritime des Pétroles BP, has now 10 ships totalling 209,000 deadweight tons. It has also on order 1 ship of 33,000 deadweight tons due to be commissioned shortly, 2 of 47,000 tons each and 1 of 68,500 tons for delivery between 1960 and 1963.

The 10 ships each of 16,000 tons belonging to The Lowland Tanker Company, in which we have a 50 per cent interest, continue to give us excellent service and as previously announced will be joined in 1960-61 by five others each of about 19,000 tons.

Tanker freights, which before the reopening of the Suez Canal had reached record high levels, subsequently declined steeply, the diminished rate of growth in oil demand and the increase in available tonnage accelerating their downward trend. There was no seasonal recovery in the winter months and the freight market has remained depressed.

World tanker tonnage is currently surplus to requirements and we, like other companies, have some tonnage withdrawn from service. We are also routing some of our larger ships to and from the Persian Gulf via the Cape.

The re-routing of our tanker traffic due to the Suez crisis laid an extra burden on the personnel concerned on ship and ashore, and to them special credit is due.

DISTRIBUTION AND SALES

The BP Group's sales of crude oil and refined products in 1957 totalled, as in 1956, approximately 53 million tons; a reduction in the first half of the year, due to the effects of Suez, was made good during the second half of the year.

Crude oil prices throughout the USA, Canada and the Caribbean were increased at the beginning of the year by, generally, 25 cents per barrel, although with somewhat higher advances for certain qualities and locations. This increase, the first since 1953, was not unexpected and was by many producers in the Western Hemisphere considered long overdue. It was not until May that, with the reopening of the Suez Canal and the return to more normal patterns of trade, Middle East crude prices could be adjusted, and they were then increased by 13 to 15 cents per barrel. Throughout the remainder of the year crude oil prices broadly remained unchanged at these levels.

Product prices at the sources of supply in the Western Hemisphere varied a great deal during the year. They were carried to high levels in the early part of the year as a result of the extra demand on these sources due to the enforced change from the normal transportation pattern. By the end of the year, progressively easier supply conditions had brought a marked downward trend in product prices in all the main supply centres. In May, with the return to more normal conditions, we initiated the posting of product prices in the Persian Gulf.

In the United Kingdom consumption of petroleum products, severely curtailed in the early months of the year by the motor fuel rationing schemes and other restrictions in force from December, 1956, to May, 1957, showed a decrease of 2¼ per cent in 1957 compared with an increase of 8¼ per cent in 1956. Motor spirit consumption, which in the first four months of the year was restricted to 23 per cent below the 1956 level, recovered in the later months of the year. Fuel oil consumption, which was affected not only by restrictions due to the Suez crisis but also by improved coal supplies, nevertheless showed an increase of 7 per cent over 1956. Our associated marketing company, Shell-Mex and B.P. Limited, maintained their leading position in the market, their sales showing only a small decrease in line with the decrease in consumption.

Our trade on the continent of Europe was also affected by supply difficulties and restrictions on consumption, and for the year our deliveries fell short of the 1956 level by some 7 per cent.

East of Suez our markets were not subject to the same restrictions. Our marketing company in Australia, which last year changed its name from The Commonwealth Oil Refineries Limited to BP Australia Limited, had a successful year's trading and achieved an increased share of the market.

In New Zealand the development of BP (New Zealand) Limited's plans to expand its organisation made good progress, and its share of the market increased.

Our marketing associates' sales in South Africa, East Africa, India and Pakistan have continued to expand.

We have, however, lost our former outlet in Egypt where our interests remain sequestrated by the Government.

As announced in the Press on April 2, 1958, we have disposed of our associated marketing company in Israel, in which we had a 50 per cent interest.

In Canada BP Canada Limited opened its first service station to the public in May, and since then has continued to expand its activities in the highly competitive Canadian market where its appearance as a marketer has had an encouraging reception.

Since early in 1958 our products have been available under our trade mark in the Belgian Congo, where we have formed a marketing company called the Société des Pétroles BP du Congo; the area in which this has commenced its activities is in the Eastern Congo in the territory of Ruanda Urundi.

OIL BUNKERING AND AVIATION SERVICES

The BP International Oil Bunkering Service was also considerably affected in the early months of the year by the Suez emergency and in the latter part of the year by a slackening in world shipping activity. Despite this our bunker sales reached a level equivalent to the average of the preceding two record years.

The BP Aviation Service has further extended its field of operations and our sales of aviation fuels have continued to increase. We are continuing our research into new techniques for aircraft fuelling and in developing special equipment to deal with the demands of jet aircraft traffic in the near future.

The demand for BP Energol branded lubricants continues to increase.

Our bitumen trade, particularly in Europe, was seriously disturbed during the early part of the year but has subsequently made a good recovery.

We have recently concluded agreements with two refining and marketing concerns in Italy to acquire their market networks. From these we intend to develop an organisation marketing BP products in Italy, where hitherto we have not sold to the general public under our own trade mark.

In North Africa we have acquired an independent marketing organisation in Algeria which will assist in developing our existing business.

In West Africa our trade has continued to expand, as also our share in the market.

We have formed a new wholly owned subsidiary BP (Eastern Agencies) Limited, to conduct the marketing of BP products and the BP Aviation Service in the Persian Gulf.

As reported last year, both the Commonwealth Trans-Antarctic Expedition and its New Zealand contingent, were exclusively supplied with BP petroleum products. We are proud of having contributed to the historic achievements of Dr Fuchs and Sir Edmund Hillary, and that the party which made the first land-crossing of the Antarctic included one of BP's geophysical staff. The Australian National Antarctic Research Expedition has also been exclusively supplied with BP products.

In the field of motor racing every Formula I Grand Prix race counting for the world Championship in 1957 was won on BP products. This is a remarkable achievement unequalled hitherto. Among leading drivers who regularly use our products are Fangio, present World Champion, Stirling Moss, the runner-up and Jean Behra, the French Champion.

RESEARCH

Both the major new buildings at Sunbury Research Centre mentioned in last year's statement have been completed and occupied. The first of these provides increased facilities for geophysical, petroleum engineering, and geological research, and includes accommodation for the staff and equipment transferred from Kirklington Hall, which has been vacated and sold. The second building is most comprehensively equipped for analytical research, applied physics, chemical engineering and development of new instruments.

A linear electronic accelerator, required as part of the programme of work on the possible application of radioactive by-products from nuclear power to petroleum and chemical processes, has been installed at Sunbury and is now operating.

As in previous years we have continued to study and improve our manufacturing methods, particularly with regard to the production of motor spirit and lubricants. Investigations are in hand to determine the optimum quality fuels which will be required for motor car engines of increasingly high compression ratio. We are also expanding the range of our lubricant products, and the many motor racing successes which have been obtained using BP Energol lubricants testify to the success of our research in this field.

A considerable effort has been made at the Research Centre in recent years to get more accurate and quicker measurement of wear in engines. The latest success resulting from these investigations is a new lubricant, which considerably reduces wear, for large marine diesel engines. This lubricant, BP 103, has been placed on the market following successful trials in our own tankers and other vessels.

In petroleum engineering, studies have been completed of two major reservoirs of the Middle East type, and valuable research has been undertaken in the study of mechanisms by which oil is recovered from its reservoir. Geophysical research on seismic wave propagation has progressed satisfactorily, and useful advances have been made in the design of instruments both for geophysical and petroleum engineering work.

The electronic computer referred to in last year's statement is now in operation and is proving of great value in reducing the time required for repetitive calculations for development and research work.

PERSONNEL

The BP Group has remained practically free from labour disputes, both in the United Kingdom and in the thirty-five other countries where its employees are working. This may fairly be attributed to the good relations which exist, and which it has long been our aim to maintain, between our managements and employees both as individuals and collectively.

Throughout the world we continue to devote particular attention to the training and advancement of nationals of the countries in which we operate. In this respect we are putting much emphasis on internationalising our training; not only do many British staff now have periods of training abroad but nationals of the countries in which we operate are increasingly serving for periods in this country. This is of direct value to us as an international group and also contributes to the general cause of international understanding.

Recently the Carr Committee recommended an increase in the number of apprentices in British industry and an improvement in their training. Having some years ago appreciated the situation outlined by this committee, the number of our apprentices under training in the United Kingdom has been increasing steadily during the last few years and the quality of their training is maintained at a high standard. With training are combined opportunities for employees to make the best use of their talents, and exchanges of staff between our different centres of activities provide an aspect of career planning of benefit both to the BP Group and to the employees concerned.

We have started to hold selection boards for the recruitment of regular members of the Forces whose Service engagements are terminating.

It is much more than a convention that this statement should end with an expression of thanks to the Group's personnel, for the success of our operations is principally due to the enthusiasm and ability of the whole body of our employees. I am sure, therefore, that you would wish me on your behalf to record our high appreciation of their work wherever they may be.

THE RUGBY PORTLAND CEMENT

RECORD PROFITS

SIR HALFORD REDDISH'S REVIEW

The Annual General Meeting of The Rugby Portland Cement Company Limited will be held on May 30, 1958.

The following are extracts from the speech of Sir Halford Reddish, the Chairman:

I view the long-term outlook for our interests in the United Kingdom with much more optimism that I have felt for some years. I say that because I believe that at long last our political leaders are showing real determination to tackle our two major inter-related problems: maintenance of the external value of sterling and the stability of the internal value of the £, or, in other words, halting inflation.

At home the building and constructional industries have naturally been affected by the restriction of credit, with a consequential fall, intensified as the year went on, in the demand for cement. Although the cement industry in the United Kingdom has always made every effort to keep the price of cement to the consumer as low as possible consistent with maintenance of the industry in a sound financial position, up-to-date and efficient, and able to compete effectively in world markets, an increase in the price of coal and other costs last year made an adjustment of selling prices on July 1st unavoidable. The rise in the delivered price of cement averaged just under 7s. a ton, but did not fully cover increased costs.

The profits of the parent company from the manufacture and sale of cement therefore showed some contraction in 1957, but the profits of our subsidiary companies as a whole, from cement and from other activities, showed an increase. The Group net profit of £1,106,385 is slightly ahead of that for 1956 and is a record for the twelfth successive year. In the circumstances of a difficult year this must be regarded as reasonably satisfactory.

DIVIDENDS MAINTAINED

We have decided to recommend to you that the dividends on the Ordinary and "A" shares should be at the same rates as last year: 1s. 1½d. a share on the Ordinary shares and 1s. 3d. a share on the "A" shares.

A dividend on the Ordinary shares of 1s. 1½d. a share is in reality one of 5.84 per cent on the book value of the equity capital employed in the business. This compares with 6.36 per cent for the previous year, which illustrates the fact that a mere maintenance of the amount of 1s. 1½d. a share is a reduction of the rate per cent on the capital employed for the simple reason that the holders of the Ordinary shares added to their investment in the company by leaving a substantial portion of their profits in the business. If the present-day value of the assets were substituted, the real rate of dividend for 1957 would be about 3.4 per cent.

An active building and constructional industry is the backbone of a sound national economy. Most sections of the building materials industry today are producing below capacity, but they should be amongst the first to participate in the forward surge of an expanding economy which I feel sure will soon follow when inflation has been halted.

Copies of the full speech may be obtained on application to the Secretary, Crown House, Rugby.

COMMERCIAL UNION ASSURANCE COMPANY LIMITED

PROGRESS IN A DIFFICULT YEAR

LIEUTENANT COLONEL JOHN LESLIE'S REVIEW OF OPERATIONS

The Annual General Meeting of the Commercial Union Assurance Company Limited will be held on May 19th in London.

The following are extracts from the circulated review by Lieutenant Colonel John Leslie, DSO, MC, DL, the chairman:

In many respects 1957 closely resembled its predecessor and I can say without hesitation that we have again passed through a difficult and arduous period.

Most of our difficulties arose in North America, where the fire and casualty results were particularly adverse, and, although we made an overall underwriting profit in most other territories, this was sufficient to offset the losses in North America by only a small margin.

Fire Department.—Net Premium Income, 1957, £24,870,686 (1956, £23,632,462); increase £1,238,224.

The ratio of claims paid and outstanding was 54.20 per cent, commission absorbed 21.15 per cent, and expenses of management accounted for 22.02 per cent. After adjustment of the provision for unexpired risks there was an underwriting profit of £160,012 (.64 per cent), which has been left in the fire revenue account, to strengthen the fire fund, which now amounts to £22,137,981, or 89.01 per cent of the premium income

At home the development of income continues steadily. The ratio of losses to premiums is satisfactory and shows a slight improvement on the previous year.

In the overseas field the premium income continues to expand and it is satisfactory to know that the majority of the territories in which we operate have contributed towards this improvement.

Accident Department.—Net Premium Income, 1957, £36,066,629 (1956, £31,854,452); increase £4,212,177.

The ratio of claims paid and outstanding was 61.06 per cent, commission 17.36 per cent, and expenses of management 18.57 per cent. After adjustment of the provision for unexpired risks there remained an underwriting loss of £599,595, or 1.66 per cent of the premium income. The sum of £650,000 has been transferred from profit and loss account and the accident fund now amounts to £22,594,089, or 62.65 per cent of the premium income.

The home revenue once more showed satisfactory progress and the expansion seen throughout the postwar years continued at an accelerated pace.

Too often in recent years it has been necessary to refer to unprofitable results in the home motor account, but the position last year was somewhat healthier and this is mainly due to the increase in premium rates which insurers were obliged to bring into effect during the year.

In the United States of America our casualty business, conducted by our associated offices, The Ocean Accident and Guarantee Corporation Limited and the Columbia Casualty Company, has continued to expand generally.

Marine Department.—Net Premium Income, 1957, £3,155,498 (1956, £2,682,215); increase, £473,283.

The claims paid after deduction of reinsurance and salvage amounted to £2,276,357, and, out of the surplus of the 1955 underwriting year and previous years now closed, the sum of £450,000 has been transferred to profit and loss account.

The year 1957 brought no noticeable improvement in the casualty experience, and the hull account for 1957 shows that the first year's settlements were higher than last year's record figure.

Life Department.—After a temporary setback last year, the Life Department production has resumed its upward course, and the totals of both Life Assurances (£24,148,629, an increase of £2,127,196) and Annuities (£1,509,184, an increase of £521,900) constitute new records.

During the year the life fund increased by £2,937,218 to £60,198,483, after providing a further £2,670,000 in addition to the sum of £2,250,000 held at the beginning of the year to cover depreciation in the value of investments and properties. The average earned rate of interest was £4 4s. 8d. per cent net, an improvement of 8s. 4d. per cent on the previous year's figure.

Before providing for the further depreciation of investments the life fund exceeded the total liabilities by £6,832,784, and in addition £354,320 was paid to policyholders during the quinquennium by way of interim bonuses. The directors have decided to dispose of this balance as follows: £2,670,000 as provision for depreciation of investments, £3,134,579 to be distributed to holders of participating policies, £387,655 to stockholders, £300,000 to be carried forward against special contingencies in the valuation reserve, and £340,550 to be carried forward unallocated.

The policyholders' share will provide a compound reversionary bonus for new series participating policies of 50s. per cent per annum and in respect of policies under the old series (which was closed to new entrants on December 31, 1939), a reversionary bonus corresponding to a minimum cash bonus of 40 per cent of the whole term premiums paid or deemed to have been paid during the quinquennium.

These rates of bonuses are the highest in the Company's history.

* *

PROFIT AND LOSS ACCOUNT AND BALANCE-SHEET

Gross interest, dividends and rents amount to £4,104,202, an increase of £162,594 on the figures of the previous year. There is no transfer from the fire department, the whole of the underwriting profit in that department having been added to the fire fund, but the marine department has again contributed £450,000. The underwriting loss in the accident department has been more than made good by a transfer to that department of £650,000.

The directors recommend a final dividend of 2s. 2d. per 5s. unit of stock, making, with the interim dividend of 1s. 6d. paid in October last, a total of 3s. 8d. per 5s. unit.

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED

A RECORD YEAR

INCREASED ORDINARY BRANCH INTERIM BONUS

The ninety-seventh annual general meeting of The Royal London Mutual Insurance Society Limited was held on April 29th at the Chartered Insurance Institute, 20 Aldermanbury, E.C.

Mr E. H. Haynes, FIA, chairman and joint managing director, who presided, said:

The country's future ability to provide capital investment and at the same time build up reserves must depend on a high measure of saving, and it is to this end that Government policy must be directed.

CONTRIBUTION TO SAVING

In this field the value of life assurance is illustrated by the fact that the funds of the life assurance offices and collecting friendly societies, which represent a fair measure of the net saving arising from this type of business, increased steadily between 1951 and 1956 alone by the sum of £1,195 million, an increase of over 40 per cent.

Of this total no less than £258 million represented the contribution of the home service branch of the business. This figure illustrates vividly the aggregate effect of the regular collection of small sums week by week by the 50,000 home service agents operating throughout the length and breadth of the land. There can be no doubt that but for the activities of these agents, by far the greater part of this large sum of money would have been spent. Instead of providing capital for industry and public works it would have added to the pressure of demand and served to give additional strength to the inflationary forces which have, throughout the whole of this period threatened the economic life of the country.

BALANCE SHEET
ON DECEMBER 31, 1957

1956 £	Liabilities	£	£	1956 £	Assets	£
	Life assur. funds :					
36,254,894	Ordinary branch	37,571,838		8,439,819	Mortgages	8,915,218
84,877,954	Industrial branch	85,358,332		2,530,701	Loans	2,173,008
9,242,848	Reserves	14,334,405			Stock Exchange	
				113,737,814	Investments	119,484,514
				3,931,995	Property investm'ts	4,467,935
130,375,696		137,264,575		128,640,329		135,040,693
109,737	Outst'ding Claims	122,282		1,861,483	Sundry debtors	2,045,591
327,568	Sundry creditors	327,389		311,189	Cash	627,962
£130,813,001		£137,714,246		£130,813,001		£137,714,246

An entirely new proposal which has been under discussion during the last year is the suggestion that the State scheme should provide a pension greater than would be sufficient to meet the basic needs of the elderly. Any supplementary pension in excess of this basic minimum should, in my view, be strictly related to the contributions of the individual and should not, in the case of the smaller pensions, be augmented from the contributions of the better off. Neither should such pensions be subsidised, directly or indirectly, through taxation. To depart from any of these principles would be inequitable.

If this view is accepted there would appear to be no advantage accruing from a State scheme of this nature which is not available under private schemes already in existence and designed to enable the public to make provision for retirement. That such schemes meet a public demand is evidenced by the fact that, quite apart from the millions who have effected life assurance policies for this purpose or who are saving for old age in other ways, over nine million people are covered by occupational pension schemes. The amounts set aside by these members of the public and by employers on their behalf constitute a most valuable part of the nation's savings. In the light of these considerations I am convinced that the State should confine itself to providing only for the basic needs of the elderly and at the same time encourage those members of the public who wish to make their own provision to supplement the State pension.

The autumn crisis has resulted in a substantial rise in interest rates over the level obtaining a year ago. This increase in interest rates is of advantage to our policyholders since the Royal London has large sums of money available for investment each year and at the present time is able to place this money most remuneratively. At the same time the consequent fall in the value of fixed interest securities, coupled with a decline in the price of ordinary shares, has created an immediate problem in regard to funds already invested.

As a result of these changes in the prices of Stock Exchange securities the market value of the Society's investments at the end of last year showed a substantial depreciation as compared with the corresponding figure at the end of 1956. Accordingly, as you may see from the accounts, a total of £5,075,000 has been transferred to Investment Reserve.

In July, 1957, the rates of premium for new without-profit contracts in the Ordinary Branch were further improved. This was found possible as a result of a satisfactory mortality experience and increased yield on investments and has resulted in these contracts proving a very attractive proposition for which there is a substantial demand. In October an improvement was announced in the terms of the Society's Adaptable Pension Policy and Married Man's Pension Policy, an improvement which considerably enhances the attraction of these policies as a means by which those men and women whose jobs do not carry a pension can make their own provision for an assured income in old age.

I would now like to refer in detail to the position of each of the Society's branches.

ORDINARY BRANCH

The premium income in the Ordinary Branch (including consideration for annuities granted) amounted to £4,206,000, an increase of £126,000 over the previous year. The transfer to Investment Reserve Fund in this Branch is £325,000 bringing the total Ordinary Branch Investment Reserve Fund up to £2,825,000 (excluding the Auxiliary Life Fund Investment Reserve). The Fund at the end of the year amounted to £37,571,000, an increase of £1,317,000.

The amount paid by way of claims and surrenders during the year was £3,360,000.

I am very happy to report that the amount of new Ordinary Branch business written in 1957 again showed an increase. During the year 17,300 policies for the amount of £13,085,000 were issued, this being an increase of £2,461,000 over the figures for the previous year, and, as I have indicated, a record for the Society.

On with-profit policies becoming claims, etc., during the current year the Interim Bonus will be at the rate of Two Pounds per cent in respect of each of the years 1956 and 1957 and Two Pounds Four Shillings per cent in respect of the year 1958.

I should like to draw attention to the fact that in the last five years the Society has been able to increase its bonus rate by no less than fourteen shillings per cent to a figure higher than ever before in our long history. This is a record in which we may well take pride.

INDUSTRIAL BRANCH

In the Industrial Branch the premium income for the year amounted to £10,234,000 an increase of £333,000 over the previous year. Claims and surrenders amounted to £5,583,000. The amount of £4,750,000 has been transferred to the Investment Reserve Fund, bringing this Fund up to £11,250,000. The Fund at the end of the year amounted to £85,358,000 an increase during the year of £481,000.

The sum assured on new policies issued in the Industrial Branch has shown an increase for the seventh year in succession. In 1957 new sums assured increased by £3,699,000 to the figure of £21,470,000.

Interim Bonus will be continued during the ensuing year at the same rate as the Reversionary Bonus declared for the period 1951-1955, namely One Pound Three Shillings per cent per annum upon the sum assured, in respect of all premium paying policies issued before December 31, 1952, under tables which participate at the full rate.

GENERAL BRANCH

The premium income for this Branch for 1957 was £881,000, an increase of £77,000.

1957 has proved in all respects a record year for the Royal London Mutual Insurance Society Limited. The total income of the Society during the year was £21,096,000, while benefits paid to policyholders amounted to £8,943,000. The total payments to policyholders since the inception of the Society amount to more than £157 million.

The report and accounts were unanimously adopted.

THE RHODESIA BROKEN HILL DEVELOPMENT COMPANY LIMITED

(Incorporated in Northern Rhodesia)

RECORD ZINC PRODUCTION

MR H. F. OPPENHEIMER ON ADVANTAGES OF LOCAL MARKET

The following are extracts from the statement by the chairman, Mr H. F. Oppenheimer, which has been circulated with the annual report and accounts for 1957:

Towards the end of the year the death occurred of three men who had been actively associated with your company for many years. My father, Sir Ernest Oppenheimer, Chairman of the company, died on November 25th, Mr W. N. Watson earlier in the same month and Dr J. A. Bancroft on December 11th.

My father joined the board of directors in 1925 and became chairman in 1951. Much of his confidence in the mine, which suffered several serious setbacks, was due to the unshakable opinion of Dr Bancroft, our then consulting geologist, that the mining problems could be overcome and that the orebody would prove to be far greater than was originally estimated. It was on Dr Bancroft's insistent advice that the mine was thoroughly explored and new mining techniques developed to exploit the ore exposed. Much of the work entailed was carried out at the mine by Mr Watson who served the company loyally and energetically for thirty-three years and, at the time of his retirement in April 1957, was Manager at the Mine. It was largely because of the determination and perseverance of these men, through many difficult times, that Broken Hill is today a mine with many years of fruitful activity ahead of it, and we owe them a debt of very real gratitude.

MARKETS AND PRICES

I am privileged to assume the chairmanship of the company at a time when it has an important part to play in a rapidly developing country. Most of the output of lead from the mine is now sold in Southern Africa and, although some of the zinc has still to be sent overseas, I believe that our entire production will in the not-too-distant future find ready markets close at hand. Thus, although the price for our metals must clearly continue to be affected by world conditions, we shall be in an advantageous position because of our local market.

During the year, there have been heavy falls in the price of most non-ferrous metals, and lead and zinc have not escaped. The price of lead, which in January 1957 was around £116 a ton, followed the downward trend of other metals to about £73 at the end of the year. Zinc suffered similarly, dropping from £103 a ton in January to about £61 a ton at the end of the year.

The sharp decline in the prices of these metals was due basically to world overproduction which was emphasised by falling consumption in the United States. Contributory factors were the possibility of tariff increases being imposed and the uncertainty regarding continued stockpiling activity in the United States. It seems unlikely that the markets will stage any significant recovery until world production and consumption are more closely balanced.

Our production of zinc in 1957 reached a record level of 29,500 tons, all of which was sold, and despite the world market situation, we can confidently expect that the 1958 production, which is expected to be of the same order, will find a ready market.

Lead production at 15,000 tons fell slightly short of last year's record. This production was also disposed of without difficulty and the outlook for 1958, when our production will be at a lower level, is such that we shall not be able to satisfy the full requirements of our customers.

Problems connected with sintering, together with current metal prices, have so reduced the profit margin when producing through the lead-blast furnace, that the decision has been taken with some reluctance to revert to the Newnam hearth plant, and to accept a lower level of production in order to achieve lower costs. In consequence, lead production during 1958 will be about 12,000 tons, which is considerably less than the demand in Southern Africa for the metal. The improvement of sintering methods and, more generally, the search for more efficient and more profitable techniques are being constantly studied by the consulting engineers. Research projects which may be applicable to our mine's requirements are being undertaken, but insufficient progress has yet been made for us to say whether or not these will be of economic importance.

REDUCTION IN COSTS

It is gratifying to be able to report that the efforts my father mentioned last year to reduce costs have met with a measure of success. The persistent upward trend of operating costs has been reversed and a slight but significant reduction achieved during the year. I hope that with the co-operation of everyone concerned a further reduction in costs will be possible.

The profit after taxation for the year (excluding a profit of £66,000 on the sale of the Iron Duke Mine) was £909,000, which was £400,000 less than in 1956. Capital expenditure, largely in respect of Mita Hills Dam, was £875,000. Against this, we have been able to take account of the forward provision of £150,000 at the end of the previous year, of the revenue from the sale of the Iron Duke Mine, and of £200,000 so far drawn against the Broken Hill municipal loan, and we have therefore only had to appropriate £450,000 from profits for capital expenditure. In the present situation of the metal market, it would have been imprudent not to make some provision towards reducing the incidence of capital expenditure required to complete the work in hand, and this amount includes about £50,000 for that purpose.

It is estimated that expenditure of a capital nature during 1958 will be of the order of £400,000 of which half will be provided from the balance of the municipal loan.

It is satisfactory in the circumstances that your directors have been able to recommend a net final dividend of 7d. per unit which, together with the interim dividend of 4d. makes a total of 11d. net per unit of stock for the year.

MITA HILLS DAM

The work on Mita Hills Dam was geared to a target—the advent of the rains at the end of 1957—which left little room for error. It is a credit to the consulting engineers, the mine personnel involved and the contractors that this target was achieved. The dam is filling rapidly and will enable the Lunsemfwa Hydro-Electric Scheme to continue delivering power at full capacity throughout the year.

SECOND COVENT GARDEN PROPERTY

SIR BRIAN MOUNTAIN'S STATEMENT

The twenty-fourth annual general meeting of Second Covent Garden Property Company Limited was held on April 24th in London, Sir Brian Mountain, Bart (the Chairman), presiding.

The following is an extract from his circulated statement:

Since the acquisition early in 1956 of the Ordinary Share Capital of Covent Garden Properties Company Limited, the capital structure and administration of the Group has been simplified by the reduction of the number of active companies and the assimilation of the properties into larger groups where appropriate.

The recommendations of the Runciman Committee as regards Covent Garden Market emphasised the urgency of a statement by the Government on the future of the Market, and your Board has subsequently written to the Ministry of Agriculture, Fisheries and Food with their comments on the proposals. In the interests of all who are connected with the Market, whether as tenants, as customers, or in our case as landlords, I would like to emphasise the necessity of getting a firm decision as to its future with the minimum delay. Until this is made, no long-term planning or investment in this area is possible.

The introduction of the Rent Act 1957 is taking effect quite smoothly as far as the Group is concerned, and only a very small proportion of the value of the Group's properties is affected. Satisfactory arrangements have already been made with most of the tenants, and every effort is being made to avoid causing any hardship. Whenever possible, in cases where this might otherwise occur, tenants are being offered an opportunity to transfer to other accommodation owned by the Group.

During the year the Directors have had made a valuation by Messrs Goddard & Smith of all the properties of the Group, with the exception of the Covent Garden Market. The effect of the valuation, which took place at June 30, 1957, has been to show an aggregate surplus over book value of £1,759,460. No revaluation has been made of the market as your Board feel that the ultimate value of this is too much dependent on political and other factors over which they have no control.

Your Board recommend a final dividend of 6 per cent less Income Tax, making a total of 10 per cent for the year. This is at the same rate as last year; but as it is payable on the Ordinary Share capital as enlarged by the recent Scrip Issue, is equivalent to an increase of just over one per cent on last year's dividend. The retained profits of the Group amount to £47,171.

The report was adopted.

UNION CORPORATION LIMITED

(Incorporated in the Union of South Africa.)

ABRIDGED REPORT OF THE DIRECTORS FOR YEAR 1957

In submitting the Accounts for the year ended December 31, 1957, the Directors state that they consider it more appropriate to refer to the Consolidated Accounts than to the Corporation's own Accounts. After providing for taxation and for outside shareholders' interest in profits of subsidiary companies, the consolidated net profit for the year was £1,578,431 plus £712,312 brought forward, making a total of £2,290,743. From the amount available for appropriation by subsidiary companies, £45,332 has been placed to General Reserve Accounts, £7,708 to Exploration Reserve Accounts and £384,717 carried forward as unappropriated profits, leaving £1,852,986 available for appropriation by the Corporation. The Directors have placed £350,000 to General Reserve Account, £300,000 to Exploration Reserve Account and have declared a final dividend of 2s. 0d. United Kingdom currency per share less United Kingdom Income Tax, absorbing £534,750. The final dividend was declared on March 19, 1958 and makes, with the interim dividend of 1s. 0d. per share less tax, a total dividend of 3s. 0d. per share or £802,125 for the year, thus leaving an unappropriated profit in the Corporation's Accounts of £400,861 to be carried forward. After adding the unappropriated profits of subsidiary companies (£384,717) and parent company dividends receivable within the Group (£60,510) there is a consolidated balance of £845,888 to be carried forward.

Holdings of shares, debentures and other securities have been taken into the Accounts at cost or under but in no case above the market value of December 31st last, or where no market price exists, above the Directors' valuation. The Directors, as on other occasions, have thought it expedient to write down the book cost of certain holdings below both cost and market price to allow for the wasting nature of a substantial part of the Corporation's portfolio. To this end they have charged the Profit and Loss Account with £150,000, of which £25,000 has been charged in a subsidiary company's Accounts.

Since the end of the financial year arrangements have been made to provide additional finance for the Corporation's business (including the further exploration of the Kinross goldfield) by placing privately in the Union of South Africa £2,000,000 of Unsecured 6½ per cent Notes at par repayable in instalments 1974/1983. The money will be made available in eight equal quarterly amounts commencing March 31, 1958, the final payment being receivable on December 31, 1959. The arrangements permit the Corporation to make further borrowings without consent of the Noteholders provided the total borrowings do not exceed two-thirds of the issued capital and agreed reserves as disclosed in the Consolidated Balance Sheet from time to time.

A copy of the Corporation's Annual Trade Cycles Chart, revised to date is enclosed with the Report

GOLD MINING INTERESTS.

Summary of the operating results for the past year of the Companies operating in the Transvaal and Orange Free State in which the Corporation is largely concerned:—

	East Geduld Mines, Ltd.	Geduld Proprietary Mines Ltd.	The Grootvlei Proprietary Mines Ltd.	Marievale Consolidated Mines Ltd.	St. Helena Gold Mines Ltd.	Van Dyk Consolidated Mines Ltd.
Tons milled	1,625,000	1,144,000	2,357,000	854,000	1,392,000	919,000
Yield per ton dwt.	6.14	3 17	4.27	5.25	5.83	3.54
Working Costs per ton	33s. 7d.	35s. 2d.	31s. 0d.	42s. 2d.	41s. 0d.	40s. 0d.
Working Profit per ton	43s. 5d.	4s. 10d.	22s. 8d.	23s. 11d.	32s. 4d.	4s. 6d.
Total Working Profit	£3,523,000	£275,000	£2,676,000	£1,022,000	£2,250,000	£184,000
Net Profit	£1,760,000	£913,000	£1,348,000	£558,000	£2,199,000	£201,000
Dividends—Total	£1,800,000	£931,000	£1,335,000	£506,000	£762,000	*
Per Stock Unit or Share	4s. 0d.	12s. 9d.	2s. 4d.	2s. 8d.	1s. 7d.	*

* Return of capital in 1957 of £277,000 or 1s. 0d. per share

The net profit figures include revenue from other sources. Thus East Geduld Mines' dividend income in 1957 on its stockholding in The Grootvlei Proprietary Mines was £62,720 and Geduld Proprietary Mines' dividend income in 1957 on its stockholdings in East Geduld Mines and The Grootvlei Proprietary Mines was £703,498.

ST. HELENA GOLD MINES.—The sinking of No. 2 Shaft was completed in October at a depth of 5,528 feet and good progress was made with station cutting preparatory to starting development from this shaft. In March of this year a further dividend of 1s. 0d. per share was declared.

WINKELHAAK MINES.—During the year the two small vertical shafts, Nos. 1 and 3, were completed to depths of 1,590 feet and 1,584 feet respectively. In order to increase hoisting capacity a further small vertical shaft has been started some 350 feet north of No. 3 Shaft and by the end of the year had been sunk to a depth of 90 feet. Development footage during the year totalled 29,683 feet. Of this 10,365 feet was on reef and sampled, disclosing 6,645 feet or 64 per cent, payable averaging 379 inch-dwt. The building of the Reduction Works commenced early in the year and is now nearing completion. It is anticipated that it will be possible to start trial crushing in the second quarter of 1958.

Interests in Gold Mining Companies not under the administration of the Corporation:

STILFONTEIN GOLD MINING COMPANY.—Profits from the production of gold and uranium increased substantially during the year and two dividends totalling 2s. 10½d. per share were declared.

WESTERN HOLDINGS.—Due to the milling of a greater tonnage and a rise in the grade of ore milled a marked improvement in operating results was achieved during the year ended September 30, 1957. The working profit was £3,726,924 and two dividends totalling 5s. 0d. per share were declared. A further dividend of 3s. 0d. per share was declared in March of this year.

OTHER MINING INTERESTS.

SAN FRANCISCO MINES OF MEXICO.—This Company earned a Working Profit of £1,018,000 in the year ended September 30, 1957, and paid a dividend of 4s. 6d. per 10/- stock unit in respect of that year, the same as for the previous year. In spite of the decline during the year in the prices of base metals produced, revenue fell by only £91,000, because not only was the production of lead and zinc greater, but sales exceeded production. Although Working Profit fell by £479,000, Net Profit was only £40,000 lower, owing to a considerably smaller charge for Mexican and United Kingdom taxation. The tonnage of ore milled set up a new record for the sixth successive year, the grade being slightly higher than in the previous year. Owing to the fall in the prices of lead, zinc and copper, the Company's operations are now barely profitable.

CHROME MINES OF SOUTH AFRICA.—Due to a further improvement in the world demand for chrome ores with a consequent increase in market prices, the net profit for the year ended June 30, 1957, was in excess of that for the previous year. The Company declared a dividend of 9d. per share in September last. Since the end of the Company's financial year, despite some softening in the market, the Company has obtained satisfactory orders for future delivery.

The Corporation is also interested, *inter alia*, in the following Companies:

SELECTION TRUST.—This Company paid a final dividend of 5s. 3d. per Ordinary Stock Unit for the year ended March, 1957, and has since declared an interim dividend of 1s. 9d. per Unit for the year ended March, 1958.

TSUMEB CORPORATION.—The net profit for the year ended June 30, 1957, was £7,012,875 as compared with £8,021,916 for the previous year and dividends totalling 42s. 6d. per share were declared. Dividends declared during the first nine months of the current financial year totalled 13s. 9d. per share. Due to a decline in the market prices for its products since the close of the Company's financial year it has recently been decided to curtail production by 20 per cent.

OTHER INTERESTS.

BAY HALL TRUST.—The net profit for 1957 was £136,244. A dividend of 17 per cent less tax was declared absorbing £103,063. The sum of £25,000 was placed to General Reserve and the amount carried forward increased from £130,144 to £138,325. The Trust's investments as at December 31st last showed at current market prices an appreciation of £911,268 over book cost of £1,808,142.

SOUTH AFRICAN PULP AND PAPER INDUSTRIES.—After providing for taxation and depreciation and the remaining items of revenue and expenditure, the net profit for the year ended December 31, 1957, was £486,835 as compared with £489,078 for the previous year. Provision has been made for a dividend of 2s. 0d. per share. The Company's output of paper and board increased further during the year. Work on the additions to the pulp plant and the new multi-purpose M.G. paper machine at the Tugela Mill is well advanced and production may be expected by the middle of 1958.

THE WITHOK PROPRIETARY COMPANY.—Towards the end of the year the Corporation, which already had a substantial interest in this Company, made an offer to the other members to purchase their shares at £10 1s. 6d. per share with the object of acquiring the entire share capital of the Company. Sufficient acceptances have been received to enable the Corporation, if necessary, to acquire any outstanding balance of the shares under the provisions of the South Africa Companies Act. Taking its investments at market value the Company's total net assets at the end of the year amounted to £690,887.

EXPLORATION.

The exploratory drilling in the Kinross area is now virtually complete. Though drilling at a greatly reduced tempo is still in progress, this work is now largely confined to defining geological structures in more detail or to following up indications from previous boreholes of the pattern of values with a view to framing in due course an application to the Mining Leases Board of the Government of the Union of South Africa for the next mining lease in the area.

The Corporation continues to be active in exploration in other parts of Southern Africa and elsewhere.

Copies of the full Report and Accounts can be obtained on application at the London Office, Princes House, 95, Gresham Street, London, E.C.2.

SOCIÉTÉ D'INVESTISSEMENT DU NORD

PARIS (France)

SUMMARY OF 5th ANNUAL REPORT.

The following is a summary of the report presented by the Board of Directors at the annual general meeting on April 17, 1958:

The increase in capital authorised by your meeting of March 29, 1957, was carried out satisfactorily.

Comparing the composition of the portfolio with the previous year the proportion of French securities is hardly changed (48.81 per cent against 48.88 per cent), but on the other hand there is an appreciable increase in the percentage of liquid assets (16.08 per cent against 0.74 per cent); as a result there is a reduction in the proportion of foreign securities (35.11 per cent against 50.38 per cent).

Furthermore, when considering the various categories into which the investments fall, you will notice a relative decrease in mining, oil and chemical securities and an increase in those of financial trusts, banks and insurance companies.

Passing to the examination of the profit and loss account, you will note that revenue from the portfolio and from sundry sources is 327,708,611 Francs. One cannot usefully relate this figure to that of the preceding financial year, in view of the increase in capital during the year. The profit from sale of stocks and shares is 347,455,537 Francs. Total revenue for the year is thus 675,164,148 Francs.

General expenditure, still well below the legal maximum, is as follows: management costs, 11,553,882 Francs; financial charges, 10,924,434 Francs plus taxation and duty of 2,174,756 Francs plus a provision for future tax of 1,922,100 Francs and amortisation of 9,252,836 Francs; total 35,828,008 Francs.

The net profit for the year is thus 639,336,140 Francs.

The profits available for distribution for the year would be 291,880,603 Francs, but we propose to deduct, from the balance carried forward, 42,619,397 Francs, to make a grand total of 334,500,000 Francs to be distributed in accordance with the terms laid down for the increase in capital.

The maintenance of the balance to be carried forward no longer appears essential to us now that your Company is based on a solid financial structure. It will be reduced to 53,455,000 Francs.

THE CUNARD STEAM-SHIP COMPANY LIMITED

AN EXTREMELY DIFFICULT YEAR

Colonel Denis H. Bates, Chairman of the Company, in a statement to stockholders for submission at the eighty-first Annual Meeting to be held on May 21st, says:—

I regret to report that the forebodings in my statement a year ago under the heading of "Prospects for 1957" proved all too well founded and group operating surplus at £6,230,030 is down by £2,189,844 and the balance surplus at £1,287,620 is down by £973,351, reflecting the reduction in operating surplus and lower taxation liability. In raising the dividend to 11 per cent for 1956 it had been hoped at least to retain that payment, but with the voyage estimates last October pointing to a serious reduction in operating surplus it was felt imperative to reduce the interim dividend to 2 per cent against 3 per cent the previous year. Now recommended is a final dividend of 8 per cent, making 10 per cent for the year. Whilst I fully realise it is no satisfaction to our stockholders to be told that the heavy decline in operating surplus was due to circumstances over which the Managements have no control, I nevertheless feel an explanation is called for.

During 1957 all our services without exception suffered grave disturbances from labour troubles at home and abroad. For example, the 27 vessels of Brocklebank's cargo fleet lost 1,015 ship days in the twelve months, the equivalent of having three ships laid up for a whole year doing nothing. Though the Group's cargo business is considerable, the real weight of our interests lies in our passenger services on the North Atlantic and in particular in the American holiday traveller. Events in Hungary and Egypt deterred such travel, especially in the first few months of the year. While we fully maintained our normal passenger services we were short of some 11,000 passengers and about £1 million revenue. We also had to cancel the BRITANNIC's usual Mediterranean Cruise. To add to these difficulties the closing of the Suez Canal heavily raised the price of oil bunkers; for Cunard ships alone it amounted to an extra £750,000. After the early months passenger traffic became more normal, but the lost ground could not be made up. On the other hand, the Brocklebank Management were largely able to mitigate the financial effects of the first impact of the closing of Suez and a freight surcharge more or less covered the additional cost of the longer run via the Cape. The Port Line Management similarly were able to take the closure in their stride and they report an improved turn round of their ships.

MODERATELY OPTIMISTIC FOR 1958

What of prospects for 1958? There has been a steep fall in open freight rates which already has had a marked and severe effect on all cargo carriers. Though liner cargo interests are not normally subject to wide fluctuations in freight rates as in tramp business, I cannot expect that our cargo earnings will give us the same support in 1958 as last year. On the other hand, the North Atlantic passenger trade can be very resilient, and if only we could be spared industrial strife, let alone near war troubles, the outlook could be painted in reasonably bright colours, despite the black cloud of the trade recession overhanging the U.S.A. The margin is very small between factors which cause famine or abundance in our accounts. Forward passenger bookings are promising, and I am moderately optimistic as to our 1958 prospects.

I greatly regret to record that Mr Frederic A. Bates died in June last. He had been a Cunard director since 1921 and was Chairman from 1946 to 1953. He was actively and intimately concerned with the building of the two "QUEENS" and was devoted to the Company's interests.

After heavy losses of ships in the war the Group has to date financed new construction of 465,000 tons at a cost of some £60 million besides a substantial programme of refitting existing ships. This is no mean achievement in the face of ever rising building costs and high taxation based on a tax computation of profit which merely allows for the original cost of ships instead of the inflated current replacement costs. The problem of replacement is never ending. The next major operation is a 28,000-ton passenger liner for our North Atlantic service to replace BRITANNIC and, as announced, the Board had planned to lay the keel this autumn, but owing to the setback in our fortunes last year which does not enable us to obtain the full cash relief under the investment allowance it has been considered prudent to postpone the reservation of the berth. Warnings have been given annually in these statements ever since 1947 that the full replacement of the fleets was being jeopardised by penal taxation. Having been denied the means to make adequate provision for replacement during the years of plenty our endeavours are now frustrated by a lean period, which does not even permit us to make full use of the increased investment allowance granted in 1957.

AIR TRANSPORT ECONOMICS

The hard force of economic law in air transport to which I referred last year is apparently gradually emerging and Governments have at last met, at least partially, the increases in fares requested by the International Air Transport Association. Though the Select Committee on Estimates reported to the House a year ago that they could "see no reason why air travel and the air companies should be in a favoured position compared with bus, railway, shipping and harbour companies," I.A.T.A. apparently is still expressing the opposition of the air lines to the imposition of further charges to the customer and at a recent conference of Government representatives discussing "air navigation facilities and services used by air lines en route and the payment for these facilities," it was stated "if more charges are imposed on international air lines when they are striving to get lower fares and bring in jet air liners it will be necessary to pass on these extra charges to the customer."

And "Why not?" appears to be a logical question. Why should people who want the speed of travel NOT pay the economic price for it? Why should they expect to be subsidised by their fellow taxpayers? In sea transportation harbour authorities make charges to balance their costs and in 1957 we met a bill of £4½ million to enable them to break even on their "facilities." Why should air transportation expect favoured treatment in this respect?

In conclusion I express warm and appreciative thanks to all the staffs of the Group and to our many agents. It is a grand team; all play their parts in a great endeavour and I thank them all for their ready help and loyalties.

THE BRITISH WAGON COMPANY LIMITED

SATISFACTORY VOLUME OF QUALITY BUSINESS

The Annual General Meeting of The British Wagon Company Limited was held on April 25th at the Company's Head Office, 23 Moorgate, Rotherham, Mr R. A. Dyson (the Chairman) presiding.

The following is an extract from his circulated statement:

The Group Net Profit, after taxation, of £180,083 is £49,134 less than that for 1955. Some reduction was anticipated in the Report at this time last year. The hire-purchase investment had decreased by £2 million during the year 1956 largely as a result of Government restrictions making a 50 per cent initial payment obligatory, and partly as a result of the Suez Crisis.

It is the Company's practice to apportion hire-purchase charges over the life of each agreement, taking the revenue month by month as each agreement runs its course of, on an average, twenty months. It is inherent in hire-purchase that periods of restriction and activity have a delayed action. For instance 1956 profited from the activity of 1955, and the earnings of 1957 reflect the reduced hire-purchase investment of 1956. In addition, the latter part of 1957 trading had to bear sharply increased money costs which followed the Bank Rate increase from 5 per cent to 7 per cent in September, 1957.

While therefore the profit for 1957 is less than that for the previous year, 1958 has started well with the deferred income, to which previous mention was made, standing at £1,190,195, an increase of £451,080.

A controlling interest was purchased towards the end of 1957 in the Ross Finance Company Limited of Vancouver, British Columbia. Permission to make this purchase was granted by the Bank of England.

At the end of 1957 the Company had increased its hire-purchase investment to the record figure of some £11 million and much of this increase had been financed by the help of deposit loans.

Over the years the Company has shown a steady rather than a spectacular rate of growth largely because it is the policy of the Board to put quality before quantity in underwriting hire-purchase business. To maintain this progress it is essential that the necessary funds are available.

Shareholders do not need to be reminded that the Company has been providing Debenture and Deposit loan facilities for nearly ninety years.

Taken over all, 1957 was an exceedingly active year in which a satisfactory volume of good quality business in the face of keen competition had been obtained.

Copies of a brochure enclosed with the report and accounts in regard to the Company's deposit facilities can be obtained on application to the Secretary.

ADAMS (DURHAM) LTD.

(Manufacturing Confectioners)

The sixth annual general meeting of Adams (Durham) Limited, was held on April 28th in London, Lieutenant Colonel W. D. Gibbs (the chairman) presiding.

The following is an extract from his circulated statement:

During the year under review your Company acquired the remaining interest in Andrew Buchanan and Sons, Limited, which is now a wholly owned subsidiary and has been given a temporary home at Durham. It is now a matter of paramount importance that the Group finds itself a new and more modern factory to accommodate both Companies.

Now, whereas Adam products have mainly been sold in the North of England, Scotland and Northern Ireland, the main outlets of Buchanans are in the South, and joint marketing arrangements can now be made to effect a far wider field of representation for both Companies.

At the last annual general meeting I sounded a word of warning on the possible effect of the Sugar Act and, as forecast, the price of sugar was an average of some £8 per ton higher than the previous year. The effect of this on the Industry generally was a sharp contraction of profit margins and in some cases heavy losses were made.

In the case of your Parent Company a small loss of £290 was made and the Group made a net loss of £6,000 which should be regarded as the price paid for the extension of its outlets.

Your Company's export business continues on the up-grade.

A new price schedule became operative on February 1, 1958, and its effect is to give a larger profit margin to the Confectionery Wholesaler and Retailer without increasing the Consumer prices. The result, therefore, is a still lower profit margin for the Manufacturer, who must accordingly look for extra production and sales. Your Directors have achieved this by the acquisition of Buchanans, but only when the Group is established in new premises and manufacturing by more up-to-date and economical methods can the position be regarded with greater confidence.

The report and accounts were adopted.

DEUTSCHE BANK

AKTIENGESELLSCHAFT

Balance Sheet as at December 31, 1957

(abridged)

Assets	DM	Liabilities	DM
Liquid Assets (cash in hand, due from Land Central Bank, Credit Institutions (Nostro Balances) and others)	1 249 626 466,60	Capital	200 000 000,—
Bills of Exchange	1 572 679 237,33	Reserves	180 000 000,—
Treasury Bills and Non-Interest-Bearing Treasury Bonds of the German Federal Government and the Lands	146 166 172,93	Pensions Reserve	122 159 000,—
Foreign Treasury Bills and Non-Interest-Bearing Treasury Bonds	310 213 157,72	Reserves for Special Purposes (including Taxes)	79 035 664,98
Securities	567 902 260,34	Deposits of which:	
Equalisation Claims on the Government (Currency Reform)	466 355 465,68	Sight Deposits	8 539 385 381,54
Holdings in Syndicates	174 174 666,26	Time Deposits	2 433 725 062,—
Debtors	2 780 414 644,89	Savings Deposits	1 150 550 225,78
Long Term Loans	374 775 768,09	Borrowed Funds (Nostro Liabilities)	159 585 904,47
Participations	58 200 000,—	Own Acceptances and Promissory Notes in Circulation	14 855 089,08
Real Estate	133 800 000,—	Loans taken at Long Term	838 450 538,99
Other Assets	122 392 699,19	Other Liabilities	112 795 810,24
		Profit	25 157 860,—
Total Assets	8 356 700 539,03	Total Liabilities	8 356 700 539,03

PROFIT AND LOSS ACCOUNT FOR THE YEAR 1957

Expenditure	DM	Receipts	DM
Expenditure on Personnel	152 025 364,39	Interest and Discount	145 155 331,24
Expenditure for Social Purposes, Welfare and Pensions	25 217 312,36	Commissions and Fees	232 990 062,51
Other Operating Expenses	51 097 427,51		
Taxes and Similar Dues	94 647 429,49		
Allocation to Special Reserve Fund	30 000 000,—		
Profit	25 157 860,—		
	378 145 393,75		378 145 393,75

Frankfurt (Main), March 1958

BOARD OF GENERAL MANAGERS: Hermann J. Abs, Erich Bechtolf, Dr Robert Frowein, Fritz Gröning, Dr Hans Janberg, Dr Karl Klasen, Heinz Osterwind, Dr Clemens Plassmann, Jean Baptist Rath, Dr Walter Treu, Franz Heinrich Ulrich.

SUPERVISORY BOARD: Oswald Rösler, Düsseldorf, Chairman; Karl Schirner, Freiburg (Breisgau), Deputy Chairman; Dr. Edgar Wiegers, Hamburg, Deputy Chairman; Kurt Beindorff, Hannover; Dr.-Ing. Konrad Ende, Salzgitter-Drütte; Richard Freudenberg, Weinheim (Bergstraße); Dr. Walther Gose, Köln; Dr. Hans Goudefroy, München; Richard C. Gütermann, Gutach (Breisgau); Professor Dr. Dr. E. h. Ulrich Haberland, Leverkusen; Dr.-Ing. E. h. Franz Hellberg, Köln; Hermann Helms jr., Bremen; Dr. Jost Henkel, Düsseldorf; Dr. Günter Henle, Duisburg; Max Hoseit, Essen; Dr. Dr.-Ing. E. h. Fritz Könecke, Stuttgart; Dr. Adolf Lohse, München; Dr. Hans Karl von Mangoldt-Reibholdt, München; Dipl.-Ing. Herbert Munte, Braunschweig; Bernhard H. Niehues, Nordhorn; Dr.-Ing. E. h. Willy Ochel, Dortmund; Dipl.-Ing. Albert von Ostermann, Saloch (Württemberg); Ernst La Pierre, Hamburg; Philipp F. Reemtsma, Hamburg; Dr.-Ing. E. h. Hans Reuter, Duisburg; Dr.-Ing. E. h. Ernst von Siemens, München; Generaldirektor Werner Söhngen, Essen; Dr. Dr. h. c. Ernst Hellmut Vits, Wuppertal-Elberfeld; Casimir Prinz Wittgenstein, Frankfurt (Main); Otto Wolff von Amerongen, Köln; Professor Dr. Dr. h. c. Dr.-Ing. E. h. Carl Wurster, Ludwigshafen (Rhein); Wilhelm Zangen, Düsseldorf. Representatives of the Staff: Otto Altendorf, Bielefeld; Heinrich Braun, Frankfurt (Main); Hans Helmut Buchner, Mainz; Bernhard Drewitz, Berlin; Joachim Feldmann, Düsseldorf; Edmund Herbst, Hamburg; Margarete Klein, Düsseldorf; Heinrich Kuss, Köln; Hanns Meiller, Mannheim; Werner Muthmann, Wuppertal-Elberfeld; Albrecht Paechter, Stuttgart; Ludwig Reiss, Monnheim; Arthur Riester, Freiburg (Breisgau); Hugo Schürhoff, Hagen (Westfalen); Paula Stenger, Stuttgart; Ludwig Stiffer, München.

TRAWLERS GRIMSBY LIMITED

(The Ross Group)

The following are salient features of the Accounts for the year ended 30th September, 1957, and of the report by the Chairman, Mr. J. Carl Ross, to the Annual General Meeting on 30th April, 1958.

"The results submitted are the best your Company has so far achieved."

PROFITS

The trading profits of the Group were £570,914 (£441,860). The net profit of the Group is £140,923 (£107,661). After crediting items of an exceptional nature £23,825 and deducting proportion of profits attributable to Outside Shareholders £19,992, the balance available for distribution is £144,756.

Preference Dividend (6%) takes	£8,194
Ordinary Dividend (16%) takes	£57,500
Retained for development	£79,061

The total turnover of the Group was £10,000,000.

"In reporting upon the year's trading to 31st March, 1951, I said that 'Your Company with its wide field of activities will continue to make further progress.' That is the key to this year's results, our field of activity having continued to broaden and develop.

TRAWLING

This year under review has embraced the peak of our New Ship Programme, four vessels having been delivered during the period of the Accounts, and five new vessels have since been delivered in the current year to September 30th, 1958. We are very proud of our Fleet of new vessels and they are quite a feature at Grimsby. Last year our Fleet landed in total 100,000,000 lbs. of fish.

"Conditions of trading during our financial year were difficult. The fall in the rate of catch from Distant Water Grounds in 1957 was quite catastrophic causing an acute shortage of fish from those waters. This problem persisted until February of this year when for the first time since August, 1956, the catch per day was better than the corresponding month of the previous year.

Your Fleet fishes all waters and therefore reaps some benefit in that the shortage of Distant Water fish assured a good market for fish caught in the Near and Middle Waters.

The net increase in Capital Employed at the year end amounted to £764,579. The vessels included at a written down value of £1,690,088 were insured at that date for £3,114,800.

The Net Tangible Assets attributable to the Ordinary Stockholders (£625,000) now amounts to £1,550,355.

WESTWICK FROSTED PRODUCTS LIMITED

This important wholly owned Subsidiary Company had a good trading year, a large increase in turnover and a substantial increase in profits.

FROZEN FOODS

We are building up a specialised marketing organisation bringing to the consumer and user the best quality products in their respective field. In our SeaSparkle brand of fish products and our Westwick fruit and vegetables we can guarantee top quality products.

CURRENT TRADING

So far this year trading conditions generally have continued difficult, the experience of some Companies having been a little better whilst others have been less satisfactory. There has been a welcome reduction in the price of marine fuel oil (which, however, is still above pre-Suez level), but we are somewhat concerned lest this reduction be nullified by an increase in the price of coal.

The industry is in no state at the present time for further increased costs of any description at sea or ashore."

TRADING RESULTS AND DIVIDENDS

	Trading Profit including Income from Trade Investments	Depreciation	Taxation	Net Profit	Preference Dividend	% on Ordinary	
						Earned	Paid
	£	£	£	£	£	%	%
1943	13,542	2,000	7,500	2,543	—	5	5
1944	88,098	3,000	79,500	5,098	—	8	7½
1945	125,500	7,003	109,000	8,000	—	15	10
1946	121,109	15,000	83,750	20,859	—	32	15
1947	156,791	60,000	56,000	39,201	—	47	20
1948	227,046	68,500	88,000	64,248	—	63	25
1949	338,041	125,000	122,696	89,673	—	87	25
1950	219,529	130,000	29,449	26,224	3,030	23	10*
1951	260,195	110,000	61,303	51,828	6,159	47	15
1952	273,673	125,000	65,970	52,466	5,879	48	15
1953	247,866	120,000	45,278	41,239	6,772	38	15
1954	375,451	190,000	70,262	58,349	11,138	30	18†
(18 months)							
1955	476,564	200,000	100,392	115,093	7,594	45	16
1956	452,445	200,000	62,834	113,721	7,763	30	16‡
1957	577,023	250,000	59,245	120,931	8,194	32	16

* Plus 100% Capital Bonus in 6% Preference Shares
† Plus 50% Capital Bonus in Ordinary Shares
‡ Plus 1-for-7 Capital Bonus in Ordinary Shares.

Copies of the Annual Report are available from the Secretary,

1 HUTTON ROAD, GRIMSBY

NATIONAL BANK OF PAKISTAN

ALL-ROUND PROGRESS AND EXPANSION

The Ninth Annual General Meeting of the National Bank of Pakistan was held on April 24th at Lahore.

Mr Hoshang N. E. Dinshaw (the President) presided and, in the course of his speech, said: The Bank has again made appreciable progress in all spheres of its activities.

The Bank's total deposits reached the peak figure of Rs. 63.73 crores in 1957, indicating a substantial rise of 23.41 per cent over the highest level of Rs. 51.64 crores in the previous year. At the end of the year deposits stood at Rs. 58.04 crores as against Rs. 48.53 in 1956—an increase of 19.47 per cent.

The Bank's total advances reached the peak figure of Rs. 43.93 crores during 1957 as against the corresponding figure of Rs. 38.25 crores in 1956, an increase of 14.85 per cent. The Bank's advances, including Bills Rediscountable with the State Bank of Pakistan, stood at Rs. 42.39 crores on December 31, 1957, registering an increase of 31.32 per cent over the corresponding figure in the previous year. Its advances in Pakistan, which stood at Rs. 31.00 crores in the beginning of the year, were up by 34.19 per cent as against a decrease of 7.98 per cent in the case of other scheduled banks. The extent of the Bank's contribution to the development of Pakistan's economy can be gauged from the fact that its advances in Pakistan constitute 32.79 per cent of the total bank credit in the country.

The total foreign exchange business handled by the Bank showed a gratifying increase—from Rs. 114 crores in 1956 to Rs. 184.30 crores in the year under report—a rise of 61 per cent.

PROFITS

I am happy to report that the Bank recorded a sizeable increase in its profits—from Rs. 79.52 lakhs to Rs. 92.66 lakhs in 1957. This increase of 16.52 per cent was the result of an all round expansion in the Bank's activities and a discreet check over expenditure.

The Reserve Fund further increased with an allocation of Rs. 25 lakhs from Rs. 85,00,000 to Rs. 1.10 crores which represents 73.33 per cent of the Paid-up Capital. The rate of dividend remained at 5 per cent as in the previous years.

During the year under review, the Bank opened 13 offices, including one at Baghdad, bringing the total number to 85 at the end of the year.

1957 was a difficult year. The country recorded improvements in certain directions but the deterioration in others subjected the economy to serious strains.

The chairman then reviewed general economic conditions in Pakistan and continued: To sum up, the country has passed through a difficult period and its economy is still far from satisfactory. But there is no reason to be disheartened; prospects hold out a better future. We must continue our efforts with renewed vigour to surmount the present difficulties and place our economy on a sound footing. I must again emphasise that to achieve this end we must concentrate on raising the production—specially food production—to the maximum, stopping smuggling completely and increasing foreign exchange earnings. This is the real remedy of our evils and will open a new chapter of prosperity before us.

The report was adopted.

TRADE INDEMNITY COMPANY

HIGHER GROSS PREMIUMS

SIR JOHN MAKINS ON THE ECONOMIC OUTLOOK

The fortieth ordinary general meeting of Trade Indemnity Company Limited was held on April 24th in London, Sir John Makins (the Chairman) presiding.

The following is an extract from his circulated statement:

The gross premiums earned in 1957 amounted to £1,807,885, an increase of more than 9 per cent on 1956, and we retained £574,544 for our own account. The increase was confined to the current year's policies, additional premiums on earlier years showing a decline. The same pattern may be expected this year, which has started well as regards new business, but with a fall in additional premiums on 1957 Account.

During 1957 the turnover of transactions underwritten exceeded the thousand million mark, showing an increase of nearly 15 per cent on 1956 and a slight fall in our average rate of premium.

The claims paid, less salvages, in 1957 were substantially lower than in 1956—£449,704 against £756,889. Our retained share was £116,011 against £192,115. The improvement was largely due to salvages on claims paid in earlier years.

The expenses of management in 1957 came to £219,210, compared with £206,449 in 1956. The percentage increase in expenses was less than the corresponding increase in premium income, but, with rising costs and the growing complexity of the business, it may be difficult to maintain that trend in future.

The provision for our retained share of outstanding claims on 1955 Underwriting Account, which we have closed, is £43,170—considerably less than we required last year, but, to the best of our knowledge and belief, fully adequate. The balances of the 1956 and 1957 Accounts, which are carried forward, are £233,181, compared with £200,792 last year, and £101,256 compared with £66,361. As regards 1955 Account, I expressed the view, in my statement to you a year ago, that the closing balance at the end of 1957 would probably be lower than the closing balance of 1954 Account at the end of 1956. At £241,404 it is lower, but only to a small extent. This is due, however, to higher Profit Commission earned under our Reinsurance Treaties as a result of the salvages which I have already mentioned. The figure of Profit Commission is £40,682, compared with £32,133 in 1956.

PROFIT AND LOSS ACCOUNT

Turning now to the Profit and Loss Account, interest on investments and other income (gross) comes to £45,612, which, added to £241,404 transferred from Underwriting, produces £287,016. Taxation on income within the Account is estimated at £142,588, so that the profit for the year, after providing for tax, is £144,428. The amount brought forward from 1956 is £99,680, giving a total of £244,108 for disposal. Against this total we have written £25,000 off the book value of the investments. Your Directors then recommend payment of a dividend of 12½ per cent less Income Tax, which will absorb £35,937 and leave a carry forward of £183,171. In arriving at the decision to leave the dividend unchanged and roughly double the carry forward, your Directors have been influenced by the prevailing uncertainty as to the economic situation over the next twelve months and its effect upon our business.

GENERAL REMARKS

As usual, the bulk of our business in 1957 has been in connection with credit risks in the United Kingdom, but we have again insured an appreciable volume of short-term credit risks in Commonwealth countries and in Western Europe.

With regard to the future, as I have already indicated, it is difficult to express any positive views concerning the manner in which the economic situation is likely to develop over the next twelve months. While there is still, in some degree, inflation in this country, signs of a recession have already made their appearance in the United States of America and elsewhere, and there is no doubt that the expectations of business men are not as hopeful as they have been in recent years. New investment orders for plant, building and equipment are far from sufficient to replace those which are being completed, and abroad there are indications that the demand for our goods may be on the decline.

In some countries the investment boom, like our own, is coming to an end, with a consequent rise in unemployment and unused industrial capacity. Other countries have outrun their ability to pay for the goods which they need, and this is particularly noticeable in primary producing countries, where the fall in world prices has reduced earning power. In some ways the uncertain outlook is good for our business, as was demonstrated in 1956 and again last year, but there is always the possibility that the overall decline in business activity may reduce the volume of transactions under current policies to a greater extent than we can replace by new business. I think it would be wrong to expect the rate of increase in premium income in 1957 to be maintained in 1958, and the possibility of claims arising is greater than at any time since the war. Credit insurance is particularly susceptible to the effects of a business recession and the signs and portents being what they are, it would be most unwise to ignore them.

The report and accounts were adopted.

THE LIVERPOOL & LONDON & GLOBE INSURANCE COMPANY LIMITED

A statement by the Chairman, Mr T. H. Naylor, circulated with the Annual Report and Accounts, indicated that in 1957 Fire, Accident and Marine premiums reached a new high level at £48,622,254. The underwriting surplus of £546,490 reflected the difficulties which had faced insurers, especially in North America.

Premium Income in the Fire and Accident Departments increased to £21 million and £25 million respectively, the former earning a surplus of £583,686, the latter suffering a loss of £178,203.

The Marine Department, with premiums of £2,336,631, had transferred £141,007 to Profit and Loss Account.

New Life business again reached a substantial total with new sums assured of £13,351,296.

In spite of the fall in security prices generally in 1957 the aggregate market value of the Company's investments at the year end still exceeded their Balance Sheet value by a satisfactory margin.

The Directors were recommending a final dividend of 30s. making 60s. for the year—an increase of 3s. on 1956.

THE EMPLOYERS' ASSURANCE

LARGER PREMIUM INCOME

The seventy-seventh Annual General Meeting of The Employers' Liability Assurance Corporation Limited will be held on May 28th in London. The following are extracts from the statement by the Chairman, Lord Knollys, which has been circulated with the report and accounts for the year ended December 31, 1957:

The combined premiums of our group of companies amounted to £38,432,000, an increase of £3,836,000 on those of 1956. The result of our year's trading, after taxation, was a loss of £313,589. On the other hand, our interest income was much higher and our investments, in total, continued to show a large appreciation.

The Directors recommend the payment of a final dividend of 3s. per share, making, with the interim dividend of 2s 6d. per share, a total of 5s. 6d. per share for the year, the same as last year.

The results of the year were dominated by the unfortunate underwriting experience in the North American continent—an experience which was almost universal.

We are satisfied, however, that our North American portfolio is basically a sound one and that, given more realistic rates, we shall not fail to revert to our usual profitable trading.

Fire.—Fire business in the United States continued to be unremunerative, although our own experience showed some improvement over 1956.

In Canada the position deteriorated further. The continuing sharp rise in the loss ratio in this class has made it essential to reconsider rates, and certain increases have been put into force.

In the United Kingdom we were able once more to show a good profit, while the business from other overseas territories again gave satisfactory return.

Accident.—In the United States, Motor business became even more unprofitable. Rate increases, averaging about 20 per cent for the personal injury cover, were obtained throughout almost the whole country, but even the new levels were soon found to be insufficient, so that further substantial increases in rates will be applied for in 1958.

In Canada, as in the United States, it was the Motor business that produced the most unfavourable results. The experience in this class deteriorated so rapidly in 1957 that the rate increases introduced on January 1st were supplemented in many parts of the country by additional increases from August 1st.

The new rates still prove insufficient, however, and they were accordingly raised to an even higher level at the beginning of 1958.

Our United Kingdom Accident account provided a further satisfactory advance in premium income, and we again made a fair profit overall.

Life.—The net new business of our associated Life Office, the Clerical, Medical & General Life Assurance Society, included sums assured of £10,514,592 and deferred annuities of £604,889 per annum.

Investments.—The Corporation's total investments, including property and associated and subsidiary companies, show, at £43,891,443, an increase of £2,169,010.

The value of our investments at market prices remained well in excess of their Book Value in our Balance Sheet.

NORWICH UNION INSURANCE SOCIETIES

ANNUAL MEETINGS

LIFE SOCIETY

Speaking at the Annual Meeting of the Norwich Union Life Insurance Society held in Norwich on April 29th, the President (Sir Robert Bignold) referred to the fact that this was the one-hundred-and-fiftieth meeting, the Society having been founded in 1808. Without doubt the Society combined with its age and experience a youthful vitality which augured well for the future.

Sir Robert reported expansion in all sections of the Society's business. New life insurances at £77 million showed an increase of 10 per cent over 1956, whilst deferred annuity business at £54 million also showed a marked rise.

Total funds, which only four years ago had passed the £100 million mark, were now over £150 million. The net rate of interest earned had risen from £4 7s. 9d. per cent to £4 8s. 9d. per cent, whilst the expense ratio had been reduced from 17.9 per cent in 1956 to 17.5 per cent last year.

Rates of intermediate bonus for the United Kingdom and Eire were increased by 3s. per cent from January 1, 1958.

FIRE SOCIETY

At the one-hundred-and-sixtieth Annual Meeting of the Norwich Union Fire Insurance Society Limited, the Chairman (Sir Robert Bignold) said 1957 was a year of expansion in which the total premium income increased by £1,990,633 to £19,903,408, but the profit, whilst showing a welcome over-all improvement on 1956, was disappointing in comparison with the volume of premium involved.

Fire premiums totalled £7,822,212, an increase of £503,891, and the profit before taxation was £148,929. Accident premiums advanced by £1,329,753 to £10,665,830, but the account showed a loss of £37,147. Marine premiums totalled £1,415,366, an increase of £156,989, and the transfer to Profit and Loss from the Marine Account was £30,000.

Net interest earnings increased by £15,086 to £394,434, being £141,434 in excess of dividend requirements.

Total assets amounted to £25,351,392, an increase of £1,316,767.

ROYAL DUTCH PETROLEUM COMPANY

N.V. KONINKLIJKE NEDERLANDSCHE PETROLEUM MAATSCHAPPIJ

(Founded in 1890)

BALANCE SHEET AS AT DECEMBER 31, 1957

	N.fl.	*N.fl.*
Investments in companies of the Royal Dutch/Shell Group		9,047,115,860
Current assets :—		
Receivable from companies of the Royal Dutch/Shell Group :		
Dividends	204,926,400	
Other income	36,163,482	
Other receivables	1,499,612	
Short-term government and other securities	22,449,048	
Cash	62,257,303	
Total current assets	327,295,850	
Current liabilities :—		
Proposed dividends less interim dividends	239,471,978	
Accounts payable and accrued liabilities	5,280,337	
Unclaimed dividends	4,650,440	
Total current liabilities	249,402,755	
Excess of current assets over current liabilities		77,893,095
Net assets		9,125,008,955
Capital :—		
Ordinary shares of N.fl. 20 each	2,998,500,000	
Of which unissued	1,782,134,400	
	1,216,365,600	
4% cumulative preference shares of N.fl. 1,000 each	1,500,000	
		1,217,865,600
Capital reserves :—		
Share premiums		24,580,515
Investments		7,749,516,887
Retained earnings		133,045,953
Total capital, reserves and retained earnings		9,125,008,955

STATEMENT OF INCOME, 1957

	N.fl.	*N.fl.*
Income :—		
From companies of the Royal Dutch/Shell Group :—		
Dividends	282,811,200	
Other income	50,977,163	
Interest and other income	4,394,778	
		338,183,141
Deduct :—		
Administrative and other expenses	3,237,805	
Net loss on short-term government and other securities	56,254	
Share in profit at the disposal of the Board of Directors and of the Managing Directors	3,884,029*	
		7,178,038
Net income for the year		331,005,053

* If the proposed distribution of profit is approved.

STATEMENT OF RETAINED EARNINGS, 1957

	N.fl.	*N.fl.*
Balance at beginning of year		132,422,061
Net income for the year		331,005,053
Unclaimed dividends forfeited		378,237
		463,805,351
Deduct :—		
Proposed cash dividends :—		
Preference shares	60,000	
Ordinary shares	330,699,398	
		330,759,398
Balance at end of year		133,045,953

The Hague, April, 1958.

The Board of Directors :

J. B. AUG. KESSLER, *Chairman*
H. BLOEMGARTEN
C. J. COLLOT D'ESCURY
B. TH. W. VAN HASSELT
F. Q. DEN HOLLANDER
W. H. VAN LEEUWEN
W. H. DE MONCHY
M. P. L. STEENBERGHE
C. R. C. WICKERHELD BISDOM
E. J. IZERMAN

The Managing Directors :

J. H. LOUDON, *President*
F. A. C. GUÉPIN
L. SCHEPERS
L. E. J. BROUWER

Copies of the full Report and Accounts can be obtained from
N. M. ROTHSCHILD & SONS, New Court, St. Swithin's Lane, London, E.C.4.

INTERNATIONAL NICKEL COMPANY OF CANADA

YEAR OF SUBSTANTIAL PROGRESS

The annual meeting of the International Nickel Company of Canada Limited was held on April 30th in Toronto.

Dr John F. Thompson, the Chairman, presided and, in the course of his speech, said: Although 1957 was a year of sharp contrasts, the Company made substantial progress and earnings were the third highest in its history.

The Company's nickel deliveries were close to the all-time peak and copper deliveries attained a postwar high. Proven ore reserves were at a new high level at the year-end. Work on our new nickel project in Manitoba proceeded on schedule.

The market for nickel started the year with an over-demand so substantial that some consumers continued to pay premium prices to obtain the supplies they urgently needed. It ended with nickel in over-supply.

Commenting on the Company's search for a nickel deposit large enough to make a real addition to world supply, the chairman said: After a 10-year search and expenditures of $10 million in Manitoba a commercial deposit was finally located. The Manitoba development has now been under way for over 16 months and will be carried to completion.

Our exploration in Manitoba is only part of the world-wide exploration which we have been carrying on for years in recognition of the need for further sources of supply. In 1957 our exploration expenditures were the highest in our history. This large-scale exploration programme is being actively pursued.

The progress that has already been made in Manitoba is of vital importance to the future of the Company and is on schedule. Our expansion in Manitoba and Ontario will increase our annual nickel production capacity to 385 million pounds by 1961.

In summary, the past year was one which saw temporary conditions reduce our immediate profits, but also one which afforded us the opportunity, particularly in the latter part of the year, to do those things essential to the development of a future increased market for nickel and the preparation of our production facilities to take care of this anticipated increased demand.

FINANCIAL EARNINGS

Net earnings for 1957 of $86,100,000 or $5.50 per common share, were the third highest in our history, and the Company's strong financial position was well maintained.

Common dividends paid in 1957 totalled $3.75 per share, the same as in the two preceding years. Total disbursements for the year were nearly $55 million.

It is estimated that capital expenditures in 1958 will be between $60 million and $70 million. In 1957 they were $43,900,000, the highest for any year, as compared with $23 million in 1956.

The final figures for operations in the first quarter of 1958 are not complete, but it can be stated that earnings will be substantially lower than the $20,100,000, or $1.38 per common share, reported for the preceding quarter—the three months ended December 31, 1957. The reduction in earnings is due principally to the sharply reduced demand for nickel and rolling mill and foundry products, and a further slight decline in copper prices.

The report and accounts were adopted.

JOSIAH PARKES & SONS LIMITED

(Manufacturers of Union Locks and Brassfoundry)

The ordinary annual general meeting of Josiah Parkes & Sons Limited was held on April 28th at Willenhall, Staffs, Mr Cyril W. Parkes, JP (Chairman and Joint Managing Director), presiding. The following is an extract from his circulated statement:

During 1957 your company has again had a successful year, although trading profit was slightly lower than in 1956. Group turnover showed a small increase, but costs continued to rise, whilst the general level of selling prices was held steady. There were falls in non-ferrous materials but these were offset by rises in iron and steel prices, wages and other costs, causing a slight contraction in profit margins.

Being alive to the necessity of keeping abreast of modern tastes and styles, we devote much time and thought to the extension of our range of products and the improvement of existing patterns. This is a continuing process, and during the past year various new and improved lines have met with a gratifying response.

The year 1958 has got off to a good start, and I know that everyone in the organisation will strive their utmost to obtain all the available business and to give our customers satisfaction in quality and service. I think, though, that trading conditions will be more difficult. Costs have continued to rise, and apart from a possible fall in output profit margins are likely to narrow still further.

The report was adopted and a final dividend of 7½ per cent was approved.

PEARL

ASSURANCE COMPANY LIMITED

Chairman: **GEOFFREY KITCHEN, T.D., M.A.**

Points from the Annual Report and Balance Sheet for the year ending 31st December, 1957

TOTAL ASSETS £257,740,397 **GROSS INCOME £55,133,940**

INVESTMENTS

The Assets show an increase of £13,914,037. The valuation of the investments taking Stock Exchange securities at middle market prices showed a comfortable margin compared with the values shown in the Balance Sheet after taking into account the Investments Reserve Funds.

LIFE BRANCHES

In the two Life Branches the total sums assured on new policies issued amounted to £74,644,530 compared with £72,168,907 for 1956 and the total sums assured and bonuses in force (including the Capital Redemption Fund), amounted to over £620 millions (an increase for the year of over £38 millions). The total new annuities of all kinds amounted to £1,468,746 per annum.

FIRE AND ACCIDENT

In this Branch the premium income was £10,630,192.

REVERSIONARY BONUSES

ORDINARY BRANCH.—A reversionary bonus of **£2 2s. 0d.** per £100 sum assured or annuity on United Kingdom policies entitled to participate in full profits.

INDUSTRIAL BRANCH.—A sum of **£2,543,214** has been allocated to provide bonuses and other benefits to policyholders in the Industrial Branch making a total allocation up to date of **£31,303,493.**

CHIEF OFFICES: HIGH HOLBORN, LONDON, W.C.1.

INNS & COMPANY

(Public Works Contractors, Asphalters, Sand and Gravel Pit and Quarry Owners)

CURRENT TRADING IMPROVEMENT

The twenty-third annual general meeting of Inns & Company Limited, was held on April 25th in London, Mr Walter Wallace (Joint Managing Director) presiding.

The Chairman, in the course of his speech, said:

Trading continued at a satisfactory level for the first half of the current year under review, that is to June, 1957, but since then, owing to various National and other conditions not controllable by your Board, there has been a slowing up in demand during the second half of 1957, with a falling off in the trading profit for the year.

This trading profit amounted to £508,315 against the trading profit of £684,050 of the preceding year. The net profit amounted to £399,071 compared with £522,366 for the year 1956.

There was a general curtailment of work by Government and Public Authorities which affected your Company's servicing department, together with a general falling off in Government and Municipal Works and private building and road making. This was experienced during the latter half of the year and was largely attributable to the credit squeeze and the higher Bank Rate.

Since the end of January of the current year the volume of trade has shown some improvement, and as I have on several occasions pointed out to you your Company is well placed to participate in the new road programme and to meet any other demand which may arise.

Shareholders' attention is called to the fact that the Company owns 8,773 acres of land which stands in the Company's Balance Sheet, after depreciation, at about £1,193,000, which value is almost equal to the total issued share capital of your Company.

The Company's Plant and Machinery has been kept in an efficient and well-maintained state in the current year.

The total amount spent on the Plant, Machinery, etc., since incorporation amounts to £966,630 and after being depreciated leaves a balance of £310,912 as the value appearing in your Balance Sheet.

The liquid position of your Company is very satisfactory, there being £556,329 balance at Bank and cash in hand.

The report and accounts were adopted and the total dividend of 20 per cent was approved.

At the subsequent Extraordinary General Meeting the proposed new Articles of Association were adopted.

Gestetner

LIMITED

TOTTENHAM, LONDON, N.17

The Company manufactures the world-famous Gestetner Duplicator and accessories It has branches throughout the United Kingdom and subsidiary companies or representatives in all parts of the British Commonwealth, in the Americas, the Far East, and many countries in Europe. Extensive servicing facilities are available throughout the organisation.

SUMMARISED CONSOLIDATED ACCOUNTS AT 30th MARCH, 1958

	£		£
Issued Capital	2,366,880	Fixed Assets at cost, less depreciation	1,900,180
Capital Reserves	477,025	Interest in subsidiaries not consolidated	242,256
Revenue Reserves and Unappropriated Profits	2,311,518	Excess of Current Assets over Current Liabilities	4,077,215
Future Income Tax 1958/59	574,453		
4½ per cent. Debenture Stock, 1975/80	489,775		
	£6,219,651		£6,219,651

Group Profit for the year after Taxation		698,177
Dividends Net by Gestetner Limited:		
Preference	£19,406	
Ordinary	185,941	
		205,347
Retained in the Group		£492,830

Copies of the Accounts and Chairman's Statement may be obtained from the Secretary, Gestetner Limited, Tottenham, N.17.

THE LONDON & LANCASHIRE INSURANCE COMPANY LIMITED

THE HONOURABLE R. M. PRESTON'S STATEMENT

The Annual General Meeting of The London & Lancashire Insurance Company Limited will be held on May 22nd at 7 Chancery Lane, London, W.C.2.

The Chairman, the Honourable R. M. Preston, DSO, has issued a statement to Stockholders, from which the following has been taken:

The net world figures for the combined Fire, Accident and Marine Departments were:

	1957	1956
	£	£
Premium income	33,291,218	30,162,188
Underwriting loss	547,399	425,119
Ratio	1·64%	1·41%

The increase of £3,120,000, in round figures, in the premium income was not unsatisfactory.

Fire Department.—The net underwriting results of fire business were:

	1957	1956
	£	£
Premium income	12,926,296	11,797,133
Underwriting loss	455,629	231,725
Ratio	3·52%	1·96%

Insurance experience in the United States and Canada has been deteriorating for some years. Outside the North American continent, premium income increased in all important territories and earned a reasonable margin of profit.

Accident Department.—The net underwriting figures were:

	1957	1956
	£	£
Premium income	15,673,637	14,450,610
Underwriting loss	441,770	593,394
Ratio	2·82%	4·11%

Motor vehicle insurance income represents rather more than one half the total premium income of the Department and has incurred an underwriting loss.

Marine Department.—The figures were:

	1957	1956
	£	£
Premium income—current year	4,631,285	3,914,443
Transfer to profit and loss account	350,000	400,000
Balance of underwriting funds—all years	5,129,384	4,700,301
Ratio	109·57%	120·08%

There was a considerable increase in first year premiums in 1957 and the balance in hand at the end of the year, amounting to £3,086,965, was in reasonable relation to premiums at 66 per cent. The second year figures, that is to say, on account of 1956 underwriting to the close of 1957, had a balance in hand of £674,839, which was rather less favourable than for the previous year.

Profit and Loss Account.—The Company's total profit for the year from underwriting and investment, before deduction of taxation, was £1,061,883. On the financial side, interest and life profits, after deduction of British income tax, amounted to £988,984, an increase of £47,885 on the previous year.

In accordance with usual practice, interest earnings are shown in the accounts, net of British income tax, so as to conform to the recognised practice in British insurance of relating net dividend to net interest and life earnings rather than to aggregate profit. The underwriting profit is, in general, added to reserves to meet possibility of heavy underwriting loss, a possibility which is always present and has been realised in the past two years.

It is that practice which justifies the recommendation of a dividend of 35 per cent, same as previous three years. Should underwriting experience prove more favourable, an increase in Dividend may well be justified.

The Chairman closed his statement by thanking the General Manager and Staffs for their service during the year.

GILBEYS LIMITED

(Wine Merchants and Distillers)

FURTHER PROGRESS IN WORLD MARKETS

The annual general meeting of Gilbeys Limited was held on April 29th in London, Mr R. D. Gilbey (the chairman) presiding.

The following is an extract from his statement:

I am once again pleased to report an increase in the trading profit of the Group. A part of this increase is due to the inclusion this year of royalties received from the USA, but nevertheless the ordinary trading profit showed a substantial increase, particularly in Canada.

At the time of writing neither the business of our Canadian subsidiary nor the trade in our products in the USA appear to be affected by the generally adverse trade conditions in the latter country. Sales of gin and vodka are well maintained and sales of Spey Royal Whisky are showing a marked improvement. The results in Canada in 1957 were even better than had been expected.

Our subsidiary in South Africa continues to expand. In Australia, sales of gin and whisky were very satisfactory. Recent restrictions upon the import of spirits into New Zealand are likely to have an adverse effect.

At home, table wines generally have been increasing in popularity recently, and it is gratifying to find how well our brands are participating in the resurgence.

Last year I referred to the acquisition of the agency for "Old Grand-dad" Kentucky Bourbon Whiskey, one of National Distillers' leading products, and this is finding a ready sale. Now, as from last Christmas, we have been proud to market the famous Eau Perrier; and we have plans, as opportunity affords, to list other imported lines of similar prestige.

Since the war we have set up new organisations in South Africa and New Zealand and have expanded greatly in Canada and Australia. We have rebuilt and extended our Bottling Stores in Edinburgh and modernised the equipment in our establishments in Camden Town and Dublin. We were pioneers in marketing inexpensive table wines from Southern France, while at the other end of the scale our "Smirnoff" brand was the first vodka to be manufactured in England. With "Crock O' Gold" we have blazed a successful trail in "blended" Irish Whiskey. Meanwhile, in collaboration with Messrs Cinzano, our gin is now being made in eight foreign countries, the latest being Uruguay and Germany.

The report was adopted.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

MR A. C. S. MEYNELL'S ADDRESS

The Fifty-third annual general meeting of The Association of Certified and Corporate Accountants was held in London on April 29th. Mr A. C. S. Meynell, FACCA, was in the chair and in the course of his address said:

MEMBERSHIP

The problem of recruitment is not one which is restricted to the Association and so far as one may judge from reports, it is a difficulty with which all the professional bodies are having to cope. Its existence seems attributable mainly to the glittering enticements which are held out to school-leavers by industry, both in the form of free academic or technical training and attractive career prospects. We must seek to persuade the new generation that accountancy is not the dull business they think it and that it can offer an interesting and rewarding career for most people of average ability and a stimulating and highly remunerative one for those of the highest capacity.

With this object in view we have recently produced a small booklet entitled "Accountancy—A Career of Opportunity," which provides a good deal of helpful information about the Association for those who may be contemplating entering the profession and will—we hope—help to dispel some of the misunderstanding which exists about the work of an accountant.

CHEQUES ACT

A piece of legislation which proved to be of more than passing interest to accountants was Mr Graham Page's Cheques Act, which took effect from October last. The object of the Act was the relatively simple one of saving the time spent on endorsing and examining order cheques and this object has been achieved without undue fuss or bother.

It has, however, had consequences which few people perhaps anticipated, at any rate in quite the degree to which they developed. Many organisations, both large and small, were greatly attracted by the idea of saving not only the time spent on cheque endorsement but also the time and money involved in the issue of receipts. As a result, there has been a very strong movement indeed towards the elimination of receipts, except in a few special cases.

It is clear also that the effect of the Act has been widely misunderstood and there can seldom have been a topic upon which quite so much uninformed comment has appeared in letters to the press and elsewhere. Indeed, I can tell you from my knowledge that there are industrial and commercial concerns, some of them quite large, who apparently believe that the Cheques Act authorises them to issue a receipt for £2 or more without any stamp or, alternatively, to refuse to issue a receipt at all. This is, of course, quite wrong. The law relating to the issue and stamping of receipts has not been altered in any way and accountants who find their clients issuing unstamped receipts for £2 or over could usefully point this out. I do not think the accountant can reasonably be expected to do more, but it should be borne in mind that failure to stamp a dutiable receipt carries with it a penalty of £10 in respect of every default and it seems to me not unlikely that in due course the Revenue may turn its attention to this matter.

ENGINEERING COMPONENTS LIMITED

The twenty-third annual general meeting of Engineering Components Limited was held on April 29th in London, Mr C. C. Griffith, MC (the chairman), presiding.

The following is an extract from his circulated statement:

The turnover for the year has, of course, been affected by the fall in the price of our principal raw material (Copper), although output of the main Departments here in Slough has shown an increase over the period, in line with Automobile production. Today we have cost-inflation due to wages increasing at a greater rate than productivity, and in spite of our constant endeavours to find new production techniques profit margins have tended to narrow.

Out of the profit of £409,279, taxation takes £229,200 and the Subsidiary Companies retain £10,984, leaving your Company a net profit of £169,095.

After reviewing the activities of the subsidiary and associated companies at home and overseas, the statement continued:

Export sales during the year have been maintained, and no efforts have been, or are being, spared to augment them.

Prospects: **At the moment the activity of the Automobile Industry is high, and provided this continues we should obtain our share of the resultant business.**

We are hopeful that the fields we are exploring outside the Motor Industry will help to enhance the position your Company has enjoyed for so many years.

The report was adopted and the dividend of 15 per cent approved.

THE RIO DE JANEIRO FLOUR MILLS AND GRANARIES

MR G. McT. SHEPPARD'S ADDRESS

The seventy-second Ordinary Annual General Meeting of The Rio De Janeiro Flour Mills and Granaries, Limited was held on April 28th in London.

In his Address, Mr G. McT. Sheppard (the chairman), said that the Accounts for the year ended September 30, 1957, showed in terms of Brazilian currency an increase in the Group Trading Profit of approximately eighty-four million cruzeiros compared with the previous year. Upon conversion at Cr. $232,00 to the £ sterling, the free rate of exchange applicable at September 30, 1957, the sterling Group Trading Profit was £910,084 as against £665,282 for the previous year when the free rate was Cr. $191,00 to the £.

The trading results of the four Flour Mills of the Group had proved satisfactory during the year under review. In spite of rising working costs and wage adjustments flour prices were unaltered during the whole of this period and continued to be the same as those in force in July, 1956.

Having in mind the less favourable trading results in the first six months of the Company's year 1957-58 and the continued weakness of the cruzeiro/sterling exchange, it was not the Directors' intention to declare an Interim Dividend as they had done in previous years. Their Final Dividend policy must depend on the result of a full year's trading, but it was clear that they should husband their resources with the object of consolidating their position in Brazil.

The report was adopted.

THE MERCHANTS MARINE INSURANCE CO.

The Annual General Meeting of The Merchants Marine Insurance Company Limited will be held on May 28th in London.

The following are extracts from the circulated statement by the chairman, Lord Knollys:

I am able to report a further growth in our business both for the Marine and Fire and Accident Accounts. Our Marine premium in 1957 amounted to £502,070, an increase of £13,573 over 1956. Bearing in mind the continuing downward trend in Cargo rates and the fall in shipping values, this increase, though comparatively small, represents further development in our worldwide Marine business.

The premiums on our Fire and Accident and General business amounted to £466,341, an increase of £210,147 over 1956. However, these Accounts show an overall loss of £68,162.

We have transferred £20,000 from our Marine Account to the Profit and Loss Account and after bringing in interest on our investments, the net deficiency is £12,939.

The Marine Fund amounts to £617,261, or 122.9 per cent of the premium income and is, in our view, adequate to meet all calls upon it.

This is the first time we have shown a loss on our non-marine business since we entered this field in 1921. There are special reasons for this. In the past, the bulk of our Fire and Casualty business came to us by way of reinsurance ceded from our Parent Company, but last year it was decided that in Canada this business should be underwritten for our direct Account. This resulted in an addition to our income of nearly £200,000. This increase made it necessary for us to make considerable additions to our reserves, which partly accounts for the magnitude of our book loss. I am sure it will be appreciated that we have, by direct writing, acquired a large amount of additional premium on which we expect to earn profits in the future.

AMBER CHEMICAL INDUSTRIES

ENCOURAGING RESULTS

The tenth annual general meeting of Amber Chemical Industries, Limited, was held on April 30th in London.

Mr D. G. N. Lloyd-Lowles, chairman, in the course of his speech, said: At the last annual general meeting I closed by saying that we expected soon to be able to show solid achievements reflected in profits, and not merely hopes and forecast of good things to come. Our 1956 accounts showed a loss of £34,102; those of 1957 show a profit of £17,472, which means a turn round of £51,574. In every section of our business profits were earned, although the cost of development of new projects has not yet been entirely absorbed in the accounts now before you.

The net assets of the company including Reserve for Future Income Tax have improved from £122,902 to £141,384, and the net current assets now show a surplus of £90,137 over Current Liabilities as against £64,146 last year. Generally, our financial position is healthier than it has been for some time, but during the next two years or so we can expect capital expenditure totalling approximately £50,000.

Four months have passed since the end of our financial year. Both trade and profits have shown further improvements and generally speaking, we should not be too vulnerable to temporary fluctuations in industry. We cannot claim complete immunity, of course, from a major depression. We have budgeted for a profit in excess of that for the year ended December 31, 1957, and figures show that we are proceeding as planned. Our recovery however will be gradual.

We paid one year's arrears of dividend on the Preference shares in December last, and propose, all being well, to make progressive reductions in the arrears as rapidly as possible, having regard not only to profits but our financial situation. The reduction in Distributed Profits Tax will be of some help.

PARKINSON & COWAN LIMITED

ANOTHER SATISFACTORY YEAR

MR HUGH P. BARKER'S REVIEW

The fifty-eighth Annual General Meeting of Parkinson & Cowan, Limited, was held on April 28th in London. Mr Hugh P. Barker, the Chairman, in the course of his address, said:

I should like to tell you briefly about the scope of our manufacturing business. It embraces Fluid Metering and "Fluid Automation"; Gas Metering; Electrical Control and Instrumentation; Home Equipment; Radiant Heating for Industry; and Leather.

This widely diversified range contains several growth points about which I hope to have more to say in future years.

TRADING RESULTS

The gross trading profit was £583,165 compared with £597,497 in 1956 and the net profit of £159,306 compared with £173,739. After allowing for Preference dividends, but before providing for annual debenture redemption and profits tax on dividend distributions, this represents a return of 19 per cent net on our Ordinary stock.

An Ordinary dividend of 9 per cent is again recommended.

THE FUTURE OF THE GAS INDUSTRY

The manufacture of gas appliances and meters forms about a half of our activity. Some people ask what future lies ahead for the Gas Industry. I would like to assert that the Gas Industry has certainly a vital and permanent place in Great Britain as in many countries overseas. The Industry has started to exploit revolutionary techniques in gas making, using cheaper grades of coal and oil as basic raw materials, and as the years go by manufactured gas of superior properties and competitive prices will arrive on the scene. I have no doubt that the Gas Industry will then resume its upward climb.

The Report and Accounts were adopted.

APPOINTMENTS

CITY OF NAIROBI

APPOINTMENT OF ACCOUNTANT GRADE II—CITY TREASURER'S DEPARTMENT

Applications are invited for this permanent non-established post (consolidated salary scale £1,427 x £50-£1,577 x £54-£1,627 per annum).

Preference will be given to applicants who have passed the intermediate examination of the Institute of Municipal Treasurers and Accountants (Incorporated) or other equivalency body and who have considerable experience in salary and wage records and superannuation records and accounts with a large local or public authority.

Service in the City Treasurer's Department, Nairobi is recognised for the purpose of the examinations of the Institute of Municipal Treasurers and Accountants (Incorporated) and arrangements can be made for such examinations to be held in East Africa.

The successful applicant must pass a medical examination before appointment.

A summary of main Terms of Service and Application Forms are available from the East African Office, Grand Buildings, Trafalgar Square, London WC2, and applications should reach the Establishment Officer, P.O. Box 30075, Nairobi, Kenya by May 26, 1958.

Canvassing either directly or indirectly will be a disqualification.

HAROLD AYREY,
TOWN CLERK.

City Hall,
P.O. Box 30075,
NAIROBI.
April 21, 1958.

MATHEMATICIAN

LAPORTE INDUSTRIES LIMITED invite applications from Mathematicians with experience of application of mathematical statistics to the solution of industrial and scientific problems.

The post offered is a new one involving investigation of problems of considerable variety and scope. It is expected that this appointment will give rise in due course to the formation of a Department which the successful applicant will be expected to build up and lead.

The appointment will operate from and in London and will command a high salary.

Applications, which will be treated in confidence, should quote Ref. LJL/JEC2/11 and be addressed to the Laporte Group Personnel Manager, LAPORTE INDUSTRIES LIMITED, Hanover House, 14 Hanover Square, London, W.1.

ORGANISATION AND METHODS

The Administrative Management Section of the World Health Organisation has a vacancy for a MANAGEMENT OFFICER (Salary US $4,800-$6,200 p.a., tax free, plus allowances). Only persons with experience in work of the management consultancy type, and with a very good working knowledge of English should apply. Applications in writing, stating age, nationality, qualifications and experience, within 2 weeks of the date of publication of this announcement, to: VN 434, PERS/RPU, World Health Organisation, Palais des Nations, Geneva, Switzerland. Only short-listed candidates will receive a reply.

D.S.I.R. requires Assistant Publications Officer (man or woman) at Building Research Station, Garston, Herts., to prepare publications for building industry based on Station's chemical, physical, engineering and operational research. Pass degree in science subjects and industrial experience including writing of technical reports desirable. Salary (men, 26 or over) £920-£1,130.—Forms from M.L.N.S., Technical and Scientific Register (K) 26, Easy St., London, SW1, quoting A 138/8A.

BAHAMAS, WEST INDIES

Director of distributing company proceeding Caribbean early July would consider representing U.K. Publishers, will carry out commissions, research or furnish special reports. Complete coverage all islands assured. Box 922.

ENTERTAIN THE NEW WAY. Show your colour photographs with an Aldisette Projector £21.12.0.—City Sale & Exchange Ltd., 66 Cheapside, London, E.C.2.

OUTSTANDING OPPORTUNITY TO PARTICIPATE IN POINT FOUR OIL CONCESSION PROGRAMME

The general uncertainty of the overall oil exploratory picture in the Near East offers an exceptional opportunity to participate in pending oil concession contracts in more than twenty countries, approving the idea of our becoming an integral element in the general economy of each country involved, in addition to operating the exploratory and exploitation oil concession.

We are seeking participants with us in amounts ranging from Five Hundred to Five Thousand Pounds sterling, for reasonable interests in our company. We have already arranged for the major exploratory money. Writer of this advertisement will always retain control of this enterprise so every investor is assured of correct operation. Writer will be in London shortly and invites your inquiry, with no obligation on your part for doing so. Please address Box 928, The Economist, 22 Ryder Street, St. James's, SW1.

ORDERS for advertisements in *The Economist* are accepted on condition that they are liable to rejection at the discretion of the Editor; that while every effort will be made to publish an advertisement on a specified date, no guarantee is given, and that white on black, reverse blocks, or large sizes of black-faced type may be supplied or used at the Editor's discretion.

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Department of Commerce and Management Studies

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Part I — Session 1958/9

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Thomas Street, London, S.E.18.

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Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the two examinations for Lond. Univ. B.Sc.Econ. (three if Entrance is included). Moderate fees, instalments. Over 800 Wolsey Hall students passed Lond. Univ. B.Sc.Econ. exams. 1951-56. Prospectus from C. D. PARKER, M.A., LL.D., Director of Studies, Dept. P.16, WOLSEY HALL, OXFORD.

SECRETARIAL TRAINING, especially for university graduates and older students. Six-month and intensive 14-week courses.—Write Organising Secretary, DAVIES'S, 2 Addison Road, W.14. PARK 8392.

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for Examinations—University, Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects. Write today for free prospectus—and/or advice, regarding examination or subjects in which interested, to the Secretary (G9/2).

METROPOLITAN COLLEGE, ST. ALBANS
or call at 29 Queen Victoria Street, London, E.C.4.

APPOINTMENTS REQUIRED

COMMERCIAL ATTACHE. Ex senior Board of Trade official with Foreign Office, European and Far Eastern experience willing consider suitable appointment in Embassy of country politically associated with UK. Box 927.

PAKISTANI (Sales Executive) requires position in Pakistan. Widely travelled. Six years experience Sales, Advertising and Marketing. Willing travel.—Box 930.

BUSINESS AND PERSONAL

Invest in

CITY OF COVENTRY

Mortgage Loans

(TRUSTEE SECURITIES)

SIX PER CENT FOR TEN YEARS

Special terms will be quoted for loans of £10,000 and over.

For further particulars apply:

CITY TREASURER (C), COUNCIL HOUSE, COVENTRY.

A BARGAIN, £25.—For sale, Co. Rooms (Seal, Statutory Books). Guaranteed no trading, ready now. State trade wanted. BUSINESS ECON (E/Sec), 156 Strand, London, W.C.2 (Tem. 8377/2940). Also Seven-day incorporation service.

SPANISH Capitol by Rimsky Korsakov. Fl Cfl Amontillado, by Dorf Gordon. The perfect pair for an evening of *rhapsodie espagnole*. Ole!

APPOINTMENTS

CITY OF COVENTRY

APPOINTMENT OF ASSISTANT ENGINEER

Applications are invited for the appointment of Assistant Engineer in the Engineer's Department. Salary in accordance with A.P.T. Grade III (£650 x £25 to £750 per annum). Applicants must be Corporate Members of the Institution of Civil Engineers and have had experience in the design and construction of roads and bridges.

Applications, stating age, qualifications and experience, together with the names of two referees, should be delivered to the undersigned not later than May 10th, 1958.

R. RIBBLESDALE THORNTON,
Clerk to the Governors.

TANGANYIKA PUBLIC SERVICE COMMISSION

Applications are invited for the post of ACCOUNTANT (POSTAL ORDERS), POSTS AND TELECOMMUNICATIONS DEPARTMENT, to plan and initially superintend the introduction of Ghana Postal Orders; draft new Rules and Duty Instructions for the Postal Order Service; organise and supervise the security of unissued and paid Orders, the accounting of unclaimed Orders, and an Inquiry section to deal with Postal Order complaints. Candidates should have considerable experience in the Postal Order Department of the British Post Office and/or experience in introducing a Postal Order Issue in another Postal Administration. Salary in range £1,310-£1,660. Secondment from the British Post Office can be arranged if desired.

Appointment on contract for two tours each of 18-24 months duration in the first instance. Gratuity at rate of £12 10s. for each completed month of residential service payable on completion of contract. Outfit allowance £30-£60 on first appointment. Free first class passages for officer, wife and up to 3 children under 18 years and in addition an education allowance for children when not resident in Ghana of £100 a child for up to 3 children under 18 years. Generous home leave on full pay. Income tax at low local rates. Preservation of superannuation or pension rights, where applicable, can be arranged.

For further particulars and application form write, stating age, qualifications and experience to THE DIRECTOR OF RECRUITMENT, GHANA HIGH COMMISSIONER'S OFFICE, 13, BELGRAVE SQUARE, LONDON, S.W.1.

ALBRIGHT & WILSON (M&G.) LIMITED, require a qualified Accountant in the Central Cost Department, near Birmingham. The work will involve assisting with the preparation of budgets and undertaking investigations concerning the economics of the Company's production operations. Candidates must possess a qualification in Accountancy or Statistics and should be aged 27-32.

The Company operates non-contributory Pension and House Purchase Schemes, apply stating briefly, age, qualifications, experience and present salary, to Mr F. B. Hunt, Staff Officer, (Ref. 441) Albright & Wilson (Mfg.) Ltd., P.O. Box 3, Oldbury, Nr. Birmingham.

UNIVERSITY OF CAMBRIDGE

Applications for the post of ASSISTANT in RESEARCH in the Department of Human Ecology, vacant from October 1, 1958, or as soon as possible thereafter. The person appointed will be expected to engage in research in the field of national and international vital statistics, and to give assistance with the design and analysis of a wide range of medical research projects. Applicants should be graduates in mathematics, mathematical statistics, or statistics; those expecting to graduate in the coming summer will be considered. Salary scale, £650 x £25 to £850, with superannuation benefits and family allowance where applicable.—Further particulars and information may be obtained from Dr. G. A. Gresham, Secretary of the Appointments Committee of the Faculty of Medicine, The Medical School, Tennis Court Road, Cambridge, to whom applications should be sent to reach him not later than July 30, 1958.

FINANCIAL NOTICES

NORANDA MINES LIMITED

DIVIDEND NOTICE

Notice is hereby given that an interim dividend of Fifty Cents (50c) per share, Canadian Funds, has been declared by the Directors of Noranda Mines Limited, payable June 14th to Shareholders of record May 16th, 1958.

By Order of the Board,
C. H. WINDELER,
Secretary.

Toronto, Ontario,
April 25, 1958.

BENGUELA RAILWAY COMPANY

The following preliminary traffic results for the first three months of the year 1958 compared with the first three months of the year 1957 have been issued.

	1958 Tons		1957 Tons
Kilometres run			1,589,565
Passenger Traffic	370	Esc.	3,985,000
Local Traffic:			
Minerals	33,673	,,	5,157,000
Other	360,757	,,	18,986,000
Transit Traffic:			
Minerals	127,678	,,	60,171,000
Other	27,871	,,	21,796,000
Miscellaneous Receipts	—	,,	1,858,000
Tons (excluding Service Traffic)	349,750	Esc.	111,953,000
Working Expenses in Africa		Esc.	58,966,000
Net Operating Receipts		Esc.	52,987,000
Kilometres run			1,481,764
Passenger Traffic	539	Esc.	3,731,000
Local Traffic:			
Minerals	—		
Other	146,044	,,	13,824,000
Transit Traffic:			
Minerals	132,439	,,	62,650,000
Other	49,635	,,	31,772,000
Miscellaneous Receipts	—	,,	2,106,000
Tons (excluding Service Traffic)	328,457	Esc.	114,083,000
Working Expenses in Africa		Esc.	57,574,000
Net Operating Receipts		Esc.	56,509,000

Tanganyika Concessions Limited owns all the Debentures and 90 per cent of the equity of the Benguela Railway.

ROYAL TECHNICAL COLLEGE, SALFORD

Principal: C. WHITWORTH, M.Sc., Ph.D., F.R.I.C., F.Inst.F.

Applications are invited for the new post of HEAD OF DEPARTMENT OF LIBERAL STUDIES. Applicants should hold a suitable degree and/or professional qualifications and have wide interests in modern development.

The successful candidate will be expected to co-ordinate and supervise all classes in English, Languages, Social Studies and other peripheral subjects in courses leading to professional qualifications in a wide variety of technological subjects.

This will be a Grade III Department, the salary scale for which is:—£1,600 x £50-£1,750 (men); £1,280 x £40-£1,360 + £70/£35 differential (women).

Further particulars and forms of application may be obtained from the Principal, Royal Technical College, Salford 5, to whom they should be returned as soon as possible.

R. RIBBLESDALE THORNTON,
Clerk to the Governors.

DOMINION OF CANADA

THREE-AND-A-QUARTER PER CENT. REGISTERED STOCK, 1958/63.

For the purpose of preparing the Interest Warrants due July 1, 1958, the BALANCES will be STRUCK at the close of business on June 2, 1958, after which date the Stock will be transferred ex-dividend.

For the Bank of Montreal, Financial Agents of the Government of Canada, in London.

A. P. HARPER,
Manager.

47, Threadneedle Street, E.C.2.
May 1, 1958.

THE CUNARD STEAM-SHIP COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the Eighty-first Annual General Meeting of The Cunard Steam-Ship Company Limited will be held in Cunard Building (Fifth Floor), Pier Head, Liverpool, on Wednesday, the 21st May, 1958, at 11 a.m.

(1) To receive and consider the Statement of Accounts for the year ended December 31, 1957, with the Reports of the Directors and Auditors.

(2) To sanction the declaration of final dividend for the year 1957.

(3) To elect Directors in place of those retiring but who, being eligible, offer themselves for re-election. In accordance with the provisions of the Companies Act, 1948, special notice has been received of the intention to move at the above Meeting a resolution for the re-election as a Director of the Company of Sir Alan C. Tod, who at the date of the Meeting will be aged 70 years and who retires and offers himself for re-election.

(4) To confirm re-appointment of Auditors and to fix their remuneration.

By Order of the Board,
C. C. TOMLINSON,
Secretary.

Offices:—Cunard Building, Liverpool.
26th April, 1958.

Note to Members.—A Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not also be a Member.

ROYAL DUTCH PETROLEUM COMPANY
(N.V. KONINKLIJKE NEDERLANDSCHE PETROLEUM MAATSCHAPPIJ)
established at The Hague

ANNUAL GENERAL MEETING OF SHAREHOLDERS

to be held on TUESDAY, MAY 20, 1958, at 11.30 a.m., in the large hall of the CARLTON HOTEL at AMSTERDAM, THE NETHERLANDS.

AGENDA.

1. Appointment of a Director owing to retirement by rotation.
2. Annual Report for 1957.
3. Approval of the Balance Sheet and the Profit and Loss Account for 1957.
4. Distribution of profit, declaration of dividend for 1957.

This agenda, the nomination relating to Item 1 of the agenda, the documents named under Items 2 and 3 of the agenda with the relevant notes in accordance with Article 42 of the Netherlands Commercial Code, and with the proposals submitted by the Board of Directors, together with the proposals submitted under Item 4 of the agenda, will be available for inspection from to-day until after the Meeting, and may be obtained by shareholders free of charge,

(A) AT THE COMPANY'S OFFICE,
30, Carel van Bylandtlaan, The Hague, and at the offices specified below.

In order to attend and address the Meeting and to exercise voting rights thereat in person or by proxy:

(A) HOLDERS OF SHARE CERTIFICATES TO BEARER will be required to deposit against receipt *either* their share certificates *or* evidence that their share certificates have been deposited in open custody with the Nederlandsche Bank

not later than Wednesday, May 14, 1958, at one of the places mentioned below, viz:—

In the NETHERLANDS at the Nederlandsche-Handel-Maatschappij, N.V., Amsterdam
at the Kas-Associatie N.V., Amsterdam
at the Amsterdamsche Bank N.V., Amsterdam
at the Banque de Paris et des Pays-Bas, Amsterdam
at Messrs. Hope & Co., Amsterdam
at Messrs. Pierson, Heldring & Pierson, Amsterdam
at the Rotterdamsche Bank N.V., Amsterdam
at the Twentsche Bank, N.V., Amsterdam
at Messrs. Schill & Capadose, The Hague
at Messrs. Pierson, Heldring & Pierson, The Hague
at Messrs. Van der Hoop, Offers & Zoon, Rotterdam
at Messrs. R. Mees & Zoonen, Rotterdam
and at the branches and sub-branches of these banking houses in the Netherlands

In addition
NEW YORK at The Chase Manhattan Bank
LONDON at Messrs. N. M. Rothschild & Sons.
PARIS at MM. Lazard Frères & Cie.
ZURICH at the Crédit Suisse.
BRUSSELS at the Banque de la Société Générale de Belgique or
at the Crédit Lyonnais,

and

(B) REGISTERED HOLDERS OF REGISTERED SHARES must make known to the Company in writing their desire to attend and address the Meeting and to exercise voting rights thereat by not later than Tuesday, May 13, 1958: (1) with respect to shares of New York registry, at the office of The Chase Manhattan Bank, Corporate Agency Department, 43 Exchange Place, New York 15, New York; (2) with respect to shares of Amsterdam registry, at the Nederlandsche Handel-Maatschappij, N.V., Amsterdam; and (3) with respect to all other registered shares, at the office of the Company in The Hague or at any of the offices listed in paragraph A above.

THE BOARD OF DIRECTORS.

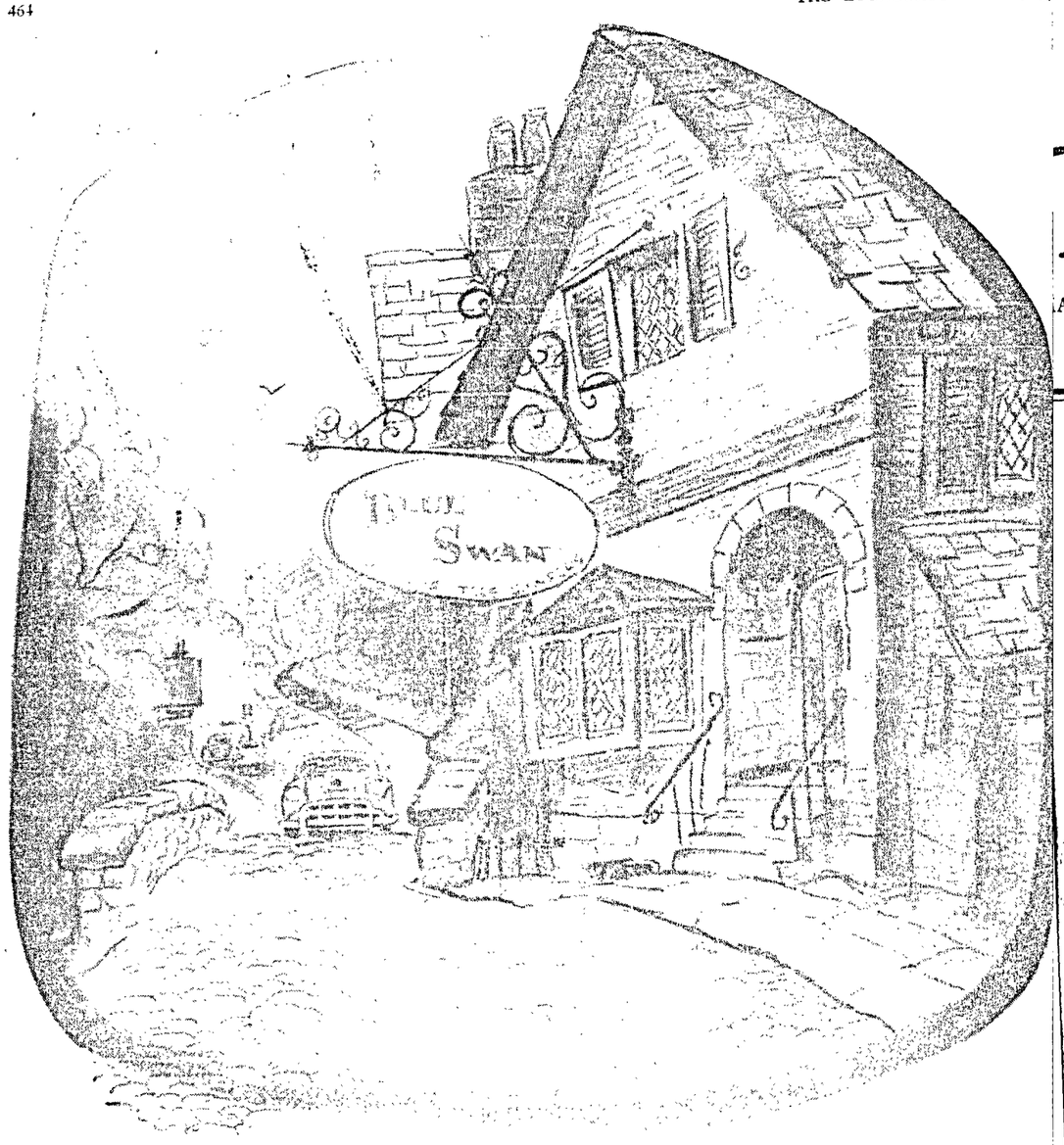
April 28, 1958.

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Indonesia	£9 0s.	—
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Israel	£7 15s.	—
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Jordon	£7 15s.	—
Lebanon	£7 15s.	—
Malaya	£9 0s.	—
New Zealand	£10 6s.	—
Nigeria	£9 0s.	£6 10s.
Pakistan	£9 0s.	—
Philippines	£10 6s.	—
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AIR EDITION

The Economist

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STRIFE?

Trades unions have the right to strike. But Ministers have the corresponding right and duty to let certain strikes happen rather than to buy them off. Where does the balance lie in the bus and railway disputes? (page 473).

A Test for Testers

Merely to refuse to stop H-bomb blasts on Russian terms is not enough. The West should offer terms of its own (page 474).

Dumping in the Open

dustries that seek to prove their suc- sful competitors are dumping and ust be stopped should have to state ir case in public (page 515).

Cyprus in Despair

r correspondent describes the ex- sive situation in the island ge 505).

What's Good for General Motors?

The recession may embolden the US car companies to seek a showdown with Mr Reuther (page 497).

Gaining on the Roundabouts

The economics of travelling fairs (page 476).

Can the Co-ops Compete?

An astringent independent report looks at the failure of the co-operative movement to keep pace with prosperity (page 517).

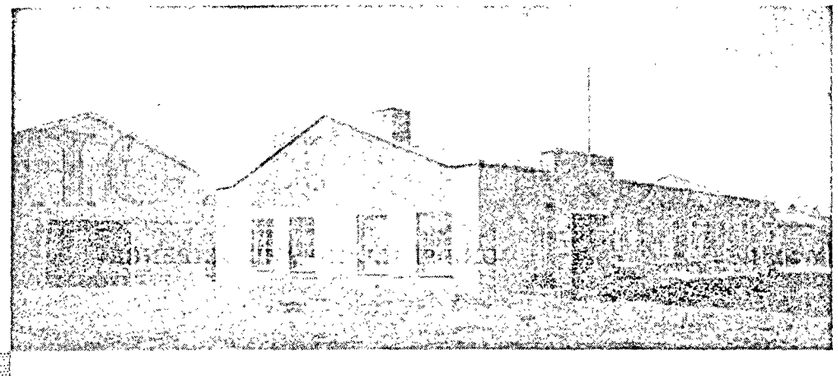
Nato Goes to Elsinore

W. Shakespeare's eye-witness report on the allied Foreign Ministers' meeting in Denmark (page 478).

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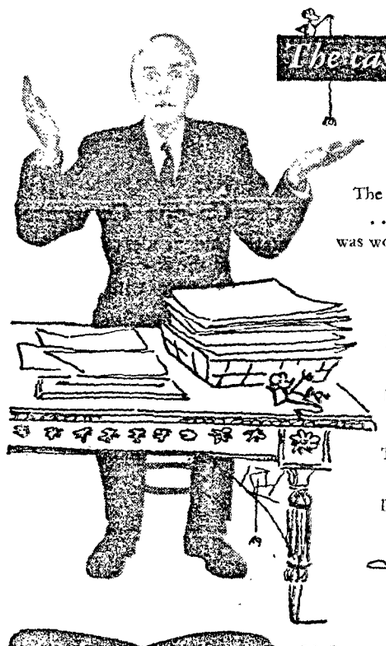
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The case of the Vanishing Secretary

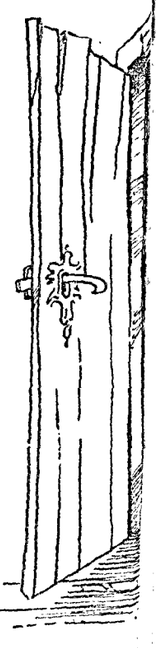


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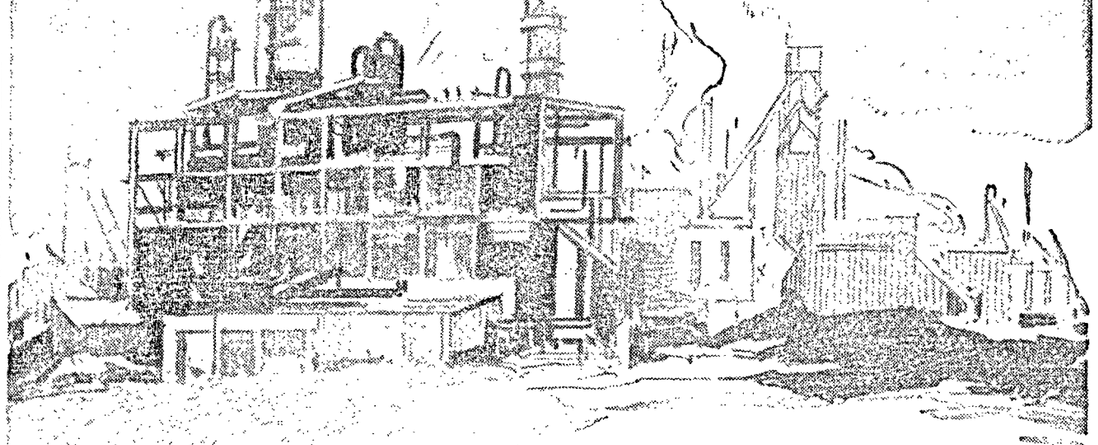
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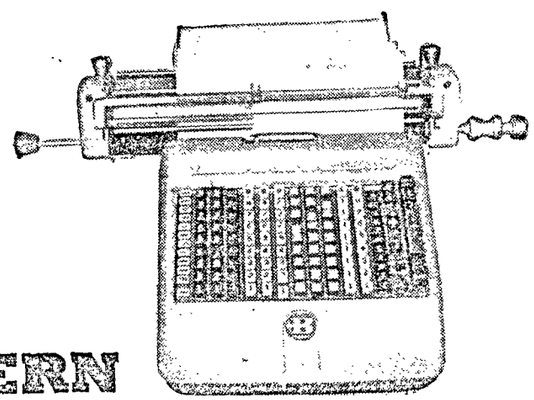
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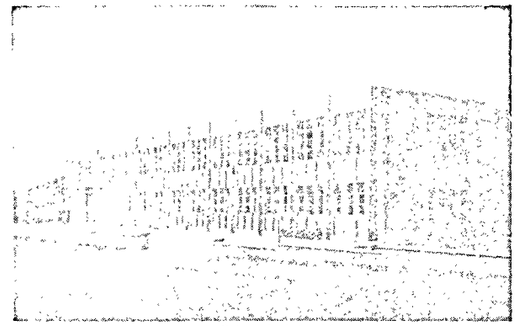
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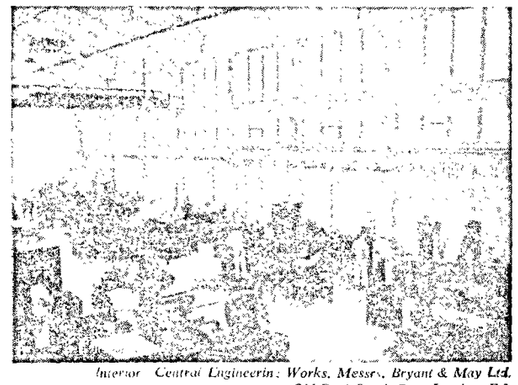
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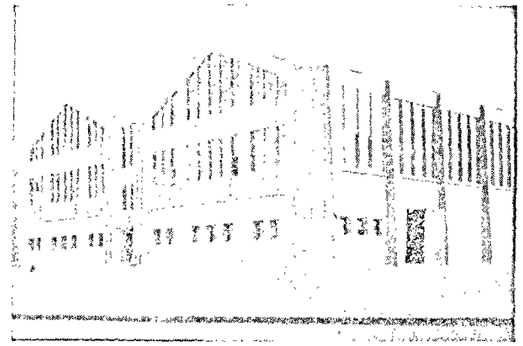
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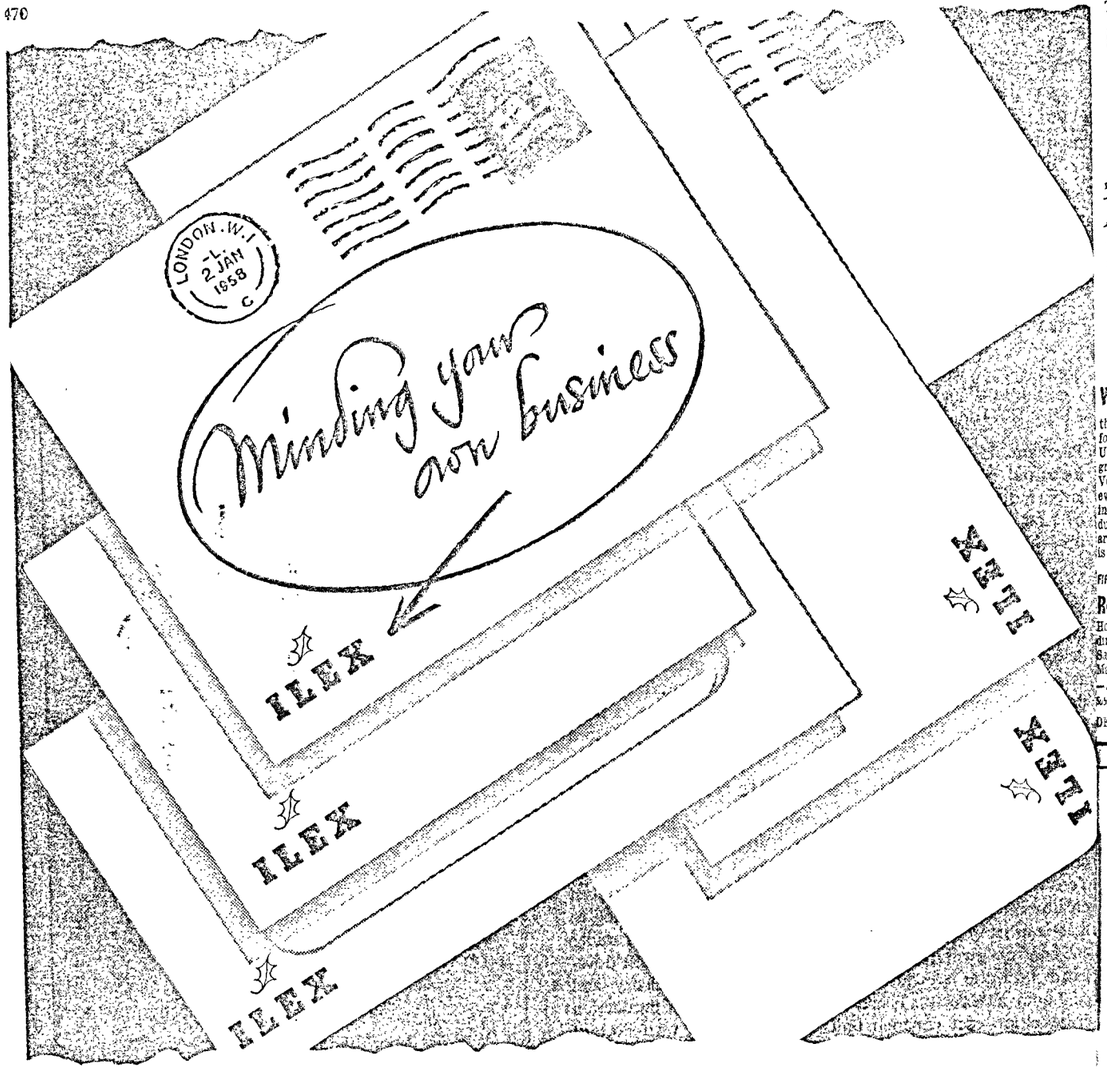
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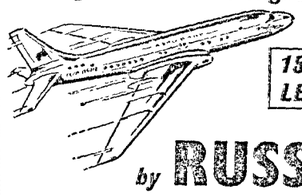
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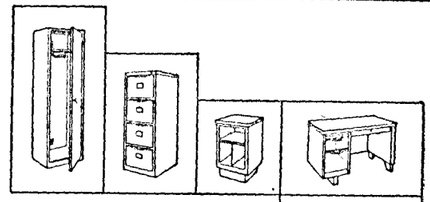
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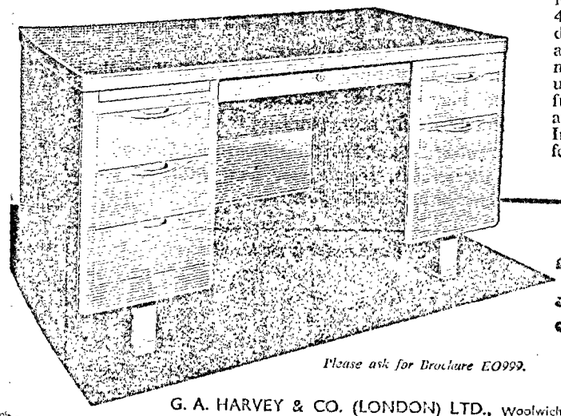
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BRITISH OVERSEAS AIRWAYS CORPORATIO

The Economist

MAY 10, 1958

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Strife?

ON Thursday, the House of Commons was debating a motion that sought to censure Mr Macleod for not fulfilling what one member of the Labour shadow cabinet actually called his "statutory duty" of attempting "to bring about a settlement of the London bus dispute." Into this debate is being thrown the demand that Mr Macleod should regard it as an even bigger duty to bring about a settlement of the railway dispute. What this demand implies, of course, is that it must always be in the nation's interest for ministers to try to influence employers into making further wage concessions in order to avoid a strike.

How can politicians—and a lot of the public—reach this conclusion? In general, no doubt, many well-meaning people reach it by emotion rather than by reasoning. There is a very common impression that those who call for resistance to wage inflation are all black reactionaries at heart: that they positively wish to grind the faces of faithful public servants, to be antagonistic to Mr Cousins for antagonism's sake, to be deliberately rude to the moderate Mr Greene, and to deny to trade unions their hard-won rights. But most of those who call for resistance are doing none of these things. No doubt, there are some old reactionaries who need to be reminded this week that trade unions in a free society have the inalienable right to strike; but there are apparently many more new reactionaries who need to be reminded that the corresponding right and duty of ministers, when the balance of the public interest demands this, is to let some strikes happen rather than to buy them off.

The sole question before Parliament on Thursday should have been where this balance lies in the bus and railway wage claims. Anybody who believes that Mr Macleod should intervene now to work towards a settlement in either dispute must presumably support his argument on one of two grounds. Either he must think that a further retreat before the unions would be good for the living standards of the British people as a whole, or he must think that social justice to the busmen and railwaymen demands such an intervention.

The first of these arguments, at any rate in its simplest form, hardly arises in the present disputes. Nobody, surely, can think that an inflationary settlement in the transport services would of itself improve the prospect for British living standards; everybody knows in his heart that it would lead to continued price increases, continued restriction on total production and a weak pound. If nationalised industries in deficit are going to continue to expand their deficits by expanding their total wage bills—instead of, at the most, keeping those wage bills stable and spreading them more generously over fewer men—then there is going to be no mechanism for getting people and resources to move into profitable businesses and out of businesses that are operating at a loss. This cannot be good for the British economy, any more than to take out essential parts of the engine can be good for a motor car.

Those who say that a retreat by Mr Macleod would "remove hardship

from the British people" really mean that while an inflationary settlement now would be bad for the economy, they think that a strike would be even worse. This is a matter of opinion, to be weighed on the balance of evidence. So long as only the London busmen are on strike, that balance seems obvious; the temporary inconvenience now being suffered by Londoners is a bagatelle compared with the permanent ills that have been suffered by the whole country in these last inflationary years. If a railway strike looms nearer, and threatens to interfere gravely with production, the balance of disadvantage might seem more difficult to assess. Yet even if every single industrial and commercial worker were prevented from doing any work at all for two weeks—and if none of this work were made up after the strike was over—that would, after all, cut the national income for the year by less than 4 per cent; the restriction of production that has been forced upon Government policy by the fact of annual wage inflation, over several years, has been much bigger than that. On a hard-headed calculation, not on any calculation of class war, it still seems that it will be better for the British people as a whole to stand than to deliver.

THE second argument of those who think that a retreat before the unions is desirable is the social argument; whatever hard-headed (or hard-faced) economists say, the ordinary man avers, skilled omnibus and railway workers getting only £11 or so a week deserve to be given more money to live on. Now, there may be a case for saying that these depressed workers should be given more money at the expense of richer workers, or richer executives, or richer profit-makers; this is the stuff of redistributive politics, although many craft unions would join their fellow better-off in not agreeing with it. But does anybody believe that to yield in the present struggle, and thus start the spiral winding upwards again, would lead to such a redistribution? Has it done so in the past?

The point here is not simply that these poorer workers in the public services can gain disdainfully little from the annual twist of the spiral: it should be obvious by now that the only way in which railwaymen and busmen can be lifted out of being a depressed class is not by continuing this system of a small percentage increase for all union workers every year, but by re-organising the transport services so drastically that an economic (which means a radically reduced) number of transport workers can profitably earn better wages. The still more important point is that such redistribution of income as an annual wage inflation does cause is not a redistribution at the expense of the active and better off: most active people at work (whether they are union members or not) can usually protect themselves in an inflationary age by salary or profit increases in some way. The only real redistribution is at the expense of those living on fixed incomes; and of these, the retired and those living on state transfer incomes of one sort or another are by far the most numerous. This "reasonable man's view" that some wage increases ought to be granted to bus or railway workers at the present time is one of those nicely balanced arguments which has one foot on the widow and the other on the orphan.

Socially as well as economically, therefore, those who felt drawn to support this week's Labour party motion cannot preen themselves that they are on the side of progress or the poor. Under both heads, they have got their arguments the wrong way round. Any settlement, they assume, is preferable to any strike; in reality, any strike is likely to be preferable, socially as well as economically, to an inflationary settlement. This spring will prove to be a turning point for the British economy only if the Government can lead the public into recognising this trying but simple fact of life. To that decision the nation now comes very near

A Test for Testers

The West has not taken up Mr Khrushchev's offer to stop nuclear explosions. But an effort ought to be made to discover whether he means business or not.

NEED there be any more bomb tests after this summer? The present United States series in the Pacific began on April 28th. And Britain's latest big bomb was exploded at Christmas Island on the same day. This is the western governments' answer to Mr Khrushchev, and he (unlike Lord Russell) probably expected no other. The tests were planned months before the Russian offer and, after all, as President Eisenhower and Mr Macmillan say each week the seismographs did rattle badly during Mr Khrushchev's own, intensive series in March. Admiral Strauss and Dr Teller being the men they are (and the pressure in London to reach senior status in the nuclear club being what it is), an immediate western halt was impossible.

But what happens next? Mr Khrushchev's offer still exists. He has for the time being stopped testing. He can, of course, resume tests if he thinks the Americans have got dangerously far ahead of him in the Pacific in the next month or so. But retracting so open-handed a gesture may be tricky. Going back might be made almost impossible for him if the West were now to put a positive, and negotiable, scheme on the table for discussion at, or near, the summit. But Mr Khrushchev should not be ignored for too long; the West has lost enough points as it is by affecting unawareness of the chance he has given it to propose a way of stopping the arms race.

Mr Dulles seems to have grasped this and is moving toward a negotiated cessation of tests; he seems, too, in Dr Killian and Dr Bethe, to have found expert scientific backers within the administration itself. A fair measure of the pressure Mr Dulles is building up in Washington is Dr Teller's own proposal that the nuclear powers should work out a scheme to ration their radioactive fall-out. After all that Dr Teller and the Atomic Energy Commission have said about the smallness of the hazard which fall-out presents to health and genetics, this is a substantial admission. But it is not (*pace* the 618 scientists who wrote to Mr Macmillan) radioactivity that really matters in stopping the tests; after all, there have been no rallies grinding luminous watches underfoot in Trafalgar Square. What public opinion in the West and elsewhere desperately fears is that any chance of reversing the arms race itself may be missed.

Dr Teller would be hard put to it in any event to muster scientific agreement about the rate of fall-out that is tolerable. But as he wants testing underground and in outer space to go on unchecked, he is still very evidently committed to pursuing the arms race to a victorious scientific, and political, conclusion. It is his job to ensure that the United States could win such a race. The present Pacific tests, in which a principal purpose is to develop clean defensive weapons capable of intercepting Russian missiles coming across the Arctic and of interdicting Russian divisions from rolling to the Channel ports, are part of that policy. But the decision to race at all is a political, and not a scientific, one. Is the West prepared to say that it has no policy but Dr Teller's? If it goes on much longer simply talking about the need for clean bombs, the rest of the world is liable to assume that it has not.

AT present two other policies hold the field of discussion in this country. One, propagated by Lord Russell and the rest of the nuclear disarmers, by the *Daily Herald* and by the left wing of the Labour party, is that Britain should stop testing, unilaterally. Mr Macmillan can reasonably reject this. (Whether Britain should, on quite other grounds, have the bomb at all is another matter.) The saving in fall-out from a unilateral suspension would be minimal; the renunciation would not affect the big two who, in the last resort, are only concerned to watch each other; and Britain would still depend for its defence on the American deterrent. Mr Bevan has already put his foot down about moral responsibility. It is even doubtful if a unilateral British renunciation would really deter a fourth power from exploding its own bomb. There is little progress that way.

The other alternative is the official western policy in the United Nations sub-committee debates last year, tying a cessation of tests to a complete and controlled cut-off of production of fissile material for war purposes. This would be splendid, no doubt, but it would require a system of inspection of Russian industry so elaborate that the Communist regime cannot seriously be expected to accept it, initially at least. Mr Khrushchev has been at pains to make it depressingly clear that widespread inspection, in the Arctic as in the full open-skies project, is not to be considered; and if the Russians were to accept inspection for the cut-off, they could not well refuse inspection for general disarmament.

BUT can Mr Khrushchev be persuaded that to allow a little inspection is not necessarily to throw his cupboard door wide open to the Americans? It is, at least, worth trying. And if he had once experienced a monitoring system whose officials were not so numerous or so mobile that the energies of his Ministry of the Interior were quite taken up in keeping track of them, might he not be ready to go a step or two further after a time? This is the prospect—or, at any rate, the possibility—which a limited monitoring scheme to supervise the cessation of nuclear explosions could open up. Scientific estimates put the number of seismological stations which would have to be installed on Russian territory to detect major experiments at twenty-five or a little more. (To detect minor atomic explosions underground within the range of two kilotons—2,000 tons of TNT—might require up to a hundred stations, but this could be considered as a second stage.) No inspection scheme in any other sphere of disarmament would cause so little interference in Russian internal affairs. If anything ought to be acceptable—and, admittedly, nothing may be—this should be. For it is exactly on the issue of stopping bomb tests that Mr Khrushchev has chosen, dramatically, to marshal world opinion behind him. If he were to back down before a fair offer his defeat would be many times more crushing, in propaganda terms, than the ten-to-one Security Council vote on the Arctic last week.

The terms of such a western offer could be as innocuous as a two-year suspension of testing, with a minimum monitoring system, to which all powers (to preclude surreptitious testing in Mongolia or in the Sahara) would be asked to adhere. The period would be long enough to interrupt the present progression from the drawing board to the proving ground, and long enough to allow both sides to get worried and still recover their nerve. The time limit would allow testing to be resumed if the system clearly broke down, but it would be very hard for either side to back out after the two years were up unless public opinion were genuinely convinced of the need. To the objection, already being voiced in Washington, that stopping tests does not stop stockpiling, it can be answered that there are already, on every guess, more than enough bombs on both sides

to destroy the urban centres of the world. Quite possibly the small British stockpile could do it alone. What is needed is not foolproof schemes for ending war, but a practicable pilot scheme to create the kind of atmosphere in which the disarmament programmes the powers have been pushing at each other up to now might profitably be discussed. It is the old theory of the first step, revived by Mr Khrushchev's own words.

All this would involve western sacrifices of one kind or another. It may mean that Nato, despite the Pacific test series, will not get the wholly pure tactical weapon it wants. But can the convention of a limited, clean, nuclear war be established at all? It may mean that the American prospect of safely picking off Russian missiles over the Arctic will not materialise. But one of the big dangers of the arms race has been precisely that one side, believing itself immune, would step too close to the brink—for everyone's safety. Why not let the deterrent operate, until it can be dispensed with altogether? To stop tests now would mean that Britain cannot catch the other two nuclear warriors up, and that France and others could not even enter the race. But would the sacrifice be so intolerable if it induced the Soviet Union, in return, to give up for the first time its constant refusal to allow international inspectors to be stationed across its territory? It is all very well asking the Russians to send experts to discuss inspection systems; it would be far better to impress on the Russians and on the world right away how few inspectors the West is asking for in the first stage. Then it will be up to Mr Khrushchev to show whether he means business or not. What the West, or individual western powers, cannot afford is to let the rest of the world think that it does not mean business itself.

Gaining on the Roundabouts

Travelling fun fairs in Britain are now a very prosperous, and monopoly-minded, trade.

THERE was again a prosperous start to this year's season for Britain's travelling fun fairs. In London alone, in spite of grey skies and cold winds, more than half a million people went to the Easter fairs on Hampstead Heath, Wormwood Scrubs and Blackheath; and from now until late October some five thousand showmen will be travelling the country with their bright lights, bumper cars, candy floss and amplified rock and roll, holding between 250 and 300 fairs a week. At some individual fairs, notably at Newcastle, more than a million people attend, a high proportion of them teenagers with money to burn; and it is largely on this rock of teenage spending that the prosperity of fair business is now built.

The centre of a modern fair is usually ten to twenty "riding machines" (as all power-operated fair equipment is called). These machines include dodgems, roundabouts, switchbacks, octopuses (in which the cabin itself spins at the end of a long rotating arm), speedways, and, most recently, "jet rides" of various sorts. Their popularity was explained by the owner of a large (£14,000) dodgem machine, a man whose wealth is sufficient for him to be known in the trade as a "master rider." "Dodgems are always in demand," he said, "but more so in upper class districts. Working class boys and girls prefer the switchbacks." Asked what changes of taste were taking place on the fairground, he was emphatic. Mild amusements such as tunnels of love and ghost trains are on their way out. "Today you can't get people to pay for anything that doesn't look as if it can kill them." "And," he went on, "that presents quite a problem, because, although it must not look it, our machinery has got to be 100 per cent safe."

Prices for rides vary, but they are usually a shilling a time. This is the maximum charge that the LCC (which lets out London's bank holiday fair grounds) allows on all large machines, including the Big Wheel. In country districts, where prices are not under statutory control, charges are much the same as in London, since a shilling seems to be what the public expects, and is willing, to pay. Occasionally at a very busy period, such as a bank holiday Monday, prices are raised, but more often this is done indirectly by shortening the length of the ride, which in London (by LCC ordinance again) may not be less than two minutes. These prices have increased by less than the rise in the general cost of living since the 'thirties, and on the face of it, showmen would seem to have been squeezed by inflation. "But we mustn't complain," one said, "because youngsters have more money to spend."

But the master riders do complain about some other things. Prices of their equipment (made by only half a dozen firms) have risen sharply, much more than the increase in the general price level, and today individual bumper cars cost £350 (including 30 per cent purchase tax) compared with £70 before the war. The prices of superstructures and other mechanical fair equipment have risen in the same proportion, while obsolescence, due to rough handling and changes in public taste, can be fast and costly. Crowd control is another problem, and one on which a good showman must be an expert. "Of course, you get people who are tough" a jet ride operator said, "although they are not the people you might expect. Students are the worst for causing damage, while teddy boys fight among themselves more than on the machines." Litter, which gets worse every year, is a constant trouble.

Encircling the riding machines are the side shows, which vary from batteries of penny-in-the-slot machines to hoopla, bingo, rifle ranges, coconut shies and stalls selling toffee apples (and pears), hot dogs and doughnuts. These are mostly owned by "master men", who are employers (as often as not of their own children), but not on a sufficient scale to be known as "riding masters." The trend in their business is towards the rifle ranges and hoopla, and away from the more energetic sports. "The reason is" said a woman standing dejectedly by her empty coconut shy, "throwing is too much hard work for people nowadays." But is not at all certain that she was right.

A more evident reason is that, as coconuts are expensive, coconut shies have become dearer too; and it is not so easy to keep costs down by rigging the coconut stands, because a beefy East-ender who hurls his ball squarely at his target, and then finds that it does not fall, is apt to become very annoyed. In other sideshows, it is easier to keep charges low but deceive the customer's eye. At some hoopla stalls, tempting prizes are on view which the hoops will not really go over; and the sights of many rifles on ranges where prizes can be won are well out of true. There is no real check on these practices, even at fairs in London where LCC inspectors and plain clothes men patrol the fairgrounds; the officials are there to see that price controls are obeyed, that crowd control is efficient, that pickpocketing is prevented—not to protect the mugs.

THE showmen, of course, put this problem of prizes the other way round. "Until I caught on," a rifle range operator alleged, "a guardsman could come along and easily win £1 of prizes for 6d." So now he runs two stalls: one for experts with no prizes, and another where you can can win by knocking over a prize with a cork (a matter of luck heavily weighted in the showman's favour). A system used at other stalls is to make it easy to win something, but to see that the something is so cheap that to give it away makes little difference to the showman's profits. An increasingly frequent prize at sideshows is a goldfish in a jam-jar; these are very popular with children, even if less so with parents who have to carry the fish home.

These are the showmen as the public sees them. But at other times, their life forms a strong contrast to the spirit of holiday at the fair, for the showman's life is first and foremost one of hard work. At least once (and at the height of the season as many as four times) a week they must take down their large machines, pack them on to lorries, drive to the next fairground and put them up again. Work may go on for sixteen hours a day at such times, so that casual employees hired from the Labour Exchange will rarely stick to the job for more than a few weeks; the showman has thus to rely largely on his family for help. This does have the advantage of keeping the money in the family. That there is a lot to keep is shown both by the splendid caravans in which most showmen live, and by the fact that many have houses as well in which they spend the winter, recuperating after the summer's work.

But if hard work is one reason for the showmen's prosperity, another is the tight monopoly that has been established over the trade. This is exercised through the Showman's Guild, to which more than four fifths of Britain's showmen belong. It has been said that to be admitted to the guild (originally the Van Dwellers' Protection Association) you have to be born in a caravan, and this is very nearly true. Every application for membership is carefully vetted, in such a way as to make it nearly impossible for anyone with no experience of fair business to enter it; and anyone not in the guild will find it difficult indeed to get his tender for a fairground site accepted. Often a whole ground is taken over by the guild, and let by them to individual showmen.

As well as protecting its members from outsiders, the guild protects them from themselves. The country is split up into ten areas, and no showman may take his fair out of his section. When any member has used a site at a fair for two or more years, no other member may take it away from him by bidding a higher price. If a showman thinks that he has been "unfairly" outbid, the guild gives him a right of appeal, first to his area committee and then, if he is not satisfied, to a central tribunal.

The guild helps its members in many other ways, by bargaining energetically with local councils and by forming a pressure group for showmen's interests in Parliament. It also prescribes minimum living standards for fairground workers (every one of whom must have a



dustbin with lid, lavatories and fire fighting equipment), and in this way helps to keep clean the trade's employment record which would otherwise easily be open to abuse. The guild is therefore not an unmixed misfortune. Although many hard things are said about fairs, and sometimes rightly, they do provide a much-needed outlet for the energies of the town adolescent as well for children of all ages. And their vulgar vitality probably comes as close to the spirit of their customers as does any other entertainment there is.

NOTES OF THE WEEK

NATO AT COPENHAGEN

The Play's the Thing

In customary suits of solemn black, the fifteen Nato foreign ministers met this week to peer from Christiansborg at the cloudy summit. What they could see of it looked very like a whale. The battlements at Elsinore, a few miles along the Sound, might have yielded a better view —and a forceful ghost to help them to make their minds up. As it was, their native hue of resolution seemed just as sicklied o'er with the pale cast of thought when they parted, as when they met ; and the solidarity they expressed is still liable to be more honoured in the breach than the observance (certainly the French, whose sorrows now come not single spies, but in battalions, will continue to regard Anglo-Saxon attitudes to North Africa as most foul, strange and unnatural).

Yet many a Polonius is ready with advice for the allies. Rather bear those ills we have, cautions M. Spaak, than fly to others that we know not of. Look here, upon this picture, and on this, urge the Shape planners as they contrast Nato's forces with the Red Army ; pity 'tis, 'tis true. Mr Khrushchev's antic disposition may set some tables in a roar, but those who feel that he protests too much his desire for a settlement merely comment that one may smile, and smile, and be a villain. The ministers assembled at Copenhagen seemed agreed that he would have to produce more matter, with less wit, if a summit meeting was to yield anything more than words, words, words.

Some fretful porpentines, however, find the ministers' views all weary, stale, flat and unprofitable. To them, Mr Dulles looks more like an antique Roman than a Dane now that the glass of fashion reflects shorter skirts. While he condemns the Soviet veto on Arctic inspection as a rank offence that smells to heaven, they plead that there is nothing either good or bad, but thinking makes it so. On the first day of the Copenhagen meeting, Mr Walter Lippmann (cruel, no doubt, only to be kind) gave warning that " the time is bound to come when the foreign armies leave the soil of Europe "—a very palpable hit. Those who share his views about disengagement feel, in effect, that there's a divinity that shapes our ends, rough-hew them how we will.

Against this, the statesmen who have to bear the free world's fardels contend that there is method in what others call " nuclear madness," that conscience must not make cowards of us all, and that even to accept the Rapacki plan would leave the Red Army with a dangerous superiority in bare bodkins. Mr Kennan's doctrines may be caviare to the general German, but Mr Acheson's verdict on them amounts to saying " Oh, what a noble mind is here o'erthrown." The dispute is an honest one ; neither party wants to see mankind hoist with his own petard, all are agreed that the time is out of joint, and there is general acceptance of the distinction between a hawk and a handsaw. But meanwhile the Copenhagen communiqué may evoke two comments from the gloomy ghosts of Elsinore: that brevity is the soul of wit, and—apropos of the slow march to the summit—that by and by is easily said.

Italy and Eleven Others

The Copenhagen communiqué seemed unduly complacent about the allies' success in shaping common policies by consultation. Something has indeed been done in this direction, but not enough ; and disconsolate Scandinavians and other representatives of the smaller allies were muttering about it in the corridors of Christiansborg this week. The mistakenly unqualified rejection of the Rapacki plan by the United States on the eve of the Nato meeting was a case in point. True, the good habit is growing of tabling a projected move in the permanent Nato council before making it. But if the initiating government gives its partners scant time to digest its project, they may have to choose between invidiously blunt opposition and reluctantly hasty agreement. Both the mechanism of consultation, and the spirit in which it is used, need further improvement.

That the American, British and French governments are not unaware of their twelve partners' dissatisfactions was indicated on Wednesday, when they publicly stressed the possibility of other western nations, " as for instance Italy," taking part in ministerial meetings with Russia. Nato's " other twelve " are most unlikely to insist on making future dealings with the Russians cumbrous by all sitting in on them together ; but they naturally do not want the working practice of western interests being represented by Britain, France and the United States to develop into a kind of divine right. They could perhaps more easily agree to be represented, when it comes to the point, by the United States alone ; but that would mean a real summit meeting.

POLAR DIPLOMACY

Skates Suit Mr Dulles

Poles of both kinds have taken a prominent part in American diplomacy this week. The human kind have been told as gently as possible why Mr Rapacki's proposal for the denuclearisation of central Europe is unacceptable to the West unless the Russians accept some degree of de-bayonetisation as well. The language of the American Note to the Polish government, if not its content, was warm ; at the moment the diplomatic cold fronts stand at the upper and nether polar extremities of the earth.

It is still a mystery why the Russians should have rejected the American plan for an Arctic inspection system so brusquely, against the raised hands of all the other members of the Security Council and the raised eyebrows of most of the world, including, it is said, the Poles and the Czechs. One possible explanation, fractionally more hopeful than the others, is that they are waiting to make a concession on this until they can try to exact their price for it at the summit. Mr Khrushchev's published tariff list includes terms ranging from the impossibly stiff, like the winding-up of American overseas bases, to the merely stiff, like a tacit western acceptance of the political *status quo* in central Europe ; it would be the West's task to seek the best bargain it can. A gloomier hypothesis is that the Russians are unable to endure the thought of any kind of effective inspection of any part of their territory, whether by American observers or neutral ones, whether operating from aircraft or radar posts, however mulish this makes them look in the eyes of world opinion. This indeed blackens the prospects for any kind of disarmament agreement ; but it also means that the West has only to go on making reasonable proposals for inspection and Mr Khrushchev's propaganda edifice will crack about him.

The American proposals for keeping Antarctica free of conflict are fresh evidence of Washington's rediscovered imaginativeness. Mr Dulles has revealed new graces since he moved out on to the polar ice of diplomacy. It has become plain that the nations taking part in the work of the International Geophysical Year round the south pole would be most unlikely simply to go home at the end of it. The problem is to keep them out of mischief. Like the Americans, the Russians no doubt want to reserve their right to stake territorial claims in Antarctica. But they would find it embarrassing to go ahead and stick their flag in the snow while engaged in a project sanctified by the holy names of science and international co-operation. They may also want to establish new stations in the region ; but under the treaty it would be difficult for them to use these for any purposes but peaceful exploration. Here, at least, the concept of the *status quo* works to the West's advantage. Mr Khrushchev may be a dab at punting a diplomatic football around the muddy fields of Europe ; put him on skates, and so far he does not compare with the Secretary of State.

STRIKES

London Without the Buses

The complete stoppage of London buses this week has not prevented most Londoners from getting to work on time. The bulk of the nine million journeys that are normally made by bus every weekday have been made instead by underground, by suburban railway, by private car or on foot. Very rarely, except in the case of casual shoppers, have they not been made at all. Meanwhile the Government's emergency measures to allow extra parking space in central London, and to enable owners of private vehicles to give lifts without incurring extra insurance liability, have paid quick dividends. The Automobile Association reported 10,000 extra cars coming into London on Monday, and traffic congestion was at times severe in and around the City and at heavy traffic points such as Hammersmith, Clapham and the Oval. But after the first day, motorists avoided the black spots as much as possible. On the former bus routes themselves, certainly in the middle of the day, traffic has if anything flowed faster than usual. The absence of London Transport's 8,400 buses and trolleys has thus been much less crippling than some people imagined.

However, the test for both the public and the busmen will really begin next week, when the novelty of the strike has begun to wear off. Especially if it starts to rain, the public can be expected to complain much more loudly than it has so far. The busmen too have their problems, existing as they are now on strike pay of £2 a week, plus 10s. for their wives, and 5s. for each child under 15 ; many of them are committed to regular hire purchase instalments and have already begun to tighten their belts. As this becomes general, some observers suggest that more men can be expected to join the hundred-odd workers (only eleven of them drivers or conductors) who have reported for duty already ; but London Transport, though it is paying these strike-breakers, has not yet dared to send any of them out in a bus.

One disturbing feature stands out in what has otherwise been a most orderly dispute: the decision of the Transport and General Workers Union not to allow its 3,000 oil and petrol truckers to make deliveries to coach depots, or to service stations where coaches regularly refuel, until these depots have obtained a release from a local union official. The release is granted only if the company promises not to run additional services during the strike. As yet few of the larger undertakings have agreed to this. There is indeed some question about how far firms and garages that refused to supply coaches with existing stocks of petrol, even though they might be under the shadow of union intimidation, would be acting within their legal rights.

WAGES

The Engineering Claim

As was to be expected, the fifty-two members of the national committee of the Amalgamated Engineering Union, who have been meeting at Great Yarmouth for the past fortnight, decided to ask the other unions in the Confederation of Shipbuilding and Engineering Unions to join in presenting a substantial pay demand for the country's three million engineering and shipbuilding workers as soon as possible. As was also to be expected, the other unions have agreed. The twelve-month standstill on engineering wage demands, which was accepted as a condition of the wage increase given last May, runs out in two weeks' time. Since the confederation is also committed to continue bargaining for a shorter working week, and since the AEU now wants it also to plead for an agreement over redundancy that would make it all but impossible for a firm to dismiss workers however overstaffed it might be, the leaders of the engineering unions will have an almost embarrassing scope for their negotiations in the next few months.

But although the resolutions that were passed by the AEU committee were conventional enough, two points of interest emerged at Great Yarmouth. The first was further evidence of the struggle that is going on inside the union between the communists, led by Messrs Birch and Berridge, and the moderates whose leader, Mr Carron, is president

of the union. Two years ago the communists seemed to have a good chance of getting control of the union's central policy-making body, the seven-man executive council, but now they are losing ground. Two leading communists, Mr Scott of London and Mr Howarth of Sheffield, have been voted out of office and Mr Ullyat, also from Sheffield, was recently suspended after being accused of infringing union rules. Thus it was that Mr Carron felt strong enough to say some reasonably sensible things last week. What happens to the engineering wage claim will no doubt largely depend on what happens on the railways. But one's guess after Great Yarmouth is that, in certain circumstances, some leaders of the AEU might accept shorter hours as an alternative to higher pay; and that the militants' call for direct action if the wage demand is not quickly met need not yet be taken too literally.

It was just this sense of urgency over the pay claim, however, that provided the conference with its second point of interest. For many delegates are afraid that, by the time that the claim is finally settled, the autumn will have arrived and negotiations on the 1959 cycle of wage demands will already be under way. This would mean that the engineers' claim had virtually skipped a year and that the standstill agreed in theory a year ago had become a standstill in practice. There is at any rate likely to be a lag of 16 months between one increase for the engineers and the next, only a little shorter than the period which the British Transport Commission is trying to get the railwaymen to accept. The gradual spinning out of the time between wage settlements in the last two years has already extended the twelve-month cycle for wage increases into a 13- or 14-month one in many cases. It is not inconceivable that one consequence of this year's wage battles could be to extend the cycle to three or four months longer. And some observers are suggesting hopefully that a 4 or 5 per cent wage increase every 16 or 17 months might be approximately the sort of average increase that the economy could afford without inflation once industrial expansion is resumed.

FRANCE

French Socialists Reconsider

M. PLEVEN'S unavailing effort to form a government has had the centre of the Paris stage this week, but it is the evolution of Socialist party thinking on Algeria that may prove to be the year's most significant news from France. Willingly or unwillingly the leading men of the party seem to have agreed that change must come; if not, it might be imposed on them from below. M. Mollet's advice against participation in a government which must still be dominated by the Right is the first step back. This decision means, immediately, the prising loose of M. Lacoste from his ministerial seat in Algiers, without which nothing new could be done. It also means the departure from the Quai d'Orsay of another semi-fixture, M. Pineau, whom M. Lacoste has now accused of diplomatic bungling after the bombing of Sakiet.

What finally made up M. Mollet's mind against participation is not certain. In view of his personal penchant for M. Pleven, it must have been a powerful motive. There was an opportunity for plain speaking at the Socialist International meeting in London a week ago (after which *Le Populaire*, in reporting the resolution that was passed, still saw fit to delete the suggestion of Algerian independence). M. Mollet's tactics will have been influenced by the realisation that the party can no longer accept conservative ideas of how to pay for the war in Algeria. The nationalised industries are restive enough already. Once in opposition, the party can be more choosy in what it votes for and can rally the ranks which, as M. Daniel Mayer's resignation of his Assembly seat emphasises, have been hard pressed to remain steady under the discipline of office. The Socialist congress in June could be a decisive turning-point in the party's fortunes—and in the fortunes of North Africa.

ADEN

Arabia Infelix

IT is now clear that the Yemen's contribution to the United Arab State is in the form of trouble for the British Government in Aden and the protectorates. This week's crossing of the border by the RAF will make it clear to the Imam of Yemen that he is not to have it all his own way.

In Aden Colony, meanwhile, a state of emergency has been declared after bomb outrages in two restaurants and the large Yemeni portion of the population naturally comes under suspicion. For years these Yemenis have been useful workers and law-abiding residents in the colony. They have enjoyed the blessings of peace, a relative prosperity, and a lack of the oppression they left behind in Yemen. It has probably never occurred to them that Aden is not the showplace of the British Commonwealth. Whether politically-minded or not, they have been content to have a refuge from the system of crushing taxes and hostages that keeps the Imam and his family in power.

As the junior partner in President Nasser's state, Yemen has powerful help from Cairo radio and a supply of Russian arms. Its actual claim to Aden and the protectorates is a flimsy one. It is true that the greater part of southern Arabia fell into the hands of the Imams of Yemen in 1630, but by 1730 they had been expelled from Aden and the other districts by the indigenous Arab tribes who assumed independence. It was with the leaders of these tribes that the British made the series of treaties on which the Colonial Office system in southern Arabia rests. The term "occupied Yemen," as now used by carefully tutored Yemeni officials, comes from the jargon of Cairo radio.

The problem of Aden and the protectorates cannot for long be detached from the political problem which confronts Britain all around the coasts of Arabia. Perhaps it is not too late for the British Government, while sheltering the protectorates from the ambitions of a medieval theocracy, to set up the framework for a wider settlement which may, one day, result in the establishment of a common cause with modern Arab nationalism.

DEFENCE

Whose Hand on the Policy?

A POLITICAL row is obviously in progress behind the scenes about who should determine this country's defence policy, and how. When the Prime Minister was Minister of Defence, he is known to have become firmly convinced that the holder of that office should be the decisive overlord, and that the Admiralty, War Office and Air Ministry should gradually dwindle into being very subordinate departments; Mr Macmillan never took kindly to the process of settling a defence policy by a split-the-difference arbitration award based on the competing shopping lists of the three separate services. When Mr Sandys succeeded Mr Anthony Head at the Ministry, his first white paper came much nearer to being an imposed policy, and departed much further from being a horse-bargained one, than any annual defence statement before. But the objective of many senior serving officers since then has been that some of the sweeping theories that Mr Sandys set down on white paper should not be too brutally translated into practice. Now that changes in the Chiefs of Staff Committee are imminent, in the normal process of service retirements, it would not be surprising if a certain jockeying for position was going on. The struggle may be, and is being, loosely called a struggle between those who want greater "unification" of the services (i.e., greater power for the Ministry

The Air Force Shows Its Shopping List

Our special correspondent writes:

IT would be an exaggeration to describe the remarkable conference held by the Air Ministry on Tuesday as a direct appeal to public opinion over the fiery head of the Minister of Defence. Yet the policy that was outlined to 300 guests—including the Duke of Edinburgh, six clergymen, eight mayors, several members of the general council of the Trades Union Congress, some headmasters and a representative of the Rugby Football Union—will not be found in Mr Sandys's white papers on defence. It was too boisterous, ebullient and expensive to fit into that austere framework; it filled the air from tree-top level to outer space with bombers, fighters, missiles, freighters, helicopters and undefined vehicles. It was, in short, the Air Staff's shopping list which it presents every autumn, along with the other services, to the Ministry of Defence—and which appears sadly mangled and cut down to size in the defence estimates the following spring.

If this had been firmly stated at the conference, a public exposition of the tasks and working methods of the Royal Air Force might have done nothing but good. The arguments behind the deterrent strategy and about the need for nuclear and thermonuclear weapons certainly made a profound impact on sections of the audience. But for reasons of their own, the chiefs of air staff chose to play down the coming role of guided weapons, while emphasising that of the piloted fighter and bomber—in such a way that they have only themselves to blame that many people left the conference with the impression that they were out of sympathy with Mr Sandys's basic policy.

This is unfortunate because it is not the case. The Air Ministry would be the first to complain if no ballistic weapon were being developed in this country—or no anti-aircraft missiles. It has been one of the principal advocates of the theory that a bad missile is still more deadly than a good aircraft. Yet the Air Council, and in particular the Chief of the Air Staff, are extraordinarily reluctant to accept the logic of their own strategy, and they have devoted a great deal of energy to trying to carve out a niche for the redundant pilot. A case was argued on Tuesday for studying, if not actually developing, a manned replacement for the present V-bombers and a manned fighter to replace the P.1 fighters at the end of their life. These are aircraft which could not come into service until 1965-70; by then, the outsider would suppose, missiles might reasonably be expected to have reached a higher standard of reliability and accuracy than they possess today. But the RAF's denunciations on Tuesday made no mention of this. The pilot, they argued, has "discretion" that a missile can never possess; they did not say that a pilot also has a soft, weak human body that is pulverised, and a brain that is blacked out, by the kind of operations that a missile's electronic brain can carry out from sheer *joie de vivre*.

There is no reason for thinking that the RAF's arguments on this point will cut any ice with the Ministry of Defence. The crude object of the deterrent is to be able to hit the Kremlin if and when the Kremlin hits Whitehall, and it will only be necessary for this purpose to be able to hit it once. If a ballistic rocket fired out of a rabbit-hole in the ground will do the job in about thirty minutes, there is no strategic reason for backing it up with the elaborate insurance of a fleet of relatively slow manned machines. And there is every possible economic argument against dissipating scientific resources and taxpayers' money.

At the other end of the scale, however, the RAF was fully justified in hinting at the coming expansion of Transport Command, even though this is likely to mean building an ultra-heavy military freighter with little or no civil application; and also in forecasting the purchase of new, bigger helicopters and small, light fighters. All these machines are needed to back up those operations where the RAF has to act, not independently, but in support of the army—whether it is moving tanks and troops across the world, dropping them in awkward places, or shooting up forts in the Persian Gulf. In these circumstances, however, the Lords of the Air become the servants of the ground. Understandably, it is not a function to be relished as its main job by any fighting service. And, subconsciously, the RAF fears that the Sandys doctrine may eventually condemn it to concentrating on this function alone. The real difference between a strategic deterrent based on a missile and a manned aircraft is that the former could, strictly speaking, be maintained on a civilian basis and fired, not by a pilot in a space suit twelve miles above the earth, but a Prime Minister in a bunker in Downing Street. There will be no more Battles of Britain for the RAF.

Between these two extremes of function lies an area of genuine argument: it turns on the extent to which the RAF should be equipped to support the ground forces of Nato. At bottom, the Sandys doctrine assumes that these forces would never be used—because aggression in Western Europe would be the signal for a thermonuclear free-for-all. It follows that expensive "conventional" aircraft such as low-level bombers, massive interceptor and strike fighters are unnecessary and that it would be foolishly wasteful to develop them. But in the interests of keeping the Nato alliance together, Mr Sandys may feel that a gesture in this direction is becoming necessary. It is conceivable that the RAF may get a tree-top level replacement for its Canberra bombers and/or a new photo-reconnaissance aircraft, either of which would perform this window-dressing function for Nato. The RAF this week told the public eloquently, and sometimes wittily, what it would like to have; understandably enough it took the occasion to ask for the moon. Perhaps the Treasury should enter into the spirit of the thing by staging its own one-day conference to explain to the public what the country can afford.

of Defence) and those who bitterly resist it. In these circumstances, some people have read a special and undesirable significance into the extraordinary public "conference"—it might better be called public advertising campaign—mounted by the Royal Air Force at the Royal Empire Society's headquarters in London on Tuesday. This conference was not necessarily quite as unconstitutionally novel, nor as undesirable, as some commentators have suggested. The different services, with the navy conspicuously not the most silent, have for long privately (and not so privately) touted their cases for being given more money; they have spread their arguments freely among all those whom they think might help them with propaganda support. If this touting were now to become more open, that openness might be a good thing; the proper way to run a defence policy may well be for the Minister of Defence to make decisions after the widest and most informed public debate that security considerations will allow. Perhaps the RAF should be encouraged to put its case for expansion as openly as, for example, the British Transport Commission does in its annual reports. The distinction that has to be drawn, however, is between a service that is desirably putting forward its case for public debate, and one that is undesirably trying to steamroll it through by what might be called American pressure group tactics. Into which category did the RAF's "conference" on Tuesday fall? The reader can perhaps be helped to make up his mind by our special correspondent's report on the preceding page.

POST OFFICE

Everything Slows for No Tea

For more than a fortnight, post office sorters in the Strand, Bloomsbury and the City of London have been working to rule. The go-slow, which is recognised neither by the men's union (whose rule book specifies that no action of this sort should be taken until after a ballot of union members) nor by the post office, has delayed letters either posted in, or delivered to, the parts of London affected (all the EC and WC postal districts, and also W1). It has also held up incoming foreign mails, which are dealt with in these offices; and has thus caused inconvenience to many people, caused losses from delayed orders to some City firms, and aroused especially vociferous complaint from those press reporters who rely for their news on posted dispatches from abroad. Officialdom has unwisely tried to play down the importance of the dispute, and the carefully phrased announcement put out by the post office last week that there were hopes of a quick recovery has proved over-optimistic. The dispute has not yet been resolved.

The cause of the trouble is the package agreement on wages and hours of work which was negotiated between the union and the post office last July. By this agreement, which was backdated for a year, the post office workers were given increases of up to 22s. a week, and another 10s. a week was added to this last October; they were also allowed longer holidays and a higher bonus for night work. In return for these concessions, the union agreed to a reorganisation of the men's schedules to allow streamlining of services (such as fewer deliveries on Saturday); it also agreed, and this is the point at issue, to the working week being changed from one of 48 hours (including meal breaks) to one of 44 (excluding them). Because of some very unstreamlined organisation, these changes in hours came into effect only on April 16th, nine months after the general increase in pay.

The sorters now claim that the new arrangements about meal breaks, instead of shortening the working week by an hour as their union had imagined, have actually lengthened it. This, of course, is another way of saying that the meal breaks that were being taken before the change were much longer than they were officially supposed to be—a fact that will be borne out by most people who have worked temporarily in the post office—and a phenomenon that is not entirely unknown in the rest of British industry and commerce. The men also say that the new agreement has been interpreted too strictly by local controlling officers who, seeing no provision in it for tea breaks, have kept the men hanging around the office even when there was nothing particular to do—and when they would formerly have nipped out for a quiet smoke. This trouble has been mitigated by an undertaking given last weekend by the post office that short breaks in the morning and afternoon would be allowed as part of the "net" working week. But some sorting offices are still going slow; and efforts to redirect mail to offices outside the trouble areas have aroused resentment from workers who object to "black mail." The moral of the story for other employers is that, in making a package deal, it is much better to give the pill at the same time as the sugar, not nine months later.

EAST ASIA

Divided Countries

Three of Asia's problem children are in the news. There have been elections in the southern half of divided Korea; a more than usually outspoken exchange of compliments between north and south in divided Vietnam; and in neighbouring Laos, happily now reunified, partial general elections have given the communist-line Hakhsat party its first chance at the polls. The Laotian results are not yet known.

President Rhee's Liberals evidently hoped to win a two-thirds majority in the National Assembly at Seoul. This would have enabled them to amend the article in the constitution that provides, on the American model, for the accession of the vice-president if the presidency falls vacant through death or incapacity. Vice-President Chang is the leader of the opposition Democrats and Dr Rhee is credited with the desire to make sure that Mr Chang does not step into his shoes if he, Dr Rhee, does not last the course until the next presidential elections in 1960.

At last week's elections, the Liberals retained a working majority, with 122 seats out of 233. But the Democrats increased their representation from 46 to 77; the remaining seats are filled by independents. Since there is no discernible difference in political philosophy between Liberals and Democrats, the vote must be interpreted as an expression of dissatisfaction with Dr Rhee's regime and of a desire for a change. The size of the opposition vote, however, argues that the elections were reasonably free, in the towns at any rate.

In Vietnam the communist north, in a letter dated March 7th, proposed that the two zones should establish normal relations, discuss reunification, reduce their armed forces, and open north-south trade. South Vietnam's reply is of a vigour calculated to discourage further correspondence. President Diem's government reminds Hanoi that



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"Special design and materials, I suppose? Our place was built too long ago!"

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"Do you now? Then I *must* look into it."

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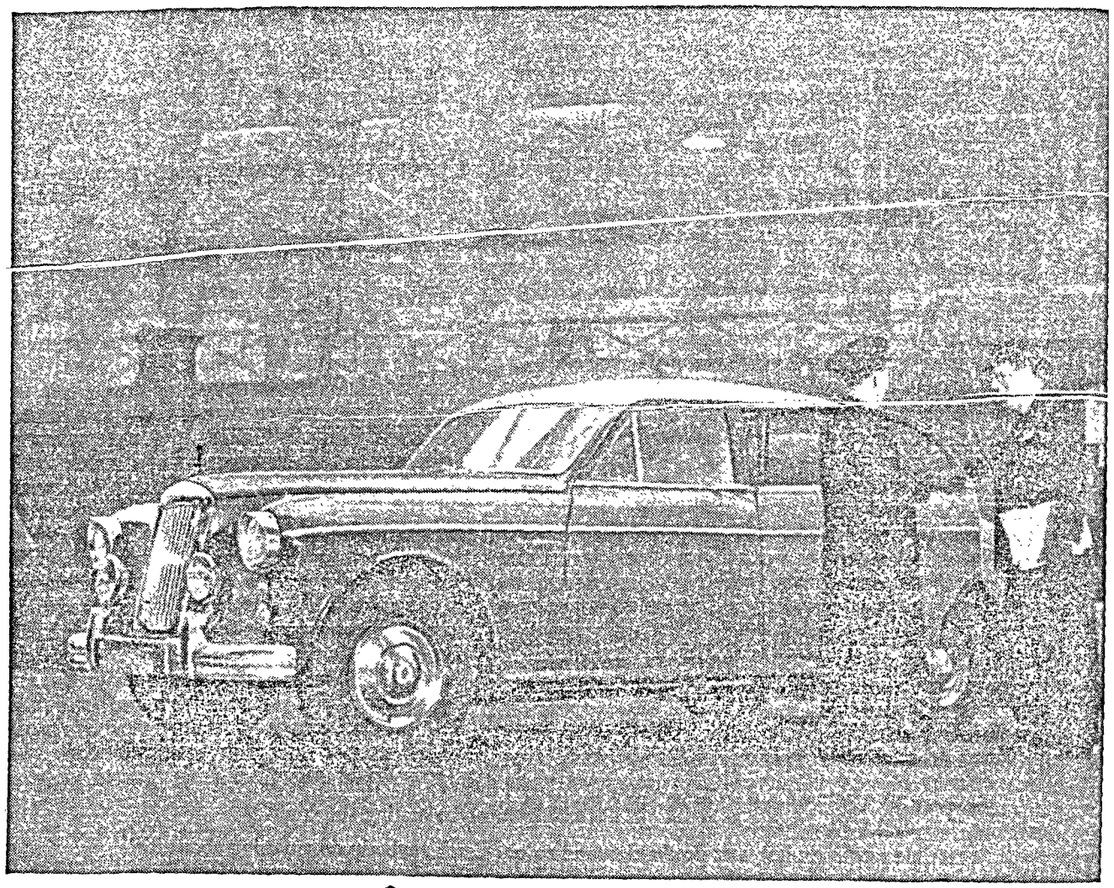
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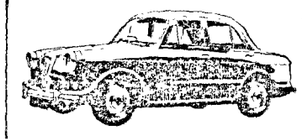
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the communist authorities have themselves hampered free movement between the zones, terrorising people wishing to join the million refugees who fled to the south after the end of the Indo-China war. Reductions in military strength in the south are contrasted with the retention of much larger forces in the north ; and the communists are asked to grant their people freedom to trade and "abolish the economic monopoly held by the Communist party." As for reunification (which, under the Geneva agreements that ended the Indo-China war, was supposed to follow country-wide elections) the north is asked why it has not, in contrast to the south, held elections in its own zone.

Though the letter is polemical, these points are well taken. The south is sometimes rightly criticised for lapses from western democratic ideals, but it cannot compete with the north in terms of repression.

GREECE

Athens, Cyprus and Nato

GREECE goes to the polls this Sunday, none too soon. It is just over two months since Mr Karamanlis resigned after defections within his own party deprived him of a stable parliamentary majority. Since then Greece has had a caretaker government and negotiations on Cyprus have perforce been virtually at a standstill. With the situation in the island (described by our correspondent on page 505) gravely deteriorating, positive efforts by the British Government for a settlement can hardly make things worse and may possibly arrest the present slide towards chaos. Sir Hugh Foot's return to London this week, in spite of the explosive situation in Cyprus, suggests that he at least is anxious to lose no time once a new Greek government is formed.

There is a reasonable chance that Mr Karamanlis will again be prime minister ; but his chances of increasing his majority (in 1956, his National Radical Union (ERE) won 165 out of 300 seats) or even of getting an absolute majority at all, are believed to have diminshed during the last two months. He has four main opponents: the Liberal party, led by Messrs Venizelos and Papandreou, which was the main opposition party in the last parliament ; an ill-assorted coalition of four parties, known as the PADE, which includes Mr Markezinis's Progressive party ; the Populist Party Union, a right-wing coalition led by Messrs Tsaldaris and Canellopoulos ; and, finally, the extreme left-wing EDA, which early in the campaign tried hard but unsuccessfully to form a popular front grouping.

As usual in Greece, the electoral fight is more over personalities than policies. On the domestic front, Mr Karamanlis has, in general, stood on his record, while his opponents have all promised the moon. On Cyprus all parties press, either truculently or merely firmly, for the same thing. Nor are they directly opposed on the question —which, thanks largely to communist agitation, has aroused a good deal of attention—whether Greece should agree if Nato were to ask it to allow nuclear missile bases to be stationed on its territory ; while Mr Karamanlis remains somewhat non-committal, the other parties are either frankly opposed to bases or else would only have them with serious reservations. But all, except the EDA, profess loyalty to Nato. One cannot help suspecting, however, that it is not missile bases, but Cyprus, that is most likely to strain the Nato link.

ELECTION STATISTICS

Which Tories for the Tumbrils?

THE *Liberal News* has now published a list of the 170 Liberal candidates who are already in the field for the next general election. By the time the election comes, some new Liberal candidates in other constituencies will no doubt have been adopted ; on past experience, some of these listed 170 may also have fallen out. The list, however, provides a starting point for study of a question that has recently been a subject for much pontification but very little analysis: namely, how far Liberal interventions seem to be a principal factor in threatening a massive Conservative electoral defeat. As an exercise in notional arithmetic, let us make the following assumptions about an immediate general election, assumptions that seem tolerably well in line with recent by-election results:

(a) In seats with a straight Labour-Tory fight, assume a 6 per cent swing Tory to Labour.

(b) In seats with a Liberal candidate, assume that Labour does not add to its vote, but that this Liberal candidate picks up (entirely from the Tories) *either* 20 per cent of the total vote, *or* 15 per cent more of the total vote than a Liberal got last time he stood in this constituency, whichever is the greater. (This is a pretty harsh anti-Tory assumption, about as bad for the Tories as Rochdale or Torrington.)

With a 6 per cent swing, and no Liberals intervening at all, one would expect about 100 Labour gains of seats from the Conservatives: that would give a Labour majority of up to 150 in the Commons. The candidacies now announced in *Liberal News* would, on assumption (b) above, cause an additional 39 Conservative casualties ; of these, 30 seats would go to Labour on the split vote, and the other 9 (including Torrington) to the Liberals. The Liberal interventions would therefore make a Tory defeat worse, but they would not be the most massive electoral factor.

It may be of some morbid interest to list the names of the Conservative cabinet ministers and prominent junior ministers who would lose their seats on the above assumptions. The most interesting Conservatives who would be unseated by a straight 6 per cent swing are, in order of vulnerability: Messrs Julian Amery, Heath (chief whip), Lennox - Boyd, Maclay, Sir Reginald Manningham - Buller, Messrs Alport, Soames, Dr Hill. Those added to the potential execution list by announced Liberal interventions, on assumption (b) above, are: Messrs Simon, Walker-Smith, and (so narrowly that one suspects that in practice he would just avoid it) Mr Heathcoat Amory. One other prominent minister who would be vulnerable, but who must have read *Liberal News* with great relief (as no Liberal candidate is yet listed for Saffron Walden), is Mr Butler. This list is, of course, in no way a forecast ; but it may be of some topical interest to others beside the gentlemen themselves.

LOCAL ELECTIONS

Bogey for the Boroughs

THE annual elections whereby the 401 boroughs of England and Wales renew a third of their strength were taking place on Thursday. The seats being contested were those last fought over exactly a fortnight before the

general election of 1955. The Labour gains that will be announced in the newspapers at the time that this issue of *The Economist* appears in readers' hands will therefore be a direct sign of the fall in Conservative popularity since that general election. To get back to its previous (1952) highwater mark in local elections, Labour will need to mark up more than 350 net gains of seats in the boroughs; most people expect it to do so. If it secures between 400 and 450 net gains, which some would say is a reasonable bogey, that might indicate a swing which, if spread evenly across the country, would bring Labour a majority of about 150 in the Commons in an early general election. If Labour's net gains go very much above 500 seats in the boroughs, that could be read as a sign that a Labour majority in an early parliamentary general election might go even above 200. The recent county elections suggested that the defection from the Conservatives in the more heavily populated areas (c.f., London) was even greater than in the partially rural ones; it will therefore not be surprising if Labour victories in the boroughs are near to the top of the party's best hopes.

As a sort of *hors d'œuvre* to the borough elections, however, the Scottish cities and towns, and the English and Welsh urban districts, rural districts and parishes have been voting this week. These results are always very difficult to analyse, because the non-party labels under which most councillors still stand are not always what they seem. For what the sum is worth, however, Labour needed to mark up rather more than 300 net gains in the English and Welsh urban districts to get back to its 1952 tidemark. By Thursday morning, with results from just over 2,000 of the 4,500-odd seats to hand (but admittedly many of them the safer seats), the Conservatives were conceding only about 30 Labour net gains in these urban districts so far. There does seem to have been a smaller swing to Labour in these urban districts than in the counties last month; one might also have expected rather more than the 30-odd net Labour gains in the Scottish urban elections on Tuesday. But Scotland often tends to be more stable than England in local government affairs. It is the results in the English boroughs that will be a more interesting indication of trend.

LOCAL GOVERNMENT BILL

Blocked Amendments, Wrong and Right

CONSERVATIVE backbenchers have demonstrated this week both the wrong way and the right way to kick over the traces. The occasion was the recommittal of the session's biggest measure, the Local Government Bill, which has reached the floor of the House again after thirty-one gruelling days in standing committee. The various major changes which it makes in Exchequer aid for local government will entail gains and losses for individual rating authorities. Broadly speaking, most of the poorer authorities will gain, and most of the losers will be either better off authorities or ones that spend part of their rate money on such things as advertising for visitors (which, as it is in these areas' own local commercial interest, the central taxpayer should not be asked to subsidise); in any event, the wind will be tempered to the losers by transitional arrangements under which in the first year they will bear no loss at all and for some years after only a portion of the loss. On Monday and Tuesday, however, a losers' demonstration was staged, led by the Members for Blackpool, on behalf of what were called "the Backbone of Britain": namely, the seaside resorts, spas, and watering places and cathedral cities, which were said to make up "the heartland of the Conservative party." This piece of constituency logrolling, which was surprisingly carried as far as the division lobby, may be good for local politics; but it makes for bad legislation, and Mr Brooke was right to resist it firmly.

There is, however, all the difference in the world between special local pleading and genuine national considerations; and the Government would do well even at this late stage to consider again some concession to the real anxieties of educationists, including many on their own side of the House. It was argued in these columns when the bill was first published that the case against the block grant would be much less strong if the formula for its distribution were made more flexible and purposive—purposive enough, in particular, to enable the Government to give incentives to local education authorities to improve below-average facilities. A very widely drawn enabling amendment on these lines was perfunctorily debated and dismissed on committee stage on April 22nd. A more narrowly drawn amendment, limiting the grants payable in respect of "special factors" to 5 per cent of the total, was tabled this week by a number of Conservative members. It was not accepted for debate: if it had been, the backbenchers would on this occasion have been right to press it and Mr Brooke wrong to resist it. It would be a sign of strength if the Government were now to adopt it or something very like it.

GATT

Judge on Trial

SACRED cows are entitled to respect, but they can trample on a lot of toes. Certainly last autumn, when the European common market faced trial in the world forum of the General Agreement on Tariffs and Trade, the six member countries of the new community left some sore feet behind them. Taking their stand on what seemed a pretty narrow legalism, the common market spokesmen appeared to challenge Gatt's fundamental claim to question the effects of their treaty and ask for changes in it. Their view of the sanctity of the treaty of Rome has caused many friends of Gatt to wonder whether it was the judge or the defendant who was on trial. Gatt has now held another meeting, which is described on page 508. It is welcome news that this time the Six have been more accommodating, recognising that it is in Gatt that the problems which their community poses for the world outside must be talked over.

Agreement to talk, however, has not solved the problems. Will the common market's common policies be determined by high-price (and hence protection-minded) members, with all the political implications that follow—or will the free traders and those who practise monetary discipline triumph? Or—to take a third possibility—will the differences between, say, an inflating France and the rest be so great that no community of policies will emerge at all? These are the considerations that lie beneath the anxious questions that the outsiders are putting. Will the external policies of the Six be restrictive? Will one country's payments difficulties lead to quota restrictions by the whole community? What does the "managed" market for agriculture mean? Major political questions which will remain

alive for many years are at stake. At the latest Gatt meeting the United States, which last autumn seemed to give the Six *carte blanche*, has taken up a more critical, though still moderate, position. The broader world interests which Gatt has to protect are beginning to be appreciated more.

Most of the issues between the common market and its critics are long-term in nature; but one of them has immediate significance—the dislike of primary producing countries, many of them from the Commonwealth, for the new preferences the Six are giving to their overseas territories. In the free trade area talks some of the Six still hope for a share in the system of Commonwealth preferences. The best start they could make would be to get on better terms in Gatt with the Commonwealth governments which give preferences to Britain.

PORTUGAL

Two-Way Warnings

HERALDED by the customary series of political trials, another of Portugal's odd election campaigns officially began this week. The only office at stake is the presidency of the republic, a post that has carried scant authority since Professor Salazar became prime minister in 1932; and it will evidently go to the official candidate, Admiral Americo Tomaz. Still, as a timely warning, several Portuguese who had espoused the opposition cause in previous elections have lately been brought to trial. Their fate will no doubt have some inhibiting effect.

But some of the cases have also aroused indignation—in particular, that of Captain Galvão, who had already been in jail since 1951. His new trial, and that of three associates, was held in secret, on the not implausible pretext that their crime was defamation of public figures (in leaflets smuggled out of prison). But the 16-year sentence imposed on the captain, a sick man aged 64, far exceeded the maximum penalty for such an offence. Only a month later, in late April, was it revealed that he had also been convicted of incitement to civil war. The secret procedure applicable to a defamation case thus conveniently enabled the government to avoid giving Captain Galvão even the smallest chance of recalling why he originally broke with it in 1947, when his report on slave labour in Angola was suppressed.

Meanwhile, the liberal opposition has, as usual, demanded specific guarantees of free and fair electoral procedures; as usual, it has been rebuffed; and, as usual, it has scratched its candidate, Admiral Quintão Meireles. But, against all Salazarian precedent, two other candidates remain in the field. Senhor Vicente is backed only by a small faction. General Humberto Delgado is more formidable. He has long served the government with distinction, and his candidature reflects the restiveness of a sizeable splinter group within the ruling National Union party itself. He has declared for the revision of electoral rolls and methods and against penalising opponents of the regime.

General Delgado will not obtain all those opponents' votes; apart from Senhor Vicente's followers, there are others who regard the general as tainted by his official career and who would have preferred a candidate such as the veteran ex-premier, Senhor de Cunha Leal. Yet many Portuguese will be impressed and heartened to see a challenger for the presidency emerge from the official hierarchy itself (the general has not, as yet, lost his post as director-general of civil aviation). They have also noted the refusal of the retiring president, General Craveiro Lopes, to stand again. In these various developments there are clear warnings for Dr Salazar.

PRISONS

Fewer First Offenders to Gaol?

SIR GEORGE BENSON'S First Offenders Bill, which received its third reading in the Commons last Friday, is a small but sensible measure which deserved its general welcome. Its effect will be to extend to adult first offenders two provisions that two postwar acts (one in 1948, the other in 1952) have already applied to juveniles: that first offenders should be sent to prison only if all other methods of dealing with them are unsuitable, and that magistrates must state in writing their reasons for sending a first offender to prison rather than dealing with him in any other way. The rather startling effect of the 1948 Act was to reduce the numbers of juvenile offenders sent to prison by 60 per cent. Evidently the more explosive type of magistrate finds that the need for self-justification in black and white has a calming effect.

The statistics suggest that this calming effect may sometimes be salutary. There is an astonishingly wide divergence of practice among the 1,000 odd magistrate courts in this country. Over the past six years Bootle Magistrates' Court has sent only 8 per cent of those indicted before it to prison, while Bournemouth and Eastbourne have apparently sent more than 40 per cent. As the maximum prison sentence imposed by a magistrates' court is usually six months, the Government spokesman last week declared

> We are faced with the fact that many people are serving sentences varying from two to three weeks or a month to six months, and we are advised by the Prison Commissioners that periods of that kind are of very little value for reformative training.

If Sir George Benson's bill really worked as well as the corresponding measure for juveniles did, there would be a reduction in the number of prison sentences on adult first offenders of 2,000 per annum—to the advantage of offenders, the prison service and the public purse.

Of the misgivings expressed in debate, some deserve to be taken more seriously than others. Critics who saw in the Bill evidence of a dangerously sentimental leniency towards criminals and of indifference to their victims should be reassured by the reminder that no court is constrained to keep out of prison an offender—adult or juvenile—who ought on due consideration to be shut up; the Bill merely demands that due consideration shall in fact be given. One point that deserves emphasis, however, is that more selective use of the prison penalty is going to mean more offenders on probation and an added urgency for the job, already overdue, of strengthening the overloaded probation service. Also, unless the notion is to spread around that every thug or petty swindler can reasonably hope to get one piece of thuggery or swindling for free, it is important that the penalties imposed in lieu of prison should carry a sufficient sting. Inflation has taken the sting out of a good many maximum fines; the scale should be stepped up. A tougher policy concerning restitution for the victims of theft, violence and malicious damage would also have a salutary effect. This bill is a sound move; but it needs to be balanced by others.

DEPORTED ALIENS

A Nasty Story

THE case of Mrs Anna Marcovic should not be allowed to pass without a lot of parliamentary questions. Deportation, unless it is being applied to a known undesirable, is always a distasteful procedure ; the breaking up of a newly reunited family under the notoriously illiberal immigration laws is more distasteful still ; and the circumstances of the Marcovic affair—the police irruption in the small hours, the confinement in a cell, the whisking off, in the physical grip of a hefty official escort, by the first available plane—are unqualifiably odious. The suspicion that has been aroused, of course, is that someone at the Home Office has been smarting, and out to reassert himself, after a couple of wounding defeats at the hands of liberal opinion and the human decency of his political chief. There was the case of the Hungarian Mrs Farkas and her fellow refugee ; the Home Office said they should go, the police came within an ace of successfully enforcing the order, and then Mr Butler let them stay. There was the more recent case of the Spanish conscientious objector ; the Home Office said he should go back forthwith to Spain, Mr Butler allowed him sufficient time to get himself accepted by a state where he would be safe. On both occasions Mr Butler got a good press ; the Home Office—and, in the first instance, the police—did not. This time, it seems, no risks were taken. Any protests, from press or Parliament, have come too late ; and the danger that a too kind-hearted Mr Butler might once again intervene was forestalled by a *fait accompli*.

No doubt the law has been literally enforced: as it used to be, in the days of the Settlement Acts, by those worthies who pushed women in labour across the parish boundary in wheelbarrows, so that their babies might not acquire a settlement by being born within their jurisdiction. But the spirit of the Settlement Acts, however congenial to the Home Office departmental mentality, does not much commend itself to public opinion today. However many warnings Mrs Marcovic had been given—and on this sort of point parliamentary questions are still awaited as we go to press—the technique of the early morning call does not commend itself either.

POLIO VACCINE

How Many Want It?

ONE of the mysteries about the dispute over the Government's polio vaccination programme, which reached its peak of acrimony in last week's debates with phrases like "manslaughter" and plumbing "depths of squalor," is how many children are actually registered and waiting for their first injection. At the end of February, fewer than half of the 10 million children entitled to register had actually done so and 2.7 million of them were waiting for their first injection. The proportion of expectant mothers who had registered was even smaller. This is a disappointing response, comparable with the bare 40 per cent of mothers who bother to have their babies inoculated for diphtheria. A sample taken by the Ministry of Health in March indicated that the proportion of children registered had then risen to 53 per cent of all children ; there have been more registrations since then but until full returns to the end of April are available (they should be available next week), it will not be possible to say whether or not the Government has misjudged the extent of public demand.

In the meantime, the Medical Research Council has not made Mr Walker Smith's task of explaining his arrangements to the House any easier. Doctors were sharply critical of the Government when the decision to issue vaccine was first announced two years ago ; they argued that it had been sprung on them without adequate consultation and they have remained fairly hostile ever since. Now that the Medical Research Council has lifted its last restriction on the use of American Salk vaccine in this country—the insistence that it must go through a separate 3-month safety test here as well as in the United States—the Ministry is free to draw on substantial American stocks of tested vaccine instead of being exposed to the uncertainties of current production. (The reasons why four separate batches failed to arrive from four different suppliers last month and so precipitated the present crisis were described in a Business Note on April 19th.) The waiving of the separate safety tests has come too late to prevent many people from feeling that once again the inoculation programme has been badly bungled. But another problem looms ahead. The real threat to the programme is not going to be the temporary dislocation of vaccine supplies, but the burden that inoculation throws on the doctors and nurses of the health service, who have to see that each child has two, and possibly even three, injections apiece.

PRE-SCHOOL CHILDREN

One Nursery and Another

IN 1946, as part of the material collected for the Royal Commission on Population, a survey was made of the circumstances and costs of all confinements occurring in Great Britain in the first week of March. A sample of the legitimate children then born has been periodically studied ever since, and the results of the investigations made in the first five years of their lives has now been published.*

The report is full of interest. It throws some light on why there are still big differences in the infant mortality rates of the various social classes, even though all the rates are much lower than they were before the war. By providing the facts, it also enables one to test some of the theories about the care of young children that have been put forward as explanations of delinquency or emotional instability and so on. For instance, the survey found that over half of the children had been separated from their mothers in their early years, and 14 per cent for four weeks or longer. When this 14 per cent was studied, it was found that separation did not affect the children adversely in any way provided they remained at home. Children sent away from home were more likely to have nightmares or other signs of instability, but the differences were not great. Similarly, no serious disturbances were found among the children of broken homes, and there was no evidence that children of working mothers are emotionally less stable than other children. Their only disadvantage seems to be that when ill they have more often to be sent to hospital—because, presumably, they cannot be cared for at home.

It is true that emotional instability may take longer than

* Children Under Five. By J. W. B. Douglas and J. M. Blomfield. *Allen & Unwin.* 177 pages. 21s.



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five years to manifest itself, and it is therefore good news that the survey is continuing so that a picture will be obtained of the same children in early adolescence. The investigators have already had to modify their originally favourable view of the progress of premature children, who seemed to have caught up full-term children—except in height and weight—at the age of five, but who at eight years old were found to be backward in reading compared with other children. It may be, therefore, that the apparently favourable picture of "separated" and "broken home" children will later have to be modified as well. The important thing is that the facts are now available: a complete account of the environmental circumstances, conditions of living, illnesses and growth of Britain's children, normal and abnormal. The organisers of this survey have earned the thanks of all concerned with the welfare of the young.

SOVIET UNION

Russia's Problem Children

Moscow's zeal in preaching orthodoxy to the communist parties of eastern Europe—which led it last month into the renewed clash with Marshal Tito—is not inspired only by fear of the disruptive effects of "revisionism" on the Soviet block. The Kremlin is aware that its own citizens, and the young ones in particular, are not heresy-proof. The impression of a state of ferment among the young has been strengthened by the recent congress of the Union of Communist Youth—the *Komsomol*, as it is called. In the early nineteen-fifties this giant organisation used to absorb more than a million new members every year. It reached a total of 18.5 million in 1956. But the membership in 1958 is exactly the same. This surprising stagnation is the combined result of expulsions, and stricter sifting of newcomers. The reason for such caution can be gathered from official pronouncements. It is admitted that unrest had made its appearance concurrently with the campaign against the cult of personality: "Some young people, mostly students, indulged in nihilistic attacks, playing down the achievements of the Soviet people and distorting our Soviet reality."

The restlessness of the young Russians has been aggravated by the fact that large numbers with matriculation cannot find university places. Despite the rapid expansion of universities and higher technical schools, the number of vacancies has not been keeping pace with the mass production of aspiring students by the secondary schools. At one stage, Mr Khrushchev tried to use the scarcity of vacancies in institutions of higher learning as a threat to curb the unruly, but apparently intimidation did not prove enough. Another line of attack is now being discarded: the attempt to discredit the intellectual rebels by identifying them with the *stylagi*, the Russian brand of teddy-boys. *Komsomolskaya Pravda* now admits that the wearing of a goatee is a question of personal taste, while narrow trousers may be suited to modern conditions of work.

Stalin, who had to purge the *Komsomol* wholesale when he established his rule, sought to channel the bold spirit of youth into pioneering work in distant lands. Mr Khrushchev, too, has tried to divert young energies into pioneering activity, but the problem of restless youth remains unsolved. It will not be solved, either, by cutting off contact with contaminated countries; the roots of Soviet "revisionism" are at home.

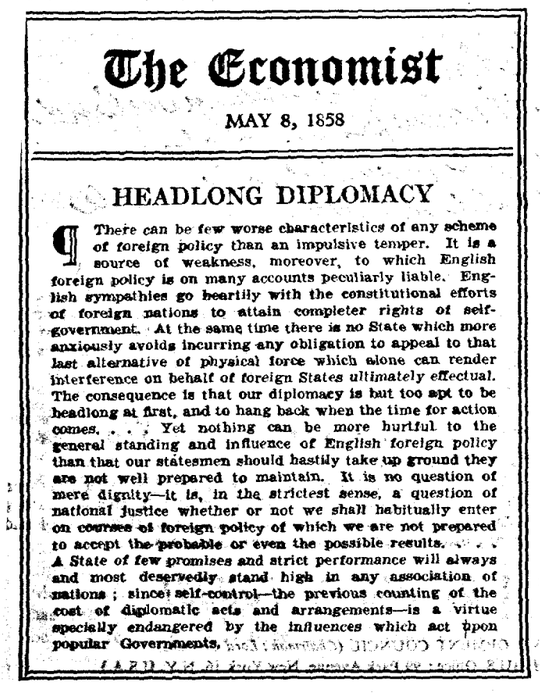
IRISH REPUBLIC

Standstill Budget

Our correspondent in Dublin writes:

The second budget produced by Mr de Valera's present government has been a very unspectacular one. No changes of any consequence were made and a budget speech of forty minutes was sufficient to dispose of the whole affair. This standstill in public finance comes after the Republic has had one of its best years for a long time. Exports in 1957 achieved an encouraging expansion and, quite against post-war practice, the balance of payments showed a small surplus. The national income, which had fallen in 1956, rose in 1957 to £468 million. Possibly most encouraging of all, the Republic has imitated Britain in showing a sharp recovery in savings: from £32 million in 1956-57 to £57 million in 1957-58. Nevertheless, the Minister of Finance wisely ruled that no reliefs could be given, although income tax has been at its war-time rate of 7s. 6d. for the last six years and the traditional taxes on consumption are at record levels.

This does not necessarily mean that any internal drop in spending is to be expected. Last year's high cattle prices should mean that private finances are better than they have been for some time. A great deal depends on whether such prices can be maintained. The opening months of the present year have seen a drop in cattle exports. This will also affect the balance of payments; and it cannot be expected that imports will remain much longer at their comparatively low level of the last two years.



The Economist

MAY 8, 1858

HEADLONG DIPLOMACY

There can be few worse characteristics of any scheme of foreign policy than an impulsive temper. It is a source of weakness, moreover, to which English foreign policy is on many accounts peculiarly liable. English sympathies go heartily with the constitutional efforts of foreign nations to attain completer rights of self-government. At the same time there is no State which more anxiously avoids incurring any obligation to appeal to that last alternative of physical force which alone can render interference on behalf of foreign States ultimately effectual. The consequence is that our diplomacy is but too apt to be headlong at first, and to hang back when the time for action comes. . . . Yet nothing can be more hurtful to the general standing and influence of English foreign policy than that our statesmen should hastily take up ground they are not well prepared to maintain. It is no question of mere dignity—it is, in the strictest sense, a question of national justice whether or not we shall habitually enter on courses of foreign policy of which we are not prepared to accept the probable or even the possible results. . . . A State of few promises and strict performance will always and most deservedly stand high in any association of nations; since self-control—the previous counting of the cost of diplomatic acts and arrangements—is a virtue specially endangered by the influences which act upon popular Governments.

LETTERS

Kenya

Sir—In your article "Kenya in Context" you say "there can be no surrender to Mr Mboya in his present mood," and I would certainly agree with you if there were any evidence that Mr Mboya's mood were anything like your reading of it suggests. Since I have discussed the situation with Mr Mboya at various stages of the prolonged constitutional crisis and have some idea of his attitude towards multi-racialism, I wonder whether you would permit me to make the following points.

First, whatever the Europeans may think, neither they nor Mr Lennox Boyd have made him a fair offer. Mr Lennox Boyd offered the Africans six extra seats on the old Coutts franchise, deliberately designed to keep extremists out, and in return for this Africans were asked to accept twelve further members elected by an electoral college in which they would have less than a quarter of the votes. Moreover, Mr Lennox Boyd explicitly refused to make any declaration whatsoever which might remotely suggest that Kenya would ever become a democratic state. It is surely irrelevant to quote Mr Vasey as supporting an African majority, since he did not openly support such a proposal when he was a nominated Minister and failed to get elected on such a platform when he stood for a crossbench seat.

Secondly, Mr Mboya has always advocated a policy of gradualism in working towards the long term objective of full democracy. He has also made it clear that he would enter into genuine negotiations to work out appropriate safeguards for European rights even at the later stages of political evolution. By contrast Mr Blundell's electoral appeal in 1956 was that he sought to get the settlers into "the actual seats of power" before Britain got a Labour government. Clearly while Mr Mboya might go far to meeting the settler case he could not agree to this without utterly betraying his people. It is by no means perverse of the Africans to fear any policy which might lead to settler rule. Many white South Africans like myself must wish that there had been some African leader like Mr Mboya in 1910 to dig his heels in and prevent the setting up of a state which was destined from the start to be governed by some racial dictatorship like Strijdom's.

Thirdly, is there really any difference between your proposed policy and Mr Lennox Boyd's? Do you really imagine that after Mr Mboya's complete success in two elections among the richer, more educated Africans and after the resounding defeat of Mr Changa last year, there is really any hope of the four "special" Africans ever commanding support, however much authority they may be given? How much easier to give a pledge now that Kenya is destined to become a democratic state, to give the Africans a small unofficial majority in Legco, and to abandon the foolish attempt to impose settler ministers on the Africans. These, after all, were Mr Mboya's demands when he was elected last year.—Yours faithfully,

West Riding Council for African Affairs — John Rex, Chairman

Foreign Aid

Sir—We were most astonished to find, in a recent article in *The Economist* on assistance to underdeveloped countries, that you cite the United States, the Soviet Union, Great Britain, and Switzerland as contributing countries, but make no mention of France.

A report of the United Nations Economic Commission for Asia and the Far East, for example, places France second only to the United States in amount of financial aid given to underdeveloped countries. Despite its own need for capital to repair and replace the destruction wrought by the war and occupation, and to expand its own economy and living standards, France since the war has granted nations in need something like the franc equivalent of $600 million.

Furthermore, in response to the call of foreign governments, some 450 French experts today are serving as advisers and engineers in the development of 54 nations all over the world.—Yours faithfully,

Conseil National du Patronat Français — Bertrand Hommey

Liberals

Sir—Mr Bonham Carter refers me to the resolution of the Liberal Party Assembly passed in 1955. This resolution, of course, opened by expressing "great misgiving" that British agriculture was dependent on "Treasury grants of over £200 million per annum." It went on to detail six points about monopolies, import duties on agricultural requisites, credit facilities, adequate slaughtering, storage and distribution facilities, electricity development, and cheaper inland transport, and then added "until such time as these measures become effective, the need for some form of government aid is fully recognised." The words "some form of government aid" can hardly be said to constitute the precise endorsement of price supports which Mr Bonham Carter claims makes the position of the Liberal party quite clear. As Mr Alexander and his four Liberal colleagues in their earlier letter pointed out, the Liberal Assembly in 1953 pledged itself to the gradual abandonment of price supports subject to certain conditions which, Mr Alexander says, the Government is in process of meeting.

I presume Mr Alexander and his friends were also aware of the resolution passed in 1955 and yet they say, in April 1958, that "Liberals should now firmly advocate the abandonment of guaranteed prices."

I am not surprised that Mr Bonham Carter, fresh from the hustings at Torrington where farmers' votes were of some importance, has found it necessary to hedge. The kindest thing that can be said is that the position of the Liberal party on this matter remains obscure.—Yours faithfully, Bernard Braine

House of Commons

Systems of Voting

Sir—There is no doubt that the introduction of the alternative vote, as suggested in your article of March 8th, would improve the present electoral system. However, since it is almost true to say that any other system would be an improvement on the present method, the question surely is whether the alternative vote is the best possible reform. My answer would be that it is not, and that the ideal solution lies in the introduction of the single transferable vote in multi-member constituencies.

Now, this system was summarily dismissed in the second paragraph of the article, but several points made there deserve reconsideration. In the first place, there are some 300 different systems of proportional representation; the single transferable vote just happens to be the only one which fulfils all the requirements of a democratic electoral system without departing unnecessarily from traditional methods, and it is therefore quite wrong to suggest that proportional representation can be "more technically described as the single transferable vote."

Furthermore, to get the best results from the system, the country would be divided into about 125 constituencies, each returning between three and seven members to Parliament, not "gigantic districts with several members each," and would certainly not give all small parties a representation in Parliament exactly proportional to their vote in the country. A candidate would need about 35,000 votes in his constituency in order to obtain a seat. Therefore, while multi-member constituencies will ensure more accurate representation of the state of political opinion in individual areas and will therefore lead to a more representative House of Commons than the present system, and indeed than the alternative vote, it would still be theoretically possible for a party to receive 34,000 votes in each of 125 areas, a total of over four million votes, without securing a single seat.

In a study of the 1955 general election, I concluded that, if the single transferable vote had been in operation at that election, the distribution of the seats would have been something of this order: Conservative 247, Labour 261, Liberal 118, others 4. This would appear to make nonsense of the assertion that the House of Commons would be inundated with small parties.—Yours faithfully, Eric W. Crowhurst

University of Southampton

BOOKS

Washington's Last Years

George Washington, Vol. VII

By J. A. Carroll and M. W. Ashworth, completing the biography by Douglas Southall Freeman.

Eyre and Spottiswoode, 729 pages. 70s.

"HIS was the singular destiny and merit, of leading the armies of his country successfully through an arduous war, for the establishment of its independence; of conducting its councils through the birth of a government, new in its forms and principles, until it had settled down into a quiet and orderly train; and of scrupulously obeying the laws through the whole of his career, civil and military, of which the history of the world furnishes no other example." Thus Jefferson, no indiscriminate eulogist, and the verdict still stands. That American historical scholarship would wish to raise an appropriate memorial to such a *pater patriæ* is not surprising; that a Virginian should be the architect was particularly appropriate. But Douglas Southall Freeman, having established himself as the leading Washington scholar of his time, was denied the satisfaction of bringing his own splendidly conceived biography to a close. He died with one volume still unwritten, the one that was to chronicle the final years from 1793 to 1799.

Fortunately two of his most trusted assistants have rallied to complete the opus, writers who had so completely absorbed the objective, "What actually happened, as it happened," style and method of their master, that the seventh volume is virtually indistinguishable in temper and texture from the preceding six. It moves with the same kind of unhurried directness and dignity as Washington himself and makes its effects by its scrupulous precision, fairness and balance. Also, like Washington, it eschews the services of imagination and pursues the ideal of self sufficiency; the man, not his age, not his milieu, is the author's theme. And even in writing of the man, it is the conscious, the explicit, the self-documenting man that we are shown. The lighting too is even; there is no attempt to stress this or throw a shadow over that. This is surely as it should be. No subject, as has repeatedly been demonstrated, so ill repays the psychological or speculative approach as Washington. Few subjects present so few "problems"; none gain more by being given to us straight, as he is here. It is a matter for deep gratification that Freeman's great life is thus finished on the same principles as it was begun.

This last volume opens on a note not without its contemporary overtones. The great soldier is entering upon that second term as president which, as the story unrolls, is seen to be so much less serene than the first. He becomes involved, willy-nilly, in the clashes of faction, has to take sides in disputes within his own official family, finds his foreign policy an object of intense controversy, clashes with Congress and the Senate and finally is exposed to the bitter shafts of a malicious press. He is, in fact, during these years engaged in pretending to a supra-party role which it is impossible to sustain. The country has moved too far from the perils and ideals of the war years to resist the democratic imperative to take sides. Yet it still needs a unifying symbol and influence and at the price of accusations of hypocrisy and duplicity Washington provides them. It is his last great service. For the rest, there was the legacy of the farewell speech, and what should have been the graceful coda of retirement at Mount Vernon. In fact, of course, there was no rest on the plantation. The whirlpool of the French war threatened to engulf neutral America and once again Washington became Commander-in-Chief—he might even once again have been called to the Presidency, were it not that death called him first.

Pacific Mystery

Aku-Aku: *The Secret of Easter Island.*

By Thor Heyerdahl.

Allen and Unwin. 355 pages. 21s.

AKU-AKU is magical power and clairvoyance in the Polynesian dialect of Easter Island. One of Mr Heyerdahl's tricks of mystification in telling his story is to pretend that he was able to penetrate the secrets of the Easter Islanders by luck which they interpreted as magic. In fact, as the reader who is willing to overlook the tedious romantic trappings of the story soon finds out, it was due to his courage and charm.

Easter Island is the remotest corner of the Polynesian archipelago. Its colossal stone statues have been a mystery to archaeologists ever since they were brought to the attention of modern scholars by Mrs Routledge fifty years ago. Its present inhabitants, a mixed-blood remnant of a population harshly reduced by Peruvian blackbirders in the eighteen-sixties, have no knowledge of the history of the statues, and speculation about them has been wild and futile. Summing up the most recent researches, Alfred Métraux, an authority of high standing, came down on the side of a purely Polynesian origin for the traditional culture of the island. He thus disagreed with the theory, put forward a little earlier by Mr Heyerdahl, that attributes the island's extinct culture to South American sources. This book is, in effect, the story of Mr Heyerdahl's attempt to prove his hypothesis by excavation and experiment.

Mr Heyerdahl chartered a Greenland trawler, equipped it as an archæological laboratory, recruited a team of skilled research workers and got to work on the island. His excavations were guided in part by his theories but also by the somewhat unusual criterion of native legend treated as history. This led him to some spectacular discoveries. Thus native legend relates that the island was once inhabited by two stocks, a "long-eared", fair-skinned, red-haired aristocracy (later by implication equated by Mr Heyerdahl with South American immigrants) and a "short-eared" dark primitive stock (equated by Mr Heyerdahl with Polynesians). The "long ears" are said to have built a great ditch in which they kept fires going, in order to defend themselves against the "short ears." But the latter circumvented the defences and drove the "long ears" to their death in their own ditch of fire. Previous investigators had dismissed this legend as a myth about a geological fault. Heyerdahl dug and found carbonised material. Following similar clues he gained access to caves full of secret family hoards of sculptures quite unlike contemporary carvings. Again, Mr Heyerdahl persuaded some of the islanders (reputed to be descendants of the "long ears") to demonstrate the techniques of carving the stone statues using only stone implements, and to haul and erect them by means of stone ramps. He also got them to build a boat of fresh water reeds which he discovered growing in a volcanic crater on the island. The reeds are of undoubted South American origin and the boat is of a type that he believes might have been used by the South American founders of Easter Island culture.

In all the material thus newly revealed Mr Heyerdahl sees parallels with pre-Inca Peruvian culture. He concludes that there were three epochs in the history of Easter Island. The Peruvian "long ears" came over in the first period and were the creators of the classical buildings and statuary. Then came the "short ears" who overthrew them with warfare and cannibalism. Mr Heyerdahl's original hypothesis thus seems to be confirmed. But until the full records of the expedition are published the experts will have reservations. They will welcome the discovery of the different strata of Easter Island culture. They will not be wholly convinced by the parallels adduced by Mr Heyerdahl between the new material he has found and pre-Inca Peru; for this material has many features that can be just as plausibly attributed to a purely Polynesian origin. No controversies between the experts can however diminish admiration for Mr Heyerdahl's single-minded persistence and intrepidity.

Twisting the Dragon's Tail

Zeebrugge, St. George's Day, 1918

By Barrie Pitt.

Cassell. 237 pages. 18s.

ZEEBRUGGE was a commando raid, long before the technique of that sudden, dashing foray was perfected and long before it could be categorised with a name. Thus, set against the exploits of the second world war, it has an air of improvisation and makeshift. All the more credit, then, to the skill and valour which were there displayed. It heartened Britain at the right moment: the slaughter on the western front had produced three years of stalemate and then, in March, the Germans had broken through the British line. Morale needed a shot in the arm; at Zeebrugge the navy, which since Jutland and under the mounting pressure of the U-boat campaign had lost some of the nation's confidence, provided it.

The account of the single action or battle has become popular, and Zeebrugge is an ideal subject for this kind of historical reconstruction. Mr Pitt has done his task well, leaning heavily on British accounts and drawing very little from German sources. His is a minute description: he records almost every burst of machine-gun fire. For those who enjoy the high heroic vein, his book will be thought to be well written. For those who do not, it may appear a little jingoistic. But none will deny Mr Pitt's descriptive powers, to which he here gives full rein. His hero is Admiral Keyes, a bold and forthright leader who showed his worth at Gallipoli and justly earned his fame in naval history at Zeebrugge. Mr Pitt has no villain, though he is critical of Admiral Bacon, who commanded the Dover Patrol before Keyes.

But, in his enthusiasm, Mr Pitt overstates his case. The strategical impact of the gadfly attack on Zeebrugge was surely not so great on Ludendorff as he claims it was. Nor do Mr Pitt's arguments refute the judgment that the raid did not produce the tactical success first claimed for it, in the sense that the sinking of the blockships at Zeebrugge and the abortive attack on Ostend failed to disrupt for long the passage of the German U-boats. Mr Pitt, on the evidence of two aerial photographs, claims that the raid did upset the U-boat operations. He dismisses German reports quoting the number of U-boats passing out of Zeebrugge and Ostend after the raid with the curious argument that as German reports on some of the details of the action at Zeebrugge were demonstratively false, then other reports must be suspect. But there is a world of difference between a report of the numbers and movements of one's own fleet, absolutely vital information for any naval staff, and a battle report from a subordinate on the enemy's actions in a confused night battle. It is a pity that Mr Pitt exaggerates the strategic and tactical importance of the Zeebrugge raid, for he could have rested a good case on the gallantry displayed and on the stimulus it gave to morale.

New Critic in Old Pastures

The Shaping Spirit: *Studies in Modern English and American Poets*

By A. Alvarez.

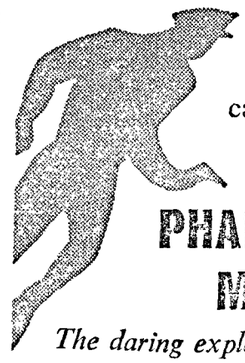
Chatto and Windus. 191 pages. 15s.

MR ALVAREZ is perhaps the most promising of the younger English critics. No one has written with more responsible insight of the "Americanism" of Ezra Pound, of the specific range of W. H. Auden's verse or of the achievements of William Empson. Time and again this collection of essays is enlivened by a definition, a happy phrase or glint of humour: Ezra Pound "is the only poet in the last three hundred years to write English as though he had never read Shakespeare"; "If Pope is on one side of Auden, Alistair Cooke is on the other"; "For verse is a means and poetry an end."

Even where one cannot wholly acquiesce in Mr Alvarez's conclusions—did Poe really lack the creative autonomy of a great artist, and is D. H. Lawrence's poetry really that good?—the arguments which he marshals command respect. Constantly he exemplifies a critic's true function: to bring the reader back to the literary text by focusing on it a high degree of awareness. And because he writes so well, Mr Alvarez affirms a truth sometimes neglected by contemporary critics: the language of literary criticism should set for itself ideals of clarity and force no humbler than the ideals set by the great poets and prose writers with whom it is concerned.

But, by the very virtues of its attainment, this volume raises two disturbing questions about the health of contemporary criticism. Mr Alvarez plays very safe. The authors he deals with—Hart Crane being the possible exception—are in every sense canonic. They constitute the poetic Establishment. Quarterlies and critical journals are filled, and have been for several years, with essays on T. S. Eliot, Yeats, Auden and Wallace Stevens. One would have supposed that a young critic of Mr Alvarez's calibre would live more dangerously and venture into latitudes less thoroughly charted. Much of what he says has been said before, though less finely. Perhaps his next book will be less orthodox. There are fresh and difficult topics awaiting his scrutiny—the prose of John Cowper Powys, for example, the novels of C. P. Snow, the complex genius of Robert Graves or the true stature of Sean O'Casey.

The second question is not so much one of range as of attitude. There is in too much of present-day English criticism a touch of the provincial. Literature is really a bigger and more dæmonic affair than Mr Alvarez would, at times, lead one to believe. As Edmund Wilson and Lionel Trilling incessantly remind us, it engages the central political, philosophic and historical energies of an age. When Trotsky entitled a book "Literature and Revolution," he meant to suggest that the chaos of the human condition and the play of the shaping spirit of imagination are



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inseparable. When Sartre asked "*Qu'est-ce que la littérature ?*," he was asking whether literature itself, in the old sense, could lay claim to meaning in a world that had known gas ovens and which lived under the peril of nuclear destruction. Such inquiries are in no manner unrelated to the poetics of Yeats or the imagery of Wallace Stevens. But in the perception of the relationship lies the mark of major criticism. Young critics endowed with Mr Alvarez's gifts should, one feels, be angrier.

Wilson Reassessed

The United States and East Central Europe 1914-1918: *A Study in Wilsonian Diplomacy and Propaganda*

By Victor S. Mamatey.
Princeton University Press. London: *Oxford University Press.* 431 pages. 60s.

TODAY Woodrow Wilson is already a shadowy, and in Central Europe a legendary, figure. The conventional picture we have of him is of a starry-eyed political innocent, who was forced into the first world war by the diplomatic intrigues of the Entente powers, eager to have a powerful ally with clean hands to pull their chestnuts out of the fire. Professor Mamatey's authoritative work allows the reader to make a more realistic assessment. Wilson certainly did not like the Allies' war aims, but his statement that, "When the war is over we can force Britain and France to our way of thinking because by that time they will be financially in our hands," does not sound very idealistic. Yet high-minded sentiments about the right of all peoples to choose the sort of government under which they wished to live were constantly on his lips. It appears that Wilson had no preconceived ideas about the future boundaries of Europe and was faced with the dissolution of the Hapsburg Empire virtually as a *fait accompli*. Indeed he had little knowledge of European affairs and was ill served by a Diplomatic Corps whose senior members' only qualification was often loyalty to the Democrats.

It seems clear that Wilson would have preferred a negotiated peace, and with this in mind tried to wean Austria-Hungary away from Germany. He was unsuccessful because he could not offer the Austrians reasonable terms without treading on Italy's toes. Eventually further negotiations were rendered impossible by Clemenceau's foolish publication of the "Sixtus letter." It was only at this stage that Wilson began openly and actively to encourage the minorities to hope for independence. Although his policy encouraged the aspirations of the subject peoples, it emerges clearly from this work that he regarded it as a means to victory rather than as an end in itself. Despite his high principles Wilson usually managed to keep both feet firmly on the ground.

The fall of Austria-Hungary was a necessary corollary of military defeat, dissension of its subjects and the ...da of its enemies, but the ...he successor states created at least as many problems as it solved. With the exception of Czechoslovakia, the administration of the new states was generally corrupt and incompetent and their social and economic progress negligible. Even the hopes of allied statesmen that they would form a cordon sanitaire between Germany and Russia were soon disappointed. When the power of Germany and later of Russia revived, each picked off the small states as soon as they were ready for them. We may agree with Professor Mamatey that a militarily and economically viable Central European federation would have been a better solution; unfortunately, in the climate of 1918 it was quite unrealistic.

The extent of the author's research is impressive. He lived for many years in Czechoslovakia and his mastery of Slavonic languages has allowed him to make full use of original sources. His style is uneven, but redeemed by the occasional Tacitean touch. There is an exhaustive bibliography and an excellent index.

Awaiting an Answer

The Question

By Henri Alleg (with a preface by J. P. Sartre).
John Calder. 96 pages. 10s. 6d.

THIS small book sold 60,000 copies in France within two weeks of its publication. But it is not a best-seller of the sugar-coated variety. By comparison with M. Alleg's nightmarish experience, Kafka's world appears idyllic. M. Alleg had been the editor of a Communist newspaper in Algiers. In June of last year he was arrested by paratroopers and for a whole month he was "interrogated" by torturers in French uniforms. Their exploits with water, electric current and other gadgets of modern civilisation would have impressed veteran torturers of the Gestapo. That M. Alleg did not break down in the process seems an extraordinary victory of the human spirit over physical pain. The outcry caused in Paris by his disappearance led finally to his transfer to an ordinary gaol. It is there that he wrote this brief but terrible account.

M. Sartre, in his preface, recalls how Frenchmen in 1943 believed it to be unthinkable "that one day men should be made to scream by those acting in our name." It is now clear that torture has no nationality. The discovery may be belated. The novelty, as far as Algeria is concerned, is that the mass of Frenchmen can no longer plead ignorance of the facts. The government has tried to hush up this case by seizing newspapers which wrote about it. But by the time it decided to seize the book itself, so many copies had been sold that a Parisian now requires sublime hypocrisy to pretend that he has never heard of M. Alleg.

To seize is not to answer. The charges in this indictment are precise and circumstantial. In refusing to answer them the French government condones the crime and, like blotting paper, absorbs the guilt of its subordinates. Silence is complicity. This horrible testimony of one man's resistance to physical pain is not easy reading. But, whatever one's views on the Algerian conflict, it should be read by all those who do not want to preserve an easy conscience merely by pulling over their eyes wool impregnated with high-sounding liberal principles.

Policemen in the Lab

Science and the Detection of Crime

By C. R. M. Cuthbert.
Hutchinson. 244 pages. 25s.

THE part played by the laboratory in the detection of crime is more recent than is popularly supposed. The Metropolitan Police Laboratory and the Home Office Forensic Science Laboratories were not started until 1935. Before that, the Criminal Investigation Department of Scotland Yard and the provincial police forces had, it is true, frequently used so-called experts to help them in the preparation of their cases for the prosecution. But it was Sir Arthur Dixon at the Home Office who first pressed for, and secured, the establishment of regular laboratories as an essential aid to the detective.

The author of this book was one of the original staff of the first Department of Forensic Science and ended his career as superintendent of the Metropolitan Police Laboratory. His experience is unusually wide, and he has collected together a number of cases which he uses to illustrate the different facets of scientific detection. There are chapters on blood, poison and fraud, on drunken driving, arson and forgery. No crime seems to have eluded his attention or his microscope, and all who are interested in criminology will find ample material for study.

For the layman, the book suffers, as do so many books written by policemen, from attempts to shock the reader. But policemen, in print, lack the Rabelaisian wit of doctors and the descriptive skill of professional authors, and the result is a slightly sordid flatness, which seems to have neither point nor purpose. This is a very minor criticism, however, of a book that is full of merit and which deserves to be widely read by all criminologists—and burglars.

OTHER BOOKS

FOREIGN POLICY AND THE AMERICAN SPIRIT. By D. Perkins. Edited by G. G. Van Deusen and R. C. Wade. *Cornell University Press.* London: *Oxford University Press.* 254 pages. 30s.
A collection of twelve articles and lectures by Professor Dexter Perkins, of Rochester and Cornell Universities, who has an international reputation as a scholarly and witty expert on American foreign policy.

THE FAMILY IN CONTEMPORARY SOCIETY: the report of a group convened at the behest of the Archbishop of Canterbury, with appended reports from USA, Canada, and India. *SPCK.* 229 pages. 10s. 6d.

OVERSEAS NEWSPAPERS AND PERIODICALS 1958. Edited by H. R. Vaughan. *Publishing and Distributing Co.* 212 pages. No price given.

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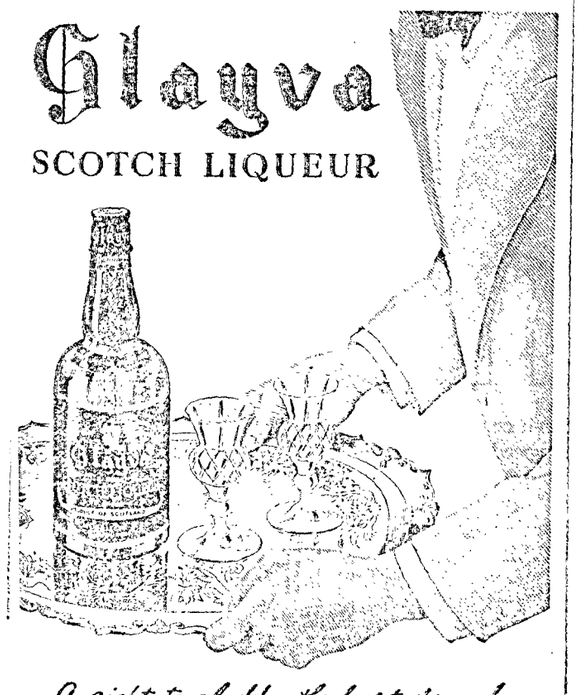


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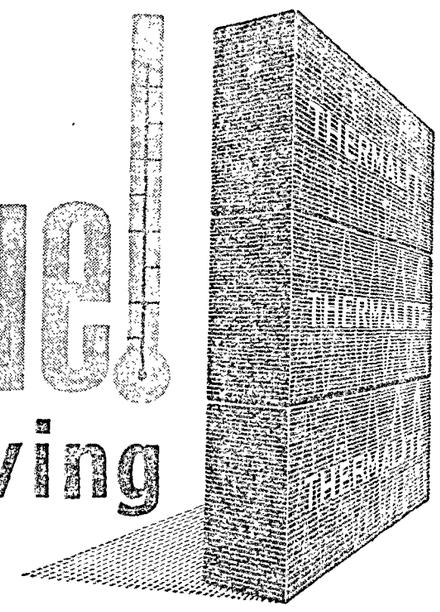
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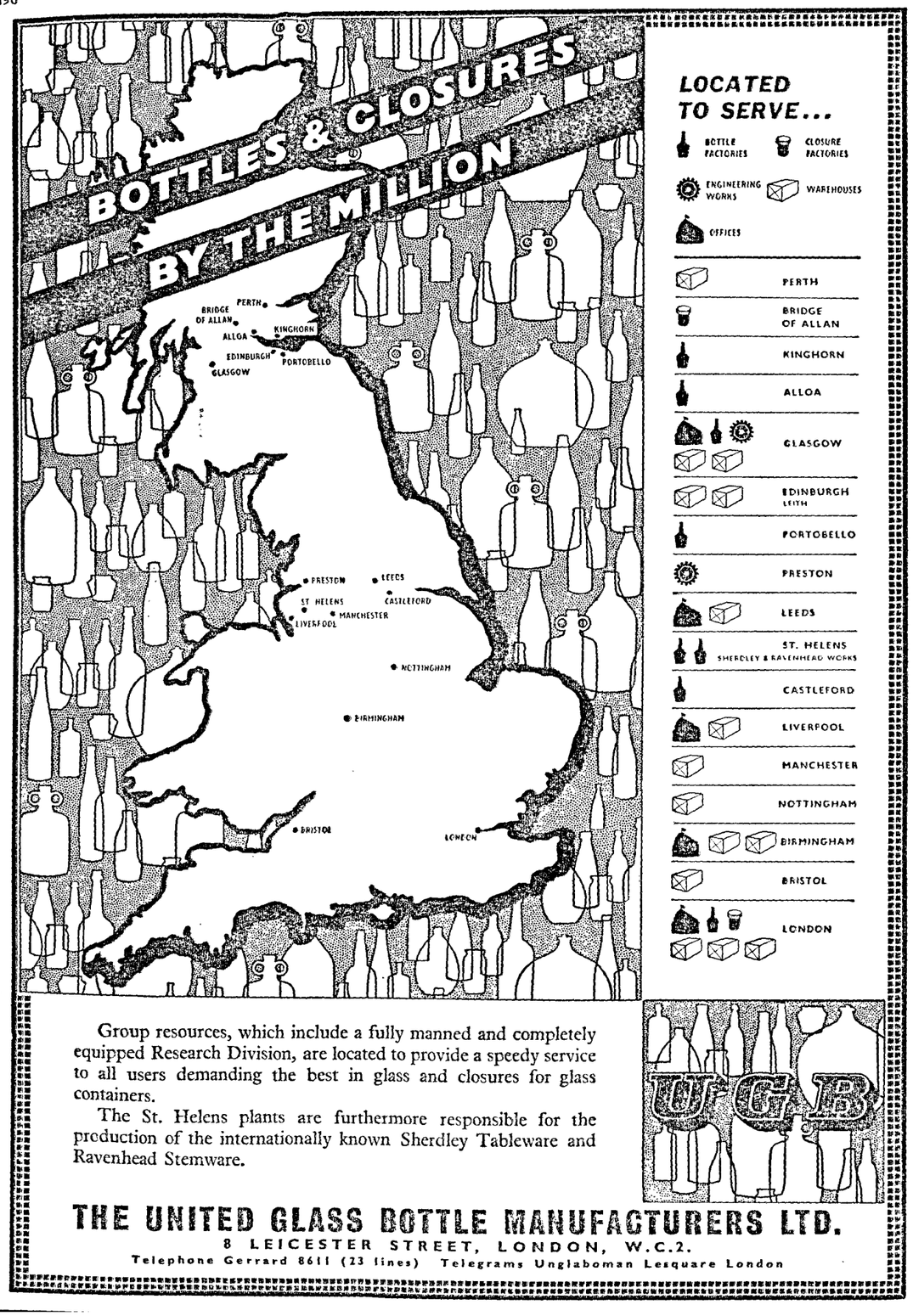
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What's Good for General Motors?

DETROIT

IN the "capital of the recession" the United Automobile Workers' Union, with 400,000 of its members unemployed, is negotiating with the big three motor companies, which have 850,000 cars unsold. On the face of it Mr Walter Reuther, the union's president, who is the labour leader whom most businessmen would most like to see put in his place, is in an awkward position. He is having to face what he once demanded and what he now rather scathingly impugns, bargaining which is virtually industry-wide. The General Motors Corporation, which occupies about half the car market, has declined to allow him to tackle the weaker Ford and Chrysler companies first. It has taken the highly unusual step of giving notice that its labour contract will terminate on the first possible day, midnight on May 29th. When the union's negotiators first presented their demands in the bargaining room in the Ford company's headquarters they saw a large white Cadillac—GM's highest prestige model—pull up outside the main entrance during a recess, and shortly after they got the same dusty answer that their colleagues were receiving simultaneously at General Motors.

At the same time Mr Reuther is under harassing fire from the skilled craftsmen within his union, many of whom staged wildcat strikes in 1955 against the contract which he had negotiated, on the ground that it reduced traditional differentials. Although he took care before going into the present battle to reorder his procedures so that the craftsmen would be able to vote separately on contract provisions which specially affect them, no fewer than four craft unions are actively chipping away at his membership.

Finally, Mr Reuther can scarcely help reflecting on the ill fortune which has timed the running out of his contracts for the middle of a recession when his great rival, Mr McDonald of the United Steelworkers Union, is effortlessly collecting a nine cent an hour automatic increase for his men in July under a contract that will carry them on until June of next year. Counting this increase, the steelworkers will be twenty cents an hour ahead of their fellow mass producers on the car assembly line. Since Mr Reuther has $40 million in his strike fund he could afford a two-month strike. But this would be just the length of stoppage that would be convenient for the employers.

When GM gave notice of ending its contract Mr Reuther declared that "they can't make us strike." But it is scarcely surprising that the companies rejected scornfully his own proposal to continue the existing contract temporarily for three months, even forgoing the automatic increase due in June. This would simply shift the deadline for negotiations to the critical moment in September when the great punters of Detroit are again about to risk their luck on the calculation that a new year's customers will prefer "a showboat named desire" to what a leading manufacturer has caustically dismissed as "mere transportation."

The extent, however, to which the big corporations really want to push the union to the wall is still a closely guarded secret. If there is no contract in June they could, of course, lock out their workers; but, since this would be thought particularly anti-social in the middle of a recession, it is doubtful if they want to make themselves, not to mention the Republican party, that unpopular. They might exert pressure by stopping payments into the various welfare funds. If they do not do anything along these lines the negotiations might just drag on through the summer anyway and leave the companies no better off than if they had accepted Mr Reuther's loaded offer.

THERE is no doubt that the leaders of the automobile industry are under great pressure from their fellow businessmen and from some economists not to lose this chance to administer a decisive setback to the cost-push element in inflation and to Mr Reuther. For the automobile workers' leader has a unique capacity for infuriating his opponents. Although he freely pillages the vocabulary of capitalism to back his campaign for "the worker's equity," management considers him basically uncapitalist. He has had the effrontery to suggest that, since the car companies have large quantities of unsold stocks on their hands, they should cut prices. He has demanded that at the end of the trading year the workers should have a share of the profits analogous to the enormous bonuses that are distributed among the charmed circle of top executives who fix the "pricing policy" for the whole of a new car year. He has even printed an impertinent chart comparing the $3,930,000 in bonuses which Mr Harlow Curtice, the president of the General Motors Corporation, has received during the last ten years on top of salary totalling $1,630,000, with the bonus of $6,406 on top of wages of $39,272 which an average automobile worker would have received during the same period if the union's proposed profit-sharing scheme had then been in effect. In short, Mr Reuther has no respect for the mysteries of Detroit; he wants to usurp the prerogatives of management.

The last straw for the choleric employers, and a difficult pill for most neutral economists to swallow, is Mr Reuther's claim that the "dual package" he has demanded this year is his own special contribution to the fight against the high prices which persist despite the recession. Arguments about the first instalment revolve around the frustrating question of productivity. Mr Reuther has found in an appendix to the President's Economic Report this year a figure of 3.9 per cent which is said to be the average annual increase in the output a manhour worked in the decade 1947-56. He has compared this with the "improvement factor" in the standard contracts in the motor-car industry

which is supposed to give workers an annual rise equivalent to a 2.5 per cent rise in productivity. Since, the union says, the technological advances in the automobile industry are obviously greater than the average for the country, the worker has clearly been cheated of his "equity."

Therefore the union wants immediate pay increases, to which it has not yet put a precise figure, which will make up the balance, together with some improvements in welfare benefits which will compensate older workers for past rewards they should have had. On top of this the union includes its usual so-called "non-economic demands," such as a request for company pay for full-time shop stewards. The second instalment—likely to be delayed indefinitely—would be the splitting of gross profits, after deducting the first ten per cent, half going to the company, a quarter going in rebate to the customers, and a quarter going as bonus to the workers.

If raised eyebrows are the correct reaction to Mr Reuther's claim to be saintly about inflation, the selfsame reaction seems appropriate to the companies' claim that the first "package" would cost at least 73 cents an hour extra and their more general contention that, while indices of productivity are not really meaningful anyway, there has in fact been no increase at all in the output of cars a manhour since 1950. The culprit, as usual in all conversations in Detroit, is that infallible dictator of taste, the customer. All the improvements of technology, it is said, have gone into giving him more car. And, despite anxious thoughts that Americans may really be buying more small cars because they are easier to park and symbolise "conspicuous reserve" as well as being cheaper, the manufacturers know that it is now too late to turn back. The 1959 models are going to be long, wider, and shinier, and, if the country is to prosper and there are to be any profits to distribute to anybody, the "motivational researchers" who said two years ago that this was what the public wanted had better be right.

Sword and Pen

CONTINUING fair on land and in the air, depression out to sea: so runs the weather report from the armed forces for President Eisenhower's proposals to strengthen the powers of the Secretary of Defence over the individual services. Both the army and the air force have expressed their approval to the House Armed Services Committee. The navy and the marines, however, who fear that they may suffer most from the streamlining powers which the Bill gives to the Secretary of Defence, have been more critical. For the navy, Admiral Burke politely supported the President's "intent," but then declared his belief that the Bill was written in such a way that a less scrupulous Secretary of Defence that the present one might make dangerously radical changes in the structure of the services. The marines fear demotion to a ceremonial drill squad.

The chairman of the Armed Services Committee, Mr Carl Vinson of Georgia, and his fellow-critics have concentrated on two aspects of the plan in the past week. One is the central staff of officers who will aid the Joint Chiefs of Staff in strategic planning. Mr McElroy, the Secretary of Defence, thinks about 400 officers will be needed, about twice as many as at present, but the number is not specified in the Bill. Mr Vinson says bluntly that the Joint Chiefs will not get "a blank cheque." Similar alarm over the broad wording of the Bill has been aroused among the sailors and marines by the provision which would enable the Secretary of Defence to change the combat functions of the various services. In theory, this could empower Mr McElroy to emasculate a service, for instance by taking away the navy's air component.

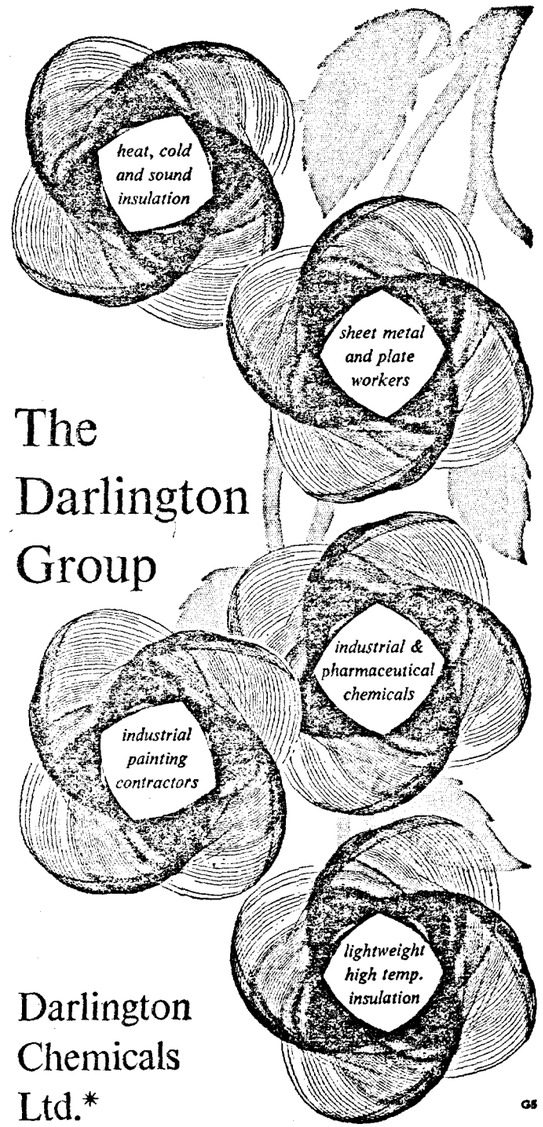
Mr McElroy, who charmed the committee by his precise and deferential replies during his four-day appearance, concedes that the language is loose and has offered to see if it can be improved without sacrificing the flexibility which may be needed in the unknown future. He has already retreated on two comparatively minor matters. But on the principles of the plan neither he nor President Eisenhower shows any signs of compromising. Henceforth promotion for senior generals and admirals is to depend on their showing themselves "objective" in inter-service matters; and the President, in a "surprise" appearance at a US Chamber of Commerce dinner last week (which cannot have surprised the diners, who saw the presidential seal affixed to the speaker's place and the cordon of security guards), once more strongly commended his plan. The committee's fingers are clearly itching to re-write the Administration's Bill; it remains to be seen whether Mr McElroy's display of co-operative sincerity, and the President's willingness to fight for his plan, will keep congressional pens away from the essentials.

Leaden Reception

THE Secretary of the Interior, Mr Seaton, has not yet made public the details of his subsidy scheme for depressed non-ferrous metals which the Administration hoped would stem the demand for higher tariffs and quotas and thus would make it easier to extend the Reciprocal Trade Agreements Act without concessions to domestic interests that would hurt and antagonise foreign countries. But already most of the mining companies and the members of Congress from the mining west have denounced the proposal as a poor substitute for the tariff increases and quotas which they feel would bring permament benefits to metals. Mr Seaton proposes to help the producers of copper, lead, zinc, tungsten and acid-grade fluorspar by paying them, over the next five years, the difference between the market price and fixed stabilisation prices on given amounts of annual production; these are approximately equivalent to output in 1957.

One of the reasons why the industry is looking at this gift horse so critically is that Congress would have to vote the subsidies anew in each of the five years and might well refuse to do so; in any case, uncertainty would be continuous. Mr Seaton, who puts the cost at $161 million for the first year, thinks that later it would diminish as the economy revives and demand picks up. But the producers suspect that the subsidy will be a standing temptation to cut prices, since the government is pledged to make good any difference, however large. This would tend to increase the subsidy—and congressional reluctance to pay the bill. So far the Administration opposes the idea of discouraging price cutting by fixing minimum prices below which it would not pay the subsidy. But the fears of foreign producers, who might have to choose between being driven out of the American market or cutting their own prices, may lead it to reconsider.

Although the stabilisation prices are above present mar-



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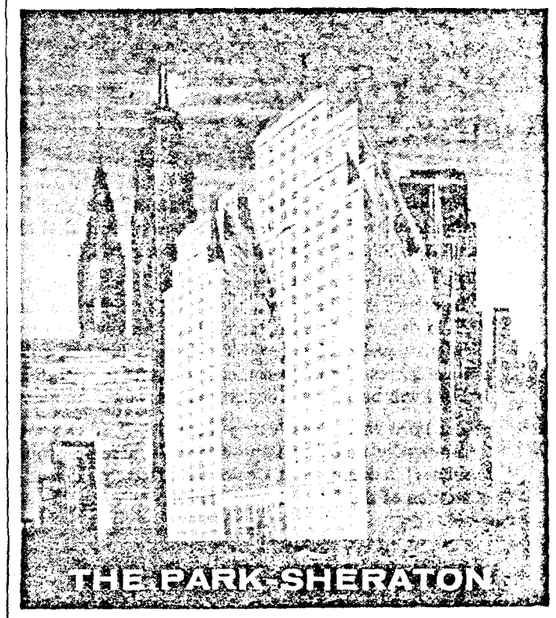
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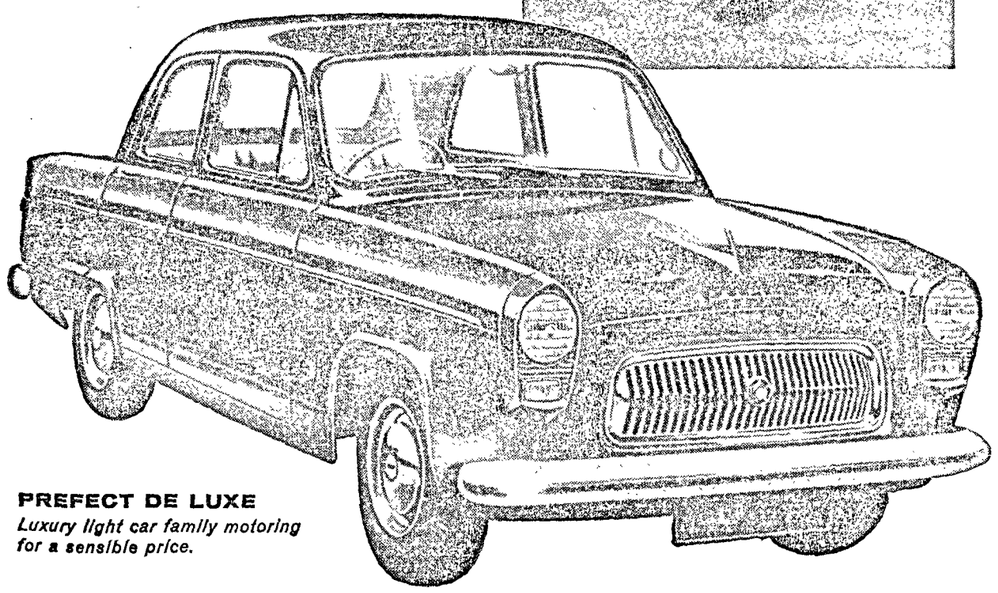
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ket prices for four of the metals—fluorspar for the moment is a special case—the producers, as is only natural, think them too low. Certainly those for lead and zinc are lower than those proposed last year in the Administration's short-lived long-range plan as "peril-points"; the scheme would have authorised tariff increases when prices fell to this level. The mining companies also feel that the Seaton proposals would be hard to administer efficiently and equitably and might lead to government control. If Congress approves the scheme before the end of June, the President will be able to regard the recent recommendations of the Tariff Commission for a rise in the duties on lead and zinc as academic. But at the moment it does not look as though he would escape this embarrassing decision, with all its repercussions on the Trade Agreements Act.

Make Way for the Arts

WITHIN the next month or so tenants in the deteriorating neighbourhood of Lincoln Square will have to begin to move out before the bulldozers and demolition crews, for the most ambitious slum clearance project in New York City has at last been given the signal to go ahead. By 1963 in place of rotting tenements north and west of Columbus Circle there will be one of the great cultural centres of the world, the Lincoln Centre for the Performing Arts, which is to occupy three and a half city blocks in the thirteen-block redevelopment project. What has been holding up the planners is the contention that the sale of two of these blocks to Fordham University, a Roman Catholic institution, is illegal because it violates the constitutional guarantees of separation of church and state by giving a subsidy to a sectarian institution. The State Court

of Appeals has just turned down this plea, and another similar suit seems certain to be rejected.

Fordham, like Lincoln Centre, the Red Cross, and Webb and Knapp, who are to put up new blocks of flats in the area, has been allowed to buy the land at a greatly reduced price under Title I of the Federal Housing Act; to make this possible the federal government has provided $28 million and the city $14 million. But private donors are having to find all of the $75 million which it is estimated it will cost to rehouse fittingly three of the city's great cultural institutions, the Metropolitan Opera, the New York Philharmonic Orchestra, and the Juillard School of Music, to provide a museum and a library of the performing arts, and several theatres. Just this week Mrs Vivian Allen, by a gift of $3 million toward the repertory theatre—which it is hoped will become the home of a company comparable to the Old Vic or the *Comédie Française*—brought the funds on hand to $28 million. The other $25 million has been pledged by three foundations, the Ford Foundation ($12.5 million), the Rockefeller Foundation ($10 million) and the Avalon Foundation ($2.5 million).

The most urgent task, and the one which will be tackled first, is to build a new home for the New York Philharmonic, for its present building on 57th Street is scheduled to be torn down this year and it is not certain that even a year's extension of the lease can be obtained. The new concert hall, which is expected to cost $7 million, should be complete in July, 1960. The Metropolitan Opera, which finds its present quarters antiquated and cramped, is expected to move in 1961 into its new opera house, which will give every one of the 3,800 opera-lovers it can seat a full view of the stage. In 1962, it is hoped to bring the Juillard School down from its present quarters near Columbia University, and to dedicate the repertory theatre. By that time the centre should be set in a gleaming new complex of parks, blocks of flats, new offices, hotels, and commercial theatres, an ornament worthy of a great city—and worthy of imitation by other American cities.

Stop-gap for the Unemployed

FROM A SPECIAL CORRESPONDENT

IN the House last week conservative southern Democrats slipped back into their old habit of collaboration with the Republicans; together they defeated the Democratic Bill to give direct federal aid to all the unemployed by the substantial margin of 223 to 165. Instead the House passed by 370 votes to 17 the President's proposals which only provide supplementary insurance payments for workers who have exhausted their rights to benefit under the various state insurance schemes. This was the first victory for the Administration's cautious approach to the problems of the recession and it seemed to justify the President's decision not to tamper with states' rights or to provoke, by too great a show of generosity, the conservatives who would have preferred the federal government to do nothing for the unemployed. Democrats from the industrial states, on the other hand, have demonstrated to voters that they put human values first.

Senate hearings on the Bill will start next week. Congress cannot afford to delay as, even if all goes well, the unemployed will probably not begin to receive their additional benefits until August. And this month and next the number exhausting their benefits, which in most industrial states last for 26 weeks, will be swollen by the heavy lay-offs, particularly in the steel and motor industries, which began last October and November. Already, with about 200,000 coming each month to the end of their benefits, hardship is mounting, and so is the risk that consumer buying—the life-belt which is keeping the economy afloat—will not be maintained.

To understand the issues in the debate, it is necessary to look back at the Social Security Act of 1935, which established the present federal-state system of unemploy-

ment compensation. The law levied a 3 per cent pay-roll tax on employers with 20 or more workers; it applies only to the first $3,000 paid to each employee. Ten per cent is kept by the federal government for administrative expenses. In states which set up their own insurance scheme, however, employers who contribute to it are forgiven the remainder—90 per cent—of the federal tax. This remains true even if the states choose, as most do, not to charge the full tax.

All the states and territories consequently have unemployment compensation laws, which now cover firms with four or more employees. But covered employment includes only about 60 per cent of the labour force; it excludes workers in very small businesses and fisheries, agricultural labour, domestic service, casual labour, government employees and servants of certain tax-exempt organisations. About 2 million of the 5.1 million unemployed are not insured. Moreover, the variation among the schemes is as broad as the continent. Benefits are kept low in states where incomes generally are small; in states trying to attract new industries, and in those where agricultural employers wield political influence; they are higher where organised labour is strong. The states vary, also, in the tax rates they levy, in the qualifications demanded of workers, in the methods of computing benefits, and in the number of weeks for which they are paid. Florida pays benefits, in some cases, for only five weeks; Pennsylvania pays everyone for 30; many states vary the duration according to the past earnings of an individual. Benefits go as low as $3 a week in Mississippi and as high as $45 a week in New York; when allowances for dependants are included, Illinois is equal to New York, and Connecticut, Washington, North Dakota, Wyoming and Alaska do even better.

Only Rhode Island and Alaska now tax employers at the full rate of 2.7 per cent envisaged in the original law. In Washington, Kentucky, Michigan and Nevada the tax is 2 per cent or more; elsewhere it goes as low as 0.5 per cent in Colorado and Virginia. The national average is 1.3 per cent. States eager to attract new industries compete to keep down their taxes on business—including those for unemployment insurance—just as other states compete for the divorce trade. Moreover, in most states rates of tax vary with the "employment record" of individual firms, as an incentive to them to stabilise employment. Recessions have been so short-lived since 1940, when benefits were first paid in all states, and total reserves have become so large—they are now over $8 billion—that such concessions to industry have only just begun to seem dangerous. Even now, the reserves of all the states and territories are large enough to pay benefits for four years at last year's rates—if they were pooled. But they are not. Each state's reserve is separate and six of these funds are down to danger level, which is defined as 2½ times the amount needed to meet the benefits paid out the previous year. Alaska and Oregon have had to borrow.

Despite the repeated exhortation of the state governments by Mr Eisenhower and his Secretary of Labour, Mr Mitchell, levels of benefit have not been raised to take account of the postwar increase in wages. In 1957 only seven states paid as much as 50 per cent of the average wage. For the country as a whole in 1956, average wages in covered employment were $81 a week, but the average weekly benefit paid in 1957 on the basis of those wages was $28. Workers in the steel and automobile industries have won, through collective bargaining, supplementary unemployment benefits which, when added to state payments, provide 60 to 66 per cent of their usual wages. But the drop in living standards when both of these sources of income dry up, and workers are forced back on public assistance, is correspondingly sharp.

When the Secretary of Labour presented the President's proposals for extended benefits, he opposed the setting of any minimum federal standards for such insurance as a condition of receiving the new money, on the ground that this would infringe the prerogatives of the states and delay the passage of the Bill. This temporary measure would extend benefits at the rate existing in each state for a period equal to half the number of weeks to which the recipient had been entitled originally—for 13 weeks, for example, when he had already received benefit for 26. The cost would be met out of federal funds, but beginning in 1964 the states would be expected to repay the Treasury, either directly or by an increase in the tax on employers; this explains the opposition of such liberal Democrats as Mr Meyner, the Governor of New Jersey.

The Democratic bill also made no effort to raise state standards. It would have extended, for 16 weeks in each state, the going rate of benefits; the great difference is that it would have applied to workers in uncovered employment, who otherwise met the requirements of the state programmes, as well as to those who had exhausted their benefits. The cost, which would not have to have been repaid by the states, would have amounted to $1.47 billion, on the assumption that 3.1 million will have exhausted their rights to benefit between June 30, 1957 and July 1, 1959, and that 1.7 million from uncovered occupations would have been eligible for help. Would this have amounted to a dole, as the President said? Certainly the Democratic bill would have obscured the difference between employment and assistance which it was a purpose of the original legislation to establish. At least, however, it required no means test.

Only 17 Republicans—all from industrial states where unemployment is heavy—voted with the Democrats for the more generous Bill; once it was defeated, the President's proposals were passed without delay. In their haste to meet the emergency, members turned a deaf ear to Mr Eugene McCarthy, who wanted to seize the opportunity to reform the whole system, and who demanded, not without justification, "Have any of the basic social laws which we have been passed in a time which was not labelled an emergency?"

Disappointment on Rails

The proposals put forth recently by the Administration and a sub-committee of the Senate Commerce Committee to aid America's financially shaky railways fall somewhat short of the companies' hopes. The President suggested four changes in the plethora of Interstate Commerce Commission regulations, under which the railways operate; and to provide more immediate help, he proposed that the government should guarantee loans to the railways for the purchase of new equipment and for the improvement of facilities. The changes would make it easier for railways

to discontinue unprofitable services, which state authorities, under pressure of local interests, often force them to maintain; would impose stricter controls on private lorries which, it is said, now illegally carry "public cargo" (goods other than their own) in competition with the railways; and would bring under tighter ICC control those road haulage companies which carry agricultural products. Finally, the Administration recommended changes in the present rate-making system employed for the railways by the ICC, to permit them to meet competition from road transport more effectively. The proposals are now being considered by the sub-committee, whose own recommendations are more to the railways' taste, since they go a good deal further.

The railway companies are distinctly unhappy about the Administration's proposals which, in their view, will not accomplish enough quickly enough. Above all, the companies had hoped for removal of the 3 per cent tax on freight charges, and of the 10 per cent tax on passenger fares. The subcommittee suggested repeal of these taxes, which were imposed during the war to curb excess travel, and there is some possibility that they may be at least partly removed in the general tax legislation which is coming later in the year. The railways have also asked for loans to cover operating expenses and for increased depreciation allowances to help them to purchase new equipment (requests which the sub-committee endorses); some of their spokesmen consider that the conditions of the guarantees proposed by the President would prevent them being used by those lines whose need is greatest. Moreover, the proposals must still pass Congress to become law; there they may meet stiff opposition from road transport and agricultural interests.

The railways need as much aid as they can get; their chronic financial plight, particularly that of the lines in the eastern part of the country, has been heightened by the recession. The profits of practically every major railway company fell sharply during the first three months of this year; the New York Central Railroad lost $17.5 million and the Pennsylvania Railroad $14.9 million. Their troubles are symbolised by the discontinuation last month by the Baltimore and Ohio Railroad of its famous Royal Blue passenger train, which had run between New York and Washington for 68 years, and which lost $5 million in 1957. The railways have suffered heavily in recent years from the competition of road transport and the airlines; and many of the companies even feel that, unless help is given, they are faced with the Scylla of bankruptcy or the more ominous Charybdis of nationalisation.

Fading Blacklist

FROM A CORRESPONDENT IN LOS ANGELES

Reflecting perhaps its poor economic but better political health, the film industry has been slowly but steadily re-engaging many of the writers, actors, producers and directors who were blacklisted, for political reasons, during the McCarthy era. A growing number of names and faces are reappearing on the screens from which they had been absent for years because the film companies had succumbed to pressures from ex-servicemen's organisations and from "patriotic" groups whose purpose was "to combat the communist conspiracy in entertainment, communications and the fine arts." Elsewhere in the entertainment world, too, the political beliefs, real or alleged, of artists have ceased to be the sole factor determining whether or not they should be allowed to make public appearances. Mr Paul Robeson, long identified with communist causes, recently gave two very successful public concerts, without provoking any protest, and a new album of his songs is soon to be released by a leading recording company. So, even though the Supreme Court has rejected the suit for $52 million in damages which had been filed by twenty-three Hollywood personalities who had allegedly been banned by the film studios, the blacklist itself appears to be fading without legal action.

The blacklist began about ten years ago, after the appearance before the House Un-American Activities Committee of those writers, producers and directors, later known as the Hollywood Ten, who served six months in prison for contempt of Congress because they had refused to answer the committee's questions about their alleged communist connections. This shock caused the film industry, which had originally opposed the investigation into communist influence on the cinema, to co-operate, although sometimes reluctantly, with the committee. To begin with, employment was denied only to those Hollywood figures who had either been openly identified as Communists or had refused to answer the committee's questions. But the ex-servicemen's organisations and other vocal Hollywood "patriots," encouraged by their success in helping to establish the original blacklist, pressed for even more rigid standards of political behaviour as a condition of employment in the industry. By 1953, anyone identified as an active or former Communist, or as having associated with groups suspected of being communist fronts, was denied employment unless he took steps to "rehabilitate" himself, as the pressure groups called it.

In order to do this, those who had been identified as ex-Communists had to appear before the House Un-American Activities Committee, repudiate their past and give the committee the names of all the party members they knew. It then became possible for these people to work again, although for a long time Hollywood was extremely reluctant actually to re-employ them. In fact, the "friendly" ex-Communists only began to get jobs after Mr Edward Dmytryk, a director and one of the original Hollywood Ten, had openly broken with the Communists and testified willingly to the committee after serving his prison sentence.

But "rehabilitation" was much more difficult for those who had not actually been members of the party but had only associated with communist-front groups or with groups opposing the Un-American Activities Committee. Since they could not "confess" that they had been Communists, it was necessary to devise some other way for them to expiate their sins. They had to join anti-communist groups, praise the work of the Un-American Activities Committee and publicly declare that they had been foolishly involved in doings which they later realised to be unpatriotic. A thriving business, giving advice on "clearance," sprang into existence and for three or four years the clearance experts were among the most influential people in Hollywood. But the number of clients requiring such clearances was not unlimited, and by 1955 the market for the experts' services was exhausted. By then almost all the ex-Communists or party sympathisers were either cleared and eligible for work or totally unemployed in the industry—at least publicly.

In fact, however, some of the more successful writers who had been blacklisted worked steadily throughout this period, selling scripts under assumed names or under those of other, perhaps less talented, writers, and being paid a great deal less than in former years. It was, of course, considered impossible for a blacklisted actor, easily identifiable, to appear on the screen. But Mr Dalton Trumbo, one of the Hollywood Ten, stated in an interview in 1957 that a number of scripts he had written had been nominated for an "Oscar," the annual award of the Motion Picture Academy. This whole problem of the under-cover market in scripts came to public attention in that year when the Oscar for the best original screen play was given to a non-existent Mr Robert Rich, who turned out, much to the embarrassment of the Academy, to be a blacklisted writer. Another film, "Friendly Persuasion," which was nominated for an award, had to be declared ineligible because Mr Michael Wilson, its author, was also blacklisted. After the Screen Writers' Guild, which is the final authority in case of dispute, had determined that Mr Wilson was responsible for most of the script—which had been challenged by the film's producers—the picture was released without any screen credits.

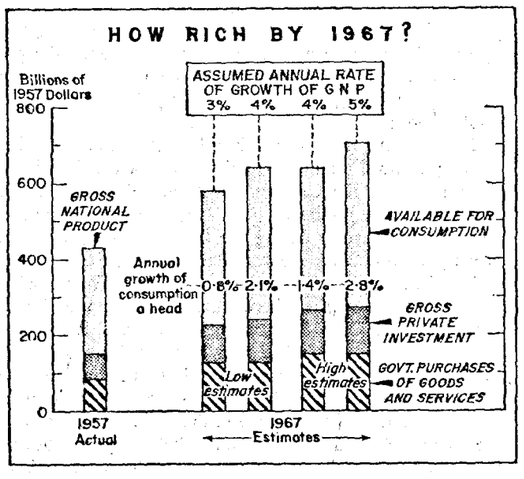
But there have been gradual changes in the situation in the last year. Mr Foreman, the well-known writer-producer of such films as "High Noon," an "unco-operative" witness who had been identified as a former Communist, has been openly employed as a producer in England for Columbia Pictures. In 1951 he had told the House Un-American Activities Committee that he was not then a Communist but had refused to discuss his previous membership, because he did not want to appear in the role of an informer or to give the committee the names of people whom he had once known in the party. In 1957, however, Columbia engaged Mr Foreman on condition that he would testify again before the committee and last August he did so. He discussed his own activities in the party but refused to give the names of persons he had known as Communists; in an amazing reversal of the habitual practice of the committee this refusal was accepted. Such a reversal had obviously been established by Mr Foreman in advance as an absolute condition of appearing and giving evidence. The committee received some protests over the preferential treatment which it had given to Mr Foreman and Columbia Pictures was also criticised for employing him. However, the company has held firm to its contract with Mr Foreman and his first picture is soon to be released; there has also been a persistent rumour that he wrote the script for the prize-winning "Bridge on the River Kwai," even though he has not been given public credit for it.

The Foreman case has undoubtedly accelerated the return to work of others formerly blacklisted, including actors and actresses, some still in Europe but others in the United States. They are even appearing on television programmes, whose advertising sponsors have been notoriously sensitive to protests from anybody who might possibly buy their products. Indeed, the protests themselves now lack much of their former fire and vigour; it is almost as if everyone, except a few fanatics, was bored with the whole argument. For its part the film industry, with its ever-worsening economic problems, is in no mood today to question people with talent about their political beliefs; the only question now being raised is whether their employment will help to make money.

Committed to Expansion

The chart below illustrates the central theme of the second report of the Rockefeller Brothers' Fund: that unless the growth of the American economy can be accelerated during the next ten years, Americans will be faced with painful choices. Defence must be paid for out of the gross national product; so must private investment if the economy is to continue to grow. The claims on the remainder come from private citizens, who have been accustomed to see their standard of living rise by about 2 per cent a year, and from the government, which is responsible for social expenditure on education, on roads, hospitals, social security, research, and rebuilding the blighted centres of America's great cities.

If productivity can be increased by 5 per cent a year, adequate provision can be made for the social needs which only government can satisfy without interfering with the steady growth in the standard of living. If the rate of growth remains at the 4 per cent a year which it has averaged in the last decade, individual Americans will have to reconcile themselves to a slower increase in their consumption, or social investment will have to be held back below the levels which are desirable. If the United States



should slip back to the 3 per cent rate of growth which it experienced between 1870 and 1945, even strict economy in government spending would not make possible a significant increase in the standard of individual consumption.

Suggestions for immediate action to meet the recession were forced upon the panel by events. But its original task was to make an economic audit of the next ten years, and to recommend a programme which would enable the United States to meet its unavoidable commitments and still afford the social assets and individual progress it desires. To this end the committee has put its finger on a long list of rigidities and mistaken policies which hamper growth: taxes which are too high and which inhibit initiative; tariff policy; inadequate enforcement of competition; ill-advised subsidies for ex-servicemen and farmers. And it urges that better methods of moderating recessions and controlling inflation, both of which interfere with sustained economic growth, should be sought.

THE WORLD OVERSEAS

Cyprus in Despair

FROM OUR CORRESPONDENT IN NICOSIA

If diplomatic exchanges about Cyprus are still shrouded in secrecy, events in the island have been moving with a clarity that is alarming. The murder of two British soldiers by Eoka last Sunday was the climax to a month of mounting tension and turbulence marked by an insane campaign of sabotage, the killing of a police interrogation officer, an intensification of the commercial boycott of British goods, a breakaway movement by the Turks to set up their own municipal councils, and a sharpening of the deep-seated conflict between Right and Left. Even as the Governor was boarding his aircraft for London on Tuesday, both the Greek and the Turkish resistance organisations were circulating leaflets announcing that if their (mutually irreconcilable) demands were not met, terror campaigns would be launched. It is perhaps hard for those who are dealing with the Cyprus problem at long range to grasp the degree to which the island is blighted by fear, frustration and despair. On all sides there is criticism that "London has taken too long." In the ordinary conversation of intelligent people, the grim prospect of civil war is seriously discussed.

It is indeed a miracle that Eoka has stalled for so long. There is little doubt about its striking power; recent leaflet warnings are not treated by the authorities as mere bluff. They are not yet sure, however, if Sunday's murders in Famagusta mark the start of a general outbreak, or were selective killings into which personal motives entered. Famagusta is the worst terrorist pocket in the island, and it is whispered that even Grivas's writ no longer runs effectively there; some hope, therefore, is felt that the full-scale Eoka offensive, so much feared, may somehow be averted.

Certainly all well-informed Greeks are unanimous in asserting that the recent killings do not have the blessing of Archbishop Makarios. They point out that at present his deputy, Bishop Anthimos of Kitium, is conferring with him in Athens, and they argue that it would be preposterous to launch a major new Eoka campaign at this juncture. From many quarters it is urged that the best way for the British to check lawlessness and terrorism would be to bring the Archbishop back—even at the risk of some days of hell in Ataturk Square.

Among the security forces there is, understandably, a strong current of thought which would relish an all-out drive to extirpate Eoka once and for all—and let the politics sort themselves out afterwards. The tragic irony is that this might just have been done over a year ago, or perhaps even last autumn when Eoka became active again; but it is extremely questionable whether it could be done now, after the relative *détente* of Sir Hugh Foot's first months, without antagonising the entire Greek population permanently. For, much as the ordinary Greek dreads a renewal of "the trouble," he will blame the British for causing it, not Eoka for doing the killings. Yet this course may prove unavoidable. The Governor has been striving hard to avert a return to repression, in the belief that if he can hold out, for perhaps a matter of weeks, a policy decision will clear the air.

The Turks, for their part, show little sign of willingness to compromise. Their concept of partition is almost being elevated into a Balkan version of apartheid—as is illustrated now by the plan to set up separate municipal councils. In a purely administrative way this might prove practicable in one or two of the larger towns, but it is a disturbing plan for the government, all the same. Legally, the mere act of setting up the councils could perhaps be said to be permissible, but the moment the Turks try to exercise the functions of the existing municipalities they will be liable to prosecution. Worse, the danger of a head-on clash between Greeks and Turks—which the government has always striven hard to avoid—is obviously heightened if the Turks try to usurp the functions of a Greek nationalist mayor or refuse to pay rates to the Greek-dominated councils; the whole development may perhaps be regarded primarily as a propaganda move by the Turks to impress the world with the alleged incompatibility of the two races, on which the whole concept of partition is based.

Ever present in the background, though temporarily overshadowed by the Eoka threat, is the ideological conflict between the Right and the Left. In recent weeks it has grown more acute, especially over the issue whether the Left will accept Archbishop Makarios as the sole representative of the Cypriot people. Mr Ziartides, the left wing leader, has lavished professions of allegiance on the Archbishop, as the obvious leader of the Greek Cypriot community—but at the same time has doggedly maintained that, whenever negotiations take place, the Left must have a share. His attitude has brought on his head the fury of the extreme Right and much vilification—in face of which he has shown remarkable forbearance. During recent weeks, indeed, he has strengthened the impression that he is one of the few people in Cyprus who know what they are doing.

Lebanon's Allegiance

FROM OUR MIDDLE EAST CORRESPONDENT

Tension is mounting in the Lebanon as the last few days slip by during which President Camille Chamoun must decide whether he is to stand for a second term of office. The present Lebanese constitution forbids two

successive terms in the presidency. Therefore Mr Chamoun must seek revision of the constitution if he is to stand again. The required procedure for revision is that ten deputies should present a motion to that effect in the Chamber; and the motion must be carried by a two-thirds majority, that is, by at least 44 deputies out of 66. The present Chamber goes into recess at the end of May; and the president must make up his mind in time for the necessary amendment to be proposed, debated and carried before the deputies disperse for their summer holidays.

The issue has a bearing on the whole intricate pattern of the Arab world. The leaders of the opposition to the president, notably Abdullah al-Yafi and Saeb Salam, were in power at the time of the Suez crisis. They resigned—in the middle of an Arab summit meeting in Beirut—because the president refused to break off diplomatic relations with Britain and France. A few weeks later, Mr Chamoun accepted the Eisenhower Doctrine. Thus the president and the governments of Sami al-Solh, who succeeded Abdullah al-Yafi as prime minister, have been identified with the pro-western policies incarnate in the person of the foreign minister, Dr Charles Malik. By contrast, the opposition, in particular the largely Moslem National Front, has identified itself increasingly with the nationalist trends of President Nasser and his Syrian allies. The frequency with which opposition delegations travel the paths to Cairo and Damascus is the subject of bitter jibes among adherents of the government.

Whatever happens, the Lebanon is likely to walk more warily between the power blocks in future. If President Chamoun succeeds in getting himself elected, his first care must be to heal the wounds caused by the Great Debate. He can do this best by observing a stricter neutrality in the cold war between the two Arab unions, which reflects, though with important nuances, the greater cold war between East and West. In one respect, his task may be eased in the ordinary course of events. Dr Malik goes to New York this summer to seek election as chairman of the United Nations General Assembly. His departure may open the way for the appointment of a less controversial figure as foreign minister.

As might have been expected, both sides have turned on the unlucky Americans: the opposition in pursuance of their Nasserist line, the government in order to show that it too is truly nationalist. The quantity and quality of aid under the Eisenhower Doctrine has been under heavy fire for some weeks. Supporters of the government take the line that American aid is an issue of such delicacy that it is worth accepting only if its results are immediate and obvious. That has not been the case hitherto; though whether the blame rests with the Point Four administrators or with their Lebanese partners is a question better left to those mainly concerned. The fact is that the Lebanese government is pressing the Americans for more aid on more favourable terms, while keeping up a critical barrage in press and parliament.

The vigour with which the opposition have attacked the proposed amendment of the constitution shows their fear that the president may indeed have no difficulty in mustering the required majority. Accusations have been made freely that last year's elections were rigged to suit the president's interests. Little convincing evidence has been produced to support the accusations; though there is real ground for supposing that the government has lost popularity during the past year, and that the Chamber may no longer reflect the true balance of opinion in the country.

But Mr Chamoun's chief fear is that the dispute may be carried from the Chamber into the streets and into the mountains. There have been strikes, demonstrations and one or two ugly clashes involving loss of life; illicit arms smuggling is said to have reached a disturbing level. The president's final choice is likely to be determined by his estimate of the degree of violence that a decision to stand again would cause. If he thinks that it is possible to keep unrest within bounds, he will doubtless press his candidature. If he believes in the likelihood of it getting beyond control of the security forces, he will step aside. That will raise problems of a new order. For one of the most noteworthy features of this pre-electoral struggle is that there is no obvious contender in sight.

The Boer and the Bias

FROM A SPECIAL CORRESPONDENT

After the South African election, the prime minister, Mr Strydom, gave thanks to the Creator for willing the government's victory. He failed, however, to express any public gratitude to three gentlemen whose contribution to the triumph was far less disputable: the members of the Delimitation Commission. Had the election been fought on the 1953 boundaries, his 70,000 extra votes would have brought him only three more seats: on the new delimitation, he gained a resounding nine.

The South African electoral system operates at two distinct levels of fantasy. First, only one-fifth of the population can vote: second, a majority of that fifth is likely to be on the losing side. Criticism of the system has tended to concentrate on the traditional "loading" of urban against rural constituencies, and the disparity between the seat-to-vote ratios of government and opposition. But both can be overstressed. The "bias" of a system may rather be measured by comparing the percentage of votes each party requires to win a bare majority of seats. In Great Britain, the difference is at present about one per cent in favour of the Conservative party—in 1945, the Labour party had the advantage. In South Africa, the difference is twenty times as great, and has consistently favoured the Nationalists. They could control Parliament with about 40 per cent of votes, while the United party would require up to 60 per cent. With votes around fifty-fifty, seats were 103 to 53.

The mechanism of this anomalous result depends far less on "loading" than on the more subtle working of distribution. Consider three Pretoria constituencies in 1953:

Pretoria East:	U.P. 6,600	Nat. P. 3,400
Pretoria City:	U.P. 4,000	Nat. P. 5,000
Pretoria West:	U.P. 4,000	Nat. P. 5,400
	15,400	13,800

Here, though the constituencies are almost equal, and the United party has an overall majority of 1,600, the Nationalists won two of the three seats. This situation, repeated across the country, accounts for the major part of the United party's disadvantage.

In principle, a party with 26 per cent of votes could control in this manner an absolute majority of seats, even if all constituencies were of equal size. (It would have 51 per cent of the votes in 51 per cent of the seats—and it would need none anywhere else.) Such manipulation would have disadvantages, since the slightest adverse swing would reduce the party's seats, not to 25 per cent, but to zero. Still, there is plenty of leeway for a party of moderate size to achieve an unjustified majority without undue risk: and the present delimitation comes as close to being optimal for the Nationalists as any party could reasonably wish.

The existence of some bias is not necessarily an indictment of the commissioners. The South Africa Act requires them to consider "sparsity or density of population" (the phrase relied on by successive commissions as justification for smaller rural than urban seats) as well as "community or diversity of interest," but of course does not mention parties. The United party's voters possess a natural concentration, which just so happens to be of the most disadvantageous degree for the party. If there were a migration of United party voters either from town to country or from country to town, the party would be better off.

Though even an impartial delimitation would thus preserve some disparity, the commission has not gone out of its way to remove anomalies, and has indeed introduced some new ones. The salamander-shaped constituency which immortalised Elbridge Gerry of Massachusetts could not be more bizarre than the new seat of Kimberley North. The old seat was compact, urban and United party: the new is 97 miles long, and achieves a Nationalist majority by the inclusion of a thin, wriggly swath of countryside—on the map it looks like something between a triffid and a Scotsman with a tam o'shanter. The English seat of Albany (Grahamstown) has been made to extend a pseudopod into the suburbs of East London, 120 miles away: the main road between two parts of Bellville (Capetown) passes through three other constituencies. Repeatedly, the commission rejected United party submissions in favour of ingenious Nationalist plans. The effect has been that no Nationalist vote is wasted: its natural consequence is that the Nationalists, holding their seats by more economical majorities, are theoretically in a more vulnerable position. A swing of ten per cent against the government now would lose them 28 seats and put the United party in power—a swing of ten per cent in favour of the Nationalists would win them no more than four extra seats, and elsewhere simply increase majorities in seats already held.

The actual swing in this election was just under five per cent; such a swing on the 1953 delimitation would have cost the United party only three seats: Boksburg, Edenvale and Vereeniging. With four opposition seats contributed by the Coloured representatives, elected for the first time on April 3rd, the government's net majority would have increased by only two. Hottentots-Holland, Fort Beaufort and Kimberley South would almost certainly not have fallen but for redistribution; in all of them, the 1953 United party majorities exceeded a thousand. Of seven seats abolished by the electoral commission, five were United party, two Nationalist—of the seven new seats, five are Nationalist and two United party. Of these, only one is marginal (Northwest Rand, with majority 500)—the other four would probably have fallen even without a swing.

Thus the total Nationalist gain of nine seats is made up as follows:

Direct gains	3
Delimitation assisted by swing ...	1
Delimitation alone	5
Total	9

Undoubtedly a considerable proportion of the swing was not change of opinion, but the effect of demographic change. The old school of politically active Afrikaner members of the United party is dying out—of the new voters, close to two-thirds are Nationalists. The government hopes to derive increased support from the promised enfranchisement of 18-year-olds. If a change of government is to come, the United party has more to hope for from a split than from any returning swing—the pendulum, as it were, has been permanently tethered.

Hanover as Vantage Point

FROM OUR BONN CORRESPONDENT

For business men of all kinds and countries there was a special reason this year for going to the German Industries Fair, which ended on Tuesday. It was to spy out the promised land of the European common market—if not of the free trade area—and appreciate the significance of as much of it as might be seen or divined in Hanover's halls and thoroughfares.

Hanover is probably as good a single vantage point as any at the moment for obtaining an idea of what the western world's industrial scientists, technologists, engineers, manufacturers and salesmen are up to. It has become the general technical fair in western Germany; and, after the United States, the German Federal Republic is now the world's biggest exporter of manufactured goods, obviously destined to set standards influencing quality and price in many branches of European industrial production. Of the 4,319 exhibitors—256 more than last year—some 3,700 were German. Nearly 600 were foreign firms from 20 different countries, France leading with 120, Austria following with 95, Britain coming third with 74, and Switzerland fourth with 70. But there are no national pavilions at Hanover: the visitor can conveniently see in one hall, jostling side by side for attention and comparison, all that is being offered in any one particular class of goods. Thousands came this year, not to buy or to sell, but to reconnoitre.

The most conspicuously troubled of the foreign visitors were the Latin Americans. A Latin-American Day was staged on May 2nd by the Ibero-America Association with the object of allaying their anxieties. It can scarcely have fulfilled this purpose. Latin America suspects that an economically-integrated Europe will promote a high degree of autarky to the detriment of the Latin-American export trade; or, if not autarky, then a French-inspired tendency to turn increasingly to Africa for the primary commodities from the exploitation of which Latin America chiefly lives. It suspects further that new interests and obligations will deflect from Latin America the foreign capital so urgently required for investment.

In his open and sympathetic way Herr Erhard, the West German economics minister, told the twenty-two official Latin American delegates that their misgivings were justi-

fied. (He would have his own, he said, until the complementary free trade area had been safely begotten.) And he had no more solid comfort to offer than an assurance that he would use his personal influence within the European community to maintain and cultivate economic and political relations with Latin America. Airily he promised that the sales of Latin-American coffee would not diminish, since the German housewife could never be persuaded to change over to what he deftly disparaged as "cocoa-coffee." Herr van Scherpenberg, who until his recent appointment as State Secretary directed the foreign trade policy department of the foreign ministry, was a shade more positive. Affirming that Europe had no desire for autarky, he predicted confidently that an integrated Europe's imports from Latin America would be appreciably more than they have been in the past. Herr van Scherpenberg urged the Latin-American countries to get on with the various schemes for creating a common market of their own; its existence would facilitate dealings with an integrated Europe. Dr Stille, of the Deutsch-Südamerikanische Bank, conceded that there was little chance of much German investment in Latin America for the time being. Corporate and private taxation would continue to be cripplingly high in Germany. What funds were left over would be required for internal adjustment to the competition of the common market.

More British firms exhibited at Hanover this year than ever before; which is not surprising, since west German imports from Britain have doubled within the last five years. But there were many more British investigators than exhibitors. Conscious that, whatever happens next, they can no longer afford to neglect the Continent as they have done in the past, they tried unobtrusively to discover what is being made and sold and how it is being marketed.

Some of the old British hands at Hanover were obviously well aware of the importance of good presentation. Napiers, for example, had taken infinite pains to make their stand attractive and were rewarded by a steady show of interest. Under the ægis of the Board of Trade, the Atomic Energy Authority and the Nuclear Energy Trades' Association Conference also took immense trouble to make themselves intelligible and convincing. In the still unique position of being able to offer proven atomic power plant they might have been tempted to be lazy. They worked with zest all round the clock, and it seems likely that some new orders will be placed as a result of the constant stream of enquiries made at Stand 410.

Gatt's Siamese Twin

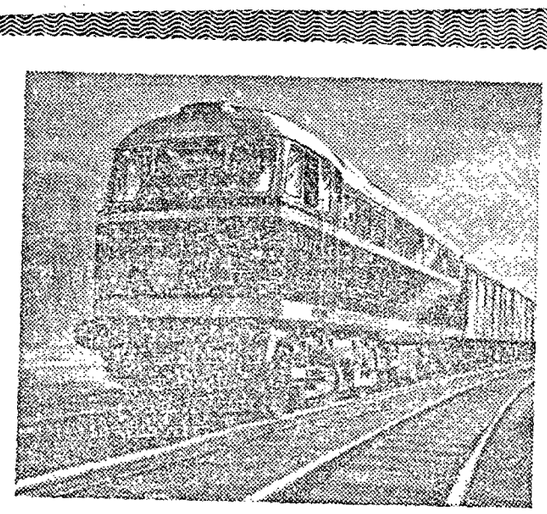
FROM A CORRESPONDENT IN GENEVA

THE birth pangs of the common market have caused a great deal of excitement in the family of the General Agreement on Tariffs and Trade. At its meeting last November congratulations were drowned in fears and forebodings about the damage the giant baby of the Six might inflict on world trade. Four working parties were set up to report on the implications of the new common tariff, agriculture, quantitative restrictions and the association of the overseas territories. And it was decided to hold an early intersessional meeting this spring to examine the effects of the common market on members' trade and to discu measures to check any ill effects.

At this meeting, which ended last week, the comm market countries were for the first time represented by single spokesman, the Belgian Baron Snoy, who ably allaye many of the fears expressed by the speakers of twenty-o countries. The three weeks' discussion did not solve a fundamental problems, but it helped to clear the air an brought a measure of understanding between the Six a their critics. In November the common market countri were still maintaining a purely legalistic attitude to t General Agreement, arguing that customs unions were pe mitted under its articles, and that they were prepared obey its rules to the letter. They now seem to take up rather more flexible position; they seem to agree, f instance, that a common market tariff based on the no weighted arithmetic mean of the present legal tariffs (mar of which are in any case higher than the tariffs actually force) might be against the spirit of Gatt. It is, howeve too early to discuss these questions as the common tariff the Six has not yet been completely worked out. It has be promised for July 1, 1959, but since extensive tariff negoti tions are to follow until well into 1961, the Six have be asked to submit it still earlier. All comments made by eith side on the managed market for agriculture which is to operated by the Six are equally hypothetical. Baron Sn announced that a conference would be held in Stresa la this summer at which the Six will try to work out a joi agricultural policy.

The main discussion centred upon a report by t working party which has been studying the proble raised for other countries by the association with common market of the overseas territories of the S Statistics on the main commodities affected, like coc coffee, tea, bananas, sugar and tobacco, were assemb here for the first time. But the working party's report g a practical demonstration of how one set of figures can interpreted differently by two different interests. The re is a sort of Siamese twin with the Six holding one poin view and their critics another on all major questions. shows how difficult it is to isolate the trade-creating and trade-diverting effects of a customs union. It is doub whether in the long run the commodity problem can solved in relation to the common market alone and appointment by Gatt of four wise men, Professors Cam Haberler, Meade and Tinbergen to study the proble commodity trade on a world basis suggests that this been realised. Agriculture, like the problem of over territories, seems less and less to fit into the framewo the General Agreement. While the exchange of view the common market was cordial, the discussion of Germany's refusal to liberalise the last 18 per cent imports, when it certainly cannot plead balance of payn difficulties, was bitter. Most of the German quotas a agricultural products.

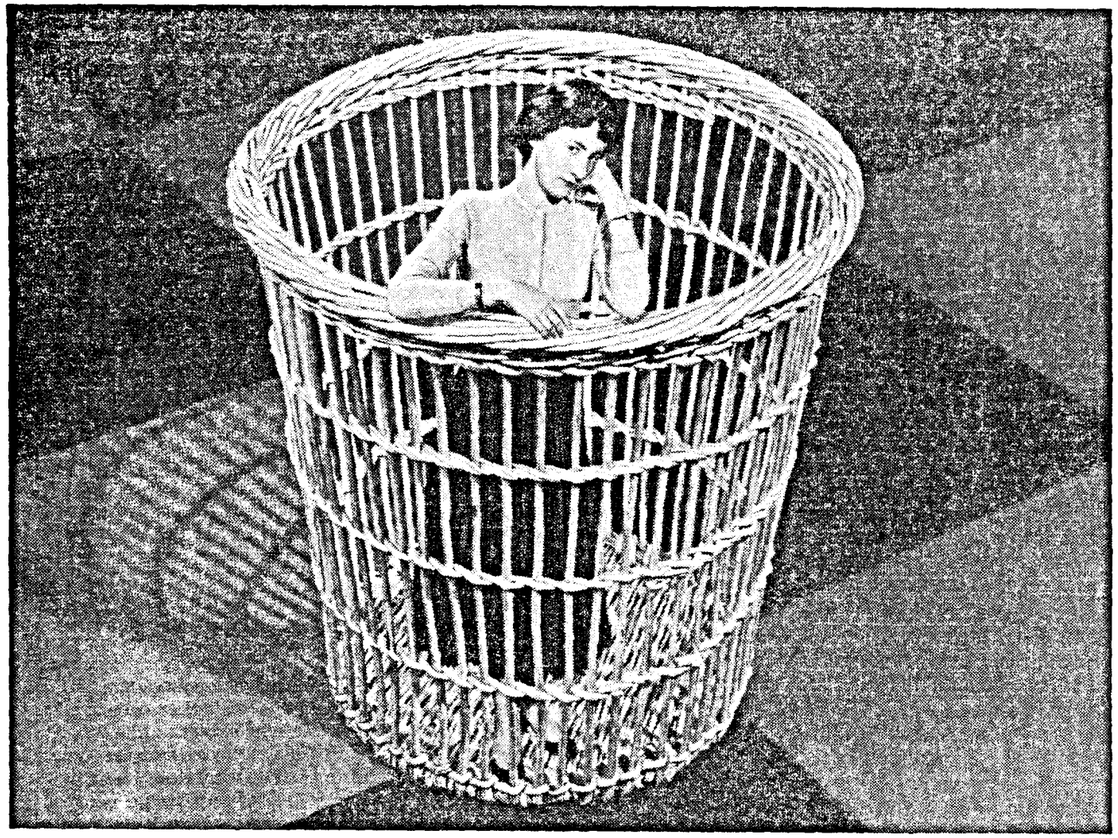
Yet on one vital matter the Six and their critics see have agreed—that Gatt should be the forum for all fu discussions between the common market countries an other Gatt members. The European economic comm will first have to work out its own problems, such a common tariff and the nature of common agricul commercial and financial policies, before headway c made in the Gatt negotiations. But it is something th Six do appear to have acknowledged the princip economic multilateralism for which Gatt stands.



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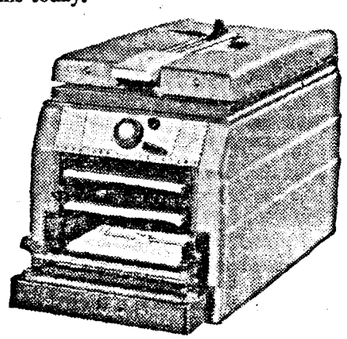
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A FRENCH JOURNEY—IV

Catholic Liberalism

FROM OUR SPECIAL CORRESPONDENT

THE great technical progress and political disillusions of the postwar years have, all observers agree, bred in France a new generation of "utilitarians" (*positivistes*) who bewilder their romantic seniors formed in the ethos of the Resistance. "The young are so much more *reasonable* than we." Perhaps, significantly, the only similar period was the Victorian heyday of the Third Empire after the fiasco of the 1848 revolution, when Progress alone seemed to ride high over the wreck of radical hopes. There are dangers in the nascent attitudes: scepticism hardly fits them to reform the Palais Bourbon—and this could encourage the drift to unparliamentary technocracy. But the price France has paid for doctrinaire politics is such that the development must, until further notice, be counted as healthy. This is why more attention should be paid to the great variety of Catholic movements, which curiously enough, may have better chances than other groups of shaping this spirit

That French catholicism, which has gained more in freedom than it lost in funds by disestablishment in 1905, has had a renaissance since the war is well known. But the familiar aspects—the rise and partial fall of the Catholic party (MRP), anticlericalism, the schools question, the worker priests—are now perhaps not the most significant ones. Two less obvious features are probably more important. One is that politically minded Catholics provide more of the people who actually run the country than any group, including the Communists. One gradually becomes used to finding that not only Mauriac and the intellectuals of *Esprit* or *Témoignage Chrétien*, but also many of the journalists on *Le Monde*, of the administrators in the Commissariat for the Investment Plan, of the members of the Young Employers' Association—innumerable individuals in all influential walks of life—are very active Catholics. The other feature is the strength and vitality of the Catholic organisations in key sectors, like the Christian trade union body (CFTC) which has probably the best young labour leaders in the country, or the Young Catholic Farmers who in the next ten years could capture the extremely powerful Farmers' Union.

The CFTC, not the aged Socialist *Force Ouvrière*, is the trade union competitor of the Communist-led CGT. It probably musters little over a fifth of union members against the CGT's 60 per cent, but it is at its strongest in the industries, like engineering, and the areas, like Nantes and St. Nazaire, where the union spirit itself is strongest. Its strength comes largely from the youth and dynamism of its active branch members—the average age at a recent congress was 31—an achievement due to a long standing leadership training programme. In some places, like Nantes, the CFTC leadership is of remarkable quality. And everywhere the Christian leaders are freer than their Communist or Socialist rivals. Professionally, they do not, like the Socialists, refuse to strike with the Communists on principle, nor do they (like the Communists) often refuse, also on principle, to sign advantageous contracts with the employers. Politically, they have neither Budapest nor Algeria and Suez to explain away. The result is that where they gain votes they usually keep them (unlike the Socialists). Their advance has been slow but sure. And it has been done by stressing bread-and-butter bargaining. Some trade unionists object that the Christians like neither a good fight nor the class war; but recently employers have paid them the compliment of often picking on their shop stewards as ringleaders of "labour unrest." Also, revolutionary opposition has produced so few benefits that their pragmatic, almost Anglo-Saxon, approach increasingly fits the apolitical mood of the workers.

The Young Catholic Farmers' movement (JAC) is still more striking. It was formed around 1930 as one of the youth movements to evangelise peasants, workers and students by organising, or rather helping them to organise, their leisure. Before the war, the workers' movement (JOC) was prominently anti-fascist, but since the war the JAC has proved immeasurably more alive. It had two advantages: the Communists were not an overwhelming opposition rurally; and country folk need leisure activities. Now its two papers together sell 150,000 copies, and it has educated half a generation in the problems of agriculture so that, for instance, many of the members of the important farmers' research groups (that were mentioned in an earlier article) were members of the JAC when they were younger.

The powerful Farmers' Union, realising that the JAC has a better network than its own in the villages, last year agreed to a merger with it of its own weak young farmers' association, and to the representation of the merger on the directing board of the Union itself. In many places the Union, despite its anti-clerical "republican" bent, has had to find ex-JAC members to run its secretariat. All this leads observers to conclude that the JAC should gradually transform the Farmers' Union in the next ten years. Here again this implies a reform of the traditional spirit. The Union has always been a lobby run by the big farmers of the north. The JAC, though its membership is mostly drawn from the supposedly retrograde peasantry of the south and west, is more conscious of the need to settle the technical and social problems of farming—to shoulder responsibilities as well as agitate for higher price supports.

The distinctive mark of the Catholic cadres is not politics (many would vote against the MRP) but the anxiety to spread responsibility for social action. The "Reconstruction" group in the CFTC, the dynamic minority which controls the Christian engineering, building and chemical unions, lays tremendous stress on discussion at the base; the Young Farmers' leaders, all of whom are peasants' sons and left school at fourteen, are themselves impressive testimony to the success of the JAC's practical educative effort. Allied with this is a desire to find the bonds between individuals and groups rather than divide them.

These attitudes break with post-revolutionary individualism and with the traditional compulsion to oppose, or profiteer, by government. They also break with traditional Catholic authoritarianism. Though the catholic electors are mostly of the Right, the cadres are mainly of the Left ("We want a Labour party"), Christian but not clerical. "Yes", said a delightful anarcho-syndicalist, "but when D.... (a prominent Christian labour leader) campaigned for the Socialists at the last elections he consulted his bishop first." True. But the Church, disestablished, prudently anti-colonialist to serve its overseas interests, and systematically partisan in France only in its anti-communism, has so much broadened in sympathy that the Catholic's claim to act individually can mean almost what a Protestant would think it ought to mean.

The Catholic cadres are conspicuously anti-authoritarian in politics: Catholic professors, conscripts and even bishops

have led the campaign against repression and tortures in Algeria. It is equally hard to attack the Catholics for "clericalism" today: the word is more and more reserved for abusing the obscurantism of Communist and Socialist bureaucrats. In fact, the belief in reform, in the spreading of responsibility, and in opposing self-constituted authority add up to something strangely like liberalism. Politically, one could almost speak of many of the French Catholic cadres today as neo-Protestants: they have removed their heaven from the arena of politics. That is an element of democracy that France has always lacked, and it could mean more for the future than several reforms.

(To be continued)

North Africans in Conference

FROM A CORRESPONDENT IN TANGIER

No doubt the choice of Tangier as the scene of the conference on the unity of the Maghreb (the Arab West) from April 27th to 30th, was influenced by the fact that Allal al Fasi, president of the Istiqlal party and its principal theorist, has made his home there. Something of the friendliness of the most welcoming of Moroccan cities could be felt in the closing words of the oration which introduced the reading of the final resolutions. Appealing to France "to return to herself" and serve her true interests by recognising the right of Algeria to independence, the Istiqlal leader declared that North Africans bore no enmity to the present "occupiers" of Algeria or of certain other portions of the Maghreb, beyond what is the inevitable accompaniment of any struggle for liberation.

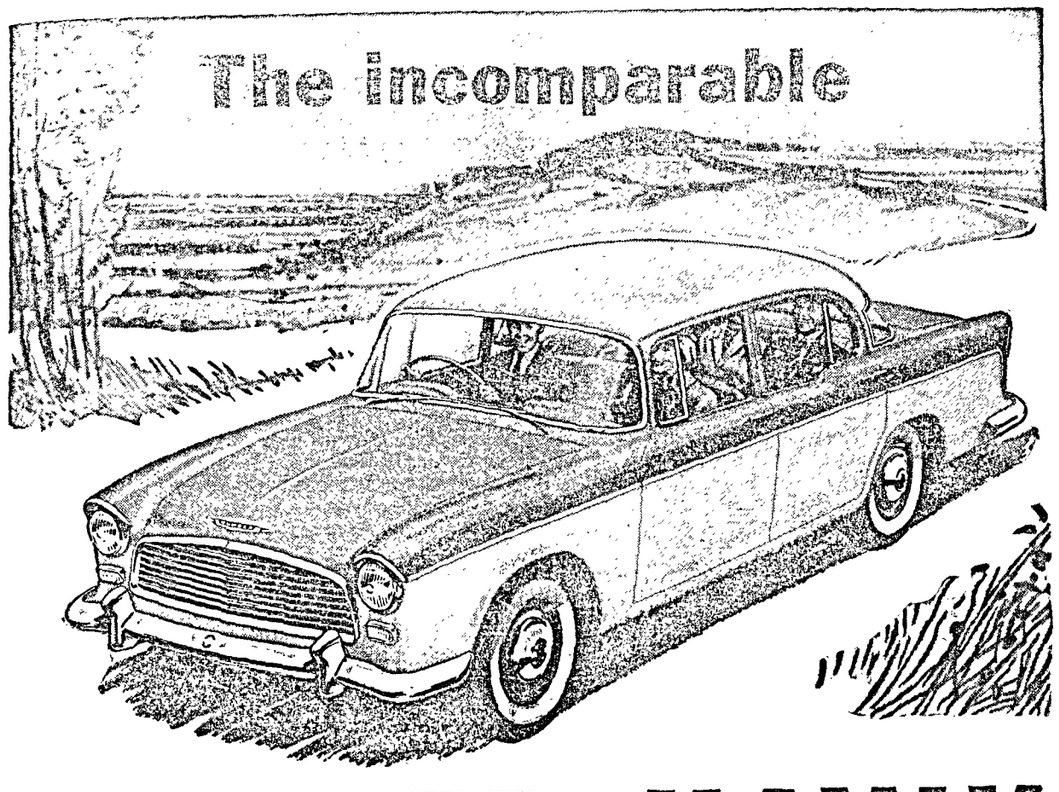
For two days before this the journalists had had to wait while debates went on behind closed doors. The Algerians were said to be delivering a sort of ultimatum to their more hesitant Tunisian and particularly Moroccan colleagues. We shall look outside the Maghreb for allies, they were held to be saying; and we shall turn to the Egyptians or the Russians, unless you give us such practical support as will, we admit, involve a risk of war with France. There was indeed a certain difference in tone between the opening speeches of the three delegations. The Moroccan statement dwelt with some complacency on the degree to which Maghreb unity had already "been forged and cemented by common hopes and common sufferings." The Tunisian statement urged that aggressive attitudes should be avoided, and maintained that it would be quite wrong to ignore results already attained "thanks to the political realism of the adversary," or to imperil the continuance of international support which had undeniably been a help in the past. The very brief Algerian statement sounded a more urgent note; it opened with an emphatic assertion of the right of the National Liberation Front (FLN) to speak on behalf of the Algerian people, and deplored the financial and material support given to France by certain of its allies. It relegated to a final sentence the conventional expression of thanks to the rulers of the two independent states with which the other delegations had opened their remarks.

Whatever significance these nuances may have had, they seem to have been ironed out. On the theoretical side, the conclusions, for all their moderate wording, insisted emphatically on the things that the leaders of the Maghreb regard as essential for their future co-operation with the western, and other, powers in the community of free nations. These were threefold—recognition of the right of Algeria to independence; evacuation of foreign troops, since these are incompatible with the sovereignty of independent countries; and immediate cessation of the use by French troops of Tunisian and Moroccan territory as bases "for aggression against the Algerian people." As a corollary, "active solidarity" was expressed with the struggle for independence in Mauretania and for the fulfilment of what was described as the "profound longing" of the Mauretanians for union with Morocco. As evidence of this, half a dozen Mauretanian notables were present in the front row of the visitors' gallery. There were also three practical recommendations: the formation of an Algerian government, after consultation with the Tunisian and Moroccan governments; the establishment of a consultative assembly drawn from members of the national assemblies of the two independent states and from the council of the Algerian revolution; and the formation of a secretariat with two members from each of the three countries, to meet either in Tunisia or in Morocco. The functions of the assembly were not defined, but the Tunisian and Moroccan governments were requested not to enter into foreign commitments without consulting it first—though at a final press conference the Algerian spokesman expressly reserved the right of the Algerians to take any step which they thought necessary for their safety as a nation.

These emphatic and public declarations of solidarity undoubtedly mark a new stage in the history of North Africa and its emancipation from French political control. The publicity on this occasion contrasted strikingly with the half-furtive way in which the Algerian leaders were received in Morocco, out of deference to French susceptibilities, in the period immediately before the kidnapping of the five leaders in 1956. The Algerian requests have been met to the largest possible extent, even if the creation of an Algerian government has been expressly subordinated to consultations with the Moroccan and Tunisian governments—no doubt so that diplomacy can ensure that, when it is done, the maximum consideration is shown for the anxieties of the British and American governments. Another mitigating gesture, of which there is no reason to doubt the sincerity, was the basing of the appeal to cease monetary and material support for France not on a blackmailing threat to secede from the world of western democracy (to which the North Africans are genuinely attached), but on the liberal traditions of the powers to which it was addressed.

Though no Libyan delegation appeared, the resolutions expressed the hope that Libya would eventually adhere. In answer to a question about the Libyans' absence at the final press conference, it was merely explained that they had not been invited in time. This would be unbelievable if it were a western European conference of comparable importance; but it is quite in accordance with the extreme improvisation of Arab affairs, sometimes with unfortunate results in dealings with the West where these Arab ways are not understood; but sometimes with remarkable success.

In the sphere of the internal affairs of Morocco, the conference was remarkable for the assurance with which the Istiqlal party—still, in theory, only one of several such organisations—assumed the right to commit both the people and the government to its resolutions. The attitude, in fact, represents the ever-increasing influence which the Istiqlal wields in the country. Nothing was revealed on how monarchy and republicanism could be linked in the federal system that is envisaged as the ultimate goal for the Maghreb.



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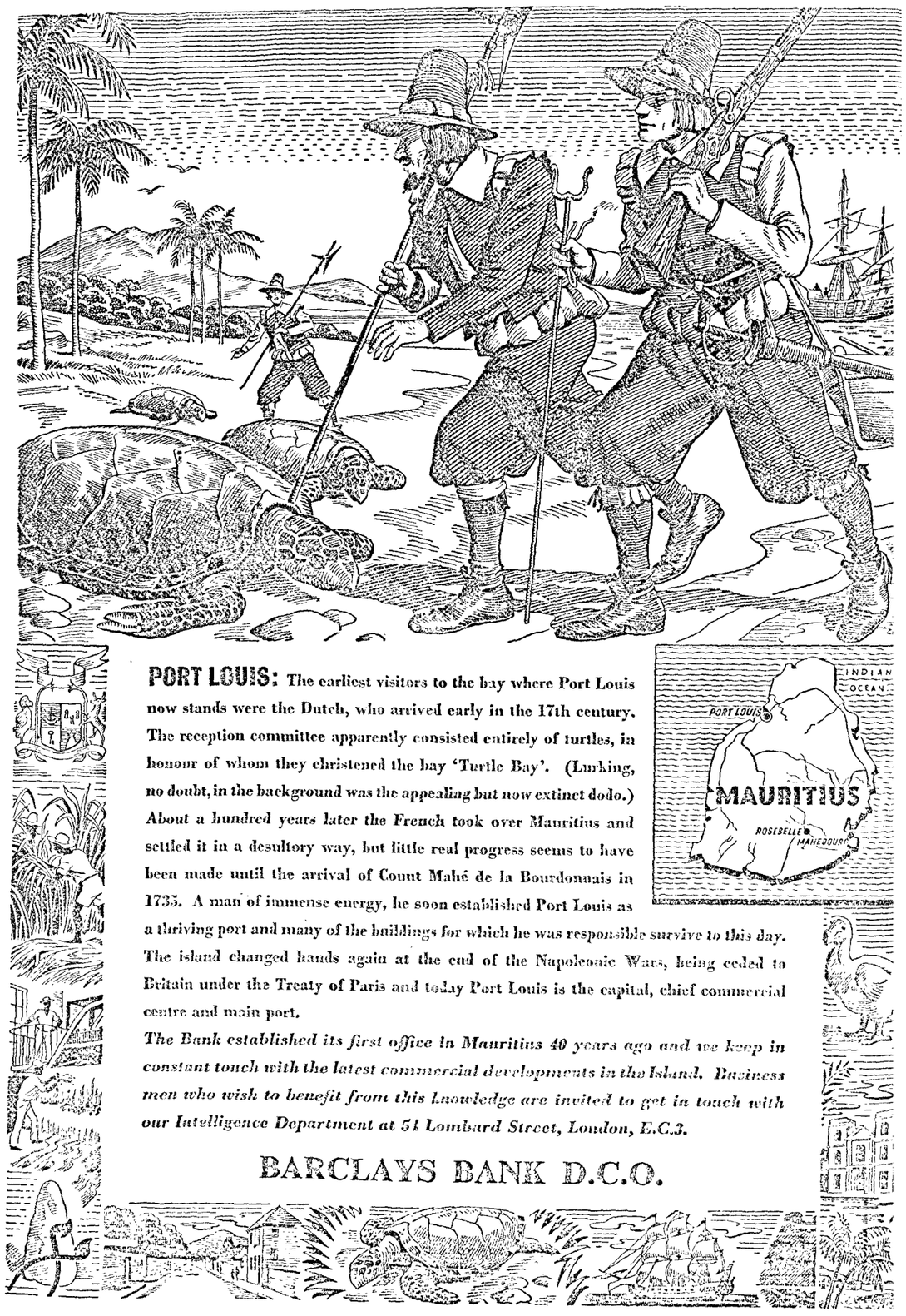
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PORT LOUIS: The earliest visitors to the bay where Port Louis now stands were the Dutch, who arrived early in the 17th century. The reception committee apparently consisted entirely of turtles, in honour of whom they christened the bay 'Turtle Bay'. (Lurking, no doubt, in the background was the appealing but now extinct dodo.) About a hundred years later the French took over Mauritius and settled it in a desultory way, but little real progress seems to have been made until the arrival of Count Mahé de la Bourdonnais in 1735. A man of immense energy, he soon established Port Louis as a thriving port and many of the buildings for which he was responsible survive to this day. The island changed hands again at the end of the Napoleonic Wars, being ceded to Britain under the Treaty of Paris and today Port Louis is the capital, chief commercial centre and main port.

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THE BUSINESS WORLD

Dumping in the Open

Two important decisions are about to be made by the Board of Trade under the Customs Duties (Dumping and Subsidies) Act of 1957, otherwise known as the Anti-Dumping Act. One concerns a complaint by Canadian producers of aluminium about the alleged dumping of Russian aluminium in Britain; the other a complaint by New Zealand producers of butter about the alleged dumping in Britain of Irish, Finnish and Swedish butter. Three other cases have already been decided: an anti-dumping duty was imposed on imports of French silicones; a complaint about tomatoes from the Canaries was rejected; and a third was settled out of court when the French were persuaded to withdraw a subsidy on new potatoes. The Board of Trade has advertised that it is considering complaints about lighter-flints from Germany and Austria, and worm powders from Sweden, Italy and France; in a number of others it is not yet satisfied that a *prima facie* case of dumping has been made.

This shows that considerable use is already being made by British industry—and by Commonwealth producers—of an act that was passed barely a year ago. But is it certain that the decisions made under it can satisfy the over-riding test that Parliament decreed—the British national interest? The points at issue in the anti-dumping complaints that have already been lodged reveal the difficulties of the task that the Board of Trade has been given.

First, there are the technical questions. Can dumping be proved by any of the tests allowed in the Act—by reference to the fair market price in the country of origin or consignment—that is, the domestic price, or, if that cannot be determined, by reference to costs of production in the supplying country, or to the price that it charges for exports to countries other than Britain? When complaints are made against Russian or Eastern European producers, such questions of fact are particularly difficult to establish. What is the fair market price in a country that has no open market? And if prices or costs can be established only in local currency, then at what exchange rate should they be converted into sterling? Clearly, if protection is to be given to British producers against dumping from *communist* countries highly arbitrary decisions will have to be taken.

Next, if dumping, so defined, can be proved against a country that is a fellow member of Gatt, then before it takes further action the Board of Trade must satisfy itself that the dumping is causing or "threatening material injury" to an established industry in the United Kingdom, or materially retarding the establishment of such an industry here. When the complaint is made, not by a British firm, but by an overseas producer exporting to Britain in competition with the dumped goods, then an anti-dumping duty may still be imposed, but only if the complaining supplier can convince the Contracting Parties of Gatt as well as the British Board of Trade that it has suffered material injury as a result of the dumping. Thus the New Zealand producers of butter can obtain an anti-dumping duty only if, as a first step, they can satisfy the Board of Trade that Irish, Finnish and Swedish butter is being dumped in Britain; and then if they can prove to the satisfaction not only of Britain but of the other members of Gatt as well, that they are being caused or threatened with material injury as a result of the dumping.

Russia is not a member of Gatt, so the Russian aluminium producers are not formally entitled to this extended consideration. But the Board of Trade in fact proposes to apply the same criteria to Russian goods as it would to goods originating in a member country of Gatt. In the aluminium case, it is difficult to establish how much of the Canadian producers' difficulties are due to a falling demand for aluminium in Britain, as elsewhere in the world, and how much specifically to competition from Russian aluminium in the British market. A crucial point is likely to be whether the guarantees said to be included in many of the Russian

sales contracts, that supplies will be delivered at so much below the delivered cost of Canadian aluminium whatever happens to the Canadian price, are sufficient evidence of "a threat of material injury."

The Board of Trade must satisfy itself on all of these grounds before it can impose an anti-dumping duty; but even then it can do so only if it is also satisfied that the imposition of the duty would be in the British national interest, in an undefined, but also widest possible sense. The Board is free, and indeed obliged, to take into account wide political considerations, such as Britain's relationship with the other members of the Commonwealth, and the effect on the future of Commonwealth trade of a refusal to impose anti-dumping duties (once the tests of dumping and material injury have been satisfied). If the dumper were a member of the European common market or a potential member of a European free trade area (whose support in the current negotiations Britain could use or whose antagonism could be mollified), then the national interest might require that no anti-dumping duty should be imposed.

Other questions concern more directly the level of costs and the degree of competitive flexibility of the British industry affected, or the complaining supplier from the Commonwealth. Are the British fabricators, exporters, and consumers of goods made in Britain from imported aluminium better served by an assured supply of aluminium at a stable price from the dominant Canadian producers than by a less certain supply at high prices in times of shortage which however come down to much lower levels in times of surplus? (The argument recalls one over the price of copper a year ago, when the choice was between managed price stability and a freely fluctuating market price: it is rather odd to find the Russians in the role successfully played then by the London Metal Exchange). These are only a few of the arguments that the Board of Trade must weigh in deciding whether or not to impose an anti-dumping duty. And in practice, though the Board is given this responsibility under the Act, its decisions are taken only after the normal process of inter-departmental consultation culminating, in all big cases, in a decision by the Cabinet. It is not surprising that the Government takes some time to come to a decision. Indeed it would be disturbing if it took a decision lightly.

WHAT is disturbing about the present procedure is that nobody outside the Government—not even the members of Parliament who have to approve the Board's decision on each issue—can as things stand discover the full evidence on which the decisions are finally made. Comment by disinterested observers while the decision is pending can be based only on the information or propaganda that the complainant chooses to make public; on the public reactions of the alleged dumper, and other suppliers and consumers of the commodity in question; and on such additional background information as is available privately. Even after the decision has been taken, the facts of the cases, and the Board of Trade's interpretation of them, are made public only in so far as the President of the Board of Trade chooses to disclose, or can be pressed in Parliament to disclose, or in certain cases may be obliged to disclose in defending Britain's action in imposing anti-dumping duties before the other members of Gatt. Is this not carrying a regard for commercial secrecy too far? A comparison with procedures followed across the Atlantic suggests that it may be, and that the national interest may be better served in Britain if this Act were amended.

When an American manufacturer submits his case for higher tariffs to the US Tariff Commission he does so in the full knowledge that these will be made public; the same applies to the counter-arguments put forward by foreign suppliers and their American importers. Both sides of the case are thus given a full and public hearing, and the Commission also makes public the full reasons for the recommendations it makes. These recommendations are not binding on the President; but he in turn is obliged to make public his reasons for rejecting or modifying the public advice he has received. But in making the British procedure less secret it would not be necessary, and would probably not be desirable, to require publicity for all findings to this extent. The British Government's view of the national interest in matters affecting negotiations on the European free trade area, or in Britain's relationship with other Commonwealth countries, might gain something in clarity if it had to be published, but such frankness could reasonably be considered embarrassing at times. And provided both sides of the case were made public, members of Parliament and outside observers could apply their own concepts of the national interest to anti-dumping complaints, both before and after the Board's decision became known.

The objection to even this limited aim of making public only the arguments of the complainant and the defence raised by the alleged dumper, together with any other evidence—from, say, the consumers concerned—is that dumping and material injury can sometimes be proved only by disclosing details of a complainant's costs of production or other figures that he feels would help his competitors. That is the burden imposed on any industry seeking protection in the United States: on balance, it is rightly imposed. The complainant supplier is asking the Government deliberately to restrict competition in his favour and support his price. In any society where competition is generally presumed to be in the public interest, there can be no good reason for making it easy for him. If a firm—or, as in the present cases, an industry abroad—is really suffering material injury because British customers get something cheaper than he wants to sell it for, the embarrassments of disclosure ought reasonably to be weighed against the advantage of securing protection against dumping. If they outweigh the possible advantage of protection, then perhaps the complaint should never have been made. And if a change in the procedure followed in hearing the arguments were to lead to fewer complaints of dumping, the national interest might well be better served. British and Commonwealth industries have such strongly protectionist traditions, and Britain's trade relations with both Continental and Commonwealth countries are now so delicate, that justice must openly be seen to be done, and with a courageous degree of economic liberalism.

Can the Co-ops Compete?

A movement born in social aspiration is losing ground in an epoch keynoted by social progress

TOAD LANE, ROCHDALE, in 1884 saw the birth of the retail co-operative. From there the movement, giving the consumer a share in the disposable profit and a say in the management of a business organisation without any equity capital, strode round the world. Up to the nineteen-twenties it flourished, gathering a steadily increasing share of retail trade. But since the thirties the co-ops, in spite of real advantage of offering a sizeable discount, through the "divi" on branded goods of which prices are usually maintained, have failed to maintain this momentum: their share of retail trade in Britain has remained stable, at about 11-12 per cent. The movement in this country is massive. Within it, there are over a thousand retail societies with over 12 million members; they own over 30,000 shops, selling nearly £1,000 million of goods a year. The movement also owns about 250 factories, making a wide and disparate range of products and the biggest wholesale organisations in the country, with an annual turnover of over £500 million. This gigantic complex is showing unmistakable signs of decline.

In 1955, the co-operative movement asked an independent commission to survey its economic operations. This commission was of high calibre, including among others some of the best known economists concerned with distribution in Britain, and its report*, for which Mr C. A. R. Crosland is primarily responsible, is an impressive document. The co-operative movement deserves credit for its courage in publishing such a dispassionate appraisal of its operations; it deserves little credit for the many weaknesses and failings that are revealed.

What has gone wrong? By the skin of their teeth the co-ops have just about held on to the share of total retail trade that they reached in the thirties; but private multiple retailers, which had only about the same share before the war, have doubled theirs. The co-ops have lost ground to the multiples and have failed to attract young customers, despite the fact that they own about 60 per cent of the self-service shops in this country. Food makes up about three-quarters of the co-ops' trade and they have slightly increased their share of total food sales. But that is due "entirely to a spectacular expansion in the milk trade," for the co-ops are still powerful in the door to door delivery of such foods as milk and bread. Where the co-ops have lost most ground is in dry goods. This is particularly true of clothing and footwear (where co-operative wholesaling and production is substantial) though hardly evident in household durables. Some societies are far above the average, but some are very, very bad.

In any case, there are too many of them, too many dowdy shops selling dowdy goods, and too often badly sited away from main shopping centres, which tend to be monopolised by the multiples. Too many co-ops are in small towns and too few in big ones. About 750 societies own fewer than 15 shops; they impede each other's trade without effectively bothering their rivals, the multiples. Trade between the retail and wholesale societies seems to be conducted in some vague spirit of co-operative loyalty rather than of hard-headed business—though that does not prevent mutual recriminations. The wholesale societies have failed to be as "skilful and dynamic as the central buying organisation of a large multiple." From the English and Scottish wholesale societies, the retail co-ops still buy much the same proportion of their food supplies as they did in 1938, but they buy a smaller proportion of their dry goods. Through these societies, the co-ops have bought more co-operatively produced milk and meat but less of the footwear, furniture and hardware made in co-operative factories. The wholesale societies, however, have increased their productive capacity and operating from 20 to 50 per cent below capacity, a number of the factories are now "seriously underutilised."

In one sense, the co-operatives have been left high and dry by the tide of social change. A movement created to serve the needs of a poor working class has failed to link itself with a prosperous working class. Some of the movement's failures are the penalty of

PERCENTAGE SHARE OF RETAIL TRADE

	1935	1950	1955	1935	1950	1955
	%	%	%	%	%	%
	Food and Household Stores			*Footwear*		
Co-operatives	13·9	15·1	14·5	9·3	9·0	7·8
Multiples	14·5	16·5	17·0	41·0	47·0	50·5
Others	71·6	68·4	68·5	49·7	44·0	41·7
	Women's and Children's Wear			*Household Durables and Furnishing*		
Co-operatives	5·7	6·0	5·4	5·2	7·7	7·6
Multiples	10·5	21·5	26·5	14·0	20·0	21·5
Others	83·8	72·5	68·1	80·8	72·3	70·9
	Men's and Boys' Wear			*Chemists' Goods*		
Co-operatives	5·7	6·9	6·4	5·4	8·3	8·3
Multiples	21·0	29·0	31·5	30·0	37·0	38·5
Others	73·3	64·1	62·1	64·6	54·7	53·2

* Published by the Co-operative Union, Ltd., Manchester, at 6s. 8d. post paid.

being first in the field, but in general its appeal is to old-fashioned customs and loyalties, whereas working people today think of themselves as part of a vast middle class of consumers. This old-fashioned air hangs about the "democratic organisation" by which the movement, commercially as well as politically, is run. This has led to the rule of the tiny minority: the "do-gooder" and the busybody are more likely to get elected than the man with business sense who nowadays does not lack other opportunities. This organisation creates diffusion and parochialism without necessarily breeding genuine co-operative control. There is little chance that the man with real managerial skill will emerge from such a semi-political process. Worse, this structure has inhibited the co-ops from recruiting professional managers as capable as those employed by their rivals.

THIS is a crippling institutional weakness for any organisation competing in commerce. At one extreme, it has led to the establishment of uneconomic factories; at the other to too much concern with the size of the "divi." Few managers in the movement seem to have bothered to look ahead and those that did found their power to reform and to expand hampered by the dispersion of control in a large number of weak hands. Thus out of their net disposable surplus the co-ops, though they make generous depreciation provisions, retain only 4 per cent for capital expansion and pay the rest out in dividends to their consumers. The multiples retain nearly half of their net earnings towards expansion.

From the mass of recommendations urged in this report, it is possible to isolate four major strands of reform. First, though democratic control by members should be retained, the whole structure of management must be revised. In retailing, wholesaling, and production the aim must be to secure full-time executive managers of real ability; these should take the day to day decisions, leaving any broad questions of policy and of overall control to boards elected from the members. That will mean, as the commission sees, paying higher salaries, recruiting more widely, and dismissing the slack and incompetent.

The second strand is that the co-ops must conduct their operations by unswerving reference to the laws of the market place. The retail societies should amalgamate, bringing their number down to between 200 and 300; they may then enjoy the economies of scale at present achieved by all the multiples but only by a few co-ops. They should match the prices of their most successful private competitors in each trade and area. They should buy the goods the customer wants—whether these come from the CWS or from a private manufacturer. And they should maintain the highest standards of location, lay out, appearance and service. The wholesale societies should become more conscious of their obligation to serve the retail co-op not as a fellow co-operator but as a trade customer. They should charge economic prices, varying these and their margins (which so far they have for no good reason seemed reluctant to do) according to the actual services they perform. The wholesale societies should also narrow the range of their production and base all decisions about production on a comparison of the relative return on capital.

Thirdly, the commission recommends the formation of a Co-operative Retail Development Society, standing in its own right and financed by bigger subscriptions from member societies to the Co-operative Union. This would provide common consultancy services on selling, business and managerial methods and techniques; act as a channel for development finance (at some cost, it would seem, to the status of the CWS bank); and be responsible for the formation of national co-operative chains of specialist shops, of which the first should be a chain of footwear shops.

It is largely but not entirely through this body that the commission hopes to attain its fourth major object: an expansion of co-operative retail trade in general, to which any expansion in wholesaling and production would have to be subordinated. The aim in the next ten years, the report suggests, should be to increase food sales by one-third and to double non-food sales. The capital investment required is put at £200 million, or about twice the current annual rate of capital expenditure. To meet that cost the societies would have to build up their reserves—at some cost to their dividends, which the commission would prefer to see stabilised rather than increased. The societies should also raise interest rates on their capital, with the object not so much of attracting new money as of discouraging withdrawals, and reduce the big fund of investments (not all of which are truly liquid assets) that they hold outside the movement, thus bringing down their liquidity ratio. Only in these ways could expansion on the scale hoped for be made possible.

WILL these fairly rosy hopes lessen the sting of the goad of internal reform urged in the report? The commission has not found it easy to reconcile its refreshing insistence on the need to live with and by the principles of economic competition with co-operative ideals. Sometimes it seems to have stopped short of the logical conclusions. It does not recommend a separation of the wholesale side from production, though some members were in favour of such a split in spite of the administrative upheaval it would cause; and it does not say explicitly—though some of its recommendations point clearly that way—that the societies should specialise in what they do well and cut out what they do not. The underlying assumption seems to be that given effort and investment (which have been so conspicuously lacking) expansion in the co-op share of business is possible in almost every field of retailing. That seems inherently optimistic, but it is a prospect which might encourage the co-operative societies to accept the structural recommendations that are designed to make them economically efficient units. This is a radical report aimed at a stuffy, conservative organisation which has fallen badly behind the times. After such a report no movement could possibly sit back and do nothing.

BUSINESS NOTES

IN THE MARKETS

Conversion Success

BEST hopes in the gilt edged market were that the conversion operation would result in about £600 million of the maturing £676 million of 4 per cent Conversion stock 1957-1958 being exchanged into the new 4¾ per cent Conversion stock 1963 or the 5¾ per cent Conversion stock 1974. In fact no less than £650 million of the maturing stock was converted—£352 million into the 1963 stock and £298 million into the 1974 stock, so that a mere £26 million will have to be repaid on June 15th. This approximate result, to which the small amounts on the Post Office register have still to be added, exceeds all expectations.

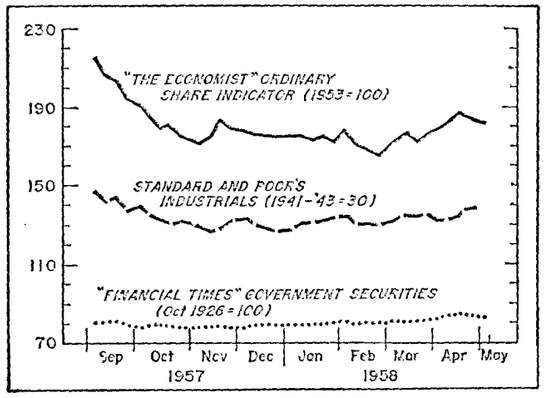
Clearly the money market and perhaps the banks, hungry for short dated stocks, were responsible for it. In hoping for a total of £600 million the authorities had already reckoned on the conversion of the Government's own holdings and they can have added little to them between the announcement of the conversion offer and last Monday, when it closed, for the market price remained above the Government broker's price. Big quantities of the maturing stock were bought for conversion, presumably mainly into the 1963 stock. The success of the conversion operation marks the fact that the maturing 1957-1958 stock was largely a "City stock" held in the banks and discount houses.

The Government broker now has a supply of both the new stocks, and the shorter dated of them looks likely to encounter an active demand when the gilt edged market resumes its strength. The nature of the response to the offer however seems to suggest that a large part of the £352 million of 1963 stock must already be held in investors' hands.

The Morning After

THOSE who guessed that when the Government's conversion operation was out of the way and the strikes and threatened strikes held the field, the gilt-edged market might be ready for a reaction, were certainly right. Gilt-edged prices have tumbled, particularly pronounced on Wednesday and on Thursday morning. The *Financial Times* index of Government securities which stood at 83.52 at the end of last week had reached 82.32 by Wednesday evening. Naturally, solid investors like the banks that had bought heavily over previous weeks have not sold. But the speculative and semi-speculative fringe of the investing public quickly changed step, and soon landed the jobbers with far more stock than they expected and prices were widened. An oddity of this move is that the 5½ per cent Exchequer stock of 1966, recently the most popular counter in the market, was among the most heavily sold. In the first three days of this week it has fallen ⅞ to £101⅛. This stock had attracted speculative buying because it was generally believed that the Government broker was near the end of his supply and that a quick rise might follow the closing of his "tap." But it is still open; the turn in the market has arrived first.

This setback in gilt-edged, which with wisdom may prove to be short-lived, is based on the same reasoning as the weakening of sterling: confidence in the British recovery is under test; the firmness of the Government and the common sense of the trade unions are the two indicators by which it will be reassessed. Some of the same thinking applies also to the industrial share market but with two important points of difference. A sign of weakening on the wage issue might also be a forerunner of renewed inflation and that should not be bad for equities. Moreover, through most of the past week Wall Street has held its ground well and taken investors' thoughts off American recession. Therefore the decline on the industrial side of the market was small. On Wednesday, a thoroughly bad day for gilt-edged, hardly any decline occurred in industrials, and over the whole week *The Economist* indicator shows a fall of only 2.3 at 181.3.



THE STRIKE FRONT

Sterling Loses Ground

DESPITE the April gold and dollar gain sterling has lost ground this week. From $2.81¼ the spot rate in the official market against the dollar has this week slipped to $2.81¼. The selling has reflected the news from the strike front, but not because the sellers feared the bus strike or the threatened railway strike. Sellers of sterling feared only that the Government's nerves might snap and concessions might be given that would undermine the growth of confidence so laboriously built up since last September. Hot money is not flowing into London now, since the forward discounts on sterling approximately straddle the interest rate differential between the London and the New York markets and that may be small loss. But there has also been evidence of an ebbing in the commercial demand for sterling.

Furthermore, as long as the rate against the dollar is over $2.81 there is no particular incentive to rebuild working balances. The rate has been allowed to crumble with little intervention on the part of the authorities until it momentarily touched $2.81. It is not their habit to intervene in support of sterling on any appreciable scale when the rate is still above the nominal parity. The rate for transferable sterling has yielded correspondingly to around $2.7922 and that for security sterling though it showed more resistance at first has fallen to $2.79.

Sterling has also lost ground against most Continental currencies. At this time, demands by British tourists begin to weigh appreciably on the market. The German mark is still exceptionally strong, both on commercial and capital account. An appreciable part of the movement of capital out of dollars is finding its way to Germany where the attraction of high rates of interest does not have to be minimised by forward sales of the currency at a discount.

Looking for the Pence

THE Transport Commission is not likely to be able to finance an early increase in railwaymen's wages from the programme of economies and faster re-equipment that was announced this week. The commission's refusal to make a firm commitment to the unions would seem to imply that it has doubts, too, whether this programme will achieve all the economies required. To pay, say, the 3 per cent increase that the trade union nominee on the wages tribunal recommended in his minority report on cost of living grounds (the unions have now asked for 4 per cent) would cost roughly £11 million a year. But the commission has already been searching for savings amounting to £15 million a year to off-set the recent fall in traffic receipts and keep its current rate of loss within the limits set by the half-used Government loan. So the combined cuts ought to find at least £26 million a year—roughly 5 per cent of the railways' annual revenue outlay.

There are three main directions in which the commission is setting out to try to achieve this, but it is not saying how much it hopes to get. The present traffics preclude any further general increase in railway charges, but a selective raising of certain freight and, later in the year after an application has been made to the Transport Tribunal, of a few passenger fares is intended. Secondly, it has instructed the regional managements to cut down further on their working expenses, including:

(i) tailoring freight and passenger services more closely to the movement of traffic;

(ii) closing more uneconomic branch lines more quickly, with the help of the Government; consideration is now being given to the closing of 30 lines, involving a net annual saving of about £500,000;

(iii) again with Government help, the commission hopes that it may be able to shift responsibility for the upkeep of road bridges and level crossings, presumably to local authorities;

(iv) abandoning those boat train services to the continent that incur big losses;

(v) pruning maintenance expenditure and scrapping 100,000 wagons this year;

(vi) cutting manpower, mainly by not replacing the railwaymen that leave the service.

The third way in which the commission is hoping to improve its finances this year is by re-accelerating its re-equipment programme, and the Government has agreed, on the understanding, however, "that the unions will play their full part," to authorise the spending of £170 million this year and next, instead of the £145 million in both years to which the railways were cut back last autumn. But much time has already been lost and, except perhaps for the main-line diesel and multiple unit train set programmes, on which an extra £6 million may be authorised, this investment was never expected to produce significant returns as early as this year. Presumably, too, the decision to allow this increased spending still hinges on the actions of the unions. Even if a strike does take place after all, and it would cost the railways dear, the economies and the accelerated rate of modernisation would still be worth pursuing.

GOLD RESERVES

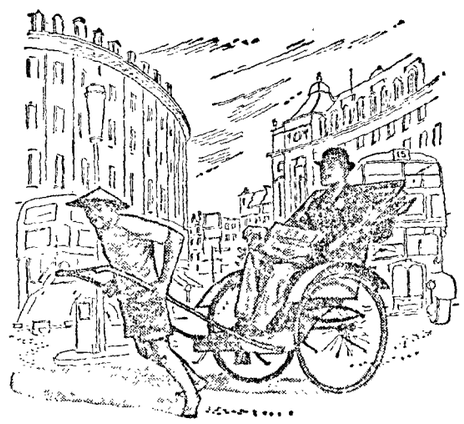
April's Good Increase

THOUGH the bus strike and the threats of wider disturbances had cast some shadow ahead in the exchange markets—notably upon sterling's performance vis-à-vis European currencies—they did not prevent Britain from achieving last month another notable increase in the gold and dollar reserves. These rose during April by $144 million, to $2,914 million, the equivalent of more than £1,000 million. At first glance the increase may appear to compare unfavourably with the achievement of the previous month, when the reserves rose by $231 million. Most of that movement was, however, attributable to the exceptional surplus earned on EPU transactions during February—which, following the customary lag in settlements, contributed $94 million to the reserves in March. The corresponding gold receipt from EPU last month, in respect of the surplus actually earned in March, was only $11 million, and the receipt due this month (representing 75 per cent of April's surplus of £2 million) will be $4 million. Hence, if the figures are adjusted so as to include the EPU gold payments in the months in which they were earned, the true dollar balance for April is seen to have been little different from that for March. As the accompanying table shows, it declined only from $148 million to $137 million, but was substantially less than the peak earnings achieved in February. The prospect for the reserves is now clouded by the strike. It should be emphasised also that the good gains of recent months are partly seasonal.

RESERVES SINCE THE CRISIS

	True dollar balance in period*	Actual change in reserves	Reserves at end of period
1957 :—			
August	−300	−225	2,142
September	−296	−292	1,850
October	+141	+243	2,093
November	+ 71	+ 92	2,185
December	+ 86	+ 88	2,273
1958 :—			
January	+165	+131	2,404
February	+206	+135	2,539
March	+148	+231	2,770
April	+137	+144	2,914

* Adjusting for one month lag in EPU settlements, for $250 million drawn from Export-Import Bank in October, and for small receipts of US aid.



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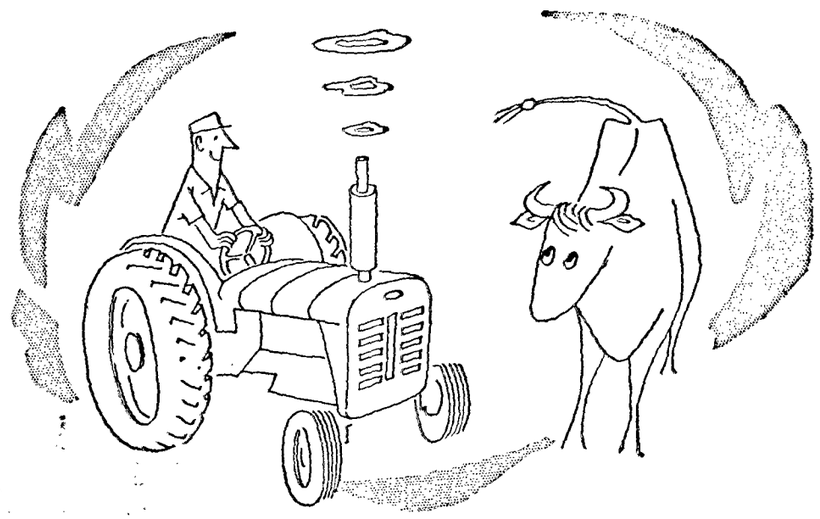
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About two-thirds of Denmark's exports are agricultural products and reciprocal trade with Britain is the very foundation on which Denmark's economy is built.

Denmark sold to Britain last year products to the total value of £114,629,187—£25,757,110 in butter.

Denmark bought, in total, £85,737,973 in raw materials and manufactured goods from Britain, among them tractors and other machinery — almost the same ratio of purchases to sales as New Zealand.

It is of vital importance to Denmark's farmers that these facts should be clearly understood at a time when there is much discussion of 'dumping'.

No Danish products are 'dumped'

The price of butter in the Danish home market is the average of the export prices. Furthermore, far from unloading surplus butter on the British market below the cost of production, Denmark sent somewhat less last year than the previous year.

The Danish surplus of the past year is at this moment being sold in Denmark's home market at a substantial loss to the producers. Denmark's home consumption of butter has, in fact, been increased by 52 per cent since the beginning of this year.

DENMARK *stands for efficient production and fair trading with* **BRITAIN**

ISSUED BY DANISH AGRICULTURAL PRODUCERS

STEEL

Are Stocks Coming Down?

During the first quarter of this year demand for steel in Britain held up rather better than might have been expected, but in recent weeks it has fallen off more sharply. The motor industry still wants increasing quantities of steel, and this is also true of some of its suppliers such as the drop forgers, though not all. But the car manufacturers are no longer ordering as far in advance as they have had to do during most of the postwar period. This process, by which the maturing of extra capacity is making it possible for the producer to offer shorter deliveries, which in its turn enables the customer not to commit himself too far in advance, is at work throughout the steel industry (and others); but for certain products the fall in demand has more specific causes. The slackening of building activity is being reflected fairly quickly in demand for structural steel (which tends to be wanted in the early stages of any building project). Cuts and delays in railway investment have cut the top off the planned peak in wagon building, as have difficulties in introducing continuous braked wagons; this has softened demand for light steel plate. For many medium and light steel products, demand had already weakened; it is being affected further by some slack in general engineering.

The steel industry is beginning to feel that for some products at least demand has fallen well below the quantities that customers must still be consuming—and that at last customers are beginning to run down stocks. It is no longer so easy to be confident that steel is better than money: the last change in steel prices, after all, was the first reduction in 19 years. The latest indications were that consumers had in stock 16-17 weeks' steel (the stocks indeed seemed to have increased since the beginning of the year). It would not be out of line with normal operations if those were gradually to be brought back to say 12 weeks' supplies; but it could make a difference of more than a million ingot tons of steel to the industry's output this year. The industry's own operating stocks, too, are high at present; but these seem so far plausibly explainable in terms of plans for closing down certain parts of steel works later in the year, or of building up ingots for new finishing capacity to come in.

ATOMIC ENERGY

The First Export Order

The first of two agreements was signed in London last week covering the building of a British-designed nuclear power plant in Italy. The Nuclear Power Plant Company, a consortium of nine companies including C. A. Parsons, Head Wrightson, McAlpine's, and Whessoe, signed a seven-year collaboration agreement with AGIP Nucleare, subsidiary of the Italian state-owned ENI group, and on July

Hard Core of Unemployment

All being well, unemployment falls in April. But last month the number of people out of work in Britain rose by 11,000 to 444,000. This figure still represents no more than 2 per cent of all employees and the increase between March and April was entirely among juveniles, presumably mainly school-leavers who had registered at the employment exchanges only shortly before the count was taken in the week following the Easter holidays. Moreover, the general level of unemployment is below that in April 1952, when the textile recession had brought the total up to 468,000. But last month 45 per cent of all the names on the unemployment registers, including those recorded as only temporarily stopped, had been there for over 8 weeks; six years ago the corresponding proportion was only 30 per cent.

Recently, however, and even going back three years, the hard core of unemployment has been growing only slightly faster than the softer core around it. In April, 1955, 40 per cent of the unemployed had been idle for over 8 weeks. But because of the rise in the total numbers unemployed, in April more people had been out of work for longer than 8 weeks than at any other time in the postwar period. They now represent nearly 1 per cent of the total of all employees. Some of them would seem to be virtually unemployable. A more detailed count taken in March showed that out of the total of 433,000, 25,000 had been out of work over a year and another 26,000 for between six and twelve months.

This is the general picture of unemployment and on a nationwide basis in Great Britain it does not give cause for concern. But in Northern Ireland the average unemployment rate is 10.8 per cent, at no unemployment exchange is it under 5 per cent and in Belfast and Londonderry it is 20 per cent. In Scotland the rate is 3.6 per cent and in Wales 3.9 per cent. As one of the accompanying tables shows, only 38 per cent of the Welshmen who were wholly unemployed in January had found a job two months later, whereas in the London region, the corresponding proportion was 56 per cent.

There are particular towns and areas in England, as well as in Scotland and Wales, where unemployment is particularly high. Among the development areas, Merseyside has the highest rate —5.7 per cent among men in the Liverpool area and 2.4 per cent among women—although the duration of unemployment is comparatively low. In Plymouth, where the average level is the same as in Liverpool, the record is worse among women than among men. This is true, too, in Greenock where 11 per cent of women are out of work and where unemployment is certainly persistent—nearly two-thirds of all those unemployed there in April had been looking for a job for over eight weeks.

GETTING BACK A JOB

Proportion of those wholly unemployed in January, 1958, who obtained work within two months

	Per cent	
	Males	Females
London and South East	56	74
Eastern	46	57
Southern	51	58
South Western	49	51
Midland	53	62
North Midlands	47	55
East and West Ridings	49	62
North Western	50	57
Northern	47	54
Scotland	43	43
Wales	38	41
Great Britain	48	55

SOME BLACK PATCHES

Numbers unemployed on April 14th

Area	8 weeks and under*	Over 8 weeks	Total	Per cent rate of unemployed
Anglesey	462	893	1,355	11·5
Swansea area	1,697	2,093	3,790	6·0
Dundee	2,178	2,683	4,861	5·4
Greenock	1,309	2,169	3,478	8·0
Plymouth area	1,773	1,829	3,602	4·4
Liverpool area	10,518	10,860	21,378	4·4

* Including temporarily stopped.

1st building work will start on a 200 megawatt nuclear power station 40 miles south of Rome. Details of the building contract are still being settled but equipment valued at about £10 million will be provided from this country, representing half the total cost of the station.

This is the world's first export order for a full-sized nuclear power station, and it is likely to provide the template for future contracts. Three features are important. The first is that it is linked to a collaboration agreement by which the British contractor undertakes in effect to train the foreign company in nuclear design so that it will become progressively less dependent on outside technical aid. The second is the relatively small size of the station. Few foreign countries have as highly developed a national electricity transmission grid as Britain; the size of their power stations is therefore geared to the level of regional demand. The cost of electricity from Calder Hall type plants is closely linked with size; capital costs per kilowatt for a 400 megawatt reactor would by some estimates be 20 per cent less than that of the 150 mW reactors now being built. But Senor Mattei explained when he was in London that the 200 mW reactor he was buying for Italy was the biggest that could be used economically in the Rome region—particularly since such power stations are only suitable for base-load generation. The third feature of this contract is that it has apparently kept the Nuclear Power Plant group too heavily employed to bid for either the World Bank power station contract in Southern Italy or the Japanese contract for which tenders have been invited from three of NPPC's British competitors.

MIDDLE EAST OIL

Kuwait Oil for Japan?

THE Ruler of Kuwait has finally decided to grant the right to search for and exploit oil reserves offshore in Kuwait's "undivided half" of the Kuwait-Saudi Arabian Neutral Zone to the Japanese consortium that has already secured the Saudi Arabian rights there. The terms offered by the Japanese to Kuwait are thought to be similar to those already accepted by Saudi Arabia—with 56 per cent of the profits going to the host government. Both governments will have the right to insist that the profits be calculated not only on production, but also on a completely integrated operation of refining, transporting and distribution in the consuming country, though Kuwait may have been more prudent than Saudi Arabia in providing that it need not exercise this option until it is satisfied that these later phases are being carried out at a profit.

With concessions from both host governments of the Neutral Zone the Japanese can now start work offshore. Among sixty or so Japanese firms which make up the consortium there are no oil companies with experience of offshore drilling, but qualified American drilling contractors will not be hard to find. The chances of finding oil in quantity in this area, so near to the large Safaniya field off the Saudi Arabia shore, are rated high. And if oil is found, the combined resources of the Japanese consortium may prove more capable than they appear on paper of transporting, refining and selling the oil to Japanese consumers. Much will depend on the share of the Japanese market—which now consumes some 12 million tons a year—they are able to win, either by price competition or by securing preferential treatment from the Japanese government.

For the unsuccessful bidders for the Kuwait concess the only solace is that they are now saved from t embarrassment of co-operating closely with an oil compa that has conceded to Saudi Arabia terms that they wo not be willing to concede themselves. By accepting t Japanese offer, to the discomfiture of the British a American oil companies, the Kuwait government has c tainly proved its independence of Whitehall and Washingt Whether its revenue will benefit or suffer in the long r remains to be seen.

TIN

The Russian Threat

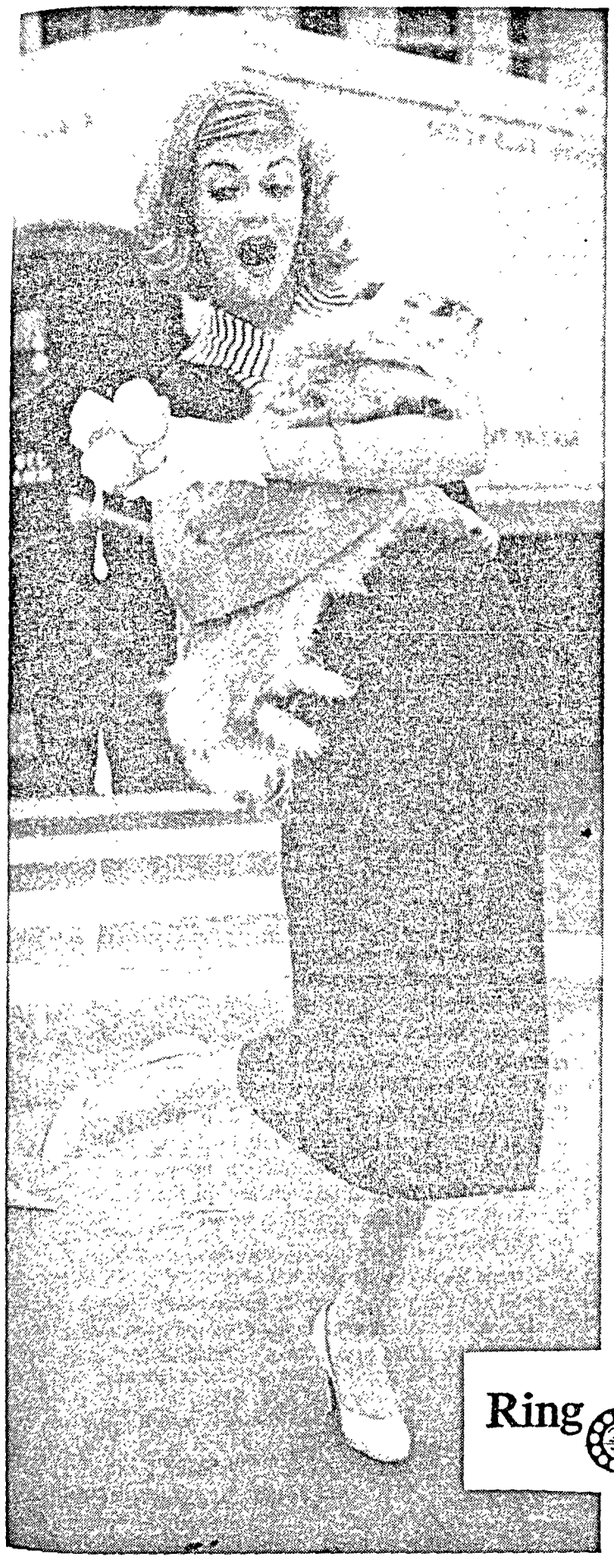
NO one was surprised by last week's decision of th International Tin Council to hold the rate of produ tion at 23,000 tons for the next (July-September) quarte and thus to continue to apply restriction at a rate of abou 40 per cent. In the market where cash tin hovers jus above the "floor" price of £730 a ton the decision ha negligible effect. Nor is there any significant change in th allocation of the quota among the producing countries, minor alterations have been accepted. Thailand's quot goes up from 1,690 tons to 1,920 tons, and Nigeria's fro 1,228 tons to 1,357 tons. Indonesia on the other hand takes a cut of 235 tons to 4,464 tons and Bolivia one o 120 tons to 4,580 tons; the Malayan quota remain unchanged at 8,625 tons.

Nevertheless the chairman of the Committee, M. George Peter, has expressed his belief that public confidence in th restriction scheme has increased since the beginning of th year. If his diagnosis is right that confidence must be base upon the existence of the special fund to which some coun tries agreed to subscribe after their third and final contribu tions to the buffer stock (which had brought its buying power to approximately 23,500 tons) had been called Neither the amount of the fund nor even the names of th countries contributing is to be disclosed. But it is clear that without it the buffer stock and therefore the whol international scheme would be in jeopardy. The tug of war is now between the metal coming forward from the largest non-restricting producer—Russia—and the buffer aug mented by the special fund. The Tin Council expects Russian exports in the second and third quarters of this year again to be a little higher than in the corresponding period of last year. In the first two months of 1958 imports into West Europe from Russia and Poland (swelled possibly by some transit trade in Chinese tin) amounted to 3,100 tons against 9,300 tons in the whole of 1957. That suggests that Russia is now a bigger exporter than Nigeria and about level with Thailand.

CYCLES

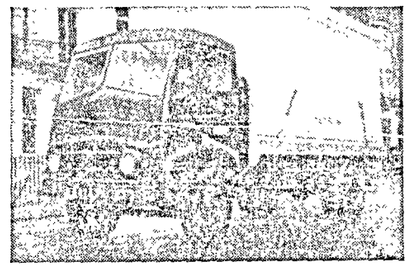
A New, Lower Level?

THE bicycle industry has been up against it for quite time. But the news that one of the British Cycle Cor poration's factories in Birmingham is to close down becaus there is "no alternative but to accept the situation that new level of trade exists" marks a public change of think ing for one, at least, of the two remaining leading producer of bicycles in this country. Both home and overseas market



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A B.R.S. vehicle with an insulated container for the carriage of fresh, chilled, and frozen meat, frozen foods and other commodities which have to be kept at an even temperature. This container has a capacity of 735 cubic feet and 6 tons — just one of the many and varied services B.R.S. render to Trade and Industry.

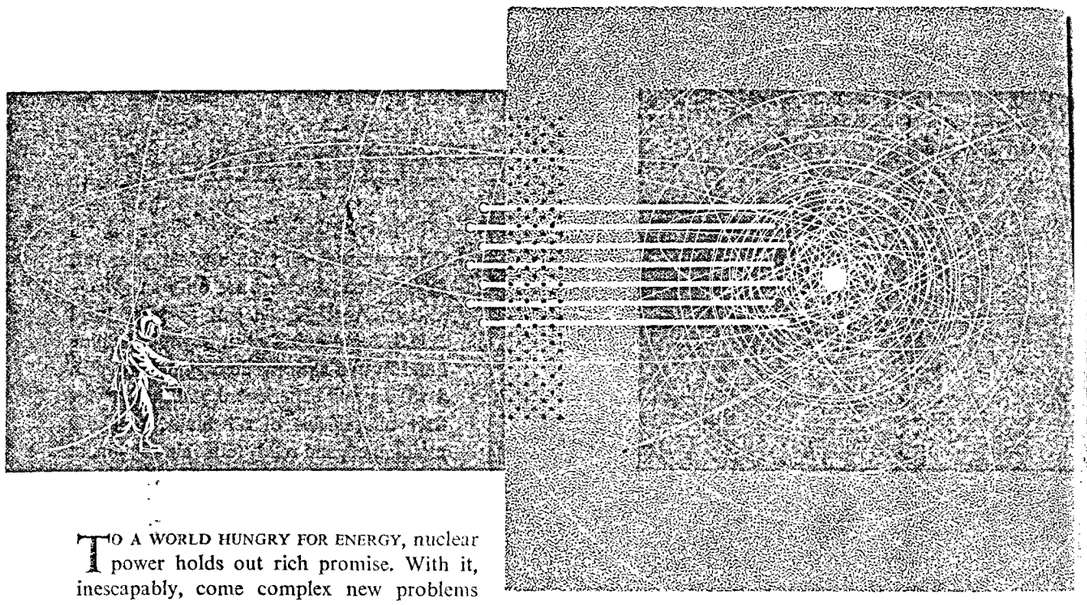
If you find transport something of a problem...

Ring *British Road Services*

— the best link between dispatch and delivery

WITHIN THE LETHAL ZONE

Shell meets the challenge



TO A WORLD HUNGRY FOR ENERGY, nuclear power holds out rich promise. With it, inescapably, come complex new problems which can be mastered only by new thinking.

Conventional lubricants, for instance, are useless when exposed to radiation. They break down, thicken and form harsh solids. Yet the lubricants needed for mechanisms close to the reactor may have to withstand radiation 4 million times stronger than would kill a man. Some of them have to take such punishment continuously for two years or more, for the complicated mechanisms they lubricate cannot be serviced without closing down the reactor altogether—a costly business with plant involving a capital outlay of some £50,000,000.

Here was the challenge... Where was the answer? Shell was first to foresee the problem. In 1953, a special group was set up at Shell's Thornton Research Centre to study the effects of atomic radiation on lubricants. Searching tests took place there and under actual reactor radiation at the Atomic Energy Research Establishment at Harwell; and in 1957, after four years of research, Shell introduced the first-ever range of Atomic Power Lubricants, named Shell APL.

This is the only range of proved radiation-resistant lubricants on the market today. Oils and greases from this range, as well as other Shell Industrial Lubricants, are in daily use both at Harwell and at Calder Hall, England, the world's first full-scale nuclear power station. They have also been chosen for the new British atomic power station now being built at Bradwell, Essex.

Here is Shell "Leadership in Lubrication" in action—anticipating a need, undertaking fundamental research, and finally developing the products to solve a problem of world-wide importance.

SHELL ISSUED BY THE SHELL PETROLEUM COMPANY LIMITED, LONDON

have been shrinking since 1955, when some 3½ million cycles were made. Last year the total was only 2½ million, and though home sales picked up a little in 1957, both home and overseas markets have declined further during the last few months.

The reason for the fall in exports is fairly clear. Primarily it is because more of the countries that formerly bought large numbers of British bicycles have been following the usual policy of protecting their own nascent domestic industries. The manufacture of bicycles does not call for a complicated or heavy engineering industry and it is often one of the first things to which a country reaching out for quantity production in industry sets its hand. Local, and small scale, assembly can be developed using, perhaps, imported parts, and in the last couple of years the Japanese have begun to reappear as serious competitors supplying these components—as well as finished models—to countries in South East Asia and east Africa. In other Asian countries, such as India, recent balance of payments troubles have reinforced the arguments for stronger protection of the growing home industry. Several countries in South America have stopped importing altogether, while the United States, which once took a sixth of the British industry's entire output, raised its tariff by a third three years ago. But import controls do not explain all of their industry's export difficulties. Failure to meet the competition of other exporting countries has also played a part, as is shown by the successes of the Japanese and more recently, on a smaller scale, by those of the Czechs, too. After the American tariff was raised, British exports were halved while the Dutch and the Germans rose, and the German producers replaced this country as the largest supplier both of complete machines and of parts and accessories. Last year however American imports from all countries fell, those from Germany more than any other, and the German industry fared altogether even more badly than the British manufacturers.

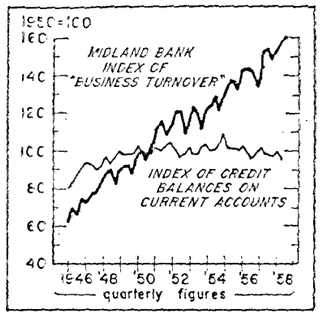
The weakness of the home market is more difficult to explain. Sales fell away first after hire purchase controls were tightened just over two years ago, but the market recovered only moderately when they were later relaxed, and the present state of decline has spread to sales of powered machines and scooters as well. Are people now spending what money they have on more ambitious kinds of consumer hardware? It may be significant that the Dutch and German home markets have also turned sour. At any rate, the largest British producer does not appear to expect a quick return to the level of business of only a few years ago.

MONEY TURNOVER

A New Index

A USEFUL addition to regular series of financial statistics has this week been announced by the Midland Bank. Last January, in his first annual statement as chairman of the bank, Lord Monckton explained that the bank had been studying the behaviour of current account balances, and then published some of the results of that investigation in the form of an annual index number reflecting the fluctuations since the war in the aggregate turnover on such accounts at the Midland Bank. To prevent the figures from being dominated by financial transactions arising from the activities of the money and new issue markets (as the "Town" clearing totals published by the Bankers' Clearing House are), the bank excluded from the calculation the whole turnover at the "handful" of its branches where that sort of business is mainly concentrated. The interest aroused by these statistics has encouraged the bank to rework them on a quarterly basis, with adjustments for differences in the number of working days in each quarter; to present the whole quarterly series for the period since 1946; and to arrange to continue it at quarterly intervals in future.

The series is described as an index of "business turnover," but it reflects money turnover rather than business activity. Subject to the special exclusions already noted, the index embraces every sort of transaction that gives rise to a debit to a current account at the bank. During the twelve years, years of continuous rise in the national income in money terms, covered by the figures, there has also been, as the accompanying chart shows, a continuous rise in the annual drawings on current accounts. But there is no close correlation between the two. In three of the past seven years the drawings have expanded faster than gross national income; in four years they have lagged behind it. The new series is therefore most likely to be used for the light it can throw on the velocity of turnover on current accounts. By combining it with an index based on the average balances held on such accounts by the clearing banks as a whole (shown in the lower line in the chart) it is possible to derive an index of rate of turnover. An index of that kind will certainly be much superior to any that can be computed from the figures published by the clearing house, since these naturally take no account (*inter alia*) of the large proportion of bank debits that arise from transfers between accounts at the same bank.



AIR TRANSPORT

Was Cassandra Right?

SINCE the war, the international airlines have been drafting their plans on the assumption of a straight-line increase in traffic of 15 per cent per annum and their present heavy re-equipment plans are geared to these estimates. Isolated voices have warned them that this might be an optimistic foundation for capital investment programmes running, as in the case of BOAC, to more than £250 million during the next few years. Looking at the latest traffic results, the airlines are beginning to wonder whether those Cassandras might not be right.

Many of the airline results that are now being published relate to the calendar year 1957, when air traffic was booming. Among the big operators, Pan-American, which handles more international traffic than any other airline, carried nearly 15 per cent more traffic than in the previous year and for the first time in its history required no government subsidy. The Dutch airline, KLM, whose business depends largely on carrying traffic between foreign countries, increased its revenue by 15 per cent, but higher

operating costs absorbed most of the increase and profits remained roughly the same as in 1956.

The accounts of the two British air corporations run to April 1st and the first rough estimates of their results reflects a rather different state of affairs. BOAC has made a net loss of £2¾ million, nearly a third of it due to poorer traffic in the last few weeks. BEA made its highest profit yet, slightly more than £1 million compared with £600,000 for 1956-57. But this profit was achieved because of "important savings in expenditure" and in spite of "disappointing traffic trends." BEA puts the increase in traffic this year at 10 per cent, whereas a year ago it was showing increases ranging from 18 to 25 per cent.

This smaller increase than the airlines have catered for may be cushioned by the introduction of third-class fares on the North Atlantic this summer (and probably inside Europe next year) and also, oddly enough, by a revival of first-class travel. First-class services disappeared almost entirely inside Europe following the introduction of tourist fares; this week BEA put the first of several mixed-class Viscounts into service, carrying a separate cabin with 12 first-class seats to 47 tourist. The ratio of first to tourist seats BEA intend to offer on different routes varies from roughly one in four on flights to Paris to one in eight on Swiss services.

SOUTH AFRICA

The Union Defends its Gold

THE South African government has this week announced a series of measures to check the loss of gold and foreign exchange and to try to discourage the outflow of capital. The Reserve Bank's gold and foreign assets on May 2nd were £79,656,000, showing a loss of £1,214,000 on the week, of £22 million since the beginning of the year and of £38 million since July 1957. The Finance Minister, Mr Maude, has now ordered the commercial banks to increase their ratio of liquid assets to deposits by four percentage points over a period of two months. The banks have also been instructed to concentrate the reduction in advances implied by this move on those credits that would be used to finance imports.

In addition there is to be stricter control on exchange transactions with other sterling area countries by residents of South Africa. The previous permission to retain up to £10,000 in another sterling area country is withdrawn. Currency allowances for travel in sterling countries will henceforth be subject to the same restrictions as those applying to non-sterling countries. Finally, dealing with the problem nearer its roots, the South African authorities are increasing rates of interest. The previously announced conversion terms for the 3½ per cent stock due for redemption this year are being amended in favour of the holders and this move is likely to affect the terms for all domestic borrowing in the Union.

CREDIT SQUEEZE

Stultified Initiative

AN outspoken criticism of the principle of direct control of bank advances was made this week by the outgoing President of the Institute of Bankers, Mr T. M. Bland, in his annual address. Mr Bland regards a "mandatory limitation on the volume of advances, whether quantitative or proportionate" as the "worst of all weapons by means of which a modern state can circumscribe the full freedom of action of its banks."

> It is frustrating alike to the bankers and to the public we serve; it stultifies initiative; and, worst of all, it inevitably reduces almost to vanishing point the element of competition in British banking, which, in my opinion, is essential to the health, not only of banking, but of our whole economy.

In this criticism, which most bankers would endorse, Mr Bland is distinguishing between the "directive" type of control and more general pressures exerted through the natural processes of monetary policy. He wondered, indeed, whether, if the screws had been turned at every stage a little sooner and a little tighter, the necessity for the quantitative limitation to which the bankers "reluctantly subscribed" last time would ever have arisen.

CAPITAL ISSUES COMMITTEE

Home but Not Colonial

THE Capital Issues Committee is evidently treating applications by overseas borrowers to raise new money in this country more firmly than domestic applications. In the second quarter of last year the CIC turned down three overseas applicants who sought to raise nearly £223 million.

CAPITAL ISSUES COMMITTEE

	Applications £ mn.	Allowed £ mn.	Refused £ mn.	Refusals per cent.
Total :—				
Qtr. I, 1957	498·5	479·2	19·3	3·9
Qtr. II, 1957	495·7	273·7	221·9	44·5
Qtr. III, 1957	377·4	328·5	48·9	12·9
Qtr. IV, 1957	331·5	287·6	43·9	13·2
Total, 1957	1,703·0	1,369·1	333·9	19·6
Qtr. I 1958	351·1	251·6	99·5	28·3
Of which : Overseas (excluding governments)				
Qtr. I, 1957	32·2	29·5	2·7	8·4
Qtr. II, 1957	228·6	27·3	201·4	88·0
Qtr. III, 1957	42·3	23·4	18·9	44·7
Qtr. IV, 1957	21·6	21·6	...	...
Total, 1957	324·8	101·9	222·8	68·6
Qtr. I, 1958	100·7	9·3	91·4	90·8

In March the proposed Rhodesian Anglo-American issue was pared by the CIC. In the first quarter of this year the CIC refused four applicants and cut two others (blocking projected issues of over £91 million by overseas borrowers.) Fourteen other overseas applicants were allowed to raise £9 million between them.

RESTRICTIVE PRACTICES

Sitrep in the Lords

IN a delightful exchange of wit and courtesy with Lord Lucas in the House of Lords last Wednesday, the Lord Chancellor gave their Lordships a clear explanation of the stage now reached by the Registrar and the Court in implementing the Restrictive Trade Practices Act of 1956. Three "heavy and important" cases—concerning the agreements of the Chemists' Federation, the Cotton Yarn Spinners' Association and the Cotton Yarn Doublers' Association—are to be heard by the Restrictive Practices Court during the Michaelmas Term. They have taken nearly eighteen months to prepare and will probably take as long as three weeks each to hear. In order to ensure a common approach to the new procedure the Court will sit in one division, but it will expedite its later hearings by splitting into two or even three divisions "fairly soon."

The Registrar has notified the parties to over 70 agreements that he proposes to refer them to the Court. Of these 70 agreements, 23 have either been abandoned or had all restrictive provisions removed before coming to Court. The Lord Chancellor feels that if one third of all restrictive agreements proceeded against continue to fall by the way before coming to Court at all, then the Act is "doing fairly well."

A puzzling question to which the Government has not referred is whether all the parties to an agreement that is abandoned or changed in this way are informed that it has been abandoned, and that they can henceforth change their trade practices without fear of penalty from their fellows. A comprehensive agreement concerning the servicing of typewriters, for example, has been abandoned. Do all the small servicing agencies know this? If they do not, neither the Court nor the Registrar has the power to order anyone to tell them.

DEALINGS SUSPENDED

Paragon Holdings

FOR a company to declare a 10 per cent interim dividend and a few days later to rescind it is fortunately rare. In doing just that the board of Paragon Holdings and of its subsidiary United Patani (Malaya) Rubber Estates has stated that: "without its authority the entire liquid resources of the company and its wholly owned subsidiary Cressta Holdings were recently deposited with another concern . . . the amount involved is over £300,000. . . . It appears that they are not readily available." It will occasion no surprise that in making that revelation the board of Paragon Holdings should also have suggested to the Stock Exchange Council that the quotation for and permission to deal in the company's shares be suspended. The Stock Exchange Council adopted that suggestion and went further. It withdrew on Wednesday permission to deal in the shares of six companies in one way or another considered to be associated with Paragon Holdings:

Jong Landor Rubber Estates (*now* Jon Landor Ltd.)
Kuala Muda Rubber Estates
Paragon Holdings
Pena Industries
Sunnygama Company
United Patani (Malaya) Rubber Estates

It follows that the Stock Exchange Council's action cannot possibly be the end, and is more likely to be the beginning of this distressing affair. The directors of Paragon and of United Patani have indeed already said that legal proceedings are being taken to recover the sum of over £300,000 involved. Kuala Muda has also reported that about £150,000 placed with Paragon was not now available. Paragon Holdings—formerly Pahang Para Rubber Syndicate—has been active in the rubber share takeover market, acting on occasion with or through a company called Comcor. A point was often made in negotiation that in the companies taken over the holding company would leave the estates, the agencies, and the managements in being and provide financial knowledge in redeploying the financial assets to advantage. How then have these financial surpluses been deployed?

On April 28th Col Christian de Lisle, the chairman of Paragon, resigned from the board, because of "serious differences" with the board. On January 22nd Mr Eli Karlin, already a director of Comcor, was appointed a director of Paragon.

CARIBBEAN BANKING

New Anglo-Canadian Venture

AN important landmark in British banking overseas comes in the announcement that the Bank of London and South America has agreed in principle with the Bank of Montreal to establish a new banking company to develop financial and banking operations in the Caribbean area. The new Bank of London and Montreal will be jointly and equally owned, the Bank of London and South America contributing 14 branches in that area and its staff and management and the Bank of Montreal putting in dollar capital with the expectation that the bank will ultimately need a total capital equivalent to $20 million (Canadian). The Bank of Montreal has no branches in the Caribbean but it has an important and growing business there.

Two points of interest emerge. The manifold exchange control difficulties will involve the registration of the Bank of London and Montreal outside this country, with the approval of the Treasury and the Bank of England. It might be registered in the Bahamas; if so, it would be an example of a British bank taking a leaf from the shipowners' book. Secondly an Anglo-Canadian banking link is being arranged at a timely moment.

For bank shareholders there are also important implications. Banking competition in the Caribbean will be intensified. Barclays (DC and O) is well established there and so is the Royal Bank of Canada. The Bank of London and Montreal, when it gets into operation perhaps in six months' time, should be a worthy competitor. Shareholders must expect the disappearance from the Bank of London and South America's profit and loss account of that part of the earnings of the Caribbean branches previously remitted home, and in the first few years the new bank will need to build up its own strength before it starts to pay dividends.

SHORTER NOTES

The World Bank has approved a loan of $10,765,000 for 18 years at 5½ per cent for the modernisation and expansion of 11 private industrial enterprises in Austria. About two-thirds of the loan will assist firms in the pulp and paper industry, and the remainder will be for textile, chemical and engineering manufacturers. Three American banks are participating in the loan, which is being made to the newly established Austrian Investment Credit Corporation.

* * *

Trust Corporation of the Bahamas announces that its authorised capital has been raised to £1,500,000 and with its shareholders now including Morgan Grenfell and Co. as well as the Royal Bank of Canada and the Montreal Trust Company paid up capital and reserves exceed £900,000.

COMPANY AFFAIRS

BRISTOL AEROPLANE

With luck the best an investor in aircraft shares can hope for is that his dividend will be left unchanged. Ordinary stockholders in Bristol Aeroplane have that good fortune and again receive 10 per cent even though net profits last year fell from £1,065,028 to £806,296. The gross profit last year actually rose from £2,228,057 to £2,581,276 but the increase was more than offset by the decline in tax relief arising from investment allowances (from £265,000 to £77,000) and by the sharp increase in interest payments from £381,080 to £967,611. The first suggests that the company has cut down its fixed capital expenditure but the second suggests that its bank overdraft has again risen, presumably because of an increase in working capital commitments. Bristol Aeroplane has a tough financial problem to settle and that rests on securing more orders for *Britannias*. The 10s. ordinary units yield 9¼ per cent at 10s. 3d.

DE HAVILLAND

De Havilland, too, has a financial problem but it has a fairly plump order book for Comet IV's, contracts for missiles, including the 2,500-mile-range ballistic missile, and expectations from the *DH 121*. These factors offer some promise for the future and some recompense for its present troubles. Last year saw a serious fall in trading profits from £5,558,121 to £3,546,701 and the chairman, Mr W. E. Nixon, does not expect this to be reversed "before the end of the current financial year." De Havilland has completed its contracts for aircraft and engines being used by the forces before it can start to deliver the new generation of aircraft, engines and missiles. The demand for its smaller civil aircraft has also fallen off well before it can start to deliver Comet IV's. It must lock away its own money now in work-in-progress and in jigs and tools since the Government has cut the research and development grants.

De Havilland's stock and work in progress have risen from £18.8 million to £23.7 million, reducing its net liquid resources from £2.9 million to £1.1 million, and the group has had to carry forward as a charge against future profits nearly £1.3 million of expenditure on jigs and tools. Mr Nixon says that "to a great extent the current year will again be one of further development and build-up of stock and work in progress prior to its realisation in the form of sales." The £1 ordinary units stand at 15s. 9d. to yield 9½ per cent on the maintained dividend of 7½ per cent.

BOWATER PAPER

Sir Eric Bowater and his fellow directors cannot be dissatisfied with the 1957 trading results of the Bowater Paper Corporation. Sales rose from £95.3 million to £102.5 million; gross profits, thanks in part to the consolidation of the results of Bowater-Eburite in the last months of the year, advanced from £16.1 million to nearly £17.2 million; and the ordinary dividend was left unchanged at 12½ per cent. But they are not overjoyed, for profit margins have been squeezed and global demand has not increased. It was in the expectation of such an increase that Bowater Paper embarked on a massive capital development programme both here and in North America; much of that development has been financed by prior charge capital, putting a high gearing into the equity.

The next two years will be difficult for the Bowater group and the development programme (in which £19 million has already been spent on assets not yet earning) is being stretched out over five to six years instead of three to four years. Much of the new development is concentrated on newsprint, which currently makes up about 70 per cent of Bowater's total production. The corporation now seems to be trying to lessen its dependence on newsprint; the formation of Bowater-Eburite and the turning of a newsprint mill at Ellesmere Port over to kraft paper point in that direction. But competition in packaging papers is also fierce, and Bowater's challenge comes a little late in the day.

Of Bowater's total production of 1¼ million short tons of newsprint a year, about 700,000 short tons is produced in North America. The directors refer to a "sharp falling off in demand in the closing months of the year" in that market. But as yet there seems to have been no softening in the prices of newsprint sold under long-term contracts (though not at fixed prices) by Bowaters Southern. The Southern company's mill in Tennessee is the biggest item in Bowater's expansion and though the outlook looks "less favourable than for some years past" the directors still think it should be possible to begin payments on the subsidiary's common stock in 1959.

Provided there is no further deterioration in trading conditions, the directors hope the results for the group as a whole this year will be "comparable" with those of 1957. So far, production at the mills seems to have been reduced from over-capacity working to "normal full capacity"; only the Corner Brook mill which suffered from fire is on a five-day week. But the Bowater Paper Corporation has still more new mills and machines to come into production and the capital that financed them has to be serviced. The £1 shares at 28s. 9d. xd yield 8.7 per cent.

WIGGINS, TEAPE : SPICERS

Last year as production of paper caught up with demand and then passed it, few paper makers were even as modestly fortunate as Bowater. Two of them not concerned with newsprint, Wiggins, Teape and Spicers, have reported lower profits in 1957. Gross profit of Wiggins, Teape came down from £4,157,880 to £3,373,555 but the ordinary dividend was left unchanged at 17½ per cent. Gross profit of Spicers fell from £751,414 to £672,968 and the ordinary dividend was reduced from 10 to 8 per cent. Over the last two years the half-yearly profits of Wiggins, Teape have run: £2,370,000, £1,893,000, £1,910,000 and £1,740,000. The trend in Spicers' half-yearly earnings is: £455,000, £297,000, £351,000 and £322,000. The dividend yields on the £1 ordinary units of these companies reflect the competitive conditions in the paper business. Spicers at 18s. yield 8.9 per cent, and Wiggins, Teape at 44s. 9d. yield 7.8 per cent.

RIO TINTO

When the Rio Tinto Company came to terms with the Spanish government it energetically started a new life as a mining finance house with a bias towards uranium, but with a current income on its Rhodesian copper portfolio. More recently the steady income has been buttressed by the purchase of the Kern Oil. The growth possibilities caught the imagination particularly of the French (who own about half the ordinary shares) and the 10s. shares paying 26 per cent defiantly yield no more than 4½ per cent. On what terms can this be set against 6½ per cent from Anglo American Corporation of South Africa or nearly 8 per cent from Union Corporation? Between the lines of Mr Gerald Coke's statement this year it seems clear that the company is now on "a plateau of consolidation." Is this a plateau with a gentle downward slope? A declining income from the Rhodesian copper portfolio and probably also from Kern Oil this year are clearly factors that investors must weigh. Income to the parent company from the Canadian uranium ventures is unlikely to arrive before 1960.

The uranium contracts in Canada and Australia should be a good medium run prospect. The company is to supply fixed quantities on terms subject to revision only in respect of wage movements and calculated to extinguish the cost of the plants over the five year contract period. But they are not quite riskless contracts. If the company overspends on capital (as the report shows it has done at Northspan in Canada) that extra cost is borne by Rio Tinto. If it produces more uranium than the calculated quantity, there is no right to deliver it to the American buyer unless he wants it and in fact Mr Coke expects to have some surplus uranium to sell this year. If production is less than the contract quantities (which does not at the moment look likely) the under-production is the company's loss.

After the rights issue of last year, the board has no present intention of seeking further capital. Liquid assets have in fact been expanded from £4.3 million at the end of 1956 to £9.6 million at the end of 1957 largely as a result of that issue. And future expansion should be partly self-financed. The company is now highly geared with prior charges in its subsidiaries. As it liquidates those prior charges out of profits in the years to come it will also be financing further development to the considerable extent that it holds those charges itself. With the fall in the value of the base metal investments the uranium proportion of Rio Tinto has risen. This year it is 30 per cent uranium, 40 per cent base metals and 20 per cent oil. Last year it was 60 per cent base metals and only 20 per cent uranium. It is for shareholders to decide the right price for an important stake in the uranium business and for the prospect of moving off the "plateau of consolidation" after 1960.

GUEST, KEEN AND NETTLEFOLDS

The £1 ordinary stock units of Guest, Keen and Nettlefolds moved up ahead of the company's final dividend announcement, but the hopes of a scrip issue were not fulfilled and the stock has since fallen by a few pence. The preliminary statement was eminently satisfactory. The interim ordinary dividend, paid on the capital as increased by the three for ten rights issue at 46s. a share, had been raised from 3½ to 5 per cent as a move towards more equal interim and final payments. But with the final payment maintained at 10 per cent, the total payment for the year has been raised from 13½ to 15 per cent, on which the stock at 53s. yields 5¾ per cent.

That yield reflects satisfaction with current trading results and with the prospects of the group's development programme, which had not progressed far enough to make any marked effect on the 1957 profits. The group's profit before all charges nevertheless rose from £27,052,187 to £30,564,584. The statutory depreciation charge is up from £4,656,836 to £5,462,414 and the extra provision for replacement is up from £1,086,044 to £1,351,950. The tax bill has risen from £11,085,379 to £13,255,574, with the result that net profits are only £643,208 higher at £16,199,747. From these profits the net ordinary dividend takes only £2,620,147, so that there should be plenty of room for a bigger dividend when the new developments begin to make their full contribution.

CAMMELL LAIRD

"Profits will be more difficult to earn and orders more difficult to obtain." That simple diagnosis by Mr J. C. Mather, chairman of Cammell Laird, the Birkenhead shipbuilding group, does not imply that he expects a world slump; it does imply that he thinks the time has come to reconsider capital expenditure. In particular the plan of a year ago for reconstructing the shipyard over eight years at a cost of £17 million is to be spread over a longer period and split into three stages. The first is to cost £8 million and should be completed by 1960. On the steel making side of the business investment has continued. Cammell Laird has agreed to subscribe for a further million of "B" ordinary shares of £1 each at 25s. in English Steel Corporation. English Steel is a Vickers' subsidiary in which Cammell Laird has a 25 per cent stake and its report shows that its capital is being raised to £17 million, Vickers subscribing an additional 3 million "A" shares at the same price. In Patent Shaft and Axletree Company, which is owned by Cammell Laird and Metropolitan Cammell Carriage and Wagon Company, the two shareholders have now subscribed in full their agreed advance of £1.6 million. That subsidiary has taken up the first £500,000 under its £6 million loan agreement with Finance Corporation for Industry. Even on the steel making side of Cammell Laird's business Mr Mather has to report recession. Patent Shaft and Axletree still has a good order book for plate, but there are signs of a falling off in the demand for that company's other products such as sheet, sections and bars.

ROYAL MAIL LINES

Shipping share experts explain current variations in shipping companies' profits in terms of several variables. Is the company mainly in tramps and did it therefore receive the benefits of the freight boom? Or is it mainly a liner company that had to pay much more in extra fuel costs without being able to recoup them from the slow moving "conference" freights? The most important point of all is the accounting date. The freight boom evaporated as last year wore on and Royal Mail lines, largely in cargo liners and largely in South Atlantic trade, was just on the wrong side. The December companies have not done well and Royal Mail's operating profits fell from £3,329,907 to £3,090,537.

How much did profits really fall? The company uses the Shipping Company's Exemption order of 1948 in framing its accounts. The profit for 1956 figure was struck after providing £150,000 for staff pensions. The 1957 figure repeats that provision and adds an undisclosed amount for contingencies and for "maintenance of fleet." British tax was lower at £312,855, against £453,265, which suggests that the true profit was indeed lower; but with investment allowances depending on the rate of building and not of earning even that figure is not a reliable guide. After depreciating the fleet and buildings and writing £200,000, against nil, off the Government securities—a total plough back of £2,761,650, against £2,864,933—the company shows a small increase of £42,696 in its net profit of £429,365. The dividend on the doubled capital is to be 9 per cent, against the equivalent of 7½ per cent. The fair assumption is that earnings were indeed lower—sufficiently so to prompt the board to tuck something away into inner reserves, but not so much lower as to sway them from paying a higher dividend.

SCHWEPPES

Competition in the expanding market for soft drinks has been severe, and advertising expenditures have been heavy, but the rewards to the successful have been handsome. The Schweppes group crowned its postwar progress with an outstandingly good performance in 1957: trading profits jumped from £1,740,323 to £2,766,223. Home sales were boosted by the "unexpected" popularity of the two new carbonated drinks, "Bitter Lemon" and "Bitter Orange"; the Kia-Ora subsidiary sold its squashes at higher prices; and the United States subsidiary, the terms of whose franchise have been amended, traded at a profit for the first time. L. Rose and Company was acquired during the year and it earned £337,986 in 1957, compared with £227,921, but of this only £63,194 was taken into the group's 1957 profit and loss account. This year's earnings will therefore include a full contribution from the newly acquired business. Sales by the parent company at home rose by 22 per cent in the first three months of 1958. The ordinary dividend has been raised 2½ per cent to 20 per cent; it absorbs £294,006 from the net profits of £935,718 (almost exactly double the £467,364 profit of 1956). At 19s. 10½d. xd. the 5s. shares yield just over 5 per cent, which goes a good way in discounting further growth.

F. PERKINS

Shareholders in diesel engine companies had been forewarned that all was not well. Preliminary figures of F. Perkins, a vigorous company that for twenty years had not shown a loss, now reveal the full extent of last year's difficulties. A profit of £768,934 in 1956 was turned into a loss of £327,478 in 1957, and turnover was cut by a third to £14 million. The company is in need of finance at the very moment when its results make finance impossible to raise. It has passed an ordinary dividend (having paid 10 per cent in 1956). After bringing back £151,000 from replacement reserve the carry-forward is no more than £7,300, compared with £211,536. Three reasons account for the company's misfortune:

> The decision of some motor manufacturers to make their own diesels.
>
> The failure of the tractor manufacturers to call for deliveries as fast as had been hoped.
>
> The impact of the Suez episode and of India's financial stringency on overseas business.

It is a depressing story, lightened only by the fact that the chairman now announces a record turnover in April and hopes for a profit this year. The 10s. ordinary shares stand at 9s. 7½d. against last year's high of 19s. 3d.

BURMAH OIL

BEFORE the 1957 results were announced Burmah Oil ordinary units stood at 78s.; they are now 70s. That sharp fall reflects hopes dashed as well as the current uncertainties common to all oil shares. Last year Burmah Oil decided to declare its ordinary dividend free of income tax; the market had hoped that the change would result in a rounding of the payment upwards. The dividend has indeed been rounded, but by a tiny fraction downwards; for 1957 it is set at 2s. 7d., tax free, per £1 stock and compares with the equivalent of 2s. 7 1/20d., tax free, in 1956.

There is another cause for disappointment: the fall in Burmah Oil's trading profit, earned mainly from marketing in India, Pakistan and Burma, has more than offset the increase in investment income. The trading profit after depreciation is down from £6,341,670 to £4,622,181 while "dividends from trade investments," arising largely from joint marketing arrangements, have risen from £2,314,433 to £2,641,115 and "other dividends and interest," largely made up of the dividends Burmah Oil receives from its big holdings in Shell and British Petroleum, have gone up from £8,018,336 to £8,517,208. As a result Burmah Oil's total gross income has fallen from £16,674,439 to £15,780,504 and its net income from £7,123,896 to £7,056,056. Its ordinary stock at 70s. yields 6.4 per cent, which as so often happens is a higher yield than can be obtained from Shell or British Petroleum into which stocks Burmah Oil provides an indirect route.

BABCOCK AND WILCOX

LAST year the turnover of Babcock and Wilcox, the boiler makers and members of the nuclear power consortium that secured the Hinkley Point contract, rose from £32.7 million to nearly £35.9 million. Yet gross profits advanced by a mere £119,572 to £3,680,380. As the chairman, Mr Lionel Fraser, admits, the group has had to work to finer margins of profits. Orders, he says, are obtained "in the face of very keen competition and not always at attractive prices." Competition to secure the big contracts is particularly fierce and Mr Fraser draws attention to the difficulties caused "by the trend towards massive single boiler units of higher technical rating involving a greater risk factor."

Such orders can be obtained only if the company is willing to spend heavily on its own capital equipment. Babcock and Wilcox has been willing to do so and last year it raised £3.8 million by an issue of debentures and ordinary shares. At the time of the issue the directors said that the 1958 ordinary dividend would be 13 per cent (as effectively was paid for 1957) but that earnings might be lower. Mr Fraser now repeats the warning, saying that it will be a "tussle" to maintain earnings "on anything like previous levels." The £1 ordinary units, which were among the leaders of the nuclear power boom, stand at 48s. xd and yield 5.4 per cent; investors are apparently still thinking of Hinkley Point rather than of the competitive tussle.

UNITED DRAPERY STORES

SINCE the war United Drapery Stores has grown fast, through a series of acquisitions. But that does not mean that the directors now think it time to consolidate. They propose to create £5 million of unsecured loan stock which will enable this multiple empire to take immediate advantage of "opportunities as they arise to expand the business." The group is negotiating for "certain businesses" but there are at present "no definite arrangements for the issue of any of the proposed loan capital."

CONSOLIDATED ZINC

THE collapse of the metal markets had led shareholders of Consolidated Zinc to expect lower profits and dividends. The gross profit for 1957 indeed fell from £7,432,932 to £5,728,017, and the net profit from £2,044,283 to £1,769,936. The final dividend of 12½ per cent. makes 18¾ per cent for the year, against 22½ per cent, which is a reduction less severe than had been foreseen and prompted a rally of 2s. 3d. to 45s. 9d. per share.

London Stock Exchange

FIRST DEALINGS: April 30 May 14 Jun
LAST DEALINGS: May 13 June 3 Jun
ACCOUNT DAY: May 20 June 10 Jul

TRANSPORT disputes were the domin influence in the markets; pattern of the decline was similar in edged and industrial stocks. Both tions were generally firm up to the of last week, industrial stocks mak widespread gains on Thursday, w gilt-edged were helped by the impro ment in the reserves announced Friday. On Monday a predominanc small sellers caused prices to rec slightly, but heavier losses were s tained on Tuesday and gilt-edg suffered a further sharp setback on W nesday. The *Financial Times* index Government securities fell from 83.43 82.32 over the week, 3½ per cent W Loan lost 1⅝ to 65¼ xd and short-da issues eased after rising to their high points so far this year. Dollar stoc improved with the rise in Wall Stre quotations, and the dollar premium ro to 6 per cent over the rate for the day.

Bank shares receded, Midland Ba losing 2s. to 59s., and the declin extended to insurance stocks. The loss caused by the labour troubles we spread over the list of leading equiti but with last week's firmness the overi losses were relatively small. Th *Economist* Indicator falling no mo than 2.3 to 181.3. F. Perkins was wea on the passing of the dividend and fe 1s. 3d. to 9s. 7½d. Cammell Lai dropped 9d. to 7s. 6d. xd and Londo and Overseas Freighters were 1s. 6d lower at 15s.

Shell and BP remained firm among oi shares, but Burmah reacted sharply whil Apex (Trinidad) fell 5s. 7½d. and Ultra mar dropped 4s. 6d. Among Kaffirs uranium producers were weak, Randfon tein falling 1s. 3d. to 23s. 9d., Buffelsfon tein 2s. 3d. to 36s. 6d. and Vaal Reefs 2s. 1½d. to 36s. 7½d. Rubber shares con tinued to decline, United Sua Betong losing 2s. 6d. to 46s. xd.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, April 30, 1958	Price, May 7, 1958	Net Yield, May 7, 1958 §	Gross Yield, May 7, 1958
					£ s. d.	£ s. d.
96 1/16	96 1/16	War Loan 3%....1955-59	98 ⅛	98⅜	2 16 6	4 3 5
90⅜	90⅜	Funding 2½%....1956-61	95 ⅛	94 13/16	3 5 7	4 8 0
99⅛	99⅛	Conversion 4%....1957-58	99 1/16	99 1/16	2 9 11	4 0 1
99 1/16	99 1/16	" ass'd 4½% 1963	99⅜	99 1/16	2 12 11	4 16 1
98⅜	98⅜	" ass'd 5 1/16% 1974	98⅜	98⅜	3 3 9	5 10 1
96 13/16	96 13/16	Conversion 2½%....1958-59	98 13/16	98 5/16	3 5 0	4 10 2
93 7/16	93 7/16	Exchequer 2½%....1960	96 ⅛	96⅛	3 4 9	4 4 6
95 7/16	95 7/16	Exchequer 3%....1960	97 1/16	97 1/16	2 16 6	4 5 0
99 1/16	99 1/16	Conversion 4½%....1962	99 1/16	99 1/16	2 14 5	4 15 4
83⅜	83⅜	Savings Bds. 3%..1955-65	88⅛	88	3 13 8	5 2 3
77⅜	77⅜	Funding 3%....1959-69	80¼	80⅜	3 19 4	5 8 6
86⅜	86⅜	Funding 4%....1960-90	87⅛	86¾	2 18 11	4 16 5
75	75	Savings Bds. 3%..1960-70	77⅞	77⅛	4 3 0	5 13 4
88⅝	88⅝	Exchequer 3%....1962-63	93⅜	92 1/16	3 7 1	4 13 2
84⅛	84⅛	Exchequer 2½%..1963-64	88⅝	88⅜	3 12 0	4 14 8
78⅜	78⅜	Savings Bds. 2½% 1964-67	80 13/16	80⅛	4 1 10	5 5 11
69⅝	69⅝	Savings Bds. 3%..1965-75	72⅛	72⅛	4 0 2	5 12 1
99⅛	99⅛	Exchequer 5½%....1966	101⅛	101⅛	3 0 3	5 7 9
78⅜	78⅜	Funding 3%....1966-68	82 1/16	82⅛	3 18 4	5 8 0
91⅛	91⅛	Victory 4%....1920-76	92⅛	92	3 6 11	5 4 1
81 1/16	81 1/16	Conversion 3½%....1969	85 1/16	84⅜	3 15 9	5 9 4
71⅛	71⅛	Treasury 3½% ...1977-80	76 1/16	76	3 13 2	5 10 0
70⅜	70⅜	Treasury 3½% ...1979-81	75	74⅝	3 14 0	5 10 9
98⅛	98⅛	Funding 5½%....1982-84	99 1/16	99⅛	3 4 5	5 12 5
60	60	Redemption 3%...1986-96	64⅝	63⅜	3 8 10	5 4 5
64⅜	64⅜	Funding 3½%..1999-2004	71 1/16	70⅝	3 5 4	5 4 11
69 1/16	69 1/16	Consols 4% after Feb. 1957	74 1/16	73⅛	3 5 1	5 10 5
63⅛	63⅛	War Loan 3½% after 1952	66 1/16	65⅛	3 1 8	5 7 1
62⅛	62⅛	Conv. 3½% after Apr. 1961	66⅜	65	3 2 1	5 8 4
54⅝	54⅝	Treas. 3% after Apr. 1966	58⅛	57⅛	3 0 5	5 5 4
46⅞	46⅞	Consols 2½%.....	50⅜	49⅜	2 18 3	5 1 6
46⅛	46⅛	Treas. 2½% after Apr. 1975	49⅛	48⅜	2 19 9	5 4 2
90⅜	90⅜	Br. Electric 4½%..1967-69	95 1/16	94⅜	3 4 0	5 4 9
72 1/16	72 1/16	Br. Electric 3%....1968-73	74 1/16	74⅛	4 1 3	5 12 0
68⅜	68⅜	Br. Electric 3%....1974-77	72 1/16	71⅛	3 17 10	5 9 7
82⅜	82⅜	Br. Electric 4½%..1974-79	85 1/16	85⅛	3 9 3	5 9 9
72⅛	72⅛	Br. Gas 3½%....1976-79	75⅝	75⅛*	3 13 9	5 9 3
82 1/16	82 1/16	Br. Gas 4%.....1969-72	86⅜	86⅜	3 12 1	5 10 5
79⅛	79⅛	Br. Gas 3½%....1969-71	82¼	81⅝	3 16 0	5 10 2
60 7/16	60 7/16	Br. Gas 3%.....1990-95	65⅛	64⅛	3 8 7	5 3 4
72 1/16	72 1/16	Br. Transport 3%..1968-73	74 1/16	74⅛	4 1 3	5 12 0
79⅛	79⅛	Br. Transport 4%..1972-77	83⅝	83⅛	3 10 11	5 10 7
60 1/16	60 1/16	Br. Transport 3%..1978-88	66⅛	65⅛	3 13 6	5 8 6

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, Apr. 30, 1958	Price, May 7, 1958	Yield, May 7, 1958
					£ s. d.
88⅛	83	Agric. Mortgage 5%.....1959-89	88⅛	88	5 16 10
78⅛	76⅛	Australia 3½%.....1965-69	78	77⅛	6 2 0
95⅜	93⅜	Birmingham 5%.....1973-75	95	95	5 9 3
93⅛	90⅛	East Africa 5¾%.....1977-83	92⅞	93	6 4 0
100⅜	95⅛	L.C.C. 5½%.....1977-81	99⅛	99	5 11 6
61⅛	56	Met. Water Board 'B' 3% 1934-2003	61⅛	60⅛	5 7 6
82	78	New Zealand 4%.....1976-78	81	80⅞	5 13 6
71⅛	69	S. Rhodesia 2½%.....1965-70	70⅜	70	6 1 10
93⅛	83	German 7% (Br. Enfaced 5%)..1924	91	91⅛	...
173⅛	160	Japan 5% (Enfaced).....1907	161⅛	161⅛	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Apr. 30, 1958	Price, May 7, 1958	Yield, May 7, 1958
		%	%			£ s. d.
			BANKS & DISCOUNT			
29/-	28/-	4 a	5 b Bk. Ldn. & S. Amer. £1	28/6	28/9	6 5 3
44/-	39/9	6 a	6 b Barclays Bank.....£1	41/3	39/9	6 0 9
30/-	27/6	4 a	4 b Barclays D.C.O.....£1	28/6	28/-	5 14 3
41/6	35/6	7½ a	7½ b Chartered Bank.....£1	39/6	39/9	7 11 0
47/9	41/3	6⅝ a	6⅝ b Lloyds Bank.....£1	45/6	43/6	5 19 6
13/9	57/6	9 a	9 b Midland Bank.....£1	61/-	59/-	6 2 0
35/-	29/6	5 a	5 b Nat. Discount 'B'...£1	34/9	34/3	5 16 9
49/3	40/9	6¼ a	6¼ b Union Discount.....£1	49/3	47/6	5 5 3
			INSURANCE			
76/-	67/-	30 a	43½ b Commercial Union 5/-	67/6	67/-	5 9 6
132/6	113/9	40 a	60 b Legal & General ..5/-	123/9	123/9	4 0 10
104/3	87/6	†20 a	†50 b Pearl.....5/-	88/9	87/6	6 19 0
41¼	38⅛	††32½ c	††47½ c Prudential 'A'.....£1	40¼*	39½*	6 9 10
			BREWERIES, ETC.			
35/3	31/-	10 a	36 b Bass.....5/-	34/-	33 9	6 16 0
23/-	19/7½	18⅔ c	7½ c Distillers.....6.8	22 3	22 10½	5 9 3
40/3	37/-	10 a	15 b Guinness.....10/-	39/9	39 9	6 5 9
85/6	75/6	8 a	17 b Whitbread 'A'.....£1	84/6	85/6	5 12 3
			MOTORS & AIRCRAFT			
14/4½	10/1½	3½ a	6½ b Bristol Aeroplane 10/-	10/7½	10/3	9 15 1
8/3½	6/7½	12½ c	4 a British Motor.....5/-	7/2½*	7/6*	8 6 8
37/10½	31/9	3 a	6 b Ford Motor.....£1	33/9	35/6	5 1 5
30/9	24/9	3 a	7 b Hawker Siddeley.....£1	25/7½	25/-	8 0 0
44/9	39/-	12½ c	12½ c Leyland Motors.....£1	39/6	39/9	6 5 9
95/-	82/9	15 b	5 a Rolls-Royce.....£1	88/3	88/-	4 11 0
8/1½	6/10½	8 c	8 c Standard Motor.....5/-	7/1½	7/-	5 14 3

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Apr. 30, 1958	Price, May 7, 1958	Yield, May 7, 1958
		%	%			£ s. d.
			STEEL & ENGINEERING			
49/3	41/10½	7 a	6⅔ b Babcock & Wilcox..£1	47/9*	48/-*	5 8 5m
25/1½	21/7½	4 a	6 b Dorman Long.....£1	22/4½	22/4½	8 18 9
54/-	45/-	5 a	10 b Guest Keen N'fold..£1	53/7½	53/-	5 13 3
67/6	56/6	†4 a	†8 b Alfred Herbert £1	66/9	66/3	6 7 7
48/9	41/-	7 b	4 a Metal Box £1	46/10½	47/9	4 12 3
24/3	20/-	3 a	8 b Stewarts & Lloyds..£1	21/9	21/4½	10 5 10
57/3	48/-	5 a	13 b Swan Hunter.....£1	55/-	55/6	6 9 8
21/3	17/9	4 a	7½ b United Steel.....£1	18/6	18/4½	12 10 6
32/9	29/6	2¼ a	7½ b Vickers.....£1	31/4½*	30/6*	6 11 3
			ELECTRICAL			
52/-	47/-	7½ a	7½ b Assoc. Elec. Inds...£1	50/-	49/-	6 2 5
44 6	39/3	4 a	8½ b Br. Ins. Callenders.£1	44/11½	43/6	5 15 0
29/-	24.10½	43⅓ c	6⅔ a Decca Record 4/-	27/-	24/10½	7 0 8
34·7½	28/-	15 c	15 c Elect. & Mus. Inds.10/-	32/3	32/9	4 11 8
56 3	44 6	4 a	10 b English Electric ...£1	54/9	54/3	5 3 3
38/9	29/9	8 b	3½ a General Electric ...£1	31/9	31/3	7 7 3
			TEXTILES			
16/3	12 4½	3 a	3 b Bradford Dyers....£1	13/7½	13/1½	9 2 10
23/3	20 3	6½ b	2½ a Coats, J. & P. £1	22/3	21/3	8 4 10
22/10½	19/9	6 b	3 a Courtaulds £1	20/6	20/-	9 0 0
34·7½	29 10½	5 a	12½ b Lancashire Cotton..£1	32/7½	32/-	10 18 10
35/4½	31/4½	12½ b	2½ a Patons & Baldwins.£1	31/7½	31/10½	9 8 3
			SHOPS & STORES			
22/-	18/6	16 c	6 a Boots Pure Drug..5/-	22/-	20/9	3 17 3
38/10½	33/6	20 b	7½ a Debenhams 10/-	37/9	37/9	7 5 8
44, 6	34, 6	50 b	15 a Gt. Universal 'A'..5/-	43/3	41/7½	7 16 3
43/1½	37/3	20 b	10 a Marks & Spen. 'A' 5/-	42/1½	40/6	3 14 0
25/6	21/-	12½ a	20 b United Drapery...5/-	23/9	23/7½	6 17 8
41/6	34/7½	15¾ a	26⅔ b Woolworth.....5/-	38/3	37/4½	5 7 0
			SHIPPING			
33/-	29/-	11 b	6½ a Brit. & Com'wealth10/-	31/-	30/9	5 13 10
18/9	16/6	2 a	8 b Cunard £1	17/6*	17/9*	11 5 4
32 6	27/3	9½ c	10⅔ c Furness Withy.....£1	31/-	30/3	7 2 10
28/9	22/-	3 a	8 b P. & O. Deferred...£1	26/3	26/-	8 9 3
			MISCELLANEOUS			
35 6	27/-	22½ c	18 a Allied Bakeries 'A' 5/-	33/3	31/6	4 15 3h
38 9	31/-	3 a	6 b Assoc. Port. Cem...£1	34/6	34/6	5 4 5
17 4½	13 4½	6½ b	11 a Beecham Group....5/-	17/1½	16/11½	6 4 0h
30·9	26/6	4½ a	8 b Bowater Paper £1	29/-*	28·9*	8 14 0
48/-	38·9	4 a	8 b Br. Aluminium £1	38/9	38/6	6 4 8
45/-	37 7½	†10 a	16⅔ b Br. Amer. Tob. ..10/-	43·9	43/-	6 14 10
24/-	19.9	17½ b	7½ a B.E.T. 'A' Defd...5/-	22, 6	22, 6	5 11 3
35·6	28 3	4 a	6 b Br. Oxygen £1	33·9	32/-	6 5 0
17/4½	14 4½	7½ b	3 a Dunlop Rubber..10/-	17/3	16/9	6 5 5
45/-	36·4½	4 a	8 b Imp. Chemical.....£1	44/-	43/7½	5 10 0
44/9	37/-	8½ a	11½ b Imp. Tobacco £1	43/6	43/-	6 9 6
34/-	28/-	5 b	2½ a J. Lucas (Inds.)....£1	33/-	32/9	4 11 8
16·1½	12·6	5 a	8½ b Monsanto Chem...5/-	15/10½	15/9	4 5 10
14/9	13 7½	5 a	5 b Ranks 10/-	13/9	13/9	7 5 5
32·6	27·9	10 b	5 a A. E. Reed.....£1	32/6	31/6	9 10 5
14/3	11·8½	4½ a	12 b Tate & Lyle.....£1	55/-	54/9	6 0 8
56/3	48·9	7½ b	7¼ a Tube Investments..£1	52/-	52/-	5 15 5
54/6	48·6	2½ a	12½ b Turner & Newall...£1	60/4½	60/9	4 18 10
61/4½	52/1½	11½ b	11½ b Unilever Ltd.....£1	72/-	71/-	4 18 8
80·4½	70·6	6 a	14½ b United Dominions..£1	90/-	90/-	4 2 3
93·-	77/-	14½ b	4 a United Molasses .10/-	30/3	30/3	8 3 0
30/6	26/-	†4½ a	†10 b			
			OIL			
104/-	79.6	†5 a	†10 b British Petroleum..£1	100/7½*	100/7½*	9 3 10
78/-	59/1½	†5 a	†7½ b Burmah £1	76/3	70/-	6 8 5
£173	133	7½ a	17½ b Royal Dutch....20 fl.	£17	£17½	2 14 9
148 9	117 6	†5 a	†13¾ b Shell £1	145/-	145/7½	4 9 8
74/6	41.6	...	... Ultramar 10/-	73/6	69/-	...
			MINES, ETC.			
128·1½	115/-	20 a	60 b Anglo-American .10/-	126/3	123/9	6 9 4
23/-	19 6	†21½ a	†10 b Cons. Tea & Lands..£1	22/6	22/6	19 6 5
51/-	42 9	6¼ a	12½ b Cons. Zinc Corp. ...£1	45/9	45/9	8 4 0
99.4½	80 7½	80 a	120 b De Beers Def. Reg. 5/-	91 10½	94/4½	10 12 0
83/9	75 11	20 b	40 a Free State Geduld. 5/-	78·9	76/10½	3 18 0
7 6	6 6	30 c	30 c London Tin .....£	7/3	6/10½	17 9 0
50.4½	46 6	50 a	50 b President Brand ..5/-	47/-	46/7½	10 19 2
17.6	12 10½	8⅓ a	16⅔ b Rho. Selection Tst. 5/-	16/3	17 13	10 j
25½	20	175 b	25 a Rhokana Corp. £1	25	25½	7 15 3 j
54.6	46/-	12½ a	37½ b United Sua Betong..£1	48.6*	46/-*	21 15 8
93/9	84/4½	60 b	60 a Western Holdings..5/-	88/9	86/10½	6 18 2

THE ACTUARIES' INVESTMENT INDEX

Group	Price Index Dec. 31, 1957=100 April 30, 1957	Mar. 25, 1958	April 29, 1958	Average Yields (per cent) April 30, 1957	Mar. 25, 1958	April 29, 1958
Ordinary Shares :—						
Electrical engineering ...	127·2	99·4	101·8	4·93	5·76	5·63
Engineering	127·8	100·0	103·5	4·83	5·91	5·68
Motors and aircraft	127·5	101·8	98·6	5·16	6·37	6·56
Steel	...	89·4	91·4	...	10·75	10·50
Chain stores	110·0	93·6	97·2	3·67	4·55	4·40
Cotton and rayon textiles	109·0	90·1	90·2	8·45	9·84	9·85
Chemicals.....	119·9	102·5	113·6	4·60	5·35	5·02
Oil.....	134·6	94·8	103·4	4·59	6·96	6·33
Shipping	137·1	98·9	95·5	5·48	7·36	7·55
Investment trusts	113·9	99·0	109·4	4·51	5·51	5·01
Industrials :—						
Ordinary (all classes)	118·4	98·9	103·5	5·86	6·85	6·60
Preference	104·9	100·1	100·9	6·06	6·36	6·31
Debenture	112·9	103·4	104·9	5·73	6·26	6·17
Total (capital goods)	127·4	98·6	100·6	5·13	6·81	6·68
Total (consumption goods).	109·9	99·8	104·6	6·83	7·19	6·97
Consols 2½%	114·8	105·4	108·4	4·71	5·13	4·99

STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1953 High	1953 Low	1957 High	1957 Low
April 9	182·8	6·55				
" 16	186·8	6·39				
" 23	184·5	6·46				
" 30	183·6	6·51	186·8 (Apr. 16)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
May 7	181·3	6·52				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½% Consols Yield %	Bargains Marked	1958	1957
April 30	167·1	6·76	90·21	4·95	8,073	High	High
May 1	169·0	6·68	90·24	4·95	7,790	172·4	207·6
" 2	168·3	6·74	90·28	4·95	7,503	(Apr. 16)	(July 9)
" 5	167·8	6·75	90·24	4·96	8,902	Low	Low
" 6	166·4	6·81	90·07	5·01	8,299	154·4	159·0
" 7	166·3	6·88	89·76	5·05	7,193	(Feb. 25)	(Nov. 5)

Bases :—* 1953=100. † July 1, 1935=100. ‡ 1928= 100.

New York Closing Prices $

	Apr. 30	May 7		Apr. 30	May 7		Apr. 30	May 7
Alcoa.....	65½	69	DuPont de Nm.	178	179⅜	N.Y. Central ..	15¼	15⅝
Alumin'm Ltd.	27⅝	28½	Ford Motors...	39½	40⅜	Sears Roebuck	27½	29¼
Am. Smelting..	43¼	44⅜	Gen. Elect....	59⅛	59⅞	Shell Oil	71¾	74⅛
Amer. Tel. ...	175½	175⅝	Gen. Motors...	37⅛	38⅞	Std. Oil of N.J.	55½	56¾*
Anaconda.....	45½	44⅞	Goodyear	75½	75½	Tri-Conti'tal..	32¾	33⅝
Beth. Steel ...	39⅞	40½	Gulf Oil.....	114⅜	115½	Union Carbide	86¼	88¼
Can. Pacific ..	24⅜	25⅛	Int. Bus. M...	351	350½	U.S. Steel	60¾	61⅛
Chrysler Cpn..	45	46⅜	Int'l. Nickel ..	72½	74½	West'house E.	58⅜	59*
Crown Zeller..	45⅜	46⅞	Int'l. Paper ..	93⅜	96⅝	Woolworth....	43⅜*	44½

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) On 24%. (h) On 13⅓%. (j) After Rhodesian tax. (k) On 30%. (l) To latest date. (m) On 15%. (n) On 20 %.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared.

World Trade ..... April 19th

British		Overseas	
Prices and Wages.....	This week	Western Europe :	
Production and Consumption	April 12th	Production and Trade.....	May 3
Manpower.....	April 26th	British Commonwealth	April 12th
External Trade.....	May 3	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	April 26th
Industrial Profits	April 19th	United States	This week

Prices and Wages

	Unit	1955	1956	1957	1957			1958 [5]			
		mid-June			Apr. 23	Apr. 30	May 7	Apr. 15	Apr. 22	Apr. 29	May 6
WORLD PRICES											
Commodity Price Indicator :											
All items	1952=100	93	91	94	96	95	95	85	85	84	84
Food	"	92·0	90·8	98·8	100·1	97·6	98·0	94·2	94·0	93·8	94·2
Fibres	"	83·2	81·5	95·9	93·9	96·0	97·1	80·2	79·5	78·3	78·3
Metals	"	95·7	95·6	79·7	89·8	87·9	85·8	67·6	67·8	68·7	68·1
Other items	"	106·9	96·1	99·2	99·9	99·0	98·8	96·8	95·9	94·4	93·7
		Monthly averages			1957			1958			
		1955	1956	1957	Jan.	Feb.	Mar.	Dec.	Jan.	Feb.	Mar.
BRITISH WHOLESALE PRICES											
Materials used in :	June 30.										
Non-food manufacturing (excl. fuel).	1949=100	152·4	156·2	154·7	161·3	159·9	159·4	144·1	141·8	141·3	139·3
Mechanical engineering	"	168·1	177·3	183·9	183·4	182·1	181·1	186·6	186·2	185·6	185·6
Electrical machinery	"	185·7	190·0	181·7	188·4	185·0	182·8	178·4	177·8	177·0	177·2
Building and civil engineering	"	137·3	142·4	146·9	146·6	146·5	146·6	147·0	146·9	146·6	146·6
House building	"	137·1	142·3	146·4	146·5	146·3	146·5	146·1	145·9	145·5	145·5
Products of :											
Non-food manufacturing (excl. fuel).	"	129·6	135·6	139·9	138·1	138·2	138·5	141·6	141·6	141·5	141·2
Food manufacturing	"	143·9	148·1	156·2	160·3	160·8	160·9	152·2	152·0	152·0	153·4
Commodities :											
Cotton, raw	"	149·7	154·0	146·2	159·2	157·8	156·5	129·5	127·1	126·0	124·2
Wool, raw	"	142·0	145·3	161·3	164·5	170·0	169·0	130·4	129·6	132·0	122·6
Rubber, No. 1 RSS, one month future	"	329·9	284·2	260·8	288·2	260·2	266·2	244·7	232·4	227·1	223·2
Softwood, imported	"	154·9	155·9	156·1	156·5	156·2	156·2	156·1	155·6	153·2	153·2
Copper, ex-warehouse	"	295·7	280·5	189·0	229·3	211·0	205·7	155·8	147·2	139·8	146·0
UK RETAIL PRICES	Jan. 17,										
All items[1]	1956=100	...	102·0	105·8	104·4	104·3	104·1	108·2	108·1	107·6	108·4
Food	"	...	102·2	104·9	104·0	103·5	102·1	106·0	105·4	103·9	105·7
All items	1938=100[2]	242	254	263	260	260	259	269	269	268	270
Food	"	257	269	276	274	272	269	279	277	273	278
Rent and rates	"	138	145	155	148	148	149	165	166	167	167
Clothing	"	256	263	267	264	265	266	269	269	270	270
Fuel and light	"	228	251	268	263	264	264	287	287	286	287
Household durable goods	"	288	308	308	310	311	311	309	309	309	310
Drink	"	260	264	272	268	268	270	276	276	276	276
Tobacco	"	389	411	421	418	418	418	428	428	428	428
Purchasing power of $ (based on all consumer spending)	1938=100	39	38	37	37	37	37	36	36	36	36
UK TERMS OF TRADE											
Import prices :											
All items	1954=100	103	105	107	110	111	110	101	100	99	98
Food, drink and tobacco	"	101	101	101	104	105	102	96	95	94	94
Basic materials	"	104	106	110	112	111	113	104	102	101	99
Export prices :											
All items	"	102	106	111	109	110	110	111	110	111	110
All manufactures	"	102	106	109	107	108	108	111	111	112	111
Metals	"	104	112	115	114	114	115	117	118	120	118
Engineering products	"	103	107	112	109	110	110	115	114	115	114
Textiles (excluding clothing)	"	100	99	101	100	100	100	102	102	104	103
Terms of trade :											
Ratio of import to export prices	"	101	99	96	101	101	100	91	91	89	89
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	127·7	157·0	112·7	173·7	167·6	145·5	71·6	64·9	64·0	83·3
UK WAGES											
Weekly wage rates :	Jan. 31,										
All workers[3]	1956=100	...	104·7	110·0	106·5	106·9	107·6	112·1	112·2	112·6	112·6
Men	"	...	104·8	110·0	106·5	106·8	107·6	112·1	112·1	112·5	112·5
Women	"	...	104·2	109·7	106·4	106·8	107·2	112·1	112·3	112·7	112·8
All workers	Sept., 1939=100	252	272	286	277	278	280	291	292	293	293
Weekly earnings : [4]											
All workers	s. d.	187 2	200 8	212 5	...	...	...	...	...	...	...
Men	"	222 11	237 11	251 7	...	...	...	...	...	...	...
Women	"	115 5	123 2	129 6	...	...	...	...	...	...	...
All workers	Oct., 1938=100	351	377	399	...	...	...	...	...	...	...
Men	"	323	345	365	...	...	...	...	...	...	...
Women	"	355	379	398	...	...	...	...	...	...	...

[1] For a rough conversion to basis of June, 1947, multiply throughout by 1·534. [2] The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. [3] For a rough conversion to basis of June, 1947, multiply throughout by 1·561. [4] Surveys made twice a year; annual figures relate to October survey. [5] Figures for April 1st and April 8th respectively were: all items, 85, 85; food, 95·0, 94·3; fibres, 79·6, 79·3; metals, 68·3, 67·2; other items, 95·9, 95·7.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1957 prices
	1947-49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	48·30
1956	114·3	88·4	116·2	111·7	105·5	121·7	123	107	115	345·0	79·99	82·72
1957	117·6	90·9	120·2	115·4	106·9	125·6	124	111	112	331·4	82·39	82·39
1957, November	118·1	91·9	121·6	116·0	107·9	126·8	122	112	109	301·8	82·92	81·94
„ December	118·5	92·6	121·6	116·1	107·6	127·0	121	111	109	298·5	82·74	81·76
1958, January	118·9	93·7	122·3	118·2	106·9	127·1	...	...	...	304·7	81·27	79·91
„ February	119·0	96·1	122·5	118·7	106·8	127·3	...	...	...	304·0	80·64	79·14
„ March	119·7	100·5	123·3	120·8	106·8	127·5	...	...	...	310·8	80·85	...

PRODUCTION AND MANPOWER

	Gross national product	Total industrial production	Manufacturing production						Building	Civilian employment [1]		
			Durable goods			Non-durable goods			New construction	Total labour force	Total employment	Unemployed as % of labour force, seasonally adjusted
	Seasonally adjusted annual rate		Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals and petroleum products	Seasonally adjusted annual rates			
	$ billion	Index 1947-49=100; seasonally adjusted							$ billion	thousands		
1939	91·1	58	49	54	47	66	80	49	8·2	55,230	45,750	17·2
1956	414·7	143	159	138	199	129	108	167	46·1	67,530	64,708	4·2
1957	434·4	143	160	132	213	130	105	172	47·3	67,946	65,011	4·3
1957, November	432·6	139	154	121	203	128	101	171	48·5	68,061	64,873	4·9
„ December		135	146	107	194	127	97	169	48·6	67,770	64,396	5·0
1958, January		133	142	100	191	126	97	168	48·4	66,732	62,238	5·8
„ February	424·0	130	137	95	184	125	96	165	48·3	67,160	61,988	6·7
„ March		128	135	92	180	124	94	164	48·1	67,510	62,311	7·0

TRADE

	Personal consumption Annual rates	All business [2]		Total retail [2]		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res.	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1948=100	
1939	67·6	10·8	20·1	3·5	5·5	190	62	41	260	139	76	53
1956	267·2	54·8	89·1	15·8	23·9	1,043	257	250	1,578	921	143	141
1957	280·4	56·3	90·7	16·7	24·5	1,077	266	243	1,719	982	147	149
1957, October	282·4	55·7	91·1	16·7	24·2	1,155	295	245	1,660	975	159	143
„ November		54·7	91·0	16·6	24·3	1,037	244	218	1,668	1,007	143	144
„ December		54·5	90·7	16·9	24·5	1,134	272	241	1,626	961	158	142
1958, January		53·8	90·0	16·7	24·5	1,109	284	220	1,495	928	...	...
„ February	281·0	52·2	89·3	16·1	24·3	...	...	...	1,334	837	...	...
„ March		...	...	15·9	...	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics [3]		Budget expenditure [4]		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds [4]	Corporate Aaa bonds
	$ billion: seasonally adjusted annual rates			$ billion; end of period		$ billion end of period		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	— 3·9	0·023	...	3·01
1956	326·9	234·8	11·6	42·10	31·83	74·8	90·3	66·5	+ 1·6	2·658	3·08	3·36
1957	343·4	246·7	12·1	44·78	34·11	75·6	94·3	69·4	+ 1·6	3·267	3·47	3·89
1957, October	346·8	248·1	12·2	43·27	33·50	74·9	93·0	6·5	— 3·4	3·591	3·73	4·10
„ November	346·2	247·5	12·2	43·53	33·60	74·3	93·0	5·8	— 1·0	3·337	3·57	4·08
„ December	343·6	246·8	12·2	44·78	34·11	75·6	94·3	5·8	+ 0·1	3·102	3·30	3·81
1958, January	343·6	244·9	12·2	43·97	33·74	75·5	92·1	6·0	— 1·2	2·598	3·24	3·66
„ February	341·7	242·2	12·9	43·04	33·30	76·3	92·2	5·5	+ 0·8	1·562	3·28	3·59
„ March	341·4	241·0	13·2	42·56	32·98	...	...	5·7	+ 3·8	1·354	3·25	3·63

[1] 1939 figures calculated on the basis of a smaller sample. [2] 1939 figures not strictly comparable with rest of series; stocks are at end of period. [3] All commercial banks. [4] Annual figures are total for the fiscal year ended June 30th. [5] Figure for fourth quarter. [6] Bonds due or callable from 10 to 20 years.

Financial Statistics

EXCHEQUER RETURNS

For the week ended May 3, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £20,332,000 compared with a deficit of £14,149,000 in the previous week and a surplus of £61,526,000 in the corresponding period of last year. There was a net expenditure "below-line" of £25,796,000, leaving a total deficit of £74,668,000 compared with £14,551,000 in 1957–58.

£'000	Estimate, 1958–59	April 1, 1957, to May 4, 1957	April 1, 1958, to May 3, 1958	Week ended May 4, 1957	Week ended May 3, 1958
Ord. Revenue					
Income Tax	2312,500	136,628	157,006	30,488	32,334
Surtax	163,000	12,500	12,400	2,000	1,500
Death Duties	163,500	13,000	14,200	3,000	2,400
Stamps	66,250	5,500	4,700	1,500	1,200
Profits Tax, EPT & EPL	275,000	13,500	18,200	2,000	6,500
Other Inland Rev. Duties	...	...	...	...	...
Total Inland Rev.	2970,250	181,128	206,506	38,986	43,934
Customs	1256,940	108,894	116,482	25,644	28,463
Excise	932,310	71,318	70,522	32,321	42,625
Total Customs and Excise	2189,250	180,209	187,004	57,965	71,088
Motor Duties	104,000	9,399	7,933	2,572	2,440
PO (Net Receipts)	2,000	...	...	...	...
Broadcast Licences	34,000	1,800	2,000	...	2,000
Sundry Loans	30,000	107	82	...	...
Miscellaneous	110,000	45,031	6,552	37,973	372
Total	5439,500	417,672	410,077	137496	119833
Ord. Expenditure					
Debt Interest	695,000	84,782	91,424	22,818	26,732
Payments to N. Ireland Exchequer	73,000	4,923	5,309	...	...
Other Cons. Funds	10,000	667	567	32	466
Supply Services	4259,584	333,517	344,051	52,470	71,574
Total	5037,584	423,889	441,350	75,320	98,771
Sinking Funds	38,000	1,998	2,125	650	730
"Above-line" Surplus or Deficit	— 8,215	— 33,397	+ 61,526	+ 20,332	
"Below-line" Net Expenditure	6,336	41,271	15,968	25,796	
Total Surplus or Deficit	— 14,551	— 74,668	+ 45,558	— 5,463	
Net Receipts from:					
Tax Reserve Certificates	26,140	24,800	11,699	13,672	
Savings Certificates	6,800	— 3,300	1,400	— 4300	
Defence Bonds	— 4,291	— 8,881	— 3404	— 5235	
Premium Savings Bonds	3,100	5,620	700	1,730	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
May 4	2,840·0	1,417·5	259·7	...	4,517·0
1958					
Feb. 1	3,220·0	1,768·6	179·1	...	5,167·7
,, 8	3,160·0	1,646·9	157·8	...	5,064·5
,, 15	3,120·0	1,403·1	208·8	1·5	4,730·9
,, 22	3,080·0	1,463·7	183·4	...	4,727·1
Mar. 1	3,040·0	1,537·1	219·4	...	4,787·5
,, 8	3,050·0	1,487·6	219·7	...	4,757·3
,, 15	3,060·0	1,529·9	225·6	...	4,815·5
,, 22	3,080·0	1,510·3	248·8	...	4,839·1
,, 31	4,571·2		277·1	...	4,848·2
April 5	3,120·0	1,499·4	239·6	...	4,859·0
,, 12	3,120·0	1,492·7	259·4	...	4,872·1
,, 19	3,120·0	1,580·5	252·0	...	4,952·4
,, 26	3,120·0	1,648·4	205·8	4·0	4,978·2
May 3	3,140·0	1,620·2	217·9	1·5	4,979·6

THE MONEY MARKET

THE pause in the fall in the Treasury bill rate proved short-lived. At last week's tender the discount houses raised their agreed bid for 91 day bills very sharply, by 9d. to £98 14s. 9d. per cent, in order to keep pace with the increased bids made by outside tenderers in the previous week. Total applications for the reduced offering of bills (which included 92-day bills maturing after the August holiday) rose further, so that the market still secured no more than 40 per cent of its tender for 91 day bills; it obtained a full allotment, however, of its application for the longer bill. The average allotment rate dropped by nearly ⅛ per cent, to £5 1s. 1·93d. per cent, which is roughly ½ per cent below the rate established immediately after the reduction of Bank rate to 6 per cent in late March.

There was a corresponding adjustment in market rates: July dates and "hot" bills, which before the tender had changed hands at 5⅛ and 5⅜ per cent, were later dealt in at 4⅝ per cent. This has been the basic rate through the week, since credit has on the whole been distinctly easier; only on the Monday, when the market's bill take-up was large, was it constrained to sell less advantageously—a small amount at 5 per cent. On Tuesday, on the other hand, when credit was comfortable in spite of the absence of official aid, some non-clearing banks were bidding down to 4⅛ per cent. Rates for new money have generally not exceeded 5 per cent.

LONDON MONEY RATES

	%		%
Bank rate (from 7/4/58)	6	**Discount rates**	
		Bank bills: 60 days	5⅛–5⅜
Deposit rates (max.)		3 months	5⅛–5⅜
Bank	4	4 months	5⅛–5⅜
Discount houses	4	6 months	5⅛ 5⅜
Money		Fine trade bills:	
Day-to-Day	4⅛–5⅛	3 months	6¼–7
Treas. bills 2 months	5⅛	4 months	6¼–7
3 months	5⅛	6 months	6¼–7

BANK OF ENGLAND RETU

(£ million)	May 8, 1957	Apr. 30 1958
Issue Department:*		
Notes in circulation	1,948·6	2,010·4
Notes in banking dept.	26·8	39·9
Govt. debt and securities*	1,971·3	2,046·1
Other securities	0·7	0·7
Gold coin and bullion	0·4	0·4
Coin other than gold coin	3·0	3·0
Banking Department:		
Deposits:		
Public accounts	9·2	9·8
Bankers	210·8	220·4
Others	77·3	73·1
Total	297·3	303·4
Securities:		
Government	202·0	230·9
Discounts and advances	65·0	29·1
Other	18·9	18·9
Total	285·9	278·9
Banking department reserve	29·2	42·3
"Proportion"	% 9·8	% 13·9

* Government debt is £11,015,100, capital £ *Fiduciary issue* increased to £2,050 million from £ on March 26, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Month: Average Rate of Allotment
				s. d.
1957 May 3	200·0	366·3	200·0	78 3·43
1958 Jan. 31	210·0	421·2	210·0	122 6·50
Feb. 7	230·0	387·5	230·0	121 3·28
,, 14	230·0	424·7	220·0	120 10·58
,, 21	220·0	411·7	220·0	119 5·62
,, 28	240·0	391·9	240·0	120 3·28
Mar. 7	240·0	388·6	240·0	120 5·10
,, 14	250·0	370·3	250·0	120 6·59
,, 21	260·0	399·2	260·0	111 1·52
,, 28	260·0	422·8	260·0	110 5·54
April 3	260·0	401·9	260·0	108 6·30
,, 11	260·0	422·0	260·0	106 6·19
,, 18	240·0	406·3	240·0	104 0·93
,, 25	250·0	426·8	250·0	103 6·97
May 2	220·0	433·5	220·0	101 1·93

* On May 2nd tenders for 91 day bills at £98 secured 40 per cent, higher tenders being allotted. The offer this week was for £250 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: May 7	Market Rates: Spot: May 1	May 2	May 3	May 5	May 6	Ma
United States $	2·78–2·82	2·81⅞ 2·81⅞	2·81⅞ 2·81⅞	2·81⅞ 2·81⅞	2·81⅞ 2·81⅞	2·81⅞ 2·81⅞	2·81⅞
Canadian $	...	2·72⅝ 2·72⅝	2·72⅝ 2·73⅛	2·72⅛ 2·72⅛	2·72⅛ 2·72⅜	2·72⅜ 2·72⅜	2·72⅜
French Fr.	1167·18–1184·82	1178–1178½	1179–1179½	1178½ 1179½	1179 1179½	1178½ 1178½	1179
Swiss Fr.	12·15⅞–12 33⅞	12·24⅜ 12·24⅝	12·24⅜ 12·24⅝	12·25⅛ 12·25⅜	12·25⅛ 12·25⅜	12·22½ 12·22½	12·23
Belgian Fr.	138 95– 141·05	139 47½– 139 52½	139·45– 139·50	139·40– 139·45	139 35– 139·40	139 22½– 139·27½	139·2
Dutch Gld.	10·56–10·72	10·59⅜ 10·59⅝	10·60½ 10·60¾	10·58⅞ 10·59⅛	10·59 10·59⅛	10·58⅜ 10·58⅝	10·58
W. Ger. D-Mk.	11·67⅛–11·84⅛	11·71⅝ 11·72⅛	11·71⅛ 11·71½	11·71⅛ 11·71⅜	11·71⅛ 11·71⅜	11·70⅝ 11·70⅞	11·70
Portuguese Esc.	79·90 81·10	80·00 80·15	80·00 80·15	80·00 80·15	80·00 80·15	80·00 80·15	80·0
Italian Lire	1736½ 1762½	1746½ 1746¾	1746½ 1747	1746 1746½	1746 1746½	1744½ 1745	1744
Swedish Kr.	14·37½–14·50½	14·50¼ 14·50½	14·50½ 14·50¾	14·49½ 14·50	14·49½ 14·49¾	14·48¾ 14·48¾	14·48
Danish Kr.	19·10½ 19·48½	19·35½ 19·35¾	19·35½ 19·35¾	19·35½ 19·35¾	19·35½ 19·35¾	19·35½ 19·35¾	19·35
Norwegian Kr.	19·85–20·15	20·01¼ 20·01½	20·01¼ 20·01½	20·01¼ 20·01½	20·01¼ 20·01½	20·01 20·01¼	20·00
One Month Forward Rates							
United States $		⅛ c. pm	⅛ c. pm	⅛ c. pm	⅛ c. pm	⅛ c. pm	
Canadian $		⅛ c. pm	⅛ c. pm	⅛ c. pm	⅛ c. pm	⅛ c. pm	
French Fr.		4 7 dis	4 7 dis	4 7 dis	4–7 dis	4–7 dis	
Swiss Fr.		3⅛ 3⅛ c. pm	3⅛ 3⅛ c. pm	4 3⅛ c. pm	3⅛ 3⅛ c. pm	3⅛ 3⅛ c. pm	
Belgian Fr.		⅛ ¼ pm	⅛ ¼ pm	⅛ ¼ pm	⅛–¼ pm	⅛–¼ pm	
Dutch Gld.		1⅝ 1⅝ c. pm	1⅝ 1⅝ c. pm	1⅝ 1⅝ c. pm	1⅝ 1⅝ c. pm	1⅝ 1⅝ c. pm	
W. Ger. D-Mk.		2⅛ 2⅛ pf. pm	2⅛ 2⅛ pf. pm	2⅛ 2⅛ pf. pm	2⅛ 2⅛ pf. pm	2⅛ 2⅛ pf. pm	
Italian Lire		2 1 pm	2 1 pm	2 1 pm	2 1 pm	2–1 pm	
Swedish Kr.		4⅛ 3½ pm	4⅛ 3½ pm	4⅛ 3½ pm	4⅛ 3½ pm	4 3½ pm	
Danish Kr.		3 2½ pm	3 2½ pm	3 2½ pm	3 2½ pm	3–2½ pm	
Norwegian Kr.		2½ pm par	2½ pm par	2½ pm par	2½ pm par	2½ pm par	
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/2⅛	249/1½	...	249/3½	249/6½	

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Rarely before in this century have investment yields been as high as they are to-day, but equally rarely has the investor stood in so much danger of capital loss.

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Assets exceed £1,500,000
Capital and reserves exceed £750,000

But, it may be asked, is the money deposited with a hire purchase finance company safe, especially at a time when a recession may be on the way? The answer is that it enjoys complete security under any conditions with Awley Finance. The Company's total assets exceed £1,500,000, it has capital and reserves exceeding £750,000, and its earnings record is excellent; but in addition to the protection given to the depositor in the exceptional strength of the Company's financial structure, **Awley Finance follows the practice of limiting deposits to a sum not exceeding its own capital and reserves.**

No prior charges on assets

As there are no prior charges, deposits are therefore covered by assets to the extent of more than 200 per cent, which means that they are completely safeguarded against any conceivable disturbance of hire purchase activity arising from changes in the economic situation. And deposit interest, it should be noted, is covered several times by earnings and takes priority over dividends.

Interest is paid quarterly . . .

. . . and can be paid gross (i.e. without deduction of United Kingdom Income Tax) if the deposit is made for a fixed period. Awley Finance supplies its depositors with audited Accounts and Balance Sheet at the end of each HALF-YEAR, enabling depositors and their financial advisers to maintain up-to-date observation on the Company's trading progress and financial soundness.

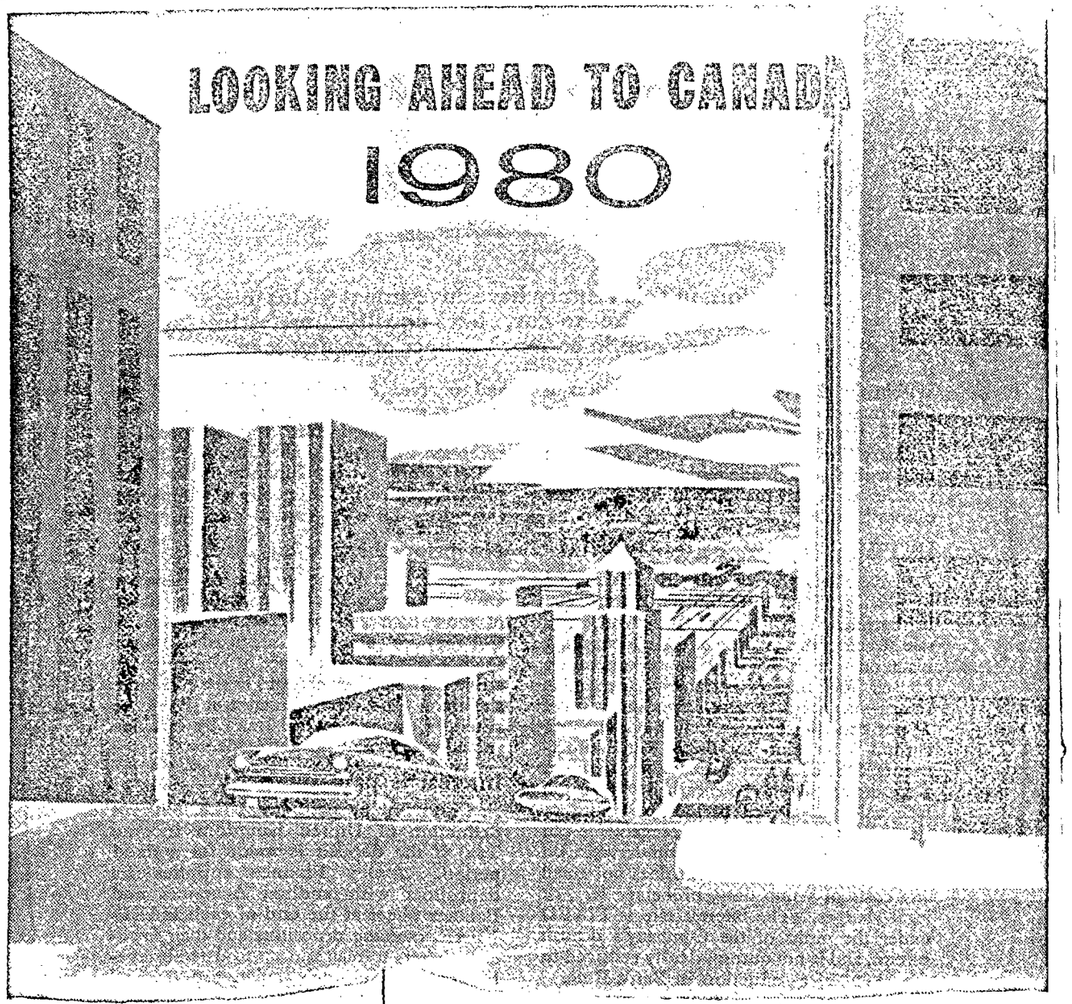
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Because of its own restriction on total deposits, Awley Finance can accept only a limited amount of new money, and early applications are therefore invited from those wanting to take advantage of this exceptional investment opportunity. **Balance sheet and earnings record will be supplied on request.**

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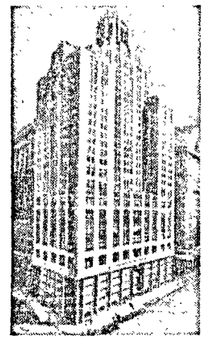
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A REPORT FROM

The Philadelphia *Inter*-National Bank

STATEMENT of CONDITION
March 31, 1958

RESOURCES

Cash and Due from Banks		$ 267,334,791
U. S. Government Securities		168,331,112
State and Municipal Securities		73,269,892
Other Securities		18,060,459
Loans and Discounts		428,939,064
Bank Buildings and Leasehold Improvements		13,626,067
Customers' Liability Account of Acceptances		7,410,527
Other Resources		4,318,028
		$1,001,009,910

LIABILITIES

Deposits		$ 889,349,498
Acceptances	$16,911,086	
Less Amount held in Portfolio	8,555,756	8,355,330
Reserve for Taxes		5,792,043
Reserve for Dividend (Payable April 1, 1958)		1,151,516
Other Liabilities		8,789,461
Capital Stock ($10 Par Value)	$26,478,125	
Surplus	48,521,875	
Undivided Profits	12,592,062	87,592,062
		$1,001,009,910

FREDERIC A. POTTS,
President

T. GRAYDON UPTON,
Vice President and Manager



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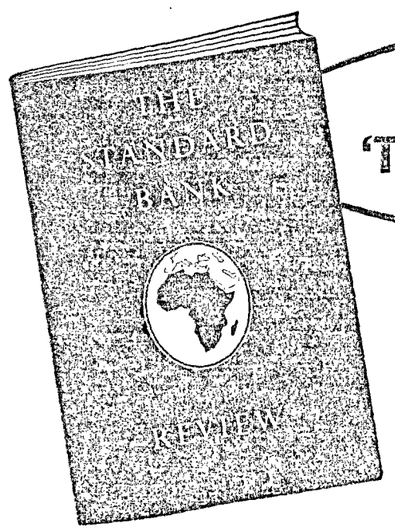
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COMPANY MEETINGS

ROYAL EXCHANGE ASSURANCE

238th ANNUAL REPORT

SUCCESSFUL RESULTS IN ALL DEPARTMENTS

LORD KINDERSLEY'S STATEMENT

The Annual General Court of the Royal Exchange Assurance will be held at the office of the Corporation at the Royal Exchange, London, EC3, on May 28, 1958.

The following is the statement of the Governor, The Right Honourable Lord Kindersley, CBE, MC, which has been circulated with the report and accounts:

Before I review the Report and Accounts for 1957 I must refer to the sad loss which we sustained during the year through the death of two members of the Court of Directors—Admiral Sir Aubrey Smith and Mr Arthur Leather—each of whom gave the Corporation many years of devoted service. Both of them will be sorely missed by their colleagues. Mr Leather was also a director of our associated office, the "State," for thirty years, for the last seventeen years of which he was the Chairman. Mr H. A. Walters, our General Manager, has succeeded him in this capacity.

During the year two new appointments were made to the Court—Mr J. E. H. Collins, MBE, DSC, and Mr Charles E. A. Hambro. Not only will they make valuable colleagues but in joining the Court they consolidate the long standing friendship that has existed for so many years between those two great banking houses, Morgan Grenfell and Company Limited, and Hambros Bank Limited, and the Corporation.

There have also been some changes among our overseas managers. To our deep regret, Mr C. W. Spencer, our Manager for West Africa, died in July last year at the early age of 52. He had spent more than 28 years in that territory where for seven years he was the Manager. There was no more popular figure on the Coast and his energy and enthusiasm laid the foundations of the substantial business which we now have there. The post of Manager for West Africa was not retained after Mr Spencer's death and our affairs in that territory are now cared for by Mr E. C. McNestry as Manager for Nigeria and Mr F. R. Handscomb as Manager for Ghana.

During the year, Mr H. F. Gaspard succeeded Mr J. H. Purrier as Manager for South East Asia. Mr Purrier joined the Corporation in 1918 and having spent over 30 years in the East he well deserves to enjoy his retirement.

In March this year, Mr Alan Wolfe, the Manager of our Eastern Branch, retired after 33 years of loyal service with the Group and here again the territory has been divided. With effect from April 1st, Mr H. J. Burt was appointed Manager for India and Mr C. S. Woolmer as Manager for Pakistan.

THE YEAR UNDER REVIEW

The period covered by the accounts saw exceptional economic changes not only in the United Kingdom but also in many of the overseas territories in which our group of companies operates.

In the early months of 1957 the consequences of the Suez incident caused us considerable anxiety but happily the impact upon our trade was surprisingly small. In the event, Suez and its aftermath created temporary artificial boom conditions in some trades and for a number of commodities, thereby halting the decline in postwar world trade which seemed then to have set in. But unfortunately it also imparted a rise to the cost of living index and an even greater twist to the wages spiral unaccompanied by an appropriate increase in national productivity. These unfavourable tendencies at home were quickly appreciated in the international financial markets and coincided with rumours of an impending upward revaluation of the German mark. Reassuring statements by HM Government during the summer failed to check the run upon sterling by international traders with the consequence that in mid-September Bank rate was raised to the crisis level of 7 per cent and other belated counter-inflationary measures had to be introduced.

I expressed the opinion on a previous occasion that insurance had entered a highly competitive era in which profit margins would look slender when compared with those of the earlier postwar years, and the events to which I have briefly referred above created an unfavourable climate both for our primary business of insurance and our secondary activity of investment. In these circumstances I regard as most creditable the further material increase of nearly £2 million in the aggregate premium income of the accident, fire and marine departments bringing the total to £32,627,214. I am sure you will agree that each of our underwriting accounts, to which I refer in greater detail later in this statement, have provided results that deserve the label of success.

INVESTMENTS OF OUR GENERAL FUNDS

Let me now turn briefly to the invested funds of the group. A year ago I referred to our need to have large investments in fixed interest bearing securities—particularly in loans of the governments of Australia, Canada, New Zealand, Rhodesia, South Africa and the United States of America, in addition to the United Kingdom : and equally to the need to match overseas liabilities with assets expressed in the appropriate currencies.

I do not apologise for the fact that we held these traditional and logical investments as they ensure that at all times and at short notice we can meet the just claims of our policy holders all over the world. But during 1957 the market quotations for fixed interest securities, especially the loans of the United Kingdom, Canadian and United States governments, were materially and adversely influenced by monetary policies designed to curb inflation and which raised interest rates to historically very high levels.

Reference to the Profit and Loss Account, however, will disclose the fact that it has only been necessary to provide a sum of £460,800 in reduction of book values of investments and the whole of this amount relates to certain of our associated companies. In only one instance is the depreciation at all material and in that case some £200,000 can be attributed to the shrinkage in the sterling values of investments expressed in French francs and Brazilian cruzeiros. The balance is directly due to reduced market quotations and should be recovered in the accounts of those companies as interest rates in this country revert to more normal levels. Indeed a substantial measure of price recovery has already attended the relaxations in credit restraints introduced in the early months of this year ; even so I am able to say that on December 31st last the margin of market values of investments over the values at which they appear in the consolidated balance sheet was more than sufficient to offset the needs of all members of the group.

One favourable outcome of last year's low market prices for securities was our ability to increase the income earning capacity of our general funds, and the year's total of interest dividends and rents rose by over £156,000 to the record level of £1,698,382.

INVESTMENTS OF THE "ROYAL EXCHANGE" LIFE AND ANNUITY FUNDS

The long-term nature of the contracts issued in the life department has justified over the years an investment policy much less rigid than that suited to the shorter term fire, accident and marine contracts. Nevertheless the 7 per cent Bank rate that still ruled at the year end imposed exceptionally low quotations on the fixed interest bearing securities of our life and annuity funds. As a set-off to this severe market depreciation of fixed interest securities, however, we had not only the market appreciation shewn by our investment in equities but also the inner investment reserves accumulated over the years. At the end of last year we were therefore still able to shew the investments of the life and annuity funds at aggregate figures substantially beneath the low market values at that time.

These funds also have benefited from the low market quotations prevailing in the latter part of 1957 and early in 1958 in the sense that there have been excellent opportunities for improving the income earning potential of existing and newly accruing capital. The upward trend of the annual yield of recent years is quite unmistakable—

GROSS YIELD PER CENT

Year	Life Fund £ s. d.	General Annuity Fund £ s. d.
1952	4 16 1	5 7 5
1953	5 1 10	5 14 0
1954	5 4 9	5 17 1
1955	5 8 5	6 2 0
1956	5 11 4	6 2 5
1957	5 17 3	6 7 6

and I see no reason why it should not continue in this the first year of the new triennium.

On our pension annuity fund, the gross yield for 1957 was £5 9s. 3d. per cent compared with £6 1s. 10d. in 1956 which was its

first year of existence. The 1957 yield is artificially low due to accelerated growth in a small fund so that a relatively large part of the fund did not become available for investment until the latter part of the year. A much better guide to this fund's capacity to earn interest income is the fact that its investment portfolio on the last day of 1957 could be expected to yield 6½ per cent per annum in a full year.

LIFE DEPARTMENT

Year	Nett new sums assured	Premiums	Fund at end of year
	£	£	£
1952 ..	6,121,697	2,214,801	22,421,999
1953 ..	7,414,284	2,343,102	23,345,690
1954 ..	8,869,438	2,433,357	24,232,051
1955 ..	9,559,132	2,730,209	25,550,794
1956 ..	9,536,520	2,917,615	26,869,624
1957 ..	10,956,434	3,094,497	28,214,241

The foregoing figures summarise the excellent progress made by our life fund not only in 1957 but throughout the latest triennium which is also compared with the previous three year period. The expansion in new business was appropriately shared by the participating and non-participating sections of the fund and claims were satisfactorily within the expectation.

The good prospects upon which I commented last year regarding the outcome of the valuation to be made at the end of 1957 were realised by the declaration of a bonus on the sum assured under participating policies at the rate of 50s. per cent per annum which is of course the highest rate of declaration in the history of the Corporation and its announcement was well received by our policy holders.

ANNUITY DEPARTMENT

Increased activity occurred in both the general and pension sections of this department and the new business written was greater than in recent years. In the pension annuity fund our first bonus declaration was made at rates which, maintained in future years, would shew very satisfactory results to the participants.

FIRE UNDERWRITING ACCOUNT

Year	Nett Premiums	Surplus transferred to Profit and Loss Account	Ratio
	£	£	%
1953	9,541,454	1,142,952	12·0
1954	9,763,652	700,944	7·2
1955	9,597,570	998,408	10·4
1956	10,831,189	305,924	2·8
1957	10,907,781	383,011	3·5

In the United Kingdom the national fire wastage in 1957 was somewhat less than in the previous year and we were fortunately spared a repetition of the severe frost claims paid in 1956. On the other hand the year was marked by several fires of spectacular dimensions including one of the largest ever to occur in this country.

In spite of the efficiency of modern fire brigades, there is a practical limit to the fire load which they can control and much could be done to restrict the magnitude of these occurrences by the installation of sprinkler systems and the sub-division of risks by adequate fire breaks. This is a matter to which I have previously drawn attention and I do so again because the country can ill afford the material loss and dislocation caused by these large industrial fires.

In the United States the year was one of unparalleled difficulty for the whole insurance market and heavy underwriting losses coincided with a substantial fall in the value of investments. The best that can be said about this state of affairs is that it has produced an atmosphere favourable to the introduction of measures to improve underwriting conditions and we earnestly hope that they will not be too long delayed. As far as the Corporation is concerned we pruned our commitments as much as we could and thereby kept our losses within reasonable bounds.

Elsewhere in the overseas field our efforts were better rewarded and although in Canada the results were again poor we may find some encouragement for the future in the steps which have now been taken to redress the present unsatisfactory situation in that country.

In spite of intense competition in both the home and overseas fields, we were able to show a modest increase in our premium income. But, to the extent that the tendency towards reduced rates cannot be met by low expenses and a reduction in the annual fire wastage, future underwriting profits must be adversely affected. To put it bluntly, we are assuming the same or perhaps greater liability for less premium.

GENERAL ACCIDENT UNDERWRITING ACCOUNT

Year	Nett Premiums	Surplus transferred to Profit and Loss Account	Ratio
	£	£	%
1953	14,188,459	942,925	6·7
1954	14,485,940	867,910	6·0
1955	15,749,862	611,736	3·9
1956	17,996,055	— 57,468	— 0·3
1957	19,749,462	456,676	2·3

A very great variety of risks is written by our accident department but by far the largest section relates to our world-wide motor insurance account. The primary factors governing the incidence and cost of motor accidents—increased traffic on the roads, greater speeds, higher values, more elaborate and vulnerable car design—are beyond our control; but they continue to cause us anxiety and have inevitably led to increased rates, not only in this country but in most of the other territories in which we work.

Much has been said and written about motor insurance rates but it is a fact that in general, the price of a comprehensive motor car policy to-day, expressed as a percentage of the capital investment represented by the cost of the car, is very substantially less than it was before the war. In other words our premiums have not yet risen proportionately to the decrease in the value of money as reflected by the higher damages awarded by the courts and the increase in the cost of repairs.

The premium income in the accident department as a whole showed a healthy increase—some of which of course was due to the increased motor rates to which I have just referred—and after making the necessary substantial addition to the reserve for unexpired risk, the disclosed profit was £456,676—a modest 2.3 per cent of the total premiums.

MARINE UNDERWRITING ACCOUNT

Year	Nett Premiums	Surplus transferred to Profit and Loss Account	Fund at 31st December	Ratio to Nett Premiums
	£	£	£	%
1953	1,683,979	208,525	3,753,396	199·2
1954	1,766,950	289,548	3,771,715	213·5
1955	1,829,182	275,091	3,775,020	205·4
1956	1,836,829	233,375	3,761,856	201·8
1957	1,969,971	274,213	3,727,972	189·2

The out-turn of the 1955 underwriting account at the end of last year proved satisfactory and has permitted a transfer of £274,213 to the Profit and Loss Account.

For the first time since the war we are faced with a very substantial fall in the value of ships, and this has been most marked during the last few months. If it continues we shall certainly find in the current year a fall in hull premiums, particularly as many vessels are now laid up in port owing to freights not being available.

It is clear that, with the cost of repairs to ships still on a very high level, the problems facing the marine insurance market are considerable, especially with the keen competition for business which exists in London and in many centres overseas. If we are to avoid a repetition of the severe losses which the market suffered in the "thirties" then will have to be much more co-operation than was shown then. Fortunately, this bad time is still in the minds of many of the more experienced underwriters, and I hope they will be able to make their influence felt in the market.

After a period of comparative freedom from major casualties, we have lately seen a return to a more normal experience of total losses and in the closing months of 1957 casualties were numerous and heavy. Last year was in fact probably the most difficult of the post-war years but it is too early yet to make any forecast of the underwriting result.

TRUSTEE AND EXECUTOR DEPARTMENT

The number of new trusts accepted by this department during 1957 compared favourably with that in past years and included several important debenture issues and at the end of the year the aggregate trust funds including debenture and loan stocks for which the Corporation acted as trustee exceeded £300 million for the first time in our history. The personal service provided by this department in connection with the supervision of investments of private individuals is particularly popular.

The amount transferred to Profit and Loss Account for 1957 amounted to £4,714. The lower figure transferred this year compared to last year is accounted for mainly by the special fees of a non-recurring nature received in 1956.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

On the revenue side of these accounts the principal items are £1,698,382 investment income, £1,113,614 aggregate net transfer from the departmental revenue accounts and the final instalment of the Proprietors' share of the life department's valuation surplus relating to an earlier triennium.

Turning next to the expenditure side you will see that the largest item is £1,317,06 representing taxation of various types. Two unusual items are £460,800 applied in reduction of the book value of investments, to which I referred in some detail earlier, and £90,000 in respect of office premises. When allowance is also made for the usual pension fund transfers, a favourable balance of £632,024 emerges. To this falls to be added £105,000 over-provision for taxation in previous years and the 1956 carry forward, resulting in a disposable sum of £4,007,440.

After allowing for an additional transfer of £454,000 to the group pension funds, the interim dividend and the recommended final dividend, the sum of £3,029,040 remains as the balance to be carried to the balance sheet.

DIVIDEND

Despite the measure of success which attended the Corporation's activities during the year, the Court of Directors, taking account of the many uncertain factors in the world picture to-day, felt that on this occasion there should be no increase in the dividend distribution.

Accordingly it is the recommendation of the Court that the final dividend should be 8 per cent making, with the interim of 8 per cent paid in November last, a total distribution of 16 per cent for the year.

THE GROUP ORGANISATION—HOME AND ABROAD

The "Royal Exchange" group of offices is now one of the most powerful in the British insurance market and the growth of our business has placed a great strain on the office accommodation not only at our headquarters in the Royal Exchange but also at our branch offices at home and abroad. Moreover, in the interests of economy and efficiency, we are constantly moving towards a greater measure of integration among the companies comprising the group, and this has had to be taken into account in deciding our requirements in the matter of office space.

The transfer of the life and trustee departments from the Royal Exchange to the Bank of London and South America building in Queen Street—to which I briefly referred last year—was effected during 1957. Our new offices there are attractively laid out and we are now in the process of redesigning, redecorating and refurnishing the space available in the Royal Exchange. When this has been completed, the whole of our head office staff will be housed under much improved conditions which I am sure will lead to greater efficiency.

This work of modernisation has not been confined to Head Office, and during the past eighteen months substantial structural alterations have been made at many of our branch offices in the United Kingdom. Although the cost has been considerable, it is work that was long overdue and the process will continue during the current year.

In September we opened in Dundee a new office which we erected on the site of the old Merchants' Exchange in the centre of the commercial quarter of the city. This fine building, which houses the branches of the "Royal Exchange" and several of our subsidiaries, has been commented on most favourably by all who have seen it.

In line with our policy of keeping ourselves properly informed about conditions in overseas territories, many of the group branches and agencies were visited during the year by senior officials from Head Office, and the General Manager again went to the United States and Canada. Later he spent some time in Australia and New Zealand and not only did this enable him personally to meet many of our friends in these far-off territories but it was also a source of great encouragement to our staff working there.

During the past few years we have modernised several of our branch offices in these two countries and in Australia we have put up a new building in Newcastle. We have recently acquired a first-class site in the centre of Sydney and it is our intention to develop this on lines in keeping with our important interests there.

In Kano, Northern Nigeria, we are erecting a new office building which it is hoped to open before the end of this year and, having opened a branch in Ibadan in the Western Region, we are arranging to do the same in the Eastern Region. We also have plans for further expansion in Ghana. We do not in fact regard the attainment of independence by the colonial territories as a bar to our progress: indeed we feel that we have a substantial contribution to make to their future development.

STAFF

The constant changes in the political and economic scene throughout the world have confronted the management with many problems during the past few years, and 1957 was no exception. I therefore feel sure that the proprietors will wish me to express their sincere thanks to our General Manager, Mr H. A. Walters, for the skilful manner in which he has directed the affairs of the group, and to his executive assistants, branch managers, and all the staff throughout the group both at home and overseas for the loyal support which they have given to him. Without their loyal co-operation the name of the "Royal Exchange" would not stand so high in the City of London and in the other insurance markets of the world as it does today. Although it has been necessary for me to draw attention to the unsatisfactory results of our operations in certain countries, this has been due to circumstances over which we have little or no control and is no reflection whatever upon our managers in these territories.

I would also like to thank all those who have supported us, our agents, the brokers and our local boards in this country and elsewhere: we greatly value the advice the latter have so willingly given us about matters of which they have special knowledge and on this occasion I would particularly like to mention our United States Investment Advisory Committee to whom we are greatly indebted. You will be glad to know that they are to be joined by Mr Henry C. Breck whose wide experience will be a great asset to us. We bid him a hearty welcome and look forward to many years of close co-operation with him.

Finally I would like personally to thank the Sub-Governor and the Deputy-Governor and all the members of the Court for their unstinted help throughout a trying and difficult year.

CROFTS ENGINEERS

Essential machinery for world's vital industries

Since 1887 when Crofts pioneered power transmission engineering, the products manufactured by the Crofts Group of companies have given service to industry the world over. In these days when economy through mechanisation is so vital there is a great demand for Crofts power transmission equipment in virtually every field of industrial endeavour.

Summarised Consolidated Balance Sheet as at 31st December, 1957.

	£		£	£
Issued Capital	2,500,000	Fixed Assets	3,258,404	
Revenue Reserves and Surplus	1,320,313	*Less:* Accumulated Depreciation	1,075,574	
Income Tax 1958/59	567,238			2,182,830
Liabilities	1,371,747	Trade Investments, etc.		19,666
		Current Assets		3,556,802
	£5,759,298			£5,759,298

Summarised Profit and Loss Account For the Year Ended 31st December, 1957.

	£	£
Profits for the year before Taxation	1,569,646	
Less: Provision for Taxation	714,273	
		855,373
Net Distribution for the year to Shareholders		186,875
Retained in the Business		£468,498

EXTRACTS FROM CHAIRMAN'S STATEMENT:

The good results obtained are due to the splendid efforts of the whole of our Group of Companies, each individual firm has increased its turnover, helped by the continued demand for its products, and this combined with increased efficiency all round, is the reason for the improved profit position. Great progress has been made with our building and re-equipment programme, which has enabled us to deal more effectively with our manufacturing generally, and particularly with the new products we are marketing.

OVERSEAS TRADING: This is being extensively developed with very satisfactory results, we are constantly opening out new areas in the world, and all the time are looking for more and more markets for our products.

PROSPECTS: At the end of 1957 our order book was lower than at the beginning of the year: this was mainly due to the constantly increasing outputs from our Factories which, as a result of extensions to our buildings and plant, now deal with a greatly increased amount of work. Our Sales Department is fully alive to the position, and we confidently expect them to expand our Trade.

The new products we are now marketing will in time bring in a greatly increased amount of business, and these, combined with our general trade, will ensure continued success and prosperity.

CROFTS ENGINEERS (HOLDINGS) LIMITED

Empire Works, Thornbury, Bradford, 3

Subsidiaries and Representation throughout the world

DE HAVILLAND HOLDINGS LIMITED

THE DE HAVILLAND YEAR REVIEWED

CHAIRMAN'S REPORT ON THE ACTIVITIES OF THE COMPANY AND ITS SUBSIDIARIES

The Thirty-eighth Annual General Meeting of de Havilland Holdings Limited, will be held on May 28 at Hatfield Aerodrome, Hatfield, Hertfordshire.

The following is an extract from the statement by the Chairman, Mr W. E. Nixon, which has been circulated with the Directors' Report and Accounts for the year ended September 30, 1957:

You will notice that in the Accounts of the Group for the year ended September 30, 1957, there is a reduction in the net surplus for the year of over £1 million and before dealing with the accounts in detail I feel I should make some observations on the reasons for this reduced profit and on the general Group position.

During the past year we have completed our main contracts for aircraft and engines of the generation now being used by the Royal Air Force and Royal Navy, and although there has been continuing interest from overseas in certain of these products, this has been at a much reduced level. While we are fortunate in having new breeds of aircraft, engines and missiles for the British Services, last year was a period of change during which, broadly speaking, we completed deliveries of existing types but did not gain any appreciable benefit from our expenditure on new products as deliveries had not started to flow.

In the civil field the present credit stringency both at home and abroad has slowed up business for our smaller civil aircraft. It will not be until later this calendar year that we will start to deliver Comet 4's.

A further major factor is that with less support from the Government in meeting the cost of research and development, an increasing proportion now has to be borne directly by the manufacturer. Our home companies have been affected in varying degrees and last year the Group's burden of research and development was exceptionally heavy. We feel confident that this expenditure serves to keep us in the forefront of the industry but I must add that the results of these efforts will not start to give any appreciable return until our financial year 1958-59 and to a great extent the current year will again be one of further development and build-up of stock and work-in-progress prior to its realisation in the form of sales.

The length of time now required to develop and produce a new type of aircraft or engine, the very large sums of money which have to be expended prior to manufacture and delivery, and the obligation to report annually on the financial situation of the Company, make it now advisable to consider, in the preparation of the year-end accounts, the need to carry forward some part of such expenditure, having regard to the sales achieved and in prospect. This was not so necessary when the majority of such expenditure was covered by Government contract and repaid as subsequent sales were made. It will be seen in this connection that there is a note in the Accounts mentioning that the Directors of the Aircraft Company have thought it advisable to include in the value of work-in-progress a proportion of certain jigging and tooling expenditure at September 30, 1957, after writing off very substantial amounts of such expenditure incurred during the year.

GROUP'S SOUND ORDER POSITION

I am glad to be able to report that despite the circumstances I have mentioned at present our various companies in the Group are fully occupied with their different activities as they have been in the year under review. In fact, although at home there have been adjustments in our labour force at certain individual factories, we are still at some units in need of skilled production labour to carry out our programmes. The Group order position is sound and we confidently expect further additions in the future.

We are naturally delighted that the D.H.121 was chosen by British European Airways and we are looking forward to carrying out this project with our associates, Hunting Aircraft Ltd., and The Fairey Aviation Co. Ltd., through the medium of the newly formed Aircraft Manufacturing Co. Ltd. We have had a very close association with these companies over the years since the war when they have assisted us considerably with our production efforts and for some time we have had an arrangement with Hunting Aircraft Ltd., to help with their overseas sales. The closer co-operation which has now been arranged with these companies is a natural and practical outcome of these events, which we confidently hope will prove of mutual benefit.

As you will see, the Accounts are generally drawn up in the same way as in previous years, and as in the main any changes are evident by comparison with last year's figures, I need mention only those items which are of particular importance. The Consolidated Balance Sheet shows that Fixed Assets increased by £1,381,787 which was foreshadowed by last year's reference to outstanding commitments for capital expenditure of £1,950,000. The comparable figure at September 30, 1957, is £1,040,000, but so far as can be seen at present from examination of our fixed asset requirements it should be possible to reduce the volume of this expenditure in subsequent years.

It will be recalled that in my address last year I mentioned that towards the end of 1956 we had acquired a shareholding in Saunders-Roe Limited, and this is reflected in the increase under Trade Investments. As you will probably be aware Saunders-Roe had a contract from the Government to develop and manufacture a new fighter aircraft, the S-R.177, which was unfortunately cancelled at the end of 1957. This was naturally a great disappointment to Saunders-Roe especially as had it been ordered at home it would appear to have had a very promising export potential. It was also a considerable disappointment to our Engine Company who were providing the engines and rocket motors used to power what everyone considered to be a very exceptional new aircraft. In the coming months Saunders-Roe will obviously face a difficult period of readjustment, but they are fortunate in having other interests not directly connected with aircraft, which they may be able to expand, and thus minimise the effect of the cancellation of their major aircraft project.

The value of Stock and Work-in-Progress after deducting Progress Payments, has increased materially, as has the total of Customers' Deposits and Advances, and is some measure of the work being undertaken for future delivery.

The Cash at Bank and in Hand has been reduced by £1,853,248 which is approximately the amount of the increase in Fixed Assets and Trade Investments. In the outcome Net Current Assets at £10,937,218 are £2,239,857 less than in the previous year.

The Net Trading Revenue in the Consolidated Profit and Loss Account is, for the reasons already explained, some £2 million less than in the previous year. This results in a reduced liability for Taxation, and after taking into consideration other credits and charges, there is a reduction in the Net Surplus attributable to the Group of over £1 million.

The Profit and Loss Appropriation Account sets out the appropriations already made together with the proposed Ordinary Dividend and after taking into account the amount brought forward from the previous year there remains £357,256 to be carried forward to next year.

The last financial statement to which I should draw attention is the Balance Sheet of the Holding Company, and it will be seen that Shares in Subsidiary Companies have increased to a small extent. This arises from the purchase of further shares in The de Havilland Aircraft of Canada Limited, following the offer made by our Company to the remaining outside Shareholders in January, 1957, and as a result of this we now have a 96 per cent holding in that Company. The loans to and from Subsidiary Companies fluctuate, of course, according to their respective needs.

Net Current Assets are £777,411 less than in the preceding year due largely to the increase in Investment in Subsidiary Companies and Trade Investments. The total Net Assets, representing Capital and Reserve, at £14,136,168 is little changed from the year before.

I would now like to deal briefly with the activities of each de Havilland Company during the year under review before attempting to discuss matters of more general interest.

SEA VIXEN AND COMET PRODUCTION

In the year to September, 1957, the manufacture of the Comet airliner and of the Sea Vixen all-weather fighter for the Royal Navy occupied the main factory resources of the de Havilland Aircraft Company and we had a smaller flow of work on Sea Venoms, Vampire jet trainers, Heron and Dove light transports. Sea Venom output has since ceased.

In August British European Airways decided to introduce jet airliners on their longer routes and ordered six Comet 4B's for delivery in 1960. Incidentally, we expect that by that date British Overseas Airways Corporation will have had a year of public service with their Comet 4's, delivery of which is due to start later this year. Since last September the Corporation has been operating two Comet 2E's to gain experience with the Rolls-Royce RA.29 engines which will be the power units of the Comet 4. In so doing they have completed over 3,000 hours of trouble-free flying, which we and the Corporation feel augurs well for the smooth introduction of the Comet 4.

The Comet 2's of Royal Air Force Transport Command also completed 10,000 hours between June, 1956, and March, 1958.

JET AND ROCKET ENGINES: NEW PROPELLER TURBINE

Our Engine Company had a satisfactory year both in the production of Goblin and Ghost engines and in the Company's vital research and development programme which included some work in the nuclear energy field.

Development of the Gyron family of engines, with versions whose output ranges from 7,000 lb to 30,000 lb static thrust, continued satisfactorily. One of these engines has been chosen and was developed for the new twin-engined Blackburn NA.39 strike aircraft for the Royal Navy.

A further step towards broadening the basis of their turbine business is a recent decision to produce the Gnome, a thousand-shaft-horsepower turbine engine. This is the outcome of close collaboration over the past seven years with the General Electric Company of America.

The Super Sprite rocket engine was put into production as a take-off aid for the Valiant bomber, and preparations are in hand to produce the much more powerful Spectre for the Victor and Vulcan, so that all British V-bombers will rely upon de Havilland rocket assistance.

Manufacture also continued of Gipsy engines for Dove and Heron aircraft and during the year a new and more powerful version of the Gipsy Major was put into production for Saunders-Roe Skeeter helicopters ordered by the British Government and West German Armed Forces.

WEAPON AND PROPELLER PROJECTS

Since 1949, the interests of our Propeller Company have been steadily widening. The Firestreak air-launched anti-aircraft weapon, which has been under continuous development during the past six years, is now completing its acceptance trials. Final release for quantity production is expected shortly and our factories are fully equipped to handle the flow required for the British services as well as for the quantities which may be required for overseas sales, where interest is active.

Propeller business remained good. The range of aircraft on which our propellers are installed has been increased further by a number of important contracts received during the year from home and export markets.

Air-conditioning equipment for a number of civil and military aircraft went into full production, and our turbo-alternators and radar scanners reached the production stage against good orders.

OVERSEAS COMPANIES

Our Canadian Company continued to produce the military and civil versions of the Beaver and Otter aircraft and orders on hand will maintain steady manufacture through 1958, but civil sales in the period reviewed reflected the unsettled international situation and credit stringency in Canada.

Production of the CS2F-1 aircraft for the Royal Canadian Navy continued on schedule and will extend through 1958 and 1959 on present orders.

Development work on the new transport aircraft, the Caribou, continued according to plan; the first flights are scheduled to take place later this year.

The guided weapons division which was started in 1954 continued to develop to meet future requirements.

Our Australian Company commenced delivery in September, 1957, of the further Vampire Trainers which are being built there for the Royal Australian Air Force, and recorded a generally successful year. It is of interest to report that our Australian Company is now finding a good market for the products of our Canadian Company.

Our Companies in South Africa, New Zealand and the United States of America showed trading profits in the year under review and continue their distributing and servicing functions for the products of all the de Havilland Companies.

The de Havilland Aeronautical Technical School has continued to train about three thousand young men and a few young women for industrial careers. They include craft apprentices, engineering apprentices, undergraduates and graduates.

So much has been said and written about the future of military aviation and its effect on the aircraft industry in this developing era of guided weapons, that it is unnecessary for me to repeat what are now well-known arguments. I must, however, try to tell you how we feel this changing position is likely to affect the future of your Company.

You will all be aware of the trend which is taking place in the aircraft industry towards civil aviation. There can be no question that the demand for commercial aircraft is rapidly rising, although in a highly competitive market. We in de Havillands have recognised for some time past that this swing from military to civil work was inevitable. We have from the earliest days of airline operations devoted much study and care to the economics of the problems involved.

We can, I think, claim to have unrivalled experience in the design, development and production of jet airliners, and today we have orders for versions of these aircraft which are capable of covering typical operations over most of the route patterns of the world.

We have seen, during the time that we have been engaged in the aircraft business, many swift and fundamental changes both in the world demand for civil and military aircraft and in the direction of technical development. Many of these advances we have ourselves pioneered, and in so doing we feel we have built up a spirit and experience which will enable us to meet whatever further challenges may come along.

FUTURE TRENDS OF THE AIRCRAFT INDUSTRY

However complicated the aircraft, power units, or weapons upon which we are engaged, and we believe that they are as advanced as any in the world, we are convinced that we have the people and the knowledge to tackle the job. The background of our experience in other directions has undoubtedly contributed to the progress we have achieved with guided weapons, which in turn has led to our being entrusted with a major task—that of the development of the British Intermediate Range Ballistic Missile.

At the same time we have no illusions about the magnitude of the task of selling British commercial aircraft in the face of competition from the USA, even with the advantage of a world-wide selling organisation. We are fortunate in having two types of commercial jet aircraft selected by our own national Airways Corporations.

There is, however, the problem of being able to offer extended terms of payment, competitive with those available from the USA and other countries. The airlines of the world today are almost without exception struggling hard to make ends meet. Air transport fares, which are severely controlled, have increased relatively little during the past 10 years. The average profits of airlines are marginal and quite incompatible with either the greatly increasing turnover or the total capital investments. The result is that almost every airline is under-capitalised and in the circumstances has the greatest difficulty in raising additional capital. Even many which are Government owned are finding it more difficult to obtain approval for the huge additional amounts of capital needed for the investment in new fleets.

The buyers' market as it exists today has led to considerable competition as regards terms of payment. We are not as a country at present able to offer long periods of credit, and generally we have available less facilities than those, for example, which are provided by the Export/Import Bank. This is a severe handicap and can often result in loss of business. There is, however, a Government Committee at present studying this whole problem, and I hope that as a result of this study Government action may be taken to help remove these disadvantages.

Although our main activities are still concentrated on aviation interests, in which we are well represented in every sphere, we are studying very carefully other fields of industry in which our experience can be put to useful purpose.

The task ahead of us is not an easy one—no job which is worth doing ever is—but with your faith in us, and backed by the continued efforts and enthusiasm of everyone within, or associated with, our organisation, I believe that we can look to the future with confidence.

I have deferred reference to the directors' dividend recommendation until now, so as to give you as clear a picture of the position as is possible. You will, I am sure, realise that the decision has not been an easy one. We have on the one hand a reduction in profits during the year under review, and it is unlikely that this downward trend will be reversed before the end of the current financial year.

We have, on the other hand, a good programme of work ahead of us on which we have every hope of ensuring a profitable return in due course. Having had regard to all the circumstances as they appear today, your Directors have decided to recommend the payment of the same rate of dividend as in the previous year.

I am pleased to have this opportunity of thanking all our staffs for their past support, whilst at the same time asking for their even greater efforts in the future.

Babcock & Wilcox

COMPLETE STEAM-RAISING PLANTS OF EVERY DESCRIPTION

MR. W. LIONEL FRASER REVIEWS THE ACTIVITIES OF THIS WORLD-WIDE ORGANISATION

The 59th Annual General Meeting of Babcock & Wilcox Limited will be held on 29th May, 1958, at 21 Tothill Street, London, S.W.1.

The following are extracts from the circulated Statement of the Chairman, Mr. W. Lionel Fraser:

Board of Directors

Mr. Fraser prefaced his remarks by referring to changes in the Board of Directors. Sir Kenneth Hague, Deputy Chairman and Managing Director, had relinquished the Managing Directorship and had been succeeded in that appointment by Mr. Hector McNeil. The Chairman also referred to the retirement of Mr. C. H. Sparks and the appointment to the Board of Mr. J. Stewart Robertson, Mr. I. M. Stewart and Lord Bridges.

Staff

It is with gratitude that your Board constantly remember that it is by the combined efforts, year by year, of the men and women who work in your Company and its subsidiaries, all over the world, that the organisation is enabled to function effectively and smoothly. Once again I wish to record our continued appreciation of their devoted and loyal services.

Finance

The profits of the Group, subject to United Kingdom taxation, but after setting aside the sum of £1,956,914 for depreciation, were £3,865,812. After providing for United Kingdom taxation and making other necessary adjustments, the balance standing to the credit of the Consolidated Profit and Loss Account is £1,696,725. Your Directors recommend a Final Dividend of 6¼ per cent., less tax, on the Ordinary Stock, making the equivalent of approximately 13 per cent., for the year on the increased capital.

Your Directors also recommend that £381,768 be transferred to General Reserve, raising that Reserve to £8,117,151 and £250,000 to Special Research and Development Reserve.

Manufacture

We have again been able to devote substantial sums to the provision of new plant and equipment in all the Group Works at home and overseas. In addition, the purchase from the Ministry of Supply of the greater part of the plant and machinery at the Dalmuir Ordnance Factory and the leasing of the premises from 1st January, 1959, put into effect our intention to increase our facilities for the fabrication of heavy pressure vessels, as well as other activities.

Turnover, Sales and Profit Margin

Turnover last year constituted a new record, but as there has been no halt to the rises in wages or, for that matter, in many other items which make up total cost, profit margins have been correspondingly reduced. Admittedly the Order Book for the year remains high but it was achieved in the face of very keen competition, and not always at attractive prices.

Atomic Energy

It was very gratifying that, during the year, the English Electric, Babcock & Wilcox, Taylor Woodrow Group was awarded the contract for a 500 Megawatt Nuclear Power Station at Hinkley Point, in Somerset, which will be the largest Atomic Station in the world. We shall manufacture and erect the two reactor pressure vessels, which are welded spheres each of 67 feet diameter, together with the 12 nuclear boilers developed from designs originated by the Company for the Calder Hall installation. Other notable items supplied by your Company include some 13 miles of pipework, hundreds of large and small valves, and the provision of a 400-ton Goliath crane, the largest in the world, to be used in the erection of the station.

Your Company is organised not only to play its full part in carrying through the construction work required of it in implementing the nuclear power plan in the U.K., but also to make a substantial contribution in the same field for export.

Research

While spectacular nuclear power developments have tended to overshadow advances in conventional power plant, these have still been very considerable. The astonishing increase in boiler sizes in recent years, and, if I may refer to it as such, the breaking through the barrier of critical pressure have been most significant. These achievements will, undoubtedly, have a marked effect on the future costs of power generation and the Company are proud to have contributed much to this work.

General Review and Prospects

I will now try to outline the overall situation as I see it. On the one hand we have a Group of Companies, world-wide in nature and outlook, magnificently equipped, and managed by teams of men of intelligence and high technical skill. No Company could be better supported, I am sure of that.

On the other hand, the whole of industry—and we are no exception—has of late been encountering in all parts of the world intense competition, incessantly rising costs of labour and materials, not to mention restrictions and burdensome taxation. Emphasis is given to this situation by our figures for the past year, for, despite every effort—evident in the higher turnover—we could only achieve a slightly higher total profit than that of last year. We are fully alive to these problems and are ever striving towards greater efficiency. But we have to contend with world conditions as they are, and we cannot disguise the fact that these could retard our progress for the time being if there were no improvement.

It is new vision on an international level that is needed today, and until it emerges, there is bound to be confusion and instability. Nevertheless, I remain hopeful and confident, because it is out of just such perplexity that new vision is always generated.

MANCHESTER OIL REFINERY (HOLDINGS)

SUEZ AFTERMATH AFFECTS PRICES

SLIGHTLY LARGER GROUP PROFIT

MR R. E. F. DE TRAFFORD ON THE OUTLOOK

The tenth annual general meeting of Manchester Oil Refinery (Holdings) Limited, will be held on May 30th at Winchester House, Old Broad Street, London, E.C.

The following is an extract from the statement by the Chairman, Mr Rudolph E. F. de Trafford, OBE, which has been circulated with the report and accounts:

The twelve months ended December 31, 1957, proved a difficult year for your Company in common with much of British industry. The reaction after Suez resulted in a considerable decrease in the prices of most finished products without a corresponding fall in crude oil prices. Margins of profit have, therefore, narrowed considerably. I am sure you will agree that in these circumstances our slightly increased Group profit before taxation can be considered satisfactory.

GROUP PROFIT AND DIVIDEND

The Group profit for the year before taxation was £209,520 as compared with £204,820 for 1956. Taxation, other than profits tax arising from distribution of Preference and Ordinary dividends, absorbed £103,864, and the profits attributable to outside shareholders of subsidiary companies amounted to £2,399, leaving a net profit attributable to the parent company of £103,257 as against £108,154 for the previous year. An amount of £8,100 has been transferred to Debenture Redemption Reserve and Preference dividends and the interim Ordinary dividend, together with the Distributed Profits Tax attributable thereto, have absorbed £28,289. Your Directors recommend the payment of a final dividend of 8½ per cent less tax, making a total distribution for the year of 12½ per cent less tax. If this distribution is approved there will be carried forward on the Consolidated Profit and Loss Account the sum of £132,639, which compares with £93,782 as at December 31, 1956.

During the year the Group incurred net expenditure of £350,057 on capital account and the net book value of the fixed assets as shown in the Consolidated Balance Sheet as at December 31, 1957, amounted to £1,050,008 as compared with £824,183 at the end of the previous year. This expenditure was principally related to the new sulphonates plant, and the necessary ancillary plants and additional storage facilities, which I mentioned in my Statement last year. I am happy to tell you that these new plants are now completed and working satisfactorily and profitably.

INCREASED OIL STOCKS

The difficult trading conditions encountered throughout our industry during the latter part of the year were principally responsible for the increase of over £150,000 in the value of the Group's oil stocks; since the end of the year we have made progress in reducing these stocks to a more normal level. During the year our wholly owned subsidiary, Raven Oil Company Limited, extended the scope of its activities to include transactions in fuel oil abroad and the increase of some £200,000 in the amount of the Group's debtors is almost entirely attributable to this business. The addition to the Group's trade investments consists largely of an investment which was made during the year in PAM Oil Storage, SA, of Antwerp, to which I will refer later.

The amount due to sundry creditors has risen principally because of a fortuitous difference in the dates on which payment was due for crude afloat at the balance sheet date as compared with the position at the end of 1956, while the increase of over £250,000 in the amounts owing to bankers is due to the necessity to finance the higher levels of stocks and trade debtors.

BORROWING POWERS

The Company's Articles of Association provide that the amount which may be borrowed by the Group shall not, without the sanction of a general meeting, exceed twice the nominal paid-up share capital of the company. This limit is at present £1,430,000. The Directors recommend that this limit should be increased to £2,750,000. Details of the proposed new provisions are contained in the special resolution which is set out in the notice convening the annual general meeting of the company to be held on May 30, 1958.

Following upon the changes in our senior executives to which I referred last year, there has been a further reorganisation of our sales companies, which are now concentrated in London. Mr J. E. Harvey, MP, while continuing to act as Manager of Marine and Industrial Lubricants Limited, has also been appointed Manager of the home sales company, Manchester Oil Refinery (Sales) Limited. I feel confident that the changes will make for more efficient and economic marketing. We have also been enabled, by centralising our sales organisation on London, to establish closer contact with the oil industry generally.

SULPHONATES

I have referred previously to the additions to the sulphonates plant and I am glad to say that we can already foresee sales for the whole of its production for 1958. We are now firmly established in this important and growing market. The chemical products plant, which manufactures alpha and gamma picolines, made a satisfactory contribution to our profits in 1957 and its entire potential output for 1958 is already sold forward.

NEW TYPE OF TRANSFORMER OIL

Your company has devoted much effort to research work on transformer oil. As a result, some years ago we began production of a new type of oil passivated against metals. This grade is now beginning to be widely accepted, particularly for overseas service where operating conditions are more severe. A further development of our transformer oil marketing has been the introduction for the first time in this country of mobile equipment capable of testing the oil component and of servicing all forms of transformers on site.

Marine and Industrial Lubricants Limited continues to expand and to make a satisfactory profit, giving us a useful standing in the marine field.

FLEXIBOX LIMITED AND OTHER INTERESTS

Flexibox Limited, in which we have a two-thirds interest, felt the effect of the engineering strike and other labour troubles in 1957. I am glad to say that these troubles are behind us and excellent labour relations now exist. Our new factory at Ballymena in Northern Ireland is getting into its stride and I am sure that it will become increasingly profitable. I would like to take this opportunity of thanking the Government of Northern Ireland and its officials for their constant helpfulness and the interest they are taking in our development.

The value of orders on hand, both for home and foreign markets, shows a further increase, and you will be pleased to learn that the output in Manchester and Ballymena is largely sold forward for 1958. We are satisfied with the progress made by our foreign licensees and subsidiaries, which should again this year contribute substantially to the profits of Flexibox Limited.

Turning now to the other Companies in which we have financial interests, Petrocarbon Developments Limited has completed the alcohol recovery plant which they designed and constructed for Manchester Oil Refinery Limited and this plant is working well; it has also obtained important new orders in the chemical engineering field during the last twelve months, including a second research contract for the Atomic Energy Research Establishment, Harwell, and the design of a polystyrene plant for Poland.

Stratton Chemicals Limited continues to make good progress both as a trader in chemicals and as an agent for the sale of chemical plant.

The refinery in Belgium, Albatros S.A. Belge pour le Raffinage de Pétrole, S.A., which continues to operate under its processing agreement with the British Petroleum Company Limited, had a satisfactory year.

Your company has become a partner in a new Belgian company, PAM Oil Storage, S.A., in which we have made an investment of B. Frs.2,500,000 (£17,981). This company has been formed to build an ocean storage installation in the new Petroleum Port of Antwerp capable of discharging large ocean-going tankers. PAM Oil Storage, S.A. is owned as to one-third by Steenkolen Handelsvereeniging N.V. of Utrecht (known in the United Kingdom as Coal Trading Association), one-third by BRUFINA, S.A. (one of the leading Belgian industrial and financial investment trusts) and one-third by your company. This investment should strengthen our trading position on the Continent.

THE FUTURE

So far as future prospects are concerned, the recession in the United States and the world over-production of oil which has resulted in the existing low profit margin on most oil products, and in particular on lubricating oils must cause some anxiety. I have already referred to the broadening of the basis of our activities and your Board are confident that, provided there is no further serious deterioration in conditions, either in the oil industry or in the country's general economy they will be able to maintain the profits for 1958 at about the level achieved for 1957.

ROYAL INSURANCE COMPANY LIMITED

A statement by the Chairman Mr T. H. Naylor, circulated with the Annual Report and Accounts of the Royal Insurance Company Limited announces that the total premium income (excluding Life Assurance) rose in 1957 to a new high level of £131.4 million, almost £10 million more than in the previous year and rather more than six times the prewar level.

THE YEAR REVIEWED

At home there had been a satisfactory increase in premiums accompanied by a very welcome improvement in underwriting results.

The premium income in the General Overseas field showed a steady increase and a good return had been earned but in North America a substantial increase in premiums had been more than offset by the rise in claims and the Company's overall underwriting operations there, for the first time in many years, resulted in a loss on its customary premium reserve basis. Fortunately, as reflected in the overseas tax figures in the accounts, the unfavourable experience was to some extent mitigated by substantial US tax credits.

The Company's very large interests in the United States naturally weighted the world-wide result, and the total surplus on the year's underwriting had fallen by £364,274 to £1,591,613 or 1.2 per cent of premiums; this was a lower percentage than had been recorded in any year since the San Francisco earthquake of 1906.

It was a source of satisfaction that during this difficult year the total expenses, excluding commission and overseas taxes, were held to the 1956 ratio of 16.1 per cent.

Apart from underwriting, the other principal source of income was the interest earned on the investment portfolio, and this item, after deducting both overseas and UK taxation, had increased by £150,000 to £3.4 million.

After allowing for the usual contributions to the Staff Pension Funds and for UK taxation the net consolidated profit for the year amounted to a little under £3.3 million compared with £3.7 million in 1956.

DIVIDEND

The Directors were recommending a final dividend of 1s. 11d. per 5s. unit, making a total of 3s. 10d. for the year, and carrying forward unappropriated an additional £716,000 thereby increasing the balance of the Profit and Loss Account from £9.2 million to £9.9 million.

FIRE DEPARTMENT

	Net Premiums	Underwriting Surplus	Percentage of Premiums
	£	£	%
1957	55,128,645	1,509,070	2·7
1956	52,599,302	1,217,970	2·3

At home, premiums increased slightly. A welcome reduction in the national fire wastage and relief from the severe weather conditions of 1956 were reflected in a substantial increase in the surplus earned on the home account. The major part of the £2.5 million increase in premiums had arisen in the United States, but deterioration in the experience there had led to a small trading loss compared with a small trading surplus in 1956.

In Canada an underwriting loss had been suffered but in Australia the results and those of other overseas territories generally were broadly similar to the previous year and the Company had secured a satisfactory surplus on the year's trading.

The total underwriting surplus of £1,509,070 represented 2.7 per cent of premiums written and was nearly £300,000 higher than in the previous year.

ACCIDENT DEPARTMENT

	Net Premiums	Underwriting Result	Percentage of Premiums
	£	£	%
1957	69,618,767	—291,848	—0·4
1956	63,045,235	737,917	1·2

There had been an increase in premium income in all the major countries in which the Company operated but the account, dominated by unfavourable Motor experience in North America, resulted in a deficit of £291,848 or 0.4 per cent on the year's operations. The difficulties experienced in Motor insurance could be attributed partly to the effects of inflation and partly to the increasing number and performance of modern cars together with the current trend in design and construction which led to quite disproportionately expensive repair bills for simple cases of damage. In addition, in countries such as the United States complications and delays in obtaining official approval to necessary rate increases made the task of wresting a profit from the business extremely difficult.

MARINE DEPARTMENT

	Net Premiums	Fund as at December 31	Percentage of Premiums
	£	£	%
1957	6,681,038	14,013,980	209·8
1956	6,046,875	13,546,933	224·0

The 1955 underwriting account had disclosed a balance of £374,391 or 5.6 per cent which could be regarded as satisfactory. This was the first transfer to Profit and Loss Account since the Company's decision to keep Marine Accounts open for three years instead of two.

1957 was another year marked by several major casualties to large modern vessels bearing valuable cargoes and the present indication was that the 1956 and 1957 accounts would show less favourable results than 1955.

LIFE DEPARTMENT

	New Sums Assured	New Annuities (per annum)	Claims by Death	Matured Endowm't Assur'nces
	£	£	£	£
1957	41,407,585	2,164,924	1,392,179	2,276,177
1956	35,995,786	1,524,999	1,442,072	2,282,056

Higher new life business had again been recorded, an appreciable part of the increase flowing from the continued expansion of business in Canada.

The considerable increase in the Funds during the year had been invested on very favourable terms and the present high rates of interest made future bonus prospects particularly favourable for with profit policyholders. Furthermore it had been possible

to reduce quite appreciably premium for without profit contracts.

INVESTMENT DEPARTMENT

In spite of the fall during the year in market value of fixed interest securities of ordinary shares and common stocks, market value of the Company's investments in the aggregate, at the end of 1957, exceeded by a satisfactory margin the at which they appeared in the Balance S

The ability to obtain attractive return new investment was a much more impor consideration than the temporary fal values.

REFUGE ASSURANCE COMPANY LIMITED

The Chairman, in a statement subm with the 1957 accounts, mentioned that was the Centenary Year of the Comp He traced briefly the nature of the Comp business from its inception.

In the Industrial Branch where origi benefits had been primarily for the prov of funeral expenses some three-quarte the premiums received now arise policies containing endowment benefits, of the new business ninety per cent this class.

In the Ordinary Branch, as for the seventy years, the emphasis is on endowm assurances effected by individual po holders, frequently to supplement pen receivable from other sources.

He referred to the increasing prov made by the state for old age and sugg that any Government scheme should st the provision of pension benefits suffic to cover reasonable basic needs, benefi excess of these being left to the free choic individuals to spend their income as like, there being ample facilities availabl savings to supplement State pensions none better than those provided by the Assurance Companies.

The combined new sums assured of £36 million in the Life branches were greatest yet written by the Company in year, and the total sums assured and bon in force were now £368 million. The assets of the Company were £150 mi

ALLOCATIONS TO POLICYHOLDER

In the Ordinary Branch surplus £1,786,000 was allocated to policyholder provide a bonus on with-profit policie the rate of £1 18s. 0d. per cent on the assured in respect of each year's prem due in 1957 and paid.

In the Industrial Branch £1,200,000 allocated to policyholders to provi reversionary bonus to premium pa policies (with certain exceptions) at the of £1 per cent on the sum assured policies dated 1952 and earlier, and £4 8 per cent for policies dated 1953, it the first time that the latter class has ticipated. The conditions under which up policies are granted at advanced ages also been improved and certain increases in benefits continued.

INVESTMENTS

The Company's assets include £50 m invested with the British Governmen Local Authorities, £38 million in Deben and Preference stocks, and £18 millio Ordinary stocks. Mortgage advances, la in connection with House Purchase, £30 million.

Albright & Wilson Ltd

The following is a digest of information appearing in the Annual Report for 1957, posted to stockholders on 6th May. The Secretary of the Company will be glad to supply copies of the Report on request.

	1957 £	1956 £
Group trading profit	4,754,000	4,416,000
Depreciation	1,847,000	1,822,000
Taxation	1,295,000	1,362,000
Minority Interests	59,000	28,000
Net profit	1,553,000	1,203,000
Dividends	585,000	532,000
Retained profit	968,000	671,000
Group net assets	25,961,000	24,850,000
Ordinary dividend — rate	20%	18%
— times covered	2.8	2.4

The issued Ordinary capital in both years was £4,564,000. It is proposed to increase this to £5,705,000 by the issue of fully-paid shares in the ratio of one unit for every four held.

TRADING Sales of all companies in the Group expanded in 1957, the total being about 10% higher, at £30 million compared with £27 million in 1956. In the United Kingdom, the measures taken by the Government to halt inflation do not appear directly or indirectly to have influenced sales to home customers. Exports continued to account for between a fifth and a quarter of total sales. In Canada, the growth in sales and profits, although encouraging, was somewhat less than had been expected: there were strikes affecting transport and some customers, and there was intensified competition from United States producers, aided by the premium on the Canadian dollar. A considerable increase in sales and profits was achieved in Australia, where the synthetic detergent market is in the phase of rapid expansion experienced earlier in North America and the United Kingdom; sales of phosphate esters to the oil and plastics industries also increased significantly. From the Group's investment in the United States, now represented by its holding in Hooker Electrochemical Company, dividends of $378,000 were received during the year.

DEVELOPMENT In 1957 Group capital expenditure amounted to about £2 million. Among the projects in the United Kingdom were the extension of Marchon's phosphates plant, the building of a ship for Astoria Shipping and Transport Company, and plants for a number of new phosphorus compounds made by Albright & Wilson (Mfg.). In Canada, the new sodium chlorate plant at Vancouver was completed and work was begun on extensions to the plant for this product at Buckingham, Quebec. In Australia, the main items of expenditure were the building of an additional phosphorus furnace and the purchase of new office premises. Projects for 1958 include additions to research and development facilities in the United Kingdom, further phosphate and sodium chlorate manufacturing extensions in Canada, and a plant for detergent sulphonates in Australia.

PROSPECTS FOR 1958 In the first three months of this year Group sales and profits have been higher than for the corresponding months of 1957, but not as high as had been hoped at the time of budgeting. It seems likely from information so far available that this pattern will persist for much of the year.

The Sixty-sixth Annual General Meeting of Albright & Wilson Limited will be held at the Company's office at 1, Knightsbridge Green, London, S.W.1, on 29th May, 1958 at 3 p.m.

ALBRIGHT & WILSON
chemicals
1 KNIGHTSBRIDGE GREEN
LONDON · SW1

ALBRIGHT & WILSON (MFG.) LTD.
ALBRIGHT & WILSON (AUSTRALIA) PTY. LTD.
ELECTRIC REDUCTION COMPANY OF CANADA LTD.
MARCHON PRODUCTS LTD.
MIDLAND SILICONES LTD.
SOLWAY CHEMICALS LTD.

BADENOCH RUBBER ESTATE LIMITED

ADDRESS BY THE CHAIRMAN, MR A. P. HAMILTON, AT THE ANNUAL GENERAL MEETING HELD ON MAY 6th, 1958

The profit earned during 1957 before allowing for taxation amounted to £105,697 as compared with £100,989 earned during the previous twelve months. Due to the concessions allowed to Overseas Trading Corporations taxation on last year's profits amounted to £28,250 as against £42,272 in 1956.

We are transferring £25,000 to our Development Reserve and recommend a final dividend of 20 per cent less tax, which if approved, will make a total dividend of 30 per cent for 1957 and allow us to carry forward £50,828 to the current year.

The increased profit earned before taxation can I think be considered very satisfactory in view of the fact that the average price for No. 1 Ribbed Smoked Sheet was 2¼d. a pound lower in 1957 than in the previous year. This increase can largely be accounted for by the excellent crop which at 2,782,000 lbs. showed an increase of some 22 per cent as compared with 1956.

The crop for the first four months of the current year amounted to 913,000 lb which is 42,000 lb in excess of the estimate.

As mentioned in the Report the balance of the area of reserve land suitable for the cultivation of rubber was planted up during the year under review. This land totals 1,125 acres and the first area which was planted in 1953 should be ready for tapping next year. From then on additional areas will come into production each year which should result in a considerable increase in our crop.

Now that the jungle reserve has been planted up it is proposed to replant year by year the older areas of the estate and 364 acres are to be dealt with during 1958.

Both Mr Karsten and I visited your property earlier this year and we were very satisfied with the general condition of the estate and in particular with the appearance of the new plantings to which I have just referred.

We are continuing to manufacture our crop in the form of concentrated latex and have so far contracted to sell 57 per cent of our estimated latex production during the last eight months of the current year at a satisfactory premium over the price of No. 1 Ribbed Smoked Sheet. The premium on concentrated latex over sheet rubber has been declining during recent months and although it is still profitable to manufacture our rubber in this form we appear unlikely to obtain as much benefit from concentrated latex as has been the case in the previous two years.

Since the Report was issued we have been notified that it will be necessary to renew the main water supply to the Estate which is piped from a reservoir from the jungle. The existing pipeline was laid in 1934 and has unfortunately become corroded beyond repair. The cost of renewing this pipeline will amount to approximately £14,000, a heavy but unavoidable item of capital expenditure.

I would like in conclusion to pay tribute to our Eastern Agents and the Staff on the Estate. The satisfactory results before you today are in no small measure due to their efforts. Although there was no terrorist activity on the Estate during the year Badenoch is situated in a "red" area and the necessary restrictions imposed on the labour force add considerably to the difficulties of Management and Staff.

BLACK-CLAWSON INTERNATIONAL LIMITED

Wholly Owned Subsidiary of The Black-Clawson Company

(Manufacturers of Pulp and Paper Making Machinery)

CONTINUED EXPANSION

The ninth annual general meeting of Black-Clawson International Limited will be held on May 29th at the registered office of the Company, Black-Clawson House, 18-19 Savile Row, London, W.1.

The following is the circulated statement of the chairman, Mr K. F. Landegger (USA):

I have pleasure in presenting the Accounts of Black-Clawson International Limited for the year ended September 30, 1957.

In view of the continued expansion of the Company's business, it was considered essential that the Company should control its own manufacturing facilities. For this purpose the Company acquired in May, 1957, from The Whitehead Iron and Steel Company Limited, the whole Share Capital of W. A. Baker and Company Limited, Newport. Before the acquisition the Baker factory acted as major sub-contractor for our Company's pulp and paper making machinery and equipment. The works at Newport, Monmouthshire, have a site area of 13½ acres with a working floor space of over 260,000 square feet, are equipped with modern plant and machinery, and will be able to carry out the programme of increased production which has been initiated. The works recently produced the largest paper machine drying cylinders in the world.*

TOTAL ASSETS EXCEED £3 MILLION

The total assets of the Group now exceed £3 million, of which £914,000 is represented by the share capital and reserves and £800,000 by loan capital, including £600,000 6 per cent Debenture Stock 1972/82 which in 1957 was sold to institutional and professional investors in the United Kingdom. For the first time, therefore, the capital of our Company is not held entirely by The Black-Clawson Company of America.

The value of the fixed assets of the Company and of W. A. Baker and Company Limited at September 30, 1957, on the basis of cost less depreciation, was £1,037,434.

The Net Consolidated Profit for the year ended September 30th last, before taxation but after depreciation of fixed assets and interest on the Loan Capital, was £243,126. The amount provided for taxation on the above profits is £118,724.

The value of the unfulfilled orders at September 30, 1957, was in excess of £4,800,000. With our increasing productive capacity and efficiency we are confident that we shall be able to maintain our position in the pulp and paper making machinery field.

I would like to express my sincere thanks to my colleagues and the whole of our staff and employees for their support and co-operation during the past year which has marked an important expansion in the Company's development.

BLACK-CLAWSON COMPANY OF AMERICA

As this is the first year in which the public have an interest in Black-Clawson International Limited I thought it would be appropriate to end my Statement with certain information regarding The Black-Clawson Company of America which owns all the issued Share Capital of Black-Clawson International Limited. The Capital and Reserves of The Black-Clawson Company as shown in its Consolidated Accounts at September 30th last were US $12,839,520. During the three years ended September 30, 1957, the Black-Clawson Group has carried out a programme of expansion of its manufacturing facilities and its technical knowhow. During this period the Group expended upon capital equipment some US $7,766,000 and upon engineering, patterns, jigs and fixtures approximately US $9,750,000. The Group has four manufacturing plants in the Un States and one in the United Kingdom; factories have over 1½ million square fe production space on 42 acres of land and total number of employees amounts to ne 3,000.

The sales of The Black-Clawson Comp in the year ending September 30th last w US $45,304,378.

*Note.—These cylinders form part o machine built by The Black-Clawson Co pany which is the largest newsprint mac ever built. It is a 342 inch wide giant cap of producing in one day a continuous high of newsprint 27 feet wide and 500 miles l

HUMPHREYS LIMITED

(Building and Civil Engineering Contractors)

HIGHER TURNOVER OFFSET BY RISING COSTS

The 66th annual general meeting of Humphreys Limited will be held on June 3rd, at Winchester House, Old Broad Street, London, E.C.2.

The following is an extract from the statement by the Chairman, Mr A. V. Bridgland, CBE, which has been circulated with the report and accounts:

Our trading profit for this year is £132,935 as against £133,125 last year. Although our turnover has increased, the profit has been affected by rising wages and increased charges for rent and rates arising from our move to our new offices.

The Balance Sheet shows that current liabilities of £1,008,050 are covered by current assets of £1,283,951, giving a surplus of current assets over liabilities of £275,901, of which £186,253 is in cash.

SOUTH AFRICAN SUBSIDIARIES

Dealing with the South African Subsidiaries, the statement continued: Much has been done by its Board to improve the organisation and efficiency of R. H. Morris (Pty.) Limited. We have received slightly increased dividends this year and it is encouraging to report that the ensuing year should be profitable as the Company is engaged on several remunerative contracts. There are indications that a considerable amount of both building and civil engineering work will be offering in and around Cape Town during the next few years.

R. H. Morris (Pty.) Limited are this year paying a dividend of 5 per cent on the Ordinary Shares and the Board are hop that profits should show a steady ris our subsidiary benefits from the reorgan tion to which it has been subjected. T situation could be improved more specta larly and more speedily if the highly co troversial national political situation co be resolved in a manner that would resto confidence both in South Africa and overs

As to the other South African subsidi National Quarries (Pty.), Limited, I have report that the Administrator of the C Province has issued a closure order wi is to take effect from October 31, 1961, the ground that the quarry in the Tygerbe Hills is spoiling the scenery. A claim f full compensation has been prepared. Mea while, another site, over which the Compa had previously obtained quarry rights, being prospected with a view to opening new quarry on the closure of the pres one.

It is, however, clear that the closure the quarry will result in there being shortage of stone against demand and th the closure order will deprive the Cape Tow area of a quarry that not only produces th highest quality stone but also has the great output and is closest to the city.

National Quarries (Pty.) Limited has th year raised its dividend to 25 per cent.

So far as our own future is concerned, would say that despite the higher Bank Ra and the more stringent financial condition prevailing, your Company, by virtue of it close and varied associations, has good reas to be hopeful.

POSITION IN BRIEF
Year ended November 30, 1957.

	£
Earned profit before taxation	117,827
Less taxation	62,400
Net profit after taxation	£55,427
Appropriated as follows:—	
Preference dividend net	3,163
Ordinary dividend net	21,562
Balance retained	30,702
	£55,427
Preference Shareholders.	
Issued capital	£100,000
Gross dividend covered by taxable profits	21.4 times
Capital covered by net assets	6.4 times
Ordinary Shareholders.	
Issued capital	£250,000
Gross rate of dividend paid	15%
Gross rate earned on present capital excluding Reserves	44%
Net assets attributable to each 5s. Ordinary Share	10s. 10d.

ATLAS ASSURANCE COMPANY LIMITED

150 YEARS OF PROGRESS

The Annual General Meeting of the Atlas Assurance Company Limited will be held n May 30th in London.

The following are extracts from the Statement to Shareholders by the Chairman, Mr Rudolph E. F. DE Trafford, OBE, which has been circulated with the Report, Accounts and Balance Sheets, for the year ended December 31, 1957:

The present year is a notable one for the "Atlas" in that it will be 150 years on June 24th next since we first opened our doors for business.

Your Directors decided that it was appropriate to mark the occasion in a tangible way for the shareholders and they have accordingly declared a special anniversary distribution of 1s. per share in addition to the normal dividend.

During our long history and by the very nature of our business we have, of course, known good times and not so good ones but it is nevertheless a disappointment to us that in this anniversary year we have to report a trading loss on our fire insurance account for the first time since 1906, the year of the great San Francisco earthquake. On this occasion it was a generally adverse experience in the United States, common to practically all companies, rather than a single catastrophe as was the case in 1906, that largely gave rise to our loss.

I now turn to our Accounts.

FIRE DEPARTMENT

Net Premium Income 1957	£6,414,414
Net Premium Income 1956	£6,265,398
Increase	£149,016

Following upon an indifferent year in 1956, when we showed a profit of only £34,129 (.5 per cent), we had an even worse time in 1957 and have to report a loss of £129,880 (2.03 per cent).

Our home business, which struck a bad patch in 1956, recovered and showed a satisfactory profit.

In the overseas field too, apart from the United States and Canada, we fared well though it seems clear that intensifying competition and other circumstances of one kind and another are having their effect on profit margins in many territories.

In the United States, as I have said, we, like other companies, again had an unfortunate experience.

In Canada also 1957 was a difficult year for everyone.

ACCIDENT DEPARTMENT

Net Premium Income 1957	£3,815,015
Net Premium Income 1956	£3,311,714
Increase	£503,301

Of the increase in premiums roughly one-third came from the home field and the remainder from territories overseas.

Rates of premium for motor business were increased during the year both in this country and in some countries overseas and we made a profit—albeit an extremely modest one—on our home motor business for the first time for some years. Our overseas motor account, however, again showed a loss overall and there can be no doubt that rates are still too low in many areas.

Our casualty operations in the United States have developed steadily along controlled lines and they were satisfactory notwithstanding the very difficult market conditions.

We closed with a profit of £207,382 (5.44 per cent) against £102,565 (3.10 per cent) in 1956.

MARINE DEPARTMENT

Net Premium Income 1957	£828,739
Net Premium Income 1956	£798,221
Increase	£30,518

The trend which I mentioned last year of an increasing income from hull business continued for much of 1957, and the account as a whole showed a moderate expansion. However, difficult conditions in the freight market began to manifest themselves towards the end of the year and these developments must, at least, temporarily, have a depressing effect on hull premiums.

The very wide forms of cover which have now become commonplace, coupled with the present low level of rates, make it problematical whether there can be a sufficient margin for profit on cargo business.

A sum of £100,000 has been transferred to Profit and Loss Account, as against £150,000 last year, and the Marine Fund at the end of the year was £1,335,695.

LIFE DEPARTMENT

The net new sums assured in 1957 amounted to £9,814,910 compared with £9,477,260 in 1956. New deferred annuities were issued for £912,526 per annum.

Premium income rose by over 10 per cent. Purchase prices of immediate annuities were £543,267 against £88,482 in 1956.

Gross interest income increased by very nearly £200,000 and the gross rate of interest earned on the Fund increased by 3s. 10d. to £5 11s. 5d. per cent.

The total surplus, including £382,093 brought forward from the previous year, amounted to £1,506,800. The sum of £500,000 has been transferred to the Investment Reserve and £21,809 was required to provide for interim bonuses and bonuses on reassurances received from other companies. The very substantial balance of £984,991 has been carried forward.

APPROPRIATION ACCOUNT

After providing for the dividend for the year at the rate of 3s. 6d. per share, 1s. 6d. per share of which was paid in November last, and the special anniversary distribution of 1s. per share, the carry forward amounts to £1,322,466.

BANCO DI ROMA

Paid up Capital: Lire 1,000,000,000
Reserve : „ 4,250,000,000

The Meeting of Shareholders of the Banco di Roma, held on April 21, 1958, under the chairmanship of H. E. Professor Costantino Bresciani Turroni, approved the Balance Sheet, Profit and Loss Account and the allocation of the profit for the financial year 1957.

Against the increase of 50,000 million lire in available funds bringing them up to approximately 613,000 million lire, there was a rise of 49,000 million lire in liabilities, bringing them up to 430,000 million lire. Arising out of these increases and the expansion which occurred in other sectors, the grand total of the balance sheet items shows an increase of 132,000 million lire and now stands at 1,260,000 million lire.

The balance of the net profit of Lire 873,154,604 has made it possible to increase the rate of dividend from 9 per cent to 10 per cent and to allocate Lire 750 million to reserve, which thus amounts to 4,250 million lire.

The Meeting further approved the appointment to the Board of Directors of Dr Luigi Chialvo, whose term of office will last until the approval of the Balance Sheet for the Financial Year 1958 in order to bring his term of office in line with those of the other Directors.

The Board of Directors met immediately after the Meeting of Shareholders and confirmed the appointment of H. E. Professor Costantino Bresciani Turroni as Chairman, Cav. del Lavoro Baron Professor Francesco Mario Oddasso as Vice-Chairman, and Cav. del Lavoro Ugo Foscolo as Managing Director.

A dividend at the rate of Lire 10 in respect of each nominal share of Lire 100 is payable on and after April 22, 1958, at all offices of the Banco di Roma in Italy on presentation of the share certificates for stamping.

THE RIO TINTO COMPANY

MR GERALD COKE ON DEVELOPMENT OF GROUP'S INTERESTS

The eighty-fifth annual general meeting of The Rio Tinto Company Limited will be held on June 5th at Barrington House, 59, Gresham Street, London, E.C.2.

The following is an extract from the circulated statement of Mr Gerald Coke (the Chairman):

Accounts: The increase from £3,270,000 to £15,393,000 in the figure for capital reserves in the balance sheet of the parent Company is due to the premiums arising from the issue of 2,311,200 ordinary shares in exchange for shares of the Kern Oil Company Limited and of the further issue in October, 1957, of 2,085,200 ordinary shares at 50s.

A large part of your Company's income is derived from its Rhodesian investments. The dividend received from subsidiary Companies, which, of course, is principally derived from the Kern Oil Company, has gone some way to making good the fall in income from the copper producing companies in the year to December 31st last. The Kern Oil Company must, however, retain sufficient resources for development purposes and its profits must depend on the future trend of oil prices. On the other hand, the income derived from the Rhodesian investments is bound to be smaller during the present year due to the fall in the price of copper, which was not fully reflected in the dividends received during the year under review, and the total income available to the parent Company will be correspondingly reduced. In due course substantial income will, it is hoped, arise from your Company's uranium investments, but it must be appreciated that both the producing companies themselves and The Rio Tinto Mining Company of Canada, which is the holding company, have heavy prior charges to amortise before the equity can expect any return.

SPAIN

During the year we received a first dividend of 6 per cent on our investment in the Spanish mine.

CANADA

The principal problem which the Canadian Company has had to face during the year has been the over-run in the capital expenditure on the uranium mines of the Northspan Company. Such over-runs are common to nearly all mining enterprises, especially in a time of rising prices, but there is no doubt that in this particular case the speed with which the whole operation had to be carried out inevitably led to under-estimation and some excess of expenditure.

If the rapidity with which the mines have been brought into operation is taken into account, the excess expenditure is not proportionately high, though, when such large sums are involved, it naturally follows that the additional amounts required are large expressed in terms of money.

The parent Company felt that it must ensure the completion to the point of active production of the uranium since under the management and control of The Rio Tinto Mining Company of Canada. The overall financial picture of these uranium mines to the end of the present contracts can be viewed as not unsatisfactory.

In 1956 reference was made to the long-term prospects for uranium. Since then more is known of the long-range possibilities of the fusion process as a means of producing power for civil purposes. This factor was, however, taken into account in the estimates tentatively given and it does not appear that there are any new factors which would suggest any major revision of those estimates.

The expanding requirement for power is the principal factor on which the demand for uranium will be based. Some estimate of the size of this demand was made by Sir Edwin Plowden in an article published in December, 1957, and it would be difficult to find a better authority to quote. His article, which was published in *Optima*, the journal of the Anglo-American Corporation, for December, 1957, may be recommended to all who are interested in the probable future demand for uranium.

The statement then quoted extracts from the article in which it was stated that "It is possible that the total amount of uranium needed by the free world for civil purposes in the 1970s could well be in the region of 50,000 tons a year and still rising. One of the conditions for a continuing high demand is that it (uranium oxide) should be produced cheaply and for those established mines which can do this, and for those who can find economical new sources of supply, there should be an ever-growing market."

The statement continued: After the termination of the present Government contracts and with the background of the experience gained as the world's largest uranium producer, the Group should be capable of fulfilling these conditions and maintaining its competitive position.

In addition to meeting the deliveries of uranium oxide required under existing Government contracts, the Group will, within the next few months, have sufficient plant capacity to supply additional consumers where governmental bi-lateral arrangements permit. The Group is also developing an organisation for research into new methods of processing the oxide and for selling it on a world-wide basis. We believe that the products we have to offer will be found to be competitive and, with the substantial sources of supply which the Group can command, the intending purchaser should have a guarantee of delivery in the quantities and qualities he is likely to require.

AUSTRALIA

The Mary Kathleen mine is expected to begin production earlier than the date originally forecast. We congratulate our Australian associates on this achievement, which augurs well for the future of our Australian organisation.

AFRICA

During a time of falling metal prices a mining group such as the Rio Tinto Group must have special regard to the possible returns from any development or exploration work which they undertake, but your Board feel that it is essential to maintain an active exploration organisation in any area where there are reasonable prospects of such activities bearing fruit, and in particular to ensure that their organisations in the Federation and the Union, as well as in Canada and Australia, are fully prepared to take advantage of any improvement in base metal prices.

OIL

The Kern Oil Company has been a member of the Rio Tinto Group for nearly a year and its organisation is now working as an integrated part of the whole. This acquisition is a most important and valuable diversification of our interests.

AUTOMATIC TELEPHONE & ELECTRIC COMPANY LIMITED

Annual Report and Accounts of the Group for the Year ended 31st December, 1957

PRINCIPAL FEATURES

	1957	1956
	£	£
Profit (after depreciation, etc.)	1,981,905	1,794,081
Taxation	842,761	805,935
Net Profit	1,139,144	988,146
Dividends	338,545	292,127
Retained in the business for Research, Development, Expansion, etc.	797,942	696,019
Issued Capital	4,572,200	3,994,400
Reserves and Amounts set aside	8,809,038	7,848,905
Fixed Assets	4,707,216	3,668,049
Investments	284,445	288,655
Net Current Assets	8,541,446	7,886,601

The following is an extract from the Statement to Stockholders made by Sir Thomas Eades, Chairman:—

"Although we entered 1958 with a full order book, our Manufacturing Programme for this year does not show the expansion over 1957 that was anticipated when I reported to you last year. This is partly due to the fact that the Post Office expenditure programme for 1958 and 1959 has been cut back as part of the Government plan to restrict the expenditure of Nationalised Industries.

"P.O. Telephones are not really large consumers of finance, and they pay their way as profit earners, so that it is unfortunate to restrict expansion, particularly at the present time."

PROVINCIAL INSURANCE COMPANY

STATEMENT BY MR PETER F. SCOTT

The fifty-fourth Annual General Meeting of the Provincial Insurance Company will be held at 100 Cannon Street, London, E.C.4, on Thursday, May 22nd. The following is the statement of the Chairman, Mr Peter F. Scott:

After ten postwar years of planned development at home and overseas, this has been the first year of consolidation with comparatively younger men at the helm.

First, I would like to refer to an important rearrangement in our top management structure. The need to spread the responsibilities of general management on more shoulders has been apparent for some time and received careful study last year. On the advice of the General Manager, from January of this year Mr W. H. Gee was appointed his deputy with particular responsibility for the overall administration of our home business, and three of our senior managers were promoted to the rank of Assistant General Manager: Mr D. W. Holloway, manager of our home motor department, Mr A. Murdoch, manager of our home fire department, and Mr E. H. Paxton, our overseas manager.

I have also to report the retirement of two managers of our home branches: Mr J. G. Davie, who was branch manager in Birmingham from 1937 to 1944 and Manager for Scotland from 1944, and Mr H. N. Gaze, who had been in charge of our business at Reading. I take this opportunity of wishing both these old friends happiness in their retirement.

During the year my two deputy chairmen made visits overseas, Mr Haslam to Australia, where he and the General Manager opened our five new branch offices, and Mr Falk to West Africa. Since then subsidiary companies have been formed in Nigeria as well as Canada.

Our world-wide income advanced by £888,003 at approximately the same rate as in 1956 and is now £7,769,301, on which a profit of £210,182 was earned. Our interest, dividends and rents were £609,182, making total earnings of £819,364. After deduction of £41,320 for expenses not charged in other accounts and £60,182 contributed to the staff pension fund, there is a profit before tax of £717,862, which is reduced by United Kingdom and overseas taxation to a net surplus of £391,651. With the addition of the balance brought forward of £205,888, an amount of £597,539 is available for disposal, of which £580,289 remains after payment of preference dividends. Out of this balance the directors recommend the payment of a dividend of 1s. 9d. per share on the ordinary shares which, less income tax, requires £201,250, leaving a balance to be carried forward of £379,039.

Our dividend payment is more than covered by interest earnings after allowing for the effect of profits tax. Although the value of our investments has fallen during the year, the market value is substantially above the book figure.

Turning now to our results in more detail, in the fire department we earned a satisfactory profit in the United Kingdom but made a small loss overseas, so that our combined account realised a profit of £84,657, compared with £88,674 the year before.

The greater part of the accident department's income, both overseas and at home, comes from motor insurance, which therefore very much influences the final figures of profit or loss. At home, the effect of Suez was to postpone a general increase of motor rates until July, 1957, and greatly to reduce our claims for the first four months; from early summer, however, as the supply of petrol increased, our claims rose to levels we have come to regard as normal. Overseas our profits were insufficient to take care of a loss on motor business in Canada, where there was a further deterioration in the claims experience. The combined result of all accident business was a profit of £75,525, a substantial improvement on last year's loss of £181,720.

In the marine department we continue to show an increase of premium income, which arises partly from our aviation account and partly from the general expansion of our business. After a transfer of £50,000 profit on our 1953 account, the ratio of the marine fund to premium income becomes 130 per cent.

Our Underwriter, Mr Harold Hopwood, has this year been elected Chairman of the Institute of London Underwriters, and we wish him a successful year of office.

To conclude with a brief word of more general interest I should like to allude to the present state of the world economy. It is at a moment like this that we feel how much we miss the wisdom and foresight of the late Lord Keynes, for so many years a Director of our Company, because it may be that the protracted postwar boom which he predicted is drawing to a close. Events in North America appear to confirm this view. If inflation is brought under control in this country investment income may be less remunerative and it will be more than ever important to make our insurance underwriting really profitable.

Any check to rising costs would provide an opportunity to reduce expense ratios and to improve the services our activities provide. We in the *Provincial* accept such a situation as a challenge to management and welcome the prospect. We also hope that with the support of our agents and brokers we shall continue to obtain our share of new business and succeed in showing a healthy expansion of premium income.

BAKELITE LIMITED

RECORD SALES IN FACE OF KEEN COMPETITION

MR H. V. POTTER'S REVIEW

The Thirty-second Annual General Meeting of Bakelite Limited was held on May 1st at the Hyde Park Hotel, Knightsbridge, London, S.W.1.

Mr H. V. Potter, BSc, FRIC, MIChemE, FPI, the Chairman, in the course of his speech, said:

It is recorded with very deep regret that our President, Sir James Swinburne, died in March, 1958, a few weeks after celebrating his 100th birthday. Sir James was connected with this Company and its predecessors for over 50 years.

The trading profit for 1957 before taxation was £431,022 (£474,921). The proposed final dividend of 10 per cent (less tax), together with the interim dividend of 5 per cent (less tax), already paid, makes a total of 15 per cent for the year.

TRADE REVIEW

The total sales during the year, both in value and in weight, were a record. Costs continued to rise in spite of increased efficiency and we were unable to pass these costs on owing to the very competitive conditions, both at home and abroad.

Sales of industrial and decorative laminated sheet continued to expand and we have widened the range of our WARERITE products by introducing a new WARERITE wall board to provide a durable and alternative material for interior walls and ceilings. Our manufacturing capacity for those products has been increased by the installation of new plant in readiness to meet an expansion in sales as soon as market conditions allow.

We continued to be the largest supplier of phenolic moulding materials, the market for which is widely spread throughout industry, and our special grades still provide combinations of properties not matched by any other materials.

Our vinyl resin plant at Aycliffe, Co. Durham, has continued to operate throughout the year and improvements have been made both in quality of product and efficiency of operation, but further improvements are still necessary in order to meet the acute competitive market situation which has arisen, especially from the importation of low priced resins. The market for VYBAK extrusion compounds, based upon resins of our own manufacture, continued to expand and further progress has been made in the marketing of pressed pvc sheet and monofilaments.

We have continued to increase our market for polyethylene, and now that the new Grangemouth plant has come into operation we look forward to further expansion in this field. Bakelite polyethylene is used in numerous ways, such as packaging film, moulded household goods, water pipes and cable.

Referring to our export trade, we have encountered difficulties in selling our products overseas, and although these sales have increased, this has only been achieved at the expense of profit margins.

Our subsidiary and associated companies have made good progress during 1957 and we look forward to further expansion by these companies.

Our research and development departments are continually investigating the latest techniques and discoveries. An increasingly large part of this development effort is concerned with our latest products, such as polyethylene and epoxide resins, but work is also in progress to keep us in the forefront with all our main products.

Relations between the Company and its employees had continued to be satisfactory throughout another difficult year.

CURRENT TRADING POSITION

The Company's turnover has continued to increase during the first three months of this year, but it is significant to note that this increase has been brought about by the newer products in which the Company is now more extensively engaged. We are not yet reaping fully the benefits of our large capital expenditure of recent times, but we now have the plant capacity and the selling organisation available to take advantage of any general trade improvements. Meanwhile a very competitive situation exists which, if it continues, could affect the trading results for the current year.

The Report and Accounts were adopted.

INSTITUTE OF CHARTERED ACCOUNTANTS

ANNUAL MEETING

The seventy-seventh annual meeting of the Institute of Chartered Accountants in England and Wales was held on May 7th in London. Mr W. H. Lawson, the President, in the course of his address, said:

SCHEME OF INTEGRATION

The outstanding event of the year was the implementation of the Scheme of Integration of the Society of Incorporated Accountants with the Institute. It has been impressive and heartening to find that once the scheme was approved, all concerned have co-operated to make it a success. It is much too early to judge the full effect of the Scheme, but it is already apparent that it is bringing about a sense of unity in the profession which did not previously exist.

Our enlarged Institute, with the Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland has set up a Joint Standing Committee to co-ordinate policy on matters arising in connection with the Scheme of Integration and to consider any matter of common interest which may be referred to it by any of the Institutes. We value highly this opportunity for regular consultation with Scotland and Ireland and I believe that this arrangement will go far towards meeting criticisms which were previously heard that it was difficult to obtain the views of the accountancy profession. We have achieved much of what was needed in the way of rationalisation and time is now required to see how the new structure operates before deciding what further steps, if any, may be possible in the interests of the profession.

CHEQUES ACT, 1957

Considerable misconceptions have arisen in connection with the Cheques Act, 1957. The main purpose of the Act was, of course, to render unnecessary the time-consuming task of endorsing cheques. As a by-product it has caused widespread discontinuance, as regards payments made by cheque, of the custom of giving individual receipts. We have, through our Taxation and Research Committee, made inquiries as to the experiences of businesses in operating under the new conditions. On the whole the evidence is reassuring. It was inevitable that some difficulties should be experienced in individual cases, but these will undoubtedly be overcome in time.

Some changes in office organisation are required, but these can readily be made with the assistance of the auditors. There is more difficulty in persuading the public to adopt the new system. It is natural that those who have been in the habit of filing their receipts as part of their domestic accountancy system should be reluctant to change their methods. However, no great difficulty should arise if shops and other suppliers make suitable arrangements, for example by means of tear-off remittance slips so as to enable the customer to retain the original bill or a detailed statement.

Individual receipts will still be required for a limited number of purposes and it remains the law that if the amount is £2 or over receipts must be given when demanded and, with few exceptions, must be stamped with a twopenny stamp. It is hoped, however, that receipts will not be demanded unless they are really necessary.

HUDSON'S BAY COMPANY

SUCCESSFUL TRADING

The two-hundred and eighty-ninth annual general Court of The Governor and Company of Adventurers of England trading into Hudson's Bay was held on May 2nd, Mr W. J. Keswick, Governor, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to January 31, 1958:

Trading results for the year were again satisfactory. Net profit after taxes was 8s. 3d. per share, compared with 6s. 10d. per share the year before.

Trading dividends paid and proposed amount to 20 per cent being 4s. 0d. per share gross or 2s. 3½d. net after U.K. Tax. The same distribution as last year is proposed from the Land Account of 2½ per cent, half of which was paid last November with the interim trading dividend of 4 per cent.

Hudson's Bay Oil and Gas Company Limited recently issued its first published Annual Report and Accounts which showed operating earnings of $3,073,000 and non-recurring gains of $4,742,000 which together resulted in converting the deficit account brought forward from previous years into a surplus of $629,000.

All Departments did well, although last summer saw the start of the retreat from the peak of the inflationary boom in Canada.

The rate of increase in sales of the Retail Stores Departments achieved during the buoyant months of spring and early summer was not maintained.

The report was adopted.

UNITED BISCUITS LIMITED

GROUP SALES EXCEED £17 MILLION

The tenth annual general meeting of United Biscuits Limited, will be held on May 29th in Edinburgh.

The following are extracts from circulated statements by the Chairman, Mr. Peter G. Macdonald, WS, JP, for the year ended December 31, 1957:

It is now ten years since McVitie & Price and Macfarlane, Lang & Company amalgamated under the name of United Biscuits Limited. These two family businesses have each more than one hundred years' experience in the manufacture of biscuits, McVitie & Price having been established by Robert McVitie in 1839 and Macfarlane, Lang & Company having been founded by James Lang in 1817. The marriage of these two important and long established companies has been an outstanding success as the figures in the survey testify.

The production of biscuits in this country increased in 1957 by over 10,000 tons and we as a group have taken substantially more than our proportionate share of this increase. Our group sales exceeded £17,300,000, an increase of £1,800,000 over last year. Undoubtedly the most powerful factor behind the continuing rise in biscuit sales is the fact that biscuit prices have been held at a much lower level than the prices of any other foodstuff. While retail prices of most of the latter have risen by between two hundred and three hundred per cent since 1938 our biscuit prices have risen on average by only some sixty to seventy per cent.

PROFIT AT NEW RECORD LEVEL

I am also glad to inform you that our profit figure has again reached a new record level.

The group profit for the past year amounts to £2,510,069 as against £2,309,841 in 1956, an increase of £200,228. The directors recommend that the final dividend on the ordinary shares be 12 per cent, *less* tax, making a total of 17 per cent for the year, an increase of 2 per cent over the previous year.

The consolidated balance sheet shows the continued growth of the financial strength of the group. Revenue reserves now amount to £3,398,178 and current assets exceed current liabilities and provisions and future taxation by £2,685,448, which represents an increase of £654,243 over the corresponding figure last year.

Our efforts in the export market are being maintained and despite intense competition, particularly from local manufacturers, our sales in the overseas market continue to grow steadily.

The country's present economic and industrial uncertainty makes it difficult to forecast future prospects, but the group sales in the first three months of the current year have continued to expand. I am sure that the quality of our biscuits for which we have always been famous will keep us in a strong competitive position.

TEN YEAR SURVEY 1948-1957

The following is a Ten-Year Survey for the years 1948-1957 incorporated in the Report and Accounts:

United Biscuits Limited, which was incorporated in Scotland in March, 1948, with a share capital of £3,500,000, acquired the whole issued capitals of McVitie & Price and Macfarlane Lang. The average of the profits for the years 1946 and 1947 amounted to approximately £350,000 before providing for taxation. There has been an impressive growth of the profit figures over the past ten years, the profit having increased during that period from £454,000 to £2,510,000.

The group owns the most up-to-date biscuit factories in Britain, if not in the world, and has successfully met the competitive conditions which prevail and which no doubt will intensify.

GROUP SALES

The group sales in 1948 were £3,800,000. By 1957 they had increased to £17,300,000. One of the chief reasons for the group's success was undoubtedly due to the manufacturing companies having maintained, even in the adverse war period, the highest standard in quality of their biscuits.

That the group has been successful in restraining the rise in prices to such a marked extent despite increases in the cost of the main ingredients—flour, fat and sugar—ranging from more than double to treble the prewar figures, has been due largely to two factors. Firstly, by the greatest possible use of mechanical and electronic devices combined with the most modern and up-to-date plant, and secondly, to a continuing expansion in production and sales with a consequent spreading of overhead charges.

As McVitie & Price's and Macfarlane Lang's biscuits are sold throughout the length and breadth of this country, it is necessary, to enable orders to be met with the maximum despatch, that depots and railheads be maintained throughout Great Britain.

Since the war industry has been exhorted by the Government to increase their exports and the group has done everything in its power in this connection. Several of the directors have made visits overseas, particularly to Canada, where a subsidiary company was formed in 1955 for the further extension of sales in that progressive country. These efforts met with a considerable measure of success; biscuits are despatched by the group to almost every corner of the globe and some 70 per cent of the export sales is in hard currency, the largest importer being Canada.

BANCO DI SANTO SPIRITO

ROME

Established 1605

Capital and Reserve Funds: Lit. 2,150,000,000

THE ANNUAL GENERAL MEETING of the Banco di Santo Spirito was held in Rome on April 19, 1958, the Marchese Giovanni Battista Sacchetti being in the chair. The following Balance Sheet was approved:—

Balance Sheet at December 31, 1957

ASSETS			LIABILITIES		
Cash and Balances with other Banks	Lit.	6,542,897,232	Capital	Lit.	750,000,000
Bills and Government Bonds	„	34,689,876,681	Reserves	„	1,080,000,000
Securities:			Deposits	„	46,109,724,740
Real Estate Securities	„	3,540,262,787	Current Accounts (Creditors)	„	58,842,693,510
Miscellaneous Shares	„	746,654,339	Bankers' Drafts	„	3,336,038,434
Holdings	„	465,564,198	Government Revenue Collection	„	5,075,411,905
Stock Exchange Transactions	„	6,169,623,834	Creditors (Bills Endorsed)	„	1,998,839,965
Bills on Hand	„	32,838,077,643	Miscellaneous Creditors	„	8,647,394,555
Current Accounts (Debtors)	„	33,384,268,042	Staff Retirement Fund	„	3,400,000,000
Government Revenue Collection	„	514,018,278	Assets Rediscounted	„	996,584,346
Staff Retirement Fund	„	2,456,636,444	Profit Balance Brought Forward	„	6,647,835
Miscellaneous Debtors	„	1,915,881,271	Net Profit 1957	„	403,883,217
Drafts for Collection	„	6,836,069,245		Lit.	130,617,218,508
Premises	„	547,388,513	Unsecured Accounts	„	6,619,867,790
Furniture, Fixtures and Fittings	„	1	Counter Accounts	„	69,880,579,558
	Lit.	130,647,218,508			
Unsecured Accounts	„	6,619,867,790			
Counter Accounts	„	69,880,579,558			
	Lit.	207,147,665,856		Lit.	207,147,665,856

It was further resolved to transfer Lit. 320,000,000 to reserves and to distribute a dividend of Lit. 50 (10%) per share.

COMPAGNIE MARITIME BELGE

EFFORTS TO COMBAT ADVERSE CONDITIONS

The following is an extract from the Draft Report by the Board of Directors which was submitted to the Ordinary General Meeting held on May 7, 1958:

The prosperity in shipping business became less from the beginning of 1957 onwards; and as from the second quarter of that year it gave place to progressive deterioration.

After outlining the causes contributing to this situation the Report emphasised that the facts showed how extremely sensitive the industry was to variations, often unforeseeable, in the world business cycle.

The report continued:

The policy followed by our Company through the ups and downs of the cycle has been to keep the quality of its tonnage high while keeping working costs down. That policy is bearing fruit, the value of which appears more clearly as the general economic situation deteriorates.

A further section of the overall plan based on this policy was put into effect during 1957. The programme for modernising the first five "Ville" boats was completed at the same time as the "Baudouinville," a sister of the "Jadotville," was going into service. Since then the Antwerp-Lobito-Matadi line has been served by seven passenger-cargo vessels with a uniform cruising speed of 17 knots. This allows them to call at Lobito as required, and still to have enough time at Antwerp for systematic overhaul of the ships.

The "Copacabana" and the "Mar del Plata," which were already old ships, were sold when the "Jadotville" and "Baudouinville" were put into liner service. The "Moanda" and "Mobeka" have started to operate as the first of a series of large-capacity cargo ships; another in this series has been ordered, bringing up to nine the number of ships of this type to be delivered by the yards between now and during 1961. The "Capitaine Biebuyck," one of the less efficient ships built since the war, has been sold.

At the Leopold Dock in Antwerp the 20,000 square metre shed, built of metal without interior supports, has been put into use. It has greatly improved the handling of transit goods for the Congo. Twenty-one hectares of further land have been obtained on lease from the City of Antwerp with a view to enlarging storage areas and improving road and rail communication with the docks.

With the same object of quickening the turn-round of ships and rationalising the handling of goods it has been decided to amalgamate our Piers 13 and 14 at New York into one unit, and to give them better equipment.

OPERATIONS

As regards actual operation we have adapted our resources to present needs. Roughly half our ships are now running on our Congo lines, the rest being spread between our various other lines. Among these latter we have restarted our regular South American and Indian services, which circumstances had obliged us to suspend or thin down.

The three latest freighters of the "Lu" series, the "Lukuga," "Lusambo" and "Lulua," have been put on to the South American route. They have a cruising speed of 16 knots, large tanks for vegetable oil cargoes, good refrigeration, high-capacity loading gear and extremely comfortable cabins for 12 passengers. They at once restored to this traditional line the quality which had won its reputation in the past.

We have decided to start a new regular line between certain ports on the continent of Europe and the Persian Gulf. The first sailing has just taken place.

The extension of our fleet and our regular lines requires more officers, both deck and engine room, as well as seamen. Both our officers and our crews constantly give cheering proof of their devotion and ability; but recruiting remains a difficult problem, which we are making energetic efforts to solve.

You will find below the analysis of the Balance Sheet and Profit and Loss Account as at December 31, 1957. With Fr. 1,557,496 brought forward and Fr. 113,674,553 earned during the year, the year's profit is Fr. 115,232,049. If you approve our proposals the dividend for 1957 will be payable at Fr. 265 net.

BRITISH ALUMINIUM

HOME DEMAND RECOVERY

The annual general meeting of the Company was held on May 6th in London.

The Right Honourable Viscount Portal of Hungerford, chairman, in the course of his speech, said: The consolidated profit for the year after tax amounted to £1,247,389, which compares with £1,330,989 for the previous year.

The lack of rainfall in Scotland again to some extent influenced our primary operations. Although Kinlochleven produced a record output, Lochaber was only able to produce about the same tonnage as in the previous year. Our alumina works operated satisfactorily and had a steady load.

At our rolling mills and extrusion works operations again had to be curtailed slightly, due in some degree to a falling off in home demand, but more particularly to difficult conditions in export markets.

During the last decade the growth of the United Kingdom aluminium industry has been quite spectacular and in line with that of the world aluminium industry; but in the latter part of 1956 and throughout 1957 there has been some recession in demand for aluminium products from the high level reached in 1955 and 1956.

AN ENCOURAGING FEATURE

Home demand for aluminium products made a healthy recovery in the latter part of 1957, indicating that manufacturers had absorbed stocks and were purchasing at a rate comparable with the level of production of the country. During this period your company fully maintained its position as a leading supplier and a most encouraging feature of 1957 was the stability of the overall demand from the principal industries using aluminium.

The trend in overseas markets, however, deteriorated considerably during the year. Competition from several sources in many overseas markets during the last year or two has reduced prices to levels which are now quite uneconomic for any exporter. This has been the principal cause of reduction in output of fabricated products in the United Kingdom and is likely to continue to be a dominating factor until world demand begins to catch up with metal supplies.

WORLD SUPPLIES

For a long time we have been in a position where aluminium has been in short supply. This is unsatisfactory to everybody. The whole past history of the aluminium industry indicates concentration on development and expansion, and this must inevitably be hampered unless metal is in adequate supply. After an unsuccessful race to keep production in line with consumption, the time has come when productive capacity has suddenly exceeded demand. How long this condition will last depends on many different factors. Of two things, however, I am convinced. Firstly we had to have an excess of supply before the next round of expansion could come. Secondly, the time will come when not only all the present facilities but all the great schemes upon which active exploratory work is proceeding will be required. We have complete faith in the long-term expansion of our industry.

We recommend a final dividend of 3 per cent on the Ordinary Stock which, with the 4 per cent already paid, makes 12 per cent less tax for the year.

The report and accounts were adopted.

GENERAL ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION LIMITED

TOTAL ASSETS NOW IN EXCESS OF £100,000,000

The seventy-second Annual General Meeting will be held on May 21st at Perth. The following is an extract from the circulated address of the Chairman, SIR STANLEY NORIE-MILLER, Bt, MC, DL, JP:

A year ago I stated that underwriting results in 1956 were less profitable than for some time past. I regret to have to say the same about the 1957 figures. Our results in the United Kingdom and in some areas overseas improved during the year, but in others there was progressive deterioration.

Notwithstanding the difficulties which had to be faced, the accounts now presented reflect material expansion in the business of the Group, with income from all sources for the year at the record total of £63,588,929, an increase of over £8 million on 1956, and the total assets of the Group, after deducting the Reserves for Depreciation of Investments, increased by £9,540,032, to an amount in excess of £100 million.

The Revenue Balance of £1,950,885, a decrease of £206,872 on the 1956 figure, added to the amount brought forward from the previous year, makes an available total of £3,061,286. Of this sum £441,915 has been allocated to Staff and Widows' Pension Funds, and £830,000 has been transferred to the Additional Reserves in the Accident and Fire Accounts, the respective Funds having thus been maintained at percentages of premium income approximating the 1956 ratios.

A final Dividend of 10½d. per 5s. Unit of Ordinary Stock is recommended, making a total Ordinary Dividend equivalent to 10s. as compared with 9s. for 1956 per £1 Unit of Ordinary Stock existing prior to the bonus issue recently made, and the balance to be carried forward will be £1,135,309.

PROFIT AND LOSS ACCOUNT

Gross Interest and Dividends have increased by £266,094, and transfers from the underwriting accounts were lower by £256,066. After deducting United Kingdom Taxes and Overseas Taxes not charged to other Accounts, amounting to the formidable figure of £1,290,672, the balance for the year is £1,950,885.

BALANCE SHEET

We can be proud to regard the attainment of total assets in excess of £100 million after an existence of no more than 72 years as an important milestone in the history of our progress. Investments at £85,358,954 are carried at or under cost less Reserves and the book values before deduction of Reserves were substantially below market values at December 31, 1957.

Though our profit margin is small indeed, we have strengthened our reserves and our financial position is stronger than ever. For these achievements, a high measure of credit is due to our Executives, Managements and Staffs in all parts of the world, who have given of their best wholeheartedly in service to our Companies and to the communities in which they carry out their duties.

THE HOFFMANN MANUFACTURING COMPANY

RECORD LEVEL OF TURNOVER

MR J. W. GARTON ON WELL BALANCED SPREAD OF TRADE

The annual general meeting of The Hoffmann Manufacturing Company Limited was held on May 1st in London, Mr J. W. Garton, JP (Chairman and Managing Director), presiding.

The following is an extract from his circulated statement:

The year under review was one of great activity and the recovery in the motor industry led to increased demands being made upon us.

The profit of the Hoffmann Group for 19[illegible] before taxation, but after all other charges including Debenture Interest, amounts to £1,291,746 and compares with £1,089,885 for the previous year. The net profit of the Group for the year 1957 after taxation is £647,026 and compares with £548,277 for 1956.

This successful result was achieved by the turnover for the year reaching a record level reflecting the increased productivity brought about by the new plant and machinery we have been installing over the last few years and new methods.

The Directors recommend a Final Dividend of 14 per cent, free of tax, which with the Interim Dividend already paid of 3½ per cent, free of tax, is an increase of 5 per cent free of tax, on last year.

Orders for capital commitments at December 31, 1957, amounted to £706,029. An appreciable portion of this sum is in connection with the purchase from the Government of a factory building which was erected several years ago and rented to us. We have in the Agreement an arrangement whereby we could purchase this property after five years and we now intend to exercise the option because its ownership, with the whole of its services, will materially help our development programme in that area, as it will automatically free us from certain obligations regarding the development of an adjacent piece of land.

The demand for certain sizes of bearings has been in excess of our availability to supply with our existing equipment, but we have now been able to purchase several large automatics and these are helping production of the sizes demanded; when these and others which we shall purchase during the present year, are in full operation we shall be able to increase our production appreciably and reduce costs.

Balance Sheet: The liquid resources at the end of the year totalled £2,714,137, which compares with £2,279,569 at December 31, 1956. The excess of current assets over current liabilities at the close of 1957 amounted to £3,873,883, compared with £3,359,078 at the close of 1956.

SUBSIDIARY AND ASSOCIATED COMPANIES

Hoffmann Gloucester Limited has again made a very valuable contribution to the Group turnover and has had a successful year.

Hoffmann Tweedales Limited, in which Hoffmann Gloucester Limited has a 50 per cent holding, continued to operate at a low

level of profit due to its reduced output, which reflects the lower demand for its products from the Textile Machinery trade at home and abroad and keener world competition.

With regard to the outlook for the future, I can say that the Company's plant is very well employed and our trade well balanced over many industries. There is a substantial order book, and although one begins to see a slight falling off in certain directions, particularly in the general engineering industry, there is no reason to suppose, unless anything unforeseen happens, that we should not have a reasonably successful year in front of us. The Company is well equipped to trade successfully in the much harder and more competitive times ahead.

The report and accounts were adopted.

THE KLABANG RUBBER COMPANY LIMITED

SIR JOHN BARLOW'S REVIEW

The Thirty-Eighth Annual General Meeting of the Company was held at Plantation House, 10/15 Mincing Lane, London, E.C.3, on Tuesday May 6th.

The following is an extract from the circulated review of the Chairman, Sir John D. Barlow, Bart, MP.

ACCOUNTS

The profit for 1957 was £19,236 and in addition £20,000 surplus tax provision is available for appropriation. Current taxation required £8,500. The allocation to Replanting Reserve was £17,000. The dividend of 7½ per cent required £8,625, leaving a carry forward of £19,262. As well as the dividend, a special distribution of 2½ per cent, exempt from tax, was paid from the Capital Realisation Surplus Account.

The output of rubber was 825,000 lb. With an all-in cost of 21½d. per lb, a profit of 2d. per lb was earned.

VISIT TO ESTATES

I visited the estates in November, 1957, and was impressed by the high standard of cultivation and by the substantial area of postwar rubber on Klabang Estate. Now that these replantings are coming into full bearing and with more intensive tapping of 400 acres of seedling rubber to be replanted shortly, the crop estimate for 1958 has been increased to 1,135,000 lb.

GENERAL

Malaya is now a self-governing independent Federation and the newest member of the Commonwealth. The "Merdeka" ceremonies and celebrations on August 31, 1957, took place with evident goodwill between the different communities. Malaya has started well in its new status. With peace and a thriving economy there is every prospect that Malayans will continue to enjoy the highest standard of living of any S.E. Asian people. Figures published by the United Nations show per capita income is twice that of Ceylon, and about three times that of Indonesia and five times that of Burma and India. All the Communities in Malaya—Malays, Chinese, Indians, Eurasians and Europeans—have their part to play in the development of a country, which is the same size as England and has a population of 6½ million.

During 1957 production and consumption of natural rubber were balanced at approximately 1,880,000 tons and production and consumption of synthetic rubber were evenly balanced at 1,262,500 tons. Estimates for 1958 show that production and consumption of natural and synthetic rubber will again be balanced, provided there is no steep decline in industrial activity throughout the world.

Events in the USA make it difficult to predict what the general level of business activity will be during 1958. Reduced output of cars and trucks in the USA, due to large stocks, will affect the consumption of all types of rubber; as 60 per cent of the world's natural and synthetic rubber goes into car and truck tyres. On the other hand Russia, China and other Asian Countries are buying increasing amounts of natural rubber each year, as their standard of living rises.

With the considerably increased crop, which it is hoped to harvest in 1958 at a lower cost than last year, we can look forward to a more satisfactory year's trading, providing the price of rubber remains near its present level.

The report and accounts were adopted.

THE SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

MR JAMES A. LUMSDEN'S REVIEW

The One Hundred and Thirty-Third Annual General Meeting of The Scottish Union and National Insurance Company will be held in Edinburgh, on May 28, 1958.

The following is an extract from the Statement by the Chairman, Mr James A. Lumsden, MBE, circulated with the Report and Accounts for the year 1957:

The new life business completed, after deduction of reassurances, was more than £7,700,000, including a substantial increase in contracts effected within the provisions of the Finance Act, 1956, to provide pensions for self-employed persons. The Life and Annuity Funds have increased during the year by £1,798,576, and now amount to £25,391,317. The interim bonus rate has been increased from 42s. per cent to 47s. per cent, subject, as is customary, to review by the Directors.

The net premium income in the Fire Department amounted to £5,385,991, an increase of £105,090 compared with 1956. In Great Britain and in overseas territories, other than the United States and Canada, the premium income continued to advance and there was a marked improvement in the results compared with the previous year. The results in North America, like those of the insurance market as a whole, were again unfavourable, although in the United States the measures taken to improve the situation reduced the loss in that section of the account. After making provision for unexpired risks the underwriting loss of £40,763 was met by a transfer from the Profit and Loss Account.

The net premiums in the Accident and General Insurance Account increased by £229,852 to a total of £2,407,882. The general experience in this Account, apart from the Motor Section, was favourable with a steady advance in premiums and an overall profit. The Motor Section as a whole, although showing a better result than in the previous year, continued to be unprofitable especially in Canada where the experience was again unsatisfactory. An underwriting profit of £58,471 was transferred to the Profit and Loss Account, after making provision for unexpired risks of 50 per cent of the premium income.

In the Marine Department an increase took place in the premium income, but underwriting conditions continued to be difficult with extremely heavy claim settlements, and no transfer was made to the Profit and Loss Account.

The underwriting results as a whole showed an overall improvement of approximately £218,000 compared with those of the previous year.

The past year has been marked by a further increase in interest rates and the gross yield from the Life Fund investments was £5 15s. per cent, nearly 5s. per cent higher than the previous year. The rise in interest rates was, however, accompanied by a substantial fall in the market value of the Stock Exchange investments in the Fund, and the sum of £250,000 was transferred from the Fund to the Investment Reserve. Higher interest rates were also obtained on the General Department Funds and, despite the fall in the value of Stock Exchange Investments, the aggregate market value of these Funds was, at December 31, 1957, in excess of the Balance Sheet values.

The Directors recommend a dividend of 2s. on the "A" shares and 4s. on the Ordinary shares, the same as for the previous year.

The Chairman paid tribute to all the officials and members of the staff at home and overseas who have given wholehearted service to the Company during the past year and to all members of local boards and agents at home and abroad who have continued to give the Company their valuable support.

ABERDARE CABLES (HOLDINGS)

FULL ORDER BOOKS

The twenty-second ordinary general meeting of Aberdare Cables (Holdings) Limited was held on April 25th in London. Sir John Pascoe (the chairman) presided and said: The accounts for the year show profits before taxation of £608,795 as compared with £590,688 for the year ended October 31, 1956, the corresponding figures after taxation being £262,583 as against £253,113.

Aberdare Cables Limited: The amount of cable manufactured was slightly in excess of that for the previous year and we have maintained our proportion of the export trade.

South Wales Switchgear Limited: The year under review has been one of continued expansion. New records have been established in the number and value of orders received, output achieved, and work in hand. The outstanding feature is the extensive demand for our new products, particularly the outdoor 33,000-volt Package Station Metal-clad Switchgear.

Aberdare Engineering Limited: The specialised products of our Associated Companies have provided an excellent "base-load" during the year, but new developments now in progress should prove satisfactory additions to our extensive manufactures. We commence the current year with a satisfactory backlog of orders.

With full order books and loyal, keen, and efficient staff we have reason to anticipate that the present year will be as satisfactory as the two previous years.

The report was adopted and a resolution changing the name of the company to Aberdare Holdings Limited was passed.

TIMOTHY WHITES & TAYLORS LTD.

942 BRANCHES THROUGHOUT GREAT BRITAIN

Extracts from Mr. G. I. RUSHTON'S STATEMENT AT ANNUAL GENERAL MEETING, 1st MAY, 1958

SATISFACTORY TRADING RESULT. The Trading Profit of the Group amounted to £1,745,362 in 1957 compared with £1,670,631 in 1956.

TRANSFERS TO RESERVES. £211,522 to General Reserve bringing to £600,000 in the Company's Balance Sheet and to £733,628 in the Consolidated Balance Sheet. £50,000 to Development Reserve, bringing to £235,987 after providing £67,995 to meet the cost of Goodwill and other charges in connection with the expansion programme.

DIVIDENDS. Final dividend on the Ordinary Share Capital of 10 per cent. less tax, making 16⅔ per cent. less tax for the year, which is the same amount as the previous year.

EXPANSION PROGRAMME. During the year, ten additional branches have been established and further branches have been enlarged and refitted. A further twenty branches, mostly small chemist shops, have been closed.

PENSION SCHEME. From the 1st June, 1958, the Pension Scheme will be non-contributory. Present members will be transferred to the new Pension Fund and will receive similar benefits on retirement as under the old scheme.

PROSPECTS FOR CURRENT YEAR. In the early part of 1958 there has again been an upward movement in the sales of the Company and its Subsidiaries, but expenses including salaries and wages are still showing an increase.

GEORGE MALLINSON AND SONS LIMITED

CAPITALISATION OF RESERVES

The twenty-first annual general meet of George Mallinson and Sons Ltd., held on May 8th in London, Mr Dy Mallinson, chairman, presiding.

The following is an extract from his c culated statement: The accounts show a profit (after making full provision for ta tion) of £123,673, an increase of £530 the previous year.

The plant and equipment has been ma tained in good order.

Liquid assets exceed current liabilities £962,012 (an increase of £30,357), and directors recommend a final dividend of per cent, making a total of 40 per cent.

Further new machinery has been install and the extra depreciation allowed for.

Sales and production have been maintain at approximately the same level as last ye and at present we have orders on our bo which will keep us fully occupied for so months, but in view of the economic sit tion both at home and abroad, we loo to the immediate future with caution.

At an extraordinary general meeting, h immediately after the annual general meeting you will be asked to approve an increas the authorised ordinary capital of your co pany and at the same time approve t capitalisation of £250,000 of reserves.

The report was adopted and the propos capitalisation of £250,000 of reserves for th purpose of paying up in full 1 million ne Ordinary shares of 5s. each to be distribute to the holders in the proportion of one ne share for every share held, was approved.

BUSINESS AND PERSONAL

A NEW SERVICE FOR INDUSTRY

To meet the changing requirements of industry in the European Common Market, and free trade zone, a large and well-established *engineering group in the London area* offers a complete consultancy service to firms who may be faced with increasing development and marketing difficulties. Having ourselves been faced with the necessity of providing facilities for market research, design, development, model shop, tool making, type testing, etc., we are able to offer a complete consultancy service backed by all necessary *engineering and marketing facilities* to assist firms requiring it, and we work closely with American Associates specialising in placing U.S. patents in this country and can, therefore, help in finding new production items. This offer is primarily directed towards firms requiring it for a limited period in order to find new lines and develop them to pilot production state. The total available capacity of this service is estimated at £250,000 per annum, of which approximately £100,000 will become available to firms outside the organisation, in whatever *amounts are required. Principals* please write to Box No. 891. All correspondence will be treated as strictly confidential.

THE Directors of the Maritime Insurance Co., Ltd., announce with pleasure that Mr. Patrick J. Oliphant, Deputy Chairman of the Scottish Union and National Insurance Company, has accepted their invitation to join the Board of the Company, with effect from April 25, 1958

The new international magazine,

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Published in Brussels, edited in Paris and Washington, "Western World" is obtainable each month, price 4s., from leading London bookshops; subscriptions taken by W. H. Smith & Son Ltd., or at 10 Wyndham Place, London, W.1.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability) CANADIAN PACIFIC RAILWAY PERPETUAL 4 PER CENT CONSOLIDATED DEBENTURE STOCK NEW BRUNSWICK RAILWAY 4 PER CENT DEBENTURE STOCK. CALGARY AND EDMONTON RAILWAY 4 PER CENT DEBENTURE STOCK. *In preparation* for the payment of the half-yearly interest due July 1, 1958, on the above Stocks, the Transfer books will be closed *on May 23rd and* will be re-opened on July 2, 1958.—R. F. Tremayne, Deputy Secretary, 8, Waterloo Place, Pall Mall, London, S.W.1. May 2, 1958.

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APPOINTMENTS

UNIVERSITY OF EDINBURGH

DEPARTMENT OF MATHEMATICS

Applications are invited for the post of LECTURER in the Department of Mathematics. Salary scale: £970 £50 to £1,100; *Bar*: £1,150×£50 to £1,350×£75 £1,650 per annum. The initial appointment will be a the salary range £900 to £1,100 per annum. The pos is subject to superannuation *and family allowance* Payable where applicable.

The person appointed will be expected to take up duty on 1st October, 1958.

Further particulars may be obtained from the under signed, with whom *applications* giving the names of tw referees, should be lodged not later than 31st MAY, 195

CHARLES H. STEWART,
Secretary to the University

April, 1958.

UNIVERSITY OF BIRMINGHAM

Research Assistant with Degree (or Certificate) in *Economics/Social Science* subjects required for one yea *from* end-May, 1958, or as soon thereafter as possible Varied duties, including interviewing, extracting of fact and figures, etc. *Salary* £325-£525 *according to* qualifications.—Applications (own handwriting), with full pa ticulars of age, degree, subjects taken, whether able t type, when available and names of two referees, to b sent immediately, to Dr. A. H. Halsey, Faculty of Commerce and Social Science, The University Birmingham, 15.

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Applications are invited for appointment as SENIOR FELLOW or FELLOW IN THE DEPARTMENT OF SOCIAL PHILOSOPHY.

Applicants should have *an interest in philosophical* theory and possess good qualifications in some branch of the social sciences. The person appointed will be *required to carry on research on problems in* general social theory, and to supervise postgraduate students working within his field.

The salary and range of the Senior Fellow or Fellow will be determined within the limits £A2,540-£A3,050 or £A1,780-£2,550, respectively and the appointment will be made for an initial period of five years; thereafter *it may be made permanent.*

The person appointed will be entitled to one year's study leave on full pay plus contribution towards travel and other expenses in every six years of a Senior Fellowship or every seven years of a Fellowship.

Superannuation on the F.S.S.U. pattern will be provided and reasonable removal expenses will be paid.

Further details *are available from the Secretary*, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close, in Australia and London, on June 20, 1958.

APPOINTMENTS

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There are two vacancies in this growing department. Applications will be considered from men who have graduated with a good degree in economics, or who expect to obtain such a degree this summer. The work will be largely concerned with forecasting *economic* developments and their impact on investment policy in Britain and the *rest* of the Commonwealth.

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THE MANCHESTER CHAMBER OF COMMERCE invites applications for the position of a Deputy Secretary. Prospect of assuming Secretaryship in few years' time. Experience in trade organisational work, or in commerce and industry, with professional (preferably legal) qualifications an advantage.—Full details, including education, business experience and salary expected, in confidence, to President, Manchester Chamber of Commerce, P.O. Box 569, Manchester, 2.

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The initial salary will be *determined by qualifications* and experience. Salary scale : £1,236 x £30—£1,398 per annum.

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(ii) LECTURER IN ECONOMICS (Statistics) : Salary £A1,540/£A2,040 per annum. Applicants should have an honours degree in Economics, Statistics, or Mathematics, with knowledge and *experience* in economic and social statistics.—Applications close June 30, 1958.

Further particulars are obtainable from the Secretary, Association of Universities of the British Commonwealth, 36, Gordon Square, London, W.C.1. Applications close, in Australia and London, as above.

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The College at present has no Management Department, and courses on various aspects of management are offered in the Textile, Engineering, Building, and Commerce Departments. A Senior Lecturer is looked for in order to develop management *courses suitable* to the needs of the Bolton area.

Candidate should be proficient in some management techniques (preferably in Work Study), should have good professional qualifications, and must have sound experience of management in industry. A keen interest in teaching is essential.

The successful *candidate* will not be debarred from consultancy work, and proposals for research will be welcome.

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Precision engineering company in West London require senior research officer for expanding Market Research Department. Preference will be given to graduates in economics, with statistics as special subject, *and some* industrial or commercial experience, aged 25 to 35. The post calls for analytical skill in handling statistical material and relating the company's activities to trends in the *national* economy, and offers excellent opportunity to build a career in a progressive firm. Pension scheme, excellent sports and social facilities.— Write, giving *full* details, to *Box* 932.

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UNIVERSITY COLLEGE OF NORTH STAFFORDSHIRE

Applications are *invited* for the post of Assistant Lecturer in Economics, the appointment being tenable from October 1, 1958. Salary in scale £700 x £50—£850 per annum with F.S.S.U. and children's allowances.—Applications should reach the Registrar, The College, Keele, Staffs., from whom application forms and further particulars may be obtained, not later than May 27, 1958.

THE UNIVERSITY OF SHEFFIELD

DEPARTMENT OF EXTRAMURAL STUDIES

Applications are invited for a post of STAFF TUTOR to be principally concerned with the teaching of Industrial Relations/Economics to trade union students. Candidates should have a good Honours degree in an appropriate subject. Initial salary on the scale £700 x £50—£850, with F.S.S.U. provision and family allowance.—Further particulars should be obtained from the Registrar to whom applications (6 copies) should be sent by June 7, 1958.

MIDDLESEX COUNTY COUNCIL

PRINCIPAL PLANNING ASSISTANT, APT IV £1,025 rising to £1,175 per *annum* plus London Weighting, required. *In charge* of survey and analysis section. Good experience and appropriate qualifications required. *5-day* week. Prescribed conditions.—Application forms from *County Planning Officer*, 10, Great George Street, S.W.1, returnable by May 24th. (Quote X 420. EC) Canvassing disqualifies.

THE RESEARCH TECHNIQUES UNIT of the LONDON SCHOOL of ECONOMICS and POLITICAL SCIENCE invites applications for a post in COMPUTATIONAL METHODS in connection with a research project in *economics* and statistics. The work will involve numerical analysis of data and programming of a digital computer. Applicants should have a degree in mathematics or statistics. The salary will be in the range of £700 to £1,200 per year, according to qualifications and experience.—Applications *should* reach the Director, Research Techniques Unit, London School of *Economics and* Political Science, Houghton Street, London, W.C.2, before May 28, 1958.

THE RESEARCH TECHNIQUES UNIT of the LONDON SCHOOL of ECONOMICS and POLITICAL SCIENCE invites applications for posts as JUNIOR RESEARCH OFFICER or SENIOR RESEARCH OFFICER. Applicants should have an honours degree in economics or statistics and experience in the application of statistical methods in economic research. The salary scales are £650 to £900 and £950 to £1,500 respectively, *plus £60 London allowance.*—Applications should reach the Director, Research Techniques Unit, London School of Economics and Political Science, Houghton Street, *London*, W.C.2, before May 28, 1958.

FURTHER APPOINTMENTS PAGE 558

UNIVERSITY COLLEGE, LONDON (Gower Street, W.C.1), requires RESEARCH ASSISTANT in Department of POLITICAL ECONOMY to work *either* on Far Eastern economic problems *or* on problems of British industry. Duties to commence October 1, 1958. Salary £700 per annum, plus £60 London allowance.—Applications, to be *received by June 16*, 1958, should be sent to the Secretary, from whom further particulars may be obtained.

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D. M. DEVINE,
Joint Clerk to the University Court.

College Gate, St. Andrews.
April, 1958.

EXETER COLLEGE, OXFORD

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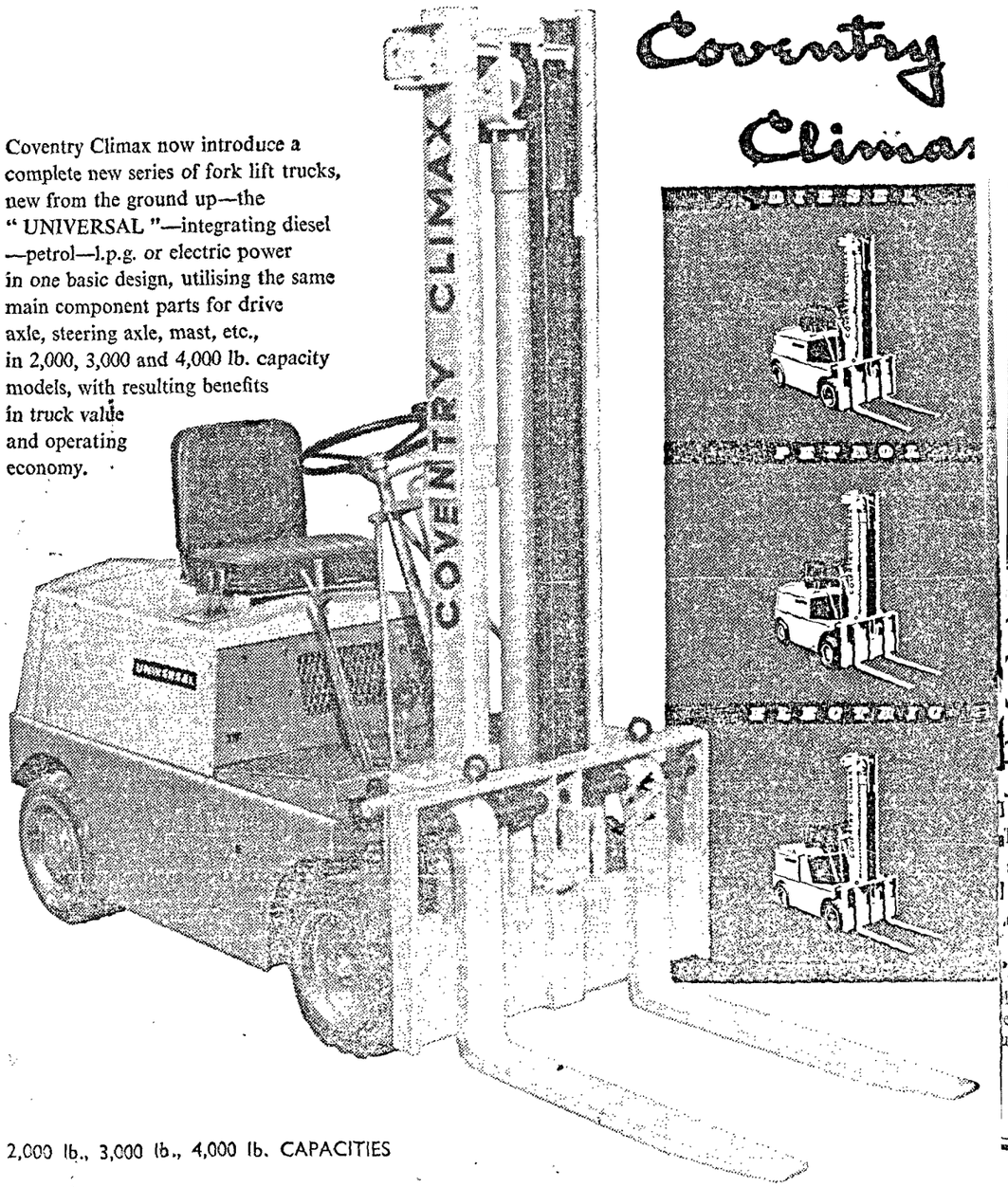
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The long-expected test in France has come with shock of surprise (page 571).

Lebanon Seeks an Identity (page 573).

Prescription for Recovery

Most American economists feel that taxes ought to be cut, but so far the Administration and Congress turn a deaf ear (page 593).

Research in the Air

Civil aircraft are losing the stimulus of defence research. Is the Government right to go on supporting their technical progress? (page 611).

Gentleman's Agreement on Coal (page 613).

Swing to Conservative

Nobody, Tory or Labour, appears to have recognised the real significance of the borough election results (pages 574 and 579).

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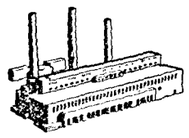
For details of these industrial areas, and of other business opportunities in East Africa, write to the Commissioner, East African Office, Grand Buildings, Trafalgar Square, London, W.C.2.

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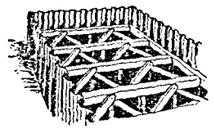
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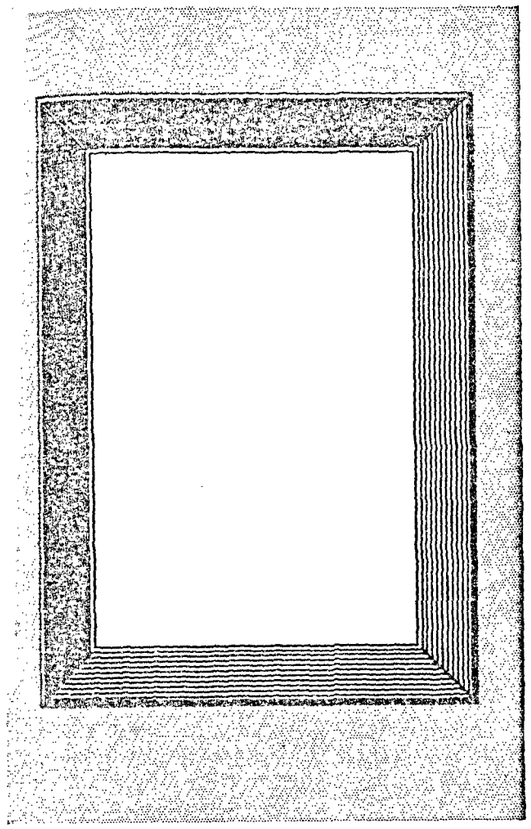
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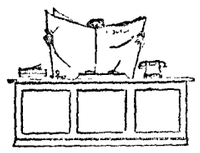


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Signed: "WORRIED, WALSALL"

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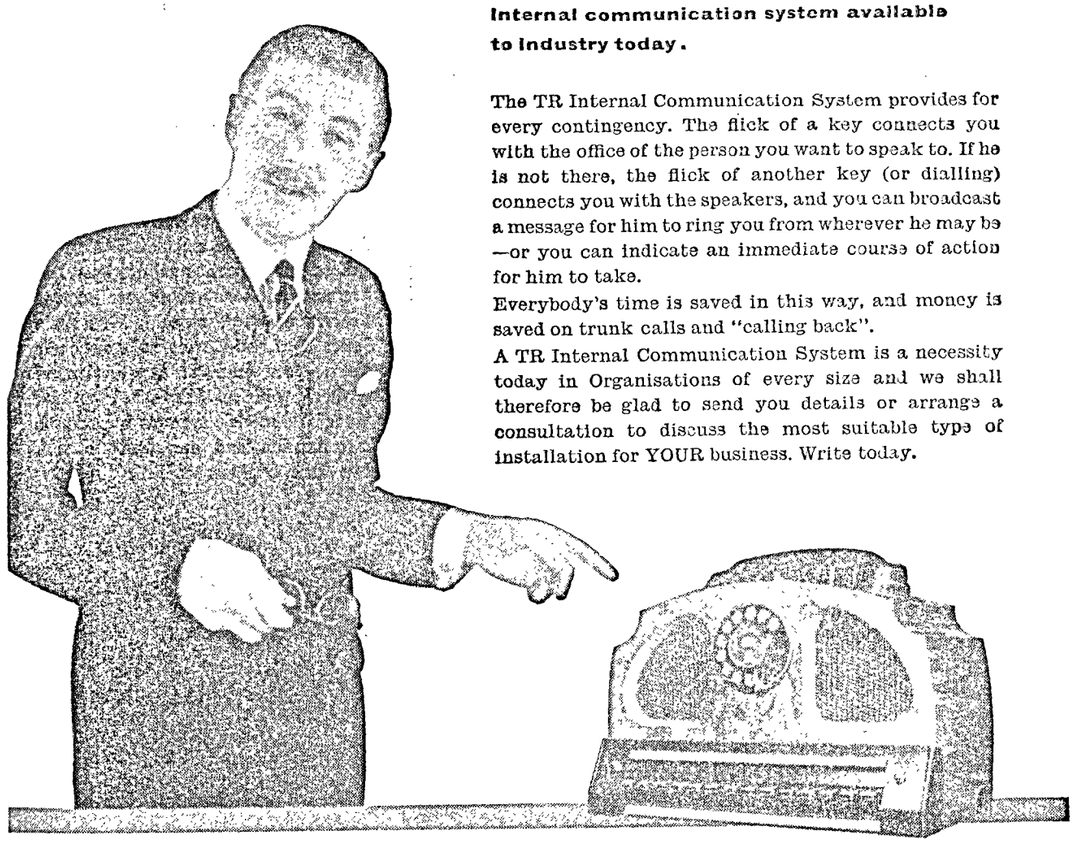
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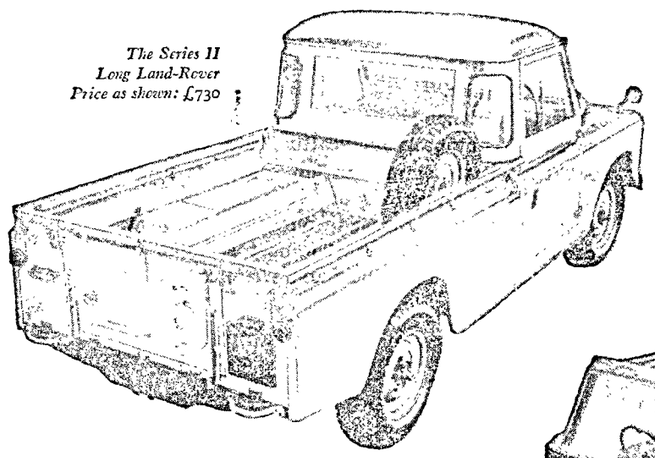
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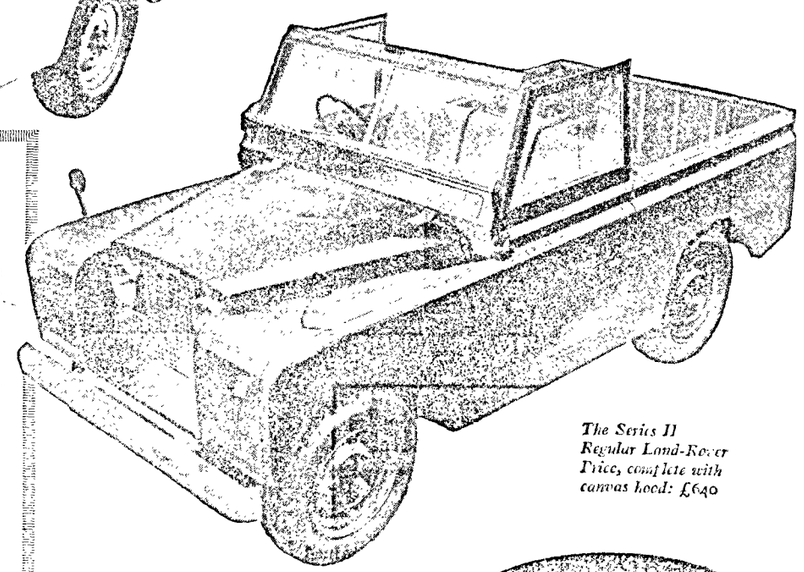
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The Economist

MAY 17, 1953

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Peace Through Some Inflation?

It is not yet known whether the National Union of Railwaymen is really going to be so silly as to call a strike against the proposals which Sir Brian Robertson has put to it this week. But what can already be seen is that the proposals themselves, to which the Cabinet so artlessly gave the nod last Monday, represent for the country a partial economic defeat.

To say this will not be popular. It is customary to acclaim pieces of paper with which politicians seek to secure peace with honour (with just a little more inflation) in our time. And the railway settlement devised this year, let it be said straightaway, does contain rather more honour and rather less inflation than settlements in previous years. It may therefore seem finicky to insist that this is a sign of how bad were the previous years' forced settlements rather than of how good this one is. But in economic, as in military, affairs it is never wise to be hypocritical about the nature of tactical retreats. To march forward towards one's basic objective is one thing; to turn away from it in a less degree of disarray than when one has turned away from it before is another.

The basic objective for the welfare of the British people at the start of this year's railway wage dispute was simple. Because the railways are in deficit, the best interests of the country would have been served if railwaymen had got no increase in wages at all this year. The most economic outcome would have been for this industry in deficit to fix all its attention on getting out of deficit again—to introduce all possible economies, and to refuse to increase any cost (wage costs, salary costs or any other) until the railways were once more showing a profit. This idea that there should have been a standstill in railway wages this year is not an extreme view thought up, for cussedness's sake, by some impossibly academic reactionary; it is the course that anybody who was unacquainted with the twisted economics of Britain in these postwar years would assume to be the normal course for any industry in deficit. It is also, in effect, the course that was recommended to the British Transport Commission by the majority of the railway wage tribunal last month.

Because the attitude to ordinary economic commonsense in postwar Britain is so very peculiar, the authorities had, even before last Tuesday, already recoiled some way from this pure milk of virtue. They had done so by two steps. First, although the railways were already supposed to be making the maximum possible (£15 million) of economies this year, the authorities decided that there were, after all, another £10 million of economies which could be made; once these were fully in effect, they would suffice to raise the men's wages by 3 per cent, and it was decided that the whole of this sum should be devoted to that purpose and regarded as a saving made possible by increases in the men's productivity. Since not all these economies depended upon union co-operation (c.f. some of those arising from the Government's speeding-up of the investment pro-

gramme and its assumption of responsibility for bridges and crossings), this formula already implied an odd evaluation of what is a management's job ; but one thing could perhaps be said for it. As the scaling down and technical improvement of this antiquated and over-expanded railway industry is the most essential national need, it may at any rate be better that more economies should be made in order to pay more to the men than that nobody should bother to make more economies for any purpose at all.

The second stage of the tactical retreat, however, was much bigger. By last week Sir Brian Robertson had already promised to give the railwaymen some increase next October, even if—as may well happen as freight loadings fall off—the railway deficit is by then bigger than ever. This was the promise that should never have been made. Up to this moment, although the authorities were showing some willingness to buy off the strike, they were at least intent on buying something hard (union co-operation in accepting redundancies and other economies) with it. Now they were offering to pay for that something in advance, and obviously not on a cash or return basis. Once the offer had been made, the terms on which a settlement might be reached without a strike apparently became clear. It looked as if the leaders of the two smaller unions would accept the 3 per cent offer if it were advanced to the end of June ; Mr Greene, of the bigger National Union of Railwaymen, who had a provisional strike notice dated June 1st in his pocket, was committed to demand an immediate increase—but it seemed unlikely that he would really call a go-it-alone strike to try to get these few extra shillings four weeks earlier. To bring the wage offer forward from October to the end of June would require a once-for-all sum of another £2½ million.

THIS was the state of affairs when the Cabinet met to consider such further concessions on Monday. Not surprisingly, in view of the retreat already made, it decided that another £2½ million of economies ought to be squeezable somehow. The result of its deliberations was Mr Watkinson's letter to Sir Brian Robertson, surely one of the most disingenuous letters in industrial history. Mr Watkinson said sternly that he would tip Sir Brian no more money, but anybody who reads that letter can see that he was also tipping him a wink.

The wink was that Sir Brian should try to reach a settlement with the unions, on the basis of an end-June settlement, but that he would be very unpopular if this settlement was pressed past one hazily-defined and two very real points of objection. The hazily-defined objection was that the railway deficit should not be widened. There is a certain element of bluff in this. Not too much credence should be placed on present brave statements that the test of the offer will be whether the promised economies are really carried out. These economies are like the £100 million of cuts in Government expenditure which Mr Macmillan promised in his budget two years ago ; in the year for which they were promised Government expenditure in fact exceeded estimates by £150 million, but the new Chancellor then said (possibly rightly) that it would have exceeded them by £250 million if the promise had not been made. In practice, everybody knows that if the railway deficit does still widen, because of a fall in freight demand or even because of a failure of the listed economies to materialise up to the best paper hopes, then Sir Brian by next year will still be forgiven—provided that the settlement he tries to reach has not run beyond the other two red lights.

The first of these, which no doubt worried the Cabinet most this week, was that the commission's wage offer must not look like a pure give-away, not only to restless Tory backbenchers (who do not very much matter), but to potential domestic and foreign bears of the pound (who matter very much indeed). The second essential was that the commission's new and rather more inflationary offer to the railwaymen must on no account be such as to make it inevitable that new and more inflationary offers should also be made to other unions in dispute—and particularly, of course, to the striking London busmen.

HOW far have these limits really been overrun already ? The answer, no doubt, is that more emollience has now been shown for prudence. Quite clearly, in view of the proposed settlement's wider effects, there can be no question at all of going further than Tuesday's published offer ; if the NUR will not accept it, then it will be necessary to face their lonely strike. But, on the assumption that this is to be the limit of the retreat, the country can now perhaps count some small mercies.

There are two hopeful features in this settlement which have not been part of earlier annual retreats before union threats. One is that the settlement, however strange the story of its negotiation, is tied more firmly to the idea that an attempt to increase productivity should be an adjunct to any decision to raise wages. It would, of course, be vastly better if the adjunct were a precursor. And the importance of what has been done will largely depend on a not easily forecastable question of psychology : on whether the ordinary man comes to regard the productivity clauses attached to the 3 per cent agreement as an essential condition of it or merely as so much guff. The most immediately important ordinary man may very well be Lord Justice Morris, whose arbitration award on the claim of the coal miners is expected shortly. If he now awards a straight and unconditional 3 per cent increase to the workers in this other nationalised industry, which is also faced by currently falling demand, then all that most people will assume to have resulted from this year's manœuvring is a 3 per cent wage inflation instead of last year's 5 per cent one.

The second point, however, is that even if the 3 per ent standard did become undesirably general, the British economy would still have got away this year with a level of wage increases which, for the first time, would possibly be borne without price inflation once ndustrial expansion is resumed. The misfortune is hat these increases are being granted, in industries n deficit, at a time when expansion has not yet been esumed. The opportunity of making this most favourably-placed of all years the one in which to break the wage-price spiral has therefore not been resolutely eized. That may mean that when expansion starts again the union leaders may think that they should again be given much more than 3 per cent each year—and that by threats of strike they can get it. But perhaps—and this may be the one gain from 1958—their presumption will not be quite so automatic: Mr Cousins, for one, may emerge from this year with slightly less confidence in the efficacy of the strike weapon as the ultimate deterrent. It may be a matter for note, where trade union leaders gather, that although soft words about productivity have now buttered some parsnips on the railways, hard deeds on the buses are still breaking no bones.

The Challenge from Algiers

The parliamentarians of the Fourth Republic are closing their ranks in the face of danger; but the trial of strength may only be beginning

THE French Republic has come face to face with its long-awaited vital test ; and, as is the way with such tests, what was long expected has come suddenly with the shock of surprise. On Tuesday night the Assembly was moving towards an orderly, indeed routine, conclusion to a conventional Paris government crisis, when the news from Algiers put the questions: was the capital in Paris, or in Algiers ? Did the Republic, or its generals, rule ? The alliance of settlers and paratroopers did not merely refuse obedience to Paris, it sought to tell the President of the Republic and the National Assembly what sort of government they should choose.

M. Pflimlin's parliamentary day had begun quietly at 3 o'clock in the afternoon, when the 51-year-old Alsatian leader of the MRP (Christian Democrats) climbed the rostrum to present the programme of his prospective government and to ask for the vote of investiture. His programme differed from the programmes of his recent predecessors only in the suggestion that it contained a possible cautious shift in Algerian policy. Because the withdrawal of the socialists from the government meant the departure of M. Lacoste from his ministerial office in Algiers, such a change was in the air. M. Pflimlin's reputation as the supporter of a liberal solution pointed in the same direction ; but he was measuring his words now so as not to give offence. While he did not exclude the use of the good offices of Morocco and Tunisia, he also proclaimed that France would fight until victory. In any case, the presence of the conservative ministers in his cabinet was a guarantee that there would be no abrupt change of direction, and so the debate at first proceeded in wholly conventional fashion, with a long list of orators and numerous breaks to enable the parties to make up their minds. When the Assembly suspended its session for dinner, all still seemed normal. Only the helmeted policemen massed outside the Palais Bourbon, and the lorries blocking the bridge from the Concorde, showed that trouble had been expected.

There had indeed been a little trouble in the Paris streets, but it was under control ; in Algiers on the same afternoon it was out of hand. There the French settlers had felt the sense of power since the day in 1956 when M. Mollet gave way to their clamour in the streets of Algiers. Now seemed the time to use that power. Their conviction had never been shaken that a compromise in North Africa was intolerable and that, in resisting it, they had nothing to lose ; and they could rely, they calculated, on the backing of frustrated and discontented troops. After they had stormed the building of the government-general, the news came that the troops had joined in, and that the paratrooper General Massu was head of a newly formed Committee of Public Safety.

This mixed body of soldiers and civilians at once sent a message to President Coty demanding that a similar "government of public safety" be formed in Paris. The pronunciamento had come. But the deputies in the Palais Bourbon went on for a time as if nothing had happened. To observe their procedure was like watching a ball through glass, without hearing the music. Then a communist deputy broke the pretence and sounded the alarm. He urged, amid uproar, that all republicans should unite in face of a common danger. M. Pflimlin jumped up to reject the communist offer ; the Assembly, he said, would live up to its grave duties.

The make-believe over, the tension rose as the scene shifted between the seats of the Assembly, the

government, and the presidency of the republic. Reports of numerous arrests of right-wing extremists in Paris showed that, in the government's belief, the rising was not entirely spontaneous. Parliament had reached the point where it must close its ranks, or disintegrate, and its reaction was to close its ranks. The parliamentary defence reflexes were set in motion; socialists, radicals and fellow-catholics assured M. Pflimlin of their support and urged him to persist in his bid for office. He did not hide the gravity of the situation; accusing some of the military leaders of insurrection, he said that France was on the brink of civil war. The communists decided that, though they could not vote for a man determined to carry on the war in Algeria, in the circumstances they should abstain. This left the vote no longer in doubt; M. Pflimlin received the investiture by 274 votes to 129 with 137 abstentions; that is, he might have won even against communist opposition. France had a government again, but the question to be answered was what authority it possessed. It has still to be answered.

BEHIND the uncertainties of the new government was ample ground for misgiving about the future of French policy in North Africa, and therefore of the western position in the Mediterranean. The settlers and the soldiers had chosen to precipitate the crisis on the mere ground that a prospective new government was suspected, without any very solid evidence, of a more flexible approach to North African problems. What, then, would happen if a French government were indeed to come to the point and make a real attempt at negotiation? Successive French governments for years past have been led by fear of just such an explosion to pass by any opportunities for peaceful settlement or any hope of capturing Moslem opinion. And the effects of these successive refusals reinforced the settlers' intransigence and burdened France with a discontented army of a dangerous size. If civilian authority were to capitulate in the face of the present open challenge—and there are many ways of giving in, with many nuances—then more juntas, more pronunciamentos, and more vetoes upon France's policies would have to be expected. The trial of strength may only have begun.

By Wednesday it seemed that a clear answer would be given to the question: who governs France? President Coty's message to the troops and M. Pflimlin's to the population were being broadcast every hour to the tune of the Marseillaise. It all sounded solemn and serious. By evening there were signs that the insurgents, having over-reached themselves, were climbing down. General Massu, only a day after he had sent the President an ultimatum, was now declaring himself no more than a guardian of order. Reliable reports from Algiers indicated that the military and civilian members of the committee were at odds.

But with events appearing to come within its grasp, Paris may once again be drifting into a compromise

solution which, while it wears the trimmings of succes may contain the seeds of defeat. M. Pflimlin took th decision to widen his government, offering one of th posts of deputy prime minister to M. Pinay, a conserva tive, and another to the socialist M. Mollet. Thi could be pretty close to the government of public safet that the insurgents had demanded. Their hostility t M. Pflimlin was due to fear that he would chang French policy in Algeria. What is formed as a govern ment of national union may be in effect no more tha a wide coalition based on compromise from whic no real change of policy can be expected. The othe fear which roused the Algerian settlers had been tha once out of office, the socialists would rapidly dro the bankrupt policy of which M. Lacoste has been th symbol and upholder in Algiers. But now there wer even rumours (since contradicted) that he might b given a seat in the government. No wonder the cynic are beginning to say that it will all end with anothe medal for Massu.

At the time this is written it is not yet clear wha will emerge from it all, and it would be unfair t M. Pflimlin, who stood so stoutly firm during the nigh of crisis, to prejudge what he will do. All that can b said is that, if the government does not assert it authority now, it will have missed a historic opportunity This week's events could even be made to serve a use ful purpose: is it to be woe to the republic that let its generals cross the Rubicon, or woe to the general who cross? Exemplary measures now might restor some discipline into the forces; but is the Republi strong enough to take them? Certainly it cannot b wholly safe as long as the Algerian war continues t keep the army too big for its boots. But there, too a chance waits to be seized. The rebellious settler in Algeria have not received the support in France or which they evidently counted. In fact, the ostentatior of their defiance has cost them a lot of sympathy. The new government could, therefore, be better placed than its predecessors to carry out the reforms in Algeria which have been prevented, or rendered ineffective, in the past by fear of Algiers. Resolute reforms, if they were sensibly supplemented by the good offices of Tunisia and Morocco, might even now lead to a peaceful solution. Some currents of opinion, an article on page 604 suggests, have been running in that direction.

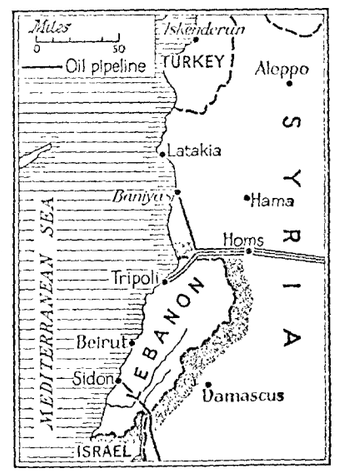
The cost of hesitation and weakness, on the other hand, will be incalculable. Leniency will encourage more insubordination. More concessions to the Algerian settlers will substantiate their belief that they have the right, and the power, of veto on the composition and policy of the government. The authority of the state will be further undermined. The seeds of rebellion can cross the Mediterranean. It is no accident that the figure of General de Gaulle suddenly stands out again. On Thursday he broke his long silence with a terse declaration of his readiness to assume power. With the soldiers in Algiers now calling for De Gaulle, M. Pflimlin cannot but know that these days are decisive.

Lebanon Seeks an Identity

The need is plain now for the West to come to erms with Arab nationalism even in what has ong been regarded as the safest island of western nfluence in the Middle East

ARAB nationalism has returned to Lebanon to overturn its cradle. It is a long time, and Arab politics have come a long way, since small groups of Beirut university students met secretly to plot independence from the Turks, and since an "Arab" was a nomad of the desert beyond Mount Hermon.

This week's uprisings in Lebanon, set off by the murder of a left-wing newspaper editor, are a further explosion of the spirit released by the Egyptian revolution in 1952. They show clearly how unrewarding it is for the West to found its relations with the Middle East on any concept of a special preserve. The insurrection underlines again the need to recognise that the Arab world is becoming more and more of a whole, no matter how many blocks and how many fence-sitters there may be at the moment.



The rioting and discontent in Lebanon cannot be dismissed solely as the work of agents from Syria and Egypt, however insidious and active. The mountain borders are always open to Syrian infiltration; it is not surprising that Lebanese sympathisers are guiding armed Syrians along tracks ordinarily used by less dangerous smugglers. But to present these events only as a take-over bid by Russian-backed President Nasser—whose henchmen are no doubt busily, and dangerously, fishing in the troubled waters—is to miss altogether the indigenous source of the troubles. A great many Lebanese sincerely feel the need to be identified with the world, the Arab world, in which they live. They may be proud of their veneer of western sophistication, and they certainly regard Syrians and Egyptians as less civilised than themselves; but the time has come when a surprisingly large number of them are ready to trade much for Arabhood.

Since the war, and particularly since the burning of Cairo in the Black Saturday riots of 1952, Beirut has enjoyed uninterrupted growth as the commercial centre of the Middle East. It has offered safety, good communications, and tolerance to foreign business and business men. There is no reason to believe that its hospitality to foreigners need necessarily be changed if it became more closely identified with Arab nationalism on its own terms. Much will depend upon how and under whose pressure, or counter-pressure, the closer identification comes. The diversion of the flow of oil from Tripoli to Baniyas, in Syria, because of sabotage in Lebanon can only remind oil men that their thin lines to the Mediterranean are always vulnerable. The oil industry has often been so reminded, above all at the time of the war in Palestine and during the Suez crisis, but the endless haggling over transit fees has mistakenly led the outside world to believe still that, among Arabs, oil is thicker than blood.

Large sums in American aid have failed to win over the Lebanese because, as they believe, the spirit in which it is given and the spirit of Arab nationalism run opposite ways. By seeming to separate the Lebanese from the prevailing political current, United States policy has made them self-conscious. President Chamoun's fall from public favour really began when he accepted the Eisenhower doctrine, which the other members of the Arab League rejected. In the past it has been easy to dismiss the claims of the opposition leaders in Lebanon and the actions of the excited mobs of Tripoli as mere expressions of political opportunism. Many Lebanese, both Moslem and Christian, are genuinely pro-French, pro-British, or pro-American. It is the historic fear of the Christian Lebanese that they may be swallowed up by the great horde of Moslem Arabs, not only in Lebanon but in the mountains and deserts beyond. Mr Chamoun and his foreign minister, Dr Malik, have tried to win public opinion to their side by promises of prompt and dramatic results from American aid. From a Western point of view this policy may have seemed to make good sense. But Lebanon is still an Arab country; it is in the Middle East, and its people feel the compulsion to behave as a Middle Eastern state on the 1958 model: that is, their political behaviour must be of a kind that Arab neighbours will find acceptable. Too tame a loyalty to the West does not today meet that prescription.

President Chamoun will now have to give up his intention to seek the constitutional amendment which would assure him of a second term. He may even have to leave office without waiting for his first term to end. His usefulness as an honest broker between the forces of Arab nationalism and the West is evidently greatly diminished now that he can rule his country only as a police state, if at all. A possible successor as president of the republic is General Shihab, the chief of staff of the armed forces and former

minister of defence. General Shihab has never been involved in the excitements of Lebanese politics: members of his family have discreetly mentioned his name in the right places during the past few months, and he probably enjoys more personal prestige than anyone in Lebanon today. There is also the possibility that the former president, Shaikh Bishara al-Khoury, may be called in to take over once more; his graft-ridden administration came to an abrupt end in 1952, when he resigned and President Chamoun was elected. For the moment, however, General Shihab is responsible for maintaining enough security for President Chamoun to stay in office; and Shaikh Bishara bides his time in a villa by the Mediterranean.

How will Lebanon find the identity it seeks, without courting still larger perils than its present troubles? In can become, like Syria, a province of the United Arab Republic; it can become an associate member like Yemen, retaining some of its independence; it can try, if it is allowed, to remain independent while hoping to preserve its attachment to the West; or it can really become neutral. Much plainly depends on the real desires, and designs, of its neighbours. But if the Lebanese can indeed make their peace with Arab nationalism, both at home and on their borders, they will find that they have most to gain by becoming a genuinely neutral country.

This would make calls, in turn, upon the desires and designs of the statesmen of the West. It would mean that the tiny state would have to steer clear of the dangerous waters of international politics; and its harbours and airfields would become less hospitable to foreign naval and military units. The value of Lebanon to the rest of the world lies in the freedom of trade and finance that it can offer, and can still hope to offer, in a region where such freedoms are none too common. The Lebanese, in their calmer moments, often refer to their country as the Switzerland of the Middle East; it takes more than scenery to make a Switzerland.

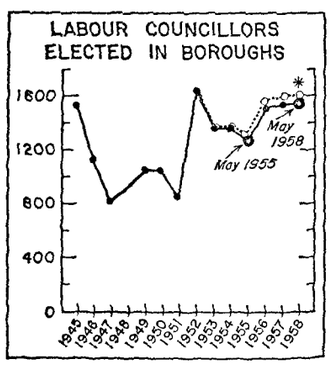
NOTES OF THE WEEK

PUBLIC OPINION

Swing to Conservative

Last week, when the results of the Scottish and of the first few English urban council elections were trickling in, *The Economist* noted that the initial swing to Labour in them seemed to be less than one had expected after last month's county elections; but we said carefully that these urban "results are always very difficult to analyse," and that the borough elections (where the Rent Act was expected to be important) would show the real trend. It is now quite clear that what we were doing last week was to treat too cautiously the first evidence that was appearing before everybody's eyes of a large—and to us quite unexpected—swing of opinion back to the Conservatives compared with a month ago. This sin of omission is perhaps mitigated by the fact that, in the general muddle caused by the comparison of net Labour gains with the equivalent borough and urban elections in 1955, most of the national press—and the politicians themselves—do not seem to have realised the fact of this swing even yet.

It may, of course, have been a temporary swing; but it was also a quite unmistakable one. In last month's county elections, Labour had secured considerably more seats than in its previous peak local elections year of 1952; last week, in both the boroughs and the urban districts, it secured considerably less. The borough results are discussed in some detail on page 579, but the accompanying chart shows them in the most convenient nutshell. In most of these English and Welsh boroughs each ward has three councillors, one of whom is re-elected every year; it is therefore possible to show the approximate change in the number of seats won by Labour each year. The chart shows that the number of seats Labour won last week was no greater than in these same borough elections a year ago. They were still, of course, greater than in the general election year of 1955—and, in fact, than in any year except 1952—but the year-to-year fluctuations in mood which the chart also shows to occur are a sign that the Conservatives need not regard the next general election as by any means a lost cause yet.



* Dotted line includes seats won in new boroughs.

The main reason for last week's surprising Conservative come-back was that, in several places where direct comparisons can be made with the county elections a month ago, anything up to 40 per cent more Tories turned out to vote. The most obvious explanation of this higher turn-out would be that some Tories who until recently were feeling apathetic were now eager to demonstrate that they are feeling cross with the trade unions. This recovery may not have been due to the conversion of any marginal voters, so much as to an uprising of the former Tory faithful, tramping out to vote in the support of their class. Yet it remains surprising that Conservative propagandists, in their present

extremity, have not this week produced more equivalents of the mad Scotswoman of Lucknow: the lady who, it will be recalled, made an excited stir on the walls of that besieged fortress by claiming loudly—and as it happened rightly—that she could hear the first faint skirl of the pipes from the distant relieving columns. Dinna ye hear them? Dinna ye hear them? The abstaining majors are marching home.

Islington Next Stop

Not many abstaining majors live in the rather slummy London district of North Islington, which was holding a parliamentary by-election on Thursday. But as the boundaries of the parliamentary constituency are the same as those of the LCC constituency, the election here will provide a quick test of by how far (if at all) public opinion in London has swung back since Labour's triumph in the county elections a month ago—and since the bus strike started. The percentage votes in the last three elections at North Islington have been:

	Labour Per cent	Conservative Per cent
April, 1955 (LCC)	58·9	41·1
May, 1955 (Parliamentary)	60·3	39·7
April, 1958 (LCC)	70·7	29·3

Compared with the 1955 LCC election, therefore, the 1958 LCC election showed a swing to Labour of 11.8 per cent. If Labour has done as well in Thursday's parliamentary election, that would lift Labour's parliamentary majority here from 7,578 to over 15,000. (This is on the assumption that the intervening ILP candidate gets only about 1,000 votes and that the relatively low, 64.7 per cent, turn-out in the last parliamentary election is repeated.) Before last week's borough elections a Labour majority of this order had seemed quite probable. But now electoral statisticians will be regarding the Islington result with more interest.

PARLIAMENT

Saying Boo to a Goose

Whatever is happening to Conservative opinion in the country, the Government has, within the last ten days, had two useful tactical victories in Parliament. Last week Mr Macleod scored a brilliant success in the debate on the bus strike; this Tuesday Mr Macmillan neatly deflated the alleged constitutional crisis over the RAF's "Prospect" conference. On both occasions the Opposition managed to get themselves on the wrong foot. Over the bus strike Mr Gaitskell and his friends are trying to be restrained in the noises they make in favour of Mr Cousins, because they are not unworried (with their eyes on their own governing days to come) by the spectacle of a trade union striking against an arbitration award. But while the Tories have managed to do some things that greatly annoy industrialists from time to time, the idea has still not occurred to the Parliamentary Labour party that there are occasions when it should go out of its way to proclaim its independence in the House from the interests to which it is tied outside it. The worst impression anybody can give is that of the embarrassed paid hack.

Over the RAF row, the Opposition might have made a better case; obviously limits must be set to the open defiance which Government and Parliament can stand from public employees, whether wearing a bus driver's cap or an air marshal's brass hat. But once again Mr Gaitskell managed to make a union matter of it: this time the union of past, future and present cabinet ministers. He was genuinely surprised that the Conservatives were not automatically joining with him in this demarcation dispute:

> Would it not be most undesirable if there grew up in Britain a custom not unknown in the United States of different defence departments each putting their own point of view independently before the public? (Opposition cheers.)

But, as Mr Gaitskell and every other MP must know, Britain already has intensive service lobbying, and there is a case for carrying on more of what Mr Macmillan called this "free and frank discussion" of service problems in the open rather than underground. Mr Macmillan, by contrast with Mr Gaitskell, seemed to strike exactly the right tone of tolerance, with an underlying warning.

These two Parliamentary successes partially obscured the fact that political difficulties still remain for the Government in both fields. Those Tories, for instance, who were most delighted by Mr Macleod's drubbing of Mr Gaitskell were left anxious a few days later by the railway wage offer. Mr Greene may relieve the Government of any lingering party worries on this score; if he does not, and if there is any adverse effect of the wage offer on the pound, Tory backbenchers will cast many a thoughtful eye on the possible anti-settlement leader, Mr Thorneycroft. Over defence, Mr Macmillan's little parliamentary success has done even less to settle the basic problems. They are problems which confirm that customary underground lobbying is more dangerous for any minister than "Prospects" in the open: the fact is that many senior officers in all services, with increasing support from some influential Tory MPs who may have been listening to them, think—and are complaining—that Mr Sandys has got the balance between nuclear and conventional weapons dangerously wrong.

PAN-AMERICAN RELATIONS

Bad Neighbours

Demonstrators in Venezuela, Colombia and Peru have seized the opportunity of Mr Nixon's visits to display their resentment of the part which the United States plays, or fails to play, in the Latin American struggle against authoritarian regimes. The three republics have recently rid themselves of dictators who appeared, to the people whom they ruled, to have the support of the State Department. It is not surprising that the American Vice President had the worst reception of his tour when he arrived in Caracas on Tuesday; few Venezuelans take kindly to the news that their former ruler, General Pérez Jiménez, has found comfortable refuge in Miami or to rumours that his chief of police has gone back to his old job with the FBI. Venezuelan parties which were suppressed under Pérez Jiménez suspect that they may be suppressed again, and that military rule may get another lease of life with American concurrence. The immediate despatch of American troops to the Caribbean has given some substance to the Venezuelan fear that the country's delicate transition from military revolution to parliamentary government may not be made easier if the United States lends a hand.

At every port of call Mr Nixon has had to stand up to

a barrage of economic grievances. Speeches about mutual goodwill sound more than usually hollow at a time when raw material prices are at their lowest level for many years and when the United States Congress is considering increasing the tariffs on Latin American lead and zinc. Nor has Mr Nixon found much gratitude for his government's aid programme; to the Latin American way of thinking aid is no substitute for enlightened trading policies; too much of it takes the form of arms, and these have been more commonly used in civil than in foreign wars.

The economic tales of woe are sincere, but they alone do not explain the eggs, stones and avocado pears thrown at Mr Nixon. Even in Uruguay, which is not directly concerned with authoritarianism, complaints about the American wool tariff were coupled with the reproach that the State Department is too friendly to Latin dictatorships. Latin Americans are interested in good business; but they also like to enjoy the pleasures of normal party political life. To confuse this aspiration with communism, as Mr Nixon after his Caracas battering was understandably inclined to do, is to miss the point.

BOMB TESTS

One Swallow

A CAUTIOUSLY encouraging western reception of a cautiously encouraging Soviet message is something worth noting in the present atmosphere of deadlock and disarray. One swallow does not make a summer, and the loosening of one log does not always break a logjam; but the prospect of joint Soviet and western discussion of how to police a suspension of nuclear tests is particularly cheering because it happens to be a sensible idea.

Mr Khrushchev's Note of last Saturday was a reply to a letter sent him by Mr Eisenhower on April 28th. The President had begged him to reconsider his repeated rejection of western proposals for a joint study of methods of supervising disarmament, and specifically to agree to a joint study of methods of supervising a halting of tests. The Soviet premier has now accepted this last proposal, although he refers to "serious doubts" about it, and insists that the experts' discussions must not last long.

This was an unexpectedly swift justification of the hope expressed by the Nato allies, in last week's Copenhagen communiqué, that it might still prove possible to embark on a joint study of disarmament inspection techniques. The allied governments cited detection of nuclear explosions as one of the sectors which called for study, and suggested that agreement in one such sector might help pave the way to a general agreement on disarmament. They added that they would in any case think about carrying out, among themselves, studies and experiments on inspection techniques. (This was more of an admission than a promise; it is somewhat appalling to learn, at this late stage, that the western governments have neither carried out these studies nor even made up their minds whether to do so.)

Now they have had Mr Khrushchev's response, and Mr Dulles and the White House have promptly, and quite rightly, made encouraging noises about it. Dark suspicions in other Nato capitals about this being the beginning of a Russo-American *tête-à-tête* should not be allowed to block a follow-through. Now that this little ball has been set rolling, it should be kept in motion. Unexciting though it may seem at first glance, it is a very important little ball indeed—more important than the huge cone-shaped sputnik that Russia has just shot into space to join the three little American satellites already circling there.

WAGE TROUBLES

Rail, Bus, Dock,

THE major industrial question of the hour is, of course, whether the unfortunate Mr Greene and his National Union of Railwaymen are going to be pulled out by their militants on to a lone maverick railway strike. If the NUR do strike they probably cannot do so before June 1st; although they would say they were striking for higher pay, they would really only be hoping to bring the 3 per cent offer forward by four weeks; and to strike to get these few shillings four weeks earlier could not possibly be worth their members' while financially. The real reason for Mr Greene's troubles is the political pressure that has been put upon him by some members of his executive, in order to support Mr Cousins. The signs are that he will be able to resist it. The Government had already made plans to carry on essential services during a national railway strike; with ASLEF engine crews and the salaried staff available, this task would be made much easier in an "NUR only" strike, although the nuisance to the whole country would still be severe. The position about the present pay claim of NUR men on London's underground railway, which obviously assumes especial importance just now, is discussed in a note below.

If the NUR trouble blows over, and Mr Cousins is left to continue his London bus strike alone, what then? The strike is proving such a pinprick to Londoners that Mr Cousins must know that every day the stoppage continues, the less likely is it that London Transport will be able to keep open jobs for all the striking busmen for long. But for Mr Cousins this stoppage has now become a matter of face; he has got the TUC to send out an appeal for extra funds for the busmen, with the plain implication that he will try to drag this stoppage on and on. If it does drag on, and London still shows no signs of flinching, the question is whether he will try to hot up the cauldron by bringing out some of his other TGWU men as well. Chief among his guards divisions are the dockers. Their pay claim was rejected on May 8th and, although they originally decided to take no action until a meeting on May 20th, 3,000-odd men handling meat in and around the Tooley Street area of the London docks decided unofficially to strike on Thursday morning. This, and the unofficial eight-week overtime ban in the Royal and West India docks in London, which was called off last week because it had proved ineffective, shows that, as always, the dockers are restive. But the restlessness of the men and the failure of the overtime ban are perhaps equally significant.

Meat, Petrol, Lorries,

THAT Mr Cousins's Transport and General Workers Union is not at present keen on union-wide action is suggested, however, by the fact that one other related strike in which some of his members are concerned is also unofficial. This is the strike of workers at Smithfield meat market. This strike, which at first was confined to 1,600 meat drivers whose claim for a wage increase had been rejected, spread last weekend to the 6,500 other workers employed at Smithfield and at cold storage depots on the docks. Their walk-out was precipitated by the fact that some of their members had been sacked because the stoppage of meat drivers meant that there was no work for them. There are far too many meat porters at Smithfield, which is a hotbed of restrictive trade union practices; and some of the employers are in a tough mood, saying that they will not necessarily have jobs for all the strikers when they decide to come back. Once again, the threat to supplies from the stoppage has not been as great as might have been supposed, nor has the attempt to spread the strike to Covent Garden so far been successful. London butchers have simply been collecting their meat from outside London; and although by the weekend prices of meat will be higher and the customer's choice restricted because of the lack of imported meat coming from the docks, no severe shortage is expected until the end of next week, if then.

The one card that Mr Cousins might decide to play in support of his bus strike is to tighten up on petrol and diesel deliveries in the London area. His petrol drivers are already delivering supplies only at their own discretion, and not to strike-breaking coach stations if they do not want to. This threat could get very nasty, but there seems less substance in the fears of some people that—if the NUR and London's buses really did come out on strike together—Mr Cousins could tighten up considerably on the activities of lorry drivers in general. His union has not got the complete coverage of lorry drivers that he would like, particularly not of course of the drivers of lorries belonging to private firms. Because of this weakness, and because of the substantial surplus of lorries at present, it is hard to see how the unions could achieve much along these lines.

Coal, Tube, Building, Engineers

WHAT effect is the promised railway wage increase going to have on other claims? The first answer to this question is likely to come in the award, due to be made by Lord Justice Morris in about ten days' time, on the coalminers' claim for an increase of 10s. a week. This claim, which was heard by the industry's final arbitrating body, the National Reference Tribunal, on April 28th, was designed almost exactly to offset the rise in the cost of living since the miners' last award in March 1957. The Coal Board, like the Transport Commission, is in current deficit; it has 9 million tons of undistributed stocks on its hands and is looking for economies everywhere it can; the temptation to find a parallel with the railway settlement is obvious, but it is not at all clear what *quid* could be demanded from the miners' *pro quo*. The real danger to the economy would arise, of course, if Lord Morris recommended an increase without demanding some economies in return.

Two other claims of considerable importance will also be settled within the next month. The first, that for London's 18,000 underground railway workers, will be heard on May 29th and 30th by the London Wages Board—London Transport's equivalent of the Railway Staffs National Tribunal. The Board has five members under the chairmanship of Lord Terrington; its decision presumably will not be announced until at least June 10th, and since the men have an agreement not to strike within 28 days of any award being made, they could not legitimately support the busmen, even if they wished to do so, until July. But, whatever happens, the outcome here is bound to be influenced by the railway settlement because the great majority of the underground railwaymen belong to the NUR. These complications do not apply to the next claim that Lord Terrington will be hearing when, on June 6th, in his capacity as chairman of the Industrial Disputes Tribunal, he arbitrates on the 8d. an hour increase demanded by the builders. They have a cost of living agreement which brought them an extra 1d. an hour in February; but unlike the 70,000 dyers, bleachers and textile workers who this week decided that a cost of living increase was enough, the one million building workers want more than this. Considering the substantial unemployment in their industry, they are not likely to get it.

The last major claim that will make news in the near future is that for 3 million engineering and shipbuilding workers. The Confederation of Shipbuilding and Engineering Unions has already presented a "substantial" demand and will meet the employers on May 24th, the day on which last year's wage standstill expires. Negotiations on wage increases in engineering have in the past taken up to nine months; and, even this year, the unions fear that the employers' promise to "deal with" the claim within three months may only mean that they will reject it during this period. The degree of militancy they show is likely to depend on the extent to which militancy does or does not pay off on the London buses and the railways.

It is perhaps ironic that the only stoppage which shows real signs of hurting the economy at the moment is one which, though taking place in engineering, is well outside the main wage struggle. This is the 18-day-old strike, for higher pay, of 1,500 vehicle builders at the Swindon works of Pressed Steel, the company which makes car bodies for the British Motor Corporation, Rootes, Rover, Jaguar and Standard. Already 11,000 workers at these car firms have had to be laid off; and deliveries of vehicles, which have for some time been the bright spot both in the home and export markets, have been curtailed. The strike at Pressed Steel is complicated by inter-union rivalries and shows no signs yet of coming to an early end.

RUSSIA AND JUGOSLAVIA

Ten Year Itch?

THE muddy waters that appeared between Moscow and Belgrade after the Jugoslav party congress at Ljubljana last month have not, after all, been allowed to settle; and on present evidence it looks as if the Russians mean to keep them well and truly stirred. Marshal Voroshilov, the Soviet president, who should have arrived in Jugoslavia last Sunday on an official visit, did not turn up. It would have been surprising if he had, after the creeping barrage of abuse that has been directed against Belgrade from all round the communist block, from Albania (where it began) to Peking. Moscow's contribution, in *Pravda*, was less fierce than Peking's, but it clearly tried to disabuse the Jugoslavs of the idea that ideological differences need not upset interstate relations; if these differences deepen "they quite naturally lead to political differences too." It also made a scarcely-veiled threat that Moscow would stop its economic aid if the Jugoslavs did not mend their obstinate ways. They, however, have heard all this before—ten years ago—and in considerably more intemperate language. On past form, if the attacks worsen, their attitude will merely grow tougher.

One can only speculate why the Russians should have apparently decided to press home the attack on Jugoslavia when they had already, it seemed, taken adequate precau-

tions to warn their satellites away from the Titoist contagion. There is some evidence for the theory that there are serious differences among the Russian leaders over Jugoslavia ; one group, led by Mr Suslov, is said to think that Mr Khrushchev has been much too soft to Marshal Tito. It might, however, be a mistake to press this theory too far and deduce from it that the renewed attacks on Marshal Tito are simply a result of successful pressure by this group. Mr Khrushchev himself can hardly be feeling very kindly disposed towards the Jugoslavs after the spirited way they rebuffed Soviet criticism at Ljubljana. He, too, may feel compelled to try some stronger measures ; but it will be surprising if he tries—or is forced to try—to turn the clock right back to 1948.

POLAND

Mr Gomulka's Bitter Memories

MR GOMULKA could scarcely be in a mood for rejoicing during his east European tour. His visits to Sofia, Budapest and Bucharest have coincided with the renewed communist campaign against the Jugoslavs, which was bound to revive bitter memories for him. He himself was once the victim of the witch-hunt that spread throughout the communist block after the Cominform's excommunication of Marshal Tito in 1948. As a nationalist heretic, Mr Gomulka was disgraced and imprisoned. He had to wait for the turn of the wheel after Stalin's death to regain first his liberty and then power. The fear cannot be far from his mind that the new Communist breach with Belgrade might foreshadow the end of the Polish experiment in limited independence launched with such hopes in 1956.

The Poles have lately been treading with caution. Less comfortably placed than the Jugoslavs, if only for reasons of geography, they pinned their hopes on a truce to ideological conflict. Indeed, they thought the Jugoslav party programme at Ljubljana unduly provocative. In their view, the time for new challenges to Moscow has not come ; and in the meantime they have been making concessions in the hope of weathering the storm. At home, Mr Gomulka has been attacking "revisionism," curbing recalcitrant writers, and reducing the powers of workers' councils. In Budapest this week he explicitly approved Soviet intervention in Hungary, once the insurrection had become "counter-revolutionary." But it would be wrong to conclude that Poland is falling tamely into line. In all the speeches on his tour, Mr Gomulka criticised not only "revisionism" but "dogmatism"—the euphemistic name for Stalinism—as well. On Wednesday *Trybuna Ludu*, the Polish party organ, contrived to publish a lengthy criticism of the Jugoslav position which at the same time, to anybody who read carefully enough, conveyed a clear impression that the Poles were joining in the anti-Tito chorus only under duress and with distaste.

Nevertheless, the Poles are aware that they cannot simply contract out of the Soviet block ; as they know, their scope for unorthodox behaviour is conditioned by the general state of world relations. The Jugoslav schism in 1948 and the purges throughout eastern Europe that followed were products of the cold war. Hence the intense Polish interest in devices to reduce international tension. Now that the adverse omens are reappearing, Mr Gomulka must be assuring himself that the repetition of history is only on the surface ; the underlying condition of the communist world is not as it was ten years ago.

NASSER IN RUSSIA

Selective Obloquy

PRESIDENT NASSER'S fortnight in the Soviet Union has followed the accustomed sequence for a state visit: banquets, sightseeing, platitudinous speeches. A dash into Moslem Asia was kept as short and as innocuous as possible. In a two-day visit to Uzbekistan and Azerbaijan little was said on the Russian side, and nothing at all by the Egyptians, about the position of Moslems in the Russian empire. In regions less sensitive to a Moslem visitor, President Nasser travelled widely. Only this week, at the end of the tour, was there time for the talks in the Kremlin that presumably were the purpose of the journey.

Throughout the visit the President and his hosts chose the subjects of oratory with circumspection. The public speeches show what were considered safe topics. Chief among these were the Bandung principles and peaceful coexistence, Arab independence and unity, the Sinai campaign, the Port Said landings and the desirability of aid without strings.

When Mr Khrushchev devoted most of a long speech to nuclear tests and American obstructiveness, President Nasser replied with a lecture on Middle East history and the Arab independence movement. The Arab President has several reasons for not wishing to antagonise the Americans just now. He would not want to cause second thoughts in Washington about the gentler economic policy towards Cairo. He may also be aware of the danger of provoking the State Department into action over Lebanon or Algeria that would not suit Egypt's book.

President Nasser did not publicly introduce his quarrels with other Arab states. But the Russians may have been embarrassed when in an early speech he dilated upon Israel as an imperialist invention, perhaps forgetting in his eloquence that the Soviet Union was the second country to recognise the state of Israel ten years ago. Little was said about the Arab-Israeli dispute after that. This does not mean that Israel was not discussed privately, or that the Soviet Union will not raise the question of Israel's frontiers at the time and place most likely to embarrass the West.

KUWAIT

The Ruler's Problem

DREAM castles in the form of dams, roads, schools, and hospitals were in the minds of the Iraqis and Jordanians by the time the ruler of Kuwait, Sheikh Abdullah Salim al-Subah, arrived in Baghdad last week. The Iraqi elections were forgotten (the government won) as preparations were made for the arrival of the rich and distinguished visitor. King Hussein of Jordan has since arrived to present Jordan's case for support from Kuwait. Sheikh Abdullah is, indeed, a very rich man, but during the past few years Kuwait has learned to live the life of a rich country. The vast sums which were formerly put into the ruler's survival kit of foreign investments may not be so large in the future. The upkeep on all the paraphernalia of modernity installed during the recent past will cost more and more.

The Arab Federation of Iraq and Jordan is not popular in Kuwait. The ruler would probably have to face a revolution at home if he joined the Hashemites. The Kuwaitis feel the need for a new system of law and administration ; they want something that will, in an orderly

manner, diminish the absolute power of the ruling family. They would regard membership in the Arab Federation as an attempt to protect out-moded institutions.

While they do have boundless admiration for President Nasser and the United Arab Republic, the Kuwaitis behave as if what they desire most is to become to the Persian Gulf what Lebanon has long been to the eastern Mediterranean, an independent centre of trade, culture and education.

PARLIAMENTARY PRIVILEGE

The Limits of Libel

THE ruling of the Judicial Committee of the Privy Council on the Strauss privilege case does not go as far as some watchdogs for personal liberty have gloomily assumed. The judges were asked to consider only one fairly narrow legal point. They have ruled that the House of Commons would not be acting contrary to the Parliamentary Privilege Act of 1770 if it were to treat the issue of a writ for libel against an MP, "in respect of a speech or a proceeding by him in Parliament," as a breach of its privileges. As a broad principle, no one will challenge the constitutional desirability of the law as now defined by this ruling ; if MPs are to carry out their duties fearlessly, they must obviously be free from the threat of libel actions inside Parliament.

But the Judicial Committee was not asked to consider the other important question that is raised acutely by the circumstances of the Strauss case itself ; everyone knows what is a speech in Parliament, but precisely what is covered by the word "proceeding"? The Committee of Privileges (i.e., a body of MPs themselves) will now consider whether an MP's private letter to a minister is such a "proceeding." This is the point that causes concern to outsiders, even though nobody disputes that the laws of

Conservative Recovery in the Boroughs

IT was Labour, not the Conservatives, which got a nasty shock at last week's borough council elections. It is true that Labour won nearly half the seats contested—1,601 out of some 3,300, exactly the same number as in 1957, and more than in any previous year except 1952. But whereas in April's county council elections the party surpassed its 1952 high-water mark by 75 seats, in the boroughs it fell short (allowing for new seats and new boroughs) by a hundred. Why ?

The main reason was, quite simply, that more Tories turned out to vote, Illustrations must be drawn from the smaller towns, since the county boroughs do not vote in county elections. Often—for example in Aylesbury, Windsor and Wellingborough—the Tory vote last week was 25, 30 or even 40 per cent higher than in the same wards in the county elections in April, with no significant increase in the Labour poll. Of course, there were exceptions: at Kettering the Tory vote fell off compared with April ; at Basingstoke Labour increased its April vote by even more than the Tories ; at Wycombe Labour nearly doubled its April vote (but the Tories more than doubled theirs). Among the bigger towns, at Manchester the two wards with the highest percentage poll both showed Labour gains, and at Oxford Labour won its first majority of city councillors by holding its 1955 vote while its opponents dropped from 15,000 to 11,000 (but then at Bath, where one had expected Labour to rattle the pump-rooms by gaining control, an unusually high turn-out of indignant Tories prevented this). The general picture, however, was plain. Although the turn-out at municipal elections admittedly usually is higher than at county elections, and although the enthusiasm of 1955 and earlier years has by no means been regained, it is quite evident that last week some recently abstaining Tories turned out to vote again. The total poll was higher than in the municipal elections of either 1956 or 1957.

Geographically, the borough elections confirmed a long-term trend which has been evident for some time: the country is slowly shaking itself out into less completely class-conscious districts. Compared with its previous highwater year of 1952, Labour held its 1952 strength almost intact in conservative southern England, and quite unimpaired in the Greater London area ; in the spas, resorts and suburbs, Labour strength is no less than in 1952, and in the Midland equivalents of suburbs (the smaller country towns) it is quite appreciably greater. But these successes since 1952 have been more than offset by a decline in Labour's own strongholds: compared with 1952 it now has 16 fewer seats in the ports, 30 fewer in the heavy industrial centres, and 80 fewer in the light-industry towns—34 of these 80 being in the textile boroughs of Lancashire and the West Riding.

The councillors seeking re-election this year had been chosen in 1955, only two weeks before the Conservatives won the general election. It was therefore not surprising that Labour regained almost 300 seats, and it is these that have led to such general misunderstanding of the results. But even compared with 1955, spectacular Labour victories were few: it had more than three gains of seats in only fifteen places, and more than five in only six. Almost all were in boroughs where—as in Bolton, Dudley, and Nottingham—Labour's 1955 defeat had been correspondingly severe. Indeed in two broad areas—in the ports and industrial towns of the south-west (from Plymouth to Swindon) and those of the north-east (from York to Gateshead)—Labour actually did worse than in 1955 ; in these areas ground recovered before 1957 seems to have been lost again in the last year. For what it is worth, Conservatives may find some comfort in a similar trend in their most vulnerable parliamentary seats. Wards won by Labour in 1957 were lost this time in marginal towns like Doncaster, Plymouth, Preston and York. There are 17 boroughs where a Conservative holds the parliamentary seat (or one of the two seats) by a majority vulnerable to a 3 per cent swing, and a similar number of boroughs which fall within (thirteen) similarly marginal county constituencies. In these 34 places, Labour elected 18 fewer councillors than in 1957—166 against 184.

Tories, however, had other worries. The Liberals did very well indeed, gaining nearly 50 seats (against 10 last year) and electing 119 councillors (against 86). At Blackpool they even ousted the Conservatives as the strongest party. The Liberals had scattered successes in all the non-industrial regions of England (though not in Wales), but penetrated into industrial regions only in Lancashire, Cheshire and the West Riding.

The Communists, incidentally, did not echo this small party success. In Lancashire their candidates averaged about 100 votes each—although in Scotland they gained a seat, perhaps significantly, in slump-ridden Greenock.

England leave it wholly within MPs' competence to decide it. There will be general approval outside the House if MPs decide that their letters to ministers do not lie without the libel law.

CAMBRIDGE UNIVERSITY

College for Scientists

THE appeal that was launched on Thursday for £3½ million to build and endow a new men's college at Cambridge deserves the widest support. The college, like the one already planned at Oxford, which has just received two important gifts from industry, is to be primarily one for scientists and technologists and, as is entirely appropriate in so important a venture, is to be named after Sir Winston Churchill, who heads the list of subscribers and has written the foreword to the appeal.

The detailed proposals for the new college seem thoroughly sensible. It is large (the aim is between 500 and 600 members eventually), but this is justified both because of the country's urgent need for scientists and because by 1965 the population bulge will raise the number of students likely to apply for university entrance by one half. It is of course to be predominantly scientific, but the decision to allow up to 30 per cent of members to be arts students and to have a much higher ratio than usual of post-graduate to undergraduate students should ensure that members of Churchill can get a breadth of training that is seldom the scientist's lot. At a time when the role of the scientist in industry is changing rapidly from that of back-room boy to front line administrator, such extra opportunity at one of the older universities is urgently needed.

One criticism that is certain to be heard, however, is that the new college is going one step further towards turning Cambridge into a glorified technical college. It is true that the university already has 750 undergraduates in its engineering department (compared with 100 at Oxford) and another 2,000 studying pure science; but 4,500, or 55 per cent, of the university's total membership still reads arts, and even when Churchill College is fully established, this proportion is not likely to drop below one half. For the university to allow a further growth of engineering studies and facilities, which over the last three years has already been marked, is a welcome sign of realism—the more so when, as in the present case, the growth will strengthen the traditional pattern of teaching and residential life. The only question mark that now hangs over the project is how much money will be given and how quickly. The many substantial promises already received, including £50,000 from the Gulbenkian Foundation, give high hopes that the target will soon be reached.

TWELVE-MILE LIMIT

Restraining the Icelanders

THE breakdown of the Geneva talks on territorial waters leaves the initiative to the powers that want to push out appreciably beyond the old three-mile limit. Iceland, which extended its claims to four miles in 1952 and sought to go up to twelve at Geneva, is the one being watched most warily—and not only by the British trawler owners. The Icelanders' talk of unilateral action (their government could act by decree without further recourse to the Althing) seems to have inspired some strong persuasive efforts at the Nato conference at Copenhagen last week to make them hold back. In fact, the Icelanders might be well pleased if Nato were to take the matter up, for they have been far from satisfied with the economic effects of their joining the alliance. They say that the presence of the American air force has put their internal economy badly out of gear, while their British allies' ban on fish landings by Icelandic trawlers after 1952 forced them to seek new markets in the Soviet Union and Eastern Europe if their trade were to survive at all. Nato cannot neglect such murmurings of neutralism in mid-Atlantic.

The Icelanders' argument for a twelve-mile limit is based on the need for conservation of their island's one natural resource. They claim that the imposition of the four-mile zone (which foreign fishermen have disregarded no more frequently than they did the three-mile one) actually increased the British trawlers' catch by improving fish stocks as a whole. They also insist that a twelve-mile limit would apply to Icelandic trawlers as much as to foreign ones. But a unilateral extension which the other powers could not accept would be a serious step into deep waters, particularly if British trawlers were to call for armed protection to ensure their existing fishing rights.

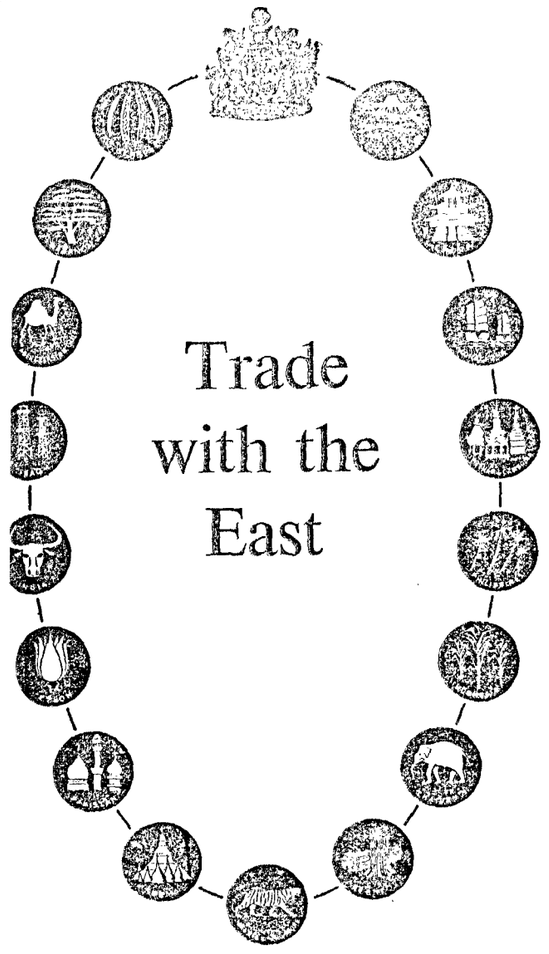
Mr Selwyn Lloyd is understood to have suggested at Copenhagen that Iceland might somehow be compensated for foreign exploitation of its fishing grounds. What is needed is to reduce the Icelanders' total dependance on fishery products, which make up 97 per cent of their exports. The economy has been broadened by the introduction of cement and fertiliser factories, but the Icelanders are hoping for bigger things, such as production of heavy water, under the auspices of the Organisation for European Economic Co-operation, or the use of cheap hydro-electric power to process aluminium. It should pay both the Icelanders and their allies to look at the fisheries problem in this wider context before the twelve-mile limit becomes an ugly political fact.

ITALY

Italy Seeks its Place

THE Italian President's visit to London this week was not merely an occasion for glittering ceremonial and polite speeches. It was also a significant landmark in Anglo-Italian relations, marking the culmination of the long, and sometimes painful, process by which the traditionally friendly ties, frayed and then severed by more than twenty years of Fascism and war, have been renewed. But Anglo-Italian friendship, like everything else, will tend to wither if neglected; and it is upon Britain, the stronger, that the chief responsibility rests. It is a responsibility that British governments have taken too lightly; to neglect it in future may be unfortunate as well as misguided.

After the peace treaty, Count Sforza and Signor de Gasperi guided Italy firmly westward; it became a good member of Nato and embraced a "European" foreign policy. But having got over the humiliations, and digested the consequences, of defeat, Italy felt a natural reaction against American tutelage and an impulse to seek a place of its own in the international scene—an impulse of which Signor Gronchi himself is a chief exponent. Its main outlet has been a groping after authority and influence in the Mediterranean and Arab worlds. Tradition and geo-



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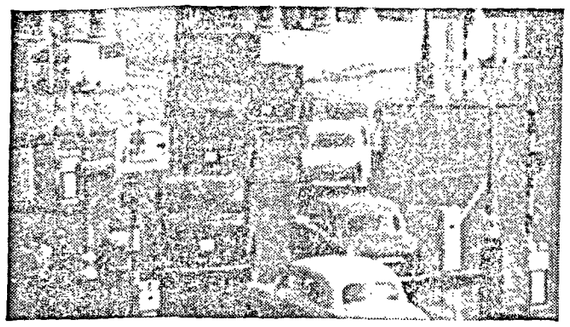
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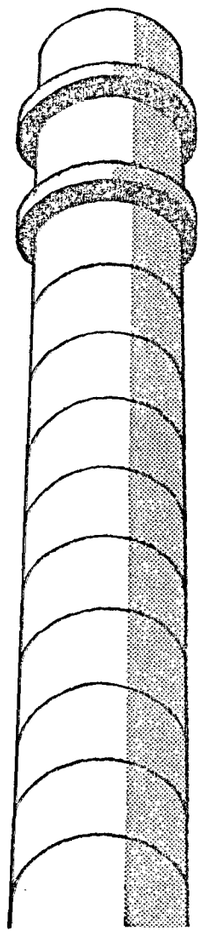
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graphy make this a very natural development. Unfortunately there has been a tendency, inside and outside Italy, to treat it as, at best, a loosening of Italy's western ties; at worst, a swing towards neutralism.

In fact it need be neither, and no country should be more aware of this than Britain, which (although it may have differences over oil with Italy) has the same interest in preventing Soviet penetration in the Middle East and in living with revolutionary Egypt. Italy's interest in the Arab world should be complementary to its place as a valued member of the western community, not a reaction against the frustrations of being a junior and unregarded ally.

GREECE

Mr Karamanlis's Success

MR KARAMANLIS has won the gamble that he took in March when, after defections within his own National Radical Union (ERE) he decided to go to the country in search of a more stable parliamentary majority. At last Sunday's elections he got that majority—and on a more generous scale than had been expected. With just over 41 per cent of the votes cast, he will have 173 out of the 300 seats in the Greek parliament (compared with the 165 seats that he won in 1956). At least this means that Greece will not be the victim of a series of unstable coalition governments. Moreover, in dealing with Cyprus, Mr Karamanlis can be counted on not to forget the importance of preserving Greece's western links intact.

A second outcome of the elections is much less welcome. This is the emergence of the extreme left-wing EDA as the second strongest party with nearly 24.5 per cent of the votes and 78 seats. (The Liberals come a poor third with 20.7 per cent of the votes and 36 seats.) The EDA, as all Greeks know, is controlled by the Communists, whose own party is banned. But a wide variety of motives persuaded nearly a quarter of the electorate to support it: dissatisfaction with the economic situation (although many Greek governments have a worse record there); fear of the consequences if Nato missile bases should be set up in Greece; a feeling that Mr Karamanlis is not tough enough over Cyprus; and general disillusionment with the West bred by the dispute.

Above all, there is no effective, moderate left-wing party in Greece; all those who, for one reason or another, wanted last Sunday to vote for the Left had to vote for the extreme Left. This fact should modify the alarmist picture of a Greece slipping rapidly eastward. It has also inspired suggestions that it might be wise to legalise the Greek Communist party, thus separating, as it were, the sheep from the goats on the Left; but even if that were done, who would guarantee to extricate EDA from Communist control? Some day, it is to be hoped, a successor to General Plastiras will give Greek voters the choice of an effective and moderate left-wing party.

EDUCATION

Sociologically to School

IN some three weeks' time the Labour party will publish its policy for education. The public schools are apparently to be left alone for the time being, but what is to come on the biggest question is still unsure: whether the party's determination to say that it is going to "abolish the eleven-plus" examination is merely to be a slogan about gradual changes in selection methods, or whether it will herald a serious attempt at educational misreform. That the party has been getting little help from its right-wing intellectuals in considering these problems is shown by a pamphlet* recently published by the normally sensible Socialist Union group. Two themes dominate "Education and Socialism": first the need to give every child absolute equality of opportunity; and secondly the passionate desire to reorganise his school life as a training in egalitarian behaviour. In the name of equality of opportunity, the pamphleteers believe, almost everyone ought to go to the same type of school—rich and poor, clever and dull, U and non-U. Once there, organisation and teaching methods will need to ensure that these initial or abiding differences shall not scar the souls of the less fortunate, or unduly puff up those whose abilities earmark them to become the elite of a socialist state. How adequately the socialist educaters face this problem of teaching method, and with what degree of insight into the child-mind, may be judged from their brief exordium on the subject to the teaching profession:

> They have to attempt to train children to ignore behaviour differences as unimportant snobbisms. They can *hardly* do so if there are marked differences in the forms of behaviour expected between one type of school and another; some broad common standard has to be accepted throughout.

Socialist Union's practical proposals for providing teachers with the setting for this levelling process involve spending a great deal more money: by making comprehensive schools large enough, with small enough classes, and with good enough teachers (including a draft from the to-be-nationalised public schools), it proposes to overcome all its difficulties. This, it thinks, would mollify parents who have hitherto sent their children to snob schools, by providing them with a demonstrably better education; and would provide the country with all the sixth forms needed to turn out the necessary elite, while keeping the proletariat under the same school roof with it and thus fostering comradeship between those destined to lead (and to write future Socialist Union pamphlets) and those destined to be led. But this is not a policy; it is a condescendingly superior exposition of the economics of Marie Antoinette.

INDONESIA

A Many-Stranded Fight

INDONESIA is not like anywhere else. There is no close parallel to the present rebellion there. Prediction of the outcome is therefore doubly uncertain. All that can be done is to point out what hands are pulling at the various strands.

President Sukarno, the main target of the rebellion, has been using his natural weapon of oratory. Defending his concept of "guided democracy" in his latest speech, he has denied that he is a communist, complained of American and Chinese Nationalist intervention, and contrasted America's reluctance to help Indonesia with Russia's eagerness to proffer arms and money. There is little doubt that

* Education and Socialism by Socialist Union. *Socialist Commentary Publication.* 2s. 6d.

if Dr Sukarno were subtracted from the equation, it would resolve itself in handshakes; but so long as he retains his power to stir an audience, he will stay.



Major-General Nasution, the able army chief of staff, has less need to protest his innocence of communism. He has banned political activities in South Sumatra and has warned troublemakers against interfering with fuel installations. His measures seem to be aimed against the Communist party (PKI) more than against any other, for it is the PKI that has been extending its activities in South Sumatra, calling at the American embassy in Jakarta to protest against "intervention," and threatening to blow up American-operated oil installations. The rebel government, still breathing defiance, has transferred its capital to Menado in North Celebes, where Colonel Warouw, formerly military attaché in Peking, has taken charge as deputy prime minister. Foreign shipping has been warned that rebel air attacks are to continue and has been advised that unless provided with rebel clearances, it should keep away from Indonesian ports. Amid lively skirmishes for the possession of Morotai and other small eastern islands, a rebel spokesman has claimed that the movement is strong in Celebes and that if it can hold out till the end of 1959, the balance of power in that part of the country would change completely.

Although yet another diplomat, the chargé d'affaires at Saigon, has resigned in protest against the central government's policy, clearly more Indonesians support Jakarta than support the rebels. The prospects of a stand till the end of 1959 seem slight. But there is so little unity in Jakarta that not even military defeat need blot out the rebels' political hopes.

GERMANY AND FREE TRADE

Pressure for Agreement

The Free Democrats have tabled a question in the Bundestag asking what measures are being taken to ensure that trade as a whole will function smoothly while west Germany is entering into its commitments with the common market. They want particularly to know what steps the government is taking to foster a European free trade area, what stage the negotiations have reached, and what the government proposes to do should agreement not be in sight by the end of the year, when the first common market tariff reductions are due to come into force. The question voices an uneasiness widely felt in Germany, of which the minister for economic affairs is himself the weightiest individual exponent. "I fully sympathise with your misgivings about the common market," Herr Erhard told the Latin American delegates to the Hanover Fair. "I shall have misgivings myself until the free trade area comes into being."

In its annual report, published last week, the Federation of German Industries also expresses concern at the possible consequences of failure to establish a free trade area. These, it says, might include the extinction of OEEC and with it the European Payments Union; and for "the six" they would certainly entail exhausting competition with third countries compelled to seek new outlets for exports no longer marketable within the new walls. Pointing out that all the seventeen countries involved agree in principle on the usefulness of a free trade area, the federation puts forward some essential conditions for common acceptance.

These envisage, among other things, prompt consultation between members should anyone act detrimentally to the rest, and, if necessary, adoption of counter-measures; specific clauses designed to prevent abuse of free competition—for example, by subsidies; special status for the less industrialised members (Portugal, Turkey, Greece, Iceland, and Ireland); and long-term import agreements and a system of minimum prices to protect agriculture—and its customers—during the transitional period. It seems that both the German government and German industry are resolved to use their considerable influence to get the free trade area going in time.

The Economist

MAY 15, 1858

LIMITED LIABILITY FOR BANKS?

The Bill for extending the principle of limited liability to the trade of banking has been read a second time in the House of Commons, without even a division. It may, therefore, be considered practically to have been adopted by the Legislature, and that it awaits only the formal remaining stages in order to become the law of the land. Thus one more untenable and exceptional restriction will be removed from our Statute-book. The main reason why this measure has met with all but unanimous support upon the present occasion, while it has upon all former occasions been rejected by large majorities, is, that Mr Headlam has wisely recognised now, for the first time, the essential difference which exists between the position of the involuntary creditor of a bank in the person of a note-holder, and the voluntary creditor in the person of a depositor. . . . But then the condition which Mr Headlam has thus been compelled to introduce into his Bill, in order to afford to note-holders the largest security, has landed him in another difficulty of a practical character, which must go far to defeat its objects unless some means can be discovered of correcting this objection. The Bill, as it stands, exempts from its operation all Banks of Issue, except under the serious penalty of relinquishing the right to circulate notes. Now, considering that the Acts of 1844 and 1845 have given to the then existing banks . . . a monopoly of the profitable privilege of issuing notes, the advantages conferred by the Act must either be purchased at a cost far beyond their value, or remain a dead letter, except as regards the Joint Stock Banks in London, Manchester, and Liverpool, and a few here and there scattered through the country, that may have relinquished their issues under contract with the Bank of England. In Scotland and in Ireland there is not a single bank that would for these reasons be likely to avail itself of the privileges offered by Mr Headlam's Bill. It may, indeed, be said that the Bill will at least be applicable to new banks to be formed, inasmuch as no new bank according to the present law can issue notes. No doubt this is so. But the experience of fourteen years has shown that there is but little probability of new banks without the right of issue, being started in opposition to existing banks having that right.

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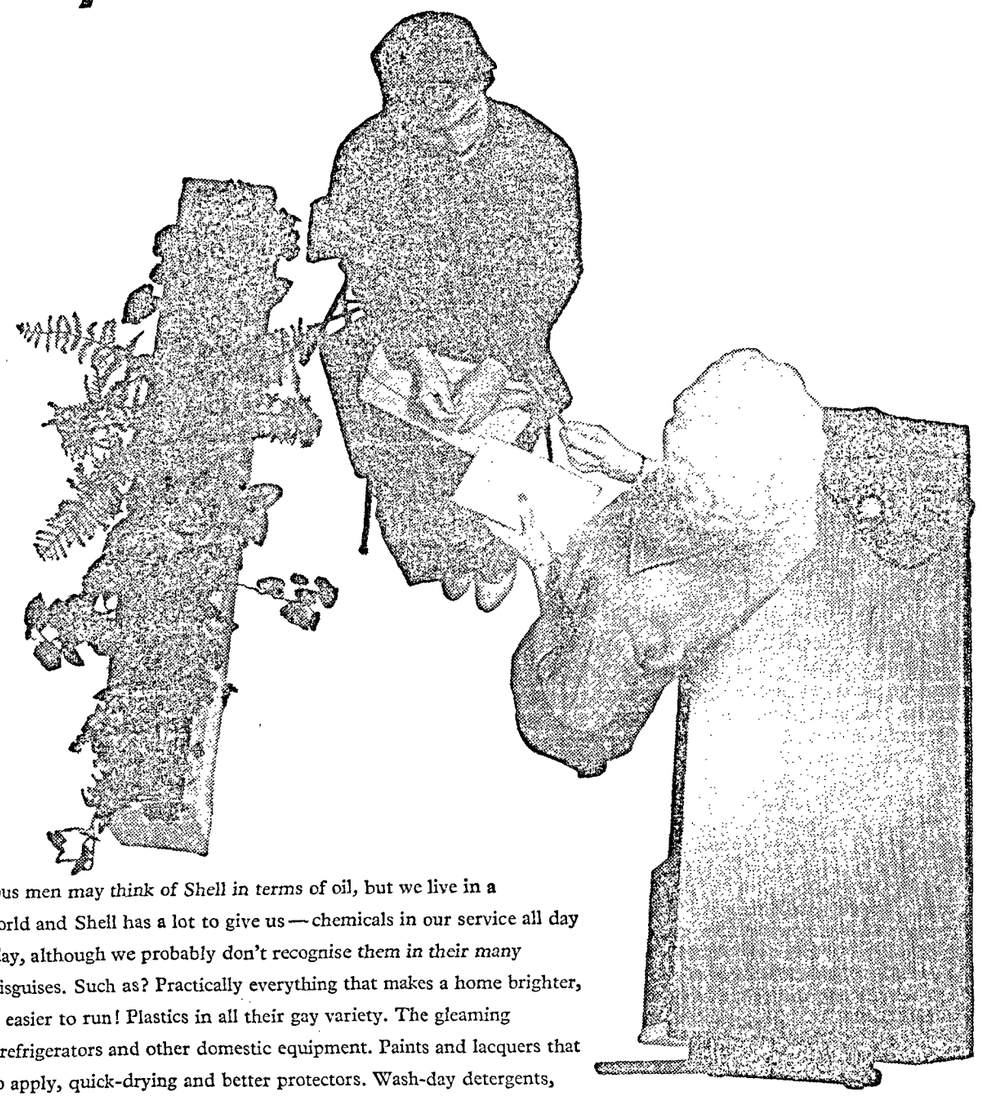
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BOOKS

The Process of Cultural Change

Cultural Foundations of Industrial Civilization: *The Wiles Lectures given at the Queen's University, Belfast, 1956.*

By John U. Nef.
Cambridge University Press. 164 pages. 20s.

THE lectures which Professor Nef of Chicago gave in Belfast in 1956 under the auspices of the Wiles Trust are now published in a compact and attractive form. The title of the book, however, with its explicit reference to industry does not describe its contents accurately or do them full justice. The author himself is a distinguished economic historian, well known in this country by his book on the rise of the British coal industry as well as by his articles on industrial development in the sixteenth century in this country and abroad. To many economists Professor Nef is known mainly by his memorable criticism of the Keynes-Hamilton attempt to make the price revolution and the consequent profit inflation responsible for the industrial progress of the sixteenth century. A great deal of economic discussion could therefore be expected of the present book. And indeed its second chapter is wholly devoted to the economic developments of the sixteenth and the seventeenth centuries, while in the concluding chapter, concerned mainly with spiritual changes, the discussion spills over into economic topics. But in general Mr Nef has been careful not to turn his book into a treatise in economic history. His main preoccupation is not with the rise of the industrial system and not even with what economic historians sometimes describe as the "non-economic causes" of the Industrial Revolution, but with the post-medieval changes in European civilisation in its entirety, and, in the first place, with the moral, intellectual and aesthetic movements of the age.

About some of these movements Mr Nef has a few things to say that have not been said before. His opening chapter, on the movement of mind, deals mainly with the rise of modern science and thus treads familiar ground. Careful readers will, however, notice that the aspect of modern science he singles out is not its experimental and empirical method but its quantitative preoccupations. Professor Nef shows that in this as in some other respects the scientists of the late seventeenth century not only went further than Copernicus and the other pioneers of new science in the sixteenth century, but also detached themselves more fully from the medieval modes of thought.

Professor Nef's personal point of view comes out more clearly in his later chapters dealing with religion, morals and art. In his fourth chapter, on the spiritual basis of civilisation, the author brings out the contrast between the asceticism and intolerance of the age of the Reformation and the spirit of charity and love which religious leaders like Francois de Salis infused into the civilisation of the later seventeenth century. In his penultimate chapter, on the aesthetic bias of civilisation, the author traces a twofold process: not only the secularisation of beauty—a familiar theme this—but also its spread to fields of activity and to social classes hitherto unconcerned and unprovided with the material adornments of life.

Where then, will it be asked, does the new industry come into all this? To answer that it comes in the wake of the new science would be unfair to Professor Nef's main thesis. Yet here and there he himself appears to suggest that scientific discoveries made the technical innovations of industry possible. This is, of course, true of European industry since the second half of the nineteenth century, but it is not wholly true of most of the English industries that were transformed by the industrial revolution of the eighteenth century. Mr Nef is nearer the truth when he lays stress on the part that scientific attitudes in general played in sponsoring the critical and innovating spirit in industrial practice and in economic discussion.

This theme is unexceptional. What is more novel and even unexpected are the links which the author forges between industrial development and the new aesthetic. His argument is that the manufacture of decorative objects for use by royal aristocratic patrons created a new "quality" industry which, like the quantity-conscious industry of Britain, was part and parcel of the new industrial dispensation.

Part and parcel it certainly was. But whether it in fact prepared or greatly facilitated that outburst of economic activity and that transformation in the structure of costs which characterise the industrial changes of the eighteenth and the nineteenth centuries is open to doubt. However, from Mr Nef's general viewpoint this doubt is not at all serious. For, to repeat, his preoccupation is not with the cultural "causes" of the industrial revolution but with the total process of cultural change, of which the rise of new industry was not a product and not even a culmination, but merely a concomitant.

Open Mind

The Autobiography of Charles Darwin

Edited by Nora Barlow.
Collins. 253 pages. 16s.

THIS admirable edition of Darwin's autobiography sets out the complete text for the first time. Lady Barlow, Darwin's grand-daughter, has restored nearly 6,000 words that were left out of the 1887 edition. She has added twenty pages of notes and two interesting appendices: the first on Charles Darwin and his illustrious grandfather Erasmus; the second on the unpleasant misunderstanding between Darwin and Samuel Butler.

The 6,000 words were suppressed in 1887 for various reasons. Some of them were thought to be too astringent; they have now lost all power to shock. Some of them were a touching tribute to his wife, which she probably felt was too personal. Most of them, however, were omitted because they were concerned with religion, and Darwin's family was as divided about religion as the people of late Victorian England as a whole. Mrs. Darwin objected to Charles's "raw" sentences attacking Christianity for teaching the "damnable doctrine" of everlasting punishment—she did not believe that it did—and to his colourful references to snakes and monkeys in relating evolution to morality. Many other key passages were not suppressed, however, and the direction of Darwin's views was clear even from the earlier expurgated edition.

Taking the autobiography as a whole—and it has never hitherto been published in such an acceptable and convenient form—the twentieth-century reader is struck, not by the unorthodoxy of Darwin's views, but by his complete integrity. He was modest. "I have no great quickness of apprehension or wit which is so remarkable in some clever men, for instance Huxley." He was by nature reticent. "I rejoice that I have avoided controversies." He was above all else open-minded, whether in considering the pros and cons of marriage or the cause of human evolution. He distrusted all deductive reasoning in the "mixed sciences", showed unbounded patience in "long reflecting over any subject", collected facts on a "wholesale scale" before turning to theories. This method of thinking and working isolated him from many of his contemporaries, and the least convincing part of the autobiography is his brief discussion of the frequently expressed opinion that the success of the "Origin of Species" proved that "the subject was in the air" or that "men's minds were prepared for it." Lady Barlow sums up the achievement of her grandfather neatly and succinctly: "He altered the whole course of Victorian thought, not by blazoning his discoveries nor by sudden iconoclasm, but rather through searching insight and pondered judgments opening up vast fields for further research."

Second-String Classic

Robert Torrens and the Evolution of Classical Economics

By Lionel Robbins.
Macmillan. 364 pages. 36s.

To the greater number even of those people who could give a reasonable account of the difference between Ricardo and Malthus, Torrens is only a name, at most vaguely suggesting emigration policy, the controversies around the Bank Charter Act of 1844, and the Political Economy Club. Whether, in himself and for himself, he merits study at book length is questionable. What Professor Robbins has written, however, is more than a biography of Torrens or an exposition and critique of his ideas; the second part of his title is as important as the first, and his book gives a lively account, from a fresh angle, of the controversies of the period from the end of the Napoleonic Wars to the Victorian heyday.

In the development of classical value theory Torrens's part was indeed a very minor one, though as a controversialist he usefully stimulated greater men than himself—notably Ricardo—to modify or re-formulate their thoughts. His real importance lies in the field of banking policy. Here, oddly enough, he first appears as an advocate of easy money, rising prices, and never-mind-the-rentier, only to emerge, after a decade of silence on the topic, as a leading architect of the strictest gold-standard orthodoxy. It is this aspect of his work, even more than his theories of commercial reciprocity or of the economics of migration, which brings him into touch with the concerns of the present day. Can a note-issuing authority with discretionary power to meet the "needs of trade" (in twentieth-century parlance, the needs of employment) be trusted so to interpret its mandate as to preserve the gold value (nowadays, the general purchasing power) of its notes? Yes, said the Banking School, providing the notes are convertible; no, said Torrens and his fellows of the Currency School. convertibility does not prevent over-issue, it merely ensures that overissue shall be penalised when it occurs—and both expansion and remedial contraction hurt the public interest. The essential aim is to make a mixed paper-and-metal currency behave, automatically and without discretionary management, exactly as if it consisted of metal only. Torrens did not foresee, when this principle was given legal effect by the Act of 1844, that as an auxiliary means of exchange bank notes would be supplemented by the much larger and less easily controlled mass of bank deposits; but his arguments, *mutatis mutandis*, remain relevant today—and his pessimistic mistrust of the discretion of issuing authorities has not lacked modern justification. There could hardly be a more important job for monetary and credit policy today than to prove him wrong.

Professor Robbins, than who no one is more thoroughly at home among the classical economists, does not claim to have written the definitive study of Robert Torrens; but it is hard to imagine that anyone will do the job better. The text is supplemented by a generous descriptive bibliography in which anyone wanting a change from theory may find, in delightfully dead-pan summary, the plots of what must surely rank among the most endearingly awful novels ever written.

Weighty Source Book

English Historical Documents, Vol. X, 1714-1783

Edited by D. B. Horn and Mary Ransome.
Eyre and Spottiswoode. 972 pages. 95s.

This is the sixth to be published of the twelve volumes designed by Professor David Douglas "to make generally accessible a wide selection of the fundamental sources of English history." Each volume is intended to present "a comprehensive *corpus* of evidence," and the size and cost are considerable. The present volume, like that on the immediately preceding period, is nearly a thousand pages long and 4 lb in weight, but costs fifteen shillings more. But there is much of the eighteenth century here. The selection has been carefully planned and is wide in its range, covering constitutional controversies, Fanny Burney's journey to Teignmouth, naval architecture, India, Africa and the main outlines of foreign policy. There are admirable bibliographies for each section, and a miserably inadequate index to the whole volume.

Nevertheless it is impossible for any individual editor to fulfil the hopes of the general editor of the series. Professor Douglas points out that "historical studies tend too often today to consist of a commentary on documents which are not included in the available books," and hopes to remedy this situation by providing "an authoritative work of primary reference." If verification were so simple the series would be cheap indeed. But it is impossible for anyone wishing to decide the issue between Sir Lewis Namier and Professor Butterfield to find much of the relevant evidence in this selection. Nor is there anything either in the introduction or the texts to illustrate Sir Lewis's views on the outlook and influence of the country gentlemen in politics. It is a commonplace that personality counted for much in eighteenth century politics; but the only character-sketches are those of the three Georges. It is a pity that no use has been made of Lord Shelburne's "Autobiography," with its pungent studies of Newcastle and the elder Pitt. Although the editors write that "it is easy to trace in this period the pressure of public opinion in times of crisis," the texts do not make it so simple. Junius is mentioned in the introduction but not cited in the texts. Parliamentary reform has a section to itself, but economical reform makes a poor showing, apart from the extracts from the reports of the Commissioners of Public Accounts, printed under financial administration. The economic section gives undue weight to Arthur Young, easily accessible elsewhere and no longer accepted by historians as authoritative. And as illustrations of the building of the great country houses a description of Houghton and an extract from Isaac Ware's "Complete Body of Architecture" have to suffice. It would be wrong to criticise the authors for failing to carry out the impossible task of being comprehensive; but it is equally wrong to suggest, as does the general editor, that such a selection can bridge the gulf between the work of the specialist scholar and the student.

Early American Banking

Banks and Politics in America, from the Revolution to the Civil War

By Bray Hammond.
Princeton University Press. London: *Oxford University Press.* 771 pages. £5.

The author of this impressive, corrective and instructive book was, before his retirement, Assistant Secretary of the Federal Reserve Board. A noted writer on the history of banking, he here achieves distinction with a *chef d'œuvre* that is also a *tour de force*. For British readers it has the added attraction of drawing parallels between the early history of American banking and politics and the development of both in Canada as the Dominion entered the later stages of agricultural and industrial development. He takes Lewis Carroll's advice seriously: he begins at the very beginning—the English and colonial banking, currency and credit systems, the Bank of England, the South Sea Bubble, "Continental" bills, the young country's need of paper money—and goes on till the end of his period (1865) where, apart from the appended excursus on Canada (to 1867), he stops.

The book is really on American history as seen from the critical vantage-point of a banker, not on American banking as such, divorced from its socio-political setting. Accordingly it does not contain a single table or diagram: only here and there a list of banks or dates, and then generally in a footnote. The story unfolds as easily and naturally as those of Nevins and Commager, and the reader can follow it without distraction. Moreover, the author's style is clear and concise, by any standards, which is far more than can be said for that of most American academic studies.

The author treats, in an urbane conversational way, of the conflict between Jefferson's ideal American economy and Hamilton's; of the fate of the second Bank of the United States; of the struggles for financial and commercial supremacy between Philadelphia and New York, also between the opening west and the established "colonial" east; of personal and political feuds and influences. He corrects the traditional view that "poor debtors," especially on farms, dominated American history, and

produces evidence enough to show that the predominant debtors were (as one might imagine in a country industrialising under forced draught) businessmen, entrepreneurs in undertakings with borrowed funds. He also demonstrates that Jackson's and his cohorts' assault on "Mr Biddle's Bank" did not spring from ruined or discontented agrarians, but from such entrepreneurs and business interests, politic in their use of an agrarian vocabulary. His relation of American and Canadian banking and financial problems to each other, and to contemporary experience in Britain, is an original and welcome bonus on an otherwise excelling book. Its price will put off personal would-be buyers in Europe, but it should be made widely available in libraries; and so-called "under-developed countries" straining at industrialisation should set it as required reading for their economic advisers.

Jewish Indictment

Advocate of the Dead: *The Story of Joel Brand*

By Alex Weissberg.
Andre Deutsch. 255 pages. 15s.

This is an account of the war-time Jewish underground organisation in Hungary, which rescued some tens of thousands of Jews from the gas chambers. It is also the story, told by Mr Weissberg from the account of the Jewish leader, Mr Joel Brand, of the offer made to him by the SS leader, Eichmann, in the spring of 1944, to exchange one million Jews for 10,000 army lorries. No one will ever be able to decide satisfactorily whether the Allies could really have saved Jewish lives in this deal. It was inevitable that Mr Joel Brand should think that negotiations with the SS should have been started and dragged out without any lorries being delivered until the war was over. It was equally inevitable that the Jewish Agency and the Allies should see the matter in a more orthodox light. The two sides came from two worlds. The Nazi world of mega-murder, corruption, double agents, and the muddle that comes from totalitarian over-organisation, is authentically recalled by Mr Weissberg's story. In the British world, Mr Joel Brand was taken into protective custody, and efforts were maintained to keep the flow of Jewish immigrants from Hungary to Palestine down to fifty a month.

It was naturally hard for the Allies to understand that Hitler and Himmler seriously saw themselves as conducting a racial crusade, and that the extermination of the Jews in Europe was to them a major purpose of war policy. This was too mad for Western interpreters of the Nazi operations to grasp. The opening passages in Hitler's speeches, devoted to threats against the Jews, were often passed over in London in order to find out "what he really meant," whereas it was precisely those threats which he meant most sincerely. One has only, like Mr Brand, to recall the enormous expenditure of manpower, transport and money on the killing of harmless Jews to see practical evidence that this murder was a prime object of the Nazi leaders.

Mr Brand may be wrong in thinking that Himmler and the local SS leaders in Hungary envisaged Germany's defeat and were seeking to reinsure themselves by offering to sell Jews for lorries. Other evidence shows that the Germans for the most part believed to the last that the West would rally to their side and the war would thus end with German victory. Here is probably the most likely explanation of the fantastic offer. It was, as the British thought, an attempt to split the alliance with Russia—hence Eichmann's assurance that the lorries would only be used on the eastern front. Moreover, the SS leaders undoubtedly believed that an influx of Jews into the West would introduce poison into the body of Germany's enemies.

There is some reason, therefore, to think that the SS really meant their proposal. But it remained blackmail, and Mr Brand fails to make out a convincing indictment of the Allies for refusing it. Nevertheless, this book is a valuable contribution to the grotesque history of the great German madness.

Reason and Mysticism

The Manifold and the One

By Agnes Arber
Murray. 157 pages. 18s.

Here is a book that epitomises the quest of a long lifetime for a clue to the inner meaning of the problem of the One and the Many. Mrs. Arber is a distinguished botanist, and the concentrated lucidity of her style gives evidence on every page of a distinguished, scholarly and critical mind. Her postulate here, which she treats as a hypothesis and subjects to rigorous scrutiny, is that there is a unitary whole. Evidences for this probability are drawn from an unusually wide range of eastern and western mystics and poets, as well as from Plato and Aristotle; for Mrs Arber is convinced that contemplation and vision must supplement logical-discursive thought in any search for true wisdom and enlightenment. Her book is, in effect, a plea for a rapprochement between rational and non-philosophical modes of thought. It is also an analytical study of the findings of mysticism.

Mrs Arber's concern as a scientist has been with the Manifold, and she acknowledges that she cannot account, by a wholly logical, inferential process, for her basic belief that oneness is revealed in the many; but she has learnt from a study of the great contemplatives of Persia, India, China and Christendom that there is another way of approaching apparently irreconcilable concepts. This is by learning to make use of that power of intuition which, in her own words, "not only surpasses but also includes both the emotional non-rational elements, and also the discursive reason; it represents a third phase in the upward path, in which the two phases which precede it find their fulfilment." Meditation upon mysteries can reveal truths that are infinitely significant for the mind and heart, whereas if these same mysteries are regarded merely as problems, they baffle the reason, and the spirit is left barren and exhausted.

Far too often it is woolly-minded people who are attracted to mystical writers. Nobody who has tackled these closely argued pages could possibly accuse Mrs Arber of woolly-mindedness or emotionalism. Her book is not an easy one, though it is brief; but it possesses real power to enrich and influence the attentive reader.

Titoism Dissected

Titoism: *Pattern for International Communism*

By Charles P. McVicker.
Macmillan. 332 pages. 36s.

The Triumphant Heretic: *Tito's Struggle Against Stalin*

By Ernst Halperin.
Heinemann. 324 pages. 30s.

The first of these books makes a welcome departure from the beaten track followed by most of the many books on Jugoslavia that have appeared in recent years. It is a dispassionate, objective analytical account of the way in which Marshal Tito and his colleagues have adapted and modified the theory and practice of communism to suit—as they think—the problems of their own country and its independent status in the communist world.

Dr McVicker describes in detail the major economic, administrative, social and legal reforms that have been carried out in Jugoslavia since 1948. He also poses the tricky riddles that the Jugoslav communists have set themselves in the course of their efforts to break away from the rigidities and repression of Stalinism without compromising too deeply their Marxist beliefs or endangering their hold on power. How, for instance, are they to reconcile their belief in the need for central planning with the operation of the laws of supply and demand, which they acknowledge to be an "objective reality"? And in the political field, how can they reconcile their demand that the party should change its tactics from intimidation to persuasion, and their theoretical assumption that the party will eventually "wither away," with their own dependence, to a large extent, on the party to maintain their absolute power? Dr McVicker believes that the Jugoslav regime intends to relegate the party to a secondary role for the present (this seems rather doubtful) while at the same time somehow improving its morale and discipline.

Dr McVicker considers that the Titoists have made some important contributions to the development of a more liberal and acceptable form of communist state. There is their more enlightened attitude towards the individual, their new ideas about the role of the party, and their institution of workers' councils (the "touchstone of

Titoism"), which are the practical expression of a new approach towards the public and private ownership of property. Yet Dr McVicker has no illusions about the glaring discrepancies between much of Titoist theory and practice, or about the basic realities that underlie the regime. He points out, for instance, more than once, that the Titoists have taken no liberal step that might undermine their own power. He hopes that the liberal trend in Titoism will develop until it grants more real political democracy, and believes that unless it makes this concession, it is in the long run doomed to fail. But if the regime did grant full political freedom, would it any longer remain Titoist?

"The Triumphant Heretic" makes much easier reading than Dr McVickers's book, but it is a far less distinguished contribution to the study of Jugoslavia today. Among much that is quite sound and sensible, the author puts forward time and again interpretations of events that are at best controversial, and at worst highly dubious. Is there, for instance, any really satisfactory evidence (that given by Mr Halperin is not) that after the war the Jugoslavs "obviously intended to incorporate the Hungarian economy in the Jugoslav planning system"?

The account of the 1948 split with the Cominform is equally controversial; it suggests that the Jugoslavs were largely responsible for the break, not so much because they wanted to be independent, but because they were deliberately aspiring to wrest the leadership of world communism away from Moscow. And although the need to bolster party morale may have been partly responsible for the reckless pushing of economic development immediately after the break with Moscow, it is surely unfair to take no account of the simple national feeling that at the time rallied support to Tito, both inside and outside the party. Mr Halperin is perfectly entitled to disapprove strongly of Titoist Jugoslavia. But it is not necessary to make use of partisan judgments, omissions and assessments, to build up a good case against the regime.

OTHER BOOKS

DOLLAR SHORTAGE. By E. Hoffmayer. *Einar Munksgaard*, Copenhagen. 232 pages. No price given.

LA GESTION BUDGETAIRE DES ENTREPRISES. By Maurice Guillaume. *Editions Nauwelaerts, Louvain.* 76 pages. 50 frs.

THE COCOA, CHOCOLATE AND CONFECTIONERY CONFERENCE REPORT 1957. 326 pages. No price given.

TRADE UNION LAW AND PRACTICE. By Horatio Vester and Anthony H. Gardner. *Sweet and Maxwell.* 300 pages. 35s.

CHESHIRE'S MODERN LAW OF REAL PROPERTY, 8th edition. *Butterworth.* 960 pages. 55s.

YEARBOOK OF THE INTERNATIONAL LAW COMMISSION 1949 AND 1951. *United Nations.* London distributor, *HM Stationery Office.* 312 pages and 146 pages. 22s. 6d. and 11s.

THE BRITISH YEAR BOOK OF INTERNATIONAL LAW 1957. *Oxford University Press.* 394 pages. 65s.

LETTERS

Fall-out

SIR—Your editorial "A Test for Testers" is far too complacent on the dangers of fall-out. It is true that compared with 50 or 500 million killed in an H-bomb war, the 50,000 who will possibly die as a result of the strontium 90 already in the atmosphere may seem trivial. One in 50,000 of the world's population is a very small fraction, but we have to get used to the fact that when we do something affecting the whole world, a very small fraction can mean a great many people. We have to reckon with the possibility that testing so far has been the equivalent of wiping out the whole population of a fair-sized town. It is true that this has not been definitely proved, but the assumption on which the calculation is based has, if anything, rather more of the scanty evidence in its favour than otherwise, and most emphatically it has not been disproved. We have to reckon that testing to date may have been responsible for the murder of 50,000 people and further testing will add to the number. This is a rather weightier argument for ending tests to add to the major one of reversing the arms race than you allow.

I might add, in case any of the editorial staff of *The Economist* now feel like grinding their luminous watches underfoot, that this would be the only way in which their radio-activity might become dangerous. The harmless radio-activity inside the case of the watch would be extremely dangerous if lodged in the bone within striking distance of the blood-forming marrow. This is precisely where strontium 90 does go and accounts for the massive demonstrations against the pollution of the atmosphere by H-bomb tests while the wrist watches go unchallenged.—Yours faithfully, J. W. JEFFERY

University of London.

Co-operation

SIR—You must, I suppose, be pardoned in referring, under the title of your article "Can the Co-ops Compete?", to the co-operative movement in England as though this is identical with the retail shops and factories, the Co-operative Union and the CWS. The structure of most democratic organisations is complex and that of the English co-operative movement is no exception. There are in fact two parts to this movement, the smaller of which, consisting of some 250 agricultural requirement, marketing and service societies is quite distinct, having no affiliations to the Co-operative Union, no connections with the Co-operative or any other political party and, above all, no belief that your sub-title, "a movement born in social aspiration is losing ground in an epoch keynoted by social progress," has any relevance to them.

Co-operation among farmers is on the upward trend; membership has increased rapidly; turnover in both monetary and real terms has grown at a faster rate than the national agricultural business. All this needs, and will one day have, a separate report, but in the meanwhile there is one comment in your article which may serve a double purpose, where you remark that "a movement created to serve the needs of a poor working class has failed to link itself with a prosperous working class." Prosperity is not a present handicap of a considerable section of British agriculture, and therein lies perhaps co-operation's great opportunity.—Yours faithfully, J. A. E. MORLEY,

Chief Executive Officer

Agricultural Central Co-operative Association

Liberals

SIR—Mr Bernard Braine is correct in saying that the amendment to the 1955 Resolution on agriculture at the Liberal Assembly, on which Mr Bonham Carter relies in personally favouring price supports, did not alter the resolution passed by the Liberal Assembly in 1953, accepting as Liberal policy the abandonment of price supports for agriculture.

The 1955 amendment was accepted by Major Oliver Smedley on behalf of the Executive on the clear understanding that it in no way affected the determination to abandon guaranteed prices.

Major Smedley was one of the signatories to the letter headed with my name which you were good enough to publish, and throughout he has been a leading campaigner against guaranteed prices.—Yours faithfully, S. W. ALEXANDER

London, E.C.2

Restrictive Practices

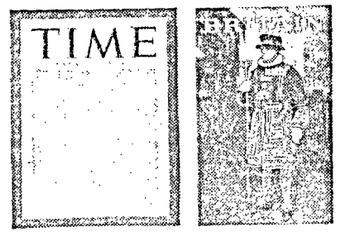
SIR—I refer to the last paragraph of your report on restrictive practices in *The Economist* of May 10th. The Restrictive Trade Practices Act, 1956, does not deal with servicing arrangements, but only with the supply of goods. The agreement mentioned in your note refers, I imagine, to the agreement registered by this federation whereby typewriter parts were only to be supplied to qualified mechanics registered with the federation. This agreement was indeed abandoned in 1957. Moreover, all members of the federation were notified of this through the medium of their monthly bulletin in June, 1957. All such changes in arrangements are notified to all members in this way and every opportunity is taken to remind members of current arrangements.—Yours faithfully, S. E. WOOD-HIGGS

General Secretary

Typewriter (and Allied) Trades Federation



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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Prescription for Recovery

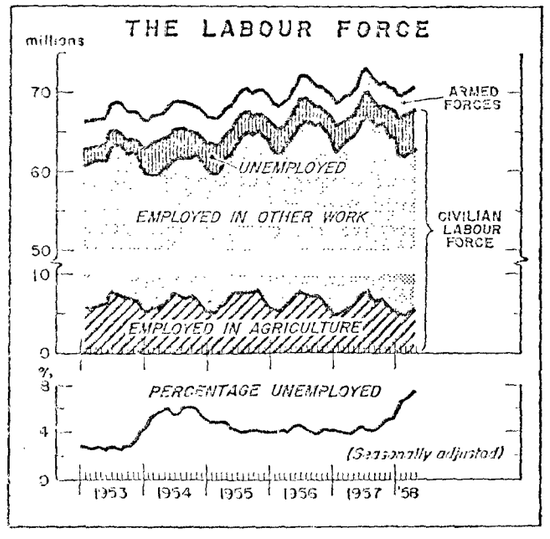
WASHINGTON, DC

JUST as the economic statistics are beginning to show a glimmer of improvement—or at least of an abatement of the decline—the pressure for cutting taxes as a cure for the recession has, if anything, increased. In the past two or three weeks, the *Washington Post* and the *New York Times* have both resolved their previous doubts and come out for tax reduction. A large majority of the score of economists who recently testified before the Joint Economic Committee of Congress took the same position, although there were almost as many views as there were economists on what kind of tax cut there should be and on whether it should be temporary or permanent. In Congress, without there necessarily being any shift in basic sentiment, the issue has come up again simply because decisions on taxes must be made in any event before June 30th, when corporation income taxes and certain excise tax rates will be lowered automatically unless Congress intervenes. And in the Administration, while again there has been no discernible shift in the basic opposition to a large tax reduction, the practical politics of this deadline have led to renewed thought about the kinds of tax changes that might be most useful, least costly and politically feasible—assuming there have to be any changes at all.

None of this gives any assurance that taxes will in fact be cut. But the reasoning behind the views of experts both inside and outside the government is impressive. In a word, it is that no foreseeable combination of events is likely by itself to produce a vigorous recovery, even if the declining phase of the recession is nearly over. Whether the declining phase is in fact over remains, of course, in doubt. But there is surprisingly widespread agreement that, even if things go well, growth for the next twelve months will be painfully slow and unemployment will therefore remain disquietingly high, unless the government takes additional steps. There is, after all, an increase of some 700,000 to 1 million each year in the labour force, and the rise in productivity also means that new jobs need to be created each year. The staff of the Joint Economic Committee has calculated that the gross national product must be $460 billion in 1958, $475 billion in 1959 and $490 billion in 1960 in order to keep unemployment down to 4 per cent of the labour force; it is now 7.5 per cent on a seasonally adjusted basis. At the moment the GNP is running somewhat below $422 billion—the estimated annual rate for the first quarter—and not even the wildest optimist can foresee a combination of demands that could bring it to $460 billion for the whole of 1958. The prospects for reaching $475 billion in 1959 seem almost equally dim, particularly in the light of the evidence that little help can be expected from capital investment by business next year.

Obviously, there are flaws in this sort of analysis. Demand has appeared from unexpected quarters in the past, and could do so again. What is more, who is to say that unemployment must necessarily be as low as 4 per cent? It might even be that a level of about 6 per cent—or around 4 million—would be possible politically and preferable economically, as a means of reducing the cost-push type of inflationary pressure. In this case, the prospect would be for a gradual improvement in production, employment and incomes, without much diminution of unemployment—a sort of "deficient growth equilibrium," as distinct from a Keynesian stagnant equilibrium. The economy might feel more buoyant and the politics of the economic situation might be more manageable if unemployment became stable, even at a level as high as 4.5 million, instead of increasing each month as it has been, at least on a seasonal basis. Still, outside the Treasury, the view is that such a state of affairs would be intolerable. When this feeling is combined with an awareness of the risk that the downward phase may not, in fact, be over or that it could be resumed, the conclusion is that more federal action is necessary.

Meanwhile, the economic indicators, while scarcely bearing out the statement of the President that the recession is "flattening out," do seem to show a significantly slower rate of decline. Possibly the most important single figure is that for new orders in manufacturing; bolstered at last by a flood of defence contracts, they showed a decline of only $100 million in March after seasonal adjustment, much the smallest since the recession began; the absolute volume increased. In April, non-agricultural employment rose slightly; income from wages and salaries fell less in April



than in any month of the recession and total personal incomes actually increased in both March and April, thanks to higher farm incomes and unemployment benefits ; and the industrial production index declined only two points compared with three in previous months.

The latest figures, covering the last weeks in April, show an encouraging decline in the number of workers collecting unemployment benefit, though the total remains double that of a year ago. Department store sales improved in both March and April and so did total retail sales in the latter month ; steel production finally rose a bit in the first two weeks of May ; advance applications for government mortgage insurance or guarantees foretell a continuance of the upward movement in new housing activity that began at long last in April ; and finally, such weekly indicators as freight carloadings, coal and lumber production, output of electric power and even automobile assemblies have, on the whole, stopped declining. All of this plus, presumably, a determination to "get in at the lows" has produced an astonishing bullishness in the stock market, whose averages today are far higher in relation to earnings or broad measures of economic activity than they were at the same stage in the recession of 1954.

EVEN though many forecasters feel that the current second quarter of the year will see the low point of the recession, the pessimists are by no means in retreat. Their most ominous argument relates to business stocks and backlogs of orders. Despite a record rate of liquidation of stocks at all levels of business in the first quarter, sales declined even faster, with the result that ratios of stocks to sales were higher at the end of March than they were when the liquidation began. It is clear that reduction of stocks still has some way to go. Although new orders rose in March, they remained well below current sales and backlogs of orders experienced their fifteenth successive monthly decline. Awards of contracts for future construction, as reported by the F. W. Dodge Corporation, a highly respected private service, show a notable decline for the first quarter compared with a year earlier across most of the entire field of construction. The pessimists also note another decline in April (largely seasonal, it is true) in the average work-week in manufacturing—the indicator that some of the more successful of the crystal ball gazers swear by as the best single harbinger of things to come. Even the decline since last September in the rate of marriages has provided sustenance for the gloomy—though not for the diamond merchants. In the back of some minds is the fearful thought that 1930 also showed a bullish stock market in its early months and that a big collapse in prices of shares in a month or two could provide a psychological *coup de grâce* to the fragile recovery.

At the moment the only certainty of the economists is that the middle of the nineteen-sixties—when at least some of us will be dead—is going to provide one of those happy "long run" booms, probably accompanied by inflation. The immediate outlook remains cloudy. But to their credit, a clear majority of the economists have, when asked, been willing to give a judgment—namely, that it is more risky not to cut taxes than to cut them. So far their counsel has not prevailed and the outlook is for a very modest tax reduction at most. According to the best current advice this will leave the economy with the interesting prospect of remaining sluggish more or less indefinitely—for worse or, only possibly, for better.

Turning the Other Cheek

VICE PRESIDENT NIXON'S stubborn courage and iron self-control under showers of stones, spit and catcalls have won him not only new respect and a hero's welcome in Washington but also new strength and prestige for the 1960 presidential election. His visit to South America, originally a recognition that the United States must mend its neglected fences there, turned into a dramatic revelation that those fences need almost complete rebuilding. The United States might have been forgiven if its first reaction to this shock had been to condemn the Latin Americans for pulling the fences down, but in fact both the Administration and Congress, led by Mr Nixon himself, are already discussing how to put them on a firmer foundation. Unfortunately, however, this task has been made more difficult by this week's tactlessly publicised dispatch of Marines and paratroops to Caribbean bases for use should the Venezuelan government be unable to protect Mr and Mrs Nixon effectively. This anachronistically "imperialist" move is a gift to the Communist agitators who, it is generally assumed, organised the demonstrations against the Vice President.

But there were plenty of non-Communist South Americans who were willing to be organised for this purpose, partly because they blame the United States for their present economic difficulties and believe that these are about to be accentuated by changes in American tariff policies, but even more, it seems, because they resent the support which those dictators who are still in power in Latin America receive from the United States and the asylum which it gives to those who have been turned out. Such political considerations weigh particularly heavily in intellectual circles, and Mr Nixon was attacked most fiercely when he tried to speak to university students.

His insistence—unwise and ill-advised, according to some commentators—on these personal meetings was inspired by his determination to explain the case for the United States directly to the people and to provide an example of democratic government at work. He has come back appalled at the lack of understanding which he found and insisting that there must be a great increase in United States information efforts and in direct contacts with the other peoples of the hemisphere. He also held out hopes, although very limited ones, of more of the economic encouragement which is the chief interest of officials and businessmen whom he met. But the final word on all this rests with Congress, and many members are less ready than are Mr Nixon and President Eisenhower to turn the other cheek or to excuse the South American governments for the disgraceful and unneighbourly behaviour of many of their citizens.

Aid, but not Trade?

LAST week, to the dismay of Republican candidates for the Senate and the House, the President opened the drive for a Republican Congress next November by putting a non-partisan pistol to their heads. He will, he said, support any Republican—and anyone else—who stands by the Administration's Bills on defence re-organisation, foreign aid, and the extension of the Reciprocal Trade Agreements Act. The non-partisan line the President chose to take at a meeting billed as a political jamboree shows how much he has at heart the three measures which underpin his foreign policy and whose shape is about to be decided by Congress. But if the Republicans are the traditional core of the opposition to foreign aid and lower tariffs, this year it is the defection of the Democrats which is causing the trouble and the Trade Agreements Act which is in it. The new foreign aid authorisation has been approved by the House with only $339 million cut from the President's request for $3.3 billion in new money and $644 million carried over from previous years. The appropriations committees present another hurdle, but the prospects seem reasonably fair.

Unofficial polls in the House suggest, however, that renewal of the Trade Agreements Act on the President's terms—a five-year extension with authority to cut tariffs by an additional 5 per cent a year—faces defeat by eighty votes or so. The Republicans are 80 per cent opposed ; so are more than a majority of the Democrats, whose loyalty to what for most of its life was a Democratic programme has been eroded by the recession and its effect on mining, oil and textile interests in the South and West. The Democratic chairman of the Ways and Means Committee is reluctant to send the Bill to the floor unless the President authorises concessions. Some congressional friends of reciprocal trade agreements favour a simple one-year extension, hoping for better times to come ; but the Administration, which so far has refused to order a retreat, is said to be considering other possibilities.

One would allow Congress to over-rule the President when he rejects recommendations from the Tariff Commission ; for increases in rates, a two-thirds vote would be required. Presumably the Administration thinks that in practice this would prevent the tariff-making power from passing back to Congress, something that would undo the chief achievement of the reciprocal trade programme—taking the tariff out of local politics. In public, however, the Administration is talking boldly of vetoing an unsatisfactory Bill and letting the trade agreements programme lapse if it is reduced to a caricature of itself.

Rockets for Today and Tomorrow

Our defence correspondent has been visiting military establishments in the United States

WHITE SANDS, NEW MEXICO

A NEW defensive weapon is now graduating, *summa cum laude*, from the United States Air Defence Centre at Fort Bliss: the Nike Hercules, a ground-to-air missile which is credited with the ability to destroy not only any operational aircraft now in existence, but also any aerodynamically-supported aircraft or air-breathing missile which could possibly be devised. This diploma is being awarded after one hundred odd firing tests, of which your correspondent has just witnessed two of the latest, both kills on drone targets one hundredth the size of an aircraft. Both the thunder of the rocket and the triumphant thump of the briefings on it are stunning. The Nike Hercules has apparently been demonstrated deliberately to European journalists, before more than a select group of American journalists have seen it, because it is intended to come into operational service in Europe at the same time as it is being incorporated in the North American defence system. The performance of Hercules, the Army clearly believes, will ensure that this system of locking a missile onto a marauding aircraft from a ground radar installation will become standard not merely for America but probably for the whole West. Some 500 or more allied "students" have already passed through the training school here.

The Army's sister services have made no bones about their scepticism regarding the efficacy of the system in operational conditions. But the Army has its answers to every objection. Nike Hercules grew out of the Nike Ajax missile which only became a standard weapon in 1955 ; it already has a range (about 100 miles) three times greater than Ajax, twice the altitude (up to 40,000 feet), twice the speed (3 three times the speed of sound), and hundreds of times the punch ; it can carry an atomic warhead against bombers flying in formation or releasing decoys to upset the system. These are selling points ; but they are backed up by dark references to the possibility of stretching the system, either as "Nike Zeus" or even "Nike Hera," to handle incoming ballistic missiles.

It is certainly impressive to be told these things, but even more so to tour this range, of 4,000 square miles, set in a desert along the Rio Grande, between El Paso on the Mexican border and the scarred area where the first atom device in 1945 turned the sand to glass, in a climate ideal for missiles and not impossible (at least not in May) for men, incorporating a national monument and about $50 million worth of electronic instrumentation. Among the thornbushes and cacti sprout the great flowerlike cups of radar equipment, providing the most intimate information about what is happening inside the skin of rockets large and small, even far outside the stratosphere. About 2,000 rockets were fired last year ; firings are now "scheduled"—though not necessarily completed—every fifteen minutes or half hour. All three services and all thirty or more missiles in use or under test (other than the biggest) are catered for. It costs $200,000 to $500,000 to fire a round and the cost of running the range is $50,000 an hour. Every now and then a white shape—a Corporal or something even larger—rises majestically out of the ground to disappear suddenly until a white streak appears far in the blue sky ; after that the air is shaken by a rumble.

At White Sands the Army thinks that it has made a decisive contribution to air defence. Whether it has or not, it has certainly made many notable ones to "the state of the art" as the rocketeers, uniformed and civilian, call the technology to which, one suspects, they are almost as attached for its own sake as for its grimmer applications.

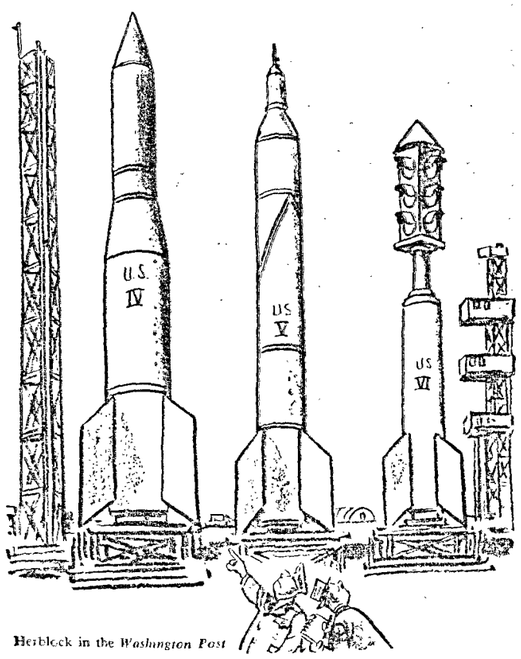
★

CAPE CANAVERAL, FLORIDA

Major-General Yates, the commander of this base where the United States tests its big missiles, is cheerfully confident not only that the eighth Vanguard will in a few weeks hurl a new satellite into orbit, fully instrumented to the International Geophysical Year's requirements, but that two or more varieties of three-stage rockets will make "lunar probes" before the year is out. Perhaps more important, however, this year tests will be completed on three important atomic weapons for the services: the Army's

Redstone, a tactical 200-mile guided rocket ; the Air Force's Bomarc, a ground-to-air long-range interception missile designed to home onto incoming bombers far out to sea ; and the Air Force's Snark, the 5,000-mile air-breathing missile, which, though relatively slow (it would take up to 13 hours to complete its mission) can be guided on evasive courses to its target and is the main supplement to the Strategic Air Command's bombers until the true intercontinental ballistic missile is, in its turn, passed over to the services, perhaps in 1961. These three are said to be just about at the end of their growing pains and a training range is being constructed at Cook base, off the Pacific Coast, so that practice firings—which are much simpler things than test firings—can begin. So far, apart from getting its two strictly test satellites into orbit, Cape Canaveral has only the tactical Matador missile to show for its labours.

To visit the scene of those labours, one must traverse a ribbon of service subtopia that extends for miles along a



Herblock in the *Washington Post*

narrow palm-fringed strip of undistinguished shoreline between the Atlantic Ocean and the Banana river on the east coast of Florida. This once almost waste land is now erupting in bungalows, motels, shopping centres and "facilities" of all kinds and at the centre the skyline is suddenly broken by three clumps of metal structures, reminiscent of dockside cranes, oil-drilling rigs and very stunted versions of the Eiffel Tower. These are the gantries designed to give access to the missiles of various types. Closer in, they identify their purposes: the latest Vanguard appears to be about to be slung up to a monstrous yardarm ; Jupiter stands beneath a complex gallows ; Thor resembles a prisoner between the sturdy pillars of a 150-foot guillotine.

Farther out, fronting the sea, and facing down range to Ascension Island, nearly 5,000 miles south-eastward, stand four squat towers, red and white and surmounted by chequered canopies which make them look like outsize castles on a chess-board—as perhaps they are, for each contains the huge 80-foot tube of an Atlas ICBM, the penultimate nuclear weapon until the queen of them all, the Titan (or maybe the Polaris ?), reaches its mounting. Below and around them are low buildings containing equipment for fuelling, measuring, photographing and maintenance, and between them the blockhouses, like the shells of great limpets, into which, for the "count-down" before launching, those who fire the missiles retire to their instruments, television screens and periscopes.

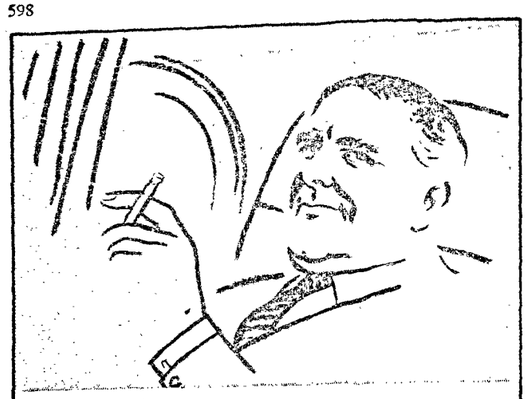
It is then that the scaffolding splits open and is drawn away on rail-mounted bogies from the rocket, standing free on its concrete and steel "pad" which it roasts with flames of 4,000 degrees Fahrenheit as it leaves the ground and which can only be preserved by the injection of 30,000 gallons of water at the same moment. Down range, on a chain of islands, stretching across the Caribbean Sea into the South Atlantic Ocean, ten stations measure and report back "performance data" to the central control building where the computers answer vital questions, whether the rocket flies 5,000 miles or five. "Success" here (satellites apart) is not a matter of distance, but of answers to questions, delivered on magnetic tape, on screens and on film.

THE British visitor inevitably studies the Thor and its launcher, which will presumably soon become a familiar, if intermittent, landmark in the home counties, as it is raised and lowered in practice. The commander at Canaveral seems confident that delivery will begin on schedule next December and the lieutenant in charge of the "launch complex" tries to be reassuring on its performance. He maintains that it is beautifully manœuvrable on its trailer-type launcher ; though it must fire from a fixed known position to strike its target, its guidance system will in fact have built into it three alternative targets which Thor can hit from this predetermined position.

At SAC headquarters, at Offut base, Nebraska, your correspondent was told that the time taken to fire Thor was "*getting near*" to the fifteen minutes which is the desired performance for the weapon ; at Cape Canaveral, there is no hesitation in selling the hardware on fifteen minutes here and now. Everything is going to be easy, manœuvrable, "trailerised"—the liquid oxygen here, the propellant tank there ; even the blockhouse will be supplied ready for use. All this is promised on about twelve test firings: but the customer, one gathers, will be able to try Thor out at Cook base before he takes it home.

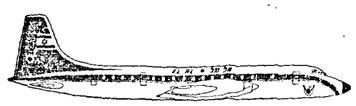
He, that is, the British taxpayer, should also ask himself one question. Unless he intends to fire Thor fifteen minutes after merely feeling sure that blips on the early warning radar screen really do mean a massive attack, what use to him as a retaliatory deterrent weapon will be this fragile, deadly metal pencil 65 feet long exposed to the jar of an atomic blast a score of miles away ? If he is prepared to spend £10 million to instal about 60 of these, ought he not to spend considerably more to put the launcher at least behind, and preferably under, a hard, concrete casemate ? At Cape Canaveral nobody who thinks about the interaction of missiles and strategy has the least doubt. "This isn't world war II," says the lieutenant. "There's your target, primary, secondary or tertiary, pre-set. There's your missile. You don't take chances. This is the nuclear age . . . it's real interesting. . . ."





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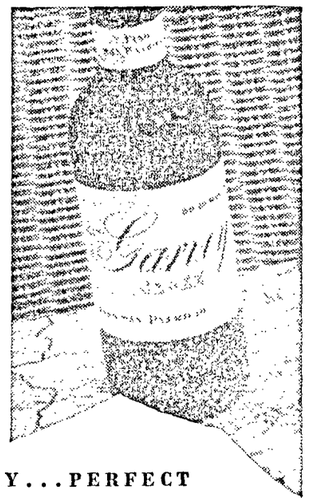
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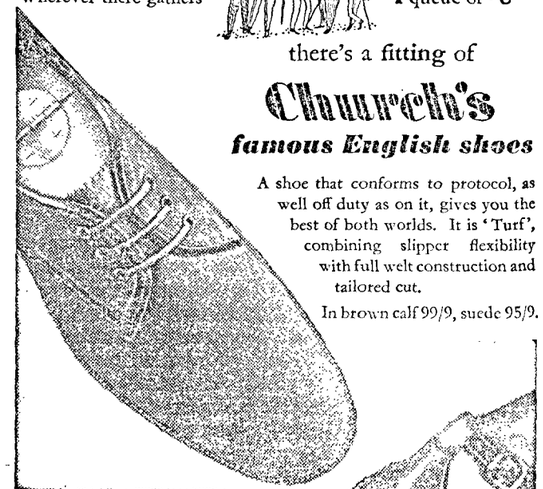
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Empire State Building

SOUNDS of hammering and tinkering in New York come not only from the massive construction projects along the city's avenues. The state's politicians are also at work building support and shaping bricks for next autumn's elections. All the state offices except Senator Javits's seat will be up for contest. The most interesting preparations centre around the second Senate seat and the Governorship. In the race for the latter it is virtually certain that the Democrats will be represented by the incumbent, Governor Harriman. Four years ago he scraped home by 12,000 votes, a margin so thin as to be almost transparent in a state which gave President Eisenhower a majority of a million and a half two years later. This time, in a year of ebullient Democratic hopes, he aims to acquire the kind of majority that will impress the Democratic delegates who assemble to pick a presidential candidate two years hence. Mr Harriman is 66, and has acquired the craft of politics by hard labour rather than by natural aptitude, but his ambition to be President is as strong as ever.

Among his possible Republican opponents this autumn is Mr Leonard Hall, the former Republican national chairman. The candidate whom an increasing number of supporters are now pushing to the front, however, is Mr Nelson Rockefeller, the first member of his family to get within sniffing distance of politics. Mr Rockefeller, who played a prominent part in preparing the President's plan on defence reorganisation, will be kept in the public eye, while the campaign for him is organised, by his appointment as chairman of a committtee to examine the State Constitution.

In the Senate race, the following among liberals commanded by the popular Republican incumbent, Senator Ives, makes him the obvious choice if he is in good enough health to run. On the Democratic side things are not so simple. One possibility is the ex-Secretary of the Air Force, Mr Thomas Finletter, who was not long ago said to be the preference of Governor Harriman. Recently, however, Mr Harriman declared somewhat ambiguously that the " best-known " of the possible candidates was the Mayor of New York, Mr Robert Wagner, who has also received a public commendation for the race from the leader of the Democratic machine, Mr de Sapio. Unfortunately, Mayor Wagner said on his re-election last year, in terms too unambiguous for even a New York politician to evade easily, that he meant to stick to his mayoral duties for the full four years. And he may be in political trouble. Frauds have been discovered in the city's Bureau of Real Estate ; the chief accountant has been arrested and the director has resigned. Allegations that the Mayor was told two years ago about irregularities in the bureau—and ignored many suggested reforms—have visibly brought a gleam to his opponents' eyes.

Not So Peaceful Atoms

ANOTHER conflict is beginning to rumble about the ears of Mr Strauss, the chairman of the Atomic Energy Commission. Last weekend the Administration sent to Congress its proposals for the coming fiscal year's atomic power programme, which turn out to be substantially smaller than the Democrats on the Congressional Joint Committee on Atomic Energy had been hoping for. The difference seems certain to revive the quiescent civil war between those who want the government to play a bigger role in the development of peaceful atomic energy and those who—as in the field of hydro-electric power—want to leave as much as possible to private enterprise.

It had been thought that a conflict over next year's programme might be avoided. Mr Strauss is one of the stoutest advocates of private enterprise, but a series of informal meetings between his commission and the joint committee had worked out a compromise which would have given the Democrats at least two of the three government-built reactors they wanted to include in the new construction projects. However, the Bureau of the Budget refused to sanction the compromise plan, despite a reported appeal by Mr Strauss to the President. The proposals now made by the Administration call for an authorisation of $193 million, compared with the $300 million informally agreed to between the Atomic Energy Commission and the Congressmen. The Democrats on the joint committee will get neither the reactor they sought for making plutonium (which the services want more of for warheads) nor the reactor fuelled by natural uranium, which they would like to develop as a rival to the British Calder Hall model. The solitary power reactor to pass the Budget Bureau's eagle eye is one using slightly enriched uranium.

Mr Strauss's term of office on the Atomic Energy Commission expires on June 30th, and he has yet to announce whether he will accept the President's invitation to stay on for another five years. His belief that American nuclear tests should be continued has recently run counter to Mr Dulles's reported desire to seek agreement with the Russians on a policed suspension. Now Mr Strauss is liable to find himself involved in a bitter fight before Congress over the power programme. The chairman of the joint committee, Mr Carl Durham, said in March that Congress would pass its own programme if a compromise could not be reached. If Mr Strauss defends the Administration's proposals, it is unlikely that it will do him much good to plead that he tried to meet the joint committee's demands and that it is all the fault of the Budget Bureau. Senator Anderson, an influential member of the committee, has already announced that he would oppose Senate approval of an extension of Mr Strauss's term of office.

Battle of Flowers

FROM A CORRESPONDENT IN NEW YORK

AFTER two seasons that would have withered a creeping burdock the New York flower show expects to emerge solvent this year. While London's flower show is held in tents in May, New York's is held indoors in March, when gardens on the city's roof-tops and in the surrounding suburbs were this year buried under snow ; it owed part of its success to the contrast between the spring magic it presented and the bleak scene outside. As the official name is the International Flower Show Incorporated, tropical fantasies flown in from Hawaii and South America were not out of place, but the crowds lingered longest over daffodils and roses that came within the realm of possibility for the home gardener when spring finally arrived outdoors.

The contrasts between the Chelsea flower show and the New York one reflect differences of habit as well as of climate in the two cities. London has the advantage of gentler weather and a population that not only cherishes flowers but also grows them. New York's somewhat artificial advantage is that by holding its show in a permanent heated building it ensures petals against being frost-bitten or wind-blown. Attendances may be reduced by bad weather, but not as much as at Chelsea. Otherwise, the city, with less open space in its centre than London has, fewer window boxes, and an endemic battle against climate, concrete and commerce, carries on its flower show almost in spite of itself.

The actual production is a complicated enterprise involving a great many people, a surprising number of whom are unpaid amateurs working for love and for prizes. This year 4,000 men and women helped to set up exhibits, and 1,600 passes were issued to members of participating garden clubs alone. The budgets for the past two years have been running close to $200,000, of which half comes from the sale of tickets (the entrance charge for adults is $2) and about a third from renting space to the trade. On the disbursement side, $33,000 goes for rent for the exhibition hall, $16,000 for labour, while $72,017 was allowed this year for prizes, trophies and certificates. The amount of business done by commercial nurserymen at the show is a trade secret, but they would hardly support an unprofitable undertaking. An informed guess is that $500,000 worth of orders is placed during the week and more flow in later as suburbanites and penthouse dwellers pore over the catalogues which they have brought away.

Behind the week-long spectacle and the swarming crowds there is, of course, a corporate entity that carries on throughout the year. The International Flower Show, Inc., is made up of two older organisations, the Horticultural Society of New York with 3,700 members which represents amateur interests, and the New York Florist's Club whose 800 members are professionals. For most of four decades this interesting marriage has brought forth a spring show which not only delights flower lovers but also provides funds for research and scholarships.

ALTHOUGH it occupies three and a half acres of floor space in the Coliseum, this show is second in size to the biggest, which is the Massachusetts Horticultural Exhibit in Boston, and only an acre larger than the Philadelphia show. About a dozen cities in the country now boast their own flower shows, in addition to gardening activities organised in other ways, such as the Japanese cherry blossom festival in Washington, the dogwood show at Valley Forge, the week-long showing of private gardens in several of the southern states, and other similar attractions which hold places in the tourist calendars.

So far the flower shows, unlike so many American enterprises, have managed to remain decentralised and to keep their local character and control. Fed and supported by an intricate web of garden clubs, plant guilds, plant name societies (the newest of these is the International Ikebana Society, organised to promote Japanese flower arrangements), they have managed to escape any movement toward a holding company for flower shows. Indeed, the trend seems to be in the other direction. The New York show is encouraging amateur exhibitors, and is proud to have doubled such entries since 1956.

The amateur's lot, however, is far from easy at any show of this size, and in New York the traffic conditions and the demands of the trade unions try the exhibitors' patience. Union rules forbid entrants to use their own gardeners, chauffeurs or handymen to do any part of the work of setting up exhibits. They can drive estate cars to the entrance of the Coliseum, but there they stop. Union men must be paid to unload, to place exhibits, to build fences, provide a bit of paint, or help with any construction. But so far the unions have not tried to bar members of garden clubs or their relatives from carrying in their own plants or arranging their own blossoms.

Since the war the New York show has been changing in character and composition and more changes lie ahead. In addition to rising costs of labour and high income taxes, the invasions of the speculative builder make life hard for the owners of large estates who used to dominate the show. The best growing land around New York lies on Long Island and in New Jersey, and twenty years ago private exhibitors in these regions sent beautifully planned gardens to compete for prizes in the best areas in the show. Today such private competition seems too expensive a luxury. Fashions in spending have changed, private greenhouses are shrinking, private fields are yielding to bulldozers which cover fertile soil with split-level ranch houses. It is true that some of these houses will sprout small gardens, but most of them boast only a lawn planned to be cut by a motor-mower and a pair of shrubs able to withstand children and dogs.

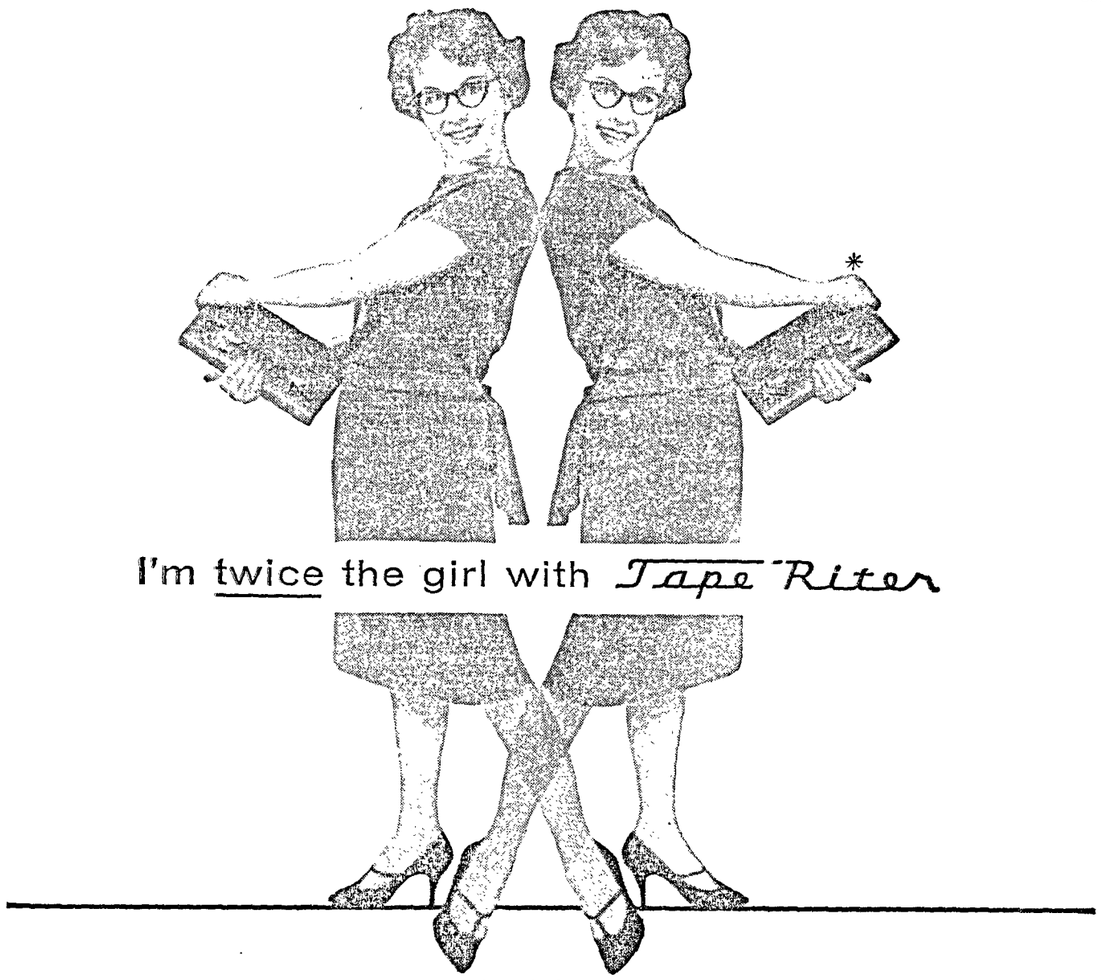
As a result of these economic and social pressures, the choice centre spaces at the flower show now go to commercial growers, who exhibit there as part of their regular advertising efforts. Their signs are limited in size and their gardens are beautiful, but they lack the variety and the interest of the older private achievements. Meanwhile, the individual grower falls back on smaller, less desirable locations, or shows his or her prize plant along with such institutional exhibitors as the famous Garden Club of America or the specialising Bromeliad Society. Hence the emphasis shifts to front gardens, hydroponic gardening, ways to encourage blooms in a sunless apartment, or wiles for persuading African violets that they like central heating.

SHORTER NOTES

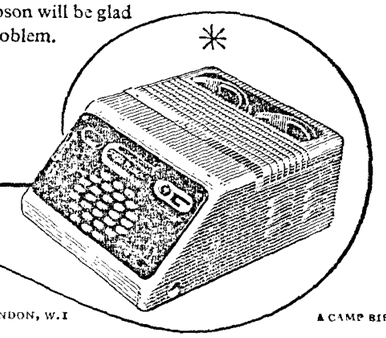
The recession seems to have done no harm to New York's World Trade Fair, being held for the second time this year. It is expected to draw a million visitors, compared with 700,000 last year, and luxury articles, which include a British brush specially designed for cashmere jerseys, are holding their own. Business in soft goods was said to be excellent, in capital goods satisfactory and in hard consumer goods, such as wireless sets, adequate. There are 3,000 separate displays from 60 different countries.

* * *

Both Houses of Congress have now agreed on a Bill which will encourage men to make their careers in the armed forces by increasing the rewards for skill, experience and responsibility at all levels. Every man with over two years' service will get a rise of at least 6 per cent, with top-ranking officers getting an extra 33 per cent and top-ranking enlisted men 41 per cent.



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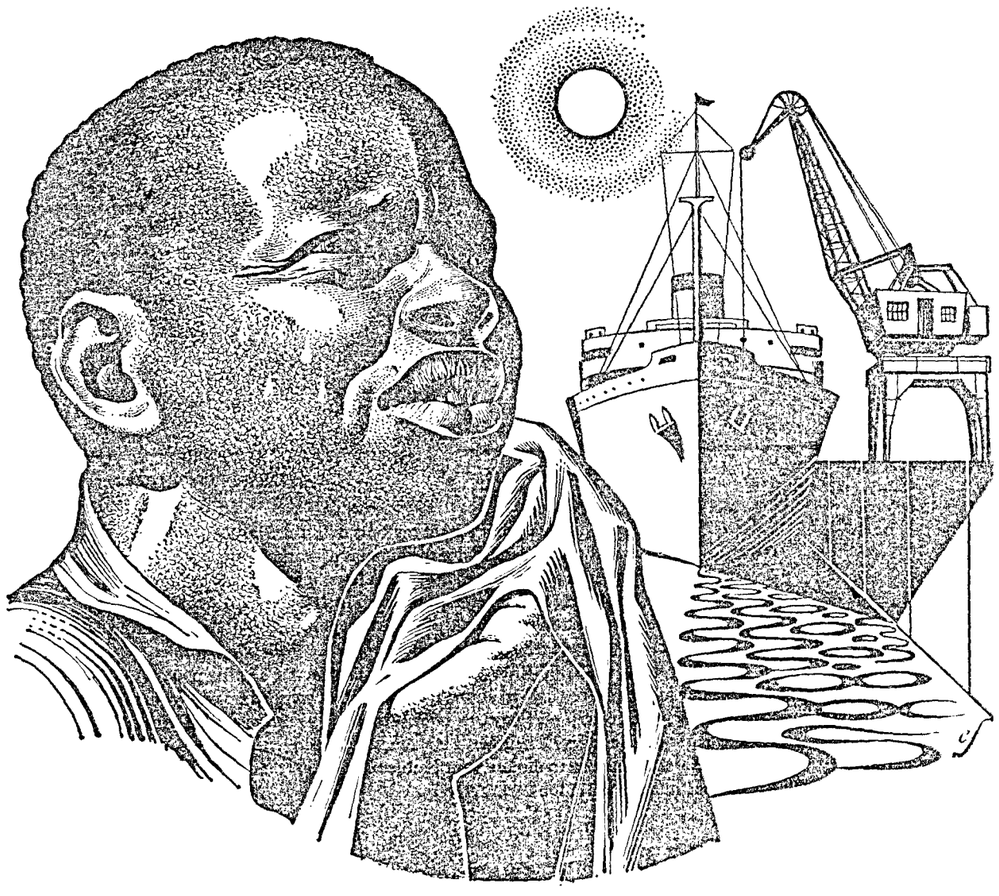
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THE WORLD OVERSEAS

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FROM OUR SPECIAL CORRESPONDENT LATELY IN STOCKHOLM

SWEDISH diplomats must often be the envy of their western colleagues. The foreign policy they implement, by comparison with that of Britain, the United States or France, is as clear-cut and uncomplicated (if also as prosaic) as the landscape of their bare northern uplands. The Swedes can afford to do what seems reasonable in the circumstances, without having to worry about what their allies will say—since they have none—or whether their course of action will endanger their "great power status," or be interpreted as a "sign of weakness," or unknot some previously parcelled diplomatic "package." This is diplomacy stripped to its essentials; small wonder that Sweden sometimes seems to offer a rational man's guide to international behaviour.

A good example was provided by the recent Security Council debate on the Arctic. The Swedish representative, Hr Jarring, cast his first vote as the solitary ally of the Russians when the Americans sought to bring the discussion of the original Soviet complaint to an abrupt end. His choice of friends brought an indignant protest from *Dagens Nyheter*, the newspaper which functions as a kind of standing leader of the opposition in foreign affairs (a compliant parliament being yet another of the blessings enjoyed by Swedish foreign ministers). But the Swedes' argument was that the situation in the Arctic was dangerous enough to warrant further discussion, both in the Security Council and at the summit, and that an attempt ought to be made to set up some joint American-Russian machinery to examine the danger of an attack across the North Pole. In the end the Americans came round to a point of view very close to this, even to the extent of accepting a Swedish amendment which linked their Arctic inspection plan to the agenda of a summit meeting.

Another demonstration of how to dispose of modest weight to the best effect is afforded by Sweden's approach to the European free trade area. Some industries, notably textiles, are apprehensive about their ability to swim if flung into the deep end of a free trade pool. After some early murmuring, however, most of them now seem to have been persuaded to stiffen their lips for the general good. Meanwhile, the Swedes are applying indirect leverage to the French; they are pointedly reminding Germany of what it stands to lose in the Nordic countries unless it can prevent Paris from splitting the European economy in two.

Sweden is a founding member of the group of "intermediary" states in the United Nations. Now that the diplomatic market is opening up again between East and West, there is a special value in being a broker who is allied to neither side and is by common consent among the most earnestly intelligent of the neutrals. If a visitor to Stockholm mentions the ideas about disengagement now current in Britain, he is liable to receive the kindly smile that a late convert gets from those who were born into the faith, even though he protests that the advantages of disengagement did not become obvious until the east European events of 1956. Nevertheless, if these ideas ever come to anything, it is a fair bet that the Swedes will have a hand in the arrangements.

It would be sensible for the West to suggest their inclusion on any body charged with working out a plan. Like everyone else, they are worried about the problem of keeping the peace inside a central European zone of disengagement, particularly since the world expects these seven million people to provide an endless supply of international constables. Swedish law, alas, does not permit conscripts to be ordered abroad in peace time; and although plenty of snowbound young volunteers can be found willing to winter at Suez, they might be more reluctant to face boredom on the Bug or the Oder. Nevertheless, officials in Stockholm say confidently that, if an international force is called for, the Swedes will provide their customary nucleus.

In a way, Sweden is being pulled willy-nilly closer to the centre of the world conflict. A Copernican revolution is taking place in military geography as strategy in both America and Russia comes to depend more and more on home-based missiles. The west European mainland now lies on the long route round between the two rivals. The heart of the matter is the Arctic; and Sweden is one of the five independent countries, and the only wholly neutral one, to share occupancy of the region with the twin giants. The diplomatic opportunities are obvious. For instance, if the Americans and Russians fail to agree on a joint Arctic inspection scheme, the three Scandinavians might suggest keeping a watch on their slice of the zone, providing information to both sides and inviting them to join in if they thought it a good idea.

It is ironic that, as Sweden's neutrality grows more valuable, the military strength on which it was founded is being depleted. The armed forces are now preparing themselves for the cuts demanded by the "Adam" plan, which was drafted last autumn (along with its even more stringent brothers Bertil, Cesar and David) and was approved this spring. It will involve a 15 per cent reduction in the number of troops, and will cut naval expenditure by half; but its strategic implications are even more serious. There are two main routes for a possible Russian attack: one by land along the few roads through Finland, the other by sea into the plains of southern Sweden. Hitherto the Swedes have been able to guarantee a major fight on both fronts simultaneously. Now they will be able to put up serious opposition only on one, and merely a delaying action on the other. Their generals say that

this situation can be remedied only if they are given tactical atomic weapons.

Conversation with Social Democrats suggests that, for the moment at any rate, opinion is hardening against the generals' wishes. And even if a non-Socialist government comes to power after the June elections, the Liberals are still too divided to take an immediate decision in favour of nuclear arms. In any case, Sweden makes virtually no plutonium at the moment, and the reactors which it has planned up to 1963 are unlikely to produce a surplus of high-grade material suitable for warheads. If Sweden wants atomic weapons, it will have to establish a special programme, and the odds are that it could not create even the most modest stockpile until about 1967. And this would create a new problem. The most obvious vehicle for delivering tactical atomic bombs is the Lansen fighter bomber; but, since this has the range to reach Leningrad, it would automatically become, in Russian eyes at least, a potential strategic weapon as well as a tactical one.

Thus, if the Swedes decide in favour of nuclear arms, they run the risk of promoting themselves into the unenviable class of countries which, in case of war, the Russians would destroy because they are dangerous, whether or not they wish to invade them. But if they decide against nuclear arms, their defences may not be strong enough to deter the Russians from popping Sweden into the bag as a kind of side-show to a larger European attack. At the moment opponents of the bomb are pinning their hopes on the belief that Scandinavia, which possesses no immediately usable submarine harbours, lies low on the list of priorities for Marshal Malinovsky's divisions; and that even after the "Adam" cuts the conventional forces will be powerful enough to make it not quite worth the Soviet army's while to put a right hook through Sweden. Even if a conventional war does not stay conventional, the advent of long-range missiles—say the optimists—may make it possible for Sweden to rest safe under the arch of the rockets rising and descending on either side. But it takes a rare optimism to believe in the possibility of an oasis in an atomic desert. Sweden's best chance still lies in the preventive work of its diplomats.

A FRENCH JOURNEY—V

Algeria and the French Mind

FROM OUR SPECIAL CORRESPONDENT

If Algeria did not exist, it would be possible to say that the prospect for France was good. Despite the sad state of Parliament, the postwar economy has made up many lost years; France is less vulnerable than most countries to fluctuations of trade. But Algeria is the mental illness that makes the physical prognosis unreliable.

A French friend, a university lecturer, who has lived in and admired Britain, America and Germany and is a convinced "European," was posted last winter in Algiers. I saw him for a few hours at the time of the Anglo-American arms deliveries to Tunisia. He was understandably angry: "Of course, we must ultimately give the Algerians prospects of independence. But not now, in our own time. We will *not* be pushed around. We'll drop Nato and Europe rather than be kicked around. Pacifying Algeria will take ten years." It was magnificent, but not even war: it was like Dr Mossadeq declaring that Persia's oil would flow into the sea.

A similar note of defensive defiance was struck at a lunch not long ago by a civil servant who suddenly brought a conversation on Algeria to a climax by bursting out: "That man Mendès-France, if he had his way, there would be a disgraceful sell-out in North Africa. It would be 1940 and Pétain all over again." You have to be highly educated to talk like this. But everywhere on my journey, in the Nord, the Auvergne and Lyons, or Nantes in the west, I found signs of a split mind. The Christian employer thought that Algeria must remain French, though he deplored the "methods" of repression. The steel representative hinted at "our lack of realism," but considered it "hard, perhaps impossible, to find a solution." The trade unionist opposed official policy, but added bitterly: "Before the war we were the greatest country in the world, everything revolved round *us*. Now we are hardly independent." Nearly everywhere one finds a conflict between people's feelings and their feeling for facts; the conflict leaves them partly acquiescent, partly despondent

The fact is that over Algeria the French are wrestling with their consciences and their pride, in a personal, intimate way alien to mercantile communities tackling foreign policy questions: it is a sign of just this that they even deny that Algeria is an external question. In a sense they are right: many French families have cousins in Algeria. But the attitude goes beyond the obvious facts of a difficult situation, the million settlers over the water, the complexes of 1940 and the rest. If President Bourguiba really told Mr Robert Murphy: "You are traders, you want to clinch a deal. The French are peasants, they want to hold on to their land"—*then* he came nearer the truth. But there is also the question of honour.

The army, not the trader, has planted the tricolour round the world. Even pride in the declaration of the Rights of Man is swathed in memories of Napoleonic conquest. Algeria itself was the first of those relatively easy colonial epics which maintained the heroic tradition through the top-hatted Victorian era. The school books ensure that these mental associations live on. The result is the obfuscatory chorus from the Right about France's honour which overlays the discords of Algeria. Even the Mendèsist editor of *Express*, M. Servan-Schreiber, has described his experiences as an officer in Algeria in terms of romantic military camaraderie. Glory dies hard, and sometimes, when one listens to Frenchmen talking of themselves as men holding off Communism single-handed, despite the folly of indifferent allies, one feels that they draw bitter satisfaction from fighting a hopeless rearguard action, Marshal Neys in another retreat from Moscow; all is lost save honour. There is a profound sense in which the French are fighting the rebels not as political opponents but as personal aggressors in a duel.

This also takes subtler forms, for many cultivated people who have rejected military pride assume, in part excusably, that France is synonymous with civilisation. The New Rome is across the ocean, but the modern Athens is France, the home of Liberty in capital letters, the Word which was the beginning of contemporary history. The Algerian rebels are in revolt against civilisation—and, murdering each other in back streets, they do what they can to maintain the illusion. A "Voltairean" conte, *Our Ancestors the Gauls*, published recently by André Chamson, who will be familiar

to former readers of Penguin *New Writing*, is revealing: a Gaul suddenly turns up at the United Nations declaring that the French have usurped his country. The Americans, the Russians and the newly-emancipated Afro-Asians are delighted to find that France with its trying personality, so irritating to their uncultured or unfinished selves, does not really exist and is an under-developed country after all, to be reshaped in their image. They accord recognition to Gaul; France disappears from the map. Some scattered intellectuals in centres of true culture, like Japan and Greece, weep for "Homer and Racine."

Most Frenchmen share something of these preconceptions and wish in shielding them to protect their wounded self-esteem. The war has cemented this basic community of feeling. Arabs murdering each other in French towns, Saharan oilstrikes, offences real or imagined by foreigners, from Colonel Nasser to Good Officers, the return of conscripts, ex-Communists included, who (when they are not struck dumb by what they have witnessed or done) tend to express racialist views, all add up to one Auvergnat's conclusion: "There is more unanimity over Algeria now than two years ago." Yet the French are not convinced or complacent colonialists: that would offend the teachings of generations of liberals. They are also acutely aware of Europe's retreat from universal empire and of the way the war drags. So what another informant said: "We might all be surprised how many people would vote for peace in Algeria if party loyalties were not involved," may also be a shrewd assessment. Little wonder that on the whole French opinion is torpid but, beyond its normal distrust of politicians, sceptical of the outcome.

In this split mentality there are striking resemblances with the affair of the European Defence Community. During the EDC crisis even General de Gaulle and M. Mendès-France proclaimed their "European" convictions. Similarly today, M. Soustelle is ardently non-colonialist in his own eyes; and M. Mollet distinguishes the "liberation of the individual" from the "fallacious independence of nations." More significantly still, it was at the height of the Algerian war that sweeping reforms, which are already leading to something near independence, in black Africa were voted by the right as well as the left. In the Nord, I was told that "Vietnam's recent tendency to turn away from the Americans and seek more trade and contacts with the French is making people wonder whether an independent Algeria might not soon do the same." Finally, the doctrine that colonial responsibilities are too costly is steadily gaining ground. In the case of the EDC, the surprisingly easy acceptance of the new European drive ending in the common market shows that the bitter debates of 1954 were the cathartic crisis of traditional French anti-German feeling, purging generations of pent-up resentments. Will Algeria similarly be the catharsis of colonialism and of the cult of *la grande nation*?

One is tempted to answer that it will, and to add that when Algeria is out of the way, the prospects for a France reduced to the European mainland are very bright. But the amputation must be painful. Now, as in 1954, but more so, the running is being made by the most hysterical elements, this time on the right. Even the leaders of the regime agree that it is direly threatened. The danger of Parliament handing over to General de Gaulle is ever-present. Alternatively, one journalist thought, "we will have a right-wing coup to carry on the war, followed by a Popular Front dominated by the communists to end it." Yet after speaking to a good number of people, I find it hard to believe in the power of the communists to dominate a French government; and no one seems to believe that General de Gaulle, either, could do so for long. "People today are not such decided republicans as their fathers, but they are far more stubbornly democrat." Also, talking to individuals, one cannot help realising that beneath emotional appearances French opinion is becoming more, not less, aware of contemporary realities. This is a fact, not a prophecy: the Algerian crisis can have disastrous repercussions both on European unity and on Nato. But the storm could also blow over faster than one has a right to fear.

(Previous articles appeared on April 5th, 12th, and 19th and on May 10th.)

Loose Reins in Lebanon

FROM OUR MIDDLE EAST CORRESPONDENT

Beirut, Wednesday

President Chamoun seems determined to ride the storm now raging in many parts of Lebanon. For the first few days the government moved cautiously as if probing the extent of the trouble. It has now decided that it is confronted with a serious uprising enjoying aid and comfort from abroad on a scale that threatens Lebanese independence.

Disturbances which began with rioting in Tripoli on May 9th changed character with dramatic suddenness on Sunday night when the strike movement gripped the capital. From that moment the trouble spread rapidly and only the south has so far escaped serious bloodshed. At first, some members of the government were reported to have inclined towards a compromise solution. With the growth of the movement to the size of an insurrection they have cast aside their doubts and the government now stands solidly behind the President. The common assessment of the situation here is that it is no longer a question of a constitutional amendment to permit the President to stand for a second term of office. It is the future of Lebanon as an independent state that is in the balance.

The most important single factor in determining the government's attitude is the accumulating evidence of outside intervention in the civil struggle. Captured material, which includes heavy machine guns and grenade throwers, suggests that arms which have been brought into the country are of a type and on a scale that the traditional arms smuggler could never handle. The government has replied by preparing a bill of indictment against the United Arab Republic for presentation to the United Nations. The form of presentation has not yet been decided on; it raises various legal and technical questions which are still under discussion. Since the outbreak began the President has maintained close contact with the principal western ambassadors. But all concerned are anxious that the government should master the rising with its own resources, since a call for western aid at this stage would lend colour to the opposition charge that the President is a western stooge, and it would reawaken dangerous passions in Jordan, Iraq and elsewhere in the Arab world.

It is perhaps fair to assume that the opposition leaders, when they launched their fateful call for a general strike

on May 8th, intended only to force the President to withdraw from the presidential contest next September. But a popular rising for limited objectives is one of the most difficult and delicate of operations; and there is no evidence that the opposition leaders possess the skill or the organisation to carry such an operation to a successful conclusion. In the event, the movement got out of hand and many observers believe that an opposition victory at this stage would result in Lebanon becoming at least an appendage, if not a part, of the United Arab Republic.

The struggle carries the seeds of another danger. The strike call was issued not merely by the predominantly Moslem "national front" but also by a group of Christian independents opposed to the President, calling themselves the Third Force and known to their enemies as the "third farce." There is some evidence that this group is taking fright at the extent of the damage and contemplating withdrawal from the movement. That might lead to a situation which the Lebanese leaders, including the opposition, dread above all things: a cleavage of the nation along confessional lines with the Christians on one side and the Moslems on the other. Fears of such a development have been a persistent undertone to the politics of the country since it became independent. But the choice does not lie wholly with the government.

Hungarian Communists at Ease

BY A CORRESPONDENT

MR KHRUSHCHEV may have said many startlingly different things during his tour of inspection of Hungary, but Hungarian Communists, albeit after some initial pains of interpretation, have firmly decided that he meant to convey one important thing; that is, that the Soviet Union would never leave them in the lurch. They now seem relieved of any gnawing doubts, and the occasional note of sobriety detectable since 1956 is largely gone. While in economics the party line is cautious and canny, in politics it has become lyrical and intoxicated by blissful certainty. Hungarians who remember the German occupation in the last war find fascination in comparing the present mood with what it was in 1944. Then as now the little band of faithful knew that they would win "because they must," because they have a great and invincible ally. In 1944, it was the Great German Reich and the Secret Weapon, today it is the Great Soviet Empire and the Immutable Law of History. Even the feverish and foggy vocabulary now used recalls that of the 1944 Arrow Cross.

The Soviet delegation is, however, said to have laid it down that Mr Kadar's regime must in turn use its guaranteed tenure with care. The earthy Mr Khrushchev, in particular, apparently persists in believing that the 1956 revolution could not have broken out if Mr Rakosi had not tried to "build socialism" at the expense of real wages. The Hungarian party must not repeat the same mistake, even if concern for the standard of living involves a low rate of investment and a slow rate of industrial growth. For the Stalinist majority, in particular, still dreaming of Rakosi's cherished goal of transforming Hungary into "the country of iron and steel," the Soviet assumption of responsibility for internal security is a great temptation; by curbing the present extravagant level of wages and consumption, large-scale investment could be resumed, with the Russians making sure that the discontent of the workers does not lead to a second counter-revolution. While he showed some sympathy with these aspirations, Mr Khrushchev is understood to have vetoed the idea. He wants the standard of living to be held; moreover, this must be done without further Soviet aid. These basic rules of conduct confirm the cautious line taken in the 1958 "people's economic plan," and are reflected in the State budget introduced last month by Mr Antos, the able minister of finance.

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Industrial production is to be maintained at its present level. Enterprises have been warned not to overfulfil their gross *output* plans, as this would aggravate the shortage of raw materials. Imports must somehow be reduced by a sixth and exports pushed up by a fifth, and both external payments and the budget must be balanced without Soviet help. A modest Russian loan of 200 million roubles (in contrast to the more than 1,000 million spent on extra consumption in 1957) will nevertheless be forthcoming for investment in selected industries over the next three or four years. It is to be devoted to the dieselisation of railways, the development of the heavy electrical, telecommunications, instruments and roller-bearing industries, as well as to the completion of some partly finished steelmaking projects in Sztalinvaros and Diosgyör. Apart from this, planned net investment seems to be virtually zero. Expansion, it is said, must await the improvement of labour productivity (which is back at its 1952 level), and must be concentrated in branches where Hungary has clear comparative advantages. In marked contrast to the Stalinist era, the intention now is to rely on skill and ingenuity rather than on the sheer momentum of capital accumulation.

Probably in self-defence against orthodox charges of letting investment stagnate, the present leaders have cast a revealing light on capital accumulation under Mr Rakosi. They let it be known that the average age of equipment in Hungarian industry has lengthened to 18 years. While pressing on with showy new projects, the former leaders had shut their eyes to capital consumption, and never provided enough for replacement; they increased the stock of equipment by the simple device of not retiring old machinery as it became obsolete or worn out. Coupled with the misdirection of new investment into heavy industry, this preponderance of ancient equipment, dating back to the twenties and thirties, must act as a drag on the Hungarian economy for a long time to come.

Nevertheless, Hungary's remaining Communists are happy enough now with what they have got: it is a small and poor demesne, but safely theirs. It looks as though the majority of the population agrees with them; there is a widespread feeling that Russian colonial policy has become set in its ways, and people take a masochistic delight in saying how futile it is to think otherwise. Only the writers continue to resist by means of their eloquent silence. Until recently, Mr Kadar kept on appealing for the support, or at least the "positive" neutrality, of such national figures as Mr Gyula Illyes and Mr Laszlo Nemeth. But to judge by recent pronouncements in the field of "cultural policy," these have now been written off. It has even been stated that "only from the new generation, untouched by the agitations of October (1956) . . . can we expect a rebirth of progressive Hungarian literature." Much else besides is expected from that new generation.

A Fracaso in Madrid

FROM OUR MADRID CORRESPONDENT

RADIO España Independiente, the Communist station broadcasting in Spanish from behind the Iron Curtain, claims that the boycott of Madrid's public transport arranged for May 5th was a big success and a telling blow against the Franco regime. It is not surprising that the claim should be made. Communists seldom publicly admit defeat. Nor do they often miss a chance to exploit their opponent's weakness—in this instance the Spanish press and radio, which are so tightly controlled and censored that the most improbable rumours have free play throughout the land. Residents of Madrid may know what actually happened in their city on May 5th, but in the provinces there are plenty of doubters more inclined to believe, and to circulate, reports from abroad than passively to swallow the domestic, officially processed product. Thus it can be worth while for the Communist radio to tell the Spaniards generally of the success of the Madrid boycott, even though the boycott was in actual fact a failure: what the Spaniards call a *fracaso*.

Up to nine o'clock on the morning of B-Day one had the feeling that the scheduled display of collective passive resistance to the regime might develop into something quite spectacular. In the suburbs industrial workers had got up earlier than usual and were walking to work, shunning the buses and trams. But there was no follow-up to this impressive first wave. By ten o'clock it was evident that the boycott was a failure, office workers and civil servants having failed to respond to the strike call. Buses, trams and underground were carrying their usual quota of passengers. Police patrols, which had been much in evidence till then, were withdrawn. The city took on its normal aspect. When evening came, those who had walked to work in the morning threw up the sponge and rode home.

Madrid is regarded as a difficult place in which to set in motion outbursts against the regime, because of the large number of government workers who think twice about risking their jobs. The number of industrial workers is comparatively low; the middle class, though not slow to anger, is slow to action. These considerations partially explain the *fracaso* of May 5th, along with the fact that the government made a strong show of force, cancelling police leave and bringing out the grey-uniformed Policia Armada.

But there are political explanations, as well, for the lack of response to the boycott call. The non-communist opposition groups say that for quite a long time they had considered staging an anti-Franco strike in Madrid, but the Communists tried to cash in and to set the pace under the slogan: "Day of National Reconciliation." For many months the groups in opposition to General Franco have been seeking agreement among themselves with a view to forming a common resistance front which would exclude the Communists. These people say that they shelved their boycott plan and decided to let the Communists go on by themselves; and it is a fact that a good number of Spaniards who have no reason to love the regime became wary when they realised this. The fact that Radio España Independiente on May 4th urged Spaniards to "prepare for the great day tomorrow" put off a lot of people who until then were not at all clear just who was promoting the boycott. Plenty of Spaniards, disgusted with the way they are governed and angered by the rising living costs, are willing enough to take part in demonstrations against the regime, so long as these are non-violent. But they tend to avoid anything with a party label on it, and their instinct is to shy violently away from anything that appears to have been conceived abroad. The moderate opposition groups are not sorry that a Communist attempt to assume control of dissidence in Spain has fallen flat.

Arabs and Africans

ZANZIBAR really means cloves. But it is a political curiosity because it gives Colonel Nasser his southernmost nucleus of agitation. In July last year the Omani Arabs, the islands' chief landowning class, suffered a complete defeat in the first elections to the Legislative Council; their pro-Nasser Nationalisist party won only one of the six elected unofficial seats. To the delight of the East African British, who prefer their nationalism in Africa to be actually African if exist it must, the Afro-Shirazi party, under Mr Abed Amani Karume, swept the board.

On May 8th the Labour party's Africanist, Mr James Johnson, pressed Mr Lennox-Boyd in the House of Commons to give more support to the African population of Zanzibar and to the smaller island of Pemba, which is also the Sultan's and belongs to the protectorate. Mr Johnson argued that the Africans, who form 75 per cent of the population, should have more members on the legislative council. Better education should be provided for them, administration should be gradually Africanised, and the political future of the islands made plain. Mr Lennox-Boyd replied that Zanzibar was to be a "multi-racial state ruled by an Arab dynasty, whose position is supported and guaranteed by Her Majesty's Government." The Minister stated that it was too soon either to alter the composition of the council or to introduce a ministerial system.

★

Our special correspondent lately in Zanzibar writes: Sheikh Ali Muhsin Barwini, the Nationalist leader, is favoured by both President Nasser and Dr Nkrumah. Despite his eclipse in the elections Dr Nkrumah invited him and not Mr Karume to attend Ghana's first anniversary celebrations in March. The Zanzibari Arab Nationalists demand the end of the protectorate and the return to Zanzibar of Kenya's coastal strip, including the port of Mombasa, which is now leased by the Sultan to the Government of Kenya for £11,000 a year. A Nationalist victory would almost certainly mean the end of the dynasty.

Zanzibar is no Cyprus. Almost everyone is a Moslem and a Swahili-speaker, whether he originates from the African mainland or from Arabia. The distinction is not one of language or religion but between an Omani Arab land-owning minority, which opposes the British protectorate, and the African majority, four and a half times as large, which, while it wishes to secure responsible government, does not want independence at the cost of domina-

tion by Arabs. The livelihood of monocultural Zanzibar and Pemba lies neither in the Middle East nor in Africa but in Indonesia, which takes 80 per cent of their cloves to make scented cigarettes. The subsidiary industry of tourism has not excited anti-European feeling; the atmosphere is jolly in the extreme. The hotel servant will even tell you if you have soap behind your ears (almost unthinkable on the mainland). President Nasser might find Zanzibar a useful stepping-stone to Africa proper. Mr Khrushchev might like it for a winter palace. But, if the two islands are not ruined by a slump in cloves, it should not be easy for outside Caesars to disrupt the present regime. There are only two or three hundred resident Europeans in Zanzibar and Pemba.

The two important economic tasks before the islands are the planting of fruit trees and an improvement in the technique of sea fishing, which would add greatly to the Zanzibaris' food supplies.

Sausage

FROM OUR BONN CORRESPONDENT

THEY tell in Germany of a dying butcher who seemed anxious to communicate a last message to the family (or maybe to all mankind). Gathered expectantly around his bed they heard the old man gasp out in unconveyable dialect: "Children, don't eat sausage!"

The family would not have been surprised today. For several weeks the newspapers have been reporting, many with undisguised *Schadenfreude*, the penalties imposed on butchers who have been caught alluringly reddening their galaxies of *Wurst* with the forbidden help of sodium nitrite, only four grammes of which are said to be sufficient to kill. The police have been carrying out innumerable raids up and down the land on butchers' secret places. A cartoonist has written the caption "Butchers' congress at Stuttgart" beneath his drawing of a handful of zebra-striped convicts exercising in a prison yard. The general uproar, loaded with insinuations all the more disquieting since supermarkets and ingenious packaging are still something of a novelty, has provoked the government to review the whole law affecting the adulteration of food.

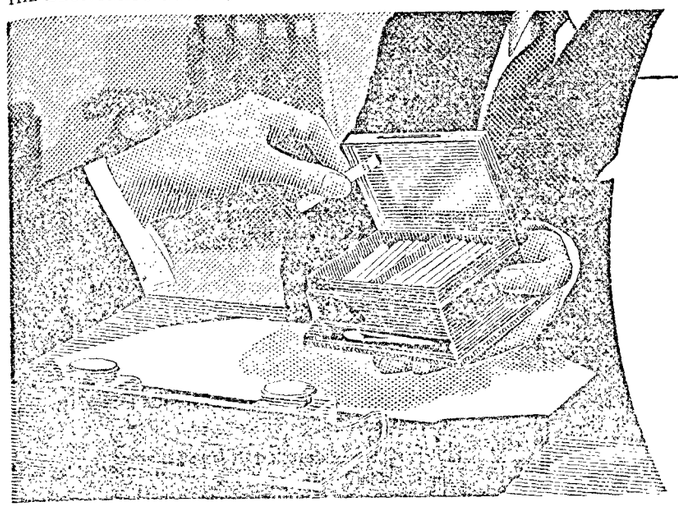
To most Germans, sausage is a serious subject, as well as one of occasional merriment and figure of speech. ("It's all *Wurst* to me," is a common reaction to superfluity of choice.) The manufacture and distribution of *Wurst* and *Wurstwaren* is an important industry. In some shape or form *Wurst* accounts for just over 60 per cent of the country's total meat consumption. This is approximately 2,600,000 tons a year; of which, therefore, some 1,560,000 tons are made up of *Wurst*. The proportion was less before the war, when housewives had more time and help for coping with fresh meat. Nowadays they rely much more on this ready, manageable, and more or less durable standby in all its infinite variety. Their custom is competed for in western Germany by some 42,000 retail butchers, each with his train of assistants, apprentices and womenfolk. Some of the busier town butchers employ ten or twelve girls—often all dressed alike in *Dirndl*—slicing, weighing and wrapping at their counters.

Butchers' shops in Germany are usually so abundantly stocked, and so crowded with customers, that it comes as a surprise to learn from the statisticians that the British eat more meat. According to the latest figures of the Federal Ministry of Food and Agriculture, the west Germans are now consuming 100 lb of meat, including poultry, per stomach per year (104 lb before the war), compared with 118 lb per stomach in Britain. Indeed, Britain was Germany's largest foreign customer for *Wurst* during the economic year July, 1956 to June, 1957, buying 142 of the 357 tons exported to altogether 44 different countries. But rather than the finished article, Germany often exports the maker with his secret. Taking this tendency into consideration, it is probably true to say that the United States, which bought only 102 tons during the same period, is really the biggest foreign patron of German sausage.

The catalogue of *Wurst* deserves a Homer or a Milton to orchestrate the music of its names. Some of these evoke old cities such as Frankfurt, Brunswick, Regensburg, Nuremberg, Munich, Vienna, or Cracow; others the pleasant slopes of Westphalia, Franconia, the island of Rügen, or the Black Forest. Whatever their names the contents should be no mystery. The standard butchers' manual reveals that most *Wurst* consists of a mixture of beef, pork, ham, and various flavourings, among which are sugar, pepper, salt, herbs, and sometimes a little garlic or ginger. The difference between sorts lies mainly in the quantities of the ingredients, in the manner of blending, cooking and smoking, and in the final shape. Sometimes distinctive character is attained by using the meat of young animals, sometimes by that of older. (Hungarian salami owes its exclusive excellence largely to the meat of a special breed of pig whose export from the country is jealously forbidden. Hence Germany's "Hungarian-type" salami.) German butchers are prohibited from adding bread, soya flour, or the like to their concoctions, and the law lays down in what proportions heart, rind, lungs, and so on, may be worked into duly publicised inferior grades.

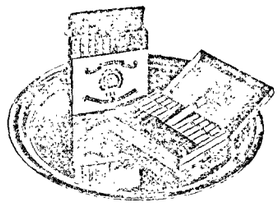
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It has always been fairly easy, in the very nature of the business, to conceal from the ordinary buyer exactly what a sausage is made of. The trouble now is that the wider use of chemicals for preserving and colouring, along with the improvement of cutting and blending machines, have made adulteration even less discernible. The realisation that hundreds of butchers have been using, in addition to permissible doses of preservative saltpetre, also appreciable quantities of the forbidden sodium nitrite, has set the country by the ears. Suspicion has extended understandably to the whole contemporary range of prepared foods in their persuasive but often misleading wrappings and containers. What exactly are they? What has been added to keep them fresh, give them an attractive colour, or make them more tractable in the kitchen? The government has acted quickly. A draft of amendments and appendages to the Reich Food Law of 1927 (revised 1936) has already been passed from the Bundesrat to the Bundestag for further discussion. Among the changes projected is the introduction of a standard Food Book after the Austrian model (*Codex Alimentarius Austriacus*). Based on the findings of a commission on which scientists, food inspectors, producers and consumers are to be represented, the Food Book will establish a common meaning for names and newly define the limits of adulteration in whatever cause.



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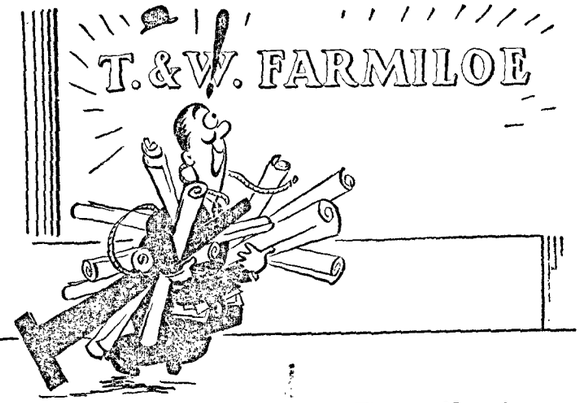
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THE BUSINESS WORLD

Research in the Air

In a statement of five hundred words Mr Aubrey Jones on Tuesday introduced a radical alteration of the status of the Ministry of Supply, restoring to it a freedom of action and a power to make or break in the aircraft industry that it has not enjoyed for some years. The government, he said, "intend to continue to make a financial contribution to aeronautical research in the expanding field of civil transport where this is not already covered by the research necessary for defence purposes." Being translated, that might read: "The Ministry of Supply will initiate its own aircraft research programme which will be wholly independent of the service departments, including the Ministry of Defence." Mr Sandys's fourth satellite is breaking out of orbit.

This is very much the mixture as before—the tonic that stimulated the British aircraft industry to build its greatest successes and its worst failures, that gave the country the Viscount and the Brabazon. The conditions in which this policy of independent sponsorship by the Ministry of Supply is being revived are today very different; it remains to be seen whether the margins of error that made the choice between the designers' more interesting doodles such a hit and miss affair in the past will be any narrower under the new formula.

Up to a point, the changes that Mr Jones has secured are inevitable; beyond that point lies a zone in which he has retained for the Ministry considerable room for manœuvre and for controversy. It has been plain since Mr Sandys's first, definitive white paper on defence in February last year that the waning interest in manned aircraft on the part of the defence services raised a research problem of the first order. Until a year ago, designers of both civil and military aircraft drew on a common pool of knowledge, in this sequence:

(a) Theoretical calculations checked against the behaviour of models in wind tunnels.
(b) Practical trials building a small research aircraft to the new theory.
(c) Embodiment of best features in "revolutionary" new military aircraft.
(d) Military experience incorporated in new civil airliner.

Between (a) and (d) there may be twenty years. But the services now have no requirement for manned bombers or high performance fighters to replace those in production and no assistance to offer to designers of civil aircraft on problems of structure, shape, take off and landing, and navigation.

This creates the situation in which the Vickers-Armstrongs Swallow was cancelled. This was a research aircraft in category (b), a small-scale prototype intended to test the theory of Dr Wallis that a fast, long-range aircraft could be greatly reduced in size, and greatly improved in performance if its wings could be moved from the straight to sweep back at a sharp angle during flight. If this idea worked, stage (c) of the programme was to have been a "third-generation" bomber to replace a manned supersonic bomber that was to replace the V-bombers. But ballistic missiles came into fashion and manned bombers went out. The Swallow lost its immediate purpose and hung on as a research project for a few months until it was cancelled last August. Cancellation followed automatically from the fact that all research done by the Ministry of Supply was obliged to have a military sponsor. (It was also inevitable because of the ambitious scale on which the Swallow was conceived.) Yet Mr Sandys's decision to buy no more bombers does not decide the merits of Dr Wallis's calculations about aeroplane shapes, which may still be of great importance to future airliners. So are many other matters, such as laminar flow, vertical take-off, kinetic heating and high speed flight.

In effect, Mr Jones has done a deal between the Treasury and the aircraft industry. He can now institute research on civil aeronautics without reference to the services or to Mr Sandys. His one limit is that the total sum to be spent on aircraft research of all kinds must remain roughly at today's (undisclosed) level. He has told the aircraft industry that the Ministry of Supply is prepared to undertake functions (a) and (b)—that is, research and the flight proving of research aircraft—if the industry will undertake sole responsibility for (d)—that is, the development of airliners—and if the companies will re-organise and re-group so

that they have adequate financial resources to carry out their promises.

This looks like a fair bargain. The industry is not hurrying to amalgamate into the two-engine companies and three or four airframe companies that is the likely limit of what the market will support, but it is at least tending to form some rational co-operative groups. One such is the Bristol-Hawker Siddeley association; another is the less clearly defined triangle between Rolls-Royce, Vickers-Armstrongs and de Havilland.

HARD facts of the aircraft business are working on Mr Jones's side. Government support was first withdrawn from the development of civil aircraft, but up to the Vickers-Armstrongs VC10 private ventures in civil aircraft still used engines for the development of which the government had paid—which is a far more costly business than developing an airframe. The engine for the jet airliner that BEA have ordered will be the first to have no Government aid, being financed wholly by Rolls-Royce. When engine and aircraft manufacturer each has a direct financial stake in the success of a new airliner they may be expected to work far more closely (and more willingly) than if the costs were being paid by the government. That incentive should be all the stronger when they are working, as now, in a contracting industry.

By 1960, if military demand for aircraft (as distinct from missiles) continues to contract at the forecast rate of 9 per cent a year, production of manned military aircraft will almost be halved. Missiles will not provide the same volume of employment and the expanding market for civil aircraft cannot take up all the slack. The government expects that the industry's employment will slip from its peacetime peak of 266,600 in January, 1957, to its pre-Korea figure of about 150,000. When this happened in the late 1940s, the government put aircraft companies on a kind of national assistance that kept them until the Korean armament boom swamped the factories with orders. This time the government actively hopes that the aircraft industry will reduce its capacity and tighten its structure. The new research policy is designed to give the industry technical help, in place of financial help.

THIS week's decisions were inevitable, if this country wished to retain an aircraft industry of international status. But, although the basic policy of the Ministry of Supply is to finance civil research and leave the industry to finance development, the door has not been shut entirely on government aid in civil aircraft development. The Ministry argues, rightly, that there are cases today, and there will be more in the future, where designs for radically new civil airliners are either too experimental or too expensive, to be financed by any one company or even by an industry-wide consortium. A current example is the Fairey Rotodyne, an ungainly cross of an aeroplane with a helicopter that might have a great commercial future, but which no airline is at the moment bold enough to order. Another could be the supersonic airliner, which will need at least two more years of discussion in committee at Farnborough. Others might be the vertical take-off airliner built around the ideas of Dr Griffiths at Rolls-Royce or a machine based on Dr Wallis's Swallow.

Here the difficulties start. There is nothing basically wrong with the reasoning, but all past experience suggests that those with high technical experience—even those at the Ministry of Supply—are not always the best judges of embryo aircraft. Like lesser men, they sometimes have to gamble, and like some gamblers they sometimes become involved and plunge desperately. No expert judgment in this field is necessarily safe or economic.

The intention is to assist individual airliners with the greatest caution, to keep it in reserve for exceptional cases. But many people feel that exceptional aircraft are not ones on which this country can afford to chance its arm. The commercial successes of the British industry have been essentially conservative aircraft, the Viscount, Meteor, Vampire, Canberra—even the Hunter, which of its kind is positively old-fashioned but sells abroad in quantity. Opinion in the industry is sharply divided on whether it is wise even to study the possibility of a British supersonic airliner.

A BETTER solution than leaving these decisions with the Ministry of Supply might be to enlist the aid of Transport Command. This operates much as any airline, except that it does not have to show a profit at the end of the year and its schedules are not seriously thrown out if an aircraft develops teething troubles en route. Nothing brings out the hidden flaws in an aircraft like normal commercial flying. The Britannia can go into service with a clean test sheet, but that does not stop a succession of minor troubles in service. The experience acquired by Transport Command with Comet IIs has made all the difference to the new Comet IV, and many people feel that if the RAF had ordered Britannias before, not after, they went into service with BOAC, their troubles would have been fewer.

The RAF, moreover, has experience of handling radically new aircraft—swept wings, deltas, high- and low- flying, sub- and super- sonic, all with different flying characteristics. Transport Command might, therefore, be a better judge than the permanent civil servants of the Ministry of Supply of a supersonic airliner on the drawing board, or one that waved, flapped, blew air on, sucked air into, or did other strange things with the standard aircraft wing. It would be the ideal organisation for trying out the capabilities and reliability of the Rotodyne. Evidence from the United States, where military air transport has been the proving ground for almost every new airliner built there, including the big jets, suggests that this is perhaps the biggest single contribution that the government can make to aircraft development.

Gentleman's Agreement On Coal

LATE in July last year Mr James Latham, deputy chairman of the National Coal Board, who was giving evidence before the Select Committee on Nationalised Industries, was asked whether Government control of the price of coal had ever contributed to the financial deficits which the board has had to show in six out of the eleven years that it has been running the British coal industry. Mr Latham was embarrassed: he had reason to be. It was not merely that an answer would disclose how many governments in the past—and which governments—by a control that has no standing in law, and rests simply upon a "gentleman's agreement," had prevented the Coal Board from fulfilling its statutory duty of breaking even, taking one year with another. At that time, Mr Latham may already have had reason to suspect that the present Government, effectively if unwittingly, had probably done so in 1957 too.

In March last year, as the board records in its annual report this week, it sought Government approval for increases in the prices of coal averaging 7s. 10d. a ton from July 1st. This increase was virtually agreed, but at the last minute the Cabinet took fright. It reduced the increase to an average of 6s. 6d. a ton, which it reckoned would bring the board an extra £32 million in the second half of 1957 and £66 million in a full year. The actual tonnage of coal sold in the months in question does not appear to have been much less than in the second half of 1956—say, 103 million tons, against about 104½ million tons the year before—which would fit into the crude arithmetic of the price increase. The board this week, indeed, made no suggestion that it in fact failed to get the extra £32 million; its emphasis was all upon unforeseen increases in costs, mainly through lower efficiency, during the second half of the year. As a result, its operating profits of £21 million for 1957 were insufficient to meet its interest charges: it showed a deficit of £5.3 million. If the Government had conceded the 7s. 10d. a ton which the board had asked for in March, the coal industry would almost certainly have broken rather better than even.

It should be admitted at once that the National Coal Board originally expected its 7s. 10d. a ton to enable it to do better than to break even; it thought the increase would provide a small surplus in 1957 and a larger one in 1958 to help finance its capital investment. Even the 6s. 6d., it reckoned at the time that it announced the price increases, would give it a fractional surplus. So the Government cannot be accused of knowingly denying the board the power to fulfil its statutory duty, as on occasion previous governments may have done.* And the fact that it denied the board a margin for self-financing which, in the event, would have been needed for a bare current balance, because the industry fell down on its budgeting, can be argued to be incidental. In any case, it may be asked, why should the board provide for self-financing? Ought the government to allow today's consumers to be mulcted for the benefit of tomorrow's?

There can be plenty of arguments about the principle of self-financing in industry, nationalised or private. But there are special arguments about what self-financing means when it is applied to coal, or any other mining industry. Conventional accounting, in the Coal Board, makes the usual arbitrary but confident distinction between current costs and capital charges. How closely does this correspond with the realities of an extractive industry?

In practice, the National Coal Board makes the usual provision for the depreciation of its fixed assets (£47.5 million in 1957, of which £37 million was on account of assets in collieries). In principle, it told the Select Committee last year, it holds that its prices should be enough to provide for replacement of its assets at current costs, regardless of the accounting convention employed: this is unexceptionable and indeed advanced doctrine for a nationalised industry. But, in an extractive industry, the maintenance of productive capacity in being takes more than that.

To maintain output at currently producing mines—and this seems to apply whether or not a pit is under reconstruction, whether it has five years ahead or fifty—requires a substantial slice of the industry's general development programme on capital account: in 1957, some £40 million out of the board's total capital expenditure of £103 million, or nearly half of the £84 million invested in collieries. That corresponded, indeed, reasonably well with what the board provided for depreciation. But against the other £44 million spent in 1957 on major reconstruction schemes which are reckoned to bring new capacity into being, one has to set off the further steady loss of capacity from old mines going out and worsening conditions, which are generally reckoned to run output down by some 4 million tons a year. Prices should certainly cover this loss too.

That, indeed, is outside any argument about self-financing as such. There, the real argument probably has less to do with how much the consumer ought to pay today for coal produced tomorrow than with the gross return that nationalised industries ought to aim at earning on their capital, in comparison with the gross return that private industry, in today's circum-

* Out of ten applications made for a price increase since nationalisation, one request was refused outright, four of the increases were for less than was requested, and five began later than the date asked for.

stances, reckons to look for before investing its money. In no year, reckoning capital at historical book values, has the National Coal Board earned more than 7½ per cent on its net assets, at times when private industry was required to show returns of about 20 per cent on total capital employed to retain good standing in the capital market. The board, in considering colliery projects, today may look for marginal returns of roughly that commercial order when it invests new capital; but it pays the Treasury only a gilt-edged rate on its new capital, as on its old.

THOUGH it may have been the gentleman's agreement with the Government that tipped the board into deficit in 1957, not even that extra 1s. 4d. a ton would have allowed it to break even this year—the collapse of demand and a much more than corresponding fall in efficiency have left it in danger of "a much larger deficit." It has stopped adult recruitment in most mines, allowing the labour force to run down by 8,000 since mid-February; that gives some saving on labour costs, its biggest single item of cost. It has cut production by ending the Saturday shift agreement, which last year produced about 11 million tons of coal. It is speeding up the closing of the highest-cost collieries. And it has frozen "non-operational expenditure" and staff establishments. Even so, Sir James Bowman this week reckoned it cannot avoid some deficit this year.

In January, Sir James was hoping not to increase prices this year—unless awards upon outstanding claims from labour force the board to do so. In certain markets and for certain kinds of coal, readily available competitive fuels have made consumption of coal more price-elastic than for many years. Abroad, price competition is bitter. It would clearly be unwise to judge the trend of demand simply upon the special circumstances of the last 18 months; equally clearly, even if expansion and cold weather should return, the industry generally has moved into a more competitive market. The prices at which it is selling are meeting some resistance; yet they are insufficient to meet costs and interest charges, and insufficient by a larger margin, as has been shown, to maintain its productive capacity intact. This does not necessarily prove that its plans for future output are too ambitious. What it does imply is that coal, like other nationalised industries, has moved into a situation where it will need all the commercial freedom to manage its own affairs that the concept of the public corporation in Britain theoretically guarantees—but which in practice, no postwar government has ever been prepared to concede.

BUSINESS NOTES

FOREIGN EXCHANGE

Prop for the Franc

EVENTS in France and Algeria have brought a little pressure on the French franc. The rate in London has moved from Frs. 1,179½ to Frs. 1,180½, the French authorities giving their currency some support. If the movement in the rate does not match the size of the crisis that now assails France, that is partly because there are few foreign held franc balances liable to sudden withdrawal, and partly because the Ascension holiday closed the Continental markets at the height of the crisis. There has also been some widening of the discount on forward francs, which are now quoted at Frs. 20 for three months, equivalent to 6 per cent per annum. This is well short of a panic rate, but the market is extremely thin and essentially "one way." The real measure of the weakness of the franc has been provided by the jump in the gold price in Paris and the weakening in the rate for French bank notes in Switzerland. On Wednesday the price of the kilo gold bar in Paris rose from Frs. 524,000 to Frs. 532,000 and of the Napoleon from Frs. 3,850 to Frs. 3,940. The rate for French bank notes in Zurich has weakened from 94 Swiss centimes to 91½ for 100 French francs.

Official sterling has been in good demand from New York this week, the rate improving to over $2.81½. On the other hand, there has been a slight weakening in the rate for transferable sterling which has slipped back from $2.7960 to $2.7945. The progress of negotiations on the wages front in Britain is being followed with nervous interest in Continental markets, and meanwhile the rebuilding of sterling working balances, which was making good progress in the earlier months of the year, has been halted. The strength of the D-mark continues to dominate the market in Continental currencies.

IN THE MARKETS

Pause for Digestion

A PAUSE for reflection in the markets was not less apparent at the opening of the new Account (which will cover the Whitsun holiday) than it had been for the previous ten days. On the gilt edged side, prices have held steady, the *Financial Times* index of Government securities improving from 82.32 to 82.53 in the week ended on Wednesday. But there is still evidence of surfeit; some of the New Zealand stock has yet to find a permanent home and there have been sellers of the medium dated British Government stocks. The remedy must be to keep would-be borrowers—principally the local authorities—waiting a few weeks until the market's dyspepsia has passed. Many local authorities, hoping for a further reduction in Bank rate, are now relying on a higher proportion of temporary money than they would wish, and rates in the mortgage market are fully firm. Nevertheless a moderate pause from gilt-edged borrowing now seems the best hope of preventing a much longer pause later in the year.

On the industrial side the new account has tempted few operators in but there too prices held a little better than steady. Over the week to Wednesday, *The Economist* indicator rose 1.1 to 182.4. The sharp drop on Wall Street on Wednesday night naturally did not help the market on Thursday morning. The flow of industrial issues could also damp down activity. Those shortly to come include the £25 million of a straight (not convertible) debenture for Associated Electrical Industries. This, if it carries a 6 per cent coupon and is priced a few points below par, should attract the institutions. But the capacity of the market to put up big money for new issues is not unlimited. The first day's dealings established a modest premium of about ½ on the Gallaher loan stock. It was well "stagged" and two and a half times subscribed, the largest public applicants receiving 20 per cent of their applications, and the largest stockholders' applications 30 per cent. The stock is obviously a useful investment and expectations are for a higher premium when the stags have finished selling.

PRODUCTION

Steel Feels the Recession

AS was to be expected, figures of steel production in April show a marked fall; at 407,800 tons a week, output was nearly 6 per cent lower than in March and 5 per cent lower than in April, 1957. Output of pig iron fell accordingly; this is indeed now more than 7 per cent lower than a year ago, because apart from the slackening in steel demand there has been a falling off in demand for foundry iron for the castings used in building.

In the first quarter of this year high demand for steel from the motor industry, which was taking nearly 50 per cent more than in the first quarter of 1957, held total steel deliveries about one per cent higher than at that time. For most other industries, except electrical engineering, steel deliveries were lower. Since the end of March there has indeed been a further sharp fall in demand.

Nor have the steelmakers this time been able to cushion fluctuations in home demand by selling more steel abroad: in the first quarter of this year exports of iron and steel were 19 per cent lower in tonnage than in the first quarter of 1957. Foreign demand for most products has continued to slacken: the one product for which the industry could still have found ready buyers was strip mill sheet—which is what the motor industry happens to be mopping up at home, and still, even, buying in substantial quantities from abroad.

KUWAIT OIL

A Costly Concession

FURTHER details now available of the agreement between the Ruler of Kuwait and the Japanese consortium, Arabian Oil, show that the Japanese have accepted from Kuwait terms that are even more onerous than those exacted by Saudi Arabia. The exclusive concession secured by the Japanese from both host governments runs for 44½ years, but if no oil is found within 4½ years it may be terminated. An annual rental of $1½ million is to be paid to each government, followed, on discovery of oil in commercial quantities, by a further $1 million a year back dated to the start of the agreement. No minimum exploration expenditures are stipulated, but the company undertakes to search for oil "with all proper zeal and diligence" and to maintain at least two drilling rigs in continuous operation offshore. Each host government has the right to appoint one-sixth of the board of directors, and to subscribe at par for 10 per cent of the capital of the company if oil is discovered.

Kuwait's share of the profits is to be fractionally higher than Saudi Arabia's—57 per cent against 56 per cent—and a production bonus of $5 million is to be paid to Kuwait (but not to Saudi Arabia) when the company achieves a production rate of 2½ million tons a year. The company has given an undertaking to both governments to operate as an integrated enterprise, carrying out its own refining, transportation and marketing, but neither agreement is specific about the share of output that may be sold outside the group at each stage of the operation. Under the Saudi agreement, the Japanese are obliged to construct a refinery after crude oil production has averaged 1½ million tons a year for a period of 90 days, and after output has reached a rate of 3,750,000 tons a year for 90 days the capacity of the refinery must be raised to not less than 30 per cent of the company's production of crude oil. This is to be no mere topping plant, but a complete refinery producing high octane gasoline, lubricating oils and other high value products, with ancillary plant for the utilisation of natural gas in the manufacture of petroleum chemicals. Under the Kuwait agreement, the Japanese also have to erect and maintain at their own expense a research institute for the study of the natural resources and water supply of Kuwait.

Each host government may buy ten per cent of the company's output at a five per cent discount for local use, and a further ten per cent at posted prices for sale to friendly Arab countries. The company must post export prices not less than those current in the Persian Gulf area—which implies that any price shading below posted prices will have to come out of the company's share of the profits. In computing the profits to be shared, however, the Kuwait government has prudently stipulated that the profits on crude oil shall be kept separate from the results of the company's other operations, which seem likely, initially at any rate, to be run at a loss. On the face of it, the Saudi Arabian agreement would allow any losses on refining, transportation and marketing to be offset against profits earned on crude oil.

PETROL PRICES

Price Cutting at the Pump

PRICE cutting in the oil industry, which is now widespread at almost every stage of the business from the oilfields onwards, and which has long been enjoyed by the large commercial consumers of petrol, has at last begun to filter through, though on a very small scale, to the dealer's pump. A few garages in the Midlands and East Anglia have begun to sell petrol a penny or twopence a gallon cheaper than the official prices recommended by the oil companies.

Oil companies look upon their sales of petrol through dealers, which they have attempted to secure against com-

petition by means of elaborate networks of tied service stations, as the one stable element in the uncertain profits they can now obtain on their refining operations in Britain. A cut by one major company in the wholesale price of its petrol is sure to be met, almost immediately, by its competitors. So it hardly stands to increase its share of the market: the cut would be profitable only if it stimulated total consumption of petrol. And because of the high rate of tax on petrol, a given price cut at wholesale is likely to induce a less than proportionate increase in consumption. The only net result, the oil companies feel, would be lower profits all round. To a large extent, the dealers have the same philosophy, and the preference of many motorists for the higher-priced premium grade petrols suggests to most dealers that they have little to gain by cutting prices.

But because some dealers have a below average throughput, their overhead costs per gallon of petrol sold are very high, and they are tempted on occasions to try to spread overheads over a larger volume by cutting prices. Dealers' gross profit margins, which range between 5d. and 6¼d. a gallon, with an additional margin of up to 1½d. a gallon for tied service stations, are high enough to make chancing a penny or twopence a gallon worth while. If other dealers were to follow the price cutters, pressure could build up for dealer margins to be re-established by a cut in the wholesale price: however, the oil companies do not expect the movement to spread far. Although the price cutter who wants special favours from his suppliers in future may be out of luck, the oil companies claim that they would not withhold supplies from price cutters, even in the case of tied service stations. Each company has the power, under the Restrictive Practices Act of 1956, to enforce resale price maintenance individually through the Courts on its own brand of petrol. But, unlike the tyre and sparking plug makers that also supply garages, no oil company has shown any desire to use this power. The shadow of the American anti-trust laws, which can reach out to British subsidiaries of American companies, may be a factor here: if the American companies do not enforce resale price maintenance their British competitors could gain nothing by doing so alone.

GERMAN BONDS

The Problem of Sinking Funds

THE sinking fund on the German Dawes loan was due to start at 2 per cent per annum in monthly instalments on Thursday of this week; the sinking fund on the Young loan is due to start shortly. So far the market has seen none of the buying that might be expected for sinking fund purposes and it would feel happier if it was clear that the sinking funds would be applied in what it regards as the proper manner. That is by purchases in the market, made presumably by the appointed agents—the Bank of England for the Dawes and Young bonds and various merchant banks for the state bonds. The principle should not be in doubt. The British Government in applying its sinking funds would never do so otherwise than by purchase in the market even if a Government department happened to hold that particular stock and wanted to sell it.

The practice may be more complex. German bonds have been heavily bought and repatriated partly on semi-speculative account in expectation of an expedited scheme of German external debt redemption, and partly because in the hands of a German resident they have substantial tax advantages. That however would not justify Germany in taking any action that might call in question the high status of its bonds in London. It seems reasonable to hope that the right course will be pursued on the sinking funds.

"EX-CIC"

A Tailor-made Shell

WHY search the lists for companies with too much cash? Why scrape the barrel in search of some obscure rubber company that has sold its estates? If the Capital Issues Committee will not let you make an issue, then your issuing house will make you a "shell" tailored to your own figure. The CIC turned down an application by British Relay Wireless to raise money. Now the company, following the footsteps of Radio Rentals, is raising it "ex CIC" by acquiring a shell. But it is a shell with a difference, one specially made for the job. About three weeks ago Philip Hill, Higginson and Company registered a wholly owned subsidiary—Sysbine Ltd.—with a capital of £7,500. A company can subscribe for shares in its own subsidiary without CIC consent, and Philip Hill recently put a further £1 million into Sysbine by subscribing 500,000 shares at £2 a share. (Why capital duty was not also saved by subscribing for one share of £1 nominal priced at £1 million has not been explained.) Sysbine has not traded and has no liabilities—just cash. It has now been sold to British Relay Wireless, which thus raises its £1 million.

The consideration is 900,000 5s. ordinary shares of British Relay Wireless, and £500,000 7 per cent convertible loan stock 1957-63. Philip Hill will offer the ordinary shares to shareholders of British Relay Wireless at 12s. per share as rights in the proportion of 1 for 3. Associated Television will take up the loan stock at par. Conversion rights on the loan stock permit exchange into ordinary shares at 14s. 11d. per share in September of 1962 or 1963, a price that compares favourably with the current "ex rights" price of 15s. 9d. British Relay Wireless will meet incidental expenses of £3,500.

This is the arithmetic. The premium paid for raising just over £1 million of cash is £32,500 of which £18,750 goes to the issuing house, £10,000 to the brokers and £3,750 on other expenses. The cost thus works out at about 3¼ per cent of the money raised and it is not proving markedly if at all more expensive to raise money without the CIC's permission than it would have been with it. The risk to the issuing house is the normal underwriting risk—that shareholders may fail to exercise their rights. For this service the issuing house is paid the equivalent of a commission of approximately 5d. per share on the ordinary shares. And when shareholders have exercised their rights and Philip Hill, Higginson has its £1 million back, there will be nothing to stop the formation of another subsidiary using the same money.

OVERSEAS TRADE

Britain's Trade Gap Widens

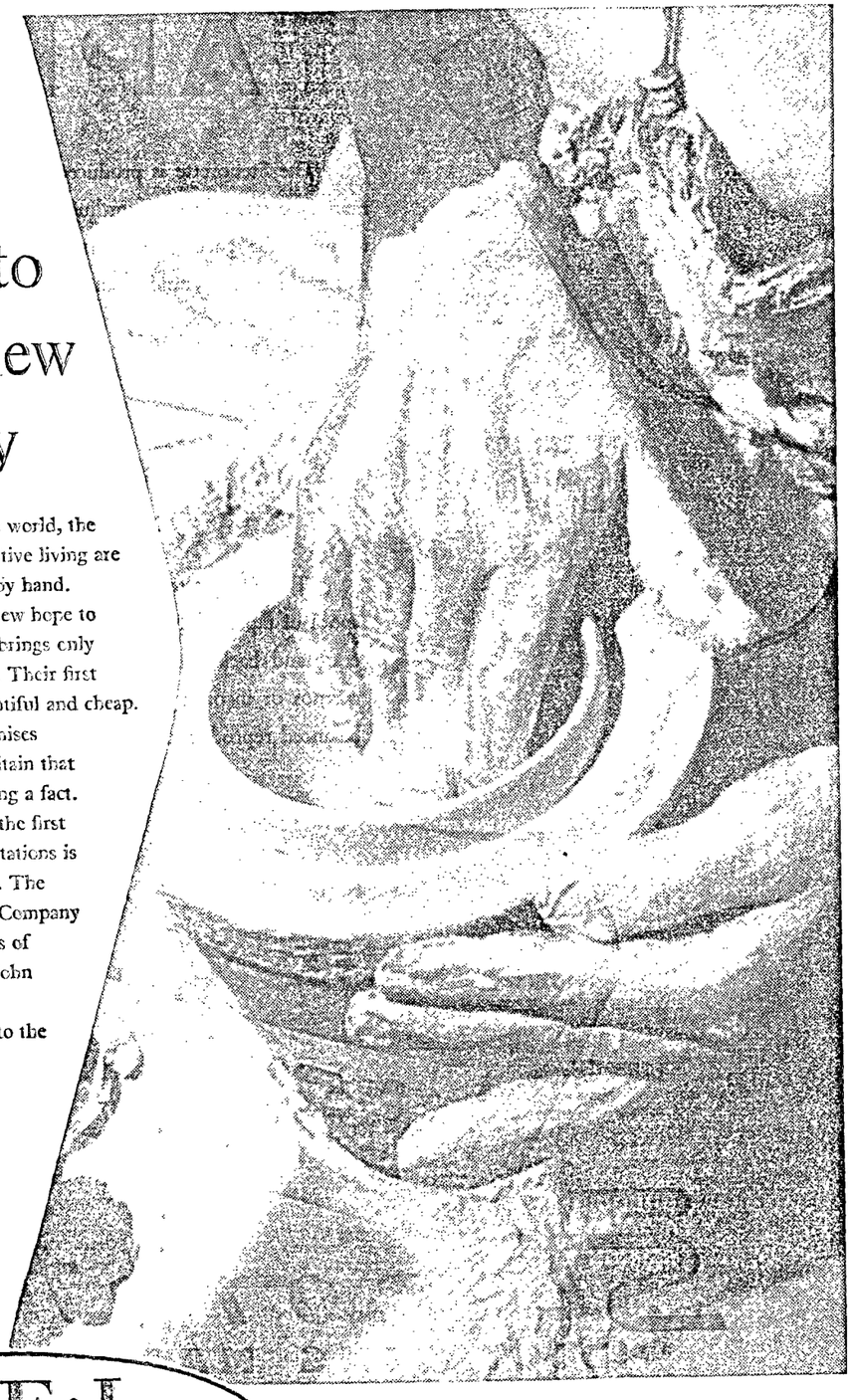
WITH both imports and exports slightly reduced in value, Britain's trade gap widened last month from £27 million to £33¼ million, according to the preliminary returns. The deficit, however, is still well below that of a

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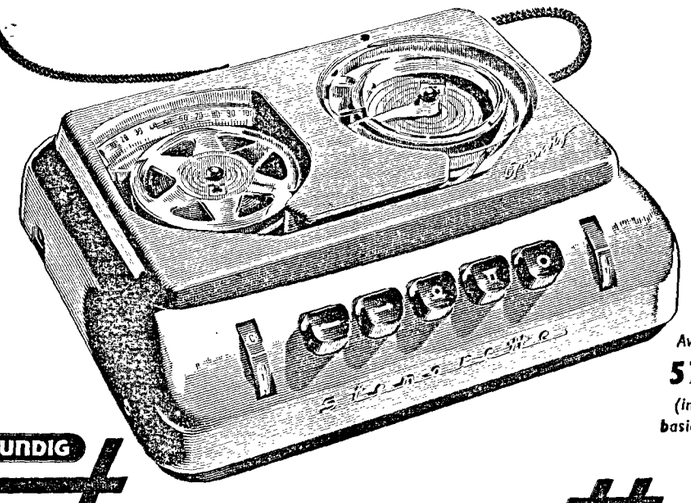
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year ago and, if the cost of freight and insurance were removed from the import figures, Britain would be found to be *still in balance, if not still in surplus,* on visible trade.

But for three months exports have been running below their value a year ago—on the average 4 per cent below, even after excluding last year's silver bullion repayments. Since there has been little change in export prices, this

UNITED KINGDOM TRADE
(£ million—monthly averages or calendar months)

		Imports cif	Exports fob	Re-exports fob	Trade deficit	Exports to North America*
1957 :	1st quarter	352·7	278·8	13·0	61·0	32·0
	2nd "	346·9	283·8	10·2	52·9	38·8
	3rd "	332·1	265·6	9·8	56·6	37·5
	4th "	326·9	280·1	11·5	35·2	35·8
1958 :	1st quarter	311·2	273·7	13·7	23·9	34·6
	January ...	325·1	277·8	12·6	34·8	29·5
	February..	288·2	265·4	12·0	10·9	35·3
	March	321·0	278·1	16·1	26·7	38·9
	April†	310·9	265·5	11·8	33·6	36·2

* Excluding repayments of silver bullion to the United States amounting to £7 million in 1957. † Provisional.

reflects a real reduction in volume. There was a disappointing falling-off in exports to the United States in April which were 13 per cent less than the monthly average in the first quarter. Exports to North America as a whole, however, were maintained because of the rise in shipments to Canada which always coincides with the unfreezing of the St Lawrence river.

Overseas Sterling Exports

THE United Kingdom does rather less than half the visible trade of the whole sterling area. An analysis by the Board of Trade now shows what happened in the rest of the sterling area last year. Exports from this area, after rising fast in value in the first nine months of 1957, were 3 per cent lower in value in the fourth quarter than in the same months of 1956. This decrease was more than accounted for by falling prices—the same falling prices that, on the other side of the coin, have improved the United Kingdom's trade balance. At the same time imports into the overseas sterling remained buoyant. Some drawing down of sterling balances seems to be implied.

EXPORTS FROM THE OVERSEAS STERLING AREA
(Value in £ million)

	1957 totals	Changes between 1956 & 1957: First nine months	Fourth quarter	Year
Wool, raw	572	+126	−11	+115
Rubber, natural	274	− 10	− 2	− 12
Tea	180	− 2	−15	− 17
Meat	136	+ 10	+ 2	+ 12
Sugar	107	+ 16	+ 1	+ 17
Jute goods	74*	+ 10	n.a.	n.a.
Copper	104	− 27	−10	− 37
Dairy products	109	− 17	− 3	− 20
Cocoa, raw	81	Nil	+ 1	+ 1
Cotton, raw	58*	− 13	n.a.	n.a.
Hides and skins	76	+ 6	+ 3	+ 9
Cotton piece-goods	51*	+ 12	n.a.	n.a.
Jute	58	− 4	+ 6	+ 2
TOTAL, *including items not shown separately but excluding Middle East oil*	4,036	+227	−31	+196

* First nine months only.

The accompanying table shows that the excellent wool market in the early part of last year and its subsequent weakening was a major influence in the change in the trend of overseas sterling exports last year. Higher wool earnings were also largely responsible for the rise in overseas sterling area exports for the year as a whole, although the Board of Trade's analysis does not fully explain that rise. The figures exclude Middle East oil but include petroleum exports from Brunei and Sarawak and additional shipments from there may explain much of the remainder of last year's increase. By the fourth quarter the only other major sterling commodities showing strength were sugar, cocoa and jute.

The trend shown in the fourth quarter's figures continued, and gathered speed this year. The fall in the exports of the overseas sterling areas in the early months of this year must have been substantial. In the first quarter, Australia's exports were nearly one-third lower in value than in the same months of 1956 and South Africa's exports were reduced by 13 per cent. Wool exports from both these countries were down by one-third. The initial trade returns for this year from New Zealand, Ceylon, and Rhodesia and Nyasaland likewise show a fall in exports. *Although the fall in prices accounts for much, it does not* explain the whole of the drop. There are clear signs in these trade returns of a recession in world trade.

LOMBARD STREET TACTICS

Volte-Face in Bill Rates

LAST week's Treasury bill tender produced an abrupt reversal of the fall in bill rates that had been almost continuous since the beginning of this year. The average rate recoiled from £5 1s. 1.93d. to £5 3s. 10.81d. per cent. The apparent justification for this movement lay in the weakening of sterling during the first few days of the London bus strike ; and hence in the market argument that the long-discussed further reduction of Bank rate would have to wait upon a clearing of the horizon on the wages front. But it is far from sure that any real change of trend in rates is taking place ; purely tactical influences have played a very large part in the bill tenders in each of the past three weeks.

The key to these tenders, as indeed to most tenders, lies in the efforts of the discount market to outwit the so-called " outside " tenderers. At the end-April tender, the discount market unexpectedly halted the progressive increase in its bid that had marked the four tenders following the reduction of Bank rate to 6 per cent on March 20th. In consequence, the " outside " applicants paid more than was necessary. Then, in the following week, in order to maintain its share of the bills, the discount market brought its agreed bid approximately into line—raising its price for 91-day bills by 9d. per cent and securing roughly 45 per cent of its total applications (including a full allotment of the 92-day bills in that week's issue). Last week, by reducing its agreed price by 1s. per cent, the market again took the outside competitors by surprise ; they apparently paid much the same as in the previous week, since the average rate of discount on the whole issue was almost ⅛ per cent below the discount rate equivalent (5¼ per cent) of the agreed bid. At that bid the discount houses secured only 20 per cent of their applications—an exceptionally small allotment. In these circumstances there is clearly a possibility that the pendulum may swing again. Demand for bills remains strong. At last week's tender total applications reached £417.6 million ; this, with one exception, was the biggest tender in recent years.

DSIR

Research in Industry

THE first report of the re-organised council of the Department of Scientific and Industrial Research covers fourteen months, from November, 1956, to last December, in which much hard thinking has been done about the value of the department to industry today. When it was founded 40 years ago, the DSIR carried a scientific torch for industry; now industry's laboratories dwarf the department's. It was built up on research associations founded in the days when the scientists' most important tools were the test tube and the bunsen burner. The tempo of modern industrial research is very different.

The council is making a valiant attempt to shake out the old organisation and give it a new lease of life. Its efforts may or may not succeed, but a start has been made on three of the bigger research stations dealing with timber, food and fuel research respectively. All of the work done in these three that overlaps that of other organisations has been cut out. Responsibilities that can be more suitably taken by other organisations will go, too—for example an attempt is being made to persuade the Agricultural Research Council to take over the DSIR's Low Temperature Research Station. In principle, the idea is to leave the DSIR's own stations with work for which they are the only appropriate organisations—the report quotes air and water pollution, or road research—and with research programmes within their limited means. Industry, too, is being urged to take over more of the cost of the research associations, at present shared by the Government. A week ago Lord Hailsham criticised the electrical industry for not giving more financial support to its DSIR-sponsored research association—ignoring the fact that this industry is one of the heaviest spenders on research in its own laboratories. How much use co-operative research is to an industry depends very much on the structure of the industry, and whether firms are able and willing to do their own. The tone of the Council's report suggests that this one is the type of association that the DSIR is minded to wind up.

BUILDING SOCIETIES

Questions at Scarborough

MEMBERS of the Building Societies Association meeting in Scarborough this week have seen the end of Mr Fred Bentley's memorable chairmanship and the beginning of that of Mr Alexander Meikle (the Woolwich general manager). They have again had the benefit of the Chief Registrar's report, produced as usual just in time for the conference. From outside the conference precincts, too, the most important non-member, Mr Algernon Denham, President of the Halifax, has produced his society's quarterly figures to remind members of yet another problem.

The salient figures of the Chief Registrar's report are summarised in the table below. Last year, though difficult, turned out well. Only twice had the sum advanced on mortgage been exceeded. One point of warning comes from Sir Cecil Crabbe's report. Most mortgage deeds contain power by the lending society to vary the interest rate. But the Registrar will not register a new rule providing for power to change the rate charged to borrowers unless that power is confined to cases where it is consistent with the mortgage deed. Nor can the power to vary interest rates be created by a transfer of engagements from one society to another.

	1955	1956	1957
		(£000)	
Mortgage Assets	1,752	1,879	2,026
Investments (book value)	240	275	304
Cash	57	60	59
Other	16	16	19
Total	2,065	2,230	2,408
Shares	1,732	1,909	2,079
Deposits	217	193	189
Reserves	96	101	108
Other	21	26	33
Advanced on Mortgage	394	335	371
Shares subscribed	377	378	391
Shares withdrawn	223	256	285

At first glance a net rate of share interest of 3½ per cent (equal to £6 1s. 9d. gross at the standard rate) looks attractive. Money, it may be thought, should be flowing in freely from investors. Quarterly figures from the Halifax society for the three months ended April 30th show that even in the 7 per cent atmosphere that governed most of that period it did indeed flow in well but that it also flowed out in unusual volume. The growth of the society continued; its total assets rose by £10.7 million to £354.7 million (3.1 per cent). The inflow from investors was £22.6 million (against £21.5 million in the corresponding months of last year). But withdrawals jumped from £12.4 million to £15.2 million, so that net investment was only £7.4 million, against £9.1 million and was indeed the lowest figure since the Halifax society moved on to interest parity with its competitors two years ago. The smaller pay packet with less overtime money in it must be the answer.

Another problem is now engaging the attention of building society men—reserve ratios. Mr Fred Bentley's presidential address emphasised the drop in the average reserve ratio over the past decade from 6.03 per cent of total assets in 1948 to 4.44 per cent last year. As he pointed out, over that period the association has not altered its recommendation that the ideal is 5 per cent. And though he did not make the point, the true figure, if investment depreciation were deducted from the reserves before the calculation was made, would almost certainly have been lower for the latest two years of the decade. Mr Bentley's proposal—and it is difficult to see an alternative—is that next time the structure of interest rates is revised the margin between interest charged and interest paid should be widened, so that societies may add more adequately to reserves.

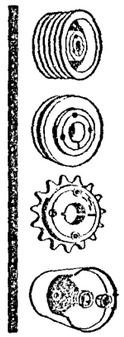
VEHICLE TESTS

Avoiding Abuse?

THE main point of interest in the further details the Government has now published about its plans for vehicle tests lies in the safeguards it will be relying upon to prevent the kind of abuse that has arisen in other countries—where garages have also been used to conduct these tests and have made quite a good living out of repairs



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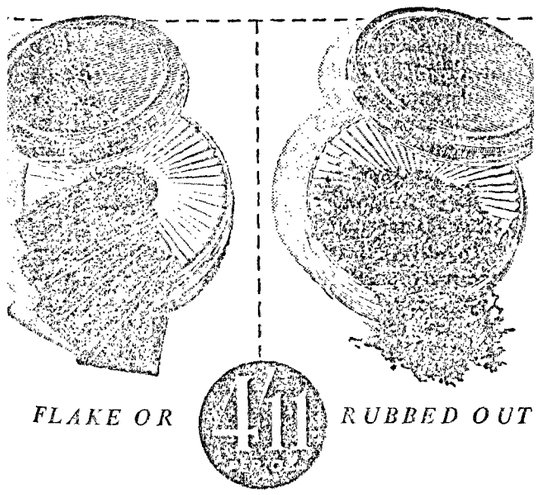
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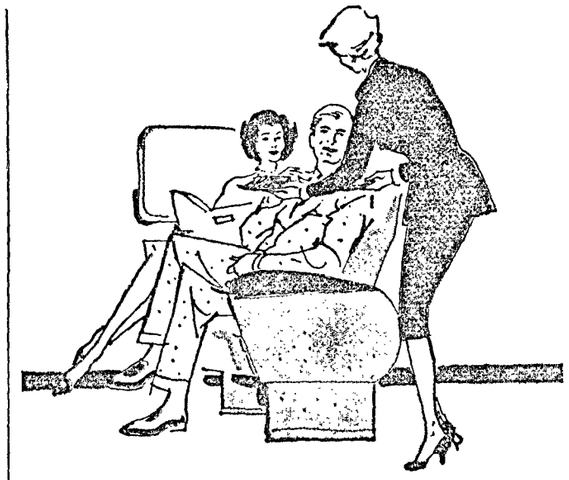
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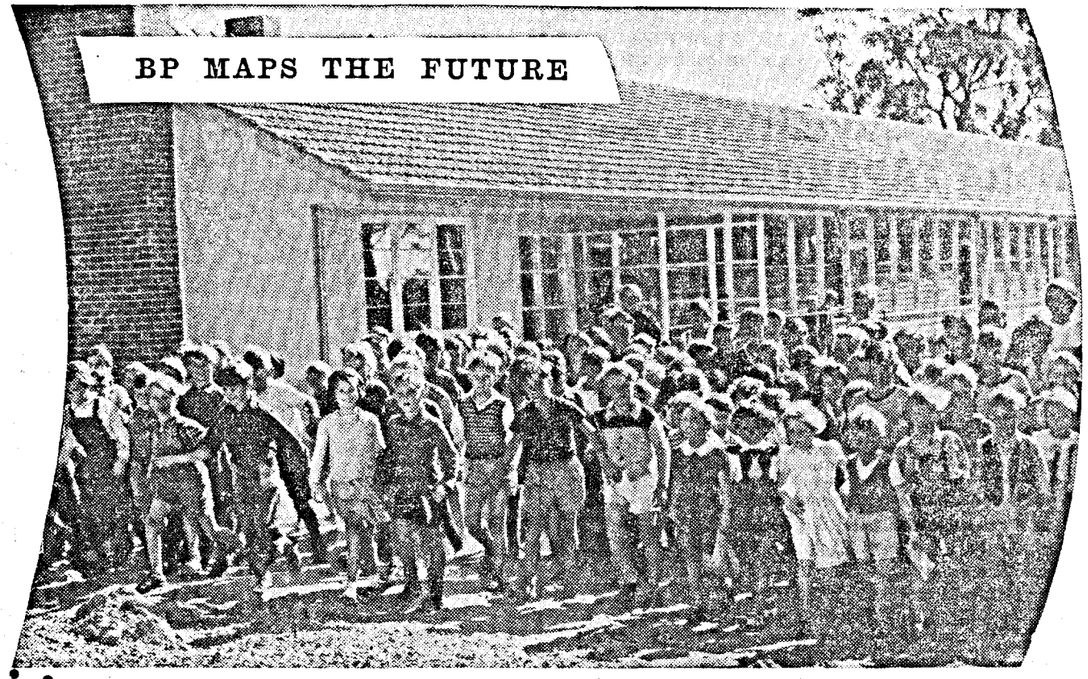
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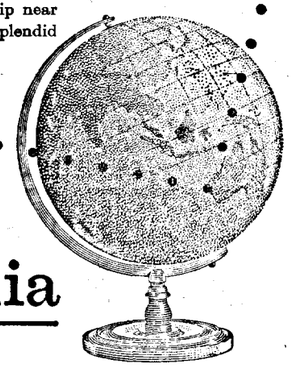
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found "necessary" in the vehicles they say do not come up to scratch. Many car and motor cycle owners, especially the ones running the older types that are to be brought first into the testing scheme, are not large customers for garages doing repair work—they either tackle it themselves or simply do not repair their vehicles. The Ministry of Transport opted to rely mainly upon the garage trade for its testing stations, rather than upon local authorities or its own stations such as the one at Hendon, because of the cost of setting up and running a chain of Government places, each with the range of facilities needed.

The safeguards spelled out in this week's white paper* fall into three parts. First, a testing station can lose its authorisation if the way it is being run is "unsatisfactory in any way." Among the specific requirements each station must observe, it is obliged to keep full records of each test it does, the result, any repairs it does to a vehicle it has tested, and the charge levied for those repairs. These records, and the premises, are to be "regularly inspected by technical officers of the Ministry." Secondly, a motorist whose vehicle has been failed can appeal, within two weeks, and if his appeal is successful he will get back all or part (why possibly only part ?) of the 25s. he has to send in with the appeal. The third safeguard seems, however, to strike more directly at the root of possible abuse. An owner will not be obliged to have repairs to his "failed" vehicle carried out at the garage that tested it. He will be able to drive it away (failure of the test only precludes renewal of the annual excise licence; it will not operate to keep a legally licensed vehicle off the road) and the motorist can have the repairs done elsewhere or decide to do them himself. If, moreover, he returns his car, van, or motor cycle for re-testing, or repair and re-testing, within a fortnight, or has the repairs done at another testing station, he will be able to have a free second test. These precautions might be sufficient to keep sharp practice out of this business of testing: at least it seems difficult at this stage, with no actual experience in this country of official vehicle tests, to see any obvious loopholes.

COAL

Unsold Stocks

FROM the beginning of the year to the end of April, stocks of coal in Britain have come down by about 3 million tons: but this seasonal reduction has been entirely in the stocks distributed among consumers and merchants. The National Coal Board still has more than 9 million tons of unsold coal in stocks at its own pitheads and opencast sites, in spite of the fact that production in the first four months of this year was 2½ million tons lower than a year before. In the first two months of this year the country used significantly less coal, in spite of the fact that average temperatures were much colder than in the exceptionally mild winter of early 1957. Since then, inland consumption has turned upwards; but exports have fallen by about half, and the Board's sales have been lower than in the same months of last year.

The miners did not work on Saturdays, nor will they for the rest of the summer at least; and adult recruitment has ceased. These measures are not likely to reduce production quite to the levels of declining summer consumption; coal stocks will presumably rise from now on, though not as much as usual, and since customers are certainly not short of fuel the extra coal will accumulate in the board's stocks. These cost the board 13s. 6d. a ton in the first full year they are on the ground, to cover the extra handling charge, the cost of space, and the interest on the working capital they tie up: in later years, only a few shillings a year.

* *Periodic Vehicle Tests.* HMSO. Cmnd 430.

A Surfeit in Europe

BRITISH small coals, now readily available for export to the Continent, find no trace of the hungry market that urgently wanted, but could not get, increased exports of British coal in the immediate postwar years. The demand for coal on the Continent has been affected, as it has in Britain, by mild weather and slackening industrial activity, and—to a greater extent than in Britain—by rapidly rising sales of fuel oil.

American coal, contracted for on a long-term basis when continental demand was rising fast and Britain could not supply, has helped to push up pithead stocks in the Ruhr to uncomfortable levels, and the sharp fall in transatlantic coal freight rates, which brought the single voyage rate down from 100 shillings a ton in January to 25 shillings a ton in December means that American coal shipped under one-year contracts can now sell even in the Ruhr for less than Ruhr coal. Low freights have also made Polish coal much more competitive in Western Europe, where some grades are now being offered at 30 shillings a ton below the British home price.

Imports of fuel oil, as well as coal, have gained from low freight rates, and are making sharp inroads into traditional coal markets, especially in Germany, where a sixfold increase in the consumption of fuel oil has occurred in little more than four years. Caribbean fuel oil is now selling in Germany at a lower price per ton than Ruhr coal, without any allowance for the higher calorific value of oil. And supplies of fuel oil will become more ample still as deliveries are made under recent trade agreements which provide for increasing exports of Russian crude and fuel oils to Germany and France. The Coal Board has recently sold some coal to Argentina, and has managed to sell smalls in Ireland against Polish competition (where, indeed, these

Continued on page 625

MOTOR BUSINESS

The March issue of this quarterly research bulletin for the motor and allied industries is now available. It includes:

THE SWEDISH MOTOR INDUSTRY

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Pensions from the Firm

EIGHT and three-quarter million people (7 million men and 1¾ million women) have some provision for pensions to boost their rights under national insurance. Of this total about five million people are provided for under the private pension schemes of firms. The remainder are covered under the schemes of the public services, including the armed forces, and those of the nationalised industries.

The Survey of the Government Actuary* from which these figures are taken thus suggests that nearly half the employed men in Great Britain and Northern Ireland have an interest in an occupational pension scheme. The figure is an estimate based on a sample drawn by the Government Actuary which showed 8.1 million people—4.3 million in private schemes, 1.5 million in nationalised industry and 2.3 million in public service—covered at the end of 1956, and allows for probable growth since.

Clearly ample opportunity for the further development of occupational pension schemes remains. That in itself is a challenge to those who believe that the best answer to political pressures which would make the state scheme ever more burdensome and less solvent is to build up industry's own effort. Some gaps in the present pensions coverage are painfully obvious.

Coverage is much higher for men than for women, and much higher for the salary earner than for the wage earner. Even the firms that reported on their schemes showed that they covered only 4.3 million out of 10.2 million employees. Coverage runs down steadily from 71 per cent of salaried men through 38 per cent of wage-earning men and 34 per cent of salaried women to 23 per cent of wage-earning women. Since the 10.2 million in firms with pension schemes (excluding public service and nationalised industry) represent about half the total privately employed population, the national proportion would be lower.

What do the schemes offer to the pensioners? And at what cost? Already in 1956 about 300,000 pensioners were drawing benefit under private schemes. As the schemes mature, the outpayments will steadily increase. The pensions paid in 1956 were about £50 million, averaging about £190 a year in non-insured and about £100 a year in insured schemes. The public service, where the pension tradition has older roots, and the nationalised industries, present a different picture. There a pensioned army of 800,000 was carried in 1956 at a cost of £150 million (£188 a head).

In the private schemes the amount of the contributions greatly exceeded the pension drawings. Contributions in 1956 were £246 million, of which employees paid £72 million and employers £174 million. Both the size of the total contribution and the large excess of the employers' contribution over that of the workers, are symptoms of young pension schemes. Payments were being made by employers not only to supplement insurance company payments in the insured schemes, but also to extinguish deficiencies, notably those that arose from granting existing staff "back service" rights in new schemes.

Some of the conclusions based on information from the Inland Revenue department are striking:

> Just over half the 4.3 million employees covered—53 per cent—were in schemes administered by insurance companies and only about a quarter of the non-insured schemes include a guarantee of solvency from the employer.
>
> At least 44 per cent of the non-insured schemes and nearly a third of the insured ones are non-contributory.
>
> Normal retirement age tends towards 65 for men and 60 for women. Doubtless it has to because those are the ages in the state scheme. But a high proportion of the insured schemes and about half the non-insured ones make some provision for earlier retirement.

Most important of all is the extent to which status under a pension scheme is portable from job to job. Socially it may be desirable that labour should be mobile; and the employees' interest is doubtless to be able to take his pension with him. The employer—especially if he is paying all or nearly all the pension contributions and if he uses a generous scheme as a bait when the right sort of labour is scarce—may hold the opposite view. The picture of what degree of portability really is permitted is necessarily complicated because portability is of different kinds. No pension scheme will deprive the withdrawing contributor of his own contributions, even if he has been dismissed for fault. Some, but by no means all, allow the alternative of a deferred annuity representing the contributions. But in the private non-insured schemes only about a quarter of the members are offered any opportunity to benefit from transfer arrangements and this is almost invariably at the employer's discretion. Is this not an important factor limiting the value of non-contributing schemes?

* Occupational Pension Schemes. HMSO. 2s.

MEMBERSHIP OF DIFFERENT TYPES OF PENSION SCHEMES

	Private schemes Non-insured	Private schemes Insured	Public services' schemes	All schemes
Membership (millions)	2¼	2¾	3¾	8¼
Percentages of total membership of each type of scheme: largest percentage under each heading in bold type.				
Employees' Contributions :—				
None	44	30	21	30
Flat amount	9	13	26	17
Depending on range in which pay lies	2	43	...	14
Percentage of pay :				
Varying with age at entry	10	...	3	4
Uniform at all ages*	23	9	50	30
Not stated	12	5	...	5
	100	100	100	100
* Range of percentages of pay	1–11	2–10	4–6½	
Employers' Contributions :—				
Stated amounts	9	2	17	10
Uniform percentage of pay*	17	5	32	23
Cost met in other ways	74	93	41	67
	100	100	100	100
* Range of percentages of pay	1½–30	2½–12	5–10	
Benefit on Normal Retirement				
Pension (with or without lump sum)	87	92	100	91
Lump sum only	7	8	...	4
Payable at death only	6	...	...	2
	100	100	100	100
Basis of Pension :—				
Fraction of pay (often one-sixtieth or one-eightieth) for each year of service	41	6	74	44
Fixed amount	10	7	...	5
Fixed percentage of final pay	8	1	...	2
Dependent on pay earned throughout service	2	41	...	14
As secured by contributions	8	9	...	5
Other basis	18	25	26	24
No annuity	13	8	...	6
	100	100	100	100
Benefit on Death in Service :—				
Widow's annuity	23	...	93	42
Lump sum	77	100	17	58
	100	100	100	100
Benefit on Death after Retirement :—				
Widow's annuity	12	2	93	39
Unexpired guaranteed annuity instalments	39	75	17	41
Other benefits	16	2	...	5
No specific benefit stated	33	21	...	15
	100	100	100	100

Continued from page 623

smalls are to replace fuel oil): it can still sell anthracite abroad at a premium. But these are scattered successes. In general, the export market is at its softest since the war.

COPPER

Consumers Reject Stabilisation

IT looks as if Señor Lagarrigue, Chile's energetic copper envoy-extraordinary, has been unable to convince leading copper producers and consumers of the attractions of a price stabilisation scheme. A communiqué issued last week after the meeting called by the International Wrought Non-Ferrous Metals Council said that it was decided that the long-term interests of copper could best be served by leaving the industry free to look after its own affairs. Rejection of the stabilisation plan came as no surprise to the London metal trade, where the original proposals had been received with scepticism.

The London meeting was fairly representative of the industry. The council itself is an organisation of European fabricators and consumers. On the producing side, representatives from Belgium, Canada, Chile and Rhodesia were present. Besides discussing and rejecting the Chilean control project the meeting considered means of promoting copper consumption by extending its uses in industry.

MANAGEMENT

Work Study on the Farm

THE notion of "work study" as applied to agriculture is liable to conjure up an incongruous image of a Bedaux-trained expert, stopwatch in hand, vainly deploring the difference between the behaviour of cows going through a gate and that of car bodies on a production belt. In fact, an interesting pioneer venture just completed, for which the credit is shared between Imperial Chemical Industries and the Ministry of Agriculture, has shown that work study techniques originating in industry are eminently adaptable to the farmer's job. Apart from such purely routine work as the packing of horticultural produce (in which, given the importance of freshness, improvement is by no means to be despised) their is indeed little scope on the land for time and motion study in the narrowest sense. There is, however, no intrinsic difference between agriculture and industry when it comes to the effect, in economising or squandering human effort, of well- or ill-laid-out buildings and equipment; or, for that matter, of work-sequences carefully thought out in relation to the human energy and equipment available, or carried over haphazard from the days of cheap and plentiful hired labour. Despite all technical differences the art of management is essentially the same everywhere.

In animal husbandry in particular—on the face of it a decidedly unpromising field—the experience of the work study teams has shown that spectacular economies of labour can be achieved by comparatively simple changes: in, for instance, feeding procedures, as well as by the initially more expensive remodelling or actual re-siting of buildings. There is particular hope here for that problem child of British agricultural policy, the small farmer. He is typically forced to rely on family labour (and families, these days, are apt to get restive on a dawn-to-dusk regime) or on an absolute minimum of paid help; he is typically short of capital for major building (in spite of improvement grants) or for mechanisation; and he is often, despite a high degree of technical ability, little endowed with managerial skills—a deficiency which the existing, mainly technical, advisory services can do little to remedy. Work study cannot save the hopelessly sub-marginal farmer wholly dependent on a wildly uneconomic guaranteed price; but it should help a considerable proportion of small farmers to viability.

So far, only a handful of Ministry of Agriculture nominees have passed through the ICI training course, which was in any case a once-for-all affair; and no detailed official decision has been taken on the use, and the transmission to others, of their new expertise. The welcome which they received, not only from farmers but from farm workers, shows that this expertise meets a felt want. Applied at this point, a small expenditure of public money could exert a lot of salutary leverage.

RETAIL TRADE

Shops without Buses

THE immediate effect of the London bus strike was to empty casual shoppers not only out of the West End, which might have been expected, but from many suburban shops, too. At this time of the year, business depends very much on catching the eye of the window shopper; it is a traditionally good period for selling fashions. But the strike has kept the window shoppers at home and those who have come up to the shops are "buying customers," with definite purchases in view. The level of sales in and outside central London was noticeably lower than for the corresponding week last year and fluctuated according to whether a shop was near a tube station.

It is too early in the summer season to say that sales lost last week cannot be made up if the strike ends fairly soon, but the loss of business comes at a time when retail trade needed a shot in the arm. The Board of Trade reports that the value of sales was three per cent higher in the first quarter of the year than they were in the corresponding period of 1957, a much smaller increase than usual and at least half of this increase could be attributed to price increases. Electricity showrooms reported lower sales of all electrical equipment except water heaters and wash boilers (as distinct from washing machines). Changes in purchase tax should do something to encourage sales of big household equipment, but the Budget did nothing that might stimulate sales of clothes, which were only one per cent up in the first quarter.

RUBBER

Russia Out; Indonesia Batting

THE London price of spot rubber has come down from around 2s. in the middle of April to 1s. 9½d. a lb. The decline may have been triggered off by a legal decision in Singapore which cast doubts on the liability of speculators there to pay their losses. But a lower price level now recognises more basic changes. Russia, a heavy buyer in London early this year and more recently in the East, seems to have stopped buying; peace moves by the Indonesian rebels seem to promise that supplies from that country—

often in doubt but never really interrupted—need be in doubt no longer. A third minor sentimental influence may be the coming on stream of Europe's largest synthetic rubber plant at Ravenna. The long-term trend is clearly in favour of synthetic. As the chairman of the Rubber Trade Association pointed out last week the proportion of natural to synthetic consumed throughout the world fell from 62½ in 1955 to 56½ last year. If supplies flow freely and Russia stands aside, the depressed state of the US automobile industry does not suggest high prices.

With Russia out of the market, the nearby supplies of high grade rubber cease to command a premium, and recently forward rubber has begun to command a small premium over near dates. Russia's dominating influence on the London rubber market this year is shown in the export figures. UK rubber exports to the Soviet Union for January, February and March were 12,117, 13,812 and 19,119 tons respectively. Recent purchases have been largely in the East; about 18,000 tons is believed to have been taken in April. These figures greatly exceed the average Russian takings of around 10,000 tons a month over the last two years.

DIAMONDS

Strength of the Syndicate

MR HARRY OPPENHEIMER, making his first statement as chairman of De Beers Consolidated, spends little time on last year's achievements of record diamond sales, of a gross income of £31.6 million (against £29.8 million) and of a maintained dividend of 200 per cent. He looks mainly to the future and concludes that though the market for diamonds has weakened, the strength of the diamond syndicate is unimpaired. That strength is not merely a matter of financial resources, impressive though these are. At the end of last year De Beers held about £27 million in cash and £9½ million in gilt-edged securities; it had invested over £52 million in interests other than diamonds; and the gem and industrial marketing companies possessed in addition resources of nearly £15 million.

The demand for gems has fallen off and the central selling organisation has reduced the offerings at the sights. The market for industrials is "still very weak"—it has been hit by the American recession, by the cessation of American stockpile buying (except for crushing boart) and by a miscalculation by dealers who did not foresee the end of stockpiling and now have surplus stock to sell.

Weakness at this stage merely strengthens the need of the members of the syndicate for common shelter; it is those outside the shelter of the syndicate's umbrella who have cause for worry. Mr Harry Oppenheimer points to indications that "uncontrolled" production in Sierra Leone, though still large, is now declining and that Diamond Corporation Sierre Leone "increasingly enjoys the confidence of the African diggers." Nor is he worried by the threat of competition from the synthetic industrial diamonds (equivalent to crushing boart) produced by the General Electric Company in the United States. So far, he says, there is no question of the synthetic production of better grades of industrials and the production of synthetic gems he describes as "entirely impracticable."

Productive capacity of crushing boart in the Belgian Congo has been increased, but in present circumstances the central selling organisation does not contemplate any change of its price for boart; Mr Oppenheimer says he "would be very surprised indeed if the synthetics could be produced as cheaply as the natural stones." The syndicate's contracts, which run on to 1960, "will continue to work smoothly to the satisfaction of all concerned." Nor is he deterred from extensive and expensive developments in the Kleinzee Annex, Namaqualand and Van Rhynsdorp districts.

PLATINUM

Price Again Cut

JOHNSON MATTHEY AND CO. this week reduced the price of South African platinum from £26¾ to £25 per troy ounce. This followed a weekend cut in the official US price by $5 to $67-$70 per troy ounce, as a result of sharply reduced demand from the US chemical and electronics industries. After heavy offerings in the first quarter of this year Russian sales have abated in the past month. The state of the "free" market is such that little metal can at present be absorbed. The "free" price at about £22-£22½, against £27 six months ago, is substantially below the official quotation.

SCRAPPING OLD SHIPS

Breaking-up Yards Less Busy

THE long slump in shipping freights, which has recently been showing some glimmerings of picking up, has not made the breaking-up yards any busier. The owners of dry cargo and tanker ships have been more inclined to lay up their vessels rather than scrap them. Indeed, until the Admiralty announced its recent scrapping programme many of the thirty or so ship knacker yards in this country had been almost desperately short of work. But most of these berths are now reasonably well occupied—for the time being at least; the largest yard, that of Shipbreaking Industries, Ltd., a Metal Industries' subsidiary, at Faslane on the Clyde, expects to be busy for the next eighteen months dismantling two of the four battleships that the navy has decided to do away with. But unless a larger volume of merchant tonnage is sold for scrap soon, shipbreakers generally expect again to face a rather lean time.

The immediate problem, however, is not so much that of getting ships as of finding a market for the materials that are recovered. Roughly four-fifths of the tonnage recovered is scrap steel, and the supply of that is no longer short. Imports by the steel industry have been cut savagely, but stocks have gone on mounting. They are now half as high again as a year ago. Scrap supplied by the shipbreakers declined from 293,000 tons in 1955 to 225,000 tons in 1956, and to a lower volume still last year. As the price of ships due for breaking up is determined primarily by the demand for steel scrap and the level of freight rates, both of which are very low, scrapped vessels are now fetching only £5 a gross ton or less, against £20 a gross ton or more as recently as two years ago.

But this fall in ship prices has still not made the breaking up business a paying proposition. The yards themselves work on a commission basis under a system that has been operating since the early 1940s. The British Iron and Steel Corporation puts in the bid for merchant vessels due to be scrapped and if it succeeds (should a

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foreign bidder quote a higher price for a ship registered under the British flag the Ministry of Transport usually grants the necessary permission for the ship to be exported) it then allocates the vessel to one of the breaking-up yards and arranges for the disposal of the recovered material, meeting the loss on the whole transaction. This system arose out of the need to preserve all indigenous sources of scrap steel, and the corporation is still obliged to sell the recovered steel—which on average amounts to between a half and three-fifths of the gross tonnage—in this country at the controlled price. This is still some way below the world price, which often gives foreign knackers an edge in bidding for vessels.

SHORTER NOTES

Sir Robert Hall and Sir Leslie Rowan of the Treasury are now engaged in Washington in a renewal of the discussions on which they embarked last February.

* * *

Apologies are due to the Commonwealth Development Finance Corporation for the misnomer in a business note on page 430 of the issue of May 3rd.

An issue of $150 million International Bank for Reconstruction and Development 3¾ per cent Ten-Year Bonds is being made at par by an underwriting group of 179 investment firms and commercial banks headed jointly by Morgan Stanley and Company and The First Boston Corporation.

* * *

The Minister of Transport has announced that the British Overseas Airways Corporation is considering reopening services to South America in 1960, using Comet IVs. British operators have not flown on this route since the Tudors were withdrawn from service, partly because BOAC lacked the aircraft but also because neither the corporation nor the independent operators, who have been free for several years to bid for traffic rights on this route, had formed a particularly optimistic estimate of the volume of traffic.

* * *

Following a meeting of principal creditors, Penn Industries has petitioned for compulsory winding up. The petition will be heard on June 9th, application for the immediate appointment of the Official Receiver as provisional liquidator having been refused.

COMPANY AFFAIRS

MARKS AND SPENCER

GROWTH potentialities in the multiples, whether they trade for cash as does Marks and Spencer or also on credit terms like the big drapery and furniture combines, are not exhausted. Marks and Spencer's results for the year to March 31st show that. Sales by the Marks and Spencer stores rose by 4 per cent, from £125 million to £130 million, and, thanks to modernisation and rationalisation policies, gross profits from these sales rose by over 10 per cent, from £12,806,029 to £14,142,665, although in the last few weeks of the period some prices had been cut. Shareholders are not forgotten: the ordinary dividend is raised from 30 to 32½ per cent.

But that does not imply that growth will not be checked by a fall in consumers' income. And if growth continues its pace may change. The thin yield of 3.9 per cent on the 5s. "A" ordinary shares at 41s. 9d. suggests that some investors still expect the pace to be rapid. But must there not be some slowing down even for such a well managed concern as Marks and Spencer? The multiples were until recently increasing their share of total trade at the expense of the department stores and the co-operatives, but these stores are anxious to win back some of their lost trade and competition between the multiples themselves is fierce. In this struggle, it may be that Marks and Spencer found that it was aiming a little too high for custom and lowered its prices accordingly. And how far is it becoming necessary to employ the device of the "loss leader" to attract customers?

BOOTS PURE DRUG

BOOTS PURE DRUG, as a retail chemist, trades in quite a different range of goods, but as a multiple is not unlike Marks and Spencer. It also devotes much attention to layout and appearance; it is a big manufacturer of its own wares. Its growth prospects have proved attractive to investors. This year they have no cause for complaint. Profits in the year to March 31st advanced, before tax, from £4,553,998 to £5,178,510 and, after tax, from £1,990,828 to £2,095,176. The ordinary dividend is raised from 16 to 18 per cent. That increase had already been discounted and in proposing (subject to CIC consent) a one for four scrip issue the directors say the issue "carries no implications as regards future dividends." On the new dividend the 5s. ordinary shares at 21s. 4½d. yield only 4.2 per cent, for—again like Marks and Spencer—a big discount has been put on future growth.

ROLLS-ROYCE

THROGMORTON STREET seemed pleased with the 1957 results of Rolls-Royce, for the £1 ordinary stock units were marked up by 9d. to 89s. 6d. As was forecast when the two for seven rights issue of ordinary stock was made, the dividend is left unchanged at 20 per cent on the increased capital. Investors cannot have expected anything better, but the dividend yield of £4 9s. per cent implies that they do expect an expanding return from the group's massive capital programme—and expect it soon.

At the moment the emphasis is still on capital development. Last year gross revenue from sales, royalties and investment income rose from £80.6 million to £91.8 million. But costs of all kinds also rose—from £72.3 million to £82.1 million (within which depreciation went up from £1,869,051 to £2,217,677). In addition, research and development expenditure increased from £3,005,663 to £4,331,349 with the result that gross profits merely crept upwards from £5,330,543 to £5,370,334 and net profits from £2,130,543 to £2,320,334. From the net profit, £1,194,089 (against £1,267,109) was retained in the business. Indeed, to buttress capital development and research, the group held back in all about £7.7 million (against £6.1 million) in addition to the £10 million proceeds of the rights issue. The capital programme is the base for increasing turnover and Rolls-Royce remains the strongest of all the companies connected with the aircraft industry. But if bigger sales are not eventually reflected in bigger dividends, investors will grow restive.

VICKERS

"FOR the first time . . . since 1912 no new aircraft was under development for military service." That sentence in Vickers' report epitomises the changing pattern of the group's activities. It was prepared for the change and before the cut in military aircraft and other defence orders came, the directors had been concentrating on commercial orders—in particular for civil aircraft but also for the group's shipyards, engineering factories and steel works. Their foresight has paid well: last year, despite the running down of defence orders, the group's sales expanded from £163,379,000 to £202,841,000 and trading profits from £12,665,000 to £14,263,000.

In becoming less dependent upon the Government contracts, Vickers has had also to become financially more self-reliant. For a time it had to rely on bank overdrafts (on which last year it paid over £1 million in interest) but in October it launched its unhappily timed twin issue of ordinary stock and debenture stock. The calls have now been made and through these issues and through profit retentions (which included last year a provision of over £3 million, against £2 million, for development expenditure) Vickers has solved its immediate capital problem.

Compared with some other aircraft companies, Vickers is happily placed: it made the transition from defence to civil orders in good time and it has got its appeal to the capital market behind it. But it has emerged in a new form in a world, as the directors recognise, where "highly competitive conditions are likely to persist and, perhaps, be intensified in the period immediately ahead." And there has been some slowing down in the flow of new orders—for ships as well as for Viscounts. Vickers can now show orders on hand worth nearly £400 million, but it is the future trend of orders for Vanguards and VC 10s that investors will watch. On the assumption of a full year's dividend of 10 per cent on the increased ordinary capital the £1 units (now standing at 30s. 6d., compared with the rights issue price of 38s.) yield £6 11s. per cent. That is a wait-and-see yield.

BRISTOL AEROPLANE

IT may not be relevant to compare the much smaller company, Bristol Aeroplane, with Vickers. But it is a comparison that investors will make; indeed, the yield of 10.4 per cent offered by the 10s. ordinary units of Bristol, standing at 9s. 7½d.xd., on the maintained dividend of 10 per cent, suggests that they have already made it. Bristol Aeroplane has not found the transition from military orders and development aid from the Government to dependence on a highly competitive market for civil aircraft comfortable: the chairman, Sir Reginald Verdon Smith, says that orders for Britannias are "shorter than we would wish" and the company has had to meet "exceptional" expenditure in curing the icing troubles of the aircraft and in paying compensation to BOAC for delays in delivery.

Bristol Aeroplane has seen its financial problem grow during the year. At the end of 1956 the group had a bank overdraft of about £8 million. Early in the year the company made arrangements to issue £6 million of 6 per cent debenture stock "but events combined to make such a public issue inappropriate." This stock was deposited with the company's bankers as collateral security for the overdraft. By the end of last year the overdraft had grown to nearly £13.4 million and the group paid over £900,000—nearly as much as Vickers—in interest to its bankers. Sir Reginald says that the group's future operations will require permanent capital and the "first opportunity will be taken to increase the capital in a suitable manner." The outcome of this formidable task is of more moment to investors now than that the fact that deliveries rose last year from £51 million to £56 million and that orders on hand amounted to £125 million (including £61 million for Britannias).

DUNLOP RUBBER

BY declaring a final of 11 per cent, compared with 7½ per cent in 1956, the directors of Dunlop Rubber have restored the ordinary dividend to 14 per cent—the level from what it was cut to 10 per cent in 1956. After the announcement the 10s. stock units rose 1s. 7½d., to stand at 17s. 7½d.xd. and to yield £7 19s. per cent. Anything short of 14 per cent could not have been justified in the face of the 1957 trading results. Last year's trading profit of £19,859,864 compares with £15,094,662 in 1956 and with the more normal figure of £17,508,519 earned in 1955. The group's net income after tax has risen sharply from £2,734,547 to £4,144,606 and the net dividend absorbs only £1,558,557 of it.

Moreover the gathering strength of the recovery in the motor industry, Dunlop's biggest customer, is reflected in the trend of half yearly trading profits which over the last two calendar years has run as follows: £5,730,000; £9,360,000; £9,420,000; and £10,440,000. This should breed short-term confidence. For the long-term much depends on Dunlop's capital investment and research programme and in particular on its participation in the synthetic rubber factory at Fawley.

BURMAH OIL

INVESTORS regard the £1 ordinary shares of Burmah Oil as an indirect route into British Petroleum and "Shell" Transport, in both of which Burmah is a big shareholder. The income from its investments of £8,517,208 in 1957 (against £8,018,336) is higher than the company's trading profit of £6,241,411 (against £7,584,750). The quoted investments have a market value of £140¾ million (against £212¾ million at the end of 1956). The figure does not include the company's new Shell shares, though it exercised its rights. It passed its rights in the British Petroleum convertible debenture issue to its own shareholders.

In its trading business in India, Pakistan and Burma the company's affairs present a mixed picture. Last year its sales in these areas increased—as did the sale of natural gas by Sui Gas Transmission in which Burmah Oil has an interest—but, because of the Suez crisis, the cost of obtaining crude oil and petroleum products rose even though most of the company's supplies come from East of Suez. Profits therefore fell.

The company and the Government of India have reached agreement on the development of the Nahorkatiya, Hugrijan and Moran areas in Assam. A rupee company, Oil India Private, has been formed, with Burmah Oil owning two thirds and the Indian Government one third of the equity. The refineries will be government sponsored and arrangements have been made to link the first of them (expected to come on stream in 1961) with the oil fields by a 280 mile pipeline. The pipeline will be financed by a loan and Burmah Oil will provide up to £10 million towards the sterling element of its cost.

On the dividend, at 2s. 7d. tax free, the ordinary stock at 69s. 4½d. yields just under 6½ per cent.

SEARS HOLDINGS

THE yield on the "A" ordinary shares of Sears Holdings—9.4 per cent at 12s. on the maintained dividend of 22½ per cent—suggests that investors are not expecting Mr Charles Clore to provide them with big growth this year. At some point he had to pause in the building of his industrial empire and take stock. The uncertain economic outlook seems to have prompted him to do so now. Thus, even though the Sears empire holds £5,350,000 in cash, Mr Clore speaks of the need to conserve resources, to wait for "a more favourable opportunity" for expanding the group either here or in North America, and to hold down the dividend so as to retain adequate resources for "the future maintenance and development" of the businesses already controlled by Sears Holdings.

Mr Clore can consolidate his empire on a firm base, as the latest comparison in gross profits shows:

	1956	1957
	£	£
British Shoe	2,809,000	3,078,000
Bentley Group	1,643,000	2,062,000
Other interests	1,498,000	1,526,000
Total	6,150,000	6,666,000

The group's boot and shoe interests continued to do well but now it seems that the shops are earning smaller margins of profits at a lower level of trade. Furness Shipbuilding's results were better and Mr Clore notes with satisfaction the company's big order books. Alexander Findlay, makers of structural steels, earned bigger profits last year and it has a good order book, though it may be affected ultimately by the downturn in constructional activity. But the earnings of Parmeko, makers of electrical transformers, have fallen. So too did the profits of SMT Sales and of Shaw and Kilburn, who received "an inadequate supply of vehicles from Vauxhall Motors" last year. An encouraging sign is that the Bentley Group, manufacturing knitting machines, continues to hold a full order book.

Mr Clore believes that shareholders will "have no cause for complaint" in this year's outturn. But shareholders should also note that the more ambitious development plans for Furness Shipbuilding have been shelved and that Mr Clore has begun to question the advantages of having the motor distributing interests tied so closely to a single supplier.

RICHARD COSTAIN

OVER the past quarter of a century, Sir Richard Costain has made the business that bears his name one of the most powerful contracting companies in the world. At home Richard Costain owns Dolphin Square, where as a good landlord it is offering sitting tenants new seven-year leases at the now moderate price of 2.3 times the gross rateable value. The backlog of repairs will absorb all the increased rent income this year. But about 60 per cent of the business is overseas, and includes the European township for the Kariba project (finished ahead of time), an £18 million oil terminal at Kargh Island in the Persian gulf, a harbour for £4 million at Barbados, the extension to the Ijora "B" power station in Nigeria, the hospital at Ibadan, which is the largest in Africa, and the hospital at Kitwe, the second largest. Against the background of an order book which rose last year to £28 million the consolidated balance sheet total of £10.3 million was small beer. As a matter of policy the company finances a fair part on borrowed money of which it was using on December 31st £3.5 million, including £1.9 million of bank loans.

Recently the business seemed to be attracting the eye of take-over bidders. The £1 ordinary shares, 45s. last year, recently rose to 80s. But there are reasons in the small central team personally attached to Sir Richard and in the enormous value of business at any moment under negotiation that might make any bidder think twice about violent changes. If those who bought the shares a few months ago now hold them as an investment they need not feel disappointed. The gross profit is up from £425,509 to £526,851, its dividend from 10 per cent to 17½ per cent, and a one for one scrip issue has been announced. The shares now at 76s. xd. yield 4.6 per cent. Does the future justify that yield? Or has the fear of the bidders provoked the dividend increase? Though Sir Richard reports "very competitive prices" in civil engineering and declines to make estimates for the future, the conservative policies of the past amply justify some loosening of the purse strings.

UNITED DRAPERY STORES

THIS multiple group secured a further increase in turnover in the year to February 1st. It was a genuine increase based on bigger sales by established shops as well as the automatic increase arising from the opening of new shops and branches. The increase was more than sufficient to offset the rise in costs, so that trading profits rose from £6,294,939 to £7,131,877 enabling the directors to leave the ordinary dividend unchanged at 32½ per cent on the capital as increased by a 10 per cent scrip issue. These bigger sales seem to have been achieved more through the use of short term credits and other forms of instalment buying in which business has increased than through hire purchase business (which the chairman, Sir Brian Mountain, says was "maintained" over the year); the group's debtors have risen from £6,081,089 to £6,795,769.

Further growth in turnover may be harder to achieve now that the reconstruction programme is nearing completion—with less than 70 shops remaining to be converted. So far this year sales have been maintained, the fall in the sales of fashion goods being more than offset by "increases in other businesses." Sir Brian knows that the multiples "would be affected by any growth in unemployment and consequential reduction of spending power," but the proposal to create £5 million of an unsecured loan stock, bears witness to his willingness to bag more business when he judges the time right. At 24s. the 5s. ordinary stock yields 6.8 per cent.

London Stock Exchange

FIRST DEALINGS: April 30 May 14 June 2
LAST DEALINGS: May 13 June 3 June 17
ACCOUNT DAY: May 20 June 10 June 24

SLIGHTLY firmer conditions prevailed in the market as the railway negotiations progressed; small gains were made and held despite the political troubles overseas, but oil stocks suffered a sharp reverse that more than wiped out earlier gains. Government securities recovered ground lost last Thursday, but the rally was not based firmly enough to make much impression on the heavy losses suffered in the previous week. Short-dated stocks slipped back under the influence of the rise in the Treasury bill rate.

The preliminary statement from Dunlop helped a small advance in industrial stocks on Monday, but the rally failed to go farther, *The Economist* indicator improving 1.1 to 182.4. Breweries attracted support, Threlfall's advancing 3s. 9d. to 50s. 6d. xd on the increase in dividend, but Flowers eased to 11s. 10½d. on the resignation of the chairman. Eastwoods lost 1s. 10½d. on the cut in dividend, but John Mowlem jumped to 63s. 9d. xd on the satisfactory results. Motor shares weakened on the strike at the Pressed Steel Works, but showed little net change over the week. ACV declined to 33s. 1½d. on the dividend reduction, and Raleigh lost 1s. 6d. to 26s. 10½d. xd on consideration of the trading outlook. Aircraft shares eased on the Minister's statement on the future of the industry. Among textiles, Crosses and Heatons fell 1s. 7½d. to 10s. xd on the dividend cut, but tobacco shares were consistently better, Gallaher improving 1s. to 26s. 7½d., while the new loan stock established a premium of ½.

British Petroleum fell 6s. 3d. on Tuesday and Wednesday, but was only 1s. 10½d. lower on balance. Shell fell 6s. 10½d. to 138s. 9d. and Royal Dutch 1 3/16 to 16 1/8. Kaffirs returned to favour and made persistent gains throughout the week until Thursday, but platinum shares eased on the price cut.

LONDON ACTIVE SECURITIES

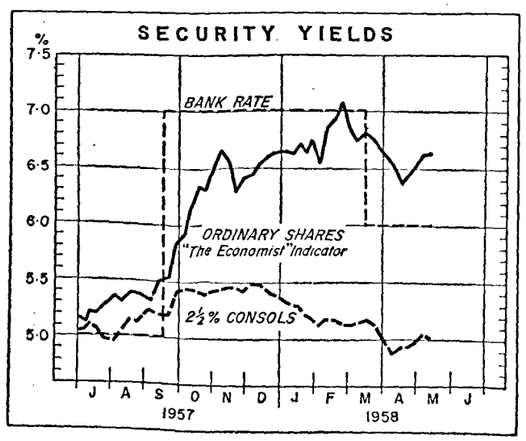
Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 7, 1958	Price, May 14, 1958	Net Yield, May 14, 1958 §	Gross Yield, May 14, 1958
					£ s. d.	£ s. d.
96 1/16	96 1/16	War Loan 3%....1955-59	98⅜	98⅜	2 19 2	4 6 6
95 12/32	90⅝	Funding 2½%....1956-61	94 12/32	94 12/32	3 7 6	4 10 2
99⅛	99⅛	Conversion 4%...1957-58	99 17/32	99 18/32	4 14 1	4 14 1
99⅜	99⅜	" ass't'd 4¾%..1963	99 11/16	99⅝	4 16 8	4 16 5
97⅛	97⅛	" ass't'd 5½%..1974	98⅜	97½*	3 4 0	5 8 11
96 10/32	96 10/32	Conversion 2½%...1958-59	98 16/32	98⅛	3 7 8	4 13 7
95 30/32	95 30/32	Exchequer 2%.....1960	96⅛	96 30/32	3 6 1	4 6 1
95 30/32	95 30/32	Exchequer 3%.....1960	97 16/32	97 16/32	2 17 11	4 6 9
95 30/32	95 30/32	Conversion 4½%.....1962	99 30/32	99 30/32	2 14 3	4 15 4
83⅜	83⅜	Savings Bds. 3%..1955-65	88	88⅛	3 13 1	5 1 8
71⅞	71⅞	Funding 3%.....1959-69	80⅜	80⅛	3 19 10	5 9 1
86⅜	86⅜	Funding 4%.....1960-90	86⅜	86⅛	2 18 11	4 16 6
75	75	Savings Bds. 3%..1960-70	77⅛	77⅛	4 2 10	5 13 3
88⅜	88⅜	Exchequer 3%...1962-63	92⅛*	92⅛*	3 5 1	4 11 3
84⅜	84⅜	Exchequer 2½%...1963-64	88⅛*	88⅛*	3 11 0	4 13 9
78⅜	78⅜	Savings Bds. 2½%.1964-67	80⅛	80⅜	4 1 7	5 5 10
69⅜	69⅜	Savings Bds. 3%..1965-75	72⅛	72½	4 0 1	5 11 11
99⅛	99⅛	Exchequer 5½%.....1966	101⅛	101⅜	3 0 1	5 7 8
78⅝	78⅝	Funding 3%.....1966-68	82⅛	82	3 18 10	5 8 7
91⅛	91⅛	Victory 4%.....1920-76	92	92⅛	3 6 5	5 3 8
81 7/16	81 7/16	Conversion 3½%.....1969	84⅜	84⅜	3 15 7	5 9 2
71⅛	71⅛	Treasury 3½%....1977-80	76	74⅜*	3 13 10	5 9 5
70⅜	70⅜	Treasury 3½%....1979-81	74⅜	74⅜	3 13 11	5 10 8
98⅛	98⅛	Funding 5½%....1982-84	99⅜	99⅜	3 4 5	5 12 5
60	60	Redemption 3%..1986-96	63⅛	64⅛	3 8 3	5 3 6
64⅜	64⅜	Funding 3½%..1999-2004	70⅜	71	3 5 3	5 4 10
69 7/16	69 7/16	Consols 4% after Feb. 1957	73⅜	73⅜	3 3 1	5 10 4
63⅛	63⅛	War Loan 3½% after 1952	65⅛*	65⅛*	3 1 2	5 6 3
62⅜	62⅜	Conv. 3½% after Apr. 1961	65	65⅜	3 1 7	5 7 5
54⅜	54⅜	Treas. 3% after Apr. 1966	57⅛	57⅛	3 0 2	5 5 0
46⅜	46⅜	Consols 2½%.....	49⅛	50	2 17 8	5 0 7
46⅜	46⅜	Treas. 2½% after Apr. 1975	48⅛	48⅜	2 19 0	5 2 11
90⅛	90⅛	Br. Electric 4½%..1967-69	94⅜	94⅜	3 4 1	5 4 11
72 1/16	72 1/16	Br. Electric 3%....1968-73	74⅛	74⅜	4 1 1	5 11 11
68⅜	68⅜	Br. Electric 3%....1974-77	71⅜	71⅝	3 17 8	5 9 6
82⅜	82⅜	Br. Electric 4½%..1974-79	85⅜	85⅜	3 8 11	5 9 6
72⅜	72⅜	Br. Electric 3½%..1976-79	75⅛*	75⅛	3 13 10	5 9 5
82⅛	82⅛	Br. Gas 4%.....1969-72	86⅛	86⅛	3 12 3	5 10 7
79⅛	79⅛	Br. Gas 3½%.....1969-71	81⅜	81⅞	3 15 10	5 10 1
60⅞	60⅞	Br. Gas 3%.....1990-95	64⅛	64⅜	3 8 5	5 3 2
72 1/16	72 1/16	Br. Transport 3%..1968-73	74⅛	74⅜	4 1 1	5 11 11
79⅛	79⅛	Br. Transport 4%..1972-77	83⅜	81⅝*	3 11 9	5 10 0
66⅛	66⅛	Br. Transport 3%..1978-88	65⅛	65⅜	3 13 0	5 7 11

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, May 7, 1958	Price, May 14, 1958	Yield, May 14, 1958
					£ s. d.
83⅛	83	Agric. Mortgage 5%.....1959-89	88	88	5 16 10
76⅛	76⅛	Australia 3½%.....1965-69	77⅛	77⅛	6 0 3
93⅜	93⅜	Birmingham 5%.....1973-75	95	95	5 9 3
90⅜	90⅜	East Africa 5¾%.....1977-83	93	93⅛	6 2 6
95⅛	95⅛	L.C.C. 5½%.....1977-81	99	99½	5 10 9
56	56	Met. Water Board 'B' 3% 1934-2003	60⅛	61	5 6 6
78	78	New Zealand 4%.....1976-78	80⅛	79*	5 16 5
69	69	S. Rhodesia 2½%.....1965-70	70	70	6 1 10
83	83	German 7% (Br. Enfaced 5%)..1924	91½	92⅛	...
160	160	Japan 5% (Enfaced).....1907	161½	162	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, May 7, 1958	Price, May 14, 1958	Yield, May 14, 1958
		% %	BANKS & DISCOUNT			£ s. d.
28/-	28/-	4 a	5 b Bk. Ldn. & S. Amer. £1	28/9	28 9	6 5 3
39/9	39/9	6 a	6 b Barclays Bank.....£1	39/9	41 3	5 16 3
27/6	27/6	4 a	4 b Barclays D.C.O. ...£1	28/-	28 3	5 13 3
35/6	35/6	7½ a	7½ b Chartered Bank....£1	39/9	40 9	7 7 4
41/3	41/3	6½ a	6½ b Lloyds Bank £1	43/6	44/-	5 18 2
57/6	57/6	9 a	9 b Midland Bank £1	59/-	60/-	6 0 0
29/6	29/6	5 a	5 b Nat. Discount 'B'..£1	34/3	34/3	5 16 9
40/9	40/9	6½ a	6½ b Union Discount....£1	47/6	47/-	5 6 5
			INSURANCE			
66/6	66/6	30 a	43½ b Commercial Union 5/-	67/-	66 6	5 10 3
115/9	115/9	40 a	60 b Legal & General ..5/-	123/9	121 3	4 2 6
86/3	86/3	†20 a	†50 b Pearl.....5/-	87/6	86 3	6 18 0
38½	38½	†132½ c	†147½ c Prudential 'A' £1	39½*	39½	6 10 6
			BREWERIES, ETC.			
31/-	31/-	10 a	36 b Bass 5/-	33 9	34 9	6 12 4
19 7½	19 7½	18½ c	7½ c Distillers.....6 8	22 10½	23 1½	5 8 0
37/-	37/-	10 a	15 b Gunness.....10/-	39/9	40/9	6 2 8
75/6	75/6	8 a'	17 b Whitbread 'A' £1	85/6	85/-	5 12 11
			MOTORS & AIRCRAFT			
9 7½	9 7½	3½ a'	6½ b Bristol Aeroplane 10/-	10/3	9 7½*	10 7 10
6 7½	6 7½	12½ c	4 a British Motor.....£1	7 6*	7 6	8 6 8
31/9	31/9	3 a	6 b Ford Motor £1	35/6	36 4½	4 19 0
24/9	24/9	3 a'	7 b Hawker Siddeley....£1	25/-	26 10½	7 8 10
39/-	39/-	12½ c	12½ c Leyland Motors....£1	39/9	39/9	6 5 9
82/9	82/9	5 a	15 b Rolls-Royce £1	88/-	89/6	4 9 5
6 10½	6 10½	8 c	8 c Standard Motor..5/-	7/-	7/-	5 14 3

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, May 7, 1958	Price, May 14, 1958	Yield, May 14, 1958
		% %	STEEL & ENGINEERING			£ s. d.
48/-*	47/3	7 a	6⅔ b Babcock & Wilcox .£1	47/-	47/3	5 10 0m
22/4½	22/9	4 a	6 b Dorman Long £1	22/-	22/9	8 15 10
53/-	52/6*	10 b	5 a Guest Keen N'fold..£1	54/-	54/-	5 14 3
66/3	66/1½	†4 a	18 b Alfred Herbert £1	67/6	66/6	6 8 3
49/-	49/-	7 b	4 a Metal Box £1	49/-	41/-	4 9 10
21/4½	21/6	10 4	8 b Stewarts & Lloyds..£1	24/3	20/-	3 a
55/6	56	13 b	6 a Swan Hunter.....£1	58/3	48/-	5 a
18/4½	18/6	12 8	8 b United Steel.....£1	21/3	17/9	4 a
30/6*	30/6	6 11	2½ a Vickers £1	32/9	29/6	7½ a
			ELECTRICAL			
49/-	48/-	6 5	7½ b Assoc. Elec. Inds...£1	52/-	47/-	7½ a
43/6	41/9*	5 19	8½ b Br. Ins. Callenders.£1	44/6	39/3	4 a
24/10½	25/1½*	6 18	6½ a Decca Record 4/-	43⅔ c	24/7½	6½ a
32/9	35/3	4 5	15 c Elect. & Mus. Inds.10/-	15 c	15 c	12½ a
54/3	53/6	5 4	10 b English Electric ...£1	56/3	44/6	4 a
31/3	30/9	7 9	3½ a General Electric ...£1	38/9	29/9	8 b
			TEXTILES			
13/1½	12/10½	9 6	3 b Bradford Dyers....£1	16/3	12/4½	3 a
21/-	21/3	8 6	2½ a Coats, J. & P. £1	25/3	20/3	6½ b
20/-	20/-	9 0	3 a Courtaulds £1	22/10½	19/9	6 b
32/-	32/6	10 15	12½ b Lancashire Cotton..£1	34/7½	29/10½	5 a
31/10½	31/10½	9 8	2½ a Patons & Baldwins .£1	35/4½	31/4½	12½ b
			SHOPS & STORES			
20/9	21/4½	4 4	12 b Boots Pure Drug..5/-	22/-	18/6	6 a
37/9	38/3	7 3	7½ a Debenhams 10/-	38/10½	33/6	20 b
41/7½	42/6	7 13	15 a Gt. Universal 'A'..5/-	44/6	34/6	50 b
40/6	41/9	3 17	22½ b Marks & Spen. 'A' 5/-	43/1½	37/3	10 a
23/7½	24/-*	6 15	12½ a United Drapery...5/-	25/6	21/-	12½ a
37/4½	37/10½	5 5	26½ b Woolworth.....5/-	41/6	34/7½	15¾ a
			SHIPPING			
30/9	30/6	5 14	6¼ a Brit. & Com'wealth10/-	11 b	10/-	6¼ a
17/9*	17/6	11 8	8 b Cunard £1	18/9	16/6	2 a
30/3	30/-	7 4	10½ c Furness Withy.....£1	32/6	27/3	9⅜ c
26/-	27/-	8 3	8 b P. & O. Deferred...£1	28/9	22/-	3 a
			MISCELLANEOUS			
31/9	31/6	4 14	18 a Allied Bakeries 'A' 5/-	35/6	27/-	22½ c
34/9	34/6	5 3	6 b Assoc. Port. Cem....£1	38/9	31/-	3 a
16/1½	16/9	5 19	11 a Beecham Group...5/-	17 4½	13 4½	6½ b
29/-	29/-	8 12	8 b Bowater Paper £1	30/9	26/6	4½ a
38/6	36/9	6 10	8 b Br. Aluminium £1	48/-	36/9	4 a
52/-	51/3*	5 17	6⅔ b Br. Amer. Tob. ..10/-	†10 a	†6⅔ b	4 a
60/9	61/-	4 18	7½ a B.E.T. 'A' Defd..5/-	24/-	19/9	17½ b
32/-	32/-	6 5	6 b Br. Oxygen £1	35/6	28/3	4 a
17/7½*	17/9	7 18	11 b Dunlop Rubber..10/-	18 4½	14 4½	3 a
43/7½	43/-	5 19	8 b Imp. Chemical.....£1	45/-	36 4½	4 a
43/-	43/3	9 5	11½ b Imp. Tobacco £1	44/9	37/-	8½ a
32/9	33/-	4 11	2½ a J. Lucas (Inds.)....£1	34/-	28/-	5 b
15/9	15/9	4 5	8½ b Monsanto Chem...5/-	16 1½	12 6	5 a
13/9	13/10½	7 4	5 b Ranks.....10/-	14/9	13 7½	5 a
31/6	31/-	9 12	5 a A. E. Reed.....£1	32/6	2/ 9	10 b
12/-*	12/-	9 7	22½ c Sears Holdings 'A' 5/-	14/3	11 8½	22½ c
54/9	54/-*	6 2	4½ a Tate & Lyle.....£1	56/3	48/9	12 b
52/-	51/3*	5 17	7½ a Tube Investments..£1	54/6	48 6	7½ b
60/9	61/-	4 18	13½ b Turner & Newall...£1	61 6	52 1½	2½ a
71/-	72/-	4 17	11½ b Unilever Ltd.....£1	80 4½	70 6	6 a
90/-	94/-	3 18	4 a United Molasses .10/-	94/-	77/-	14½ b
30/3	29/-*	8 10	†10 b United Molasses .10/-	†4½ a	†10 b	30/6	26/-
			OIL			
100 7½*	98/9	5 5 10	†5 a †10 b British Petroleum..£1	79/6	105/-
70/-	69 4½*	6 9 5	†5 a † 7½ b Burmah £1	78/-	59/1½
£16 ⅛	£17½	2 18 11	7½ a 17½ b Royal Dutch....20 fl.	£17¾	£13¾
145 7½	138/9	4 14 0	†5 a †13½ b Shell £1	148/9	117/6
	69/-	68/3	... ... Ultramar 10/-	74/6	41/6
			MINES, ETC.			
123/9	126/3	6 6 9	60 b Anglo-American .10/-	128 1½	115/-
22/6	19 6	5	†10 b Cons. Tea & Lands.£1	25/-	19 6
45/9	45 3*	8 5 10	12½ b Cons. Zinc Corp. ...£1	51/-	42 9
94 4½	95/7½	10 9 2	120 b De Beers Def. Reg. 5/-	99 4½	80 7½
76/10½	80/-	3 15 0	40 a Free State Geduld.5/-	85/9	75 11
6/10½	7/11½	16 17 0	30 c London Tin 4/-	7/6	6 6
46/7½	48/3	10 7 4	50 b President Brand ..5/-	50 4½	46 6
15/9	7 18	9j	16⅜ b Rho. Selection Tst. 5/-	17/6	12 10½
21 5	7 18	5j	25 a Rhokana Corp. £1	25½	20
47/-*	47/-	8	37½ b United Sua Betong.£1	54/6	46/-
90/7½	86/10½	6 12 5	60 b Western Holdings.5/-	95 9	84/4½

SECURITY YIELDS



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
April 16	186·8	6·39				
" 23	184·5	6·46				
" 30	183·6	6·51				
May 7	181·3	6·62	186·8 (Apr. 16)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
" 14	182·4	6·64				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1958	1957
		%		%			
May 7	166·3	6·82	89·76	5·05	7,183	High 172·4 (Apr. 16)	High 207·6 (July 9)
" 8	166·3	6·82	89·57	5·05	7,554		
" 9	166·5	6·81	89·65	5·04	6,917		
" 12	167·8	6·75	89·73	5·03	9,550	Low 154·4 (Feb. 25)	Low 159·0 (Nov. 5)
" 13	167·8	6·83	89·80	5·01	8,662		
" 14	167·9	6·83	89·83	5·01	8,321		

Bases :—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

New York Closing Prices $

	May 7	May 14		May 7	May 14		May 7	May 14
Alcoa.....	69	66⅛	DuPont de Nm.	179⅜	175⅛	N.Y. Central .	15⅛	14⅛
Alumin'm Ltd.	28⅛	26⅝	Ford Motors..	40⅛	38⅝	Sears Roebuck	29⅛	29⅝
Am. Smelting..	44⅜	43⅛	Gen. Elect....	59⅝	58⅜	Shell Oil	74⅛	73⅛
Amer. Tel.	175⅜	175⅜	Gen. Motors ..	38⅝	37⅛	Std. Oil of N.J.	54⅜*	52½
Anaconda....	44⅛	43	Goodyear	75⅛	74⅜	Tri-Cont'tal..	33⅛	33⅛
Beth. Steel...	40⅛	39⅛	Gulf Oil.....	115⅛	111⅜	Union Carbide	88⅛	86⅜
Can. Pacific ..	25⅞	26⅛	Int. Bus. M...	350½*	348⅜	U.S. Steel....	61⅛	59⅜
Chrysler Cpn..	46⅛	45⅜	Int'l. Nickel..	74⅛	72⅛	West'house E.	59*	58
Crown Zeller..	46⅛	47	Int'l. Paper ..	96⅜	95⅛	Woolworth...	44⅛	44

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) On 24%. (j) After Rhodesian tax. (k) On 30%. (l) To latest date. (m) On 13%. (n) On 20 %.

STATISTICS

The following list shows the most recent dates on which each statistical page appears:

British		Overseas	
Prices and Wages	May 10th	Western Europe:	
Production and Consumption	This week	Production and Trade	May
Manpower	April 26th	British Commonwealth	This w
External Trade	May 3rd	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	April
Industrial Profits	April 19th	United States	May
		World Trade	April 19th

UK Production and Consumption

M=Monthly averages or calendar months. W=Weekly averages. Stocks at end of period.

		Unit	Monthly averages			1957				1958		
			1955	1956	1957	Jan.	Feb.	Mar.	Dec.	Jan.	Feb.	Mc
INDUSTRIAL PRODUCTION												
Index:												
All industries		1948=100	137	136	138	138	143	145	135	138	144	144
" " *seasonally adjusted*		"	...	...	...	*137*	*133*	*138*	*137*	*137*	*139*	*137*
Mining and quarrying		"	108	109	109	114	121	119	108	109	117	
Building and contracting		"	116	123	123	...	122[5]	...	123[6]	...	...	
Gas, electricity and water		"	153	160	163	188	183	168	191	201	195	
Manufacturing, total		"	142	140	143	140	147	149	136	140	148	
" " *seasonally adjusted*		"	...	...	...	*139*	*142*	*141*	*139*	*139*	*143*	
Engineering, shipbuilding, electrical goods		"	155	151	156	152	162	158	153	...	...	
Vehicles		"	172	160	165	156	164	174	159	173	...	
Chemical trades		"	179	185	192	195	200	201	185	...	...	
Textiles and clothing		"	116	117	116	119	130	131	99	111	...	
Food, drink and tobacco		"	117	121	123	114	117	121	123	112	...	
BASIC MATERIALS												
Production of:												
Coal [1] [2]	W	'000 tons	4,250	4,269	4,301	4,455	4,736	4,665	4,219	4,272	4,579	4,5
Pig iron	W	"	240	253	275	257	268	277	276	271	273	
Steel, ingots and castings	W	"	381	397	417	416	432	431	398	407	423	
Sulphuric acid	M	"	174·6	187·2	194·7	205·5	184·0	216·3	206·8	214·1	187·8	
Newsprint	W	"	11·91	12·36	12·55	13·67	14·55	14·04	11·96	11·97	12·01	
Electricity [1]	M	mn. kwh	6,679	7,263	7,581	9,030	7,833	7,783	9,443	10,076	8,725	9,4
MANUFACTURING												
Textile production:												
Cotton yarns, single	W	mn. lb.	16·91	16·33	16·85	17·54	18·25	18·16	15·82	17·23	17·38	17
Worsted yarn	M	"	18·48	19·38	19·48	22·00	19·96	21·15	16·60	19·66	17·23	
Rayon and synthetic fibres, total	M	"	39·32	40·21	41·32	43·30	40·43	45·03	35·15	40·35	35·72	39
" " " " staple fibre	M	"	19·94	21·31	21·93	22·80	21·65	24·44	18·60	21·93	18·95	19
Cotton cloth, woven	W	mn. yds.	34·3	31·0	31·4	32·1	34·1	34·2	29·4	31·4	32·1	
Wool fabrics, woven	M	mn.sq.yds	34·2	33·1	32·8	37·9	34·1	35·1	30·1	35·5	30·9	
Engineering production:												
Passenger cars and chassis	W	'000s	17·26	13·61	16·56	10·40	11·91	13·94	18·13	21·41	20·87	21
Commercial vehicles and chassis	W	"	6·53	5·71	5·54	4·65	5·25	5·38	6·18	6·49	6·87	6
Metal working machine tools	M	'000 tons	12·52	12·90	14·10	...	13·71[9]	...	14·20[9]	...	...	
Internal combustion engines	M	'000 BHP	408	411	399	424	393	456	403	399	...	
BUILDING ACTIVITY												
Permanent houses completed: [1]												
Total	M	'000s	26·42	25·03	25·09	22·75	23·46	30·30	23·90	20·58	20·09	24
By private builders	M	"	9·46	10·35	10·54	9·97	9·36	10·04	10·05	9·31	8·79	10
By local housing authorities	M	"	15·98	13·86	13·83	12·10	13·47	18·07	13·22	10·94	11·09	14
Other	M	"	0·98	0·82	0·73	0·68	0·63	2·20	0·63	0·34	0·31	0
WHOLESALE SALES [1]												
Textile houses:		Av. value										
Total home sales		1950=100	98	101	101	65	92	113	101	62	84	
Women's and children's wear		"	98	102	101	63	93	124	95	60	85	
Men's and boys' wear		"	94	99	99	62	75	114	110	57	67	
Piece-goods		"	62	63	64	53	84	84	48	59	86	
RETAIL SALES [1]		Weekly										
All kinds of business:		av. value										
All retailers		1950=100	139	146	153	143	137	143	196	146	140	1
Independent retailers		"	136	140	146	139	132	136	181	141	134	1
Multiple retailers		"	152	162	173	149	148	157	241	157	154	1
Co-operative societies		"	142	154	164	154	156	162	186	161	161	1
General department stores		"	117	121	127	128	97	112	139	123	95	
By kind of shop:												
Food		"	148	156	163	157	157	153	185	162	162	1
Clothing and footwear		"	121	127	131	119	97	111	190	118	93	1
Household goods		"	151	153	166	161	154	155	213	165	152	1
STOCKS												
Basic materials:												
Coal, distributed [1]		'000 tons	18,340	17,893	18,765	16,088	15,710	16,167	18,765	15,741	16,114	15,9
Steel [8]		"	1,365	1,573	1,582	1,515	1,470	1,436	1,582	1,541	1,499	
Copper [4]		"	76·2	59·6	91·5	59·2	62·1	61·7	91·5	82·5	89·2	
Sulphur [5]		"	66·6	84·6	97·2	78·0	80·4	87·8	97·2	82·2	73·9	
Newsprint [7]		"	105·0	133·6	145·6	124·0[7]	131·2	124·6	145·6	153·8	134·4	
Textiles:		Av. value										
Wholesale houses, total [1]		1950=100	90	95	95	108	122	121	95	103	123	

[1] Great Britain. [2] Provisional estimate. [3] Excluding all screening losses normally amounting to around 5,000 tons a week. [4] Excluding government stocks. [5] Average for first quarter. [6] Average for fourth quarter. [7] From January, 1957, excluding newsprint for periodicals and certain other purposes for which stocks at end December, 1956, totalled 19,600 tons. [8] For sulphuric acid only, including filter cake from May, 1955. [9] Revised series; stocks at producers' works of ingots, semi-finished steel and alloy, in terms of ingot equivalent.

British Commonwealth

PRODUCTION OF FUEL AND POWER [1]

Monthly averages or calendar months	Coal				Crude petroleum		Electricity				
	Australia	Canada	India	S. Africa	Canada	Brunei	Australia	Canada[16]	India	N. Zealand	S. Africa
	'000 tons						million kwh				
1948	1,232	1,255	2,511	1,909	139	220	728	3,714[10]	381	204	772
1956	1,608	935	3,288	2,756	1,897	463	1,470	6,807[10]	865	347	1,472
1957	1,043	814	3,621	2,835	2,008	454	1,597	7,559	906	396	1,586
1957, October	1,694	1,077	3,553	3,050	1,885	455[11]	1,666	8,079	918	418	1,636
" November	1,795	956	3,920	2,872	1,630		1,584	8,180	930	390	1,574
" December	1,293	888	4,019	2,846	1,773		1,530	8,225	957	387	1,564
1958, January	...	912	3,925	3,059	...	...	1,519	8,551	974	365	1,566
" February	...	807	...	...	...	...	...	7,791	...	350	1,471

PRIMARY PRODUCTION [2]

Monthly averages or calendar months	Copper		Rubber		Tin	Steel				Gold		
	Canada	N. Rhodesia	Ceylon	Malaya	Malaya	Australia	Canada	India	S. Africa	Australia	Canada	S. Africa
	'000 tons									'000 fine ounces		
1948	16·3	17·4	7·9	58·2	4·14	106	238	104	49	73·8	294	965·4
1956	23·9	32·4	7·9	52·3	6·11	217	395	145	132	85·9	365	1,321·1
1957	24·1	35·0	8·2	53·2	5·95	251	375	143	143	90·3	368	1,419·3
1957, November	27·9	39·4	8·9	57·1	5·12	246	320	146	148	91·9	375	1,422·5
" December	29·1	38·0	10·2	54·5	5·49	251	313	155	148	94·3	368	1,402·1
1958, January	27·1	38·5	9·9	61·2	6·58	270	359	165	145	...	...	1,418·0
" February	25·3	32·5	6·6	51·6	4·22	221	335	...	138	...	...	1,356·7
" March	28·6	40·0	6·9	48·7	...	...	365	...	...	...	...	...

EXTERNAL TRADE [3]

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa [4]	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. $C		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1948	28·2	33·8	220	259	537	382	10·71	12·27	85·9	136·1	29·5	11·4
1956	68·2	64·5	475	405	707	501	22·38	22·91	165·5	135·0	41·2	34·4
1957	59·7	81·7	469	411	...	...	24·71	22·98	...	...	45·9	37·4
1957, November	64·3	83·1	451	436	782	590	27·6	18·8	165·0	137·6	47·3	38·1
" December	61·8	70·7	393	453	669	546	26·7	19·2	174·9	180·4	44·1	34·4
1958, January	77·2	66·8	401	390	...	...	24·0	24·6	...	...	57·3	32·5
" February	62·5	60·6	367	326	...	...	...	...	...	...	47·0	31·4
" March	59·5	61·3	...	...	...	...	...	...	...	...	51·1	37·5

EXCHANGE RESERVES AND PRICES [4]

	Gold and Foreign Exchange Holdings					Cost of Living						
	Australia [5]	Canada	India [6]	New Zealand [6]	S. Africa	Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesia
	End of period: mn. US dollars					1953 = 100						
1948	1,265	1,011	3,355[7]	237	652	56	84	...	76	89[8]	77	73
1956	952	1,944	1,360	193	372	110	102	99	111	97	107	105
1957	1,321	1,836	872	138	289	113	106	104	113	106	110	108
1957, November	1,317	1,904	897	167	290	113[11]	107	107	114[11]	110	112	110
" December	1,321	1,836	872	138	289		107	107		110	112	111
1958, January	...	1,867	842	107	285	...	107	105	...	110	113	112
" February	...	1,873	835	107	267	...	107	104	...	112	113	113
" March	...	1,880	...	115	247	...	...	...	...	...	...	113

[1] Electricity production in New Zealand represents deliveries only and in Canada, prior to 1957, excludes industrial generation for own use. [2] Copper and tin refer to metal production. [3] General trade (including re-exports) except for Canada, which is special trade only. Imports are cif except for Australia, Canada and S. Africa which are fob; exports are fob. Trade for India includes that going by land; annual figures for India are for 12 months beginning April 1st of year stated and for Australia 12 months ended June 30th. [4] Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for S. Africa and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. [5] Including foreign investments. [6] Including semi-processed gold. Beginning January, 1955, including South-West Africa. [7] In July, 1948, part of holdings was transferred to the State Bank of Pakistan. [8] April, 1948—March, 1949. [9] Including some long-term securities. [10] Prior to 1957, excluding industrial generation for own use. [11] Average for fourth quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended May 10, 1958, there was an "above-line" surplus (after allowing for Sinking Funds) of £53,725,000 compared with a surplus of £20,332,000 in the previous week and a surplus of £18,835,000 in the corresponding period of last year. There was a net expenditure "below-line" of £15,667,000, leaving a total deficit of £36,511,000 compared with £5,801,000 in 1957–58.

£'000	Estimate, 1958-59	April 1, 1957, to May 11, 1957	April 1, 1958, to May 10, 1958	Week ended May 11, 1957	Week ended May 10, 1958
Ord. Revenue					
Income Tax	2312,500	151,115	172,679	14,489	15,673
Surtax	163,000	14,000	14,400	1,500	2,000
Death Duties	163,500	16,500	17,900	3,500	3,700
Stamps	56,250	6,500	5,900	1,000	1,200
Profits Tax, EPT & EPL	275,000	16,000	21,900	2,500	3,700
Other Inland Rev. Duties	...	50	...	50	...
Total Inland Rev.	2970,250	204,165	232,779	23,039	26,273
Customs	1256,940	138,628	146,807	29,734	30,325
Excise	932,310	116,225	124,675	44,910	54,153
Total Customs and Excise	2189,250	254,853	271,482	74,644	84,478
Motor Duties	104,000	9,933	9,402	534	1,469
PO (Net Receipts)	2,000	4,200	2,300	4,200	2,300
Broadcast Licences	34,000	1,500	2,000	...	...
Sundry Loans	30,000	2,195	2,075	2,088	1,993
Miscellaneous	110,000	45,090	10,191	58	3,639
Total	5439,500	522,236	530,229	104563	120152
Ord. Expenditure					
Debt Interest	695,000	87,753	96,871	2,971	5,447
Payments to N. Ireland Exchequer	73,000	7,209	7,788	2,287	2,479
Other Cons. Funds	10,000	667	668	...	101
Supply Services	4259,584	412,717	401,151	79,200	57,100
Total	5037,584	508,346	506,477	85,723	65,127
Sinking Funds	38,000	3,268	3,425	1,270	1,300
"Above-line" Surplus or Deficit		+ 10,621	+ 20,327	+ 13,835	+ 53,725
"Below-line" Net Expenditure		16,422	56,838	10,086	15,667
		—	—	+	+
Total Surplus or Deficit		5,801	36,511	8,749	38,058
Net Receipts from:					
Tax Reserve Certificates		29,659	26,862	3,519	2,062
Savings Certificates		7,200	4,400	400	7,700
Defence Bonds		— 5,278	— 7,805	— 987	1,076
Premium Savings Bonds		3,600	7,170	500	1,550

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
May 11	2,850·0	1,291·2	264·1	...	4,405·3
1958					
Feb. 8	3,160·0	1,746·9	157·6	...	5,064·5
,, 15	3,120·0	1,403·1	206·5	1·3	4,730·9
,, 22	3,080·0	1,463·7	183·4	...	4,727·1
Mar. 1	3,040·0	1,537·1	210·4	...	4,787·5
,, 8	3,050·0	1,487·6	219·7	...	4,757·3
,, 15	3,050·0	1,529·9	225·6	...	4,815·5
,, 22	3,080·0	1,510·3	248·8	...	4,839·1
,, 31		4,571·2	277·1	...	4,848·2
April 5	3,120·0	1,499·4	239·6	...	4,859·0
,, 12	3,120·0	1,492·7	259·4	...	4,872·1
,, 19	3,120·0	1,580·5	252·0	...	4,952·4
,, 26	3,120·0	1,848·4	205·8	4·0	4,978·2
May 3	3,140·0	1,620·2	217·9	1·5	4,979·6
,, 10	3,150·0	1,561·3	215·3	2·3	4,928·9

THE MONEY MARKET

THE discount houses made a dramatic reversal in their tactics at the Treasury bill tender on Friday of last week. They reduced their bid price by a full 1s. to £98 13s. 9d. per cent, marking an increase in the discount rate of 4s. per cent. No corresponding adjustment was made by outside applicants. Total applications rose further, by £15 million to £448 million, but this was more than offset by the rise of £30 million, to £250 million, in the allotment. Yet the allotted portion of bids at the market's common bid fell from 40 to 20 per cent; and the average rate of discount on the whole allotment rose by 2s. 8.9d. (just over ⅛) per cent, to £5 3s. 10.81d. per cent.

As credit conditions in Lombard Street have become more stringent in the past week, the adjustment in the market's dealing rates has been a little larger than the change in the average bill allotment rate—though still much smaller than the rise in the market's own (common tender) rate. Dealings in July and August maturities have generally been at 5⅛ per cent, though the market conceded 5 3/32 per cent on Monday, when one or two houses were "in" the Bank for a trifling amount despite moderate special help; while on Wednesday, when credit was plentiful and the market experienced an unaccustomed surplus of funds, some banks bid down to 5 3/32 per cent. Previously, credit had been consistently short, the authorities giving special relief.

LONDON MONEY RATES

	%		%
Bank rate (from 7% 20/3/58)	6	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	5 2/32–5 3/32
Bank	4	3 months	5 2/32–5 3/32
Discount houses	4	4 months	5 3/32–5 4/32
Money		6 months	5 3/32–5 4/32
Day-to-Day	4–5	Fine trade bills:	
Treas. bills 2 months	5 7/32	3 months	6¼–7
3 months	5¼	4 months	6¼–7
		6 months	6¼–7

BANK OF ENGLAND RETURNS

(£ million)	May 15, 1957	May 7, 1958
Issue Department:*		
Notes in circulation	1,947·8	2,015·8
Notes in banking dept.	27·6	34·5
Govt. debt and securities*	1,971·2	2,046·3
Other securities	0·8	0·7
Gold coin and bullion	0·4	0·4
Coin other than gold coin	3·0	3·0
Banking Department:		
Deposits:		
Public accounts	10·4	9·5
Bankers	207·8	214·6
Others	73·9	70·9
Total	292·1	295·0
Securities:		
Government	207·3	243·2
Discounts and advances	53·6	13·0
Other	19·1	19·7
Total	280·0	275·9
Banking department reserve	30·0	36·9
"Proportion"	10·2	12·5

* Government debt is £11,015,100, capital £14,5… Fiduciary issue increased to £2,050 million from £2,000… on March 26, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months': Average Rate of Allotment
1957				s. d.
May 10	200·0	360·9	200·0	76 1·84
1958				
Feb. 7	230·0	387·5	230·0	121 3·29
,, 14	230·0	424·7	220 0	120 10·55
,, 21	220·0	411·7	220·0	119 5·52
,, 28	240·0	391·9	240·0	120 3·28
Mar. 7	240·0	388·6	240·0	120 5·10
,, 14	250·0	370·3	250·0	120 6·59
,, 21	260·0	399·2	260·0	111 1·52
,, 28	260·0	422·8	260·0	110 5·54
April 3	260·0	401·9	260·0	108 6·30
,, 11	260·0	422·0	260·0	106 6·19
,, 18	240·0	406·3	240·0	104 0·93
,, 25	250·0	426·8	250 0	103 6·97
May 2	220·0	433·5	220·0	101 1·93
,, 9	250·0	447·6	250·0	103 10·81

* On May 9th tenders for 91 day bills at £98 1… secured 20 per cent, higher tenders being allotted i… The offer this week was for £250 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: May 14	Market Rates: Spot: May 8	May 9	May 10	May 12	May 13	May …
United States $	2·78–2·82	2·81 3/32–2·81 7/32	2·81 7/32–2·81 5/32	2·81 7/32–2·81 5/32	2·81½–2·81⅝	2·81½–2·81¾	2·81…
Canadian $	...	2·72 3/32–2·72 7/32	2·72 7/32–2·72 5/32	2·72 7/32–2·72 5/32	2·72½–2·72¾	2·72½–2·72¾	2·72…
French Fr.	1167·18–1184·82	1179–1179½	1179½–1180½	1179½–1180	1179½ 1180	1179½ 1180½	1179…
Swiss Fr.	12·15 3/8–12·33 3/8	12·22½–12·23½	12·23¼–12·23½	12·23½ 12·23¾	12·23¾ 12·23⅞	12·23⅝–12·23¾	12·23…
Belgian Fr.	138·95–141·05	139·30–139·35	139·42½–139·47½	139·40–139·45	139·40–139·45	139·42½–139·47½	139·40…
Dutch Gld.	10·56–10·72	10·59–10·59½	10·59½–10·59½	10·59½–10·59½	10·59½–10·59½	10·59½–10·59½	10·59…
W. Ger. D-Mk.	11·67 3/8–11·84 1/8	11·71–11·71¼	11·71¼ 11·71½	11·71½–11·71¾	11·71¼–11·71½	11·71½–11·71¾	11·71…
Portuguese Esc.	79·90 81·10	80·00 80·15	80·00 80·15	80·00 80·15	80·00 80·15	80·00 80·15	80·00…
Italian Lire	1736¾–1762½	1745½ 1745¾	1745½ 1746½	1745½ 1746¼	1745½ 1746	1746 1746¼	1745…
Swedish Kr.	14·37½–14·59½	14·49½ 14·49¾	14·50¼–14·50¾	14·50¼ 14·50½	14·50¼–14·50½	14·50¼–14·51¼	14·50…
Danish Kr.	19·19½–19·48½	19·34½ 19·35	19·34½ 19·35	19·34½ 19·35	19·34½ 19·35¼	19·35½–19·35¾	19·35…
Norwegian Kr.	19·85 20·15	20·00⅝ 20·01⅛	20·00⅝–20·01⅛	20·00⅝ 20·01⅛	20·01⅛ 20·01½	20·01 20·01¼	20·01…
One Month Forward Rates							
United States $		⅝–⅜c. pm	⅝–⅜c. pm	⅝–⅜c. pm	⅝–⅜c. pm	½–⅜c. pm	½–…
Canadian $		⅝–¼c. pm	⅝–¼c. pm	⅝–¼c. pm	⅝–¼c. pm	⅝–¼c. pm	⅝–…
French Fr.		3·6 dis	3·6 dis	3·6 dis	3·6 dis	3·6 dis	3·6…
Swiss Fr.		3⅞–3¼c. pm	3¾–3¼c. pm	3¾ 3¼c. pm	3¾–3c. pm	3¾ 3c. pm	3¾–…
Belgian Fr.		⅝–⅜ pm	⅝–⅜ pm	⅝–⅜ pm	⅝–⅜ pm	⅝–⅜ pm	⅝–…
Dutch Gld.		2 1⅛c. pm	2 1¼c. pm	2 1¼c. pm	2 1⅜c. pm	2 1⅜c. pm	2 1…
W. Ger. D-Mk.		2¼ 1⅛pf. pm	2¼–2pf. pm	2¼ 2⅛pf. pm	2¼–2pf. pm	2¼ 2pf. pm	2¼–…
Italian Lire		2 1 pm	3·2 pm	3 2 pm	3·2 pm	4·3 pm	4·3…
Swedish Kr.		3¼ 3½o pm	3¼ 3½o pm	3¼ 3½o pm	3¼–3½o pm	4–3½o pm	3·2…
Danish Kr.		3 2o pm	3 2o pm	3 2o pm	3·2o pm	3 2o pm	2o pm
Norwegian Kr.		2o pm par	2o pm par	2o pm par	2o pm par	2o pm par	2o pm…
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/9	249/6¼	...	249/6	249/5	249/…

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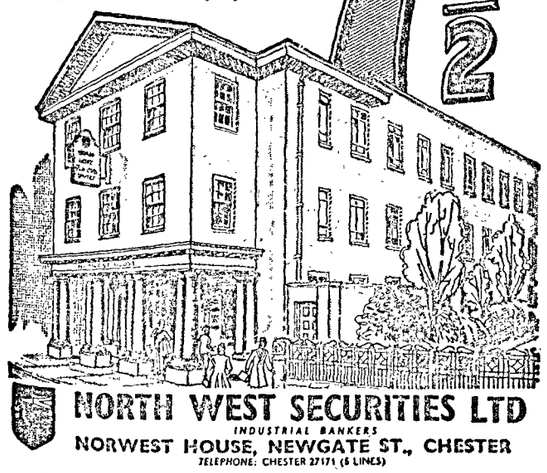
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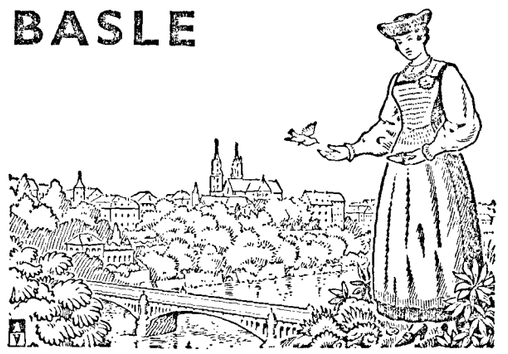


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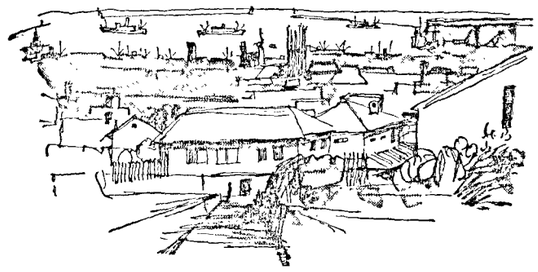
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Position as at
31st JANUARY 1958

Assets £344,000,000
Liquid Funds £61,500,000
Reserves £13,000,000

Savings & Investment Balances Increased by £45,500,000

Head Office HALIFAX Yorkshire
London Office : 51 Strand W.C.2
City Office : 62 Moorgate E.C.2
Consult Telephone Directory for address of nearest office

Trust Corporation of Bahamas Limited
Nassau, Bahamas

ASSOCIATED WITH:
The Royal Bank of Canada,
Montreal Trust Company,
Morgan Grenfell & Co. Ltd.

AUTHORIZED CAPITAL £1,500,000
PAID UP CAPITAL AND RESERVES EXCEED £900,000

Directors
CHAIRMAN: Arthur Vining Davis
MANAGING DIRECTOR: Wesley G. Fox

VISCOUNT ASTOR, C. D. BORER, HAROLD CHRISTIE, C.B.E., D. E. KERLIN, J. S. LITHBY, W. M. MITCHELL, A. E. MOSHER, JAMES MUIR, SIR FRANCIS PEEK, Bt., LORD RENNELL, E. P. TAYLOR, ROBERT WINTHROP

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JOHN H. GAFFNEY
Associate Managing-Director

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COMPANY MEETINGS

CANADIAN PACIFIC RAILWAY COMPANY

(Incorporated in Canada with Limited Liability)

CHANGED PATTERN OF TRANSPORTATION

HAMPERING EFFECT OF OUTDATED REGULATORY LEGISLATION

ARTIFICIAL HANDICAPS MORE ONEROUS WITH THE GROWTH OF COMPETITION

BOARD'S CONTINUOUS SEARCH FOR GREATER EFFICIENCY

FULL UTILISATION BEING MADE OF NEW TECHNIQUES AND ADVANCES IN TECHNOLOGY

MR N. R. CRUMP ON COMPANY'S WORLD-WIDE REPUTATION

The Annual General Meeting of the Canadian Pacific Railway Company was held on May 7th in Montreal, Mr W. A. Mather, the chairman, presiding.

The President, Mr N. R. Crump, addressing the meeting, said:

This Seventy-seventh Annual General Meeting takes place in a much less favourable economic climate than has been experienced for some time. As your Directors pointed out in their Report for 1957, the results of all phases of operations were affected by a lessening in the forces of expansion which had been so strongly at work in the economy during the previous two years. While there are as yet no indications of a return to the 1956 level of business activity, neither are there grounds for believing that present conditions reflect any thing but a pause in the long-range process of bringing more and more of Canada's tremendous resources into production.

The effects of the change which we are experiencing in the tempo of business have been more serious for some industries and some areas than for others. Your railway transports the materials and products of industry and agriculture, and its freight traffic is sensitive to fluctuations in their purchases and sales. The full significance of the current decline in traffic does not stand out in the comparison of revenues of the first quarter of 1958 with those of the same period last year, since first quarter revenues in 1957 were abnormally low owing to the nine-day strike in January of that year. Compared with the first quarter of 1957 there has been an increase of $4.6 million in railway revenue, but compared with the first quarter of 1956 there was a decline of $2.4 million, in spite of the higher level of freight rates. Carloadings have recently been running about 8 per cent below 1957. While it is hoped that the decline will lessen in future months, the present trend indicates a level of traffic for 1958 approximating that of 1954. The comparison of net earnings in the first quarter of the year is also affected by the 1957 strike. Because of it, the net in January this year showed an increase of $4 million. In February and March, however, there was very little change from last year, and provided we are not burdened with still higher wages and prices, this may well be the pattern of results for the balance of the year.

DEVELOPMENTS IN RATE AND LABOUR MATTERS

On April 29th the Governor in Council, in a decision on an appeal by certain Provinces, rescinded the increase of 3.6 per cent in freight rates authorised by the Board of Transport Commissioners in a judgment issued in December last. At the same time the Cabinet decided to direct the Board in future to disregard provisions for tax equalisation reserve as charges to expenses in determining rates. This directive will nullify for your Company benefits of the provisions of the Income Tax Law which industry generally is free to enjoy.

The demands for increased wages and additional fringe benefits of the non-operating employees are still before a Board of Conciliation appointed by the Minister of Labour. The Board's report will likely be made in June. These unrealistic demands have formed a pattern for similar demands from Unions representing operating employees. Your Company has taken the position that in view of the existing economic conditions, present contracts should be extended unchanged for a period of one year.

The collective agreement with the firemen's Union provided for its amendment by re-negotiation in the light of and immediately following the issue of the Kellock Royal Commission Report. The firemen's Union took the position that nothing in the report was acceptable to them and accordingly no agreement could be concluded. Under the authority of Federal Labour Law, your Company, on March 31st, gave formal notice changing the terms and conditions of employment of firemen so that as and from that date firemen were subject to the terms of the notice and not to the collective agreement in regard to manning of diesel locomotives, payment of arbitraries and mountain differential. The notice established that the terms and conditions of employment of firemen should, from May 11th, be in accordance with the findings of the Kellock Report.

On May 1st the negotiating Committee of the firemen's Union issued notice of a strike on May 11th, and on behalf of your Company an offer was made to resume talks within the principles and framework of the Royal Commission Report. This offer was refused. The purpose of the Royal Commission was to bring the diesel dispute on Canadian Pacific to finality. The adamant and irresponsible attitude of officials of the firemen's Union has been difficult to understand. Your Company does not intend to allow the firemen's Union again by strike action to prevent its employees from working. Shippers, the travelling public and all employees have been informed that railway operations will be continued. The diesel dispute has now become an issue between the Canadian people and the firemen's Union.

FINANCIAL COMPARISONS 1957 AND 1928

The Annual Report which you received early last month contains a comprehensive review of the activities and the results of the year 1957, and in many instances provides comparisons with 1956 and other recent years. However, for a better perspective of our progress—and our problems—one needs to look back over a longer period. I think it might be useful, for example, to compare the present position of your Company with what it was thirty years ago.

The first striking change that has taken place is in railway revenue, which is more than double that of 1928. Railway expenses, however, have gone up at an even faster rate, and are two and one-half times as great as they were in 1928. As a result of this disproportionate change, net earnings in 1957 were less than three-fourths of the 1928 figure, and the ratio of net earnings to revenue was less than half of what it was three decades ago.

In contrast to the change in railway net earnings, other income over the same period has about doubled. Hence the proportion of total income provided by your railway enterprise dropped from 80 per cent in 1928 to around 60 per cent in 1957. Fixed charges have remained virtually unchanged, and net income after fixed charges, despite the substantial monetary inflation and increase in investment that has taken place over the period, remains today at about the same level as thirty years ago.

The lower level of income derived from the railway enterprise occurred in the face of a substantial increase both in the investment in railway plant and in railway service performed. Net railway property investment has increased some 40 per cent over 1928, and freight ton miles have gone up 50 per cent—from 18 billion in 1928 to last year's total of 27 billion. This 50 per cent increase in freight traffic was carried with 10,000 fewer freight cars and 500 fewer locomotives than were required in 1928. This was achieved through an increase of some 5 tons in the average car-load, an increase of 13 miles in the average daily mileage of freight cars and an increase of 300 tons, or 50 per cent, in the content loading of the average train.

Behind this record of operating progress is the story of large expenditures on more efficient equipment, tools and facilities. Since the last war, $150 million has been spent on 800 diesel locomotives, $300 million on some 40,000 modern freight cars and $100 million on 650 units of new passenger equipment. Another $250 million has been spent on such things as the installation of heavier rail and other track material, and on treated ties, on modern signalling systems and yard layouts. A recent study has established that these expenditures, totalling $800 million, resulted in maintaining in 1957 a level of operating expenses which was about $75 million below what it would otherwise have been. Without the benefit of these savings your Company would today be in a most perilous position.

THE CHANGED PATTERN OF TRANSPORTATION

Obviously some radical changes have been taking place during the last thirty years in the economic environment in which the railways operate. Virtually the whole field of transportation has altered. The change has been so fundamental that there can be no possibility of a return to the former situation—yet our national thinking about transportation problems is not free of concepts that belong to that dead past.

In 1928 most of the Country's transportation was handled by rail and water carriers. There were few paved highways, automobile ownership was limited, and motor trucks played a small and unimportant role. Commercial airlines were of no significance and there were no pipelines.

Compare that with the situation today. There are now more than 200,000 miles of surfaced highways, three million passenger cars and just under one million trucks, as well as 1,800 commercial aircraft, some 6,000 miles of petroleum pipelines and a similar mileage of gas pipelines. As a result of this transformation, the railways now carry only some 57 per cent of the total intercity traffic measured in revenue freight ton miles, as compared with 84 per cent in 1928.

Private and common highway carriers, on the other hand, have increased their share of traffic to 12 per cent, from the one-tenth of one per cent they handled 30 years ago, and pipelines now account for about 12 per cent. Railways are thus very far from operating under monopoly conditions and are now only one among a number of agencies in active competition for the traffic of shippers and travellers.

This could be a very healthy and desirable situation, since competition can be expected to lead to improvements in services, to an increase in the range of services available, and to lower costs through utilisation of the most efficient forms of transportation. Unfortunately, however, the attitudes of many sections of the public towards railways, and a great deal of the regulatory legislation on the books, are products of the era before competition had developed. The effect of failure to recognise and accept changed conditions is that the railways continue to be hobbled by restrictions and limitations of a seemingly infinite variety, and are hampered thereby in competing effectively. Let the average businessman, harassed by the problems which he considers normal for his business, imagine what it would be like in addition, to have his range of action and adaptability narrowed by procedures and formalities conceived prior to the turn of the century. Let him imagine how his difficulties would mount, and his effectiveness decrease, if his flexibility in coping with market and competitive conditions were curbed by an array of time-consuming requirements in connection with nearly every basic decision relating to the conduct of his affairs; if he were required to spend long months justifying his need to increase prices and then have the award of the regulatory authority suspended and later rescinded; if he were at the same time required to justify his course of action in lowering some of his prices to meet competition; and if all the while his competitors were free—as he was not—to pick and choose their customers as well as to adjust prices.

A study of transportation in Canada prepared for the Royal Commission on Canada's economic prospects refers at some length to these artificial handicaps from which railways suffer in the competitive struggle, and notes specifically—and this applies not only to rates but to many other aspects of operation as well—that "regulation is more restrictive for railways than for other carriers and, more important, is becoming more onerous with the growth of competition."

Now it would be quite unrealistic for me to suggest that our national transportation problems would all be solved if only we enjoyed the greater freedom of action and the more sympathetic attitude to necessary changes which are so highly desirable. But it would also be unrealistic to deny that improvements in these respects are an essential condition for progressing toward a rational and healthy transportation system. Since a system of this kind must be maintained in the interests of all groups in the community, whether producers or consumers, it is to be hoped that increasing evidence of understanding and support will be forthcoming in our efforts to achieve it.

TECHNIQUES FOR TOMORROW

For its part, your Company continues to plan for a future in which full use is made of whatever new techniques and advances in technology will improve services or restrain costs. With regard to technological developments, however, there are many which hold great promise but require vast outlays of capital. Such outlays can only be undertaken if the climate is a favourable one for the new investment required.

In a number of important ways the nature of the requirements of our customers has been changing over the years. Regularity of service is now a more important consideration than ever before and speed, frequency and flexibility have taken on new values. In the light of these new demands, new combinations of the elements making up transportation service have had to be devised, and still further shifts will have to be made if we are to do an efficient job.

Track and yard layouts which were formerly satisfactory will no longer do. In their place we must plan for yards in which cars can be classified by fully automatic operation and where switch engine movements can be expedited by use of radio communication. Terminal facilities which are located in the heart of large urban centres are proving to be uneconomic and our research into the whole problem of terminal operations has already yielded important operating savings and is expected to produce additional economies as the various recommendations can be implemented. Methods of loading and unloading require careful investigation to uncover possibilities for improvement. The probable value of special purpose freight equipment has to be assessed. Consideration is also being given to variations on the idea of the demountable freight container—of which trailers-on-flat-cars are one special type.

RAIL-HIGHWAY SERVICES EXPANDED

The setting up of a separate "piggyback" department of your railway last year gave official recognition to the importance of this recent development in transport technique. The railway industry on this Continent has found it convenient to classify its piggyback activities broadly into the following two generally accepted categories:

Plan 1.—All-rail piggyback service—under which the railway carries its own trailers which contain its own rail-billed traffic.

Plan 2.—Highway motor truck "for hire" carrier piggyback service—under which the railway carries the trailers of licenced "for hire" truck operators.

Canadian Pacific first entered the piggyback field in December 1952, with the establishment between Montreal and Toronto of an all-rail piggyback service. This service was subsequently extended to Hamilton and London. In October, 1957, your Company inaugurated a highway motor truck "for hire" carrier service between Montreal and Toronto. In February of this year Saint John, NB, was added and more recently Ottawa, Fort William, Dryden and Winnipeg.

Your Company is engaged in still another type which we can refer to as Plan 3—under which the trailers of your wholly-owned trucking subsidiary, Canadian Pacific Transport Company, Limited, containing truck-billed traffic, are moved in piggyback service. As you will see, our Plan 3 is really a wholly-owned Plan 2. Your Company inaugurated this type of service between Winnipeg and Regina in July, 1954. The following year it was extended by the addition of seven terminals in Western Canada and in 1956 two more were added. Today the trailers of your subsidiary, Canadian Pacific Transport, are moved in piggyback service between Winnipeg and Vancouver and nine other important cities in Western Canada.

The growth of your highway operations is typical of the way in which your transportation system is being adapted to modern conditions. Canadian Pacific Transport Company Limited, which was incorporated in 1925, was expanded, beginning in 1947, to provide shippers with the benefits of a co-ordinated rail and highway service. Today your road transport services in Western Canada use a fleet of 500 trucks and trailers in covering some 3,000 highway miles.

In order to round out its highway freight facilities, your Company recently acquired a controlling interest in Smithsons Holdings Limited, which Company owns Smith Transport Limited, the largest trucking Company in Canada, whose operations together with a number of affiliated companies in the highway transport business in Eastern Canada extend from Nova Scotia to Manitoba.

FIFTEEN YEARS OF CANADIAN PACIFIC AIR LINES

Still another phase of the advantages inherent in new forms of transportation is in the development of air services under the Canadian Pacific banner.

As early as 1919 an interest in the possibilities of aviation led your Company to seek a Charter from Parliament giving it the right to own and operate aircraft within and outside Canada. In 1930, in order to assist in Canadian air development, your Company joined in putting up capital for Canadian Airway; and beginning in 1939, following a survey of private lines operating generally in a North-South direction, a policy was followed of integrating those lines into a co-ordinated system. This resulted in the organisation in 1942 of the present Canadian Pacific Air Lines.

Initially the major emphasis had to be placed on services into Canada's Far North, and the record of your Air Lines in pushing back the new Northern frontier, parallels in many ways that of your railway in pushing Westward three-quarters of the century before. The intrepid "Bush-Pilots" who first visualised the significance of the airplane for Northern development have given us another of those great national legends certain to grow with the full recounting of their exploits, and it is a source of pride to your Company that many of these pioneers continue to service Canadian aviation in a variety of capacities under the CPA flag.

More recently your Air Lines entered the field of international air service, and here, once again, the pioneer aspect was present, for the routes available were principally those in which no other Canadian air carrier was interested. Today Canadian Pacific Air Lines has the world's seventh largest route pattern, flying over 44,000 route miles and serving a dozen countries in five continents.

With the entry into service of its six Bristol "Britannias" your Air Lines expects to score another first in serving all its international routes with these 400 mph long-range turboprop airliners.

As a natural outgrowth of success in providing international air service, and in view of the rapid growth of demand for air travel, it was thought timely last Autumn to seek the right to provide some of the additional services which are required within Canada. The willingness of the Government to permit the Air Transport Board to decide on this application on the merits is a welcome recognition of the coming of age of Canadian aviation.

Your Air Lines has sought authority for five East-West mainline routes, each with daily service, and is prepared to assign a fleet of 15 Super DC-6B Empress Airliners to them. These aircraft, which combine first-class and tourist accommodation, carry up to 72 passengers and cruise at 300 miles per hour.

The route pattern was planned so that there would be a minimum of duplication of then existing trans-continental services. Direct non-stop services were proposed for the first time on several of the routes, and among these would be the first service to link Ottawa, Saskatoon and Vancouver via Calgary, and Edmonton-Regina to Toronto.

STEAMSHIPS AND THE SEAWAY

Originally the linking of Europe and the Orient with Canada was undertaken by your steamships when flying was still only a dream. Your Company entered the ocean steamship field shortly after its trans-continental rail line was opened, in order to develop traffic for the struggling railway enterprise. Ever since, the Canadian Pacific House Flag has flown over cargo and passenger ships that provided on the High Seas those standards of service which were first set for your railway.

Today a fleet of three "Empresses" and seven "Beavers" operates on the Atlantic carrying passengers and freight on scheduled sailings which average better than two per week between Europe and Canada. Cruise Services to the West Indies and South America are operated during the winter season. Two of the "Empresses" are new ships which have won for themselves an enviable reputation among travellers. A third new ship, to be the largest and finest of the "Empresses" and specially designed for both North Atlantic and Cruise operations is now on order for delivery in 1961.

The freight traffic potentialities of the St. Lawrence Seaway are being carefully studied. Two chartered ships were operated by your Company last season between the United Kingdom and Great Lakes ports and two additional ships will operate on a similar basis this season. As this situation develops, a decision will be made as to what should be the role of Canadian Pacific Steamships on this new inland waterway.

AN INTEGRATED TRANSPORTATION COMPANY

Even this brief review of the activities of your Company in the various spheres of transport should serve to point out that the search for greater efficiency and for the best means of meeting the transportation needs of the Country goes on continuously.

Surely it is the worst kind of anomaly that success in this search should have yielded nothing in the way of an increase in over-all financial returns. Indeed, in the past few years it has required our utmost effort to hold railway earnings to their present level—which, as you all know, is shockingly low.

The reasons for this have been clearly stated in successive Annual Reports and in remarks at Annual Meetings. The fact is that the financial necessities of your railway have only been met by the substantial diversion of income from non-rail sources, to the detriment of the over-all corporate position.

Your railway is not alone, of course, in suffering from the ill effects of outdated public policies and extreme labour demands. While there are important differences between the railways in the United States and our own, I should like to point out that the present financial condition of US railways is considered to be so serious that a Senate Committee has been conducting hearings on what is described as "The deteriorating railroad situation," and has received recommendations from the Administration for assistance in solving the problems of the railroads.

It is our hope that while there is yet time, labour, the Government, and the public at large will give us the co-operation necessary to prevent the railway situation in this Country from deteriorating to any such serious extent. There is encouragement in the fact that the recent Report of the Royal Commission on Canada's economic prospects contains recommendations on transportation which are directed to improving the condition of Canadian railways.

The fine reputation established by your Company as a carrier by sea and by air, as well as by land, is world-wide and has been, I think, well earned. What has been accomplished so far is the foundation on which we expect to build further. As in the past, imagination and ingenuity will be required in discovering and in putting to use the best technology and techniques in every type of transport.

No development of any kind so far leads us to think that the railway will be supplanted as the basic medium of mass transportation. It is of interest to note, moreover, that of all forms of transportation the railroad train, being already guided by the rails, appears to lend itself most readily to automation.

It is hazardous, of course, to forecast the shape of things to come. I can only voice my confidence that whatever great and revolutionary advances may lie ahead in the field of transportation, your Company will keep fully abreast of them.

In carrying out its functions as an integrated transportation Company Canadian Pacific will continue to use to best advantage the low-cost, high-volume features of the railroad and of ships, the flexibility of the motor vehicle, the speed of the airplane. For all these media the goal will be to handle traffic even more economically, more safely and comfortably with greater dispatch and fewer interruptions than is possible today.

In reaching this goal we will need unstinted support born of a genuine understanding of our problems. Such support on the part of the public and co-operation from shippers have been abundantly evident on some recent crucial issues. We gratefully acknowledge this and are led to hope that it signifies a new awareness which is indispensable to our future progress.

The report and accounts were adopted.

TAYLOR WOODROW LIMITED

PROGRESS MAINTAINED

The twenty-third Annual General Meeting of the Company will be held on June 5th in London.

The following is an extract from the circulated review of the Chairman, Mr Francis Taylor: The accounts for the year show a considerable improvement in that our profit before taxation for 1957 were £1,284,673 compared with £840,651 for 1956, an increase of 53 per cent. The profits have again been affected by the favourable settlement of certain major contracts.

In view of these results, the Directors are recommending an increase in the Dividend and therefore, it is proposed that the Final Dividend shall be 7½d. per share, making a total of 1s. per share on the Issued Share Capital as against 6d. per share for the previous year paid on half the present Ordinary Capital.

The turnover of the Group in 1957 was £22½ million, an increase of almost 10 per cent, compared with the 1956 total of £20 million. These totals include the turnover of Subsidiary Companies but not of Associated Companies, which, I am pleased to say, also show progress.

AT HOME

Building and Civil Engineering: Last year I referred to our collaboration with The English Electric Company Limited and Babcock and Wilcox Limited in the design and construction of nuclear power stations of the gas cooled graphite moderated type. Our *Group in association with the Central Electricity Generating Board* has designed the world's largest nuclear power station, Hinkley Point, and it was a welcome reward for much hard work when last September this design was approved and our joint tender for the construction of the station accepted.

Work on this project is now well in hand and there is no doubt that the excellent start on construction was facilitated by the speed *execution of our contract* with the Somerset County Council for the six mile access road to the Hinkley Point site.

Our other major power station works at Castle Donington, High Marnham and Northfleet are all progressing well and are in advance of schedule.

Arcon Export and Home: 1957 brought *further advance in the volume* and value of Arcon Structures sold overseas. At present enquiries and prospective orders in the Home and Export markets continue at a reasonable level.

The research and development undertaken in our laboratories at Southall, coupled with the studies which we are continually making both at home and abroad of new techniques materials and equipment are helping to secure our future.

One of the assets of any business organisation is a loyal and efficient team, particularly is this the case where there is a *reservoir* of young and ambitious men and women. We *are most fortunate in having an encouraging* proportion of loyal and keen young people. Much time and thought is given to their technical education and training.

The statement concluded with a review of *overseas activities.*

THE NORTHERN ASSURANCE COMPANY LIMITED

CHAIRMAN ANNOUNCES CONTINUED GROWTH

RECORD "LIFE" BUSINESS

The one hundred and twenty-second Annual General Meeting of The Northern Assurance Company Limited will be held on June 6th in Aberdeen.

The following is an extract from the Statement by the Chairman, The Right Honourable Lord Glenconner, which has been circulated with the Report and Accounts:

Including the proceeds of the issue made in March, 1957, the total resources of the Northern Group increased during the past year by over £11.5 million, to a figure of £86.9 million, while only three years ago they stood at £62.5 million.

PROGRESS IN REORGANISATION

During 1957 considerable progress was made in the reorganisation of the Group, together with mechanisation of the accounts, to facilitate the handling of this increasing business and to improve efficiency. In particular, five more group branches were opened during the year, at Belfast, Birmingham, Croydon, Edinburgh and Leeds. We have also taken a lease of a new block of offices at 29, Gresham Street, near to the London Head Office at No. 1 Moorgate. We have christened this new office Northern House and it provides accommodation for the head offices of the London and Scottish and White Cross Companies, as well as for a number of Northern staff. As a result we have now also been able to merge the London and Scottish motor department with the joint motor department already serving the Northern and the White Cross, so that we now have a single department underwriting motor business for the Group as a whole.

Good progress has also been made on buildings in a number of other main provincial centres, including Liverpool, Newcastle, Nottingham and Bristol.

ACTIVITIES OVERSEAS

This year we celebrate the centenary of our activities in Australia, and it is a happy coincidence that our new building in Sydney is to be opened this year, where it will provide a suitable headquarters for our business in New South Wales. This new building will also be the head office of a new life assurance company to be known as the Northern Life Assurance Company of Australia that we are now *setting up. In South* Africa, too, we can look back on a century of work, for the Northern issued its first power of attorney to a South African representative in 1858, the year in which Livingstone set out on his great second journey of exploration. From small beginnings our organisation in the Union has grown to a countrywide network of branch offices and agencies, which forms an important part of the Northern Group's business throughout the world.

A NEW RECORD IN LIFE ASSURANCE

For many years now our life assurance department has beaten the previous year's record, and in 1957 new sums assured reached £31,984,424, compared with £28,952,893 in 1956. Substantial contributions towards this new record were made by the group branches at Birmingham, Glasgow and Leeds, and by the Northern West End branch, each of which secured more than £1 million of new business. Our staffs at head offices and branches in this country and overseas deserve congratulation on their success in obtaining and handling this *increasing volume of life business.*

"SELF-EMPLOYED" PENSIONS

There was much interest last year in the retirement or deferred annuities for the self-employed and for persons in non-pensionable employment, to whom the Finance Act of 1956 affords relief from income tax and surtax on the premiums they pay. Last year the Northern secured £632,771 of annual *premiums on this new class* of business and if these premiums are maintained until the latest date for retirement they will give rise to annuity payments of more than £2 million a year.

Some people eligible for "*self-employed*" pensions, however, may hesitate to take advantage of the 1956 concessions because they prefer to accumulate their savings in ordinary shares. The Northern Management has given most careful thought to this problem and has devised a new form of policy under which the premiums are almost entirely invested in ordinary shares and the benefits, when ultimately paid out, are related directly to the market value of the fund at that time. This is our Variable Annuity Plan. It is based on principles entirely new in this country (though more familiar in North America), and we have pioneered it not as a substitute for familiar and established methods of providing for pensions, but as an additional service, to cater for the specialised requirements of the man who believes in the long-term merits of a fund invested in equities. Our Variable Annuity Plan was *introduced only a few weeks ago* and we hope that in time it will make its special mark in our business.

OVERSEAS LIFE BUSINESS

Our life business is also prospering overseas. New sums assured in South Africa last year exceeded £3.5 million for the first time. In Central Africa, where life business is rapidly increasing in importance, over £1.5 million of new business was arranged. Two years ago we appointed an actuary to advise our chief offices in Johannesburg and Salisbury, and these figures provide real justification for this appointment.

FIRE AND ACCIDENT ACCOUNTS

Fire and accident premiums for the Group last year amounted to £10,935,665 and £13,372,380 respectively. The combined total of £24,308,045 shows an increase of 7.4 per cent over the 1956 figure. This is not unsatisfactory and there was an improvement in the results of our motor account both at home and overseas, resulting from concerted measures among insurers in some territories and from more selective underwriting on our own part. Underwriting results as a whole, however, were dominated by the severe losses incurred in the United States and Canada, which offset the favourable underwriting in other parts of the world. In this we have not suffered alone and we are taking every measure open to us to deal with the situation. For 1957, however, the accident account comes out with an underwriting loss of £170,660, against a loss of £278,967 in 1956. The fire account shows a loss of £175,195 compared with a profit in 1956 of £63,726.

MARINE INSURANCE

Marine insurance continued to be difficult last year and competition between the world marine insurance markets showed no signs of abating. It is too early to forecast the effect on the marine insurance market of the recent recession in the shipping industry. The marine fund shows a further increase from £8,444,608 to £8,924,563, after transferring to the Profit and Loss Account £163,278, against £299,722 in 1956.

The total outcome of our underwriting last year is, therefore, to leave a loss of £181,977 to be charged to Profit and Loss Account, compared with the modest profit of £84,481 transferred in the previous year. Gross income from *investments held in the share*holders' non-life funds, however, has made further strides, from £1,297,990 to £1,532,030, partly through the investment at satisfactory rates of the new money raised last year, and partly through the growth of our funds due to the expansion of our business.

On the other hand, the 1957 accounts have had to bear an exceptionally heavy loss on exchange of £274,486, due to the devaluation of the French franc, and the group's gross profit comes to £1,121,101, against £1,437,737 for the previous year. British and overseas taxation is lower at £855,041, against £900,578, but it absorbs no less than 76 per cent of the group's profit compared with 63 per cent in 1956 and 57 per cent in 1955. This situation is considerably influenced by the fact that much of the overseas taxation is based on premium income and other factors which take little account of what may be the rate of profit for the year. Net profit is £266,060, against £537,159, and of this it is proposed to put £85,000 to contingency reserve.

CAPITAL REORGANISATION

Following the reorganisation of the capital into £1 ordinary shares, an interim dividend of 5 per cent was paid in November last year. The final dividend proposed is 9 per cent making 14 per cent for the year. The total dividend will cost £495,204, after deducting income tax, compared with the net cost of £375,345 for dividends on the old Preference and Ordinary capital in 1956, the increase being largely in respect of the new shares issued for cash a year ago.

During 1957 there was a particularly marked increase in the total book value of our stocks and shares from £52,554,498 to £60,093,856, more or less evenly divided between growth of the various funds and the new money raised a year ago. For the second year running there was a fall in market values, according to the Actuaries Investment Index, of nearly 10 per cent in gilt-edged securities and debentures, with a smaller but still significant decline in industrial equities. The valuation of our Stock Exchange securities as at December 31st last reflected these market conditions, but our investment reserves more than cover the difference between market value and the book values of our portfolio.

THE BURMAH OIL COMPANY LIMITED

FORMATION OF NEW COMPANY IN INDIA

INCREASED DEMAND FOR PETROLEUM PRODUCTS

MR W. E. EADIE'S STATEMENT

The fifty-sixth Annual General Meeting of The Burmah Oil Company Limited, will be held on Friday, June 6, 1958, in the Merchants' Hall, 30 George Square, Glasgow.

The following statement by the chairman, Mr W. E. Eadie, has been circulated with the directors' report and accounts for the year ended December 31, 1957:

DIRECTORS

Since our meeting last year there has been a number of changes in the membership of your Board.

Sir Kenneth Harper, your Chairman since 1948, made known some time ago his feeling that the time was approaching for handing over his responsibilities, and on November 1st last he conveyed to the Board his desire to retire. I need not say how regretfully Sir Kenneth's decision was accepted by the Board. His retirement means a loss of wise and experienced guidance for which he was so well fitted by over 44 years' service, 20 of which were on the Board. These last 20 years covered not only the period of the Second World War, with its own special difficulties, but also the strenuous years of rehabilitation with the readjustment of policies consequent upon the political and economic changes in the East. Sir Kenneth's leadership over these difficult years has been greatly valued by us all. We wish him many years of good health and happiness in retirement.

I have been honoured by your Board by my appointment to take Sir Kenneth's place as Chairman.

It is with much regret that I have to report the retirement in August of last year, and subsequent death, of Colonel Hugh B. Spens who had been a member of your Board since June, 1937. His wise counsel was always greatly valued by his colleagues. We have been fortunate in the acceptance by Mr James Alexander Lumsden of the Board's invitation to fill this vacancy. Mr Lumsden is well known in Scottish business circles, and I am confident that his sound judgment will add to the strength of your Board.

For some time it has been felt that the executive of your Board required strengthening and accordingly Mr John Ferguson Strain, who was Chief Accountant, and Mr David Cuthbert Robertson, who was the most senior member of the Group's Eastern Management, were invited to join the Board on November 1st last. Both Mr Strain and Mr Robertson, by long experience in their respective spheres of responsibility, are well equipped for these appointments and I have complete confidence in recommending them for election by stockholders.

Mr R. P. Smith, Assistant Managing Director, has been appointed an additional Managing Director.

ACCOUNTS

Although the Group's main supply sources lie East of Suez, the cost of obtaining crude and petroleum products and especially the cost of transporting them to the countries in which we operate increased materially as a result of the Suez crisis. We were unable fully to recover these increased costs from the market and for this reason Group Profit on Trading in 1957, which is after charging the cost of the extensive programme of prospecting during the year, amounted to £6,241,411 compared with £7,534,750 in 1956, a reduction of £1,343,339.

There is an increase in the amount charged for depreciation in 1957, compared with 1956, resulting from the additional assets employed and, in particular, from the new refinery at Syriam erected by The Burma Oil Company (1954) Limited and brought into commission in February, 1957.

As a partial offset to the lower Profit on Trading, Dividends from Trade Investments in 1957 show an increase mainly because of the dividend received on our holding in Burmah-Shell Refineries Limited. The amount of the dividends received during 1957 from our other Trade Investments was little different from that for 1956.

The amount of Other Dividends and Interest increased because of the larger dividends received on our holding in The "Shell" Transport and Trading Company Limited following the free issue of one share for four in 1956 and for the reason that the "Shell" interim dividend for 1957 was paid earlier with the result that three dividends instead of the usual two were received in 1957.

You were informed last year that we pay relatively little UK taxation on the profits of our overseas trading Subsidiaries by reason of double tax relief and that it was unlikely that any material benefit would accrue to us from the 1957 budget proposals regarding Overseas Trade Corporations. We have, however, submitted claims to treat our wholly owned overseas trading Subsidiary Companies as Overseas Trade Corporations so as to obtain such benefits as are available, but, pending agreement by the Inland Revenue authorities to these claims, provision has been made in the normal way for UK and overseas taxation based on the profits for the year.

After charging taxation, the net profit for the year is £7,056,055 compared with £7,123,896 in 1956, a decrease of £67,840. Including the balance brought forward from 1956, there is available for appropriation £7,666,454 from which has to be deducted the Preference Stock dividends for the year and the Ordinary Stock interim dividend of 1s. per £1 unit of Ordinary Stock free of income tax which was paid on December 20, 1957. Out of £5,433,477 remaining for disposal your Board have appropriated £1,500,000 to General Reserve and recommend that an Ordinary Stock final dividend of 1s. 7d. free of income tax should be paid on June 27, 1958. This, if approved, will absorb £3,262,422 and leave a balance of unappropriated profit of £671,055 to be carried forward to 1958.

The lower Group Profit on Trading is reflected in the reduction in Accrued Dividends from Subsidiary Companies appearing in the Parent Company's Balance Sheet which also shows that net Advances to Subsidiary Companies have increased by some £3 million. Part of these advances has been used to finance the cost, which has again been carried forward, of prospecting in and developing the areas in Assam outside the Digboi Field and the Nahorkatiya Mining Lease. I refer later to the formation of a new Rupee Company in India which will take over this expenditure and need only mention here, in the context of the Accounts, that the further expenditure under this head in 1957 is the reason for most of the increase in Fixed Assets appearing in the Consolidated Balance Sheet. The other items in that Balance Sheet calling for comment are Debtors and Creditors, the increases in which result from the continuing expansion of the Group's trade.

Our share of capital expenditure for 1958 of our Subsidiary Companies and the Burmah-Shell refining and distributing companies in India and Pakistan is estimated to amount to £2,100,000.

OIL INDIA PRIVATE LIMITED

I am glad to be able to report that the discussions with the Government of India regarding the formation of a Rupee Company were successfully completed in December, 1957, and an Agreement was signed on January 14, 1958, to provide for the incorporation of the new company to be named Oil India Private Limited. Your company will hold two-thirds and the Government of India one-third of the equity capital. This new company's task will be to develop the Nahorkatiya, Hugrijan and Moran areas and to arrange for the transport of crude oil to the refineries where it will be processed. These refineries will be Government sponsored. Arrangements are being made for the construction of a pipeline to carry the crude oil to the first of these refineries, which is to be erected near Gauhati in Assam, a distance of some 280 miles. The cost of the crude oil pipeline from the oilfields to this Government refinery will be financed on loan terms and we have undertaken to arrange to provide up to £10 million against the sterling exchange element of this cost. The Government of India anticipate that this refinery will come on stream early in 1961.

BRITISH PETROLEUM AND "SHELL" ISSUES

Your Board were able to arrange that the rights which accrued to the Company under the terms of the issue of Convertible Debentures by The British Petroleum Company Limited were passed on to stockholders. It was decided, however, in the case of the rights issue of "Shell" Ordinary Shares in January, 1958, that these should be taken up and our allotment of 303,600 shares has been duly received.

TRADING

The year 1957, like its recent predecessors, was one of import controls with attendant difficulties in maintaining stocks.

The trade in Burma increased by 10 per cent. Since the Syriam Refinery came on stream in February, 1957, the major part of Burma's trade is now in indigenous oil.

Sales in Pakistan, through our Subsidiary and Associated Companies, increased in 1957 by 7 per cent over 1956, despite a shortage of transport facilities in the eastern wing of the country and an inadequate supply of tinplate due to the limited foreign exchange made available for imports. The new seaboard installation at Chittagong was officially opened by the Chief Minister in March, 1957.

In India, the volume of trade in petroleum products continued to expand, the increase in the Group's sales, in comparison with the previous year, being 8 per cent.

While sales of aviation gasolines still continue to expand, there is an increasing demand for aviation turbine fuel by civil aircraft. The national airlines of both India and Burma already have Viscount aircraft in operation and as more turbo-engined aircraft come into service over the next few years there will be some material change-over in offtake.

Although in all areas together there was a small increase in the demand for motor spirit over that in 1956, the trade in this product in India was below the level of the previous year due to increasing use of diesel vehicles. There is a similar trend towards the increased use of diesel road vehicles in Pakistan, but in Burma these have not as yet been introduced in any large number.

Sales of gas by Sui Gas Transmission Company Limited through the Sui-Karachi pipeline continued to improve throughout 1957. At the end of the year offtake was averaging 32 million cubic feet per day compared with 23 million cubic feet at the end of 1956. The saving of foreign exchange to Pakistan in terms of coal or fuel oil which otherwise would have had to be imported, was of the order of £1.7 million in 1957. The gas retailing companies have now got into their stride and there is every reason to expect a continuing steady increase in sales.

A feature common to the economy of the three countries where we operate and trade is a shortage of availability of oversea exchange. In India this stems from the application of foreign exchange control in the interests of the large capital requirements of the second Five Year Plan. Pakistan and Burma also have programmes for industrial development. The economy of these two countries, which is primarily agricultural in character, suffered from low rainfall resulting, in the case of Pakistan, in the need to import large quantities of food and, in the case of Burma, in a poor rice harvest which will seriously curtail the quantity of rice available for export.

These economic stresses have repercussions on the rate of trade expansion, but once they have been overcome we should be able to look forward to a steady increase in demand for petroleum products. It is of interest to note in this context that the per capita sales of these products per annum in India, Pakistan and Burma, with a total population of some 500 million, is less than 5 gallons, whereas the corresponding figure for the United Kingdom is around 120 gallons and for the USA 600 gallons.

OILFIELDS OPERATIONS

Burma.—The Oil Companies and their Government Partner in The Burma Oil Company (1954) Limited work together in a spirit of co-operation and an atmosphere of goodwill.

Drilling and production at Chauk and Lanywa fields proceeded normally throughout the year and the production from these fields was processed at the Chauk and Syriam (Rangoon) refineries which supply the whole of Burma's increasing requirements of the principal petroleum products.

Pakistan.—The small volume of production, of which the Balkassar field of Pakistan Petroleum Limited is capable, remained steady and the volume of gas produced from the Sui Field increased from 7,422 million cubic feet in 1956 to 10,874 million cubic feet in 1957.

Arrangements have been made for the drilling jointly by Pakistan Petroleum Limited and Pakistan Oilfields Limited, a Subsidiary of the Attock Oil Company Limited, of adjoining concessions at Kareal in Western Punjab.

India.—The known resources of the Digboi field are declining and further drilling has been undertaken in that area in the hope of finding fresh reserves. The field is structurally complicated, however, and the result of this further drilling is awaited with much interest.

In the Nahorkatiya, Hugrijan and Moran areas, 13 wells were drilled in the year of which eight were oil producers, two gas producers and three dry holes. A re-assessment of the reserves continues to indicate a production potential of 2½ million tons per annum.

Progress in improving drilling speeds continued and some wells have been drilled and completed to 10,000 feet in approximately 30 days.

PROSPECTING

Burma.—During the year the Government of Burma granted to The Burma Oil Company (1954) Limited an exploring licence covering 11,360 square miles in the alluvial belt of the Irrawaddy Delta. The first phase of the seismic survey was completed during the year and a deep test well has been located.

A test well was started at Ondwe, 30 miles south of the old Yenangyaung field, and this was drilling at the end of the year.

The discussions with the Government of Burma, referred to last year, regarding the taxation treatment of prospecting expenditure were concluded satisfactorily.

Pakistan.—Encouraged by the taxation incentives provided by the agreement with the Pakistan Government which was reported to you last year, Pakistan Petroleum Limited has continued its vigorous exploration programme in East and West Pakistan. In this it has several new competitors and there are now eight oil companies actively interested in the search for oil. Approximately one-third of the exploratory drilling by all companies during the year was done by Pakistan Petroleum Limited. In addition, a considerable programme of geophysical work was carried out. To date, the only success achieved outside the proved oil belt in the Punjab has been the gas discovered at Sui and Sylhet by Pakistan Petroleum Limited.

Meanwhile the deep test well at Lalmai in East Pakistan, to which reference was made last year, made good progress in difficult conditions up to the end of the year. Pakistan Petroleum Limited had three test wells drilling at the end of the year in areas separated by as much as 1,500 miles. This gives some idea of the scope and range of the effort involved.

India.—Apart from the seismic work and drilling at Nahorkatiya, Hugrijan and Moran, the Assam Oil Company has undertaken no further prospecting.

REFINERIES

Burma.—A significant development of the oil industry in Burma was accomplished when the new Syriam refinery of The Burma Oil Company (1954) Limited came on stream in February, 1957. All plant was brought into commission with no more than usual teething troubles. The Deputy Prime Minister performed the official opening ceremony in March, 1957.

The same company's refinery at Chauk operated trouble free throughout the year and with some expansion in capacity.

India.—For the second year in succession the rail communications between Assam and the rest of India were free from major interruptions with the result that Digboi refinery operated at a new record of 423,000 tons.

At Bombay, the Burmah-Shell refinery processed 2,297,000 tons, making a valuable contribution to India's economy.

PERSONNEL AND TRAINING

When operating and trading in overseas territories we employ nationals where possible in place of expatriate personnel, and we have been at great pains to see this policy developed while maintaining the efficiency of our organisations.

To carry out this policy we have set up training establishments locally and also brought to this country trainees and employees who we consider would benefit by attending one or other of the training schemes we have inaugurated or have assisted in inaugurating here.

A school for training apprentices and artisans which was established at Chauk, in Burma, during 1955 has now been raised to the status of an Institute of Technology and is recognised by the City and Guilds of London Institute, which allows the Guild's examinations to be held at Chauk. In India and Pakistan we make contributions to educational and training schemes conducted under the auspices of the respective Governments who select the candidates.

LABOUR

In the year 1957 we were free from any major labour trouble. This is not to say that we were free from the customary series of demands for higher pay and changes in conditions of service, but I am glad to say that, on the whole, a spirit of negotiation prevailed. In the last resort, strikes are generally averted owing to the system of compulsory adjudication by a Government-appointed Tribunal when the normal course of negotiation fails to arrive at a settlement.

TANKERS

Our small fleet continued to operate satisfactorily and without incident throughout the year.

We endeavour to keep our vessels equipped with the most modern amenities for the comfort of the ships' companies. We took the opportunity, therefore, during the first Special Surveys in the United Kingdom last year of mv *Burmah Star* and mv *Burmah Sapphire* to instal plant for air conditioning. When our other vessels next visit the United Kingdom they also will be fitted with similar equipment.

At the end of 1957 it was decided that ss *Badarpur*, after 35 years of steady and profitable service, had reached the end of a useful career and she was sold for scrap early in 1958.

STAFF

It is with great regret I have to report the loss of two members of our staff, Mr R. M. Johnson and Mr A. J. Brent, in an air accident last July in East Pakistan. Both were men of much promise and were held in high esteem by their colleagues.

Our operations in three separate countries continue to bring a great number of new problems and last year was no exception. The manner in which our staff at home, overseas and afloat have tackled and surmounted these problems is a matter of sincere appreciation by us all.

SEARS HOLDINGS LIMITED

RECORD TURNOVER AND PROFITS

SATISFACTORY PROGRESS OF THE GROUP

FINANCIAL STATISTICS 1954-57

	1954	1955	1956	1957
	£	£	£	£
TRADING PROFITS :—				
Footwear	996,000	1,501,000	2,809,000	3,078,000
Bentley Group	1,734,000	1,952,000	1,843,000	2,082,000
Other Interests	486,000	814,000	1,498,000	1,526,000
	3,216,000	4,297,000	6,150,000	6,686,000
Interest paid less dividends and interest received	34,000	87,000	30,000	208,000
Profits before Taxation	3,182,000	4,210,000	6,120,000	6,478,000
APPROPRIATIONS OF PROFIT :—				
Taxation	1,770,000	2,180,000	3,531,000	3,825,000
Pre-acquisition Profits	761,000	320,000	498,000	18,000
Minority Shareholders' Interests	132,000	105,000	163,000	257,000
Dividends	443,000	543,000	1,024,000	1,235,000
Retained Profits	76,000	1,062,000	904,000	1,143,000
	3,182,000	4,210,000	6,120,000	6,478,000
CAPITAL EMPLOYED :—				
Fixed Assets	10,227,000	10,998,000	23,382,000	24,458,000
Net Current Assets	5,236,000	6,323,000	9,825,000	11,027,000
	15,463,000	17,321,000	33,207,000	35,485,000

MR CHARLES CLORE REVIEWS TRADING RESULTS

The Annual General Meeting of Sears Holdings Limited will be held on June 5th at the Dorchester Hotel, London, W.1.

The following is an abridged version of the statement by the Chairman, Mr Charles Clore, circulated with the report and accounts for the year ended December 31, 1957:

During the twelve months since it was last my privilege to present to you the annual accounts of your Company, the economic situation and prospects throughout the world have greatly changed. A year ago conditions of inflation persisted in Britain, whereas now, in the early part of 1958, we appear to have entered a period of mild deflation. The confidence of early 1957 has been replaced by an atmosphere of uncertainty and increased restriction on policies of expansion.

Against this background it is understandable that your Board has not added any substantial businesses to the Sears Group during the past year. We shall, however, still seek to expand our interests when suitable opportunities are offered either here or in North America.

TRADING RESULTS FOR 1957

In view of the more recent general trend of profits in the United Kingdom, I believe you will regard the results for 1957 as most satisfactory. A summarised analysis of the trading profits for 1957 (with corresponding figures for the three preceding years and other statistics which show the progress of the group) is appended.

In total our trading profits in 1957 show an increase of over £500,000. Of this increase the British Shoe Corporation Group contributed some £270,000 (an increase of nearly 10 per cent) and the Bentley Group added nearly £240,000 (an increase of over 13 per cent). Other Interests contributed £28,000, the improved results of the Furness Shipbuilding Group and of Alexander Findlay being offset by a decline in the profits of Parmeko and, to a lesser extent, of the motor distribution business.

Taxation absorbs the enormous sum of £3,825,000. I am glad to learn of the proposal for revising the basis of assessing profits tax; had the new rate been applied for 1957 there would have been a saving of about £200,000.

Disappointment may be felt by some of you that, despite the satisfactory results of the past year, your Directors have not felt it advisable to recommend an increase in the dividend. We feel that the overriding factor to be taken into account in formulating our dividend policy is the vital need to ensure that adequate resources are retained in the business for the future maintenance and development of the Sears Group. In almost every branch of our large family, plans exist for developments and expansions of various kinds and sizes. I believe that over the longer term shareholders will benefit more from this present restraint than if, under existing conditions, we were to have recommended some increase in the dividend.

THE BRITISH SHOE CORPORATION

This Group comprises the multiple retail footwear businesses of Freeman, Hardy and Willis, True-Form, Dolcis, Manfield, Phillips Brothers, Character Shoes and Curtess Shoes. It embraces six major factories and nearly 1,500 retail shops. Despite the large production of our own factories, the greater part of the pairage sold in our shops is bought from independent manufacturers. This enables us to maintain our own factories with the output most suited to them and also to take full advantage of new developments and designs which may originate from outside sources.

Each member of the British Shoe Corporation achieved a record turnover in 1957. This is reflected in the increased profits of the Freeman, Hardy and Willis Group (which includes True-Form) and of Manfield, but a considerable part of these increases arose from economies in operation.

During 1957 we opened over thirty new shops. We shall continue to open new shops when they can be secured on reasonable terms, but under present conditions we cannot afford to pay excessive rents and I anticipate that landlords will find that lower rents are essential if they are not to have empty shops on their hands.

In certain sections of the retail trade a feature has been made recently of quite widespread price reductions. We have always kept our profit margins down to levels which cannot bear further reduction and we are confident that the value obtainable in our shops cannot be surpassed in the retail footwear trade.

So far in 1958 the combination of the late arrival of spring weather and an early Easter has affected our trade, but it is too early to prophesy the outcome of the year's trading.

THE BENTLEY ENGINEERING GROUP

Once again the Group sales of hosiery knitting machines have surpassed all previous records and we ended 1957 with a considerably larger order book than we had at the beginning of that year.

A very large and increasing proportion of our production has been sold to overseas markets. This has involved granting long-term credits to our customers which have absorbed, during the past year or so, an additional £1 million of the Group's working capital and this amount is still increasing.

The smaller members of the Bentley Group have each had a prosperous year in their various spheres. Particularly does this apply to Pegson Limited, whose sales and profits exceeded all previous records.

I am glad to say that the Bentley Group has now reached the stage when the benefits from the mergers of the past few years are becoming more and more apparent. Our large order book has been maintained and the Group should have another satisfactory year in 1958.

OTHER INTERESTS

This Group comprises a number of Companies engaged in various businesses, including motor vehicle sales and service, structural steel, shipbuilding, ferrous and non-ferrous pipes and the manufacture of electrical and electronic components. In terms of profits, shipbuilding represents rather more than one third of the total of this Group and the remainder is well divided between the other businesses, from the nature of which you will appreciate the extent of the diversification of our interests.

THE FURNESS GROUP

During 1957 Furness Shipbuilding Company Limited launched six vessels and a floating dock, the combined gross tonnage being 86,000. This compares with the previous year's launchings of five vessels aggregating 87,000 tons.

There has been a satisfactory improvement in the year's trading results, despite losses arising from an industry strike lasting almost three weeks early in 1957, and orders on hand are still sufficient to keep the yard fully occupied for some time ahead.

Last year I explained that plans were being studied for an extension to the shipyard. Due to the depressed state of the tanker freight market, the urgency to settle our plans is not immediate and we are taking advantage of this by examining all reasonable alternatives before coming to a decision. Additional berthing facilities have, however, become necessary to accommodate the larger vessels on order and a new 700-foot quay has just been completed.

Shaw & McInnes Limited, who operate a pipe foundry in Glasgow, have shown improved results in 1957. Anticipating some reduction in orders from the shipbuilding trade they have successfully obtained an increased share of orders from other sources.

During 1957 the share capital of Peter Johnston and Company (South Shields) Limited was acquired. The Company is well known for its work as fabricators and fitters of iron, steel and non-ferrous pipe work. In addition to its work with the shipbuilding trade it has extensive connections with other industries. We welcome Peter Johnston as a new, though as yet quite small, member of the Sears Group.

So long as we are spared from labour troubles, Furness Shipbuilding Company, helped by some improvement in the steel supply position, should enjoy another satisfactory year in 1958. The outcome of the year's operations for its Subsidiary Companies is dependent on the maintenance of a satisfactory level of profitable orders; so far this condition has been fulfilled.

PARMEKO

Trading conditions have again been difficult for Parmeko. Competition has become more intense and the Company has had to work on more slender profit margins. The increased competition at home has, however, caused us to increase our efforts in the export markets with considerable success. Nevertheless, Parmeko's profit for 1957 was somewhat less than the nine months' profit brought into the Group accounts for 1956.

Research and development work have continued on an increasing scale and we are now able to offer a range of magnetic amplifiers which, backed by the Parmeko reputation for workmanship, reliability and design, is meeting an increasing demand.

Our new factory extensions were completed during the year and are now fully in use. They render us less dependent on subcontractors and enable production to be undertaken on the most efficient and economic basis. This and the technical superiority of the Parmeko organisation enable us to look forward with confidence.

SCOTTISH MOTOR TRACTION

A year ago both of our two principal subsidiaries engaged in the motor distribution and servicing trades were emerging from the stagnation brought about by the Suez crisis and petrol rationing. They were, however, also suffering from an inadequate supply of vehicles from Vauxhall Motors Limited, whose products form the mainstay of their businesses. It was not until the autumn that "Victor" cars were delivered to us in any quantity and deliveries of the new "Cresta" and "Velox" cars only reached us early in 1958.

Our relations with Vauxhall Motors Limited have always been cordial and we are anxious that S.M.T. and Shaw and Kilburn should remain loyal distributors of their products. However, very large sums indeed are invested in our depots, showrooms and service departments and this investment can only be adequately remunerated if we are able to handle a sufficient number of units to retain and satisfy our customers. Our future policy in the trade must, therefore, be governed with these considerations in mind.

In the events of 1957 The S.M.T. Sales and Service Company Limited did well to maintain an average rate of profit nearly equivalent to that of the previous fifteen months, but owing to its more complete dependence on Vauxhall and Bedford vehicles, Shaw and Kilburn Limited had a disappointing year.

During 1957 we acquired new depots at Elgin, Falkirk, Carlisle and Glasgow and we shall continue to expand as suitable opportunities occur.

The Companies should do better this year than in 1957, provided we do not encounter declining industrial activity and retrenchment by our commercial and private customers.

ALEXANDER FINDLAY

Alexander Findlay, whilst able to tackle almost all kinds of structural steelwork, specialise in work for power stations and large industrial buildings. Helped by some easing of the steel supply position, a high tonnage was achieved by the works in 1957 and profits have been satisfactory. Competition for new work is, however, becoming more severe but our good order book will see us through for some time and we are satisfied that our skill and efficiency will keep us well ahead of most of our competitors.

Our confidence in the future is demonstrated by the fact that work has commenced on important extensions to our works and offices.

CONCLUSION AND GENERAL PROSPECTS

You will see that we have no immediate anxieties; in fact, if the remainder of 1958 proves as satisfactory as the months which have already passed, I believe you will have no cause for complaint.

I appreciate that, in present times, our economy may, on occasion, get out of gear and unwelcome controls may be necessary for a time. Nevertheless, my earnest appeal to those responsible for the government of this country is that they should recognise the dangers inherent in applying controls and deflationary measures as correctives for an ill which can be permanently cured only by giving industrialists the greatest freedom and encouragement to expand their activities and so increase efficiency and achieve lowest cost production.

STAFF

At the present time the number of our employees is over 20,000 and I am glad to say that relations between labour and management are excellent. It is at least as much on behalf of our employees as our shareholders that I express an earnest hope that, by this time next year, the clouds which can be seen on the economic horizon in all parts of the world will have cleared away.

Your Directors fully appreciate the vital part played by our employees in achieving the successes of 1957. We are glad of this opportunity to record our thanks to them for their hard work, loyalty and enthusiasm.

THE PYRENE COMPANY

RECORD TURNOVER

The forty-fourth annual general meeting of The Pyrene Company, Limited, will be held on June 3rd at Winchester House, Old Broad Street, London, E.C.2.

The following are extracts from the circulated Statement by the Chairman and Managing Director, Mr Francis A. J. Harrisen, FSMA, FIIA, for the year 1957:

The Group's trading profit at £638,031 shows a small increase over the previous year. Group sales were 4.1 per cent above those of 1956. By maintaining the total Ordinary dividends for the year at 25 per cent on the Ordinary Capital as increased by the rights issue of £125,000, your Directors have justified their belief regarding Ordinary dividend expressed in the Company's letter to Shareholders dated November 30, 1956.

Remembering the National and International difficulties affecting trade during the early months of the year, the Company did remarkably well to finish up with sales in terms of billings slightly ahead of 1956. The turnover achieved was the "highest ever."

Sales of the Fire Division were 8 per cent up, the chief increase being in the Foam and Crash tender Department. The production of crash tenders, particularly in respect of the Home and Canadian Government contracts, reached the peak by the end of the year.

The Bumper Division recovered from the reduced demand during the earlier months of the year and finished at a record rate of output. In fact the value of motor-car bumpers delivered during the second half of the year was 24 per cent higher than in the first six months.

INCREASED EXPORTS

The Company's direct and indirect exports combined represented 49 per cent of total sales and in value showed an increase of 18 per cent over the previous year. The increase in direct export turnover was considerably higher than this, being 47 per cent above 1956. These direct exports were mainly for Fire Division products and they were shipped to 97 overseas territories. This is a highly satisfactory export contribution, particularly as much of the increase was to hard currency areas.

The Parent Company has made an excellent start in the new financial year. Sales for the first quarter established an all time record. In fact billings for each of the first three months of 1958 exceeded those of any month up to and including December, 1957.

The outstanding order book was 12.6 per cent higher at January, 1958, than at the beginning of 1957.

Bumper production is at the highest ever and should continue at a high level as long as the British Motor Car Manufacturers are able to maintain their splendid sales achievement. The Metal Finishing Division's shipments over the first three months of 1958 are above last year's monthly average, and should continue to be so, as their "Parkerizing," "Bonderizing" and other anti-corrosive processes are used extensively not only by the Motor Industry, but by many makers of household durable goods. The United Kingdom sales of Minimax Limited to the end of March have been more than maintained.

The breadth of your Company's business has been so considerably expanded over the past several years that it is now more broadly based than ever.

COSTAIN'S

ACHIEVEMENTS IN WORLD MARKETS

PROPORTION OF OVERSEAS WORK NOW 60%
SUCCESSFUL OUTCOME OF LONG-TERM PLANNING AT HOME AND ABROAD

The annual general meeting of Richard Costain Limited will be held on June 5th in London.

In the course of his circulated statement reviewing the year 1957, Sir Richard Costain, CBE (Chairman and Joint Managing Director) detailed the financial results and said that the consolidated profits of the Group for 1957 showed a satisfactory increase at £526,851, compared with £425,509 earned in 1956. That increase of approximately £100,000 was fairly evenly spread over the various activities of the Group both at home and overseas.

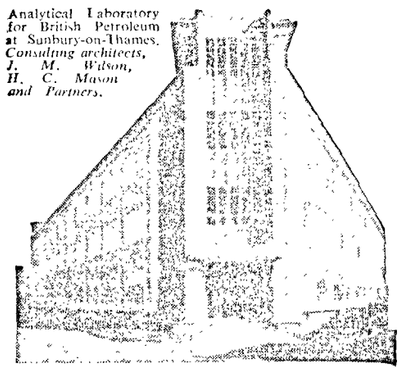
Reviewing the Group's activities, the statement continued:

CONTRACTING Our order book at the end of 1957 was higher than at the end of 1956 and amounted to £28 million. Since the end of the year we have formed a group with five other companies to build the £18 million oil terminal for the Iranian Oil Consortium at Kharg Island on the Persian Gulf.

Last year, I said that 50 per cent of the Group's turnover arose from work overseas. That proportion has now increased to 60 per cent, which I believe is possibly the highest percentage of work carried out overseas by any contractor in this country. In times like the present, where there are pockets of local trade depression, our wide spread of work territorially has enabled us to maintain our order book.

£3½ million township contract in fifteen months, nine months ahead of schedule, enabling work on the dam to start in good time. Owing to the decline in copper prices, we must inevitably find a recession in our business in Rhodesia.

AT HOME: The Building Division completed the new BEA Town Terminal at Cromwell Road in 104 days, 3½ weeks ahead of an already very tight schedule. Another building completed in much less than the usual time was the Analytical Laboratory for British Petroleum at Sunbury-on-Thames, one of the largest laboratories of its kind and completed in seventeen months, five months ahead of schedule. Another of the Division's successes



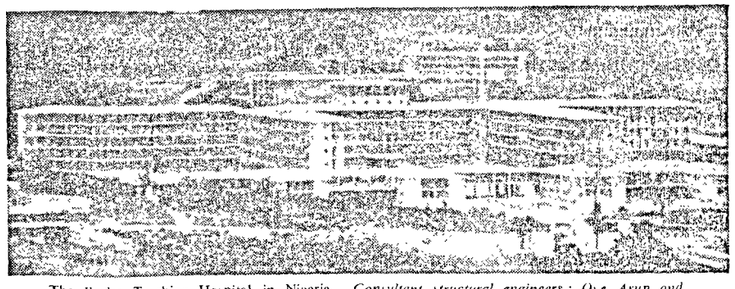
Analytical Laboratory for British Petroleum at Sunbury-on-Thames. *Consulting architects, J. M. Wilson, H. C. Mason and Partners.*

customers in the three years since private building restarted.

PROPERTY It has always been the policy of your Company to have a limited amount of its resources invested in property. We have, during the last twelve months, built and let Hercules House, a London Office block on the South Bank, and during 1957 have taken steps to develop property interests in Canada. At Dolphin Square we have offered seven-year leases which the great majority of tenants have accepted at rents which are on average only 45 per cent. in excess of the restricted rents based on pre-war values. The increased rents will enable maintenance work to be carried out which has had to be deferred, and as a result it is not expected that the net revenue will increase in 1958. It is hoped that by 1959 these arrears of maintenance will have been overhauled and that the Group will receive a reasonable return from its investment. Due to the operation of the Rent Restriction Acts and the steep increase in costs since the war, such a return has not been earned in the last few years.

FUTURE PROSPECTS The trading results for 1957 were the best in the Company's history I think I can say this success is the result of long-term planning, and the Board has constantly in mind the importance of adjusting the executive structure of the Group to meet present-day conditions. In spite of very competitive prices, we have been successful to date in securing our share of the available business in this country and I hope this will continue, but we cannot, of course, escape the consequences of any serious decline in building activity. With this in mind and in view of the limited opportunities for large-scale civil engineering work in this country, your Board has built up a very strong civil engineering business overseas, principally within the Commonwealth, and over 60 per cent of our Group business is now carried on abroad. Apart from spreading the risk so far as the Group is concerned, this policy has a material bearing on the National interest, since the export of civil engineering services represents an important item in our balance of payments. I can say with confidence that we have won for ourselves a position in the overseas contracting industry which is a matter for justifiable pride to our shareholders and employees, as it is to the Board. We cannot, however, ignore the possibility of a general world trade recession, which would obviously affect our overseas business.

CONCLUSION In existing economic conditions it is impossible to make any reliable estimates for the future. We can create a balanced organisation with interests abroad as well as at home, and with investments in property as well as in our principal businesses of civil engineering and building construction. We have been fortunate in obtaining the utmost support from our bankers in providing the very considerable sums necessary for the development of the Group business, but without the retention of profits within the business we could not have achieved the position in which we stand today.



The Ibadan Teaching Hospital in Nigeria. *Consultant structural engineers: Ove Arup and Partners. Architects for the main hospital buildings are W. H. Watkins, Gray and Partners, FF.R.I.B.A., of London, and, for the ancillary buildings, Architect's Department of the Federal Public Works Department.*

ABROAD: The £4 million harbour in Barbados which the Civil Engineering Division were awarded last summer is now well under way. In Nigeria, the Division have been awarded the extension to the Ijora "B" Power Station in Lagos and Costain (West Africa) Limited are carrying out an increasing amount of work on new roads which are necessary to open up that great country, but we are faced continuously with increased competition not only from British contractors, but contractors from other countries. We were honoured by the visit of HRH The Princess Royal at the opening of University College Teaching Hospital, Ibadan. This is the largest hospital on the African continent and one of the finest and most modern in the world. It so happens that our Rhodesian Company are building the second largest hospital in Africa at Kitwe in Northern Rhodesia. At Kariba on the Zambesi, the Rhodesian Company completed the in this type of work was the transistor factory for the Plessey Company at Swindon which was no more than an idea in July, 1957 yet was handed over to the client in January, 1958. In all these cases we were called in at an early stage, thus effecting considerable savings in time and cost.

The Civil Engineering Division has recently been awarded the contract for the £1.4 million Maidstone By-pass and its home order book is higher than it has been for some time.

After referring to the Specialist Services, particularly in regard to soil mechanics, and to Costain Concrete Company Limited, the statement continued:

HOUSING AND DEVELOPMENT Despite the credit squeeze and high interest rates, sales of houses on our estates in this country have been satisfactory and your Company has built up its reputation with building societies and

GALLAHER LIMITED

(Incorporated in Northern Ireland)

RECORD GROUP TURNOVER

INTENSE COMPETITION AND RISING COSTS

SIR EDWARD DE STEIN ON LEAF SUPPLIES

The sixty-second annual ordinary general meeting of Gallaher Limited was held on May 14th at Winchester House, Old Broad Street, London, EC, Sir Edward de Stein, chairman of the company, presiding.

The secretary (Mr George Iliff, ACA) read the notice convening the meeting and the auditors' report.

The following is the chairman's statement circulated with the report and accounts for the year ended December 31, 1957:

The year 1957 has been a year of intense competition and of rising costs. I am pleased to be able to say, however, that these adverse factors have been more than offset by the continued expansion of our turnover.

TRADING RESULTS

The profit of the Group, before tax, in 1957 is higher than in 1956 by £1,501,901 at £6,562,896. After provision has been made for Income Tax and Profits Tax the net profit for the year shows an increase of £743,685 to £2,887,179.

We are recommending to Stockholders a final dividend of 15 per cent on the Ordinary Stock—making with the interim distribution already paid of 5 per cent—a total of 20 per cent for the year, against 17½ per cent in 1956.

In recent years we have made only modest additions to the Group's General Reserve: having regard to the considerable growth of the Group's business we have decided to appropriate £1,824,064 to the credit of the General Reserve in the Parent Company's Accounts. We have also transferred £1,500,000 from Contingencies Reserve, to General Reserve, leaving a balance of £802,182 in the Contingencies Reserve, which, so far as we can see, should be adequate. The effect of these two additions to the General Reserve is to bring the Reserve in the Consolidated Balance Sheet to a round figure of £5 million. As a result of these proposals the Group's Profit and Loss Account Carry Forward will be reduced by £388,359 but will remain at the satisfactory level of £2,424,853. The amount retained out of the year's earnings is £1,435,705—slightly more than the total net cost of the Ordinary Dividend for the year.

CURRENT ASSETS

In the Consolidated Balance Sheet at December 31, 1957, the Group's Current Assets show an increase on the 1956 figure of £10,067,392. The major part of this increase arises in stocks of leaf tobacco where both the quantity carried and the average cost are higher than last year. So far as duty paid stocks are concerned—that is work in progress and finished goods—the value in 1957 is lower than in the previous year despite the increase in the Group's sales in 1957. This is mainly the result of a policy decision to accelerate our distribution; consequently we are turning over our finished goods more quickly now than previously.

Debtors are also up by a considerable amount—£2,746,010, at £21,018,700. This higher level of Debtors is mainly due to higher sales in November and December, 1957.

FINANCE

The growth of the Group's business has naturally called for additional finance, the full effect of which is not reflected in the Accounts as our peak requirements arise a few months before the end of the financial year: to meet the situation we are proposing to fund some of our short-term borrowings by an issue of Loan Stock in the near future, the terms of which are now under consideration.

Owing to the steady expansion of the volume of the Group's tobacco and cigarette sales the annual money turnover has increased in the period 1953 to 1957 as under:

	Annual Turnover £
1953	63,000,000
1954	91,000,000
1955	126,000,000
1956	160,000,000
1957	204,000,000

We have to finance tobacco duty for approximately seven weeks between the date of removing tobacco from bond and payment by our customers for manufactured goods. This has involved us in a daily lock-up represented by duty only of the following amounts during the last five years.

	Daily Duty Lock-up £
1953	10,500,000
1954	13,700,000
1955	18,200,000
1956	22,600,000
1957	26,600,000

The very large amounts locked up in tobacco duty will readily explain why our borrowing has been steadily mounting. In addition large sums have to be locked up in carrying our stocks of leaf tobacco—which at the end of the year amounted to £28,500,000.

PROFIT MARGINS

The tobacco industry always works on small margins of profit on its turnover: it was only the steady increase in costs prior to September, 1957 which forced us to make a slight increase in prices in that month. The great aim of our business is to give the highest quality and value for money to the smoking public. The main factor which contributed to the improved results this year is the considerable increase in our turnover by £44 million to £204 million—an increase of 27½ per cent—which I am bound to admit exceeded our expectations.

ENGINEERING SUBSIDIARY

Once again I am pleased to be able to report to you that our engineering subsidiary has had a successful year. You will recall that last year I informed you that it had purchased all of the issued capital of Larmuth and Bulmer Limited. This has turned out to be a satisfactory acquisition. A full year's profits of our new subsidiary are included in the Group figure for 1957 as compared with three months' profits in 1956.

The Board wish to record their appreciation of the good results achieved by the management, staff and workers.

GENERAL MATTERS

So far as general matters are concerned the principal events have been (1) the development of our Lisnafillan site in Northern Ireland together with additional leaf storage facilities and (2) the building-up of production at our new factory in the Manchester area. I referred to each of these matters in my Statement last year.

The first stage of the development at Lisnafillan was completed in January 1958 and the factory is now producing cigarettes, but not yet on a large scale. This factory is expected to be in full production about the end of September 1958. The remaining stages of the Lisnafillan development will reach completion towards the end of the year.

Our factories are still working under pressure. They will not really feel the effect of the additional production capacity for some time. The new manufacturing units which have so far become available have just about been able to meet the demands our expanding sales have made on them.

The new factory in the Manchester area is now in full production and I think we may justly feel that it is one of the most modern in the country.

SALES

The record turnover of the Group to which I have already referred is by no means attributable to a single brand; all our main brands have made a contribution—outstandingly "Senior Service" and "Park Drive" cigarettes and "Old Holborn" tobacco. Our new Benson & Hedges cigarette brand "Olivier" tipped, introduced in 1956, has established a significant sale in the price category 3s. 4d. for 20 which generally is proving popular with smokers today.

In February, 1958, we added a new brand to our range, "Park Drive Tipped" retailing at 2s. 6d. for 20. This brand has had a successful introduction.

LEAF SUPPLIES

The price of leaf tobacco in most markets advanced in 1957 to new high levels. With exceptions in the case of a few types of tobacco we were able to buy the quantities we required to replace our usage, but as our sales increased more than we anticipated we will require to increase our purchases again this year in order to build up our stocks.

The higher purchases we have required to make in America have thrown a heavy burden on our buying staff in the United States and we are very grateful to them for the excellent service they have given us.

Owing to the increase in the quantities of Rhodesian tobacco which we now need to purchase we have during the past year strengthened the organisation of our Salis-

bury branch and enlarged its handling and packing capacity.

We wish our staff in the United States, Rhodesia and Nyasaland a successful season in 1958.

With the exception of India, where we anticipate a satisfactory purchase, it is too early to attempt to forecast anything about the 1958 crops, but we have been sorry to learn that the heavy rains experienced in Central Africa are likely to affect both the quantity and the quality of what promised to be a record crop.

OUTLOOK

Owing to the various factors to which I have referred above you will readily understand that it is difficult to give an accurate prophecy of the results for the current year, but in the first quarter our sales have continued to expand and unless something unforeseen occurs it will be reasonable to expect another satisfactory year in 1958.

EMPLOYEES

The continued progress which the Company has made during the last few years in conditions of intense competition would not have been possible without the loyal and enthusiastic support of all employed in the business—in the purchase of our leaf tobacco and other materials, the high standard of maintenance of our production machinery and premises, the care taken in the manufacture of our brands under conditions of intense pressure, and the efficient selling and advertising of the Group's products. But all these factors are dependent on wise technical and commercial policy. I should like to pay a special tribute this year to the magnificent guidance and control in this respect which we have received from the Managing Director and his executive colleagues.

We thank our employees for their service in the Company's interests throughout the year and compliment them on their achievements, in recognition of which we have again this year paid them a bonus equal to six weeks' salary or wages.

The report and accounts were unanimously adopted; the proposed dividend was approved; the retiring directors, Mr E. J. Foord, Mr J. N. Hogg and Mr M. R. Norman, OBE, were re-elected and the auditors, Messrs Hill, Vellacott and Bailey, were reappointed.

FIAT S.p.A.

TURIN, ITALY

(Motorcars, Aircraft, etc.)

SHAREHOLDERS' MEETING

The annual Meeting of Fiat Shareholders, held in Turin on April 30th, under the chairmanship of Professor Dr Vittorio Valletta, Chairman of the Board and Managing director, unanimously adopted the report and balance Sheet for 1957. The net profit for the year was 13,899 million lire. Dividend 80 lire per share.

Professor Valletta's statement, touching on the international situation, noted that Russia's artificial satellite and the Paris meeting of the Nato council awakened the year 1957 from the sluggishness in which it began, mainly owing to the tightness of the international money market; and stated the institution of the European Common Market has helped to strengthen and effectuate the determination toward Western co-operation as well as to increase business and employment opportunities.

Also in 1957, in spite of difficulties, Fiat has succeeded in still further increasing its business. Thanks to the full efficiency of its very modern equipment and to the spirit of co-operation of its workers. Here are the main data of the increase:

— sales 350 milliards of lire (10 more than in 1956);
— 306,120 motor vehicles produced (285,656 cars and 20,464 commercial vehicles), an increase of 14,377 units over 1956, and 18,647 tractors;
— iron and steel production for a total of 73 milliards;
— total Fiat exports 95 milliards of lire (18 more than in 1956) of which 65 for automotive products, 13 for tractors, 17 for other products;
— Fiat employees now number over 80,000; on December 31st the situation was 80,423, of which 62,218 factory workers and 18,205 office personnel (including the OM Works).

Fiat's automobile production is on a high European level; an average of 1,300 a day, which will be increased. Constant customer confidence in Italy and abroad in Fiat models: the small 500 and 600 cars, and the 1100, 1200 full-light, 1400 and 1900 models. Among the successes of new Fiat products that of the "Fiat G.91" jet plane for the Nato is of international prestige. Fiat is also developing a Nuclear Section.

Fiat's welfare work for its people and their families is continually expanding. The Company's Mutual provides free medical care to about 200,000 persons, including personnel and their families. The Fiat Housing Plan consists of 2,709 apartments, for factory workers and office personnel.

Turin, April 30, 1958.

VINE PRODUCTS

INCREASE IN PROFITS

The thirty-second annual general meeting of Vine Products Limited, was held on May 8th at Surbiton.

The Viscount Marchwood, MBE, chairman and managing director, in the course of his speech, said:

The accounts show a very satisfactory increase in the trading profits of the Group, being an improvement even on the 1955 figures, which at that time were the best in the company's history. It must, however, be borne in mind that, for the reasons stated in the directors' report, this improvement cannot be attributed solely to increased sales.

As you well know, one of our main problems is the purchasing of the raw materials essential for our business and these, once again, have been subject to violent fluctuations during the year under review, and continue to be so during the current year.

Nevertheless, last autumn, in response to many requests from the trade, we introduced a superior Cream Sherry, produced from the juice of selected Spanish grapes, in an attractive pack under the name "RSVP," selling at 7s. 6d. a bottle. The "RSVP" introduction met with such an instantaneous response that we had hardly sufficient supplies to meet the demand. As a result of this success we have now decided to market an "RSVP" Old Ruby, also made from Spanish grape juice which will be available in July and which will, we hope, prove equally acceptable.

Sales of BritviC Fruit Juices continued to expand and in 1957 they reached a record figure, exceeding the previous 1955 record by a reasonable margin.

You will have read in the Press of BritviC's new venture in the canned fruit trade. It is too early yet to do more than say I am confident that, by offering fruit of the finest quality, in keeping with the company's reputation for excellence, the name of BritviC will be brought before an even wider public.

INTENSIFIED COMPETITION

Last year I referred to the competition which British wines were facing from the lower-strength blended Commonwealth wines. This competition was intensified during 1957. However, as a result of the recent Budget the advantage in duty on a blended wine previously enjoyed by the Commonwealth producer has now been reduced though not eliminated.

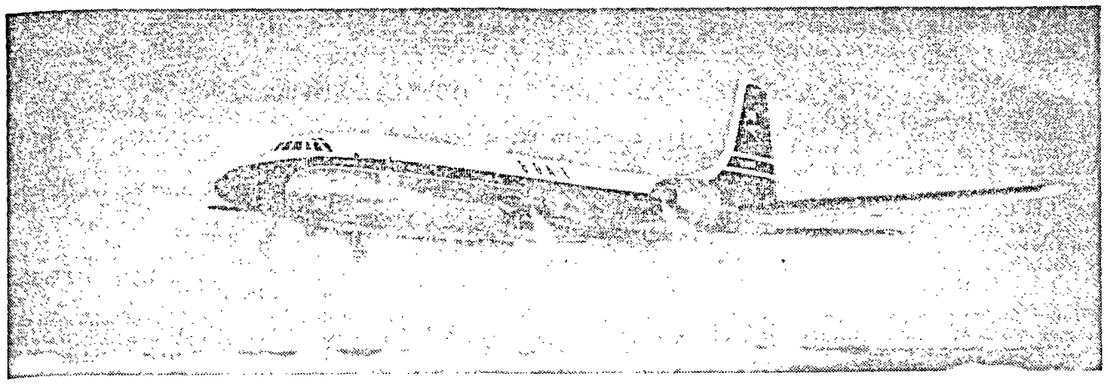
Moreover, we now contemplate the marketing of a range of Commonwealth wines under the VP label and through the VP organisation which will, I feel sure, compete satisfactorily in this sphere.

One adverse feature of the Budget has been an inevitable and fairly substantial loss on those wines on which duty had already been paid.

The consolidated profit and loss account shows an increase in profit before taxation of £70,636 although the profit after taxation shows an increase of only £11,779.

I am always hesitant of forecasting future prospects, but, despite the fact that trading in the first three months of this year has been rather slow, I feel we may reasonably expect another successful year in 1958.

The report and accounts were unanimously adopted and the proposed dividend of 25 per cent, less tax, on the Ordinary stock was approved.



One of the long-range Britannias of BOAC. The Britannia is the largest, fastest and smoothest airliner in world-wide service.

"A CHALLENGING AND FASCINATING FUTURE, BUT..."

Chairman of the Bristol Aeroplane Group reviews progress

The following are extracts from the Chairman's Statement to Stockholders, issued with the Directors' Report and Accounts for the year ended December 31, 1957.

Measured in terms of technical possibility, the future for this industry remains as challenging and fascinating as at any time in its history. But whether its commercial prospects will be equally attractive depends upon issues of public policy; for ourselves, we believe we can satisfy any demands upon our ability.

Orders due for completion over the next two-three years are at a high level; thereafter the prospect is by no means so clear. We face reduced Service requirements, intense competition in selling to airlines and big cuts in Government sponsored research and development. But there is no evidence that air defence has become less important, and the British industry therefore remains vital to this country and the Western world. It is no evasion of responsibility to say that longer term prospects depend on Government policy.

Bristol Aero-Engines Limited

The Olympus turbojet is established in RAF service, and the Orpheus lightweight turbojet is maintaining its early promise. Bristol ramjets will shortly become the first ramjets to enter RAF service. The Proteus turboprop has displayed in the Britannia the excellent reliability predicted. Other turbine projects are being vigorously pursued, as is a small but growing research programme for the UK Atomic Energy Authority.

It has been arranged that Bristol Aero-Engines Limited and Armstrong Siddeley Motors Limited will pursue joint research and development and pool resources in relation to new engine projects initiated by the Ministry of Supply. A joint company has been formed, which we hope will lead to close identity of purpose.

Bristol Aircraft Limited

During the year the Britannia occupied a dominating place in the Company's affairs; we can fairly claim it is the finest airliner in use today. The order book is shorter than we would wish: special attention is being given to the freight market and to the international passenger fare structure, which seems at present to penalise aircraft with low operating costs.

The design team devoted much attention to a medium range turbojet airliner, and exploration of possible overseas demands continues. The Weston Division is busy with helicopter production and with rocket motors; at Cardiff, manufacture of the Bloodhound guided missile is well advanced. There are significant future possibilities for the Bloodhound.

Bristol Cars Limited

Sales have been maintained, and orders for a new model and for Bristol engines for AC cars have been encouraging.

Associated and Overseas Companies

Rotol Limited and British Messier Limited have fulfilled last year's promise of an increase in turnover. Defence programme fluctuations prevented Short Brothers and Harland Limited achieving the turnover expected, but recent progress has given better promise for the future. In general, the overseas companies have made steady progress.

Finance

In a difficult year, in which changes of official policy have coincided with problems encountered with new products entering service—it is evidence of the underlying strength of the Group that profits before charging interest have been maintained and that the proposed dividend should be at the same rate as for previous years.

BRISTOL
GROUP OF COMPANIES

THE BRISTOL AEROPLANE COMPANY LIMITED · FILTON · ENGLAND

OTTOMAN BANK

SATISFACTORY LIQUID POSITION

LORD LATYMER'S REVIEW OF WIDESPREAD INTERESTS

The ninety-first Annual General Meeting of the Ottoman Bank was held on May 14th in Winchester House, Old Broad Street, London, E.C.

The Right Honourable Lord Latymer, the chairman, presided and, in the course of his speech, said:

TURKEY

1957 saw further progress in the equipment and economic development of the country. Signs of this expansion are visible on all sides.

The Budget voted at the beginning of this year for the period March 1, 1958, to February 28, 1959, totals Ltq. 4,475,500,000 of which Ltq. 2,980 million for general expenses and Ltq. 1,495,500,000 for public works. For the previous year the figures were Ltq.2,733,400,000 and Ltq.1,273,300,000 respectively.

As regards foreign trade, the adverse trade balance was reduced from Ltq. 286,600,000 in 1956 to Ltq. 145,300,000 in 1957 following stringent import-restriction measures, especially of consumer and luxury goods. The import total fell from Ltq. 1,140,600,000 to Ltq. 1,112 million. In exports there is an increase from Ltq. 854 million in 1956 to Ltq. 966,700,000 in 1957: tobacco, fruit, cotton and minerals were the principal exports.

As regards your Bank, you will be interested to hear that in 1957 we opened new offices at Besiktas and Laleli in Istanbul and at Karsiyaka in Izmir. At the beginning of this year we also opened the Bakirkoy branch in Istanbul, and the Alsancak office in Izmir.

SUDAN

In January, 1957, the Sudan celebrated the first anniversary of its independence and in September became a full member of the International Monetary Fund and of the International Bank for Reconstruction and Development. During the year a mission from the said Bank and from the USA International Co-operation Administration visited the country with a view to providing advice and practical assistance in the many development schemes under consideration.

The trade figures for the year were: Exports £S.48,100,000 and Imports £S.63 million against £S.66,700,000 and £S.45,200,000 for the previous year: it will be noticed that the balance of trade has declined from a surplus of some £S.21,500,000 to a deficit of some £S.14,900,000.

It was a busy year for our branches, not without its anxieties, especially in the early part of the year. In April a new sub-branch (Khartoum North) was opened on the bank of the Blue Nile opposite Khartoum: the new sub-branch quickly established itself and fulfilled our expectations.

JORDAN

Jordan was of course affected economically, as well as politically, by the period of tension which followed the General Election of October, 1956, and led, in March, 1957, to the abrogation of the Anglo-Jordan Treaty, the evacuation of British Forces and the termination of the annual British Grant-in-Aid. The same period saw the signing of the Arab Solidarity Agreement which Jordan concluded with Egypt, Syria and Saudi Arabia.

There was a slight increase in the trade figures for the year which amounted to JD. 31,500,000 for imports and JD. 5,600,000 for exports and re-exports.

It is satisfactory to note that currency in circulation—which had risen to well over JD. 17 million at the beginning of the year owing to political uncertainties, had fallen in December to JD. 15,600,000.

IRAQ

For Iraq, 1957 was a year of steady, if unspectacular, progress. The trade totals for the year were: Exports (excluding Oil) ID. 18,400,000 and Imports ID. 152,200,000.

In the early part of the year the export of oil was still handicapped: the Syrian Pipeline had been cut in 1956 and was out of action. Pumping through Syria, however, was resumed in March. However, as might be expected, oil royalties for the year showed a decline to some £49 million from the £69 million total for the previous year. Production itself fell from 29 million to 20 million tons. Full production, however, is in course of resumption and should, it is hoped achieve an output of 36 million tons by next year.

Your Bank opened in 1957 three new sub-branches and a cash office in the City. A cash office has also been opened at Zubair, near Basrah. As this expansion suggests, it was a very busy year for your Bank.

CYPRUS

Behind the conflict and controversy in Cyprus, the development of the Island and of its natural resources continues.

In Cyprus we are bankers to the Government and to the Armed Services. This, as you can understand entails a very large volume of work, and has led to the opening of a number of sub-branches. Our offices in Cyprus now *number twenty.*

I know you will wish to have news of our affiliated institution, the Agricultural Bank of Cyprus Limited which, with its particular policy of long-term loans for the improvement of holdings and for purchase of tractors, pumps, and other modern machinery, continues to encourage and support Cyprus farmers. It is most satisfactory to note that nearly 99 per cent of all repayment liabilities under these loans, both in principal and interest, has been punctually met at due date.

PERSIAN GULF (QATAR)

Last year I mentioned the entry of your Bank into this new territory. I am pleased to add that our first full year's working in Qatar has been encouraging. There was some general recession in the early part of the year, a not unexpected reaction to the Suez Canal crisis of 1956. Since then, however, oil production has made steady progress, and is now running at the rate of some 8 million tons a year. Prospecting for further fields continues.

Possibilities in industries other than oil are being studied. Of these projects, the production of good quality cement appears to head the list.

MOROCCO

Morocco's foreign trade figures for 1957 were as follows: imports FF. 144,820 million against FF. 155,000 million in 1956; exports FF.117,729 million against FF. 118,000 million in 1956. The adverse balance was thus reduced from FF. 37,000 million in 1956, to FF. 27,091 million in 1957.

In spite of difficult conditions, our Casablanca Branch had a busy year with encouraging results.

LEBANON

The 1957 economic situation in the Lebanon remained satisfactory. Foreign trade showed a slight advance on the previous year; imports increased from £Leb. 561,200,000 in 1956 to £Leb. 627 million in 1957 and exports from £Leb. 145,800,000 to £Leb. 152,200,000.

SYRIA

1957 showed a substantial increase in exports which from £Syr. 516 million in 1956 reached £Syr. 548 million in 1957 and a fall in imports from £Syr. 690 million in 1956 to £Syr. 616 million in 1957. The trade balance of the country, therefore, does show improved stability.

The results, both in the Lebanon and in Syria, of the Banque de Syrie et du Liban, are on the whole satisfactory.

BANQUE FRANCO-SERBE

The General Meeting of the Shareholders of the Banque Franco-Serbe held on March 28, 1958, approved the accounts for the year 1957 and the payment of a dividend of 10 per cent, the same as for the previous year.

LONDON AND PARIS, ETC.

For the Paris and London Offices and for our Branch at Marseilles it was a busy but rewarding year.

BALANCE SHEET ITEMS

Turning to the Balance Sheet, it will be seen that the totals are up by nearly £4 million, this being primarily due to an increase in the "Current, Deposit and Other Accounts."

Cash, Money at Call and Bills Receivable again total more than 50 per cent of the Deposits, evidence of a satisfactory liquid position. There is little change in the proportions of Investments and Advances to Deposits, which work out at 14½ per cent and 40 per cent respectively.

The total amount of profit available, including the balance of £22,863 brought forward, is £382,321, compared with £422,86 last year.

£150,000 has been appropriated to "Reserve for Contingencies" (against £200,000 last year), leaving a balance of £232,321; and the Committee proposes that the dividend be maintained at eight shillings per share. This will absorb £200,000 and leave £32,321 to be carried forward in 195

The report was adopted.

ALUMINIUM-INDUSTRIE-AKTIEN GESELLSCHAFT CHIPPIS (SCHWEIZ)

ZURICH, SWITZERLAND

INCREASE IN OUTPUT

FOREIGN SUBSIDIARIES MAKE FURTHER PROGRESS

NEW INTERESTS IN AFRICA

The sixty-ninth Annual General Meeting of Aluminium-Industrie-Aktien-Gesellschaft Chippis was held in Zurich on April 25th, when the Board of Directors presented the following report:

REVIEW

The change in trends in the aluminium business in the United States, which had already been referred to in the last report, continued during the year under review. Overproduction made itself felt, particularly in the United States and Canada, and led to severe cuts in the expansion plans of the leading companies. In Europe, reaction to these developments varied from country to country. In Germany, Italy and Britain, in contrast with conditions in France and Switzerland, a business recession made itself felt during the last few months of the year.

World output of virgin aluminium for 1957 has been estimated at 3,360,000 tons and thus exceeds the previous year's figure by some 30,000 tons. In this connection, it is interesting to note that for the first time for a long period, output in the United States showed a decrease compared with the previous year. A regional breakdown shows the following figures:

United States	1,496,000 tons
Canada	505,000 tons
Europe	650,000 tons
Eastern Block	600,000 tons
Japan	68,000 tons
Miscellaneous	40,000 tons

The price of the virgin metal was further increased in the United States in August, 1957, and for their American deliveries Canadian producers followed suit, whilst reducing their export price to other countries from 25 cents/lb cif European port to 24.63 cents free European plant, in November. In Europe, French prices were increased on two occasions.

In spite of unfavourable water conditions, production in the Company's four plants increased once again during the year, although only to a small extent. Market conditions in Switzerland remained satisfactory until the end of the year, so that practically the whole of the Company's Swiss output of virgin aluminium could be sold in Switzerland itself. Metal from foreign subsidiaries, on the other hand, was used for the export of semis. Sales of Raffinal—refined aluminium—developed encouragingly, whereas sales of S. A. P.—metal made of sintered aluminium powder—and of gallium, were still relatively small.

SWISS PARTICIPATIONS

The Mörel and Ernen turbines of Rhonewerke AG, generated a total of 395 kWh—that is, some 9 million less than the previous year.

Ilsee-Turtmann AG. showed a decrease of 7 million kWh compared with the previous year, and its production reached 106 million kWh only.

Rheinkraftwerk Neuhausen AG. registered normal output with a figure of 40.5 million kWh.

Elektrizitatswerk Rheinau AG, in which the Company holds a 41.8 per cent interest, concluded its first year on September 30, 1957. Output reached 200 million kWh and the dividend distributed amounted to 4 per cent.

The *Kraftwerke Gougra AG.* dam reached its planned height during the year under review, and it has since been decided to raise it by a further 3 metres (10 feet). Power output during the winter 1957/58 was still small, but is expected to assume considerable proportions in the course of next winter. The company's share capital of Sfrs. 50 million has been fully paid up since the end of January, 1958.

Robert Victor Neher AG, Kreuzlingen, an aluminium foil plant, continued to function satisfactorily, and *Allega AG,* a Zurich company selling aluminium semis from stock, registered a considerable turnover.

FOREIGN ACTIVITIES

SA des Bauxites de France reached its normal output last year, but the level of selling prices fixed by the State continued to prevent a profit being made. In Italy exploitation of the Apulia deposits continued, and work was intensified on the deposits in the Abruzzi acquired a few years ago.

The difficult Greek bauxite has only been processed at Bergheim-Cologne up to now, but arrangements are now being made to provide the necessary installations at Porto Marghera as well.

The Company's plants for the production of aluminium oxide—Martinswerk GmbH, Bergheim-Cologne, Società Alluminio Veneto pA, Porto Marghera, and Société Française pour l'Industrie de l'Aluminium, Marseilles—worked to the limit of their capacity. At Bergheim-Cologne progress was made on the new power plant, and Porto Marghera for the first time produced more than 100,000 tons of alumina.

In French Guinea work began on the construction of an alumina factory, FRIA, in which the Company holds a 10 per cent interest. The plant is expected to be completed in 1960. French Guinea has very considerable bauxite deposits.

1957 was again an unfavourable year for the production of electric power and output had accordingly to be cut during the winter. Building activity at Mosjöen (Norway) continued vigorously, and the smelter was commissioned in the spring of 1958 as planned. The Adige Plant at Zevio in Italy made considerable progress during the year and is expected to be taken into service towards the end of 1959.

As in the previous year, processing plants worked satisfactorily. The new plant put into service with Aluminium-Walzwerke Singen GmbH during the last few years is working well. In Italy Lavorazione Leghe Leggere at Porto Marghera experienced a fall in orders, whereas Laminal Rusconi Fraschini at Nembro increased in output.

In Britain the Star Aluminium Company Limited, with factories at Wolverhampton and Bridgnorth, works satisfactorily, and in Belgium Aluminium Belge SA at Liège has begun to modernise its machinery. Aluminium Foils Inc. of Jackson/Tennessee now also produces Raffinal, and sales of foils were raised last year in the face of severe competition.

PROFITS

Operations in 1957 produced a net profit of Sfrs.14,191,009.22 which, together with the balance of Sfrs.1,806,644.27 brought forward from the previous year, made a total of Sfrs.15,997,653.49 available for distribution. It is proposed to allocate this sum as follows:

To distribute a gross dividend of Sfrs.100 per share of Sfrs.1,000;

To transfer Sfrs.1.5 million to the Special Reserve Fund;

To transfer Sfrs.2 million to Depreciation Reserves;

To allocate Sfrs. 1 million to the Provident Fund;

To carry forward the resulting balance of Sfrs.1,916,193.49.

The report, the accounts, and the proposals put forward by the Board were adopted.

BOARD OF DIRECTORS

(Verwaltungsrat)

Dr. Ernst Wetter, Zurich, Chairman; Robert Naville, Cham. Vice Chairman; Dr.h c. Carl J. Abegg, Zurich; Arnold Bloch, Heuhausen am Rheinfall; Dr. Robert Bühler, Winterthur; Heinrich Hürlimann, Zurich; Frédéric Maurice, Geneva; Cyrille Pitteloud, Sitten; Dr. Rudolf Speich, Basle.

HALL ENGINEERING INDUSTRIES LIMITED

ANOTHER SUCCESSFUL YEAR

WIDE DIVERSITY OF PRODUCTS

MR E. N. HALL ON MEETING CHANGING CONDITIONS

The Third Annual General Meeting of Hall Engineering Industries Limited was held on May 14th in London, Mr E. N. Hall, the Chairman, presiding.

The following is his circulated statement: The Group Accounts show the completion of another successful year. Turnover was up from £10,180,000 to £10,860,000 but, as forecast in the last Report, there was a reduction in profits, due mostly to increased labour costs and keener competition.

The problems of financing a business today are not made easier by the very heavy burden of present-day taxation and restricted credit facilities. Until some reform of the Taxation Code takes place or some substantial reduction of Taxation is made, the Government will continue to be in the position of a major partner, taking the whole of its share of the profits each year out of the business in cash.

A good deal has already been said on the folly of Steel Nationalisation, but a country or its industries cannot advance or plan ahead if succeeding Governments introduce diametrically opposed legislation.

The shortage of skilled labour in the engineering field is still a problem, although perhaps less acute than twelve months ago, but we are beginning to see the benefits of our apprenticeship schemes which have now been in operation for some years, and many of the young men who are passing out of this category will be a valuable addition to our highly skilled personnel in our various Companies.

For the benefit of shareholders it is worth while reiterating the wide range of the Group. This includes the manufacture of high speed and alloy tool steels, stainless steels and wires, tungsten carbide cutting tools, mining tools, engineers' small tools, electrical resistance alloys, the stock holding of mild steel and free cutting steels, the manufacture of welded steel fabric for concrete reinforcement of roads and buildings, steel mesh for many applications, the design of reinforced concrete structures, bankers' engineering and security equipment, steel office furniture, aircraft wind tunnels, atomic work, metal tags, reflecting and non-reflecting road and advertising signs, auto body dies. This wide diversity of products should stand us in good stead.

FINANCE

The Trading Profit of the Group amounts to £759,375, from which has to be deducted the charge for United Kingdom and Overseas taxes of £462,427, resulting in a net profit of £296,948 compared with £362,559 in 1956. The Board recommend the payment of a final dividend of 6 per cent less tax, which, with the Interim Dividend makes a total of 10 per cent, less tax, for the year. Profits of £162,733 are added to the Revenue Reserves of the Group which now total £433,118.

Approximately £500,000 has been spent during the year on Developments at home and overseas, on plant replacement and reorganisation programmes.

SUBSIDIARY COMPANIES

Hall and Pickles Limited.—The turnover shows an increase over last year and all departments have been fully occupied. The end of the year has seen a considerable easing of raw material supplies.

As far as our Overseas Subsidiaries are concerned, the recent recession in Canada has added to our existing difficulties in this market. Your Board is fully alive to the changing conditions and is taking all possible steps to deal with this problem. Our South African Company continues to make very satisfactory progress.

The British Reinforced Concrete Engineering Company Limited.—The Company has had a good year and is continuing with the development of machinery and methods for producing meshes for purposes other than the reinforcement of concrete, some of which have already been successful and have opened up new markets with prospects of considerable expansion.

The drawing of wire at the factory in Stafford, jointly with The Lancashire Steel Corporation Limited, is proceeding satisfactorily.

Overseas, the Johannesburg and Bulawayo works are operating on a profit making basis. The Vancouver Works is in production, but because of present conditions in Canada it is not yet working to full capacity.

Chatwood-Milner Limited.—The order book for the Shrewsbury factory is substantial. The reorganisation and capital expenditure on new plant over the last two years has widened the range of activities and strengthened the Company's position so far as scope and variety of work are concerned.

Further contracts for plant in connection with Atomic Power Stations have been received.

Reorganisation at the Speke factory is now practically completed and the effect of this should be shown during the current year.

The Company's turnover for Bankers' Engineering Security Work and Office Equipment shows steady improvement.

Towards the end of the year we came to an arrangement with Chubb and Sons, Lock and Safe Company (Pty.) Limited whereby they acquired the Share capital of our South African Chatwood-Milner Subsidiary.

Improved Metal Label Company Limited.—This Company has had a good year and is introducing new lines. The overseas projects continue to develop and further equipment has been installed in South Africa.

Auto Body Dies Limited (formerly Composite Forgings Limited).—Recently the name of the Company has been changed and its title is now more descriptive of the main product. Within the last few months the necessary machine tools for the production of motor body dies have been installed and the Company is very busy.

Webslight Limited (formerly Harry Heath (General Advertisers) Limited).—The last twelve months has seen a steady increase in the order book, and this has so far been maintained in the current period. Production increased during 1957 and additional equipment is being installed.

PROSPECTS

There is no doubt that in 1958 it will be more difficult to maintain profit margins, but the attention we are paying to research, improved design, quality control and cost, as well as the regular introduction of new plant, should equip the Group to meet changing conditions.

Finally I should like to thank our Executive Directors, Staff and Workpeople for their co-operation and efforts during the past year.

The report and accounts were adopted.

NEWTON, CHAMBERS & COMPANY LIMITED

RECORD TRADING RESULTS

The seventy-sixth annual general meeting of Newton, Chambers & Company Limited, was held on May 8th at Thorncliffe, near Sheffield, Sir Peter Roberts, Bart, MA, MP (the Chairman), presiding.

The following is an extract from his circulated statement: In view of the more competitive trading conditions which developed in 1957 it is very satisfactory to report that the profit increased by £88,551 to £805,855, the highest figure yet achieved.

For the first time in the Company's history the gross profit before charging depreciation or replacement of fixed assets has exceeded £1 million. This increase in profit justifies the heavy capital expenditure of over £1 million which your Company has undertaken in the past two years, and which has been made possible by continuing the policy of retaining substantial profits in the business.

After providing £469,000 for taxation, there is a net profit available for distribution of £336,855, compared with £296,338 a year ago.

Your Directors have felt it only right that the shareholders should benefit from the successful year's trading, and they propose to increase the final dividend to 10 per cent, making 16 per cent for the year compared with the 15 per cent which has been paid for the past three years.

If your Company is to continue to expand, it is necessary to retain a considerable proportion of the profits in the business, and it has therefore been felt desirable to transfer a further £100,000 to the General Reserve, which now stands at £1,200,000.

As you are no doubt aware, we have acquired virtually the whole of the issued share capital of Ransomes & Rapier Limited, the well-known firm of Engineers and Iron-founders at Ipswich. This involved increasing our authorised share capital by the creation of 133,000 5 per cent Cumulative Preference Shares of £1 and 603,000 Ordinary Shares of £1, which will be issued to the shareholders of Ransomes & Rapier as consideration for the business.

The capital expenditure and replacement programme, to which I have referred in recent annual statements, gathered momentum last year, and an expenditure of £553,000 was incurred, bringing the total for the past three years to nearly £1,300,000.

Although much has been accomplished we cannot yet afford to slow down the process of extending and re-equipping the Works, and you will note that at December 31st we were committed to further capital expenditure of £326,000. In addition other schemes are under consideration and it is expected that a further £200,000 will be required this year.

The report and accounts were adopted.

HAMBROS BANK LIMITED

A SUCCESSFUL AND PROSPEROUS YEAR

MR R. OLAF HAMBRO'S STATEMENT

The Forty-Sixth Annual General Meeting of Hambros Bank Limited will be held on Thursday, June 5, 1958, at the offices of the Bank, 41 Bishopsgate, London, E.C.2.

The following is the Statement of the Chairman, Mr R. Olaf Hambro, circulated with the Report and Accounts for the year to March 31, 1958:

Before turning to this year's activities of the Bank I would like to refer, with regret, to the death of our colleague Sir Ernest Oppenheimer. Although as a result of the many important positions which he held in South Africa, he was not often able to attend our Meetings his advice on a great many subjects was very valuable to us and we shall miss him sadly. We are, however, assured of friendship and close contact with those who follow him in his business.

During the year, owing to his age, Mr G. L. d'Abo has ceased to be a Managing Director, but we retain, I am glad to say, his advice and great experience in international banking by his continued presence on the Board.

On his retirement as Manager of our Norwegian Department we have elected Mr Anton Martens to the Board. From his future residence in Norway he will keep us in touch with our Norwegian clients.

CONTINUED GOVERNMENT PRESSURE

In presenting this Statement with the Accounts I have referred in the last two years to the difficulties and exceptional experiences through which the Bank has passed. As is well known this year has been no exception with its violent fluctuations in discount rates and continued pressure from the Government to restrict normal Banking relations with our customers.

We have tried to fall in with these restrictions as far as possible without disturbing the good relations between us and our customers, especially those of long standing. Any other course, in our view, could lead to ruining old friendships valuable to us and to this country. In turning to the Accounts it will, therefore, be seen that the Acceptances at £19,884,928 compare with £19,523,266 last year, the Loans and Advances are £15,329,920 against £14,839,811, and on the other side of the Balance Sheet the Deposits stand at £56,526,493 against £49,230,211 last year.

LIQUIDITY AGAIN STRONG

Our liquidity is again very strong. Cash, Bills of Exchange and dated Government Stock amounting to over 75 per cent of the Deposits.

We have decided this year to value our Gilt-edged holdings at market value. The same argument remains that these are all medium and short dated and that, therefore, it is unnecessary to take market valuation. Nevertheless, in view of the wide fluctuations resulting from changes in Bank Rate, we have decided to resume our previous practice of taking them at market value.

The paid up capital of the Bank was increased during the year by the issue at £2 per share of 500,000 £1 shares which resulted in the raising of the capital by £500,000 and the reserve from £3 million to £3½ million.

PROFIT AND DIVIDEND

In the Profit and Loss Account the profit for the year is £488,182 against £430,704 last year. It is proposed to transfer £175,000 to Contingency Account and, after recommending dividends at the same rate as last year, to carry forward £124,350.

Our associated company in New York, previously known as Hambro Trading Company of America Inc., now designated Hambro Automotive Corporation, has had a very active and successful year in importing the products of The British Motor Corporation Limited into the United States. The total number of cars shipped during this financial year reached the figure of 33,513.

HONEST VALUE FOR STERLING

A review of the past year and a forecast of the year ahead is, in these times, full of difficulty. In my opinion the steps that have been taken by the Government to procure an honest value for the Pound Sterling must be welcomed by all, irrespective of their political inclinations and, as London Bankers, we look forward with confidence to the day when the Pound is freely convertible into all currencies, for then, and then only, can London again resume her place as the banking centre of the world to which she has every right by experience and integrity.

The Accounts to which I am attaching this Statement show that the Bank has had a successful and prosperous year and continues to hold its own in international merchant banking in which it started and means to continue. I am very conscious that this is only possible by the devoted loyalty of the staff and the good understanding and friendship which the Bank enjoys from its friends throughout the world.

HAMBROS BANK LIMITED

Head Office: 41 Bishopsgate, E.C.2.

STATEMENT OF ACCOUNTS AT 31st MARCH, 1958

LIABILITIES	£
Current, Deposit and other accounts	57,209,053
Acceptances	19,884,928
Paid up Capital	3,500,000
Reserve	3,500,000
ASSETS	
Cash in Hand, at Bankers and at Call	27,080,816
Bills of Exchange	12,491,695
British Government Securities	5,428,591
Loans, Advances and other Accounts	15,357,951
Investments in Subsidiaries	3,256,000
Liabilities of Customers for Acceptances	19,884,928

MAPLE & COMPANY LIMITED

REPUTATION FOR HIGH QUALITY AND SERVICE

The sixty-eighth annual general meeting of Maple & Company Limited was held on May 8th in London. Mr H. Stanley Wharton, President of the Company, presided.

The following is an extract from his circulated statement:

At our last Annual General Meeting I spoke of our projected expansion in Newcastle-upon-Tyne and Leicester. The purchase of Robson & Sons Limited of Newcastle-upon-Tyne was completed last April. Your Board consider this business to be exactly of the right type for development by your Company.

As regards Leicester, our new premises under construction are progressing well and we hope to have this fine new shop open before the end of 1958. The trading experience of our present Leicester Branch has been consistent since it was opened and again a successful year has been concluded. I am confident our new venture will prove of value in this important Midland centre.

Re-building: Steady progress in our War Damage re-building programme has been made and of the two blocks to which I referred last year one is now open and in operation, and the other will be ready early in May.

Your Board is continuing to give close attention to the Company's real estate asset. As and when sales are effected it is the intention to employ the proceeds still further to extend the general trading scope of the business. At the same time, and in the light of prevailing circumstances, your Board will carefully weigh the possibility of making some proportion of any realised surpluses available for capital distribution, as has indeed been done this year.

Tottenham Court Road: The year under review has not been an easy one and there has been a slight falling-off in the sale of our less expensive furniture. It has only been by jealously guarding our reputation for fine quality goods and showing these to advantage that we have been able to maintain our turnover.

I would stress that your Board are very conscious of the high quality and service for which the name of MAPLE stands, not only in this country but throughout the world, and everything possible is being, and will continue to be done, to conserve this precious heritage.

The statement then reviewed the activities of the Subsidiary Companies at home and overseas, and continued: Our Branches have produced for the Group an excellent return, and your Board's policy in extending the activities of Maples to the Provinces has again proved of considerable benefit to your Company.

Contracts: Apart from Shipping work, further progress has been made in this important section.

EXPORTS

Whilst total exports show a slight reduction, we have none the less sent our merchandise to seventy-six different countries, but what is perhaps more satisfactory is that our Export Order Book is larger now than for many years past. Every effort will continue to be made to expand this department still further.

The report was adopted and the final dividend of 10 per cent, making a total of 12½ per cent for the year, was approved.

G. & J. WEIR LIMITED

HIGH LEVEL OF ORDERS AND OUTPUT

THE HONOURABLE J. KENNETH WEIR'S REVIEW

The sixty-fourth annual general meeting of G. & J. Weir Limited will be held on June 4th at the registered office, Cathcart, Glasgow.

The following are extracts from the statement by the chairman, the Honourable J. Kenneth Weir, CBE, circulated with the report and accounts for the year ended December 31, 1957:

In this Statement I have to refer to results somewhat less favourable than in recent years, a change in our corporate structure, an addition to our Group, and another busy year reflecting a continued high level of orders and output.

THE ACCOUNTS

The Consolidated Profit and Loss Account shows a trading balance for the year of £2,850,816, this being a reduction of £487,936 compared with the previous year. The results this year include those of two new Subsidiary Companies which operated profitably.

The reduction in earnings was spread over the Group as a whole, and, while it is not possible to give here a detailed explanation of the reduced earnings, the following points may be noted:

1. The continued rise of wage levels, and keener competition both at home and abroad reacted on our earning capacity through increased costs and lower selling prices.
2. A change in the composition of the output had an adverse effect as it carried a higher proportion of less remunerative contracts.
3. The incidence of the Strike in the Engineering Industry affected that division of the Group as also did some minor but nevertheless costly labour disputes.
4. Group output did not come up to the expected level.
5. There was a reduced demand for Public Authority housing in Scotland.

Each of these factors played a part in contributing to the drop in the trading margin, but it is probable that the most important factor was the increase in costs, this not being offset by a sufficient increase in output.

FORMATION OF A HOLDING COMPANY

Hitherto the Parent Company has functioned in a dual capacity, as it has been both a trading and a holding concern. Your Board believes that it would be better to separate these two functions, which would enable the Board of the Holding Company to concentrate exclusively on policy matters affecting the Group and leave the purely trading functions at Cathcart in the hands of the local Board.

PEACOCK BROTHERS LTD.

This firm has acted as Sales Representative in Canada for the Parent Company and Drysdale & Company *Limited* for over fifty years. During the year an opportunity arose for our acquiring a further and controlling interest in this Company as from January 1, 1957, and your Board felt it would be in the interest of your Group to take advantage of this offer.

We believe that this acquisition has materially strengthened our ability to sell in Canada, as well as achieving an interest in the expanding economy of that great country.

SURVEY OF PERFORMANCE

G. & J. Weir, Limited.—The output during the year of new work and repairs exceeded the record level established in 1955. Nevertheless we failed to attain the target which we had planned to reach, this being largely the result of an indifferent start and the effect of the Strike in March and April.

A prominent feature of the year's output was the delivery of the first four plants against our large contract for evaporating and distilling plants for the island of Aruba, these deliveries being made exactly in accordance with the original programme. Delivery of the last plant has now been made, and during the course of the year the plants will progressively come into commission.

On the input side, we had another good year and your Company's products were in considerable demand, resulting in a record flow of orders for new work.

Drysdale & Co., Ltd.—During the past year the output at Yoker showed a substantial increase over the previous year. Although, equally with Cathcart, Yoker experienced some dullness in orders towards the end of the year, the year finished with an order book higher than 1956.

Argus Foundry Limited.—This Company had to face a difficult year. We have taken positive action to improve and augment our selling effort, and if this results, as we hope, in a better order book for all three foundries, it will not be long before this Company once more shows a return satisfactory for a foundry business of this type.

Zwicky Limited.—This Company has always been markedly dependent on Defence requirements, particularly in aircraft refuelling equipment. The dangers of dependence on a restricted market have been apparent to your Board for some time, and over the past few years steps have been taken to diversify the range of the Company's products.

Weir Housing Corporation Limited.—1957 was not a good year for the building trade in Scotland, but nevertheless our Coatbridge Factory still maintained a high level of output and almost 3,000 houses were built during the year.

The civil engineering side of our organisation continued its modest expansion and is gaining experience in a variety of small but useful contracts.

Weir Valves Limited.—This Company also had a difficult year, basically due to lack of sufficient orders but accentuated by labour troubles which also delayed new developments. However, an increase in the number of designs of the standard range of valves has been effected and types suitable for the oil industry are now in production.

Wm. Simons & Company Limited.—During the year the yards and workshops have been well employed. We have not been without our share of the labour troubles affecting the shipbuilding industry, but it is hoped that more settled times are ahead.

At our Annual General Meeting I shall have the opportunity of making some observations on your Company's affairs and progress in the light of the later information then available.

BROWN BAYLEY LIMITED

NEW HOLDING COMPANY'S FIRST ACCOUNTS

MR J. W. GARTON ON SUCCESS OF CAPITAL REORGANISATION SCHEME

The second annual general meeting of Brown Bayley Limited, was held on May 8th at Attercliffe, Sheffield, Mr J. W. Garton, JP (the chairman), presiding.

The following is the statement by the Chairman which had been circulated with the report and accounts:

The Accounts now presented are for the period of five months ended December 31, 1957, and are the first Accounts prepared for the new Holding Company since the Capital Reorganisation Scheme outlined in my Circulars to you of July 5 and September 2, 1957.

The year ends of the Subsidiaries have been brought into line with that of the Holding Company. The Accounts of The Hoffmann Manufacturing Company, Limited, are not affected by this, but the Accounts of Brown Bayley Steels, Limited, are for a fifteen months' period.

Although the Accounts are in respect of a period of only five months, it should be particularly noted that they include dividends paid or recommended in the case of Brown Bayley Steels, Limited, in respect of profits earned over fifteen months and, in the case of The Hoffmann Manufacturing Company, Limited, twelve months. Future Accounts will, of course, include dividends paid by those Companies in respect of profits earned in each case over periods of twelve months only. Therefore, it should not be inferred that the amounts which may be distributed by way of dividends in respect of this current financial year will necessarily be any greater.

The reorganisation referred to above has met the three points outlined in my Statement of November, 1956, in that it has reduced the top heavy quotation of the shares, brought the capital of the Company more into line with its asset position and made the dividends expressed as a percentage of the issued share capital more realistic.

ACCOUNTS

There are no comparative figures shown this year as it is the first published Account of the new Holding Company. The Profit and Loss Account, after tax, shows a balance of £151,842.

The Interim Dividends already paid by the two Subsidiaries and the Final Dividends which have been recommended by them are taken into this Account, and it is on the basis of these dividends that your Directors have pleasure in recommending a Final Dividend of 7½ per cent, less tax. This, together with the Interim Dividend of 2½ per cent, less tax, already paid, makes the total for the period 10 per cent, less tax.

The Balance Sheet reflects the results of the recent Capital Reorganisation Scheme, the altered share capital and the revaluation of the shares in the two Subsidiary Companies.

SUBSIDIARY COMPANIES

The Hoffmann Manufacturing Company, Limited.—This Company has had a successful year, its turnover reaching a record level. The Accounts of this Company for the year ended December 31, 1957, are published as part of the Directors' Report and show a net profit, after tax and depreciation, of £647,026 which compares with £548,277 in 1956. The amount distributed by way of Ordinary Dividends is £175,000 compared with £125,000 in 1956.

Brown Bayley Steels, Limited.—The Accounts for the fifteen months' period ended December 31, 1957, are also published as part of the Directors' Report. The Accounts show a net profit, after charging depreciation and tax, of £458,975, and the amount distributed by way of dividends is £94,875, compared with £62,100 for the year 1956. The rate of dividend paid for the fifteen months' period is 13¾ per cent, less tax, and on the basis of this rate the effective rate for a full year would be 11 per cent, less tax, which compares with the 9 per cent, less tax, in respect of the twelve months ended September 30, 1956.

The Farnley Housing Association, Limited.—The Association have again reduced the interest free loan by £200, and the balance now outstanding on this loan to them is £4,600. As in the past year no dividends were received.

The report and accounts were adopted.

PETROFINA

SOCIÉTÉ ANONYME

BRUSSELS, BELGIUM

The Annual General Meeting of Petrofina S.A. was held in Brussels on May 9th, and the following are extracts from the Board of Directors' report:

GENERAL SURVEY

The year 1957 began at the height of the Suez crisis, and in its last months was marked by the upsetting of the balance between supply and demand. This was due to the after effects of the closure of the Suez Canal and to the slowing down of the economic activity of most countries during the second half of the year.

The oil companies' results have suffered in consequence. For the majority of them profits for the second half of the year fell off considerably. Petrofina's own experience has been different and the Group's increased sales made up for the lower margins of profit in the last few months of the year.

There is one important point to be stressed, for it shows that the oil industry is less susceptible than are other industries to the effects of economic crises. It is that the gradual deterioration of the economic situation has not stopped the increase in the consumption of oil. It has only slowed it down.

Long-term forecasts encourage expectations of a considerable increase in the consumption of petroleum products and it is believed that the present situation is a not unfavourable one for the Group, which has the advantage of a rate of expansion sufficient to justify its optimism.

FINANCE

It should be stressed once more how serious a problem is the financing of the capital investment which is essential to the oil industry.

The funds available in the money markets of the world can satisfy only a small part of its requirements, and this brings out more clearly than anything could do the particular importance of having profit margins sufficient to allow of a reasonable return on the capital invested in it, and at the same time sufficient to cope with the continually increasing need for fresh capital investment.

Despite the unfavourable conditions prevailing in the financial markets, it was thought to be in the Group's interest to make a debenture issue. It was for 25 million dollars, and it was made in Belgium, Germany, Canada, Holland and Switzerland, arousing lively interest in the international money markets and proving a pronounced success.

PRODUCTION

The companies of the Petrofina Group have not reduced their activities in the search for, and the production of, crude oil and their output in Canada, the United States and Egypt in 1957 was some 1,600,000 tons. Commercial production in Angola is expected to begin in 1958.

REFINING

The Group's refining capacity now exceeds 7¼ million tons a year.

TRANSPORT

The year 1957 witnessed a complete reversal of the situation in the tanker freight market, and freight rates for single voyages fell during the year by 90 per cent. It must be remembered, however, that single voyages represent less than 10 per cent of all tanker charterings, and have only a comparatively small effect on the average rates which serve as the basis for our operations. It appears improbable that there will be any substantial rise in the near future, having regard to the number of new ships being completed and the volume of the tonnage laid up.

The Group's fleet at the end of 1957, including ships on order and on long-term charter, amounted to 1,215,000 tons. This tonnage meets its minimum requirements.

DISTRIBUTION

Efforts have continued to strengthen the distribution network controlled by the Group, which at the moment covers seventeen countries.

The Group's products are sold on the Continent of Europe and in Africa under the brand name "Purfina," and in Great Britain (by Petrofina (Gt. Britain) Ltd.), the United States and Canada under the brand "Fina."

The Group's sales were 6,900,000 tons, an increase of 15 per cent.

PROFITS

The year showed a profit of 755,289,209 Belgian francs (approx. £5,395,000), including the balance of 74,367,627 Belgian francs (approx. £531,000) brought forward from the previous year.

(This compares with a profit of 656,120,315 Belgian francs (approximately £4,686,000) in 1956.)

It is proposed that this should be appropriated as follows:

	B. Francs	Approx.
Carried forward ...	80,769,854	(£577,000)
Reserves	100,000,000	(£714,000)
Directors' and auditors' remuneration	40,216,355	(£287,000)
Dividend of 110 B. francs (15s. 8d.) per share on 4,857,300 shares...	534,303,000	(£3,816,000)

The report, the accounts and the proposals put forward by the Board were adopted.

EAGLE STAR INSURANCE

The Annual General Meeting will be held in London on June 5, 1958. The following is a summary of the Directors' Report for 1957 circulated to shareholders, by Sir Brian Mountain, Bart, the Chairman.

Life Department premiums increased to £14 million and Funds now exceed £100 million. New Business amounted to £62 million. The Triennial Valuation at December 31, 1957 required provision to cover Stock Exchange values but since 98 per cent of British Government Securities held are redeemable, this depreciation will be more than made good. Liabilities were valued on a strong interest basis.

Reversionary bonus rates are higher than those declared in 1954.

General premium income expanded to over £16¼ million and the resultant profit was £424,052.

Fire premiums continue to expand at Home and Overseas, with satisfactory Home results. Home Motor Account yields a satisfactory profit partly due to petrol rationing, but the outlook is uncertain. Accident business increased and results were on the whole good. Marine and Aviation Account showed an increase in premiums and the profit has been retained in the Fund.

Overseas operations continued to expand profitably, particularly within the Commonwealth, although in North America the loss experience in the Fire and Automobile Department was still heavy.

The Ordinary Dividend for 1957 is 3s. 3d. per share (compared with 3s. for 1956) and balance carried forward in the Profit and Loss Account is £1,661,866.

STANHOPE STEAMSHIP COMPANY

The sixth annual general meeting of the Stanhope Steamship Company Limited will be held on June 5th in London.

The following is an extract from the statement by the Chairman, Mr J. A. Billmeir, CBE, FICS, which has been circulated with the report and accounts:

The Company, which now has only two of its twelve ships on forward contract, is feeling the full brunt of the present depression, with eight ships laid up, several since last August. Furthermore, the Company entered into a time charter contract last year, for a modern tanker, which is at present trading at a serious loss, and is causing the Board considerable concern.

World demand for shipping remains at a very low ebb and in many trades is almost non-existent. With the present needs of shippers being fully met by liners and time chartered ships, coupled with the considerable amount of new tonnage coming into service, the outlook is most serious and depressing.

These very changed trading conditions, and existing monetary stringencies, have caused a revision of the Company's building policy, and the order for a new cargo ship for delivery 1960, which was placed some time ago, has been cancelled. In addition, the new tanker mv *Stanvale* has been sold. Delivery of the tanker ordered by the Subsidiary Company is expected in November of this year.

There is no doubt the next twelve months will be a testing time for the independent British shipowner.

The Directors recommend the payment of a modest dividend of 5 per cent (less Income Tax).

RAND MINES, LIMITED

(INCORPORATED IN THE UNION OF SOUTH AFRICA)

SUMMARISED BALANCE SHEET, 31st DECEMBER, 1957

CAPITAL AND RESERVES	£	£
Share Capital—		
Authorised ..... 3,400,000 Shares of 5s. each..	850,000	
Less: Held in Reserve 549,005 Shares of 5s. each..	137,251	
Issued ..... 2,850,995 Shares of 5s. each, fully paid		712,749
Share Premium Account—		
Premium of 58s. 6d. per share on 215,099 Shares issued during the year at 63s. 6d. per share	629,164	
Premium of 64s. 6d. per share on 434,901 Shares issued during the year at 69s. 6d. per share	1,563,805	
	2,192,970	
Less: Increase of Capital Expenses	23,575	2,169,395
Revenue Reserves—		
For Investments	7,391,532	
For Exploration	252,985	
For Retiring Gratuities	69,000	
Profit and Loss Account	433,003	8,050,520
		£10,932,654

PROPERTY AND NET ASSETS	£	£
Investments—		
Quoted Shares, Debentures, Government Stocks, etc., Stock Exchange Value—£10,593,927. *Investments are valued at cost, less amounts written off, but in no case above Stock Exchange value*	7,635,049	
Unquoted Shares, etc., at Cost or Directors' valuation, whichever is the lower	693,635	8,328,684
FIXED ASSETS—		
Trade Investments, at *Cost*		1,186
Freehold Properties, etc.		39,015
Furniture, Plant, Vehicles, Aircraft, etc.		99,893
SUBSIDIARY COMPANIES—		
Shareholdings, £71,527; Loans, £23,000		94,527
CURRENT ASSETS—		
Stores, £15,270; Loans and Options, £335,033; Debtors and Payments in Advance, £97,386; *Dividends Receivable*, £311,253; Cash Deposits, Fixed and on Call, £2,439,529; Cash at Bankers and in Hand, £46,423..	3,264,863	
Deduct: LIABILITIES AND PROVISIONS—		
Creditors, £380,937; Shareholders—Dividends, £454,214; Subsidiary Companies—Current Accounts, £4,655; Provision for Claims in Respect of Forfeited Dividends, £46,268	895,584	2,369,279
		£10,932,664

EXTRACT FROM PROFIT AND LOSS ACCOUNT

	£	£		£	£
PROFIT		768,910	Transfer to *Exploration Reserve*	40,000	763,411
BALANCE OF PROFIT AND LOSS ACCOUNT, at 31st December, 1956		427,504			
		1,196,414	BALANCE OF PROFIT AND LOSS ACCOUNT, at 31st December, 1957		£433,003
Deduct: Dividends—Nos. 103 of 2s. 9d. and 109 of 3s. per share	723,411				

The full Report and Accounts may be obtained from the London Secretaries, A. Moir & Co. Ltd., 4, London Wall Buildings, London, E.C.2.

DE BEERS CONSOLIDATED MINES LIMITED

(Incorporated in the Union of South Africa)

GEM SALES SATISFACTORY IN VIEW OF U.S. RECESSION

GROUP'S ASSETS OUTSIDE DIAMOND INDUSTRY NOW £88 MILLION

The following are extracts from the statement by the Chairman, Mr H. F. Oppenheimer, which has been circulated with the annual report and accounts:

It has fallen to me to succeed my father as chairman of De Beers Consolidated Mines Limited and its subsidiary and associated companies. I am very grateful to my colleagues for the confidence they have shown in me and at the same time am deeply conscious of the great responsibility which is involved.

An essential factor for the stability of the diamond trade is the close co-operation that has long existed between the producers of our group and the important producers in the Belgian Congo, Angola, West Africa and Tanganyika whose production has for many years been marketed with our own. I would like to express my appreciation of the friendly spirit in which these producers have recently reaffirmed their confidence in our organisation.

To our great regret, early this year Dr J. T. Williamson, the discoverer of the diamond mine at Mwadui in Tanganyika territory, died. He was at once a figure of romance and a practical benefactor to Tanganyika. One could not fail to be impressed by his kindliness and his devotion to the interest of all who worked with him. Our sympathy goes out to his family and associates.

GEM SALES ENCOURAGING

Gem sales for the year 1957 at £52,818,096 constituted a record for the third successive year. Towards the end of the year, however, there was a marked falling off in demand. In view of the current economic recession in the United States it was to be expected that the gem trade would weaken, and the central selling organisation, in accordance with its established policy in such circumstances, reduced the quantity of diamonds offered to the market. I am glad to report, however, that the results for the first quarter of 1958 are more encouraging. Sales of gem diamonds for these three months amounted to £10,513,699 as compared with £10,972,484 for the same period of last year, which, in the circumstances, must be regarded as very satisfactory.

Industrial sales for 1957 reached a satisfactory total of £23,954,016 but here again a serious falling-off in demand made itself felt towards the end of the year and this side of the business is still very weak. This is attributable not only to the business recession in the United States, but also to a considerable extent to the cessation of stockpiling purchases, with the exception of purchases of crushing boart, by the United States Government.

In his statement last year, my father remarked that it was too early to predict where the remarkable achievement of the General Electric Company in producing synthetic industrial diamonds would lead. These synthetic diamonds consist of abrasi material which competes with the so-call crushing boart produced principally by t Société Miniere du Beceka at Bakwanga the Belgian Congo. There is, so far as I a aware, no question of the synthetic prod tion of the larger sizes and better qualit of industrials, and the production of synthe gem stones is apparently regarded as entir impracticable.

Extensive tests are now being undertak by our diamond research laboratory in Joha nesburg to determine the properties of new material and its advantages and dis vantages as compared with natural diamo for various uses and under varying conditio The Société Miniere du Beceka has recen substantially increased its productive capaci and I would be very surprised indeed if t synthetics could be produced as cheaply the natural stones. However, in the past chief limitation on the use of diamonds abrasive purposes has been the shortage supply, and there may well prove to be ro in the market both for the natural and synthetic product.

STRONG FINANCIAL POSITION

The financial position of the group been strengthened still further during past year. Large financial reserves essential for the stability of the trade, under my father's chairmanship the finan strength of the company was carefully b up. At the end of the year the group's cash assets totalled £26,959,607 in addi to which we held £9,496,532 in gilt-edg securities. When, in addition, the resour of the gem and industrial marketing co panies, amounting to nearly £15 million taken into account, it will be clear that

group has ample financial resources for the protection of the trade.

As you are aware, our company has, in recent years, through its subsidiary De Beers Investment Trust Limited, invested substantial sums in the Union of South Africa and the Federation of Rhodesia and Nyasaland outside the diamond industry. This policy was continued during the year, and at the end of the year the value of the group's investment outside diamonds amounted to £52,345,826 in addition to the cash assets to which I have already referred.

We may look forward with confidence to increasing revenue from these outside investments, and in making them we have broadened the base of the company's activities and added to its stability.

NORTH BRITISH AND MERCANTILE INSURANCE COMPANY LIMITED

MR CYRIL H. KLEINWORT ON NEED FOR REALISTIC RATES IN USA

The 148th Annual General Meeting of the North British and Mercantile Insurance Company Limited was held on May 8, 1958 at the Registered Office of the Company, *64 Princes* Street, Edinburgh.

Mr Cyril H. Kleinwort (Chairman of the General Court of Directors) presided.

The Chairman said:

In the first place, I would like to pay tribute to your late Chairman, Lord Brand. He joined the General Court in 1916, became Deputy Chairman in 1936 and Chairman in 1941. Lord Brand is one of the outstanding economists of this country and I need not elaborate the value to your Company of his guidance and advice over this period. Suffice it to say that we miss him greatly.

THE GENERAL SITUATION

With regard to the general situation as it affects your Company, the last year has seen resolute, painful and successful action by the Government to check inflation. Insurance has become the great medium of personal saving and, since stable monetary values are essential to the principles of insurance, it is satisfactory that a greater understanding of this problem has become apparent in some quarters. The theory that creeping inflation is a small price to pay to secure capacity production and full employment, is a dangerous fallacy. As a policy it treats the small saver with a cynicism which cannot be justified on moral or practical grounds and, by gradually destroying confidence in fixed interest securities, it strikes at the basis of industrial and government finance. The cycle of increased costs of production, falling exports, currency crisis, unemployment and devaluation, invariably follows inflation—creeping or otherwise.

CONTINUING UNSATISFACTORY CONDITIONS IN USA

You will perhaps wish me to say something about the continuing unsatisfactory conditions in the Fire and Casualty business in the United States of America where your Company is so largely involved. I and other members of your Board, also officers of the Company, were in the United States last year and I propose to cross the Atlantic again next week. I am satisfied that, within the limits of our size, our organisation in the USA is highly competitive and in no sense can the deplorable underwriting results before you be said to be due to lack of efficiency on the part of our management and staff in the USA. It is always difficult in the highly competitive business of insurance to raise rates sufficiently rapidly to match increases in losses but, in the United States, this problem is aggravated by the fact that premium increases require official sanction. The temptation to leave decisions until after elections is a serious factor in the delay which the industry is experiencing in the achievement of more realistic rates. The old story of too little and too late can only be countered by publicity and a greater degree of co-operation between the interested parties than at present exists. Fortunately, there are signs that a sense of urgency is at last prevailing.

I sincerely hope that next year I shall be able to speak of improving conditions but this year has not started well and it would be unwise to expect too much.

On the motion of The Chairman, seconded by the Honourable Arthur O. Crichton, the Report and Accounts were approved and adopted.

Following the re-election of the Directors, Extraordinary and Ordinary, and the adoption of the Resolution regarding the fees and expenses of the Auditors, Messrs Lindsay, Jamieson and Haldane, CA, which was proposed by Mr Alan F. Stark, WS, and seconded by Mr Thomas A. Aitchison, CA, the proceedings terminated with a cordial vote of thanks to the Chairman and Directors, proposed by Mr Charles R. Munro, CA.

CROSSE & BLACKWELL (HOLDINGS) LIMITED

RECORD SALES OF "TEN O'CLOCK TESTED" FOODS

The annual general meeting was held on May 14th in London, Mr H. L. Roy Matthews, CBE, the Chairman, presiding.

The following is an extract from his circulated statement:

The aggregate Sales figures of the Combine are again in advance of those of the previous year's trading and thus once more constitute a record. The advance applies both to home and export trade.

At home, competition is intensifying and the fact that a further advance can be noted in the face of this competition is gratifying. It is the Board's intention to take all possible steps to improve and expand the Export side of the undertaking.

The trading profit has increased to £1,268,300 and the net profit comes out at £527,617.

After reviewing the Group's world-wide activities, the Chairman said: In the main one can justifiably feel that our object to keep prices stable has been achieved in that, whilst comparatively small increases in certain prices have been unavoidable, the prices of some other products have been decreased. This matter of stable prices is of great importance.

On the general question of the Group's advertising, the Chairman said: There is no doubt that the "Ten o'clock *Tested*" *theme*, which is applied to all Crosse & Blackwell products has created something of real value to the Group, and the same theme is now being successfully adopted by our Subsidiary Companies overseas.

The report and accounts were adopted and a total dividend of 12½ per cent for the year was approved.

THE MANGANESE BRONZE AND BRASS COMPANY

EXTENSION OF PRODUCTION FACILITIES

MR J. C. COLQUHOUN'S REVIEW

The fifty-ninth ordinary annual general meeting of the Manganese Bronze and Brass Company Limited was held on May 12th in London, Mr J. C. Colquhoun, MBE (the Chairman), presiding.

The following is an extract from his circulated statement:

Before dealing with the accounts for the year I would like to refer to a change in the management structure of your company. Mr E. Robson succeeded me as Managing Director as from January 1, 1958. Mr Robson has served your company since 1921 and has played a prominent part in the development of your business as General Manager of your Ipswich factories and latterly as Deputy Managing Director of the company.

The Group accounts for the year ended December 31, 1957, show a profit before tax of £615,347 after £92,158 depreciation against £536,426 after £83,630 depreciation for the previous year but the latter figures are not comparable in the sense that they include only a portion of the year's earnings of subsidiaries acquired late in 1956.

Provision for taxation requires £348,713 (against £289,570). After making this provision there remains available for distribution and surplus £266,634 (£246,856).

Your directors recommend that a final dividend for the year of 6d. per share plus a bonus of 1½d. per share be paid on the 4,433,072 Ordinary shares as increased last autumn by a one-for-one scrip issue, making a total equivalent to 9¾d. per share on the enlarged capital for 1957. If this is approved, the surplus remaining out of the year's profit after payment of all dividends will amount to £160,897 against £161,362 retained out of the previous year's profits.

Turning to the Balance Sheet, you will notice that Net Fixed Assets of the Group at £1,916,456 show the substantial increase of £410,322. This results partly from the revaluation of assets of subsidiaries—partly from the continued re-equipment and extention of production facilities—and partly from the acquisition by Lightalloys Limited last December of the business of the *Caplin Engineering* Company and Capco Sales Limited. This acquisition is considered to fit in well with the business of Lightalloys Limited and to strengthen their position.

THE YEAR'S TRADING

Your marine propeller business had its best year yet in weight of output with 41 per cent for export and 74 per cent to our own SCIMITAR design. Extensions have now been completed into a portion of an additional 10 acres of land at your Birkenhead Works mainly to provide production facilities for the increasing number of very large propellers now required. This production is now supplemented for the smaller and medium sizes of propellers by your recently acquired subsidiary on the Clyde, Steven and Struthers Limited who, for many years, have also been manufacturing tail shaft liners, valves and whistles, but it is too early as yet to say to what extent these products may be developed.

In regard to extrusion, rolling, forging,

etc., your Handford Works at Ipswich found a slowing down in industry throughout the year with customers inclined to reduce stocks and limit purchases to day-to-day requirements influenced possibly by the falling metal prices. None-the-less they had a satisfactory year with results exceeding expectations. The field of Nuclear Energy calls for many special alloys, which has been well investigated by our technical staff, and where we can meet the demand new materials and processes are being developed for the purpose.

Since we started making "Oilite" self-lubricating bearings from metal powders in 1932 there have been very few years where sales, which now include many other parts made from metal powders, and profit were not up on the previous year. As 1956 was one of those years I am glad to say that 1957 again resumed the upward trend with a substantially higher level of sales. Undoubtedly we have reaped considerable benefit from widening the field in which such components can be used, and the Works are continuing the task of extending the application throughout industry in the firm belief that there is still room for further expansion.

The main items of interest to Lightalloys Limited during the year are that British Railways have standardised on our type of cast aluminium doors and that we have received a fair share of the contract. Main line express Diesel locomotives have gone into service with our cast aluminium cabends and various other fittings. In conjunction with Imperial Chemical Industries Limited we have developed a new method of fabricating doors and partitions for which we think there will be a ready market. We have also successfully made a deep tank hatch cover which we believe to be the biggest aluminium casting ever made, employing the large casting facilities of your Birkenhead Works.

In regard to the outlook, although our order book, as a Group, is better than a year ago, trading conditions generally throughout the world have contracted during the past few months and British industry has not entirely escaped this international movement. How this will develop is difficult to foresee but looking further ahead, in anticipation of the European Free Trade Area, we will continue with our endeavours and the necessary capital expenditure to ensure that plant is maintained at maximum efficiency.

The report and accounts were adopted.

REICHHOLD CHEMICALS

ANOTHER SATISFACTORY RESULT

EXPANDED SALES

MR WALTER H. BREUER'S STATEMENT

The sixth annual general meeting of Reichhold Chemicals Limited will be held on June 10th at Winchester House, Old Broad Street, London, E.C.2.

The following is the statement by the chairman and joint managing director, Mr Walter H. Breuer, circulated with the report and accounts:

The Annual Accounts are presented in established form and reflect the year's operations of our Group of Companies and their position at the close of the year.

A DIFFICULT YEAR

The Operating Companies have experienced a very difficult year owing to the effect of the Suez Crisis in the early months and the continued Credit Squeeze, followed by increasing competition, coupled with a substantial increase in Wages and Establishment Charges generally, but I am happy to record that in spite of these difficulties the expanded sales have enabled your Directors to again present a satisfactory result.

Accordingly they recommend the payment to the Holders of Ordinary Shares a Final Dividend of 10 per cent, and a Cash Bonus of 2½ per cent. With the Interim Dividend of 7½ per cent, already paid, this makes a total Dividend of 17½ per cent and a total distribution of 20 per cent, the same as last year.

In order to maintain the prudent policy of an adequate "plough-back" it is proposed to place a further £75,000 to General Reserve.

PHTHALIC ANHYDRIDE PLANT

The Phthalic Anhydride Plant has been in full operation since July last year, but as must be expected with new Chemical Plant, certain teething troubles arose, but I am happy to state that with the able technical co-operation of our American, French and German Associates these have been overcome so that we should derive a satisfactory profit from this new activity from January, 1958, onwards.

Apart from the arrangements concluded with our American Associates, Reichhold Chemicals Inc., mentioned in my report last year, we have a similar arrangement with our South African and Australian Associates which will result in increased revenue from these sources.

Once again, I must emphasise the effect of the intolerable burden of taxation confronting industrial enterprises today, and it is hoped that the necessary legislation to alleviate the position will soon be forthcoming.

VINYL AND VINATEX COMPANIES

The Vinyl and Vinatex Companies are rapidly expanding and have now 13 Licensees manufacturing their products overseas which are providing an increasing source of revenue. The Beck Koller Company is increasing its plant capacity to meet an increasing demand for its products. Sales of Polyester Resins in the reinforced Plastics Field are increasing satisfactorily and it is expected that further improvements and development of new types will reflect an accelerated expansion.

It is interesting to note that due to our "plough-back" policy in addition to the provision of maximum depreciation the substantial Capital Expenditure involved can be adequately taken care of having regard to the financial facilities available to the Group.

Once again you will doubtless wish to associate yourselves with the tribute I am happy to pay on behalf of the Board of Directors, to all our Factory Employees, Technical and Administrative Staffs and Directors of Operating Companies, for their continued enthusiasm and happy support.

BUSINESS AND PERSONAL

BAHAMAS, WEST INDIES

Director of distributing company proceeding Caribbean early July would consider representing UK Publishers; will carry out commissions, research, or furnish special reports. Complete coverage all islands assured.—Box 929.

EUROPEAN COMMON MARKET.—Dutch engineer, experienced in oil equipment and mining machinery, offers services to British firms desiring specialised information developments in Euromarket and/or resident representation in Europe.—Box 938.

EXPORT COUNSEL on North American markets by Canadian consultant.—Write, W. O. Moir, 171, New Bond Street. Tel. MAYfair 2631.

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COMPANY PAY STRUCTURE AND POLICY

CONFERENCE for senior company executives and labour economists sponsored by National Institute of Economic and Social Research and Institute of Personnel Management. London, June 2 to 4, 1958.—Particulars from Conference Secretary, I.P.M., Management House, Fetter Lane, E.C.4.

UNIVERSITY OF LONDON.—A lecture entitled "Technical Advance and Economic Progress" will be delivered by Dr Arnold C. Harberger (Chicago) at 5 p.m. on May 22nd at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. ADMISSION FREE, WITHOUT TICKET.

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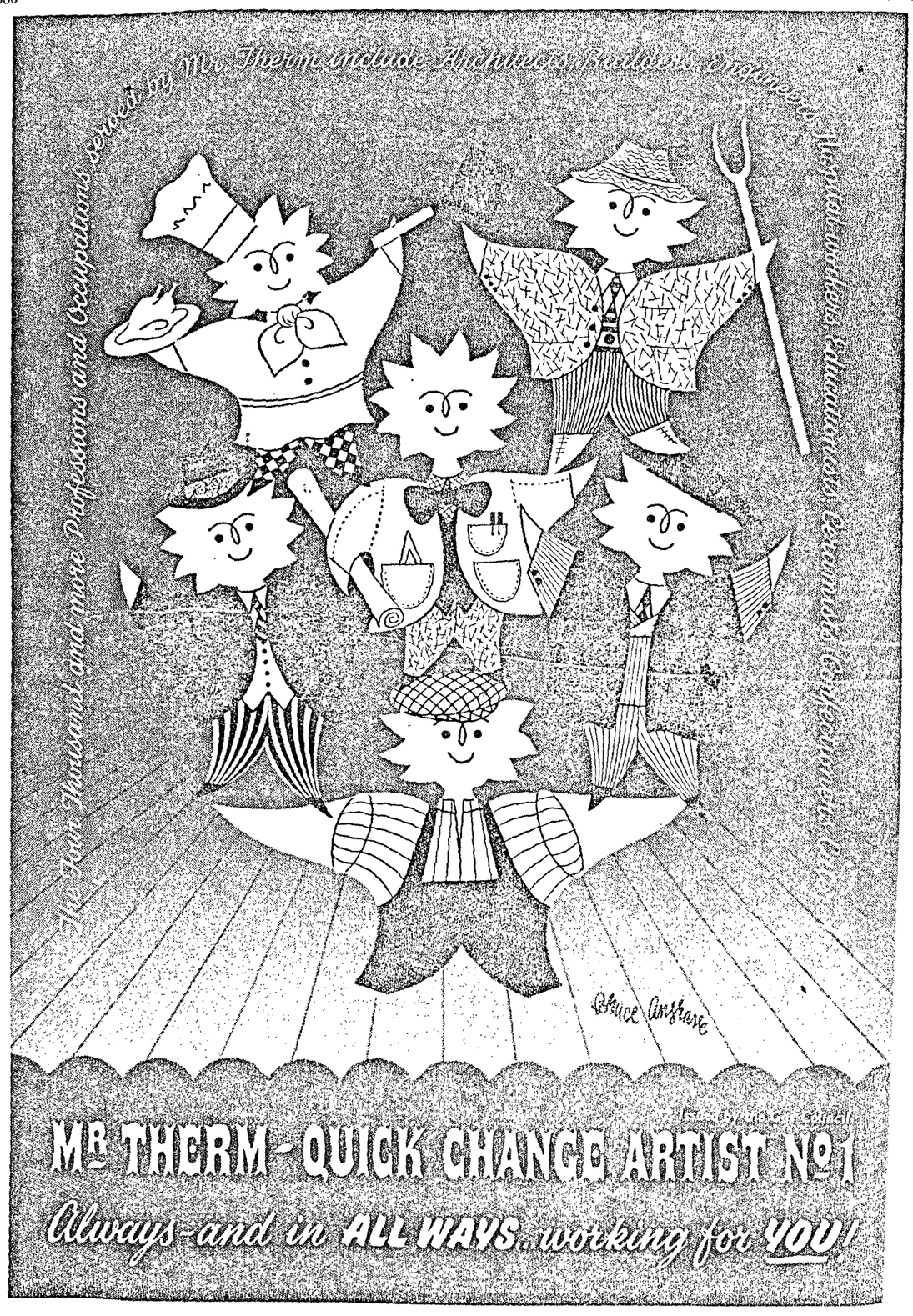
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View from Tunis and Rabat (pages 705 and 707).

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How to present politics on television at the next election (page 673).

Expenses and Benefits

The employed live in a different world from the entrepreneurs. Are they getting justice under our tax laws? (page 717).

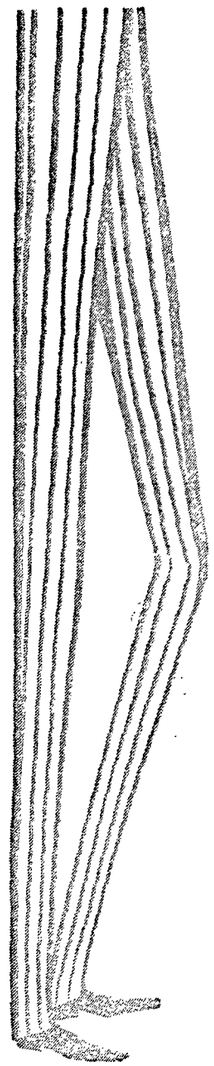
Bank Rate Down
(pages 718 and 678).

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Longer teachers' training? (page 675).

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What Future for EPU?
The European Payments Union expires on June 30th. What then? (page 715).

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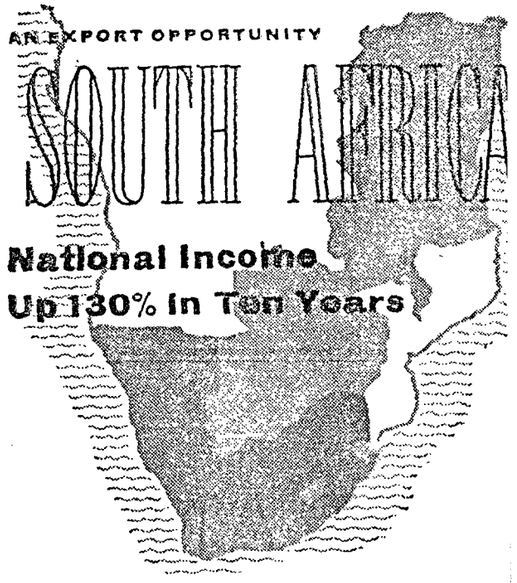
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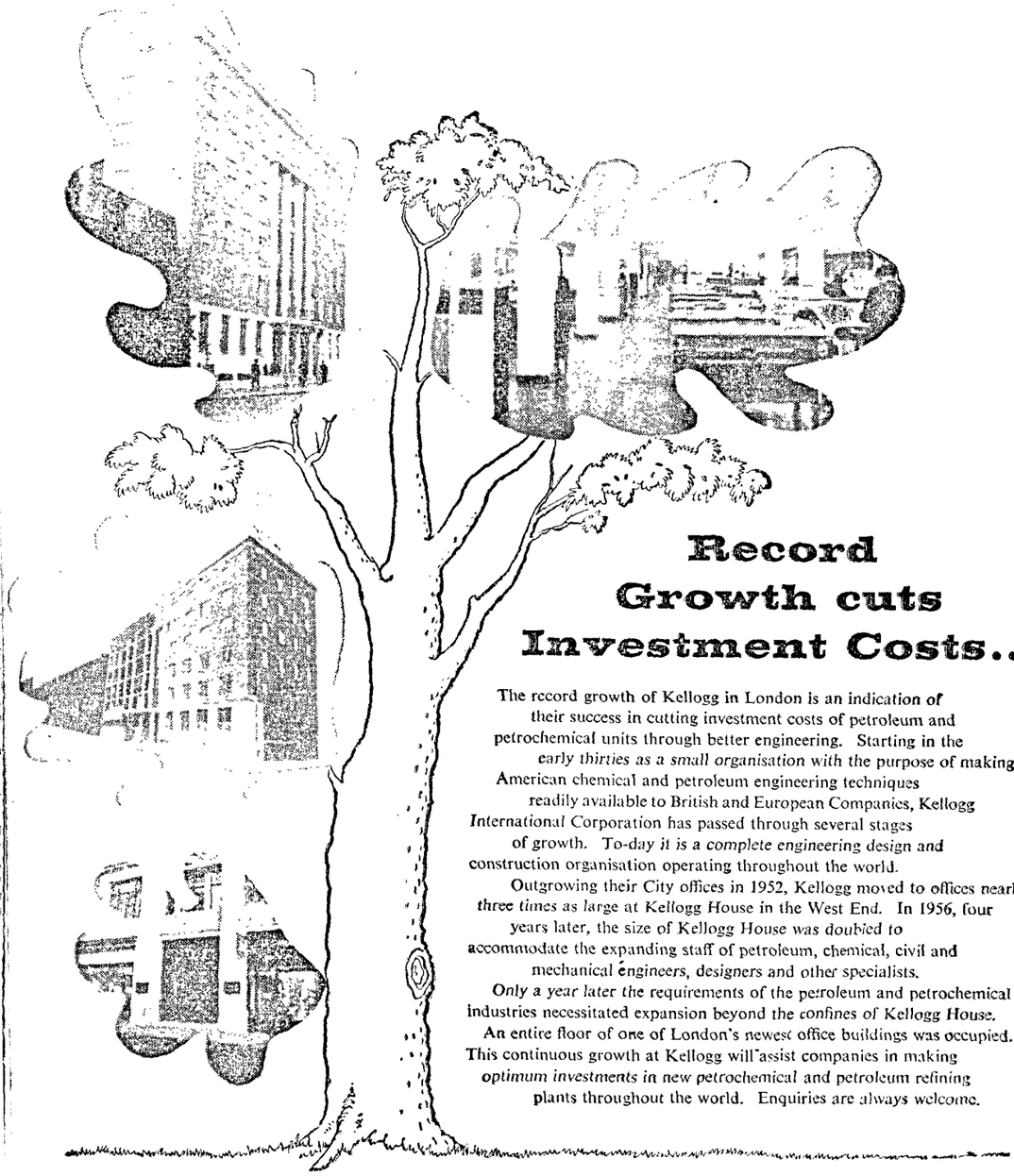
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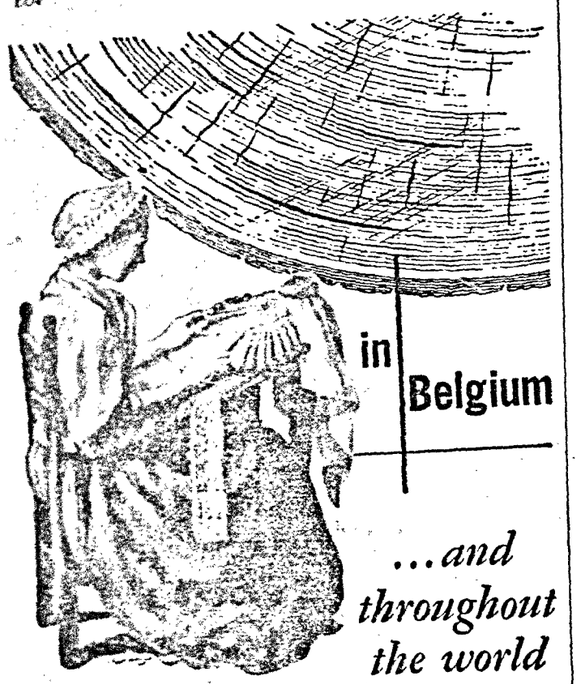
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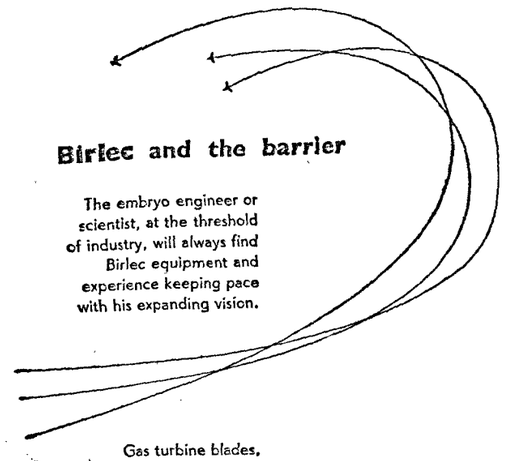
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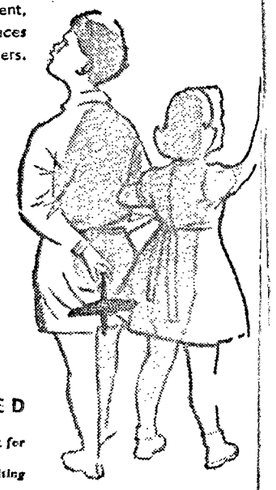
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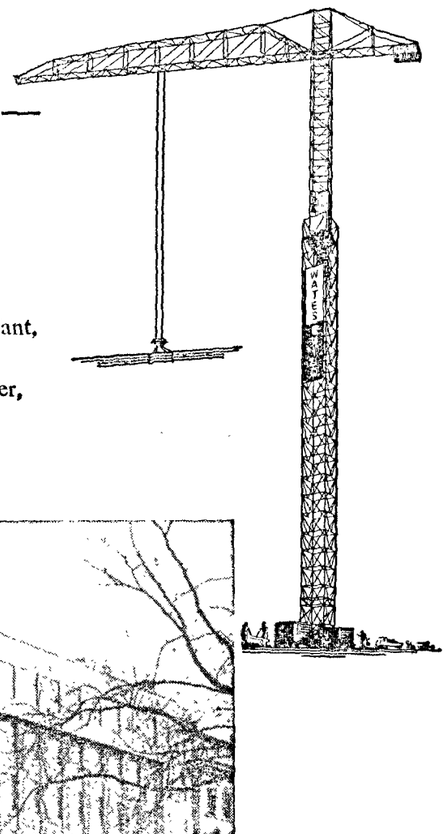
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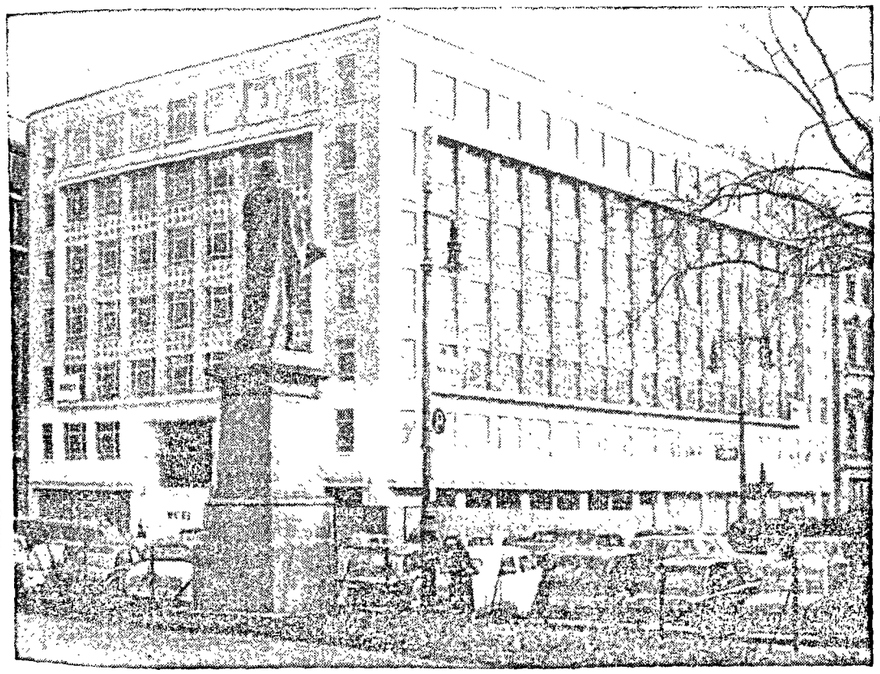
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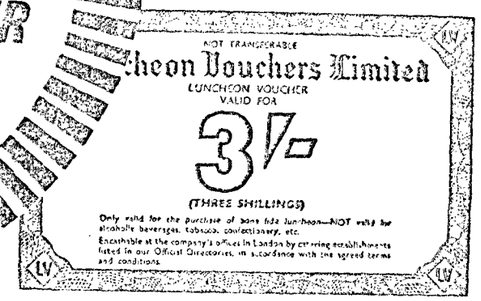
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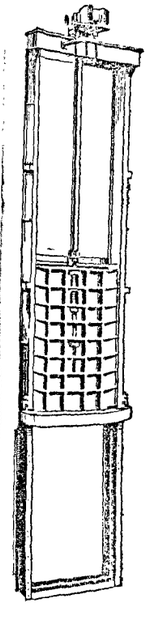
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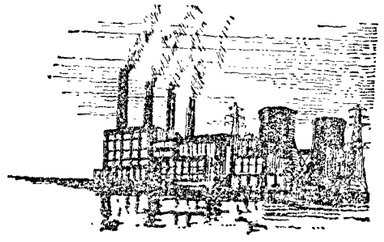
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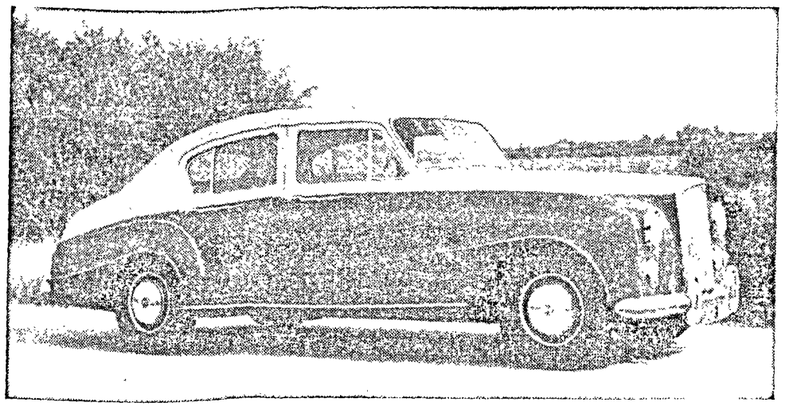
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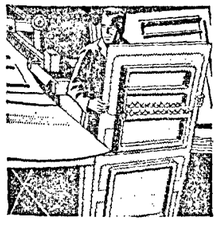
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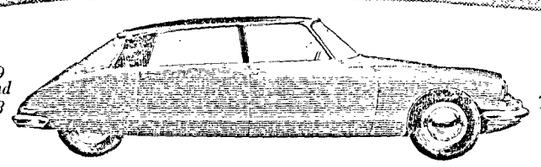
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The Economist

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France's Crisis

FRANCE'S friends must know by now on which side they must stand in the conflict that has broken out over the Republic. When M. Pflimlin compliments the soldiers in Algiers as guardians of public order, and when he confers on them in due form the arbitrary power which they are wielding already, he clearly has his tactical reasons; but no pretence can conceal the realities. The purpose of the Algiers coup of May 13th was to keep his government out of office. Initially, this purpose was defeated by a show of firmness in the National Assembly and by a turn of speed on the part of the new government itself. It has not yet been abandoned; if they cannot achieve it, the authors of the coup may have to be content, for the moment, with a second best—the imposition of an extreme Algerian policy on M. Pflimlin's government as the price of a domestic truce. To satisfy them, such a truce would have to keep open the possibility of a second coup.

Moves and counter-moves are still following each other, and it is too soon to say what the outcome will be. To men as sorely beset as the present French government, such a compromise as the present pretence may well appeal, for the moment again, as a means of preserving the Republic. But it is wise to reflect what "preservation" means. Is the Republic to be healed as a living organism, or is it to be preserved as a corpse? Two, perhaps three, schools of doctors, or undertakers carrying stethoscopes, are contending over the Republic's sick-bed. Some would embalm it; some would pursue its restoration to health; some want only a partial recovery, not too long-lived.

France is too close to the heart of the western world for it not to be clear that the death of the French Republic would fundamentally affect the political character and cohesion of the western world as a whole, however respectful the obsequies and whatever methods of embalming were applied. France's western allies can want no other solution than that Paris, the only seat of popular and responsible authority, should win the present conflict and in winning it should get the control of French policy in North Africa back in its own hands. The spectacle of French governments weaving their way, irresolute yet wilful, to the edge of the precipice must at times have made them, the allies and some of the French people as well, long for some stable, monolithic alternative. Sometimes it has been tempting to specify the alternative by the name of de Gaulle.

But it has always turned out so far that the de Gaulle label was not a specification at all, still less a specific, but an opaque wrapping for a mystery package. Even now, while putting in his bid in the auction of power, the general has contrived to give less indication of what he would do and how he would do it than, perhaps, any aspiring saviour has ever given to a baffled country. The role he sees for himself is that of an "arbiter"—between the contending groups and classes within France; and between metropolitan France and the peoples of North Africa—an arbiter whose decisions must not be made known in advance.

This idea of de Gaulle as "arbiter" has been heard simultaneously in Paris and in Algiers.

But the arbiter is at this stage himself a candidate for power; and if he cannot be judged by his programme, then he has to be judged by his friends. Even while remaining aloof and non-committal on matters of policy, General de Gaulle has deliberately attacked the parliamentary parties of the Republic and, no less deliberately, declared his "understanding" for the generals. Since it is they who cry *Vive de Gaulle* in refusing their obedience to the Republican government, he can only be regarded, in this crisis, as their man. Thus, while a de Gaulle solution might—who knows?—have been worth calling on at some time in the past, and while it may yet, just conceivably, be worth calling on in the future if all else fails, to entrust the Republic to the General now would be to give power to the wrong men in the wrong mood. If there had been any doubt about this, M. Soustelle, who also cries *Vive de Gaulle*, would have removed it with his discovery that the blend of synthetic mass emotion and brute force now sweeping the Algerian towns, disguised as a popular renaissance, represents "true democracy."

There has not been any serious doubt about this threat, from the moment when the committee in Algiers tore down the flag of patriotism and ran up the Jolly Roger of nationalism in its place. France's source of political vitality, and authority, must be in France; it cannot be in Africa, any more than Britain can seek its political inspiration in Belfast or Nairobi. A regime imposed upon Paris by Algiers cannot be right for France. From the nature of political life this would still be so even if, in the conflict of wills that has been evident between Paris and Algiers these ten years past, Algiers had not been all the time on the wrong side—the side that rejects the world as it is and seeks to make the river run uphill. France has done itself enough harm already by years of softness and turning the blind eye in its relations with the French settlers in Africa—whose futures does, indeed, present a sore dilemma. Its desperate struggle with the Arab nationalists, who represent the other and larger horn of the dilemma, made it imperative—as it seemed to a succession of weak and muddled governments—to evade or conceal the conflict of wills with the French men in Algiers. Yet, even so, not all the shifts an all the surrenders have been able to stop the conflic coming to a head, because Paris and Algiers have bee living in different worlds.

Vehemently refusing to admit that the world change Algiers has brought itself to the point at which, i order to assert its French-ness, it has cut the line t France. In refusing their obedience to Paris, th settlers and soldiers in Algeria counted, and still coun on the natural reluctance of France to proceed agains its own army and its own overseas communities. Bu do the bonds of affinity work only one way? It mus be obvious that a regime imposed upon Paris by thi kind of pressure, from this kind of men, would b sterile and anachronistic, a new Franco state twenty years later, with or without General de Gaulle as it figurehead. It would also be fearfully dangerous. Th whole Mediterranean basin would be more explosive than ever. Inside France, the Republican Left would be flung together with the Communists in a revolutionary alliance. The Algiers insurrection (not resurrection, as General de Gaulle calls it) runs athwart all the West's hopes for the future and all its present interests

THERE is still far more popular support in France for the Fourth Republic than for any new political experiment. The Republic can probably reassert itself if its leaders act resolutely enough. But, even then the problems and the conflicts which have brought thi crisis in France will still not have begun to be resolved —any more than they would be resolved simply by putting a strong man, real or imaginary, in power France's own dilemma lies in the fact that the majority which supports the Republic is still too deeply divided in itself to work together except negatively—and thi at a time when the change in France's external standing demands large positive decisions (just as the break-up of the Empire has required large political decisions from Britain). Of those missing decisions, the biggest the most difficult and the most painful is undoubtedly in Algeria. Whoever emerges on top from the present struggle, the Algerian problem will still remain to be solved. All that can be said with any confidence is that, if it is Algiers that comes out on top, a political solution will be ruled out; the only ways open will be military, and they will lead nowhere.

It remains the task of the politicians to provide the government of France. No doubt they will continue to make an indecisive job of it until some group or party contrives to gather the support and the authority to enable it to do better. That may take a long time and time is short. But none of the off-the-peg alternatives to this humdrum prospect holds out any better hope. Calls to national unity are easily uttered, but if the politicians did drop their opinions and rally without a programme round the flag, what would that achieve? France needs to escape from immobility, not to make immobility a national doctrine.

PARIS AND ALGIERS

In addition to this leading article, the greater part of the World Overseas section this week is given over to the events in France and Algiers:—

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Notes of the Week on page 683 discuss the position of the Arab rebel movement (FLN) and some economic aspects of the crisis.

Little else but promises of tight-lipped immobility has emerged from any of the pronouncements on the Algerian question itself that the present struggle has produced. Yet the choice between repression and negotiation in Algeria will still have to be faced, by Frenchmen and by Arabs, when the French domestic struggle for power is over.

One day it will have to be answered, in Paris, in favour of negotiation; until it is answered it will dominate everything else, both inside France and in the relations between France and the outside world. It is this, and little else, that has made France in the last three years a liability to the western world, where it should, and could, have been an asset. The struggle set off by M. Pflimlin's investiture is not about a trifle.

Towards a Hotter Air

Television will be the most important medium of communication at the next election. The two big parties must not be allowed to block suggestions for using it as an instrument to make democracy more informed

AN important controversy is going on behind the scenes about television and broadcasting arrangements for the next general election. The outcome will almost certainly be a compromise between two extreme views. What might be called the "extremely dead" view was the one that prevailed at the time of the election of 1955. The BBC, then without a competitor in independent television, not unnaturally did just what the two big parties asked it to do. The party organisations asked that all political broadcasting except their own should suffer a complete shutdown. The Conservatives, Labour and the Liberals were therefore given a careful ration of "party political broadcasts" to produce themselves; apart from these, controversy on sound and television was stilled. At a time when the political interest of the public was presumably at its height, programmes like "Any Questions" were taken off the air, and replaced by half hours of gramophone records. News bulletins concentrated on events in foreign countries as much as possible, and the most important political arguments developing on Britain's own hustings were studiously ignored. As television is now the main medium of communication with the public, this was an odd way of trying to make democracy tick.

Neither the BBC nor independent television is willing to return to that system again. The question is how far in the other direction the authorities will now dare to go. The diametrically opposite and "extremely live" system—which present legislation forbids (although ordinary people should constantly ask why)—would be for broadcasting to be as free as the press: for the various broadcasting and television organisations, the one that gets its money from licence fees as well as the ones that get theirs from advertisements, to be allowed to decide individually to support one or other party if they wished to, and to remain neutral only if they so preferred. To introduce such a system now, as a matter of fact, would not react greatly against the interests of any one party. The BBC would obviously opt for an *Observer*-like position of neutrality; one of the independent companies would be Labour-inclined in its views but would allow other parties to have the freedom of its air; most of the other independent companies would be Conservative or Liberal-inclined, but would certainly invite Labour spokesmen to state their case also. In an industry which has become very usefully competitive, nobody would want to offend the partisan viewer by appearing to be grossly "unfair."

Unfortunately, however, there is no prospect of a free system of this sort being permitted before the next election. For reasons that lie deep in the traditional British mistrust of all new gadgets, most professional politicians on both sides still regard any such idea as ridiculous. (If the printing press had recently been invented, instead of the cathode ray tube, they would no doubt hold the same view about free newspapers.) So the task for those who see television, not as a menace, but as an instrument which could make democracy more informed, is to make suggestions that can be fitted into a system that will become at best only half-free.

AS a first suggestion, then, it would be of advantage to everybody—including the established parties—if the party political broadcast were now to decline in importance. Perhaps these broadcasts, which are produced by the parties themselves, should be discontinued altogether; if they are not, then each individual broadcast should probably be put out on only one channel. It should no longer be regarded as essential that when a party telecast goes out on one television service, the other services should make room for it at the same time, and that sound versions should later obligatorily be repeated on the Home and the Light. The importance that became attached to party broadcasts last time—in the parties' own minds, and as a result of these portentous arrangements—made everybody concerned rather neurotic. If Mr Macmillan overran his time by twenty seconds, then Mr Gaitskell had to be allowed to overrun by twenty seconds, too, as if that would swing a single additional vote. (It is like saying that this

article will be more convincing to sceptics if it runs for 2,050 words instead of 2,000 which it won't.) One politician who had the bad luck to squeak with rather inelegant (and presumably vote-losing) excitement in one of these party programmes in 1955 was hated by her colleagues for weeks afterwards.

Then, when listener research figures came out after the election, it was discovered that the biggest audience was captured by the last five minutes of one Labour telecast which came just before a popular play serial: and there was a great to-do about the "unfairness" of letting the programme get next to the then popular Groves family. It will always be impossible to iron out all these "unfairnesses." The obvious thing to do is to blanket the importance of any one programme by making it only a small part of the election-affecting material the listener or viewer hears.

THE blankets concerned should be programmes like "Any Questions," under the BBC's or independent television's own control. Last time, these programmes were discontinued in the period between nomination day and election day. Next time, they should be not discontinued but increased. Perhaps the time allotted to them should not be increased too much, because then the electorate might become bored. But the subject matter of these programmes should be tied very specifically to the election battle. One can think of several ways in which this could be done.

For example, a fortnight before the poll, the BBC's television programme "Press Conference" might take the form of Mr Gaitskell answering questions put by three Conservative backbenchers; and then Mr Macmillan could answer three Labour backbenchers the next week. It might be rather fun if independent television's "Under Fire" programme took the form of a small Labour team being thrown at the mercy of questions by a studio-full of fanatical Conservative election workers and vice versa. The "Panorama" and "This Week" programmes could make extensive tours of the constituencies. Independent television's "Out of Step" programme could interview the candidates of decidedly minority opinion, such as the Welsh and Scottish Nationalists, the Sinn Feiners (in Belfast Gaol?), and the gentleman who stands at Penrith and the Border on the platform that cock-fighting should be made legal; these sort of people, though newsworthy and interesting, were all frozen off the air last time. If broadcasting had been invented fifty years ago, the infant Labour party would have been frozen off the air in the same way. Above all, the news bulletins should actively try to pick up the main political issues that emerge in the day-to-day campaign: with Tory ministers being asked by reporter-interviewers to comment on Labour allegations that the public does not want Tory fingers on the H-bomb trigger, and Mr Gaitskell being asked what he thinks about Tory allegations that a return to price control would inevitably mean a return to the ration book.

Another important point is that the television and broadcasting services should aim to present the political argument at different levels of intellectual appeal. The Swedes apparently have a system whereby formal nationwide debates on a number of the main election issues are broadcast just before a general election, with the Speaker presiding and rationing time among the MPs of different parties. Heaven protect us from anything quite so ponderous on the airwaves here. But some debates of this sort on very specific subjects—what each party thinks ought to be done about rents, agriculture, trade union law, colonial issues such as Cyprus and so on—might be useful pre-election material on the Third (or, perhaps if they are made snappy on a few selected issues, on the Home) programme. And some thought ought to be paid to what would be differently appropriate pre-election material for the Light programme, for Woman's Hour, the regional programmes and Network Three.

TWO further disconnected points. First, the question of how many of these arrangements should be put into effect at by-elections—as distinct from at general elections—should be left for settlement entirely by the broadcasting authorities themselves, whose responsibility this really is. They are the only people who can decide whether a particular by-election is newsworthy; it would be avoidable cruelty to viewers if, because a by-election like Torrington was exciting, some doctrine of "fair shares" should therefore be applied to the dull contest that will presently increase the overwhelming Labour majority at Wigan. Secondly, the one restriction on political broadcasting which might be wise would be for the airwaves to be shut down politically twenty-four hours before a general or by-election. With perhaps half the adult population liable to be looking in at their screens, there is a danger of last minute stunts and the propagation of arguments based on entirely false figures. There is a case for having twenty-four hours' breathing space in which any blatant untruths could be corrected—in very bad cases, of obvious errors of fact, by the broadcasting authorities themselves.

Many of these arguments, especially those designed rightly and salutarily, to give the broadcasting authorities more power, would be resisted by the big party organisations. At bottom, most party managers feel uncomfortable about this monster of television which is now poking its snout into their trade. They feel that they must be given power to control it, that the weapon must not be allowed to get out of their hands. But the question should be insistently asked: by virtue of what principle do the party managers claim this presumptive right of controlling the airwaves? Political at election time are not primarily a matter for the professional vote-seekers; they are primarily a matter for the voters themselves.

The party organisers' job is to put forward their particular case, and to let it be subjected to the fiercest and most awkward questioning that outsiders can devise. It is not for them to say how much awkward questioning should be allowed, or how many minority views should not be heard. Relatively recent developments within the party system have surely made recognition of this principle more important than ever. The party managers already control too much of the politics in our Parliament. They should not, they must not—can public opinion not now resolve that they shall not?—also control the politics on our hearth.

Between the Desk and the Dais

Our correspondent has been visiting one of the teachers' training colleges on which so much money has been spent since the war. He asks whether the proposed lengthening of the course from two to three years will really be rewarding

THREE crumbling gothic arches, made safe by the Ministry of Works, are all that remains of the thirteenth century convent on whose corpse the local squirearchial family built the country house which, after exactly four hundred years' occupation, it thankfully sold to the county council in 1947 for conversion into a teachers' training college. Through these arches can be seen a great aircraft factory three miles down the valley. The principal, an energetic spinster of perhaps 50 who was formerly the high mistress of a well-known girls' public school, likes to enlarge on the symbolism of this to visitors:

> Those arches are just about as much of the cloister as there is in *this* training college [she says]. Everyone knows what's wrong with the state-qualified teacher. Straight from a girls' school to a women's training college, and straight from college to a girls' school: a narrow, spinsterish and schoolbound life. Yes it *was* like that before the war, and there are still colleges that treat them like schoolgirls and send them out as schoolmarms. You will find it all in the recent report on training college conditions by the London University education students. But not here. There's no nonsense about getting back by ten, or not having men up to rooms . . . within reason; we are all ladies here. So boy friends are always coming over from that factory or from the agricultural research station over there or from London . . . we're no nunnery. Perhaps it isn't quite a university college—though it's nearly as expensive as one—but it is out of the classroom, away from home, in the real world. The college does give the girls a chance to think for themselves, even in the two years they're here—of course, thank goodness, in 1960 it will be three. . . .

With such a principal, this particular college, in five architectural styles from Tudor to prefabricated Ministry of Education craftsroom, cannot be typical of the 130 general training colleges that produce the 12,000 "qualified teachers" who enter the state schools yearly. But it is far from unique. It takes 170 girls aged 18 to 20, and provides them each with a pleasant study bedroom either in the hall or in annexes in the park, which is still lovely. Its library *is* a library with "an. dom. 1639" carved on the panelling; its Hall is a real hall; it has a country house air, not an institutional one; and this makes up for the lack of a few amenities which would not be tolerated by the London County Council in its big modern teacher-factories.

ITS students are not, the principal admits, girls of university standard. These have been creamed off at the schools. A small minority, the principal thinks, would get an honours degree, and occasionally a girl chooses this college in preference to Redbrick University; but over half of them come from the B and C streams of the grammar schools, and have done no better than to get GCE at ordinary level. But that does not mean that they are stupid, and it does mean that they are ambitious. They come from the new sub-technological, artisan white collar class; they are the daughters of policemen, municipal clerks, draughtsmen; here and there they come from a farm, a corner-shop, even a vicarage. (This is a non-denominational college with only a "quiet room," no chapel.) Few of their parents are paying the full difference between the tuition and boarding fees (of £250 a year) and the minimum grants; but many are paying £80 to £120 a year. The girls from the poorest homes often have most pin-money.



For the most part they are training for teaching in primary schools (i.e. children up to 11), some for nursery schools (i.e. children under 5). The grammar schools take almost all their staff from the universities, and teaching in the secondary modern schools has until recently not been popular with these girls. Under urgent appeal from Whitehall, however, the college is now producing some teachers for at least the lower forms of these schools. There are two lures: special grants, and the prospect that a girl can have a third year at this college if she agrees to go to a secondary modern school.

The girls for the primary schools have to pack a good deal into two years' training, the principal thinks, and quotes the McNair Committee's aphorism that "under present conditions students do not mature by living; they survive by hurrying." In two years they

have to strengthen their own general education and mug up the standard curriculum of state instruction; theoretically, they are expected to reach pass degree standard in a "main" subject of their own choice—though they must be equipped to teach all subjects. Then they are taught educational theory and educational practice—with eight weeks as student-teachers in nearby schools. They are given a general understanding of the physical and mental clockwork of the human (and sub-human) child.

This is also one of the colleges that pile on top of that curriculum a "contemporary studies course"; this means going out with questionnaires and notebooks to the surrounding countryside and finding out how it ticks. It involves visits to county hall, the local newspaper, the aircraft factory (where the welcome is spontaneous and hearty) and the hospital. It also means trips to London and the House of Commons, with evening lectures in college on social and economic subjects from visiting dons, on politics from visiting MPs, and on international affairs from retired ambassadors and colonial governors. Books are read, statistics compiled, "reports" written; above all, non-teachers are met.

They are charming girls, self-possessed, serious, questioning, anxious to teach. Do they really need another year, though? "Ask them what *they* think about that," said the principal; and your correspondent did so. Their reply was unanimous and affirmative: they just had not enough time for all they had to do. They wanted more teaching practice for one thing; and they wanted more time to read. "You just start getting into a new subject, like psychology, and then you have to stop," said one. "You're just getting interested in things, and then it's all over," said the senior girl sadly.

This is an important pupil-reaction, because, although the Ministry is now committed to lengthening the training course by a year in 1960 (and thus reducing teacher output by a third), not everyone is convinced that it is desirable. Indeed some people regard it simply as the manifestation of the non-graduate teachers' chip-on-the-shoulder itch for "parity of esteem" with graduates. Your correspondent therefore sought out some students at colleges run rather more like those of which the London University students so bitterly complain.*

THERE is no need to describe the surroundings at these worse colleges; often the surroundings and certainly the amenities are as attractive as at the good ones. But it is the difference in atmosphere and teaching standards that counts. "Another year?" came the disgusted exclamation from a pupil at one of these teacher-factories, "Why the course is far too long already. Half of us are bored to deadly death with being made to learn things that will be no earthly use when we get into a school—we know that, because the teachers tell us so. I absolutely could not stand another year of this beastly place, where you crawl through the work at the pace of the dimmest dimwit and have to be in by ten! If I'm not to be trusted with myself, how can I be trusted with other people's kids? Three whole years of educational theory to teach kids of seven to ten, which is what I want to do?" Her parting shot was reminiscent of Eliza Doolittle's.

This is, perhaps, a casual way of throwing light on a subject which has been thrashed out at length by experts (and notably by the Advisory Council on the Training and Supply of Teachers in several reports, the sixth of which appeared last June). Yet do not these girls' attitudes suggest that official policy is too rigid? Two points might be pondered before the foolishly sweeping decision to add the third compulsory year to teacher training is put into effect in 1960. The first is that a number of the training colleges are simply not good enough to imprison a girl for a third year. In two years (or less) they have given her all they can; and thereafter she is better on her dais and "learning by doing" among her children. Furthermore, the expansion of training colleges to meet the demand for more teachers is likely to make many of them even less capable of adding a worthwhile year.

SECONDLY, the colleges where a third year will be of great benefit to their students are the ones that impress because they give a measure of real further education to young women who are going to teach, rather than because they teach them to be teachers. This, in fact, should be a question of improving higher education in general, not of glorifying vocational training. On vocational grounds alone, the case for another year all round is poor—and it was, in fact, a purely political decision. It is still true to say that nobody can teach a man or woman to be a good teacher, but only to save him or her from being a very bad one.

Obviously, the best solution to the problem of improving teachers' training lies in the expansion of the universities: in putting all teachers through a university—with teacher training, as for most graduate teachers now, a one year post-graduate course. But the tremendous demand for teachers, in the light of population trends and the demand for educational reform, makes this a solution for the further future. The general, compulsory three-year training course in 1960 is likely to worsen the supply of teachers without doing much to improve quality. It would be better to be selective; to encourage the best students to take, and only the best colleges to give, an extra year. It might be possible even to give some training colleges, and their courses, a higher status. But whether the politicians can reverse, in the name of commonsense, a decision they have already announced as a concession to special interests is very much a question. Perhaps the worsening supply of teachers will force the *volte face* upon them.

* University of London Institute of Education Students' Association Report on Training College Conditions, March, 1958, 1s.

Russia's New Men

Russia's new leaders are not young. Mr Khrushchev is now at the head of a team of experienced party organisers. He needs success to keep it together.

ON a crowded stage well-known performers catch the eye and newcomers tend to remain unnoticed for a time. This has been happening with the Soviet leadership. Mr Khrushchev's preeminence has obscured the fact that many new actors are now playing leading parts. Last month, when Marshal Bulganin made his exit, and the young Mr Kozlov was appointed one of the two first deputy prime ministers (on a par with Mr Mikoyan), attention was drawn to the Soviet change of guard. Yet this was merely a late, and relatively minor, episode in a big transformation that has been going on ever since 1953, when Stalin died. The seat of Soviet power has always been in the party, not in the government, and it is there that the drama of politics is played out. To see the extent to which old leaders have been falling by the wayside and new ones taking their place, it is enough to notice that eleven of the fifteen full members of the current party presidium (the highest executive body) did not belong to it as it was reconstituted immediately after Stalin's death.

Mr Khrushchev owes his present position to his possession since 1953 of the post of first secretary of the Communist party. The secretariat controls the "elections" to all the important provincial party jobs, which almost automatically carry with them a seat on the all-Union central committee. Mr Khrushchev's reshuffle must have been very far-reaching, since in the new central committee, selected in 1956 at the twentieth party congress, out of the 133 full members, 43 are entirely new and ten are candidates promoted to full membership. These changes prepared the ground for the victory of the party boss last June. When it came to a showdown between Mr Khrushchev and his various opponents in the party presidium, he avoided defeat by "democratically" asking for the verdict of this committee packed with his supporters. Victorious, he eliminated his rivals: Malenkov and Saburov, Molotov and Kaganovitch were extruded. Mr Pervukhin was reduced to the rank of candidate, from which the youthful Shepilov was removed.

After such a mass expulsion few men of the old guard were left in the Soviet leadership headed by Mr Khrushchev. The aged Voroshilov, Stalin's companion in the Civil War, is a figurehead president. Mr Shvernik, now head of the party control commission, was the head of the trade union system in its most Stalinist period: popularity is not for him. Marshal Bulganin is in disgrace. Anastas Mikoyan is the only survivor with any real political importance. He attained prominence much earlier than Mr Khrushchev, though he is the younger by a year. As first deputy prime minister he is probably the overlord of the foreign departments. Mr Mikoyan may well be the most intelligent and adroit man in the present leadership, but he is an Armenian from Tiflis and as such, after the long rule of Stalin the Georgian, he cannot very well be a contender for supreme power.

With so few old-timers left, there was plenty of room at the top. Indeed, the number of vacancies was actually larger than the number of expulsions. Mr Khrushchev increased the size of the presidium to fifteen members and eight candidates. To fill the empty seats he brought in his colleagues from the secretariat and, as long as he keeps the allegiance of the nine other secretaries, their block vote can settle every issue.

NEW men are not necessarily young men. Some of the new men in the presidium are veterans. Mr Kuusinen, a Finnish revolutionary who was on the executive committee of the Komintern as far back as 1921, is 77. Mr Kalnberzin is a veteran of the Latvian communist party. Mr Korotchenko was born in the same year (1894) as Mr Khrushchev, with whom he has worked closely both in the Ukraine and in Moscow. A second group includes people in their mid-fifties who were fairly prominent in Stalin's last years, were downgraded after his death and are being brought back by Mr Khrushchev. Leonid Brezhnev, who had worked under him in the Ukraine, and Nikolai Ignatov belong to that group. Mikhail Suslov, though of the same age group, stands somewhat apart. He was on the fringe of the top leadership even in Stalin's time and his voice seems to carry weight in the Kremlin. In all his posts he has been the watchdog of the party line, the purger of deviationists. Now he is probably the inspirer of attacks against "revisionism" at home and abroad, the restraining influence in Mr Khrushchev's moment of "liberal" zeal.

The younger leaders—fifty and less—are only a handful. Aleksiei Kirichenko owes his rise to Mr Khrushchev; he sat under him on the Ukrainian party secretariat and served with him during the war. The new principle of wider national representation has provided some younger men with an opportunity. Kiril Mazurov has been included to represent Byelorussia; Uzbekistan is represented by Nuritdin Mukhitdinov. At 40, this former political adviser in the army, prime minister, later party boss of Uzbekistan, has a double distinction: he is the Benjamin of the presidium and the first Central Asian to sit on that body. And Ekaterina Furtseva is the first woman to sit there.

But Frol Kozlov (a student at the Communist University in Moscow before Stalin shut it down) is

possibly the most prominent of the younger generation, though he did not attract outside attention until November, 1953, when he replaced Mr Andrianov, a follower of Mr Malenkov, as party secretary for the Leningrad region. Last year he advanced rapidly, becoming first a candidate, then a full member of the party presidium and prime minister of the Russian Republic. Last March he was appointed first deputy prime minister; probably he looks after home affairs, while Mr Mikoyan supervises the foreign front.

RUSSIA has been turned into a stratified society; the ascent to the top is slow. For a period before and after Stalin's death, it seemed that industrial managers might prove the quickest climbers. The rise of Mr Pervukhin, the engineer, and Mr Saburov, the planner, reinforced this theory. But Mr Pervukhin is now out of the way as ambassador to Berlin and Mr Saburov is out of the presidium. Among the new members only Averkhi Aristov and Aleksiei Kosygin—the specialist in light industry—can be described as having devoted most of their time to production. Admittedly, there are many more with technical education. Mr Kozlov was once a practising engineer; Mrs. Furtseva took a degree in chemical technology; Mr Brezhnev is a trained metallurgist. Yet their path to the presidium has led through a succession of steps in the party hierarchy.

To call them party men is not to say that they are intellectuals. Mr Suslov and Pyotr Pospelov—former head of the Marx-Engels Institute—are the only ones who can be suspected of such leanings. Most of the leaders, though not very young, did not come to maturity until Stalin was in power, when a quotation was an effective substitute for an argument. On the other hand, they had the advantage that, as they grew up, an industrial society grew up with them. They had to deal with economic problems, though as party overseers, not as production managers. Theirs is not the rule of the managers which Mr Pervukhin seemed to foreshadow; this is the age of the party organiser.

These practical men—energetic and flexible, yet obedient—are to Mr Khrushchev's image and liking. They know enough about production to run the economy, but they are not so intimately linked with management as to stand in his way when wants to reorganise. Most of them have been brought on by Mr Khrushchev at some stage in their careers. The presidium has been shaped in a coherent pattern. The ten secretaries headed by Mr Khrushchev are running the country through the party machine; some have local responsibilities; any of them can be sent to the spot in case of emergency or bottleneck. With his two ministerial overlords, Mr Khrushchev now runs the government as well. These are the ruling twelve.

Nikita Khrushchev now heads an apparently efficient and reliable team. But events change men. Did not he himself recite panegyrics to Stalin in 1952? Did not he rely on Mr Shepilov, who deserted him in last year's struggle? If the country should start to grumble, the party boss could discover that his own men were finding voices of their own and taking his lip-service to party democracy literally. Mr Khrushchev does not dispose of Stalin's weapons of intimidation. He needs success and popularity.

NOTES OF THE WEEK

THE ECONOMY

Reduction—On a Slide?

THIS has not been a good week for the fight against inflation, and it may therefore seem to have been an odd one in which to put Bank rate down. The most disturbing feature of the week has not been that half per cent reduction itself, which is discussed in Business Notes. Nor has it been the intimation from the latest trade returns that the period of unprecedented strength in Britain's balance of payments may be over—although that fact in itself could carry some warning for the awkward autumn ahead. Nor has it been the news of last month's increase from 108.4 to 109.6 in the cost of living index, mainly due to a rise in food prices—although that rise, coupled with the news of the surrender to New Zealand butter producers, emphasises again that a policy of shunning cheap food but trying to achieve cheap living really do not marry. By far the most disturbing feature of the whole week has been the further slide from the Government's former "firm line" on wages. This has been insufficiently frankly documented in the national press.

Last week, when the Cabinet worked so hard to achieve a railway settlement, it was confidently assuming that there would not be a consequent and similar retreat before inflation right along the wages front. Least of all did it assume that its action could lead to further concessions to the London busmen on their surprisingly minor nuisance of a strike; indeed the Cabinet thought that it had isolated Mr Cousins rather neatly. But it had underestimated, just as Mr Cousins may all along have rightly confided in, the impulses in this country towards peace-making once any retreat has been sounded. It may also have underestimated the peace loving leanings of the London Transport Executive. As soon as the rail settlement was announced, the usual white flags for parley on the bus strike began to flutter out from all the familiar places. Suggestions began to appear—from where?—that the rail settlement was "morally bound" to lead to an increase for some London Transport employees, and that this might "in fairness" have to be given to all such employees. The familiar phrases reared up in the reports of the industrial correspondents: witness *The Observer's* approving statement last Sunday that the London Transport Executive was making "no secret of the fact that it wants to end the strike as soon as possible and that to try to break the strike would be mis-guided." At about the same time, suggestions for various "compromise" settlements on the buses—all of them in effect ditching the arbitration award—began to be mooted in the newspapers. On Tuesday, London Transport withdrew its previous refusal of a wage increase to the underground railway staffs, and awarded them a 3 per cent rise—in return for some hastily advertised economies which look even less likely to cover the cost of the award than do those on the ordinary railways.

Mr Macleod's reaction to the white flags thus set flying should have been the same as Nelson's reaction to the flags Sir Hyde Parker flew at Copenhagen. Unfortunately, he did precisely the opposite. On Wednesday, Sir Wilfred Neden, his chief conciliator, called in the unions and London Transport for discussions. Once there, Mr Cousins seems (not unpredictably) to have stiffened his terms at the scent of possible victory rather than to have toned them down under the shadow of probable defeat; it was precisely because London Transport had been so amenable in discussions earlier this year that he had launched this bus strike, not at the strongest point of the union's bargaining power but at what seemed to him to be the most pliable of the nationalised employers' defences. London Transport may be not unnaturally piqued at being treated this way again, and it is now making stronger noises against surrender. But there must now be a greater danger than there was last week that this drearily familiar serial story may be weakly concluded in our next.

What Economies on the Buses?

THE pattern that is dangerously likely to emerge for British industry this year is a slightly postponed 3 per cent increase for practically every union member, and with only lip service about economies that will pay for them. If London Transport is going to be next in line to make settlements of this sort, it will be important to see that its economies are real ones and that they are made in the right places. Two of the economies so far suggested on the underground railways are that the earliest trains each day might have to start half an hour later and that the whole system might have to close down at midnight instead of at about half past midnight. Not many people will regard these economies as the sort for the acceptance of which the unions should be paid more money; cuts in services of this kind are not the same thing as increases in productivity. Moreover, as the demand for very late trains, although scant, is probably inelastic, it might be better to impose a big surcharge for after-midnight travelling rather than to stop it altogether.

But it is on the buses that the question of economies is most important. To put this in a possibly over-simplified form. London Transport thinks that its great disadvantage is that it needs the full carrying capacity of its 7,000-odd buses at the morning and evening rush hours. It then feels obliged to carry the costs of crews' wages and the cost of maintenance of these 7,000 buses all through the day. But are not these precisely the points on which an agreement with the unions ought to be able to reap economies. To obviate the problem of the surplus crews that are not needed in the slack periods, is it really impossible to have an extension of the split shift system: to get more crews to do their main work most days over the morning and evening rush hours—with time off in the middle of the day? About 20 per cent of crews do in fact do their main work at these times now, but on what looks like a union-rigged pay system which in effect means that they are paid for much of the time when they are not wanted. To meet the problem of carrying capacity, could not London Transport gradually introduce buses that are designed to carry many more passengers at the rush hour than they do at midday—that is, buses with extensive room for standing passengers? Indeed, would it be inconceivable even to have some buses from which some of the seats could be deliberately removed at 4.30 p.m., in order to pack more standers in? London Transport's newest buses are designed to carry more seated passengers, but the same number of standing ones. This surely must be the wrong way round, if it wants to be able to continue to carry its peak rush hour load and yet have fewer buses in total to maintain.

There is thus no reason to believe that London Transport is doing much new thinking along any of these lines. There might be objections on grounds of engineering or safety to some of the more extreme proposals. But the union's objections would probably be much greater. That suggests the grounds—one of the few economic grounds—for a *quid pro quo*. If all busmen are given a flat rate pay increase "in return" for economies less realistic than these, a settlement on the buses is likely to be a mere euphemism for surrender.

LEBANON

Time for Compromise

ANARCHY is a state ordinarily supposed and enjoyed by a large percentage of the Lebanese people. It is not likely that many of them enjoy it however, now that it has been raging through the country in an uncontrolled and un-Lebanese fashion for a fortnight. President Chamoun, ignoring the internal dissatisfaction with his regime, blames the United Arab Republic for all the trouble; but this is not a complete answer. The United States, rightly, supports the lawful Lebanese government. The United Arab Republic playing the game by a different set of rules, claims to be supporting public opinion there. The best hope for peace, however, lies not in the attitudes of outsiders but in the ability of the practical-minded business community to force the contending parties to restore the easy-going anarchy on which the country normally thrives. The spiteful utterances and violent actions of the past fortnight do not make compromise easy.

Perhaps the one six-year term which the constitution allows a president of the republic is an unhappy choice. Two four-year terms might better suit the national temperament. President Chamoun maintained his popularity for four years, and two years ago he could have been re-elected without all this trouble. The volatile Lebanese public is apt to grow tired of one man in office for six years, and opposition politicians fret when they see the spoils going in one direction for too long.

If Lebanon's western friends have misled the government about the amount and kind of support they were able

or willing to offer the regime, then they have done it a disservice. If the government has misled its western friends then it, too, has erred. Lebanon is the kind of place where foreign diplomats can easily be misled. They move, because of the nature of their jobs, among Lebanese whose first language is probably French or English and for whom Arabic is a language spoken only to servants. What the French newspapers there describe as *tout Beirut en smoking* is a glossy, cosmopolitan society. For dignity, deportment and distinguished appearance President Chamoun and his wife have no peers anywhere in the world. But it has been too easy to forget that Lebanon is in the Middle East, and too hard to remember that the polyglot Lebanese must be Arabs if they are to be anything at all.

IRAQ AND JORDAN

Federation's First Step

THE constitution of the Hashemite federation of Iraq and Jordan came into force in Baghdad on Monday. The federation has the advantage of beginning life formally at a time when Egypt's attention is diverted by events in Lebanon. As expected, Nuri es-Said is the federal prime minister. Jordan's Ibrahim Hashim is deputy prime minister instead of Samir al-Rifai, who presumably prefers to remain in the Jordanian government. A lack of eligible and able politicians may become one of the chief problems of the federation unless it can provide the advantages and prestige that will make the federal cabinet a home for elder statesmen. This arrangement might be useful to both countries if it made room nearer the top for ambitious younger men, whose talents can only be tested by their being given responsibility. The federal cabinet is a small one, comprising only three specific portfolios—foreign affairs, finance, and defence. Each country has contributed a minister of state.

Launched with a minimum of popular approval—at birth it seemed no more than a tactical riposte to President Nasser's United Arab Republic—the federation has much to gain by putting on a show of energy, for it can offer many things which President Nasser can only promise. With Lebanon, for the moment, playing the role of weak sister among the Arab countries, Jordan's stature is slightly increased; but it cannot remain so without financial help from outside and determination from within. Whether that help comes from its Iraqi partner across the desert, or from its American friends across the seas, remains to be seen.

BUTTER IMPORT RESTRICTIONS

Not So Much the Butter

THE Government's decision to stop some foreign countries from selling butter cheaply to Britain is another sign of the past fortnight's retreat from ruthlessness in disinflationary policy. The cabinet's instinctive policy now seems to be to fight to keep down the cost of living only if this does not too greatly embarrass its personal relations with some trade union leader or distinguished dominion statesman who is champing in the ante-room. The New Zealand case in this dispute—that it was unfair on New Zealand producers that the British housewife should continue to accept the subsidies that some foreign taxpayers and consumers were so kindly presenting to her—has been widely advertised. But it is worth looking coolly at what were the interests of Britain—which, after all, now has a slightly lower general standard of living than New Zealand has.

The only circumstance in which the new restrictions would have been strictly and economically worth Britain's while would have been if it had felt that the cheap supplies from Europe were likely to be very temporary, and that the nibbling away at New Zealand's dairy herds caused by this competition would lead to a scarcity level of butter supplies next year. It is difficult to believe that the decision to restrict imports was taken on these hard commercial grounds; a more cynically self-interested view would have been that some cheap and subsidised foreign butter will be available until the cows come home from every marginal smallholding in every marginal political constituency in the advanced world, and this would mean for a long time yet. One can sympathise with the Conservative doctrine that British policy should safeguard the interests of Commonwealth producers just as much as it safeguards those of United Kingdom producers, but that does not mean that it should always sacrifice British consumers to either of them.

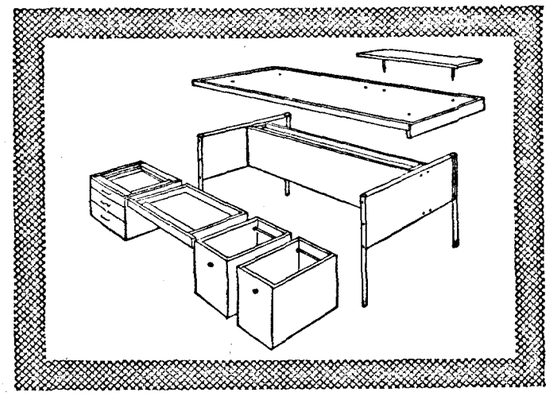
In any event, it is not a sensible way of safeguarding agricultural producers to say that all of them should remain in their present employments for ever, however much cheaper are the alternative supplies appearing from elsewhere; to the complaint that subsidised supplies are not really cheaper supplies, the proper retort may be that the almost universal existence of political subsidies for agriculture had now better be recognised as a fact of economic life—and, in any event, what happens if the higher price of butter in the shops now sends the housewife back to margarine? The argument that Britain's action will protect employment in its own export industries is nonsense; it is not good balance of payments economics to say that one should pay for one's imports above the market price, in the hope that some of the money thus spent will come back. The partial revocation of open general licences is not a good precedent for a trading nation such as Britain to have set at a time of possibly incipient trade recession; if Sweden, Finland and the Irish do not respond to Sir David Eccles's gentlemanly appeal, then we may have to face a row in Gatt. Mr Skinner has gone back to New Zealand feeling that Britain has not ceded enough to him. With the best will in the world towards a fellow Commonwealth country, New Zealand should know that this will not be the universal sentiment here. These restrictions have been an instance of weak if amiable government on the United Kingdom side.

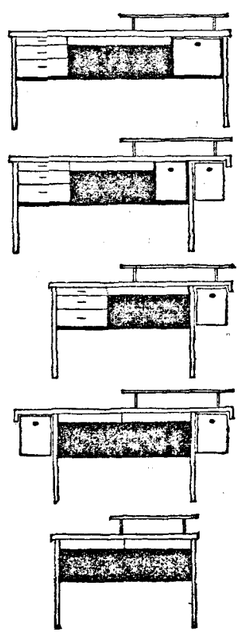
ISLINGTON BY-ELECTION

The Majors Retreat

THE Government has blown the retreat over the battle with the trade unions, and the abstaining majors have retreated into apathy again. For those who agree with the analysis of the local elections in *The Economist* last week (see page 574), that seems to be the lesson of the North Islington by-election, which took place the day after the Government's retreat over the railway wage dispute was announced. There was a complete collapse of the nascent revival of Conservative enthusiasm which the previous week's borough elections had appeared to show. The Conservative share of the poll—29.3 per cent—was exactly the same as at the London County Council election in North Islington in mid-April; Labour got 67.8 per cent and the

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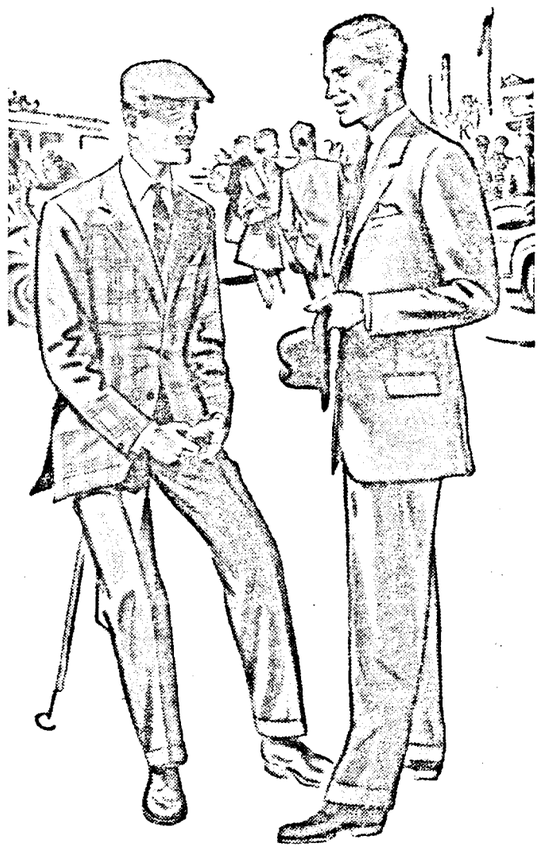
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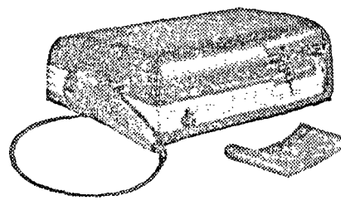
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.P candidate 2.9 per cent. The total swing to the left, mpared with the general election of 1955, therefore ached the considerable total of 10.4 per cent.

The outstanding feature of the by-election, however, was iat only just over a third of the electorate bothered to rn out to vote—one of the lowest polls in recent political istory. Of course, the physical difficulty of getting to the olling stations during the bus strike had something to do ith this; of course, there must always be considerable iution in commenting on the results of either a single y-election or a single group of borough elections. But ere is some subsidiary evidence to suggest what has been appening. For one thing, the spurt of quite mad right-ing letters, talking about "civil war" with the unions, hich suddenly hit some newspapers the week before last, eems to have as suddenly died away. It does seem prob-ble that two weeks ago, as the "showdown" of a railway rike seemed to be approaching, a sizeable group of people ho do not belong to trade unions (and who, perhaps there-ore, do not like them) were marching out to the local polls, xcitedly scenting battle. Now, one suspects, they are itting at home again, sadly tasting crow.

UGOSLAVIA AND RUSSIA

Better Unsaid

CATS are cascading out of bags as the new quarrel con-tinues between Belgrade on the one hand, and Moscow, Peking and the satellite capitals on the other. Massive etaliation takes the shape of multi-stage polemical missiles, uelled with gaseous jargon and warheaded with quotations drawn from the great arsenals stockpiled by Marx and Lenin. The fall-out is widespread and revealing. News-paper men will be professionally interested in the Jugoslav revelation that the Moscow press

> has generally given very scanty news about Jugoslavia. This was always explained as being due to shortage of space. It now seems that *Pravda* is not short of space when attacks on Jugoslavia are to be published.

Nor is Belgrade's *Borba*, which on Saturday printed a 7,500 word retort, stingy with space when really roused. The Jugoslavs—in the shocked words of one satellite news-paper, Bulgaria's *Rabotnichesko Delo*—are "making monstrous charges that the Soviet Union seeks hegemony over and exploitation of other peoples." In *Borba's* own words—the question is directed to the editors of *Pravda*, for this is all presented as a wrangle between leader-writers: "Was Soviet co-operation with Jugoslavia insincere, begun with ulterior motives, meant to make Jugoslavia abandon its position?"

Borba dwells with gusto on the allegations, put forward in pleasingly naïve juxtaposition by the Soviet and satellite press, that "the imperialists are now opening the doors of their banks" to reward the treacherous Jugoslavs, but that the country has been plunged into ruinous debt by this "so-called selfless aid of the American imperialists." Jugo-slav readers will be interested to learn, from their party organ, that US aid has been providing no less than four per cent of their country's whole national income, and that this aid "in no way prevented us from supporting all Soviet initiatives that corresponded to our attitudes." Other un-committed countries will also note with interest *Pravda's* denunciation of the Jugoslavs for seeking understanding and agreement with non-communist nations, and *Borba's* unanswerable retort:

> Is this not also the aim of current Soviet policy? Is this not the purpose of the effort to hold a summit conference?

ALGERIA

Less than Brotherhood

FRATERNITY between Moslem and Christian has been an insistent theme in the speeches of the present leaders in Algiers. General Salan and M. Soustelle have boasted that Algeria is from now on a country of ten million "Frenchmen," and numbers of enthusiastic Moslems have been seen at their meetings. M. Pflimlin, too, has seized on this as evidence that "French Algeria" commands sup-port outside the ranks of the Europeans. But out of a Moslem population of more than eight million it is not hard to get together a crowd; what is hard is to know why they are there, or whether they would be equally ready to attend the meetings of the other side.

The original Algerian rebels (the FLN) are biding their time. Their first reaction, uttered through Cairo radio, was to call a plague on both French houses and to reaffirm their resolve to go fighting for independence and nothing less. They have poured scorn on General Salan's surrender offer. But they have also refrained from giving any indication of what they will do. The new situation appears to favour them, at least by giving the army new preoccupations; at best, a serious breach between Paris and Algiers might cut off General Salan's supplies.

A logical step would be the formation now of the Algerian rebel government foreshadowed at the North African party conference at Tangiers last month. Before the Algerian coup, there were reports that the FLN would be ready to form its government by the middle of June: the date may now be advanced. But to begin with it would have to be a government in exile, and the other Maghreb governments, who might be its hosts, are sure to be urging delay. Both Tunisia and Morocco still have as their guests French troops whose loyalties in the present crisis are unknown; the Tunisians are finding it hard to avoid local conflicts. The Libyan capital is an alternative site. But the rulers of all three North African states are aware of the risk entailed in giving hospitality to an Algerian government at a time when the French temper is unpredictable.

THE FRENCH ECONOMY

Worth a Potato?

AT moments in the past fortnight it has seemed that Parisian phlegm was less likely to be shaken by the threats of soldiers, settlers, or communists than by a shortage of spuds. In face of the grim events which have so moved the journalists of Britain and their readers, the French people have kept their nerve and maintained their traditional calm. There are, however, not enough potatoes in the capital. Paris may not feel able to cut the supply lines of its boisterous army; but there is no telling whether they can expect any potatoes from Algeria. Parisians may have to choose between the republican integrity of their city and *pommes frites*.

Outside this vital field, however, the economic effects of the crisis have been remarkably small. Housewives have

been hoarding; the price of the gold napoléon has slipped upward; stocks have slid down. But as yet there has been no catastrophic flight from the franc.

In the long run, indeed, the present crisis could, in the economic sense, prove something of a catalyst, forcing France to face economic facts. Its remarkable prosperity—the continuing boom, with industry chalking up output figures 7 or 9 per cent greater than the year before—has of course only been bought at the price of a rip-roaring expenditure of exchange reserves which has consumed a fat chunk of the money raised abroad earlier this year. The bad trade figures for April and the even more depressing

The Strike at Pressed Steel

Our special correspondent who visited Swindon this week writes:

BY the middle of this week, the strike which started on April 28th at the Swindon works of Pressed Steel had so dislocated supplies of car bodies to the motor industry that 7,000 workers there had been dismissed and another 20,000 put on short time. Production at the British Motor Corporation, Rootes and Jaguar has been particularly badly hit, at a time when all three firms had been exporting cars in record numbers. Thus this stoppage, which was called by shop stewards without agreement from most of the union officials—and only a day after a meeting of the whole works had decided by a substantial majority not to strike—is rapidly becoming something of a national disaster.

The history of the strike goes back to last November, when workers at the Oxford branch of Pressed Steel were given a wage increase of between 2d. and 4d. an hour. There had always been a difference between rates paid at Oxford (covered by the London and District Employers' Association) and at Swindon (which is in the West of England Association); but the November increase raised this differential to 8d. an hour for skilled men and 4d. an hour for unskilled. The Swindon workers felt, reasonably enough, that this difference was too great; they said that their earnings, which are mostly between £12 and £16 a week compared with an average of over £16 for the motor firms as a whole, were the lowest in the industry, and they demanded that the differential between Oxford and Swindon be removed. The employers rejected this demand, pointing out, also truly enough, that they paid some of the highest wages in the town; certainly the 10,000 men in the railway workshops, who set the local wage pattern, can rarely earn more than £13 in a week. No ground was given by either side; arbitration at York produced no result; and at a meeting of the men on April 21st (called against the advice of some union officials), it was decided by 900 votes to 14 that if the management did not settle the claim within a week, there would be a strike.

So far, things had been conducted in due and proper order. The shop stewards seemed to have the men behind them; and when no offer was made during the week, they called another meeting to confirm the strike decision. But to their surprise anti-strikers had been busy during the week; and after a rowdy meeting at the Moonrakers pub, the 1,170 men there decided by a substantial majority to reverse the strike decision and instead to present the management with a new and more moderate claim. The source of the stewards' great influence up till then—which was that many of the workers, coming from far afield (indeed quite a lot of them from abroad, and with little or no union background), were easily swayed by a persuasive talker on the factory floor—had been turned against them. They were left, in the words of the strike leader, Mr Glendenning, "holding the baby."

★

Meeting privately afterwards, however, a limited number of militants, principally in the Electrical Trades Union, decided that they would not accept the men's decision and would go it alone. At lunchtime next day, 60 key men walked out; and although Transport and General Workers' Union officials persuaded the night shift to stay in, the strike spread rapidly and by Wednesday all work had stopped. Many of the men did not want to strike. "I was taking home £15" said one unskilled worker, "and now I'm getting £2 strike pay and £3 from the national assistance. But if I didn't join the strike, I would lose my job afterwards, so there is no choice." A few Poles who speak no English have still not discovered what the strike is about. And while Mr Glendenning—an unusual sort of strike leader, who wears a crested blazer—may talk airily about massive support from the rest of the motor industry (which proves to be a few pounds and congratulations from some other shop stewards), the men themselves stand in groups talking about how to draw their benefit.

Since the strike started, feelings among the ten unions involved have been under greater strain than those between the union official and the management, which have remained surprisingly cordial. At the beginning of this year, the Amalgamated Engineering Union had the largest membership at the works, a position originally held by the TGWU, but lost by it after trouble with their chief works organiser over collecting dues. But recently the TGWU has been making a comeback and during the last three weeks, when the AEU members have not been receiving strike pay as promptly as they expected, it has done especially well. Charges of poaching members are heard. Another source of friction has been the fear that since it was the ETU who walked out, communists might have been behind the stoppage. But despite the fact that one of the local officials of the AEU is a communist, and that one allegedly sinister imported agitator has been found in the works, your correspondent did not feel convinced by some arguments that this strike is all a communist plot.

But the management too has its problems. The Pressed Steel factory has been open only two years, and three new bays were added only this week; it is thus badly placed for standing up to a long stoppage. Moreover, although Sir William Grant, chairman of the local employers association (whose forthright disapproval of Government intervention in wage disputes became something of a national issue last year) and Mr Edwards, managing director of the company, refused to give any ground at a six hour meeting last week, two factors may weaken their stand. The first is the serious effect the strike is having on other motor firms; the second is that the size of the differential between Oxford and Swindon has become unrealistic. Unemployment at Swindon, at 0.9 per cent, is well below the national average of 2 per cent; many firms are expanding and opening branches there and are having to pay higher wages than before to attract labour from as far away as London. In these conditions, a closing of the differential, even though this would spread to other firms in the area, might well be natural; the tragedy is that troublemakers at Pressed Steel may, by taking the law into their own hands, have delayed rather then advanced the day when this can be done.

The meaning of SMITHS

In the world at large, there are probably more than two million people bearing the English name Smith; but in the world covered by our own business activities we are the only SMITHS. Applied to any product within our special world, the name SMITHS means, 'A product of S. Smith & Sons (England) Limited'—and of nobody else.
In administrative terms, SMITHS means the great engineering organization set out below. In terms of bricks and mortar it means 20 superbly equipped factories; and in human terms, 18,000 carefully trained people, including some of Britain's most talented engineers. In terms of products, SMITHS means the clocks and watches, and the dashboard instruments and other motor accessories, that everybody knows, but it also means an immense range of other products—from Automatic Pilots for aircraft to electronic control systems for industrial processes—which enrich your own life in ways you can hardly have imagined. SMITHS is, indeed, a name with a world of meaning.

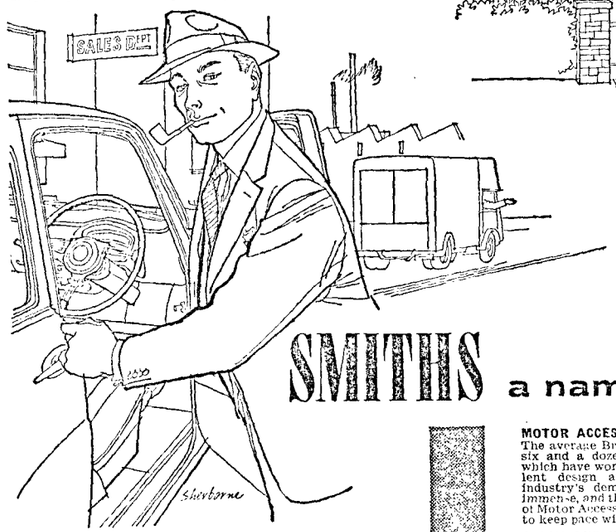


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SMITHS Clock & Watch Division make the alarm clock that wakes Mrs. Jones, and the clock that tells her husband's employers whether she got him to his work in good time. They make the kitchen timer, too, that tells her when to take things off the stove, or out of the oven. To Mrs. Jones, SMITHS means the timing of her domestic routines and, though she probably doesn't know it, better motoring in the Jones family car. A later advertisement will explain how SMITHS also keep her fishmonger's prices down.



WHAT SMITHS MEANS TO JOHN BLAKE

To salesman John Blake, who practically lives in his car, SMITHS naturally means accessories for better motoring. SMITHS instruments help him to drive and maintain his car more efficiently. SMITHS K.L.G. sparking plugs, he knows from long experience, are the very best he can buy. A SMITHS heater comforts him in cold weather, and its de-misters keep his windscreen clear of dangerous mist and frost. Bluecol anti-freeze protects his car's cooling system against both frost and corrosion. SMITHS thermostats provide quick warming up for his engine and so save petrol and engine wear. In many ways like these, SMITHS means better motoring, not only to salesman Blake, but to the overwhelming majority of British motorists.

SMITHS a name with a world of meaning

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The average British car probably uses between six and a dozen different SMITHS accessories, which have won their place in it by their excellent design and workmanship. The motor industry's demand for SMITHS accessories is immense, and the immense production resources of Motor Accessory Division work at full stretch to keep pace with it.

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INDUSTRIAL INSTRUMENT DIVISION
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Aircraft Division employs some of Britain's finest engineering and scientific talent, and most potent research facilities, in the development and commercial production of aircraft instruments of the utmost accuracy and reliability, and autopilots and complete flight systems which provide the safest possible navigation for nineteen airlines, including some of the biggest in the world.

KELVIN HUGHES
Though the name 'Kelvin' has been famous for over 50 years in the scientific-instrument field, and the name 'Hughes' in the nautical-instrument field for over 200 years, the two came together as recently as 1947 in the Kelvin Hughes organization, which joined the SMITHS group very soon afterwards. In their own fields, which have now widened considerably, Kelvin Hughes products are second to none.

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concession to Africans, may settle the future not only of Southern Rhodesia, but of the whole Federation which will go to the polls later in the year.

LAOS

Red Votes and Red Faces

LAST November the royal government of Laos averted the threat of civil war and communist invasion and accepted that of internal subversion. Under an agreement with the communist-led Pathet Lao, two north-eastern provinces, then under communist rule, were brought under the government's authority; in return, the Pathet Lao troops and officials were to be "integrated" into the nation. The first test of the agreement must make the non-communist members of the government wonder whether the bargain they struck was as good as it looked. In supplementary elections to provide 21 extra seats for an enlarged electorate, the Pathet Lao's party—the Patriotic Front—won nine seats. With four more won by electoral allies, the communist-line newcomers got about two-thirds of the new seats.

The Patriotic Front's success is the more remarkable for two facts: it contested only 13 of the seats and, with its allies, polled only a third of the total vote. In Phong Saly, one of the two north-eastern provinces occupied by the Vietnamese communists during the Indo-China war and left in Pathet Lao hands, the Patriotic Front polled 20,000 votes; the remaining 26,000 went to non-communist candidates—who lost because they were fighting each other as well as the Pathet Lao.

It is small wonder that red faces are reported to have been seen in recent days in Vientiane, the sprawling village capital of a kingdom where life—but for the communist challenge—retains the idyllic flavour that charmed the French occupiers of the 'eighties. With sympathisers already in the old Assembly, the communists and their allies will control about 21 seats in the enlarged Assembly of 59. The electoral blow which the "red Prince" Souphanouvong, leader of the Patriotic Front, has dealt to his half-brother, Souvanna Phouma, the Prime Minister, is therefore not mortal. But the non-communist groups will need to concert their activities in the future.

EURATOM

Belated Gesture

THE Government's decision to accredit a representative whose task it will be to develop British co-operation with Euratom might well have been taken earlier. In Washington the representatives of the new six-nation community have been warmly welcomed, and finishing touches are being put to their agreement with the United States on a joint programme of reactor development in Europe, financed on a fifty-fifty basis. Euratom will get the benefit of American know-how, America a testing ground for its reactors and the *entrée* to the European market. Britain, by contrast, has hitherto ignored the new community.

The new ambassador's appointment is the first friendly gesture. He will have plenty to do, for in the few months since Euratom was born Britain has irritated it a good deal. There is a suspicion at its Brussels headquarters that Britain has been seeking to delay the new agreement with America, and there is even more resentment against British attempts to conclude bilateral deals with member countries behind the community's back. The Euratom treaty requires members to pool their knowledge about peaceful applications of nuclear energy; it sets up an agency through which all fuel is to be imported, and thus provides a sanction to back up the wide powers of inspection which the community enjoys; and the community alone is empowered to make agreements with third countries on these vital matters. Four days before the treaty came into force, however, Britain concluded a bilateral agreement with Italy which covered precisely this ground; more recently, within the framework of that agreement, a British and an Italian company have arranged to collaborate on the joint construction of power stations in Italy; and negotiations for similar arrangements have been started with the Germans and the Dutch. Admittedly, in these cases the impetus has come as much from the other parties concerned as from Britain. Men like Herr Balke, the able chemist in charge of Germany's power programme, and Signor Mattei, now extending his domain from oil and gas to nuclear power, are in a hurry to get their reactors up. But to the Euratom executive it inevitably looks as though *perfide Albion* is up to its old tricks. It has challenged all three bilateral arrangements as being contrary to the treaty.

This muddle should never have been allowed to obscure the great interests Britain and Euratom share. The leaders of the new community know as well as Signor Mattei that

The Economist

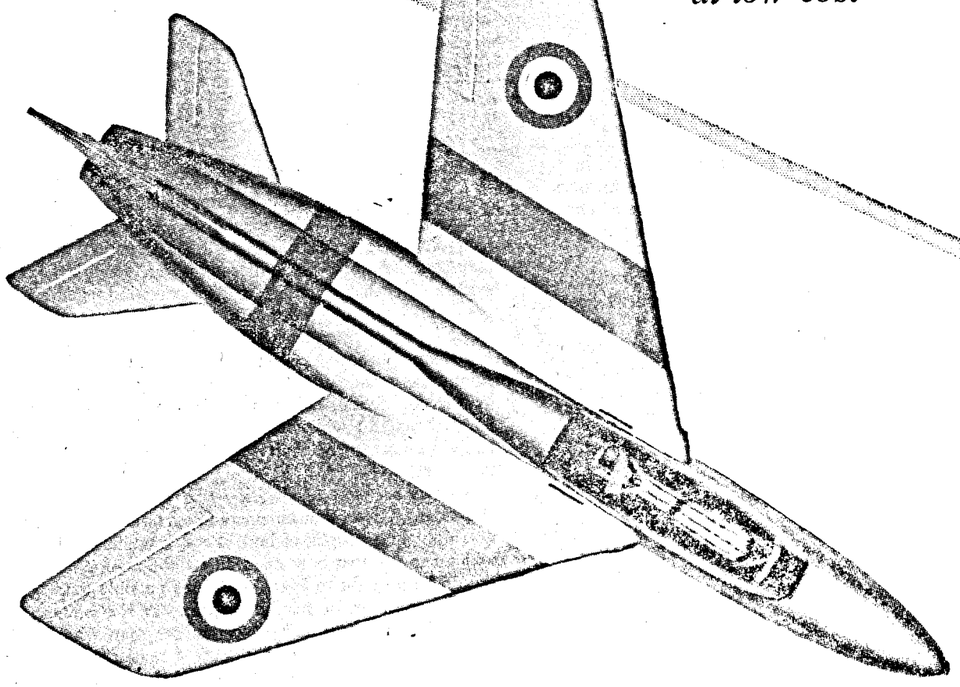
MAY 22, 1858

LOADS, QUARTERS, BUSHELS AND BARRELS

The important object of uniformity of weights and measure has not made much progress by the discussion upon Mr Lock's Bill, introduced with a view to that end, and rejected upon the second reading. It is not creditable to the legislative wisdom of the House of Commons that an object with regard to the necessity and convenience of which all are so well agreed, should offer difficulties in its accomplishment apparently insurmountable. Committee after Committee has considered the subject;—attempts one after another have been made to reduce the general wish into legislative form;—and now in the year 1858, we are just where we were, so far as uniformity is concerned, when the first Committee was appointed nearly twenty-five years ago. . . . What is the evil we have to remedy? It is plain and simple, and one that is really of practical inconvenience to a large number of persons:—landowners, farmers, corn-dealers, merchants, and all that class of politicians who watch the progress of the great material interests of the country. . . . Well, we have been able to make railways, to construct canals, to build and establish steamboats:—all these means of communication are, and have long been, at our command, while as yet we have not discovered the means of reducing to one common term or denomination the weights and measures in which the price of commodities is expressed, and which is essential to the public at large being able to appreciate the real comparison of prices in different places. This is not creditable:—it savours much more of the inveterate character of habit than of earnest love of practical improvement:—and we will venture to say that if the change had, from its nature, been one within the compass of the exertions of private merchants or engineers, in place of being only possible by an effort of legislation, the difficulty would have been solved long ago.

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British-type reactors must form the basis of west Europe's power programmes in the next few years. The promised link with Euratom should be used at once to work out a general agreement with this country which satisfies both the community and its members. Under this umbrella, commercial agreements with individual countries can be properly reached. Then, with all urgency, the political potentialities of close association with Euratom, whose members are on the brink of taking up nuclear arms as well as nuclear power, must be developed to the full.

PORTUGAL

Object Lesson in a Mirror

In an eerie way, Portugal this week has looked rather like a mirror image of France, with the writing all the other way round. A strong man, sincerely convinced that he is indispensable, and enjoying the support not only of army officers but also of a large and variegated cross-section of opinion, dominates the Portuguese political scene too. Strong police action has been taken against demonstrators in Lisbon as in Paris; there, too, there is a sense of change, of the breaking up of established patterns, in the air. But Portugal's saviour figure, Professor Salazar, has held power for thirty years; the swing of opinion is towards getting him out, and the police activity is directed towards keeping him in.

A jittery clumsiness has marked the Salazar regime's latest actions. It has clearly been badly shaken by the sight of an opposition candidate for the presidency of the republic emerging from its own ranks in the person of General Delgado, the director-general of civil aviation. The general has many well placed friends, some of whom may have been deliberately frustrating the government's efforts to silence him. Some reports even suggest that the outgoing head of state, President Craveiro Lopes, is sympathetic to the challenger. His name is noticeably lacking from the list of official personalities cited as having rallied to the support of the defence minister, Colonel dos Santos Costa, whom the general had rightly criticised for attempting to tell the armed services how to vote.

Demonstrations in favour of the general were sternly checked last week in both Oporto and Lisbon. On the Rossio, the square in the heart of Lisbon, police and soldiers used their arms, including automatic weapons, and tanks were marshalled on the Terreiro do Paço, the great forum on the Tagus waterfront familiarly known to British visitors as "Black Horse Square." Outwardly Portugal remains quiet; but its cautious inhabitants have been stirred to unfamiliar emotions by the news of these events, and by the outspoken speeches of General Delgado—which, it may be noted, have been duly reported in the normally tight-reined press. Nobody is forecasting a victory for the general in the elections on June 8th. But even the theoretical possibility that if he did win the presidency, he might carry out his declared intention of appointing another prime minister in place of Dr Salazar, is enough to set every coffee-shop in a low buzz of guarded speculation.

MOTOR BUSINESS

The March issue of this quarterly research bulletin for the motor and allied industries is now available. It includes:

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FILM CENSORSHIP

Censors' Stag Party?

With an old-world delicacy which offers a piquant contrast to recent local history, the town councillors of Brighton have decided that the activities of their Watch Committee are unsuitable for the participation of women members. Among the duties of watch committees, it is explained, *is that of seeing, and adjudicating on, films that* possibly ought to be banned; and the embarrassment of watching and subsequently discussing these in mixed company has, it appears, proved too much for Brighton's committee men. It is not on record that the ladies—*in this connection, ladies is surely the word*—shared this embarrassment; while one of them has apparently raised no objection to being excluded, the other is sturdily protesting.

This is the sort of decision that almost defies serious comment. Given that cinema audiences consist of people, notably young people, of both sexes, it ought to go almost without saying that both masculine and feminine judgments should be brought to bear on a film's possible tendency to corrupt or to arouse manly passions. It also seems fairly self-evident that the sort of committee man who finds it unbearably embarrassing to discuss a borderline film with a woman colleague should be regarded as psychologically disqualified from judging such tendencies at all. Less seriously, the episode prompts some fascinating speculation as to just what film it was, and what passage in that film, which brought the Brighton Watch Committee to breaking point and prompted the councillors' action. Did some male member, betrayed into a revealing guffaw or shocked into inarticulate horror, find himself forced to explain to the mystified distaff side just what it was that had so affected him? Or worse still—far worse—were the explanations by any chance the other way round? "What," one imagines one uncomfortably innocent character asking of another, as the film-show sequence of "The Bachelor Party" unrolls itself, "*what* are they supposed to be looking at?"

The possibilities widen out deliciously as one thinks of them; indeed, the situation is tailor-made for a revue sketch. But it does not particularly redound to the dignity of the watch committee. Its surviving members should not be surprised if lewd fellows of the baser sort conclude—with whatever outrageous injustice—that underlying their complaints of embarrassment is the aim of reconstituting a right little, tight little stag party.

LETTERS

Tories in the Boroughs

Sir—Your comments about the municipal elections draw rather sweeping conclusions from rather scanty evidence. Labour did less well in May in the boroughs than in April in the counties; it does not necessarily follow that there has been "a large swing back to the Conservatives." You indeed concede that the "abstaining majors marching home" need not have been reinforced by a single floating voter.

Perhaps the abstaining majors ride no buses. Even so, if as you suggest it was resentment against the unions that brought out the backwoodsmen, they should surely have flocked to the polls most enthusiastically in Greater London, where the strike was four days old on municipal polling day. Yet this was the region where Labour did best—the only one where the party held its peak (1952) borough strength.

It seems more likely that Labour has a bigger faithful nucleus of fair-or-foul voters than the Conservatives, and that this bulks larger the smaller the total poll. Certainly Labour has done better in the boroughs in the last three years of low turnout than in the previous three when it was higher. Since county council elections arouse less interest, and attract a lower poll than any other, Labour might normally be expected to do better in them than in the boroughs—even though no voter changed his mind or was even moved by greater party fervour.—Yours faithfully,

PHILIP WILLIAMS

Jesus College, Oxford

★

Sir—You claim a swing to the Conservatives, because the Labour gains in the counties last month were greater than those recorded in the towns this month. This is not a comparison of like with like. It is recognised that apathy is always most marked in the county elections, and that apathy normally tells most against the party forming the government. Furthermore, Labour representation was (and is) weakest in the counties, so allowing greater scope for advance there than in the towns, where Labour was already the strongest party.

You assert that these local elections were a nasty shock for the Labour party, because it did not advance beyond its 1952 peak. In 1952 the Labour party was making its first substantial inroads into many councils then regarded as solidly right wing. In every year since then (except 1955) these beach-heads have been extended, in towns such as Oxford, Wallasey and Maidstone. Thus a large number of former Tory strongholds were this year faced with the prospect of Labour control for the first time. In many areas this stimulated a good desperation vote.

Surely it must be recognised that, beyond a certain point (1952?) the rate of Labour progress is bound to slow down considerably? Labour already controls the great majority of medium-sized and large towns of average or below average rateable value per head. Obviously, in areas of well above average rateable value, progress is bound to be very slow. In Britain's two hundred large towns (over 50,000 population, boroughs and urban districts) 130 have a majority of Labour councillors, 65 (mainly the smaller) have Tory or Independent majorities, and the Liberals dominate in 5. Of the 65 right-wing towns only four have an annual rateable value per head less than the national average of £12—West Hartlepool, Brierley Hill (Staffs), Bury and Huyton (Lancs). Five have average values—Burton-on-Trent, Tynemouth, Sale (Cheshire), Gosport and Fareham (Hants). Of the remainder, no fewer than 36 have rateable values at least 50 per cent above average, including such towns as Beckenham, Torquay, Cheltenham, Bournemouth, Sutton Coldfield, Twickenham, Eastbourne, Wimbledon, Southport, Finchley and Scarborough. Is it really necessary for Labour to capture Hove or Epsom before its postwar local government victory is conceded?—Yours faithfully, A. DONALD

Swindon

South African Elections

Sir—I would like to make three comments of a statistical nature on the results of the South African general election, described in your issue of April 26th.

1. The swing in favour of the Nationalists was about 5 per cent, but assuming that the Coloured voters voted Nationalist in the same ratio as they did in the 1958 elections of Coloured representatives, the swing in the vote works out at about 3 per cent. The swing was more pronounced in the Transvaal than elsewhere, but was nationwide. New registrations where the Nationalists enjoy a substantial majority as a result of the higher birth rate amongst Afrikaners could only have accounted for a swing of at the most 1½ per cent. Where the additional support came from is impossible to say. The result in the constituency of Port Beaufort, where the Nationalists polled 55 per cent of the votes, although only 51 per cent of the voters on the roll had their addresses and occupations in Afrikaans, seems to suggest some English-speaking support. With one or two unimportant exceptions, everybody that publicly announced a change of political views was, however, Afrikaans speaking. I am therefore inclined to think that the swing was mainly due to a further consolidation of the Afrikaners in the Nationalist party. Professor Keppel-Jones is probably not far from the mark when he states that they now enjoy the support of 85 per cent of the Afrikaners. This should be compared with an estimated 75 per cent in 1948.

2. The Nationalists polled some 140,000 more votes than the United party, but the United party had 24 unopposed returns. Both parties have therefore claimed to enjoy the support of the majority of the white voters and have published exhaustive analyses in support of their view. My own calculations give it to the United party by about 7,000 votes, but the margin of error in a hypothetical poll of 1,400,000 is bound to be larger and I feel that the only conclusion that can be drawn is that the white population is now about equally divided between the Nationalist and United parties with regard to their political views. This represents a substantial swing to the Nationalist party since 1948 when their support was estimated at just over 40 per cent of the electorate, which did, however, include the coloured voters. The swing in respect of the white voters only must have been at least 5 per cent since 1948.

3. The United party appears to have no prospect whatsoever of winning the next election. To gain a majority with the help of the coloured and native members of parliament, the swing against the Nationalists would have to be about 9½ per cent. To gain a working majority on their own, a swing of about 12 per cent is needed. Such a swing of opinion is quite unknown in South Africa. The swing to Dr Malan that put him into power in 1948 was only 7½ per cent. The United party's prospects seem now to depend entirely on the possibility of a rift in the Nationalist party.

Yours faithfully,

Cape Town H. DE G. LAURIE

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BOOKS

"Bernie"

Mr Baruch: *The man, the myth, the eighty years*
By Margaret L. Coit.
Collance. 784 pages. 42s.

A MYSTERY surrounds this book. The dustjacket tells us that Mr Baruch threw open his great files of papers for it, but insisted that it be its author's book in every sense of the word. Its author, however—but not until page 699—tells us that Mr Baruch closed his papers to her and withheld permission to cite his unpublished writings after she had worked on a preliminary draft for five years. No explanation is given us. One is certainly needed, for the author is, at least for one reader, over-adulatory of her subject. She permits herself to him that Baruch's success in life might have been greater had he risked failure more: and therefore that he may have recoiled at the thought that a book about him might fail. Mr Baruch clearly loved himself enough not to court failure. He did not run for office. He never took a really big and important job, after his successful captaincy of the War Industries Board under Wilson in the first world war. He refused the secretaryship of the Treasury and regretted it the rest of his life. He would not even become chairman of the Democrats' National Committee when his party sorely needed him.

Baruch seems to have believed that he could have been President had he not been a Jew. That did not stop other Jews from believing that they could. His Roman Catholicism did not make Al Smith think he would fail, and it may not make young Mr Kennedy think so now. Again, Baruch was not a politician; but heaps of them failed to get that plum, whether they were Jews, Irish Catholics, atheists, adulterers, fathers of bastards, and so on, while many others got the plum who were no better. Was Mr Baruch over-ambitious, over-fond of success, and therefore over-frustrated by being Jewish? The offers and opportunities he did get were manifold, and much greater than most of the American goyim in politics ever enjoyed. This may explain what seems undue emphasis on American brands of social anti-Semitism. A Gentile father objected to Baruch's marriage to his daughter on account of the differences not of race but of religion; but most orthodox Jewish fathers (and mothers) object to it, too; and for "closeness" of family and society Jewish life takes much beating. It is almost certain that the silly, snooty set of the "400" snubbed Baruch and his wife. But Gentiles were snubbed too; and Gentiles up to Mr Baruch's grade of intelligence and taste would not willingly have spent an evening in the society of the "400" for a thousand dollars. Why, then, did Mr Baruch rate them so high? Miss Coit, an intelligent, trained, able biographer, does not tell us.

Her book gives illuminating accounts of Baruch's operations on Wall Street (he was a very thorough investigator before he invested in a company), political life in Washington, party conventions, the Peace Conference after 1918, the dumbfounding effect in London of Roosevelt's death, and so on. Baruch was obviously a shrewd planner, a thinker-ahead: witness his prophecy in the last war that there would be no unemployment problem thereafter; witness, too, his "Baruch plan" for international atomic control. He was courageous enough to clash with President Truman, in spite of their previous close collaboration. He is indubitably generous. Herbert Hoover said that "Bernie" gave a million dollars to the Red Cross without making it public, and General Johnson called him "the most faithful, kindly and considerate man" he had known. Yet one of his friends, asked to sum up the Baruch career in a word, chose for it "frustration." Miss Coit says no one would deny that more than her subject, who shies off violently from probing his own motives and from anyone who tries to search his "deeply forested interior."

All this being so Miss Coit's book seems unduly long: too much about Elsinore, too little about Hamlet. It is full of interesting information, much of it elsewhere available; it is interesting, if somewhat flowerily written. One's sympathies are, for once, with an author, not with her subject. Hers must have been a tough assignment. Like those who took the Golden Road to Samarkand, she must have been impelled by love of knowing what (to Mr Baruch) "should not be known." Was that why the guillotine fell after five years' work? Maybe; but the work up to that point has not really made *the* book on the subject. And maybe, like the small boy's apple, "there ain't gonna be no core!"

The Private Belloc

Letters from Hilaire Belloc

Edited by Robert Speaight.
Hollis and Carter. 313 pages. 30s.

IT is not surprising that Mr Speaight, confronted with such excellent stuff as the correspondence on which he drew for his biography of Hilaire Belloc, should have wished to use more of it than that biography could reproduce. The resulting volume is, as he explains, in no sense a "Collected Letters." It excludes much that has been already published and does not print in full many of the letters which it does include; it is, in fact, a limited anthology, the more tantalising since the reader cannot follow up his aroused curiosity by turning to a more comprehensive volume.

Within these limitations, however, "Letters from Hilaire Belloc" is a delight. Belloc had the first and greatest of the letter-writer's gifts; that of focusing all his consciousness and powers, thought, emotion and wit, on the person to whom he was writing. It is the quality that makes a man a good conversationalist as distinct from a mere good talker, a quality rather human than literary, and it appears unfailingly in these letters, whether Belloc is drawing on all the strength of the faith that is in him to comfort a friend who has lost her child, or entertaining Maurice Baring with limericks, or discoursing on current politics, or narrating one of his innumerable journeys. He had, of course, the appropriate literary gifts as well; vividness and a knack for the thumbnail sketch, a fine capacity for extravagance, a spontaneous wit, a fund of allusion. ("The position is ridiculous and the expense is damnable"—thus, in deadpan quotation, he sums up his reasons for not seeking re-election to Parliament.)

Speaking thus for himself and in private, he is a far more sympathetic character than the Belloc of the books and the public prints. There is nothing in the letters of that faint distasteful hint of attitudinising which pervades his published work. Not that they indicate, by contrast, anything in the public Belloc that could properly be called insincerity; on the contrary. Cleansed of self-righteous bluster, his convictions, opinions, likings and antipathies remain recognisably the same and transparently genuine. His friends were fortunate.

East End Families

Widows and Their Families

By Peter Marris. 172 pages. 18s.

The Family Life of Old People

By Peter Townsend. 284 pages. 30s.
Routledge and Kegan Paul.

THESE two essays in social research maintain the high standard set by the recently established Institute of Community Studies in its first survey, "Family and Kinship in East London." They form a trilogy of studies, with unity of locale and common doctrine, that cast new light on the family as a living organism.

There is something here for everyone, for social surveys are a meeting ground for laymen and specialists of varying disciplines, each with his own tests and standards. The survey methodologist should find much to praise; sampling methods are strict; sample sizes, though small, are unlikely to disturb even the fanatical purist; interviewing techniques—the fieldwork was largely carried out by the authors themselves—permitted intensive and wide-ranging discussions, thus avoiding the somewhat cramping effects of the more rigid formal questionnaire. The lay reader will find both books very readable and stylistically superior to most social research: the material is treated with lively sympathy, and individual cases come to life. Nevertheless, the authors have not neglected to provide valuable material for experts in the sociological, psychological and anthropological fields, and for the administrator, there are the many implications for policy.

Although many findings of social surveys may appear commonplace, one striking *Leitmotif* emerges from both works: Bethnal Green, possibly modern society as a whole, is one vast matriarchy. The family pivots round the mother or grandmother, above all round the proverbial maternal mother-in-law; the "old man," especially when he has retired, is very much the outsider in daily family life, while the newly married man tends to forsake his own family.

Each work has its special interest. The most notable contribution of Mr Marris's study of widowhood is a warm and sensitive treatment of grief and a powerful plea, in the light of current anomalies, for a major review of social insurance provision for widows. Mr Townsend focuses attention on two major problems of old age: the catastrophic fall in income that accompanies retirement; and the vastly differing plights, vis-à-vis the welfare services, of old people who form part of an extended family and those who do not. For the old, even when they live alone, are truly isolated only where there is no family.

Granted the limited financial resources of much social research, comment on the scope of these studies may seem churlish. How far the experience of Bethnal Green may be typical of Britain as a whole is an issue of which the authors are properly aware. One is driven to ask how far these findings would be paralleled not only in middle-class families, but also in the growing strata of suburbia and dormitory-land, which straddle the working and middle classes. How far do their conditions differ, or how far can social patterns and human experience transcend material differences? Further research could give added value to these studies.

The Turn of the Tide

The Englishman's Food

By J. C. Drummond and Anne Wilbraham. Revised by D. F. Hollingsworth.
Cape. 482 pages. 36s.

AFTER Sir Jack Drummond's death, Miss Hollingsworth, who had worked with him during the war in the Ministry of Food, undertook the revision of this book, the first edition of which appeared in 1939. Some of the earlier chapters have been curtailed to make room for new material and the book now provides a fascinating account of eating habits over five centuries.

In Tudor times, we are told, "the Englishman of every class fed better than his counterpart on the Continent." Needless to say, this did not mean fair shares for all. The Venetian Ambassador at the beginning of the sixteenth century comments: "The English, being great epicures and very avaricious by nature, indulge in the most delicate fare themselves and give their households the coarsest bread and beer and cold meat baked on Sunday for the week, which, however, they allow them in great abundance." There was a surprising variety of foods available in the fifteenth and sixteenth centuries; records refer to foods as varied as beef, bacon, garlic, lettuce, salted greens, olive oil, raisins, herrings, pepper and marmalade.

Sir Jack was a biochemist and his book gives an expert's view of the deficiencies in diet at different periods and the diseases that resulted. There are revealing accounts of meals in workhouses, hospitals, schools and prisons. Although the foundations of the science of nutrition were laid in the nineteenth century, it was only with the turn of the century that public concern was aroused. Of the general health of the English in the aftermath of the industrial revolution, Sir Jack wrote: "It is no exaggeration to say that the opening of the twentieth century saw malnutrition more rife in England than it had been since the great dearths of medieval and Tudor times." It is a depressing thought that it required two world wars to accelerate the study of nutritional science. In a new and final chapter to this book, unfortunately telescoped through lack of space, Miss Hollingsworth discusses the changes in food supply and policy since 1914.

Primus in Indis

The First Punjabis

By Mohammed Ibrahim Qureshi.
Gale and Polden. 484 pages. 30s.

REGIMENTAL histories are designed for Captain Gunn. He turns hurriedly to the index and, finding his name mentioned, sighs with relief; for if his name does appear, the reference to his achievements will be laudatory—or, at the worst, non-committal. Discretion of this kind has its merits, for the book is written to keep alive that intangible, so dear to most armies, the regimental tradition. To the outsider the long, detailed regimental history serves another purpose: it reminds him that war is not just a matter of neat oblongs of colour or broad sweeping arrows on a map; it reminds him that war has a price.

Why, then, single out for mention "The First Punjabis," which in form differs not a jot from all the other histories? First because it is a worthy representative of the whole, presenting through the story of one regiment the history of military India. Secondly, because it has unique qualities. It deals with the oldest regiment, first raised in Madras in 1759—the year of Plassey—of the old Indian army; it remains alive as a unit in the Pakistani army, its traditions undimmed, having fought from Wandiwash to Meiktila and having done its duty in the Punjab at the time of partition. It is written, moreover, by a serving Pakistani officer, who belongs to a regiment in which the present Chief of the General Staff of the Pakistani army as well as Field Marshal Sir Claude Auchinleck have served. This book deserves to carry the motto won at Plassey by the old 39th Foot: *Primus in Indis.*

Economists in Congress

Stability and Progress in the World Economy

Edited by D. C. Hague.
Macmillan. 267 pages. 25s.

IN 1956 the International Economic Association celebrated the third triennial meeting of its council with a general congress, open to any member of the various affiliated national associations of economists, on the theme of "Stability and Progress in the World Economy." Project and theme were both ambitious; the theme, perhaps, too much so—although here it is only fair to distinguish between its suitability for debate and the suitability of that debate for compression into book form.

As usual, the work of the conference was organised around a series of main papers each followed by an open discussion. The first two papers were on the general problem of stability and progress as it confronts the richer countries of the world (Sir Dennis Robertson) and the poorer countries (Professor Jacob Viner). Professor François Perroux and Professor Gottfried Haberler dealt respectively with the real and the monetary factors in the quest for stability; and Professor Erik Lundberg spoke on international stability and the national economy. As might be expected, the standard is high; M. Perroux's paper in particular, concerned with the general stabilising or destabilising effects of particular changes in demand, techniques or localisation, contains a treatise's worth of original and important thinking. But while the participants in the congress must have taken away with them, for the most part, an eminently worthwhile sense of mutual illumination, the study of their proceedings yields very little in the way of authoritative agreement or even, in general, of clearly confronted and documented dissent. To choose at random a few questions from among those arising in debate. Is inflation, whether deliberate or accepted as a necessary by-product, a suitable means for financing national development? Are differing rates of growth between different countries an inevitable, or a serious cause of instability? Is full employment compatible with a steady, or even a tolerably slowly-rising, level of prices? Are floating exchange rates preferable to conformity with the requirements of a fixed parity? On none of these familiar conundrums is it any more possible, after reading "Stability and Progress," to give a consensus of scientific opinion. No doubt the inevitably ruthless summaris-

ing of discussion conceals, in one instance or another, certain shifts in the balance of convictions, the germinating of certain salutary doubts, certain hardenings of attitude; and the reader can sometimes glimpse not only the primary impact of agreement or disagreement but something of the process by which disagreement becomes specific and ultimately capable of resolution—the process of coming to terms or to grips. Over so wide a field, swarming with so many newly-started hares, it is however impossible for the most gifted of *rapporteurs* to convey the extent, or the deficiencies, of this process. It is better, in fact, to read "Stability and Progress" as a collection of related essays and loosely related comments than to court disappointment by looking in it for a report on the state of world economic opinion.

The Epic Spirit

The Epic Strain in the English Novel

By E. M. W. Tillyard.
Chatto and Windus. 208 pages. 21s.

LITERARY kinds, Dr Tillyard believes, exist and are distinguishable; each answers to certain clear habits and motions of the human mind. The epic is such a kind, and it is constituted by its communal or choric quality. "The epic writer must express the feelings of a large group of people living in or near his own time." Tragedy, although it cannot lack some imprint of its age, is in its essence timeless. But the epic in a sense subsumes the tragic. "It is when the tragic intensity is included in the group-consciousness of an age, when the narrowly timeless is combined with the variegatedly temporal, that the epic attains its full growth." Moreover, the epic requires faith in the system of beliefs or way of life it bears witness to. "Only when people have faith in their own age can they include the maximum of life in their vision."

These principles have already been given exemplification in Dr Tillyard's earlier work, "The English Epic and Its Background." He now applies them in the field of the novel—a vague entity that can answer to most of the habits of mind from which the literary kinds proper derive. In "Robinson Crusoe," in "Waverley," "Rob Roy" and "The Heart of Midlothian," in "Nostromo" and in "The Old Wives' Tale" the epic spirit is, he argues, unchallengeably pre-eminent; these have the sustained intensity lacking in "Tom Jones," and they have the choric appeal that "Ulysses," epic in its intentions, loses amid such negative feelings as the sense of exile and of being odd man out. "Middlemarch," in which Dr Tillyard formerly felt George Eliot to have got nearer to the epic than any other of the great Victorian novelists, he now decides must be turned down. It deals not with a group but with individuals; it is a novel of personal relations, with a morality turning upon problems of individual choice. So in its place we have Arnold Bennett's masterpiece—accompanied by a pleasing expression of surprise on Dr Tillyard's part that it "insisted after all in getting an honourable place in this volume."

But the volume is not in the least a barren affair of affixing or removing labels. What its author is talking about is really there—and moreover the reader will be equally delighted and instructed when the author is talking about something else. On Conrad nothing better has been written. Sulaco is shown as one of the supremely realised places and societies in all literature; a miraculous power of keeping everything and all people present simultaneously is revealed in the book's sheer wealth of unexpected small touches. "It is the same power that Homer commands in the *Iliad* when he suddenly mentions the insignificant military class of storekeepers or tells us that Patroclus's captive maidservants, when they lamented his death, were in reality lamenting their own unhappy lot." Admirers of "Nostromo" will admire this essay. They will also be delighted with the unassuming sketch-map of Costaguana which Dr Tillyard reproduces on his last page.

Philosophy Among the Tribes

Function, Purpose, and Powers

By Dorothy Emmet.
Macmillan. 300 pages. 28s.

"BLESSINGS and curses," writes Professor Emmet, "are probably among the most ancient and universal forms of religious act." They also spring readily to the lips of anyone who reads her latest book, which presents "some concepts in the study of individuals and societies." For while it is a welcome change for concepts like "function" and "purpose" to be presented at work in the probings of social anthropologists instead of merely in the paradigm cases of everyday speech, it is also infuriating to be led through such a jungle of erudite exposition that one can only curse the anthropologists who luxuriate in Professor Emmet's philosophical path.

The book is proclaimed as a new approach to certain questions in political philosophy and the philosophy of religion. It may well be; but it is never altogether clear what the philosophical problems are that are being approached by this somewhat devious and tribe-infested route. Professor Emmet is in little danger of committing the philosophical sin of ignoring important conceptual distinctions; for she surveys a vast field of literature to introduce the concepts of "function," "purpose," "powers," and "vocation." But it is also a philosophical sin to make (or quote) distinctions that do little work in an argument. And the reader is never quite clear what thesis is being argued. "Interesting" he constantly reflects, "but so what?"

With the massive erudition displayed in so small a compass Professor Emmet could have written at least three books. She might have concentrated on the vexed problem of explanation in the social sciences. She has most illuminating things to say about the illegitimate transfer of functional explanations, which make good sense in physics and physiology, to the social field. But she breaks off when she is, as it were, poised to take a decisive step in clarifying the conceptual issues involved. Or she might have used her distinctions to clarify problems about the justification of authority, which have been traditionally associated with questions about the purpose of the state. Or she might have elaborated a fascinating thesis in sociology about the importance of people with a vocation in shaping social change. As it is she flirts with all these problems—and with many more; but she never gets beyond the stage of setting the scene for an engagement that never materialises.

Professor Emmet once seemed to have, to use her own word, a "vocation" for metaphysics. She did her training with an admirable book on "The Nature of Metaphysical Thinking." But somehow she faltered when confronted with the task of doing metaphysics herself, and to slump back into the accepted view that philosophy is merely conceptual analysis. The result is that when she does conceptual analysis it seems somewhat mechanical—as if her heart is not in the job. Indeed one feels that her heart is now really with the tribes and that the excitement which was once aroused by the prospect of a new categorical scheme has flowed into the contemplation of the fascinating lives of the Nuer, the Nuber, and the Navaho. And these, as a matter of fact, give rise to few philosophical problems.

OTHER BOOKS

BIBLIOGRAPHY ON INCOME AND WEALTH. Volume VI—1953-54. Edited by Phyllis Deane. Published for the International Association for Research in Income and Wealth by *Bowes and Bowes.* 139 pages. 37s. 6d.

This volume, the sixth in a well-arranged, well-indexed bibliographical series, gives annotated references to material published on income and wealth and related subjects in more than fifty countries during 1953 and 1954.

THE MIDDLE EAST 1958: A Survey and Directory of the Countries of the Middle East. *Europa Publications.* 477 pages. £3 10s.

A useful reference book on a rapidly changing part of the world. The background information on the individual countries is straightforward and covers a wealth of history in remarkably few words.

SOCIAL SECURITY: A Workers' Education Manual. *International Labour Organisation.* 132 pages. 4s. 6d.

COMMONWEALTH UNIVERSITIES YEARBOOK 1958. Edited by J. F. Foster. Printed by *R. and R. Clark* for the Association of Universities of the British Commonwealth. 1,337 pages. £4 4s.

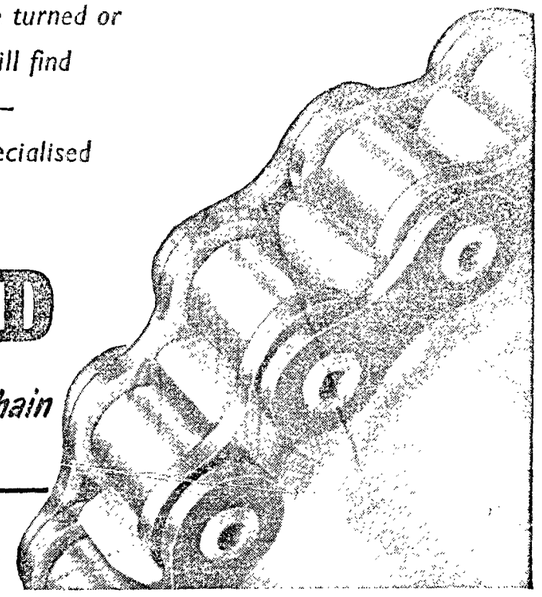
STATISTICAL SUMMARY OF THE MINERAL INDUSTRY: Production, Exports and Imports 1951-56. *HM Stationery Office.* 371 pages. £1 7s. 6d.

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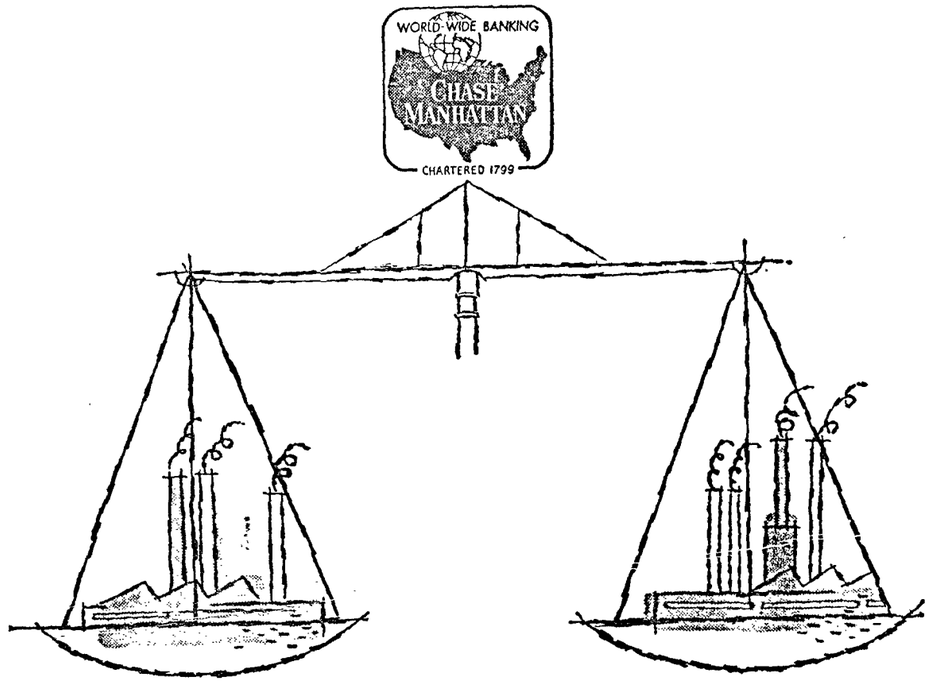
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The Unloved Ones

WASHINGTON, DC

MOST of the parties involved in the Latin American riots are likely to gain from the occasion. Mr Nixon has a better chance of becoming President of the United States, the Latins will probably have more attention paid to their economic predicament, and the Communists have of course reaped a propaganda harvest. It is being said privately that the Latins have left no stone unturned in advancing Mr Nixon's career. His exemplary conduct under fire, followed by his triumphant reception in Washington, has for the first time made criticism of him seem to be in almost as poor taste as criticism of President Eisenhower was considered to be throughout his first term of office. On the other hand, beneath the florid expressions of Latin regret, there lurks in the South American mind a certain satisfaction that the United States has recognised a Communist menace in its own hemisphere. For many years the Latins, raising their hands dutifully on the American side at the United Nations, have been bitterly measuring their own slices of economic aid against the much larger helpings going to more dubious friends. This has prompted the well-worn sarcasm that the Republics should import a few Communists in order to make sure of their share.

While what happened to the Vice President has caused some officials to insist that the United States ought not to reward insults and should remain austerely aloof from governments that cannot or will not control their own mobs, this does not appear to be the predominant reaction. On the contrary, the lesson is being drawn in many quarters that the despatch of a one-man debating team to foreign universities, however gallant the challenge to the students to come out and argue, is no substitute for a policy. Unkind critics of Mr Dulles have dug up one of the first speeches he made on taking office at the beginning of 1953. In it he attacked his predecessors for becoming "so preoccupied with some of these problems in Europe and Asia" that they had taken South America too much for granted. In fact by taking on himself almost the sole responsibility for making policy Mr Dulles, in spite of his extraordinary memory and capacity for hard work, has committed the United States to an even more extreme preoccupation with the main battle fronts of the cold war. Although the question of what to do about the excess supplies of Chilean copper, Colombian coffee and Peruvian lead is a tough one and the question of whether to give democratic governments softer conditions in qualifying for aid than are given to dictatorships is almost as baffling, they are not of that intractable order which requires Russian co-operation. As Mr James Reston wrote in the *New York Times* last Sunday:

> The truth is that the Administration has for long been diverted from serious allied problems it could have done something about into an overwhelming concentration on Soviet problems it can do very little about.

When challenged at the National Press Club on Wednesday as to whether his debating with radical students at Latin American universities was compatible with the dignity of his office, Mr Nixon vigorously defended his methods of diplomacy. He contended that in under-developed countries it was no use dealing only with the ruling *élite* at cocktail party level, since this left a free field to Communist influences on the forces of the future in labour movements and universities. In his opinion, American spokesmen should take firm positions on such central issues as preferring democracies to dictatorships. Only the day before, Mr Dulles had expounded the orthodox diplomatic view that one could not do business according to such distinctions, since it would soon involve all kinds of arbitrary judgments about the exact shade of internal regimes in other countries. The contrast reflected the different backgrounds of the two men —Mr Dulles comes from the cosmopolitan atmosphere of pre-first world war diplomacy, while Mr Nixon is a true child of the age of propaganda. But the Vice President has been making a serious effort to come to grips, however crudely, with a problem that must often have baffled his older colleague—how to avoid identifying America with archaic governments that are inevitably strengthened for the short run by the receipt of American aid.

THE first impact of the riots on Congress, coming as they did just when mobs were burning American libraries elsewhere around the world, was to put some life into the flat debate on this year's legislation on foreign aid. As might have been expected, both sides derived support for their viewpoints. Opponents of foreign aid have for many years rested on the *cliché* that "you cannot buy friends" and every instance of anti-Americanism is taken as a confirmation of the futility of passing out dollars around the world. Representative Colmer of Mississippi declared flatly that:

> Today American prestige, after expenditure of over $100 billion in trying to buy friendship abroad, is possibly at its lowest ebb since the Spanish-American war.

However, his attempt to cut off all economic aid was easily defeated and the determination that the Communists must not be allowed to deflect American purposes by working up a few mobs seems to have carried more weight than the argument that Americans, being unappreciated, should sulk in their own tent. But although Washington's reaction, by and large, has been phlegmatic, there is evidence of a more impatient mood building up across the country and the anti-American incidents may have a delayed action effect even though they seem to have arrived too late to prejudice the aid programme this year. Meanwhile the sterner test will

probably come over foreign trade. The Administration may have been sleeping at the switch in its handling of relations with its "good neighbours" but the immediate grievances that caused most of the trouble arose from the fact that it is Congress that controls important segments of American policy. Quotas to cut down the market in the United States for the oil and metals on which many of the Latin economies depend, and which are of great concern to Canada as well, are the price being demanded by many key Senators and Congressmen for extension of the President's authority to make concessions on tariffs.

Despite some initial murmuring to the contrary, the State Department is now cleaving to the obviously sensible line that, although Communist agents are ever alert to seize what advantages offer themselves, there is no evidence to support the idea that the simultaneous outbursts of anti-American violence in different parts of the world were part of a co-ordinated plan. Mr Robert Murphy, the Deputy Under Secretary of State, told the Foreign Relations Committee, which is holding an investigation behind closed doors, that it would be wise to concentrate on the very varied, and indeed often quite contradictory, local causes of dissatisfaction with the United States. Some of the professional diplomats are hoping that those politicians who are mainly interested in striking attitudes will learn something about the nature of diplomacy from recent experiences.

Events in France have, in the opinion of these professionals, demonstrated why the United States could not have followed a more flamboyantly anti-colonial line in North Africa. Every responsible official from the President downwards has been taking quite exceptional steps to prevent any quotable American comment on France emerging from Washington. But in the Defence Department quiet studies are going ahead on alternative plans for the North Atlantic Treaty Organisation in case France ceases altogether to be a reliable ally. From now on the existing preference for West Germany will inevitably be more marked, as will the opposition to any idea of disengaging Nato forces from Germany and basing them instead to the west of the Rhine.

Crusade That Failed

THE only beneficiaries of the failure of Mr Harold Stassen's latest, and probably last, attempt to free the Republican party from its bondage to unimaginative conservatism will be the Democrats. For whatever his opponents may say, Mr Stassen's chances of winning the Governorship of Pennsylvania would have been brighter than are those of Mr McGonigle, the choice of the party machine who is also the choice of the state's Republican voters for their candidate in next November's contest. Since only party members could vote in last Tuesday's primary election, Mr Stassen's heavy defeat was evidence only of his inability to arouse the enthusiasm of registered Republicans and the small turnout does not suggest that they found much inspiration in Mr McGonigle, an experienced pretzel manufacturer but an inexperienced political campaigner. Mr Stassen would have had the advantage of being a dynamic personality, with a long fighting record, well known to the independent voters who will decide the result of the November election; to them his reputation as a crusader for disarmament and against the Republican regulars would have had more appeal than it did for the party faithful.

Some such appeal is essential if the series of Democratic victories in Pennsylvania is to be checked this year, for they are based as much on disgust with the hide-bound, self-centred and disrupted Republican machine in the state as they are upon real faith in Democratic principles. In any case the Republicans needed the best candidate they could get to beat the Democrat, Mr David Lawrence, one of his party's established national figures; his record as Mayor of the steel city of Pittsburgh should be specially useful in an election in which the main issue seems sure to be the economic difficulties of the state. At this point it is being generally assumed, perhaps prematurely, that Mr Lawrence will win. Of greater interest and national importance are his chances of carrying with him the retiring Democratic Governor, Mr Leader, a more controversial and less influential man, who is running for the Senate seat left vacant by a Republican, Mr Edward Martin. Representative Hugh Scott, a staunch supporter of President Eisenhower and a strong candidate, is attempting to hold this seat for his party; it is one which the Democrats need if their hopes of increasing their narrow majority in the Senate are to be fulfilled.

Victories in Committee

WHERE foreign aid, foreign trade and defence reorganisation are concerned, the President has nailed his colours to the mast and the preliminary battles in committee show that his new determination not to surrender has served surprisingly well. The Senate Foreign Relations Committee is now at work restoring part of the modest cut in funds voted by the House when it passed this year's authorisation for foreign aid. On modernising the defence establishment, Mr Vinson, the chairman of the House Armed Forces Committee and formerly the Navy's congressional sheet anchor, has capitulated on a broad front to the impressive array of informed witnesses who stressed the need for streamlining the chain of command and giving the Secretary of Defence clear and unchallengeable authority over the individual services.

Mr Eisenhower, while tactfully applauding the committee for "dealing positively" with all the major points he had raised, is pressing his advantage; he has given notice that he is not satisfied with the way the committee has watered down on two vital issues the authority he wanted to give to the Secretary of Defence. Its Bill provides that if any member of the Joint Chiefs of Staff objects to a decision of the Secretary to merge, reassign or abolish any important combatant function of the services, Congress must have sixty days in which to over-rule him; it could do this by passing a concurrent resolution, which requires only a majority vote. The President's plan would, in effect, have required a two-thirds vote and thus made it harder for Congress to thwart the Secretary and less attractive for the services to pull political strings. Mr Eisenhower also wished to eliminate the present requirement that the services must be "separately administered" and he objects to the language which the committee substituted in order to safeguard the existence of each service. In other respects, while the word-

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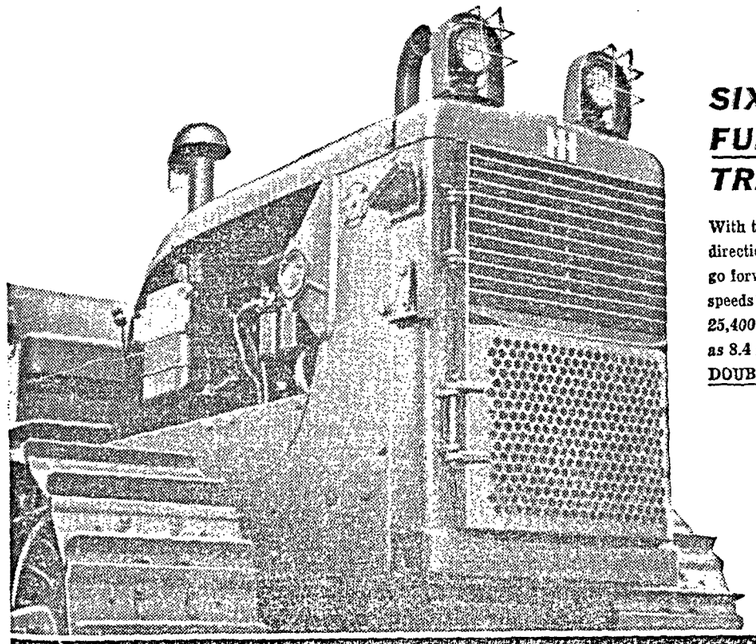
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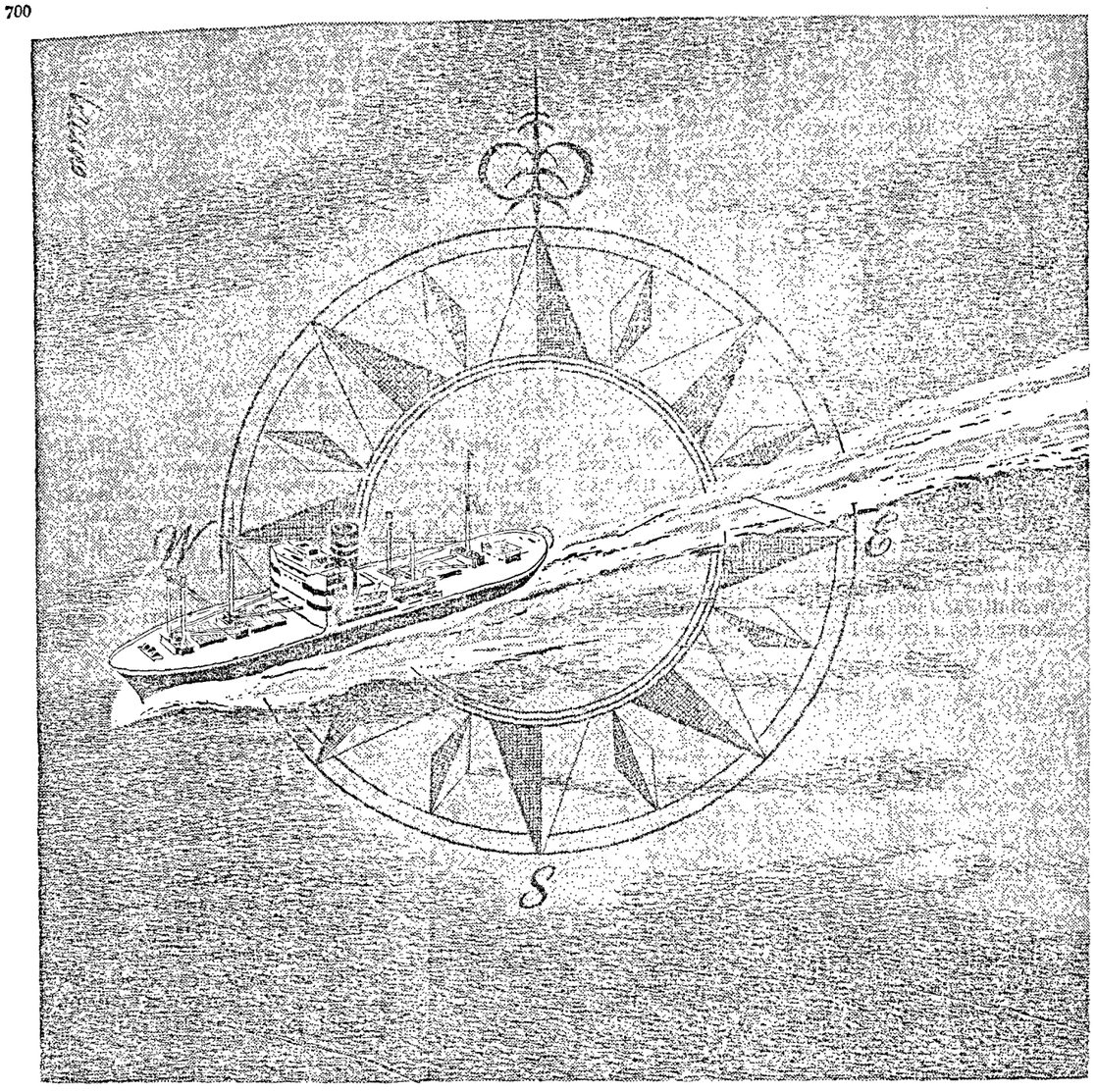
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ing of the committee's Bill is far less sweeping than that proposed by the White House, the President's chief requests have all been granted and the unanimity of the committee is a good omen for a safe journey through Congress.

The same cannot be said for the Bill extending the trade agreements programme, although the Administration by a judicious mixture of firmness, small compromises, and political wire-pulling of the kind which the President usually scorns, has persuaded the fearful House Ways and Means Committee to approve—by 18 votes to 7—a Bill which gives the President the five-year extension and almost all the tariff-cutting power he sought. The protectionists, irritated rather than placated by concessions which they regard as meaningless, are lying in wait for the Bill on the floor. But at least the President's firmness has given the House a clear-cut choice.

Per Ardua ad Lunam

IN the past week the Russians have launched a 2,900 lb satellite and the Americans have launched a 19-man space agency charged with catching up with it. The easy nonchalance with which Russia has put into the sky a piece of equipment a hundred times bigger than anything the Americans themselves have got aloft (and the curl of *Pravda's* lip in making the comparison) have confirmed fears that the Russians are a very long way ahead, probably two years or more, in the race for space. The President's proposal for a National Aeronautics and Space Agency to help close the gap has moved swiftly through the first stages of its congressional journey. A Bill to create the agency, which will co-ordinate all the non-military aspects of research into space, and all but a few of whose members will be civilians, was passed unanimously on Monday by the committee dealing with it in the House of Representatives. It may encounter opposition in the Senate, many of whose members want to strengthen the services' role. To meet these demands, the President has already amended his original proposal to make it clear that all military problems remain the responsibility of the Department of Defence; any jurisdictional disputes between the two bodies that cannot be settled by a special liaison committee will go to him for a decision. The civilian agency will be entitled to employ a much larger staff of senior scientists than the Defence Department, and it may even build and operate its own satellites.

Just how big a task the agency faces can be seen from the estimate that the Russians used a rocket with a thrust of 500,000 pounds to propel the latest sputnik. The American *Jupiter-C* rockets which sent the two Explorers into orbit were mere pipsqueak 83,000-pounders, and the "lunar probe" rockets planned by the services will have a thrust of less than a third of the demonstrated Russian model. Dr Herbert York, the chief scientist of the Defence Department's advanced research agency, estimates that next year the Americans will be able to put satellites of rather less than one-tenth of Sputnik III's size into relatively "easy" orbits (that is, those running close to the equator); and the Titans and Atlases for a really big jump forward are unlikely to be available before the early nineteen-sixties. And, above all these worries, glows the moon. General Medaris, the military head of the Army's space research section, thinks that the Russians could already get a 600-lb satellite into its vicinity. The one cheerful piece of ne[ws] was the successful recovery of the nose co[ne] rocket from the Atlantic on Sunday. If the U[S] has really solved the re-entry problem, at least for mediate-range missiles, the new agency will receive a thrust on its journey after the sputnik.

Patent Reforms Pending

FROM A CORRESPONDENT IN NEW YORK

SENATOR O'Mahoney's efforts to improve the federal laws governing patents, which started three years ago with a blast, are now reduced to a series of plaintive bleats. The preliminary report of the Senate Sub-Committee on Patents, Trademarks and Copyrights, of which he is chairman, pointed out that the patent system should be adjusted to modern conditions, that the Patent Office and the courts are in conflict as to what is and what is not patentable, and that the Patent Office needs a larger staff and better salaries. The fourth recommendation called for a new court of patent appeals. The latest report of the subcommittee lists most of these aims, but they are subordinated to the international aspects of the patent system, which the post-sputnik defence programme has made important. The need for interchange of scientific information between the United States and other free nations, the desirability of translating and disseminating scientific data, the wisdom of studying foreign patent systems—these are the subjects now claiming first place.

This change of focus is in part a symptom of the Senate's susceptibility to public opinion. It may also reflect the fact that the subcommittee's funds are running out; of the $80,000 appropriated for its work in 1955, only $6,000 is left. Its chief legal counsel has resigned to go into private practice; its assistant counsel is teaching law in Wisconsin. If more funds are to be secured, so that new investigations can be undertaken, these must be given an up-to-date look.

The subcommittee has published eight studies of various aspects of the patent system and many more are on the way. Useful as they may be as additions to the literature for patents, none of these studies has yet produced the clear evidence of an abuse crying for correction, or the brilliant solution of a puzzling problem, from which crusades spring. The mild Bills sponsored by the subcommittee failed to come to a vote in 1957, and may well suffer the same fate in 1958. Yet whether or not they become law, these Bills are significant in both temper and direction. All of them are designed to uphold the patent system rather than to destroy it, and to improve the functioning of the Patent Office. All are straws in a breeze which, though still capricious, has recently been blowing with increased strength in favour of improving and strengthening the operation of the laws through which the government rewards invention.

How great a change this means can only be understood by recalling the bitter hostility toward the patent laws which has prevailed for more than a decade. Senator O'Mahoney, who now speaks so fair, made his original reputation during the hearings of the Temporary National Economic Committee in 1939 to 1941, which exposed monopolistic abuses of the patent laws so flagrant that the system itself, cornerstone of industrial progress though it is, fell into public disrepute and for a time seemed threatened with destruction. The country, appalled at the practices revealed in the Hart-

ford Empire case, began to distrust both patents and patentees. The conviction that patents were being issued too freely and were rendering unholy aid to monopoly reached as far as the Supreme Court. Industries which were completely dependent on the validity of their patents faced a period in which the tendency of the courts was to declare invalid any patent brought before them.

Meanwhile the Patent Office, operating under this cloud of disesteem, was pinched for funds by one censorious Congress after another, until its staff began to wither away, and its primary work of examining and passing on applications for patents fell as much as two years behind schedule. Increasingly timorous Patent Commissions responded by shaving their budgets and reducing their forces still further. So deadly was the combination of judicial disapproval and administrative confusion that the situation began to attract the attention of disreputable financiers, who found it profitable to launch an attack on the patents that sustained a manufacturer's business, and then to buy up the business cheap. Patent raiding began to be an increasingly frequent hazard.

It has taken twenty years to repair the damage that was done and to restore a more judicial view of the patent system. During that interval specific reforms have been advocated to lessen the possibility of abuse, but these made little progress and the public hostility to patents persisted. The first sign that it was fading came in 1952, when Congress, yielding to the alarm of industry, passed a long-needed codification of the patent laws, which also contained a number of technical changes designed to strengthen patent rights. That was followed by a quiet campaign organised by interested lawyers to strengthen the Patent Office and improve its administration. They persuaded Congress to give the Patent Office more funds than it had courage to ask for itself, and then recruited for it a new pool of examiners by going straight to the colleges and persuading graduates that here was a career worth entering. This has made it possible to break up a paralysing log-jam of applications for patents.

Finally, there came a hint that the courts might be reconsidering their destructive attitudes towards patents. Most of them were slow to respond to the changing climate of opinion. But one of the more perceptive judges, Mr Learned Hand, then of the United States Court of Appeals in New York, gave an opinion in a patent suit involving the optical firm of Bausch & Lomb. In effect, it said that he had previously been led by the example of the Supreme Court, with its "unexpressed and unacknowledged misgiving about the increased facility with which patents are being granted," to throw out one patent after another. But he now saw evidence in the Patent Act of 1952 that Congress, far from wishing the patent system to be destroyed, wanted it to be upheld and strengthened. He held that the patent in question was valid.

This opinion has created wide interest among lawyers. Attempts were made to take the Bausch & Lomb case to the Supreme Court, and there was hope—which so far has been unfulfilled—that Judge Hand's comment might lead the nine Justices to clarify their position. Until they do, Congress and the courts will continue to be at loggerheads and the standards required for a valid patent will remain uncertain. It is that uncertainty which Senator O'Mahoney is trying to dispel.

Reluctant Emancipator

By 1963, the hundredth anniversary of the Emancipation Proclamation, Negroes hope to achieve full legal equality. It is not surprising, therefore, that they felt some impatience last week when President Eisenhower counselled patience and forbearance, particularly as he was speaking to a Negro audience for the first time since 1954, and at a moment when the South, fighting to keep Negro children out of its white schools, seems to have exhausted the possibilities of legal delay. Seven southern states still refuse to allow any Negro children in their tax-supported schools; next September Virginia, the ringleader, will probably see the first clash between the federal courts and the determination of the state to shut its schools rather than permit them to admit Negroes. A federal judge has now named the beginning of the autumn term as the date when schools in Charlottesville must comply; the same deadline is about to be set for Norfolk and Newport News, and Arlington, in the shadow of the capital, has just had its appeal to the Supreme Court rejected.

At his press conference last week Mr Eisenhower was asked whether any steps were being taken to prevent the pattern established in Little Rock (where federal troops had to be sent to enforce a court order) from being repeated in Virginia. Mr Eisenhower replied by disclaiming any intention of authorising a Gestapo—an admirable but surely irrelevant sentiment—but reaffirmed his intention of upholding the law as interpreted by the Supreme Court. In Little Rock itself this course has not, so far, scored any notable, or lasting, success. The President's order withdrawing the state troops from the Central High School at the end of the school year and releasing them from federal service clearly implied that they would return if the community itself could not see that the court order to admit Negro children was honoured. But it will not be easy to order the troops back in cold blood if Arkansas remains obdurate.

It may well be an even more complicated matter to uphold the orders of federal courts in Virginia, with its battery of anti-integration laws. There may not be any mob violence, actual or fabricated, to justify the dispatch of federal troops—although the climate of opinion in the southern states has encouraged fanatics to put bombs in a number of Negro and Jewish institutions. One small encouragement is the confirmation, over almost unanimous southern opposition and after months of delay, of Mr Gordon Tiffany to be staff director of the new Civil Rights Commission; but it is not concerned with the schools.

Leaks and a Drought

"Leaks" come in a steady drizzle in Washington, which has long had the reputation of being a capital where civil servants and generals talk with unusual readiness to friendly journalists and Congressmen. Last week it became known that the State Department, which like other government agencies is reported to be anxious to control this unofficial trickle of information, has been doing some internal caulking. An old rule has been revived by which members of the department who give interviews to journalists are required to draw up memoranda on what they said, and officials in the intelligence and research section (who deal in information that sets reportorial noses twitching) will have their contacts with newspapermen limited.

The rule about memoranda, at any rate, seems to be a reasonable enough measure if it is used simply to ensure that conversations are reported accurately; but the press, ever vigilant against secretiveness in government, sees the whole operation as another restriction on the public's right to know what is going on inside the Administration. The Department of Defence, where inter-service rivalries have encouraged volubility among competing generals and admirals, is trying to restore discipline by centralising the information departments of the various services. The *New York Times* reported earlier this year that some reporters, particularly those covering the Defence Department, suspect that they are being "shadowed." The Federal Bureau of Investigation disclaims any knowledge of this, but it is not clear that the intelligence agencies are equally innocent.

In any case, many members of Congress and of the press are anxious to establish not merely the right but also the duty of officials to reveal what is going on inside their departments except where official secrets are concerned. A Bill was passed by the House of Representatives last month, and is now working its way through the Senate, to amend an ancient Act of 1789 which allows departments to prescribe regulations for the "custody, use and preservation" of their records. The authors of the new Bill want to make sure that this relic of Congress's first year cannot be used to justify the withholding of information from the public. But, even if the Bill is passed, it is doubtful whether it will achieve its sponsors' aim of opening up the government's files to investigators thirsty for the truth. Even if the departments cannot invoke the 1789 statute, they can invoke the equally time-honoured "executive privilege" by which, under the doctrine of the separation of powers, the Administration holds itself entitled to keep its knowledge to itself when it judges that the public interest requires it. The proposed Bill may remove one excuse for silence, but unless the "executive privilege" can be challenged in the courts it will be difficult to make unwilling men talk.

Red Ink on Labour's Books

The pinch of the recession is now being felt on both sides of the bargaining table. It is not known how deep a dent 1958 is going to make in the income of the trade unions, which last year reached about $620 million, but the big industry-wide groups, such as the automobile workers, which in the past have set the pace for the rest of the labour movement, are hard hit. Some 400,000 members of the United Automobile Workers are out of work and hence excused from payment of dues, at a monthly cost to the union of about $450,000. The steel workers, with 250,000 out of work, are losing even more. Although both trade unions are wealthy—the steel workers have total assets of $23 million and the automobile workers of $35 million—most of their reserves are locked up in special funds, such as the automobile workers $24 million strike fund; for day-to-day operations they may be as short as the smaller unions which are in real trouble. Craft unions of skilled workers have escaped lightly, because members must keep up their payments to qualify for insurance and death benefits. What must be most exasperating to the virtuous industrial unions, however, is the flourishing state of the teamsters, who were expelled last year for bad behaviour from the American Federation of Labour and Congress of Industrial Organisations.

The federation itself is having to retrench, partly because the income it derives from a 5 cent a month tax on the members of its affiliated trade unions has fallen, but more because the expulsion of the teamsters and several small tainted unions has cost it about $1 million a year. This is one reason advanced for the retiring, firing, and reassignment last January of nearly half of the federation's own organisers—which has led to the embarrassing spectacle of the temple of labour in Washington being picketed as "anti-union." According to the organisers themselves, who early in 1957 formed a small union of their own, the truth is that the federation as an employer is as little adverse to union-smashing as private enterprise. If the federation is so badly off, they ask, why cannot its officers accept a temporary reduction in salary, as the officers of the automobile workers have done?

The National Labour Relations Board has now unanimously over-ruled the federation's contention that organisers are "management representatives" and, if an election shows that a majority of the organisers still employed favour a union, the AFL-CIO will have to bargain with it, as it does with other groups of its employees. No doubt the federation is over-staffed, since it inherited the employees of both the merged organisations. But if, as it says, it is going to abandon its own organisational efforts, which have been ineffective, and concentrate on better public relations, it has made a poor start.

Indoor Haymaking

American farmers no longer need to wait for the sun to shine to make hay—nor do they even need fields. A new "grass incubator," using the hydroponic system, enables fresh grass to be grown indoors all the year round by means of artificial sunlight and air-conditioning. Prices of the incubators vary from $2,880 to $5,580 and the cost of growing grass from $10 to $14 a ton, depending on the local price of seed, labour and, above all, electricity for the sun lamps, which never go out, and for the air pumps. This is cheaper than dry fodder in states such as Colorado, New York and Wisconsin, which have severe snowbound winters during which dairy cows cannot graze out of doors; moreover, the vitamins in the fresh grass make it a more valuable food.

Pre-germinated seeds of any cereal are put in stainless steel trays in culture tanks, piled one above the other, and a chemical solution, containing all the vital fertilisers—nitrogen, phosphorus, potassium, etc.—drips through. In less than a week each tray will produce 30 to 35 lb of grass, six inches high, from five lb of seeds. This can be pulled off and fed to cattle, roots and all, since no soil is attached. The labour involved in the whole process averages only about an hour a day. It is claimed for the incubator that it could make dairy farming profitable in parts of the country where extra pasture land is unobtainable or climatic conditions unfavourable.

THE WORLD OVERSEAS

Parisian Panorama

FROM OUR PARIS CORRESPONDENT

WHAT might have been the end proved to be only the beginning. General de Gaulle's statement on May 15th transformed a trial of strength between Paris and Algiers—which was turning to Paris's advantage—into a struggle for the life of the Fourth Republic ; and the outcome is still uncertain. The Algerian settlers, who on May 13th had stormed the offices of the Government-General, put the paratrooper General Massu at the head of their Committee of Public Safety and dictated terms to Paris, were still in angry mood, but the generals themselves were having second thoughts. Paris had not given in. M. Pflimlin was invested as prime minister with a big majority. Generals, like everyone else, have to consider their careers, and they were beginning to think in terms of a compromise.

Then came the rumour that General de Gaulle would speak. This was a godsend for the generals. Now they could look for Gaullist honours instead of Republican sanctions. On the Thursday morning (May 15th) the Algiers crowd, gathered in the Forum, responded enthusiastically to General Salan's cry: "Long live de Gaulle." The general did not disappoint their hopes. At 5 p.m. in Paris journalists crowded into the quiet Rue Solferino, outside the Gaullist headquarters. They pushed inside and emerged with a simple sheet of paper which was nevertheless a political bomb. In his laconic statement the general had no word of reproof for Algiers in revolt. He repeated his usual charges against the degradation of the state and ended with a challenge: "I am ready to assume the powers of the Republic."

History, it has been said, repeats itself, first as a drama, then as a farce. General de Gaulle drew an analogy with his stand in 1940, but was his new message perhaps only a parody of its predecessor ? In 1940, with his country trampled underfoot by the Nazis, he replied from London that France would regain its freedom. Now his voice came as an echo to the cries of Algerian settlers and their military accomplices who were defying the French Republic. "Powers of the Republic": this plural did not pass unnoticed in Montesquieu's country ; it could cover legislative as well as executive powers, and to many it smacked (though the general, pointing to his past record, has disclaimed it) of dictatorship. What worried people even more was the sponsorship under which he was essaying to make his political comeback. He had been out of political life for six years ; he had kept silent for three. Now he broke this silence—to lend support to the settlers and soldiers defying the government ; and he worded his first statement not to give offence to the ultras.

It was difficult to maintain the pretence that all this was a misunderstanding. The general had restored the flagging confidence of the insubordinate soldiers and settlers in revolt. He now had only to wait until the government proved unable to cope with the situation and called him to take over. Algiers had no doubt about his message ; it put out flags. The generals, their confidence revived, assumed power throughout Algeria and challenged the President of the Republic to form a government headed by de Gaulle. Algiers was once again dictating terms to Paris.

On this side of the Mediterranean the threat first produced reactions likely to lead to a Popular Front. That night, in the lobbies of the Palais Bourbon, the sight of M. Duclos in friendly conversation with Radical deputies revived memories of the nineteen-thirties. From the country, too, came first reports of Committees of Republican Defence being formed, including both communists and non-communists. The government decided at once to stop this trend—intelligibly ; some argued that an appeal to the people would result in a communist victory ; others, that co-operation of any sort with the Communists would act on the army, and others, as a red flag to a bull. In any case, for very many members of the government majority, anything was preferable to communist embraces ; no amount of caution, no reassurances from M. Duclos that the Communists were only interested in defensive action, could alter their minds.

Gunfire at Windmills

A democratic government faced with rebellious settlers and insubordinate generals derives its strength not only from its legal authority but also from its popular support. This government, however, had to debar itself from bringing popular support to bear in its deadly struggle. Parliament had to fight with its left hand tied behind its back, and was thus compelled to perform some strange shadow boxing. It had to bring the generals to heel by pretending that they were its most obedient servants. It had to face General de Gaulle's challenge while imploring his help. The government was refusing to be forced to choose between Gaullism and some sort of Popular Front. The question was whether it could avoid the choice.

On the Friday (May 16th) the dilemma of the government and its resulting contradictions were shown in the debate on the introduction of a state of emergency. Emergency laws provide the government with immense powers of arrest, deportation, censorship and other controls. Yet in asking for them M. Pflimlin could not frankly describe the situation in all its gravity. He admitted that General Salan had replaced some officials in Algiers without prior consultation with Paris and that this raised the issue of the part played by the army in the state. That was as far as he would go in indicting the army. Simultaneously, he admitted that M. Gaillard, as acting prime minister, had transferred all

military and civilian powers in Algeria to General Salan and that the present government had endorsed this act. If the army was in control and had the government's confidence, why all the fuss ? It was true that, in France, right-wing extremist leagues had been disbanded and more than a hundred people, both civilians and officers, had been arrested ; and there was every indication that the Algerian rising had been staged to coincide with troubles in metropolitan France. The admission of such threats, however, did not justify the measures proposed. In its desire not to cut its contacts with the army, the government of the Republic, in real danger, had to present its defence preparations as big guns directed at windmills.

Another contradiction sprang from the nature of M. Pflimlin's majority. In theory, only the poujadists and the handful of gaullists were against the government. The independents had four ministers in the cabinet, but most of their group was now going to vote against the emergency powers, while M. Mollet, the socialist, had accepted a vice-premier's post. The independent leader, M. Pinay, refused a similar post when M. Pflimlin turned down his conditions, which included sending the discredited M. Lacoste back to Algeria. Since then, many independents have not missed the opportunity to tell M. Pflimlin that he should give way to a government of national union. M. Pflimlin received the solid backing of his fellow Christian Democrats and of the Radicals and Socialists. The biggest block of votes in his favour, however, he could not claim. He announced that he would not count the votes of the Communists, and added that the emergency powers would not be used only in one political direction.

But more than this was needed to discourage M. Duclos. Although the Communists had an awkward feeling that these powers might be turned against them, they still voted in favour. Their strategy is to work on parallel lines with the Socialists and Radicals and the non-communist unions which still refuse formal unity of action. In a moment of real danger they expect that the parallel lines will be forced together, and that the leaders will have to accept common action under pressure from below. This rejection of a dangerous ally has compelled the government to be courteous to its open opponent. Instead of attacking General de Gaulle, M. Mollet, in the Assembly, and M. Pflimlin, in the Upper House, requested him to go on to explain what he meant.

Questions to de Gaulle

Their questions can be summarised as follows: Does General de Gaulle recognise the government as the legitimate one ? Does he disavow the Committee of Public Safety in Algiers ? Would he feel responsible to the National Assembly if invested ? And would he retire if he failed to get the investiture ?

In the meantime, the parliamentary machinery, for once, worked smoothly and swiftly. The state of emergency was accepted in the Assembly by 462 votes to 112 and was passed by a large majority in the Council of the Republic that night. The government received its wide powers ; in judging its strength, however, one should not be too impressed by parliamentary arithmetic.

While Paris was waiting for its answers, the "town meeting" of Algiers was once again summoned to the Forum. The novelty was that a third of the crowd now consisted, on the face of it, of Moslems proclaiming their allegiance to France. The total numbers gathered were originally estimated at 20,000, then 45,000, and later put even higher. Strict censorship in Algiers and the arrest of independent journalists there make it hard to check the reports. (The FLN has claimed that the Moslem participants were brought to the Forum under threat.) Experts in Paris explain that for months French authorities unable to protect friendly Moslems in the countryside had been moving them to the towns, and these may now have come out for the parade. The settlers go on to proclaim that Frenchmen and Arabs are equal, and that Algeria is an integral part of France. Does this mean that they are now willing to accept more than 100 Algerian deputies in the Palais Bourbon ? All this is uncertain and out of focus.

Tense Weekend

Paris had a weekend of spring. The crowds in the street were bigger than usual, but their mood was inscrutable ; all demonstrations had been forbidden. Only hooting lorries carrying crack policemen from all over France were a sign of the times and a reminder that M. Jules Moch, the new Minister of the Interior, meant business. M. Pflimlin broadened his cabinet by admitting three new Socialist ministers. M. Moch is the best known of them outside France, his name being associated with international negotiations on disarmament. In France he has a reputation for toughness which he gained dealing with the strikes of 1947. The other reputedly strong man is M. de Chevigné, Minister of Defence. It was his actions that resulted in the final resignation on Saturday of General Ely, the Chief of Staff, who wanted to protest in this way against the removal of two close collaborators. The putting of two generals under house arrest indicates what are believed to be the ramifications of the plot in the armed forces.

In some cases the security services were not as vigilant. M. Soustelle, the former chief of de Gaulle's secret service and M. Lacoste's predecessor as resident minister in Algiers, was known as one of the colonialist leaders in the Assembly and as such was suspected to have close connections with the Algerian putsch. He was therefore placed under police protection under the pretext of FLN threats, but on the night of Friday to Saturday (May 16th-17th) he managed to slip from his house concealed in a friend's car and, via Geneva, flew to Algiers. There he was received with acclamation by the crowds ; they felt that at last they had a politician of distinction with them. Nevertheless he did not take over the leadership of the Committee of Public Safety. The probable explanation is that General de Gaulle could scarcely pose as arbiter between France and Algeria if one of the protagonists in the dispute were his former faithful assistant. Algiers, too, was waiting for the general's press conference.

Just after lunch on Monday (May 19th) a few hundred journalists and guests of honour fought their way through the Hotel Palais d'Orsay to an old-fashioned hall with crystal chandeliers—a very Third Republican background. From behind the photographers' flashes emerged the aloof, grey-clad figure of the general. He spoke distinctly, in well-constructed sentences, with a touch of disdain. This air of haughtiness (evidence, some said, of his Joan of Arc complex) was strengthened by his occasional references to "de Gaulle" in the third person. There was little in what he said to console admirers from the Left. All the scorn was poured on the incapacity of the party system to solve the

great problems facing France and the Algerian question in particular. Those who had in fact dictated that policy for years went unscathed. The rising in Algiers, the general thought, was natural; the army had done a good job. He had a word about "my friend" M. Lacoste, and a patronising passage about M. Mollet. His one proffered guarantee for the future was to ask: "Does anyone believe that at 67 I shall embark on the career of a dictator?" "Pétain was older," a journalist murmured. There was also a crucial passage:

> If exceptional powers were to be delegated to de Gaulle for an exceptional task at an exceptional moment one would have to adopt an exceptional procedure for the investiture by the National Assembly. In case of need I shall make it known to whoever is legally entitled which procedure would, in my opinion, be the best.

And so it was over. "I will go back to my village and remain there at the disposal of the country."

It was an adroit performance. Perhaps the only mistake was to make his blessing for Algiers too obvious. He did not demand power at once. This could have precipitated a general strike and civil war. But, by encouraging the generals in Algiers to resist the government, he could expect that parliament, finding itself at a loss, would soon call him to the rescue. In General de Gaulle's opinion Marianne need not be raped; conquest will come of its own accord to Colombey. M. Pinay has gone there already (May 22nd).

When the general began to speak the Métro stopped; so did most of the Paris buses. Elsewhere, the strike call by the communist-led CGT was not so successful. M. Duclos subsequently proclaimed that this was only the first warning. Could the CGT precipitate a general strike? Probably not, in isolation. On Monday evening the Socialist and Radical parties, as well as the non-communist unions, condemned the general; but they merely told their followers to remain vigilant.

Mendesian Logic

An outsider coming back to the Assembly on Tuesday (May 20th) after a week's interval, for the debate on the extension of the special powers in Algeria to the new government, might well have thought that he had lost his senses. A week before, Algiers had rioted and a general had taken the lead in a committee of public safety just because M. Pflimlin was suspected of liberal views on Algerian policy. Now the government and its conservative critics were outbidding one another in protestations of faith in the army. To make confusion worse confused, at the end of the debate the Communists, who openly disagree with the Algerian policy now foreshadowed, decided to vote for M. Pflimlin in order to defend the republic.

In between, M. Mendès-France delivered probably the most moving and honest speech of the entire crisis. He first tackled General de Gaulle, whose companion and minister he had been; he has also been one of those who had faith in the general's ability to solve France's African problems. Hence, he confessed, his terrible disappointment that General de Gaulle had kept quiet for so long, yet was so quick to fall in with rebellion. The general was lending his name to a cause that could lead to civil war. Coming from an avowed admirer, the condemnation was bitter. M. Mendès-France then turned to M. Pflimlin; he offered his support in order to defend democratic freedom. But he warned M. Pflimlin against ambiguities in his policy which the country could not be expected to understand, and urged him to act with greater resolution. Earlier republican leaders, he recalled, when faced with insubordination by generals, had known how to overcome it with the help of the people.

The government's dilemma stands out in sharp relief. To force the generals to obey, the government would need the active support of the population. But it does not appear to be willing to run the risk involved. So, to prevent a breach with Algeria and to outlast and outwit General de Gaulle it must try to come to terms with the very generals in Algiers who demand its abdication. M. Pflimlin pushed through the transfer of the special powers in Algiers to General Salan himself. His hope must be that once the emergency is over, and the gaullist danger has subsided, he will come into his own. The flaw in the calculation is that to placate the generals the government must swallow the Algerian policy dictated by the ultras. And even if the perpetuation of the war reduced Paris to a province of Algeria and made the government the prisoner of the generals, there would still be no guarantee against the return of General de Gaulle.

The Shadow Lengthens

Indeed, the shadow of de Gaulle is lengthening. He has the support of the colonialist lobby—illustrated by M. Bidault's open letter—and the sympathy of some Conservatives such as M. Pinay. Against them, as long as a parliamentary crisis may result in a call to de Gaulle, the Communists are determined to go on voting for the government. M. Pflimlin wants to use his outwardly massive majority to carry out constitutional reforms strengthening the prerogatives of government.

Power, however, is not acquired on paper. Its substance is progressively shifting to Algiers. The government clings desperately to General Salan; but it is the insurgents who are making the pace. On Wednesday (May 21st) General Salan replied to the Paris Assembly's message of confidence by telling the crowd: "We shall walk together up the Champs Elysées."

Paris is packed with policemen. Scaffolding outside the Palais Bourbon is evidence of the intention to redecorate the building in which the National Assembly sits. M. Pflimlin's government will have to reassert its authority in Algeria rapidly if this seat of the sovereign Republic is to remain something more than a relic for tourists.

View from Tunisia

FROM A CORRESPONDENT IN TUNIS

In Tunisia the Algerian crisis has caused neither tension nor excitement; it has not even aroused great interest. There have been so many incidents between Tunis, Algiers and Paris in the last two years that Tunisian reactions to crisis are blunted. There has been no rush to buy newspapers or to hoard food as there has been in France; nor has there been any flight of capital. Still, the men at the top do believe that the French may commit some act of folly against Tunisia; and they are taking the best precautions they can, in concert with the Algerian rebels (FLN).

The Tunisian interpretation of the Algerian coup is that it was a long-prepared plot that, perhaps, came to a head prematurely. The fact that General de Gaulle on May 15th broke a three-year silence by declaring that he was "ready to take over power" only a few hours after General Salan had cried "Vive de Gaulle" is taken as proof that the general is at the head of the movement. This belief was reinforced by the general's declaration at his press conference on Monday that "*l'armée a bien fait.*"

The Tunisians have put a lot of faith in General de Gaulle. A year ago, M. Bourguiba in an interview with *L'Express* was unmistakably appealing to him. And immediately after the bombing of Sakiet, the Tunisian ambassador in Paris, M. Masmoudi, demonstratively paid the general a visit before being withdrawn to Tunis.

They do not think of General de Gaulle either as a liberal or as a revolutionary. They merely know that he was not in favour of "French Algeria" and that his coming to power would transform the balance of political forces in France. This might open a way of escape from the present deadlock and make a step forward possible. On the other hand, they know that he is deeply imbued with ideas of French greatness and domination, and that his proposals for any kind of "French association" are unlikely to be less anachronistic than, say, the British Commonwealth would have been if it had remained unchanged since 1930.

The Tunisians are now expecting the general to come to power in the next few weeks. But they also believe that he has spoilt his entrance; his alliance with the extreme right wing has aroused the suspicions of the Left and disappointed all those who looked to him as the champion of France's unity and rebirth. They believe that even if he succeeds in rallying some of the left-wing parties to his side, which they think he was trying to do at his press conference, he could do no more than produce a new version of the movement he formed in 1948. This movement, the Rally of the French People, originally included left-wing members such as André Malraux; but it subsequently slipped away to the Right and eventually disintegrated.

On the other hand, there are Tunisians who believe that General de Gaulle might in the next few days come to terms with the party leaders and make up some kind of coalition government—including not only MM. Mollet, Pflimlin and Pinay but also M. Mendès-France. A compromise along these lines is regarded as probably the lesser evil.

It is thought that if the general takes charge there will be changes that might result in a step towards solving the Algerian problem—but it would not be a step that could lead the way to closer association between France and Tunisia. He is in danger of becoming the prisoner of men who have chosen him more than he has chosen them.

The Algerian rebels are also divided between "gaullists" and "anti-gaullists." There is a rumour in Paris that they might come to terms with General Massu with some plan for partitioning Algeria into two zones. But in fact there is absolutely no basis for a *modus vivendi* or even for negotiation between the FLN and the present leaders in Algiers.

Anxious Moments in Morocco

FROM A CORRESPONDENT IN RABAT

"This is the beginning of the end of the war in Algeria," was the comment of Allal al Fassi, the Istiqlal leader, when the first news of the happenings in Algiers on May 13th reached Morocco. It was made when the demonstrations merely seemed something which might stimulate Paris to take a firmer line with the European Algerians. As the extent of the dissidence became known, however, the reaction in Rabat was one of almost unrelieved anxiety. Any insignificant incident, it was felt, might lead to catastrophe. Strict security measures were applied, and communications with Algeria suspended; this greatly reassured the French authorities who, for their part, had confined their troops to barracks. Within 48 hours, it was felt that tension could again be lowered by restoring their normal freedom of movement.

While this was going on, the prime minister conveyed to the British and American ambassadors the anxiety of the Rabat government lest all North Africa should be involved in the upheaval. The French ambassador was reminded that the Moroccan government had requested the total withdrawal of the French forces from Morocco some time ago. The possible reactions of the remaining French troops, many of whom are stationed near the Algerian border, were a major preoccupation of the Moroccan government. They might, it was felt, set off incidents by demonstrating their sympathy for their comrades across the border; or appeals from those comrades might provoke reactions among them.

To most foreigners these fears seemed exaggerated, though not unfounded. The French commander, General Agostini, had had long experience of the country and believed that he had his men well under control; and they were not suffering like their comrades in Algeria from the stresses of a long campaign. Their natural sympathy with the forces in Algeria was no more likely to be demonstrated ostentatiously than was that of their 225,000 civilian compatriots who had just settled down again after the period of transition to independence. Common sense would discourage rash action.

In fact, on May 16th an influential deputation of French residents visited the Moroccan prime minister to express their disapproval of the events in Algeria. The gesture was answered by an official communiqué urging them to maintain their calm and assuring them that the government was taking all possible steps to preserve the existing spirit of co-operation.

Both French and Moroccans, however, had reason to fear the chain reactions which might result from events outside Morocco. It was not thought that there would be an attack on the frontier, though a large part of the army was moved there. On the other hand, in the event of punitive raids on Tunisia, or a full-scale invasion of that country, the popular reaction in Morocco might prove uncontrollable. Anxiety waxed and waned according to the latest news from Paris. M. Pflimlin seemed to be acting with vigour; so far, so good. His refusal to yield to the demand for the immediate return of M. Lacoste to Algeria strengthened this impression. So did the critical reaction in France to General de Gaulle's first statement, and particularly the large parliamentary majority in the government's favour. But then the resignation of General Ely and the arrival of M. Soustelle in Algeria revived pessimism.

Moroccan policy could do nothing but wait on events, except for taking security measures and appointing an interministerial committee to watch developments. There was anxious speculation on the causes of the Algiers movement and on its possible repercussions. There was general agreement that the dissidence had been brewing for months; no doubt the execution by the FLN of the three French soldiers as a reprisal was an aggravating factor. But it was agreed that basically the movement was simply a glorified repetition of the events of February 6, 1956, when the policy of sending General Catroux to Algeria, with a liberal

brief, was reversed as the result of the hostile demonstration which greeted M. Mollet.

The one practical deduction universally drawn in Rabat was that a determined effort must be made to get the French troops out of Morocco as soon as possible. The country had just completed two years of independence and had come through them with considerable credit. A newly-formed government was about to start a constitutional development that might well cause strains. This programme must not be at the mercy of incidents arising from the presence of foreign troops.

Whether the events in Algeria could be made to yield political advantage remained to be seen. A Pflimlin government with a leftist flavour might adopt a policy attractive to the Maghreb. General de Gaulle, if he came to power, might impose a solution which no other Frenchman could; but the indications of the first few days suggested that he was still thinking in terms of his postwar Brazzaville statement, long since outdated in Moroccan eyes. All that was certain was that many difficult problems had become more acute; in particular, if the Moslem Algerians chose this moment to proclaim a government, how could Morocco fail to recognise it?

A FRENCH JOURNEY—VI

The Lowering Paradox

FROM OUR SPECIAL CORRESPONDENT

THE dramatic events of the last week have shown the extraordinary negative strength of the Republic: incapable of acting in almost any field, it still remains the choice of most Frenchmen who, even in this crisis, hesitate to trust another regime. This may seem quite traditional: Frenchmen are reputed to love liberty, to the point of anarchy and gross civic selfishness. But when one reflects on the intensity of nationalist propaganda in recent years and the recurrent failures of the regime, underlined by the regular, half-yearly change of government, this loyalty or, rather, this profound desire for law and order, expressed again and again in the past week, strikes one as little short of miraculous.

Is it not then amazing that a people with, apparently, such a distrust of facile solutions should for a decade have acted and reacted in its affairs, especially colonial affairs, so foolishly—and inconsequently? For, despite the Right, the dominant French traditions are anticolonialist and one meets extremely few citizens who really believe in the country's prospects of empire. Further, it is not men of the Right, but of the Left, officially anticolonialist socialists like Marius Moutet over Indo-China in 1947 and MM. Mollet and Lacoste in Algeria in 1956, who have stamped their seal on France's colonial follies. These paradoxes need explaining if one is to understand the present tragic situation.

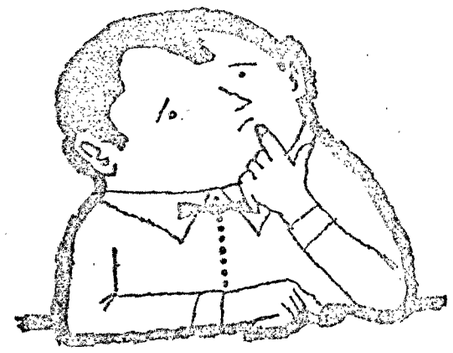
An undermined sense of security in an increasingly unfriendly world accounts for much of the Frenchman's significantly defensive and defiant nationalism. The fanatical divorce of proletarian communists and petty bourgeois socialists also largely explains the failure of the natural impresarios of reform to help the French face new realities. But behind these important factors, the clue to France's untraditional behaviour in these postwar years, both in sickness and in health, must be sought in the contrast between muscle-bound politics and rapidly changing material structures. The great contrast in contemporary France is in the adaptability of the individual Frenchman when changing his daily behaviour in a rapidly industrialising, progressing economy, set beside his static, *ci-devant*, privileged attitude to world politics, a view of the world which is being strained to breaking point without yet giving birth to a new mentality. By a similar contrast the French have tended to look for salvation, very traditionally, to political upheavals, either through the communists, or de Gaulle or Mendès-France; yet in fact they have progressed only organically, when renovating the economy, or indirectly in moving towards the acceptance of European unity. To cap the paradox, when the opportunity of the Gaullist revolution dawned last week, they registered a nearly unanimous No, unless the general came legally as the elect of the Republic.

The trouble is that the tremendously powerful shaping force of French culture and traditions has aged and hardened into a compulsive mould. A famous scientist recently gave as one reason for French weakness in physics the fact that it is an international science. "They have been slow to recognise that anything happens outside Paris." In exactly the same parochial spirit, the parties harp on past issues and ideologies and the doctrines which are relics of them. If the catholic M. Pflimlin has only become premier in the Republic's hour of desperation, the clerical question is responsible. The counterpart of this conservatism can be seen in any visit to the headquarters of a French party in poverty-stricken seedy premises, with understaffed research teams and a blowsy nineteenth-century air. The result of this inadaptability is that all the "republican" parties are associated with their collective practical failures: too few houses and too many governments, inflation and colonial blindness, lack of leadership in a frivolous Assembly. At the same time their opponents are in little better shape: neither the Gaullists who disintegrated on contact with Parliament; nor the communists, caught out in sterile opposition, in political strikes and support for Russian repression in Hungary; nor even, in another field, the trade unions divided into communists, catholics and socialists, opponents and supporters of the regime. The citizen has turned away from every organised group. The strongest party, the communists, probably has barely 200,000 members, compared with 800,000 in 1948; and only one-fifth of France's workers are paid-up members of a trade union.

Yet there has been progress, tremendous progress, since the war. It has come not from the supposed political repositories of change and reform, but from management in all its forms—technocrats in government, teeming in the wake of the Monnet investment plan and the nationalised industries, big business, and all the individuals in trade unionism, agriculture and elsewhere who have been busy adopting new techniques. The most rejuvenated sector of French society today is probably big business, driven into new directions, first by fear of the communists, then by heavy postwar investment in the basic industries and, finally, by the recent consumer boom. Today the business executives are essentially expansionist in outlook, concerned with output, not like their fathers with dividends or tax evasion. The result of such advances, of which the ordinary citizen is perfectly aware, is that the public believes in progress the way the technicians make it, but in no doctrine, party or political utopia. "The main rival of the CGT (the communist-led union) is not the other unions, but television," I was told with pardonable exaggeration in the mining area of the Nord. Even the young are markedly utilitarian in their

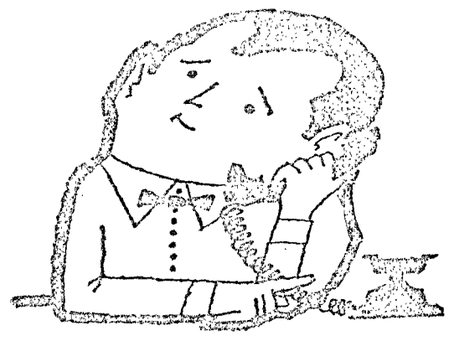


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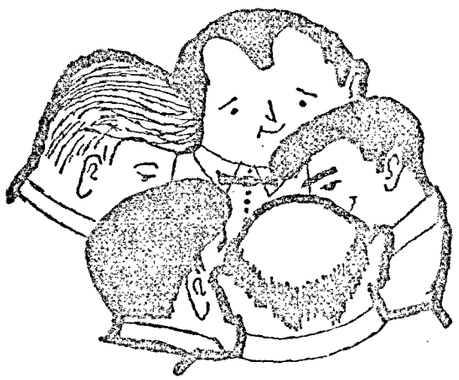
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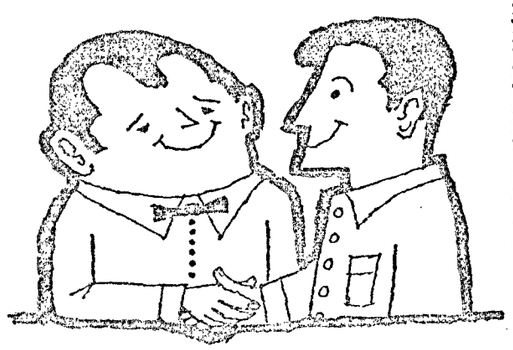
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All this perfectly explains the attitude the ordinary Frenchman has taken so far in the present crisis: his indifference and apathy while the politicians complicated the Algerian problem till it became inextricable, but also, with the memory of Vichy, his lack of sympathy for right-wing hotheads and his reluctance to think that "strong men" are all that is needed to solve complex problems. True, republican leaders like Mollet, aware that they were probably incapable of solving the Algerian tragedy, have seemed to want to leave the door open for a contract between the parties and de Gaulle. This is dangerous, but it is not the spirit of Bonapartism—or of Gaullism for that matter. What Mollet's hints have appeared to show is that this crisis is, even in the minds of its leaders, the last chance of the regime to reform the state, and that they are none too confident of their chances of success.

Every previous attempt at constitutional reform has failed. The electorate, for all its distrust of the parties, is too stable—and the party machines have been too hidebound—to undertake it. Ever since Mendès-France failed to reform the regime from within, the minority of Frenchmen who did not retire to cultivate their garden have looked for change in one of two directions outside the regime. The reformists, including many party leaders, have put their hopes in a gradual sublimation of French politics in stabler European institutions dominated by the big European parties. The radicals have hoped for the kind of cataclysm now working itself out, and principally in de Gaulle.

Now that disaster is here, de Gaulle, who waited on it, feels his hour has come. Certainly, if he takes power legally he may even avert a Popular Front, anyway at first. People hanker for some kind of reform of the state, and hope he at least could solve the Algerian puzzle. But it is still highly doubtful if even he can win the war against embattled rebels or sign the peace against insurgent settlers. As things have gone so far, he may well be as powerless as the rank-and-file politicians to break the seemingly eternal triangle of Paris, settlers and rebels. And there are many Frenchmen who also look ahead and wonder what de Gaulle, with his anachronistic preoccupations, means by "independence" in this twentieth century: nothing better than upsetting Anglo-American nerves by Russian handshakes and overturning the applecart of European integration?

M. Mendès-France used to claim: "We are in 1788." Other pundits take one back less far—to Franco. But the comparison is probably more with the misguided attempts at reform, themselves twisted by outdated ambitions, which litter the decay of many a once-great power. There is an awful inevitability about decline. The chances of escape, especially in this age of social observation and technical growth, are numberless: in a sense, the world expansion which has created many of France's troubles is also her lifeline to salvation. But again and again the opportunities are missed because "the acceptance of necessity" is lacking. Today France, behind the political scene, is more vital demographically, economically and even, despite appearances, in her thinking citizens' dawning awareness of international realities, than ever the Third Republic was. But clinging neurotically to pride or prejudice, the relics of a great or a parochial past, leaders of opposite persuasions seem in league to lead her down the marsh-road.

Today, the raw materials of revival exist in France—and since for many decades they were lacking, their tremendous importance cannot be underrated. But this crisis may prevent their ever being forged into a new essence. The next weeks and months may well settle the issue for France and the West.

(*Concluded. The previous articles appeared on April 5th, 12th and 19th, and on May 10th and 17th.*)

Lebanon Awaits a Decision

FROM OUR MIDDLE EAST CORRESPONDENT

Beirut, Wednesday

THE fighting in Tripoli has subsided and a clash of serious proportions between the army and the opposition has been averted. Earlier reports of savage fighting followed by mass surrenders were greatly exaggerated. It is now clear that the army was in no sense committed in a determined attempt to clear strongholds of the opposition. General Chehab, the Lebanese commander-in-chief, has again stated that he has no desire to use the army "against this group or that group." The role of the troops has been rather to hold the ring and to ensure peace while the politicians work out a solution. It was a shrewd observer indeed who said that the army has emerged in the course of the present struggle as the true "third force" in Lebanon, keeping a balance between the extremists of either side.

So far there has been no direct contact between the government and the opposition. Neither side has budged from its position. The government, and particularly President Chamoun, is still reported as being adamant in its demand that normality should be restored before political negotiations begin. The opposition insists that the president should resign as the first condition of a settlement. They hold him personally responsible for the recent bloodshed and express their opinion of him in violent terms. Yet it is difficult to see an end to the struggle without both sides backing down from these extreme positions—unless the army is prepared to intervene in force on one side or the other. Any such decision would inflict wounds which the republic could scarcely survive. One certain result would be the development of a powerful secessionist movement in the north in favour of the United Arab Republic (UAR). Indeed, the country would be split in more than one sense into two roughly equal halves.

Throughout the struggle the government has remained strangely quiescent. On May 13th, Dr Charles Malik, the foreign minister, made his charge of large-scale intervention in Lebanese affairs from the UAR and threatened to take the complaint to the United Nations. The charge was repeated by the prime minister on May 16th. Otherwise the government has done little to force the issue. No complaint has been made to the United Nations yet. The president's first statement, on May 21st, only repeated earlier charges of UAR intervention. Meanwhile, members of the opposition and would-be mediators are stating their cases freely and having them reported at length in the censored press of Beirut. Warrants that were reported to be out for the arrest of the principal opposition leaders have not been executed. Indeed, little has been heard from these leaders for the past week.

One positive action that has been taken is the rounding up of a large number of Syrians and Palestinians who appeared to have inadequate reasons for their presence in the country. It seems likely that more Syrians have been expelled from Lebanon in the last ten days than ever infiltrated across the border to join the fight.

The fear of foreign intervention is receding. For some

days there have been no new reports of infiltration from Syria and western authorities in Beirut appear to be taking a calmer view than they did a week ago. It is unfortunate that the United States government should publicise its delivery of arms to the Lebanese government since the action gives further ammunition to Cairo and Damascus radios without materially strengthening the president. It is, of course, arguable that as the arms are destined for the army, which is holding the ring, American action falls short of taking sides.

Such is the situation in which the mediators are now busy. Almost all of the compromise schemes put forward have two common proposals: that the president should declare his withdrawal from the presidential contest; and that the opposition, in turn, should drop its demand for his resignation before the expiration of his term next September. If an agreement could be reached on that basis—it is not yet in sight—a number of interim possibilities would open up. One of these might be a caretaker government, composed of equal numbers of the supporters and opponents of the president under a neutral prime minister, to ensure peace now and the orderly election of a president in September.

Strife on the Italian Left

FROM OUR SPECIAL CORRESPONDENT

Rome, Wednesday

ITALIANS have been deprived of their accustomed fun in the battle of election posters. The specially erected official hoardings to which posters have now been restricted have a tatty and neglected air. They either spoil the view for tourists or are themselves largely obscured by parked cars. They have become a Roman joke. The politicians have stumped the country indefatigably and a record number of election meetings have been held. But public interest is said, rightly or wrongly, not to be high.

For the past ten days the French crisis has monopolised the front pages of all the newspapers. At any other time it would, no doubt, simply have provided the Italians with an agreeable demonstration of their own comparative stability. But, coming now, it has given the politicians an entirely new theme. Each finds in France's troubles grist for his mill. Signor Fanfani, the Christian Democrat party secretary, has reached almost apocalyptic heights in comparing the situation with that of 1948 after the Czech communists took over in Prague, and in calling on the voters to produce "a new Eighteenth April"—the date of the 1948 elections in which the Christian Democrats were returned with an absolute majority. The Communists claim that the French crisis shows the importance of voting for the one party that has always uncompromisingly opposed the Right—and of not weakening the Communists by voting for the Nenni Socialists.

This strife on the Left is something new in postwar Italian elections. Signor Nenni's refusal to join forces with Signor Togliatti for the election campaign brought a flood of Communist recriminations down upon his head. *Avanti*, in return, has given as good as it got; some leading Nenni Socialists, indeed, are said to be worried by their party newspaper's line. The polemic, revolving largely round a somewhat mystical conception of the unity of the working class, has been on a rather esoteric level. More practically, the Communists, burdened by a leader in delicate health, a divided succession, falling membership and the stigma of Soviet intervention in Hungary, are afraid of losing votes to the Socialists and for this reason attack them as enemies of working-class unity. Signor Nenni, for his part, remains a model of urbane and ambiguous discretion about his future intentions. In spite of the asperities of the election campaign, he does not, apparently, intend to break completely with the Communists.

Another unusual feature of this election is the prominence of the clerical issue. A widespread feeling that the church is exerting itself to increase its power and influence has given a new bite and edge to anti-clerical polemics. (The front page of the current number of a radical weekly is largely taken up with a map of Italy on to which numbers of cardinals' hats are floating down, as it were, out of the sky.) In addition, two *causes célèbres* have sharpened anti-clerical feeling—the case of the Bishop of Prato and the affair of the Popes' nephews. (The latter arose out of a discovery that Signor Andreotti, the Christian Democrat finance minister, has granted tax exemptions to three Italians holding obscure diplomatic posts at the Vatican; one of them is a nephew of the present Pope and another is a great-nephew of a previous Pope.)

The church, apparently, has done nothing to mollify its opponents. On the contrary, it has come down into the political arena much more than before. It is not just a matter of individual priests exhorting their flock from the pulpit to vote Christian Democrat. The exhortations this time have come from the highest quarters, quite openly. In particular, earlier this month a "conference" of bishops issued a solemn injunction to the faithful to vote, in effect, for Christian Democrats and only for Christian Democrats. This injunction is now pinned on all church doors. The Republicans have protested officially to the prime minister about this clerical interference; they also allege that there never was a bishops' conference but that the episcopal injunction was in fact drawn up within the Vatican itself.

It is a moot point whether the Christian Democrats stand to gain or lose from the church's efforts on their behalf. They are certainly not approaching polling day with any over-confidence. As with all parties that have been long in power, their achievements tend to be forgotten and their sins remembered. They have been strongly attacked by their former allies, not only for subservience to the Vatican, but also (by the Liberals) for the growing intrusion of the state in the country's economic life—a phenomenon personified by Signor Mattei. Like the Communists, the Christian Democrats are at a disadvantage under an electoral law designed to strengthen the representation of the smaller parties. Above all, without any outstanding and popular leader to step into de Gasperi's shoes, the party is more than ever a house divided against itself—and everyone knows it. It was thought at one time that Signor Fanfani would get enough of his men on to the Christian Democrat lists to win control of the party. But the church and the Italian Federation of Industry took fright at his supposed leftward leanings and insisted on more conservative candidates.

Few doubt that the Christian Democrats must form the major ingredient in the next government—unless the party's warring elements can no longer hold together. The question is whether it will turn to the Left (perhaps as far as the Nenni Socialists) or to the Right (perhaps as far as the Monarchists) for the necessary support. The answer will largely depend on which elements gain the upper hand within the Christian Democrat party.



Island in a living tide



Here, when the earth was young, lay an inland sea whose western shore was the swelling foothills of the Andes. To-day, where vast herds of cattle graze and the hot, dust-soft wind whispers endlessly in the ears of the grass, a world of water once moved—and smoothed the earth to an unimaginable flatness. Stoneless, soft, immensely fertile, the Argentine *pampa* stretches sea-flat to the horizon. A sea without water, yet which knows a dangerous and deadly tide.

For the advance of the pampa grasshoppers is tide-like in its relentlessness. *Tucura*, the *criollos* call them, 'locust-like' in their seething numbers and clustering rapacity. Nothing green or growing is immune to their feeding. Only the leaves of the lonely, indestructible Ombú tree, generally spurned by all insects, sometimes survive. When the fierce tide has passed, the Ombú, traditional refuge of the pampas, is often alone and forlorn in a waste of destruction.

To-day however, on the *estancias* of San Luis, La Pampa, Buenos Aires and Córdoba, the precious grazing lands and forage crops of alfalfa are at last being protected—by dieldrin, developed by Shell. Of all the insecticides tried, none has proved more effective or more persistent. Applied from the air as a spray (150gms. of dieldrin to 6 litres of diesel or gas oil per hectare—or 50 gms. to 2 litres, using the strip method) dieldrin not only controls *tucura*, but controls it *for at least 25 days after application.*

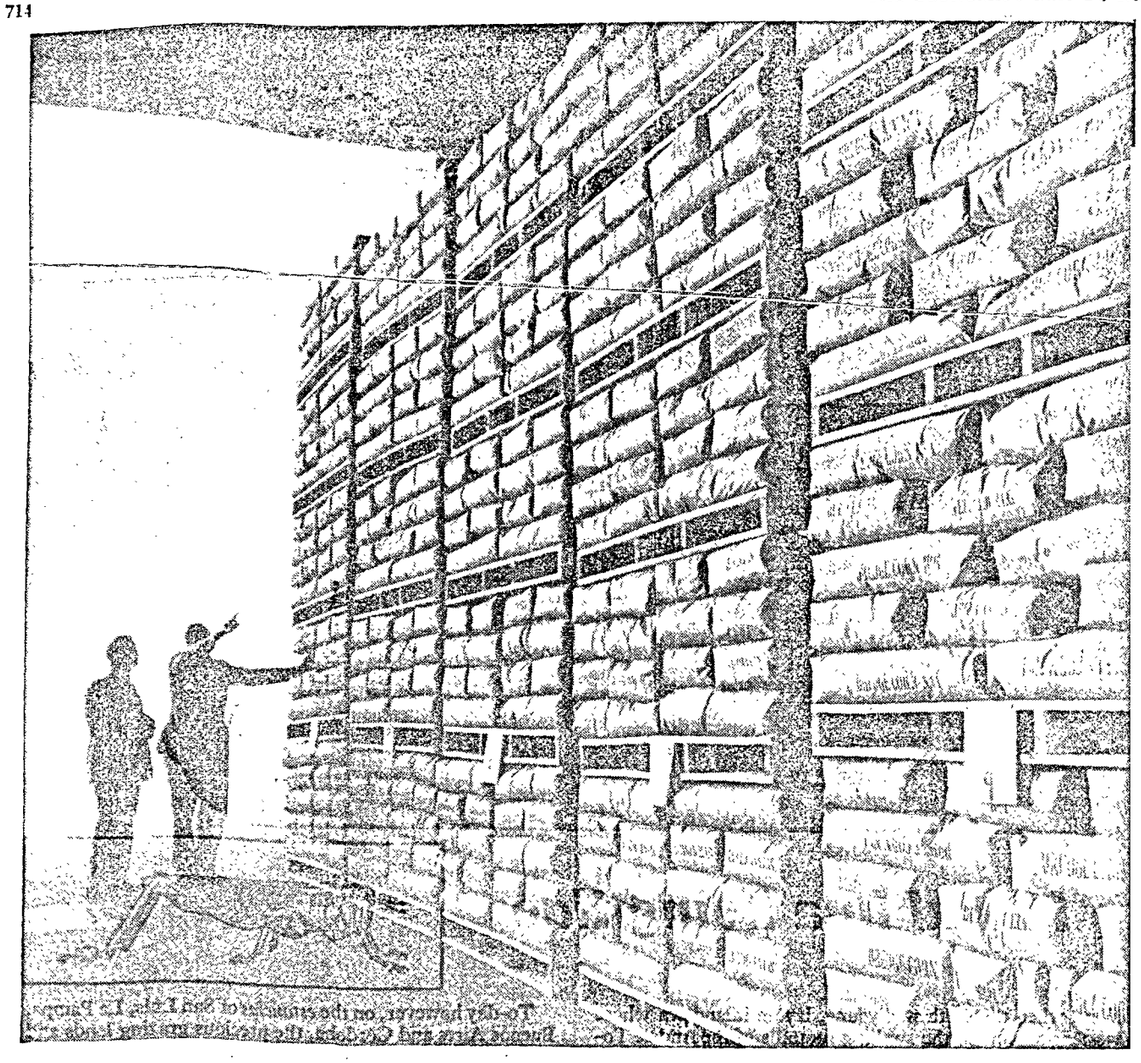
When it is borne in mind that infestation can spread over 10 million hectares annually, involving losses—in reduced meat production, devastation of pastures and diminished yields of alfalfa seed—approaching 60 million U.S. dollars, the value of dieldrin to the *estancieros* is clear. Whereas the Ombú is an island in the living tide of *tucura*, dieldrin is the wall which halts its flow.

dieldrin

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THE BUSINESS WORLD

What Future for EPU?

SUBMERGED below the constitutional crisis in Paris is the future of the European Payments Union. In formal fact, the union expires on June 30th. In practical fact, it must be renewed, but the term and the terms of its renewal, which were already uncertain enough a fortnight ago, must be doubly uncertain now, simply because France's future contribution towards European economic co-operation has been thrown so violently in doubt. EPU has been the outstanding achievement in economic co-operation in Western Europe since the war. It is paradoxical that it should now be threatened by apprehensions of the direct consequences of the closer economic integration to which six of its members have committed themselves in the European Common Market.*

These apprehensions are most keenly felt by the Swiss and the Scandinavians. They are outside the common market, but they, like Britain, have been expecting to widen its liberalising impact by reaching agreement on a Free Trade Area. These negotiations have run into great difficulties, with particular opposition from France, and it is quite possible that the project for a free trade area may founder. So these members of EPU outside the common market fear that in the course of time they may be discriminated against in matters of tariff policy by other members of EPU which are inside the common market. They have been quick to point out that they buy more from the six common market countries than they sell to them; therefore, they say, they provide the common market as a whole with currencies which its members can spend freely elsewhere. They are not keen on supporting a system of multilateral payments through EPU which would be conspicuously to the advantage of the common market countries, and even less keen on the tariff discrimination that the common market, they fear, will exert against them.

It is for this reason that the Swiss recently proposed that EPU should be renewed for only six months. The common market six are committed to make the first instalment of tariff reductions among themselves by January 1st next year. If, then, the free trade area project were to founder, the future of EPU would automatically come up for reconsideration at a timely moment. There is a big propaganda element (to use no stronger words) in the Swiss stand. It is galling that the French should have launched their counter attack on the free trade area in terms so hostile to its whole conception; and the support they received from other common market countries provides some justification for the misgivings of the rest that discrimination and retaliation within Western Europe could easily wreck much of the constructive achievement of economic unity in Europe. But British misgivings stop well short of suggesting that the preservation of EPU could be traded against agreement on the free trade area.

INDEED, the threat to end EPU should never have been used in this sense. So far as Britain is concerned, it does not even furnish a convincing debating point. The plain fact is that Britain could not withdraw from EPU without gravely damaging the system of multilateral payments on which British trade and that of the whole sterling Commonwealth is intimately dependent. European trade after the war was released from the shackles of bilateral barter through the creation of EPU in 1950. It provided for settlement in a common currency unit and thus encouraged multilateral payments; it provided a banking system with an economical use of reserves. But what began as an intra-European arrangement took on a world-wide importance through the settlement of transactions in transferable sterling which now bring within the technical mechanism of EPU an ever-widening circle

*The Six are Belgium, France, Holland, Italy, Luxemburg and Germany. The EPU includes these countries, together with Austria, Denmark, Greece, Iceland, Norway, Portugal, Sweden, Switzerland, Turkey and the United Kingdom. The proposed Free Trade Area would include the sixteen members of EPU together with Eire.

of trade conducted in sterling across five continents. EPU in fact now clears the trade accounts of most of the non-dollar world, whether in sterling, francs or marks. To dismantle it would not mean merely a return to the jungle of bilateralism in Europe ; it would in fact involve the dismantling of the whole transferable account system. It would damage many countries in Europe, but it would inflict grievous harm on British and Commonwealth trade. For Britain to hint that it might withdraw from EPU would not carry much conviction. Whether or not a free trade area comes about, Britain would still be better off with EPU than without it.

THERE is, however, another point in the Swiss argument which touches directly on an important matter of principle. This concerns the automatic credit (or overdraft) facilities which are afforded to member countries whose clearing accounts are in the red at the end of the month. Part only of such deficits has to be settled in gold or dollars ; the rest is covered by an extension of credit from EPU. These mutual credit arrangements have undoubtedly contributed much to the liberation and expansion of trade among European countries and their associated territories. But it is possible to distinguish between these credit granting and receiving functions and the clearing mechanism by which a multitude of transactions are rendered down into net sums payable and due among the members. As EPU has developed, it would not be an easy matter to divest it of the automatic credit facilities without making a serious impact on the clearing mechanism through which the members' surpluses and deficits are compensated. Yet the distinction exists, and it is certainly very much in the minds of the Swiss. They see no reason why, say, France should be in the doubly advantageous position of being able, as a member of the six, to discriminate against the other members of EPU and at the same time look to them for easy credit to finance France's deficits in the union. It is an issue that goes wider than the argument about the free trade area ; there is perennial debate at each renewal of EPU whether the union, as trade banker for Europe, should go on lending so easily or whether its terms for advancing credit should have more bite.

It is true, indeed, that they have been hardened. Three-quarters of any deficit now has to be met in gold. But 25 per cent credit is still worth having for a country that cannot or will not put its trade and monetary affairs in order, and even the sting of an absolute limit on overdraft facilities has been drawn on occasions when some countries in persistent deficit have approached it. The demand for further toughening, therefore, has a persistent logic, apart altogether from side arguments about the effect of the common market on EPU. If the EPU rules were hardened to the point of making the end-month settlements payable wholly in gold or dollars, however, the time would have arrived to wind it up and establish in substitution for it the European Monetary Agreement that was drawn up in 1955. That agreement was negotiated in the expectation that the major European currencies might soon be advancing towards convertibility, but it attracted support on the sensible ground that even in a world of convertible currencies a system of regional settlements in Europe would have a positive value as well as being a continued demonstration of economic collaboration in Europe.

In such a system, as now, the central banks of the member countries would be intervening to preserve an orderly system of exchange rates within fixed margins, and would in the ordinary course hold each other's currencies, pending the monthly settlement. That is only one aspect of the wider part that EPU has come to play in the world's, as well as Europe's, currency arrangements. A European Monetary Agreement which retained the clearing mechanism but abandoned the automatic arrangements for credit between the members would need a strong central fund and a firm board of disciplinarians to administer it to those countries that demonstrably needed help that they could not provide for themselves. And so the future of EPU can be wisely decided only in apposition to the widest questions of international liquidity that the two Treasury knights are at this moment exploring in Washington.

Yet the fears of failure for the free trade area are also a threat to EPU's future. Although the six may write off the present views of Switzerland and Sweden as mere retaliatory bluffs, they might also note—and take rather more seriously—the British initiative to strengthen sterling by new banking arrangements within the Commonwealth. It would be tragic if the counterpart to this initiative were to be a weakening of the complicated ties between sterling and the intra-European payments system. These ties have converted EPU from an intra-European into an extra-European monetary system which no longer needs such anachronisms as members' quotas ; once settlements are made between the members in 100 per cent convertible money, what remains of the distinction between the various types of sterling currently earned and held by countries outside the sterling area would disappear. EPU would get a new measure of discipline and sterling a new measure of purification.

EPU, it is said, has had its day. It has, indeed, outlived its present form, but its work must be extended. In the last year or two, this has been done with a "break clause" to allow for it to be merged into the European Monetary Agreement, if and when that is put into effect. If it is prolonged, as it should be, for the now customary period of twelve months, there will be time to see whether the common market is really going ahead and whether a free trade area can be associated with it. And a wider view of its destiny must link it with the efforts that have now to be made to expand the effective monetary reserves of the free trading world and to edge it nearer to the general convertibility of currencies.

Expenses and Benefits

If the holder of an office or employment of profit is necessarily obliged to incur and defray out of the emoluments thereof the expenses of travelling in the performance of the duties of the office or employment, or of keeping and maintaining a horse to enable him to perform the same, or otherwise to expend money wholly, exclusively and necessarily in the performance of the said duties, there may be deducted from the emoluments to be assessed the expenses so necessarily incurred and defrayed.
(Rule 7 applicable to Schedule E.)

IT has been said that the different treatment of expenses under Schedule D (mainly profits) and Schedule E (mainly wages and salaries) of the Income Tax has changed them from two different Schedules into two different taxes. After the House of Commons reassembles it will have to consider in committee the only concession that the Chancellor of the Exchequer was able to introduce in the Finance Bill to mitigate the notorious narrowness of the rule that defines the expenses which may be deducted in assessing incomes to tax under Schedule E. It is a mouse of a concession—although it takes two pages of the Bill and a schedule—and if this is the Chancellor's last word, as well as his first, it will be a big disappointment. The section starts by listing seven statutory fees (such, for example, as the annual fee payable by a registered patent agent) which employed persons may deduct from their earnings provided that the payment of the fees is a condition of the performance of the duties of their employment. It is odd, to put it no higher, that such fees should not be allowed already under Rule 7. Could there be a sharper illustration of its limitations ?

The listing of specific items in this way is no guarantee that it will prove to be comprehensive. Apart from such fees, the employed taxpayer will be able to deduct, subject to a number of tests, "any annual subscription paid to a body of persons approved for the purposes of this section by the Commissioners of Inland Revenue." The organisation will have to satisfy the Revenue that one or more of its main objects is the spreading of knowledge, or the maintenance of professional standards of conduct, or the protection of its professional members. Organisations of a mainly local character do not qualify, which suggests that subscription to local branches of national professional organisations will not obtain relief. If these first hurdles are overcome, approval is not mandatory, although there is a right of appeal. No provision is made for a subscription paid to a body which would qualify but does not take steps to do so ; an overseas professional institute might be such a case in point. Since it is an employee who is concerned to get relief in his own case, the opportunity might have been left to him to justify his claim.

Assuming that the "professional body" or "learned society" (to use the words of the side note in the Bill) has obtained the approval of the Inland Revenue, the next step is to ascertain whether any part of the subscription should be disallowed because the other objects are to a significant extent directed to purposes other than those which justify relief. Then the taxpayer must show that the subscription is relevant to his employment—in short, that the performance of his duties is directly affected by the knowledge concerned or involves the exercise of the particular profession. The section opens up the prospect of long negotiation and even of litigation. Is the Institute of Directors a professional body, or a learned society, or does it come within the "etcetera" in the side note ? The work of trade unions certainly includes some element of the advancement and spreading of knowledge ; so does that of many trade associations. How will they stand ?

The most discouraging aspect of all this is that it represents the end-product of a long period of criticism, recommendation and study. Judges have shown often enough how their hands are tied by the words "wholly, exclusively and necessarily in the performance of the duties." Their comments have had a critical slant: "jealously restricted" ; "strictly limited" ; "notoriously rigid, narrow, and restricted in their operation." The Royal Commission fully appreciated the Revenue's apprehensions about any general relaxation of Rule 7, but they were quite clear that it should in some way be eased. They disliked "necessarily," on the reasonable ground that there are many employments of which the true obligations cannot be precisely defined and written into a service contract. Their recommendation was that the law should be altered to allow the deduction of "all expenses reasonably incurred for the appropriate performance of the duties of the office or employment."

An amendment of these lines was pressed on the government during the committee stage of the finance bill of last year. It was withdrawn after Mr Thorneycroft stated that, while he thought the Royal Commission had "correctly pin-pointed the area of difficulty," he did not think they had formulated a solution. He then promised to have further discussions with interested bodies, which have since taken place. Many suggestions have been explored. The chartered accountants, for example, supported the Royal Commission's formula ; but they suggested as an alternative, in the hope that agreement might be reached, the words "all expenses incurred wholly and exclusively for the proper performance of the duties."

But this has not been found acceptable. The House of Commons will surely have to consider whether justice is being done. Are the different standards for

Schedule D and Schedule E justified? Is there not, as the Royal Commission thought, an undue concentration on the test whether the employee would have actually breached the terms of his employment if he had not incurred the expense? Cannot an employee incur an admissible expense himself—on the purchase of technical books and magazines, attendance at refresher courses, travel for research, or the purchase of instruments? Is it unreasonable that the removal expenses that he incurs when he takes up a new job should be allowed? The cost of travel between multiple employments is certainly not incurred out of personal choice. If, therefore, Mr Amory is still unable to agree to a general redefinition of the Schedule E rule, he ought at least to consider whether there are not other expenses apart from professional subscriptions which ought to be specifically admitted. But the rule itself is archaic, and not only in its reference to the "maintaining of a horse." How many Schedule E horses are there?

BEHIND the new clause can be seen the hand of the Revenue. They have been adamant in their objections to any broadening of the Schedule E expenses rule and if they can limit the concession to the allowance of certain professional subscriptions they will have scored a significant victory. They deserve a good deal of sympathy in their desire to keep a tight grip on Schedule E, for they have good reason to be conscious of the consequences of relaxation in other directions. First and foremost of these are the benefits in kind provided for employees who earn less (benefits included) than £2,000 a year. Following a long chain of case law starting, reasonably enough, with the bank manager who was required to live on the bank premises, it is well established that an inconvertible benefit is not regarded as taxable income and therefore escapes assessment. This follows from the principle that benefits in kind are not to be regarded as equivalent to money's worth. This general principle was counteracted in 1947 by legislation aimed specifically at those earning more than £2,000. But it is insidiously spreading and acquiring an alarming importance in the determination and taxation of incomes below £2,000. It is not universally applicable—for instance, it does not cover the discharge of obligations which are the liabilities of the employee, such as a direct payment of rent by the employer to his employee's landlord. The benefit of such a payment would not be tax-exempt because the contract is between the landlord and the employee. But, this class of transaction apart, the field is wide open. Free luncheon vouchers have become a classic example. So has miners' free coal (extended with the Revenue's acceptance to cash payments made in lieu of free coal). There seems to be no reason why an employer should not send weekly parcels of groceries to his staff, or have them clothed, or send their children to private schools (provided the school will contract with the employer rather than with the parent) or provide them with a car, holidays or a wide variety of welfare facilities. As matters now stand, such benefits could not be taxable in the hands of an employee earning less than £2,000.

Already the money wage is losing its importance through tax avoiding arrangements which substitute benefits in kind for money wages for the under £2,000 a year man. The possibilities of full exploitation of these arrangements have as yet hardly been appreciated. But many conscientious employers already feel they are fighting a losing battle. It is very much easier for the Revenue to take a stern moral line about expenses, which have to be claimed by the taxpayer, than about benefits in kind, where the onus would more often lie on the Revenue to initiate the attack. The law is hardly fair to the taxpayer in the first case, or to the Revenue in the second.

BUSINESS NOTES

BANK RATE

5½ *Per Cent*

BANK rate was reduced by ½ per cent on Thursday, to 5½ per cent, just two months after the reduction from the crisis rate of 7 per cent at which it had stood since last September. Once again, the Bank achieved an element of surprise in its timing. Many people had felt that a further reduction would not be made while the wages issue was still in its decisive crunch; and the political upheavals in France and the Middle East might have added another argument for delay. The Bank evidently felt that these considerations were not sufficient to override the general arguments in favour of a further reduction which technical considerations had supported for some time past. Its cautious move—a cut of 1 per cent would have been a different matter—expresses continuing satisfaction with sterling's progress, which the Governor voiced in a speech earlier in the week. Certainly, it is encouraging that, after a momentary weakening early this month, sterling has stood up so well to the labour troubles, and that it has remained unaffected by the international uncertainties. The new Bank rate is still a high one, and in the present world pattern still offers a large margin over other leading centres. The Federal Reserve rate is 1½ per cent and the German rate 3½ per cent.

As was to be expected, the Bank rate reduction was followed by equivalent reductions in fixed rates in the money market and in rates on bank advances. Thus deposit rate at the clearing banks is now 3½ per cent; the banks' minimum rate on call loans to the discount market is 3¾ per cent; and the spread of rates on overdrafts is from 6 per cent for "blue chip" companies to 7 per cent for some personal borrowers.

Not Fully Discounted?

ONLY the timing of the Bank rate reduction really took the stock market by surprise—and even then not all investors were caught off balance, as the improvement in short-dated gilt-edged early on Thursday morning shows. A reduction had been discounted for some weeks past and it was assumed that, with the conversion operation safely and successfully carried through, only the course of the wages disputes stood in the way of some reduction.

In the industrial market, the cut in Bank rate did little more than to reinforce the tendency of prices to move slowly and cautiously upwards. Bank rate at 5½ per cent does not fundamentally change the condition of the industrial market; prices will still turn on the course of recession in the United States and of wages and production at home. It may be noted that gold shares, referred to in a later note, continued to improve on Thursday afternoon.

The reduction gave gilt-edged prices a fillip. The longer dated stocks had been moving up but after the Bank rate announcement they gained as much as ¼ or ½ of a point. The biggest gains were made in the shorts, where the 4½ per cent Conversion stock, 1962, gained ¾ to 99½, but that improvement had begun before the announcement was made. One half of one per cent now, and what in the future? Thoughts are already veering that way and that may be sufficient to re-awaken the semi-speculative interest in short-dated stocks. Yet the objectives for the gilt-edged market as a whole have not changed: the aim of the Government is still to fund. The reduction, coming after heavy buying by the banks and the institutions, is presumably intended in part to keep investors on the feed. But that will not produce a breakaway in prices. The queue of local authority borrowers is as long as ever and though with the AEI issue coming shortly there is no immediate prospect of a local authority issue the easing of Bank rate may help to bring the queue shuffling forward. That should reduce the pressure on the mortgage market, where in anticipation of a Bank rate reduction local authorities have been big borrowers of temporary and short-term money.

Sterling Near the Roof

STERLING showed a slight weakening on the reduction in Bank rate, from $2.81¾, its effective ceiling, to $2.81½. But earlier in the week the pound had been helped by the actual or prospective settlement of various wage disputes, which induced foreign firms to cover commitments previously being left open. The demand was varied in character, mostly commercial, but some of it, linked to further interest arbitrage, in view of the further fall in the New York bill rate. This week's Treasury bill tender, and the prospective movement in the forward dollar exchange rate, will decide whether a modest margin of profitability in interest arbitrage will continue. London bill rates, at least, seem headed for a fall.

A particularly large turnover has taken place in transferable sterling, the rate for which this week has strengthened to $2.7960. There has been keen demand from Russia and the Scandinavian countries, while a fair amount of the selling appears to have come from Amsterdam. The Exchange Equalisation Account has been fairly persistent in its intervention in the official market as a seller of sterling this week, and must have gained both dollars and EPU currencies, making good the losses that were sustained earlier this month when fears of serious labour troubles had led to considerable market selling of sterling.

Activity in the market for French francs has hardly reflected the significance and importance of political developments in France. The spot rate has been steady at Frs. 1,180¼ against sterling, and though it may have been propped up by modest French official support, it has in fact had to resist very little selling. This is because very few firms outside France have any francs that can be withdrawn, while French nationals are finding the exchange control tightening against them—witness this week's withdrawal of tourist allowances. Speculative activity against the franc is of minor proportions as the discount on the forward rate, which early in the week was equivalent to nearly 14 per cent per annum, is virtually prohibitive.

TELEPHONES

Cheaper Service?

THE more mechanised that any service becomes, the more its suppliers can logically shift the balance of their tariff towards higher standing charges and lower prices per unit. In recent years, the Post Office has steadily been doing the first half of this: it has increased the rental it charges subscribers for access to the telephone system at all, and has reduced the allowance of free calls one used to get with the instrument down to nil. Until now, however, inflation has been putting up its running charges, too, faster than mechanisation has been able to reduce them: so these have gone up, too. This week, for the first time, the Post Office has been able to offer the second half of the bargain: it has extended the period for cheap rate trunk calls to cover the whole of each evening plus Sunday afternoons, and—for the present in the Bristol area only—it is offering subscribers calls timed in twopenny units, both local and trunk, so that the laconic will be able to telephone more cheaply. But it should be noted that locally only the laconic will benefit: the verbose (which may well comprise the better half of us) will probably have larger telephone bills to pay.

How much call one will get for one's twopence will depend on distance and time: locally it will buy three minutes' connection, over 125 miles only 12 seconds (which will still reduce the cost of most three-minute trunk calls substantially). Beginning with Bristol's 18,000 subscribers on December 1st, this service will be extended throughout the country as areas are fitted with "subscriber trunk dialling," which will enable each subscriber to make his trunk calls himself through automatic exchanges. No start is being made in London until 1961, as STD in so large a city requires rather more complex equipment. By 1970, it is hoped, about three-quarters of all trunk calls will be dialled by subscribers.

Larger Bills?

THE Post Office says it costs £110 to install a private telephone—£9 for the telephone itself (not much less than a portable radio), £16 for the exchange connection, and no less than £85 for the cable to the exchange—and about £250 to put in a public kiosk (in remote villages the cost has on accasion touched £1,000). Each private telephone in this country is used, on average, for only two calls a day: yet demand for new telephones since the war has always exceeded the resources that the Post Office has been able to devote to supplying instruments and exchange positions and to connecting them. This is not the ordinary "peak load" problem of public utilities: this vast mass of under-used capital equipment, worth some £1,200 million at current prices, is maintained in being to provide for a potential, not an actual demand. It is natural that the Post Office should be doing its best to encourage fuller utilisation of the telephone system: and also, by timing local calls, to make more money out of the local calls that last longer than three minutes.

Local calls are not timed today: nobody knows what proportion of them are discursive. For many private subscribers the extent to which these cost more may outweigh the saving of a penny for each short local call and more than that on the few trunk calls one makes, but business telephone bills should be reduced by the change. The change, on the face of it, may certainly tend to bring the pattern of charges more in line with that of costs. The resulting bills, which may be larger or smaller according to our telephone habits (the STD timing system will render them impossible to check unless one hires a special meter, and perhaps ominously the Post Office proposes to render its accounts quarterly on this system, not half-yearly) may induce the subscriber to behave more like economic man (or economic woman) with a telephone—or do without one.

KAFFIR BUYING

Gold Rash

THE best than can be said about the prospects for gold is that pipe dreams and rumours about an increase in its dollar price are a little less improbable than they were. That has not stopped the Kaffir market from reaching a higher level of activity than it has known for over three years and prices are now up to the levels they touched last August when sterling was under severe pressure. Only a few days ago, markings in gold shares were not much above 200; on Tuesday 823 bargains were marked, and on Wednesday 1,273. The *Financial Times* gold share index has jumped this week from 74.2 to 77.6. Some buying has come from the United States, and reports that a banking group there is setting up a fund to deal in gold and gold shares has provided an optimistic background for the market. Zurich has been buying too, though not necessarily on domestic account, and Paris, which always turns to gold in a political crisis, has come in as well. But it is buying in London, which the Cape has been content to follow, that has sent up the temperature.

Much of the buying can only be classed as speculative. The investment merits of tangible yields and earnings of the new producers in the Orange Free State cannot be denied and over the last six months some trusts have been buying quietly and selectively. They are firm holders and many of the new mines have already enjoyed a good rise. But recent buying has spread beyond the OFS to the old low grade mines which would benefit most from an increase in the gold price. That may not be a reckless hope, but it is undoubtedly a speculative one. And there is plenty of stock for sale by the shops and by private holders who bought higher up.

MOTORS

Output Before the Strike

THE steady, upward surge of motor production was interrupted slightly last month by the two-day Easter holiday but not at all by the strike of 1,500 Pressed Steel workers at Swindon, which did not break out until the closing days. So, although the tally of new vehicles for the month was below that of March, the daily rate of output rose still further, sailing past the 5,800 units a day mark. Car production exceeded 4,500 a day for the first time, against 4,370 a day in March and 3,375 just one year ago. At this rate, the industry could turn out more than 1,100,000 cars in a working year. The other side of the industry, the manufacture of commercial and public service vehicles, fared less well. Production declined for the second month running, to 1,291 vehicles a day, from 1,315 in March and 1,374 in February. The home market for lorries and vans is still affected by the general industrial recession in this country. Exports of vehicles also fell off in April, more so than could be accounted for by the Easter shut-down; again, more heavily in commercial vehicles than in cars. For this the New Zealand import cuts and fewer sales in one or two Continental markets appear to be mainly responsible.

But if these April performances are reasonably satisfying, the figures for the present month certainly cannot be. The Pressed Steel strike has by now cut deep into car production. This company provides the industry with about 40 per cent of its car bodies. The four-week stoppage at its new Swindon plant, which produces bodies for Austin Healey, Wolseley, Riley and Hillman cars, has now put about 30,000 other vehicle workers out of production or on to short time. These are mainly in the BMC factories, the Rootes group and certain other suppliers of parts and accessories whose delivery schedules have had to be slowed down. Since the present talks between the seven unions involved and the company's management have produced no quick settlement, Standard, which gets its Vanguard and Ensign bodies from Pressed Steel, may also have to cut production after Whitsun. The loss of car output must now be running well into hundreds each day. At this time of the year such forfeited sales are unlikely to be made good: prospects in overseas markets outside the United States are not improving, and the industry is not so sure how home sales will behave once this summer is over.

Sprite on the Ground Floor

UNTIL this week, the cheapest sports car offered by any of the major car manufacturers in Britain was the MGA for £996, including purchase tax: one could buy a two-seater Morgan for about £250 less than that, or baby cars that are sportive in mien if hardly in performance, such as the elegant little Berkeley, for about half the price. The British Motor Corporation has now slipped a lively little new car with a top speed of better than 80 mph, which to many people could fairly rank as a sports car, into the price range at £679, which is not very far above the Anglia-Prefect, Morris Minor or Standard Eight level. The Austin-Healey Sprite indeed uses the 948 cc engine that goes into the A.35 and the Morris Minor, modified to give 43 bhp against the Minor's 37, inside an "envelope" two-seater body shell designed by Donald Healey as a scaled-down version of his established "100-six." Its maximum speed is about ten miles an hour more than the Morris Minor: the fuel consumption of the Sprite, at comparable speeds, seems to be of

SPORTS CARS BELOW £1,500

	Price (incl. PT) £	Cubic capacity c.c.	BHP	Max. speed mph	Overall length ft	Kerb weight cwt
Austin-Healey 100-six ...	1,227	2,639	102	(112)	13½	22
Triumph TR3	1,050	1,991	100	(109)	12½	19
Sunbeam Rapier	1,044	1,390	67	87·5	13½	20¾
MGA 2-seater	996	1,489	72	(101)	13	16¾
Simca Montlhéry	939	1,290	48	82·1	13½	18½
Turner 2-seater	864	948	40	...	11½	11½
Dellow Mk. VI	863	1,172	36	(81)	11½	11½
Metropolitan hard-top ..	749	1,489	47	75·0	12½	16½
Morgan 4/4 2-seater	748	1,172	36	75·3	12	13
Fairthorpe Electron Minor	720	948	38	...	10	8½
Austin-Healey Sprite	679	948	43	82·9	11½	12¾
Berkeley Standard 2-str.	500	328	18	62·1	10½	6½

Maximum speeds in brackets are the manufacturers' figures; the rest are reproduced with acknowledgments to *The Motor* road tests.

the same order; its acceleration, 0-50 mph through the gears in 13.7 seconds, is markedly brisker. The little car—it is about as long as the A.35—holds the road well, and has rack and pinion steering. It is not quite a car for the enthusiast as defined in Britain, but it should give young people an exciting run for the kind of money that a growing number of them are becoming able to afford. In the United States, it should have the *chic* of an imported sports car at pin money prices: a figure of about $1,250 has been mentioned.

ICI

Some Domestic Issues

"THAT there is a serious recession in the United States," declared Sir Alexander Fleck at the Imperial Chemical Industries meeting a week ago, "cannot be doubted." But his statement was less exercised by the consequences of recession for ICI; though he noted some signs of weakening demand in overseas markets and in some sections of the home market, Sir Alexander affirmed that ICI would not be deterred from its long-term policy of expansion and that investment in new plants and extensions would continue as a mark of faith in the long-term trend of demand for ICI's products.

This apart, the chairman's speech concentrated on two domestic issues of particular interest. First, ICI has made a second revaluation of the net written down value of its plants. The first was made in 1950 and the second is justified by the considerable further inflation that has since occurred. The result is that the net book value of fixed assets at January 1st goes up from £326 million to £396 million. But the additional depreciation to be provided in this year's accounts will be no more than £2 million because the plants themselves are now attributed with a longer working life than was originally supposed.

Secondly, a considerable change in the employees' profit sharing bonus is being made. The past rule was that employees' remuneration was increased by the percentage by which the rate of ordinary dividend exceeded 5 per cent—7 per cent last year on a 12 per cent dividend. That arrangement would have had to be changed this year because of the one for two scrip issue that has now been approved. The directors have changed the bonus so that it will in future be 22 per cent of the total remuneration, before tax, of all forms of capital. That will give roughly the same bonus as in 1957 (if the results of the year are the same) and it undoubtedly provides a better basis, both for employees and stockholders, than the old system. Over two-thirds of the ICI shares allotted as employees' bonus have been retained, and the proportion sold appears to be declining.

THE OIL MARKET

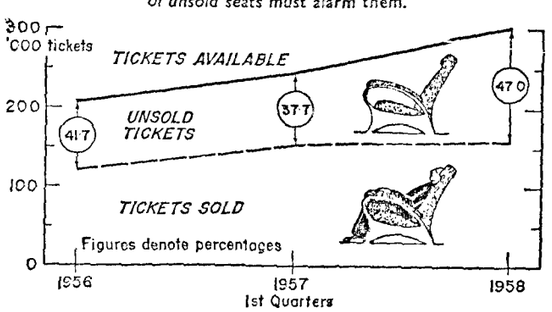
Shell Remains Optimistic

HISTORICALLY, said Lord Godber at the "Shell" Transport meeting this week, recessions have not had as much general impact upon consumption of petroleum products as upon demand for other commodities: and the current slackening of growth in the oil industry appeared to him as no more than "a pause in the upward trend of expansion." The curtailment of crude oil production in Texas (now down to 8 days' operations a month), and reductions in refinery runs, have eased the burden of product stocks in the United States. Elsewhere, as a whole, consumption is being maintained, "without the full impetus to expansion which previous years' experience have led us to suggest."

Current earnings for the Shell group, he added, could not be expected to compare with those of early 1957 (when Shell's stronghold in the Western Hemisphere was enabling it to benefit from the tribulations of other companies with a much greater proportion of their crude production in the Middle East). But "viewed in the light of the position two years ago, they seem reasonably satisfactory." In Amsterdam, Mr J. H. Loudun, president of Royal Dutch, was asked about the group's tanker building programmes. He said that these would continue: no cancellation of orders for ships due to be delivered up to 1961 was envisaged.

POOR FLYING CONDITIONS

Air traffic on the North Atlantic increased by a mere 4 per cent in the first quarter. All airlines had planned for a big increase in passengers and the high proportion of unsold seats must alarm them.



STOCK EXCHANGE

Should Brokers Advertise?

"The Stock Exchange must offer direct benefits or, at least, direct services, and in order to do this must advertise directly."

"Some private investors believe that brokers are now only really interested in obtaining institutional custom."

THESE quotations from two articles in the latest issue of the *Stock Exchange Journal* (issued under the auspices, but not necessarily representing the views, of the Stock Exchange Council) are a welcome intrusion of controversy in a journal that might be tempted to confine itself to innocuous generalities. Evidently the Governor of the Bank of England is not alone in his anxiety to dispel the fog of mystery that hides the City from the public and frightens people from using its services.

The writers of the two articles, however, light two different flares. Mr Donald Cobbett suggests that brokers should advertise directly for custom. The other, anonymous contributor argues that the links between a broker and his clients are fragile and that many investors instead of looking to their broker for advice turn to the financial press or their bank managers; the suggested answer is that a broker should charge a separate fee for advice, coupled with a lower commission on actual dealings.

To meet its overheads the big broking firm has to look more and more to institutional investment for a regular income. But the case for attracting small savings into stock exchange investment rests on wider grounds than any desire to preserve the number of stockbrokers or to protect their incomes. If brokers want to encourage the small investor, charging a fee for advice is not likely to attract his custom. He will expect advice as part of the broker's service.

A broker's ability is tested by the soundness and responsibility of that advice as well as by the sureness with which an order is executed. His best advertisement is his own ability. Whether direct advertising which, Mr Cobbett suggests, should include some guidance on the principles of sound investment, would widen the field of custom is not proved. Public attitudes towards private capital are so different in the United States that it would be wrong for a British broker to draw any firm conclusions from, say, the experience of the "thundering herd," Merrill Lynch. But other British financial institutions have advertised their services with sobriety and restraint. Are the objections to broker advertising for custom in these days of universal publicity so obviously overwhelming as they were?

Should They Deal in Options?

ANOTHER result of a low volume of turnover in the market has been a demand that option dealings should be revived. In the past the Stock Exchange Council has given a very definite "No" to such requests, but this week it had to face an extraordinary general meeting, requisitioned by fifty members, to discuss and to vote on a revival of the prewar practice. It was very well attended—one third of the members turned up—and only one voice was raised against. On a show of hands the vote was overwhelmingly in favour of beginning option dealings again. A poll was then demanded, the results of which were being announced after this issue had been published. It is known that a number of unmarked proxies had been lodged with the chairman, Sir John Braithwaite. If the poll is against the proposal to restore options, the Stock Exchange has probably heard the last of it. But if it is in favour, pressure to resume option dealings will be difficult to resist, even though the Council is not bound either by the vote at the meeting or by the poll to any specific course of action.

ATOMIC ENERGY

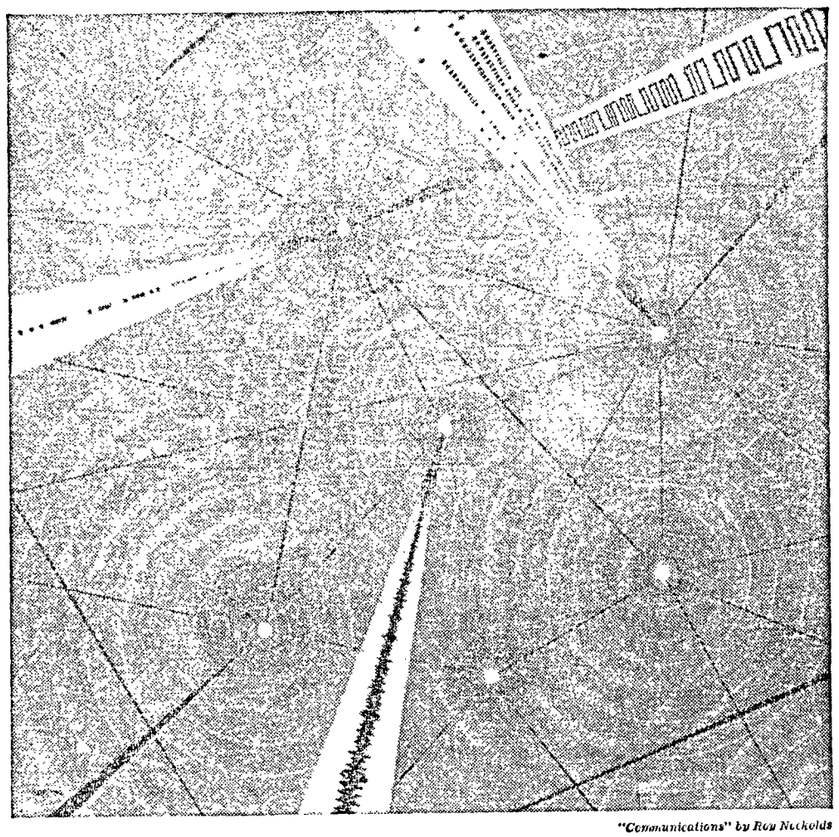
Zeta Plays Tricks

BEFORE recent experiments on Harwell's Zeta are hailed as a great technical achievement, it is as well to remember that their outcome also represents a considerable disappointment. The experiments have proved conclusively that Zeta is a long way yet from controlled thermonuclear fusion, and that the popular belief, encouraged by expert claims, that the first step had been mastered, was totally wrong.

Fusion of atomic nuclei has indeed been taking place inside Zeta, but it turns out to have been a different kind of fusion. It was fusion caused artificially by some outside agency that is not wholly understood as yet; the kind that Harwell has been looking for, thermonuclear fusion, occurs spontaneously because the nuclei are so agitated by heat that they are bound to collide and fuse. Outward evidence of both types of fusion is the same—the presence in large numbers of minute particles thrown off by the atoms at the moment of fusion. A surprisingly large number of these particles were recorded in Zeta every time the gas temperature inside the apparatus touched 5 million degrees Centigrade—more, in fact, than the actual temperature seemed to warrant. The question that has hung over Zeta since last autumn is whether these neutrons were thermonuclear in origin: it was certainly difficult to think of any other means that could have caused them. It was easy to slip from this lack of explanation into the comfortable assumption that in spite of the discrepancy in the figures, controlled thermonuclear fusion was taking place inside Zeta.

It was not. What was happening was that some atoms were reaching tremendous speeds, probably as a result of the immensely powerful electric field applied to Zeta at the beginning of each pulse to heat up its gas. When these ultra-fast atomic nuclei collide with slow or stationary atoms in the gas, fusion takes place. But the form of fusion caused by this outside agency is not the true thermonuclear fusion that gives the sun its heat; it takes more energy than it gives back. About 95 per cent of the particles measured in Zeta arise from this sterile process; the balance of 5 per cent may indeed be of spontaneous thermonuclear origin but the proportion is so small that it cannot be proved.

Zeta temperatures will have to be doubled to 10 million degrees Centigrade, it is now expected, before thermonuclear fusion genuinely takes place in such volume that it can be measured and thus established with complete certainty. This is expected to be done before the year is out. The power input of Zeta is being increased five-fold (not doubled as was planned at the end of January) to 1 million amperes and it is hoped that the interval during which it will be possible to hold 10 million degrees can be raised from three thousandths of a second to a tenth of a second—Zeta's biggest contribution yet towards controlled fusion. Conditions should then be right for controlled thermonuclear



"Communications" by Ron Nickolds

Taxi! Taxi!

The newer applications of electronics in industry, medicine and commerce have tended to overshadow the tremendous advances made in radio communications. Yet in half-a-century, age-old barriers of time and distance have been eliminated, and men can, if they wish, communicate instantly with each other by word or picture over vast distances, and sometimes in circumstances which challenge the imagination.

But it is in the daily scene that one can best recognise the contribution of radio communications to our welfare and safety—the radio-equipped taxi, the walkie-talkies of the fire brigade and railway marshalling yard, the air traffic control system, the ship-to-shore telephone, the newspaper photograph radio'd from New York.

Mullard's part in the development of radio communications can be judged by the number of manufacturers who consistently use Mullard valves, tubes, transistors and magnetic components. Here, then, is yet another example of how Mullard experience and know-how, on which you too may draw, is serving Britain's designers of electronic equipment.

Mullard

Technical Information Services

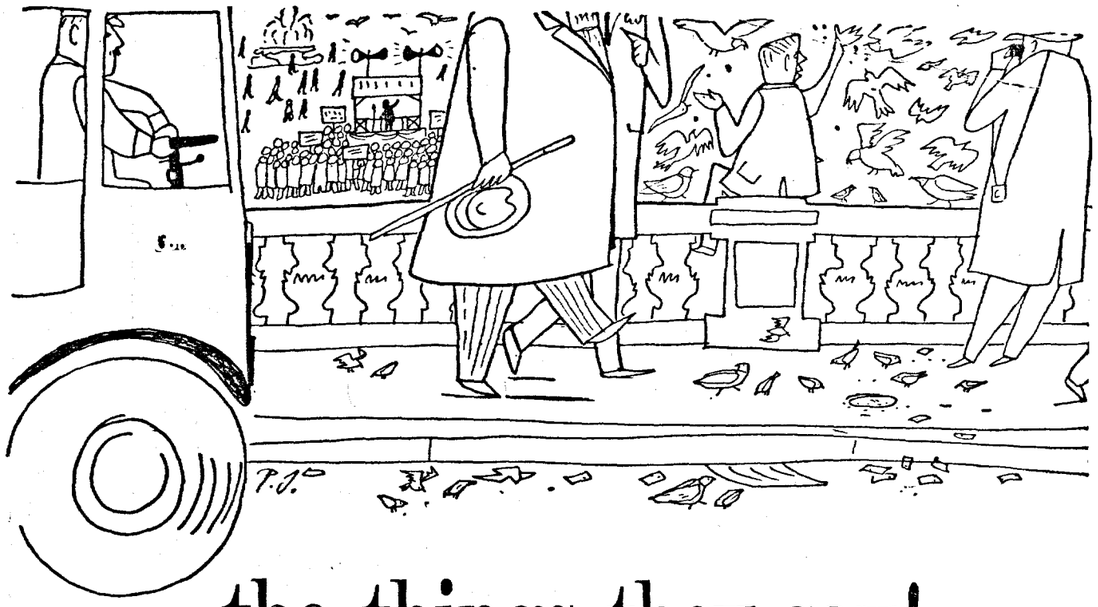
Mullard Technical Information Services cover almost every field of electronics. If you have an applications problem, write to the address below.

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the things they say!

He says that British industry can't be efficient today because investors can't put up sufficient capital for it.



Maybe, but somebody ought to tell him about I.C.I.'s last issue of loan stock.

How did it go?



Well, I.C.I. asked its stockholders and employees for £40 million—a sizeable sum, you'll agree—and was offered *nearly six times* as much.

That doesn't sound as though people were unable to lend money to one *company, anyway.*

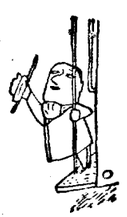
No—and the same sort of thing has happened every time I.C.I. has asked the public for capital. Investors, big and small, know a sound proposition when they see it.

But why did I.C.I. need all that money?

Because the company is always planning and building new plants to make new products that other industries and the public are going to need in the future. And they're always modernising or replacing plants to make established products more efficiently. Why, altogether since 1945 they've spent over £300 million on new factories and equipment here in Britain.



All right, I see where the money goes. But how do we know they are efficient enough to compete with foreigners? And if they are, what are their chances of staying efficient in the future?



Take a look at the figures again. In 1957 I.C.I. exported a record total of over £76 million of products in the face of ever fiercer foreign competition. And they're pressing on with a Research and Development programme that costs about £13 million a year.

Does that look like a lack of enterprise, or initiative?

No, it sounds as if they know where they're going.

Yes, and lots of ordinary folk, who've saved a bit, have sufficient faith to back them.

ICI

fusion. Whether it will in fact take place must depend on questions that no scientist at this stage can answer. Zeta is very much an empirical experiment, one of several possible methods of achieving controlled thermonuclear fusion. When scientists say they do not know quite why Zeta works as it does, it might be as well in future to take them at their word.

HOTELS

69 Feet Too Tall?

On the same day that the Minister of Housing gave planning permission to a proposal to erect a 305-ft hotel on a site in Bayswater on the north side of Hyde Park, in London, he turned down another project for a 374-ft hotel on a site in Park Lane, on the east side of the Park—on the grounds that it would be too high. This frigid attitude of public planners towards high buildings in the centre of cities is in real danger of becoming not merely a cause for national blushes but, more regrettably, a crippling restriction on future development. At the public inquiries into these two applications last November, the London County Council, which was the principal objector to both projects, stated that it did not object to high buildings as such but . . . managed nevertheless to produce a long list of reasons why permission should be refused in these particular cases. Both sites were in an area for which the London Development Plan (which has been implemented so far more by negation of this kind than by positive action) prescribed a 2:1 plot ratio—the ratio of floor area to site area. The Bayswater scheme envisaged a plot ratio of 3.7:1 and the Park Lane hotel would have one as high as 8:1, which would mean, so it was argued, serious traffic congestion in the neighbourhood and a disruptive effect on the pattern of existing local development.

These arguments, which appear to have swayed the Minister in his consideration of the Park Lane proposal, need to be looked at carefully. The traffic problem from hotel users, who unlike office workers do not normally help to swell the twice-daily surge of peak-hour movement, is not an enormous one. As for the desire for orderly upward development in these central areas, the standard of reference ought not to be the height and style of the existing neighbouring buildings but what the surrounding architecture will be or should be like in a couple of decades' time, when other nearby sites will also have been re-developed. The Minister's decision on the Bayswater scheme actually makes a reference to a case for "preserving the symmetry of the Victorian composition of Lancaster Gate. . . ."

This carping, backward-looking approach, instead of a ready acceptance of new development, has led the Minister to suggest to Mr Charles Clore and the Hilton Hotels group, who submitted the Park Lane project, that another design be prepared for a building not quite as high and presenting "a less massive appearance viewed from the Park." As they claim to have spent £750,000 already on the scheme, which would ultimately have cost £3½ million, they have replied they will try. But there appears to be some doubt whether a smaller building of the same standard of accommodation—a bathroom and dressing room to each of the 700 bedrooms—will pay its way. The developers had based their calculations on an average daily charge of six guineas a room and an average "occupancy" of 80 per cent, which other hoteliers at the inquiry thought rather optimistic. The Bayswater hotel is not in such an "ultra-luxury" class, envisaging room charges of 50s. to 60s. single and 90s. to 110s. double. Though the shortage of hotel accommodation in central London should enable new building to be worth while, a somewhat less luxurious standard might fare better in the off-season.

BOAC

How to Run an Airline

Rationalisation to secure economies is much in fashion among nationalised industries: the local engineering unions at London Airport, in a pamphlet published during the week-end on how to run the British Overseas Airways Corporation, seem to have in mind rationalisation to avoid economy. The policy there set out might be roughly summarised as:

(1) sack the chairman,
(2) but no one else,
(3) and suppress all outside competition.

The call has gone out for Sir Gerard d'Erlanger's head since BOAC began reorganising its engineering divisions, which involves roughly halving the staff and sacking 3,000 men in two years. The union reckons that this will cut wages by about £3 million, sufficient to cover the corporation's current deficit of £2.75 million: "we rightly expect different treatment from a nationalised industry." In fact, the total saving on all counts will probably be nearer £5 million.

The idea that the chairman should be sacked before and not after other members of the staff is a novel one: it had undeniable attractions, for example, when one of the nationalised industries was reorganised a few years ago in exactly the opposite way. But it is not necessarily the best way to run an airline. The unions must feel, however, that the current dispute has been a one-sided affair up till now. They introduced an overtime ban in the engineering divisions as soon as they were given details of the reorganisation scheme; they have now had to withdraw this ban without so much as a whiff of a concession from the management. The management has, indeed, gone to considerable pains to avoid any gesture that might be interpreted as departure from the original—admittedly stringent plan. And on the heels of the union's pamphlet came an open letter to the staff from the managing director pointing out once again that BOAC's engineering division was twice as big as that needed by Pan-American, KLM, or United Air Lines to do the same work.

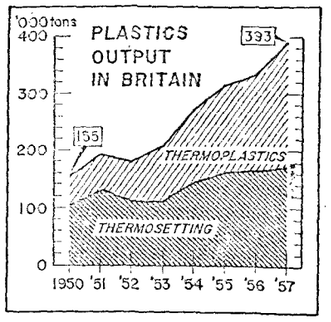
Mr Smallpeice has taken some of the wind out of the union's sails by himself putting the blame squarely on the corporation's management, which rejected evidence as far back as 1953 showing that by comparison with SAS, Air France, or KLM, "an unsatisfactory position" was developing in BOAC's engineering department. There has, indeed, been quite a sharp struggle inside the corporation to get the new scheme accepted.

PLASTICS

Polythene's Progress

In the quite detailed statistics that it publishes once a year about plastic materials, showing sales in Britain and exports, the Board of Trade distinguishes nine main "families" of plastics, sub-divided between the types of

product made from each. But for the last four years the largest tonnage in any single group has come under one of its residual, miscellaneous headings, "Other thermoplastic materials." In 1957, for which the figures have just been published, this category accounted for more than a quarter of total output by weight: 113,400 tons out of 393,100 tons of plastics of all kinds. In principle, the mushroom growth under this miscellaneous heading—where the figures have doubled since 1954—emphasises that in this rapidly growing industry new materials and new markets can be developed a good deal faster than statistics can be altered to portray them properly. In practice, it means that output of polythene is growing to the point where it cannot much longer be masked inside any grab-bag category. Imperial Chemical Industries is still the only significant producer, but it must be turning out 50,000 tons of polythene a year, and other units, using new processes, should soon be in production. As they do, and if demand continues to grow at its recent rate, it cannot be long before output of polythene reaches the highest tonnage for any plastic material.



This comparatively new plastic (discovered by Imperial Chemical Industries in 1933; first production unit operating by 1939; much postwar development both in processes and in the product) has been a commercial success in an extremely broad range of applications. Its outstanding electrical properties give it a widespread use in radio-frequency cable insulation: most of its kitchenware applications have eventually built up a steady sale: and its packaging applications, in "squeeze" bottles, other containers, and as transparent film, have grown steadily over recent years. This is probably the most rapidly expanding of all plastic materials, but the vinyl plastics and polystyrene are growing very rapidly too. In contrast to these thermoplastic materials (the term means that a material can repeatedly be heated and softened without changing its properties), the use of thermosetting materials (which cannot), which developed earlier, is now growing at a slower rate: output of phenolic and cresylic resins (the kind used, for example, in an ordinary telephone receiver) is indeed lower than it was in 1955. Total tonnage for the plastics industry now exceeds British consumption of all non-ferrous metals except copper: and when one takes account of density, the volume of plastic materials used is close on five times that of copper.

BUILDING SOCIETIES

An Eye on Liquidity

LAST week the Halifax Building Society reported a more than seasonal volume of withdrawals. Figures now published by the Building Societies Association, which exclude the Halifax and the Provincial and represent about 73 per cent of the total assets of the movement, show that this experience was shared by other societies in the first months of the year. For most of the quarter, Bank rate was still at 7 per cent, but the reason for heavy withdrawals is not simply the competing attractions of other savings media. Shareholders and depositors in the building societies are beginning to feel the pressure of the deflationary squeeze. In the North, where a building society is used very much as a savings bank, pay packets are smaller and savings are being dipped into. House purchasers throughout the country are putting down cash payments out of

	Qtr. I, 1957	Qtr. IV, 1957	Qtr. I, 1958
	£'000's	£'000's	£'000's
Receipts	72,275	67,721	83,143
Withdrawals	52,035	56,035	64,147
Advances	57,332	65,335	56,105
Repayments	57,330	67,739	59,365
Cash and securities	248,819	258,444	247,849
Total assets	1,695,752	1,705,017	1,310,365

Figures cover 203 societies and represent about 73 per cent of the total assets of the building society movement.

savings that often enough are deposited with building societies. And there must be some investors who have drawn on their balances with building societies to meet calls on stock exchange new issues.

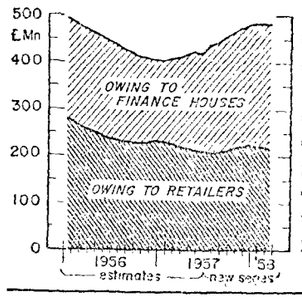
Confronted by this flow of withdrawals, the societies have had to go slow on mortgage advances. They sense a disinflationary atmosphere and they are mindful of the sad lesson so recently taught by the Scottish Amicable Building Society. Their present concern is not merely to preserve but positively to reinforce their liquidity ratios; even so, the Building Societies Association's figures suggest that the average ratio of cash and securities to total assets fell from 14.4 per cent at the end of December to 13.7 per cent at the end of March. The reduction in Bank rate does not fundamentally change this situation.

NEW ERA BANKING

The Old Lady Nags

PROGRESS in the banking world, which often appears slow from the outside, has contrived to pass two landmarks in a single week—one at the Bank of England and the other at a leading clearing bank. The Bank of England is still far from being the most talkative of central banks; but Mr Cameron Cobbold's policy, defined last February in his own words, of making "more public speeches than I did in my earlier years or, I think, than my predecessors did"—an interestingly tactful understatement—has transformed the old tradition. And last week he actually admitted television cameras into the Bank parlours,

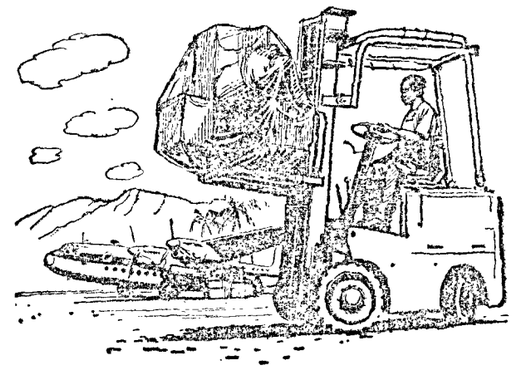
HIRE PURCHASE DEBT



Hire purchase and other instalment debt owed to household goods shops seasonally declined by £6 million between February and March. But the debt to the finance houses, particularly for motor vehicles, continued to rise and was about £30 million more than a year ago.

THE ECONOMIST MAY 24, 1958

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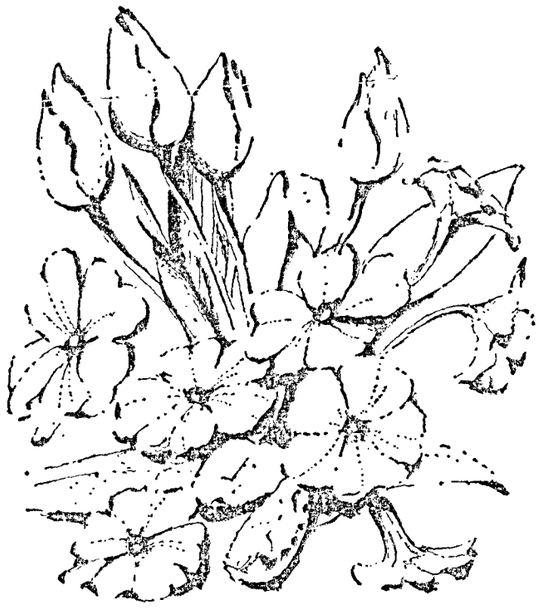
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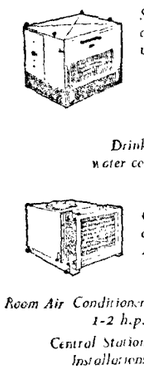
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appearing himself for an interview in the ITN feature "Tell the People."

The interview was confined to the work and functions of the Bank, as distinct from high policy, and covered much of the ground made familiar by the Parker Tribunal. Was the Bank's relationship to the Government that of a wife who has promised to obey, but who manages to get her own way? The Governor was appropriately shocked; the Old Lady, he affirmed, was "a very dutiful wife." "We offer our advice freely, as a good wife should"; but, "on occasion we've been known to nag if our advice has not been accepted."

A new theme in the Governor's drive in public relations is that there is nothing mysterious about high finance and central banking—they merely appear so because the sums involved are large. On the day following his ITV appearance, this idea figured in the Governor's speech to the Manchester Chamber of Commerce, in which he appealed for aid in dispelling public illusions about the "mystery" of the City. On the future of sterling he sounded an optimistic note: recent experience had suggested that there is "a real foundation of progress towards stable prices and a stable exchange situation."

Young Ladies Can Manage

THE other landmark has been passed by Barclays Bank, which has the distinction of being the first clearing bank to appoint a woman as manager of one of its branches. The new office to be opened in Hanover Square, London, towards the end of this year will be under the management of Miss H. M. Harding, who entered the bank in 1934 as a shorthand typist at a branch. Seven years later she became secretary to the local directors at Reading and for the past ten years has been secretary to successive general managers.

This, clearly, is an unusual progression, and likewise an unusual route towards branch management. Barclays' experiment will be watched with interest; but there are no signs that the example will be quickly followed, important though the role of women now is in all the banks. Their range of responsibility steadily extends—but the pace is governed by the sad fact that many bank customers are even more conservative than bank managements.

COFFEE

African Futures for London

AFTER a lapse of thirty years London is again to have a coffee futures market. The original market, opened in 1888, closed down in 1928. The new market will be under the management of the London Produce Clearing House and will be housed in the Commodity Exchange. The final announcement calling for applications for membership among coffee traders is going out this weekend and it is hoped that trading may begin early in July. The market will be based on the African Robusta contract. Dealers have not had any real facilities to hedge against price fluctuations in Robusta, which is taking an increasing share of the world coffee market. The New York futures contracts are based on Brazilian and Colombian coffees, and though the Le Havre terminal market does deal in Robusta, currency restrictions and an inconvenient location make the market of little significance. The London market should be able to attract a good deal of American business as more and more Robusta is being consumed in the United States, where it has proved suitable for the manufacture of instant soluble coffee powder.

WOOL

Steady After Shaky Start

AFTER a fall on the opening day of the May series of London wool sales last week, prices held up well at the lower level under a steady demand from the home trade and the Continent. Altogether, some 50,000 bales were on offer, about 38,000 bales coming from New Zealand and 9,000 bales from Australia. Quality was the governing factor in prices. Long Australian greasy merinos were barely 5 per cent cheaper than at the last London sales at the end of March. Average lengths were, however, up to 7½ per cent lower and shorts at least 10 per cent below previous levels. Of the New Zealand selection, good qualities from Dunedin and Invercargill were only around 5 per cent down, while those from Auckland and Wellington were about 5 to 10 per cent lower. The New Zealand Wool Commission stepped in to support this section on the opening day and gave further support to greasy and scoured crossbreds later in the sale.

The initial decline in London reflects the fall in prices in the primary markets since the end of March. But Australian and other overseas markets have become steadier in the last three weeks, and though Bradford and other consuming centres have remained quiet, this has been sufficient to prevent prices slipping back still more. But stocks of wool and tops are still rather more plentiful than a year ago and quiet conditions have ruled both in the wholesale and the retail business since the middle of February. Some traders now expect increased business if the improved tone of the raw wool market is maintained. Prices rose by about 2½ per cent at the Auckland sales this week and South African values have also improved.

MATCHES

Competition for a Light

EVER since 1954, when following criticism by the Monopolies Commission the British Match Corporation abandoned agreements about sharing the British market for matches with the Swedish Match Company (which owns 35 per cent of its equity capital) growing imports of matches have been eating into its sales: but last year there were signs that it was holding its own rather better. Total sales of matches in Britain are completely steady, at about 17½ million "Customs units," which means about one box per week per head of the adult population. From 1953 to 1956, the British share of these sales dropped from about 73 per cent of the whole to about 65 per cent: last year British Match, the sole producer (the only other makers having gone out of business in the last five years), held its share of a fractionally smaller total market.

Imports from Swedish Match have increased since the two companies abandoned their working arrangement: but the biggest increase over the four years from 1953 to 1956 was in imports of matches from behind the Iron Curtain. The Board of Trade made an arrangement with Russia by which matches came here and textiles went there: large quantities have also come in from Czechoslovakia, Poland, and some countries in Western Europe. All these are cheaper matches. Though British Match is spending some £1,500,000 on making its six remaining factories "the best-equipped in the world," it is hampered by the fact that its competitors can get the right wood much cheaper than it can itself. Its wholesale price for a gross of boxes today is 19s. 7d.: the most expensive foreign match, from Norway, is offered at 19s. 4d. per gross boxes, while the Dutch offer them at 17s. 2d., the Russians at 16s. 6d., and the Yugoslavs at 15s. 9d. per gross boxes. British Match has been experimenting for years with growing suitable timber here and is trying to interest landowners in the poplar it needs: but planting trees is a very long-term investment.

THE MARKET FOR MATCHES
(million "Customs units"*)

	1953	1954	1955	1956	1957
British	12·8	12·0	11·7	11·4	11·3
Imported	4·7	5·5	5·8	6·2	6·1
Total	17·5	17·5	17·5	17·6	17·4

* Equalling 7,200 matches each.

SHORTER NOTES

Provisional figures from the Ministry of Works for the first quarter of 1958 indicate that the amount of new construction in Britain was about two per cent lower in value than in the first three months of 1957 and slightly more if account is taken of the fractional rise in building costs over the twelve months, while expenditure on maintenance and repairs was roughly the same. These figures may rather under-estimate the rate of decline since the opening months of 1957 provided unusually good weather for building operations. Altogether in this first quarter building and civil engineering contractors did about £330 million worth of new work, against £337 million a year ago.

* * *

The Board of Inland Revenue has issued explanatory notes on the taxation arrangements that apply to overseas trading corporations. Copies are obtainable free from Inspectors of Taxes.

COMPANY AFFAIRS

ALBERT E. REED

AT the end of last October the interim ordinary dividend of Albert E. Reed, whose production is weighted much more towards kraft and similar papers than to newsprint, was cut from 6 to 5 per cent and the directors predicted a cut in the final payment as well. With productive capacity, including new equipment installed at a heavy capital cost, outrunning the demand for paper, investors feared the worst and thought in terms of 12½ per cent for the year to March 31, 1958, as compared with 16 per cent in 1956-57. They were too pessimistic; the final dividend is cut by only 1 per cent to 9 per cent, making the year's total 14 per cent. The price of the £1 "A" ordinary shares immediately rebounded from 30s. 6d. to 33s. 6d., to yield £8 7s. per cent.

Though profits are well down over the year—before tax they fell from £5,691,434 to £4,500,956 and after tax from £2,979,545 to £2,335,883—the key point of the preliminary statement is that trading results did not go from bad to worse in the second half of the financial year. The decline in profits in the second half of the year was held at 20 per cent, the same rate that had been recorded in the first half of the year. The table illustrates this result:

	Six months ended			
	Sept., 30, 1956	Mar., 31, 1957	Sept., 30, 1957	Mar., 31, 1958
	£'000s	£'000s	£'000s	£'000s
Turnover	26,400	32,100	29,700	32,000
Gross profit	2,714	2,977	2,170	2,331
Gross profit/turnover	10·3%	9·3%	7·3%	7·2%

The slight fall in profit margins in the second half of the year seems to be due to start-up expenses of new machines in the company's mills which came into production shortly before the end of the financial year but which made "no material contribution" to the year's income. Investors are not wrong in finding some comfort in these results. But there is still a surplus of paper-making capacity and there is no reason as yet to change the view on paper shares that is so clearly reflected in their high current yields.

UNITED MOLASSES

THROGMORTON STREET greeted the news of a maintained tax free dividend of 1s. 5d., from trading coupled with a special tax free distribution of 4½d. from capital reserve by marking up United Molasses 10s. ordinary shares. The reaction to Mr G. W. Scott's later statement was to mark them down by 2s. 3d. to 27s. xd. Mr Scott was indeed far from encouraging; profits would show a "considerable fall' this year and "may not in themselves cover the payment of dividends at the same rate as for the current year." The market seemed to overlook the chairman's rider that the directors have "every intention" of maintaining the trading dividend even though it may entail "drawing on the substantial carry forward on profit and loss account." If the depression in shipping is short lived United Molasses, holding about £15 million in liquid form out of a balance sheet total of £35 million, has the resources to pay a dividend uncovered by current earnings. But if the depression were prolonged the company, which still has new tankers and bulk cargo vessels on order, would have to think again.

Profits began to slide last year, though the fall in the trading surplus from £7,101,533 to £6,573,322 cannot be attributed so much to shipping as to the need to write £604,500 off stocks of molasses and to provide a further £126,000 against molasses contracted for at high prices that remained undelivered at the end of last year. Sales of molasses have picked up a little but at lower prices and smaller margins. Shipping is the group's mainstay, and though time charters continue to afford United Molasses some protection against the fall in spot freights, earnings from tanker and cargo voyages already show a "very considerable drop."

If the trading outlook is bleak, what are the chances of another capital distribution? Last year's capital payment was made possible by the sale of investments and of two old tankers and the consequent reinforcement of the capital reserve. United Molasses is currently negotiating the sale of its majority holding in the American concern, Olympic Portland Cement; if this goes through it should result in "an extremely substantial profit" for United Molasses. Another capital distribution is clearly not ruled out. But on the basis of the projected trading dividend alone, the 10s. units at 27s. xd. yield 9½ per cent.

FRANCE FENWICK

TIME charters also afford this shipping company some protection and, having last year earned a profit of £1,162,648 (against £1,148,070), the directors were able to maintain the ordinary dividend at 15 per cent and the tax-free capital distribution at 3 per cent. On a 15 per cent trading dividend the £1 ordinary units at 31s. 6d. xd. yield 9½ per cent. But nowadays, as the chairman, Mr Kenneth Pelly says, in fixing a tramp voyage at current rates "it is a question of working out whether the loss involved will exceed the cost of laying up, there being little likelihood of making a profit." Against that background, the directors of France Fenwick have decided to cancel three out of four reservations in the shipbuilding yards. The reasons for this decision are set out by Mr Pelly:

1. It is prudent to conserve our resources in these times rather than to continue to build at the top of the market and borrow money at high rates of interest.

2. If present conditions are to continue, I consider there will be few or possibly no orders placed at prices and conditions demanded and, in fact, there may be many cancellations of orders, resulting in a major change in the shipbuilding industry.

3. I consider that British shipbuilders are no longer competitive with foreign shipbuilders in their price or conditions . . . we must be free to place orders in the most advantageous quarters.

BEECHAM GROUP

AS promised at the time of the 10[illegible] cent scrip issue, the final ordi[illegible] dividend of the Beecham Group for [illegible] year to March 31st is set at 9 per c[illegible] making 20 per cent (against the equ[illegible] lent of 16⅔ per cent) on the new cap[illegible] The 5s. units, which have been favoured by investors over the last [illegible] or so, stand at 17s. 3d. xc. to yield [illegible] per cent. The principal investm[illegible] interest in the preliminary statemen[illegible] on the trend shown by the half ye[illegible] results rather than the full year's figu[illegible] The latter include a growth in sales fr[illegible] £28,974,000 to £34,153,000, in trad[illegible] profits from £4,516,000 to £6,093,[illegible] and in net profits from £1,867,000 to £2,516,000. The net ordinary dividend absorbs £1,174,000. From recent six monthly periods the following trends emerge:—

	Six months ended			
	Sept., 1956	Mar., 1957	Sept., 1957	Mar., 1958
	£'000s	£'000s	£'000s	£'000s
Sales	13,497	15,477	16,102	18,051
Trading profit	1,879	2,637	3,195	2,898
Net profit	722	1,145	1,396	1,120
Trading profit/sales	13·9%	17·0%	19·9%	16·1%

Thus it appears that recently the Beecham Group has achieved another big increase in sales, but at some expense to its profit margins; that could reflect heavier expenditure on advertising its proprietary drugs and foods as well as increases in prime costs.

J. & P. COATS

THE dividend policy of J. & P. Coats has been conservative to the point at which shareholders have written to Mr Robert Laidlaw, the chairman, asking why the payment has not been increased. Conservatism of this kind imposes a duty on the directors that when profits fall, as they did last year, they should maintain the payment. That they have done, leaving the rate unchanged at 8¾ per cent. But the consolidated gross profit fell steeply last year from £12,238,591 to £8,692,309, largely because of the writing off in 1957 of £1,250,000 from stocks (which required nothing in 1956) and the provision of £568,000 for exchange losses (in 1956 there were gains on exchange of £125,000).

If these items are excluded from the reckoning, the group's profits from trading appear to have come down from £12.1 million to £10.4 million. The decline in earnings seems to have occurred in overseas markets as well as at home. Declining profits from the group's overseas factories are suggested by the fall in foreign tax from £3.7 million to £2.8 million; a decline in profits earned in this country or from direct exports is suggested by the fall in British tax from £2.3 million to £1.9 million and by the drop in the parent company's gross profit from £5.6 million to £4.9 million. From the consolidated profit of £3,958,863, against £6,225,807, the repeated ordinary dividend absorbs just under £1.5 million net. The fall in the earnings cover brought the price of the £1 ordinary stock down from 21s. 1½d. to 20s. 7½d.; the yield is just under 8½ per cent.

F. PERKINS

LAST year the turnover of F. Perkins, the diesel manufacturers, fell by a third; a profit of £768,934 was replaced by a loss of £327,478; and the ordinary dividend was passed. This sudden about-turn in the company's fortunes was discussed in these columns on May 10th. In the full accounts, the chairman, Mr Frank Perkins, now says that "for 1958 there should be at least a reasonable turnover and a profit thereon." But the company has a financial as well as a trading problem. Last year, despite a reduction in stocks from £3,414,152 to £3,031,180 and in debtors from £2,597,029 to £2,088,556, the bank overdraft increased from £486,663 to £1,283,245. The company, Mr Perkins says, is in need of "additional permanent finance." To raise new money when the ordinary shares at 10s. 1½d. stand only 1½d. above par cannot be an easy task.

COPPER DIVIDENDS

THE writing on the wall, spelt out of the steep fall in the price of copper, the cut-back in Rhodesian production and heavy falls in profits, had long been evident to investors in copper shares and further reductions in copper dividends had been discounted. Even so, the sharpness of cuts in the interim dividends of the Rhodesian Selection Trust group of companies came as something of a surprise. The interim dividend of Roan Antelope is cut from 6d. to 1d. per 5s. unit, of Mufulira from 3s. 3d. to 8d. per £1 share, and of the parent, Rhodesian Selection Trust, from 8d. to 1d. per 5s. unit. Clearly there will be big cuts in the final payments as well; RST have eased from 15s. 9d. to 15s. 3d. and Roan from 7s. 10½d. to 7s. 9d.

Dunlop Rubber

FOR such an established giant as Dunlop Rubber the yield of 8½ per cent on the 10s. ordinary units at 21s. 3d. xd. looks high—higher, for instance, than the yields on many motor and component shares. Yet Dunlop's dominant role and wide international spread cannot be disputed. It ranks fifth, after the four big American companies, among the world's tyre manufacturers; it accounts for over half of the sales of tyres in this country and is especially strong as a supplier of original equipment to the motor industry; and in many overseas markets outside the United States it is a powerful producer and seller. Roughly two-thirds of its profits come from direct exports and overseas production (including its own rubber plantations).

Most of its earnings—of the order of two-thirds to three quarters—come from the sale of tyres. With its business in other motor components the company's fortunes are tied to the car industry and especially in its British business. Dunlop's profits over the last three years swung in time with the changing pattern of motor production in this country. Here is one reason for a high yield. Another is that the company's principal raw material, natural rubber, is volatile in price: in 1956 big stock losses as well as the cut-back in motor production contributed to the fall in profits, whereas the comparative stability of rubber prices smoothed the company's path last year. So much so, indeed, that while the volume of sales rose by about 4 per cent, the value of sales rose rather less, by 3.1 per cent, from £224 million to £231 million. Late in 1956 the prices of tyres in the British replacement market were raised (and only recently have been reduced). These figures of volume and value suggest that for some of its other manufactures and, perhaps, in some of its other markets Dunlop was reducing prices: the export business and the overseas trading activities of the group in 1957 "earned only slightly increased profits on a turnover approximately 1 per cent higher" as compared with an increase of 8 per cent in turnover in Britain.

Another less specific but none the less real reason for the high yield in the investor's mind is the air of caution and conservatism that the Dunlop group has sometimes worn. When profits went down in 1956, the ordinary dividend was cut from 14 to 10 per cent. The dividend is now back to 14 per cent and investors must ask themselves where Dunlop Rubber will go from here. It would be too much to say that the group has a new look, but tangible evidence that it is looking forward to the prospect of growth cannot be denied. Last year the group spent £9.1 million on capital, of which £5.6 million was spent by overseas companies; and on December 31st its capital commitments amounted to £5.4 million, the greater part of it earmarked for new factories in Rhodesia, India and France. Dunlop Rubber seems to be thinking in terms of modernisation at home and definite expansion abroad. Last year, too, the group spent over £2 million on research and development: a good deal of it must have gone into long-term research on synthetic rubber, including the experimental pilot plant at Fort Dunlop capable of an output of 1,500 tons a year. But research on textiles and the development of pneumatic suspension and of disc brakes show that the group's effort extends beyond its basic raw material.

Yet in a sense the real test of the future and of Dunlop's role rests on rubber. The British rubber industry has been slow to go into synthetic rubber—perhaps unavoidably so, given the pace of development of petroleum chemicals. But after long delay it moved; the synthetic rubber plant at Fawley, set up at a capital cost of £3 million by a syndicate of tyre manufacturers, should come on stream in the next few months. The plant will produce a GRS type of rubber but under a modified formula involving small royalty payments to American producers. Its nominal rated capacity was designed at 50,000 tons a year but—and this is a measure of the inherent difficulty of designing chemical plant to a given capacity in the present state of the art—it is likely to be able to produce about 70,000 tons a year. If so, the British industry's dependence on North American for synthetic will be reduced to a minimal quantity. Dunlop owns about 45 per cent of the equity of the Fawley plant and it has interests in similar plants in Germany and France. If costs at Fawley compare favourably with American GRS, then the British rubber industry and Dunlop will have taken a clear step forward.

Earnings :—	1955 (£'000s)	1956 (£'000s)	1957 (£'000s)
Sales	217,000	224,000	231,000
Trading profit	17,509	15,025	19,9[illegible]
Depreciation	5,544	6,175	6,4[illegible]
Interest paid	567	1,035	1,0[illegible]
Taxation	6,445	4,439	7,4[illegible]
Net profit	5,053	3,535	5,0[illegible]
Ordinary dividend	1,552	1,409	1,5[illegible]
Ordinary dividend (per cent)	14	10	1[illegible]
Retained profits	2,373	1,174	2,1[illegible]
Consolidated balance sheet :—			
Net fixed assets	49,222	45,499	47,4[illegible]
Net current assets	60,605	57,032	60,1[illegible]
Stocks	63,549	63,449	64,3[illegible]
Debtors	32,916	35,923	37,0[illegible]
Cash	7,221	6,614	5,3[illegible]
Bank loans and bills payable	18,195	21,058	17,4[illegible]
Reserves	33,555	35,033	37,3[illegible]
Ordinary capital	19,231	19,231	19,2[illegible]

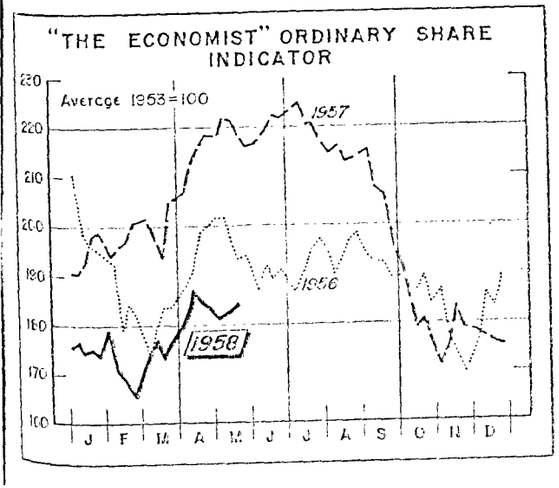
London Stock Exchange

FIRST DEALINGS:	May 14	June 4	June 18
LAST DEALINGS:	June 3	June 17	July 1
ACCOUNT DAY:	June 10	June 24	July 8

THE reduction in Bank rate caused a sharp revival in short-dated stocks which had eased at first under the influence of the slight rise in the Treasury bill rate at last week's tender. But the short-dated issues had begun to move up before the Bank rate announcement. On Thursday, 4½ per cent Conversion, 1962, rose ¼ to 99½ and 5½ per cent Exchequer, 1966, rose ⅝ to 101¼. Gains were extended in long-dated Government issues, among which 5½ per cent Funding 1982-84 and 3 per cent Gas 1990-95 rose ⅞ and ⅝ respectively over the week. Among the irredeemables, 4 per cent Consols gained ½ on balance to 74¼, but Old Consols only improved ⅛ to 50⅛.

There was a cautious improvement in industrial shares during the week which carried *The Economist* indicator up 2.0 to 184.4. But gains made after the Bank rate decision were small. Bank stocks, however, responded briskly, Barclays rising 1s. 1½d. to 42s. 7½d. and Lloyds a similar amount to 44s. 7½d. Prudential "A" improved by 2¼ over the week. Brewery and paper shares were firm, and further rises occurred in tobacco stocks; BAT gaining 6d. to 45s. 6d. Bowmaker improved 9d. to 23s. 4½d., and other finance houses made small gains.

The advance in Kaffirs broadened; prices advanced throughout the week supported by steadily increasing business. After hesitating on Thursday, prices resumed their advance. Among the Central Rand mines, City Deep rose 1s. 10½d. to 17s. 7½d., Durban Deep 4s. to 32s. and Crown Mines 3s. 1½d. to 29s. Venterspost gained 2s. 4½d. to 15s. 10½d., and President Brand 4s. to 52s. 3d. Of the finance houses General Mining put on 4s. 4½d. to 91s. 3d., Anglo-American Corporation 8s. 9d. to 135s. The movement extended to West African and Australian mines. Copper mines were easier following the latest dividend reductions.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
April 23	184·5	6·46				
" 30	183·6	6·51				
May 7	181·3	6·62				
" 14	182·4	6·64	186·8 (Apr. 16)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
" 21	184·4	6·57				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½% Consols Yield %	Bargains Marked	1958	1957
May 14	167·9	6·83	89·83	5·01	8,321	High	High
" 15	167·4	6·85	89·83	5·01	7,274	172·4	207·6
" 16	167·8	6·83	89·92	5·00	7,585	(Apr. 16)	(July 9)
" 19	167·9	6·83	89·83	5·00	9,019	Low	Low
" 20	168·2	6·81	89·92	5·00	7,556	154·4	159·0
" 21	168·6	6·80	90·00	5·00	8,176	(Feb. 25)	(Nov. 5)

Bases :— * 1953 = 100. † July 1, 1935 = 100. ‡ 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 14, 1958	Price, May 21, 1958	Net Yield, May 21, 1958 § £ s. d.	Gross Yield, May 21, 1958 £ s. d.
	96⅛	War Loan 3%....1955-59	98⅜	97 15/16	3 2 10	4 10 8 *l*
98⅜	90½	Funding 2½%....1956-61	94⅞	94⅛	3 9 6	4 12 4 *l*
95 7/32	99¼	Conversion 4%....1957-58	99/18/10½	99 19/32	4 16 2	4 16 2 *l*
99 1/16	99 7/16	" asst'd 4½% 1963	99⅜	99 15/16	2 17 3	4 17 2
99 1/16	97⅛	" asst'd 5½% 1974	97½*	97½*	3 4 1	5 9 1
98 1/32	96⅛	Conversion 2½....1958-59	98¼	98⅜	3 10 6	4 17 2 *l*
98 7/32	93⅛	Exchequer 2½.....1960	96⅝	95 15/32	3 9 1	4 9 4
96 1/32	95⅛	Exchequer 3%.....1960	97 11/32	97 1/32	3 0 10	4 10 0
98	95⅛	Conversion 4½%.....1962	99⅜	98⅜	2 16 0	4 17 5
99 21/32	83⅜	Savings Bds. 3%.1955-65	88¼	88 1/16	3 12 7	5 1 3 *l*
88 1/16	77⅛	Funding 3%.....1959-69	80¼	80⅜	3 19 8	5 9 0 *l*
81¼	86⅛	Funding 4%.....1960-90	86⅜	86⅜	9 19 2 2 18 10	11 17 7 *e* 4 16 6 *l*
89¼	15	Savings Bds. 3%.1960-70	77¼	77⅜	4 2 1	5 12 5 *l*
78¼	88⅛	Exchequer 3%....1962-63	92⅛*	92⅛*	3 5 8	4 11 11 *l*
94⅜	84⅜	Exchequer 2½%..1963-64	88⅛	88 1/16	3 11 2	4 14 0 *l*
88⅝	78⅜	Savings Bds. 2½% 1964-67	80⅜	80⅜	4 1 1	5 5 3 *l*
81¼	69⅜	Savings Bds. 3%.1965-75	72⅜	72⅜	3 19 5	5 11 3 *l*
73	99¼	Exchequer 5½%.....1966	101⅛	101 1/16	3 0 5	5 8 3
101⅜	78⅜	Funding 3%.....1966-68	82	82 1/16	3 18 10	5 8 8 *l*
83	91⅛	Victory 4%.....1920-76	92¼	92⅜	3 5 7	5 2 10 *l*
93¼	81⅛	Conversion 3½%.....1969	84¼	85	3 15 5	5 9 1
85 1/16	71¼	Treasury 3½% ...1977-80	74⅜*	74⅜*	3 13 6	5 9 1 *l*
76⅜	70⅜	Treasury 3½% ...1979-81	74¼	75⅛	3 13 5	5 10 1 *l*
75 1/16	98⅛	Funding 5½%.....1982-84	99¼	100 3/16	3 4 1	5 12 0 *e*
100 1/16	60	Redemption 3%..1986-96	64¼	64⅜	3 8 0	5 3 2 *l*
64⅜	64⅜	Funding 3½%..1999-2004	71	71⅜	3 5 2	5 4 9 *l*
71⅜	69⅛	Consols 4% after Feb. 1957	73¼	73⅜	3 2 10	5 10 1 *l*
74 1/16	63¼	War Loan 3½% after 1952	65¼*	65⅝	3 1 1	5 6 1 *l*
68¼	62¼	Conv. 3½% after Apr. 1961	65⅜	65 15/16	3 1 5	5 7 2 *l*
66 1/16	54⅜	Treas. 3% after Apr. 1966	57½	57⅜	3 0 4	5 5 4 *l*
58¼	46⅜	Consols 2½%.....	50	50	2 17 9	5 0 8 *l*
51 1/16	46⅜	Treas. 2½% after Apr. 1975	48⅜	48⅜	2 19 3	5 3 4 *l*
49 1/16	90⅛	Br. Electric 4½%.1957-69	94⅞	94⅛	3 4 3	5 5 2 *l*
95 1/16	72⅛	Br. Electric 3%..1968-73	74⅜	74⅝	4 0 8	5 11 6 *l*
75¼	68⅜	Br. Electric 3½%.1974-77	71⅜	71⅝	3 17 4	5 9 2 *l*
72¼	82⅛	Br. Electric 4½%.1974-79	85½	85⅝	3 8 6	5 9 0 *l*
85⅜	72⅛	Br. Electric 3½%.1976-79	75½	75⅛	3 13 6	5 9 1 *l*
76	82⅛	Br. Gas 4%.....1969-72	86⅜	86⅜	3 11 10	5 10 3 *l*
86⅜	79⅛	Br. Gas 3½%.....1959-71	81⅞	82	3 15 9	5 10 0 *l*
82⅜	60⅜	Br. Gas 3%.....1990-95	64⅜	65 1/16	3 7 11	5 2 7 *l*
65¼	72⅛	Br. Transport 3%.1968-73	74⅜	74⅝	4 0 8	5 11 6 *l*
75⅜	79¼	Br. Transport 4%.1972-77	81½*	81⅛*	3 11 8	5 9 11 *l*
84 1/16	60⅜	Br. Transport 3%.1978-88	65⅜	65 1/16	3 12 8	5 7 6 *l*

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, May 14, 1958	Price, May 21, 1958	Yield, May 21, 1958 £ s. d.
88⅛	83	Agric. Mortgage 5%.....1959-89	88	88	5 16 10 *l*
78⅛	76⅛	Australia 3½%.....1965-69	77⅜	77⅜	6 0 4 *l*
95⅜	93⅜	Birmingham 5%.....1973-75	95	95	5 9 3 *l*
93⅛	90⅛	East Africa 5½%.....1977-83	93¼	91½*	6 8 8 *l*
100⅜	95⅛	L.C.C. 5½%.....1977-81	99⅜	99⅜	5 10 9 *l*
61¼	56	Met. Water Board 'B' 3% 1934-2003	61	61	5 6 6 *l*
82	78	New Zealand 4%.....1976-78	79*	79*	5 16 5 *l*
71⅛	69	S. Rhodesia 2½%.....1965-70	70	70⅛	6 0 3 *l*
92⅛	83	German 7% (Br. Enfaced 5%)..1924	92⅛	91	...
167⅛	160	Japan 5% (Enfaced).....1907	162	162	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, May 14, 1958	Price, May 21, 1958	Yield, May 21, 1958 £ s. d.
		% %	BANKS & DISCOUNT			
29/-	28/-	4 *a*	5 *b* Bk. Ldn. & S. Amer. £1	28/9	28/9	6 5 3
44/-	39/9	6 *a*	6 *b* Barclays Bank.....£1	41/3	41/6	5 15 8
30/-	27/6	4 *a*	4 *b* Barclays D.C.O. ...£1	28/3	28/-	5 14 3
41/6	35/6	7½ *a*	7½ *b* Chartered Bank....£1	40/9	41/3	7 5 3
47/9	41/3	6¼ *a*	6¼ *b* Lloyds Bank £1	44/-	43/6	5 19 6
63/9	57/6	9 *a*	9 *b* Midland Bank £1	60/-	60/6	5 19 0
35/-	29/6	5 *a*	5 *b* Nat. Discount 'B' ..£1	34/3	34/3	5 16 9
49/3	40/9	6¼ *a*	6½ *b* Union Discount....£1	47/-	49/-	5 2 0
			INSURANCE			
38/-	33/3	15 *a*	21⅞ *b* Commercial Union 5/-	33/3	34/-‖	5 7 7
132/6	113/9	40 *a*	60 *b* Legal & General ..5/-	121/3	122/6	4 1 8
101/3	86/3	†20 *a*	†50 *b* Pearl.....5/-	86/3	86/3	6 18 0
41¼	38¼	†132½ *c*	†147½ *c* Prudential 'A' £1	39¼	40¾	6 6 8
			BREWERIES, ETC.			
35/3	31/-	10 *a*	36 *b* Bass 5/-	34/9	34/6	6 13 4
23/1½	19/7½	18¾ *c*	7½ *c* Distillers.....6/8	23 1½	22 10½	5 9 3
41/3	37/-	10 *a*	15 *b* Guinness.....10/-	40/9	41/3	6 1 2
86/-	75/6	8 *a*	17 *b* Whitbread 'A' £1	85/-	86/-	5 11 8
			MOTORS & AIRCRAFT			
14 4½	9/7½	3½ *a*	6½ *b* Bristol Aeroplane 10/-	9/7½*	9 4½*	10 13 4
8 1/16	6 7½	12½ *c*	4 *a* British Motor.....5/-	7/6	7/6	8 6 8
37/1½	31/9	3 *a*	6 *b* Ford Motor £1	36/4½	36/3	4 19 5
30/9	24/9	3 *a*	7 *b* Hawker Siddeley...£1	26/10½	26/6	7 11 0
44/9	39/-	12½ *c*	12½ *c* Leyland Motors....£1	39/9	39/9	6 5 9
93/-	82/9	5 *a*	15 *b* Rolls-Royce.....£1	89/6	89/9	4 9 3
8 1/16	6 10½	8 *c*	8 *c* Standard Motor...5/-	7/-	7/-	5 14 3

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, May 14, 1958	Price, May 21, 1958	Yield, May 21, 1958 £ s. d.
		% %	STEEL & ENGINEERING			
49/3	41/10½	7 *a*	6⅔ *b* Babcock & Wilcox..£1	47/3	48/-	
25/1½	21/7½	4 *a*	6 *b* Dorman Long £1	22/9	22/6	
54/-	45/-	5 *a*	10 *b* Guest Keen N'fold..£1	52/6*	53/-*	
67/6	56/6	†4 *a*	†8 *b* Alfred Herbert £1	66/1½	66/6	
49/9	41/-	7 *b*	4 *a* Metal Box £1	49/-	49/9	
24/3	20/-	3 *a*	8 *b* Stewarts & Lloyds..£1	21/6	21/4½	
57/3	48/-	5 *a*	13 *b* Swan Hunter.....£1	55/6	55/6	
21/3	17/9	4 *a*	7½ *b* United Steel.....£1	18/6	18/6	
32/9	29/6	2½ *a*	7½ *b* Vickers £1	30/6	30/6	
			ELECTRICAL			
52/-	47/-	15 *c*	2½ *a* Assoc. Elec. Inds...£1	48/-	48/3	
44/6	39/3	4 *a*	8½ *b* Br. Ins. Callenders..£1	41/9*	42/9*	
29/-	24/7½	43½ *c*	6½ *a* Decca Record 4/-	25/1½*	25/3	
36/3	28/-	15 *c*	Elect. & Mus. Inds. 10/-	35/3	34/4½	
56/3	44/6	4 *a*	10 *b* English Electric ...£1	53/6	52/3	
38/9	29/9	8 *b*	3½ *a* General Electric ...£1	30/9	30/3	
			TEXTILES			
16/3	12/4½	3 *a*	3 *b* Bradford Dyers....£1	12/10½	12/10½	
23/3	20/3	2½ *a*	6½ *b* Coats, J. & P. £1	21/-	20/7½	
22/10½	19/9	6 *b*	3 *a* Courtaulds £1	20/-	20/-	
34/7½	29/10½	5 *a*	12½ *b* Lancashire Cotton..£1	32/6	33/3	
35/4½	31/4½	12½ *b*	2½ *a* Patons & Baldwins..£1	31/10½	31/10½	
			SHOPS & STORES			
22/-	18/6	6 *a*	12 *b* Boots Pure Drug. .5/-	21/4½	21/10½	
38/10½	33/6	20 *b*	7½ *a* Debenhams 10/-	38/3	38/3	
44/6	34/6	50 *b*	15 *a* Gt. Universal 'A' ..5/-	42/6	42/10½	
43/1½	37/3	10 *a*	22½ *b* Marks & Spen. 'A' 5/-	41/9	42/9	
25/6	21/-	12½ *a*	20 *b* United Drapery...5/-	24/-*	24/9*	
41/6	34/7½	13½ *a*	26⅔ *b* Woolworth.....5/-	37/10½	38/9	
			SHIPPING			
33/-	29/-	11 *b*	6½ *a* Brit. & Com'wealth 10/-	30/6	30/6	
18/9	16/6	2 *a*	8 *b* Cunard £1	17/6	16/6	
32/6	27/3	9½ *c*	10½ *c* Furness Withy.....£1	30/-	29/9	
28/9	22/-	3 *a*	8 *b* P. & O. Deferred...£1	27/-	27/3	
			MISCELLANEOUS			
35/6	27/-	22½ *c*	18 *a* Allied Bakeries 'A' 5/-	31/9	32/6	
38/9	31/-	3 *a*	6 *b* Assoc. Port. Cem...£1	34 9	35 6	
17.4½	13/4½	11 *a*	9 *b* Beecham Group...5/-	16/9½	17/3½	
30/9	26/6	4½ *a*	8 *b* Bowater Paper £1	29/-	30/-	
48/-	36/9	4 *a*	8 *b* Br. Aluminium £1	36/9	37/6	
45/-	37/7½	†10 *a*	†6⅔ *b* Br. Amer. Tob. ..10/-	44/-	45/6	
24/3	19/9	17½ *b*	7½ *a* B.E.T. 'A' Defd...5/-	23/3	24/-	
35/6	28/3	4 *a*	6 *b* Br. Oxygen £1	32/-	34/-	
18/4½	14/4½	3 *a*	11 *b* Dunlop Rubber..10/-	17/7½*	17/3*	
45/-	36/4½	4 *a*	8 *b* Imp. Chemical.....£1	43/7½	43/9	
44/9	37/-	8½ *a*	11½ *b* Imp. Tobacco £1	43/3	43/9	
34/-	28/-	5 *b*	2½ *a* J. Lucas (Inds.)....£1	33/-	33/3	
16/1½	12/6	5 *a*	8½ *b* Monsanto Chem...5/-	15/9	15/9	
14/9	13/7½	5 *a*	5 *b* Ranks.....10/-	13/10½	13/10½	
33/6	27/9	5 *a*	9 *b* A. E. Reed.....£1	31/-	33/6	
14/3	11 8½	22½ *c*	22½ *c* Sears Holdings 'A' 5/-	12/-	12/1½	
56/3	48/9	12 *b*	4½ *a* Tate & Lyle.....£1	54/-*	53/9*	
54/6	48/6	7½ *b*	7½ *a* Tube Investments..£1	51/3*	53 6*	
63/6	52/1½	2½ *a*	12½ *b* Turner & Newall...£1	61/-	63 6	
80/4½	70/6	6 *a*	11½ *b* Unilever Ltd.....£1	72/-	73 7½	
94/6	77/-	14½ *b*	4 *a* United Dominions..£1	94/-	94 6	
30/6	26/-	†4⅛ *a*	†10 *b* United Molasses .10/-	29/-*	27..*	
			OIL			
105/-	79/6	†5 *a*	†10 *b* British Petroleum..£1	98/9	102 6	
78/-	59/1½	†5 *a*	†7½ *b* Burmah £1	69/4½*	71 3*	
£17⅜	13⅞	7½ *a*	17½ *b* Royal Dutch....20 fl.	£16⅛	£16⅜	
148/9	117/6	†5 *a*	†13¾ *b* Shell £1	138/9	143 1½	
74/6	41/6	...	... Ultramar 10/-	68/3	70/-	
			MINES, ETC.			
135/-	115/-	20 *a*	60 *b* Anglo-American .10/-	126/3	135/-	
23/-	19 6	†2½ *c*	†10 *b* Cons. Tea & Lands..£1	22 6	23 3	
51/-	42 9	6½ *a*	12½ *b* Cons. Zinc Corp. . .£1	45 3*	44 -*	
99/4½	80 7½	80 *a*	120 *b* De Beers Def. Reg 5/-	95 7½	96 3	
83/9	75/11	20 *b*	40 *a* Free State Geduld. 5/-	80/-	81/10½	
7/6	6 6	30 *c*	30 *c* London Tin 4/-	7/1½	7/3	
52/3	46/6	50 *a*	50 *b* President Brand ..5/-	48/3	52/3	
17/6	12/10½	16⅔ *b*	1⅔ *a* Rho. Selection Tst. 5/-	15/9	15/3	
25⅞	20	175 *b*	25 *a* Rhokana Corp. £1	25½	24⅜	
54/6	46/-	12½ *a*	37½ *b* United Sua Belong..£1	47/-	49/-	
93/9	84/4½	60 *b*	60 *a* Western Holdings 5/-	90/7½	92/6	

New York Closing Prices §

	May 14	May 21		May 14	May 21	
Alcoa	66¼	67¼	DuPontde Nm.	175¼	175*	N.Y. Central
Alumin'm Ltd.	26⅜	27¼	Ford Motors..	38½	39	Sears Roebuck
Am. Smelting.	43¼	44⅜	Gen. Elect....	58½	58½	Shell Oil
Amer. Tel. ...	175⅝	177½	Gen. Motors ..	37½	37⅝	Std. Oil of N.J.
Anaconda....	43	43⅝	Goodyear	74½	73⅜	Tri-Conti'tal..
Beth. Steel...	39½	40⅞	Gulf Oil.....	111⅝	112	Union Carbide
Can. Pacific ..	26¼	25⅞	Int. Bus. M...	348½	349	U.S. Steel....
Chrysler Cpn..	45½	46¾	Int'l. Nickel ..	72½	74⅝	West'house E.
Crown Zeller..	47	47½	Int'l. Paper ..	95½	95½*	Woolworth ..

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9¼ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (a) Interim (b) Final dividend. (c) Year's dividend. (e) To earliest date (f) Flat yield. (g) On 24%. (k) On 30% (l) To latest date (m) On 13%.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared.

World Trade ..... April 19th

British		Overseas	
Prices and Wages.....	May 10th	Western Europe: Production and Trade.....	May 3rd
Production and Consumption	May 17th	British Commonwealth	May 17th
Manpower.....	This week	Western Europe: Prices and Money Supply	This week
External Trade.....	May 3rd	United States	May 10th
Financial Statistics	This week		
Industrial Profits	April 19th		

Manpower in Great Britain

	Unit	Mid-year or monthly averages (1) 1955	1956	1957	1957 Feb.	Mar.	April	1958 Jan.	Feb.	Mar.	April
TOTAL MANPOWER		June figures									
Working population:											
Total	'000s	23,912	24,107	24,188	24,186	24,147	24,205	24,118	24,077	24,048	...
Men	"	16,084	16,188	16,225	16,252	16,234	16,257	16,205	16,188	16,176	...
Women	"	7,828	7,919	7,963	7,934	7,913	7,948	7,913	7,889	7,872	...
Armed Forces	"	803	761	702	728	719	713	639	632	626	...
Civil employment:	"	22,933	23,149	23,245	23,110	23,094	23,177	23,087	23,045	23,022	...
Total	"	1,066	1,032	1,025	998	1,002	1,015	960	952	956	...
Agriculture, forestry and fishing	"	862	858	868	868	869	870	870	868	864	...
Mining and quarrying	"	1,486	1,541	1,519	1,501	1,510	1,517	1,456	1,463	1,472	...
Building and contracting	"	2,811	2,870	2,945	2,916	2,911	2,927	2,966	2,956	2,955	...
Distributive trades	"	1,289	1,300	1,298	1,298	1,297	1,302	1,286	1,285	1,283	...
Public administration	"	9,206	9,269	9,271	9,284	9,253	9,266	9,284	9,254	9,214	...
Manufacturing industries	"										
CHANGES IN EMPLOYMENT											
Increase or decrease since June, 1955: (7)											
Employees in engineering(2)	"	...	+ 53	+ 48	+ 45	+ 36	+ 42	+ 106	+ 95	...	...
" " consumer goods industries(3)	"	...	− 9	+ 2	+ 12	− 6	− 1	− 39	− 52	...	...
UNEMPLOYMENT		Monthly averages									
By duration:											
All durations—total	"	232·2	257·0	312·5	380·1	363·0	342·3	395·5	424·5	433·1	443·7
" " —men	"	146·7	168·8	216·6	262·4	251·2	236·5	282·4	301·5	307·0	314·0
" " —women	"	85·5	88·2	95·9	117·7	111·8	105·8	113·1	123·0	126·1	129·7
Temporary or under 2 weeks—men	"	51·5	62·7	65·1	76·3	74·0	67·5	86·5	84·3	85·1	83·9
" " —women	"	36·7	35·5	30·6	37·2	32·9	31·3	40·4	38·8	41·5	43·7
Over 8 weeks—men	"	67·7	65·7	94·3	103·9	110·6	114·1	114·6	127·9	138·6	150·0
" " —women	"	26·5	27·4	35·0	41·4	42·8	44·0	41·9	44·0	47·4	51·1
By industry (4):	%	1·6	1·4	1·2	1·2	1·2	1·2	1·7	2·3	3·1	3·4
Textiles	"	0·9	1·0	1·1	1·2	1·1	1·1	1·5	1·5	1·6	1·7
Clothing	"	0·4	1·2	1·0	1·4	1·6	1·0	0·7	0·8	0·9	0·9
Vehicles	"	0·8	0·9	1·1	1·2	1·3	1·4	1·3	1·5	1·6	1·7
Engineering, etc.	"	0·1	0·1	0·2	0·2	0·2	0·2	0·3	0·3	0·3	0·4
Coal-mining	"	1·0	1·0	1·2	1·6	1·5	1·4	1·5	1·7	1·7	1·7
Distributive trades	"										
By regions (4):	"	1·1	1·2	1·4	1·8	1·7	1·6	1·8	1·9	2·0	2·0
Great Britain	"	0·7	0·8	1·0	1·3	1·2	1·1	1·2	1·3	1·3	1·3
London and South Eastern	"	0·9	1·0	1·3	1·9	1·7	1·6	1·8	2·0	2·0	2·0
Eastern	"	0·9	1·0	1·3	1·8	1·5	1·3	1·6	1·7	1·6	1·7
Southern	"	1·2	1·2	1·8	2·2	2·0	2·0	2·3	2·3	2·4	2·3
South Western	"	0·5	1·1	1·3	1·6	1·8	1·5	1·2	1·3	1·4	1·4
Midland	"	0·5	0·6	1·0	1·1	1·1	0·9	1·3	1·4	1·5	1·5
North Midland	"	0·7	0·8	0·9	1·0	1·0	0·9	1·2	1·4	1·5	1·6
East and West Ridings	"	1·4	1·3	1·6	1·8	1·8	1·9	1·9	2·1	2·4	2·4
North Western	"	1·8	1·6	1·7	2·0	1·9	2·0	2·1	2·2	2·2	2·3
Northern	"	2·4	2·4	2·6	3·1	2·9	2·8	3·4	3·6	3·6	3·6
Scotland	"	1·8	2·0	2·6	3·0	2·9	2·7	3·5	3·8	3·7	3·9
Wales											
VACANCIES											
Unfilled vacancies notified to Employment Exchanges (5):											
Total	'000s	382	279	236	239	250	285	220	209	217	218
Men	"	214	152	122	124	128	143	113	107	109	110
Women	"	168	127	114	115	122	142	107	102	108	108
DISPUTES (6)											
Workers involved	"	55	42	113	34	638	243	61	55	48	...
Working days lost:	"	315	174	701	106	3,969	2,574	102	112	196	...
Total	"	93	42	43	34	91	49	43	58	54	...
Mining and quarrying	"	56	85	549	52	3,829	2,424	32	35	99	...
Engineering, etc.	"	166	47	*109*	*21*	*49*	*100*	*27*	*18*	*43*	...
Other industries and services	"										

(1) Employment figures relate to June of each year; other figures are monthly averages. (2) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) From June, 1956, onwards, comparison with earlier figures is affected by the revocation of the Notification of Vacancies Order, 1952. (6) United Kingdom. (7) Figures have been revised back to July, 1956, on the basis of mid-1957 count of National Insurance Cards.

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
WHOLESALE PRICES (1) (1953 = 100)												
1948	42	94	74	65	90	...	78	104	75	66	72	
1956	110	104	106	102	103	120	101	102	104	109	103	
1957	114	106	106	108	105	130	108	103	107	113	110	...
1957, November	112	106	105	116	103	129	110	103	107	112	109	...
„ December	111	106	105	113	103	129	110	103	107	112	109	...
1958, January	111	105	105	120	106	129	...	103	107	111	109	...
„ February	111	104	...	120	106	128	...	102	...	111	108	...
„ March	111	...	...	120	...	...	...	...	...	111	...	...
COST OF LIVING (2) (1953 = 100)												
1948	50	95	81	60	93	63	79	86	78	74	77	
1956	103	104	113	103	105	125	107	109	108	109	109	
1957	112	107	116	106	106	129	112	110	114	112	113	...
1957, November	113	108	...	111	108	130	114	112	117	113	115	...
„ December	113	109	...	113	109	130	...	112	117	113	116	...
1958, January	113	109	116	117	110	131	...	112	117	114	117	...
„ February	113	108	...	119	110	130	115	...	117	...	118	...
„ March	...	108	...	120	...	...	...	...	...	...	...	...
IMPORT PRICES (3) (1953 = 100)												
1948	37	84	84	59	...	...	82	93	85	80	72	
1956	97	99	102	102	102	121	106	105	102	102	103	
1957	98	103	103	111	103	127	112	110	103	109	103	...
1957, October	97	99	} 102	120	{ 101	126	114	103	106	103	} 104	{ ...
„ November	96	100			{ 101	127	113	107	104	111		{ ...
„ December	97	97			{ 100	129	112	107	104	107		{ ...
1958, January	95	...	...	...	99	124	...	...	104	109	...	...
„ February	95	...	...	...	98	...	...	...	...	...	...	...
EXPORT PRICES (3) (1953 = 100)												
1948	42	95	91	68	...	...	78	103	97	84	76	
1956	105	103	104	99	101	143	96	104	102	115	103	...
1957	105	106	102	106	103	140	98	105	106	119	105	...
1957, October	105	106	} 103	113	{ 104	143	93	102	107	115	} 106	{ ...
„ November	103	106			{ 104	144	100	104	106	114		{ ...
„ December	107	102			{ 103	141	100	105	105	124		{ ...
1958, January	99	...	...	...	105	129	...	...	104	115	...	...
„ February	105	...	...	...	105	...	...	...	...	...	...	...

TOTAL MONEY SUPPLY (7)

End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	'000 mn. kroner	mn. liras
1943	...	154·0	7,110	2,165	11·8	1,934	110·3	1,989	7,285	...	6·27	1,715
1956	29·71	193·3	7,633	6,585	31·2	9·17	154·7	4,927	9,227	6,866	9·90	6,031
1957	32·15	193·4	7,902	7,142	35·3	...	165·5	5,241	9,026	6,862	10·13	...
1957, November	31·34	193·3	7,928	6,942	34·8	...	165·8	...	8,879	6,709	9·12	...
„ December	32·10	193·4	7,902	7,142	35·3	...	165·5	5,241	9,026	6,862	10·13	...
1958, January	31·47	...	7,893	7,035	34·4	...	161·3	...	8,920	6,745	9·28	...
„ February	31·80	...	...	7,031	34·9	...	157·3	...	9,018	6,704	9·14	...
„ March	32·05	...	...	...	...	...	153·9	...	...	...	...	...

GOLD AND FOREIGN EXCHANGE HOLDINGS (8) (mn. US Dollars)

1948	62	938	84·0	...	235	...	207	539	343	140·6	233	197
1956	406	1,145	131·1	1,356	4,291	211·4	234	1,303	1,072	178·8	473	233
1957	510	1,131	171·9	775	5,643	...	258	1,532	1,056	184·2	456	315
1957, November	511	1,063	150·6	...	5,711	...	238	1,187	933	177·1	456	307
„ December	510	1,131	171·9	775	5,643	...	258	1,532	1,056	184·2	456	315
1958, January	514	1,148	169·6	...	5,558	...	249	1,519	1,109	175·9	450	312
„ February	511	1,176	168·1	...	5,530	...	251	...	1,248	174·6	436	302
„ March	511	1,214	172·0	...	5,563	...	253	...	1,237	191·2	456	...

(1) Relates to wholesale prices in Athens and Piraeus only for Greece. Figures for Ireland from 1955 onwards are for home-produced goods only. Figures for Germany, F.R. are producers' prices of industrial products. (2) July-December. (3) Relates to prices in capital cities only for Austria, France, Greece and Turkey. Austria and Belgium exclude rent. Denmark includes direct taxes. Figures for Ireland are based on August, 1953=100. (4) Including direct taxes. (5) Including trade with Faroe Islands. (6) Index numbers of unit value which compare the current average value of trade with its value in 1953; they are influenced by changes in the composition of trade as well as price movements. Export prices in Ireland are adjusted for seasonal variations. (7) Deposit money and notes and coins held by business, individuals and foreigners. Except for Greece, holdings of the issuing authority and other banks are excluded. (8) Holdings of the government and central bank at end of period. Foreign exchange figures for Norway exclude government holdings; Netherlands, Norway and Sweden include foreign investments. Ireland includes some long-term securities. (9) Beginning May, 1954, a new drachma equal to 1,000 old drachmas was introduced.

Financial Statistics

EXCHEQUER RETURNS

For the week ended May 17, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £15,522,000 compared with a surplus of £3,725,000 in the previous week and a deficit of £21,650,000 in the corresponding period of last year. There was a net expenditure "below-line" of £22,042,000, leaving a total deficit of £74,075,000 compared with £39,432,000 in 1957–58.

£'000	Estimate, 1958-59	April 1, 1957, to May 18, 1957	April 1, 1958, to May 17, 1958	Week ended May 18, 1957	Week ended May 17, 1958
Ord. Revenue					
Income Tax	2312,500	168,814	189,986	17,699	17,307
Surtax	163,000	16,000	16,300	2,000	1,900
Death Duties	163,500	20,500	21,300	4,000	3,400
Stamps	56,250	8,000	6,900	1,500	1,000
Profits Tax, EPT & EPL	275,000	18,500	26,100	2,500	4,200
Other Inland Rev. Duties	...	50	...	..	...
Total Inland Rev.	2970,250	231,864	260,586	27,699	27,807
Customs	1256,940	161,562	175,651	22,934	28,844
Excise	932,310	141,945	150,070	25,720	25,395
Total Customs and Excise	2189,250	303,507	325,721	48,654	54,239
Other Duties	104,000	9,933	9,953	...	551
Oil (Net Receipts)	2,000	9,300	7,450	5,100	5,150
Broadcast Licences	34,000	1,800	2,000	...	...
Lottery Loans	30,000	2,195	2,333	...	258
Miscellaneous	110,000	45,292	10,401	202	210
Total	5439,500	603,891	618,443	81,655	88,214
Ord. Expenditure					
Net Interest	695,000	101,337	102,537	13,584	5,666
Payments to N. Ireland Exchequer	73,000	7,209	7,788	...	...
Other Cons. Funds	10,000	808	668	141	...
Supply Services	4259,584	502,017	499,151	89,300	98,000
Total	5037,584	611,371	610,144	103025	103666
Sinking Funds	38,000	3,548	3,495	280	70
"Above-line" Surplus or Deficit		11,029	+ 4,805	21,650	15,522
"Below-line" Net Expenditure		28,403	78,880	11,981	22,042
Total Surplus or Deficit		39,432	74,075	33,631	37,564
Net Receipts from:					
Tax Reserve Certificates		32,064	28,113	2,405	1,251
Savings Certificates		6,500	61,00	−700	1,700
Defence Bonds		−4,338	−1,355	940	6,450
Premium Savings Bonds		4,100	7,860	500	6,900

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957 May 18	2,860·0	1,271·6	309·6	...	4,441·2
1958 Feb. 15	3,120·0	1,403·1	206·5	1·3	4,730·9
„ 22	3,080·0	1,463·7	183·4	...	4,727·1
Mar. 1	3,040·0	1,537·1	210·4	...	4,787·5
„ 8	3,050·0	1,487·6	219·7	...	4,757·3
„ 15	3,060·0	1,529·9	225·6	...	4,815·5
„ 22	3,080·6	1,510·3	248·8	...	4,839·1
„ 31	4,571·2		277·1	...	4,848·2
April 5	3,120·0	1,499·4	239·6	...	4,859·0
„ 12	3,120·0	1,492·7	259·4	...	4,872·1
„ 19	3,120·0	1,580·5	252·0	...	4,952·4
„ 26	3,120·0	1,648·4	205·8	4·0	4,978·2
May 3	3,140·0	1,620·2	217·9	1·5	4,979·6
„ 10	3,150·0	1,561·3	215·3	2·3	4,928·9
„ 17	3,170·0	1,552·8	234·9	0·3	4,958·0

THE MONEY MARKET

THURSDAY'S cut of ½ per cent in Bank rate was followed by a corresponding cut in the fixed rates in the money market, bringing deposit rates at clearing banks and discount houses down to 3½ per cent, and the clearing banks' minimum rate on call loans to 3¾ per cent. The timing of the Bank's move came as a minor surprise to the market, though not to the extent that the upturn in the Treasury bill rate at the two preceding tenders would suggest. The *volte face* made by the discount market in reducing its bid by 1s. per cent (marking a rise in the rate of 4s. per cent) at the tender on May 9th was essentially a tactical move against the "outside" tenderers.

At last Friday's tender, the fall in the market's rate was resumed, the common bid being raised by 3d. to £98 14s. per cent; but the outsiders were moving in the opposite direction, to bring themselves into line with the cut in the market's bid the week before. Hence their share of the bills fell—allotments at the market's common bid rose from 20 to 44 per cent—and the average rate of discount on the whole allotment again rose, to over 5⅛ per cent, more than ⅛ per cent above the rate a fortnight before.

On the three days preceding the Bank rate reduction, the discount market was consistently "in" the Bank; but on each day the amount borrowed at the penal rate was small, and taken after the Bank had given special help through purchases of bills.

LONDON MONEY RATES on May 22

	%		%
Bank rate (from 6%)		**Discount rates (May 21)**	
22/5/58	5½	Bank bills: 60 days	5⅝–5¾
Deposit rates (max.)		3 months	5⅝–5¾
Bank	3½	4 months	5⅝–5¾
Discount houses	3½	6 months	5⅝–5¾
Money		Fine trade bills:	
Day-to-Day	3½–4½	3 months	6½–7
Treas. bills 2 months	4½	4 months	6½–7
3 months	4½–¾	6 months	6¾–7

BANK OF ENGLAND RETURNS

(£ million)	May 22, 1957	May 14, 1958	May 21, 1958
Issue Department:			
Notes in circulation	1,947·8	2,020·0	2,022·1
Notes in banking dept.	27·5	30·4	28·2
Govt. debt and securities*	1,971·2	2,046·3	2,046·2
Other securities	0·8	0·7	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	10·7	11·2	11·1
Bankers	266·4	216·7	224·6
Others	73·8	71·3	70·3
Total	290·9	299·2	306·0
Securities:			
Government	217·5	248·2	246·4
Discounts and advances	42·3	16·7	27·6
Other	19·0	19·3	19·4
Total	278·8	284·2	293·4
Banking department reserve	30·0	32·7	30·6
	%	%	%
"Proportion"	10·3	10·9	10·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £2,050 million from £2,000 million on March 26, 1958

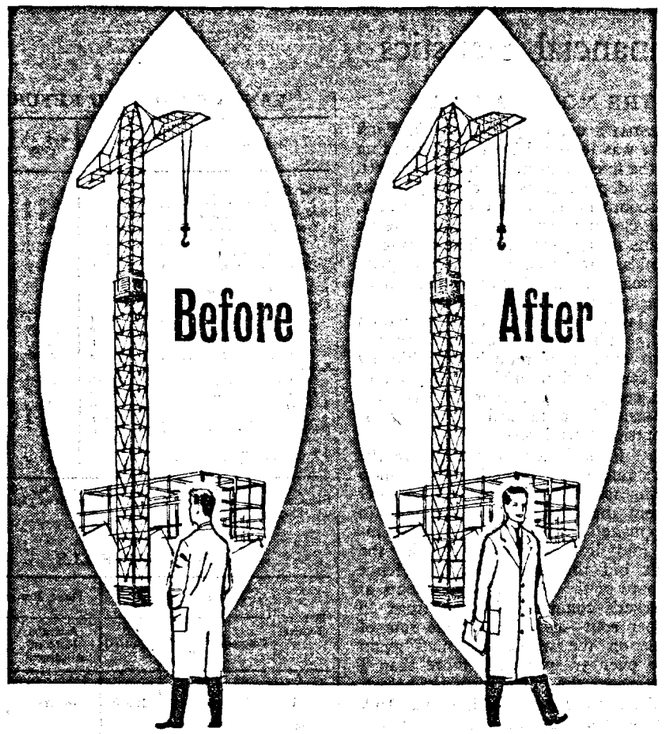
TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
				s. d.	%
1957 May 17	190·0	368·8	190·0	76 7·13	33
1958 Feb. 14	230·0	424·7	220·0	120 10·56	44
„ 21	220·0	411·7	220·0	119 5·52	40
„ 28	240·0	391·9	240·0	120 3·28	37
Mar. 7	240·0	388·6	240·0	120 5·10	47
„ 14	250·0	370·3	250·0	120 6·59	61
„ 21	260·0	399·2	260·0	111 1·52	52
„ 28	260·0	422·8	260·0	110 5·54	55
April 3	260·0	401·9	260·0	108 6·30	61
„ 11	260·0	422·0	260·0	106 6·19	59
„ 18	240·0	406·3	240·0	104 0·93	49
„ 25	250·0	426·8	250·0	103 6·97	40
May 2	220·0	433·5	220·0	101 1·93	46
„ 9	250·0	447·6	250·0	103 10·81	20
„ 16	250·0	422·1	250·0	103 11·49	44

*On May 16th tenders for 91 day bills at £98 14s. 6d. secured 44 per cent, higher tenders being allotted in full. The offer this week was for £260 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: May 21	Market Rates: Spot: May 15	May 16	May 17	May 19	May 20	May 21
United States $	2·78–2·82	2·81⅜–2·81⅝	2·81⅝–2·81⅞	2·81⅞–2·82	2·81⅛–2·81⅜	2·81⅛–2·81⅜	2·81⅛–2·81⅜
Canadian $	...	2·72¾–2·72¾	2·72¾–2·72¾	2·72¾–2·72¾	2·72⅞–2·72⅞	2·72⅞–2·72⅞	2·72¾–2·72¾
French Fr.	1167·18–1184·82	1180½–1181	1180½–1181	1180–1180½	1180–1180½	1180½–1180⅝	1180½–1180⅝
Swiss Fr.	12·15⅜–12·33⅜	12·23½–12·23½	12·23½–12·23½	12·23½–12·23⅝	12·23½–12·23⅝	12·23½–12·24	12·23½–12·24
Belgian Fr.	138·95–141·05	139·40–139·45	139·45–139·50	139·45–139·45	139·45–139·50	139·45–139·50	139·47½–139·52½
Dutch Gld.	10·56–10·72	10·59½–10 60	10·59½–10·60½	10 59½–10·60	10·59½–10·60½	10·59½–10·60½	10·60½–10·60¾
W. Ger D-Mk.	11·67⅜–11·84⅜	11·71½–11·71¾	11 71½–11·71½	11·71½–11·71½	11·71½–11·71½	11·71½–11·71½	11·71½–11·71⅝
Portuguese Esc.	79·50–81·10	80·00 80·15	80·00 80 15	80 00 80·15	80·00 80·15	80·00 80·15	80·00–80·15
Italian Lire	1736½–1762½	1746½–1746½	1746½–1746½	1746½–1746½	1746½–1746½	17471–1748	1746½–1747½
Swedish Kr.	14·37½–14·54½	14·50½–14·50½	14·50½–14·50½	14·50½–14·50½	14·49½–14·49½	14 47½–14·47½	14·47–14·47½
Danish Kr.	19·19½–19·48½	19·35½–19·35½	19·36–19·35½	19·35½–19·36	19·36–19·35½	19·35½–19·35½	19·35½–19·35⅝
Norwegian Kr.	19·85–20·15	20·01–20·01¼	20·01–20·01¼	20 01–20 01¼	20·01–20·01¼	20·01–20·01¼	20·01–20·01¼
One Month Forward Rates							
United States $		⅞–⅝c. pm	⅞–⅝c. pm	⅞–⅝c. pm	¾–½c. pm	¾–½c. pm	¾–½c. pm
Canadian $		⅝–½c. pm	⅝–½c. pm	⅝–½c. pm	⅝–½c. pm	⅝–½c. pm	⅝–½c. pm
French Fr.		7–10 dis	10 20 dis	10 20 dis	10–20 dis	12 17 dis	7–12 dis
Swiss Fr.		3½–3c. pm	3½–3⅛c. pm	3⅜–3⅛c. pm	4⅛–3⅝c. pm	4⅛ 3⅝c. pm	4–3½c. pm
Belgian Fr.		⅝–⅛ pm	⅝–⅛ pm	⅝–⅛ pm	⅝–⅛ pm	⅛–¼ pm	⅛–¼ pm
Dutch Gld.		2–1½c. pm	2–1½c. pm	2–1½c. pm	2¼ 2c. pm	2¼–2c. pm	2¼–2c. pm
W. Ger. D-Mk.		2¼–2pf. pm	2¼–2¼pf. pm	2¼–2pf. pm	2¼ 2pf. pm	2¼–2pf. pm	2¼–2pf. pm
Italian Lire		4–3 pm	4–3 pm	4–3 pm	4–3 pm	4½ 3½ pm	5–4 pm
Swedish Kr.		4–3½ pm	4–3½ pm	4–3½ pm	3½ 2½ pm	2½–2⅛ pm	2½–2⅛ pm
Danish Kr.		3–2⅛ pm	3–2⅛ pm	3 2⅛ pm	3 2⅛ pm	3–2⅛ pm	3–2⅛ pm
Norwegian Kr.		2⅛ pm-par	2⅛ pm-par	2⅛ pm-par	2⅛ pm-par	2⅛ pm-par	2⅛ pm-par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/5	249/5	...	249/4	249/4½	249/4½



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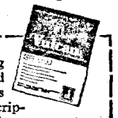
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Associated Engineering Ltd.

Pension & Life Assurance Scheme

The Board of Associated Engineering Ltd. are pleased to announce that they are installing, as from 1st July 1958, a Pension & Life Assurance Scheme to cover all employees of the Subsidiary Companies for whom no provision is at present being made. The Scheme will cover approximately a further 6,000 people and the Company will be paying a substantial part of the cost.

The Scheme has been arranged in conjunction with their Pension Advisers, Hobbs Savill & Bradford (Pensions) Ltd. of 29/30 St. James's Street, London, S.W.1 and will be assured with The Friends' Provident & Century Life Office.

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A very comprehensive Pension Scheme was recently installed for Professional Engineers by Hobbs Savill & Bradford (Pensions) Ltd. and the Friends' Provident & Century Life Office.



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COMPANY MEETINGS

LOW & BONAR LIMITED

A SATISFACTORY YEAR'S OPERATIONS

SOMBRE BACKGROUND IN TEXTILE INTERESTS

IMPORTANCE OF OVERSEAS UNDERTAKINGS

MR H. V. BONAR ON CURRENT PROSPECTS

The forty-sixth annual general meeting of Low & Bonar Limited, will be held on June 11th at Dundee.

The following is the Statement by the Chairman, Mr H. V. Bonar, circulated with the report and accounts:

Before proceeding with my general remarks I have to refer with deep regret to the resignation from the Board owing to ill health, on 30th November last, of Mr Thomas H. McLaren. Mr McLaren, who was also Managing Director of your flax spinning and weaving subsidiary, Baxter Brothers & Co. Ltd., will be much missed by his colleagues both in the Flax Trade and on the Parent Company's Board. I should like to take this opportunity of expressing thanks to him for the many years of sterling service which he has given, and the unbounded enthusiasm which he put into that service.

The Directors' Report and Accounts for the year to November 30, 1957, which now come into your hands give the picture of what has again been on the whole a satisfactory year's operations. Looked at in the bread, some decline in returns from textiles in the United Kingdom has been offset by an excellent year in our Canadian operations and some increase from the Engineering Division, though the prudence of taking extra depreciation on Fixed Assets in Transparent Packaging and certain of the Group's textile sectors has resulted in the Nett Consolidated Profit being somewhat down on last year.

OUTLOOK FOR CURRENT YEAR

Your Directors, however, have thought it necessary both in their Preliminary Announcement and in the compilation of their Report to you, to draw some distinction between past results and current prospects, and to warn you of the likelihood of an appreciable drop in earnings in the current year. While at the moment we expect satisfactory contributions from Canada and from Southern Africa, it seems idle to expect a repetition of last year's excellent figures from the first area in view of the North American recession, or a maintenance of as good figures as last year's from the second area in view of the all-over slowing down of world trade and the low prices of commodities. In the UK itself we may, I think, fairly look for some increase in earnings from our Engineering Division. The tremendous drop in copper prices over the last two financial years—and such a fall cannot be fully hedged—has meant lower earnings from this source than were truly representative of the forward strides which have been made both in volume of overturn and diversity of product. It is true that copper has fallen somewhat further since 30th November last, but a provision has been set up in the Accounts to take care of this, and in any event that fall, or indeed any further falls, can only be of a minor nature compared to the falls of the preceding 24 months. The expected increase, however, from our *Engineering* Division is likely to be more than offset by a deterioration in the Group's UK textile operations, whether manufacturing or merchanting, and whether jute or flax. There can unfortunately be little doubt of this trend, nor of the fact that in the textile field we are in a period of real difficulty.

As far as flax is concerned, the lack of demand arising from Government economies, reduced Defence buying, etc., which I referred to last year, has now been intensified by the recession in the shipping industry. The shipping industry has long been one of the main and most regular consumers of heavy flax canvases. Nor does there appear any early prospect of a revival. This has inevitably meant some reduction in activity and employment of labour in the past few months, with the concomitant increase in the overhead burden on the balance of production. Every effort is, of course, being made to find economies to offset this increase and to explore the possibility of new markets.

THE GOVERNMENT AND THE JUTE INDUSTRY

The United Kingdom Jute Industry has been much in the public eye, at least in Scotland, over the last few weeks and months, partly in its own right, and partly because of the weight which it exercises on the employment situation in Dundee and district. I made reference last year to an impending statement by the President of the Board of Trade regarding action "to restore to some degree the competitive position of sacks made from imported jute cloth vis-a-vis substitute materials." That action came shortly after our last Annual General Meeting and took the form of a reduction of 10 per cent in the mark-up applied by the Jute Control to those widths and weights of certain lines of imported cloths which form in fact the great bulk of the standard sack usage in this country. At the same time he tied the future price level within the United Kingdom of these particular goods to the price movements of the Indian goods market instead of to the price movements of the Pakistan raw jute market, which had been the main controlling factor, and which remains the main controlling factor, on all other internal United Kingdom jute yarn or cloth prices. By this action, which can only be considerid as in some degree a breach of the many past undertakings given to the Industry regarding protection (on the basis of these undertakings millions of pounds have been spent on re-equipment by the Industry within the past few years) the Board of Trade immediately made it uneconomic for the Dundee and District Industry to produce these particular cloths. For many years past the Industry has produced a sufficient tonnage of these goods to balance out and reduce the overhead upon all their other more specialised productions. Moreover, inasmuch as the price of Indian manufactured goods is somewhat lower than that ruling in the early days of August last year while the price of Pakistan jute is relatively unchanged, the gap between the sales price in the United Kingdom of these standard widths and weights and that of the rest of Dundee and District's productions has widened. This has had two further unfortunate results. Firstly, it has tended to tempt certain marginal consumers off Dundee and district specialities, where these were of a nature somewhat similar to standard imported goods, and secondly, in order to minimise the effect of this first point, it has forced manufacturers to absorb rising labour and raw material costs to a degree which is becoming dangerous to the long-term interests of the Industry. The result of this Government action is already clearly to be seen in a falling off in activity and profitability, perhaps more particularly on the weaving side of the Industry.

EMPLOYMENT IN DUNDEE

This falling off in activity and profitability is serious enough but from many points of view the consequent decline of employment in Dundee and District is much more serious still, particularly coming as it has done at a time when the recession in North America—to which the Jute Industry sends a considerable volume of exports—is already having a sharp effect on local employment. The employment position in Dundee is even now a black spot in Scotland, where the all-over unemployment figure was well above the average for the country as a whole. Moreover, the Government has refused, at any rate up to this date, to give any categoric assurance that further steps along the lines taken in July last may not from time to time be taken. With this background I wish most heartily to endorse the resolution of the Scottish Council (Development and Industry) which was passed to the Secretary of State for Scotland at the beginning of April. This resolution presses strongly that, altogether apart from considerations of how far the Government was committed by past pledges, and from any considerations of policy regarding the long-term future of the Industry, any further exposure of the Angus Jute Industry to competition from India should not be allowed to occur any faster than the build up of alternative sources of local employment, and that moreover the Government should make an official announcement to this effect with the least possible delay.

Your Group's jute spinning and weaving activities inevitably must suffer with the rest

of the Trade in these difficulties. I am able to say, however, that while our weaving establishment is clearly suffering sharply from them, we have in spinning, thanks to concentrating to a greater degree on specialities, a reasonably good order-book.

Our recent jute goods merchanting figures show some decline as compared with the same period of last year, a decline which would appear, as far as the Home Trade is concerned, to suggest that the Board of Trade action in July, which has had such serious implications for the spinning and weaving industry, has at the same time failed in its ostensible purpose of making jute bags of standard types more competitive with substitute materials.

HIGH PRICE OF RAW JUTE

Before concluding my remarks upon jute, I should like for the third year in succession to draw the Pakistan Government's attention to the fact that it is its policy of crop restriction, high prices and export duties which constitutes quite a major part of our difficulties, and not only of our difficulties but those also of all the long-established European jute industries, and this despite the fact that we and they are amongst Pakistan's best customers. This point was clearly made to Pakistan at a World Jute Conference held in East Pakistan towards the end of last year, but from actions and trends since that Conference it would appear that the representations then made have fallen upon deaf ears.

DIVERSIFICATION

With this somewhat sombre background in our UK textile interests added emphasis must necessarily be given to the Group's long-term policy of diversification. This is now not only important in the Group's own interests but also in the interests of employment in Dundee. With this in mind the Board have recently authorised, and work has started upon, a further major extension to the Group's engineering subsidiary, Bonar, Long and Company Limited. This extension will involve capital outlays, when completed, of between £175,000 and £200,000 and will put Bonar, Long in a position to manufacture the very large sizes of transformers at present outwith their range of manufacture. I am glad also to be able to report that Bonar Long's Switchgear Department has built up its overturn most satisfactorily, and is now making a healthy contribution to earnings.

Our modest electrical contracting venture through Sturrock Power Installations, Limited, made a small profit in the year to [illegible] and it should continue to grow slowly in stature, subject, of course, to the temporary effects of any recession in the general economy, and building in particular.

With this growing need for diversity I am sorry to have to report that the Group's modest venture in the Transparent Packaging field has so far proved a sharp disappointment. This business has proved far more difficult to bring on to a satisfactory basis than we had earlier anticipated. One problem after another has arisen, culminating in some recession in demand. Losses, which while small in the perspective of the whole scope of the Group's activities are nonetheless heavy in this particular Division, are still being recorded. This is a matter which is seriously engaging your Board's attention.

OVERSEAS

This review would not be complete without some further reference to the Group's overseas undertakings, which as you know form today such an important part of the organisation as a whole.

In Canada the year that has passed was a good one—indeed, in Eastern Canada an excellent one. In Eastern Canada we got the full advantage during the year of our previous capital outlays in the paper bag field, and this considerably more than offset any decline in textiles. Our Canadian Management are due hearty congratulations upon their achievements. While the chill wind of recession blows now in Canada, and while our operations are bound to be affected by it, if the general economy there deteriorates no further the current year should still be a satisfactory one.

In Southern Africa our local Board was again able to produce figures which although down on the previous year were nonetheless a first-class achievement in the highly competitive climate in which they were operating. Despite some fall of turnover in the early months of this year as compared with the same period last year, and despite the fact that there was certainly no easing in the tempo of competition, they are not unduly pessimistic regarding the future. Clearly a drop in earnings must be expected, but unless things take a turn for the worse they see no reason at the moment why they should not produce a reasonable contribution in the current year to the Group's figures.

Once again, before closing this review, I would like to express my gratitude and appreciation to all my colleagues, at all levels throughout the Group. They put in an excellent year's work, and struggled loyally and unremittingly to further your interests.

LOW & BONAR LIMITED

Operates in its own name and through various Subsidiary and Associated Companies.
Manufacturers and merchants of
In the United Kingdom
Jute Yarn, Cloth and Bags. Flax and Hemp Yarns and Cloths. Electrical Transformers, Switchgear and Capacitors. Transparent Packages.
In Canada
Jute, Cotton and Paper Bags. Cartons and Transparent Packages.
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Authorised and Issued :
£100,000 6 % 1st Cum. Pref. Stock
£100,000 6 % 2nd " " "
£200,000 5½% 3rd " " "
£1,600,000 Ordinary Stock in units of 10s. each.

Group Trading Profit	£1,032,873
Net Profit after taxation attributable to members of Parent Company	£336,230
Ordinary Dividend for year to 30/11/57	10%
and Bonus	3½%
Cash Capital Bonus not subject to Tax ...	3d. per 10s. unit of Ord. Stock

Registered Office
63/73, King Street, Dundee, Scotland.

VIGZOL OIL COMPANY LIMITED

MR PERCY BILTON'S STATEMENT

The twenty-ninth annual general meeting of the Vigzol Oil Company Limited, was held on May 19th, Mr Percy Bilton, FInstPet, MISAE (chairman and managing director), presiding.

The following is the chairman's circulated statement for the year ended December 31, 1957:

I think the results of your Company's activities during 1957, as shown in the attached accounts, will be received with general satisfaction by all shareholders. This achievement is all the more gratifying when one considers the heavy buying of lubricating oils by consumers during the Suez crisis of late 1956 and the first few months of 1957. In the latter part of 1957 the nation-wide demand for lubricating oil declined substantially from its normal level. Your company weathered this set-back very convincingly.

PROGRESS OF AGRICULTURAL CHEMICAL DIVISION

Our Agricultural Chemical Division continues to make substantial progress. Towards the end of the year under review, a foliar nutrient in a new formulation—NATURFEED—was developed by your company and is being introduced to the farming community this year, 1958, with very satisfactory results up to date. This chemical solution takes advantage of the discovery that agricultural crops can be fed by applying liquid fertiliser direct to the foliage in the form of a fine spray. Apart from the benefits which this new system confers under difficult growing conditions, it also provides an additional use for your company's Spraying Machines. Two more models of our Spraying machines were introduced at the Smithfield Show in December, 1957. Sales have so far been very satisfactory.

Your subsidiary company in Dublin again had a good year. Your South African Company, formed last year, is gradually making progress. Exports continue to be very satisfactory.

A RECENT ACQUISITION

Your company has recently acquired the share capital of a small oil company, viz. The Record Oil and Grease Company, Limited, of Manchester, who have been established in the industrial oil business over eighty years. Your Board are confident that, with the savings that can be effected, this further subsidiary will make a fair contribution to our future profits. This acquisition follows your Board's policy of broadening the basis of your company's business.

It is expected that my statement should refer to present trading and the future prospects of your company. At the moment sales of all products are reasonably close to the comparable 1957 figures and the final outcome must bear some relationship to the general levels of farming and industrial activity of the remaining period of the year. We have an excellent range of products, a nation-wide coverage with well-trained, enthusiastic salesmen, and a large body of distributors and customers. Finally I would like to thank, on behalf of the Board and the shareholders, all our staff, both in the field, in the office and works, for their co-operation, loyal and conscientious work, which has resulted in maintaining our profits during a difficult time.

The report and accounts were adopted and a final dividend of 20 per cent actual (less tax) was approved.

IMPERIAL CHEMICAL INDUSTRIES

STEADY CHANGE IN PATTERN OF OPERATIONS

SIR ALEXANDER FLECK ON LONG-TERM POLICY OF EXPANSION

The thirty-first annual general meeting of Imperial Chemical Industries Limited was held on May 15th in London.

Sir Alexander Fleck, KBE, DSc, LLD, FRS (the Chairman), presided and, in the course of his speech, said:

Group sales to external customers have risen from £435 million in 1956 to £463 million in 1957. There is a steady change in the pattern of our operations, and a larger proportion of our turnover and profit comes from new products. Products which were not manufactured before the war accounted for a quarter of our home sales and a third of our export sales. We have reason to hope that this trend of increasing turnover and increasing profit from new products will continue. At the same time much expenditure has been incurred in extending, modernising and improving the plants which manufacture our more traditional products, and the drive for improved efficiency goes on all the time.

With sums set aside out of profit and with the premiums on the issue of Ordinary shares and other capital items, the Company's reserves at £171 million now exceed the Issued Ordinary Capital of £144 million. Rates of dividend declared on Ordinary Capital may, in these circumstances, appear to be an adequate or even excessive return when in fact they are not. It is for reasons of this kind that your Directors decided to issue one new Ordinary Share of £1 each for every £2 of Ordinary Stock held. This action has been approved by the Extraordinary General Meeting of Stockholders which was held immediately prior to this Annual General Meeting, and which sanctioned the necessary increase in the Company's share capital.

EMPLOYEES' PROFIT-SHARING SCHEME

You will remember that when the Employees' Profit-Sharing Scheme was introduced, the Board regarded it as a great industrial experiment aimed at several objectives. Although it is still early days, we are pleased with the results that have been so far achieved. This scheme is, of course, affected by the Scrip Issue. Under the Scheme, all eligible employees receive a bonus, which is expressed as that percentage of their total emoluments by which the Ordinary dividend for the year exceeds 5 per cent. The bonus is given in Ordinary Stock of the Company.

Sir Alexander then reviewed at length the altered basis of the Scheme necessitated by the alteration of the Company's capital structure, and said: I think you will agree that the new arrangement represents a better basis both from the stockholders' and from the employees' points of view.

REVALUATION OF ASSETS

The table in the Annual Report shows that the gross Ordinary dividend expressed as a percentage of the total funds belonging to Ordinary Stockholders has varied in the last ten years from 3.4 per cent to 5.8 per cent, and in my opinion this percentage is, if anything, too low. To some extent this percentage actually overstates the return to the Ordinary Stockholders on the total of their funds in the Company, and this is due to the simple fact that much of the capital was put in when the pound was worth more than it is today. In an effort to correct the position, our manufacturing assets in this country were revalued in 1950, and this is one of the reasons why the return as shown in the records fell from 5.8 per cent in 1949 to 3.4 per cent in 1950. We have come to the conclusion that the time has arrived for a fresh revaluation of our manufacturing assets, because there has been considerable further inflation since 1950. This revaluation has now been made as at January 1, 1958, and will be incorporated in the Accounts for 1958.

The net book value at January 1, 1958, goes up from £326 million to £396 million, and the total depreciation on these assets in 1958 will rise by about £2 million. There will, of course, be added the depreciation on new assets brought into use during 1958. The principles of revaluation are the same as those employed in 1950.

FUTURE PROSPECTS AND PLANS

For the first few months of this year we have had to face, in the home market, the results of the high Bank Rate and the credit squeeze. Our sales to some industries have been reduced as a result of the difficulties they have been facing, but in other cases demand has held up well, and for the first few months of 1958 home sales turnover has not been unsatisfactory.

So far as exports are concerned, conditions in the same period have become considerably more difficult, partly as the result of the tightening of import restrictions, but despite this, sales are running reasonably close to last year's.

It is more than usually difficult for me to give an indication of how the current year as a whole will turn out. A major uncertainty lies in the forecast of American conditions, which affect both our export and, to some extent, our home trade. That there is a serious recession in the United States cannot be doubted. Average unemployment in Britain is at present only 2 per cent, whereas it is as much as 7 per cent in the United States. We are experiencing signs of weakening demand in some of our overseas markets and also in some sections of our home market.

Your Directors remain confident in the long-term future of the business. If the demand for some of our products appears to weaken or fails to rise in accordance with our expectations, we shall not be deterred from carrying out our long-term policy of expansion. We shall continue to spend capital on the erection of new plants, or on the extension of existing plants, not with an eye on the demand in the next few months but rather with a faith in the long-term trend of demand for our products. In this way, we believe that we shall serve not only the interests of our customers, our stockholders and our employees, but also the interests of the country as a whole, as our capital expenditure will make a modest, but significant, contribution to the stability of demand for the products of other British industries.

The report was adopted.

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Copies of the Prospectus may be obtained in any State only from such of the several Underwriters, including the undersigned, as may lawfully offer the securities in such State.

Lehman Brothers

May 15, 1958.

ROLE OF THE POPULAR PRESS

Mr. Cecil H. King on its aims and influence

DAILY MIRROR INCREASED PROFITS—SALES MAINTAINED

The thirty-eighth Annual General Meeting of the DAILY MIRROR NEWSPAPERS LIMITED was held on the 21st May, 1958 at Brettenham House, Lancaster Place, London, W.C.2.

Mr. Cecil H. King, Chairman and Managing Director, said:

GENERAL REVIEW AND PROSPECTS

The result for the year discloses a trading profit, after all charges except taxation, of £1,438,005, an increase on the previous year of £777,030. The revision in the selling price of the *Daily Mirror* last October contributed materially to the increase. The sale of the paper was not seriously affected by the price rise.

Demand for advertisement space justified our producing larger sized papers throughout the year, thus giving the public better value for money.

Production costs were affected by a higher price for newsprint, a rise in railway freight rates in August last, and a revision in salaries and wages from 1st December, 1957.

Associated TeleVision Limited and The Herald and Weekly Times Limited contributed for the first time to our investment income and, with a non-recurring payment from the company that supplies us with printing ink, the total income from Trade Investments was over £50,000 more than for the year 1957.

The Balance Sheet shows that we expended a further £951,930 on the new building and machinery for it at Holborn Circus. You will appreciate that it is essential for the cash resources of the Company to be conserved to finance the capital commitments attaching to the new building. For this reason, we recommend only a moderate increase in the dividend on the Ordinary and 'A' Ordinary capital. Barring unforeseen developments, the results for the present year should be satisfactory.

The profits of Anglo-Canadian Pulp and Paper Mills Limited were adversely affected by the premium on the Canadian dollar. The present situation of overproduction in the pulp and paper industry does not affect our confidence in the future of that company, and of Albert E. Reed and Company Limited.

Despite a further decline in sales, *Reveille* continues to make a profit, although a smaller one than in previous years.

The trading results of the Scottish Daily Record and Sunday Mail Limited have been satisfactory since the increase in selling prices. In the foreseeable future that company should be making a regular contribution to group income.

The profit made by the West African group of companies again increased. Higher revenue was, however, largely absorbed by additional costs, particularly wages and salaries.

The profits of the radio interests in Australia have increased. The Sydney television station, in which we have a small interest, is showing improved results.

FUNCTION OF THE POPULAR PRESS IN MODERN SOCIETY

The popular press, of which the *Daily Mirror* is the most successful example, often comes under fire from critics whose violence is matched only by their ignorance. Their spectacular denunciations must puzzle the many millions who look to the more sprightly papers for guidance in national and international affairs, as well as for entertainment.

One of the astonishing aspects of these attacks is the variety of invective which flows from the pens of an equally varied collection of commentators. We ourselves, for instance, have at times been accused of being 'an explosive purgative' and 'a daily narcotic'—strangely varied descriptions.

There is so much confused criticism of the *Daily Mirror*, and of other popular papers, that one cannot escape the conclusion that many people totally misunderstand our function. While fear of the press is one motive for some of the more abusive attacks, in other cases calumny cascades on us for less honourable reasons; among them, political bigotry, social snobbery, and, on occasions, sheer envy.

It is sometimes suggested that a large sale is a sign of moral turpitude; a small sale, of virtue. This is nonsense. There are responsible, reliable and authoritative newspapers with large sales as well as irresponsible and unreliable newspapers with small sales. In no other industry is it considered immoral to design the produc one is selling to suit the market at which it is aimed.

PRICKING THE BUBBLE OF BUREAUCRATIC POMPOSITY

Let me efface once and for all the sneer, fostered by self-styled intellectuals, that the people who buy popula newspapers neither read nor think. In my opinion they think very clearly and decisively, but with their feet firmly on the ground. They do not bury their heads in the sand, like the mental ostriches who swear by the fuddy-duddy press; nor do they carry them in the clouds. The men and women and teenagers who buy the *Daily Mirror* have character and courage and good common sense; their fight is our fight, and they welcome the weapons we wield effectively to prick the bubble of bureaucratic pomposity, to safeguard the liberty of the individual, and to alert the mass of the people to the perils facing them. Our critics would be delighted if we would cease our vigilance and let the rust of disuse and neglect blunt these weapons. We shall continue. I assure you, to give our readers the news, and our views, in good plain language.

One of our most important duties in this past year has been to inform the public of the unparalleled achievements in the world of science. The Space Age is with us; and the popular press, more than any other medium, has gone to immense pains to explain the significance of Russian and American satellites circling the globe, and to describe the considerable British achievements with Zeta and other aspects of nuclear power. The *Daily Mirror* led the field with a series of Space Mirrors, which dealt with these complex matters in a way everyone could understand. No part of the earth was too distant for The Man from the Mirror to be there when major scientific history was being made. We sent a man half way round the world to report the British H-bomb explosion at Christmas Island; our reporters joined the American scientists in the Nevada desert when new atomic devices were being tested, and in Florida when the first United States satellite went up.

ALL NATIONAL NEWSPAPERS PART ENTERTAINMENT

Papers for the millions tend to use larger type and pictures, and their contents have more emotional overtones than the more staid, inhibited journals. Some groups in our community like their newspapers to stir them emotionally—to be sensational newspapers, in fact. Other groups prefer a more intellectual approach. There is nothing moral or immoral about either of these preferences. All the national newspapers are part information and part entertainment. In the popular field the element of entertainment is larger, but that arises from the appetite of the reader, not from any lack of virtue on the part of the proprietor. There are those who think that success in popular newspapers is assured by flamboyant headlines and by front-paging feminine pulchritude, but that success in pompous journals is more difficult to achieve. This is not true.

We at the Mirror give more thought to the contents of our paper than is the case elsewhere in Fleet Street. Success for us involves the closest contact with our readers and a sensitivity to atmosphere as it changes. Next year's paper should be different from this year's, but how? And how much? The bond of warm affection between the *Daily Mirror* and its readers must be strengthened. Respect for our independence, integrity and forthrightness must be increased.

What effect will television have on newspapers? We can see some effects, but only some. Commercial television has made an immense impact on the British family and home. The BBC, with its self-importance and snobbery, was for many years so far out of touch with popular thought that it made no public impact at all. Competition has enlivened it, and now that we have the new medium in enterprising hands there is no knowing what effect it will have on life in England, on advertising, and on newspapers.

PRE-EMINENCE OF THE PRINTED WORD

A critic recently claimed that if popular newspapers are damaged by commercial television, they have only themselves to blame, because they have encouraged readers to demand entertainment. Television can entertain, he added, more effectively than newspapers, therefore the pre-eminence of the printed word is in jeopardy. We are left to infer that if the *Daily Mirror* and other popular papers, filled their pages with high-brow articles designed to transform the entire population into 'intellectuals' the world would be a better place. I do not agree.

The popular press has recently faced a barrage of ill-tempered and ill-founded charges reflecting on our attitude in matters of private grief. The word 'intrusion' has been bandied about by mischief-makers who would be better employed in setting their own house in order, and has been falsely applied to responsible reporters and photographers who have been honestly going about their job of recording the events of the day.

I take this opportunity of rebutting these charges. Our own staff must have initiative and determination in face of the formidable difficulties which they frequently meet in the course of their news-gathering, but they are expected at all times to show courtesy and consideration. I am satisfied, from personal investigation, that they do so.

One test of a newspaper's strength is the loyalty of its readers in times of adversity. The Mirror's family of fourteen million readers is a happy one and the largest in the world. When prudent housekeeping led us, with the rest of the popular press, to increase our price to 2½d. last year, we retained greater goodwill and suffered a lower percentage loss than any of our competitors among the popular papers. Our Scottish paper, the *Daily Record*, enjoyed a similar constancy. One reason for such loyalty is that every page of every issue can be read, understood, and absorbed by every reader.

FRIEND, TUTOR, COUNSELLOR, ENTERTAINER

What of the future? I make this prophecy. When the history of the twentieth century is written, its chroniclers will need to devote a special chapter to the growth and influence of popular newspapers. I believe their judgment will be that the *Daily Mirror* has filled with honour and a high sense of duty the part of friend, tutor, counsellor and entertainer, to the many millions who form its daily readership.

LONDON AND MANCHESTER ASSURANCE COMPANY LIMITED

ASSETS EXCEED £60 MILLION

RECORD TOTAL INCOME

LORD GRANTCHESTER ON STATE PENSIONS

The Eighty-ninth Annual General Meeting of London and Manchester Assurance Company Limited was held on May 14th at the chief office, Finsbury Square, London, E.C.

The Right Honourable Lord Grantchester, OBE, chairman of the company, who presided, said:

Our report and the accounts for the year ended December 31st last have been in your hands for some weeks. I hope the new form in which the accounts are presented commends itself to you for clarity and that you found the report of your directors comprehensive. My remarks today will be more in the nature of comment than explanation. You will note some milestones passed. For the first time the total assets exceed £60 million. For the first time the total income exceeds £10 million.

No change has been made by the actuary in the basis adopted for the valuation of the company's liabilities in respect of its assurance contracts. For the new classes of business a basis appropriate to the particular circumstances has been used.

INDUSTRIAL BRANCH

I will refer first to the industrial branch which was the original business of the company and is still the largest account in premium income. It is important to note that with a premium income under £4 million you are asked to approve accounts which provide for bonuses to policy holders costing this year nearly £600,000. This is outside and in addition to our contractual liability and represents progressive improvement of the contract of insurance which has come to be expected from competitive private enterprise. I do not believe such a practice would be followed if the business were taken over by the State.

More and more closely as the years pass does the industrial branch conform to the pattern of the ordinary branch so that the only real distinguishing feature of this branch is the convenience of the service provided through weekly collections at the home of the policyholder. I am sure that in many other instances the public would welcome the saving of their time and energy which a weekly service in the home provides. Inevitably such a service must add to the cost of the business, but how costly is the loss of time, for instance, in going to the post office and often waiting in a queue or in compiling PAYE returns, items which are entirely ignored in computing the cost of Government controlled administration. To keep the cost of this home service to a minimum is one of the primary concerns of your board.

ORDINARY BRANCH

Turning to the ordinary branch, I think you will agree that the progress of this branch has not been unsatisfactory. Owing probably to the general reluctance to look far ahead, policyholders are still tending to ask for policies maturing within a comparatively short period thus minimising the value of the life insurance element which it is our primary object to provide. You will observe the very heavy maturities shown in the accounts. It is gratifying that so many policies run their full course thus enabling policyholders to enjoy the full benefit of their thrift.

FIRE AND GENERAL DEPARTMENT

The fire and general department has again contributed to the comprehensiveness of the company's service.

Our thanks are due to the directors, management and staff of the County Fire Office for their continued assistance in this branch. I am pleased to say that the relations existing at every level between the staff of the London and Manchester and the staff of the County Fire Office are of the happiest character.

INVESTMENT TRUST RETIREMENT ANNUITIES

I referred last year to our retirement annuity policy which we had introduced to meet the demand for a policy under which each premium and annuity payment is linked with equity values at their dates of payment. This year you see the figures for the first year's business. I am sure you will agree a premium income of over £¼ million in the first year shows that the initiative we took in this field was well justified.

It is of interest that the Institute of Chartered Accountants has incorporated our policy as one part of its own retirement scheme for its members.

In our opinion the real foundation for such a policy is the belief in a growing and expanding economy. The future prosperity of this country depends upon the brains of our people, the flexibility of our economic structure and the maintenance of a sound currency.

CHEAPER INSURANCE THROUGH REDUCED RATES AND INCREASED BONUSES

If further inflation can be avoided we may reasonably expect and press for reductions in the prices of manufactured products. There has already been a considerable fall in the cost of basic commodities and a heavy fall in shipping freight rates. Adjustments in passing on these reductions seem overdue. In this matter of reducing prices I can claim we have made our contribution. Our policyholders have benefited from the higher rate of interest earned on the funds which this year was £5 15s. 2d. per cent. Bonuses have again been increased. We have also been able to quote very favourable terms for immediate annuities and have received nearly £¼ million during the year for the purchase of such annuities.

STERLING SINGLE PREMIUM RETIREMENT ANNUITIES

Our Investment Trust Retirement Annuity is drawn in the form of a succession of single premiums and thus the annuitant is able, within certain specified limits, to decide each year how much premium he will pay. As this facility is much appreciated by an annuitant whose income fluctuates, a few weeks ago we launched a sterling retirement annuity at very competitive rates which incorporates this feature, and I am pleased to tell you that already the response has been most gratifying.

INVESTMENTS

From an investment point of view I can only describe this year as a particularly boisterous one. We hope there will not be a recurrence of the rough period since midsummer during which the prices of securities have been so variable on account of financial considerations rather than because of a falling off in production. In spite of this, I am pleased to be able to say that at December 31st last the market value of our assets exceeded by a reasonably comfortable margin balance-sheet values less the investments reserve fund.

It will interest you to know that all our investments in Government, municipal, and public board stocks and over 90 per cent of our debenture stocks are in securities which are definitely redeemable. The market value at the end of the year of these redeemable securities was less than their ultimate redemption values by no less than £7 million.

PENSIONS

As the subject of pensions has been much in the news of late I should say that we do not consider compulsory contributions, however they are levied, the right way to provide a universal pension in excess of a minimum flat rate in line with other State regulated benefits.

We consider that any State pension scheme should be limited to provision against basic needs. In the endeavour to build a responsible society it is essential that the independence of the individual and the necessity for personal thrift should not be undermined. This has always been fundamental to our British way of thinking and to depart further from this principle would be to court disaster in a progressive and highly competitive world. Nothing could be more harmful to the character than to create the impression that it was no longer necessary for the individual to think about his future or to make provision for his future. This is not solely a matter of destroying initiative. To provide for pensions by a State scheme above basic needs would add greatly to the obligations of the citizen to the State. The sum of such obligations for State benefits in infancy, in childhood, in education, and in the health and other welfare services is already substantial and will increase steeply as more of the elderly in our ageing population claim old-age pensions at even the present level.

Nor would we approve of any State scheme providing more than basic needs even if there were provision for opting out which is probably not feasible anyway.

We cannot agree that citizens elect a Government to compete with them in their businesses. Rather is it a duty of Government to protect its citizens in the carrying on of their legitimate business, to hold the balance fairly between competing citizens and to provide a sound currency and stable conditions in which they can prosper.

Of recent years more and more progressive employers have been directing their efforts toward the provision of pension schemes for their employees. In a comparatively short period more than a third of the employed population of both sexes have been provided for under such schemes. This proportion could I think be materially increased if the Government would simplify the conditions and perhaps extend the scope for getting approval under the appropriate legislation. If current schemes do not conform in all details to present Government thinking on the subject it will be no difficult matter to secure by legislation or through administrative practice any modifications desired by the Government as for instance to provide for transferability of pension rights if this is thought to be a desirable condition of service in a particular industry.

I would suggest that the most suitable type of policy for those who are not covered by a pension scheme, such as the employees of small firms and workers who frequently change their employer, is an individual policy, individually owned, providing for an annuity at a given age to which the employer can contribute. I should have thought that automatic approval could be given by the revenue authorities for the issue of suitable policies.

TAXATION AND SAVINGS

We welcome the action taken by the Chancellor of the Exchequer in his Budget in respect of profits tax as a move towards greater flexibility in investment. It is important that there should be the largest possible reservoir of money available for investment in the hands of the widest number of thrifty people. To obtain this there must not be discrimination against profits distributed.

The savings out of income of the thrifty help to raise further the level of this reservoir. I think it important to stress that taxation is not just an instrument for restricting purchasing power. Taxation is an imposition which has to be justified by necessity. It is one of the most important factors in the depletion of private savings. This country is still the most heavily taxed in the world. Who would have anticipated that 12 years after the successful termination of the war, there would be still a rate of tax exceeding 50 per cent levied on the profits of industry, and taxation rising steeply to much more than half the earnings of the most responsible men in industry and administration?

It is no wonder that the demand for investment which can only come out of savings exceeds the supply. If we are to have a growing and expanding economy, the supply of savings must be increased, and an essential condition is the reduction of taxation.

I would add another necessary condition: a sense of security for the investor who has stinted himself to save. The investor can judge or make some attempt to appraise the ordinary hazards of commerce, but he cannot be expected to view with equanimity the vagaries of unpredictable intervention, expropriation or other confiscatory acts of Governments, or even the threats of such action. In such an atmosphere savings will vanish.

Without sincere co-operation between all concerned there will not be a flow of savings to the less developed areas of the world and an improvement in the standards of living of millions of people.

No business plays a more important role than the insurance companies in mobilising savings for investment. Every member engaged in the service of the company should be proud that this company is playing its part in this great service, and I am sure every shareholder present will join us in this sentiment.

STAFF RELATIONS

Staff relations are an intangible matter. The board have made great efforts to establish happy and more personal relations with the staff. I believe that this has been appreciated by members of the staff individually and the unions who speak for them. Our thanks and yours are due to all the staff for the good work they have put in to make possible the results before you.

The report and accounts were adopted.

McINTYRE & SONS

(Constructional Engineers)

NET PROFIT MAINTAINED

THE YEAR'S REVIEW BY LIEUTENANT COLONEL W. D. GIBBS

The fifth annual general meeting of McIntyre & Sons Limited was held on May 22nd at The Waldorf Hotel, Aldwych, London, W.C., Lieutenant Colonel W. D. Gibbs (chairman of the company) presiding.

The following is the chairman's statement circulated with the report and accounts for the year ended December 31, 1957:

I am pleased to report that the increased Net Profit of your Company last year (£38,360) has been maintained and is shown at £40,543 for the year under review. Taxation absorbs the sum of £21,172 so that the Net Profit after taxation is £19,371.

As already announced, it is proposed to recommend the payment of a dividend of 15 per cent (same), less tax.

PURCHASE OF SUITABLE STOCKYARD SITE

Last year I referred to further capital expenditure being incurred on additional plant and to the fact that resources had to be conserved with a view to the purchase of a suitable stockyard to replace the one which your Company had rented for over 20 years. Your Company has been successful in securing a convenient and suitable site for a stockyard and has installed a 5-ton electric travelling crane and at the same time your Company is now provided with much-needed additional space. The major portion of the cost has already been met and is reflected in the Accounts which also refer to the sum of £3,000 capital commitments necessary to complete the project.

Your Company was again fully engaged during the year under review and undertook many profitable contracts.

The present year has started favourably in spite of the credit squeeze although much of the work has been secured in face of keen competition.

In conclusion, I wish to thank my colleagues on the Board and also the staff and employees of the Company for their continued co-operation and support.

The report and accounts were adopted.

POWER SECURITIES CORPORATION LIMITED

LARGER PROFIT

The thirty-fifth annual general meeting of this company will be held on June 11th in London.

The following are extracts from the circulated statement by Sir Andrew M. MacTaggart, chairman and managing director, for the year 1957:

The results for the year can, I think, be regarded as satisfactory. The gross profit at £1,330,700 was higher than that of the previous year by some £38,000. On the other side of the account depreciation is approximately £124,000 higher at £485,692, but this increase has been offset by the decrease in United Kingdom taxation, which is some £130,000 less. Part of such deduction is the estimated relief resulting from the transfer of part of our activities to a new subsidiary company which is expected to qualify as an Overseas Trade Corporation.

The consolidated net profit at £373,948 compares with the previous year's figure of £222,680, but in that year £100,000 was provided for Contract Contingencies. Taking this into account, the 1957 net profit shows an increase of some £51,000. Carrying down the consolidated net profit and adding taxation over-provided and the balance brought forward from the previous year, there is a total of £756,722. The sum of £135,000 has been transferred to General Reserve and the directors recommend a dividend on the Ordinary shares of 11 per cent for the year.

Balfour, Beatty and Company, Limited, our principal engineering and construction company, have been fully occupied during the past year, both in the United Kingdom and overseas.

GREAT POSSIBILITIES

In view of the increasing international competition for contracts overseas the provisions of the 1957 Finance Act regarding Overseas Trade Corporations were generally welcomed by United Kingdom companies operating abroad. In order to take advantage of the benefits available under the Act we formed a new company named Balfour Beatty (Overseas), Limited. As from January 1, 1958, this company has been operating in Iraq, East Africa and Malaya, and its operations will be extended to other overseas territories as circumstances permit.

It is now over twelve years since the last world war terminated, at least officially, and what has been done by the so-called victors to adjust themselves to peace conditions? In some countries vested interests have undoubtedly played a large part, and it is easy for the political side to be influenced by such interests when it means full employment. Surely, however, the adjusting period has been somewhat over-stressed, and there must be a more profitable way of using worldly wealth in the shape of raw materials than using it for the manufacture of so-called defence weapons.

The Commonwealth nations hold out great possibilities to this country for the future, and Canada's new Prime Minister has already indicated in no uncertain terms how Canada would welcome a great expansion of trade with this country. Do not let us miss this wonderful opportunity. So far as this corporation is concerned, it is our intention to continue to develop and expand the work which we started when we opened an office in Toronto four years ago, and we look forward to a closer collaboration with our kinsmen in that great Commonwealth country.

SUNDAY PICTORIAL NEWSPAPERS (1920) LIMITED

IMPROVED TRADING RESULTS AND INVESTMENT INCOME

The thirty-eighth Annual General Meeting of
SUNDAY PICTORIAL NEWSPAPERS (1920) LIMITED
was held on the 21st May, 1958, at Brettenham House, Lancaster Place, London, W.C.2.
Mr. Cecil H. King, Chairman and Managing Director, said :

As you will have seen from the accounts circulated to you, Profit Before Taxation at £1,230,346 was £362,113 up on last year. While there was a useful addition to our dividend income, the greater part of the improvement in our profit stemmed from trading, which for the last five months of the year benefited from an increase in the selling price of the *Sunday Pictorial*.

In order to conserve liquid resources, your Directors have considered it prudent to recommend only a moderate increase in the dividend on the Ordinary Capital.

The combined sale of all Sunday papers decreased by approximately five per cent in the weeks immediately following the price rise—a much larger decrease than occurred after the previous rise in 1955. The *Sunday Pictorial* decrease was in line with the average, but it is not proving easy to regain the losses.

The forecasts I have been making for some years, that newspaper sales generally would fall with the return of larger-sized issues, have certainly been justified by events. The three price increases since 1950, as well as the phenomenal spread of television viewing as a family pastime, are other factors which have made their impact on the sales of daily and evening, as well as Sunday papers.

Wage rates in the industry rose again—this time by five per cent—from December 1, 1957. The time has come when the less prosperous newspapers *cannot* further increase wages without some relaxation of the restrictive practices imposed by some of the trade unions.

Other costs have been held steady: the small reduction, recently announced, in the price of newsprint will mean a saving of about £20,000 in the current year, if consumption remains at the present level.

Increased investment income

As you will have seen from the accounts, investment income increased last year by £86,532 to £551,055. I will now deal briefly with the fortunes of the important companies in which you hold a substantial number of shares.

The Daily Mirror Newspapers Limited, in which you have a major holding, has had another good year. Profit on Trading increased by three-quarters of a million pounds to £1,675,624 (before depreciation and payments to directors). Investment income also increased to £882,515.

The *Daily Mirror* sale fell less than its competitors in the popular newspaper field when the price was increased to 2½d. last October. The sale of 4,657,873 for the six months ending December 31, 1957, was, in fact, less than two per cent down on the previous year.

The sale of *Woman's Sunday Mirror*, a publication which, as you know, is jointly controlled by the Daily Mirror and Sunday Pictorial, decreased slightly at the time all other Sunday papers increased in price. At 1,149,717 for the second half of 1957, it remains well above the *Sunday Graphic*, its nearest competitor.

Despite a further decline in sales, *Reveille* continues to make a profit, though a smaller one than in previous years. Competition in the periodical field has been intensified, and reached fever pitch with the launching of two new women's weeklies earlier this year. The enormous sum of money spent on advertising the new publications and others, well-established, has undoubtedly affected the sales of *Reveille*. During the year we experimented with *Mid-Week Reveille*, turning it into a periodical purely for young people. When it became clear that the market for such a publication was not large enough to ensure its commercial success, we closed it down, and concentrated our efforts on improving the week-end edition. Now renamed *Reveille*, our weekly still has a sales lead of some half million over its nearest competitor. Profits of the Reveille Company, in which you hold a half interest with the Daily Mirror Newspapers Limited, were again retained within the business.

Sale of Scottish Daily Record continues to climb

In Scotland the *Daily Record* continues to do well. The sale reached 414,600 for the second half of 1957, and since then has further risen to well over 420,000. This brings the increase since January, 1956, to 90,000, despite two price rises.

The *Sunday Mail*, which suffered a small decrease in sale after the price rise last October, continues to make a profit. The trading results of the Scottish Daily Record and Sunday Mail Limited have been satisfactory since the increase in selling prices. In the foreseeable future this company will be making a regular contribution to group income.

History made in West Africa

The development of your interests in the three territories of West Africa continued last year, but increased revenue from sales and advertisements was largely absorbed by increased costs, particularly wages and salaries. However, there was a small increase in the group's profit, despite these higher outgoings.

West African newspaper history was created last September, when for the first time the sale of the Sunday newspaper operated by the Nigerian subsidiary exceeded 100,000. Sales of the other papers are buoyant, although the rate of increase is naturally slowing down.

In March, 1957, Ghana attained self-government as an independent state within the Commonwealth. We continue to enjoy friendly relations with the Government, as we hope to do with the Government of Nigeria, when the Federation becomes fully independent in 1960.

There remains some political risk in the operation of these companies, but commercially the future is assured.

Pulp and paper—world production outstrips consumption, profits lower

For the first time since the war a world situation of over-production has arisen in the paper-producing countries. This is because the recent considerable increase in productive capacity has outstripped consumption.

This situation of over-production is likely to continue for two or three years, when it is anticipated that increases in consumption throughout the world may again match capacity.

The profit of Anglo-Canadian Pulp and Paper Mills Limited has declined substantially. The income of the company was seriously affected by the premium on the Canadian dollar, but the rate has recently become more favourable to the Canadian company. The profits of Albert E. Reed and Company Limited have also declined, but not to such a marked extent, thanks to the diversity of their business.

Our confidence in the future of these two great enterprises is undiminished, but we must be prepared for temporary setbacks from time to time in the world demand for the products they manufacture.

First dividends from Associated TeleVision and Melbourne Herald

Your joint investment, with the Daily Mirror Newspapers Limited, in commercial television is exceeding all expectations. The consensus of opinion among viewers and advertisers, is that Associated TeleVision Limited is the leading programme contractor, and the hopes I expressed last year concerning the prospects of this company, have been fully realised.

The success of commercial television has now been established and Associated TeleVision has been increasingly profitable during its current financial year. You will be pleased to learn that we have now received a dividend in respect of the period from the date of your Company's investment to April 30, 1957. More recently, an interim dividend at the rate of 10 per cent per annum for the year ending April 30, 1958, has been declared, and we expect a final dividend in due course.

In Australia the value of your shareholding in the Melbourne Herald and Weekly Times Limited has increased considerably during the year. The dividend declared for the year ending September 30, 1957, was the same as last year, and the first payment from this source has been included in the accounts before you.

The profits of the radio interests in Sydney and elsewhere have increased, and the television station in which we have a small interest, is showing improved results.

Once again I should like to pay tribute to all personnel at home and overseas for the part they have played in the improved result before you.

THE LITTLEWOODS ORGANISATION

MR JOHN MOORES ON A RECORD YEAR

TURNOVER UP 10 PER CENT

I am glad to say that the benefits I anticipated would result from the reorganisations we carried out in 1956 were fully realised in the past year, and the whole Littlewoods Organisation had a very successful year indeed. Once again our gross turnover irrespective of Pools increased, reaching a record total of £53 million, an increase of £5 million or rather more than 10 per cent.

This advance was not due to any sudden capture or development of new markets, but through streamlining our business and paying particulous attention to the needs of our customers. By offering higher quality merchandise at more attractive prices than ever before, we were able to make a host of new friends.

Ultimately, the Littlewoods Organisation is just as dependent as any other Company on the prosperity of the people it serves, but I believe that we are a good deal less sensitive to the type of slight recession that the country is now experiencing than those stores marketing similar but higher priced merchandise. In these times the public economises, either by refusing to buy or by making their purchases at lower prices at places where they can be sure of getting the best possible value for money. We now have repeated evidence that we have established in the minds of the public our ability to provide high quality merchandise at very attractive prices indeed. I think the result of this is that we are holding all our old customers, and at the same time attracting new customers who used to buy in a higher-priced bracket. These people come to us with complete confidence, and it is our concern to see that their confidence is amply justified.

LITTLEWOODS POOLS LIMITED

The past year has been a very exciting one for all concerned with Littlewoods Pools because, in September, 1957, we made a very important decision to remove the limit of £75,000 as the top dividend on the Treble Chance Pool. As a result of this decision, there have been three wins of over £200,000 —in November last Mrs Nellie McGrail, a young widow with two small children, of Stockport, received £205,235 ; in February, 1958, Mr John Brockwell, a foreman cellarman of Epsom, Surrey, together with his wife won the sum of £206,028 ; and then, on March 29th, Mrs Elizabeth Riley, with her husband, Mr Thomas Riley, of Horden, Co. Durham, won £209,079.

I have always considered it part of our duty to the investors in Littlewoods Pools to offer them every possible service to assist them when they come into the possession of sudden wealth, and here I can record a very inspired example of Banker/Customer relations when my Executives, together with those of Martins Bank—our Bankers—have founded Advisory Committees to take over the financial worries from Mrs McGrail, Mr and Mrs Brockwell and Mr and Mrs Riley. The membership of these Committees comprises a Senior Bank Executive, the head of the Bank's Trustee Department, a leading Stockbroker, a Lawyer and an Income Tax Consultant, with my brother—Mr Cecil Moores, who is the Managing Director of the Pools operation of our Organisation—available for consultation. To date, the Chairmen of these Committees report complete success with their charges. In each case, large settlements have been made on the children, gifts made to various relatives, friends and charities, advice given and taken on suitable shares in which to invest, wills made out, insurance policies taken out, house purchases arranged. In fact, wise counsel has been given on every subject and has proved of great assistance to these winners.

I intend to continue with the study of other possible ways in which we can help or advise the investors in Littlewoods—the world's largest football pool.

LITTLEWOODS MAIL ORDER STORES

1957 has been a fine year for Mail Order. Never before have we had so many active Organisers on our lists as we have today. We also note another significant fact—more middle-class folk are becoming Club members, and the day seems to be passing when instalment buying through Clubs was popular mainly among those with only restricted means. It really looks as though a much wider public is now aware of the benefits and convenience of home-shopping through our attractive reliable catalogues.

These changes have in my opinion been stimulated by us in two important ways.

First we have improved the merchandise we are offering by taking more care than ever before to find out what exactly customers buying through a catalogue want. Having found this out we have improved the all-round quality of our buying staff which I regard as the most important group of people in the whole Organisation. A first-rate buying team is the best guarantee of success in a business like ours, and I would like to thank all our Buyers for what they have done and for what I know they will do in the future.

Secondly, as you will remember, last year I told you about the financial scheme we had evolved to help Club Organisers to serve the needs of their members more quickly, and I am pleased to report that this scheme has continued to be an unqualified success. It has materially increased our turnover and has made the pastime of being a Littlewoods Club Organiser much more interesting and remunerative. I have the utmost confidence in the Club Organisers—those enthusiastic people who collect orders and cash and forward them to us. After all, we have been in business together for a long time. I thank them for all they have done, and look forward to many more years of mutually profitable co-operation.

So far as the future of Mail Order is concerned, I feel very confident that unless the present economic position deteriorates considerably—which I do not expect—our future will be very bright. However, I am conscious that we shall never reach a stage where we have done enough to improve our goods and services, to the point where we can become complacent.

DESIGN

Our latest drive and one in which I am taking a personal interest is to establish better standards of design in all our categories of merchandise. I do not believe that inexpensive articles need to be poorly designed, still less do I believe that the public do not care what the things they buy look like, so long as they serve their purposes. I have encouraged my Buyers to seek the help of the Council of Industrial Design so that eventually we can eliminate any merchandise which does not reach the standard of good design. As a result, many of the items in our forthcoming Catalogues will be marked as having the approval and recommendation of the Council of Industrial Design. We are grateful to the Council for the help they have given us, and we believe that our customers will appreciate these improvements as time goes on.

I owe a debt of thanks, too, to our manufacturers who have loyally supported us during the past year. It is a great satisfaction to me to feel that I can rely on them at all times.

CHAIN STORES

Once again, I am happy to report that 1957 was an excellent year's trading—our best yet. Much of what I have said about improvements in buying has been reflected in our Chain Store merchandise and this has stimulated sales to a very satisfactory degree. I welcome the Chancellor of the Exchequer's revision of purchase tax on certain items, and at a considerable cost to ourselves we immediately passed these benefits on to the public. But I look forward to the day when purchase tax is abolished or brought to an absolute minimum, because it is not right that retailers, who have to pay the tax on goods when they put them into stock, should always be at risk when there is a change in the rate of purchase tax. For the plain fact is that under our present system reduction of purchase tax may mean serious losses to the trader. Quite apart from passing on reductions in purchase tax, our entire policy is devoted towards cutting the cost of living. All of the economies that have been effected through the measures I have referred to earlier in this report have been utilised to bring prices down. We have recently made extensive cuts in the prices of a wide range of women's and children's wear.

In addition, we are endeavouring at all times to allow the shopping public to enjoy the benefits of reductions in prices of raw materials.

And our "Satisfaction or Money Back" Guarantee is evidence in itself that our price reductions are not made at the expense of quality.

In my last report I had rather a dismal tale to tell of Chain Store development, so hampered by the credit squeeze. Well, things are not much better now, but in one respect we have been able to take an important step forward which removes a nagging worry and a sense of, almost, frustration.

Last year I spoke of our valuable site in Glasgow as being "just a hole in the ground." At that time it looked like remaining so. Today I am able to tell you that we have found the money from our own resources to push ahead with a Store worthy of the great city we strive to serve. The new Littlewoods Store is even now under construction. It will not be the near-skyscraper we had originally planned, but it will be a three-storeyed building, and a handsome

addition to Glasgow as well as offering a valuable service to its citizens.

STAFF

Finally, I must pay my tribute to the 20,000 or more men and women who have helped to make the Littlewoods Organisation what it is. It is in many ways stimulating to be involved in a concern which is so constantly expanding. It can also be rather unsettling. The organisation has to make plans and take decisions, almost overnight. Traditional policies are swept away and new and better ones take their place. Functions have to be re-allocated, and all the time there is a ferment of discussion, replanning and thinking out the next move. It's tough work for all of us sometimes. I thank everyone for bearing his or her part so enthusiastically and, if I may say so, so successfully.

DARWINS LIMITED

TURNOVER APPROACHING £6 MILLION

The twenty-ninth annual meeting of Darwins Limited was held on May 22nd in Sheffield. The following is an extract from the circulated review by the Chairman, Mr F. Thompson-Schwab:

The trading results for 1957 show a satisfactory improvement over 1956. The demand for the products of the Group was such that a high rate of output was achieved. The reputation of the Group's products is increasing steadily. We have spent large sums in improving quality. This, combined with a vigorous sales policy, has had a gratifying influence on the maintenance of a high turnover.

The turnover of the Group in 1957 was almost £6 million. This compares with £3,652,000 in 1954 (which was the first year Sheffield Forge and Rolling Mills Company Limited appeared in our accounts), £4,662,000 in 1955 and £5,135,000 in 1956.

The Darwins Group of Companies, with one exception, did not come within the scope of the previous Nationalisation Act, and while it is not possible to forecast with any degree of certainty, owing to the vagueness of the present proposals, it is not anticipated that the Special steels and Engineering business of the Group would be affected by the threatened re-nationalisation of the Iron and Steel Industry.

The exception referred to is The Sheffield Forge and Rolling Mills Company Limited, which we purchased from the Iron and Steel Holding and Realisation Agency in 1953. During the four years we have owned this Company a great deal of re-organisation, modernisation and development has been accomplished with the consequence that the present state of the Company bears little relation to that at the time of acquisition.

The prospects for the current year are more difficult to forecast than for several years. As a result of expansion in recent years, our business is now on a wider basis with many more customers than we had in the past that I am confident that the effect of any setback in trade would be less than would have been the case previously.

The report and accounts were adopted and at a subsequent Extraordinary General Meeting a resolution changing the name of the Company to DARWINS GROUP LIMITED was approved.

THE CAPE ASBESTOS COMPANY LIMITED

YEAR OF GRATIFYING PROGRESS

MR GILES NEWTON ON HEALTHY INCREASE IN GROUP TURNOVER

The 65th annual general meeting of The Cape Asbestos Company Limited will be held on June 12th in London.

The following is an extract from the statement by the Chairman, Mr Giles Newton, MBE, which has been circulated with the report and accounts for the year ended December 31, 1957:

I should like to pay a tribute to Mr Robert Walker, who retired from the Chairmanship in September last. Mr Walker had been Chairman since 1934 and during that time he saw the Company rise from modest dimensions to its present stature.

The results for the year under review disclose a satisfactory advance on those of the previous year; progress which is particularly gratifying in a period when many industries—not excluding that in which we are engaged—have experienced augmented costs and declining margins of profit.

The net profit of the Group, after all charges except taxation, amounted to £1,421,021 against £1,154,595 last year, and enables your Board to recommend a total distribution of 17½ per cent as compared with 15 per cent in the previous year.

The substantial increase in profit stems in no small measure from the vigorous prosecution of our policy of expansion and re-equipment of the Mines in South Africa. The Parent Company in the United Kingdom, and our subsidiaries both at home and abroad, have also produced improved results. Before arriving at the figure of net profit for the Group, the very substantial sum of £598,552 has been set aside for depreciation as against £552,945 in 1956. Taxation exacts a heavy toll in the sum of £704,449. Since the end of 1954, when you subscribed £1,564,000 of new capital towards our efforts to expand the Company's business, it is worthy of mention that no less than £2,875,000 has been invested in capital additions of which some £1,251,000 was invested in the twelve months now under review.

The Group's cash resources have been relatively well maintained at £983,532 compared with £1,323,739 at the end of the previous year.

The Net Profit of the Parent Company this year amounted to £801,774, which, after having provided £352,894 for taxation, leaves £448,880 for appropriation.

In his statement in 1957, Mr Walker gave warning of the heavy calls for capital expenditure and said that it was hoped that they could be met from internal resources. This was achieved during 1957, but it has since proved necessary to obtain overdraft facilities in South Africa for the continued capital commitments in that country, though there are very substantial working balances elsewhere in the Group. While I believe that the peak of the present phase of capital development in South Africa is now well behind us, I am very conscious of the necessity for maintaining a strong liquid position.

SALES

The Group turnover during the year yielded a very healthy increase over 1956. While the volume of export of manufactured goods remained at about the same level as in 1956, exports of crude asbestos from South Africa to the United States of America and Canada increased appreciably.

Of the particular application of the Company's products, I should like to make reference to the Power Station programme, where our CAPOSITE high temperature insulation has found extensive application in both nuclear and traditional stations.

It has been a year of full production at the factories.

SUBSIDIARIES

Once more I have to report a year of great labour in the face of difficulties in South Africa which has happily shown a distinct improvement in earnings. The developed ore reserves at all the main centres have been substantially increased.

The demand for Amosite fibre continues strong and I feel confident that 1958 will bring further improvement to the mining situation.

On the Blue fields, it has been another successful year. Ore reserves have been substantially increased during the year and exploration of possible new deposits is being actively pursued.

Cape Asbestos Insulations (Pty) Limited at Benoni had a higher turnover than in the previous year, but margins were reduced.

In the United States, the North American Asbestos Corporation increased its level of business and maintained a satisfactory profit margin.

Cape Asbestos (Canada) Limited was less successful, due to the trade setback and severe competition in Canada. Our manufacturing offshoot, owned jointly with Holmes Foundry Limited, had a profitable year.

At home, Cape Building Products Limited has done well with its range of flint bricks, ASBESTOLUX, ROCKSIL and other products, and has increased both its volume of business and profit. Marinite Limited's incombustible ship's board had another sucessful year, and there is a substantial order book to carry into 1958. Andersons Insulation Company Limited carrying on its insulation contracting business in the face of stiff competition, has again produced a satisfactory result.

The Weaver Manufacturing & Engineering Company Limited maintained its turnover, but margins fell. Much development work has been done and there are interesting possibilities for the future.

OUTLOOK

The Company with its subsidiaries covers an extremely extensive market, and though in some directions there is the probability that both volume and margins will decrease in 1958, our factories have substantial contracts in hand and the output of the mines is still in heavy demand. While results for the first three months of the year approximate to those of the corresponding period in 1957, much will depend on general trade conditions so far as the remainder of this year is concerned.

THE ANGLO-PORTUGUESE TELEPHONE COMPANY

FURTHER YEAR OF SUCCESSFUL PROGRESS AND SATISFACTORY RESULTS

SIR ALEXANDER ROGER ON COMPLETION OF 4-YEAR EXPANSION PLAN

The seventy-first annual general meeting of The Anglo-Portuguese Telephone Company Limited, will be held on June 10th at Strowger House, 8 Arundel Street, London, WC2.

The following is an extract from the statement by the Chairman and Managing Director, Sir Alexander Roger, KCIE, which has been circulated with the Report and Accounts:

ACCOUNTS

I am glad to report the completion of a further year of successful progress and satisfactory results.

The Accounts for the year to December 31, 1957, show total Revenue to be £2,833,522. This is £268,693 higher than the corresponding figure for 1956.

After providing for Royalties to the Portuguese Government, Renewals, Depreciation, Taxation, Capital Issue Expenses, Debenture and Loan Interest and Sinking Fund Instalments, the total expenses amount to £2,280,690, an increase of £94,864.

Net Revenue at £552,832 is £173,829 higher than in 1956 and it is proposed to pay a final dividend of 6 per cent on the £4,810,000 issued Ordinary Stock which, together with the Interim Dividend of 3 per cent paid in November last, makes 9 per cent for the year, an increase of 1 per cent. It is also proposed to pay a dividend of 9 per cent on the "A" Ordinary Stock.

The above dividends, together with the dividend on the 6 per cent Preference Stock, require £288,593, and after transferring £250,000 to General Reserve the Carry Forward is increased by £14,239 to £249,312.

The Company qualified as an Overseas Trade Corporation with effect from April 6, 1957, and, in accordance with the provisions of the Finance Act, 1957, is subject to tax on a different basis from that which applied before.

The legislation is lengthy and complicated but the principal effects on the Company are that its operating income is exempted from Profits Tax entirely and from Income Tax except to the extent to which it is distributed to Stockholders.

The taxation provision for 1957 takes into account the fact that the Company has been an Overseas Trade Corporation for approximately nine months of the year.

For many years the Company's liability to tax has been limited by reason of the Capital Allowances deriving from the large scale expansion programmes which have been undertaken. This has the effect of reducing the relative benefits of qualification as an Overseas Trade Corporation. Nevertheless, given normal conditions we can expect our taxation liabilities to be less than they would have been on the former basis of computation.

Over the years a provision has been made, where necessary, to cover the deferred liability resulting from Capital Allowances. As an Overseas Trade Corporation we no longer require this provision and a sum of £720,000 has been transferred, for the time being, from the Provision for Taxation to Contingency Reserve.

GENERAL PROGRESS OF THE COMPANY

The year 1957 saw the successful completion of your Company's four year Expansion Plan which was entered upon in 1954. The programme envisaged the addition of 69,000 stations to our systems in Lisbon and Oporto but the ever growing demand for service made it necessary to increase this to 75,000 stations in order to reduce the waiting list effectively. I think I should add that a prospering telephone company is never without a waiting list.

19,778 stations were added during the year but, in spite of this, the waiting list at the end of 1957 stood at 6,608.

The total number of stations at December 31st last was 209,493.

There are no signs of decline in the rate at which we are being called upon to provide service. For some years we had been receiving an average of 1,500 applications each month and over the past year applications have been coming in at the rate of 1,750 per month.

FINANCE

As is well known, progress in the telephone operating business is largely dependent upon the amount of new capital that can be put into it and this is as essential in Portgual as in other countries.

The manner and form in which our capital requirements can be met must depend upon market conditions and other economic factors ruling from time to time.

In June 1957 a "rights" issue of 824,500 Ordinary Shares of £1 each was successfully made, applications for Excess Shares having to be substantially scaled down.

On April 15, 1958, arrangements were made with a consortium of Banks in Portugal to offer to the public in two parts, in April and October, a second series of Esc 80 million 5 per cent Obligations at par. This issue is identical in its terms with the one made in October, 1956, and will produce almost £1 million of new money to provide further telephone plant and equipment.

In the periods between capital issues we are supported by day to day loans from our associated Company, Telephone and General Trust Limited. By this means it is possible to meet the costs of steady development without having to carry for long periods large sums of unremunerative capital. This policy has worked satisfactorily and economically for over thirty years and has greatly facilitated our financial arrangements throughout that long period.

G. D. PETERS & CO.

FURTHER PROGRESS

The forty-ninth annual general meeting of G. D. Peters & Company Limited was held on May 19th in London, Mr Alexander Dowie, MBE (the chairman), presiding.

The following is an extract from his circulated statement:

The accounts show a net profit, after charging all expenses but before taxation, of £252,988, compared with £164,891 for the previous year. Income Tax and Profits Tax require £128,000. Your Directors recommend a Final Dividend of 7½ per cent, which will bring the total distribution for the year to 10 per cent, as compared with 7½ per cent for the last year.

Your Company has made further progress and once again there has been a substantial increase in turnover against last year's trading. The flow of incoming orders has also increased and today stands higher than ever before in the Company's history.

The British Railways Modernisation Programme of continuous braking has taken up most of the expanded capacity of your Subsidiary, The Consolidated Brake and Engineering Company Limited, but we have also assiduously pursued overseas inquiries, and substantial orders from South Africa, South America, Pakistan, etc., will keep us very busy for some time to come.

To bring the capital more into line with that employed in the Company's activities the consent of the Capital Issues Committee has been sought to increase the capital of the Company to £1 million and to the issuing of a one for three scrip bonus. On this application being granted it must be clearly understood that the dividend rate will not necessarily be maintained at the present rate on the larger share capital.

There has been an improvement in the intake of skilled labour over the last few months, enabling product development to be accelerated, and this augurs well for the future of your Company. The report was adopted.

FREDERICK LAWRENCE LIMITED

SUBSTANTIALLY INCREASED SALES

The thirtieth ordinary annual general meeting of Frederick Lawrence, Limited, was held on May 21st in London, Mr Frederick Lawrence, OBE, JP, LCC (Chairman and Managing Director), presided and, in the course of his speech, said:

The Profit on Trading amounted to £127,413, to which must be added Investment Income and Transfer Fees of £2,367, giving a total of £129,780, as against £11,886 last year. Provision for Income Tax and Profits Tax amounts to £49,846. The Board recommend a Final Dividend of 15 per cent on the Ordinary Shares, making 25 per cent (less Tax) for the year.

Trading activities fluctuated during the year, and were certainly a good deal more difficult in the second half. Overhead charges have further increased, and reductions in the rate of Purchase Tax have from time to time resulted in substantial losses being suffered on stocks on hand. This was the case last year, when the rate of Tax on Carpets was reduced from 30 per cent to 15 per cent and again in the current year, when the rate on domestic appliances and apparatus was reduced from 60 per cent to 30 per cent.

The subsidiary Company, Maggs Furniture Industries, enjoyed a satisfactory year.

The Company's aim continues to be the maintenance of trading standards, combined with value for cash. There has been a continuous demand from those who prefer Hire Purchase facilities, for whom the Company's terms are the cash price, clearly marked on the price ticket, plus a small service charge.

Sales have substantially increased in all sections of the Company's business, and I am confident that the excellent value and originality of our productions will assure the continuance of this progress.

The report was adopted.

ALLIANCE ASSURANCE COMPANY, LIMITED

Extract from the Review of the Report and Accounts for the year 1957 by the Chairman, Mr T. D. Barclay

The net profit for the Group shows only a small recovery from that for the previous year at £1,284,944 as against £1,224,201. Nevertheless, it is satisfactory to be able to report that the total premium income in the Fire, Accident and Marine Departments rose from £16,963,793 to £18,669,583.

LIFE DEPARTMENT

The net new sums assured completed during the year amounted to £12,189,750 compared with £11,273,090 in the previous year.

The purchase money for immediate annuities was £98,785 as compared with £59,030 and deferred annuities were issued for £417,468 as compared with £337,152.

FIRE DEPARTMENT

In this Department the net premiums rose from £7,293,974 to £7,655,804 and the claims, I am glad to say, fell from £3,348,179 to £3,155,571, the result of the year being a surplus of £606,456, as opposed to £314,984 for 1956.

The loss ratio at 41.16 per cent is less than that for the previous year. The weight of the losses came from overseas, particularly from Canada, where a substantial deficit was incurred, largely owing to the uneconomic levels to which competition has reduced premium rates, which has coincided with an unusually heavy incidence of claims.

MARINE DEPARTMENT

The net premium income rose from £2,137,712 to £2,439,774, showing an increase of £302,062.

The Underwriting Account for 1955 has now been closed with a balance of £237,290. Unfortunately, however, £190,329 of this amount was required to settle claims arising from previous years' accounts, leaving only £46,961 available for transfer to the Profit and Loss Account.

Since 1955 the number of major casualties has been the worst recorded in peacetime. As one would expect, these casualties have fallen heavily on older vessels, but there have been serious losses in first-class modern tonnage, including passenger liner tonnage. The effect of this experience on the market will doubtless lead to increased rates, but in any case it must be some time before their impact is felt and the position is to some extent relieved.

ACCIDENT DEPARTMENT

The net premiums in the Accident Department amounted to £8,564,005 as compared with £7,532,107 in 1956. The claims rose from £3,632,142 to £4,151,186, and the surplus, after providing for unexpired risks, rose from £561,785 to £646,048.

The Motor Account, I am glad to say, showed a considerable improvement for the first time for several years, although there was still a small deficit. Substantially increased rates both at home and abroad, combined with stringent underwriting, and the fortuitous incidence of petrol rationing during the early part of the year, have contributed to the better result, but I am afraid it would be unwise to assume that this improvement will be maintained.

The other sections of the business, including in particular the Public Liability Account, provided increased and profitable business.

TRUSTEE DEPARTMENT

The total fees received during 1957 amounted to £30,020, showing an increase of £1,905 over the previous year.

INVESTMENT DEPARTMENT

It is perhaps not unsatisfactory that the Stock Exchange Investment portfolio of the Alliance Life and Annuity Funds experienced during the year an over-all depreciation in market value of no more than above 5½ per cent. The gross income yield on the whole Fund rose further to £5 5s. 10d. per cent.

In the case of the Shareholders' Funds, there was a favourable though reduced margin between book and market values, though it will be noted that the sum of £96,552 was utilised to write down the book values of Securities held by certain of the Associated Offices.

The gross investment income rose further by some £40,000 to £1,162,917.

PROFIT AND LOSS ACCOUNT

The profit of the Group, after making provision for taxation and other outgoings, amounted to £1,284,944 as compared with £1,224,201 in 1956.

In all the circumstances it was decided to maintain the dividend at the rate of 3s. 9d. per Share.

F. PERKINS LIMITED

(Manufacturers of High Quality Diesel Engines)

SETBACK TO PROGRESSIVE GROWTH ENVISAGED AS TEMPORARY

The twenty-sixth Annual General Meeting of F. Perkins Limited will be held on June 9th at Peterborough.

The following is an extract from the Statement by the Chairman, Mr F. A. Perkins, which has been circulated with the Report and Accounts:

I have with regret to report that the trading result in 1957 was not satisfactory in that for the first time in over twenty years a loss has been incurred. This was mainly due to the turnover of the Company having fallen by £7 million to approximately £14 million.

The reasons for the loss, having been foreshadowed in my additional remarks at our last Annual General Meeting, were given in my letter to you of November 30th last, when it was thought right and proper to acquaint shareholders of the position then. Briefly these were a combination of the following: that the Company's pioneering of diesel engines had been so successful that large vehicle manufacturers had commenced to produce their own engines; that the Suez crisis had substantially reduced a major portion of our overseas and United Kingdom markets, and that the Company's most important Eastern market had been closed because of internal financial restrictions. The second two circumstances were impossible to forecast, though happily the effects of Suez are now fading and our trading is better in the Eastern market.

With regard to the production by vehicle manufacturers of their own engines, this was a factor which your Board has had in mind for some time.

So far as the year under report is concerned, it was forecast that the programme for other manufacturers, which was referred to in my Statement to you at the last Annual General Meeting, would offset the loss of vehicle engine orders. Unfortunately deliveries under these contracts were not called for as soon as was anticipated, which adversely affected your Company's plant utilisation.

The combination of these circumstances seriously affected the year's turnover.

You will be pleased to know that the two contracts for tractor engine manufacture, previously referred to, are now proceeding well.

The Management of the Company achieved a substantial reduction in overheads but it was not possible to bring these down in line with the fall in turnover because of the new design development programme and production increase forecast for 1958.

For the future—your Board considers that though your Company should diversify its products there is still much good trading to be had by your Company in the diesel engine field, in which we have built up a first-class reputation throughout the world.

You will, no doubt, have been glad to read of the launching of one of our new engines, the 1½ litre Four 99. The agricultural version of this engine was first exhibited at the Smithfield Show in December last, and we have recently launched the vehicle version, which I am glad to record has created an excellent first reaction in the trade. Your Company has reason to hope for some good results from the trading in this engine in the future years.

Your Company is continuing to devote time and money in improving our present product and also developing new types of diesel engines which will be in advance of anything else currently produced.

Diesel engine manufacture will be the Company's mainstay, and I hope to have illustrated to you our ability to achieve this. Nevertheless your Board considers that in the prevailing conditions of today in the diesel engine field, it would be wise to manufacture other products, non-competitive with our present customers. Your Company has a first-class organisation and although it would be premature to disclose the investigations which are being actively pursued and discussions which are being carried on with other bodies, both national and international, I can assure you that this matter is one of priority to your Board.

As I have stated before, your Company has need of additional permanent finance, and you will observe that in spite of reduction in stock and debtors it has been found necessary to increase our borrowing from our Bankers. You may be assured that your Board is giving this matter of additional finance constant attention.

Although your Company has had a setback in an excellent record of growth over the last twenty years, I consider that this is only temporary and that for 1958 there should be, and I say this advisedly, at least a reasonable turnover and a profit thereon. Your Board and Management of your Company have devoted, and will continue to devote, all its skill to restore the continued growth of this Company.

BANK OF WEST AFRICA

SATISFACTORY GROWTH OF BUSINESS

The 64th annual general meeting of the Bank of West Africa, Limited, will be held on June 12th in London.

The following are extracts from the circulated statement of the Chairman, The Right Honourable Lord Harlech, KG, GCMG:

The Balance Sheet shows a satisfactory growth in our business and in spite of a somewhat difficult year successful results have been achieved with the profit virtually unchanged compared with a year ago. Shareholders will observe that an allocation of £200,000 has been made from the profits of the past year to Reserve Fund. Your Directors feel it is desirable, in view of the spread of the Bank's activities, to increase this Fund further by way of a transfer of £300,000 from Contingencies Account which will now bring the Reserve Fund to a total of £2½ million equal to the Paid Up Capital of the Bank.

Current, Deposit and other Accounts are some £5,615,000 higher at £67,473,918 which is in some measure a result of the campaign we have pursued recently to promote the banking habit in the territories in which we are primarily engaged.

Liabilities on Acceptances, Confirmed Credits and other engagements on behalf of customers at £7,541,927 show a reduction of approximately £4,120,000.

On the opposite side of the Balance Sheet our cash is slightly higher at £7,358,194; money at call and at short notice together with Bills at £23,204,550 are practically unchanged by comparison with a year ago.

As to our profits the improvement secured during the past year or two has been maintained in spite of rising expenses. Your Directors therefore recommend a final dividend of 7 per cent which makes a total of 12 per cent for the year. This is the same rate as for the year ended in March, 1957, when the total distribution was increased by 2 per cent.

POLITICAL DEVELOPMENT

Political development continues at a fast pace in the West African territories. Ghana, placed under her full Dominion Constitution in March, 1957, encountered political difficulties which at one stage disturbed her internal trade, but the situation has now settled down. In the case of Nigeria, a Constitutional Conference was held in London in June, 1957, as a result of which the Eastern and Western Regions have become internally self-governing within the structure of the Nigerian Federation. Since the Conference various matters have been under examination in preparation for the granting of a Constitution making the Federation a self-governing territory within the Commonwealth.

A delegation from Sierra Leone has visited London and it is believed that good progress has been made in the further constitutional advancement of that territory.

The demand for capital becomes even more pressing. Many desirable schemes are in abeyance for want of funds but experience shows that manpower in all degrees of skill is yet more urgently needed. Local capital in so far as it exists, tends to move into the acquisition of land and buildings rather than into industrial undertakings or commercial ventures. Overseas investors would be more readily attracted were they able to see indigenous private capitalists participating in new constructive enterprises.

LUNUVA (CEYLON) TEA & RUBBER

The annual general meeting of The Lunuva (Ceylon) Tea & Rubber Estates, Limited, will be held on June 12th in London. The following are extracts from the circulated address of the Chairman, Mr H. W. Horner:

It will have been realised that the company's profits for 1957 would be below those for some years past. The restrained optimistic view which was current in the early months of last year has not materialised. Instead, there followed a period of fluctuations in the world market for tea, particularly for tea of medium growth, which resulted in lower prices. By the end of September some improvement had occurred. The total tea crop harvested exceeded that of 1956 by nearly a million pounds, constituting a record for the company and a valuable set-off to the effect of rising costs.

The rubber crop was slightly lower than that of 1956 owing to the replanting programme. Rubber will continue to be a secondary product for this company, but it is hoped that, as the replanted and higher yielding areas come into bearing, rubber will make a substantial contribution to the total profits of the company.

The price realised for the tea crop averaged 32.54d. net (1956, 40.82d.) and for the rubber crop sold locally 17.51d. (1956, 21.97d.). The year's profits before taxation is £164,269, and the Board recommend a final dividend of 10 per cent, making 15 per cent for the year.

The estimated crops for 1958 are just over 9½ million pounds of tea and just under 1½ million pounds of rubber.

CRUSADER INSURANCE COMPANY LIMITED

ANOTHER YEAR OF PROGRESS

In his annual statement the Chairman, Mr Harvey Bowring, after commenting that the year 1957 was one of considerable development for the Company, drew attention to the importance of the new City Office (where the administration of all Group business had been brought under one control) and branch offices in future plans for improved service. Referring to the Head Office at Reigate he said that it was just twenty years since the decision to move out of London was made and there can be no question but that our country Head Office in its congenial surroundings has proved an unqualified success.

He stated that in 1957 *New Life Sums Assured* including Group, reached a record £7,067,394, the Life Premium income exceeding the "million" mark for the first time at £1,073,257. Substantial reductions had been made in the rates of premium applicable to certain "Without Profits" Life Assurance Policies on January 1, 1958. *Fire* premium income had increased to £176,187, while that for *Sickness and Accident* and *Miscellaneous* business was £55,874 greater at £688,585. There were now over 760 *Group Staff Welfare Plans* in operation. Overseas development, especially in Africa, was proceeding satisfactorily. The overall interest on investments had risen by 5s. per cent to £5 3s. 8d. per cent. A major part in the Company's progress, the Chairman said, had been played by the staff, mentioning particularly those 77 who had served for 25 years or more, while the Company was also indebted to the Insurance Brokers and other friends whose support and service were highly valued.

SPICERS LIMITED

(Paper Makers, Paper Merchants and Manufacturing Stationers)

ENCOURAGING INCREASE IN TURNOVER

The 70th annual general meeting of Spicers Limited will be held on June 18th in London.

The following is an extract from the statement by the chairman, Mr Lancelot Spicer, DSO, MC, which has been circulated with the Report and Accounts:

The drop in profit from £751,414 to £672,968 should not be entirely unexpected, for in my statement last year I said that trade conditions were not easy and that whilst I was not pessimistic about the long-term future of the Paper Trade, none the less we were entering a period when production was likely to exceed consumption, a situation which makes business highly competitive.

Your Directors are not complacent about this situation. It is our responsibility to do all we can to increase demand for our products and to get the largest share possible of all business that is being placed, and we continually strive to do so. New outlets for paper are frequently under examination with a view to increasing the range of products which we market. Two years ago we decided on a national advertising campaign, the object of which was to bring home to the public at all levels the important part played by your Company in the country-wide distribution of paper products. We are also constantly taking steps to increase our own efficiency and reduce costs, but all the time we find that expenses largely outside our control continue to rise and thus reduce the net profit.

UNDERLYING HEALTHY POSITION

In the difficult conditions of 1957 it is, therefore encouraging that we were able to achieve an increase in our turnover which rose from £21,960,000 to £22,820,000. This increase in business was spread evenly over most of the various sections and subsidiaries of the Organisation; in fact in only three units was there a diminution in turnover and in each of these the diminution was not more than marginal. This reflects an underlying healthy position and has enabled us to meet to some extent the increased cost of maintaining our Organisation at a proper standard of efficiency in the face of continued inflationary pressure.

None the less, we cannot escape from the fact that wherever one goes in the world today it is noticeable that there is a surplus of pulp and paper.

Commenting on his world tour in the late autumn, Mr Spicer said that in all the markets he visited it was clear that there was no shortage of paper; indeed orders were eagerly canvassed, but at the same time he did not find any feeling of undue alarm. He added: Generally speaking, it was felt that within two or perhaps three years the situation would be improved and demand for paper, which throughout the world always goes on steadily increasing, would have begun again to equal production and that by that time production would temporarily be stabilised and would not be increasing at the phenomenal rate of expansion of the past few years.

The statement concluded: We shall always make it our business to support in every way possible the British Paper Industry in which so much British capital has been invested in the last 25 years.

SHELL TRINIDAD LIMITED

INCREASED EARNINGS

The 45th annual general meeting of Shell Trinidad Limited was held on May 20th at Point Fortin, Trinidad, Mr G. L. Reid (chairman and managing director) presiding.

The following is an extract from the report of the directors:

The Net Earnings for the year ended December 31, 1957, £2,984,742 (BWI $14,326,762) show an appreciable increase over those earned in 1956 (£2,426,449 BWI $11,646,955). The primary reason for this is that once again, crude production from the Company's properties has shown a marked increase, namely some 25 per cent, over the previous year. Moreover, product prices were at a higher level in 1957 than the averages for 1956. For these reasons, combined with increased refinery throughput, the Company's earnings have improved by £558,293 or 23 per cent.

The Company's financial position continues to be satisfactory, a high proportion of our assets being in liquid form and thus available for future development as and when required.

An interim dividend of 2s. 6d. per unit of Ordinary Stock, amounting to £337,500 and a dividend of 8 per cent, amounting to £28,000 on the Preference Stock have already been paid in respect of the year 1957. Having regard to the trading results of 1957 and to the general financial position the Directors recommend a final dividend of 3s. 4d. per unit of Ordinary Stock, representing £450,000 after deducting Trinidad Income Tax at 1s. 4d. per unit.

Since the latter part of 1957 a general condition of surplus production in relation to consumption has developed throughout the world oil industry and this has had a weakening effect on prices. For this and other reasons, including increasing material costs and higher salary/wages levels, it is not to be expected that the record earnings achieved by the Company in 1957 will be reached in the current year.

RECORD PRODUCTION

Total crude oil production in 1957 averaged 24,900 barrels daily, representing an increase of approximately 25 per cent over the previous year's figure and being a further record in the Company's history. This increase was largely due to Catshill, where the output rose to a peak of over 9,000 barrels daily in April, and partly to Inniss which was producing approximately 2,000 barrels daily by the end of the year. Total production for the first three months of 1958 has been at the average rate of 24,700 barrels daily.

The average refinery throughput during 1957 was 38,500 barrels daily, representing an increase of approximately 14 per cent over the 1956 average. This increase resulted from technical improvements carried out on the processing units and higher crude supplies.

During 1957 bitumen sales totalled 77,901 tons, a reduction of 17 per cent compared with 1956. Sales of bitumen to areas outside the Eastern Caribbean continue to decline due to increasing competition from new refineries more favourably located in respect to consumer markets.

The report and accounts were adopted.

BARTON & SONS

The ordinary general meeting of Barton & Sons Limited was held on May 21st in London, Mr H. Prichards (Chairman and Managing Director) presiding.

The following is an extract from his circulated statement: The group trading for the year 1957 resulted in a record profit before taxation of £787,597 and this was achieved in a year in which trading conditions gradually became more competitive.

We reported last year that our largest investment was in the production of steel tubes and fittings. Our output of these products in 1957, both at home and overseas, constituted a record. Our next largest section, structural steelwork, had a very successful year although there was keen competition for the jobs available.

You will be asked to approve a capitalisation of reserves and a bonus distribution of one new share for each ordinary stock unit held. This will absorb £889,583 of our reserves but will still leave us with Revenue Reserves in the parent Company of £538,722 and Capital and Revenue Reserves in the group of £933,956.

It will not necessarily follow that there will be any increase in the amount of dividend paid but the opportunity might be taken to narrow the gap between the amount of the interim and final dividends.

It is probable that business will become even more competitive, but if the volume is maintained at present levels I see no reason why the 1958 results should not continue to be satisfactory.

The report was adopted and the capitalisation and scrip issue proposals approved.

E. POLLARD & CO.

The forty-sixth Annual General Meeting of E. Pollard & Company Limited was held on May 20th in London.

Mr H. Edward Pollard (Chairman and Managing Director) presided, and in the course of his speech said: As a result of a further substantial increase in Turnover the Group Profits total £441,183, which is £51,000 more than last year.

Our sales in the Shopfitting and Shop Display sections constitute a large portion of our turnover, and the strong demand experienced during the past year was an important factor in the final results. Orders were above the average for most of the year. The factories were fully occupied and production was at a high level and the labour shortage not so acute as in the past.

In the Drapery Display market we negotiated the sole selling rights of Continental display figures of exceptional quality that were enthusiastically received by the trade and with the highly specialised products of the Jewellery section accounted for a record year's orders.

Our Engineering division also had a most satisfactory year's trading and the Lift section under the Hammond and Champness subsidiary company were responsible for installations of their high-speed automatically controlled electric lifts in many of the new buildings in the City of London rebuilding scheme.

As regards the future, we have started 1958 with a full order book, and the first few months have been encouraging. Providing there is no deterioration of trading circumstances the prospects are attractive.

The report was adopted and the Ordinary dividend distribution of 17½ per cent approved.

"SHELL" TRANSPORT & TRADING

FURTHER EXPANSION EXPECTED

The annual general meeting of the "Shell" Transport and Trading Company Limited was held on May 20th in London.

The Right Honourable Lord Godber, chairman, in the course of his speech, said:

In the Annual Report I gave a brief description of conditions in the oil industry today. In the short time which has elapsed since the preparation of my Statement there is little which could have occurred to bring about any fundamental change of outlook. The key factor in the situation is the recession in the United States. It has already gone slightly deeper than either the two previous ones through which the United States has passed since the war and this fact itself, together with other portents, may possibly encourage the view that we may soon see a modest recovery.

So far as our industry is concerned, the stock position in the USA is better, owing to much reduced refinery runs and to severe curtailment of production of crude oil, which in the Texas fields has been reduced to 8 days a month—the lowest ever recorded. In the world outside the United States, records of the year so far available suggest that as a whole consumption is being maintained, but without the full impetus to expansion which previous years' experience had led us to expect. Within the whole field, of course, some parts of the business have slackened and others have improved.

PAUSE IN UPWARD TREND

Historically, recessions have not had the same impact, except in certain limited fields, on the levels of oil consumption as they have had on the demand for other commodities in general. So far as we are concerned, as I have already mentioned in my Statement, on this occasion I see no reason to expect more than a pause in the upward trend of expansion.

The new funds recently raised by the two parent companies of the Group, although small in relation to its capital expenditure requirements, will also assist us to face the future with confidence. The strong financial position which the Group now has means that it can steadily pursue its long-term plans for the development of its facilities. When the upward trend of consumption is resumed and the current surpluses of supply and of manufacturing and transportation capacity are absorbed, we will then be in a position with such facilities to take full advantage of all opportunities for expansion which arise.

It is still a little too soon to say what the financial picture for the first quarter will be, since this meeting is now taking place some 10 days earlier than last year, and consequently the Royal Dutch/Shell Group's first quarter's results are not yet quite ready. They will be published on the 29th of this month. They cannot be expected to match our exceptionally good earnings of the same period last year, when you will remember that, largely owing to a material increase in our companies' production of crude oil in the Western Hemisphere, the Group's results were very good indeed. Viewed in the light of the position two years ago, however, and in relation to existing economic conditions, I believe that the picture will prove to be reasonably satisfactory.

The report was adopted.

UNITED PREMIER OIL AND CAKE COMPANY

PERIOD OF INTENSE COMPETITION

The thirty-ninth annual general meeting of United Premier Oil and Cake Company Limited was held on May 21st in London, Sir Eric Miéville, GCIE, KVCO, CSI, CMG (the chairman), presiding.

The following is an extract from his circulated statement:

The year 1957 has been a difficult one for your Company in many respects and, in particular, it has seen a steady and almost continuous fall in most commodity prices. The extent of this fall in the prices of many of the raw materials which we process has, in some cases, been very substantial.

It is against this background that the results of our seed-crushing activities must be judged and it is gratifying to note that these were actually more profitable in 1957 than in the previous year. Our subsidiary company connected with oleines and stearines, however, met severe competition and a slackening of demand, which resulted in much lower profits from that section of our activities.

The gross trading profits of the group amounted to £365,241, a decrease of £76,438 compared with the previous year. After all charges, including interest on Debenture stock, taxation, and the dividend on the 7 per cent Preference stock, the balance of the year's profits available for the Ordinary dividend is £74,676.

We have already paid an interim dividend of 3d. per Ordinary stock unit and now recommend a final payment of 9d. making a total of 1s. per unit, less tax. This is at the same rate as for the previous year and absorbs £46,000, leaving £28,676 to be retained in the business.

Our net current asset position which was fortified by the issue of £500,000 Debenture Stock in 1956 has improved since December 31, 1957, as lower raw materials prices are reflected in the value of stocks on hand and we anticipate some further improvement in this respect.

DEVELOPMENT

Last year I emphasised that we had virtually completed our programme of modernisation of the Isis Mill, but that in the manufacture of technical oils, new methods were constantly being developed. During 1957 a new hydrogenation plant has been installed at Universal for the hardening of fatty acids. Hydrogenation in the oil and fat industry is a process by which free hydrogen gas is chemically combined with oil, resulting in a rise in the melting point of the oil or fat. By this means an oil can be converted into a fat, hence the term "hardening process" often used instead of "hydrogenation process." This new plant started operating in February, 1958, and we anticipate that it will increase our profitability during the current year.

We are passing through an anxious period and at this early stage it is not possible to foresee what the rest of the year may bring. It is, however, certain, that the long period of scarcity and sellers' market is now over and that we are in a period of intense competition. In such circumstances we can take heart in the fact that we have a very modern plant and that in our Managing Director, Mr W. E. Waterhouse, and his colleagues, we have the benefit of a great fund of energy, wisdom and experience.

The report was adopted.

THE UNITED MOLASSES COMPANY

MR G. W. SCOTT'S STATEMENT

The thirty-second annual general meeting of The United Molasses Company Limited will be held on June 10th in London.

The following is an extract from the circulated statement by the Chairman and Managing Director, Mr G. W. Scott, CBE:

The gross profits of the Group for 1957 at £6,573,322 have been arrived at after writing down the value of molasses stocks at December 31, 1957, by £604,500 and providing a further sum of £126,000 against high price molasses supply contracts remaining undelivered at December 31, 1957. Your directors have no hesitation in recommending the continuance of the Ordinary dividend at the same rate as for 1956 and also the Special Cash Distribution of 4½d. per unit.

There has been a considerable improvement in the volume of molasses deliveries during the first four months of the current year compared with the previous year, but margins have been somewhat smaller. Prospects for shipping are depressing and there is no evidence of any likelihood of an early material improvement in either dry cargo or tanker freights.

Whilst it is difficult and dangerous to attempt to prophesy the future, the present indications are that the earnings of the Group for 1958 will show a considerable fall over those for the previous year. Nevertheless, your directors have every intention, unless some unforeseen event occurs, to continue dividends out of Revenue Profits for 1958 at the same rate as 1957.

BRITISH ROPES LIMITED

SALES MAINTAINED

The thirty-sixth annual general meeting of British Ropes Limited, was held on May 21st in London.

Mr Herbert Smith (Chairman) in the course of his speech, said: I would refer first to the very satisfactory result of the year's trading, and the strong position disclosed by the balance sheet. The group trading profit before taxation amounts to £2,566,000 compared with £2,369,000 for the previous year, an increase of £197,000. Taxation again absorbs more than half of the profit. Your directors recommend a final dividend of 13 per cent, the same rate as last year, on the ordinary stock, making a total of 17 per cent for the year.

Trading conditions have tended to be rather more difficult than in recent years, but the three main sections of the company—Wire, Wire Rope and Hard Fibre—have attained a sales level in both tonnage and value which is very similar to the previous year. More than 20 per cent of our production in the United Kingdom was exported; this represents an important part of our business. Intense competition has been met in many of these markets, but in spite of this we have increased our overseas trade.

During the last few months of 1957 the demand for wire rope and fibre rope for the Shipping industry fell below the normal level. Otherwise during the year the demand by the various users has reached the expected level. The future, however, is not so certain, and in 1958 we may not attain the profits shown for 1957. In addition, other industries in this country and overseas have suffered a decline in activity.

The report and accounts were adopted.

THE LONDON ASSURANCE

DIFFICULT CONDITIONS IN NORTH AMERICA

The Annual General Court of The London Assurance will be held on June 11th in London.

The following is an extract from the circulated statement of the Governor, Mr R. Olaf Hambro:

In my review addressed to the shareholders a year ago, I said that "Over all, the year has been a bad one." I am sorry to say that, taken as a whole, the figures for 1957 represent no improvement on those for 1956. Once more we have achieved an excellent profit in the Marine Department and the Life Department has maintained its admirable record, but the disastrous experience in North America in the Fire and Accident Departments has resulted in underwriting losses which have exceeded the profits achieved in other territories and in other Departments.

I cannot promise an immediate change for the better, but I can say with confidence that the "London" group is better placed now to meet further difficulties or to take advantage of any improvement in general conditions.

Life Account.—In the Life Department 1957 has been another year of steady and satisfactory progress. Although the total amount of new business showed a slight reduction when compared with the previous year, the total measured in sums assured was in excess of £10 million, and we are very well satisfied with the figures.

Premium income in the Life Assurance Account increased by nearly £90,000 to £2,532,704. The gross rate of interest earned on the fund increased by 3s. 6d. per cent to £5 9s. 11d. and the net yield to £4 4s. 4d.

Fire Account.—The fire premium income for the year amounted to £8,238,716, a decrease of nearly £700,000. The claims cost at £4,661,452 represented 56.6 per cent of the premiums, and an underwriting loss of £249,101 or 3 per cent of the premium income, has had to be met by a transfer from Profit and Loss Account.

Accident Account.—Premium income in the Accident Department shows a further substantial increase of over £1,700,000 to £12,248,809, the increase being spread over almost all the territories in which we operate. After setting aside the increased provision for unexpired risks and meeting claims, which absorbed 67.4 per cent of the premium income, as compared with 65.4 per cent, a transfer from Profit and Loss Account of £1,394,834 has been necessary to balance the Account.

Marine Account.—The total premiums amounted to £3,627,607, an increase of nearly £380,000 when compared with the previous year. The ratio of claims to premiums remained almost exactly the same as in 1956 at 73.9 per cent. The transfer to Profit and Loss Account is again £550,000.

Profit and Loss Account.—The gross income from interest, dividends and rents shows an increase from £1,261,140 in 1956 to £1,285,670 in 1957, but there is a loss of £333,509 on the operations of the year. The Court of Directors recommend a total distribution for the year of 2s. 3d. per share, the same as last year.

Balance Sheet.—The combined assets of the Group, including the Life Department, amounted on December 31, 1957, to £64,741,000, an increase of over £2,300,000 on the year.

FINANCIAL NOTICE

ROYAL DUTCH PETROLEUM COMPANY

N. M. Rothschild & Sons ANNOUNCE that the General Meeting of Shareholders of the Royal Dutch Petroleum Company on May 20, 1958, has decided to declare a total dividend in cash of fls. 5.— per share in respect of the financial year 1957 to be paid on each of the 60,818,280 ordinary shares outstanding at December, 31, 1957, and of fls. 3.50 on each of the 7,602,285 new shares issued since then. The amount of fls. 5.— includes an interim dividend of fls. 1.50, which was made payable in November, 1957, on each of the 60,818,280 ordinary shares then outstanding.

The dividend amounts to fls. 175.— per bearer certificate for 50 shares, fls. 17.50 per bearer certificate for five shares and fls. 3.50 per registered share respectively.

A. *On the bearer shares:*

This dividend will be paid on and after May 23, 1958, at the office of N. M. Rothschild & Sons on business days, Saturdays excepted, between the hours of 11 a.m. and 2 p.m. against surrender of Coupon No. 115, Coupons must be accompanied by a declaration in triplicate signed by an Authorised Depositary reading:

"We declare submitted to us that the securities evidence has been deposited enumerated below have been from which the coupons detached are provided with red export certificates detached are provided with red export certificates issued by De Nederlandsche Bank."

Coupons will be paid in sterling at the buying rate of exchange on Amsterdam current at 2 p.m. on May 21, 1958, or on the day of presentation in the case of later date. In view of the fact that guilder funds are being provided by the Company for payment of this dividend the usual foreign exchange commission will be deducted from the sterling proceeds.

From the gross dividend to be deducted (i.e. there will be paid of 15 per cent is to be deducted (i.e. there will be paid on Coupon No. 115 a net amount of fls. 148.75 per certificate for 50 shares and fls. 14.875 per certificate for five shares), except in the case of Coupons presented on behalf of (i) residents in the United Kingdom, provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 V.K." in duplicate; (ii) residents in the U.S.A. provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 V.S." in duplicate; (iii) residents in Sweden, provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 ZWE" duly completed by the Swedish tax authorities; (iv) residents in Finland, provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 FIN" duly completed by the Finnish tax authorities; and (v) residents in France, in which case either a French declaration model B signed by the shareholder with the certificate on the back duly completed by the appropriate French Inspector of Taxes or a French declaration model B in duplicate duly completed and signed by an authorised French bank must be provided.

As regards holders resident in France, attention is drawn to the fact that the regulations giving effect to the Franco-Netherlands Tax Convention provide that unless the model A or model B declaration referred to above is lodged when dividends are collected on and after September 1, 1954, dividend tax will be deducted and there will be no possibility whatever of reclaiming this tax.

In cases (ii), (iii), (iv) and (v) above the usual affidavit certifying non-residence in the United Kingdom will also be required if payment is to be made without deduction of United Kingdom income tax.

Coupons must be left for an appropriate period for examination and must be handed in personally. Coupons cannot be paid through the post.

Coupons must be listed *in triplicate* on special forms embodying the declaration referred to above, which can be obtained on application.

B. *On the registered shares:*

As to the shares registered in the United Kingdom section of the Netherlands register, N. M. Rothschild & Sons are authorised to announce that the following arrangements have been made for the payment of the dividend amounting to fls. 3.50 per registered share (nominal value fls. 20):

On May 21, 1958, the Sterling amount of the dividend will be fixed on the basis of the Sterling/Guilder rate of exchange current in Amsterdam on that date.

May 28, 1958, will be the record date. Shareholders registered at the close of business on that date will be entitled to receive the dividend.

On or before June 20, 1958, dividend warrants will be posted by the transfer agent, Nederlandsche Handel-Maatschappij, to shareholders registered in their books on the record date.

As soon as possible after May 21, 1958, a further announcement will be made giving the rate of exchange, the amount of the dividend in Sterling per share and the amount of the 15 per cent Netherlands dividend tax in Sterling per share.

New Court, St. Swithin's Lane, London, E.C.4.
May 21, 1958.

A.R SUBSCRIPTION RATES

	Airmail	Air Freight *
Australia	£10 6s	—
Canada	—	$25 or £9
Ceylon	£9 0s	—
China	£10 6s	—
East Africa	£9 0s	£7 10s.
Egypt	£7 15s.	£6 10s.
Europe	£6 0s	—
Ghana	£9 0s.	£6 10s.
Gibraltar, Malta	£5 0s	—
Hongkong	—	£8 15s.
India	£9 0s	£7 10s
Indonesia	£9 0s.	—
Iran, Iraq	£7 15s.	—
Israel	£7 15s.	—
Japan	£10 6s.	—
Jordan	£7 15s.	—
Lebanon	£7 15s.	—
Malaya	£9 0s.	—
New Zealand	£10 6s.	—
Nigeria	£9 0s	£6 10s
Pakistan	£9 0s.	—
Philippines	£10 6s	—
Rhodesia (N. and S.)	£9 0s.	—
South Africa	£9 0s	£7 10s
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St. John Street, London, E.C.1

Conference on

COMPUTERS IN OPERATION

July 14-18, 1958.

Lectures will be given on work carried out daily on standard computers, of interest to potential users of computers in industrial and commercial organisations.

Details from Head of Mathematics Department.

UNIVERSITY OF LONDON.—A lecture entitled "The Theory of Oligopoly" will be delivered by Professor W. J. Baumol (Princeton), at 5 p.m. on May 29th at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. Admission free, without ticket.—James Henderson, Academic Registrar.

EDUCATIONAL

COLLEGE OF TECHNOLOGY
Portsmouth

FULL TIME COURSE FOR THE B.SC.(ECON.) DEGREE OF LONDON UNIVERSITY

Enrolments for this three-year Course can now be accepted for the Session 1958/59. Applications should be addressed to the Head of the Commerce Department. Entrance requirements are:

G.C.E. passes in any five subjects, of which at least two must be at Advanced Level.

OR G.C.E. passes in any four subjects, of which at least three must be at Advanced Level.

SECRETARIAL TRAINING, especially for university graduates and older students. Six-month and intensive 14-week courses.—Write, Organising Secretary, DARIUS'S, 2, Addison Road, W.14. PARK 8392.

EXPERT POSTAL TUITION

for Examinations—University, Law, Accountancy, Costing Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—write today for free prospectus, and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/12).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30, Queen Victoria Street, London, E.C.4.

APPOINTMENTS

ECONOMISTS/STATISTICIANS

TREASURY, KENYA

Candidates, who must be under 45, should possess an Honours Degree or equivalent in Economics or Economics and Statistics. Experience desirable of economic research or economic administration and previous service in a government organisation an advantage. Some knowledge of handling statistical data and experience in its collection and interpretation is essential. For one vacancy, a knowledge of agricultural economics and experience in an advisory capacity in the field of agricultural research would be of value. Duties will include collecting economic and statistical information from various organisations, analysing this information and preparing reports and precis for submission to the Economist to the Treasury.

Appointment will be on probation for the permanent and pensionable establishment, inclusive salary scale £939 to £1,863, point of entry determined by experience. Government quarters, if available, at moderate rental. Free passages for officer, wife and family. Income tax at local rates. Generous home leave.

Application forms and further particulars from Director of Recruitment, Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1. (Reference BCD 161/7/01.)

PEP requires staff for study of European Common Market and Free Trade Area. Project, on a grant from Ford Foundation, covers trade and tariffs, economic and social policy, industry, agriculture, institutions. Salaries according to responsibility involved and experience. Posts of special responsibility £1,500 to £2,500; seniors £1,000 to £1,400; research assistants £600 to £1,000.—Write, giving full particulars to Richard Bailey, Director, Political and Economic Planning, 16 Queen Anne's Gate, London, S.W.1.

ADMIRALTY require two Temporary Assistant Statisticians for service in London. Applicants must normally be British subjects and possess either 1st or 2nd Class Hons. Degree in Mathematics or Economics with Statistics as a special subject. London salary within scale £535-£1,110 (men) and £535-£1,050 (women). Annual leave 3 weeks 3 days, plus public holidays. Write, giving details age, education and experience, to The Manager, Ministry of Labour and National Service, Professional and Executive Register, Atlantic House, Farringdon Street, London, E.C.4, quoting Ref. No. P.E.9844. Only candidates selected for interview will be advised.

NORTHUMBERLAND COUNTY EDUCATION COMMITTEE

ASHINGTON COUNTY TECHNICAL COLLEGE

Applications are invited for the following posts:—Training and/or experience in technical education will be an advantage.

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(1) ASSISTANT (GRADE A) COMMERCIAL SUBJECTS—For work in full-time and part-time courses with a special interest in either Secretarial or accountancy subjects.

(2) ASSISTANT (GRADE A) SHORTHAND AND TYPING (MAN OR WOMAN)—Ability to assist with Office Practice or other general commercial subjects will be an advantage.

Forms of application and further particulars may be obtained by forwarding a stamped addressed foolscap envelope to The Director of Education, County Hall, Newcastle upon Tyne, 1, to whom completed forms should be returned as soon as possible.

UNIVERSITY OF BIRMINGHAM

FACULTY OF COMMERCE AND SOCIAL SCIENCE

Applications are invited, from social scientists who have specialised in Statistics or from mathematicians who have worked in social or economic statistics, for a temporary LECTURESHIP or ASSISTANT LECTURESHIP IN STATISTICS.

Applications, which should contain the names of two referees, should be sent by June 16, 1958, to the Registrar, The University, Birmingham, 15, from whom further particulars can be obtained.

OXFORD UNIVERSITY

INSTITUTE OF STATISTICS

Applications are invited for research posts in applied economics. Candidates should have a good degree in economics or statistics and for one of the posts research experience. The salary will be according to age and qualifications in the range £700-£1,750 per annum. Posts are superannuable and an allowance of £50 per child is paid. Application forms may be obtained from the Secretary of the Institute, St. Cross Road, Oxford. Closing date June 21st.

APPOINTMENTS

THE GUEST KEEN AND NETTLEFOLDS GROUP OF COMPANIES

INSURANCES. An appointment is to be made at the Head Office of the Group in Birmingham of an appropriately qualified man to deal with the centralised work connected with the Insurances of the Group. Candidates in the 28-38 age bracket must have sound knowledge and experience of all classes of Industrial Insurance.

The appointment is pensionable and the initial salary will depend upon experience and qualifications.

Applications are invited from appropriately qualified men who consider that they have the relevant experience. They should write, stating full details of age, qualifications, career to date, etc., to the Group Personnel Officer, Guest Keen & Nettlefolds Ltd., Shell-Mex House, Strand, W.C.2.

A COST ACCOUNTANT

is required by

KUWAIT OIL COMPANY LTD.

for service in

KUWAIT

Applications are invited from Associates of the Institute of Cost and Works Accountants who should be in the age range 25-28 and have 2-4 years' experience in industry since qualifying. A degree in economics or commerce would be an advantage.

Local salary according to qualifications and experience, but not less than £2,100 p.a. Pension scheme. Kit allowance.—Write for application form, sending brief details and quoting K.2469, to Box Z/81, c/o 191 Gresham House, E.C.2.

ELECTRONIC COMPUTER PROGRAMMERS.—Littlewoods Mail Stores Ltd. have recently installed an Elliott 405 data processing system in their Head Office at Liverpool, and have vacancies for two experienced Programmers.

The successful applicants (age not over 35) will be competent to work as members of a team responsible for the investigation and programming of large scale commercial problems.

These are senior appointments within the Head Office, offering excellent progress in a rapidly expanding organisation, and candidates must be prepared to live in the Liverpool area.

Very attractive commencing salary based on experience and qualifications, with life assurance and pension facilities. Five-day week.

Letters of application, stating age and full particulars of education and experience, to the Employment Manager (E.C./5), Littlewoods Mail Order Stores Ltd., Kershaw Avenue, Endbutt Lane, Crosby, Liverpool X.

THE INSTITUTE OF RACE RELATIONS

The vacancy exists for a Deputy Director on a salary of £1,200 to £1,500 according to age and experience. Should be graduate in history, psychology or social sciences. Duties: to edit a Journal, edit and write Occasional Papers, conduct seminars, conduct own research in field of race relations. Closing date for application June 19th. References with application.—Further particulars from the Institute, 6 Duke of York Street, London, S.W.1. (TRAfalgar 4161.)

RECKITT & COLMAN HOLDINGS LTD. wishes to appoint a Chartered Accountant (under 30) at its Head Office for interesting and responsible work in connection with its considerable overseas business. Ability and character are more important than experience.—Details, including age, education and present salary, to Personnel Adviser, Danvers Lane, Hull.

PETROLEUM ECONOMICS LTD. invites applications from graduates under 35. Duties will consist initially of selection, analysis and preparation of data and statistics or studies and reports. Prefsons oil industry experience desirable but not essential. A knowledge of languages esirable. Salary according to age and experience. Write box 935.

UNIVERSITY OF EXETER

Applications are invited for the post of Lecturer in Economic and Social Statistics.

Salary scale £900-£1,650 (with efficiency bar at £1,300).

Further particulars may be obtained from the Secretary of the University.

Closing date for applications June 7, 1958.

CANTERBURY AGRICULTURAL COLLEGE

(UNIVERSITY OF NEW ZEALAND)

Applications are invited for appointment to the position of PROFESSOR OF AGRICULTURAL ECONOMICS. Applicants should hold academic qualifications in Arts, Commerce or Agriculture with special qualifications and experience in teaching or research in Agricultural Economics, or in any branch of economics as applied to agriculture.

Salary £2,190 per annum.

Conditions of appointment obtainable from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close in New Zealand and London, on July 31, 1958.

UNIVERSITY OF BIRMINGHAM

FACULTY OF COMMERCE AND SOCIAL SCIENCE

EDWARD WILSHAW POSTGRADUATE EXHIBITION

The Exhibition, of the order of £200, but the amount to be determined in each case by the applicant's merits and circumstances, will be offered each year from a fund founded by Sir Edward Wilshaw, K.C.M.G., D.L., LL.D., M.I.Mech.E., J.P. The Exhibition is open to graduates of this and other Universities who wish to prepare themselves for careers in business administration and management and who propose to read for the Graduate's Commerce Diploma in business administration.—Applications (6 copies), including the names of two referees, should be sent by June 14, 1958, to the Registrar, The University, Birmingham, 15.

KUMASI MUNICIPAL COUNCIL, GHANA

APPOINTMENT OF MUNICIPAL TREASURER

Applications for the above post are invited from candidates under 60 and preferably over 40, years of age, possessing the final certificate of the Institute of Municipal Treasurers and Accountants or an equivalent qualification provided the candidates or an equivalent experience of local authority finance. The post is on contract for three tours, each of 15 months' duration at a salary of £2,500 a year with gratuity at the rate of £12 10s. for each completed month of residential service payable on completion of contract. First-class passages for officer, wife and up to three children under 18 years, and in addition an education allowance for children when not resident in Ghana, of £100 a child up to three children under 18 years. Generous home leave on full pay. House provided, with basic furniture, at a reasonable rental. Car allowance will be provided, and facilities for the purchase of a car on an interest-free loan from the Council, free medical attention.

Applications, stating age, qualifications and experience, together with the names of three referees, should be sent, not later than June 23, 1958, to The Director of Recruitment, Ghana High Commissioner's Office, 13 Belgrave Square, London, S.W.1.

ACTUARIAL OPPORTUNITIES IN U.S.A.

The Equitable Life Assurance Society of the United States has several openings at its Home Office in New York for men interested in an actuarial career in the United States. Candidates should be up to about age 30 and have passed some or all of the examinations of the Institute of Actuaries, or of the Faculty of Actuaries.

Those interested should write to Mr. Harry Walker, Second Vice-President and Associate Actuary the Equitable, at 393 Seventh Avenue, New York, 1, New York, U.S.A., stating their qualifications, including age, education and experience. Interviews with Equitable representatives will be arranged in Edinburgh on July 21st and in London on July 22nd and 23rd.

A CAREER IN MARKET RESEARCH

A progressive career is open to young men between the ages of 21 and 27 in the Market Research Department of a nationally known Company manufacturing consumer goods.

Candidates should be graduates with an inclination to apply research to business problems.

A thorough training is offered in all branches of Market Research, leading to a rewarding career with early and increasing responsibility for guidance on important decisions on marketing and product development.

Letters of application should contain full details of background, age, education and career to date, and be sent to Box 937.

MARS LIMITED, confectionery manufacturers, invite applications for the post of Market Research Manager. The successful candidate will be responsible for the detailed planning of all research concerned with the distribution and sales of Company products and services. He will also be required to liaise with the Statistical Department on the preparation of reports on distributive research.

Candidates should be between 25 and 35 years of age, be graduates in economics (preferably with statistics as a subsidiary subject) and be able to undertake some travel within U.K. Previous experience in a Market Research or Economics/Forecasting Department and an interest in helping to produce and interpret statistics are also desirable.

The post carries an initial salary of at least £1,000 p.a. plus a generous non-contributory pension, life assurance and sickness scheme.

Applications, stating age, education and experience, should be addressed to the Personnel Officer, Mars Limited, Dundee Road, Slough, Bucks.

WORKS MANAGER required by well-established and progressive Company manufacturing office, works and specialised sheet metal equipment. Applicants, age 38-45, qualified engineers possessing knowledge up-to-date methods, time study, work minutes, budgetary control, development, etc., should write, giving full details of career to date. Permanent pensionable post.—Box 936.

UNIVERSITY COLLEGE OF NORTH STAFFORDSHIRE

Applications are invited for the post of Lecturer or Assistant Lecturer in Mathematical Economics, the appointment to be taken up on October 1, 1958. Salary in scale £900 x £50 to £1,350 x £75 to £1,650 p.a. (according to £700 x £50 to £850 p.a. (Assistant Lecturer).

Applications should reach the Registrar, The College, Keele, Staffs, from whom application forms may be obtained, not later than June 7, 1958.

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE

Applications are invited for the post of RESEARCH ASSISTANT in the Department of Economics, for one year from October 1, 1958, with a possibility of a renewal for a further one or two years, to take part in a research project on long cycles and economic growth. Salary £675 per annum.

Six copies of applications, together with the names of three referees, should be sent to the undersigned not later than June 10, 1958. Further particulars can be obtained by applying to the Registrar.

Cathays Park,
CARDIFF. E. R. EVANS,
Registrar.

FEDERATION OF BRITISH RUBBER AND ALLIED MANUFACTURERS

EXPORT DEPARTMENT

Applications are invited for an appointment in charge of the above Department. Candidates should hold an Honours Degree in Economics, and some experience in export business would be an advantage. Salary would be settled according to age and experience.—Detailed applications, giving the names of two referees, should be addressed to the Secretary, Federation of British Rubber and Allied Manufacturers, 43 Bedford Square, London, W.C.1, from whom further particulars of this post can be obtained.

THE AUSTRALIAN NATIONAL UNIVERSITY

CANBERRA

Research Scholarships

Applications are invited from postgraduate students with capacity for research for scholarships in Anthropology and Sociology including Oceanic Linguistics, Demography, Economics including Economic History and Economic History, Geography, Australian History, Far Eastern Relations, Law, Political Science, Pacific History, International Administration, Philosophy, Political and Social Philosophy and Statistics including Mathematical Statistics.

The scholarships are tenable for an initial period of two years and may be extended for a third year. Scholars are expected to enrol for a Ph.D. degree.

The present value of a scholarship is £A822 per annum. Married scholars with dependent children may be granted an additional allowance of £A225 per annum in respect of the first child and a further £A75 per annum for each other child.

A grant will be made towards a scholar's fares to and from Canberra at the commencement and expiration of his scholarship.

Application forms and further information may be obtained from the undersigned†, to whom applications should be submitted, or from the Secretary, the Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1. The University regularly considers applications in June and November but special consideration may be given to applications at other times. Scholarships may be taken up at any time after award including vacation periods.

*A substantial knowledge *of the relevant language* is a pre-requisite.

† R. A. Hunnen, Registrar, Box 4, G.P.O., Canberra, A.C.T., Australia.

THE POLYTECHNIC

309 REGENT STREET, W.1

DEPARTMENT OF MANAGEMENT STUDIES

Applications are invited for the posts of SENIOR LECTURER and LECTURER to the EXECUTIVE PROGRAMME, jointly conducted by the British Institute of Management and the Polytechnic.

The Senior Lecturer will be assistant director of the course and will, in addition to his teaching duties, take a large share in the administration of the course. Both he and the Lecturer will be expected to undertake research and some consulting work may also be undertaken.

Candidates should be graduates with an inclination to apply research to business problems.

A thorough training is offered in all branches of Market Research, leading to a rewarding career with early and increasing responsibility for guidance on important decisions on marketing and product development.

Letters of application should contain full details of background, age, education and career to date, and be sent to Box 937.

The salary scale for Senior Lecturers commences at £1,350 p.a., rising by annual increments of £50 to £1,550. The scale for Lecturers commences at £1,200 p.a., rising by annual increments of £50 to £1,350 p.a. In addition, a London allowance of £36 or £48 is payable in both cases.

A form of application, which should be returned within 14 days of the appearance of this advertisement, may be obtained by sending a stamped addressed foolscap envelope to the undersigned.

J. E. RICHARDSON,
Director of Education.

ACTUARY, National Mutual of Australasia seeks Resident Actuary for one of its largest Branches (New South Wales)—New Sums Assured £A14 million per annum and rising) after one year's experience at its Head Office in Melbourne. Generous salary according to age and experience with excellent prospects. Association will pay transfer costs to Australia. Applicants should either be Fellows or Senior Students who have completed three-quarters of examinations.—Apply to Manager for United Kingdom, 5 Chesapside, London, E.C.2.

COMPUTER PROGRAMMERS.—N.A.T.O. is installing an electronic computer in Germany at the end of this year to deal initially with distribution and control of stocks. Programmers are required to join the team which is developing and will operate the system. Vacancies exist for both senior and assistant appointments. For the senior post a degree in mathematics or science is indicated but a near equivalent may be acceptable; additionally some commercial experience is desirable. Experience in programming is an advantage, but training will be given. Knowledge of German not essential.—Write, in confidence, giving full details of experience and qualifications, to R. T. Eddison, Esq., Manager, Plans and Methods Department, NAAFI, London, S.E.11.

UNIVERSITY OF BIRMINGHAM

The University will offer a number of Scholarships, value £245 to £310, to graduates and to those expected to graduate this summer who wish to read for higher degrees in the Faculty of Commerce and Social Science. There will be opportunities for advanced study and training in research in all the main departments of the Faculty and in subjects common to more than one department.

Further particulars may be obtained from the Registrar, The University, Birmingham, 15, to whom applications should be sent before June 14, 1958.

UNIVERSITY COLLEGE OF ARTS AND SCIENCES

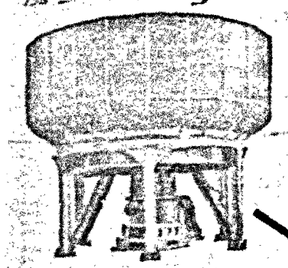
Baghdad, Iraq

A Lecturer in Economic History is required, to commence duties in October, and to teach courses in the economic history of England and France, 1700-1870, and in the economic history of Western Europe and North America, 1870-1939, to students in the second and third years respectively. It will be an advantage if, in emergencies, the Lecturer could also give an elementary course in Principles of Economics. Candidates should possess a good honours degree in economics and economic history. Starting salary: 1,800 dinars p. a. (1 dinar = £1 stg.), with cost of living allowance 144 dinars for single, 192 dinars for married Lecturer. Provident fund. Income tax approx. 6%. Free/low fares for Lecturer and wife and up to two children under 13 at beginning and end of contract. Travel allowance on leave, 60 dinars married, 40 dinars single. Annual home leave from mid June to late September. Up to 50% of salary may be remitted to U.K. Contract, one year or three years, with first year probation on both sides. Candidates with particularly good qualifications should write to the Dean without delay.

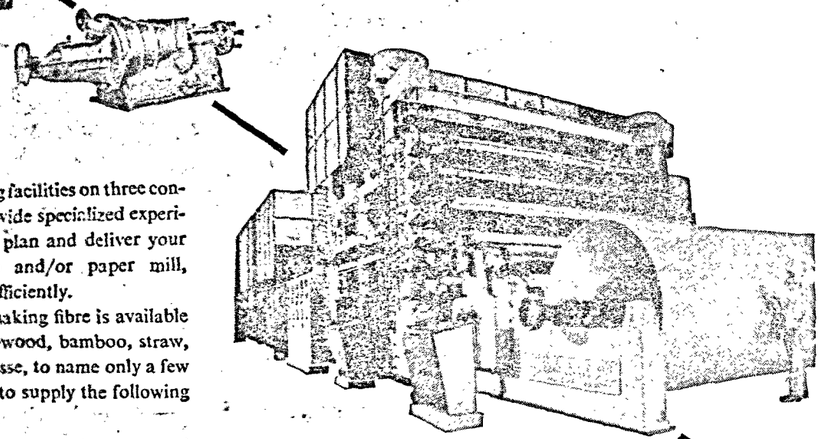
Applications should be addressed to the Cultural Attaché, Iraqi Embassy, 22, Queen's Gate, London, S.W.7, before May 30.

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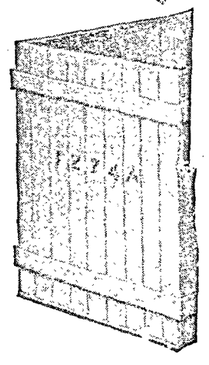
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GOVERNMENT OF MADRAS

THE NEW GAULLISM

Cincinnatus from the Marne

The General is less terrifying than his camp-followers (page 765).

Does the manner of General de Gaulle's bid for power support the hopes that have been placed in him?

The Tottering Republic

M. Coty's message has brought the moment of decision (page 799).

Back from Sandys?

A re-assessment of Britain's defence policy (page 767).

Still Debating Disarmament

In Washington the Administration has not yet reached an agreed position on the wisdom of suspending nuclear tests (page 789).

Mr Cousins over the Capital

Reasons and nature of the spreading strike threat to London (page 770).

Buses in Cities

Costs have been increasing for all urban bus companies, while passenger traffic has been declining. But some are managing to cope (page 811).

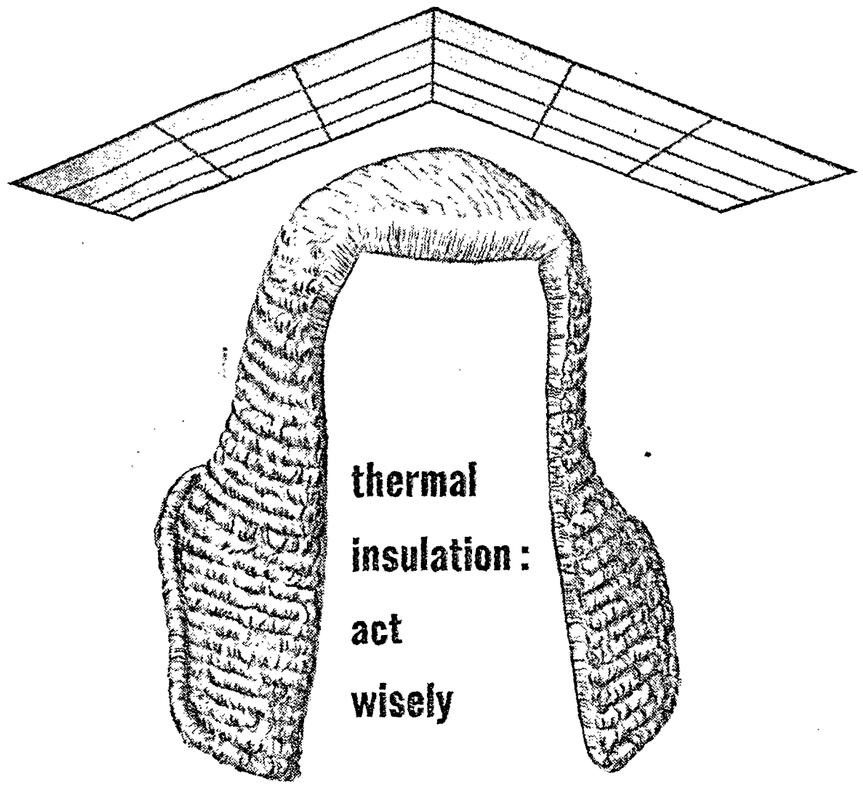
Gas Under Pressure—I

The oldest smokeless fuel is facing bitter competition nowadays from other fancied youngsters — electricity and oil (page 809).

A Finland in Asia?

A possible course of action in the still-unsolved Korean question is suggested (page 769).

Annual Postal Subscription by ordinary mail £4.10s.; overseas £5; by air see page 855
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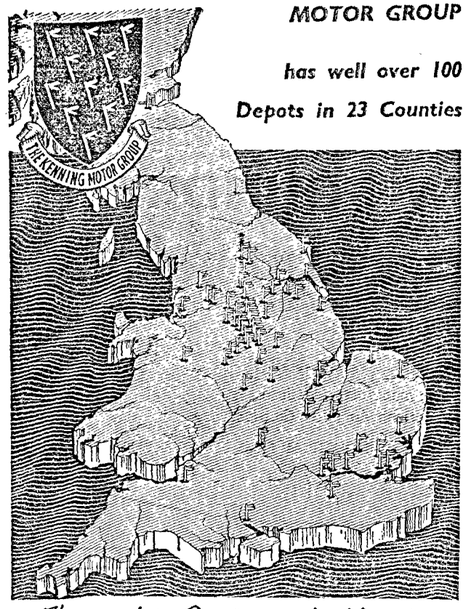
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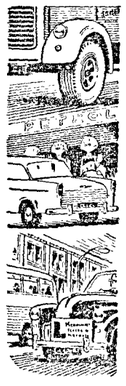
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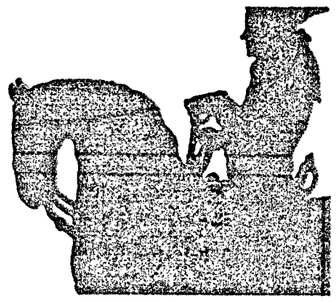
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Rococo was in fashion. Madame Pompadour was the ruling favourite at Versailles. Haydn was composing music, Voltaire and Rousseau were writing, Goethe and Mozart were still in their childhood. A few years earlier, Benjamin Franklin had invented the lightning conductor; a few years later James Watt built the first steam engine. In France, Diderot and d'Alembert were working on their Encyclopaedia; the University of San Felipe in Santiago de Chile was two years old, the Vienna and Edinburgh Stock Exchanges five. Adam Smith was writing the Wealth of Nations. Britain and France were fighting for possession of overseas territories, and war was also in progress between Frederick the Great and Maria Theresa, Empress of Austria. Porcelain factories were being founded, cement had just been discovered, and the cabinet maker Chippendale had created a new style of furniture.

1758



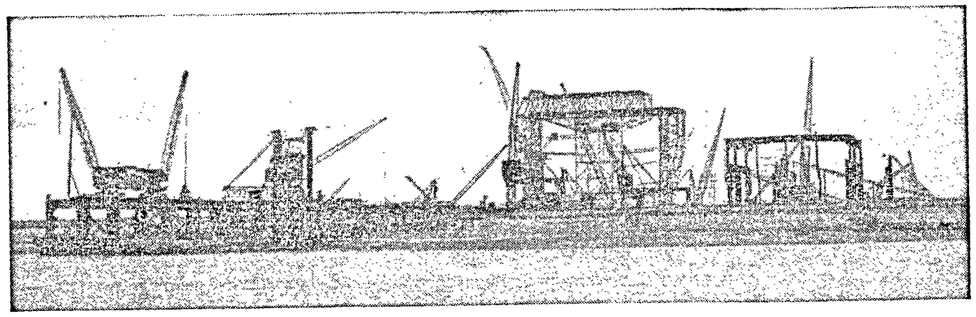
In 1758 one of the oldest chemical firms in the world was founded in Basle, Switzerland. It was a shop where dyes, drugs and Chemicals were sold, and the founder's name was Johann Rudolf Geigy.

The firm has carried that name ever since. This year J. R. Geigy S. A. of Basle joins its associates throughout the world to celebrate the 200th year of its foundation. In two centuries the one-man business has grown into an international concern whose products – like the DDT insecticides and the Mitin mothproofing process – are famous everywhere.

The Geigy Group of Companies today make and sell dyestuffs and tanning materials, industrial chemicals, plasticisers, pesticides and pharmaceuticals. In the field of organic chemicals the name of Geigy is a mark of quality.

200 years Geigy

Progress report on BRADWELL



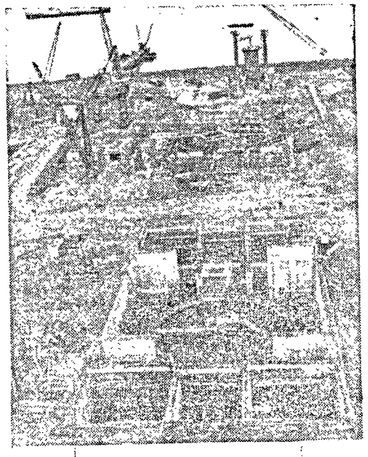
1 THE FIRST YEAR . . .

January 18th, 1958, was the first anniversary of the start of construction of Bradwell nuclear power station in Essex, England.

The station was designed, and is being built, by the Nuclear Power Plant Company Limited for the Central Electricity Generating Board. Employing two gas-cooled, graphite-moderated reactors, the station will have a guaranteed net electrical output of 300 megawatts.

TURBINE HALL

The reinforced concrete foundation blocks for the main and auxiliary turbo-alternators have been completed and the outer retaining walls are above ground level from an excavation depth of approximately 24 ft. Structural steelwork, carried on mass concrete foundations, is now being erected. The dimensions of the turbine house excavations are 550 ft. x 200 ft.

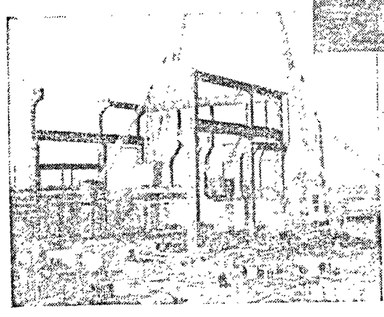


REACTOR PROGRESS

Both reactor buildings are now above ground level from an excavated depth of 40 ft. The support plinths for the pressure vessels have been cast, and work has started on the fabrication of the vessels.

GOLIATH CRANE

This 200-ton crane to be used primarily for the fabrication of the reactor pressure vessels and the hoisting of complete boiler shells has been completed. Running on tracks on each side of the reactor buildings the bridge structure will clear the buildings at any time. The track of approximately 1,200 ft. length is also nearing completion.



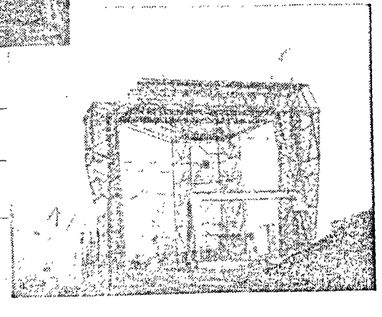
Top A view of site from Blackwater estuary

Above Nos. 1 and 2 Reactors

Left Northern end of the Turbine Hall

Right The Goliath Crane

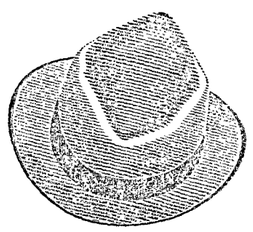
These photographs were taken during the first year of Progress.

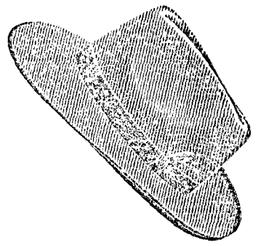


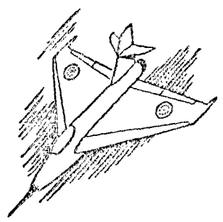
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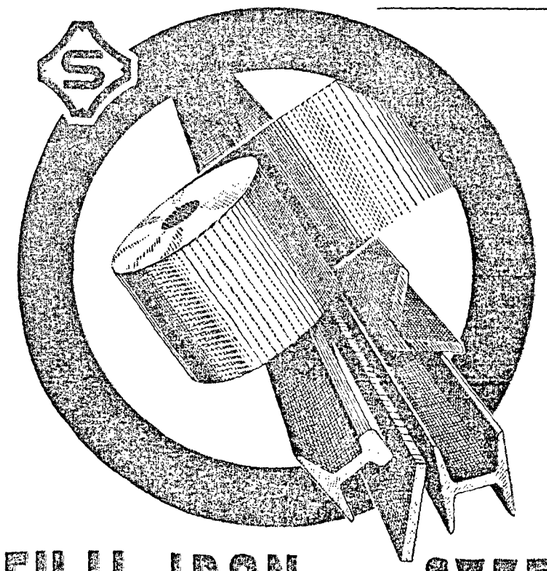
"The Works Doctor came to see me the other day and put forward a strong case for some form of insulation to protect employees from excessive noise. Apparently most of the absenteeism and nervous illness in the place is due to sound irritation, although I believe he had another word for it. I must admit our re-equipment scheme has increased the noise level considerably—and absenteeism has increased likewise. Anyway I'm recommending to the Board that we call in Newalls to see what can be done about it. It will be a worthwhile investment to get back to something like peak efficiency."*

**anxiety sonorosis*

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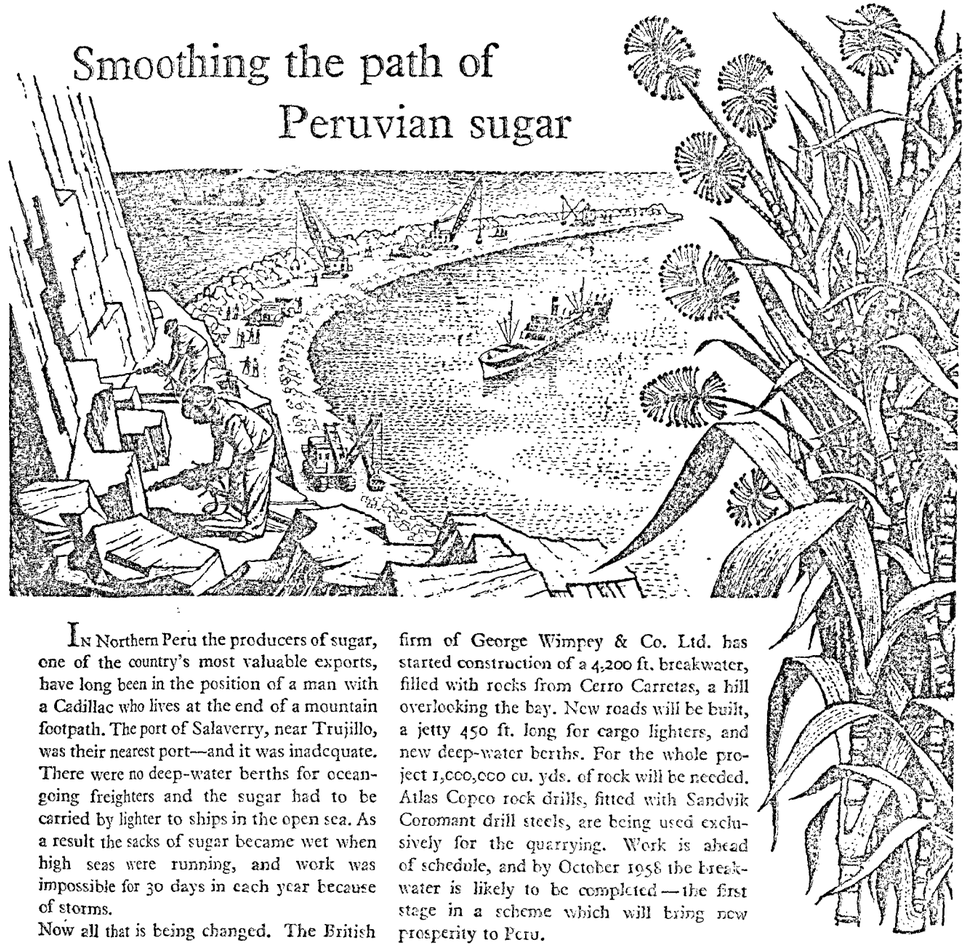
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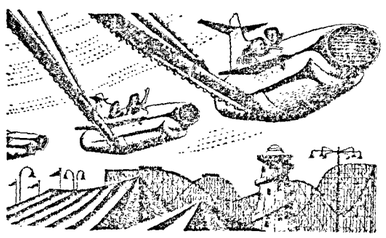
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Smoothing the path of Peruvian sugar



In Northern Peru the producers of sugar, one of the country's most valuable exports, have long been in the position of a man with a Cadillac who lives at the end of a mountain footpath. The port of Salaverry, near Trujillo, was their nearest port—and it was inadequate. There were no deep-water berths for ocean-going freighters and the sugar had to be carried by lighter to ships in the open sea. As a result the sacks of sugar became wet when high seas were running, and work was impossible for 30 days in each year because of storms.

Now all that is being changed. The British firm of George Wimpey & Co. Ltd. has started construction of a 4,200 ft. breakwater, filled with rocks from Cerro Carretas, a hill overlooking the bay. New roads will be built, a jetty 450 ft. long for cargo lighters, and new deep-water berths. For the whole project 1,000,000 cu. yds. of rock will be needed. Atlas Copco rock drills, fitted with Sandvik Coromant drill steels, are being used exclusively for the quarrying. Work is ahead of schedule, and by October 1958 the breakwater is likely to be completed—the first stage in a scheme which will bring new prosperity to Peru.



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The Economist

MAY 31, 1958

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Cincinnatus from the Marne

FRANCE'S three capitals—Paris, Algiers and Colombey-les-deux-Eglises in the Haute Marne—have none of them the whole answer to the continuing crisis of a great country. President Coty's message to Parliament on Thursday brought all three to the point of decision. The risk of a trial of strength remains. The frailty of republican institutions in Paris, demonstrated so often in the past, needed no further confirmation from the events of the past three weeks. Even so, the frailty of some republican hearts in the immediate crisis still produced an unpleasant shock, only belatedly offset by the mass march through the streets of Paris on Wednesday evening and the last ditch resistance of the rank-and-file of the Socialist party in the face of almost irresistible pressure. From the men of Algiers neither France nor the western world, although both may understand the human springs of their insurrection, can expect much of promise or of comfort. But from General de Gaulle France itself once received its salvation. Before the Algiers coup his reputation remained all but intact; it has been the most ominous development of the crisis that the means whereby he has sought to come to power have seemed to belie a great past. If the general does, at last, rule again in Paris he will undoubtedly stand higher than his camp-followers in the world's esteem. His backers have already thrust the saviour image upon the country. He, himself, no doubt, believes it.

But before the general is hailed as Cincinnatus summoned from Colombey to save the republic from chaos, the record of his struggle back to power should be seen for what it is. There must be no new Gaullist myth. The general has told M. Vincent Auriol that, although the Algiers military coup of May 13th was done in his name, it was done without his knowledge. But the fact remains that he bestrides France today because he deliberately exploited the coup by preventing the Republican government from restoring its authority against the insurrection. He did not disclaim the coup when he broke his silence on May 15th; and before he spoke up even General Massu was climbing down. M. Pflimlin's overnight investiture by the assembly had thrown Algiers into disarray. General Salan, the reliable weathercock of the crisis, had once more turned towards Paris for his orders. But General de Gaulle's statement openly encouraged the Algiers leaders to look to his return to office as the easier alternative to working out their troubles with M. Pflimlin. His press conference on May 19th then widened the breach between Algiers and Paris by implying that the generals' revolt was, in fact, respectable. No casuistry can call this intervention disinterested.

General de Gaulle has been carried onward by the paratroopers, settlers, and right-wing militants who bellowed for him in the streets of Algiers and whose armed seizure of Corsica he pointedly failed to denounce. If he sees himself now as the liberator of 1944 returning once more, the faces of this entourage should disconcert him. The original purpose of the Algiers conspirators was not, in fact, to summon him to

power; they would have preferred a Bidault-Morice-Soustelle coalition in the assembly. They intended to stop the formation of any government in Paris not explicitly dedicated to the pretence of French Algeria. Only when this failed did their shouts for de Gaulle become distinct. M. Soustelle, although prudently refusing the aid of ex-poujadist thugs who bustled expectantly to Algiers, is surrounded by men of dubious political instinct like MM. Dronne and Delbecque, and the Corsican plotter M. Arrighi. Inside the Committee of Public Safety sit former Petainists like M. de Sérigny, of the *Echo d'Alger*. This is no band of Gaullist brothers. It is true that the army, principally General Massu, seems to have persuaded the settlers to accept a formula of racial integration which might (if it had been tried before the last quarter-of-an-hour had struck) even have spiked the guns of the rebel FLN. But it remains very doubtful whether integration will, in practice, be pressed beyond the settlers' own desires.

The Corsican coup a week ago spoke unmistakably of the strong-arm tactics favoured in Algiers—so strongly indeed that, when the threat of its repetition anywhere on the French mainland south of the Loire was understood by the wilting M. Pflimlin, he drove himself to voice a last protest. General Salan, who had surrendered to revolutionary euphoria and by this stage envisaged a victorious march up the Champs Elysées, was not deterred from appointing his own governor for the island. This open insubordination might have proved fatal to any officer class less aware of the weaknesses and divisions of its political masters. As it was, the seizure of Corsica was a decisive blow to M. Pflimlin's crumbling prestige; as such, it gave M. Soustelle, the Gaullist brain in Algiers, a further claim on General de Gaulle's gratitude, and on the general's ear once in office. There can be no glossing over by whom the Gaullist progress was planned and set in motion.

The centre parties in the assembly, although their leaders seemed willing instruments in their own destruction, soon made plain their reluctance to co-operate in fulfilling the minimum of republican legality under which the general wished to come to power. The general's announcement, after the nocturnal encounter with M. Pflimlin, that he was already forming a new government before the old one decently fell might have been due to a misunderstanding, to fears of a paratroop coup in Paris itself, or to a natural anxiety to force the pace. The immediate response of the Socialists and the MRP was to refuse M. Pflimlin all but the flimsiest excuse for yielding. When the Prime Minister did go to M. Coty it was with the ludicrous explanation that the resignation of three right-wing ministers (whose parties had deserted the republic some time since) made it impossible for him to continue, even with the possession of 408 votes in the assembly. That there were 150 Communist votes in M. Pflimlin's majority should not have filled him, or anyone else, with nameless fears. The recreation of the popular front of the nineteen-thirties, with its international overtones, was probably a fantasy even to M. Duclos. What should have counted with a resolute cabinet was that these votes were available to help them to save republican institutions—and to call the army's bluff.

So the republic entered the last ditch. It found itself there through the accumulation of its sins of omission since the liberation, and an accumulation of popular disrespect since, indeed, the beginnings of the Third Republic in 1871. To history it may even seem remarkable that it survived so long. It was threatened because it failed to provide an efficient political system in keeping with a modern, technologically advanced, state. It was threatened because the assembly failed to reform itself, except for the last, despairing and slightly absurd attempt this week when it was already in extremis. It was threatened because all its shifting majorities were against something, but not for anything. It was threatened because it refused to come to terms with itself on how to deal with its communist minority. The republican parties did not succeed in reducing communist strength in the country, but they could not bring themselves to accept communist support to push through reforms to strengthen the republic or, in the last ditch, to save the republic from dissolution. By conducting their political combinations for a decade as though the communists did not exist they merely disfranchised a quarter of the population. And now the republic was close to extinction because it failed, almost throughout its existence, to adopt a colonial policy fitted to the times, to France's own interests, and to the influence and cohesion of the western alliance. Madagascar, Indo-China, Tunisia, Morocco and now Algeria: it is a sorry procession of political ineptitude, civil brutality, military humiliation, and ministerial surrender. The bravery and devotion of many thousands of Frenchmen deserved a better cause, and a better fate.

These follies and these weaknesses of the French state touched their nadir with the Algiers coup. The customary interregnum in Paris encouraged the plotters to act on May 13th. The governing parties' past refusals to make up their minds about Algeria left them in no order to take a strong line toward the settlers after the riots. (M. Pflimlin's investiture speech, in fact, discounted a liberal solution.) When the generals defied Paris the government turned the other cheek through fear of de Gaulle. When the generals appealed to de Gaulle the government, fearing association with the Communists, did not dare to call for popular support. And when de Gaulle moved openly the government invited the assembly to defeat it. Even that, through the final stand of the Socialist rank-and-file, was bungled. When M. Pflimlin turned himself out it seemed almost too late to do anything—to save the republic, to make terms with de Gaulle, even to ensure against a general strike and the barricades.

There is no point in mincing words. General de Gaulle has manœuvred for power in the wrong way to be immediately acceptable as a true arbiter between Algiers and Paris, as the negotiator of a durable (that is, a political) solution in Algeria, or as the national leader who will heal his country's divisions. It may indeed be that—if he comes to rule—his own character and high patriotic sense will serve him now as they did in 1940. Before the coup, what is known of his present opinions and what is remembered of his postwar policy had suggested to many of his countrymen, M. Mendès-France among them, that a recourse to the general might well be the one way to solve the Algerian problem. These estimates have been damaged by his performance in the past fortnight, but they must not be written off now. Yet, even if the general were to act as the noblest Roman of them all, he would still have to take into account the demands of his motley backers: the embattled settlers, the army colonels who want to reconquer Tunisia and Morocco, and the right-wing camp followers who claim political and administrative spoils in France itself. More than the most arresting myth will be needed to bring them to heel.

It is too soon to guess what General de Gaulle's advent might mean to Nato and the west. France's friends would look as anxiously for signs of liberalism within France as for signs that the general is not still committed abroad to the *politique de grandeur* that once sent him to interview a mystified Stalin (Mr Khrushchev would be more accommodating) and sent the French army into what became the Indo-Chinese war. But the Gaullist shadow invites one broad question which the West, or at least its politically advanced member countries, have not previously had to face. How can a democracy on a narrow base, forced to be vigilant against a communist fifth column directed from Moscow, sustain itself in face of a challenge from a belligerent and dissatisfied Right? There are other Nato countries which have reason, whatever their present stability, to fear that France's toils might one day bind them. Would they, like M. Pflimlin, prefer political death to the risk of contamination? The pathology of the Fourth Republic concerns us all.

Back from Sandys?

Doubts about the emphasis of Mr Sandys's defence doctrine grow. Conventional arms are not obsolete but vital.

Mr Sandys is fighting two wars in Whitehall: one that is righteous, and one that looks less and less righteous as the months pass. Like other wars started independently they are tending to merge, which muddles the rights and wrongs of each. The righteous war is the one fought to develop the supremacy of the Ministry of Defence over the service ministries, to prune vested interests at chiefs of staff level, and to keep the way open for service amalgamations if technical change makes this logical. Far less certainly righteous is Mr Sandys's ideological war to force British defence organisation entirely into the mould set by his two defence white papers.

The essential doctrine of those two papers was that Britain must have the nuclear deterrent. A growing number of people believe that the first principle of British defence policy should instead be that Britain must have conventional weapons. If Britain can afford it—and if there is any reason to suppose that it is collectively required—then let Britain keep on developing the deterrent also, in order to supplement American nuclear power. But a sufficiency of conventional arms is needed first.

This is not a purely British debate. It also crackles behind closed doors in the Pentagon, where note is being taken of Russia's persistence in developing its

The Economist

MAY 29, 1858

GOVERNMENT BY THE SWORD

"An army, which is not distinctly the servant of the State, must be its master. . . . Society in France is beginning to find all the practical consequences of having the soldiery for its master brought home to its business and bosoms. The impression seems to be general . . . that in the time of Louis Philippe, the army was comparatively unimportant as being in no way the foundation or main support of the existing Government, and therefore was neither arrogant nor presuming. . . . But of late, its temper and its *personnel* have greatly changed as well as its position. It feels its own omnipotence, and is resolved to make this felt by the community. And, being to a great extent officered by men whose habits and *manners* are formed not in society but in garrison and in camp, it chooses the most offensive methods of imposing its sway and asserting its superiority. . . . We give the above statements with some degree of diffidence, though in truth we entertain only a very slight misgiving as to their accuracy. Granting them to be true, what a fearful picture do they display!—a great, powerful, highly civilised country, our nearest neighbour and our closest ally, at the mercy and under the heel of an enormous armed force, master at once of the Government, by which it is feared and needed, and of the people, by whom it is loathed, dreaded and despised.

own conventional forces, even though its bid to draw level with the west in nuclear arms is nearing success. This is causing much American heart-searching about the wisdom of "going nuclear" in everything. To do so could introduce a fatal measure of inflexibility into western defence and foreign policy.

For some years the West was able to argue that its monopoly of nuclear weapons made up for its weakness in divisions. Now the Russians, too, have the bomb—and, more recently, have approached equality in the tactical means of delivering it (witness their advances in rocketry and the size of their tactical air force). This leaves the disparity in conventional arms unredressed. Indeed it has become worse if the Russians have brought their forces up to date, while the west has, in the search for economies, reduced its capacity to retaliate except by nuclear means. This puts a string of advanced western positions from Quemoy to Berlin under the threat "we take, and if you go one higher, so do we." The danger is that in all clashes that are less than nuclear the West is now likely to be beaten; and that if it raises any struggle even to the lowest level of tactical nuclear war, it will incur such political odium, and arouse so many fears that it is about to launch the holocaust, that defence of that particular outpost may not seem worthwhile. The tendency then may be to let the Russians have it.

MILITARY thinkers often find it hard to see the importance of the attacking pawn, when they have the position covered by castle and queen. One atomic weapons-system begets another as fast as it goes into operational service (or before). To intercept the fast atomic bomber, the complex atomic anti-aircraft missile is devised, and in turn makes possible further adaptations of weapons to nuclear explosives all down the line. All the "hardware" becomes more complex and expensive, and less adaptable to conventional uses. Thus, to take an example, the American tactical air force is now not designed to support ground forces fighting an old fashioned (Korea type) campaign, but only to drop atomic bombs on those "tactical" targets which the Strategic Air Force would not cover in some unthinkable all-out war. Because all this is so expensive, the idea of also providing "obsolete" types of planes or other weapons is rejected; increasingly the only war thought about, or trained for, is some sort of atomic war.

These problems are as relevant to American defence doctrine as to British. But Britain has a particular obligation to weigh them carefully. Obviously it is America's role to maintain, and largely to supply, the West's nuclear deterrent, which is indispensable. But this is not Britain's primary role; nor can it be right for Britain to render its forces incapable of anything except nuclear warfare. Britain's first responsibilities are to provide deterrence at the other end of the spectrum, particularly in view of the wide range of British commitments throughout the world. This is the true, and most practicable, form of interdependence. Yet, in deference to the need to economise in order to build up its own nuclear deterrent, this country has weakened its capacity to ward off colonial incidents; and in Europe Britain's withdrawal of some troops from the continent has forced General Norstad, in turn, to rely more on his nuclear arms to meet any scale of attack.

This is not to suggest that the West can regain bargaining strength by trying to match Russia's conventional forces man for man (although, in strict terms of manpower and resources, it could in fact do so) Mr Sandys has calculated that to do so would cost Britain alone another £1,000 million on the defence budget (as well as national service indefinitely), which is a measure of the abstinence that the free peoples will not accept. What is urgently needed (and this applies to Nato and American forces, as well as to British) is to raise the scale of the limited threat that could be contained without recourse to atomic weapons—and not, as now, progressively to reduce it.

The fact is that there is still a real distinction in use between atomic and conventional arms, and that this should be preserved as an act of deliberate political choice. In an atomic age, when the atomic bomb is itself a key piece in the war of minds and wills, conventional forces are no less necessary as an instrument of policy than is the maintenance of an adequate atomic deterrent. It is a matter of choice which countries in the western alliance should maintain that deterrent, in its several forms, and which should concentrate more upon the range (which is wide) of non-nuclear roles. This is far from agreeing with the neo-pacifists who wish Britain unilaterally to dismantle its—and the Americans'—nuclear deterrent now mounted in Britain. Nor it is to suggest that America, because it must be the main provider of the deterrent, should have no non-nuclear capability. There are now 5½ American divisions in Europe; who can doubt that these American forces, the core of Nato's shield, would have to rely less on their corporals and matadors if they were backed by 20—or, better, 30—allied divisions instead of the bare ten?

Mr Sandys may be tempted to say that the question-mark thrown over Nato's future by events in France fully justify his emphasis on the British nuclear deterrent. He should hesitate. Nato's future might now be far more secure if the emphasis had been placed the other way round, and more British divisions now stood on the Rhine. More may yet have to stand there, and more be found to back British commitments under other treaties. Mr Sandys has been courageous in overhauling a defence organisation which had not moved with the times. He should now have the courage to look again at a defence doctrine already eroded by rapid political and technical developments; and, having reassessed it, he should pass the results to the nation—if necessary with the bill for continuing conscription after 1961. He need not fear the charge of inconsistency—only the charge of not keeping up with the pace of change.

A Finland in Asia?

If Korea is ever to be reunited, it may have to model itself on another small country on the other side of the communist land mass

TIME heals many wounds, but it has not healed the incision that cuts Korea in half. The general election held in the southern half of the country early in May was the third—two for parliaments, one for the presidency—since the fighting ended nearly five years ago. The South Koreans can congratulate themselves on having developed something more like what veteran democrats would recognise as a free poll and a workable two-party system. But nothing has been achieved in these three elections and five years that promises to alter the basic Korean paradox. The two halves of the country are as apt for fitting together as a plug and a socket; yet they remain unconnected, and each drains strength from the great power that supports it. The onward roll of time has produced neither of the consequences that the free world might once have hoped for: neither the disintegration of the communist regime in the north nor the blossoming in the south of a society so free and prosperous as to entrance other Asian eyes. It becomes increasingly clear that, if the problem is ever to be solved, both sides will have to change their mental image of the future of Korea.

There have been two developments in the past year which are likely to make the present compromise even more unsatisfactory, not less, than it is now. On the whole, this month's elections went well. There was some intimidation in the country villages where the foreign correspondents and United Nations observers did not penetrate; apparently President Rhee's police kept their usual avuncular eye on his interests, and the supervision of polling stations was not always up to democratic standards. But the Koreans behaved better than the Filipinos did in their election last year, and the possible alternative ills—a huge rigged majority for Dr Rhee's Liberal party, or the chaos and possible army *coup* that might have followed a Democratic victory—were both avoided.

Nevertheless, the election produced two parties which, though rivals at the polls, cling cosily together on a narrowly conservative policy. The left-wing Progressives, the one party which formerly had something fresh to say about the problem of the north, have now been banned. It is true that during the campaign the Democrats suddenly declared that they would be willing to allow all-Korean elections under UN supervision, whereas the government insists that it will tolerate nothing more than a kind of mass by-election in the north to fill the "vacant seats" in the legislature in Seoul. But it is hard to know how long even this degree of divergence will last. Lately there has even been talk of a merger from members of both parties, including Dr Rhee's heir apparent, Mr Lee Ki-poong. Even if the South Koreans are developing a two-party system, it is not one that offers a genuine alternative government.

The second development is a new danger to the South Korean economy. It keeps its nose barely above water by virtue of American aid, which in the past two American fiscal years has been running at more than $300 million a year. In the present year, however, ending next month, the total is substantially lower, and Koreans expect to get little more than $200 million next year. If it were possible to eliminate the very high proportion of losses caused by graft and the simple disappearance of goods within Korea, two aid dollars might go nearly as far as three used to. But, if not, the South Koreans will be forced to pare down some of their more ambitious plans. A heavy industry, centred on aid-financed iron and steel works, would recede into the dreams of the future. And if South Korea's economy never gets beyond the stage of light industries and consumer goods, its chances of emerging one day into prosperous self-sufficiency are dim. The many thousands of angry (because unemployed) young men are likely to grow angrier still if they suspect they are being educated merely to be turned out on the streets.

THIS is the context for the recent exchange of Notes between the Chinese government and the sixteen nations that fought in Korea. In February, the Chinese announced that they were evacuating their troops and made a vague suggestion that, if the allies did likewise, all-Korean elections might be held under neutral supervision. The allies countered by asking for more details about the kind of elections the communists had in mind; and this month the Chinese avoided the question by repeating their call for an American withdrawal and saying that the elections could be talked about afterwards. At this point the observer begins to fear that the discussion is about to be impaled on the familiar barbed-wire semantics of "neutral" and "supervision," and that the Chinese are simply interested in getting the last couple of American divisions off Korean soil—though one might suppose that this prospect, in view of President Rhee's musings about what he would like to do if he had a free hand, might alarm China as much as the rest of the world.

And yet the situation is not yet so obviously hopeless that there is no point in going on with the discussion. It is essential that the Chinese should see the folly of demanding a total evacuation of foreign troops before a real political settlement is reached: leave the two Korean governments by themselves, and they would simply leap at each other's throats. But if the Chinese could be made to realise this, they have already agreed,

at least in principle, to the other main requirement: a supervised election for the whole of Korea. The importance of this should not be underestimated. If the Chinese were to stand by what they have said, they would have reconciled themselves to the prospect of an election in which their chances of winning would be virtually nil. The population of the north is a mere fraction of that of the south ; and there is no reason to think either that the northerners are unanimously communist or that the southerners have forgotten 1950. As a simple matter of arithmetic, the allies could afford to be a little more generous in their definition of "neutral supervision" than they could consider being if the communists were within jumping distance of a majority.

This is a surprising risk for the Chinese communists to consider, but there is no mystery about their motives. In order to keep the shadow of American nuclear weapons away from their Manchurian doorstep, they may be willing to relax their control over North Korea—hoping that in the long run the whole country will either turn communist or, failing that, simply be a harmless small neighbour. Of course they will try to get rid of the Americans without submitting to elections in return ; but it is the allies' business to make them pay the price. China's foreign policy may not always be as rawly immature as it was a few years ago. Peking may be willing to tolerate the existence of an independent but neutral Korea on its flank much as Russia tolerates the existence of Finland, that other tiny appendix to the communist continent.

Is this concept unacceptable to the West ? The comparison with Finland is a close one. Finland, like Korea, has no reason to love its big neighbour. Its independence is tolerated because it presents no threat to the Russians and because they know that subduing it would be an awkward, risky and possibly bloody business. A reunited Korea, with the benefit of a good deal less foreign aid than the two halves now get, could become a tolerably prosperous country by Asian standards. Its parliament might well, like Finland's, include an obstinate minority of communists, but so long as the country was well run they would not necessarily be a dangerous minority.

Of course, such a Korea would always be "at China's mercy" in precisely the same way as Finland depends on Russia's tolerance. One can even foresee it developing the same kind of special trade links with the communist block as Finland has (and, with luck, being tossed the same little privileges that Mr Khrushchev is now offering President Kekkonen) and it would have to be equally careful how it voted in the United Nations. But the point is that Finland stayed genuinely free. The Russians have tacitly admitted that the military and diplomatic disadvantages of changing its status by force outweigh any advantages they might gain. Might it not be worth while to try to win a similar status for Korea ?

NOTES OF THE WEEK

BUS STRIKE

Mr Cousins Over the Capital

There is now a nasty prospect that Londoners may be about to be stricken hip and thigh by Mr Cousins, and it will be well to be clear about how the threats of new strikes have come about. It is now confirmed that, shortly after the railway settlement, London Transport offered to bring forward from the autumn to the summer its review of the wages of those London busmen who had been refused an increase ; as it is summer now, and as "review" is a euphemism for a rise, this meant that Mr Cousins had won a large part of his case. Most of his fellow trade unionists must have expected him to call off the bus strike on these terms. But it is a favourite personal tactic of Mr Cousins's that, when a settlement is in sight, he suddenly asks for a little bit more than anybody had expected ; he has found that, at this penultimate stage, when everybody is usually sick to death of argument, that little bit more is often given. This past week's performance was not an isolated example of this personal tactic ; students of Mr Cousins's career say that they can trace similar instances right back to his earliest industrial days, when he worked in a small transport undertaking on the employers' side.

The little bit more for which Mr Cousins is now demonstrating is apparently that the review of the wages of country bus crews and garagemen, which will mean a rise for them, should be *called* a rise, and announced as such with a minimum figure declared in advance. It is probably precisely because this seems to him such a relatively small point of substance that he feels that he can get it ; and it is because he thinks that he can get it that he decided this week to be very terrible in both threat and visage. Contrary to some people's assumption that he is merely acting in an angry temper, it is in the calculating nature of this normally shrewd tactician to seek the maximum advertisement of his probable victories, not to strike out in desperation at moments of probable defeat. It is when his opponents are insufficiently defending themselves that he becomes dangerous, not when he himself is being attacked (London Transport has misunderstood this point all along). Mr Cousins's idea seems to be to huff and puff now that he thinks that London Transport has pulled much of its house down, so that everybody will eventually say that all the concessions given (those that have already been promised, as well as those that he hopes are to come were the results of that huffing and puffing. This tactic can be very clever ; but the question mark that hangs over his performance this week is whether it may not sometimes be too clever by half.

More than He Can Chew?

All Mr Cousins's actions since the peace feelers were made have fitted into this tactical pattern. His show of anger at being rung up by Sir John Elliot's secretary, instead of by Sir John himself, was patently the action of a man manœuvring for the advantage of seeming to be offended. (It was not, as the innocent might have assumed, that of a touchy snob.) His next ploy, over the weekend, was to ask the railway unions to tighten restrictive practices on the London Underground, so that fewer people who would normally be bus passengers should be carried on the Tube. This may have been his first mistake, because the railwaymen's leaders, who must be getting a bit tired of Mr Cousins's "more militant than thou" attitude by now, have politely refused. But Mr Cousins has followed up by threatening to try to close the underground system next week, by calling out his union members at the electrical power stations which provide the trains with current (even although, under the Electricity Supply Act of 1919, the legality of such a strike is open to question). Finally, he has threatened that petrol distribution workers in one of his satellite unions will strike in south-east England next week, so that private cars and coaches in Greater London may be brought to a standstill. He then suggested to the Minister of Labour that, in order to retreat before these threats, the Government had better call himself and his officers into consultations at once.

Mr Macleod very rightly and promptly refused. The extent of the new threats to London should not be underestimated. If the strike of petrol distribution workers comes off, the Government should certainly send in soldiers or volunteer non-unionists to drive the petrol tankers ; this will be called blacklegging, but never mind. It is not yet clear whether the stoppages at the generating stations would be designed to stop all electrical current or only that on the Underground ; in either event, the stoppage of any current will be complete only if members of the Electrical Trades Union come out as well. Mr Cousins would then find himself being carried along by a communist union's helping hand, an embrace which he would surely view with distaste. And there is another political factor which ought to cause him to pause.

Perhaps the most interesting development this week has been that many newspapers, which have hitherto been more sympathetic to the busmen's claim than the claim itself deserves, have reacted to these latest threats very sharply indeed ; accusations of "arrogance" and "bullying the country" have been thrown at Mr Cousins from the most surprising places. As he thinks that the appearance of victory will eventually be his, Mr Cousins may not be as worried about this as he would have been three weeks ago. But some of his friends in the wider Labour movement are distinctly concerned. They know that there is a point in trade union battle and bluster beyond which the shrewd tactician is always unwise to go ; it is the point at which he may arouse bitter resistance from the public, because they think that he is starting to portray himself, not as a defender of his members' interests, but as a would-be terror of the earth.

SOVIET BLOCK

Summit for One

Prospects will be poor for inquiring newspaper men if future "summit" talks follow the pattern set by Saturday's brief meeting in Moscow of the Warsaw Pact powers' heads of government. The meeting was announced only four days beforehand, and nothing more transpired until selected documents were published on Tuesday. Mr Khrushchev's notion of the degree of privacy that heads of government should enjoy when in conference is evidently even firmer than Sir Winston Churchill's.

The seven satellite governments now announce that they mean to cut their armed forces by a total of 119,000 men. The Russian army is to withdraw from Rumania altogether, and to reduce its garrisons in Hungary by one division. These announcements fit in aptly with the Warsaw powers' renewed promises of peaceful intent, and their offer of a non-aggression pact to Nato. But, although there is no sure way of checking the genuineness of the reductions, they need not be dismissed as mere propaganda. Arms need less men as the technical race proceeds, while civil economies need more. (A new United Nations study shows that some of the large numbers of unemployed in the Balkan communist states have already been transferred to work in Russia and Czechoslovakia, where labour shortages have become chronic.)

Mr Khrushchev's speech at last Saturday's meeting scarcely bore out recent deductions that he had lost interest in the true "summit." He spelled out in detail the already familiar warning that, if missile bases were set up in western Germany, they would be set up in eastern Germany, Czechoslovakia and Poland too ; and he repeated the denial that such bases had already been set up. He recurred to the idea of three or four heads of government from "each side" taking part in summit talks. No reference was made to the participation of any "neutrals." This omission may reflect Russia's present displeasure with the Jugoslavs. Of the eight premiers assembled in Moscow, only Mr Mehmet Shehu of Albania made any public mention of the Jugoslavs. It was not complimentary ; but it was mild in comparison with the deluge of abuse that continues to rain on them from the fraternal socialist countries which are now accusing them of "glorifying bourgeois dictatorship and the imperialist camp," and even—most shocking of all—of "a concentrated expression of neo-Bernsteinism."

JUGOSLAVIA

Plucking Invisible Strings

With the Chinese banging on the Kremlin's back door and stepping up their demands for economic aid, it probably suits Mr Khrushchev to have found a pretext at this moment for ditching the Jugoslavs. On Tuesday he followed up his cordial birthday greetings to President Tito by scrapping the £100 million worth of Soviet credits offered to Jugoslavia since 1956. The Jugoslavs were not exactly surprised. They had seen this blow coming ever since Moscow began its new campaign against them ; they also had a lively recollection of the way the Russian credit accepted in 1956 had been frozen only a few months later

after their deviation from the Moscow line over Hungary, and revived only last July, when Mr Khrushchev was satisfied that he had got them back in step.

Yet the Russians seem to be acting foolishly. Where now are their claims about Soviet aid being disinterested and offered "without strings"? A resounding twang like this may lead even the most naïve "uncommitted" nation to look again at the apparently stringless aid it has been offered, or accorded, by Russia. And Mr Khrushchev ought to know by now that twisting the Jugoslavs' arms is apt to make them all the more stubborn in defence of their independence. Only the Chinese stand to gain from the affair; and they have been reviling the Jugoslavs more bitterly than any other communist country save one—Albania.

RUSSIA AND FRANCE

Duclos for Democracy

NOTHING that has happened so far either in Paris or in Moscow lends any support to the idea that Russia might have told the French communists not to prevent General de Gaulle's coming to power. Those who have sometimes mooted this theory have argued that, as was shown in the days of the Nazi-Soviet pact, the interests of communist parties in various countries are subordinated to the higher aims of Soviet foreign policy; and that Moscow might well prefer a Gaullist government in Paris to a democratic one, counting on the general to weaken the Atlantic alliance—and because his regime, if it foundered, would then be succeeded by a "popular front." But no such strategy has become apparent. If the French communists have hitherto shown little fighting temper, the explanation seems to lie, not in deliberate restraint, but in the general passivity of their following.

Russia, for its part, had an opportunity to state its views on Algeria just after the putsch of May 13th. President Nasser was then about to leave Moscow, and he and Mr Khrushchev, in their joint declaration, condemned "the barbarian war waged by France" and supported Algerian independence. Similar sentiments were expressed in this week's joint statement by the Soviet and satellite governments; and Mr Khrushchev, when he addressed their assemblage in Moscow, urged France to end its "war against Algeria" —though his reference to a peaceful settlement "taking account of the historical links between France and Algeria" caught some attention in Paris. Meanwhile, Soviet commentators supported M. Duclos in maintaining the need to defend the Fourth Republic despite its sins, and branding General de Gaulle as the leader of the Algiers putsch. The Soviet rulers may well be nervous both about the possibility of civil war in France and about the threat to one of the two big communist positions in western Europe. But no doubt they will do their best to exploit the situation, if a Gaullist regime comes to power, to disrupt the Atlantic alliance.

TUNISIA

No Time to Wait

THE Security Council will have no appetite for the complaint that the Tunisian government has put on its plate this week. President Bourguiba's grievance against France covers not only the latest incidents at the French bases at Remada and Gafsa, in southern Tunisia, but also the bombing three months ago of Sakiet, the Tunisian village on the eastern frontier of Algeria. The Security Council heard officially about Sakiet immediately after the bombing but never had to do anything about it; instead, it gratefully accepted Mr Hammarskjöld's proposal to pass an embarrassing buck to the Anglo-American "good offices" mission. The mission's formula for a settlement between France and Tunisia (accepted in Tunis but a knock-out blow to M. Gaillard's government) is now buried under the history of the last three weeks. The complaint has come back to the Security Council with urgent additions.

Whatever the Tunisians expect of General de Gaulle, their overwhelming concern at the moment is to get the French troops out of their country. Tunisian jumpiness at being host and warder to some 20,000 French troops, whose temper after being kept in their bases for three months is unpredictable, prevents them from playing a discreet waiting game. In present circumstances, M. Pflimlin's offer to start withdrawing troops in two months struck them as both inadequate and unrealistic. The Tunisian weekly *L'Action* has just warned its readers that the constant menace of French troops has become psychologically unbearable.

CO-OPERATIVES

A Kind Word to Scarborough

AS Co-operative Congresses go, this week's meeting at Scarborough has been a quietly constructive one. In political affairs, it has been revealed that the negotiations with the rest of the Labour movement about Co-operative MPs are moving slowly, if somewhat too secretly, towards a solution. The formula is apparently to be that the Co-operatives can nominate as many candidates as they like to constituency Labour parties, but that they cannot dangle the bait of sponsoring candidates and paying their full expenses in an unlimited number of cases. As some offence to democracy was being caused by the number of Labour candidates whom the Co-operatives were sponsoring and paying for—in a way that no commercial organisation would ever dare to pay for the expenses of a single Conservative MP—this would be the right change to make. In economic affairs, the Co-operatives have thanked Mr Gaitskell and his expert committee for the independent report which [illegible] and have unanimously agreed to consider it. In a speech to the congress Mr Gaitskell urged the Co-operatives to carry through the reforms which his committee suggested, and not to "defer and defer and defer."

On the occasion of this Scarborough congress, it is right that one kind word should be said for a movement which has perhaps had more than its fair share of brickbats thrown at it recently; it is a point of which its main opponents in the recent intra-Labour party row about candidates should take note. Whatever criticisms can be levelled against the Co-operatives, it is to their considerable credit that they have commissioned—and agreed to have published—a report upon their failings of structure and management, compiled by economic experts who are sympathetic to their general ideals. What a very much better country Britain would be if that other great component of the Labour movement—the trade unions—would only do the same.

LOCAL AUTHORITY BILLS

New Powers without Scrutiny?

JUST before Whitsun the House of Lords turned some intriguing light into one of Parliament's darkest corners —the machinery for dealing with the massive private bills, some of them running to over 500 clauses, which are brought forward by local authorities and which are often passed by Parliament with disturbingly little scrutiny. It is over one such bill, promoted by the Kent County Council, that a minor revolt has at last broken out in the Lords. This bill of 440 clauses not only takes fresh powers for the council itself, but also seeks sixteen new powers for the 250 odd parish councils in the county. It was this second aspect of the bill that attracted the attention of the chairman of committees in the Lords. Although county councils have for many years been claiming powers for their lesser authorities, the chairman (Lord Merthyr) felt that to claim so many additional powers for the parish councils in one bill was going too far; and he proposed that, as a matter of general principle, the practice should be stopped, at least until there had been further inquiry. There was quite an angry debate on his motion; the Government supported him, the Labour peers opposed him, so naturally the motion was passed, but coupled with an offer of an inquiry into the whole problem.

As often happens in political life, the precise issue is debatable; there seems no reason in principle why in fact county councils should not take powers for their subsidiary authorities. The real question that needs to be considered is whether local authorities *at all levels* are not asking for and getting too many powers, which they were never meant to have under the British constitution. As the introduction of a private bill is expensive, any local authority that is bringing one forward tends to put in any powers that anybody at County Hall thinks might conceivably be useful some time during the next five or ten years; quite often, new local criminal offences are created, so that the traveller's liability to prosecution changes as he crosses county boundaries marked by some not very distinctive milepost on the road. When a local authority bill is opposed—by having a petition laid against it—Parliament will usually give it some sort of double check; often interested MPs force a second reading debate on the floor of the Commons, and the bills have to be considered by committees—of four MPs in the Commons, or of five peers in the Lords—and the rules commanding the attendance of the committee members are unusually strict in both Houses.

Inevitably, however, very many local authority bills are technically unopposed—not least because prospective opponents often do not even know of the bill's existence. These unopposed bills get much more summary treatment. In the Commons they are handled by a committee of five, with three members forming a quorum; while in the Lords the so-called "Unopposed Committee" in fact comprises the chairman of committees, acting alone, with the assistance of his counsel. No one doubts the chairman's sense of responsibility, but scrutinising a mass of legislation is a job for more than one man. The proposed inquiry into procedure for local authority bills should be pressed forward quickly, and made wide-ranging.

ARDWICK CEMETERY

Decent Burial?

THE dangers of leaving private bill procedure in its present unsatisfactory state have, as it happens, recently been well illustrated by a clause in one such bill which did not get away from the watchdog. A House of Commons committee has censured Manchester Corporation for the way in which the corporation sought to acquire Ardwick Cemetery. The facts appear to be these. The corporation included, as one clause in its private bill, pro-

Italy's Uncertain Swing

Our special correspondent cables from Rome:

THE unusual calm that reigned over the Italian election campaign reigned also over the elections themselves. A drive across Italy last Sunday and Monday revealed nothing more unusual than a ban on the sale of alcohol, the postponement of a famous village *festa* and the sight, just before the poll was due to close, of an incredibly doddery old man being helped painfully into a polling station from a communist-labelled car.

The results perhaps justify the apathy of the Italian voters, for they have produced no cure for the growing instability of Italian governments. The Christian Democrats have admittedly increased their percentage of votes by 2.2 per cent and their seats in the Chamber by ten—as well as gaining an absolute majority in the Senate. Much of this success, which was as much of a surprise to them as to everyone else, was undoubtedly due to the French crisis; much, too, to the unwearying and unprecedented pressure by the Church. On the extreme right, the two monarchist parties and to a lesser extent the neo-fascists have lost a good deal of ground; Signor Lauro's gaudy bubble has been pricked. On the extreme left the Communists—who were also probably helped, in a different way, by France's troubles—have fully maintained their hold on the voters, although they lost three seats. Signor Nenni has done better; apparently unharmed by extremely bitter Communist attacks, and helped perhaps by his own equivocations, his Socialist party won 1.5 per cent more votes and nine more seats. Finally, the small centre parties, including the Social Democrats, have made little or no progress; in particular, the Liberals, who got two more seats, have not done as well as their energetic campaign against state enterprise had led many to expect.

It is a result that has allowed all three of the big parties, the Christian Democrats, the Communists and the Nenni Socialists, to claim a victory; but it adds up to the mixture as before. With 273 seats, the Christian Democrats still lack an absolute majority; and having fought the campaign without allies, they are bound to find the search for a coalition even trickier. Their tactics will largely depend on the new balance between the factions within the party; this will be clearer when the complex business of filling the last few seats in the Chamber by distributing the preference votes is completed. Signor Nenni, too, will have to assess the relative influence, within his newly strengthened ranks, of the "autonomists"—some of whom may now again incline towards an accommodation with the Social Democrats—and the outright pro-communists.

visions to vest the Ardwick Cemetery Ltd in the corporation, which was to take over the company's assets in consideration of a payment of twenty shillings for each nominal share of £1 ; and, in advance of the passing of the bill, the corporation made a take-over bid to the shareholders of that amount. As the company had recently been paying a dividend of only 2½ per cent—not from the cemetery, which was wholly unremunerative, but from some of its land on which commercial property was built—the owners of all but 75 of the shares jumped to accept this bid. But when the bill came before the select committee the corporation was still not fully the owner of the company's share capital ; and the Board of Trade declared that the company could not be vested in the way prescribed in the bill. On the contrary, the company ought to be wound up in accordance with the Companies Act and the provisions in its own memorandum of association. The Board of Trade also stated that, under that procedure, the break-up value of the company's assets would probably be in excess of £1 a share ; and the committee, accepting the Board's viewpoint, has reported that " the corporation obtained the shares by presenting a one-sided view which failed to disclose the true position of the company on a break-up."

These are hard words. Members of Manchester's Labour-controlled council complain bitterly that they would not have been applied to an operation by a private take-over bidder, who usually makes an offer for shares well above their market price and leaves things at that. But the point is that the corporation did not confine itself to a simple offer. It sought to justify its offer. It put forward some, but not all, the facts ; and, before the committee, its clerk brought in irrelevant arguments about the cost of putting the cemetery into decent condition. It jumped the gun on the bill, and it clearly hoped to evade the normal winding-up procedure. It has only itself to blame for the result—which is more likely to be opprobrium than loss. Public authorities need to be very careful about obeying all the rules of open dealing—especially as they are already suspect for a propensity to acquire property below its market value. The Commons committee did well to make a fuss about this skeleton in a cupboard. But in the obscure mass of local authority bills there must be many other skeletons which the Commons at present miss.

LEBANON

Nobody Can Win

THE United Nations Security Council on Tuesday tossed the Lebanon's charge of "massive intervention" against Egypt and Syria into the lap of the almost defunct Arab League. This Saturday the Arab League Council is meeting in a neutral Arab capital (Tripoli, Libya) in hopes of settling the quarrel in an Arab way, between Arabs.

The western friends of Lebanon should welcome the change in plan. In a UN debate they would be compelled to ruffle Arab tempers which they have recently been trying to soothe. They have become too closely identified with President Chamoun, though they are said to have seen several months ago that his position was weakening ; he did not recognise it until this week. The disastrous stubbornness of the past weeks has prevented the gentlemanly kind of compromise, with prizes for everybody, which formerly kept the peace among Lebanon's warring factions and confessions.

To blame the regime for Lebanon's present extremity is not to excuse the excesses committed in the name of the opposition. The responsibility must be shared between the two contending parties—the regime for failing to recognise the strength of its opponents, and the opposition for carrying out the deeds of destruction. President Nasser shares some of the responsibility, not so much because of "massive intervention," but because his propaganda machine has been wooing the Lebanese people away from the policy of the Chamoun government since it failed to support him ardently at the time of Suez. It must be remembered, however, that if the Lebanese had been satisfied with Mr Chamoun's policy themselves, then all the efforts of Cairo Radio would have been in vain.

This season's sowing of hate will be harvested for years to come in the mountains and valleys where, in some years, feuds and hashish are the sole crop. It is a penalty which both sides will continue to pay long after the present cause of Lebanon's sorrow has been forgotten.

ARAB REPUBLIC

Neutrality under Pressure

FRESH from Russian hospitality, President Nasser has taken pains to exhibit Egypt's untarnished neutrality. When he arrived in Cairo two weeks ago he stressed that the policy of non-alignment was now acceptable to the United States as well as to the Soviet Union, and Dr Kaissuny, his minister of economics, has emphasised the United Arab Republic's willingness to trade with the West as well as with the East. Even under pressure from events in Lebanon, Cairo has seemed reluctant to indulge in the anti-Americanism that might have been expected. The radio, loudly protesting that the UAR is a spectator, not an agent, in the Lebanese revolt, has directed the burden of its attack against the Lebanese government. President Chamoun is stigmatised as the agent of imperialism, but American involvement, except for some side-swipes at Mr Dulles, is usually left to be understood.

Calmly considered, there are many arguments why President Nasser should not want to add Lebanon to his other commitments. But logic could give way to instinct and to impulse if the opportunity seemed golden. The Lebanese government's identification with western interests has, in Cairo's own words, made the UAR seem a " symbol of Arab liberation and Arab dignity." Western intervention could, foreseeably, tempt Nasser to animate the symbol.

SAUDI ARABIA

An Arab Awakening

THE royal decree of May 12th setting up a cabinet system gives hope that the Saudi regime recognises the dire necessity for doing something to strengthen its internal position. While various provisions of the decree—requiring ministers to be Saudi nationals (the king can make anyone a Saudi national by a stroke of the pen) and forbidding ministers to engage in private business (sons and brothers can take care of such affairs)—are part of the window dressing, the decree does mark the first occasion on which the ruler has accepted any limitation on his absolute power. It remains to be seen whether the process is allowed to develop further or if the regime of princes and princelings



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will continue to soak up most of the country's annual oil revenue of £100 million.

A sign that the government may have regained its self-confidence lies in the fact that the carefully censored Saudi press is being allowed to express itself in a remarkably bold fashion. Not only are harmless demands for the cleaning of streets in Mecca tolerated, but leading articles have been allowed to appear under daring and unusual titles: a recent one was "Beware the Consciousness of the Masses."

As always, money for current expenses is the government's chief worry. The oil revenues are composed of ordinary royalties and income tax payments. There has been no borrowing on royalties, though the "current earned taxes" which are due for payment early next year have already been spent. Not many countries can see their way out of debt by next spring, and it is not likely that Saudi Arabia will accomplish this feat; but the financial affairs of the country are in better condition than is usually believed.

If, in time, Amir Faisal is able to offer the Saudi people a responsible government and benefits from the national income he will not then need to fear internal and external pressures. The question is whether he will be allowed enough time.

MALTA

Mr Mintoff in Eclipse

It is more than a month since Mr Mintoff, after delaying the threatened resignation of his cabinet for a few days in the belief that Britain would back down at the last minute, left Malta without a government. Since Dr Borg Olivier would not—and still will not—form a caretaker minority government, the governor rules the island under reserve powers; and as the Maltese parliament has already had its statutorily minimum meeting for the year, he can continue to rule without this parliament until next March.

Evidently he hopes to move faster than this, but his recent attempt to have a further talk with Mr Mintoff was snubbed by the ex-prime minister. Although a remarkable quiet now reigns in the island, Mr Mintoff clearly still hopes to rouse the people to a more active sense of its wrongs—if necessary, apparently, by buying time on Italian television, which can be received in Malta. He is furious that the governor has refused to let him air his views on the island's own radio rediffusion system—just as he, when he was Prime Minister, refused to allow the governor or anybody else to air theirs. As a reprisal for this Mr Mintoff has returned his own radio set and has asked his supporters to do the same, but only a few hundred have obeyed. There is, therefore, an excellent chance to tell the people what Britain's offers to Mr Mintoff have been over the past year or more—which Mr Mintoff certainly has not. The reluctance of the ordinary Maltese to turn out to large anti-colonialist rallies is significant. The police, though its officers were in some cases appointees of Mr Mintoff, have impartially maintained law and order; and only a handful of insurgent patriots languish in gaol on short sentences for disturbing the peace.

But the problem remains. The British parliamentary climate has turned chilly to integration, on whatever terms. It is likely that Mr Lennox Boyd is now turning towards consideration of a simpler and colonial constitution, perhaps somewhat on the lines of Jamaica's—plus limited subsidies; if and when Mr Mintoff returns to power he may find his choice lies between accepting that, or taking independence with little more than a parting gift and a cheery "good luck to you" from Britain. This is what the Maltese need to be told their prime minister has done to their once excellent prospects of "special area" status and cosseting.

TREATMENT OF OFFENDERS

Sentencing in the Dark

Last November, at the annual meeting of the Howard League for Penal Reform, Mr Butler emphasised the importance of providing a court with all the information it needs about an offender before he is sentenced. Parliament, he said, had made plain its intention that the courts should have at their disposal "a wide range of medical, psychological and social information about offenders"; the problem was how and when it should reach them. When a person awaiting trial is remanded on bail rather than in custody—and in the case of a young offender it is particularly desirable that he should be—the prison authorities have no means of deciding whether he is suitable for, say, borstal training. Further, when it is thought that the accused will plead not guilty, a probation officer usually refrains from making inquiries about his circumstances and home surroundings before his trial takes place. Thus, a full probation officer's report, which is almost always available to a juvenile court before it disposes of a juvenile offender, cannot be readily provided to a court that has to dispose of older offenders.

It is to see if there is a way round these difficulties that the Government has set up an inter-departmental committee, under the chairmanship of Mr Justice Streatfeild, whose terms of reference were announced by Mr Butler in the House of Commons last week. Where assizes or quarter sessions sit for short periods and at long intervals, it is, as Mr Butler pointed out to the Howard League, impracticable to remand an offender for inquiries to be made between conviction and sentence; and the committee will presumably consider whether more Crown courts should be set up, like those recently established at Manchester and Liverpool, which, like the Old Bailey, are in permanent session. The committee's findings may also give an impetus to the setting up of the long-delayed remand centres envisaged in the Criminal Justice Act of 1948. It will certainly find it difficult to reconcile all of these four principles: first, that a person should not be treated as an offender until he is proved one; second, that he should, wherever possible, not be remanded in prison before trial; third, that after conviction he should know his fate as soon as possible; but fourth, that his sentence should not be a hit-and-miss affair but related as much to the nature of the offender as to the nature of his offence.

CEYLON

Violent Language

On Monday the new wave of communal violence in Ceylon spread to the capital, Colombo, and on Tuesday a state of emergency was proclaimed all over the country. Press censorship and an all-night curfew have been imposed, and two political parties banned—the Federal party, which represents a large part of the Tamil minority, and an extremist Sinhalese party which had come into being primarily to fight the language issue. Ceylon's modest armed forces, whom the Governor-General and Mr Bandaranaike have called out to maintain order, must now face the task of re-establishing it, particularly in the northern and eastern areas, where the government seemed

Trouble at the Docks

Our special correspondent reports:

The strike at the London docks, which at its peak last Friday involved 10,000 of the 28,000 workers in the port and delayed the unloading of 63 ships, bounced down and then up again this week. At Thursday midday some 8,200 men were out. Already more than 45,000 man days have been lost in the dispute, compared with 94,000 at all ports for the whole of last year; and the chances are that the stoppage will increase again next week.

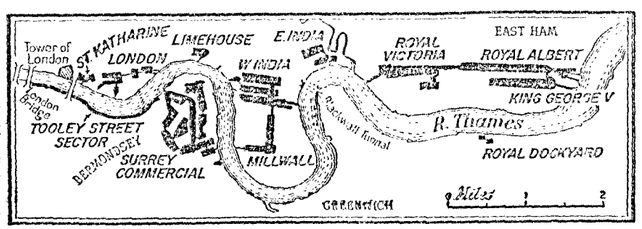
The labour position at the docks is a complex one—indeed, in certain respects, unparalleled. National wage bargaining is done, as elsewhere, through the National Joint Council for the industry, on which sit the National Association of Port Employers and four of the dockers' unions (the Transport and General Workers, the Scottish TGW, the General and Municipal Workers, and the Lightermen's Union). About 90 per cent of dockers belong to these unions; the rest belong largely to the Stevedores' (whose drive for membership in northern ports led to a series of strikes during 1954 and 1955 and to all sorts of trouble with the TGWU and, through it, the TUC). But, in the docks, the make-up and distribution of the labour force (as opposed to wages and conditions) are not in the employers' hands. Control here is vested in the National Dock Labour Board, which came into being in June, 1947, as Mr Ernest Bevin's answer to the problem of casual labour in the docks.

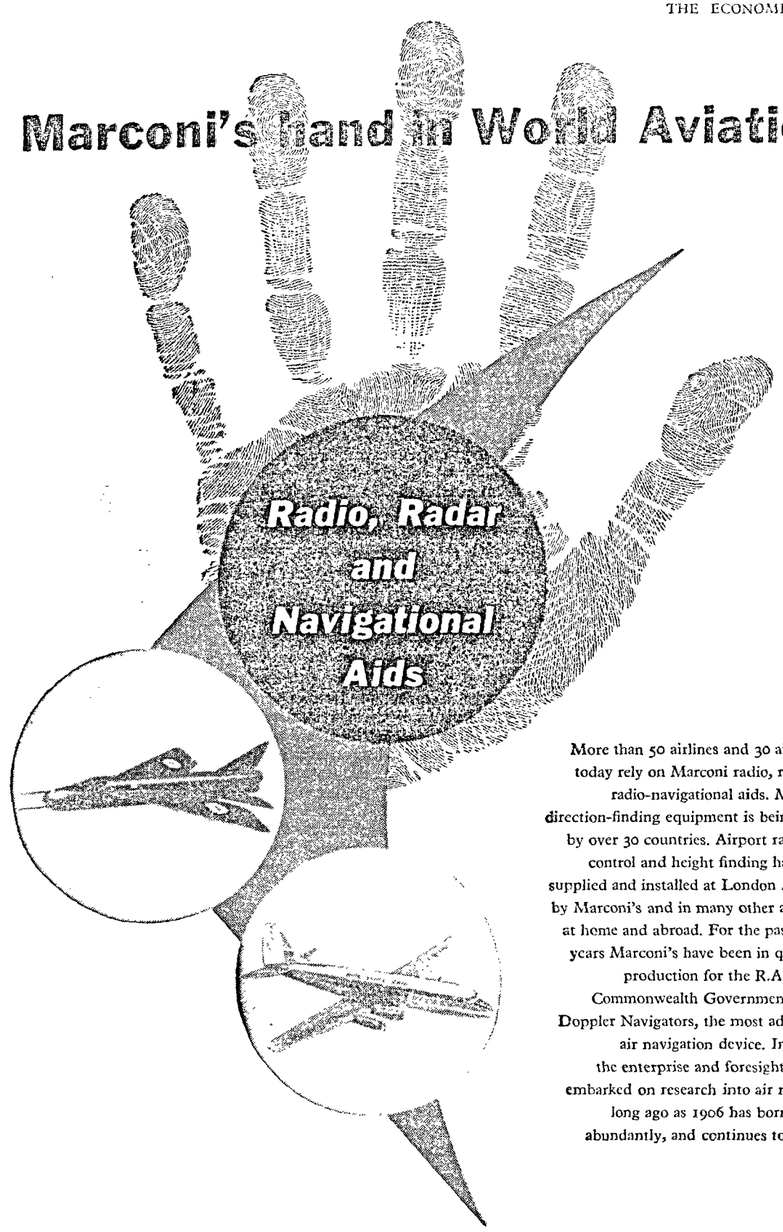
The National Board, which delegates authority to local boards in every port, has eight members: four of them are employers and four trade unionists. It decides on the number of men on the dockers' registers; it allocates work to men not attached to a particular employer after the morning and afternoon "calls"; it distributes wages, attendance money and the £6 15s. fall back allowed to men under 65 who get no work. Some employers contend that the board harms labour relations in the docks in two main ways: first by removing the loyalty that the men should feel to their real employers; and secondly, because the presence of unionists on the management side weakens the respect of the men for their union leaders—and thus leads to a rash of unofficial strikes. Their case receives powerful support from figures of dock disputes since the war; between 1948 and 1955, days lost per thousand workers there were nearly nine times greater than between 1939 and 1938, and over four times greater than in the mines (which, with the shipbuilders, are the next peak strike industry). However, both the Leggett report in 1951 and the Devlin report in 1956 rejected the employers' argument; they held instead that the major sources of industrial unrest had been the willingness of dockers to take sympathetic action to help other strikers (as, recently, at the British Motor Corporation, Covent Garden and now Smithfield), and the presence in the ports of unofficial groups dedicated to causing trouble.

The activities of these troublemakers, whose names are familiar to everybody at the docks, wax and wane like the moon. In the last two months, they have been definitely waxing, possibly under somebody's instruction. Under the name of the Portworkers' Liaison Committee, they organised the ineffective eight week ban on overtime in March and April at the Royal and West India docks, demanding at the same time that the fall back be increased to £8 4s. and that the number of work calls a day be reduced from two to one. This month they have been more successful in organising support for the striking lorry drivers at Smithfield; 3,500 dockers and cold storage men in the Tooley Street sector have been out for the past fortnight in sympathy with the Smithfield men. But in spite of the efforts of one of the most renowned trouble makers—a man who was expelled from the TGWU after alleged communist activities in 1949—sympathetic action did not immediately spread to the Royal and West India docks, both centres of unrest. It was not until word got around that Tooley Street employers had used "blick" labour to move cargoes into cold storage that another 7,300 men in the Royal, India, Millwall, London and St Katharine docks stopped work.

Last Friday, however, at a meeting attended by 1,800 men at Canning Town, the dockers decided to return to work (and in doing so, to collect 23s. 6d. for the Whitsun holiday) so long as the employers withdrew "blick" labour; and this the public wharfingers—the employers whose men are on strike but who, since wages are not yet in dispute, are technically not involved in the stoppage—agreed to do. The Tooley Street men did not return since the stoppage at Smithfield still shows no sign of ending; and on Thursday, the unofficial strike started to spread once again. But even more trouble looms ahead. The "substantial" wage claim for the country's 100,000 dockers was rejected by the employers on May 8th—and again, summarily, last week. The unions are meeting next Monday to decide on their next step; but the restiveness of the men, together with the pressure from militants that the dockers support the busmen—and, possibly by then, the oil truckers—will leave them little scope for manoeuvre.

On the other hand, employment in the docks is increasing with the seasonal expiration of the ore and timber trades and is now—after quite a painful recession—about the same as at this time last year. Perhaps a compromise on wages could be found by reopening negotiations for a dockers' pension scheme. This is favoured by the National Board and the unions, and it has never really been rejected by the employers. The initial cost would be high; but against that could be set the £74,000 paid last year to some of the 5,400 dockers over 65, many of whom should certainly have retired long ago, but who turn up daily—not primarily to do any work, but to draw wages by signing on at the morning and afternoon calls.





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to have virtually lost control at the beginning of the week.

It is equally clear that the Tamil leaders have also lost control of their followers in the north and east. When they announced, some weeks ago, that they meant to launch a full-scale campaign of protest against the government on the linguistic issue, the leaders were at pains to emphasise that it would be a campaign on non-violent Gandhian lines. From the very beginning, doubts were expressed about their ability to restrain the more hot-headed partisans of the Tamil cause ; and now those doubts have been sadly justified. In Ceylon as in other countries, political leaders who once allow extremists to push them from behind are all too liable to end up as their prisoners.

Some consolation may be drawn, in certain quarters, from the fact that the government's emergency actions have led to the abandoning of the series of industrial strikes called by communist-run trade unions. Against this, however, must be set the fact that the wave of communal bloodshed and disorder has come at a particularly untimely moment for a government which was straining to reassure foreign investors about Ceylon's future, and to put up a respectable case for financial support in Washington. The same potential investors who might have been pleased by Mr Bandaranaike's self-denying ordinances about nationalisation will now probably look askance at an island which seems threatened by another long period of communal tension.

SPAIN AND FREE TRADE

Emerging from Quarantine

SPAIN'S emergence from international quarantine has been a long, slow process. It has been admitted to the United Nations, and it is the trusted ally of the United States, but it has not seemed wise to exacerbate feelings or compromise the West by admitting it to the North Atlantic Treaty Organisation. Of late the Spanish government has been feeling its way into international economic organisations. In March it became an associate member of the Organisation for European Economic Co-operation—on the same basis as America and Canada ; now it has joined the International Monetary Fund and the World Bank.

These moves reflect an encouraging new awareness in Madrid that Spain's economic problems cannot be solved in autarkic isolation. If membership of the Fund is to be any use to Spain, it will imply a certain willingness to discipline financial policies in accordance with international advice. And the move towards OEEC has even greater significance.

Like Britain, Spain cannot afford to be left right out of the European schemes. Its orange and wine producers see plainly that the six-power treaty of Rome will give their Italian competitors an advantage in the German market. Important Spanish agricultural and exporting interests, like their Danish counterparts, would therefore like to join the common market too. And their view is shared by some industrialists who, despite fears of competition, are impressed by the possibilities of close collaboration with the Germans and French. Politically, Herr von Brentano's visit to Madrid in April strengthened the Spaniard's wish not to be separated from their friends to the north.

On the whole, however, looser arrangements on the lines of the free trade area have more appeal to Spain than the common market. There may be an element of cant in the Spanish claim to stand as arbiter between Europe and the Arab world. Yet its Mediterranean situation and the nature of its regime suggest for Spain, today at any rate, loose association with the rest of Europe rather than intimate ties. The new link with OEEC, while it does not commit Spain to the free trade area, gives it a close-up view of the progress of the talks. Once they seem near success, Spain may well be tempted to join. Its closed economy, like that of Portugal and the other so-called "peripheral" countries, will not be able to face the rigours of full-scale membership at once. But even a qualified membership would expose Spain not only to a new breath of competition from outside but to political influences which could have far-reaching effects.

INDEX

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OFFICE WORKERS

Why Typists Leave

A SURVEY by the Industrial Welfare Society, designed to find out why London employers find it so hard to get and keep office staff, has turned up some obvious reasons—and others less obvious. The obvious reasons can be discerned, without need of a special survey, by anyone familiar with the London rush hour or the slumminess of many City offices. Of the others, most can be summed up under one head: bad management. Office workers did not complain either of inadequate pay or of over-heavy work—the two traditional grouses of other employees. Instead, they complained of not having enough to do ; of not knowing how they stood in the boss's opinion ; of the lack, or elusive vagueness, of promotion prospects ; of misleading interviews ; of the absence of training opportunities. They also—while disliking out-of-date equipment—saw in increasing mechanisation the threat of increasing boredom.

Apart from the last item, none of these discontents is presumably new. What is new is that they should effectively produce a shortage of office workers. In part, of course, this shortage (not confined to London) merely reflects a shortage of young workers in general. The average age of the clerical working force has always been lower than that of the working population at large, and the low birth rates of twenty or so years ago have accordingly had a disproportionate effect. This factor will right itself soon ; indeed, at the most junior levels it is righting itself already. But other factors which have altered the relative attractiveness of office and other work are not automatically reversible. The comparative security, the pension rights, better sick pay arrangements, longer holidays, and "fringe benefits" in general, which used to be the office worker's privilege, are now much more generally available outside the white-collar range. The social prestige of the white collar, while still persisting, has dwindled. At the same time, better educational facilities

allow the more gifted potential recruits to fly at something higher than clerking. Increasingly, office work must attract and hold the new entry on its merits—and not on the demerits or inaccessibility, of other occupations. This new situation calls for deliberate and methodical training, for a visible promotion ladder, for constant alertness against waste and misuse of ability; but most office employers who have an unduly large turnover of staff simply have not begun to think of the problem in this light.

COMMONWEALTH AND EUROPE

Legs for a Tripod

It will not be easy for the economic experts now assembling in London to write a brief for the Commonwealth economic conference at Montreal in September. The Montreal conference is likely to be mainly concerned with the problem of international "liquidity"; with the strengthening of the sterling area and its reserves; with the related need to promote investment in the poorer countries by the richer ones; and with the problems raised by the European common market and free trade area plans. Uncertainties abound. France's crisis jeopardises the European schemes; and the solution of the liquidity problem must largely wait on the attitude of the United States.

Yet these uncertainties need not rule out all constructive thought. Members of the sterling area have to find ways to live within their means, whether or not America decides to help the exchange reserves of the non-dollar world. No new formal arrangements to discipline members' spending of gold and dollars seem likely, but collective development efforts like those under the Colombo Plan might be extended, and an investment bank might be set up under joint auspices. As to trade with Europe, the French crisis will not necessarily involve a fundamental change in British policy. The crisis has provided some fresh ammunition for those who oppose any kind of British political commitment in Europe. But the essential arguments remain valid, both for Franco-German rapprochement within a continental economic and political community and for the British project of a broader free trade area encircling that community.

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All three sides of the triangular relationship between Britain, the Commonwealth and continental Europe in fact need to be strengthened. The way to develop British trade with the Commonwealth is not by trying to resurrect preferential schemes in which the Commonwealth has scant interest, but by commonsense approaches like those that are being adopted in trade with Canada. Commonwealth backing has to be sought for freer trade between Britain and Europe. And Britain should encourage the development of a closer relationship between the Commonwealth and Europe, if necessary by the eventual extension of preferential arrangements to European countries. Now that the position of France is so much in doubt, both at home and abroad, a greater responsibility than ever falls on Britain in all these matters.

SINGAPORE

Taking no Chances

The same all-party delegation from Singapore that negotiated the new constitution with Mr Lennox-Boyd in April, 1957, has now negotiated with the Colonial Office the finishing touches to the arrangements to make Singapore an autonomous city-state within the Commonwealth, within which Britain will retain its naval and military base. The State of Singapore Bill will be introduced with two months or so to clear the decks for elections under the new constitution, which must take place at latest by March next year; it has, in fact, been assumed that the elections will, if possible, be held in the autumn.

It was foreseen a year ago that these elections would be critical. Although under the new constitution the security of the base has been safeguarded by the device of a public security committee on which there will be equal numbers of British and Singapore representatives under a Malayan chairman, it would clearly be difficult to operate the base peaceably if Singapore had a communist-guided government. Mr Lennox-Boyd has insisted on retaining the provision in the agreement, which he introduced last year at the last minute, that at the first general elections under the new constitution no candidate connected with "subversive activities" should be allowed to stand. This, the Colonial Office thinks, while not ensuring the survival of Mr Lim Yew-hock's moderate Labour government, will at least keep out a left wing party under extremist control; it should confine, for example, the membership of the parliamentary People's Action Party to relatively moderate left-wingers like its leader, Mr Lee Kuan-yew. Events in the last year, including the capture of the municipal council by a very left-wing anti-colonialist group of politicians, have confirmed the view of the Colonial Office that its foresight has been amply justified.

But neither Mr Lim Yew-hock nor the other party leaders like the restrictive covenant on the first general election which, they think, will present a big handle to extremist propaganda and give democracy an unnecessarily poor chance of survival. They point out that as candidates have to be Singapore citizens, most of the troublemakers, who come from the mainland Federation (or from China) are automatically excluded anyway. They would prefer to manage things in their own way. But the Colonial Office, believing that Britain and Singapore need a breathing space in which to develop the new relationship, is taking no chances.



His doctor told Sir Timothy he had got to rest . . .

in the sun, if possible

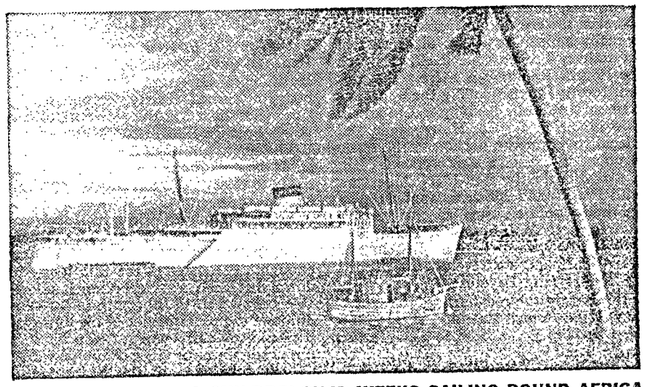
So SIR TIMOTHY did it in style, and went round Africa with his feet up, by Union-Castle. He took his unmarried daughter as companion and secretary (precious little secretarying she did!).

They left London on a thoroughly bleak afternoon in April with a bitter East wind in the River. The Warwick Castle was in sunshine by lunch time on the second day and, by the third, Sir Timothy was leaving his coat and tie in his cabin.

Into the Mediterranean . . . Gibraltar, Genoa, Port Said, Aden, Mombasa, Zanzibar, Dar-es-Salaam, Lourenço Marques, Durban, Cape Town.

They had bought their tickets to go right round Africa in the Warwick Castle, but a young South African business man on board persuaded Sir Timothy's daughter to bring her father, and meet his family at their house by the sea at Hermanus. Sir Timothy was also determined to see Kruger Park at its best and with all the big game there. All the arrangements were made for them, and they broke their trip for four weeks 'shore leave,' and took the Kenya Castle home.





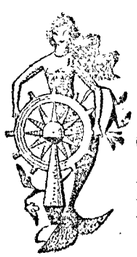
9 SUN-DRENCHED WEEKS SAILING ROUND AFRICA

Fewer ports of call this time, but just as romantic: St. Helena, The Canaries and . . . home.

They had travelled 15,000 miles by sea. Sir Timothy had cooked in the sun for 60 out of 65 days. But he had also done quite a lot of work, keeping in touch with his office in London by wireless, and by letter from ports of call. He had also put on some weight (Union-Castle food is a constant temptation). He had collected a walnut sun-tan from the top of his bald head to practically his toes. He had missed the worst English spring on record, and he got back just when his roses and herbaceous borders were at their summer best.

And when his daughter goes to live in South Africa (yes, she is going to marry that young man) Sir Timothy proposes to visit them as often as he can get his doctor to tell him he needs a rest in the sun.

THE GOING'S GOOD BY



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LETTERS

Algeria

SIR,—Your remarkable correspondence on the French crisis and also your leading article overlook one possible meaning of the events in Algeria. Ostensibly the generals are trying to renovate France, claiming that the politicians in Paris have ruined her. The *colons* for their part are afraid of the Moslem tribal wave and invoke General de Gaulle as *deus ex machina* and saviour. Many Moslems are equally oppressed by the FLN and by the military occupation. In General Massu they see, or think they see, a new hope for Franco-Moslem co-existence in Algeria.

All this, however, is on the surface, however sincere the protagonists. What is really happening is the disruption of the unitary French state itself, of which the Fourth Republic is merely the present form. Fundamentally the appeal to General de Gaulle is an appeal to a man who in the past successfully challenged a legal government; not to someone who is going to create a new version of it. Unconsciously the non-FLN Algerians, both French and Moslem, want a separate body politic: just as the revolutionary *juntas* of South America rose against the Spanish state in the name of King Ferdinand the Seventh, imprisoned by Bonaparte at Bayonne.

If we drop the red herring of renovation of the French state and stick to the Algerian Tea Party, how does the future shape itself? First, the FLN is on the defensive. Some kind of Franco-Moslem fusion is now on the cards since Massu is publicly committed to it. Morocco and Tunisia, although nervous, may well prefer a Franco-Moslem Algeria to an eventual FLN regime which would be far more radical and expansionist in the name of Maghreb brotherhood. With Paris out of the picture, a North African Confederation in which local French interests, including those in the Sahara, have a voice, ceases to be impossible.

Your leader states that the Nato interest requires a restoration of Parisian authority in Algeria. But is this so? No amount of "renovation" in Paris, whether by General de Gaulle or "the parties," could restore a contented Algeria under the old unitary system. This crisis is as much philosophical as political. The curse of the French Union since 1946 has been in its inherited dogma of the indivisibility of the French body politic and in the myth of assimilation. The question now is whether new concepts of the association of peoples will supersede them. As things are, negotiation with and conquest of the FLN are equally impossible. The only chance for North Africa lies in a regional new deal.

The real catastrophe for Nato, and indeed metropolitan France, would be the extinction of Tunisia and Morocco at the hands of the FLN. This could easily come about if Paris were able to continue the war under the bankrupt policy of maintaining Franco-Algerian union in its present legal form. If, however, the generals can be encouraged to implement their *pronunciamento* by proceeding to a genuine integration of French and Moslems on the spot, all will be for the best. Moreover General de Gaulle would have done better to join them there instead of adding his own brand of nationalist metaphysic to the general confusion.—Yours faithfully,

CZESLAW JESMAN
CHARLES JANSON

Expenses

SIR—You ask in your article last week, Expenses and Benefits, whether the Institute of Directors is a professional body, a learned society, or one of the "etcetera" listed in the side note to this year's Finance Bill.

The answer is that the Institute certainly satisfies the three objects of bodies likely to receive the Revenue's approval; i.e. advancement of knowledge, maintenance of standards of conduct, and protection of members. In the Chancellor's view, however, this does not go far enough. For, later in the Bill, it is laid down that such a subscription is allowable only when membership is "a condition of the performance of the duties of the office or employment." So far it is not necessary to produce a "union card" to gain admission to the boardroom—and, however much we might welcome such a condition from the point of view of increasing the Institute's membership, we hope that this day will never dawn.—Yours faithfully,

RICHARD POWELL
Director-General, Institute of Directors

Political Broadcasts

SIR—There is a likely consequence of your proposals which you do not appear to have considered. Already the party political broadcasts have decreased attendances at general election meetings in the individual constituencies. Poor things as they were, they nevertheless had an air of authority few candidates could hope to match. If to authority there is to be added entertainment in the shape of the quiz or inter-party ding-dong, even thinner attendances are a foregone conclusion. With political programmes erupting at different hours on different channels the poor candidate could come to be regarded as an annoying interruption even on the doorsteps of his own constituency (he already has to avoid the peak viewing hours).

You castigate the party machines in your conclusion, but the election over, might not the lowered status of private members strengthen the power of the machines still further? (You will find others to question the propriety of elevating to temporary omniscience BBC or ITV "personalities" with no responsibility except to their own future television careers.)

I do not suggest our present pattern is right. But changes should be in the direction of persuading voters to look at the man as well as the machine. (Curiously, in years of party political broadcasts I cannot recall one of these top people recommending listeners to go along to their local meetings.) A few well-designed programmes to show the attractions of a lively constituency meeting might stimulate interest. A legal obligation for candidates to share a platform, say three times during the election campaign, would help to maintain it. A legal obligation for local newspapers to give equal publicity to dates, times and locations of meetings would reinforce party publicity. But broadcasts by either the top people or of the entertainment character you visualise should in my view be strictly limited to viewing and listening hours outside normal meeting times.

Here there is no analogy between a broadcast and a newspaper. The latter does not (even *The Economist*) tie you to your chair of an evening.—Yours faithfully,

Leeds S. E. GRAHAM

Tanganyika

SIR—We are puzzled about the sources of information upon which your special correspondent based some of his economic statements in his two articles, on April 5th and 12th, about Tanganyika.

Tanganyika's economy is said to have made "great advances" in the last eight years. We have recently compiled a series of national income figures, published in *The National Income of Tanganyika, 1952-54*, which hardly bear out such a view. Gross domestic product per head at £16-17 increased only slightly over the period 1952-54, and this was to some (unknown) extent merely a price movement. There seems to be no evidence of any great advancement since that period.

A misleading picture of the economy can easily be given by your correspondent's concentration on export crops. In fact, the three great export crops of Tanganyika, coffee, sisal, and cotton, accounted for only 13 per cent of gross domestic product in 1954, whilst other agricultural and pastoral production accounted for 42 per cent. Further, Tanganyika being a relatively small seller, the three export crops are the plaything of world markets, and the expansion of one year can readily be eliminated in the next.

Whilst not forgetting the interdependence of export and other sectors, it appears to us that a more flexible approach to economic advancement might well come through the re-organisation and the substitution of production for cash in the large, non-export, agricultural, pastoral, and forestry sectors. This calls for the encouragement in all sectors of African and Asian enterprise along the lines suggested by the Royal Commission on East Africa.—Yours faithfully,

ALAN T. PEACOCK
D. G. M. DOSSER
University of Edinburgh

[Our special correspondent writes: The figures quoted by Professor Peacock and Mr Dosser relate to the years 1952-1954. I was writing of the period 1949-1957; the total revenue in 1957 was more than twice that in 1949.]

Gaining on the Roundabouts

SIR—As a fairground fan I was most interested in the article in your issue of May 10th.

There is one correction. You talked about switchbacks. There are only two switchbacks left in the whole country. A switchback is a machine with a spinning top frame; this frame pulls round gondola cars on an undulating track and is a slow sedate ride.

These were succeeded by the scenic railways where the gondola cars were powered by individual electric motors, the centre of the ride being occupied by a massive organ. I think you must have had in mind the "Waltzer," which is third most numerous, the "Dodgems" and "Ark Speedways" being in the first two places.

It is a matter for regret that the old organs and traction engines are now defunct.—Yours faithfully,

WILLIAM G. R. WEEKS
University of Durham

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BOOKS

Mr Acheson's Revenge

Power and Diplomacy
By Dean Acheson.
Harvard University Press. London: *Oxford University Press.* 149 pages. 17s. 6d.

No one can grudge Mr Acheson the pleasure, if it is a pleasure, of pointing out the errors and follies into which dogmatism, ignorance and the horror of being thought unorthodox have led the directors of American foreign policy under the Republican administration. Perhaps the simultaneous outbreaks of anti-American folly in the last few weeks, in apparently unrelated sets of circumstances, among people of completely different outlook and temperament in widely separated parts of the world—Lebanon, Algiers, Indonesia, Uruguay, Venezuela—will assure him of a more attentive hearing than he would normally have got. His political opponents, who used to attack him as a fool and a traitor when he was Secretary of State, have been learning for themselves.

Mr Acheson offers them much good sense, but what he offers them is limited. He is a penetrating critic of the fashionable military ideas; about foreign policy, to the extent that it is more than a subordinate arm of defence policy, he is acute in matters of detail—sometimes very important detail—but to the oversimplified picture of the world that is still at the bottom of so many American mistakes, he has not much depth to add.

One difficulty may be that diplomacy has in fact become not much more than a branch of defence. If a man like Mr Kennan seeks to lift it out of that position, by directing attention away from the military problems towards the political problems of international life, his attitude is thought to be shocking. Certainly it shocked Mr Acheson, even though he himself is fully prepared, indeed delighted, to contest the assumptions of current military policy. With force and insight he argues that the obsession with the nuclear arm is tending to reduce the western armies to immobility and the western governments to impotence. By following a one-sided trend in military thinking they are tending, he points out, to debar themselves from any defensive action short of total war; thus they leave an enjoyable and ever-broadening field of manœuvre open for the free use of the other side. And when the western military planners turn for relief to theories of limited nuclear war, Mr Acheson can show without difficulty that they are turning to an illusion. True, the nuclear weapons grow ever more various in size and kind. But where is the theatre in which a limited nuclear war—that is, a war in which the major opponents blow up each other's armies on a battlefield chosen by mutual assent, while leaving the American and Russian homelands intact—can be fought?

So far, so good. But Mr Acheson is not prepared to contest the political assumptions underlying the conventionally accepted American view of world affairs. One looks in vain for any awareness of the Soviet Union, or, indeed, any part of the communist world, as a country with a political life in which political forces grow, wane, and contend. Here is a world in which Russia is a constant, a monolith, at best an enigma. If they accept it (as, for most purposes, they do), the political leaders of the West when they decide their courses of action are not likely to give much thought to the possibility that Russia itself has choices to make; that there is a domestic balance that tips the scale when those choices are made; and that it can be influenced by what the West decides to do.

★

Against a prefabricated view of the Soviet Union Mr Acheson sets a prefabricated view of an America enjoying "the good fortune to be spared the desire for expansion abroad," but faced with the simple choice whether, how and to what purpose to deploy its strength in the world. He would have America deploy its strength to organise the non-communist world as an impassable barrier to communist penetration. This has a lot to be said for it; but only Americans or Europeans (and not all Europeans) will see at a glance that it has nothing to do with any desire to dominate others; and when American policy runs into trouble, this is most often the reason. Many distant peoples do not wish to be organised into a block, whether the opponent against which the organisation is aimed is communism (as Mr Acheson believes) or simply Russian power (as it tends in reality to be). The view of Russian policy as inflexible, unvarying in its resolution, and fundamentally warlike—the universal enemy against which the world must be organised in permanence—is simply not saleable to many of the countries whose participation in the projected "world system" is required; and to most of the questions that crop up in practice it offers no guide. Even when the simplifier is as acute and thoughtful a man as Mr Acheson, foreign policy will insist on being more complex than he would allow.

The Tail that Wagged the Lion

The Boer War

By Edgar Holt.
Putnam. 317 pages. 25s.

IT took the settlers a good many years to drag an unwilling mother country into a full-scale war, but they managed it in the end. They were helped by the narrow-minded obstinacy of those on whom they wanted war to be made, but this alone was not enough. The settlers were not in the slightest danger (indeed, they were doing very nicely) until they themselves, by keeping up a clamour and at times staging an armed provocation, eventually roused their intended victims into ill-judged and violent action. To whip up a vaguely jingo mood in the home country was not difficult. There were smarting memories of earlier defeats to be wiped out. There were "women and children of our race" who could be represented as in dire peril. There was a major foreign power that had openly backed the other side. There was a vast, empty and beckoning horizon to point to—and it was already well known what tremendous mineral wealth lay beneath those arid expanses. There was money in plenty, money already amassed in those African territories, a fantastic amount of it concentrated in the hands of a small number of ambitious men skilled in intrigue and inured to rough methods. In Africa, the voices that counselled moderation were shouted down, and some who came out from the home country sceptical or cautious were won over to the malcontents' side as tension mounted. At home, hesitant politicians looked weak and pallid alongside the sun-tanned heroes who periodically blew in from the south with tales of derring-do and dividends to whet the public appetite.

So war came—and came to stay for several years. The mother country was grossly ill-prepared, and at first very half-hearted about the conflict provoked by the actions of its sons overseas. Things went very badly, and there were many hunts for scapegoats. But as the black news continued day after day, and the casualty lists mounted, so patriotic fervour mounted too. What matter if this campaign was losing the country many of its friends abroad? Doubt and criticism were branded as near-treason. When the tide at last seemed to be turning, the rejoicings took hysterical form. The successful generals were almost deified; the unfortunate leaders of a divided political opposition were increasingly at odds among themselves. When ugly stories began to reach the public at home, stories of indiscriminate burning of homes and crops, of "enemy" children dying like flies in the fetid camps where they had been given what passed for a refuge and where, according to the commander-in-chief, they were "far better looked after in every way than they are in their own homes"), many people refused to listen; others unable to deny the damning evidence, still thought that such revelations were untimely. Meanwhile small bands of ill-equipped guerillas continued to defy a now huge army, and final victory seemed an unconscionable time coming.

South Africa is not North Africa, any more than Boers are Moors or the 1890s comparable with the 1950s. Yet there is a curious aptness about the publication at this moment of this new account of the origins and course of the South African war. Mr Holt handles his subject with a dispassionate frankness that will scarcely satisfy readers who have been reared on either of the conflicting myths about that war. Yet he shows that it is possible to be fair without being dry; his lively style, and admirably digested store of anecdote, make this a most readable book, even in those sections that are merely chronicles of countless minor engagements. It can be warmly recommended even to those who are not interested in learning how a small colonial community can, like a tail wagging a dog, force its homeland into a sad and sorry conflict—and in so doing inflict grievous damage on the homeland's national mentality and international repute.

Man with an Obsession

The Mist Procession: *The Autobiography of Lord Vansittart*

Hutchinson. 568 pages. 35s.

WOE betide those who settle down with this book to a steady read through 550 pages from beginning to end. Unless they are over forty they will get lost, so few are the dates and the milestones of historical sequence. If they are over forty they may be confused by the mass of detail: what sound like diary jottings interspersed with brilliant worked-up sketches of people and situations. So far as there is a thread to cling to, it is like a mournful and sinister theme by Richard Strauss: Britain declining, its leader failing, its people faltering.

The author, like so many of his generation, was obsessed with Edwardianism, its real opulence and unreal self-confidence. Like so many today, who should know better, he was also obsessed with an inaccurate picture of Britain's record in the nineteenth century and apparently ignorant of the knife's-edge path its people trod during the previous three centuries—a serious failing in a private secretary to successive Prime Ministers, who finished as head of the Foreign Office. It was the historical bias that made him such a doughty critic of demagogy, wishful thinking in foreign affairs, and the cowardice of politicians with five-year leases of power.

Scattered about this book lie the seeds of a reassessment of appeasement and of Chamberlain. Firmly planted in the later chapters—the book ends in 1936—are unforgettable clumps of Baldwiniana. He defends the ministers of the thirties on everything except their record in Europe. He is scathing—and to this reviewer convincing—about the throwing overboard of Hoare's plan for Abyssinia, partly caused by one of the most sensational headlines ever written: "A Corridor for Camels." "The later effort to depict our rulers as Guilty Men," Lord Vansittart writes, "was made by employees of guiltier Beaverbrook and men of the Left with tracks to cover and footprints to obscure." The real culprit all through was public opinion, which would never accept the clear-cut choice between war and compromise, clinging to the non-existent third course of collective security.

It is a great pity that Lord Vansittart did not have time to divide his book into three parts: portraits of people, which he is best at; analysis of key events on which he is an important witness; reflections on life and the passing of time, which have more charm than originality. Then we could enjoy more easily such things as these.

On Eden:

> He learnt early and instinctively all the things that please in Britain, and these things were right but not real, unsuiting him at this juncture as mediator with the wrong-minded.

On Ciano:

> He was having too good a time to want trouble; and a *jouisseur*'s repugnance to war is more reliable than a pacifist's because it is more practical.

On Mussolini:

> Bold, stumpy, stagey, skilled in the management of his voice and eyes. . . . With a better figure he would have reminded me of a boxer in a dressing gown shaking hands with himself.

And his epitaph on Baldwin, so relevant to the debates and discontents of today:

> He had to contend with a time of recoil so powerful that simple men like Dick Shepherd could be canonized for helping to endanger lives by the million.

Charity pervades the book, pity for the weakness of men wrestling with contempt for the foolishness of masses. It was written "to show how happy one can be even when things go cock-eyed."

Footnotes to History

Some Memories

By Lord Percy of Newcastle.
Eyre and Spottiswoode. 223 pages. 21s.

LORD EUSTACE PERCY (to give the author his earlier and better known title) died on April 3rd, 1958, at the age of seventy-one, a month before the publication of this book of "footnotes to History". Too fragmentary for an autobiography, it contains discursive elements from two other books that he might have written had his health allowed: the one a political history of Britain from the end of the Boer War to the seizure of the Suez Canal; the other a survey of British educational policy in the twentieth century.

His testimony as to the motives and the capacity of Hoover, Lloyd George, Baldwin, Austen and Neville Chamberlain adds what he modestly calls "a newish point of view", which we read with delight today, and which will be of enduring value to future historians of these years of change. The following extract (not with interest in a month when £3,500,000 is requested for a new Churchill College at Cambridge) gives the flavour of his language:

> To tell the truth, Churchill's feelings about education have often reminded me, then and since, of Person's famous comment on Gibbon's attitude to Christianity; he seemed to "hate it so cordially that he might seem to revenge some personal injury". . . . His imagination would have been caught by the use of taxpayers' money to build and staff some great or national institution; but he could see no political or national advantage in the making of grants in aid of municipal institutions, from which the municipalities would reap most of the credit—whether it were the extension of the great Manchester College of Technology or the improvement of what he once described to me, in one of his baroque moments, as "village schools with a few half-naked children rolling in the dust."

The book shows that, while a young politician, Eustace Percy saw that Britain's future well-being would depend upon the character and sufficiency of its education, and that in his later years as a vice-chancellor he remained fascinated by politics and dedicated to the promotion of understanding between Britain and the United States. If he was a comparative failure in politics, it was because his attitude was that of the intellectual historian trained as a civil servant. But he was able to achieve profound changes in the British educational system and methods because he had a philosophy on which to base policy and a capacity to administer.

His principal contribution was that he was the first President of the Board of Education who really grasped the full implications of technical education. He worked to create two educational ladders: "one leading through the Secondary Schools to the University, the other through the Senior and Technical Schools to the College of Technology, with ample facilities for changing from one to the other at almost any rung". This was the doctrine of the Percy Report on Higher Technological Education, on which tardy action has recently been taken.

Eustace Percy says that his best work was done after his return to his "wildly beautiful Northumberland" during the fifteen years that he was Rector of King's College, Newcastle upon Tyne (and, for alternating periods of two years, Vice-Chancellor of the University of Durham). His aim was to make Newcastle the pattern of a modern Redbrick university, with an expanded production of humane scientists and technologists. He succeeded in taking the first steps towards the creation of both the physical university and the university community, but was held back (as he had been as President of the Board of Education in 1924-29) by the reluctance of Chancellors of the Exchequer to spend money on education. "It is indeed odd that statesmen never learn from the past, and what they learn most slowly seems to be arithmetic." There is a sombre note throughout all these memories—the warning that the British people continually adhere to outmoded habits of thought and so to policies that prove unsuited to the world of today. This book shows that Eustace Percy (though he would never have claimed it) possessed that priceless gift of "real farsightedness—that telescopic vision that is the rarest of political virtues."

More Essential Economics

Lecture on Economic Principles, Vol. II

By Dennis Robertson. *Staples.* 162 pages. 16s.

IT is unlikely that anyone will tackle this second volume of Sir Dennis Robertson's Cambridge lectures without previous acquaintance with Volume I; and anyone who has read Volume I will hardly need reminding either of its limitations or of its qualities. Volume II shares these. Building on the theory of value already discussed, it deals with the theory of distribution, leaving money and the theory of fluctuations for a third and final volume. Like its predecessors, it reproduces with a minimum of revision a lecture course whose undergraduate audience—concurrently following other courses, and pursuing other reading programmes—were able, as the detached reader is not, to supplement and fill out the intellectual menu provided. Like its predecessor, it is a *tour de force*, combining an extreme economy of exposition with all the familiar grace, wit and unshakable common sense.

It is very possible that certain students, after following Sir Dennis as he pirouettes across successive *pontes asinorum*, may find themselves in the plight of the man to whom the Secret of the Universe was revealed in a dream and who, waking and falling on his knees to thank his Maker, found on rising to his feet that he had entirely forgotten the revelation. But unlike this unfortunate they can always re-read, if need be with a wet towel round their heads, the passages in question; literary gifts, with Sir Dennis, are never devices for masking ambiguity or confusion of thought.

Five stars, in the manner of Baedeker or Miss Stella Gibbons, should properly mark the passages on the supply of savings (pages 84-85), of business enterprise (page 103), and on possible eugenic standards (page 143).

Advertising's New Technique

Motivation Research

By Harry Henry.
Crosby Lockwood. 240 pages. 30s.

THAT advertising should seek the aid of the psychologist is hardly surprising since its basic function is to influence people's minds. This was seen quite clearly thirty years ago, but neither psychology nor advertising appears to have been ready for each other. All that resulted was the inclusion in advertising examinations of papers on a rather vague social psychology. Meanwhile the advertising business turned increasingly to the study of human behaviour and developed the now almost universally accepted techniques of market research in order to do so.

By means of market research, advertising developed from a hit or miss activity based on "hunch" to a closely reasoned operation based on an ever-growing mass of statistical evidence. One effect of this was, however, to reveal that it was not always enough to know what people did; it was often even more important to know why they did not. Attempts to solve these questions by simple question and answer techniques were seldom satisfactory. More often than not people explained their behaviour, their likes and dislikes in terms of clichés which all too often obscured their real reasons, either because they wished to hide these reasons or often because they did not know them.

Out of this need grew "motivation research"—a technical development which, for some people, has acquired an emotional content that it is hard to understand. There is at times a tendency to associate it with subliminal advertising as part of a conspiracy by large advertisers to hypnotise the consumer. In fact there is little evidence that subliminal advertising is a practical proposition, and certainly the only thing it shares with motivation research is the attention of the psychologist.

Mr Henry's book is the first important full-scale study on this subject produced in this country. Previous contributions have come mainly from the United States and have all too frequently appeared to be the view of the professional psychologist, looking at advertising and marketing as yet another series of problems in applied psychology. Mr Henry, having started as a market research worker some twenty years ago, has had plenty of opportunity to discover how far purely statistical research can take him and where he has to look outside to techniques of motivational research to get past the limitations of straight behaviourist market research.

As with most techniques that are developing from one application to the next, there is an area of disagreement among practitioners of motivation research, particularly on how to bring together the tendency of the psychologist to be personality centred and the needs of the marketing man, which are usually product centred. Mr Henry's book does much to orient the new techniques towards the product and its market; this should at least diminish suspicion of motivation research and make it more readily acceptable among the older and more tried techniques of market research.

Aquinas and the State

Principality and Polity

By Thomas Gilby.
Longmans. 357 pages. 30s.

IN the spirit of the thirteenth century there were two contrasting, yet related impulses: an impulse toward exact division and minute discrimination and a striving for unity and the encompassing design. Out of the proliferation of meaningful detail and the constant division of space, the high Gothic rises to its total, all-embracing effect. It was an age in which various orders of metaphysical, scientific and rhetorical cogni-

tion were severely defined. In the proportions of some of the great cathedrals, however, the geometry of golden sections is intimately related to the divisions of the musical scale and, ultimately, to neo-Platonic doctrines of light. It is because of this sense of variety aspiring to final order that many historians have seen in the thirteenth century one of the specific glories of the western tradition.

From this glory Aquinas and the Aquinian mode of understanding are obviously inseparable. Aquinas was at once a master of classification, a precise divider of the rapidly expanding provinces of learning, and an architect on the grand scale. In this useful and crowded book, Father Gilby has sought to isolate from among Aquinas's numerous writings those elements directly concerned with the theory of the state and the nature of the body politic. Though Aquinas wrote no political treatise in the formal sense, he was heir to that Augustinian tradition which viewed the problem of the state as essential to an understanding of divine justice and of man's place in the chain of being. To this tradition, Aquinas contributed his Aristotelianism. What Father Gilby discerns in his thought is a "combination of the social teleology of Aristotle with the stylized order of the Roman Law."

From the point of view of the history of state theory, Aquinas stood at a point of transition "between the old and the new in the movement which was marked in civil government by the substitution of official edict for folk-custom, and in ecclesiastical government by the substitution of the elective chapter for the acclaim of clergy and people." Without ever questioning the universal primacy of the Pope, Aquinas was nevertheless prepared to see in common law, in the affirmation of the ethos of a community, an original and legitimate source of political power. Father Gilby speaks of him as a "liberal constitutionalist." He emphasises the rational, even pragmatic quality of Aquinian politics and contrasts the latter with the chiliastic speculations of the Spirituals. Nothing in this work is more valuable than his account of the complex legal and theological background against which St. Thomas attempted to evolve a comprehensive definition of law.

One feels that one must speak of an endeavour rather than a fulfilment. All of Father Gilby's exhaustive scholarship does not conceal the fact that Aquinas's political ideas were fragmentary and that many of them must be deduced from scattered pronouncements. Often, Aristotelian texts are made to speak on behalf of Aquinas himself. In seeking to illustrate Aquinian politics, Father Gilby ranges widely and brilliantly: we are carried from Jung to C. S. Forester, from A. J. P. Taylor to Rebecca West. But again, this underscores the essentially fragmented nature of the theme. It is one thing to exemplify a medieval concept in terms of Bismarck; it is another to give a footnote reference to the "Politics" for a statement about the "reign of law" under the Nazis. Indeed, it is not always easy to make out what kind of reader Father Gilby has in mind. "Principality and Polity" is too difficult for the layman; its spare style carries a heavy load of erudition and exegesis. On the other hand, the medievalist will find in the work an exposition of accessible texts rather than a new interpretation. Professional historians, moreover, will find omissions.

These are, however, minor queries. The advanced student of medieval thought will find in Father Gilby's work an invaluable guide. Few expositors are more familiar with Aquinian doctrine and its temporal background. None has covered the same ground so thoroughly.

The Soviet System

Russian Political Institutions

By Derek J. R. Scott.
Allen and Unwin. 265 pages. 21s.

THE argument that Soviet political institutions cannot effectively be taught to non-specialists should receive serious damage from this thoughtful and thorough textbook, which patiently, and without importing irrelevant criteria, sets out what can be known about the Soviet governmental system, and describes exactly what gaps in our knowledge are the inevitable product of the limitations of the sources. Based as the work is upon a course of lectures regularly given in the University of Manchester, it has the additional merit of being the first English (as opposed to American) textbook of the kind, and is thus easier to handle for the British student. It has certain weaknesses. The author has crammed too much detail into the available space, and since the formal pattern, though not the spirit of Soviet institutions, continually alters, some of this detail is certain to be out of date very rapidly. And it may be that the changes going on at the moment are not confined to points of detail: the changed relationship between machine-tractor stations and the collective farms, recently announced, is a case in point. This detail also tends to overload the text and to make it very hard going, particularly since Mr Scott, besides having the inescapable problem of finding approximate equivalents for Russian words and phrases, is not gifted with a very pleasing prose style.

A more dangerous weakness is revealed in the title: Mr Scott is dealing with the Soviet method of conducting political affairs, not anything specifically Russian; and though no doubt a good deal of the system is explicable in terms of the particular Russian inheritance of the Bolshevik leaders, the basic pattern has been so widely adopted in, or imposed upon, countries with a very different set of physical, social and intellectual conditions that to emphasise the Russian side is perhaps less helpful than Mr Scott believes. This is not only a question of theory; for it makes him give only perfunctory attention to the fact that, among other things, the Soviet political system is still a system of combat against external enemies. He says that it is "unlikely that any very great weight is given in the minds of the Soviet leaders" to the international significance of the role of the Russian Communist Party. How does he arrive at this conclusion? Has it anything to do with his odd view that the "mutual resentment" between the Soviet and non-Soviet worlds arose "from the timing of the revolution in the middle of a world war . . . intensified by the decision almost inevitable for a revolutionary government to disown Russia's immense foreign debt"? What of Lenin and Leninism?

Nevertheless, this criticism is outweighed by the immense service that Mr Scott renders in perceiving both how the formal institutions of state and party can be described, and how the final decision-making process escapes them both: "the real constitution is obviously unwritten and consists in understandings as between persons." A brave remark—and one that will sweep much rubbish out of the door.

OTHER BOOKS

SELECTED PAPERS ON ECONOMIC THEORY. By Knut Wicksell. *Allen and Unwin.* 287 papers. 30s.

As a profound and path-breaking economic thinker, as a fertile teacher, and as a persuasive radical propagandist, Knut Wicksell stands out, in Professor Erik Lindahl's biographical Introduction to this volume, as one of the moulders of modern Sweden. For an English parallel one would have to imagine a composite of Alfred Marshall and both the Webbs; a decidedly intimidating thought. Among the papers here collected and made available in English for the first time is Wicksell's first, concise and comparatively untechnical statement of his theory of the relation between interest rates and the price level—a theory on which a generation later Keynes was to build, though eventually rejecting it, and of which, however amended and refined, the last has probably not been heard. There are two essays on marginal productivity theory; review articles on Pareto, on Böhm-Bawerk (whose "Theory of Capital" Wicksell hails as "an exceptionally great scientific step forward"), on Menger, and on Bowley, who gives him occasion to make a luminous assessment of the value of mathematics to the economist; and three papers on foreign exchange questions. The interest of the collection is obvious to anyone concerned with the past development of economic theory: but it is more than merely historical, for the ideas, methods, and attitudes here expressed remain seminal and active in Swedish economic thought and policy today.

CAREERS ENCYCLOPEDIA. Second edition. Edited by G. H. Chaffe and P. J. Edmonds. *Cleaver-Hume.* 672 pages. 15s.

This second edition gives facts about some 200 careers in callings as far removed as horse-riding and the lighthouse service. For those who refuse to be satisfied, there is also a section on emigration. The information given is concise and clear, and—rare these days—the price of this second edition is little more than half that of the first.

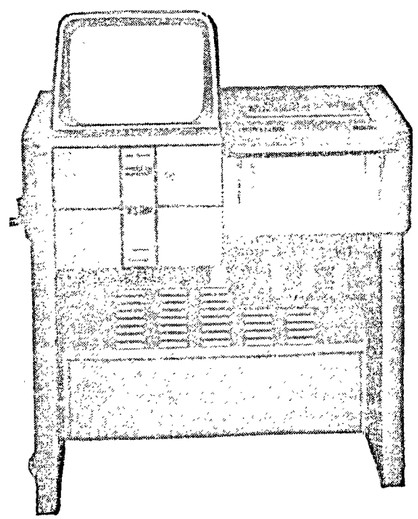
THE CONTROL OF INFLATION: An Inaugural Lecture. By J. E. Meade. *Cambridge University Press.* 52 pages. 5s.

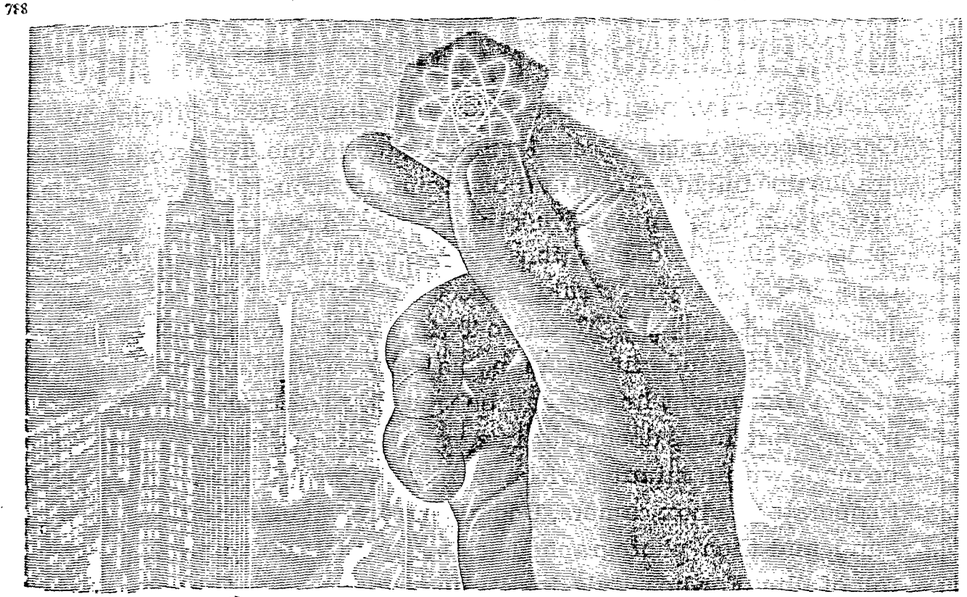
This lecture was discussed in a Note of the Week in our issue of March 8, 1958.

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AMERICAN SURVEY

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Still Debating Disarmament

WASHINGTON, DC

BY dropping off the rope France has brought to a standstill the always faltering ascent of the summit from the West. The Americans, having been doubtful starters, are now watching with fascinated horror to see if their ancient ally can ever regain its hold. In the meantime Mr Dulles has gone off to his Canadian island for a week's secluded thinking before facing Mr Macmillan, who, to judge by his breezy appearance on American television, still considers a reunion with the Russian leaders as a good thing.

The Prime Minister's arrival to pick up a couple of honorary degrees and to talk to the President has been sweetened by a long step towards the achievement of a major aim of British policy—the restoration of full atomic co-operation between Britain and the United States. The Joint Atomic Energy Committee of Congress completed on Wednesday the seven months' gestation of the Bill to amend the restrictive provisions of the 1954 Act, although it has still to be approved by both Houses. The long delay has arisen, not from any great reluctance to renew the partnership with the British, but from concern that the Bill should not by loose wording authorise the furnishing of a nuclear "do-it-yourself kit" to France at a time when its government is so uncertain.

The Administration has given assurances that the sole immediate beneficiaries of the provisions for sharing information on nuclear weapons will be the British; but these have not satisfied members of the committee who have a shrewd suspicion that, unless the President is able to plead legal obstacles, he will be under heavy pressure from the French not to play favourites with Britain. Since the Bill could hardly discriminate between fellow members of the North Atlantic Treaty Organisation by name, and since technical advances might overtake discrimination by description, the Administration has had to agree to wording which will make it particularly easy for Congress (which will probably mean, in effect, for the Joint Committee) to block any individual international arrangement under the extra scope that will be given. Normally such an agreement will have to lie before Congress for sixty days, during which a resolution of disapproval could be passed, before coming into effect. But this year it will only have to be thirty days, thus ensuring that Britain will be taken care of before the congressional session is over.

Once Britain's special interest is safeguarded, the British government is expected to lean heavily on the side of a summit meeting at which disarmament will be the main topic. There is excellent reason to believe that Mr Dulles is now more favourably disposed to such a prospect. For one thing he would like to strengthen the political position of Mr Macmillan. For another his distaste for involving the prestige of the President in the details of international negotiation is balanced by a realisation that this is probably the only way to come to grips with Mr Khrushchev, the real source of power in Russia. Furthermore, whatever the official scientists may say to minimise the effects of atomic radiation on mankind, Mr Dulles is fully aware of the general anxiety in the world and the advantage which this gives to Russian propaganda.

Mr Dulles has throughout been extremely unwilling to have the President appear to be propelled up the summit by the force of public emotion. The Nato meeting at Copenhagen assured him that the allied governments had public opinion in their countries under better control than he had feared. He considers that this gives him greater freedom of action but, despite his great influence within the Administration, his views have not yet prevailed entirely. There is indeed still a major internal debate going on as to the position the United States should adopt on disarmament. Mr Strauss, the chairman of the Atomic Energy Commission, and most of the military experts stick firmly to the complete western "package" of last August; while some government scientists, including Dr Hans Bethe, who was chairman of a committee to advise on inspection methods, such influential members of Congress as Senators Humphrey and Symington, the surviving supporters of Mr Stassen's views within the State Department, and a good many outside voices have favoured a separate agreement on the suspension of nuclear tests.

MUCH of the public controversy, particularly whenever the personality of Dr Teller, "the father of the H-bomb," has been involved, has suggested that the main issue is whether the Russians could cheat if tests were suspended. But this is not in fact the heart of the internal debate. Mr Strauss's position is that, assuming that the United States is now ahead in the general development of nuclear weapons and assuming that the inspection system would be ironclad, a freezing of the present state of proven knowledge "would still be a disadvantage to us, since they have the weapons necessary for aggression and we do not yet have all the types of weapons necessary for defence."

Mr Strauss and his supporters consider that such a handicap would be worth accepting if it were the price for ending the production of atomic weapons since this, unlike the suspension of tests, would be a first instalment of disarmament, properly so called. This would involve in effect the unwrapping of the Russian "package" which links the suspension of production to the destruction of stockpiles of nuclear bombs and the abandonment of American overseas bases. It would also mean, as Dr Spofford English, of the AEC's research staff, explained to the Humphrey subcommittee on disarmament, that some five hundred foreigners, including 174 inspectors, scientists and engi-

neers, would have to be permanently admitted into every major Russian (and American) atomic installation, checking practically everything that was done there.

Basically Mr Strauss's critics do not dispute his technical facts: the difference is one of judgment. They hold that the experiment of setting up the first international inspection system inside Soviet territory is so important that, quite apart from the humanitarian argument in favour of limiting radiation, this in itself would make the dangers of suspending tests worthwhile. Mr Dulles's current position is reported to be somewhat in between these two. He tends to favour separating the suspension of tests from the ending of production, but does not think it is enough of an accomplishment on its own. He would like a further effort to set up an Arctic inspection zone, possibly with a rather firmer offer on the part of the Strategic Air Command to refrain from its more pointed practice flights, and he has not abandoned his hope of "neutralising" outer space. Indeed it is one of his remaining ambitions to achieve something that will relieve the appalling danger of war starting by accident once the two sides become dependent on unmanned supersonic missiles.

Given the nature of this internal debate it is obviously sensible to find out from the Russians what amount of inspection they would really accept. The President's note to Mr Khrushchev last Saturday acknowledges his reluctant acquiescence in technical studies, even though they be confined to the suspension of tests. It was accompanied by the appointment of three scientists, headed by Dr Teller's closest colleague, Dr Lawrence, to meet the Russians in a month at Geneva. The final American policy will await the outcome of that meeting, just as its implementation will have to await the resolution of the French agony.

Taxes—Texas-Size

President Eisenhower has now decided that the American economy is showing enough signs of resilience not to need the rather unpredictable extra bounce that a tax cut might give to it. Thus the long debate among his advisers has ended in a victory for those, led by the Secretary of the Treasury, Mr Robert Anderson, who believe that a reduction in taxes is too uncertain in its effects—because the money released might not stimulate consumer spending or, if it did, might do so in a dangerously inflationary way—to be used unless the situation gets markedly worse. The President asked Congress on Monday to keep corporation taxes and excise duties at their present levels after June 30th, when they will automatically fall to lower levels unless Congress renews them.

At the same time he made it clear that he has no intention of asking for any general reduction in income taxes. The Democrats from Texas who lead both Houses of Congress appear to have accepted Mr Anderson's arguments against any major cuts. The combination of this influential trio of Texans (Mr Anderson springs from the Texan crop of Democrats for Eisenhower) seems to ensure that there will be no large-scale congressional revolt against the President's decision. There is still some sentiment, particularly in the Senate, in favour of trimming excise duties, particularly on motor cars, but the weighty voice of Senator Byrd has also spoken in support of Mr Eisenhower.

It was remarkable how little demand was heard for tax cuts at the conference of State Governors earlier this month; they are supposed to reflect local opinion more closely than do members of Congress in Washington. The public's main concern is apparently with the width of the deficit in government spending. Last week the Director of the Budget Bureau again forecast that even without tax cuts this will be between $8 and $10 billion, well over 10 per cent of total expenditure, in the fiscal year beginning in July. It is felt that the main danger of a large reduction in taxes, with such a deficit, is that, if the economy now begins to revive from other causes, the extra spending power would produce an intolerable inflationary pressure, and at that point it would certainly not be easy to induce Congress to increase taxes again. An increasing number of economists believe that the recession is now reaching some kind of bottom, but whether it is the sort of bottom that the economy will bounce off, or grind along indefinitely, or even fall through to new depths, no one can say. The prospect of an upswing in the reasonably near future is still only a twinkle in the eye of Mr Weeks, the optimistic Secretary of Commerce.

Doctored Doctrine

Preoccupied though Mr Dulles may be with "more problems to decide than any one man can possibly attend to and master"—to quote Mr Walter Lippmann—his resourceful legal brain has hit on an interpretation of the Eisenhower Doctrine which, by stretching it unmercifully, covers the dispatch of troops to Lebanon should this become unavoidable. Nothing would be more distasteful to the United States than to intervene; it hopes devoutly that the arms which have been sent will suffice and will not be misused. But if the United Arab Republic were to seize power openly in Lebanon, the American and British Governments, which are working closely together, would feel that they had to act, if they were not to stand condemned in the Middle East of being false friends. Lebanon, after all, was the only Arab country to embrace the Eisenhower Doctrine.

The irony is that the doctrine, which provides against an attack by a communist-controlled country, could not be invoked to help the Lebanese; Mr Eisenhower would have difficulty in declaring that Egypt, which bans the Communist party, is under the control of international Communism. The President has inherent powers to act without reference to the doctrine, but this would look a trifle foolish after all the fuss made last year to obtain congressional sanction in advance. Mr Dulles's triumph is to have discovered apparent authority to intervene against an attack from non-communist sources in lines added to the Administration's draft of the resolution by Senator Humphrey. This preamble states that

> the United States regards as vital to the national interest and world peace the preservation of the independence and integrity of the nations of the Middle East.

With an innocent air, Mr Dulles insisted that the Senate would hardly have added a meaningless phrase and that, if this one means anything, it places on the President greater responsibility in the Middle East than he had before.

Senator Mansfield has protested in vain that nothing was farther from the mind of the Foreign Relations Committee than to broaden the resolution. In 1957 the Democrats, still incensed over the handling of the Suez affair, were insisting that the President already had powers to act and were reluctant to share his responsibility. In turning the tables so neatly on his former tormentors, Mr Dulles has found a way, if rather a tortuous one, out of the stranglehold which the Eisenhower Doctrine seemed to impose on American freedom of action. Coupled with flights of Globemasters and the presence in the Mediterranean of a navy task force, this may be inducing President Nasser to hold his hand.

New Thinking on Aid

WASHINGTON, DC

The speech made last week in New York by Mr Douglas Dillon, the Deputy Under Secretary of State for Economic Affairs, was intended as a trial balloon to see if the atmosphere was propitious for new advances in America's response to the Soviet economic challenge. Although the Treasury was not consulted, it did not, as so often in the past, shoot down the balloon the moment it was released. Mr Dillon, whose presence in the State Department has imparted a new intellectual vigour to its economic leadership, outlined a number of ideas which are still only at a tentative stage within the Administration.

In the first place he proposed that the rate of purely American loans to under-developed countries should be stepped up to a level of $1 billion a year. This would mean that the initial capital endowment of the new Development Loan Fund, which will amount to $925 million if Congress appropriates all the money for which the President has asked, will have to be replaced every year. To avoid annual fights over the appropriation Mr Dillon would understandably prefer to see Congress revert next year to the Administration's original plan, under which the loan fund, like the Export-Import Bank, would have substantial authority to borrow from the Treasury.

Secondly, Mr Dillon offered a qualified endorsement to Senator Monroney's plan for enlisting the participation of other advanced industrial countries in an International Development Association, affiliated with the World Bank. He would, however, first strip it of those features which have most appeal for the Senator. As originally conceived the Monroney plan was an ingenious scheme for absolving members of Congress from having to vote any more for foreign aid, while ensuring that there would be a continual flow of funds to the under-developed countries, all at practically no direct cost to the American taxpayer. The trick was to persuade other countries to put up two-thirds, while the United States put up one-third, of the voting stock of the new association—America's portion to be the $300 million already appropriated for the Development Loan Fund—and to add to these resources the large bundles of foreign currency which the United States has been acquiring under the special schemes for disposing of its surplus farm commodities abroad. Then loans, in which hard and soft currencies would be mixed in suitable proportions, would be made on easy terms to countries that were angling for help from the World Bank but could not quite meet the bank's conditions. The loan from this new source would be a "secondary mortgage," taking care of a segment of a development project and thereby making the remainder of it "bankable."

The Administration's initial reaction was to pour the coldest of water on the idea of using local currencies, since to employ any of these outside their country of origin would be to make claims on that country's resources which it usually could not afford to meet. It was also pointed out that, from all indications, the contributions that would be forthcoming in convertible currency from other countries were likely to be so modest that an organisation founded upon them could not possibly meet the whole need for economic aid. Nevertheless Mr Dillon is anxious not to throw away the germ of a good idea. He would like the United States, over and above the $1 billion it should lend unilaterally every year, to offer to help finance such a development association, if only to put some pressure on its more prosperous allies to add something to the kitty.

This more forthcoming attitude is being encouraged from the sidelines by the World Bank, which feels that it could be much more helpful in many cases if it had this additional instrument—always assuming that it was firmly under the bank's direction. Indeed some officials of the bank think that the difficulty of raising non-dollar funds for making soft loans has been exaggerated. And they point out that, on the basis of their experience with, for example, the bank's multiple currency loans to the Indian railways, very little of the new association's capital would need in practice to be convertible. An additional virtue of such an approach in their eyes is that it would be conducted under the bank's weighted voting system and would thus head off the danger of establishing something like Sunfed, under the auspices of the United Nations, in which the Communists and the recipient countries would have a majority of the votes.

But it was Mr Dillon's third point—that the resources of the International Monetary Fund should be increased to reflect the increase in the volume and value of world trade over the past thirteen years—that has aroused the most attention. He presented it exclusively in terms of easing the difficulties with their balance of payments which primary producing countries encounter during falls in world prices. The United States now has no instrument particularly suited to this purpose. The Export-Import Bank, which is primarily intended to stimulate the sale of American products, has occasionally been made to serve, on the theory that a country in difficulties needs to have its trade refinanced if it is to preserve the existing level of dollar imports. The bank is about to repeat this experiment in the case of Colombia and is considering similar requests from Brazil, Chile and Uruguay.

But such a use of the Export-Import Bank's resources is looked at askance by the World Bank, which feels that this tends to undermine its own efforts to induce such countries to put their internal finances in order. In many ways it is felt that the IMF, being an international body, would be in a better position than an American bank to tie such strings to its help. Moreover, now that the United States is more inclined than it was to do something to support the economies of Latin American countries and others similarly situated, the strengthening of the International Monetary Fund seems to offer an alternative to participation in international commodity agreements.

American officials are most anxious, however, to avoid any impression that this is an attempt to do by the backdoor what many people in Britain, including *The Economist* in its "Appeal to America" in the issue of May 3rd, have been suggesting—the use of the IMF to meet the problem of a general lack of liquidity and in particular to give support to the sterling area. Indeed the American govern-

ment's economists flatly deny that sterling presents any such problem in the terms in which it has been stated. The suggestions that have been made for dealing with it, and even the mere hint of a raising of the price of gold, have consequently met with an icy response. Those Americans who want to extend the usefulness of the IMF, and those officials of the fund itself who detect a less negative American response to their own modest efforts to gain more elbow room, are alike fearful that even the hint of more ambitious proposals from London will ruin their chances. That perambulatory pair from the British Treasury, Sir Robert Hall and Sir Leslie Rowan, are well aware of these fears and have been treading with extreme circumspection.

Since Mr Dillon's proposals, if they are approved, will almost all require fresh legislation, and the Administration is anxious not to distract attention from the current foreign aid Bill and the five-year extension of the President's tariff-cutting powers, which it is trying to push through Congress, no final decision can be expected until next year at the earliest. However it is an encouragement to see something stirring, and Mr Dillon will be in a stronger position from which to advance his case if Congress enacts the rider which the Senate Foreign Relations Committee added to the foreign aid Bill last week. It would raise his status to that of a full Under Secretary of State, an acknowledgment in itself of the importance of the international economic front.

Death in a Clear Sky

Not even America's broad skies are broad enough to let aircraft fly in safety when many of them are exempt from the controls that govern the movements of others. The collision over Maryland last week between a civil air liner and a military jet trainer, in which everyone except the pilot of the jet was killed, was the third of its kind this year. In all, there have been 160-odd mid-air collisions over the United States in the last ten years, but of the six involving airliners—with a total death roll of 300—military aircraft have also been concerned in five. Capital Airlines, which owned the Viscount destroyed over Maryland, alleges that within a couple of days of the disaster two more of its pilots reported "near misses" by military aircraft.

In good weather, aircraft fly under a system known as "visual flight rules"; when the weather deteriorates they operate under "instrument flight rules," according to which a flight plan has to be submitted to the Civil Aeronautics Administration (CAA) and the aircraft's movements are directed from the ground. The fact that the vast majority of crashes come out of a blue sky suggests that, as air lanes grow more crowded and planes fly faster, the visual flight rules are no longer adequate. The sub-committee of the House of Representatives which deals with civil aviation funds has now asked that all flights by military jet planes be made subject to instrument flight rules, but the CAA has replied that it simply does not have the equipment to handle so many extra aircraft. For the time being, the services have agreed to put under instrument flight rules all aircraft, except those engaged on tactical operations, which are scheduled to move through a civil air route at heights under 20,000 feet.

Control over military aircraft is likely to be extended rather beyond these limits in the near future. President Eisenhower has suggested a number of proposals which would remove some service planes entirely from the centres of danger and put a larger proportion of the rest under civilian ground control. But the danger does not come solely from military planes (the worst collision of all, that over the Grand Canyon in 1956, involved two civil airliners) and the problem will not be solved until the CAA can make its control machinery foolproof. From July 1st, airliners

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flying above 10,000 feet will operate under instrument flight rules, whatever the weather, and three coast-to-coast "skyways" are to be established in which all aircraft will be continually under ground control. Congress was asked earlier this month to authorise a five-year programme costing $2¾ billion—an expansion of plans offered in the last two years—for improving the system of regulating the country's ever-swelling volume of air traffic. After the Maryland disaster, few will wish to economise.

Profiteering in Polio?

The indictment on criminal anti-trust charges of all the five firms which were successful in meeting the overwhelming demand for poliomyelitis vaccine three years ago arouses mixed feelings. It would be shocking if, as the grand jury alleges but the companies deny, these firms had submitted uniform price quotations to public authorities, prevented competition in the distribution of the vaccine and kept other pharmaceutical concerns out of the market. Profiteering in polio, if proved, would turn public opinion against the drug industry, which is already being investigated by the Federal Trade Commission for alleged conspiracies in fixing the prices of antibiotics.

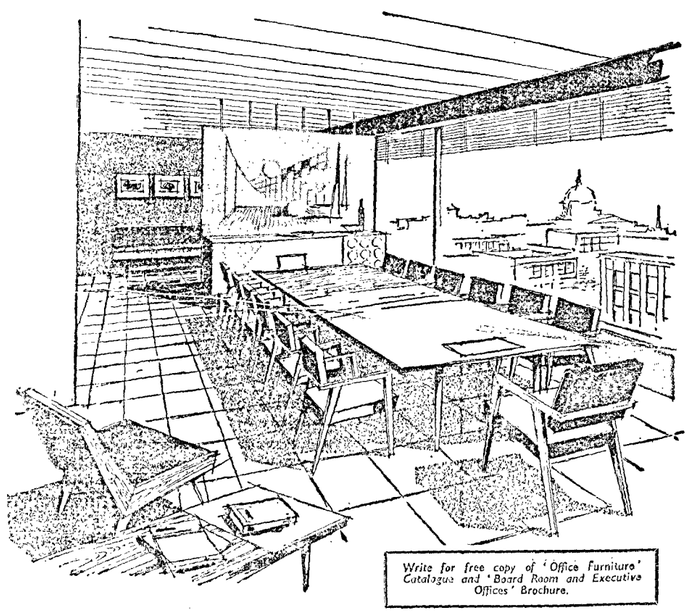
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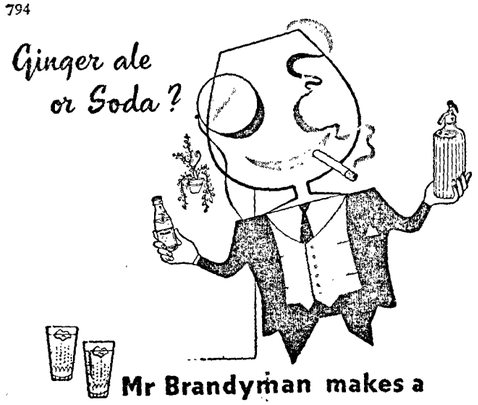
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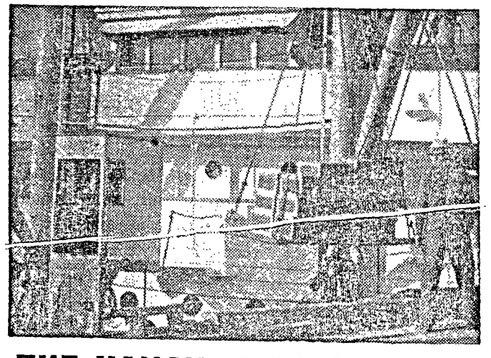
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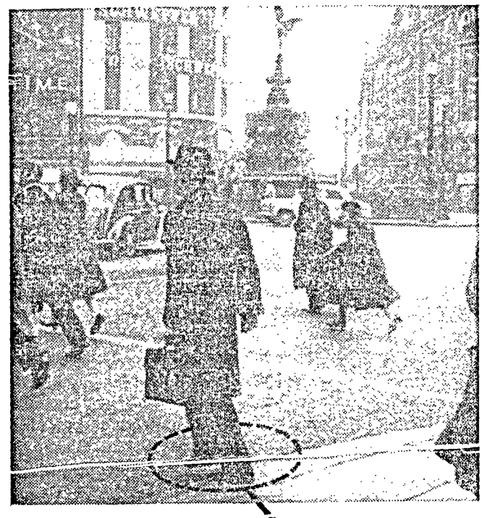


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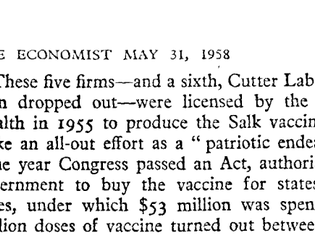
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These five firms—and a sixth, Cutter Laboratories, which soon dropped out—were licensed by the Department of Health in 1955 to produce the Salk vaccine and urged to make an all-out effort as a "patriotic endeavour." In the same year Congress passed an Act, authorising the federal government to buy the vaccine for states, counties and cities, under which $53 million was spent. Of the 205 million doses of vaccine turned out between 1955 and the end of 1957, about half were sold to the government, which at first was the sole buyer. The federal authorities were completely taken by surprise by the demand for vaccination and in that hectic summer of 1955 no time was wasted in haggling over the price. It was not until 1956, when the drug firms, by a brilliant technical achievement, had produced a flood of the vaccine, that local authorities began to complain that all the bids they received were at identical prices. The companies point out with pride that they cut prices twice, but to the Department of Justice the significant thing is that these cuts were identical. The largest producer, Eli Lilly and Company, has reduced its prices five

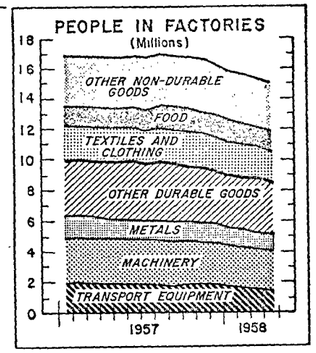
The Pattern of Unemployment

WHILE the total number of people employed in the United States has been increasing steadily, from 61,988,000 in February to 62,907,000 in April, and almost certainly went up again in May, the rise has been accounted for by seasonal increases in the number of jobs available out of doors, in building and on farms, not by any improvement in employment in factories. Meanwhile the number of Americans seeking work has been going up. As a result, while unemployment did fall a little in April, on a seasonal basis it stood at 7.5 per cent of the labour force, compared with 4.1 per cent a year earlier. Of the 5,120,000 people without work in April, about one-third had been employed, or had not wanted a job, in March; but rather more than another third, 1.9 million, a post-war record, had been out of work for fifteen weeks or more, 600,000 of these for at least six months.



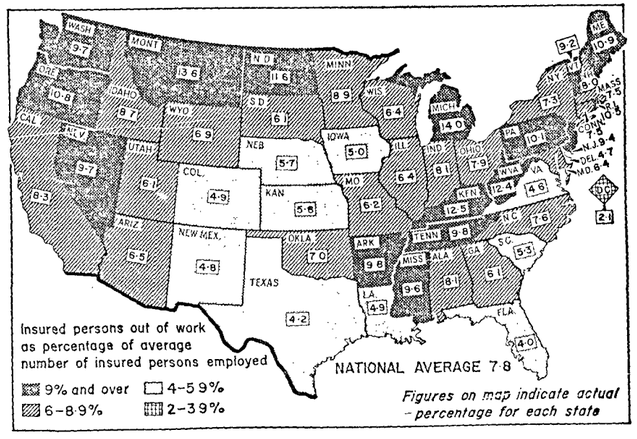
Apart from agriculture, with 5.6 million workers in April, and construction, with 2.7 million, the only categories of work in which employment has been increasing recently are in government (7.6 million employees in April), in finance, insurance and real estate (2.4 million) and in miscellaneous services (6.7 million); these three groups are also employing more people than they were a year ago. Jobs in mining have declined from 862,000 last August to 766,000 in April, while those in transport and other public services went down from 4.2 million to 3.9 million over the same period. The recession is also affecting employment in wholesale and retail trade, which provided only 11.2 million jobs in April, compared with an average of 11.5 million for the whole of 1957. But manufacturing is by far the most important category of employment and here, as the chart shows, the decline has also been by far the most serious—and has centred in the industries making durable goods, particularly automobiles and factory equipment. Even those who are still employed are doing less—and earning less; the average number of hours worked each week in April in factories was 38.3—the lowest since the war.

The variations in the intensity of this unemployment in mid-March among insured workers—that is, roughly speaking, among employees in industry and trade, about four-fifths of the non-farm workers in the country—is shown on the map. But it does not include those who had already exhausted their right to unemployment benefit; over 700,000 persons have done so already this year and by Christmas the number will probably be about 2.5 million. In March, 1957, only one state, North Dakota, had over 9 per cent of its insured labour force



out of work and the figure for Michigan, which held the record with 14 per cent this March, was only 4.3 per cent. This state, the centre of the automobile industry, has about 460,000 unemployed at present. It is by far the hardest-hit state in the hardest-hit region, which also covers Illinois, Indiana, Ohio and Wisconsin. This heavily industrialised area contains nearly a quarter of the insured labour force and has accounted for about one-third of the total national rise in insured unemployment over the past year.

Sources; Bureaus of the Census, of Labour Statistics and of Employment Security.



times; the vaccine is now selling at about half the 70 cents a dose it cost originally and the company has been left with very large stocks, which run the risk of losing their potency and their value. Americans have become apathetic now that paralytic polio has been reduced by 85 per cent.

The president of Eli Lilly puts the average profit made on each dose at 6¼ cents—a not unhandsome return although the risk which firms took with their capital must be considered. Under a law passed a few years ago but never tested, the federal government can file civil damage suits when it believes it has suffered financially from violations of the anti-trust laws. Such a suit is now likely. But against the millions of government money which may be recovered there must be set the possibility that in another emergency the industry may think twice before it comes to the rescue.

Bad Time to Buy

AGRICULTURE, for so long the Cinderella of the American economy, has suddenly become the belle of the statistical ball and, as is natural in these circumstances, is being blamed for some of their troubles by its unhappy sisters in Detroit and other industrial centres. Farm incomes, unlike all others, have been going up this year as a result of higher prices for such commodities as fruit and meat which are temporarily in short supply. But this has also meant higher food prices—which again in April forced the consumer price index up to another new record. This means that consumers have been spending more on food since few of them seem [illegible] their eating habits unless forced to to consider changing [illegible]—and do so by unemployment. What they are considering—are reconsidering—are their purchases of durable goods, automobiles, household equipment and so on.

Consumer incomes as a whole may not have fallen much—total personal incomes have in fact been rising since February, largely through increased payments under the various social security schemes—but consumer spending on durable goods has dropped, from $34.4 billion in the last quarter of 1957 to $31.5 billion in the first quarter of 1958. Meanwhile other types of consumer spending rose by rather more, it seems, than is explained by higher prices. The ever-growing population has something to do with this increase, just as part of the decline in sales of household goods is accounted for by the drop in the number of new families now being formed; there are fewer young people to get married because there were fewer babies born in the depressed nineteen-thirties. But the main factor behind this recent refusal to buy durable goods is evidently a natural feeling that the economic and international future is too uncertain for any non-essential and large-scale spending, or for any new long-term debts, to be undertaken.

There are few American families today, at least in the upper income groups with money to spend, who cannot manage with what they have in the way of durable goods; moreover a certain inverted snobbery seems to have developed—keeping down with the Joneses—so that it is now smart to go on driving a 1955 car or washing with an outdated machine. From the point of view of curing the recession it is unfortunate that the things industry needs to sell most are just the things consumers need to replace least. The promotional campaigns which have been spreading from city to city—one, rather paradoxically, began with all motor dealers in town closing their showrooms to attend a rally—with the slogan of "you auto buy now" have been running head on into the belief that now is in fact the time not to buy. It is a belief which will probably only be shaken when—and if—prices of durable goods begin to show really worthwhile declines.

Namesmanship

WASHINGTON, DC

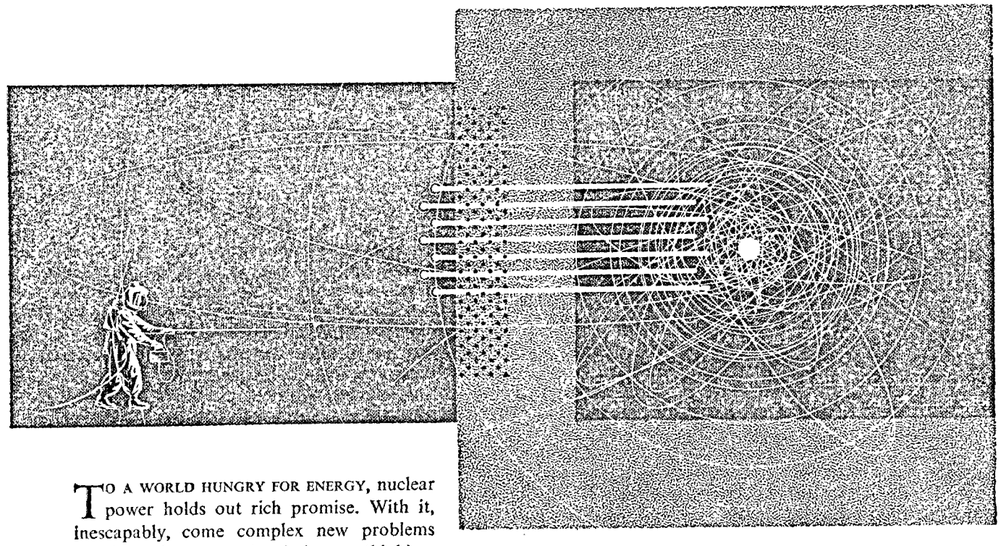
PRIMARY elections, in which the voters of each party pick their entires for the finals in November and which will go on through the summer, are first and foremost field days for the active party man. Thus gamesmanship is fairly to the fore and, of all its variations, the oldest and most frequently tried is the namesman's ploy. It is a well-known fact that voters get confused with the enormously long ballot paper, with lists of candidates for nomination for anything up to forty or fifty congressional, state or local offices. The thing to do, provided your man can absolutely rely on a firm block of loyal personal supporters, is to confuse the remainder of the voters still further.

The Democratic party's primary in a marginal mid-western congressional seat provides an example of one variation of this ploy. In 1954 the front-running candidate, who was little known personally but had been endorsed by the party organisation, had a South European name with a first letter high in the alphabet. His main opponent engineered the additional candidature of one Mr John Adams, who refrained from campaigning. This had three advantages: firstly, some people always vote for the first name on a list and, since this was alphabetical, Mr Adams was on top; secondly, [illegible] he was a Negro and other Negroes who knew him might be expected to [illegible] vote for him; and thirdly, he had the only Anglo-Saxon name on the ballot and some of those who did not know him might vote for him for this reason. Actually on this occasion the front-runner still won. But he was defeated in the finals by the Republicans who made telling use of two points which his enemies in the Democratic party had dug up during the primary: that he had not spent much time in the constituency—having gone to Oxford to get educated—and that certain disconnected passages from his doctoral thesis might suggest that he was anti-Catholic. This year he was nominated again without much difficulty, having spent most of the interval doing penance by teaching at a local college for Catholic girls.

A second form of the namesman's ploy comes this year from the east side of Baltimore, where the struggle for the Democratic nomination, which means in effect the election, for the Maryland State Senate is traditionally between men with Italian and men with Polish names. According to sworn evidence in court the supporters of Mr Dabrowski, one of the leading candidates, had "shanghaied" a tugboat captain, Mr Fernando Bertalo, plied him with whisky, and "fast-talked" him into filing for a place on the ballot, where his name would appear immediately above that of the other principal aspirant, Mr Bertorelli. The other side counter-ployed; Mr Bertalo was induced to withdraw and, when the ballot paper was published, the name of Mr Dabkowski was found just above that of Mr Dabrowski. Also in the running for the same job were Mr Borowski and Mr Berzymowski.

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TAS/AF 117

THE WORLD OVERSEAS

The Tottering Republic

FROM OUR PARIS CORRESPONDENT

THE General had not long to wait in his village. In the early hours of Wednesday journalists were crowded in the elegant Elysée Palace. M. Pflimlin was resigning after a night of threatening rumours and bewildering revelations. The first eight days of M. Pflimlin's mock battle were described in these columns last week. The government's ability to walk a middle road between Gaullism and a popular front was then obviously in doubt. Some commentators in Paris believe that such a possibility did exist—that a government resolved to punish the culprits and prepared to appeal to the people of France could have carried the day. The Communists were so frightened of the Gaullist prospect, it is argued, that they were willing to play a merely defensive part. The government could have used them without becoming their prisoner. It could also have forced the generals into obedience by the threat of national resistance on the broadest popular base. But the risks involved were growing every day, while Algiers was showing its determination to impose its solution by open force if necessary. Against the threat of landings by paratroopers, it is not enough to appeal to the people ; it is necessary to arm them. The government claimed that it refused to make this choice ; but it made a choice in refusing. With the generals in Algiers demanding de Gaulle it was merely a question of time before M. Pflimlin sought salvation at Colombey-les-deux-Eglises.

Ordinary Frenchmen, however democratic their outlook, never had much enthusiasm for the antics of their parliamentarians. The government's double-talk about mortal danger and non-existent enemies was not of a nature to inspire them. Political parties talked in different voices ; trade unions issued contradictory orders. All this led to an apathy always favourable to a *coup d'état*. For Whitsuntide Parisians flocked in thousands to the countryside. A brief tour in the provinces gave your correspondent the impression that the mood of provincial Frenchmen had ceased to be vigilant or even interested.

On Whit Monday parliament gave one more of its bewildering performances. And yet by then the facts were plain to see. Algiers had cast aside the mask. Emissaries from Algiers, in conjunction with paratroopers and political allies on the spot, had taken over in Corsica. The armed insurrection was spreading across the Mediterranean. Similar *coups* were expected in continental France. What did the National Assembly, recalled for the occasion, do to face the situation ? It spent the day discussing lifting the parliamentary immunity of M. Pascal Arrighi, the Corsican deputy who had flown over from Algiers to lead the plot. In vain did M. Mitterrand, trying not to leave the monopoly of plain speaking to the Communists, implore the government to drop the legal fiction that the army in Algeria was its obedient servant. The unreality of M. Pflimlin's attitude gave his right-wing critics ample opportunity to claim that M. Arrighi could not be guilty, because he had flown to Corsica in a plane provided by General Salan, whom the Paris government itself had invested with full powers. M. Arrighi's immunity was lifted, all the same.

By then, however, interest had shifted elsewhere. The Communist-led trade union organisation, the CGT, had called a strike for Tuesday. Socialist deputies, reluctant to play the part of dupes in this tragi-comedy, expressed their wish that the strike should succeed. Before the news of this tougher Socialist attitude had time to spread all eyes were turned to a black Citroen fighting its way through the holiday crowds on the way to Paris, and carrying General de Gaulle ; a day of make-believe was to be followed by a night of hide-and-seek.

The Nocturnal Meeting

Trick departures, special escorts, decoys—the meeting between the general and the prime minister was surrounded with an amount of secrecy usually reserved for a shady deal. Even now all light has not been shed on the meeting at the chateau of St Cloud or on its background. Enough, however, is known about the facts, and about the springs of conduct of the two protagonists, to attempt a reconstruction.

M. Pflimlin had for some time been convinced that he could not cope with the situation. The army, he believed, was out of his control. He was living under the permanent threat of perhaps 6,000 paratroopers from Algeria landing at Marseilles and Toulon and proceeding from there to occupy France with help from inside. He also believed that General de Gaulle was the only man acceptable to the generals in revolt. M. Pflimlin was therefore willing to give in to this blackmail and hand over to the general. Yet the first move was made by M. Mollet, the Socialist, who implored the general by letter to use his authority to prevent the further spread of the rebellion. (What else this letter contained is not yet known.) Contacts were thereupon established and General de Gaulle drove up to town on Monday night to strike a bargain with the government. The sudden hardening of the Socialists prevented MM. Mollet and Moch from attending the meeting.

Did the prime minister of the republic offer the general the succession in terms and with a timetable ? Probably not. But he certainly outlined the prospect. According to reliable reports, M. Pflimlin was only trying to save face. He would be defeated in the constitutional debate—refusing to count the votes of the Communists on his side—and President Coty would then call on General de Gaulle. Thereupon the general would consult the leaders of the "national" parties and the leaders of the Independents, the MRP and the Socialists would endorse his take-over bid.

The plan was simple but it met with two unexpected

obstacles. One was the general's own haste. On Tuesday at lunchtime the world learnt about the mysterious meeting of the previous night. General de Gaulle kept part of the bargain. He asked the troops to obey their commanding officers. He did not make this request, however, on behalf of the existing government. He did it as the prospective leader of the nation: "Yesterday I set in motion the regular process necessary for the formation of a republican government." Did the general act in such a hurry because he genuinely feared that events might move too fast, or was he merely using this argument of an impending *Putsch* to force M. Pflimlin's hand? In any case, M. Pflimlin was left in no position to keep up appearances.

More important, however, was the Socialist resistance. Already on Monday the parliamentary group had expressed its wishes for the success of the communist-led strike. During that night M. Mollet managed to reverse the decision in the party's executive committee. But after General de Gaulle's announcement on Tuesday the Socialists wrecked their secretary's manœuvres. By 112 votes to 3 they swore that they would never climb on the Gaullist bandwaggon. For a second time on an historic occasion (the first was the European Defence Community debate) M. Mollet misjudged the mood of his followers. On the parliamentary plane this miscalculation could mean the difference between apparent legality and a *Putsch* in the transition to Gaullism. It could have an even greater importance in the country. The Communist strike had been, on balance, unsuccessful. But the workers might give a different answer to a combined appeal of the two parties and all the trade unions. Once again, there was a vision of a popular front.

Selling The Pass

In the meantime, M. Pflimlin was trying to play his part of the script with alterations rendered necessary by the change in the situation. The assembly was to debate the now somewhat irrelevant constitutional reform. It was asked by the government to delay its sitting until M. Pflimlin was ready with his statement. Anti-Gaullist deputies refused to depart, fearing to be faced with a *fait accompli*. Finally, at half-past nine in the evening, M. Pflimlin climbed the rostrum. He admitted his contact with General de Gaulle, denying, however, that he had offered to hand over. The government would only resign if defeated in the chamber. Constitutional reform was now forgotten. M. Bidault then asked the pertinent question whether the general could have made such a declaration if no promises had been made to him. M. Duclos told M. Pflimlin that the Communists would vote for the government so as to deprive him of "an alibi" for his flight. M. Ramadier, on behalf of the Socialists, begged the prime minister not to desert his post.

The assembly was already working under duress. The general's supporters in the chamber told M. Pflimlin in cynical terms that he was not abandoning power, but power was deserting him. In the lobbies they spread rumours that the republic's choice was between graceful surrender and capture, between the general and paratrooper colonels, that tomorrow would be too late.

M. Pflimlin received 408 votes against 165. Nevertheless, after a short cabinet meeting at the Matignon he rushed his resignation to President Coty. He chose a pretext flimsier than the Communist vote—the resignation of three Conservative ministers, which everyone knew had been pending for days. M. Pflimlin, the champion with faked muscles, had played his prescribed part in the barter of the republic. The question now was whether the Socialists, for all M. Mollet's entreaties, would refuse to play theirs.

The Mass March

On Wednesday afternoon (May 28th) Paris woke up, bringing a new element into all the calculations. In coming out into the streets the settlers of Algiers reminded Parisians that this was their own ancestors' speciality. It took them two weeks to remember this tradition, but then they responded massively to the call of a committee of vigilance embracing Christian Democrats, Radicals and Socialists. The Communists having joined in of their own accord, the crowd was really impressive. Official estimates put it at about 250,000. Your correspondent watched marchers proceeding from the Place de la Nation to the Place de la République for a couple of hours and yet did not see the end of the procession. In this multitude there was a fair sprinkling of intellectuals, though industrial workers seemed to predominate. Several important parliamentary figures, like MM. Mendès-France and Mitterrand, joined the column. The marchers walked in ranks of about 30, earnest yet confident, as if they themselves had been pleasantly surprised by their strength. Serious slogans against fascism and for the republic alternated with examples of Parisian wit, such as "De Gaulle to the Museum," "Soustelle à la Poubelle," "Paratroopers to the Factory Bench," and so on. There were no incidents. This quiet demonstration of strength apparently made an impact on the provinces. Was it the inaugural march of the popular front, or the funeral march of the republic?

If 40,000 rioting settlers in Algiers could bring about a radical change of the French political system, several times that number of Parisians felt entitled to oppose it. Called in to form the government after such a demonstration, General de Gaulle could look like somebody parachuted from Algiers rather than a man brought to power by popular clamour. In the circumstances, it became more important for the general to muster a massive majority in the representative chamber.

While the crowd began to disperse the Elysée Palace was frantically busy. Just before midnight M. Coty finally charged the presidents of the two parliamentary chambers to discuss with General de Gaulle the terms of that "exceptional procedure" which the general had declared indispensable to his taking over the reins. But the general was still not at all sure of parliamentary investiture. The mass march had scared the Independents into whole-hearted support for a strong man. But it stiffened Socialist resistance to him. Late on Wednesday night, the Socialist parliamentary party and executive committee still refused to change their minds, despite M. Mollet's appeals.

On Thursday morning they were still hostile to General de Gaulle but were ready to reserve judgment until they had heard President Coty's message. M. Coty took this unprecedented step to force the issue and open the way to the general. At 3 pm M. Le Troquer read the president's message to a packed chamber. The president recalled his pleas for constitutional reform in the past, and warned the Assembly that the country was now on the brink of civil war. He informed parliament that he had turned to "the most illustrious of Frenchmen"; he was trying to find out on what conditions General de Gaulle, a man of "incomparable moral authority," would agree to form a government of national salvation. If parliament put obstacles in the way then he, the president of the Republic, would resign. The supreme referee was taking sides. His message was greeted by boos and cheers, by shouts, songs, and cries of "Fascism will not pass."

The attitude of the Socialists suggested that they would stick to their earlier decision. If so, the legal veil will be torn, and then if Algiers is still determined to impose its will it will have to use the paratroopers; indeed, at this moment (Thursday evening), there are rumours in the Palais Bourbon that it is preparing to do so.

Lebanon's Struggle

FROM OUR MIDDLE EAST CORRESPONDENT

Beirut, Wednesday

The statement of Sami Solh, the Lebanese prime minister, to the effect that his government will never seek an amendment to the constitution at least settles one question with respect to the presidency. Camille Chamoun will not stand for a second term of office. Thus the prime minister has now said what the president steadily refused to say as recently as last week. Yet there is very little doubt that the government statement was made after consultation with the president and with his approval. Such by-play reflects the delicate political and personal factors at work on the Lebanese stage. On purely legalistic grounds the president's stubborn silence was justified. He never said he would stand again and was therefore under no obligation to say he would not. Yet the obvious threat of violence that has hung over the country for several months would have suggested to a more flexible statesman that this was not the time to stand on legalistic forms.

The general situation remains static in the towns and fluid in the countryside. In Tripoli, Beirut, Sidon and Tyre the opposition has maintained positions with only occasional and largely accidental clashes. In the Bekaa valley (Baalbek) and the mountains in the north and east, armed bands and government units are circling each other without much resort to force. The frontier with Syria, judging from extremely confused reports, has virtually disintegrated and routine frontier inspections such as customs are being carried out along a straggling line in the Bekaa valley. Beirut port is working at a much reduced tempo and the slow turn-around of ships together with the diversion of others to ports elsewhere in the Levant must soon begin to show itself in shortages and rises in prices. Indeed, such effects are already discernible. Meanwhile, the government has raised the dispute to an international plane and the next step is the Arab League meeting in Tripoli at the end of the week. The Lebanese government has prepared a complaint against the United Arab Republic; it is reported that a parallel complaint against western interference has been prepared by Cairo. The debate should be an interesting test of current thinking in other Arab states. King Faisal and King Hussein have sent messages of support to President Chamoun. Logically, therefore, Iraq and Jordan should back the Lebanese complaint. The UAR and Yemen will certainly oppose it. With two votes committed on either side, Saudi Arabia, Sudan and Libya are left with the deciding roles to play.

It seems unlikely that Saudi Arabia, now struggling back to the neutrality from which it was diverted by King Saud's support to Jordan, will wish to take sides. Amir Faisal's government is approaching its many serious problems with great caution and he cannot welcome a rumpus. The Sudan, having just won a swift victory over President Nasser in the matter of the frontier dispute, cannot want a renewal of the quarrel. And the Libyan government will scarcely jump in where Saudi Arabia and the Sudan fear to tread. Amid this welter of negatives it is improbable that the debate can be other than sterile. The Arab League was never famous for the crispness and clarity of its resolutions; and members must be aware that an open breach on this issue would be the death-blow to a body already rendered moribund by the quarrel between Cairo and Baghdad. The most probable outcome would seem to be a package resolution condemning all forms of intervention; or perhaps there will be no resolution at all.

What then? Discussion of the Lebanese complaint in the Security Council, with a Soviet veto hanging over it, can only embarrass the western powers; to declare themselves in Lebanon's favour can only prejudice their efforts to put their relations with Cairo on a more reasonable basis. Dr Malik, though pressed to do so, was unable or unwilling to suggest any concrete steps that the Security Council could take to improve the situation. In short, the internationalisation of the issue can only postpone the taking of internal decisions—now becoming increasingly urgent for the salvation of the country.

German Socialists Turn to New Men

FROM OUR BONN CORRESPONDENT

When the Social Democrats left Stuttgart at Whit weekend, with their biennial party conference behind them, the Sudeten Germans moved into the town for their annual rite of staking a claim to territory beyond Germany's present frontiers. After the international decencies of socialism, the nationalist stridencies that have so often disquieted Europe once again reverberated in the bright Stuttgart air.

To foreigners whose business it is to watch political activities in Germany, decency is a characteristic quality of Social Democratic gatherings: decency on the platform, decency among the crowd, decency somehow even in the performance of the brass band. By German standards the Social Democrats have perhaps too much of it. They have acquired a mousey and bumbling look in the eyes of the greater part of the electorate, and they consider themselves in danger of being permanently dismissed as no more than "decent chaps"—decent, yet, with their woolly ideas about defence and property, not qualified to govern. The delegates assembled at Stuttgart made it their special business to enable the party to cut a more compelling figure without sacrificing any of its principles. They sought to produce an unequivocal statement of policy on current issues. They approved the draft of a new long-term basic socialist programme, which is to be given final form twelve months before the 1961 federal elections. And they did not shirk disputing the merits of the party leadership and making some important changes. Consequently they have aroused

and will continue to arouse more attention than has been their lot for many a month. But whether they have set course towards becoming the everyman's party of which some of their reformers dream, is debatable. The embarrassing freight which some members of the crew have furtively dumped to starboard seems to have been triumphantly hauled up, without having suffered much of a sea change, by others fishing on the port side. It is labelled no longer Karl Marx, but Herbert Wehner.

After two or three hours' barbed exchanges about the electoral failure last September, Herr Wehner was elected one of the two new deputies to the chairman (the other being Herr Waldemar von Knoeringen, the Bavarian socialist leader) and thus, with his exceptional energy and talents, has become a potential successor to Herr Ollenhauer as party chief. Herr Ollenhauer, under whose moderate and gentle leadership the Social Democrats have twice failed at the polls, is obviously now in risk of losing his title. Although he was re-elected chairman, he received 49 votes fewer than he did at Munich two years ago. Of the 380 delegates present 45 voted positively against him. One protested from the floor that the party had blundered in using the election slogan "Ollenhauer instead of Adenauer"; and the man who was charged with having disseminated the slogan—the party's publicity chief, Herr Fritz Heine—was not re-elected to the executive committee, on which he had served for thirty-four years. Some other "old faithfuls," including Frau Herta Gotthelf, hitherto director of the party's work for women and refugees, and Herr Franz Neumann, of Berlin, who endured the Nazi years in a concentration camp, were treated likewise against Herr Ollenhauer's express wishes. Younger and more adaptable men have been brought into the executive committee for the first time—personalities like Herr Willy Brandt, the popular Chief Burgomaster of Berlin. Professor Carlo Schmid, who had been named on the floor as the comrade most qualified to be a socialist chancellor, was re-elected to the executive committee. Professor Schmid declined to stand for any higher office, but he nevertheless received fourteen demonstrative votes for the chairmanship.

This long-simmering dissatisfaction with the mediocrity of the Ollenhauer regime expressed itself most strikingly in the elevation of Herr Wehner. An apostate communist party official, Herr Wehner still stands impenitently out on the left. While Herr Ollenhauer and Herr Heine were émigrés in the west, Herr Wehner was in Moscow and Stockholm. Physically and mentally robust, he hushed and excited the conference as no other speaker did. His election was the only one that provoked a cheer. As a footnote to Herr Deist's nebulous thesis proposing control, rather than nationalisation, of key industries, which the delegates had accepted somewhat hesitantly, Herr Wehner declared (before his election): "I am one of the old-fashioned persons for whom the so-called class idea has not yet been superseded." Still more electrifying was his unorthodox approach towards the problem of partition. Reunification would not be brought any nearer, he maintained, by refusing to deal in any way with the east German authorities. A beginning should be made by trying to alleviate living conditions in east Germany through official negotiations at least on some level. The goal should be reunification by stages. "There is no compelling scientific reason that prevents one part of a big country being administered more socialistically than the main part, in which free enterprise predominates. It is perhaps a little complicated, perhaps undesirable, but not altogether impossible. . . . Only one thing is unwaivable: personal and civic liberty for all Germans alike. Everything else is open to discussion."

This kind of talk cannot but have an impact. Whether it will win votes is another matter; no doubt it is possible that in 1961 it will be more convincing than it is today. It now remains to be seen how far Herr Wehner will succeed in establishing the ascendancy he won at Stuttgart. The twenty-nine members of the executive committee are about to meet in Bonn to appoint a nine-man presidium which will be chiefly responsible for putting policy into effect. Herr Wehner's future will depend a great deal on his relations with this new body. He has bitter enemies both inside and outside the party. Herr Heine has resigned from his post as press chief. Other resignations may follow as the deputy chairman asserts himself.

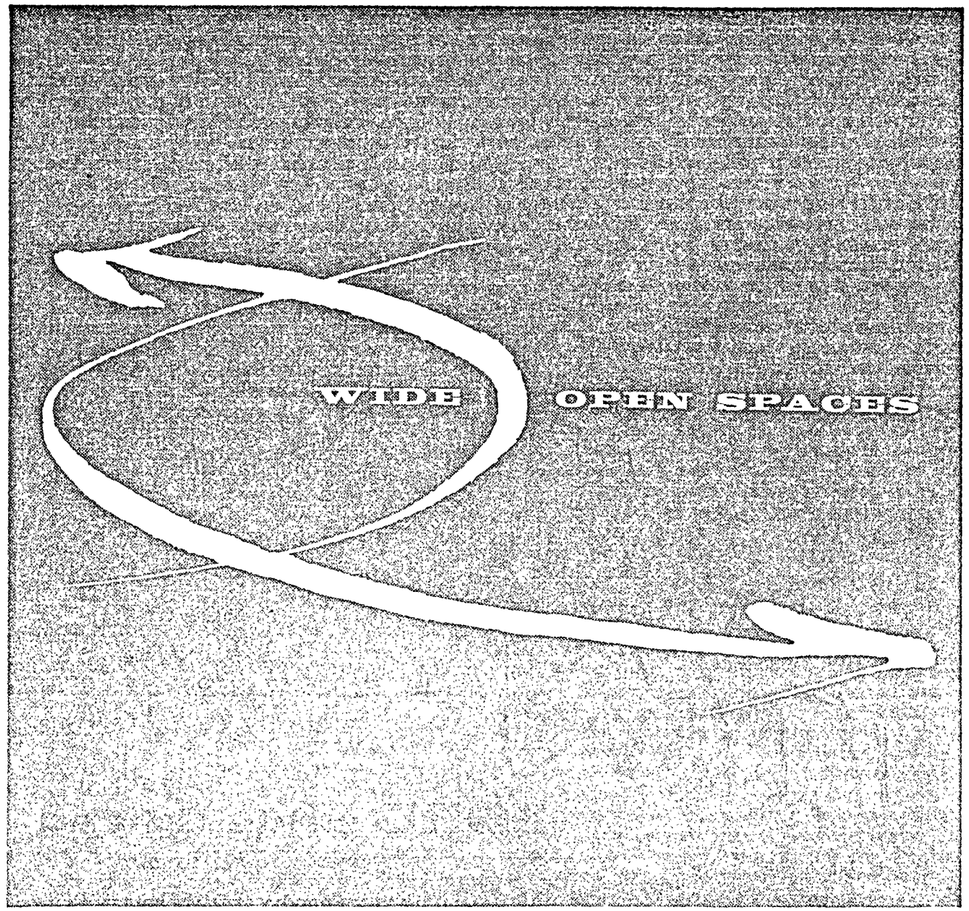
Three Communities at Stake

FROM OUR SPECIAL CORRESPONDENT

THE sedate assembly of the three European communities —Euratom, Coal and Steel and the Common Market— which met at Strasbourg on May 13th and 14th, was rudely disturbed by the news from Paris. On the 13th the deputies were listening sleepily to a discourse about the world economic climate from the president of the high authority at Luxemburg and musing on the subject of a European capital. Next day the benches where the French deputies had sat were bare. The shadow of General de Gaulle now falls across the three communities. A French government under his leadership would not necessarily walk out of them, but the close working relationship between French officials and their counterparts in other member countries, above all Germany, upon which the European edifice is built, might well be seriously impaired.

France, even while it has provided leadership and inspiration for European integration, has been, all along, the weak link in the chain. It both fathered and destroyed the European Defence Community. And though it has taken the plunge and joined the common market, its commitment has always seemed somewhat unreal against the background of chronic payments difficulties and a political system powerless to overcome them. French advocates of European integration have long seen in it a means to rejuvenate their country from outside—through competition and through powerful institutions which would make up for the shortcomings of French ones. There are many able young Frenchmen on the staffs of the Six, who, disgusted with the shortcomings of their country's *système*, hope to outwit it from Luxemburg or Brussels. But they have not had a chance to prove their imaginative thesis. The premises of France's European policy may shift just when the communities are in their infancy.

Their three principal organs—the council of ministers, the executive commission, and the assembly—have still not even managed to decide on a common seat. That was what the assembly met to talk about; but the buck, passed to them by the ministers, has been thrown up in the air to hang there until the end of June. In the debate a delegate from Luxemburg, knowing perfectly well that the Grand Duchy would not get the whole embryonic European government, was still gaily disputing the obvious need to put it in one place: "A ghetto for good Europeans: what a



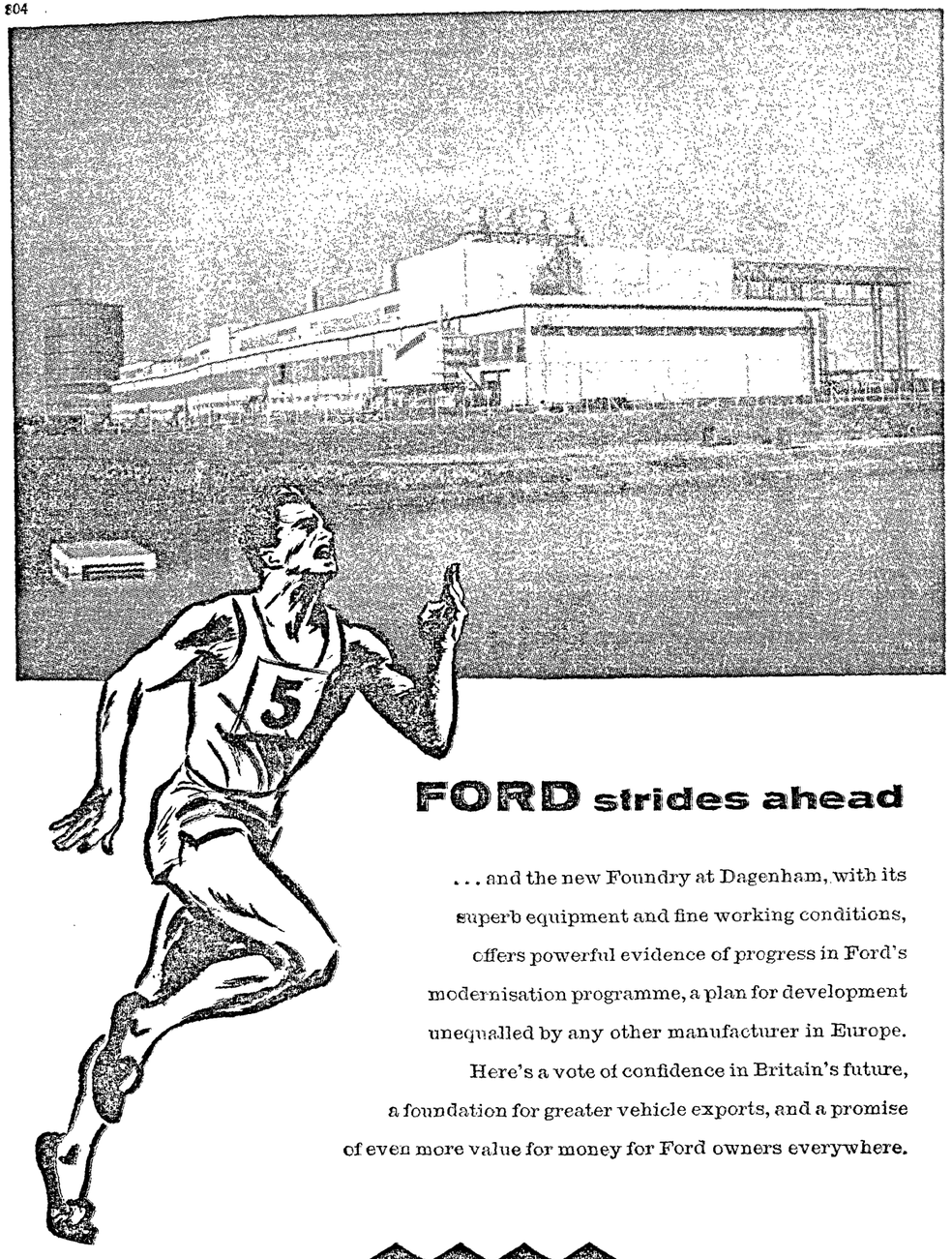
Go west, young man, heading not for the rolling hills but for the rolling mills of South Wales. They, too, are open country to people who recognise opportunity when they see it.

The GKN mills in Cardiff operate as the principal re-rolling unit for the GKN Group. To supply much of the rolled steel needed by the group companies might seem a full time job. GKN (South Wales) Ltd., think otherwise.

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FORWARD WITH FORD OF DAGENHAM

target for a Russian H-bomb ! " Let Luxemburg keep at least a ministry, ran his theme. Brussels, with plenty of empty flats and good communications, may be the capital in the end, but, for the sake of peace, Strasbourg may keep the assemblies and Luxemburg a court. Meanwhile, European ministers, officials and deputies traipse, gipsy-like, with all their camp-followers—secretaries, press officers, coffee-brewers—at vast expense from one capital to the other.

The absence of a common seat underlines another problem: how is the coal and steel community to be merged into the new ones ? Euratom and the European economic community should obviously be grafted on to the stem at Luxemburg, so that they can make use of its administrative experience and absorb its political prestige, until in time it becomes a mere ministry for coal and steel within the broader administration. But Brussels is already the chief operating centre of the two new schemes. If the coal and steel organisation is not moved there soon the political sap in it may run back before the juncture is complete. This could be harmful—notably in the field of cartels. The high authority has never seriously challenged the process of reconcentration in the Ruhr, which may be entering a decisive phase just when Luxemburg's powers are on the wane. French and German industrialists, too, are getting together to face the common market. Yet the anti-cartel laws in the Rome treaty are ambiguous, and machinery for enforcement may not exist for years.

The flight of the French deputies from the assembly, as well as of Italians and Belgians, who had elections in the offing, brought out another problem. Members of national parliaments have not got time to do two jobs at once. Yet the Six now have an executive which is at work full-time, making policies. Is Europe to be built by the technocrats ? The common market envisages direct elections of European deputies. But could these pure creatures keep their feet on the ground of national politics and enjoy real political power ? As more and more European governing is done, the need for a live assembly will become more acute.

Yet despite these shortcomings, the infant communities are remarkably lusty. Even in the assembly, where there is still too much fine talk, live issues are at stake, and the international groups—liberal, Christian, socialist—sit together and have developed a real working solidarity. Even in the debate about the capital, where so many national interests are at stake, they divided on party lines, and the Christian group moved the adjournment with an adroitness which would have been admired at Westminster. The assembly's committees are already doing valuable detailed work.

Above all, the new executive commissions of Euratom and of the economic community are providing a constructive drive. The economic commission has set up its administration, and it is already playing the vital creative role for which it was cast—formulating and devising policies for the council of ministers above it. The commission is manned by able men, equal in calibre to most national cabinets. Its president, Professor Hallstein, who in Bonn seemed cramped and limited by the Chancellor's tutelage, has acquired new stature and breadth of outlook with his new responsibilities. And the active and constructive part played by France's permanent representatives on the executive commission has in some measure compensated for the dangerous weakness of the voice of France in the council of ministers. In the near future, the commission may well take the initiative on the cartel issue by a decision that the provisions of the treaty have the force of law, even though no machinery of enforcement yet exists.

The commission has long since recognised that its most urgent problem is the free trade area. Yet in this as in the other key problems of the community, events have still to show just where the weight of power lies. The commission has been struggling to create a common policy for the free trade area talks. But in the council of ministers the national differences between, say, the French on one side, and the Germans and the Benelux countries on the other, appear more openly. Last week, when the council met to consider France's financial difficulties, it agreed to " view favourably " any proposal for a six-nation approach to other international bodies—say, the European Payments Union—on France's behalf. Such solidarity might be sorely tested by a change of regime in France. The free trade area talks may well provide a critical test of the power of the various organs of the new communities, of the balance between the member nations, and of the new-won unity which the Six proclaim.

Unindignant Swedes

FROM OUR SCANDINAVIAN CORRESPONDENT

THE special election for the second chamber of the Riksdag which will be held in Sweden tomorrow, June 1st, has a double interest. Sweden does not have parliaments of variable duration, as Britain does, and elections must normally take place for each chamber every four years. Because of this inflexibility, the Swedish parliament has almost never before been dissolved during the fixed four-year periods. This spring's dissolution is the first time it has happened since 1922, and it occurred then only in order to put into immediate working a new law of universal suffrage.

A dissolution has now been resorted to because the Social Democratic government under the premiership of Mr Erlander, which holds a minority of seats in the second chamber, was defeated in April on a bill to establish a compulsory system of additional pensions over and above the basic old age pension. This is the second point of interest in the special election. Nobody knows when a defeat in parliament is important enough for a Swedish government either to dissolve and resort to new elections or else to hand over power to the opposition, Sweden having no vote-of-censure system. The Social Democrats hope that an election campaign which can be fought on the rousing pensions issue will provide them with their best opportunity to reverse the gently downward trend that has characterised the party's fortunes at the polls since 1944. There has already been a noticeable tendency on their part to try to make this an " election of indignation " against the other parties, which are accused of opposing the demolition of " the last class barrier."

It seems almost impossible for the Social Democrats to win the eleven extra seats they need for an absolute majority. They perhaps have a chance of scoring the seven gains which are indispensable for a combined Social Democratic-Communist majority. The most likely result, however, is that the Social Democrats will win no more than three or four seats or—if they fail to reach the critical figure of 45 per cent of the votes—lose two or three. Within the

opposition, it is very probable that the Conservatives will win a few seats at the expense of the erstwhile Agrarians, who now call themselves the Centre party.

The plan to make this an "indignation election" has not been totally successful. Of the three parties in opposition, the Conservatives and the Centre party are opposed to any legislation for additional pensions, and are thus suitable targets for the government's campaign. But the leading opposition party, the Liberals under Professor Ohlin, have proposed an alternative to the government's bill. Except for the building up of the fund during the first 40 years, the Social Democratic scheme provides for a purely distributive system, in which the premiums paid on behalf of the working population each year go directly to give pensions to old people proportionate to their former income. One of the great advantages of this system is that it automatically provides protection against inflation; when prices and earnings grow, the premiums rise correspondingly and so does the sum available for the distribution of pensions that year. The danger is that, except for the fund already mentioned, there will be no new saving. As the new pensions will decrease the amount of savings which people put by for their old age, there is a serious risk that the net result will be a diminution in total national savings.

This is one of the reasons why the Liberals have chosen a capital reserve system for their proposal, the principle of which is that everyone should contribute over the years the amount of his own pension. A disadvantage of this compared with the distributive scheme is that within the capital reserve system, which will be built up on the principle of fixed premiums, it is impossible to say exactly what the size of pensions will be. The outcome depends, among other things, on the rise of the national income. Another disadvantage is the lack of automatic protection for the value of the pensions during a severe inflation. In order to solve this problem, the Liberals propose to invest the pension fund in "value-guaranteed" securities. If the Social Democrats fail to win enough seats to put their own proposal into law, a compromise between the Social Democratic and Liberal schemes may be the only practicable solution.

Mr Kishi on Top

FROM OUR CORRESPONDENT IN TOKYO

For their failure to make any appreciable dent in their conservative opponents' majority in Japan's seventh postwar election, the Socialists can blame Red China and Mr Khrushchev. They have indeed already done so. The Socialist party chairman, Mr Mosabûro Sûzûki, declared forthrightly in a television broadcast immediately after the results were known (and in which he appeared in unwonted harmony on the same programme and side by side with the victorious Mr Kishi) that China's suspension of Japanese trade and Russia's allegations that American planes based in Japan carried nuclear weapons were "aimed to sway the election in our favour but in fact provoked public antipathy against us."

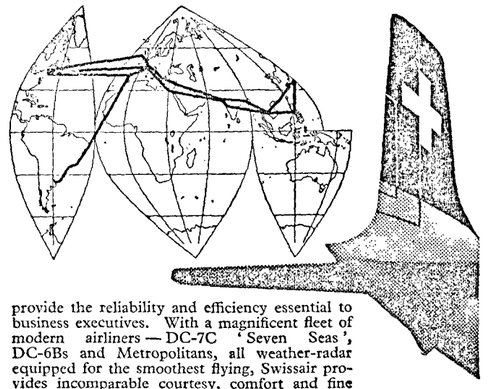
This is a bitter pill that China and Russia between them have made the Japanese Socialists swallow, and one that may have important repercussions on the Japanese Socialist movement. Not that the Socialists expected to win the elections: but they had hoped to gain up to 25 more seats. This hope was based on the continued steady growth of a Japanese urban working-class that is strongly influenced by the socialist-minded trades union federation, *Sohyo*; on the left-wing thinking of the university professors and schoolteachers who mould the minds of Japanese youth; and above all on the strong antipathy of the Japanese voters to discredited militarism, with which the conservatives tend to be associated because of their hankering after a change in the constitution that will pave the way for more full-blooded (and fully legal) rearmament.

What actually happened was that forty million Japanese turned out to vote, in a record postwar poll; and they did so because they were roused from political apathy by what most of them regarded as Chinese and Russian attempts to dictate to them what sort of a government they should have. The Chinese dramatically broke off all trade, and took the trouble to make it clear they were doing so because they wished Mr Kishi to be replaced; the Russians followed with their election time-bomb about American planes; and Mr Khrushchev clinched the matter by declaring (in a reply to a leading question put him by *Sohyo*) that Russia reserved the right to drop hydrogen bombs on Japan, unless the Japanese chased the Americans out of both Japan and Okinawa. The Socialists may well claim that these blundering tactics by foreign communist powers cost them dear.

In the upshot, the Japanese political picture remains ostensibly what it was after the previous elections of 1955. The conservatives, now united in one Liberal-Democrat party, hold about the same number of seats as they did then, if pro-conservative "Independents" are counted in; and so do the Socialists, who are also now united in one party. The Liberal-Democrats still lack the two-thirds majority required to change the constitution; but the Socialists, contrary to what most observers had expected, seem as far off as ever they were from being able to begin to think of taking over the reins of government. The similarity of the two post-election pictures may, however, be only on the surface. For the elections have probably strengthened Mr Kishi's position within his own party, as well as giving him his first real mandate from the people. The Liberal-Democrats will continue to suffer from factional strife, but there is now a better-than-even chance that Mr Kishi's faction (together with that of his younger brother, Mr Sato) will come out on top.

Mr Kishi, who is approaching 62, appears a much more alert leader than either of his two predecessors in office, Mr Ishibashi and Mr Hatoyama, both of whom were ailing and older men. Moreover, his election performance suggests that his appeal to the masses may have been seriously underrated. There has never been much doubt about his political acumen, but his critics have been grumbling for over a year about the absence of a "Kishi boom." During the election campaign, however, Mr Kishi alone of all the candidates of all parties drew full houses. It would not be entirely surprising if the man whom the Socialists persisted in dubbing "war criminal Kishi" succeeded in touching off a Japanese renascence that managed to combine a strong nationalist tinge with fuller acceptance of the responsibilities inherent in Mr Kishi's earnest advocacy of a policy of still closer ties with the West. It is just because they fear such a policy by Japan that China and Russia strove so clumsily to unseat or weaken Mr Kishi; it will be ironical indeed if their zealous meddling in Japanese politics turns out to have promoted it.

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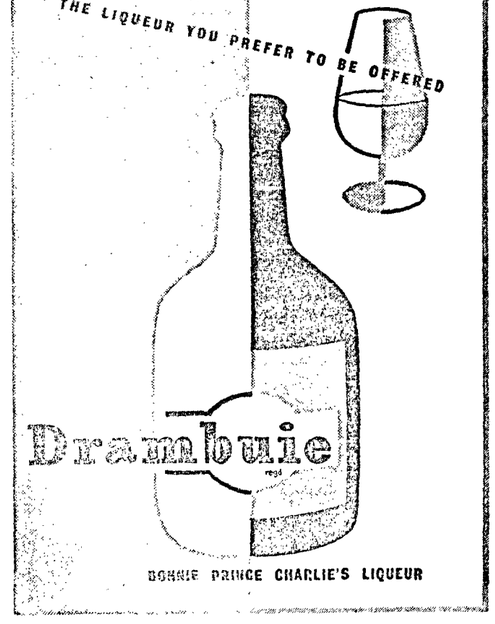
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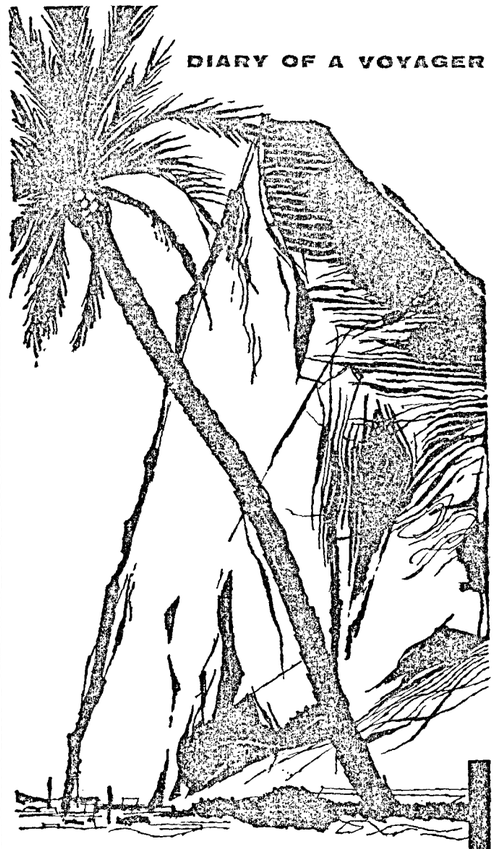
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DIARY OF A VOYAGER



We sight the Rock

Soon after passing Trafalgar, we sighted Gibraltar on our port side—strong, magnificent sentinel guarding the nine-mile wide gate to the Mediterranean.

A fellow passenger aired his knowledge that the Greeks and Romans had called it Calpe or Alybe, that the eminence opposite on the African coast was Abyla, and that the two together formed the Pillars of Hercules of the Ancients. I jauntily added that the name Gibraltar was a corruption of Jebel Tariq, Jebel meaning Mount, and Tariq after Tariq ben Zaid who invaded Andalusia from Morocco in A.D. 711.

I thought of all the fighting the Rock has seen before and since Admiral Sir George Rooke took it for Britain in 1704 — Moors, Spanish, French, all had had a go at it. Well, long may its Barbary Apes live and multiply; if they go, Legend says we lose it. But my faith in Britain banishes any worry on that score. Besides, who could wish for more blissful freedom from care and worry than a sea-voyage — or for deeper comfort and better service than voyaging P & O.

P&O *a Commonwealth lifeline*

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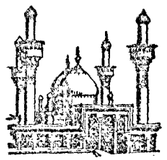
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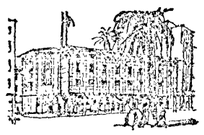
A tale of Twenty-two Cities

From Tunisia to India, from Aden to Iraq are the Cities, twenty-two of them—in fifteen states. They all have this in common: every one is in an area where a dramatic transformation is taking place, a transformation from a traditional past to modern statehood. Every one, too, contains a branch of The British Bank of the Middle East, a Bank dating back to 1889 and closely associated with the rapid development taking place today.





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THE BUSINESS WORLD

GAS UNDER PRESSURE—I

Today's Dearest Fuel?

The postwar years have been a period of great expansion in the total energy consumption in this country. . . . It is disappointing to note that the share taken by gas, although it has increased, has not increased to anything like the extent of either electricity or oil. . . . Both electricity and oil are invading the province of heat provision which at one time was more particularly the field of the products of the gas industry, either gas or coke.

—Dr J. Burns, Chief Engineer, North Thames Gas Board, in his Presidential Address to the Institution of Gas Engineers, May, 1958.

It does not take an expert to recognise that the economic difficulties facing the gas industry today are more than short-term troubles, but a warm year of slack business certainly points them up. Fuel consumption as a whole in Britain went down last year by about 2 per cent. But consumption of coal for burning raw was more than 5 per cent down; coke consumption, except at blast furnaces, was 10 per cent down; and gas sales were 2 per cent down. Electricity sales were 5 per cent up, and sales of oil as a general fuel, in spite of the aftermath of Suez, 2½ per cent up. In those uses where fuels compete, 1957 was a year to sort out the weak fuels from the strong.

Competitive strength, between fuels of roughly equal convenience, is largely a matter of price. Gas prices went up about 5 per cent last year, while electricity prices rose only 3½ per cent; prices of fuel oil and paraffin, after jerking up during the period of shortage, later fell sharply again. Ever since the war, gas prices have been rising much more than those of electricity or oil. It is true that "on a thermal basis," as Dr Burns said last week, a unit of electricity is priced higher than its equivalent in town gas. But the therm that the customer is interested in is the therm of heat that his appliances give him from the fuel he buys, according to their thermal efficiency. And if one compares, for example, a typical domestic price for gas with the "follow on" unit charge for current used in an electric heater, taking account of relative appliance efficiencies, that remaining advantage fades. There is room for endless argument about the figuring in tables such as the one overleaf; but it may well be that today, for domestic heating as well as in industry, gas is becoming the most expensive fuel of all. Yet there are hopes, not too far off or too fantastic, of making it again one of the cheapest.

It is true that gas has never been put forward as a cheap fuel: the gas industry traditionally offers it for "selective heating," such as cooking and supplementary space heating, supported by the cheapest fuel of all, coke, for basic heating. This "complete heating service" is based on the nature of the carbonisation processes used in the British industry—the largest in the world primarily concerned with making gas, since the American industry now relies on natural gas and the German gas grids were built to distribute the gas produced in making coke. Out of a ton of coal, carbonisation produces 80 therms of gas and another 160 therms of heating power in half a ton of coke, plus various other by-products. Gas is the main product; all the costs of the product are set against it, less whatever the by-products will fetch. On the cost side, that makes for cheap coke; on the demand side, the price coke will fetch is related roughly to what people have to pay for coal. In recent years, therefore, coke prices have risen much more than those of gas, let alone electricity or oil. As a result, consumption of coke has not expanded at anything approaching the rate of the more convenient, selective fuels. "The complete heating service" has encountered increasing price resistance in the home; and though gas sales have gone well ahead in industry, coke sales have not.

Nobody in the gas industry is ignoring this sharpening of competition in the markets for its main product; but their explanations of the phenomenon differ. Most people fasten their attention on one factor: the rising price of carbonisation coals. These have risen more than the average price of coal, partly because the price of mining them happens to be high and partly because of the facts of supply and demand. In particular, their prices have risen far more than those of the small coals for steam-raising used by gas's main competitor, electricity, and seem certain to go on doing so. Moreover, it is a perennial complaint in the gas industry that its main competitors both possess unfair advantages. Motor fuels, it notices, carry most of the costs of petroleum refining: until recently, at least, fuel oil and other general fuel products have been sold for what the market will bear, as coke has. As the gas industry sees it, electricity too, in lighting, can use its monopoly of part of the market as a base for competing in the rest: people who have to pay the standing charges, covering most of the capital involved in generation, transmission and distribution, to get their electric light, are then offered "follow on" heat or power at a marginal running rate.

Whether or not its analysis of its competitors' tariffs is correct, gas possesses no such monopoly. Its base load is cooking demand; this rests on an established consumer preference, rather than on any precisely demonstrable technical superiority. But this base load is itself open to "all-electric" competition for electricity at "follow-on" rates; it has to bear the costs of gas distribution, which are very high when spread over the comparatively small—and steadily shrinking—number of therms the average domestic consumer takes. The gas industry's elaborate and costly gas distribution systems handle only about 4 per cent of the fuel used in this country.

To some other people in the gas industry, its present tribulations go yet deeper. Even apart from the rising price of carbonisation coals, they feel that the industry has reached the limits of development with its existing carbonisation processes. These are technically most efficient processes (of the order of 60-70 per cent thermal efficiency): they involve expensive plant, in which further increases in efficiency would probably cost more than they would return; and they make two fuels that are not necessarily complementary. That last fact complicates one of the advantages a plant engineer would normally seek in seeking further economies with efficient, capital-intensive equipment: making the units bigger and putting the plant where the raw material can be had cheaply. Even in mains at low pressure, if the distance from coalfield to consumer exceeds, say, 50 miles, it would be cheaper to make the gas at the pithead and pipe it to the consumer. But if one is making half a ton of relatively bulky coke in addition from every ton of coal one carbonises, transporting that as well would offset the saving. So carbonisation has traditionally been carried out close to the markets for the gas and the coke: which means in many small plants, not a few big ones. One of the major technical economies that this industry has genuinely achieved since it was nationalised has been to root out the tiniest and most inefficient works, using regional grids to serve their areas from more efficient ones. But there are limits to such rationalisation; and developments completed or in hand must by now nearly have exhausted the most profitable possibilities. Meanwhile, in 1958, gas is becoming too dear to compete.

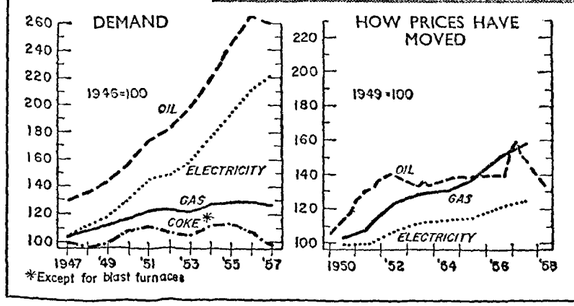
For differing reasons, therefore, the gas industry has for some years been looking for alternatives; alternative gases or ways of getting gas; alternative production techniques; and alternative methods of distribution. There has been no reluctance to consider experiments (though from time to time fashion seems to have had something to do with the emphasis of research, mainly according to the whim of ministers). The industry has been

- relying on purchasing far more gas than at present from outside—coke oven gas, tail gases from refineries, liquefied petroleum gases;
- exploring for natural gas in Britain;
- experimenting with the liquefaction of natural gas overseas and with tankers to import it liquid, at minus 250 degrees Fahrenheit, into this country.
- switching over to oil—for peak and base load gas plants, at low and at high pressures, using light oils, heavy fuel oils and crudes, or anything a refinery has to spare;
- experimenting with complete gasification processes, which make gas without coke, from oil or from coal;
- considering large-scale gas grids, which would move gas around on a national scale—across the existing area boundaries of this decentralised public industry.

From time to time, indeed, the array of possibilities that gas has been considering has given the impression of a man jumping off a sinking ship and setting off bravely "every which way" at once.

For the onlooker, indeed, it is far easier to recognise the economic difficulties of the gas industry than readily to sort out the rhyme or reason of its undeniably strenuous efforts to overcome these with science. The multiplicity of effort does indeed contain large elements of reinsurance, as it certainly needs to. To the onlooker, if not perhaps to everybody inside, this industry looks to be approaching the end of a chapter, as it did 70 years ago when electricity began to bite into its monopoly of artificial lighting. Welsbach's invention of the incandescent mantle in 1887 did not merely prolong the life of gas in the lighting field; it showed the industry the future it could gain in selective heating. Today, the economies of conventional fuels and processes may be pricing gas out of that selective heating market; its only chances of continued expansion lie in radical technical change. But that technical change—which does look, now, to be on the cards—could in its turn transform the economic opportunities of gas from a selective to a general heating fuel; even, perhaps, the cheapest. The rationale of the gas industry's technical strivings, and the kinds of cost they will need to achieve to succeed, will be examined in a second article. But one thing can be said about this industry, psychologically as well as technically: pressure makes things happen.

THE GAS INDUSTRY AND ITS COMPETITORS



THE PRICE OF DOMESTIC HEATING

(Allowing for efficiency of appliances in use)

	Typical cost pence per therm May, 1958	Efficiency of use %	Price per useful therm
Coal	7·5	35	21·4
Coke	8·0	40–70*	11·4–20·0
Fuel Oil	9·0	80	11·5
Gas	21·0	60–90†	23·3–35·7
Electricity	34·1	100	34·1
Paraffin	16·1	100	16·1

* In open fires, stoves, or central heating.
† Gas fires, with flues or without.

Buses in Cities

Public transport in and out of town, everywhere in Britain, has an unprofitable peak to scale

By this week end the world's largest urban bus undertaking will have been off the road for four weeks—with no tragic inconvenience to its former passengers. But little more than a quarter of the capital's million and a quarter peak-hour commuters, who provide the great bulk of each day's passenger movements, normally travel to the central area by bus; and the proportion of bus passengers among the three-quarters who perambulate at off-peak times is still less than a third. Most of the rest go by tube or rail and only 5 per cent use their cars. This access to alternative, though for many not as convenient, means of transport has diluted the effectiveness of the strike. But how many of London Transport's bus passengers who have found these other ways of getting to their destinations will return to the buses when the strike ends? Will more peak-hour regulars return, for instance, than off-peak casuals?

This touches directly upon the principal contemporary fact of life for urban bus operators. Modern habits of living, the suburban semi-detached, the car, and television, have hit them all in much the same way. Twice-daily surges into and out of town centres have grown, in volume and distance, more or less with the increase in urban population. The car has not made much inroad into the peak movement, which largely determines the total investment in carrying capacity that the bus operator is expected to provide. But by contributing to peak-hour congestion cars impede the operator's chances of getting more vehicle miles out of his fleet by quicker and more regular running. More important still, with the newer social habits of shopping locally, spending evenings at home, and motoring at the week-end, the car has reduced the bus operator's chance of carrying as many passengers at less busy times as he did. In recent years the number of passenger journeys on all bus services has not risen as much as the total number of vehicle miles, so total revenue has not been buoyant, and capital and running costs have increased. Thinner profits have been made on off-peak operations to subsidise the costly and expanded peak-hour services.

Cross-subsidisation is the only way in which bus undertakings can operate, in urban or rural areas. Indeed, the idea of "areas of averaging," whereby profitable services carry uneconomic ones, is the very basis of the licensing system for road passenger services. Most operators charge a standard rate of fare according to mileage, except for the now archaic, but embedded, system of workmen's tickets—which could well be brought to an end—and, in the provinces, the taper for longer mileages. But their costs per vehicle-mile vary widely, and sometimes quite capriciously, with the time of day, week and year, the conditions of traffic, and the part of the route served. Costs per passenger-mile would undoubtedly show even greater variation with the particular load carried at each stage.

In spite of this fractious relation between costs and charges, and although peak traffics have increased much more than total traffics, most urban bus undertakings have been able to break even, without raising fares as much as wage rates have gone up. Labour costs account for not quite half of their total outgoings, but the possibilities of improving the productivity, in the narrow sense, of drivers, conductors, and maintenance staff are not considerable, unless there were greater co-operation from the unions than ever seems likely. Municipal undertakings publish separate accounts, and in the larger cities they are not in an unhealthy state. But the records of other urban operators forming part of the Tilling and Scottish groups, owned by the Trans-

port Commission, and in the British Electric Traction group, which is partly owned by the commission, are not readily available. Even the road services of London Transport, excluding the tubes, have managed to cover their "share" of the Transport Commission's central charges (calculated by the Chambers committee as £1.5 million for 1953) in six of the nine years for which accounts have been published since 1948.

THE most obvious way of surmounting increased costs is to increase the carrying capacity of the bus; this adds insignificantly to total operating costs but can make an appreciable difference to the size of fleet, and therefore to the number of staff and amount of maintenance expenditure, needed to handle peak traffics. In 1949, for instance, Manchester's fleet of 1,370 buses averaged 56 seats to each vehicle; it now has a slightly smaller fleet with an average of 58 seats each; and new regulations allowing an extra foot in length, have enabled the corporation to put 65 seaters on the road. Local authority undertakings as a whole ran nearly 2,900 buses with a seating capacity of 56 or more at the end of 1955; a year later the number exceeded 4,000, while their total fleets had increased only by 500 or so to about 15,500.

Improved design has also helped by reducing vehicle weights; increasing engine efficiency has improved fuel consumption; so has closer attention to driving methods. Fuel costs have been cut from roughly 13 per cent of the total to about 16 per cent in the last three years. A reduction, or the abolition, of the fuel duty, which is the hardy spring perennial of the industry, would not solve all their problems for all time. If a cut were to be passed on to the passenger, who in effect bears the impost now, the slight reduction in fares would probably not produce many more passenger miles; and if the operators pocketed some or all of the relief it would merely provide them with a cushion for a few years. It would not meet the persistent fall in off-peak traffic, the principal cause of their troubles.

Operators have also eliminated many unprofitable services and reduced their "dead mileage." Bus undertakings are not allowed to forget the public obligations that passengers expect as of right but are not so keen to pay for, but they manage to shake off some dead branches and to adjust the frequency and length of services to the patterns of traffic. But they also have to fit these in with working schedules of staff and vehicles, which is not so easy.

But success in the main problem of the growing divergence between the volumes of peak and off-peak traffic means finding ways of attracting passengers back in these less busy hours, pressing for a staggering of working hours, and lowering the costs of the peak-hour services. Hopes for improvement from stimulation and staggering have never been very sanguine. The cheaper fares that London and some other operators have at various times offered in the evenings have not been a success. A cut of, say, a quarter in midday fares in cities where there is no appreciable lunch-time traffic at present would have to produce an increase of a third in passenger mileage before the takings increased. A 15 or 30 minute shift of working hours could make a lot of difference to peak hour congestion for the passenger, though not as much in the capacity the bus undertaking has to provide. But, again, there is little sign of it.

The main way in which operators meet this peak demand is by bringing out older vehicles. Improved design and maintenance have lengthened the life of buses, and by the time they are retired for these twice-daily appearances their capital cost has been largely written off. To use specially designed utility-type models, with fewer seats and more standing room, would not be more economic if their cost had to be recouped purely from peak-hour operation. They might be incorporated economically in a fleet that works throughout the day if the operators believed that the public were prepared to accept transport of a less comfortable standard; but hardly any urban operator does—yet. More "limited stop" buses, offering express runs at higher fares, have been introduced successfully by the provincial operators, and London Transport has also introduced them in the last two years. But unless these vehicles can get back to do at least one extra journey during peak travelling time there is no saving for the operator. The main cost of peak hour capacity, using older vehicles, is the wages of the crews, and London Transport, unlike most provincial undertakings, is not easily able to save on off-peak labour costs. In London, by a long standing agreement with the unions, crews' wages have to be paid in full for any idle periods between morning and afternoon duties. The idea of employing part-time drivers and conductors soon runs up against the difficulty of finding labour willing to work only at such times; and, similarly, suggestions that fares could be collected by conductors only during peak hours would mean redesigning buses and might be practicable even then only if the same fare were charged whatever the mileage travelled. Fares are collected by the driver, with or without the help of coin machines, in the United States; but their system of one uniform fare, whatever the distance, is increasingly disliked by urban transport undertakings there. The "more refined" method of mileage charges used here is considered, in fact, as the first step necessary to resurrect public transport in American cities.

Public urban transport is beginning to be suggested again in the United States as the least inefficient way of tackling the immense problems of urban congestion. In Britain, public transport is still on the decline, and as the car population grows it is likely to decline more. Here, buses are still just about paying their way; but the task of meeting the cost of the demands of the peak-hour traveller out of the other declining services is likely to become steadily harder. The public will have to choose between paying for this peak-hour service—by higher peak fares, or by higher fares in general. It will certainly have to accept more inconvenience as its peak demands grow.

BUSINESS NOTES

IN THE MARKETS

Soft Going

FRANCE by a close head from Mr Cousins with 5½ per cent a bad third might be the way a race reader would record the running on the stock market this week. The race has not been dramatic: the excitement in Kaffir shares has died down, though no big losses have been recorded. Industrial equities have been little more than steady, with *The Economist* indicator falling 0.8 to 183.6. And the gilt-edged market has remained firm. Business has been light, with investors awaiting the next twist in the French crisis and the developments in the bus strike.

But the waiting race may favour some horses, especially those carrying gilt-edged colours. At the short end of the gilt-edged market, the buying that immediately followed the reduction of Bank rate from 6 to 5½ per cent was a little too hectic and there were some attempts from Lombard Street to sell this week on an unwilling market. But prices throughout the list have been pegged higher by the Bank

	Price, Sept. 18, 1957	Price, Mar. 21, 1958	Price, May 21, 1958	Price May 28, 1958
Conversion 2½, 1958–59	96 15/16	97⅛	98 3/16	98⅛
Exchequer 3%, 1960	96 31/32	97	97 1/16	97 3/32
Savings 2½%, 1964–67	80 15/16	79	80 1/16	80⅛
British Gas 3½%, 1969–71	81 3/16	80 11/16	81 3/16	81 1/16
British Transport 3%, 1978–88	61 15/16	63 3/16	64 3/32	65 1/8*
Funding 3½%, 1999–2004	67 3/16	68 1/32	69⅛	70 3/16
Associated Portland Cement	43/9	35/3	35/6	37/–
Associated Electrical	60/3	51/3*	48/3	48/3
Bowater	34/–	28/3	30/–	29/3
British Petroleum	129/–	90/–	102/6	100/7½
Imperial Chemical	41/–	40/7½	43/9	44/–
Imperial Tobacco	40/10½	42/6	43/9	43/3
Marks & Spencer "A"	49/4½	40/3	42/9	43/1½
P & O deferred	30/–	27/3*	27/3	27/3
Rolls-Royce	110/7½	92/–	89/9	86/10½
Unilever	93/1½	74/10½	73/7½	73/–
Financial Times Indices:				
Government securities	81·51	81·40	£2·77	£3·02
Industrial ordinary	192·2	164·5	168·6	168·7

* Ex dividend. Gilt-edged prices shown net of accrued interest.

rate reduction and clearly the reduction does not impede—though it may not greatly enhance—the prospects for further funding sales. The recent conversion offer and the earlier 5½ per cent Funding issue have given the Government broker stocks with dates ranging over 1963, 1974 and 1982–84 to meet any demand that may arise. Gently the tap prices have been raised. But the technique of funding itself, the big sales of gilt-edged which occurred before Bank rate was changed, and the prospect of new issues of fixed interest securities to come will prevent any excitement in the market, even if 5½ per cent points to an eventual 5 per cent.

The New Zealand issue has now been digested and a local authority issue is in the offing, though whether it will come before or after the ABI issue seems to turn on the outcome of the French crisis and the bus strike. Such an issue reduces the pressure on the mortgage market where short-term rates have come down—seven days' money from 6⅛ per cent to 5⅝-5¾ per cent and seven years' loans from 6¼ per cent to 6¼ per cent—but long-term rates remain unchanged. There has been no sudden surge of hot money from France into the mortgage market, for the French government is keeping a stern eye on bank balances; but there is as yet no sign that the reduction in Bank rate has encouraged borrowers to go longer.

Weak Franc, Weak Dollar

MOST of the interest of the foreign exchange market has been focused on the political crisis in France and on the continuing weakness of the American dollar—a weakness that is the exact opposite of what many people predicted, though it conforms to the experience of the exchange market in earlier American recessions, including the last. The market in French francs has remained narrow and is dominated by the fact that there is, naturally enough, a technically short position in this currency. That explains why the spot rate improved suddenly from frs. 1180½ to frs. 1178½ on Wednesday when the way seemed to be prepared for the formation of a de Gaulle government. The short technical position in francs has also been apparent in the inordinately high rates that have been paid for carrying over short positions in francs from day to day. For such accommodation up to 4 francs per day against sterling has been charged, which expressed in terms of an annual rate of interest is well over 120 per cent.

The underlying pressure on the franc has been more apparent in the fluctuations in the price of gold in Paris and in the weakening of the rates for Bank of France notes in foreign centres; in London the rate touched 1360, but on Thursday it improved to 1316. The French authorities have already taken defensive measures, including the sudden cancellation of all tourist allowances. They appear to have overlooked their obligations under the Treaty of Rome setting up the common market, which came into effect at the beginning of this year, to consult their partner countries before effecting this breach of principle. In consequence the French government had to obtain a retrospective waiver. It has also been intimated that France will need to contract out of its obligations to cut tariffs and raise quotas on common market trade in January next; it seems still more certain that France will postpone its liberalisation of trade with all OEEC countries that it had promised to undertake next month.

Events in France and in the Middle East have kept business in the foreign exchange market unusually quiet. Sterling has been inclined to give way slightly against European currencies. In part this is a seasonal movement but it also reflects the fact that Continental bankers have been watching Mr Cousins and his doings more attentively than have the exchange dealers in the United States. Against the dollar sterling has fluctuated within the very narrow limits of $2.81⅜-2.81¼. The main feature has been

the weakness of the dollar against currencies other than sterling. The dollar is now at or below its parity in terms of all European currencies and is near the floor of its permissible fluctuations against sterling, Swiss francs, guilders, Belgian francs and German marks. A mild run from the dollar is still under way; this largely accounts for the continued outflow of gold from the United States, which has involved the loss of more than $1,000 million since the beginning of this year.

AIRCRAFT INDUSTRY

Clouding the Issue

THE debate on the aircraft industry before Whitsun gave the Minister of Supply an opportunity to look at its future prospects—a contraction in employment, which has now shrunk to about 250,000, to a possible level of about 150,000, though only if the industry can continue to sell a fair volume of its products abroad. This is the projection of three separate trends: the limits imposed on defence spending; the switch to guided missiles that take fewer resources to build and are needed in smaller numbers than an equivalent force of manned supersonic aircraft; and the size and cost of a modern civil airliner which are so great that substantial export orders over and above any placed by domestic airlines are required for economic production. The Ministry is coming to believe that the future of the civilian aircraft industry depends increasingly on its commercial strength, and the ability to offer competitive credit terms.

The Minister is quite right to spell out these facts in the bluntest possible manner to an industry that has an unusual capacity for self-deception. Aircraft companies always believe that better times are just around the corner and that the darkest hour is the one that precedes either a major technical change or a re-armament boom and often enough in the past they have been right. But when the Parliamentary Secretary said in the plainest possible terms "I regret very much . . . that I cannot see any prospect of any major government production order for the Gloster Aircraft company after its present order for Javelin fighters has been completed" it is doubtful whether his words were taken at their face value. Repeated warnings do not stop small companies from trying to carve out a foothold in an industry where the government is doing everything in its power to reduce the number of companies.

It was more the pity that the debate was so strongly reminiscent of any typical postwar debate on the textile industry, with members pleading for special measures to bring work to aircraft factories in their own constituencies and ignoring completely the basic reasons for the industry's contraction. If these members are prepared to vote for a bigger defence budget, let them say so. If not, they should not complain when defence orders are cut. The points that Mr Jones raised, particularly those that touched on export credits, deserved more serious discussion than they received.

OPTION DEALINGS

What Kind of a Market?

"SUBJECT to satisfactory rules and conditions being framed," the Stock Exchange Council will lift the ban, now nearly twenty years old, on option dealings. So the Council, having turned down earlier requests for a resumption of dealings, has bowed to the wishes of the majority of Stock Exchange members. Two-thirds of their number voted in last week's poll on option dealings, and by a two to one majority—1,485 votes for and 766 against—favoured the revival of the pre-war practice. Members and investors alike will not find it easy to recall the intricacies of option dealings, and the Council has decided to set up a committee, with power to take evidence and to invite the co-operation of members with the necessary expertise, to frame suitable rules.

Presumably the "put," the "call" and the "put and call" will come back, but they are hardly likely to come back under the same rules that governed the option dealings before the war. Among other questions, the committee will have to decide in what securities option dealings should be allowed and whether the money for the option is to be put down at the end of the currency of the option, as it was before the war, or at the beginning. With the manifest reluctance in high places in the Stock Exchange to accept option dealings the rules seem likely to be tightly framed.

What kind of a market will emerge? Option dealings will encourage speculation. That is not a judgment on the desirability or otherwise of speculation, but a recognition of the fact that a tax system which encourages the search for capital gains breeds a circle of professional or semi-professional operators. But will option dealings significantly increase the turnover of the stock market? Certainly it was in that hope that many members voted in favour of their resumption. More than before the war, institutional investors dominate the market, and they will not be concerned with options. But in the unlikely event of private investors becoming interested in a big way, could the market finance option dealing on a large scale? Before the war dealers used to cover themselves by buying half the stock represented by the options they had sold which they then contangoed to postpone settlement. But the prewar contango facilities no longer exist, as the capital deployed by jobbers has shrunk and they dislike leaving their books unbalanced for long. The market that seems likely to appear may be narrow, specialised and volatile.

MOTORS

Ensuring Body Supplies

IT is not altogether surprising that Standard should have made its offer for the entire share capital of Mulliners (Holdings) Ltd., the Birmingham car body makers, which already builds Standard bodies—to be distinguished from H. J. Mulliner and Company Ltd., the coach builders for Rolls Royce and Bentley—nor altogether a coincidence that its announcement should have come while the Pressed Steel strike was beginning to cut deep into the motor industry's output. Standard, alone of the big five, controls no body-making plant itself. It gets the bodies for its Vanguard and Ensign models from Pressed Steel, for its 8 hp and 10 hp saloons from Fisher and Ludlow—which is owned by BMC—and Mulliners supply bodies for the Triumph range and the small Standard vans. Most of Mulliners' work stems in fact from its Standard contract, and clearly if the bid is accepted Standard will aim to build up its new subsidiary's facilities so as to become less dependent upon outside body-makers. Standard has offered 11s. in cash for each of Mulliners' 300,000 10s. 7 per cent cumulative preference

An exceptional investment opportunity

offering high interest with maximum security

Rarely before in this century have investment yields been as high as they are to-day, but equally rarely has the investor stood in so much danger of capital loss.

Within the past twelve months the prices of Government securities have fallen on average by 12 per cent, and those of industrial ordinary shares by almost twice as much; and, with the economic outlook so uncertain further wide fluctuations in share values cannot be ruled out.

INTEREST 7½% PER ANNUM

An investment free of these risks is offered by Awley Finance, a company specialising in the financing of hire purchase and credit sale transactions; the investor depositing his money with Awley Finance can assure himself of the exceptionally favourable return—even by present-day standards—of **7½ per cent per annum, without exposing capital to erosion by Bank Rate adjustments, Stock Market upheavals,** and so on. Deposits can always be encashed at their full face value at agreed periods of notice of six months or less, while arrangements can be made for substantial withdrawals on demand, and this investment does not entail any costs of stamp duty, brokerage fees, or legal charges. The interest rate is **FIXED** under the terms of the Company's deposit receipt, and is **not automatically reduced in the event of a reduction in Bank Rate.**

Assets exceed £1,500,000
Capital and reserves exceed £750,000

But, it may be asked, is the money deposited with a hire purchase finance company safe, especially at a time when a recession may be on the way? The answer is that it enjoys complete security under any conditions with Awley Finance. The Company's total assets exceed £1,500,000, it has capital and reserves exceeding £750,000, and its earnings record is excellent; but in addition to the protection given to the depositor in the exceptional strength of the Company's financial structure, **Awley Finance follows the practice of limiting deposits to a sum not exceeding its own capital and reserves.**

No prior charges on assets

As there are no prior charges, deposits are therefore covered by assets to the extent of more than 200 per cent, which means that they are completely safeguarded against any conceivable disturbance of hire purchase activity arising from changes in the economic situation. And deposit interest, it should be noted, is covered several times by earnings and takes priority over dividends.

Interest is paid quarterly . . .

. . . and can be paid gross (i.e. without deduction of United Kingdom Income Tax) if the deposit is made for a fixed period. Awley Finance supplies its depositors with audited Accounts and Balance Sheet at the end of each HALF-YEAR, enabling depositors and their financial advisers to maintain up-to-date observation on the Company's trading progress and financial soundness.

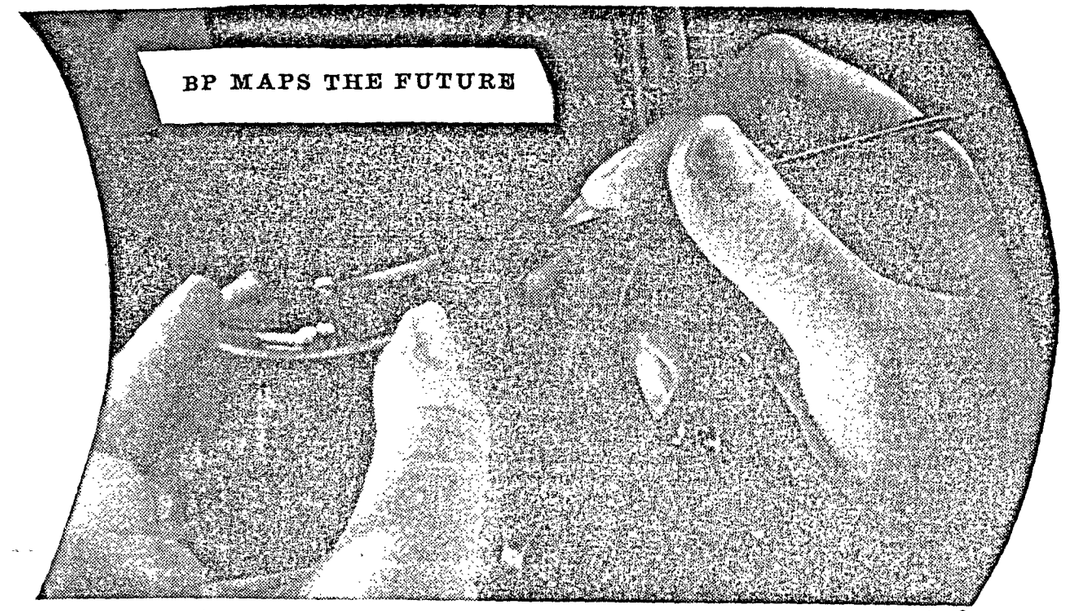
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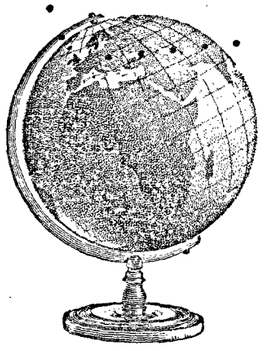
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A sample of catalyst for use in oil refining is about to be analysed in a spectrometer at the BP Research Station, Sunbury.

How will these hands shape tomorrow's motoring?

WHOSE HANDS ARE THESE? They are the hands of a chemist at the research station of The British Petroleum Company at Sunbury-on-Thames. One of nearly a thousand BP research workers whose main task is to conjure more and better products from one single substance—crude petroleum.

Among the many different users of oil products, no one has gained more than motorists and motor-cyclists from the work of these men and women. No one has more to gain in the future. To quote one example, BP Energol Visco-static, the all-weather motor oil which reduces engine wear by 80%, was a recent Sunbury triumph. The result of many months of patient research. In 1917 Sunbury Research Station began with one modest house. Now it occupies thirty-nine acres and is still expanding.

Besides its laboratory and development work, Sunbury carries out the most exhaustive proving-tests of BP products and processes. The latest major addition to its resources is a motor fuels engine-test laboratory, where cars can be tested at speeds up to more than 100 m.p.h. under temperature and humidity conditions equivalent to the most extreme tropical climates.

Thus, constant research ensures the supreme quality of BP products for use all over the world, and even more efficient fuels and oils for the engines of tomorrow. At Sunbury, the future takes shape today.

THE *British Petroleum* COMPANY LIMITED

shares, and three of its own 5s. ordinary shares plus 2s. in cash for every four of Mulliners' 4,875,000 1s. ordinary shares. On the eve of the offer the Standard 5s. units stood at 7s., putting a price of 5s. 9d. on the Mulliner units (against a market price of 4s.).

Standard may have just been able to escape running into any trouble from the Pressed Steel strike. The Swindon plant, where the 31-day strike took place, supplied certain panels for Standard bodies to Pressed Steel's plant at Cowley and it so happened that Cowley had a sizeable stock of these panels. Standard thinks that it should be able to keep to its schedules until this week-end: what happens early next week depends on how quickly the Swindon plant can get back into business. Ford and Vauxhall, on the other hand, never had any cause for worry: Vauxhall makes its own bodies and the Briggs plant, which Ford now owns, supplies all of Ford's needs except for the bodies for its convertible models, which come from Carbodies in the BSA group. EMC and Rootes were the main sufferers and the strike probably cost them at least 10,000 vehicles. BMC gets possibly half of its bodies from its Fisher and Ludlow and Nuffield Metal Products plants, Pressed Steel supplying most of the rest: the strike is believed to have cut Austin's output by about 5,000 vehicles and Morris may have lost at least 1,500. Rootes, however, relies much more heavily upon Pressed Steel since its own body making subsidiary, British Light Steel Pressings, makes only the Humber Hawk body. Rootes' lost production probably exceeded 3,000 vehicles.

MONEY MARKET

Sharp Fall in Bill Rate

THE Treasury bill rate fell by rather more at last Friday's tender than many people outside the market had expected; the discount market raised its common bid by 1s. 11d. to £98 15s. 11d., equivalent to a cut in its discount rate of ¼ per cent to 4⅛ per cent. At the time of each of

Expansion at Ford

ALONE among Britain's motor manufacturing companies last autumn, to people inquiring about output prospects for 1958, Ford replied that it was already working to capacity: it would hardly be able to do much more until the £65 million investment programme that it had begun at the end of 1954 began to mature. That has not prevented the company from pushing output up to 1,830 vehicles a day, as against the 1,650 it was pushing through at the end of November—from facilities with a rated capacity of 1,600 a day. But this has cost a vast amount of overtime, extra trouble and congestion in the for management, and congestion in the existing works at Dagenham. Some of what Ford decided to buy with its £65 million is already working—such as the new Thames Foundry that it showed to visitors this week—but the extensions and new plant will not be complete before spring next year.

That expected date of completion will be about six months earlier than Ford originally reckoned. The company did accelerate its programme to some degree, though not to the financially agonising extent of its rival Vauxhall. Three of the major new units, including the big new press shop at Briggs, have been completed ahead of schedule, and there are hopes that the new "PTA" building will be too.

This paint, trim and assembly building is in a sense the core of reorganisation at Dagenham. At present it is a gaunt framework of structural steel alongside the main road past the 562-acre Ford site. But when it is complete next April, it will house the assembly lines for all the models of car made at Dagenham: the existing River plant will concentrate on assembly of the commercial vehicles and tractors. From the extended and re-equipped press shop at Briggs the completed car bodies, ready for painting, will come across the road on a bridge conveyor straight into the new building instead of on loader lorries as they do today; after painting and furnishing, they meet engines, transmissions and other components from the machine and sub-assembly shops of the main plant.

THE "PTA" plant, which alone accounts for about 1,400,000 square feet out of the 3 million being added to productive floor space under the present programme, is the largest [illegible] The Thames foundry, single new item. The [illegible] which Ford claims is the most advanced in Europe, is the next: it is now producing heavy castings such as cylinder blocks and heads, mainly at the moment for commercial vehicle engines, and big castings for the Fordson tractors. It is certainly one of the cleanest foundries in the world: there is a complete change of air for the whole building, which measures 533,000 square feet on two main floors, every eight minutes. Elaborate overhead handling equipment, power-controlled by individual operators, moves ten 2,000-lb ladles to and from the cupola furnaces to pour the main castings. Cores to form the internal cavities of the big castings are baked from sand of which the mixture is controlled according to pre-set punched card programmes. The foundry will have a capacity of about 400 tons of castings a day, two-thirds of the whole Ford output (existing foundries at Dagenham and Leamington will continue operating).

HOW FORD OF BRITAIN HAS GROWN

Output: Vehicles per Day		Floor Area: (million sq. ft.)	
Opened		1946	2·2
1931	c.100	1954	6·2
1938	460	1957	8·0
1946	372	1960	9·2
1947	470		
1948	627		
1949	622	Employees	
1950	750	1946	15,700
1951	700	1954	40,000
1952	666	1957	44,000
1953	957	1960	50,000
1954	1,220		
1955	1,458		
1956	1,333	Fixed Assets (£ million)	
1957	1,398	1946	£14 mn.
April,		1954	£42 mn.
1958	1,830	1957	£81 mn.

In cost, the main items in this Ford programme rank roughly as follows:

	£ million
Paint trim and assembly building	10
Thames Foundry	
[illegible]leted beginning 1958)	7½
(completed [illegible])	5½
Briggs press shop modernisation	2
Spare parts plant, Aveley (completed 1956)	2
Machine shop, Basildon (completed 1957)	2

Rearrangement and modernisation of existing workshops at Dagenham will have cost £10-15 million more by the time they are over. Extension of the existing press shop, a new die-storage building, a new body division toolroom, a new forge, and a machining plant at Woolwich, plus extensions outside London, make up the balance.

In this programme, Ford's emphasis has been as much on re-equipment to cut costs as on increasing capacity as such. It appears that when the whole plan is complete, Ford capacity without overtime may be of the order of 2,200 units a day: the company says "double the 1954 capacity." But when one considers what Ford is at present getting out of its rated capacity, such figures appear conservative.

the two previous changes in Bank rate, the reduction to 6 per cent in March and the increase to 7 per cent last September, the bill rate was initially established perceptibly closer to Bank rate, less than ½ per cent below it. But last week's margin of $\frac{11}{16}$ per cent is by no means unusually large; it compares with a margin of just over ¾ per cent following the previous ½ per cent reduction, from 5½ to 5 per cent in February last year.

The steepness of last week's downward step, at a stage when a cut in Bank rate had been widely expected, is to be explained partly on tactical grounds. The market had outwitted outside competitors at previous tenders by going into reverse and increasing its discount rate—it may be noted that last week's rate was less than ½ per cent below the rate on May 2nd; this involved missing most of the bills, and last week it needed to make its bid fully competitive. Its allotment rate jumped to 60 per cent, following the poor rates of 44 and 20 per cent at the two preceding tenders. But there were influences other than tactical ones in the magnitude of last week's reduction. Many people in the discount market expect to see a Bank rate at 5 per cent before mid-summer.

The Treasury bill tender established the pattern of Lombard Street dealing rates; and as credit has continued to be rather taut, the discount market's margins have not been wide. The market had to take loans at the new penal rate on Thursday itself, keeping it "in the Bank" for the fourth successive day, and further penal loans were needed on Tuesday after Whitsun (though the amounts involved have throughout been small). Hence flexible rates on overnight loans have ranged up to 4⅝ per cent, and dealings in August maturities have generally been at 4¾ per cent, though the market has also obtained 4$\frac{23}{32}$ per cent. It is too soon to assess the average cost of the market's money—including, that is, the half portion or so that is taken at 3¾ per cent, the clearing banks' new minimum—but it seems likely to be between 4⅛-4¼ per cent.

ARGENTINA

Disappointment in London

On May 2nd, the day after the new government of President Arturo Frondizi took office, the cash payment was due from Buenos Aires under the long drawn out agreement to compensate Primitiva Gas for its expropriated properties. The lack of any remittance to honour an agreement signed only a month before has made the poorest impression in London. It might be assumed that the new government is swamped by accumulated business, which would mean nothing worse than an administrative hold-up. But a month's delay could argue something much more disagreeable—that the new government is determined to look closely at the commitments undertaken by the provisional government and to delay payment until it finds time to satisfy itself about them. Meanwhile, neither cash nor bills have appeared and the City is fast drawing an adverse conclusion about a regime that, it was hoped, would honour Argentina's word.

This is not the only case for concern. A bill has been prepared for submission to the Argentine Congress which seeks to expropriate the quebracho plantations and factories in Santa Fe belonging to La Forestal, the subsidiary of Forestal Land. Its sponsor is Senator Weidman, who represents the province of Santa Fe, where La Forestal has its biggest installations. This is not the first occasion on which Senator Weidman has campaigned for expropriation but now he has reached the stage of drafting a bill that can only add to the considerable embarrassments of the Frondizi government. The president declared a month ago that Argentina's grave economic problems could not be solved by any further confiscation "at variance with the ideals of a civilised nation." But already his government of Intransigent Radicals is under pressure and the fact that Senator Weidman is seeking to introduce a confiscation bill into a Senate composed wholly of Intransigent Radicals is far from encouraging. Further, it appears that a similar threat of expropriation has been levelled against the Bovril properties in Santa Fe. It must be hoped that President Frondizi will stick to what he said a month ago; if not, the inevitable effects on Argentina's credit abroad are bound to jeopardise the chances of foreign assistance towards Argentina's economic advancement.

LAID UP SHIPS

No International Accord?

When twelve representatives of most of the world's shipping met last week under the auspices of the Internation Chamber of Shipping to discuss ways of meeting the depression in freight rates, there were few signs of any strong support for an agreed international scheme, except from the Greek representatives. They discussed the two principal plans that had been put forward: the refurbished tonnage stabilisation scheme of the British, a voluntary arrangement by which owners of ships still in business would pay a levy to those whose vessels have been laid up; and the Greek plan for the automatic laying up of a ship once it fails to get a profitable rate and for the control of its release to the market again. Both plans would need fairly full co-operation from all the major owners, and the meeting did not suggest that either would readily get it. It was finally decided to set up a committee, but no date has yet been set for its first meeting.

Apart from the Greeks, the general feeling seems to be that the industry has had a number of good years now to prepare for any lean times ahead; that as the tonnage laid up now exceeds 7 million tons gross, dry cargo and tanker, it may be a little late to start a scheme going; and that in any case this figure is still only about 8 per cent of the total world fleet. No doubt these attitudes are to some extent mixed with the idea of letting the Greeks stew in their own juice. Certainly, the Greeks have had to lay up a higher proportion of their tonnage than the others, and there is no sign of any early revival in freight rates. Some British owners, however, are beginning to become more worried about the prospects of manning laid-up vessels when business does improve. Before the depression, it was becoming progressively difficult to get crews and the slump is not likely to make future recruiting any easier.

ATOMIC ENERGY

Fire at Chalk River

A small fire broke out a week ago in Canada's main research reactor at Chalk River. In some ways it recalls what happened at Windscale last October. Reports are incomplete, but it is understood that the accident

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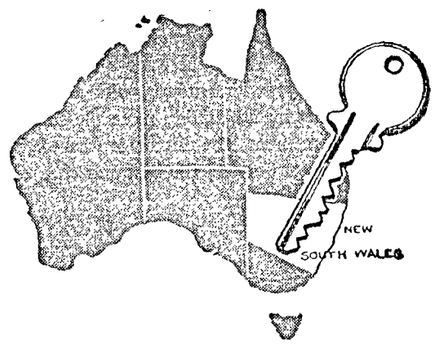


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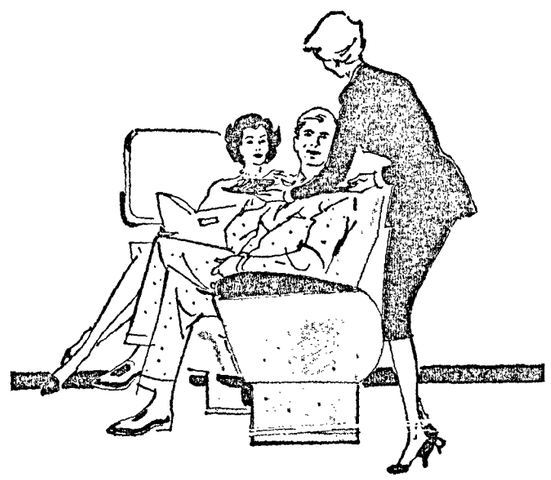
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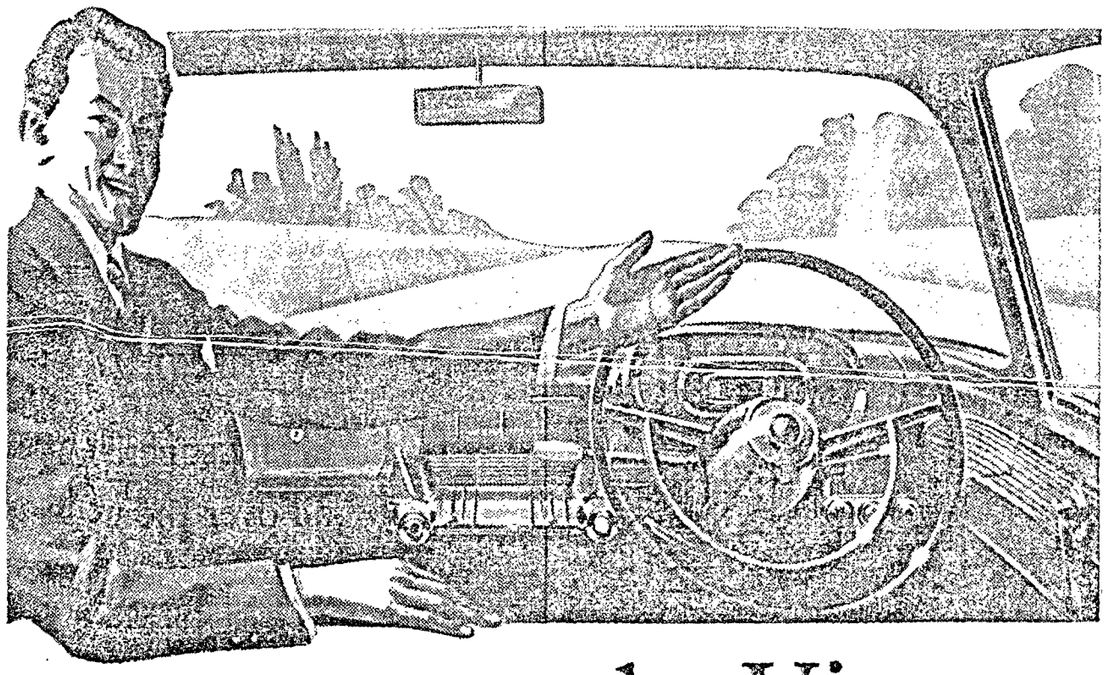
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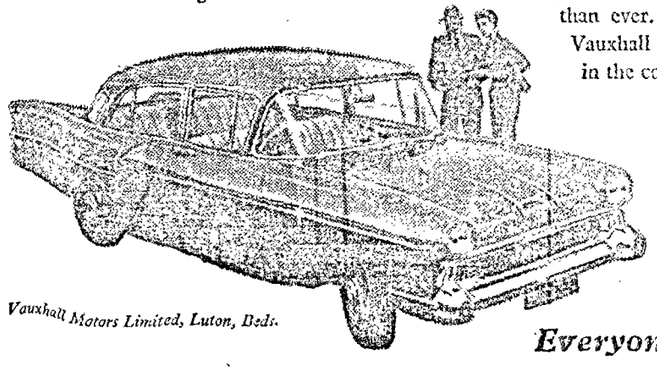
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occurred in the NRX reactor, a fair-sized research installation, developing 40 MW of internal heat. Among other things, this reactor makes a high proportion of the cobalt "bombs" used for cancer treatment all over the world and its special facilities have been used by both Britain and the United States. A breakdown at NRX is of more than purely local interest.

The fuel rods of this reactor are enclosed in aluminium tubes sunk into a tank holding 18 tons of heavy water. The heat generated in the fuel is removed by a combination of air and water cooling inside the tubes holding the fuel. One of the fuel rods broke, which is not unusual, and the reactor was shut down to remove it. The shut-down operations put an immediate end to fission inside the reactor, but they cannot prevent a considerable further rise in the temperature of the fuel after fission has ceased—a reflex twitching after life has ceased. Such a sharp rise in temperature occurred at Windscale. Whether it was aggravated at Chalk River by a simultaneous failure of the cooling system is not clear. A raging red-hot rod was drawn out of the reactor into the air, and the inevitable happened. The uranium exposed by the break oxidised violently and burst into flames outside the reactor (not inside it as at Windscale). It contaminated the room in which the rods just removed from NRX are held for a period while they cool down. This kind of radio-active contamination can be countered by washing down walls and chipping off a section of the concrete floor. Small, high-powered research reactors are a breed quite apart from the lumbering mammoths built for power generation, and there are certain admitted and recognised risks attached to operating them. But a burst fuel element can occur in any reactor, and the Chalk River incident is a reminder of the precautions that need to be built into a plant that handles fuel outside as well as inside the reactor.

POWER

Hedging Euratom's Bets

ESTIMATES of how much somebody will be using of something in 1975 are a little less popular today than they were a few years ago, but OEEC has not stopped projecting. Its Electricity Committee has just published a study* of the likely course of electric power development from now until 1975. OEEC papers, however, have one notable quality (sometimes an advantage, sometimes not): they are based mainly on official data from the countries concerned, and are approved by those countries. Whatever the quality of the forecasting, it is based on the best guesses that responsible officials are prepared to hazard at the time.

HOPES AND EXPECTATIONS ABOUT ELECTRICITY, UP TO 1975
(Thousand Megawatts)

	1960	1965	1970	1975
Total Generating Capacity forecast in OEEC Area	138·0	182·0	246·0	322·0
of which :—				
United Kingdom	33·6	40·0	53·0	70·0
Six Euratom countries...	72·1	101·2	139·3	184·1
(Euratom estimates May, 1957)	68·6	92·5	121·6	154·5
Nuclear Capacity Forecast in OEEC Area.....	—	9–10	25	50
of which :—				
United Kingdom	—	5	—	15–30
Rest of OEEC	—	4–5	—	20–35
(Euratom "maximum" estimates for six countries May, 1957)	—	15 (1967)	26	48

Sources: OEEC, 1958; Euratom Report, 1957

The interest of this report lies mainly in the comparison it affords with the "Target for Euratom" suggested by that organisation's "three wise men" a year ago. That was a hard-headed report: its economic appraisal of the kinds of nuclear power station on offer, for example, was more searching than any of the official figuring here has ever been. But it set the six members of Euratom most ambitious targets: the aim of 15,000 megawatts of nuclear generating capacity by 1967, with the rate of commissioning new nuclear plant rising to well over 4,000 megawatts a year by 1970.

In the table, these estimates of the maximum practicable nuclear effort are set against what the six countries in Euratom actually expect to achieve—along with expectations in Britain and in the other OEEC nations. It shows that managers of the electricity industries in these countries are a good deal more sanguine about the total growth of electricity by 1975 than Messrs Armand, Etzel and Giodani were a year or so ago; but also planning for a good deal slower build-up of nuclear power. Their reckoning of total nuclear capacity in the OEEC area by 1965, 1970 and 1975—including Britain, which is far ahead of the rest of Europe—is no more than the Euratom report postulated as targets for its six prospective members. Britain has itself made no firm estimates beyond 1966, though the Secretariat sets down a rather modest guess. But clearly the British share might be about half of the nuclear capacity that OEEC's Electricity Committee is reckoning on by that time. The Six are hastening much more slowly than their three mentors thought might be possible.

HP INSTALMENTS

A Sub-Postmasters' Clearing?

AN intriguing plan is being considered in the long search by hire purchase finance houses for a cheaper way of collecting their regular instalments. The search was set off eighteen months ago when the clearing banks announced that from February, 1957, they would impose a charge of 1s. for each cash lodgment made over their counters by debtors under hire purchase agreements, and that the charge would be levied not on the person making the payment but on the finance house to whose account it was credited. The finance houses objected strongly to this system, and advised their customers to use other means of payment, such as the postal order.

More positively, an approach was made to the Post Office seeking special facilities for in-payment and clearing of these instalments. The Assistant Postmaster-General set up a committee, which reported that the additional work involved would impose excessive new burdens on the staff at peak periods around the week-end, and that the necessary increases in staff and premises were not considered justifiable. But there are post offices and post offices. Earlier this month the Federation of Sub-Postmasters held its annual conference. This body represents nearly all the 23,000 country and suburban grocers and general stores that are privately owned but supplement their income by

* The Electricity Supply Industry in Europe, 1957-75. OEEC. HMSO, 10s. 6d.

carrying out the simpler post office business under contract: in number they swamp the 1,770 Crown Post Offices. The conference agreed in principle to advise its members to operate the scheme that St Martin's le Grand had rejected. Briefly, this scheme would enable a customer of a finance house to take his instalment to a sub-post office, hand it in with a voucher indicating details of the payment, and himself pay a fee of 6d. for the sub-postmaster's, or sub-postmistress's, bother. The sub-postmaster would then pass on the payments received and the vouchers in bulk, and these would be sent not to the finance houses individually but to a new clearing house, where the vouchers would be sorted and the finance houses duly credited.

The details of the plan are now being considered by the three organisations that represent Britain's host of finance houses. The scheme raises interesting possibilities. Its attractions to the finance houses, relieved of their bankers' shilling, and to the sub-postmasters with the customer's 6d. for the shop till, are obvious enough; nor, so far, does the Post Office seem to have raised any objection in principle. A number of sub-post offices have for some time collected, on their own account, payments on gas and electricity bills, and a few will collect rates for their local councils. In all these cases the Post Office authorities naturally insist that the business is done in the private shop and not at the post office counter, and they are bound to ask the same of the new business. The postal order for the pools and the payment on the telly may in future involve queueing twice.

COCOA

How High a Price?

For the time being there are to be no further discussions on the stabilisation of cocoa prices or international control of the commodity. The International Study group, however, will remain in being for work on statistics and technical problems. The decision not to proceed with a control scheme came as no surprise to the cocoa market. In contrast to most commodities, cocoa is scarce because of the shortfall of the last African crop. Prices have been climbing steadily and touched £400 a ton this week, compared with £228 a year ago.

With West Africa now virtually out of the market—only about 10,000 tons remain unsold—Brazil is expected to continue to play a waiting game. The Bank of Brazil has suspended its own method of minimum price fixing and in future the Bahia Cocoa Commission will fix minimum prices on a day to day basis in relation to world prices. Brazil does not appear to be a willing seller, though prices there are well below African prices. Cocoa is likely to remain firm until more is known about next season's crop outlook. But the longer term prospect is scarcely as bright. High prices are likely to make consumers dig their heels in; in the United States cocoa consumption in the first quarter of the year fell by 5 per cent. And if the prospects for a better crop are confirmed this summer, the market may well fall from its present somewhat artificial levels.

Meanwhile the 1957 trading results of the leading British cocoa consumers have made a good showing. Total sales by the Cadbury Brothers group and other subsidiaries of the parent company, British Cocoa and Chocolate, rose from £79½ million to £82½ million. Cadbury group sales were up from £76.8 to £78.9 million and the consolidated net profit increased from £3,659,015 to £4,925,757. But Mr Laurence Cadbury, the chairman, says that for the past two years the industry's capacity has been overhauling the country's demand for chocolate and sugar confectionery. Consumption now shows signs of contracting. That downturn, and the sterner competition that it threatens, can hardly reconcile the chocolate industry to high cocoa prices.

CONVERTIBLE DEBENTURES

Warning from the "Pru"

Outside the Government departments, the Prudential Assurance Company is the biggest single investor in this country. Every new issue of any consequence is planned with a thought to the reactions of the "Pru" and the other big institutional funds. At Holborn Bars each week the deployment of £1 million or more of new money has to be planned. Last year, as the chairman, Sir Frank Morgan, explained to shareholders at the annual general meeting, the "Pru" invested £69 million—including £6½ million in British Government or guaranteed stock, £10 million in property, £11 million in mortgages, £16 million in ordinary shares and £16 million in debenture and loan stocks including some with conversion rights into ordinary shares.

On any matter of investment policy Sir Frank's words are bound to carry great authority. Investors and issuing houses alike should take heed of what he has to say about convertible debenture and loan stocks:

> This is a type of security which has become increasingly popular in recent years, but it should be borne in mind that the incorporation of options could prove to be disadvantageous to the borrowing companies and their shareholders. We, as institutional investors, would generally prefer capital to be raised directly in fixed interest securities or ordinary shares rather than in a convertible form, but we do recognise that there can be special circumstances which make an issue in this appropriate in a particular case.

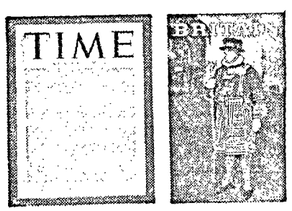
Sir Frank did not go on to specify the particular cases, but his general point on the limited usefulness of convertibles will command much agreement. The convertible debenture imposes severe restrictions on a company's ability to raise further capital. What company with a large number of unconverted options outstanding could come to the market with a rights issue of ordinary shares? If the options are exercised the watering of the equity is bearable because even-

	Issued at	Cost of conversion at issue price 1st	2nd	3rd	Price now	Cost of first conversion at present price	Current price of Ordinary
Bowater, 5½% Loan Stock, 1978–82	97½	45/5 (1959)	43/9 (1960)	54/3 (1961)	83½	42/2	22/3
Brit. Petrol., 6% Conv. Deb., 1976–80	99	99/– (1958)	99 – (1959)	122/9 (1960)	103	103/–	100/7½
Colvilles, 6% Conv. Deb., 1978–81	99	27/5 (1959)	28/3 (1960)	29/1 (1961)*	96½	26/10	25/4½
Glenfield and Kennedy, 5½% Ln. Stk., 1977–82	97	77/7 (1960 to 1962)			93½	73/7	56/3xd
ICI, 5½% Loan Stock, 1977–79	96	40/– (1958)	41/9 (1959)	43/8 (1960)	103½	44/6	44/–
Pressed Steel, 5½% Conv. Deb., 1977–92	100	14/3 (1958)	14/9 (1959)	15/1 (1960)†	105xd	15/–	15/1½xd
Richardsons Westgarth, 6% Ln. Stk., 1976–81	99	16/3 (1961)	16/6 (1962)	17/8 (1963)	107½	17/3	14/5

* 30s. in 1952; 30s. 11d. in 1953. † 15s. 8d. in 1951.



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ings and dividends are rising. But suppose that growth does not occur at the right time within the currency of the options. What then? The conversion right then has no interest for the investor who wants an equity holding and that loss of attraction is bound to be reflected in the price of the convertible stock itself. The company will have saddled itself with big fixed interest charges, to the detriment of the existing equity. To be an acceptable form of investment the convertible debenture calls for something more than the presumption of growth: it requires near-certainty, and immunity from any downturn in trade. How many companies can guarantee so much?

NUCLEAR ECONOMICS

The Price of Plutonium

A SPEECH that Sir John Cockcroft made in Brussels recently showed a subtle change of attitude. It was less the speech of a scientist than of a man conscious of directing a very large industrial undertaking with the eyes of the world upon it and the markets of the world opening at its feet. He talked about the practical aspects of operating Calder Hall and of a subject of special interest to foreign countries, the Atomic Energy Authority's capacity to provide nuclear fuel. This, and not the capacity of design consortia in industry, sets the upper limit to the rate at which Britain can build nuclear power stations.

The AEA's processing plants are being greatly extended. A new uranium smelting plant is being laid down for the production of billets of the pure metal, and another plant is planned for the manufacture of ceramic elements from sintered uranium. Considerable extensions are being made to the chemical separation plant at Windscale, where used fuel elements are broken down into their constituent parts. Two of these, fission wastes (the broken fragments of split uranium atoms) and depleted uranium, have at present only a limited market value but the third constituent, plutonium, is in a class of its own. The AEA, which is offering to sell uranium fuel elements, fully manufactured, for much less than the notional figure of £20,000 a ton quoted by Sir John, is offering to buy back those same fuel elements after use for a minimum price of £5,000 a ton for the sake of the estimated 2 kilograms of plutonium each ton is expected to contain.

This price is an estimate of the civil value of plutonium as a fuel—plutonium from commercial power stations is of too low a grade for weapons. But no satisfactory method of using it has yet been devised. British metallurgists are certain that the technique of burning this particularly intractable metal will have been mastered by the time the first nuclear power stations are functioning—French scientists, facing much the same problem, are not.

Meanwhile the economics of nuclear power on the Calder Hall system are still influenced, although to a diminishing extent, by the selling price of by-product plutonium. In the early days, the AEA assumed that a credit of at least 0.17 pence per kilowatt-hour of electricity sent out was a fair sum to allow for the plutonium output of a civil power station, and it might even be worth considerably more than ¼d. a kilowatt. With gross generating costs reckoned at 0.76d. per kilowatt, this credit played an important part in making the estimated net cost of nuclear electricity reasonably comparable with that of coal-fired stations. The "credit" figures have since been sharply revised—downwards. At the price quoted by Sir John Cockroft, the plutonium credit has dwindled to a minute fraction of a penny, 0.06d. per kilowatt, and it no longer makes a significant difference to the estimated cost of a single unit of electricity. And it is still advisable to stress that this estimated market value rests on the use of techniques as yet unmastered.

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COPPER

Outlook Improved?

THE copper market has steadied, largely because of more optimistic reports from the United States. Mr Clyde Weed, the chairman of Anaconda, has forecast a slight improvement in American domestic demand for, he said, consumers had liquidated stocks to a point where immediate delivery was requested for nearly all orders. On the other hand, Phelps Dodge, the US producer, has announced a further cut in output which brings its total cuts in production over the past eighteen months to 40 per cent. The effect of this cut, however, was balanced by the announcement that the 51-day-old strike at Anaconda's Chuquicamata mine in Chile had been settled and that the workers had agreed to make up some of the 34,000 tons of output lost during the strike. The American customs smelters have twice raised their prices since last Thursday, from 23.75 cents to 24.25 cents a lb, though the producers have held their price at 25 cents. Although this suggests that demand is showing some signs of revival, stocks in producers' hands will have to be reduced much more before a radical change in the market can be expected.

FUEL CONSUMPTION

Over to Oil Again

OIL consumption has been moving strongly ahead this year, while coal consumption languishes. In the first three months total consumption of petroleum products in Britain was up 17.6 per cent over the first quarter of 1956 (leaving out the Suez-shadowed first quarter of 1957), with the "black oils" that compete in the general fuel market increasing far more than the specialised motor products such as motor spirit. Fuel oil deliveries in the first quarter were 44 per cent higher than two years before, though this reflected special increases in deliveries to power stations and industrial demand in general did not show such big increases. Coal consumption, in the same months, was by contrast more than 2½ per cent down on the 1956 figure (though by now it is rather better than in 1957). One should not exaggerate the significance of the switch to oil: total oil consumption in the first quarter, including motor fuels, was 7,679,000 tons, which on a thermal basis represents only about a fifth of the tonnage of coal used during the period. But the trends continue.

Fuel oil deliveries in the first quarter, incidentally, were almost double those of motor spirit, which were indeed fractionally lower than in early 1956. The private motorist was still taking more, with deliveries to dealers up 7.7 per cent over the two years. But demand from commercial consumers declined, mainly it seems as a result of increasing use of diesel vehicles: "derv fuel" deliveries were up 16 per cent on the first quarter of 1956. As more commercial vehicles move out of the petrol market and more high-compression engined new cars are delivered, the proportion of this market taken in the premium grades of petrol rises: it was 54.4 per cent in the first quarter, against 46 per cent in 1957 and 48.7 per cent in 1956. The massive sales of paraffin heaters in recent years are steadily pushing up burning oil deliveries: these were 38 per cent up on early 1956, though this winter's weather has been milder than that one's was.

RUBBER

Against Stabilisation

NO other commodity has to contend with competition from a synthetic product to the same extent as natural rubber. The qualities of synthetic rubber are being improved and production, especially in Europe, is being stepped up. Price in the end may become the sole deciding factor. The full realisation of this severe and growing competition has prompted Sir John Hay, the G.O.M. of British natural rubber industry, to speak out firmly against any international scheme for the stabilisation of natural rubber prices. In his address to stockholders of United Sua Betong he says that any such scheme for natural rubber would be fraught with great dangers:

> The inevitable increase in costs, the depletion of cash resources tied up in stocks and restrictions on output would create intolerable burdens on an industry which must meet the severe competition of a synthetic product not so handicapped.

Above all, he added, the rubber industry's access to world markets must remain unimpeded, and its capacity to produce unfettered. Sir John points also to the dangers of anything short of universal agreement: the present tin scheme by its omissions has given great impetus to production in Russia and China, and thus imposes the need for even further restriction by participants in the scheme.

Discussing the future price for natural rubber—which has fallen less steeply than many other commodities—Sir John is guarded. There is the uncertain outlook for the United States motor industry: but demand in Europe, which is now a larger consumer of natural rubber than the United States, has so far held up well, while demand from Russia, her satellites and China, which last year together took about 280,000 tons, is unpredictable. In translating the various speculations into figures, Sir John arrives at a not too unsatisfactory picture that production this year at a restricted 3,520,000 tons will exceed consumption by 60,000 tons.

SHORTER NOTES

The Estate Duties Investment Trust accepted £486,789 of new business in the year to March 31st last against £465,617 in 1956-57 and the book value of its investments rose from £1,773,004 to £2,073,250. Its issued ordinary capital increased by £500,000 to £2 million, and if conditions are favourable, EDITH, which raised £500,000 on a secured loan in 1955, proposes to issue a further £500,000 of loan capital this year.

* * *

The Co-operative Congress has agreed unanimously to "receive" the report of the independent commission on co-operative production and marketing. The report will be discussed by the various societies this summer and decisions about its drastic and radical recommendations are not likely to be taken until a special congress meets in the autumn.

* * *

A former director has presented a petition for the compulsory winding up of Orthodox Unit Trust Limited, the managing company of Orthodox Unit Trust. The directors, who say they intend to resist the making of an order under the petition, have stated that the petition has "no effect on the position or security of the certificate holders in Orthodox Trust or on the value of the units of the trust." The price of the units remained unchanged at 8s. 1cd.-9s. 8½d.

* * *

The small materials testing reactor at Dounreay began working last week-end. This is a research reactor, the twin of one at Harwell, used for testing plant construction materials under the conditions they are likely to experience inside an atomic pile. The big breeder reactor at Dounreay, which was tentatively scheduled to start up in April, is not expected to be completed now until the end of the year.

* * *

Production ceased at the Upper Forest and Worcester steel and tinplate works in January: the share capital of this company, which was nationalised in 1951 for £250,000 and could obviously never have been sold back to private owners, has been transferred for a nominal consideration to Richard Thomas & Baldwins Limited, the last big steel company that still belongs to the State.

* * *

Lobitos Oilfields is repeating a total dividend of 14 per cent and 4 per cent special distribution from the realised profits of investments. Group net profits are £870,962 for 1957, compared with £697,492.

COMPANY AFFAIRS

BRITISH AND COMMONWEALTH SHIPPING

THROGMORTON STREET had expected that the directors of British and Commonwealth Shipping would do no more than to maintain the ordinary dividend for 1957 at 17½ per cent on the capital as increased by last year's 5 per cent scrip issue. In fact, by declaring a final of 13½ per cent, the directors have set the total dividend at 20 per cent, and have proposed yet another 5 per cent scrip issue. Yet on this news the 10s. units gained only 6d., to stand at 31s. 3d. and yield 6.4 per cent. It seems a poor response to the unexpected increase in the dividend, backed by most satisfactory trading results in 1957. After providing £494,000 more for depreciation at £3,514,000, the gross surplus earned last year was £9,534,000, compared with £9,047,000 in 1956. The net surplus has risen from £4,491,900 to £4,815,000, covering the new dividend as much as eight times.

But reasons for the not over joyous reception are not hard to find. Investors realise that earnings in the early months of 1957 had been swollen by exceptionally high tramp rates and by the fact that the Suez troubles brought forward the completion of certain voyage accounts from 1956 into the 1957 reckoning. Now rates for dry cargoes, in which the Clan Line side of this company is especially interested, are low and profits are hard to earn. The liner interests of the Union-Castle side of this venture will offer some protection to earnings. But total profits seem likely to fall; even granted the big earnings cover, it would be wise not to look for anything more than the repetition of 20 per cent on the capital as increased by the proposed scrip issue. On that sort of assumption the yield is realistic.

NUCLEAR POWER RESULTS

DESCENDING, not without loss, from the peaks of the nuclear power boom, investors have recovered some sense of proportion at lower altitudes. Yields on the atomic power stocks are still low—running around 5 per cent they are on a par with Old Consols—but they are no longer ridiculously thin. Much of the new finance needed by the nuclear power contractors has now been found. Contracts are big and should in the end produce satisfactory profits. But when these initial contracts are complete, will fresh ones be waiting for every consortium? Contractors have had to charge large sums for research and development against profits from their established businesses in conventional boilers and engineering plant. Their sales and orders have expanded but not their profits and there is little chance of increased earnings this year. Atomic power cannot conjure away increases in working costs.

Simon-Carves is an established maker of coke ovens, colliery equipment, chemical plant and conventional power plant and is joined with General Electric in a nuclear power consortium. Last year it reported an increase in turnover from £20.8 million to £27.5 million, yet trading profits rose by only £11,910 to £1,643,973 while net income fell from £686,416 to £659,967. Simon-Carves's order book should "ensure reasonable prosperity for the next few years," but the chairman, Mr R. B. Potter, adds that profits this year will "be about the same as those for 1957" and that no benefits from new processes, particularly nuclear power, will appear for some years. The strength of the group's liquid resources (which have risen from £2,563,000 to £3,162,000) as much as the prospect of satisfactory, if unspectacular, results encouraged the directors to raise the ordinary dividend from 20 to 25 per cent. At 25s. xd. the 5s. units yield exactly 5 per cent.

John Thompson is an established boiler-making concern, and is in a consortium with Associated Electrical Industries in a contract for a nuclear power station. A year ago it raised about £1,300,000 by a rights issue of ordinary shares and the dividend for the year to December 31st is left unchanged at 25 per cent on the new capital, as was then forecast. Its 5s. units stand at 24s. 6d. to yield 5.1 per cent. Last year gross profits fell by £139,906 to £2,411,055.

Richardsons, Westgarth, in association with Crompton Parkinson, is a member of Atomic Power Constructions but this consortium has not yet secured a contract though Richardsons, Westgarth has already charged research and development expenditure on nuclear power engineering directly to its revenue account. But Richardsons, Westgarth has a big order book for conventional equipment and last year it raised over £3,300,000 on a convertible loan stock for modernising and expanding its plant. For the year to March 31st it has left the ordinary dividend effectively unchanged, paying 10d. per 10s. unit, so that at 14s. 6d. the yield is 5¾ per cent. The profits of the group as formerly constituted before the acquisition of Parsons Marine Turbine and Humber Graving Dock, have fallen from £1,204,000 to £1,170,000. The profits of these new subsidiaries bring the 1957-58 total up to £1,470,000, compared with £1,358,000 in 1956-57 when nine months' earnings from Humber Graving Dock were included.

TURNER AND NEWALL

WHEN a cash issue of ordinary shares is made a dividend forecast is desirable and in the present state of the capital market it is essential for success. When a scrip issue of ordinary shares is made, a forecast of the dividend, which depends upon earnings and not upon a book-keeping change in the number of shares in issue, is much less desirable. If the scrip issue occurs towards the end of the financial year the anticipation of the final dividend declaration by a few weeks is no great matter. But where months lie ahead in which profits have still to be earned, directors who make such forecasts display a certain temerity.

The directors of Turner and Newall, have made such a forecast. On the capital as doubled by a scrip issue they have declared an interim of 5 per cent so as to reduce the disparity between the interim and final payments and they have forecast a final of 10 per cent. This would make 15 per cent in all for the year to next September 30th, effectively the same payment as was made in 1956-57. By this forecast they have put a peg on the price of the £1 ordinary units, which at 60s. 10½d. currently yield 4.9 per cent. Are shareholders not to be trusted to draw their own conclusions from a statement about the disparity between the two payments and from the cautious comments the directors make about trade? Can directors be certain beyond any real doubt about profits that will not be known for well over six months?

WHITBREAD

AMONG brewery shares, Whitbread "A" ordinary units are low yielders. That is a tribute to the company's forceful management, which has been active in modernising its tied houses, in selling bottled beers on a national scale and in acquiring interests in other breweries. But other breweries have pursued similar policies, and competition has limited the advances in profits which have been made. Last year brewing profits, both gross and net, did slowly rise and against this background Whitbread's results are not so impressive. Before tax the group's profit rose from £2,699,302 to £2,958,782 and after tax and minority interests from £1,132,348 to £1,303,889. But these figures include a special credit of £194,457 in 1957 (against £24,282), so that the gross income from trading has risen from £2,675,020 to £2,764,325 and the net income is practically unchanged at just over £1,100,000.

Last November the interim ordinary dividend was increased from 7 to 8 per cent and now the final is left unchanged at 17 per cent, making 25 per cent for the year (against 24 per cent). But the yield of 5.8 per cent offered by the £1 "A" units at 85s. 6d. is low for a section of the market that is still essentially composed of income stocks.

BORAX (HOLDINGS)

THE speculative steam in the 5s. ordinary units of Borax (Holdings) escaped a good time ago. The big gains were made, and taken, when the reorganisation scheme was planned and

d through. Investors who came in er who held on too long are now ing *some big* book losses. *The* s have been as low as 14s. 10½d. year, compared with a high of 20s. and of 36s. in 1957. They now stand s. 3d. and on the 8¾ per cent divi- paid out of accumulated reserves is country they offer the risible of £2 10s. 9d.

w far can growth be discounted? answer for the Borax shares seems e: too far. The new and costly lopment at Boron, California, took r and cost more to start up than been anticipated and in the three hs to December 31st the American diary made a loss. Modifications now been made to the plant, and *operators*, the directors say, have ined in experience and improved fficiency." As a result the American diary made a profit in the first ter of this year more than sufficient ipe out the earlier loss. But over half year to March 31st the profit 578,957 for the group is less than ird of the profit of £1,987,178 d in the six months to March 31st, . Production at Boron failed by a nificant margin" to meet demand in due course, the directors hope, reased earnings expected from the derable capital outlay made in recent s should be realised." This, they " will not be achieved this year."

JAGUAR CARS

the unchanged ordinary dividend of 12½ per cent the 5s. units of r Cars yield a mere 2.4 per cent. ors have waited a long time for directors to dip into the massive gs to pay a generous dividend. t prevented the directors from doing the year to July 31st last, when the dividend absorbed only £25,875 a net income of £315,321? Was it re in February, 1957? Only now is recovery from that fire "almost plete" and it delayed the introduc- of the new XK 150 models. But with this setback the group suc- ed in producing more cars than ever before, and its gross trading profit advanced from £795,205 to £844,176.

Or are the directors parsimonious because the group is still short of liquid funds, with bank loans of £319,149 exceeding the cash balance of £235,703? If that is so investors will regret that the chairman, Sir William Lyons, makes no reference to the need for permanent capital or the ways in which it could be raised. Self reliance can be carried too far; Jaguar Cars, with a promise of more generous dividends, would surely have no difficulty in securing new money. Its trading record is sound and Sir William comments that its range of cars is now in greater demand than when they were first introduced and that output has been "further substantially increased" in the first months of this year.

MARKS AND SPENCER

SIR SIMON MARKS does not issue a statement with Marks and Spencer's full accounts, so they add little to the information investors gained from the preliminary statement, discussed in these columns on May 17th. But they do include a comfortable looking balance sheet. By March 31st, perhaps as a result of the company's policy of cutting some prices, the book value of stocks had been reduced from £11,123,333 to £10,488,284. That was achieved in a year in which turnover rose from £125 million to £130 million, the gross trading profit advanced from £14,698,183 to £16,234,578 and the ordinary dividend was increased from 30 to 32½ per cent.

The company's liquid balances have been reinforced, from £5 million to over £7 million. A two-year programme to rebuild some stores and to extend others will cost between £5 and £6 million; that is well within Marks and Spencer's own financial compass. What should dominate investors' thinking when they look at the yield of 3¾ per cent offered by the 5s. "A" units at 43s. 4½d. is not capital finance but how this multiple can maintain the pace of its growth—in earnings as well as sales.

London Stock Exchange

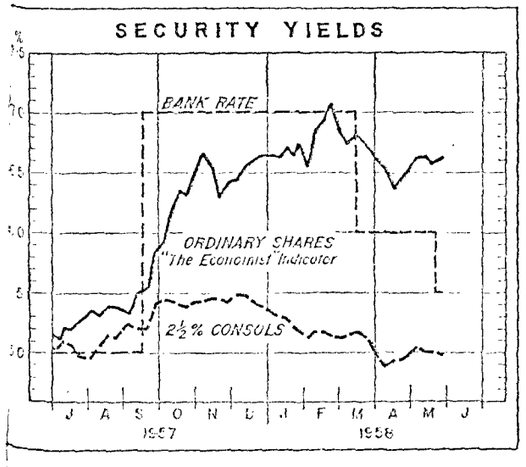
FIRST DEALINGS:	May 14	June 4	June 18
LAST DEALINGS:	June 3	June 17	July 1
ACCOUNT DAY:	June 10	June 24	July 8

LABOUR disputes and the political situation in France have had a restraining influence on the stock market, outweighing the effect of the reduction in Bank rate. Last Thursday's gains in gilt-edged stocks were held and the undertone remained firm, but some industrial shares lost their initial gains. The level of business contracted and failed to recover fully after the holiday. Short-dated Government securities were adjusted to the new level of interest rates, while the irredeemables were mostly ¼ higher on balance, while 3½ per cent Funding 1999-2004 rose ⅜ to 71¼ and 3 per cent Gas 1990-95 rose ⅞ to 65½.

Bank shares improved, with Lloyds rising 1s. to 44s. 6d. Union Discount improved 1s. 3d. to 50s. 3d. Insurances were also very firm; Pearl jumped 3s. 9d. to 90s. and Prudential "A," quoted in 4s. units, gained 5s. 9d. to 168s. 9d. Motor manufacturers were easier, Standard slipping 10 6s. 7½d., and Rolls-Royce weakening 2s. 10½d. to 86s. 10½d. Among tobacco shares, Godfrey Phillips rose 1s. to 13s. on the higher dividend, but the leading stocks were lower. Although Turner and Newall reached a peak of 64s., disappointment with the dividend caused a subsequent fall to 60s. 10½d.

Oil shares were uncertain, but closed barely changed in most cases. The higher distribution lifted Ultramar 1s. to 69s. 6d. and Lobitos strengthened 7½d. to 14s. 4½d. after the results. The prices of gold mines fell away slightly in less active trading conditions, the older mines suffering a greater relative decline, but finance houses remained strong. Anglo-American Corporation rose 3s. 1½d. to 138s. 1½d. and General Mining 1s. 10½d. to 93s. 1½d. Tin producers weakened on the reduction in dividends announced by Ampat and Siamese Tin.

SECURITY YIELDS



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
April 30	183·6	6·51				
May 7	181·3	6·62				
,, 14	182·4	6·64				
,, 21	184·4	6·57	186·8	166·1	225·0	171·2
,, 28	183·6	6·63	(Apr. 16)	(Feb. 26)	(July 10)	(Nov. 6)

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½% Consols Yield %	Bargains Marked	1958	1957
						High	High
May 21	168·6	6·80	90·00	5·00	8,176	172·4	207·6
,, 22	169·4	6·76	90 25	4·99	8,196	(Apr. 16)	(July 9)
,, 23	169·5	6·76	90·28	4·99	7,932		
,, 27	169·0	6·78	90·26	4·99	7,932	Low	Low
,, 28	168·7	6 80	90·30	4·99	6,682	154·4	159·0
						(Feb. 25)	(Nov. 5)

Bases :—* 1953 100. † July 1, 1935 100. ‡ 1928 100.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 21, 1958	Price, May 28, 1958	Net Yield, May 28, 1958 § £ s. d.	Gross Yield, May 28, 1958 £ s. d.
98⅜	96 1/16	War Loan 3%....1955-59	97 15/16	98 3/16	2 19 7	4 7 8
95 7/16	90⅝	Funding 2½%....1956-61	94 9/16	94 5/16	3 5 7	4 8 6
99 1/16	99⅛	Conversion 4%...1957-58	99/19/0	99/19/5	4 13 6	4 13 6
99 3/16	99 1/16	" asst'd 4¼% 1963	99 1/16	99 1/16	2 15 1	4 15 2
98 15/16	97¼	" asst'd 5½% 1974	97½*	97½*	3 4 2	5 9 3
98⅜	96 13/16	Conversion 2½%...1958-59	98 1/16	98⅛	3 1 2	4 8 7
96 13/16	93 7/16	Exchequer 2½%.....1960	95 15/16	96 1/16	3 6 8	4 7 1
98	95 7/16	Exchequer 3%.....1960	97 7/16	97 5/16	2 18 3	4 7 8
99 3/16	95 5/16	Conversion 4½%.....1962	98½	99 3/16	2 12 1	4 13 7
88 11/16	83⅜	Savings Bds. 3%..1955-65	88 1/16	88 1/16	3 12 5	5 1 1
81½	77⅜	Funding 3%.....1959-69	80⅜	80⅜	3 18 10	5 8 2
89⅜	86⅜	Funding 4%.....1960-90	86⅞	87¼	9 16 6 / 2 18 6	11 15 2 / 4 16 1
78¼	75	Savings Bds. 3%..1960-70	77⅜	77⅞	4 1 7	5 12 0
94⅛	88⅜	Exchequer 3%...1962-63	92 11/16*	92⅜*	3 5 8	4 12 0
88⅛	84⅜	Exchequer 2½%...1963-64	88 1/16	88⅜	3 11 2	4 14 1
81½	78⅜	Savings Bds. 2½% 1964-67	80⅜	80⅞	4 0 6	5 4 9
73	69⅛	Savings Bds. 3%..1965-75	72 5/16	72 5/16	3 18 11	5 10 9
101⅞	99⅛	Exchequer 5½%.....1966	101 3/16	101⅞	2 19 8	5 7 7
83	78⅜	Funding 3%.....1966-68	82⅛	82⅜	3 17 2	5 6 11
94	91⅛	Victory 4%.....1920-76	92⅜	94	3 2 2	4 19 1
85⅛	81 3/16	Conversion 3½%.....1969	85	85 5/16	3 14 9	5 8 6
76⅜	71⅛	Treasury 3½% ...1977-80	74⅞*	75⅛*	3 13 0	5 8 6
75 3/16	70⅜	Treasury 3½% ...1979-81	75⅛	75⅛	3 12 11	5 9 6
100⅜	98⅛	Funding 5½%.....1982-84	100 3/16	100⅜	3 3 11	5 11 10
64⅞	60	Redemption 3%..1986-96	64⅛	64⅜	3 7 11	5 3 1
71⅛	64⅜	Funding 3½%..1999-2004	71⅛	71⅜	3 4 6	5 3 11
74⅜	69 3/16	Consols 4% after Feb. 1957	73⅞	74⅛	3 2 7	5 9 8
68⅛	63⅛	War Loan 3½% after 1952	65⅞	66*	3 1 0	5 6 0
66 3/16	62⅜	Conv. 3½% after Apr. 1961	65 13/16	66	3 1 3	5 7 0
58⅛	54⅜	Treas. 3% after Apr. 1966	57⅜	57⅜	3 0 2	5 4 11
51 3/16	46⅜	Consols 2½%	50	50 3/16	2 17 6	5 0 5
49 3/16	46⅜	Treas. 2½% after Apr. 1975	48⅞	49	2 18 11	5 2 11
95 3/16	90⅛	Br. Electric 4½%.1967-69	94⅞	95 1/16	3 4 0	5 4 11
75⅛	72 1/16	Br. Electric 3%...1968-73	74⅜	74⅝	4 0 3	5 11 1
72⅛	68⅜	Br. Electric 3%..1974-77	71⅝	72⅛	3 16 9	5 8 6
86	82⅜	Br. Electric 4½%.1974-79	85⅜	86	3 8 0	5 8 6
76	72 3/16	Br. Electric 3½%.1976-79	75⅞	75⅞	3 13 0	5 8 6
86⅛	82 1/16	Br. Gas 4%.....1969-72	86⅜	86⅜	3 11 3	5 9 7
82⅜	79⅛	Br. Gas 3½%.....1969-71	82	82 1/16	3 15 2	5 9 5
65⅛	60 7/16	Br. Gas 3%.....1990-95	65 1/16	65⅛	3 7 5	5 1 11
75⅛	72 1/16	Br. Transport 3%.1968-73	74⅜	74⅞	4 0 3	5 11 1
84 7/16	79⅛	Br. Transport 4%.1972-77	81⅞*	82⅛*	3 11 2	5 9 5
66⅜	60 1/16	Br. Transport 3%.1978-88	65 1/16	65*	3 12 10	5 6 7

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, May 21, 1958	Price, May 28, 1958	Yield, May 28, 1958 £ s. d.
83⅛	83	Agric. Mortgage 5%.....1959-89	88	88⅛	5 16 10
78⅛	76⅛	Australia 3½%.....1965-69	77⅞	78⅛	5 19 5
95⅜	93⅜	Birmingham 5%.....1973-75	95	95	5 9 3
93⅛	90⅛	East Africa 5½%.....1977-83	91½*	92½*	6 7 5
100⅛	95⅛	L.C.C. 5½%.....1977-81	99½	99⅜	5 11 6
61⅛	56	Met. Water Board 'B' 3% 1934-2003	61	61⅛	5 5 6
82	78	New Zealand 4%.....1976-78	79*	79⅛*	5 15 5
71⅛	69	S. Rhodesia 2½%.....1965-70	70½	70⅜	5 19 7
92⅛	83	German 7% (Br. Enfaced 5%)..1924	91	89⅛	...
167⅛	160	Japan 5% (Enfaced).....1907	162	161⅜	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c) %	ORDINARY STOCKS	Price, May 21, 1958	Price, May 28, 1958	Yield, May 28, 1958 £ s. d.
			BANKS & DISCOUNT			
29/-	28/-	4 a	5 b Bk. Ldn. & S. Amer.£1	28/9	28/9	6 5 3
44/-	39/9	6 a	6 b Barclays Bank.....£1	41/6	42/6	5 12 11
30/-	27/6	4 b	4 a Barclays D.C.O. ...£1	28/-	28/6	5 12 3
41/6	35/6	7½a	7½b Chartered Bank....£1	41/3	41/3	7 5 3
47/9	41/3	6½a	6½b Lloyds Bank £1	43/6	44/6	5 16 10
63/9	57/6	9 a	9 b Midland Bank £1	60/6	61/-	5 8 0
35/-	29/6	5 a	5 b Nat. Discount 'B' £1	34/3	35/-	5 14 3
50/3	40/9	6½a	6½b Union Discount....£1	49/-	50/3	4 19 6
			INSURANCE			
38/-	33/3	15 a	21⅜b Commercial Union 5/-	34/-‖	34/-‖	5 7 7
132/6	113/9	40 a	60 b Legal & General ..5/-	122/6	125/-	4 0 0
101/3	86/3	†20 a	†50 b Pearl.....5/-	86/3	90/-	6 15 3
168/9	154/-	†132½c	†147½c Prudential 'A' 4/-	163/-	168/9	6 1 6
			BREWERIES, ETC.			
35/3	31/-	10 a	36 b Bass 5/-	34/6	34/9	6 13 0
23/11½	19/7½	18⅞c	7½c Distillers.....6/8	22/10½	22/9	5 9 10
41/3	37/-	15 b	10 a Guinness.....10/-	41/3	41/3	6 1 2
86/-	75/6	8 a	17 b Whitbread 'A'.....£1	86/-	85/6	5 17 3
			MOTORS & AIRCRAFT			
14/4½	9/-	3½a	6½b Bristol Aeroplane 10/-	9/4½*	9/-*	11 2 0
8/11½	6/7½	12½c	4 a British Motor.....5/-	7/6	7/3	8 12 5
37/11½	31/9	3 a	6 b Ford Motor £1	36/3	36/3	4 13 5
30/9	24/9	3 a	7 b Hawker Siddeley...£1	26 6	26 9	7 9 8
44/9	39/-	12½c	12½c Leyland Motors....£1	39/9	40/-	6 5 0
93/-	82/9	5 a	15 b Rolls-Royce £1	89/9	86 10½	4 12 0
8/1½	6/7½	8 c	8 c Standard Motor...5/-	7/-	6 7½	6 0 9

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (a) Interim paid. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) On 15%. (h) On 5%. (i) On 10%. (j) To latest date.

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c) %	ORDINARY STOCKS	Price, May 21, 1958	Price, May 28, 1958	Yield, May 28, 1958 £ s. d.
			STEEL & ENGINEERING			
49/3	41/10½	7 a	6½b Babcock & Wilcox..£1	48/-	47/6	5 5 0
25/1½	21/7½	4 a	6 b Dorman Long £1	22/6	22/3	5 8 3
54/-	45/-	5 a	10 b Guest Keen N'fold..£1	53/-*	53/-*	5 5 0
33/9	28/3	†2 a	†4 b Alfred Herbert £1	33/3	32/3‖	6 1 0
50/-	41/-	7 b	4 a Metal Box £1	49/9	49/6	4 0 0
24/3	20/-	3 a	8 b Stewarts & Lloyds..£1	21/4½	20/9	10 1 0
57/3	48/-	5 a	13 b Swan Hunter.....£1	55/6	55/6	6 1 0
21/3	17/9	4 a	7½b United Steel.....£1	18/6	18/3	12 1 0
32/9	29/6	2½a	7½b Vickers £1	30/6	30/-	6 13 0
			ELECTRICAL			
52/-	47/-	15 c	2½a Assoc. Elec. Inds...£1	48/3	48/3	6 4 0
44/6	39/3	4 a	8½b Br. Ins. Callenders.£1	42/9*	43/3*	5 1 0
43¾c	6¼a		Decca Record 4/-	25/3	25/4½*	6 5 0
36/3	28/-	15 c	15 c Elect. & Mus. Inds. 10/-	34/4½	33/9	4 10 0
56/3	44/6	4 a	10 b English Electric ...£1	52/3	52/-	5 15 0
38/9	29/9	8 b	3½a General Electric ...£1	30/3	30/3	7 3 0
			TEXTILES			
16/3	12/4½	3 a	3 b Bradford Dyers....£1	12/10½	12/7½	9 1 0
23/3	20/3	2½a	6½b Coats, J. & P. £1	20/7½	20/4½	8 1 0
22/10½	19/9	6 b	3 a Courtaulds £1	20/-	20/1½	8 1 0
34/7½	29/10½	5 a	12½b Lancashire Cotton..£1	33/3	33/6	10 1 0
35/4½	31/4½	12½b	2½a Patons & Baldwins.£1	31/10½	31/10½	9 1 0
			SHOPS & STORES			
22/-	18/6	6 a	12 b Boots Pure Drug..5/-	21/10½	21/6	4 12 0
38/10½	33/6	20 b	7½a Debenhams 10/-	38/3	38/-	7 1 0
44/6	34/6	50 b	15 a Gt. Universal 'A'..5/-	42/10½	42/7½	7 10 0
43/6	37/3	10 a	22½b Marks & Spen. 'A' 5/-	42/9	43/1½	3 11 0
25/6	21/-	12½a	20 b United Drapery...5/-	24/9*	24/6*	6 5 0
41/6	34/7½	13½a	26⅜b Woolworth.....5/-	38/9	38/6	5 4 0
			SHIPPING			
33/-	29/-	6½a	13½b Brit. & Com'wealth10/-	30/6	31/3	6 8 0
18/9	16/6	2 a	8 b Cunard £1	16/6	16/6	12 2 0
32/6	27/3	9⅝c	10¼c Furness Withy.....£1	29/9	29/9	7 1 0
28/9	22/-	3 a	8 b P. & O. Deferred...£1	27/3	27/3	8 15 0
			MISCELLANEOUS			
35/6	27/-	22½c	18 a Allied Bakeries 'A' 5/-	32/6	32/6	4 12 0
38/9	31/-	3 a	6 b Assoc. Port. Cem...£1	35/6	37/-	4 1 0
11 a	9		8 b Beecham Group...5/-	17/3‖	17/10½‖	5 12 0
30/9	26/6	4½a	8 b Bowater Paper £1	30/-	29/3	8 11 0
48/-	36/9	4 a	8 b Br. Aluminium £1	37/6	40/-	6 0 0
45/-	37/7½	†10 a	†6¾b Br. Amer. Tob. ...10/-	45/6	44/6	6 14 0
24/3	19/9	17½b	7½a B.E.T. 'A' Defd...5/-	24/-	23/6	5 6 0
35/6	28/3	4 a	6 b Br. Oxygen £1	34/-	34/6	5 16 0
18/4½	14/4½	3 a	11b Dunlop Rubber..10/-	17/3*	17/3*	8 14 0
45/-	36/4½	4 a	8 b Imp. Chemical.....£1	43/9	44/-	5 9 0
44/9	37/-	8½a	11½b Imp. Tobacco £1	43/9	43/3	9 5 0
34/-	28/-	5 b	2½a J. Lucas (Inds.).....£1	33/3	33/3	4 0 0
16/1½	12/6	5 a	8½b Monsanto Chem...5/-	15/9	15/9	4 5 0
14/9	13/7½	5 a	5 b Ranks.....10/-	13/10½	14/-	7 1 0
33/9	27/9	5 a	9 b A. E. Reed.....£1	33/6	33/-	8 9 0
14/3	11/8½	22½c	22½c Scars Holdings 'A' 5/-	12/1½	12/-	9 7 0
56/3	48/9	12 b	4½a Tate & Lyle.....£1	53/9*	52/9*	6 5 0
54/6	48/6	7½b	7½a Tube Investments..£1	53/6*	54/3*	5 0 0
64/-	52/1½	12½b	5 a Turner & Newall ...£1	63/6	60/10½	4 18 0
80/4½	70/6	6 a	11½b Unilever Ltd.....£1	73/7½	73/-	4 18 0
96/-	77/-	14½b	4 a United Dominions..£1	94/6	96/-	3 17 0
30/6	26/-	†4½a	†10 b United Molasses .10/-	27/-*	26/3*	9 7 0
			OIL			
105/-	79/6	†5 a	†10 b British Petroleum..£1	102/6	100/7½	5 3 0
78/-	59/1½	†5 a	†7½b Burmah £1	71/3*	70/7½*	6 7 0
£17⅞	13⅞	7½a	17½b Royal Dutch....20 fl.	£16⅜	£16⅛	2 8 0
148/9	117/6	†5 a	†13½b Shell £1	143/1½	143 1½	4 1 0
74/6	41/6	...	... Ultramar 10/-	70/-	69 6	...
			MINES, ETC.			
138/1½	115/-	20 a	60 b Anglo-American .10/-	135/-	133/1½	5 12 0
23/-	19/6	12½a	†10 b Cons. Tea & Lands.£1	23/3	22/9	10 4 0
51/-	42/9	6¼a	12½c Cons. Zinc Corp. ...£1	44/-*	43/9*	8 11 0
99/4½	80/7½	80 a	120 b De Beers Def. Reg. 5/-	96/3	98/1½	10 4 0
85/9	75/11	20 b	40 a Free State Geduld. 5/-	81/10½	81/3	3 11 0
7/6	6/6	30 c	30 c London Tin 4/-	7/3	7 4½	16 2 0
52/9	46/6	50 a	50 b President Brand .5/-	52/3	52/-	9 12 0
17/6	12/10½	16⅜b	1⅜a Rho. Selection Tst. 5/-	15/3	15/4½	...
25½	20	175 b	25 a Rhokana Corp. £1	24⅜	24½	...
54/6	46/-	12½b	37½b United Sua Betong £1	49/-	50/-	20 0 0
93/9	84/4½	60 b	60 a Western Holdings .5/-	92/6	91/10½	6 10 0

New York Closing Prices $

	May 21	May 23		May 21	May 28		May 21
Alcoa.....	67⅛	67⅛	DuPont de Nm.	175*	176½	N.Y. Central...	14⅜
Alumin'm Ltd.	27⅜	27	Ford Motors..	39	39⅜	Sears Roebuck	29⅛
Am. Smelting.	44⅛	45⅛	Gen. Elect....	53⅛	53⅜	Shell Oil.....	75⅝
Amer. Tel. ...	177½	173⅜	Gen. Motors...	37⅜	38⅛	Std. Oil of N.J.	57⅜
Anaconda.....	47⅛	45	Goodyear	75⅛	56⅜	Std. Oil Cal....	55⅛
Beth. Steel....	40⅜	41⅞	Gulf Oil.....	112	111⅜	Union Carbide	85⅜
Can. Pacific ..	25⅛	25⅛	Int. Bus. M...	349	347	U.S. Steel....	63⅛
Chrysler Cpn..	45⅛	45⅛	Int'l. Nickel .	74⅝	75⅛	Westinghse E.	67⅛
Crown Zeller..	47⅛	49	Int'l. Paper .	95⅛*	94⅜	Woolworth....	44⅛

STATISTICS

The following list shows the most recent dates on which each statistical page appeared.

World Trade ..... April 19th

British		Overseas	
Prices and Wages.....	May 10th	Western Europe:	
Production and Consumption	May 17th	Production and Trade.....	This week
Manpower.....	May 24th	British Commonwealth	May 17th
External Trade.....	This week	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	May 24th
Industrial Profits	April 19th	United States	May 10th

UK External Trade

Imports are valued cif; exports fob. Total trade unless otherwise stated.

	Unit	Monthly averages 1955	1956	1957	1957 Feb.	Mar.	April	1958 Jan.	Feb.	Mar.	April
VALUE											
Imports:											
Total	£ million	323·6	323·8	339·6	320·8	361·8	349·7	325·1	288·2	321·0	310·6
Food, drink and tobacco	"	120·1	120·7	124·7	125·9	140·3	125·7	118·1	111·0	124·4	125·4
Basic materials	"	93·7	91·9	97·4	86·6	98·8	97·0	87·8	70·8	82·6	77·5
Mineral fuels and lubricants	"	34·0	34·5	38·9	36·6	44·8	47·1	37·0	33·8	34·2	34·3
Manufactures	"	74·7	75·5	77·4	70·4	76·8	79·1	80·1	71·7	78·9	72·9
Exports of UK produce:											
Total	"	242·1	264·3	277·1	278·2	297·1	272·2	277·8	265·4	278·1	265·5
Manufactures	"	199·0	218·3	229·5	231·8	247·4	226·9	233·9	222·1	234·5	225·9
Re-exports	"	9·9	12·2	11·1	10·9	16·4	8·6	12·6	12·0	16·1	11·8
Balance of trade (exports *less* imports):	"	− 71·6	− 47·3	− 51·4	− 31·7	− 48·4	− 68·9	− 34·8	− 10·9	− 26·7	− 33·3
VOLUME											
Imports	1954=100	111	111	115	118*	...	114*	119	106	114	...
Exports	"	107	114	116	117*	...	118*	116	111	113	...
BY AREA											
Imports:											
Dollar area—total	£ million	70·1	71·0	80·4	83·8	85·7	87·8	67·1	61·3	62·5	58·5
" USA	"	35·0	34·0	40·2	47·5	46·4	47·3	33·6	27·5	29·7	27·6
" Canada	"	28·6	29·0	26·7	23·3	24·4	23·6	22·0	20·9	21·3	19·4
Non-sterling OEEC countries	"	78·4	79·6	80·8	73·6	78·2	73·7	85·2	73·4	79·8	75·8
Sterling area	"	130·9	126·5	129·3	118·8	154·3	139·5	123·4	109·9	128·9	125·0
Exports:											
Dollar area—total	"	34·8	45·2	47·8	41·9	46·9	52·3	41·2	45·6	49·3	47·4
" USA	"	16·6	21·6	21·5	20·7	23·2	20·5	20·4	24·5	24·6	20·2
" Canada	"	12·1	15·2	16·7	11·6	14·4	24·8	11·1	12·8	16·6	17·9
Non-sterling OEEC countries	"	67·5	75·1	78·2	83·6	94·5	76·2	72·4	74·1	80·2	72·1
Sterling area	"	120·9	122·4	127·2	130·8	131·3	120·0	140·1	124·8	131·2	124·0
Balance of trade (exports *less* imports):											
Dollar area	"	− 35·3	− 25·8	− 32·6	− 41·9	− 38·8	− 35·5	− 25·9	− 15·7	− 13·2	− 11·1
Non-sterling OEEC countries	"	− 10·9	− 4·5	− 2·6	+ 10·0	+ 16·3	+ 2·5	− 12·8	+ 0·7	+ 0·4	− 3·7
Sterling area	"	− 10·0	− 4·1	− 2·1	+ 12·0	− 23·0	− 19·5	+ 16·7	+ 14·9	+ 2·3	− 1·0
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	374·3	398·4	377·6	404·0	418·9	324·0	413·1	309·5	322·6	318·5
Meat	"	67·0	72·4	74·2	63·2	106·5	74·7	70·4	68·1	87·1	79·7
Sugar, unrefined	"	186·2	194·3	235·6	231·2	222·0	289·5	210·8	246·5	234·3	283·6
Raw cotton (1)	"	24·2	27·0	30·7	45·1	35·8	27·2	29·3	27·8	24·5	28·5
Raw wool, sheep's and lambs' (1)	mn. lb.	55·1	53·2	51·6	45·8	68·6	62·0	57·4	45·4	67·9	71·1
Rubber, natural and synthetic (1)	'000 tons	24·6	18·2	22·7	19·0	8·7	21·5	32·2	17·6	14·1	21·9
Softwood	'000 stds.	140·0	104·8	120·0	53·1	59·6	64·8	80·1	52·1	39·7	44·6
Woodpulp	'000 tons	186·9	183·3	178·2	146·6	141·2	143·1	189·3	154·4	139·6	129·9
Crude petroleum	mn. galls.	601	618	605	465	595	647	673	645	651	760
Exports of UK produce:											
Coal, including bunkers	'000 tons	1,196	836	686	796	709	654	487	453	371	316
Woven piece-goods—cotton	mn. sq. yds	46	40	38	41	42	38	40	36	40	32
" " wool (1)	'000 sq. yds.	8,965	9,107	9,028	9,207	10,160	9,111	9,578	8,917	10 001	6,812
Passenger cars and chassis	number	32,545	27,986	35,522	28,400	35,925	34,621	45,702	42,097	44,475	38,586
Commercial vehicles and chassis	"	11,656	10,566	10,214	9,950	10,698	10,053	13,564	10,913	11,427	8,873
Agricultural tractors	"	8,720	7,482	9,414	8,254	8,568	8,820	8,327	8,569	9,911	10,484
Machinery—electrical	£'000	5,158	5,314	5,602	5,613	6,010	5,009	5,877	5,797	6,221	6,140
" other	"	34,687	38,657	42,211	42,272	44,997	41,228	43,792	42,138	46,107	44,991
Chemicals, elements and compounds	"	4,422	4,948	5,219	5,450	5,861	5,322	5,047	5,121	5,281	4,870

(1) Retained imports. (2) Excluding lents from January, 1956. (3) Average for first quarter. (4) Average for second quarter.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, FR	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (1) (1953 = 100)												
1948	54	87	82	79	...	52	70	62	70	70	90	69
1956	138	122	111	133	139	134	102	128	124	122	114	128
1957	146	123	115	145	147	145	102	138	126	126	118	...
1957, October	160	126	118	150	154	157	109	146	133	134	125	...
„ November	156	125	118	159	162	159		140	128	135	124	...
„ December	142	121	111	163	161	155		138	116	119	124	...
1958, January	140	118	117	155	144	155	...	139	121	123	123	...
„ February	...	...	...	...	145	...	...	...	113	135	...	...
VALUE OF EXTERNAL TRADE (2)												
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas[3]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lira
IMPORTS (c. i. f.)												
1948	243	7,249	285	56·08	264[4]	152[4]	11·36	70·36	414	310	413	64·2
1956	2,110	13,635	755	162·12	2,315	1,159	15·20	165·34	1,180	721	953	95·1
1957	2,445	14,263	782	187·16	2,624	1,312	15·40	188·88	1,300	758	1,044	92·7
1957, October	2,585	14,658	825	166·42	2,885	1,183	15·88	191·55	1,333	672	1,096	97·8
„ November	2,479	13,840	815	175·78	2,753	1,372	17·10	174·92	1,226	774	1,062	111·6
„ December	2,631	13,994	762	210·11	2,747	1,435	15·30	205·86	1,132	757	980	90·3
1958, January	2,339	13,312	887	216·02	2,692	1,389	14·81	160·83	1,179	738	1,225	81·8
„ February	2,153	12,203	...	194·05	2,388	...	...	162·87	1,090	720	955	60·0
EXPORTS (f. o. b.)												
1948	165	6,171	228	36·18	151[4]	39[4]	4·11	47·99	226	172	332	45·9
1956	1,840	13,177	640	132·45	2,571	475	9·01	111·74	906	460	839	71·2
1957	2,120	13,234	676	155·86	2,996	549	10·94	132·30	981	489	925	80·6
1957, October	2,256	14,003	731	168·50	3,260	873	10·74	150·40	1,139	584	994	48·3
„ November	2,098	13,132	748	170·91	3,183	1,032	11·35	131·46	1,075	436	957	98·2
„ December	2,251	12,787	743	194·98	3,265	1,102	9·96	134·47	960	518	912	127·2
1958, January	1,727	14,167	690	174·48	2,598	575	9·97	122·87	998	432	916	103·2
„ February	1,876	12,453	...	173·84	2,953	...	...	124·87	914	411	748	82·8
BALANCE												
1948	− 78	− 1,078	− 57	−19·90	− 113	− 113	− 7·25	−22·37	− 188	− 138	− 81	− 18·1
1956	− 270	− 458	− 115	−29·67	+ 256	− 684	− 6·19	−53·60	− 274	− 261	− 114	− 23·9
1957	− 325	− 1,029	− 106	−31·30	+ 372	− 763	− 4·46	−56·58	− 319	− 269	− 119	− 12·1
1957, October	− 329	− 655	− 94	+ 2·08	+ 375	− 310	− 5·14	−41·15	− 194	− 88	− 102	− 49·5
„ November	− 381	− 708	− 67	− 4·87	+ 430	− 340	− 5·75	−43·46	− 151	− 338	− 105	− 13·4
„ December	− 380	− 1,207	− 19	−15·15	+ 518	− 333	− 5·34	−71·39	− 172	− 239	− 68	+ 36·9
1958, January	− 612	+ 855	− 197	−41·54	− 94	− 814	− 4·84	−38·01	− 181	− 256	− 309	+ 21·4
„ February	− 277	+ 250	...	−20·21	+ 565	...	...	−38·00	− 176	− 309	− 207	+ 22·8
VOLUME OF EXTERNAL TRADE (2) (1953 = 100)												
IMPORTS												
1948	48	86	59	84	...	...	90	57	64	71	85	46
1956	195	136	128	142	171	156	93	125	153	128	136	...
1957	223	139	131	148	192	174	89	137	162	128	144	...
1957, October	238	136		130	215	157	92	133	169	120		...
„ November	232	125	136	124	206	182	99	138	158	128	148	...
„ December	245	136		152	209	186	90	170	147	130		...
1958, January	220	...	...	159	205	188	...	...	153	125	...	...
„ February	203	...	...	...	185	...	...	...	...	...	...	...
EXPORTS												
1948	37	69	48	48	...	...	55	66	34	70	69	55
1956	160	136	120	120	165	117	98	147	130	133	128	...
1957	185	133	129	132	188	139	117	156	137	133	138	...
1957, October	197	137		135	204	208	115	187	154	149		...
„ November	187	124	140	134	198	254	120	160	150	127	141	...
„ December	193	125		152	206	276	105	167	136	138		...
1958, January	160	...	...	134	161	157	...	...	148	138	...	...
„ February	164	...	...	...	182	...	...	...	...	...	...	...

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark excludes mining; Greece, mining and manufactured gas; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Germany excludes West Berlin. (2) Special trade (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxemburg. Italy includes Trieste. (3) New drachma introduced May 1, 1954 (1 new drachma=1,000 old drachmas). (4) Thousand million drachmas. (5) Bizonal area.

Financial Statistics

EXCHEQUER RETURNS

For the week ended May 24, 1958, there was an "above-line" receipt (after allowing for Sinking Funds) of £3,249,000 compared with a deficit of £5,522,000 in the previous week and a deficit of £1,909,000 in the corresponding period of last year. There was a net receipt "below-line" of £32,915,000, leaving a total deficit of £37,911,000 compared with £10,435,000 in 1957–58.

£'000	Estimate, 1958-59	April 1, 1957, to May 25, 1957	April 1, 1958, to May 24, 1958	Week ended May 25, 1957	Week ended May 24, 1958
Ord. Revenue					
Income Tax	2312,500	192,130	215,928	23,316	25,942
Surtax	163,000	18,000	17,800	2,000	1,500
Death Duties	163,500	24,500	24,900	4,000	3,800
Stamps	56,250	9,000	7,700	1,000	800
Profits Tax, EPT & EPL	275,000	22,000	29,100	3,500	3,000
Other Inland Rev. Duties	...	50	...	...	...
Total Inland Rev.	2970,250	265,680	295,428	33,816	34,842
Customs	1256,940	185,711	201,739	24,149	26,088
Excise	932,510	157,065	167,490	15,120	17,420
Total Customs and Excise	2189,250	342,776	369,229	39,269	43,508
Motor Duties	104,000	9,933	9,953	...	...
PO (Net Receipts)	2,000	14,100	11,800	4,800	4,350
Broadcast Licences	34,000	1,800	2,000	...	...
Sundry Loans	30,000	2,195	2,333	...	...
Miscellaneous	110,000	45,739	10,471	447	70
Total	5439,500	682,223	701,214	78,332	82,771
Ord. Expenditure					
Debt Interest	695,000	105,547	107,992	4,210	5,455
Payments to N. Ireland Exchequer	73,000	9,880	7,788	2,671	...
Other Cons. Funds	10,000	978	845	170	177
Supply Services	4259,584	574,997	572,721	72,980	73,570
Total	5037,584	691,402	689,346	80,031	79,202
Sinking Funds	38,000	3,758	3,815	210	320
"Above-line" Surplus or Deficit	— 12,938	+ 8,054	— 1,909	+ 3,249	
"Below-line" Net Expenditure	Cr. 2,503	45,965	Cr. 30,906	Cr. 32,915	
Total Surplus or Deficit	+ 10,435	37,911	+ 28,997	36,164	
Net Receipts from:					
Tax Reserve Certificates	35,630	37,298	3,566	9,185	
Savings Certificates	6,100	6,700	— 400	600	
Defence Bonds	— 4,242	— 722	96	633	
Premium Savings Bonds	4,700	8,750	600	890	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
May 25	2,880·0	1,260·0	270·7	...	4,410·7
1958					
Feb. 22	3,080·0	1,463·7	183·4	...	4,727·1
Mar. 1	3,040·0	1,537·1	210·4	...	4,787·5
„ 8	3,050·0	1,487·6	219·7	...	4,757·3
„ 15	3,060·0	1,529·9	225·6	...	4,815·5
„ 22	3,080·0	1,510·3	248·8	...	4,839·1
„ 31	4,571·2		277·1	...	4,848·2
April 5	3,120·0	1,499·4	239·6	...	4,859·0
„ 12	3,120·0	1,492·7	259·4	...	4,872·1
„ 19	3,120·0	1,580·5	252·0	...	4,952·4
„ 26	3,120·0	1,618·4	205 8	4·0	4,978·2
May 3	3,140·0	1,620 2	217·9	1·5	4,979·6
„ 10	3,150·0	1,561·3	215 3	2·3	4,928·9
„ 17	3,170·0	1,552·8	234·9	0·3	4,958·0
„ 24	3,200·0	1,510 3	202·6	...	4,912·9

THE MONEY MARKET

FOLLOWING the ½ per cent reduction in Bank rate on Thursday of last week, the Treasury bill rate fell by ⅜ per cent at Friday's tender. The fall was rather steeper than had been generally expected. The increase in the market's bid of 1s. 11d. per cent represented a cut in its discount rate of 7s. 8d. per cent, to £4 16s. 4d. per cent; the average rate of discount on the whole allotment fell by 7s. 5½d. to £4 16s. 6d. The market succeeded in raising its allotment rate on bids at the common price to 61 per cent, compared with 44 and 20 per cent at the two preceding tenders. Total applications dropped by nearly £10 million to £412 million, while the allotment was up by £10 million, to £260 million.

Credit conditions in Lombard Street after the Bank rate cut were as stringent as they were immediately before it. On Thursday of last week the market had to take a small amount at the new Bank rate, despite moderate special purchases, and on Tuesday, when owing to the Whitsun holiday two days' repayments fell due, very small further borrowing from the Bank was necessary. On the following day market supplies of credit were just adequate, and the banks were substantial buyers of August maturities, mainly at 4¼ per cent and also at 4 23/32 per cent. Last week rates on commercial bills were reduced in line with the fall in the Treasury bill rate; bank bills are now quoted at 4⅛-5 per cent, and three months' fine trade bills at 6-6½ per cent.

LONDON MONEY RATES

	%		%
Bank rate (from 6% 22/5/58)	5½	**Discount rates**	
Deposit rates (max.)		Bank bills: 60 days	4⅛-5
Bank	3½	3 months	4⅛-5
Discount houses	3½	4 months	4⅛-5
Money		6 months	4⅛-5
Day-to-Day	3½-4½	Fine trade bills:	
Treas. bills 2 months	4⅛	3 months	6-6½
3 months	4⅛	4 months	6-6½
		6 months	6½-6¾

BANK OF ENGLAND RETURNS

(£ million)	May 29, 1957	May 21, 1958	May 28, 1958
*Issue Department**:			
Notes in circulation	1,953·7	2,022·1	2,033·9
Notes in banking dept.	21·7	28·2	16·5
Govt. debt and securities*	1,971·2	2,046·2	2,046·3
Other securities	0·8	0·8	0·7
Gold coin and bullion	0·4	0 4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	10·1	11·1	12·9
Bankers	204·4	224·6	209·9
Others	75·3	70·3	71·6
Total	289·8	306·0	294·4
Securities:			
Government	224·1	246·4	246·1
Discounts and advances	40·5	27·6	28·7
Other	19·1	19·4	18·8
Total	283·7	293·4	293·6
Banking department reserve	24·1	30·6	18·8
"Proportion"	% 8·3	% 10·0	% 6·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £2,050 million from £2,000 million on March 26, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1957				s. d.	%
May 24	220·0	378·9	220·0	78 2·85	37
1958					
Feb. 21	220·0	411·7	220·0	119 5·52	40
„ 28	240·0	391·9	240·0	120 3·28	37
Mar. 7	240·0	388·6	240·0	120 5·10	47
„ 14	250·0	370·3	250·0	120 6·59	61
„ 21	260·0	399·2	260·0	111 1·52	52
„ 28	260·0	422·8	260·0	110 5·54	55
April 3	260·0	401·9	260·0	108 6·30	61
„ 11	260·0	422·0	260·0	106 6·19	59
„ 18	240·0	406·3	240·0	104 0·93	49
„ 25	250·0	426·8	250·0	103 6·97	40
May 2	220·0	433·5	220·0	101 1·93	46
„ 9	250·0	447·6	250·0	103 10·81	20
„ 16	250·0	422·1	250·0	103 11·49	44
„ 23	260·0	412·2	260·0	96 5·96	61

*On May 23rd tenders for 91 day bills at £98 15s. 11d. secured 61 per cent, higher tenders being allotted in full. The offer this week was for £260 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: May 23	Market Rates: Spot: May 21	May 22	May 23	May 24	May 27	May 28
United States $	2·78-2·82	2·81 11/16-2·81 13/16	2·81 5/8-2·81 3/4	2·81 5/8-2·81 11/16	2·81 5/8-2·81 3/4	2·81 5/8-2·81 3/4	2·81 5/8-2·81 11/16
Canadian $	...	2·72¼-2·72½	2·72-2·72¼	2·72-2·72¼	2·72-2·72¼	2·71 15/16-2·72 1/16	2·71 15/16-2·72 1/16
French Fr.	1167-18-1184-82	1180½-1180¾	1179½-1180¼	1179½-1179¾	1180-1180¼	1179-1179¼	1178¾-1179¼
Swiss Fr.	12·15 5/8-12·33 1/8	12·23½-12·24	12·23½-12·24	12·23½-12·23¾	12·23½-12·23¾	12·23-12·23¼	12·23½-12·23¾
Belgian Fr.	138·95- 141·05	139·47½- 139·52½	139·45- 139·50	139·42½- 139·47½	139·37½- 139·42½	139·42½- 139·47½	139·42½- 139·47½
Dutch Gld.	10·56-10·72	10·60½-10·60¾	10·60½-10·60¾	10·59½-10·60¼	10·60-10·60¼	10·59½-10·59¾	10·59½-10·59¾
W. Ger. D-Mk.	11·67 3/8-11·84 1/16	11·71½-11·71¾	11·71 11/16-11·71¾	11·70½-11·71	11·70½-11·70¾	11·70½-11·70¾	11·70½-11·70¾
Portuguese Esc.	79·90-81·10	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15
Italian Lire	17363/4-17622	1746⅜-1747⅛	1746-1746⅛	1745⅛-1746	1745⅛-1746	1745⅛-1746	1745⅛-1746
Swedish Kr.	14·37⅜-14·59⅜	14·47⅝-14·47⅞	14·47⅛-14·47⅜	14·47⅛-14·47⅜	14·47⅛-14·47⅜	14·46⅜-14·46⅝	14·46⅜-14·46⅝
Danish Kr.	19·19½-19·48½	19·35-19·35½	19·35½-19·35¾	19·34½-19·35	19·34½-19·35	19·34½-19·34¾	19·34½-19·34¾
Norwegian Kr.	19·85-20·15	20·01-20·01¼	20·01-20·01¼	20·01-20·01¼	20·01-20·01¼	20·00¾-20·01¼	20·00¾-20·01¼
One Month Forward Rates							
United States $		⅝-½c. pm	⅝-½c. pm	⅝-½c. pm	⅝-½c. pm	⅝-½c. pm	⅝-½c. pm
Canadian $		⅝-½c. pm	⅝-½c. pm	⅝-½c. pm	⅝-½c. pm	⅝-½c. pm	⅝-½c. pm
French Fr.		7 12 dis	12 17 dis	12 17 dis	12 17 dis	10 20 dis	10 20 dis
Swiss Fr.		4 3⅛c. pm	3¾ 3⅛c. pm	3¾ 3⅛c. pm	3¾ 3⅛c. pm	3¾ 3⅛c. pm	3¾ 3⅛c. pm
Belgian Fr.		¼ ¼ pm	¼ ¼ pm	⅜ ½ pm	⅜ ½ pm	⅜ ½ pm	⅜ ½ pm
Dutch Gld.		2¼ 2c. pm	2 1⅞c. pm	2 1⅞c. pm	2 1⅞c. pm	2 1⅞c. pm	2¼ 1⅞c. pm
W. Ger. D-Mk.		2½ 2pf. pm	2¼ 2pf. pm	2¼ 2pf. pm	2¼ 2pf. pm	2¼ 2pf. pm	2¼ 2pf. pm
Italian Lire		5 4 pm	5 4 pm	4½ 3½ pm	4½ 3½ pm	4 3 pm	3½ 2½ pm
Swedish Kr.		2¾ 2½ pm	2½ 2¼ pm	2½ 2¼ pm	2½ 2¼ pm	2½ 2¼ pm	3 2¾ pm
Danish Kr.		3 2½ pm	3 2½ pm	3 2½ pm	3 2½ pm	3 2½ pm	3 2¾ pm
Norwegian Kr.		2o pm-par	2o pm-par	2o pm par	2o pm par	2o pm par	2o pm par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/4½	249/5	249/1½	...	249/5½	249/5½

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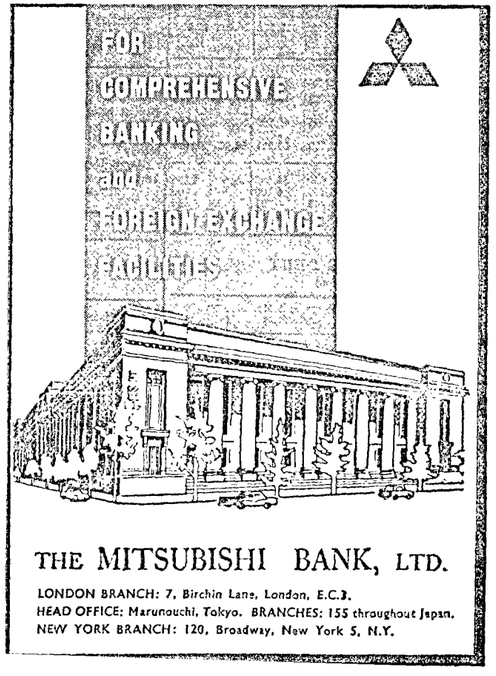
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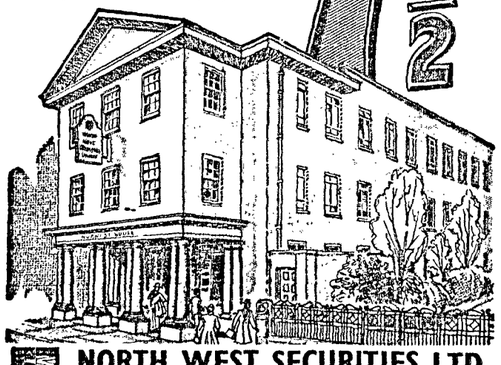
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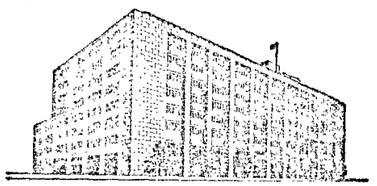
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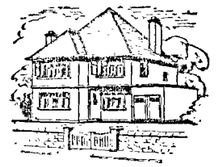
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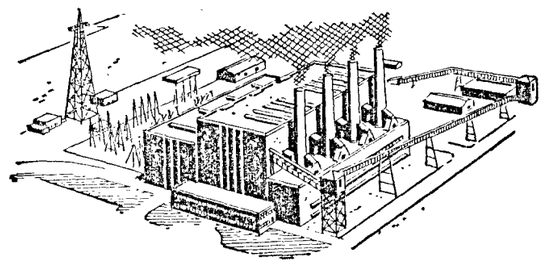
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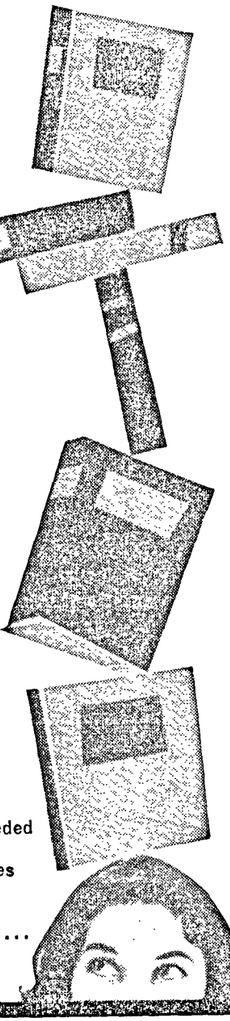
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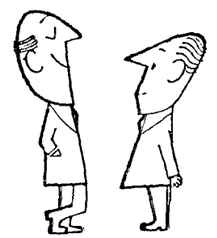
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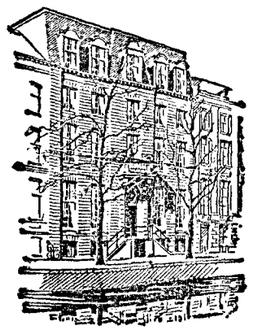
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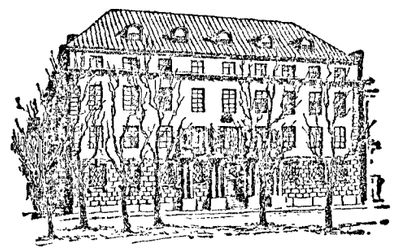
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COMPANY MEETINGS

CAMMELL LAIRD & COMPANY LIMITED

1957 A BUSY AND ACTIVE YEAR

REMARKABLE CHANGE IN TRADING CLIMATE AFFECTS SHIPPING INDUSTRY

SHIPYARD RECONSTRUCTION PLAN ALTERED TO MEET EXISTING CONDITIONS

REVIEW OF GROUP'S WIDESPREAD ACTIVITIES

PROFITS MORE DIFFICULT TO EARN AND ORDERS MORE DIFFICULT TO OBTAIN

MR J. C. MATHER STRIKES A WARNING NOTE

The ninety-fourth annual general meeting of Cammell Laird & Company Limited was held on May 28th at Birkenhead, Mr J. C. Mather, JP (the Chairman), presiding.

The following is the Chairman's statement which had been circulated with the report and accounts for the year ended December 31, 1957:

1957 was a busy year for the Group and good progress has been made in all sections, *in spite of national strikes* and other difficulties. It is pleasant to be able to record a substantial increase in the Group net profit and I am sure that shareholders will join with me in thanking all those who have contributed by their loyalty and hard work to the satisfactory results disclosed.

During the year Mr R. W. Johnson was appointed Chairman of Cammell Laird & Company (Shipbuilders and Engineers) Limited while retaining his appointment as Managing Director of that Company. He has resigned from his position as Managing Director of the Parent Company and therefore becomes subject to retirement by rotation: accordingly he offers himself for re-election at the Annual General Meeting.

Our Joint Secretary, Mr M. Milnes, retires on May 31st after nearly forty-two years' service with the Company. He joined the staff of Cammell Laird & Company Limited, Cyclops Works, Sheffield, in June, 1916. In April, 1929, Mr Milnes was transferred to Birkenhead to assist the then Secretary, Mr J. W. P. Laird, and was appointed Registrar of the Company. This *position* he held until he succeeded Mr E. Bernard Jones in the Secretaryship of the Parent Company in June, 1954.

I should like to place on record our sincere thanks to Mr Milnes for his long and devoted service to our affairs and to wish him good health and every happiness in his retirement.

The year 1957 saw a remarkable change in the climate of British industry and commerce, especially in the shipping trade upon which so much of our business depends. When the year opened the shipping boom which had continued more or less since the end of the war appeared to be more vigorous than ever. By the end of the year, however, we had seen a financial crisis which was met by a very high Bank rate and drastic *restrictions of credit, and we had also seen* the end of the shipping boom. Freights were falling rapidly, ships were being laid up in increasing numbers, and this process has continued since the end of the year. It is not surprising, therefore, *that while our* shipbuilding company has an order book which includes a wide variety and size of vessel and will provide a steady flow of *work for our yards for some time to come, new orders became scarce during the year* and still remain so. Our steel making subsidiary, The Patent Shaft & Axletree Company, has also been fully occupied throughout the year, but here again, while the order book for plate remains very good, there have been signs of a falling off in demand for other products of the company such as sheet, sections and bars and these signs have become more noticeable since the end of the year.

Although it is impossible to forecast how long this process will continue or how far it will go, I am not one of those who subscribe to the theory that the world is facing slump conditions. It is clear, however, that all sides of the *Company's activities are* moving into a period when profits will be more difficult to earn and orders more difficult to obtain.

ACCOUNTS
PARENT COMPANY'S BALANCE SHEET

The increase in Other Trade Investments is attributable to a further investment of £90,441 which we have made in the Share capital of North West Tugs Limited, for whom we have built two new tugs during the last twelve months.

The advances to our steel-making Subsidiary Company, The Patent Shaft & Axletree Company Limited, have now reached the agreed figure of £1,200,000 *and the difference owing by that Company at* December 31, 1957, represents Interest and Dividend.

Quoted Securities have been reduced by the sale, during the year of £1 million (nominal) of Gilt Edged investments, realising a profit of £40,787 on the written down value of the investments sold, but in accordance with our normal practice we have *again written our Quoted Securities down to* their market value on the Balance sheet date, resulting in a transfer to Provision for Depreciation in Market Value of Quoted Securities of £107,026. As a result, Capital Reserves have been reduced somewhat compared with last year.

CONSOLIDATED BALANCE SHEET

The Fixed Assets in the Consolidated Balance Sheet reflect the progress of the Development Schemes in the Companies of our Group and we have taken this opportunity of showing separately expenditure so far incurred upon Shipyard Reconstruction and upon the Development Scheme of The *Patent Shaft and* Axletree Company Limited, together with particulars of depreciation provided, against the respective assets concerned.

On the other side of the account retentions by Subsidiary Companies amount to £821,262 for the year and these additions left the Subsidiary Companies with Profit and Loss balances unappropriated on December 31, 1957, of £989,999.

Loans and interest *accrued thereon constitute a new item* in the Consolidated Balance Sheet. The Secured Loans reflect borrowing by The Patent Shaft & Axletree Company Limited from F.C.I. under a debenture; the unsecured Loans represent the loan from Metropolitan-Cammell Carriage & Wagon Company Limited to The Patent Shaft & Axletree Company Limited.

In the case of The Patent Shaft & Axletree Company Limited, due to the effect of Initial Allowances on the Development Scheme, there will be no liability, for Schedule D Income Tax on January 1, 1959. A transfer has, however, been made to the Taxation Equalisation Reserve Account in the books of that Company, approximating to the income tax and profits tax saved on the 1957 profits, due to Initial Allowances on the Development Scheme.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The Group Operating Surplus has increased by nearly £350,000 compared with the previous year, which must be considered very satisfactory in view of the difficulties encountered in 1957. Dividends from our Associated Companies and Trade Investments have increased in 1957, but Other Investment Income and Interest have been reduced, following the realisation of a part of our investments to meet capital expenditure.

The net profit available for appropriation by Cammell Laird & Company Limited is £518,767. An Interim Dividend of 4 per cent less tax, absorbing £122,475, was paid on October 26, 1957, and a Final Dividend of 11 per cent less tax, absorbing £336,807 and leaving £59,485 to be carried forward in the books of the Parent Company is now recommended. Your Board considers that this increase in the dividend is justified by the year's results, but shareholders will, of course, realise that the maintenance of this rate of dividend must depend on future

profits, which, as I have already mentioned, are now more difficult to earn.

CAPITAL COMMITMENTS

Of the commitments in respect of capital expenditure at December 31, 1957, as shown in the Notes, £1,250,000 in respect of the Parent Company represents subscription for a further 1 million "B" Ordinary Shares of £1 each in English Steel Corporation Limited, at a price of 25s. per £1 share. The balance of Group Capital Commitments at December 31, 1957, aggregating £4,865,178 consists of orders placed under the Reconstruction and Development Schemes of the Subsidiary Companies.

CAMMELL LAIRD & CO. (SHIPBUILDERS & ENGINEERS) LTD.

Ship Construction.—In common with other shipbuilders and engineers this Company suffered from the effects of national and local strikes during the early part of the year. These seriously affected the building programme, although by a determined effort it was possible to make up some of the time lost.

During the year nine vessels totalling 92,626 gross tons were launched compared with seven ships totalling 77,375 tons in 1956, and apart from 1950, which included the launch of HM Aircraft Carrier *Ark Royal*, it is the highest tonnage figure ever recorded by the Company. The vessels launched were as follows: s.s. *Hemisinus*, a tanker for Shell Tankers Limited; s.s. *Irish Spruce*, a cargo vessel for Irish Shipping Limited; HM Submarine *Grampus* for the Royal Navy; s.s. *British Justice*, a tanker for BP Tanker Company Limited; m.v. *Rockhampton Star*, a refrigerated cargo vessel for the Blue Star Line Limited; s.s. *San Gerardo*, a tanker for the Eagle Tanker Company Limited, Nassau; s.s. *Lucellum*, a tanker for Messrs H. E. Moss and Company's Tankers Limited; m.v. *Nicolaos S. Embiricos*, a cargo vessel for Messrs S. G. Embiricos Limited, as agents of Compania Naviera Epsilon S.A., of Panama City; and m.v. *Heath Cock*, a tug for North West Tugs Limited. Seven vessels, including three of the ships launched in 1957, were completed and delivered to their Owners, including HM Anti-Submarine Frigate *Tenby*.

At the close of the year the keel was laid of the new 38,000-ton Mail, Passenger and Cargo liner *Windsor Castle* which is being built for the Union-Castle Mail Steamship Company Limited.

Engineering.—The Engineering Department again experienced a good year, producing a number of sets of steam turbine double-reduction geared machinery; in addition, various sets of diesel machinery have either been completed or are in course of building for the Royal Navy.

Work proceeded throughout the year on the gas turbine installation for the tanker *Auris*. This installation, which is now well advanced, includes a reduction gear unit incorporating a new design of hydraulic reversing coupling of Pametrada design which the Company is pioneering. It is hoped to run trials of this machinery in the near future.

In the field of research, close collaboration is being maintained with Messrs Babcock and Wilcox Limited on the development of nuclear propulsion for ships, and, as far as the more conventional types of marine prime mover are concerned, investigation is being made into methods of providing improved and more economical installations for merchant and Naval vessels. During the year the scope of the Gearing and Vibration

Department, which is doing important work in diagnosing vibration problems in vessels whilst in service, was also extended.

The main Boiler Shop has again had a satisfactory year's work.

SHIP REPAIRING

Reviewing the activities of the Ship Repair Department, it is evident that the closure of the Suez Canal had an adverse effect on the volume of repair work during the first five months of the year, so much so that the largest dry dock was occupied by vessels requiring repairs for only 10 days in the first four months of the year, while another of the dry docks lay empty from the beginning of February until the last week in May. This depressing state of affairs was due to the postponement of annual overhauls and special surveys of tankers whilst the Suez crisis prevailed; and the situation was further aggravated by the National strike in the industry, as this kept away dry cargo ships which might have filled at least part of the gap. From the beginning of May work accumulated in sufficient volume to keep the Department busy to the end of the year. The modernisation of HM cruiser *Nigeria* was completed during the year and she was handed over to the Indian Navy at the Shipyard on August 29th by the First Lord of the Admiralty, being received by the High Commissioner for India and renamed *Mysore*. In the course of the year the Department has also been engaged on refitting submarines for the Royal Navy. The volume of ship repair business has greatly diminished in comparison with recent years. Our efforts to compete in the repair market are restricted by shortage of labour in the steel working trades, and we have unfortunately had to turn down on this account some available work, including the refitting of two vessels destined for the *German Navy. This was unfortunate*, for if we had had the necessary steel workers to undertake the work, we could have found employment for a considerable number of other trades.

GENERAL

The future programme of new construction covers a great variety of ship types. These include the prototype of the guided missile destroyer, submarines and anti-submarine frigates, and general and refrigerated cargo ships, tankers ranging from 31,000 up to 65,000 tons deadweight, and a large passenger liner.

Efforts to increase production have been hampered by a shortage of skilled personnel, *particularly among the steel trades. Despite* the national shortage in these trades everything possible has been done in this country and even further afield to recruit the tradesmen required, but so far with very little success. A further problem in the steel trade is that the age grouping of our workpeople shows a high proportion in the older age groups and a survey of the position in the district shows that insufficient men are being trained to make good the prospective wastage. It is to be hoped that the Unions with whom this problem has been discussed will face the position realistically, as the increasing numbers of young men reaching 16 years of age affords the opportunity of correcting the position.

The problem of maintaining a stable labour force in shipbuilding is complex. The building of hulls will give fairly steady employment to the steel trades but, according to the fitting-out of these hulls as cargo, passenger or fighting ships, there follow considerable variations in the numbers of fitting-out trades required. A solution requires the co-operation of all the separate Unions involved in shipbuilding. At present, due to

changes in the types of ships being built, and in particular to the falling off of Admiralty work, the numbers employed in fitting-out work have fallen. As many of these trades are also affected by the reduction of employment on building and civil engineering there is now some unemployment in the district. This position could be relieved if we were able to increase the number of men employed in steel-working trades.

In my statement last year I referred to our plans for carrying out a major scheme of reconstruction in the Shipyard, which would take about eight years to complete and cost approximately £17 million. Since that time the country's economic position has changed considerably and we, like many others, have had to review our plans. After detailed and careful consideration of various factors, in particular the desirability of reducing the financial burden imposed on your Company, it was decided that the reconstruction scheme in general could be conveniently spread over a greater period of time and implemented in three phases. Work has already been commenced on the first phase which will cost just over £8 million and which it is hoped to complete by 1960. This phase includes the construction of new Plate Shops and Welding Bays in the South Yard, and the construction of a jetty between the two large berths in this Yard; the erection of heavier capacity travelling cranes; the construction of a new repair dry dock on the site of the present No. 5 dry dock; certain ancillary improvements to the Engine Works and electrical supplies; and the construction of a Tanker Cleaning Berth. It is hoped that these projects, together with improved techniques and working facilities, will result in a much smoother throughput from stockyard to berth and greater and more economical production. It is our aim in undertaking this important scheme of reorganisation and reconstruction to maintain our position in the shipbuilding, engineering and ship repairing industries, and, given the wholehearted co-operation of all who are employed by the Company, I am sure that this aim can be achieved.

THE PATENT SHAFT & AXLETREE CO., LTD.

The Company has had a satisfactory year and output and sales have been well maintained. Towards the end of the year, however, the demand for some of the Company's products began to fall off and it is likely that the total output in 1958 will be less than in 1957.

Shareholders will recall that this Company is also involved in a large reconstruction scheme which is now well under way and very satisfactory progress has been made with the civil engineering work and the erection of buildings; items of plant and machinery are now commencing to arrive on the site and there is every reason to believe that the Scheme will be completed during the first half of 1959 and the greater part of the Company's output will then consist of steel plate.

During the year the loans advanced by the Shareholders reached the agreed total of £1,600,000 (£1,200,000 from Cammell Laird & Company, Limited, and £400,000 from Metropolitan-Cammell Carriage & Wagon Company, Limited) and borrowing commenced under the £6 million Loan Agreement with Finance Corporation for Industry, Limited, £500,000 having been advanced by the end of the year. A Debenture secured by a floating charge on the whole of the Company's assets was issued to Finance Corporation for Industry, Limited, on May 20, 1957, in connection with this Loan Agreement.

Interest incurred during the year on the loans has been written off to Profit and Loss

Account. Profits for the year would have shown a considerable increase over those of the previous period if it had not been for this loan interest, and the loan interest to be charged against the profits in 1958 will of course be very much greater than in 1957 as the Development Scheme progresses, and it is probable that the Profit and Loss Account for 1958 will show a net loss.

It was always envisaged that, as a result of the policy of writing off to Profit and Loss Account the loan interest incurred during the construction period, no profit could be expected to arise during 1958, or indeed until the Development Scheme is completed and the new plant comes into operation.

METROPOLITAN-CAMMELL CARRIAGE & WAGON CO., LTD.

Rail Transport.—The Metropolitan-Cammell Carriage & Wagon Company Limited achieved in 1957 a new high record for the number of passenger vehicles built by them in any year. Their output totalled 564 coaches, including 239 diesel railcars, making 351 supplied by them for the modernisation of British Railways, for whom continuous output of standard steel main line coaches and wagons was also maintained. A prototype train comprising seven light-weight cars with unpainted aluminium alloy exteriors was supplied for the London Transport tube service. Shipments commenced in the latter part of the year under contract for 349 coaches for the Reef electrified suburban service of the South African Railways, whilst output of vehicles for a similar service in Rio de Janeiro was continued. Large numbers of wagons despatched to New Zealand and India also contributed towards a greater annual total value of deliveries than before attained.

New orders for wagons were obtained from Rhodesia, New Zealand, the Sudan and British Guiana. An order for underframes and bogies provided re-entry to the traditional Argentine market. Further orders were also obtained for diesel railcars, main line coaches and wagons for British Railways. The company had a satisfactory order book at the end of the year, but it was evident that financial restrictions leading to a decline in demand, particularly for wagons, would create even greater competition for further home and export business.

Road Transport.—The continuance of similar competitive conditions was also indicated for the road transport industry, but it is hoped that the considerable interest shown in a 78-seater, double-deck, rear-engined 'bus, will result in further orders. Shipments to New Zealand, Iran, Spain and Jamaica accounted for over 40 per cent of the Company's increased output of 'bus bodies last year, whilst new orders were obtained from some of the leading Municipalities in the home market.

The Company has special interests in South Africa as, in addition to its wholly-owned Subsidiary — Metropolitan-Cammell Carriage & Wagon Company Africa (Pty.) Limited of Johannesburg—which acts as a Sales Organisation for Railway Rolling Stock in the Union and in adjoining territories, it was largely instrumental in forming some 12 years ago, and has a substantial shareholding in, Bus Bodies (SA) Limited of Port Elizabeth —manufacturers of Omnibuses and Trolley-buses of a very high standard, incorporating many of the Metro-Cammell patents. This Company has built, and is continuing to supply, large numbers of bus bodies for Operators in the Union. In this undertaking the Company is jointly interested with Leyland Motors Limited.

The Metropolitan-Cammell Company is also interested, again jointly with Leyland

Motors Limited, in Zambesi Coachworks Limited—a newly incorporated Bus Manufacturing Company in Salisbury, Rhodesia.

ENGLISH STEEL CORPORATION LTD.

The year was one of steady progress and consolidation. All Works in the Group were well occupied throughout, and employees at the end—16,584—exceeded by 154 the opening complement. Steel production at 582,178 tons was slightly lower than the record output of the previous year. The value of uncompleted orders carried into 1958—£31 million—was approximately equal to the value with which 1957 was commenced.

In Sheffield, the demand for heavy forgings continued unabated from customers in the shipbuilding, electrical engineering and general engineering industries at home and abroad. Direct exports were 14 per cent of turnover, a large proportion of which was delivered to Canada and many items delivered in the United Kingdom were for incorporation in plant destined for overseas. A number of very heavy forgings was made during the year and 39 ingots exceeding 150 tons were produced. Of these, seven weighed 275 tons each and utilised the maximum steel-making facilities at present available.

During the year the Plate Rolling Mill—originally installed for the production of armour—was reconditioned and modified for rolling commercial alloy and carbon plate. The potential output has been trebled and the mill can now roll slabs of 80 tons in weight and produce plate up to 18 inches in thickness, or 13 feet in width. Much of the output will be in the form of large stainless steel slabs for conversion into sheet and strip by Firth-Vickers Stainless Steels Limited.

There has been a good demand for steel castings of the types produced in the Foundry, which has confirmed faith in the policy of specialisation which has been pursued for a number of years. Very substantial orders from overseas were received for railway specialities, such as automatic couplers, side frames and bolsters and one-piece bogies. A machine shop of 100,000 square feet for machining railway castings and special forgings is under construction and will be completed during 1958. The development programme of the Iron and Steel Industry has absorbed a large proportion of the production capacity for heavy steel castings; these castings included four back-up rolls, each 70 tons in weight and of a size never previously made in Great Britain.

The Drop Forge and Spring Departments benefited from the increased demands of the motor car industry and were well supplied with work at the end of the year. Orders have been placed for the erection of new buildings and plant for spring production, and these facilities are expected to be available early in 1959.

All rolling mill plant was kept in operation throughout the year. Greater availability of nickel enabled larger quantities of the more highly alloyed qualities of steel to be produced during the latter months.

In Manchester another very busy year was experienced by Taylor Bros., who produce railway wheels, tyres and axles. Direct and indirect exports represented 43 per cent of turnover. The Wheel Plant, which was completed in 1952, has been a major factor in the success of Taylor Bros. and for periods has produced wheels at a rate of 75 per hour for full shifts against a designed maximum output of 60 wheels per hour. Jointly with Canadian interests, a company has been formed in Montreal to manufacture wheels for the Canadian market. The plant is expected to commence production at the end of 1958.

A South African subsidiary, Steel Wheel & Axle South Africa (Pty.) Limited—already machining and assembling wheels and axles supplied by Taylor Bros.—has been successful in commencing production of railway axles.

Darlington Forge has shared the prosperity of the shipbuilding industry on the North-East coast, and general engineering elsewhere and its Foundry and Forge have been fully occupied.

Firth-Vickers Stainless Steels Limited had another very successful year and new outlets for its products continue to be developed. New production equipment which came into operation at the end of year should give a material increase in output during 1958.

Site preparation for the major development of the 500 acre site at Tinsley, Sheffield, continued and arrangements have been made for road, railway and public services. Building schemes and plant designs for steel melting and forging plant are being prepared but no major contracts for construction have yet been placed.

The report and accounts were adopted and the dividends, as recommended, were approved.

The retiring directors, Mr R. W. Johnson, Mr P. J. D. Toosey and Mr J. H. Bromfield, were re-elected; the remuneration of the Auditors, Messrs Cooper Brothers and Company, was fixed and a resolution amending the Articles of Association having been duly sanctioned, the proceedings terminated.

TRANSPORT DEVELOPMENT GROUP

(Lightermen, Wharfingers and Transport Contractors)

YEAR OF PROGRESS

The ninth annual general meeting of Transport Development Group Limited (formerly General Lighterage (Holdings) Limited) was held on May 23rd in London.

The Chairman, Mr P. S. Henman, in his statement said that profits for the year before tax amounted to £328,237, which was £39,851 more than the profits for the previous year. The increased profit should be viewed against an increase in turnover of £503,675 to a total of £2,881,878 and the measure of the year could be gauged by the fact that profit before tax represented 11.4 per cent of turnover in 1957 and 12.1 per cent of turnover in 1956.

During the year, there had been major additions to the Group, the chief of these being the purchase of the share capital of The Erith & Dartford Lighterage Company Limited. A new subsidiary known as Continental Ferry Trailers Limited had also been formed by using the Continental Ferry. This subsidiary was providing a direct road transport service to the countries of Western Europe. Demands for the service were increasing on both sides of the Channel and it would be in still greater demand if an increased measure of free trade in Western Europe was brought about.

The report was adopted and the total dividend of 12½ per cent (1956 11 per cent) and distribution of 1 per cent (1956 1½ per cent) free of tax, out of accumulated capital profits were approved.

Resolutions increasing the capital of the company from £2 million to £3 million, and amending the Articles of Association were also approved.

SCHWEPPES LIMITED

THE HONOURABLE R. HANNING PHILIPPS ON TEN-YEAR REVIEW OF SUSTAINED PROGRESS

The sixty-first annual general meeting of Schweppes Limited was held on May 29th at the registered office of the company, Schweppes House, 1-4 Connaught Place, London, W.2, The Honourable R. Hanning Philipps, MBE (the chairman), presiding.

The following is an extract from the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1957:

The outstanding event of the year for your Company was the acquisition in August, 1957, through an exchange of shares, of the old-established and successful business of L. Rose & Co. Limited. In return for the issue of £386,100 of Schweppes Ordinary Stock and £189,396 of Preference Stock we acquired the whole of the L. Rose & Co. Ordinary and Preference Stock and 88 per cent of their Preferred Ordinary Stock.

I am happy to say that Mr Lauchlan Rose, their Chairman, has since joined our Board and I shall presently have the pleasure of asking you to confirm his appointment.

Arising out of this amalgamation of two great leaders in the Soft Drinks Industry we have formed a joint sales Company called Rose Kia-Ora Sales Company to market the world-famous Roses Lime Juice, Roses Squashes, Dubonnet and other lines, in conjunction with our Kia-Ora Squashes and Suncrush. We have every reason to look forward to a profitable future for this Company under the able direction of Mr C. F. J. Barker, the Managing Director of L. Rose & Co. Limited.

HOME SALES

During 1957 Schweppes Home Trade Sales increased by 19.7 per cent over the previous year. These excellent figures were greatly helped by the successful introduction in May of two new carbonated drinks, Bitter Lemon and Bitter Orange, which proved unexpectedly popular.

HOME PROFITS

The Schweppes Home Net Profit, before taxation, amounted to £1,427,348, compared with £1,114,340 in 1956. This is a record in the history of the Company.

The L. Rose & Co. net profit before taxation amounted to £337,986 compared with £227,921 for 1956; a record for that Company also. After providing for taxation the profits earned prior to acquisition have been transferred to Capital Reserves, leaving only the balance of £63,194 to be included in Schweppes Consolidated profit.

I now come to the Schweppes consolidated figures, covering our whole world-wide operations, which show a net profit before taxation of £2,119,670 compared with £1,211,116 in 1956. This again establishes a record for our Group of Companies.

Reverting to the figures for the Parent Company your Directors have placed to General Reserve the sum of £350,000. And they now recommend the payment of a final dividend of 15 per cent on the Ordinary capital as increased in connection with the acquisition of L. Rose & Co. compared with 12½ per cent in the previous year. The balance of profit amounting to £140,915 is carried forward to next year.

In raising the total dividend from 17½ per cent to 20 per cent for the year we are endeavouring to pass on to shareholders part of the proceeds of increased productivity. While we could undoubtedly have paid out more, we had to take into account the fact that the annual sum required to keep in top trim the large number of factories and the vast amount of plant and machinery now employed is in the nature of half-a-million pounds, which can only come from surplus profits.

REVIEW OF PROFITS

The rise in the Parent Company's profits was mainly the result of an increase in sales of our carbonated drinks of 22 per cent, and more efficient production and distribution.

While the rise in the figure of consolidated profits embraces many small items spread over the world, the main improvements were in our Kia-Ora Company which benefited from a long overdue rise in the price of squashes, which were last raised in 1948; in our Pepsi Cola franchise in this country—which extended its area of distribution; and in Schweppes USA which for the first time traded at a small profit.

PROSPECTS

For the first three months of 1958 Schweppes Home Sales show an increase of 22 per cent and I can see no reason why we should not have another good year of trading.

TEN YEAR REVIEW

It is interesting to remember that it is just ten years since the Soft Drinks Wartime Association ended and we were again allowed to trade under our own Schweppes name.

This may therefore be a suitable occasion for a short review of the subsequent growth of our business.

SALES AND PROFITS

Home sales have increased five-fold. Home profits before taxation in 1948 were £256,000 and in 1957 £1,427,000. Furthermore the consolidated results of the trading of the Parent Company and our controlled Subsidiaries both at home and abroad showed a profit before taxation of £440,000 in 1948 and £2,120,000 in 1957.

EQUITY

The shareholder who invested £100 in Ordinary Stock at a cost of £331 in 1948 and who has since taken up the various stock rights issues at a cost of £203, would now hold £267 Ordinary Stock worth at current Stock Exchange quotations £1,041, a capital gain of £507 over the period. This represents a capital growth of some 8½ per cent per annum.

PRICES

It has been the policy of the Board to hold prices, and over the whole decade our net selling prices have increased only 2 per cent. This compares with the 51 per cent increase both in the Index of Retail Prices and in the wholesale prices of food products.

PRODUCTION

The Company has invested heavily in buildings, plant and machinery, and equipment, of the most modern design, and has adopted the most up-to-date techniques in line production and bulk handling. As a result the annual output per operator has risen from 132,000 bottles in 1948 to 312,000 in 1957.

INVESTMENT

Our total investment has been £4,951,000, of which £2,274,000 represents direct investment in buildings and plant, etc., and the balance of £2,677,000 investment in Subsidiary Companies at home and abroad. A further £1,155,000 has been taken up by increased stocks of materials and debtors, etc., necessary to finance the increasing business. The money for this expansion has come from shareholders by way of new cash amounting to £1,980,000; profits ploughed back £2,869,000; and the balance of £1,257,000 represents outside businesses acquired and paid for by the exchange of shares.

ADVERTISING AND PRODUCTIVITY

To enable our capital investment to be utilised to the full, in other words, to keep our factories and plant in constant production throughout the year, we have adopted a policy of advertising our products at the off-peak sales periods, notably in the autumn and winter, rather than in the summer months, as used to be our practice. As a result of this rearrangement of our advertising thrust, we have been able to even out and spread our sales, so as to fill in the production troughs which were in the past so pronounced. December has for some years been our greatest trading month.

I draw your attention particularly to this aspect of our policy because it seems to me an interesting example of the intelligent use of advertising as a direct means of increasing productivity in a trade which was formerly regarded as highly seasonal in character. Moreover, and this is of equal importance, although the sterling cost of our advertising has shown a steady increase over the last ten years, calculated as a cost per unit of output there has been a substantial reduction.

The extent to which advertising has flattened our sales curve and thus enabled a level flow of production is shown by a comparison of the sales in the four quarters of the year in 1948 and 1957:

	1948	1957
	%	%
(i)	19	16
(ii)	26	26
(iii)	31	28
(iv)	24	30
	100	100

It will be observed that the first quarter of the year in which we deliberately do little advertising is now substantially below the other three quarters, which remain relatively uniform. This enables us to complete the vital annual maintenance of our plant during the early months of the year instead of spreading it over a much longer period from about September to Easter.

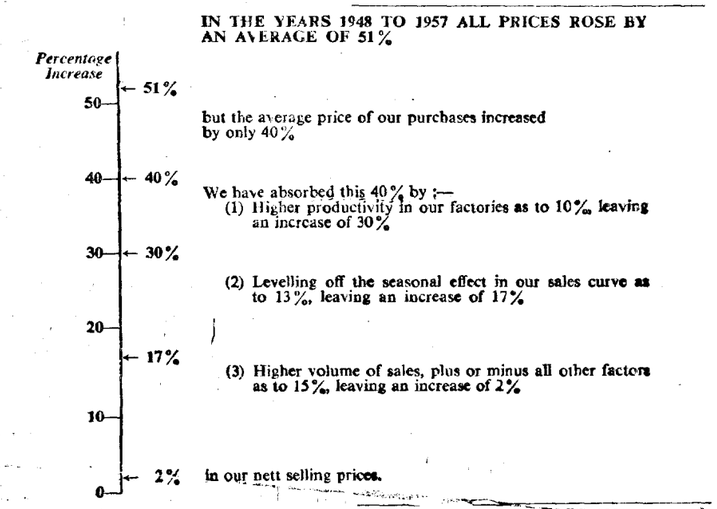
MATERIALS

Although there has been a general increase of 51 per cent as measured by the Index of Retail Prices, the actual increased cost of our own raw material supplies has been only 40 per cent. This is mainly due to the benefits of centralised buying of an increasing volume of purchases.

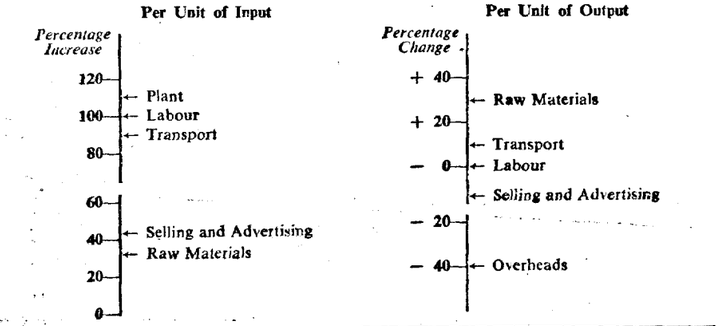
INCREASED COSTS

The substantial increase in sales volume over this period has absorbed the whole of our increased costs; and taken as a whole, the profit per unit sold has been maintained over the period. Thus it can be said that all the turnover increase has been gainful.

The following chart shows how:



Expressing the situation in another way, labour, raw materials, plant and transport have all increased in varying percentages expressed at a cost per unit of "input" but due to the reasons given previously, not all have increased when expressed in terms of cost per unit of "output." As the following chart shows, the cost per unit of output of some of these items has actually fallen. This is another way of saying that the efficiency in using them has increased enormously.



WAGES

Rewards to our employees have been kept in parallel with the increase in the prosperity of the Company. Between 1948 and 1957 their total earnings per head have doubled, due to increased basic wages and productivity bonuses. In addition the employees' share of profits placed in the profits pool and distributed as annual bonus in 1957 was, per employee, 4.8 times the sum distributed in 1948. The total sum distributed in this way has increased 8.7 times over that of 1948, but there are of course more employees to share in it. Notwithstanding these increases the labour cost per unit produced is the same now as in 1948.

INCREASE OF EMPLOYEES

Although sales and thus production have increased five times during the period, the number of our employees has barely doubled.

In the previous annual statement I referred to our personnel policy of establishing all employees after a short period of trial. Establishment means guaranteed employment, a good health scheme, two weeks holiday with pay (three weeks after ten years), membership of the pension fund, and a promotion and training scheme which applies to every employee who wishes to seek advancement in the Company's service. And at every one of our branches there is a hard working and enthusiastic joint consultative committee. On this basis, we have been outstandingly successful in obtaining the co-operation of employees at every level, and this has been the greatest single factor in enabling me to record today the progress I am now reporting to you.

Bearing all this in mind I am sure you would wish me to join in congratulating our Management on their outstanding achievement, and all our employees on the manner in which they have consistently risen to the occasion and made our success possible.

The report and accounts were adopted and the final dividend on the Ordinary Stock of 15 per cent, less income tax, making 20 per cent for the year, was approved.

THE LONDON ELECTRIC WIRE COMPANY AND SMITHS

TOTAL OUTPUT MAINTAINED

The forty-ninth annual general meeting of The London Electric Wire Company and Smiths Limited was held on May 22nd in London.

Mr E. L. Wildy, chairman and managing director, in the course of his speech, said: The Group Profit for the year subject to taxation at £775,632 is £239,809 less than for 1956. In the course of the year the price of copper fell by £86 per ton to £181 10s.—at December 31, 1957. The whole of the Group's working stock has been valued in the Accounts on the basis of this price and depreciation of £305,000 has had to be met. Fortunately, we had available a provision of £193,000, which has been used for this purpose, with the result that only £112,000 has been charged in arriving at the Group Profit.

Turning to the Consolidated Balance Sheet, you will see that the capital employed has increased marginally to £8.8 million. Liquid resources are still strong, though less than at the end of 1956 in spite of the fall in the price of copper.

The equipment at our factories is now up to date and, although a certain amount of new plant continues to be installed in order to cater for changing demand and to increase efficiency, it can be said that our main expansion programme, started in 1954, was substantially completed in 1957. Productive capacity was, therefore, rather greater than in 1956; but the total volume of output in the year was approximately the same.

A SERIOUS FACTOR

A serious factor of the year's operations was the continued increase in cost of certain items, such as fuel and transport, over which we have no control. In spite of improved methods of manufacture, we have been able to absorb only a part of these increased costs and, reluctantly, we have had to increase the selling prices for certain of our products. On the other hand, customers derived immediate benefit from the fall in the price of copper to which selling prices are geared. Some of these price increases, however, were introduced too late to have much effect on the year's results.

Difficulties following the Suez crisis, and credit restrictions which in the second half of the year were greatly intensified, interrupted the normal rate of expansion. With productive capacity throughout the country recently increased, this lack of growth has led to keen competition. The tendency for our customers to reduce their inventories has been accelerated and we have had to increase our stocks of finished goods to be in a position to provide the rapid delivery required.

THE CURRENT YEAR

I am able to tell you that demand for your company's products and the trading profit of the Group in the early months of the year have at least been maintained by comparison with 1957. You will, however, appreciate that it is yet too early to forecast an improvement over the whole year—although we hope to avoid the heavy charge for stock depreciation that was suffered in 1957.

The inevitable increase in the use of electricity and the favourable position that your Company is in to take advantage of any upsurge in economic activity encourages me to look forward to the future with confidence.

The report and accounts were adopted.

CADBURY BROTHERS LIMITED

GROUP HOME AND OVERSEAS SALES RISE TO £82½ MILLION

EFFECTS OF RAW MATERIAL PRICE FLUCTUATIONS

MR L. J. CADBURY ON RESTRICTIVE TRADE PRACTICES ACT

The 59th annual general meeting of Cadbury Brothers Limited will be held on June 16th at Bourneville, Birmingham.

The following is the statement by the Chairman, Mr L. J. Cadbury, which has been circulated with the Report and Accounts:

During the last two years it has been clear that the manufacturing capacity of our industry has been rapidly overhauling the country's demand for chocolate and confectionery. At the same time there has been a slight contraction in consumption. The average consumption per head of the population per week in 1956 was 8.6 ozs. In 1957 it was 8.3 ozs. Thus we are now subject once again to the full blast of competition, and, though our home sales were again a record, it was by the narrow margin of less than half of 1 per cent.

As a matter of fact we sold 3,000 tons more last year than in 1956, but for comparative purposes this has to be corrected because for financial reasons 1957 was a 53-week year.

In the export field our sales to the USA and Scandinavia were down, as well as those to the reduced British Forces overseas. In our other traditional export markets we showed an increase of 8 per cent. The latter included increased dollar exports of specialised lines for sale by our Canadian subsidiary.

OVERSEAS COMPANIES' RECORD EARNINGS

I am glad to say that all our overseas companies showed increases both in cash and tonnage sales. Between them and subject to tax they made a record trading profit of £1¼ million. Some of them are however facing difficult times. The Eire Company has to cope with a falling population and a by no means buoyant economy. The New Zealand and Indian Companies are liable to have their output restricted by import licences cutting down some of their raw material supplies. With the object of obtaining our milk ingredients from within the country, we are experimenting in India with buffalo milk. Certain technical problems have to be solved here, however, before we can use it without in any way affecting the quality of our goods.

For some years after the war we had a successful export trade to Germany. As Western German manufacturers got into their stride [illegible] and import duties became a more important factor we had to give careful consideration to the future of the goodwill we had established there. It was clear that we could not look to a continuation of a prosperous export trade from this country. We decided, therefore, to have four principal lines manufactured on a royalty basis, and last year our sales in Germany topped the equivalent of £1 million. In view of the uncertainties surrounding the development of the European Free Trade Area we regard this as a decision that may prove of some importance. The joint statement recently issued by the Federation of British Industries on behalf of the six OEEC countries outside the Common Market is encouraging. It recommends that certain processed products of agriculture (which we assume includes chocolate and biscuits) should be liberalised in the same way as industrial products in general.

Adding together the sales of our group of companies, including the fellow subsidiaries of our parent Company, the British Cocoa & Chocolate Company, our total sales at home and overseas increased from £79½ million in 1956 to £82½ million last year. The BC & C consolidated accounts show that profits after tax rose from £3.7 million to £5 million and the assets from £64 million to £74.5 million. Part of this increase is due to a revaluation of buildings and plant at certain of our subsidiaries and part to profits retained in the business. On the other side of the consolidated balance-sheet it will be noted, however, that our taxation liability stands at £4.5 million against a comparable figure of £2 million last year.

COCOA PRICES

Turning to cocoa, we again had a difficult year from the price point of view. It opened with the spot price slightly over £200 per ton. The trend was downwards and it reached its lowest figure of £180 per ton at the end of February. It remained at this level for about a month, then began to rise and reached its highest point at £360 per ton in mid-November, the year closing with a spot price of £320.

There were two main reasons for the increase of £180 per ton during the year, namely the Brazilian selling policy and lower world crops.

When prices were low, Brazil, selling through a single agency, introduced a minimum selling price scheme; at the time of introduction about £70 per ton above world prices. Luckily for Brazil, the recent Ghana and Nigerian crops, due to abnormal rains, were poor: 270,000 tons against nearly 400,000 tons the previous year. This gave Brazil all the support needed, and indeed pushed prices far beyond their minimum to the figures I have just given.

This rise in the price of our chief raw material has been reflected in a slight increase in the price of some of our principal lines this Spring, though the stocks it is our policy to hold have cushioned the impact. Nevertheless we look with some apprehension at cocoa continuing at its present price and the effect this may have [illegible] may have on chocolate consumption.

SUGAR SUPPLIES

Our sugar supplies are affected by the operations of the new Sugar Board which began to operate on January 1, 1957; unfortunately in very unusual circumstances. Its prime duty is to buy about two-thirds of the exportable Commonwealth raws at a negotiated price and to pass it on to UK refiners at the world price. Any loss is recouped by the imposition of a surcharge on all sugar; any profit is dispersed by a distribution payment. The Board began by announcing a surcharge of 1s. 2d. per cwt.

The world price at the beginning of the year, however, was unusually high at 73s. 7½d. a cwt (refined) owing to the Suez crisis, poor beet crops, shortage of stocks, and high freight rates. As a result, by July the Board had accumulated so much profit that the surcharge was removed and a distribution payment of 4s. 8d. per cwt. was introduced. But the world price later fell steadily so that two or three months ago there was a switch in the reverse direction and we are now paying a surcharge again of 11s. 8d. per cwt.

There have thus also been fluctuations in the price of our sugar. The time-lag and uncertainty of changing from surcharge to distribution payment has made costing prices of finished goods difficult, especially for the confectionery side of our industry.

MILK AND DAIRY PRODUCE

Next to cocoa, we actually spend more money buying milk and dairy produce than any of our other raw materials—over £6 million. We use about three-quarters of the milk we buy for making milk chocolate; the rest we sell, some of it going to our bottling plants in Herefordshire and Anglesey from which we meet local domestic milk requirement.

Here again we are in the hands of a single seller, the Milk Marketing Board. After prolonged negotiations we have recently secured a reduction from the Milk Marketing Board but our prices are still well in excess of the realisation price of milk for butter and cheese, the latter having been as low as 8¼d. per gallon. At the same time the Board is being faced each season with increasing surpluses of milk. It is a matter for consideration whether further price concessions might encourage more industrial consumption.

During the year we took a controlling interest in the Anglesey & Caernarvonshire Farmers Dairies Limited, which has a cheese manufacturing plant at Bangor, Caernarvonshire. Our object in this was to consolidate our milk area in North Wales, to provide means of balancing our milk requirements, and to increase our reserve of milk.

DISTRIBUTORS' MARGINS

Last year we had a renewed request for an increase in distributors' margins and, after very considerable discussion, at the end of July gave a further [illegible] per cent. This brought the distribution margin on our blocks and pre-packed goods up to 21.8 per cent, a figure lower than prewar but of course on a much higher money turnover.

RESTRICTIVE TRADE PRACTICES ACT

In 1956 the Restrictive Trade Practices Act was passed. As a result, last year we revised, and filed with the Registrar of the Court set up under the Act, the Agreement we have had for many years with our principal competitors. We are now waiting for its reference to the Court where it will in due course have to be defended.

The main object of this Agreement is and always has been to control the costs of distribution and, with that aim, to agree upon margins to the trade. It also seeks to control various advertising trade concessions, as well as such things as gift-coupon schemes. In order that such an Agreement can operate, there must be some price from which the margins can be calculated. As prices are so fundamental, the Agreement provides that the parties will give to each other notice of any changes and that they will confer with a view to agreeing margin percentages, i.e. the difference between consumer and trade prices.

Our view is that agreement upon margins and other costs of distribution is in the interests of the trade and public.

Linked with the question of trade margins is that of retail price maintenance. We have always believed that the right course has been to fix a fair margin to the trade and, having done that, to protect that margin from the actions of price cutters. The new Act permits us individually to continue our policy of retail price maintenance and has given the right to proceed against a price cutter even though there is no direct contract between him and the manufacturer.

PENSION FUNDS

In this country we have four Funds providing pensions for men, women and widows. They were founded long before the Welfare State was thought of, and the senior one celebrated its fiftieth anniversary last year. Their combined assets amount to over £15 million.

During the course of the year our actuary gave us the quinquennial valuation of our two largest Funds. I am glad to say we were able as a result to increase the rates of pension by 20 per cent and 15 per cent respectively.

Approved Company Funds such as ours have been subject to a certain amount of criticism recently on the grounds that they are subsidised by the taxpayer. It is true that the contributor gets his contributions allowed for tax purposes, the employer his contributions as an expense, and the income of the Fund is free from tax; but when in due course each subscriber becomes a pensioner he is liable to tax on his pension in the ordinary way. Further, the present system has the support of the Millard Tucker Report, which says, "We have decided to recommend the adoption of the same general plan of exempting the build-up of bona fide and reasonable schemes, and taxing the benefits."

Legislation on pensions is promised by both the major parties and we hope this principle will not be tampered with. At the moment we have only seen the Labour Party's scheme and do not know the nature of the present Government's proposals. Whatever programme is in due course implemented by Parliament we are bound to be affected, perhaps seriously. But one thing is clear: whatever line pension legislation may take, it can only be successful if the value of money is kept stable. This is a task which successive Governments since 1945 have failed to achieve, and one on which the reception of the Cohen Report is not very reassuring.

DEVELOPMENT PROGRAMME

Turning once more to the printed accounts, it will be seen that Cadbury Brothers Limited transferred from general reserve £4,745,790 to the BC & C Company by means of a special Ordinary Dividend. This was capitalised by the latter Company and one new share issued for every two held. This still leaves our assets very much above our issued capital.

Like all growing firms, our development programme over the last few years has not been eased by the policies of the financial authorities. We have tried to keep in step with them and in certain instances have been able to postpone new work. To make any sudden or important change is difficult. We plan our development budget about four years ahead. This may seem a very long time, but often to put up a new building means scrapping an old one and finding temporary accommodation for the processes it has housed. This is particularly the case with factories such as Bournville that have been established some time and have little space left to build on. By their very nature, therefore, most of these projects are spread over years and, once started, have to be carried through. Though we have varied the timing of our development programme, this has been through an endeavour to conform with the climate of the country's economy rather than to the pressure of interest rates and tightness of money.

At the moment our development budget at home and overseas stands at about £15 million over the next four years. No one can foretell the course of business and prosperity over that period and we are clearly accepting certain risks, but ones which we have every confidence are justified.

BEYER, PEACOCK & COMPANY LIMITED

(Locomotive Builders and General Engineers)

MR HAROLD WILMOT'S STATEMENT

The annual general meeting of Beyer, Peacock & Company Limited was held on May 20th in London, Mr Harold Wilmot, CBE (Chairman and Managing Director), presiding.

In the course of his review the Chairman said that the position of the Group at December 31, 1957, continued to be one of financial strength and liquidity and the operating results for 1957 were closely in line with the forecast made last year.

Referring to new products, the Chairman said that during the year the Company had developed some new products and they continued to improve their existing range. He said that in order that the Company should have an interest in all forms of railway motive power a new Company was recently formed—Beyer Peacock (Hymek) Limited. In that Company they held half the equity, the other half being held by Armstrong Siddeley Development Company.

The Chairman continued: Demand for our agricultural equipment products continues to expand and sales are now at very satisfactory levels.

The Chairman said that during 1957 the Board made a bid for the shares of the Anti-Attrition Metal Company Limited. The result was that the Company now held 87½ per cent of the equity of that business, which would add to the variety of the Group's products.

He said that some further extensions of the Group were in contemplation. Their continued policy was to broaden the basis of operation in a logical way so as to avoid, if possible, the more severe effects of demand fluctuations in any one product.

Regarding future prospects, the Chairman said: In the absence of some fairly quick improvement in world conditions it may well, for a period, be impossible to maintain total turnover on the scale of recent years.

The report and accounts were adopted and the proposed final dividend of 6 per cent, plus a bonus of 6 per cent, making 16 per cent, less income tax, for the year was approved.

TOZER KEMSLEY & MILLBOURN (HOLDINGS)

The tenth annual general meeting of Tozer Kemsley & Millbourn (Holdings) Limited will be held on June 18th in London.

The following is an extract from the circulated statement of the chairman, Mr Joseph R. Millbourn.

The Group profit for the year £391,504 after allowing for Overseas and UK taxation, is a record in our history.

The increase in our turnover and trading profit emanated almost entirely from the Union of South Africa.

Mr Millbourn said that the shares of the overseas subsidiaries had been revalued, and as a result of that revaluation the value of Shareholdings in Subsidiaries had been increased by £700,000 in the Balance Sheet of the Company, thereby creating a capital reserve of the same amount. The board proposed, subject to the Shareholders approving the necessary increase in the Authorised capital, to capitalise that reserve of £700,000, by issuing 700,000 Ordinary Shares of £1 each fully paid to the Ordinary Shareholders on a one for one basis, bringing the total issued share capital up to £1,700,000. Capital Issues Committee consent to that issue had been obtained.

Mr Millbourn concluded: The current year has opened well and results for the first quarter are satisfactory, but the outlook for the remainder of the year is obscure and somewhat cloudy.

We are fully alive to the changing pattern of world trade, and I am confident we will develop new channels of income to replace income we earn at present from traditional sources which may decline.

EQUITABLE LIFE ASSURANCE SOCIETY

RECORD NEW BUSINESS

The 196th annual general meeting of the Equitable Life Assurance Society was held on May 28th in London.

The following are extracts from the speech of the President, Mr J. H. Bevan:

The Report and Accounts circulated to members reveal a very pleasing increase in the new business written by the Society. The new life assurance contracts consisted of nearly 5,000 policies for a total sum assured of just under £7 million, after deducting re-assurances, a record in the history of the Society, exceeding by £1,400,000 the previous record established in 1955.

And we would once again remind members that this expansion has been achieved in spite of the fact that we pay no commission to agents who consequently bring us no business. Moreover since we are a mutual office and pay no dividends all profits earned by the Society accrue for the sole benefit of members having with-profit policies.

Claims by death at just under £300,000 were relatively low.

The funds at the close of the year amounted to nearly £31½ million.

Substantial depreciation in the value of securities was inevitable in a year which witnessed a crisis in the affairs of this country. We were nevertheless able to say that, in the opinion of the directors, the total assets set forth in the Balance Sheet were fully of the value stated therein.

The report and accounts were adopted.

THE UNITED SUA BETONG RUBBER ESTATES LIMITED

ECONOMIC PROBLEMS OF INDEPENDENT MALAYA

FALLACIES OF PRICE SUPPORT SCHEMES

SIR JOHN HAY ON THE RUBBER OUTLOOK

The forty-ninth annual general meeting of The United Sua Betong Rubber Estates Limited will be held on June 4, 1958, at 19 Fenchurch Street, London, E.C.3.

The following are extracts from the circulated Statement of the Chairman, Sir John Hay:

The fall in the price of rubber may not be so steep as that experienced in other commodity markets but that is because natural rubber, in recent years, has not risen so high. The fall, however, has gone far enough to cut severely into our margin of profit. Events are too unpredictable to justify a firm expression of opinion regarding the future course of prices. The motor vehicle industry in America is particularly sensitive to any setback in trade and it is not expected that car production in 1958 will exceed 4½ million cars against over 6 million in 1957. On the other hand Europe, which is now a larger consumer of natural rubber than USA, has so far shown no contraction in demand. Whether that happier state of affairs will continue must depend not only on whether there is early recovery in America but on political developments in Europe which have taken a course which, if continued, can hardly prove favourable to industry. Russia and her satellites, as well as China, are now ranked as large consumers of natural rubber. We have not sufficient information upon which to base any estimate of their probable requirements for 1958. We proceed on the supposition that they will not fall below the amount taken in 1957 which was approximately 280,000 tons. Figures of exports from Indonesia for the first two months of this year show a decline of over 20,000 tons. If this trend were continued, it would prove an important set-off against a fall in consumption. It is not unkind, however, to assume that from that territory there have been shipments of rubber which have escaped published returns. Moreover, Indonesia's need for foreign exchange is so dire that despite internal strife a real effort will be made to maintain the production and export of rubber, although the methods employed may not be conventional and some of the figures may not enter into official computation. In our attempt to translate these speculations into figures we arrive at the not too unsatisfactory conclusion that the production of natural rubber in 1958 may not exceed consumption by more than 60,000 tons with the former at 1,920,000 tons and the latter at 1,860,000 tons. But from what is written here it will be appreciated that any such figures must, in all the circumstances, be received with reserve. The one certain fact is that unless rubber prices rise, of which at present there is little indication, our profits for the current year will fall substantially. That, however, is a prospect which can be regarded as only temporary and one which this Company is well equipped to meet. Trade will recover and natural rubber freely available in all its unique qualities will be required in increasing quantities despite the competition of a rapidly expanding synthetic industry.

MALAYA'S NEEDS

The new and independent Government of Malaya is to be congratulated on the success of its operations against terrorists and on the marked progress made towards the restoration of law and order. True, they have been greatly assisted in these operations by British troops but that is only an example of the benefits of friendly co-operation which, far from impairing the authority of the local Government, has strengthened and sustained it. This success, if followed up by a corresponding co-operation in the economic field, could be productive of immense benefits to Government and its people. The maintenance and improvement in the standards of living of a rapidly expanding population can only be provided by economic expansion necessitating a continuous flow of fresh capital which cannot be supplied internally. This matter was the subject of discussion at the fourteenth session of ECAFE, which met at Kuala Lumpur in March last. The group of companies of which this is an important member has demonstrated its confidence in Malaya in a practical manner. In the post-war years we have ploughed back over 100 million dollars which have been applied to extensions and replacements but, despite assurances of fair treatment for overseas capital, the general flow has been far from adequate to the country's needs. This is no doubt due in part to terrorist activities which have been, until recently, a feature of conditions in postwar Malaya as well as to more serious events in other Eastern territories. Economic considerations, however, have not been without their influence. Industries with which Malaya's name is publicly identified offer little scope for new entrants as capital costs are now too high to give hope of successful competition with existing enterprises. For example, it would cost about £250 per acre to plant and equip a new rubber estate as well as involve a denial of revenue for nearly a decade. Investment in established companies can be purchased at a fifth of that figure with a substantial immediate return. Similar conditions obtain in respect of other agricultural enterprises as well as to mining. These facts may point to the disagreeable conclusion that Malaya's industrial credit is low and that there is much need to encourage existing as well as new capital enterprises. Internally, the treatment of foreign capital has been fully in accordance with Government's assurances. Externally, an official tendency to discriminate has developed which tends to give the impression of an attitude of ambivalence to overseas capital, not well attuned to the needs of the situation. This would seem to be based on a misunderstanding of the obligations of capital domiciled here and carrying on operations in Malaya. Such business in its Eastern activities is generally conducted through the medium of subsidiary companies or managing agents. Either method permits of wide delegation of authority and provides an informed source from which guidance can be given to those at home respecting the manner in which their business should be conducted in conformity with the laws and customs of the country. Similar methods are employed throughout the world and are generally acceptable in all countries without any suggestion that they derogate from Government authority.

The transfer to Malaya of the head office of a company, the capital of which has been raised in the UK, would in practice deprive the subscribers of their rights of ultimate control and on that ground would be resisted by them. Any attempt to influence such a movement would not only fail but would result in a serious check to even the present limited flow of capital. In this country there exists a fund of goodwill towards Malaya, which should be harnessed to profitable ends through free economic co-operation. It is a pity that the present should be chosen as an occasion for announcing officially that no resident in the UK will be invited to join the Malayan delegation to the Rubber Study Group, a forum for discussion of rubber problems in their international aspects. By this decision a large and important section of rubber producers are debarred from joining with representatives from many other countries in their studies. We, of course, recognise and accept the fact that the choice of the Malayan delegation is a matter wholly within the competence of the Government of that country. But in deciding on the composition of a delegation to an International Conference, concerned with the study of external problems, more valid considerations than the accident of domicile might with advantage prevail. I have had a long association with Malaya and I am very mindful of the many courtesies and kindnesses that have been extended to me on my many visits. I would not venture on these remarks except I were prompted by friendly feelings and a desire for the welfare of the country.

PRICE STABILISATION

Proposals for the stabilisation of rubber prices have at different stages in the industry's history been the subject of examination. Its recurring attractions have again asserted themselves, for the subject was not only ventilated at the last Study Group meeting but it also occupied attention at the Economic Conference for Asia at their March meeting this year. The strange thing is that it should be revived at a time when rubber in its price has, for some time now, shown a greater degree of stability than is historically associated with that commodity. This new behaviour is, no doubt, due to the steadying influence of the synthetic product, the price of which scarcely varies. The untimeliness of this proposal and the arguments advanced in its support give colour to the belief that the term stabilisation is used on this occasion as a euphemism for a price support scheme conjuring up in some minds the inviting prospect of an unvarying profit for the producer with the comforting assurance of a regular revenue for his Government, a pleasant prospect indeed, but one alas, remote from economic realities.

Rubber is produced in over a dozen territories spreading over four Continents. It is a world commodity with a world market and selling at a common basic price. Any scheme for regulating price would require international agreement on a world scale the provision of large funds for the acquisition of stocks, the power to restrict output and the administrative ability to do so effectively and equitably. It is difficult to believe that the many widespread producing territories in all their variability could conform to these essential conditions. The dangers of anything short of universal agreement are unhappily exemplified in the present tin scheme which by its omissions has given great impetus to production in Russia and China, necessitating increasing and burdensome restrictions on others. To embark on any such scheme for natural rubber would be fraught with great danger. The inevitable increase in costs, the depletion of cash resources tied up in stocks and restrictions on output would create intolerable burdens on an industry which must meet the severe competition of a synthetic product not so handicapped. The natural rubber industry could not afford any addition to existing burdens. Above all, its access to world markets must remain unimpeded, and its capacity to produce unfettered, for only under such conditions could it hope to survive as a dynamic force in a rapidly changing world.

THE PRUDENTIAL ASSURANCE COMPANY LIMITED

(Incorporated in England)

In the course of his remarks at the Annual General Meeting held on May 22, 1958, at 142 Holborn Bars, London, E.C.1, Sir Frank Morgan, MC, Chairman of the Company, said:

Before turning to particular aspects of our affairs I will refer to one feature—the increase in the funds of our Life Branches—which has a double significance. It is, in the first place, a broad measure of the net saving achieved through Prudential policies, to the advantage of millions of policyholders and their dependants and to the benefit of the national economy. Secondly, it is a truer measure of the progress of our business than is provided by a mere statement of the new sums assured. Last year the total funds of our Life Branches increased by the impressive amount of £48 million. Of this, £10 million was attributable to our overseas business and £38 million to the United Kingdom.

ORDINARY BRANCH

The Ordinary Branch continues to make excellent progress. The pace of its expansion can be gauged from the fact that over the last 10 years both the premium income and the funds of this Branch have more than doubled.

Under individual assurances issued in the United Kingdom there have in recent years been marked increases in the average sum assured per policy and a trend towards contracts which contain a larger element of life assurance, that is to say towards whole life assurances, longer-term endowment assurances and policies providing income benefits or mortgage protection.

In the development of the Ordinary Branch our overseas business is playing a steadily increasing part. Once again in 1957 a record volume of new business was written by the Overseas Branches. The expansion of our Canadian Branch during the year was outstanding, the new sums assured showing an increase over 1956 of 33 per cent. In our other principal Branches record amounts of new sums assured were also written: the increases over 1956 were 12 per cent in Australia, 9 per cent in New Zealand and 21 per cent in the Southern and East African territories.

Not only have we achieved a remarkable expansion in our overseas life business in recent years, but because of our policy of quoting premiums and declaring bonuses in each territory which are appropriate to local conditions our overseas business continues to pay its own way and is in excellent financial shape.

INDUSTRIAL BRANCH

Progress in this Branch continues to be steady but not spectacular. Over many years, and particularly during the last decade, the character of the business, which at one time consisted mainly of small whole-life policies, has been changing. Although the provision of death cover is still a basic function of this Branch, the death claims paid last year amounting to £13 million, industrial assurance policyholders have to an increasing extent preferred policies which combine saving with death cover. In consequence endowment assurances constitute a growing proportion of the business. Policies are also being effected for larger amounts; whereas in 1938 the average sum assured per policy issued was £27 it is now £73.

Our field staff have continued their efforts to keep premature discontinuances of policies to a minimum, and I am glad to record that the proportion of new policies in this Branch which lapsed within one year after issue was again less than one-tenth. Among policies on which premiums had been paid for a year or longer, and for which, accordingly, a free policy or in many cases a surrender value was obtainable, economic conditions led to a somewhat higher rate of discontinuance than in recent years. It was, however, still at a low level, being less than 3 per cent.

From the surplus of the year a sum of over £11,900,000 has been allocated to provide bonuses on Industrial Branch policies. It is just 50 years since we began a profit-sharing scheme in this Branch, with a first allocation to policyholders of £140,000. This was equivalent to about one-third of the amount then allocated to the shareholders, whereas for 1957 the policyholders' allocation is almost 13 times as great as that of the shareholders.

BONUS DECLARATIONS

The wide range of our business, geographically and in types of contract, results in a corresponding range of bonuses which give a somewhat complex appearance to our bonus declarations. On this occasion increased bonus rates have been declared for policies issued in this country and in some overseas territories. Details of these have already appeared in the Directors' Report, but I wish to refer particularly to the special bonuses which we have again declared in both Life Branches. These, as hitherto, apply only to those policies issued in the United Kingdom prior to January 1, 1954, which become claims during the current year, but on this occasion the rates have been increased.

The introduction of special bonuses in 1956 was, as I then explained, a consequence of an exceptional increase in the dividends from our holdings of ordinary shares in this country, and of our view that, since these increases largely arose from investments made in the past, the older policyholders had a prior claim to benefit from them. In making such a radical departure from our traditional method of distributing surplus we were, not unnaturally, cautious; now, two years later, we feel justified in increasing the amount of these special bonuses. As an example of their operation I will give you the facts of a typical Ordinary Branch claim that we paid last month. The policyholder took out a 25-year endowment assurance for £1,000 in 1933 when he was aged 37. The total amount paid in premiums over the 25 years was £1,043 and this outlay was, of course, substantially reduced by income tax rebate. In return he had been covered against death for £1,000 with bonus additions throughout a period which included a major war. At maturity he received the sum assured of £1,000, with normal reversionary bonuses of £389 and the special bonuses which amounted to £105, making a total of £1,494. This is an actual case; not only did the policyholder do well for himself financially but during the 25 years his mind must often have turned with relief to the security his policy provided.

NATIONAL SUPERANNUATION

At the very time when I was addressing you last year the Labour Party was making public its outline of a national superannuation scheme. Hints also of a Government scheme continue to appear in the Press. The effects of such schemes on the country and on our business could be very important, whether for good or bad and it is imperative that quiet and sober consideration should be given to the problem. The intervening year since the publication of the Labour Party's outline has given everybody time to think and I imagine that the general consensus of opinion would now be that the scheme was too ambitious.

Moreover, closer examination of the scheme strengthens the grave doubts about its consequences for employees who are members of existing pension schemes, whether self-administered or insured. Pension arrangements are inevitably complex and it is not enough to have good intentions about allowing members of existing schemes to contract out of an enlarged State scheme. The practical problems are formidable and can override the good intentions.

Detailed consideration of these problems and of the effects of such an enlarged scheme on the national economy confirms the conclusion that serious consequences would follow if the State should depart appreciably from its proper function of ensuring that the basic needs of the elderly are met. In this respect I would not wish to interpret the phrase "basic needs" in a narrow sense. But I am convinced that it would be unwise for the State to go further than this.

PERSONAL AND OCCUPATIONAL SUPERANNUATION

The doubts and uncertainties surrounding the subject of national superannuation have not prevented further growth of retirement provision on a personal or on an occupational basis.

At our Annual Meeting in 1951 my predecessor, Sir George Barstow, announced that the Prudential was ready to issue group pension policies with participation in profits. He then said, "The step which we are now taking will be a major development in the progress of British insurance." Although progress was at first slow the force of Sir George's remark will be appreciated when I tell you that the premium income from this business is now over £7 million per annum. We also find that there is a considerable market for widows' pension schemes in conjunction with schemes for retirement pensions.

Individual retirement annuity contracts for the self-employed and others in non-pension-

able employment which we introduced as a result of the Finance Act, 1956, have continued to prove popular, and during 1957 we extended our prospectus to include a with-profit retirement annuity policy.

Whatever changes in the field of national superannuation may take place we may be sure that scope will remain for other provision to be made for retirement, and no unnecessary obstacle should impede this development. In this connection it may be recalled that the Finance Act, 1956, also gave considerable benefits to assured pension schemes arranged in one particular form. The result is that a great amount of work is being done by employers, life offices and the Inland Revenue in connection with the alteration of pension schemes so that they may qualify for the benefits to be derived from the 1956 Act. It would be a very great help to all concerned if this labour could be avoided and it would seem eminently reasonable to give the same taxation advantages to all pension schemes, in so far as they provide benefits of the same type.

Another disadvantage of the present legislation in regard to pension schemes is the amount of work involved in establishing under the control of trustees a pension scheme for a small group of employees, whether the scheme is self-administered or assured with a life office. Any simplification of the present elaborate procedure would greatly facilitate the extension of the pension movement among those employers who have very small staffs.

GENERAL BRANCH

In the General Branch the premium income for 1957 together with that of our American subsidiary exceeded £16,900,000, showing an increase of £1,700,000. Approximately one half of the total premium income arose from overseas sources. Gross interest earnings also increased substantially.

The underwriting experience for 1957 showed a marked improvement over that for the previous year, despite a continuance of unfavourable results in some overseas territories, particularly in Canada. The adverse experience in Canada has been shared by many other companies and such steps as are possible are being taken to improve the position. Our experience in the United Kingdom has, however, been good, but in two accounts—fire and motor—home profits were outweighed by overseas losses. A revision of our Home premium rates for certain classes of motor business became operative in July and this factor, together with the diminution of traffic due to petrol rationing earlier in 1957, improved the results of our motor business in this country. Unfortunately the number of accidents continues to rise, and the design of the modern car, admirable though it is in many ways, does contribute to the increasing cost of repairs. During 1958 the revision of rates will become fully operative, but it is too early to say whether this will prove sufficient to meet the rising claims.

The sickness and accident account has proved satisfactory and we especially welcome the very considerable improvement in the miscellaneous account. Our experience in marine, aviation and transit insurance business continues to be satisfactory and the fund is in a strong position. The sum of £50,000 which we have released broadly covers provision for taxation.

The figures of our American subsidiary, The Prudential Insurance Company of Great Britain, are annexed to the accounts before you. A small underwriting loss is shown, but the overall position is healthy and a dividend of 7½ per cent was again declared on the capital of $1,500,000.

DIVIDENDS

Under our Articles of Association there is a close link between bonuses to policyholders and dividends to the A shareholders, and the increased distributable surpluses in the Life Branches have enabled the Directors once again to improve the proportion of these surpluses allocated to the policyholders and at the same time to increase the amount allocated to the shareholders. In each of the Life Branches the policyholders' allocation, which for 1956 was approximately 92.6 per cent of the distributable surplus, is now 92.8 per cent.

The total allocation to the A shareholders represents 2s. per £1 share more than in the previous year, the declared dividend of 29s. 6d. net being 3s. per share greater and the amount credited to the Dividend Reserve Fund representing 1s. less per share than a year ago.

The net dividend declared on the B shares is increased from 3s. 6d. to 3s. 9d. per £1 share. The allocations to shareholders from the General Branch are again more than covered by the interest earnings of the General Branch funds after deduction of the relevant taxes.

INVESTMENTS

During 1957 the institutional investor was faced with several important developments, of which the most notable were the threat to the pound and the counter measures taken by the Government. The decline in the country's exchange reserves mainly reflected the loss of confidence in sterling both at home and abroad, due to the fear of continued inflation. In this situation the demand for ordinary shares and for overseas securities in the summer months together with the weakness of the market for fixed-interest securities bore many signs of an incipient flight from the currency. This was a most grave situation. The expectation of further inflation is itself inflationary, and the capital market cannot fully perform its functions if fixed-interest securities fall into disrepute.

On this occasion, however, the action taken by the Government was sufficiently vigorous to convince the world that they were at last determined to call a halt to inflation. As a result the position of the pound was made more secure and the pressure of inflation was reduced. Both as a life assurance company and as an institutional investor we wholeheartedly support the aim of stabilising the purchasing power of the pound.

The change in the climate of opinion led to an improvement in the gilt-edged market and, with the growing evidence of recession in the United States and the development of a more realistic attitude on the part of investors to the problems facing the British economy, ordinary share prices weakened considerably. Despite the unsettled outlook, the year as a whole saw an active new issue market, which once more has shown proof of its resilience. The restriction of bank credit and, in some industries, the pressure on profit margins, obliged many companies to seek a larger proportion of their finance from the market. In recent months, however, there have been signs that the boom in capital investment is tailing off, and it would not be surprising if this were reflected in a rather lower level of new issues during the rest of 1958.

The increase in our funds, together with the proceeds from redemptions and sales, enabled us to make new investments of £69 million in 1957. The major items were £16 million in debentures, £16 million in ordinary shares, £10 million in property investments and £11 million in mortgages. In addition we invested £6½ million in securities of, or guaranteed by, the British Government. The amount invested in mortgages was substantially less than in 1956 and this was due to a falling-off in the direct loans on mortgage to municipal authorities. At the present time such loans are generally in a form which for taxation reasons is less attractive to a life fund than to some other institutional investors. Our investments in debentures during the year included purchases of convertible debenture and loan stocks. This is a type of security which has become increasingly popular in recent years but it should be borne in mind that the incorporation of options to convert into ordinary shares could prove to be disadvantageous to the borrowing companies and to their shareholders. We, as institutional investors, would generally prefer capital to be raised directly in fixed interest securities or ordinary shares rather than in a convertible form but we do recognise that there can be special circumstances which make an issue in this form appropriate in a particular case.

At this time last year I was able to say that there had been a substantial rise in market values since the end of 1956. This rise was not maintained and was outweighed by the considerable fall that occurred during the latter part of 1957, particularly after the sharp increase in Bank Rate. However, of greater importance from our point of view were the improved yields that we were able to obtain on new investments and also the further modest increase in dividends from ordinary shares during the year. The gross rate of interest earned on the Ordinary Branch fund increased by 3s. 6d. per cent to £5 13s. 8d. per cent and on the Industrial Branch fund by 5s. per cent to £5 16s. 7d. per cent.

Some rearrangement of our investment reserves was made at the end of the year which led to some further writing down of our holdings of British Government securities. Nevertheless it is clear that the low values obtaining at the end of 1957 were not of a permanent nature and we felt that it was undesirable that these and other groups of fixed-interest securities should be written down to their market value. As a result of the heavy depreciation during the year the aggregate market value of all our investments was less than the Balance sheet value, but the difference was amply covered by the Branch contingency funds.

STAFF

In surveying a record of continuing progress there is a tendency to forget the difficulties that have to be overcome. They are, however, by no means negligible. In the work of our field staff, at home and overseas, many problems arise, not the least of which is the natural desire of the community to secure present benefits by the purchase of tangible goods, to the neglect in many cases of adequate provision for the future. It is against this background that we have to measure our progress and it says much for the application and industry of the field man that despite the competition of consumer goods he is contributing in so great a measure to the growth of the nation's savings and the expansion of the Company in all its Branches.

I feel sure you will wish me, on your behalf, to express our warm appreciation of the services rendered by the management and by all the men and women of the Prudential staff at home and overseas.

The Resolutions subdividing the Company's Shares were duly passed and as from today the A Shares will be quoted in denominations of 4s. and the B Shares in denominations of 5s. (1s. paid). The dividend payable on November 13, 1958, will accordingly be 1s. 6d. per 4s. A Share instead of 7s. 6d. per £1 A Share.

PRESSED STEEL COMPANY

INCREASED BALANCE OF PROFIT

FURTHER EXTENSION OF PRODUCTION FACILITIES PLANNED

MR A. ABEL SMITH'S STATEMENT

The thirty-first annual general meeting of the Pressed Steel Company Limited was held on May 28th at Winchester House, Old Broad Street, London, E.C., Mr Alex. Abel Smith, TD, JP (chairman of the company), presiding.

The secretary (Mr J. S. Kean, CA) read the notice convening the meeting and the report of the auditors.

The following is the Statement by the Chairman circulated with the report and accounts for the year ended December 31, 1957:

Ladies and Gentlemen,

PROFIT AND APPROPRIATIONS

From the accounts you will see that the balance of profit for the year ended December 31, 1957, after charging debenture interest and all taxes, was £1,527,121; this compares with the previous year's figure of £951,682 from which, however, there was set aside £238,635 for increased cost of replacement of plant, machinery and equipment; in accordance with the Board's decision to which I referred last year, no further appropriations are at present being made to this reserve. Taxation was higher by £742,452, and the charge for depreciation and obsolescence of buildings, machinery and equipment was also higher by £146,220, reflecting a further increase in the fixed assets of the Company.

From the profit of £1,527,121 referred to above, there must be deducted the expenses amounting to £65,981, incurred in connection with the Debenture Issue and with the increase in authorised capital, also the amount of the regular dividends on the Preference Shares and the interim dividend of 6 per cent paid last November on the Ordinary Stock, aggregating £171,412. This leaves £1,289,728 to be added to the balance of £1,363,023 carried forward on Profit and Loss Account from 1956, and gives a balance of £2,652,751 to be dealt with.

Your Board now recommends a transfer to General Reserve of £500,000 and the payment of a final dividend on the Ordinary Stock of 14 per cent less tax, requiring £304,929. This leaves £1,847,822 to be carried forward.

BALANCE SHEET

There appears for the first time the item of £2 million 5½ per cent Convertible Debenture Stock 1977/82. Authorised share capital has also been increased by £1 million in order to meet the conversion rights attached to the Debenture Stock. The proceeds of the issue of this stock are reflected in an increase in fixed assets of £1,664,457 and in a strengthening of the liquid position. Outstanding capital commitments at the end of the year amounted to £1,630,000. A further major extension of production facilities is planned, to which I now refer.

PROPOSED ISSUE OF £3,500,000 DEBENTURE STOCK

Our motor car customers have recently advised the Company of yet another upward revision in their estimates of the number of car bodies which they will require from 1959 onwards. Your board has decided that in order to meet these requirements it will be necessary once again to increase capacity at Cowley and at Swindon; to finance this expansion it is proposed to raise further permanent capital by an issue of £3,500,000 Debenture Stock. The proceeds of the issue will be utilised for the carrying out of the expansion programme as well as for the provision of additional working capital. Treasury consent has been obtained to an issue of Debenture Stock which will not carry conversion rights. Further details will be given in a letter which I propose shortly to address to holders of the Company's Ordinary Stock, Preference Shares and 5½ per cent Convertible Debenture Stock, to all of whom the new Debenture Stock will be offered.

MOTOR CAR BODY DIVISION

The year 1957 opened with evidence of some improvement in the demand for motor car bodies from the low point reached in December, 1956. The upward trend gained momentum and by mid-summer practically all the ground lost in 1956 had been recovered. Since then there has been a further gradual but nonetheless steady improvement in our business. Rising demand enabled us to build up production at Cowley and in particular at our Swindon factory, where the benefits of the modern lay-out were apparent. Our capacity at Swindon is now to be further augmented by an additional building of over 300,000 sq. ft.; the new lines will embody automation and the latest techniques for the manufacture of car bodies.

We are further expanding our already important engineering research and development facilities in order to be able to give the maximum service to our customers; among other things our engineers are keeping in close touch with developments in the field of plastics, and are continuing to experiment in the application of these materials to press tools and car body components.

The all-important cost factor was helped during the first part of the year by the ability of our home mills to supply sufficient sheet steel to meet our needs. But as the volume of production rose, it became necessary to resort once more to large scale purchases of American and Continental sheet for which we have to pay substantial premiums. This underlines the urgent need for an increase in the strip mill capacity of this country; this would not only help costs but would also save outlays of foreign exchange, particularly USA dollars. It is encouraging, however, to note that our steel industry was recently able to announce a small reduction in prices.

RAILWAY CARRIAGE AND WAGON DIVISION

Our Linwood factory showed satisfactory results. Production of standard passenger brake vans continued throughout the year. This order is now completed and our production lines are busy with the order for utility vans to which I referred last year.

The Company recently obtained an important order from the British Transport Commission for passenger rolling stock required in connection with the Glasgow suburban electrification scheme.

Production of 16-ton mineral wagons also continued, although at a declining rate as the completion of this important contract draws near. When the last wagon rolls off our production line in June, we shall have supplied no less than 74,350 of this type of wagon to British Railways. Orders are in hand for other types of wagons, but the quantities involved are considerably smaller.

I am glad to report that the Company has successfully negotiated the lease of the factory which adjoins our Linwood property; we now have an overall floor area there of almost 1 million sq. ft. The added space will not only give us much needed elbow room, but will also enable us to take on additional work as and when it becomes available.

PRESTCOLD REFRIGERATION DIVISION

Domestic sales of Prestcold refrigerators responded impressively to the spells of warm weather which we experienced last summer, despite the handicaps of hire purchase restrictions and a penal 60 per cent rate of purchase tax. This year's budget has, I am glad to say, at last brought us some relief in one direction in that purchase tax has been reduced to 30 per cent.

The commercial side of our business once again showed satisfactory results.

We are continuing our efforts to build up our export trade in both domestic models and commercial equipment and are concentrating particularly on the southern hemisphere where the main selling season corresponds with our winter months when home sales inevitably decline.

OUTLOOK

Our motor car body business, as I have indicated, shows promise of moving into higher volume than ever before. We believe the optimism of our customers is well founded and with our increasing production facilities we expect to be ready to meet their requirements.

As regards railway equipment, although we are constantly endeavouring to widen our range of export business, the British Transport Commission continues to be our largest customer. The railway modernisation programme, and its tempo, is therefore of considerable importance to us. Orders are, however, now tending towards a larger variety of types of rolling stock. This entails more frequent adjustments in lay-out which in turn means higher overheads than is the case when a long run of one type is involved. I am nonetheless satisfied that our Linwood factory will continue to make an important contribution to the success of the Company.

I look for continued expansion in our commercial refrigeration business. In the domestic field, our new economy 3 cu ft Prestcold model known as the "Packaway" has been particularly well received by the public. We believe that we have the most comprehensive range of refrigeration equipment in the country and with the reduction in purchase tax, I anticipate a further improvement in sales.

This all adds up to an encouraging picture, but I must add a note of caution. Deflationary forces are at work in the world today from which Great Britain has so far succeeded in remaining largely immune. If these forces should gain momentum, due, for instance, to a further deterioration in the economic climate in the USA, it is unlikely that our country can remain unaffected.

The other possible danger which I foresee is a renewal of the rise in manufacturing costs. During the past twelve months, apart from the premium we have to pay for imported sheet steel, costs have remained relatively stable. This has undoubtedly been an important factor in enabling our motor car customers to increase their business, especially in the export field. But if the influences which give rise to increasing costs are allowed once again to become dominant, the position not only of our Company but of the whole country will suffer.

ORGANISATION OF MANUFACTURING DIVISIONS

The three main activities of the Company have up to the present time been run as one unit. The point has now been reached when both the railway and the refrigeration business have grown to a size and reached an importance that, in the opinion of the Board, warrants the administration being divided into three separate divisions, each with its own board of Divisional Directors who remain, however, answerable to the main Board. This reorganisation was effected towards the end of last year and you will see at the beginning of the accounts the names of the executives who have been appointed to each of the Divisional Boards.

TRIBUTE TO STAFF

I have always felt that the tribute to the staff which a Chairman customarily pays tends to become a rather impersonal formality. It is certainly not intended to be such and on this occasion I want to say a little more than usual. Our Company is justifiably proud of its staff, be it management, be it production staff or be it those who carry out the many service jobs without which no large organisation can be run. In the past twelve months, which have been particularly busy, all, in their special ways, have made their contribution and in voicing my appreciation I feel sure that I am speaking for the whole body of our shareholders.

The report and accounts were unanimously adopted and the dividend, as recommended, was approved.

The retiring directors, Mr Henry F. Tiarks and The Right Honourable Lord Ashburton, DL, JP, were re-elected, and the remuneration of the auditors, Messrs Price Waterhouse and Company, having been fixed, the proceedings terminated.

RAND MINES, LIMITED

MR W. M. FRAMES'S REVIEW

The Sixty-third Ordinary General Meeting of shareholders was held in Johannesburg on May 30, 1958. The following is an extract from the circulated statement by the Chairman, Mr W. M. Frames, dated May 23, 1958:

GROUP REORGANISATION

You will have noted in the Annual Report the details of the changes that have been made in the Central Mining—Rand Mines Group organisation, and will probably recollect the Press announcement of August 13th last in this connection. From September 1, 1957, Rand Mines has rendered executive, administrative and technical services to the South African Companies of the Group. The transfer to Rand Mines Limited of the Technical Departments previously under the administration of Central Mining Finance Limited in South Africa was effected smoothly.

CAPITAL

Details are given in the Directors' Report of the recent issue of 700,000 Reserve Shares. The net proceeds of the issue amounted to £2,344,395. Of this amount £1 million has been lent to Harmony Gold Mining Company Limited towards financing the expansion of that Company's operations. Before the end of the year £250,000 had been advanced and the balance will be drawn by July 31, 1958. This loan is repayable in four half yearly instalments of £250,000 commencing on June 30, 1960. Of the balance, a portion has been used to increase investments in mining, financial and industrial Companies in South Africa, and a substantial amount is held in liquid form and is available for employment in any proposition which offers promise of a favourable return.

FINANCIAL RESULTS AND INVESTMENTS

The profit of £768,910 showed little change as compared with that of the previous year. After taking into account £427,504 being the balance of Profit and Loss Account at December 31, 1956, £1,196,414 was available for appropriation. Dividends absorbed £723,411 and £40,000 was transferred to Exploration Reserve, leaving the balance of Profit and Loss Account at £433,003 to be carried forward to 1958. Quoted investments were taken into account at cost less amounts written off but in no case above market value at December 31, 1957. Unquoted shares were valued at cost or at a conservative valuation, being less than cost, by the Directors. Owing to a fall in the Stock Exchange value of some of the quoted securities and a revised valuation of some of the unquoted securities it was necessary to depreciate certain investments by a total amount of £308,634.

After allowing for this depreciation and the investment of net additional funds of over £500,000, the total book value of investments increased by £223,149 to £8,328,684. The market value of the Company's quoted investments increased by £1,012,355 to £10,593,027. Of these quoted investments three-quarters are in gold and coal mines, 85 per cent of which have a life expectation in excess of 20 years. The net cash surplus at the end of the year was £1,901,623, an increase of £1,515,658 over the previous year, resulting from the increase of capital towards the end of the year.

ASSOCIATED COMPANIES

Gold Mining: Compared with the previous year the tonnage milled by the Witwatersrand and Orange Free State mines of the Group in 1957 decreased by 1,284,036 tons to 15,961,396 tons, owing mainly to the cessation of milling by Modderfontein B. Gold Mines, Limited, New Modderfontein Gold Mining Company, Limited, and Welgedacht Exploration Company, Limited, and the curtailment of operations by Crown Mines, Limited. Although the yield at 4.378 dwt increased by 0.172 dwt the total ounces fine recovered fell from 3,627,110 to 3,493,597. Working profits from gold at £10,277,500 were £407,409 less than the year before, while the profits from uranium increased by £680,347 to £2,957,608. Total dividends and repayments of capital increased from £5,051,801 to £5,490,676. Tax and lease consideration increased by £464,295 to £4,331,588 and uranium loan repayments including interest decreased by £4,950 to £919,254.

Development footage decreased by 75,677 feet to 335,557 feet, the footage sampled at 154,290 feet being 65,059 feet less than the year before. Estimated available ore reserves decreased by 3,095,000 tons to 29,939,000 tons.

Coal Mining: The demand for coal in the inland market continues to be greater than the supply owing to transport limitations and to a shortage of non-European employees. As I pointed out in my address last year, increased mechanisation is being undertaken in some cases to offset the labour shortage. Despatches of coal from both Witbank Colliery, Limited, and Van Dyks Drift Colliery decreased compared with the previous year. In the case of the former Colliery this was due to a severe shortage of non-European labour at Wolvekrans, where additional mechanised equipment has been installed and more is to follow, and in the case of the latter to a shortage of railway trucks. The Group has now acquired a further Colliery interest through the purchase by Welgedacht Exploration Company, Limited, of the Utrecht Colliery in Natal.

Industrial: The demand for cement in the Union slackened off somewhat at the beginning of 1957, but since then has taken an upward turn. The additional plant being installed by the Pretoria Portland Cement Company, Limited, at its Slurry works will be completed during the current year. Increases in the cost of new equipment continue to bear heavily on the Cement Industry. So far, with the one exception, referred to in the Annual Report, increases in the controlled selling prices of cement have been determined by the Authorities solely on the considerations of profits per unit—a method which, of course, fails under the present circumstances to provide adequate compensation for the cost of replacements and extensions.

The demand for lime continued to increase, particularly so in respect of the requirements of the Uranium Industry.

Since the close of the last financial year of The Hume Pipe Company (S.A.) Limited there has been a decline in the demand for the products of that Company's factories situated at the Cape.

DIRECTORS

After the close of the financial year Brigadier R. S. G. Stokes and Mr W. D. Wilson resigned their seats on the Board and Mr S. D. H. Pollen and Mr W. Marshall Clark were appointed to the Board to fill the vacancies. As Shareholders will be aware, Brigadier Stokes had been a Director of the Company since 1935 and on behalf of the Board and the Shareholders I should like to thank him particularly for the long and valuable services he rendered to the Company.

As an item of Special Business you will be asked to pass a resolution amending the Articles of Association whereby the maximum number of Directors permitted will be increased from 12 to 15. In the event of your passing this resolution Lord Bailieu and Mr B. G. Twyeross will, as announced on March 19, 1958, be asked to join the Board.

HARLAND AND WOLFF, LIMITED

SUBSTANTIAL OUTPUT ACHIEVED DESPITE DIFFICULTIES

COMPETITIVE EFFICIENCY MENACED BY LABOUR DISPUTES

SIR FREDERICK E. REBBECK ON ESSENTIALS FOR MAINTAINING A BALANCED PROGRAMME OF WORK

The seventy-third Annual General Meeting of Harland and Wolff, Limited, was held on May 22nd at the registered offices of the Company, Queen's Island, Belfast. Sir Frederick E. Rebbeck, KBE, DSc, DL, Chairman and Managing Director, presided.

The Secretary read the Notice convening the meeting and the Report of the Auditors.

The Chairman said:

As the statement of Accounts and the Directors' Report have been in your hands for some time I propose, with your agreement, to take them as read. (Agreed.)

In comparing the results with those of the previous year you will have noticed that the charge for Depreciation in the Accounts of the Parent Company has been raised to £600,000. The additional £100,000 has been necessitated by the increase in the Fixed Assets since 1954 when the Annual charge was raised to £500,000.

The reduced profit on trading for the year under review is attributable in no small measure to interruptions caused by strikes and labour disputes. So far as ship construction was concerned, the orderly progressing of the work suffered not only from the cumulative effects of these interruptions but also from the consequences of deficiencies in steel supplies. In an endeavour both to maintain a balanced programme and to meet our commitments to customers, we were involved in additional costs which were not recoverable in the final prices of the contracts.

Nevertheless, the Directors propose to maintain the Dividend of 10 per cent on the Ordinary Stock in respect of the year ended December 31, 1957. They propose that £100,000 should be added to the reserve for Fixed Asset Replacement, and £11,930 be carried forward on Profit and Loss Account in the books of the Parent Company. The addition to the Fixed Asset Replacement Reserve is in continuance of the policy of maintaining adequate reserves for the purchase of Plant and Machinery, which has enabled the Company to carry out year by year a steady programme of modernisation and improvement.

LAUNCHINGS EXCEED 174,000 TONS

During the year naval and merchant vessels totalling over 174,000 tons gross were launched from the Company's shipbuilding yards. The most important ship was RMS *Pendennis Castle* (29,000 tons gross) for The Union-Castle Mail Steamship Company, Limited, which is now fitting out. This fine passenger liner, intended for the weekly mail service from Southampton to South African ports, will be the largest of the eight mail ships engaged on this run.

Other vessels launched included a number of important cargo liners, oil tankers, an ore carrier, the frigate *Blackpool* and two coastal minesweepers. Contracts completed during the same period comprised sixteen merchant vessels for British, Norwegian and American owners, the Light Fleet Carrier *Bonaventure* for the Royal Canadian Navy, and three coastal minesweepers for HM Navy.

This substantial output was achieved despite the difficulties in regard to steel supplies and the adverse effects of strikes on production to which I have already referred. I emphasised last year that if the Company's capacity is to be used to the full, two conditions must obtain. Firstly, not only must our intake of steel be satisfactory in terms of quantity, but it must also be suitably geared to our requirements, and, secondly, we must have a period of stability free from wasteful labour disputes. These two conditions, however, were far from being fulfilled during 1957. The position in regard to steel supplies improved towards the end of the year in terms of both volume and sequence, but not in time to prevent the postponement of a number of launches and completion dates.

LABOUR RELATIONS

As I have already mentioned, in the field of labour relations we did not experience the period of tranquillity for which we had all hoped. A number of strikes of national and local origin, the intermittent imposition of embargoes on overtime, and various forms of restriction on normal working combined further to disrupt production schedules already upset by the effects of labour troubles which occurred during 1956. The result was that building times were extended beyond economic limits with the financial consequences to which I have referred. The most serious stoppage with which we have been faced for many years has, I am glad to say, just ended with the return to work on Monday of this week of the platers employed at our Belfast Works, who were on strike for eleven weeks. Within two weeks of the commencement of the strike, work on ships on the stocks was brought to a standstill and eventually over five thousand other men were rendered redundant.

A NOTE OF WARNING

Whilst I am glad to say that our present order book provides a varied and well balanced programme of work for some time to come, I must sound a note of warning. Against a background of a diminishing number of inquiries for new tonnage, and increasingly competitive conditions, it is particularly important that all our employees, in whatever capacity they may be engaged, should fully appreciate the necessity for wholehearted concerted effort to maintain efficiency and reduce costs. Exorbitant and unrealistic wages and other claims, backed by strikes or other forms of militant action, can only impair our competitive efficiency and damage our reputation.

Merchant vessels under construction, or to be laid down, include three 20,000 ton passenger and cargo vessels for Royal Mail Lines, Limited, the 45,000 ton passenger liner *Canberra* for the Peninsular and Oriental Steam Navigation Company, and several important groups of cargo liners, tankers and ore carriers for British and foreign shipowners. Thus, apart from the *Pendennis Castle*, to which I have already referred, we have orders for four large passenger carrying vessels, work on which will ensure the satisfactory utilisation of our extensive facilities at Belfast and continuity of employment for large numbers of our finishing trades.

An interesting and varied range of naval work continues to engage a substantial proportion of our productive capacity. Contracts include the construction of a guided missile destroyer, three frigates and three coastal mine-sweepers for the South African Navy. In addition, we have been entrusted with the building of a frigate and the fitting-out of the Light Fleet Carrier *Hercules* for the Indian Navy.

DIVISIONAL ACTIVITIES

The Marine Engineering Division was fully engaged throughout the year on the construction and installation of main and auxiliary machinery for merchant and naval vessels building in the Company's shipyards and for hulls building by other shipbuilders. During the year the output of main propelling units amounted to over 243,000 I.H.P.

The Industrial Engine Division maintained a satisfactory level of activity during the year. We produced diesel engines for a range of public services, also a number of compressor units under our arrangement with the Cooper-Bessemer Corporation of Ohio, USA, for industrial purposes. The Electrical Division was well employed on the installation of electrical systems on board vessels building in the Company's shipyards, and in the manufacture of alternators and other electrical equipment. Despite some contraction in the markets for the products of both Divisions, the position in regard to new orders is reasonably satisfactory.

Our Steel Constructional Division continued to work to full capacity throughout the year and a number of important new contracts have been secured.

The Company's three large and well equipped Repair Establishments at London, Liverpool and Southampton again handled a large volume of repair work. As usual Belfast and Glasgow carried out a number of important ship and engine repair contracts.

DIRECTORATE

It is with profound regret that I refer to the death in December, 1957, of Mr William Strachan, Jnr. We all feel keenly the passing of an esteemed colleague who rendered outstanding service to the Company since he joined the Board over twenty-two years ago.

Since the end of the year under review Mr H. C. MacEwan has resigned from the Board and at the end of this month will retire from his executive position with the Company after forty-six years' loyal service.

We are pleased to welcome to the Board Sir Andrew McCance, DL, DSc, LLD, FRS, Chairman and Managing Director of Celvilles Limited, and Mr W. T. Underwood, MA, ACA, an executive officer of the Company, who were appointed in November, 1957, and March, 1958, respectively.

In conclusion, I take the opportunity to

thank all members of our staff for their loyalty and service throughout the year.

The Report and Accounts were adopted; the proposed dividend was approved; the retiring Directors, namely, Sir Andrew McCance, Mr W. T. Underwood, Mr N. McCallum, Mr R. Newell and Mr W. H. Park were re-elected. Messrs Price Waterhouse and Company were re-appointed Auditors and their remuneration was fixed.

The Meeting terminated with a unanimous vote of thanks to the Chair.

AMALGAMATED BANKET AREAS

The twenty-second annual general meeting of Amalgamated Banket Areas Limited was held on May 28th in London.

Major-General W. W. *Richards*, CB, CBE, MC, Chairman, presided.

The following is an extract from his circulated Statement:

The profit of £35,730 for the year ended September 30, 1957, has been largely utilised to write off Diamond Drilling Expenditure, £8,371, and Provision for Obsolete Stores, £25,000.

It was not until the end of the year under review that mining operations resulted in satisfactory profits and, I am happy to say, the improvement has been well maintained ever since.

The results of the first six months of the current year's operations, October, 1957 to March, 1958, have improved our Company's financial position very considerably.

Since the end of the year, both tonnage and grade have shown most satisfactory increases. The Mine is now producing monthly over 60,000 tons of ore averaging about 5.0 dwts. per ton.

Development has been stepped up considerably, totalling 26,792 feet, as compared with 17,323 feet the previous year.

The total available ore reserves at September 30, 1957, were computed at 1,281,107 tons of an average value of 5.487 dwts. per ton over a width of 39.13 inches.

TECHNICAL EFFICIENCY

Mr C. J. Burns, a director, said: On the technical side every effort has been made to reduce costs and improve efficiency. For example, explosives which are consumed in considerable quantities have received the attention of your consultants and mine's staff. A careful study of this subject has resulted in increased efficiency in as much as since March, 1957, the explosive costs per total footage of development have resulted in a saving of £9,612 per annum, and for mining of £29,665 per annum of total pay ore mined, a total saving of £39,277 a year. On the power side careful planning and spreading of the electrical load have resulted in very economical operation of the power plants throughout the year.

The report and accounts were adopted.

FREDERICK LAWRENCE LIMITED

In the report of the Annual General Meeting which appeared in last week's issue the Comparison figure for the previous year's Profit on Trading was given as £11,886, whereas this should have read £111,886.

YORKSHIRE INSURANCE COMPANY

RECORD PREMIUM INCOME

The annual general meeting of the Yorkshire Insurance Company Limited was held on May 28th, at York.

The Right Honourable Lord Middleton, KG, MC, LLD, chairman, in the course of his speech, said:

Life Department.—Once again the Life Department has transacted a record volume of business. The total new sums assured amounted to nearly £26 millions, compared with a little over £24 millions in the previous year.

Fire Account.—Premiums in the Fire Department for the year amounted to the record figure of £5,086,904 compared with £4,826,501 last year, thus resulting in an increase of £260,403. The loss ratio incurred rose to 49.68 per cent compared with 45.50 per cent in 1956.

Accident and General Account.—Premium income advanced by £728,223 to a new record of £10,328,944. Expenses, including commission, have been reduced from 37.53 per cent to 35.87 per cent. The claims cost was slightly reduced at 62.74 per cent.

Marine Account.—Premium income for 1957 was £2,589,187 compared with £2,153,873 in 1956, an increase of over 20 per cent. Claims totalled £1,971,189 against £1,667,816 in 1956.

We recommend that the dividend should be at the same rate as last year, which will absorb £168,188.

The report and accounts were adopted.

ADAMS PEAK TEA ESTATES

The thirty-eighth annual general meeting of Adams Peak Tea Estates Limited was held on May 22nd in London, Sir Charles Miles, OBE (the Chairman) presiding.

The following is an extract from his circulated review:

The profit for the year ended December 31, 1957, after charging Depreciation, is £34,778 which compares with £45,570 for the previous year. The result may be considered very satisfactory in the circumstances, as after the Suez crisis the market took a decided downward trend and the recovery in prices for the type of tea produced by your Company did not materialise until later in the year. As a result, the average prices received for our teas, both in London and Colombo, were lower than in 1956 and although the crop produced was nearly 60,000 lb above the 1956 outturn, the value of sales proceeds declined by some £6,000.

Your Board has decided to transfer £3,000 to General Reserve and to recommend a dividend of 25 per cent, less Income Tax, leaving a balance of £19,905 to be carried forward.

A very high standard of manufacture was maintained during 1957 and our teas met with a good demand and sold readily.

With regard to the current year, crop to the end of March is 239,105 lb, a decrease of 5,627 lb, compared with the same period last year. At present the teas are selling very well, but it is too early to hazard an opinion as to prospects for 1958.

The report was adopted.

BANCA TOSCANA

HEAD OFFICE AT FLORENCE, ITALY

A Company Limited by Shares under Italian Law

Capital L. 500,000,000

Reserves and Revaluation Balances L. 997,061,102

Balance Sheet as at 31st December, 1957

ASSETS		L.
Cash		2,572,362,814
Bills, including Treasury Bills		34,235,171,523
Securities:—	L.	
Government or Govt.-guaranteed	10,613,150,329	
Mortgage Bonds	1,156,021,443	
Miscellaneous	364,451,364	
		12,133,623,155
Participations		241,878,561
Contango loans		45,100,000
Advances		20,202,035,643
Bank Premises		936,349,349
Furniture and Fittings		1
Sundry Debtors		648,329,267
Customers' Liabilities for Acceptances and Guarantees		572,334,651
Bills for Collection		6,732,331,355
TOTAL ASSETS		78,370,970,525
Contra Accounts:— Securities Deposited by way of Guarantee, etc.:—		
Pension Fund	578,145,000	
Outside Parties	10,376,536,442	
		10,952,541,442
Other Securities Deposited		21,273,989,792
TOTAL		110,597,501,759

LIABILITIES		L.
Savings Accounts		37,249,067,005
Current Accounts		31,595,825,999
		68,844,893,004
Circular Cheques		1,825,355,197
Sundry Creditors		1,590,774,435
Staff Indemnity Fund		2,073,795,448
Un-Turned Dividends		2,647,216
Bills for Collection		936,970,167
Acceptances and Guarantees		572,334,594
Unearned Interest and Discounts		1,595,341,856
Balance of Profit from previous years		2,871,190
NET PROFIT		123,659,217
TOTAL LIABILITIES		78,344,420,525
CAPITAL AND RESERVES	L.	
Capital	500,000,000	
Ordinary Reserve	152,188,333	
Special Reserve	290,000,000	
Revaluation Fund	507,061,102	
		1,429,550,000
		78,370,970,525
Contra Accounts:— Securities Deposited by way of Guarantee, etc.:—		
Pension Fund	578,145,000	
Outside Parties	10,376,536,442	
		10,952,541,442
Other Securities Deposited		21,273,989,792
TOTAL		110,597,501,759

In extraordinary session the General Meeting resolved to increase the Capital from Lit. 500 million to Lit. 750 million.

LONDON BRICK COMPANY LIMITED

ANOTHER SUCCESSFUL YEAR

GREATER EFFICIENCY COMBATING MENACE OF RISING COSTS

MR A. T. WORBOYS ON WIDENING RANGE OF PRODUCTS

he fifty-eighth annual general meeting London Brick Company Limited was held May 22nd in London.

r A. T. Worboys, CBE (the chairman), ded and, in the course of his speech, :

he Trading Profit and Sundry Income the year amounted to £2,673,265 com- d with £2,179,576 for the previous year. *r providing £400,000 for depreciation,* 685 to write down our investments, 845 for expenses in connection with the ase of authorised and issued capital November 15, 1957, and £1,320,813 for ion and other charges, there remains a profit of £895,522. To this has been d £312,047, the unappropriated profits e beginning of the year, and £8,783 taxa- adjustment for previous years, and there ains a balance available of £1,216,352.

e are pursuing our conservative policy placing £350,000 to General Reserve and, deducting this amount, the net dividend *the year on the* 8 per cent Cumulative ference Stock, the net interim dividends per cent on the £3,900,000 Ordinary k and 10 per cent on the larger Ordinary k of £5,200,000, there remains £380,764 e carried forward. The Directors do not mmend any further dividend for the year 7.

caling now with our two Subsidiary panies, Stewartby Housing Association ted continues in full operation.

ith regard to Transformers (Watford) ted, our manufacturing Subsidiary Com- y, the high level of output reached in 1956 substantially maintained during 1957. entered 1958 with orders on hand at a tisfactory figure, considerably higher any previous level.

evere competition resulting in reduced t margins still persists, but due to sus- ed and unremitting efforts by all em- ees and greater efficiency in various rations, the net trading profit shows that upward trend referred to last year is tinuing.

PARENT COMPANY'S ACHIEVEMENTS

The accounts portray the results of a successful year and reveal a sound financial position. The satisfactory results obtained cannot be attributed to any one single factor; they have been obtained from the accumulation of patience, perseverance and effort by all the departments in our organisation, resulting in better work flow and the more efficient employment of labour. You will see clearly what I mean when I tell you that the man hours per thousand bricks made in 1957 were the lowest ever in the history of the Company and represented a saving of 1,000 workers based by the 1939 basis. Furthermore, this saving has been obtained in spite of our manufacture of various new types of products, many of which were not even envisaged before the establishment of our Research Laboratories.

The year has seen an increase in the total production of bricks and brick equivalents. This is no mean achievement when it is appreciated that this was done without any increase in kilns. We are also now reaping the benefits from our consistent policy of mechanisation.

In the last year many new facts have emerged as a result of intensive studies both in our Technical and Research Laboratories and in the Works as applied to our clays and conditions. All these facts confirm the wisdom of our decision to instal temperature measuring and other instruments in our kilns as rapidly as possible. This is going ahead as fast as we can obtain equipment and train our staff in the new techniques involved.

Brickmaking, as we know it, involves a good deal of engineering skill. Our Engineering staff are ever on the alert for speeding up processes by producing new machines or improving existing ones. Through their concentrated efforts over the years, it has been possible to so improve and equip our engineering shops with modern plant that the resulting increase in efficiency is reflected in considerably lower costs for many of our day to day requirements. For example, it is now possible for us, with our new machines, to turn out in 7½ hours parts which previously it took us 21 hours to make. Similarly, other parts can be made in 8½ hours compared with 15 hours and yet another operation which hitherto took four hours can now be done in half an hour. These time savings form a useful contribution to our continual search to reduce production costs and are also reflected in our efforts to hold prices steady. Only by such means are we able to combat the menace of the general upward spiral and its disturbing effects on production and sales.

PRICE STABILISATION

You may recall that, when addressing you in May, 1956, I dealt at some length with price stabilisation. At that time I told you that we had made no advance in our prices since March, 1954, despite the fact that we had satisfied wage demands, increased charges for coal, electricity, transport and other materials required in the course of our operations. The two subsequent advances in the price of our bricks in effect mean that since March, 1954, to the end of 1957, our prices have only been increased to the extent of 8s. per thousand bricks, an achievement of price restraint which has been gained only through an ever increasing efficiency in every field of the Company's operations.

It may have been noted from Press announcements that the Board of Trade has directed the Registrar of Restrictive Trade Agreements to give priority in references to the Restrictive Practices Court to Agreements relating to a variety of products including bricks. This Company has understandings with other Fletton Brick makers in regard to maintaining uniformity of delivered prices in parts of this country which, on advice, were considered to be registrable under the Restrictive Trade Practices Act, 1956. The general pattern of determining delivered prices follows the principles which were established by Statutory Orders made by the Minister of Works and in force up to May, 1948, when control of brick prices was abandoned. In due course it may be necessary for these arrangements to be justified before the Court.

HIGH LEVEL OF DELIVERIES

Turning to the building industry generally, 1957 was a year of difficulties and changing fortunes. However, the trade was blessed by an unusually mild winter and we continued to achieve a strong order book, deliveries of the Company's products being maintained at a very high level, although towards the end of the year there were indications of an impending decline.

A feature of the year has been the continued growth of our facing brick trade. In the last five years our deliveries of facing bricks have grown by 35 per cent and they have never been more popular, providing as they do a range of pleasant colours and textures at reasonable prices. The Dapple Light Facing, upon which a good deal of research was centred, was put on the market in 1955 and is proving an especial favourite and is undoubtedly a winner. Steps have been taken to augment production of this brick.

During the year we produced a new facing brick called the "Phorpres Heather Facing." The Heather Facing was introduced at the 1957 Building Exhibition. It was given a very favourable reception and is a most popular addition to our range of facings.

With the addition of the Heather, our facings now comprise the Rustic, Sandfaced, Cortex, Saxon, Tuscan, Golden Buff and Dapple Light, and any downward trend in the demand for one type of facing brick stimulates our endeavour to increase our range still further.

Although prices for our pipes and all types of our bricks were advanced on April 15th last year following the increases in wages, the revised prices did not affect the strength of our competitive position, as was proved by the number of orders taken in the following months. Throughout the year our bricks remained competitive in most areas of the British Isles.

There was no alteration in our prices for hollow clay blocks, which have remained unchanged since July, 1955. The maintenance of price stabilisation for these products is a factor which has helped us to maintain deliveries of hollow clay blocks throughout the year. Floor block sales too have remained good.

The increase in the production of Field Drain Pipes continues and deliveries throughout the year constituted a record.

Last year you may recall I was somewhat optimistic in my forecast and the results I have reviewed today confirm the views I then expressed. Today, however, to make any long term forecast is an extremely difficult task, but the trading results so far this year are only slightly below those for the corresponding period of last year. During the last few weeks there has been a distinct uplift in demand and, if the present strength continues, results for the year should be satisfactory.

The report was adopted.

REED & SMITH LIMITED

RESULT SATISFACTORY

The forty-sixth annual general meeting of Reed & Smith Limited, was held on May 28th at The Rougemont Hotel, Exeter, Devon, Sir Arthur C. Reed (chairman of the company) presiding.

The chairman said: While the profits for 1957 are down compared with the previous year, your Directors consider the result satisfactory bearing in mind the difficult trading conditions which your Company, in common with the rest of the Industry, has been experiencing during 1957. As would be expected in what has been virtually a buyers' market, competition has been severe and, with the costs of labour, transport, coal and many other items still rising, it is not surprising that profit margins have been reduced.

TURNOVER FULLY MAINTAINED

Despite increased competition, however, we have managed to obtain a reasonable share of the available business and it is encouraging to note that our turnover has been fully maintained.

The Scrip Issue to shareholders last year was effected by capitalising £268,905 of the General Reserve. Your Directors feel that it is prudent gradually to rebuild this reserve and propose, therefore, to transfer £143,905 from Profit and Loss Account bringing the total of the General Reserve to £575,000.

The Interim Dividend paid during the year on the increased Capital was 6 per cent, less income tax, and the Directors now recommend a Final Dividend of 9 per cent, less income tax, making a total of 15 per cent, less income tax, for the year. This is equivalent to 22½ per cent on the old capital and compares with the 20 per cent Dividend paid last year.

The purchase of the entire capital of The New Taplow Paper Mills Limited was completed on May 31, 1957. This has already proved beneficial to your Company and your Directors are satisfied that this acquisition has further strengthened the Group by entering a still wider field of paper manufacture.

This addition, together with further capital expenditure at our other Mills, has increased our fixed assets by more than £300,000 compared with a year ago, and it should be noted that current assets exceed current liabilities by over £745,000.

I am pleased to report that the work on the modernised and enlarged papermaking machine at Watchet and the new machine at Stoke Canon has now been completed and that both machines are running well.

I should mention that we are in the process of installing up-to-date plant for the further clarification of "trade-waste waters" and considerable progress has already been made. These installations have been designed to satisfy the high standards demanded by the Authorities. Shareholders will appreciate, however, that expenditure of this nature does not increase our profit-earning capacity.

THE CURRENT YEAR

I know you will expect me to say something about the current year. While trading conditions remain difficult, the figures for the first four months are reasonably satisfactory and we are in a better position than ever before to take full advantage of any improvement in general trading conditions.

It is with regret that I have to report that Mr George Oswick, whose valued services to the business extend over a period of more than 50 years, finds that he is no longer able to give full-time service to the Company. He has, however, indicated his willingness to remain a Director and be available in an advisory capacity and we are all very pleased to know that we shall have the continued benefit of his wise counsel and long experience in conducting the Compa affairs.

In these circumstances, the Dire appointed Mr Gunner to the Board during year. He has served in the organisatio many years and has been Joint Sales Man since 1954.

The report and accounts were adopted

THE BRITISH VACUUM CLEANER AND ENGINEERING

GROWING DEMAND FOR SPECIALISED PRODUCTS

The fifty-fourth ordinary general meeting of The British Vacuum Cleaner and Engineering Company Limited was held on May 28th at Leatherhead.

Mr O. D. Angell (the Chairman) presided and, in the course of his speech, said:

During the early part of the last accounting period, petrol rationing and its hindrance in travel restrictions, coupled with the already crippling burden of inflationary pressure, gave your Board much concern with regard to home trade, but the intensification of efforts to produce economies and the overhauling of our sales and production methods may be expected to afford satisfactory long-term reward.

The realisation of our holding in an Associated Company for £52,500 (a profit of £37,500) helped to the easement of our finance, and here I would add that we still retain a most harmonious business relationship based on the continuing mutual desirability of collaboration and the true goodwill derived from friendship at executive level which has developed over the years.

Your Directors are aware of the challenge of European Free Trade and to strengthen our prospect in this field a determined effort is being made to establish through a subsidiary Company, an export market in Germany. Our Export Sales Organisation is under close scrutiny in order that no stones will remain unturned in our endeavours to earn our full share of this large potential.

Although a much improved result is before you, your Directors are far from complacent, and no effort will be spared to consolidate and expand our earning ability.

In view of the improved Consolidated Balance Sheet position your Directors felt justified in recommending a maintained dividend. Shareholders net funds now amount to £1,063,694 compared with £1,047,575 last year, after allowing for the maintenance of the 10 per cent dividend.

THE OUTLOOK

Your Directors are confident that their policies over the last few years, together with active steps taken over the last few months, have borne fruit, and provided we are not faced in the near future with some new National calamity beyond our control, we believe we shall be able to report a continued recovery in the fortunes of your Company.

In the course of a detailed review of the field of activities covered by the Company the Chairman commented on the Goblin Vacuum Cleaner, Goblin Washing Machines and the Goblin Teasmades. He continued: Beyond this we have a substantial range of Industrial Cleaning Equipment with many applications. We are now established in the highly specialised manufacture of small p sion motors and our range is constantly b extended to cover many of the requirem of the Aircraft and Electronic Indus Our highly qualified team of Technician capable of meeting the ever growing de for development of this type of unit. Time Recorders find acceptance in all mo Factories in Great Britain and we are be ing well established in this field in parts of the world. This also applies to Master Clock Systems.

Not only do we market all these Appli but we are manufacturing more and mo the component parts each year with resu economies.

I make special mention of these aspec our production because we do not be that it is generally appreciated that our potential for reward is far beyond the sa our domestic appliances, although eve this competitive market we should, with ful management of sales and produc provide the larger part of our overhead upon which the fruitful results of our specialised lines can accrue to the bene our Company.

The report was adopted.

LISBON ELECTRIC TRAMWAYS

The annual general meeting of Li Electric Tramways Limited will be hel June 25th in London.

The following is an extract from the lated statement of the Chairman, The Honourable the Lord Rathcavan:

The number of fare-paying passe carried on the Company's vehicles durin year 1957 continued to increase, although again tram passengers declined slightly. 1957 passengers carried totalled 368,90 as compared with 363,728,000 in 1956, a crease of 5,181,106, or 1.42 per cent, w the mileage run by our vehicles (comp both trams and buses) at 30,178,386, pared with 29,821,712 in 1956, show increase of 356,674, or 1.20 per cent. tween both services well over a million paying passengers were carried per day.

When one considers that the correspo figure of passengers carried for the year just ten years ago, was only 268 m against 368 million for 1957, these fi show a remarkable increase in such a time, bearing in mind the continual g of motor cars and scooters.

Our total fleet of 757 vehicles now co of 243 buses, of which 114 are double-de 414 trams and 100 trailers.

Although revenue has again increased penses have also risen considerably. Company contributed £463,689 to the Revenue of Portugal and to the Muni Revenue of Lisbon during the year, a crease of £14,418, or 3 per cent over

After providing for all charges, the operations show a profit of £64,315. Directors recommend a total Ordinary dend for the year of 6 per cent net.

HIGHLANDS AND LOWLANDS PARA RUBBER COMPANY LIMITED

MR T. B. BARLOW'S STATEMENT

The fifty-second Annual General Meeting of the Highlands and Lowlands Para Rubber Company Limited, will be held in London on June 3, 1958:

The following is an extract from the circulated review of the Chairman, Mr T. B. Barlow:

The year 1957, when a profit of £278,955 was earned, was even more successful than 1956. The final dividend will be 25 per cent, which will make a total for the year of 37½ per cent. In addition a 7½ per cent tax free distribution from land sales was made in December, 1957, this is equivalent to 13 per cent less tax.

Stockholders benefit by oil palm profits, which at £33 per acre (£32 per ton) are worthy of note. From 7,584 acres of rubber in bearing and 3,352 acres of oil palms the profit from each crop amounted to £125,000. With 2,307 acres of rubber to come into tapping and 685 acres of oil palms to mature —the future can be faced with confidence.

The Board decided to make stock units transferrable in 2s. units instead of £1 units as from April 16, 1958.

Relationships with labour throughout the year have been excellent.

It is expected that the rubber estimate of 4,498,000 lb and palm oil estimate of 2,900 tons for 1958 will be exceeded.

Replacement continues with an annual programme of about 700 acres.

MALAYA

Politically the outstanding event was Malaya's acceptance of independent status within the Commonwealth. The country-wide celebrations were carried out in a spirit of harmony and goodwill on all sides. After "Merdeka" the relationship between all races remains good. The Prime Minister, Tengku Abdul Rahman, has on many occasions clearly indicated his Government's wish to attract foreign capital and to offer it security.

But if the past has been satisfactory both politically and economically, the present situation is a challenge to the Malayan Plantation Industry.

It is estimated that in the last two years nearly 200,000 acres of European owned estates have been sold, many of which have been fragmented. This procedure has emphasised the value of the social and essential services, which the large estates provide and which may well suffer in the case of these being divided up into smallholdings; for instance water and electricity supplies, drainage, sanitation, medical and educational facilities, maternity benefits, etc., are lost or curtailed. There is a feeling that this disposal of estates is reaching saturation point, and the stage is fast being reached where too many acres are being chased by too few dollars.

Just as British capital and managerial capacity is valuable to Malaya, the Malayan produce and tin are most important to the Sterling Area, which, excluding the UK, derived no less than 12 per cent of its 1957 dollar earning exports from Malaya. In addition, during 1957 Malaya's and Singapore's imports from the UK were £90,300,000 and exports to the UK £70,800,000.

THE CITY AND MALAYAN RUBBER COMPANIES SHARES

It may well be asked why rubber shares are on a 20-25 per cent yield basis. The answer is that institutional and professional investors will not invest in "small" companies where there is inevitably a poor market and broadly speaking the Malayan rubber industry consists of scores of such companies, which despite their good management and efficiency are not attractive to the big investors of the City of London. The export trade to Malaya and Singapore and the imports therefrom, totalling £161 million in 1957 are very much the concern of the City. The City should therefore support the Planting Community and take a far greater share of the capital of these companies. Not only will this be a safeguard against political insecurity but it will also provide support to the export and import trade of Malaya, in which these institutions are so largely concerned, both through their direct interest in these trades and also through banking, insurance and shipping.

The nominal issued capital of Malayan Estates, amounting as it does to little more than £53 million, is a small sum compared to the investing capacity of the City and the trade at stake. There are signs that these facts are coming to be realised in certain enlightened and influential quarters. Suggestions have been made that in this era of large companies the process of association and grouping should be extended to the plantation industry by the creation of large holding companies, which would enable the existing operating units to be maintained with their present efficient organisations and at the same time provide a far more attractive investment for the institutions.

The Board have fostered these ideas and in order to prepare the way for the beginning of such association stockholders are asked to agree to an increase of authorised capital to £1 million.

1957 has been a good year for the Company, its stockholders and its staff. Although the prices of rubber and palm oil are lower in 1958, increased crops and reasonable costs should safeguard the current year's trading, always provided nothing unforeseen occurs.

HIGHLANDS AND LOWLANDS PARA RUBBER COMPANY LIMITED

(Rubber and Oil Palm Estates in Malaya)

Subsidiary Company: Highlands Malaya Plantations Ltd.
DIRECTORS
T. B. BARLOW (Chairman)
C. R. HARRISON (Vice-Chairman)
M. A. P. GILMAN
The Right Honourable Viscount INGLEBY, PC
Secretaries and Registered Office
THOMAS BARLOW & BRO.
Plantation House,
10-15, Mincing Lane, E.C.3.
CAPITAL
Authorised £600,000 (To be increased to £1 million on June 3, 1958)
Issued 2s. Stock Units £469,481
Quoted London, Glasgow, Liverpool.
1957 Trading Profit £278,955
Net Profit after tax £166,455
Ordinary Dividend for year to December 31, 1957
9d. per 2s. Stock Unit—37½ per cent
Distribution on land sales 7½ per cent (not subject to income tax)
Stock price on May 27, 1958: 3s.

	Rubber	Palm Oil
Acreage	9,891 acres	4,037 acres
Crop	4,423,137 lb	2,835 tons
Yield per mature ac.	583 lb	.85 tons
Profit per mature ac.	£13	£33
Profit	5.5d. per lb	£32 per ton

BLOCK & ANDERSON LIMITED

CONTINUED PROGRESS

MR W. E. BLOCK'S REVIEW

The twenty-seventh annual general meeting of Block & Anderson Limited, was held on May 28th, at the registered office of the company, Banda House, Cambridge Grove, Hammersmith, W., Mr A. E. Block (deputy chairman and joint managing director) presiding.

The Secretary (Mr W. Crosskey, FCWA) read the notice convening the meeting and Capt. R. M. Peat, of Messrs Peat, Marwick, Mitchell & Co. read the report of the auditors.

The following is the Review by the Chairman, which had been circulated with the report and accounts for the year ended November 30, 1957, and was taken as read:

The progress of your Company continued during 1957 and sales were again increased.

The group profit before taxation is £219,213 as against last year's figure of £231,962. This is due partly to the unavoidable expenses incurred in moving to our new headquarters and to the continued increase in costs which cannot always be passed on to our customers.

DIVIDEND RECOMMENDATION

In addition to the Interim Dividend of 10 per cent paid last November, your Directors propose a final dividend of 25 per cent, less tax.

This represents a total distribution of £70,000 before tax on an increased Ordinary Capital of £200,000 as compared with a distribution of £61,250 last year. Your Directors have considered it prudent to write off immediately certain of the work on the new buildings as representing initial repairs to the structure. The balance of undistributed profit to be carried forward in the Consolidated Balance Sheet after allowing for the dividend payment, the writing off of building work and the dividend on Redeemable Preference Shares amounts to £276,732 against £230,135 brought in.

At home we are beginning to reap the benefit of the new branches established last year. In Canada and South Africa our subsidiaries continue to expand and we are in the process of opening further branches in both countries.

EXPORT SALES MAINTAINED

In spite of all difficulties and increased competition in many countries abroad, our export sales were maintained and your Directors are making every effort to intensify our export sales drive where conditions allow.

Towards the end of 1957 we moved in our premises at Hammersmith. This has already given us greatly improved control and co-operation of all departments and will make itself felt in more economical working and increased facilities for research development and further expansion.

You will have seen from the letter sent with the Notice of the Extraordinary General Meeting held on April 21, 1958, that the cost of re-building and re-equipping our new premises had to be provided in part out of Working Capital. At that meeting a Resolution was passed to increase the Company's authorised Share Capital by the creation of 2 million new Ordinary Shares of 1s. each. Your Directors made a "Rights" Issue of 300,000 Ordinary Shares of 1s. each on the basis of three new shares for every forty shares held at a price of 3s. 4d. per share. Allotment Letters were posted on April 21, 1958.

CURRENT FINANCIAL YEAR

The initial result obtained during the current financial year justifies my belief that, barring major changes in existing conditions, your Company's satisfactory trading and progress will be maintained.

In conclusion, on behalf of the Board and myself, I should like to thank all members of our personnel at Home and Abroad for their loyal service and co-operation during the past year.

The report and accounts were unanimously adopted and the dividend, as recommended, was approved.

The retiring director, Mr V. H. Block, was re-elected and the directors having been authorised to fix the remuneration of the auditors, Messrs Peat, Marwick, Mitchell & Co., the proceedings terminated.

LIMMER & TRINIDAD LAKE ASPHALT

SIR JOHN HATHORN HALL'S REVIEW

The eighty-sixth Annual General Meeting of the Limmer & Trinidad Lake Asphalt Company Limited, will be held on June 19th, in London.

The following is an extract from the statement by the Chairman, Sir John Hathorn Hall, GCMG, DSO, which was circulated with the report and accounts:

In the Asphalt Industry, 1957 proved to be a year of increasing difficulty. It is therefore a matter for congratulation that the Group's Trading Profit for the year fell only marginally short of the record profit of 1956. Depreciation, however, absorbed approximately £25,000 more than in the previous year and consequently the Group Net Profit was about £10,000 less than in 1956.

Your Directors recommend the payment of a Final Dividend of 9 per cent making a total of 15 per cent for the year.

In 1957 the turnover of both Parent Company and the Subsidiaries was slightly in excess of that for 1956, which was itself a record. However, we continued to experience during 1957 a falling off in profit margins. With our modern plant and equipment, the maintenance of a high rate of turnover is essential to our business.

During the year we changed the name of the International Asphalte Company Limited to The Limmer & Trinidad (International) Asphalt Company Limited, with the object of acquiring Overseas Trade Corporation status for that Company.

Although your Group is in a much more fortunate position than some in still having a very satisfactory order book, I think it unlikely that we shall be able to repeat in 1958 quite the same excellent trading results as for 1957. But any slight setback will, I am confident, be short-lived.

ASSOCIATED FISHERIES LIMITED

At the General Meeting held on May 22nd in London, Mr W. A. Bennett reported that the marked decline in the trading profit of the Group, of which warning was given last year, had unfortunately materialised. The main cause of the sharp fall in profit was quite beyond the Board's control, namely, the acute shortage of fish on the Distant Water grounds. The 1957 total catch was the lowest in seven years. There was also a marked decline in the demand of the consuming public in comparison with the two previous years. The small rise in overall price realised at auctions of ¾d. per lb was insufficient to compensate for the heavy drop in the catch and cost of processing plants working at limited capacity. Although total group turnover increased, profit margins were very much reduced by the heavy decline in productivity of the fishing grounds, rising costs and depreciation charges.

After covering all costs and depreciation, the profit remaining out of every £1 of income is 8.4d., of which taxation will absorb 5.2d. Net Dividends will account for a further 2.2d., leaving slightly less than 1d. retained to assist in meeting the ever-increasing costs of replacement and development.

Substantial amounts were spent in developing subsidiaries engaged in distribution, including the production and marketing of "Eskimo" brand of consumer and catering packs of frozen fish, fruit and vegetables, poultry, etc.

THE OUTLOOK

Since the close of the year the adverse factors had not only continued but had been greatly accentuated. Though the outlook was depressing, they could face the future knowing that they had a sound and vigorous organisation in a position to go ahead when the tide turned.

FINANCIAL NOTICES

THE COMMITTEE OF LONDON CLEARING BANKERS.—NOTICE is hereby given that the maximum rate of interest allowed by the under-mentioned London clearing Banks on deposits, which must be lodged for a minimum period of 7 days and be subject to a minimum notice of withdrawal of 7 days, will be THREE AND A HALF per cent. per annum until further notice.

BARCLAYS BANK LIMITED
COUTTS & CO.
DISTRICT BANK LIMITED
GLYN, MILLS & CO.
LLOYDS BANK LIMITED
MARTINS BANK LIMITED
MIDLAND BANK LIMITED
THE NATIONAL BANK LIMITED
NATIONAL PROVINCIAL BANK LIMITED
WESTMINSTER BANK LIMITED
WILLIAMS DEACON'S BANK LIMITED
THE COMMITTEE OF LONDON CLEARING BANKERS.

R. H. BARKSHIRE,
Secretary.
10 Lombard Street, London, E.C.3.
May 22, 1958.

THE CUNARD STEAM-SHIP COMPANY LIMITED

5 PER CENT CUMULATIVE PREFERENCE STOCK
6 PER CENT SECOND CUMULATIVE PREFERENCE STOCK

NOTICE IS HEREBY GIVEN that the Transfer Books in respect of the above Stock will be closed from June 6 to 6, 1958 both dates inclusive, for the purpose of preparing Warrants in respect of Dividends for the half-year ending June 30, 1958, to be paid on and after July 1, 1958.

By Order of the Board,
J. C. TOMLINSON,
Secretary.
Offices: Cunard Building Liverpool.
May 29, 1958.

ROYAL DUTCH PETROLEUM COMPANY

With reference to their announcement dated May 21, 1958, regarding the FINAL DIVIDEND for the year 1957 on the 15 per cent Shares of fls. 20 registered in the United Kingdom section of the Amsterdam register, N. M. Rothschild & Sons are authorised by the Royal Dutch Petroleum Company and by Nederlandsche Handel-Maatschappij, N.V. Amsterdam, the Transfer Agent, to announce that the rate of exchange fixed for the payment of the dividend is fls. 10.60⅝=£1. The gross amount of the dividend will be £0 fls. 7.399d. per share and the amount of the 15 per cent Netherlands Dividend Tax £0 0s. 11.880d. per share.

New Court, St. Swithin's Lane, London, E.C.4.
May 22, 1958.

BUSINESS AND PERSONAL

INTERESTING OPPORTUNITY FOR EXPANSION

Owners of a modern factory and offices, floor area approximately 44,000 square feet, site area approximately 8,000 square yards, situated in Manchester, in good labour district, invite the interest of a progressive manufacturing concern, with able management, with a view to using the premises in a joint enterprise. Capital available to assist expansion where appropriate. Principals only.—Write Box 939.

AMERICAN PATENT BROKERS, est. 1904, offers its services to concerns wishing rights of U.S. inventions.—W. B. Kahn Co., 501 Lexington Avenue, New York.

EXPORT COUNSEL on North American markets by Canadian consultant.—Write, W. O. Moir, 171 New Bond Street. Tel.: MAYfair 2631.

YOUNG Dutch businessman of good family and good business education in Holland, England, Germany and France, seeks contact with British firms interested in establishing branches or agencies on the continent.—Please write to A. Pick, 27 Hoefloo, Laren N.H. Holland.

Invest in

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Mortgage Loans

(TRUSTEE SECURITIES)

SIX PER CENT FOR TEN YEARS

Special terms will be quoted for loans of £10,000 and over.

For further particulars apply:

CITY TREASURER (C.), COUNCIL HOUSE, COVENTRY.

CAMERAS FOR COLOUR PICTURES.—The Ilford Sportsman £14 0s. 10d. inc. case.—City Sale & Exchange Ltd., 94 Fleet Street, London, E.C.4.

DEJECTED? You need a holiday—sunshine, warmth, stimulation. How about Spain? In the meantime, buy a bottle of El Cid sherry. That will give you a wonderful foretaste. (A delicious aftertaste, too!)

A BARGAIN, £25.—For sale, Co. Regns. (Seal, Statutory Books). Guaranteed no trading, ready now. State trade wanted.—BUSINESS ICON. (E/Sp.), 156 Strand London. W.C.2. (TEM. 8777/2294). Also Seven-day incorporation service.

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Enrolment can now be made for the following full-time courses:

(1) General Certificate of Education Advanced Level: Final B.Sc.(Econ.) and B.Sc.(Sociology) and Diploma in Social Studies of London University.
(2) Commercial Administration
(3) General Secretarial Studies
(4) Professional Course for Accountants
(5) Professional Course for Statisticians

Enquiries and applications to the Head of the School of Commerce, from whom a prospectus can be obtained.

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Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the two examinations for Lond. Univ. B.Sc.Econ. (three if Entrance is included). Moderate fees, instalments. Over 800 Wolsey Hall students passed Lond. Univ. B.Sc Econ exams. 1951-56. Prospectus from C. D. PARKER, M.A., LL.D., Director of Studies, Dept. P.16, WOLSEY HALL, OXFORD.

SECRETARIAL training, especially for university graduates and older students. Six-month and intensive 14-week courses.—Write, Organising Secretary, DAVIES'S, 2 Addison Road, W.14. PARK 8392.

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for Examinations—University, Law, Accountancy, Costing Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus, and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9)2b,

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4.

THE ECONOMIST MAY 31, 1958

APPOINTMENTS

COMMERCE LECTURER

Lecturer in Commercial subjects required by Iraq Petroleum Company for the Kirkuk Industrial Training Centre. The selected candidate will be required to prepare Iraqi apprentices and adult employees for the R.S.A. examination at Intermediate and Advanced Level and to assist in "on the job" training of accounts apprentices. Applicants should possess a degree in Commerce or equivalent qualification and previous teaching experience in a Technical or Commercial College. Teaching Diploma and business experience desirable. Age limit 35. Service, which is recognised as teaching service for pension purposes by the Ministry of Education, is on three year (renewable) contracts with pensionable pay not less than £1,250 per annum, plus large local currency allowances. Annual leave with paid passages. Fully furnished accommodation provided at nominal rental but owing to shortage of married quarters married applicants should be prepared for 12 months' initial separation.—Reply in detail, quoting No. 808, to Staff Manager, Iraq Petroleum Co., Ltd., 214 Oxford Street, London, W.1.

ACTUARIAL OPPORTUNITIES IN U.S.A.

The Equitable Life Assurance Society of the United States has several openings at its Home Office in New York, for men interested in an actuarial career in the United States. Candidates should be up to about age 30 and have passed some or all of the examinations of the Institute of Actuaries, or of the Faculty of Actuaries.

Those interested should write to Mr Harry Walker, Second Vice-President and Associate Actuary of the Equitable, at 393 Seventh Avenue, New York, 1, New York, U.S.A., stating their qualifications, including age, education and experience. Interviews with Equitable representatives will be arranged in Edinburgh on July 21st and in London on July 22nd and 23rd.

MARKETING EXECUTIVES

A London Market Research Organisation of international reputation at home and on the continent seeks British-born marketing executives (30-45) for Holland and Amsterdam.

Marketing experience of branded consumer goods an essential and preference will be given to men with experience with a national manufacturer/distributor or an advertising agency.

Ability to assess and discuss marketing issues intelligently with marketing managers is essential, as is the ability to interpret market research findings. A knowledge of Dutch for the appointment in Holland is not essential, but fluent German is required for the Austrian appointment. Initial salary of up to £2,000 p.a. according to experience.

Applications, which should include curriculum vitae, will be treated in strictest confidence.

Write to WRIGHT JOHNSON LTD., Employment Consultants, 70 Queen Victoria Street, London, E.C.4 (City 2176).

UNIVERSITY COLLEGE OF SWANSEA

Applications are invited for either an ASSISTANT LECTURESHIP or a LECTURESHIP in PURE MATHEMATICS from October 1, 1958.

Salaries: Assistant Lectureship, £700 to £850 per annum. Lectureship, £900 to £1,650 per annum.

Commencing salary in each case will be at a point on the appropriate scale according to age, qualifications and experience. Membership of the F.S.S.U. and children's allowance scheme.

Further particulars may be obtained from the Registrar, University College, Singleton Park, Swansea, to whom applications (six copies) must be sent by June 21, 1958.

UNIVERSITY OF MANCHESTER

RESEARCH STUDENTSHIPS AND RESEARCH GRANTS IN ECONOMIC AND SOCIAL STUDIES

Applications are invited for the above studentships and grants, tenable for one year in the first instance and renewable for a further period not exceeding two years. The studentships are normally of the value of £350 or £400 per annum. They are open to candidates who have obtained the degree of Bachelor or Master in this or any other approved University, and applications are acceptable from students who expect to graduate this summer. The successful candidates will be expected to pursue research in Economics, Economic Statistics, Government, Social Administration, Social Anthropology or Sociology. Applications should be sent not later than July 1, 1958, to the Registrar, The University, Manchester, 13, from whom further particulars and forms of application may be obtained.

THE ROYAL INSTITUTE OF BRITISH ARCHITECTS

Applications are invited for the post of ASSISTANT SECRETARY (FINANCE) at the Royal Institute from men aged between 30 and 45 with a qualification in accountancy and some experience of cost accounting or organisation and method. Starting point on a Salary scale of £1,250 by £50 to £2,000 according to age and experience.

Further particulars and application forms, which must be submitted by June 20th, may be obtained from the Secretary, R.I.B.A., 66 Portland Place, London, W.1.

D.S.I.R. HEADQUARTERS, Regent Street, London, requires Economist in Senior Scientific Officer grade to deal with economic aspects of the Department's scientific research policy. Qualifications: 1st or 2nd Hons. degree in economics plus 3 years experience of research in applied economics in industry or university. Understanding of the methods and objectives of scientific research desirable. Salary: £1,190-£1,410 (men); women slightly less. Prospects of promotion and for candidates under 31 also of establishment.—Application forms from Ministry of Labour and National Service, Professional and Executive Register (Reference PE.901), Atlantic House, Farringdon Street, London, E.C.4.

ACTUARY required, directly responsible to the Partners of a leading Stock Exchange firm, with long established and extensive Institutional connection. Position offers great scope to the individual with initiative and ideas. Age 25-35 preferred. Investment experience an advantage but not essential. Applicant sitting finals might be considered.—Write, in confidence, giving full details to Box 938.

INTERNATIONAL MANUFACTURERS' ASSOCIATION with small staff centred in London, requires male Graduate, with some business experience, as Personal Assistant to the Secretary General. Excellent French essential, other languages useful. Salary according to experience, but not less than £900 per annum.—Box 942.

MERCHANDISING EXECUTIVE

Leading international advertising agency has a vacancy in its Marketing Department for a Merchandising Executive. The man we are looking for is probably 25-35 and presently a Brand Promotions Manager with all-round sales promotion and merchandising experience in the grocery or toiletries fields. It will be an advantage to have some field selling experience. It will be a necessity to have a flair for producing merchandising ideas including sales aids, consumer and trade promotions, point-of-purchase display, etc.

To arrange a meeting, write in confidence, giving qualifications, experience and present salary, to Box 940.

EASTERN GAS BOARD
ASSISTANT TO THE STATISTICIAN

Applications are invited for the appointment of an assistant to the Statistician at the Board's offices in Tottenham. Applicants should hold an Honours Degree in Economics or Commerce, or be sitting for the Final Examination in one of these subjects this year.

The work will be mainly concerned with the preparation of statistical reports for the guidance of management, and calls for attention to detail and the ability to write clearly rather than a high level of mathematical statistics.

The successful candidate may be required to pass a medical examination and, unless already subject to a pension scheme by virtue of the Gas (Pension Rights) Regulations, 1950, will be required, if eligible, to join the Board's Staff Pension Scheme within six months from taking up the appointment.

The salary will be in accordance with grade A.P.T.6 (£670-£750 per annum) of the National Salary Scales for Gas Staffs and the initial placing within this grade will be subject to the candidate's qualifications and experience. Promotion beyond this grade would be dependent upon proved ability.

Forms of application may be obtained from the Chief Accountant and are returnable to him not later than Saturday, June 21, 1958.

R. H. EPPS,
Secretary.
2 The Abbey Garden,
Great College Street,
Westminster, S.W.1.

UNIVERSITY COLLEGE OF NORTH STAFFORDSHIRE

Applications are invited for the post of Lecturer or Assistant Lecturer in Mathematical Economics, the appointment to be taken up on October 1, 1958. Salary in scale £900 x £50 to £1,350 x £75 to £1,650 p.a. (Lecturer) or £700 x £50 to £850 p.a. (Assistant Lecturer).—Applications should reach the Registrar, The College, Keele, Staffs, from whom application forms may be obtained, not later than June 7, 1958.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER IN ECONOMICS in the Faculty of Economic and Social Studies. Preference will be given to candidates with interests in mathematical economics and/or econometrics. Salary on a scale £700 to £850 per annum. Membership of the F.S.S.U. and Children's Allowance Scheme.—Applications should be sent, not later than June 14, 1958, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

ORGANISATION AND METHODS

Applications are invited from men with experience of Organisation and Methods work both in factories and offices. A University degree would be an asset but is not essential. Applicants should have a knowledge of modern punched card machines and several years experience in an O. & M. Department of a large organisation.

A generous salary will be offered to the right man. The Company has good conditions of employment with excellent pension scheme. Applications should be submitted in writing giving details of education and training, appointments held and current salaries. All applications will be treated in the strictest confidence.

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Research projects of unique character are undertaken by the Attwood Group on behalf of U.K. and overseas manufacturers. Such projects are aimed at resolving problems in product design, distribution, marketing, and at formulating objectives, policies, and plans in these fields. This type of work is complementary to the other activities of the Group and the pace of expansion is quickening. We are therefore seeking additional staff who can be moulded into our plans for development. Applicants must have a good honours degree with experience in economic, marketing, operational, or social research, or in engineering development work. These qualifications must be supported by exceptional personal qualities of which integrity is paramount. Ambitious men will find the opportunities they seek for developing their talents. Additionally the rate of growth provides considerable scope for those capable of accepting wider responsibility.

Applications in confidence, stating education, experience, age, etc., to the Wallace Attwood Company, Research Division, Chantrey House, Eccleston Street, London, S.W.1.

UNIVERSITY OF OTAGO
DUNEDIN, NEW ZEALAND

Applications are invited for the position of SENIOR LECTURER or LECTURER IN ECONOMICS.

Salary range, Senior Lecturer £1,315 x £50—£1,615 per annum; Lecturer £1,025 x £50—£1,275 per annum.

Further particulars are available from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close, in New Zealand and London, on June 30, 1958.

EDUCATION FOR ELECTRONIC DATA PROCESSING

Within a decade no major organisation in this country will be without some form of electronic computer or data processing equipment. Before these machines can be put to profitable use a major educational programme must be carried out for all levels of management and for specialist staff.

IBM, whose leadership in the field of EDP is acknowledged, therefore proposes to expand considerably the scope of its training activities, and applications for positions in the Education Department are invited.

Candidates should have a genuine and creative interest in teaching; a sound understanding of organisation problems; a logical, lateral mind; and the determination to work hard to master new and exciting skills and communicate them to others.

A degree or professional qualification is essential; a good scientific or mathematical background and/or some years' business experience are highly desirable. Age up to 30.

Generous free life insurance and pension plans are in operation.

Applications to the Personnel Manager, 101 Wigmore Street, London, W.1, quoting reference ED58/1.

THE UNIVERSITY OF MANCHESTER

As the result of a grant from the Nuffield Foundation the Department of Social Anthropology and Sociology plans to carry out a study of a Lancashire town, and applications are invited for the following posts: (a) A RESEARCH ASSISTANT Grade II, initial salary within the range £700-£850 per annum, the appointment to be for one year from October 1, 1958, renewable for a further two years. Applicants should have a degree in Sociology or Social Anthropology and should have some training in statistics. The successful candidate will be required to study the social organisation of the town from published and unpublished sources; (b) A SENIOR RESEARCH WORKER, initial salary within the range £800-£1,000 per annum, the appointment to be for two years from October 1, 1958, or October 1, 1959. Applicants should have training in Sociology or Social Anthropology and field experience in one of these subjects. The successful candidate will be required to carry out a study of a section of the working-class population of the Town. Both appointments carry membership of the Children's Allowance Scheme.—Application forms and further particulars may be obtained from the Registrar, the University, Manchester, 13, to whom applications should be returned by not later than June 23, 1958.

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Subscriptions to many countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is because the alternative is either not available or not recommended.

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Trade routes beneath the Sea . . .



THERE IS A POWERFUL AGENT, *obedient, rapid, easy, which conforms to every use, and reigns supreme on board my vessel. Everything is done by means of it. It lights it, warms it, and is the soul of my mechanical apparatus . . .*



"Thus Captain Nemo, in *Twenty Thousand Leagues Under the Sea*, explained the unlimited range of his submarine *Nautilus*. In January 1955, Jules Verne's vision of 1873 was fulfilled. The United States atomic submarine, appropriately called *Nautilus II*, put to sea, driven by an inexhaustible source of power.

Captain Nemo's *Nautilus* was not a war-vessel, but a submarine yacht. Now submarine oil tankers, bigger than any ship afloat, are contemplated. Similarly we could have submarine freighters. But why not passenger liners as well? Under-water *Queen Elizabeths* could be far larger and could travel far faster and far farther.

We just need to get used to the idea of submerging. Already we climb beyond the clouds and "above the weather" in high-speed air-liners. This, we recognise, is part of our mastery over the elements—the captain chooses his levels and his lanes to avoid the upheavals of the lower atmosphere and secure favourable upper winds.

The same applies to that other element, the ocean. Since the first frail craft put out to sea, men have endured the heaving and tossing of the waves, the battering of the winds and the torments of the storms. Even the greatest liners fare badly when Atlantic rollers are 60 feet high.

Designers of the surface ships have to contend with many factors—the resistance of water, the erratic wave-formations and the drag of the winds on the superstructure. They can streamline submarines to shear the water. They have to allow for depth-pressures on the hull but they can ignore the waves, since with the reserves of power of an atomic-engine, the vessels need never surface except in sheltered waters. Winds can be discounted.

Already submarines of 100,000 tons are regarded as a practical proposition but the bigger, the more economic in terms of atomic power. Even in such dimensions they could command speeds higher than the fastest fish (the swordfish is reputed to travel at 57 miles an hour) and could circumnavigate the world on a pittance of nuclear fuel. Like the air-pilots, the captains could choose the currents and lanes to best advantage. With atomic-powered searchlights, passengers would have revealed to them a world inhabited by strange creatures. Tourists could sail up the oceanic canyons, like pleasure cruises up Norwegian fjords. They would voyage between the peaks of the submarine mountain ranges.



As Jules Verne wrote, over 80 years ago: *It is marvellous! You were right, Captain Nemo, to make use of this agent which takes the place of wind, water and steam.*

But he did not know the real nature of that agent—nuclear power." [R.C.]

* * *

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General de Gaulle's offer to "assume the powers of the Republic" has been taken up. What are the tasks before him? (page 865).

The Alternative Government

Should Labour aim to be the party of high investment—and if so, how? The first of a number of articles (page 867).

America's Long-Term Issue

Washington's management of the public debt is governed by the risk of future inflation, not by present recession (page 889).

The Big Jets

A layman's guide to the new jet airliners (page 911).

...ade, Tests and Talks

...Macmillan's agenda next week for ... President (page 872).

The Dragon's Teeth

China's foreign policy faces its smaller neighbours with disquieting problems (page 869).

Odd Man Still Out

Latest turn of events in the London bus and dock strikes (page 871).

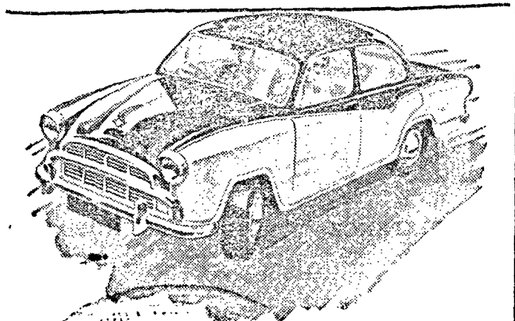
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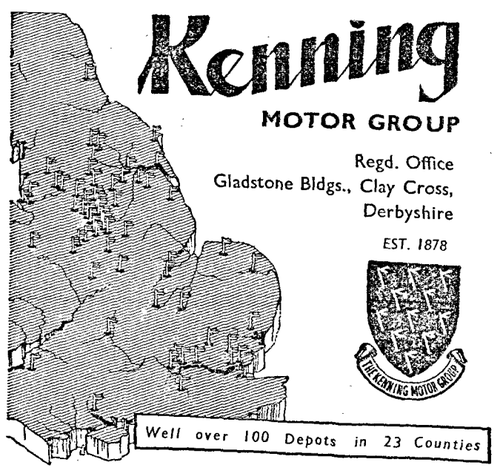
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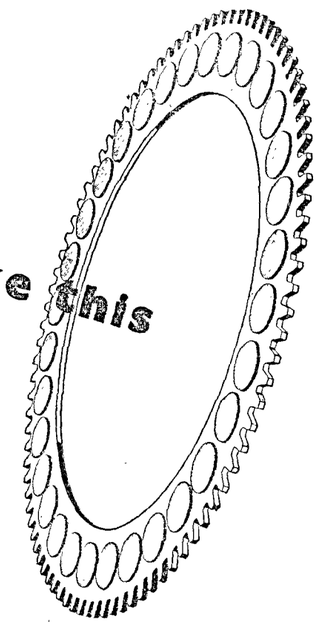
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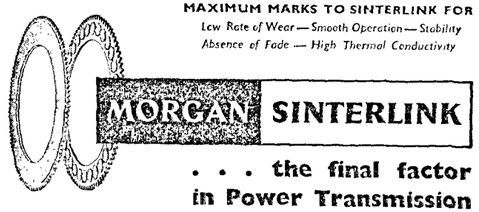
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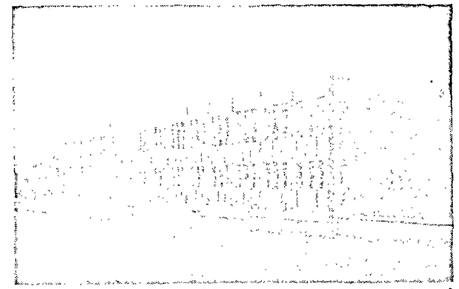
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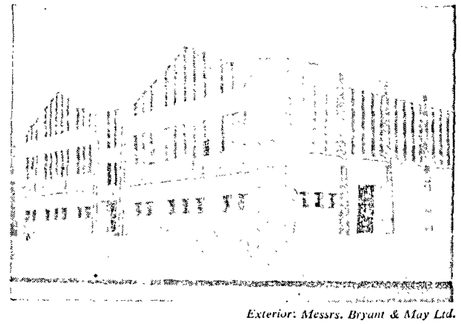
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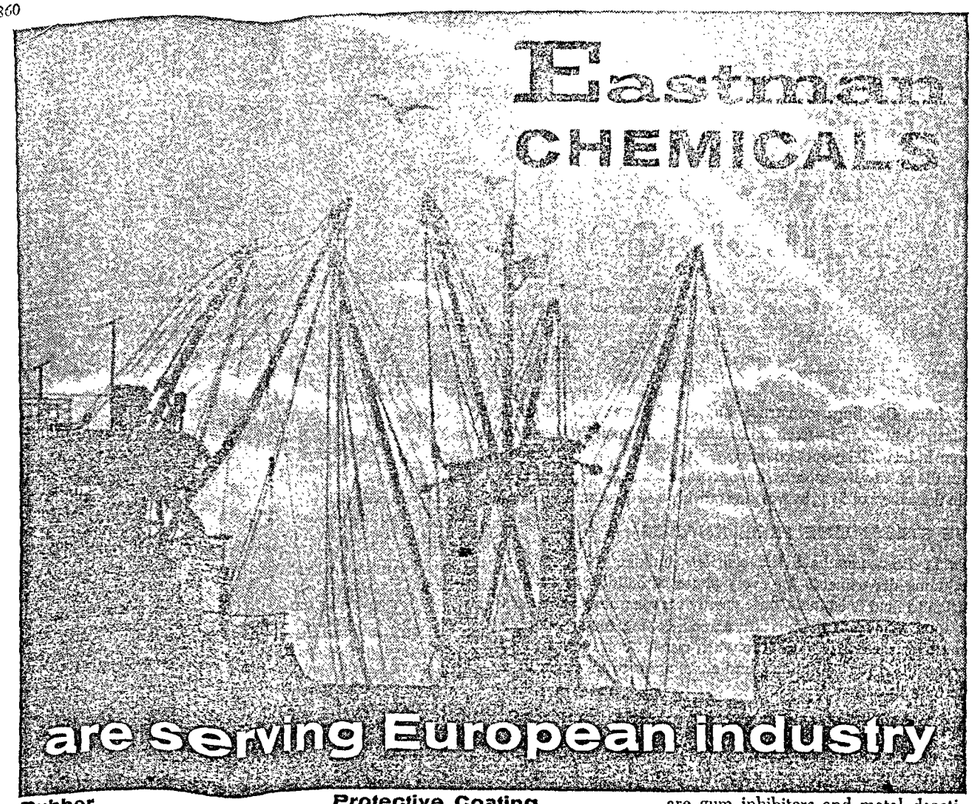
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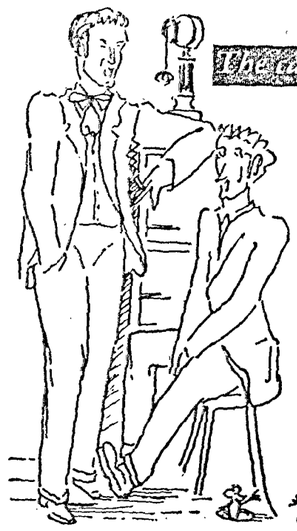
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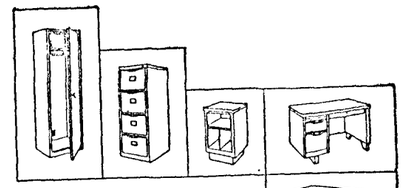
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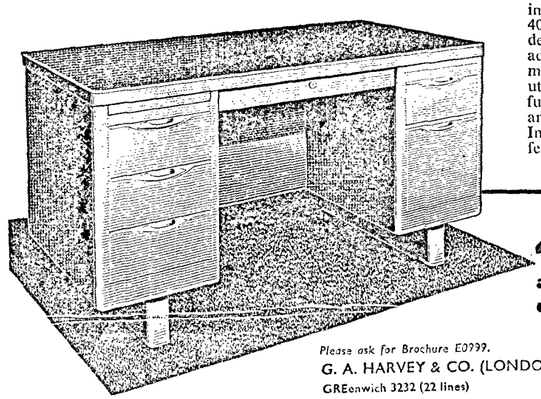
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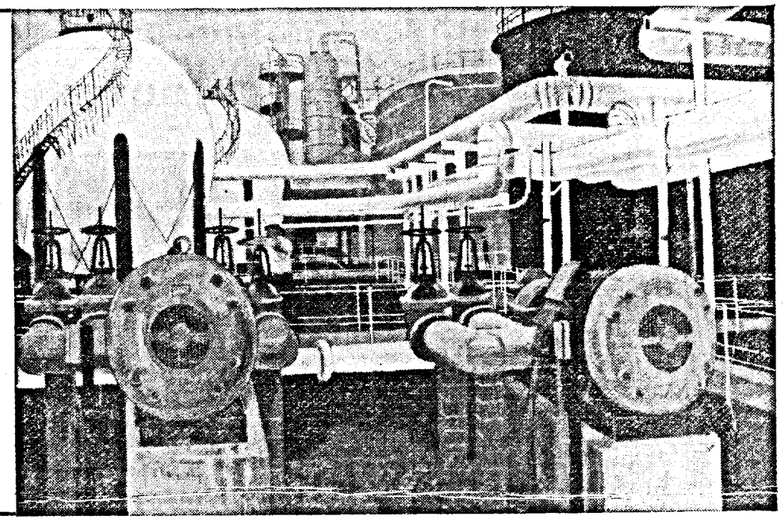
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The Economist

JUNE 7, 1958

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The General's Hour

GENERAL DE GAULLE is now the French Republic. Whether or not he wishes to be a "dictator," he is now the dictator of France. He holds the republic's powers; its responsibilities rest on him. Its very existence is in his hands, to do with as he chooses, or as best he can. This much stands clear today; nothing else does, except the ineluctable problems, the legacy of the republic and of its crisis, that confront him and to which not even he can offer an easy solution. For France, in fact, only one decision has been taken, and one danger averted, by the transfer of authority to the general: the decision not to risk a military coup in Paris itself and the civil disorder which would have followed it. The national assembly's vote of confidence, less than three weeks after the general first broke his silence at Colombey, was given under this coercion; and, as M. Mendès-France emphasised in the debate, the general himself was still subject to the pressures of the very men in Algiers, and in metropolitan France, who precipitated the crisis. How far General de Gaulle is free, or can become free, to obey the instincts which his own characteristic sense of patriotism and of history might be expected to prompt, is not yet sure. On this freedom to act, to break out of the political toils which (of a different sort) bound every republican prime minister, what is promising and positive in the Gaullist experiment depends.

The big questions before the general are Algeria and finance, and the two interlock. Is he, in political fact, the arbiter and conciliator he sought to be? Can he make his abitrament in Algeria independently of MM. Soustelle and Delbecque, and of the assurances they have given to the settlers there in three weeks of emotional oratory? Will the army, in the persons of Generals Salan and Massu, give its first allegiance to the general or to M. de Sérigny and the Committee of Public Safety in Algiers? And can the general implement a national economic policy in France itself independent of the interests which backed his return to power? General de Gaulle's first words in Algiers, his first and evidently incomplete list of cabinet ministers, and his prudent act in lifting M. Pflimlin's press censorship can none of them be considered definite clues yet to what his policy, and the political condition of the French state, will be in a month's or two months' time. The enigma remains.

General de Gaulle did not make any valid assertions on the future of Algeria on his first triumphal day there on Wednesday. The power of government in Algiers is among the powers he has personally assumed; if it remains a fact after the enthusiasm generated by his arrival dies down, he will be able to tackle all of France's problems in the Maghreb. He has already added a fresh note to French policy in North Africa by his civil exchange of greetings with President Bourguiba and the King of Morocco. He may be in a position to come to terms with Tunisia and Morocco, as his harassed predecessors could not. In any case, both countries will ask for the evacuation of French troops and both will regard

his attitude towards them as an earnest of his intentions in Algiers.

The general's decisive task is still to clear up the present confusion of French attitudes towards the future of Algeria. It remains to be seen whether the rebel (FLN) leaders will accept his invitation to their followers to vote as Frenchmen in the coming elections. He may find it necessary to offer the Moslem nationalists further concessions to induce them to call off the rebellion. He may even be able, as others have not been, to make an offer sufficiently attractive to win over sufficient of the rebels to split their ranks.

Time and again, during nearly four years of warfare, the FLN leaders have themselves said that Algerian independence would have to come by stages. The general's aim must be a political not a military solution—if there is to be a solution at all. But it was not only confusion and weakness that caused the earlier mistakes of his political predecessors. Independence must mean independence; but to find the highest common factor of acceptable independence between the legitimate aspirations of the Arab rebels and the rightful fears of the now rebel settlers is a herculean—and may be sisyphean—task. Certainly it has not been revealed by the mass emotion, however caused, of recent weeks. But it is also certain that, if General de Gaulle is to show the strength to match his powers, he must arrive at an explicit recognition, and a precise definition, of eventual independence for Algeria. The rest, an amnesty for political offenders and the election of a constituent assembly with nationalist leaders in it, would follow.

The problem cannot be settled now by "assimilation" with France or by the local "integration" of French and Moslem Algerians. The Algerians themselves have to discover how much they need, as indeed they do, French help of every kind. In the uproar of the insurrection, the voice of M. Chevallier, the liberal mayor of Algiers, has been lost; but it is one to which the general should listen in reckoning the worth of the protestations of settler spokesmen on the impossibility of a Franco-Moslem community without direct French rule. The general's past pronouncements have all encouraged the belief that he prefers a federal solution. And this will very probably be attempted for "black" Africa below the Sahara if MM. Houphouet-Boigny and Jacquinot, both ministers of state in the new cabinet, direct policy there.

THE urgency of a political solution in Algeria is made acute by the financial difficulties—born of the continuing war—which press importunately on the general's new government. The French boom has hidden the full implications of the Algerian war from many ordinary French folk. France's industrial advance is very real and exciting; but France's prosperity, while the francs have been pouring into Algeria, has been bought by uninhibited expenditure of exchange reserves. Now the cupboard is nearly bare. M. Gaillard's new-style devaluation in September did bring some slight improvement in the trade balance during the winter, but France is still living so far beyond its means that most of the money raised abroad this spring may be gone by autumn. Heads are being shaken in Washington and Bonn at the prospect of the hungry Oliver coming again for more.

In the winter Washington was moved to lend its aid by the threat of a political crisis from which there would be no way out but a right-wing coup or a popular front; and Bonn by the fear that France would be unable to fulfil its obligations under the common market treaty. The bad dreams are coming true; but the money is being spent just the same. This time France's allies, while they must be prepared to lend again if the new government first makes a decisive start towards putting its affairs in shape, must brace themselves to refuse if it does not. There can be nothing but admiration for the investment boom which has done so much in the past five years to rejuvenate French industry and French economic attitudes. A France which can sustain within the common market its recent pace of industrial growth—of the order of 10 per cent a year—will be a great expansive force for the whole European economy. But to make France solvent more radical measures are now needed than *import restrictions*, rationing and new nibblings at the budget: more even than the possibility of a further devaluation, which M. Pinay is bound to weigh seriously, and a harder squeeze on credit. Only if, in addition, decisive political initiatives can now be taken to remove the source of the economic strain—the Algerian war—will France be free of its self-imposed shackles, and the allies be able to feel confidence that new aid will not follow the past loans down the drain.

ALTHOUGH the general's financial embarrassment must play an important part in his relations with the western allies, he is not the man to go to Washington képi in hand. Nor can it fairly or sensibly be expected of him. He will take for granted that France's place in western councils (the vacant chair which Sir Winston Churchill once pointed out to M. Mendès-France) will be occupied on the broadest basis of equality and fraternity. The messages from old friends which President Eisenhower and Mr Macmillan have sent him show goodwill in this; something more distinct and positive should be settled by the President and Prime Minister in Washington next week. No doubt the kind of regime, and the kind of policies, which the general will eventually decree for France will affect the closeness of the new version of the oldest western association. But there is also no doubt at all that, if Sir Winston had still been sitting on the Government front bench, the call would have already gone out, warmly, ringingly, constructively, encouraging the new French leader, and his old ally, to fraternity in the Atlantic alliance and liberty in France.

Very likely the idea of a strong man in Paris sends

shudders down the back of the State Department—which knows something already of the general's views. But there is this to be said for a strong and scrupulous man: when he gives his word he can keep it. The xenophobia that marked the opening of the crisis in France has to be reckoned with; so, perhaps, has the general's own past inclination to go it alone in Moscow—and elsewhere. But the reasons that brought France into Nato still stand today; the general needs the West as the West needs him. France is still at the West's core.

It is, however, to Dr Adenauer in Bonn that General de Gaulle has made his one reassuring gesture so far: the appointment as foreign minister of M. Couve de Murville, *the ambassador to the Federal Republic*. At the same time, the retention of MM. Mollet and Pflimlin in the cabinet gives some sign that the policy of the Europeans is not to be abandoned. In the long run, both politically and economically, France's full influence in Europe will be reasserted only as its concern in North Africa is put into a new perspective.

WHAT is perhaps least measurable of all is the future of political life and democratic institutions inside France itself. The assembly has armed the general with full legislative powers, *including the duty to* produce a new constitution. The referendum on his constitutional proposals will be in three months' time; a general election, in France and Algeria, could follow immediately after. There can be little expectation that it will be the same parliament, which has given up its political responsibilities until October, that will eventually reassemble. With such authority as General de Gaulle has been given, the time limit of six months after which it is envisaged that the public powers can, in his own phrase, "resume their normal functioning" has little real meaning. The kind of regime which the general himself wants remained obscure during his brief exposition this week, though he did state a number of unexceptionable general principles; but the regime his original backers look for is all too plain. It may even be that, within the next few days, the Gaullist cabinet will embrace quite other men than the Fourth Republicans who made up most of the first, disarming list. The question of who really will have the general's ear, whoever sits as minister of state, has been there from the beginning, and remains.

The real question, indeed, is upon whom in France General de Gaulle will seek to base his authority. In the last hours of republican rule, he saw, and responded to, the force of the manifestations of popular reluctance to accept him. The troubled resistance of more than half the Socialist deputies despite M. Mollet's entreaties, and the scepticism of much independent opinion had their effect. He has declared his good intentions towards republican democracy, and has done nothing yet to disprove them. But if, in fact, he is determined to stand out against the claims of those who enthroned him, he will have to seek positive political backing from the broad middle of opinion between the extremes of Left and Right. The non-communist trade unions have remained aloof from the government, but they may not be sorry to see a prime minister with whom they can negotiate without fear that he will fall tomorrow. If the political parties, after their debacle, can stay alive and vigilant, then it can be hoped that French democracy, now in eclipse, will not be blotted out. But the general has first to show that he can shake off his camp-followers. He has all France to lead.

THE ALTERNATIVE GOVERNMENT—I

A High Investment Party?

This is the first in a series of articles about Britain's alternative government. Does Labour want to be the party of high investment? Or does it want to be the party of high consumption, favouring regular annual wage increases? It cannot be both

IT is by no means certain that Labour is going to win the next election, but at the moment this obviously looks a distinct probability. Some of the best heads in the Labour party are therefore doing some important private thinking, not about how to get back into office—a subject which has dominated their minds far too much for seven years—but about what they want to do when they get there, and how they can get into a posture to do it. In a series of articles this summer, of which this is the first, *The Economist* intends to participate in this debate. The approach will be from the radical, but not the socialist, point of view.

Every incoming government needs to carry with it into office some image of its principal purpose. Labour has had some pretty dreary images in recent years—the party of nationalisation, or of equality, or ultra-safe social security. But, in the last few months, another image has come to the fore in Labour thinking,

which deserves to be very much encouraged. This is the picture of Labour as a party that should bend all its energies to bringing about a massive increase in Britain's real investment. It is patently the right purpose for a modern left wing party to adopt. A government which could steadily increase this country's real investment from the present £3,400 million odd a year to over £5,000 million a year within a term of office—a perfectly possible objective—would be a government which could, by the end of its period of office, have transformed society in Britain very much for the better; and to transform society for the better—by getting built all those gleaming new factories, roads, hospitals and schools—is the one thing that men of the left ought most to want to do. There is no other half-so-obvious way forward to Labour's main aim of a much richer common people.

But how to tread it? Fortunately, one part of the problem—that of stimulating the will to invest in private industry—should not be very great in Britain in this age of vast technological innovation, provided Labour does not deliberately shatter confidence there. Mr Butler discovered this when he introduced his investment allowances; in his own words, the horse reared wildly—too wildly for the economy at that time to contain—as soon as it smelt the oats of freedom. The much bigger problem is that if Britain is to increase its investment it must increase its saving—in the only real sense of holding down consumption; it cannot, simultaneously, both bake its cake and eat it. In other words, a high investment Labour party would have severely to eschew its attractive array of policies designed to raise consumption standards generally and at once; and in particular, it would have to foster a very extreme sort of wage restraint. Let us be blunt about this. The object of a high investment Labour party would have to be to see that real wages (and salaries) do not increase as fast as productivity. That is what increasing savings, in a Labour society, must mean.

THIS is a very tall order, particularly for a party which constitutionally wants to do everything at once. To do justice to Labour's best brains, however, some of them do realise that it is an order which their policy would require them to try to fulfil. The misfortune is that they think that the best way of doing this is by cozening—or, as they say, doing a deal with—the big trade union leaders. At the top of the party, there seems to be a disinclination to consider *any* of the awkward implications of such a deal; it sometimes seems that Mr Gaitskell's idea of a Labour government is one in which Mr Cousins will do what he (Mr Gaitskell) asks, while Mr Cousins's idea of a Labour government is one in which Mr Gaitskell will do what he (Mr Cousins) will like. But Labour men a little below these lofty reaches will be more frank. To people of *The Economist's* mode of thinking, they will say something like this:

In the early years of our next government, we may well have to do a lot of things which you will think disastrous and which even we will think pretty dreadful: compulsory dividend restraint, confiscatory capital gains taxes and changes in death duties, prudish morality taxes on any forms of enjoyment in which Mr Cousins thinks that only the conspicuously wealthy indulge. We blush to think about all this, as we know that these measures will distort the economy rather than curb it—and thus will do no direct economic good.

But we think that they will do less direct economic harm than you assume. The great indirect gain from them will be that the trade union leaders will then agree to wage restraint. Under cover of that we will be able to get the £500 million or more increase in annual production each year which everybody knows that Britain could achieve if only this problem of wage inflation (and foreign reactions to it) were out of the way. We will then be able to devote this £500 million or more a year to increasing investment, and so establish a new and highly developed economy; and, after three years or so, we will be able to emerge, for consumption as well as investment, into the sunlit uplands of the much richer Britain that both you and we want.

THIS is the present line of argument of some of the most intelligent people in the Labour movement. How extraordinary it is that they do not see that the two major premises which underlie it are quite obviously wrong. One trouble about this policy of soaking a few rich men in order to encourage Mr Cousins is that the measures proposed would inhibit increased private investment from taking place in the first place; the anæsthetist is to kill the patient so that the surgeon will have absolute quiet while performing the operation. The other—and even more obvious—trouble is that most trade unionists would not regard these measures as making a wage freeze any more palatable. Although a few politically-minded leaders like Mr Cousins might be willing to trade wage restraint for a policy that made a few rich men poorer, the mass of union members do not care a button who is getting poorer; their very sensible sole concern is to get richer themselves.

The likely pattern of events under a Labour government, if this policy were adopted, would therefore be roughly as follows. Measures which are supposed to encourage investment will be announced, but accompanied by these soak-the-rich devices which will tend to inhibit it. These will be said to be a *quid pro quo* for wage restraint; but this latter policy, at a time when undistributed profits are supposed to be going up, will lead to the threat of a rash of unofficial strikes. In order to avoid these, the trade union leaders will go back on the policy of wage restraint—although claiming that they are still abiding by it in principle. They will explain that, but for the policy, the inflationary wage demands they are putting up would have been more inflationary still. Price and wage inflation will follow, accompanied—since foreign investors would be even more scared by the policy than domestic ones—by a bigger-than-ever flight from the pound. To rectify this

situation, Labour will have to cut back production—including, quite certainly, investment itself. The last state of the economy will be much worse than the first.

IS there any way in which Labour could escape from this frustrating cycle of events? Quite obviously there is. It is, put quite simply, to determine and declare that, when it is the nation's Government, it will be independent even of the trade unions. The plainest lesson of Britain's recent industrial history—it deserves to be re-emphasised again and again—is that the threat of strikes has been much more damaging than strikes themselves. In a complex modern economy—where there are so many alternative sorts of transport, fuel or whatever is being strike-bound—isolated stoppages are nearly always less crippling than they are expected to be before the event. The party that will eventually beat inflation, and lead Britain back to expansion, will be the party that is prepared to allow certain strikes to happen, instead of buying them off. The whole tone of Labour's recent propaganda has been designed to spread the impression that, although a Labour Government would in fact be better placed than any Conservative Government to resist strikes in order to beat inflation, it will never be prepared to resist them. It is extraordinarily difficult to see why.

The Tories have never made the same mistake of excessive tenderness towards their paymasters. They are even more dependent on industrialists' money and farmers' votes than Labour is dependent on Mr Cousins. But they know that their keenest supporters are often precisely the ones whom they can most afford to offend, because these are the people who have no other party to which to go. In consequence, the Tories have done some things in the industrial field (the Restrictive Trade Practices Act is one example, and the negotiations for a free trade area in Europe are another) from which a Labour government would have been likely to flinch; even in agriculture they have introduced a degree of economic discipline from which Mr Tom Williams always fled. There has been some crafty Conservative politics, as well as sound national statesmanship, in all this. Even in their political posturing before their election—to take a trivial but illuminating example—the Tories promised to impose an excess profits levy, which was an economically nonsensical promise to make but perhaps a politically advantageous thing to do. The equivalent promise on Labour's side would be to do something which would make trade union leaders as cross as company directors were over EPL. But to cock such a snook would never occur to Mr Gaitskell in a month of wet Sundays.

IT is because no such gesure of independence would ever occur to the Opposition's present leaders that Labour has still not really grown up as a political party, recognisable to outsiders as a truly national (as distinct from purely sectional) force. In this year's manœuvring over industrial relations Labour has appeared to be more firmly committed than ever to support the sectional interest of trade union leaders, as distinct from the real interest of all citizens, including trade unionists. Until it can escape from this appearance, it will not deserve to win any of the radical vote; and much more important, it will not be able to accomplish in office the things it really wants to do for Britain. This is the first lesson for it to mull over this summer. More to come.

The Dragon's Teeth

Japan's difficulties in its dealings with Peking are a reminder to China's smaller neighbours that they have to adjust themselves to the prospect of life with a major communist power

MR KISHI won his election on May 22nd to an accompaniment of boos and catcalls from Peking. The Chinese, as Chinese, have no particular love for the Japanese prime minister, once a Japanese colonial administrator in Manchuria. As communists, they were ready, a few weeks ago, to sign appetising trade agreements with the Japanese, and for this they got Mr Kishi's blessing. At this, however, the other Chinese in Formosa bristled, and Mr Kishi, having tried desperately to have it both ways, found himself back where he started, without the trade pacts, but hand in hand with the Chinese nationalists.

It was then that the calligraphers of Peking dipped their brushes in gall and began to charge Mr Kishi with "collusion" with Chiang Kai-shek and the "Syngman Rhee clique"; with estranging the neutrals of south-east Asia and tying them to the American "war chariot"; and with trying to revive the "Greater East Asia co-prosperity sphere." At the same time the men of Peking accuse the United States of pouring weapons into Indonesian rebel hands and of directing the "Chiang clique" to send soldiers and agents to help the rebels. The Americans are being warned of the "very dangerous consequences" of this alleged intervention.

These are fighting words. Those directed at Mr Kishi, if slightly less pugnacious, are nevertheless intended to revive a bogey to which many people in Asia are, with reason, sensitive—that of an aggressive, resurgent Japan that has neither learned nor forgotten anything; and the contrast between the image of interfering warmongers and that of a mild, pacific China mindful of the famous "five principles" is underlined,

in the Peking statement on Indonesia, by references to Bandung and talk of dangers to which the Asian and African peoples find themselves exposed. The point will not have been lost on people who were impressed by China's decision, at the beginning of March, to withdraw its forces from Korea and to consent—on unstated terms—to free general elections throughout the divided country.

Presumably Chairman Mao Tse-tung had no need to consult Mr Khrushchev before he turned on Mr Kishi. But the communist "line" on the Indonesian rebellion is clearly a concerted affair, for Peking's statement on it came within twenty-four hours of a similar statement from Moscow. Behind this verbal unanimity is the hard fact of the Sino-Soviet treaty of alliance of 1950 which, on the one hand, lent Soviet power to China's elbow and, on the other, gave the Russians some power of restraint over China's foreign policy.

WHAT, however, *is* China's foreign policy? Is it as mild and friendly as the smile on Mr Chou En-lai's face? Is the decision to quit Korea a new leaf turned over? Can China's neighbours henceforth sleep peacefully on their grass mats? All the evidence seems to show that, if there has been a change, it has been purely tactical and that the objectives of China's policy have remained untouched. If this is so, the answer to each question is No. On the other hand, a change of tactics on the part of a potential enemy can sometimes make life bearable where before it was unendurable. To that *extent*, a smaller and weaker neighbour may find himself able to sleep with merely one eye open.

The public statements of governments and their leaders seldom provide more than a partial insight into their real aims. This is truer of communist governments than of others. In China's case, however, official statements, supplemented by backward glances into history and an assessment of vital interests, do suggest a fairly rounded picture.

The "old China hand" is often bewildered by the behaviour of the Chinese People's Republic, because it conforms only in some respects, and not in others, to that of the China he has known. The truth is that in China, as in Russia, the interests of communism are superimposed on the traditional interests of a great power. If Chiang Kai-shek had won the civil war, he would have been as determined as Mao Tse-tung to prevent the resurgence of Japan; he would have reasserted China's suzerainty over Tibet; and his interests would have been served, as were those of the former emperors of China, by the creation of buffer states on its periphery. It is partly an accident of history that two of China's present buffers—north Korea and north Vietnam—are communist states.

Where Mr Mao's China—in foreign policy—has differed from the hypothetical China of a victorious Kuomintang is in its choice of alliances and its use of an ideology to further national aims beyond its borders. The failure of some otherwise well-informed specialists on Chinese affairs to understand China's use of subversion among its neighbours has caused much misapprehension about its policies.

The cornerstone of these policies is, in fact, the Sino-Soviet alliance—an alliance that would never have been forged had the victors in China not been communists. It is an alliance that is economic as well as military; and it has made China dependent on Russian aid for its industrial development and on the Soviet block for much of its trade. This reorientation of a trade that traditionally looked outward to the eastern and southern seas was a development for which history had made few preparations; the new rail and other communications between China and Russia, made necessary by the change, have had to be built by its authors. These communications are of military significance, too; any power involved in war on the Chinese mainland would find the Chinese armies well supplied by their Russian allies.

This dependence on Russia has not prevented China from pursuing aims of its own. Usually, these aims are complementary to Russia's; sometimes, they appear to be competitive. For instance, the furtherance of communism in Asia is a common objective, but in recent years Peking has seemed to be setting itself up as an alternative to Moscow as a pole of attraction for international communism. The Asian communist parties were nearly all suckled in Moscow in the Comintern days; but Mr Mao's prestige as the first successful leader of a communist revolution in Asia is far greater than Mr Khrushchev's as the mere successor of Stalin. Yet the fundamental identity of aims is unlikely to diminish within the first generation of communism in China. Any policy based on the notion that China and Russia can be split apart within the next decade, or more, is probably illusory.

IF this view of the Peking-Moscow axis is correct, then China's small neighbours will have to get used to the long-term prospect of living next to a major communist power. Is China now a better neighbour than, say, in 1950? Certainly, the reckless spirit of earlier years seems to have given way to a more sober appreciation of risks. The days of direct intervention, as in Korea, seem distant. Only the occupation of disputed border territory in Burma eighteen months ago has served to remind the peripheral states that the Chinese will probably continue to probe for weak spots. The interminable Sino-American talks in Geneva—now in suspension—have brought Peking no nearer to renouncing the use of force to settle the Formosan question. But Peking, which agrees with the Nationalists in considering Formosa to be simply a province of China, is logically consistent in seeing the Formosan question as a domestic affair to be settled by means of its own choosing.

Invasion of neighbouring countries thus now seems a remoter possibility than before the advent of the hydrogen bomb, before the creation of Seato and before the Bandung conference; the hard lesson of the Korean war has also been learnt. But the good neighbourliness of the Chinese communists is a very strictly relative term. Neighbours with Chinese minorities—and this applies to all of south-east Asia—automatically have a fifth column in their midst; if, in addition, they recognise the Peking government and give its envoys and agents normal facilities, they are flooded with communist propaganda—as in Cambodia—or find the funds of the local communist party to have mysteriously swollen, as in Indonesia.

No easy solution exists to the problem of China's relations with the outside world. But it may be consoling to China's neighbours to reflect that the internal preoccupations of a regime trying to industrialise a vast and unwieldy country, beset with challenges from intellectuals and national minorities within its borders, are not conducive to rash outside adventures. This allows them time to think and time to order their affairs; still, in the long run the temptations of south-east Asia for a country with a fast increasing population will prove hard to resist.

A more immediate problem was posed by the reports in April, cited by an American senator, of a vast underground detonation in China. Any comprehensive disarmament negotiations will have to include communist China. The origins of America's existing policy of refusing recognition to Peking are intelligible, but this policy would be hard to reconcile with the inclusion of China in any effective programme for general disarmament. The prospect is at present only a gleam in the eye; but, if teeth are to be extracted all round, why not the dragon's?

NOTES OF THE WEEK

STRIKES AND WAGES

Odd Man Still Out

TO tell simple economic truths to trade union leaders may, as Mr Gaitskell appears to think, be provocative. But it can also be singularly effective. Although the situation on the labour front remains complicated and delicate, the prospects for avoiding wage inflation have visibly improved in the past few days. The first—and welcome—development came on Thursday of last week, when Mr Cousins's colleagues on the TUC moved very quickly to persuade him not to widen the bus struggle into a petrol and power strike as well. The orthodox union view of this threat was set out by Mr Robens in an article in the *News Chronicle* this week, in which he said disapprovingly that a strike which would have to be met by troops being put on the petrol lorries would have the widest implications and would be "a conflict which no union, however powerful, however strong, could hope to win."

On the same Thursday—and possibly more important than anything that has happened during the bus stoppage—the mineworkers' executive accepted an arbitration award that gave their members no wage increase this year. The opportunity that then seemed to be opening before the Government was not the crude one of "ditching Mr Cousins." On the contrary the prospect was that—if a settlement could be reached with the London busmen which would not break the main wages line—the Government might after all have won its way this year towards acceptance of a reasonably non-inflationary pattern of wage increases: a pattern ranging generally between nought and about four per cent per eighteen months. This would be a greater success in containing wage inflation than had seemed likely immediately after the railway settlement. It might have important implications for the future of economic policy. Provided external developments permit, it might even justify the latest variation of the motor car metaphor which the Chancellor of the Exchequer used during a week-end by-election speech: "We are ready to take the brakes off the economy directly we can see it is safe, and that time is approaching very rapidly now."

The First Chink that Failed

IN these circumstances, there was a sound case for the peace formula which Mr Macmillan suggested that London Transport should offer to Mr Cousins. If only the concessions in that formula had been offered for the first time last weekend—if only three-quarters of them had not been offered immediately after the railway settlement—the packet offer of last Saturday might well have been accepted. But most of these considerable concessions had been offered to Mr Cousins on May 21st—on what had then looked like a wave of surrender which he thought he could make roll further along. He had already threatened to do dire things as a demonstration that these concessions were not sufficient. Since then his TUC colleagues had asked him not to do these dire things after all, but Mr Cousins felt that he could still rely on their moral support if he refused to be discomfited. The premature exposure to the "chink of light" on May 21st had ruined the picture, and Mr Cousins stood by his familiar tactic of demanding the last little bit more.

The little bit more which he demanded on this occasion was that London Transport should pay a "token increase" of 4s. a week to his country busmen at once; he said that this would cost only £3,000 a week and, as London Transport is losing £300,000 a week in bus receipts during the stoppage, he found its refusal to meet this claim beyond comprehension. There is, of course, another figure against which this maximum gain of £3,000 a week to busmen should be measured: the £500,000 or more which his 50,000 members must be losing in wages every week that the strike lasts. There could be no more damning proof than Mr Cousins's own arithmetic that this strike was no

longer a matter of protecting the standards of living of the busmen; it was now purely a matter of safeguarding what Mr Cousins calls "dignity and honour," which is a euphemism for saving his own personal face.

The elder brethren of the TUC showed commendable good sense on Wednesday in still "advising" him not to extend the strike to petrol and power workers. When Mr Cousins agreed to reopen negotiations on Wednesday, it seemed that they might also have done a good service to the unfortunate busmen themselves. Unfortunately, Mr Cousins broke off these negotiations after the briefest of encounters. The odd man is still out.

Black Workers and Red Ones

MR COUSINS has a mounting array of other serious problems on his hands. The unofficial strike at London (and now also Tilbury) docks—in which his TGWU men are engaged—is now the most damaging of the current stoppages; its economic effects are discussed on page 917. This strike seems, in very large part, to be communist-arranged and communist-sponsored stuff. It arose out of the stoppage of Smithfield meat drivers—a stoppage whose principal effect so far has been to show how many of the men employed at that hotbed of restrictive practices have well-paid jobs which are blatantly unnecessary. The butchers have been collecting their meat from secret depots themselves. In sympathy with the meat men, one section of the London docks, through which meat is imported, came out on strike. This immediately created a temptation for two sorts of so-called "blacklegging": for butchers to haul some of their meat out of cold storage at the docks themselves, and for office staffs of the wharfingers to move odd bits of perishable cargoes which were lying about on the quayside to where they could be used. As the strike waxed and waned along the waterfront, members of the unofficial body which is organising the strike spread stories of instances where these heinous offences were said to be being committed: sometimes their stories referred to incidents which had occurred before the men went back to work last time, sometimes to incidents which it is not certain had occurred at all. But always they added fuel to the flames. By last Saturday 15,000 of London's 28,000 dockers were on strike, 112 vessels were idle and 45,000 tons of perishable cargo were beginning to rot on the quayside.

In these circumstances, the public wharfingers—the employers who are suffering from the stoppage but who are not responsible for the men's discipline—began to get restive, and decided that they really would use their office staffs to move food before it went bad. The wharfingers accused the National Dock Labour Board and the unions of not being able to control the men, and asked the board for permission to use unregistered labour to move their perishable goods. The board, evenly divided as it is between employers and unionists, could reach no majority decision on this request, so the employers decided on their own initiative to get their office staffs to move the goods. The strikers' committee is hard at work trying to persuade dockers in other ports than London to respond to this "show of force" by striking in sympathy. So far they have partly—but only partly—succeeded; by Thursday a total of 19,000 dockers were out, and 122 vessels were idle.

A further complication is added by the notification, sent by the four dockers' unions to the Minister of Labour, that a dispute—official this time—is pending over the dockers' rejected claim for this year's wage increase. Mr Cousins, who cannot really want to be associated with the main instigators of the present dock strike, would be well advised to let this claim go to arbitration, if direct negotiations cannot settle it. Although there may not be a good case for a wage increase for the dockers, there does seem—as was suggested in these columns last week—a strongly arguable case for the introduction of a pensions scheme for them.

MR MACMILLAN AND THE PRESIDENT

The Crux for Trade

IT is no secret that the principal subject of Mr Macmillan's conversations with President Eisenhower next week is going to be "economic problems"—in the main those problems of world liquidity which *The Economist* discussed in its "Appeal to America" on May 3rd. The developments since our article appeared have been interesting, but frankly not reassuring. As Mr Dillon's recent thoughtful speech in New York showed (see page 791 of our issue last week), the American government may be ready to grant that the recent fall in the incomes of the poorer primary producing countries may strengthen the case for gradually increasing the scale of aid from developed to under-developed lands. Because this is a worthy humanitarian ideal, because schemes to increase investment in the under-developed countries are also being discussed by Commonwealth officials in London, and because such investment would increase the flow of dollars to the outside world, it may be pretended among allies of goodwill that this would be an effective alternative approach towards solution of the principal problem. Unfortunately, it would not.

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Let it be made clear again what that principal problem is. Mainly as a result of the pegging of the dollar price of gold at its prewar level, the increase in the value of trade between the free countries has far outstripped the increase in the value of reserves underpinning it. The whole system of finance for international trade in the free world is therefore now dangerously top-heavy. One consequence of this is that the timing of anti-recession moves among America's allies is going to be (indeed is being) inhibited. This is a major reason why purchases—and prices—of the poorer countries' primary materials are so low; the enforced check to production is also, in itself, of awkward political significance at a time when production in the Communist countries is still expanding.

A still greater danger, however, concerns the present system's vulnerability to speculative movements of currency. At the moment, against most people's expectation at this stage of the American recession, the main speculative movement across the exchanges is a flow of dollars out of America; as America can afford this, the Americans may ask why Britain should worry. Why Britain should worry is that the very fact of the present currency flow out of America—at a time when the Americans would presumably agree that they themselves are not following either wildly inflationary or confidence-shaking socialist policies—shows how uncertain and perverse these currency flows can be. If the speculative movement turned round again to hit sterling (under circumstances which this time really would not be Britain's fault), then there would have to be some curtailment in the sterling system—under which, at present, sterling finances up to 50 per cent of world trade, although backed by only about 5 per cent of world reserves. If the use of sterling in world trade had to be restricted at a moment of delicate balance during a trade recession, then the international liquidity squeeze could turn into a more dangerous international liquidity crisis than the Americans may at present conceive.

The ways of avoiding this (still contingent) danger are obvious. Either there should be some device for underwriting the sterling system; or there should be a considerable expansion in the resources of the IMF, which could then share with sterling the burden of financing much of the world's trade at moments of strain; or the dollar price of gold should be increased. It is not likely that President Eisenhower and Mr Macmillan will reach open and bitter disagreement about these problems next week: the danger is rather that they will reach secret and friendly agreement to look into the problems further, and then that nothing much will be done. It was this process of amiable, hidden and unsuccessful confabulation which brought about the demise of the old "Robot" convertibility plan for sterling in 1953-55. This time, after he has presented any proposals he has with him to President Eisenhower, Mr Macmillan would be well advised to publish them. There has been insufficient openness—as well as insufficient urgency—in debate about this most crucial of the economic problems before the free world.

Split Levels

JUST fifteen years ago both Mr Macmillan and General Eisenhower were in North Africa, rather anxiously watching General de Gaulle make a dramatic descent on Algiers to sort out the French position. History may never repeat itself exactly, but it sometimes enjoys stirring the same ingredients together again and observing the result. This week Mr Macmillan has been packing his briefcase for his visit to the President with one ear cocked to catch the resounding echoes of the new French prime minister's return to Algeria; and his talks in Washington next week will be given a whole new dimension by the uncertainty about France's future role in the western camp.

Mr Macmillan's approach to his North American engagements has been characteristically relaxed. He found time to see the Derby run on Wednesday, and perhaps was relieved to find that the French threat was not as alarming as the tipsters had feared. He is travelling light as regards accompanying advisers, and his programme includes visits to two universities as well as to Washington and Ottawa. But the Prime Minister's sometimes deceptively casual manner cannot, on this occasion, disguise the number and urgency of the issues that must be discussed. Apart from the complex of economic issues (on which any new course now set by France will of course impinge), and the Middle Eastern instability at present focused on Lebanon, there is the whole broad field of dealings with Russia. And this last is not even confined to the matter of preparing for summit talks. Exchanges on other levels are also contemplated or actually proceeding. In diplomacy, as in contemporary house design, the split level now seems to be all the rage.

Thus, while the western ambassadors in Moscow have now completed the first round of their separate interviews with Mr Gromyko, ambassadors in Prague have also been summoned to hear of Czechoslovakia's anxiety to play a part in the game; and between Washington and Moscow there has been a rich and rare exchange of proposals and counter-proposals dealing with Antarctica, with joint campaigns against disease, with the opening up of areas at present closed to travellers, and with the possibility of increasing trade now that the Cocom strategic controls are about to be relaxed. Nobody seems inclined to quarrel with the Nato council's dictum, in its Copenhagen communiqué last month, that "conferences at the summit are not the only way, or necessarily the best way, of conducting negotiations."

Talks and Tests

THE most promising field for actual progress at an early date still seems to be the gathering of experts to discuss how a suspension of nuclear tests could be supervised. Mr Khrushchev's latest message on this subject, delivered last Saturday, started some needless hares by urging that the experts should meet in Moscow instead of Geneva and that, as well as the three existing nuclear powers and France (which is nearing the threshold of the club), Poland and Czechoslovakia and "India and possibly some other countries" should be represented. But Mr Nehru, for one, has shown commendably little eagerness to snap at this bait; and there are indications that Mr Khrushchev's sensibilities about parity in numbers can be accommodated. At least the Russians do not seem to want the experts' meeting to become as large and cumbrous as a summit conference on the scale they originally proposed would be.

If it does prove possible to get the expert talks started within the next few weeks, this will end the unhappy period, now dragging on into ten months, during which there has been no substantial discussion of any aspect of disarmament between the powers. This vacuum was created by the Russians' decision, after they had tested their ICBM, to boycott disarmament talks in the appropriate United Nations organs, a boycott in which they persisted even after the UN disarmament commission had been enlarged, at their insistence, to near the point of ineffectiveness. The talks now projected will not be formally within the UN framework, but Mr Eisenhower has emphasised, in his messages to Mr Khrushchev, the need to keep the United Nations in the picture. Mr Hammarskjöld, who paid a brief visit to Britain this week, has not concealed his strong feeling of the need to draw the handling of disarmament back into a UN context. Significantly, he has now taken personal charge of disarmament questions in the secretariat, removing these matters from the scope of his under-secretary for political affairs, a post which is about to be occupied by a Russian, Mr Dobrynin.

RUSSIA AND FRANCE

Heads We Win

THE pace of events in France has driven the Kremlin to extremes of caution. Marshal Voroshilov was reported last week to have said that if General de Gaulle were good for France the Russians would welcome him, though they did not think he was. This report was denied in Moscow on the rather curious ground of non-interference in the affairs of other countries: a principle newly dis-

covered. Simultaneously, the correspondence from Paris in Soviet newspapers was toned down and the emphasis was shifted to straight reporting.

Moscow's caution has coincided with a certain softening of the French communist line. If the assumptions of French communist leaders (described on page 899) prove right, Mr Khrushchev need not be very gloomy at the prospect. Civil war, with risks of world conflagration, has been averted. On their analysis, the general will start the job of undermining Nato and a popular front will finish it off.

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But there is no certainty that the general will in the end give place to a popular front; and in the meantime Mr Khrushchev can overplay his hand. If he were to decide, in order to speed up the disintegration of the Atlantic Alliance, to invite the general to Moscow, the communist faithful in France—and perhaps elsewhere in western Europe—would suffer a shock comparable to that of the Hungarian insurrection, and the whole west European communist movement might suffer from the shock. It is being freely suggested that the Russians might contemplate inviting the general; but it would have political drawbacks.

RUSSIA AND JUGOSLAVIA

Mr Khrushchev's Trojan Horse

AMONG the communist competitors in being nasty to the Jugoslavs, Mr Khrushchev himself has now snatched the palm from the Chinese and the Albanians. On Tuesday he descended—apparently at very short notice—on the Bulgarian party congress in Sofia and in a heated harangue called Jugoslavia the "Trojan horse of imperialism," and maintained—as did the Chinese Communists two weeks ago—that the Cominform resolution of 1948 (for which he publicly apologised to Marshal Tito three years ago) was "basically correct." He alleged that the Americans would never give a communist country help unless it were serving their interests and declared that there could not be two kinds of socialism in the world—one which is "furiously hated" by the imperialists and another which they accept and support. In short, Mr Khrushchev appears to have decided to tell the Jugoslavs roundly that they must either stand up and be counted with the rest of the communist block or else stop pretending that they have comradely—or any other—connections with it.

Events will show whether Mr Khrushchev really meant what he seemed to say. There is, however, no convincing evidence that he himself has not undergone a genuine change of heart towards the Jugoslavs who have unmistakably asserted their independence; indeed, the very violence of his Sofia speech suggests the bitterness of disillusion. The Jugoslavs for their part have certainly lost their illusions about him. When Russia first "postponed" its economic aid after the Hungarian revolt they made the best of it; this time they have firmly protested and propose to demand compensation if Russia does not think again. They point out that Russian deeds are beginning to be "in terrible contrast" to Russian words.

This is not a situation which the west can watch with lofty detachment; for the chances of a genuine relaxation of tension between Russia and the western powers are bound to suffer if Moscow quarrels violently with Marshal Tito for allegedly being a tool of the west.

TERRITORIAL WATERS

Gunboats for Iceland?

THE British attempt to resist the extension of national fishing limits has been seriously challenged by Iceland's unilateral move to extend its territorial waters from four miles to twelve. The Faroe Islanders have followed the Icelandic lead. Norway is hesitating. The chain reaction, so much feared, threatens to set in, with the nations that have plenty of fish off their coasts seizing by national action what they could not get at Geneva by international accord.

For British trawlermen the prospect is a grim one. Talk of a "fish famine" in Britain is of course nonsense; Icelandic trawlermen can catch the fish and sell it here. But the loss of these traditional fishing grounds would be a hard blow for the deep-sea fishemen of Grimsby and Hull. Mutterings about Nasser, Makarios and gunboats can be heard. Perhaps Mr Sandys has abolished the last gunboat. But at least he might grunt the naval equivalent of "Let them eat cake" and send an aircraft carrier.

Unfortunately this may be exactly what the Icelanders would like. A vigorous political effort will have to be made to reach an agreement with our allies round the northern seas, preserving what rights within the twelve-mile line can be preserved for outsiders who have traditionally fished there. But nothing would do more harm to the British case in the eyes of the world than the sight of a peevish Britannia bullying a tiny ally. If the battle were to be fought in the waters off Reykjavik more modern political weapons would have to be used. Frog-fishermen, sprawling pathetically across the path of the oncoming kayaks, might offer passive resistance. But the Icelandic waters are cold. Paris, the headquarters of the North Atlantic Treaty Organisation for European Economic Co-operation, is the right place to resolve the dispute.

LIBERALS

Balancing on Which Fence?

NEXT Thursday the Liberals are putting their recent revival—and their administrative resources—to a considerable test by fighting three by-elections in Conservative-held seats on the same day. This week, in advance of that test, their party has been very much in the news. Mr Morgan Phillips—in a surprisingly sharp article in *Labour Press Service*—has castigated them for holding "unhealthy" victory torch parades, for facilely promising "easier times," and for seeming "to adapt their policy conveniently, according to the requirements of the constituency being contested" (remarks which recall that the proverbial pot was not wrong in calling the kettle black, but merely insufficiently abashed). On Thursday the resolutions submitted by constituency Liberal associations for next September's Liberal assembly were published—and, unhappily, a generally dreary lot of catchpenny resolutions they are. There is not a single worthwhile, vote-risking proposal among them. Finally, Mr Grimond has published an important pamphlet on "The New Liberal Democracy," which—this is not necessarily a disadvantage—is bound to annoy the Conservatives very much.

Mr Grimond's main concern is to explain what the Liberals would do if they held the balance of power in Parliament after the next election. In general, their principle would be to allow the party with most MPs to form a government, but to keep a veto on its activities. (The Liberals would not, for example, allow a minority Labour government to nationalise steel, or to undertake "a vast increase in government expenditure.") But if the other parties were fairly evenly balanced, the Liberals would have to make a choice. "There was a time three or four years ago," says Mr Grimond, "when I thought that the Conservative party might really turn into a progressive party." But now, although not finally committing himself, he is inclined to think that there may be more hope of liberalising the Labour party; and he is certainly intent on slapping down the would-be embrace of some Conservatives who have recently suggested that their party and the Liberals should automatically be regarded as cosy anti-socialist bedfellows together. "It now seems likely," says Mr Grimond, "that there will be a Tory party on the right and Liberal and Labour parties on the left."

This apparent assumption that a Labour government could be liberally tamed more easily than a Tory one could be liberally hotted up is controversial; if Mr Grimond, in such a position, could really liberalise the present Labour party, he would perform a signal service to the country. But also, one would have thought, a herculean one. The real question to ask, however, when reading this statement of policy by the Liberal leader, is whether it serves to liberalise the Liberal party itself: whether the trend is towards risking annoying a lot of people (but towards inspiring a lot of others) by moving towards the extreme centre, or towards annoying as few voters as possible by relapsing into the dead centre (for example, by not specifying which producers Liberals would hurt in their entirely praiseworthy stated objective of "putting the consumer first"). Unfortunately, it must be said, with considerable regret, that the trend of the Liberal policy proposals in this pamphlet still seems to be towards annoying as few special interests as possible.

DEFENCE

Forces and Commitments

MR SANDYS can claim two boosts for his policy this week. The first is the agreement with Germany on support costs. The second is a remarkably good batch of recruiting figures, which seem to improve his prospects of achieving his aim of all-regular volunteer forces of 375,000 men by 1961-62, including an army of 165,000. To make ends meet under his policy, Mr Sandys must increase volunteers and reduce commitments, and he has now visibly pulled the two ends nearer to each other.

Under the agreement with Germany Mr Sandys has at last reached a compromise which will bury the irritating argument about support costs for three years. This reduces the prospective annual cost of the forces in Germany in terms of foreign exchange from £47 million a year to around £30 million; and, besides paying a subvention of £12 million outright towards British budgetary and foreign exchange costs for three years, Germany is also depositing £50 million for arms purchases (which will further ease foreign exchange difficulties), and is advancing the repayment of three instalments of Germany's postwar debt. At the same time, it has been agreed with Bonn (though not yet with Nato) that British forces can be reduced from 55,000 at the end of 1958 to 45,000; the second tactical air force will be kept in Germany, but in what strength is not specified. Though this cut of 10,000 men is represented as a measure to meet the exigencies of foreign exchange costs, in fact it will also conveniently ease the manpower budget, since it represents almost a division saved for the strategic reserve. It may also be assumed that British arguments for the further reduction of forces in Germany have by no means been exhausted. For example the problem of keeping 45,000 regulars, as opposed to conscripts, fully trained as the German army takes over facilities formerly used by Rhine Army may well be used as an argument by the Ministry of Defence for further reductions.

Mr Sandys has increasingly to look forward to the situation which will face a British minister of defence in 1961-62 when it is planned that conscription will end. If the rate of recruitment in the first four months of this year is maintained (and Mr Sandys seems very confident that it will be), there will be in 1961 about 125,000 volunteers with the colours; with 20,000 officers, this would make a regular army of 145,000. If recruiting improves further—and it rose sharply in April—the final gap of 20,000 might be bridged; but if not, there will be a gap for a few years in which every regular will be desperately valuable—so that the fewer tied down overseas the better. On present recruiting the full force of 165,000 would be attained in 1965. The question will be whether there is a gap, therefore, and if so whether that gap is to be bridged by retaining some national servicemen or cutting things fine for a few years. It is clear enough which way Mr Sandys's inclinations will go if he should be still at the ministry. He will be for cutting things fine. But whether a regular army with 45,000 men in Germany, and 100,000 to 120,000 available for use elsewhere, will be enough in 1961-62 remains a completely open question. It is one that should be carefully debated in the months ahead before British conventional forces become too small to constitute an adequate "little deterrent."

EDUCATION

Demand for Teachers

THE 1960s are supposed to be a decade of great prospective reforms in education—of an increase in the school leaving age, a reduction in the size of all primary school classes below 40 and secondary school classes below 30, the introduction of county colleges for all from 16 to 18. In view of these plans—and in view, also, of the present welcome, but unplanned, tendency for children to stay longer at school voluntarily—there is going to be a need to bring perhaps 90,000 more teachers into the schools, above the present number of 247,000. Unfortunately, present plans to increase the teacher training course from two to three years mean that teachers from the training colleges may be reduced by a third, and at just the wrong moment.

The Central Advisory Committee for Education (England), which is reviewing the education of young persons of 15 to 18, is very concerned about this problem. In advance of its main report—which is due next year—its chairman has written to the Minister of Education, and drawn attention to this need for 90,000 more teachers; to the implications of the increased length of teachers' training; and to the decision, made some time ago, not to

increase the number of places in the colleges. Indeed, it looks as if the situation might grow even worse than present statistics suggest, because the bulge will probably not pass through the schools as quickly as was once forecast, owing to the continued high birthrate, and because there are signs that wastage from the teaching profession is increasing.

Mr Lloyd has referred the problem to the National Advisory Council on the Training and Supply of Teachers, who, it may be hoped, will make their recommendations promptly. If nothing were done, either plans for educational improvements would have to be ignominiously postponed, or an attempt made to carry them through with some sort of emergency teachers training scheme like that with which the gap was plugged after the war. This latter device, though perhaps better than nothing, would be an admission of failure and improvidence. The expansion of the universities may be expected to produce more graduate teachers in the sixties, but even if half the increase in university students now planned took to school teaching, this would not provide the numbers required. Somehow, therefore, more teachers must be got out of the training colleges.

THE UNIVERSITIES

Seven per cent Students?

THE Government has promised grants for university building which are intended to bring the number of students from about 97,000 this year up to 124,000—and possibly 136,000—in the mid-1960s. This figure is based very broadly on the anticipated national needs of technologists and teachers, together with population trends of school-leavers: and it is no doubt related also to the Treasury's estimate of tolerable budgetary costs. But this has always left out of account the question of how many young people in this country should ideally have a university education. It is a complex question, but interesting light on it is shed by the "Report on a Policy for University Expansion" published recently by the Association of University Teachers. After some preliminary, and useful if demnish, observations on what a university education should be, the report estimates that the schools could in principle increase the number of boys and girls taking two subjects in the GCE at advanced level by 55 per cent over 1954, and that the university intake could be correspondingly increased. The proportion of the population which has a high enough IQ, or native intelligence, to meet present university entrance requirements is estimated at 6.9 per cent, compared with the 3.2 per cent which reached the universities in 1954.

To bring to the universities and technical colleges 95 per cent of those who could benefit at the present minimum intellectual level prescribed would, the report calculates, require at least 145,000 places in British (excluding Northern Ireland) universities by 1965. If teachers' courses and some university courses were lengthened, the required student population would be raised from 145,000 to 185,000. Clearly, even on the basis of present university entrance standards, it will be necessary to raise the Treasury's sights if British higher education is to be made adequate to the nation's real mental potential—by at least five new universities of about 4,500 students apiece, besides some further expansion in existing universities. But the Association of University Teachers is disappointingly cautious about this prospect; even if the money were available, it doubts if the university staff could be recruited on such a scale.

The short reply to the last objection is that the proportion of seconds among dons (now 41 per cent) will have to be increased. And a short commentary on the association's estimate of the potential student population is that it leaves entirely out of account the need to provide some form of higher education for those who cannot be crammed through GCE with two passes at A level. The real need for university expansion is thus even greater than this otherwise imaginative and valuable report suggests.

BELGIUM

Poised See-Saw

IN the next few weeks, Belgium's political leaders may face some tricky negotiations as they attempt to form a government; for the electoral see-saw has swung the former opposition, the Christian Social party, into delicate balance with the left-centre coalition parties. The coalition of socialists, who held 86 seats in the assembly, and liberals (25) has enjoyed a comfortable majority over the Christian (catholic) party (96 seats) ever since 1954, when a long period of right-wing government was brought to an end. In last Sunday's poll the catholics have made a comeback. They now have 104 seats in the chamber compared to a mere 105 between liberals and socialists combined. In the senate, or upper house, the catholics may have an outright majority.

The next government may therefore be an awkward match between catholics and liberals or all three major parties combined. But election battles cannot be forgotten overnight. It was on the timeworn schools issue—the lay parties demanding financial priority for state-owned schools, the catholics equality between these and catholic schools—that the catholics won most votes last Sunday. And they have promised to cut conscription from the present fifteen months to twelve.

To Belgium's allies, however, these differences are less important than the common ground between all the major parties. There are two communist deputies in the Belgian parliament. All the other deputies give sturdy support to Nato and European integration. Even the catholic offer to cut conscription owes a good deal to the example of other allies. Nor should a change of government bring much change in economic policy. Belgian heavy industry, a weathervane of the world economic climate, has suffered more from the current depression than any other area in Europe, but the economy as a whole is being sustained by the good business the Brussels fair is bringing in. The exhibition and the impressive new road system Belgium is building are important features of the expansive economic policy introduced by the last government. A new government could hardly abandon this in a time of world recession.

SWEDEN

Tantalising

TANTALUS, whose fingers were never quite able to close on the succulent fruits that hung above his head, would sympathise with the emotions of the Swedish prime minister this week. Hr Erlander and his Social Democratic government fought last Sunday's election almost solely on their proposal to crown the welfare state with a generous (and compulsory) system of supplementary pensions. They succeeded in rallying their party's slowly declining electoral fortunes as much as their most optimistic supporters had hoped. By winning six extra seats, the Social Democrats have restored themselves to their 1948 strength. On that basis they would, if they accepted the support of the five communists in the new chamber (having subtracted one from their own total, as they have to provide the Speaker), be able to put through their pensions Bill with the narrowest possible margin of 116 to 114. But the postal votes remain to be counted next week, and these invariably favour the right wing. The Conservatives hope to gain one seat in Stockholm from the communists, which would produce a tie, 115-all, the Speaker having no casting vote. If the Liberals recover another from the Social Democrats in Örebro, as is possible, the supporters of a compulsory pensions scheme will once more be in a minority.

Hr Erlander will not offer his Bill again until next year.

Sand on Their Boots

FROM the first sounds of breaking glass and splintering woodwork in the Algiers government building, the British press pricked up its ears and gave the French crisis the full treatment. News editors and everyone else looked only to Paris; the *Daily Telegraph* even datelined a leader from there. President Gronchi, the London busmen, and Jerry Lee Lewis's child-bride found themselves pushed on to inside pages. Among Fleet Street's regulars, in addition to Mr Cousins, only Archbishop Makarios and Manuel, the Glasgow murderer, ever really broke back into the headlines until Marianne's head had safely rolled into the wastepaper basket.

The general was Fleet Street's favourite early on, and by the end he was given general backing. The *Daily Mail* made its jump first. "It is not for us," it wrote stiffly on May 15th, "to take sides in what could be a new French Revolution." But by the 20th it found the general "like Churchill in a way." The *Telegraph* was not far behind. On May 22nd it was still saying: "Let us hope . . . that M. Pflimlin's exceptional majority is more than a temporary expedient." But the next time it wrote, two days later, it was coming round: "Cincinnatus is an awkward character; but there is every reason to believe that he is genuine and not a second edition of the 'Prince President'."

Parisians who turned to Fleet Street when the censorship descended on their own papers did not need to look far for the Gaullist bias. "Midnight Crowds Go Wild With Joy" said the *Daily Express* on May 30th when President Coty sent for the general. "Don't Try to Stop Him," said the *Mail* ominously on the same day above a picture of General Massu. But the prize for understatement went to the *Chronicle* for its headline: "His Plan: Send MPs on Holiday." As it was, headline writers generally had a hard time of it. The one day that the *Manchester Guardian* chose to give the crisis a banner line across the front page was May 28th. "Pflimlin Accepts de Gaulle's Challenge" it proclaimed in its London edition; before London read it M. Pflimlin had already resigned.

Anyone who relied on the London evening papers could have been pardoned for believing that M. Pflimlin had gone long before. The chorus was unanimous. "De Gaulle Is In—Pflimlin Out" said the *Standard* positively on May 27th. "Yes, It's de Gaulle," the *News* confirmed. Next day there was some climbing down "Coty Speeds Move to Call de Gaulle," said the *Standard* lamely. But at least it had tipped a winner.

Scoops were rare, and sometimes dearly bought. The *Daily Mirror's* "Flight from Paris" on Saturday, May 17th (inspired by the customary rush of weekending Parisians down the *Autoroute de l'Ouest*), was corrected on the 19th, but this only gave piquancy to Mr Cecil King's statement on the 21st that denunciations by fuddy-duddies "must puzzle the many millions who look to the more sprightly papers for guidance in national and international affairs. . . . " Other notable stories to which there were no follow-ups included Mr Delmer's 40,000 miners, armed by M. Jules Moch to stop the Gaullists (*Express*, May 20th) and the *Mail's* scarifying discovery: "Paratroops Landed Secretly in France" (May 28th). Did they have sand on their boots?

Personal reputations were, naturally, there to be enhanced. Among those who received published accolades were Mr Delmer, Mr Randolph Churchill (whose interview with General Massu was printed in both the *Express* and the *Standard*), and Mr Michael Foot, who was actually expelled for insulting President Coty. After Mr Foot's exclusive story, rivals did not talk so loudly about how often their editions had been seized by the Paris police. The *Daily Herald* (May 31st) allowed Mr Foot his own bid for historical fame: "I have no doubt that if Thomas Paine had been in Paris during these tremendous days he might have been expelled, too." Why "might"?

The less sprightly papers treated the crisis in their own ways. While the *Manchester Guardian* gave its readers a leader in French, *The Times* doggedly translated despatches from *Figaro's* correspondent in Algiers, M. Serge Bromberger. When *The Times* did get a man to Algiers two of his messages reported successive phases of the situation together on June 1st. On one page the leaders of the coup had been struck by a "proverbial thunderbolt" at the news of General de Gaulle's cabinet; on another, not having got so far, they were still relaxing in the hour of victory and giving away their little secrets. One of these was General Massu's sense of moral distaste at the third-degree methods he had to practise in Algiers against the FLN. But "it was his duty as a Christian and a soldier to go on with the work. This must be said to put into perspective the various wild stories about tortures which circulate in liberal circles in Paris and London."

Several axes were ground bright and sharp before the public gaze. The *Daily Worker*, with the London busmen to champion as well as M. Duclos, found the answer on May 29th: "Only unity can hold off fascism in France. Only unity can defeat the Tories in Britain." On June 3rd the *Worker* printed the heading "Dictator" above the picture of—Sir John Elliot. To the *Daily Express* on May 30th General de Gaulle was the man who "would certainly have carried through the Suez affair once it had been launched," to the *Sunday Express* (June 1st) he meant "curtains" for united Europe.

This was not Fleet Street's shining hour by any means, although many of its correspondents did valiantly and deserved much better of their sub-editors at home; there were some splendid cartoons, including notably those of Illingworth and Ronald Searle. And what was the total effect on the reader? Among so many competing voices perhaps the one clear message was the *Mail's* on May 16th: "As we said yesterday, the West is in danger."

His best hope might then be to amend it just enough to win over a few Liberals, the only one of the three non-socialist parties who favoured any legislation at all for supplementary pensions. But the Liberals, losing twenty of their 58 seats, have just suffered a stinging defeat. Their leader, Professor Ohlin, says that they will not support the Social Democrats' Bill, and the survivors of the slaughter are likely to conclude that they suffered because they went too far to the left on the pensions issue. Swedish politics are moving into a new and more bitter phase. The leading position of the Liberals in the opposition during the past decade marked the triumph of compromise and a general acceptance of most parts of the welfare state. Now the *centrifugal* forces seem to be reasserting themselves. Leadership of the opposition passes to the Conservatives, who are not only against establishing a right to supplementary pensions by law but are also committed to substantial cuts in the existing social services. If the Social Democrats try to push through their pensions plan unchanged, with the aid of the communists, the opposition's protests will be acrimonious. The Agrarians (who now call themselves the Centre party, although the adjective fits the Liberals better) were the Social Democrats' allies until last autumn, but they have just scored a major success by flatly opposing their former comrades on the pensions issue. As the rival forces gather themselves farther out to right and left, the rumble of impending battle gathers over Sweden's long political calm.

BRIGGS MOTOR BODIES

Stewards in Retreat?

An announcement from Dagenham last Friday should ring a bell. The twenty-two unions with workers at Briggs Motor Bodies, a subsidiary of the Ford Motor Company, have agreed in principle that conditions of work should be standardised throughout the Ford organisation. This could mark an important shift of power in this former stronghold of the shop steward movement. On the face of it, there would seem to be little for the unions to object to in the company's plans which, by regrading workers and altering the system of tea and wash breaks, would enable considerably higher wages to be paid at Briggs. But for nearly five years the Briggs shop stewards have used their powerful influence against the proposals because, irrespective of their benefits, they would make factory conditions less a matter for shop floor bargaining and more one for negotiation between company and union executives. These stewards will now doubtless do their utmost to see that their unions' agreement to standardisation in principle never means anything in practice.

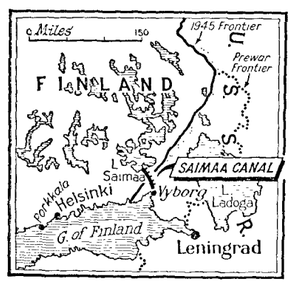
There are indications, however, that the shop stewards' power has been on the wane since the strike in February of last year, over the dismissal of Mr McLoughlin for ringing a bell summoning the men to a meeting in working hours. Until then the stewards had been allowed virtually a free rein, and their committees had become "unions within a union," disposing of large funds raised by lottery, running a belligerent newspaper and generally pursuing a very militant line. The ordinary workers considered themselves helpless under the rule of this private empire; as one leader of the General and Municipal Workers put it this week (at a conference of that union which has been remarkably courageous), any worker at Briggs who was singled out as being against the stewards felt that he was "for the high jump." In the fifteen months before the McLoughlin strike, there had been 289 minor unofficial stoppages at the works, an average of more than one every other day. But since then, and in spite of prophecies that the company's "tough" policy would create more ill feeling than ever, labour relations have much improved and the number of stoppages has dwindled away. There is thus a reasonable chance that the company's proposals, which have still to be signed by each union individually after consultation with their members before they can become effective, will go through. If they do, the story of Briggs since the company stood up to the McLoughlin strike will deserve to be regarded as a very significant one.

FINLAND

Eyes and Hands

"The Finn does not believe until he sees." Quoting this proverb at a Kremlin dinner last week, President Kekkonen tried to reassure his hosts that although his fellow countrymen were apt to be "unduly sceptical," they would eventually come to share his own complete trust in Russia's goodwill. "Even the most stubborn Finn is convinced by facts that he can feel with his hands." When Mr Kekkonen went home on Saturday, he took with him two things that any Finn could see: a promise of a long-term Soviet credit *running to about £40 million*, and an offer of transit rights through the Saimaa canal. But many Finns, especially those who (as the president apologetically admitted in reply to a forthright speech by Mr Khrushchev) still tend to "rake up the past," may be inclined to reserve judgment on the value of these things until they can feel them with their hands.

The Saimaa canal was one of Finland's main arteries before the 1939-40 war. It links the open sea with the network of lake and canal routes that give access to the country's chief source of wealth —its forests. Unused since Russia annexed the Vyborg area, including half the length of the canal, it has fallen into such neglect that the Finns reckon it would cost well over £10 million to reconstruct it. Under the agreement now envisaged, each country would repair and maintain its own part of the canal, and Russia would lease to a Finnish agency sites for the storage and transhipment of cargoes at the sea end. But it does not look as if the Finnish seaman's union will get the treaty rights on strips of land along the banks of the canal about which it has been insistent.



As to the promised credit, the Finns, who had hoped for a loan in gold, can now expect only deliveries of Soviet goods and equipment. The offer of equipment for the iron and steel works which they want to erect in the north must be tempting to a country beset by serious unemployment and foreign exchange problems. But cautious Finnish eyes have noted that just a few days before Russia made this offer, it abruptly cut off the larger credits which it had granted to Jugoslavia—a blatant use of economic pressure for political purposes, about which the Soviet press has, understandably, not informed the Russian public. Cautious Finnish hands may soon be feeling round the back of the "selfless and unconditional" offer of aid to see how many strings are attached.

BURMA

U Dum and U Dee

Like *Tweedledum* and Tweedledee, the two rival factions in Burma's ruling party have agreed to have a battle. The rules, announced a month ago, provide that whichever side is defeated in the imminent parliamentary trial of strength will become a loyal opposition. Each group is to get half the party funds. Officials are not to be victimised for having backed the loser. "Both sides should practise friendliness by attending each other's functions." The prime minister, U Nu, is sure that the soldiers will not be tempted to intervene, because they "hate the practice of the army seizing power, and are fully aware of the futility of this practice, as proved in many countries." *O si sic omnes.*

It all smacks of cricket—with bodyline bowling banned. At first both U Nu and U Ba Swe (who held the premiership for eight months in 1956-57 while U Nu was trying to reform the party) showed a preference for the umpire's role; but as the split in the party widened, they were forced to take different sides. U Nu is now captaining the Establishment team, while U Ba Swe opens the batting for the challengers together with another deputy premier, U Kyaw Nyein, who looks like hitting out pretty vigorously all round the wicket.

The real winners may prove to be the communists. The opposition National United Front, which they dominate, has hitherto been dwarfed by the huge parliamentary majority of the ruling Anti-Fascist People's Freedom League. They have now taken a hand in the game by pledging U Nu their support. The split in the League is bound to strengthen immediately their tactical position; and the premier may well face an embarrassing choice between surrendering office and retaining it with the Front's help. But in the long run Burma stands to gain much by acquiring a vigorous democratic opposition. The League, which has been in power ever since 1948, the year of independence, is ridden with faction, favouritism and lethargy; and all attempts to reform it from within have failed. It is much farther gone in decay and disunity than India's Congress party—although less than Pakistan's Muslim League. The present rift arises, it seems, more from rivalries between individual personalities and cliques than from anything else; but even a rift of this kind, "as proved in many countries," can lead to the birth of a healthy two-party system. May the spirit of fair play outlast this week's parliamentary Test.

NEW VOLUNTARY HOSPITAL

The Triumph of David

Exactly seven years ago, David—in the shape of a group of general practitioners in the Kingston and Malden area of Surrey—began his second fight against Goliath—in the shape of the South-West Metropolitan Regional Hospital Board and the whole weight of bureaucracy. David had lost the first fight. The regional board had closed the Kingsten Victoria Hospital, a hospital run by general practitioners with the assistance of outside consultants, in order to transform it into a *gynæcological unit* for the Kingston general hospital, and the Ministry of Health had upheld the board's decision. Thereupon the displaced doctors, convinced that it was against the interests of both the patient and good medical practice for the general practitioner to be excluded from the hospitals, as the structure of the health service demanded, set up a trust to raise enough money to start a new voluntary hospital of their own.

Against all odds they have succeeded, and the New Victoria Hospital opened its 21 beds to patients last week. The doctors, general practitioners and consultants, are *unpaid*; they will treat acute medical and surgical cases; and there will be out-patient clinics. Funds for the new hospital have come in from all over the world, but the bulk has been raised from local sources and by time-honoured methods: subscriptions (ordinary and covenanted); house to house collections; collecting boxes; entertainments; the collection and sale of salvage. The patients, however, will not be asked, as they were under the old voluntary hospital system, to contribute what they can afford towards their treatment and maintenance, unless they elect to have one of the two private rooms, for which the full cost will be charged.

It is, however, one thing to whip up funds to launch a venture and quite another to raise enough to maintain it over the years. The hospital still has to consolidate its initial triumph. Is there a big unsatisfied demand for a small hospital where patients can be cared for by their own doctors? If continued local support for the New Victoria proves this, it is something to which the Ministry of Health must pay attention. That department, and the regional hospital board, ought also to look at the New Victoria's costs. They are estimated at £13 6s. a patient a week. This sum, after allowance is made for the unpaid services of the medical staff, is about £2 a week cheaper than the cost of similar hospitals in the same region. If this apparent financial advantage is genuine, and if the advantage is maintained, the new hospital will have a part to play in the fight to keep down hospital costs throughout the country.

CONSUMERS' PROTECTION

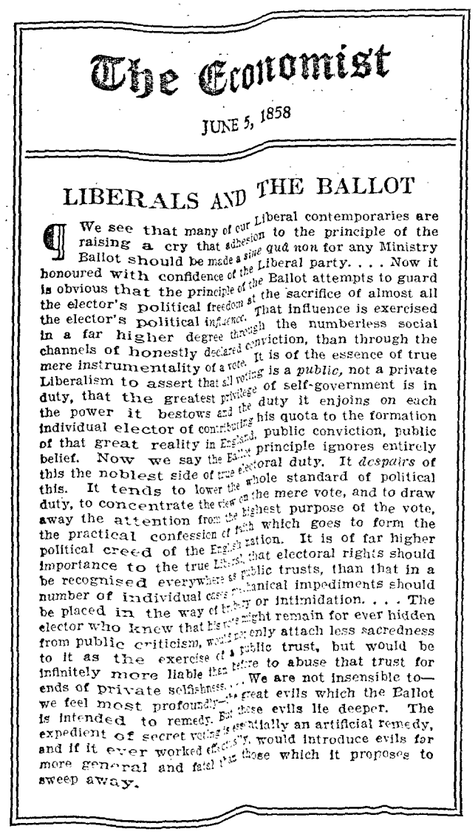
A Fabian for Efficiency

Over recent years several influences have coincided to focus public interest on the question of consumer guidance. On the technical side there is the development of synthetic fibres, detergents and plastics; much more technical expertise is needed to judge these than the ordinary buyer—even when quite competent to assess more traditional wares—can bring to the job. On the economic side, rising standards and hire purchase have between them increased the weight, in the normal domestic budget, of "consumer durables" such as refrigerators and television sets; a mistaken once-for-all purchase matters much more than an equally "bad buy" of perishable goods. On the legal side a salutary change of expert opinion has made possible the launching, without fear of libel actions, of the semi-official Consumer Council with its quarterly "Shoppers' Guide" and the wholly private Consumer Research, Ltd., with its more sharply discriminating periodical

"Which?" Finally, recent publicity about the murkier techniques of advertising has helped to make consumer education a live issue.

The latest expression of this growing influence is a Fabian research pamphlet, "Efficiency and the Consumer,"* which provides a critical survey of the whole field of consumer protection—from the various Weights and Measures Acts, Food and Drugs Acts and Merchandise Marks Act to the two consumer-guidance organisations and certain instructive measures applied in other countries. It is a sensible and liberal-minded study, patently concerned—unlike certain previous publications on similar themes—with helping consumers to get what they want rather than with making them buy what the enlightened Left thinks proper or with slapping down the business man. Indeed, except for a rather silly attempt to attribute all the benefits of the Conservatives' Merchandise Marks Act of 1953 to pressure from an Opposition which had neglected the matter through six years' tenure of office, "Efficiency and the Consumer" bears very few signs of party origin. The author advocates more action by local authorities under the Merchandise Marks Act; clearer division of labour, rather than amalgamation, between Consumer Research and the Consumer Council; a state service to get information to where it is most needed; and an educational campaign through the co-ops, the trade unions, the women's institutes, and above all the schools. With reservations about the proposed state service—especially when seen in a socialist context of increased public enterprise and consequently increased political pressures—all these aims are commendable. The educational programme which is suggested has the added advantage that a generation which had assimilated it would be armoured not only against the wiles of advertisers, but also against a very large proportion indeed of currently popular socialist tosh.

*"Efficiency and the Consumer." By C. D. Harbury. The Fabian Society. 32 pages. 2s. 6d.



The Economist

JUNE 5, 1858

LIBERALS AND THE BALLOT

¶ We see that many of our Liberal contemporaries are raising a cry that adhesion to the principle of the Ballot should be made a *sine qua non* for any Ministry honoured with confidence of the Liberal party. . . . Now it is obvious that the principle of the Ballot attempts to guard the elector's political freedom at the sacrifice of almost all the elector's political *influence*. That influence is exercised in a far higher degree through the numberless social channels of honestly declared conviction, than through the mere instrumentality of a vote. It is of the essence of true Liberalism to assert that all voting is a *public*, not a private duty, that the greatest privilege of self-government is in the power it bestows and the duty it enjoins on each individual elector of contributing his quota to the formation of that great reality in England, public conviction, public belief. Now we say the Ballot principle ignores entirely this the noblest side of true electoral duty. It *despairs* of duty, to concentrate the view on the mere vote, and to draw away the attention from the highest purpose of the vote, the practical confession of faith which goes to form the political creed of the English nation. It is of far higher importance to the true Liberal that electoral rights should be recognised everywhere as public trusts, than that in a number of individual cases mechanical impediments should be placed in the way of bribery or intimidation. . . . The elector who knew that his vote might remain for ever hidden from public criticism, would not only attach less sacredness to it as the exercise of a public trust, but would be infinitely more liable than before to abuse that trust for ends of private selfishness. . . . We are not insensible to—we feel most profoundly—the great evils which the Ballot is intended to remedy. But these evils lie deeper. The expedient of secret voting is essentially an artificial remedy, and if it ever worked effectually, would introduce evils far more general and fatal than those which it proposes to sweep away.

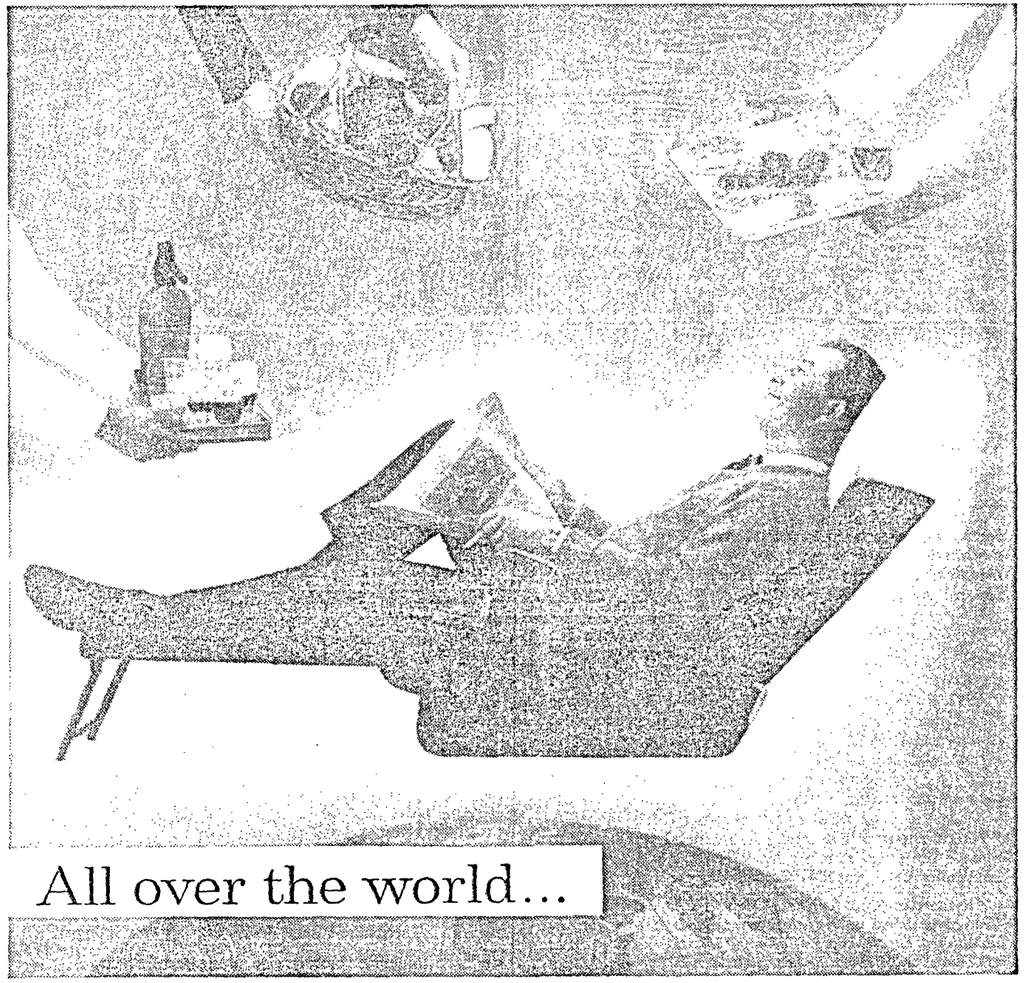
CHINA

A Mountain of Posters

THE gap between the rosy speeches of politicians and the drab reality outside the conference hall is hardly a monopoly of the communist world. But neither Mr Macmillan nor Mr Gaitskell on the eve of an election could, even if they wished, compete with Mr Liu Shao-chi, the ageing theoretician of the Chinese Communist party. In a speech before the party's eighth national congress in Peking, Mr Liu referred to the "posters with big characters" that are being put up all over his vast country as part of the campaign of criticism and self-criticism. A speaker's denunciation of himself and others is normal communist procedure, but in China it has become a revolution by boredom, a bloodless form of terrorism that is China's special contribution to the art of ruling without the consent of the governed.

In this method, the poster has become a gadget of universal utility. Some weeks ago the *People's Daily* was saying that the power of the poster lay in the fact that "everything is revealed in the sunlight." Mr Liu spoke of it—and of the debates that went with it—as "the noble, communist way of doing things." He might have added that nobility, in this instance, was coupled with extravagance. In Peking, the ubiquitous street committees have been making housewives produce their quota of posters; children have been neglecting their homework to write posters criticising their teachers and the teachers themselves produced 2,000 each, criticising one another. Some buildings virtually disappeared behind posters and the *People's Daily* carried a letter from eight clerks complaining that they had to attend so many anti-waste and rectification meetings that no time was left to carry out the suggestions they received.

Posters apart, the main emphasis of the congress has been on "leaping progress" at home and, abroad, on virulent denunciations of Jugoslav revisionism. In the face of opposition from intellectuals, "bourgeois rightists" and national minorities, there does indeed seem to have been progress in China in recent months. Mr Liu claimed that production during the first four months of the year was 26 per cent higher than in the same period last year. Chairman Mao Tse-tung's slogan, "Catch up with and outstrip Britain in 15 years"—which Liu quoted—seems nearer to coming true in coal than in steel. Mr Liu expects China to produce 180 million tons of coal this year, and 7.1 million tons of steel. Great increases in productivity are also claimed. Whether these encouraging signs are being registered because, or in spite, of rectification and other unproductive campaigns is difficult to determine.



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Answers to correspondents

"Why have special glasses for drinking sherry? It's the same sherry whether it's served in a tumbler or a tankard."
—H. B., Droitwich.

And how right you are, H. B.! But it's good housekeeping to serve sherry in a small, tulip-shaped glass—that way the bottle lasts longer. After all, if you cut cucumber sandwiches as thick as doorsteps instead of wafer thin, you'd soon run out of bread, wouldn't you?

"My friend was refused a small sherry in a wine bar because he wasn't wearing a jacket. Is this in order?"
—Indignant, Balham.

There is no law that coats must be worn when drinking sherry, and I must confess that on occasion I have removed mine before sitting down, in the solitude of my little den, to a bottle of Mackenzie's Vintners Cream! Without knowing the full facts of the case I hesitate to give an opinion. Perhaps the man was wearing braces.

"After a sherry at our annual staff dance I was unable to remove the glass from my nose. How can I avoid this happening next year?"—Wendy, Harrow.

How embarrassing for you, Wendy! I hope it is off now. The conventional sherry glass certainly is a trap for the uninitiated, but the knack of draining it to the last drop comes with practice. Throw the head well back and follow through with the elbow high. Good luck!

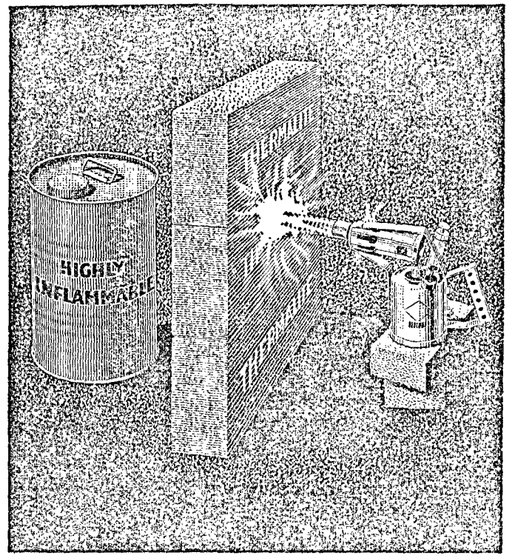
"Unaccustomed as I am to public drinking, I'm always at a loss for words about wine, and so have to drink alone. Could you lend me the book called "Oenophilia" which you reviewed recently?"—Tongue-tied, Surbiton.

Alas, the only copy is now wedged under my sideboard; if I remove it, the bottles might fall off. But don't despair: fine words flow freely after a fine wine.

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LETTERS

Training for Teachers

SIR—I hope that you will allow me, as *someone with* experience of several colleges none of which is connected with the London County Council, to correct some misconceptions in your article of May 24th on teachers' training colleges.

The expression "teacher factories" is quite unjustified by the conditions in any training college. The education given in the colleges is adapted to each student's abilities and is governed as regards academic studies by his or her own choice. Certainly none of the colleges maintained by the London County Council is among the group of those with more than 400 students. Moreover, they are all well known for their liberal conception of life and study.

It is a pity that your correspondent allows himself to make such unwarranted and tendentious statements as "a number of the colleges are simply not good enough to imprison a girl for a third year." It shows that he does not realise that the responsibility for the academic standards of every college rests upon one of the area training organisations, nearly all of which are under university auspices. One academic subject at least, carried to quite a high level, is a requirement for the students in every area training organisation.

The assertion that the decision to increase the length of the course from two to three years was purely political is quite unfounded. The National Advisory Council which recommended this reform to the Minister of Education represents the universities, the employing authorities, and the teachers' organisations, as well as those concerned with the training of teachers.

The suggestions that the longer course should be introduced piecemeal or should be restricted to certain colleges or certain groups of students are not new. They were fully considered in discussions leading up to the final decision and were emphatically rejected as unworkable. Different branches of the teaching profession face different kinds of demands, some more intellectually rigorous, others requiring deeper professional insight. But among teachers and those who staff the training colleges there is a profound conviction that three years is the shortest time in which a student can develop sufficiently in depth of thought, breadth of knowledge and personal experience to be ready to embark on the education of children. The purpose of the extra year is indeed to give what all teachers need, that further education of which your correspondent writes.—Yours faithfully,

Whitelands College, Putney E. M. WILLIAMS, Principal

Gas Under Pressure

SIR—Your article of May 31st does not mention one important reason why gas may be failing to compete with electricity for domestic use. This is the higher capital cost to the householder of gas heating installations. As an example, two years ago I was quoted £89 for the supply and installation of an instantaneous gas water heater (in a new house being built) compared with £20 for an electric immersion heater. Also there is the capital cost of the additional flue construction needed if gas fires are used for supplementary space heating.

These costs are not entirely under the industry's control, but they must seriously affect future gas sales.—Yours faithfully,

Hatfield A. H. LECKIE

Cyprus

SIR—Your correspondent in Nicosia wrote in *The Economist* of May 10 that I have "lavished professions of allegiance on the archbishop, as the obvious leader of the Greek Cypriot community—but at the same time I have doggedly maintained that whenever negotiations take place, the Left must have a share. . . ."

I would like to make the position of the Pancyprian Federation of Labour more clear. No Cypriot disputes the ethnarchic role of the archbishop. Your correspondent correctly writes that our federation recognises the archbishop as the obvious leader of the Greek community.

We accept the archbishop as the chief spokesman for the whole community in any future negotiations and as during our recent talks with him in Athens we realised an almost complete identity of views on all most important issues, we do not rule out every idea of authorising his Beatitude as the sole spokesman.

The important question at present is not whether the Left—or any other political group—must have a share in any future talks. The important question is how to get the British Government to understand that the return of the archbishop is one of the prerequisites for the restoration of that peaceful atmosphere suggested by the United Nations General Assembly.—Yours faithfully,

ANDREAS ZIARTIDES
Pancyprian Federation of Labour

Tanganyika

SIR—Your special correspondent's reply to our letter of May 31st is misleading.

What does he hope to prove by stating that "total revenue in 1957 was more than twice that in 1949"? If he means national income more than doubled in that period, where are the figures? We know of none published before 1952 or after 1954. If he means that tax yields (in money terms, note) measure changes in real national income, he is out on a limb. This would only be so if tax rates remain constant and the coverage of the tax system remains the same. Over the period in question, there have been changes in tax rates and an extension in coverage in Tanganyika, not to mention considerable delays in tax collection. If we applied this second interpretation to the UK, the real national income would appear to have risen nearly six-fold over the last twenty years!—Yours faithfully,

ALAN T. PEACOCK
D. G. M. DOSSER
Edinburgh University

Buses

SIR—One very important hindrance to the reduction of costs by omnibus operators was omitted from your most interesting article in last week's issue.

Leyland Motors now offer a double-deck bus of revolutionary design, with front entrance, and rear engine, seating over seventy passengers. Unfortunately, however, the unions have been most obstructive, and have prevented the widespread introduction of this vehicle. Their argument is that as fewer buses will be needed to carry a given number of passengers, fewer crews will be necessary, and redundancy will result.

A second method by which costs could be reduced, and more people encouraged to make trips by bus, would be by speeding up services. At present, most services operate on an average speed of 16 mph, except in some country areas where 20 mph is worked. If the Ministry of Transport would allow a higher maximum speed for public service vehicles, in line with their modern power and braking efficiency, the companies could operate with 20 per cent fewer vehicles, 20 per cent faster. One of the reasons for the popularity of the long distance express coach services is that the coaches used on these services normally travel at far above the maximum speed which is legally permitted.—Yours faithfully,

Oxford JOHN V. ORMSBY

Treatment of Offenders

SIR—With reference to your comment on the treatment of offenders last week, may I draw your attention to the Margery Fry Memorial Fund?

Margery Fry had a life-long interest in the prevention of crime and the treatment of offenders. It is envisaged that the fund might be used for such purposes as the granting of scholarships; the financing of research schemes; the setting up of pioneer projects for the rehabilitation of offenders; and that it might help the establishment of an Institute of Criminology.

It is hoped that many people will give generously to this fund. Donations should be sent to: John Cole Esq., 66, Lincoln's Inn Fields, London, W.C.2.—Yours faithfully, HUGH J. KLARE

Howard League for Penal Reform, S.W.1

BOOKS

War in the Desert

The Sidi Rezeg Battles, 1941

By J. A. I. Agar-Hamilton and L. C. F. Turner.
Oxford University Press. 565 pages. 52s. 6d.

THE second volume to be published of the official South African war histories shares the merits of the first ("Crisis in the Desert") by the same hands: clarity, vigour, fairmindedness, a gift for visual topography, and readability. The product of careful and detailed research into British and enemy papers and memories, the narrative swings freely from the exploits of a solitary patrol, the cold darkness of a single desert night, to the rigorous consideration of the broader strategy of the campaign, without losing either perspective or the "feel" of the battle.

Indeed, maybe there is too much perspective. If this volume shares the virtues, it also continues the severely critical approach of its able predecessor, the tone of austere omniscience (occasionally—and embarrassingly—punctuated by a rather nudging facetiousness): this results in a diminution all round, the indication that everyone was pretty poor at his trade, so that the not especially impressive South African performance lies blanketed in the general amateurishness. Not that the South Africans' contribution stays less rebuked than the rest's, but it emerges into a conclusiveness: nobody was very efficient, but some were very brave. "Crusader" may not have been a very clever battle; even so, it was not fought by dwarfs. It would be grumbling especially about an admirable study, to make too much of this—men are touchy about a desert where friends lie buried; moreover, one is astonished how successfully the writers have recaptured the tone of this particular operation, in which morale seeped upwards rather than down, even (so the book suggests) affecting the planners, of whom there were, evidently, too many. Few armies can have gone into battle in such high spirits as the Eighth Army into its first; perhaps that was why. Nor can the saga of "Jock" Campbell be told again too often.

In a most valuable chapter the authors argue that Britain's so-called inferiority in tank armament was less marked than some will recall; what was at fault was rather the doctrine—or at least the practice—of pitting tank against tank.

British tank cannon, it is clear, were due far more to the need to their own anti-tank opposite batteries on the other hand. British tank crews generally had no system of co-operation with their artillery, and of their complete inde other arm of the service.

If this was so, the eventual plan was the more unfortunate since it depended initially upon three armoured brigades, not in mutual support, seeking out the enemy armour, Ariete at Bir el Gubi and the two Panzer divisions in areas unknown, before striking into the rear of the enemy investing Tobruk; not enough had been learned from "Battleaxe" in June. Only Norrie among the senior commanders seems to have seen the issue straight and the importance of Sidi Rezeg from the beginning; and he kept his head throughout. Once more, the authors are mystified by "Strafer" Gott; again, the ubiquitous Rommel is portrayed as less competent than some of his subordinates; yet again, the strong wind of Auchinleck's determination blows fresh throughout the book. Its first half is the better, perhaps because of the nature of the battle. It would be unfair to expect a false tidiness thereafter, when as the result of Rommel's "dash to the wire" (here clearly revealed as not directed at British dumps), all became confusion. Each side in these admirably delineated chapters of accidents was rescued by the other's errors, the battle being won when one of them became aware that he was beaten.

> The casualties of Eighth Army had been heavy. . . . Tank crews were bewildered by the serious losses . . . and the very necessary caution which had replaced the dashing gallantry of the first clash might easily become excessive. The infantry had suffered equally. If the forces of the *Panzergruppe* were approaching exhaustion, so were those of their opponents, and it was very doubtful whether the latter would be capable of the vigorous action needed to eject the Italian and German forces if they did not choose to go of their own accord.
>
> In the end it was the imponderables that decided the battle. British generalship is open to many criticisms at this stage but it was not lacking in the necessary quality of resolution

—least of all Auchinleck's.

Second Empire, Revised

The Political System of Napoleon III

By Theodore Zeldin.
Macmillan. 196 pages. 24s.

EVER since 1789 French politics have been, in the English view, in more or less chaotic confusion, with tumults such as rage at the present day never far below the surface; and Louis Napoleon's reign as prince president and emperor has seemed, under a superficial appearance of order, as chaotic and as confused as the rest. Dr Zeldin now seeks to explain to us, in clear and simple terms, what the politics of the second empire were about. "How men survived in politics and how new men entered it," "What politics meant to the members of parliament," "How the government won elections in its early years and why it later ceased to win them," are among his chapter headings; and his advantages for tackling such questions include access to a great mass of documents, official and private, which have not been worked over before.

Study of this new evidence has provided him with several new theories, most of them destructive of the views of earlier writers. He distrusts, for example, M. Goguel's view of Louis Napoleon as the representative of the "party of order," and M. Guillemin's insinuations that leading Bonapartists went into politics for money; though in such a spendthrift age the latter charge cannot be met—as Dr Zeldin seems to think it can—by proving that some Bonapartist ministers died comparatively poor. The author has not, perhaps, taken the time or the space to work out his ideas so fully as they deserve; this is a young man's book, and the actual text of his essays covers only 168 sparsely printed pages. Half a dozen valuable electoral maps, at the end, show over the thirty years 1848-1877 the permanent strength of Bonapartism in south-west France, the permanent hostility to it of Paris and Provence, and its varying fortunes elsewhere in the country. More use of the data incorporated in them might have been made in the text, where the election analyses are not always clear.

Sometimes Dr Zeldin seems to be dazzled by his own ingenuity in unearthing statistics, and to take little heed of their significance: it is rather odd, for example to quote 114,275 francs as a large sum spent by the central government in 1868 on supporting local newspapers throughout provincial France, and to cite two pages later a deputy who spent almost as large a sum to secure his own return for a single seat. But the book has one great merit: it will make its readers think.

Social Charade

The Rainbow Comes and Goes

By Diana Cooper. *Hart-Davis.* 256 pages. 25s.

ONE day, perhaps, sociologists will study aristocracies in the spirit in which they now investigate the middle and working classes. All these groups, now fast intermingling in western Europe, have varied enormously with national characteristics. A comparative study would have to do more than tell of dynasties, wars and revolutions or even the interpenetration of classes. It should describe, above all, styles and manners. Upper classes (like upper nations) have been more or less irritating. The British one has been widely admired for its simplicity and sense of proportion: qualities absent, by common consent, from certain cynical and fossilised grandees on the Continent who subsist separately from their contemporaries in a kind of continuum of their own.

Lady Diana Cooper's first volume of memoirs is valuable because it describes vividly a youthful Edwardian coterie distinguished by an infectious originality of manners. The Great War carried off most of the group's young men: Asquith, Shaw-Stewart, Horner, Charteris, Rupert Brooke were names that would doubtless have figured in politics, diplomacy or literature. Lady Diana, who married a survivor and a man of exceptional talent and determination, seems to have been the only woman of the coterie who had later the opportunity to use Edwardian spontaneity in modern public life. The technique, roughly, was to turn serious social functions into something of a charade. Applied to Maurice Thorez or Charles de Gaulle the method was fascinating. It made mincemeat of Ernest Bevin and annihilated all lesser fry. Nobody could really cope with it.

The young group of 1910, so absurdly called the "Corrupt Coterie," seems to have been in fact innocent, cultured and ultra-romantic. "Our pride," writes the authoress, "was to be unafraid of words, unshocked by drink and unashamed of 'decadence and gambling.'" Which words, how much drink and what brand of decadence is not specified; but the enterprise was evidently as far from the Regency as from the oncoming twenties.

The irresistible part of the memoirs deals with Lady Diana Manners' childhood in London and the country. Her mother, to judge from her drawings and sculpture illustrated in the book, must have been a woman of strong feeling. The Duke, secretary to the Prime Minister, emerges as a bureaucratic person of uncertain temper. "He once threw a napkin at my mother because she had asked Princess Beatrice of Battenberg to lunch without telling him." Then there was the late Duke, who enjoyed having tourists romping round Belvoir three times a week. "They represented to him England and liberty and the feudal system and were a link between the nobility and the people." This marvellously ramshackle sentence epitomises the solid confidence of the Victorian aristocracy; so unconscious was its behaviour and so far in spirit from the calculated "public relations" of some of its descendants, who open their houses to the public and feature unceasingly in the press.

There were nurses and foreign governesses. "Mademoiselle came to us . . . from a family in Toulouse via a situation in Tiflis. . . . She was proud of her figure and, after pressure, showed us her breasts. They were a great surprise to me." Fraülein, "a criminal type, filthily dirty, of monstrous greasy appearance," was sacked; barricaded herself into her room; cooked for herself on a spirit lamp; and wrote a scurrilous pamphlet about the Duchess, which was privately printed and distributed all over London.

The author is at her best in these subtle and earthy descriptions, which have a humour and humanity that lie deeper than charades.

Political Garden Plot

The End of North's Ministry, 1770-1782

By Ian R. Christie.
Macmillan. 429 pages. 40s.

TWENTY-EIGHT years ago Sir Lewis Namier closed his "England in the Age of American Revolution" with the promise, "My next book, if ever written, will be on 'The Rise of Party.'" He is redeeming this promise by editing a series covering the years 1754-1784. The authors are those working on the co-operative "History of Parliament," but in the narrative series each has his own "garden plot." These are small and intensively cultivated. Mr Brooke took the years 1766-1768, while Mr Christie scrutinises those from 1780 to 1782. These unhappy closing years of the American war saw a despairing Lord North facing disaffection within the ministry and radicalism in the Commons. The general election of 1780, a surprising move since parliaments normally ran their full course, failed to strengthen the ministry, which fell after the defeat of Yorktown.

Mr Christie's book is distinguished by the high standards of scholarship set by Sir Lewis Namier. He has systematically analysed the papers of John Robinson, George III's election manager, and recorded every fluttering heart-beat of the dying ministry. His findings are interesting. There is no basis for the opposition cries that the reign had seen an increase in the influence of the Crown. Instead, the number of Treasury boroughs had decreased since 1761, while the number of placemen in the parliament of 1780 "was lower by about a quarter than the high peak reached about 1761." Government expenditure upon the election was small in proportion to that of private individuals, and some was inefficiently applied to popular constituencies, showing an interesting sensitivity to opinion. Issues, sharpened by the American conflict, now did affect politics, and Mr Christie estimates that a third of the new House had party affiliations, whereas Mr Brooke found only a quarter. But party is for Mr Christie still a curious exotic in the herbarium of connections and independents. Burke "spoke as a voice in the wilderness"; and the Rockingham party, between seventy and eighty strong, was quite exceptional in its size. But it did now answer to Burke's definition of party made a decade earlier, and until the French Revolution its members were held together by "admiration and affection for their leaders and agreement on great issues of policy."

Interesting as Mr Christie's conclusions are, he restricts them to parliament and carefully walls in his garden plot, considering external events only "in so far as they had some bearing upon the attitudes of politicians and upon parliamentary events." The radicalism of these years is not much explored by Mr Christie, whose plot is planted with stiff rows of cuttings from Sir Lewis Namier's estate. The election of 1780 and the members returned are rigorously analysed in relation to Sir Lewis's findings for 1761. But while those were of major importance, the same method now gives a diminishing yield. Is it worth the labour to discover that the parliament of 1780 was "slightly, but not significantly, younger than the Parliament of 1761," or to learn that "the army officers of 1780 conformed to much the same pattern as those of 1761," or to tease readers with the clue that "not one of the guards officers was a Scotsman"? Sometimes the comparisons, as in the case of placemen, are worth making; but often they serve only to enhance the value of the original as against the reproduction.

Card Index of Scientists

Six Wings: *Men of Science in the Renaissance*

By George Sarton.
Bodley Head. 318 pages. 25s.

GEORGE SARTON, who died before this book was published, was a great pioneer: no one has equalled the service he did to the history of science by the patient accumulation of facts. It is in great part due to him that the vast night of early science, where formerly there hung only a few widely spaced luminaries, now glimmers with innumerable points of light. But he remained a compiler, a card index scholar; surrounded by files and catalogues, he could discover, he could copy and arrange, but he could not communicate. Even in this book, lectures given to students after a lifetime devoted to his subject, Sarton was unable to distill his knowledge; he remained the servant of his data to the end.

"Six Wings" (the title is "a reference to the famous astronomical tables compiled in Tarascon (Bouches-du-Rhône) in 1340-65, and beyond them to the seraphim") is hardly more than a catalogue of names and *curricula vitæ*, grouped according to subject: exploration and education; mathematics and astronomy; physics, chemistry, technology; natural history; anatomy and medicine. The work ends with a chapter on Leonardo, the reconciler of science with art. The author's massive "Introduction to the History of Science" only went up to the end of the fourteenth century; this present book, together with its predecessor, "The Appreciation of Ancient and Medieval Science During the Renaissance" take the story forward to 1600.

Viewed as a survey of scientific activity it has several drawbacks. Issues and trends appear but fitfully through a crowd of names, some of minimal importance. The text bristles with unilluminating detail and unnecessary allusions to obscure scholarly disputes. The notes are at the back; infuriatingly, because the text has no literary charm that would be marred by their presence at the foot of the page. There are numerous misleading statements: that Erasmus "was not a poet," for instance;

A Review of Commonwealth Raw Materials

Volume I

A report by the Commonwealth Economic Committee to the Governments of the Commonwealth. Covering a wide range of raw materials and sources of energy, it provides a comprehensive study of the position of Commonwealth countries against the background of world trends of production, consumption, trade and prices. Numerous statistical analyses up to 1955 with pre-war comparisons are discussed with textual references to resources and to some important later developments.

Price 15s. (*post* 1s.)

Volume II, to be issued later, will comprise detailed studies of the raw materials position in individual Commonwealth countries.

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Survey of International Affairs 1939-1946
Edited by Arnold J. and Veronica M. Toynbee

The Initial Triumph of the Axis 84s. *net.*

The Eve of War, 1939 90s. *net.*

These two volumes complete the war-time series of eleven volumes. *The World in March 1939* is out of print. (CHATHAM HOUSE).

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Dean Acheson

'At the very least I should like Mr. Gaitskell to make this brilliant little book compulsory reading for all members of his Shadow Cabinet.'
R. H. S. CROSSMAN (*New Statesman*)
(HARVARD UNIVERSITY PRESS) 17s. 6d. *net.*

OXFORD UNIVERSITY PRESS

that "Dürer was always practical and earthbound" and that he was uninfluenced by Leonardo; that Brunelleschi was "the creator of . . . Santa Maria del Fiore." To call Leonardo's letter to Lodovico Sforza "pathetic" because it laid stress on military engineering rather than painting is to misrepresent the respect given to this art during the Renaissance. But for all this, the period dealt with is a crucial one, and no other book provides quite this sort of information. A crank or a platitudinarian in the realm of ideas, Sarton as an encyclopædist was a genius, and "Six Wings" will take its place among those works from which, in the course of time, the history of early science will be written.

Topography of the Terror

The Way of the Tumbrils

By John Elliot.
Reinhardt. 180 pages. 18s.

THE Algerian Committee may yet prove that Paris is not France—as the French provinces proved it in 1848 and 1871. But Paris, dominating the drama of the great Revolution, was the stage on which the principal actors played their parts. Here we can follow them from their entrances to their final exits. Sir John has found, or imaginatively reconstructed from clues, the houses in which they lived and worked, where they argued, were judged and imprisoned, murdered by mobs, or executed by the guillotine. He takes us back through place and time to the older Paris of crumbling houses and narrow streets, breeding places of disease, crime and political violence. It is fortunate that Baron Haussmann, who destroyed so much of the old to make room for the new, founded in the Musée Carnavalet the collection of prints and documents that is one of Sir John's principal sources of evidence.

Explorers using this book will not be distracted by arguments about the motives of the historical characters they will meet. The Girondins may not have been so idealistically pure as Charlotte Corday thought—but her desire to avenge them burns with a clear heroic flame as she journeys to Marat's house and, her mission completed, is taken to trial and death. Danton was, perhaps, less politically (and financially) innocent than the author seems to think—but his statue still defies the invaders, his great laugh still echoes in the Court de Commerce, his contemptuous answers still thunder in the place where he was tried. Danton had no doubts about Robespierre's aims, or where they would lead him—nor has Sir John; and he has penetrated a modern bar, a patisserie and a cosmetic shop to find the room in which the "cold cruel tyrant" cowered, as the cart carrying the great tribune rumbled past.

The Revolution did indeed devour its children—not only its leaders but also, in Paris alone, thousands of comparatively unknown and harmless victims. More moving than his somewhat lengthy story of Marie Antoinette's martyrdom, already described in detail so many times, is Sir John's pilgrimage to the scene of the September Massacres; and to the "Mousetrap" in the grim prison where the condemned waited for trial, the tumbrils and the guillotine.

Their last journey, through streets and over bridges little altered, is clearly marked on a map, which shows how the old Paris can still be found in the new. There is a well-chosen bibliography; and Peter Roberson's illustrations are topographically *helpful—though his* "sansculottes," breaking unexpectedly into the narrative, seem to have been recruited from *Punch* rather than from the purlieus of St Antoine.

Labour in Embryo

The Advent of the Labour Party

By Philip P. Poirier.
Allen and Unwin. 288 pages. 25s.

THIS is a piece of conscientious research by a lecturer in Ohio State University. It covers the period from the foundation of the socialist societies and the democratising of the trade unions in the last twenty years of the nineteenth century to the "triumph" in the general election of 1906. Its central *pivot is the establishment* of the Labour Representation Committee in 1900.

The publisher's note tells us that this is "a crucial but neglected period in Labour party history." Crucial, no doubt: but surely not neglected. This is well trodden ground, as is indicated by the bibliography at the end of the book. There are not only several general histories, but also a much larger number of biographies and autobiographies. Those interested in the embryonic stage of the Labour party will have trodden these paths many times already. What have they to learn by treading them again under Mr Poirier's guidance? The answer is, not much. Anyone who has read the relevant parts of Elie Halévy's 1895-1906 volume will know that it is really all there, in essentials: less detail but more colour and emphasis.

Nevertheless, this is an excellent textbook, rather dry perhaps, but dry is not wholly a word of dispraise. Mr Poirier knows his stuff, and *though presumably* an American he writes the kind of English that is found agreeable on this side of the Atlantic. His very lack of emphasis will appeal to the palate of the discriminating reader, as for example in an appraisal of the youthful MacDonald on pages 178-9:

> It might be argued that his solicitude for Independence was always *equalled*, if not excelled, by his resourcefulness in draining Independence of any political disadvantage. He . . . would regard Independence as primarily a political weapon. Impatient of doctrinaires who stood in the way of the broadest party structure, he had developed a philosophy of socialism so embracing that the programme or doctrine of no particular group was likely to confine him.

That is a good style. Where have we met it before? Surely in Creighton's "History of the Papacy."

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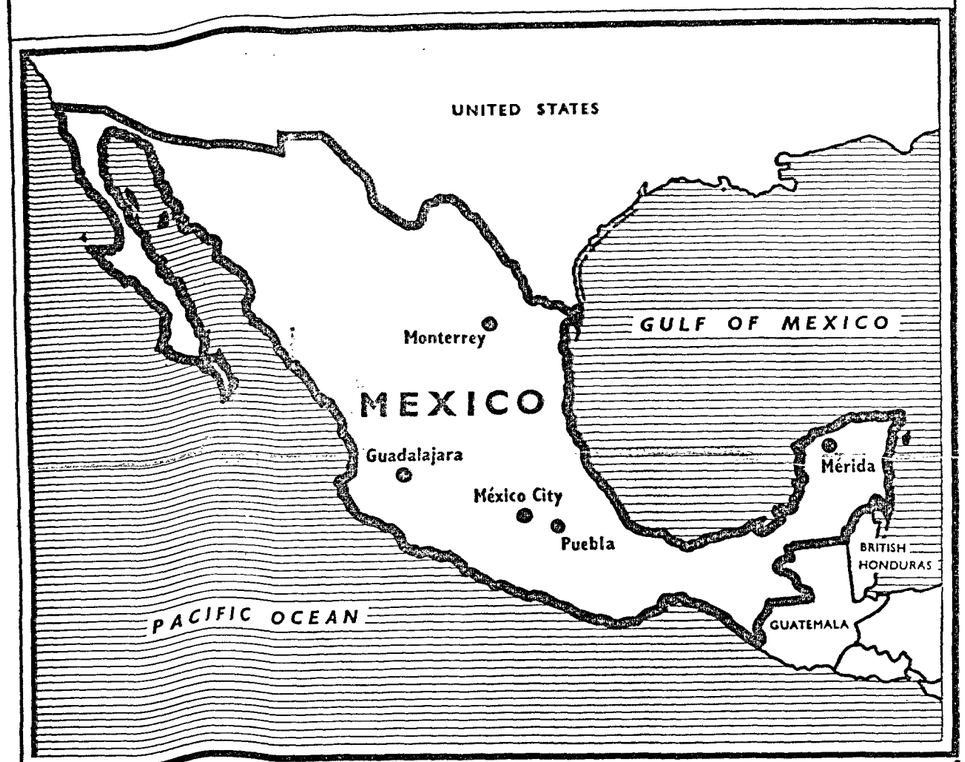
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Facts about Mexico



Area (square miles)	760,373
Population	31,426,000 (1957)
Density per square mile	41.3
NATIONAL INCOME	
Total ($ million)	6,720 (1956)
Per head ($)	220 (1956)
EMPLOYMENT	
Working population (economically active)	
Male	7,207,594 (1950)
Female	1,137,646 (1950)
Total	8,345,240 (1950)

DOMESTIC DATA	
Homes	5,800,000 (1950 est.)
Homes wired for electricity	1,520,000 (1957 est.)
Cars in use (private)	280,000 (1956 est.)
(business)	220,000 (1956 est.)
Telephones	383,257 (1956)
Radios	2,073,000 (1957 est.)
Television sets	250,000 (1956)
Refrigerators	357,000 (1957 est.)
Washing machines	182,000 (1957 est.)
Air conditioners	45,000 (1957 est.)
Vacuum cleaners	105,600 (1957 est.)
Sewing machines	1,000,000 (1957 est.)

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Long-term Issues at the Treasury

WASHINGTON, DC

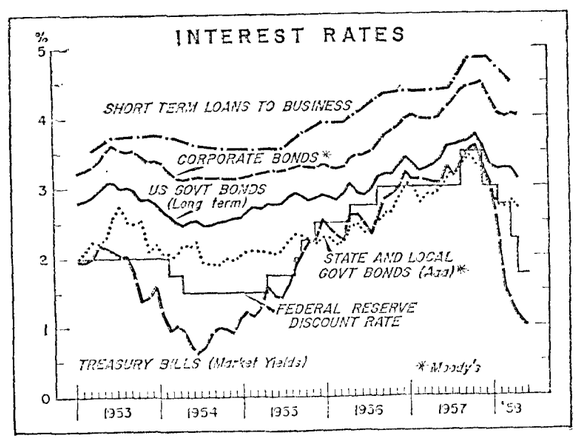
IF it be an act of virtue in the modern economic world to worry as much about tomorrow's inflation as about today's recession, the Secretary of the Treasury, Mr Anderson, has displayed a virtue possibly unparalleled in the western world since the war. While five million unemployed cool their heels and while about 30 per cent of the country's productive capacity lies idle, Mr Anderson has not only stubbornly—and successfully—resisted a tax cut which would have increased the Budget deficit, but he has flown in the face of orthodoxy by issuing $1 billion worth of 27-year bonds. This was undeniably an act of great courage ; whether it was foolhardy remains to be seen.

Of all the factors in his decision, the one which probably was uppermost has nothing to do with the recession ; it is the annoying tendency of the average life of the securities which make up the public debt to shorten with the passage of time. To Mr Anderson it is imperative that more of the debt should be longer-term in order to make it easier for the Federal Reserve Board to control a future inflation. When too much of the debt is short-term and refinancing operations must be frequent, the central bank has to relax its pressure on the money market on too many occasions in order to help out the Treasury. Another problem is the tendency of short-term debt to be absorbed by the banking system and to produce a liquidity in the economy that made it difficult, during the 1955-57 inflation, for the central bank to halt inflation by control of the supply of money alone. With this general viewpoint Mr Martin, the chairman of the Federal Reserve Board, completely agrees and, contrary to report, he has not been opposed to funding operations during a recession.

Moreover, the Treasury found during the recent boom that it was quite impossible to lengthen the life of the debt at the very time when the traditional theory of debt management would have called for it. Mr Anderson and his capable Under Secretary, Mr Baird, are thoroughly convinced that long-term borrowing by the Treasury will always prove positively demoralising in periods of rising interest rates and heavy demand for credit. Their thinking is supported by a recent joint report of the presidents of the twelve Federal Reserve Banks. The tentative conclusion of the report is that the Treasury should probably give up all idea of using debt management as a counter-cyclical instrument, and should instead make efforts to issue long-term bonds in limited amounts whenever market conditions are propitious, regardless of the state of economic activity.

Mr Anderson has followed this prescription. But are market conditions propitious ? Long-term interest rates have not fallen much, despite a fairly vigorous easy money policy on the part of the central bank, because supply and demand have not permitted them to come down. A steep drop in yields immediately after the Federal Reserve Board reversed its policy in November promptly stimulated the issue of an enormous volume of corporate and state and local government issues, and the drop in yields ended as quickly as it had begun. A $1.7 billion long-term Treasury security in February added to the supply. And now, just as it seemed possible that at long last the volume of borrowing would begin to reflect the heavy decline in private investment in plant and equipment, the Treasury has asked for another $1 billion.

Though there was a sharp split in the financial community when it was first hinted that the Treasury might use the June financing to float a long-term issue, by the time of the actual announcement there was a large majority which supported Mr Anderson's decision. Presumably the belief was that the supply of other issues was about to decline and that therefore the effect of the new Treasury bond, at the most, would be to delay an inevitable decline in yields on long-term securities. Thus, the reasoning went, the issue could not be accused of depriving other borrowers of funds nor of interfering with recovery. However, the many families who had hoped to buy houses on mortgage this year—or had hoped to refinance old mortgages—may be forgiven for wondering when the promised decline in interest rates is going to reach them. The same is true of the treasurers of hard-hit state governments and



corporations, which still find themselves forced to pay rates far higher than the postwar average, although they had been taught to believe that interest rates fell during recessions.

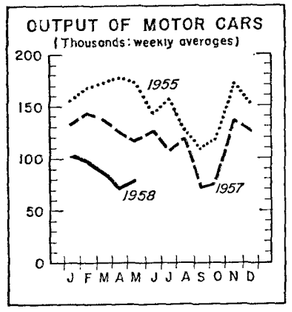
Admittedly it is only long-term interest rates that have proved so sticky. The yields on Treasury bills have dropped from a postwar peak of about 3.6 per cent last autumn to below 1 per cent; this is about as low as they went during the recession of 1953-54. Other short-term rates have fallen comparably, although the "prime" rate which the banks charge on loans to their most credit-worthy borrowers has remained well above the 1954 level. Critics of the Federal Reserve Board feel that the prime rate and the long-term market show that the easy money policy has not been pushed with nearly enough vigour. It is pointed out, for example, that most of the new reserves supplied to the banks have been needed to offset the billion-dollar outflow of gold, and that therefore little new money has been supplied to the monetary system.

The central bank, however, is convinced that the response of the economy to its policy has been "phenomenal" and "unprecedented." Mr Martin and his colleagues point out that the "free" reserves of the banks average about $500 million which is all that they conceivably need; that the "active" money supply has been prevented from declining; that the total of bank loans and investments has expanded by the enormous sum of $7.5 billion since November, compared with a rise of only a quarter as much in the same period a year ago; and that supply and demand, not monetary policy, are the main determinants of long-term interest rates. It is certainly true that credit has been fully available up and down the range of the market. This is dramatically demonstrated by the sudden revival of interest in the government-insured mortgages for housing which last year, with their fixed ceilings on interest rates, had lost almost all their appeal for investors. What is more, the important thing for economic activity is that mortgages should be written and corporate and state-local government issues be sold, not the interest rate at which the money is lent.

For the rest of the year, unless Mr Anderson becomes quite carried away by his wish to lengthen the maturity of the public debt, the prospect must be for a further lowering of interest rates. A big reduction in the volume of new corporate issues is widely expected. The demand for bank credit from corporations is already fully reflecting the recession as businessmen continue to liquidate their stocks at a rate unequalled since the war. About the only thing which might prevent a gradual softening in yields on long-term securities would be a vigorous economic recovery. But practically nobody expects this and consequently Mr Anderson's gamble may do little harm in the short run and will do good in the long run.

No Contract, No Matter

THE ghosts of militant American miners, who coined the slogan, "No contract, no work," must be raising their eyebrows at their fellow-workers in the Michigan motor car factories this week. The members of the United Automobile Workers' union employed by the three big car companies—General Motors, Ford and Chrysler—have been working without a contract since their agreements with the companies expired at the end of last week. The three companies, confident in the knowledge that unemployment has weakened the union's finances (nearly a third of its members, being out of work, pay no dues) and that they themselves have little to fear from a strike because there is a two months' supply of new cars in dealers' hands, have unitedly refused to budge from their offer of a plain two-year extension of the old contracts. This would give an annual rise of 7 cents in the hourly wage rate plus a small cost-of-living increase this year. Mr Walter Reuther, the union's leader, having quietly put on one side his earlier requests for a shorter working week and a profit-sharing scheme, in the end took his stand on demands for improvements in "fringe" benefits: higher unemployment and pension payments, and financial aid for workers affected by re-deployment. But there was still an unbridgeable gap when the contracts expired.



Even without the contracts, it is business nearly—but not quite—as usual. Despite the effect of the Memorial Day holiday last week, the production figures for cars revived slightly in May, but there is still no sign of a significant increase in demand that would haul the industry out of its troubles. The decisive question now is how the bargaining position of the two sides will change before the time comes for the companies to start making their 1959 cars. The dazzle of chromium on the new models brings an answering gleam of hope to Mr Reuther's eye, for the companies will be far more vulnerable to a strike threat when these start to move along the assembly line. But the companies also have a weapon. Now that the union is working without a contract, the company will no longer collect its dues for it. The union will put members with collecting boxes on the gates of the plants, but workers who refuse to pay (and are consequently dismissed from the union) will not do so at the peril of their jobs; where there is no contract, there is no "union shop" either. How much this will undermine the union's finances is a moot point and it remains to be seen whose side time is on.

California—Set to Go

THIS week's primary election, in which Californians chose the candidates for next November's general election, produced few surprises; indeed, for the two top vacancies there was only one intra-party contest, for the Republican senatorial nomination, left vacant when the incumbent, Mr Knowland, decided to run for Governor, thus forcing the incumbent Republican Governor, Mr Knight, to play musical chairs and run for Senator. He was in no danger of being pushed out of the game in the first round but the primary confirmed that both he and Mr Knowland are in serious danger of defeat in the finals. Mr Knowland will then be competing with Mr "Pat"

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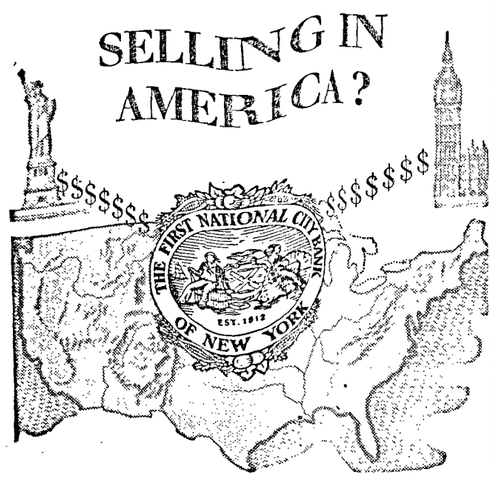
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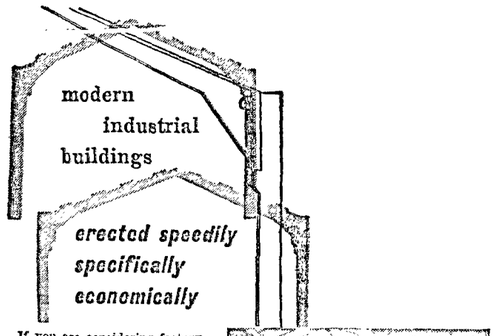
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Brown, the present Attorney General of California, and Mr Knight will be opposed by Representative Clare Engle. Mr Engle has been regularly returned to Washington for the last fifteen years, but he is not as well known all over the state as is the popular Governor Knight. Mr Brown, the only Californian Democrat to win an important state-wide election in the Eisenhower landslide of 1956, is a famous vote-getter—but so is Senator Knowland.

This week, however, Mr Brown did much better than Mr Knowland, and Mr Engle than Mr Knight, thus giving a sharp upward twist to the already soaring spiral of Democratic confidence that this year California's voters will at last allow the Democrats to govern them. Under California's unconventional cross-filing system, the candidates for party nominations put their names on the ballot paper of the opposition party as well as on that of their own party, so that the primary becomes in effect a preliminary popularity contest. Mr Brown got rather more Republican votes than Mr Knowland did Democratic and much more support from his own party than Mr Knowland did from his, so that on the combined results Mr Brown ended up far ahead—a good psychological start towards final victory. One reason for Mr Brown's success was that the Senator was too occupied in Washington to have time for barnstorming at home; when the campaign proper starts in the autumn, he will be free from congressional duties. Another reason was that the Democratic poll was much heavier than the Republican, which suggests that the Democratic organisation had concentrated on getting out the labour vote.

The Democrats are counting on this vote to give them their victory in November, not only because they expect that unemployment will be the main issue in this election, but also because Mr Knowland, convinced that the majority of voters want to protest against the "excessive power" of the trade unions, is basing his campaign on his anti-union "bill of rights" for workers. His courageous obstinacy about what to everyone else seems a losing cause is much resented by other Republican candidates, who feel that Mr Knowland is jeopardising their chances as well as his own. For this and other reasons, California's Republicans are going into this campaign as bitterly divided as the Democrats in this state have traditionally been—but as this year, for once, they are not.

Of Questionable Benefit

FIRST conceived as a simple, speedy way of putting more spending money into the pockets of the unemployed whose benefits under the insurance scheme had run out, the unemployment compensation Bill, as finally passed by Congress after two months, poses more questions than it answers, and may well provide only a little help for a few sufferers. That the Senate approved it unanimously, after only token protests from those who have human interests closest to their hearts, and that the Administration was prepared to welcome it, is additional evidence of the lack of urgency in current official thinking about the present trend of the recession. In fairness to the Administration, however, its main reason for urging the Senate to accept the House's version of the Bill without change was to ensure that the legislation would not be delayed further by arguments over how to reconcile two different Bills.

This tactic succeeded, but as a result the final Bill, instead of being mandatory, as the Administration originally asked, leaves it to the individual states to decide whether or not their unemployed shall receive the additional benefits which the federal government is authorised to advance. The actual amount would vary with the varying state laws, but most industrial workers would get about $30 a week for another 13 weeks after they had exhausted their regular insurance rights. If the money advanced has not been repaid by the state, out of its insurance reserves, within four years, then there will be an increase in the tax on employers to cover the debt.

According to Mr Mitchell, the Secretary of Labour, this tax is levied by the federal government and is no concern of state legislatures; if it were, many of them would have to be summoned specially to allow the new facilities to be used this year. On first consideration, at least, few state governors agree with Mr Mitchell that they do not need to consult their legislatures; the Governor of Maryland is already calling his into special session. Furthermore, quite apart from the question of whether the Bill violates the actuarial principles on which the insurance system is based, state legislators, and governors too, are dubious about accepting aid which might eventually mean higher taxes on local businesses. So far only the governors of a few of the hardest-hit states, including Michigan, New York and Illinois, have announced that they will accept the help offered by the Bill. But others will probably have second thoughts if employment continues to decline and if the number of insured workers who have exhausted their right to benefit continues to mount.

EXPLODING CITIES—VII

Limiting Urban Sprawl

FROM A SPECIAL CORRESPONDENT

BY 1975, metropolitan areas in the United States will occupy approximately twice the territory they do today. This elemental fact of urban sprawl has at last brought city planning to the fore in a country where the use of natural resources, including sheer space, has always been prodigal and exuberant. The number of American cities with official planning agencies more than doubled between 1942 and 1954; the movement is now expanding to include much-needed metropolitan bodies to plan for the scores of municipalities and the several counties that may constitute a single metropolitan area. During 1957 alone, some eight states passed laws to allow local governments in metropolitan areas, both present and prospective, to plan together for their future growth. Federal legislation reflects the change; whereas the Housing Act of 1937 aimed only at the replacement of bad housing, its scope was broadened in 1949 to include community development, and the urban renewal legislation of 1954 not only offered the first direct federal aid to city planning but also required that the local agencies, as a condition of receiving support for projects, should produce a comprehensive plan showing how the proposed renewal would fit into the development of the community.

The fact is that cities are spreading out even faster than they are gaining population. Each family provided with a new house today uses about twice as much land as a new

family did thirty years ago. Manufacturing plants, which used to be built several storeys high, accommodating hundreds of employees on an acre, all of whom came to work on foot or by public transport, now stretch out in single-storey munificence, surrounded by huge car parks for their workers; the number of employees an acre may be as low as ten or twelve. A growth of a thousand in the population of a city of a century ago meant a mere ten-acre addition to the urban area; now such an increase will absorb between 100 and 200 additional acres. With the best of planning, such growth produces problems; without it, chaos.

A local planning board may have much power or little; the Standard City Planning Enabling Act, prepared by the Department of Commerce for the guidance of local communities, suggests that the approval of the planning commission be required for major projects, from new streets to public services, subject only to reversal by a two-thirds vote of the city council. Even where such real power is not granted to the commission, it may exercise effective influence as long as there is a requirement that it must be consulted, since councilmen can then be held publicly accountable for ignoring the planners' advice. Still, there are few areas of local government more subject to political pressure than planning, and such evils as "spot zoning" (individual exceptions to zoning ordinances, voted by the council at the behest of interested parties) are hard to eradicate. It helps if the city charter is of the "strong mayor" variety, with a small, modernised council, which is able to resist local pressure. Even then, planning may be negative, based largely on zoning restrictions concerning the use of land, the permitted density and height of buildings, and the like; these are enforced under police powers.

Planning of a more positive kind has had a great impetus from the urban renewal programme, which has already begun to remake the heart of such cities as Philadelphia and New Haven, and has focused attention on saving the urban core. The chances of reversing, even partially, the exodus to suburbia are vehemently debated. Transport is a key problem here, and the automobile, expanding both in size and numbers, is the chief villain. A survey of Providence, Rhode Island, shows that while 70 per cent of the population live within a five-minute walk of a bus stop, only 10 per cent use the bus as often as twice a week. Public transport is everywhere caught in a vicious cycle: as the number of passengers declines the difficulties of maintaining adequate service increase; as the quality of service worsens, the volume of passengers suffers. Building more superhighways merely increases congestion at the centre of cities. The bolder planners are suggesting that the city's core must revert to the pedestrian, who might be assisted by pavements like horizontal moving staircases; the automobile would be banished to the periphery.

Whether or not people can be lured back to the city will depend on the relative attractiveness of the core and the fringe. The great advantage of the fringe is undoubtedly the freestanding house and its "yard" or garden. There are even those who argue that suburbia does not really need the parks, which it all too clearly is not getting, because Americans, with their barbecue pits, their children's sandboxes and their $1 billion a year spent on gardening, find their parks on the home half-acre. But few can view the drab expanse of uninspired match-box houses that constitute the majority of suburban building estates without serious qualms for the future.

Where possible, planners strive to introduce variety into the new developments. They press for green belts, either in the form of parks or of land reserved for agriculture, as a means of giving some significant shape, as well as breathing space, to suburban communities. The battle to save good arable land near cities has led, in California, to the incorporation of some rural areas for the express purpose of enacting zoning restrictions to keep the builder out. Again, some suburbs accustomed to priding themselves on their "strictly residential character" are now encouraging within their borders the development of "industrial parks," containing attractive (and attractively taxable) plants, whose plans must be approved by the local planning board before building permits are issued. But the chance to build "new towns" on the British model is rare in the United States; usually the most that the planner can do, even where local government makes good use of his services, is to hedge the private developer about with conditions.

Such restrictions scarcely provide satisfactory assurances that these new developments will become living, and liveable, communities. Moreover, it is far from certain that suburbanites are ready to accept metropolitan government, without which metropolitan planning is difficult at best. Nor is it entirely clear, despite the urban renewal programme, that all the major federal projects will be required to contribute to sound planning; some fear that the huge new federal highway programme will be dominated by the engineers and by local economic interests, with the planners running a poor third. But at least the planners have caused many to question the traditional American assumption that expansion *per se* is good, and to realise that the United States could conceivably be choked by its own growth unless order can be established quickly.

Previous articles in this series appeared in the issues of January 4th and 25th, February 22nd, March 15th, April 12th and May 3rd. Individual studies of how the explosion is affecting particular places will follow.

"Your Office Seems To Be On Fire"



Damaging Decision

TRADE union leaders, who are reluctantly resigned to legislation protecting their members against the exploitation by union officers which has been shown to exist in some instances, last week faced trouble from a new and unexpected quarter. The Supreme Court gave individual workers a potentially devastating weapon against the excesses of organised labour when it ruled, by the wide margin of 6 to 2, that state courts may award punitive damages against trade unions, even though the National Labour Relations Board has jurisdiction over the unfair labour practice involved. In the past the Court has acted on the assumption that Congress, in the Taft-Hartley Act, meant to supersede state legislation in the field of labour relations. The majority held, however, in the Russell case, that the federal government does not have the exclusive jurisdiction which would give the unions "substantial immunity" from the consequences of illegal acts such as mass picketing.

The practical point is that the labour board may award a worker only the wages he lost through the action of the union; the state courts may award punitive damages. The Russell case involved a non-union worker, who was awarded lost pay of $500 and damages of $9,500 for "mental anguish" because he was prevented by pickets of the automobile workers' union from entering a plant in Alabama; such punitive damages, in the view of the Chief Justice who, with Justice Douglas, dissented from the decision, may reduce some trade unions to bankruptcy and inhibit others from acting as effective bargaining agents for their members. Already, in Alabama, the UAW is faced with 29 other suits for a total of $1.5 million in damages arising out of the same strike.

Technically, the right to strike is not affected, so long as there is no mass picketing and no coercion. In fact, although trade unions will try to supervise their pickets more closely, it is not always possible to keep emotions from getting out of hand and, if trade unions are to be held responsible for everything which is done on the picket line, the cost will be heavy. This will be particularly true in states where judges and juries tend—as they do in the South—to be anti-union. The most serious effect of the decision may be to licence 48 different points of view on the responsibilities of trade unions. The obvious remedy would be to amend the Taft-Hartley Act to provide for uniform treatment of suits for damages. But the trade unions would be in a stronger position to demand such a change if in the past they had not fought so bitterly against the Taft-Hartley Act and had not resisted, until a few weeks ago, the public's feeling that they should be made more responsible to their members.

Spliced Wire Services

THE Department of Justice, after consideration, has decided that there is no case for forbidding the bans of the two privately owned news agencies, or wire services, the United Press, controlled by the Scripps-Howard newspaper group, and the Hearst-owned International News Service. INS has been losing money for years and, undermanned though it has been, has been kept going only by a subsidy of $3 million a year from its Hearst owners; the UP's financial position has not been altogether healthy either. The courts have held that, although the law bars mergers which tend to reduce competition, it does not forbid the acquisition of a failing business by a stronger one. All that is now left of INS is the last letter of the new agency's by-line, UPI.

The swallowing up of the weakest of the three news agencies should, in fact, mean more rather than less competition for the Associated Press, the giant co-operative service owned by its member newspapers. It may be on the conscience of the Department of Justice, and it should certainly be a lesson to all aspiring trust-busters, that the successful suit thirteen years ago to destroy the "monopoly" of the AP had the practical effect of destroying what chance the UP and INS had of competing with it. In 1945 the Supreme Court ruled that the AP service must be made available to all applicants; before that an AP franchise could be obtained for a newspaper or broadcasting station only if other AP members in the area consented, which they were unlikely to do.

The result was to reduce the demand for the services of the other agencies, who already were at a competitive disadvantage since the AP can use the news-gathering services of its members for local events. When duplications are eliminated—a few newspapers took both the UP and the INS service—the new agency should have about 950 clients among daily newspapers in the United States, compared with 1,243 for the AP. Healthy as this more even competition will be, it is cold comfort for the staff of INS, most of whom are thrown out on to a shrinking market for journalists, and for all those who value variety of views and hate to see the field of journalism being swept clear of all but the mighty.

Tourists by Express

FROM A CORRESPONDENT IN NEW YORK

OF the hordes of American travellers who will flood Britain and the Continent this summer, undaunted by the recession at home or crises abroad, a considerable proportion will make their travel plans through the American Express. Oldest and biggest of the American firms that deal in tourism, it provides this help in various forms and at varying costs. What Thomas Cook and Sons has been to the British traveller for more than a century, the American Express now is to the American—only more so. The extent of that "more so" reflects in part the rapid changes which have come about in transport facilities as well as in international responsibilities.

The British firm rose with the expansion of the British Empire in the nineteenth century, the American firm is expanding with American interests in the air age. Until the last war ushered in transatlantic air services Americans were cut off from most other continents by great watery distances that took days or weeks to cross. This meant that holidays abroad were limited to the upper income groups who could take a month off, or to academic people who had their summers free. Air travel has now brought Paris as close to New York in point of time as it was to London before the war, but among the growing numbers of tourists there are still many who are venturing abroad for the first time and who feel the constant need of a guardian hand. That need the American Express satisfies in ways that the more experienced British might not ask of Cooks.

In 1890, when the American Express was concerned with the movement of goods, not people, Mr Fargo, the president of the firm and a member of the family which founded the famous Wells Fargo Company, now a subsidiary of the American Express, went to Europe armed with letters of credit. Once he got off the beaten track, he found "no more use for them than for so much wet wrapping paper." Arriving home, he ordered a subordinate to invent a negotiable unit which would be almost as acceptable as currency, yet would be safeguarded against loss. The American Express travellers' cheque with its double signature, one written on purchase, the other when it is cashed, was the answer. (Thomas Cook, on the other hand, claims to have issued similar sterling cheques as early as 1873, and dollar cheques in 1874.)

Mr Fargo foresaw the utility of the invention, and he must have thought that it would be profitable—as it is now that $5 million worth are issued every year—but he was curiously blind to the fact that travellers' cheques would do best allied to a flourishing tourist business. He went so far as to proclaim his belief that there was "no money in the tourist business as conducted by Thomas Cook and Sons and, even if there were, this company would not undertake it." How thoroughly time has contradicted him is visible in the crowds that flood the office of the company in the Haymarket, or the turbaned Sikhs who cool off in the air-conditioned comfort of the Karachi office, recently doubled in size to accommodate the increasing demand for tourist and banking services. The American Express now caters for Mr Fargo's detested travellers in 35 countries around the world.

BORN to speed the shipment of valuable goods within the United States at a time when slow canal boats were the best link between East and West, the American Express has widened its operations but it still sells service in an increasingly varied number of forms and places. In travel, the possibilities have broadened as flying has brought wide areas within reach of the man on a two-week holiday. Mr X wants to see Israel, to fish for salmon in Galicia, or to skin-dive off Sicily? The American Express will plan his trip, get him a guide and a set of hotel reservations, advise him on equipment and sell him a form of negotiable currency, all for cash or on credit. He may use their offices as his address, they will hire a car for him, tell him about doctors and advise him on wardrobes and the baby's milk supply.

The many services which its 399 offices provide vary to a certain extent from country to country. Thus, though the American Express is an important factor in banking in Pakistan, it is not licensed to do local banking in the United States. Its overseas subsidiary claims a network of fully licensed commercial banking offices in the principal cities of Europe and Asia; the American company limits itself carefully to international business. The local offices try to strike a happy medium between local practice and American habits, no easy matter in Madrid, which early risers find still sleepy at 10 a.m., or in Mexico, which takes a two-hour siesta at noon-time. The Paris office, in particular, combines the charm and utility of the village post office, the bus station and, for conversational purposes, the super-market. Traditionally, at least, it comforts the homesick, brings lovers together, and rescues the suicidal. As a gossip centre its potential is known to every journalist. The company is well aware of the importance of these fringe services. The expense of free mail distribution it defends as a form of "salted peanuts on the bar. They cost us money, but they sell beer."

Travel and its adjuncts are the best advertised of the services which the American Express offers, but those adjuncts are being widened into so many fields that the company's corporate structure begins to look like an octopus. The firm, which is a holding company with subsidiaries and sub-subsidiaries, has consolidated assets of $667,635,100 and an income (in 1957, which was a banner year) of $6,870,545. It engages in freight forwarding and overseas banking, ships household goods abroad for military personnel, runs, through Wells Fargo, an armoured car service in New York, and operates a hotel in Mexico; in 37 American states it checks stocks for firms that want to borrow on them, and banks that want to lend on them; in several cities it will accept payments of gas, electric light and telephone bills.

Its most recent expansion is into the business of renting automobiles and lorries. By a merger with the Hertz company which operates a drive-yourself scheme that functions in Europe and parts of Latin America as well as in the United States, a new holding company has been established to spread the use of this popular and convenient service.

One explanation of the accelerated growth of the American Express is that Americans who have bought their full share of finned motor cars and television sets now want something else to give them social standing, and find it in foreign travel; the firm's expansion also reflects the widening military and economic ventures of Americans, and the intellectual curiosity stirred by these ventures. Moreover, Americans who knew Europe before the air age are beginning to declare themselves bored with that continent and hungry for something newer and stranger. The time needed for a world cruise by boat has so far limited the satisfaction of this desire to the elderly and retired, but the arrival of the jet age may change this. The American Express is now planning jet tours which will take travellers around the world in four weeks, with no more stops and little more trouble than used to be encountered in a four-week tour of Europe. The cost, according to their calculations, will be a small deterrent.

Criminal Pricing?

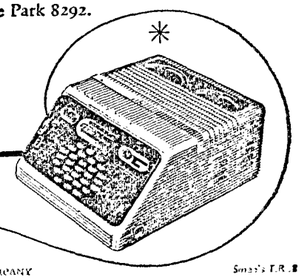
THE anti-trust indictment brought against 29 of the leading American oil companies accuses them, in effect, of using the permission which they were given at the time of the Suez crisis, to co-operate in order that Europe might be adequately supplied with oil, as a screen behind which they conspired to raise the price of oil to the consumer. The result of this criminal agreement, it is alleged, is that the price of crude oil went up 35 cents a barrel and the retail prices of products 1 cent a gallon in January, 1957; the indictment covers all the United States except the west coast where a separate action is being brought. At the time a congressional inquiry charged the companies with "price-gouging," but they argued, and still argue, that the increase was essential if the necessary supplies of oil for Europe were to be assured. What the Department of Justice apparently objects to is not so much the actual increase in price as that it was imposed simultaneously by all the companies everywhere. The maximum penalty under the present indictment for each of the companies is $50,000, but there is a possibility that the department may broaden the criminal suit into a civil proceeding against the general marketing policies of the industry.



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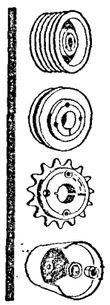
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THE WORLD OVERSEAS

Steps to the Throne

FROM OUR PARIS CORRESPONDENT

Now that General de Gaulle has cleared so quickly and successfully the parliamentary obstacles to his return and that telegrams of congratulation are pouring in from around the world, it is not in the fashion to scrutinise the last steps in his ascent to power. Yet these must be recorded, and not for the sake of historical accuracy alone. The manner of the climb to power is seldom without effect on the nature of the reign.

When autumn comes the general may, or may not, be confirmed in his position by a popular vote. He was not, however, called to office by the voice of the French people but rather by the government's cowardice, the relative indifference of bewildered Frenchmen in France, and the *dictation* of the Algerian settlers and soldiers. In Paris the only "gaullist" voice was the cacophony that disturbed the peace of the night on Thursday and Friday of last week. The bright young things from the fashionable quarters—the *merveilleux* of 1958—drove through the streets sounding their horns to proclaim their attachment to the general and to "French Algeria." Yet the most ardent gaullist would not claim this fashionable joy-ride by the excited few as a "popular" verdict—inviting, say, comparison with the republican mass march of the previous Wednesday. But the republican parties did not call the people of Paris out again. "We are no longer capable of three glorious days in succession," a Parisian remarked.

The epilogue was played out in the Palais Bourbon, where the votes of the socialists were still needed for a legal performance. M. Mollet, chief inspirer of the gaullist succession, was permanently rushing between Socialist meetings and the general's headquarters. M. Vincent Auriol, a former president of the Republic, came to his rescue and their combined efforts succeeded in breaching the façade of hostility to de Gaulle in the party. The twin arguments of the general's liberalism and the threat of civil war gained ground. But when it came to the vote last Saturday, it turned out that the majority of Socialist deputies was still against the general. A compromise was reached by granting the deputies, on this occasion, a free vote, and freedom to join the new government if they chose.

Socialist resistance to threats and wooing had many causes. One reason was a reluctance to be a consenting victim and to lend a legal appearance to what some of the Socialists called a paratrooper investiture. Combined with this was a feeling of guilt that if things had come to such a pass it was largely through the Algerian policies sponsored by the secretary of their own party. The names of Mollet and Lacoste suddenly became anathema to many Socialists. But they were not only looking back. There are Socialists who think that the apparently ageing general, for all his gifts, will prove another Hindenburg. The threat of civil war, to them, is simply postponed and they do not want to leave to the Communists the undisputed leadership of the popular forces. In the assembly the ghost of Vichy haunted the lobbies, producing the so-called "complex of the eighty" (the number of deputies who voted against the transfer of power to Pétain in 1940). An unkind critic summed up the attitude of many Socialists as a combined desire to be among the eighty and to see de Gaulle elected nevertheless.

The Communists have certainly acted on the assumption that the battle has only been delayed, though it is not clear whether they have not just made a virtue of necessity. Their moderation may have been dictated by the knowledge that in isolation they could not mobilise the strength to resist General de Gaulle and the forces of the law. Whatever the reason, they avoided a full-scale clash, acted as the faithful defenders of "republican legality" and wooed unceasingly their reluctant allies. They voted to the end against General de Gaulle's return. On the day of the investiture the militants were called out, but they were told to parade, not to fight. Several, nevertheless, were wounded in skirmishes with the police. But the party was still ostensibly avoiding a trial of strength.

The Communists' future strategy seems to be based on historical analogy. To them the next stage in France will be the "liberal empire." Only when the general gets lost in the Algerian maze (and, in their opinion, he cannot help it) will the regime become fully authoritarian, the general revealing his Bonapartist leanings or making way for others who will. Then will come the real battle and the Socialists will be left with the choice between unity with the Communists or mass desertion by the rank-and-file. In the meantime the Communists will prepare the ground by common action in the various vigilance and anti-fascist committees. Whatever the worth of this analysis, it has certainly influenced the stand of other anti-gaullists who are frightened to leave the monopoly of resistance to the Communists.

Such, then, was the situation on the eve of the transfer of power. The Bourse was recovering its confidence. Gold was falling; the franc and French and Algerian shares were picking up. The Right, both extremist and orthodox, had rallied to the general. The MRP was following suit after some reassurances about foreign alignments and European policies (thrice M. Robert Schuman was told by an emissary that it was not the general's habit to go back on a signed treaty). Most Radicals were now favourable. But the question remained whether the general would agree to face parliament if the majority of Socialists refused to back him. M. Mollet, who had staked his political future on the Gaullist card, begged him to go on and the general agreed on condition that M. Mollet should lend him his name (for what it was now worth) as a sign of socialist approval.

And so to Sunday, June 1st. At three in the afternoon the general entered the packed chamber. For a moment

he surveyed what were by now to him unfamiliar surroundings and faces. Then his tall figure towered above the rostrum as he read his brief speech of investiture. The government was asking for full powers for six months "to restore the unity of the nation." The general asked also for a mandate to rewrite the constitution and submit the result to a popular referendum. The relationship with the "associated states" would be redefined in the process. The assembly must vote the necessary laws rapidly and then depart until October. The speech lasted only a few minutes before the general was gone, giving no indication of his foreign policy nor of his plan for Algeria and only the vaguest hints about the constitution. All he did say was that it would be based on universal suffrage, the separation of powers and governmental responsibility to parliament.

The composition of the cabinet was not much help either. Admittedly, the colonialist *ultras* had been excluded. Indeed, the general was taking over the main figures of the dreaded "system." M. Mollet, who had dominated this sorry legislature, and M. Pflimlin, who had presided over its last abdication, were included among the four ministers of state; the conservative M. Pinay at the ministry of finance was a guarantee of orthodoxy. The newcomers were mainly civil servants. The choice of M. Couve de Murville, ambassador to Bonn, for the ministry of foreign affairs was interpreted as a reassurance for "Europeans"; that of M. Guillaumat, of the Atomic Energy Commission, to the ministry of defence as a sign of contemplated modernisation. But will they be more than subordinates? More important is the fact that the whole cabinet is tentative, to be reshaped after General de Gaulle's return from Algiers.

Voting in the Dark

The deputies were thus asked to vote in the dark. The alternative to the general was civil war. They were to trust him, his past, and his spoken confidences to party leaders. In the circumstances, it is not astonishing that the best speeches were made for the opposition. M. Mendès-France balanced a severe criticism of the performance of the Fourth Republic with a declaration of faith in the republican parliamentary system. He concluded that this was not a free vote; and he could not give his consent under threat. M. Mitterrand proclaimed that the general "in law, will get his power from the representatives of the nation; in fact, he holds it already from the *coup de force*." M. Duclos, significantly milder than on previous occasions, expressed his confidence in the opposition of the people as a whole. M. Cot, a *progressiste*, claimed that since it was carried under duress, the vote was null and void; he, too, appealed to the verdict of the people.

General de Gaulle was invested by 329 votes to 224. In addition to the 147 Communists and their allies, the votes against were cast by 49 Socialists (42 voted in favour), 18 Radicals, three followers of M. Mitterrand and three members of the MRP. The majority, though not impressive, was sufficient to get the vote on special powers through; it was not enough for the new clause on constitutional revision, which required approval by at least three-fifths of those voting. The commissions immediately set to work. For the next 24 hours one often had the impression of watching a congress of solicitors convinced that, even in these exceptional circumstances, democracy could be preserved by the clever drafting of a paragraph. The government agreed to some clarifying amendments, but it was sure of ultimate victory. Having come to the point of abdication, the assembly could not now turn back. The general made the submission easier, even, in the end, coming to the chamber to answer questions. The last night session was the setting for a remarkable performance.

It started, as expected, with an ultimatum: the final text submitted by the government must be approved or the government would insist on the inevitable consequence. The general's parliamentary skill was shown in the discussion of amendments. He was full of charm and indulgence. He made a graceful actor's bow to a Communist who suggested that sedition was now followed by seduction. He was full of republican fervour: the lower house was to be *supreme*; *there* was to be no presidential government; to be among the deputies was a pleasure and an honour. Was this the man who had been so scathing about the regime at his press conference two weeks before? The socialist rebels decided to abstain, assuring a government majority. Even the journalists in the lobby started to talk of the general's conversion.

Only when it was over could one appreciate the quality of the performance. The general had not given in an inch. He had rejected the proposal that the constitution be submitted to parliament before the referendum on the ground that he would refuse to set the executive and the legislature at odds before the people. Yet, when M. Mitterrand asked him whether, on other occasions, he would decline to appeal to the electorate over the head of parliament—a manœuvre dreaded by republicans since Louis Napoleon—the general remained silent. M. Bidault made the apt parting comment: "Today chamber music, tomorrow *musique militaire*."

In Algeria

On Wednesday the general began his Algerian pilgrimage. Algiers greeted the man it had imposed on France in a mood of delirious triumph, mingled with doubts. Addressing the huge crowd massed in the Forum, the general assured it of his sympathy and understanding. Then, taking at their face value the slogans of political equality launched recently by the settlers, he proclaimed that the Moslems of Algeria were now fully-fledged Frenchmen and as such would take part in the constitutional referendum (to be held in three months' time) and in parliamentary elections. Has the general opted for the policy of integration, which at best is a political gamble beyond France's economic possibilities? (This week, in an interview granted to *L'Express*, President Bourguiba stated that he would not insult the intelligence of the French authorities by suggesting that they might seriously think of basing a constructive policy on the so-called "fraternisation"). The more left-wing of General de Gaulle's supporters in Paris, still convinced that he will grant Algeria a form of independence, stress the facts that he did not use the word integration and that he reserved the right to discuss the future with the Algerian representatives produced by the elections. But beyond the delphic passages in the text, one thing is clear. The general is banking on the soldiers, whom he is seeking to bring under his full control. "I rely on the army for today and tomorrow." In this crisis, the tragic weakness of the state's authority has enabled the army to discover its vocation as king-maker. And the army has proclaimed that it will not tolerate any other master than the general. This is a key factor for the future of French politics.

Germany and the General

FROM OUR BONN CORRESPONDENT

EVEN for the congenitally imperturbable Dr Adenauer these have been disquieting days. For nine years the Chancellor has unwaveringly staked Germany's future on the development of the closest practicable political, economic, and military ties with France. Swallowing old prejudices, and sometimes deep misgivings, the majority of voters have allowed themselves to be persuaded that this is all for the best. Now this national act of faith and expiation has been called newly into question. If the promised fruits of west European integration, rooted on Franco-German ground, are not actually to be as severely blighted as was at first supposed, no one doubts that they will now be much longer in the growing. And they will cost more to grow. There, for the majority of normally self-interested Germans, if not for their Carolingian chancellor, is the rub.

Naturally there has been much consultation of the records in order to discover what General de Gaulle has ever said or written about Europe in general and Germany in particular. Some have found comfort in his contemplation of the "dazzling prospect" of a pooling of German and French resources, "the latter embracing those of Africa." But heads have also been wagging uneasily over the General's one-time surmise that a rearmed Germany intent on reunification might drag the West into war with the Soviet Union. General Speidel, the German commander-in-chief of the Atlantic pact land forces in Europe, nipped over to Bonn from Paris last week, and has apparently assured Dr Adenauer that General de Gaulle's emergence is unlikely to impair the Nato alliance beyond aggravating the delays already experienced in arming effectively. Anxiety has been further allayed by the appointment of M. Couve de Murville as foreign minister. Ambassador in Bonn since 1956, the unostentatious, hard-working M. de Murville is a known and respected quantity in the shifting scene. In a broadcast twelve months ago he dismissed the concept of a Franco-Russian alliance against Germany as anachronistic, and he has since assured an audience of Hamburg businessmen that France has no intention of embroiling the rest of Europe in military adventures in North Africa.

Dr Adenauer's policy does not look so seriously fractured after all. Certainly the French army's intensified preoccupation with Algeria will encourage some incorrigibles to redouble their advocacy of stronger and more independent German national forces; but they probably do not count for very much. Tired critics of Dr Adenauer's inflexibly Nato-bound foreign policy are praying that General de Gaulle will push Nato into a less rigid posture. Their prayers may be granted; but, as others are already pointing out, they are probably over-sanguine in assuming that Germany would automatically be a beneficiary of any friendlier western relations with Russia.

What seems to be dashing public confidence in Dr Adenauer's "little Europe" policy at the moment is not so much General de Gaulle's suspected aversion from it as the anticipated warmth of his embrace and the motives behind it. It is not expected that the French will want to back out of their commitments. But it is expected that they will delay the process of economic integration by invoking all the protective clauses which the Rome treaties afford, and that they will demand yet more financial help from the common market and from the Organisation for European Economic Co-operation. It is being pointed out that Germany is already financing France through these channels to the tune of DM 2 billion (some £170 million), of which DM 800 million (£68 million) is earmarked for the development of French territory overseas. And it is being suggested that the time has come to refuse any new requests for financial help—beginning with a refusal to pay any more to support the French forces that scarcely exist in Germany.

So far the Germans have exercised singular restraint in their discussion of the crisis. One reason for this is their own not so distant experience of the pressures that push a nation to dispense with democratic procedures; they do feel some sympathy with the French. Another is their awareness of Germany's past contribution to the present enervation of France. But a less sympathetic note is beginning to be sounded. "There can be no mystic approach to the unromantic business of national finance," says the *Frankfurter Allgemeine Zeitung*. "General de Gaulle's policies are likely to prove expensive. Greatness costs money."

Lebanon's Reluctant Compromisers

FROM OUR MIDDLE EAST CORRESPONDENT

Beirut, Wednesday

THE Libyans, backed by the Sudanese, seem to have taken over from King Saud the role of Arab mediator-in-chief for which the Saudis are presumably more than grateful. The council of the Arab League, meeting at Benghazi to hear the Lebanese complaint against the United Arab Republic, has an intricate task before it and at the time of writing most delegates seem to expect the discussions to continue until the end of the week. Beirut reports suggest that the mediators are now trying to win general acceptance of a three-point programme: there should be a cessation of all inter-Arab press and radio warfare; the Lebanese government should withdraw its complaint from the Security Council; and an inter-Arab commission should visit the United Arab Republic and Lebanon in order to investigate various charges and counter-charges. Although it is reported that a majority of the Arab states not immediately involved in the dispute would welcome a compromise on these lines, neither Lebanon nor the United Arab Republic has explicitly commented on the plan. Implicitly, however, the Lebanese government has entered a strong reservation by means of an official statement insisting on a short time limit for the cessation of all interference in Lebanese affairs.

Interference is of many kinds, some of which are difficult to detect or control. It is therefore not altogether clear what stoppage of interference by any given date really means. Probably the Lebanese government has in mind the immediate cessation of propaganda attacks from Cairo and Damascus which President Nasser could certainly bring about at the drop of a hat. Yet even so the Lebanese government would withdraw its complaint from the Security Council only with considerable misgiving. What President Nasser can easily stop he can easily restart. And if attacks were started again at some future date the Lebanese case would have lost much of its impact. It is already three

weeks since Dr Malik announced the government's intention of going to the Security Council and it is arguable that its case has already lost some of its gloss. The only advantage delay has brought to the government is that it has been able to accumulate fresh evidence of interference.

It is arguable whether the compromise solution favoured by the Libyans is unduly favourable to the United Arab Republic. The council is considering a specific complaint directed by one state against another. Yet a resolution asking for the cessation of all inter-Arab propaganda warfare puts all states on the same footing. The implicit condemnation of Cairo and Damascus becomes the implicit condemnation of Baghdad also—even of Beirut for that matter. In return for this dubious victory the Lebanese are asked to withdraw the case from the Security Council, thus denying themselves the opportunity of winning a clear-cut propaganda advantage. It must be admitted, however, that the western powers would probably regard the withdrawal of the complaint with some relief, since it would relieve them from having to indulge once more in the dangerous practice of taking sides in Middle Eastern disputes.

Meanwhile efforts for a political solution in Lebanon itself seem to have made no progress whatever. All mediators, while giving public expression to vague hopes, confess that their past efforts have completely failed. The insistence of the extremists on complete victory suggests that they are now looking far ahead. They have already won the point that originally caused the flare-up: President Chamoun will not succeed himself. They have also made it virtually certain that whatever government is at the helm in the future, Lebanon will loosen its western ties and seek a more "positively neutral" position in line with Nasserist nationalism. What more do they want? Increasingly open discussion of a revision of the electoral law and of holding new elections suggest that they may be aiming at a change in the balance between the various minority interests on which the present state of Lebanon rests. That might mean effectively rewriting the "National Pact" of 1943—the fundamental document in the history of the state.

Australian Spotlight

FROM OUR CORRESPONDENT IN AUSTRALIA

Victorious Premier

THE perky little premier of Victoria, Mr Bolte, was returned to power with an increased majority in last week's elections to the Legislative Assembly. His Liberal-Country party government could show solid progress over the last three years in such fields as housing, schools, child welfare, the plans for a new technological university and, last but not least, in enabling Victorians to buy petrol on Sundays and drinks with their dinner. But Mr Bolte's gains were due not to his vigorous government, but to the split in the Labour party. His party polled fewer votes than in 1955, but it got the second preference votes of the breakaway Democratic Labour party. The DLP lost its only member but is undismayed: it increased its share of the total poll to 14 per cent and succeeded in its principle aim of keeping the Australian Labour party out of power until such time as it sheds Dr Evatt and what it regards as his pro-communist policies.

Father Figure

What sort of portent is this for the federal elections in December? No other state has so strong a Democratic Labour party as Victoria. The trouble started here in 1954, when Dr Evatt accused the Victorian executive of the Labour party of plotting to depose him and recognised only a minority of the executive which thereupon seceded. In Victoria, therefore, what became the DLP inherited the assets and organisation of the Labour party, whereas elsewhere it had to build from scratch as a minority breakaway movement. In Victoria, moreover, it has the support and blessing of the Roman Catholic church, whereas in New South Wales and South Australia the church seems to recommend fighting communism from within the ALP.

Nevertheless, the Labour party in New South Wales and Queensland is well and truly split and in both states the split has occurred since the last federal election in 1955. With the DLP's second preferences, Mr Menzies should gain between five and ten seats. His position looks so impregnable that many Liberals consider it unnecessary to buy Country party support by offering the Treasury to its new leader, Mr McEwen, when Sir Arthur Fadden retires in December.

Two trends, moreover, are in Mr Menzies's favour. The first concerns immigration. More than half the 1,250,000 people who have come to live in Australia since the war came from countries other than Britain and a high proportion are Roman Catholic and anti-communist. On the whole, they vote Liberal. No wonder Dr Evatt complains of the low proportion of Britons and of political tests that exclude Communists. The second trend that favours Mr Menzies is the rise in his own reputation. He is at last getting in his own country some of the honour he has long enjoyed in Britain. Never mind if he doesn't do anything, he's a world statesman and a national asset; Good Old Bob, the authentic father figure.

Territorian Tyrant

No father-figure is the Minister for Territories, Mr Paul Hasluck. One of his charges, the Northern Territory, is rebelling against paternal rule. In Northern Territory you find the Australians of the books and films. It is a country where men are men and there is only one woman to every three of them; where a population of only 19,000 inhabits 600,000 square miles; and where that population is at present very angry. As they drive their cattle along a thousand miles of burning stockroute, or dig uranium ore at Rum Jungle, or let strong beer wash the red dust from their throats in some corrugated-iron oasis, the Territorians brood on their wrongs.

The Territory was once a part of South Australia (which ran right across the continent from north to south), but in 1911 it was ceded to the Commonwealth government. It was provided with a resident Administrator, who, however, has never fully controlled the services that are nominally under him. Almost everything has to be referred to Canberra—1,800 miles from Darwin—where decisions are made unhampered by local knowledge and without undignified haste. The Territory's voice in Canberra is a mere whisper: it has one member in the House of Representatives and he may vote only on "Territory matters"; there is no representation in the Senate. Since 1947 there has been a Legislative Council, consisting of the Administrator, six nominated and five elected members. Months ago the council's select committee on constitutional reform proposed changes that would give Territorians some slight say in how their tax contributions were spent and mark a small advance towards statehood. But the report seemed to sink without trace in Canberra's files. In furious protest the elected members resigned from the council; all but one of them has now been re-elected.

Mr Hasluck, it now appears, was on the very point of presenting the report to the Cabinet. He may feel that the aspirations of the local people do not necessarily go hand in hand with greater efficiency, and that the Australian taxpayer, who shoulders an annual burden of several millions for the Northern Territory, should call the tune. But at present it is surely called from too far away.

Waterside Agitator

By contrast with the recalcitrant Territorians, a trade union almost as big as the entire population of Northern Territory will follow its leader even against its own interests. The leader is Mr Jim Healy, the communist general secretary of the Waterside Workers' Federation, under whose leadership Australian ports have been paralysed time and time again. There was a notable period of peace last year when Mr Healy was overseas; but trouble began again early this year in Melbourne, over the size of gangs. The Commonwealth Arbitration Commission ruled that the standard gang should be fifteen men, but it upheld the employers' right to split gangs for the smaller jobs. That led to a national strike on April 9th, and frequent stoppages in Melbourne ever since. The employers then obtained a "rule nisi" from the Commonwealth Industrial Court, calling on the Federation to show cause why it should not be charged with a breach of the award. As a result, the waterside workers have accepted the order—"for the time being." Perhaps they are tired of losing pay; and perhaps they are at last beginning to see how damaging their union's policy has been to their long-term interests; it has caused a huge loss of freight to the roads and hastened the introduction of mechanical handling.

Top People in Israel

BY OUR SPECIAL CORRESPONDENT

As a new society Israel ignores many of the tiresome shibboleths of the old world. The young state is refreshingly clear of the snobberies of birth, money and intellect that perplex older societies. The only social distinctions that force themselves on a visitor are between Jew and Arab, and —much less sharply—between eastern and western Jew. Other divisions are blurred. But the Israelis, who take great pride in their state's social unity, are disturbed to find incipient signs of social division. They argue that when the state was first established, the basic reason for its social homogeneity was a sense of common achievement in the face of danger that bound Jews together whatever their origin. In the last ten years, despite recurring crises, this bond of emergency and high endeavour has slackened.

The most important split is between western and eastern Jewry. Although the European Jew will deny that he thinks his oriental compatriot in any way inferior to himself, he is inclined to support his argument by quoting the individual exception in a manner that recalls that hoary seal of racial prejudice: "Many of my best friends are Jews." Everyone knows someone who is married to an Iraqi or engaged to a Yemeni and this acquaintance is produced as triumphant proof of a liberal spirit. But there is still very little mixing between the two groups. The North African or Asian Jew is criticised for not fitting into the Israeli pattern of society; more in sorrow than in anger it is admitted that the oriental, of the first generation at any rate, is not community-minded.

This in Israel is a severe criticism. New immigrants from any source are roughly classed into the good or bad, the sheep or goats. The sheep are those who put the claims of the community first; the goats are those who stick heedlessly to their individual ways. Anyone public-spirited enough to fit into the pattern gets along splendidly. The immigrant who suits the Jewish agency's book by possessing the right skill or profession, or who joins a co-operative farming settlement, or who goes straight to an industrial development area and stays there, is popular with everyone. The small trader from Beirut who wants to set up a booth in Tel Aviv; the tailor or dyer from Warsaw who just wants to go on tailoring or dyeing; the lawyer or economist or journalist who clings to his old profession—these are swimming against the tide.

The young state cannot afford the luxury of supporting them. Public feeling, too, is against them. They are free to try to make a life for themselves in the old way, but they get no help. There are too many lawyers already, and litigation is not encouraged; the economist from eastern Europe has the wrong kind of experience; the small shopkeepers are hopelessly under-sold by the subsidised and efficient Histadruth stores. Immigrants who agree to face the rigours of undeveloped land can walk straight into a small house; but newcomers with their hearts set on Tel Aviv or Jerusalem will be lucky if they can squeeze into a shack outside the town or into a friend's spare room. The children will, quickly enough, be moulded into Israeli shape by the schools and by the army; parents who cannot find a *modus vivendi* between their own interests and those of the state are the misfits.

Snobbery about wealth is still very rare. Salaries are too much alike for money alone to be the incentive for hard work; a cabinet minister will probably not earn much more than twice the wages paid to his shorthand typist. A small group of business people occupy themselves by keeping up with one another, but their influence does not radiate far outside their own circle. The more idealistic old-timers, however, are dismayed and distressed that there should be any rich Israelis at all; as one commented with obvious regret for the past: "Five years ago an Israeli woman wearing a fur coat would have been spat at; now nobody takes any notice."

Intellectual snobbery cannot take roots in a country where highly educated men and women have done, or are still doing, manual work. There is no question of the intellectuals regarding themselves as a group apart. The taxi-driver or the road-mender may be a university graduate and the members of the older collective farms pride themselves on their productions of Brecht plays or on their classical quartets.

The aristocrats in Israel are those who came to the country before independence day in 1948. The longer their residence in the country, the higher their social status. Nobody in Israel cares who your father was or which school you went

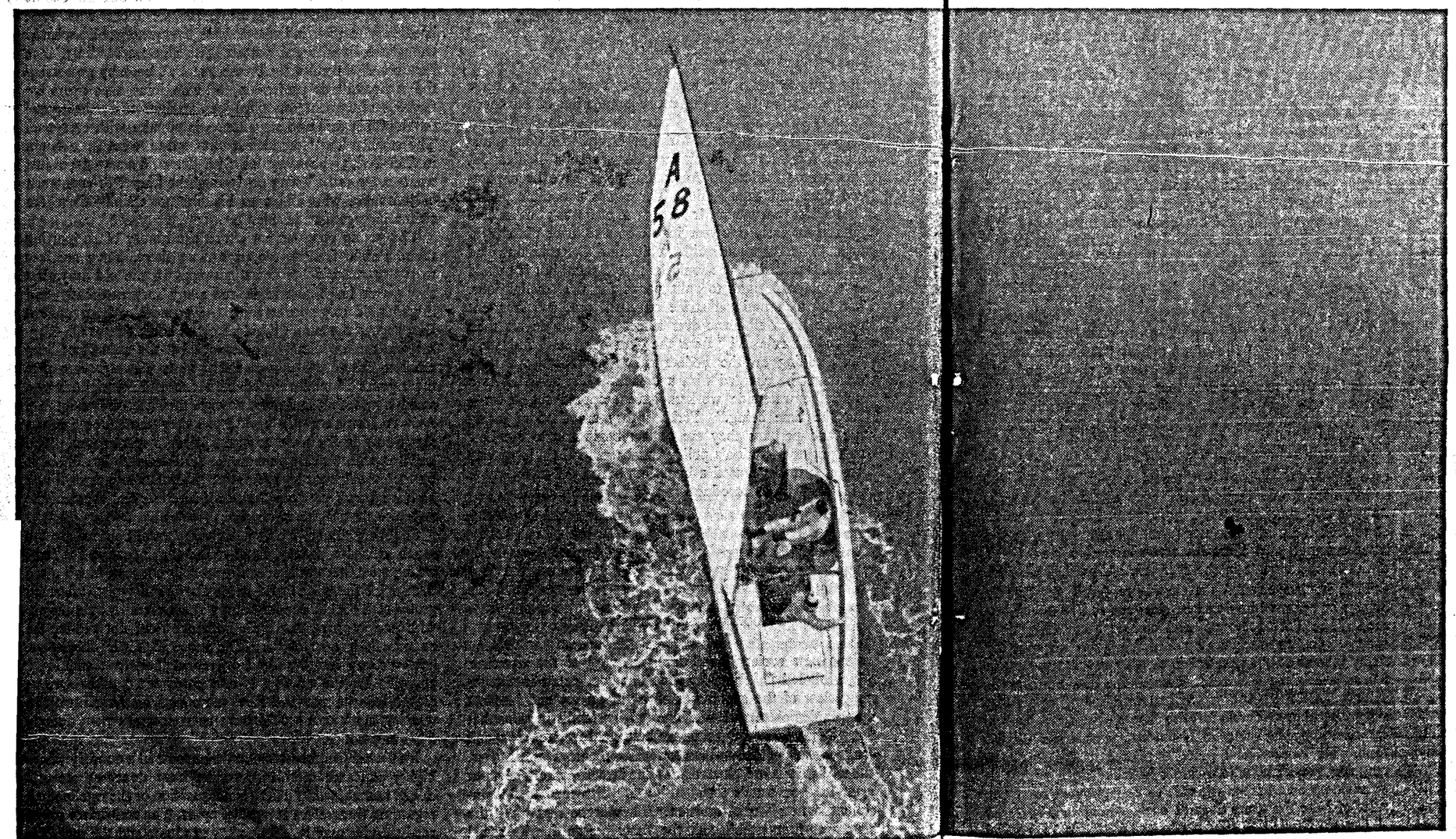
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THE ECONOMIST JUNE 7, 1958

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Continued from Page 903

to ; the criterion for this type of social snobbery is the length of time you or your family have been in Palestine. The nearest equivalent in Israel to what is called the Establishment in England is the Second Aliya, the community of Russian Jews who came to Israel before the first world war ; the prime minister, Mr Ben-Gurion, is one of them. The sabra, or native-born Israelis, fall over backwards not to patronise immigrants ; the conscious effort that this requires of them betrays their sense of superiority.

Dr Salazar Keeps a Date

BY A CORRESPONDENT RETURNED FROM PORTUGAL

To say loftily, as Dr Salazar told his municipal officers last week, that "if our regime had been completely institutionalised earlier, and the election had been run differently, the country would not have lost prestige through the current presidential campaign," was to put things mildly. But in the eyes of the world this mildness, academically paternal, typifies Sr Dr Professor Salazar—as the Portuguese style him—even more than the remarkable achievements of his statecraft in the economic and political sphere, which have largely transformed Portugal, increasing its influence, during the past thirty years.

A bookkeeper of genius, a sagacious negotiator, selflessly devoted to his task, the Portuguese premier speaks in public as seldom as possible, for he is aware, evidently, that his words of wisdom will be above the collective head of his audience. At 69, he wearily confronts the class, whose instruction distracts him from serious, private research for their ultimate benefit.

Shots in the street and the clatter of armoured cars and sabres are a startling echo from the past and a broad hint that it does not pay authoritarian rulers to dabble with democratic forms. The least that they risk for the sake of appearances is to look ridiculous in a disguise which would scarcely pass muster as fancy-dress. Since the outbreak of the Spanish civil war, when gunfire halted a couple of Portuguese warships escaping down the Tagus to join Franco's enemies, order had been kept to perfection in Portugal by the police. Quiet reigned, the quiet of a political vacuum, in comfortable contrast to the bygone 20-year period of turbulence that disposed abruptly of a prince, two kings and five out of eight presidents by murder, menaces or military coups.

It is no wonder that the government, its official supporters in the National Union, and many of the people (70 per cent, as claimed after the latest polling) regard the "untimely and useless debate" at election times as a social evil. But if the authorities think it an evil, why do they think it a necessary one ? There are various other possible means of choosing a new president every seven years, if his predecessor serves the full term in office. The Portuguese phrase for window-dressing is *para o ingles ver*—for the Englishman (and his American cousins, no doubt) to see. Even so, the Constitution stipulates that all literate male Portuguese taxpayers over the age of 21, and women at the head of a household or possessing a high-school diploma, have the right to vote. This electorate, numbering probably close on 1,500,000 in a population of nearly nine millions, is considered safe.

It is indeed safe, for obvious reasons. A 30-day open season for criticism provides speakers with little enough leeway to demolish the walls of a Jericho built and strengthened throughout 30 years by the defenders, especially if the campaign is reduced to 27 days and an attenuated censorship lingers on *sub rosa* to hamper the Opposition forces. The novelty of a three-sided contest indicated that others now, besides the orthodox old-guard left-wing democrats, had noticed flaws in the bastions of Dr Salazar's well-ordered counting house—but it also showed a lamentably real division among the motley besiegers, who combined only when three-quarters of their allotted time was up to follow the more colourful, though the less reliable, of their two leaders.

Since neither the fiery Independent, General Humberto Delgado, nor the worthy Democrat, Dr Arlindo Vicente, stood a chance of defeating the taciturn Navy Minister and government candidate, Rear-Admiral Americo Tomas, the decision that Dr Vicente should drop out of the running, and return to the semi-obscurity of his legal practice, was sensible, although inevitably both difficult and tardy. The general, himself holding a government post as director of civil aviation, was the dark horse who soon managed to lead the lagging field in spectacular fashion behind the certain and unstrained winner.

★

The flamboyant, rabble-rousing Delgado, damned by shocked upholders of the status quo as "America's candidate," was indirectly responsible for the rioting and the repression that took the immense majority of Portuguese citizens, whether meekly peaceful or disgruntled, by surprise. By attacking Dr Salazar almost from the start of the campaign, he lifted the lid off the huge, gently simmering cauldron of discontent which nobody had imagined that even a presidential candidate would dare to stir. He did so in uniform, as a respected member of the kitchen staff. As soon as he declared that his first act, if elected, would be to sack the prime minister (a redundant gesture, as the latter automatically offers his resignation to a new Chief of State), the fat was in the fire. He had made his point.

Thus he has ensured that in future the issue—for Dr Salazar or against him—will be clear-cut and recognised as such. The Portuguese political climate has undergone a change. General Delgado's gamble has failed to split the Army ; it has only succeeded in alerting the strong man in Salazar's cabinet, Colonel Santos Costa, the minister of defence. Colonel Costa is credited with having vetoed the suggestion that General Craveiro Lopes, whom he dislikes, should occupy the Palace of Belem for a second presidential term. Dr Salazar paid graceful tribute to the forgotten outgoing President, whose career in office since 1951 was summed up by a Lisbon wit with an epitaph made up of the titles of Mlle Françoise Sagan's books—*Bonjour Tristesse ; A Certain Smile ; Within a Month, Within a Year ;* and *The Broken Date*. His presumptive successor, Admiral Tomas, may be relied upon by "the armed forces of Portugal," whose backing Colonel Santos Costa has promised his colleague "now and always," not to break a date. The French crisis, a more telling example in Portugal than any muffled stormy rumbles from across the Spanish border, helped to make that firm assurance doubly sure.



Schweppshire LADS



J. R. B. D. PENNIWELL

The story of J. R. B. D. Penniwell, the actor, has a happy ending, though it is not generally known what this is. His early training admirably suited him for the stage. With parents in Simla, a great-aunt who was a Lady-in-Waiting, and a prep school overlooking the exact right piece of the East Sussex coast, it was not surprising, with his initials, that he played cricket during his year at Cambridge for the Ice Cream Cornets; though his total name more closely suggests his secondary aspiration, which he achieved when he played lawn tennis—actually men's doubles, if rather base line—in the first County meeting after the War.

Obviously destined for straight stuff, he was offered, after 6 months' training in Basic Movement at the Boltons Academy, a part at the Haymarket Theatre, where he appeared in the last five minutes of *Murder by Proxy* as the very sound young man who in fact actually did it.

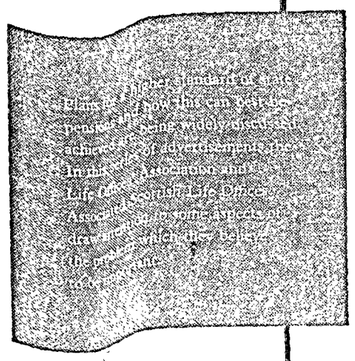
He was so sound and young over such a long period that he was asked to be sound in Beverly Hills where he rented a house, a replica in stucco of the cottage of a Normandy fisherman which his agent advised him to convert into an imitation of a Somersetshire tithe barn.

But as time passed it seemed to him that he was becoming so generally recognised that nobody ever actually remembered his name, and it made him discontented. He suffered from irrational fits. He took a dislike to his stage friend Overman, who though totally unsound had been born practically in the wings of the Old Marquess Music Hall, O.P. side. He made attempts to do unsuitable things. He took the part of Kant in a Third Programme dramatised biography of this philosopher. But it was not until he played the part of King Lear for six weeks at the Coldmarsh Repertory Theatre, at a salary of £4.15 a week that he was genuinely mentioned in the Sunday newspapers, and finally accepted not only as an actor, but as a man whose blood, besides being blue, reeked of grease paint as well.

Written by Stephen Potter; designed by George Him

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

PENSION POINTS: I



Meeting Basic Needs

One of the principles of the Beveridge Report was that any compulsory state pension scheme should be limited to provision for basic needs. The present National Insurance scheme follows this principle by providing pensions at a flat rate in return for flat-rate contributions.

But it is often argued that a person's basic needs in retirement are to some extent related to his standard of earnings before retirement. Should the pensions, therefore, be increased to include a graded element, the contributions also being graded?

This could be done, but if any scheme of graded increases were to come into full operation quickly so that the older workers and their wives might benefit significantly, it would be necessary to meet the cost of these increases largely out of the current contributions of all workers. That is, the scheme would have to be financed on traditional National Insurance lines. This would mean that the graded element would need to be strictly limited otherwise the contributions would become intolerably heavy.

Thus unless the graded pension were restricted to provision for basic needs, its purpose would be defeated: for the increased National Insurance contributions and state subsidy needed to finance anything beyond this would add to inflationary pressure and would reduce the real value of the pension. We believe that any additional pension commitments incurred by the community should necessarily be confined to providing for basic needs only.

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THE BUSINESS WORLD

GAS UNDER PRESSURE—II

Tomorrow's Cheapest Fuel?

NONE of the new ways of getting gas with which Britain's gas industry is now experimenting provides coke as well. This is not, primarily, a matter of policy. A "one-fuel" policy for this industry, moving away from processes that produce one fuel as a main product and another as a by-product to be sold for whatever it will fetch—as gasworks now sell coke and coke ovens now sell gas—has long had its advocates. Today the gas industry is looking beyond these traditional carbonisation processes to a wide array of alternatives. But the reasons, economic and technical, for doing this are inescapable. Coking and gas coals have been rising in price even more than coal in general, and seem likely to go on doing so. Carbonisation processes such as the continuous retort and the coke oven require immensely costly plant, and have reached a technical maturity where they seem to offer little chance of increasing efficiency even further. So the "coke plus gas" service that the industry now sells, beset by the strong competition of electricity and oil, is today in danger of being priced out of its main traditional markets. The gas industry is looking beyond carbonisation as a matter of necessity, not of choice.

Nevertheless, this necessity may offer the industry wholly new opportunities. The coke that one makes with gas out of a ton of coal costs nearly as much to transport as the coal itself: so the gas industry has never been able to exploit the economies inherent in making gas where the coal is cheap, at pitheads, and piping it to the market much more cheaply than solid fuel can be moved. Gas production without coke could thus cut the industry's transport costs. Moreover, it would enable the gas industry to seek higher efficiency in the direction that electricity still manages to secure it—by producing in larger and larger units. "Gasification" processes that make the raw fuel completely into gas would by definition spread their costs over the much larger volume of their main product. And if these processes are practicable at all with coal, they will be practicable with much cheaper coal. From it they will be able to make gas of a higher quality than today, which could be fed direct into the high pressure mains of a national gas grid, yet further reducing transport costs.

THIS neatly interlocking pyramid of technical possibilities, which the gas industry has been obliged to investigate by competition from economically stronger fuels, thus offers it a hope, not too far distant, of turning the tables. New techniques might well enable gas to compete not only in the "selective fuel" market for cooking and supplementary heating, as it does today, but also as a general fuel for all kinds of heating, invading the markets for which it now offers coke. If gas could be supplied cheap enough to meet the solid fuels on "price per useful therm," without allowance for its cleanliness and convenience, it could transform the commercial situation of this industry.

Nor should the significance of this in Britain's total energy policy be lost. Gasification processes can handle the very coals of which there seems certain to be a growing glut in future—power station smalls. This is a crucial point. As nuclear stations come in at the base of electricity generation during the next 20 years, electricity's demand for coal must reach a peak and then gradually decline. There can be few alternative customers for the small coals that power stations now burn so efficiently, in an economy tending to demand its fuel in cleaner, more convenient forms than raw coal of any kind; yet a large proportion of whatever coal is mined will inevitably be smalls. Gasification offers the only real chance visible at present of bridging this gap between the indigenous fuel Britain can produce cheaply and the kinds of fuel that modern consumers prefer.

The consumer, like Miss Doolittle, says "Show me." What price would one need to sell gas at to tap this

wider market? Can the industry hope to supply it at such a price? And if so, when?

Broadly, what such a service would eventually need to offer would be gas at about 1s. a therm to domestic consumers, and about 10d. a therm to industry, (reckoned against today's prices for other fuels, and the relative efficiencies with which fuels are used). A national high-pressure grid would be a very large investment, but when "transmitting" really large volumes it might cost only a penny or so a therm. The total distribution costs of gas are high today: they add almost 100 per cent to the cost of gas production. But the distribution system could handle five times the gas that is sold today at little extra cost: if gas were offered cheaply enough to sell in such volumes, distribution costs per therm could be sharply reduced.

What is required, broadly, is to put gas into a high-pressure national grid at, say, 8d.-10d. a therm. That "target" cost for gasification may be compared with a modern carbonisation plant, which will produce gas at 1s. a therm plus twice the thermal value in coke sold for 6½d. a therm. Gasification can use cheaper coal; it gets three times as much gas from every ton of it; and it uses modern continuous-flow techniques from chemical engineering that vastly increase the velocity of production and cut capital costs correspondingly. Coal takes twelve hours to carbonise into gas and coke; it can be gasified to completion under pressure in as many minutes.

UNQUESTIONABLY the best existing process for the complete gasification of "run-of-mine" coal is the German Lurgi process, In it a mixture of steam and oxygen is reacted with coal under a pressure of 20-30 atmospheres; the hydrogen produced, along with carbon dioxide and monoxide, converts the coal into gas of a somewhat lower calorific value than British town gas. Initially at least, the full-scale Lurgi plant that is now being put up in Scotland will use oil hydrogenation to enrich this gas to the quality required. The Lurgi process will give the British gas industry invaluable experience in high-pressure technique; but, as it stands, it does not completely fill the bill the gas industry has in mind. Its efficiency is reduced by the conditions required for the removal of ash by a mechanical grate, which lower thermal efficiency and create effluent problems. What the Gas Council's research station at Solihull and the Ministry of Power have been studying are techniques that avoid these disadvantages.

First is a joint project for gasification at higher temperatures than in the Lurgi plant based upon the removal of ash as a molten slag. This is at the pilot plant stage at the industry's research station at Solihull and at the Ministry's gasification development project at BICURA in Leatherhead; the "slagging gasifier" would achieve higher efficiency, cheapen by-product recovery, and simplify ash disposal. The gas made could be enriched with methane produced from coal, so that this would be an all-coal process.

So would the third process being developed by the Gas Council, which would adopt "*fluidised*" techniques for handling finely-divided solids as a liquid to gasify any size of coal down to dust. This process would split what goes on in a Lurgi plant into two: the coal would be hydrogenated to produce gaseous hydrocarbons plus a solid residue for gasification in steam and oxygen—offering finally a gas of as high a calorific value as town gas today, with less sulphur and carbon monoxide and unaltered burning characteristics.

THESE improved gasification processes, the gas industry's research department believes, will eventually be able to take coal at 3d. a therm and turn it into gas at a conversion cost of 2-2½ times the cost of the raw material—obtaining from by-products (oil, benzol, phenol, ammonia and sulphur) a yield of about 3d. per therm of gas. The capital charges per therm would be low because of the vastly higher throughput. The largest carbonisation plant in the world, Beckton, makes 200 million cubic feet of gas a day; what the industry now has in mind for the future would be a series of gasification plants of 200-300 million cubic feet a day, located on the coalfields, and making gas at a pressure of 20-30 atmospheres to go straight into the high-pressure mains of a national gas grid.

But the new coal gasification processes are not yet out of the pilot plant stage; engineering commercial prototypes, and learning how to work them, must at best take four or five years. So "eventually," in the context of designing full-scale coal gasification works, can hardly mean before the mid-sixties. In the meantime, gas has to compete; it needs to learn about high pressure techniques; and carbonisation coals will probably go on getting dearer. One medium-term answer being tested by the industry is oil gasification — preferably with high pressure processes, which have a high thermal efficiency and large yields of aromatic oils as by-products. A prototype commercial unit is now being installed at Manchester to gasify crude and heavy oil by the production of hydrogen in Texaco gasifiers, followed by enrichment with oil hydrogenation. A variant being developed at Solihull would hydrogenate oil by hydrogen obtained by re-forming part of the gaseous hydrocarbons produced.

Given a market for the by-products, the oil processes offer large volumes of gas at prices lower than one could achieve on carbonisation plant put in today, allowing the gas industry a chance to defend and develop its market in the meantime; moreover, they offer the industry much-needed experience with pressure techniques. Though it is inherently easier to make gas out of a liquid than out of a solid, oil is a convenient fuel in its own right. Making another, perhaps slightly more convenient, one out of it can hardly in the long run offer the economic advantages of making a convenient fuel out of small coal, a dirty raw fuel that nobody will want as such. But successive Ministers of (Fuel and) Power have swung violently from urging the gas industry to concentrate entirely on oil techniques, two or

three years ago, towards urging it to consider nothing but coal: the industry is not going all of either way.

Moreover, the main eventual coal gasification processes would not be economic for meeting the sudden demand for extra gas that can occasionally occur in the winter. The gas industry can meet its daily and weekly peaks of demand by storage—in which a high pressure grid would be a large new factor: it has always had to meet seasonal extremes with specialised plant of low capital cost. Further processes under development at Solihull would provide for peak load pressure gasification from light distillate oil: or possibly from methanol, which could be synthesised from coal and stored as a liquid "off-peak."

NOBODY in the gas industry is anxious to make gas if they could buy enough cheaper, or find it underground. Expansion in the steel industry has made a large development of coke-oven capacity inevitable; the gas boards have always reckoned on buying the extra coke-oven gas that steel companies want to sell to them (though eventually if base-load gas becomes available really cheaply the economics even of metallurgical carbonisation should alter). From oil refineries in Britain, moreover, a variety of tail gases or surplus refining fractions are sometimes economic to buy and convert into town gas. Similarly, the Gas Council has financed exploration for natural gas in Britain (not finding much) and is now experimenting with buying natural gas overseas, liquefying it, transporting it liquid at *minus 250 degrees* in special tankers, and turning it into town gas for sale here.

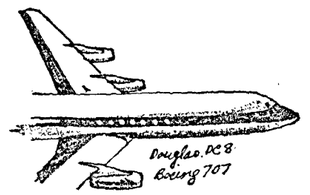
A shift in its own production methods will not make the industry any less eager to buy marginal gas wherever it is on offer. In spite of the expensive technical difficulties of importing natural gas—as against importing more oil, if the economy wants imported fuel—and the question how much one will eventually have to pay suppliers for it, this intriguing possibility can still turn out to be more than marginal. But the cost at which this industry hopes soon to be able to make gas, from oil and eventually from small coal, must condition its bargaining with outside suppliers for future purchases.

Those hopes, quite logically, offer the gas industry the possible chance of competing far more effectively in the domestic and industrial fuel markets than it has for many years; of becoming, indeed, the main general heating fuel. But today they are still only fair hopes. Between now and the time when they can be "put up or shut up," the industry has to get along as best it can against stronger competition—which, besides being a reinsurance, is the best justification for its eclecticism in seeking cheapish gas in the meantime wherever it can get it.

Not everybody in this industry itself sees the way forward with quite the same eyes. Nor has everybody in it yet realised that a national grid moving gas from the coalfields, based on pressure gasification, could mean central groupings of production which would cut across the structure of this nationalised industry that the theorists so often praise as the decentralised ideal. Chances of a prosperous tomorrow will not excuse the gas industry from short commons and making do today. But the chances are real and invigorating; as real as, say, economic nuclear power, *no more remote*, and eventually capable of providing energy a good deal cheaper.

The Big Jets

In a few months, jet airliners will begin regular services across the Atlantic; the sketches accompanying this article show some of their distinguishing features.

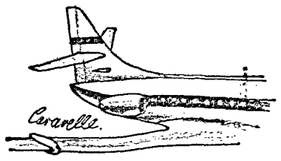


WHEN the Douglas DC 8 jet airliner took off in a cloud of black smoke a few days ago on its maiden flight, the last of the first generation of jet airliners had begun its proving trials. There are five of these air liners; in descending order of size and range, two are American, one is British, one Russian and one French. Only one, the Russian, is actually in service and beginning to make increasingly numerous appearances in western European capitals. Of the rest, there is a good chance that one of the two American jets, an early version of the Boeing 707, will start carrying passengers across the North Atlantic in October, followed in a matter of weeks by the de Havilland Comet IV. The French Caravelle is expected to come into service inside Europe soon after Christmas and the last of the group, the American Douglas DC 8, may appear on the North Atlantic at the end of 1959.

These five represent a completely new type of airliner, one that combines the structural problems of a fast fighter with the economic problems of a civil transport: as in first attempts, their designs are relatively crude and easy to fault. These may seem harsh words to use of machines that share a uniform elegance of line and extreme precision of construction; but no other description would be wholly fair either to the men who designed them or to those who are now putting their successors on the drawing board. The Vickers VC 10 jet airliner which the British Overseas Airways Cor-

poration should get in six years' time, or the de Havilland 121 airliner which British European Airways will have at around the same date, belong to a second generation of jets, more refined machines that should not be compared with those now going into service.

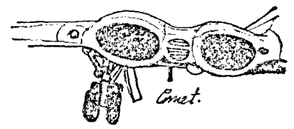
The world's first, short-lived jet airliner service was opened by the Comet 1 in 1952 and ended abruptly two years later when metal fatigue split open two aircraft in quick succession. Because jet engines have an avid appetite for fuel, it was difficult even then to build a jet airliner capable of making a profit at fares controlled by operators of cheaper, piston-engined aircraft. The Comet accidents made it plain to the world that there were no short cuts to economical jet design, such as using the thinnest, lightest skin to keep down total weight. To protect them from metal fatigue at high altitude, jet airliners were going to need stiff and heavy skins. From such considerations, it became clear that these aircraft were only going to pay if they could carry on average 100 or more passengers.



Very broadly, the time when these big jets have become available depended on when there were engines powerful enough to lift them. The aircraft themselves could have been built at almost any date since the end of the war. Progress was more rapid in Europe than in America simply because many of the routes flown by European-based airlines such as BOAC, Air France (also a Comet operator) and the Russian Aeroflot, are much less exacting than the blue riband routes of American airlines. A jet airliner capable of operating between 500 and 2,000 miles could have been built around the medium-powered jet engines available from the mid-1950s onwards. One capable of crossing the North Atlantic, or even operating a coast-to-coast express service inside the United States, could not.

It says much for the speed with which aircraft are developed in the United States and the slowness with which they are developed in this country and France that, although work started so much later, the first American jet airliners will be in service before the Comet IV, which is identical to the Comet III that first flew in 1955, or the Caravelle, which has been flying roughly as long. The Russians, whose jet engines tend to be a good deal bigger than those of the West, seem to have had their Tu 104 in regular service since 1956; comparisons, however, are difficult, since Western engineers think its operating costs are higher than a Western airline would tolerate.

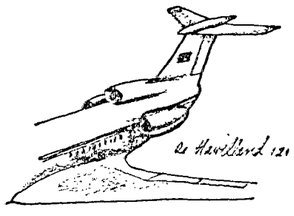
Within a matter of weeks, Pan-American World Airways expects to get delivery of the first batch of eight Boeing 707 jets (early version) that it has on order; it should be able to put them into regular service on the North Atlantic in October. Towards the autumn,



BOAC expects to get delivery of enough Comet IVs (it has 19 on order) to put them into service on the heels of Pan-American. Neither of these aircraft is strictly suitable for operating on the North Atlantic. They have not the range to do the journey non-stop in both directions as can many of the aircraft now on this route, including the turbo-prop Bristol Britannia. So if both airlines go ahead with their plans, they will have to whittle down payload by discreetly juggling with the numbers of first and third class seats. Paper studies suggest that the two aircraft might then be able to fly east from New York to London without a stop in six hours and fly west from London to New York in 7½ to 8½ hours, depending on how often headwinds force them to land and re-fuel at Gandar. Airliners with engines big enough to make the crossing non-stop in both directions in all weathers will not be delivered to either airline until late next year.

Between them, BOAC and Pan-American will have an edge for 12 months or more, and Trans-World Airlines one of about six months, over their jetless competitors on the North Atlantic. These competitors are waiting for the high-powered Boeing and Douglas airliners: none has taken the gamble on the smaller machines. At present a typical, fast crossing in a piston-engined airliner takes about eleven hours flying west and 13 to 14 flying east. The Britannia, in service only with BOAC and the Israeli airline, El Al, clips about 2 hours off the journey in either direction. The jet services come close, therefore, to halving the average crossing.

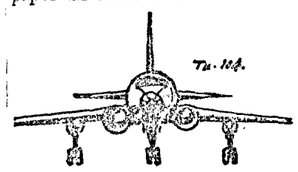
With fares internationally controlled, airlines believe that traffic will flow automatically to the fastest service—and they measure differences between schedules not in hours but in minutes. So strongly do they hold this view that their plans for all the more important routes by-pass the cheaper turbo-prop aircraft almost entirely in favour of jet airliners, of which there are now about 600 on order. The swing to jets has taken place not only on the North Atlantic, the richest route of them all, and inside North America, but also in and around Europe.

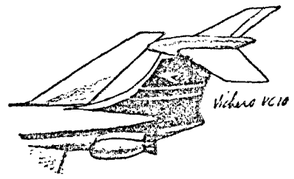


Provided that the Russians can fulfil their promise to silence the two roaring engines of the TU 104, various marks of this aircraft are likely to be in regular service to the major European capitals, London included, before the year is out. By early next year, Air France and the Scandinavian airline

S.A.S. will be operating a network of jet services with the Caravelle right across Europe and into North Africa.

Nothing has been said here about the operating economy of the new aircraft, because so much is still speculative. A jet airliner starts off with a certain disadvantage over a piston-engined or turbo-prop airliner, particularly in its fuel consumption, but in theory these handicaps can be offset by careful design. Only experience in regular passenger service will show how successfully in each case the balance has been struck. The Comet and the Caravelle have both been flying for several years, but the American jets are still much of an unknown quantity—the bulk of orders are for the high-powered versions that have not yet flown. On paper all these aircraft should make money, with the palm for economy going to the Caravelle and the big versions of the American jets. But this assumes to some extent that the present fare structure remains unchanged with one range of fares for all types of aircraft.





If the airlines, under pressure from operators with large fleets of still airworthy but obsolete piston-engined aircraft were to press, as some are already doing, for one fare for the fast service and another for the slow, then the pattern of flying would be changed overnight, particularly as it affects the turbo-props. Some designers, who still stake their money on the slower turbo-props, believe that airlines will become disenchanted with jet operations, which have some of the nerve-racking qualities of scheduling a milk delivery round with Hard Ridden in the shafts. But the last word is with the passengers, and if they like jets—presuming that they even notice what aircraft they fly in—then the jets are here to stay.

BUSINESS NOTES

GOLD RESERVES

Over $3,000 Million

The gold and dollar reserves recorded another fine increase in May, of $125 million, though the month's transactions through the European Payments Union produced a deficit, of £13 million, which will involve a gold payment of $27 million to EPU this month; the "true" gold balance for May, deducting this payment and also the receipts of $4½ million in respect of the EPU balance in April and of $5 million of defence aid, has thus fallen to $88 million. As the table shows, this is the smallest gain this year. It is still a very good one by the standards of recent years and in the circumstances of last month. The favourable seasonal influences for sterling are now due to tail off; in addition, sterling had to contend in May with the strikes and wage uncertainty at home. As the movements on the exchange market suggested and these figures now confirm, these disturbances caused more nervousness on the Continent than in the dollar area. Another influence in Britain's unexpectedly large EPU deficit may have been the French crisis. France incurred a deficit of $76 million with EPU in May; Germany's surplus disturbingly rose to $70 million.

RESERVES SINCE THE CRISIS

	True dollar balance in period*	Actual change in reserves $million	Reserves at end of period
1957 :—			
August	−300	−225	2,142
September	−296	−292	1,850
October	+141	+243	2,093
November	+ 71	+ 92	2,185
December	+ 86	+ 88	2,273
1958 :—			
January	+166	+131	2,404
February	+206	+135	2,539
March	+148	+231	2,770
April	+137	+144	2,914
May	+ 88	+125	3,039

*Adjusting for one month lag in EPU settlements, for $250 million drawn from Export-Import Bank in October, and for small receipts of US aid.

Last month's gain brought the reserves to $3,039 million. In September last they stood at $1,850 million; the rise includes $250 million drawn from the Export-Import Bank. The level of $3,000 million, which at one time had an important psychological significance, was last exceeded in mid-1954, for two brief months, and in 1950-51, at the time of the treacherous Korean boom. The reserves now include also $561 million drawn from the International Monetary Fund at the time of the Suez crisis.

In the exchange markets, sterling showed little reaction to the gold figures, the spot rate holding firm at $2.81⅛. Rates against the D-mark and other Continental currencies have continued to be weak. The franc has been steady at 1179, and the discount three months forward has narrowed from 40-50 francs in the middle of last week to 20 francs.

THE ECONOMY

Output Dead Level

Stability or stagnation, label it how you choose, the impressive thing about the British economy is that according to the official indicators, up to a month ago, total industrial production had still not yet started going down. In April, with construction slackening, several of the plant

industries recording not merely lower orders but lower output, steel production significantly down and soft goods recording little recovery, output of durable consumer goods, and primarily cars, was still buoyant enough to keep production level. In some of the capital goods industries, and in steel, the early indications are that production went down again in May, when motor output was affected by the Pressed Steel strike; this month, again, the dock strikes may already be affecting export production in general. These may blur the real balance of industry for another couple of months, though the Federation of British industries may have some supplementary impressions to announce in the meantime.

THE SHIFTING PATTERN OF PRODUCTION
(1948=100)

	Jan., 1955	Jan., 1956	Jan., 1957	Jan., 1958
All Industries	135	139	138	133
Manufacturing	140	143	140	140
Iron and steel	134	142	140	138
Engineering and shipbuilding	153	153	152	...
Vehicles	165	174	156	...
Chemicals	183	188	195	189
Textiles and clothing	118	120	119	111
Leather and fur	98	94	93	91
Food, drink, tobacco	106	109	114	112
Domestic Furniture*	162	145	162	152
Paper and printing	172	180	167	167
Mining	115	114	114	109
Construction†	109	116	122	120
Gas, electricity, water	177	183	188	201

* Deliveries, Jan.–March. † Jan.–March.

The current level of total industrial production, 137-8 per cent of the 1948 average, allowing for seasonal variation, was first touched in the second quarter of 1955; it went a few points above that at the end of 1955, and during certain months of last summer, but soon came back onto the trend—which is still horizontal. The manufacturing index, in June last year, did again touch the peak of 1955—147 (1948=100) seasonally corrected. This hardly changing total volume of production (according to an index which it is fair to say seems likely to have a downward bias if any) has masked fairly considerable changes in the fortunes of a number of industries. In motors and in some durable goods this has been simply the effect of Government restrictions, by hire purchase regulations and purchase tax changes, which for a time pushed them into recession; most, but not all, have come out since (furniture deliveries are still depressed). Otherwise, the changes in pattern have not been anything surprising. Electricity, the strongest growth industry, has hardly faltered in its expansion; but chemical output, which formerly matched its progress, has levelled off. Production of soft goods has remained low or sunk lower. Mining ceased to expand before demand for coal did; now it is producing less for a lower demand. Construction, and some plant and machinery industries, rose with the investment boom and have now passed their peak.

Employment Down?

RUMOURS of a large rise in unemployment last month were not substantiated by the figures published this week, which show a total of only 447,600 in mid-May against 443,700 in mid-April, although there was a rise of 22,000 in the numbers temporarily stopped—reflecting among other things repercussions of the Pressed Steel dispute? Thus there was actually a decline of 18,000 in the number wholly unemployed, to 389,000, though not as much as would be expected at the time of year: a rough seasonal correction shows the number "wholly unemployed" rising by about 8,000, and nearly 100,000 upon May last year. Many firms have cut out overtime completely and are working short-time: now, but still gradually, they may be letting their labour forces run down.

This thinning out of the labour force, while total production remains unchanged, must broadly tend to stabilise labour costs in spite of rises in wage rates: since raw material costs are stable and much lower than a year ago, operating costs in industry must have levelled out. In practice, the savings are often being realised where industries that have been working at more than "rated" capacity for years have had the chance (indeed, no alternative but) to bring their output down, and by stopping recruitment have let their labour forces decline significantly more. Mr John Reiss of Associated Portland Cement Manufacturers, mentioned this week that the quite marked fall in demand last year had enabled cement manufacturers to take out of service overage plant where running and maintenance costs were exceptionally high.

Cement is a highly capital-intensive industry, where savings in labour may not be very significant: at the other end of the scale the same thing, much more recently, has been happening in coal. Though labour costs rank very high in the mines, a large proportion of these, maintenance, "other underground" work, and haulage, would ordinarily not be expected to vary very directly with output In fact, since the National Coal Board stopped most of its recruiting in mid-February, its labour force has wasted away by nearly 11,000: with this saving and the suspension of Saturday working, it has been able to achieve some rather startling economies in cost.

IN THE MARKETS

Gilt Edged in Demand

THE new Stock Exchange Account opened on Wednesday without fireworks. In terms of the *Financial Times* indices, government securities that day remained unchanged at 83.47 and industrials unchanged at 168.1. Those figures do rather less than justice to the strength of the market. Over the full week ended on Wednesday the Government stock index shows an advance of 0.45. The *Financial Times* industrial index shows a drop of 0.6, while *The Economist* indicator shows a rise of the same fraction at 184.2, the divergence between *Financial Times* industrials and *The Economist* indicator reflecting mainly the fact that the oil shares which have risen are included in the latter.

The verdict must be that cautious markets have made little response to the further gain in the British gold reserves, or to the modest advance on Wall Street. But it has not been a bad market. Investment demand for gilt-edged, even on Wednesday when prices seemed stagnant, had not disappeared. Fairly large buyers were operating and were concentrating on the longer dates, so that official funding by sales through the market of such stocks as the Funding 5½ per cent 1982-84, the "tap" price of which was raised by ⅛ to 101, continued.

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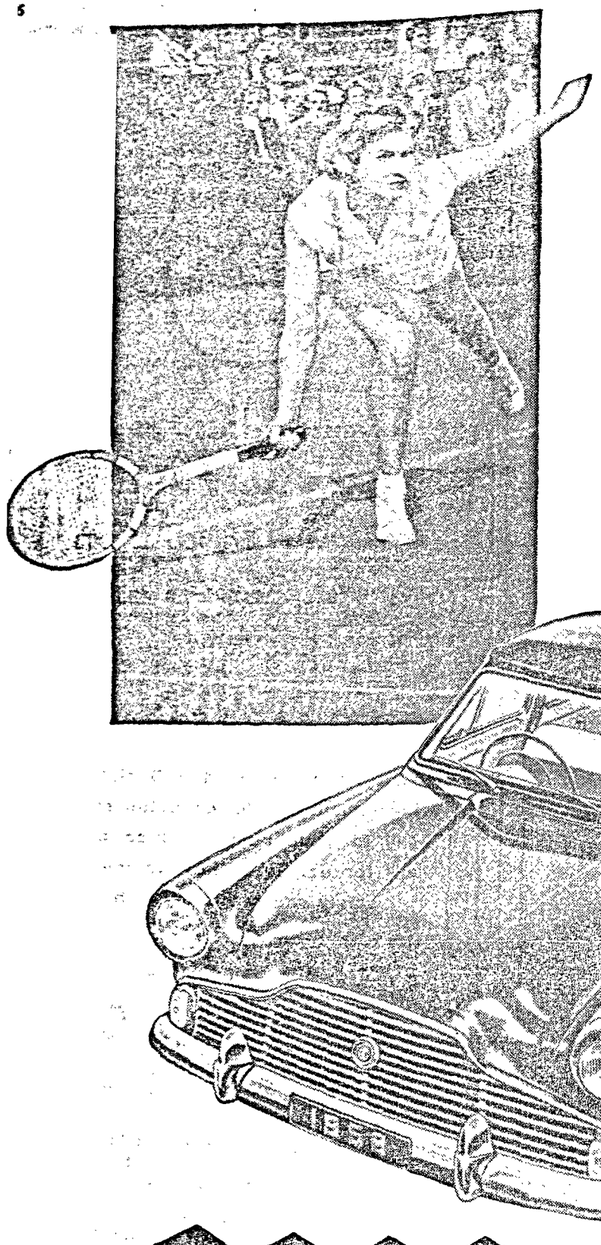
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progress is not unfavourable. City of Birmingham's cash and conversion offer of £5 million 5¾ per cent stock 1974-76 at £99 for which cash lists opened and closed on Thursday was well received, and if the terms due to be announced almost at once are right, the outlook for Associated Electrical Industries' £25 million debenture issue looks reasonably good. Applicants for the Birmingham stock will have to wait until Wednesday of next week, when the conversion offer to holders of the City's £3,946,116 3 per cent stock 1956-58 closes, to know their fate which detracts from the issue's popularity. But if market conditions remain unchanged a moderate success and a modest premium are possible.

In view of the higher investment status of Birmingham than either Hull or Swansea (which both issued 5¾ per cent stocks in April) the yield on the Birmingham stock of £5 16s. 2d. flat and £5 16s. 10d. to redemption at latest date is judged about right. It will be surprising if this turns out to be the last of the 5¾ per cent corporation issues. But investors who like high coupons are becoming aware that the number of further issues with so high a coupon must now be limited.

BANK FIGURES

Which Sanction on Advances?

THE Chancellor's renewed reference this week to preparations for expansion has encouraged speculation about an early lapse of the official directives on bank advances. Nothing would be more popular with the banks, for the directive inevitably stultifies competition and stifles initiative. Moreover, there is now the strongest of all arguments for the authorities to drop their unorthodox sanction: the market sanction is working. The latest statements of the clearing banks give further evidence of the success of funding policy. In the five weeks to May 21, the banks again bought gilt-edged. The total portfolio rose by £27 million, following the purchases of £43 million in the preceding four weeks, and bringing the total purchases since the beginning of the year to £115 million. The sales of stock by the Government broker to the banks and to others reduces to a corresponding degree the Government's need for finance from Treasury bills, thereby curtailing the liquid assets available to the banks and exerting the traditional *banking* restraint on bank lending. In the May period, the banks' liquid assets again declined, against the seasonal trend; and since advances fell a little, confirming the downward trend that has been apparent for many months, deposits also declined. The seasonally adjusted index compiled by Lloyds Bank dropped sharply by 0.6 to 109.3, neatly reversing its jump a month before.

LONDON CLEARING BANKS

	May 21, 1958 £ mn.		Change on Month £ mn.	Change on Year £ mn.
Deposits	6,411·0		−39·3	+126·4
"Net" Deposits*	6,119·3		−32·9	+139·8
		%†		
Liquid Assets	2,078·6	(32·4)	−56·6	+ 13·9
Cash	530·4	(8·3)	−12·7	+ 22·5
Call Money	411·6	(6·4)	− 9·7	+ 2·6
Treasury Bills	1,025·6	(16·0)	−35·6	+ 19·7
Other Bills	111·0	(1·7)	+ 0·3	− 30·9
Risk Assets	4,124·9	(64·3)	+24·6	+132·2
Investments	2,163·4	(33·7)	+27·1	+169·2
Advances	1,961·6	(30·6)	− 2·5	− 36·9
State Boards	*63·1*		− 2·7	+ 12·0
All Other	*1,898·5*		+ 0·3	− 48·9

* Excluding items in course of collection.
† Ratio of assets to gross deposits.

As a result of these movements, the banks' average liquidity ratio, which at this season usually begins to rise, showed its second successive contra-seasonal fall, to 32.4 per cent—now below its level a year before. One bank, Lloyds, has to sell a small amount of investments to stop its ratio falling below the conventional minimum of 30 per cent; this bank was among the first to re-enter the gilt-edged market. Last month's chief buyers were again Barclays and the Midland, each of £10 million; Barclays' investments now represent 37½ per cent of deposits, compared with an average in all banks of 33.7 per cent. The only bank among the big seven that has not added to its portfolio in the past year is Martins, which still has an investment ratio of less than 30 per cent.

STRIKES

What's the Damage?

LONDON'S bus stoppage, soon to enter its sixth week, has so far noticeably affected only certain stores and places of entertainment in the West End and in parts of London south of the Thames where the tubes do not run. The impact upon London Transport's finances is rather more severe however—a net loss to the tune of about £300,000 a week. The month-long Pressed Steel strike, now finally over one hopes, denied motor manufacturers of roughly 10,000 cars, almost an eighth of the industry's output while the dispute lasted and, as a dying convolution, it managed to put 500 workers at Standard's Vanguard assembly line on short time this week. Stocks of body panels finally gave out before Swindon could resume its normal flow of deliveries.

A more serious dispute for the economy in general is the present stoppage of work at the London docks. By Thursday 118 ships were idle, three were undermanned, and only 22 were being worked, and some 20,000 tons of perishable cargo were in danger of being lost. Included in this total were 8,000 tons of imported meat. Meat distribution, which has been progressively interrupted now for eleven weeks by the strike of the London meat drivers, the Smithfield bummarees, and the Thames cold storage workers, is very much on a hand-to-mouth basis. Fortunately, perhaps, this is "in-between" time of the year, after the bulk of meat imports have arrived and a little before the home-killing season normally starts. Stocks were high at the outset and higher prices have encouraged farmers to send some of their pigs, sheep and cattle to market a little earlier than usual. By privately improvised transport, too, most of the smaller butchers have been able to keep their shops adequately stocked with English lamb and pork, with some imported lambs from the cold stores, and some home-killed beef, though the larger retail organisations have not found it as easy to cope with their transport needs. However, shoppers have not had as wide a choice of cuts or as good quality as they normally expect at this time of the year, and prices have been rising.

But the London docks handle about a third of the country's imports and a similar proportion of exports. For some goods, the proportion is even higher—in vehicle and electrical goods exports and in meat and dairy produce imports for example. Past experience suggests that a dock

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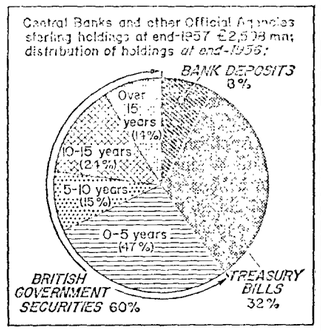
New Light on Sterling Balances

THE Treasury has at last moved to supplement the scanty information hitherto available on the sterling balances; and it has at last produced figures of outstanding acceptance credits, which have been collected since the publication of the Macmillan report in 1931 but have previously been published only in that report. This week an article in *Economic Trends* inaugurates a new series of quarterly figures of the balances and the credits to be published each February, May, August and November, and gives a useful run of figures for past quarters; further, the Treasury now also gives two important sidelights, showing the division between official and other funds, and the form in which the official holdings at end-1956 were invested.

As is to be expected, central banks and other official agencies of the colonies and independent sterling countries hold a considerably larger portion of total sterling funds of those countries than is the case with the non-sterling countries, whose balances are kept largely for the working needs of commercial banks and other financial institutions. Tantalisingly, the holdings of official funds are detailed for end-1956 but not end-1957. On the unreal assumption that the percentage distribution of the funds was unchanged through 1957—in practice, it seems probable, there will have been a switch out of gilt edged—these overseas official bodies would have held last December some £1,500 million (nominal) in gilt edged securities, nearly half of them with less than five years to final maturity; some £800 million of Treasury bills; and some £200 million deposits, including deposits with the Bank of England.

The new figures permit a far closer analysis of last year's sterling crisis and the subsequent recovery than has been possible from the half-yearly figures available hitherto from the balance of payment white papers. In the third quarter of 1957 the withdrawals of working balances by non-sterling countries—which are obscured in these figures by the effect of the special German deposits and by a distortion resulting from the inclusion of the balances cleared through the European Payments Union—coincided with the peak quarter of withdrawals by sterling area countries. Moreover, outstanding acceptances, extended mainly to countries outside the sterling area, were at a peak in June last year, at £184 million, compared with £108 million a year before and £94 million in June, 1954. By March this year they had fallen to £140 million; it is a clear inference that the rise in 1957 reflected the speculative use of these facilities to create bear positions. The figures are of the total of sterling acceptances given by banking offices in the United Kingdom for account of residents abroad; all but about £10 million of these short term credits are extended to residents outside the sterling area.

In the first quarter of 1958 the sterling balances of non-sterling countries have been replenished (though the balances of all the main groups save OEEC are still lower than a year before). But drawings by the sterling area, or rather by the independent sterling countries, have continued, despite the fact that seasonal influences have turned favourable. In the year to end March, the balances of all sterling countries fell by no less than £289 million; India has been by far the largest spender, but New Zealand and more recently Australia have also gone into the red. In aggregate, Britain's sterling liabilities were reduced by £251 million in the year to end-March, a rate of repayment that seems to be unprecedented.



SOURCES OF THE STRAIN
Changes in sterling balances

	1957 July–Sept.	1957 Oct.–Dec.	1958 Jan.–Mar.
UK colonies*	− 29	− 11	+ 6
Other sterling*	−107	− 79	−77
Sterling area	**−135**	**− 90**	**−71**
Dollar area	− 20	+ 5	+ 7
Other W. hemisphere	− 7	+ 2	− 3
OEEC	+ 63†	− 15	+14
Other non £	− 30	− 4	+20
Total non £ countries	**+ 11**	**− 12**	**+ 38**
All countries	**−125**	**−102**	**−33**

* Ghana and Malaya included under colonies for 1957 quarter, under other sterling countries for January — March, 1958. † Includes special German deposit of £67½ mn.

THE SEASONAL SWING

The sterling holdings of the overseas sterling area show a marked seasonal variation, with drawings concentrated in the third quarter:

Sterling Countries
Changes in sterling balances (£ million)

	First quarter	Second quarter	Third quarter	Fourth quarter
1954	+98	+28	− 44	+44
1955	−11	+23	− 79	+22
1956	+25	− 4	− 9	−35
1957	+61	+ 8	−136	−90

No such pattern is apparent in the holdings of the non-sterling countries, which are governed to a greater extent by world confidence in sterling.

Non-Sterling Countries
Changes in sterling balances (£ million)

	First quarter	Second quarter	Third quarter	Fourth quarter
1954	− 67	+65	+39	+48
1955	+42	−66	−37	−21
1956	−33	−15	−35	−48
1957	+ 3	+ 1	+11	−12

STERLING HOLDINGS BY AREA AND CLASS OF HOLDER
(£ million)

	End 1945 Total	End 1945 Central bank & other official funds	End 1945 Other funds	End 1951 Total	End 1951 Central bank & other official funds	End 1951 Other funds	End 1957 Total	End 1957 Central bank & other official funds	End 1957 Other funds
Sterling area countries									
UK colonies*	411	263	148	919	703	216	1,269	1,023	246
Independent countries	1,986	1,702	284	1,717	1,590	127	1,430	1,184	246
Total sterling area	2,397	1,965	432	2,636	2,293	343	2,699	2,207	492
Non-sterling countries									
Dollar area	34	15	19	38	28	10	35	4	31
Other W. hemisphere	163	158	5	57	39	18	31	13	18
OEEC	351	190	161	328	158	170	253	130	123
Other non-sterling	622	432	190	518	399	119	244	154	90
Total non-sterling	1,170	795	375	941	624	317	563	301	267
Total—all countries	3,567	2,760	807	3,577	2,917	660	3,267	2,508	759
Non-territ. organ'ions	—	—	—	566	566	—	645	645	—
Total	3,567	2,760	807	4,143	3,483	660	3,912	3,153	759

* Includes Ghana and Malaya throughout.



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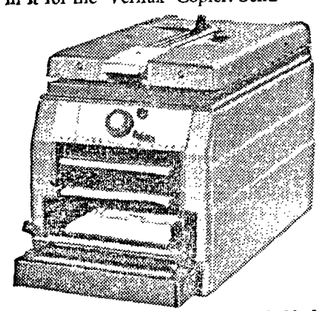
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Continued from page 917

strike, even one involving other ports, has to last a considerable time before industrial production is affected and food supplies, in general, are not yet in jeopardy. But shipping delays, and the practice of diverting goods to other ports if dock labour allows this to be done, are immediately expensive. No exports are now moving down to London's docks by road and only negligible quantities are arriving by rail.

STOCK EXCHANGE REFORM

The Election Issues

A CONTESTED election to the Stock Exchange Council is not unusual. Often some new blood chooses to joust with those of the retiring members who seek re-election and often new blood finds its way onto the Council. This year's election for which nominations close on Tuesday and for which voting takes place on Friday, June 20th, is not quite like that. Twelve vacancies on the Council of 36 occur; seven of the retiring members are up for re-election and at the moment of writing eleven others have been nominated. These include a group of six reformers with a common policy that they have set before their fellow members—a policy that they challenge to the established order. These are fairly direct challenges to the policy:

the heads of the House to be under a paid

1. Day to day running of the House to be under a paid general manager with paid managers for each principal branch.
2. Reduction of the 36 member Council to 12 or 15, with a reduction in the detailed work they do.
3. Rebuilding or reconstruction of the Stock Exchange with an increased rent from office accommodation.
4. Revenue to be drawn from an annual charge for quotations and increased agency fees.
5. Reducing the cost of capital transactions by more efficient notification of prices and more efficient clearing of securities.
6. Examinations to be passed by intending members before election to the house. Proper arrangements for the audit of the accounts of all firms and the financial soundness of members to be established not only on entry, but thereafter.
7. More ample public relations and advertising.

Of this ambitious programme more will be heard, for some of those six candidates may quite possibly secure election. They are—Mr L. V. Chater, Mr J. H. Drew, Mr H. J. Enthoven, Mr D. H. Le Roy-Lewis, Mr A. D. McKechie and Mr P. E. M. Shaw. The list is drawn from both large and small firms and from both brokers and jobbers. There is certainly no general acceptance of their programme, but most thinking members would accept some part or other of it. Hardly any would claim that there is no case for reform. At present a conscientious member of the Council needs to spend most of his working week on the affairs of the subcommittees to which he is allocated, so that his election involves a real sacrifice both to himself and to his firm, and it is difficult except in big firms to make that sacrifice.

The real answer to the reformers—if answer there is—must be that they are using a battering ram to open a door that already stands ajar. The present chairman, Sir John Braithwaite, has never been a reactionary and throughout his period of office he has pressed for reforms that edge the Stock Exchange gently nearer to Royal Charter status. Some of the reforms now demanded are already gradually being achieved. A Charter but in much quicker time is apparently what the reformers also desire. But they may have some hard thinking still to do. Just how effective their proposals would be in reducing the cost of doing business is far from clear, and they will have to make it clear if they wish to enlist the support of members in small firms where the bargains tend to be small and the cost per £1 of stock turned over therefore high. The case for a paid chairman, as in New York, is strong, though the reformers have not proposed exactly that, and the case for a smaller council with less detailed work is even stronger.

RAYON

Courtaulds Takes the Strain

FEW people expected the trading results of Courtaulds for the year ended March 31st to be anything other than much worse than those of the previous year. They are bad, but they are not shocking, and on the announcement of a final dividend of 5 per cent, making 8 per cent for the year against a final of 6 per cent making 10 per cent in the previous year, the £1 ordinary units rallied 2s. 6d. to 22s. 3d. It is permissible to doubt whether the first hurried reaction of the jobbers was the correct one.

This happens to be the first year in which the Courtauld group includes the profits of British Celanese, so that exact comparison is difficult. But the company gives some clues. At £13,918,669 the group profit shows a fall of about £1,240,000, but as this year's figures include £666,000 from British Celanese and its subsidiaries, the true fall in the earnings of Courtaulds alone must have been of the order of £1,900,000. The sharper fall, as might be expected, comes on the weaker half of the combine—British Celanese, where the net profit before tax a year ago was £1,615,733, implying a decline of the order of £950,000. It appears, therefore, that the combined net profit of what are now the two wings of the Courtauld combine has dropped by something over £2,800,000. After tax the group profits for the current year appropriate to Courtaulds were £6,271,044, compared with £8,135,706 in the previous year before the merger with Celanese. The shortfall results in a reduction in the amount transferred to capital reserve from £3,250,000 to £1,300,000.

In explaining the results, the directors state that "virtually the whole of the reduction in profit can be ascribed to the deterioration in trading results on viscose and acetate textile fibres in both home and export markets allied to a further rise in production costs generally." They add that the deterioration was to some extent offset by improved results in certain subsidiary companies—an allusion presumably to British Cellophane—and by an increased dividend from British Nylon Spinners. The textile results of Courtaulds have thus been unhappy. They could hardly be otherwise in so adverse a market, but the non-textile applications of rayon and the nylon investment have done something to offset the impact.

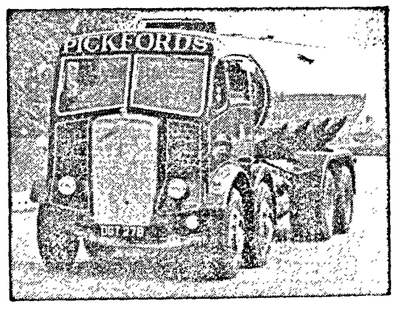
Short Time in the Factories

RAYON production was in difficulties long before Courtaulds put their weaving mills on short time last week. Some are working a four, some a three-day week; at the root of the trouble lies a simultaneous fall in raw material prices



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and in retail clothing sales. Rayon has for many years held pride of place as the cheapest of all textile fibres; now the claim does not look as strong as it was. After a brief revival early in the year, prices of American middling cotton, for example, have fallen to a point where they are only 2d. a pound dearer than the cheapest rayon viscose staple fibre, which has cost 24 pence a pound since early last year. Wool prices have also dropped sharply, particularly the prices of carpet wools. Medium qualities of carpet wools now sell at 40d. to 45d. per lb clean at the London sales and this has affected the demand for rayon which is extensively used in the manufacture of cheaper carpets and is also mixed with wool when prices are high. Meanwhile retail sales of clothing have bumped along sometimes slightly higher, sometimes lower, than they were the year before and the London bus strike must be eating alarmingly into metropolitan summer trade; many retailers would normally start holding their end of season sales next month.

Output of synthetic yarn for the four months to the end of April was 12 per cent lower than in the same period last year, but the infuriating tendency to lump all synthetic yarns together makes it impossible to say what proportion consisted of rayon. Oddly enough, this marks a slight improvement because March output had been 18 per cent below that of the same month last year while April output was only 14 per cent below the corresponding levels of 1957. Much of the cut is being borne by filament yarns, demand for which has been declining for several years. It is in this field that rayon feels most severely the competition from other synthetics; many of the cloths once made of filament rayon have gone out of fashion and no revival seems possible. Fashion has proved a fickle friend to rayon, the fact that the picture is no worse today is due entirely to a faithful and steadily expanding industrial demand, which includes tyre cords. Figures for staple deliveries are not available, but a good third of all the filament yarn sold in April went to industrial users.

OFFICE EFFICIENCY

How Far to Chase a Penny

"TAKE care of the pence and the pounds will take care of themselves," may be a valid motto in personal saving: in business, a report* of the Office Management Association suggested this week, many pounds are often spent looking after the pence too assiduously. In the factory, business accepts reasonable tolerances both quantitatively and qualitatively, according to the nature of the work being done. But in the office, there is still a traditional insistence on 100 per cent accuracy. No matter how many checks are applied, complete accuracy can rarely be guaranteed, so the disproportionate expense often incurred in offices in trying to get it hardly seems sensible. In fact a substantial part of the work done in offices, the report states, is taken up with this checking and correction of errors.

The Association's report proposes what might be done to reconcile this office tradition with the need to improve the quality and efficiency of clerical labour and reduce the office overheads of business. Broadly, it suggests that the problem can be handled in two ways. By analysing the errors that are committed—and found—according to incidence, type, and seriousness, it should be possible to modify working operations so as to reduce the chances of errors happening and the need for checks; secondly, analysis should reveal where quality of output ought to be raised and where checking is really necessary. The report suggests that, instead of routine 100 per cent checks, sampling methods might be developed and quotes a case study of how this has been done with success in raising the quality of work and cutting the amount of checking work in a large typing pool. As an example of how to save by modifying working methods it cites the instance of costing records where, because of the built-in inaccuracies deriving from the need to allocate common costs to individual activities, amounts might well be rounded off to the nearest shilling or pound.

There are more ways than one in which office productivity ought to be improved: another possibility lies in standardising forms and conditions of trading. The Purchasing Officers Association, which has become concerned at the surfeit of conditions of sale suffered by both buyers and sellers, has just issued a model set of these. Its report† speaks of the growth in the postwar sellers' market of widely varying sets of conditions drawn up and adopted first by sellers and their trade associations and, later, by the larger buying organisation. Each set of conditions, printed in the customary 5-point type in wide lines on the back of grubby documents, has to be scrutinised for unwanted and sometimes onerous stipulations and is then often argued about before agreement is reached—all of which takes time. The Association would like to see an attempt made, now that buyers are able to be more selective, to bring these disparate practices together: the model set of conditions of sale it is now proposing, it thinks, would be reasonably fair to buyer and seller alike and should be able to straddle, in general terms, the particular needs of individual trades.

*The Control of Quality in the Office. Office Management Association. 9s.

†Terms and Conditions of Purchase. Purchasing Officers Association. 5s.

AIRCRAFT INDUSTRY

£10 Million for the Rotodyne?

THE first applicant for a share of the research funds earmarked by the Ministry of Supply for civil, as opposed to military, aircraft development was not Dr Barnes Wallis and his flap-winged Swallow, but the chairman of the Fairey Aviation Company, which has built one of the strangest-looking machines now flying. The Fairey Rotodyne has the rotor of a big helicopter sitting above the wings and engines of a small airliner, and the spectator's first impression as this contraption rises vertically with rotor whirling and propellors idling is one of frank incredulity—like seeing a cricket through a magnifying glass.

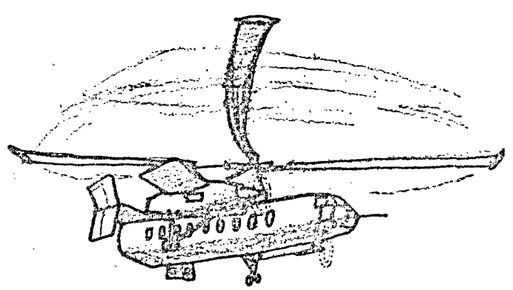
A helicopter rotor will lift and lower considerable weights very neatly; it does less well in forward flight. An aeroplane uses its wing surface to provide lift, and its propellors for forward propulsion; the helicopter's rotor has to do both jobs by assuming an ungainly forward tilt that sets up mechanical stresses which put limits on the speeds that can be reached and adds considerably to operating costs. The Rotodyne is intended to combine the best of both worlds—rising and landing under the power of its rotor, but flying forward on its conventional wings and engines while the rotor windmills idly on top.

Driving power in the Rotodyne comes from the two 3,500 horse power turbo-prop motors designed by Napier. When the rotor is in operation, these engines drive air compressors immediately behind them, which pump compressed air back down the wing, up the rotor pylon, along the rotor blades and out to small ram-jet motors at their tips, where it is burnt with kerosine. As the Rotodyne picks up forward speed, the engine drive is gradually switched over from the rotor ram-jets to the propellors on the wings.

While the Rotodyne was being built it was possible to reserve judgment about the soundness of the concept around which it was designed. But it is now flying. This week the company publicly demonstrated how smoothly and easily the transition can be made backwards and forwards from one way of applying its power to the other. It estimates tentatively that it could deliver in three years' time, for £375,000, about the price of a small Viscount, a vertical take-off airliner capable of carrying up to 48 passengers (according to distance) at 4d. a mile between city centres up to 400 miles apart. Alternatively, it could handle freight loads of anything up to eight foot by six across.

This last measurement is an important one because if the Rotodyne fits the army's requirement for a heavy-lift helicopter, its future is safe. If not, it raises a number of difficult problems. The first is a practical one. Interested civil airlines such as British European Airways would hesitate to put such a radically new machine immediately into passenger service without any previous operating experience.

The second stumbling block is that on which the whole of the aircraft industry is stubbing its toes—finance. The company estimates that a further £8 to £10 million needs to be spent on Rotodyne development and this week loudly demanded Government support. Some it will certainly get, but equally certainly not as much as it would like.



RADIATION

The X-Ray Hazard

NO one will ever accuse the government of over-hasty action over the X-ray machines fitted in shoe shops. It is two years since the Medical Research Council, asked to investigate the increase in radiation due to bomb tests, came up with the disconcerting answer that far more radiation had been added to the world by the slap-happy use of X-ray machines than all the bombs put together. The MRC pin-pointed in particular the routine use of X-rays in hospitals for diagnosis—and by shops for fitting shoes. But the Home Office has only just decided on regulations controlling the use of shoe-fitting X-ray machines, and these will not become effective until next month, nearly two years after the publication of the original report.

These lay down the maximum dose for men, women and children, also for the assistants working the machines. They provide for a timing device on every machine to cut off the X-ray after 5 seconds and to prevent the tube from re-starting for another 30 seconds; also for some rudimentary training to be given to at least one member of the staff. A warning notice over the machine advises customers to put their feet under the X-ray no more than 12 times in any one year. This itself is an indication of the extreme reserve with which these machines need to be treated; a conscientious customer would test several pairs of shoes at a single shopping expedition, not to mention a single year. The regulations do not, however, go as far as the Medical Research Council. The amount of radiation added to the world as a whole by these machines, said the MRC, "contribute only very small amounts, . . . which cannot be disregarded. The practice of routinely examining the feet by X-rays when fitting shoes is of dubious value and in view of the possibilities of multiple exposures to children, may even be dangerous. . . . We hope that the procedure will be abandoned except when prescribed for orthopaedic reasons." But the Home Office did not take the hint.

HOTELS

69 Feet Too Tall?—No

A NOTE in these columns two weeks ago commenting on the decisions of the Minister of Housing to grant permission for a 305-ft hotel to be erected on a site in Bayswater but refusing approval for another one, 374-ft high, in Park Lane criticised the Ministry on the assumption that the reason for withholding permission for the second project was that the building would be too tall. This was quite wrong. The actual phrase used in the announcement of the decision was that "it would constitute a serious overbuilding of the site." Instead of a plot ratio (the ratio of floor space in a building to the area of the site) of 2:1 prescribed in the London Development Plan for that area, the scheme proposed one of 8:1. But a plot ratio can be reduced, for example, by designing for the same site another building just as high but with upper floors less wide and deep. The Ministry did not state that the hotel would

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have been too high. It recognised that "high buildings must be allowed and that the neighbourhood of Hyde Park is particularly suitable for hotels which . . . may need to be built high": it accepted the case for a plot ratio substantially above 2:1 and hoped, quite reasonably, that a design would be produced which would present a less massive appearance viewed from the Park.

SHORTER NOTES

United Drapery Stores has issued £1.3 million 6 per cent Unsecured Loan Stock, 1978-83 as consideration for the acquisition of Allders Limited. Philip Hill, Higginson and Company has agreed to purchase £1,223,504 of the stock from the vendors of shares in Allders Limited at 98, and will place it at 96. United Drapery will pay a commission of 1¼ per cent and meet the difference between the prices.

* * *

In response to the one for three rights offer to shareholders in Fisons, all but 31,751 shares were taken up. Excess applications totalled 1,815,804 shares. Excess applications for up to three shares were allotted in full, applicants for up to 19 shares received four, larger applications below 10,000 received five and applications above received 10 shares.

* * *

Shareholders in British Relay Wireless took up approximately 99 per cent of the 900,000 5s. shares at 12s. offered to them through the agency of Philip Hill, Higginson and Company. Excess applications for up to eight shares were met in full, larger applicants were limited to nine shares, but holders of less than three shares in the company received no allotment.

* * *

The Colonial Development Corporation is to subscribe up to £450,000 towards the cost of a tea development scheme being carried out by Bird and Company (Africa). A sum of £300,000 will be subscribed against a non-convertible debenture repayable in 1967-72; £100,000 will be subscribed against a 7½ per cent convertible debenture dated 1973, of which a further £200,000 will be offered to shareholders of Bird and Company, CDC underwriting £50,000 of the offer.

COMPANY AFFAIRS

ANGLO AMERICAN

THE gold producing industry in South Africa moves forward on an impetus that must carry it some way yet. In 1957 the South African mines raised a record quantity of 16.5 million ounces of gold. Working costs advanced again from 42s. 11d. per ton to 45s. 4d. per ton but the profit from gold nevertheless advanced from £48.4 million to £57.8 million. And that useful by-product, uranium, brought in £33.3 million (against £24.7 million) to build up a record profit of £91.1 million, against £73.1 million. In that total the biggest of the mining groups—Anglo American Corporation of South Africa—produced 4.5 million ounces of gold (against 3.7 million) at a below average working cost of 44s. 3d. (against 42s. 6d.); its gold profit was £22.0 million (against £16.5 million), its uranium profit £6.9 million (against £5.0 million). So its total working profit from the goldmines was £29.0 million (against £21.4 million).

Investors should understand the nature of the impetus that scores these records, why they must go on occurring even if the gold miners' hopes of higher gold price are never fulfilled, and why despite fine total figures there must always be losses as well as profits to be taken in the gold share market. The answer is not simply that prospecting, despite the geologists' science, is still a hazardous affair, it is that gold mining in South Africa is both young and virile and seventy years old at the same moment. Failing profitability in many of the older mines of the Rand is being masked in the totals by the rich returns of the newer mines of the Orange Free State, which can sustain a higher working cost (and which for geological reasons incur one). The grade of ore milled by the Anglo American group at 5.816 dwts per ton compared with 5.0 dwt for the whole of South Africa and with 5.231 for the Anglo American group last year, reflects the fact that Anglo American is well represented in the new areas.

GROUP OUTPUTS

	1957 ('000)	1956 ('000)	1955 ('000)
Gold (oz.)	4,513	3,750	2,959
Uranium Oxide (lbs.)	2,785	1,994	*
Diamonds, Gem (ct.)	1,428	1,471	1,396
Diamonds, Industrial (ct.)	1,697	1,696	1,719
Copper (short tons)	243	214	196
Lead " "	17	17	18
Zinc " "	33	32	31
Coal " "	18,167	17,939	17,540
Coke " "	745	762	706

* Not published.

The investor may guess that the total dividend of 80 per cent (against 70 per cent) is unlikely to be reduced come what may. The yield of 5.8 on the 10s. shares at 134s. 6d. suggests that they do. But they must also look far beyond gold in making their assessment. The Anglo American group investments in terms of market value have risen from £61.6 million to £71.7 million, largely as a result of the offer to African and European (which has made the group an 87 per cent shareholder in African and European). This is a vast and variegated enterprise. What of the other products of the African soil? Uranium production in the life of the present contracts may have reached its peak and the outlook beyond 1962 may be for stiffer competition. Copper, lead, zinc, and diamonds may all have tougher times to face. The directors' report, studiously factual as ever, gives no hostages to fortune. It does leave the reader with the impression of an immensely powerful and vigorous group tied of course to the fortunes of Southern Africa, but able better than any other to follow those fortunes and to profit from them wherever they may lead. If it involves the building of a financial centre in South Africa, Anglo American is in the front of it; if it lies in industry Anglo American holds the door open.

METAL BOX

THE directors of Metal Box Company have left the total ordinary dividend unchanged at 11 per cent for the year ended March 31st, and on the announcement the £1 units gained a further 1s. in addition to the improvement which preceded the announcement. The cause is to be found in the exceptional trading performance of the last half of the year. Sales have risen, but, contrary to the experience of other groups in the last year, margins have risen too. A breakdown of the figures shows that overseas sales and investment income made the greatest proportionate gain in the last six months, but the striking improvement in profit margins was achieved at home. There has thus been a steady recovery since the set-back in the latter half of the previous financial year. Total revenue for the year rose from £68.67 to £73.62 million and the trading surplus jumped from £5.7 million to £7.1 million. New factories and equipment completed during the year have added to these swelling totals. Production had already begun before completion, and these resources have now been brought into fuller and more economic production. Other economies and improved techniques also buttressed the margin of profit. Capital expenditure for the year exceeded £4 million. Metal Box is rated a growth stock by the market, the £1 units yielding 4⅜ per cent at the current price of 50s. 4½d., but the growth this year seems to have outstripped market expectations. The ploughing back of profit continues; £834,000 is paid out on the ordinary stock, £1,749,000 goes back into the business.

	Half-year ended Sept. 30, 1956 (£'000)	Mar. 31, 1957 (£'000)	Sept. 30, 1957 (£'000)	Mar. 31, 1958 (£'000)
Home group:				
Sales, etc.	27,325	25,805	25,991	29,399
Gross profit	2,290	1,593	2,060	2,912
Gross profit/ sales	8·4%	6·2%	7·9%	9·9%
Overseas group:				
Sales, etc.	8,103	7,454	7,060	11,171
Gross profit	1,002	860	815	1,328
Gross profit/ sales	12·4%	11·5%	11·5%	11·9%

GUEST, KEEN AND NETTLEFOLDS

FROM pins and buckets to bridges and steel buildings Guest, Keen and Nettlefolds makes something for every industry, and when the economy balances between expansion and decline the group inevitably finds trading conditions patchy. Some of the group companies are now drawing on their order books. Last year a satisfactory increase in profit was achieved and, although the early months of 1958 have seen an overall weakening in trading conditions, the chairman, Mr K. S. Peacock can still describe results to date as "satisfactory." Certainly he is not deterred from a vigorous investment policy. Almost £12¾ million was spent in 1957 and £33 million was due to be expended over the following three or four years. The rights issue last year has strengthened the group's liquidity, cash assets rising £7½ million to £19 million, and last year depreciation allowances and retained earnings were both in the region of £7 million. To finance the investment programme should not therefore be beyond the company's reach.

	Years to end-Dec., 1956 £	1957 £
Consolid. earnings:		
Trading profit	27,052,187	30,564,584
Depreciation	5,742,880	6,614,364
Taxation	11,085,379	13,255,574
Net profit	9,185,738	10,287,980
Ordinary dividend	1,796,071	2,620,147
Ord. dividend (per cent)	*13¼*	*15*
Retained earnings	7,033,603	7,311,769
Cons. balance sheet:		
Net fixed assets	59,087,098	66,957,361
Stocks	42,331,753	50,307,720
Liquid assets	11,508,931	19,084,815
Net current assets	54,398,980	71,151,562
Loan capital	19,691,856	17,264,392
Reserves	48,927,162	66,587,416
Ordinary capital	23,137,790	30,378,515

£1 ordinary unit at 53s. 3d. yields £5 13s. per cent.

It is not possible in the monetary conditions of 1957 to deal with the unsecured loan from ISHRA to John Lysaght's Scunthorpe Works, of which £6 million is outstanding. The agency is therefore being asked to continue the loan pending more favourable market conditions.

This problem has one root in the threat of renationalisation. The problem of nationalisation for Guest, Keen and Nettlefolds, however, is not the problem that the steel industry as such faces. The company is primarily an engineering business and in 1951 it was not taken over. What must now be worrying the board is that in order to assure raw material supplies the group has extended vertically into steel. Any new nationalisation programme might cut it in two.

SHELL

IF there were any doubts that the oil industry is facing harder times the figures of the Royal Dutch/Shell group of companies (60 per cent Royal Dutch and 40 per cent Shell Transport) should settle them. Sales proceeds and other income dipped from £644 million in the first quarter of 1957, which was exceptionally favourable, to £613 million in the first quarter of this year. The net income is down from £51.7 million in the first quarter of 1957 to £38.7 million in the first quarter of 1958. The ratio of net income to sales thus fell from 8.0 per cent to 6.3 per cent. The decline can scarcely be comfortable for a group so large that it has to look to its own retained profits—to the consumer in other words—to finance a large part of its heavy capital programme.

In practice the tax gatherer has absorbed part of the decrease in profit as he must to the extent that taxes are based on income, but the companies with increased capital now ranking must also perforce show a heavy drop in earnings per ordinary share outstanding. In Royal Dutch the earnings per share for the quarter are down from Fl4.83 to Fl3.61 and in Shell from 4s. 7d. to 3s. 5d. The companies have the satisfaction that their refinancing operation is behind them and that they hold £451.7 million of cash and shorts towards their programme, against £328.0 million a year earlier. But the capital expenditure itself has been mounting, and in the first three months of 1958 was £92.6 million against £82.2 million. The figures have had little effect on the market, where Shell transport has advanced to 149s. 4½d. this week.

BICC

WITH a final dividend of 8¼ per cent (again making 12½ per cent for the year) British Insulated Callender's Cables has maintained the distribution at the level fixed two years ago when profit before tax was £9,967,000 and the net profit available to the parent company after tax £4,502,000. For 1957, after two years of steeply falling copper prices, the group profit before tax was £5,452,000 and the net available to the parent £2,486,000. The distribution, however, is easily maintained and more than half of it is ploughed back into the business. The maintained dividend makes sense provided that the directors do not see the decline of the last two years as a continuing trend. They do not. The Chairman, Mr W. H. McFadzean sums up the prospects like this. Three factors made 1957 a particularly difficult year:

(1) Intensified competition.

(2) Dislocation caused by the group's major replanning and re-equipment.

(3) The fall in the price of copper.

The reorganisation says, Mr McFadzean, is now "definitely over the peak". As to copper, he feels that he can "surely confidently hope that the immediate position . . . will be easier". Competition will remain and is accepted as a spur. That justifies the Chairman's confidence on the medium and the long view. BICC, investors may think, should still be something of a growth stock as the yield on the ordinary stocks of 5.7 per cent at 43s. 9d. per share suggests. Mr McFadzean seems less certain that the immediate prospect will not be clouded by a recession in the volume of world trade, though 1958 has made a good start.

The impact of the copper market on the cable maker is complex. Mr McFadzean explains that no efforts to keep purchases and sales in balance can be entirely effective. The stock loss last year was however a "very moderate figure." Part of this trouble is the small hand-to-mouth orders that the group experiences when the market is falling. Nevertheless, the lower copper price is a cloud with a silver lining. It does release capital from stockholding. The accounts show stock down from £27.6 million to £25.6 million and debtors and bills down from £24.8 million to £22.4 million. The cash and near cash assets will obviously need to be reinforced when business expands for they amount to a mere £335,000 compared with £2,249,000 a year earlier.

"BLUE CIRCLE" GROUP

SLACKENING building activity late last year embarrassed the Blue Circle group of cement companies but little. Several old and costly kilns were closed and others operated at more efficient levels. This rationalisation and other savings, for example on fuel costs by pre-heating the clinker, and by the new "dry process" of cement production at the Caudron Works, enabled the group to secure higher margins on a lower tonnage of home deliveries. Direct exports were highly competitive but considerably higher profits from the group's

overseas manufacturing interests. The final result was that the consolidated trading surplus rose from £13,672,867 to £14,628,129. Depreciation is up slightly to £3,422,825, as is the transfer to fixed assets replacement reserve which this year absorbs £935,306. The net surplus was £814,093 higher at £4,223,515. The parent company is paying the same dividend of 9 per cent on its ordinary shares, and the group is putting £2.9 million to reserve against £2.2 million in 1956. At 36s. 3d. the parent company's £1 ordinary shares yield almost 5 per cent.

But the present building recession has left marks on the consolidated balance sheet. Stocks are up from £9.6 million to £11.9 million, while net cash assets shrank from £15.4 million to £13.4 million. This year, the Blue Circle group hopes to limit the inevitable fall in home deliveries to about 5 per cent and it may be able to keep its home prices level after the present period of "stability" ends this month. But export prospects are less sanguine: a further decline in margins is expected though only a small loss in volume.

J. AND P. COATS

SHAREHOLDERS of J. and P. Coats, the sewing cotton group, will search the speech of their chairman, Mr Robert Laidlaw, for an interpretation of the facts they already know—that the trading profit fell from £11.9 million to £8.3 million, and that the dividend for the year has been maintained at 8¾ per cent. Mr Laidlaw explains that the company has suffered three blows: with the fall in price of the long staple cottons it has had to write down stock by £1¼ million; the writing down applying to raw materials and process stocks only; the company suffered a loss in exchange of £568,000 whereas in the previous year there was an exchange gain of £125,000; lastly, trading conditions have been depressed and more highly competitive. The weakness of world markets, says Mr Laidlaw, has continued in the first quarter of 1958, though he notices a slight strengthening in certain countries more recently.

This may be cold comfort for the 56,896 shareholders, most of them small investors who regard J. and P. Coats as a "blue chip" of the industrial market. But although this is the second successive year in which the company's profits have dropped, it is the first year since 1952 in which there has been a decline in the volume of the group's sales throughout the world and the 8¾ per cent dividend is still very handsomely covered by earnings. The shares stand at par.

LONDON AND OVERSEAS FREIGHTERS

THAT London and Overseas Freighters should show sharply lower profits for the year ended March 31st causes no surprise. The company adopts standards of financial candour that leave little room for the unexpected. Never since the shares first came into public hands in 1951 has the camouflage of the shipping Companies Exemption Order been called in aid, and the company issues quarterly earnings statements. Now this predominantly tanker company that recently decided to re-enter the dry cargo shipping market shows a decline from £2,671,670 to £1,957,841 in its profit for the year ended March 31st and the Exchequer which can claim only £534,544 in tax, against £1,110,760, is the main loser: the net profit fell only from £1,560,910 to £1,423,297. For holders of the 5s. ordinary shares, which stand at 15s. 6d. to yield almost 6½ per cent, the result is reassuring. The financial year ended March 31st must have felt some at least of the impact of depressed freight rates and the final dividend is maintained at 6d. per share again making a total distribution of 1s. (20 per cent) and on a capital increased by last year's 25 per cent capital bonus. The future seems at least partly assured by the fact that part of the company's building plans are tucked away in the breeding grounds of Bermuda through the associate company, London and Overseas Tankers, but as freights, and taxable profits, fall, the advantages of Bermuda as a breeding ground grow less.

London Stock Exchange

FIRST DEALINGS:	May 14	June 4	June 18
LAST DEALINGS:	June 3	June 17	July 1
ACCOUNT DAY:	June 10	June 24	July 8

LONG-DATED Government stocks and the irredeemables improved steadily throughout the week; 3½ per cent Funding 1999-2004 gained a point to 72¾ and 5½ per cent Funding 1982-84 ⅝ to 101 while 3½ per cent War Loan rose ⅞ to 66⅝ and 3½ per cent Conversion, after 1961, rose ¼ to 66¼. Short-dated stocks were neglected, but high-coupon Dominion and corporation loans made considerable gains.

Though industrials were subdued by the threat of labour disputes, prices improved in some sections, especially on Wednesday on the first day of the new account. The strength of Wall Street helped the recovery. Brewery shares were very firm, Whitbread "A" gaining 2s. to 87s. 6d. Motor shares rallied after early losses; Ford was outstanding with a rise of 3s. to 39s. 3d., but Rolls-Royce fell 1s. 7½d. to 83s. 6d. xd and ACV declined the same amount to 27s. 6d. xd. Hawker Siddeley lost 9d. to 26s., but Fairey Aviation rose slightly to 14s. 9d. though most aircraft stocks declined. Textile shares were weaker, J. & P. Coats, and Crosses and Heatons fell a few pence but despite the reduction in the final dividend, Courtaulds rallied on Thursday. BAT rose 1s. 6d. to 46s. although other tobacco stocks were often lower on balance, despite a late rise. A decline in steel stocks was reversed. Finance house shares strengthened and Hudson's Bay jumped 13s. 9d. to 181s. 3d.

A sharp rise in oil shares and copper mines was helped by the strength of American markets and the firmer copper price. Kaffirs responded to plans for an American investment trust formed to buy gold mines. After slackening earlier prices recovered, particularly those of the finance houses. Riebeeck gained 2s. to 13s. under the influence of good borehole results. Consolidated Zinc improved to 42s. 9d. after touching its lowest point this year of 41s. 6d.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 28, 1958	Price, June 4, 1958	Net Yield, June 4, 1958 § £ s. d.	Gross Yield, June 4, 1958 £ s. d.
96⅛	88¾	War Loan 3½% 1955-59	93⅜	93⅜	4 7 7	
96⅜	90⅜	Funding 2½% 1956-61	94⅝	94⅝	2 19 1	4 8 6
99⅞	93⅝	Conv. 4% asst'd 4⅓% 1963	99⅛	99⅛	2 15 0	4 15 2
97½	91⅞	" asst'd 5¼% 1974	97½*	97½*	3 4 3	5 9 6
96⅛	90⅜	Conversion 2½% 1958-59	98⅛	98⅛	2 19 9	4 8 01
93⅝	87⅝	Exchequer 2½% 1960	96⅝	96⅝	3 5 9	4 6 5
95⅛	89⅜	Exchequer 3½% 1960	97⅞	97⅞	2 17 10	4 7 7
95⅝	89⅝	Conversion 4½% 1962	99⅛	99⅛	2 11 8	4 13 5
83⅝	77⅞	Savings Bds. 3% .1955-65	88⅛	88⅛	3 12 7	5 1 5
83⅝	77⅞	Funding 3% 1959-69	80¾	80¾	3 18 6	5 7 10
86½	80⅞	Funding 4% 1960-90	87½	87½	2 18 7	4 16 2
75	68⅜	Savings Bds. 3% .1960-70	77⅞	78⅛	4 0 10	5 11 3
88⅝	82⅜	Exchequer 3% 1962-63	92⅝*	93*	3 4 9	4 11 2
84⅜	78⅜	Exchequer 2½% .1963-64	88⅜	89	3 10 5	4 13 5
78⅝	73⅛	Savings Bds. 2½% 1964-67	83½	81	4 0 3	5 4 7
69⅜	64⅜	Savings Bds. 3% .1965-75	72⅛	73½	3 18 8	5 10 6
99⅜	92⅜	Exchequer 5½% 1966	101½	102⅛	2 19 4	5 7 3
78⅝	72⅝	Funding 3% 1966-68	82⅛	82⅛	3 16 10	5 6 7
91⅛	84⅝	Victory 4% 1920-76	94	94	3 1 6	4 18 5
81⅞	75⅛	Conversion 3½% 1969	85⅝	85⅝	3 14 3	5 8 0
77⅛	70⅝	Treasury 3½% 1977-80	75⅛*	75⅛*	3 12 3	5 7 7
70⅝	64⅞	Treasury 3½% 1979-81	75⅛	75⅛	3 12 4	5 8 10
98⅛	90⅛	Funding 5½% 1982-84	100⅛	101	3 3 3	5 11 2
66	60	Redemption 3% ..1986-96	64⅝	65	3 7 6	5 5 2
74⅛	64⅞	Funding 3½% ..1999-2004	71⅛	72⅞	3 3 6	5 2 6
76⅝	69⅝	Consols 4% after Feb. 1957	74⅛	74⅜	3 2 1	5 8 10
69⅞	63⅛	War Loan 3½% after 1952	65*	66⅛	3 0 8	5 5 3
68⅜	62⅞	Conv. 3½% after Apr. 1961	66	66⅜	3 0 8	5 5 10
59⅝	54⅝	Treas. 3% after Apr. 1966	57⅜	58⅝	2 19 8	5 4 2
46⅞	40⅞	Consols 2½%	50⅜	50⅛*	2 17 1	4 19 11
49⅝	46⅝	Treas. 2½% after Apr. 1975	49	49⅝	2 18 5	5 1 11
90⅛	82⅝	Br. Electric 4½% 1967-69	95⅛	95⅛	3 4 1	5 5 2
72⅛	66⅜	Br. Electric 3% ..1968-73	75⅛	75⅛	4 0 0	5 10 10
68⅝	62⅝	Br. Electric 3% ..1974-77	72⅛	72½	3 16 5	5 8 1
82⅝	75⅝	Br. Electric 4½% 1974-79	86⅛	86⅛	3 7 9	5 8 2
72⅜	66⅛	Br. Electric 3½% 1976-79	76⅛	76⅛	3 12 8	5 8 2
82⅛	75⅛	Br. Gas 4% 1969-72	86⅞	86⅞	3 11 1	5 9 6
79⅛	72⅝	Br. Gas 3½% 1969-71	82⅞	82⅞	3 15 0	5 9 4
69⅝	63⅝	Br. Gas 3% 1990-95	65⅛	65⅞	3 7 0	5 1 5
74⅛	67⅝	Br. Transport 3% 1968-73	74⅞	75⅛	4 0 0	5 10 10
79⅛	72⅛	Br. Trans-port 4% 1972-77	82⅛*	82⅛*	3 10 11	5 9 3
87⅛	79⅛	Br. Transport 3% 1978-88	65*	65⅝*	3 12 0	5 5 7
66⅜	60⅜	Japan 5% (Enfaced) 1907	161⅜	161⅜	...	...

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, May 28, 1958	Price, June 4, 1958	Yield, June 4, 1958 £ s. d.
88⅛	83	Agric. Mortgage 5% 1959-89	88½	86½*	5 17 6
78⅜	76½	Australia 3½% 1965-69	78½	78⅜	5 18 1
95½	93	Birmingham 5% 1973-75	95	93*	5 13 2
93⅛	90⅛	East Africa 5½% 1977-83	92½*	93¼*	6 5 9
100⅜	95⅜	L.C.C. 5½% 1977-81	99⅞	99⅞	5 11 6
62	56	Met. Water Board 'B' 3% 1934-2003	61⅜	62	5 4 9
82	78	New Zealand 4% 1976-78	79⅞*	79⅜	5 16 0
71½	69	S. Rhodesia 2½% 1965-70	70⅜	70⅝	5 19 9
92½	83	German 7% (Br. Enfaced 5%) ..1924	89⅜	89⅜	...
167⅜	160	Japan 5% (Enfaced) 1907	161⅜	161⅜	...

Prices, 1958 High	Prices, 1958 Low	ORDINARY STOCKS	Price, May 28, 1958	Price, June 4, 1958	Yield, June 4, 1958 £ s. d.
		BANKS & DISCOUNT			
29/-	28/-	4 a Bk. Ldn. & S. Amer. £1	28/9	28/9	6 5 3
44/-	30/9	6 a 6 b Barclays Bank £1	42/6	42/-	5 14 3
30/-	27/6	4 a 4 a Barclays D.C.O. £1	28/6	28/-*	5 14 3
42/-	35/6	7½ a 7 b Chartered Bank £1	41/3	42/-	7 2 10
47/9	41/3	6½ a 6½ b Lloyds Bank £1	44/6	44/6	5 16 10
63/9	57/6	9 a 9 b Midland Bank £1	61/-	61/-	5 8 0
35/6	29/6	5 a 5 b Nat. Discount 'B' ..£1	35/-	34/9	5 15 1
50/3	40/9	6½ a 6½ b Union Discount £1	50/3	50/-	5 0 0
		INSURANCE			
38/-	32/9	15 a 21½ b Commercial Union 5/-	34/-‖	33/6	5 9 6
132/6	113/9	40 a 60 b Legal & General ..5/-	125/-	118/9*	4 4 3
101/3	86/3	†20 a †50 b Pearl 5/-	90/-	90 –	6 15 3
168/9	154/-	†132½ c †147½ c Prudential 'A' 4/-	168/9	167/6	6 3 5
		BREWERIES, ETC.			
35/3	31/-	10 a 36 b Bass 5/-	34/9	35/3	6 11 0
23/1½	19/7½	8 a 7½ c Distillers 6/8	22/9	22/9	5 9 10
41/3	37/-	15 b 10 a Guinness 10/-	41/3	40/6*	6 3 5
87/6	75/6	8 a 17 b Whitbread 'A' £1	85/6	87/6	5 14 3
		MOTORS & AIRCRAFT			
14/4½	8/10½	3½ 6½ b Bristol Aeroplane 10/-	9/-*	8/10½	11 5 4
8/1½	6/7½	12½ c 4 a British Motor 5/-	7/3	7/2½	8 14 0
39/3	31/9	3 a 6 b Ford Motor £1	36/3	39/3	4 11 10
30/9	24/9	3 a 7 b Hawker Siddeley ...£1	26/9	26/-	7 13 10
44/9	39/-	12½ c 12½ c Leyland Motors £1	40/-	39/9	6 5 9
93/-	82/9	5 a 15 b Rolls-Royce £1	86/10½	83/6*	4 15 10
8/1½	6/7½	8 c 8 c Standard Motor 5/-	6/7½	6/7½	6 0 9

Prices, 1958 High	Prices, 1958 Low	ORDINARY STOCKS	Price, May 28, 1958	Price, June 4, 1958	Yield, June 4, 1958 £ s. d.
		BREWERIES, ETC. (continued)			
138/1½	115/-	20 a 60 b Anglo-American .10/-	138/1½	137/6	5 16 5
23/6	19/6	†12½ a †10 b Cons. Tea & Lands. £1	22/9	21/3*	20 9 3
51/-	41/6	6½ a 12½ b Cons. Zinc Corp. ...£1	43/9*	42/9	8 15 6
101/3	80/7½	80 a 120 b De Beers Def. Reg. 5/-	98/1½	101/3	9 17 8
83/9	75/11½	20 b 40 a Free State Geduld. 5/-	81/3	81/3	3 14 0
52/9	46/6	50 a 50 b President Brand ..5/-	52/-	51/9	9 13 4
17/6	12/10½	16⅔ b 13⅓ a Rho. Selection Tst. 5/-	15/4½	17/1½*	...
26½	20	175 b 25 a Rhokana Corp. £1	24½	26½	...
54/6	46/-	12½ a 37½ b United Sua Betong. £1	50/-	49/6	20 4 0
93/9	84/4½	60 b 60 a Western Holdings .5/-	91/10½	92/6	6 9 9

Prices, 1958 High	Prices, 1958 Low	ORDINARY STOCKS	Price, May 28, 1958	Price, June 4, 1958	Yield, June 4, 1958 £ s. d.
		STEEL & ENGINEERING			
49/3	41/10½	7 a 6½ b Babcock & Wilcox .£1	47/6	47/3	5 10 0
25/1½	21/7½	4 a 6 b Dorman Long £1	22/3	22/1½	9 0 6
54/-	45/-	5 a 10 b Guest Keen N'fold .£1	53/-*	53/3	5 12 8
33/9	28/3	12 a 14 b Alfred Herbert £1	32/3‖	32/3‖	6 9 6
50/-	41/-	4 a 7 b Metal Box £1	49/3	49/3	4 9 6
24/3	20/-	3 a 8 b Stewarts & Lloyds .£1	20/9	21/-	10 9 8
57/3	48/-	5 a 13 b Swan Hunter £1	55/6	55/3	6 9 1
21/3	17/9	4 a 7½ b United Steel £1	18/3	18/1½	12 13 10
32/9	29/6	2½ a 7½ b Vickers £1	30/-	29/6	6 15 8
		ELECTRICAL			
52/-	47/-	15 c 2½ a Assoc. Elec. Inds. ..£1	48/3	47/6*	6 6 5
44/6	39/3	4 a 8½ b Br. Ins. Callenders .£1	43/3*	43/9	5 14 3
29/-	24/7½	43½ c 6½ a Decca Record 4/-	25/4½*	25/-	7 0 0
36/3	28/-	15 c 15 c Elect. & Mus. Inds. 10/-	33/9	34/7½	4 6 8
56/3	44/6	4 a 10 b English Electric ...£1	52/-	60/9	5 10 5
38/9	29/9	8 b 3½ a General Electric ...£1	30/3	30/3	7 12 0
		TEXTILES			
16/3	12/4½	3 a 3 b Bradford Dyers £1	12/7½	12/7½	9 10 6
23/3	19/6	2½ a 6½ b Coats, J. & P. £1	20/4½	20/-*	8 15 0
22/10½	19/7½	6 b 3 a Courtaulds £1	20/1½	19/7½	9 3 6
36/3	28/-	15 c 12½ b Lancashire Cotton. .£1	33/6	33/3	10 10 8
34/7½	29/10½	5 a 2½ a Patons & Baldwins .£1	31/10½	32/1½	9 6 10
35/4½	31/4½	12½ b			
		SHOPS & STORES			
22/-	18/6	6 a 12 b Boots Pure Drug. .5/-	21/6	20/10½*	4 6 3
38/10½	33/6	20 b 7½ a Debenhams 10/-	38/-	37/3	7 7 8
44/6	34/6	50 b 15 a Gt. Universal 'A' .5/-	42/7½	43/-	7 11 4
43/6	37/3	10 a 22½ b Marks & Spen. 'A' 5/-	43/1½	42/6*	3 16 6
25/6	21/-	20 b 12½ a United Drapery. ..5/-	24/6*	25/-	6 10 0
41/6	34/7½	13½ a 26⅔ b Woolworth 5/-	38/6	38/7½	5 3 8
		SHIPPING			
		6½ a 13½ b Brit. & Com'wealth 10/-	31/3	32/-*	6 5 0
22/-	16/6	8 b Cunard £1	16/6	17/3	11 11 10
32/6	27/3	9⅜ c 10½ c Furness Withy. £1	29/9	30/3	7 2 10
28/9	22/-	3 a 8 b P. & O. Deferred ...£1	27/3	27/9	7 18 8
		MISCELLANEOUS			
35/6	27/-	22½ c 18 a Allied Bakeries 'A' 5/-	32/6	33/6	4 9 7½
38/9	31/-	3 a 6 b Assoc. Port. Cem. ..£1	37/-	36/3*	5 11 10
18/1½	13/4½	11 a 9 b Beecham Group. ..5/-	17/10½‖	17/10½*	5 11 10
30/9	26/6	4½ a 8 b Bowater Paper £1	29/3	29/6	8 9 5
48/-	36/9	4 a 8 b Br. Aluminium £1	40/-	42/-	5 14 3
46/-	37/7½	†10 a †6⅔ b Br. Amer. Tob. .10/-	44/6	46/-	6 6 0
24/3	19/9	17½ b 7½ a B.E.T. 'A' Defd. ..5/-	23/6	24/-	6 4 3
55/6	48/6	7½ b 6 b Br. Oxygen £1	34/6	34/6	5 16 0
64/-	52/11½	12½ b 5 a Turner & Newall ...£1	60/10½	60/-*	5 0 0
80/4½	70/6	11½ b 6 a Unilever Ltd.....£1	73/-	73/9	4 15 0
96/-	77/-	14½ b 4 a United Dominions. .£1	96/-	96/-	3 17 0
30/6	26/-	†4½ a †10 b United Molasses .10/-	26/3*	27/9	8 17 7
		OIL			
105/-	79/6	†5 a †10 b British Petroleum ..£1	100/7½	103/9	5 0 8
78/-	59/11½	†5 a †7½ b Burmah £1	70/7½*	71/10½	6 5 0
£17⅜	13⅜	7½ a 17½ b Royal Dutch....20 fl.	£16½	£17⅛	2 15 2
149/4½	117/6	†5 a †13½ b Shell £1	143/1½	149/4½	4 7 5
74/6	41/6	... ... Ultramar 10/-	69/6	70/3	... d
		MINES, ETC.			
138/1½	115/-	20 a 60 b Anglo-American .10/-	138/1½	137/6	5 16 5
23/6	19/6	†12½ a †10 b Cons. Tea & Lands. £1	22/9	21/3*	20 9 3
51/-	41/6	6½ a 12½ b Cons. Zinc Corp. ...£1	43/9*	42/9	8 15 6
101/3	80/7½	80 a 120 b De Beers Def. Reg. 5/-	98/1½	101/3	9 17 8
83/9	75/11½	20 b 40 a Free State Geduld. 5/-	81/3	81/3	3 14 0
52/9	46/6	50 a 50 b President Brand ..5/-	52/-	51/9	9 13 4
17/6	12/10½	16⅔ b 13⅓ a Rho. Selection Tst. 5/-	15/4½	17/1½*	...
26½	20	175 b 25 a Rhokana Corp. £1	24½	26½	...
54/6	46/-	12½ a 37½ b United Sua Betong. £1	50/-	49/6	20 4 0
93/9	84/4½	60 b 60 a Western Holdings .5/-	91/10½	92/6	6 9 9

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) On 13%. (h) On 30%. (i) On 15%. (j) To latest date.

New York Closing Prices $

	May 28	June 4		May 28	June 4		May 28	June 4
Alcoa	67⅞	67⅞	DuPont de Nm.	176½	179	N.Y. Central	15½	15½
Alumin'm Ltd.	27	27½	Ford Motors	39⅝	40⅞	Sears Roebuck	29½	29
Am. Smelting	45½	45⅞	Gen. Elect.	59½	60½	Shell Oil	73½	73
Amer. Tel.	178⅜	179½	Gen. Motors	38⅜	38⅜	Std. Oil of N.J.	52⅞	54½
Anaconda	45⅛	45⅞	Goodyear	74	77½	Tri-Conti'tal.	34⅜	35⅜
Beth. Steel	41½	42¼	Gulf Oil	113¾	114⅜	Union Carbide	86	89½
Can. Pacific	26½	27½	Int. Bus. M.	347	350½	U.S. Steel	65	65⅞
Chrysler Cpn.	45⅜	45⅞	Int'l. Nickel	75½	77⅞	Westinghouse E.	58½	57½
Crown Zeller.	49	52⅜	Int'l. Paper	96⅜	99½	Woolworth	45½	45½

THE ACTUARIES' INVESTMENT INDEX

Group	Price Index Dec. 31, 1957=100 May 28, 1957	April 29, 1958	May 27, 1958	Average Yields (per cent) May 28, 1957	April 29, 1958	May 27, 1958
Ordinary Shares :—						
Electrical engineering ...	127·1	101·8	102·6	4·98	5·63	5·63
Engineering	129·3	103·5	102·4	4·76	5·68	5·82
Motors and aircraft	124·3	98·6	99·2	5·36	6·56	6·58
Steel	...	91·4	91·7	...	10·50	10·47
Chain stores	116·3	97·2	99·5	3·67	4·40	4·45
Cotton and rayon textiles	110·2	90·2	90·1	8·36	9·85	9·79
Chemicals.....	123·5	113·6	116·1	4·49	5·02	5·03
Oil.....	142·8	103·4	105·1	4·48	6·33	6·25
Shipping.....	133·0	95·5	93·5	5·22	7·55	7·87
Investment trusts.....	119·4	109·4	111·3	4·32	5·01	4·97
Industrials :—						
Ordinary (all classes)	119·1	103·5	104·2	5·86	6·60	6·60
Preference	103·1	100·9	99·4	6·16	6·31	6·40
Debenture	111·1	104·9	105·2	5·82	6·17	6·16
Total (capital goods)	126·8	100·6	100·1	5·16	6·68	6·76
Total (consumption goods).	109·1	104·6	105·8	6·88	6·97	6·89
Consols 2½%	110·3	108·4	108·1	4·90	4·99	5·00

STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
May 7	181·3	6·62				
" 14	182·4	6·64				
" 21	184·4	6·57				
" 28	183·6	6·63	186·8 (Apr. 16)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
June 4	184·2	6·59				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1958	1957
		%		%		High	High
May 28	168·7	6·80	90·30	4·99	6,682	172·4 (Apr. 16)	207·6 (July 9)
" 29	168·6	6·80	90·32	4·99	6,734		
" 30	168·8	6·79	90·36	4·98	6,880		
June 2	168·6	6·80	90·24	4·99	8,343	Low	Low
" 3	168·1	6·82	90·29	4·98	8,076	154·4 (Feb. 25)	159·0 (Nov. 5)
" 4	168·1	6·82	90·17	4·98	7,929		

Bases :—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared

World Trade ..... April 19th

British		Overseas	
Prices and Wages.....	This week	Western Europe :	
Production and Consumption	May 17th	Production and Trade.....	May 3
Manpower.....	May 24th	British Commonwealth	May 1
External Trade.....	May 31st	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	May 2
Industrial Profits	April 19th	United States	This we

Prices and Wages

	Unit	1955	1956	1957	1957			1958 (5)			
		mid-June			May 21	May 28	June 4	May 13	May 20	May 27	June
WORLD PRICES											
Commodity Price Indicator :											
All items	1952=100	93	91	94	93	94	94	85	85	86	85
Food	,,	92·0	90·8	98·8	94·8	96·7	97·2	94·7	95·3	97·2	95·
Fibres	,,	83·2	81·5	95·9	97·3	96·9	96·0	79·0	79·8	80·9	80·
Metals	,,	95·7	95·6	79·7	83·6	83·4	82·4	67·9	67·8	67·9	68·
Other items	,,	106·9	96·1	99·2	98·1	97·3	97·8	94·2	93·3	93·6	93·
		Monthly averages			1957			1958			
BRITISH WHOLESALE PRICES		1955	1956	1957	Feb.	Mar.	Apr.	Jan.	Feb.	Mar.	Apr.
Materials used in :	June 30, 1949=100										
Non-food manufacturing (excl. fuel)	,,	152·4	156·2	154·7	159·9	159·4	160·4	142·0	140·5	138·7	137·
Mechanical engineering	,,	168·1	177·3	183·9	182·1	181·1	181·2	185·7	185·3	185·0	184·
Electrical machinery	,,	185·7	190·0	181·7	185·0	182·8	182·8	177·6	176·8	176·6	176·
Building and civil engineering	,,	137·3	142·4	146·9	146·5	146·6	146·7	146·9	146·6	146·6	146·
House building	,,	137·1	142·3	145·4	146·3	146·5	146·5	145·8	145·4	145·4	144·
Products of :											
Non-food manufacturing (excl. fuel)	,,	129·6	135·6	139·9	138·2	138·5	138·8	141·6	141·5	141·2	141·
Food manufacturing	,,	143·9	148·1	156·2	160·8	160·9	159·9	152·2	151·6	153·0	153·
Commodities :											
Cotton, raw	,,	149·7	154·0	146·2	157·8	156·5	156·5	127·1	126·0	124·2	122·
Wool, raw	,,	142·0	145·3	161·3	170·0	169·0	173·5	129·6	132·0	122·6	118·
Rubber, No. 1 RSS, one month future	,,	329·9	284·2	260·8	260·2	266·2	271·0	232·4	227·1	228·2	230·
Softwood, imported	,,	154·9	155·9	156·1	156·2	156·2	156·0	155·6	153·2	153·2	151·
Copper, ex-warehouse	,,	295·7	280·5	189·0	211·0	205·7	207·2	147·2	139·8	146·0	150·
UK RETAIL PRICES	Jan. 17, 1956=100										
All items(1)	,,	...	102·0	105·8	104·3	104·1	104·5	108·1	107·6	108·4	109·
Food	,,	...	102·2	104·9	103·5	102·1	102·7	105·4	103·9	105·7	108·
All items	1938=100	242	254	263	260	259	260	269	268	270	27
Food	,,	257	269	276	272	269	270	277	273	278	28
Rent and rates	,,	138	145	155	148	149	154	166	167	167	17
Clothing	,,	256	263	267	265	266	266	269	270	270	27
Fuel and light	,,	228	251	268	264	264	264	287	286	287	28
Household durable goods	,,	288	308	308	311	311	307	309	309	310	30
Drink	,,	260	264	272	268	270	271	276	276	276	27
Tobacco	,,	389	411	421	418	418	418	428	428	428	42
Purchasing power of £ (based on all consumer spending)	1938=100	39	38	37	37	37	37	36	36	36	3
UK TERMS OF TRADE											
Import prices :											
All items	1954=100	103	105	107	111	110	111	100	99	98	9
Food, drink and tobacco	,,	101	101	101	105	102	103	95	94	94	9
Basic materials	,,	104	106	110	111	113	113	102	101	99	9
Export prices :											
All items	,,	102	106	111	110	110	110	110	111	110	11
All manufactures	,,	102	106	109	108	108	108	111	112	111	11
Metals	,,	104	112	115	114	115	115	118	120	118	12
Engineering products	,,	103	107	112	110	110	109	114	115	114	11
Textiles (excluding clothing)	,,	100	99	101	100	100	101	102	104	103	10
Terms of trade :											
Ratio of import to export prices	,,	101	99	96	101	100	101	91	89	89	9
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	127·7	157·0	112·7	167·6	145·5	134·3	64·9	64·0	63·3	62·7
UK WAGES											
Weekly wage rates :	Jan. 31,										
All workers(3)	1956=100	...	104·7	110·0	106·9	107·6	108·1	112·3	112·6	112·7	112·
Men	,,	...	104·8	110·0	106·8	107·6	108·0	112·2	112·5	112·5	112·
Women	,,	...	104·2	109·7	106·8	107·2	107·9	112·3	112·6	112·7	112·
All workers	Sept., 1939=100	252	272	286	278	280	281	292	293	293	29
Weekly earnings : (4)											
All workers	s. d.	187 2	200 8	212 5	...	...	204 7	...	...	...	...
Men	,,	222 11	237 11	251 7	...	...	241 6	...	...	...	...
Women	,,	115 5	123 2	129 6	...	...	125 10	...	...	...	...
All workers	Oct., 1938=100	351	377	399	...	...	384	...	...	...	...
Men	,,	323	345	365	...	...	350	...	...	...	...
Women	,,	355	379	398	...	...	337	...	...	...	...

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (4) Surveys made twice a year; annual figures relate to October survey. (5) Revised figure for fibres on May 6th was 78·4.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1957 prices
	1947–49=100						1948=100			1939=100	$	
1939	50·1	36·6	59·4	47·1	52·5	76·1	42	48	88	100·0	23·86	48·30
1956	114·3	88·4	116·2	111·7	105·5	121·7	123	107	115	345·0	79·99	82·72
1957	117·6	90·9	120·2	115·4	106·9	125·6	124	111	112	331·4	82·39	82·39
1957, December	118·5	92·6	121·6	116·1	107·6	127·0	121	111	109	298·5	82·74	81·76
1958, January	118·9	93·7	122·3	118·2	106·9	127·1	121	111	109	304·7	81·27	79·91
,, February	119·0	96·1	122·5	118·7	106·8	127·3	120	111	108	304·0	80·64	79·14
,, March	119·7	100·6	123·3	120·8	106·8	127·5	...	...	...	310·8	81·45	79·39
,, April	119·4	97·9	123·5	121·6	106·7	127·7	...	...	...	311·9	80·81	...

PRODUCTION AND MANPOWER

	Gross national product	Total industrial production	Manufacturing production						Building	Civilian employment[2]		
			Durable goods			Non-durable goods						
	Seasonally adjusted annual rate		Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals and petroleum products	New construction; seasonally adjusted annual rates	Total labour force	Total employment	Unemployed as % of labour force, seasonally adjusted
	$ billion	Index 1947–49=100; seasonally adjusted							$ billion	thousands		
1939	91·1	58	49	54	47	66	80	49	8·2	55,230	45,750	17·2
1956	414·7	143	159	138	199	129	108	167	46·1	67,530	64,708	4·2
1957	434·4	143	160	132	113	130	105	172	47·3	67,946	65,011	4·3
1957, December	432·6[6]	135	146	107	194	127	97	169	48·6	67,770	64,396	5·0
1958, January	422·0	133	142	100	191	127	97	168	48·2	66,732	62,238	5·8
,, February		130	137	95	185	125	97	165	47·8	67,160	61,988	6·7
,, March		128	135	91	181	124	95	165	47·7	67,510	62,311	7·0
,, April	...	126	133	86	177	124	96	164	47·0	68,027	62,907	7·5

TRADE

	Personal consumption Annual rates	All business[2]		Total retail[2]		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res.	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1948=100	
1939	67·6	10·8	20·1	3·5	5·5	190	62	41	260	139	76	53
1956	267·2	54·8	89·1	15·8	23·9	1,043	257	250	1,578	921	143	141
1957	280·4	56·3	90·7	16·7	24·5	1,077	266	243	1,719	982	147	149
1957, November	282·4[6]	54·7	91·0	16·6	24·3	1,037	244	218	1,668	1,007	143	144
,, December		54·5	90·7	16·9	24·5	1,134	272	241	1,626	961	158	142
1958, January		53·8	90·0	16·7	24·5	1,109	284	220	1,495	928	156	130
,, February	281·2	52·1	89·3	16·1	24·3	956	218	203	1,334	837	134	116
,, March		51·5	88·5	16·1	24·1	...	...	...	1,541	981	...	...
,, April	...	...	...	16·4	...	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics[3]		Budget expenditure[4]		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds[6]	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion end of period		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	— 3·9	0·023	...	3·01
1956	326·9	234·8	11·6	42·10	31·83	74·8	90·3	66·5	+ 1·6	2·658	3·08	3·36
1957	343·4	246·7	12·1	44·78	34·11	76·2	93·9	69·4	+ 1·6	3·267	3·47	3·89
1957, November	346·2	247·5	12·2	43·53	33·60	74·3	92·9	5·8	— 1·0	3·337	3·57	4·08
,, December	343·6	246·8	12·2	44·78	34·11	76·2	93·9	5·8	+ 0·1	3·102	3·30	3·81
1958, January	343·6	244·9	12·2	43·97	33·74	75·6	92·0	6·0	— 1·2	2·598	3·24	3·60
,, February	341·7	242·2	12·9	43·04	33·30	76·5	92·1	5·5	+ 0·8	1·562	3·28	3·59
,, March	342·2	241·5	13·2	42·56	32·98	78·4	93·0	5·7	+ 3·8	1·354	3·25	3·63
,, April	342·8	241·0	13·2	42·67	32·93	...	...	6·1	— 2·6	1·126	3·12	3·60

(1) 1939 figures calculated on the basis of a smaller sample. (2) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (3) All commercial banks. (4) Annual figures are total for the fiscal year ended June 30th. (5) Figure for fourth quarter. (6) Bonds due or callable from 10 to 20 years.

Financial Statistics

EXCHEQUER RETURNS

For the week ended May 31, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £16,207,000 compared with a surplus of £3,249,000 in the previous week and a surplus of £15,539,000 in the corresponding period of last year. There was a *net expenditure* "below-line" of £18,204,000 leaving a total deficit of £72,322,000 compared *with £839,000 in 1957–58.*

£'000	Estimate, 1958-59	April 1, 1957, to June 1, 1957	April 1, 1958, to May 31, 1958	Week ended June 1, 1957	Week ended May 31, 1958
Ord. Revenue					
Income Tax	2312,500	219,537	243,792	27,407	27,864
Surtax	163,000	19,400	18,900	1,400	1,100
Death Duties	163,500	34,300	27,800	10,400	2,900
Stamps	55,250	11,300	9,700	2,300	2,000
Profits Tax, EPT & EPL	275,000	24,600	32,500	2,600	3,400
Other Inland Rev. Duties	...	50	...	...	...
Total Inland Rev..	2970,250	309,787	332,692	4,447	37,264
Customs	1256,940	210,326	229,422	24,615	18,685
Excise	932,310	181,185	187,230	24,129	21,740
Total Customs and Excise	2189,250	391,511	439,652	48,735	40,423
Motor Duties	104,000	9,903	10,083	*Dr.* ...	130
PO (Net Receipts)	2,000	12,900	9,000	*1,200*	*2,500*
Broadcast Licences	34,000	3,800	4,100	2,000	2,100
Sundry Loans	30,000	2,195	2,533	...	...
Miscellaneous	110,000	46,713	11,575	974	1,104
Total	**5433,500**	**776,839**	**779,134**	**94,616**	**78,220**
Ord. Expenditure					
Debt Interest	695,000	121,367	113,393	15,820	5,401
Payments to N. Ireland Exchequer	73,000	9,889	10,687	...	2,899
Other Cons. Funds	10,000	1,016	880	38	15
Supply Services	4259,584	637,955	658,633	62,959	85,912
Total	**5037,584**	**779,229**	**783,573**	**78,818**	**94,227**
Sinking Funds	38,000	4,018	4,015	260	200
"Above-line" Surplus or Deficit		+ **2,661**	− **8,153**	+ **15,539**	− **16,207**
"Below-line" Net Expenditure		3,400	64,169	5,943	18,204
		− **839**	− **72,322**	+ **9,595**	− **34,411**
Net Receipts from:					
Tax Reserve Certificates		49,624	43,262	13,994	10,962
Savings Certificates		7,700	12,800	1,600	5,100
Defence Bonds		3,624	1,076	418	1,798
Premium Savings Bonds		5,690	10,155	900	1,405

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
June 1	2,900·0	1,233·6	250·4	...	4,384·0
1958					
Mar. 1	3,040·0	1,537·1	210·4	...	4,787·5
„ 8	3,050·0	1,487·6	219·7	...	4,757·3
„ 15	3,060·0	1,529·9	225·6	...	4,815·5
„ 22	3,080·0	1,510·3	248·8	...	4,839·1
„ 31	4,571·2		277·1	...	4,848·2
April 5	3,120·0	1,499·4	239·6	...	4,859·0
„ 12	3,120·0	1,492·7	259·4	...	4,872·1
„ 19	3,120·0	1,580·5	252·9	...	4,952·4
„ 26	3,129·0	1,648·4	705·8	4·0	4,978·2
May 3	3,119·0	1,620·2	217·9	1·5	4,979·6
„ 10	3,139·0	1,561·3	215·5	2·3	4,928·9
„ 17	3,170·0	1,552·8	234·9	0·3	4,956·0
„ 24	3,200·0	1,510·8	202·6	...	4,913·9
„ 31	3,210·0	1,460·6	256·5	...	4,927·0

THE MONEY MARKET

THE Treasury bill rate was little changed on Friday last, at the second tender following the ½ per cent reduction in Bank rate. The discount houses maintained their common bid at £98 15s. 11d., but as outside applicants adjusted their bids to the unexpectedly large increase in the market's bid the week before, the average rate of discount on the whole allotment fell by 2d. to £4 16s. 3.84d. per cent. The allotment rate at the markets common bid fell from its high level of 61 per cent to 49 per cent. Total applications rose by £4 million to £416 million. At yesterday's tender the offer was stepped up by £10 million to £70 million.

Credit conditions in Lombard Street have remained taut in the past week, but except on one occasion the market has been saved from further recourse to the Bank at the penal rate. Market supplies of funds were just adequate on the first two days of this week, and on Wednesday the Bank gave large and sufficient special aid. But on Thursday of last week, heavy tax transfers and influences associated with the month-end (including some calling by French banks in *ratissage* operations) caused an acute stringency, and despite very large special help two or three houses had to take a small amount at Bank rate. Throughout the past week, August maturities have changed hands at 4⅝–4½ per cent.

At this week's Treasury bill tender in New York, the bill rate rose from 0.635 per cent to 0.723 per cent.

LONDON MONEY RATES

	%		%
Bank rate (from 6% 22/5/58)	5½	**Discount rates**	
		Bank bills: 60 days	4 13/16–5
Deposit rates (max.)		3 months	4 13/16–5
Bank	3½	4 months	4 13/16–5
Discount houses	3½	6 months	4 13/16–5
Money		Fine trade bills:	
Day-to-Day	3½–4½	3 months	6–6½
Treas. bills 2 months	4 1/16	4 months	6–6½
3 months	4 1/16	6 months	6½–6¾

BANK OF ENGLAND RETURNS

(£ million)	June 5, 1957	May 28, 1958	June 4, 1958
Issue Department:*			
Notes in circulation	1,956·1	2,033·9	2,038·1
Notes in banking dept.	34·3	16·5	12·2
Govt. debt and securities*	1,986·3	2,043·3	2,043·3
Other securities	0·7	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Con other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	13·9	12·9	9·5
Bankers	211·2	248·9	217·6
Others	70·6	71·6	73·4
Total	295·7	234·4	301·6
Securities:			
Government	212·9	246·1	261·0
Discounts and advances	45·1	23·7	23·7
Other	19·1	18·8	18·8
Total	277·1	293·6	304·6
Banking department reserve	36·7	19·8	12·7
"Proportion"	12·4	6·3	4·2

* Government debt is £11,015,100, capital £14,553,0. Fiduciary issue increased to £2,050 million from £2,000 mil on March 26, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allott at Ma Rate
				s. d.	
1957					
May 31	230·0	357·7	230·0	78 5·15	57
1958					
Feb. 28	240·0	391·9	240·0	120 3·28	37
Mar. 7	240·0	388·6	240·0	120 5·10	47
„ 14	250·0	370·3	250·0	120 6·59	61
„ 21	260·0	399·2	260·0	111 1·52	51
„ 28	260·0	422·8	260·0	110 5·54	55
April 3	260·0	401·9	260·0	108 6·30	61
„ 11	260·0	422·0	260·0	105 6·19	59
„ 18	240·0	406·3	240·0	104 0·93	43
„ 25	250·0	426·8	250·0	103 6·97	43
May 2	220·0	433·5	220·0	101 1·93	43
„ 9	250·0	447·6	250·0	103 10·81	20
„ 16	250·0	422·1	250·0	103 11·49	44
„ 23	260·0	412·2	260·0	96 5·96	61
„ 30	260·0	416·0	260·0	96 3·84	49

* On May 30th tenders for 91 day bills at £98 15s. 1 secured 49 per cent, higher tenders being allotted in f The offer this week was for £270 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: June 4	Market Rates: Spot: May 29	May 30	May 31	June 2	June 3	June 4
United States $	2·78-2·82	2·81⅝–2·81¹¹⁄₁₆	2·81⅝–2·81¹¹⁄₁₆	2·81⅝–2·81¹¹⁄₁₆	2·81⅝–2·81¹¹⁄₁₆	2·81⅝–2·81¹¹⁄₁₆	2·81⅝–2·81
Canadian $	...	2·71⅞–2·71¹⁵⁄₁₆	2·71⅞–2·71¹⁵⁄₁₆	2·71⅞–2·71¹⁵⁄₁₆	2·71⅞–2·71¹⁵⁄₁₆	2·71⅞–2·71¹⁵⁄₁₆	2·71⅞–2·71
French Fr.	1167-18-1184-82	1179½–1179¾	1179½–1179¾	1179½–1179¾	1178½–1178¾	1178½–1178¾	1179–1178
Swiss Fr.	12·15⅛–12·33⅛	12·23½–12·23¾	12·23½–12·23¾	12·23½–12·23¾	12·23½–12·23¾	12·23½–12·23¾	12·23½–12·2
Belgian Fr.	138·93–141·05	139·42½–139·47½	139·42½–139·47½	139·37½–139·42½	139·42½–139·47½	139·42½–139·47½	139·42½–139·4
Dutch Gld.	10·56-10·72	10·59½–10·60	10·59½–10·59¾	10·59½–10·59¾	10·59½–10·59¾	10·59½–10·59¾	10·59½–10·5
W. Ger. D-Mk.	11·67⅛–11·84⅛	11·70½–11·71	11·70½–11·71	11·70½–11·71	11·70½–11·71	11·70½–11·71	11·70½–11·7
Portuguese Esc.	79·90-81·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·1
Italian Lire	1736½–1762½	1745½–1746	1745½–1746	1745½–1745¾	1745½–1745¾	1745½–1745¾	1745½–1745
Swedish Kr.	14·37½–14·59½	14·47⅛–14·47½	14·47–14·47½	14·47–14·47½	14·46½–14·46¾	14·46½–14·46¾	14·46½–14·4
Danish Kr.	19·19½–19·48½	19·34½–19·34¾	19·34½–19·34¾	19·34½–19·34¾	19·35–19·35¼	19·35–19·35¼	19·35–19·3
Norwegian Kr.	19·85-20·15	20·00⅝–20·01⅛	20·00⅝–20·01⅛	20·01–20·01⅛	20·01–20·01⅛	20·00⅝–20·01⅛	20·00⅝–20·0
One Month Forward Rates							
United States $		⅝–⅞c. pm	⅝–⅞c. pm	⅝–⅞c. pm	⅝–⅞c. pm	⅝–⅞c. pm	⅝–⅞c. pm
Canadian $		⅝–⅞c. pm	⅝–⅞c. pm	⅝–⅞c. pm	⅝–⅞c. pm	⅝–⅞c. pm	⅝–⅞c. pm
French Fr.		10–25 dis	10–15 dis	5–10 Dis	4 9 dis	4 9 dis	4 9 dis
Swiss Fr.		3¼–3½c. pm	3¼–3½c. pm	3¼–3½c. pm	3¼–3½c. pm	3¼–3½c. pm	3 2¾c. pm
Belgian Fr.		⅝–¾ pm	⅝–¾ pm	1–1 pm	1–1 pm	1–1 pm	1–1 pm
Dutch Gld.		2–1½c. pm	2–1½c. pm	2–1½c. pm	1¾–1½c. pm	1¾–1½c. pm	1¾–1½c. pm
W. Ger. D-Mk.		2¼–2 pm	2¼–2 pm	2¼–2 pm	2 pm	2 pm	2–1¾c. pm
Italian Lire		3 2 pm	2¼–1¾ pm	2¼–1¾ pm	2–1¾ pm	2 pm	2 pm
Swedish Kr.		2¼–2 pm	2¼–2 pm	2½–2¼ pm	2¼–2 pm	2 1¾ pm	2 1¾ pm
Danish Kr.		3 2½ pm	3–2½ pm	3 2½ pm	3 2½ pm	3 2½ pm	3 2½ pm
Norwegian Kr.		2½ pm par	2½ pm par	2½ pm par	2½ pm par	2½ pm par	2½ pm par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/5½	249/5	...	249/3½	249/4	249/3½



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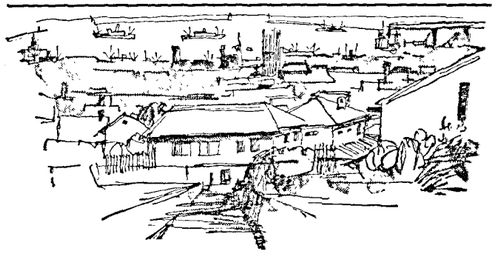
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COMPANY MEETINGS

UNION CORPORATION LIMITED

(Incorporated in the Union of South Africa)

Extract from the Speech by Mr T. P. Stratten at the Annual General Meeting, held in Johannesburg on May 27, 1958

Mr T. P. Stratten, who presided in the absence of The Right Honourable The Viscount Bracken, who was not able to be present, said:

Before dealing with the formal business of the meeting I should like to refer to the loss we have sustained by the death in September last of Mr Eric Fraenkel, who had been a member of the Management in London since 1930 and a Director since 1944. We shall miss his counsel, especially in matters financial.

In 1956 we enjoyed an exceptional increase in our income from base metal interests, particularly Tsumeb Corporation, but since that time world demand for base metals and consequently prices have fallen drastically. Thus the consolidated profit after taxation for 1957 was £1,578,000 compared with £2,093,000 in 1956.

The net profit of the Corporation itself was £1,465,000. To fulfil our policy of setting aside funds for the future development of our business your Directors have appropriated £350,000 to the General Reserve Account which now stands at £2,650,000; £300,000 has also been appropriated to the Exploration Reserve Account which, after deducting expenditure on exploration during the year, amounts to £1,053,000.

Dividends of 3s. per share less United Kingdom income tax were declared (the same as for the previous year), leaving a consolidated balance to be carried forward of £846,000, compared with £712,000 at the end of 1956.

Since the end of the financial year arrangements have been made for the provision of additional finance for the Corporation's business by raising privately in the Union of South Africa £2 million against the issue during 1958 and 1959 of 6½ per cent Unsecured Notes to be redeemable 1974/83. The Corporation has the first right to purchase and simultaneously redeem any Notes offered for private sale.

UNITED KINGDOM TAXATION

The recent Budget in the United Kingdom contains proposals to abolish the present system of differential rates of profits tax on distributed and undistributed profits and to substitute a flat rate profits tax of 10 per cent on profits whether distributed or not. If these proposals are accepted by Parliament they will result in some companies paying less tax than hitherto; others will pay more. Fortunately we will benefit from the change in this tax.

GOLD MINING INDUSTRY

Our principal interests continue to be in gold mining in South Africa. It is appropriate, therefore, before turning to the affairs of the Gold Mining and other Companies under our administration and to our various other interests that I should briefly review the affairs of the South African Gold Mining Industry as a whole.

The tonnage milled in 1957 was 66,114,400 tons, representing a decline of just over 2 per cent., as compared with 1956, but as the average yield improved by 0.447 dwt to 5,000 dwt per ton the gold output increased by over 7½ per cent to 16,540,816 ounces fine, which constitutes a record for the Industry.

As a result of the greater output, working revenue increased by £14,491,000 to £207,706,000. Working costs absorbed £149,872,000, leaving a working profit from gold of £57,834,000, which is £9,383,000 more than in 1956. The estimated profit from production of uranium increased by £8,646,000 and amounted to £33,308,000, so that the total working profit for the industry was £91,142,000 or £18,029,000 more than for the previous year.

Provision for capital expenditure, loan redemption, including loans made available for uranium production, and for other items amounted to just over £36 million, of which nearly £23 million was for shaft sinking, plant and equipment and development charged to capital account, and approximately £7,675,000 was for interest and redemption on uranium loans. Taxation and Government share of profits is estimated at £17,548,000, which is somewhat more than in 1956. Net dividends declared by the Industry increased by over £8,500,000 to £36,699,000.

At previous meetings the Chairman has commented on the increasing contribution to the Industry's output and profits of the new mines of the Orange Free State and the Transvaal, that is to say, mines which have come into production since 1951. In the year under review, while the tonnage milled by these 17 mines was less than a quarter of the total for the Industry, because the grade of ore which they treat is much higher they accounted for over 42 per cent of the total gold output, and their combined gold and uranium profits at £52,791,000 were just under 58 per cent of the total for the Industry. In 1957 the new producers for the first time accounted for more than half the dividends declared by the industry. Clearly the vast capital investment in the postwar years in development of the Orange Free State and Western Transvaal goldfields is now beginning to bear fruit. At a time when the diminution in the Union's reserves of gold and Foreign Exchange is causing concern it is important to note that the value of the gold output of the new producers in 1957, at about £87 million, is in excess of the total Foreign Exchange and gold holdings of the Union of South Africa today. It is salutary to reflect on what the financial position of the Union would be at this moment but for the foresight and courage of those who invested their capital in those new fields.

The level of working costs of most of the new producers is much above that of the older mines. The increasing tonnage contributed by them inevitably raises the average figure for working costs of the Industry as a whole. Thus in 1957 working costs of the whole Industry averaged 45s. 4d. per ton milled, being an increase of 2s. 5d. over the previous year. The older producers, however, showed an average increase in working costs of only 1s. 9d. per ton milled, much of the balance of the average increase for the Industry being apparently due to the inclusion of a larger proportion of high cost tonnage treated by the new producers.

In the year under review considerable attention has been focused on the problem of the so-called vulnerable or marginal mines on the Witwatersrand, that is to say mines where the cost of producing an ounce of gold is close to the price realised for it.

There is no easy solution to this problem. Some of these mines will close soon because their ore is almost exhausted. In many of the others, however, there are still large tonnages of marginally payable or low-grade ore which could be mined but for the present unfavourable ratio of the price of gold to the level of working costs. However, any measures designed to afford special assistance to these latter individual marginal mines can only be at the expense of other mines or other sections of the community. Moreover, such measures would only be temporary palliatives unless coupled with sustained and successful efforts to reverse present inflationary trends since the fundamental reason for the imminent closure of many of these mines is the progressive erosion of ore reserves and profit margins by the continuing rise in costs.

The South African Government has shown itself keenly aware of the dangers of inflation to the economy of the country and has made strenuous efforts to combat it. Nevertheless, the official retail price index for the Union of South Africa has risen from 103.7 in 1949, the year in which devaluation took place, to 143.5 in 1957, and the wholesale price index has risen even faster. In other words, an ounce of gold had by 1957 lost nearly 70s. of the purchasing power which it had immediately after the 1949 devaluation. Thus, whatever advantage accrued to the Industry in September, 1949, from the increase in the official Sterling price of gold from 172s. 6d. to 248s. 3d. per ounce fine has been virtually wiped out by the fall in the value of money which has taken place since then.

Having reviewed the progress of the Companies under the Corporation's administration, Mr Stratten continued:

EXPLORATION

We have continued to be active in the search for new mineral deposits both in the Union of South Africa and elsewhere. We believe that it is essential to follow such a policy if we are to discover and develop new mines and thus create profitable new investments to maintain and expand our business.

While we are also investigating a number of other mineral occurrences or prospects a large proportion of our exploration work is still directed towards the further development of the Kinross area and it may be appropriate at this stage briefly to review the history of our work in this field. We secured our first options over mineral rights in this region in December, 1948, and began drilling in 1950. In the eight years since then the Corporation's subsidiaries have drilled over 200 boreholes totalling 615,000 feet of diamond drilling. At its maximum

the area held under option amounted to approximately 215,000 morgen (over 700 square miles) stretching some 50 miles from East to West. Inevitably as work proceeded and the picture became clearer large areas were discarded as being of no economic interest. The holdings of the remaining subsidiary Companies operating in this region have been narrowed down to the area mentioned to you last year, amounting to about 26,000 morgen, which contains a smaller core of approximately 10,000 morgen of more particular interest.

This has been a vast exploration programme, and our discovery of this new field has involved the expenditure of large amounts on prospecting and the purchase of mineral rights and freehold. At present, as mentioned in the Directors' Report, the drilling work in the Kinross area is largely confined to obtaining further information to enable us, as soon as we can, to frame an application to the Mining Leases Board for the next mining lease.

Shareholders will appreciate that we are in the process of delineating a new goldfield. The profitability and the timing of the exploitation of this is vitally linked to the relationship between the price of gold and the level of capital and working costs in the years ahead.

I know you would wish me on your behalf to thank the staff of the Corporation in South Africa and London and the managers, staff and employees of the Companies under our administration for the past year's work.

The Report and Accounts were adopted and the retiring Directors re-elected.

RUBBER PLANTATIONS INVESTMENT TRUST

INCREASED REVENUE

The forty-ninth Annual General Meeting of the Rubber Plantations Investment Trust Limited, will be held on June 25th, in London and the following is an extract from the circulated address by the Chairman, Sir Eric Macfadyen:

The Accounts before you show gross revenue of £292,006, being an increase of £19,844 on that of the previous year and represented a gross yield of 16.89 per cent (15.74 per cent) on the Trust's issued Capital. After providing for taxation and expenses our net revenue is £149,133 (compared with £147,842 a year ago). £25,000 has been transferred to General Reserve and we recommend a dividend of 12½ per cent (the same).

One notable feature during the year has been the receipt of approximately £169,000 in the form of Capital repayments by Rubber Companies included in the Trust's portfolio of investments; this sum was applied in writing down the book cost of the particular holding affected. These funds have now been invested in Commercial and Industrial shares, the book cost of which has increased from £354,723 to £541,395 in the twelve months; this group in our portfolio now represents 28.8 per cent (18.5 per cent) of the total cost of all investments.

At the balance sheet date the net cost of our investments was £1,733,109 (£1,826,491) and their valuation at £1,850,411 shows a surplus of £117,302 (£78,289). The net asset value per 2s. Stock unit at the year end has improved to 2s. 6¼d. (2s. 6d.).

We have continued our policy of maintaining a strong liquid position in the form of Treasury Bills and short-dated Government Securities, which have yielded a satisfactory return during a year of mainly falling prices for equity shares.

NATIONAL BANK OF NEW ZEALAND

FUNDAMENTAL SOUNDNESS OF COUNTRY'S ECONOMY

MR ARTHUR H. ENSOR ON AN OVERALL SATISFACTORY YEAR

The eighty-sixth annual general meeting of the National Bank of New Zealand Limited will be held on June 26th in London.

The following are extracts from the circulated statement of the Chairman, Mr Arthur H. Ensor:

I am able to report another reasonably satisfactory year. Profits at £275,000 show a modest increase of £6,000 over the previous year, which must be regarded as satisfactory bearing in mind the rising costs of providing an adequate banking service. In the current year, with the severe import restrictions in being, the volume of trade is likely to be lower than that during the period under review, and to a limited extent, this may affect our current earnings.

The Directors now recommend a final dividend of 5 per cent actual less income tax at 8s. 6d. in the £, making a total distribution of 9 per cent for the year.

BUSINESS DEVELOPMENT

Our business throughout New Zealand has continued to expand and there has once again been a very satisfactory increase in the number of our customers. This has necessitated an extension of our banking facilities and during the year we have opened five branches and four agencies, making a total of ninety-four branches and sixty-two agencies in New Zealand.

BALANCE OF PAYMENTS AND OVERSEAS TRADE

In my Statement last year I referred to some of the principal elements of strength and weakness in New Zealand's economic situation. During the past year events have conspired to focus attention almost exclusively upon the weaknesses, notably the vulnerability to sharp price fluctuations of some of the Dominion's exports.

The balance of payments crisis, which led the newly elected Government to introduce a comprehensive and severe system of import controls at the beginning of this year, was the result of a substantial increase in the value of imports which was not matched by a comparable rise in current receipts.

On the one hand, the market value for New Zealand butter in London was falling to the lowest level reached for ten years, average wool sale prices were down some 18 per cent on the previous year and the seasonal fall in lamb values was somewhat earlier and sharper than usual, whilst on the other hand, total payments for imports into New Zealand by the end of the year had increased by 16 per cent over the 1956 value.

Thus, the movement in the terms of trade, together with the increase in the volume of imports, was having a very adverse effect on New Zealand's net overseas assets, which had fallen to dangerously low levels, and the fall has not yet been arrested. In this situation determined action was undoubtedly necessary, particularly as it was essential to check the excess stock building by way of imports which, to a considerable extent, was the result of the political uncertainty of the time.

In these circumstances, New Zealand's protest against the placing of large quantities of dairy produce on the United Kingdom market by foreign suppliers at a price below that charged to their own domestic consumers warranted careful consideration. The recent decision of the British Government to impose quotas on butter imported from a number of foreign countries is expected to restrict imports from these sources by some 40,000 tons per annum.

It is difficult to forecast the likely effect on the United Kingdom butter market of these proposals and the arrangement has not been too well received by New Zealand. It is to be hoped, however, that the measures now being taken will be effective in affording some assistance towards resolving the problem, as it would be a misfortune if New Zealand's highly efficient dairy industry was impaired by what may prove to be temporary marketing difficulties.

In spite of these uncertainties, there are aspects of New Zealand's trading position which taken together are gratifying features. The first is that New Zealand's principal market, the United Kingdom, has so far shown a notable resistance to the possible extension of an economic recession from across the Atlantic. Secondly, after years of intensive capital investment and the continued application of improved farming methods, New Zealand's primary industries are now among the most highly productive in the world, and this fact emphasises the urgent necessity for seeking new markets.

Furthermore, there are many examples, although relatively small in volume, testifying to the success of the efforts to diversify export products and markets.

Trade with Australia remains heavily unbalanced, although from time to time attempts are made to reduce the discrepancy between imports and exports. In the past year significantly larger receipts have been earned by New Zealand's timber products, pulp and paper, and there has been an overall increase in the export trade to Australia.

Shipping services play a vital part in the successful marketing of New Zealand's products, and it is very satisfactory to see that these services have been extended in the past year, particularly those to the Far East.

Within New Zealand constant endeavour is being made to exploit the country's natural resources to the utmost.

After outlining various development projects, the Statement continued:

In order that all these opportunities may be successfully utilised and the many claims of a highly organised welfare state met, a considerable degree of self-discipline will be necessary, otherwise inflation will undoubtedly endanger the continued development of New Zealand's economic foundations.

RESPONSE OF SMALL INVESTORS

While recourse to overseas loans can afford some short-term relief to the immediate balance of payments problem, it is to be hoped that the steps necessary to restore a proper equilibrium in the economy will not be neglected. It is appreciated that

New Zealand is a young and vigorous country and that many of the projects now under construction are worthwhile, but the problem of discriminating between the necessary and the merely desirable must be faced if the Government is not to spend too large a proportion of New Zealand's export receipts in advance.

Nevertheless, within the economy there have been several encouraging signs, including a better balance in the labour market and relative stability of the consumer price index. There has been a gratifying increase in the amount of private savings, and the importance of the small investor was demonstrated by the response to the internal loan of £20 million issued in June, 1957.

The various encouraging features which I have mentioned in this brief survey can be taken as indications of the fundamental soundness of New Zealand's economy, and I have no doubt that the existing difficulties will be successfully overcome by the resourcefulness of the people of New Zealand, once the requirements of the present situation are fully appreciated.

MIDDLE WITWATERSRAND (WESTERN AREAS) LIMITED

(Incorporated in the Union of South Africa)

CHAIRMAN'S REVIEW

This review of the company's affairs by Mr S. G. Menell, chairman of Middle Witwatersrand (Western Areas) Limited, has been circulated with the report and accounts for the year ended December 31, 1957:

The new gold and uranium mines which your company's pioneering efforts have helped to establish during the last decade have resulted in your company now having in its portfolio substantial holdings in the Hartebeestfontein, Buffelsfontein and Stilfontein mines in the Klerksdorp area, as well as in the Virginia, Merriespruit, Free State Saaiplaas and Riebeeck mines in the Orange Free State. Members were given rights to subscribe for shares in a number of these companies.

Your company's growth is illustrated by the increase in dividend income from £7,495 in 1948 to £354,376 in 1957. This has enabled your company to resume the payment of dividends. Your company's shareholdings in mines in the Klerksdorp area which had a market value of £4,836,595 on December 31, 1957, contributed a dividend income of £328,094 for the year under review. It is expected that your company's subsidiary, New Klerksdorp Gold Estates Limited, as a result of its uranium operations will resume the payment of dividends during the current year.

The market value of the company's shareholdings in Orange Free State mining companies at December 31, 1957, was £1,563,198. It will probably be some years before a substantial return can be expected from these investments. The Virginia mine is now milling at the rate of 100,000 tons per month. During 1957 the mine made a working profit of £3,192,421, all of which was appropriated to meet interest payments, the cost of increasing the pumping capacity, the expansion programme and uranium and acid loan repayment instalments. The Free State Saaiplaas mine in the Virginia area and the Riebeeck mine in the Odendaalsrus area are still in the shaft sinking stage. As has been announced, both these mines, before production can be undertaken, will require further capital funds, to which your company will be called upon to contribute.

DEVELOPMENT

In continuation of your company's exploratory work plans are under consideration for the development of the Zandpan mining area which adjoins the Hartebeestfontein mine on the west and the Vaal Reefs mine on the north. Furthermore, a prospecting programme is being carried out, in conjunction with other parties, in an area to the east of the Hartebeestfontein and Buffelsfontein mines. Your company is also participating in the investigation of various base metal prospects in the Central African Federation.

During the year your company raised the sum of £1,250,000 by means of an issue of 6½ per cent secured debenture stock. Anglo-Transvaal Consolidated Investment Company Limited and your company's subsidiary, Virginia Land and Estate Company Limited, have guaranteed the capital sum and interest on the loan. Virginia Land and Estate Company Limited, which is developing the town of Virginia, has passed first mortgage bonds over certain of its township property in Virginia, having an appraised value of over £2,500,000 as security for the debenture stock.

The town of Virginia, which caters for the housing requirements of Harmony, Virginia, Free State Saaiplaas and Merriespruit mines and for the non-mining population, now has a total population of approximately 38,000, which figure includes approximately 13,000 African mine workers who are resident in single quarters on the four mines. The rateable value of property in the town now exceeds £13 million. The Harmony, Virginia and Free State Saaiplaas mines propose to increase their mining activities during 1958. This should lead to an increase in population and to a resultant increase in the demand for property in the town. A number of prominent business and financial organisations have already erected buildings and established branches in the civic centre and others are at present engaged in doing so.

During the year Virginia Land and Estate Company Limited acquired 432 houses and a block of flats from Merriespruit (Orange Free State) Gold Mining Company Limited for the sum of £1,700,000, of which £1,200,000 is payable in twelve monthly instalments and the balance when the Merriespruit mine resumes production for gold. Of the finance required for this transaction £1,150,000 has been provided by the passing of mortgage bonds over the housing concerned, these bonds being guaranteed by Anglo-Transvaal Consolidated Investment Company Limited and by your company. All these houses have now either been let to mining companies and to private individuals or reserved for occupation during this year.

In conclusion I desire to place on record your Board's appreciation of the services rendered by our secretaries and technical advisers, Anglo-Transvaal Consolidated Investment Company Limited, both at the head and London offices, and also by the managers and staffs of our subsidiary companies.

The annual general meeting of members will be held at Anglovaal House, 56 Main Street, Johannesburg, on Friday, June 27, 1958, at 11.00 a.m.

RELAY EXCHANGES

CONTINUING GROWTH

The Thirteenth Annual General Meeting of Relay Exchanges Limited was held on June 5th in London, the Chairman, the Right Honourable Sir Walter J. Womersley, Bart., presiding. The following is extracted from his circulated statement:

The Directors recommend a final dividend of 25 per cent making with the interim dividend of 15 per cent already paid a total for the year of 40 per cent.

Trading profit has increased from £1,441,313 in 1956 to £1,613,267 for 1957. £933,272 has been set aside for depreciation and replacement against £822,958 for 1956. This provision amounts to about 60 per cent of the profit earned. Net profit before taxation is £345,398 against £478,546 for 1956 and £330,537 in 1955.

The provision for taxation—£309,110—includes £214,457 added to taxation equalisation reserve which now stands at £588,891. After providing for taxation the profit for the year is £236,288. To this has been added the balance brought forward of £114,783 which with the provision for accruing maintenance no longer required now added back amounting to £62,915 makes a total of £413,986. Of this sum the Directors considered it advisable to transfer £40,000 to General Reserve, so building that reserve up to £340,000, and to create a new Reserve for equalisation of maintenance charge in the amount of £85,000.

The total dividend charge for the year will absorb £141,593, leaving £147,393 to be carried forward.

All the Loan Stock Holders of the first series had exercised their right to convert 25 per cent of their holdings into Ordinary Shares. Conversion rights of the second series were being exercised and those rights remained available until December 31, 1958.

NEW ACQUISITIONS

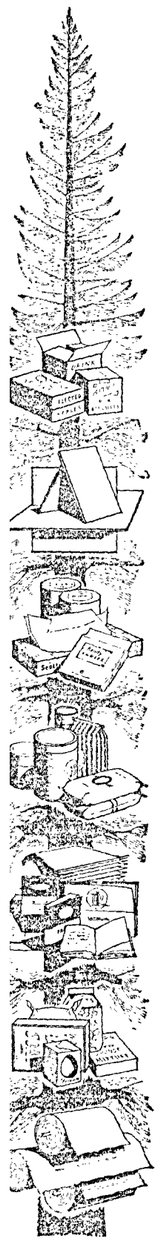
Several businesses had been acquired in Kent, Bedfordshire and Hampshire in 1957, and as a result of these purchases, carried through on a Share issue basis, considerable additions had been made to the Share Premium Account which now stood at £256,529 against £55,516 at the end of 1956.

The full effect of these acquisitions would not appear in the Accounts until 1958, and it was expected additional profits would justify the decisions taken.

A development programme has been planned for the next two years which visualises a steady continuing growth in resources and the Directors are confident of being able to meet very keen competition with low attractive rental charges and a high standard of maintenance service. They are satisfied there is still a large reservoir of potential customers to be drawn upon.

Reference was made to the appointment of Mr G. Gamble as Joint Managing Director and to the strengthening of the Board by the addition of Mr J. W. Kinsman, FCA, Mr E. F. Hancock, and Mr J. W. Field, each of whom has had long experience in the industry. Appreciation was also expressed of the loyal service rendered by all members of the staff who by their tactful treatment of Subscribers have contributed much to the ever growing good name of "RENTASET."

A vote of thanks to the Chairman concluded the Meeting.



"It is a sign of the efficient organisation that it endeavours to see things both as they are— and as they will be."

SIR ERIC BOWATER

Extending a welcome to a well-attended meeting of shareholders held on May 29 at The Royal Festival Hall in London, Sir Eric Vansittart Bowater, the Chairman, said: I believe our decision to hold the Annual General Meetings of The Bowater Paper Corporation Limited and of Bowater-Eburite Limited on the same day and in the same building will commend itself to you, for the interests of these two entities, and therefore of their respective shareholders, are closely interwoven.

Commenting on the "almost revolutionary change" which had taken place in the economic climate of the world, Sir Eric said that the Bowater Organisation had not escaped the consequences of the adverse influences. Despite that, the account of the year's operations might perhaps be regarded by the shareholders of both their great companies as being gratifying in the circumstances.

NO CHANGE OF PLANS

He continued: It is not our intention to abandon any of our carefully planned development projects, for it remains our firm belief that the products they are planned and designed to manufacture will be required towards meeting the demand from our customers, present and prospective, throughout the world, which increased demand we are confident will certainly develop. Our development programmes have been rephased and retimed to fit more nearly into the forward position as we see it today.

The merger with Bowater-Eburite Limited is a matter of the greatest possible moment in the history of the several interests now happily united. That company now clearly emerges as an industrial enterprise of first-class standing in the fast-growing packaging industry.

Bowater's United Kingdom Pulp and Paper Mills Limited aggregate production was the highest so far attained; nevertheless, the continued upward trend of costs of production and shrinking profit margins had their adverse effect.

SALES AT RECORD LEVEL

After reviewing the group's overseas interests, the Chairman continued: The Organisation recorded in 1957 its highest level of production and turnover. Sales were at the record level of one hundred and two-and-a-half million pounds and trading surplus exceeded seventeen million pounds, approximately one million pounds above the previous record level achieved in 1956.

Reviewing items in the Consolidated Balance Sheet, Sir Eric said: The cumulative total expenditure incurred at the date of the accounts on capital investments none of which had then been completed, and, therefore, had not reached the revenue-earning stage at that date, was nineteen million pounds. At the year's end outstanding capital commitments were estimated to amount to eighteen million pounds. The completion of some of these projects will be spread progressively over the next five or six years.

In the course of his comments on world affairs generally, the Chairman said: I am of the opinion that the boom which, since the war, the Western world has enjoyed almost continuously is over, and in my belief we must regard the present as being a return to more normal times and conditions of trading, and perhaps this is not all to the bad. It is a sign of the efficient organisation that it endeavours to see things both as they are and as they will be.

THE CENTURY OF INTERDEPENDENT MAN

We must remember that the activities of a big corporation are set in a world scene that comprises eighty nations ranged in competing groups, and that British and American industry in general, of which we form an integral part, is dependent upon the whole world. We live in the century of interdependent man. Surely the technical resources of the West, which have already done much for underdeveloped countries, should be applied with even greater vigour and leadership if our equipment, materials and know-how are permanently to raise the standards of living of the uncommitted peoples. It is an old British belief that it is better to flourish goods than guns, and in the present struggle of conflicting ideas paper is one of the vital weapons against ignorance and poverty.

COMPLETE CONFIDENCE IN INDUSTRY'S FUTURE

In our belief the present slackening in the growth in demand is of a temporary nature. Nothing that has occurred in recent times gives grounds for supposing that the long-term outlook for paper and board is anything but good. Over the long term the demand for these products has shown a steady upward trend, resulting from increasing populations, higher level of literacy and ever improving standards of living throughout the world, together with the constant development of new uses for paper.

I am no pessimist in regard to our affairs or those of our industry generally, nor would it seem, judging by their recent statements, are the leaders of our industry in North America.

I hope I have succeeded in making it abundantly plain that we continue to have complete confidence in the future for our industry, and, therefore, of your Corporation.

The reports and accounts were adopted.

Bowaters

THE BOWATER ORGANISATION · GREAT BRITAIN · CANADA UNITED STATES OF AMERICA · AUSTRALIA · SOUTH AFRICA REPUBLIC OF IRELAND · NORWAY · SWEDEN

Stockholders will automatically receive copies of the complete speech by Sir Eric Bowater. Others who are interested may obtain copies from: The Secretary, Bowater House, Stratton St., London, W1

VICKERS LIMITED

GROUP SALES ADVANCE TO £203 MILLION

A YEAR OF CONSOLIDATION

VISCOUNT KNOLLYS' REVIEW OF EVENTS AND DEVELOPMENTS

The ninety-first annual general meeting of Vickers Limited was held on June 2nd in London.

The Viscount Knollys, GCMG, MBE, DFC (the Chairman), presided and, in the course of his speech, said:

Group sales increased from £163 million to £203 million divided roughly as follows:

	1957 £mn.	%	1956 £mn.	%
Aircraft	70	34	64	40
General Engineering (including Accounting Machines)	55	27	42	25
Shipbuilding and Ship Repairing	40	20	24	15
Steel	38	19	33	20

The main changes were the lower proportion of Aircraft and a sharp rise in Shipbuilding. I think the interests of Vickers Limited as a holding company are thereby better balanced. Shipbuilding sales are always liable to fluctuate because a large ship completed just within the accounting year can stultify the appearance of the regular flow of work which is in fact going on all the time when the Yards are fully occupied, as they are now and will remain for several years to come.

Our trading profit on sales actually completed and delivered within the year—which is all we take credit for in the Accounts—together with investment income, was considerably higher at £15.2 million compared with £13.4 million in 1956. This was after providing £3.1 million for development expenditure, mostly in respect of aircraft, £1 million more than in 1956, and after allowing for losses arising out of the strikes last year. Profits arising out of deliveries of *Viscounts* and *Valiants* were brought in, and much of the expenditure on the development of the Vanguard was provided out of such profits.

All our major interests contributed to the increased trading profit, except for tractors, which continued to show a loss, as we must expect them to do during the difficult and expensive development period.

After tax the profit at £6.4 million showed an increase of £200,000 over the previous year. We are glad we are able to recommend the final dividend of 7½ per cent on the whole of the new capital, though less than half of it had been paid up before the end of the year.

Last year I referred to 1956 as a year of expansion for the Vickers Group. 1957 can perhaps best be described as a year of consolidation.

The policy of your Board has, therefore, been further to diversify our existing commercial products and, at the same time, to add to the range wherever possible in order to spread our interests more widely over the commercial field and thus to offset the inevitable reduction in armament work which, fortunately, is gradual in its effects.

AIRCRAFT

We have been fortunate in having had a good share of the aircraft manufacturing business of this country. It is particularly satisfactory that with the successful *Viscount* and the new *Vanguard* and *VC.10* our aircraft interests are so largely in the civil field at a time when military orders have almost disappeared—though perhaps not for all time. But I feel that it is equally important to ensure that in a Group such as ours the stake in various fields of engineering should be as well balanced as possible. Therein, in my opinion, lies the strength of the Vickers Group. We can, with well spread investments, afford to accept the fluctuating results which are inherent in the aircraft industry as it is today and also to develop new businesses either at home or abroad which may not give an immediate return, because we know that we have a steady foundation in generally stable interests such as general engineering, the steel products of English Steel Corporation, transportation products of Metropolitan-Cammell and, for most of the time, shipbuilding and shiprepairing. That is why I believe that the rather lower proportion which our aircraft interests now bear to our total turnover is not a bad thing.

With that general policy in mind we have felt it was justified and right to develop as private ventures new airliners for the future.

SHIPBUILDING

Although in the Shipbuilding industry of this country substantial orders were received in 1957, there was a marked falling off in the last quarter which continues up to the present time.

It is gratifying to record that orders on hand, represented by two passenger liners, nine cargo liners, and thirteen tankers, as well as submarine, destroyer, frigate and aircraft carrier contracts, will keep the Yards fully occupied at their present level for several years to come.

With our three Yards in this country, Cockatoo Dockyard in Sydney and Canadian Vickers' Yard at Montreal which is recognised as the "lead yard" for naval construction, we are in a unique position in providing world-wide shipbuilding facilities.

GENERAL ENGINEERING

Our General Engineering business expanded during the year and produced a fair profit, which would have been much better if it had not had to suffer the substantial loss incurred on the tractor operations and development.

Though competition is keener than ever, our drive for new lines and the attack we have made on costs, indicate that the volume of work and employment should be almost maintained in 1958.

The sales of *Powers-Samas Accounting Machines Group* in 1957 increased but the cost involved in the development of their highly promising new machines limited the profit they were able to show.

English Steel Corporation, with its own special steel products and its interest in Firth-Vickers, is really an engineering company using forgings made from its own steel. It had a successful year.

Metropolitan-Cammell continues its successful record and the orders received so far this year are maintaining its full order book in a highly competitive field.

OVERSEAS INTERESTS

In Canada, Canadian Vickers with its two Subsidiaries—George T. Davie & Sons, a Quebec, and Montreal Dry Docks—has had a successful year in the latter part of which however, more difficult conditions became increasingly apparent.

In Australia, two old established Subsidiaries—Cockatoo Docks & Engineering and Vickers Ruwolt—had a successful year in 1957.

In India plans for our proposed new Company to be formed with the Associated Cement Companies and Babcock & Wilcox as partners have proceeded steadily during the year.

EUROPEAN TRADE

We have been watching carefully the new and important developments in European affairs. The Common Market of the Six Countries by itself would undoubtedly prejudice some of our sales in that area. A European Free Trade Area would tend to even out any disadvantage for us, and is in its broader aspects bound to be desirable in unifying Europe.

We have in Vickers set up a special team to study the probable effects on companies in the Group and to see what we may have to do to be equipped to deal with these.

EDUCATION AND TRAINING

Recently we have been reviewing our arrangements for developing and training the managers of the future. Our aims are, first to recruit the best material, then to provide well thought out training for promising young men and to let them know what it is all about, and finally to give a wide all-round experience with special internal and external courses which will equip them for management.

The material is there. It is up to us, as well as to them, to see the best use is made of their abilities.

THANKS

I should here like to express on behalf of the Board and also of the Stockholders our appreciation of the efforts of management, staff and workpeople which have made the results of the past year possible. I should also like to acknowledge the co-operation received from the representatives of the Trades Unions in the Works of the Group.

PROSPECTS

It is harder than usual to assess the prospects for the remainder of 1958. All our markets have become more competitive. By and large it looks at this moment as if 1958 profits will almost certainly not come up to last year's level (which itself, however, was rather better than I anticipated a year ago) though I hope they will not be too far below. I do not think you would expect me to be more definite than that.

The report and accounts were adopte

SPILLERS LIMITED

SATISFACTORY OUTCOME OF A DIFFICULT YEAR

FURTHER CONSOLIDATION AND EXPANSION OF BAKING ACTIVITIES

FLOUR MILLING: EFFECTS OF CHANGED CONDITIONS IN WHEAT MARKET

FACTORS AFFECTING RESULTS OF ANIMAL FOODS SECTION

MR WILFRED D. VERNON'S REVIEW

The seventy-first annual general meeting of *Spillers Limited was held on May 30th* at the Abercorn Room, Great Eastern Hotel, London, E.C., Mr Wilfred D. Vernon, Chairman of the Company, presiding.

Mr H. Reeve, MC, FCA, of Messrs Impey, Cudworth and Company, read the auditors' report.

The following is the Chairman's statement circulated with the report and accounts for the year to January 31, 1958:

FINANCIAL RESULTS

The profit for the year after providing for all charges other than taxation was £3,767,000. Although this was some £450,000 less than for the preceding year I consider it a satisfactory outcome in light of the difficult trading conditions which existed both for flour milling and for animal foods manufacture. *There was, in consequence, a reduction* in the earnings from these sections of our activities which was offset in some measure by an increased contribution from the expanded baking section.

After providing for taxation of £2,275,000 there is £1,492,000 available for appropriation. On the basis of the directors' recommendation that the distribution on the Ordinary Stock should be maintained at the same rate as for last year total net dividends will absorb £730,000, leaving £762,000 to be retained in the business in addition to £1,600,000 set aside for depreciation and obsolescence before arriving at the trading surplus.

The Consolidated Balance Sheet shows that the total capital employed in the Group has risen to approximately £25 million of which the nominal value of the issued capital of the parent company represents only just over £10 million. In order to bring the latter more into line the directors are recommending to the stockholders at the General Meeting that some £4,375,000 of the reserves of the parent company be capitalised by the issue as fully paid up of one Ordinary Share of £1 (to be subsequently converted into Stock) to the holders of each existing £2 of Ordinary Stock.

FLOUR MILLING

While there was little variation in the quantity of flour sold there was a sharp reduction in profit largely due to the changed conditions in the wheat market. During the year there was a dramatic fall in ocean freight rates from the high levels reached after the Suez crisis at the end of 1956. This fall was not continuous in the sense that there was a *rally in mid-1957 which, however, was not* sustained and the drop continued thereafter. There were other matters which had a minor effect such as a small reduction in the f.o.b. price of Canadian wheat at Fort William and some fluctuation in the value of the Canadian dollar in terms of sterling. The price of homegrown wheat fell in sympathy with the reduction in the landed cost of imported wheat. The impact of these factors on the value of the heavy working stocks we have to carry had to be met out of the profit margin because of the highly competitive conditions prevailing in the industry. These derive from the current level of demand being significantly lower than available productive capacity. Meantime the industry is doing what it can to promote increased consumption of flour and as a company we continue to take all possible steps to maintain our efficiency and competitive power in the market.

ANIMAL FOODS

For the first time for some years there was a small reduction in our sales of compound feeding stuffs. This combined with falling values in the maize and barley markets brought about some reduction in earnings.

This interruption in the steady progress made in this field was experienced by most of the large manufacturers and was due to several factors. The abnormally mild weather in the earlier part of the year reduced the overall demand and there was in addition a growth in the proportion of feeding stuffs made either on the farm or by relatively small compounders.

It is obviously right that farmers should utilise their own produce to the best advantage, but I must emphasise that the feeding of livestock to produce the best results both for the farmer and for the country is in reality a complex scientific problem. We have applied considerable resources over many years to the evolution of the best balanced foods for each type, grade and age of cattle, pigs and poultry and the process is a continuous one as experience suggests improvements and new ideas emerge from research. Behind the production of our range of foods is our own research establishment with its highly qualified team of scientists working in conjunction with agricultural specialists who have both academic and practical training together with the technical management at the factories. They have available to them the facilities of our own experimental farm where products are tried out and tested under normal field conditions. We are sure that it is only by these means that compound foods likely to produce the best results can be developed.

Animal feeding stuffs should not be judged by the standard of their immediate cost. What the cost of feeding and the value of the end product on the farm. I am in no doubt that on this test our foods are second to none.

We have every confidence in the future of this trade and believe that we are in a good position further to expand our business. To this end we are continuing to increase our manufacturing capacity and are now about to build a new factory at Gainsborough in Lincolnshire.

BAKING AND OTHER ACTIVITIES

On the baking side the year has been one of further consolidation and expansion. Good progress has been made with modernising plant and equipment at some existing units and in increasing capacity at others. Some additional units have been acquired. This is now an important section of our business and it is gratifying that the overall result of the year's working has justified our investment. It is our intention that in this new field United Bakeries and its underlying units should enjoy the same reputation for high standards of quality and service which has been built up over many years with our other products.

In the sphere of proprietary goods our packed products such as Spillers Self-Raising Flour, Spillers Plain Flour, and Dog Foods sold under the name of Spillers Shapes, Winalot Meal and Saval Puppy Food, continue to command a ready market and show satisfactory results.

GENERAL

Trading during the early months of the current financial year has compared favourably with the corresponding period of last year. It is too early to speak with assurance about the final outcome as there is always the possibility of some upsetting factor, especially in these times. But subject to that I am hopeful that the results for the year will reflect the continued growth of the business.

Each year I acknowledge the hard work and loyalty of the whole personnel throughout the Group. This is no mere formal tribute and once again I wish to say how appreciative the Directors are of the part which the staff and workpeople have played. I am particularly gratified by the ready way in which the managements of the newly acquired subsidiaries have co-operated and I hope they will continue to be happy in their association with us.

The report and accounts were adopted; the proposed dividend was approved; the retiring directors, Sir Archibald F. Forbes, GBE, and Mr R. A. Twomey, were re-elected; a resolution regarding the remuneration of the Auditors, Messrs Impey, Cudworth and Company, and Messrs Deloitte, Plender, Griffiths and Company, was passed.

Resolutions for the capitalisation of reserves and scrip issue and for the amendment of the Articles of Association, having been passed, the proceedings terminated.

KREDITANSTALT FÜR WIEDERAUFBAU

(Reconstruction Loan Corporation)

FRANKFURT-ON-MAIN GERMANY

BALANCE SHEET AS AT 31st DECEMBER, 1957

ASSETS	DM	DM	DM
1. Cash Reserve :—			
(a) Cash in hand		10,060.77	
(b) Balances on Giro Accounts at the Deutsche Bundesbank, at the Land Central Bank and on Postal Cheque Account		18,159,072.79	18,169,133.56
2. Balances at Banks :—		50,183,414.79	
(a) Sight balances		40,000,000.—	
(b) Due within 3 months...			90,183,414.79
3. Bills of Exchange (including bills eligible for rediscount at Central Bank DM 61,763,020.38)			62,612,020.38
4. Securities :—			
(a) Own Bonds : DM 4,800 nominal		4,800.—	
(b) Other Fixed Interest-bearing Securities ...		1,292,926.50	1,297,726.50
5. Debtors :—			
(a) Loans granted :— To Banks, for passing on to Borrowers ... 3,231,330,586.— Direct to Borrowers... 2,042,938,923.21		5,274,269,509.21	
(b) Other Claims :— Interest ... ... 27,454,049.— Others 1,226,733.15		28,680,782.15	5,302,950,291.36
6. Loans channelled to Borrowers on a Trust Basis :—			
(a) In our Own Name ... 360,480,687.50		269,698,576.51	
(b) In the Name of Others			
(c) Other Trust Transactions in our Own Name		117,038,418.12	386,736,994.63
7. Real Estate and Buildings ...			1.—
8. Office Furniture and Materials			1.—
9. Items for the purpose of distinguishing between separate Accounting Periods			1,407,495.29
10. Customers' Liability on Guarantees	505,842,307.59		
			5,863,357,078.51

LIABILITIES	DM	DM	DM
1. Creditors :—			
(a) Federal Republic of Germany	4,085,041,502.07		
(b) Deutsche Bundesbank	66,790,301.—		
(c) Other Lenders	715,439,000.—	4,867,270,803.07	
(d) Other Liabilities :—			
Interest	25,973,585.53		
Others	517,203.92	26,490,789.45	4,893,761,592.52
2. Own Loans Issued :—			
(a) 5½% Reconstruction Loan	262,500,000.—		
(b) 3½% Housing Loan ...	5,600,000.—	268,100,000.—	
(c) Drawn Bonds		38,106,700.—	
(d) Interest Coupons not yet presented		5,183,556.75	311,390,256.75
3. Loans channelled to Borrowers on a Trust Basis :—			
(a) In our Own Name ...		269,698,576.51	
(b) In the Name of Others	360,480,687.50		
(c) Other Trust Transactions in our Own Name		117,038,418.12	386,736,994.63
4. Capital Funds :—			
(a) Capital		1,000,000.—	
(b) Reserve formed from Resources of the ERP Special Fund		140,618,768.—	
(c) Legal Reserve		118,380,355.53	259,999,123.53
5. Reserves for Special Purposes			9,740,388.89
6. Items for the purpose of distinguishing between separate Accounting Periods			1,728,722.19
7. Liabilities in respect of Guarantees	505,842,307.59		
			5,863,357,078.51

PROFIT AND LOSS ACCOUNT FOR 1957

EXPENDITURE	DM	DM
1. Operating Expenses		3,347,805,70
2. Depreciation :— On Real Estate and Buildings	84,670.16	
On Office Furniture and Materials	126,687.11	211,357.27
On Special Purposes ...		900,000.—
3. Placed to Reserves for Special Purposes		293,962.26
4. Other Expenditure		19,757,082.74
5. Net Profit for 1957 (transferred to Legal Reserve)		24,510,207.97

RECEIPTS	DM
1. Interest received in excess of interest paid	22,879,077.40
2. Other Receipts	1,575,101.14
3. Extraordinary Receipts	56,029.43
	24,510,207.97

Frankfurt-on-Main, 17th February, 1958.

Reconstruction Loan Corporation

NEUBAUR DR. MARTINI DR. DOHRN
v. ILBERG DR. POPRAWE DR. RIECK

According to the conclusive result of our audit, which was duly carried out on the basis of the books and records of the Reconstruction Loan Corporation, as well as of the explanations and statements supplied by the Board of Management, the bookkeeping, the Annual Statement of Accounts as at 31st December, 1957, and the Annual Report in so far as it elucidates the Annual Statement of Accounts, are in accordance with the provisions of the law.

Deutsche Revisions-und Treuhand-Aktiengesellschaft
(German Auditing and Trust Company)

DR. ADLER, Certified Auditor — PROF. DR. BIRCK, Certified Auditor

Frankfurt-on-Main, 24th March, 1958.

MINERALS SEPARATION, LIMITED

MR J. N. BUCHANAN'S STATEMENT

The fifty-third Annual General Meeting of Minerals Separation, Limited will be held on June 25th at the offices of the Company, 82 King William Street, London, E.C.

The following is the Statement by the Chairman, Mr J. N. Buchanan, which has been circulated with the Report and Accounts for the year ended December 31, 1957.

Colonel A. C. Howard, DSO, MC, retires from the Board this year by rotation and does not seek re-election. He first joined the Company in 1908 and was Managing Director for the years 1924 to 1951, when he retired from the Executive on pension. During his long service to the Company he saw many changes in our activities; in earlier days he was most active in the exploitation of the Company's processes in many parts of the world, on which a great part of the Company's present prosperity was originally built. He will be gratefully remembered by us all and we wish him continued health and happiness in his retirement.

At this meeting we propose the election to the Board of our Secretary, Mr C. J. Dorman. In the last few years owing to the growth of our subsidiaries and other investments, the responsibility falling on his shoulders has increased greatly. He has met this challenge with an ease and efficiency that command our grateful respect. We are confident you will endorse our proposal with a warm welcome.

ACCOUNTS

The past year has seen another record established in our profits. As appears in the Consolidated Profit and Loss Account, the Group gross profits rose from £693,000 to £740,000 and the net, after tax, from £305,000 to £342,000. While the results of the Foundry Services Group showed little change from that of 1956, the figures of both Jackmans and Howard Potteries showed considerable improvement. As was to be expected, our income from other investments was down, but by less than we expected, having regard to the substantial fall in dividends received from our Rhodesian investments.

During the year we sold a substantial amount of our investments with the result that our cash at the end of the year showed a considerable increase. The higher rates obtainable on short term deposits during the closing months of last year and earlier months of the current year, relieved us of any immediate pressure to reinvest our funds, giving us a welcome liberty of action.

Since the turn of the year we have acquired control of Angel Hill Investments Limited, a private company which holds all the capital of Modern Engineering (Bristol) Limited and ATA Industrial Company Limited. These Companies offer a wide service in the planning, design, fabrication and erection of modern industrial buildings, both in steel and concrete. In addition the licence is held for the construction of the well-known Silberkuhl composite steel and concrete roofs, a number of which have been built or are under construction in this country. These roofs are of exceptional strength and provide clear spans ranging from 80 to 210 feet.

We have other opportunities for investment under consideration. To meet these and other expenditure, such, for instance, as the continuing expansion overseas of Foundry Services, we propose to raise £250,000 by an issue of £100,000 nominal ordinary stock (400,000 5s. units) ranking in all respects *pari passu* with the existing capital of the Company. This issue will be available to existing shareholders in the proportion of one new unit at 12s. 6d. per unit for every 10 units held. Consent has been obtained from the Capital Issues Committee. A Resolution for increasing the Authorised Capital will be submitted at the Annual General Meeting and the documents will be issued as soon as the necessary formalities have been completed.

TAXATION

Over the past few years, as our accounts have shown, we have realised considerable capital gains from the sale of some of our investments. The Taxation Authorities have from time to time made inquiries into these transactions and full information has always been supplied to them. No definite action had, however, been taken by them until in April this year assessments in respect of these gains for the years 1954, 1955 and 1956 were made upon the company. Confident as we were and are of the strength of our case, we were faced with—at the best—a long delay involving expense and risk of litigation before we could hope to establish our right to exemption from such tax. We therefore deemed it prudent to offer to compromise by agreeing, without prejudice to our future position, that the Company should pay tax on the balance of gain and loss on certain agreed transactions on which there was some risk that we might be held liable to tax. Our offer has been accepted in principle by the Authorities and it now remains for detailed figures to be worked out to ascertain the amount for which the Company is liable. Our calculations indicate that, if 1957 be included with the three preceding years, the resulting liability to tax need cause shareholders no serious concern.

As explained last year, the dividends we received from our Rhodesian holdings in 1956 were exceptional and, as expected, were not repeated in 1957. In the current year we must again expect lower dividends than last year. We have a long experience of copper and know that it is a commodity which has always indulged in extremes of price, both up and down. We know enough never to attempt to forecast the near future trend of the metal. Nevertheless, as our history shows convincingly, an investment in well-managed copper enterprises such as we hold, has been in the past most remunerative and we are confident that in the future we shall not regret retaining a substantial holding in Rhodesia. This holding represents, on the basis of present market values, less than 10 per cent of our total investments.

FOUNDRY SERVICES

Over all, this Group's profits were maintained, in the more difficult trading conditions of 1957, at about the same level as for 1956. The United Kingdom turn-over and profit increased. A further major extension has been made to the Drayton Manor factory to cater for the expanding market, especially in the steel industry. Due to the increasing activity of our manufacturing companies abroad there was a reduction in the volume of goods exported from this country. All overseas interests and activities are still expanding. Royalty income was maintained but over-all there was some reduction in the profits of the overseas subsidiaries. This was mainly due to the decision to enlarge our facilities and increase our staff with the definite purpose of achieving steadily increasing returns in the future. This particularly applies to the United States where Mr Dave Morgenthaler has been appointed President, and with the active co-operation of our partners, Messrs J. H. Whitney and Co., the re-organisation is being planned on a footing which should enable it successfully to develop the great potential for our products there. Plans are well forward to transfer our activities from Columbus, Ohio, to Cleveland, Ohio, where a new and larger factory of suitable design to meet our specific requirements will shortly be erected.

In Canada results were satisfactory in spite of the reduced industrial activity. In Europe, all the four operating companies made profits. In South Africa, both turnover and profits were increased. The associated Japanese company consolidated its position and had a successful first year.

Since the turn of the year new companies have been formed in India, Switzerland and Australia. In India we are working in close association with Messrs Greaves Cotton and Co., Limited, of Bombay who formerly acted as our Agents.

Increased attention is being given to research and development both to ensure an ever-expanding market for the Group and to strengthen the leading position in this field.

JACKMANS

J. W. Jackman and Co., Limited had an exceptionally good year. The large Automatic Moulding Machines built by Jackmans at Manchester to the designs of the Osborn Manufacturing Co., Cleveland, Ohio, USA, were completed and put into successful operation at the new Thames Foundry of the Ford Motor Co., Limited, where Osborn Automatic Core Blowers were also installed.

Jackmans, having represented Osborn in this country for more than forty years, are able to offer American proved equipment of a wide range including the latest in automation, in addition to their own wide range of manufacture. An export order for similar Moulding Machines was obtained from France and one for Multiple Station Automatic Core Blowers for Russia.

The demand increased for Combined Shot Blasting and Decoring equipment in foundries, Dust Filtration plant of the wet type and a new system of Fume Removal from Foundry Shake-outs. The order book at the end of the year was well spread and the prospects are satisfactory, but it is not to be expected that the exceptional results of last year will be repeated in the current year.

As a result of the return to control of Mr D. K. Bailey, as reported last year, the Howard Potteries Group's loss for 1956 was turned into a welcome profit for 1957. Increased orders are materialising from sales reorganisation which now covers the whole of the British Isles. Export business is not easy and we must expect some delay before orders for North America resume their old level. Nevertheless, the order book is healthy and we hope for a greater increase in profit.

Last, but by no means least, we wish to record our sincere gratitude for the continued loyalty and diligence of all those throughout the varied group activities whose labours have achieved the successful year's results.

UNION MINIÈRE DU HAUT-KATANGA

FUTURE VIEWED WITH CONFIDENCE

REVIEW OF COMPANY'S ACTIVITIES

The annual Meeting of Shareholders of the Union Minière du Haut-Katanga was held in Brussels on May 22, 1958, Mr P. Gillet, Chairman of the Board of Directors, being in the chair.

The Meeting approved the accounts for the financial year ending December, 1957. The Profit and Loss Account for 1957 showed a gross profit of 3,862,782,874 Belgian francs. Taking into account the amortisation of the year, the provision for taxation on profits and the sundry charges, the available profit balance, including the amount brought forward, totalled 2,562,317,864 Belgian francs.

Out of this balance, 71,429,781 and 100 million Belgian francs have been allocated respectively to the Reserve Fund and the Special and Contingencies Fund; a sum of 28,174,070 Belgian francs was carried forward. The amount left being immediately available for distribution.

Accordingly, the Meeting fixed the net dividend for the year 1957 at 1,500 Belgian francs net per share (or 150 Belgian francs per tenth part of a share). Taking into account the interim dividend of 750 Belgian francs paid in January, 1958 (75 Belgian francs per tenth part of a share), this entails a complementary dividend amounting to 750 Belgian francs net per share or 75 Belgian francs net per tenth part of a share.

Messrs J. Cousin and R. Hutchinson, Directors whose mandates had come to an end immediately after the Meeting, were re-appointed. Mr L. Helbig de Balzac was re-appointed as auditor of the Company.

MR SENGIER'S STATEMENT

After drawing the Shareholders' attention to the importance of the hydro-electric power plants completed during the past years, Mr E. Sengier, KBE, Chairman of the Executive Committee, pointed out in his address the building, at the Luilu site in the Western region of the Union Minière's concession, of an important group of automatic electrolytic copper and cobalt plants.

Our plants, said Mr E. Sengier, have produced 240,000 metric tons of copper this year. We have had no difficulty at all in selling the whole of this production despite the deep fall in prices which occured at the end of 1957 and at the beginning of 1958 and despite the applying of contracts with purchase guarantee granted to new mines by the American Government. These contracts, as well as other measures contemplated in the United States, are not of a nature, Mr E. Sengier added, to balance World production and consumption, which seems to be an essential condition to restore the stability in the metal prices.

According to approximate figures, the world production of copper in 1957 slightly exceeds the 1956 production. Consumption in the United States decreased but on the other hand, outside of the United States it increased by approximately the same quantity. In the aggregate, consumption has increased slightly.

Speaking of surplus, if the stocks on hand with the producers are still important, those of the consumers are very low.

In the world prospect, the Union Minière's particular situation is a relatively excellent one explained Mr E. Sengier, thanks to long-dated programmes and a cautious management during the years of prosperity.

The State remains the main beneficiary of this situation, as again this year, it draws directly from the Company's activity a total amount of 2,524 million Belgian francs, to which figure must be added the tax levied on the amount distributed to the shareholders.

In taking into account the world economical situation, the Union Minière, as well as a certain number of other important producers, has decided to reduce momentarily its production of copper in order to place it in better relation with the sales possibilities, but, considered at a long distance, pointed out Mr E. Sengier, the future of copper seems favourable.

A brief outline of the Company's report justifies, concluded Mr E. Sengier, the confidence expressed in the course of the preceding meetings, as to the future of the Company.

POINTS FROM THE BOARD OF DIRECTORS' REPORT

The Board of Directors' report draws attention to Union Minière's participation in several sections of the 1958 Brussels World's Fair, especially in the Belgian Congo and Ruanda-Urundi section and in the "Atomium."

This year, for the first time, the figures given for excavated ores (10,047,907 tons) include those of the Shinkolobwe uranium-mine.

Copper production continues to be mostly furnished by the mines of the Western region and by the Prince Leopold mine. The Kamoto opencast mine is also taking an increasing part in this production and Kolwezi mine has been reopened after being closed down for more than three years.

In order to achieve the cuts in production figures decided upon in 1957, the Furnaces of the Lubumbashi Smelting plant have been slowed down on Sundays and holidays during the second semester. On the other hand, at the electrolysis plant of Shituru, production has increased. The manufacture of scalped wire-bars has been organised. The final aggregate of copper production in 1957 was 240,280 metric tons as against 247,452 in 1956. Other company's productions were cobalt, zinc concentrates, germanium, cadmium and precious metals.

Due to a limitation of the Cobalt selling possibilities, its production has been reduced to 90 per cent of the 1956 figures (i.e., to 8,115 tons).

Since February, 1957, the price of this metal has been reduced to $2 per lb. in order to encourage its use. The Cobalt Information Center, established in 1957, developed its function of popularising new uses of the metal.

The Shinkolobwe concentration plant treated 311,373 tons of uranium ores. The uranium concentrates produced, continued to be exported in conformity with the existing agreements between Belgium, the United States and Great Britain. Orders for radium remained satisfactory. 89 gr. 313 of contained radium were furnished.

With its present production of Germanium (13,064 kg of oxide) the Company appears as one of the world's most important producers of this metal for which the demand is in regular progress.

117,250 kg of cadmium have been produced in 1957. 94,706 kg of silver and 85 kg of gold have been recovered through refining of products.

In order to spread costs over a longer period of time, programmes of works already under way have been revised and redistributed over the forthcoming years.

As for example in the case of the preparatory works at the Kamoto open mine, the general equipment at the West-Kambove underground mine and the construction of the new automatic electrolytic copper and cobalt plant at Luilu. The opening date of this plant has been put back to 1960.

In 1957 the hydrological situation appeared particularly good. A total of 1,916,763,021 kWh has been produced by the four hydro-electric power plants operated for the Company against 1,292,940,500 kWh in 1956. These results have allowed the company to increase to 612 million kWh its power supply to Northern Rhodesia. Supply of energy to the public distribution centres has shown an increase of 27.5 per cent over last year's figure.

The company has unceasingly carried on its social programme. Achievements in the fields of Health, Education, Housing, Recreations, etc., have developed continually.

At the beginning of 1957, the general salary level was raised and the replacement of various advantages by their cash equivalent was extended to a higher number of beneficiaries. The re-engagement rate of workers is particularly high this year. It reaches 93 per cent against 89 per cent in 1956.

OLYMPIC PORTLAND CEMENT

RECORD SALES

The forty-seventh annual general meeting of the Olympic Portland Cement Company Limited was held on May 28th in London. The Honourable Gerald H. G. Williamson, chairman, presiding.

The following is an extract from his circulated Review of 1957:

In view of the negotiations, of which you were first advised on April 14th, I feel it advisable this year to circulate in advance the Statement which I would normally make at the Annual General Meeting.

In the summer the Cement Industry was hit by a nationwide strike which affected about three-quarters of the country's plants.

Sales of "Olympic" cement for the year, benefiting from the strike and unusually good weather from April onwards, reached an all-time record volume of 1,081,731 barrels, of which 821,265 barrels were shipped from Bellingham and 260,466 barrels from the Distributing Plant at Seattle. In addition we purchased and resold a further 21,437 barrels, so that our total deliveries for the year were actually 1,103,168 barrels, of which 1,015,072 barrels went to the State of Washington and the balance to Alaska and British Columbia.

Trading Profits in the United States amounted to £253,128 compared with £153,247 for the nine months to December 31, 1956. Net Profits amount to £178,995 for the year compared with £45,701 for the previous nine months.

The Company is financially strong.

The report and accounts were adopted.

DAVIS AND TIMMINS

CURRENT TRADING IMPROVEMENT

The fifty-ninth annual general meeting of Davis and Timmins Limited, was held on June 3rd in London.

Mr. F. Le Neve Foster (the chairman) presided and, in the course of his speech, said:

1957 has been a difficult year for your Company and the adverse factors affecting our trade are reflected in our results. The Group Trading Profit for the year is £240,363 as compared with £352,424, while the Net Profit as shown by the Consolidated Profit and Loss Account, after charging Depreciation, Taxation, etc., amounts to £103,791, compared with £136,694 for the previous year. The profit figure includes £32,000 transferred from Stock Contingency Reserve.

The Directors recommend a final dividend of 12 per cent, making a total of 18 per cent for the year on the Issued Ordinary Capital, as against 22½ per cent for the previous year. The appropriation for dividends and other items leaves the sum of £297,413 to be carried forward, as against £301,158 brought in.

Cash and Tax Certificates are up as much as £78,021, while Creditors and Current Taxation are down by £161,137. The cash and liquid position is, therefore, particularly strong and should form a firm base on which to meet the present situation and also provide resources for developments in the business.

Our subsidiary, Datim Machine Tool Company, in addition to making a nice contribution to the Company's profits, provided valuable technical assistance to the Parent Company by the way of developing and making new Automatic and Special Purpose Plant and attachments, which has improved production methods on a variety of products.

Our Sales turnover for the year, although lower than the records achieved during the year 1955 and 1956, still exceeded the figures for any previous year in the history of the Company, notwithstanding the lower level of prices which were effective.

During the year particular attention has been paid to the development of new Stock products and to the introduction of additional lines to our already extensive range. Energetic steps are being taken in these directions, with promising results, which should favourably influence sales and profits in the future, as well as thus reduce overall selling costs.

During the year there was a heavy fall in the price of Brass, following the price of Copper, of over 6d. a pound, and it was inevitable that this must cause a loss on stocks of metal and finished goods.

The recession in our trade as yet shows no signs of lifting. During the past eighteen months we have done a great deal in the Company to meet the pressures of economic circumstances. Substantial economies have been made in general expenditure and much replanning work is in the process of being achieved to give maximum production at lower costs. The real measure of the steps already taken in increasing the Company's efficiency will be realised when I tell you that for the current year the results so far show a marked improvement over those for the same period of last year. This improvement, achieved against the background of continuing business recession, is encouraging for the future, and the increased efficiency on which it is based should bring further rewards when there is a general expansion in Industrial activity.

The report and accounts were adopted.

BRITISH TIMKEN LIMITED

CONSIDERABLE INCREASE IN TOTAL TURNOVER

SIR JOHN PASCOE ON PROFITS TAX AND INFLATION

Sir John Pascoe, Chairman and Managing Director of British Timken Limited, at the Thirty-Eighth Annual General Meeting of the Company held in Birmingham on May 29, 1958, said:

Since the last Annual Meeting, Mr W. R. Timken found it necessary to resign from our Board owing to his heavy commitments in the USA. We accepted his resignation with much regret and I should like to place on record our thanks for the valuable services he has rendered to the Company. I am pleased to report that Mr R. L. Frederick of The Timken Roller Bearing Company accepted our offer to join the Board to fill the vacancy and later I shall have much pleasure in asking you to confirm his appointment.

The Consolidated Net Profit of British Timken Limited and its wholly owned Subsidiaries for the year 1957 after taxation amounted to £872,681 compared with £779,541 for 1956.

This Net Profit was arrived at after charging £520,921 for Depreciation which exceeded last year's provision by £53,074.

The Net Profit of British Timken Limited including the Profits of our Subsidiaries only to the extent of dividends declared, was £802,738 against £709,685 for 1956.

With the amount brought forward, we have a disposable balance of £1,040,950 against £943,896 last year.

We propose to deal with this balance by transferring £435,000 to General Reserve, £100,000 to Contingency Reserve, confirming the payment of the dividend on the 1 million £1 4 per cent Cumulative Redeemable Preference Shares, amounting to £23,000 net, confirming the payment of the interim dividend of 5 per cent less tax on 3 million £1 Ordinary Shares which required £86,250, paying a final dividend of 5 per cent less tax on the 4 million Ordinary Shares of £1 each absorbing £115,000 and carrying forward to the 1958 Accounts £281,700.

CAPITAL EXPENDITURE

During the year, Capital Expenditure amounted to approximately £1 million and in addition, you will see from the report that at the end of the year, we had outstanding Capital Commitments of £800,000. By the end of 1958, we shall have incurred Capital Expenditure over six years of approximately £5 million.

This very large amount has been and is being used on extensions and equipment of our various factories and the expenditure has enabled us to increase considerably our total turnover, which for 1957, was some 16 per cent to 17 per cent higher than for the previous year, and further to increase our net profits by the modest amount of some £90,000.

Looking to the future, our rate of Capital Expenditure may slow down although, in our Industry, with the almost phenomenal development of machine tools, we shall still be faced with considerable expenditure in order to maintain our competitive position as one of the largest bearing manufacturers in the world.

ORDERS AND OUTPUT

Our sales of bearings for original equipment during 1957 showed an increase in every department, the decline in deliveries to the motor car trade during the first three months being more than made up during the latter part of the year when our deliveries to that trade were at a higher rate than ever before.

With our increased turnover, the percentage of direct exports was maintained at the same level and we still estimate that between 40 per cent and 50 per cent of our home sales is for equipment which is eventually sold overseas.

TECHNOLOGICAL DEVELOPMENTS

Technological developments in the bearing Industry in methods of manufacture are increasing rapidly, and this in itself, as I have previously stated, necessitates the provision of large amounts of capital year by year.

Last year, I reported on our fully mechanised automatic lines and I would add that the new lines which we are now in process of installing, show very considerable development over those already in operation.

Great efforts are being devoted by our Sales Staff towards inducing the motor car manufacturers in particular, to use exactly the same type of bearings for the same application which, if successful, will enable us to increase our fully automatic manufacture and to offer more attractive prices for bearings which are manufactured on these lines.

PROFITS TAX

The unfair nature of this tax is well shown by the fact that its simplification is now penalising just those Companies who followed the Government's request to maintain a conservative dividend policy. Nevertheless, we welcome its simplification as being a recognition by the Government that the making and distribution of Profits are the very foundation of a free enterprise system. It is perhaps possible to hope that the present or a future Government, recognising that on Industry depends our economic strength, our standard of living and indeed, our very existence, may one day decide that economic conditions alone call for the abolition of Profits Tax entirely.

FUTURE PROSPECTS

Our turnover and profits for the first four months of the current year compare favourably with the same period of last year. There are however, plentiful signs that a recession is approaching, if not already here, as is shown by a reduction, although at present small, in orders received in almost every department with the exception of that which supplies the passenger motor car manufacturers, whose present brilliant performances have meant a greatly increased demand for the types of bearings they use.

On looking further ahead, it is becoming increasingly clear that this country is unable to isolate itself from the recession in the USA, which, should it develop further here, must affect the operations of this Company.

This recession may well deepen during the coming months and we shall only be able to hail a revival when the laid-up ships sail

from our estuaries and when the prices of primary products start to rise.

INFLATION

In its battle to preserve the standard of living of the people of this country, which is the correct way of looking at what is known as the battle against inflation, the Government has just concluded an indecisive engagement with one section of Industry. There is now perhaps a greater realisation in the country that any increase in wages unaccompanied by an increase in output per man-hour, would definitely be inflationary. It must be remembered however, that any increase in productivity over the whole country can only be a matter of a small percentage per annum, possibly under 5 per cent. Nevertheless, a rate of 3½ per cent would easily enable us to double our output and so our standard of living well within the suggested 25 years. A point to be borne in mind if inflation is to be avoided is that it is questionable whether a given percentage increase in productivity would justify an equal percentage rise in wages as there are other factors to be taken into consideration.

FISCHER BEARINGS COMPANY LIMITED

The turnover and profit figures of our main Subsidiary, Fischer Bearings Company Limited, for 1957 were very similar to the corresponding figures for 1956. Although the turnover in our special bearings supplied to the Aircraft and Associated Industries was appreciably higher, this market is at the present time in a state of some uncertainty owing to the transitional stage through which the Aircraft Industry is passing.

WORKERS AND STAFF

On your behalf, I would like to express thanks to all our staff and workpeople at home and abroad for the support they have so ably given to us during the past year.

The report was adopted.

ELLIOTT-AUTOMATION

SUBSTANTIALLY INCREASED TURNOVER

MR RUDOLPH E. F. DE TRAFFORD'S STATEMENT

The annual general meeting of Elliott-Automation Limited will be held on June 27th in London.

The following is an extract from the statement of the chairman, Mr Rudolph E. F. de Trafford, OBE, circulated with the report and accounts:

Your Company represents the amalgamation of Elliott Brothers (London) Limited and of Associated Automation Limited. The Elliott-Automation Group is today the largest and most broadly based organisation in the automation field outside the United States of America.

The Consolidated Profit and Loss Account for 1957 shows the results of the two main constituent Companies for the whole year, although the amalgamation was in effect only from August 1st. The results also incorporate the profits of "Rotameter" for the three months from October 1st last.

The profits for the year before depreciation and taxation, after deducting minority interests relating to the manufacturing subsidiaries of Associated Insulation Products Limited, amount to £1,139,934. After depreciation but before taxation they are £910,331 and thus show a satisfactory advance on the combined figure for 1956 in respect of "Elliotts" and "Associated" which was £854,014.

After deducting tax the Group Profit for 1957 is £411,651. The dividends paid and recommended in respect of the year are in accordance with the terms of the circular issued last August and are equivalent to 5½ per cent on the Preference capital of your Company and 10 per cent on the Ordinary capital. The net cost of the dividends was £196,375. The balance of profits after tax for the Group as a whole, namely, £215,276, has been retained in the business.

Last year your Company paid approximately 13½ per cent of its profits in Profits Tax and therefore stands to gain from the new flat rate of 10 per cent now being introduced.

SALE OF ASSOCIATED INSULATION PRODUCTS

I would like to refer to the sale of the undertaking of Associated Insulation Products Limited to Associated Electrical Industries Limited for 1,155,555 shares in that company which have since been sold. The capital of "AIP" was acquired in November 1956 in exchange for "Elliott" shares. The principal assets of "AIP" were a large holding of cash (which, after the acquisition, was employed in the automation business of "Elliotts") and a majority holding in The Micanite and Insulators Company Limited.

The Group's expanding activities in automation call for substantial funds and your Directors concluded that it would be wise to dispose of the undertaking of "AIP" whose business did not constitute an integral part of the Group's main activities. Allowing for the repayment of loans made by "AIP" to "Elliotts" the net addition to the Group's cash resources as a result of the sale is of the order of £1,700,000. In addition, as one of the terms of the transaction, the Group has received from "AIP" a dividend equivalent to the estimated earnings of "AIP" applicable to the Group for the first four months of the current year.

EXPANDING ORDER BOOK

Both the turnover and the orders taken last year have shown a substantial increase over the preceding year and the orders in hand at the end of 1957 (excluding "AIP") were some £2½ million higher than at the beginning of the year. Orders for electronic computers form an important percentage of our expanding order book. Our increased requirements for manufacturing capacity in this field have necessitated the provision of new factory space, which "Elliotts" were able to secure on a site adjoining their present Borehamwood establishment.

I am glad to report that for this year to date the over-all volume of orders received is satisfactory and the profits of the business as now constituted continue their upward trend. Although the profits from the "AIP" Group will accrue to your company for only the first four months of the year, the proceeds of the sale will save substantial interest charges pending their more direct investment in the business. All in all, I am confident that subject to unforeseen circumstances we shall again have satisfactory results to report to you in respect of the current year.

JOHN BRIGHT AND BROTHERS

The thirty-fifth annual general meeting of John Bright and Brothers Limited will be held on June 25th in London.

The following are extracts from the circulated statement by the Chairman, Dr E. P. Andreae, for the year ended March 31, 1958.

The total profit available for distribution is £531,134. Your Directors recommend a final dividend of 15 per cent on the Ordinary Stock, making a total for the year of 25 per cent, as for a number of years past.

TRADING CONDITIONS

For the past two years I have had to report on the very drastic contraction in the Textile Industry generally and on the secondary effect this had on our own rather specialised Industry in heavy Canvas and Cord Fabric. During the year now under review there has been no improvement in general trading conditions affecting our Industry. The handicap from which our Trade is suffering today is due, not so much to a general falling off in demand from customers, but to a productive capacity far in excess of their needs. Such conditions inevitably lead to price cutting which, if not checked, could well degenerate into an irresponsible struggle for survival and might even prove disastrous to some of the weaker producers whilst certainly adversely affecting our profits for the ensuing year.

In times like these, of course, the problem of reducing costs and overheads assumes exceptional urgency. In the Cord Fabric Section, for instance, a number of new "twister-cabler" machines to our own design are now running and more are being installed. They are showing marked economic advantages as a result of increased output per spindle as well as an improvement in quality. In addition plans for a far-going rationalisation of the productive capacity of our various Mills made possible by the inclusion of those of our subsidiary James Stott Limited, allow us to envisage still further economies.

EUROPEAN COMMON MARKET

The proposals for the inauguration of a European Common Market and the implications of a Free Trade Area have been received with misgivings in many quarters. With so many divergent conditions and national customs to contend with, it will undoubtedly take a long time before the various authorities and expert Committees who are devoting so much energy to the achievement of this ideal, can reach a measure of agreement which can be translated into practice. At this early stage it is difficult to assess the reactions on our particular business, but in principle we favour the proposals. Technically we are already equipped to hold our own against foreign competition, but economically a prerequisite to fair competition would involve acceptance in this country of multiple shift working as is customary to varying degrees in other countries. It stands to reason that a manufacturing unit, no matter how efficient, employed only eight hours a day, is hopelessly outclassed in competition with similar installations working sixteen hours a day or even, as in some countries, twenty-four hours a day.

This, of course, is only one of the many problems, but an important one, for which a solution will have to be found before the Free Trade Area ideal can be realised.

BICC

AN EVENTFUL BUT DIFFICULT YEAR

The 13th Annual General Meeting of British Insulated Callender's Cables Limited will be held on June 25th at the Adelphi Hotel, Liverpool.

The following is an extract from the circulated statement of the Chairman and Managing Director, Mr W. H. McFadzean, CA, Companion IEE:

Although the monetary value of Group sales shows a decrease of some 14 per cent on 1956, this is more than accounted for by the lower prices ruling for our principal raw materials, the physical volume of sales having been well maintained. The fall in Surplus on Trading from £9,445,363 to £7,832,872 is not therefore due to any decrease in our overall activity but to a combination of several adverse factors, and in particular to (1) a fall in profit rates; (2) the dislocation caused by our major re-planning and re-equipment schemes; and (3) the effect of the falls in the prices of our principal raw materials, especially copper.

In the Profit and Loss Appropriation Account, the main items are the transfer by the Holding Company of £500,000 to General Reserve: £500,000 to the Reserve for Replacement of Fixed Assets; and the payment of a Final Dividend of 8½ per cent making, with the interim Dividend already paid, a total distribution on the Ordinary Stock for 1957 (as for 1956) of 12½ per cent less income tax.

The Group Balance Sheet is a strong one with Fixed Assets and Investments both shown at very conservative figures and disclosed Reserves now totalling over £30 million.

Sales amounted to £111 million as compared with £129 million for 1956.

Of the total Sales, some £71 million (last year £82 million) comprised sales at home and £40 million (last year £47 million) represented direct exports from this country and the turnover of our Overseas Subsidiaries.

In 1957 we traded through our world-wide organisation in some 130 countries.

The outstanding progress made by British scientists towards harnessing thermo-nuclear energy for domestic and industrial purposes has been aided by BICC capacitors. The achievements of the "Zeta" and "Sceptre" equipments have already aroused world-wide interest.

No one doubts that the demand for electricity for its numerous purposes must be upward requiring more and more cables but, with the present almost world-wide shortage of capital and restriction in purchasing power, one may well question whether from the short-term aspect there is not some surplus capacity existing for certain products of the cable industry. Of one thing there can be no doubt—that prices for what might be termed the "bread and butter" products were extremely keen in 1957 and are likely to remain so.

From the medium and long-term aspects, I have every confidence. From the shorter term viewpoint the main problem is whether there is going to be any severe recession in the volume of world trade for, like any other large international concern, we could not escape the adverse effects of that. All I can say at this date is that we have made a satisfactory start to 1958 and that the results for the rest of the year must depend on the volume of business available.

DICTAPHONE COMPANY LIMITED

SATISFACTORY PROGRESS

MR C. KING WOODBRIDGE'S STATEMENT

The Annual General Meeting of Dictaphone Company Limited was held on May 29th at 17 Stratford Place, London, W.

Mr Charles King Woodbridge, chairman of the Company and chairman of the board of the Dictaphone Corporation of the United States, presided.

In the course of his address he referred to the results of the corporation's overall activity which continue to expand.

SALES AND EARNINGS

From all sources he recorded a grand total sales volume in excess of £12,857,143 for 1957. Regular product business showed an increase, defence contracts were less.

The net earnings for the year were £908,818, compared with £985,868 for 1956.

During the year manufacturing facilities were rearranged for greater effectiveness by integrating the manufacturing and office space acquired in 1956. This has reduced material handling costs by making possible a better flow of material and parts through the various manufacturing and assembly departments.

The manufacturing division has continued its record of cost reduction through improved methods, new electronic techniques, a higher degree of training and advanced tooling.

ENGINEERING AND RESEARCH

Engineering and research have continued their electronic and electro-mechanical developments. A substantial amount has been spent in this department to assure Dictaphone Corporation's position as a leader in its field. During the year, the engineering and research department increased its personnel and moved its chemical research and commercial engineering groups into new and larger quarters.

HOME AFFAIRS

I will now refer in some detail to this Company's activities during the year under review. I am pleased to report solid progress has been made in all directions.

Sales have reached an all-time record and represent an increase of 22 per cent over the previous year. Our trading profit in spite of the overall increase in materials and wages, shows a modest increase.

We are proud of the fact that our standard Dictaphone Time-Master equipment is now sold at a price lower than in 1950, despite the fact that during this period wages and salaries have increased, material costs have risen as have rates on our properties.

OVERSEAS MARKETS

We are planning to register a new company to conduct this activity, under the title of Dictaphone European Exports Limited, which will concern itself with the development of the sales of Dictaphone Time-Master Dictating machines and our associated products in those countries where opportunities for progress present themselves by reason of the establishment of the European market embracing those countries which may join with Great Britain in abolishing tariff and other restrictions, thereby sponsoring a wide movement for freer trading opportunities than has been possible heretofore.

A NEW PRODUCT

The Dictet is a portable tape recorder that can be used anywhere. What the Dictaphone Time-Master does for a man in his office Dictet does everywhere else.

Primarily an on-the-spot recorder, Dictet makes it unnecessary for anyone on the move to rely on memory or scribbled notes. Dictet is as portable, it weighs only 2 lb 11 oz, and is as self-contained as a movie camera, records for one hour on magazine loaded magnetic tape. Mercury batteries power its motor and all-transistor amplifier.

A MAJOR TRIUMPH

Dictet has applications as varied as man's need to record what he thinks, observes or hears—wherever he may be. Anyone whose work takes him out of the office can accomplish more with Dictet as his travelling companion and "portable memory." This new product is another major extension of Dictaphone's ability to serve in the vital area of business communication.

OUR OBJECTIVES

Dictaphone Corporation the world over has as its objective: service to men and women in business, the professions and in government through the introduction and maintenance of Dictaphone dictating machines to increase productivity and effect economies.

Our sales organisation throughout the entire world is composed of highly trained, skilled men who have made a profession of selling, headed by a strong sales management group of executives. Our selling programmes have been backed up by advertising in national media, direct mail and other means, and we can point with pride to the skill and the material execution of our advertising associates.

STAFF RELATIONSHIP

Our relationship with our employees is excellent, and we are proud of the fact that those who work with us are dedicated to providing service to their customers and developing this business according to our objective.

I am sure you would wish to join the members of the board in expressing to our managing director, Mr Donald MacPhail, and our staff both at head and our branch offices, and at our factories, our sincere thanks for their loyal work and devotion and their co-operation in dealing with our problems during the year. We, on our part, continue to strive to increase the amenities within the business. Our factories are being extended and are well equipped for staff welfare purposes.

I now beg to move the adoption of the accounts and the directors' report which have been in your hands for some time.

I shall ask Mr C. Harold Vernon to second this proposal. This was put to the meeting and carried unanimously. The retiring directors were re-elected, and Mr F. Graham Maw proposed a vote of thanks to the chairman for presiding. This terminated the proceedings.

THE CHLORIDE ELECTRICAL STORAGE COMPANY

TOTAL GROUP SALES AGAIN INCREASED

The sixty-seventh ordinary general meeting of The Chloride Electrical Storage Company Limited, was held on June 4th at Exide Works, Clifton Junction, near Manchester. In the absence of the chairman and managing director, Mr A. W. Browne, the chair was taken by Mr H. V. Schofield, MC, MIEE (director).

The following is an extract from the Chairman's circulated Statement:

Throughout the year under review the trading activities of our Group were at a level which may be considered satisfactory when taking into account the many difficulties encountered.

The sales picture generally is a small reduction in the turnover of the home battery companies and a continuance of the increase in the sales of our overseas battery companies and in the sales of our home companies concerned with products other than batteries. The net result is an increase in the total Group sales.

Income from trading, however, has fallen from £3,160,396 to £2,845,720. The net income amounts to £756,231, which is some £275,000 less than last year.

Your Directors have decided to pay to the ordinary stockholders a dividend of 12½ per cent, which with the 5 per cent paid last October makes 17½ per cent for the year.

The continued expansion of our manufacturing activities overseas, as referred to in my statement last year, has inevitably reduced the export demand on our home factories, and this factor coupled with the increasing efficiency of our major United Kingdom factories has enabled us to rationalise our production in this country. After considerable investigation and planning a decision has been taken to cease production at two of our smaller factories and transfer this production to the remaining companies of the Group.

This improved efficiency in our manufacturing processes in this country, while helping us to concentrate production in fewer factories, has also played an important part in enabling us to keep prices stable and maintain the competitive position of our Group in the United Kingdom and the export markets served from here.

Our turnover in the stationary battery market improved, as did the contribution to our sales from that substantial class coming under the heading of "miscellaneous batteries."

The demand for automotive batteries was depressed considerably during the first three months of the year as a result of petrol rationing following the Suez crisis. Once that trouble was past the demand for our automotive batteries went steadily ahead. On the other hand, a direct result of petrol rationing was an increase in the demand for battery electric vehicles and trucks of all descriptions to the benefit of our Group traction battery turnover.

In the aggregate the overseas companies have expanded their sales during the year, but, as with the home battery companies, the trading results have not kept in line.

As I have already indicated in this statement, steps have been taken to improve our efficiency in this country. Similar work is being undertaken overseas, particularly in Australia, Canada and New Zealand. Our object is to ensure our ability not only to maintain prices at their present level, but whenever possible to reduce them, at the same time improving the quality of our product.

Competition is intense, but in the knowledge of the improving efficiency of the Group both economically and technically, I feel justified in concluding on a note of measured optimism.

The report and accounts were adopted.

GOPENG CONSOLIDATED

The forty-fifth annual general meeting of Gopeng Consolidated, Limited, was held on May 28th at Redruth.

Major W. E. Hosking, a director, presided in the absence by reason of illness of Mr D. W. Thomas (Chairman).

The following is an extract from the Chairman's circulated statement:

The Accounts for the year ended September 30, 1957, show a profit of £175,198, after payment of £74,294 for Royalty on Ore Sales and the provision of £90,193 for UK and Malayan Taxation. Four dividends, two each of 6d. per 5s. Unit of Stock and two each of 9d. per 3s. 6d. Unit of Stock, were paid in respect of the year.

Production of tin-ore from October 1st to December 31, 1957, was 243½ tons, of which 175½ tons were produced between October 1st and December 14, 1957, before Restriction of production and sales became operative. From December 15, 1957, to March 31, 1958, Ore Sales under the Tin Control Regulations totalled 118½ tons.

The International Tin Agreement came into force on July 1, 1956, and the Tin Control (Buffer Stock) Regulations, 1956, became operative in September, 1956. During the period under review your Company's compulsory contributions to the Buffer Stock—a total of £41,535—were made from the proceeds of current production.

The International Tin Council decided in December, 1957, to restrict tin exports from those countries which ratified the International Tin Agreement by imposing a cut of 28½ per cent in the estimated annual rate of production for the period December 15, 1957, to March 14, 1958, and to call up the second contribution to the Buffer Stock. In January, 1958, the Tin Council extended the first quota period from March 14th to March 31st with no increase in permissible exports. It was also announced that permissible exports of the signatory countries during the quarter, April to June, would represent an over-all cut of approximately 40 per cent of estimated normal annual rate of production. The call up of the third contribution to the Buffer Stock was also announced.

The effect of restriction varies considerably as between the producing countries. For the producers who have yet to pay to the Malayan Government the second and third contribution each of 5,000 tons metal, or cash equivalent, the cost, both in reduced output and in cash, of maintaining the restriction scheme is very considerable. Although the full repercussions on your Company's affairs cannot yet be fully assessed, nevertheless it is thought that they will inevitably be serious, and may necessitate periodic cessation of mining operations. Your Directors will, however, do everything to ensure that the effects of Tin Restriction are minimised as far as is possible.

Stockholders have already been advised that consideration will be given to the dividend position at the end of each quota period.

The report and accounts were adopted.

AGRICULTURAL MORTGAGE CORPORATION, LIMITED

HELP FOR SMALL FARMERS

The annual general meeting of the Agricultural Mortgage Corporation, Limited, will be held on June 11th in London.

The following is an extract from the circulated statement by the Chairman, Mr E. J. Bunbury, CBE, MC:

The Farm Improvement Capital Grants Scheme introduced by the Agriculture Act, 1957, has been well received. This measure was designed to encourage the improvement of fixed equipment with a view to improving efficiency and lowering production costs. It was not to be expected that the large number of applicants for Grant would be made to the Ministry without careful planning and timing by farmers.

The Corporation is anxious to play its full part in providing long-term finance required to enable the approved improvements to be undertaken, and there are signs today that farmers are going ahead with their improvement projects.

Credit Position: I referred in May last to the growing restrictions on credit as part of the anti-inflationary Government measures to meet the threat to the economy of the country from within and without. In July the Corporation's lending rate of interest was raised from 5½ per cent to 6 per cent. The rapid deterioration in the country's Reserves during August and early September reflected the growing anxiety throughout the world regarding the course of wages and prices in the United Kingdom and the international position of the £ sterling. On September 18th Bank Rate was raised from 5 per cent to 7 per cent and other measures were taken which left no doubt of the serious nature of the threat to our National economy. The Corporation's rate was raised in October from 6 per cent to 7 per cent as a necessary defensive measure pending the possibility of making a further issue of Debenture Stock.

GOVERNMENT ACTION WELCOMED

There is some evidence to indicate that nett farm incomes again declined in the past year, and the reductions within the 2½ per cent permissible in the 1958-59 Price Review aroused some anxiety in farming circles. But taken as a whole in a period of world-wide price falls, it may reasonably be held that the pinch is likely to be felt mainly by the small farms of 100 acres or under, which constitute the largest category of units throughout the country.

It is therefore gratifying to note that the Government have in mind certain measures to assist these small farmers, and details of the proposed measures will be awaited with considerable interest. The repeated assurances given by Ministers of the Government's determination to maintain the requisite support for Agriculture enshrined in postwar policies of all political parties, should encourage the industry to maintain the steady rise in productivity achieved to date.

I think it is not unsatisfactory that we have completed just over £4 million of new mortgage loans during the year—only £94,000 less than the total for the previous year. The average of loans granted was £4,723, which compares with an average of £3,826 of overall loans outstanding. Loan repayment instalments continue generally to be met promptly and arrears at March 31, 1958, represent only 4.1 per cent of the amounts due.

THE CONSOLIDATED ZINC CORPORATION

REDUCTION IN TRADING PROFITS

DECLINE OFFSET BY LOWER MINING ROYALTY AND TAXATION

The ninth annual general meeting of The Consolidated Zinc Corporation Limited will be held on June 24th at 37, Dover Street, London, W.1.

The following is an extract from the circulated statement of the Chairman, Mr L. B. Robinson:

The severe fall in the prices of lead and zinc during the last eight months of the year caused a substantial reduction in the trading profits for 1957.

The Zinc Corporation Limited again increased ore production and achieved a lower cost per ton of ore at Broken Hill than for the previous year. Nevertheless, the reduced average prices realised for lead and zinc concentrates resulted in a much lower profit than in 1956.

Consolidated Zinc Proprietary Limited had a satisfactory year and showed a considerably increased profit.

Imperial Smelting Corporation Limited had a lower output of zinc but deliveries of alloys were considerably greater than in 1956. Profit margins on most products were reduced and, overall, the profits from trading for the year in the United Kingdom were somewhat less than in 1956.

Income from trade investments at £941,688 showed an increase mainly due to higher dividends from New Broken Hill Consolidated Limited and British Titan Products Company Limited. Interest on Government securities and other interest and miscellaneous income, at £325,135, was also higher than in 1956.

The consolidated profit of the Group, before mining royalty and taxation, amounted to £4,322,442, compared with £6,123,432 for 1956.

Due to the considerably reduced charge for royalty and taxation, the consolidated net profit for the year, at £1,769,986, was only £274,397 lower than the net profit for 1956.

Proposed final dividend of 2s. 6d. per share, compared with 3s. last year, giving a total of 3s. 9d. compared with 4s. 6d. last year.

In the prevailing conditions of world markets in which, in common with many other commodities, a surplus of lead and zinc has developed, both the Zinc Corporation and New Broken Hill Consolidated have budgeted for a reduced production of ore and recoverable metals during the current year.

ZINC SMELTING

The operation of the Imperial Smelting process on the Avonmouth site made further satisfactory progress during the year.

A decision has recently been taken to replace the horizontal retort zinc distillation plant at our Swansea Vale works with the installation of an Imperial Smelting process plant.

BAUXITE

Commonwealth Aluminium Corperation Pty. Limited, in which the British Aluminium Company Limited will be associated with us, has during the year made substantial progress in its investigation and planning for the development of the bauxite deposits at Weipa on the west coast of Cape York peninsula.

In December a comprehensive agreement was negotiated with the State of Queensland providing for the development of the field. A feature of the agreement is Commonwealth Aluminium Corporation's undertaking to establish an alumina plant in Queensland as soon as practicable after the Company has completed its investigations.

CANADA

In Canada, our subsidiary, Consolidated Zinc Corporation of Canada Limited, has continued to be active in the search for minerals both in association with Yukon Consolidated Gold Corporation Limited and with others. As a result of negotiations concluded towards the end of the year, we have acquired a shareholding in Siscoe Mines Limited and assumed the management of that Company.

RESEARCH AND DEVELOPMENT

The research and development departments have carried out a vigorous programme investigating means of improving the efficiency of existing processes and seeking new outlets for our products. In addition, examination has been made of a number of new processes and materials in the continued search for opportunities of widening the base of our activities.

THE OUTLOOK

In the current year our earnings must be seriously affected by the present low level of prices. However, in spite of the unfavourable features in the immediate outlook for commodity prices and in the statistical position of the metals which at present provide our main source of income, we remain confident that the world will continue to progress to higher standards of living and that not only demand will increase, but that the prices of the metals in which we are interested will, in time, return to more remunerative levels.

Meanwhile, we consider the projects in hand to improve the efficiency and economic return from our existing operations are essential, even though the timing and rate of progress of these projects must necessarily be governed by our financial resources.

THE DRAYTON REGULATOR AND INSTRUMENT COMPANY

RECORD RESULTS

The ninth annual general meeting of The Drayton Regulator and Instrument Company Limited was held on May 29th in London, Mr P. H. Lloyd, TD, DL (the Chairman), presiding. The following is an extract from his circulated report:

It is gratifying to report further expansion of trade with a record profit of £253,717, this being an increase of approximately 18 per cent over the previous year.

Whilst recognising that trading conditions are likely to be affected by the Government's recent tight-money policy and that profit margins may contract, your Board nevertheless, recommend a final dividend of 15 per cent making 20 per cent for the year.

The Board recommend a transfer of £50,000 to General Reserve and after making the foregoing provision and deducting taxation on profits for the year the balance carried forward will be increased from £76,424 to £86,619

PRODUCTION AND SALES

The Company's production facilities have continued to expand as the new buildings and machinery have come into use. This has had the desirable effect of reducing outstanding orders and enabling the Company to give better service to its customers.

The Sales and Development Departments have been strengthened and close attention is being given to the extension of our export markets.

With regard to the future, it would be a bold man who was prepared to express an opinion beyond very broad generalisations, because Government policy can have such an enormous effect on the trading conditions of the day. During the first three months of the present year orders have contracted slightly and the trading results for the present year may not be equal to those of the past year.

I feel that the activities in which the Company is engaged have yet to come to their zenith. As technical developments advance within industry, particularly in so far as they affect the automatic control of processes, there is little doubt that companies such as yours who keep abreast of such technical developments are likely to prosper in an expanding market. Taking a long view of the situation, there is certainly no need for pessimism. The report was adopted.

BENGUELA RAILWAY COMPANY

At the Annual General Meeting of the Company held in Lisbon on 31st May, 1958, the following distribution of profits for the year 1957 was approved :—

		Comparative Figures 1957 Escudos	1956 Escudos	1955 Escudos
Net Revenue		194,846,285	221,811,508	146,093,217
Deduct :—				
Percentage to Portuguese Government	20,668,627			
Deductions in accordance with the Articles of Association	14,614,866			
		35,283,493	41,478,629	22,118,155
Balance available for distribution		159,562,792	180,332,879	123,975,062
Distributed as to :- Debenture Service :—				
Redemption of 4% Debentures		16,264,810	46,216,200	48,850,200
Interest on 4% Debentures for year 1957		9,605,413	11,603,245	13,688,915
Interest on 5% Debentures for year 1957		16,100,000	16,100,000	16,293,622
		42,058,223	76,981,635	77,771,737
Dividend of 33 Escudos per share on Share Capital		99,000,000	49,500,000	33,000,000
Transferred to General Reserve		—	53,852,244	13,203,325
Transferred to Dividend Equalisation Reserve		18,504,569	—	—
		159,562,792	180,333,879	123,975,062

Tanganyika Concessions Limited owns all the Debentures and 90% of the Equity of the Benguela Railway. 88,5 Esc des = £1

THE UNITED SCOTTISH INSURANCE COMPANY

A DIFFICULT YEAR

The annual general meeting of The United Scottish Insurance Company Limited was held on May 30th in London, Mr R. H. McLeod (the chairman) presiding.

The following is an extract from his circulated statement:

The year 1957 has been an unprofitable one for the Company. Departmental figures reflect the unfortunate loss experience we have had in all fields.

In the Fire and Accident Accounts there is a decrease in premia from £567,887 to £553,910. This is due to curtailment of certain unprofitable Accident business in Europe offset to some degree by increased premia in the United Kingdom. Accident results generally have been unfavourable but particularly so on our business in Europe and Canada. The Fire Account has been affected by an unfavourable loss experienced in all fields. To meet the loss in these Departments £56,795 has been transferred from Profit and Loss Account.

The 1955 Marine Account is closed and the sum of £2,500 transferred to Profit and Loss Account. Rates have been cut drastically of recent years and this has had its inevitable result. The Marine Fund is considered sufficient to care for the running off of the 1956 and 1957 Accounts.

The Balance of the Profit and Loss Account reflects the transfer to the Fire and Accident Department of £56,795. No dividends can be recommended on the figures disclosed.

The report was adopted.

LONDON ASIATIC RUBBER

SIR ERIC MACFADYEN'S ADDRESS

The annual general meeting of the London Asiatic Rubber and Produce Company, Limited, will be held on June 23rd, in London.

The following is an abstract of the address of the Chairman, Sir Eric Macfadyen, circulated with the report and accounts:

Following the reduction in the issued capital the capital ranking for dividend has been reduced from £1,169,514 to £877,135. The Capital General Reserve now stands at £1,180,000 and Replacement Reserve at £315,000.

The market price of all grades of rubber declined during the year, with the result that our crop of 15,009,873 lb (inclusive of 48,403 lb purchased) realised an average of only 24.80d. per lb net compared with a net price of 27.16d. per lb for the previous year (13,657,800 lb). The increased crop compensated for the lower average price, and the 1957 net sales proceeds of £1,550,893 slightly exceeded the previous year's.

The profit after taxation, £439,023 together with £98,801 brought forward from the last accounts, provides us with an available balance of £537,824. We transfer £279,759 to Capital General Reserve and £6,039 to Replacement Reserve, and then recommend the payment of a final dividend of 25 per cent, less tax, making a total of 30 per cent for the year.

The organisation of our Estates is efficient, and we expect to harvest a crop of, say, 16 million lb during 1958.

NEW BROKEN HILL CONSOLIDATED

MR L. B. ROBINSON ON NEED TO CONSERVE CASH RESOURCES

The twenty-second annual general meeting of New Broken Hill Consolidated Limited will be held on June 24th at 37 Dover Street, London, W.1.

The following is an extract from the circulated statement of the Chairman, Mr L. B. Robinson:

In 1957 the output of ore and the lead grade in ore produced were both appreciably higher than in 1956. A reduction in the average cost per ton of ore of approximately 18 per cent, compared with the previous year, was achieved, and the tonnage of lead realised in 1957 was 57,617 tons, compared with 44,044 tons in 1956.

Despite these achievements the mine trading balance for the year amounting to £1,904,035, showed a decrease of £418,369 compared with 1956, due to the severe fall in the prices of lead and zinc during the last eight months of the year. The profit before taxation amounted to £1,591,313, compared with £1,991,129 for 1956.

The company has obtained recognition as an Overseas Trade Corporation as from April 6, 1957, and derives a substantial benefit from the reduction in United Kingdom taxation. The provision for Australian and United Kingdom taxation on the profits for the year amounts to £534,217 compared with £1,116,600 for 1956. The result is a net profit for the year of £1,057,096, an increase of £182,567 on the figure for 1956. The change of status to that of an Overseas Trade Corporation as from April 6, 1957, has also released provisions made in previous years for UK taxation amounting to £750,000.

The amount available for distribution including the above provision for taxation no longer required and the balance of £339,635 brought forward from 1956 is £2,146,731. As indicated in the announcement for the interim dividend, the directors are recommending a final dividend of 3s. per share making a total distribution of 5s. for the year which is the same as for 1956.

OUTLOOK ON PRICES

The directors have given very careful consideration to the disposal of the large balance available for appropriation. The prices of lead and zinc have remained at very low levels throughout 1958 to date, and the outlook shows little promise of an early improvement. Further it has been necessary not only to budget for a reduced production of ore at which it will be difficult to maintain last year's level of cost, but also to transfer part of the labour force to additional development work entailing the use of further capital funds. These factors will all mean a considerable drain during 1958 on the Company's cash balances and the directors consider that it is essential to conserve resources to the utmost. Accordingly the directors have not felt able to recommend a larger total distribution than 5s. per share for the year and have transferred £750,000 to general reserve and £350,000 to a mine amortisation reserve.

The immediate outlook is of necessity overshadowed by the statistical position of base metals and in common with other producers our earnings are bound to reflect the current level of prices for lead and zinc.

INTERNATIONAL PAINTS

A SATISFACTORY ACHIEVEMENT

The fiftieth annual general meeting of International Paints (Holdings) Limited, was held on June 4th, in London, Mr Charles R. Petrie (Chairman and Managing Director) presiding.

The following is an extract from his circulated statement:

Profits have almost been maintained at the record level achieved in 1956. After providing for taxation there is a net profit of £801,672 attributable to the shareholders of International Paints (Holdings) Limited. This figure is £9,000 higher than for 1956.

Your directors recommend a total distribution of 6 per cent on the Preference Shares and 22½ per cent on the Ordinary Shares. There is retained in the Group Companies £395,678, namely £41,591 by way of reserves and £354,087 added to the Profit and Loss Account Surplus carried forward.

General exports were well maintained in 1957 against increased competition.

In the United Kingdom the Inland Division, covering sales of Industrial and Decorative Finishes, has handled many interesting projects during the year and has steadily developed its retail distribution. Our Marine Division made its customary substantial contribution to the year's result.

The report was adopted and at a subsequent extraordinary general meeting the proposal to capitalise £534,500 of reserves and profits, to be distributed on the basis of one new Ordinary Share of 4s. for every four Ordinary shares of 4s. each held, was approved.

RAMBUTAN RUBBER ESTATES

A GRATIFYING ACHIEVEMENT

The twenty-seventh annual general meeting of Rambutan Rubber Estates Limited was held on May 30th in London, Mr R. F. Burt (the Chairman) presiding.

The following is an extract from his circulated review:

In spite of a larger crop and a small drop in cost of production, the decline in our selling price of 2¼d. per lb has more than counterbalanced it, resulting in a decrease of £5,601 in our working profit. Nevertheless, substantial sums accrued in respect of previous years' cesses and the 1957 Budget gave us a very welcome release under the Overseas Trade Corporation enactment. In consequence we have a final profit figure for disposal some £11,500 in excess of the previous figure. We cannot distribute all this, however, for we have considerable capital commitments in the shape of the planting and upkeep of our extensions.

It is interesting, perhaps, to look back ten years to the year 1948, when we started our postwar development. Up to the end of 1957 we have added 596 acres to our planted area, and replanted 679 acres, a total of 1,275 acres. In the same ten years we have paid in dividends totalling 98 per cent on the Issued Capital, while our net current assets have been reduced by under £4,000. This is no mean achievement, considering that this has been a period of stress, terrorism, labour shortage, and postwar staff problems.

The report was adopted and the dividend of 10 per cent was approved.

CITY DEEP LIMITED

MR P. H. ANDERSON'S STATEMENT

The Fifty-seventh Ordinary General Meeting of shareholders was held in Johannesburg on May 27, 1958. The following is an extract from the circulated statement by the Chairman, Mr P. H. Anderson, dated May 20, 1958:

WORKING RESULTS

During the year under review 1,780,000 tons of ore, giving an average yield of 3.909 dwt per ton, were milled, and 347,907 ounces fine of gold were recovered. In the previous year the relative figures were 1,851,000 tons milled, with an average yield of 3.862 dwt, and a recovery of 357,427 ounces fine of gold. The working revenue for the year was lower by £122,898, but working costs decreased by £229,204, with the result that the working profit rose by £106,306 to £196,486.

ACCOUNTS

To the working profit of £196,486 was added £71,725, which represents the difference between sundry items of income and expenditure, giving a total profit of £268,211. The addition thereto of the unappropriated balance brought forward of £699,170 gave a total of £967,381, against which deductions totalling £186,925 were made in respect of taxation, two dividends and a transfer to Capital Reserve. This latter transfer of £74,125 to Capital Reserve was in respect of the net amount expended on Mining Assets less realisation of Trade Investments. The resulting balance of the Income and Expenditure Account was £780,456, which was carried forward to 1958. This unappropriated balance, together with revenue reserves totalling £223,123, was represented by current assets of £1,548,458, less liabilities and provisions amounting to £544,879.

OPERATIONS AT THE MINE

The South and Main Reef Leader Reefs continue to provide the main sources of ore, but on the former reef development was limited by the natural difficulties of opening up and equipping old areas in the upper sections of the mine. Development on the Main Reef Leader, which is being carried out almost entirely at great depth from a limited number of possible points of attack, was somewhat disappointing but the relatively few exposures made are not necessarily representative of future possibilities. The ore developed at 598,000 tons was lower by 273,300 tons but the value remained unchanged.

Last year it was stated that in view of the possibility that payable values may persist beyond the present southern boundary of the Company's mining property, the permission of the Government had been sought and received to prospect the area. The work done has justified an application for the renewal of the prospecting permit and also for an application for a mining lease over an area of approximately 313 claims in the prospecting area.

ORE RESERVE

The available ore reserve recalculated at the year-end at 3,302,000 tons, was 448,000 tons lower than at the end of 1956. The average value and width decreased by 0.1 dwt and 0.8 inch respectively.

CURTAILMENT OF OPERATIONS

Shareholders will recall that over the past two years reference has been made to the reorganisation of the hoisting and pumping arrangements between the City and Nourse Sections of the mine with the object of closing down certain high cost Nourse shafts as soon as possible. With this plan in view and as a precautionary measure, notice was given to the Government in July, 1956, of the Company's intention to curtail materially its operations by closing down the Eastern Section of the mine. Since that date operations have continued in this section, but only on a marginal basis, and the stage has now been reached where losses will be incurred there and the mine as a whole will be endangered. In view of this serious position your Directors have agreed to the recommendation of the Company's Technical Advisers that operations in the upper portion of the Eastern or Nourse Section be curtailed from June 1, 1958, by confining work to reclamation and shaft pillar extraction. The Government has been advised of your Board's decision and an announcement to this effect was made in the press on April 26, 1958.

Although it is anticipated that the rate of milling will be reduced to about 110,000 tons a month as a result of this reorganisation, the balance of operations should be considerably improved with beneficial effects on the profit position.

UNIVERSAL PRINTERS LIMITED

(Controlling Bemrose & Sons Ltd., Derby, Alf Cooke Ltd., Leeds, and Norbury Printers Ltd., Manchester)

RECORD SALES

The thirty-seventh annual general meeting of Universal Printers Limited was held on May 29th in Derby, Mr J. M. Bemrose, MA (the chairman), presiding.

The following are extracts from the Directors' Report:

The profit of the Group for the year before providing for taxation amounted to £392,938 compared with £458,766 last year. Provision for Taxation absorbed £259,264 compared with £320,412 leaving a net available profit of £133,674 compared with £138,354 in 1956. The Directors recommend a final dividend of 7 per cent, less tax, making a total distribution on the Ordinary Shares of 11 per cent less tax.

Having regard to the announcement by the Chancellor of the Exchequer that a Profits Tax at the rate of 10 per cent on all profits is to be substituted as from April 1, 1958, for the present Profits Tax of 3 per cent on retained profits and 30 per cent on distributed profits, it is anticipated that the sum of £246,683 which has been set aside to meet the possible future liability to Profits Tax on undistributed profits, will be set free for transfer to Revenue Reserve at December 31, 1958.

The net amount of the Preference and Ordinary dividends provided in the Accounts represents 4.02 per cent of the Shareholders' funds employed in the business at December 31, 1957, i.e., the total of the Capital and Reserves, £1,740,938.

During the year the Letterpress Department of the Derby Works has been extended and reorganised, and a considerable amount of new machinery installed. In addition, the building of an extension to the factory at Spondon has been commenced. At Leeds improvements have been carried out to facilitate output and new plant has been added. An extension has been made to the buildings at Manchester to accommodate new photo-litho process equipment.

The sales of your Companies for the year 1957 exceeded £3½ million, a record for the Group, but profit margins were less.

The value of orders received to the end of March this year compares favourably with that for the corresponding period last year, but as a result of the present state of industry, lower prices are ruling. Everything possible, however, is being done to achieve economy and improve productivity.

The report was adopted.

COSTA RICA RAILWAY COMPANY LIMITED

MR ROBERT W. ADEANE'S SPEECH

The annual general meeting of the Costa Rica Railway Company, Limited, was held on June 3rd in London.

Mr Robert W. Adeane, OBE, chairman, in the course of his speech, said: The Costa Rica Railway Company leased its line in 1905 to the Northern Railway Company (of Costa Rica). That Company's profit on working, after slightly higher depreciation, was £146,360.

The adverse consequences of the poor 1955/56 crops were deferred until the year under review, when the most paying traffic, particularly imports, became affected. Revenue therefore decreased but the volume of traffic was actually higher, so there was no related saving in running costs. Only six diesels were in operation for the full year, resulting in only limited economies during the gradual retirement of the remaining steam locomotives.

The dieselisation programme was virtually completed by June 30, 1957, by putting into operation 15 additional units. That naturally limited the cash available for remittance as rental to the parent company.

The parent company received £85,000 on account of Rental; total gross income was £99,728, compared with £93,767. After charging First Mortgage Debenture Interest, etc., net revenue was £41,068.

SCHEME OF ARRANGEMENT

We have been considering our possible O.T.C. status which has raised most complex problems now under examination by experts. Pending a decision and also because of recent abnormal money market conditions, your directors have taken no further steps regarding a Scheme of Arrangement. The matter is very much in our minds, but I cannot be more definite at this stage.

At the Presidential Election held last February the Conservative Candidate was elected by a considerable majority. He will hold office for four years. With your new Director, Lord Broughshane, I visited Costa Rica just after the Elections and had the pleasure of again meeting the outgoing President, Sñr. don Jose Figueres, and the new President, Sñr. don Mario Echandi. Our traditional friendly relations have been well maintained.

Together with Lord Broughshane and our Resident Manager, Mr Averre, I made a thorough inspection of the line and visited the Standard Fruit Company's new planta-

tions which are on the Estrella branch, and found there evidence of the tremendous fertility of the soil in the area which was selected by the Standard Fruit Company.

THE FUTURE

The price of Costa Rican coffee has held up reasonably well in the face of world over-production and unsettled markets. The excellent coffee movement in 1956/57 was followed this year by another record crop. While it is too early to be certain about the coming coffee harvest the increased acreage and intensive use of fertilisers in Costa Rica should result in expanding production and the coffee there, a high-grade blender, should continue to command above average price. It must be remembered that Brazil is the big producer and much must depend on the policy of that country.

The Standard Fruit Company has pushed ahead with its planting of bananas within our Railway zones. The first fruit should be marketed on a limited scale in 1959, but large scale crops should not be expected until 1960. The Northern has the exclusive transportation rights. Oil prospecting continues but still without significant results.

Altogether I formed a favourable opinion of the economic state of affairs in the Republic and I believe the Railway will share in the prosperity of a gradually broadening economy.

For the first ten months of the current year both gross and net revenue of the Northern show considerable improvement, which should help to restore the Northern's cash position. As, however, the annual diesel payments have to be met and some further capital works are contemplated, increases in rental remittances to this Company should not be expected to be immediate.

The report and accounts were adopted.

THE SEA INSURANCE COMPANY LIMITED

MR A. REITH GRAY'S STATEMENT

The eighty-second Annual General Meeting of The Sea Insurance Company Limited was held on June 3rd at the Exchange Hotel, Liverpool. A statement by the Chairman, Mr A. Reith Gray, had been circulated with the Report and Accounts for the year ended December 31, 1957.

Before dealing with the Accounts the Chairman referred to the loss the Board had suffered in the death last year of Mr John Hunter, who was a Director for nineteen years.

Mr A. Reith Gray reported the acquisition of a new London Office at No. 7 Lothbury, and stated that during the year the amalgamation of the activities of the Sea Beacon Group had continued, including the setting up of a combined Superannuation and Widows Fund for the Staffs of the two Companies.

The difficult underwriting conditions experienced in the Fire, Accident and Marine Departments in 1956 had continued in 1957, and the Chairman mentioned the heavy loss which the 1956 Marine Account had suffered when the *Andrea Doria* was in collision with the *Stockholm*. This Account was closed by the transfer of £53,754 to the Profit and Loss Account which was slightly less than half the transfer made on closing the previous year's underwriting. Despite this, the Marine Fund at £2,909,820 represented 160 per cent of the premium income, which had increased during the year by about £77,000.

The Fire Department Funds were also strong with an increased premium reserve of £59,000. Although in the USA reported fire losses reached an unprecedented level, experience at home was better than in 1956, and a profit of £29,150 was earned, compared with a loss last year.

In the Accident Department premium income increased by £229,000 but the Account showed a loss of £114,743 due to many factors. Both the American and Canadian automobile business ran badly and the costs of third party claims and repairs to vehicles had continued to rise, together with the expense of operating the Account. Serious efforts were being made in Canada to introduce a more realistic scale of rates but any improvement would be a slow process owing to the incidence of long term business.

The Beacon Insurance Company Limited, whose dividend was maintained at 2s. per share, had reported another good year in its Life Department with an increase in the Life Fund from £9,221,643 to £9,709,850 and Mr Reith Gray expressed his appreciation of the results achieved by this Department.

The Chairman concluded his statement with a reference to certain changes made in the form of the accounts, with the intention of making the allocation of expenses to the various departments more realistic.

A Final Dividend of 3s. per share was approved, making 6s. per share for the year, the same as for the previous year.

The Accounts were adopted.

BARRY AND STAINES LINOLEUM

IMPROVED RESULTS

The annual general meeting of Barry and Staines Linoleum Limited will be held on June 26th in London.

The following are extracts from the circulated statement of the chairman, Mr T. J. Cavanagh :

The trading results for the year are better than we had reason to expect from the results of the first half of the year and from the restriction of credit facilities. In consequence the Board has decided to recommend an increase in the final dividend to restore the precautionary cut that was made in the interim dividend.

Linoleum is our main product, and the turnover of our British manufacturing subsidiaries increased slightly, though overhead costs also increased. Nevertheless, these subsidiaries were able to show improved results partly by more economical working and an easing in some raw material costs; partly through more favourable trading experience in the very competitive and exacting dollar markets, and partly by a small increase in some selling prices made in the home and certain export markets last November. Competition continues to keep linoleum prices at a level which makes the return on capital employed in the industry a low one by comparison with many others.

Our export trade is substantial and I am glad to say that our products continue to hold the highest reputation in world markets. This year we hope to extend our activities to the cheaper end of the printed felt base floorcovering trade by the introduction, through our subsidiary, The Corticine Floor Covering Company, of a range of goods under the name of Corfelt.

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VENEZUELAN AND CARIBBEAN AREA Economic Consultant, now in London, is willing to do surveys, market research, introductory work and arrange for suitable representative for British firms.—Write Box 938.

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Respond with curriculum vitae and full details of work history to Box 944, *The Economist*, London, S.W.1.

INTERVIEWERS.—Vacancies occur in a large Market-ing Research Company for full-time women interviewers who would be required to travel over a wide area of the country but who would be based in Newcastle-onTyne, Leeds, Sheffield, Nottingham / Leicester, Birmingham and Cambridge. Applicants should be preferably under 35, intelligent and adaptable, of good general education, in good health and able to drive a car. No previous interviewing experience is necessary. The training and probationary period is 6 months, after which there is the chance of increasing responsibility and variety of work for the most suitable trainees.—Box 941.

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We should like him to advise us in defining research issues, and on techniques; to commission the work; and authoritatively to interpret the results. In short, we want a man—preferably in his early thirties—who can translate marketing requirements into research issues, and turn figures into pointers for marketing action.

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Please write to our Personnel Manager, Alfred Bird & Sons Ltd., Deritend, Birmingham, 12. Complete confidence will be observed.

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D.S.I.R. HQ., London, requires Scientific Officer for patents duties including selection of inventions for patenting from work of the Department's research stations, liaison with N.R.D.C., and dealing with patents questions in contracts. Quals.: 1st or 2nd Hons. degree in Physics, Chemistry or Engineering, with interest in legal matters (especially Patents) necessary and reading knowledge of French and German desirable. Salary: £635-£1,110 (men). Good prospects of promotion with salary up to £2,050, and if under 31 prospects of establishment. Five-day week.—Forms from M.L.N.S., Technical and Scientific Register Ltd., 26 King Street, London, S.W.1 (quoting A.186/8A).

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Two Lecturers in Management Studies required for September 1st. Candidates must be professionally qualified in at least one of the following: Work Study, Management Accounting, Personnel Administration, Factory Management.

Salary (Burnham scale for Lecturers) within range £1,200-£1,350; superannuation scheme.—Further details and application form (to be returned within 14 days) from the undersigned.

G. W. R. LINES,
Clerk to the Joint Education Committee.
Education Offices,
North Street,
Wolverhampton.

MARKET RESEARCH

British-American Tobacco Co. Ltd., 7 Millbank, London, S.W.1, have an interesting vacancy for a graduate, preferably in a social science, aged about 35, with sound statistical and market/consumer research experience, to develop with direct responsibility to a Director, a reorganised department dealing with market/consumer research. The post, which will involve travelling abroad in an advisory capacity, at top level, offers excellent opportunities for the future and an attractive salary, commensurate with qualifications and experience. An effective personality is essential in view of the contacts which the position requires.

Applicants should write, in confidence, to Personnel Department at the above address.

COMPUTER PROGRAMMERS.—Littlewoods Mail Order Stores Ltd. have recently installed an Elliott 405 data processing system in their Head Office at Liverpool, and have a number of vacancies for experienced Programmers.

The successful applicants (ages not over 40) will be competent to work as members of a team responsible for the investigation and programming of large scale commercial problems.

These are senior appointments within the Head Office, offering exceptional scope for progress in a rapidly expanding organisation, and candidates must be prepared to live in the Liverpool area.

Commencing salaries £1,000-£1,500 per annum according to qualifications and experience. Life Assurance and Pension Scheme. Five-day week.

Letters of application, giving age, details of education, qualifications and experience, to The Employment Manager (EC/6), Littlewoods Mail Order Stores Ltd., Kershaw Avenue, Endbutt Lane, Crosby, Liverpool, 23.

MARKET RESEARCH

Precision engineering company in West London require senior research officer for expanding Market Research Dept. Preference will be given to graduates in economics, with statistics as special subject, and some industrial or commercial experience, aged 25 to 35. The post calls for analytical skill in handling statistical material and relating the company's activities to trends in the national economy, and offers excellent opportunity to build a career in a progressive firm. Pension scheme, excellent sports and social facilities.—Write, giving full details, to Box No. 943.

FEMALE Personal Assistant/Secretary required for Managing Director of British Agency of major German Industrial concern. Must be of British origin but fluent German speaker and able to take charge during Managing Director's extensive business trips. Good salary for suitable applicant for this permanent position.—Write Box 945.

WANTED, for West Riding, Sales Manager, preferably aged 40/50, for large Group with distribution and retail turnover. Must be hard worker with initiative and able to control sales staff.—Apply by letter to Lupton & Fawcett, Solicitors, Bond Street, Leeds, stating full qualifications.

UNIVERSITY OF EDINBURGH

DEPARTMENT OF POLITICAL SCIENCE

Applications are invited for the post of Assistant in the Department of Political Science. Salary scale £700 x £50 to £850 per annum, with superannuation benefit and family allowance where applicable. The person appointed will be expected to take up duty on October 1, 1958. The successful candidate will be required to conduct tutorials in the History of Political Theory, and also in Modern Government.

Further particulars may be obtained from the undersigned, with whom applications, giving the names of two referees, should be lodged not later than June 30, 1958.

CHARLES H. STEWART,
Secretary to the University.

May, 1958.

HASTINGS & ST. LEONARDS TECHNICAL COLLEGE

(Vacant from September 1, 1958)

Assistant Grade A required for Commerce Department. Ability to teach at least 3 of the subjects—Economics, Geography, Government, History, Commerce and Book-keeping.

Assistant Grade A required for General Studies Department to teach Mathematics to Ordinary level G.C.E. Ability to assist with general work in the College an advantage.

Application forms, obtainable from Chief Education Officer, 20 Wellington Square, Hastings, should be returned within 14 days of the appearance of this advertisement.

MATHEMATICAL STATISTICIAN required at National Coal Board's Research Establishment, Stoke Orchard, Nr. Cheltenham, Glos., to work mainly on the design analysis of laboratory and small scale plant experiments. 1st or 2nd class honours degree in Statistics or Mathematics with Statistics is required. Appointment (superannuable) according to qualifications and experience as either Scientist, Grade 2 (£975-£1,360 male, £931-£1,294 female) or Grade 3 (£630-£1,110 male, £618-£1,059 female); at least three years' post-graduate experience required for appointment to Grade 2.—Write to Personnel Officer (S.1103/2) at above address for application form, which must be returned by June 20, 1958.

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THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER in ECONOMICS in the Faculty of Economic and Social Studies. Preference will be given to candidates with interests in mathematical economics and/or econometrics. Salary on a scale £700 to £850 per annum. Membership of the F.S.S.U. and Children's Allowance Scheme.—Applications should be sent, not later than June 14, 1958, to the Registrar, The University, Manchester 13, from whom further particulars and forms of application may be obtained.

UNIVERSITY OF GLASGOW

DEPARTMENT OF SOCIAL AND ECONOMIC RESEARCH

Applications are invited for an Assistantship and a Lectureship to conduct research in the above Department. Some teaching duties may also be involved. Preference will be given to candidates interested either in problems of labour economics or in econometrics and national accounting. Salary scale—Lecturer: £900-£1,650; Assistant: £700-£850. F.S.S.U. and family allowance benefits.

Applications (8 copies) should be lodged, not later than June 21, 1958, with the undersigned, from whom further particulars may be obtained.

ROBT. T. HUTCHESON,
Secretary of University Court.

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A course in Industrial Administration is to be instituted in October, 1958, intended for men in their middle and late twenties in junior managerial positions, and for men who have not yet entered industry but have taken a degree in Arts, Science or Engineering. In special circumstances, officers from the Forces may be admitted.

The course will cover the academic session October to June, the first two terms being given over to full-time teaching, concluding with an examination in the following subjects: Economics, Industrial Accountancy and Finance, Industrial Relations, Industrial Law, Production engineering and Industrial Psychology.

During the third term candidates will be required to undertake practical study of an industrial or commercial problem.

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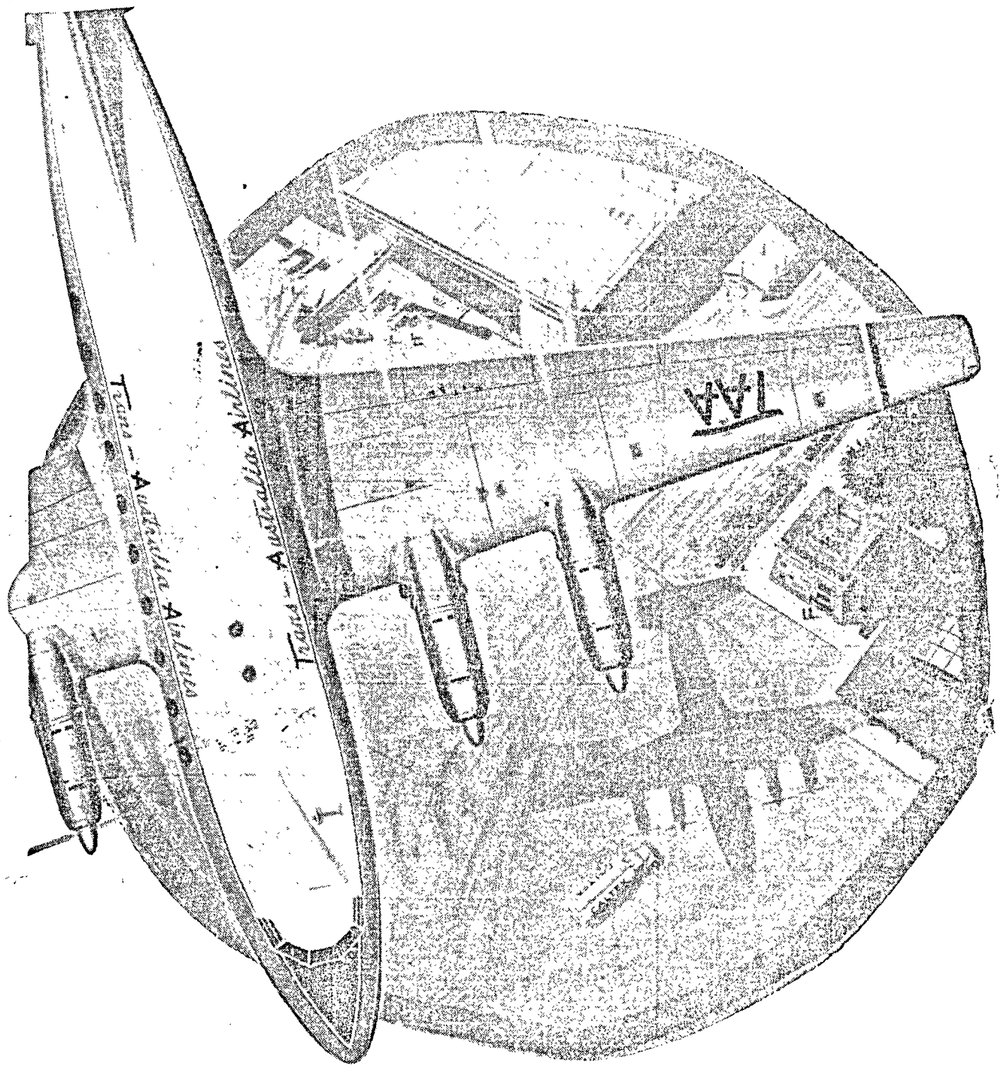
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AIR EDITION

The Economist

JUNE 14, 1958 ONE SHILLING AND SIXPENCE FOUNDED 1843

Excelsior!

Despite the snow and ice, there are still good reasons for pressing on to the summit (page 965).

Mr Macmillan in Washington

The Prime Minister, at the transatlantic summit, has been taking a new look at western, and especially economic, co-operation (page 993).

Time for a Stitch

After three years' disinflation, the Government has halted the wage-price spiral without production going down. Now the emphasis shifts towards keeping production up (page 967).

A Bill for Trade Unions?

Wanted—a charter for would-be blacklegs (page 970).

Stock Exchange Reform (page 1011).

France's New Regime
Power now resides with the Army (page 968).

Close Shave in Rhodesia (page 972).

BRITISH BANKING SURVEY after page 1000

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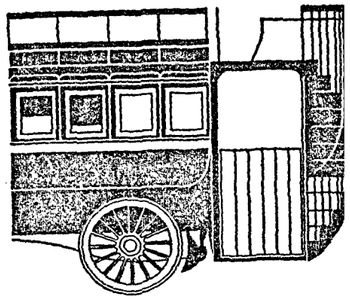
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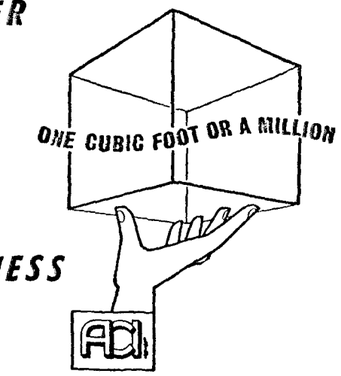
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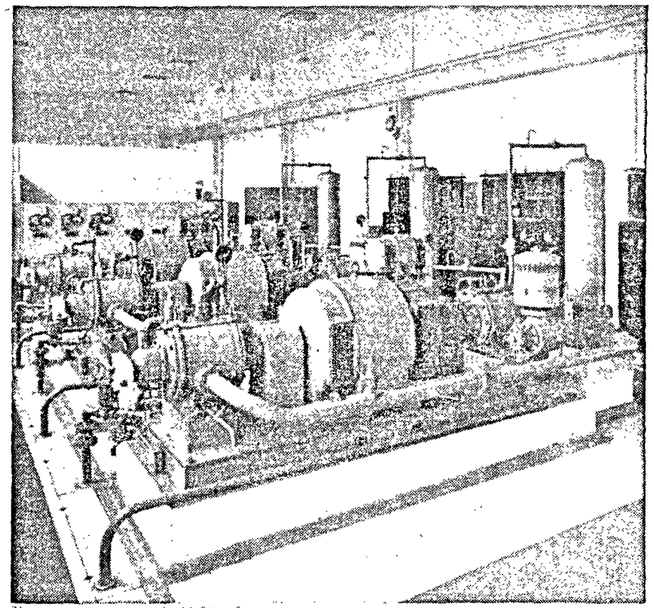
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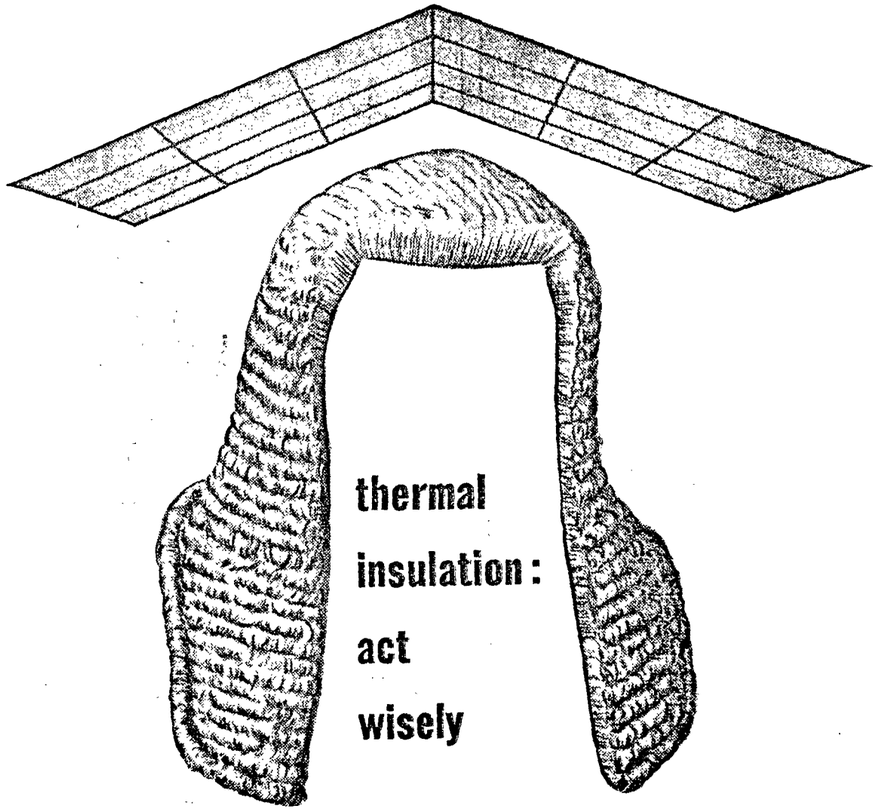
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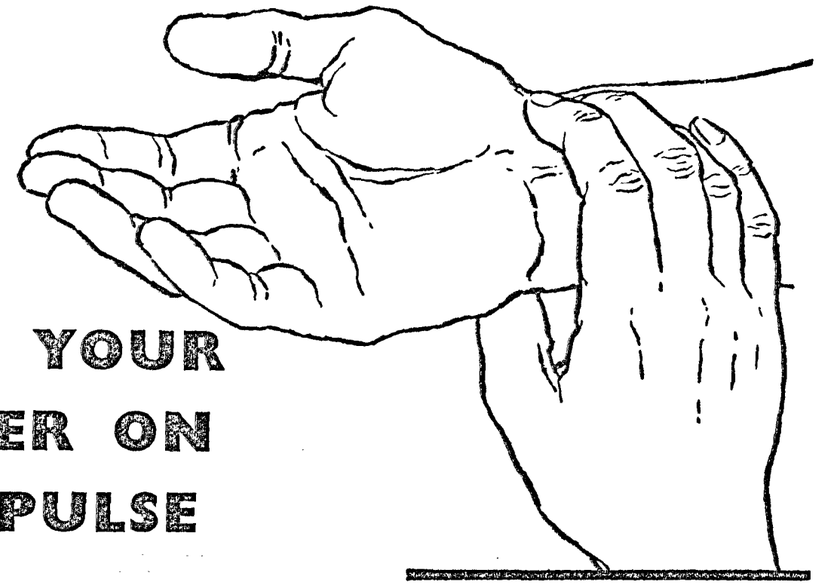
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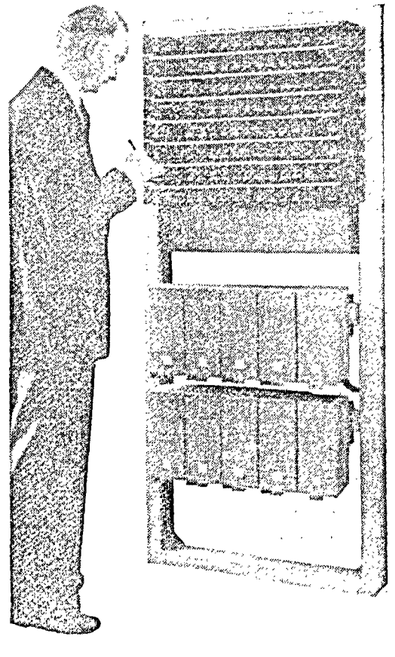
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with Viscount Hinchingbrooke, M.P.
Anthony Wedgwood Benn, M.P.
Mark Bonham Carter, M.P.

SUNDAY JUNE 22, 5.50 p.m. "IS PARTY DISCIPLINE TOO STRICT?"
with The Rt. Hon. Edward Heath, M.B.E., M.P., Government Chief Whip.
Herbert W. Bowden, C.B.E., M.P., Opposition Chief Whip.
Joseph Grimond, M.P., Leader of the Liberal Party.

SUNDAY JUNE 29, 5.55 p.m. "DO THE RIGHT PEOPLE GET IN?"
with The Rt. Hon. Sir Toby Low, K.C.M.G., C.B.E., D.S.O., M.P.
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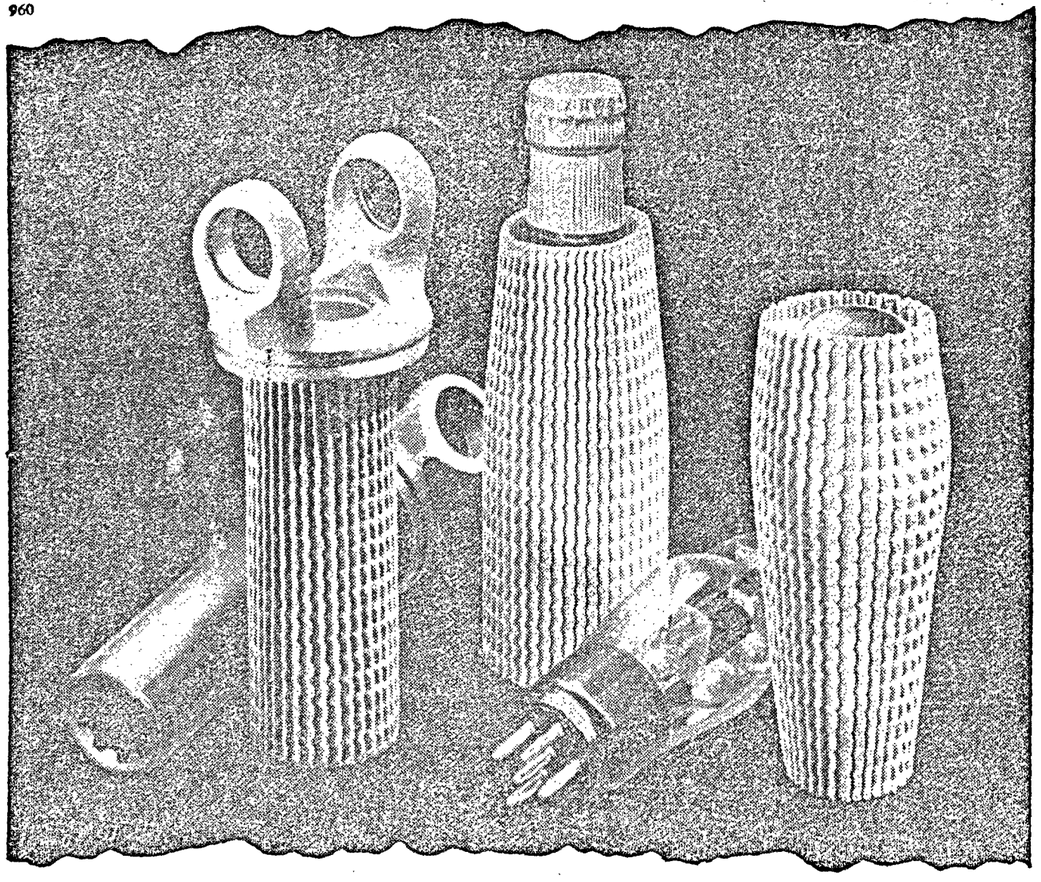
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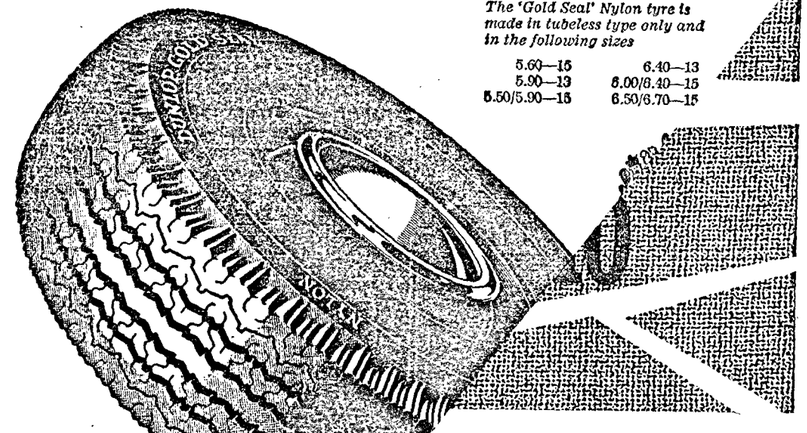
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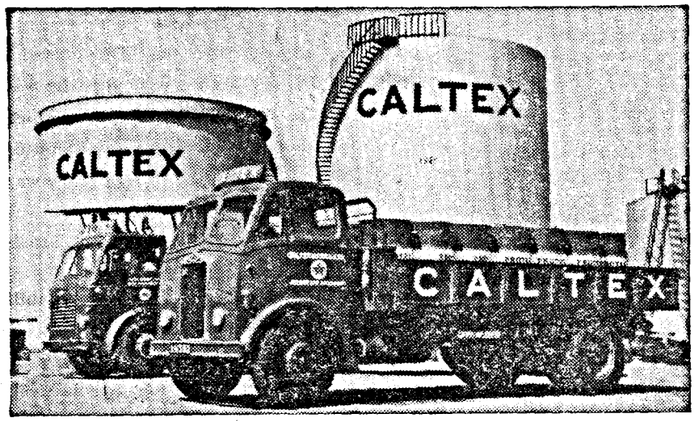
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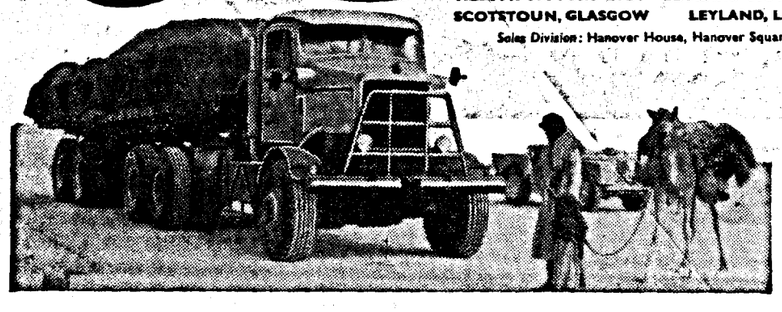
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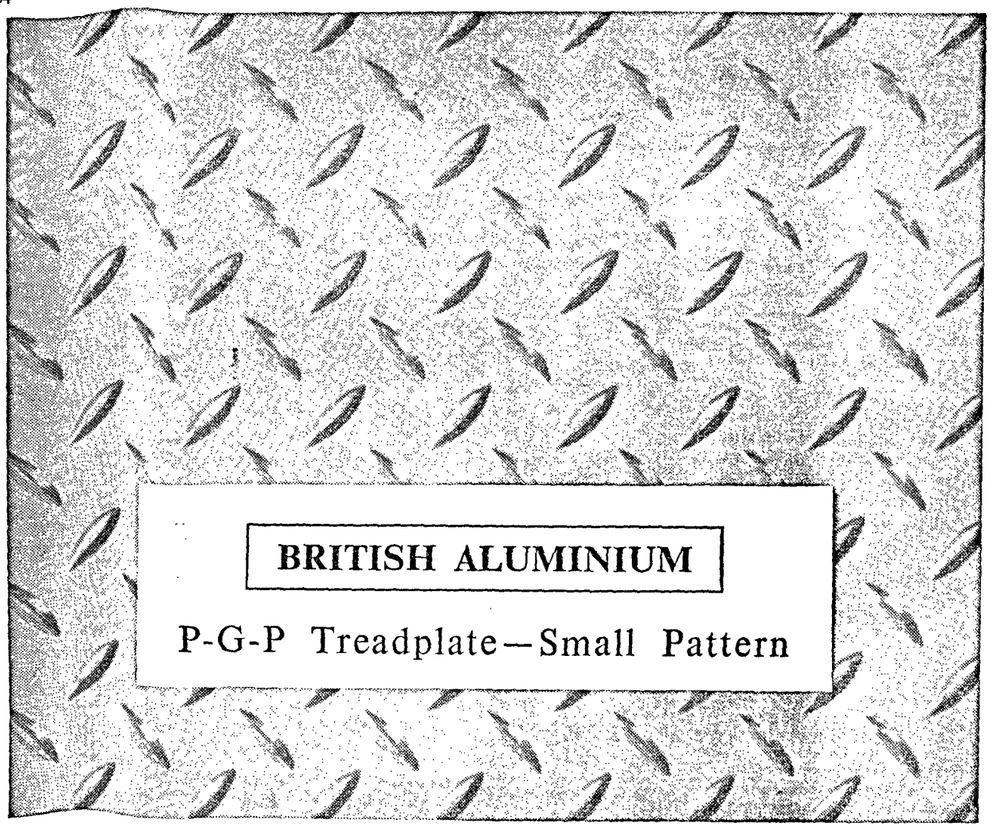


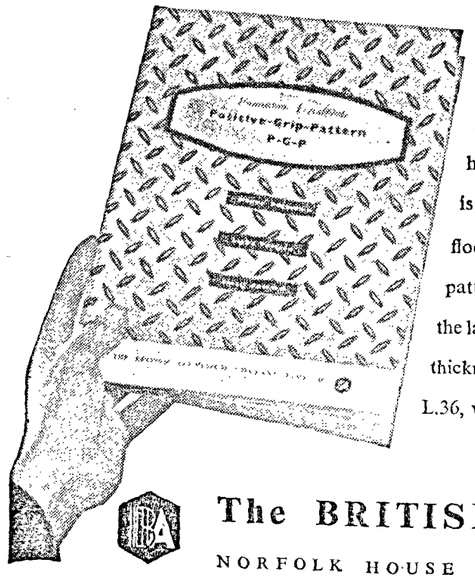
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The Economist

JUNE 14, 1958

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Excelsior!

MAY was a cruel month for those still anxious that East and West should meet at the summit. It began with the conference of Nato foreign ministers at Copenhagen, where the gradual cooling of popular interest in western Europe about such a meeting could be felt in the chill clauses of the ministers' final communiqué. It ended with France giving birth to a new regime, and with French ability to get smartly from the accouchement room to the conference table seriously in doubt.

It would be idle to pretend that these events have made it easier for the West to persevere in what should be its chief preoccupation, the search for a safe accommodation with the Soviet world. Mr Macmillan has stoutly assured the electors of Argyll—and now the Americans—that he still hopes to get to the summit this year, but it does not take a very canny Highlander to recognise that the device on the banner which the Prime Minister so bravely carries looks increasingly strange to some of his allies. Mr Dulles, never an enthusiast, told the Senate foreign relations committee last week that so far he had found nothing in the preliminary talks of the ambassadors in Moscow to justify calling the heads of government together. Mr Macmillan, asked whether he agreed with Mr Dulles, said that he always agreed with Mr Dulles—especially when Mr Dulles agreed with him.

Has the summit lost its point ? It is certainly necessary, in the sharp air of summer, to qualify some of the winter's mistier impressions. Unless the West is willing that President Eisenhower should go to speak on the common behalf *tête-à-tête* with Mr Khrushchev (which would be the most sensible way of doing business, if the President were fit enough) it will be advisable to wait until France is ready to take its place at the conference beside its partners. Again, so long as General de Gaulle's attitude towards Nato (and towards France's own membership of the atomic club) stays undefined, there will be a strict limit to the suggestions which the West could put forward at the summit about the future of central Europe. Any proposals for thinning out the forces there, or putting limits on the introduction of nuclear weapons, depend on the possibility of keeping an adequate deterrent, in the shape of both men and missiles, in western instead of central Europe. If France remains still a reliable base, this may yet be possible ; if not, then a powerful garrison in Germany is all the more necessary.

Indeed, all the interminable preliminaries of the last half year, from Mr Khrushchev's bombardment of letters to the reconnaissance patrols now going in and out of the door of the foreign ministry in Moscow, have simply had the effect of confirming that the list of subjects that can fruitfully be discussed at the moment is very short. From the reports of Mr Gromyko's meetings with the western ambassadors, it seems that Russia is still claiming the wholly unacceptable right to demand the winding-up of Nato and the evacuation of Europe by the

Americans; while the West still wants to bang the table, fruitlessly, about free elections in eastern Europe. There is little profit here. The two sides may settle the argument about an agenda either by taking off all restrictions and permitting a verbal free-for-all, or else by letting each other impose a veto on subjects which they think it pointless to discuss (what neither can reasonably claim is a monopoly of the veto power). But it is clear that the only part of the agenda to offer any hope of doing serious business now must concern a first step, however small, towards a system of international inspection of arms. In fact, this narrowing of the possible scope of a summit conference may have strengthened the chances that a conference will eventually take place.

ONE of the motives behind the Russians' earlier enthusiasm for the summit was undoubtedly the hope that by calling loud and long for a meeting they would undermine those west European governments that stoutly recognise, and insist upon, the need for a strong defensive alliance, and would cause them to be replaced by others more pliant. Once it became apparent that public opinion in the Nato countries could not be led in this way, an important element was removed from Soviet calculations. If that was all the Russians had in mind, the prospect would be dismal; you might lead Mr Khrushchev to the summit, but you could not make him do anything except throw snowballs at the other mountaineers. The encouraging thing is that the provisional ideas now being put forward by the two sides in Moscow are reported to coincide on at least the desirability of making a start on an arms inspection system. The Russians have made remarkably few bones about Mr Eisenhower's request for technical talks on the means of policing a nuclear test suspension; and it is highly likely that they are still blushing at the world's pained disapproval of their brusque rejection of his plan for an Arctic inspection zone. Can they be willing, on this one subject, to bring out their long-hoarded supply of brass tacks?

But is it a big enough subject to trouble presidents and prime ministers with? Could it not satisfactorily be left to the technicians and, when it came to putting signatures on the dotted line, the foreign ministers? The answer is that it might; but there are three good reasons why it would probably be better to link it to a renewed attempt to get to the summit. The first is that, however technical most of the discussion may be, it is bound to require some politically important steps—such as the number of international police stations Russia is prepared to tolerate on its soil—which may well have to go to the heads of government for a decision; and there may be a slightly better chance of overcoming Mr Khrushchev's qualms if he is directly exposed to persuasion instead of being left alone to brood.

The second is that it is in the interest of the West, and of everyone who trembles at the possibility of atomic war, to extend the principle of arms inspection as widely as possible. A supervised suspension of nuclear tests would be good; it would be better if some other experiment in international control could be added to it. Mr Dulles is reported to favour an attempt to add the Arctic inspection scheme to the package. It might also be possible to set up some kind of rudimentary system of supervision in central Europe which would establish the truth of Russian claims to be cutting down the size of their conventional forces there. To draw these threads together into a single pattern is likely to be beyond the capacity of technicians or junior ministers.

The third reason, however, is the most powerful one. It arises from the phenomenon that might roughly be described as the "consensus of world opinion," which embodies the views of the uncommitted nations and which even the Russians are increasingly reluctant to defy. It was this opinion which in 1950 almost unanimously condemned the communists for violating the demarcation line between their world and the West's by invading South Korea. Its crude but unmistakable voice is now beginning to articulate another tenet of its belief: that the great powers must show themselves willing to submit their armed forces to some kind of international inspection. The growl of displeasure that ran round the world when the Russians vetoed the Arctic inspection plan gave them warning that they will ignore this consensus to their cost. It is clearly to the West's benefit to take advantage of the surge of opinion. It can do so by stating its demand for inspection as distinctly, loudly and forcibly as possible; and the best way to do this is to put it prominently on the agenda for the summit. There is nothing to lose. If the Russians accept, a first crack will have been opened in their wall of secrecy; if they do not, they will suffer a propaganda defeat.

IF these arguments are valid, advocates of the summit need no longer feel so much like footsore and busless Londoners who have made a mistake in the Tube and find themselves trying to climb the down escalator. Admittedly, the kind of summit conference which seems possible this year is not the grand and general survey of world problems on which Sir Winston Churchill once cogitated. One day, when conditions are more propitious, the West can return to his concept. When the western alliance regains the flexibility, and decision, which over a wide field Mr Macmillan has been pursuing in Washington this week, it may be possible to contemplate a whole series of summit conferences —where failure to agree will not necessarily mean the failure of the conference, and where a renewed effort can be made to loosen the military straitjackets on the two halves of Europe. Meanwhile, in the comparatively modest sort of meeting which present circumstances allow, priority ought to go to the elements of arms control.

Time for a Stitch

The Chancellor of the Exchequer has expressed the desire to resume "a steady rate of expansion." On likely trends the need may be at least as much to avoid contraction

IN managing an economy, what every government dreams of being able to do is to correct the adverse trends before they really set in; oddly enough, this Government this summer has a chance of doing just that. What is impressive about the economy in mid-1958 is not simply that after three years' disinflationary policy (with the little bit of luck of a fall in import prices) the Government has at last held wage increases to a level that promises relative price stability—as once the bus strike is over it may have done. It is that this has been managed, almost to the last, without running production down. Only now are the signs accumulating that production may be turning downwards with the British economy, nine months behind the American, entering upon an inventory recession; and now the Government, too, is ready to turn.

It is reasonable to talk of this, as the Chancellor is now doing, as "resuming expansion." Certainly it is reasonable to qualify it as "a steady rate of expansion, not so fast as to push up prices again." Nor will anyone be surprised that the Chancellor's emphasis, "when the time comes we must see that industrial investment in the widest sense has a very high priority," suits *The Economist*. But it is as well to face the fact that for the next twelve months or so this may be a matter of holding production up, rather than of promoting expansion; in mid-1958 Britain may not succeed in laying on neatly just the precise amount of reflation it would choose, of just the kinds it likes.

Exports are a priority as well as investment, and here the Government has already shown willing. Clearly, there is now nothing coming quickly from Washington that will significantly strengthen international liquidity. There have been solemn affirmations from Venice this week about toeing the line on export credits and insurance; so there should be. They make it no less likely that major exporters, this winter, will be cutting the corners here and there to win any plum contract that some underdeveloped, uncommitted, unwilling-to-pay-on-the-nail nation waves in front of their noses. Nor should Britain always be left at the tape. But it would be over-optimistic to reckon that anything we can do to stimulate demand abroad, even in the Commonwealth, can prevent our exports from declining this year. Reflation begins at home.

Where it could begin certainly and fairly quickly is where the Chancellor would probably not be anxious to start—in public investment. If he were to remove the restrictions which Mr Thorneycroft imposed in September, there would be no shortage of candidates eager to invest public money. Some would be deserving: it is difficult to think of any road investment project near the top of the pile that would not be a good one for the country, though those easiest to start by ministerial fiat are likely to be the grandiose ones and not the myriad smaller improvements that might pay off most in easing traffic. And it would surely not take as long now to alter the pace of nationalised investment as it did in the early postwar years; much of the slack in the economy today is, after all, in the capital goods industries. The Government has already restored cuts in railway investment; it might be able to satisfy itself that the case is no worse for more investment again in gas, electricity, or coal. Unfortunately, outside observers—particularly overseas—might not be easy to satisfy (in Zurich it might look like more socialism). It is arguable that the most impressive increase in nationalised investment that the Government could announce, with the most far-reaching effects, would be a decision that Richard Thomas and Baldwins should go forward with plans for a fourth strip mill at Newport; but that might look like more socialism nearer home as well.

CLEARLY, however, it is private investment that the Chancellor will most want to stimulate; this is the boom that is passing (though as this week's figures of manufacturing investment show, it is an unconscionable time a-dying). The question is whether, and where, he can act before the downturn really sets in. Where he should start admits of little argument; how much such a beginning will achieve is less clear. Stalwarts alike of selective or of general economic controls can join hands in advocating withdrawal, at the right moment, of the directive to hold bank advances (which are almost certainly already below the ceiling) and on relaxation of the Capital Issues Committee's stranglehold on new issues: either canon would dictate that these discouragements to private investment should come off first.

How much more private investment they would then encourage is anyone's guess. There must, no doubt, be a layer of investment projects that have been shut out during the last two years by these restrictions: Lord Piercy sounds as if he has a filing cabinet full of good small ones. But private industrial investment is now very heavily concentrated into the hands of a few large companies, most of which have been spending very heavily since 1954. These take long views; that has

indeed proved a real safeguard against panic cuts in investment during the years of disinflation. But those long views, in 1954-55, may have glimpsed a level of demand in, say, 1959-60 which they now reasonably may not expect the economy can (afford to) reach for a couple of years longer. Their underlying confidence is not easy to shake; but it is perhaps not easy to boost suddenly, either. Besides, industry has now installed and paid for the capacity to meet that higher level of demand, whenever it can be reached; it has yet to see the return.

It may be, therefore, that we are witnessing the close of a secular investment boom that will hardly be revived simply by the Government ceasing to try to discourage it. If so, switching the fiscal gimmicks—say from initial to investment allowances—could not be expected to have much more prompt effect either. It may be that private investment will not surge forward again until industry tastes the flavour of expansion in total demand —which means consumption too, investment's stimulant as well as its inexorable rival.

Any reflation of demand in general must be careful and cautiously timed. It could hardly come before the season of strain upon sterling, and it must depend on how the American and German economies are looking by autumn, and on what their governments are disposed to do about them. But the psychological moment for the first relaxation of the credit squeeze, sweetened perhaps by some "incantational" half per cent or so (which can always be explained as vital for perfectly good technical reasons, such as *sauter pour mieux reculer*) may be nearly upon us.

France's New Regime

General de Gaulle governs by grace of the army; now that the parliamentary regime is dead, is it possible for him to create a new force to fill the political vacuum?

THE storm-troopers of revolution, when their leaders civilly thank them in the hour of success, are not always very ready to take the hint and go home. More often there is an embarrassing pause while the storm-troopers consider whether to notice, or to overlook, that the warm words of appreciation have been framed in the past tense. Just so must the wordy warriors of the committees of public safety have caught their breath when they heard from General de Gaulle in Oran (June 6th): "One cannot have a revolution every day. . . . Your work *was* sound"; or when General Salan told them (June 8th) that their work *had been* crowned by General de Gaulle's visit; not to speak of their feelings when General Massu, remarking that the revolution was over, added a hint about the Forum being wanted for parking-space. The moment of embarrassment has come quicker for M. Delbecque than it did for Garibaldi or even for Captain Roehm.

Indeed, the May axis of civil conflict has turned into a triangle: the settlers, the Army, and what is left of the civil government of the Republic. Of these three, there can be no doubt that the Army is the apex. As the piecemeal facts come to light that indicate how the May revolution was carried out and why M. Pflimlin and his colleagues gave way before it, it becomes clear that the settlers' part in the revolution, while it was not immaterial, was secondary. They provided the army with the necessary pretext for seizing power in Algiers —the first step in what is now seen as a planned programme for the seizure of power in Paris—and with the useful simulacrum of a mass movement with which to confront the wavering Republican leaders. But the Republic did not surrender to the settlers (whose following in France was inconsiderable); it surrendered to the Army.

It was when M. Pflimlin and his colleagues found the armed forces in France equally resolved with those in Algeria to refuse obedience that they decided to throw in their hand. When President Coty told the Assembly on May 29th that it had to choose between General de Gaulle and civil war, he meant, and was taken to mean, that General de Gaulle was the only prime minister whom the armed forces would tolerate. The Republican parties then invested General de Gaulle with the powers of government and the prerogatives of parliament. But they did not take this step until effective authority had in fact passed from them; they had nothing to transfer but legality. The reality of power was by then wholly in military hands; it is from those hands that General de Gaulle has received power, and on them that he depends to get done anything that he may decide to do, even on the home soil of France.

In Algeria, the army is not merely the source of power; it has also become the executant—a little-noticed change from before the revolution, when the machine of civil government there was directed by a civilian resident minister. The commander-in-chief of the forces, General Salan, has now been appointed the government's delegate-general as well; he has full power in all branches of government, including, as General de Gaulle's letter of appointment makes clear, the power to ship any or all of the civil servants back to France, provided only that he consults Paris about their replacements.

It can be said that this step has merely legalised what was done arbitrarily in Algiers by the sack of the seat of government on May 13th, and on the following days in the other Algerian departments, when most of the prefects were forced out of their offices. But, while the gains of the army have been legalised, those of the committees of public safety have not. True, the committees threw their weight about during General de Gaulle's visit last week, physically preventing two of his ministers from appearing with him on the balcony, stopping mayors whom they disliked—including the mayor of Algiers—from seeing the general at all (which means that they also stopped the general from seeing his mayors), and keeping the Paris radio reporters out of their own radio building. But General de Gaulle and General Salan have told the committees what their place in the new scheme of things is to be, and that it allows them none of the attributes of sovereignty which they had claimed for themselves. Naturally they are using their elbows to keep as much of a privileged position as they can, and it may very well suit the soldiers' book to humour them. As pressure groups, blocking innovations, they may be influential; thus they succeeded in forcing M. Chevallier, the mayor of Algiers, out of office even after General de Gaulle's visit. They can still do a lot of harm, but it is the armed forces, not they, that hold power.

CLOTHED in white samite as they were, General de Gaulle's policy statements on his Algerian tour fitted the Army's requirements, and not the settlers' requirements, for an Algerian policy. Equal French citizenship for all; the end of social privilege and under-privilege; elections, without waiting for the end of the war, to produce some kind of indigenous representatives with whom some form of discussion of the Algerian future is contemplated; clemency for those rebels who lay down their arms; but no hint of a concession on the French character of Algeria, and no hint of any negotiation with the rebels as an organisation.

It is a programme that General de Gaulle can sincerely reconcile with his own principles of decency and justice—the "generosity," to use one of his favourite words, of France; it is also a programme in front of which the Army can fight. It is not what the settlers would have chosen, though in a tight corner they may swallow much of it. The general's promise of local elections within a month seems to them to be going too far too fast, and in this it does appear that they have found some sympathy with the soldiers, since their protest of Tuesday could hardly have gone forward at all without the first assent of General Massu and General Salan. All that is wrong with the de Gaulle programme in general is that it comes a generation or two too late and is by now completely unrealistic; it implies, when all its implications have been weighed by all Algerians, the indefinite continuation of the war.

Although the Tunisians, the Moroccans, and the FLN have at least as much respect for General de Gaulle, and have been in the past at least as disposed to think of him as a possible saviour of the situation, as have the French people themselves, they have straightaway perceived that this is what the policy he has announced must be taken to mean. If they prove to be right, it is well to be clear that it rules out any early improvement in the political state of France itself; if the Algerian problem continues unsolved, then the French problem will continue, too.

To say this is not to attack General de Gaulle, or to underestimate his great personal qualities or to cast aspersions on his character. If he had come to power in other circumstances, he might have been able to offer the brighter prospect—reconciliation abroad, social and political reconstruction at home—for which many Frenchmen, and not a few people outside France, are desperately pinning their faith on him now. But where now are the sources of political strength in France on which he can draw for the pursuit of such a programme? General de Gaulle has been put in power by an army convinced, naturally and humanly no doubt, that its bloody failures in successive colonial wars were the result of irresolute parliamentary government. In fact, the real reason for the failures is that France has been fighting the kind of wars that it is impossible to win; the irresolute governments were to blame not for losing the wars, but for letting them be fought. But the deficiencies of the French parliamentary system concealed this fact, so that only a few civilians in France, and very few soldiers indeed, have begun to understand it. In this state of mind the army has overthrown the parliamentary system and has put General de Gaulle in. The parliamentary parties are left without a shred of credit, unable to give the new prime minister any effective support even if they wished to do so. (The tenuous function of the parliamentarians in the new government is discussed on page 1001.)

In this predicament—without political allies of any consequence, because none exist; dependent on the support and approval of the army; having no choice, as it seems, but to go on with the war—General de Gaulle is preparing for a constitutional referendum to be followed by elections for a new parliament of some kind. Anyone is entitled to hope, and to pray, that by an act of creation, in this short summer that lies between France and its new charter, he may call a political force into being which can give a firm, yet not a military, base for authority in France. Frenchmen of good will have little choice but to hope that this will be so; they have no longer in the background the alternative of de Gaulle to whom they can turn when things come to a deadlock. Yet if it happens it will be nothing short of a miracle. France at the moment is in a strange transitional phase, a free society in which responsible government has been suspended; yet, the suspension having been done with all legal form, the authoritarian regime continues to tolerate personal and political freedom. It is not a state of things that can last; but what, without the miracle, can General de Gaulle put in its place?

A Bill for Trade Unions?

Parliament should pass legislation to protect the individual's right to choose to abstain from striking

THE Inns of Court Conservative Society, a group of influential Tory lawyers, has produced a pamphlet* which is extremely timely and could be exceedingly valuable. It makes detailed suggestions about how the trade union movement, like many an earlier estate of the realm "which was at its inception not amenable to any law, save the law that might is right," could be gently subjected to its own equivalent of Magna Carta and the Parliament Act and "brought in turn under the rule of law."

The great advantage of this pamphlet is that it is likely to get considerable publicity by being violently attacked. Trade union leaders are going to say that its proposals unmask the real, sinister Conservative design behind this year's wage struggle, now at an acute stage. They will point out that three senior members of the Conservative Cabinet are vice-presidents of the Inns of Court Society; and that prominent Tory MPs are active members of it. The Conservative high command can respond to these attacks in one of two ways. Either it can point hastily to the usual saving clause that the views in the pamphlet do "not necessarily express the opinions of those members of the society who have joined the Government." Or else it can face the attacks boldly, grasp at least part of the nettle, and introduce legislation on some of the lines suggested, preferably in the next session of Parliament. This would be much the better course. The Government would be unwise to implement some of the legislative proposals which the society recommends; but it will be even more unwise if it ignores all of them.

THE proper object of a reform of trade union law is surely simple to state. In a free society no private citizen should have the unfettered power to compel another private citizen to do something that he does not want to do. Down the centuries in British history legislation has been brought into effect to protect the right of the individual to have different politics from the squire; to have a different religion from the established church; to do things that would annoy the barons and the King. The individual right that most patently needs to be protected by new legislation now is the right not to strike. If a man wants to withdraw his labour or to take some other restrictive industrial action, either because he thinks that this is in his interests or because he is willing to accept a majority decision of his workmates, then he should be allowed to do so. But if he does not want to strike, nobody should have massive powers to force him to. Least of all should those powers be exercisable by using sanctions of industrial life and death.

The sanctions of industrial life and death used to lie far too much with employers. This has been gradually mitigated by law, custom, full employment, and the existence of free trade unions. Perhaps the process of mitigation by legislation, which began with the Factory Acts, should now be still further extended (the Inns of Court Society suggests that, to prevent a man from being suddenly thrown on the scrapheap, all employees should statutorily have a right to a longer period of notice and to higher severance pay). Certainly, the existence of free trade unions is still essential as a counterweight to the power of the industrialists' long purse. But nobody who has any acquaintance with the present industrial scene can doubt that the unions have now, in their turn, become very much more than a counterweight of this sort. They have taken over far too many intimidatory powers themselves. As one trade union leader admitted last week, there is now in some factories an "atmosphere of fear" that anybody who gets on the wrong side of the shop stewards "is for the high jump." It lies in the logic of Britain's history that controversial legislation will eventually have to be introduced to curb this new despotism; the sooner the better.

THE bill to curb these powers would not be very difficult to draw up. A first practical step was suggested by *The Economist* last February, and our proposal is now seconded (although in a somewhat too extreme form) by the Inns of Court Society. Its pamphlet argues that the trade unions have acquired their present dominant position largely because of the considerable legal privileges accorded to them. These are, mainly: (a) the freedom of all concerned with a trade dispute from being sued for civil conspiracy even if they combine with the intention of deliberately harming another person; (b) trade unionists' freedom from being sued for inducing a breach of contract by an individual; and (c) the protection given to trade unions from actions in tort. These and other privileges are given to trade unions and persons engaged in a trade dispute under the trade union acts of 1871, 1875, 1906 and 1913. The Conservative lawyers now suggest that all of these powers (*The Economist* would say only some of them) should no longer be given automatically under these acts. Instead, they should be given only to "trade unions that have been registered with the Registrar of Friendly Societies and to their members acting as such." And the registrar should be empowered to make conditions that must be obeyed by the rules of all trade unions which are accorded this privilege of registration.

The Conservative lawyers have two aims here, in one of which they seem to be misguided. Their misguided aim is that they think that the new powers of registration should be used directly to limit strikes. They think that strikes called by a union should be covered by present legal privileges only if the strike "has been preceded by an inquiry by an independent tribunal into the facts and issues of the dispute," and that "a period of fourteen days" should elapse between the publication of the tribunal's report and the posting of strike notices; there is something to be said for encouraging cooling-off periods of this sort, but little—at the moment—for legislating about them. The pamphlet also says that one very "beneficial effect" of its proposals would be virtually to prohibit "unofficial strikes." By definition, it points out, any unofficial strike "would be organised by those who had not become registered as a trade union. They would therefore not have the privileges conferred on workmen by the various trade union acts, and would run the risk of civil or criminal proceedings." This distinction between the official and unofficial strike, a distinction which is as beloved at Transport House as it is by Tory lawyers, is very dangerous. Although many unofficial strikes are admittedly organised by communists or other congenital malcontents, some of them are still impromptu expressions of protest against some local *sottise* by an employer, unpopular foreman, or the like.

As a cold matter of experience, these unofficial strikes sometimes deserve much more sympathy than strikes called by Mr Cousins or some other potentate at Transport House. The supposition that an unofficial strike is always a bad one (like the supposition that an official strike is always a good one) is based on an unfounded glorification of trade union officials.

BECAUSE of these complications, the right course, surely, would be to reject any idea that new legislation should seek directly to limit strikes, and to concentrate instead on legislation to safeguard the freedom of individual workers. Strikers' freedom from being sued by employers should remain generally intact as now, and still covered by the trade union acts; the proposed machinery of registrar's rules should be designed to protect not mainly firms, but individual workpeople who prefer to be non-conformist. To some extent, what is wanted now is a charter for breakaway unions (the pamphlet recognises that minority groups of workers should be much freer than they are now to form unions of their own choice); but, in much bigger part, the need is for what union leaders will no doubt call, indignantly, a charter for blacklegs.

Briefly, a man who is hounded out of a job by fellow trade unionists should have the right to sue for civil conspiracy those of his fellows who have been active in this hounding, unless the dismissal from his union and his industry has been effected according to rules registered with, and accepted by, the registrar of friendly societies. Here the Inns of Court Society's pamphlet suggests an admirable formula.

Where a union does not operate a closed shop, it says in effect, rules about expulsions need be little changed from what they are now; voluntary unions of this sort are genuinely comparable with any other voluntary society. But where a union does choose to operate a closed shop, then—if it is to continue to be free from the threat of suits for civil conspiracy—it should be obliged to agree that "no person of good character who genuinely desired to carry on an occupation covered by the union was prevented from joining the union"; in addition, expulsions should be valid only "in cases of serious misconduct," and they should be effected only through proper and formal administrative machinery with provisions for appeal to an independent body.

IF these reforms could be put on the statute book, the only strikes that would be at all effective would be those which a large number of the union members concerned genuinely wanted to join. The worst sorts of unofficial strikes would disappear if ordinary workers no longer felt that those who got on the wrong side of the shop stewards "were for the high jump"; and some people may doubt whether, under these conditions of legal security for their jobs, the London busmen would have responded to Mr Cousins's official call in much greater numbers than the underground railwaymen responded on Monday to the call of unofficial militants (who, the tube workers knew, could not get them the sack). If the busmen had still come out under the reformed system, then that would have been a sign that Mr Cousins was undoubtedly right in his claims that the busmen are "united in their resolve"; nobody could then complain that he was guilty of intimidation.

What possible objection, in the ethics of democracy, could there be to the Government introducing this limited and strictly libertarian reform of trade union law? The answer, of course, is that there is no objection in ethics, but that there is conceived to be one in politics. If legislation of this sort were introduced in the parliamentary session starting next autumn, it would cause a major political row, which might swamp all other issues in the general election that will follow soon after. But this is not an objection; it is an advantage. The coming general election, instead of being one between vaguely defined Conservative ins and still vaguer Labour outs, might then be a really historic contest, fought largely on one crucial test issue: it would determine whether the British people prefer to accept, as a continuing feature of their industrial life, the present (perhaps convenient) despotism of the trade unions, or whether they would opt for freedom. Both parties might be surprised at the result.

* "A Giant's Strength." A study by the Inns of Court Conservative and Unionist Society. 86 pages. 4s.

Close Shave in Rhodesia

With the federal elections due in the autumn, the rise of the Dominion party overshadows Rhodesia's future

To the relief of almost everybody in Britain, the moderates have won the day in the Southern Rhodesian general election. Yet such a narrow electoral victory, in a contest fought on the life-and-death issue of black-white relations, comes perilously close to being a moral defeat. Mr Todd, the prime minister until the cabinet crisis of last April, has been hurled into the wilderness, partyless and seatless; Sir Edgar Whitehead, who supplanted him, has had the government's majority cut from 18 to four; and, above all, the moderates won only because of Southern Rhodesia's peculiar voting system. The best that can be said of such a result is that it gives both black and white Rhodesians a little time to think where they are going. But not much time; in the autumn Sir Roy Welensky, the federal prime minister, will have to face the Rhodesian electorate as a whole on almost the same issue in the federal elections, and without the same voting system to help him. Fortunately, because of the strength of his support in Northern Rhodesia, Sir Roy can probably still expect to win. Our correspondent in Salisbury, in a despatch on p. 1002, certainly gives a very confident prediction to that effect. But, looking at the results of last week's voting in the most important of the three territories of the federation, liberals here should recognise that the principle of partnership in central Africa is engaged in a stern struggle for its life.

The United Federal Party, which is Sir Roy Welensky's party as well as Sir Edgar Whitehead's, won 17 of the 30 seats in the territorial Southern Rhodesian house. But it won them on a minority of votes. Southern Rhodesia has plumped for the optional alternative vote; and this three-cornered contest between Sir Edgar's middle of the road party, Mr Todd's breakaway liberal party and the Dominion party opposition affords a case history in its operation. On the first preference voting, the Dominion party, which detests Mr Todd, Sir Edgar and Sir Roy indiscriminately, came comfortably home, winning 18,142 votes to Sir Edgar's 16,840 and Mr Todd's 4,663; this would have represented 17 seats to Sir Edgar's 13 and Mr Todd's none. On the British system, Mr Stockil, its leader, would now be forming the government.

The alternative vote saved the day for the moderate men. When the second preferences were counted in those constituencies where the winner had not an absolute majority over the other two (or three) candidates the position was exactly reversed, and gave Sir Edgar 17 seats to Mr Stockil's 13. (Mr Todd still got none.) There is no alternative vote in the federal constituencies. Admittedly Mr Todd may not split the poll there. But if the swing against the government of the day goes further—and if it shows anything like the same strength in Northern Rhodesia as well—Sir Roy Welensky will face defeat. Mr Winston Field, on these figures alone, would stand a chance of finding himself federal Prime Minister in a few months' time—pledged to wrest independence for the Federation from Britain as he is pledged to arrest the pace of African political and social advance.

It is not unreasonable to see in the Southern Rhodesian election something of the federal shape of things to come. Ranged with Sir Edgar were Sir Roy Welensky and Lord Malvern, who threw the whole weight of his unique authority in Rhodesia into the scales. On the other hand, all the anti-liberal forces coalesced under Mr Stockil, who fought side by side with Mr Winston Field, leader of the federal Dominion party. The issue was African advancement, which, it should be said, is largely a territorial responsibility; but the electorate was passing judgment on Mr Todd's "ultra liberal" decision to extend 20 per cent of the franchise to Africans, as it will shortly pass judgment on Sir Roy's broadening of the federal franchise—which was so bitterly criticised in Britain for not being liberal enough. Mr Field, though he has many planks in his platform, came out bluntly for the reversal of both franchise reforms, by means of tests of African "franchise-worthiness." Mr Field attacks anyone who implies that his party stands for apartheid—for South African *baaskap* under the Union Jack. But his party contains sufficient extremists, who openly proclaim that Rhodesia must follow the "southern African pattern," to justify Mr Todd's warning that, behind the specious formulas of its manifesto, Mr Field's party is essentially opposed to any genuine racial partnership.

YET the federation of three such diverse territories as Northern and Southern Rhodesia and Nyasaland, with the immense and unredressable preponderance of blacks over whites, can only stay viable if the centre party is strong: if, above all, the innate tendency in multiracial territories for the white settlers to move to the right, as the black citizens awake politically and begin to flaunt an aggressive black nationalism, is contained. Clearly that tendency is not being contained in Central Africa at the moment, on either side of the colour bar. From the inception of federation, the African National Congresses in the two Northern protectorates, fearful of the settlers' power, have indulged in extreme language by way of protest at their lack of real and reassuring political influence; while the whites' growing fear of black intransigence has deepened opposition to the very measures intended to conciliate the blacks. The revolt against Mr Todd was only the latest manifestation of this erosion from the central party of its white—and black—supporters. It may not be the last.

It is too soon to assert that this erosion will go so far as to make federation untenable—that it will end, as Sir Edgar Whitehead in a moment of desperation warned his countrymen it might, in the loss of the two Northern territories to black nationalism and of Southern Rhodesia to Messrs Strydom and Verwoerd. But, if this is not to be the end of the great experiment of central African federation, strenuous efforts must be made to halt the process; for Sir Roy to scrape in with as narrow a majority as Sir Edgar would indeed be a pyrrhic victory for the principle of partnership in the long run. Clearly Sir Roy and Sir Edgar must work with Mr Todd to reunite the liberals. They must also somehow hold out a more friendly hand more convincingly to the African moderates, whose failure in Southern Rhodesia to register in the numbers to which they were entitled (because the African National Congress held them back) lost Mr Todd, their champion, all voice in the house. Mr Samkange has made a moving appeal for more understanding of moderate African leaders' difficulties. On their side the Africans ought to see that with so close a balance between the two opposed European groups they have a unique chance to influence events by playing their full part under the reformed federal franchise—even though it has not been reformed as liberally as they and some other people would like. Boycotting the federal elections may merely hand power to those who would deprive them of their newly-conceded power to play an increased parliamentary role.

Now is the time for all wise men to give something up—the Africans their dream of secession, the United Federal party its dream of "throwing out the Colonial Office", the Todd liberals their eagerness to split the vote, and the British Labour Party its hope of forcing the pace too fast. If the friends of progress in Central Africa will not make these concessions to political realities, they may merely fulfil the dreams of the apartheid-minded extremists instead.

NOTES OF THE WEEK

DISARMAMENT

The Caravan Moves On

"CERTAIN elements, one might almost say, of the party knock-about"—to use Mr Selwyn Lloyd's words—played a sadly large part in Tuesday's House of Commons debate. Disarmament is such an unwieldy topic that it always tempts people to over-simplify; and this temptation is too often reinforced by the urge to score party points. Mr Bevan's indignation with the Government led him to say that the Russians could not be blamed for boycotting disarmament talks in the United Nations. Mr Sandys, in turn, was provoked into accusing Mr Bevan of arguing "that everything the Russians do is right and everything we do is wrong." Later in the debate, Mr Denis Healey crisply remarked that the Prime Minister was in Washington trying to "persuade the Americans not to agree to a ban on atomic tests being separated from other measures of disarmament."

Mr Philip Noel-Baker's new book (a review of which appears on page 987) was cited by many speakers. But even those who had been favoured with advance copies did not seem to have read, marked, and inwardly digested them. Mr Bevan, for one, in spite of having such a useful compendium to hand, got unhappily mixed up between the events of 1955 and those of last year; and his praise for Mr Noel-Baker, whose main thesis is that partial disarmament measures will not do, did not prevent him from concentrating on partial measures and turning a jaundiced eye on Mr Sandys's exposition of the need for a strong world authority to enforce general disarmament.

What Mr Sandys said on this crucial point was hailed as a spectacular new departure by some members, as he intended it to be; others derided it as a mere diversion. The Foreign Secretary did not respond to Mr Henderson's plea for more light on the subject—nor to his suggestion for making a start towards a world peace-keeping authority by placing a UN force in central Europe to facilitate disengagement. Even Mr Noel-Baker seemed more interested in wrangling over the past than in setting out the essentials for the future.

This disappointing debate does not obscure the week's indications of modest progress on the international plane. The dogs may bark, but the disarmament caravan seems to be in motion—though admittedly slow motion. Mr Eisenhower's latest letter to Mr Khrushchev appears to remove the last obstacles to the proposed meeting of experts to discuss the supervising of a suspension of nuclear tests. And on Wednesday Mr Khrushchev was reported as saying that Russia did not intend to resume its tests, despite the fact that America and Britain had not yet suspended theirs. It is much to be hoped that he was reported correctly.

SOVIET UNION

Dollar Aid for Moscow?

INTERRUPTING the series of summit exchanges, Mr Khrushchev has now sent a trade invitation to Washington. In a letter addressed to President Eisenhower, he points out that the United States is the only important country not to have a trade agreement with Moscow. The Soviet Union, he argues, can be an extremely useful trading partner. The new drive to develop consumer industries, chiefly the chemical branches, makes Russia particularly

interested in foreign supplies. Within the next few years, he claims, it could absorb goods from the United States to the tune of "several billion dollars". If the American market does not at present want a corresponding volume of Soviet commodities, the Russians will be happy to buy on credit.

After the communist strictures on Jugoslavia for its dependence on American aid, this bid for credits is bound to raise a laugh. The fact that Russia, the apparently generous creditor of the East, has joined the queue of borrowers in Washington will also provoke amused comments. The proposal, however, cannot be dismissed so lightly. The timing is excellent, for in the present state of world business nobody will turn down a possible outlet in foreign markets without a pang. Mr Khrushchev is not asking for strategic goods, but chiefly for equipment for light industry. He also asks for an exchange of information and welcomes the prospect of American consultants in Soviet firms. Finally, the clause about credits is introduced by the sentence that "many American firms are interested in getting orders now"—the only gentle hint about the recession.

Mr Khrushchev, when he outlined his plans for the development of Soviet chemical industries, last month said that some of the necessary equipment should be ordered "in capitalist countries". He recalled that in the early thirties Russia had been one of the best customers of the United States. Conditions today admittedly are different: American production is not paralysed by a slump, and Russia is no longer in the early stages of its industrial revolution. Nevertheless Moscow now seems in real need of foreign supplies and, if the American deal does not come off, some of the orders may go to British or German firms. Russia's gigantic initial proposals usually end with the striking of a few concrete bargains.

Musical Chairs

BECAUSE Beria had no ear for music, and because Mr Molotov and Mr Malenkov were dreadful philistines, injustice was done to such prominent Soviet musicians as Shostakovich, Prokoviev and Khachaturian. Such is the conclusion of a surprising statement in *Pravda* last Sunday. For some unknown reason the party's central committee decided to turn its attention to music and to revive a ten-year-old affair. In 1948, it will be recalled, the Soviet communist party, under the late Zhdanov's guidance, was reasserting its full control over the arts after a period of wartime relaxation. The new statement endorses the broad lines of the Zhdanovist policy, its condemnation of the twin sins of "modernism" and "formalism." It adds, however, that though the campaign was correct it was marred by unjustified and unduly harsh attacks on prominent Soviet composers. This was due to Stalin's subjective judgment, evilly influenced by Mr Khrushchev's three fallen rivals mentioned above.

Any loosening, however slight, of the Zhdanovist straitjacket must be welcome. But it is odd when musical criteria change with the fluctuations of political fortune. In the same issue of *Pravda* there is a long article on music, quoting Mr Khrushchev. But will Mr Khrushchev's own aesthetic reputation survive if one day, in this deadly game of musical chairs, he loses, like Mr Malenkov before him, his seat of power?

STRIKES

Underground Movement

THE main interest in the strikes this week has shifted from the high places of the TUC to the far underground. The story of the unsuccessful one-day stoppage on London's tube railway on Monday deserves to be closely studied, not least by the editors and industrial correspondents of some national newspapers, who must carry a considerable share of the blame for such dislocation as occurred.

The facts of this curious affair appear to be these. On Thursday of last week, the day on which negotiations between Sir John Elliot and Mr Cousins broke down, a room full of union militants, said to "represent" 11 out of the 38 branches of National Union of Railwaymen tube workers, met to consider taking sympathetic action with the busmen. Their leader was Mr Tom Doubtfire, described (but see below) as an £11 6s. a week motorman. This entirely unofficial meeting "decided unanimously" to call a strike every Monday until the bus dispute was settled. Ten thousand leaflets had been printed (financed by whom?) dressing up this decision as having been taken by "the chairman and secretary of the conference of the London Transport Executive's NUR branches," and these were distributed up and down the lines and put on union notice boards in underground depots. Further publicity was secured by contacting the press, where—no doubt much to the organisers' delight—the "threat of tube chaos" made front-page news.

On the same evening, the NUR itself sent round other notices which were substituted for the unofficial ones in the depots, telling the men not to strike. But throughout the next two days the press carried stories of meetings of "delegates"—said in total to represent some 800 men (principally at Fulham, Ilford, Leyton, Earls Court and Covent Garden)—which "passed resolutions approving strike action." The barrage of words was carefully built up, and many underground men must have supposed that if they turned up for work they would make themselves very unpopular with some elusive but newspaper-suggested mass movement of their mates. Presumably because they could not find out exactly where this mass movement was, most of them fortunately had the good sense to disregard this scare technique. On Monday only 230 underground drivers and conductors failed to report for duty, which makes some of the press reports about the numbers who had previously voted for a strike look rather odd.

Mr Doubtfire's own job is interesting. He is paid by London Transport as an underground train driver, but he has not driven one regularly for quite a time past; he seems to have been employed, in effect, as a full-time shop steward for some years. To whom is Mr Doubtfire supposed to be responsible, and—if, in fact, he is carried for this full-time job on London Transport's payroll—why?

Other Small Back Rooms

THE technique of stimulating strikes from a small back room has been used with equal enthusiasm, but greater effect, by the 25 self-appointed "dockers' leaders" on the unofficial port liaison committee at London docks: 3,500 men have been on strike at Tooley Street for a month in support of strikers at Smithfield meat market, and they were

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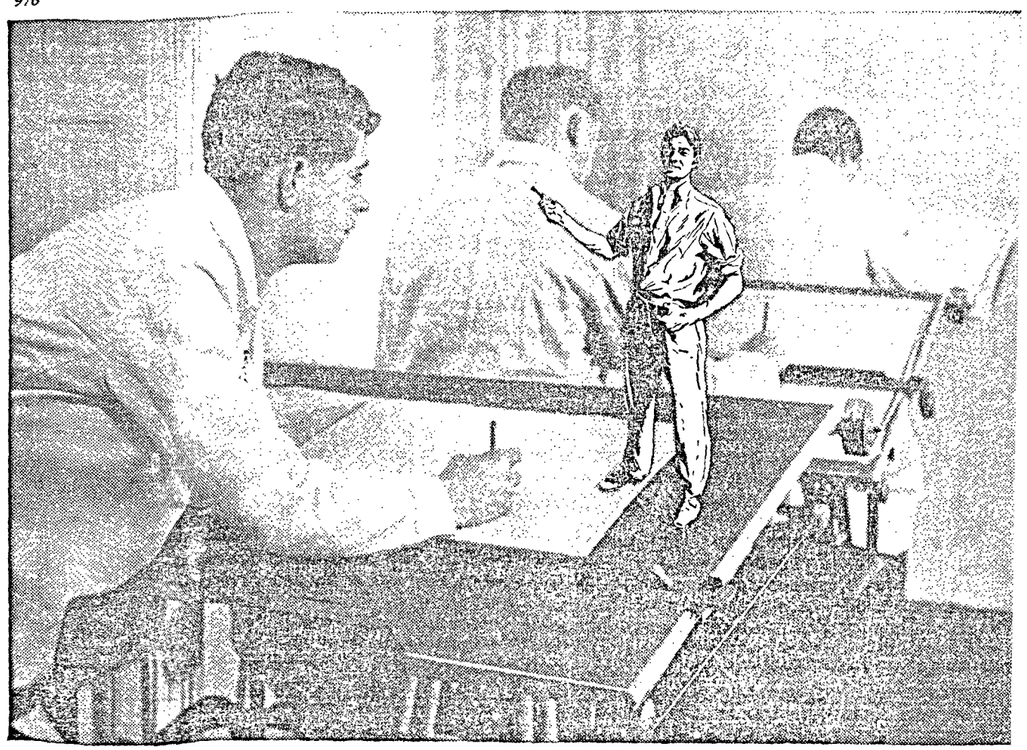
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joined during the following fortnight by 16,000 other dockers who had been led to believe, by rumour spreading and suddenly convened meetings, that the employers were using clerks' labour in the docks on a large scale. In fact, "black" workers had until then been confined almost entirely to Tooley Street, where employers were bound to let goods be moved out of cold store because they had already been bought; in many cases the buyers had always moved their own goods anyway. Enthusiasm for the strike outside Tooley Street has from the start been lukewarm, but the efforts of Mr Fry, the London dock secretary of the TGWU, to get the men back to work have been hampered by widely broadcast unofficial resolutions taken by small groups to continue the strike. The motion in favour of a return to work next week, carried by a large majority of union delegates on Tuesday and supported on Wednesday by dockers in every port area except Tooley Street, gives some hope that the strike will soon be over. But the return is to be conditional on "all black labour being withdrawn"; it would be nonsense to allow food to rot at Tooley Street, and purchasers must be able to take their own goods away from the warehouses; so long as Smithfield, and thus Tooley Street, stays out the position throughout London docks will therefore remain precarious.

Meanwhile, the London bus strike drags on. Last Friday the 131 busmen's delegates decided unanimously to support Mr Cousins in turning down Sir John Elliot's latest offer. In contrast to the leaders of the dock strike, these delegates are at least properly elected; they took office in January for a two-year spell after a ballot vote, characterised by the usual small polls. But their militancy is buttressed in many cases by political fervour (at least one of their leaders was at one time removed from the union for Communist activities). It was to these men that Mr Cousins was referring when he said last week that there had not been one word among the busmen of "wavering or fear or desire to go back. Their talk is only of the justice of their claim." The ordinary rank and file busmen, with small savings, a family to support and hire purchase instalments to pay—and with £7 a week less money coming in—are by no means so unanimous. And some people in the Labour movement should be letting Mr Cousins know it.

BY-ELECTIONS

Bogeys for the Five

FIVE by-elections were taking place on Thursday. Two of these were in Labour's grimy Lancashire strongholds of Wigan (where unemployment has recently risen to 4.7 per cent of the insured labour force) and St Helens (Sir Hartley Shawcross's former seat). The interest in these two constituencies will be (a) how large the swing to Labour is; and (b) how small the poll is, with no Liberal intervening. The other three by-elections are in three formerly safe Conservative seats, scattered at the three corners of this triangular country of Britain. In each of these a Liberal candidate is standing. The *News Chronicle* Gallup poll has been active in two of these constituencies, and the interesting thing—compared with recent by-elections—is how favourable to the Conservatives its findings were:

(1) In the London suburb of *South Ealing*. The 1955 result here was: Conservative (Mr Angus Maude) 59.6 per cent of the poll, Labour 30.9 per cent, Liberal 9.5 per cent. In the recent county elections (and to a lesser extent in the borough elections) the swing away from the Conservatives in London suburbs was very large indeed; in straight fights in the county elections the swing away from the Tories in London was 9 per cent, and with a Liberal intervening one would expect the swing to be much bigger. Yet the latest Gallup poll in South Ealing (allowing for redistribution of the doubters' votes) suggested that the Liberal might pick up rather over 10 per cent of the poll compared with 1955, of which only just over 9 per cent would come from the Tory and the other 1 per cent from Labour. If this really is the result, it must represent a Conservative recovery since the county elections in April. The main event in the constituency since the Gallup poll was taken has been a BBC television programme, in which—purely to cite our own opinion—the Liberal candidate appeared rather more impressive than the newspapers have recently suggested and the other two candidates rather less so.

(2) In the Somerset holiday resort of *Weston-super-Mare*. The 1955 result here was: Conservative (Mr Ian Orr-Ewing) 62.7 per cent, Labour 37.3 per cent. But the last time a Liberal stood at Weston, in 1950, he got 15.6 per cent of the vote. Using the "Torrington formula" suggested in *The Economist* on page 485 of our issue of May 10th—that a Liberal might now expect to pick up 15 per cent more of the total vote than the last time a Liberal stood in a particular constituency, all his votes coming from the Tory—Weston was therefore one of the last of the 39 Conservative seats which, we suggested, a Liberal intervention might make vulnerable to Labour. But the latest Gallup poll figures suggest: Conservative 44 per cent, Labour 28 per cent, Liberal 28 per cent. That would represent only the "pre-catastrophe" rate of loss to the Tories; they would be losing two votes to the Liberals for every one lost by Labour.

(3) The third constituency, the Scottish county of *Argyll*, is a very tricky one for the electoral statistician. The 1955 result, in a straight fight, was: Conservative (Major McCallum) 67.8 per cent, Labour 32.2 per cent. No Liberal stood, even in 1950. But Argyll is a very similar constituency to Inverness, where the Scots rugby football international, Mr J. M. Bannerman, has since roused the clans in the Liberal cause—to within an ace of Liberal victory. Mr Bannerman has been active again in Argyll, but newspapermen on the spot—*The Economist* has not sent a correspondent to these wild reaches—are still forecasting a Tory victory.

The votes in these five constituencies have now been cast. The results are awaited as we go to press. But if the Gallup poll in South Ealing and Weston has been even approximately correct, it indicates a significant Conservative recovery since the county elections in April. If this is confirmed by the voting, what will have caused it? Anger with Labour about the strikes? The results will deserve to be closely analysed by all three parties.

CYPRUS

Ankara Turns on the Heat

THE long-awaited and elusive British statement on Cyprus is promised by next Tuesday and this time, it seems, there will be no backing out of it. Relations between the Greek and Turkish Cypriot communities, which used to be able to live together amicably, have deteriorated to a condition that is almost intolerable. As usual, the

prospect of change has provoked disturbances; but this time it was the Turks who sparked them off, and there is plenty of evidence to indicate that they did so in accordance with a pre-arranged plan that was almost certainly known in Ankara even if it was not actually drawn up there.

It was therefore distinctly disingenuous of the Turkish government (even though some Turkish Cypriot lives were lost) to demand on Tuesday that these "deplorable incidents" must cease. (In Cyprus the British authorities have been criticised for their alleged failure to clamp down as vigorously on rioting Turks as on rioting Greeks.) But Ankara, believing, perhaps, that the British Government has set its face against partition, is clearly determined to bring every possible pressure to bear in favour of the only solution that it says it will accept. There has been an energetic pro-partition campaign in the Turkish press, and last weekend there were anti-Greek and anti-British demonstrations in Istanbul that could not have taken place without the Turkish government's permission. It is a great pity that at this critical juncture the Turks should have chosen to commit themselves even more deeply to an impracticable solution.

It would, however, be quite wrong for the British Government to be deflected now from its course by any last-minute alarums and excursions. Whatever the exact details of that course, the present inflamed atmosphere makes it certain that when they are announced they will meet with violent opposition.

Algérie Française

THE policy of integrating Algeria and France started in 1834 when northern Algeria was first declared French territory, a governor-general was sent from Paris, and new colonists, mainly from among the unemployed in the south of France, were recruited with promises of free land and state subsidies. In 1848, the colonised territory was given the status of a group of French departments, a status which it still retains (though the Saharan part of Algeria is treated differently). The integration movement was briefly interrupted during the Second Empire: Napoleon III, who had his own ideas of Algeria as a dependent Arab kingdom, protected native ownership of land and stopped official colonisation. This trend was later reversed and in the eighties the Arabs lost nearly half their property, mainly through forced sales.

The policy of bringing Algeria ever closer to France ran into special problems because of the difficulty of reconciling French civil law and Moslem law. In 1865 a senate decree gave highly qualified Algerian Moslems the chance of adopting French citizenship if they agreed to abandon their personal status under Shariah law; in practice, this meant conforming to French laws concerning marriage and inheritance. The handicap remained when the basis for French citizenship was extended in 1919. In 1936 the French assembly rejected a proposal put forward by Léon Blum and Senator Viollette which would have conferred French citizenship on a tiny and highly qualified élite of Moslems without forcing them to renounce their status. At that time only a fraction of the Algerian Moslems had opted for French citizenship, and the assembly's intransigence inflamed Algerian Moslem feeling against France and against integration.

After the allied landings in North Africa, Moslem nationalist groups began for the first time to put forward claims for Algerian autonomy. The committee of national liberation under General de Gaulle tried to quieten these dissident voices by resurrecting the Blum-Viollette proposals in a slightly wider form, and by promising various social and economic reforms. Eight years earlier these measures might have given satisfaction; in 1944 they struck the Moslems as wholly inadequate. Nationalist groups intensified their campaign against integration, and in May, 1945, serious rioting broke out and was severely repressed.

A year after the establishment of the Fourth Republic, Algeria got a new constitution. The 1947 Organic Statute opened the road to integration by extending French citizenship to all Algerians while maintaining a distinction between French and local *statut civil*. As a gesture to nationalism, the statute introduced a degree of local autonomy. The governor-general was given complete control of all public services, with the exception of justice and education. The consultative assemblies established at the end of the last century were replaced by a single assembly which, theoretically, had the power to initiate some domestic legislation. Half of the assembly's 120 members were elected by an electoral college consisting of all the citizens of French civil status and a few citizens of local status (Moslems) distinguished by military, educational or administrative qualifications; the other 60 members were elected by a college consisting of the remaining Moslems.

The two electoral colleges each sent 15 deputies to the French assembly. French citizens in Algeria have been represented in Paris since 1848, and Moslems, representing a handful of highly qualified co-religionists, have sat in the French parliament since the nineteen-thirties.

From 1947 until the nationalist rebellion began in November, 1954, political developments in Tunisia and Morocco distracted attention from Algeria. In 1955 the governor-general, M. Soustelle, was given special and sweeping powers. In the same year a majority of the deputies elected by the second college, who had previously tended to favour assimilation, declared themselves for the idea of Algerian nationality. The elections due in 1956 were postponed and the assembly was dissolved. With the appointment of M. Lacoste, the office of governor-general was renamed that of minister for Algeria, and its holder became a member of the French cabinet.

After three years of cruel and expensive fighting, the government of M. Bourgès-Maunoury introduced in September, 1957, the outline (*loi-cadre*) of a new constitution for Algeria. The French assembly rejected the proposals and turned out the government, but subsequently endorsed a second version containing more safeguards for the European minority. The effect of the new constitution would be to divide Algeria into a number of territories each endowed with two organs of government: an elected assembly and a council of communities, consisting of an equal number of representatives from French and Moslem communities. Should the two bodies disagree, the minister for Algeria might refer the dispute to the French council of state. Federal bodies, on the same pattern as these territorial ones, would be superimposed on them after a delay of two years; and, as a further check on the Moslem majority, the departments of education, justice, currency, power resources and public services would remain under the control of the French government and its minister in Algeria. How far these proposals are still a point of departure after last month's *Putsch* is, to say the least, obscure.

LEBANON

Nasser's Price for Peace

THE Lebanese have been given every opportunity to settle their own troubles. The United Nations Security Council, to save itself and Lebanon embarrassment, passed the Lebanese complaint to the Arab League. Though it offered a useful resolution on the stopping of anti-Arab propaganda from all Arab radio stations, the Arab League has failed to convince the Lebanese that the resolution was adequate for their purposes. With everything to gain and nothing more to lose the Lebanese government would have done well to accept the recommendation. Instead, it allowed the question to go back to the Security Council, which on Wednesday voted (the Soviet delegate abstaining) to send neutral observers to ensure that men and arms do not cross the border illegally. The wisdom of the plan is questionable. It will not be acceptable to the Lebanese opposition; the Syrians can, and quite possibly will, keep the observers away from their side of the frontier; and elsewhere in the Middle East it will be regarded as concrete evidence of western interference in Arab affairs.

The Lebanese government blames all its troubles on the United Arab Republic; in fact, it might reasonably blame some of them on the stubbornness of President Chamoun. President Nasser makes no secret of his attitude towards the Lebanese imbroglio. He would like to see the insurrecton come to an end. Even his prestige cannot hold up while people are being blown up in his name. As far as he is concerned he has already won the victory which, in the beginning, he regarded as necessary: Mr Camille Chamoun will not again be president of Lebanon. What more can Nasser want? He wants some guarantee that, between the end of hostilities and the end of Mr Chamoun's term in September, the opposition leaders, particularly Saeb Salam, will not be hanged, shot, or otherwise disposed of. Nasser recently told a friend that he wished he had never heard of any Lebanese politician. Many friends of Lebanon who do not ordinarily see eye to eye with the president of Egypt will share his feeling.

ADEN PROTECTORATE

Catching up with History

NOT all visiting Arab rulers stay in London's most expensive hotels. A group that cannot afford luxury arrived this week. They are the Amir of Dhala, the Sharif of Beihan, and the Fadhli Sultan, three out of 17 from the western Aden Protectorate. They have no oil to give them added power or income, and they come laden with problems. The three rulers (a fourth is expected to join them on June 17th) arrived in London to present a common case to the British Government. They share a background of treaty relations with the British Government and they fear the incursions of the Imam of Yemen and his Egyptian and Russian friends. They need military assistance to cope with the immediate problem of Yemeni border violations and economic help to enable them to catch up with a world that long ago left them behind.

To achieve protection for their borders and prosperity for their people the rulers propose to offer a plan for the federation of the states of the western Aden Protectorate. Such plans have been ventilated before, but there has never been a moment when all the rulers agreed on what should be done. Unlike the Sultan of Lahej, who would prefer to see the British Government and the Yemenis settle matters between themselves, these rulers believe that they must first put their own houses in order. They believe that a lasting peace can come only if they are secure and if they can arrange, in some way, to improve their communications and establish projects for economic and agricultural development.

Every effort is being made to show that the sudden appearance of the south Arabian rulers is entirely their own idea. The Colonial Office, while not denying the possibility of talks with the rulers, emphasises the private nature of the visit. If all this delicacy is intended to keep Cairo Radio quiet about the goings on between the British Government and its friends, then it is probably a waste of time. The mere fact that the rulers are here is enough to enable President Nasser's propaganda machine to brand them as tools of imperialism. If, however, the visit results in a satisfactory determination of the future of the protected states, then there should be no reason to fear the ambitions of the Imam or the propaganda of Cairo.

PARLIAMENT

Dog Days

THIS is not the most effervescent of Parliamentary terms —the weeks from now to the beginning of the summer recess will be largely occupied with the dreary grind through the Finance Bill—but the Commons' resumption on Tuesday was even more than usually lacking in sparkle. Mr Swingler and Mr Zilliacus made a brief splutter of showy protest over Mr Macmillan's friendly message to General de Gaulle, but the main point of interest was inevitably Mr Macleod's statement about the bus strike, and the Labour party's reaction to it. Mr Macleod's refusal to be stampeded into intervening was expected, but although Mr Robens lumbered in to express "extreme disappointment," it was possible to detect a little more caution in Labour MPs' support for the busmen's cause. This may have been caused by contact with their constituents during the brief recess, or it may merely have reflected the changed attitude of the TUC.

One of Parliament's domestic problems was left unsettled when this week's honours list emerged without any life peers, and with the only item of passing parliamentary interest the ennoblement of Mr Poole. It is now believed that the first list of life peers under the new system will be published separately, later in the summer, but in time for the new lords and ladies to take their seats when Parliament reassembles in the autumn. Labour's official attitude is still unknown, but MPs will be surprised if there are not some Labour names in the list—whether officially nominated by Mr Gaitskell or picked in some less formal way.

PORTUGAL

Queasy Triumph

PROFESSOR SALAZAR'S candidate for the Portuguese presidency has won his election by a thumping majority. General Delgado, the challenger, has been relieved of his post as director-general of civil aviation.

His campaign chairman, Professor Viera de Almeida, has been arrested together with at least a hundred others. The censorship, which had been temporarily modified during the election campaign, has now resumed its sway. On the surface, all seems as calm as before. But it is now a queasy kind of calm.

A contested presidential election was in itself a new phenomenon in Salazarian Portugal. The casting of a quarter of the votes for a candidate pledged to dismiss the prime minister and institute political freedom was a further shock to the government. Nor was this all. Although the final totals must await the reporting of votes from Africa and other overseas territories, it looks as if only about half of the qualified electorate voted for the government candidate, Admiral Tomaz; and it should be remembered that the electorate is at present limited, in ways that give the government plenty of scope to discriminate against malcontents, to only an eighth of the population.

More State Aid for Students

THE Minister of Education made some useful concessions last week to parents whose children hold awards at universities. Many families will find themselves some £60 or £70 a year better off. Mr Lloyd's main concessions are fourfold:

(1) *He has increased the maintenance grant for students by about one-seventh all round.* The new maximum scales at Oxford and Cambridge and at provincial ("redbrick") universities are shown in Table I; he has also increased other students' allowances.

(2) *He has increased the allowances which may be deducted from gross income in order to determine "scale income" on which the parental contribution is assessed.* In particular, he has increased these allowances for parents with more than one child to support. These go up: (a) from £150 to £170 for each dependent child; (b) from £150 to £180, in addition to (a), for children whose school fees the parent is paying; and (c) from £300 to £350 *in addition to* (a), for a dependant taking a university or professional course at parental expense. Table II shows the deductions from scale income that might now be secured by a fairly typical professional family with one child at university and two others at fee-paying schools.

(3) *He has revised the increments by which "scale income" rises.* Formerly it rose progressively, thus reinforcing the penalising effect of progressive taxation on the better-off. Now it will rise by £14 per £100 of scale income over £525 indefinitely. Table III shows how much the "typical professional family" (described above) could now expect to get, at different levels of income.

(4) *He has wisely made some big increases in the grants for students at technical teacher training colleges.* These are designed to meet the needs of the older students (some of whom may be married with children) whom it is hoped to attract.

One additional point should be remembered in reading the tables. Since 1955 special arrangements have been made for parents two or more of whose children hold awards simultaneously in institutions of higher education. In this case, which is often represented as actually stopping children from taking awards, no deduction is made for either child in arriving at scale income, but the parental contribution is not made for each child, but only once. For example, a parent on £1,500 a year with twins at Oxford, with no mortgage or insurance allowances, would have a scale income of £1,500. But from this only *one* contribution of £147 would be demanded, while the twins would get allowances which might total £530 or more each. The way in which allowances are calculated are, however, complex; may we now have a parents' full handbook, please?

★

What more could be done for parents?

(1) Allowances could be further increased—they do not meet the National Union of Students' demands, and are purely nominal for vacation living expenses which must be defrayed by the parent or earned by vacation employment. As more children from less well-off homes reach the universities this may become a grievance.

(2) It has often been suggested that the means test should be abolished and full awards paid to all parents, but counted as additions to parental income—and taxed as such. If this system were adopted, many professional families would be worse off than they will be under the new scale. A parent earning £1,500 a year, paying £206 in income tax, with the twins at Oxford, might be credited under such a system with an aggregate income of £2,560, attracting additional tax of £367. This exceeds the contribution of £147 he is now expected to pay.

(3) The question may now properly be raised, however, whether the means test should be abolished altogether, and students' allowances be given automatically to award winners as their own, not their parents', income. In April the minister, in answer to a parliamentary question, said that the cost to all public authorities of waiving the means test would be about £4½ million a year. The new concessions are to cost the Exchequer £1.9 million and local authorities perhaps £1 million more. Most of this addition, however, is to be caused by the higher allowances for students rather than by the lower parental contributions. The total cost of abolishing parental contributions would probably still be as much as £3 million a year.

EXAMPLES OF UNIVERSITY GRANTS

(For professional families with three children—one award-holder, two at private schools)

TABLE I
Students' Allowances (maximum)

	£
(a) At Oxford/Cambridge :—	
Tuition fees	150–180
Maintenance grant	325
Vacation grant	30
Travel, union subscription, instruments, etc., say	15
Total	520–550
(b) In lodgings at "Redbrick" :—	
Total	335

TABLE II
Parents' Allowances

Deductions allowed from gross income :	£
Mortgage, say	150
Insurance and superannuation, say	150
Two dependants	340
Two private school fees	360
Total allowances	1,000

TABLE III
Parents' Contributions and Grants

	£	£	£	£
Gross income	1,500	2,000	3,000	4,500
Scale income on basis of Table II	500	1,000	2,000	3,500
Parental contribution	Nil	77	217	427
Total net grant to student :—				
(a) At Oxford Cambridge	520–550	443–473	303–333	93–123
(b) At Redbrick (in lodgings)	335	258	118	Nil*
Income tax on gross income	143	304	684	1,443

* Parental contribution £52 in excess of maximum allowance; *ex gratia* £50 would be allowed.

Admittedly, abstentions do not indicate positive support for General Delgado. Nor, indeed, do the votes actually cast for him. The bulk of these represented a protest against the regime, not an approval of a candidate whose programme was far from clear and whose record made him suspect to many of the opposition. But the scale of this protest evidently surprised the prime minister and his followers. They now face the inevitable prospect that if opposition candidates are allowed to stand at future elections—parliamentary as well as presidential—they will be taken seriously by a public that has hitherto seemed largely apathetic. The certainty of a government victory will never again be taken for granted in advance. Professor Salazar will have to make a painful choice: either to tighten the screws and convert his quaintly restrained despotism into a frankly ruthless one, or to let the tide sweep him and his country forward in the direction of the democracy which he has always abhorred. If he hesitates too long, he may not even have a choice.

GERMANY

Surplus Jitters Again

THE news that west German exchange reserves are growing again has once more raised the bogey of a chronic German payments surplus. From the September watershed, gold and reserves flowed out of Frankfurt for six months. Since March, however, the tide has been reversed. In April and May the German Federal Republic piled up large surpluses in the European Payments Union; and by the end of May reserves were back at the November level.

There is no reason yet to get too excited about this. It is not surprising that some of the reserves which France has been spending with such zest and some of the gold leaving the United States have ended up in the vaults of Frankfurt. But Frankfurt has not been gaining reserves as fast as London has. And when credits to the European Payments Union and other non-liquid assets are deducted, the influx to Germany assumes modest proportions.

How far the underlying factors in the German economy inducing a payments surplus are being modified is difficult to judge. The record trade surplus in April was a disquieting sign. Germany's industrial expansion has certainly slowed down, with its production still running only about 2 per cent above last year's level—a bad sign for imports. But some of Herr Erhard's hopes for continuing growth are being realised. Some seasonal recovery has set in this spring. Home orders to the investment industries are still growing faster than orders from abroad. It may not be long, either, before the Germans are asked to dig into the cash-box once more to help France out. And the talks which Mr Eugene Black, chairman of the World Bank, is having in Frankfurt and Bonn may lead to new long term arrangements for the export of German reserves.

JERUSALEM

Patience on the Mount

MR HAMMARSKJÖLD is having yet another shot at disentangling the situation on Mount Scopus. His executive assistant, Dr Cordier, is the fourth United Nations high official to have tackled the problem in the last six months. The killing of Colonel Flint, the Canadian chairman of the Jordan-Israel mixed armistice commission, on Mount Scopus last month when he was trying to rescue some wounded Israeli policemen, has made the UN more than ever anxious to find a compromise; but to judge by the number of skirmishes on the hill since then, it has not jolted the Jordan or Israeli governments into a more amenable frame of mind.

No sector of the frontier is more brittle: the hill is partly Israeli, partly Jordanian, but the Israelis can reach their section only across Jordanian soil. By agreement, an Israeli convoy is allowed every fortnight, but from time to time, notably last November, the Jordanians refuse to let it through. The hill commands the main roads into Arab Jerusalem, and each side suspects the other of fortifying its sector.

After the trouble in November Dr Francesco Urrutia was given the job of re-negotiating the 1948 demilitarisation agreement which provides for "visits" by United Nations officers to both sectors. Early this year he managed to wring signatures out of the two governments; only afterwards did it turn out that they each interpreted the agreement differently. The Jordanians claim that the Israeli garrison should be thrown open to inspection by the United Nations; the Israelis insist that the 1948 agreement was automatically superseded by the armistice of 1949 and that they are therefore entitled to come and go freely to the deserted hospital and university in their sector. This the Jordanians would never allow.

GHANA

Doomsday for the Chiefs

THE announcement of the Ghana government that it will not restore recognition to Nana Ofori Atta II, paramount chief of Akin Abuakwa state, marks the turning-point in Accra's relations with the traditional tribal forces. From its earliest days Dr Nkrumah's Convention Peoples Party promised to reform these almost, if not entirely, out of existence. It back-pedalled this part of its programme in the final stages of achieving full independence, but the day of reckoning has now come. A formal commission of enquiry by one of Ghana's remaining British judges has investigated the affairs of Akin Abuakwa state, and the report has just been published. Before the setting up of the commission Nana Ofori Atta was suspended, and he will now remain suspended. The government cannot destool him: this can only be done by his own people—but the government probably feels confident that the final humiliation will follow. Nothing is now clearer in Ghana than the anxiety of local communities to be on good terms with the central government, dispenser or withholder of so many important services.

Nana Ofori Atta is almost the embodiment of the chieftaincy tradition as it was built—or bolstered—by British colonial ideas. It is perhaps ironic that it is being so simply deflated by the use of a British device—the judicial commission of enquiry. It is, however, a deadly weapon, for few chieftaincies can stand a searching enquiry into their affairs, conducted on a high plane of British administrative standards. The chiefs have now clearly understood their powerlessness and are hastening to make peace with their masters. Not a squeak issued from them when they discovered that the government's new table of precedence places paramount chiefs below judges and members of parliament, while mere chiefs have no place at all. The

paramount chief of all, the dignified Asantehene himself, must see in this process the destruction of his own once-impregnable position; and it will be a bitter day for him if, as has been rumoured in Accra, Mr Krobo Edusei, his usefulness in Dr Nkrumah's cabinet exhausted, is made Regional Commissioner of Ashanti and therefore his direct boss. But the lesson should be learned far beyond Ashanti. It should be learned by chiefs and kings all over emergent Africa, however exalted: they are likely to be no match for the intellectuals, been-to politicians, and "verandah boys" whom they so despise but to whom Britain in the end always gives the key to power. In just the same way, the maharajahs proved to be no match for the Indian Congress. To hold any power the tribal potentates must—like some maharajahs and, for example, the western Nigerian chiefs—go through the parliamentary party turnstile themselves.

TOURISM

Manners Abroad

THE squib set off in the correspondence columns of *The Times* by that experienced travel agent Miss Erna Low—who complained that the English abroad are becoming notorious as non-tippers, bargain-maniacs, and general penny-pinchers—has touched off a sequence of vindications and counter-criticisms. Three points deserve to be made. First, the English hotel guest abroad, particularly the English skier, now often is poorer than his foreign counterpart. A new clientele of horribly hard-up students has taken over from the mythical Milords with purses of lordly depth. The boarding-house-hunting or digs-hunting in which they would indulge for a holiday at home—and in which the German student, for example, can indulge in Austria and Switzerland—is not easily manageable for the inexperienced from across the language barrier and across the Channel. Many of them therefore go to slightly more expensive accommodation than they can really afford, and annoy waiters by skimping on the extras.

Secondly, the British travel agencies are in some ways themselves the real villains of the piece. Travel agencies do not much like the job of explaining to their clients the two-tier continental system of legal service charge plus conventionally compulsory tip; that "all tips included" can mean "all tips except those generally so called." Were this particular convention in force here it would certainly be regarded as a prize sample of British illogic; the fact remains that the supplementary tip is often as certainly expected on the Continent as the larger single tip in Britain, and travellers should be told as much. They might also be warned that the calls on their purse for such "essential extras" as tea and (a great source of British indignation) baths are likely to be much heavier than on an English holiday of otherwise similar cost. Agencies should resist the temptation to make continental holidays look cheaper than they are. Unfortunately, it is this illusion of cheapness that is the agencies' main competitive stock in trade; this may explain why some people professionally interested in encouraging British tourism abroad have hastened to deny all Miss Low's allegations.

There remains, however, a third point. Some blame must be laid on British tourists themselves for a modern failing in national psychology, which seems to be related to recent deprivations and to the English love of sport. At the nadir of the foreign currency allowance a foreign holiday was a game of skill in itself: a round of golf, each day a hole, with a formidable par set by the currency limit and hazards provided by cake-shops and ski-lifts, the price of baths and the exactions of porters. Victory in the most squalid piece of bargaining was regarded as being as properly to be applauded as a brilliant recovery from the rough. The taboo which once debarred the well-bred English from publicly discussing their monetary problems crumbled apparently beyond recall; nor, it seems, has it yet been replaced by the recognition that a budget-bore is even more agonising than a golf-bore. About this modern peculiarity of the English abroad there is probably nothing to be done—except trust to the beneficent influences of a hundred-pound allowance.

THE HOSPITAL SERVICE

The Medical Staffs

THE plight of the hospital senior registrar has been aired periodically ever since the health service began. The post of senior registrar is primarily regarded as the top of the training posts held by doctors in hospitals before they can apply for a post as consultant. Competition to obtain a job as senior registrar is fairly severe, especially in a teaching hospital, for by no means every registrar—the post immediately below—*can expect to obtain* one.

But, having gained his promotion, the senior registrar's worries are only beginning. The longest period that he can normally expect to hold the post is four years. At the end of that time he is probably in his thirties, has a family, and is as highly qualified in his specialty as he can be. But, except in a few specialties, there are far more senior registrars than vacancies in consultant posts, and the problem of the surplus registrar has been a constant source of anxiety to himself and of friction between his representatives and the Ministry of Health.

A senior registrar does not now have to give up his post automatically when his four years are up; but he receives no increase in pay, and the extension of tenure in this grade tends to push the promotion blockage farther down, to the registrar grade. So a working party, whose membership was announced this week, has been set up by the health departments, the royal colleges and the British Medical Association. It is to study "the principles on which the medical staffing structure in the hospital service

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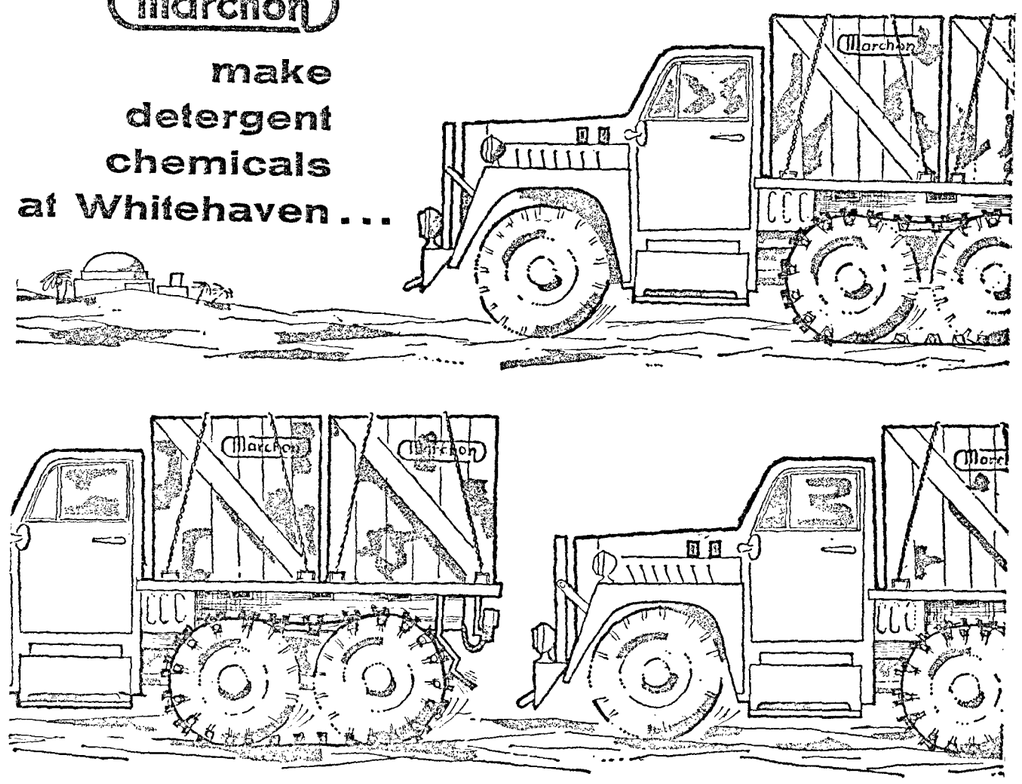
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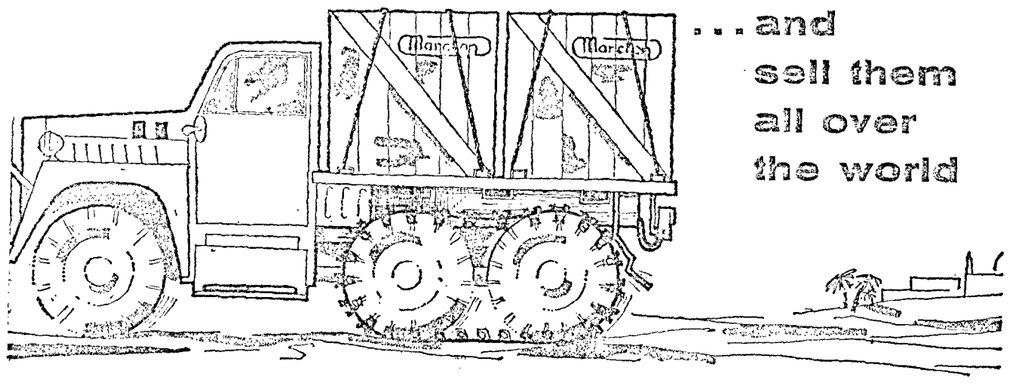
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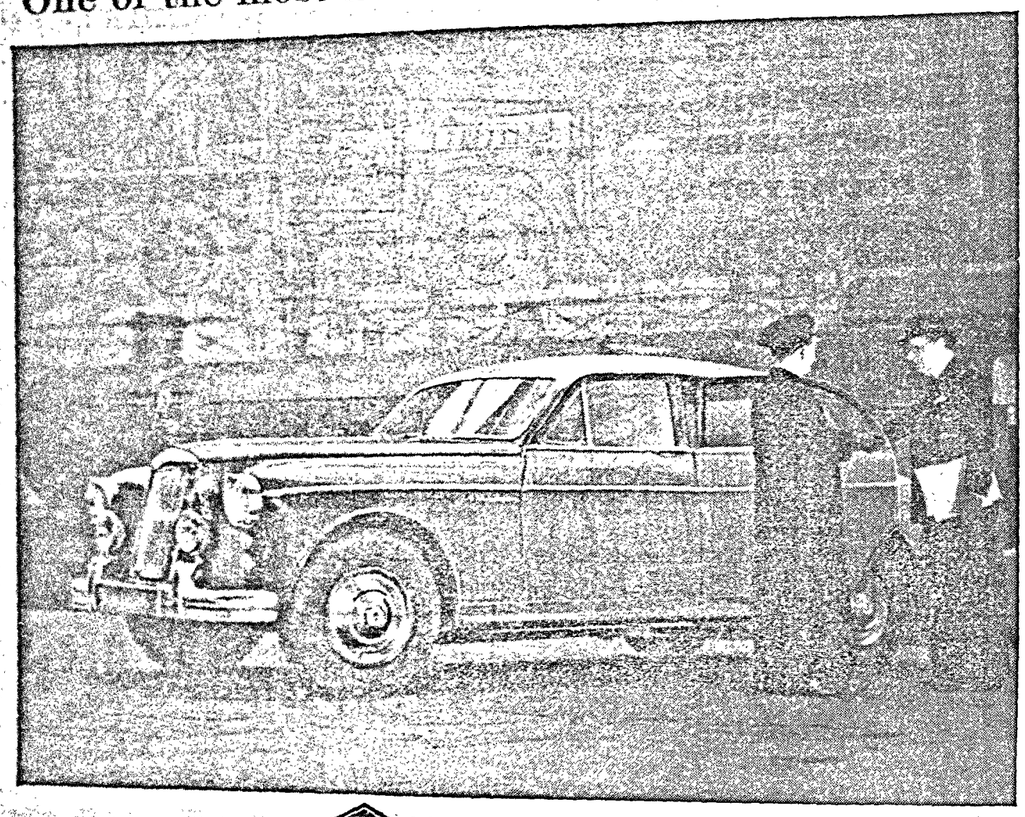
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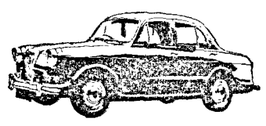
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should be organised." Pending its report, a few senior registrar posts are to be designated, at a higher rate of pay and with security of tenure, which will be available to doctors who have completed their normal four years as senior registrars. A permanent and wholesale solution on these lines would justify the medical profession's fears that such posts would enable hospital boards to get consultant services on the cheap. On the other hand, a drastic curtailment of appointments to the senior registrar grade, to a number more in keeping with the consultant posts that will arise and can be afforded, would gravely affect the running of the hospitals. It remains to be seen what long-term solution will come from the working party.

COAL AND EUROPE

Protectionist Temptations

THE background of recession, tempting everyone towards protectionism, lends special importance to the meeting this week of the council of association between Britain and the European Coal and Steel Community. In the Ruhr and Belgium coal stocks are still piling up. As a result, Belgium has banned all coal imports from outside the community. Britain normally exports small coal to Belgium. The Ruhr miners, as well, have been demanding control of imports.

Herr Erhard, backed, so far, by Dr Adenauer, has hitherto succeeded in resisting their demand. But his position is not easy. With freight rates low, imported American coal continues to keep a hold on some parts of the north German market. Herr Erhard's informal urgings have apparently persuaded American exporters to keep deliveries down for the moment. But if the market remains weak, he may have difficulty in avoiding more drastic action. Long-term contracts with America and the generous estimates of European needs on which they were based may have to be reconsidered.

However, the slackening of the market may also have some salutary effects. In Britain, the last few months have brought a modest yet important improvement in mining costs. In Belgium, recession may at least hasten the death of the uneconomic marginal mines—the lame ducks of the coal and steel community—whose preservation has cost the sister coal industries endless subsidies. Certainly, if recession cannot do this trick, nothing can.

WORLD POPULATION

Busting Out All Over

WITH 47 million people a year being added to the world now—nearly a whole new Britain—and given the normal compound interest calculation, the planet's total population is liable to double itself in the next forty years, before the end of this century. This is the prospect implicit in the latest United Nations Demographic Yearbook.* It is sobering, but quite sober; it has nothing in common with the fantasies recently publicised in the correspondence columns of *The Times*, and it does not postulate a population "explosion." The estimated world population of about 2,830 million today already represents an increase of well over half on the 1920 estimates, and this increase has come about despite a uniquely destructive world war and a succession of famines and calamities. If peace prevails and preventive medicine continues to beat back the great killing diseases, the figure of well over five billion for world population by 1999 may prove a conservative estimate.

There will still be room to sit down; but what will be on the table? To reply that modern science and technology can perfectly well double the world food supply is no full answer. Science may propose, but man disposes. Conservative man clings to familiar methods of cultivating, storing and distributing food regardless of low yield or waste. Impatient man—revolutionary, nationalistic, or just plain hasty—frustrates or discourages the farmer, by methods ranging from the throwing up of new tariff barriers to the liquidating of kulaks and the forced levying of grain. Stubborn man finds the strongest political reasons for rejecting the most promising economic opportunities, as witness the deadlocks over the Jordan, Nile and Punjab river projects. Easy-going man finds it easier to learn to eat more than to produce more: Argentines and Danes, to name only two groups, have improved their diet in the past generation and are unlikely to welcome any suggestion that they ought, in the common interest, to revert to frugality. It will take more than a scientific miracle to provide loaves and fishes for our five thousand million grandchildren.

* HM Stationery Office. £2 17s.

The Economist

JUNE 12, 1858

THE GOLD RUSH

"Gold discoveries have become so common of late years, that we often forget in England what it is that constitutes their real significance. The news received last week that gold had been discovered in considerable quantities in the British North American territory opposite Vancouver's Island, has called forth scarcely a word of remark from the English press. Now no doubt the discovery of the gold itself is sufficiently unimportant. The only fear in the present condition of the gold-fields, is that the value of gold may be greatly depreciated whenever the process by which it is now to a considerable extent displacing silver on the continent of Europe comes to an end,—and this depreciation is in every way an event to be dreaded, at least by countries whose legal standard is gold. But the value of the gold discoveries is not in any way to be measured by the value of the gold. It is a very curious fact, that the one product whose value in exchange is everything, should have been discovered chiefly in regions where there was at the time of its discovery no wealth at all to exchange, and no inhabitants to exchange it. The effect has been that the rich medium of exchange has acted as a magnet on the populations of the world, which would have been attracted far more slowly to the same regions simply for the sake of their natural productiveness, and has created a world of industry and real wealth where none would otherwise have grown up. The costly medium of exchange, which was first adopted in order to render the spread of real wealth more easy and equal, thus seems to be further effecting the same purpose—of equalising the distribution of wealth—by the mere law of its distribution *beneath* the ground. . . . It is a very remarkable aspect of the recent gold discoveries, that they have peopled with the most enterprising and skilled industry of the most civilised kingdoms in Europe, countries which might otherwise have waited for centuries to be peopled,—and then, when the true and permanent resources of these countries are once fairly brought to light, a great portion of the labour drawn thither by the gold is enlisted in these really productive undertakings.

LETTERS

Inflation

SIR—When I was a boy, economics was known as the dismal science. From this it was rescued by the humane exposition of my dear old teacher Alfred Marshall and later by Pigou, Maynard Keynes and other distinguished economists. Will you forgive me if I suggest to you that some of your recent articles are likely to reinstate the old depressing epithet? In particular many people will draw the inference from your comments in your issue of May 24th on the settlement of the rail dispute that you are biased against the wage earner and that you would have preferred a fight to a finish with the unions concerned to a negotiated settlement. Personally as a regular reader of your paper I think this criticism would be unjust. I believe that your sole purpose is to set out what you believe to be the naked ineluctable facts. Where I differ from you is that I think your facts are not the only facts and that other facts of equal, and perhaps of even more, importance have to be taken at the same time into account.

I believe that nearly all economists would subscribe to the following propositions: that inflation is inherently evil as it unjustly distorts the basis of a society resting on a monetary economy; that rising prices, though not synonymous with inflation, are closely associated with it; that a nation whose prices are rising faster than those of other nations with whom it trades is in serious danger; that since the great war prices have risen in Britain to an alarming extent; and that among the many causes for this are: the internal pressure to expand faster than resources of capital and labour permit, the external demand of other countries for financial assistance, the Korean war and defence expenditure generally, restrictive practices by both sides of industry, the removal of food subsidies and rent control, the competitive struggle of every section of the community in a free-for-all economy to get a larger slice of the cake.

Opinions no doubt differ as to the relative importance of the above factors and also as to the net effect of dear money and other acts of deliberate policy. But I suggest that to single out one factor alone, such as that of wages, and to expect one set of workers not only to forgo a rise in its standard of living in a rising economy but to suffer an actual reduction, owing to a stationary wage with rising prices, is unrealistic.

Limits of space prevent me from relating these general principles to individual cases. But I have enough faith in the fairmindedness of the British people to believe that when all the relevant facts are placed before them they will generally arrive at an equitable settlement. In the few deplorable cases when they do not, good sense will, I am convinced, after an interval, prevail.—Yours faithfully,

London, WC2 PETHICK-LAWRENCE

De Gaulle

SIR—Referring to the article "The General's Hour," and to the previous ones, I am very much surprised by the unfair attitude of *The Economist* towards General de Gaulle and the biased presentation of the situation and even of the plain facts.

De Gaulle is very definitely no more a dictator than is the American President during his term of office. From a legal point of view, his powers are limited by our constitution and by the terms of reference of his assignment. From the human point of view, the thought that he might become a dictator cannot be entertained, because of what he said, of how he acted in 1945 and 1946 and of his personality and age.

If the animosity, which as a red thread goes through nearly all *The Economist's* articles about de Gaulle, is due to the ill feeling he might have created in Britain by his attitude in the period between 1940 and 1944, this feeling should not now be held against him. His attitude in those years is understandable: co-operation with such a masterful partner as Sir Winston Churchill, backed by power, resources and an army, was not an easy task for a man who had nothing to support him. Perhaps a man with a personality like, say, Talleyrand would have been "nicer" to work with, but de Gaulle did what he could, given his background and character. In the final analysis he did well for the common cause and has the full support of a very great number of French people. In any case this was long ago. The questions and the partners are different and letting bygones be bygones, de Gaulle should today be looked at by British people in a new light.

I should add that I write in my personal name and am in no way connected with the General or with his supporters, political or otherwise.—Yours faithfully,

Paris TH. TATISTCHEFF

[*General de Gaulle's position is discussed on page 968.*]

Liberals

SIR—In your issue of June 7th you ask *the Liberals a question*—"Balancing on which fence?" May I give you an answer.

The Liberal party is not balancing on any fence. Such a feat is not only dangerous, but also completely pointless. It means handing over the initiative to the other parties, and allowing them to build a fence when and where they choose. It implies a total lack of principle and a straightforward reliance on expediency. If this was really Liberal policy then the Liberal party deserves extinction. History shows that there is no political future for any party which tries to hold a balance of power.

The Liberal party today is a party of radical reform. It describes itself accurately as the only progressive non-socialist party in the country; and it is this message which is finding such a wholehearted response in the country today.

The long term aim of the Liberal party is to form a government: and that government will be a progressive alternative to the Tories. Your own article in this week's issue, The Alternative Government, foreshadows the path which the Liberal party must follow if it is to obtain power; but you assume in your article that only the Socialist party can follow this course. True, you have some serious reservations, and Liberals will agree with you.

You say truly that Labour appears to be "more firmly committed than ever to support the sectional interests of trade union leaders as distinct from the real interests of all citizens. Until it can escape from this appearance it will not deserve the Radical vote."

This is the crux of our political problem today. You assume that the Labour party can escape from this appearance. I doubt it. Why separate trade union leaders from their followers? And what is left of the Labour party when it is stripped of its trade union following? It is precisely this dilemma which has brought about the crisis in the two-party system today. So long as there was a radical alternative to the Conservative Government, the system worked. But the Labour party has ceased to be a radical alternative. It cannot help "supporting sectional interests." It is a sectional interest itself.

The Liberal party is either a radical alternative or it is nothing. It will either trample on the toes of sectional interests or it will quietly disappear into limbo.

If you attended Liberal meetings, listened to Liberal speeches and read Liberal election addresses, you would find that this is exactly what we are doing.—Yours faithfully,

PATRICK LORT PHILLIPS

London, SW1

Gas

SIR—The economic and other possibilities of fully integrated gas and electric power stations in the coalfields do not seem to have been investigated in your recent articles.

A high-pressure grid for mains gas would take many years to construct, but a high-voltage electricity grid is already in existence; and local distribution networks run in parallel would ensure against power failures causing industrial and transport stoppages and domestic inconvenience.

The extra cost (at present) of using only electricity in the home is more than compensated for by its greater convenience, cleanliness, and safety; and one meter instead of two reduces administrative costs. (Heating from under the floor by electricity has proved in practice to be cheaper than was previously thought.)

Integrated power stations at the pitheads would introduce into the coalfields a welcome diversity of employment. They would help to speed the creation of the projected smokeless zones. And to rely for our power on better use of home resources is only common sense.—Yours faithfully,

Glasgow A. W. MORRISON

Scottish Nationalists

SIR—Whilst welcoming the general argument in your article "Towards a Hotter Air" in your issue of May 24, I must strongly protest at your suggestion that Welsh and Scottish nationalists should be segregated in any political freak show along with "the gentleman who stands at Penrith and the Border on the platform that cock-fighting should be made legal."

The Welsh National Party and the Scottish National Party are responsible political bodies, putting forward constructive policies for Wales and Scotland respectively. The nineteenth century English parties which still dominate British politics are at one in supporting the proposition that Scotland and Wales should be increasingly incorporated into the English body politic. Are they right to seek to submerge the "minor partners" of the UK, or are the national parties of Scotland and Wales right in urging that their countries should survive? This is an important question—far more important fundamentally than any question that arose at the last general election: far, far more important than the question of how many seats will separate the recently discredited Tory party from the previously discredited Labour party at the next election.

The Scottish National Party stands for the survival of Scotland. Plaid Cymru (the Welsh National Party) stands for the survival of Wales. The Tory and Labour shadow-boxing teams stand for the submergence of both. In Scotland and Wales, therefore, the national party should have the same broadcasting facilities as the other political parties.

We want to be given a chance to debate with spokesmen of the "major parties," to cross-question ministers, to expose inconsistencies and demand explanations, as well as to state our own policy. The issues we wish to raise are amongst the most relevant that exist today. As Robert Burns wrote "There's nane ever feard that the truth should be heard, but them that the truth wad indite."—Yours faithfully,

JOHN B. SMART

Glasgow National Secretary, SNP

BOOKS

All or Nothing

The Arms Race

By Philip Noel-Baker.
Stevens. 579 pages. 25s.

IT is unfashionable nowadays to be a frank partisan of total disarmament. In this respect Mr Noel-Baker comes out in bold opposition to all the champions of disengagement, of zones free from nuclear arms, of unilateral nuclear disarmament, of "limited war," and of all the other modish doctrines whose common factor is an admission that nothing more than partial disarmament can be hoped for. He quotes with approval Mr Thomas Finletter's plea for "a grand design . . . a first-stage plan in detail, and then, in the same document, a specific description of each of the successive steps down through the final one. . . ." He laments the Soviet rejection of the misnamed "Baruch plan" for total internationalisation of atomic resources, a plan which, he points out, "was in fact chiefly the work of Dr Oppenheimer's bold and generous heart and brain." And he tellingly quotes both Mr Macmillan and Mr Sandys as advancing the argument that nothing less will do than a world authority able to enforce its control of national armaments.

Thirty years of practical experience of the intricacies of the disarmament problem have armoured Mr Noel-Baker against the inevitable accusations of woolly idealism. His new book takes full account of those intricacies. He gives deserved credit to Miss Elizabeth Furlong for assembling and arranging the mass of material that is here reduced to manageable proportions, set out with admirable clarity, and helpfully indexed. He records the prewar disarmament negotiations and their still relevant lessons; the evidence for the existence of terrible new gases, and the reasons why the Nazis did not use them; the numbers and classification of nuclear tests up to the end of 1957; the powers entrusted to the new International Atomic Energy Agency, and the ways in which these might serve as the basis for a complete arms control system. He deals with such questions as the "clean" bomb, "limited war," budgetary control of defence efforts, and bacteriological weapons which, he recalls, M. Moch and Mr Malik once publicly recognised as more appalling weapons than the H-bomb. Among the many striking reports here assembled is one of a statement by Mr Khrushchev last year to the effect that Mr Dulles was right in believing that Mr Molotov had tried for months to "torpedo" the United Nations disarmament talks.

Perhaps for dramatic effect, Mr Noel-Baker has taken the Soviet *volte-face* of May 1955 out of its context and placed it at the beginning of his narrative under the heading "The Moment of Hope." He certainly achieves his effect, but at some cost to the accuracy of his analysis; and later on in the book he again seems to be straining too hard to insist on the reasonableness of the Soviet attitude since 1955, for he slides very gently over the boycott of UN talks, which the Russians have maintained ever since they tested their ICBM. One may respect his argument that the degree of inspection and control accepted by Russia is adequate (and certainly the western governments ought to have done more to probe Soviet thinking on this point). One may also wholeheartedly agree with him about the quite new horizons that would be opened up if a large number of international inspectors were allowed to move about freely inside the top-secret communist world. But what leaps to the eye is his very cursory treatment of the question of bases. The 1955 Soviet concessions left intact the Russians' insistence on the liquidation of all military bases on foreign soil. Such whims of geography as the Atlantic and Pacific oceans have made it impossible for the western democracies to operate a defence system without such bases—whereas to Russia they are of only marginal value. Mr Noel-Baker's relegation of the question of bases to a brief section near the end of his book, and failure to link it with the other events of 1955 to 1957, seems a serious flaw in what is for the most part a well-ordered arrangement of the issues.

The Fog of War

War and Society in the Seventeenth Century

By George Clark.
Cambridge University Press. 157 pages. 18s. 6d.

IN these six lectures Sir George Clark considers a problem that has always interested him in relation to the period on which his energies have always been concentrated. It is in such lectures that historians often produce their most stimulating work; and the prospect of watching Sir George's refreshingly sceptical approach and his formidable learning applied to so major a theme is enlivening. Sir George's description of part of his work as offering "only a programme for further investigation, and a number of disconnected queries" may be attributed to caution and modesty. Unhappily the programme is unclear and the disconnections apparent, while the "three definite conclusions and possibly even a fourth" come as anticlimaxes.

His first conclusion is that war in the seventeenth century was an institution,

so much so that economists took war for granted and did not treat it as a subject for separate study. His second conclusion, also reached in the first chapter, is that war "cannot be understood except as part of a general mêlée." He fears that the reader may see a contradiction here, but promises to resolve it by the third conclusion. Bewilderment is increased when the author immediately turns to consider the analogy between war and the duel. After much erudition has been displayed, it appears after all that the parallel to the duel is not war but a "limited social evil like juvenile delinquency or road casualties."

The third conclusion is that as the states of Europe came nearer to a monopoly of force, the European community became more ordered; that "the destructive institution of war had a constructive international value." Sir George does not believe that warfare was effectively restricted or humanised in the seventeenth century; and it is odd that he should support this third conclusion with the argument that dynasties, aristocracies and soldiers had international connections. Nor does it seem relevant to point out that cultural relations continued between warring powers, since it can hardly be argued that such relations were the product of war. Sir George's last conclusion, compressed into half a page and given in a quotation from Stubbs, is even more questionable. Stubbs, considering why men fought, concluded that "the real motives of religious action do not work on men in masses; and that the enthusiasm which creates Crusaders, Inquisitors, Hussites, Puritans, is not the result of conviction, but of passion provoked by oppression or resistance, maintained by selfwill, or stimulated by the mere desire of victory." This Sir George does not quote. What he does quote is Stubbs's consoling qualification that it can be said of the best men in such conflicts that they "perished in arms against one another whose hearts were set on the same end and aim; and that good end and aim which neither of them had seen clearly was the inheritance they left to their children, made possible and realised not so much by the victory of one as by the truth and self-sacrifice of both." It would be interesting if Sir George had told us which of these two quotations he considers the more applicable to the Thirty Years War.

There is much learning here, and much wise criticism of easy generalisations and crude determination. Nevertheless Sir George's evasion of the major and obvious questions about the social consequences of war is almost perverse. He nowhere considers, for example, how changes in weapons affected the nature of wars and the scale of destruction. He has some shrewd comments on the economic consequences of war, but quickly turns aside to plant some darts in the flanks of Schmoller and Heckscher. He is half attracted, half repelled by general speculative theories, and this continuously distracts him from the evidence. His last chapter is devoted to destroying the foolish notion that war and peace follow each other in a regular cycle; and yet he himself earlier offers the generalisation that "there was a continuous rhythmic movement in which predominantly international wars alternated with predominantly civil wars."

Tanneries and Tired Feet

Collins Russian Phrase Book
128 pages. 3s. 6d.

Collins Russian Gem Dictionary
768 pages. 5s.

"WE can put your carriage (kheridz) in the mews (mjus). . . . Do you learn fencing now? . . . We dine usually at (ui dajn juzuely) five o'clock. . . ." As recently as 1938, phrase books, for the Slav languages were still reflecting this bygone tranquillity. In the one quoted, only at one point is there the slightest delicate suggestion of the hazards of the police state: "Do you like a frontroom or a backroom? I'll give you one, where nothing will disturb your sleep."

Times have changed, and phrase books with them. Mr Maximilian Fourman of Kiev University, who has compiled Collins new Russian phrase book, has a firm grasp on the problems that may face the traveller today. As early as his fourth page, he shows how to say: "to be in difficulties . . . for reasons not depending on me." Prudently, his traveller inquires: "Is one allowed to take photos?" With an optimism doomed to encounter disenchantment, he learns to say: "Is there a wireless in the hotel? . . . Tune in to London. . . . There is much interference."

Undaunted by this, when asked "Which papers do you wish to have?" he replies without batting an eyelid: "*The Times* and the *Daily Telegraph*." Good luck to him. This is the spirit that eventually breaks the spirit of the Continental café proprietors and makes them lay in stocks of unbagged tea for the stubborn Briton—the spirit that may some day win the American visitor a glass of cold water on his London restaurant table.

Sometimes the spirit flags, as Mr Fourman knows.

> In the first place we went to see the monument to V. I. Lenin. . . . Tomorrow and the day after we shall take part in the afternoon excursions arranged by the Intourist. . . . I have seen enough for today. . . . We ought to turn back. . . . I am too tired to walk. . . . My feet are sore. . . . My foot hurts. . . . When will the doctor come? . . . What is your fee? . . ."

But, as the weaklings founder, sturdier enthusiasts swarm in to take their place.

> I am the leader of a mixed delegation of businessmen from Great Britain. . . . Can we avail ourselves of the services of persons familiar with ironworks, tanneries, machine-building plants, oil refineries, glass works, iron foundries, chemical factories? . . . You will see the club, the crèche, the kindergarten, the library, the health services, the restaurant, etc. . . . The collective farm has a permanent agronomist, stockbreeder, veterinary surgeon, soil expert. . . . We are interested in matters concerning irrigation, water supply, drainage. . . . We hope that our visit to the Soviet Union will be very fruitful."

May it indeed be fruitful. This little phrase book, one of a new series which also covers French, German, Italian, Spanish and Portuguese, in fact gives all the essentials that a pocket will hold, with the Russian phrases both in Cyrillic script and in a simple romanised form with the stresses clearly shown. For the other pocket, Mr Schapiro's new dictionary can be strongly recommended. Less concerned with stern realities, he finds no space for agronomists, five-year plans, co-existence or revisionism. But even a lexicographer cannot altogether avoid politics. In this case the fatal moment comes when two different Russian words have to be given for "popular"—one for use in such phrases as "popular democracy," the other distinguished as meaning "generally liked."

Comedian Patterer

Letters of John Cowper Powys to Louis Wilkinson

Edited by Louis Wilkinson.
Macdonald. 400 pages. 30s.

THESE letters are overwhelming. The most exuberant of authors writes constantly to his oldest friends, spluttering out words and ideas, always at top form. They are delightful to dip into, exhausting in bulk. Up to about his eightieth year, Mr Powys displays the continuous high spirits of a healthy and intelligent boy. New books, old friends, private language, old shared jokes tumble out pell mell from the pen of the comedian patterer, as he once describes himself.

The oddest thing about them is that they are unrevealing. A few hints emerge of deeper and not always pleasant feelings, but they are so rare that the one letter in which he talks of his not very unusual troubles of spirit has been published three times already. The one reiterated confession is that he is a born actor and self-conscious; and this is the persona that appears in the letters, together with the admirable but wholly open side of his character—a man devoted to his friends and to his writings, who faces ill-health and poverty without a hint of self-pity or complaint. But what lies beneath? Mr Wilkinson, who has known him for forty years, does not need telling; and it is not revealed by his letters to the new reader, who pieces together what he can from a collection of quirks: he hates Browning and vivisection, is bored by Tolstoy, seems curiously indifferent to deaths, and loves Henry James.

So far till about eighty; and then the note suddenly changes. He moves house to Blaenau Ffestiniog, and simultaneously drops all the schoolboy exuberance. He writes in a plain and unaffected style. His physical power begins to diminish; but not his force of mind or his interest in all about him, old or new. The last instalment is the best.

Father to the Fuehrer

Hitler's Youth

By Franz Jetzinger.
Hutchinson. 200 pages. 16s.

HERE at long last is an authentic account of the first nineteen years of Hitler's life. No one was sufficiently interested in the subject while the facts were still more or less accessible. When everybody had become mightily curious to know more, the obscure youth of Linz and Vienna was already in a position to foist on the public his own misleading portrait of the child that had fathered the Fuehrer. He presented it, very sketchily, in "Mein Kampf," and millions reverently accepted the proffered likeness. Would-be debunkers, operating for the most part in exile and ignorance, had a shot between them at drawing an injurious picture, complete with a drunken father and a Jewish ancestor in the background. Their uncertain touches were unconvincing.

Dr Jetzinger, himself an Austrian from the Linz district, has spent much of his spare time during ten years marshalling from contemporary documents and eyewitnesses pretty well all the evidence available today concerning Hitler's early years. Since the German edition of his book was published, copies of all the documents consulted by Dr Jetzinger have been deposited in the Upper Austrian provincial archives at Linz and may be seen there by any qualified investigator.

One of the episodes of his salad days which Hitler later was anxious to hush up was his dogged evasion of military service between 1909 and 1914. Dr Jetzinger reproduces the relevant official records, including the long letter which Hitler wrote to the Linz police from Munich in January, 1913, explaining his failure to comply with the call-up. The outbreak of war in 1914 eventually closed this correspondence, and Hitler turned his back on Austria for the time being by enlisting in the German army. When the Germans occupied Austria in 1938 Hitler tried to get hold of the Linz documents, but failed. In short, Dr Jetzinger had already been at work.

Did Hitler try to destroy evidence that might have proved he had some Jewish ancestors? Dr Jetzinger tells us how, after the annexation of Austria, orders were given for the conversion of the neighbourhood of Döllersheim, where Hitler's father was born and his grandmother was buried, into a battle-training area for the Wehrmacht. All residents were compelled to leave, and the area was subsequently razed by gunfire. This could not have happened without Hitler's knowledge. Why did he permit it? Was it because the illegitimate baby to which his grandmother gave birth at Döllersheim on June 7, 1837—Hitler's father—was a child of her former employer at Graz, a Jew named Frankenberg or Frankenreiter? Dr Jetzinger discusses this possibility, but cannot give a positive answer.

An Adaptable Industry

The Chemical Industry During the Nineteenth Century

By L. F. Haber.
Oxford University Press. 292 pages. 45s.

DURING the second half of the nineteenth century the principal factors that were to shape the future pattern of the chemical industry were already emerging. An examination of those formative years is therefore likely to be of value and interest to both economists and technologists. Such an examination has not hitherto been easy, even for the specialist, because the relevant literature is so scattered. Dr Haber's book is all the more welcome as providing an authoritative survey that is also of value to the general reader. The author concentrates on alkali, chlorine and sulphuric acid among inorganic chemical manufactures and on the early development of applied organic chemistry as embodied in the dyestuffs industry and, by so doing, is able to present a clearer picture of the interrelation of the principal economic and technical characteristics of the industry.

The potential flexibility of the chemical industry in the utilisation of by-products and its adaptability to changes in consumer needs and to the availability of raw materials became apparent in the period under review, particularly as a result of the increasing application of new science. In this context the competitive struggle between the ammonia soda and the Leblanc processes had a significance beyond the alkali industry itself. The fight for lower manufacturing costs in the Leblanc process stimulated new processes for the recovery of chlorine from waste hydrochloric acid. Moreover, sulphuric acid production, originally very much an adjunct of the Leblanc process, continued to be of growing economic importance after the death of that alkali process. Such rapid shifts in the importance of particular products or processes continue to be characteristic of the chemical industry and, since it is so adaptable, a source of its economic strength.

The salient technical facts underlying these and similar changes are accurately reported by Dr Haber without obscuring the economic and social perspective of the survey as a whole. The rise in the earning capacity of the German dyestuffs industry during the nineteenth century, a period of intense technical and commercial competition, is documented, as also is the impact of the spate of chemical invention on patent law and practice in various countries. Here indeed were the trends and events that were to determine the comparatively weak condition of the British chemical industry at the outbreak of the first world war.

Information is also given about some of the leading personalities in the nineteenth century chemical industry and their social background. This leads appropriately to a consideration of some of the changes that were taking place in

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'He is chiefly interested in the contemporary problems, on which he has a great deal that is interesting and challenging to say . . . The best chapters are those devoted to his own subjects—the populating of Australia, Australian agriculture and grazing, and Australia's economic problems.'—JOHN PRINGLE in the *Observer.*

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company management and structure. The early steps taken by the chemical industry towards the evolution of the larger industrial unit can be understood from Dr Haber's review, although this change did not fully take place until the twentieth century.

This subject does not lend itself to a simple chronological treatment. On the whole, however, the difficulty of keeping the main outlines clear has been well handled and the chapters are logical enough in sequence and sufficiently self-contained. Perhaps a brief appendix in the form of a tabular summary of salient dates might further help the reader to correlate events in different countries and different branches of the chemical industry.

Royal Rotundity

The Royal Albert Hall

By Ronald W. Clark.
Hamish Hamilton. 263 pages. 25s.

WHO would have thought that a book about the Royal Albert Hall could have any dull passages in it? As a building it is, to say the least, striking and compelling. In its rotund interior all sorts of excitements have erupted. The whole conception, as well as the building itself, speaks of Victorian enterprise, ruthlessness and culture-hunger. Yet Mr Clark finds it hard to strike a spark out of it all.

Still, not to be ungrateful, this is at least a good reference book. It shows, for instance, how at one time the hall was a favourite arena for rabble-rousing meetings, some of which reached the lowest depths, for instance, Mrs Dacre-Fox's Anti-Aliens meeting in 1918. Yet by 1938 it is recorded that bookings were refused from the League of Nations Union, the British Youth Peace Assembly, the Russia Today Society and a Captain Reavely who wanted to hold a peace meeting. In search of a policy which would make it an orderly house, the trustees of the hall banned all public meetings during the Munich crisis—a curious outbreak of obscurantism.

Through the book there runs a theme of hostility from the London County Council, which resented such a huge building being outside its control as a result of the royal charter. There must have been some sniggers at County Hall when somebody there had the duty of passing on to Kensington a letter from an angry lady who sharply said:

> At a recent . . . Chelsea Arts Ball women were openly mixing with the throngs *quite naked* [her italics]. I have always understood that this sort of thing was an offence against the Law . . . will you kindly forward my letter to the right quarter?

Queen Victoria is supposed to have said that the Royal Albert Hall looked to her "like the Constitution." There is one way in which Mr Clark demonstrates this to be true: it has always been possible to adapt the uses of the hall to the needs or demands of the day. When the Royal Festival Hall was opened (by the traditional, watchful enemy) it was supposed to be the end; but the Royal Albert Hall still prospers and it requires a lively imagination, plus some knowledge of stresses, strains and material fatigue, to realise that some day—however far ahead—it will no longer sit so tight and right in Kensington Gore.

Small Country Administration

Bureaucracy in New Zealand

Edited by R. S. Milne.
Oxford University Press. 137 pages. 20s.

NEW ZEALANDERS are showing themselves admirably critical about their system of government; this is the fifth of a series of books issued by the New Zealand Institute of Public Administration, in each of which some aspect of state action has been appraised in a number of papers. In this book the subject is called "bureaucracy" but is really a narrowed-down form of that phenomenon: "administrative discretion" is what most of the writers call it. They include two civil servants, one minister, two lawyers and a professor. Their main concern is whether civil servants have too much power in New Zealand; on the whole their answer is in the negative.

What has the book to teach people in Britain? Very little. The New Zealand system of government is shown as being heavily derivative from the British, but adapted to suit the special conditions, and especially the small population, of New Zealand. It is plain that a Minister in New Zealand has far more detailed initiative than in Britain, simply because the population is small, the departments are small, and there is a persistent habit—common to all backblocks communities—of local and special interests going direct to the minister when they want something. Ministers still go for long trips through the country, taking credit for what the government has done and asking what it ought to do next. This is ministerial responsibility with a vengeance; what scope remains for civil servants to wield power is little indeed, compared with the situation in Britain.

Nevertheless, New Zealanders like to be thought more British than the British; and so the book contains a certain amount of discussion of British controversies about administrative law, and a suggestion that whatever remedies are adopted here to deal with administrative discretion will probably be adopted before long in New Zealand. The book would be more interesting, in fact, if less space had been devoted to British examples and more to New Zealand. In particular, it would have been worthwhile to have devoted more to the peculiar system whereby certain boards have both ministers and permanent heads as members; and overseas readers would have benefited from more information about the structure of the civil service. But the book does contain a good deal of information about decision-making in New Zealand, and is more enlightening than comparable works about Australia. This is encouraging, if only because of the surprising allegation (surprising and wounding to New Zealanders) that New Zealand derives its governmental practice from Australia as well as from Britain. The clarity and sensibility of these writers suggest that influence might with profit go the other way.

OTHER BOOKS

CONVOCATION IN THE UNIVERSITY OF LONDON. By Percy Dunsheath and Margaret Miller. *The Athlone Press.* 204 pages. 15s.

Dr Percy Dunsheath (Chairman of Convocation since 1949) rightly claims that in many ways—including their part in the admission of women to degrees, securing the University Parliamentary vote (between 1868 and 1950), the founding of the Students' Union and the University Athletic Union, the negotiations leading to the reconstruction of the University in 1898 and 1926—London University graduates in Convocation (now numbering 35,000) have contributed very greatly to the development of the university. Nevertheless it remains true that a large proportion even of the teachers and of the graduates and undergraduates of the university remain extremely vague about the history, structure and problems of that extraordinary hydra-headed octopus, the University of London, and, still more, about the functions and proceedings of Convocation.

This volume, admirably presented and illustrated in the best tradition of the Athlone Press, which has been produced as one means of commemorating the centenary of Convocation, provides a most interesting (and commendably concise) means of gaining some insight into some of the most important aspects of the university's record and problems, as well as into the proceedings—and controversies—of Convocation. It is, however, a pity that the appendix, which contains lists of the chancellors of the university, members of Parliament, chairmen of Convocation and clerks of Convocation, has not found room for a list of the vice-chancellors.

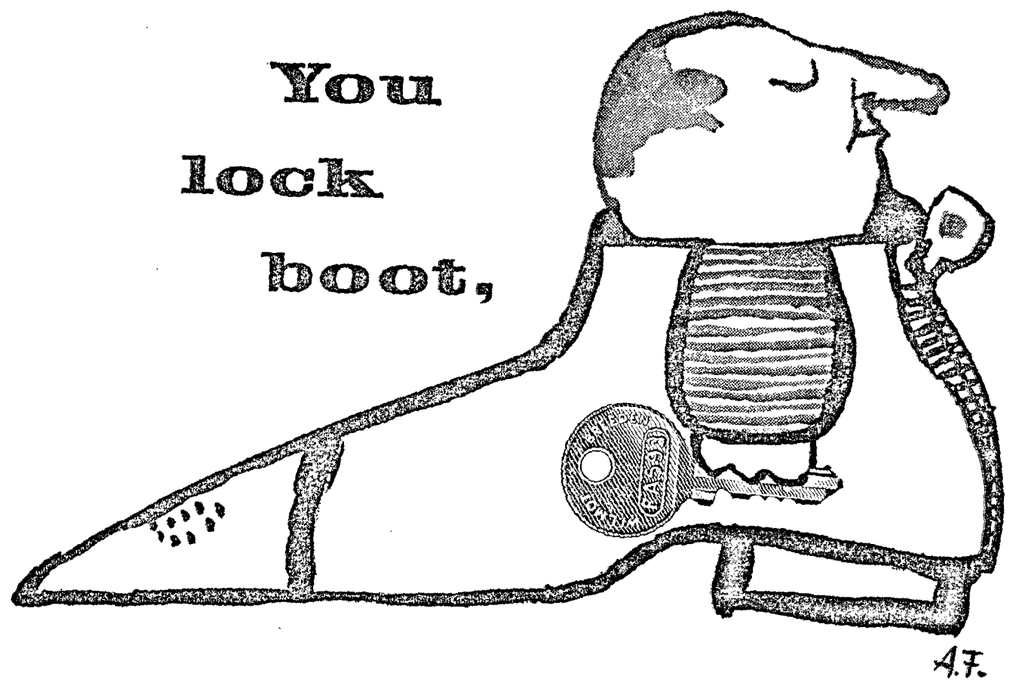
THE BRITISH BANKING MECHANISM. New edition. By W. Manning Dacey. *Hutchinson.* 200 pages. 18s.

Mr Dacey's book is probably the best available to the student and observer of high finance: it is readable and concise, yet the essential points of theory are never skimped. Its publication in 1951 happened to coincide with the re-introduction of a positive monetary policy. This gave the book added interest, but naturally "dated" the descriptive material. This limitation is made good in the new edition, which discusses monetary experience since 1951 and refers to recent changes in monetary theory. In a new final chapter, Mr Dacey recalls the sequence of the monetary measures and asks why they have failed to halt inflation. His conclusion is orthodox, attributing the central failure to insufficient vigour in funding bank deposits.

THE CHANGING POPULATION OF THE UNITED STATES. By Conrad and Irene B. Taeuber. *Wiley and Sons,* New York. London: *Chapman and Hall.* 357 pages. 62s.

ELEMENTS OF INDUSTRIAL ORGANISATION, 6th edition. By T. H. Burnham and G. O. Hoskins. *Pitman.* 330 pages. 21s.

CHRISTIANITY AMONG THE RELIGIONS OF THE WORLD. By Arnold Toynbee. *Oxford University Press.* 116 pages. 8s. 6d.



hop into driving seat, self-starter, goodbye wife,
and off. All well.

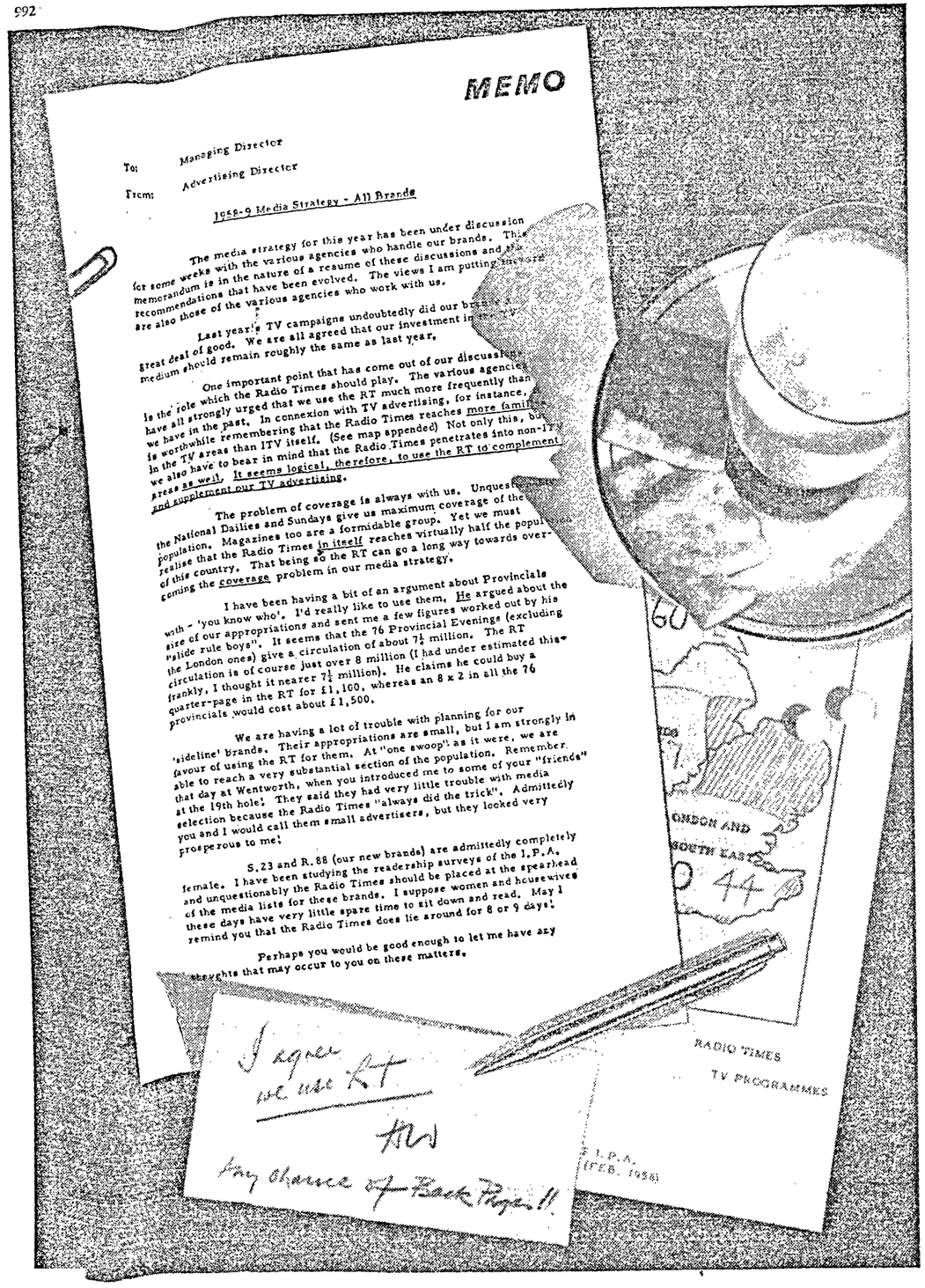
What if boot wouldn't lock properly? All not well.
Niggling doubt. Somebody pinch golf clubs . . .

Blasted boot can't trust with golf bag? What use car with boot
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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Mr Macmillan in Washington

WASHINGTON, DC

WHATEVER Mr Macmillan has achieved in Washington—and this will emerge more clearly over the coming weeks and months—one thing is certain: he will never again be a shadowy, indistinct figure to the American press. His performance at the National Press Club on Wednesday was a personal triumph of no mean order. He was urbane, witty, robust and immensely well received—the Oxford Union style at its very best. Even though the Prime Minister wandered into Washington in a manner both calculated and casual, his presence there has received plenty of flattering recognition. Nevertheless, he has succeeded in emphasising the private nature of his visit and the informal character of his talks and has eliminated much of the fuss and feathers that go with conferences between heads of governments.

This is, of course, very much part of the Macmillan method. The emphasis which he repeatedly places on the personal relationship that he established with President Eisenhower when the two were working together in North Africa is linked with the vehement manner in which Mr Dulles told the Senate Foreign Relations Committee last Friday that a Germany united but not institutionally incorporated in the West would be a menace again to everybody and that Dr Adenauer's genius lay in his recognition of this. The leading men in the North Atlantic Treaty Organisation are obviously racing against the time when they will no longer be in office to establish patterns of conduct for their successors; whether or not these patterns will then be followed is another question. Mr Macmillan also numbers himself, with some feeling, among the select band of Mr Dulles's European admirers and this sentiment was strengthened by the very helpful references which Mr Dulles has made during the past week to the need to strengthen international economic institutions.

The trick, as both British and American leaders recognise, is to establish close routine relationships between their officials at the working level and yet not to arouse the jealousy of America's other allies at the same time. The British profess to view the months since the Prime Minister first launched the idea of "interdependence" with some satisfaction. The economic knights, Sir Leslie Rowan and Sir Robert Hall, have slipped over twice; a scientific trio, Sir Edwin Plowden (who is in Washington so frequently that scarcely any public note is taken of his comings), Sir William Penney, and Sir Frederick Brundett were already there when the Prime Minister flew in. But the British regard it as absolutely essential to this increasingly cozy relationship that the idea should not get around that whenever they turn up they will have requests for which the United States will ultimately be obliged to foot the bill. Otherwise they fear an old tag will be twisted to read: "Beware the British bearing plans."

It is for this reason that Mr Macmillan and his advisers are somewhat uncomfortable about the form in which recent ideas for improving the liquidity of the sterling area have been unofficially presented. Of the three logical propositions advanced recently in *The Economist*, for instance, he has not pressed either the idea of an increase in the dollar price of gold or, even more prudently, that of a device specifically for underwriting the sterling system. The Americans, as *The Economist* has indeed always very explicitly recognised, are quite exceptionally sensitive to any mention of the gold price—partly because they object to giving incidental assistance to the Russian trade offensive, but also because they have an unholy dread of stirring up the various currency cranks in their own country who are still only just dormant. Nevertheless, Mr Macmillan is particularly, and rightly, concerned about the liquid reserves of all the western allies, and has been talking at large with the President and Mr Dulles about the significance of the Russian economic advance and the need to co-ordinate steps to meet it by nourishing the expansion of western output and trade. After Mr Dulles had complained that the earlier sessions on this subject had been "rambling"—"I thought this rather harsh," gaily observed Mr Macmillan—the Secretary of the Treasury and Mr Dillon, the economic head of the State Department, were brought in to try and impale the Prime Minister on the horn of decision.

It is not clear what success they achieved, but one question he certainly raised was that of West Germany, which has been "collecting all the chips" in international trade and failing to redistribute them by investment so that the game can go on. Mr Macmillan has been explaining to his American friends that, while the British would prefer to play the game in the old way in which wealth was simply poured over the world by private investors, the British themselves, although they have the know-how for doing this, simply do not have enough funds; the Germans claim that they do not have the know-how to operate a capital market of this kind; and the Americans, although they have done a good deal, are also not accustomed to playing the creditor through private markets. Therefore Mr Macmillan's argument means that the job will have to be done (as *The Economist's* third proposition suggested) through international institutions.

THE Prime Minister's method, in short, is to apply gentle massage in the hope that this will lead to a flow of ideas to the American brain. There is a real danger that this process may not work, though there is evidence that the special problems of the sterling area are being more fully appreciated in some quarters in the United States. Two leading Democratic intellectuals, Mr Dean Acheson and Mr

Adlai Stevenson, have both referred to the inadequacy of the sterling reserves in recent speeches—Mr Stevenson pointing out that they are about the same size as those of the Ford Foundation. Mr Acheson is planning to devote one of the ten pamphlets on foreign policy, which he is bringing out on behalf of the Democratic party, to this and related topics. Mr Stevenson, in the less political context of a university address, suggested a committee of experts from the free world to discuss the best methods of financing an adequate level of international trade.

But in any case there must inevitably be a large amount of finessing on both sides in these matters. The British must not appear to be asking for anything for themselves, nor must the Americans appear to be doing anything for the sake of the British. British officials are especially sensitive to the danger of doing, saying or appearing to be saying anything that would prejudice the passage of the Reciprocal Trade Agreements Act, particularly when Congress is also considering the amendments to the Atomic Energy Act which will permit a broader exchange of information. The Prime Minister appears to be attaching supreme importance to a triangle of coming events—this hoped-for extension of the President's powers to negotiate tariff reductions, the meeting of the Commonwealth Finance Ministers, and the convention of the World Bank and International Monetary Fund at New Delhi. He evidently feels that if a big demonstration can be made that there is a general desire to foster increased trade, then minds will be carried logically to the problem of financing it.

But although these economic questions were the main, they were by no means the exclusive, topics of conversation. Mr Macmillan apparently threw in his word in favour of holding a summit meeting without the West making too much fuss about preparations, although he conceded that the President's status as chief of state created special problems. Mr Macmillan also lent weight to that faction in the Administration which favours a suspension of atomic tests if this would enable a proper inspection system to be tried out. However, with atomic matters and disarmament, as with international trade, the British are being understandably cagey and a trifle vague about future commitments until Congress has passed the pending legislation which would equip the President with fuller powers and more independence in negotiation than he has at present.

Trade with Flying Colours

WASHINGTON, DC

THE House of Representatives has not let the free world —or the Prime Minister—down. He must have been immensely heartened during the last few hours of his talks with the Administration by the news from Capital Hill, the seat of the second American government which has the last word in so many vital sectors of western policy. On Wednesday morning the House voted overwhelmingly to continue for the unprecedented period of five years the President's powers to negotiate reciprocal trade agreements and to allow him to cut some American import duties by as much as 25 per cent. Previously it had rejected by 268 votes to 146 a crucial motion to send the Bill back to committee. Three years ago, when the measure was last up before the House, a similar motion was repelled by only 206 votes to 199. Yet this time protectionists had approached the battle with even greater confidence because of the recession and most observers, until the last few days at least, had felt that this confidence was entirely, if regrettably, justified.

The form of the debate offered the House a clearcut choice between a mildly liberal Bill and a frankly protectionist alternative. The first, proposed by the Administration and with minor refinements approved by a majority of the House Ways and Means Committee, had been

"We Like It So Well, We Want To Sail It For You"



described by the President, in a speech to Republican candidates for Congress, as one of the three pending measures which it was most essential to enact. Its opposite bore the name of Representative Simpson who, as chairman of the Republican Campaign Committee, is the man chiefly responsible for getting a majority of those candidates elected. But the Simpson Bill's sting lay less in the discounted votes of so many of the President's fellow Republicans than in the fact that its backing, like that of the Ways and Means Committee's Bill, was bipartisan.

In 1954, as he never hesitates to point out, Mr William Jennings Bryan Dorn of South Carolina was the only southern Representative to vote against reciprocal trade. In the interim more and more Southerners have been deserting their traditional internationalist camp and joining midwest Republicans in this as in other brands of conservatism. Partly this can be accounted for by the spreading influence of the textile industry. But it owes something to the delayed effect of an agricultural price support system which loosened almost to the point of disconnection the tangible link between the cotton farmer and his markets abroad. Furthermore, at the psychological level the all-absorbing race issue undoubtedly has some influence. The constant emphasis of Northerners on the need to speed racial integration in order to make a good impression on foreigners has turned

many Southerners in upon themselves in a resentful mood of neo-isolationism.

The opponents of lower tariffs had long been looking forward to this debate with eager anticipation, as their greatest opportunity to reverse the course of American policy. The celebrated right-wing wireless commentator, Mr Fulton Lewis, proclaimed gloatingly :

> It's time for the showdown. . . . The swaggering, arrogant ruthless high-handed little glassy-eyed Gattmen who bartered away the jobs of the American workers, while they sat in the plush of plushy surroundings for six months every summer in Geneva, Switzerland—they are Daniels come to judgment.

With this sort of opposition in prospect it was not exactly a bold measure which the Administration put up to Congress. America's trade partners will look in vain at the text of the Ways and Means Committee's Bill to find relief from the uncertainty and harassments of current American law. In particular the "escape clause" procedures are not only still there but the changes made in them are all directed towards weighting the decisions on tariff changes a little more in favour of the complaining domestic industries. Some of the concessions originated in the Administration, others resulted from the tactics of Mr Wilbur Mills, the new Democratic chairman of the Ways and Means Committee, who held meticulously elaborate hearings and turned no major grievance away without adding some mollifying language to the draft Bill, however far short it might fall of what had been sought.

THESE concessions were, of course, directed at the waverers. There was no hope of converting the hard-core protectionists to a Bill which gives the President power to negotiate tariff concession for five years, so as to overlap the early stages of the European Common Market. Moreover there was no gainsaying the fact that, although the procedures for giving the President advice and the remedies he might be advised to employ were to be tightened up, he would still have the right to over-ride the advice. Under the Simpson Bill, in effect an attempt to give the tariff-making and breaking powers back to Congress, the Tariff Commission, a purely technical body which is officially an arm of Congress, would have become almost all-powerful, with the President acting merely as its agent. But Mr Simpson's attempt at infiltration was repulsed by the surprisingly large majority of 234 votes to 147 before the House came to the committee's Bill.

All these very satisfactory majorities were achieved in part because the southern revolt did not amount to as much as had been feared and because many Democratic votes elsewhere were switched, even some from states such as Massachusetts which have high unemployment. Dramatically, Representative Green, the Democratic boss from Philadelphia, carried three more votes with him when he crossed over to the side of reciprocal trade. Twenty more Democrats supported the Bill than had done so in 1955, but the most remarkable contrast was in the behaviour of the Republicans. Three years ago, the President's party voted to kill his bill by 119 votes to 66 ; this time they voted the opposite way, by 108 votes to 85.

All this was because, for once, strong leadership was being tried out in Congress. The White House really worked hard at disciplining and cajoling the Republicans, the two leaders of the two parties operated hand in glove and, perhaps most important of all, a bipartisan campaign outside Congress was skilfully co-ordinated with tactics inside. Organisations like the American Farm Bureau Federation and the Chamber of Commerce, which were called in to help, laboured in the grass roots to produce local pressures on Congressmen to counteract those brought by protectionist interests. The highest credit for the victory is due to Mr Wilbur Mills and to his assistant, Mr Hale Boggs. Their approach was faultless : they held long, courteous hearings, granted concessions which did not alter the main lines of the Bill but enabled Congressmen to show they had achieved some recognition for their constituents' special problems, gave ample opportunity to the opposition to advance its own Bill, which thereby became the target of ridicule and attack, and presented their own brief impressively and concisely. And, of course, when it came to the point there were many worried Congressmen with honest doubts about the legislation who would not vote to embarrass the President at this critical moment in international affairs.

It is too early for friendly foreign observers of the ways of Congress to relax. The Reciprocal Trade Bill still has to face the Senate Finance Committee, which includes many protection-minded conservatives, and the Senate itself. But so far this year Congress has once again disproved those who have despaired of it in the field of foreign affairs.

How to Lose Friends

THE Senate has already demonstrated its responsibility by passing, by 51 votes to 17, a foreign aid Bill which authorises the spending of $3.1 billion in new money, $109 million more than the House was prepared to authorise and only about $200 million less than the President asked. But unlike the foreign trade debate in the House, the Senate debate on foreign aid provided a sorry example of how the Administration, through a combination of spinelessness and ineptitude, can lose battles and offend its best friends. The only new issue of policy involved was provided by Senator Kennedy's amendment to permit aid to Communist satellite countries when the President felt that it would increase their independence of Moscow or Peking. Only the Soviet Union, China, and North Korea would have remained wholly outside the pale. The Battle Act, which was passed in 1951, has not made it impossible to help countries such as Poland and Jugoslavia, but the process is time-consuming and rigid : the President must declare that such aid is in American interests and that the country involved is not Soviet-controlled. Mr Dulles welcomed Senator Kennedy's proposal to make it easier to widen the cracks in the Soviet empire and the State Department actually helped with some of the drafting.

At the eleventh hour, however, Senator Knowland, the leader of the Republican minority, and Senator Bridges, both conservatives who are members of the Appropriations Committee, threatened that, if the amendment were passed, they would retaliate by cutting to shreds the appropriation for foreign aid, which is considered separately from the authorisation. The State Department beat a hasty retreat to an ill-prepared verbal position ; it would support the amendment in principle, but take no stand on whether it should be included in the foreign aid Bill. There is some question whether the President failed to grasp this fine-drawn distinction, or whether he simply failed to express it plainly. But Senator Knowland emerged from a meeting

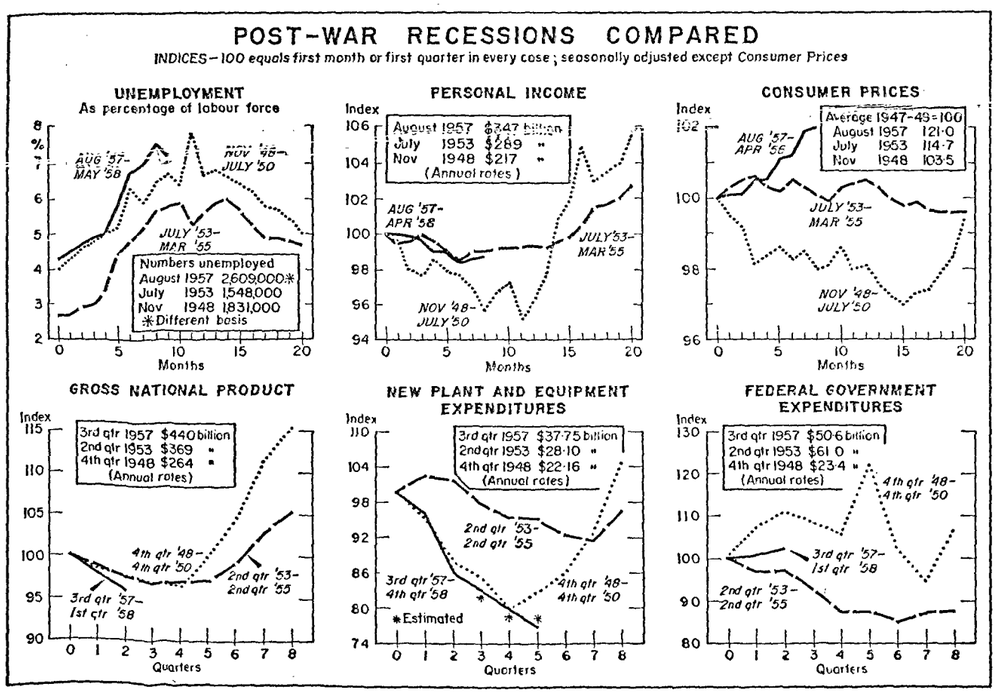
with Mr Eisenhower proclaiming that the President opposed the inclusion of the Kennedy amendment in the present Bill, and would like to see it dealt with separately.

This was a death sentence for the Kennedy amendment, since the Senate has no plans for discussing the Battle Act during this session. Senator Knowland won his point by one vote, a clear proof that the Administration could have carried the day if it had not surrendered to panic. The Senate's decision that most of the money cut from foreign aid should be subtracted from military assistance was an equally clear expression of Democratic disgust with the Administration's weakness. The real disaster, however, is that forward-looking Senators of both parties will think three times—they already think twice—before they risk much for an Administration which succumbs so easily to threats from Republican conservatives.

Which Figures Do You Use?

With steel production up from 48 per cent of capacity in April to 62 per cent last week, higher than it has been this year, with unemployment falling in May for the first time in months and employment rising more than seasonally, with good reports on retail sales and building activity, last week provided a whole flock of statistical swallows to make it look as if the winter of recession was over. But unfortunately hovering over them was the ominous shadow of the latest figures for spending by business on new plant and equipment, which suggest that the summer will not last long. The sharp decline in these capital outlays, which followed the over-expansion of industrial capacity during the 1955-57 boom, is a basic cause of the present economic difficulties. Now the official survey shows that these outlays were cut back more than had been realised during the first quarter of this year, and that business plans for such spending in the future have also been cut back more, and will continue to decline for longer, than had been forecast; this year capital outlays are now expected to be over $6 billion less than last year, instead of $5 billion less as was estimated only a few weeks ago. Even this was depressing enough and there may well be further revisions downward before the year is out. The only comfort in this report is that the rate of decline seems to be slackening, so that the drop in business spending may soon be offset by the rise in government spending, now the only really expansionist factor in the economy.

These discouraging new estimates do much to explain why the staff of Congress's Joint Economic Committee, unlike the Administration's official optimists, sees no prospect of any genuine recovery beginning until late this year, if then, or of anything approaching full employment returning before the middle of 1959—and maybe not before the end of 1960. In February the committee's experts valued the gross national product this year at $429 billion, compared with the President's January estimate of $445 billion; now they think that even their figure is too high. They expect that about 5 million persons will be unemployed on an average all this year and that there may be as many as 7 million out of work early next. The committee's staff base their calculations about the course of the recession on



Based on charts prepared by the Committee for Economic Development.

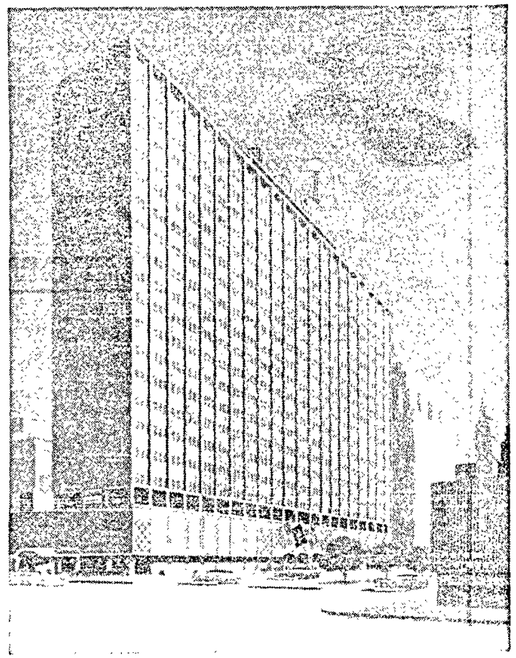
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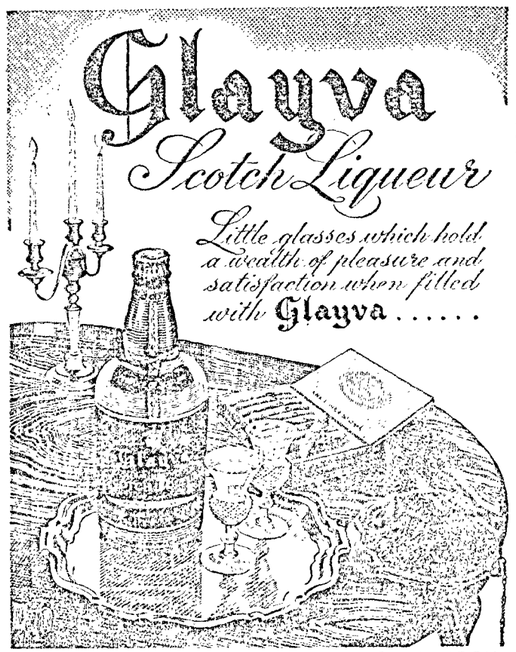
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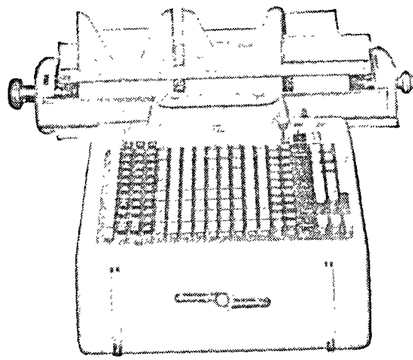
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the patterns of the other two postwar recessions and these projections are confirmed by Dr Moore of the National Bureau of Economic Research. He finds that the sharper the economic decline, the longer it takes for complete recovery to develop. Everyone now agrees that the current recession is deeper than those of 1948-50 or 1953-55, although it is not—nor is it likely to become—as serious as those of 1929-30 or 1937-38.

Atoms without Strauss

ALTHOUGH the President offered him another five-year term as chairman of the Atomic Energy Commission, Mr Strauss, whose name inappropriately rhymes with applause, has decided that it would be a mistake to perpetuate his feud with the Democratic majority on the Joint Atomic Energy Committee. This has already lowered morale among the senior staff of the commission—a number of whom are looking for other jobs—and almost certainly would have become more acrimonious next year when the committee's chairman will probably be Mr Strauss's severest critic, Senator Anderson of New Mexico. Had Mr Strauss accepted the reappointment, he would have faced a rough going-over by the Senate. To succeed him, the President has chosen Mr John McCone, a Californian businessman who, although he is a Republican, was Under Secretary of the Air Force in the Truman Administration. He is a close personal friend of Mr Eisenhower and his reputation of being able and easy to work with has made a favourable first impression on the Senators who will have to approve his nomination.

The departure of Mr Strauss does not necessarily mean that the Democrats have won their battle for more rapid development of nuclear power through government construction of the plants; with commercially competitive power from the atom still ten years off in the United States, private electricity companies are naturally reluctant to assume the heavy cost; but so is the Bureau of the Budget. With a new man in Mr Strauss's place, however, the dispute will be less bitter. No one questions that he was a dedicated and conscientious public servant whose foresight in pressing for the development of the hydrogen bomb and of detection systems for nuclear explosions deserves lasting praise. But he did offend many by his extreme concern with secrecy and security, his rigidity and his intolerance of disagreement. Mr McCone will be questioned closely to see if he is a "Strauss man."

The fact that Mr Strauss, besides being chairman of the commission, was special adviser to the President on nuclear matters gave him the President's ear and enabled him—or so the Democrats feel—to ride roughshod over other members of the commission and to frustrate the committee. Mr McCone's succession to both these influential posts may provoke congressional criticism. However, since the appointment of Dr Killian as the President's scientific adviser, Mr Strauss's influence at the White House has been declining. One factor in his decision to resign may have been the fact that two of the three experts who are to discuss systems of inspection with the Russians next month favour, while Mr Strauss opposes, suspension of nuclear tests. But to the irritation of some Democrats, Mr Strauss will still have a base in the White House as Special Assistant in charge of promoting the international atoms-for-peace programme.

Seasick

SHIPOWNERS are having a queasy time this summer. The sharp fall in freight rates since the re-opening of the Suez canal, and the consequent laying-up of idle ships in port, have sent them sliding down into the trough of the recession; and now the Supreme Court is rocking the boat. By a 6-to-3 vote, the Court decided last month that the "dual rate" system of fixing charges is illegal, if it curtails competition. The practice has been adopted by about half the world's shipping conferences, the groups of shipowners of various countries whose vessels ply between the same ports. It enabled shipowners belonging to these conferences to offer cut-price rates to shippers who undertook to use only the conference's vessels for transporting their goods.

Although the Federal Maritime Board gave its blessing to the system, the Court has now upheld the protests of the Isbrandtsen line, which operates between Japan and a number of American ports and has for years been waging a lonely price war against the conference to which all its competitors belong. The more gregarious American shipowners now declare that, because their costs are so high, the Court's decision will make it impossible for them to compete with foreign lines. They are cheering on the Federal Maritime Board which has asked Congress for legislation explicitly permitting the "dual rate" system; prophets in the House of Representatives think that Congress will comply.

There is also some uncertainty about the future of the subsidies which fourteen shipping lines get from the government. Both Houses of Congress have now passed a Bill authorising the construction of two new passenger liners for the Atlantic and Pacific routes with the aid of abnormally large subsidies. Whether Congress will be as helpful about the humbler freighters is another matter. In return for the operating subsidies they receive, the fourteen lines undertake to replace their ships every twenty years (also with substantial financial aid from the government). But President Eisenhower said in his budget message at the beginning of the year that the government was considering a reduction in subsidies, and suggested that the replacement period might be lengthened to 25 years or even longer. Pessimists suspect that the economisers in Congress may take this as a hint to trim the amount of aid the shipowners get in the future. For the present the House of Representatives has appropriated substantially more money for construction subsidies in the coming fiscal year than it granted a year ago. But if doubts should grow about the strategic value of the merchant fleet (which is the theoretical justification for the subsidies) in the event of a nuclear war, then they may be increasingly hard to come by.

Still Suspect

IT is two and a quarter years since Dr Galíndez, a lecturer at Columbia University in New York and a bitter critic of General Trujillo's iron dictatorship over the Dominican Republic, was last seen in a snowstorm outside a New York underground station and thereafter disappeared without trace. Nearly a year ago the Dominican government hired Mr Morris Ernst, a New York lawyer, and Mr William Munson, a former state judge, to investigate the

widely believed accusation that Dr Galindez was kidnapped, flown from the United States to Dominican soil, and there disposed of on General Trujillo's orders. The two investigators have now declared that they find no evidence "connecting the Dominican Republic or any of its officials with the disappearance of Galindez." Instead, they suggest that Dr Galindez may still be alive and that his vanishing may somehow be connected with his work as a collector of funds for an anti-Franco organisation of Basques in exile (though they say roundly that there is no reason to suspect Dr Galindez, himself an exile from Spain, of using these funds to enrich himself).

The report deserves attention because Mr Ernst is a respected lawyer with a reputation for defending liberal causes. Nevertheless, it amounts to no more than a finding of "not proven" on the allegations against General Trujillo. For instance, the pilot of the plane which is thought to have taken Dr Galindez to the Dominican Republic—a young man called Murphy who later died in equally mysterious circumstances on Dominican territory—told friends that he had transported the missing man; Mr Ernst suggests that he was an unstable young man who simply made the story up. One of Mr Ernst's main points is that Murphy could not have flown from the airfield in Florida, where he is last known to have touched down, to Dominican territory and back in the time suggested by witnesses' statements; but the time of his return is not exactly established and the later estimate would have left him long enough for the trip. Mr Ernst also calls on some very dubious pieces of evidence, such as an "affidavit" from the Trujillo authorities that the Dominican airfield where Murphy is thought to have landed Dr Galindez was in fact closed at the time.

The Ernst report is not likely to satisfy those who accepted the State Department's judgment last year that "sufficient evidence" suggested that Murphy may have been linked with Dr Galindez's disappearance. Nor is it likely to do much to sweeten the name of Trujillo in the United States. The dictator's son, who has a well-publicised generalship in the Dominican air force and a less well-publicised wife and six children, has recently been spending much time and money on some of Hollywood's female stars. General Trujillo's regime stands high on the list of dictatorships on which the United States, since Mr Nixon's disastrous trip to Latin America, is learning to look with a colder eye.

Atomics Unlimited

FEW people have cared to speculate on the state of the world by 1970 if governmental spending on nuclear weapons continues at the present rate, unchecked by disarmament or any other international agreement. This useful though sombre projection has now been made by a special expert committee of the National Planning Association,* which estimates that, even if nobody helps anybody else, there will be eight atomic powers by 1970, and 15 to 20 if a real effort is made, by military assistance, to enlarge the membership of the nuclear club. Assuming that there is no war by 1970, it is no longer an academic question to ask how many bombs—or nuclear warheads—there will be in the respective national stockpiles of missiles. The answer seems to be that there will be more than enough to ensure not merely the mutual destruction of the belligerents but also the poisoning of a high proportion of the neutrals, should war break out. Even now, according to the pamphlet, an additional 5 to 10 per cent of the casualties which warring atomic powers would inflict on each other would be suffered by neutrals.

It is therefore a matter of some interest to the neutrals to know how many bombs would be detonated. Ultimately, this will be a matter of the number of the enemies' own launching sites, multiplied by the degree of inaccuracy of the attacking missiles and by a factor representing the possible percentage of interception by anti-missile missiles. As "hard" or underground missile sites would present difficult targets for attacking missiles, it is estimated that to destroy 4,000 sites would require the firing of 50,000 to 60,000 missiles. But interception would pose a still more difficult problem: to limit to 100 the number of superbombs which were effectively delivered out of every 1,000 launchings would require 9,000 interceptors; to reduce 10,000 launchings to 100 deliveries would require the detonation of 99,000 anti-missile missiles.

This, from the calculations of those responsible for the pamphlet, might cause, through radiation alone, a world-wide casualty rate comparable to Europe's in the last war. But it would, apparently, take ten million explosions to destroy half of mankind—with the inevitable concomitant "damage" to half the next generation born to the survivors. Possibly, a stockpile of this size may not have been amassed by 1970 (though the committee doubts if the military authorities would feel safe with less). The NPA, nevertheless, seems gloomy about the prospect of achieving disarmament or even control through such statistics as these, based on sober projections of programmes for developing and producing weapons. It holds out hope, however, that attempts to colonise the planets may divert some effort and ultimately some fissile material from the atomic stockpiles on earth.

* "1970 Without Arms Control"; Planning Pamphlet 104; NPA, Washington, D.C.; 72 pages; $1.25.

SHORTER NOTES

President Eisenhower has responded warmly and promptly to the suggestion of the President of Brazil that inter-American relations should be reviewed to put them on a happier footing. Brazil was not one of the countries visited by Mr Nixon on his ill-fated tour, but as one of America's oldest and most reliable allies—and a sufferer from the glut of coffee—it has undertaken to repair the damage. To the satisfaction of the Brazilians, the President's reply to Dr Kubitschek was delivered by Mr Roy Rubottom, the Assistant Secretary of State for Inter-American Affairs. Presumably Mr Rubottom had his bag packed; he had expected to accompany the President's brother, Dr Milton Eisenhower, on a Central American visit which has now been postponed.

* * *

The Dodgers, the professional baseball team which recently decided to leave New York and seek its fortune in Los Angeles, are settling in nicely. They have beaten the Milwaukee Braves five times running, attendances are soaring at games in their temporary stadium, and in a referendum voters in Los Angeles have approved the city's agreement to make over 300 acres of land in Chavez Ravine as a site for the stadium which the Dodgers hope to move into by 1960.

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THE WORLD OVERSEAS

The Army's Choice

FROM OUR PARIS CORRESPONDENT

GENERAL DE GAULLE'S brief tour of Algeria has thrown a great deal of light on the balance of power in the new French situation. It has also shattered illusions that the Algerian conflict can be brought to a rapid conclusion. Before his visit, the general, though carried to power by the staunchest partisans of a policy of force, retained with many people the reputation of being the only man capable of bringing the war to an end by negotiation—promising Algeria a form of independence within a broader framework which would include Tunisia and Morocco. In other words, it was claimed that only a man of his stature could achieve what M. Mollet and his successors so patently failed to accomplish.

The general was not expected to proclaim Algeria's "right to independence" on his tour, but the partisans of a liberal solution expected him not to say anything that might jeopardise such a solution; and "liberal gaullists" in Paris were encouraging this expectation. Even after his inaugural speech in Algiers, and in spite of his blessing for the settlers and soldiers in revolt, the advocates of a negotiated settlement clung to their hopes: there were some of the settlers' formulæ which the general had not repeated. Yet at each stage in his journey the liberal argument wore thinner. When he got to Oran the general stated that Algeria must show "that it is a French land today and for ever." Finally, at Mostaganem he ended his last speech before he left for Paris with the cry: "Long live French Algeria." For the settlers, the army, the FLN and President Bourguiba the doubts were over. The general, in their opinion, had chosen the path of integration, and rejected that of independence.

The previous illusions sprang from an initial misunderstanding. General de Gaulle's trip was described in Paris as a journey to reassert the authority of the state over a recalcitrant army and insubordinate settlers. The description would have been accurate if anyone else had been attempting to reassert this authority: M. Pflimlin, say, or M. Mitterrand, whom many had considered the most likely candidate to lead a resolute republican government, willing to stand up to the men of Algiers. But for General de Gaulle it was misleading. He was the army's choice; its spokesmen had stated plainly that they would accept no one else.

Admittedly, the French army (or rather its officer corps) was merely united in its refusal to obey the civilian authorities in Paris and in its determination to bring de Gaulle back. Within its ranks there was—and still is—a wing that wants to take things entirely in its own hands. The paratrooper officers, the colonels who after years of fighting against national revolutionary movements in Indo-China and Algeria have developed a thirst for direct political action, first set the pace. They found numerous allies in the committees of public safety, and together they urged that the first victory—the return of General de Gaulle—should be followed immediately by a wholesale purge of the politicians and the rapid establishment of a single-party, totalitarian regime. The risks of a considerable fascist movement in the home country are limited at this stage in the absence of unemployment and mass social unrest for it to feed on. Its only possible recruits on a considerable scale are the small men squeezed by the industrial revolution who had flocked to M. Poujade's banner. But changes in the economic situation might increase this threat.

The general has refused to become the leader of the extremist faction, but he has come to a compromise with it. The committees of public safety have been ordered to submit themselves to the public authorities, which, incidentally, are the military, since General Salan has been entrusted with civilian powers. But the committees were not dissolved. They were merely told that the aim of their revolution was achieved—the general being now in power—and that they should concentrate on the rather nebulous task of "integration of the souls."

Encouraged by this recognition, the Algerian committee has tried to force the general's hand. On Tuesday it sent a message, sounding like an ultimatum, urging him to hold no elections in Algeria before the referendum; to announce plainly his approval of integration; and to get rid of the party system in France. The committee has overreached itself and General Salan received a rebuff from General de Gaulle for his part in this threatening message. The general, though banking on the army, does not want its most extreme elements to run his show.

When a provisional balance-sheet of the new Algerian policy is being drawn up, the deadweight of army investiture becomes apparent. Most of the recent moves point in the direction of integration. Algerian Moslems have been promised "equal rights and duties" (a term that still needs definition). They have been assured that they will vote on equal terms with Frenchmen in the referendum and in the elections for a legislature which are to follow. Since then it has been announced (though M. Malraux, as chief government spokesman, has already denied this) that municipal elections will be held in Algeria within a month and that the government will guarantee complete freedom of choice throughout the territory. It is difficult to see how either of these pledges can be kept. The elections may have to be delayed if only because, as the settlers claim, no machinery for them exists. More important, with the army committed to integration and the committees still in action, would the Arab nationalists favouring independence have a real chance of presenting their case? The FLN has answered not only by announcing a boycott but by launching a new military offensive. President Bourguiba, who had pinned some hopes on General de Gaulle, has expressed his disappointment that another opportunity has been missed. The war goes on and the armed forces are apparently asking for another £100 million.

Yet let us assume for a moment that the French would be willing to accept all the political sacrifices involved in

genuine integration—the settlers agreeing to Moslem predominance in all the elected offices in Algeria ; and metropolitan Frenchmen agreeing to a proportionate Moslem representation in the Paris parliament, whatever its future functions may be. The fact remains that to stand a chance of success the policy of integration would involve even greater economic burdens than those already carried by France in Algeria. Equal family allowances and other social benefits are only the beginning. To provide the population with a livelihood would require agrarian reforms and rapid industrial development, creating threats to many vested interests in Algeria and at home. Further tremendous investments would be required to keep pace with the soaring Moslem birth-rate. The loans which M. Pinay proposes to raise cannot possibly pay for this ; it will be surprising if the American taxpayer will pay for it, either.

The magnitude of this economic task leads French opinions to exactly opposite conclusions. The settlers think that the new plan will go the way of its stillborn predecessors. It is their hope that General de Gaulle has been as effectively stifled with laurels as M. Mollet was silenced with rotten tomatoes. Liberal gaullists, on the other hand, claim that, in spite of appearances and concessions, the general will opt for a form of independence and will reveal his plans in his forthcoming constitutional project.

Could he carry the army with him ? A few weeks ago it would have seemed strange to apply to sophisticated France a question that is usually asked in a Latin American context. But the details of General Ely's resignation, for instance (he has now returned to his post as chief of staff of the armed forces), show convincingly that military disobedience was not limited to the paratroopers or the troops in Algeria ; it was general and systematic. The soldiers having won their political battle, what alternative source of political strength is available to the new prime minister ? The government was enlarged on Monday. Of its 21 members, 14 are parliamentarians. With parliament in recess, however, they are neither responsible to the assembly nor can they exert influence through the parliamentary support which they can muster for the government. They are the general's counsellors, whose advice he may follow or not, as he thinks fit. The constitutional projects will show how the general intends to fill the parliamentary vacuum. In Paris, in the meantime, a ten-year-old saying of M. Malraux, the minister of information, has once again become fashionable: " In France there are the communists, ourselves (that is, the gaullists) and nothing." Only, it is added, the gaullists have changed ; most of them are now in uniform.

Mr Todd's Defeat

FROM OUR CORRESPONDENT IN SALISBURY

MOST Rhodesians are thankful that the Dominion party, which has thriven on the internal troubles of its opponents over the past five months, did not, as so many had feared, win a small majority in the Southern Rhodesian House and take over the government. Considering Sir Edgar Whitehead's embarrassments he has done well (even though with the aid of the alternative vote) to win the election with a majority of four in a House of only thirty members. At the dissolution of the last parliament, the Dominion party held five seats with one anti-government Independent. The opposition has increased from six to thirteen, but this represents a swing of only five per cent compared with the last Southern Rhodesian general election of 1954. The swing has taken place almost entirely in rural areas ; the government vote in the four main centres of Salisbury, Bulawayo, Umtali and Gwelo remains virtually unchanged at 57 per cent.

The complete elimination of Mr Todd's United Rhodesia party (whose second preferences turned the scale against the Dominion party) was not a great surprise to close observers who have felt all along that Mr Todd's expectation of winning six or seven seats was wildly optimistic. When Sir Edgar Whitehead was elected as leader instead of Mr Todd at a special congress of the Southern Rhodesian division of the United Federal party in February, Mr Todd received 129 votes against 193 for Sir Edgar. From this some observers deduced that the Todd group had at least two-thirds of the strength of the Whitehead group. In fact all it has proved is that the Todd group was more active and took more trouble to get its supporters elected as Congress delegates.

Throughout the Federation the African reaction has been unfavourable. In Southern Rhodesia itself, Mr Todd stood higher than any other European political leader in the opinion of Africans and they are bitterly unhappy at his defeat. The Southern Rhodesian African Congress claims that, as a direct consequence of the election, it has had a large number of applications for membership from Africans who were formerly supporters of Mr Todd. There is little doubt that the immediate African reaction has been a swing towards nationalism and the Congress, but just how far this swing will go or how long it will last has yet to be seen. When the dust created by the Todd crash has settled, some African leaders will realise that the Congress road of racial politics can lead only to disaster, and they will no doubt once again seek a place in one of the established political parties. In Southern Rhodesia this can only mean the United Federal party.

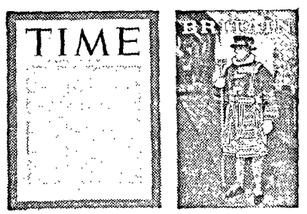
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In the northern territories the European reaction to the election has been largely favourable. Mr Todd's party made the issue of Southern Rhodesia's sovereignty within the Federation part of its election platform ; it has always emphasised that it is a Southern Rhodesian party and as such it does not have many friends in the northern territories. The Dominion party is also regarded in the north as essentially a Southern Rhodesian group. It has no support whatever in Nyasaland and very little in Northern Rhodesia.

Sir Roy Welensky and the Federal government leaders are satisfied with the results ; they have reason to be, since it should now be a good deal easier to win a reasonable majority in the forthcoming Federal elections in September or October. The Dominion party is weak in Northern Rhodesia primarily because Northern Rhodesians regard it as a collection of Southern Rhodesian politicians with little in common except their dislike of the Federal leaders, especially of Sir Roy Welensky and Lord Malvern. In Northern Rhodesia it has not hitherto been considered altogether " respectable " to belong to the Dominion party, but if the party had won last week's election and become the government party in Southern Rhodesia, this situation would have changed overnight. The party's strength north of the Zambesi would have increased considerably, which might well have allowed it seriously to challenge Sir Roy



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Welensky for control of the Federal parliament. As things stand at present, in the coming Federal elections Sir Roy seems assured of a small majority in Southern Rhodesia, a substantial majority in Northern Rhodesia and all six of the seats for ordinarily elected members in Nyasaland. By the time the elections are due, the memory of the past five months of squabbling inside the United Federal party should have become less vivid; and without Mr Todd's group attacking on one flank while the Dominion party attacks on the other, the United Federal party might do better than it did last week.

One question still unanswered is what is to become of Mr Todd. When asked his intentions immediately after the result was announced, he would say no more than that he intended to retire to his farm. But whatever his personal inclinations, it seems unlikely that he will be able to take no further part in political life. The future of the United Rhodesia party will be decided at a special congress in two weeks' time. A number of its supporters are known to favour keeping the party alive, but it is difficult to see how this will be possible, since even before last week's crushing defeat, the party had stated that it was most unlikely to contest the Federal elections. It must be even more unlikely now. In this case, the party is faced with the prospect of trying to keep alive for five years until the next Southern Rhodesian general election without any representation in parliament. It seems more likely that many of the party's supporters, although not Mr Todd himself, will now return to the United Federal party, although a few may join the ultra-liberal Constitution party founded recently in Northern Rhodesia and now attempting to establish itself south of the Zambesi.

New Zealand and Butter Dumping

FROM OUR CORRESPONDENT IN WELLINGTON

NEW ZEALAND reactions to the Board of Trade's decision on butter dumping are thoroughly mixed. Leaders of the dairy industry, with a strong seasoning of politicians, both government and opposition, have expressed disappointment of various sombre shades. Outside those immediately affected, opinion has been less vocal and more apprehensive than reproachful. Most New Zealanders understand that their prosperity is closely bound up with that of their great primary industries. They may come no closer to the farm than their Sunday afternoon motor trip but there is still a widely held conviction that when the "cocky" is in trouble, everyone else, sooner or later, will also be in trouble. The non-farming New Zealander is, therefore, distinctly worried about the drop in the dairy farmers' earnings just as he has been more than a little envious of the dairy farmers' obvious prosperity. But he is not moved to any paroxysms of indignation and indeed, behind the privacy of his afternoon newspaper in the bus, may be heard expressing the view that the fall in butter prices and its effects are strictly the dairy farmers' problems—an attitude of mind which the farmers' leaders have publicly deplored.

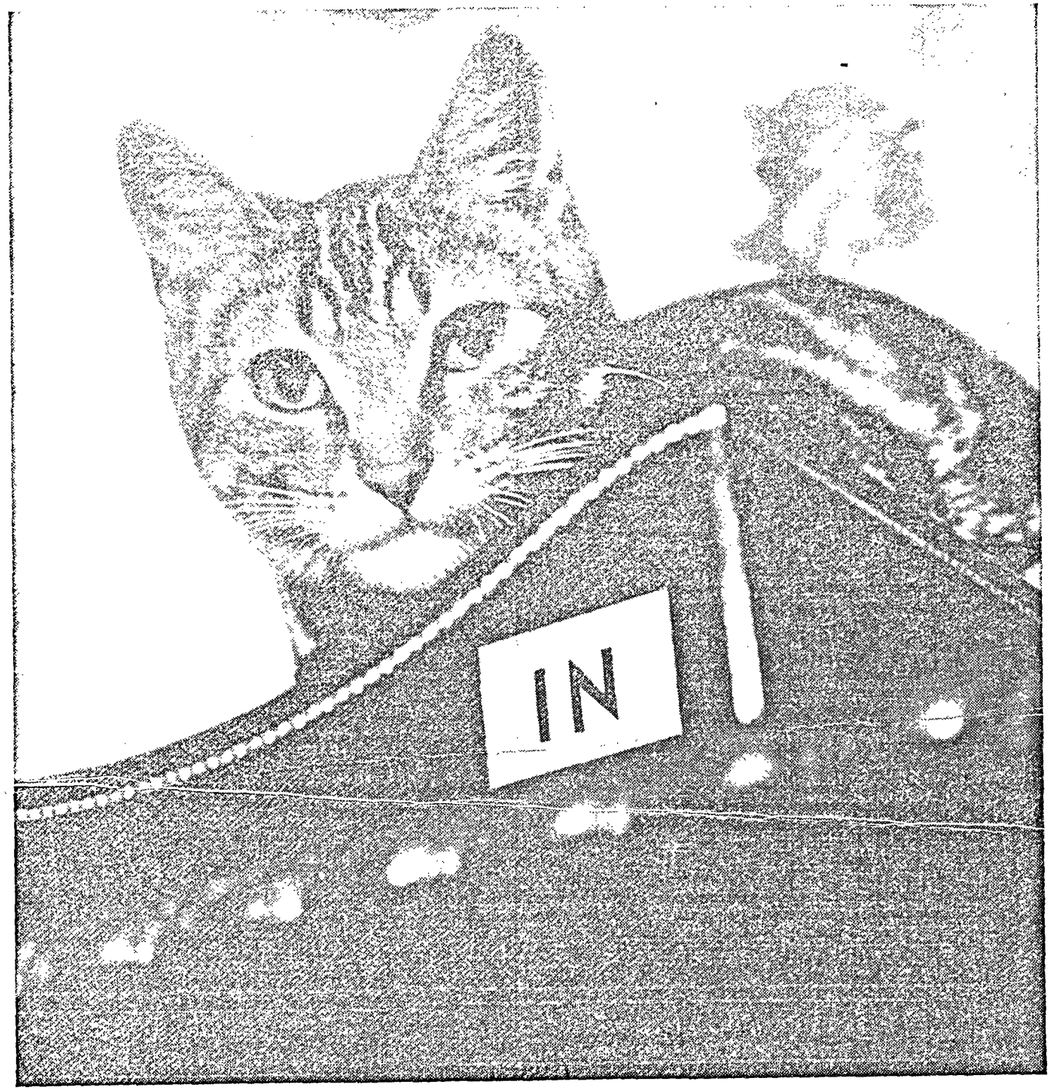
It is doubtful whether the British Government's difficulties in applying, or even discussing, countervailing duties against good customers and friends are understood here, although the British High Commissioner, Sir George Mallaby, and others have done their best to enlighten people, and although a good deal of New Zealand newspaper comment has been sympathetic and understanding on this point. New Zealanders, however, tend to feel emotional about even such prosaic matters as trade with Britain and the Board of Trade's decision has been construed by many of them as an indication that Britain, or undefined interests there, are more sympathetically disposed towards foreigners than to the welfare of its Commonwealth brethren. But many New Zealanders winced when the president of the New Zealand Federation of Labour, Mr F. P. Walsh, in his message to the Trades Union Council inviting its support for the New Zealand application, referred to their country's support for Britain during the war and even to food parcels sent to Britain. New Zealanders are not, as a whole, the sort of people who remind others of past favours when they are in a fix and in any case most of them realise that New Zealand wholeheartedly backed up Britain in two world wars because the British peoples were all in one boat together.

★

If facts and figures are produced a good many New Zealanders, and a good many New Zealand farmers, are also prepared to admit that in matters of trade the bulk selling agreements between this country and Britain during and after the last war operated fairly enough, and that New Zealand had the benefit of a lot of price rises authorised under those agreements. On the other hand, a good many people here also point to the worsening terms of trade *vis-à-vis* Britain and maintain that New Zealand could have abandoned the bulk selling agreements earlier than it did. Without doubt the New Zealand dairy farmers were wholeheartedly in favour of abandoning bulk purchase in 1954. At that time, New Zealand butter was bringing about 355s. a cwt in London. At present it is bringing about 206s. a cwt and second thoughts on the matter have been busily at work for some time. At this price New Zealand butter is selling in London at about 136s. a cwt below the guaranteed price paid to the producers here and the industry is only too well aware that this cannot continue for very much longer without completely wiping out its accumulated reserves. These amounted to over £27 million at the end of the 1955-56 season, but had been run down to £14,700,000 at the beginning of this year.

The industry now faces the prospect of accepting a substantially lower guaranteed price, or going to the government for a subsidy or some other type of support. The government has already been told quite bluntly by Mr Walsh, who is influential in its councils, that there is no justification whatever for asking the taxpayers as a whole to subsidise the incomes of the dairy farmers at their present level. Mr Walsh has made no secret of his belief that his trade unionists are not getting enough of the national cake and the dairy farmers too much. He talked recently of the danger that New Zealand's standard of living would be reduced to two thirds of its present level unless the loss in dairy income could be made good by increased production. He was taken up on this point by one of New Zealand's leading economists, Professor H. Belshaw, who said that this was an exaggeration and that the probable fall in New Zealand's income, based on the present terms of trade, would be about 10 per cent.

The government has so far stood aloof from the argument. It sent the deputy prime minister, Mr Skinner, to London to put the case for anti-dumping duties, not with any great optimism, but because it was convinced that it must back



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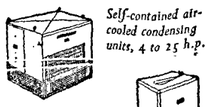
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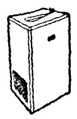
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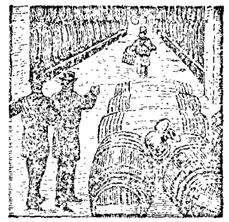
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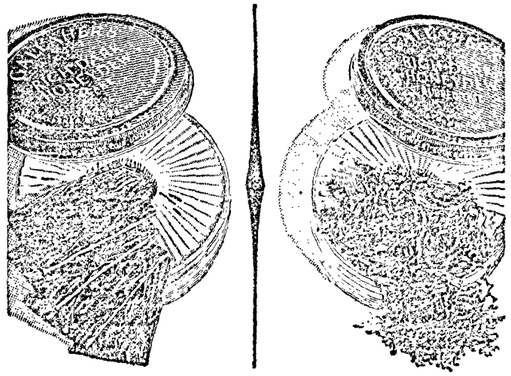
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up the farmers and that the case should be put. Now that the decision has been announced the prime minister, Mr Nash, has made it plain that the farmers must accept an overhaul of the basis of the guaranteed price and that, at the least, the legislation passed by the previous government (at the dairy industry's instance), which prevents changes greater than 5 per cent up or down in the annual level of the guaranteed price, must be revoked.

A number of dairy industry spokesmen are contesting this hotly but their heat is not likely to make any impression on the facts. The final result will unquestionably be an overhaul of the guaranteed price structure, an intensified effort to diversify New Zealand's overseas marketing and ultimately a much closer attention to salesmanship and better packaging of dairy products. The immediate uncomfortable prospect is that New Zealand's earnings from sales of dairy products this year will be down by about £26 million compared with last year.

Spain and Morocco

FROM A CORRESPONDENT

SPAIN and Morocco form a geographical unit, not altogether European nor altogether African, limited to the north by the Pyrenees and to the south by the Atlas Mountains. The Muslim attempt to make the area a political unit as well was abandoned centuries before the final retreat of the Muslims south of the Straits. The corresponding Christian attempt, at the time of the Reconquista, left Spain with several presidios, or garrison cities, in north Morocco ; for these it now feels a strong sentimental attachment because of the many generations of Spaniards who have been born and died there. Modern colonialism also gave it a portion of the Moroccan Sahara, while the 1912 protectorate added the enclave of Ifni, occupied only in 1934. To the Moroccans these foreign intrusions are a provocation ; with the coming of independence they feel very strongly about Ifni, less strongly about the Sahara, and remotely about Ceuta and Melilla.

Although the two countries have every interest in co-operating together, these old issues keep alive a feeling of resentment which periodically becomes acute. Relations oscillate, according as resentment or the sense of common interest prevails. At the end of the protectorate, common disapproval of the French conduct of Moroccan affairs led to an approximation of outlook which extended to Spanish relations with the rest of the Arab world. Spain's delay in handing back the arid little territory of Tarfaya, which was part of the protectorate, and its reluctance to give up Ifni led to a rising in Ifni last November by local irregulars, no doubt with encouragement and support from Moroccan territory. A number of Spanish outposts were lost and a number of Spanish soldiers are still prisoners. The Caudillo characterised the attack as treacherous and ungrateful.

The deterioration in Spanish-Moroccan relations had, however, begun earlier as a result of Spain's reconciliation with the Nato powers and of the more European policy of the new Spanish foreign minister who, in a speech of welcome to Mr Bourguiba last year, mentioned that Spain could not forget that it was a daughter of Rome. There followed his meeting with the French foreign minister in San Sebastian last summer, leading, it is said, to substantial French economic aid, and certainly to Franco-Spanish military co-operation in the Sahara. After the Ifni rising, the Moroccan government realised the folly of bringing a united Spanish-French front into existence, while Spain began to appreciate the dangers of involving itself in the French dilemma in North Africa. The pendulum began to swing back again. Tarfaya was rather ungraciously handed over, with Spain insisting that its troops must remain for the present, as in the former northern protectorate. But a week or two later it announced that they would be withdrawn. Clearly the Spanish government might have got much greater credit with the Moroccans by speedier and more generous action ; but the Caudillo is, to some extent, the prisoner of the patriotic sentiments of an officer corps that has not forgiven him for his pro-Arab sentiments and for the abandonment of the protectorate.

Spain's greatest material interest in Morocco today is the safeguarding of the Spanish residents and interests in the northern zone. These have suffered considerably from integration into the larger zone and the inevitable frenchification which this entails. If officials from the north are to serve in the south, they must learn French, and the French language has therefore taken its place beside Spanish as a subject of instruction in the northern schools. Moroccan government officials, nine-tenths of whom are from the former French zone, tend to look at all things Spanish with predominantly French eyes ; though against this the asylum given to Moroccans in Spain during the struggle for independence has left many of them, including such influential figures as the prime minister, Mr Balafrej, and the president of the Istiqlal party, Allal al Fasi, with grateful memories of Spanish hospitality.

The transference of the northern zone from the peseta to the franc area was the greatest, if inevitable, blow on the material side. Thanks to excellent Spanish-Moroccan co-operation the actual change-over was carried out with remarkable smoothness and efficiency. The exact date remained a secret till the moment came and the rate of exchange, which was ten francs to one peseta and thus favourable to the Spanish currency, rendered the operation easier and has made it possible for the northerners to continue to quote prices in pesetas, though the actual transaction is now made by paying ten times the number of francs. Since local industry was integrated with the peseta area, exports, such as cement, had hitherto gone principally to Spanish markets in Ceuta or Melilla, Malaga, or the Canary Islands. Since there is now a system of import and export licences in both countries and foreign currency is required, this trade has come to a complete stop, while the internal market is now more cheaply supplied from the south. This has led to increased unemployment, made still worse by the application of labour legislation from the south which has involved more than doubling wages and so led to many dismissals and to short time working. There are said to



be now 7,000 Spanish unemployed, as well as the more numerous unemployed or underemployed Muslims. Spanish-Moroccan differences in the south tended to make things worse for the moment, since they did not dispose the Moroccans to be particularly obliging, though there was fortunately no disturbance of order in the northern area. The transference to the franc zone has also involved the cessation of substantial Spanish subsidies, leaving a deficit which has now to be filled from the Moroccan budget.

In spite of these difficulties, the northern zone does not impress the casual visitor as unduly depressed. In Tetuan there are many signs that horizons have been widened and that life is coming in from new sources. Tourists are beginning to come to Shauen and Tetuan from Fez and Meknes, and even to Alhucemas from Oujda. French and English newspapers are now on sale as well as Spanish ones; and new air services have been started. In time merchants and industrialists will adapt themselves to the new orientation of trade and should profit from the new opportunities. The technically successful change-over reflected credit on the finance minister, Mr Bouabid (now also deputy prime minister), who stated frankly that mistakes would no doubt be made, but that the government would learn by experience and remedy its mistakes. His promise has been kept; and the readiness of the authorities to acknowledge and correct their errors in this case, as in others, is one of the most encouraging signs of the new Morocco.

Israel Learns to Pay its Way

FROM OUR CORRESPONDENT IN TEL AVIV

ISRAEL appears to be less concerned about the American recession than are many European countries. This seems strange in view of the amount of foreign currency that it gets from the United States. The bond drive, the United Jewish Appeal, the American grant-in-aid and various loans all help to fill the balance of payments deficit, which this year is estimated at $250-$300 million. Why, then, this apparent calm?

There are two answers: first, many people agree with the governor of the Bank of Israel that the recession will be short-lived and that Israel therefore will not suffer much. Second, the Israeli economy has a safety belt: in addition to German reparations, which have passed their peak payments and will come to an end in 1962, there are the personal restitutions paid to people who suffered from Nazi persecution and who now live in Israel. These payments are expected to reach between $90 and $100 million in 1958: a considerable sum in a foreign currency budget of roughly $560 million. What is more, personal restitution payments are likely to continue for a number of years, either in the form of old age pensions or in the refund of confiscated property.

There is a strange discrepancy between the minister of finance's warning that the country will have to choose between "exports and unemployment" and the outward appearance of prosperity. Tourists have been coming in for the tenth anniversary celebrations, not as many as were expected but still in considerable numbers. They fill hotels and speed up business all round. The shops are full; the streets, cafés, and cinemas are crowded; unemployment is kept down, if necessary by emergency jobs.

Under the surface, however, there is uneasiness and the warning of the minister of finance is believed justified. Present prosperity is still a result of generous outside help. Building, which served as a very important source of employment, is to be curtailed this year because the Treasury cannot afford to invest as much as before. Agricultural settlement, pushed vigorously for the last ten years, has reached a natural limit, as available water resources become scarce, and interest has now begun to focus on industrial development.

Despite attempts to attract foreign investors by various privileges, the government's development budget has become the main source of investment capital. Sometimes a new "private" enterprise is set up for which the development budget provides 80 per cent of the capital. This trend grows stronger as reparations goods, which are controlled by the government, account for an increasing share of investments and as more people put their savings into government securities. Mr Lavon, the general secretary of Histadruth, the labour organisation, said recently that by now 60 per cent of the economy was controlled by public and semi-public bodies. The government and Histadruth have pushed development projects where private investors have hesitated. Until now the results of public management have not been encouraging. The potash works near the Dead Sea ran up a huge deficit and is only now struggling back painfully to normal production. The new copper works in the south calculated on a fairly high copper price during a boom period, and must now begin to use up the best ore available in order to keep down the threatening deficit. Histadruth leaders are beginning to look into the profitability of the dozens of enterprises which have grown up under the giant umbrella of Solel Boneh, the contracting company which controls industrial plants through its "Koor" company.

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There is something almost revolutionary about Histadruth leaders paying attention to profits. For years they have been castigating private employers for the way in which their concern over profits has prevented them from venturing into pioneering fields. Moreover, in many cases the cart was put before the horse; the trade unions decided what standard of living was due to the worker and did not bother whether the enterprises were able to pay for it. Differences could always be made up in various ways, by subsidies for goods on the domestic market or differential dollar rates for exports. Now that exports have to pay for an increasing part of Israel's dollar needs—next year the target is to cover half of them—the problem of profitability looms even larger. At present Israeli exports are not cheap enough and the government comes to the help of exporters with a premium added to the official dollar rate.

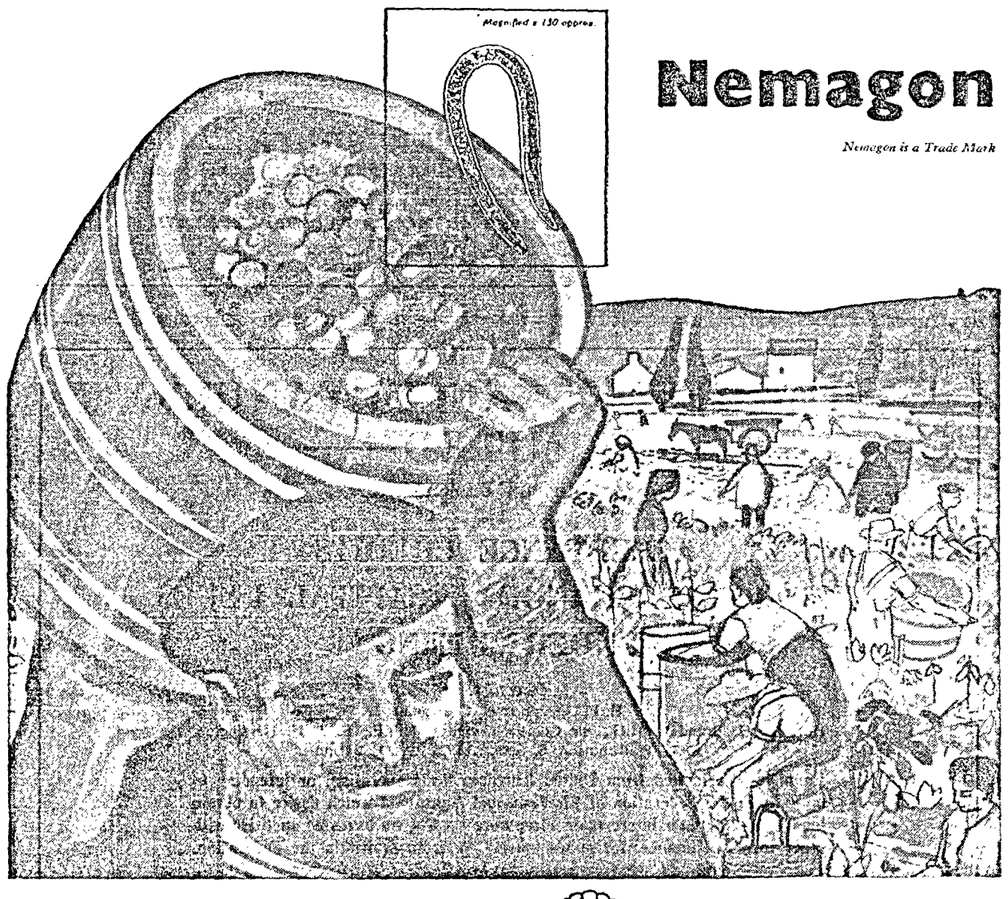
It will be interesting to see how Histadruth tries to solve these problems in its own enterprises. It has to speak with two voices; the co-operative employer who must pay heed to the balance-sheet, and the trade union which is pledged to keep up the standard of living of the worker. Experiments are being made to let workers' representatives participate in the management of the plants so that they should see production issues from the management viewpoint. Optimists are tempted to believe that the Histadruth may take a leaf out of the capitalists' book in order to make its enterprises pay.

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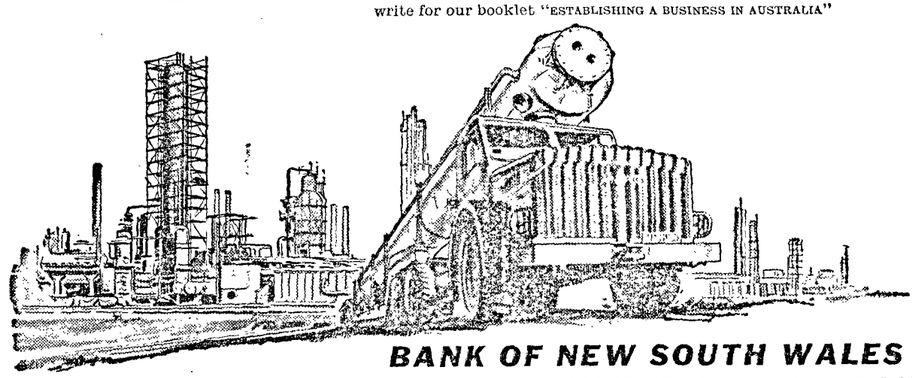
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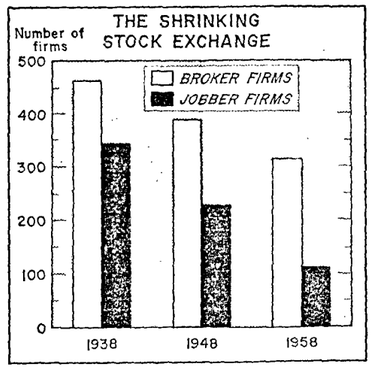
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THE BUSINESS WORLD

House Reform

STOCK EXCHANGE reform is a continuous process and the London Stock Exchange holds its place as one of the world's two foremost free markets in securities not because there has been no change but because change has been accepted as necessary. Compared with the years between the wars almost every relevant feature—the clientele, the kind of stocks favoured and the methods of handling the business—has changed. Those whose memories stretch back some way can count the good as well as the bad in the changes. Each year takes its toll of the number of members, clerks and firms; each casts aside some small unwanted enterprises because available investment business has become concentrated in the few hands of the pensions funds and the insurance companies. Almost every year brings down in particular the total of jobbing firms and gives public warning that the jobbing system, the London Stock Exchange's speciality, has been put under severe strain by a tax system that practically inhibits the unlimited partnership from accumulating reserves. On the other hand, the lounge lizards, those half commission men of the West End, largely uncontrollable by the firms that used them, no longer urge the wealthy into stocks of which they know nothing.

No doubt next week's election for the Stock Exchange Council does raise the issue of reform much more sharply than for many years past. But the issue upon which members will vote is not whether there is to be reform, but what is to be its pace and shape. Big reforms have been accepted, and deliberately sought, during the postwar years; the disappearance of the ridiculous dyarchy between the Trustees and Managers (landlords of the building) and the Committee (responsible for the conduct of business) is one; the starting of a guarantee fund for the public is another; the adoption of a policy of public relations, with a quarterly journal, a contract to a leading advertising agency, and a public gallery is one more. There have been two major reforms of the rules governing the grants of quotations. The present chairman, Sir John Braithwaite, has had a hand in nearly all of these reforms, and now, in his seventies, must be approaching the end of a memorable and progressive chairmanship. The fact that reform will in any event occur does not make matters easier for the six reformers who come forward next week among the nineteen candidates for twelve vacancies on the 36-member Council. But certainly it does not prove them wrong in their ideas. They may still be right to press for stronger and more frequent doses of reform.



On no point is the clash between the progressives and the old guard sharper than on the question of rebuilding the Stock Exchange. All agree that the present building, despite its valuable three-cornered site bounded by Throgmorton Street, Bartholomew Lane and Threadneedle Street, is scarcely adequate for its job. It is overpopulated with bustling clerks, because it is of necessity undertelephoned; and, because of the same lack of communication, London is at times "scooped" by provincial exchanges by up to three minutes on dividend announcements. Given up-to-date facilities other important reforms could follow. These could include the centralised clearing of stock by Stock Exchange staff which the reformers have demanded, and which would

mean economies to the broker in the cost of each bargain. That in turn ought to pave the way to a reform which the ginger group, strangely, has not mentioned—recorded figures of market turnover.

All agree that the "House" ought to be rebuilt. The Council seeks to do so about twenty years hence out of a fund to be gradually built up. The ginger group says "do it now," either on the present site or elsewhere; it leaves the voter to guess that a modern building on perhaps half the present site financed by the sale or letting of the rest is what is envisaged with the prospect of an improved rent roll from a many-storied building. The Council believes that is impracticable, because of rights of ancient lights that would prevent the Stock Exchange building rising further towards the sky. But it seems worth a closer look.

Two other main types of reform are suggested. The first is the streamlining of the Stock Exchange Council. Most members of the present Council spend most of each working week on the affairs of the Council; and the burden of their preoccupation has to be carried by their partners. The reformers, recognising all the dangers of bureaucracy, still feel it right to urge that the Council should be cut down to twelve or fifteen members, leaving day to day administration to a paid general manager with a strengthened team of departmental heads. They have not so far suggested, as many members seem to suppose they have, a paid (non-member) chairman as in New York. They think in terms of a member chairman who would still of necessity be largely a "front" man, eating public lunches and making public speeches, but serving like the other members of the smaller Council only for, say, three years. The chairman would be supported, too, by a full time public relations officer, for the reformers argue that to pay a substantial fee to a firm of public relations experts and then to tell those experts what to do combines the worst of two systems.

This group of proposals has many attractions, but the sponsors need perhaps to give more thought to what can, in fact, be delegated to permanent officials.

The Ginger Group's Programme

1. Day to day business in the hands of a paid General Manager with heads of departments under him.
2. Council to be reduced from 36 to 12-15 members concerned with major policy and retiring after a specified period.
3. Rebuilding or reconstruction of the Stock Exchange on the existing site or elsewhere, bringing additional rent income.
4. Increased agency fees.
5. More efficient clearing of stock and notifying of prices.
6. Examinations for election to membership.
7. "Proper arrangements" of the audit of accounts of member firms.
8. Financial soundness of members to be established not only on entry but afterwards.
9. More steps to improve public relations.

For example, when a firm breaks the rules—and a surprising number of the very best of them do make occasional slips—it is right that the offender should be called to order by his peers; and when a new member is elected, the present process of examination by a group of members and a final welcoming interview with the chairman seems right.

The final group of proposals—better control of the audit of firms, the right to test for solvency not only on first election to the House but at any time, together with the suggested examination before admission to membership, would command the support of very many beside the present reformers. These are all simple methods of raising the status of the profession. But they are essentially long range proposals and they will not be without difficulties in application: just what, for instance, are the qualifications making a good stockbroker that the examination ought to reveal?

THE reformers are not a group of irresponsible young men plunging recklessly. Thought has been given to their programme for more than a year, and they claim that it is because of their intervention that the Council already has a policy sub-committee. Several of the biggest firms on the Stock Exchange wholly or partly share their views. Indeed the problem is to convince the voters that this is not a plot to take a rise out of the small fellows. That is one reason why the candidates are drawn from both large and small firms and from jobbers as well as brokers. But the doubts are hardly justified. The big firms with a good institutional business and with a good new issue business will survive anyhow. It is the small firm with small clients that finds it hard to make both ends meet; and the reformers believe that the economies of their programme would enable some small and medium sized firms to survive that might otherwise go under. The issues that would really divide the large firms from the small—for example, any suggestion that firms individually might advertise or that branch offices might be allowed—have not been raised.

A property owning democracy needs an efficient market in documents of Title. Radical reform, the ginger group says, is more likely to achieve that than crude attempts to put the clock back such as the proposed revival of option dealings. But what if despite all efforts business cannot be spread and if the number of Stock Exchange firms goes on contracting? On the New York Stock Exchange as well as in London there is a tendency to lose business to outside bodies. Reform will surely still be needed, if business does not expand, but the reformers have not thought out its shape. They see that, unless the present concentration into fewer hands can be arrested, the jobbing system will wither away (except presumably in gilt-edged, where the Government Broker is in effect a bigger jobber behind the jobbers). But they have not faced up to what will follow if much of the jobbing system does collapse.

It is a fair criticism that at many points the proposals do not go to the heart of the matter. The reformers see the paramount need to provide finance for modernisation, but their methods for raising it are crude. The proposed increase in the three guinea agency fee which merchant banks, solicitors, Stock Exchange clerks and a few others sharing commission pay, and the proposed annual charge for quotations have been looked at by the Council and found to be inadequate. Specifically, the reformers do not say whether or not they would, if need be, face up to a sharp rise in subscriptions.

Nor do they face at all the need for a radical overhaul of Stock Exchange commissions. It costs the investor much more to take home 1,000 shares at 2s. than 100 shares at £1, but it costs his broker no more to buy them. The complex schedule of Stock Exchange commissions cries out for replacement by a simple commission based on money turnover, subject no doubt to a minimum, and subject also to a lower scale on Government stock and to a differential in favour of the big buyer (since it is no more laborious for the broker to buy £1 million of War Loan than to buy £100 of it). The only argument against a simplified commission scale is the convenience of the provincial broker who likes to be quoted a net price, but London is the real market and can fix its terms. The fact that the largest item in dealing costs is Government duty is no argument at all against making the other items rational.

The reformers in office, as they would admit, would surely find some of their proposals impracticable and some reforms that they have not mentioned might be pressing. If, as may happen, some of them do reach the Council Chamber, they will find their colleagues more evenly divided on their proposals than is generally known. If they should fail, the members will still owe them a debt of gratitude for bringing reform into the limelight. The need for it is evident and great.

The Candidates

For 12 vacancies on the Council, 19 candidates, including 7 retiring members, have been nominated. Each member has 12 votes, but many maximise their voting power by voting for only one candidate of the 24 Council members not retiring this year. The Government broker sits ex-officio and there are 17 other brokers and 6 jobbers.

Retiring Candidates seeking Re-election :—

F. R. Althaus (*Pember & Boyle*) (B)
W. G. Barron (*Francis & Praed*) (J)
A. B. Floyd, (*Ricardo, Isaacs & Bray*) (J)
G. H. Greenwell (*W. Greenwell & Co.*) (B)
P. R. Hicks (*Read, Hurst-Brown & Co.*) (B)
H. M. O. Knox (*Oxley, Knox & Co.*) (J)
E. L. Richards (*Lemon, Bristowe Bros.*) (J)

The Ginger Group :—

L. V. Chater (*Spencer Thornton & Co.*) (B)
J. H. Drew (*Phillips & Drew*), (B)
H. J. Enthoven (*J. & A. Scrimgeour*) (B)
D. H. Le Roy-Lewis (*Akroyd & Smithers*) (J)
A. D. McKechnie (*Galloway & Pearson*) (B)
P. E. M. Shaw (*Paul E. Shaw & Co.*) (J)

Other Newcomers :—

J. W. Bertie (*Capel-Cure, Linton, Clarke & Co.*) (B)
F. Bodem (*George Henderson & Co.*) (B)
H. R. Hinton (*Bruce & Hinton*) (J)
J. L. Sherriff (*A. Sherriff & Co.*) (B)
H. H. West (*Hichens, Harrison & Co.*) (B)
P. B. Winch (*Arthur B. Winch & Co.*) (B)

(B)=Broker (J)=Jobber

BUSINESS NOTES

IN THE MARKETS

Bank Rate Hopes Deferred

ONLY by the skin of its teeth was the City of Birmingham's cash and conversion offer of £5 million 5¼ per cent stock 1974-76 at £99 a success. It was fully subscribed and the underwriters were relieved but cash applicants received full allotment. Dealings in the new stock started on Thursday at around the issue price. The City of Birmingham thus has the satisfaction of knowing that it has borrowed on the most advantageous terms possible.

The wicket thus remains sound for the next batsmen in the new issue match and the scoring should be good, for investors are under the impression that this is one of those periods when a reduction in Bank rate has again become an interesting possibility. Both the gilt edged and industrial sides of the market have been rising on Bank rate hopes. The *Financial Times* index of Government securities has risen over the week ended on Wednesday only from 83.47 to 83.52 and there has been a steady absorption of stock by some big buyers. But more than the whole of the advance occurred on Wednesday just in front of the Bank rate decision when smaller buyers came in and the index jumped 0.29 in one day. Prices did not fall back when the buyers' hopes were dashed. For the same reason there was some fairly heavy buying of Treasury bills on Tuesday and Wednesday, three months' bills being bid down from 4 23/32 per cent to 4⅞ per cent. On the Industrial side *The Economist* indicator rose by 3.8 to its highest point of this year—188.0. The inspiration behind the buying movement was the same—the feeling that the time for some further relaxation of the credit squeeze must be near.

Those Bank rate hopes have for a week at least been deferred. But buying may recur so long as operators judge that the climate is favourable for relaxation—that is until either their hopes are realised, or the autumn pull against sterling has made a reduction in interest rates unlikely. But experience shows that operators are seldom right in guessing the timing with which the Bank of England will play its

hand. This is partly because the Bank frequently does aim at tactical surprise, and partly because the weight of the other forces that the Bank has to consider, for example the movement of short term money, cannot be assessed by the outside public. On purely tactical grounds there is an argument in favour of further delay: funding by sales from the Government broker's supply are normally bigger in anticipation of a Bank rate move than when hopes have been realised. But tactical considerations are seldom decisive.

AEI Plays Safe

With old Consols yielding a few pennies under 5 per cent, a first class industrial debenture with a running yield of £6 1s. 10d. looks sure of a royal reception. That is the running yield (and a redemption yield of £6 2s. 4d. to the latest date) offered in the public issue by Associated Electrical Industries of £25 million of 6 per cent debenture stock (1978-83) at 98½. The institutions which always seem to have room for good industrial debentures in their portfolios cannot fail to find the terms attractive. Though profits have fallen slightly in the first months of this year, the AEI group has plenty of orders on hand and the cover on the debenture interest is of the order of seven times.

Part of the proceeds of the issue will be used to repay before September 30th the £4 million of 3¼ per cent notes due for final redemption in March, 1959. Holders of £3,450,000 of these notes have agreed to surrender them for repayment at par and to apply for a like amount of the new debenture. The remaining £21,550,000 of the issue has been underwritten by Morgan Grenfell at a commission of 2 per cent (including 1¼ per cent sub-underwriting). The new money accruing to AEI from the issue amounts to about £20.4 million and it will be used to extinguish £9 million of bank overdrafts; the issue proceeds, AEI's retained profits and loan and banking facilities available to the AEI-John Thompson Nuclear Energy Company should be enough to cover the group's three years' capital programme, estimated to cost £22 million. Preferential treatment will be given to shareholders in AEI who apply on special forms for the debenture and though £20 per cent is payable on application the stags are likely to come in. If so, that will be a good augury for the pending cash-cum-conversion debenture offer by Associated Biscuit Manufacturers.

STERLING

Hints of Autumn Pressure

First hints of the customary autumn pressure against sterling have come rather earlier than usual to the foreign exchange market through substantial buying of dollars by the tobacco companies. This buying in anticipation of the American auctions which have not yet begun suggests that some of the leads and lags in payments are still pulling against sterling, but that is not surprising while the rate of exchange remains near the upper range of sterling's permitted fluctuation. In the official market against dollars sterling has weakened since the beginning of this month from $2.81¼ to $2.81⅛, though it showed some signs of recovering at mid-week. The oil companies have also been buyers of dollars from London. But, fortunately, there has also been a fairly persistent commercial demand for sterling from New York, so that commercial supply and demand have remained nearly in balance without any intervention by the authorities.

The most marked weakness of sterling has been in the transferable market where the rate has slipped away to $2.7890. The main factor in this market has been the arbitrage transactions that normally occur when dollars are firm in Germany. The dollar rate in Frankfurt has risen from DM4.18¾ to DM4.19½ and German dealers have found that their cheapest route into dollars was by selling marks against sterling and then selling their sterling in the transferable market against dollars. French francs, helped by the seasonal tourist demand, have made an appreciable recovery this week, the rate against sterling improving at one time to Frs. 1177½. There has also been some covering of "bear" accounts in francs following the more reassuring political developments and in anticipation of the well advertised launching of a new gold loan in the French market.

STEEL

An Inventory Recession?

Figures of steel deliveries for April gave the first indication that consumers were beginning to run down their stocks; the figures for May clinch it. Production dropped by nearly 29,000 tons a week, or 7 per cent, from the April level, which had itself been 6 per cent down on March; it was nearly 15 per cent below the level of May 1957. It seems doubtful whether actual consumption of steel has dropped as much as this, though it has come down since the autumn peak. What has happened is that consumers have decided that stocks equal to four months' consumption are more than they need afford today.

Consumers of steel are spread widely round the economy, and steel is not the only thing they have in stock: but whether liquidation of stocks is beginning to occur generally in the economy is not clear yet. In the first quarter of the year manufacturers' stocks did not show the rise that they usually have done over the last few years (though steel stocks, it may be noted, were still rising slightly, mainly because customers were getting delivery much faster than they expected). Stocks held outside manufacturing fell; but not as much as in the first quarter of 1957. But there is obviously room for the same thing to happen to stocks of other things as to stocks of steel. Stocks have not ceased rising in volume since 1953; and as production levelled off after 1955, they have steadily continued to increase, relative to production, during a period when the credit squeeze must have been making them more expensive to carry.

The recession in steel demand—still manifested by a low rate of re-ordering, and very rapid deliveries for a wide variety of products—has caused short-time working in several steelworks, and quite large dismissals in others, such as Dorman Long. Building demand has dropped off sharply, particularly affecting Dorman Long, which has encountered rather unfortunate circumstances to bring in its new universal beam mill, and Stewarts and Lloyds, for which building tube is usually a good slice of bread and butter demand. But it is not easy to find any section of the industry where demand, from home or abroad, is really still strong except for sheet and strip. Continued high activity in motors is putting a good deal of pressure upon

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Free Market in Coal

For years past, every time that the Government was asked when it would abolish rationing of domestic coal, it answered that there might not turn out to be enough large coal to meet free demand fully. This week, nearly nineteen years after rationing went on at the outbreak of war, the Minister of Power has taken the plunge: from about the middle of July, the "34 cwt in the South and 50 cwt in the North"—and retail price control as well—will be a thing of the past. In doing so, the Minister seemed confident that the National Coal Board will be able to supply all the large coal consumers demand, without importing any. But he was not prepared to express any opinion about what would happen to prices.

Last year, nearly all the coal that domestic households used was large coal—about 28 million tons out of the 49 million tons that the Coal Board supplied. This spring, the Coal Board "opened its concertina" of industrial prices, making large coal dearer and small coal cheaper to try to shift industrialists using large coal to smaller sizes.

Moreover, it hopes, for the 1958-59 coal winter, to get 2 million tons more large coal from its output. Shifts in the marketing pattern may give it another million tons. That extra 3 million tons has first to make up the 2¼ million tons imported in 1957-58; and there will not be much more than half a million tons of large coal in the industry's unsold stocks. But so far this year, the country has used nearly a million tons less large coal.

If the end of rationing should nevertheless boost demand for house coals, prices may well rise: indeed, they seem on balance rather likely to go up anyway. The Ministry, since April, has had a report from a committee headed by Sir Thomas Robson recommending that distributive margins in the controlled price should be raised by 6d. a ton in the North and 1s. 6d. a ton in the South of England. The Ministry preferred to act on the committee's general conclusion that more competition would be desirable in this market—and to let coal merchants find out whether a free market would afford them prices enough to provide the return on capital that the committee thought they ought to be getting but weren't.

On present indications, the Coal Board will not wish to increase its prices this summer: most of the trade associations in coal distribution, blinking somewhat under the light of freedom, this week said that next month increases in their margins would be "inevitable." It may be that the merchants will open the price concertina more. Their freedom will blunt one of the arguments that successive governments have used to deny the Coal Board the commercial freedom it is guaranteed by statute: its pithead prices will no longer settle precisely what changes in coal prices may do to the cost of living.

THE GOVERNMENT AND THE COAL DEFICIT

In six out of the eleven years that the National Coal Board has been running Britain's mines, it has shown annual deficits, and these exceeded its profits in the five good years by an accumulated deficiency of £29·1 million.

In evidence to the Select Committee on Nationalised Industries last year, it was shown that since November 1950, losses on buying imported coal at foreign prices and selling it at British, which the Government has obliged the Coal Board to carry, totalled over £70 million up to the end of 1957. In addition, under the "gentleman's agreement", the Government has refused one application by the board, and granted four for less than the board requested; five price increases were granted from later dates than was suggested.

In 1947, the delayed and reduced price increase accounted for about £7–8 million of the board's £23·3 million deficit. In 1951 the increase granted was again slightly later and substantially smaller: once more this may have lost the board £7 million, and the board showed a deficit of £1·8 million. In 1955 the Government delayed an application for an 11 per cent increase in prices for 3½ months, but when it did allow the increase made it 18 per cent: the board nevertheless showed a deficit of £19·6 million (it bore a loss of £27·6 million on coal imports). Last year the Government again granted the price increase from July for 1s. 4d. a ton less than the board requested: this would account for more than the £5·3 million deficit the Board showed.

FROM MINE TO GRATE: How the Coal Moves

Roughly 200 million tons of coal are despatched from Britain's mines and opencast sites each year on the way to more than 17 million customers. Some of this coal is made into coke, briquettes, and ovoids: in 1957 about 29 million tons of these had to be distributed too.

Solid fuel is bulky, and it has often to be moved a considerable distance; distribution is a costly process. Out of the national average price of house coal at the beginning of 1958, £7 13s. 2d. a ton £2 16s. 11d. or 37 per cent was accounted for by transport and distribution charges; in London distribution charges made up 47 per cent of the price, and in areas as remote from the coalfields as Barnstaple, for £4 15s. 8d. out of the retail price of £9 0s. 11d. a ton, or 53 per cent.

Domestic consumers, under rationing, bought only 31 million tons of coal last year, no more than two-thirds of what they had bought in 1938; they supplemented this with the equivalent of another 30 million tons in gas, electricity, coke and other fuels made out of coal, and about a million tons of petroleum products.

Three-quarters of the house coal domestic consumers buy is in Groups 3, 4 and 5, which last group is the "datum" for NCB prices; Group 1 coal now costs about £3 a ton more than this, and one can get Group 7 coal for about 25s. a ton cheaper. They buy it from 16,778 retail coal dealers, delivering from 5,800 depots. Behind these, in the wholesale coal trade, are the NCB, the Gas Boards, the CWS, and 600–800 significant private traders, with about 150 traders in the seaborne coal trade.

Physically, most of the coal comes by rail; about 14,800,000 wagons arrive at the mines each year, or 60,000 each working day, taking away about 12 tons each. Three-quarters of the coal is hauled more than 30 miles; a third more than 100 miles. The Transport Commission handled about 168 million tons of solid fuel in 1957 (including coke, other manufactured fuels, and some coal for coastwise shipment and export). A growing proportion—33 million tons in 1957—goes by road: 56 per cent of this is coal moved less than 30 miles. In 1957 28 million tons was moved by coastwise shipping; only about 3 million tons by canal.

—Or Not Quite Free?

For Government control of the Coal Board's prices, which rests on no statutory sanction, is to continue. This control is based upon the "gentleman's agreement" which the board took over from the private coalowners on nationalisation and accepted again at the end of 1953. It obliges the board to consult the Minister about any change in the price of coal that it proposes, and to "pay regard to" (in practice, to accept) his judgment of "where the national interest should be deemed to lie in relation to such proposals."

This informal but extremely onerous form of price control was investigated in some detail by the Select Committee on Nationalised Industries this year. The committee recommended that it should be replaced by a statutory arrangement under which the board should consult the Minister as to the public interest but having done so, determine its own prices. The Minister should be able to over-rule the board by direction; but his directions should be laid before Parliament and published.

In the Commons this week, Mr Maudling replied blandly to a questioner that "The recommendations of that Select Committee were carefully studied": the use of the past tense may indicate that the Government has decided not to accept them. At a meeting of the Select Committee in January the Permanent Secretary to the Ministry of Power Sir John Maud (no whit less blandly, one imagines), observed, *inter alia*, "Clearly no Minister can under a 'Gentleman's Agreement' compel the Board to disobey what Parliament has told it to do. There is a clear statutory obligation on the board to acquire such revenues as will be sufficient to balance its accounts taking one year with another." Nobody had the indelicacy to put to him the point that in certain single years, at least, the "gentleman's agreement" has in effect done just that—prevented the Board from breaking even.

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certain of the strip mills that had in any case planned to cut production somewhat, for reconstruction purposes, this year. The motor companies, indeed, are still importing a substantial tonnage of sheet.

SMALL SAVINGS

The Rate for the Job

THE Treasury last week-end cut the rate on new tax reserve certificates from 3¼ to 3 per cent; interest on certificates bought before June 7 remains unchanged. Tax reserve certificates were introduced in 1941 as a savings security for persons and companies wishing to provide for future tax liabilities; principal and interest are accepted in payment of tax, and since the interest (paid for a maximum of two years) is itself tax free the certificates are very attractive to surtax payers. Despite the evident possibility in recent weeks of a cut in the rate, there has been no rush to buy as there was between March 20th when Bank rate was cut from 7 per cent to 6 per cent and March 29th when tax reserve certificate interest was cut from 3½ to 3¼ per cent; net sales of the certificates since the beginning of the financial year have reached £53 million, almost exactly the same as those a year before.

The cut in the rate marks an adjustment to the fall in other short-term interest rates. It stands in contrast with the increase since the beginning of last month in the coupon on defence bonds from 4½ to 5 per cent, and with the increase in the limit of holdings of the high-yielding savings certificate. In this contrast may be seen another manifestation of the new emphasis in monetary policy, to keep long-term rates high even though short term rates are cut.

The new defence bonds have been selling modestly well; in the first four weeks of issue, gross sales reached £18 million, and making allowance for encashments (excluding repayments on maturity) net receipts were £10½ million. In the same four weeks, sales of savings certificates jumped to £34 million, and the net intake to £16 million. Nevertheless, net receipts from all forms of "National" savings in the financial year to date are still, at £24 million, a little smaller than at the corresponding stage of 1957-58. The improvement in savings certificates, defence bonds and premium bonds has been a little more than offset by a deterioration in saving through the Post Office and Trustee savings banks.

NON-FERROUS METALS

Copper on the Turn?

THE improvement in copper prices gathered speed this week when the one year stockpile programme was announced in Washington on Wednesday. Both cash and forward metal rose strongly in London, and at £202 the spot price touched at its highest since last September. The price later fell back to just below £200 a ton. The stockpile programme permits the purchase of up to 150,000 tons of domestically mined copper at market prices not exceeding 27½ cents a lb. Mr Fred Seaton, the Secretary of the Interior, will put this plan to the Senate Minerals Sub-Committee later this month. Under his earlier price support proposals US producers would have been paid the difference between the market price of copper and 27½ cents on an output of one million tons a year for five years. In announcing his latest scheme, Mr Seaton said his decision was made after assurances were received from industry and from members of Congress that a one year purchase programme would effectively stabilise the US domestic copper industry. The cost is put at $82 million, the 150,000 tons representing about 12 per cent of last year's US domestic copper output.

The maximum of 27½ cents compares with a market price of 25 cents just before the announcement. Even before it was made copper prices were hardening on both sides of the Atlantic. In America the customs smelters' price was raised to 25 cents to bring it into line with the domestic producers' level. Lower consumption of copper has reduced the supplies of scrap, the main material used by the customs smelters, while demand for customs smelter metal was stimulated so long as the discount on the producers' prices existed. How much of the recent American buying has been genuine and how much purely speculative is difficult to assess, but evidence of sustained recovery in consumer demand is hard to find and this stockpile scheme appears to be a substitute for it. In London the market had an additional boost from the dock strike with its implied threat to supplies. This has also prompted the Board of Trade to announce its willingness to sell up to 2,000 tons of British stockpile copper to consumers who can show that production would otherwise suffer. While some copper has been diverted to the Continent, most consumers here still have fair stocks. And there are 5,000 tons in a Liverpool warehouse, unaffected by the dock stoppage.

Can Lead Be Far Behind?

PRESIDENT EISENHOWER and his Administration have dragged their heels on the proposal by the Tariff Commission that United States lead-zinc producers should be granted a higher tariff. A month ago Mr Fred Seaton put forward a price support scheme (which in effect would subsidise US domestic production) which embraced lead and zinc as well as copper. The new stockpile proposals for copper suggest that he may have had second thoughts on the merits of this scheme. Can he possibly suggest a stockpile scheme for lead and zinc, similar to his proposals for copper? That might be an effective alternative either to price support or to a tariff.

Such a scheme would help to underpin the price of lead, and that vague possibility has sent the spot price of lead up to £72¾ and of zinc to £64⅝ a ton. But until industrial production revives, it is difficult to see how lead will be really rescued from the doldrums. There is still an abundance of supplies. In the United States the slump in the motor industry has led to a sharp cut-back in the production of batteries and in this country the battery industry is now entering the slack season. The building trades are less active and are habitually using less of the metal. Stabilisation Mr Seaton may help to secure, but not a cure.

AIR TRANSPORT

Opening Gatwick

THE re-built airport that the Queen opened at Gatwick on Monday bears much the same relation to London Airport as Charing Cross station does to Victoria or Waterloo. It will filter off some of the airline equivalent of rush-

Power to cleanse our cities

It is paradoxical that, in the creation of our industrial wealth, we have choked ourselves with smog. One reason why we need new sources of power is to lessen the grime of our cities.

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hour suburban traffic—holiday flights across the Channel—and on occasions, mainly in winter when fog closes London Airport, its single runway will be pressed into the service of London-bound long-range aircraft. The seasonal pattern of air transport makes it possible to dovetail these two functions fairly satisfactorily. When Gatwick is busiest with summer holiday traffic it is unlikely to be needed as a diversionary airport, and in winter the number of regular services operated from it are likely, at the start, to be relatively few. In the words of the 1953 White Paper that announced the development of Gatwick, "its principal purpose will be to receive aircraft diverted from London Airport . . . and this purpose could not be achieved if too many regular services were based at Gatwick."

This explains the strikingly high standard of technical equipment that has been installed at the airport, contrasting oddly with the modest passenger amenities. The one 7,000 foot runway is able to land any airliner now in service or on order, the big jets included, though not all could take off from it with a full load. Lying directly in the path of the two main air lanes across the country, the traffic control system at Gatwick must be as precise and strict as that of any big railway junction and pilots in the area will, for the first time, be obliged to obey the instructions of the traffic controllers whether the weather is clear or cloudy. But the passengers will find themselves subject to less monitoring than they receive at any other British airport. They will have to find their own way to the airport, either by the newly diverted London-Brighton road or by fast train from Victoria; they will have to find their own way to the aircraft parked at ticketed gates, as air passengers inside the United States have been doing for years.

Gatwick remains, however, a controversial project. The best that could be said for its winter weather at the public inquiry held before it was built, was that fog did not usually occur at London and at Gatwick on the same day at the same time. It is built on heavily waterlogged ground that drove away the original users before the war and it has still to be seen how satisfactorily the new runway has been drained. Its cost, always high, had risen well above the original estimate of £6 million to £7.2 million when it came under the gimlet eye of Sir Frank Tribe, the Comptroller and Auditor General, early this year; and the figure has been held at this level only by cutting out much of the original plan. To provide one diversionary runway at Gatwick has cost between one quarter and one-third of the sum paid for the whole of London Airport. And on the day of the opening itself, British European Airways referred to the plan for developing Southend, which many airlines seem to prefer to Gatwick, as yet a third major airport for the London area.

FILM FINANCE

New Powers: Old Weaknesses

In April last year the life of the National Film Finance Corporation was extended for another ten years and its powers to lend "end money"—the riskiest kind of finance in film production—were widened so that it could make loans even if finance could be obtained on reasonable terms elsewhere. It was also given the duty of paying its way: it was to act as a specialised bank rather than purely as a distributor of a barely disguised subsidy to British film production. The report that it has now published, for the year to last March, covers therefore the first in its new role. But it also covers the period when cinema admissions dropped drastically and the mark of this on NFFC's results is plain.

The Corporation lent more money, nearly £2 million, to more films than in any previous year with the exception of the time when it put £3 million into the old British Lion Corporation—and lost virtually the lot. To do this it borrowed from the bank last year £729,000 of the £2 million that it has power to borrow (on Treasury guarantee) in addition to the £6 million advanced by Board of Trade advance, which it has now fully committed. But it also lost £116,000 last year, more than in any single year since "Group 3" went out of continuous production in 1954-55. Its receipts from the share of profits of successful films were bigger, reaching £185,000: the report speaks of a more discriminating public still ready to fill cinemas for the films it likes and make them profitable. But mediocre films are suffering heavily and most of the films the corporation assists seem to fall into this category. It was obliged to write off nearly £300,000 for losses on loans, including the whole of the money that it had put up for nine films. Of the 31 films it had assisted that were released during 1957, only nine are expected to be profitable, the lowest proportion of the smallest number of new assisted releases since the corporation started. The combined earnings from all 31, including receipts from the revised Statutory Levy, are expected to fall short of their combined costs by about seven per cent, which is rather worse than for the past nine years.

Strangely, last year saw signs of private firms being more ready to lend risk money to British film production. The corporation assisted fewer of the quota first features shown on the three major circuits in 1957, but those made without assistance also included the growing number of American productions made here with British companies. Overseas earnings showed signs of improving, rising from a quarter of the total earnings of NFFC-assisted productions the year before to a third last year. But average production costs rose too, mainly because of a substantial increase in the cost of making the most expensive type of film, and costs exceeded budgets by more, too. The corporation was not able to make any further headway in disposing of its shares in the new British Lion Company. That company, which previously had shown small profits, lost nearly £300,000 last year from unsuccessful films and from the closing of a large part of its studio subsidiary for extensive repairs and re-equipment

BANK LENDING TOMORROW

Banks and Hire Purchase

The question of whether the big deposit banks should one day participate directly in hire purchase finance is increasingly exercising the minds of thoughful bankers; but, hitherto, little of the discussion has emerged into the open. This week the nettle has been firmly grasped by Mr W. R. Ballantyne, general manager of the Royal Bank of Scotland, in his presidential address to the Scottish Institute of Bankers; and Mr Ballantyne comes out boldly in favour of HP. The time for decision, he argues, will come as soon as the authorities lift their restrictive directives on bank lending—and Mr Ballantyne refers to the recent suggestions that the Treasury's failure to close the gaping loop-

holes in the control of capital issues could foreshadow an impending relaxation of the direct restrictions on market and bank credit.

What will the banks do when that happy day arrives? Mr Ballantyne points to the recent slackening in the demand for advances; it is by no means certain, he says, that in "the less inflationary conditions of today the demands of those to whom we would be prepared to lend would raise our total loans to the level that we might wish to see." It might be found that the long reign of credit restriction had resulted in a permanent loss of business diverted to other financial institutions. "For this reason, if for no other," bankers must consider whether or not they should enter the field of hire purchase. Mr Ballantyne will not accept the contention that this is not legitimate banking business. He "endorses" the view that "a form of loan which is essentially short-term by nature, which is regularly and systematically reduced and which, over a fairly long period now, has shown only a fractional ratio of losses, conforms very well indeed to the traditional canons of bank lending." Mr Ballantyne adds: "The question to my mind, therefore, becomes not so much whether the banks will enter this field but what form their participation will take when they feel free to act."

A Separate Business?

UNLIKE many of his colleagues Mr Ballantyne is not convinced of the virtue of establishing a clear and formal division between hire purchase business and traditional banking. The one venture into hire purchase by a bank in Britain, that of the Commercial Bank of Scotland, has been through subsidiary companies, whose business has been kept separate; and those subsidiaries unlike the bank itself do not enjoy the right to create hidden reserves. This is also the form adopted by the Australian banks, each of which has now a direct though usually a minority stake in a hire purchase company; on the other hand, the American banks arrange instalment loans at their own counters.

Mr Ballantyne recognises that working through a subsidiary has the advantage of providing ready-made routines of administration and connections with borrowers, and that it avoids the embarrassments inherent in offering two forms of advance at very different rates of interest. But he asks his fellow bankers to weigh these considerations against the major disadvantage of duplication of facilities—of bank premises and of bank personnel. "One of the great hidden costs of the credit squeeze has been the under-employment of the skill of bankers." That skill, Mr Ballantyne urges, can be put to very good use in the guidance of hire purchase customers; and by attracting those customers into the bank branches, the banks may ease the way to attracting this new class as depositors. It will be surprising if these hares started from Scotland do not rouse some hounds in the south.

THE BERNE UNION

Credit Insurers Meet

ANNUAL gatherings of the Berne Union—the group of bodies engaged in credit insurance—serve the useful purpose of comparing information and techniques. They have also led to the informal agreement not to insure credits for longer than five years from the date of shipment even for transactions in large capital goods. The main achievement of the conference of the Union that has just been held in Venice has been to reaffirm that five year maximum "even in cases where governments decide to use credit insurance machinery in an unorthodox way for declared political purposes."

Does the diplomatic communiqué with which the conference ended mean that the five year rule is universally effective? Apparently not. There seems to have been some discussion of the new German facilities which some critics allege allow credit insurance for periods of eight to ten years. The German delegates gave an assurance that the German Federal Government had no intention of initiating a race in the field of export credit terms. It is apparently the German view that their plan does not exceed a five year post-shipment or post delivery credit because the whole period of the transaction, including the time taken in manufacture, is covered under the German scheme.

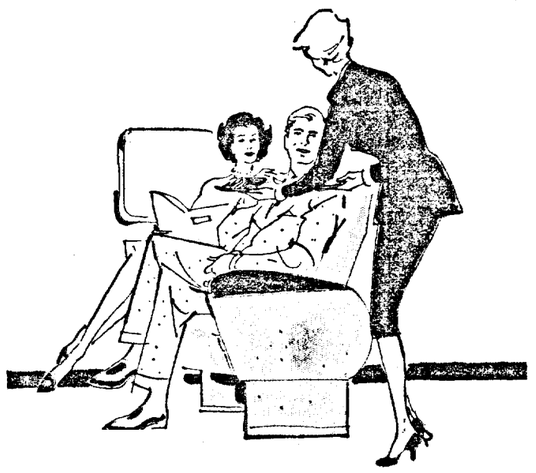
Naturally, some of the actions of the American Export-Import Bank have also been discussed, Ex-Im being an associate member of the Berne Union although its main business is the provision of credit and credit insurance is only a by-product. The American point of view is that only a small part of the bank's dollar loans in recent years have been to finance export sales of American capital equipment on medium term credit, and that of that small part more than 80 per cent has maturity dates within three years of date of shipment. Ex-Im strongly supports the principles of the Berne Union, but it does not appear to have climbed down over the small number of its credits which do exceed the five year maximum.

EXPORTS

Trading with the Middle East

LIKE its counterpart the Dollar Exports Board, the Advisory Council on Middle East Trade has been formed to stimulate British exports to peculiarly difficult markets. Both "ginger groups" face the same problems. The market for British goods in the Middle East, like that in the United States and Canada, is potentially very large, but in both areas there is keen competition from other imported goods, a strong disposition to protect local manufacturers and merchants, and an urgent need for more imaginative sales promotion for British products. In the short run, at least, the risks and costs of developing these export markets are such that many British firms prefer to go on earning easier, and possibly higher, returns in softer markets in the British Commonwealth while they can. The task of both groups of advisers, therefore, is to show that the long run prospects of difficult markets are so attractive that the high initial costs of developing them are well worth while.

The oil producing countries of the Persian Gulf—Persia, Iraq, Kuwait, Saudi Arabia, Qatar and Bahrein—offer to British exporters one reasonably sure safeguard: a steadily rising foreign exchange revenue from oil, which can be spent on imports. They may not be fully free from balance of payments crises, but they are certainly much less vulnerable than other countries in the area that have no steady supply of foreign currencies and are apt to impose drastic import restrictions to protect their balance of payments. Despite the lingering effects of Suez, British goods have a good reputation for quality in these oil pro-



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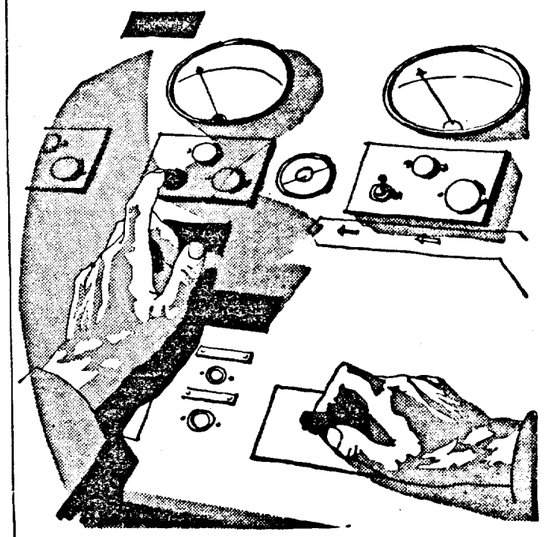
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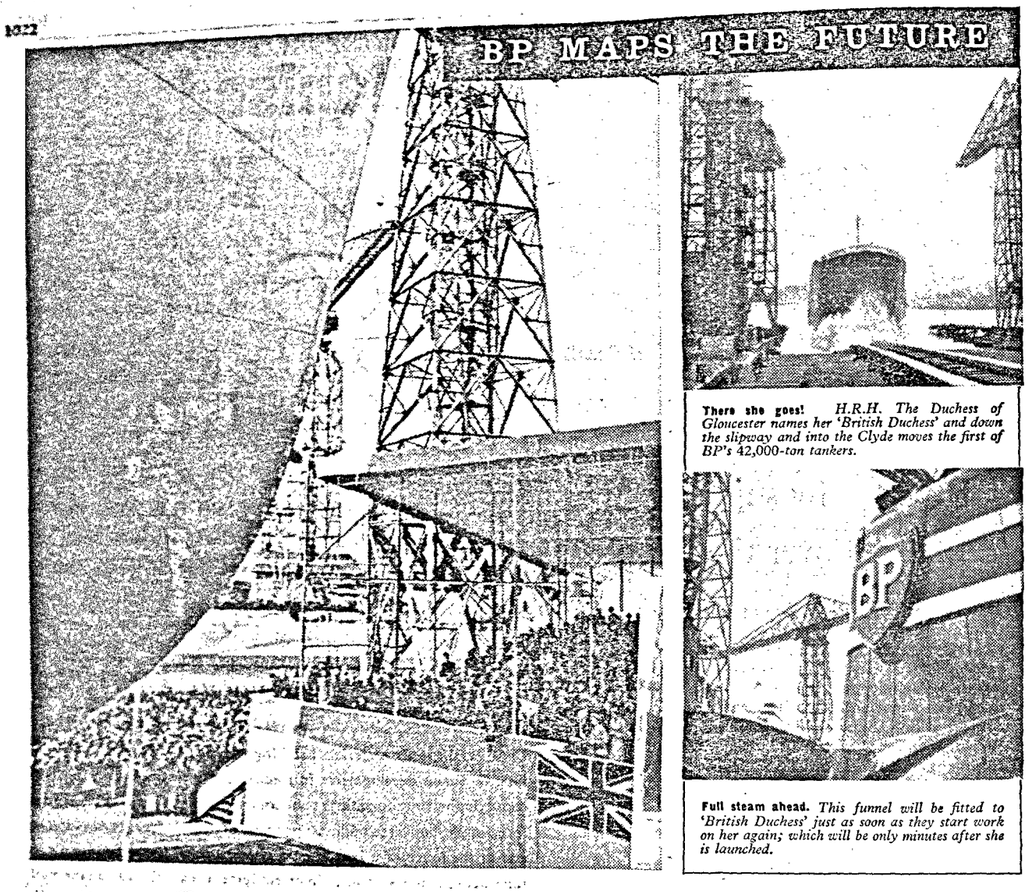
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HS297/PS



There she goes! *H.R.H. The Duchess of Gloucester names her 'British Duchess' and down the slipway and into the Clyde moves the first of BP's 42,000-ton tankers.*

Full steam ahead. *This funnel will be fitted to 'British Duchess' just as soon as they start work on her again; which will be only minutes after she is launched.*

Clydebank's first 42,000-ton tanker

At 1.14 p.m. on Monday, 2nd June, with a roar of hawsers, and a great cheer from the hundreds thronging Clydebank, the first 42,000-ton tanker ever built by a British firm for a British fleet slid gracefully down the slipway. H.R.H. The Duchess of Gloucester had launched—BRITISH DUCHESS.

Built by John Brown of Clydebank (they built both the Queen Mary and the Queen Elizabeth) this ship, on order to The BP Tanker Company, is the biggest tanker yet to be built in Britain to sail under the British flag.

Second only to the Queen Mary

The British Duchess is a mighty ship indeed. In fact, as Sir James McNeill, Managing Director of John Brown & Co. said at her launching, *"When she is completed, her displacement tonnage for vessels under the British flag will be second only to the Queen Mary"*.

But BP plans far bigger ships than this. Others now building or on order include six 42,000-ton sister ships to the British Duchess, 12 other vessels of 50,000 tons and 7 giants of 65,000 tons.

Oil supplies doubled?

Within the next 10 years Britain may have to double her oil supplies. The British Petroleum Company is making sure that not only is the oil found and brought to the surface and refined, but that there are the ships to carry it. Ships like the British Duchess are even further proof of how confidently BP plans for the future.

THE BRITISH PETROLEUM COMPANY LIMITED

ducing countries. The other side of the coin is that the oil revenues come in dollars as well as sterling, so that although many of the countries in the Persian Gulf are in the sterling area, there is no shortage of dollars, and British exporters have to compete with dollar goods on equal terms. British goods must therefore sell in the Middle East in direct but fair competition with Japanese, German and American goods, on a basis of price, quality, delivery dates (both offered and met), credit terms, and after sales service—and on the appeal of sales promotion campaigns prepared with an understanding of the desires and prejudices—political as well as economic—of the consumers in each country.

Although the demand stimulated by rising oil revenues first benefits suppliers of capital equipment, the markets for consumer goods in the Middle East must be expected to grow rapidly, too. With rising standards of living the potential market for air conditioning equipment, for example, might well justify heavier selling expenditure by British firms in creating goodwill now. Another development is the tendency of the oil companies to follow a policy of buying a larger part of their supplies from local merchants, even when those supplies have to be imported, rather than buying in bulk in Europe or the United States and by-passing the local merchants. This illustrates a fundamental proposition: that higher British exports to the Middle East can best be promoted by nationals of the country where the goods are consumed.

MILFORD HAVEN

Terminals Under Way

THE news that the proposal of the Angle Ore and Transport Company, a company formed by the Steel Company of Wales and Guest Keen, to establish an iron ore stocking ground near Angle Point, Milford Haven, has been given planning consent by the Minister of Housing, means that all four of the more definite projects for revitalising this quiet natural harbour in south-west Wales are now well on the way to completing their legal preliminaries. The private bill to authorise the building of a jetty and other seaward facilities for this deep water ore terminal is now before Parliament, and the 41¼ acre site for the project was bought some time ago. Once the bill has gone through, the detailed engineering planning and costing can start for a terminal capable of off-loading some 3 million tons of ore annually for subsequent shipment to other South Wales ports in smaller vessels. The largest carrier that can at present be comfortably taken in a British port is one of somewhat less than 16,000 tons deadweight: Angle Point should be able to cater for much larger carriers than that and any larger ones likely to be launched for some considerable time ahead.

This natural depth of the haven at low tide and the ease with which it can handle really large ships were the reasons for two of the other projects—the British Petroleum oil terminal, to be linked by a 59-mile pipeline with the company's refinery at Llandarcy, near Swansea, and the Esso scheme for a terminal and refinery on the north side of the haven, opposite the BP and Angle Ore sites. The Esso project will go ahead once agreement has been reached with the Crown Estate Commissioners over the rental the company should pay for the sea-bed, which is "owned" as is most of the sea-bed around the British coast by the Crown. The refinery will have an initial capacity of 4½ million tons of crude oil a year and it is hoped to have it in operation by about 1960. The total cost, of refinery and terminal, will be some £18 million. Work on the BP terminal, which cleared its legal preliminaries last year, has already started. It will be able to handle 5 million tons of crude annually when it is opened at the end of 1959 and will cost £5 million. The fourth scheme, the two dry docks, five wet repair berths, and an oil discharge pier capable of accommodating really large super-tankers that the Milford Docks Company has said it intends to build a little to the west of the present harbour, is designed to cater for the substantial traffic of ocean-going vessels that is now likely to use the haven. This scheme, too, has now received the blessing of a parliamentary act.

RAILWAYS

End of One More Line

THE closing of the Midland and Great Northern Joint Line, which runs from the east Midlands across the northern part of East Anglia, between Edmundthorpe and Peterborough in the east to Cromer, Yarmouth and Norwich, will be a real measure of railway rationalisation—the first in recent times involving the closing of a whole section of this order of size. It was built in unco-ordinated sections by a number of small independent companies between seventy and a hundred years ago and, since these were amalgamated to form the M & GN in 1893 and operated as a competitive penetration from the Midlands to east Anglia, it has rarely paid its way. It largely duplicates the parallel Great Eastern line that is also worked by British Railways Eastern Region, and closing it down should help improve the financial results of that line as well as saving the railways the £500,000 or so a year that the M & GN loses.

Closing down branch lines that would still be uneconomic even with new equipment such as diesel rail cars—which British Railways say would not save the M & GN as the traffic is simply not there—does not bring enormous savings. The 155 branch lines that have been closed down since nationalisation, involving a route mileage of about 1,770 miles, are estimated to have saved the Transport Commission less than £1¼ million a year. But it is only by achieving many small economies of this kind that the railways can hope to improve their revenue position this year by the £25 million, at least, that are needed to pay for the recent wage increase and keep the total loss within reasonable bounds. The M & GN runs to about 180 route miles, of which at least 165 miles (the possible exception being the 15-mile spur from Melton Constable to Cromer) will cease operations from the end of this year onwards. Recently, this line has been carrying an average of about 140 passenger trains a day (12 on Sundays) with some 40-50 passengers apiece, and some 80 freight trains on week-days. The Transport Commission say that the Great Eastern line, which is never more than a few miles away, and the local networks of bus services should be able to cater for this traffic.

MUNICIPAL FINANCE

A Borrower Dissatisfied

FROM the Institute of Municipal Treasurers and Accountants considered views and sober thought are normally expected. But the presidential address by Mr W. O. Atkinson, the County Treasurer of Middlesex, delivered to

the annual conference of the Institute at Eastbourne on Wednesday, contains some strange misconceptions about interest rates. Mr Atkinson contrasts the success of the five 6 per cent local authority issues made on the London market since last autumn and heavily over-subscribed with the more modest success of the two 5¾ per cent issues (he was referring to Hull and Swansea and writing before the Birmingham issue was announced). Has Mr Atkinson really forgotten that the 6 per cent issues were made when Bank rate was 7 per cent and the 5¾ per cent issues when it was 6 per cent. And does he really fail to recognise that Hull and Swansea are less popular with investors than Newcastle and the London County Council?

If the local authorities have been charged too much for the money they have raised through the machinery of the Stock Exchange, how comes it that there is a queue of eager borrowers, not all of whose needs will be satisfied within two years? How comes it that even now after two Bank rate reductions, those who have to go out into the mortgage market are paying at least as much and often a little more than Newcastle and London paid on their 6 per cent coupons, borrowing through the Stock Exchange? Mr Atkinson knows that a Stock Exchange issue is the best bet, for in the next breath he complains that it is difficult to obtain reliable information about one's position in the queue of potential borrowers. But he is not quite right about that either. The next ten at least in that queue have been warned and are stripped to the waist waiting for the starter's word.

The hard truth is that recovery from the crisis of last September was at first a tender growth and it was not worth risking a failure, for that would have jeopardised the chances of all the local authorities and all other gilt-edged borrowers for weeks. But the 6 per cent issues were not vastly over-subscribed by genuine investors. They were "stagged" with money that went in search of a quick profit only after its owners had made up their minds that the issues were going to succeed.

INDUSTRIAL FINANCING

ICFC Squeezed

INDUSTRIAL and Commercial Finance Corporation of which Lord Piercy is chairman and in which the banks are the shareholders, exists to fill the "Macmillan Gap" by providing finance for small and medium sized industrial enterprises whose needs can with difficulty be filled elsewhere. It is a thriving corporation earning a regular profit and paying its banker shareholders a regular 5 per cent dividend, that could without difficulty be increased if dividend had been their main desire. But when credit is squeezed the banks are squeezed, and the Banks in turn keep ICFC short of money.

In the Corporation's latest year ended on March 31st, the turnover—new money paid out, less commitments at the beginning of the year, plus commitments at the end of it—was £3.8 million, a modest recovery on the £2.5 million of the previous year. But the corporation's heyday ended in 1951, when the instrument of credit restriction and of control by interest rates was called into being. The Corporation could, in its chairman's view, usefully advance at least double the finance available to it and to spread its activities it likes to find partners in its ventures among the big insurance companies and others that have money.

Naturally, Lord Piercy is not among the unqualified admirers of the credit squeeze. The run of applications which has come before the corporation suggests to him that stringency for the small medium sized company and for new ventures has come at a period when there are new springs of enterprise among small concerns. "It has made more difficult the lot of quite an interesting crop of new ventures." Lord Piercy mentions the electronic field as one such field of enterprise. What he would obviously wish to do now is to call up from the banks the remaining uncalled £500 per £1,000 share—a total of £7½ million of new capital. But that does not seem to be what the banks wish.

TRANSPORT

The Framework of Control

THE air in Dublin is not renowned for its bracing qualities, especially if the Liffey is in one of its effluvious moods. But the paper that was delivered on behalf of Sir Brian Robertson to the Institute of Transport there last week on the subject of co-ordination of transport was as refreshing to his listeners with their own particular national transport problems as it probably was for the chairman of the Transport Commission to sit back for a short while from his own troubled desk. After tracing the development and gradual acceptance of the idea of co-ordination, with its varied forms of application in this and other industrialised countries (in France by "promoting the utilisation of the means of transport entailing the lowest true economic cost," which Sir Brian remarks is an impeccable but elusive principle; and in this country since 1953 by letting co-ordination work itself out through competitive processes), he has some comments to make about how well the principle is currently borne out in practice in Britain—without, he is careful to emphasise, intending any conflict with present Government policy.

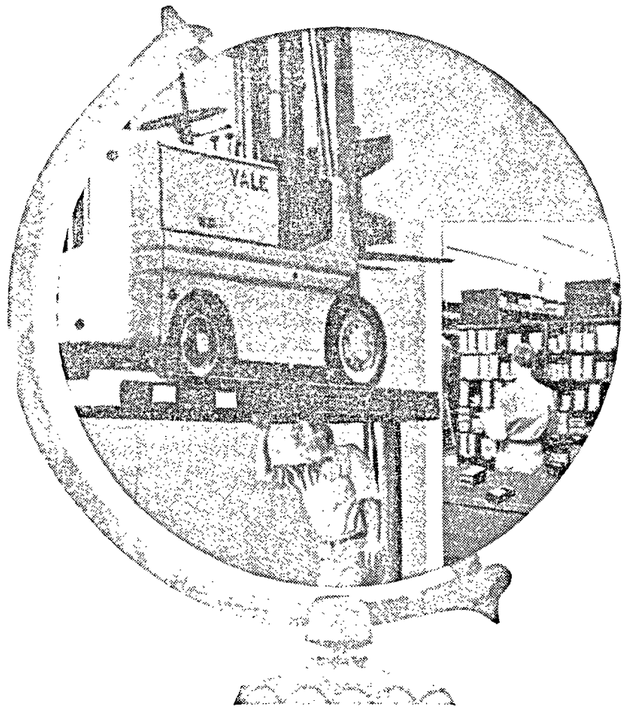
Since the idea of competition cannot be pushed to extremes, the question becomes one of how far government should intervene in order to secure co-ordination and what controls it should use. Too often it is hesitant and spasmodic. Sir Brian does not favour "mathematical solutions," favoured by the Salter report a quarter of a century

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"Not only that. We've also installed one of those A.F.A. automatic fire alarm systems, whereby any fire sets off a little detector and calls the brigade automatically. You can do the same, however old the building."

"You're satisfied it really works?"

"Oh definitely. What's more, before we bought it we consulted our architect and the local fire brigade chief and they were all for it. All the best people have it, you know—like I.C.I., Metal Box, Cadbury's—and the Insurance Companies like it, too. We get a rebate."

"Do you now? Then I *must* look into it."

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TAS/AF 116

ago, by which each form of transport is given a handicap, usually by fiscal means, so that it may play its correct part in transport operations. The conditions under which each form of transport operates vary from one part of the country to another. He prefers the present broad system of control of investment, licensing, fares, and charges. But, of these, the control of fares is the least satisfactory. It ought, as others before him have suggested, to be undertaken by the same body for all forms of land transport (air is not a very significant competitor over much of Britain). At present anomalies can arise and co-ordination impeded because the ultimate authority on fares and charges is the Minister of Transport for road passenger services while the Transport Tribunal covers the rest. Licensing of capacity is in the hands of the Tribunal already, and Sir Brian would like to see the Tribunal as the top co-ordinating body for price and capacity, acting under policy directions from government.

His own commission has a role to play. But Sir Brian feels that it has not achieved as much as it should have done:

> I am bound to admit, for example, that our rail passenger services and provincial omnibus services are not as well co-ordinated as they should be. I must also confess that our railway freight services and our road haulage services should be geared into each other much more closely than they are at this time.

Much work has been done to dovetail the use of the commission's road, rail, and shipping freight services by developing the container system, but Sir Brian dearly hopes to do much more by improving the facilities at his depots for the receipt, handling, and dispatch of freight by either of these three means of transport. The commission's Area Boards, too, were meant to be an instrument of co-ordination of local transport facilities, including those not owned by the commission: of these, Sir Brian remarks that he "hopes progressively to work towards a position in which the name Area Transport Boards would be appropriate."

MOTORING ABROAD

GB to the Continent

NEARLY 100,000 British motorists took their cars and families to the Continent last summer, and even more are expected to be driving on the right this year. Each summer more attractive rail, sea, and air services are inaugurated to speed them on their journey, and in several countries in Western Europe their cars will require no Customs papers. Those cautious motorists—the great majority—who pay their £3 for the AA touring services could therefore dispense with their "*Triptyques*" and "*Carnets de Passages*," though they would then have to pay Customs clearance charges on leaving Britain.

Last year nearly half of all these holiday motorists used the British Railways car ferry boats from Dover to Boulogne; the other popular sea routes were the Belgian Marine ferry to Ostend and the British Railways ferries to Dunkirk and Dieppe. More striking is the growth in the air ferry traffic. Last year Silver City Airways, which specialises in carrying cars, flew the equivalent of 16,000 cars on round trips, or some 16 per cent of the total cross-channel car traffic. After a sharp cut in air fares this season, air ferry from Lydd in Kent to Le Touquet near Boulogne (a route which takes about four-fifths of the air ferry car traffic) now costs only £9 10s. each way, compared with £6 6s. each way on the boat for a medium-sized car (say, a 14-foot-long Sunbeam Talbot). Accompanying passengers pay £3 single by air and £1 17s. by boat. On the Ostend run, which is also served by both sea and air ferries, the air fares are less competitive. But it is not surprising that Silver City expects to do nearly twice as much business this year, and claims that no less than a quarter of all GB cars will use its service to reach the starting line.

Most attractive of all, especially for motorists with well-lined pockets and a short Italian holiday in mind, are the car-sleeper express trains run by the French and Belgian railways. The French service from Boulogne (where it connects with either sea or air ferries) to Lyon, takes only a night and saves some 450 miles each way. Its main attraction is that two days of a short holiday, which would otherwise have to be spent driving through northern and central France, can be spent on the Riviera or in Italy. For the same medium-sized car, the round trip from Boulogne to Lyon with the driver and one passenger, including couchettes on the train, costs £32.

A smaller Belgian service has been running from Ostend to Munich during July and August for the last two years. This year it will be supplemented during the same two months by a second service, which may prove more popular—a car-sleeper express from Ostend direct to Milan. The motorist arrives in Milan less than 23 hours after leaving Dover, and saves the drive, not only through France, but over the Alpine passes as well. The cost for a medium-sized car is only £32 10s. return. But the passengers have to be paid for separately, and second-class return sleepers from Ostend to Milan cost £42 14s. for the driver and one passenger. By that time one begins to compare the cost of hiring a car in Italy, but with a wary eye on the airline's baggage allowance.

SHORTER NOTES

In the formal offer of three 5s. ordinary shares in Standard Motor plus 2s. in cash for every four 1s. ordinary stock units in Mulliners (Holdings), Lord Tedder revealed that the profits before tax of Standard Motor for the year to August 31st next would not be less than £2,250,000 (against £878,000) and the ordinary dividend would not be less than 8 per cent.

* * *

Holders of 2½ per cent defence bonds bought between October, 1948, and March 31, 1949, and therefore maturing between October 1, 1958, and March 31, 1959, are offered conversion into 5 per cent Defence Bonds on terms the same as those applicable to 5 per cent defence bonds currently on sale. Holders who accept the offer will receive their maturity premium of £1 per cent on the date of maturity. Holders of the 2½ per cent Defence Bonds (conversion issue) maturing on November 1, 1958, are offered similar conversion rights: their £1 per cent maturity premium being payable on November 1, 1958.

* * *

Final agreement between the Suez Canal Company and the Egyptian Government on compensation for the Company's expropriated assets is reported to have been reached in Paris. Details have not been announced.

COMPANY AFFAIRS

STEWARTS AND LLOYDS

CAUTION or downright pessimism? That must have been the question in investors' minds when they read the interim report of Stewarts and Lloyds, the steel giant specialising in tubes. Leaving the interim ordinary dividend unchanged at 3 per cent, the directors say that their decision must not be taken to indicate that the final dividend (8 per cent for the year to September 28, 1957) will remain unchanged. Last year the total payment of 11 per cent was covered nearly seven times by earnings, but the directors now report a falling off in home demand and in exports, particularly to the oil industry. With practically all the group's works on short time, they predict lower profits.

But with so much earnings fat around the dividend, can the payment possibly be reduced? The danger is not simply the fall in profits, but the fact that Stewarts and Lloyds is short of cash and has a big capital programme to finance. That programme must be financed from retained profits as no steel company is now likely to risk a dusty answer from the capital market. Steel shares are in the doldrums and after the interim report the £1 units of Stewarts and Lloyds fell 1s. 1½d. to 20s. 10½d., to yield 10½ per cent on the assumption—and it is only an assumption—of a total dividend of 11 per cent.

METAL INDUSTRIES

FOR one British industrial company to offer its shareholders shares in another public company by way of rights is a new departure. So new, indeed, that the proposal, as now made by Metal Industries, required permission from the Board of Trade as well as the consent and co-operation of British Oxygen, the company whose shares Metal Industries is putting on sale. Metal Industries' investment in British Oxygen's ordinary stock dates from before the war. It never added up to a controlling interest and the links between the two boards of directors have been severed for some time, so that when Metal Industries needed new money the obvious course was to sell the investment.

Metal Industries has had a chequered history and in January, 1956, the company, in need of fresh capital, placed privately £600,000 of its British Oxygen holding, bringing its investment down to £1,000,000 nominal. The directors said at the time that if further money were needed this holding would be sold. A scrip issue by British Oxygen raised Metal Industries' holding to £1,500,000 nominal. This stock Metal Industries now proposes to sell, but not through the stock market—because the sale of so large a block might make the price move against the seller. Instead, the £1 British Oxygen units are offered at 30s. free of stamp to stockholders in Metal Industries as rights in the proportion of one British Oxygen unit for every three ordinary units of Metal Industries held. Preference as well as ordinary stockholders in Metal Industries will be able to apply for excess shares and the issue should bring in about £2,100,000 net to Metal Industries. On the eve of the offer the British Oxygen units stood at 34s. and they have now been adjusted to 33s. The reason given by Sir Charles Westlake for the sale is the need to have the company's funds readily available so as to expand Metal Industries' interests "as and when opportunities occur."

OLYMPIC PORTLAND CEMENT

STOCKHOLDERS in Olympic Portland Cement, a British company controlled by United Molasses but operating in the United States, have known for some time that a bid was in the wind and its £1 stock units have risen to 57s. 6d. (to offer on a 10 per cent dividend a yield of no more than 3½ per cent). Terms of the offer for the 1,000,000 ordinary units have now been published. Permanente Cement Company of California, an associate company of Henry J. Kaiser Company, will pay, subject to a 90 per cent acceptance, $8.57 in cash for each £1 unit. The total bid is worth $8,570,000, or about £3 million. These switch dollars are available for reinvestment in North America or accepting shareholders can gain the benefit of the dollar premium by taking sterling through Helbert Wagg, the merchant bankers, who guarantee such stockholders not less than 61s. 3d. per share.

The directors of Olympic Portland Cement recommend acceptance and United Molasses will do so. Stockholders in United Molasses will hope that some part of the cash proceeds of the deal will be distributed to them: their hopes may not be in vain, for United Molasses has made a habit of making distributions arising out of capital accretions.

CANADIAN EAGLE

LIKE the big oil groups, Canadian Eagle has reported a sharp increase in net profits—which rose from £9.3 million in 1956 to £11.5 million in 1957. Like them, it finds the outlook for 1958 "uncertain" and suggests that this year profits may not be maintained. But despite the strain on liquid resources which contractual obligations for capital expenditure of nearly £12 million imply, the board increased the dividend from 2s. to 2s. 3d. on the no par value shares. For a British resident 35/100ths of the dividend is free of British tax, so that at 57s. 6d. the effective yield on the bearer stock is 4.9 per cent.

The strength of Canadian Eagle—apart from its special appeal to British surtax payers—is that it will be well placed both for oil supplies and for markets, when the upward trend in oil demand is resumed. Most of this strength is derived from Canadian Eagle's close association with the Royal Dutch-Shell group, which owns about 20 per cent of the ordinary stock. Canadian Eagle has a long-term contract to buy at cost, through Shell Venezuela, one-twelfth of the output of Mene Grande Oil, the Venezuelan subsidiary of Gulf Oil; and although Mene Grande, like other Venezuelan producers, has been forced to reduce output below last year's record levels, it has ample scope for expanding again when the market can take the oil. In the Middle East, Canadian Eagle has extended its participation in the Shell group's long-term contract to buy a large part of Gulf Oil's share of the Kuwait output. It lifted a total of nearly 16 million barrels of Kuwait oil in 1957, an increase of over 5 million barrels over 1956.

More important, while the present surplus of oil lasts, is Canadian Eagle's association with the Royal Dutch-Shell group in marketing in Britain and in South America. South American markets are beset by foreign exchange shortages and government restrictions; but in Britain, where Canadian Eagle's interest in Shell Mex and B.P. (which substantially increased its share capital last year) has been reduced from 27½ per cent to 20 per cent, there are now welcome signs of a vigorous recovery in demand, especially for fuel oil. The earnings of Eagle Oil and Shipping, the important tanker subsidiary, have been affected by the slump in tanker freight rates, and no early recovery is expected, but the whole of the Eagle fleet remained employed in 1957; three old ships totalling 42,389 deadweight tons were sold, but they were replaced by the new 31,910-ton *San Gregorio*, with a carrying capacity 30 per cent greater than the three old ships combined.

ULTRAMAR

SPECULATORS in Ultramar stock have been guided in the past by their views on the group's production prospects; for the immediate future they are more likely to be guided by its prospects of finding markets. Ultramar owns Caracas Petroleum, which in turn has a half interest, with the Texas Company, in a Venezuelan oil producing company, Mercedes. Mercedes' net income rose by $920,974 in 1957 to $2,798,070, enabling it to repay $2,371,953 of the sums owing to Caracas (which are now reduced to $13,217,239). Caracas, in turn, repaid $1,010,000 to Ultramar, leaving outstanding $21,433,491 of the dollar advances originally made by Ultramar. Because Ultramar carries these dollar advances at a sterling equivalent of $3.89 to £1, this repayment produced an exchange surplus of £101,277, on the basis of which Ultramar proposes to make a third capital surplus distribution of 1s. 6d. per 10s. stock unit. The exchange surplus, which stood at £1,203,883 at the end of 1957, could benefit by a further £2,142,000 if all outstanding advances were repaid.

Production from the greater Mercedes area in Venezuela, in which Ultramar has, through Caracas, a half interest with the Texas Company, was maintained throughout 1957 at a rate of just over 24,000 barrels a day, but in the first quarter of 1958 marketing difficulties forced a cutback of nearly 17 per cent compared with the first quarter of 1957. This oil is sold to the Texas Company, under an agreement which runs until June 30, 1959. In the Oritupano Pooled Area, in which Mercedes has a half share with Venezuelan Atlantic (giving Ultramar indirectly a 25 per cent interest) output rose sharply from under 3,000 barrels a day in the first quarter of 1957 to 12,575 barrels a day in the last quarter, but this rate of increase could not be maintained into 1958, again for lack of market outlets. The combined potential of the various fields in which Ultramar has an interest is now over 30,000 barrels a day—not a huge quantity, but output during the first quarter had to be held about ten per cent below it. Much importance attaches, therefore, to the short-term marketing arrangements, additional to the minimum take under the oil sales agreement with the Texas Company, which "will enable Mercedes to produce at a higher average rate for at least the second and third quarters of 1958." Prospects after that depend on the timing of the eventual recovery in demand which all oil companies expect.

ENGLISH SEWING COTTON

HIGH yields among cotton textile shares are common and, some would say, inevitable. The £1 ordinary units of English Sewing Cotton at 24s. yield 10.4 per cent on the maintained dividend of 12½ per cent. This company's full accounts for 1957 will hardly persuade investors to modify that assessment. Last year, though the group achieved record sales in this country, the continuing pressure on margins brought the consolidated trading surplus down from £3,022,634 to £2,909,495. Within this total the profits of American Thread moved up from £1,502,874 to £1,534,157. Unfortunately this is not the complete story; the consolidated balance for 1957 is struck after writing £198,000 off stocks in Britain (as a result of the fall in the price of long stapled cottons), but after crediting £340,107 from the release of stock reserves by American Thread. The pressure on trading margins has thus been especially big in the United States and American Thread, in an attempt to reduce costs, has had to accelerate its plans to modernise and improve its plant and equipment. That added to the financial strain and last year the group's bank overdrafts rose from £1,627,055 to £1,927,402. There may be some financial relief this year with the reduction in capital commitments, but the trading outlook is not encouraging. The chairman, Mr Leslie Shaw, says that "the year 1958 has opened on a depressing note with reduced activity in a number of mills. The principal cause is a reduction of stocks in the chain of distribution."

BOVRIL

IN 1956 the Bovril group achieved record sales only to suffer a decline in profits. Last year gross profits recovered from £695,762 to £864,536, though the latest figure includes a credit of £52,250 arising from transactions in previous years. The net profit has risen from £298,596 to £386,125, but the dividend on the deferred ordinary capital has been left unchanged at 16 per cent, the rate paid in the two previous years. The group's interests outside the Argentine and outside the meat trade may have played some part in bringing this recovery about. But no investor can ignore the trade and exchange risks of business in South America and that is reflected in the yield of 7.2 per cent offered by the £1 units at 44s. 3d.

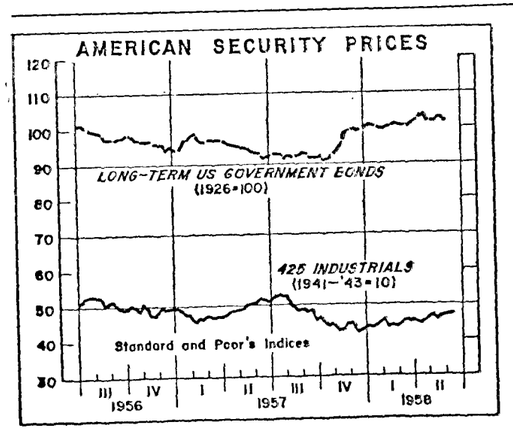
London Stock Exchange

FIRST DEALINGS:	June 4	June 18	July 2
LAST DEALINGS:	June 17	July 1	July 15
ACCOUNT DAY:	June 24	July 8	July 22

MARKETS have been firm but the improvement in prices has been small while a settlement to the labour disputes has been awaited. Prices eased on Tuesday when a settlement seemed farther away, but rallied on Wednesday. Gilt-edged showed a further overall improvement in the week, and corporation and Dominion stocks were well supported; 6 per cent Newcastle 1973-76 moved up ⅜ to 102⅞, and 5¾ per cent East Africa 1977-83 gained ¼ to 94 xd. The gilt-edged market held firm on Thursday even after Bank rate was left unchanged.

Except for a slight weakening on Tuesday, industrial shares showed small but persistent gains and *The Economist* indicator passed its previous peak for the year, rising 3.8 to 188.0. Brewery shares improved once more, Bass rose to 36s. while Whitbread "A" gained 2s. to 89s. 6d. Stores strengthened on Wednesday and GUS made rapid progress after the capitalisation; over the week the GUS ordinary shares jumped 3s. 4½d. to 26s. British Motor gained 7½d. to 7s. 9½d., Rolls-Royce recovered 3s. 6d. to 87s. xd, and Rover advanced 1s. 10½d. to 15s. 7½d. Paper shares also rose, Bowater gaining 2s. 9d. to 32s. 3d. Unilever rose 3s. 3d. to 77s. Steel shares lost part of their earlier gains on the interim statement from Stewarts and Lloyds. Considerable gains were made by shipping shares; British and Commonwealth rose 2s. 9d. to 34s. 9d. xd.

Among oils, BP improved to 105s. 7½d. and after fluctuating violently TPD closed 7s. 6d. higher on balance at 65s. xd. Kaffirs were mainly dull. Diamonds strengthened up to the announcement of lower diamond sales and then declined. Tins were depressed but copper mines made large gains on Wednesday following the announcement of the US stockpiling scheme; Rhokana jumped 1½ to 28.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
May 14	182·4	6·64				
" 21	184·4	6·57				
" 28	183·6	6·63				
June 4	184·2	6·59	188·0 (June 11)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
" 11	188·0	6·43				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield	Fixed Int.‡	2½% Consols Yield	Bargains Marked	1958	1957
		%		%		High	High
June 4	168·1	6·82	90·17	4·98	7,929	172·4 (Apr. 16)	207·6 (July 9)
" 5	169·8	6·75	90·17	4·98	8,005		
" 6	170·6	6·67	90·17	4·98	7,189		
" 9	171·4	6·64	90·06	4·99	9,215	Low	Low
" 10	171·3	6·64	90·13	5·00	7,651	154·4 (Feb. 25)	159·0 (Nov. 5)
" 11	171·8	6·62	90·27	4·98	7,915		

Bases :—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, June 4, 1958	Price, June 11, 1958	Net Yield, June 11, 1958 § £ s. d.	Gross Yield, June 11, 1958 £ s. d.
98⅛	96⅛	War Loan 3% 1955–59	98⅜	98⅛	2 16 2	4 5 0
95⅝	89⅝	Funding 2½% 1956–61	94¼	95⅛	3 1 9	4 4 10
100	99⅞	Conv. 4% ass'd 4¾% 1963	99⅛	100	2 14 8	4 14 11
		Conv. 4% ass'd 5¼% 1974	97¼*	97⅜	3 4 2	5 9 5
98⅛	97¼	" Conversion 2½% ... 1958–59	98⅜	98⅛	3 4 3	3 18 9
98⅞	96⅛	Exchequer 2½% 1960	96⅛	96⅛	3 4 1	4 5 0
96⅛	93⅜	Exchequer 3% 1960	97⅛	97⅜	2 16 8	4 6 9
98	95⅜	Conversion 4½% 1962	99⅛	99¼	2 11 1	4 13 0
99⅜	95⅜	Savings Bds. 3% .1955–65	88⅜	88⅝	3 12 5	5 1 3
88⅛	83⅜	Funding 3% 1959–69	81	83⅛	3 18 6	5 7 11
81⅛	77⅜	Funding 4% 1960–90	87¼	87¼	10 0 7 / 2 18 7	12 0 2 / 4 16 3
89½	86⅜	Savings Bds. 3% .1960–70	78¼	78⅜	4 0 8	5 11 1
78⅛	75	Exchequer 3% 1962–63	93*	93⅛*	3 4 5	4 11 0
94⅜	88⅜	Exchequer 2½% 1963–64	89	89½	3 7 8	4 10 7
89½	84⅜	Savings Bds. 2½% 1964–67	81	81⅛	4 0 1	5 4 5
81⅛	78⅜	Savings Bds. 3% .1965–75	73½	73⅛	3 18 9	5 5 10
73⅛	69⅜	Exchequer 5½% 1966	102⅛	102⅛	2 19 3	5 7 5
102⅛	99⅛	Funding 3% 1966–68	82⅛	82⅛	3 17 0	5 6 10
83	78⅜	Victory 4% 1920–76	94⅛	94½	3 1 6	4 18 5
94⅜	91⅜	Conversion 3½% 1969	85⅜	85⅜	3 14 3	5 5 8
85⅝	81⅞	Treasury 3½% 1977–80	75 11/16*	75 11/16*	3 12 6	5 5 8
76⅛	71⅛	Treasury 3½% 1979–81	75 13/16	76	3 12 4	5 5 8
76	70⅜	Funding 5½% 1982–84	101	99 7/16*	3 3 7	5 10 1
101⅛	98⅛	Redemption 3% ..1986–96	65	65	3 7 6	5 5 2
65⅜	60	Funding 3½% ..1999–2004	72⅜	71 3/16*	3 4 2	5 5 2
72	64⅜	Consols 4% after Feb. 1957	74⅞	75	3 2 0	5 5 8
75⅛	69⅛	War Loan 3½% after 1952	66⅝	66⅝	3 0 6	5 5 5
68⅛	63⅛	Conv. 3½% after Apr. 1961	66⅜	66⅜	3 0 9	5 5 6
66⅛	62⅛	Treas. 3% after Apr. 1966	58⅛	58⅛	2 19 8	5 5 4
55⅛	54⅜	Consols 2½%	50⅜*	50 3/8*	2 17 2	4 19 4
51⅛	46⅛	Treas. 2½% after Apr. 1975	49⅜	49⅜	2 18 7	5 5 2
49⅛	46⅛	Br. Electric 4½% .1967–69	95⅛	95 3/16	3 4 3	5 5 5
95⅛	90⅛	Br. Electric 3% ..1968–73	75⅛	75⅛	4 0 0	5 10 11
75⅛	72⅛	Br. Electric 3% ..1974–77	72⅛	72⅛	3 16 6	5 8 3
72⅛	68⅛	Br. Electric 4½% .1974–79	86⅛	86⅛	3 7 10	5 5 8
86⅜	82⅜	Br. Electric 3½% .1976–79	76⅛	76⅛	3 12 6	5 5 8
76⅛	72⅜	Br. Gas 4% 1969–72	86⅜	86⅛	3 11 1	5 5 9
87	82⅜	Br. Gas 3½% 1969–71	82⅜	82⅜	3 14 9	5 5 9
82⅜	79⅛	Br. Gas 3% 1990–95	65⅞	65⅞	3 7 1	5 5 1
65⅛	60⅛	Br. Transport 3% .1968–73	75⅛	75⅛	4 0 0	5 10 11
75⅛	72⅛	Br. Transport 4% .1972–77	82⅜*	82⅛*	3 10 11	5 5 9
84⅛	79⅛	Br. Transport 3% .1978–88	65⅝*	65⅛*	3 12 3	5 5 11

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, June 4, 1958	Price, June 11, 1958	Yield, June 11, 1958 £ s. d.
88⅛	83	Agric. Mortgage 5% 1959–89	86⅛*	86⅛*	5 17 6
79	76⅛	Australia 3½% 1965–69	78⅜	79	5 17 6
95⅜	93	Birmingham 5% 1973–75	93*	93*	5 13 2
94	90⅛	East Africa 5½% 1977–83	93⅛*	94*	6 4 6
100⅜	95⅛	L.C.C. 5½% 1977–81	99⅛	99⅛	5 10 10
96⅛	93⅜	Met. Water Board 'B' 3% 1934–2003	62	62⅛	5 4 0
62⅛	56	New Zealand 4% 1976–78	79⅛	79⅛	5 16 0
82	78	S. Rhodesia 2½% 1965–70	70⅜	70⅛	6 0 4
71⅛	69	German 7% (Br. Enfaced 5%) ..1924	89⅛	89½	...
92⅛	83	Japan 5% (Enfaced) 1907	161⅜	161⅛	...
167⅛	160				

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, June 4, 1958	Price, June 11, 1958	Yield, June 11, 1958 £ s. d.
		% %	BANKS & DISCOUNT			
29/-	28/-	4 a 5 b	Bk. Ldn. & S. Amer. £1	28/9	29/-	6 4 3
44/-	39/9	6 a 6 b	Barclays Bank £1	42/-	42/6	5 12 11
30/-	27/6	4 b 4 a	Barclays D.C.O. ... £1	28/-*	28/6*	5 12 3
42/6	36/6	7½ a 7½ b	Chartered Bank ... £1	42/-	42/6	6 2 4
47/9	41/3	6½ a 6½ b	Lloyds Bank £1	44/6	45/6	5 14 4
63/9	57/6	9 a 9 b	Midland Bank £1	61/-	61/6	5 17 1
35/6	29/6	5 a 5 b	Nat. Discount 'B' .. £1	34/9	34/9	5 15 1
50/6	40/9	6½ a 6½ b	Union Discount £1	50/-	50/6	4 19 0
			INSURANCE			
38/-	32/9	15 a 21⅜ b	Commercial Union 5/-	33/6	33/6	5 9 6
132/6	113/9	40 a 60 b	Legal & General .. 5/-	118/9*	121/3*	4 2 6
101/3	86/3	†20 a †50 b	Pearl 5/-	90/-	90/-	6 15 3
170/-	154/-	†132½ c †147½ c	Prudential 'A' 4/-	167/6	167/6	6 3 5
			BREWERIES, ETC.			
35/-	31/-	10 a 36 b	Bass 5/-	35/3	36/-	6 7 9
23/1½	19/7½	18⅜ c 7½ c	Distillers 6/8	22/9	23/1½	5 8 2
41/3	37/-	15 b 10 a	Guinness 10/-	40/6*	41/-*	6 1 11
89/6	75/6	8 a 17 b	Whitbread 'A' £1	87/6	89/6	5 11 9
			MOTORS & AIRCRAFT			
14/4½	8/9	3½ a 6½ b	Bristol Aeroplane 10/-	8/10½	8/9	11 8 6
8/1½	6/7½	12½ c 4 a	British Motor 5/-	7/2½	7/9⅜	8 0 0
40/1½	31/9	3 a 6 b	Ford Motor £1	39/3	40/1½	4 9 10
30/9	24/9	3 a 7 b	Hawker Siddeley £1	26/-	26/9	7 9 8
44/9	39/-	12½ c 12½ c	Leyland Motors £1	39/9	40/-	6 5 0
93/-	82/9	5 a 15 b	Rolls-Royce £1	83/6*	87/-*	4 12 0
8/1½	6/7½	8 c 8 c	Standard Motor ... 5/-	6/7½	7/-	5 14 3

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, June 4, 1958	Price, June 11, 1958	Yield, June 11, 1958 £ s. d.
		% %	STEEL & ENGINEERING			
49/3	41/10½	7 a 6½ b	Babcock & Wilcox .. £1	47/3	47/9	5 8 10½
25/1½	21/7½	4 a 6 b	Dorman Long £1	22/1½	22/3	8 13 9
54/-	45/-	5 a 10 b	Guest Keen N'fold .. £1	53/3	52/9	5 13 10
33/9	28/3	†2 a †4 b	Alfred Herbert £1	32/3½	32/3½	6 9 6
52/3	41/-	4 a 7 b	Metal Box £1	49/3	51/4½	4 5 8
24/3	20/-	8 b 3 a	Stewarts & Lloyds .. £1	55/3	55/6	6 9 3
57/3	48/-	5 a 13 b	Swan Hunter £1	55/3	55/6	6 9 3
21/3	17/9	4 a 7½ b	United Steel £1	18/1½	18/3	12 12 0
32/9	28/6	2½ a 7½ b	Vickers £1	29/6	28/6	7 0 5
			ELECTRICAL			
52/-	47/-	15 c 2½ a	Assoc. Elec. Inds... £1	47/6*	48/-*	6 5 0
45/6	39/3	4 a 8½ b	Br. Ins. Callenders . £1	43/9	45/6	5 9 10
43¾ c	6 a	6 a	Decca Record 4/-	25/-	25/-	7 0 0
15 c	15 c	5 a	Elect. & Mus. Inds. 10/-	34/7½	34/7½	4 6 8
56/3	44/6	4 a 10 b	English Electric ... £1	50/9	51/6	5 8 10
38/9	29/9	8 b 3½ a	General Electric ... £1	30/3	31/-	7 8 5
			TEXTILES			
16/3	12/4½	3 a 3 b	Bradford Dyers £1	12/7½	12/7½	9 10 6
23/3	19/6	2½ a 6½ b	Coats, J. & P. £1	20/-*	19/10½*	8 16 3
22/10½	19/7½	3 a 5 b	Courtaulds £1	19/7½	21/6	7 8 10
34/7½	29/10½	5 a 12½ b	Lancashire Cotton. . £1	33/3	34/7½	10 2 3
35/4½	31/4½	12½ b 2½ a	Patons & Baldwins . £1	32/1½	32/1½	9 6 10
			SHOPS & STORES			
22/-	18/6	6 a 12 b	Boots Pure Drug .. 5/-	20/10½*	21/3*	4 4 10
38/10½	33/6	20 b 7½ a	Debenhams 10/-	37/3	37/7½	7 6 3
22/10½	17/3	50 b 15 a	Gt. Universal 'A' .. 5/-	21/6	22/10½	7 2 0
43/7½	37/3	10 a 22½ b	Marks & Spen. 'A' 5/-	42/6*	43/1½*	5 15 5
12½ a	20 b	20 b	United Drapery ... 5/-	25/-	26/-	6 5 0
41/6	34/7½	13½ a 26⅔ b	Woolworth 5/-	38/7½	40/-	5 0 0
			SHIPPING			
34/9	29/-	6¼ a 13½ b	Brit. & Com'wealth 10/-	32/-*	34/9*	5 15 1
18/9	16/6	2 a 8 b	Cunard £1	17/3	18/-	11 2 3
32/6	27/3	9⅔ c 10½ c	Furness Withy £1	30/3	31/3	6 18 3
28/9	22/-	3 a 8 b	P. & O. Deferred ... £1	27/9	28/-	7 17 3
			MISCELLANEOUS			
35/6	27/-	22½ c 18 a	Allied Bakeries 'A' 5/-	33.6	34/-	4 8 3
38/9	31/-	3 a 6 b	Assoc. Port. Cem... £1	36/3*	38/3*	4 14 3
18/1½	13/4½	11 a 9 b	Beecham Group ... 5/-	17/10½*	18/4½*	5 8 10
32/3	26/6	4½ a 8 b	Bowater Paper £1	29/6	32/3	7 15 0
48/-	36/9	4 a 8 b	Br. Aluminium £1	42/-	42/9	5 12 3
47/-	37/7½	†10 a †6½ b	Br. Amer. Tob. ... 10/-	46/-	46/7½	5 4 5
24/3	19/9	7½ a 7½ b	B.E.T. 'A' Defd... 5/-	24/-	24/-	5 4 3
35/6	28/3	4 a 6 b	Br. Oxygen £1	34/6	35/-	6 1 1
18/7½	14/4½	3 a 11 b	Dunlop Rubber .. 10/-	17/1½	17/6	8 0 0
45/-	36/4½	4 a 8 b	Imp. Chemical..... £1	44/1½	44/4½	5 8 10
44/9	37/-	8½ a 11½ b	Imp. Tobacco £1	43/-	43/3	9 5 0
34/-	28/-	5 b 2½ a	J. Lucas (Inds.) £1	33/3	34/-	4 8 3
16/1½	12/6	5 a 8½ b	Monsanto Chem... 5/-	15/6	15/6	4 7 0
14/9	13/7½	5 a 5 b	Ranks 10/-	14/-	14/-	7 2 10
33/9	27/9	5 a 9 b	A. E. Reed £1	32 9	33/6	8 7 3
14/3	11/8½	22½ c 22½ c	Sears Holdings 'A' 5/-	11 10½	12/-	9 6 0
56/3	48/9	12 b 4½ a	Tate & Lyle £1	52/9	52/9	6 5 0
55/6	48/6	7½ b 7½ a	Tube Investments. . £1	55/-	55/3	5 8 8
64/-	52/1½	12½ b 5 a	Turner & Newall... £1	60/-*	59/7½*	5 0 8
80/4½	70/6	6 a 11½ b	Unilever Ltd..... £1	73/9	77/-	4 11 0
98/-	77/-	14½ b 4 a	United Dominions . £1	96/-	98/-	3 15 5
30/6	26/-	†4½ a †10 b	United Molasses .10/-	27/9	29/9	8 17 8
			OIL			
106/3	79/6	†5 a †10 b	British Petroleum .. £1	103/9	105/7½	4 18 10
78/-	59/1½	†5 a † 7½ b	Burmah £1	71/10½	72/6	6 4 0
£17⅜	13⅞	7½ a 17½ b	Royal Dutch ....20 fl.	£17⅛	£16⅛	2 16 6
151/3	117/6	†5 a †13½ b	Shell £1	149 4½	149 4½	4 7 5
74/6	41/6	... ...	Ultramar 10/-	70/3	70/3	...
			MINES, ETC.			
140/-	115/-	20 a 60 b	Anglo-American .10/-	137/6	140/-	5 14 4
23/6	19/6	†12½ a †10 b	Cons. Tea & Lands. £1	21/3*	22/3*	19 18 0
51/-	41/6	6¼ a 12½ b	Cons. Zinc Corp. ... £1	42/9	44/3	8 8 0
101/10½	80/7½	80 a 120 b	De Beers Def. Reg. 5/-	101/3	101/10½	9 17 10
83/9	75/11	20 b 40 a	Free State Geduld. 5/-	81/3	82/6	3 12 6
7/6	6/6	30 a 30 c	London Tin 4/-	7/1½	7/3	16 11 0
52/9	46/6	50 a 50 b	President Brand ..5/-	51/9	49/9	10 0 0
17/6	12/10½	16⅔ b 1⅞ a	Rho. Selection Tst. 5/-	17/1½*	17/4½*	...
28⅛	20	175 b 25 a	Rhokana Corp. £1	26¼	28¼	...
54/6	46/-	12½ a 37½ b	United Sua Betong . £1	49/6	50/6	19 0 0
93/9	84/4½	60 b 60 a	Western Holdings .5/-	92/6	92/6	6 9 9

New York Closing Prices $

	June 4	June 11		June 4	June 11		June 4	June 11
Alcoa	67⅞	66⅞	DuPontdeNm.	179	179	N.Y. Central	15¼	16⅛
Alumin'm Ltd.	27⅛	26⅜	Ford Motors	40⅛	40⅝	Sears Roebuck	29	29⅛
Am. Smelting	45⅜	45	Gen. Elect.	60⅛	60⅜	Shell Oil	73	73
Amer. Tel.	179⅛	177⅞	Gen. Motors	38⅞	38⅝	Std. Oil of N.J.	54⅛	53⅜
Anaconda	45⅞	48	Goodyear	77⅞	78	Tri-Conti'tal	35⅞	35⅜
Beth. Steel	42⅝	41⅜	Gulf Oil	114⅞	114½	Union Carbide	89⅛	83⅞
Can. Pacific	27⅛	27⅞	Int. Bus. M.	350½	355½	U.S. Steel	65⅞	64⅜
Chrysler Cpn.	45⅞	45½	Int'l. Nickel	77⅞	78⅜	West'house E.	57⅛	56⅛
Crown Zeller.	52⅜	50⅜	Int'l. Paper	99½	98⅛	Woolworth	45½	45⅜

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) On 13%. (h) On 30%. (i) On 15%. (k) Ex rights. (l) To latest date.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared.

World Trade ..... April 19th

BRITISH		OVERSEAS	
Prices and Wages	June 7th	Western Europe:	
Production and Consumption	May 17th	Production and Trade	May 31st
Manpower	This week	British Commonwealth	This week
External Trade	May 31st	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	May 24th
Industrial Profits	April 19th	United States	June 7th

Manpower in Great Britain

	Unit	Mid-year or monthly averages (1) 1955	1956	1957	1957 Mar.	April	May	1958 Feb.	Mar.	April	May
TOTAL MANPOWER		**June figures**									
Working population:											
Total	'000s	23,912	24,107	24,188	24,147	24,205	24,201	24,077	24,048	24,068	...
Men	"	16,084	16,188	16,225	16,234	16,257	16,241	16,188	16,176	16,178	...
Women	"	7,828	7,919	7,963	7,913	7,948	7,960	7,889	7,872	7,890	...
Armed Forces	"	803	761	702	719	713	708	632	626	622	...
Civil employment:											
Total	"	22,933	23,149	23,245	23,094	23,177	23,221	23,045	23,022	23,046	...
Agriculture, forestry and fishing	"	1,066	1,032	1,025	1,002	1,015	1,021	952	956	967	...
Mining and quarrying	"	862	858	868	869	870	870	868	864	862	...
Building and contracting	"	1,486	1,541	1,519	1,510	1,517	1,519	1,463	1,472	1,472	...
Distributive trades	"	2,811	2,870	2,945	2,911	2,927	2,934	2,956	2,955	2,965	...
Public administration	"	1,289	1,300	1,298	1,297	1,302	1,301	1,285	1,283	1,285	...
Manufacturing industries	"	9,206	9,269	9,271	9,253	9,266	9,278	9,254	9,214	9,203	...
CHANGES IN EMPLOYMENT											
Increase or decrease since June, 1955: (2)											
Employees in engineering (2)	"	...	+ 53	+ 48	+ 36	+ 42	+ 50	+ 95	+ 78	...	...
" " consumer goods industries (2)	"	...	− 9	+ 2	− 6	− 1	+ 3	− 52	− 69	...	...
UNEMPLOYMENT		**Monthly averages**									
By duration:											
All durations—total	"	232·2	257·0	312·5	363·0	342·3	313·5	424·5	433·1	443·7	447·6
" " —men	"	146·7	168·8	216·6	251·2	236·5	215·0	301·5	307·0	314·0	309·4
" " —women	"	85·5	88·2	95·9	111·8	105·8	98·5	123·0	126·1	129·7	138·2
Temporary or under 2 weeks—men	"	51·5	62·7	65·1	74·0	67·5	62·1	84·3	85·1	83·9	94·4
" " —women	"	36·7	35·5	30·6	32·9	31·3	29·7	38·8	41·5	43·7	52·4
Over 8 weeks—men	"	67·7	65·7	94·3	110·6	114·1	105·3	127·9	138·6	150·0	146·0
" " —women	"	26·5	27·4	35·0	42·8	44·0	41·1	44·0	47·4	51·0	50·1
By industry (3):											
Textiles	%	1·6	1·4	1·2	1·2	1·2	1·2	2·3	3·1	3·4	4·8
Clothing	"	0·9	1·0	1·1	1·1	1·1	1·1	1·5	1·6	1·7	2·3
Vehicles	"	0·4	1·2	1·0	1·6	1·0	0·9	0·8	0·9	0·9	1·5
Engineering, etc.	"	0·8	0·9	1·1	1·3	1·4	1·2	1·5	1·6	1·7	1·7
Coal-mining	"	0·1	0·1	0·2	0·2	0·2	0·2	0·3	0·3	0·4	0·4
Distributive trades	"	1·0	1·0	1·2	1·5	1·4	1·3	1·7	1·7	1·7	1·7
By regions (4):											
Great Britain	"	1·1	1·2	1·4	1·7	1·6	1·5	1·9	2·0	2·0	2·1
London and South Eastern	"	0·7	0·8	1·0	1·2	1·1	1·0	1·3	1·3	1·3	1·3
Eastern	"	0·9	1·0	1·3	1·7	1·6	1·4	2·0	2·0	2·0	1·7
Southern	"	0·9	1·0	1·3	1·5	1·3	1·2	1·7	1·6	1·7	1·7
South Western	"	1·2	1·2	1·8	2·0	2·0	1·7	2·3	2·4	2·3	2·1
Midland	"	0·5	1·1	1·3	1·8	1·5	1·5	1·3	1·4	1·4	1·4
North Midland	"	0·5	0·6	1·0	1·1	0·9	1·0	1·4	1·5	1·5	1·8
East and West Ridings	"	0·7	0·8	0·9	1·0	0·9	0·9	1·4	1·5	1·6	1·9
North Western	"	1·4	1·3	1·6	1·8	1·9	1·7	2·1	2·4	2·4	2·6
Northern	"	1·8	1·6	1·7	1·9	2·0	1·7	2·2	2·2	2·3	2·2
Scotland	"	2·4	2·4	2·6	2·9	2·8	2·6	3·6	3·6	3·6	3·6
Wales	"	1·8	2·0	2·6	2·9	2·7	2·5	3·8	3·7	3·9	3·9
VACANCIES											
Unfilled vacancies notified to Employment Exchanges (5):											
Total	'000s	382	279	236	250	285	283	209	217	218	208
Men	"	214	152	122	128	143	141	107	109	110	105
Women	"	168	127	114	122	142	142	102	108	108	102
DISPUTES (6)											
Workers involved	"	55	42	113	637	243	31	55	49	27	...
Working days lost:											
Total	"	315	174	701	3,968	2,574	73	113	196	182	...
Mining and quarrying	"	93	42	43	89	49	41	58	53	24	...
Engineering, etc.	"	56	85	549	3,829	2,424	20	35	100	121	...
Other industries and services	"	166	47	109	49	100	12	19	44	36	...

(1) Employment figures relate to June of each year; other figures are monthly averages. (2) Engineering, shipbuilding, electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) From June, 1956, onwards, comparison with earlier figures is affected by the revocation of the Notification of Vacancies Order, 1952. (6) United Kingdom. (7) Figures have been revised back to July, 1956, on the basis of mid-1957 count of National Insurance Cards.

British Commonwealth

PRODUCTION OF FUEL AND POWER (1)

Monthly averages or calendar months	Coal				Crude petroleum		Electricity				
	Australia	Canada	India	S. Africa	Canada	Brunei	Australia	Canada[10]	India	N. Zealand	S. Africa
	'000 tons						million kwh				
1948	1,232	1,255	2,511	1,969	139	220	723	3,714[10]	381	204	772
1956	1,608	935	3,288	2,736	1,937	463	1,470	6,307[10]	805	347	1,372
1957	1,648	814	3,621	2,835	2,003	454	1,537	7,559	905	396	1,585
1957, October	1,904	1,077	3,553	3,050	1,885	445[11]	1,666	8,079	918	418	1,635
„ November	1,795	956	3,920	2,872	1,630		1,584	8,180	930	399	1,573
„ December	1,293	888	4,019	2,845	1,773		1,530	8,225	957	387	1,564
1958, January	...	912	3,925	3,059	2,031	...	1,513	8,551	974	365	1,565
„ February	...	816	...	2,749	...	...	...	7,791	...	350	1,371

PRIMARY PRODUCTION (2)

Monthly averages or calendar months	Copper		Rubber		Tin	Steel				Gold		
	Canada	N. Rhodesia	Ceylon	Malaya	Malaya	Australia	Canada	India	S. Africa	Australia	Canada	S. Africa
	'000 tons									'000 fine ounces		
1948	16·3	17·4	7·9	58·2	4·14	105	233	104	49	73·8	294	965·4
1956	23·9	32·4	7·9	52·2	6·11	217	395	145	132	85·9	365	1,321·1
1957	24·1	35·0	8·2	53·2	5·95	251	375	143	143	90·3	368	1,419·3
1957, December	29·1	38·0	10·2	54·5	5·49	251	313	155	148	94·3	363	1,402·1
1958, January	27·1	38·5	9·9	61·2	5·76	270	359	165	145	90·7	376	1,418·0
„ February	25·3	32·5	6·6	51·6	4·22	221	355	146	138	82·4	353	1,356·7
„ March	28·6	40·0	6·9	48·7	4·20	254	393	...	...	...	...	1,431·3
„ April	27·3	37·0	...	...	...	...	...	...	...	...	...	1,439·4

EXTERNAL TRADE (3)

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa [6]	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. $C		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1948	28·2	33·8	220	259	537	382	10·71	12·27	85·9	136·1	23·5	11·4
1956	68·2	64·5	475	405	707	501	22·34	22·91	165·5	135·0	41·2	33·4
1957	59·7	81·7	469	411	...	...	24·71	22·93	...	...	45·9	37·4
1957, December	61·8	70·7	393	453	669	546	25·7	19·2	174·9	180·4	44·1	34·4
1958, January	77·3	66·8	399	399	...	...	24·0	24·6	...	...	57·3	32·5
„ February	62·5	60·6	357	326	...	...	...	...	...	...	47·0	31·4
„ March	59·4	61·3	427	376	...	...	...	...	...	...	51·1	37·5
„ April	67·3	53·1	...	...	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES (4)

Monthly averages or calendar months	Gold and Foreign Exchange Holdings					Cost of Living						
	Australia [6]	Canada	India [8]	New Zealand [9]	S. Africa	Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesia
	End of period: mn. US dollars					1953 = 100						
1948	1,265	1,011	3,355 [7]	237	652	56	84	...	75	89 [8]	77	73
1956	952	1,944	1,360	193	372	110	102	99	111	97	107	105
1957	1,321	1,836	872	138	289	113	106	104	113	106	110	103
1957, December	1,321	1,836	872	138	289	113[10]	107	107	114[10]	110	112	111
1958, January	...	1,867	842	107	285	...	107	105	...	110	113	112
„ February	...	1,873	835	107	267	...	107	104	...	112	113	113
„ March	...	1,880	...	115	247	...	...	...	...	...	...	113
„ April	...	1,887	...	...	220	...	...	...	...	...	...	...

(1) Electricity production in New Zealand represents deliveries only and in Canada, prior to 1957, excludes industrial generation for own use. (2) Copper and tin refer to metal production. (3) General trade (*including* re-exports) except for Canada, which is special trade only. Imports are cif except for Australia, Canada and S. Africa which are fob; exports are fob. Trade for India includes that going by land; annual figures for India are for 12 months beginning April 1st of year stated and for Australia 12 *months* ended June 30th. (4) Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for S. Africa and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. (5) Including *foreign investments*. (6) Including semi-processed gold. Beginning January, 1955, including South-West Africa. (7) In July, 1948, part of holdings was transferred to the State Bank of Pakistan. (8) April, 1948—March, 1949. (9) Including some long-term securities. (10) Prior to 1957, excluding industrial generation for own use. (11) Average for fourth quarter.

THE ECONOMIST JUNE 14, 1958

Financial Statistics

EXCHEQUER RETURNS

For the week ended June 7, 1958, there was an above line" deficit (after allowing for Sinking Funds) of £24,990 compared with a deficit of £6,207,000 in the previous week and a deficit of £6,163,000 *in the corresponding period of last year.* There was a net expenditure "below-line" of £11,936,000 leaving a total deficit of £109,249,000 compared with £45,289,000 in 1957-58.

£'000	Estimate, 1958-59	April 1, 1957, to June 8, 1957	April 1, 1958, to June 7, 1958	Week ended June 8, 1957	Week ended June 7, 1958
Ord. Revenue					
Income Tax	2312,500	233,968	260,221	14,431	16,429
Estate, ...	165,000	21,200	20,500	1,800	1,600
Stamp Duties	165,500	38,200	30,300	3,300	2,500
Profits Tax	56,250	12,600	10,500	1,300	800
Betting Tax, EPT & SET	275,000	28,200	37,100	3,600	4,600
Other Inland Rev. duties	...	50	70	...	70
Total Inland Rev.	2970,250	334,218	358,691	24,431	25,999
Customs	1256,940	232,877	245,364	22,551	24,942
Excise	932,310	186,530	194,875	5,145	5,645
Total Customs and Excise	2189,250	419,207	440,239	27,696	30,587
Oil Duties	104,000	10,960	11,228	1,027	1,145
Sugar (Net Receipts)	2,000	14,200	12,750	1,300	3,750
Broadcast Licences	34,000	3,800	4,100	...	...
Sundry Loans	30,000	2,254	8,014	59	5,681
Miscellaneous	110,000	47,163	11,784	450	209
Total	5439,500	831,802	846,806	54,963	67,372
Ord. Expenditure					
Net Interest	695,000	134,756	137,413	13,389	24,010
Payments to N. Ireland	73,000	12,947	13,167	3,066	2,480
Other Services	10,000	1,137	863	121	25
Supply Services	4259,584	700,556	723,733	62,600	65,109
Total	5037,584	649,396	875,165	79,176	91,592
Sinking Funds	38,000	4,968	4,785	950	770
"Above-line" Surplus or Deficit	— 22,562	— 33,144	— 25,163	— 24,990	
Plus the Net Expenditure	22,727	76,105	19,287	11,936	
Net Surplus or Deficit	45,289	109,249	44,450	36,926	
Receipts from:					
Tax Reserve Certificates	54,031	52,952	4,407	4,692	
Savings Certificates	7,000	7,800	— 110	— 5,000	
Defence Bonds	— 3,779	4,605	45	3,529	
British Savings Bonds	8,160	11,375	500	1,220	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
Dec. 8	2,910·0	1,252·3	265·0	...	4,427·4
1958					
Jan. 8	3,050·0	1,487·6	219·7	...	4,757·3
„ 15	3,060·0	1,529·9	225·6	...	4,815·5
„ 22	3,050·0	1,510·3	248·8	...	4,839·1
„ 31	4,571·2		277·1	...	4,848·2
Feb. 5	3,120·0	1,499·4	239·6	...	4,859·0
„ 12	3,120·0	1,492·7	259·4	...	4,872·1
„ 19	3,120·0	1,580·5	252·6	...	4,952·4
„ 26	3,120·0	1,648·4	205·8	4·0	4,978·2
May 3	3,140·0	1,620·2	217·9	1·5	4,979·6
„ 10	3,150·0	1,561·3	215·3	2·3	4,928·9
„ 17	3,170·0	1,552·8	234·9	0·3	4,958·0
„ 24	3,210·0	1,510·3	202·6	...	4,912·9
„ 31	3,240·0	1,460·6	226·5	...	4,927·0
June 7	3,260·0	1,492·1	211·5	...	4,963·6

THE MONEY MARKET

HOPES of a reduction in Bank rate on Thursday stimulated demand for bills in mid-week. Not only the big banks but also United States and Continental investors were substantial buyers from the discount houses, and August and early September maturities were bid up from discount rates of 4⅛-4⅜ per cent to 4⅛-4⅛ per cent. These purchases gave the discount market adequate funds to meet its needs; but before the week-end, on Thursday and Friday, very small amounts had to be taken at Bank rate, despite fairly large special aid on Friday.

The Treasury bill rate fell by ⅜ per cent at the tender on Friday last week. The discount houses raised their common bid by 6d. to £98 16s. 5d. per cent, an adjustment apparently a little larger than that made by outside tenderers. Accordingly, although competition for the bills was very keen—total applications for the unchanged allotment of £270 million rose by nearly £30 million to the high figure of £445.4 million—the proportionate allotment at the common bid rose from 49 to 59 per cent. The average rate of discount on the whole allotment fell by 1s. 10d. per cent. to £4 14s. 5.72d. per cent. At yesterday's tender, the offer remained at £270 million.

The Treasury bill rate in the United States edged up again this week, to 0.84d. per cent, compared with the four year low point of 0.63d. per cent a fortnight ago.

LONDON MONEY RATES

	%		%
Bank rate (from 6% 22/5/58)	5½	**Discount rates**	
		Bank Bills: 60 days	4⅛-4⅜
Deposit rates (max.)		3 months	4⅛-4⅜
Bank	3½	4 months	4⅛-4⅜
Discount Houses	3½	6 months	4⅛-4⅜
Money		Fine trade bills:	
Day-to-Day	3½-4½	3 months	6-6½
Treas. bills 2 months	4⅛	4 months	6-6½
3 months	4⅛	6 months	6½-6⅝

BANK OF ENGLAND RETURNS

(£ million)	June 12, 1957	June 4, 1958	June 11, 1958
*Issue Department**:			
Notes in circulation	1,976·6	2,038·0	2,033·5
Notes in banking dept.	23·7	12·3	16·8
Govt. debt and securities*	1,996·2	2,046·2	2,046·2
Other securities	0·8	0·8	0·8
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin.	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	25·7	9·9	10·2
Bankers	215·1	217·7	206·9
Others	73·9	73·8	73·9
Total	254·7	301·4	291·0
Securities:			
Government	260·8	261·3	251·5
Discounts and advances	27·0	24·6	19·6
Other	18·8	18·7	18·7
Total	306·6	304·6	289·8
Banking department reserve	26·2	14·7	19·2
" Proportion "	% 8·3	% 4·8	% 6·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £2,050 million from £2,000 million on March 26, 1958.

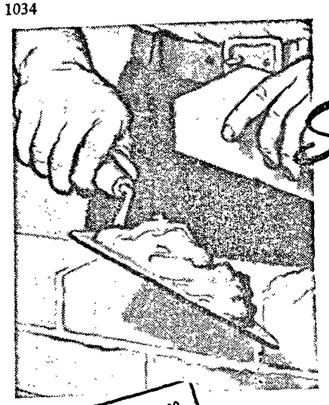
TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Allotted	Three Months' Bills Average Rate of Allotment	Allotted at Max. Rate*
1957				s. d.	%
June 7	240·0	451·2	240·0	78 2·59	21
1958					
Mar. 7	240·0	388·6	240·0	120 5·10	47
„ 14	250·0	370·3	250·0	120 6·59	61
„ 21	260·0	399·2	260·0	111 1·52	52
„ 28	260·0	422·8	260·0	110 5·54	55
April 3	260·0	401·9	260·0	108 6·30	61
„ 11	260·0	422·0	260·0	106 6·19	59
„ 18	240 0	406·3	240 0	104 0·93	49
„ 25	250·0	426·8	250·0	103 6·97	40
May 2	220·0	433·5	220·0	101 1·93	46
„ 9	250·0	447·6	250·0	103 10·84	20
„ 16	250·0	422·1	250·0	103 11·49	44
„ 23	260·0	422·2	260·0	96 5·96	61
„ 30	260 0	416·0	260·0	96 3·84	49
June 6	270·0	445·4	270·0	94 5·72	59

* On June 6th tenders for 91 day bills at £98 16s. 5d. secured 59 per cent, higher tenders being allotted in full. The offer this week was for £270 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	June 11	June 5	June 6	June 7	June 9	June 10	June 11
United States $	2·78-2·82	2·81⅞-2·82⅛	2·81⅞-2·82⅛	2·81⅞-2·82⅛	2·81⅞-2·82⅛	2·81⅞-2·82⅛	2·81⅞-2·82⅛
Canadian $		2·71⅞-2·71⅞	2·70⅞-2·70⅞	2·70⅞-2·70⅞	2·70⅞-2·70⅞	2·70⅞-2·70⅞	2·70⅞-2·70⅞
French Fr.	1167-18-1184-82	11791-11793	11791-11791	11792-11793	11781-1179	11772-11784	11781-11793
Swiss Fr.	12·15⅞-12·35⅞	12·23⅝-12·23⅞	12·23⅝-12·23⅞	12·23⅝-12·23⅞	12·23⅝-12·23⅞	12·22½-12·23	12·23-12·23⅛
Belgian Fr.	138·95- 141·05	139·40- 139·45	139·40- 139·45	139·40- 139·45	139·40- 139·45	139·37½- 139·42½	139·40- 139·45
Dutch Gld.	10·56-10·72	10·59⅛-10·59⅜	10·59⅛-10·59⅜	10·59⅛-10·59⅜	10·58⅝-10·59⅛	10·58⅝-10·58⅞	10·58⅜-10·58⅝
W. Ger. D-Mk.	11·67⅝-11·84⅛	11·70⅝-11·70⅞	11·70⅝-11·70⅞	11·70⅝-11·70⅞	11·70⅝-11·71	11·70⅝-11·71	11·70⅝-11·70⅞
Portuguese Esc.	79·90-81·10	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15	80·00-80·15
Italian Lire	1736⅜-1762½	1745⅛-1745⅜	1745-1745⅛	1744⅞-1745⅛	1744⅛-1744⅜	1742½-1743⅛	1743⅛-1744
Swedish Kr.	14·37⅜-14·59⅜	14·46¼-14·47	14·46¼-14·46⅝	14·46¼-14·46⅝	14·46⅛-14·46⅜	14·46⅛-14·46⅜	14·46¼-14·46⅜
Danish Kr.	19·19⅛-19·48⅛	19·34⅛-19·34½	19·34⅛-19·34½	19·34⅛-19·34½	19·34⅛-19·34½	19·34⅛-19·34½	19·34⅛-19·34½
Norwegian Kr.	19·85-20·15	20·00⅜-20·01⅛	20·00⅜-20·01⅛	20·00⅜-20·01⅛	20·00⅜-20·01⅛	20·00⅜-20·01⅛	20·00⅜-20·01⅛
One Month Forward Rates							
United States $		⅜-½c. pm	⅜-½c. pm	⅜-½c. pm	⅜-½c. pm	⅜-½c. pm	⅜-½c. pm
Canadian $		⅛-¼c. pm	⅛-¼c. pm	⅛-¼c. pm	⅛-¼c. pm	⅛-¼c. pm	⅛-¼c. pm
French Fr.		3 8 dis	4 9 dis	6 11 dis	6 11 dis	6 11 dis	6 11 dis
Swiss Fr.		3 2½c. pm	3 2½c. pm	3 2½c. pm	2½ 2½c. pm	2½ 2½c. pm	2½ 2½c. pm
Belgian Fr.		¼ pm	¼ pm	¼ pm	¼ pm	¼ pm	¼ pm
Dutch Gld.		1⅜-1¼c. pm	1⅜-1¼c. pm	1⅜-1¼c. pm	1⅜-1¼c. pm	1⅜-1¼c. pm	1⅜-1¼c. pm
W. Ger. D-Mk.		2-1⅞pf. pm	2-1⅞pf. pm	2-1⅞pf. pm	1⅞-1⅝pf. pm	1⅞-1⅝pf. pm	1⅞-1⅝pf. pm
Italian Lire		2 1 pm	2 1 pm	2 1 pm	2 1 pm	2-1 pm	2-1 pm
Swedish Kr.		2 1¼c pm	2 1¼c pm	2 1¼c pm	1⅞ 1¼c pm	1⅞ 1¼c pm	1⅞ 1¼c pm
Danish Kr.		3 2c pm	3 2c pm	3 2c pm	3 2c pm	2⅞ 2c pm	2⅞ 2c pm
Norwegian Kr.		20 pm par	20 pm par	20 pm par	20 pm par	20 pm par	20 pm par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/4½	249/6½	...	249/5½	249/5½	249/6½



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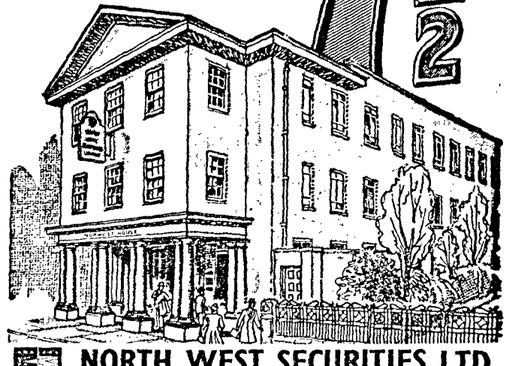
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UNITED DRAPERY STORES

Continued Development and Progress

The following are extracts from the statement by **Sir Brian E. S. Mountain, Bart.** (the Chairman), circulated with the Report and Accounts for the year ended February 1, 1958.

The Report and Accounts for the year ended February 1, 1958, are submitted herewith. During this period our main efforts have been directed towards consolidating and developing the businesses already owned by the Group but towards the end of our financial year the share capital of three new subsidiary companies was acquired.

Consolidated Profit and Loss Account

The Group Trading Profit of £7,131,877 shows an increase of £836,938 over the corresponding figure of the previous year.

This satisfactory increase is due to a further substantial rise in Group turnover, which has accrued, partly from existing businesses in which the comparative increase has exceeded the national average, partly from new branches opened in the year 1957/1958 and partly from a full year's trading from the additional branches opened in the year 1956/1957. The increase in turnover has more than compensated for the increase in expenses arising mainly from higher wages and salaries.

Our reconstruction programme is now nearing completion and less than 70 shops remain to be converted. Our total charge for repairs, renewals, general maintenance and depreciation this year is less by approximately £200,000 than the figure which we had to provide last year.

The total charge for Taxation of £3,588,775 has increased by £313,854 which amounts to more than three-quarters of the increase in Group Profits before Taxation. The Chancellor's new proposals in regard to the charge for Profits Tax are welcome, and will result in a decrease in this charge, based on this year's profits, of approximately £210,000 in the current year and £250,000 in a full year.

The improvement in Profits has enabled your Board to recommend maintaining the rate of last year's total Ordinary Dividend of 32½% on the Capital as increased by the Bonus Distribution made last year. This rate is equivalent to 35¼% on the old Capital.

Reserves

The amount allocated to Reserves out of Revenue under the various headings is £1,280,408 and is slightly less than a year ago. In addition, General Capital Reserve has been increased by £128,934 arising from the surplus on the realisation of a few properties, which were surplus to our requirements. It is noteworthy that all the properties we have realised since the revaluation made in January 1956 have been disposed of at prices in excess of those valuations.

Consolidated Balance Sheet

The total assets of the Group after deducting Mortgages and Debentures amount to £24,307,497, an increase of £1,450,146. Our net Fixed Assets which now stand at £16,561,734 have increased during the year by £668,609.

Current Assets have also increased by £1,051,786 to a total of £16,275,654. Total Current Liabilities and Provisions are higher than a year ago by £531,149.

To summarise, the Balance Sheet shows a strengthening of the financial position under almost every heading which is a reflection of the continued development of all the businesses which comprise our Group.

Future Prospects

The turnover of our Group since 1st February has been well maintained. Our fashion business was adversely affected by the exceptionally bad weather since the turn of the year which continued until after Easter, but this was more than offset by increases in our other businesses.

We are in a good position to take advantage of all available opportunities, and given reasonable trading conditions, I am hopeful that your Company will continue to make satisfactory progress.

The Chairman addressing the Meeting made reference to the recent acquisition of Allders Ltd., an old established departmental store in the centre of Croydon; he felt that this would prove to be a satisfactory acquisition to the Group.

At the same time £1,300,000 6 per cent. Unsecured Loan Stock 1978/83 had been issued and placed privately.

TWELVE YEARS' SUMMARY

YEAR ENDED JANUARY	GROUP PROFIT BEFORE TAXATION	NET CURRENT ASSETS	FIXED ASSETS	TOTAL NET ASSETS
	£	£	£	£
1947.....	385,658	873,381	667,549	1,540,930
1948.....	669,198	1,047,052	1,546,921	2,593,973
1949.....	787,085	1,544,106	1,568,974	3,113,080
1950.....	966,730	1,891,208	2,426,525	4,317,733
1951.....	1,255,743	2,102,468	2,688,843	4,791,311
1952.....	1,760,974	3,371,184	2,679,421	6,050,605
1953.....	2,264,575	3,913,995	2,668,863	6,582,858
1954.....	2,601,584	3,933,207	5,501,896	9,435,103
1955.....	4,038,379	4,579,817	8,610,272	13,190,089
1956.....	5,501,668	6,500,361	14,864,527	21,364,888
1957.....	5,971,536	6,964,226	15,893,125	22,857,351
1958.....	6,389,080	7,484,863	16,561,734	24,307,497

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COMPANY MEETINGS

CEREBOS LIMITED

FURTHER EXPANSION IN ACTIVITIES AT HOME AND OVERSEAS

GROUP'S CONTRIBUTION IN CHECKING THE RISE IN COST OF LIVING

MR W. ARNOLD INNES ON UNIVERSAL RECOGNITION OF QUALITY PRODUCTS

The Fifty-Fourth Annual General Meeting of Cerebos Limited was held on Thursday, June 12, 1958, at The Hyde Park Hotel, Knightsbridge, London, S.W.1. Mr W. Arnold Innes, the Chairman, presided.

The following is his Review which has been circulated with the Report and Accounts for the year ended December 31, 1957.

"Before proceeding with my Review of the Accounts I regret to have to report the death of Mr R. V. Townsend. Mr Townsend had served the Cerebos Group for 39 years —first as Export Manager and since 1940 as an Executive Director. I speak for us all when I say that in his passing we have lost a most valued colleague and friend who was highly respected by those who had the privilege of working with him.

I also wish to record that Mr F. N. Patterson, who has been an Executive Director since 1939, relinquished his executive duties at the end of 1957. Over a period of 26 years Mr Patterson has been responsible for the operation of our Distributing Division and it is largely due to his energy and foresight that the Group is so well equipped in that section of the business which provides an essential service to our customers. He takes with him our best wishes for a long and well-earned retirement. I am glad to say that, at the unanimous invitation of his colleagues, Mr Patterson, who retires this year by rotation, has agreed to offer himself for re-election and, subject to your approval, will remain on the Board as a non-executive Director.

ACCOUNTS AND DIVIDEND

I have pleasure in presenting the Accounts for another successful year for the Cerebos Group of Companies.

The Consolidated Balance Sheet and Profits Statement clearly set out the position of the Company and its Subsidiaries as at December 31, 1957, but for the reason given below a straight comparison between the years 1956 and 1957 is not possible. The Assets, Liabilities and Profits of the Northern Enterprises Group of Companies are included in the 1957 consolidation for the first time.

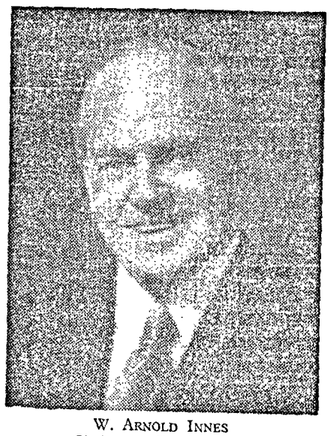
As the result of the merging of the Northern Enterprises Accounts, the revaluation of the Fixed Assets of a Subsidiary and the additional expenditure incurred by the Middlewich Company, Crampton's and Scott's on buildings and plant in furtherance of their reconstruction and re-equipment programmes, the Fixed Assets of the Group, after depreciation, together with the premium paid on the acquisition of Shares in subsidiary undertakings and the investment in the French subsidiary at its written down value, now amounts to £3,784,909 as compared with £3,174,793 as at December 31, 1956.

Productive capacity and the trend of Group sales have again been upward and this position is reflected by the increase in Stock in Trade and Trade Debtors. It is satisfactory to note that the sound liquid position has been well maintained and shows an excess of Current Assets over Current Liabilities of £2,506,744, an increase over the corresponding figure for 1956 of £437,960.

Reserves and surplus have this year been increased by the inclusion of the premium of £343,575 obtained on the issue of £76,350 Ordinary Stock in Cerebos Limited in exchange for the equity shares of Northern Enterprises Limited and the sum of £137,442 being the surplus on the revaluation of the Fixed Assets of the subsidiary previously mentioned. Both these items are included in the Balance Sheet under the heading CAPITAL RESERVES. CAPITAL and REVENUE RESERVES, with the sum set aside out of profits in cover of the deferred liability for taxation at £874,000, now aggregate £4,025,291.

Outside interests in Consolidated Subsidiary Companies at £190,012 represent the Share capital not held within the Group and reserves and undistributed profits attaching thereto.

Group Capital Commitments as at December 31, 1957, amount to approximately



W. ARNOLD INNES
Chairman, Cerebos Ltd.

£333,000—some £77,000 less than was reported last year but substantial new commitments for buildings, plant and machinery have since been undertaken.

The Trading Profit of the Group for the year is, as shown by the Directors' Report, £1,894,572, an increase of £193,232 over the 1956 figures. The estimated liability for taxation thereon, including Profits Tax at £247,000, amounts to £1,065,075.

The net profit for the year, after providing for taxation and making due allowance for outside interests in the profits of Subsidiaries, therefore amounts to £822,180. To this must be added £374,847 brought forward from 1956, making a total sum available of £1,197,027, out of which the following appropriations in the accounts of Cerebos Limited are recommended to the Stockholders for approval:

(1) To write off £30,453 from Investments.
(2) To Increase the General Reserve to £2,000,000 by the transfer of £500,000.
(3) DIVIDEND:

Your Directors feel that the expansion in the Company's business and the results achieved justify a higher overall return to Stockholders and therefore recommend the payment of a Final Dividend of 22½ per cent (less tax) of £268,628 which, with the Interim Dividend of 10 per cent (less tax) paid in November last, makes 32½ per cent (less tax) for the year.

These appropriations amount in total to £918,471 and will leave £278,556 to be carried forward to the credit of Consolidated Profit and Loss Account next year.

The attention of Stockholders is drawn to the reference in the Directors' Report to the application which has been made to the Capital Issues Committee for the capitalisation of certain Reserves.

HOME SALES, MARKETING AND ADVERTISING

I am glad to report that Home Sales in 1957 exceeded those for 1956, which up to that time constituted a record year.

In view of the continued upward trend in retail prices of some consumer goods, however, references to increased turnover and record trading results could be misleading unless it is made clear that they have been achieved without the assistance of increased retail prices, and do in fact reflect the all-important measurement of real progress, namely, expanding consumer demand. I would like you to know, therefore, that our Home Sales in 1957 exceeded 1956 in both tonnage and value and the number of packages purchased by consumers was higher than in any previous year. Further, with only one very minor exception, there was no increase in the retail prices of our products during 1957.

This further evidence of the popularity of our products and universal recognition of the high standard of quality maintained augurs well for the continued prosperity of your Company. It also reflects the effectiveness of our overall selling, marketing and advertising policies. I should like to acknowledge with thanks the work of all those engaged in these arduous and responsible tasks from which there can be no respite if the flow of our goods from our Factories is to be maintained at the highest possible level to ensure economic production and the lowest possible prices to the consumer. It is of interest to record that with a view to developing the opportunities for further expansion in the marketing of certain of our products, two of our principal selling teams were reorganised during the year, the effect of which has been

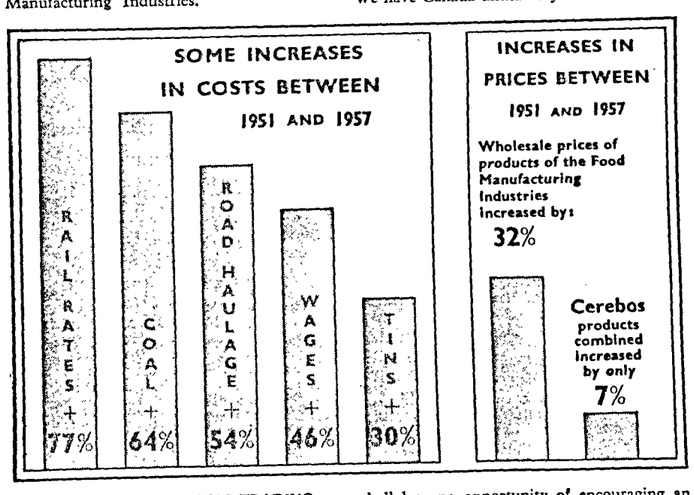
most beneficial. Today even more shops are stocking our products than was the case a year ago, and I wish to acknowledge and pay tribute to the splendid co-operation your Company receives from its many friends in the Distributive Trades who receive our Representatives in such a courteous and friendly manner.

Special mention should also be made of the substantial increase in sales achieved during their first year as a member of the Cerebos Group of Companies by Stamina Foods Limited, the principal operating Company in the Home Market of the Northern Enterprises Group. I must also mention the excellent contribution to our results made by Crampton's and Scott's during the year under review.

You may be assured that subject to any adjustment necessary to meet changing conditions we shall pursue most energetically the selling, marketing and advertising policies which, as I have indicated, have proved so successful in the year under review.

In previous reports we have emphasised the principle which we follow of endeavouring to keep prices down and we are proud of the measure of success which we achieved in our efforts to combat the continual rise in costs.

The increased efficiency following our substantial Capital Expenditure during the past few years, together with efficient management at our Production Centres, have played their part in absorbing the major proportion of increased costs. The chart reproduced herewith does indicate that the average adjustment in our prices of 7 per cent over the past six years is well below the average increase of 32 per cent in the wholesale prices of products of the Food Manufacturing Industries.



EXPORT AND OVERSEAS TRADING

Our Export Trade continues to be dominated to a marked extent by the Import Licensing Restrictions which many countries find it necessary to apply, in varying degrees, in order to aid their economic policies. There are, unfortunately, some pre-war markets which, for economic or political reasons, still remain virtually closed to us, but, nevertheless, our trade retains a world-wide character although the tendency for countries to foster local production becomes ever more marked.

It is, therefore, very satisfactory for me to be able to record, in spite of attendant difficulties, an increase in our export trade for the year.

Turning now to particular markets I would like to remind you that we have always attached great importance to our trade in the Dominions. In my Review last year I referred to progress in the construction of our new Australian factory and I am pleased to report that this factory is now in production, manufacturing Bisto and Gravox, and packing domestic salt. I was able to attend the opening ceremony performed by the Premier of Victoria, the Honourable H. E. Bolte, at Melbourne in January last, and there is no doubt that, subject to the interests of a minority holding of Australian Shareholders, we now own a model factory in excellent surroundings from which to supply the requirements of a growing Australian market. During my visit to Australia I had the honour of being received by the Prime Minister, Ministers and Government officials. I also had the great pleasure of meeting many of our principal customers. I am most impressed by the prospects for our investment in this virile country.

I also spent a few weeks in New Zealand and there I met several of our customers. Unfortunately, this Dominion has recently found it necessary to bring import restrictions into force which have severely restricted our trade, which up to then had been making steady progress. I am optimistic, however, that the economic situation of this essentially sound country will soon permit the resumption of free access to our products.

From New Zealand I went to Canada in order to examine the progress of our trade in that Dominion. In crossing the country from Vancouver to Montreal I consulted many of our customers and was most impressed by the general picture of an expanding economy. We have Canada under very close review and shall lose no opportunity of encouraging an increasing demand for our products and strengthening our association in this swiftly expanding market.

Before leaving specific markets, I would like to mention that our South African and Rhodesian trade continues to show a steady expansion and is making an important contribution to our export business.

In other markets, sales have, with certain exceptions, been satisfactory but in some countries conditions are such that further restrictions may result. In this respect the business of manufacturers of pre-packed foodstuffs is particularly vulnerable, as it is in the import of such products that the first economies are apt to be made. It cannot be denied that the difficulties confronting the export side of our business are very real, but I do not think there is reason to be unduly pessimistic about this important section of our business.

PRODUCTION

The ever increasing sales of the Cerebos Group as a whole are evidence not only of good salesmanship, but also of continuously good quality. In fact, it may be said that the policy of the Group Production Department can be summed up in the words "quality and quantity at economic prices."

With this object in view all our older factories are being maintained at a high level of efficiency. New machinery is being installed where old machinery has become inefficient, as, for example, at Middlewich, where, during the year, a completely new Bisto Manufacturing Plant has been erected. This plant is now in operation and is working to our entire satisfaction.

In the case of more recently acquired factories, installations and the methods of operating them are being brought up to standard as quickly as possible, as, for example, in the case of the dog and cat food cannery owned by Northern Enterprises Limited at Bootle. The factory is cramped for space and suitable land for extension is unobtainable. We have, therefore, built a new cannery at St. Helens, adjacent to the factory which produces dog biscuits, dog meal, etc., and it is in process of being equipped with the most up-to-date machinery obtainable, including a large cold store to enable us to carry adequate quantities of meat. The premises at Bootle will be sold as soon as production of "Stamina" products at St. Helens reaches a satisfactory level. The operations of this unit of the Cerebos Group will then virtually be concentrated under one roof.

The concentration of the production of Porage Oats by A. & R. Scott in the two Mills at Edinburgh and Cupar is now complete, as is also the extension to Crampton's premises in Manchester referred to in my last Review.

The Animal Feeds Division of Scott's has made substantial progress during the year in the production and sale of "Hy-Line" products, and new and additional machinery is being obtained to equip the Mill at Mid Calder, acquired during 1956, to deal with these products on a full commercial basis.

Quality control is a matter which we deem to be of paramount importance and it is, therefore, our policy that every factory of whatever nature shall have a fully equipped and well staffed laboratory. With this object in view, new laboratories have been opened at both Manchester and St. Helens. A model kitchen has also been opened in Manchester under the control of an expert who is fully qualified to give instruction and advice on the manufacture of foodstuffs from Crampton's range of products.

The question of research has been referred to in previous Reports, and recognising as we do the importance of this aspect of the business, we have decided to open a Central Research Laboratory in Edinburgh in premises already in our ownership and eminently suitable for the purpose, which are adjacent to the Colinton Mill of A. & R. Scott Limited. A Chief Research Chemist has been appointed who is now selecting his staff and we fully anticipate that the unit will be in operation by about the middle of this year. We already enjoy close relations with Edinburgh University, a factor contri-

buting to our decision to establish this Department in Scotland's delightful capital.

DISTRIBUTION

In my Report last year I referred to the construction of a depot in Nottingham and the procuring of a site for a new depot near Glasgow. The building of the Nottingham depot has been completed and is now in use providing a distribution service to our customers in Nottinghamshire, Leicestershire and Lincolnshire.

Construction of the new depot at Chapelhall, near Glasgow, has commenced and it is anticipated that it will be completed in September of this year. This depot will provide first class storage accommodation for distribution over a large area in Scotland.

We also propose to enlarge the warehouse accommodation in our Middlewich factory for the purpose of increasing the area of distribution and absorbing two depots in the Lancashire area. Economies and more efficient operation will result.

The wide coverage of our distribution system provides a facility in the development of our newly acquired animal food business and considerable benefit is already being experienced.

Probably the most important change in transport is the freeing of British Railways from the old method of rate charging. They are now able to enter into keen competition with other forms of transport. The situation which has presented itself is well before our Traffic Department. So also is the development in the mechanical handling of goods for transit and warehousing. We have for some time now within the Group palletised our products, but this method of materials handling continues to expand and we are now co-operating with depots and customers who are equipped for palletisation.

STAFF AND EMPLOYEES

I welcome this opportunity of expressing once again our appreciation of the loyal and valuable services rendered by our Executives, Staff and Employees. We are grateful to all, for without their continued and untiring efforts we could not have presented such successful results.

The welfare of all employees is a matter which we deem to be of the utmost importance and our various schemes for their well-being continue to make progress.

The continued expansion of the Group's activities naturally results in increased burdens of responsibility being borne by Members of the Parent and Subsidiary Boards and I should like to express my thanks for the whole-hearted and enthusiastic support of my colleagues during the past year."

The Report and Accounts were adopted.

Mr L. H. McRobert and Mr F. N. Patterson, the Directors retiring by rotation, were re-elected.

ADDITIONAL REMARKS BY THE CHAIRMAN

"On completion of the formal business of the Annual General Meeting may I be permitted to enlarge on one aspect of your Company's activities of which we are particularly proud. It is the part which the Cerebos Group has played in keeping down the cost of living.

You will have seen in my published Review a reference to the fact that over the past six years the combined prices of Cerebos products have increased by only 7 per cent against 32 per cent for the wholesale prices of products of the Food Manufacturing Industries.

There is one even more striking feature in the Cerebos price structure which I should like to bring to your notice. Of all foodstuffs none is more indispensable than salt and one or other of the brands manufactured by the Group is to be found in almost every household in Great Britain.

Many of the factors governing the price of salt have gone up considerably between 1951 and 1957 and details of certain of these items are shown in my published Review. During the same period the retail price index has gone up by 30 per cent. Nevertheless, throughout these six years the prices of two of the Company's principal salt lines have remained unchanged. One of these lines is "Saxa" which enjoys the largest sale of packet salt in the world.

This achievement has been possible only by increased efficiency in production and efficient advertising, marketing and selling—all of which contribute to keep down the cost of living. We expend large sums on advertising because, as you will readily appreciate, it is virtually our only means of contacting the consumer of household products. The result of this policy confirms our belief that carefully planned and economically realistic advertising makes its own important contribution in keeping retail prices down and so helps the householder on whose continued patronage the success of this business depends."

EXTRAORDINARY GENERAL MEETING

At the subsequent Extraordinary General Meeting the proposal that the sum of £1,038,175, being part of the Company's reserves be capitalized, was adopted.

The proceedings terminated with a vote of thanks to the Chairman.

SOCIÉTÉ ANONYME DES AUTOMOBILES PEUGEOT

(Paris)

At the Annual General Meeting held on May 28th in Paris with M. Jean-Pierre Peugeot in the Chair all the resolutions were unanimously adopted.

The gross dividend for the financial year 1957 was fixed at Frs.1,750 per share of Frs.16,500. This will be payable at the rate of Frs.1,412 net at a date to be decided by the Board of Directors.

The turnover for the year reached Frs.111 milliard—an increase of 18 per cent on the previous year—with a total production of 166,521 vehicles against 141,616. The sales in France have increased by 12.7 per cent, in Algeria and the Union Française by 15.51 per cent and overseas by 43.48 per cent.

The net profit for the year after deduction of Frs.5,268 million for tax and Frs.3,578 million for depreciation, amounts to Frs.2,980 million, which is 2.68 per cent of the turnover.

At the Extraordinary Meeting it was decided to increase the Capital from Frs.13,200 million to Frs.16 milliard by capitalising the reserves and increasing the value of the shares to Frs.20,000 each. It was also decided to double the bearer shares, which at present are Frs.10,000, and to authorise the Board of Directors to increase the Capital to a maximum of 30 milliard either by the issue of shares against payment or by the capitalisation of reserves.

GUARDIAN ASSURANCE COMPANY LIMITED

Annual General Meeting, June 11, 1958
(Chairman: The Right Honourable Lord Blackford, DSO, DL, JP)

EXTRACTS FROM THE DIRECTORS' REPORT

During the year the Company acquired the Share Capital of Caledonian Insurance Company and the figures of that company are included in the Accounts.

LIFE DEPARTMENT

Net new sums assured increased by £11,957,294 during the year to £39,043,952. Immediate Annuities securing £115,665 per annum and Deferred Annuities securing £1,540,337 per annum were issued. The gross rate of interest earned on the Fund was £6 1s. 5d. per cent per annum and the Fund increased during the year to £57,684,208.

REDEMPTION ASSURANCE ACCOUNT

The Fund at the end of the year after making a transfer of £30,000 to Profit and Loss was £5,775,189.

FIRE DEPARTMENT

The net premium income increased during the year by £2,532,698 to £8,957,534. The loss ratio was 50.38 per cent and after providing for unexpired risks on the usual 50 per cent basis the surplus transferred to Profit and Loss was £278,254.

ACCIDENT AND GENERAL DEPARTMENTS

The net premium income increased by £6,620,677 to £18,124,150. The loss ratio was 60.85 per cent and after providing for unexpired risks on the usual 45 per cent basis the deficit in the account of £479,805 has been transferred from Profit and Loss.

MARINE DEPARTMENT

The net premiums amounted to £3,317,901 against £2,499,345 in the previous year. After a transfer of £312,987 to Profit and Loss the Marine Fund was £3,857,241 representing 116.25 per cent of the premium income.

PROFIT AND LOSS ACCOUNT

The interest revenue before deducting tax amounted to £1,695,565. Transfers of £24,812 to the Investment Reserve and £91,443 to the General Reserve of Subsidiary Companies were made and provision for the final dividend recommended by the Directors of 1s. 1½d. less tax on each 5s. ordinary share (making 2s. 3d. per share, less tax for the year).
The balance carried forward was £369,851.

BALANCE SHEET

A valuation of Stock Exchange Securities was made at December 31st last and disclosed a surplus over the total value as shown in the Balance Sheet. The total assets of the Company and its subsidiaries increased during the year to £127 million.

ALL THE PRINCIPAL CLASSES OF INSURANCE TRANSACTED

The Company undertakes the office of Trustee, Executor and Administrator.

Head Office: 68 King William Street, London, E.C.4.

CANADIAN EAGLE OIL COMPANY LIMITED

(Incorporated under the laws of Canada)

The Thirtieth Annual General Meeting of Canadian Eagle Oil Company Limited will be held in Toronto, Canada, on Wednesday, June 25, 1958

The following is the Report of the Directors which is being circulated with the Report and Accounts for the year to December 31, 1957:

THE BOARD OF DIRECTORS

In July, 1957, Mr H. S. M. Burns resigned from the Board and subsequently Jonkheer J. H. Loudon was elected to fill the vacancy. Your Directors have passed a by-law increasing the number of the Board from eleven to twelve and this by-law will be submitted for your consideration. If sanctioned, you will be asked to elect a Director to fill the vacancy caused by the increase in the Board, and the Board puts forward the name of Mr I. D. Davidson for your consideration.

Last year the Board was elected for a period of two years and, except to elect a Director to fill the vacancy mentioned above, no election will take place this year.

ACCOUNTS

The profits for the year have been applied as follows:

	1957 £	1956 £
The consolidated profit for the year was	£11,505,490	£9,341,672
Dividend paid by Eagle Oil & Shipping Company Limited on its 5½ per cent Preference Stock..	14,420	33,252
Dividend of 2s. 3d. for the year on the Ordinary Shares of the Company.	3,389,640	3,013,013
Earnings retained in subsidiary companies	6,203,873	4,016,057
Earnings retained in Parent Company	1,897,557	2,279,350
	£11,505,490	£9,341,672

Consolidated Balance Sheet.—The combined assets and liabilities of your Company and its wholly owned subsidiaries, Eagle Oil & Shipping Company Limited, Venezuelan Eagle Oil Company Limited, Eagle Tanker Company Limited, Eagle Petroleum Company (Overseas) Limited and Eagle Petroleum Company (Kuwait) Limited are shown in the Consolidated Balance Sheet.

As pointed out last year, the accounts of Epic Limited are not consolidated because of the nature of its business (marine and general insurance). While it is still too early after only two years of operation to forecast the future of this company, the operations to date have been quite satisfactory.

Capital Assets.—Trade investments and net advances to allied companies have increased from £37,385,957 to £40,807,305

There has been no change in the more important of the trade investments during the year, with the exception of the change in the shareholding in Shell-Mex and BP Limited, which is referred to under the heading of Marketing, and that the investment in Shell Colombia SA has been written down by £390,878 as a result of the devaluation of the peso.

Payments in advance and other outlays for crude oil represent the investment of Venezuelan Eagle Oil Company Limited in rights to acquire Venezuelan crude oil production under a long-term purchase and sale of oil agreement.

Consolidated Profit and Loss Account.—The consolidated Group trading profit for 1957 was £13,911,770 compared with £10,428,460 for 1956.

The improved trading profit again resulted largely from increased accruals of crude oil, both from Venezuela and under the contracts for the purchase of Middle East crude oil

Profits on marketing in the United Kingdom were slightly less favourable than in the previous year, but those in Central and South America improved a little.

Profits on shipping improved substantially, although the prospect at the end of the year was somewhat uncertain.

Dividends and Interest on Trade Investments.—Dividends and interest on trade investments increased from £855,505 to £1,572,977. Included in the last figure is a dividend of £602,739 received from Shell Condor SA (formerly Concesionaria de Petroleo Shell-Condor SA), which was paid entirely out of profits for the years prior to 1953; the amount of this dividend should accordingly be excluded when comparing the 1957 results with those of the previous year.

In addition, dividends were received from Shell-Mex and BP Limited, Shell-Eagle South America Limited, Compania Distribuidora Guatemalteca Shell, Lubricants Producers Limited, The London and National Property Company Limited and Cia. Mexicana de Petroleo "El Aguila" SA.

LISTING ON TORONTO STOCK EXCHANGE

Since the close of the year the Ordinary Shares of the Company have been listed on the Toronto Stock Exchange. This had become desirable largely because of increased interest shown in the shares of the Company by investors in Canada and the United States.

Also because of such increased interest, arrangements have now been made whereby holders of shares on the Toronto Register will be paid their dividends by Canadian dollar cheques and any bearer coupons which are presented in Toronto for payment will be paid in Canadian dollars.

DIVIDEND

While the profits continue to be very satisfactory, it will be noted that the cash position has been somewhat reduced this year and continued expansion of the business will require further large expenditures in the future.

The outlook for 1958 must be regarded as uncertain. The rate of increase in the world demand for oil has not been maintained and, particularly in the United Kingdom, has not regained the buoyancy which existed before the Suez emergency arose in 1956. Problems caused by devaluations and governmental restrictions in certain South American countries have not yet been materially alleviated, and with the present subdued position in the tanker market, freight earnings seem unlikely to improve in the immediate future.

In short, it cannot be anticipated that profits for 1958 will show any improvement over those of 1957, and it cannot, in fact, be assumed that the 1957 level can be maintained.

Notwithstanding the uncertainties of the future and the desirability of conserving the Company's liquid resources your Directors have felt justified in increasing the dividend from 2s. to 2s. 3d. The dividend will be payable on July 1, 1958, in the case of registered shares by warrant to the holders appearing on the register at the close of business on June 2, 1958, and in the case of bearer shares against surrender of Coupon No. 28. As mentioned above, holders of shares on the Toronto Register will be paid by Canadian dollar cheques at the rate of exchange current on the record date and bearer coupons presented in Toronto will be paid in Canadian dollars at the rate of exchange current on the date of presentation.

Under Section 201 of the 1952 Income Tax Act of the United Kingdom, relief from United Kingdom income tax is given to shareholders who are subject to such tax on 35/100ths of the dividend and income tax at the standard rate will be deducted from 65/100ths thereof. There is no deduction of tax from dividends to shareholders who are not subject to United Kingdom income tax.

EXPLORATION AND DEVELOPMENT

Venezuela.—Under a long-term purchase and sale of oil agreement, Venezuelan Eagle Oil Company Limited has rights to acquire from Compania Shell de Venezuela Limited a share of the crude oil production which accrues to the latter from a number of concessions operated by others in Eastern and Western Venezuela.

The search for new reserves from these concessions was continued throughout the year and 27 exploration wells were drilled; of these 16 were completed as oil producers, 2 were gas wells, 4 were suspended and the other 5 abandoned. Development of the proven fields also continued and 353 wells were drilled of these, 334 were oil producers, 1 was a gas well, 7 were suspended and the other 11 abandoned. In addition, 110 stratigraphical test wells were drilled during the year, of which 55 were subsequently completed as oil wells

During the year greater effort was directed to the exploration and development of the concessions in Lake Maracaibo with encouraging results. With the recent completion of a pipeline to a Lake shore terminal, increased quantities of oil from these concessions can be expected to become available to Venezuelan Eagle.

Under the stimulus of the Suez Canal emergency, production reached a peak in February, but had to be curtailed somewhat in the second half of the year as a result of a return to normal conditions which coincided with a slackening in world demand for petroleum products.

Nevertheless, average production during the year from the concessions concerned was again substantially higher than in the previous year and Venezuelan Eagle's share amounted to 12,141,576 barrels, which compares with 11,068,952 barrels in 1956—an increase of nearly 10 per cent. Liftings 11,673,525 barrels compared with 11.7[illegible] barrels for 1956.

Colombia.—One seismic [illegible] the Lower and Mid[illegible] throughout the ye[illegible]

surveys were carried out. The first exploration well at Las Garzas, in the San Pablo concession some 10 miles north of the Yarigui field, was completed in August for an initial production of 600 barrels per day, and testing continues.

Another exploration well, Cristalena 1, some 4½ miles northeast of Las Garzas 1, was abandoned as no oil traces were found.

Interspace development drilling in the Casabe field continued throughout the year, 28 producing wells being completed, which to some extent offset the natural decline of the field. In the Yarigui field development wells drilled raised the potential from 4,500 barrels daily at the beginning of the year to some 6,500 barrels daily at the end of the year.

Production from the Cantagallo and Dificil fields of 2,500 and 1,100 barrels daily respectively at the end of the year showed a slight reduction compared with the previous year.

Your Company's share of the crude oil produced during the year amounted to 5,926,728 barrels, as compared with 5,935,818 barrels in 1956. Liftings at 5,787,919 barrels were slightly lower than those of 1956.

Cuba.—Drilling activities were recommenced during August, 1957, after an interval of ten years, and a marine deep test well, Manuy 1 No. 1, is being drilled off the north coast of the Camaguey Province.

Middle East Crude Oil.—Negotiations for additional long-term supplies, referred to in last year's report, were successfully concluded, and during the year 11,009,456 barrels were lifted under the first contract, while 4,943,984 barrels were obtained under the new contract.

In spite of the long haul necessary at the commencement of the year, due to the Suez crisis, sufficient tanker tonnage was available to lift the whole of the contractual requirement.

REFINING

United Kingdom.—The extension of contractual arrangements for processing followed the increased availability of Middle East crude oil already referred to, and this still further increased the proportion of products for the market met from this source.

The plants of Starhaven Refineries Limited, at Stanlow, Ardrossan and Shell Haven have continued to operate satisfactorily in meeting their contribution to the United Kingdom and Eire bitumen trade. There was a decrease in the total output, however, since the consumption of the country fell by approximately 10 per cent.

Eire.—The Group is participating with Shell, British Petroleum, Esso and Caltex in the ownership of a refinery at Whitegate Bay, County Cork. Preliminary construction was begun in July and it is expected that operations will commence by the end of 1959. With a capacity of 40,000 barrels daily the plant should be capable of meeting the whole of the gradually expanding local demand.

Cuba.—The refinery near Havana came on stream in January, 1957, and has operated satisfactorily throughout the year. By processing crude oil at a level of 22,000 barrels daily, the refinery has provided all the major product supplies to meet the company's requirement for the local market, so that importations have been confined to aviation gasolines, lubricating oils and chemicals. A considerable surplus production of gas oil and fuel oil has been available for export.

TRANSPORTATION

General Conditions.—While the Suez emergency continued during the early months of 1957, demands for tanker tonnage exceeded supply, and rates for single voyage charters, which account for some 10 per cent of the world's commercial tanker tonnage, remained at exceedingly high levels. However, with the reopening of the Canal, there followed a persistent falling-off in demand for tonnage, reflected in a sharp drop in single voyage rates which, before the end of the year, had reached levels at which many owners found it uneconomical to trade for any sustained period at such rates.

The worldwide tanker tonnage fixed on long-term charter of 5 years or more during 1957, although amounting to as much as 2 million tons deadweight, was appreciably less than that fixed in 1956, when the chartering of some 7 million tons was reported, and with the falling-off of demand very little long-term chartering took place in the second part of 1957. The few fixtures made reflected the weakening market, but not to the same extent as the single voyage charter rates.

The second half of 1957, with the continued falling-off in demand for tonnage, saw the laying-up of a number of tankers, which by the end of the year had increased to over 2 million deadweight tons, or about 4½ per cent of the world's total tanker fleet.

The whole of the Eagle fleet remained employed during 1957, except for the temporary laying-up and subsequent sale of three old ships mentioned below. These ships would in any case have been disposed of as obsolete but for the Middle East crisis, and impending heavy survey costs would in any event have made their continued trading uneconomical.

Although 5½ million tons of new tankers were delivered during the year, new orders placed brought the world's total of new and projected building tankers to a figure of 33 million tons deadweight, and despite the lapse in tanker rates relatively few cancellations of new orders had been recorded.

Eagle Fleet Tonnage.—As mentioned above, during the second half of 1957, three old tankers—the *San Felix*, 36 years old; the *San Adolfo*, 22 years old; and her sister ship, the *San Ambrosio*—totalling in all 42,389 deadweight tons, were sold by Eagle Oil and Shipping Company Limited to shipbreakers in the United Kingdom. In November Eagle Tanker Company Limited took delivery of the *San Gregorio*, of 31,910 deadweight tons. Improvement in design, speed, and pumping, is such that the *San Gregorio* has 30 per cent greater carrying capacity per annum than the combined carrying capacity of the three old vessels now sold.

At the end of 1957, the combined fleet of the two tanker-owning companies totalled 22 ships of 339,319 deadweight tons. Additionally, Eagle Oil & Shipping Company Limited had on period charter 22 tankers aggregating 418,632 tons.

New Tonnage.—With the slowing down in the rate of increase in world demand for oil, which became apparent in the second half of 1957, plans were under consideration at the end of the year for adjusting the tonnage to be built for the Group.

MARKETING

The upward trend of sales volume in post-war years was somewhat retarded in 1957, and the sales effected through joint marketing associates amounted to 8,255,057 tons (60,646,211 barrels) representing an increase of only 3 per cent on the volume achieved during the previous year.

In the United Kingdom and Eire the marketing of petroleum products was carried out against the background of the difficult supply situation arising from the closure of the Suez Canal and the shut-down of the pipelines from Iraq to the Mediterranean. The sales restrictions necessitated by these events were progressively lifted during the Spring (motor spirit rationing in the United Kingdom ended in May and the 10 per cent restriction on fuel oil consumption at the beginning of June), but the pre-Suez tempo of the rate of increase in the consumption of petroleum products was not to be regained by the end of the year.

In South and Central America the economies of most countries did not advance during 1957 at the rates they had achieved in recent years. Inflationary pressures resulting mainly from Government budgetary deficits were accompanied in some cases by lower industrial production which, together with import restrictions designed to conserve foreign exchange holdings, caused the consumption of petroleum products in most territories to show little, if any, increase over the levels of the previous year.

Although trading returns in the United Kingdom and Eire were slightly less favourable than in 1956, better results for South and Central America and the Republic of Cuba produced an overall improvement in the Group's trading profit for the year. In South America the selling prices of most products have continued to be subject to official control and do not at present enable a satisfactory return to be obtained overall on the capital invested. Moreover, as in the previous year, depreciation of most local currencies affected adversely the value of profits remitted in terms of sterling and of local working capital.

United Kingdom and Eire.—Compared with 1956, inland trade in the United Kingdom and Eire during 1957 showed a decline of 3.4 per cent, reflecting the effect of rationing and the check which events had given to schemes for the conversion of industrial plants to the use of fuel oil. However, it is not considered that the long term growth prospects of the petroleum market in the United Kingdom and Eire have been impaired. The development of higher performance engines for motor vehicles is being assisted by the greater availability of high-octane motor spirit, and public demand for the highest quality fuel has been encouraging; additionally, the widespread demand for domestic heating oils has been well maintained.

While during the earlier part of 1957 the shortage of supplies and resultant rationing prevented the further spread of price-cutting competition which had prevailed in this market for some time, extremely keen trading conditions were intensified by the end of the year.

In all the circumstances, the slightly lower profitability from the United Kingdom market which materialised, as compared with 1956, was not surprising or unexpected.

Further considerable injections of capital during the year were, however, again necessary, not only in the short term (for example to finance the additional duty on motor spirit imposed by the Government during the Suez emergency), but also for the modernisation and improvement of marketing facilities. These injections of capital were reflected to some extent in the substantial raising of Shell Mex and BP Limited's share capital in the first half of 1957. When subscribing to the increased capital, Eagle Oil and Shipping Company, Limited, your Company's subsidiary, took advantage of the opportunity to adjust its percentage holding of the share capital of Shell-Mex and BP Limited to 20 per cent, thus bringing its share holding to correspond with the contribution it makes to the oil supply requirements of that company.

Argentina.—Despite the country's political and economic difficulties during the year, the joint marketing company increased both its volume of sales and its trading profits. Sterling remittances in payment for oil cargoes were made regularly. Most of the previously unremitted profits in respect of the years 1953-56 were also received in London.

Brazil.—Lower coffee exports, uncertainties in domestic business and continuing inflation contributed to a slight reduction in the demand for petroleum products. Local currency profits showed some improvement following a more realistic appraisal by the authorities of the selling price formula, but results in terms of sterling were affected by the depreciation in the rate of exchange During the year the joint marketing company was faced with a steep increase in its requirements of working capital resulting from the introduction by the Brazilian Government of new exchange regulations and higher customs duties and excise taxes. The company took all possible steps to raise the required cash locally, but some funds had also to be remitted in to assist the position.

Chile.—The credit restriction introduced by the Government to check inflation, coupled with a decline in world copper prices, caused industrial production to fall behind that of 1956. Sales of petroleum products showed a slight increase, and profits continued to be reasonably satisfactory. Agreement was reached with the authorities regarding the release of exchange to amortize the balance of the company's cargo debt with suppliers previously incurred.

Uruguay.—Local trading results were satisfactory, but the joint company was for a time unable to remit sterling against cargo imports owing to a shortage of foreign exchange which developed in the country towards the end of the year following a fall in wool exports. It is hoped that negotiations at present being conducted with the authorities will enable cargo payments to be resumed shortly on a satisfactory basis.

Colombia.—In Colombia the military government of General Rojas Pinilla was replaced in May by a new all-party administration and the peso was devalued and imports discouraged. The consequent reduction in economic activity led to a decline in the sales of motor gasoline by the joint marketing company there, although satisfactory headway was made in the market for kerosine and diesel fuel which had only been entered in the previous year.

An agreement was made with the authorities for the settlement of cargo outstandings which had accumulated owing to the scarcity of foreign exchange.

In Ecuador, Paraguay and Peru, the other South American countries in which your Company has joint marketing interests, results were satisfactory.

Cuba and Central America.—Total sales by the joint marketing companies in Cuba, British Honduras and Guatemala were higher than in 1956, and trading returns were satisfactory. With its new refinery at Havana the Cuban company is well placed to serve the needs of the island's expanding economy.

STAFF

The continued success of the Group is very largely due to the efforts, loyalty and application of the shore and marine staffs of the Company and its subsidiary and affiliated companies, and the Board desires to extend its thanks and appreciation to all staff members.

G. LEGH-JONES, Chairman of the Board. ROBERT B. F. BARR, President.

HATTERSLEY (ORMSKIRK) LIMITED

Head Office and Works: ORMSKIRK, LANCS.

Trade Mark

Works: HALIFAX, YORKS.

AND

BECK & CO. (METERS) LIMITED

Offices and Works: Streatham Vale, London, S.W.16

BRONZE AND CAST IRON VALVES AND THE *Beckmeter* PETROL PUMPS

Salient features of the circulated Report of the Directors and Statement by the Chairman, Mr. Hubert C. Nicholson, J.P., F.C.A., to be submitted at the 35th Annual General Meeting to be held in Ormskirk on 30th June, 1958.

Extract from the Consolidated Balance Sheet as at 31st March, 1958

	£		£
Issued Capital	1,250,000	Fixed Assets	1,006,218
Capital Reserves	76,665	Less Accumulated Depreciation	208,320
Revenue Reserves and Unappropriated Profits	954,953		797,898
	2,281,618	Trade Investments	270,346
Outside Shareholders	261,641	Current Assets	2,298,020
Liabilities	823,005		
	£3,366,264		£3,366,264

Summarised Consolidated Profits

	£
Net Profit for the year after Taxation	225,963
Dividends	100,625
Net Profit retained for Development, Expansion and Contingencies	£125,338

HATTERSLEY (ORMSKIRK) LTD.: Trading Conditions.—Effects felt of increasing competition, cuts in capital investment programme and weakness of metal market.

Halifax Extensions.—Productivity to be increased by modernisation of plant and layout: Capital Expenditure approved, £545,000.

Future Outlook.—Despite present reduced profit margins, future viewed with sober confidence.

M. B. John & Hattersley Ltd.—Sales of this associated Australian Valve Manufacturing Company again a record. Trading Profits substantially increased and Dividends maintained.

BECK & CO. (METERS) LTD.: Substantial recovery in turnover aided by wider range of equipment. Profits maintained.

Number of Shareholders: 1,228 Number of Employees: 1,350

ASSOCIATED NEWSPAPERS LIMITED

SATISFACTORY PROGRESS

LORD ROTHERMERE'S STATEMENT

The Fifty-third Annual General Meeting of Associated Newspapers, Limited, will be held on Thursday, July 3, 1958, in the Memorial Hall, Farringdon Street, London, E.C.4. The following is from the statement by the Chairman, Lord Rothermere:

Looking back on the statements I have made over the last few years, I see that invariably my comments have started by mentioning the difficult conditions affecting the Newspaper Industry. Regrettably this last year has proved no exception. In fact, at one time it even appeared possible that one national and one London evening newspaper would be compelled to close down owing to the high cost of production. However, I am more than glad that such a catastrophe was avoided.

The termination of the stabilisation period with our Unions was followed by a further increase of wage rates and these in a full year will cost this Company more than £300,000. As a result of this and other rising costs all national newspapers and the London evening newspapers were compelled to increase their price by ½d. from October 7th last. The effect of this price increase on sales varied considerably in relation to each particular newspaper, but I am pleased to tell you that so far as the newspapers of your Group are concerned, they came through this price increase with less loss of circulation than most other newspapers and now they have re-established themselves at net sale figures very little different from those before the increase.

INDUSTRIAL RELATIONS

Every effort must be made between Management and Unions to produce newspapers more efficiently. Any further rise in wages without economies in production would, in my view, create serious unemployment in the newspaper industry. It would not be out of place for me to say that I think it is essential for the Unions to change their attitude towards any development which means increased efficiency of production.

I have in mind the instance, which in fact I mentioned last year, that for over two years the newspapers have been trying to negotiate the introduction of a very efficient machine which would pack and tie our parcels automatically in our Publishing Departments. These departments are the one part of the business which has remained unmechanised since newspapers began to be published. The prolonged negotiations with the Unions concerned have resulted in no progress, and although the Managements have offered to deal with any redundancy in a way which would create no hardship at all for staffs, it has not been found possible so far to overcome their resistance. I do urge that those concerned should get down to a final settlement on this matter. Every possible development that can increase the efficiency of newspaper production should be seriously discussed with a view to its introduction, for the result can only be beneficial to everybody concerned.

THE PLACE OF TELEVISION IN COMMERCE

The other development which has affected newspapers during the last 12 month has, of course, been the fact that Independent Television has been operating at full strength in the main populated areas of the country. It was natural that at first commercial television should divert considerable revenue from newspapers to its own channels. However, I think there is every sign that advertisers have realised that television advertising is no substitute for advertising in newspapers. It is indeed a very valuable adjunct to newspaper advertising, and in my view the two will advance side by side, television very largely being a stimulant for the more permanent newspaper advertising.

ACCOUNTS

The profit on trading is slightly lower this year at £2,176,957. The increased revenue flowing from the autumn price increases was operative for less than six months of our year. This fact, coupled with a deliberate policy of publicity, both in newspapers and on television, to regain the sales of our papers lost through the price increases, and which has proved well worth while, accounts for this slight reduction.

Our dividend from Anglo-Newfoundland Development Company Limited has been markedly reduced by more than one-third. Trade investment income has risen by virtue of the full receipt of interest on our loans to Associated-Rediffusion Limited. Other investment income includes that derived from Treasury Bills and other short term loans, the increase in which has been due to the higher rates of interest received during the year.

There are three points in the Balance Sheet to which I would draw your attention. First, the increased investment in subsidiaries arises mainly from the acquisition of the remainder of the interest in the *Daily Sketch* just over a year ago. Secondly, the termination of our interest in Associated-Rediffusion Limited was not complete until after the Balance Sheet date; trade investments therefore reflect only the first moves in that direction, mainly repayment of loans; our new investments in Southern Television Limited also included under this heading will, of course, increase during this year as the new station is completed and goes on the air. Thirdly, there has been during the year a substantial increase in our cash holdings, arising in considerable degree from two sources, the liquidation of the loans by Associated-Rediffusion Limited and the reduction in the capital tied up in stocks of newsprint. Your directors naturally have the more permanent investment of a considerable proportion of this money much in mind; in the meantime we have been able to obtain the benefit of the high interest rates through the winter and spring.

It must not be forgotten that the prosperity of your company is founded on the diversity of its operations and the strength of its liquid resources.

DAILY MAIL

The *Daily Mail* amongst all national papers was least affected by the increase of price and the circulation is steadily increasing again. During the last 12 months the *Daily Mail* has had the highest advertising revenue in its history, which has made it possible for the paper to provide its readers with even more news and features. *Daily Mail* enterprise is typified by Noel Barber's arrival at the South Pole a month before any other newspaper was able to get a representative there. This is the kind of enterprise that makes the *Daily Mail* so popular with those who want their news to be presented accurately and views to be sound and well reasoned. It is well said that when there is important news people say, "Let us see what the facts are in the *Daily Mail* and what the *Daily Mail* has to say about it."

THE EVENING NEWS

The evening papers, of course, are in a very vulnerable position with the intensified competition from television advertising in the London area, but here again *The Evening News* has this year had, like the *Daily Mail*, the largest advertising revenue in its history, which has enabled the production of consistently larger papers with more news and features than its rivals. *The Evening News* carried more than 200,000 classified advertisements last year, a truly amazing figure, and with its sale again rising *The Evening News* now sells 47 per cent of the combined circulation of the three London evening papers.

SUNDAY DISPATCH

The *Sunday Dispatch* has now been reorganised under an editorial team the match of any in the country and they are producing Britain's brightest and best-informed Sunday newspaper. Sales have begun to rise again and advertisers have confidence that the *Sunday Dispatch* is appealing to that vast section of the British public who want the best in popular Sunday journalism.

DAILY SKETCH

Before the price increase the *Daily Sketch* had reached the sale of almost 1,340,000 copies. It was, however, by its nature affected more than our other papers by the price increase but the sale has begun to rise again and is now very little below what it was before the increase. I am also very glad to tell you that the paper has now started to become a satisfactory investment. I am sure you will agree that the support we have given it for five years has been well justified. In view of this, we have now been able to admit members of the staff of the *Daily Sketch* to the Associated Newspapers Pension Funds.

WEEKEND

Weekend has now been printed in four-colour gravure for over a year and it has the third largest sale of any gravure magazine in this country, an achievement one could hardly believe possible in so short a time. *Weekend* is now contributing once more to the profits of your Company.

TELEVISION

Last year I told you that we had reduced considerably our holding in Associated-Rediffusion. As the Independent Television Authority require that no contracting company nor its shareholders may have any other interest in commercial television in the United Kingdom, the granting of the licence to Southern Television Limited was dependent upon your Company ceasing to be a shareholder in Associated-Rediffusion. Accordingly we have now completed the disposal of our remaining interest in Associated-Rediffusion. We are thus able to obtain a third interest in this new important television station in the South which opens at the end of August.

In Australia the operations of the Sydney and Melbourne stations are very encouraging, and we hope to be further interested in stations in Adelaide and Brisbane.

NORTHCLIFFE NEWSPAPERS GROUP LIMITED

Our provincial newspaper companies have had another successful year despite increased costs. Our policy of giving each provincial newspaper complete editorial autonomy free from London control is one which we are resolved to maintain. We feel strongly that only by this arrangement can the local newspaper truly reflect the character of the locality it serves and the variety of views held by the readers. The prestige of these newspapers stands very high indeed, and comments from all parties are frequently made on the fairness of treatment which they receive.

MECCA LTD.

Joint Chairmen:
C. L. HEIMANN ALAN B. FAIRLEY

Joint Managing Directors:
W. J. PICKARD, O.B.E. J. S. CRICHTON

Directors:
L. AMBRIDGE T. A. S. HARPHAM
ERIC D. MORLEY J. H. SENIOR, F.C.A.

Secretary and Registered Office:
G. J. R. PANNETT, B.Sc. (Econ.), B.Com., F.C.I.S.
76, Southwark Street, S.E.1.

Extract from Accounts to December 31, 1957

	1956 £	1957 £
Trading Profit	494,540	555,464
Tax Provision	215,901	260,622
Profit after Tax and Minority Interests	194,361	199,358
Paid in Dividends (less Tax)	83,959	117,535
Retained	110,402	81,823
Dividends paid gross on Ordinary and "A" Ordinary Shares	25%	22½%
(1957 final, 12½% on Capital doubled by scrip issue)		
Fixed Assets	3,079,880	3,437,208

Salient points from Joint Chairmen's Review
Annual General Meeting, June 10, 1958

The record Trading Profit, despite ever increasing costs, shows an improvement of £60,924, which is largely absorbed by increased Taxation. If the changes in Profits Tax proposed in the Budget had been in force in 1957, there would have been a reduction in the Tax Provision of £27,000.

Three Catering Establishments, One Dance Hall, and a Tobacco Shop, were opened during 1957, these have all done very well so far this year. We are well satisfied with the increased Trading Results for the first thirteen weeks of 1958. Most of the operating Subsidiaries are being wound up and their activities transferred to the Parent Company, to effect administrative economies.

The Palais de Danse, Dennistoun, Glasgow, was acquired recently by an exchange of Shares, and we hope to open this year new Restaurants and Banqueting Suites at Bucklersbury House, a new Restaurant in Gresham Street, both in the City of London; and subject to necessary finance, to build one or two Dance Halls. Recent acquisitions have provided additional cash resources of £400,000, utilising most of the Un-Issued "A" Ordinary Shares, hence the reason for the Extraordinary General Meeting to increase the Capital by a further 2,000,000 "A" Ordinary Shares.

CAPITAL:
Authorised—£2,300,000
Issued—£1,631,838
5% £1 First Cumulative Preference £145,000
5% £1 Second Cumulative Preference £138,302
5/- Ordinary shares £350,000
5/- "A" Ordinary shares £998,536
Quoted London
Ordinary share price at June 10, 1958 13/-
High/Low quotation, 1958 13/6, 10/3

WEBB'S CRYSTAL GLASS

CURRENT TRADING IMPROVEMENT

The thirty-eighth Annual General Meeting of Webb's Crystal Glass Company Limited was held on June 11th in London, Mr R. E. N. d'Abo, the Chairman, presiding.

The following is an extract from his circulated statement:

The Group Profit for the year amounts to £53,294 as compared with £93,030 for the preceding year and the Net Profit, after Taxation, to £23,655 as against £44,118.

The Balance Sheets of the Group and the Parent Company show a strong financial position.

The results for 1957 are disappointing. On the home market, largely due to credit restrictions, the turnover was lower, in addition, your Company had to bear heavy increases in the cost of fuel and raw materials and an addition to the wage rates. Apart from a few minor price adjustments these increased costs had to be absorbed.

The Profits for the first three months this year show a slight gain over last year and provided there is no serious recession in trade or major wage increase, I am reasonably confident that the 1958 results will show an improvement.

On the home market our high quality hand-made cut lead crystal glassware continues to sell well. We have formed a Subsidiary Company, Webb's Crystal Glass Inc., to act as our selling organisation in North America. This Company will in time make a useful contribution to our turnover.

The report was adopted and the dividend distribution of 10 per cent approved.

WORTHINGTON-SIMPSON LIMITED

A RECORD YEAR

The sixty-seventh annual general meeting of Worthington-Simpson Limited was held on June 11th in London, Sir Samuel R. Beale, KBE, MIMechE (Chairman of the company), presiding.

The following is an extract from his circulated statement for the year 1957:

I am pleased once again to be able to submit the results of a record year. The trading profit of £1,125,640, shows an increase of £74,669 over last year's figure of £1,050,971 and, after making provision for all charges, including taxation, the net profit for the year under review is £493,095 as against £478,700 for 1956. The increase in the trading profit is, I feel, most satisfactory when consideration is given to the fact that, in order to avoid raising prices, your company decided to absorb the full effects of increased production costs brought about by recent National Awards.

Your Board recommends that the final dividend on the Ordinary shares be 20 per cent, less tax, making a total of 30 per cent, less tax, for the year.

It is proposed that a free issue of fully paid shares shall be made to the Company's Ordinary shareholders in the proportion of one new 10s. Ordinary share for every one Ordinary share held. The consent of HM Treasury to the proposed issue has already been obtained. Your directors see no reason why at least the same total distribution should not be maintained.

The report and accounts were adopted.

NORTH MALAY RUBBER ESTATES

CAPITAL DISTRIBUTION APPROVED

The twenty-sixth annual general meeting of North Malay Rubber Estates Limited was held on June 6th in London, Mr R. F. Burt (the Chairman) presiding.

The following is an extract from his circulated review :

The decline in output is, I hope, at an end and has been caused by the continuance of our replanting while our wholly replanted estate, Kuala Dingin, is slow to come to full maturity. We are expecting for 1958 a crop approaching 3¼ million lb.

With a lower crop and wage rates about the same as the previous year, our cost of production has inevitably increased, and with net proceeds of sales down by 2½d. per lb. it is no wonder that our working profit (before replanting) is substantially below that of the previous year. We have, however, received the benefit of refunds of cesses, largely the Anti-inflationary cess levied in 1955/56, and that fully justifies a total dividend for the year of 15 per cent.

In addition there has been the Taxation relief afforded in last year's Budget, to Overseas Trade Corporations. This has reduced the liability reserved in last year's accounts by over £34,000, and your Board considers that, unless a prolonged and severe period of a much lower price of rubber sets in, the Company has considerable funds in excess of its requirements. We therefore propose a reduction of capital of 4s. in the £.

The report was adopted and the proposed capital distribution was approved.

ODHAMS PRESS LIMITED

POPULARITY OF PUBLICATIONS

The thirty-eighth annual general meeting of Odhams Press Limited, was held on June 6th, in London. Mr A. C. Duncan, FCA (the chairman), in the course of his speech, said:

Consolidated gross revenue amounted to £35,190,705, an increase of £826,805 over the previous year. Production costs and overhead charges, however, increased by £932,478. After providing £1,145,301 for Taxation, there is a net profit of £1,058,978, a reduction of £74,434.

The company now owns or controls 80 publications, an increase of 12 during the year.

The People has maintained its popularity and place among the great national Sunday newspapers.

The *Daily Herald* has developed a new editorial vitality and is attracting to its readership a thinking and responsible public.

Woman maintains its premier position, with the largest net sale in the world in its field. We have recently launched *Woman's Realm*, in a different price range and all indications are that it will take its place as one of the leading periodicals of its kind.

The sales of our newspapers and periodicals are still well maintained at, approximately, 22 million copies a week. The circulations, in terms of readership, are many times greater.

With regard to the current year we are making every effort to increase the popularity of our products.

The report was adopted.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

The thirty-ninth annual general meeting of The Institute of Cost and Works Accountants was held on June 7th at The Connaught Rooms, London, W.C.2. Mr James Borsay, FCWA, President of the Institute, was in the chair.

Mr Stanley J. D. Berger, MC, FCIS, the Director and Secretary, read the notice convening the meeting and the auditors' report. The annual report showed that at the end of 1957 there were 5,758 members and 14,464 registered students in various stages of qualifying and that 9,332 candidates sat in the 1957 examinations. Over 500 branch meetings were held in the centres throughout the United Kingdom, Eire, Southern Rhodesia and South Africa.

The Institute was strongly represented at the international congress of accountants in Amsterdam and at other conferences held abroad. Many members gave papers at meetings of kindred professional bodies. Research activities had continued. Special attention had again been given to the training of registered students; the Institute was in touch with over 80 companies having schemes of practical training in cost accountancy for registered students: details of schemes were published in *The Cost Accountant* from time to time. The lease of the adjoining premises had been acquired to meet the needs of the expansion in the Institute's work.

After the adoption of the report and accounts the President invested Mr H. J. Furness, FCWA, the new President, with the badge of office.

CREDIT RESTRICTION

In his address at the twenty-ninth national cost conference the previous day, the retiring President, Mr James Borsay, FCWA, said that restrictions on credit had forced industry "*to consider its investment policy* in the light of present restrictions rather than that of its future needs." In the search for liquid resources attention must be directed to the efficient utilisation of cash within a business; the accountant in industry should carry out an intensive campaign to reduce inventories *to their lowest possible level* compatible with efficient production in order to free money otherwise locked up. *The cost of under* utilisation of plant, he added, can be "extremely serious." The slowing down of wage increases in the past year, Mr Borsay held, "has contributed in no small measure to winning the fight against inflation." Further increases could come only from increased *productivity.*

THE ELECTRONIC *COMPUTER*

The Institute had particular interest in the field of integrated data processing. Many members were playing an active part in the introduction of electronic computers and the Institute was providing sufficient information to enable them to appreciate the uses to which the computers could be put. The *machine* "should be considered as a tool which will enable management to do a better job than heretofore by speeding up existing procedures and providing more useful types of information." The management accountant's place in the national economy was becoming one of increasing importance—the accountancy practised by the *members* of the Institute was that of "looking ahead with a *view to safeguarding the future.*"



PHILLIPS RUBBER SOLES LTD.

The 31st Annual General Meeting was held on 12th June, 1958, the Chairman, Mr. Peter Pettit, presiding.

THE ACCOUNTS for the year ended 28th February, 1958, showed :—

GROUP PROFIT for the year	£200,786
Add brought forward	86,914
	£287,700
Income Tax and Profits Tax	£117,000
Transferred to Reserve	26,220
Net Dividends	51,750
Amount carried forward	92,730
	£287,700

The Chairman's Review included the following points :—

RESULTS. *Group profit prior to taxation was £21,000 higher; after substantially higher provision for Taxation net profit was £4,000 above last year's figure.*

SALES. *Credit restrictions made trading more difficult during the last four months of the financial year but the demand for* PHILLIPS Soles and Heels continued strong. *A small decline of less than 2 per cent was largely due to loss of Export markets by import restrictions in the Middle East and other overseas territories.*

PRODUCTION. *Output continued at a very high level throughout the year and* Stocks are now higher than normal to ensure full service to customers during the rebuilding programme which may involve some temporary dislocation.

REBUILDING AND RE-EQUIPMENT. This proceeds steadily and the new Mill and Press Room are expected to be in operation towards the end of the current financial year.

PROSPECTS. *Sales to the Trade must, to some extent, be affected by the prevailing* economic conditions, but in times of financial stringency the virtues of PHILLIPS Soles and Heels are even more appreciated by the wearer and demand from the Public continues to expand.

The final Dividend of 15 per cent (making 20 per cent for the year) was approved and the Report and Accounts were adopted.

UNION INSURANCE SOCIETY OF CANTON

The Annual Meeting of the Union Insurance Society of Canton Limited was held on May 23rd in Hongkong, Mr J. F. Macgregor, the chairman, presiding.

The following are extracts from the report and accounts and his circulated statement:

Marine. The net premiums for the year amounted to £4,303,113.

Fire. The net premiums for the year amounted to £4,097,994.

Accident and General. The net premiums for the year amounted to £5,565,645.

The year 1957 continued the general pattern of the previous year in its difficulties for the insurance business particularly in the North American Continent, though there are signs that rate structures for certain classes of business there are undergoing some improvement which, given time, should prove beneficial.

In the Marine Department claims paid during the year improved from 77 per cent of premium in 1956 to 75 per cent of premium for the year under review.

In the Fire Department, premium income continues to expand although the margin of profit is less than for the previous year.

The premium income in the Accident Department increased by over one million pounds during the year.

The progress evidenced by the substantial increase in our total premium income by £1,877,509 to £13,966,752 is a matter upon which I congratulate the staff and agents of the Society and its subsidiary companies everywhere. The report was adopted.

F. FRANCIS & SONS (HOLDINGS)

BOARD'S EXPANSION POLICY

The fifty-seventh annual general meeting of F. Francis & Sons (Holdings) Limited was held on June 10th in London, Mr Frank Fox (Chairman and Managing Director) presiding. In his circulated review, the Chairman, having commented on the financial results, said:

The interests held by your Company comprise the Tin Box and Metal Container interests of F. Francis and Sons, Ltd., the Closure and Cork interests represented by The Defiant Crown Cork Co., Ltd., Newbury Cork Co., Ltd., Robinson Bros., Cork Growers Ltd., and Marwood and Co. (Blackburn), Ltd.; the interest in the manufacture of Electrical Lifts by Keighley Lifts, Ltd., and the Vitreous Enamelling interest of The Defiant Enamel Co., Ltd.

After reviewing the activities of the Group's various interests, the Chairman continued:

This Board of Directors is expansionist minded and should opportunities arise to expand our activities by the absorption of firms within our spheres of activity, this will be done.

Over the whole Group production for the first four months of this year is higher than last year. We hope that no international complications upset this.

In conclusion, I would like once again to say "Thank you" on behalf of the Board and myself to all those who have worked so hard for your Group. The efforts that have been made are indeed very much appreciated.

The report was adopted.

WILMOT-BREEDEN (HOLDINGS) LIMITED

The following information is condensed from the Annual Report for 1957 considered at the Ninth Annual General Meeting in Birmingham on 11th June, 1958.

	1957	1956
	£	£
Net Income from all sources	1,129,518	777,239
Taxation	747,231	561,438
Profit after taxation	382,287	215,801
Group Net Assets	6,053,059	5,635,319
Ordinary Dividend Rate	9%	8½%
Times covered	2.9	1.8

The issued Ordinary Capital in both years was £3,150,000.
The Group has 6,000 *shareholders and* 6,600 *employees.*

MOTOR CAR DIVISION, TYSELEY. In spite of the recent investment of over £1 million in new plant and buildings, the Company's resources are now fully utilised in meeting present demand. Accordingly, new capacity is being created at Camden Street and Bridgwater.

FLIGHT PRODUCTS DIVISION, CAMDEN STREET. Notwithstanding serious reductions in Government orders to the aircraft industry, the Company's problem is still one of satisfying current demand.

AUSTRALIA. The Australian subsidiary has developed into a supplier of some importance, and substantial new contracts have been obtained from the Australian motor industry.

ELECTRONICS. The Board considers this industry to be one of the principal growth industries of the next decade. A controlling interest has been obtained in two companies established in this field : Wright & Weaire Ltd. and The Wayne Kerr Co. Ltd.

FUTURE OUTLOOK. The present position is extremely satisfactory—sales and future orders are rising—although the Company must be prepared to meet more competitive trading conditions.

Principal Operating Companies	Principal Products
WILMOT-BREEDEN LIMITED	Hardware for motor vehicles and domestic appliances. Components for aircraft engines and stationary gas turbines.
TELEHOIST LIMITED	Hydraulics
WRIGHT & WEAIRE LIMITED	Electronics
THE WAYNE KERR CO. LIMITED	Electronics

ALLEN WEST & COMPANY

BRIGHTON

The Group achieved a Record Turnover during the year .....

Trading Profit is up by £132,000

A further £200,000 has been spent on Maintaining Plant

The Recommended Dividend of 12½% on the Increased Capital gives Shareholders approximately 1% more

Factory No. 5 is nearing completion

Our unexecuted order book is just slightly higher than last year

From the Annual Statement of the Chairman, Mr. M. W. H. Lancaster on the year ended 31st January, 1958.

SOUTH AFRICA — RHODESIA — CANADA

APPOINTMENTS REQUIRED

INDIA

Naturalised Indian citizen, ex-Austrian, 37, commercial manager European firm in Bombay, seeks change. Presently on European leave, prepared visit prospective employers.—Box 947.

INTERNATIONAL EXECUTIVE, 35, Economics degree, fluent European languages, wide experience export technical goods, seeks progressive post markets, capital where his experience and drive could be utilised. Box 951.

BUSINESS AND PERSONAL

NEWPORT, ISLE OF WIGHT.—Finest Multiple position: Freehold Business Premises, 129 HIGH STREET, three floors, extensive shop, store and workroom accommodation. Frontage 28 ft. 8 in., depth 240 ft., site area 7,000 sq. ft.; floor area 10,000 sq. ft. Vacant possession. Auction Sale Newport, Wednesday, July 16th. Auctioneers: Way, Ridout & Co., Newport, I.W.

WALL STREET ASSOCIATES offer for your convenience their office facilities at 37 Wall Street, New York 5, N.Y. Services include telephone and mail accommodations as well as distribution of subscribers' printed mail. For further information please address the above.

PATENT BROKERS, est. 1904, offers its services to Co., 501 Lexington Avenue, New York.

AMERICAN concerns wishing rights of U.S. inventions.—W. B. Kahn, Co., the brilliant survey in *The Observer*

"THE WEEK," every Sunday that gives you a clear perspective on a whole week's news in 15 minutes' easy reading. Let *The Observer* put the world in your hands on Sunday.

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DARLING, Daddy furious because you borrowed the autographed copy of "Endymion" and his new National Benzole road maps. Please return *maps* at once.—JUDY.

ABEL EYLES & PARTNERS, 395 HORNSEY ROAD, N.19 (ARC 1765/MOU 1701). Duplicating, typing, printing, Verbatim shorthand writers, translators.

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RUSSIAN HAND PAINTED MINIATURES, on lacquered boxes. Exhibition and Sale Medici Galleries, 7 Grafton Street, W.1, *June 5-18, Sat. 10-1.*

SALE. THE ECONOMIST, 1950-57 inclusive, with Index. Offers.—Box 950.

IF a black cat crosses your path that means good luck. If a glass of El Cid Amontillado comes your way that is even better luck. Don't let it get away!

UNIVERSITY OF LONDON: A lecture entitled "Mathematical Programming and Economic Analysis" will be delivered by Professor R. Dorfman of Harvard at 5 p.m. on June 23rd at the London School of Economics and Political Science, Houghton Street, Aldwych. W.C.2. ADMISSION FREE, WITHOUT TICKET.

James Henderson,
Academic Registrar.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability). Preference Stock. At a meeting of the Board of Directors held today a dividend of Two per cent on the Preference Stock was declared in respect of the year 1958 payable on August 1, 1958, to shareholders of record at 3.30 p.m. on June 20, 1958.—By order of the Board, T. F. TURNER, Secretary. Montreal, June 9, 1958.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability). Common Stock. At a meeting of the Board of Directors held today, a dividend of seventy-five cents per share on the Ordinary Capital Stock was declared in respect of the year 1958 payable in Canadian funds on August 1, 1958, to shareholders of record at 3.30 p.m. on June 20, 1958.—By order of the Board, T. F. TURNER, Secretary. Montreal, June 9, 1958.

EDUCATIONAL

B.SC.(ECON.) LONDON UNIVERSITY

UNIVERSITY CORRESPONDENCE COLLEGE provides postal tuition for the above Degree (obtainable without residence), which is a valuable qualification for those seeking executive appointments in commerce or industry, government or municipal posts. The College, established 1887, is an Educational Trust. Highly qualified Tutors. Low fees; instalments.—Prospectus of U.C.C. Courses for London Degrees and Diplomas, G.C.E., Law, free from the Registrar, 60 Burlington House, Cambridge.

SECRETARIAL TRAINING, especially for university graduates and older students. Six-month and intensive 12-week courses.—Write, Organising Secretary, DAVIES'S, 4 Addison Road, W.14. PARK 8392.

EXPERT POSTAL TUITION

for Examinations—University, Law, Accountancy, Costing Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus, and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2),

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4

APPOINTMENTS

MANAGEMENT CONSULTANCY

URWICK, ORR & PARTNERS LIMITED invite applications from men of personality and ability for appointment to the Administration and Accounting Division of their Staff of Management Consultants. Applicants should hold a professional qualification in Accountancy, and should have held responsible executive appointments in industry or commerce for at least five years since qualifying. Capacity for dealing with people at all levels is a strong recommendation.

Successful candidates will be given special training to equip them for Consultancy at the Company's own Training Centre and later in the field. Applicants should be aged 30 to 37 and should be reasonably mobile within the British Isles. Remuneration is high and a profit sharing scheme is in operation. The appointment is pensionable and there are good prospects for advancement. The Company is developing overseas and opportunities will present themselves for working in other parts of the world if desired.

Please address applications, in confidence, to the Company at Urwick House, 29 Hertford Street, London, W.1, quoting reference C/1111/8 on the envelope.

CLERICAL WORK STUDY OFFICERS, I.C.I. Ltd., Paints Division, has vacancies for Clerical Work Study Officers, aged 28-33, for the investigation of clerical procedures and methods in use throughout the organisation. Previous experience in clerical organisation, methods investigation and clerical work measurement is desirable. A good degree in Commerce, Economics, or a good accountancy qualification is required together with sound commercial experience since qualifying. Training in Clerical Work Study will be given to candidates who are otherwise suitable. Previous experience of the application of electronic computers to commercial procedures would be an advantage. Assistance with house purchase and removal expenses in approved cases. Canteen and recreational facilities. Pension scheme.—Apply to Box 954.

BRITISH NYLON SPINNERS LIMITED

has vacancies in its expanding Market Research Section shortly to be transferred to London for WOMEN UNIVERSITY GRADUATES under 26 years of age.

The work, which is in the new and interesting field of synthetic fibres and clothing, involves interviewing members of the public and assisting in the analysis and reporting of the data collected. Retail surveys are also undertaken.

Interviewing both in London and in the provinces will take up a good deal of the successful applicants' time. An initial training period of several months will be spent at Pontypool.

—Written applications should be sent to the *Personnel Manager, Pontypool, Mon.*

UNIVERSITY OF ABERDEEN

Applications are invited for a LECTURER IN POLITICAL ECONOMY. Salary scale £900 to £1,650, with appropriate placing. F.S.S.U. and child allowance. Particulars from the Secretary, The University, Aberdeen, with whom applications (eight copies) should be lodged by June 25, 1958. Applicants outside the British Isles may submit one copy of application.

CITY OF LEEDS EDUCATION COMMITTEE

Leeds College of Commerce

Required, as soon as possible:—

(a) LECTURER in ECONOMICS to teach to final B.Sc. (Econ.) standard. *Ability to teach* STATISTICS or MARKETING a strong recommendation.

(b) ASSISTANT, GRADE "B," or, for a suitable applicant, LECTURER for *COST AND WORKS ACCOUNTANCY courses*

Candidates should hold a degree or appropriate professional qualification.

Salaries (men): Grade "B" £650 x £25—£1,025 a year, with additions for approved training, qualifications and experience: Lecturer £1,200 x £30 to £1,350 a year.

Further particulars and application forms (to be returned within fourteen days of the *appearance* of this advertisement) from the undersigned.

GEORGE TAYLOR,
Chief Education Officer.

Education Department,
LEEDS, 1.

THE UNIVERSITY OF MANCHESTER

As the result of a grant from the Nuffield Foundation the Department of Social Anthropology and Sociology plans to carry out a study of a Lancashire town, and applications are invited for the following posts: (a) RESEARCH ASSISTANT Grade II, initial salary within the range £700-£850 *per annum, the appointment* to be for one year from October 1, 1958, renewable for a further two years. Applicants should *have a degree in Sociology or Social Anthropology and should have some* training in statistics. The successful candidate will be required to study the social composition of the town from published and *unpublished* sources; (b) A *SENIOR* RESEARCH WORKER, initial salary within the range £800-£1,000 per annum, the appointment to be for two years from October 1, 1958, or October 1, 1959. Applicants should have training in Sociology or Social Anthropology and field experience in one of these subjects. The successful candidate will be required to carry out a study of a section of the working-class population of the Town. Both *appointments carry* membership of the Children's Allowance Scheme.—Application forms and further particulars may be obtained from the *Registrar*, the University, *Manchester, 13, to whom applications* should be returned by not later than June 23, 1958.

CITY OF LEEDS EDUCATION COMMITTEE

Leeds College of Commerce

Principal: E. V. Roberts, B.Com., A.C.A.

ASSISTANT LECTURER required for DEPARTMENT OF MANAGEMENT STUDIES with experience in work study or personnel administration. The courses are varied and provide full scope for high level work.

Salary: Burnham Technical Scales Grade "B" £650 x £25—£1,025 3-year scheme, with additions for approved training, qualifications and experience. *A man with a* degree or good professional qualification is required. For a man with approved qualifications the salary will be within the scales £700 to £1,100 a year, the *starting* point depending on experience

Further details and application form from the undersigned. Closing date: ten days from the appearance of this advertisement.

GEORGE TAYLOR,
Chief Education Officer.

Education Department,
LEEDS 1.

CHEMICAL SALES

A British Pharmaceutical Company situated in Southern England, member of a large International Group, with considerable chemical interest ripe for development, seeks a

TECHNICAL REPRESENTATIVE (CHEMICAL)

Suitable applicants should be about 28 to 35, and have had some years experience in the United Kingdom chemical industry, possibly in technical sales, where managerial experience would be an advantage.

This is an exceptional opportunity to obtain wide managerial responsibility, with *commensurate* salary, for a man with ability, determination and ambition.

The Company operates a non-contributory Pension Plan with Life Assurance cover and Removal expenses will be paid. All applicants' details will naturally be treated in confidence.—Write Box 952.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

(UNIVERSITY OF LONDON)

OPERATIONAL RESEARCH

The Research Techniques Unit invites applications for a post as Research Officer in the field of Operational Research with special reference to Production and Inventory Control. The holder of this post would study problems of individual firms, and would have the opportunity of extending his research to the formulation and testing of wider dynamic models relating to the regulation of the economy as a whole. He would be a member of a research team which is currently engaged on a long-term project dealing with theoretical and practical problems of economic regulation.

The applicant should have mathematical *or statistical* qualifications. Experience in the fields of Operational Research Control System Analysis, or Stochastic Processes would be an advantage. The salary would be in the range £700 to £1,100, according to qualifications and experience.—Applications should reach the Director of the Research Techniques Unit, London School of Economics and Political Science, Houghton Street, London, W.C.2, by July 1, 1958.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of INVESTIGATIONAL OFFICER in the Department of Agricultural Economics. Candidates should have academic qualifications and/or practical experience in Agriculture, Economics or Accountancy. Salary scale: £525 x £25 to £650 x £50 to £850 per annum with membership of the F.S.S.U. and Children's Allowance Scheme; graduates would have an initial salary of £600 per annum. Investigational duties may be combined, on reaching a salary of £700 per annum, for promotion to the grade of Senior Investigational Officer (salary scale: £900 x £50 to £1,350 per annum).—Applications should be sent not later than June 30, 1958, to the Registrar, The University, Manchester, 13, from whom further particulars and forms of application may be obtained.

UNIVERSITY OF EDINBURGH

DEPARTMENT OF POLITICAL SCIENCE

Applications are invited for the post of Assistant in the Department of Political Science. Salary scale £700 x £50 to £850 per annum, with superannuation benefit and family allowance where applicable. The person appointed will be expected to take up duty on October 1, 1958. The successful candidate will be required to conduct tutorials in the History of Political Theory, and also in Modern Government.

Further particulars may be obtained from the undersigned, with whom applications, giving the names of two referees, should be lodged not later than June 30, 1958.

CHARLES H. STEWART,
Secretary to the University.

May, 1958.

THE UNIVERSITY OF LEEDS

DEPARTMENT OF ECONOMICS AND COMMERCE

Applications are invited for appointment as temporary Lecturer or Assistant Lecturer in Economics for the session 1958-59. Salary within range £900-£1,650 for a Lecturer or £700-£850 for an Assistant Lecturer. Candidates with predominant interests in any of the main branches of economics or economic statistics will be considered. Duties will consist of tutorial teaching of largely, though not entirely, first-year students in small groups.—Applications (three copies) stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds, 2 from whom further particulars *may be obtained* not later than June 20, 1958.

APPOINTMENTS

CHIEF ACCOUNTANT

THE DISTILLERS COMPANY LIMITED

The Company wishes to appoint a Chief Accountant to be responsible for all financial and cost accounting at the Barry, Glamorgan, factories of its Plastics Group, where a wide range of raw materials for the Plastics industry are manufactured in bulk.

The Chief Accountant controls a staff of about fifty. Standard costing is in operation throughout the factories and punched card equipment is in use. In addition to *the normal* accounting duties, the *Chief Accountant is* also responsible for ancillary office services.

Candidates for this appointment, aged between 30 and 40, must be Chartered Accountants, and should also be members of the Institute of Cost and Works Accountants. They should have at least two years' professional experience as qualified accountants, and at least five years' broad experience in manufacturing industry; familiarity with standard and marginal costing is essential, and experience in devising procedures is desirable. Practical experience of the chemical or plastics industry would be an advantage, but is not essential.

Salary according to qualifications and experience; non-contributory pension scheme.

Write:
Staff Manager,
THE DISTILLERS COMPANY LIMITED,
21 St. James's Square,
London, S.W.1.

Quote Ref. 47/58 EC.

UNILEVER JUNIOR TRAINING SCHEME

APPLICATIONS ARE INVITED FROM YOUNG MEN AGED 20 AND 21 FOR THE UNILEVER JUNIOR TRAINING SCHEME

*Opportunities available are for potential man*agers on the production, marketing and general commercial sides of the companies in the Group. *Those interested in production should have* reached Advanced Level of the G.C.E. in three science subjects. They will be afforded every opportunity to continue their scientific education, and those who really do well will be given full-time release to help them achieve their final qualifications.

In fields other than production, Sixth Form experience, while not essential, is still an asset, and candidates must certainly possess a good G.C.E. at "O" Level.

All candidates should have been active in the non-academic sides of school life, and special regard will be paid to *commissioned experience during* National Service.

The starting salary is £520 with increases at the end of the first and second years for those *who continue* to show promise, and a chance to enter Unilever Companies' Management Development Scheme within 3 or 4 years.

Those who are interested should send a postcard for an application form to:—

PERSONNEL DIVISION (MWG 40),
UNILEVER LIMITED,
UNILEVER HOUSE, LONDON, *E.C.4.*

THE ORGANISATION FOR EUROPEAN ECONOMIC CO-OPERATION has two vacancies for *economists*. One is in the Economics Division, where the person appointed would participate in studies relating to the industrial and agricultural, trade *and payments problems* of the European *economy*; help prepare the Annual Reports and Organisation; and analyse current *economic developments in Europe and the rest of the* world. The other vacancy is in the National Accounts Division, for which post familiarity with national accounting problems and statistical *methods in economic research* is desirable. *Applicants* should have a good honours degree in economics and experience in applied economics. The basic starting salary will be 1,800,000 francs free of tax, with extra allowances for marriage and children.—Applications to Personnel Division, O.E.E.C., 2 rue André Pascal, Paris, XVIème, by June 30, 1958.

UNIVERSITY OF CAMBRIDGE

SCHOOL OF AGRICULTURE

Applications are invited for the posts of Research Officer and Junior Research Officer in the Farm Economics Branch. Duties may include research into aspects of agricultural policy, farm production, the use of labour and agricultural work. Qualifications should include an honours degree in economics, statistics or agriculture with economics. Salary scales are: Research Officer £950 x £50—£1,250. Junior Research Officer £650 x £25—£850. These posts are eligible for superannuation (F.S.S.U.) and *family allowances. Applications for the post of* Junior Research Officer from candidates who will graduate in the next three months will be considered.—*Further details are obtainable from the Secretary, School of Agriculture*, Cambridge. Closing date for the receipt of applications is July 11, 1958.

STATISTICIAN

Our Statistics Section does a large, *varied and interesting* range of work.

It includes statistical investigations of sales, sample surveys and the forecasting of future electrical development.

To help maintain our standards in serving *over 600,000* customers, we need at our Headquarters another Statistician with a degree in statistics or other suitable qualification.

The salary will be £1,035 to £1,125, and applications to our Establishments Officer (Econ.), St. Mellons, Cardiff, will receive careful and prompt consideration.

THE SOUTH WALES ELECTRICITY BOARD

(Closing date for applications—Tuesday, *June 17, 1958*).

MARKET RESEARCH

Lady Assistant required at Head Office of large Public Company in London to carry out and report on surveys and to undertake research work in this field. *Preference* would be given to applicants aged 21-25 years, educated to degree standard and with approximately two years industrial experience for whom the commencing salary would be in the region of £600 p.a. Applicants without these qualifications would be considered at a lower salary. Salaries are progressive with lunch vouchers and a contributory pension scheme.—Applications to Box 949.

UNIVERSITY OF GLASGOW

DEPARTMENT OF SOCIAL AND ECONOMIC RESEARCH

Applications are invited for an Assistantship and a Lectureship to conduct research in the above Department. Some teaching duties may also be involved. Preference will be given to candidates interested either in problems of labour economics or in econometrics and national accounting. Salary scale—Lecturer: £900-£1,650; Assistant: £700-£850. F.S.S.U. and family allowance benefits.

Applications (8 copies) should be lodged, not later than June 21, 1958, with the *undersigned*, from whom further *particulars may be obtained.*

ROBT. T. HUTCHESON,
Secretary of University Court.

THE NEW SOUTH WALES UNIVERSITY OF TECHNOLOGY

VACANCIES FOR SENIOR LECTURER AND LECTURERS, SCHOOL OF ACCOUNTANCY

The University invites applications for the position of SENIOR LECTURER in ACCOUNTANCY at the NEWCASTLE UNIVERSITY COLLEGE and for the positions of LECTURER in ACCOUNTANCY at SYDNEY.

Applicants must possess a degree or diploma or equivalent qualification and will be required to undertake lecturing and research work in the School. Practical experience in the accountancy field is desirable and lecturing experience will be an advantage.

Salary: Senior Lecturer—£A2,211 range £A2,561 per annum.

Lecturer—£A1,511 *range* £A2,111 per annum.

Commencing salary will be determined according to *qualifications* and experience.

Appointees will be eligible, subject to medical fitness, to contribute to the State Superannuation Fund.

First-class ship fares to Sydney of successful applicants and their families will be paid.

Four copies of applications (including the names of two referees) should be lodged with the Agent General for New South Wales, 56 Strand, London, W.C.2, and a copy forwarded in an envelope marked "University Appointment" by airmail to the Bursar, University of Technology, Box 1, Post Office, Kensington, New South Wales, Australia, before July 31, 1958.

THE NEW SOUTH WALES UNIVERSITY OF TECHNOLOGY

The University invites applications for appointment to a newly created ASSOCIATE PROFESSORSHIP IN ECONOMICS. The appointment will be tenable in the School of Economics at Kensington, Sydney.

Salary is £A2,861 per annum.

Preference will be given to a candidate whose special field is either econometrics or economic statistics but candidates whose special field of interest differs from these will not be excluded from consideration.

The successful applicant will be eligible, subject to *passing a medical examination, to contribute to the State* Superannuation Fund providing for a pension of £A1,400 per annum on retirement.

Associate Professors are eligible for six months' study leave on full salary after three years of service, or twelve months after six years of service. Subject to the consent of the University, Associate Professors may engage in a limited amount of higher consultative work.

The University reserves the right to fill the position by invitation.

First-class ship fare to Sydney of appointee and his family will be paid.

Four copies of applications (including the names of three referees) and supporting documents, should be lodged with the Agent General for New South Wales, 56 Strand, London, W.C.2, and a copy forwarded in an envelope marked "University Appointment" to the Bursar, University of Technology, Box 1, Post Office, Kensington, New South Wales, Australia, by airmail, before July 31, 1958.

THE ECONOMIST INTELLIGENCE UNIT LIMITED

will be making a number of appointments to its research staff to assist in meeting the increasing demand for the Unit's services in the fields of economic and market research. Candidates for these posts must have very good academic qualifications and experience of work in industrial, commercial or financial companies or organisations, or of work on the economics of agriculture.—*Applications* should be accompanied by full particulars of age, academic and other qualifications, including knowledge of foreign languages, experience since leaving university, and present salary, and should be sent to reach "Research," 22 Ryder Street, St. James's, London, S.W.1, not later than July 28.

AN old-established manufacturing Company marketing nationally advertised products through grocery and allied channels offer outstanding opportunities to ambitious young men to train for a *progressive* career in Selling and Sales Management. Progress in the Company depends solely on merit and a programme of expansion affords excellent prospects of *promotion* to men capable of assuming management responsibility.

Applications will be *considered from* men in the age group 22-34 who possess a School Certificate or higher educational qualifications.

A good salary *plus bonus* and lunch allowance is paid from the outset, and a Company car is provided.

Arrangements will be *made to meet successful* applicants at *local centres*, but in the first instance a full letter of application stating age, history of education, Service and business *career to date, should be* sent to Box 953.

THE NEW SOUTH WALES UNIVERSITY OF TECHNOLOGY

VACANCY FOR SENIOR LECTURER/LECTURER IN HISTORY

The University invites applications for the vacant position of SENIOR LECTURER/LECTURER in HISTORY, School of Humanities and Social Sciences.

Salary: Senior Lecturer—£A2,211 range £A2,561 per annum.

Lecturer—£A1,511 range £A2,111 per annum.

Commencing salary according to qualifications and *experience.*

Applicants must possess a degree with honours or equivalent qualifications. Previous University lecturing *experience will be an advantage.*

The successful applicant will be eligible, subject to passing a medical examination, to contribute to the State *Superannuation Fund.*

First-class ship fare to Sydney of the appointee and *family* will be paid.

Four copies of applications (including the names of two referees) should be lodged with the Agent General for New South Wales, 56 Strand, London, W.C.2, and a copy forwarded in an envelope marked "University Appointment" by airmail to the Bursar, University of *Technology, Box 1*, Post Office, Kensington, New South Wales, Australia, before July 31, 1958.

THE NEW SOUTH WALES UNIVERSITY OF TECHNOLOGY

The University invites applications for appointment to the positions of SENIOR LECTURERS/LECTURERS, SCHOOL OF ECONOMICS, Sydney.

Salary: Senior Lecturers—£A2,211 range £A2,561 per annum.

Lecturers—£A1,511 range £A2,111 per annum.

Commencing salary according to qualifications *and experience.* Candidates should possess an honours degree in *Economics* or Economic Statistics or equivalent qualifications.

Preference will be given to candidates specialising in the fields of:

Theory of the Firm
The Economics of Growth and Development
Econometrics and Economic Statistics
Applied Economics

Successful applicants will be *eligible*, subject to passing a *medical* examination, to contribute to the State Superannuation Fund.

First-class ship *fares to Sydney* of appointees and their *families* will be paid.

Four copies of applications (including the names of *two referees) should be lodged with the Agent General* for New South Wales, 56 Strand, London, W.C.2, and a copy forwarded in an envelope marked "University Appointment" by airmail, to the Bursar, University of Technology, Box 1, Post Office, Kensington, New South Wales, Australia, before July 31, 1958.

AUSTRALIAN NATIONAL UNIVERSITY CANBERRA

RESEARCH SCHOOL OF PACIFIC STUDIES

Applications are invited for appointment as SENIOR RESEARCH FELLOW or RESEARCH FELLOW in the DEPARTMENT OF PACIFIC HISTORY (Head of Department: Professor J. W. Davidson).

The salaries for Senior Research Fellows and Research Fellows are within the ranges £A2,200-£A2,700 and £A1,385-£A2,100, respectively. The appointment will be for three years, with possible extension to the *maximum* of five years. Superannuation of the Federated Superannuation System for Universities type will be available and reasonable travel expenses will be paid.

Further details are available from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, *London W.C.1.*

The closing date for the receipt of applications, in Australia and London, is July 14, 1958.

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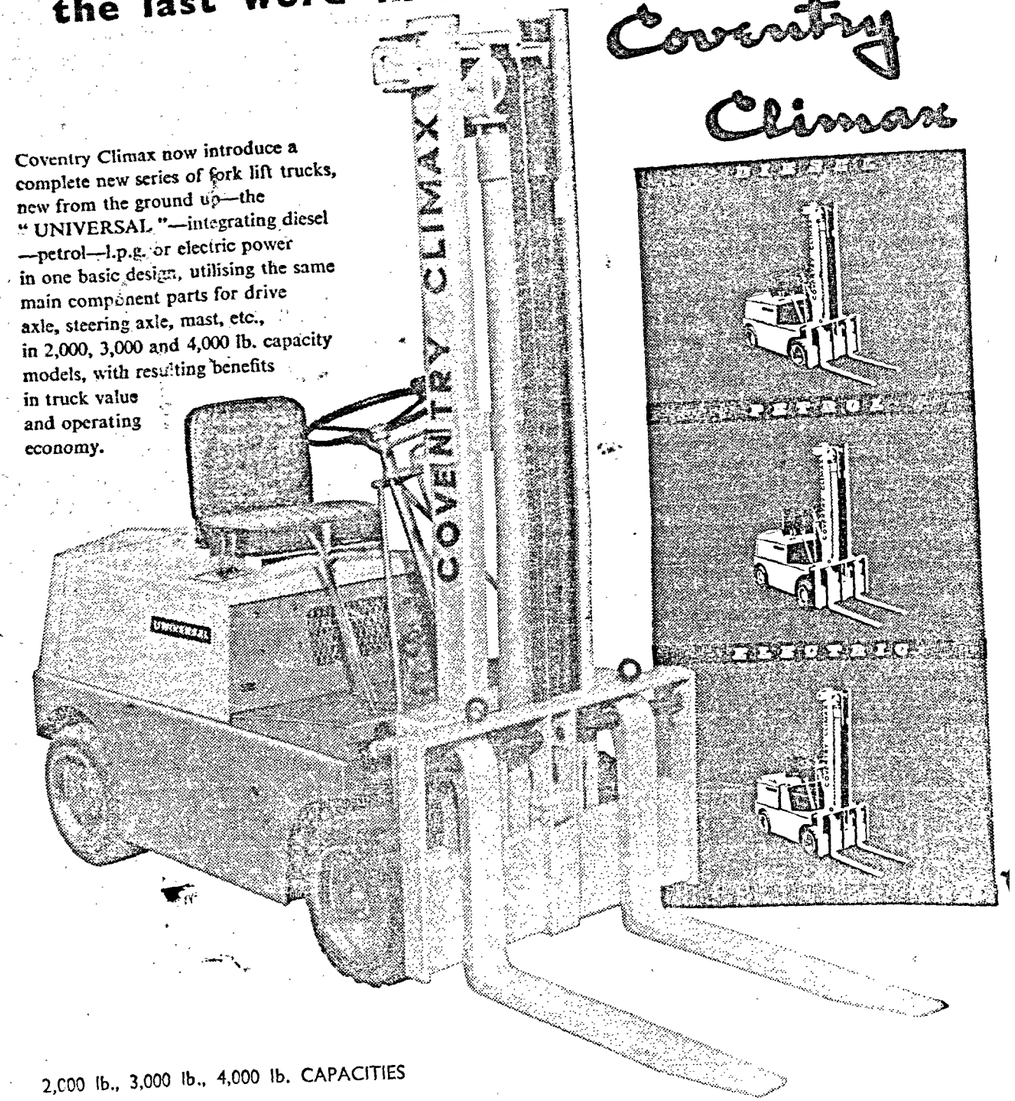
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1048

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The Economist

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CONVENTRY 1958

East-West Recession

The many signs of increasing tension in the internal politics of the Communist world portend a worsening of world relations (page 1057).

Cyprus on the Brink

Have Britain's proposals to Greeks and Turks come too late? (page 1058).

A Party of Educational Reform?

The second article in the series on Labour as an alternative government (page 1060).

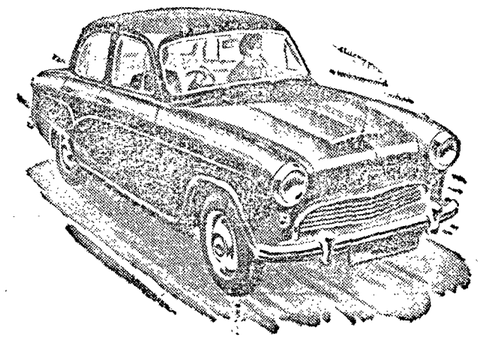
The Thaw

The further reduction in Bank Rate and the increase in initial allowances may mark the start of a new phase in industrial expansion (page 1099).

Turning Point for Commodities

(page 1101).

Annual Postal Subscription by ordinary mail £4.10s.; overseas £5; by air see page 1143
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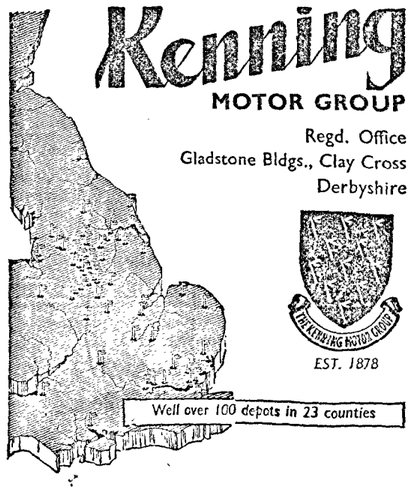


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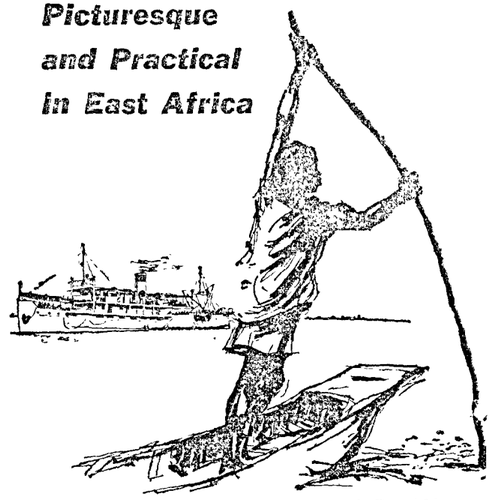
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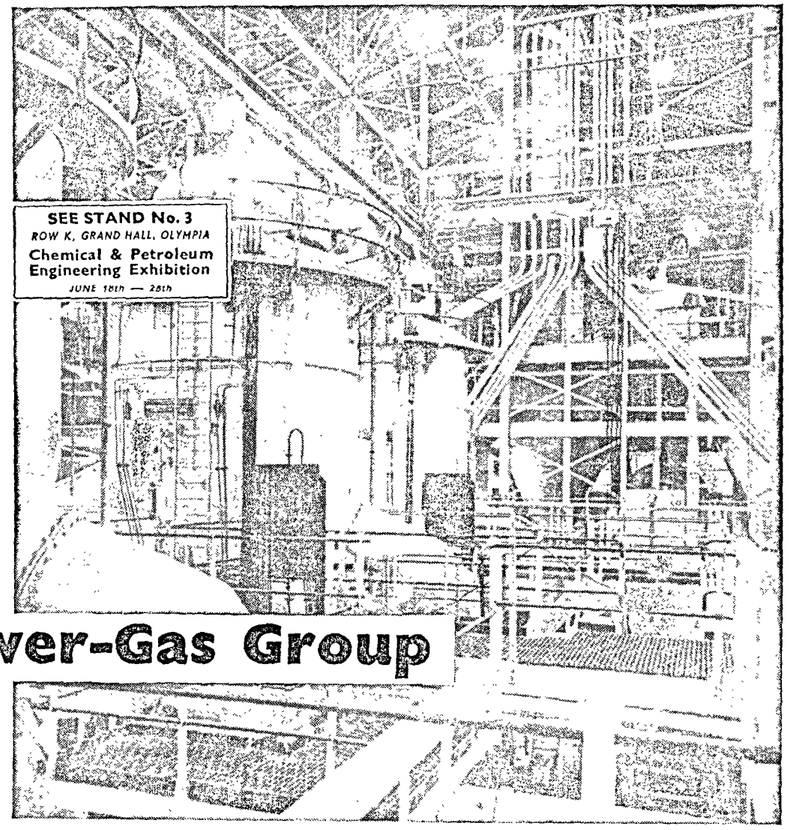
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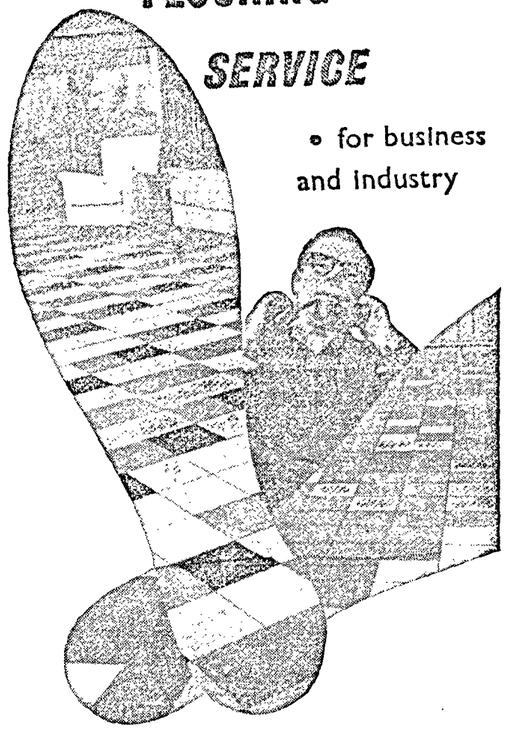
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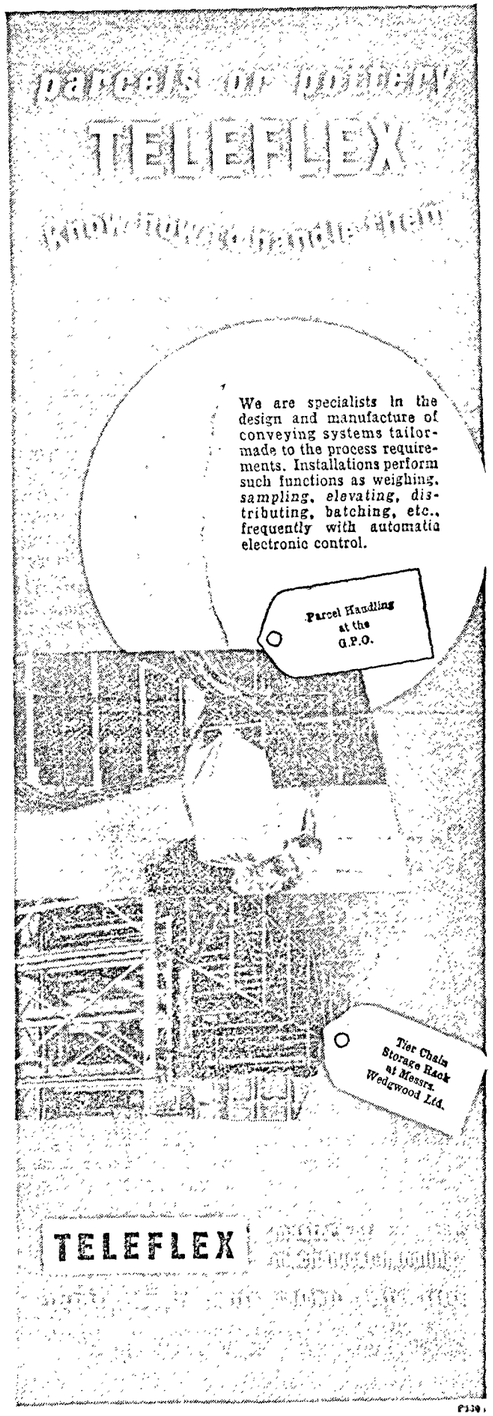
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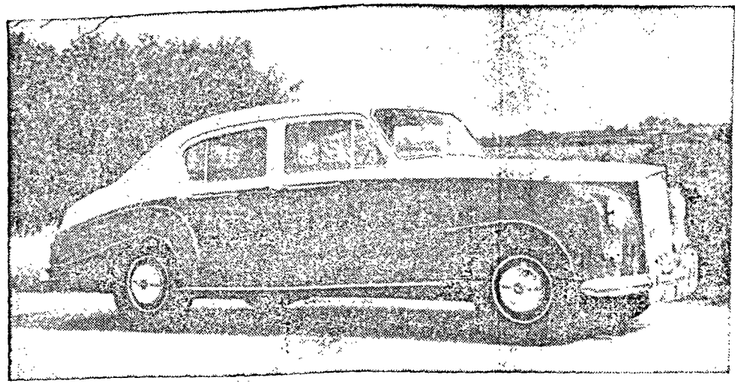
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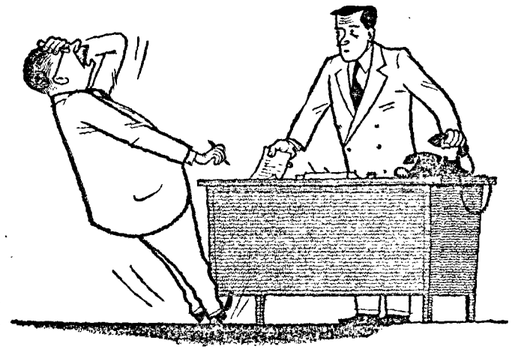
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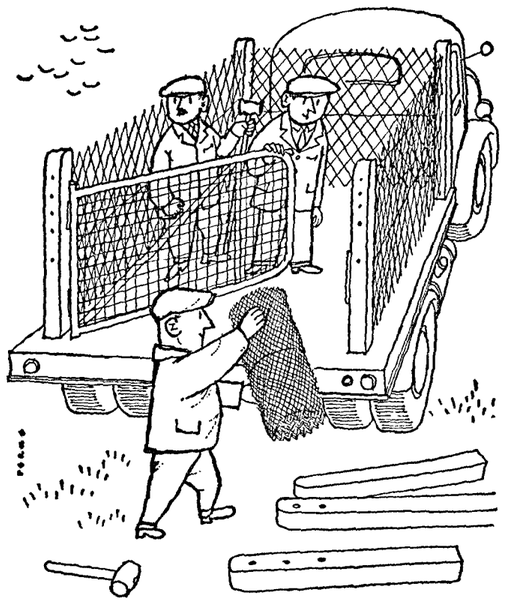
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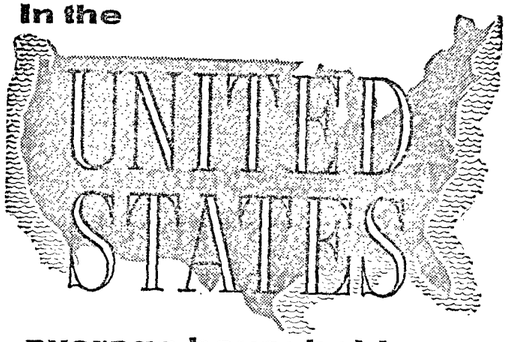
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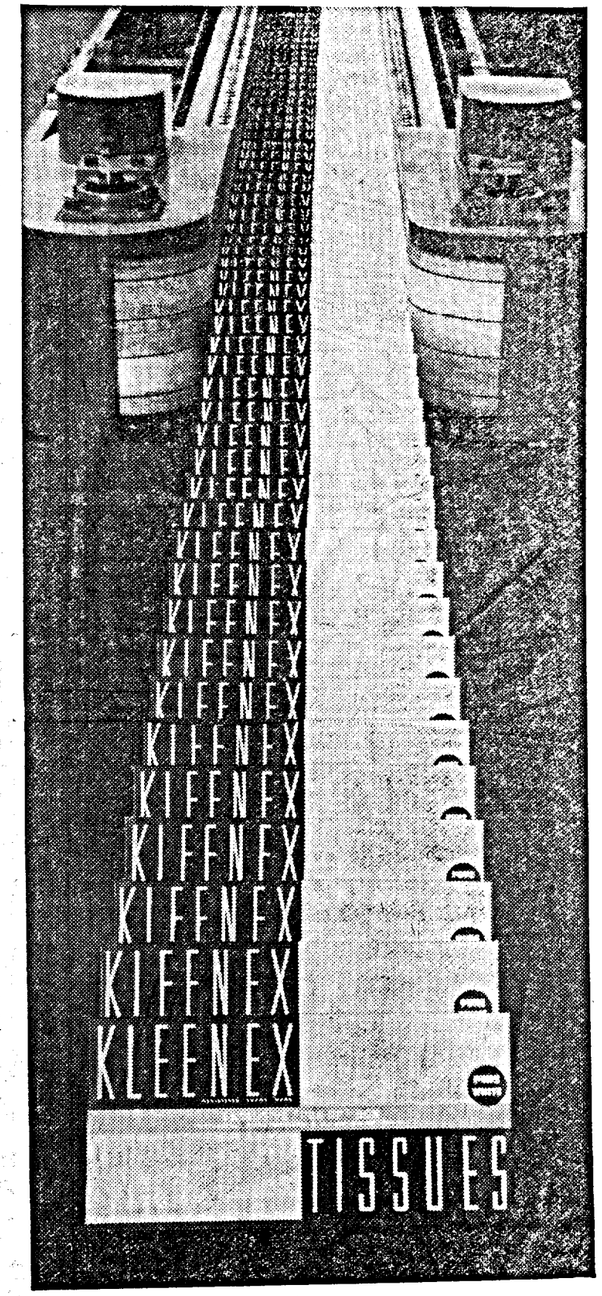
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The Economist

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East-West Recession

THE sounds from within the communist world are ominous. The Soviet ambassadors have been summoned home in haste; whether they are wanted for their reports or for their central committee votes is not yet known. The Chinese ambassadors also have been recalled to Peking. Mr Krushchev has peremptorily demanded of the West if it wants a summit conference or not; in the same breath he ordered immediate publication of the confidential papers on the talks so far. Each day, from Peking to Tirana, the denunciations of Marshal Tito grow shriller and more threatening. The bloody word of the execution of Imre Nagy and Pal Maleter has come simultaneously from Moscow and Budapest. All these are signs of tension, and of decisions taken under tension. None of these signs is hopeful for the peace of the world, or for the peace of mind of the non-communist world. That all have become apparent in a single week does not look like coincidence.

The news from Moscow is bad for many men: for the Hungarians who must await fresh horrid acts of repression and revenge, for the liberal revisionists in China and the east European satellites who are now being pushed to the wall, for Marshal Tito in person who has seen the Hungarian hostages, in whose cause he had interceded, contemptuously done to death. It may be bad news for Mr Suslov, the incorruptible, lately bathing (Mr Khrushchev said) by the Black Sea. If the central committee of the party is meeting again Mr Suslov will recall that just a year ago Mr Khrushchev, with Marshal Zhukov then at his elbow, used the committee's vote to banish his opponents in the presidium to provincial oblivion. It may equally be bad news for Mr Malenkov, one of those past opponents, sitting by his hydro-electric turbines. Imre Nagy was his man. When Russians think of revisionism they think of Mr Malenkov. The battery of Soviet publicity still rakes the failings of his rule; even his musical taste has been dragged in now to prove his evil influence on Stalin. Tension within communist society brings dark and hidden perils to all those who differ, or might one day differ, from the faction in power: the oppositions of left and right are confused and then struck down together. It is still too soon to guess whether this crisis concerns Marshal Tito alone, and the effects of his rebellious intransigence, or whether it spreads wider and deeper throughout the Soviet system. It is the nature of the regime to conceal its decisions until the events they prompt are already in train.

The new climate within the communist world is of crucial concern to the West. In the past it has been conditions inside the Soviet Union that have customarily prompted the initiatives of Soviet foreign policy; and, equally, the Russian attitude to the Jugoslavs has mirrored, in some sense, Soviet policy towards the West. Before the last summit meeting at Geneva in July, 1955, Mr Khrushchev went to Belgrade as if to Canossa. Now what is most ominous is that Mr Khrushchev, while assailing Marshal Tito, and even hinting sympathy with the

Cominform's excommunication of him in 1948, has at the same time seemed to call a halt to the progress towards a new summit meeting with the West. His accusations of western insincerity have become acrimonious. He has reverted, at a British Embassy party in Moscow, to personal attacks on Mr Dulles. Soviet comments on Mr Macmillan's talks in Washington chorus the strange belief that their purpose was to delay the summit meeting ; and the Prime Minister's diplomatic remark that the British position is very close to that of the United States has been treated as a confirmation of these suspicions. The sudden Soviet publication of documents on the ambassadorial meetings may now imply, as Mr Dulles has pointed out, that Mr Khrushchev means to break off. Even if it does not, the action itself reduces the hope that an eventual meeting would be more than idle display. What hope is left rests on the outcome of the experts' conference on stopping nuclear tests which opens at Geneva on July 1st.

The rulers of the Soviet Union are not the men to plunge themselves into an internal crisis solely through the exigencies of foreign policy. It is entirely possible that such matters as the decentralisation of industry and the future of the machine tractor stations are the effective terms in which an internal debate is being conducted. But the communist outlook on the rest of the world has a direct bearing on communist policy as a whole. In the past months that outlook has become increasingly careless of even the appearance of an honest effort to achieve an east-west settlement between governments. The Russian veto in the United Nations on aerial inspection of the Arctic was cast in the face of neutral opinion. The Russians' latest refusal to combine agendas for the summit, or to diverge in any way from their own, speaks for itself. It is possible to interpret this growing acerbity as governed by new internal tendencies toward Stalinism. But the West has to remember that its own actions and reactions, by influencing the play of Russian domestic forces, may have some part in triggering off the Russian decision.

There was evidence to suggest that in the beginning the Russians did want some agreement on certain issues, principally disarmament and the stopping of nuclear tests. The propaganda proclamations after the sputnik successes and the development of a Russian strategic missile made western reaction understandably wary. But there were certain evident points to grasp. One of these, as the Rapacki plan showed, was that the Russians meant the prevention of any nuclear rearmament of west Germany to be the condition on which their own ideas of disengagement and a general relaxation depended. Up to the time of the Nato meeting in Paris last December, when it was agreed to accept American missiles in western Europe and to open negotiations with the Russians simultaneously, this condition could be met. But the increasing belief that the West meant to give nuclear weapons to the Germans, together with the outright western refusal to explore the Rapacki plan, could have helped to tilt the balance in Moscow in favour of those Russian communists who expect nothing from the summit and who would make Russian terms very stiff. The isolationists have, it seems, prevailed.

Since the West stood, and would still stand, to gain by pressing the disarmament issue in particular to an effective discussion at the highest level, whatever the outcome, this prospect is vastly disheartening. The advantages of being able to attempt such a discussion have not become invalid, but the opportunity to seize upon a more forthcoming Russian mood while it lasted now seems to have gone. The tide is on the ebb, within the communist block and beyond its borders. What is in the Russian mind today has still to be revealed. But there should be no easy fatalism about all the reasons why the chance of disarmament or of disengagement may be slipping away.

Cyprus on the Brink

The Government's plan for Cyprus sketches out an adventurous road. But it is likely that Greek and Turkish antagonisms have gone too far for the road to be taken

EIGHTY years ago, the Sultan Abdul Hamid II leased Cyprus to Britain as a *place d'armes* (in other words, a base) in return for a British guarantee of Asiatic Turkey against Russian attack. Today the fear of Russian penetration in the Levant remains; but Cyprus, instead of adding to the region's defences, is more likely to disrupt them. The problem that three years ago was still regarded primarily as a rather tiresome and complicated variation on the classic postwar theme of the gradual emancipation of Britain's dependent territories, has now set two Nato members in the eastern Mediterranean so seriously at odds that hostilities between them cannot be ruled out. It was in order to stop this rot in the defence arrangements on Nato's eastern flank, by persuading Greece and Turkey not to turn the new British plan for Cyprus down flat, that M. Spaak intervened on Monday to ask the British Government to postpone its long-awaited statement for forty-eight hours. It was an appeal the Government could not ignore, in spite of the risk that postponement might provoke violent reactions in the island.

Now that the proposals have at last been revealed, in one vital respect they do not prove to be a move in the direction in which official British policy had been thought to be turning. No indication is given that the British Government has any intention of surrendering its sovereignty over Cyprus—only perhaps, of sharing it. Nor is there any suggestion that the people of Cyprus might themselves be at any time allowed to choose their future status—even to the limited extent of a choice between independence within or outside the Commonwealth, or a Greco-Turkish condominium. The only definitive status that is envisaged for them is under a tripartite condominium of Greece, Turkey and Britain that the British Government would be prepared to set up " at the appropriate time " (but, apparently not in less than seven years). Under this regime it is envisaged that whatever base facilities Britain then feels it necessary to retain should remain under sole British sovereignty.

This proposal in effect rules out enosis and partition equally. It is a pity, perhaps, that the exclusion of both alternatives is not stated more categorically, instead of being merely implied. The Government might have argued that to be more positive might only make the present tension worse. It can, however, equally be argued that so long as the extreme advocates of both enosis and partition believe that their own particular door has not been slammed in their faces, they will continue to hammer on it and refuse to consider any alternative. In that case the hope must be that the agitation of the two sets of extremists will, as it were, cancel out by making it overwhelmingly clear to a growing body of opinion in the island, as well as in Athens and Ankara, that the middle road of partnership is the only sane road to take.

THUS for the next seven years the British Government proposes that the Cypriots should undertake a limbering-up exercise in order to get them used to what Mr Macmillan calls " the new principle of partnership." For the first time Greece and Turkey are offered a chance of association in (and responsibility for) the administration of the island through the appointment of accredited commissioners. These will have a considerable say in the island's affairs. They will be consulted by the Governor on the matters specifically reserved to him—external affairs, defence and internal security. They will have the right to require any legislation that they consider discriminatory considered by a special tribunal. Finally, they will sit on the Governor's Council, which will also include six elected Cypriot representatives four of them Greeks and two of them Turks. Under this council, two elected assemblies, one for each race, would be concerned with communal matters. All Greek and Turkish Cypriots would be allowed to opt for Greek or Turkish citizenship as well as for British. Thus the Greeks are offered better opportunities of expressing their Greekness, while the Turks are offered what they might well consider more satisfactory recognition of their identity, and guarantees of their minority rights, than were provided under the Radcliffe proposals.

THERE is this to be said for the new proposals, that they are unconventional and must have taken the opposing parties, stuck in their attitudes of mutual defiance, by surprise. But are they unconventional enough to work the wonder of reconciliation that is needed? An offer to share sovereignty today, or even tomorrow, would make an impression ; but an offer to share after seven years is not the same. Which of the three governments, the British, the Greek and the Turkish, knows where it will stand in seven years' time? The interval for limbering-up is very long—and even to enter upon it requires an act of faith and of renunciation from the other governments and from parties in Cyprus which have almost forgotten any speech but the heady language of absolute national claims.

And have the two communities become too embittered against each other to make the journey amicably together? On this last and crucial point, the Turks insist that they have; but having put all their money on immediate partition, they have an obvious interest both in saying that this is true and in making it so. As a report on page 1092 indicates, it would be very foolish indeed to make light of the tragic communal bitterness that has arisen in Cyprus. But it would surely be an unnecessary motion of despair to assume at this stage that the armed clashes of recent weeks must completely obliterate the long years—nearly four hundred of them—when most Greeks and Turks lived perfectly amicably together, when in fact the ordinary members of both races usually had far more in common with each other than with either Turkish pasha or Orthodox bishop.

The Greeks, while sticking to their ultimate goal of self-determination (by which they must be taken to mean enosis) have never imagined that it would be reached immediately and have kept to a fairly flexible attitude about what to do in the meantime. On one vital point, however, they have maintained an uncompromising—and thoroughly unrealistic—stand; that is their refusal to acknowledge Turkey's right to play any part in the settlement. To retreat from this stand is doubly difficult now that relations between Athens and Ankara are so bad; it can only be hoped that Greece will at last realise that Turkey's stake in the island cannot be made to disappear simply by ignoring it, any more than enosis can be brought about by means of terrorists' bombs.

The Turks have an even more difficult reappraisal before them if the British plan is to be put into force. Their interest in the welfare of the Turkish minority in Cyprus is acknowledged ; so is their anxiety for their country's security should Cyprus fall into un-

friendly or neutral hands. But they have chosen to insist that, unless the whole island is annexed to Turkey, these legitimate aims can only be furthered through its immediate partition—although the two races are so closely intermingled that the Turkish authorities themselves have failed to produce any practical proposals for putting partition into effect. When pressed on this point last week, Mr Zorlu, the Turkish foreign minister, said blandly that it would be premature to consider the details of partition before the idea had been accepted.

The Turkish government has, however, committed itself so thoroughly and so demonstratively to partition that it must now be hard put to it to find any means of manœuvre that is not an undignified retreat. For this it has only itself to blame—and one suspects, its increasing domestic difficulties from which attention must somehow be diverted. But it is an added reason for heeding Nato's good offices. Cyprus is worth more than a little face saving; and it will clearly be easier for the Turks—and for the Greeks, even though at present they deny Nato's right to intervene—to bow gracefully to the combined representations of the Nato powers, than to back down at the request of Britain alone. What happens if Ankara (and Athens) refuse after all to co-operate in the British plan remains obscure. Presumably Britain will either have to continue governing the island as at present, or else to introduce a measure of self-rule, even against opposition. What is important, especially in the event of failure, is that the new initiative should not be regarded as the last chance for a satisfactory Cypriot settlement. The plan could hardly have been introduced under less auspicious circumstances; and so long as armed conflict between Greeks and Turks, inside and outside the island, can be fended off, there will always be room for another attempt.

THE ALTERNATIVE GOVERNMENT—II

A Party of Educational Reform?

There is much sense in Labour's new educational plans. But there is also much nonsense which a wider and rightly radical vision should sweep away

IN the first of these articles, which appeared in *The Economist* two weeks ago, it was suggested that the Labour party could best equip itself with a truly national policy by taking one bold central decision: by deciding to stand out for a high level of investment against trade union pressure to dissipate gains in productivity by immediate consumption. To this proposition the publication of the party's educational programme "Learning to Live" is most apt. Here are set out pre-eminently the things, and not purely material things, which Labour most wants to do: here is the great aim of achieving the fullest educational self-realisation "from nursery school to university" for all British children, irrespective of origin or income. Yet they are things which can emerge only from large investments sustained over a considerable period—and uninterrupted by sudden cutbacks to help the economy through crises produced by overspending elsewhere. Educational reform is a policy to which Labour should be traditionally and temperamentally well fitted to call the nation. But it demands of the nation the economic policy which will make it possible.

The noticeable moderation and good sense shown in "Learning to Live" indicates that the group of Labour politicians which drew it up, under the chairmanship of Mr James Griffiths, is well aware that investment in education is an exercise in scarce resources; and that a Labour Minister of Education would have to fight hard for his share of money, manpower, and constructional output. Accordingly, and realistically, the policy planners have trimmed Labour's dreams at both extremities—postponing, for example, both more nursery schools (which so many mothers would vote for) and the raising of the school leaving age to 16 (in favour of the halfway house of making it compulsory to complete the fourth year of secondary education, which is not expected to inflate the demand for teachers).

They have made no wild promises even in setting out what they propose that the next Labour government should do: which is to put first the reduction in the size of classes, the modernisation of slummy school premises, the drive to develop technical education and the fringe of minor but important reforms in part-time education, youth services, the education of handicapped children and so on. Though they are determined to return to the "principle" of the percentage grant, they are cautious even about that— as well they might, for a Labour Chancellor of the Exchequer is likely very quickly to see the advantage of the block grant system. They leave the way open to ensure that the new percentage grant system which they will introduce will be less wasteful and more closely tailored to specific educational objectives than the old one.

Unfortunately, just as Labour's chances of becoming a true "high investment party" are undermined by its enslavement to trade union policy, so its prospects of becoming the party of educational reform are vitiated by its obsession with social equality. This may seem a rather ungrateful judgment on a document which does set out clearly and explicitly the right of a parent to send his child to a private school, and of private individuals to run a school for fee-paying pupils, outside the state system. Coming from Labour spokesmen, that is a large advance, even though it is still open to a future Labour government to reverse this declaration of the rights of parents. The Labour programme does not even suggest (as some had expected) that a Labour chancellor should persecute the public schools by tax adjustments in their disfavour. It turns down the Fleming proposals to spend taxpayers' money in sending state scholars to the public schools (probably rightly, for the £18 million that it would cost to send 45,000 can be far better employed to improve state education); but it leaves the public (and the peculiar) schools to go their own way, admitting by implication that in a period when all school places are desperately scarce, they make a handsome contribution without costing the nation a penny. For all this, the group must expect a pasting from the party's Robespierres at Scarborough, and should be undeterred by it.

BUT, while conceding the right of top people (including top socialists) to send their sons to Winchester at their own expense, the group who wrote the programme felt obliged to insist that the state system itself must be forced into the procrustean bed of egalitarianism, labelled "the comprehensive principle." This is a great pity, for, if it is pressed, the "principle" will do great harm. Luckily—or cannily—it may not be possible to press the comprehensive system too hard in the first five years after the next election, should Labour then come to power. Difficulties will be created (although they have not been admitted) by the way in which the party's other priorities have been set. To achieve Labour's "first objective"—the reduction of all classes to 30, both in primary and secondary schools—will by itself tax the teacher-training system to the full. To estimate the number of teachers that will be needed at any time ahead is like doing one of those examination sums about a tank which is simultaneously being filled by a series of pipes of different diameters and being emptied by another lot of pipes of other diameters. But it is clear that the Labour group has got the sum wrong.

The Central Advisory Council for Education has said that 90,000 more teachers will be needed by 1970; given present trends in the birthrate (the "pimple on the bulge") and the teachers' rising marriage rate, in addition to any extra educational commitments, the need could be higher still. To recast all the schools in a comprehensive mould would certainly put new strain on the teachers (besides extinguishing many desirable headships) and thus diminish the supply. In practice, therefore, events may well draw the teeth, temporarily, of Labour's pledge to order all local authorities to draw up plans to "comprehensivise" their schools—which, incidentally, would require new legislation.

Even so, whether or not it can be implemented in the five years of a Labour government, the "comprehensive" blanket has been adopted; it is sure to be approved at Scarborough; and it should be firmly resisted. The comprehensive school is not proven by experience; it has not had time to show even its ability to produce good sixth forms; and schemes to apply the principle by grouping existing schools without building huge new ones are less proven still. What is quite certain is that such schemes will make away with schools which are proven and which, once, were the apple of Labour's aspiring eye: that is, the grammar schools. With all their shortcomings from Labour's ideological standpoint, the grammar schools do produce in quantity (and inexpensively) sixth formers capable of going to university and getting a good degree in three years of further education. They produce, in partnership with the public schools and the direct grant grammar schools, the professional and technological cadre on which Labour governments utterly depend to fulfil their hopes —and indeed which they propose urgently to expand in pursuit of a higher living standard for all. It is simply not known if "the comprehensive principle", universally instead of experimentally applied, can possibly produce this cadre in such quality or quantity. In time it might; but it is very sure that wrecking the grammar schools meanwhile would cause an expensive falling-off.

To wreck, or even at this critical time in education to damage, these grammar schools, which for two or three generations have provided the rungs in the "educational ladder" to which Labour owes so much—simply because "down with the eleven plus" is a good political cry—would be irresponsible folly. There was a time when Labour cried "secondary education for all," and meant by secondary education these same grammar schools; and now they want to kick away the ladder by which they came up. It is idle for them to deny that these schools would be damaged. Some have already been seriously damaged by the more fanatical local authorities; this document may encourage more of them to get to work to reduce their schools to a dead level of mediocrity which perfectly mirrors the approach to education of the county councillors themselves.

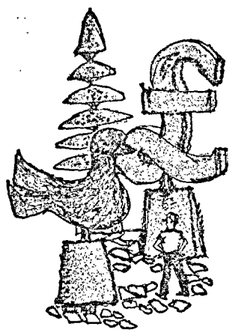
TO say this so strongly is not to deny its virtues to the comprehensive experiment, or to defend uncritically the tripartite system set up—very much *faute de mieux*—by the 1944 act. But why cannot the Labour party see the obvious way out of the new difficulty over segregation, grammar school snobbery and the eleven-plus? It stares them in the face. It is to bend all their efforts to providing all children—whether they go to grammar schools, modern schools, comprehen-

sive schools or any other schools—with the opportunity to go to the university or to an equivalent place of higher education, if they desire it, and are ready to stay in school to be suitably prepared for it That is the right comprehensive solution.

It is the higher education bottleneck that puts the non-grammar school child at a disadvantage. The Labour party cannot cure snobbery any more than it can cure adultery; there can always be a U comprehensive school at one end of the town and a non-U one at the other end. Nor can it cure the mathematical fact that half the population has an IQ below average; nor can it raise that average by Act of Parliament. But it could, if every reasonably intelligent child could get its appropriate higher education, dissolve the "class-difference" between grammar and modern schools and free all schools to develop in their own way.

Admittedly, this can only be a long term aim. It means waiting until provision for higher education can be greatly expanded. On this the Labour document is prudent and cautious; but it is here that sights should be set high. What one would like to see in the policy statement of a progressive party is a firm determination that, by the mid-1970s, all British children—including those who today fail the eleven plus—should have at least as much chance of going to a university or other course of higher education as American children do. The right choice for Labour is to work towards that sort of ideal. To turn aside from it, to push through the egalitarian doctrine for its own sake, would not only damage the present hard-pressed educational system, but also jeopardise Britain's chance of getting one that would challenge comparison with anywhere in the world. At present it does so only in spots. It is tragic that these seem to be just the spots that Labour has decided to hate.

Down the Crazy Paving



The amateur gardeners of Britain—19 million of them according to a recent survey—do not count the cost, but the economics of gardening deserve investigation.

FOR the millions of gardening amateurs, the annual match against the short and treacherous English summer has begun in earnest. Britain is at least as much a nation of gardeners as of shopkeepers, as visitors, flying low into Britain on a clear day, have remarked. Yet economic studies of gardening are sparse; though a major activity, it seems to slip through all the statistical nets. The classification of the land use of this small island, for example, does not separate gardens from smallholdings. The Ministry of Housing does not know how many gardens there are, or their sizes, or their standard of upkeep. Estimates can be made only by indirect, not to say devious, means.

One may begin with a recent Gallup poll into British recreations, which found that 52 per cent of the adults questioned had done some gardening during the past month (compared with 78 per cent who had watched television, and 53 per cent who had been to the pub). This 52 per cent, grossed up, would suggest that there are some 19 million spare-time adult gardeners in Britain, including 7.5 million who only garden "occasionally." In how many gardens do they work? A survey made by Research Services Ltd. in 1956 suggests that there were some 6 million lawn mowers in commission. This is clearly the lower limit: not all gardens have lawns, or lawns large enough to warrant a mower being kept on the premises. Still a lawn is the standard feature of a real English garden, and a mower is the badge of garden ownership. It might not be far out to put the number of warrantable gardens at perhaps something slightly over ten million, ignoring the fringe of front plots and backyards which may or may not reward the annual expenditure of a shilling or two on packets of seeds or a dozen bulbs.

Gardens, however, are increasing. So, to judge from the trend between previous public opinion polls and the most recent one, are the number of amateurs who work in them. The whole process of city redevelopment means gardens. Indeed, the housing boom of the thirties might be described equally as a garden boom. It is almost as if it was national policy to saddle as many people as possible with gardens. For that reason it would be unwise to assume that all gardening is willingly done. Many people have to buy or rent a garden to get the house which goes with it; and since for social reasons they cannot allow the garden to fall below certain minimum standards they are forced to work in it. This captive gardener force cannot be measured, but it is by common observation considerable. Some of it is no doubt concealed in the 7.5 million who garden only "occasionally."

But there are probably more than 40 per cent of adult men and perhaps 25 per cent of women who garden regularly and enthusiastically. The Hulton Readership Survey of 1952 suggested that they come from all classes. In the professional and business class, it found,

44 per cent of men and 34 per cent of the womenfolk garden "regularly"; in the lower income brackets only 40 per cent of the men and 20 per cent of the women. In between 45 per cent of lower middle-class men garden, and 30 per cent of the women. Older people, up to the age of 65, garden more. Fifty per cent of those between 45 and 65 garden, whereas only 20 per cent of men up to 24, and 40 per cent of those over 65, do so. Only very few in any class have allotments—relatively twice as many in the working class (9 per cent of the total) as in the upper classes.

IN the upper classes it used to be possible to own and enjoy a garden without doing the work oneself. This is possible now for very few. The occupation census gives 127,000 full time gardeners, but clearly most of these work for municipalities or large institutions (for example the London County Council alone employs 450 and the Ministry of Works 283). But the better-off certainly get some help. How much may perhaps be very shakily deduced from the basic figures about lawn mowers. While 77 per cent of upper class people own lawn mowers, only 62 per cent reveal that they garden either regularly or occasionally. If—it is a very big if—this indicates that perhaps ten to fifteen per cent of them pay someone else to do all the work this would amount to 200,000 to 300,000 regular-gardener-employing families (though not that number of gardeners since an average for even a "regular employer" would be only about 4 hours a week). Many other families, of course, must have an occasional part-time man in to help.

But though such figures may provide some basis for a very rough and ready guess at the manpower which may be diverted into gardening, they give no idea of the nation's investment in it. Here figures are even scantier. The Household Survey in 1953 revealed that the average expenditure of a British household on such gardening requisites as seed, bulbs, plants, bagged composts and fertilisers, etc., was 1s. a week, compared with 1s. 4d. spent on pets. This is £39 million a year, and spread over those who actually have gardens, gives an expenditure of perhaps £3 to £6 per year per garden. But, of course, this covers the range of gardens on which much less than £3 is spent as well as those where far more is spent; moreover it entirely omits the purchase of capital items.

For this reason it would certainly be wrong to compare any such figure with average expenditure on motoring for pleasure, which was £130 per motorist in both 1953 and 1957. The cost of keeping the ready-made garden going is often a very small part of total cost. To begin with, the capital cost of the garden area ought to be taken into account. For example, a man buying a suburban house for £3,000, may reckon the land alone worth £500, of which (under the bye-laws) the house occupies less than half. The cost of the garden area cannot be reckoned at much less than £250. But this is the mere cost of the unbroken land. The garden itself is worth more—as anyone who has a garden made by a contractor out of a field on which he has built a new house will soon discover. In a good garden, the lawns at cost are worth 7s. the square yard, crazy paving 50s. the square yard, oak fencing £1 the foot run, and herbaceous borders (planted with quite ordinary varieties) 10s. the square yard. Ornamentals will be £4 each; a modest rockery can hardly be had under £50, and lily ponds are far more. A mere sprinkling of gnomes, pergolas, birdbaths, Grecian urns and rustic furniture quickly add up to a fair sum. After adding some allowance for the amateur gardener's own backbreak, a modest quarter acre garden might well contain £500 and more of horticultural stocks at replacement cost.

THEN there are the tools, an important item since all tools, and especially powered ones to save labour, are expensive. A small outfit will cost £15, say £7 for a lawnmower (of which 430,000 are sold on the home market every year), £3 for a wheelbarrow (to remove grass-cuttings, leaves, children, etc.) and £5 for a minimum of cultivating implements. But one large store put the average investment of a keen gardener in tools at £50—including a power mower, hoses, secateurs and sprayers. "Gardeners with new gadgets are becoming like women with new dresses," one dealer said. "They can't resist them." Larger outlays, such as a minimum of £20 for a greenhouse, may well follow as enthusiasm grows. Since the more mechanised tools require more upkeep, and have a shorter life, than the traditional fork, and spade, costs will continue high; they may already involve an annual expenditure by the nation's gardeners of perhaps £20 million a year.

Mechanisation of the home, in fact, is bound to be steadily paralleled by mechanisation in the garden. The fresh-faced country girl, ready to work in the house 14 hours a day for £30 a year, vanished long ago, to be replaced in these last twenty years by the vacuum cleaner, the refrigerator and the washing machine. With her has also gone that earthbound worthy ready to come in for three half days at 1s. 6d. an hour. He is likely to be gradually replaced by electric mowers, chemical weed eradicators, herbicidal flame-throwers, even plastic sheeting (which, laid on flower beds, and punched through in the right spots, allows only domesticated plants to come up).

There is not yet a real mass-market in Britain for wholly mechanised trouble-free gardening. Many gardeners still rely on the itinerant boy-scout for portable power on the bob-a-job tariff. Others, particularly city dwellers, pay very much more to local gravediggers or to boilermen from nearby blocks of flats. Many garden-proud housewives rely on their husbands for forced labour. But some of this may be on the way out. Your correspondent was told recently in Bronxville, New York State, that two high-school students, offering to put half a day into "fixing" one's garden, charged $30 using their own equipment, $25 using the client's. This, in an enrichening community of tidy-minded garden owners, may be the shape of things to come.

NOTES OF THE WEEK

FRANCE

The Neighbours Call

GENERAL DE GAULLE is now ready to receive visitors, and the neighbours are hastening round to call and look about them. Mr Macmillan arrives in Paris with Mr Selwyn Lloyd on June 29th, Mr Dulles on July 5th, and Dr Adenauer is expected to be only a short step behind. Mr Macmillan's talks are said officially to be informal (if that word can be applied to the general at any time), just as his visit to Washington was ; the Algiers acquaintanceships of 1943 are turning out to be more consequential than he can ever have imagined then. The idea that the general should see Mr Macmillan before he sees Mr Dulles comes, apparently, from Paris. Between the two visits there is to be another quick sortie to Algiers.

Although the general's visitors have already been assured that he intends to abide by Nato, there are still qualms about how he means to fill the vacant chair. His radio and television address last weekend had some nuances which the allies will want to clear up. France, he said, belonged to the western world but ought not to be "confined" to it. France should have its "own" place and carry out its "own" policy. This reassertion of great-power status can disrupt western plans arranged earlier with more pliant men in Paris. What are the general's ideas on the summit ? Is he so bent on a French nuclear bomb that he will reject any negotiated suspension of tests that may come out of the experts' conference at Geneva on July 1st ? Will he back Mr Dulles into a corner by demanding atomic secrets which Congress is reluctant to release, or by insisting on tough conditions for missile bases on French soil ? Does his vision of the future Europe really coincide with Dr Adenauer's ?

But France's place in Nato and its claim to be a great power depend on a settlement in North Africa. General de Gaulle's visitors will expect to be told more of his plans than the settlers in the Algiers forum have heard. And, in turn, they must make clear that the support they have been promising him in their congratulatory messages depends on his ability to take the political decisions in Algeria which his predecessors were powerless to do. This is the rub, and goodwill tours by the general's itinerant ministers of state cannot remove it. The issue will arise urgently when France asks for American and German aid in the autumn. It is better to give notice of what is expected of the general now.

NORTH AFRICA

Orders from the General

THE overtures which General de Gaulle made to Tunis and Rabat immediately after his accession to power have been followed up by effective diplomacy. Performance has overtaken promise. The general's readiness to order the withdrawal of French troops from local posts in both countries makes a flattering contrast to the dilatoriness of republican prime ministers who quailed at the thought of the Assembly's reaction to pulling back to Bizerta and Agadir. President Bourguiba has professed himself impressed. The Moroccans, too, are relieved to see the end of ten French posts, each one of which might have prompted serious trouble at any time in the long Algerian crisis. It is a good beginning.

For France the diplomatic gains are immediate. The acrimonious post-mortem on the bombing of Sakiet has been cut short. The Algerian rebels (FLN) who have been attempting to turn the present Tunisian-Moroccan talks in Tunis into another Tangiers conference are finding their allies even more reluctant than before to provoke the general. It looks as if the French have, in fact, staved off the formation of a rebel government for some months. The disillusionment in Tunis and Rabat after General de Gaulle's speeches in Algiers, Constantine and Oran has again lifted. Even so, distrust is likely to remain until the future status of Bizerta has been decided and either the last French soldier has left Tunisian and Moroccan soil or France's retention of specific military bases is formally recognised.

The general has made a sensible gesture to his North African neighbours ; his latest gesture to the army in Algeria is more ominous. The installation of army commanders in the prefectures of Algeria (General Massu himself taking over Algiers) without previous approval from Paris suggests again that the intention is not to negotiate a political settlement but to impose a military one. General Salan has sounded the tocsin vigorously. The FLN, he has reported, have increased their activity since General de Gaulle's visit, and he is anxious for reinforcements. When General de Gaulle returns to Algiers on July 2nd he will have to take a hard look at the policies of the army leaders ; his influence in modifying them is still in doubt. It would be no less intriguing to know what reception Algiers is preparing for the general's travelling companion, M. Guy Mollet, on his first appearance since the luckless day of rotten tomatoes in February, 1956.

LEBANON

Limitations of Brinkmanship

THE outburst of mortar fire in central Beirut last weekend falsified the belief that the Lebanese troubles were grinding to a compromise. Mr Hammarskjöld has gone in person to Beirut to see how his small corps of observers, under their Norwegian commander Major-General Odd Bull, can carry out the Security Council instruction "to ensure that there is no illegal infiltration of personnel or supply of arms or other material across the Lebanese frontier." He has made it very clear that the observers, as their name implies, are only there to report ; before they could do anything more effective they would need substantial reinforcement and a new United Nations resolution.

Even before the secretary-general arrived in Beirut, President Chamoun had appealed for a bigger international force with a bolder brief. But Mr Hammarskjöld may be pointing out that the United Nations would be reluctant to assemble and dispatch a force to hold the land frontiers against rebel supporters while the government remained free to receive American arms, and possibly units, from the seaward side.

President Chamoun is presumably calculating that his army can deal with the insurrection so long as the rebels are isolated from foreign sources of supply. But frontier supervision may no longer be the decisive factor if, as has been suggested, the Opposition already have all the arms they need. And the army, although it had to turn out against the rebel attack last week-end, is still somehow contriving to give the appearance of being outside the quarrel. As the fighting goes on, it will become more and more difficult for the commander-in-chief, General Shihab, to avoid commitment.

The further the Lebanese seem from settling their differences themselves, the greater becomes the temptation for outsiders to intervene. The Arab republic could be drawn into the conflict by its Lebanese partisans, even against its better judgment. Mr Dulles has spoken of the need to protect American lives and property, and this need might carry him well over the brink. The presence of the Sixth Fleet, and the piling up of British forces in Cyprus, may be a moral support for President Chamoun, but it is far from clear whom they are intended to inhibit, or how they could be used in Lebanon except at heavy cost to the West in the Middle East.

STRIKES

Mr Cousins Seeks the Exit

MR COUSINS went back to London Transport on Wednesday to ask for a straw to clutch on, for a rearrangement of terminology rather than of terms. He got precisely that. It may, of course, have been an unnecessarily large straw ; the negotiations about not leaving the country busmen "in an unfavourable position" will show whether it was. But, whatever its size, Mr Cousins is certainly, as we go to press, trying to sell it to his delegates as looking larger than life. For the principal feature of the industrial scene this week has been the spectacle of Mr Cousins trying strenuously to get out of a strike.

There need be no surprise about this. Mr Cousins has always been some sort of a calculating machine (not perhaps a particularly desiccated, but by no means necessarily a wet one). By Friday of last week he had very sensibly calculated that his interests would be worse served by a continuation of the strike than by a quick cutting of his men's losses. In part, this was because the strike was building up a very uncomfortable situation for all busmen, by steadily reducing the number of buses that Londoners would want when it was over ; in greater part, it was because he felt that his offensive had struck bone. There is a moral in this. It had been said that Sir John Elliot's fighting attitude after his now famous press conference on June 1st would, by antagonising Mr Cousins, prolong the strike ; in fact, this new attitude was the turning point in persuading the TUC and (more gradually) Mr Cousins that the strike had better be ended. The principal reason for Mr Cousins's apparent *volte face* last week was his shrewdly tactical recognition that nothing more of substance was likely to be wrung out of London Transport. It was for this reason that he recommended the men to go back to work, and asked them to confirm this by garage vote. He must have been as surprised as anybody else—although he absorbed the shock with aplomb—when a narrow majority of the garages voted instead to continue the strike.

Half-Disinterested

THERE were several curious features of that garage vote. Not the least curious was that, in the minority of garages for which detailed figures are readily available, only just over half the men turned up to vote. There were wide variations around this extremely rough average. At the very tough and trouble-making East London garage of Dalston, for example, only 194 out of 656 men turned up. Undoubtedly, in some garages, the low turn-out reflected the feeling of many rank-and-file busmen that their local trade union affairs are a matter run by militants whom it is exceedingly imprudent to rile, especially in an open vote made by show of hands. But other garages, such as Hertford, where there was a virtually full turn-out, accompanied Dalston in voting against a return to work. Equally undoubtedly, voting in these garages reflected the Englishman's inborn unwillingness to surrender, in a doughty fight to which he has been committed and which he has therefore taught himself to regard as just. Perhaps the fairest summary of the voting—and of the abstentions—is that although the active vote in favour of staying out was cast by possibly little more than a quarter of the men (compared with nearly three-quarters who either voted against or abstained), yet those who really wanted to come back showed precious little determination to do so.

A contributory factor is that many busmen have now got other casual jobs, and are reasonably happy in them, while drawing Mr Cousins's constantly increasing strike pay to boot. This generalisation conceals a lot of real hardship in individual cases ; so, on the other side of the strike barrier, does the generalisation that the stoppage has caused remarkably little annoyance to London's commuters. But the broad and rather ridiculous facts remain: that the struggle which Mr Cousins had meant to be an epoch-making one has degenerated into an affair about which singularly few people feel passionate, and which the union executive itself now does not want ; that it has demonstrated, as signally as anything could do, that the dislocation liable to be caused by strikes has been grossly overestimated since the war, just as the damage wrought by easy wage inflation has been consistently underestimated ; that it is going to have as its most lasting consequence an economically useful cut in London's unprofitable bus services ; and that the sorcerer's apprentice who started the flood has been finding it singularly difficult to stop it now that he wants to.

Others Coming Back

THERE has been a turn for the better in the other strikes this week. As a postscript to the unsuccessful unofficial stoppage on the tubes, Mr Doubtfire, the gentleman whom London Transport paid as an engine driver but who had for long acted as a full-time shop steward instead, has been told that he must go back to driving trains ; as it has been discovered that he has not driven one regularly since 1949, he is attending a motorman's school for a

refresher course first. More important, after a show of hands more successful than that at the bus garages, 1,500 meat drivers at Smithfield decided on Wednesday to end their nine week strike. This gives hope that by next Monday both the market and the docks may be working normally. The Smithfield drivers have been on strike since April 19th; their strike spread first to the other 6,500 men employed at the market, then to Tooley Street (where most of London's imported meat is handled) and eventually, over the issue of employing unregistered dock labour, to the whole of the Port of London. A well-entrenched group of troublemakers was running all these strikes; but during the past week their position was weakened by the success of union officials in the docks in persuading 12,000 strikers to return to work, and by the feeling that was growing among the Smithfield men that, while many of them had lost well over £100 each in pay, the shops continued to have meat in nearly as great a quantity as ever. The decision of the Minister of Labour to set up a committee of investigation into the dispute provided the peg that the strikers were looking for to agree to return to work.

Unfortunately, however, if this committee does its job properly, its report may well bring some Smithfield men out again soon. The committee has been given terms of reference wide enough to enable it to consider the whole question of labour relations and organisation in the market, and it certainly ought to use them. For, apart from the immediate issues, there is much that needs to be done at Smithfield. The 10,000 tons of meat passing through there each week is handled by a labour force notorious for its restrictive practices. There is the problem of the free-lance bummarees, for example, whose tight and illegal monopoly of carrying meat to retail vans brings them in £25 a week and more, while causing endless delays. Then there are the 200 pitchers, another self-employed group who carry meat from lorries to the wholesale stalls, and who are also a law to themselves. The position has even been reached where a lorry driver is not allowed to take meat from the front of his vehicle to the back because a separate "puller back" has to be employed. Professor Jack and his two colleagues should be urged to be courageous and not unduly hurried in their investigations, and to make recommendations for a thorough labour reorganisation in the market.

While the Smithfield decision should lead to a full resumption at the London docks next week, 8,000 men are still on strike there at present, half of them workers at Tooley Street. During the last few days, the tactics used by the unofficial portworkers' committee to keep the strike going have reached new heights. After all the dockers except those in Tooley Street had voted last week to return to work, the committee called sudden meetings to endorse strike action, heckled union speakers, and spread what the union called "wilful rumours" (others would use a shorter word) that unregistered labour was being used. Small, militant bands of strikers even went from one group of docks to vote outside others in the hope of helping to outnumber the men there who wanted to continue working. At Tooley Street, on Monday, one union official demanded that men be allowed to vote without being "coerced"; after this particular speech, perhaps significantly, men there voted in considerable numbers for the first time to end the strike. It is not only Smithfield which needs an overhaul of its system of labour relations.

EASTERN EUROPE

Murder in Budapest

IMRE NAGY is, and probably will remain, unique among Communist leaders of recent times in that he has gone to his death respected and mourned throughout the non-communist world. He considered himself a sincere follower of Marx and Lenin; but he was a moderate, he was humane, and he was first and foremost a patriotic Hungarian. The three associates executed with him include General Pal Maleter, who organised the resistance to the Russian army in October, 1956; Geza Losanczy, whose name has always been closely linked with that of Mr Nagy, is stated to have "died of illness" in prison.

The manner in which Mr Nagy came to his end is, even by communist standards, particularly cynical and sordid. In November, 1956, the Russians got hold of him by means of trickery and false promises. He was tried in secret—exactly when, is not known—by an extra-legal body that has already been denounced by the International Commission of Jurists for its failure to provide "minimum safeguards of justice," on charges that are either false or, where true, not criminal.

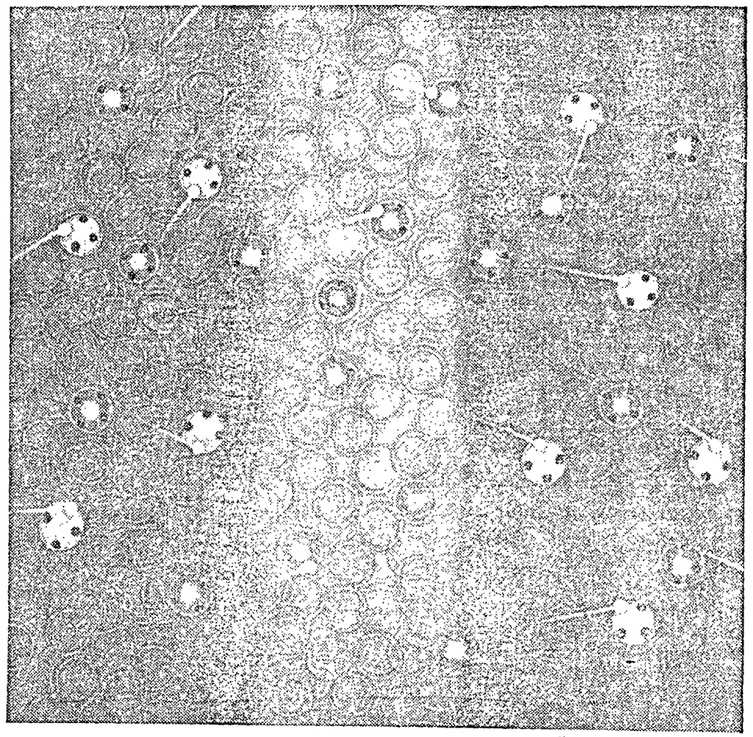
Mr Kadar and his colleagues have been responsible for plenty of secret trials and executions since they came to power. But they can hardly feel comfortable about Mr Nagy's fate. A potential rallying-point for popular discontent has, it is true, been removed; but they must know that nothing is more likely to cement the implacable hostility of the Hungarian people to the present regime than the secret murder of the man who, although at the time of the revolution tragically misunderstood by many Hungarians, is now recognised as a patriot. Moreover, Mr Kadar was a member of Mr Nagy's government in the crucial month of October, 1956. What is to prevent the charges on which Mr Nagy was sentenced to death from being levelled against him, too, when Moscow chooses?

Anger in Belgrade

BUT it was the Russians, not their puppets in Budapest, who were responsible for Mr. Nagy's death. Their motive for taking a step which they must have known would shock the whole of the non-communist world and arouse all its old suspicions of Soviet Russia must have been very compelling. Presumably it was a desire to serve notice on "revisionists"—in Belgrade, Warsaw or anywhere; no doubt in Russia, too—that Moscow has lost patience with them and intends to root them out.

In particular, Mr Nagy's death is a heavy blow by the Russians in their campaign against Belgrade. Not only was there considerable similarity between Mr Nagy's ideas on the proper development of communism and those put forward by the Jugoslavs; but his execution is a calculated insult to the Jugoslavs under whose protection in Budapest he had put himself in November, 1956. Mr Khrushchev would not have permitted it while he still intended to remain on friendly terms with Marshal Tito.

It may or may not be a coincidence that Mr Nagy's execution was announced less than forty-eight hours after Marshal Tito had roundly denounced the communist campaign against Jugoslavia in a speech larded with excellent



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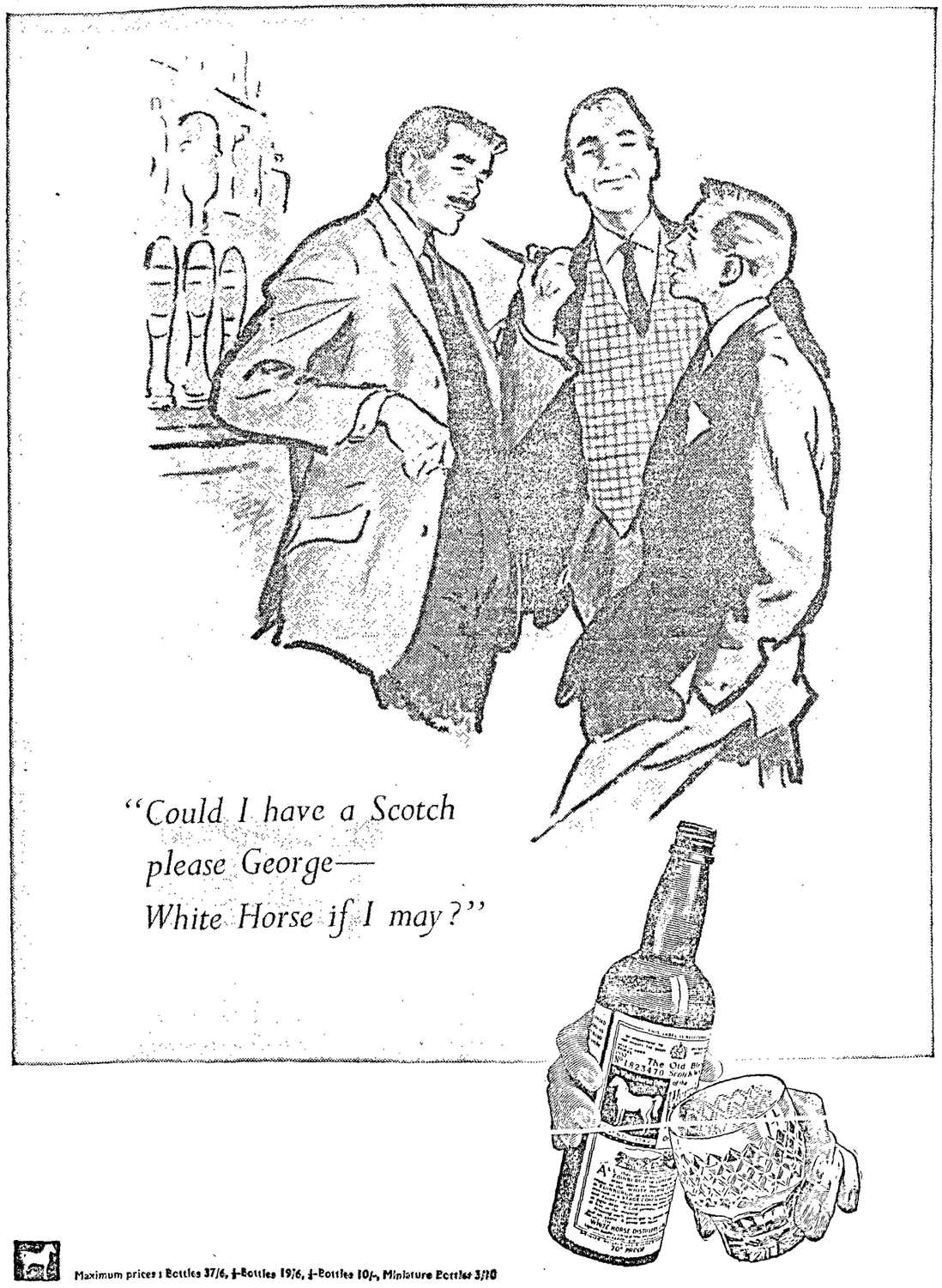
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comebacks and palpable hits at Mr Khrushchev. The speech also included, for the first time, an outspoken attack on the Chinese. He told them that Marx, Engels and Lenin would turn in their graves if they knew how their thought was being treated in Peking, and suggested that the Chinese were trying to solve their internal difficulties by hostile attacks on Jugoslavia. Marshal Tito also pointed out that the Chinese had especially "pounced upon" the Jugoslav foreign policy of peaceful co-existence. He will not have been surprised to learn that in the indictment against Mr Nagy particular exception was taken to his known approval of peaceful co-existence, the abolition of the power blocks and Hungarian neutrality.

LABOUR PARTY

Mr Gaitskell in Command

THE struggle for power in the Labour party is in some ways even more interesting when rows are not in progress than when they are. Whatever may have happened to his standing in Parliament and the country in the last few weeks, there are intriguing signs that Mr Gaitskell has recently strengthened his personal control within Labour's citadel. This process of strengthening began when he made his (at the time distinctly brave) decision to strike out against the wave of H-bomb pacifism in his party three months ago. To protect himself from the Swinglerites he whistled up his trade union bodyguard on the national executive, and it was surprising how quickly it rallied to him, uttering threats of proscription against all active unbelievers. The recent split within that trade union bodyguard itself also seems to have strengthened, rather than weakened, Mr Gaitskell's personal position. The union leaders' famous "recommendation" to Mr Cousins not to spread the bus strike showed that the TUC is still a preponderately orthodox body, and orthodoxy means support for Mr Gaitskell. At the same time Mr Cousins, although he is cross with his fellow trade union general secretaries, is not cross with his party leader; he has no other leader to whom he can turn, and he does not at present want to

The Little Election

A student of electoral statistics writes:

VOTING in by-elections and local elections over the last two months now seems to fit into a reasonably clearly discernible pattern.

Dissatisfaction with the Government reached its highwater mark in the county council elections on and around April 16th last. For those who had eyes to see—and it is surprising how many people hadn't—the tide had already turned by the time of the borough and urban district council elections on and around May 8th; the most obvious emotional event in the intervening three weeks was anger with the trade unions—and with Labour—about strikes and the threat of them. The Conservative recovery appeared to have been turned back when North Islington went to the polls on May 15th, and, in one of the lowest votes on record, returned a 10.4 per cent swing against the Conservatives (nearly as big as the swing it had recorded against them in April's county elections). But the Islington by-election took place on May 15th, two days after a railway strike had been averted on terms that seemed to some Conservatives to spell surrender—and when other strike settlements were believed to be imminent. By the time of last week's five by-elections, Mr Cousins was again a bogeyman; and the Conservative recovery shown in these by-elections was of the same general order as had been observable in the borough results. To take the elections in the two safe Labour seats first:

(1) In *Wigan*, the swing away from the Conservatives towards Labour, compared with 1955, was 5½ per cent. That swing, repeated in straight fights right across the country at a general election, would give Labour a majority of around 100 in the House of Commons. But Wigan—an area of relatively high and recently rising unemployment, with a very good Labour candidate in the field—might well be an area of above-average swing to Labour *just now*.

(2) In *St. Helens*, on a much lower total turn-out, the swing from Conservative to Labour was only 0.4 per cent. That swing, repeated right across the country, would leave the Government in power at a general election. But St. Helens—where the new Labour candidate, chosen after some local contention, was no Sir Hartley Shawcross—was certainly an area where the swing to Labour was expected to be below-average.

One's own guess is that, if there were an immediate general election, the swing to Labour might now be of the average order of 4 or 5 per cent compared with 1955, giving a Labour majority of between 60 and 90 in the House—as a result of straight fights only. That would represent a considerable Conservative come-back since mid-April; if the come-back has been due to temporary indignation with the trade unions, it remains to be seen whether it may not be evanescent.

The other three by-elections last week saw Liberal interventions and (as at Wigan) remarkably high polls. The Liberal candidates at South Ealing, Weston and Argyll secured, respectively, 17.2, 24.5 and 27.5 per cent of the poll; these are being called disappointing results for the Liberals, but only a short time ago they would have been regarded as quite remarkably good. It is true, however, that they are not as good for the Liberals as Torrington and Rochdale—nor, certainly, as bad for the Tories. On the Torrington-Rochdale scale of desertions from Tory to Liberal, and counting only seats for which a Liberal candidate has been adopted, it was suggested in *The Economist* of May 10th that Liberal interventions might lose the Tories an extra 39 seats (30 of them to Labour and the other 9 to the Liberals). On the basis of last week's results—two of which showed defections to the Liberals coming from Labour as well as from the Tories—the Conservatives might hope to have cut that scale of additional losses about in half. The swings in detail were:

(3) In *Ealing South*, the Conservatives lost 9.3 per cent of the poll compared with 1955, of which 7.7 per cent went to swell the Liberals' share and 1.6 per cent swelled Labour's. But during the county elections and—even during the borough elections—the direct swing from Conservative to Labour in these inner London suburbs had been much bigger.

(4) In *Weston-super-Mare*, the Liberal secured his 24.5 per cent of the poll by drawing 13.4 per cent away from the Conservative and no less than 11.1 per cent away from Labour. This was a considerable knock to Transport House.

(5) In *Argyll*, the Liberal secured his 27.5 per cent of the poll by drawing 21 per cent away from the Conservative and 6.5 per cent away from Labour. The total poll here was actually slightly higher than at the general election.

form (nor probably could he form) anything approaching an independent Cousinsite political wing.

Now, in these last few weeks, a series of possible storm clouds for Labour have blown up in foreign skies. There have been four recent issues about which Mr Bevan might have been expected to belch smoke: General de Gaulle's accession in France, disarmament, the American attiude to Lebanon, and Cyprus. On the first two of these Mr Bevan may in fact have shown some signs of emotional disturbance (there is dispute about what his rather turgid speech in last week's disarmament debate was meant to mean). But certainly the storm clouds have not broken. Whenever a really important statement has had to be made, on Cyprus on Tuesday at the dispatch box or on general foreign policy in a weekend speech, it is Mr Gaitskell who has turned up, softly purring. There can be dispute whether Mr Bevan is showing loyalty because he wants to, or because he has to, having lost the support of many of his Bardolphs and Pistols from his Prince Hal days. Perhaps the two explanations of his quietude are so complementary that Mr Bevan cannot disentangle them himself. But Mr Gaitskell's recent skill in party bossmanship has been remarkable. More than in almost any other period in Labour's history—not excluding the greater part of the Attlee era—it is what the leader says, on any important matter, that now usually goes.

NIGERIA

Premiers in Conflict

As plans go forward for the Nigerian constitutional conference in London next September, signs multiply in Nigeria that it will be marked by none of the amity which distinguished the previous conference last year. As last year's formula was that all the questions which divide Nigerians should be passed to commissions to examine, while attention was concentrated on the simple theme which unites them—independence by 1960—this should surprise nobody. Now the Nigerian leaders have the commissions' reports before them: on the problems of the minorities and the desire to carve separate "tribal" states out of the existing regions, on the allocation of finance between federation and regions, on the federal boundaries of Lagos and on police and the judiciary. On all these questions they clearly remain as divided as ever. In fact, it is doubtful if they can agree even about the number and composition of the delegations to come to London. It may be that, once again, all the parties will send representatives, whose voices will be as diverse as fifteen months ago. But this time decisions cannot be handed back to commissions again.

Already the prime minister of Western Nigeria, Chief Obafemi Awolowo, has left in dudgeon the brief premiers' preparatory conference in Lagos complaining that there is no agreement on the provisions of the constitution on basic rights and liberties, and protesting at the privileged position proposed for the "hereditary rulers." His complaints are clearly aimed at the North, which will achieve regional independence next year, no doubt with institutions that will define the powers of the emirs not too circumspectly. Meanwhile Dr Azikiwe, the prime minister of the Eastern Region, has suppressed yet another revolt in his own party, the National Council of Nigeria and the Cameroons; but he has done so at the heavy cost of having to expel from it two federal ministers, Chief Kola Balogun, its only Yoruba leader, and the redoutable Dr Mbadiwe, federal minister of communications. Dr Azikiwe has also postponed an early trip which he was to have made to London, to discuss the comparatively pacific question of a new university; he had better be watched, for when in difficulty he generally finds it useful to twist the lion's tail. Meanwhile the "all-party government of unity," which the federal prime minister, Abu Bakr Tafawa Balewa, formed at the end of the last constitutional conference, is fast breaking up. Mr Lennox-Boyd must be thankful that he refused last year to promise full independence by 1960. But this still leaves him in trouble, for Nigerian nationalism has not abated. It by no means follows that Nigerians will say to Mr Lennox-Boyd in September: "You were right; we are still divided; we must keep the British a little longer lest we lose the real prize of independence, Nigerian unity itself." The air is more likely to darken with accusations of imperial perfidy, as poor Mr Lennox-Boyd still struggles manfully towards the singularly non-imperialist policy of "unite and let them rule."

SOVIET UNION

Moscow's Thoughts on Nasser

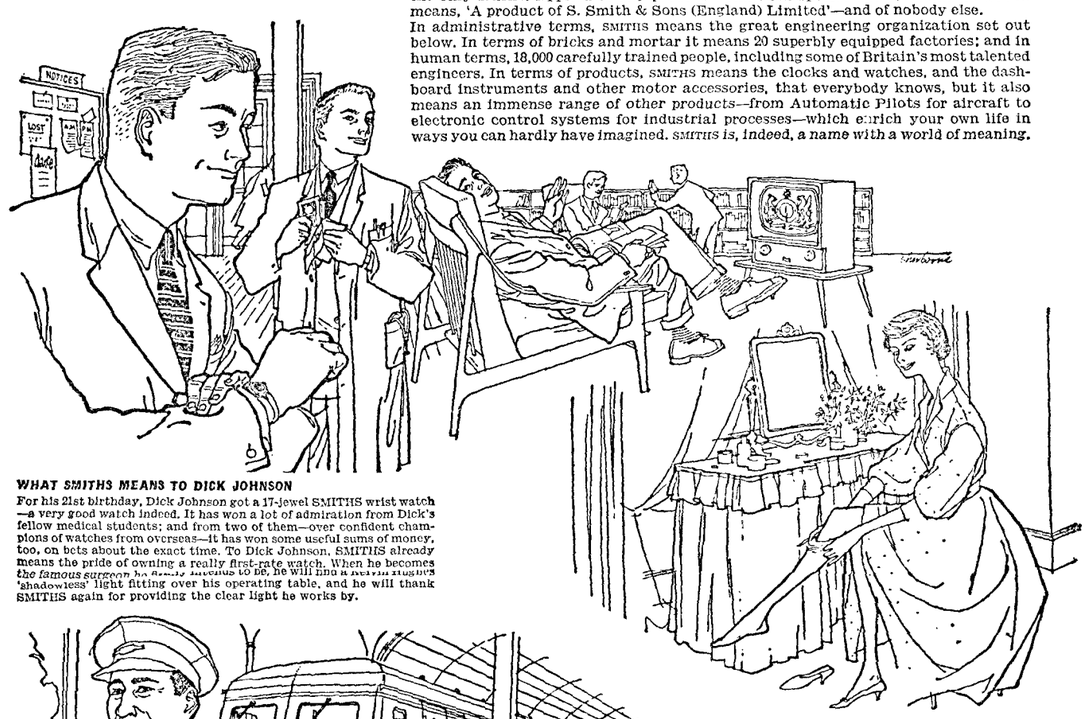
ARE the Russians losing some of their enthusiasm for Colonel Nasser? The question arises because of their handling of the Lebanese crisis, in the first weeks of which Moscow talked of the events in Lebanon almost as if they were a repetition of the Suez crisis. The Soviet government in a special statement, the Russian press in numerous articles, harped on the theme that the Soviet Union could not remain indifferent in the face of an American threat of intervention in an area so near to its southern frontier. For a time the accent grew daily shriller.

From May to June a subtle change took place. The Moscow newspapers progressively switched the emphasis of their anti-American campaign to such topics as the preparation of "biological warfare." More important, in the Security Council on June 11th Mr Sobolev, while he repeated all the Soviet charges, did not vote against the Swedish proposal to send observers to the Lebanese-Syrian frontier; he merely abstained.

Too much should not be read into this trend. Moscow has certainly no intention of abandoning its Afro-Asian offensive. The increased volume of broadcasting to these areas, and the preparations now going forward for a congress of African and Asian writers at Tashkent, are sufficient proofs of that. At the same time, the communist rulers may well have begun to permit themselves doubts about President Nasser's future attachment to their interests. The association between Moscow and Cairo has had no more solid basis as yet than the immediate common hostility to the West. If they look further ahead, there are really no grounds of substance on which the communist rulers can persuade themselves that the two movements which President Nasser leads (the Egyptian officers' revolution and the pan-Arab movement) will in fact play the communist game. Moscow may not choose to back President Nasser in every adventure he may become involved in—particularly when it brings the danger of a head-on collision with a united Anglo-Saxon block. One problem for Moscow—just as for the western governments—is to assess the size of the risks in the Middle East, and to guess which are worth taking and which are not.

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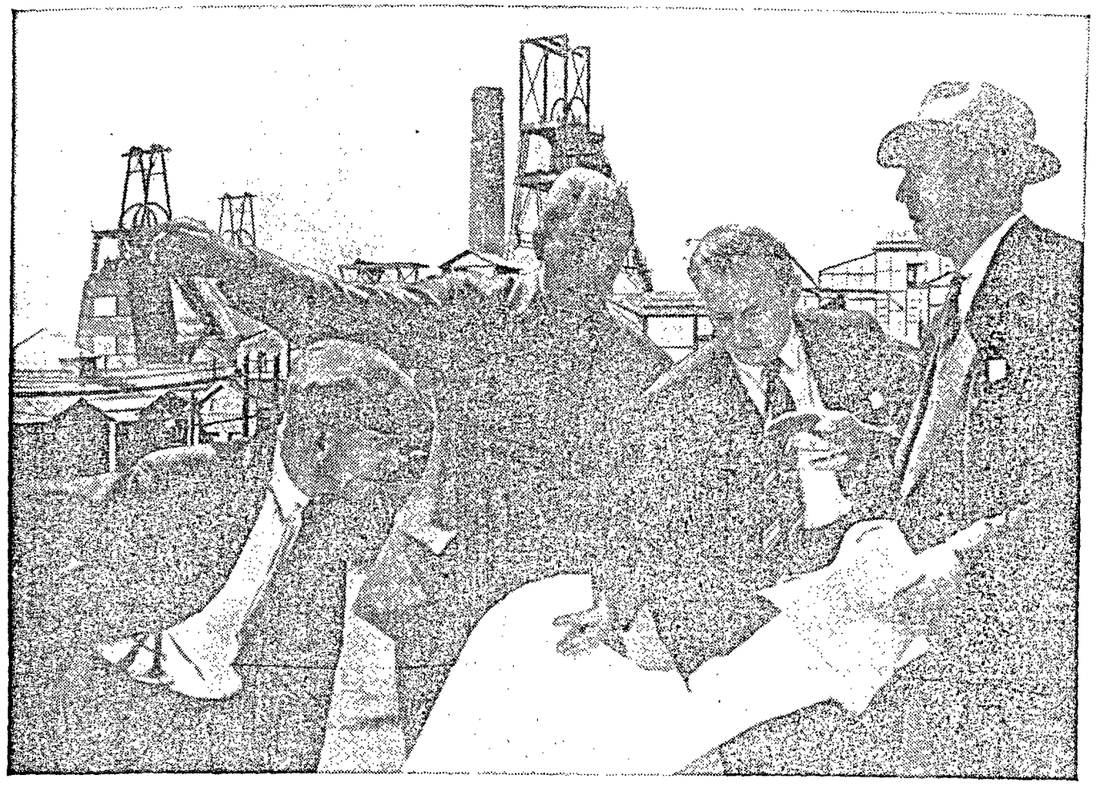
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FREE TRADE AREA

A Time for Compromise

NEGOTIATIONS on the European free trade area may soon come to life. In March, the French government under M. Gaillard laid a memorandum strongly critical of the British concept before the five other members of the European economic community. They and the community's executive commission have since devoted a good deal of thought and effort to evolving new common proposals acceptable to France, which yet go some way to meet the very different British view. Now that there is a French government—a government, too, which is likely to have a clearcut policy—the six hope to complete the formulation of their common stand. Serious negotiations with Britain and the other countries outside can then begin.

The proposals of the six are likely to be constructive. Not only the free-trade-minded Germans and Dutch, but the executive commission of the six appreciate the necessity of finding a *modus vivendi* with the rest of western Europe. On agriculture; on the notion that members should commit themselves to the five-day week, equal pay and equal holidays in industry; and even on the request for a share in the benefits of imperial preference, practical study and cool consideration on both sides of the Channel have cut down the giant differences to man-size. But the gap will not be closed without real concessions from Britain. The vexed issue of the external tariff which the free trade area is to maintain is still unresolved. Institutions may also raise more difficulties than appear at first sight. Between the federal aspirations of the European community and the more limited purposes of the free trade area scheme there is a significant political distinction. The commission of the six has been much preoccupied with the need to preserve the community's unity and political initiative within the broader scheme. It will take time, patience and perhaps a period of active working partnership before a satisfactory political relationship is established between the six and the rest.

Mr Maudling's hope of having a free trade area in the bag by the end of the year can hardly be realised now. It is hard luck on Mr Macmillan's government, which could do with the fillip of a grand European treaty. For a time earlier in the year, Mr Maudling's vigorous diplomatic pressure did succeed in forcing the pace—spurring France and the six to think actively about the free trade scheme. But the time for pressure alone seems past. The six appear prepared to show goodwill and overcome the urgent practical danger for the countries outside—that tariff discrimination against them might set in on January 1st—by a provisional 10 per cent tariff reduction on that date throughout western Europe. If the more lasting arrangement, so much in Britain's interest, is to be achieved, the British Government on its side has to appreciate that the time has come for compromise.

HOUSE OF LORDS

Backwoodsmen on their Honour

THE House of Lords is not taking too kindly to the Government's proposals for trying to keep out the backwoods peers, even though the Government's requirements are becoming increasingly modest. The new standing order of the House, as finally debated this week, merely empowers the Lord Chancellor to write to every peer, asking whether he wants to apply for leave of absence. Any peer who does not reply within a month is automatically to be given leave of absence and from then on he will be "expected" not to attend the House until he has given notice. The use of the word "expected" dispels any suggestion of legal compulsion, but even this was too strong for some of the peers, notably for Lord Salisbury.

Although not able to be present for the debate, Lord Salisbury took the unusual course of letting his always influential views be announced by another peer. Lord Salisbury argued that the writ of summons sent to a peer at the beginning of each Parliament cannot be set aside by any action of the House, and that even if a peer had been given leave of absence, he ought still to be free to attend in an emergency without any "moral stigma" attaching to him. The Government's answer to this was that 300 or so peers (more than one in three) had never felt compelled, by any crisis, to come to Westminster.

It was no doubt a tribute to Lord Salisbury's persisting influence, at least on the House's domestic arrangements, that a proposal to remove the "expected" stigma was only defeated by 52 votes to 36. A typically woolly Labour motion to adjourn the debate so they could all think again was beaten more easily. The debate confirmed, however, that the Government's tentative, piecemeal efforts to reform the Lords are falling between two stools of criticism. Creating a few life peers (and peeresses), putting backwoodsmen vaguely on their honour not to attend, and giving peers who do attend a small allowance, adds up to more than the diehards would like, but is not nearly radical enough for those who want to see a streamlined and invigorated House of Lords. As the number of people who want to see a really invigorated Lords is strictly limited, however—it is not only Labour which thinks that such a thing could be dangerous—the new and undoubtedly illogical system can now be expected to pass peacefully towards its inauguration.

NATIONAL INCOME

What Price Home Cooking?

MR COLIN CLARK has always brought to the study of national income statistics an ingenuity worthy of the naturalist Cuvier, who could reputedly deduce the whole bird from a single feather. In the current Bulletin of the Oxford Institute of Statistics* he tackles a long-standing paradox: that of the unpaid household services whose quantity and quality are obviously all-important to the national standard of living supposedly measured by national income, but which, being unpriced, are excluded from all official totals. (As Professor Pigou has put it, if a number of bachelors employing paid housekeepers decided to marry them then the national product as officially measured would fall.) What, Mr Clark asks, is the proper value to set on unpaid housework? And how has that value changed over the last seventy years or so?

The feather from which he reconstructs his domestic

* Bulletin of the Oxford University Institute of Statistics, Basil Blackwell. 215 pages, 10s. 6d. Vol. 5, No. 2.

fowl is the cost of local authorities' institutional domestic services. Duly analysed, these show that the annual cost of attending to a child of under five is £330, while for older children the corresponding figure is £182 and for adults £112. Applying these figures to the population statistics, he discovers that in 1956 the value of housework amounted to just over £7,000 million—which compares with just under £16,000 million for the national income as generally reckoned. That the home-cooking element in the real national income should amount to nearly a third of the whole is sufficiently startling; even more startling is the calculation that in 1871 this element in the national income came to considerably more than half—the work of wives and mothers being at this date more valuable than the entire output of their menfolk.

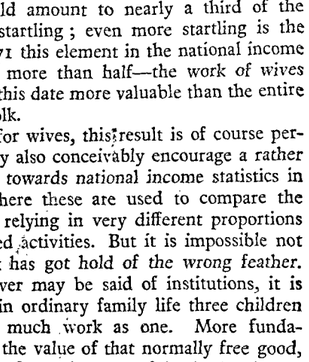
As a talking point for wives, this result is of course perfectly splendid. It may also conceivably encourage a rather warier public attitude towards national income statistics in general—especially where these are used to compare the outputs of economies relying in very different proportions on priced and unpriced activities. But it is impossible not to feel that Mr Clark has got hold of the wrong feather. For one thing, whatever may be said of institutions, it is simply not true that in ordinary family life three children make three times as much work as one. More fundamentally, to calculate the value of that normally free good, a housewife's services, from the cost of institutional care is like calculating the value of that normally free good, breathable air, from the cost of pumping it down a mine-shaft, or the value of a hand or foot from that of an artificial limb.

To reckon up all the free goods normally enjoyed at the value of their nearest market-price substitutes would make us all multimillionaires. This is a thought conducive to a certain Victorian-moralistic contentment, but not really very illuminating to the economic scene.

INDONESIA

The Last Phase

THE Indonesian rebellion, several times declared by foreign journalists and Jakarta spokesmen to be over, may now indeed be entering its last phase. The central government has landed forces near Menado, the rebel "capital" in the extreme north of Celebes, and has announced that "large-scale landings" are to follow. A number of islands, including Lembeh, have been seized. On Celebes itself, central government forces have been advancing towards Menado from their beach-head at Gorontalo.



The fighting, so far, has been on a small scale, but the fact that there has been any fighting at all tends to confirm the impression that the going will be harder in north Celebes than it was in central Sumatra, where the invading force met virtually no resistance. A central government communiqué, for instance, speaks of a rebel counter-attack on Lembeh island, launched from a port opposite, though it claims that it was defeated. Rebel spokesmen say that they have 10,000 men under arms in north Celebes and that their orders are to meet the attacking forces and fight. Guerrilla action is not, apparently, contemplated. The rebels are believed to include tough Ambonese soldiers—whose martial qualities are traditional.

In the long run, the scales are heavily weighted in the central government's favour. How long a run may, however, be of more than academic interest. The financial situation in Jakarta must be alarming to President Sukarno's advisers. The prime minister, Dr Djuanda, said in a speech earlier this month that "if the rebellion had not been suppressed" the government would have had to stop paying its armed forces and to close its diplomatic missions abroad. The rebellion, however, is evidently not over yet, and unless President Sukarno's men score a rapid success, the hazards of which Dr Djuanda spoke may reappear.

The prospect of a decline into further chaos in Indonesia is not one that can bring pleasure to anybody outside the communist block; nor would it necessarily further the rebels' aims.

GERMANY AND THE WORLD BANK

A Mite from the Great Provider

MR EUGENE BLACK has once more succeeded in persuading the West Germans to dip into their ample reserves to lend to the World Bank. The new $75 million loan brings Germany's total lending to the bank in the past eighteen months to $250 million. In its annual report the Bundesbank takes pains to point out that this contribution to the liquidity of the World Bank's clients does not show up in the figures of German reserves. The short and medium-term dollar certificates from the World Bank which the Bundesbank has bought, like the credits Germany grants to the European Payments Union and the special account for arms which it has opened in London, appear as assets in the balance sheet of the Bundesbank lumped in with the pile of foreign exchange reserves. At the end of last year £540 million of the £1,940 million of reserves in Frankfurt consisted of assets of this kind, where the cash in fact remained in other hands, financing world trade. Well over half the £435 million increase in German reserves last year and a fair proportion of the new accretions since March were accounted for in this way.

Even if these tied assets are left aside, however, the reserves of gold (nearly £900 million) and foreign exchange (over £500 million) in Frankfurt are comparable in scale with the gold and dollar reserves held in London—nearly £1,100 million. West Germany has no such accumulation of dollar securities as Britain has; but its overseas liabilities are also far more slender. True, in the next few years some £680 million will have to be paid out under the London debt agreement of 1953; reparations to Israel may take another £140 million and compensation to individual victims of nazism a further incalculable sum—perhaps several hundred million pounds. But obligations to holders of marks abroad are negligible beside the £3,200 million of overseas sterling holdings.

A new peak figure for German currency reserves was announced at the same time as the World Bank loan. The trade figures for May show a record surplus. Continuing internal expansion has increased the volume of German imports this year as Professor Erhard hoped it would; while the growth of exports has been halted and turned back by recession abroad. But all the gain—from a foreign point of view—has been wiped out by an improvement in Germany's terms of trade as raw material prices have fallen. The Germans will evidently have to find more lavish ways of exporting capital and reserves. But cast as they are (by other people) in the part of great provider, they are very much aware not only of the inflationary risks but of the tremendous political significance of the various projects to increase international "liquidity."

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BRITISH GUIANA

Money from Somewhere

NEXT week quite an important little meeting behind closed doors will take place in the Colonial Office about the finance and development of British Guiana. It will consist of Dr Jagan, the Minister of Trade and Industry, Mr Beharry, the Minister of Natural Resources, the Governor, Sir Patrick Renison, the Financial Secretary and the Colonial Office experts. In the last elections, for the new but limited constitution, Dr Jagan made the pledge that if he and his People's Progressive Party were returned to power—or rather to partial power—he would make a world tour to find money for a much accelerated development of the territory. He is now short of cash, and there is every reason to believe that he wants to do this—and some reason to think that the Colonial Office wants to head him off. The Colonial Office has two lines of argument. The first is that the current five-year development plan is already costing £20 million, exclusive of Colonial Development and Welfare funds and some Commonwealth Development Corporation projects; the other is that Dr Jagan would merely cause fresh trouble if he asked Russia for money. He certainly would, and especially trouble with the United States, which is why, needing dollars most of all, he probably would not try.

But the principle—that poor colonies should try to raise money in any capital market throughout the world in which they can get it—is a good one. The Colonial Office knows Britain has not enough money to develop all the colonies. Let Dr Jagan shop round for more by all means. It would even be interesting to see if he could get any Russian funds—very few underdeveloped territories have. British Guiana is probably one area that could absorb more capital fairly promptly—if investors will risk it. Let Dr Jagan try to find them and to coax them, without too heavy a restraining hand from here.

* * *

Correction: In a Note on page 879 of *The Economist* of June 7th, reference was made to Consumer Research Ltd. as the publishers of the periodical *Which?* The full name of the organisation referred to (which is known for short as CR) is the Association for Consumer Research Ltd. The separate organisation Consumer Research Ltd. has no connection with the association—or with *Which?*

The Economist

JUNE 19, 1858

MR TROLLOPE'S NEW NOVEL

DR THORNE. *A Novel.* By Anthony Trollope. In Three Volumes. *Chapman and Hall.*

It is very refreshing in the present day to read a love story of the good old sort,—to follow the course of an affection that finds its reward, not in poverty, high-mindedness, and content, but in a comfortable legacy of £300,000. Such is the pleasure that Mr Trollope offers in his new novel. . . . Having expressed our first emotion of gratitude, and recovered our sober reason, we begin to think, however, that Mr Trollope has not done as well for us as he might have done,—not half as well as he has done on former occasions. When "The Three Clerks" appeared, we noted the carelessness of style and want of finish of that tale in comparison with "Barchester Towers," and expressed a hope that Mr Trollope would in future allow his pen time to do its best. Six months have scarcely elapsed, and three more volumes are published. The faults that we noted in "The Three Clerks" are still more prominent in "Dr Thorne." The story is thin and flimsy in the extreme. There are evidences of no grasp, no care, no forethought. We drift on pleasantly without any effort of mind either on our own part or that of the author. It must not be understood that "Dr Thorne" is an inferior novel. We believe it to be impossible for Mr Trollope to perpetrate such a thing. With all its carelessness, it contains more good points than the majority of first-rate novels. But we feel that more care might have made it infinitely more telling, might have filled every page with really good writing, as is the case in "Barchester Towers." There is a freedom, an easy savoire faire about all that Mr Trollope writes, which convinces us that the most rapid composition would not reduce him to actual inferiority. . . . As to his characters, they could never be artificial or wanting in verisimilitude. His keen perceptions would always save him from creating an impossible or an exaggerated character. In the present work we do not remember one that is not sketched with spirit and truth. . . . But, when we think of the Warden, Bertie Stanhope, and the Proudies, we are inclined to be dissatisfied. The question is, not whether we are to have a true or an indifferent likeness, but whether we are to have a finely finished work of art, the result of a hundred delicate and subtle perceptions, or a rough, spirited daub, thrown off in a few touches.

BOOKS

Early Days in Israel

The First Ten Years: *Israel Between East and West*

By Walter Eytan.
Weidenfeld and Nicolson. 219 pages. 21s.

ON May 14, 1948, the independence of Israel was proclaimed in Tel Aviv. At that time the United Nations in New York were still debating the relative merits of partition and trusteeship; Jerusalem was cut off from food, water and electricity, and the guerilla battles of Arab irregulars became war in earnest. Mr Walter Eytan, who formed Israel's foreign office and directed it from the beginning, is admirably placed to tell the story of those fantastic early months. His careful understatements do not altogether conceal the excitement, the emotional turbulence and the amazing determination of the Jews who, against all the auguries, established their state.

Mr Moshe Sharett, Israel's first foreign minister, began work by sending cables to other governments informing them of the establishment of the state and asking for their recognition. Without recognition a new state must stifle—for a year it was headline news whether Honduras or Liechtenstein had decided to give theirs. Mr Sharett's staff were stranded in Jerusalem, and he was assisted only by two secretaries and a gazetteer for difficult spellings like Reykjavik. The swiftness with which Mr Truman recognised Israel seemed a near-miracle to the infant state—and startled the American delegation at the United Nations, which was still arguing for trusteeship. Guatemala followed suit and then—a second miracle—the Soviet Union. Meanwhile in Jerusalem the siege had started in earnest. Two separate United Nations commissions were caught there (their members had been too busy foraging for food and drink to attempt their unrealistic assignment) and Mr Eytan has an amusing memory of a distracted Frenchman disgusted with the calmness of a Spanish colleague shouting "that man—he calls himself a Spaniard!". Jerusalem withstood the siege and the commissions faded away.

By the beginning of 1949 the war had stopped and the armistice negotiations with individual Arab states had begun. Here Mr Eytan, who took an important part in the discussions, could tell us a great deal, but he is often tantalisingly reticent. The Israeli and Egyptian delegations met at Rhodes and under the smooth mediation of Dr Bunche, the United Nations compère, apparently got on splendidly. One of Mr Eytan's vivid recollections is of Dr Bunche offering the delegates decorated ceramic souvenirs if they agreed, but threatening to break the plates over their heads if they failed. The plates remained unbroken. The subsequent negotiations between Jordan and Israel, however, soon got stuck, and behind the official front of sterile discussions in Rhodes, Mr Eytan and some colleagues fixed the armistice agreement by slipping across the Jordan frontier and having secret all-night talks with King Abdullah at his Winter Palace.

The argument that emerges clearly from Mr Eytan's narrative is that in those days the situation between Israel and individual Arab countries was still pliable; piecemeal discussions could and did have results. But when the United Nations tried to sponsor a package deal for "permanent peace" between Israel and all the Arabs, the position froze into its present deadlock. The later conference at Lausanne was a fiasco: at Rhodes the delegates had stayed under one roof and became friendly in the corridors; at Lausanne the Israeli and the Arab delegations stayed at opposite ends of the town and officially never talked directly to one another. As Mr Eytan laconically points out, the armistice agreements would have been phrased more carefully if it had been suspected that they were not to be supplanted by more permanent treaties.

Mr Eytan goes on to tell of the later frustrations and achievements of the Israeli state, but his material here is, on the whole, less original and consequently often less interesting. He has one particularly informative section on the relations between Israel and Asia, showing how the initial goodwill that many Asian states felt towards Israel was smothered by their nervousness of Arab pressure. His story of the endless notepassing between the United States and the Soviet Union after the Sinai campaign is bogged with detail, and he only skates the surface of the relations between Israel and the Jewish diaspora. But his eye-witness account of Israel's early months is enthralling and one wishes that he had made it fuller.

Russian Radical

Mikhailovsky and Russian Populism

By James H. Billington.
Oxford University Press. 217 pages. 30s.

THIS is the first study to appear in English of one of the most original and attractive of the Russian nineteenth century radicals. His work is as yet very little known in this country. Some attention has been paid to the earlier figures, the men of the forties and fifties who appeared at the dawn of Russian radicalism: Belinsky, the incredible Bakunin, the noble Herzen. The futile and brave terrorists of the late seventies have caught the imagination of many western writers. During the last decade of the century the tide of Marxism began to sweep all before it. In Russia today Mikhailovsky is remembered, if at all, in the contemptuous phrases that the young Lenin flung at him for daring to oppose this tide. Since the history of ideas is poorly served by those who view it in terms of the victorious and the defeated—or those who at any moment are accepted as the victorious and the defeated—Mr Billington has done well to introduce Mikhailovsky to the English-speaking public. He has moreover produced a first-class piece of work—scholarly, sober, clearly written, sympathetic and at the same time critical. He skilfully traces the evolution of Mikhailovsky's thought, scattered in the articles and reviews that form the corpus of his work. He enables us to see through the prism of Mikhailovsky's sincere and searching mind the elements that went to the making of the Russian radical movement in the last four decades of the nineteenth century.

It cannot be said, and indeed Mr Billington does not suggest, that Mikhailovsky developed any complete sociological or political system. His influence was rather that of a publicist, illuminating with his comments the problems that agitated the Russian radical intelligentsia. Yet there is consistency in his judgments. In the forefront of his thought there was always the human personality: its free development was his first, indeed only, criterion. Proudhon and Herbert Spencer were the earliest influences upon him in this direction. But he rejected Spencer's view of society as an organism, just as he rejected thereafter all "total" systems and "scientific" doctrines of human development because they seemed to him to ignore or to sacrifice this paramount claim of the individual.

His repudiation of Marxism was in line with this belief in the primacy of the individual. To Mikhailovsky more than to anyone else, as Mr Billington shows, belongs the credit for developing the main trends of those populist ideas which subsequently formed the basis of the socialist revolutionary movement in the twentieth century. Herzen before him had already urged that salvation lay with "the people." But what in Herzen's case was an almost emotional counsel of despair—despair at the sordid features of capitalism—became in Mikhailovsky's hand a well argued doctrine. Mikhailovsky believed that, without rejecting economic progress, Russia could avoid the western form of capitalism by developing its economic organisation around the co-operative traditions of the peasant commune.

It was perhaps a forlorn hope. Turgenev may have been right in urging that Russia had no choice between sinking into a native barbarism and adopting what was best in European civilisation, and that it should not pursue the chimera of some "separate path" of its own. For Mikhailovsky this "separate path" always remained the lodestar of Russian radical policy. His influence, though great at the time, was perhaps transitory. But no one whose criteria transcend material progress alone can fail to be moved by the sincere passion to save the individual from annihilation in society that animated this noble and generous mind.

Surprising Professor

The Life of Knut Wicksell

By Torsten Gårdlund.
Almqvist and Wiksell. 354 pages. 30 kr.

THE biography of an eminent Swedish economist, the father of modern monetary theory, the scarcely less direct inspirer of Swedish social democracy, might be expected to be a useful, enlightening, worthy volume but, on the whole, rather dull. In Mr Gårdlund's "Life" this expectation is resoundingly falsified. For Knut Wicksell was not only an eminent economist and influential social thinker and teacher. He was also—so his biography reveals—a collector's specimen of indomitable, admirable, pathetic and hilariously comic crankery, a rebel with half a dozen causes, a rationalist version of Ibsen's Brand. In a society no less stuffy and shockable than that of contemporary Victorian England, he irrepressibly pamphleteered, journalised and lectured on free thought, pacifism, feminism, and worst of all and most frequently on the necessity of contraception—a topic to which he brought all the strong personal feelings derived from a long celibacy which he was both too fastidious and too high-minded to mitigate. The results, in opprobrium, notoriety, professional frustration and minor *contretemps*, were what might be expected. All things considered, it is to the credit of the Swedish academic world that he ever got a university post at all. Reforming zeal does not necessarily make a crank, but Wicksell had, in addition, the crank's unmistakable earmark—a total lack of any sense of proportion or gift of diplomatic compromise. This lack evidently did not spring, as it does in most cranks however philanthropic, from a complete and incurable egotism; on this point the testimony of his friends and his much-loved wife is unmistakable. But it produced all the usual farcical effects both in his private and his public life—including a jail sentence for blasphemy which, as an already elderly man, he endured with the utmost composure.

It is a pity that with such a hero Mr Gårdlund should not have let himself go a bit. His "Life," which includes a competent appreciation of Wicksell's economic achievement, presents a clear picture; but it is photography where, on the very evidence of the photograph, the subject cries out for truthful but creative portraiture. Perhaps the proper biographer for Knut Wicksell would be a consortium (advised, certainly, by a competent economist) of C. P. Snow, Kingsley Amis, Samuel Butler and James Joyce.

Built on Wheat

The National Policy and the Wheat Economy

By V. C. Fowke.
Toronto University Press. London: *Oxford University Press.* 312 pages. 45s.

A HUNDRED years ago Captain Palliser, commander of the British North American Exploring Expedition, reported that "the time has now for ever gone by" for establishing through the prairies "a line of communication . . . across the continent to the Pacific exclusively through British territory." Within fifty years, despite all obstacles and the competition of easily accessible American centres, the western plains had become the crux of the new Canadian nation, attached by the transcontinental Canadian Pacific railroad to the financial, commercial and manufacturing centres of the St. Lawrence. Settlement of the Canadian wheat lands provided "investment vitality" for the entire economy. The westward flow of settlers and supplies and the eastward flow of grain established Canada's political and economic unity and confirmed the transatlantic connection with Great Britain. In this important study of the dynamic role of prairie wheat in the first and formative phase of Canadian national development, Professor Fowke has drawn on the work of a whole generation of scholars and on his own intimate knowledge of the Canadian west.

His analysis embodies a searching examination of the position of the wheat grower within the framework of national development policy. Paradoxically, though the grower was the focus of the whole process of national expansion and consolidation, he remained throughout the victim of "the competitive disabilities of agriculture within the price system." Selling his wheat in competition with hundreds of thousands of other wheat farmers, he has had to buy the supplies, equipment and services he needs in markets characterised by monopoly of varying degrees and protected by tariffs. From the beginning of prairie settlement, farmers have struggled to correct these disabilities. Their initial attack was on railway monopoly and inadequate shipping facilities. They have gone on to the promotion of provincially owned and farmer-owned elevator systems; of farmer-operated selling organisations, culminating in the great co-operative pools; and finally to strong support of central government marketing through the Canadian Wheat Board and of such international agreements as the postwar United Kingdom Wheat Agreement and successive International Wheat Agreements.

Started, ironically, to curb rising prices, the Wheat Board has normally handled western grain on a commercial basis. Almost alone among the grain growers of the world, the Canadian wheat farmer had not had the protection of a systematic subsidised price support scheme until the proclamation of this year's Agricultural Stabilisation Act, which perhaps marks the beginning of the new phase in Canadian national policy foreshadowed in the conclusion of this book.

Pronouns in Poetry

Poets' Grammar

By Francis Berry.
Routledge and Kegan Paul. 190 pages. 21s.

THE young, for thirty years and more, have been taught to read poetry with a scrutinising eye and an intelligence alert to the choice of word and the pattern of imagery. It is therefore not surprising that critics brought up in this discipline should become fascinated by the less conspicuous but vitally important linguistic elements that poets make use of. Mr Donald Davie's "Articulate Energy" demonstrated, not long ago, the advantages of looking closely at the syntax of a poem in order to discern its meaning; and now Mr Francis Berry is urging us to attend to the way in which individual poets employ such grammatical forms as the personal pronoun, the future tense or the subjunctive mood.

It proves to be quite an exciting line of investigation, for the good reason that Mr Berry writes with the insight of a poet rather than the patient accuracy of a grammarian. If this pioneering sortie were followed up by the systematic investigation of the whole territory by teams of research students, the result would be devastating. A niggling preoccupation with prepositions is as

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some a way as any of killing the enjoyment of poetry. Mr Berry, however, is not systematic, and the best comments in his book spring from his realisation that to understand the language of literature some experience of life is requisite.

His remarks on what the subjunctive mood meant to Keats and to Shelley are peculiarly illuminating, and no less good is his examination of the intricacies of tense-usage in King's *Exequy* and Marvell's *Coy Mistress*. An inquiry into Shakespeare's use of "Thou" in some sonnets and "You" in others yields some rather unexpected results, and Donne's use of personal pronouns also proves to be well worth watching.

A great number of poems and poets are brought into this survey, which, though sketchy, does stimulate. Perhaps the least satisfactory chapter is the last, in which the huge question of verse translation is raised. The difficulty of finding the right prepositions and tenses to correspond with the originals is illustrated by what Mr Berry calls a "para-translation" of his own from a Swedish ballad; but in some instances he has badly diminished the effect of his original, and in any case the topic deserves a far longer and more thorough treatment than it gets.

A Democratic Socialist

The Chartist Challenge

By A. R. Schoyen.
Heinemann. 300 pages. 25s.

GEORGE JULIAN HARNEY, one of the most intelligent as well as one of the most advanced leaders of English Chartism, was born of working-class parents in 1817. He was first imprisoned, for selling illegal newspapers, before his eighteenth birthday, and reached the summit of his career as a radical before he was thirty-six. He taught himself, by observation as much as by reading, and developed powers as a speaker that were remarkable even in an age of great orators; he also wrote, with fervour and pungency, for Feargus O'Connor's *Northern Star*.

Harney was a thoughtful man; and his reflections early led him to conclude that nothing short of social violence could bring about the social revolution that justice seemed to him to demand. But he did not let either the enthusiasm of his audiences, or the ingenious syllogisms of his friends Marx and Engels, delude him into the belief that social violence could bring success, or be achieved at all, without careful and intricate planning and a firm base in nationwide support. When it became clear that the nationwide support would be given to foreign adventures instead of domestic improvement, when O'Connor and Engels alike had turned against one who would be no man's disciple, he retired to Jersey and then to Massachusetts, returning at last to settle in England at the end of the eighties, and to die in 1897. He opposed Disraelian Toryism and Gladstonian Liberalism alike; he detested the plan of home rule for Ireland. Democracy alone, he judged from his American experiences, was an insufficient creed; Marx's brand of socialism he thought undemocratic. He preached, all through his political life, the creed of democratic socialism that can still warm radical hearts:

> It is not any amelioration of the condition of the most miserable that will satisfy us; it is justice to *all we demand*. It is not the mere improvement of the social life of our class that we seek; but the abolition of classes and the destruction of those wicked distinctions which have divided the human race into princes and paupers, landlords and labourers, masters and slaves.

He does not figure in the *Dictionary of National Biography*. Dr Schoyen has written a clear and valuable life of him—a difficult task, for much of Harney's work was done in secret with men anxious to leave no clues for hostile policemen behind them. The author has taken pains to clear his hero from the charge of being a police spy; has elucidated his relations with Engels, much obscured by Marxist writers; has brought out the charm of his character; and set him in his leading place among the English radicals who assisted persecuted continental refugees. To only one point does exception need to be taken; it introduces a needless complication for students of history if the current custom of calling men by their first names is carried back from the present into a past that would have disapproved it.

British Rule

The Necessary Hell

By Michael Edwardes.
Cassell. 213 pages. 25s.

MR EDWARDES'S aims, as set forth in his introduction and epilogue, are high indeed: to avoid alike the propaganda of the imperialist and the apologia of the defeated, and to set forth the true tragedy of British India, the "necessary hell" of which (he argues) led to the freedom of India. The conception is grand, the theme noble. Unfortunately, Mr Edwardes has neither the experience of men and affairs nor the breadth of vision to fulfil it. He is incomplete, elliptical and impressionistic, in a manner that must occasionally make the story difficult to follow for the reader who is not already familiar with it. On the other hand, to those well versed in Indian affairs, Mr Edwardes's failure to give source references for his many (often admirable and potentially enlightening) quotations must be a cause of exasperation. Mr Edwardes has an arguable theme, with which many will sympathise but, precisely because it is not as yet widely accepted, it will arouse hostility from the established authorities; it is, therefore, all the more regrettable that he does not pinpoint his sources so that they may be verified *in their context*.

In his final sentence, Mr Edwardes quotes Sir Herbert Edwardes, of North-West Frontier fame, as having said in 1860 that the "fitting of India for freedom" was "a thing worth doing and a thing that may be done," and he reasonably claims that in the final analysis it was done. It is, however, difficult to tell from his pages exactly how it was done, since his space is primarily taken up with the story of how British rule was consolidated. But a substantial part of the preparation for independence came after that, between 1883 and 1947, six decades which Mr Edwardes seems to regard as the twilight of, in his words, a "somewhat tarnished" empire. He makes no mention of the rise of the Congress party or the Muslim League, of Ripon, Irwin, Curzon, Gokhale, Jinnah or Gandhi, all of whom constituted part of the "necessary hell" and made their contribution, positive or negative, to the fitting of the people for independence.

If Mr Edwardes's high-falutin introduction and epilogue are ignored, the chapters in between fall into focus as a well-written history of the crucial years that culminated in the Mutiny, told from an unjingoistic and compassionate viewpoint that takes both British and Indian feelings into account. They were worth writing, and nothing in this criticism should dissuade the general reader from enjoying them.

Parliament Modernised

Parliament: *2nd Edition*

By Sir Ivor Jennings.
Cambridge University Press. 574 pages. 60s.

THE classic works on Britain's governmental institutions are few in number. Among the very foremost of those few are Sir Ivor Jennings's two great works. "Cabinet Government" is perhaps the more important, but "Parliament" also is indispensable for any serious student of politics, both as a work of reference and as a major statement of principle. It was first published in 1939 and the time was more than ripe for the second edition that has just appeared. Yet although there are many changes it is surprising how little fundamental rewriting has been required. The footnotes pay tribute to recent studies—to Herbert Morrison's "Government and Parliament," and to the work of R. T. McKenzie, J. F. S. Ross, and the Nuffield psephologists. The chapters on the Opposition, on financial control, and on the House of Lords have been especially modified and a new one has been added on the nationalised industries.

Some may feel that the modernisation of this major book has been too much a matter of patchwork. The different dates of writing and types of illustration mingle awkwardly in places, and there are themes, such as the operations of pressure groups and the nature of elections, where the findings of recent research have not been fully digested. Other critics will argue that Sir Ivor is too optimistic about the vitality and excellence of our parliamentary institutions in their present state. But none will deny that this is, as its blurb proclaims, "the standard work on Parliament for the ordinary citizen"—a comprehensive, meticulous, readable examination of the way in which the most famous of all legislatures operates.

Background of Management

Managers: *A Study of Their Careers in Industry*

By R. V. Clements.
Allen and Unwin. 200 pages. 20s.

A FEW years ago nothing was known of the background and career history of the men who run British industry. The fact that Mr Clements's book is the third to be published on this subject in the last three years is yet another indication of the recent interest in management in this country. However, these three books, Dr Copeman's "Leaders of British Industry," the Acton Society Trust's "Management Succession" and Mr Clements's book are slight compared with their American counterparts, particularly the extensive study by Lloyd Warner and Abegglen of "Occupational Mobility in American Business and Industry," covering 8,000 top executives.

Mr Clements's lucidly written study is based on his interviews with 646 managers at different levels in 28 private manufacturing companies, selected to give a varied sample of size and industry. The firms were situated in the north-west of England, mainly round the Manchester area. Managers were asked about their age, family background, education, salaries and career history, and nearly all were willing to co-operate. The interesting numerical results are given in the appendices, while the bulk of the book is concerned with their interpretation. Six basic career patterns are distinguished and the changes in their relative importance during the last thirty years are discussed. The career patterns are illustrated by case studies. Mr Clements rightly handles his results with modesty, in contrast to other studies that are too ready to make generalisations from tiny samples.

Mr Clements suggests that, by studying individual managers, it may be possible to make the discussion of management problems more concrete and theories of management more exact. His most significant contribution is the suggestion that there is no one type of manager and that "industrial management appears to be a host of diverse jobs, entailing diverse techniques and experience, different standards and types of education, and different attitudes and sets of principles." These practical differences are so great that, so far at least, Mr Clements sees little foundation for the idea of a "profession" of management. Managers, he suggests, form many non-competing groups, since a man who is only selling his managerial skill, as distinct from a professional training like accountancy, often has difficulty in persuading another firm that he has much of value to offer. This lack of competition is likely, he thinks, to be one explanation for the low level of mobility among managers.

LETTERS

Borrowing by Local Authorities

SIR—I read with interest in your last week's issue that Birmingham "has the satisfaction of knowing that it has borrowed on the most advantageous terms possible."

This comment seemed to be so much in harmony with what I had said in my presidential address to the Institute of Municipal Treasurers and Accountants that it was with some consternation that I read your criticism of what I said in your later Note, "A Borrower Dissatisfied."

The point I was seeking to make in my address was simply that what the market regards as an overwhelmingly successful issue may from the borrower's standpoint be one which is slightly undervalued. I most certainly did not say (as you seem to suggest) that the 6 per cent issues were more successful than the 5¾ per cent issues. Indeed, it is surely obvious that in my view the 5¾ per cent issues did better than the others—not (for my purpose) because the yield to the investor was lower, but because they attracted, as did the Birmingham issue, a satisfactory but not an overwhelming response. Would you not say of Hull and Swansea, as you said of Birmingham, that they had "borrowed on the most advantageous terms possible" at the time?

This is not a matter of jobbing backwards, a practice which I deplore. I sought to emphasise that the settlement of terms for an issue of stock is "an operation of a delicate and difficult character" and I have the utmost sympathy for those who have the immense responsibility of taking the crucial decisions.

I repeat that my main purpose was merely to express a view, based on experience since October, 1957, about the characteristics of a successful issue from the local authority's standpoint. Levels of Bank rate have no relevance to this point.

As to the question of popularity, let me assure you that I do recognise that some borrowers are less popular with investors than others. But this time the less popular borrowers seem to have had the better of the argument—not because the rate of interest they offered was lower, but because (applying your own Birmingham judgment) they got nearer to achieving "the most advantageous terms possible" at the time of issue.

Of course I know that "a Stock Exchange issue is the best bet." I said so in rather less racy language in my address.—Yours faithfully,

W. O. ATKINSON
County Treasurer

Middlesex County Council
Westminster, S.W.1

Inflation

SIR—Surely Lord Pethick-Lawrence misses the point. It has become patently obvious that when costs rise faster than output over the whole economy prices rise. We then have what we have learned to think of as inflation. When output rises faster than costs prices tend to be stable or to fall. These things are likely to be true irrespective of the other factors he mentions.

This does not mean that, because wages are so significant a factor in costs, the "dismal science" decrees there can be no wage increases or that a certain set of workers must forgo a rise in their standard of living. For one can gain a better standard of living in a dozen ways, combined with stable or falling costs—for instance, by more work, or better work (productivity), or promotion, or profit-sharing, or saving, or through steady wages and lower prices.

But it does mean that everyone must be careful at this moment not to contribute to another cost-push even if it would seem only justice to do so. If, for instance, when prices rise all wages rise, then politics, not economics, will have proved itself the dismal science—Yours faithfully,

JOHN ALLAN MAY

London, W.C.2

The Rhodesian Election Results

SIR—In your issue of June 14th your Salisbury correspondent says:

"When dust created by the Todd crash has subsided, some African leaders will realise that the Congress road of racial politics can lead only to disaster, and they will no doubt once again seek a place in one of the established political parties. In Southern Rhodesia this can only mean the United Federal party."

Is not this going rather far in the direction of "loaded" reporting? Could your correspondent give some evidence that Congress (which has a carefully multi-racial constitution) is indulging in "racial politics": and that it is "leading to disaster"?—Yours faithfully,

ANTHONY SAMPSON

London, S.W.3

Peking's Plans for Korea

SIR—I am afraid your article, "A Finland in Asia," reflects too much wishful thinking. There seems to be no doubt that giving up any "popular democracy" would be against communist dogma. What the Peking Government has most certainly in mind is a solution on the Laos pattern. That, as you are certainly aware, would be extremely dangerous and perhaps fatal.—Yours faithfully,

A. ROMER

London, S.W.1

(ADVERTISER'S ANNOUNCEMENT)

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AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Republicans in Decay

WASHINGTON, DC

PRESIDENT EISENHOWER told the press on Wednesday that his Chief Assistant, Mr Sherman Adams, had been "imprudent" but that "I need him." No one aware of the extent to which Mr Adams has been doing the daily work of the presidency for these last five and a half years doubted that Mr Eisenhower spoke from the heart. And the Republican politicians who face elections in November took the hint; they scurried for cover at once, trailing statements suggesting that Mr Adams's usefulness was over. In a week which was full of grave international issues, the whole country was absorbed by the startling discovery that the austere little New Englander who had come on to the scene six years ago as a scourge to flay Washington's prevailing political morality was, after all, a Savonarola with feet of clay. To be more precise, Mr Adams, as he conceded to a congressional committee on Tuesday, is a man with a coat of vicuna. This garment, made supposedly of the hair from twelve hundred Peruvian goats, was given to him, together with a very expensive rug, a suit of clothes, a couple of mats and free hospitality in the plushiest hotels in Boston, New York and Plymouth, by his good and generous friend, Mr Bernard Goldfine, self-made multimillionaire. Mr Adams explained that the gifts were just normal exchanges between families and that the enquiries he made on Mr Goldfine's behalf from independent government agencies who were handling his legal problems were just a routine service that the White House would provide for any citizen with any problem.

Hardly anyone believes that Mr Adams is a man who could be "bought" in any crude sense. But most political observers are astonished that a man with his political *savoir faire* should be caught out by lack of sensitivity on such a matter. This was especially the case in that the allegations against Mr Adams and his explanation of his behaviour paralleled in so many ways the episodes involving members of Mr Truman's entourage which Mr Adams, of all people, had done most to blow up into a major campaign issue in 1952. His appearance before the congressional committee was in itself a sensation since, although he is often written up as the most powerful man in Washington, he is not, on account of his confidential relationship with the President, normally accessible to either Congress or the press. The total impression he made was rather better than that of the individual, and sometimes lame, items offered in his defence. He showed deference and even a wintry charm which contrasted with his notoriously curt manner when behind the rampart of his White House desk. But although, unless there are further revelations, the President can probably get away with keeping Mr Adams, the latter's credit with Republican party leaders, with whom he has never been popular, has been severely weakened and Republican orators from Mr Nixon downwards will have to delete from campaign speeches that familiar line about the Administration having "restored integrity to the government."

Although even so there are many Republicans of a vindictive nature who are rejoicing in Mr Adams's discomfiture, many others, especially those who are up for election this year, must be reflecting on the old political adage that, when a party has started on the road downhill, it never rains but it pours. As Mr Adams was making his way up to Capitol Hill to testify, the forty-eight Republican state chairmen were arriving in Washington to attend a campaign school, in preparation for next November's congressional elections, and to report on the sad state of their party. The news they brought, combined with recent events in Congress, confirmed that Mr Eisenhower and his political backers, such as Mr Adams, had signally failed in their great effort to remake the Republican party.

IT is not just that after five years in office there is normally a swing of the pendulum against the party in power. In contrast to the more usual pattern, according to which a freshly victorious party has tended to maintain its momentum for several years before beginning to decay, the Republicans began losing their grip, even on the strongholds they had held during their long exile, from the moment when Mr Eisenhower first swept triumphantly into the White House. New Jersey crumbled as early as 1953, when the Democratic Mr Meyner captured the governorship; in Oregon, where the Democrats were a small and despised minority in 1952, they now have almost a monopoly of office; Wisconsin has its first Democratic Senator in a great many years and Maine, Iowa and Kansas their first Democratic Governors since the New Deal. In 1952 in Michigan the Democrats held only the governorship among the many offices whose holders are elected by the voters of the whole state; now the Republicans have nothing left there except one Senate seat which is in dire peril.

Thus, during the Eisenhower Administration, the Republicans have failed to use their possession of office in Washington to consolidate their position in the country, while the Democrats have used every capture of local office to spread their tentacles throughout the politics of a state. In many instances it has been the governorship from which they have worked, an admirable vantage point from which a minority party can undermine the position of its decaying rivals. In Michigan this has succeeded spectacularly and the demonstration will be complete if Governor Williams's close collaborator, Mr Hart, succeeds in bringing down the remaining Republican incumbent, Senator Potter. There is a similar situation in Minnesota, where the Democratic candidate for the Senate, Representative McCarthy, one of the most intelligent men in politics, will, if he is elected, restore lustre to this tarnished name.

In Maine, the Democratic Governor himself, Mr Muskie, is, after two popular terms, challenging the Republican Senator. In three closely grouped eastern states with upstart Democratic Governors where there were enormous Eisenhower landslides in 1956—New York, New Jersey and Connecticut—there could be no greater demonstration of the evanescence of the President's personal success than the fact that the Governor of New Jersey has already been re-elected and that the other two, Governor Harriman of New York and Governor Ribicoff of Connecticut, are, by general prediction, almost guaranteed another term. Moreover, in all three, thanks partly to the presence of Democratic Governors, the party stands an excellent chance of replacing Republicans in the Senate.

This process can work in the opposite direction, from the Senate back to the State Capitol. In Oregon it has already done so, with two Democratic Senators bringing in a Governor in their train. In Wisconsin, Senator Proxmire, who so unexpectedly won a recent by-election, hopes to earn not merely a full four-year term for himself but a firm Democratic base in his state by capturing the governorship for his colleague, Mr Gailord Nelson. Meanwhile, in California and Maryland, two states in which the Democrats have by bad leadership forfeited the fruits of power for many a long year, in spite of having large majorities among those registered as party voters, this seems to be the year in which sooner or later they were bound to pull themselves together. Democratic morale across the country has shot upwards since the spectacular success of the party's candidates for Governor and Senator in the Californian primary election, while in Maryland the Democratic "harmony ticket" was safely nominated without the savage intraparty struggle which normally clears the way for the Republicans to be elected by the disgusted voters.

WHILE the Republicans fear that they may lose anything from four to nine seats in the Senate their greatest concern is about the House of Representatives. It is calculated that if the Democrats can win an extra forty votes in the House the conservative coalition of Republicans and southern Democrats will be broken and that Congress will be able to impose a liberal domestic programme on an unwilling President.

In foreign affairs, this might make the President's task easier in some respects. Recent events in Congress have demonstrated yet again the embarrassment that flows from his failure to deliver results as a party leader. If modern Republicanism had really taken hold of the country many more fresh Republican faces would now be in the Senate and there would not be the same need to appease the conservative Senators, such as Messrs Knowland and Bridges. But as the day of an election that threatens disaster to the Republican party draws nearer, the old leadership of the party continues to demonstrate its unsuperseded influence. Both over Senator Kennedy's amendment favouring a more flexible economic policy towards Russia's satellites and over his trade union Bill, the White House behaved with extraordinary obtuseness and ill grace, letting down its loyal modern Republicans for the sake of making Senator Knowland happy. But the Senator is a man of surly principle. No sooner had the President genuflected towards him than he announced that he was going to fight to amend the Administration's most cherished project—the extension of the Trade Agreements Act—so that it would last for only three instead of five years.

As Vice President Nixon watches the manner in which the President and Mr Adams have mismanaged his inheritance, he must be wondering anxiously how he can best dissociate himself from them without making things worse. His only comfort must be that, according to the public opinion polls, he himself would still have a slightly better than even chance of being elected President, if the election were held now, for all the woes of his party.

Labour's Love Lost?

WITH only one opposing vote, the Senate this week passed the well-balanced Kennedy-Ives Bill to curb the abuses of power by trade union officials which had been uncovered by Senator McClellan's special investigating committee. The Bill falls far short of the straitjacket for labour which Senator Knowland, the leader of the Republican minority, had in mind last month when he forced out of the Democrats a promise that the Senate would act at this session. But a harsher Bill would stand no chance at all of being passed by the House in a year when all its members, except those who are retiring, must seek re-election. As things are, it is unlikely, although not impossible, that the House Democrats will risk incurring the displeasure of labour in order to win for their party the credit for curbing trade unions.

It was the sight of the Democrats in the Senate making off with one of the conservative Republicans' favourite campaign issues which led the Administration, through Mr Mitchell, the Secretary of Labour, to denounce the Kennedy-Ives Bill, at the eleventh hour, as "completely ineffective"—ignoring Senator Knowland's own experience in California, which seems to show that an extreme anti-trade union stand is poor politics. In fact, Senator Kennedy, who must stand for re-election this year and who as a would-be Democratic presidential candidate must look to the trade unions for support, apparently took a leaf out of his own best-seller, "Profiles of Courage"; perhaps he reasoned that the nettle, if firmly grasped this year, would cease to sting by 1960. Less stout-heartedness was required of Senator Ives, a friend of labour who is retiring this year, but as a Republican he felt even more keenly the Administration's betrayal of his non-partisan approach.

Most of Mr Mitchell's complaints, though couched in intemperate language, turned out to be technical matters rather than ones of principle and many of them were met by redrafting. Senators Kennedy and Ives were almost wholly successful, however, in repulsing by votes of 50 or so to 30 the harsher penalties for transgressions by trade unions sought by the Administration on the floor. One of their strengths was the approval of the Bill by Senator McClellan himself; another was the support of the handful of "modern" Republicans. In its final form the measure would combat corruption by requiring public financial reports from all trade unions, including details of loans to their officers, and by making embezzlement of trade union funds a federal crime; it would promote democracy in the unions by requiring elections at regular intervals, making it easier to upset crooked elections and get rid of corrupt officers and limiting the practice of controlling local unions from headquarters by the use of "trustees." This is at least a promising beginning.

Organisational Matters

AFTER rewarding the President so handsomely for his efforts on behalf of the extension of the Reciprocal Trade Agreements Act, the House of Representatives slapped him down sharply when it came to his next "must" measure, the Defence Reorganisation Bill. But for this Mr Eisenhower was himself largely to blame, since he had begun by giving the impression that he was prepared to accept the Bill as it came from committee and then suddenly and intemperately reversed his attitude, condemning three clauses on the grounds that they put a premium on intransigence by defence officials, allowed the heads of the individual services to hold up needed improvements and encouraged inter-service rivalries. Since the main effect of the changes which Mr Eisenhower then demanded would have been to weaken still further congressional authority in defence matters, an authority of which Congress is rightly jealous, it is not surprising that the President was rebuffed. He did succeed in inducing members of his own party to come over to his side, but the Democratic majority remained faithful to the Bill as it had come out of committee; substantial concessions had in fact been made to Mr Eisenhower there, and the Bill as it stands provides for a much stronger and more effective military chain of command than exists at present.

The President is now pressing his demands on the Senate, but he cannot have been much encouraged by its action this week on the Bill establishing a civilian agency to organise activities in outer space, which slipped through without debate, in interesting contrast to the urgent controversy around this matter only a few months ago. It is true that the Senate Bill apparently gives more space in space to the Defence Department than does the House version, by reserving to the department all purely military developments there; the House only said that the new space agency was to co-operate with the Defence Department in military matters. But instead of the centralised control under a single director for which the President originally asked, the Senate wants all matters of policy to be the responsibility of a seven-member board; only two members would be from the Department of Defence, and the civilian majority would include the Secretary of State and the chairman of the Atomic Energy Commission. Finally, instead of a separate space committee in each House, the Senate advocates a joint congressional committee like the one which has been so influential in the development of atomic energy.

Receding Inventories

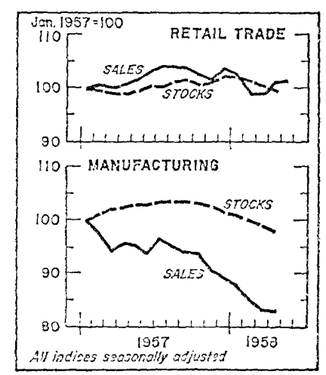
POSSIBLY the feature of the current recession that has been least explained is the liquidation of business stocks by manufacturers, wholesalers and retailers; this is understandable, since figures for changes in stocks are slow to be published by the Department of Commerce and their interpretation is complicated by time-lags and fluctuations in price levels. Both of the earlier postwar economic declines were vaguely labelled in retrospect "inventory recessions" and the term is now being used again; in all three of these recessions, business disinvestment in stocks has certainly been a highly important, although by no means the only, cause of the drop in economic activity. Broadly speaking, stocks are reduced because sales fall, because they are expected to fall, or because the prices at which future supplies can be bought are expected to fall. Normally stocks are maintained in a fairly constant relationship, or ratio, to sales; but if businessmen's expectations change, then their view of what is the most desirable ratio will also change.

During the 1955-57 boom stocks were accumulated at a record rate and by October of last year were clearly excessive, particularly for manufacturers of durable goods; when business failed to pick up in the autumn, a sharp liquidation of stocks naturally began. As a result the total drop in demand since the beginning of this recession has been at an annual rate of $8-$10 million, enough, according to the Chase Manhattan Bank, to account for about half of the recent decline in industrial production. The ratio between stocks and sales went on rising until March, but in April the increase in wholesale and retail sales, coupled with the continued liquidation of stocks, brought the ratio down again. Most of this liquidation was being done by manufacturers, chiefly by lowering their rates of production to reduce their stocks of goods-in-process. Retailers' stocks have now been largely run down, including those of car dealers, whose showrooms are emptier than they have been for three years. Retail sales continued to rise encouragingly during May; if this goes on, first retailers, then wholesalers and eventually manufacturers will soon find it necessary to build up their stocks again to keep them at the required levels in relation to sales.

This rise in stocks will, however, probably continue to lag somewhat behind that in sales, since manufacturers, particularly of durable goods, may decide to carry proportionately lower stocks, for the present at least, even after business turns upward. However, once the ratio of stocks to sales has reached what is regarded as a satisfactory level, and one to be maintained, then any increase in the dollar value of sales will mean a greater increase in the dollar value of buying for stock. Supposing, for example, that both retailers and wholesalers want to maintain a ratio of 1.50: then an increase in monthly retail sales of $100 million brings an increase of $150 million in retail stocks and therefore in sales by wholesalers; wholesalers in their turn will then increase their purchases from manufacturers by $225 million in order to restore their ratio. Thus the ratio, with its multiplying effect, accelerates recovery once recovery is under way.

	Sept., 1957	March, 1958	April, 1958
	($ billion)*		
Stocks, end of month:			
Retail	24·4	24·1	23·9
Wholesale	12·8	12·4	12·2
Manufacturing	54·2	52·0	51·5
Total	**91·3**	**88·5**	**87·7**
Sales during month:			
Retail	16·9	16·1	16·5
Wholesale	11·2	10·3	10·7
Manufacturing	28·2	24·9	24·8
Total	**56·3**	**51·3**	**52·0**
Ratio of stocks to sales	**1·62**	**1·72**	**1·69**

* Seasonally adjusted.



declines, although industrial production has declined more, is a combination of reviving prosperity on the farm and larger "transfer" payments by the government to exservicemen, the unemployed and other beneficiaries of social insurance. Higher incomes from these sources have made up for three-quarters of the $8 billion drop in wages and salaries—at annual rates—since last August.

Now the government is to pour another $2 billion or so into the stream of incomes. Congress has just passed a Bill to give civil servants a 10 per cent increase in salary, partly to prevent them being enticed away by private enterprise, partly to make up for the rise in the cost of living. This will cost $542 million in a full year; a similar increase for employees of the Post Office will cost another $265 million and the rise in military pay $668 million. Moreover, civil servants and postal workers are to share a $370 million bonus, for their pay increases are retrospective to last January. Next month, these lump sums will begin to be translated into down payments on motor cars and air-conditioners, or so it is hoped, and not only in Washington; many states have large numbers of federal employees. Finally, there are also to be increases in pensions for retired civil servants or their widows. If the economy has at last come to rest on the bottom, consumers, with more money in their pockets, may conceivably give it the timely upward push which is needed to bring recovery. Already the steadiness of their incomes has prevented a much dreaded development: a recession which, "feeding upon itself," snowballs into something worse.

Schools for Executives

FROM A SPECIAL CORRESPONDENT

THIS is the first year since the war in which employers have not been bidding against each other for the students graduating from schools of business. However, one group of students will have no trouble finding jobs. These are the "advanced management" trainees who have been sent by their employers to attend graduate schools of business administration in various parts of the country. They have been back to school (at company expense) not to learn the fundamentals, but to develop their managerial abilities, and they will return to strengthen the managements of their respective corporations—at least, this is the hope.

The trainees are all executives of proved ability. Their ages range from 35 to 55, and usually they have been responsible for running either a small business or some division of a large one, perhaps as sales managers or chief accountants. The purpose of the courses is to give the man with experience in one phase of business the broader perspective that will fit him for the highest posts.

The first such course was given during the war at the Harvard Graduate School of Business Administration to retrain executives from "non-essential" firms for jobs in war industries. This idea quickly broadened out to include training that would increase managerial skills in general and was continued after the war at the request of companies that had participated. Harvard now has two courses in advanced management running simultaneously and still cannot take all those who apply. Stanford, Cornell and Columbia also train large numbers, and smaller programmes are carried on at many state universities.

Altogether, there are now over eighty schools offering courses of some kind in advanced management. Those at the large eastern universities are attended chiefly by executives of the big national corporations. But at state universities in the West and South the studies are often adapted to meet regional needs. For example, the University of Virginia co-operates with the Virginia Bankers Association to give rural bankers a one-week course in their special problems. All the universities place emphasis on the inter-relations of different departments in the conduct of a modern business. Case studies of actual problems of management illustrate the importance of finance or production to the man who, for example, has made his career in sales. There is also strong emphasis on human relations, both in dealing with personnel and with other executives—and in the arts of oral and written communication.

Perhaps the most useful part of the training—especially to men who specialised in engineering at college—deals with the political and economic climate in which the modern corporation operates. Legal problems such as anti-trust cases are discussed and the regulations which govern the issue of securities. But the trainees also study economics and the social problems of local communities in which business firms may become involved. The schools recognise that executives today must deal not only with "big business," but also with big labour and with government on both the federal and local levels.

Since the men who participate hope to reach the top, their incentives to study are very great, and staffs find them stimulating to teach. In fact, the varied experience of these men is itself an aid to teaching through group discussion. To encourage this the schools keep classes small, usually under fifty. Those who take part are generally required to live and study together. Executives attending the courses are paid their usual salaries and are required to attend full-time, so that they will not be distracted by problems arising from their regular jobs. Many report that they have derived the greatest benefit from intimate contact with managers of other industries and men from other parts of the country.

This is the main advantage of management studies at universities compared with the training programmes conducted by an individual company for its own executive personnel. The disadvantage is that sending men away from their jobs is expensive, for companies must pay their full salary while they are studying, the cost of instruction and their living expenses. The last two come to $1,000 for 4½ weeks at the University of Virginia, $1,500 for 6 weeks at Cornell, $1,750 for 6 weeks at Columbia and $2,300 for 12½ weeks at Harvard.

Does such training really turn out better managers? It may be 1965 before it is proved, for most of the graduates have still some way to go before they reach the top. Meanwhile, some large companies still prefer to run their own training schemes. The General Electric Company and the Bell Telephone System, for example, have complete schools of their own. But the increasing popularity of the university courses in management shows that most companies find them helpful. And most of the men who have gone "back to school" agree that their outlook has been broadened—even though some wonder whether they might not have done better to stay on the job and cultivate their chances of promotion.

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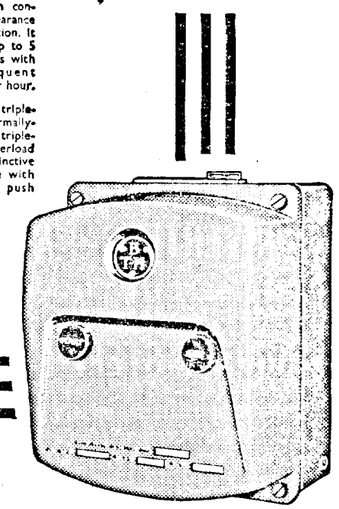
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of free trade as though it were an improper suggestion. The Canadians have not yet digested Mr Macmillan's pointed and twice-repeated declaration that the proposal "lies on the table for consideration either in whole or in part." On present form, the Diefenbaker government will again pretend, ostrich-like, that he never said it.

Since trade and tariff policy are still left completely indeterminate by the budget speech, with some things for all men, Canadian attention is more attracted by the size of the deficit. Even that is not genuine. Mr Fleming declared it to be $648 million, with additional new financing to cover loans and advances amounting to $1,400 million in the fiscal year. This is by long odds the largest programme of public financing undertaken by Canada since the war. $350 million of new money has already been raised in connection with the refunding operation on May 1st, and none of it has come out of public savings. It is fully covered by the increases in bank deposits which the Bank of Canada has engineered. In the experts' view, "it is a matter of nice judgment how much of the remaining financing should be achieved by expanding bank deposits," or—as one investment dealer remarked—by the modern and sophisticated method of printing new money.

The reason why the deficit figure of $648 million is not genuine is that Mr Fleming has laid hands on a nice little nest egg which the Liberal government had preserved since 1950. It is known as the "National Defence Equipment Account." It consists of credits given to the armed forces for the replacement of equipment left over from the second world war that was given to Nato countries. It gives Mr Fleming an additional $165 million which he does not have to show in the budgetary accounts, and helps to conceal the full extent—more than $800 million—of the expected gap between revenue and expenditure this year.

The D-Mark's Tenth Birthday

FROM OUR BONN CORRESPONDENT

On the evening of June 21, 1948, Dr Ludwig Erhard, then director of the Economic Council of occupied western Germany, and a shade slimmer than the present economic minister of the sovereign Federal Republic, broadcast to an audience still critically fingering its new money. "It is indisputable," Herr Erhard concluded,

> that the current purchasing power of our nation can be covered and satisfied only out of current work and production; and consequently that the nation may perform only work that is economically useful and approved by the community. I know of no economic system that fulfils this demand better than the market economy, in which every individual for good or ill is dependent on the consumer's grace; and which, therefore, in contrast to all forms of state control, is the best safeguard against the misuse of a nation's honest work. That is the certain guarantee for the stability of our new currency.

The ten succeeding years of toil and recovery have so substantiated Herr Erhard's faith that it has not been surprising to find him assisting with a proud, parental air at this week's celebrations of the D-Mark's tenth birthday. There have been, literally, several parties; and the occasion has been considered worthy of commemoration by postage stamp. Only a few seem to have been taking a peep at the birthday child's reverse side. But *Simplicissimus*, that professional iconoclast, continues unabashedly to lampoon the Deutsche Mark as a golden calf in whose assiduous worship the nation is neglecting to cultivate its own soul.

The tangible everyday blessings of the D-Mark are for all to see and count. It took a year or so for them to germinate. Then from 1950 to 1957 national income rose by 112 per cent, and net wages and salaries by 119 per cent. The cost of living rose by only 14 per cent in the same period. The average working-class family of four which spent DM 285 (roughly £23) a month on primary living costs in 1950, today has DM 538 (£45) to manœuvre with, a large part of the increase being allotted to clothes and to getting about. During the same period imports of fruit, wine, coffee, tea, and raw cocoa have more than doubled. So has the consumption of cigarettes, beer, and champagne. In 1950 there were eleven cars to every thousand persons; on January 1, 1958, there were 52. Similarly, the 19 motor-cycles and scooters to every 1,000 persons have become 45. Since 1953, houses and flats have been going up at a rate of more than half a million units a year (215,000 in 1949, and between the wars, in the same area of Germany, never more than 200,000 a year). While 2,150,500 houses and flats were built in federal Germany between 1953 and 1956, only 132,600 went up in eastern Germany. The golden West . . . and throughout west German industry, the prospective east German fugitive can tell himself, there is still a shortage of good skilled workers.

As last week's visit to Germany of Mr Eugene Black, the president of the World Bank, testified, the aspect of the D-Mark in which the outside world is naturally rather more interested is its penetration of world markets with such effect that Germany's gold and foreign exchange reserves have now reached a total of very nearly DM 24,000 million. But, notwithstanding Mr Black's modest bag of a new $75 million loan, there is little inclination in the German financial world to respond to Mr Macmillan's invitation to join the United States in more ambitious capital investment in the under-developed countries. The bulk of opinion that matters maintains that present appearances deceive—that in truth Germany is short of capital, that most industries are insufficiently protected against hard times, that the consequences of the war have not yet been overcome, and that the cost of recreating the armed forces has as yet been scarcely felt. No voices can be heard opposing this line of argument. And it is amplified by statistical testimony that the pace of economic development is slackening. There has been an appreciable decrease in orders from abroad. In April the index of industrial production per working day (1936 = 100) rose to 234, which was only two per cent above the 1957 level. Steel mills are working at eighty per cent of capacity, or roughly thirteen per cent below last year's level; and in other industries, notably the textile industry, production is markedly slowing down. The competition of the European common market lies ahead. Would it not be more prudent to hold the foreign exchange surplus in readiness to promote exports?

But as yet there is no general foreboding that leaner times are round the corner. The uneasiness that marks so many Germans has another cause. As is only natural, they feel, perhaps still rather vaguely, that they have been missing something while playing their part in establishing the D-Mark. One manifestation of this is their renewed demand through the trade unions for shorter working hours. The employers are warning them that they must not expect

to be able both to have more leisure and maintain their present standard of living. The discontented are being reminded that the six-day-week worker, taking the usual bank holidays and an 18-day annual paid holiday, already has altogether two months and 22 days of the year free. The worker with a 45-hour week has as much as a third of the year free. But the restlessness has not been allayed. A smaller group, who are probably nearer the heart of the matter, are concerned at the neglect of education, scientific research, and the arts. Schools remain for the most part shabby and overcrowded. There is a scarcity of teachers and nurses. Shortly there will be one of scientists and technicians. And where are the writers, painters, and musicians? The arid state of the arts in contemporary Germany should not, however, be attributed entirely to ten years' national pre-occupation with the pursuit of creature comforts. The trouble goes farther back than that.

"Operation Napoléon"

FROM OUR PARIS CORRESPONDENT

French savers have been invited this week to take part in a first vote of confidence in the Gaullist regime. Throughout the country they are urged, by posters of Marianne with the proverbial woollen stocking, to subscribe generously to the new state loan, thus showing their faith in the general. General de Gaulle himself is reputed to find economic problems boring. But he has chosen his minister of finance shrewdly. In the eyes of many investors the general stands for order and authority, M. Pinay for financial stability and the defence of their interests.

Economics is not an easy field in which to perform miracles. But a happy coincidence can give a minister the reputation of a prodigious financial wizard. M. Pinay became prime minister in 1952 at a time when world prices were falling while France was still in the final stages of galloping inflation. He launched a successful loan—tying the bonds to gold—and combined this with a campaign of "persuasion" to keep prices down. French prices fell in keeping with world trends—and a myth was born. For millions of Frenchmen the small industrialist from St Chamond is still the man who brought postwar inflation to an end.

It is only natural for M. Pinay to apply his old treatment once again. His new loan is a repetition of its predecessor (indeed the former shares can be freely converted to the new). Once again the bonds are tied to the "napoléon"—the 20 franc gold coin. If the value of the coin (that is, of gold) goes up, so will the value of the bonds, but bondholders will not lose if the napoléon falls below its present price of 3,600 francs. The link with gold is thus the guarantee of security. The rate of interest is only three and a half per cent. The bonds, however, are tax-free and exempt from death and transfer duties, so that the rate is really equivalent to about 6 per cent. M. Pinay also wants to seize this chance to get at individual gold hoards and foreign currency holdings. For this reason the banks have been asked to close their eyes to the calling home of illegal hot money.

Whether the French savers' faith in the general is sufficiently strong to be expressed in gold subscriptions to his loan remains to be seen. But it is very likely that M. Pinay, who has set a target of some 200 milliard francs, has floated a second successful loan and that he has again a fair chance of stabilising prices, at least temporarily. In the past year or so France has been the odd man out in the western economy. While other countries were worried by prospects of recession, France was still in the throes of an inflationary boom (output last month was still 12 per cent higher than in the corresponding period of the previous year). Its problems were rising prices, shortage of labour and, above all, a yawning gap in foreign payments. There are signs, however, that the French inflation, too, may now be due for a halt.

From June, 1957, to January of this year wholesale prices of foodstuffs rose by nearly a quarter; prices of manufactured goods increased by 7 per cent. Since then the pace has slackened. With crop prospects fair, it is thought in Paris that food prices may be kept at their new high level. As to manufactured goods, after the recent increases many sellers have reported consumer resistance. Finally, credit restrictions introduced last year are beginning to have an impact and are expected to affect the boom in capital goods later in the year. Altogether, the climate seems once again favourable for M. Pinay. One unknown factor is the mood of labour. Over the last twelve months wages have not kept pace with retail prices and their purchasing power has dropped by about six per cent. On the eve of the political crisis, the unions, particularly in the civil service and the nationalised industries, were going to strike for higher wages. Will they now accept the pledge of stable prices or will they fight to make up the loss?

On the foreign front M. Pinay can hope for a respite. The loan, even if it does not bring in much gold and foreign currency, should at least halt speculation against the franc and thus make the slender reserves last a bit longer. The situation was becoming alarming. The French deficit in the European Payments Union rose in May to $76 million. The money borrowed in Washington at the beginning of the year was running short. The gold and dollar reserves—excluding the last-resort stock of the Bank of France—have fallen below $250 million. Admittedly there are some hopeful signs. The drop in world freight rates and an expected tourist surplus should reduce the French deficit on invisibles. Until very recently, however, it looked as if the economy might not get through the autumn without another dollar shot in the arm. Now, with the travel allowance cancelled, new import restrictions in store and the prospect of a favourable current in hot money toward Paris, M. Pinay may hope to postpone the day of reckoning to the beginning of next year. In the meantime, the appearance of stability and financial recovery should help the general to win his electoral battles in the autumn.

Victories at the polls do not eliminate economic problems. The problems facing France are so well known that they need only be restated briefly. There is the question of excessive home demand. In 1957 the defence bill amounted to 1,482 billion francs or 29 per cent of total state expenditure. This year it was to be slightly cut, but actual expenditure exceeds the estimates and General Salan is asking for more. Even a modest implementation of the promises of integration will heavily increase the Algerian bill. The general has social ambitions as well, and the plans for reform in health and education with which he is credited are likely to be costly. Finally, the gaullist desire to enter the atomic club involves a high entrance fee and heavy membership dues ever after. It is difficult to see how the bill for all this can be met. For the moment the choice

seems to lie between a combination of severe controls with heavy taxes, and still more inflation.

Any new rise in prices would price France completely out of world markets. The 20 per cent devaluation of last August is only now being made official. Whether or not it was ever sufficient to close the gap between French and foreign prices, most of its benefits have been swallowed up in the meantime by internal inflation. A study by the Organisation for European Economic Co-operation at the close of last year showed that French wholesale prices were the highest in western Europe and one-fifth above the British level. This week the French government was compelled to report to the OEEC that it was unable to take the first step back to the road of trade liberalisation. In the present circumstances, "European" prospects look dim and M. Pinay's professions of devotion to free trade have a quaintly platonic air.

Speculative trends change, the balance of trade remains. The French trade deficit is running at a higher level than the official experts had forecast and in the present state of world trade there is little scope for a rapid expansion of exports. A cut in imports—through restrictions or a further devaluation—seems unavoidable. The French National Accounts Commission, in a gloomy report recently, warned the government to prepare the country for the shock so that France would not wake up in 1959 with a major economic crisis precipitated by a shortage of imported materials. Something more than a second dose of M. Pinay's confidence pills will be needed to get France out of its financial difficulties.

Cyprus Waits

FROM OUR CORRESPONDENT IN NICOSIA

Wednesday

ANKARA'S apparent rejection in advance of the British plan for Cyprus has, of course, meant that the Turkish interest in Mr Macmillan's actual statement is much less than that of the Greeks. All that the Turks are interested in is partition, which they know beforehand they are not going to get; most of them are in any case unable to appreciate the constitutional niceties reportedly attributed to the new plan in order to ensure the impartial treatment of the two communities. The big tragedy of recent months is, of course, the way in which the Turks have taken up such an advanced position over partition that they now have nothing to fall back on. A very small minority of the more intelligent Turks realise that they have hopelessly overplayed their hand, but even they feel that they are in Ankara's hands.

Most of the ordinary Greek Cypriots are now gasping to accept anything within reason; the business community in particular is strongly in favour of accepting the British plan. The tribulations that all Greeks have undergone in the last few months have been grim; Turkish violence last week was the last straw. It is thought that Archbishop Makarios has come to appreciate the strong feelings of the Greeks and does not want a civil war with the Turks. The right-wingers and the Greek press may vehemently condemn the plan on the ground that it includes no commitment to self-determination. There may be a trial of strength on this question between Archbishop Makarios and Grivas; but the Archbishop is probably strong enough to prevent a major outbreak. In official quarters a mild degree of optimism about the attitude of the Greeks can be detected, although their first reaction may be negative; allowance must, it is felt, be made for the Greeks' tendency to say no when they mean yes.

A new factor which may complicate Cypriot reactions is the last-minute intervention by Nato. The first local comment was confused and conflicting. Mr Zhiartides, the left-wing leader, took the line that if Nato's action helps to promote the interests of the Cypriot people, the Left will agree to it, much as it dislikes Nato. The big fear in the minds of the Greeks is that the Nato action may lead to another long delay. All sides, indeed, agree that this would be disastrous. It is felt that the Government must declare itself this week and let Nato's back-stage pressure go on afterwards.

Whether or not the Greeks and Turks can again settle down together is a conundrum. Both sides tend to pessimism after last week's events. But the tragic irony and basic weakness of the Turkish case is that when left to themselves Greeks and Turks get on perfectly well together. Since, however, passions have become so inflamed, it would obviously be wise to have a period of separation in which each side runs its own affairs. After seven years, perhaps, the ordinary people of the two communities might settle down again—provided that the Turks were left undisturbed by demagogic rabble-rousers and the Greeks were not whipped up by the ultra-nationalist mayors who are determined to take it out of the Turks. An enormous amount of harm has been done by the extremist leaders on both sides, such as the Greek mayor of Nicosia, Dr Dervis, and Dr Kuchuk, the Turkish leader. Moreover, the Greeks unfortunately cannot see that, although they have never attacked the Turks (Eoka's campaign has always been directed against the British or their own "traitors"), their attitude of superiority towards the Turks breeds as much bitterness as do Eoka bullets. These psychological undercurrents operate powerfully among the educated men in each community whose co-operation will be essential to the success of any plan for Cyprus.

Hedging in the Maghreb

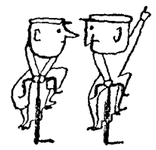
FROM A CORRESPONDENT IN TUNIS

THE top three leaders of the Algerian rebel organisation (FLN), MM. Ferhat Abbas, Boussouf and Krim Belkacem, arrived in Tunis from Cairo at the beginning of the week. A few hours later M. Balafrej and M. Bouabid, the prime minister and deputy prime minister of Morocco, arrived from Rabat by way of Paris. The first three were met by the Neo-Destour party without ceremony; the second group was received by members of the Tunisian government, headed by M. Ladgham, President Bourguiba's senior colleague.

There could be no clearer way of showing that the FLN is not yet a government and that the discussions in Tunis will take place at two levels. First there will be talks between the Tunisian and Moroccan government representatives, and only after that, a meeting of political leaders from the three North African countries to follow up the resolutions made at the Tangiers conference and to demon-



the things they say!



This is the Age of the Common Man, all right!

Maybe, but even today I doubt if the worker gets a proper stake in industry.

Things are changing, though.

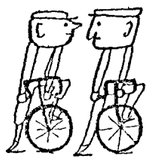
Not that I've noticed.

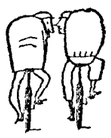


Well, quite a number of concerns now have profit-sharing schemes, and some—like I.C.I.'s—also enable their employees to become stockholders.

Yes, but these schemes are only smokescreens. The bosses simply depress wages to find the money to pay for them.

That's where you're wrong. I.C.I. workers get the wages that have been negotiated on their behalf by seventeen Trade Unions. Any benefits they receive under the Company's profit-sharing scheme are over and above what they get in their pay envelopes.





Yes, but I.C.I. isn't Santa Claus. If the wages don't suffer, something else must—amenities or something.

Wrong again, friend. I.C.I.'s policy has led to a steady improvement in the service conditions of its employees, and the profit-sharing scheme is just another example. From now on, the employees are going forward with the stockholders as joint partners in their own efficient and expanding business.

I C I

strate to France and Cairo the solidarity of the Maghreb.

At the beginning of the conference the positions were as follows. The Algerians, after deliberations in Cairo, decided, by way of reply to General de Gaulle, to try to press forward with the formation of an Algerian government-in-exile. They arrived in Tunisia in force in order to convince M. Bourguiba and M. Balafrej of the need for such a government, and to announce that they intended to intensify their struggle against the French army and the French community in Algeria, especially in the towns.

The Moroccans clearly have two contradictory worries: they want to show that, compared with Tunisia, they are not dragging their feet over the Algerian question and that they intend to apply both the spirit and the letter of the Tangiers resolution recommending help for the FLN; they equally want to do nothing that might lead to a breach with France.

On this second point, the Moroccans found that the Tunisians share their concern. M. Bourguiba cannot contemplate a rupture with Paris just when he is engaged in securing the final evacuation of his country by negotiation. The agreement between Paris and Tunis stipulates that the French forces leave all their bases in Tunisia and regroup in Bizerta before October 1st. Negotiations will then begin for a "provisional agreement" on the use by France of the Bizerta base. Of the 22,000 soldiers, marines and airmen now in Tunisia, 15,000 will remain at Bizerta. This is only two-thirds the present force; on the other hand it is twice as large as the Tunisian army.

The Tunisians are bound to consider this proportion a continuing threat to their security and independence. In the next few months they will try to redress the balance by increasing their forces and buying more arms. President Bourguiba has declared himself ready to buy arms from anywhere, if need be from Czechoslovakia, if the Anglo-Americans continue to refuse to supply him. In recent weeks he has had to procure arms from the Algerians.

As neither Tunis nor Rabat is ready to agree to its formation, the Algerian government-in-exile will not see the light of day for several weeks, perhaps several months. The Americans will not be displeased; they have lately been pressing the Tunisian and Moroccan governments to persuade the FLN to leave Cairo and to abandon, for the present, the idea of forming an Algerian government in circumstances that would force everybody to choose immediately between France and North Africa. The French government, for its part, has made concessions to Tunis and Rabat in the hope of gaining a respite. This respite seems to have been secured, at any rate on the diplomatic level. Governing circles in Tunis and Rabat think that it will last three months.

Mr Kishi's Potted Plants

FROM OUR TOKYO CORRESPONDENT

An industrious Cabinet-maker, Mr Yoshida hired and fired ministers as rapidly as a Tokyo *kamikaze* taxi-cab company hires and fires drivers. Mr Kishi has hitherto been much more gentlemanly, but has just succeeded in demonstrating that he can be equally drastic, when he chooses. Of his first cabinet, the sole survivor in the second is the foreign minister, Mr Fujiyama—whom most political observers had regarded as the one most likely to be dropped. The next most important post, the finance ministry, goes to Mr Kishi's own younger brother, Mr Eisaku Sato. It was expected that, if the finance minister were changed at all, the job would go either to Mr Hayato Ikeda, or to Mr Takeo Miki. In the upshot, though neither got the coveted post, both are in the new cabinet. This shows remarkable persuasive powers on the part of Mr Kishi (and also of Mr Sato, who had a leading role in persuading both of them to play in his brother's team)—all the more remarkable in view of the fact that Mr Ikeda especially is regarded as an expert on finance, whereas Mr Kishi with his usual frankness has cheerfully admitted that Mr Sato is an expert politician but only an "amateur financier." The other members of the new cabinet are of relatively small importance, but all, or nearly all, are believed to be loyal to Mr Kishi.

★

Mr Kishi has called his major reshuffle "obeying the voice of heaven," by which he means that it is his response to the need, long recognised by everyone as overdue, to end the faction fights within Japan's ruling Liberal-Democrat party. It may even work, for hitherto the chief faction leaders have been Mr Ikeda, Mr Miki—and Mr Kono, who has been as ruthlessly dropped from the new cabinet as all the others, though he now becomes chairman of the party's "executive board." Mr Ikeda and Mr Miki would not have entered a cabinet which also contained Mr Kono; Mr Kono may hesitate to challenge a cabinet that now contains all the important factions save his own. However, lest any would-be saboteurs have succeeded, despite his vigilance, in getting into his new cabinet, Mr Kishi has seen fit to utter a thoughtful and typically phrased word of warning. Asked how his new line-up would be regarded by factionalists, the prime minister retorted: "What factionalists? Factions have now ceased to exist." Then, with his well-known smile, he drew his interrogator's attention to a row of potted plants, and murmured: "All of these were carefully selected by a master gardener, yet some—one or two—are not perfect, under the surface; the same may be true of my new cabinet." Any bad plants that are discovered will, he implied, be tossed out. Mr Kishi has obviously strengthened his own position, and does not mind who knows it.

Before he could announce his new cabinet—or even secure the Diet's formal approval of his own reinstallation as prime minister—Mr Kishi had to suffer some tedious filibustering by the Socialists. The opening Diet session scenes recalled the robust hours of June 4, 1954, when the Socialists assaulted the Speaker, and some thirty Dietmen were injured in a mêlée which 200 policemen were called in to subdue. On this occasion, the Speaker escaped manhandling, but the Diet secretary, whose presence in the chamber was required before the Diet could be declared in session, was kept confined to his office by Socialists blocking the corridor. After this display of belligerency, the Socialists succeeded in dragging out the elections of standing committee chairmen, a process which normally takes ninety minutes, to two full days. They were protesting that Mr Kishi's insistence that all sixteen committee chairmen as well as the Speaker and the Deputy Speaker should be Liberal-Democrats; in the pre-election Diet, the Socialists held the deputy speakership and were chairmen of five committees. Mr Kishi argued that the Socialists had abused their positions, by pulling out their chairmen each time they wished to stall the work of the committees, which happened frequently. Over the Socialists' protests, he has reverted to the pre-1953 situation, when the Yoshida Government agreed to an Opposition proposal to divide committee chairmanships approximately in proportion to relative party strengths. Mr Kishi has now warned the Socialists, with an eye to their future Diet behaviour, that while he is prepared to negotiate differences "amicably" with them, "there is a limit to our amicability."

Mr Kishi claims that despite his cabinet reshuffle, his basic policies will remain unchanged. This means that he will continue to have close and cordial relations with the West, will seek ever closer and more cordial ties with the other countries—those which are "free"—of Asia, and will "oppose" (as distinct from being neutral towards, which is what the Socialists advocate) what he follows Mr Dulles's example in calling "international communism." Nevertheless it is possible to detect in Mr Kishi's most recent statements a distinct hardening of attitude towards Communist China. He insists that, despite Peking's harsh words about himself, he still favours increased trade with China; but it is plain that he is now considerably less hopeful about this than he was (he never was very), and, if only America will play, is much more interested in both expanding Japanese exports to the United States and expanding Japan's trade with South-east Asia: but, for the latter, more American aid dollars are, he says, indispensable. Does he perhaps calculate that a proper display of coolness towards Peking may help to bring them forth? To Communist China, he addressed the following pointed rebuke: "My China policy has now received the overwhelming support of the Japanese people; I hope Peking will understand this."

Two Views of the World Economy

From Basle the Bank of International Settlements looks down in its annual report on a world economy in a shaky state. Recession in America, slowdown in Europe, and the resulting drop in the incomes of primary producers seem to mark not a mere short-term check but the end of the long postwar expansion of the economy of the western world. "There was, however, one economic indicator which did not behave according to the usual pattern," the report comments on the American economy: prices have gone on rising despite recession. With more urgency perhaps than at any other time since the war economists and politicians are taxed by the crucial problem how to achieve further economic expansion without inflation.

The bank's report throws useful light on the argument. One chapter is a study of the relationship in certain countries between savings and investment—the key to the problem. As solutions, the sturdy bankers' recipes are put forward: freer trade must stimulate productivity, hold down prices and shift resources to where they are needed most; monetary inflation must be stamped out before healthy growth can be resumed; a pause, like the present one, loosening the stretched muscles of the economy, is a precondition of further sound expansion. But there is not much in the report to suggest how expansion is to be resumed.

★

A rather different philosophy inspires the first part of the World Economic Survey for 1957 just published by the United Nations. Its authors, who were specifically commissioned by the Economic and Social Council to study the problem of world inflation are plainly concerned lest the attempt to curb inflation by restrictive policies should slow down economic growth in the long run.

Their study provides a good deal of evidence to support the depressing now-fashionable view that a measure of inflation is inherent in modern industrial economies. There is some interesting analysis of what one may perhaps call "Cousins-inflation," the refusal of wages to fall, or to stop rising, despite credit squeezes and slackenings of demand. But the survey does bring out some constructive points too; it suggests lessons that may help to ensure that the next phase of economic growth is as free as possible from the fears of inflation and the slowing of growth which tend to follow. The survey shows how shortages in certain key sectors of industry—steel, capital goods—played a significant part in the inflation which crept up on Europe in 1955 and 1956. With coal piled up at the pitheads, steel output down, and order books shortening in the capital goods industries, it is a good thing to be reminded that lack of capacity in industries like steel and machine tools has helped in the past to stifle expansion.

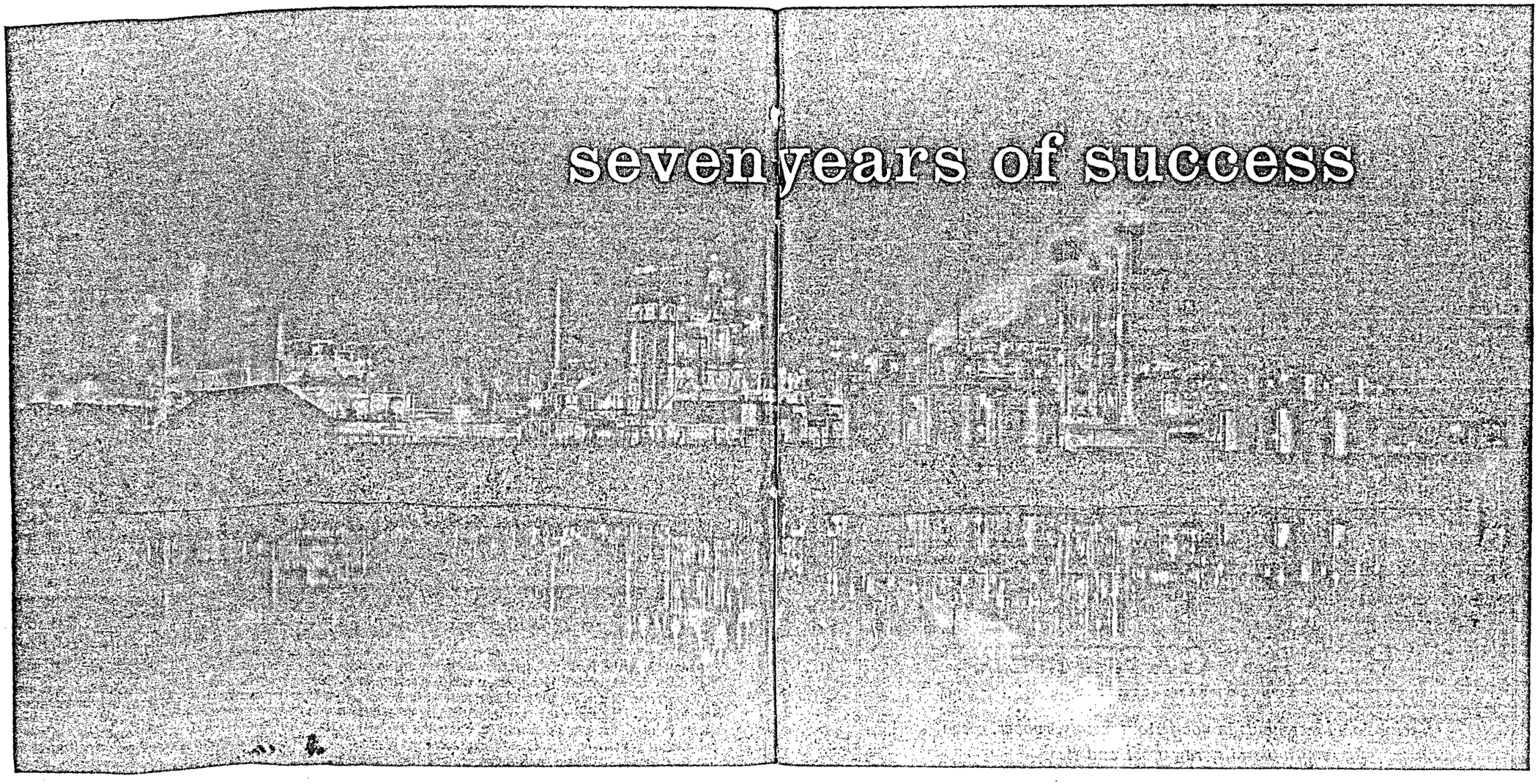
Some intriguing morals can perhaps be drawn from the section of the survey on inflation in the communist economies. Communists, after all, are even more apt than capitalists to try to suck too many goods from too few resources. The frail economies of the satellites have suffered from inflation pretty badly. Russia, however, does present the spectacle of remarkable growth side by side with considerable price stability. Its bureaucratic economy has certainly not benefited from the bankers' recipe of free trade, but it has gone flat out for stern monetary deflation, strong incentives to individuals to earn and save, and massive investment in the basic industries as the prerequisite of growth.

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THE BUSINESS WORLD

The Thaw

"I ALSO made it clear in my Budget statement that, while our objectives are fundamental and unchanging, we are determined to keep our policies flexible and to adjust them promptly whenever our assessment of the situation suggests the need for that," said the Chancellor of the Exchequer this week. Clearly the Government's assessment now does suggest it is time to alter course. And so it is. And so it has.

Only second to our export trade, Mr Heathcoat Amory again nominated industrial investment as a part of our economy "in which we must make sure, in particular, that we go ahead as fast as conditions allow." This week he has increased the dosage of fiscal encouragement to private investment that he gave in the Budget, and the cost of money to invest has been brought down. But bringing Bank rate back to 5 per cent will reasonably be interpreted more widely than that: as a formal recognition that the economy can now safely, albeit cautiously, begin to take up some of its slack. "It is still the main aim," the Chancellor was concerned to remind the Commons, "of the Government's economic policy to put the strength of sterling, the soundness of our international financial position and price stability as our first objective," and in his explanation of the changed proposals for initial allowances he did not in fact use the term "expansion." But clearly it is no longer going to be a dirty word.

Whether the reality will follow the rehabilitation of the word very quickly remains to be seen. As was said in *The Economist* last week, this shift in policy may be no more than is required to prevent production drooping significantly during the rest of this year. The private investment boom is passing; there are signs that certain stocks at least are being run down; most of the impressions one can glean of forward orders in industry continue to suggest slackening ahead. This has been the cost, deliberately accepted, of somewhat greater stability in home prices, of significantly moderating increases in wages, of making British industry a good deal more interested in export markets than some of it was three years ago—and hence, largely as a reflection, of achieving greater strength for sterling and the reserves. But that cost, remarkably enough, has so far been reckonable only in terms of what might have been, for production—and investment—have hardly declined until now.

"WHILE one cannot suppose that initial allowances are by themselves often likely to be a determining factor in investment plans when they are under consideration, I believe that they nevertheless exert a positive influence," said the Chancellor. In the Budget, initial allowances on new plant and machinery had been raised from 20 to 25 per cent, and those on new industrial buildings from 10 to 12½ per cent: the figures will now go up instead to 30 per cent and 15 per cent respectively. The concession will cost nothing in the current fiscal year but will double the cost of the original Budget relief to £32 million in 1959-60 and to £46 million in the following year. The allowance of 40 per cent on mining works remains unchanged: so do the investment allowances still allowable on ships, new research assets and certain fuel-saving equipment. Initial allowances constitute an interest-free loan over the depreciation life of a new asset, by increasing the proportion of its cost that can be written off for tax purposes in the year of acquisition, but require "repayment" later in higher tax liability: investment allowances are a straight subsidy for new assets, enabling the investor to write off more than their whole cost for tax purposes. Both, in varying strengths, offer incentives to invest (and in some degree investment allowances have been interpreted as an indirect contribution from the Revenue to the problem of buying plant at modern prices to replace old upon which depreciation has been allowable only at historical costs).

It is not surprising that the Opposition, in its guise

of a "high-investment party," should have advised the Chancellor to use investment allowances in stimulating investment, not merely to put up initial ones; and that on this, at least, the Federation of British Industries should be staunchly behind the Labour Party. What is perhaps surprising is that Mr Amory has not yet chosen to back these selective and general "selective" encouragements to private investment in preference to relaxing the slightly more generalised discouragements to it represented by his formal directive to limit bank advances and by the currently restrictive rules of the Capital Issues Committee.

FIVE per cent by itself is not a Bank rate that of itself signifies either expansion, or renewed restriction. But a reduction from 7 per cent to 5 per cent in just three months made in three stages two of which were made in an atmosphere of strikes says a great deal. For once neither the Bank of England nor the Treasury has "let it be known" that this week's reduction marks no change in policy. It patently does mark one. It proclaims the end of the 7 per cent chapter. After three reductions Bank rate is back again to where it was in the summer of last year. The autumn drain against sterling is again just beginning; the mark is again strong and sterling is again being sold as its best route into it.

But with what reserve must the comparison with a year ago now be coupled. The present slight weakness of sterling (the rate against the dollar slid further to $2.80\frac{3}{32}$ after the Bank rate announcement but quickly recovered to $2.81) worries no one, for sterling has had six months of a remarkably good run and formidable strength has been built up. The Bank may have cut Bank rate with the feeling that it is convenient to have a rate from which the next move might with equal probability be in either direction. But it certainly did not—as is sometimes crudely suggested in the market—come down in order to go up when the seasonal pull reaches its peak.

If this is the end of the 7 per cent chapter, then although the initial allowance concession happened to precede Bank rate because of the accident of the timing of the Finance Bill, that concession must be regarded as the beginning of the next chapter—the chapter that will include the review of the instruction to the Capital Issues Committee and a review of the ceilings on bank lending (both by now pretty ineffective). On that hypothesis Bank rate might now be allowed to rest on the 5 per cent platform for a little while. What will happen in that interval depends partly on the guess that investors make about the timing and direction of the next move.

FEW Bank rate changes have been as widely and as accurately forecast as last Thursday's; so the immediate move in the market, except naturally for short-dated gilt-edged which rose in heavy buying, was small. Long-dated gilt-edged rose only by about $\frac{1}{32}$, for the official funding policy is keeping some long-dated stocks cheap. Seven day money in the local authority market came down by a little over $\frac{1}{4}$ per cent to $5\frac{1}{4}$ per cent or a little less. Leading industrial shares closed a few pence higher. The market's true reaction will become clearer in succeeding days but a first glance suggests that the "bulls" are in the ascendant and that Bank rate may still be talked down further.

One consequence of having no further move in Bank rate clearly in sight could conceivably be to take some of the steam out of the gilt-edged market and to reduce the rate of funding by the Government brokers' sales through the market. Funding at the long end should still be able to continue and if the rate of funding is reduced it should be remembered that funding is not an end in itself. It is an efficient means of imparting a tautness to the credit system, the need for which has become less imperative.

IN the money market, the Bank's move had generally been expected, and had been largely discounted. Bills have been in keen demand, partly from overseas sources, and on a number of occasions discount houses have taken small seven day loans at Bank rate rather than sell their bills. At the preceding Treasury bill tender on Friday last week the discount rate had been cut by no less than $\frac{5}{16}$ per cent, a quite unusually large step except in anticipation of a Bank rate change. At just over $4\frac{1}{2}$ per cent, the rate was a full

PRICES AND BANK RATE CHANGES

	Sept. 18, 1957	Mar. 21, 1958	May 23, 1958	June 19, 1958
Conversion 2%, 1959–59	95 $\frac{15}{16}$	97$\frac{1}{2}$	98$\frac{1}{4}$	98$\frac{3}{8}$
Exchequer 3%, 1959	96$\frac{3}{8}$	97	97$\frac{1}{16}$	98$\frac{1}{8}$
Savings 2½%, 1964–67	80$\frac{1}{2}$	79	80$\frac{1}{2}$	81$\frac{3}{32}$
British Gas 3½%, 1969–71	81$\frac{1}{16}$	80$\frac{1}{4}$	81$\frac{5}{8}$	81$\frac{7}{8}$
British Transport 3%, 1978–88	61$\frac{3}{4}$	63$\frac{1}{16}$	65$\frac{1}{32}$	65$\frac{3}{8}$
Funding 3½%, 1999–2004	67$\frac{3}{8}$	69$\frac{1}{16}$	70$\frac{7}{32}$	72
Associated Portland Cement	43/9	35/3	36/6	40/–
Associated Electrical	60/3	51/3*	48/9	50/9
Bowater	34/–	28/3	29/9	35/3
British Petroleum	129/–	90/–	101/3	106/3
Imperial Chemical	41/–	40/7½	44/3	45/6
Imperial Tobacco	40/10½	42/6	43/6	45/–
Marks & Spencer "A"	49/4½	40/3	43/4½	44/7½
P & O Deferred	30/–	27/3*	27/3	30/3
Rolls-Royce	110/7½	92/–	89/–	90/–
Unilever	93/1½	74/10½	73/9	77/3

* Ex dividend. Gilt-edged prices shown net of accrued interest.

1 per cent below Bank rate, and was thus already $\frac{1}{2}$ per cent below the new Bank rate. The scope for further reductions in the bill rate will be set by the wider view of the trend of monetary policy. If the market should still fear that the next Bank rate change may be an upward one, bill rate will obviously be nearer Bank rate than it has been in past months.

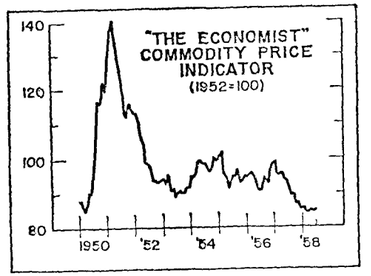
The adjustment of fixed rates in the money market again has been exactly in line with the Bank rate change. Thus the clearing banks' deposit rate falls to 3 per cent, and the minimum rate on money lent to discount houses at call to $3\frac{1}{4}$ per cent. The new spread of rates on overdrafts is from $5\frac{1}{2}$ per cent that blue chip companies are charged to $6\frac{1}{2}$ per cent, for some personal borrowers.

"The foot off the brake, but not yet on the accelerator" is the metaphor in which the present stage of credit policy is being described. If that analysis is right, there must remain some doubts whether this will be enough to retain momentum in the economy; but the power to touch the accelerator remains unimpaired. There is plenty of time for debate over the duration, the techniques, the incidentals, and the success of disinflationary policy. But there was no time to waste in adjusting it once evidence began to accumulate that its objects, within limits, had come to pass.

Turning Point for Commodities

Whether the halt in the fall in commodity prices is a pause or an upward pointer depends upon the prospect of renewed American industrial demand.

ONE general precept urgently needs to be recommended to those preparing for the Commonwealth economic conference at Montreal next September. It is to talk about liquidity, and not about commodities. The way to advance everybody's standard of life—including that of producers of primary materials—is to work for a general increase in international trade and production. Once that happens, demand will rise for all primary products that are really wanted. The way to risk impoverishing the whole Commonwealth is to arrange a host of specific agreements about particular commodities: that is, to say that Commonwealth countries will not buy cheap commodities from outside, but will chummily agree to buy dearer commodities from each other.



Unfortunately, there are signs that the Commonwealth officials who have spent the last two weeks in London, preparing a preliminary agenda for the Montreal conference, may have got off on the wrong foot. They are reported to have enmeshed themselves in detailed discussions of about seventeen different commodities in which Commonwealth countries are particularly interested. And, while they have been talking, the slump in commodity prices has in fact been halted. *The Economist* commodity price indicator, also by a strange coincidence composed of seventeen commodities, shows quarter by quarter these percentage changes:

	1956	1957	1958
First quarter	+0·34	−3·26	−1·40
Second quarter	−5·23	−1·37	+1·07
Third quarter	+4·41	−4·16	...
Fourth quarter	+3·70	−4·79	...

It would, of course, be foolish to suggest that the troubles of the primary producers are over just because the fall has stopped. This could be a pause in a longer decline; or it could be the beginning of the end of the "bear" market. But, if it does presage recovery, recovery will take off from a level of prices that already embarrasses many of the producers. Almost every overseas member of the sterling area will probably draw down its sterling balances—its London bank account—this year.

Fortunately a healthier British economy can support a moderate drawing down of sterling balances. But the primary producers of the world will have problems of internal adjustment to face. *The Economist* indicator stands about 13 per cent below its early 1957 peak. That bell-wether of the commodity markets—copper—is at much less than half its March 1956 peak of £435 per ton. How fervently Rhodesia must hope that the modest rally in copper will persist—and how thankful Rhodesians ought to be that £400 a ton copper did not last another year or two. If it had done so their standards of living and their costs of production might have reached a height from which it would have been perilous to fall.

Thus far the world has stood up remarkably well to the impact of recession in America. It is useful now to bring that recession into proper perspective. The American recession did not start the fall in commodities; it is nearer to the truth to say that it was started by that fall. And the fall naurally had imporant repercussions on the share markets of London, New York and Toronto. But the future of industrial activity in the United States will now decide whether what is happening to commodities is a pause or the beginning of a rally.

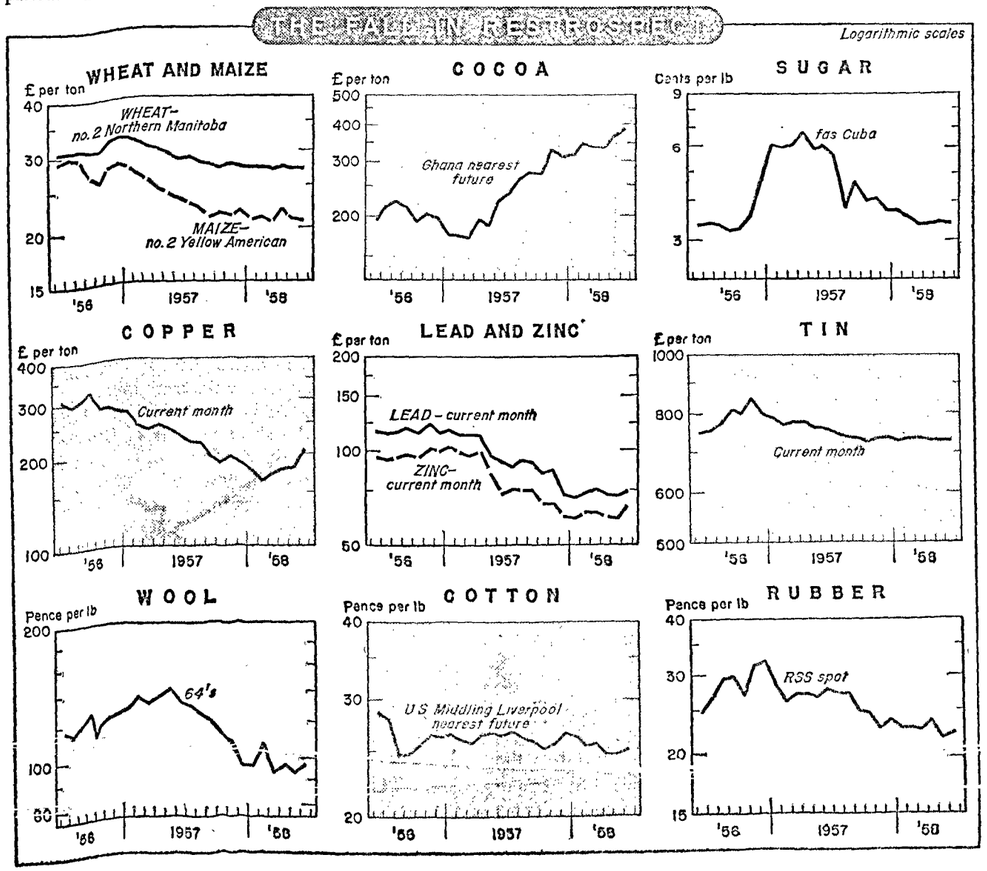
The immediate reason why commodity prices broke was the backwash that followed the ending of the Suez crisis; war fears and war buying stopped; commodities piled up in a longer supply line were drained out: shipping tonnage was released from the long journey round the Cape of Good Hope and freight rates fell. In the accompanying charts, a freight element is included in most of the commodity prices used.

But a fall in commodity prices—possibly with a different timing—would have occurred, Suez or no Suez. This was made inevitable for metals particularly, but for some agricultural commodities as well, by the large capital investment that stockpile buying had called into being. Sometimes actually aided by Government

investment, the productive capacity created still existed when the American stockpile programme was substantially completed and when, with little thought about the example it was setting, the British Government began to unload its stock. This was the basic cause of the crack in the commodity markets. It will not be mended until industrial demand expands sufficiently to take care of the productive capacity that was created. Meanwhile, each country thinks that the commodity which it exports is a special case ; one rolls dairy products on to the agenda, while another claims that its lead and zinc mines ought to have prior treatment.

Circumstances differ widely from commodity to commodity (cocoa, revelling in a West Africa crop failure, rose steeply throughout the slump). But over a large part of the commodity field, stability has been brought about by deliberate temporary curtailment. By tightly controlled international agreement as with tin, wheat and, to some degree, sugar, or by much looser arrangements, as with copper, producers have managed to hold supplies off the market. Their capacity to produce again when the climate is more favourable is unimpaired. The American government with its stockpile scheme for copper, has co-operated, but industrial demand has not yet expanded.

That must limit the scope for any sustained recovery. Nevertheless the turnround, when it comes, could be sharp. Producers of several commodities, tin and copper among them, have cut back to below the current estimated true rate of consumption, to make allowance for the fact that the consumer, the merchant and even the speculator (though there are few speculators in commodities now) would wish to reduce their holdings. When buyers come in again, they will find stocks limited ; and they will have to come in, even at today's reduced rates of consumption. There seems to some market experts to be already a little evidence that buyers are coming in. Significantly the customs smelters in the United States were able to raise prices before the announcement of the new American stockpile programme, which looks as though they had orders and no great stock. If a little buying occurs at the right moment it could breed confidence and more orders. But whether buyers will behave like that—and whether they will stay long when they do come in—depends on American industrial recovery.



BUSINESS NOTES

NEW ISSUES

Sinews of Re-expansion

BEFORE the reduction in Bank rate investors were already poised for a new and more expansive period in the markets. During the week ended on Wednesday, and especially on Wednesday when the new Stock Exchange Account opened, industrials and gilt-edged were bought. *The Economist* indicator rose 3.7 to 191.7 ; the *Financial Times* index of Government stocks rose from 83.52 to 83.62. The big AEI debenture issue had been steered to a safe harbour and other issues had been set on their way. The Bank rate reduction merely reinforced their chance of a happy landfall. Success was expected for the issue of the £25 million of 6 per cent debenture stock (1978-83) at 98½ by Associated Electrical Industries. The degree of success was hardly expected. The stags applied heavily and with about £100 million of stock applied for the allotment committee has a tough problem: it will not be possible for dealings to start in the new stock until Monday. With the demand for industrial debentures by the institutions so good, the prospect for two other industrial issues seems bright. Associated Biscuit Manufacturers, in a cash-cum-conversion issue, is offering £3.8 million (of which £2 million will be new money) of a 6 per cent debenture also dated 1978-83 and also priced at 98½. Davy and United Engineering is offering £1.6 million of a 6¼ per cent debenture (1978-83) at 97½ ; agreement has been reached with the holders of the £700,000 of unsecured loan stock and of the mortgage of £266,000 on the terms on which they can convert into the new debenture and they and other investors have agreed to subscribe in cash for the balance of the debenture. Later in the year Davy and United hopes to raise £500,000 by a rights issue.

★

Much more difficult to arrange, given the depression in shipping freights, must have been the placing of £10.6 million of loan stock to help to finance the tanker building programme of the Caltex oil group. A group of stockbrokers and merchant bankers, however, have arranged this financing with the institutions by the issue of two stocks, neither of which is to be quoted. Tanker Finance (UK) has been formed as the finance company and it has placed £7.6 million of "A" secured loan stock (repayable by a cumulative sinking fund between 1968-83) with insurance companies, pension funds and other institutions and £3 million of "B" secured loan stock (repayable over eight years in equal annual instalments) with Overseas Tankship (UK), a member of the Caltex group which will charter the tankers until 1983. As with similar schemes for the Shell and BP groups the security for the money borrowed is the tankers now being built and the charter parties that precisely cover the cost of servicing and repaying the loan.

Rhodesian Dollar Loan

RHODESIA'S first loan on the New York market has also been arranged during the week. With the object of raising about $25 million, the Federation has sought to split its requirements between the International Bank and the New York market, and found the amount that American private investors are prepared to put up in overseas loans was limited. So the International Bank lends the Federation $19 million tied to railway development (and in addition to the Kariba Loans already made) and $6 million has been raised in 5¼ per cent external loan bonds dated May 1, 1973, issued at 97½ to yield 6.01 per cent to maturity. It is believed that in fact of the $6 million market loan a fair proportion is coming not from American private investors but from holders of dollars in countries like Holland and Switzerland. Application is to be made for the bonds to be listed on the New York Stock Exchange.

INDIAN ECONOMY

Payments Crisis

LOOMING over this week's London meeting of the Commonwealth officials preparing for the Montreal Conference there has been increasing realisation of a fast approaching external payments crisis in India. India's payments difficulties have recently been heightened partly by a loss of export income and partly by an acceleration of deliveries of capital goods. This last is a product of change in world economic climate and of the increasing slack in the economies of industrial countries. The deficit which India has to meet over the remaining period of the second five-year plan—that is, up to April, 1961—is of the order of £420 million. Of this rather more than half has to be found before April of next year. These sums are arrived at after allowing for all promises of credits.

India has in hand £177 million of sterling balances which obviously cannot be drawn down to zero. In addition there is about £80 million of gold in the Reserve Bank which must be regarded as a last ditch reserve. The need for a massive credit operation is therefore desperately urgent. India has recently obtained an Export-Import Bank credit of $150 million, but this is tied to future purchases of capital goods (in the United States and at prices which are now between 20 and 30 per cent higher than the prices at which these goods could be purchased in Germany or Britain). This Export-Import credit is therefore useless to meet the urgent problem of filling the payments gap. The debts owing by India in respect of capital goods ordered under the second five-year plan amount to some 880 crores of rupees—say £670 million sterling—of which it is probable that half is owing to the United Kingdom, with Germany and Japan next in order of importance. The bulk of the amount owing to the United Kingdom is covered by the Export Credits Guarantee Department. The efforts that must be made by India to meet the payments due over

the next few months will quite clearly occupy the attention of London, Washington and perhaps Frankfurt over the next few weeks.

THE FRENCH LOAN

Interest Bearing Gold

As a first instalment towards France's financial regeneration M. Pinay, Finance Minister in the de Gaulle government, has announced in effect a repeat performance of his gold loan of 1952. His new loan issued this week for an indeterminate amount and open to subscription for an unspecified period, bears interest at 3½ per cent. This seemingly modest rate is generously embellished by a variety of extra benefits: interest is exempt from income tax and the capital from estate and transfer duty; security of capital against inflation or devaluation is in part at least secured by indexing the repayments which begin in 1970 to the market price of the gold Napoleon, which for this purpose has been given a base value of Frs. 3,600. Subscriptions are invited in francs but it is the hope of the Government that a substantial proportion of the application money will come from sales of gold or even foreign currencies on the part of the French public thus offered an inducement to repatriate their capital. To encourage that repatriation the law of 1948, which prescribes a 25 per cent fine on reimported capital, is being abrogated.

In the main, however, the loan is an appeal to the gold-hoarders of France. They are invited to sell their gold for francs and invest them in the Government's gold loan on terms that, it is claimed, amount to earning interest on the gold instead of paying for its safe keeping, and yet retain much the hedge against inflation that the possession of actual gold would give. It remains to be seen whether Frenchmen do indeed regard the promise of repayment on a gold basis from 1970 onward as the equivalent of holding physical gold now. The response to the last Pinay gold loan was not encouraging.

It may, however, be significant that on the day before the opening of the lists a considerable increase in the turnover of gold in the Paris bullion market occurred. There has also been a demand for French francs on the foreign exchange market which on Monday caused the rate in London to improve from Frs. 1,176 to Frs. 1,173, an advance that has not been wholly held. The main factor in the French franc market this week has been the continued evidence of an extremely short technical position in this currency. The world has sold the franc short and the bear accounts cannot be financed by overdrafts in Paris with the result that when francs are needed for remittance to France the impact on the rate is inclined to be severe. Short-term confidence in the franc has also been improved by the proposal at long last to acknowledge and regularise the veiled devaluation of the franc of last August. This has helped to dispel fears that M. Pinay might be considering another exchange "adjustment" comparable to that of last year.

COAL IMPORTS

Double-headed Penny

Considerable, and expensive, efforts are at present being made by the National Coal Board to ensure that 24 per cent of the coal it mines this year is large coal, as against roughly 23 per cent last year. Even with a designedly smaller tonnage, this higher yield of large coal should, the board hopes, give it enough large coal to supply all that domestic consumers from next month will be free to demand. In the Commons this week Sir Ian Horobin, Parliamentary Secretary to the Ministry of Power, refused to contemplate imports of house coals from Poland, which a Conservative member said could be landed in British merchants' yards at £1 a ton cheaper than British. The end of rationing, Sir Ian said, was based on the industry's expectation that sufficient supplies of coal would be available without imports. Besides, "a large part of this Polish coal is almost certainly dumped, and that raises questions of its own."

Consumers cannot import coal without an import licence from the Board of Trade, which would require approval from the Ministry of Power. It is fair to add that while foreign coal cost more (and most foreign coal does still) they never showed any desire to: it was always cheaper for the Government to make the Coal Board carry the loss on importing it and selling it at British prices. Since the war, the Coal Board has been obliged to lose about £70 million (nearly 2½ times its present accumulated deficit) in this way. On short-term considerations at least, it might quite logically itself prefer to save money and effort by bringing in large coal cheap today, rather than strain to keep its proportion of large coal up: but it is not likely to be allowed to consider these. There is no more real reason why the Coal Board should be allowed a monopoly of importing cheap coal than why it should be forced to import all that the economy wants when coal is dear. In practice it will probably not be allowed the one and it will be forced to accept the other. This is not simply Conservative Ministers' insistence that heads a nationalised industry shall not win and tails it shall lose as much as can safely be heaped upon it: the doctrine of cheapness for indigenous basic materials had once a little more intellectual integrity than that. But recently great care has been taken not to think it through.

BRITISH TRADE

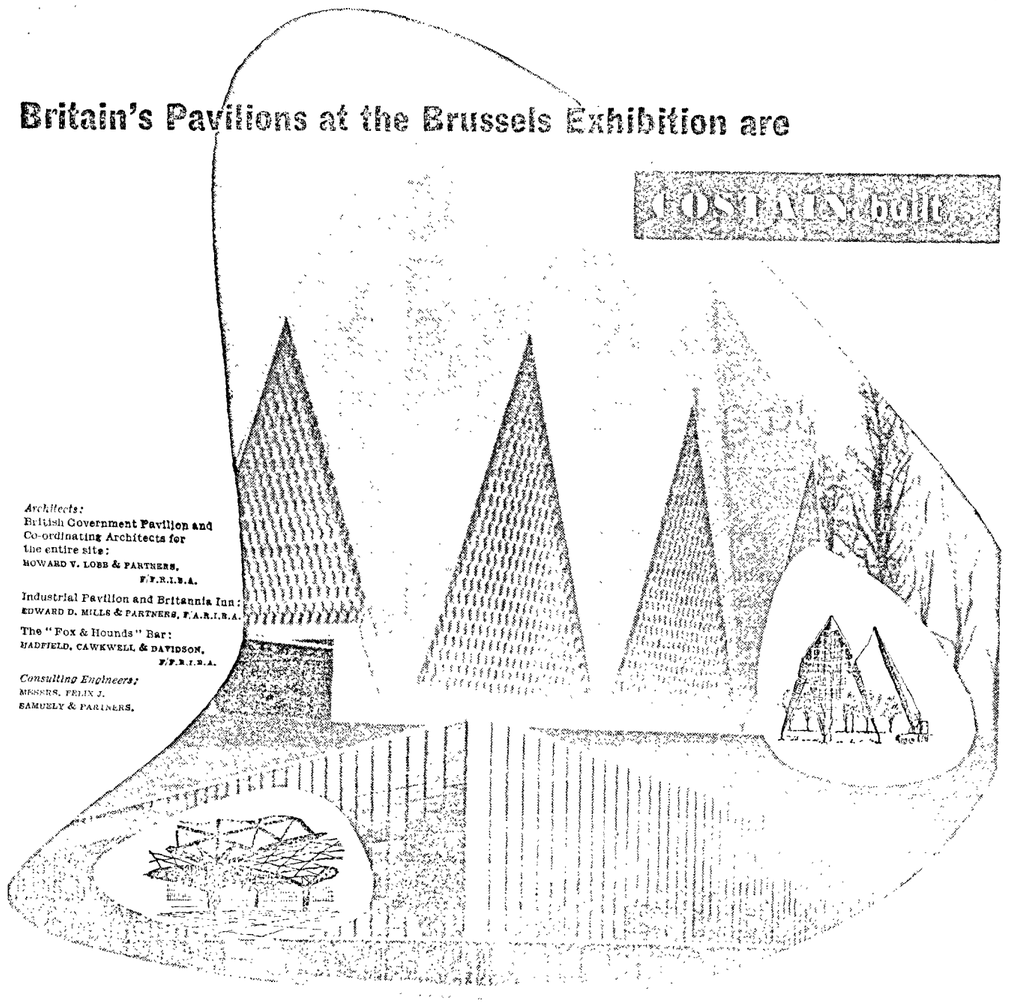
Exports Rise Seasonally

On the face of it the May trade returns would have looked good without the help they received from the London dock strike. The strike had the effect, it is reported, of reducing imports by some £10 million or £15 million, but even if that sum is added to the recorded trade gap (the excess of imports valued cif, over exports and re-exports valued fob), the gap still only amounted to around £20 million, which is below the average for the preceding four months and much lower than the sort of figure we have grown accustomed to in the postwar world. The fall in import prices is still bolstering up the British balance of payments.

Dock troubles hamper, of course, both loadings and unloadings, but in May the export figures were unaffected because exports get recorded more tardily than imports and are not related strictly to the calendar month; they cover a few days in the preceding month and exclude the last few days of the month. And the dock strike did not start until towards the end of May. May is a good month for shipments and this year was no exception; exports rose to their highest figure since the previous May, but the

Continued on page 1103

Britain's Pavilions at the Brussels Exhibition are



At the great Universal and International Exhibition in Brussels British constructional industry is represented by these two striking pavilions. The contract for constructional work on the entire British exhibit—which includes also the Britannia Inn and the Fox & Hounds Bar—was awarded to Richard Costain Ltd. and has been completed in association with the Belgian firm of Blaton-Aubert.
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The Plutonium Switch

THE MINISTRY of Defence has set in motion a chain of events of the utmost importance for the country's nuclear power programme in asking the electricity authorities to take steps that will make it possible at any time to switch the output of plutonium from four of the biggest nuclear power stations from civil to military use. The change will have little outward effect on the power stations other than the more frequent appearance of fuel lorries at their gates. But it may have repercussions at present difficult to estimate on nuclear power station economics; and it could mean potential overloading of some of the Atomic Energy Authority's already hard-pressed processing plants, including the diffusion plant at Capenhurst that produces pure fissile uranium.

The Technical Background

While reactors of the Calder Hall type are burning natural uranium as fuel they automatically produce a fixed proportion of plutonium as by-product; but whether that plutonium is suitable for weapons depends on how long it stays inside the reactor. When they first come into being—and they are always created artificially—all plutonium atoms take the form Plutonium 239, which is fissionable, but as they remain in the reactor a growing proportion degenerates into a non-fissionable and useless form, Plutonium 240. The reactor, meanwhile, does not discriminate between uranium and plutonium and burns up a fair proportion of the fissionable plutonium as fuel. Therefore the quantity of plutonium likely to be extracted from the spent fuel removed from a commercial nuclear power station is low and its quality is poor. This can be corrected by removing the fuel rods at frequent intervals of months rather than years, so that the plutonium can be extracted in a relatively pure form before it has begun to degenerate.

This is the system on which the eight electricity-producing reactors of the Atomic Energy Authority at Calder Hall and Annan in Scotland are operated: these make electricity as a by-product, but are primarily plutonium producers. With Windscale closed, these eight reactors are the country's only source of "weapon-grade" plutonium. With three of the eight reactors finished and working, the present rate of output is probably about 120 kilograms of plutonium a year; the total capacity when all eight reactors are operating—again very roughly—might be in the region of 300 kilograms a year.

Output from these eight reactors will be adequate while nuclear weapon production is restricted to atom and hydrogen bombs. This type of weapon is not stockpiled in quantity and does not usually require more than 5 kilograms of pure plutonium or uranium for its basic charge. But if it is decided to produce, in addition, tactical atomic weapons, and to give nuclear tips to anti-aircraft missiles (which is an essential part of such air defence as exists today, particularly against ballistic rockets), then the capacity is inadequate.

The Generating Board has therefore been asked by the Ministry of Defence to modify the equipment for loading and unloading fuel from the reactors of three of the nuclear power stations in its present and forthcoming programme so that the fuel can be removed, if necessary, while the plutonium that it contains is still fit for military use. The capital cost, which is small, is being met by the Ministry of Defence. The three stations affected will be Hinkley Point in Somerset, where work has already started, and stations to be built in Wales and Kent, where contracts have not yet been awarded. A fourth station, at Hunterston in Scotland, already has suitable equipment.

The cost of modifying the stations now, before they are built, is relatively small compared to what it would cost to switch them over once they have been commissioned. For this reason the Ministry of Defence defines its policy as an "insurance" and for the same reason no attempt has been made to modify the two partially built nuclear power stations at Bradwell and Berkeley.

The Economic Effects

The four stations concerned, if they were all pressed into service, could produce perhaps 1,800 kilograms of weapon-grade plutonium a year by the mid-1960s, bringing the country's total capacity to well over 2 tons a year. But the first of them, Hunterston, would not start to deliver any before 1962.

The effect of this change on the running cost of nuclear power stations is likely to be considerable. The output of plutonium from the civil power programme, when all 6,000 megawatts of capacity had been installed some time in 1966, was originally put at 4 tons a year of low-grade plutonium with a purely civil use, expected to be substantially lower in value than earlier, optimistic estimates had suggested, because its quality was so low. On the day that the Ministry of Defence made its announcement, Sir Christopher Hinton happened to be delivering a paper explaining that the "plutonium credit" that is effect against the gross cost of generating nuclear electricity had already been sharply scaled down from the fairly fat figure of 0.35 pence per unit sent out to the fragmentary one of 0.07 pence per unit. But where reactor running costs are concerned, plutonium burnt on the spot inside the reactor is much more useful than residual plutonium extracted by an expensive chemical process from spent fuel, and the higher the rate of burn-up the better.

The new dispensation will alter gross costs for the worse. The output of plutonium can be expected to go up sharply, probably by about 50 per cent, because less is burnt inside the reactor. This high-grade plutonium could also be expected to command a much higher price—but it is a bill that the taxpayer must foot as part of the defence budget. The fuel, costing £10 million upwards, may all have been removed at the end of one year, long before more than a tiny fraction has been burnt, instead of remaining inside the reactor for about five years until fully exhausted.

Implications of the Change

This is a grossly uneconomic process. The semi-depleted uranium is not thrown away, but it cannot be reworked into fresh fuel rods without a "topping-up" process designed to replace its depleted atoms. And until a technique has been developed of "spiking" this with plutonium the only way to do it is to put the uranium through at least some of the stages of a gaseous diffusion plant—an operation, ironically, that consumes vast quantities of electricity.

Manufacture of fuel rods, and their chemical decomposing to extract plutonium, are neither very costly processes if they occur only once every five years or so. But constantly repeated as would need to be under the new plan, they could add significantly to total generating costs at nuclear power stations, even though the extra cost would be met by the Ministry of Defence and not by the electricity consumer. Moreover, neither the diffusion plant at Capenhurst, which is a small one, nor the chemical treatment plant at Windscale could handle the work involved in switching four huge power stations of this size over to military plutonium production. No help can be expected here from the United States so further capital investment by the Atomic Energy Authority seems inevitable if only as part of the "insurance."

And if a claim is ever made against this policy, as it well might be, there will be two further consequences. Atomic engineers are going to lose a great deal of valuable and essential experience about the probable life of fuel elements (they hope for 3,000 MW days of heat per ton of uranium now and 5,000 MW days in the future). But with little or no "civil" plutonium on the market, engineers will at least be temporarily relieved of the embarrassment of finding how to use this singularly unco-operative metal as a commercial nuclear fuel.

Continued from page 1104

seasonal rise was still less sharp than last year and exports were 5 per cent lower in value than at that previous peak, with prices virtually unchanged. In the preceding three months the average drop from a year ago was nearer 4 per cent, but allowing for the different incidence of the Whitsuntide holiday in the two years, export trade is probably not deteriorating in comparison with last year.

UNITED KINGDOM TRADE

(£ million—monthly averages or calendar)

		Imports cif	Exports fob	Re-exports fob	Trade deficit	Exports* to North America
1957 :	1st quarter..	352·7	278·8	13·0	61·0	32·0
	2nd „ ..	346·9	283·8	10·2	52·9	38·8
	3rd „ ..	332·1	265·6	9·8	56·6	37·5
	4th „ ..	326·9	280·1	11·5	35·2	35·8
1958 :	1st quarter..	311·2	273·7	13·7	23·9	34·5
	April	310·6	265·5	11·8	33·4	36·2
	May†	308·6	287·3	14·6	6·6	44·1

* Excluding repayments of silver bullion to the United States amounting to £7 million in 1957. † Provisional.

Rejoicing must be subdued. Except on one count: in spite of the American recession, dollar exports are buoyant. Excluding from last year's accounts the unrequited silver bullion repayments to the United States and also excluding the delivery of the liner *Empress of Britain* to Canada, exports to the United States in the first five months of this year were 9 per cent up in value and exports to Canada were 5 per cent higher.

EPU RENEWED

A Year of Grace

THE Managing Board of the European Payments Union has recommended a year's extension starting from July 1st. This recommendation needs to be endorsed by the Ministerial Council of OEEC when it meets in Paris on the 27th of this month, but endorsement is a foregone conclusion. Thus the storm of protest that arose earlier this year and the threats by EPU members outside the Common Market that they would not renew EPU unless a Free Trade Area were formed is now decently forgotten. Its solitary echo is a reservation by Switzerland which has claimed the right to leave EPU unilaterally on January 1st next if it so desires. All other members have accepted the renewal of the Union, subject only to the now usual break clause which would operate if one or more EPU currencies become convertible, thus causing EPU to be dismantled and replaced by the European Monetary Agreement.

Opposition to the renewal of EPU has died down partly because of growing indications that France may not be able to fufil its full obligations as a member of the Common Market at the end of this year, so that the element of discrimination involved in the first tariff and quota dismantling within the Common Market (which is due on January 1, 1959) may not be as clearcut as had at one time been feared. The fact that France has applied to the OEEC Steering Board to be released from the obligation to liberalise 60 per cent of its OEEC trade by mid-June, bears with it a possible indication that France will also be unable to reduce its tariffs by 10 per cent or increase its import quotas with its Common Market partners by 20 per cent at the end of this year. There is still hope in OEEC that, despite the delay in the Free Trade Area negotiations that the French crisis has caused, it will be possible for potential members of a Free Trade Area to behave as though a Free Trade Area had been negotiated, and at the end of this year to reduce tariffs and increase import quotas in accordance with the Rome Treaty provisions. It is that possibility that would have made a failure to renew EPU, or a renewal for six months only, an unhelpful action.

FUEL OIL

Back on Trend

WITH deliveries of fuel oil during the first quarter of 1958 over 44 per cent higher than in the first quarter of 1956, and deliveries in April (now published in the Monthly Digest of Statistics) no less than 65 per cent higher than in the corresponding month two years ago, the marketers can fairly claim to have made up most of the momentum they lost when supplies from the Middle East were interrupted. Over a third of the increase is due to the commissioning of new oil-fired generating stations, which now take four times as much fuel oil as they did two years ago; but excluding them, fuel oil deliveries still rose by about 30 per cent over the two-year period. A further reduction last week of about ten shillings a ton in the scheduled prices for fuel oil delivered to industrial consumers in Britain gives industry slightly cheaper oil than it could buy before the Suez affair began. Allowing for the slump in tanker freight rates, and for the many special price-cutting deals by which surplus fuel oil in the Caribbean and US West Coast is now commonly disposed of, the current price paid for fuel oil by British industrial consumers is probably still roughly in line with the delivered cost of Western Hemisphere fuel oils.

In the South of England, and at any point reasonably near a port and distant from the coalfields, fuel oil has now become a cheaper fuel than most grades of coal—if due allowance is made for its higher thermal value, some measure of convenience and efficiency in use, and the quantity discounts allowed to large oil consumers, which may be supplemented by special rebates where competition between the oil companies is particularly keen. Small coals, delivered in bulk to large generating stations, are still much cheaper to use than fuel oil, especially as in this use the technical advantages of fuel oil compared with coal tend to be less marked than they are in other industrial steam-raising plants. The one power station where fuel oil is supplied on a coal-oil price parity basis is the exception. Outside the field of electricity generation, the slight opening of the Coal Board's price "concertina" last March, which was intended to induce consumers of scarce large coals to switch to the more plentiful and cheaper small coals, may have had the unintended effect of persuading them to switch to fuel oil instead. Any rises in the price of coal to domestic consumers, which may follow from the removal of rationing and price controls, are, however, more likely to benefit gas and diesel oils and kerosene than fuel oil.

But if the fuel oil sales are back on the postwar trend, which implies a continued rise in fuel oil consumption of some 20 per cent a year, the industry is also coming back to its problems of refinery balance. When crude oil costs considerably more than fuel oil sells for, it cannot pay the oil companies to produce more and more fuel oil unless the lighter and traditionally more profitable products, which have to be produced jointly with the fuel oil, can be sold. But the disparity between the rate of growth of fuel oil

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sales and that of petrol and other light products has grown larger than it was two years ago, rather than smaller. Companies selling fuel oil must be glad to feel its former competitive strength again; but refinery economics may pull them up short well before they reach the limit of the market for fuel oil at present prices.

BANK ADVANCES

Rise in Lendings

THE detailed analysis of bank advances for the latest quarter, the three months February-May, reveals, as expected, the first major reversal of the downward movement that set in last summer. Aggregate advances made in Great Britain by members of the British Bankers' Association rose during the quarter by nearly £91 million, to £2,032 million, whereas in the preceding quarter they had risen by only £10 million and in the six months to November last had fallen by £147 million. This increase exceeded the corresponding movement last year by £13 million, but that margin was attributable to bigger demands from the public sector—the nationalised industries and local authorities. Loans to all other borrowers rose during this latest quarter by £76 million.

Nearly two-thirds of the expansion was attributable to two major groups, both of which made much bigger demands than in the corresponding quarter of 1957—food, drink and tobacco, up by £31 million (compared with £18 million), and retail trade, up by £18 million (compared with £10 million). Several of the smaller groups also increased their share of the total. In contrast to the declines shown by wool and cotton, other textiles expanded by £5 million (11 per cent) and leather and rubber by nearly £4 million (21 per cent). Agriculture rose seasonally, by £5½ million, but this was slightly less than in 1957, and the total of £212½ million is £10 million down on the year. This total is again exceeded only by that of the big engineering category, the advances of which have been virtually unchanged in the latest quarter, at £228½ million, but are £14 million down on the year.

All the financial groups increased their borrowings, stockbrokers by £2.2 million to £10.2 million, hire-purchase finance houses by £0.9 million to £31 million (they also rose fractionally in the preceding quarter), and "other financial" by £4½ million to £176 million. The personal and professional group rose £4.3 million, to £324 million, or by slightly more than in the similar quarter last year, but the total still shows a slight decline on the year. Since last August, the date nearest to the starting-point for calculating the "ceiling" imposed by the Chancellor, total advances have contracted by £23 million, whereas in the corresponding nine-month period of 1956-57 they expanded by £76 million. If the public utilities are left out of the reckoning, the nine-months fall becomes £34 million, in contrast with an expansion of £151 million.

AIR TRANSPORT

Controlling the Traffic

THE public inquiry into the crash of a chartered Bristol Wayfarer aircraft in the Pennines has once again demonstrated in a tragic manner how little the air traffic controllers in parts of the country know about the actual position of an aircraft within their zone and their inability, therefore, to advise a pilot when he is dangerously off course. The radar cover around southern England, centring on London and Gatwick airport, a necessity in a region of such dense air traffic, functions so effectively that it is not always realised that the rest of the country is not as well covered. Yet it was only on Wednesday that the Minister of Transport announced that radar surveillance was to be extended along the whole length of the country's main airways so that ground controllers could keep their own continuous check on all the aircraft using those lanes. This long over-due modernisation is expected to take as much as five years to instal, at an estimated cost of £5 million.

Mr Watkinson hinted in passing at one of the biggest difficulties in designing a traffic control system, the rapid rate of obsolescence. Technical developments are barely managing to keep pace with the rising volume of air traffic and its increasing speed; even at London Airport, where the equipment is among the finest in the world, most of the installations covering the airport and the southern region are due to be replaced by the "semi-automatic control equipment" mentioned by the Minister just as soon as it has been developed. The biggest problem in air transport today is not in aircraft design, or even in providing runways long and strong enough to carry new machines, but in shepherding them safely along invisible airlanes with the limited help of instruments all too many of which still date from the string and sealing wax days of flying.

NUCLEAR POWER

Atomic Ententes

THE atomic energy agreement signed this week between the British and Japanese governments is cut to the same pattern as that reached with Italy shortly after Christmas: it confirms the belief that the British Government is prepared to be as generous towards countries that intend to buy nuclear power from British manufacturers as it is cool towards those that do not. Three features stand out in these agreements. The first is the willingness of this country to sell nuclear fuel outright. Admittedly the Japanese agreement gives the UK Atomic Energy Authority first option on any plutonium produced in Japanese reactors burning British-supplied fuel, but only "on any such materials which the Japanese government does not need for its own peaceful purposes"; and this agreement states flatly that all this material is in any case "at the disposal of the Japanese government." Secondly, Britain is prepared to give Japan any technical help needed to build fuel manufacturing and processing plants in Japan so that the latter would become independent of foreign suppliers. Thirdly, it is prepared to guarantee the quality and performance of any fuel supplied.

To put it crudely, the British Government offers atomic power without strings, a card that has now twice trumped the formidable American ace of atomic power at cut prices, once in Italy and once in Japan. Both these countries intend to buy at least one nuclear power station from Britain, and some people believe that the attitude of the British Government has weighed almost as heavily in the scales as the technical advantages of the plant.

It is possible that the American government will eventually adopt the same pattern of nuclear trade, but to date it remains remarkably reluctant to lose control of any fuel

that it supplies. Arrangements, for example, to help out Britain's limited supplies of enriched, as opposed to natural, uranium do not seem to be working out as well as expected. But there is, however, a good chance that Congress will approve next week the sale of a submarine reactor to the British Navy. The Admiralty would actually like to buy several reactors of this kind to instal in British-built submarines, since it will plainly have to wait many years before the Dreadnaught submarine project in this country reaches the stage where it can be put into production. Whether Congress will go that far remains to be seen.

TIN

The Russian Threat

THE International Tin Council is still in session in Paris in an atmosphere of some secrecy as this edition of *The Economist* goes to press. But there is little doubt that discussion has centred on the continuing Russian, and to a lesser extent Chinese, tin offerings. Market behaviour since the Council last met in London six weeks ago has been less favourable than was hoped when the Council cut production below estimated consumption so as to empty the supply pipeline. Prices have remained near the floor level of £730 a ton despite the extension of the 40 per cent export restriction until the end of September. Even so, the buffer stock has had to buy, and is now believed to hold in cash only the undisclosed sum received under the special fund recently set up. If the buffer has indeed exhausted its three contributions due under the scheme it must now hold upward of 23,000 tons of metal. An indication of market uncertainty has been a sudden widening this week of the discount on three months forward tin which has, however, since recovered to near parity.

In the metal trade it is believed that discreet approaches have already been made to Russia to see whether that country would consider joining the Agreement. But little is known about the size of tin output in Russia, so that it is difficult to assess whether current Russian sales are from accumulated stocks or from production in excess of domestic consumption. The fact that neither Russian nor Chinese tin is allowed to be imported into the United States, the biggest market, is an additional complication.

FUEL AND POWER

New Chances for Coal

DEVELOPMENTS in complete gasification of small coals under pressure, recently discussed in these columns, offer the chance of much wider commercial horizons for the gas industry: they would also offer the coal industry a developing market for the small coals that it cannot help producing as and when power station demand for these levels off and begins to decline. In the W. M. Thornton lecture this week on "Developments in the Use of Coal," Mr A. H. A. Wynn, scientific member of the National Coal Board, was naturally concerned with this possibility—and with another associated development which depends upon development of cheap gasification, leading him to the conclusion that "there is no more important development project in the fuel and power industries." This second development is the synthesis of oil from coal.

This sounds a tall order: nobody in the world has yet managed to do it economically, not even SASOL in South Africa with coal at about five shillings a ton. But if pressure gasification is on at the cost that the gas industry will certainly need, oil synthesis would automatically become much nearer to a commercial proposition: the high cost of existing processes comes more in making the coal into synthesis gas, than in the synthesis of liquid fuels from the gas. A design study made for the Minister of Power by "a chemical engineering contractor" (known to be Constructors John Brown), said Mr Wynn, postulated a big plant that would convert 2,300,000 tons of East Midland coal into 630,000 tons of oil products (premium grade motor spirit and diesel oil) a year plus 56 million cubic feet of town gas a day at a pressure of 25 atmospheres. From coal taken at 3.1d. a therm (about £3 a ton) the plant could make the petroleum products at commercial prices and the gas at 7d. a therm; and give a gross return of 20 per cent on a fixed and working capital of about £35 million. This figuring would mean far cheaper oil synthesis than anyone else has ever proposed, let alone achieved: it depends, crucially, upon the performance obtained from the "slagging gasifier" pilot plants being tried out by the British Coal Utilisation Research Council, the Gas Council and the contractors. The economics of such a process would finally depend upon the cost of coal, possibly upon the relative price structure of oil products, and most of all upon the relation between coal and oil prices. By the late sixties, which is as early as any of these developments could possibly reach a commercial prototype stage, this relationship could look somewhat different from what it does today and appears likely to over the next five years or so.

*

Even in the meantime, Mr Wynn was prepared to be confident about the gas industry's chances in competition with electricity and oil: here, some of his figures seemed optimistic. He said that gas sold at 19d. a therm, and coke at 7d a therm were "much cheaper forms of energy than electricity" at 44d a therm. For the real conditions of competition at present, ought not one to take "follow-on" electricity at about 34d. a therm, since people have to pay the basic charge for lighting anyway? With electric heaters that are 100 per cent efficient and gas heaters with flues that are about 60 per cent efficient, gas is no cheaper. Coke competes in a different league, general heating, where it is sometimes marginally cheaper than oil but less convenient. On current figures, neither of the products of carbonisation seem to be competing very well: the genuine opportunities before the gas industry require major technical change.

COLOUR TELEVISION

The BBC's Trials

THE report on its experiments with colour television that the British Broadcasting Corporation has sent to the government's Television Advisory Committee simply indicates that the BBC is satisfied that a colour service on American lines would also be technically suitable for this country. The American system was worked out by the National Television Systems Committee which was set up to bring about some agreement between the warring colour systems developed by competing manufacturers. The BBC have taken that system, modified it, re-engineered it and experimented with it using the same 405-line system as the

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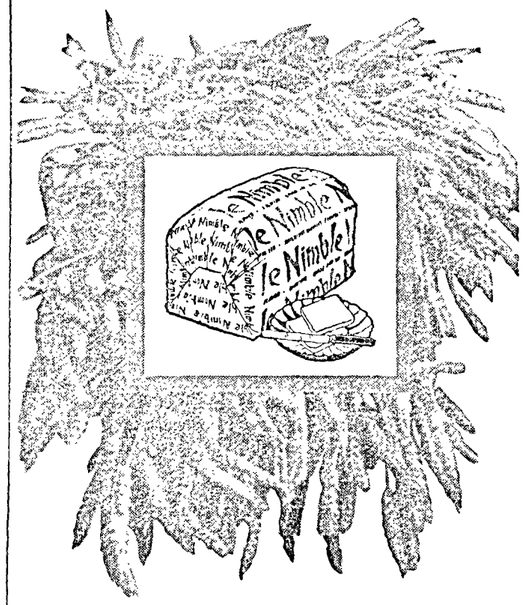
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present British black-and-white services; and its engineers have satisfied themselves that pending a new discovery, this is probably the best available method of transmitting colour pictures.

The corporation has also, however, learnt much in the process about the cost of providing such a service. Receivers designed to take colour pictures are about three times as expensive as a normal receiver, because they are three times as complicated. But the equipment needed to transmit the colour picture is even more complicated, and is likely to cost a good deal more than three times that of the installations now in use. No way has yet been discovered either of transmitting or of receiving colour television pictures without using what amounts to a separate camera in the studio, a separate channel in the transmitter, and a separate tube in the receiver for each of the three primary colours that make up the picture. The fact that all three are installed together in the same piece of equipment, and have to be optically aligned with reasonable accuracy, merely adds to the complications. The BBC experiments, and the "promising results" achieved, do not mean that a colour service is round the corner or that the BBC would be anxious to introduce it if it were.

And in this matter, if in no other, the ITA is content to follow the lead of the BBC. After several years of colour transmission in the United States, the best estimate suggests that only a handful (by American standards) of colour receivers have been sold, probably no more than 200,000. The importance of the BBC's report is, however, that it gives the electronics industry a guide to the type of transmission that the Corporation, and presumably also the Post Office, would accept as the basis of a colour service. It is then up to the industry to see what can be done to bring costs down to a reasonable level. The striking improvement that colour brings to a television screen, not only because it is colour but because it appears to affect the whole texture of the picture, makes this an economic target well worth seeking.

FOREIGN EXCHANGE

The Tourist Season

City interest in the foreign exchange market has been concentrated on a slight weakening of sterling caused by a rather earlier than usual seasonal demand for dollars and a little selling in anticipation of a Bank rate reduction. The rate, though not seriously weak, dipped to $2.81 to the £ before the Bank rate announcement. The public at this time of year may be more interested in the market in foreign bank notes than in these usually quoted telegraphic transfer rates. The table compares the two markets at current rates and should be read subject to the warning that the bank note rates are wholesale, quoted by a firm of merchant bankers specialising in this business. The tourist's individual bank will require a modest turn for its trouble and risk in holding a stock of foreign currency.

	Bank Note Rates	Current Telegraphic Transfer Rate
	Mid-June	
Belgium (fcs. to the £)	138⅜–139	139·37½–139·42½
France (fcs. to the £).....	1257–1261	1174½–1174½
Germany (Dm. to the £)	11·67–11·72	11·70–11·70½
Holland (guilders to the £) ..	10·55–10·60	10·58½–10·58½
Italy (lire to the £)	1734–1740	1743–1743½
Norway (kroner to the £)...	19·92–20·00	20·01½–20·01⅜
Portugal (Escudos to the £)..	79·48–80·00	80·00–80·15
Spain (pesetas to the £).....	151⅛–151⅝*	117·60–118·60
Sweden (kroner to the £) ...	14·42–14·50	14·46⅜–14·47
Switzerland (fcs. to the £) ...	12·15–12·20	12·23½–12·23⅜

* Large denominations; small denominations are scarce and slightly dearer.

The main feature with tourist demand expanding and after the instalment of General de Gaulle in power has been the improvement in the quoted rate for the French franc note from around 1,300 to the £ to its present level of around 1,260.

TANKER TERMINALS

Super Tankers for the North-West

Some ingenious new features are incorporated in the design of the super tanker terminal now being built at Tranmere, on the Cheshire side of the River Mersey, to supply crude oil to the Stanlow refinery of the Shell Refining Company. A single approach road from the land divides at the river into two jetties, like the prongs of a pitchfork. At the end of each jetty is a floating stage, 362 feet long and 60 feet wide; each stage can accommodate a fully loaded tanker of up to 65,000 deadweight tons, and even larger vessels on a restricted draft. Because such super tankers are 700 feet or more in length, they jut out at each end of their floating stages, and to enable them to be moored safely special floating mooring "dolphins" will be provided ahead and astern of each stage. By this means two super-tankers will be able to be moored and to discharge their cargoes simultaneously, with a considerable saving in construction costs as against with one long, continuous stage.

When in full operation the Tranmere terminal will be able to handle up to eight million tons of crude oil a year for Stanlow refinery. The cost is being shared by the Mersey Docks and Harbour Board and Shell Refining Company; the Board, which will own the stage, will bear the major part of the expense.

COCOA

A Squeeze that Continues

The squeeze in the cocoa market continues with the price of around £400 a ton at the second highest level in cocoa history. The West African Marketing Boards have little cocoa left to sell from the current crop and Brazil will be the major source of supply over the next few months. The Brazilian crop is reported to be good and early estimates for the next West African crop are also favourable. High prices are also helping to reduce consumption. First quarter grindings of raw cocoa in the UK were 13 per cent down on last year and imports of cocoa butter were also lower in the first four months of this year. Imports into the US and most European countries have also been lower. The effect of declining consumption should progressively make itself felt and should the new West African crop prove to be average or better prices are likely to ease.

PETROL

Untied Service Stations

A decision by the Minister of Transport, which could have far-reaching effects on the tied service station networks created by the major oil companies, has received its first publicity in the annual statement of Mr L. W. Farrow, the Chairman of C. C. Wakefield and Company, the independent distributors of Castrol motor oils. "Stockholders will welcome," Mr Farrow says, "the attitude of the Government towards the tied station system as applied to the new motorways, the Ministry of Transport having decided not to allow exclusive trading thereon." The Ministry, which had made no prior announcement of this policy, confirms that it is the Minister of Transport's intention that every service station on the new motorways shall sell more than one brand of motor spirit—and presumably more than one marketing company's brands—in order to give motorists greater freedom of choice. The oil companies will not welcome this enforced return to "mixed sites"; but if the Minister carries out his intention he will give motorists more opportunity than they have at present of demonstrating to the oil companies which system they really prefer.

Service station building will also be affected by the revised planning directives sent by the Ministry of Housing and Local Government to all local planning authorities. The grounds for objecting to the erection of a new service station—its effect on the traffic flow, road safety, amenity, agricultural land, and so on—have been set down in greater detail than before. And where a proposed site offends against these principles, but only to a minor degree, then the planning authorities are to take into account the need for a new station. Commercial considerations, therefore, may in future play a bigger part in the granting of planning permission than they have in the past.

SHORTER NOTE

The main weakness of the radar speed checks now in use in various parts of the country is their tendency to give confused readings in heavy traffic when the beam cannot distinguish individual vehicles. Marconi have now applied the "Doppler" principle that is becoming widely used in air navigation to the design of a radar speed check that can provide separate readings for vehicles in traffic—eight feet is said to be the minimum effective distance—and will lock on to any one of them. Since radar is being used as the basis for a steadily growing number of speeding prosecutions, any increase in the accuracy of readings is to be welcomed.

COMPANY AFFAIRS

STEEL RESULTS

Apart from sheet and strip the demand for steel is not strong and this is reflected in the interim statements recently issued by some of the leading steel companies. Steel shares are depressed, but more because of the possibility of re-nationalisation than because of the industrial prospect. Profits, however, have fallen and this year shareholders can hardly expect another loosening of the purse strings. The cover on the dividends remains high, but the need to retain money to complete development programmes remains pressing.

Steel Company of Wales reports an increase in production (from 1,376,000 tons to 1,405,000 tons) and "higher" profits (though how much higher is not specified) in the six months to March 31st. The directors say that "the demand for steel sheets continues at a high level, and in recent months there has been some improvement in the demand for tinplates. Conditions in the export markets, however, are very much more competitive than a year ago." In declaring an interim dividend of 3 per cent and reporting "good progress" in the third stage of the development scheme, the directors say they see no reason to amend their prospectus forecast of a total dividend of 8 per cent for 1957-58. On that dividend the £1 ordinary units at 15s. 9d. xd yield 10.2 per cent.

Colvilles has left its interim dividend unchanged at 5 per cent and on the assumption that the 8 per cent final will be repeated, the £1 ordinary units at 24s. 9d. xd yield 10½ per cent. At the issue price the first option on the convertible debenture issued in January is equivalent to 27s. 6d. per £1 ordinary stock unit. In the six months to March 31st, the group's production of steel ingots and castings dropped slightly (from 1,079,810 tons to 1,051,488 tons) and its net profits fell from £3,021,000 to £2,646,000. The directors say that "although the demand for plates continued, there has been a recession in the demand for certain of the products of the group, especially in the lighter ranges. This has led to a reduction in the activity of the semi-finishing mills and in the need for pig iron. The opportunity has been taken to concentrate production in the more efficient units."

Hadfields does not publish half-yearly figures with its announcement of an unchanged interim ordinary dividend of 4 per cent. But the comments of the directors are gloomy. They say that "there has been a marked falling off in the volume of orders," a tendency which they believe to be general throughout the industry. Certain sections of foundries, forging departments and steel melting plants are, they say, temporarily operating at a reduced capacity. Production of pulp and paper making machinery in this country has been "maintained at a good level," but the trade recession in Canada has had "an adverse effect" on the profits of the group's subsidiaries in that country. "Falling demand at home, the growing competition from overseas and other economic difficulties . . . might well influence the rate of the final dividend." Last year the final payment was 5 per cent, making a total dividend of 9 per cent. If that could be assumed again this year the £1 units at 15s. 7½d. would yield 11½ per cent.

United Steel: By recommending a payment of 4 per cent on an ordinary capital recently increased to £30 million by a 50 per cent issue, United Steel has effectively left its interim dividend unchanged. The directors say that results in the first 36 weeks of the financial year ending on September 30th, next, "show an improvement over the corresponding period of the previous year." But "there has been some decline in certain sections of the business." The full year's earnings will, they hope, "be little, if any, less" than those recorded in 1956-57. If the final dividend is repeated at 7½ per cent, the £1 units at 18s. offer a yield of 12¼ per cent.

BOOTS PURE DRUG

Yields offered by the ordinary stocks of almost all the big multiple store groups are slender. The 5s. units of Boots Pure Drug fall into this category: at 21s. 7½d. they yield 4.2 per cent. The yield has the justification that Boots is the biggest of the manufacturing and retail chemists, a trout among the minnows. For evidence of that actual and potential strength, investors have only to look at the full accounts for the year to March 31st and the statement of the chairman, Mr J. P. Savage.

The financial structure of the group has been tidied up, the preference shares of subsidiaries being replaced by a loan stock of the parent company; the group's

properties have been revalued, creating a book surplus of nearly £13½ million, and putting a value on the group's total assets of £51 million; a more up-to-date method of calculating depreciation has been adopted; small changes have been made in presenting the accounts, so as to aid shareholders' comprehension; and a scheme has been devised to link the employees' bonus with the company's profits. This modern look is also apparent in the group's policy on capital development. Last year, spending £2,400,000 on capital account, Boots closed 20 uneconomic shops, opened 12 new ones, and extensively altered 43 others. The programme is not complete and Mr Savage describes an increase in capital expenditure as inevitable. Presumably the group will continue to rely on retained earnings to cover it, but investors will note that the net cash balance of £757,000 of a year ago has been turned into a net debit of £262,000.

It is by policies such as these that the multiples have grown and so far there is no cause for complaint in the results they have produced for Boots. Sales rose by nearly 9 per cent, from £72½ million to £78½ million, and gross profits by nearly 14 per cent, from £4,553,998 to £5,178,510. The group was actually able, in a year when practically everyone else complained of rising costs, to reduce its expense ratio, and Mr Savage says "the increase in the profit has been due, not to putting up prices, but to a healthy increase in sales and a determined effort by everyone to keep operating expenses down." The ordinary dividend has been raised from 16 to 18 per cent, and though it carries "no implications as regards future dividends," a 25 per cent scrip issue is proposed. All this would seem to justify the slender yield. But the earnings cover on the dividend is not extraordinarily high and all development programmes have a big money cost.

BRITISH NYLON SPINNERS

NYLON is a fibre the demand for which is still increasing. British Nylon Spinners—in effect a monopoly in this country—has fashioned its price policy with an eye on the future, so that all its growing output finds a ready market, though the actual figures of production are not disclosed. Sales increased last year as the factory at Doncaster reached its planned capacity; work began here on a £3 million extension due to be completed in 1959. In Australia the company's subsidiary started up its process machinery in the first month of 1958. Capital commitments at the year's end were again just over £3 million, though commitments in Australia are now negligible. The group is in good shape for a further leap forward in productive capacity. Over £17 million of quick assets have been built up out of retained earnings. Based on capital and reserves at the end of the year, last year's net profit of £5,199,233 represents earnings of just under 20 per cent; in 1956 the position was virtually the same with net earnings of £4,630,308. But this figure shrinks to 15½ per cent when account is taken of present-day values of fixed assets, which a recent revaluation has shown to be about £7 million in excess of book values. The dividend paid to the equal partners in the venture, ICI and Courtaulds, has been raised 2 per cent to 18 per cent on a ranking capital of £18 million. For Courtaulds this meant approximately an extra £100,000 net in a year when other sources of income were shrinking. Courtaulds' half share of the total profit (if it were fully divisible, which obviously it is not) more than covers that company's total dividend, now reduced to 8 per cent.

	1956 £	1957 £
Consolidated earnings:		
Gross profit	10,176,708	11,112,181
Depreciation	913,520	992,733
Taxation	5,040,000	5,400,000
Net profit	4,630,308	5,199,233
Replacement reserve	500,000	500,000
General reserve	2,500,000	3,000,000
Dividend	1,656,000	1,863,000
Consol. balance sheet:		
Fixed assets at cost	15,450,919	19,086,366
Net fixed assets	9,162,672	12,102,966
Stocks	3,696,397	4,511,889
Gilt-edged	9,070,210	8,576,210
Cash, etc.	7,613,649	8,884,820
Net current assets	18,410,802	19,057,590
Capital and reserves	23,107,177	26,443,410

HOUSE OF FRASER

THROUGH a series of take-over bids Mr Hugh Fraser has built up an empire of drapery stores. His name is as familiar to investors as Mr Clore's or Mr Wolfson's. The real test for the House of Fraser, as for Sears or Great Universal Stores, is not the number of businesses acquired or the skilful techniques used in making the bids but whether the new management is more efficient than the old. But statistically this litmus paper test is hard to apply, for the continuous process of acquisition makes it impossible to compare one year's results with another. In the year to January 31st the House of Fraser acquired Carswell Ltd., John Barker and Company and Wylie and Lochhead; pre-acquisition profits amount to as much as £398,253 in the latest accounts.

Excluding these pre-acquisition profits, the group's profit before tax amounted to £2,271,385 (against £1,972,498), that figure being naturally swollen by the earnings of the new subsidiaries after the date of their purchase. It is thus possible that earnings have done little more than to mark time; after tax net profits at £800,825 compare with £765,739 in 1956-57. That is not an exciting result. At the same time the equity capital has been enlarged by the issue of House of Fraser shares in exchange for the shares in the companies which have been acquired. The ordinary dividend on the increased capital has been left unchanged at 35 per cent. The asset backing for the 5s. ordinary units is good, for the acquisition of new businesses and the revaluation of certain of their assets has boosted the book value of the group's issued capital and reserves from £5,798,762 to £18,687,942. But investors are interested in the House of Fraser as a going concern and it might be advisable for them to reserve any decisive judgment until, for example, it can be seen how the John Barker business is developing under new management. The yield of 8 per cent at the current price of 21s. 10½d. on the 5s. "A" units suggests that that is what investors are doing.

WIGGINS, TEAPE

THE problem for all the paper makers, as Mr L. W. Farrow, the chairman of Wiggins, Teape, recognises, is to sell the extra output coming from newly-installed machines at a satisfactory margin of profit. Last year Wiggins, Teape produced and sold more paper than ever before but intensive competition between the paper-makers (most of them bringing new capacity into production) kept prices down while costs were rising. Wiggins, Teape's consolidated trading profit fell from £5,850,187 to £5,353,716 and its net profit came down from £2,111,423 to £1,479,236. Mr Farrow refers to the reduction in the cover on the dividend and says that the directors' decision to leave the ordinary dividend unchanged at 17½ per cent was influenced by the fact that "the company has been carrying such large capital expenditures on units which have only recently commenced production." The inference seems to be that the directors hope that the new capacity will boost profits; sales and profits in the first three months of this year were indeed better than those recorded in the first quarter of 1957. But in the paper industry there is a surplus of capacity—Wiggins, Teape's new machine at Dartford alone, for instance, adds 10 per cent to the group's productive capacity—and this year cannot but be difficult. The yield of just under 8 per cent on Wiggins, Teape's £1 units at 44s. recognises this fact.

J. LYONS

AFTER many years of dividend restraint stockholders of J. Lyons are now tasting the first fruits of their endurance. And those who did not have the patience to wait for years must now be wondering whether to put the stock back into their portfolios. The recent rise in the "A" stock to 60s. 6d. xd (at which price it yields 4.7 per cent) suggests that some of them are buying. But Mr I. M. Gluckstein's review of the year's trading to March 31st gives few firm facts on which to make their decision. He reports that some part of the increased earnings arose from favourable circumstances, "the continuance of which it would be unwise to count upon." Gross profits increased from £5,781,668 to £6,623,622 and net profits rose from £1,144,123 to £1,395,592, out of which ordinary dividends absorb only £512,430, so that the dividend now increased by 1½ per cent to 14½ per cent is in little or no danger.

During the year some prices were adjusted following reductions in the cost of raw materials, but this movement was short-lived. The group has transferred £350,000 to stock reserve mainly because of a rise in tea and sugar prices. The "speciality" restaurants which have been appearing at the Corner Houses under such titles as "The Chicken Fayre"—the latest addition at Coventry Street—have satisfied their founders. During the year the new ice cream factory at Greenford was brought into full operation. A second of the group's computers, called the Lyons Electronic Office, which shortens appropriately into "LEO," has been in full operation for some time, and through a subsidiary which has been formed, this service is now available to other companies. The J. Lyons group is meticulous, but few figures break surface. Under the heading "Catering" the chain of tea shops is not mentioned. Competition, however, is severe in all branches.

LONDON & OVERSEAS FREIGHTERS

A YEAR ago Mr Basil Mavroleon, chairman of London and Overseas Freighters, declared his faith in consecutive voyage charters linked to the current market level. Would he, with the freight for oil from the UK to the Caribbeans and back down to 14s. 8d. a ton, and sometimes even to 9s. 6d. a ton, still maintain his distaste for long-term time charters judiciously made when freights are high? Mr Mavroleon in his annual address does not discuss the point, but it is only fair to add that the company's financial results, already discussed in these columns, showing an operating surplus only half a million down on the year to March 31st and a dividend maintained at 20 per cent (giving a yield of 4.7 per cent at the current price of 19s. 3d. xd) on the larger capital, were surprisingly good in a surprisingly bad year.

"The present depression in tanker freight rates—however acute and prolonged—can," says Mr Mavroleon, "relate only to a fraction of the life of a ship." So the company has been "in no way deterred by the present adverse conditions from carrying out a policy of planning for future expansion—though there have been "some adjustments" in the building programme affecting tonnage and delivery dates. Having taken delivery of two new tankers in November, 1957, and January, 1958, the company now has on order six tankers and four dry cargo vessels—a combined total of 259,700 deadweight tons, due for delivery between March, 1961, and December, 1962. Mr Mavroleon's decision to trade in Bermuda through an associate company and his decision to re-enter the dry cargo freight market were both long-term decisions taken when freights were far higher than they are today. He is entitled to long views while he can draw satisfactory profits from lean years.

C. C. WAKEFIELD

"CASTROL" products occupy a special corner of the oil market. Competition from the oil giants forms an unchanging background for C. C. Wakefield and only last year the restrictions on motoring that followed the Suez crisis were an added difficulty for the company. But in the second half of 1957 sales recovered so well that throughout the world the group suffered an overall decline in turnover of less than 3 per cent for the whole year. Gross profits fell £255,459 to £3,098,423. The devaluation of the French franc and weakening of the Brazilian cruzeiro also involved the group in an exchange loss of £105,313, so that the net profit was cut by £214,677 to £906,560. The ordinary dividend was left unchanged at 27½ per cent, which put the 10s. ordinary units on a yield basis of 6.4 per cent at the current price of 42s. 9d. A one for three scrip issue has been recommended, and it has been accompanied by the warning that future dividends will depend upon future profits. The first four months of this year are reported to have been most encouraging, and if margins are maintained, favourable results are forecast for 1958. Another favourable development is that with the acquisition of Fletcher Miller at the beginning of this year a considerable proportion of the country's output of production oils will be handled by the group. This highly specialised market might prove a useful support for future profits.

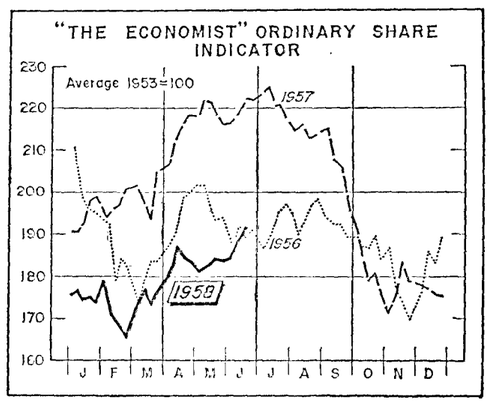
London Stock Exchange

FIRST DEALINGS:	June 4	June 18	July 2
LAST DEALINGS:	June 17	July 1	July 15
ACCOUNT DAY:	June 24	July 8	July 22

POISED for a new period of industrial expansion the market continued firm throughout the week and prices responded sharply on Wednesday to the increase in initial allowances and in anticipation of the Bank rate decision. The number of bargains marked was higher than in recent weeks; almost 10,000 were recorded on Wednesday. Small gains were made by gilt-edged before the change in Bank rate and gains after the announcement were small, but persistent buying of corporation and Dominion stocks continued to raise prices. The general advance in industrial stocks on Wednesday carried *The Economist* indicator to a fresh peak of 191.7 for the year, a gain of 3.7 in the week. The *Financial Times* industrial index rose 2.6 to 177.0 and the Government securities index 0.06 to 83.68, both being high points for this year.

Stores advanced strongly; Woolworth rose 2s. 1½d. to 42s. 1½d. and GUS "A" rose a further 1s. 7½d. to 24s. 6d. xc. Among electrical stocks, GEC gained 2s. 6d. to 33s. 6d. and C. A. Parsons gained 3s. 6d. to 50s. Motor shares strengthened and component manufacturers often showed good gains, Dunlop rising 1s. 1½d. to 18s. 7½d. Wiggins, Teape led a broad advance in paper shares, Bowater rising 3s. 3d. to 35s. 6d. in the week. Property shares resumed their upward movement on Wednesday. The revival in shipping stocks gathered momentum; Furness Withy and P & O deferred both rose 2s.

Oil stocks remained quiet due to the Middle East disturbances. Lead-zinc producers rose on hopes of an American stock-piling programme. Consolidated Zinc jumped 7s. 3d. to a peak of 51s. 6d. Copper mines were quieter, but Bancroft hardened 1s. to 17s. 10½d., and Rhodesia-Katanga 1s. 6d. to 16s. 3d. Tins weakened but recovered.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
May 21	184·4	6·57				
,, 28	183·6	6·63				
June 4	184·2	6·59				
,, 11	188·0	6·43	191·7 (June 18)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
,, 18	191·7	6·30				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½% Consols Yield %	Bargains Marked	1958	1957
						High	High
June 11	171·8	6·62	90·27	4·98	7,915	175·2	207·6
,, 12	172·1	6·61	90·28	4·98	8,528	(June 18)	(July 9)
,, 13	172·4	6·60	90·23	4·98	8,333		
,, 16	172·6	6·59	90·37	4·98	10,647	Low	Low
,, 17	172·8	6·58	90·38	4·98	9,278	154·4	159·0
,, 18	175·2	6·50	90·40	4·98	9,917	(Feb. 25)	(Nov. 5)

Bases:—* 1953=100. † July 1, 1935=100. ‡ 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, June 11, 1958	Price, June 18, 1958	Net Yield, June 18, 1958 § £ s. d.	Gross Yield, June 18, 1958 £ s. d.
98⅛	96 1/16	War Loan 3% 1955–59	98⅛	98 13/32	2 15 7	4 4 10
95 11/16	90⅜	Funding 2½% 1956–61	95⅜	95 13/32	3 1 6	4 4 10
98⅞	96 13/16	Conversion 2½% 1958–59	98⅜	98 13/32	3 6 1	4 4 2
96 11/16	93 3/16	Exchequer 2½% 1960	96 13/32*	96 13/32	3 3 7	4 4 8
98	95 5/16	Exchequer 2½% 1960	97⅛	97⅛	2 15 5	4 5 10
99 11/16	95 5/16	Exchequer 3½% 1960	97 15/32	97 15/32	3 2 11	4 13 3
99⅛	95 5/16	Conversion 4½% 1962	99¼	99 15/32	3 3 6	4 10 1
100 1/16	99 7/16	Exchequer 3½% 1962–63	93¼*	93 13/32	3 3 6	4 14 8
89⅛	83⅜	Conversion 4½% 1963	100	100 1/16	2 14 3	4 14 8
89⅛	83⅜	Savings Bds. 3% .1955–65	88 11/16	89½	3 11 1	5 0 0
81 3/16	77⅛	Funding 3% 1959–69	81	81 5/16	3 18 2	5 7 7
89¼	86⅜	Funding 4% 1960–90	87¼	87¼	2 18 8	4 16 5
78 15/16	75	Savings Bds. 3% .1960–70	78⅜	78 15/16	3 19 6	5 9 10
90⅛	84⅜	Exchequer 2½% ..1963–64	89½	90⅛	3 6 5	4 9 4
81⅛	75⅜	Savings Bds. 2½% .1964–67	81⅛	81 5/16	3 19 8	5 4 1
73⅛	69⅛	Savings Bds. 3% .1965–75	73⅜	73⅜	3 18 5	5 10 3
102⅛	99⅛	Exchequer 5½% 1966	102⅛	102⅛	2 18 5	5 6 7
83 5/16	78⅜	Funding 3% 1966–68	82⅛	83 5/16	3 16 6	5 6 5
94⅛	91⅛	Funding 3% 1968–78	94⅛	94⅛	3 1 8	4 18 8
85⅛	81 5/16	Victory 4% 1920–76	85 11/16	85 11/16	3 14 3	5 8 2
98 11/16	97⅛	Conversion 3½% 1969	97⅛	97⅛	3 4 1	5 9 5
76⅛	71⅛	Conversion 5½% 1974	75 15/16*	75⅜	3 12 6	5 8 0
76⅛	70⅛	Treasury 3½% 1977–80	76	76	3 12 5	5 9 0
105⅛	99⅛	Treasury 3½% 1979–81	99 7/16*	99 7/16*	3 5 8	5 10 3
65⅛	60	Funding 5½% 1982–84	71 1/16*	71*	3 5 7	5 1 7
72 13/16	64⅛	Redemption 3% ..1986–96	65	65¼	3 7 0	5 1 11
75⅛	69 5/16	Funding 3½% ..1999–2004	71 1/16*	71 1/16*	3 5 7	5 1 7
68⅛	63⅛	Consols 4% after Feb, 1957	75	75 1/16	3 1 8	5 8 3
66 1/16	62⅛	War Loan 3½% after 1952	66 5/16	66⅛	3 0 9	5 5 2
58⅛	54⅛	Conv. 3½% after Apr. 1961	66⅛	66 1/16	3 0 9	5 6 2
51 5/16	46⅜	Treas. 3% after Apr. 1966	58⅛	58⅛	2 19 3	5 3 5
49⅛	46⅜	Consols 2½%	50 3/16*	50¼*	2 17 2	4 19 4
95 7/16	90⅛	Treas. 2½% after Apr. 1975	49⅛	49 5/16	2 18 6	5 2 3
75 7/16	72 5/16	Br. Electric 4½% .1967–69	95⅛	95 1/16	3 3 4	5 5 6
72⅛	68⅛	Br. Electric 3% ..1968–73	75⅛	75 5/16	3 19 8	5 10 7
86⅛	82⅜	Br. Electric 3% ..1974–77	72⅛	72 1/16	3 16 3	5 8 0
76⅛	72 5/16	Br. Electric 4½% .1974–79	86⅛	86⅛	3 7 4	5 7 10
87 1/16	82 1/16	Br. Electric 3½% .1976–79	76⅛	76⅛	3 12 7	5 8 3
82 1/16	79⅛	Br. Gas 4% 1969–72	86 13/16	87	3 11 1	5 9 8
66	60 5/16	Br. Gas 3½% 1969–71	82⅛	82⅛	3 14 7	5 9 0
100⅛	95⅛	Br. Gas 3% 1990–95	65⅛	66	3 7 0	5 1 5
75 1/16	72 1/16	Br. Transport 3% .1968–73	75 1/16	75 1/16	3 19 8	5 10 7
84 1/16	79⅛	Br. Transport 4% .1972–77	82½*	82 5/16*	3 10 10	5 9 2
66⅛	60 1/16	Br. Transport 3% .1978–88	65½*	65 5/16*	3 12 1	5 5 10

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, June 11, 1958	Price, June 18, 1958	Yield, June 18, 1958 £ s. d.
88⅛	83	Agric. Mortgage 5% 1959–89	86½*	86½	5 18 7
79⅛	76⅛	Australia 3½% 1973–75	79	79⅛	5 16 0
95⅛	92⅛	Birmingham 5% 1977–83	93*	93	5 13 2
94⅛	90⅛	East Africa 5½% 1977–81	94*	94½	6 4 3
100⅛	95⅛	L.C.C. 5½% 1977–81	99½	99⅜	5 10 10
62⅛	56	Met. Water Board 'B' 3% .1934–2003	62½	62⅛	5 2 6
82	78	New Zealand 4% 1976–78	79⅜	80	5 14 5
71⅛	69	S. Rhodesia 2½% 1965–70	70½	70⅛	6 0 5
92⅛	83	German 7% (Br. Enfaced 5%) ..1924	89½	90⅛	...
167⅛	160	Japan 5% (Enfaced) 1907	161⅜	163	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c) %	%	ORDINARY STOCKS	Price, June 11, 1958	Price, June 18, 1958	Yield, June 18, 1958 £ s. d.
				BANKS & DISCOUNT			
29/3	28/–	4 a	5 b	Bk. Ldn. & S. Amer. £1	29/–	29/3	6 3 1
44/–	39/9	6 a	6 b	Barclays Bank £1	42/6	42/3	5 13 7
30/–	27/6	4 b	4 a	Barclays D.C.O. ...£1	28/6*	28/–	5 12 3
43/–	35/6	7½a	7½b	Chartered Bank £1	42/6	43/–	6 19 6
47/9	41/3	6½a	6½b	Lloyds Bank £1	45/6	45/3	5 14 11
63/9	57/6	9 a	9 b	Midland Bank £1	61/6	61/3	5 17 7
35/6	29/6	5 a	5 b	Nat. Discount 'B' ..£1	34/9	34/3	5 16 9
50/9	40/9	6½a	6½b	Union Discount £1	50/6	50/9	4 18 6
				INSURANCE			
38/–	32/9	15 a	21½b	Commercial Union 5/–	33/6	34/3	5 7 1
132/6	113/9	40 a	60 b	Legal & General ..5/–	121/3*	122/6	4 1 8
101/3	86/3	†20 a	†50 b	Pearl 5/–	90/–	90/–	6 15 0
170/–	154/–	†132½c	†147½c	Prudential 'A' 4/–	167/6	170/–	6 0 9
				BREWERIES, ETC.			
35/3	31/–	36 b	10 a	Bass 5/–	36/–	35/9*	6 8 8
23/6	19/7½	18½c	7½c	Distillers 6/8	23/1½	23/6	5 6 5
41/3	37/–	15 b	10 a	Guinness 10/–	41/–	41/–	6 1 11
90/–	75/6	8 a	17 b	Whitbread 'A' £1	89/6	90/–	5 11 1
				MOTORS & AIRCRAFT			
14/4½	8/7½	3½a	6½b	Bristol Aeroplane 10/–	8/9	8/9	11 8 6
8/3	6/7½	12½c	4 a	British Motor 5/–	7/9½	8/1½	7 13 10
40/9	31/9	3 a	6 b	Ford Motor £1	40/1½	40/7½	4 8 7
30/9	24/9	3 a	7 b	Hawker Siddeley ...£1	26/9	26/7½	7 10 3
44/9	39/–	12½c	12½c	Leyland Motors £1	40/–	41/9	5 19 9
93/–	82/9	5 a	15 b	Rolls-Royce £1	87/–*	88/9	4 10 3
8/1½	6/7½	8 a	8 a	Standard Motor ...5/–	7/–	6/11½	5 15 4

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c) %	%	ORDINARY STOCKS	Price, June 11, 1958	Price, June 18, 1958	Yield, June 18, 1958 £ s. d.
				STEEL & ENGINEERING			
49/3	41/10½	7 a	6 b	Babcock & Wilcox .£1	47/9	48/–	5 8 5§
25 1½	21/7½	4 a	6 b	Dorman Long £1	22/3	22/–	9 1 10
54 –	45/–	5 a	10 b	Guest Keen N'fold..£1	52/9	52/10½	5 13 5
33/9	28/3	†2 a	†4 b	Alfred Herbert £1	32/3‖	33/–	6 6 6
52/3	41/–	4 a	7 b	Metal Box £1	51/4½	50/9*	4 6 8
24/3	20/–	8 b	3 a	Stewarts & Lloyds..£1	20/10½	20/7½*	10 13 5
57/3	48/–	5 a	13 b	Swan Hunter £1	55/6	55/9	6 9 2
21/3	17/9	7½b	4 a	United Steel £1	18/3	18/4½	12 10 5
32/9	28/6	2½a	7½b	Vickers £1	28/6	29/1½	6 17 5
				ELECTRICAL			
52/–	47/–	15 c	2½a	Assoc. Elec. Inds...£1	48/–*	50/–	6 0 0
45/9	39/3	4 a	8½b	Br. Ins. Callenders.£1	45/6	45/3	5 10 5
49/–	24/7½	43½c	6½a	Decca Record 4/–	25/–	25/9	6 15 11
36/3	28/–	15 c	15 c	Elect. & Mus. Inds.10/–	34/7½	35/–	4 5 10
56/3	44/6	4 a	10 b	English Electric ...£1	51/6	53/–	5 5 8
38/9	29/9	8 b	3½a	General Electric £1...	31/–	33/6	6 17 5
				TEXTILES			
16/3	12/4½	3 a	3 b	Bradford Dyers £1	12/7½	12/4½	9 14 0
23/3	19/6	2½a	6½b	Coats, J. & P. £1	19/10½*	20/4½	8 11 10
22/10½	19/7½	3 a	5 b	Courtaulds £1	21/6	22/1½*	7 4 8
34/7½	29/10½	5 a	12½b	Lancashire Cotton..£1	34/7½	34/3	10 4 5
35/4½	31/4½	12½b	2½a	Patons & Baldwins..£1	32/1½	32/3	9 6 0
				SHOPS & STORES			
22/–	18/6	6 a	12 b	Boots Pure Drug..5/–	21/3*	21/7½	4 3 3
39/3	33/6	20 b	7½a	Debenhams 10/–	37/7½	39/3	7 0 3
24/6	17/3	50 b	15 a	Gt. Universal 'A'..5/–	22/10½‖	24 6‖	6 12 8
43/9	37/3	10 a	22½b	Marks & Spen. 'A' 5/–	43/1½*	43/9	3 8 8
26/3	21/–	12½a	20 b	United Drapery...5/–	26/–	26/3	6 3 10
42/1½	34/7½	13½a	26⅔b	Woolworth 5/–	40/–	42/1½	4 15 0
				SHIPPING			
36/6	29/–	6½a	13½b	Brit. & Com'wealth 10/–	34/9*	36/6	5 9 7
18/9	16/6	2 a	8 b	Cunard £1	18/–	18/3	10 19 2
33/3	27/3	9½c	10½c	Furness Withy.....£1	31/3	33/3	6 10 0
30/–	22/–	3 a	8 b	P. & O. Deferred...£1	23/–	30/–	7 6 8
				MISCELLANEOUS			
35/6	27/–	22½c	18 a	Allied Bakeries 'A' 5/–	34/–	34/–	4 8 3‡
38/9	31/–	3 a	6 b	Assoc. Port. Cem...£1	38/3*	33/9	4 13 0
18/4½	13/4½	11 a	9 b	Beecham Group...5/–	18/4½*	18/3	5 9 8
36/–	26/6	4½a	8 b	Bowater Paper £1	32/3	35/7½	7 0 5
48/–	36/9	4 a	8 b	Br. Aluminium £1	42/9	43/6	5 10 5
47/4½	37/7½	†10 a	†6⅔b	Br. Amer. Tob. ...10/–	46/7½	47 4½	6 2 5
24 3	19 9	17½b	7½a	B.E.T. 'A' Defd...5/–	24/–	23 7½	5 5 10
35/6	28/3	4 a	6 b	Br. Oxygen £1	33/–	34/6	5 16 0
18/7½	14 4½	3 a	11 b	Dunlop Rubber...10/–	17/6	18/7½	7 10 5
45/–	36 4½	4 a	8 b	Imp. Chemical £1	44 4½	44 9	5 7 3
44 9	37/–	8½a	11½b	Imp. Tobacco £1	43/3	44/3	9 0 10
34/9	28/–	5 b	2½a	J. Lucas (Inds.)....£1	34/–	34 9	4 6 5
16/1½	12 6	5 a	8½b	Monsanto Chem...5/–	15 6	15 6	4 7 0
14/9	13 7½	5 b	5 a	Ranks 10/–	14/–	14/3	7 0 5
34/9	27/9	5 a	9 b	A. E. Reed.....£1	33 6	34 9*	8 1 3
14/3	11/8½	22½c	22½c	Sears Holdings 'A' 5/–	12/–	12 7½	8 18 3
56/3	48/9	12 b	4½a	Tate & Lyle.....£1	52/9	54/3	6 1 8
55/6	48/6	7½b	7½a	Tube Investments..£1	55/3	54/6	5 10 0
64/–	52/11½	12½b	5 a	Turner & Newall...£1	59/7½*	59/3	5 1 3‡
80/4½	70/6	6 a	11½b	Unilever Ltd.....£1	77/–	77/3	4 10 8
99/–	77/–	14½b	4 a	United Dominions..£1	98/–	99/–	3 14 9
30/6	26/–	†4½a	†10 b	United Molasses .10/–	29/9	29/9	8 17 8
				OIL			
106/3	79/6	†5 a	†10 b	British Petroleum..£1	105 7½	105 10½	4 13 8
78/–	59/1½	†5 a	†7½ b	Burmah £1	72 6	72/–	6 4 10
£17⅛	13⅛	7½a	17½b	Royal Dutch....20 fl.	£16⅜	£16⅜	2 15 11
151/3	117/6	†5 a	†13⅓b	Shell £1	149 4½	148 10½	4 7 8
74/6	41/6	...	...	Ultramar 10/–	70 3	69 9	...
				MINES, ETC.			
140/–	115/–	20 a	60 b	Anglo-American .10/–	140/–	138 9	5 15 4
23/6	19 6	†2½a	†10 b	Cons. Tea & Lands..£1	22/3*	22 9	19 2 0
51/6	41/6	6½a	12½b	Cons. Zinc Corp. ...£1	44/3	51 6	7 7 5
101/10½	80 7½	80 a	120 b	De Beers Def. Reg. 5/–	101/10½	100 7½	9 18 10
85/7½	76/–	20 b	40 a	Free State Geduld .5/–	82 6	85 7½	7 0 1
7/6	6 6	30 c	30 c	London Tin 4/–	7/3	7 3	16 11 0
52 9	46 6	50 b	50 b	President Brand ..5/–	49 9	50/–	10 0 0
17 6	12 10½	16⅔b	1⅔a	Rho. Selection Tst. 5/–	17 4½*	16 4½	...
28⅛	20	175 b	25 a	Rhokana Corp. £1	28⅛	28	...
54/6	46/–	12½a	37½b	United Sua Betong..£1	50 6	51/–	19 12 0
93/9	84 4½	60 b	60 a	Western Holdings .5/–	92 6	93 9	6 8 2

New York Closing Prices $

	June 11	June 18		June 11	June 18		June 11	June 18
Alcoa	66⅜	67⅞	DuPont de Nm.	179	187	N.Y. Central	16⅝	17⅛
Alumin'm Ltd.	26⅝	27⅛	Ford Motors	40⅛	41⅞	Sears Roebuck	29⅛	29⅞
Am. Smelting	45	45⅞	Gen. Elect.	60⅛	59⅞	Shell Oil	73	73⅝
Amer. Tel.	177⅞	178⅛	Gen. Motors	38⅜	39⅜	Std. Oil of N.J.	53⅜	54⅛
Anaconda	48	48	Goodyear	78	79½	Tri-Conti'tal	35⅜	35⅝
Beth. Steel	41⅜	41⅜	Gulf Oil	114½	115½	Union Carbide	89⅝	90
Can. Pacific	27⅜	28	Int. Bus. M.	355½	372½	U.S. Steel	64⅜	65⅜
Chrysler Cpn.	45⅝	48⅜	Int'l. Nickel	78⅜	80⅛	West'house E.	56⅜	56⅜
Crown Zeller.	50⅜	49⅜	Int'l. Paper	98⅛	98⅜	Woolworth	45⅞	47⅛

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) On 15%. (h) On 30%. (i) On 15%. (l) To latest date.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared.

World Trade ..... April 19th

BRITISH		OVERSEAS	
Prices and Wages.....	June 7th	Western Europe: Production and Trade.....	May 31st
Production and Consumption	This week	British Commonwealth	June 14th
Manpower.....	June 14th	Western Europe: Prices and Money Supply	May 24th
External Trade.....	May 31st	United States	June 7th
Financial Statistics	This week		
Industrial Profits	April 19th		

UK Production and Consumption

M=Monthly averages or calendar months. W=Weekly averages. Stocks at end of period.

	Unit	Monthly averages 1955	1956	1957	1957 Feb.	Mar.	Apr.	1958 Jan.	Feb.	Mar.	Apr.
INDUSTRIAL PRODUCTION											
Index:											
All industries	1948=100	137	136	138	143	145	134	138	144	144	134-135*
" *seasonally adjusted*	"	...	...	...	*138*	*138*	*137*	*137*	*139*	*138*	*137-138**
" Mining and quarrying	"	108	109	109	121	119	110	109	117	116	...
Building and contracting	"	116	123	123	122	...	124*	...	120*	...	...
Gas, electricity and water	"	153	160	163	183	168	157	201	195	193	...
Manufacturing, total	"	142	140	143	147	149	138	140	148	149	...
" *seasonally adjusted*	"	...	...	...	*142*	*141*	*140*	*140*	*143*	*141*	...
Engineering, shipbuilding, electrical goods	"	155	151	156	162	159	144	...	...	...	...
Vehicles	"	172	160	165	164	174	155	173	180	...	...
Chemical trades	"	179	185	192	200	201	191	189	198	...	...
Textiles and clothing	"	116	117	116	130	131	116	111	121	...	...
Food, drink and tobacco	"	117	121	123	117	121	123	112	119	...	...
BASIC MATERIALS											
Production of:											
Coal (1) (3)	W '000 tons	4,250	4,269	4,301	4,736	4,665	4,316	4,272	4,579	4,556	4,230
Pig iron	W "	240	253	275	268	277	277	271	273	268	257[10]
Steel, ingots and castings	W "	381	397	417	432	431	430	407	428	432	408[11]
Sulphuric acid	M "	174·6	187·2	194·7	184·0	216·3	199·1	214·1	189·8	207·6	...
Newsprint	W "	11·91	12·36	12·55	14·55	14·04	12·96	11·97	12·01	11·84	...
Electricity (1)	M mn. kwh	6,679	7,263	7,581	7,889	7,788	7,117	10,076	8,726	9,448	7,960
MANUFACTURING											
Textile production:											
Cotton yarns, single	W mn. lb.	16·91	16·33	16·85	18·25	18·16	16·59	17·23	17·38	17·14	15·00
Worsted yarn	M "	18·43	19·38	19·48	19·96	21·15	19·68	19·66	17·23	17·78	16·40
Rayon and synthetic fibres, total	M "	39·32	40·21	41·32	40·49	45·03	42·49	40·85	35·72	36·83	36·90
" " " staple fibre	M "	19·94	21·31	21·93	21·65	24·44	22·84	21·93	18·96	19·66	20·00
Cotton cloth, woven	W mn. yds.	34·3	31·0	31·4	34·1	34·2	31·8	31·4	32·1	31·6	...
Wool fabrics, woven	M mn.sq.yds	34·2	33·1	32·8	34·1	35·1	31·0	35·5	30·9	30·4	25·8
Engineering production:											
Passenger cars and chassis	W '000s	17·26	13·61	16·56	11·91	13·94	15·19	21·41	20·87	21·85	20·31
Commercial vehicles and chassis	W "	6·53	5·71	5·54	5·25	5·38	4·77	6·49	6·87	6·57	5·81
Metal working machine tools	M '000 tons	12·52	12·90	14·10	13·51	...	14·08*	...	...	...	...
Internal combustion engines	M '000 B.H.P.	408	411	406	391	464	389	390	420	...	...
BUILDING ACTIVITY											
Permanent houses completed: (1)											
Total	M '000s	26·42	25·03	25·09	23·46	30·30	23·91	20·58	20·09	24·04	21·71
By private builders	M "	9·43	10·35	10·54	9·36	10·04	10·52	9·31	8·79	10·07	9·90
By local housing authorities	M "	15·98	13·86	13·83	13·47	18·07	12·50	10·94	11·00	14·17	11·32
Other	M "	0·98	0·82	0·75	0·63	2·20	0·90	0·34	0·31	0·40	0·49
WHOLESALE SALES (1)											
Textile houses:	Av. value										
Total home sales	1950=100	98	101	101	92	118	103	62	84	112	98
Women's and children's wear	"	98	102	101	93	124	104	60	85	119	96
Men's and boys' wear	"	94	99	99	75	114	105	57	67	111	100
Piece-goods	"	62	63	64	84	84	65	50	86	82	54
RETAIL SALES (1)											
All kinds of business:	Weekly av. value										
All retailers	1950=100	139	146	153	137	143	147	146	140	150	149
Independent retailers	"	136	140	146	132	136	140	141	134	142	141
Multiple retailers	"	152	162	173	148	157	163	157	154	168	167
Co-operative societies	"	142	154	164	156	162	159	161	161	167	164
General department stores	"	117	121	127	97	112	120	123	95	115	123
By kind of shop:											
Food	"	148	156	163	157	158	160	162	162	167	165
Clothing and footwear	"	121	127	131	97	111	126	118	98	114	125
Household goods	"	151	153	166	154	155	151	165	152	157	153
STOCKS											
Basic materials:											
Coal, distributed (1)	'000 tons	18,340	17,893	18,765	15,710	16,167	16,254	16,741	16,114	15,665	14,975
Steel (4)	"	1,565	1,573	1,582	1,470	1,486	1,551	1,541	1,502	1,546	...
Copper (4)	"	76·2	59·6	91·5	62·1	61·7	71·1	52·5	89·2	94·3	...
Sulphur (5)	"	66·6	84·6	97·2	80·4	87·8	85·0	82·2	73·9	80·7	...
Newsprint (2)	"	105·0	133·6	145·6	131·2	124·6	128·2	153·8	134·4	109·4	...
Textiles:	Av. value										
Wholesale houses, total (1)	1950=100	90	95	95	122	121	115	108	123	122	117

(1) Great Britain. (2) Provisional estimate. (3) Excluding all screening losses normally amounting to around 5,000 tons a week. (4) Excluding government stocks. (5) Average for first quarter. (6) Average for second quarter. (7) From January, 1957, excluding newsprint for periodicals and certain other purposes for which stocks at end December, 1956, totalled 19,000 tons. (8) For sulphuric acid only, including filter cake from May, 1956. (9) Revised series: stocks at producers' works of ingots, semi-finished steel and alloy, in terms of ingot equivalent. (10) Figure for May, 250,000 tons. (11) Figure for May, 273,000 tons.

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey	United Kingdom
WHOLESALE PRICES (1) (1953 = 100)													
1948	42	94	74	65	90*	...	73	104	75	66	72	94	...
1956	110	104	106	102	103	129	101	102	104	109	108	139	107
1957	114	106	106	108	105	130	108	103	107	113	110	...	106
1957, December	111	106	105	119	106	129	110	103	107	112	109	...	99
1958, January	111	105	105	120	107	129	...	103	107	111	109	...	97
„ February	111	104	105	120	107	128	...	102	106	111	108	...	96
„ March	111	103	105	120	107	...	...	...	...	111	108	...	95
„ April	110	...	104	...	...	...	...	...	...	...	...	...	94[10]
COST OF LIVING (2) (1953 = 100)													
1948	50*	95	81	60	93	63	79	86	78*	74	77	89	77
1956	108	104	113	103	105	126	107	109	108	109	109	135	112
1957	112	107	116	106	106	129	112	110	114	112	113	152	116
1957, December	113	109	...	113	109	130	...	112	117	113	116	158	118
1958, January	113	109	116	117	110	131	...	112	117	113	117	...	118
„ February	113	108	...	119	110	130	115	112	117	114	118	...	118
„ March	113	108	...	120	110	130	...	112	117	114	118	...	119
„ April	...	108	117	130	110	...	...	...	...	117	...	...	120[11]
IMPORT PRICES (3) (1953 = 100)													
1948	37	84	84*	59	...	...	82	98	85	80	72	113	75
1956	97	99	102	102	102	124	106	105	102	102	103	...	104
1957	98	102	103	111	103	127	112	110	108	109	106	...	106
1957, November	96	100	102	120	101	127	113	107	104	111	104	...	102
„ December	97	97			100	129	112	107	104	107		...	100
1958, January	96	...	...	...	99	124	112	...	104	109	...	...	99
„ February	95	...	...	...	98	119	112	...	...	109	...	...	98
„ March	92	...	...	...	...	...	...	...	...	...	...	...	97[12]
EXPORT PRICES (4) (1953 = 100)													
1948	42	95	91*	68	...	...	78	103	97	84	76	91	77
1956	105	103	104	99	101	143	96	104	102	115	103	...	105
1957	105	106	102	106	103	140	98	105	106	119	105	...	110
1957, November	103	106	103	113	104	144	100	104	106	114	106	...	110
„ December	107	102			103	141	100	105	105	124		...	110
1958, January	99	...	...	...	105	129	99	...	104	115	...	...	109
„ February	105	...	...	...	105	136	99	...	...	112	...	...	110
„ March	102	...	...	...	...	...	...	...	...	...	...	...	109[13]
TOTAL MONEY SUPPLY (5)													
End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas*	mn. £	'000 mn. lire	mn. guilders	mn. kroner	'000 mn. kroner	mn. liras	'000 mn. £
1948	...	154·0	7,110	2,165	11·8	1,984	110·3	1,989	7,285	...	6·27	1,715	5·12
1956	29·71	198·9	7,633	6,585	31·2	9·17	154·7	4,927	9,227	6,865	9·90	6,031	5·76
1957	32·10	198·4	7,902	7,142	35·8	...	165·5	5,241	9,026	6,887	10·13	...	5·71
1957, December	32·10	198·4	7,902	7,142	35·8	...	165·5	5,241	9,026	6,887	10·13	...	5·71
1958, January	31·47	192·2	7,893	7,085	34·4	...	161·3	...	8,920	6,763	9·28	...	5·51
„ February	31·80	193·1	8,095	7,031	34·9	...	157·3	...	9,018	6,722	9·14	...	5·26
„ March	32·05	...	8,038	...	...	...	158·9	...	9,047	6,411	9·10	...	5·25
„ April	...	...	...	...	...	...	160·3	...	...	...	...	...	5·31
GOLD AND FOREIGN EXCHANGE HOLDINGS (6) (mn. US Dollars)													
1948	62	938	84·0	...	295	...	209	539	343	140·6	233	192	1,856
1956	406	1,143	131·1	1,356	4,291	211·4	234	1,308	1,072	178·8	473	230	2,133
1957	510	1,132	171·9	775	5,644	196·4	258	1,532	1,056	184·2	456	315	2,273
1957, December	510	1,132	171·9	775	5,644	196·4	258	1,532	1,056	184·2	456	315	2,273
1958, January	514	1,148	169·6	...	5,558	198·8	249	1,549	1,109	173·9	450	317	2,404
„ February	511	1,177	168·1	...	5,530	198·4	251	...	1,248	174·6	434	300	2,539
„ March	511	1,214	172·1	...	5,558	...	253	...	1,237	191·2	436	305	2,770
„ April	507	1,259	181·5	...	5,622	...	250	...	1,239	194·3	432	...	2,914[14]

(1) Athens and Piraeus only for Greece; Ireland from 1955 onwards are for home-produced goods only; Germany, F.R. are producers' prices of industrial products; United Kingdom are prices of basic materials in non-food industries only. (2) July-December. (3) In capital cities only for Austria, France, Greece and Turkey; Austria and Belgium exclude rent; Denmark includes direct taxes; Ireland based on August, 1953=100. (4) Including direct taxes. (5) Including trade with Faroe Islands. (6) Index numbers of unit value which compare the current average value of trade with its value in 1953; they are influenced by changes in the composition of trade as well as price movements. Export prices in Ireland are adjusted for seasonal variations. (7) Deposit money and notes and coins held by business, individuals and foreigners. Except for Greece, holdings of the issuing authority and other banks are excluded. (8) Holdings of the government and central bank at end of period. Foreign exchange figures for Norway exclude government holdings; Netherlands, Norway and Sweden include foreign investments. Ireland includes some long-term securities. (9) Beginning May, 1954, a new drachma equal to 1,000 old drachmas was introduced. (10) May, 93. (11) May, 120. (12) April, 98. (13) April, 109. (14) May, 3,039.

Financial Statistics

EXCHEQUER RETURNS

For the week ended June 14, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £12,302,000 compared with a deficit of £24,990,000 in the previous week and a deficit of £33,828,000 in the corresponding period of last year. There was a net expenditure "below-line" of £10,887,000 leaving a total deficit of £132,438,000 compared with £94,787,000 in 1957–58.

£'000	Estimate, 1958-59	April 1, 1957, to June 15, 1957	April 1, 1958, to June 14, 1958	Week ended June 15, 1957	Week ended June 14, 1958
Ord. Revenue					
Income Tax	2312,500	256,417	276,078	22,449	15,857
Surtax	163,000	22,000	22,000	800	1,500
Death Duties	163,500	40,000	33,200	1,800	2,900
Stamps	56,250	14,000	11,500	1,400	1,000
Profits Tax, EPT & EPL	275,000	32,700	41,700	4,500	4,600
Other Inland Rev. Duties	...	50	70	...	...
Total Inland Rev.	2970,250	365,167	384,548	30,999	25,857
Customs	1256,940	252,936	271,468	20,059	26,104
Excise	932,310	190,975	199,730	4,645	4,855
Total Customs and Excise	2189,250	443,911	471,198	24,704	30,959
Motor Duties	104,000	11,255	11,556	295	328
PO (Net Receipts)	2,000	15,400	14,300	1,200	1,550
Broadcast Licences	34,000	3,800	4,100	...	...
Sundry Loans	30,000	7,933	8,014	5,679	...
Miscellaneous	110,000	47,314	11,841	151	57
Total	**5439,500**	**894,780**	**905,557**	**62,978**	**58,751**
Ord. Expenditure					
Debt Interest	695,000	154,341	150,499	19,585	13,096
Payments to N. Ireland Exchequer	73,000	12,947	13,167	...	...
Other Cons. Funds	10,000	1,278	870	141	7
Supply Services	4259,584	776,756	781,333	76,200	57,600
Total	**5037,584**	**945,322**	**945,869**	**95,926**	**70,704**
Sinking Funds	38,000	5,848	5,135	880	350
"Above-line" Surplus or Deficit	—	—	—	—	—
	56,390	**45,446**	**33,828**	**12,302**	
"Below-line" Net Expenditure	38,397	86,992	15,670	10,887	
Total Surplus or Deficit	**94,787**	**132,438**	**49,498**	**23,189**	
Net Receipts from:					
Tax Reserve Certificates	55,073	54,260	1,042	1,308	
Savings Certificates	9,100	11,400	1,500	3,600	
Defence Bonds	−5,147	5,899	−136	1,294	
Premium Savings Bonds	8,100	12,775	2,000	1,400	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957					
June 15	2,920·0	1,649·6	289·7	3·3	4,862·6
1958					
Mar. 15	3,060·0	1,529·9	225·6	...	4,815·5
„ 22	3,080·0	1,510·3	248·8	...	4,839·1
„ 31	4,571·2		277·1	...	4,848·2
April 5	3,120·0	1,499·4	239·6	...	4,859·0
„ 12	3,120·0	1,492·7	259·4	...	4,872·1
„ 19	3,120·0	1,580·5	252·0	...	4,952·4
„ 26	3,120·0	1,648·4	205·8	4·0	4,978·2
May 3	3,140·0	1,620·2	217·9	1·5	4,979·6
„ 10	3,150·0	1,561·3	215·3	2·3	4,928·9
„ 17	3,170·0	1,552·8	234·9	0·3	4,958·0
„ 24	3,200·0	1,510·3	202·6	...	4,912·9
„ 31	3,240·0	1,460·6	226·5	...	4,927·0
June 7	3,260·0	1,492·1	211·5	...	4,963·6
„ 14	3,280·0	1,476·5	213·1	...	4,979·6

THE MONEY MARKET

FOLLOWING Thursday's ½ per cent reduction in Bank rate, to 5 per cent, fixed rates in the money market fell correspondingly. This brought deposit rate at the clearing banks and the discount houses to 3 per cent, and the clearing banks' minimum rate on the "good" portion of short money to 3½ per cent. On Thursday afternoon, when credit conditions were rather difficult, September bills were sold at 4⅛ per cent and 4 5/32 per cent.

For once, the timing of the Bank rate change was in line with the market's expectation. At the Treasury bill tender on Friday last week the discount rate dropped by 1/32 per cent, to just over 4½ per cent, plainly in anticipation of an early move. Demand for bills this week and last has been very strong, some of it coming from overseas sources. In the week to Wednesday, the Bank return shows a rise of £11.3 million, to £30.9 million, in discounts and advances; on Thursday of last week most of the houses were "in" the Bank, for a moderate amount.

The discount houses led the way in the fall in the bill rate at last week's tender, raising their common bid by 1s. 1d. to £98 17s. 6d. per cent, just 4½ per cent. They thus succeeded in raising their proportionate allotment rate from 59 per cent to the high figure of 65 per cent. The average rate of discount fell by 4s. 4d. to £4 10s. 1.77d. per cent.

LONDON MONEY RATES

	%		June 18*
Bank rate (from 5½% 19/6/58)	5	**Discount rates**	%
Deposit rates (max.)		Bank bills: 60 days	4⅞–4⅝
Bank	3	3 months	4⅞–4⅝
Discount houses	3	4 months	4⅞–4⅝
Money		6 months	4⅞–4⅝
Day-to-Day	3½–4½	Fine trade bills:	
Treas. bills 2 months	4⅛	3 months	5⅛–6⅛
3 months	4⅛	4 months	5⅛–6⅛
		6 months	5⅛–6⅜

* Before Bank rate change

BANK OF ENGLAND RETURNS

£ million	June 19, 1957	June 11, 1958	June 18, 1958
Issue Department:			
Notes in circulation	1,980·5	2,033·5	2,034·0
Notes in banking dept.	19·9	16·8	16·4
Govt. debt and securities*	1,996·3	2,046·2	2,046·3
Other securities	0·7	0·8	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	3·0	3·0	3·0
Banking Department:			
Deposits:			
Public accounts	17·0	10·2	12·4
Bankers	208·5	208·9	207·6
Others	71·7	71·9	72·5
Total	297·2	291·0	292·5
Securities:			
Government	250·7	251·5	242·2
Discounts and advances	23·3	19·6	30·9
Other	19·0	18·7	18·8
Total	293·0	289·8	291·9
Banking department reserve	22·3	19·2	18·7
	%	%	%
"Proportion"	7·5	6·6	6·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £2,050 million from £2,000 million on March 26, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
				s. d.	%
1957 June 14	240·0	409·9	240·0	77 3·26	40
1958 Mar. 14	250·0	370·3	250·0	120 6·59	61
„ 21	260·0	399·2	260·0	111 1·52	52
„ 28	260·0	422·8	260·0	110 5·54	55
April 3	260·0	401·9	260·0	108 6·50	61
„ 11	260·0	422·0	260·0	106 6·39	59
„ 18	240·0	406·3	240·0	104 0·93	49
„ 25	250·0	426·8	250·0	103 6·97	40
May 2	220·0	433·5	220·0	101 1·93	46
„ 9	250·0	447·6	250·0	103 10·81	20
„ 16	250·0	422·1	250·0	103 11·49	44
„ 23	260·0	412·2	260·0	96 5·96	61
„ 30	260·0	416·0	260·0	96 5·84	49
June 6	270·0	445·4	270·0	94 5·72	59
„ 13	270·0	413·0	270·0	90 1·77	65

*On June 13th tenders for 91 day bills at £98 17s. 6d. secured 65 per cent, higher tenders being allotted in full. The offer this week was for £260 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: June 18	Market Rates: Spot: June 12	June 13	June 14	June 16	June 17	June 18
United States $	2·78–2·82	2·81 5/8–2·81 7/8	2·81 7/8–2·81 7/8	2·81 7/8–2·81 7/8	2·81 3/4–2·81 3/4	2·81 1/4–2·81 1/2	2·80 3/4–2·81 1/4
Canadian $	...	2·70 1/2–2·70 5/8	2·71–2·71 1/8	2·70 7/8–2·71 1/8	2·70 1/2–2·70 5/8	2·70 1/2–2·70 3/4	2·70 1/4–2·70 5/8
French Fr.	1167·18–1184·82	1177 1/2–1178	1175 1/2–1176	1175 1/2–1176	1173 1/2–1173 3/4	1174 1/4–1174 3/4	1174 1/4–1174 3/4
Swiss Fr.	12·15 3/4–12·33 1/4	12·23 1/4–12·23 1/2	12·23 1/4–12·23 1/2	12·23 1/4–12·23 1/2	12·23 1/4–12·23 1/2	12·23 1/4–12·23 1/2	12·23 1/4–12·23 1/2
Belgian Fr.	138·95–141·05	139·42 1/2–139·47 1/2	139·42 1/2–139·47 1/2	139·40–139·45	139·40–139·45	139·37 1/2–139·42 1/2	
Dutch Gld.	10·56–10·72	10·58 1/2–10·58 3/4	10·58 1/2–10·58 3/4	10·58 1/2–10·58 3/4	10·58 1/2–10·58 3/4	10·58 1/2–10·58 3/4	10·58 1/2–10·58 3/4
W. Ger. D-Mk.	11·67 1/8–11·84 1/8	11·70 1/2–11·70 5/8	11·70 1/2–11·70 5/8	11·70 1/2–11·70 5/8	11·70 1/2–11·70 5/8	11·70 1/2–11·70 5/8	11·70–11·70 1/2
Portuguese Esc.	79·90–81·10	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15	80·00–80·15
Italian Lire	1736 1/2–1762 1/2	1744 1/2–1744 3/4	1744–1744 1/4	1744–1744 1/4	1744–1744 1/4	1743 1/2–1744 1/2	1743–1743 1/2
Swedish Kr.	14·37 1/2–14·59 1/2	14·46 1/2–14·46 3/4	14·46 1/2–14·46 3/4	14·46 1/2–14·46 3/4	14·46 1/2–14·47 1/4	14·46 1/4–14·47 1/2	14·46 1/2–14·47
Danish Kr.	19·19 1/2–19·48 1/2	19·34 1/2–19·35	19·34 1/2–19·34 3/4	19·34 1/2–19·34 3/4	19·34 1/2–19·34 3/4	19·33 1/2–19·34 1/4	19·33 1/2–19·34 1/2
Norwegian Kr.	19·85–20·15	20·01–20·01 1/2	20·01–20·01 1/2	20·01–20·01 1/2	20·01–20·01 1/2	20·01 1/2–20·01 3/4	20·01 1/2–20·01 3/4
One Month Forward Rates							
United States $		1/4–3/8 c. pm	1/4–1/2 c. pm	1/4–1/2 c. pm	1/4–1/2 c. pm	1/4–1/2 c. pm	1/4–1/2 c. pm
Canadian $		1/8–1/2 c. pm	1/8–1/2 c. pm	1/8–1/2 c. pm	1/8–1/2 c. pm	1/8–1/2 c. pm	1/8–1/2 c. pm
French Fr.		5–10 dis	5–10 dis	5–10 dis	3–6 dis	3–6 dis	3–6 dis
Swiss Fr.		2 1/4–2 c. pm	2 1/4–2 c. pm	2 1/4–2 c. pm	2 1/4–2 c. pm	2 1/4–2 c. pm	2 1/4–2 c. pm
Belgian Fr.		1 1/4 pm	1 1/4 pm	1 1/4 pm	1 1/4 pm	1 1/4 pm	1/8–1/4 pm
Dutch Gld.		1 1/8 c. pm	1 1/8 c. pm	1 1/8 c. pm	1 1/8 c. pm	1 1/8 c. pm	1 1/8 c. pm
W. Ger. D-Mk.		1 1/8–1 1/4 pf. pm	1 1/8–1 1/4 pf. pm	1 1/8–1 1/4 pf. pm	1 1/8–1 1/4 pf. pm	1 1/8–1 1/4 pf. pm	1 1/8–1 1/4 pf. pm
Italian Lire		2–1 pm	2–1 pm	2–1 pm	2–1 pm	2–1 pm	2–1 pm
Swedish Kr.		1 1/2–1 1/2 pm	1 1/2–1 1/2 pm	2–1 1/2 pm	1 1/2–1 1/2 pm	1 1/2–1 1/2 pm	1 1/2–1 1/2 pm
Danish Kr.		2 1/2–1 1/2 pm	2 1/2–1 1/2 pm	2 1/2–1 1/2 pm	3–2 pm	3–2 pm	3–2 pm
Norwegian Kr.		2o pm–par	2o pm–par	2o pm–par	2o pm–par	2o pm–par	2o pm–par
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/6 1/2	249/4 1/2	...	249/4 1/2	249/5	249/7 1/2



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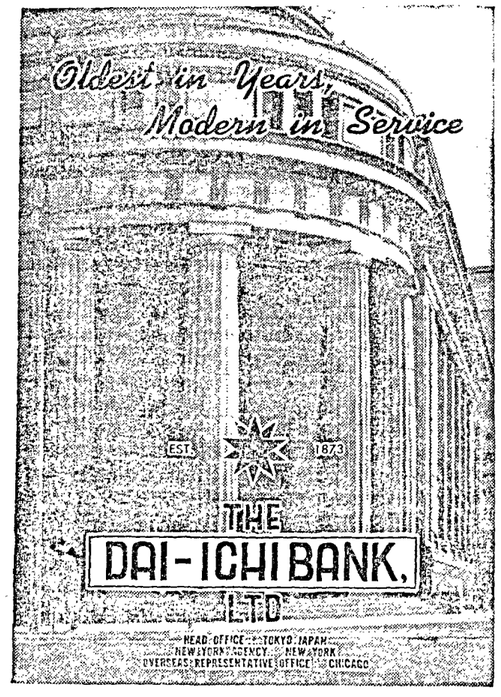
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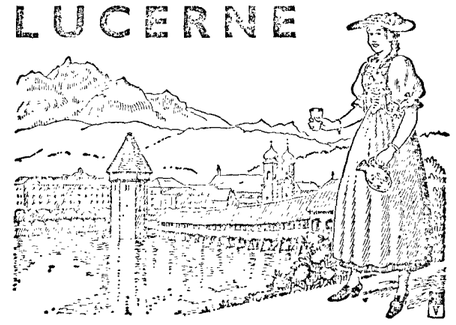
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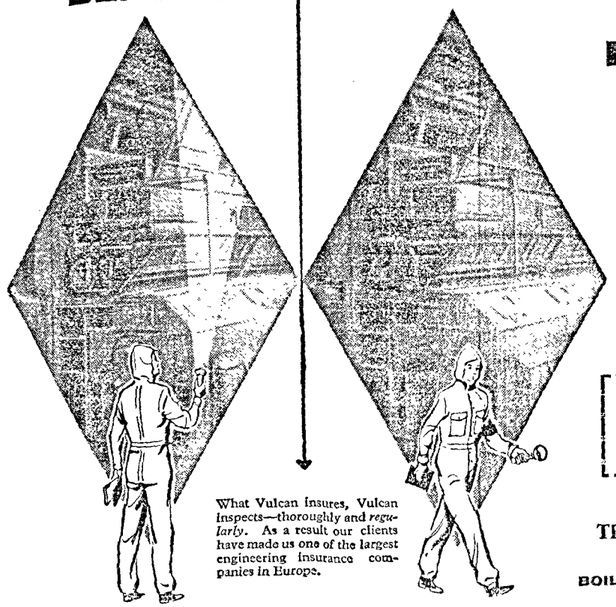


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AN EXCEPTIONALLY FAVOURABLE YEAR

BRITISH GUIANA—A TREMENDOUS INVESTMENT IN HUMAN RESOURCES

SIR JOCK CAMPBELL ON IMPORTANCE OF FLOURISHING ECONOMIES IN THE COMMONWEALTH

The fifty-eighth Annual General Meeting of Booker Brothers, McConnell & Company Limited, will be held in the Library of the West India Committee at 40 Norfolk Street, London, W.C.2, on Tuesday, July 8th, at 12 noon.

The Report and Accounts for the year 1957 were posted to Shareholders on June 14th together with the Statement of the Chairman, Sir Jock Campbell. The following is a shortened version of the Chairman's Statement:

Bookers had an exceptionally good year in 1957. The Group's net trading profit after tax was £1,084,343 against £787,349 in 1956, and there were Capital Profits of £32,441 against £47,192 last year. This year, £146,210 for Amounts Written Off unlike as in previous years, has not been deducted before striking the year's profit. Instead, these charges have been treated in the same way as Capital Profits.

Mr D. Powell, Finance Director of Bookers, and Chairman of our Shopkeeping Group, has been appointed Deputy Chairman of Bookers.

Your Directors are recommending the payment of a final Ordinary Dividend of 6d. per share, free of Income Tax, maintaining, in effect, at 9d. last year's ordinary distribution, plus a cash distribution of 2d. per share from Distributable Capital Profits not subject to UK tax. This total distribution of 11d. represents a return of 3.2 per cent on the shareholders' total investment in Bookers. I am sure shareholders are wholeheartedly grateful for these results which represent the work and achievement of all the men and women in the Booker Group in the UK, British Guiana, The West Indies, Canada and Central Africa.

Those who work for Bookers also share in the benefits of our progress—employment costs increased by more than £1,400,000 during 1957 to over £8 million; nearly half the increase was due to Companies having newly joined the Group, and nearly £150,000 was a special bonus to our sugar workers in British Guiana. To add perspective: Bookers' 4,500 shareholders will receive £64,000 more than in 1956; ten years ago there were only 851 shareholders in Bookers.

DISCRIMINATORY TAXATION

Taxation has gone up by more than £600,000 in 1957 to over £2 million. Bookers' liability to tax has not been reduced by the Overseas Trade Corporation provisions of last year's Finance Act which, in fact, discriminates against such businesses as Bookers.

A business operating overseas, but with its residence and control in the United Kingdom, is relieved by the Act of both United Kingdom Income Tax and Profits Tax. However, the United Kingdom holding company which operates overseas through subsidiary companies controlled and resident in the country of operation has to continue to pay United Kingdom Income Tax and Profits Tax on profits remitted to this country. This puts a premium on Boards of Directors in London managing companies operating overseas without identifying nationals of the countries concerned with their direction. And it penalises companies, like Bookers, who have tried to create a partnership in overseas countries between United Kingdom capital and local direction and management. Overseas investment—and particularly colonial development—through United Kingdom holding companies seems to your Directors to be politically by far the best way of achieving the right objectives. Investors in this country want Boards of Directors and Annual General Meetings accessible to them; they understandably hesitate to invest directly in companies wholly resident abroad. On the other hand overseas territories, equally understandably, want to see management of companies set fairly and squarely in the local environment; and their own nationals directing them. Investment through a United Kingdom holding company combines both these aspirations. United Kingdom investors have the holding company Board accessible to them; overseas people direct and manage the operating companies.

While we recognise in the Overseas Trade Corporation provisions of the Finance Act a real attempt to solve a real problem, they seem to have been specifically designed to penalise this partnership between the United Kingdom investor and overseas direction and management; and to encourage the politically undesirable—and I thought thoroughly old-fashioned—system of absentee proprietorship.

This year's Budget has done nothing to put this right. The change in Profits Tax will bring some relief, but the extent will depend on the amount of overseas profit remitted to the UK.

SUGAR OUTPUT AGAIN A RECORD

Sugar output achieved another record of 236,677 tons, an increase of 23,574 tons over the 1956 record. Factory improvement over the last ten years has doubled, on average, the tonnage of sugar our factories can process in a year. These agricultural and industrial achievements are directly due to good management and work, good planning and research, assisted by unusually good weather. Extraordinarily high world prices for sugar, combined with human achievement and good weather, produced these exceptional profits in sugar. We cannot expect to see them again soon, sugar and molasses prices having tumbled. Moreover, British Guiana sugar production is limited by the capacity of the present export markets and quotas, and our efforts must now be directed towards maximum efficiency at the present level of production rather than aiming at higher production. While resourceful management and workers in British Guiana cannot affect the price of sugar or the weather, they can control production costs.

Great and imaginative new strides have been taken towards creating more constructive understanding and working relationships, and so making our Sugar Estates better and happier places for the men and women who work on them.

SHOPKEEPING

Our Shopkeeping Group earned about the same profit as in 1956. Our Companies in British Guiana, Trinidad, Saskatchewan and Nyasaland did very well, but those in Alberta and the Rhodesias had rougher passages. In the UK our newly acquired wholesale and retail grocery group of Alfred Button made a thoroughly good starting contribution. Vigorous thought is being given to its modernisation and development. UK shopkeeping should not only be profitable; it will enable our overseas shopkeepers to gain valuable experience. As with sugar, the profits and successes of the Shopkeeping Group represent considerable achievement in human terms. I am continually exasperated by people who superciliously suppose that shopkeeping is non-U; I believe it would be hard to find businesses requiring more skill and imagination, or doing more to serve the community.

Our export, shipping and confirming business, Campbell Booker Carter, had a record turnover of £7,750,000 in 1957.

RUM

Our Rum Group had a difficult year in the UK. In a warm winter, they did well to keep sales of rum only slightly below the high peak of 1956. **Lemon Hart** Jamaica and **Lamb's Navy** Demerara brands continue to lead the field. In Canada our rum business went from strength to strength. In British Guiana our local sales were disappointing. Their sales should gain tremendously, as indeed should the whole Rum Group, from the completion of our new up-to-date distillery in British Guiana.

In 1957, in partnership with the Hiram Walker Group of Companies, we bought the controlling interest in Estate Industries Limited in Jamaica. This Company, with its model factory, makes the delectable and popular coffee-flavoured liqueur **Tia Maria.**

SHIPPING

Our Shipping Group had mixed fortunes, but all Companies kept up a high level of

perational efficiency. Just after Suez, there ere peak freight rates. By the end of the ear there was a slump, and it is difficult to e how there can be much improvement in te near future. We are proud of the way ur Shipping Group meets the perpetual nallenge of the economic vagaries and hysical hazards of shipping.

All our companies in the Investment Holdings Group had a successful year. Our Manufacturing Drug and Petroleum Marketing Agencies in British Guiana, and our Carpet wholesaling Company in the UK did outstandingly well.

ENGINEERING

Our Engineering Group had a most encouraging year. In February 1958, they acquired the sugar machinery business of Duncan Stewart & Company in Glasgow. This will be complementary to George Fletcher's, and the two businesses, independently managed, should together greatly strengthen our strong position in this important industry so closely allied to Bookers' origins. Our small electrical engineering company, Reliance, did well too. This Engineering Group has laid the firm foundation of a sound new Booker structure.

FINANCE

All these operations make money but they also take money. Last year I told you that we expected soon to have to find three sums of about one million pounds each. First, the one million of ten-year unsecured Notes borrowed at 3¾ per cent in 1948 which we repaid this February. Secondly, the million pounds we needed for plant to store and handle sugar in bulk in British Guiana; this, thanks to the co-operation of the Government of British Guiana, is to be provided through a contribution from the Sugar Industry Rehabilitation Fund (a Fund built up by levies on sugar and jointly administered by Government and the Sugar Industry) who will invest the money in debentures, repayable over twenty-five years. Thirdly, we are still considering building one or two ocean-going ships to carry sugar in bulk; but the scope and time of this development cannot be unaffected by present low world freight rates.

The exceptional profits of 1957, the new arrangements for financing the bulk sugar plant, the postponement of our investment in bulk sugar ships and the present recessionary tendencies, have combined to reduce our immediate need for new funds but that is not to say that we will not decide to raise them when we consider it advisable.

BRITISH GUIANA

So many of our eggs still remain in British Guiana—despite the success of our hedge-building policy—that shareholders will want to know briefly the present political and economic outlook there. On the 12th of August last year the General Election under the revised Constitution resulted in Dr Jagan's Party winning nine out of the 14 elected seats in the Legislative Council. That Council now comprises Dr Jagan's nine; two Members of Mr Burnham's People's National Congress; one Member of the Guiana Independence Movement; one Member of the National Labour Front; one Member of the United Democratic Party; together with three Official Members and six Members nominated by the Governor—including Mr Tasker, our Director of Public Relations. Dr Jagan is now Minister for Trade and Industry; his wife is Minister for Labour, Health and Housing. While constitutionally Dr Jagan's majority Party is not the Government but is sharing in a Government led by the Governor, his Party have an *effective* majority in the Legislative and Executive Councils; and the present Constitution *certainly presents no* obstacle to imaginative and progressive Government. Last year I unreservedly pledged Bookers' intention to do all we could to serve a properly elected and responsible Guianese Government. The present Government, and the majority Party, have done nothing to *lessen our faith in the rightness* of this policy. Public confidence is growing. Although there are disquieting signs of *racial conflict* and bitterness between Indians and Africans, the community and industry are being positively encouraged by the Government to work together for the good and the prosperity of *the country*. This is certainly the only way in which Guianese can make the most of the limited natural resources with which Nature has endowed their country; and only by giving evidence of constructive co-operation will British Guiana be able to raise the capital which she so desperately needs for *development* to maintain, let alone increase, the standard of living of her fast-growing population. *There are* healthy signs throughout The West Indies and British Guiana that Governments and people, *in their rising* self-confidence, are adopting a far more robust and realistic attitude towards Capital than *in the past*. In short, they are learning to live with Capital. And Capital, which must *equally learn to live* with them, is showing increasing adaptability towards the evolving economic, social and *political* pressures of these countries.

Princess Margaret's visit to British Guiana was a *tremendous* success—as shareholders may have gathered from the exhilarating reports of it in the *British newspapers*. The people of British Guiana excelled themselves in their wonderful welcome, and in the admirable arrangements they made to do their Princess the honours of their country. *Incidentally*, these arrangements included an Agricultural and Rural Display in the grounds of the *fine new* community centre at Lusignan sugar estate. There will be community centres at all the big sugar estates by the end of this year—planned in partnership by Government, Sugar Industry, and Trade Unions, and paid for by the Sugar Industry Labour Welfare Fund.

British Guiana has not decided to join the new Federation of The West Indies, but even had we no investment in Trinidad and *Jamaica*, we would wish to pay Bookers' respects to the new nation and to all those whose *vision and courage* have created it. This new nation and its people wholly deserve all the goodwill and assistance that it is equally wholly in the interests of the United Kingdom and the rest of the Commonwealth to give them. Great Britain, dependent as it is on export markets, has everything to gain from flourishing economies in the overseas members of the Commonwealth, and everything to lose from neglecting them. In Great Britain we are better off paying relatively high prices for imported primary products and so stimulating our export markets, than depressing our export *markets with low prices* for these imports.

GROUP'S RESPONSIBILITIES

Bookers stands for far more than a number of industrial and commercial undertakings, making profits for Shareholders. We are generating wealth and employment; we are distributing goods and we provide services. In countries like British Guiana, we have a tremendous investment in human resources. *Thus we are spending much time* and money on education and training. Scholarships at home and overseas, Management Courses and apprenticeship schemes; all these are designed to the end that we may better fulfil and balance our responsibilities to shareholders, fellow employees, customers and communities where we operate. In the United Kingdom and British Guiana, Canada and Central Africa, we have appointed Booker Group Committees, who have been charged with the duties of making sure that the operating efficiency of the Companies is matched by the realisation of our ideals and that the unity of the Group is not shattered by the diversity of its functions.

PROSPECTS

About 1958. At the present stage of Booker development, 1957 profits were really exceptional owing to high world sugar prices, and I am sure that 1958 trading profits will fall to a more normal level.

NEW OFFICES

In June, this year, our Headquarters move to Bucklersbury House, Cannon Street, where we will be joined by all our other London Companies, except United Rum Merchants and our Produce Companies. Our Travel Department is having new premises designed by Sir Hugh Casson. Any Shareholder who would like to come and see us in these Offices will be welcome.

ISRAEL DISCOUNT BANK LIMITED

TEL AVIV, ISRAEL

The Annual General Meeting of the Israel Discount Bank Limited was held in Tel Aviv on April 8th, and the following are details of the report presented by the Board of Directors:

The total of the consolidated balance sheet of the Israel Discount Bank Limited and its fully-owned subsidiary, the Mercantile Bank of Israel Limited, increased from IL149.6 million at the end of 1956 to IL170.3 million at December 31, 1957. Total deposits, according to the same consolidated balance sheet, advanced from IL101.3 million to IL119.1 million. This includes a rise of savings deposits under the "Premium Savings Plan" providing for tax-free interest on funds remaining on deposit for at least three years.

Owing to credit restrictions, the rise in "Loans, Bills Discounted and Other Accounts" was slight during 1957. A high rate of liquidity was maintained, with "Cash and Banks, Government Securities and Government Guaranteed Securities" totalling IL52.9 million as at December 31, 1957.

The Bank's Foreign Trade Department developed a satisfactory activity throughout the year. "Documentary Credits, Acceptances, Rediscount at Bank of Israel, etc.," amounted to IL48.3 million.

The Israel Discount Bank Limited is to issue bonus shares at the rate of ten shares of IL1—each for every IL100—p.v. of shares held, with shareholders having the option to receive a cash payment equivalent to the nominal value of the bonus shares. The dividend declared by the Mercantile Bank of Israel Limited for 1957 amounts to 8 per cent less taxes.

Four new branches were added to the Israel Discount Bank's network of branches in 1957, bringing their number up to 43, including the six branches of the Mercantile Bank of Israel.

The report and the accounts were adopted.

DRESDNER BANK
AKTIENGESELLSCHAFT

DÜSSELDORF · FRANKFURT a. M. · HAMBURG

Balance Sheet as at 31st December, 1957

ASSETS	DM	LIABILITIES	DM
Cash and due from Central Bank	677,308,214.40	Deposits	3,551,062,869.58
Due from Banks and Cheques	132,350,016.09	Savings	749,378,181.67
Bills and Treasury Bills	2,021,211,829.63	Total	4,300,441,051.25
Securities	328,692,384.13	Deposits of Banks	763,127,745.89
Shares and Participations	274,187,510.77	Due to foreign banks and long-term borrowed funds	343,160,199.58
Equalisation Claims	241,265,344.08	Own Acceptances	—.—
Funds receivable	1,830,529,632.80	Capital and Reserves	292,000,000.—
Long-term loans	240,896,903.72	Special Reserves	189,831,663.43
Real Estate and Equipment	95,800,000.—	Other Liabilities	54,437,309.74
Other Assets	100,756,134.27		
	5,942,997,969.89		5,942,997,969.89

Profit and Loss Account for the Year 1957

EXPENDITURE	DM	EARNINGS	DM
Expenditure on Personnel	113,717,961.94	Interest and Discounts	111,665,101.27
Other Expenditure	34,788,101.12	Commissions and Fees	118,329,408.78
Taxes	63,488,446.99		
Net Profit	18,000,000.—		
	229,994,510.05		229,994,510.05

BOARD OF DIRECTORS: Carl Goetz, Margarethenhöhe via Königswinter, Chairman; Alfred Holling, Düsseldorf, Vice Chairman; Dr. Hermann Richter, Düsseldorf, Vice Chairman; Karl Blessing, Frankfurt a. M.-Hamburg (up to 31. 12. 1957), Vice Chairman; Hermann Schlosser, Chairman of the General Management of Deutsche Gold- und Silber-Scheideanstalt vormals Roessler, Frankfurt a. M., Vice Chairman; Dr. jur. Alois Alzheimer, Chairman of the General Management of Münchener Rückversicherungs-Gesellschaft, München; Rud. Blohm, Hamburg; Dr. Hans C. Boden, Chairman of the General Management of Allgemeine Elektricitäts-Gesellschaft, Frankfurt a. M.; Rudolf Egger-Büssing, General Manager, Chairman of the Board of Directors of Büssing-Nutzkraftwagen G. m. b. H. and Co-Owner of Automobilwerke H. Büssing and Büssing-Nutzkraftwagen G. m. b. H., Braunschweig (up to 25. 10. 1957); Alexander von Engelberg, General Manager of Dyckerhoff Zementwerke AG., Wiesbaden-Amöneburg; Adolf Gaebelein, ret. Solicitor, Iching/Obb., Kreis Wolfratshausen (as from 25. 10. 1957); Dr. Heinz Gehm, Chairman of the Board of Directors of Deutsche Edelstahlwerke AG., Krefeld; Gerhard Geyer, Chairman of the General Management of Esso AG., Hamburg; Dr. phil. Dr. med h. c. Fritz Gummert, General Manager of Ruhrgas Aktiengesellschaft, Essen; Dr. Hans Leonhard Hammerbacher, Chairman of the General Management of Brown, Boveri & Cie AG., Mannheim; Hugo Homann, Chairman of the General Management of Fritz Homann A.-G., Dissen TW.; Dipl.-Ing. Heinrich Jakopp, Consul. General Manager of Klöckner-Humboldt-Deutz AG., Köln-Deutz; Hermann Klein, München-Lochham (as from 1. 1. 1958); Dr. Alfred Knoerzer, Manager of Robert Bosch GmbH, Stuttgart; Alfried Krupp von Bohlen und Halbach, Essen; Dr. jur. Johs. Kulenkampff, General Manager of Norddeutscher Lloyd, Bremen; Hermann Linnemann, General Manager of Deutsche Rhodiaceta AG., Freiburg i. Br.; Dr.-Ing. h. c. Gustav Möllenberg, Chairman of the General Management of Westfalia Dinnendahl Gröppel AG., Bochum; Professor Dr.-Ing. h. c. Heinz Nordhoff, General Manager of Volkswagenwerk G. m. b. H., Wolfsburg; Dr.-Ing. Dr.-Ing. h. c. Dr rer. nat. h. c. Alfred Petersen, Chairman of Board of Directors of Metallgesellschaft AG., Frankfurt a. M.; Dr. h. c. Fritz Ridderbusch, General Manager of Rheinisch-Westfälisches Elektrizitätswerk Aktiengesellschaft, Essen; Hermann Schilling, Staatsfinanzrat, General Manager of Vereinigte Elektrizitäts- und Bergwerks-AG. Hamburg; Dr. Carl Schwenk, Owner of E. Schwenk Zement- und Steinwerke, Ulm; Dr.-Ing. h. c. Hans-Günther Sohl, ret. Bergassessor, Chairman of the General Management of August Thyssen-Hütte AG., Duisburg-Hamborn; Friedrich Sperl, General Manager and Managing Partner of Telefonbau und Normalzeit Lehner & Co. Frankfurt a. M.; Dipl.-Kaufmann Alexander Wiedenhoff, Hüttendirektor, General Manager of Rheinische Stahlwerke and Eisenwerke Mülheim/Meiderich AG., Mülheim-Ruhr; Dr. Joseph Wiehen, General Manager of Deutsche Centralbodenkredit-Aktiengesellschaft, Köln; Professor Dr.-Ing. Dr. rer. nat. h. c. Karl Winnacker, Chairman of the General Management of Farbwerke Hoechst AG. vormals Meister Lucius & Brüning, Frankfurt a. M.; Wilhelm Zentgraf, Chairman of the General Management of Wintershall AG., Kassel.

Representatives of the Staff: Hellmuth Bleicher, Senior Official, Stuttgart; Heinrich Dommers, Bank Clerk, Düsseldorf; Karl Eppler, Bank Clerk, Hamburg; Hans Gellinger, Bank Clerk, Nürnberg; Georg Hausmann, holder of procuration, Frankfurt a. M.; Hans Heike, holder of procuration, Kassel; Peter Jörissen, Bank Clerk, Essen; Joseph Meurer, Senior Official, Frankfurt a. M.; Karl Michalovic, Bank Clerk, München; Otto Mittrach, Bank Clerk, Hamburg; Dr. Richard Oertel, Bank Clerk, Berlin; Hans Peters, Bank Clerk, Düsseldorf; Heinrich Richter, holder of procuration, Bonn; Hans Sienknecht, Senior Official, Hamburg; Josef Wäldele Senior Official, Freiburg i. Br.; Heinz Wichter, Bank Clerk, Mannheim.

GENERAL MANAGERS: Fritz André, Max Bardroff († 23. 12. 1957), Ernst Matthiensen, Hans Rinn, Fritz Rudorf, Dr. Adolf Schäfer, Carl Schleipen, Erich Vierhub Dr. Franz Witt; Deputy General Managers: Dr. Walther Blancke, Herbert Henzel, Leonhard Freiherr von Richter.

DUNLOP RUBBER COMPANY

A MARKED IMPROVEMENT

MR G. E. BEHARRELL'S SPEECH

The fifty-ninth annual general meeting of Dunlop Rubber Company Limited was held on June 16th in London.

Mr G. E. Beharrell, chairman, in the course of his speech, said: It is very gratifying to your Board, and I am sure it must be to all shareholders, that the Group results show such a marked improvement after the unfortunately low figures for 1956. The recovery, you will remember, commenced in the second half of 1956 and continued throughout the year under review, with the results for the second six months of 1957 showing a very satisfactory increase over each of the two previous half years. Our Group Trading Balance for the year 1957 at £19.86 million was the highest we have yet recorded.

Generally speaking the improvement during the year was due to two factors. In the first place we have been much less affected by inventory adjustments, which in 1956 had a very serious effect on the Group, particularly as far as the United Kingdom trading results were concerned. It is true that there have again been movements in the price of natural rubber over the year, but these have been much less violent than in most recent years. In addition the effect of these movements has been cushioned to a greater extent by our increasing use of synthetic rubber at a stable price.

The other factor which has improved our position in 1957 has been the remarkable recovery in the British motor industry from the recession of the winter of 1956-1957. During 1957 the industry produced 1.15 million vehicles compared with 1 million in 1956 and 1¼ million in the record year of 1955. Largely due to a substantial increase in shipments of cars to the United States, exports of cars in 1957 were the highest ever achieved while exports of all types of vehicles and components reached a record value of £447 million, £50 million more than in 1956.

EXPANSION OF TURNOVER

Our turnover for the year increased by 3 per cent in value and by approximately 4 per cent in volume; so that taking the Group business as a whole, selling price levels were slightly lower than in 1956. Nevertheless we improved our margin of profit to turnover before tax from 3.6 per cent to 5.4 per cent and in the second six months of the year the percentage was 5.8. Satisfactory though these increases are, your Board does not consider the margin of profit to be other than modest, particularly having regard to the fact that such a very large proportion of the profit is subsequently absorbed by taxation. In the year 1957 the total provision for tax represented no less than 60 per cent of the total profit compared with 56 per cent in 1956. Certain countries have increased their taxation rates during the year and these with the excessive burden of Profits Tax here at home are largely responsible for this increase.

On many occasions in the past reference has been made from this Chair to the unfair burden placed on British industry by United Kingdom Profits Tax which was aggravated by increased rates introduced in 1955 and again in 1956. It is gratifying that the representations we and other sections of British industry have made over the years have at last resulted in the structure of this particular tax being altered to a flat rate of 10 per cent on all profits instead of the previous 3 per cent on undistributed profits and 30 per cent on distributed profits. On the basis of our 1957 figures this change will benefit the Group to the extent of about £300,000 per annum. The increased rates for Initial Allowances announced by the Chancellor in the recent Budget are also welcome but I regret that he did not think fit to restore the former Investment Allowances which provided such a valuable incentive to industry to modernise capital equipment. The Initial Allowances give little or no ultimate financial benefit to industry.

EXPORTS

The Dunlop Group, of course is particularly concerned with Overseas business and even though our United Kingdom trading position has improved substantially during 1957 the greater part of the Group turnover and profit continued to be derived from exports from the United Kingdom and from our activities in Overseas markets. If we add to this our indirect exports of tyres on vehicles exported, the total Overseas contribution is 70 per cent of our total turnover, namely about £161 million. We consider this to be no small achievement because competitive conditions in most Overseas markets are becoming increasingly severe, and there has also been some slowing down in the growth of world trade particularly towards the end of 1957. Industrial activity began to slacken in the countries of Western Europe, and this pattern is even more noticeable in North America. Import restrictions and decreased purchasing have also been evident in the countries producing primarily raw materials and thus trading conditions with them are likely to become increasingly difficult.

During 1957 we continued with our policy of expansion, modernisation and re-equipment, and although our total expenditure was lower than in 1956, we nevertheless spent £9.1 million of which £5.6 million was incurred in our Overseas Companies. At the end of 1957 the original cost of the Group Fixed Assets amounted to over £99 million and the written down book value was under £47 million. It is interesting to note that over 50 per cent of our Fixed Assets are situated Overseas and during 1958 we are building and equipping three further Overseas factories in Rhodesia, India and France. As an indication of growth I would like to mention that in the last 10 years the number of separate Dunlop Subsidiary and Associated factories has increased from 53 (28 of which were overseas) in 1947 to 102 (56 overseas) in 1957.

PERSONNEL

The Company is very much aware of the need to maintain a high standard of management and very careful attention is being devoted to the recruitment and training of suitable young men from schools, universities and from within the Dunlop Organisation. A number of these trainees are now spending periods in Overseas Companies to widen their experience. All our employees are encouraged to study for higher qualifications to help fit them for greater responsibility. Much of this training is carried out internally within the Organisation, but considerable use is also made of suitable external courses. Without a progressive policy of this kind, it would not have been possible to provide competent staff to establish and operate the many new or expanded factories which we have started up here and abroad during the last ten years. We realise that many young people have little knowledge of the careers which industry can offer to them and to assist in bridging this gap in their knowledge we offer short vacation courses to schoolboys and undergraduates and in our careers booklet—"Careers with Dunlop"—we set out the opportunities for employees which exist within the Dunlop Group of Companies.

During the next few years industry will have to face the problem of employing and training an increasing number of young people. This problem has received considerable publicity through the report by the Carr Committee—"Training for Skill," published early in 1958—which has urged industry to absorb these young men and women and to provide suitable training for them. The Company is very much alive to this challenge and, in the light of the Report, our existing employment and training arrangements for young people have been reviewed to ascertain what readjustments are desirable.

I am sure you would wish me to include in this review of our affairs a message of congratulation and thanks to all Dunlop employees in all the countries in which we operate for their part in the greatly improved results for the year. My colleagues on the Board and I greatly value the opportunity which you thus afford to us of expressing directly to all employees the appreciation of the shareholders. I will, accordingly, send to them all on your behalf a message of warm appreciation and thanks for their continued efforts towards the successful conduct of the Company's affairs.

EUROPEAN TRADE

Last year reference was made to the increasing competition which will arise as a result of the closer integration of the six major countries of Western Europe in a Common Market. We must not overlook that this Common Market is now in being, having come into existence on January 1st this year. So far as the Dunlop Group is concerned we have large factories in both France and Germany and selling Companies and branches in the other participating countries. We are confident, therefore, that we shall be able to obtain a reasonable share of the benefits which should accrue from this new conception of European Trade.

The outcome of the negotiations to associate Britain and other members of the Organisation for European Economic Co-operation with these six countries through a Free Trade Area remains in doubt, and at this stage it is not possible to forecast whether, or on what terms, this association will eventually take place. The present uncertainty thus makes it impossible, as yet, to forecast the impact of these developments on the fortunes of the Dunlop Group as a whole, but studies on the many different and complex aspects which are likely to be involved have been and are continuing to be carried out energetically. We are making our own examination of these problems and have also taken advantage of the facilities in market and economic research available on this subject.

The report and accounts were adopted.

MARKS AND SPENCER LIMITED

SALES ADVANCE TO OVER £130 MILLION

SUCCESSFUL CAMPAIGN FOR LOWER PRICES

POPULARITY OF "ST. MICHAEL" BRAND

99 PER CENT BRITISH GOODS

The thirty-second Annual General Meeting of Marks and Spencer Limited was held on June 16th at 82 Baker Street, London, W.1.

Sir Simon Marks, DSc (Chairman and Joint Managing Director), who presided, said:

Ladies and Gentlemen, may I take it that in accordance with our customary practice, the Directors' Report and Accounts may be taken as read?

PROFIT AND LOSS ACCOUNT

Our net profit for the year after tax amounts to £6,193,000 compared with £5,606,000 last year, an increase of £587,000.

We have provided £7,950,000 for Taxation against £7,200,000 last year, made up of £5,925,000 for Income Tax compared with £5,350,000 and £2,025,000 for Profits Tax compared with £1,850,000.

With £1,762,000 brought forward from last year, there is a total of £7,955,000 available for distribution.

The Board recommends a Final Dividend on the Ordinary and "A" Ordinary Shares of 22½ per cent, making with the interim Dividend of 10 per cent, a total of 32½ per cent for the year against 30 per cent.

As in previous years we have allocated £150,000 to the Staff Benevolent and Pension Fund.

We have written off the sum of £250,000 from the item Trade Investments. The value of our interests in textile weaving mills has been affected by the changed pattern of trade.

RESERVES

We have transferred £1,900,000 to the General Reserve which now stands at £8 million. With the balance of the Profit and Loss Account at £2,213,000, the Revenue Reserves amount to £10,213,000 compared with £7,762,000 last year. The Capital Reserve remains at £19,323,000.

PROPERTIES

We have spent over £3 million during the year on the development and modernisation of our Stores; £2 million has been on Capital Account and £1,063,000 has been charged as Repairs and Maintenance compared with £744,000 last year.

After providing Depreciation of £904,000, the Freehold and Leasehold properties appear in the Balance Sheet at £41,259,000 and the Fixtures and Equipment at £4,620,000.

STOCK

The Stock in Trade of this Company stands at £10,488,000 against £11,123,000 last year.

In the item of Advances to Subsidiary Companies of £2,046,000, stocks of materials account for £1,602,000 compared with £1,192,000, so that the total Stockholding is £12,090,000 against £12,315,000.

CASH

Cash balances and our holding of Tax Reserve Certificates total £6,778,000 compared with £4,730,000 last year.

Bank and other interest received during the year was £175,000 against £25,000.

GENERAL SURVEY

I am glad to inform you that the turnover last year exceeded £130 million compared with £125 million in the previous year. Our report once again indicates the continued growth of the Company. At the end of the war, in 1946 our turnover was just over £19 million, and in twelve years it has risen to over £130 million. The net profits after tax in that period have risen from £1,052,000 to £6,193,000.

The factors responsible for the remarkable advance of the Company have formed the major part of my annual addresses to you. In the course of the years we have built up four great assets; firstly, the goodwill of our customers and their confidence in the quality and character of "St. Michael" goods; secondly, the splendid co-operative spirit between suppliers and ourselves; thirdly, the loyalty and devotion of our management and staff, and lastly, by the investment of £31 million, drawn from profits since the war, we have achieved a radical and striking transformation of many of our Stores.

THE COST OF LIVING AND THE CAMPAIGN FOR LOWER PRICES

The cost of living has always been present in our minds. Our policy, at all times, is directed to making such contribution as we can to this problem by providing goods of quality at prices within reach of the public's purse.

With the fall in the price of raw materials, and especially wool of which we are large users, we felt that the moment was opportune to study, with our suppliers, the possibility of an early reduction in prices without, of course, sacrificing quality.

We had numerous discussions with our friends who appreciated the importance of our policy which was to take the lead in the country in bringing down prices to the public as soon as possible. I am glad to say that this policy met with their approval. The spirit of co-operation has never been better exemplified than in this action. Prices have been brought down over a wide range of goods. The campaign caused great public interest and it met with considerable success, for the public is sensitive to price and most discerning in regard to values. In this way we have made a definite contribution towards the lowering of the cost of living. Thanks to this combined effort on the part of our suppliers and ourselves, we proved once again the efficiency and the flexibility of our methods of trading.

We were gratified with the publicity which followed in the national and the local press. We were particularly pleased that it had fallen to our lot to break through the price barrier in the public interest.

A further contribution towards lowering the cost of living was made by the Chancellor of the Exchequer in his Budget, by the reductions in Purchase Tax on a number of important items. In line with our policy we immediately brought down our prices to the appropriate levels.

"ST. MICHAEL"—A HOUSEHOLD WORD

Our policy on quality goods is unchanged, and we shall still seek for improvements in values. It is only by service to our customers that our business can prosper. The proof of this policy can be found in the volume of business we now report, and in the fact that an average of six million customers throng our stores each week of the year.

Our brand name, "St. Michael," for the garments we sell, stands not only for quality, but is the hallmark of exclusive goods at inexpensive prices. We attach the greatest importance to the control of quality and to styles which conform with the prevailing fashion trends. The quality and style of "St. Michael" garments are the product of close collaboration between the Buying Executives, Stylists and Technologists. The Technologists study the development of fabrics and man-made fibres with special standards of performance. We have in mind the need to ease the work of the housewife by introducing drip-dry and easy to launder garments. I can do no better than to quote from my speech at the last meeting of the shareholders:

"Much of the progress we have made in the improvement of our goods stems from the systematic and continuous work of our scientists and technologists. Their task is to study ways and means of up-grading our goods, always bearing in mind value and price. Their duties are to keep abreast of any interesting developments in the textile field which can be speedily incorporated in our goods."

FOOD DIVISION

Although textile goods form the main part of the business, the Food Division is becoming increasingly popular and important. In particular, our bakery products are making remarkable progress in variety and quality; the volume of sales is rising steadily. This again is due to the close co-operation between our Buyers, Food Technologists, and a number of leading, well-known suppliers. In order to deal with the expanding business, our friends have re-equipped, enlarged and modernised their bakeries. Production has been regionalised to enable us to provide the public with oven-fresh goods by speedy and frequent deliveries.

We are specialising in selected and graded

Fruit which is a substantial portion of our food sales. We work closely with a number of growers and packers of fruit at home and throughout the world, with most interesting results.

DEVELOPMENT PROGRAMME

The transformation of our Stores proceeds apace, and the development programme is progressing systematically. We are concentrating on enlarging our existing Stores where we have successfully traded for many years.

In the past year we put in hand 24 important extensions and completed thirteen. The present programme calls for six further extensions, to which will be added others as soon as final plans are approved. The time needed for the completion of many of our important projects is considerable, and some of them in hand will not be available for business until late 1959.

In the past year we expended the sum of £3 million on expansion and modernisation, and this year we have allocated a similar sum for this purpose. We are operating some 300,000 feet of counters and racks, and are continually adding to the selling space necessary for the proper presentation of our goods and for the comfort and convenience of the public.

We have available a large area of selling space which has yet to be developed. The considerable finance required for this purpose will be found from profits ploughed back into the business year by year.

COSTS OF ADMINISTRATION

I spoke to you last year of our successful efforts in reducing the costs of administration. In simplifying methods and procedures we eliminated a great deal of unnecessary paper work on which large numbers of our staff had been engaged.

There is a constant examination of our present methods and we are continuing to find ways and means of cutting out unessential work and of further simplification. In this way we have been able to maintain the overall costs of operation on about the same level as last year, although our turnover has increased.

We are in the process of transferring the administration to new and spacious offices in Baker Street. Our Head Office organisation had hitherto been housed in seven different offices in various parts of London. Operational control under these conditions was naturally not easy. Our work in streamlining the organisation will be facilitated when the central administration comes together under one roof.

TRIBUTE TO MANUFACTURERS

I have, earlier in my speech, expressed my appreciation of the invaluable co-operation which we have enjoyed with our manufacturers over the years. This year, in particular, it is with pleasure that I acknowledge the close collaboration which has made it possible for us to move swiftly and effectively in our campaign to lower retail prices. I thank them for their part in the implementation of our policy. It reflects the understanding relationship which exists between us.

In my first speech to the Shareholders of Marks and Spencer as a public company in 1927, I said:

"We purchase in this country practically 90 per cent of our requirements. It is our aim and object to get as much produced in this country as possible, and the efforts of our buyers are constantly being directed to this cardinal principle of our business. This achievement can only be effected by a closer co-operation between the manufacturer and ourselves, by the adaptation of his manufacture to our needs, and by the elimination of unnecessary intermediaries and charges."

We have followed these principles ever since, so that today we can state with pride that over 99 per cent of our manufactured goods are still made in this country. This is a high tribute to our manufacturers who, by their skill and experience, have enabled us to bring this policy to fruition.

TRIBUTE TO STAFF

It is with pleasure that I pay tribute to the work of the staff. The Board is justly proud of the high quality of service given by members of the Company, and of the fine spirit in which this service is carried out.

Although we attach great importance to a progressive wage policy, we are equally concerned to create a happy working atmosphere throughout the business, and to encourage by every means a genuine sense of belonging, and of fellowship within the organisation.

In the past year we spent over £800,000 on the provision of a wide range of amenities for the well-being of the staff. The cost to the Company works out at £35 for each member, which is, of course, additional to wages. As is well known, these amenities include well-appointed staff quarters, excellent meals at nominal prices, extensive advisory health services, and opportunities for sports and social activities.

We operate two important funds for the benefit of the members of the Company. The Benevolent Fund to which we make an allocation of £150,000 per annum from Profits, and the Pension Scheme which, in the past year, cost the Company £300,000 which is a charge included in the operational expenditure. Since the inception of these funds the Company's contribution totals some £3,750,000, made up as to £1,275,000 to the Benevolent Fund, and £2,500,000 to the Pension Scheme.

We thank each and every member of the staff for their loyalty and devotion to the interests of the business.

The report and accounts were unanimously adopted.

VOTE OF THANKS

Mr L. Brown (Prudential Assurance Company Limited) in proposing a vote of thanks, said: I count it a privilege to be entrusted for a second time with the pleasant task of proposing a vote of thanks to our chairman and our board of directors. As always, Sir Simon has given us a concise review of the events of the year, concise but interesting and indeed exciting. He has referred to the increased turnover, larger profits, the continued development of the branches and further plans for development.

Even more profit has been ploughed back to finance that development, after providing for a larger dividend. What more could shareholders ask for? Perhaps the most interesting and most important item from the National point of view is the re-organisation of methods which enabled substantial reductions in prices to be made, thus providing an important contribution to the National problem of keeping down the cost of living and checking inflation, and also providing an example to other large organisations, including perhaps Government Departments.

Mr G. Seebohm seconded the vote of thanks, which was unanimously accorded, and the chairman suitably replied.

ÖSTERREICHISCHE LÄNDERBANK AG.

(Vienna, Austria)

FAVOURABLE UPWARD TREND

ANNUAL REPORT 1957

The Annual General Meeting of Österreichische Länderbank was held in Vienna on May 14th this year, and the following are details of the report presented by the Board of Directors:

The business of the bank in the past year showed an extraordinary favourable upward trend. The turnover, which had increased by 12.3 per cent in 1956, rose by 21.9 per cent in 1957. The balance sheet total on December 31, 1957, amounted to S5,600 million, nearly S1,000 million higher than in the previous year, which means an increase of 21.3 per cent as compared with an increase of 9.4 per cent in 1956. In accordance with the general expansion of the business, revenue was S325 million, while it had been S296 million in 1956. Expenditure rose likewise primarily for salary payments. The favourable business results made it possible to increase the reserves by S47.7 million, which is about equal to 1956.

STRONG LIQUID POSITION

Particularly remarkable is the high liquidity ratio. Cash liquidity amounted to 18.3 per cent and first and second degree liquidity to 61.9 per cent (56 per cent on December 31, 1956), while the minimum requirements are only 40 per cent. The capital and reserves of the bank including the pension fund reserve (S150 million), which has to be taken into account as pension payments are actually made out of current revenues, are given as S600 million, which represents 13 per cent of deposits. The development of deposits shows clearly the excellent reputation of the bank among the public. Deposits during 1957 rose by S800 million (21 per cent) to more than S4,500 million including a rise of savings deposits by S259 million (37.6 per cent). The latter, which amounted to S946 million on December 31, 1957, have since increased to over S1,000 million. Other deposits rose by S536 million (17.4 per cent) to S3,607 million. These additional funds were primarily used for the acquisition of short-term bills of exchange, the total of which rose by S749 million to S1,600 million. Treasury bills increased by S156 million while advances rose by only S96 million.

Bank premises, real property as well as fixtures and fittings retained their nominal book value of S1 each.

PROFIT AND LOSS ACCOUNT

The profit and loss account shows an increase in expenditure from S278 million to S307 million, which was mostly due to increase of salaries and higher taxes. The revenue increased from S296 million to S325 million, which is about equivalent to the rise experienced in 1956. Accordingly, there was a net profit for the year of S17.7 million, which, added to the balance of S1.6 million brought forward from the previous year, produced a total of S19.3 million available for distribution.

It was proposed to pay a dividend of 7 per cent, equal to that for 1956.

The report, the accounts and the proposals put forward by the Board of Management at the General Meeting were adopted.

C. C. WAKEFIELD & COMPANY

SATISFACTORY GROUP TRADING IN A DIFFICULT YEAR

GROUP SALES OF CASTROL CONTINUE AT HIGH LEVEL

MR. L. W. FARROW'S STATEMENT

The Forty-first Annual General Meeting of C. C. Wakefield & Company Limited will be held on Friday, July 11th, at Winchester House, Old Broad Street, London, E.C.2.

The following is an extract from the Statement by Mr L. W. Farrow, CBE, the Chairman, which has been circulated with the Report and Accounts for the year ended December 31, 1957.

As Stockholders will be aware, on January 1, 1958, in pursuance of your Board's established policy of expansion, the Company acquired the entire share capital of Fletcher Miller Limited. This important acquisition brings into the Group a company eminent in the manufacture of production oils, particularly for the Engineering Industry and Leather Trade, and thereby considerably strengthens our position in the field of industrial lubricants. Having regard to the date of this transaction, the Accounts now before you do not include any figures relating to Fletcher Miller Limited. Your Directors are confident that this new subsidiary company will add to the Group's earning power and spread of trading goodwill.

GROUP TRADING

The Suez crisis imposed petrol rationing in the United Kingdom and other countries for some five months of 1957 and this enforced restriction of motoring and road transport, combined with rising costs, had an adverse effect upon the sales and profits of the Group. I am pleased to be able to say, however, that in the second half of the year our motor trade resumed its normal buoyancy, with the result that the total volume of sales throughout the world for the whole of 1957 showed a decrease of less than 3 per cent in comparison with the record figures of the previous year. Moreover, Castrol continued to enjoy the largest share of the United Kingdom motor market for branded lubricating oils, with even more motorists asking for Castrol by name.

The Group trading profit of £3,098,423 is £255,459 less than in 1956, a result that I think Stockholders will agree is satisfactory having regard to the unfavourable trading conditions referred to, the deepening effect of credit restriction and the fact that it has been achieved in the face of continued intensive activity on the part of our main competitors.

With regard to competitive activity in the United Kingdom, there is increasing evidence that many aspects of the tied service station system are unwelcome to the garage trade and to the public. The aims of your Company in this matter are those of all independent suppliers to the motor and garage trade. To further these aims your Company remains in membership of the Motor Accessories Manufacturers Association and is in full sympathy with its activities.

Stockholders will welcome the attitude of the Government towards the tied station system as applied to the new motorways, the Ministry of Transport having decided not to allow exclusive trading thereon.

WAKEFIELD-DICK INDUSTRIAL OILS LIMITED

I am pleased to report that this subsidiary has again had a most successful year and has achieved a higher profit than in 1956, which was its first year of trading following the merging of the Group's United Kingdom marketing activities in industrial, marine and electrical oils. The sales gallonage of Wakefield-Dick Industrial Oils Limited represents a large proportion of the Group's total volume of sales in the United Kingdom.

The business of this subsidiary company is closely allied to that of Fletcher Miller Limited and Stockholders will be interested to learn that a considerable proportion of the country's output of production oils will now be handled by the Wakefield Group.

CHEMICAL PLANT

In my Statement last year I referred to the decision to market our surplus production of chemical additives through our subsidiary, Edwin Cooper and Company Limited. Although the extensions to our chemical plant at Stanlow are not yet complete, the increased production already achieved has enabled that subsidiary to commence limited trading as from January 1, 1958. The activities of Edwin Cooper and Company Limited will not necessarily be confined to the sale of chemical additives for lubricants but will include the marketing of such other chemical products as can be manufactured by your Company and for which a demand is found to exist.

RESEARCH

In the technical field, research is proceeding with undiminished intensity and embraces every facet of the Group's activities. The research work of our chemists and technologists must keep abreast, if not ahead, of developments arising out of new industrial techniques so that our lubricants and other products may continue to give satisfactory service under changing conditions.

At the same time it is the constant endeavour of our research staff to ensure that the technical supremacy of Castrol is maintained.

OVERSEAS TRADING

With regard to the overseas operations of the Group, I am pleased to report that the aggregate volume and value of sales during 1957 was maintained, notwithstanding the widespread effects of Suez, intensified competition and strained economic conditions in a number of territories. Overall profit margins were reduced, however, owing to continued increases in costs coupled with rigid price control in certain of our more important overseas markets.

During the year your Directors have continued their policy of investing further capital overseas where this had been deemed necessary in the trading interests of the Group.

I regret to say that our subsidiary company in France suffered a setback in profits in 1957, chiefly as a result of the economic crisis through which that country has been passing.

In certain of the more difficult overseas markets operated by new subsidiary companies profitable trading has not yet been achieved. These are long-term projects and the territories concerned are engaging the constant attention of your Board.

Although a year ago it seemed that the taxation provisions in the 1957 Finance Act relating to Overseas Trade Corporations might be of benefit to the Group, subsequent investigation has disclosed that little or no financial advantage would result from hiving off all or part of our overseas business to a separate Overseas Trade Corporation. However, having regard to the expansion of the Company's direct overseas trading interests in recent years and in order to set up a more representative overseas Management Board, a new company, C. C. Wakefield (Overseas) Limited, was registered in the United Kingdom on April 1, 1958, the main objects of which are to promote, develop and extend our business abroad. At the present time it is not the intention to disturb the ownership of any of the Parent Company's overseas assets and C. C. Wakefield (Overseas) Limited is, therefore non-trading, but it can be readily converted into a trading organisation should future circumstances show that this would be financially beneficial to the Group.

NEW HEAD OFFICE PREMISES

Stockholders will be interested to learn that the Company has entered into a contract to take a lease of a new office building, to be named "Castrol House," fairly near our existing Head Offices. This new building which is now in the course of construction should be completed by the end of 1959. It will be of contemporary architectural design and should provide ideal working conditions for all members of the staff, with a consequent all-round increase in efficiency, combined with a saving in maintenance charges.

ACCOUNTS AND DIVIDENDS

The Consolidated Profit and Loss Account of the Group shows a net profit, after taxation, of £906,560, a reduction of £214,677 in comparison with 1956. Of this reduction, £105,313 is accounted for by a difference on exchange arising chiefly out of the devaluation of the French Franc and a fall in the value of the Brazilian Cruzeiro in terms of sterling.

The interim dividend on the Ordinary stock in respect of 1957 was raised to 10 per cent in order to spread the total dividend more evenly over the year, and it was announced at the time that this did not foreshadow an increased distribution for the full year. Your Directors now recommend the payment of a final dividend on the Ordinary Stock, as increased by £175,000 on January 1, 1958, on the acquisition of Fletcher Miller Limited, at the rate of 17½ per cent, less Income Tax, making a total rate of 27½ per cent for the year, the same as for 1956. Preference and Ordinary dividends will, therefore, absorb a total net amount of £447,817 as compared with £430,207 last year. The sum of £459,557 has been transferred to reserves in the Group Accounts, and this includes £419,719 set aside to General Reserve (Parent Company, £375,000) to provide for future

development and expansion. After allowing for these appropriations the balance of Group profits carried forward is £653,180, virtually the same amount as for the previous year.

For the interest of Stockholders, I am again producing a table showing approximately how the Consolidated Net Profits of the Group for the year to December 31, 1957, have been dealt with as compared with 1945 and the years 1953-56.

	1945	1953	1954	1955	1956	1957
	%	%	%	%	%	%
Taxation	58	62	53	52	56	59
Retained in the Group	16	26	35	34	27	21
Net dividends	26	12	13	14	17	20
	100	100	100	100	100	100

The Consolidated Balance Sheet of the Group again records the results of a year of expansion, mainly in our overseas interests, and confirms the sound foundation of the business. Fixed assets again show an increase as does the excess of current assets over current liabilities. However, since the close of the year our liquid position has undergone a change by reason of the acquisition of the capital of Fletcher Miller Limited to which reference is made in the Directors' Report.

At the end of 1957 total stockholders' interests stood at £9,704,950, an increase of more than £400,000 over the previous year.

I am sure you will agree that these Accounts show a very satisfactory financial position.

PROPOSED CAPITALISATION OF RESERVES AND SCRIP ISSUE

The issued Ordinary Capital of your Company is now substantially exceeded by Reserves, which is indicative of the extent to which profits have been ploughed back to finance the growth of the Group, and a considerable proportion of these Reserves is now permanently invested in the business. In order, therefore, to bring the issued Capital more into line with the actual Capital employed, your Directors propose to capitalise £892,500 of Reserves, and application has been made to the Capital Issues Committee for permission to issue one bonus Ordinary Share of 10s. for every three Ordinary Stock units of 10s. each now in issue.

PROSPECTS

Having regard to the adverse economic conditions prevailing in most parts of the world, it is again difficult to attempt any forecast of trading results for the current year. I can state, however, that before taking the figures of Fletcher Miller Limited into account the volume of Group sales throughout the world for the first four months of 1958 is most encouraging.

If this trend continues and the margins between cost and selling prices can be maintained, it is reasonable to hope that the Group will achieve favourable trading results in 1958.

Since the last Annual General Meeting it has again been rumoured that your Company is negotiating or considering an amalgamation with or absorption by one of the major petrol companies. I wish to repeat my previous statements to the effect that this rumour contains no element of truth. I would add that the strength of your Company lies in its independence coupled with the high quality of its products and service.

AMALGAMATED DENTAL COMPANY

SATISFACTORY RESULTS

The fifty-third annual general meeting of The Amalgamated Dental Company Limited was held on June 13th in London.

Opening the proceedings, the Chairman, Mr Aiken Watson, QC, said:

I am happy to inform you that the consent of the Capital Issues Committee has now been given to the issue of bonus shares referred to in the Directors' Report circulated with the Accounts.

The following are extracts from his circulated statement for 1957:

The year 1957 has been one of sustained effort and satisfactory results.

The dental industry in common with others, is today faced with rising costs coupled with demands to reduce or at least maintain current prices. The policy of your Company has been, and continues, to endeavour to keep prices stable. But that policy cannot be maintained indefinitely if wages and costs of raw materials and components continue to rise.

THE COMMON MARKET

The Common Market in operation as distinct from formation has still to overcome many difficulties. In regard to certain dental lines your Company, by reason of its manufacturing interests within the area, is well placed to share in the advantages to be expected to arise from its creation.

In other dental lines, however, your Company faces the problem common to many British Industries which will arise if the Common Market is not tied to a wider Free Trade Area to which Britain is a party.

From the point of view of your Company, the risks expectant on greater competition in the home market by the creation of a Free Trade Area are to be preferred to exclusion from the prospective share of the trade expansion arising from the creation of that area.

Our active research in the important field of consumable products continues unabated.

OVERSEAS INVESTMENTS

Our overseas investments, while subject largely to the same economic forces as those at home, continue to provide a satisfactory revenue.

In a world where the word recession has become more than usually topical, trading forecasts invite the character of prophecies. Trading to date, however, in the absence of any major set-backs, promises a satisfactory result in the current year.

With a sincere sense of obligation I offer in your name to our Management and Staff at home and abroad grateful thanks for another year of work well and faithfully accomplished.

The report and accounts were adopted, and the proceedings terminated with a vote of thanks to the Chairman, Directors and Staff.

THE INDUSTRIAL AND GENERAL TRUST

REVENUE REACHES NEW PEAK

SIR EDWIN HERBERT ON A CREDITABLE ACHIEVEMENT

The seventieth annual general meeting of The Industrial and General Trust Limited was held on June 12th in London.

Sir Edwin Savory Herbert, KBE, LLB (the Chairman) presided and referring to the offer made last December to Ordinary Shareholders by way of Rights of 1 million new 5s. Ordinary Shares at 20s. 6d. per Share, said: It was gratifying to find that 96.36 per cent of these Shares were taken up by Shareholders. The total proceeds of the issue, amounting to £1,025,000 was received by us in the middle of January last, so that we had the use of the new money for rather less than three months of the year under review. The current year will reflect a more adequate return, but it may well be a year or two before we derive the full benefit from these funds.

Our revenue from all sources reached a new peak at approximately £1,727,000 being some £108,000 more than last year. Our net revenue after tax and all expenses, was £815,000, an improvement of about £36,000. This sum, with £367,241 brought forward gives a total of £1,182,748 to be dealt with. After various appropriations including an interim dividend of 12½ per cent, we are left with £505,498, and we now recommend a final dividend of 16½ per cent on the Ordinary Capital as increased from £3,500,000 to £3,750,000, leaving £321,469 to be carried forward.

There are only two points on the balance sheet on which I will comment. The first is the valuation of our investments which shows an appreciation of 130 per cent, against an appreciation, at the same time last year, of 161½ per cent. This fall arises principally from the steep adjustment of interest rates in September last and the uncertainties which are besetting the business world. It is, I think, creditable that our portfolio should still show such a high level of appreciation.

The second point concerns the short term loans and cash shown in the balance sheet amounting to over £1 million. We are in no hurry to invest this money, which arises from the recent issue. We are, however, investing it, as opportunity offers, in first-class securities at prices which would have been difficult to visualise twelve months ago.

As to the future, there is little I can say which would be helpful to you, but I would emphasise that our faith in the future of this country is unshaken.

It should not be forgotten that, in the years since the war, this country has been passing through a tremendous social revolution. It is not surprising if the labour unrest, which naturally has accompanied it, breaks out from time to time in the form of strikes, either official or unofficial. If one views dispassionately what this country has accomplished in the years since the war, one can look back with pride and forward with hope.

The Chairman commenting on the recession in North America concluded his remarks by saying: There is, however, an undercurrent of confidence which augurs well. And the refusal of Stock Markets to lose their heads is encouraging.

The report was adopted.

At a subsequent extraordinary general meeting the proposed scrip issue of one new 5s. ordinary share for each two ordinary shares held was approved.

J. LYONS AND COMPANY LIMITED

MR I. M. GLUCKSTEIN'S STATEMENT

The Annual General Meeting of J. Lyons and Company Limited will be held on July 8, 1958, at the Trocadero Restaurant, Piccadilly Circus, W.1.

The following is the Statement by the Chairman, Mr I. M. Gluckstein, which has been circulated with the Report and Accounts for the year ended March 31, 1958:

The accompanying Report and Statement of Accounts are for the sixty-fourth year of the Company which ended on March 31, 1958.

Since the close of the financial year the nominal capital of the Company has been increased to £16,070,342 by the creation of 3,145,342 "A" Ordinary shares of £1 each which have been issued as fully paid in accordance with the Resolutions of the Extraordinary General Meeting held on April 9th. The shares, which have been converted into stock, were allotted to the holders of the existing Ordinary, "A" Ordinary and Proportional Profit stocks and "B" Proportional Profit shares who were on the registers at the close of business on March 20, 1958.

THE YEAR'S TRADING

It will be seen from the Company's Profit and Loss Account that the balance from trading account is £5,304,150 compared with £4,685,571 for the previous year, an increase of £618,579. The net profit for the year is £1,143,111 which compares with £871,767 for the previous year.

As was anticipated at the time of the capitalisation issue, we propose final dividends of 1/10d. per unit on the Ordinary and "A" Ordinary stocks (including the new issue) and of 4.4d. per unit or share on the Proportional Profit capital.

These final dividends, together with the interim dividends paid in December last will absorb £512,430. The dividends paid and accrued on Preference and Preferred Ordinary stocks amount to £288,266. The balance of the net profit for the year is £342,415. From the amount of £409,886 brought forward from last year we have transferred £250,000 to a Reserve for stock and price fluctuations leaving £159,886. This amount added to the balance of net profit gives a total to be carried forward of £502,301.

The results of the year's trading, I think it will be agreed, are satisfactory; the Company has had a good year. But some part of the increased earnings arose from favourable circumstances at home and abroad, the continuance of which it would be unwise to count upon. During part of the year some raw material prices were in our favour and we were glad to make a beginning with some reductions in our prices, but this downward tendency seemed likely to be shortlived, as in fact it turned out to be. Sugar for example, of which we are one of the biggest users in the country, rose sharply again before the end of the year and is still up. The cost of tea, especially the better qualities, was also rising during the second half of the year. It is in consequence of these conditions that we have thought it prudent to make the transfer to reserve that I have referred to above. A similar policy has been adopted in one of our subsidiary companies which has set aside £100,000 in like manner.

We should, of course, like to see raw material prices reduced so that we can reduce our prices, but failing that we hope that any fluctuations will be gradual so that we can make our readjustments smoothly, which is not possible when changes come in rapid succession.

We are having to fight harder for business; competition is severe in all branches, but we do not complain of that.

THE BOARD

In February Mr Mark Bogod, the Manager of our Ice Cream Department, was appointed an Employé Director. He joined the Company in 1922, coming direct to us from the Royal College of Science. After eleven years in our Laboratories he was transferred to the Management of the Ice Cream Department. We welcome him as a colleague on the Board.

Almost without exception, each Director manages one or more Departments or sections of the business and has spent the whole of his working life with the Company. Our policy is that a seat on the Board, with its added responsibilities, shall be a recognition of services rendered; at the same time, the Board benefits from the wide experience in management which the new member brings to it. We feel that this is the right policy even though it results in a large Board and a commensurate figure for Directors' emoluments. If we changed the policy and restricted the number of Directors, we should not have fewer Managers and the cost to the Company would not be less.

NEW FACTORY AT GREENFORD

Since the close of the financial year the new Ice Cream Factory at Bridge Park, Greenford, which I have mentioned before, has been brought into full operation, but with provision for further expansion. In May, Her Royal Highness the Princess Margaret graciously honoured us by visiting it and was good enough to express her keen interest in what she saw. It incorporates much that is entirely new and is, we believe, technically the most advanced ice cream factory in the world. As in the case of our other factories at Cadby Hall and Greenford, visitors are welcome, though, of course, both for their comfort and to avoid interference with the production, it is necessary to ask that dates and times be arranged beforehand. We particularly welcome visits from stockholders.

PRODUCTIVITY IN THE OFFICE

We regard our office organisation as a productive unit and not the "necessary evil" that it is sometimes supposed to be. We believe that our offices should not only be efficient in themselves, that is to say, in their machines and procedures, but that they should contribute a great deal towards the productivity of the business by feeding creative information to all levels of management.

We have travelled a long way from the days when the office was expected to be a mere keeper of passive historical records. The general management has always made use of the information that the office can provide, both as to what is past and, by means of techniques like budgetary control, as to the future. More recently, however, we have come to the conclusion that this is not enough. With the increasing complexity of business and speed of change in these unsettled times, junior management are being called upon to play a more important role. The office organisation is following suit. At the present time we are engaged on bringing our records into still closer relation to the detailed operations of the business and making them reflect with greater clarity the overall position in the Company.

Our belief is that, while it is imperative that top management should be properly served, it is nowadays just as important that the most junior ranks of responsible management should be served, and served first, with the information they need to discharge their respective responsibilities effectively. It is through them that the business is actually conducted and, unless they have the best information that is available, the business cannot be as productive as it should be, whatever may be the ability and knowledge of the men at the top.

This is not to add still further to the flood of figures which already threatens to overwhelm management. On the contrary, by ensuring that information is supplied to the most junior level of management which can use it, and by the proper use of new tools like the electronic computer, we are confident that the outcome will be a substantial reduction in the sheer volume of figures produced by our offices. And those that remain will be much more meaningful and useful to the people who use them.

This is the service which we expect from the productive office. This is the attitude of mind which has led to our becoming pioneers in the field of electronic computers in business and which produced LEO, the Lyons Electronic Office, the first computer to be designed, built, and regularly used in industrial and commercial clerical routines.

LEO has now reached a further stage in its progress. We have for some time had a second computer in full operation, and now that we have achieved success in the use of computers both in our own business and in other companies, our subsidiary company, Leo Computers Limited, is addressing itself to the marketing of them. It has supplied a computer to one eminent company (where it is working to their satisfaction) and in a few months will be supplying further installations to others. These are developments of the first LEO, which has been operating on office and other work for nearly five years, and they are the fruits of that experience. When we embarked on this project we had the great advantage of our practical experience of commercial and clerical systems. From the beginning we knew what we wanted to achieve, and we have therefore been able to design and build computers which have industrial and commercial clerical work as their primary function. We have now gained invaluable knowledge of the practical use of computers in a variety of clerical operations, and as a result of all this experience our LEO staff are heavily engaged in providing two kinds of service for other companies, one advisory and the other a computing service, for both of which there is a great demand.

CATERING

At our Corner Houses we have been well satisfied with the speciality restaurants which we have been opening in recent years and at Coventry Street we have opened a further one, "The Chicken Fayre." The widening of the Strand necessitated alterations to the Strand Corner House which we opened in 1915. Fortunately, before the building was then started, the widening was foreseen and the building was so constructed that the upper floors conformed to the new building line. We built the ground floor, however, to the old building line so that we should not be trading in a recess. We have enjoyed the occupation of that projection for many more years than was expected and we have now been able to set back without substantial work being necessary to the upper floors. Whilst the alterations were in progress we took the opportunity of installing a "Wimpy" similar to those at the other Corner Houses. There has also been further development of Wimpy in various areas of the country by way of licensing other caterers to serve this product.

OVERSEAS

Although our overseas business does not approach the scale of that at home, our activities overseas show some increase. We have tea blending and packing factories in Canada, South Africa, Rhodesia and Eire. One of our subsidiary companies centred in Jersey sells tea to some sixty different countries of the world. Much of it is packed in Jersey and exported from there, but it has been necessary to set up some local packing factories in countries which have imposed prohibitive duties on imports of packaged tea.

Coffee is another important item in our overseas business. We roast, grind and pack it, with "aroma" seal, in Canada and South Africa and have arrangements for it to be roasted, ground and packed under licence in Germany. Elsewhere it is distributed either through our own Export Department here or through our subsidiary companies. Confectionery and other foodstuffs are also exported.

In 1924 we acquired the Lujeri tea estate in Nyasaland where we now have 1,250 acres in production. It has been an interesting and successful venture and has proved that tea of a good medium quality can be grown in that country. The whole production is sold at the Auctions in London and realises prices above the average for Nyasaland teas. We have recently built a second factory on the estate. Philatelists may be interested to know that this is the Tea Estate which was illustrated on some of the Nyasaland postage stamps for many years.

Once again we wish to convey to the Company's 31,000 employees, in all sections of the business, our thanks for what they have done and are doing to maintain the continued progress of the Company; without their sustained efforts and loyalty such progress would be impossible. But that, of course, is not to imply that they alone achieve it; we have over 35,000 stockholders, who have provided the means with which the Company can purchase, build and equip. And there are our customers, numbering millions, whose continued support is also vital. The unity of interest of the three groups, employees, stockholders and customers is evident. In referring to customers, we of course include the many thousands who purchase from us to sell again. We greatly value their trading activities and seek to maintain for them a service which will enable them also to progress and to prosper.

CRÉDIT LYONNAIS

At its session on June 4, 1958, the Banks Control Commission approved the accounts for the year 1957 and the Board of Directors' proposals for the distribution of profits. The dividend on the shares (parts bénéficiaires) is Frs 175 gross, being the same as that paid for 1956; it comprises the minimum guaranteed interest of Frs 69.63 and additional interest of Frs 105.37. This dividend will be paid as from July 4th at Frs 156 net.

The Board's report says that in 1957 the trend of the world economy was at first towards expansion, but was marked by a recession in the later months.

In France, however, the various industries maintained a high level of activity, although it is true that this was threatened by the budget deficit.

The report next draws attention to the crisis in foreign payments. It expresses the view that the countering of inflation and the search for equilibrium must be done methodically and with care, with the object, in particular, of not hindering productive investment.

After dealing at length with the state of the money, capital and security markets in 1957 the report concludes with an account of the Bank's business during 1957 in metropolitan France, in the overseas territories and in the many foreign countries where the Bank operates either directly or through numerous associated banks and institutions.

As to London in particular, the report says that "the steady increase in our resources, the maintenance of high rates of interest and the growth of documentary business have enabled our London Office to look back on a satisfactory year, even though its costs rose, and fresh official measures of credit restriction were adopted during the last quarter."

The Crédit Lyonnais' net profit is Frs 673,179,641, of which Frs 300 million go to the State and roughly Frs 287 million to the shareholders.

AB GÖTAVERKEN

(Shipbuilders and Engineers)

GOTHENBURG, SWEDEN

The fifty-second Annual Meeting of AB GÖTAVERKEN was held in Gothenburg on May 16th, Mr A. Gabrielsson, Chairman, presiding. The following is an extract from the report circulated with the accounts:

Throughout 1957 and particularly during the latter half of the year the demand for new tonnage was slight. Only three new ship building contracts were signed, two with Swedish owners and one with a Norwegian. Orders at the end of the year amounted to 1,176,015 dwt, plus naval orders with a total displacement of 7,000 tons. In addition there were orders for ship repairs, diesel engines, turbo-compressors and high-pressure steam boilers.

PRODUCTION

During 1957 twelve merchant vessels with a combined tonnage of 234,200 dwt were delivered, viz:

Four motor tankers of 30,020, 19,260, 19,250 and 17,250 dwt, respectively.

Four motor cargo vessels of 13,480, 13,480, 13,380 and 12,140 dwt, respectively.

Two turbine tankers of 34,000 and 33,850 dwt.

Two bulk carrying motor freighters of 14,070 and 14,020 tons.

In addition, eleven merchant vessels of altogether 223,070 dwt were launched during the year.

DIESEL ENGINES

The main machinery and auxiliaries delivered from the engine workshop in 1957 had a combined rating of 203,630 hp. The total value of diesel engines of Götaverken design delivered during the year to other shipyards amounted to Kr 56,750,508.

OUTLOOK

The demand for large tankers has declined to the vanishing point, but the European ship building industry is nevertheless confronted with the problem of taking the steps needed for the construction of vessels of this size previously ordered.

Götaverken is equipped to build the large tankers of up to 40,000 dwt already booked, but in order to be able to build such ships more efficiently in the future heavy new investments will be necessary.

At the beginning of 1957 steel prices were well maintained, but they weakened as the year progressed and were in decline at the end of the year when steel production exceeded the demand. The supply of skilled labour remained short and the company maintained its training programme at the same scale as in previous years.

Wage earning employees averaged 5,349 (as against 5,073 in 1956) and salaried staff 1,324 (1,234). Wages, salaries and directors' fees amounted to altogether Kr 102,565,080, as against 90,239,295 in 1956.

RESULTS

The company's net profits for 1957 amount to Kr 8,826,300, which added to Kr 3,551,529 carried over from the previous year makes a total of Kr 12,377,829 available for distribution.

	Kr
Liabilities adjustment fund	1,000,000
Benefit funds	100,000
Dividend of Kr 8:—per share	3,520,000
Balance carried forward ...	7,757,829
Total Kr	12,377,829

GROUP ACTIVITIES

The following are wholly owned subsidiaries of the company:
Öresundsvarvet AB,
AB Göteborgs Skeppsdockor,
Rederi AB Zenit,
Götaverkens Fönster AB
in addition to three wholly owned housing associations.

From Öresundsvarvet were delivered two motor tankers, each one of 19,100 dwt and four motor cargo ships of 12,700, 9,300, 6,600, and 4,000 dwt, respectively, or all told six vessels of altogether 70,800 dwt. Six additional merchant vessels representing a total of 66,100 dwt were launched during the year.

Group profits totalled Kr 9,972,010, of which it is recommended that Kr 1,181,150 shall be set aside for reserves and contingencies.

The report and accounts were adopted.

THE CENTRAL PROVINCES MANGANESE ORE

RESULTS AGAIN SHOW IMPROVEMENT

MINES IN SATISFACTORY CONDITION

MAJOR A. C. HERRING ON CURRENT AND FUTURE OUTLOOK

The fiftieth annual general meeting of The Central Provinces Manganese Ore Company Limited, was held on June 13th at Winchester House, Old Broad Street, London, E.C.2, Major A. C. Herring, VC, ACA (the Chairman), presiding.

Mr T. D. de Deney, FCIS (the Secretary), read the notice convening the meeting and the report of the auditors.

The Chairman said: Ladies and Gentlemen,

The Report and Accounts for the year ended December 31, 1957, have been in your hands for some time and, with your permission, I will take them as read. (Agreed.)

TRIBUTE TO MR H. R. HOLMES

Shareholders will have seen from the Report that Mr Holmes has retired from the position of Chairman and that I have taken over that responsibility. This took place in August last at his request, but I feel I should be lacking in my duty if I did not give you some idea of the outstanding work which he has done for this Company. Mr Holmes joined the Company in 1905 and after 17 years in India where he was for some time the Company's Agent and General Manager, he came to the Head Office in London as Managing Director and later became Chairman. He has served the Company in all for some 53 years and held the position of Chairman for 13 years. I have been a Director now for some 20 years and during that period it has been my pleasure to meet him at the office most days of the week. I therefore know him very well and I wish to say that in my opinion no Company has ever had a more devoted servant, and that it is largely due to his untiring efforts that the Company has had such a successful history and is held in such high regard. Although he has retired as Chairman it is a source of great satisfaction that he remains on the Board and is still at the office most days of the week. We therefore still have the benefit of his knowledge and advice, and I only hope that we have relieved him to some extent from his former heavy responsibilities.

A SATISFACTORY YEAR

From an examination of the Accounts you will have gathered that the year 1957 was a satisfactory one. The balance on trading for the year is £3,046,635 as compared with £1,695,935 for 1956, and on this occasion the Trading Profit is arrived at after transferring £200,000 to Ore Stock Reserve. The total value of our stock at December 31, 1957, showed an increase of some £400,000 to the figure of £2,120,820. I may say that the tonnage in hand was very similar to that held at December 31, 1956, the increase in book value being due to two factors—firstly a somewhat higher cost of production, and secondly a larger proportion of our stock being at port at the end of 1957 had therefore to bear the cost of transport from the Mines. In view of this increase in book value we have thought it prudent to increase our Ore Stock Reserve by £200,000 to a total of £700,000.

The only other item which calls for comment in the Profit and Loss Account is the small charge of Indian Estate Duty £3,401. By 1956 there was an accumulation of £42,091 for Indian Estate Duty which was not charged against Profits, but was deducted from our Contingencies Reserve, which to some extent had been provided for this purpose. Under the provisions of the Estate Duty (Amendment) Bill 1958 it would appear that in the course of two or three years there should be no further liability accruing to the Company in respect of Indian Estate Duty.

BALANCE SHEET FEATURES

Turning to the Balance Sheet, you will notice that we no longer hold any Shares in the United Kingdom Ferro Manganese Company Limited. In his speech in June last the Chairman mentioned that in the early months of the year we had disposed of these Shares and gave the reasons for doing so.

We have been advised that it would be in the best interests of all concerned if the Staff Benefit Fund was transferred to a Staff Benefit Trust with independent Trustees. This has been done.

Our cash and gilt-edged investments together total £2,190,521 being an increase on the year of £1,170,320. This no doubt sounds very satisfactory, but it should not be overlooked that our Reserve for Future Taxation amounts to £1,334,000 an increase of £720,000 over the previous year. The net profit for the year after providing for taxation £1,925,000, depreciation, etc., comes out at £1,010,345, compared with £451,756 for 1956. The Directors propose that of this amount £100,000 be transferred to General Reserve and that £250,000 be transferred to Mines Development. During recent years a great deal of money has been spent on the equipment and the development of the Mines and this course we intend to pursue so that we may be able to meet any likely demands for Ore which may be made upon us. This expenditure we plan to finance out of our accumulated resources.

An Interim Dividend has already been paid of 1s. 2d. per unit, free of tax, and it is now proposed that there should be a Final Dividend of 1s. 8d. per unit and a Bonus of 1s. 4d. per unit, both free of income tax. This will absorb £625,000, leaving £313,537 to be carried forward as compared with £281,197 brought in.

I have no doubt that many of you are wondering whether we shall benefit materially from the change which has been made as regards Profits Tax. I regret to say that the benefit which we may derive will be insignificant owing to the fact that Indian Taxation is very high and practically all our taxes accrue to India.

BASELESS RUMOURS

During the latter months of 1957 and early in this year there were many rumours prevalent in India as regards take-over bids for the Shares of the Company and as these rumours might have created an air of uncertainty and so damaged our relations with our customers and indeed with the Indian Government, we inserted a notice both in the English and Indian Press stating that no negotiations were taking place in this connection and that any suggestion that the Board was seeking a change of ownership of the Company was entirely without foundation. We hope that anybody who may have heard these rumours will now appreciate that they are baseless.

Mr Hardy, one of our Joint Managing Directors, visited India in January when he had important discussions with officials of the State Trading Corporation and other Central Government officials. I am glad to say that our relations with the different Authorities in India continue on a satisfactory basis.

Mr Hardy also visited the Mines in India and submitted full and informative reports to the Board. I am pleased to say he found the mines in satisfactory condition.

DIAMOND DRILLING PROGRAMME

Our Diamond Drilling programme has continued and drilling has taken place at Kandri, Ukwa and Sitasaongi Mines. This work has indicated considerable tonnages of good quality ore at Kandri and Ukwa Mines.

We have recently been connected to the Government Electricity grid supply at our Balaghat Mine and we hope to hear shortly that a full supply has been made available at our Tirodi Mines. There has been considerable delay in the supply of power as we mentioned last year, but in the meantime we have been able to complete most of our construction work at these two mines. Shaft sinking was suspended at Balaghat Mine whilst the permanent headgear was erected, and the two electric hoists are now available for work in Holmes Shaft, where sinking has been resumed.

We hope that the financial stringency in India will not prevent us from maintaining our equipment in good condition, and in extending it wherever mechanised operations can be used successfully. We have drawn the attention of Government to the necessity of granting Import Licences expeditiously for essential equipment for our mines.

The increase in profits for 1957 was due entirely to the improved railing facilities which prevailed, and which we very much appreciated.

PROSPECTS

As regards the prospects for the current year the position is that at the end of December, 1957, the amount of ore at ports was quite satisfactory and railings this year up to the moment have continued to be good. Consequently it would be right to say we have made a good start, but on the other hand we cannot overlook the fact that the Steel Industry of the United States is passing through a difficult period. How long this will last and how far it may spread, we cannot tell, but there are definite signs that the demand for our ore during the coming months of this year will not be as heavy as usual. Should the position deteriorate no further I trust that the results for 1958 will

not be found unsatisfactory. Looking further ahead, 1959 must depend upon the activity of the Steel Industry generally and competition which may arise from new sources of supply. However, our mines are in good shape, our ore has an excellent reputation, we have a very good and long standing connection with the principal buyers in the United Kingdom and the United States of America and our relations with the State Trading Corporation of India—with whom we are working in close co-operation—are very good: consequently I feel that we can look to the future without undue apprehension.

TRIBUTES

I am sure you will wish me to express our thanks to all our staff at home and in India, also our shipping agents in India, Messrs. James Finlay & Company Limited, for their loyal and continued efforts on behalf of the Company.

In particular, in a business such as ours, success depends to a large extent on the ability and integrity of all our engineers actually on the spot at the Mines. We are fortunate in the men whom we have and who have carried out their duties very efficiently. I am also glad to report that our relations with our Trade Union and with our labour generally remained satisfactory throughout the year. For them we have provided a scheme of retirement gratuities in addition to our other Welfare activities.

I personally would like to thank my colleagues on the Board for their never failing co-operation.

I now beg to move: "That the Report of the Directors and Statement of Accounts as at December 31, 1957, be and are hereby approved and adopted and that the profits be appropriated as recommended by the Directors." I will ask Mr Holmes to second the Motion and before putting it to the Meeting I will endeavour to deal with any questions which the Stockholders may wish to ask.

Mr H. R. Holmes seconded the resolution which was carried unanimously.

The Board's proposal of a final dividend of 1s. 8d. per unit, free of tax, and a bonus of 1s. 4d. per unit, free of tax, was also approved.

The retiring director Mr H. R. Holmes was re-elected and the remuneration of the auditors, Messrs W. A. Browne and Company, having been fixed, the proceedings terminated with a vote of thanks to the Chairman, Directors and Staff at home and abroad.

RHODESIAN CORPORATION LIMITED

MR F. R. PETERS' REVIEW

The thirty-second annual general meeting of Rhodesian Corporation Limited was held on June 18th at Chartered Insurance Institute, London, E.C.2. Mr F. R. Peters, Chairman, presided, and said:

The accounts for the year ended September 30, 1957, show that the balance on Profit and Loss Account is £132,252 against £71,106 for 1956. With the balance brought forward from 1956 the amount available is £169,496 and the Board took the opportunity to write down certain Quoted and Unquoted Investments, an amount of £34,025 being appropriated for that purpose.

A Dividend of 4d. per Unit (10 per cent), less Tax, has been paid for the year. Warrants were posted on April 9th.

The amount of unappropriated profit carried forward is £68,321.

FALCON MINES LIMITED

The anticipated increase in through-put at the Dalny Mine to 20,000 tons per month has now been reached, and should be maintained. Up to May 31st, current year's operations show an estimated total working profit from the three Mines of £85,387 which is equal to an annual rate of over £128,000. A Dividend of 4½d. per share (7½ per cent) has been paid on account of the current year.

RHODESIAN BRICK AND POTTERIES CO., LTD.

This company has paid a Dividend of 6d. per share (10 per cent) in respect of the year ended September 30, 1957, the same as for 1956. The net profit amounted to £61,582, after providing £27,000 for taxation. £25,000 was transferred to General Reserve (which now stands at £170,000), the amount carried forward being £17,952 against £16,170 brought in.

In his Review accompanying the Report and Accounts, the Chairman said that the order position was strong and building activity remains at a high level.

A programme to increase the output at the Salisbury Works has recently been completed, and a reserve production capacity has been secured.

Modifications and additions to the Bulawayo plant to improve flexibility of production and to provide an increase in capacity are in hand.

TOBACCO

So far, we have sold 84,700 lb of the current year's crop of tobacco at prices averaging 36d. per lb. As is usual the first sales are of poorer quality leaf. Sales are now being made at much higher prices. It is estimated that a total crop of 305,000 lb will be reaped from 313 acres planted, an average yield of 974 lb per acre.

WILLSGROVE ESTATE

Rapid progress is being made in the development of this Estate, and houses are being erected for sale.

YORK HOUSE

Good progress has been made with the erection of this important block of offices. The estimated date of completion is November 30, 1959, but the indications are that this will be improved upon. The ground floor accommodation which will be occupied by Rhodesian Corporation and its Associated Companies is expected to be completed during 1958. Encouraging enquiries for letting-space are being received.

GENERAL

You will be aware of the financial stringency which has developed in Southern Rhodesia. So far as the Corporation is concerned I am pleased to tell you that the position is such that we shall not be affected by this present state of affairs as we are quite able to carry through our various development programmes from our own resources.

I take this opportunity to express our appreciation of the work done by our colleagues and the staffs in Rhodesia and South Africa.

The report and accounts were adopted.

THRELFALL'S BREWERY COMPANY

A GRATIFYING ACHIEVEMENT

The seventy-first annual general meeting of Threlfall's Brewery Company, Limited, was held on June 12th in London.

Mr F. Cornwall (Chairman and Managing Director) presided and, in the course of his speech, said: During the year under review the financial state and over-all strength of the Company has not only been maintained, but has been considerably improved.

The profit from trading and other income of £1,075,220 is the highest ever achieved, which enables your Board to recommend an increase in the dividend of 1 per cent. This figure has been arrived at after all charges have been met in working the business, which, of course, are heavy and continue to increase. Out of this profit, however, £536,221, approximately 50 per cent, has been reserved for Income and Profits Tax.

Purchase Tax on Hotel requisites is another oppressive feature; bed linen, crockery, carpets, curtains, cutlery and many other items have to be frequently renewed, with the result that either guests have to pay more for their accommodation, or the Company's profits have to bear this exorbitant taxation. I do feel most keenly that some Tax concession should be made on these items at least to owners of residential Hotels who are providing amenities both for our own and overseas visitors.

Undoubtedly, if I may say so, a great deal of the success and standing of your Company is due to the prudent policy which has been adopted for many years in the conservation of part of the profits made and ploughing them back into its properties. In this connection, I would point out that since 1943, i.e., within the last 10 years, more than £2½ million have been spent on properties, plant, furnishing, etc. Your Directors are firmly of opinion that this policy has been a wise one, and the results of trading produced today show ample justification for it.

NEW HOTELS

Since our last Meeting, 8 new Hotels have been opened, including one to which I specially desire to refer—the Strand Hotel at the Pier Head, Liverpool. This venture was the most ambitious project ever undertaken in regard to our licensed properties. I think I am justified in saying whilst at the moment it is not residential, it is one of the finest licensed properties which has been erected of recent years, not only in the City, but in the whole country.

During the current year we expect to commence the erection of three further new Hotels, and also re-build two existing establishments. Whilst these new projects are in progress, considerable reconstruction of some of our other properties will be carried out.

As I have already mentioned, the profit from trading and investment income is £1,075,220, an increase on last year of £72,282. The net profit is £388,148, to which should be added the balance brought forward from last year of £171,525, giving a total of £559,673. After various adjustments, the profit is £439,673, out of which Interim Dividends have been paid amounting to £114,358. The Directors now recommend the payment of final Dividends totalling £149,937, which, with the Interim Dividends already paid, makes £264,295 for the year, leaving a carry forward to next year of £175,378.

The report and accounts were adopted.

CHAIRMAN'S STATEMENT: ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
(Incorporated in the Union of South Africa)

ANGLO AMERICAN CORPORATION'S STRENGTH BASED ON COMBINATION OF GOLD, COPPER AND DIAMOND INVESTMENTS

IMPORTANCE OF GOLD FOR STABILITY

TRIBUTE TO SIR ERNEST OPPENHEIMER'S ACHIEVEMENTS DURING HIS FORTY YEARS AS CHAIRMAN

The following are extracts from the statement by the Chairman, Mr H. F. Oppenheimer, which has been circulated to members:

MY father founded our Corporation in 1917 and was chairman until his death on November 25th last year. During these 40 years he built up the company from small beginnings and through many vicissitudes to a position of great size, strength and stability. And yet, at the beginning the prospects of the new company seemed very limited. The leading South African mining houses, as they still exist today, had, with one exception, been founded many years earlier and it appeared that the opening up of the Witwatersrand goldfield was almost complete. But my father was convinced in 1917 that South Africa was a land of unbounded opportunity, and that conviction was undimmed on the day of his death.

To me it has always seemed that my father's greatest achievement was in bringing us safely through the economic storms of the 1930s, when our preference dividends were at one time nearly four years in arrear. Yet at that time we already held the majority of the copper and diamond assets to which so much of our subsequent prosperity has been due.

One lesson of those years was the paramount importance of a sound cash position, and as a necessary corollary, a conservative dividend policy. The other great lesson we learnt from the depression was the importance for the stability of the Corporation of large gold shareholdings. Our holdings in producing gold mines at that time were relatively small. During the 1930s, however, we took a prominent part in the expansion of the Far East Rand and participated with New Consolidated Gold Fields Limited in the development of the West Wits line. Most important of all for our future, however, was the development of the Western Reefs Mine near Klerksdorp. This was a vital step towards the discovery of the new Orange Free State goldfield, in the eventual development of which our Corporation came to play a leading part.

OFS GOLDFIELD

The opening up of the Orange Free State goldfield has been one of the greatest developments in the history of mining, and in all its aspects my father took a close personal interest, not least in the provision of housing, hospital and other amenities of the highest standard for both European and African employees.

The steadily increasing profits now earned by our mines in this field have amply justified my father's faith. These profits rose from £7,143,839 in 1955 to £11,525,230 in 1956, and to £16,749,783 last year. We have become, as a Group, the largest producers of gold in the world, and the annual gold profits of the mines under our control exceed £24 million, with a further £7 million from uranium.

Our large investments in gold are of particular importance at periods such as the present when the world economy, after years of boom, appears to be entering more difficult times. When there is a seller's market and costs are continually rising, the fixed price for gold can seem a grave disadvantage. But when commodity prices are falling, one appreciates the advantages of a product with a fixed price and unlimited market. The combination of gold on the one hand and copper and diamonds on the other, reacting, as they must, in opposite ways to the general condition of the economy, gives our Corporation an exceptional degree of stability.

During the year 1957, which is now under review, my father gave further proof of his faith in the South African gold mining industry by making a start with the opening up of Western Deep Levels.

The economic recession that has occurred in the United States has inevitably affected adversely our diamond and copper investments. Although sales of diamonds by the Central Selling Organisation in 1957 reached the record total of £76,772,112, there was a distinct decline in demand both for gem and for industrials towards the end of the year. This decline was met by smaller offerings of diamonds to the market, thereby maintaining stable prices.

The strong co-operative organisation of the diamond trade and the financial strength of De Beers have maintained stability and confidence in this industry in the face of the American recession. Unfortunately, no such organisation exists to protect the copper industry. After many years of prosperity, a comparatively small excess of production over demand caused the price of the metal to fall from the exceptionally high levels of 1956 to £180 per ton by December, 1957, and to £160 per ton in March of this year. This is a level at which, in the long run, the world's requirements of copper cannot be profitably produced. In an endeavour to meet the situation, most of the leading producers throughout the world decided to reduce production.

In common with other African producers we decided to cut the group's production by 19 per cent, or a total of 27,000 tons. It seemed to us that our objective must be to cut expensive production, not to cut all mines pro rata to their production. We therefore arranged to cease production at Bancroft for one year, but to increase production slightly at Nchanga and Rhokana, thus achieving an overall curtailment of 27,000 tons.

During this period development will be concentrated at the No. 1 Shaft area of Bancroft, and we anticipate that the mine will be able to resume production at costs comparable with those of other mines on the Copperbelt. In due course Bancroft will take its place as one of the great copper mines of the world. Meanwhile, at Rhokana and Nchanga everything possible is being done to reduce costs to a minimum. The spur of necessity has helped to speed these measures of economy, which should permanently strengthen the competitive position of the Northern Rhodesian producers.

AFRICAN AND EUROPEAN

Additional stability and strength have been given the Corporation as a result of our offer made to ordinary stockholders in African and European Investment Company Limited last December to purchase their stock. The offer was widely accepted and African and European, which for some years had been closely associated with us, is now owned as to 87 per cent by our Corporation. Apart from increasing our total assets and our investment in first-class gold mines, the acceptance of the offer has resulted in a large increase in our stake in the South African coal industry.

At the same time as our offer to African and European ordinary stockholders, the Corporation over the year-end raised £6 million by an issue of convertible notes, which has put us into a sound position to follow our policy of expansion when opportunities arise. This policy includes the acquisition and development of interests outside our primary sphere of mining.

Up to the day of his death my father continued to direct the affairs of the Corporation with the same ability, energy and optimism which characterised his entire career. Only last year he said in a message on his 77th birthday: "I am confident that the next fifty years will see progress in South Africa just as spectacular as I have seen in the fifty or more years that I have been a South African."

I share my father's confidence, and I believe that Anglo American Corporation will take its rightful place in the progress he foresaw. In doing so, our policy will remain, as my father stated it in 1954, "to earn profits, but to earn them in such a way as to make a real and permanent contribution to the well-being of the people and to the development of Southern Africa."

THE WIGGINS TEAPE GROUP

(Wiggins, Teape & Co. Limited)

ANNUAL REPORT AND ACCOUNTS OF THE WIGGINS TEAPE GROUP FOR 1957

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SALIENT POINTS

Net Profit (including adjustments in respect of previous years £155,884) after taxation and Minority Interests	£2,127,670
Debenture Interest	215,352
Preference Dividend	89,006
Ordinary Dividend	830,194
Net Profit retained in Group	993,118
	£2,127,670
Net Current Assets	11,943,705
Fixed Assets	18,938,767
Trade Investments	809,510
Total Capital Employed (including Debentures and Loans)	£31,691,982

EXTRACTS FROM STATEMENT BY MR. L. W. FARROW, C.B.E., CHAIRMAN

STATE OF TRADE AND SALES : In view of the highly competitive trading conditions arising out of the additional manufacturing capacity of the paper industry, it is with a sense of pride that I inform you that with the exception of one small mill, our mills have not only run full time throughout the year 1957, but many have worked a fair measure of overtime. In fact, the orders for some grades of paper have been beyond our capacity to fulfil and we have had to supplement our own production by ordering paper from mills outside the Group.

Sales in several of the overseas markets were again adversely affected by the imposition of import quotas but owing to the opening up of new markets and intensified sales efforts in those markets available to us, we have been able to increase our overseas sales.

Last year I had to report a drop of nearly 6 per cent. In the volume of the sales of paper manufactured by the Group, compared with the sales for 1955. I am glad to state that the sales of these papers for 1957 not only enabled us to overtake the recession of 1956 but to exceed the sales of 1955 and thus constitute an all-time record in the history of the Group.

PRODUCTION : I had to report last year that the volume of production of paper at our Group's paper mills during 1956 showed a decline on the 1955 record production. I am pleased to say that the volume of production for 1957 exceeded that of 1955 and thus constituted a new record.

SELLING PRICES AND COSTS OF PRODUCTION : I am not so happy when referring to selling prices and costs of production. The average cost of production and distribution for 1957 showed an increase of £11 19s. 5d. per ton on that of 1955. The average increase of the selling prices was not sufficient to cover these increased costs. I have taken the year 1955 as it was the last year when prices were raised sufficiently to compensate adequately for increased costs.

NEW DEVELOPMENTS : The new paper machine which has been erected at our Dartford Mill began making paper in April of this year and we are very pleased with its initial performance.

The woodpulp mill which has been erected at Sudbrook, South Wales, also commenced production in April and our mills are now taking the woodpulp manufactured there. The quality of the pulp is fully up to our expectations.

The fourth machine, at our Bridgend Mill, to which I referred last year, started up successfully in January of this year and is producing to its designed capacity.

The new coating plant which has been ordered for the Treforest Coating Factory for the production of N.C.R. paper should be in operation early in the Autumn of this year.

PROSPECTS FOR THE CURRENT YEAR : I am pleased to tell you that sales for the first three months of the current year show an increase over those for the year 1957. The profits for the same period also show an increase. Trading conditions, however, are very difficult for the reasons I have already indicated. The production of woodpulp at Sudbrook does not present any sales problem as the output will be absorbed by our own mills, but with the starting up of the new machine at Dartford we are faced with having to sell a larger volume of paper. Altogether, unless conditions deteriorate further, your Directors are hopeful that the results for 1958 should not be unsatisfactory.

BOOTS PURE DRUG COMPANY LIMITED

ANOTHER RECORD YEAR DESPITE DIFFICULTIES

FURTHER FALL IN EXPENSE RATIO

MR J. P. SAVAGE ON PURCHASE TAX AND THE RETAILER

The seventieth Annual General Meeting of Boots Pure Drug Company Limited will be held on July 16, 1958. The following, in abridged form, is a statement by the chairman, Mr J. P. Savage, which has been circulated with the report and accounts for the year ending March 31, 1958.

SALES AND PROFITS

Our sales have exceeded £78½ million, an increase of nearly 9 per cent on the previous year. The profits for the year amount to £5,178,510 compared with £4,553,998, an increase of nearly 14 per cent.

In arriving at this year's profit we have charged depreciation on our freehold and leasehold properties amounting to £576,865. The corresponding figure for the previous year is £312,379. The big increase in the charge this year is a reflection of the revaluation of our properties. But for this our profits would have shown a correspondingly greater increase.

In the past we charged depreciation on our leasehold properties in arriving at the amount of our published profits but in the case of freehold properties no charge was made for depreciation but a sum was appropriated out of profits to Freehold Property Reserve. We have decided in this year's accounts and for the future to charge depreciation on freehold as well as leasehold properties in arriving at our profits. We have made this change in the method of computing our profits as it gives our shareholders a more accurate picture of the true profits which have been made. For purposes of comparison we have adjusted last year's figures by treating the amount then appropriated to Freehold Property Reserve as a charge against profits.

The provision for tax has increased from £2,643,671 to £3,013,667. The net profit of the Group attributable to the Parent Company amounts to £2,095,176 compared with £1,990,828.

DIVIDENDS AND RESERVES

We propose paying a final dividend of 12 per cent, making a total of 18 per cent for the year compared with 16 per cent last year. Of the £2,095,176 profit attributable to the Parent Company, dividends (on preference and ordinary shares) absorb £1,115,471, goodwill written off accounts for £11,850, leaving a balance of £967,855 profits retained in the business.

The whole of this sum has been transferred to Revenue Reserve. The dividends paid in the previous year amounted to £997,711, goodwill written off to £16,500 and profits retained to £1,045,181. At first sight it would appear that more profit has been distributed and less put to reserve this year than last. This is not so. The profits put to reserve this year are calculated after deducting £264,000 additional depreciation on freehold and leasehold properties ; on the other hand last year's figure included the payments of £135,869 under the National Health Service which related to previous years. On a strictly comparative basis the funds retained in the business are substantially greater this year than last.

SCRIP ISSUE

The Revenue Reserve of the Parent Company now amounts to £5,944,526 and for the Group as a whole to £9,887,084. These represent profits belonging to the shareholders which have been ploughed back into the business. The Board have now received the permission of the Capital Issues Committee to capitalise £2,560,000 standing to the credit of the Revenue Reserve and to make a scrip issue of one new share for every four existing shares.

PROSPERITY BONUS

Our appreciation of the efforts of the staff is expressed by the payment of a prosperity bonus which in the year under review amounted to £415,000. This is considerably higher than last year because long-service employees who have served the Company for 20 years or more have been paid at higher rates than for previous years. It is now proposed to put this bonus on a permanent basis and a scheme is being devised to link this bonus specifically to the profits of the Company. We are doing this in order that the staff may feel they have a live interest in the future prosperity of the business.

EXPENSES AND TAXATION

Despite many increases in expenses over which we have no control, our expense ratio has shown a further fall in the past year. What is particularly gratifying is that although wage and salary rates have increased considerably, expressed as a percentage of turnover they have gone down. Our expense percentage shows a reduction of 0.4 per cent and while this may seem a small figure, on a turnover of £78 million it represents £300,000 in terms of profit. The increase in our profit this year has been due not to putting up prices but to a healthy increase in sales and a determined effort by everyone to keep our operating expenses down.

The changes proposed by the Chancellor in the structure of the Profits Tax are welcome as they remove an unnecessary and possibly damaging curb on the discretion of Boards of Directors in deciding what dividends to pay and what sums to place to reserve. Nevertheless the general burden of taxation on the profits of industry remains at an excessive level. On profits of just over £5 million we are having to provide £3 million in taxation or nearly 60 per cent. One reason for this is that while we have charged depreciation on our freehold and leasehold properties in arriving at our profits the allowance which may be claimed for taxation purposes is limited to industrial buildings despite the recommendations of both the Tucker Committee and of the Royal Commission on the Taxation of Profits and Income that the allowances should be extended to commercial buildings as well. The general level of taxation in this country is too high already without it being inflated further by a refusal to recognise proper deductions in computing profits.

CAPITAL EXPENDITURE

Our capital expenditure for the year under review has amounted to a little under £2,400,000, approximately the same figure as in the previous year. The modernisation programme to which I referred in my speech last year will inevitably lead to some increase in the level of capital expenditure, particularly on the retail side of the business.

REVALUATION OF PROPERTIES

During the year our freehold and long leasehold properties in Great Britain were independently revalued. After making various adjustments which are set out in the Notes to the Accounts, the surplus revealed on the revaluation was £13,425,018. As a result of the revaluation the total assets of the Group now amount to more than £51 million.

PURCHASE TAX

Within 48 hours of the Budget announcement, all our retail prices reflected the full concessions in Purchase Tax made by the Chancellor of the Exchequer. This is the answer to the critics who say that retailers failed to realise their responsibility to the shopping public. Our Company paid to the Government in Purchase Tax a sum exceeding £350,000 which can never be recovered and will have to be borne in this current year's trading.

We are all in favour of continued reductions in Purchase Tax, but it seems quite wrong to expect the retailer to finance these operations.

RETAIL PROGRESS AND DEVELOPMENT

The year was chiefly remarkable for the steady progress we were able to maintain in the face of somewhat abnormal conditions. The influenza epidemic in September hit our own people as well as the rest of the community. The depleted staff in our shops, warehouses and factories, coped magnificently with the increased demands made upon them, and many customers were good enough to express their appreciation of these efforts.

The bad weather continued right into the Christmas shopping period and upset the pattern of trading quite considerably. In spite of this we enjoyed good business in all our Gift Departments and finally achieved another record Christmas. Since then, trading conditions have not been easy, but it is in just such circumstances that our customers appreciate the quality and value they can get at Boots. By emphasising this in our Press and Television advertising and thanks to the wholehearted co-operation of our selling staff, we were able to maintain

our increase of over 9 per cent right to the end of the financial year.

During the year we have opened twelve branches in new locations, closed twenty unprofitable shops and completed forty-three major alterations, extensions, or transfers to bigger premises. We are extending our experience in self-selection and visual selling, moving gradually but definitely towards a new pattern of shopkeeping in line with today's needs and conditions. We are studying what is now known as Retail Productivity in all its aspects with the aim of running our shops more efficiently and economically and of providing a quicker and better service for our customers—always remembering that we are Chemists first and endeavouring at all times to provide the highest possible standard of pharmaceutical service.

COMPANY MEETING REPORTS

INTERNATIONAL AND WHOLESALE

I am very pleased to report another year's substantial progress in the International Division.

Despite import *restrictions* in various countries, our exports to our agents and to our Subsidiary Companies have *increased* by over 18 per cent. Following a large increase in the previous year, we believe this to be a creditable performance. Our general wholesale business has continued to grow.

An important part of *our wholesale* turnover consists of special contracts for the Government and Companies *who have no* manufacturing facilities of their own. As Government policies change and as Companies decide to erect their own plants in this country, our turnover fluctuates and we have to find new markets. I am glad to say *that* the considerable increase in sales of our fine chemicals and medical specialities have *largely offset* any reduction in turnover we may have suffered as a result of change of policy of the Government or of other Companies.

PROSPECTS

It is too early in the new financial year to make any forecast of profits, particularly *in view of the unsettled conditions* we have already experienced both at home and abroad.

I have told shareholders of the loss we have to meet on Purchase Tax and there are *many* other difficulties we must face, but I am satisfied they will be met with resolution and *determination*.

EVER READY

THE EVER READY COMPANY (GREAT BRITAIN) LIMITED

(Manufacturers of Dry Batteries)

ANOTHER RECORD YEAR

REDUCED SELLING PRICES

STATEMENT BY THE CHAIRMAN MR E. N. ROWBOTHAM

The Annual General Meeting of The Ever Ready Company (Great Britain) Limited will be held on July 9th at the head office, Hercules Place, Holloway, London, N.7.

The following is the statement of the Chairman, Mr E. N. Rowbotham, which has been circulated with the Report and Accounts for the period from March 3, 1957, to March 1, 1958:

Before commenting on the Accounts, I must refer to Mr W. H. Lawrenson, who retired from the Board with effect from July 31, 1957, having reached retirement age during the year. Mr Lawrenson joined the Company in 1924 and has been a Director since 1943. In 1949 he became Chairman and Managing Director of Eveready South Africa Limited, Port Elizabeth, South Africa. Your Directors wish to place on record their appreciation of the services rendered to the Company by Mr Lawrenson during his term of employment with the Company and his service as a Director and they hope he will have good health and happiness in his retirement.

Mr W. S. Giles was co-opted to the Board in August 1957. Mr Giles joined the Company in 1937 and has for many years been engaged in factory administration.

RECORD PROFITS AND DIVIDENDS

I am glad to be able to report to you once again on another year of successful and satisfactory trading. Earnings have increased and constitute yet another record in the history of your Company.

The sales of your Company's products on the Home Market were maintained very steadily during the year and although certain of our export markets were adversely affected by political and economic considerations, particularly in the Middle East, nevertheless our figures were maintained with some difficulty. I am glad to be able to inform you that these setbacks were only temporary and our export sales are currently well above those for last year. It would, I think, be appropriate to tell you that over recent years the dry battery industry of this country has regularly increased its share of world exports.

As Stockholders are aware Resolutions increasing the Issued Ordinary Capital of the Company out of the Reserves, by the issue of one new stock unit for each unit held were passed at the Annual General Meeting held last year, and in consequence of this doubling of the Ordinary Capital the rate of final dividend had it been maintained on the same basis as last year would have amounted to 13¾ per cent. In view of the very good results achieved *this year the Directors* recommend that a final dividend of 15 per cent be paid, *making 20 per cent for the* year on the Ordinary Stock as increased by the Scrip Issue, which compares with a figure equivalent to 18¾ per cent paid last year.

I am pleased to tell *you that the change in* the Profits Tax which the Chancellor of the Exchequer has *made in the Budget* this year, although it does not affect the present final dividend, will give a considerable advantage to your Company in the future.

REDUCED SELLING PRICES

The improved earnings which I have reported to you have been due not only to the continued increased efficiency of our production methods, but also to reductions *in the* prices of some of our major raw materials. This latter was offset *in some measure by a* substantial increase in the price of manganese. In view, however, of the *overall* savings in cost and in accordance with the policy which your Directors have pursued for many years they decided to make reductions in the retail prices of most of our Radio and Transistor Power Pack batteries in the home market as from March 10th last. Your Directors are *confident that these* reductions will further stimulate sales and will therefore be of advantage to Stockholders as well as to the trade and consumers. We shall continue our endeavours to reduce costs of manufacture by efficient and economic production methods so as to be able to offer to our customers, both at home and abroad, a first-class product at a fair and attractive price.

PROGRESS OF SUBSIDIARIES AND TRADE INVESTMENTS

Our subsidiary companies, both at home and abroad, have all experienced satisfactory trading and profits have been increased.

Eveready South Africa Limited, in which we have a large investment, has pursued a policy of ploughing back a substantial part of its profits year by year for the purpose of enlarging its business and increasing its *efficiency* and has recently announced a Capitalisation Issue of one share for each *share held in order to* bring its Issued Capital more into line with the present-day values of its assets. In connection with this Issue the Chairman of Eveready South Africa *Limited* recently informed the shareholders that their sales for the first nine months of the current year show an increase of over 20 per cent compared with the same period of last year. We look forward to further improved results *from this Company.*

FINANCIAL POSITION STRONG

The Consolidated Balance Sheet shows that the Company's financial position has again been strengthened during the year. The *surplus* of Current Assets over Current Liabilities (including the Deferred Liability for future taxation) has increased by £302,077 from £2,951,085 to £3,253,162. The Stock-in-Trade is higher at £2,385,651 compared with £2,189,084. Trade Debtors have fallen from the high figure of last year of £1,569,374 to £1,443,045. Creditors also show a reduction from £1,439,039 to £1,353,669. Cash, *Treasury Bills* and Tax Reserve Certificates amount to £2,137,536 against £1,854,413. After providing for Taxation your Directors have allocated £553,555 to Reserves and the Carry Forward in the Consolidated Profit and Loss Account is £230,246 compared with £223,791.

Three hundred and fifty-five members of the organisation have now received their gold watches for over 25 years' continuous service with the Company and on behalf of the Stockholders and Directors I thank all employees of the Company who have contributed to the success of our Company during the past year.

CURRENT TRADING SATISFACTORY

Your Company has been at the forefront of all important developments in the dry battery field. In 1941 we were the first to develop and manufacture in this country the layer type of dry cell which has proved of such benefit to the users of dry battery radios and hearing-aid apparatus.

During the war, of necessity our production of the layer type dry battery was almost exclusively for the Government but after the war we successfully introduced this type of construction on to the domestic and export market available to us, *with the result* that today the layer type of construction has largely superseded the old type of round cell high tension battery.

Needless to say we have imitators, both in this country and abroad, but the quality of our product so far exceeds that of our *competitors* that we have established supremacy in the manufacture and sale of this type of battery.

In recent years I have referred from time to time to the use of transistors. The use of equipment employing semi-conductors is developing steadily and the Company recently introduced a completely transistorised radio set which has been extremely well received. This set, like a great deal of other equipment employing transistors, is powered by one of our range of "Power Pack" batteries especially developed for use with transistors.

There are many other interesting developments of a highly technical nature taking place today in the dry battery and allied fields, and you may rest assured that as and when commercial exploitation is possible, then this Company will be in the forefront.

I am glad to be able to tell you that the current year's trading has started well, sales to date being in excess of those for the corresponding period last year.

AMALGAMATED METAL CORPORATION

MR WALTER GARDNER'S REVIEW

The twenty-ninth Annual General Meeting of Amalgamated Metal Corporation Limited will be held on July 10th at *Princes House*, 93 Gresham Street, London, E.C.

The following is an extract from the Statement by the Chairman, Mr Walter Gardner, which has been circulated with the report and accounts for the year ended December 31, 1957:

The profit for 1957 before providing for taxation is £1,023,375 compared with £1,388,605 for 1956. Trading in metals and other commodities was well *maintained* but in many cases, particularly in the second half of the year, at lower prices, which had the effect of reducing commissions received.

The net charge for taxation is £590,472 and after also deducting *minority interests* the group profit after taxation is £430,109, compared with £584,398 for 1956. The proposed final dividend of 6 per cent on the ordinary shares brings the total up to 9 per cent, against 10 per cent for the previous year. The preference and ordinary dividends absorb in total a sum of £260,602.

The Chancellor's new proposals regarding profits tax are welcome, and should result in a decrease in the effective rate of this tax on the company's future profits.

OVERSEAS ACTIVITIES

Since my last Statement, the business of Wolverhampton Metal Company (Australia) has been disposed of, since, for a number of reasons, it was found to be impossible to operate it at a satisfactory profit.

During the year the considerable activities of the former branch of the British Metal Corporation (Australia) in Perth, Western Australia, have been transferred to a separate company called The British Metal Corporation (WA) Pty. Limited.

Henry Gardner & Company, in conjunction with its wholly-owned subsidiary companies (Sandilands Buttery & Company in Malaya and Drew Brown Limited in Canada) and allied companies, has been active in metals, rubber, cocoa and other produce as well as in general merchandise. Relations with its producer principals have remained cordial.

In Malaya some interesting arrangements have been made which include the fusion of the John Buttery Rubber Estates Agency business with that of Boustead & Company Limited, in the formation of a new company registered in Malaya under the name of Boustead-Buttery Estates Agency Limited. This has resulted in a powerful combination designed to provide an active and efficient service to the Malayan rubber-growing industry.

We are pleased that Sandilands Buttery & Company were presented by the Committee of Lloyd's with a silver plaque to mark the centenary of Lloyd's Agency at Penang.

In the course of the current year Henry Gardner & Company acquired a substantial interest in the well-known firm of Rayner & Stonington, Incorporated, New York, dealers in cocoa and other produce.

FALL IN METAL MARKETS

The fall in metal prices, which had started early in 1956 when, generally speaking, world supply overtook world consumption, continued throughout 1957. The main feature was the further slide in the markets in the second half of the year, due to the poorer *US business outlook*.

Cash copper had fallen from £436 a ton in March, 1956, to £267 at the start of 1957 and it dropped to £171 at the end of 1957. World mine output reached 3,400,000 tons in *1957 which, despite some* first steps taken to restrict production, was a little higher than in 1956. During 1958 several further announcements of cuts have been made; these should reduce total world output for this year below 3,200,000 tons and should suffice to eliminate the copper surplus.

The market seems poised to respond well if US business activity should pick up in coming months.

The lead and zinc markets broke sharply at the end of April, 1957. The barter purchases of the metals, against farm produce, largely stopped from that time. Buying for the permanent stockpile was kept going, but with its end in sight and now, by mid-1958, this too has been terminated.

The two markets are also restrained by uncertainty over the recent US import tariff, quota and production subsidy proposals. Spot lead fell from £116 15s. a ton at the beginning of 1957 to £69 5s. in December. Spot zinc fell from £101 7s. 6d. a ton at the start of 1957 to £61 2s. 6d. in December.

The tin market was weighed down in 1957 by *the combination* of a very low rate of buying in the US and by fairly heavy selling, for the first time, by the USSR. Prices were prevented from falling more than they did only by, first, large-scale purchases for the Buffer Stock at the cash price of £730 a ton and, secondly, by restriction of output *which was introduced on December 15, 1957.*

It would seem that it cannot be much longer before the effect of this drastic curtailment becomes more apparent in the market. The cash price of tin has been held at around £730 a ton since October, 1957.

RECORD RUBBER CONSUMPTION

The average price for spot rubber in London during 1957 was 26½d. as compared with 28⅞d. during 1956. The highest price reached was 32½d. during January and the lowest 22½d. during November.

World consumption of natural and synthetic rubber combined reached the record total of approximately 3,133,000 tons, showing an increase of about 100,000 tons as compared with 1956. Natural rubber accounted for 1,870,000 tons.

The price of natural rubber is at a fully competitive level with the price of synthetics.

The cocoa market was very active during 1957. The lowest price for Accra was £170 per ton early in March, and the highest price recorded during the year was £335 in mid-November.

PHILIP HILL INVESTMENT TRUST

The twenty-sixth ordinary general meeting of Philip Hill Investment Trust Limited was held on June 16th in London, Sir Brian Mountain, Bart. (the chairman), presiding.

The following is an extract from his circulated statement: I am pleased to report that the year under review has again been a satisfactory one for the Group.

Dividends and interest from investments (gross) have risen from £617,829 to £707,622. Taxation absorbs £262,727 (£208,678). The net profit of the Trust, without taking account of profits retained in the Subsidiary Companies, is £380,246 (£329,909).

The Board *recommend* a final dividend on the Ordinary Share capital of 11¼ per cent, less tax, making a total distribution for the year of 17 per cent less tax.

During the year, the opportunity arose for the Group to make a substantial minority investment in the well-known American investment banking house of Harriman Ripley & Company Incorporated. Your Board is confident that this will prove to be not only a very profitable investment but also a great source of strength to Philip Hill, Higginson & Company Limited.

The operating Subsidiary Companies' profits are, by the nature of their business, liable to fluctuation, and the results for the past year should be regarded as very favourable. The current year has, however, started well, and, subject to unforeseen circumstances, your Board expect that the results will be satisfactory.

The report was adopted.

APPOINTMENTS REQUIRED

CHEMIST, Ph.D., 32, with varied experience and unusually wide interests in and outside chemistry, seeks job where this combination coupled with hard work and a capacity for acquiring knowledge on a wide range of subjects are required.—Box 959.

GERMAN girl-student (age 19½) seeks post as baby-sitter/househelp with an English family for Aug.-Sept. or Sept.-Oct.—Write Box 955.

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for Examinations—University, Law, Accountancy, Costing Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also *many* practical (non-examination) courses *in business* subjects.—Write today for free prospectus, and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2),

METROPOLITAN COLLEGE, ST. ALBANS
or call at 30 Queen Victoria Street, London, E.C.4.

CHIEF ACCOUNTANT

THE DISTILLERS COMPANY LIMITED

The Company wishes to appoint a Chief Accountant to be responsible for all financial and cost accounting at the Barry, Glamorgan, factories of its Plastics Group, where a wide range of raw materials for the plastics industry are manufactured in bulk.

The Chief Accountant controls a staff of about fifty. Standard costing is in operation throughout the factories and punched card equipment is in use. In addition to the normal accounting duties, the Chief Accountant is also responsible for ancillary office services.

Candidates for this appointment, aged between 30 and 40, must be Chartered Accountants, and should also be members of the Institute of Cost and Works Accountants. They should have at least two years' professional experience as qualified accountants, and at least five years' broad experience in manufacturing industry; familiarity with standard and marginal costing is essential, and experience in devising procedures is desirable. Practical experience of the chemical or plastics industry would be an advantage, but is not essential.

Salary according to qualifications and experience; non-contributory pension scheme.

Write:
Staff Manager,
THE DISTILLERS COMPANY LIMITED,
21 St. James's Square,
London, S.W.1.

Quote Ref. 47/58 EC.

DEPUTY HEAD of small information department required. Economics or science degree desirable, experience of handling special subject enquiries essential. Languages useful.—Apply, with details of age, experience and salary required, to Box 957.

MARKET RESEARCH

Textile organisation in Manchester requires the services of a young man to initiate and undertake a market research programme in the home market. He should preferably possess a degree in economics and have had several years' practical experience in market research. This post calls for diplomacy, initiative, vigour and the ability to lead a small team of specialists, to design and carry out inquiries and to write lucid reports. Commencing salary will be in the range of £1,600 - £1,800. Contributory pension scheme. Write Box 960.

THE UNIVERSITY OF MANCHESTER

Applications are invited from graduates for the post of ASSISTANT CATALOGUER in the University Library. Library experience is desirable but not essential. A degree in Economics, Politics or some other branch of social study would be an additional qualification. Salary scale £700-£850 per annum with membership of F.S.S.U. and Children's Allowance Scheme.—Applications should be sent, not later than July 5, 1958, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

RESEARCH ASSISTANT wanted by American Professor of Economics for one year. Salary about £1,000 (depending on qualifications and experience), plus travelling expenses. The work will be centred in Lausanne and will require a keen interest in mathematical economic theory and its history, and also a good knowledge of French. Reply before July 2nd to: Professor Jaffe, c/o Mrs. Hackel, 10 Grafton Mansions, Duke's Road, London, W.C.1.

ECONOMIST, MINISTRY OF AGRICULTURE, NORTHERN NIGERIA

To organise and take charge of the economic section of the administrative division of the Ministry of Agriculture, Kaduna.

Candidates must have a good honours degree in Economics. A post-graduate qualification in agricultural economics or experience of field research in agriculture an advantage.

Appointment on probation to the permanent establishment with pensionable emoluments in scale £804-£1,680 per annum or on contract/gratuity terms if preferred. Outfit allowance £45. Free passages on appointment and leave for officer and wife. Assistance towards cost of children's passages. Furnished Government quarters at moderate rental normally available. Generous leave.

Apply, giving brief particulars, to Director of Recruitment, Colonial Office, London, S.W.1, quoting BCD. 63/408/07.

THE UNIVERSITY OF NEW ENGLAND

NEW SOUTH WALES, AUSTRALIA

SENIOR LECTURER AND LECTURERS IN ECONOMICS

Applications are invited for the positions of Senior Lecturer and Lecturers in Economics.

The Senior Lecturer will be expected to assist in the administration of the Department and in both internal and external teaching. Lecturers in the first year will be primarily concerned with work with external students but thereafter will be expected to participate in internal teaching as well. Grants to assist research of both Senior Lecturer and Lecturers are available.

Salaries: Senior Lecturer £A2,220 x £A80—£A2,500; Lecturer £A1,500 x £A90—£A2,050. In addition a cost of living allowance at present amounting to £A11 (males) and £A9 (females) is payable.

Provision is made for superannuation, travel and removal expenses and assistance in buying or building a house.

Further information and the conditions of appointment may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications will close on July 31, 1958.

LONDON COUNTY COUNCIL

LONDON SCHOOL OF PRINTING AND GRAPHIC ARTS

Two part-time Senior Lecturers, or one full-time Senior Lecturer, with qualifications and experience in two or more of the following: Work Study, Factory Management, Personal Administration, Salesmanship required in the Department of Administrative Subjects for teaching and research duties. Salary in accordance with Burnham Scale, £1,386 by £50 to £1,598. Starting salary may be above minimum if justified by experience and present position. (The salary to be divided in the case of two part-time senior lecturers being appointed.) Application forms and further particulars from the Principal, Back Hill, Clerkenwell Road, London, E.C.1. (1187).

WEST MIDLANDS GAS BOARD

CHIEF ACCOUNTANT

Applications are invited from qualified accountants for the above appointment at Board headquarters in Birmingham.

The appointment carries full responsibility direct to the Chairman and the Board for the finance and accounts of a large organisation with 13,000 employees and a turnover of £40 million. Candidates must be well qualified professionally and have had extensive experience in industrial or public financial administration.

The post is pensionable and the successful candidate may be required to pass a medical examination.

The commencing salary will not be less than £3,000 per annum.

Applications, with the names of two referees, should be addressed to the Chairman, West Midlands Gas Board, 6, Augustus Road, Birmingham, 15, to reach him within seven days of this advertisement. Applications already submitted in response to the original advertisement need not be renewed and will be taken into account before the appointment is made.

Envelopes should be marked "Chief Accountant" in the top left-hand corner.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of INVESTIGATIONAL OFFICER in the Department of Agricultural Economics. Candidates should have academic qualifications and/or practical experience in Agriculture, Economics or Accountancy. Salary scale: £550 x £25 to £650 x £30 to £850 per annum with membership of the F.S.S.U. and Children's Allowance Scheme; graduates would have an initial salary of £700 per annum. Investigational Officers may be considered, on reaching a salary of £700 per annum, for promotion to the grade of Senior Investigational Officer (salary scale: £900 x £50 to £1,350 per annum).—Applications should be sent not later than June 30, 1958, to the Registrar, The University, Manchester, 13, from whom further particulars and forms of application may be obtained.

GRADUATE ECONOMIST required by West Riding of Yorkshire Engineering Company for already established Economic Research and Intelligence Department. Work to include long-term forecasting. Previous business experience not essential.—Apply, stating qualifications, experience (if any) and indicate approximate expected salary to Box 956.

BEDFORD COLLEGE (University of London), Regent's Park, N.W.1. Applications are invited from Honours graduates in Economics (men and women) for the post of ASSISTANT LECTURER in the Department of SOCIOLOGY, vacant October 1, 1958. Salary range: £700-£850 p.a., plus £60 p.a. London Allowance. Closing date for applications: July 4, 1958. Further particulars from the secretary.

THE UNIVERSITY OF LEEDS

APPOINTMENTS BOARD

Applications are invited from graduates for appointment as an Assistant Secretary to the Appointments Board at a salary on the scale £900 x £50-£1,350 (efficiency bar) x £75-£1,650 a year. The appointment may be made above the minimum salary on the scale. Candidates should preferably have had several years' experience in teaching or in industry. Applications (three copies) stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds, 2 (from whom further particulars may be obtained) not later than July 21, 1958.

THE NEW SOUTH WALES UNIVERSITY OF TECHNOLOGY

VACANCY FOR ASSOCIATE PROFESSOR OF ACCOUNTANCY

The University invites applications for the position of Associate Professor in the School of Accountancy.

Salary £A2,861 per annum.

Applicants must possess a University degree and be members of a recognised professional Accountancy Institute or Society.

The appointee will be responsible to the Head of the School and will be expected to assist in the development of research programmes and in the supervision of post-graduate students.

The appointee will be eligible, subject to passing a medical examination, to contribute to the State Superannuation Fund for a pension of £A1,400 per annum on retirement.

Associate Professors are eligible for six months' study leave on full salary after three years of service or twelve months after six years of service.

Subject to the consent of the University Council, Associate Professors may engage in a limited amount of higher consultative practice.

The University reserves the right to fill the position by invitation.

First-class ship fare to Sydney of appointee and his family will be paid.

Four copies of applications (including the names of three referees) and supporting documents should be lodged with the Agent General for New South Wales, 56 Strand, London, W.C.2, and a copy forwarded in an envelope marked "University Appointment" by airmail to the Bursar, Box 1, Post Office, Kensington, New South Wales, Australia, not later than July 31, 1958.

APPOINTMENTS

I. & R. MORLEY LIMITED

seek an experienced and fully qualified

COMPANY SECRETARY

for appointment to the company's head office in the City of London. This vacancy occurs due to the retirement of the present Secretary who has reached the age limit.

The salary for this post, which carries with it a seat on the Board, will be £3,500.

Responsibilities will cover the whole range of Secretarial duties including administration of central accounting.

Preference will be given to Chartered Secretaries aged 36-43 with a breadth of experience that will enable them to make a positive contribution to general company management.

Write briefly with the assurance that applicants' identities will not be disclosed without permission.

The Managing Director (RM : 89),
EXECUTIVE APPOINTMENTS LIMITED,
67, Wigmore Street, London, W.1.

ACTUARIAL OPPORTUNITIES IN USA

The Equitable Life Assurance Society of the United States has several openings at its Home Office in New York for men interested in an actuarial career in the United States. Candidates should be up to about age 30 and have passed some or all of the examinations of the Institute of Actuaries, or of the Faculty of Actuaries.

Those interested should write to Mr. Harry Walker, Second Vice President and Associate Actuary of the Equitable, at 393 Seventh Avenue, New York 1, New York, U.S.A., stating their qualifications, including age, education and experience. Interviews with Equitable representatives will be arranged in Edinburgh on July 21 and in London on July 22nd and 23rd.

SENIOR CONTRACT ACCOUNTANT, preferably single, required for West Africa. Applicants must have had previous experience in Civil Engineering, possibly on overseas contracts, and be capable of controlling the accounts and administrative section of a large contract operating independently of, but responsible to, head office. Duties include preparation of full accounts, including monthly contract profit and loss accounts, cost analysis accounts, together with responsibility for stores and financial control and ancillary duties. Free accommodation with hard furnishings. Salary £1,200-£1,500 p.a., according to capabilities.—Please apply in writing, stating age and full experience, to Keir & Cawder, Ltd., 9 Upper Grosvenor Street, London, W.1.

SECRETARY FOR NATIONAL TRADE FEDERATION

The National Hosiery Manufacturers' Federation must replace its Secretary, who retires in December. Applications are invited from candidates, 30/45 years, of good education and wide commercial knowledge. Experience of trade association work would be an advantage but is not essential. The post offers a lively and interesting occupation, good salary, expenses, contributory pension scheme.

Applications, including salary required, in strict confidence, to The Director, 104 Regent Road, Leicester.

THE REPUBLIC OF SUDAN

The Department of Statistics, Ministry of Social Affairs, has the following vacancy:—

ASSISTANT DIRECTOR (Technical). Candidates must hold an Honours Degree in Economics and Statistics, should have a sound knowledge of sampling theory and fully capable of planning and undertaking social surveys. A knowledge of national income statistics is required. Candidates must be fully literate in Arabic or English. Age 35-45. Appointment will be on contract for a period of three years. Salary range from £S2,180 to £S2,360. Starting point will be fixed according to age, qualifications and experience.

A cost of living allowance which is reviewed every two months is payable and an initial outfit grant of £S80 on appointment. Annual leave accrues at the rate of 7 days per month. Free air passage on appointment and leave.

Applications by letter in the first instance giving particulars of qualification, age and experience with copies of recent testimonials, to be submitted to Sudan Embassy, Personnel Section, Cleveland Row, London, S.W.1. Quoting reference 4/914.

UNIVERSITY OF BIRMINGHAM

FACULTY OF COMMERCE AND SOCIAL SCIENCE

Applications are invited for the post of TEMPORARY ASSISTANT LECTURER IN ECONOMICS.

Applications (three copies), with the names of two referees, should be sent by 15 July, 1958, to the Registrar, The University, Birmingham, 15, from whom further particulars can be obtained.

THE RUBBER RESEARCH INSTITUTE OF MALAYA, KUALA LUMPUR, FEDERATION OF MALAYA

VACANCY FOR STATISTICIAN

The Board of the Rubber Research Institute of Malaya invites applications for the post of the Head of the Statistics Section of the Institute at Kuala Lumpur, Malaya.

Applicants should have high academic qualifications and considerable statistical research experience. The duties will include design of field and laboratory experiments and the conduct of research in statistical matters relating to all branches of the Institute's work.

The appointment will be made on the Research Officers scale, the point of entry being according to age, qualifications and experience. A suitable candidate with the required qualifications will be appointed in the upper half of the salary scale, which is:

Time scale: Basic salary, £1400-£2660 per annum, with annual increments of £70/-.

Super scale (by selection): Basic salary £2870-£3080-£3290 per annum.

Inducement allowances, £630 per annum; additional allowance per child, £140 per annum; salaries and allowances are paid in Malayan currency.

Quarters with heavy furniture, medical attention and passages for wife and two children under 18 years of age are provided.

Application forms and more detailed information may be obtained from the Secretary, London Advisory Committee for Rubber Research (Ceylon and Malaya), Commonwealth Institute, Imperial Institute Road, London, S.W.7 to whom completed applications should be sent by July 31, 1958.

MATHEMATICS OR ECONOMICS.—Graduates are invited to apply for a new appointment to be made by ILFORD LIMITED in Production Statistics. The work will involve the collection and analysis of statistics and the application of operational research techniques. Applicants should hold a degree in Mathematics or Economics and have specialised in statistics. This is an excellent opportunity for graduates between 21 and 25, although candidates outside the upper age limit will be considered. Salary will be in accordance with qualifications and those interested should write to The Education and Training Officer, Ilford Limited, Ilford, Essex. Quote Ref. HO/11/V.

BRITISH NYLON SPINNERS LIMITED

has vacancies in its expanding
Market Research Section
shortly to be transferred to London
for
WOMLN UNIVERSITY GRADUATES
under 26 years of age.

The work, which is in the new and interesting field of synthetic fibres and clothing, involves interviewing members of the public and assisting in the analysis and reporting of the data collected. Retail surveys are also undertaken.

Interviewing both in London and in the provinces will take up a good half of the successful applicants' time. An initial training period of several months will be spent at Pontypool.

Written applications should be sent to the Personnel Manager, Pontypool, Mon.

THE RHODES-LIVINGSTONE INSTITUTE, NORTHERN RHODESIA

Applications are invited for up to six research appointments from candidates qualified in:

Agricultural Economics
Education
Sociology
Human Geography

Salary scales: Research Officer (Special grade) £1,760 x £60—£2,000 p.a., Senior Research Officer £1,350 x £50—£1,750 p.a., Research Officer £1,050 x £50—£1,450 p.a., Initial salary according to qualifications and experience. Provident Fund Scheme. Appointments on 3 year contract. Passages to Lusaka and return on completion of contract provided for appointee, wife and children (up to equivalent of three full passages in all).—Further particulars of research projects and conditions of service obtainable from Secretary, Inter-University Council for Higher Education Overseas, 29, Woburn Square, London, W.C.1, to whom detailed applications (6 copies) naming three referees, should be sent by July 30, 1958.

THE UNIVERSITY OF NEW ENGLAND

NEW SOUTH WALES, AUSTRALIA

LECTURER IN AGRICULTURAL ECONOMICS OR FARM MANAGEMENT

Applications are invited from suitably qualified persons for appointment as Lecturer in the Faculty of Agricultural Economics.

The successful applicant will be expected to lecture to undergraduate students in agricultural economics or farm management and to undertake research into the economics or management problems of rural industries. Some graduate tuition may also be involved.

The salary range for a Lecturer is £A1,500 x £A90—£A2,050, plus a cost of living allowance at present amounting to £A11 (males) and £A9 (females).

Further information and the conditions of appointment may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications will close on July 31, 1958.

The Polytechnic

309 REGENT STREET, W.1.

DEPARTMENT OF MANAGEMENT STUDIES

Applications are invited for the posts of LECTURER and ASSISTANT LECTURER in one or more of the following (or related) subjects:

INDUSTRIAL PSYCHOLOGY
MARKETING
OFFICE ORGANISATION
OPERATIONS RESEARCH
ECONOMICS

The LECTURER would be expected to take charge of his section of the Department's work. His duties would include establishing contact with firms and he would be encouraged to undertake research work. Some consulting work may also be undertaken.

Candidates should have academic or professional qualifications and/or relevant industrial experience.

The salary scale for LECTURER commences at £1,200 per annum rising by annual increments of £30 to £1,350 per annum. The scale for ASSISTANT LECTURER commences at £650 per annum and rises to a maximum of £1,025 per annum, additional allowances being payable for a good honours degree and training where appropriate. The commencing salary will depend upon qualifications and experience. In addition, a London allowance of £36 or £48 is payable in both cases.

A form of application, which should be returned within 7 days of the appearance of this advertisement, may be obtained by sending a stamped addressed foolscap envelope to the undersigned.

J. E. RICHARDSON,
Director of Education.

THE ROYAL TECHNICAL COLLEGE OF EAST AFRICA, NAIROBI

(INCORPORATING THE GANDHI MEMORIAL ACADEMY)

Applications are invited for the following posts in the Department of Commerce:

Lecturer in Law.

Qualifications: preferably a barrister and/or graduate in Law of British University; other appropriate professional qualifications considered; suitable teaching experience. Person appointed required to lecture to full-time and part-time students preparing for C.I.S., A.C.C.A., and other professional examinations at *Intermediate and Final Standard.*

Assistant Lecturer in Economics.

Qualifications: Honours graduate in Economics of British University; some teaching experience. Ability to offer Economic History an advantage.

Salary scales (pensionable): Lecturer £1,320 x £48—£1,800; Assistant Lecturer £1,050 x £45—£1,230. Free Medical Scheme. Accommodation at low rental with basic furniture. Passages provided on appointment, termination and Home Leave.

Applications (6 copies) giving age, qualifications, experience and the names of 3 referees, should be sent to the Council for Overseas Colleges, 12 Lincoln's Inn Fields, London, W.C.2.

Closing date June 30, 1958.

WYE COLLEGE

(UNIVERSITY OF LONDON)

The Governing Body invites applications from graduates in Economics, Agricultural Economics or Agriculture, for a research and teaching post in the Assistant Lecturer grade in the Department of Agricultural Economics. Salary scale £700 x £50 to £850 plus £60 London allowance with F.S.S.U.—Applications should be submitted by June 30 to the Registrar, Wye College, Nr. Ashford, Kent, from whom further particulars may be obtained.

UNIVERSITY COLLEGE OF RHODESIA AND NYASALAND

Applications are invited for Lectureship in Social Anthropology. Salary scales: Assistant Lecturer £1,050 x £50-£1,200 p.a., Lecturer (Grade II) £1,200 x £50-£1,450 p.a. (Grade I) £1,450 x £50-£1,750 p.a., entry point determined by qualifications and experience. Superannuation Scheme. Passages to Salisbury for appointee, wife and dependent children on appointment with allowance for transport of effects. Unfurnished accommodation at rent of up to 15 per cent of salary. Assistance given for triennial leave overseas.

Detailed applications (6 copies) naming 3 referees by August 10, 1958, to Secretary, Inter-University Council for Higher Education Overseas, 29, Woburn Square, London, W.C.1., from whom further particulars may be obtained.

THE UNIVERSITY OF NEW ENGLAND

NEW SOUTH WALES, AUSTRALIA

ASSOCIATE PROFESSOR OF STATISTICS

Applications are invited for appointment as Associate Professor of Statistics in the Faculty of Agricultural Economics.

Applicants should possess qualifications in economic statistics or econometrics, although specialised experience in the field of agricultural economics is not essential.

The successful applicant will be expected to commence tuition of a course in statistical methods for undergraduate students in March 1959 and to offer in later years a more advanced course embracing the theory of statistics. The duties will also include some tuition of graduate students.

The salary for an Associate Professor is £A2,750 plus cost of living allowance at present amounting to £A11 (males) and £A9 (females).

Further information and the conditions of appointment may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications will close on July 31, 1958.

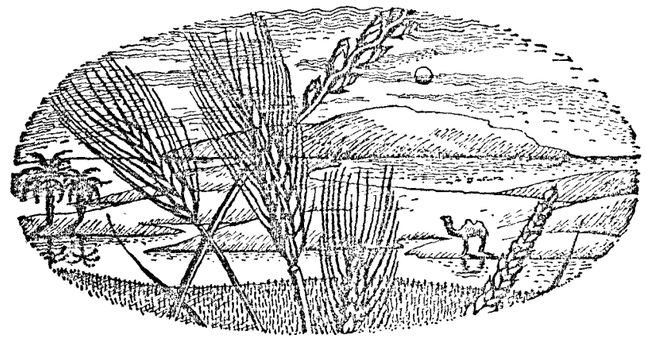
AIR SUBSCRIPTION RATES

Subscriptions to many countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is because the alternative is either not available or not recommended.

	Airmail	Air Freight		Airmail	Air Freight		Airmail	Air Freight
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Canada	—	$25 or £9	India	£9 0s.	£7 10s.	Pakistan	£9 0s.	—
Ceylon	£9 0s.	—	Indonesia	£9 0s.	—	Philippines	£10 6s.	—
China	£10 6s.	—	Iran, Iraq	£7 15s.	—	Rhodesia (N.&S.)	£9 0s.	—
East Africa	£9 0s.	£7 10s.	Israel	£7 15s.	—	S. Africa	£9 0s.	£7 10s.
Egypt	£7 15s.	£6 10s.	Japan	£10 6s.	—	S. America	£9 0s.	—
Europe	£6 0s.	—	Jordan	£7 15s.	—	Sudan	£7 15s.	£6 15s.
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Gibraltar, Malta	£5 0s.	—	Malaya	£9 0s.	—	West Indies	£9 0s.	—
			New Zealand	£10 6s.	—			

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RITCHIE CALDER'S *Signposts to the Atomic Age...*



A Harvest for the Desert

"IN A CAVE ON MOUNT CARMEL, in the Holy Land, Dr. Dorothy Garrod unearthed flint sickles, set in carved bone handles—proof that eight thousand years ago, men harvested grain. On Mount Hermon, to the north, Aaronsohn found the coarse grasses—wild wheat and barley—which these early men had recognised as food.



All those thousands of years ago, long before Abraham and the Patriarchs, these ancestral men realised the virtues of grain. They nibbled the seeds in the ears. They discovered that from those seeds more grasses and more seeds grew; that if they scratched the ground the seeds grew better, and, then, if they chose well-watered soil, as in the river valleys, the grains were more plentiful.

That, not the domestication of animals for pastoral herding, was the beginning of civilisation. When men tilled the ground, they became settlers. Their primitive homesteads grew into villages, villages into towns, and towns into cities. Agriculture led to culture.

Grain husbandry spread up the Danube into Central and Western Europe. Rye and oats began their careers as the weeds in the Levantine wheat and barley fields. By climatic selection, they prevailed as the hardy crops of Northern Europe.

Bread-grains and rice are the world's staple food. With the world's multiplying population, we shall have to double the yield in the next twenty-five years. There are two ways of doing that—by getting bigger crops from existing acreages or by increasing the acreages. The first means better seeds and the second means overcoming the limiting factors of climate.

Plant breeders have known since the beginning of the century how that could be done. The science of genetics has taught how, by patient selection and breeding for the characteristics required, crops can be produced for what would seem impossible conditions. The wheats of the Prairie Provinces of Canada abound in what, sixty years ago, was regarded as a belt too arid for cereals. The climate has not changed. The cereals have been man-adapted.

Now, with the help of atomic energy, the crop map of the world can be revolutionised. Crops can be "tailor-made" to grow in the Arctic or in the hot deserts and in inhospitable soils.

By putting seeds in atomic reactors, or placing a radioactive source (such as Cobalt 60) in the centre of a field and planting crops in concentric circles round it, plant-breeders can produce in two to five years, the desired qualities which, by normal plant-breeding, might take 25 or even 50 years. The secret lies in the effect of the nuclear rays on what are called 'chromosomes', which are packages of 'genes', or hereditary traits. The packages can be broken up and reassembled by radiation. The changes are random but one in five hundred, will provide the plant-breeder with a particular quality for which he is seeking.

Natural radiations probably produced the changes from grass to grain, which Ancestral Man found foodworthy. Now, with atomic energy, we can decide the types of crops we want and where we want them". [R.C.]

* * *

MITCHELL ENGINEERING *are designing and constructing Nuclear Power Plant to meet world needs in the New Atomic Age.*

Mitchell Engineering

Mitchell Engineering Ltd One Bedford Square London

The Economist

JUNE 28, 1958 ONE SHILLING AND SIXPENCE FOUNDED 1843

INDIA 1958 GOVERNMENT OF MADRAS

Whose Hangover?

The bus strike has lessons for everyone involved but most for the public: that strikes hurt less than inflation (page 1157).

The New Panel Patient

The first of two articles discussing ten years of the national health service (page 1162).

Courtaulds after the Merger

A close look at the prospects of Courtaulds after the absorption of British Celanese (page 1203).

Testing Time for Diesels (page 1205).

RUSSIA

How Deep a Freeze?

Why do the Russians consider their domestic quarrel more important than the winning of world opinion? (page 1159).

LEBANON

Suez beneath the Cedars

(page 1161 and 1191).

CYPRUS

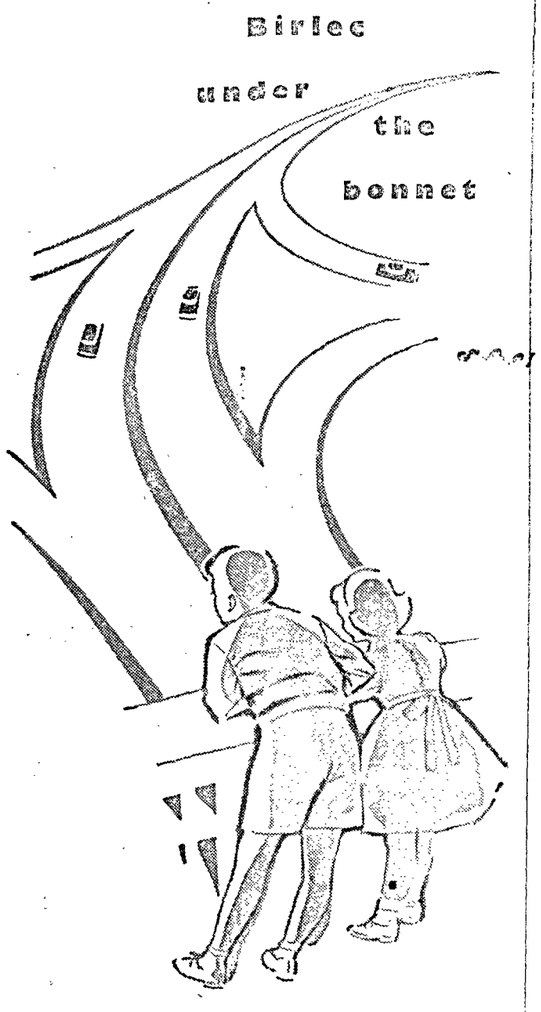
Decisive Pause

(page 1204).

Annual Postal Subscription by ordinary mail £4.10s.; overseas £5; by air see page 1239

THE ECONOMIST · 22 RYDER STREET · ST. JAMES'S · LONDON · S.W.1

VOLUME CLXXXVII · NUMBER 5992



These ardent spotters are authorities on all makes of cars. When they are driving cars of their own they will place complete reliance upon components processed in Birlec equipment. Engine, gear box, transmission, brakes, electrical equipment and body fittings; all these depend, at some stage in manufacture, on Birlec heat treatment furnaces and induction heaters.

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Equipment for heat treatment, melting and moisture adsorption

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BM/B2550

ECONOMICS ASSISTANT

The English Electric Company Ltd. at Stafford requires an Economics graduate to assist in the preparation of market forecasts and studies of the Company's competitive position in addition to the interpretation of general economic information.

An engineering background with an understanding of statistics and some experience in market research or forecasting is desirable but not absolutely essential. Please write giving full details to Dept. C.P.S., 336/7 Strand, London, W.C.2, quoting reference EC1297S.

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Britain's largest CONTRACT HIRE organisation offer all types of Cars and Commercial Vehicles on Contract Hire.

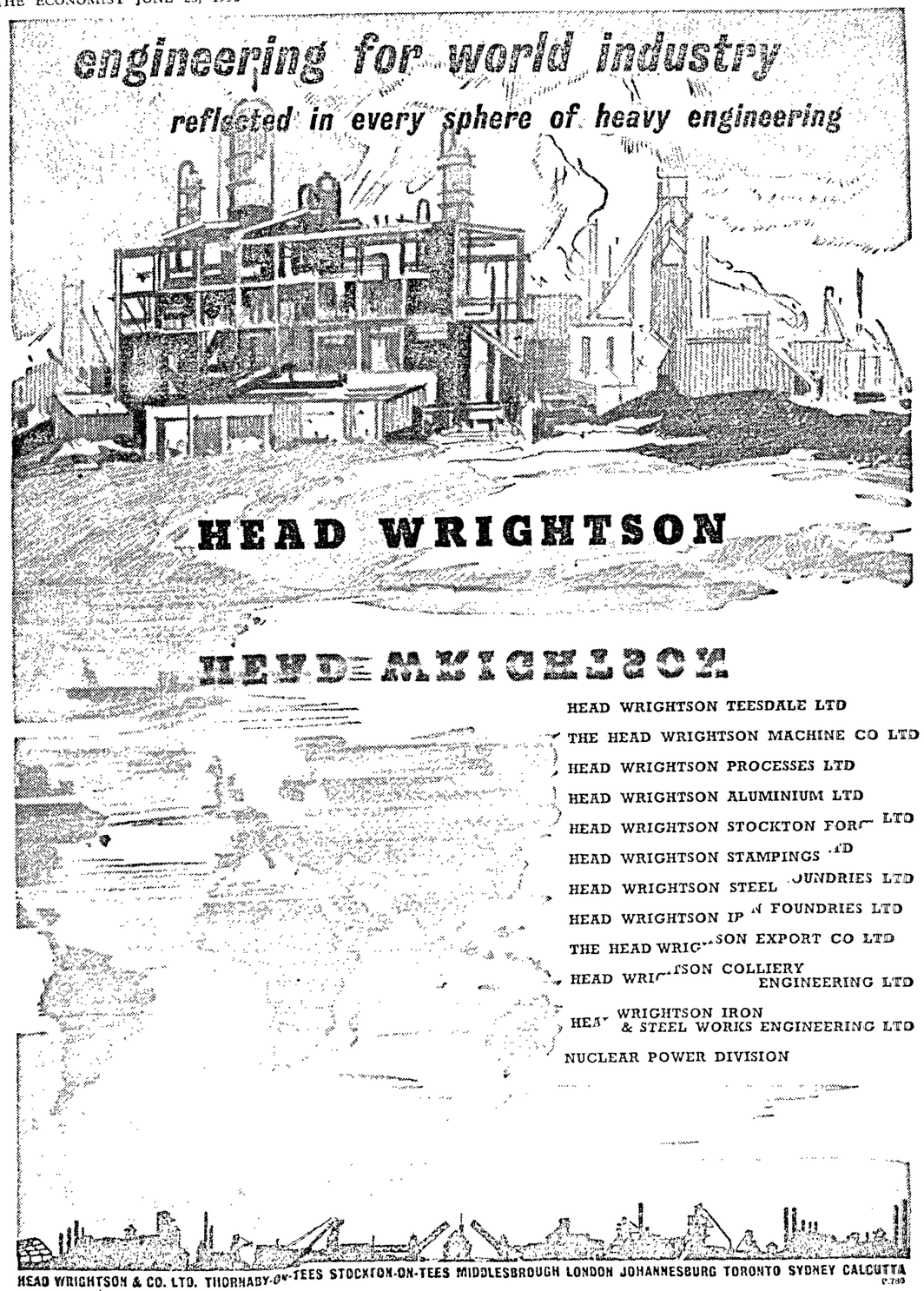
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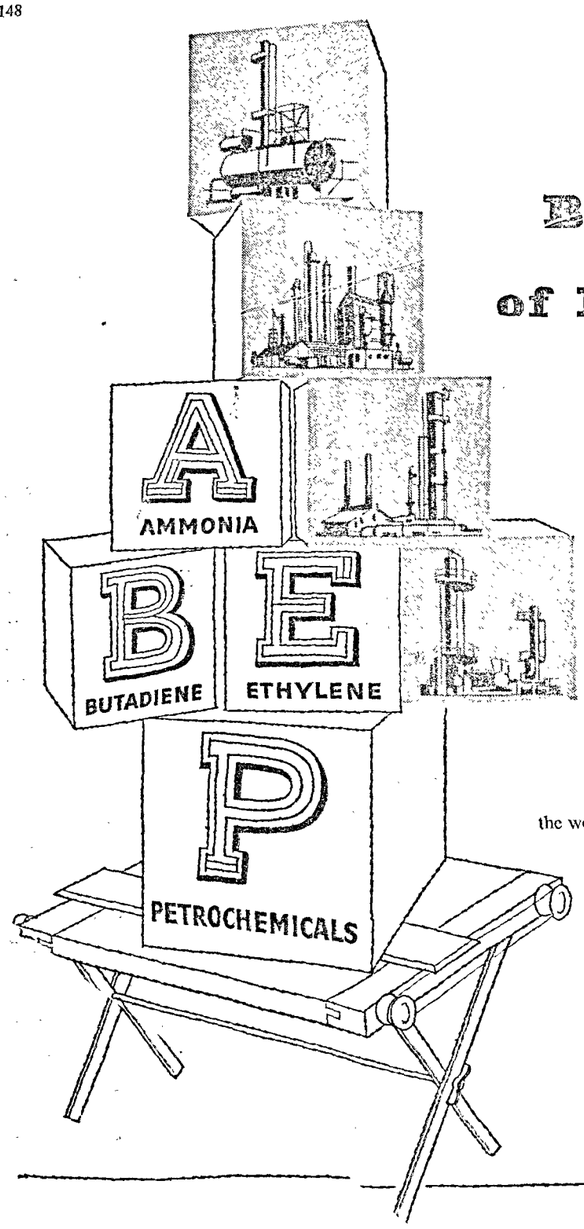
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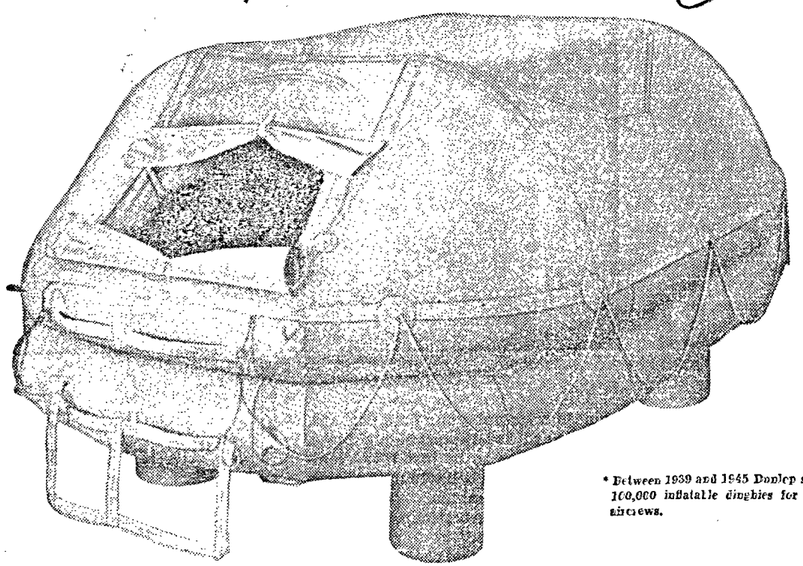
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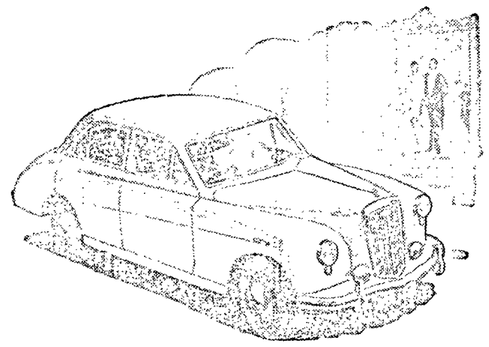
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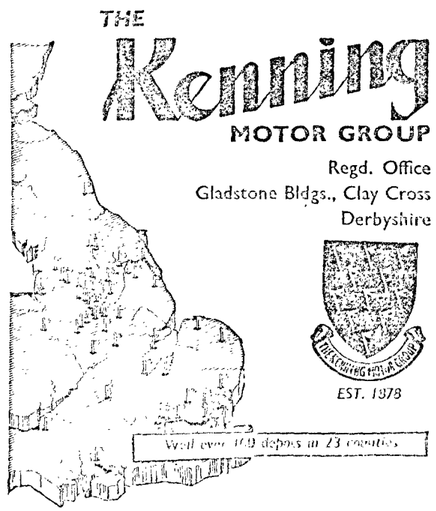
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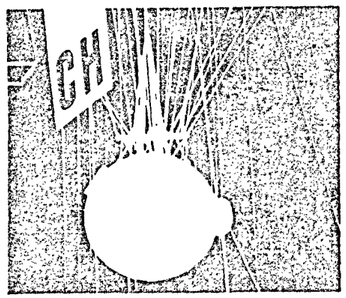
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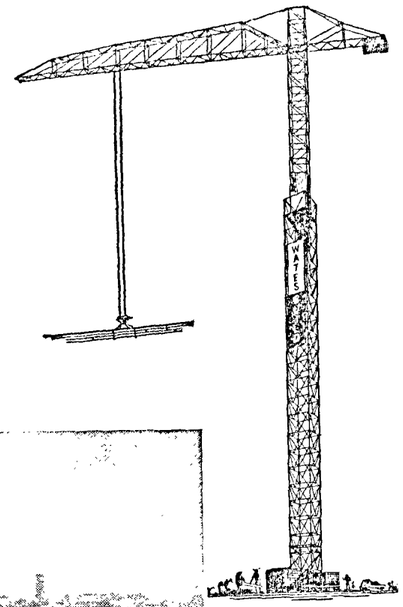
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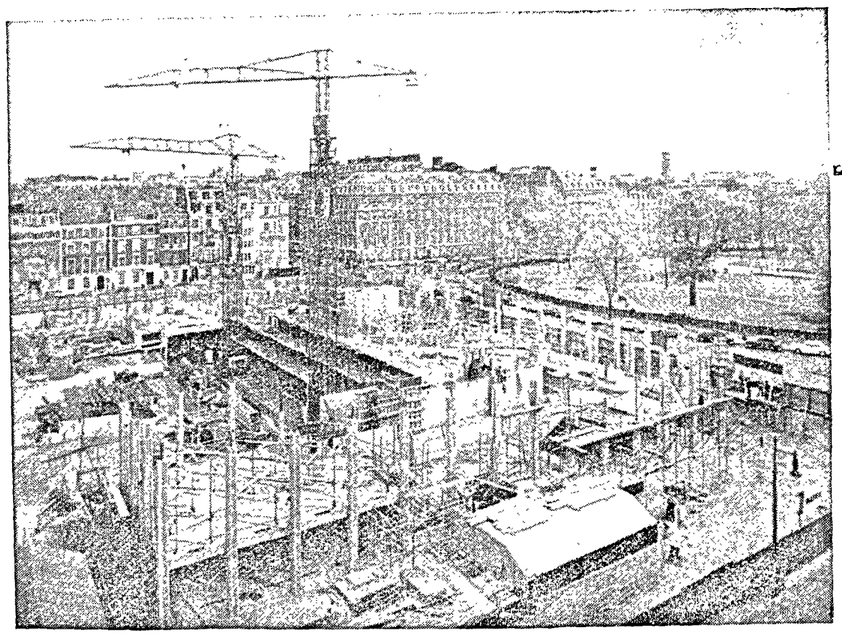
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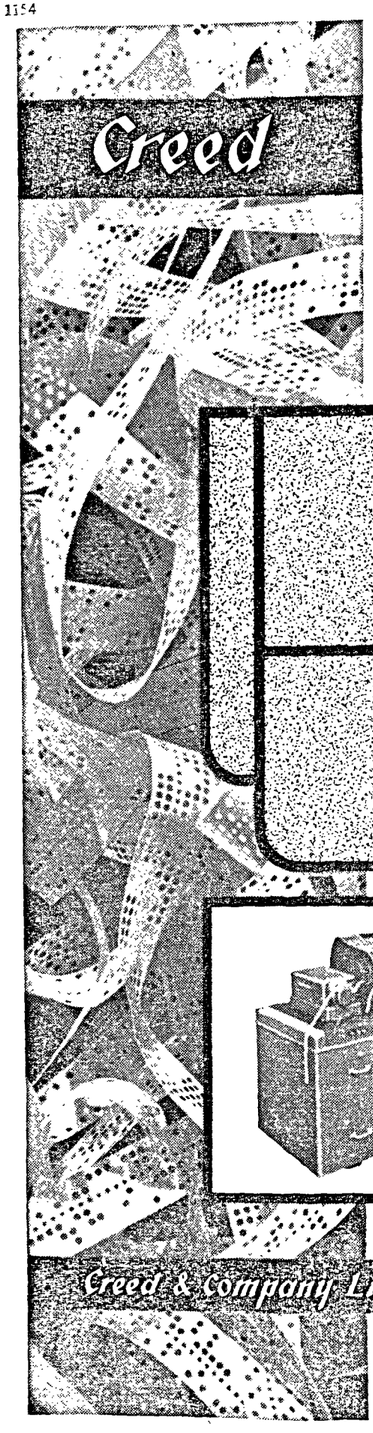
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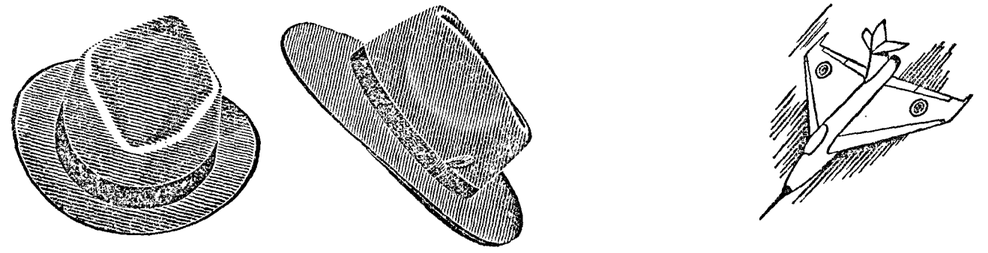
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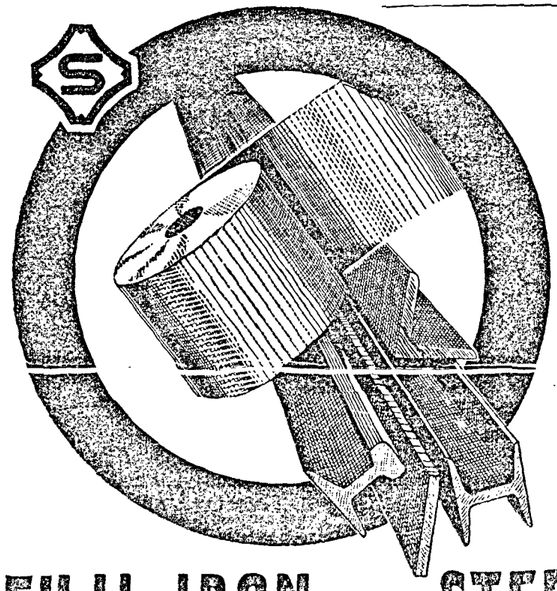
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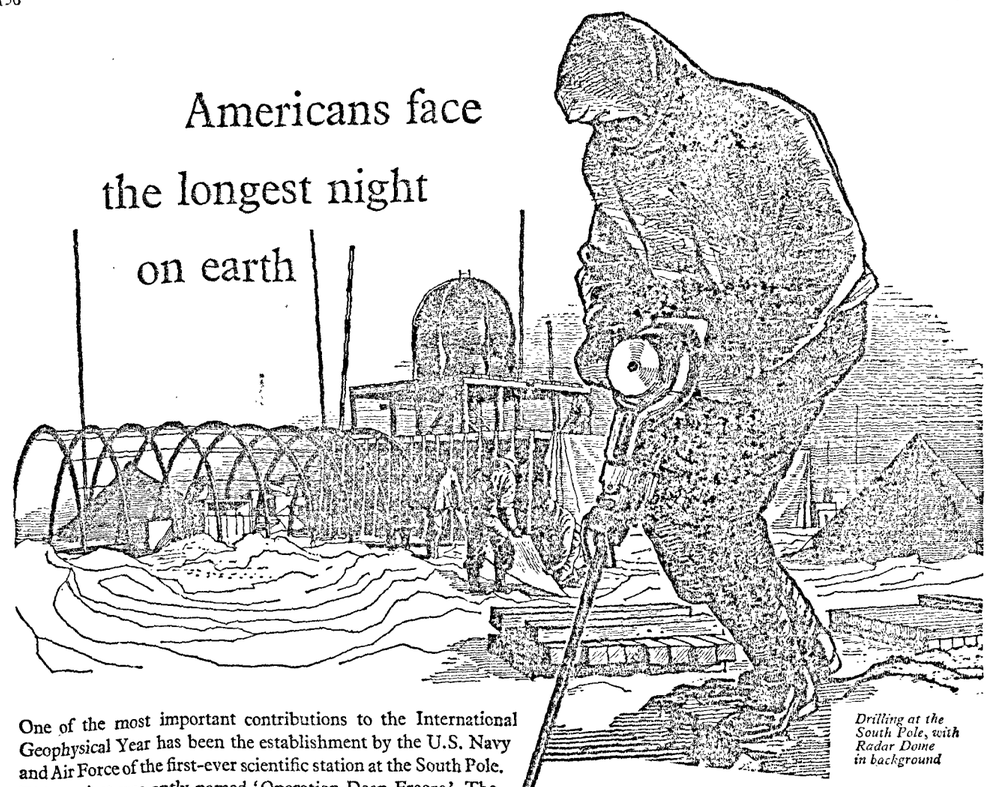
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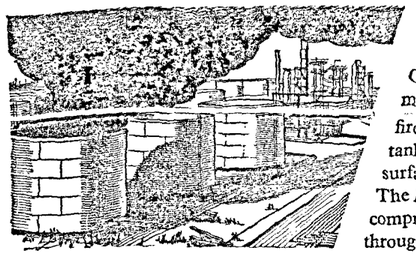
NIHONBASHI, TOKYO, JAPAN Cable: STEELFUJI TOKYO

Americans face the longest night on earth



One of the most important contributions to the International Geophysical Year has been the establishment by the U.S. Navy and Air Force of the first-ever scientific station at the South Pole. This project was aptly named 'Operation Deep Freeze'. The base, manned and operating since November 1956, stands on a high, featureless snow and ice plateau. Its object: to study some of the worst weather in the world—blizzards, 'white-outs' and temperatures of 102° F. below—all through the long six months of the Antarctic night.
For anchoring wireless masts and other drilling jobs it was essential to use a rock drill that was portable, reliable and easy to maintain—as well as being able to operate in the Antarctic cold at a height of 9,200 ft. The expedition chose the Atlas Copco 'Cobra', using Sandvik Coromant drill steels. The 'Cobra' is the lightest self-contained rock drill in the world. Weighing only 53 lb., with a built-in gasoline engine, it can drill up to 26 ft. per hour through granite.

Drilling at the South Pole, with Radar Dome in background



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The Economist

JUNE 28, 1958

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Whose Hangover?

SO they rode back, but not quite the 50,000. Some 1,500 busmen, in strikebound quiet, decided that there was no future for them in busmanship and moved to other industries. They emerge from this humiliating episode—humiliating alike to the busmen, to London Transport, to the Government, and to the public which had helplessly to walk—as perhaps the most sensible and forward-looking of all. Now, in this moment of industrial peace, with not only the busmen but also the dockers and the Smithfield men and drivers back at work, it is worth asking a few questions that go a little deeper than "who won?" What will be the consequences of the peace we have got? Who has the hangover?

Everyone, of course, is claiming some sort of a victory, but into the perfunctoriness of Mr Cousins's paean of triumph, for instance, and in the half-hearted insistence of the Government that they did not give way, can be read everyone's self-searching. Mr Cousins may claim that he won his point by forcing London Transport in the end to promise an upward wage review to the country busmen who in April had been promised nothing. London Transport may insist that, by not naming any figure for an increase, it has upheld the award of the Industrial Court and thus the principle of arbitration—but the country busmen are to get an increase next month all the same. The Government may claim to have held its ground—and so it has since the rail settlement taught it to insist that rises in wages must be met by economies in the service—but the public will pay more.

What are the really important principles in the settlement? The first is that, though London Transport may be criticised for weakening to end the strike, it was completely right not to compromise at the start. Its case against the union's demands for a flat rate increase for all London busmen was unassailable. Bus receipts had been falling; the Industrial Court had found unanimously against the country busmen's claim; any general increase then would have spread to all other busmen throughout the country even more quickly, and even more completely, than it will now do on the settlement finally reached. A settlement in April would have promptly become the minimum for wage increases in other industries. As it is, the time period between the last two awards to the busmen has been extended to eighteen months; the miners have agreed to forgo a rise this year, and other unions are proceeding at any rate more cautiously.

To put its achievement at the lowest, London Transport has helped to slow down the pace of wage inflation. At best, by showing the public that a strike, though unpleasant, is not bound to be a disaster or lead to all-out industrial warfare, it may have done something to alter the fatalism towards leapfrogging wage demands which has been at the root of this country's economic problems since the war. More specifically, the strike may have given London Transport the chance to

reappraise its illogical system of operating public vehicles. The first sign of new thinking was Sir John Elliot's statement that more people should be diverted to the underground. The Government's insistence that wage claims should be absorbed by efficiency must be the spur to drastic changes which will use carrying capacity more fully, irrespective of the busmen's preferences. Thinking along these lines leads logically, as Sir Brian Robertson said in April, to the idea of a fares differential between peak and off-peak hours; passengers demanding peak-hour transport should pay the marginal cost of the equipment required to carry them though it is partly idle for the rest of the day. The Government would be quite wrong if, in its anti-inflationary zeal, it ruled out such increases.

For Mr Cousins, the post mortem on his generalship should be sobering. The plain fact is that, at a cost of £1,600,000 in union funds, and £3,500,000 in wages forgone by his troops, he got terms on June 20th almost identical with those he rejected on June 1st and not really so different from those offered just before the strike began. This should be made clear: it was not the bus strike which won the men their concessions; these were given after the settlement had been made on the railways to avoid another strike there. The temporary withdrawal last week of the 10 per cent cuts in services was deplorable; but this cannot be counted a gain to the union from the strike. The cuts were announced only after the strike had been going for a month and the Minister of Transport, at any rate, insists that they will still be made. If they are made, as by every economic test they should be—indeed, the eventual cut should be nearer 15 than 10 per cent—then they will represent the busmen's long-term losses from the strike.

These thoughts may spur Mr Cousins to rethink his union policies. During the strike there was no hint of strike breaking by the members of his union, but there was widespread apathy; it was the militants who forced the pace. And in the later stages of the strike this brought him near to challenging the Government, a folly from which only the sensible intervention of other union leaders saved him. Something substantial could be put on the credit side if Mr Cousins would have another look at his union, at the relations between himself, the officials and the rank-and-file, and consider just how far he upholds its real interests.

THE wage pattern of the year has emerged tolerably clearly after the strike. The busmen and railwaymen have been given increases corresponding to an annual advance of slightly less than 3 per cent. In building and electrical contracting, the workers have got 4 per cent and in electricity supply, rather less. This is likely to be the increase which the engineers will settle for in the autumn when bargaining for their claim made this week for 6 per cent comes to a head. These increases look inflationary enough. The hangover may yet be everybody's. But the calculation that will matter is the comparison between these wage increases and any offsetting fall in production costs, either from lower import prices or higher productivity, before the end of the year. Here the picture may be more encouraging. If the Chancellor's new stimuli to expansion take effect and import prices do not go up there is some hope that most of the wage increases might be absorbed without inflation. At the best, Government policy this year could perhaps for the first time since 1951 keep the rise in the wage bill roughly in step with the actual expansion of output.

This would indeed be a reprieve for the old age pensioner, the retired and the other people who live on fixed incomes. But for it to be more than a reprieve, the strike this year will have to have some effect on the country's archaic system of wage bargaining. Now that even the middle classes are getting organised to join in, the annual wage fight has become a fatuous caucus race which nearly everyone seems to win but nobody in fact does so. The dual role of the Government as employer and policymaker has accentuated the difficulties, rather than changed the nature, of the competition to stake claims. The ball now lies at the feet of the unions, who will not want to play it; but they may be forced to do so if the public were to decide that facing strikes is a lesser evil than endless inflation. Whether and how soon the public will be generally prepared to do this is not easily to be fathomed. It can only be said that it is sometimes the last, quite small, melting of the under-surface that causes the visible tenth of the iceberg suddenly to turn over.

The Economist

JUNE 23, 1858

THE EVIL OF REGULATION

It is many years since Mr Cobden spoke of the "*tedium* of a free-trade argument." Yet it is even now periodically necessary to enforce the grounds on which that argument rests. The fundamental principle that every regulation by Government on commercial affairs is in itself objectionable, and only to be tolerated when conclusively shown to produce much more good than evil, is now everywhere conceded. But principles of this sort are exactly those most likely to lie in the "dormitory of the understanding," and require to be aroused continually by pointed argument. The natural tendencies of human nature—and not the least of the best human nature—are in favour of regulation. A distinct evil is perceived; a plausible remedy is proposed. Persons of influence can hardly be blamed if they are biassed in favour of that remedy; they wish to do good, and this seems to them a way of doing good. Experience, however, has shown that few malevolent propensities are so pernicious as this interfering benevolence. On the continent of Europe every detail of human life is regulated by usages, of which it has dictated very many; the result is, that all the active part of human life is in those countries hampered and impeded, and that the facility of suggestion and liberty of invention which are essential to industrial progress do not there exist. In England we have much fewer unnecessary formalities, but those which we have are proportionately more mischievous.

How Deep a Freeze?

Agriculture was not the only topic in Moscow last week. Has the Soviet central committee come to the conclusion that the summit expedition was a fruitless idea?

MOSCOW, it seems, couldn't care less. Its attempt, by a sudden change of front, to dodge next week's Geneva talks on means of supervising a suspension of atomic tests, is merely the latest in a series of moves that indicate a mood of total unconcern for world opinion. The economic and political campaign against Jugoslavia; the breach of faith involved in the sudden one-sided publication of confidential papers about the ambassadors' talks in Moscow; above all, the ostentatious announcement of the execution of Imre Nagy and his fellow victims—all these things already seemed to suggest that the Soviet rulers have had enough of the interminable game of preparations for the summit, and that the post-Stalinist period of wooing has been succeeded by one of contemptuous indifference to adverse reactions abroad.

The abrupt volte-face on the Geneva talks—which is further discussed on page 1167—fits into this sombre pattern. Mr Dulles has rightly announced that the United States, for its part, will not yet abandon its preparations for the talks but will give the Russians "a *final, last chance*"; but there seems at the moment little chance of the Geneva meeting actually taking place next week, or indeed at any early date. As if to underline the revival of the Soviet brand of isolationism (isolationism, that is, within the wide frontiers of the block), the central committee of the Soviet Communist Party, summoned for a plenary meeting last week, made no mention of foreign affairs or of the implications of the Nagy case in its final statement. To judge by that document, the committee simply gathered to endorse Mr Khrushchev's further plans for agricultural reform.

THE Soviet leaders knew that the execution was bound to revive western memories of the Hungarian rising, to increase the isolation of communist parties in the West, to weaken popular pressure for talks with Russia, and to provide the opponents of such negotiation with fresh ammunition. The effect was immediate. In Italy, the Nagy verdict was one of the reasons used by Signor Nenni to reject the communist offers of common action. In France it provided a welcome replenishment to M. Mollet's arsenal of anti-communist propaganda. Throughout the western world the executions gave rise to a violent anti-Soviet campaign. In the uncommitted countries of Asia, the news had a strong impact too, on the political leaders at least. The *men in Moscow* presumably discounted all these setbacks in advance for the sake of the struggle against the Titoist heresy. For the message of the execution squad is simple and it is aimed at eastern Europe: "revisionism" is no longer a sin to be deplored, it is a crime punishable by death.

IN seeking the reasons why the Russians have changed their course one theory must be dismissed outright—the supposition that Mr Khrushchev had it all planned from the start. Mr Khrushchev's earlier solicitous efforts at reconciliation with Belgrade, and the risk he then took of a complete disruption of the communist empire, would have been totally senseless if he had intended finally to get back to the point of departure. Indeed, there are signs that the decision to hang Mr Nagy was neither unanimous nor taken well in advance. Only a day or two before the execution *Pravda* reprinted a lengthy article from the Hungarian *Nepszabadsag* which, while criticising the Jugoslav programme, warned Hungarian communists that the discussion should not degenerate, in manner or in method, to the level prescribed by the Cominform resolution of 1948. Mr Kadar thus implicitly dissociated himself from the murder of his fellow-Hungarians. And the opposition to the crime was not likely to be limited to Budapest and Warsaw.

The trial of Mr Nagy marks the victory in the Kremlin of the view that it does not pay to keep smiling at the West. For the last five years, in spite of waverings and hesitations, the Soviet Union has been run by flexible men, believing in the profitability of change. They set about reforming the communist block in the hope of making it more efficient. This policy fitted into the broader plan of a possible bargain with the West. Such a bargain—involving a measure of disarmanent and disengagement—would not only preserve peace. It would, so the argument ran, hasten the ultimate victory of communism. The opponents of the new flexibility at first concentrated their attacks on the great risks of such a policy, and they raised their voices at the time of the Hungarian insurrection. In recent months, however, they rewrote their indictment, substituting the reproach that the policy had brought no results. The American troops are still entrenched in Europe; the Rapacki plan has been turned down; nuclear tests go on; nuclear rearmament of the west German army is a settled thing. Foreign communist parties have made no spectacular headway. The West, it is argued, is as little attracted by the "European" face of communism as it was by the Asiatic face that

Stalin gave it. Jugoslavia has not rejoined the block and stands as a heretical pole of attraction on its frontiers ; " revisionism ", though driven underground in most places, is far from dead ; intellectual ferment persists, even in Russia itself.

The balance-sheet is not as negative for the Russians as the Stalinists would make out. But in communist councils the diehards can rely on the powerful backing of Mao Tse-tung. The part played by China in this whole affair should not be underestimated. When, at Stalin's death, Moscow turned reformist, it still seemed logical that Peking should remain the fountain of Stalinist orthodoxy. China is at a stage of economic development comparable to Russia's in the early days of Stalin. Then, for a period, it looked as if Mao were seeking a short cut to industrialisation. He restrained the Russians in their conflict with the Poles, and his " hundred flowers " campaign was greeted enthusiastically by anti-Stalinists throughout eastern Europe. Realism, however, rapidly reasserted itself. The tending of blossoms was replaced by the extirpation of weeds: the Chinese launched their own attack on revisionism. Serious economic difficulties inside China prompted the intensification of this campaign. China has been the undisputed leader, both in timing and in violence, of the anti-Jugoslav drive, and the weight of its prestige could have tipped the balance in the Kremlin.

WILL the execution of Imre Nagy—like the hideous trial of Laslo Rajk—inaugurate an era of complete subservience to Moscow's wishes throughout eastern and central Europe ? The offensive against Jugoslavia is bound to gain in strength. In Prague and Sofia the hostile chorus is growing louder. The test, however, will be in Poland, where the reaction against Stalinism had gone much further than anywhere else. Ten years ago Moscow's orders were enough to remove Mr Gomulka from power to prison. Now Mr Gomulka can put up a fight if he chooses. He has curbed many of the rebellious intellectuals in his country, but Poland still remains, by comparison with the rest of the block, a hotbed of " revisionism." Official Warsaw received the news from Budapest in stunned silence.

Changes in foreign policy and in the control of the block were only part, and a minor part, of the movement initiated by Stalin's successors. The biggest changes took place at home ; and there Mr Khrushchev, so far, shows no sign of altering course. On the contrary, the Tass announcement about Imre Nagy was followed shortly after by the central committee's proclamation of new concessions for the peasantry, which still forms nearly half of the Soviet population. The abolition of all compulsory deliveries of foodstuffs to the state is a step in the direction outlined by Mr Khrushchev in March when he foreshadowed the dismantling of the machine and tractor stations. It is an important step and one that will greatly please the collective farmers. The state will now have to rely entirely on purchases from the farms to maintain food supplies for the towns. Purchasing prices will naturally vary from region to region ; in principle, they should only fluctuate from year to year according to the general state of the harvest. Admittedly, the state also controls the price of all the goods supplied to the countryside. Nevertheless, this appeal to the peasants' property instinct (through the transfer of the tractors and machines) and to their taste for profits (through the substitution of purchase for forced deliveries) may lead to deeper social changes than Mr Khrushchev imagines. For the moment, however, he is mainly concerned with winning over the peasants and getting them to increase supplies. With more food and agricultural raw materials, he can also hope to please the rest of the population. The Russians have been promised more industrial consumer goods, too, from the expansion of synthetic chemical production. At home, therefore, the Soviet antidote to the revisionist disease is not terror but a rise in the standard of life of the population ; or so, at least, it looks at the moment.

MR KHRUSHCHEV has managed to project himself before the Russian public as the author of popular reforms at home, which are a success, and not of the plan, which has failed, for a more flexible and vigorous structure for the Soviet block. As to his peace-making efforts, after the publication of the ambassadorial documents and Mr Khrushchev's commentary on them in his letter to President Eisenhower, most Russians will be convinced that they did not fail for lack of trying. Mr Khrushchev's agricultural programme has been endorsed and is now being praised throughout the country. The small reshuffle in the party presidium (discussed on page 1171) has, if anything, strengthened his position. Yet there is a strong feeling that the game is not at an end. The central committee did not meet merely to talk about agriculture. And should Russia settle down to isolationism, the communist block may be shaken by greater tremors yet.

For the West, the easiest conclusion to draw from this would be that it is now safe to return to a posture of moral disapproval and not worry any further about what to do ; heaven knows there is cause enough for moral censure, but this will not be the most fruitful conclusion, or the most honest. Those who think that the cold war is the most comfortable climate for the West (and are thus the unwitting allies of the intransigents in the Kremlin) can logically use the Nagy murder as a pretext to break off all east-west discussion. But it would only be a pretext, since a *modus vivendi* could never have been based on moral union, but at the most on a limited community of interests. Those who believe that the West can still benefit from an east-west agreement, if such an agreement is at all possible, may be disconcerted by the hardening of the Soviet attitude, but they must not desist. The pursuit of negotiated disarmament and disengagement is still the one purposeful way to sustain the democratic hopes of the peoples of central and eastern Europe.

Suez Beneath the Cedars

Lebanon's crisis endangers western interests in the Middle East but armed intervention offers no solution.

MR HAMMARSKJÖLD having visited the Lebanon and Cairo and returned to New York to report, the Lebanese conflict is still for the present in United Nations hands. But will it remain there ? President Chamoun's two most powerful friends, the American and British governments, are still taking pains to express their own interest in the conflict in terms of support for whatever the United Nations may do ; and this was the gist of Mr Selwyn Lloyd's answers in the Commons on Wednesday. But when the Foreign Secretary pledged British support to the United Nations " operation," he appeared to mean no more than the attempt to seal the Syrian frontier with neutral observers or a neutral non-combatant force. Is this the limit of what is intended ?

President Chamoun's statements in Beirut do not suggest that it is. He wants military support—as he puts it, to seal the frontier ; but in fact it is not likely that sealing the frontier would be enough. Certainly the Lebanese opposition shows no alarm at that prospect. Much reference is being made to Article 51 of the United Nations Charter, according to which Mr Chamoun, as head of the legitimate government, has the right of self-defence and the right to call on friends to help him. He appears anxious to get the required number of troops from the United Nations if he can ; but in all his utterances he has reserved his right to call for help from the United States and Britain, the countries most friendly to him. Thus, while the western world desperately hopes for a solution through the United Nations, the danger remains that if the United Nations fails to fulfil the desires of President Chamoun, he can call on the United States and Britain to act instead.

FOR six weeks since the revolt broke out in Lebanon, the western powers have appeared to base their attitude to the crisis there on the premise that Lebanese independence is inseparable from Mr Camille Chamoun's presidency. Mr Chamoun and his foreign minister, Dr Malik, have encouraged them in this assumption, but it has been seriously challenged by a large portion of the Lebanese people who are now engaged in a dangerous, perhaps suicidal, struggle to prove it wrong. It is true that Lebanese politics are largely a matter of personalities, not parties, but there is no reason to believe that if another president were chosen, as is customary, from the largest single sect in the country, the Maronite Christians, he would be inclined to submerge the Lebanon in the United Arab Republic. The irresponsible behaviour of all Lebanese leaders may have convinced even President Nasser that the acquisition of Lebanon would provide him with more headaches than glory.

At the beginning of the insurrection President Chamoun uttered a warning that the opposition leaders were bent on upsetting the delicate balance between Christians and Moslems in Lebanon. Since that time the balance has been upset by the president's stubborness as well as by the opposition's determination to unseat him. In any case, the lines are not so clearly defined. There are anti-Chamoun Christians, and pro-Chamoun Moslems. There are the Druses, a dissident and heretical Moslem sect, who ordinarily play both sides of the confessional fence ; but since Mr Chamoun allowed their leader, Kamal Jumblatt, to be defeated in last year's elections, Mr Jumblatt has become the darling of the opposition. The whole intricate pattern of Lebanese personal ambition, graft, religion and politics has never before been so exposed, or so hard for people outside to understand.

WHAT began, and in many ways continues, as an outburst of domestic feelings has been elevated to the status of an international crisis by each of the contending parties. The opposition has received important support from Syria and Egypt in the form of arms and propaganda. The government has received the token support of the United Nations Security Council in the form of neutral observers who are expected to outwit the smugglers bringing the arms across the border from Syria. Further assistance for the government has been suggested, but not given, by the sustained British airlift to Cyprus and by the presence of the American Sixth Fleet in the eastern Mediterranean. The British concentration of forces on Cyprus has looked bigger than is necessary for use in Cyprus alone. The Sixth Fleet has just finished landing exercises on the Turkish coast. Its presence in the area need not mean intervention at all ; in quieter times it is not uncommon for units of the fleet to pay calls at Beirut where the sailors are welcomed with great enthusiasm by Lebanese who are anxious to sell them things. But the United States government is taking care not to give the impression that a landing is ruled out. Even the French, invited or not, and suspicious as ever of Britons and Americans at large in the Levant, appear anxious to join in any western intervention. The Russians are in the comfortable position of savouring the western discomfort, and have had the pleasure of sternly warning the Americans against intervention—thus deriving an

advantage for themselves whether there is a real intention to intervene, or not.

It is hard to see how a western intervention could do anything for Lebanon; it clearly could do nothing for western interests anywhere else in the Middle East. There is, for instance, nothing to be gained by protecting the oil terminals at Sidon and Tripoli as long as the pipelines from Iraq and Saudi Arabia still have to run across Nasser's Syrian province. Warships are not needed to evacuate civilians as long as the Beirut airport continues to function normally. The security of western interests in the Middle East has not been assured, or even increased, in the recent past by pacts, treaties, doctrines or armed adventure. Perhaps it is time to urge again that the West come to terms with Arab nationalism. The question is what "coming to terms" would mean in practice. Probably the first step ought to be the re-establishment of diplomatic relations broken by the Suez crisis. The second step would be for the western powers not to appear over-anxious about the recent Arab inclination to be friendly with the Soviet block. It is true that the Arabs do not seem to realise the real dangers involved in these flirtations with communism, but they will insist on finding out for themselves; they are not content to be told by a West whose motives they are apt to regard with suspicion. Arab nationalism is a local growth, fertilised almost entirely by western ideals learnt in western schools. It is not communism, and it is not directed from Moscow.

What would be the purpose of an armed intervention in Lebanon? It is hard to think of any convincing reason, in their own interests, that the western powers could give. It is perfectly true that the American government is in the embarrassing position of being committed by the terms of the Eisenhower doctrine to support the Lebanese government. If that government did ask the Americans to intervene, presumably they would feel they had to do so, lest they lose face with other friendly governments. The British government has even less motive for intervention—so long as there is little evidence that British life or property is in danger. Why should the western powers decide to stake their future in the whole Middle East on an issue as complicated as the internal politics of Lebanon? Intervention there would weaken, it might even bring to an end, the friendly governments of Iraq, Jordan and Saudi Arabia by convincing their people of the justice of Nasser's imputations against the western powers.

ONE is almost led to believe that the whole crisis, so far as it is international, is factitious, and that it has been precipitated by President Chamoun's failure to play the game of Levantine politics according to locally understood rules. For all the international rumblings, the Lebanese will have to settle their own quarrel, even if they need help from outside to choke off the importation of arms and troublemakers from over the border. Mr Hammarskjöld may have visited the scene in time to rescue the West from making a grave mistake. An armed intervention with an undefined purpose against an undefined enemy, without any long-term objective, would surely bring misfortune to all concerned.

TEN YEARS OF THE NATIONAL HEALTH SERVICE—I

The New Panel Patient

This first article examines critically the physiology—the growth and functioning—of the health service and prepares the way for a second article on its pathology—its weaknesses and malfunctioning.

TEN years ago, a week before the "appointed day" for the introduction of the welfare state, a big question mark still hung over the future health service. Doctors, temporarily reassured by the concessions that ended Mr Bevan's long struggle with their leaders, were fast signifying their willingness to work in the new service; no doubt the stipulation that only doctors in the service on the appointed day could be compensated for the loss of their right to sell their practices spurred them on. The unknown factor was the reaction of the middle class—of those people whose income or occupation had kept them out of the scope of the old national health insurance scheme. These were the people who had always been accustomed to pay their private doctor; who expected him to visit them; who, if they attended his surgery, went in by appointment and by a different door to a different waiting room and possibly a different surgery from his panel patients; who would have been shocked at the suggestion that if they needed specialist treatment, they should enter the general ward of their local hospital or attend its outpatient department.

These people had been drafted into the national insurance scheme willy-nilly. When taken ill they were now faced with the totally unaccustomed procedure of sending the right certificate at the right time to the right place or else forfeiting their sickness benefit (the value of which many employers were now likely to deduct from salaries). It was not the need to get medical certificates, however, which itself forced middle-class people into the service. Certification had not been

linked by legislation to the health service. It could—and still can—be undertaken by a doctor for a private patient. Nor were people forced to join because their doctor had done so. He was, and is still, free to have both health service and private patients.

Thus, on July 5, 1948, it was still an open question what the middle class would do. Would they treat the national health service as they had treated state schools, as something providing a distinctly inferior form of treatment and care in not very pleasant surroundings? Would they, for instance, while paying their national insurance as they paid their local rates, refuse to change the doctor/patient relations to which they were accustomed, but, when the expensive bills for consultant and hospital treatment arose, get the state to pay, as they did for so much university education?

Within a few weeks, it was clear that the middle class saw medicine as quite a different issue from education. By July 10, 1958, in England and Wales, 16,208,000 people, apart from the 19,500,000 covered by the old national health insurance scheme, had applied to be placed on general practitioners' lists for health service treatment. By September, the number of people on doctors' lists, including former panel patients, was 39 million out of a total population of 42,750,000. After nine months the figure had grown to 41,650,000. Doctors' lists, especially in those early years, were inflated by large numbers of duplicate entries, which are still in process of being eliminated. But even if allowance is made for this, and for the fact that some people have two doctors—one health service and one private—it is nevertheless a matter of statistics that the service proved immediately popular and has become increasingly so. The latest official figure is that 97 per cent of the population of Great Britain is using it.

MIDDLE class willingness to use the health service has had a decisive influence upon its growth. Neither then—nor now—were there two standards of treatment, one for private patients and one for the panel. People may believe that if they pay for their children's education, their children will be better taught. But they do not have to pay their doctors to be sure of getting penicillin. What they obtain from private practice is more attention, and more time and space, which were as rarely found in the old pre-1948 panel practice as in the despised primary school.

But as a result of the entry of the middle class, these somewhat elusive qualities have been injected into the health service. Not in every practice by any manner of means; but it can fairly be said that as a whole general practice within the health service is nearer to the standards of private practice than the pre-1948 panel practice was. This has enormously improved the service to the former working-class panel patient. Doctors have been constantly exhorted, officially and unofficially, to improve their surgeries and waiting rooms, and even to see by appointment health service patients who need more time than the few minutes which is all that ordinary surgery hours allow. At first, when both doctors and patients were still adjusting themselves to the new service, and when complaints on both sides were at their height, a survey carried out by the British Medical Association showed rather over half of the general practitioners reasonably contented in their work. Only a minority (15 per cent) would have preferred a practice consisting wholly of private patients. Two-thirds of those asked preferred a mixed practice—mostly health service but with some private patients as well to vary the routine grind of health service practice and to sharpen their professional standards.

For the health service this is one of the main justifications for the continuance of private practice. It can be argued that if the health service were all it should be, private practice would have withered away. As it is, some 600 general practitioners out of some 24,000 in the country as a whole, are able to make a living solely from private patients, quite apart from the much larger number for whom the health service provides their bread and butter and private practice their jam. Nobody is, of course, satisfied with the standards of the service; but the cost of raising them, even to the level of private practice, is a budgetary—and therefore political—issue. In the meantime, the existence of private practice should help to keep doctors' sights high.

THE effect of having two types of practice, private and health service, can best be seen in the hospitals. By electing to be treated as a health service patient, a person who has, for instance, a coronary thrombosis, or has his gall bladder removed, will save himself about £150—the cost of treatment in a pay bed of a general hospital (in a teaching hospital he may pay much more). Although the health service was not designed to save the middle classes from being overtaken and ruined by the leaping costs of the new era in medicine, which calls for a host of ancillary professional workers behind the clinician, it has had exactly this effect.

Yet, contrary to original expectations, it is in the consultant and hospital service, rather than general practice, that private practice flourishes most—largely because of the financial support provided by the provident associations. The membership of some of these is inflated by people who are nominally in them but are insured on too low a scale for their benefits to be any use for inpatient hospital treatment; even so, it is extensive and increasing enough to show that the demand for private consultation and private treatment is strong.

By private purchase the middle class patient obtains the time, space (which includes privacy) and attention that are denied him in the outpatient department or general ward. The health service patient receives

medical attention in plenty. Indeed, some will complain that they get so much attention that hospital is the most tiring time of their lives. But the attention is too often to the case, not to the person. Space and privacy can be bought within the health service by the patient lucky enough to obtain an amenity bed. But an amenity bed cannot be booked in advance; it is a matter of chance if one is vacant when a health service patient enters hospital; and some hospitals reserve them entirely either for their own staffs or for patients who need privacy on medical grounds. Time, for an acutely ill person, is irrelevant; a health service patient will be admitted to hospital as quickly as a private one. But a great deal of the investigation and treatment undertaken by hospitals are for conditions that can wait; and the middle class patient is not prepared to wait indefinitely for a bed or an outpatient appointment that may turn up, when it does, at a highly inconvenient moment. He is not prepared to spend a whole day being herded from one department to another. His time is as valuable as that of the other professional people looking after him, and if he can buy his right to time, either directly or through insurance, he will. And this is a good bargain for him, his employers and the economy.

Dealing with such large quantities of totally unpredictable raw material, the hospital service cannot be expected to achieve middle class desiderata in these three respects of time, space and attention. But it can uphold them as an ideal, and although the exceptions abound, the hospitals have gone a long way towards such things as an appointment system for outpatients and even the provision of an evening meal to the patients in the wards. Looking back to the outpatient queues of the old voluntary hospital and to the general wards of the municipal hospital, anyone will be convinced that big improvements have been secured. Looking at the by-passing and short cuts that are obtained by payment, one sees how much has still to be done.

"NOT just a glorified poor law, but a full health service for all the people"—such was Lord Attlee's conception of the service when it was still in the blueprint stage. The Labour party can fairly be proud both of the aim and of the extent to which it has been achieved. But the Labour planners did not foresee the effect of adding to all the other commitments of the welfare state a service whose cost was quite impossible to estimate because it was governed by a quite incalculable public demand. The cost nevertheless has had to be counted and kept in check, with the result that some demands, some needs, have not been met. This spreading of limited resources over the whole population has also meant that some people may be worse off than they were under the old system, which gave a certain priority to the underprivileged. These weak spots in the health service will be examined in a second article.

Decisive Pause in Cyprus

The first hostile reactions to the British plan for Cyprus need not be taken too tragically. But if it is ever to get a fair trial, both Turkey and Greece will have to abandon their extreme demands

IN Athens, Ankara and Cyprus a chorus of disapproval—vitriolic, reasoned or simply pained—has been provoked by the new British plan for Cyprus. Any other first reaction would have been surprising. No one, least of all Mr Macmillan or Sir Hugh Foot, supposed that the proposals were a magic formula that would immediately dissolve Cypriot discontents and launch the island on a new era of peace and reconciliation. Indeed, enthusiasm might have been dangerous; for if one side had welcomed the plan the other would have turned it down flat. As it is, both Greece and Turkey have rejected it (the Turks less decidedly than the Greeks), but both in reasonably moderate terms which do not rule out further negotiation. Moreover, in the island itself, while the air is full of verbal protests, the sounds of gunfire, bombs and breaking windows have been muted; there have been some scattered incidents, but so far the proposals have not sparked off renewed terrorism or fresh outbreaks of communal violence.

Perhaps inevitably, the first instinct of both Greeks and Turks has been to judge Mr Macmillan's "adventure in partnership" by the likelihood, or lack of it, that it can be made to advance their mutually incompatible ideas on the final disposition of the island. By this yardstick, the plan for an interim period of self-government on communal lines, under British sovereignty but with Greek and Turkish participation, appeals more to the champions of partition than to the defenders of enosis—even though it was the Greeks who used to be willing to contemplate an interim period (of fixed duration) of self-government under British sovereignty, while the Turks have lately clamoured for immediate partition. The Turks entertain the hope that what is, in a sense, political partition can pave the way to geographical partition. The Greeks fear that the Turks may be right. In fact, both are wrong. The British plan, whatever its imperfections of detail, is put forward as the best way of getting two temporarily hostile communities to settle down side by side to govern themselves, and as the most certain method of guaranteeing

the rights of the Turkish minority. Above all, it was designed to prevent, not to facilitate, the disruption, hardship and probable strife of a geographical partition. According to a report from our correspondent in Nicosia on page 1192, Sir Hugh Foot has been making great efforts to get this across.

Unless the Turks realise this, there is a danger that they may conclude from the provisions of the British plan that their policy of intransigence has opened the door to partition and that with only a few hefty heaves they can burst right through. The Greeks, for their part, feel, naturally enough, that far too much has already been conceded to the Turkish point of view. They should, however, remember that they themselves bear a good share of responsibility for the state of affairs that makes something like the British plan seem the only practicable way out of the deadlock. If they had been prepared, in the relatively calm atmosphere of three years ago—as their prime minister, Mr Karamanlis, says they are now—to agree to an interim solution of self-government under British sovereignty, while postponing the issue of self-determination to "a more appropriate time," the present crisis might have been avoided. It is a tragic paradox that in rejecting the British plan today, the Greeks should have made the concession that once might have made all the difference to the peaceful evolution of Cyprus. But they cannot now turn back the clock several years and ignore what has happened in between.

NOR can the Greeks continue to ignore Turkey's legitimate stake in the island. They would be short-sighted to refuse to have anything to do with the British plan merely because it acknowledges, and provides for, Turkish interests in Cyprus. Those interests are a reality, whether the Greeks accept them or not, and it is one of the advantages of the British plan that, while providing for them, it also confines them within reasonable bounds. Enosis, by excluding the Turks altogether from any sovereign status in the island, might provoke them into seizing the whole—and they are only forty miles from Cyprus, while the mainland of Greece is 500 miles away. Partition, too, to judge by the unofficial plans that have been put forward (and it is hard to conceive of any very different) would end by giving the Turks a disproportionate share of the island.

It is quite plain, however, that no arguments in favour of giving the British plan a fair trial, whether addressed to the Greeks or to the Turks, will make any effective impression so long as each side still insists that the ultimate goal of Cyprus must be either enosis or partition. The Greeks will not try to make communal autonomy work so long as they believe it to be the first step to partition; the Turks will continue to insist on partition so long as they believe the alternative to be enosis. For this reason the Labour party's attitude, which is being unfolded in the Commons as we go to press, may be of paramount importance; the plan will be a lost cause if hopes or fears are fostered that a Labour government would settle for enosis.

Neither side in the quarrel need necessarily beat a public retreat from its present advanced, and indefensible, position. Necessary or not, a public retreat now would probably not be possible either for the Turkish or for the Greek government; they are both, for different reasons, in trouble on their domestic fronts. Mr Karamanlis, it must be remembered, who is easily the best Greek prime minister we have, is under heavy fire from the Opposition for what appears to Greeks to be the moderation of his Cyprus policy. (The British Government should sympathise with these difficulties. Its own Cyprus policy has been persistently hamstrung by sensitivity to its Suez rebels, who have decided this week that the Government's policy towards Cyprus shows sufficient regard for British prestige and power to allow them to return to the fold.) But what is essential is that each side should in fact privately give up its extreme demand (for enosis or for partition) and above all that each should convince the other that its renunciation is genuine. This is indeed a tall order, perhaps too tall. But with the help of the British Government and with the good offices of the Nato powers as a group, the Greek and Turkish governments could just conceivably be persuaded first to discuss the plan as a practical proposition and later to join in, at least experimentally.

The plan, it is true, has disadvantages. Its provisions for self-government over the next seven years are complicated and will be far from easy to put into practice. It departs from the British tradition of giving dependent peoples a free and open choice of their future status. The seven-year trial period seems excessively long. But it does offer both Greek and Turkish Cypriots genuine links with their respective mother-countries. It does give them an opportunity of living in peace. And, although the Cyprus problem has grown into a major international issue, this, after all, is what it ought really to be about.

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NOTES OF THE WEEK

FRANCE

Capital of Curiosities

FRANCE has settled into an uneasy calm. Discussions on constitutional reform continue in Paris; the first anecdotes of General de Gaulle's personal conduct of affairs have entered into circulation. The progress of M. Pinay's loan suggests confidence, although it is still uncertain how much French money it will eventually lure back from abroad. Political life is trying to pick up again as best it can. Not the least curious performance of the past week was the evasive press conference called by M. Soustelle, the self-styled "witness" of recent events in Algiers. General de Gaulle's personal spokesman and Minister of Information, M. André Malraux, also contrived to meet the press and to avoid the main point. The literary committee of inquiry, including MM. Mauriac and Camus, which it is proposed to despatch across the Mediterranean promises to be a curiosity in itself. Apparently undismayed by their public eclipse, the Fourth Republicans are still exhorting each other to close ranks and fall in behind whichever of the old parties they themselves belong to. Upon this strange capital Mr Macmillan and Mr Selwyn Lloyd will descend on Sunday, to learn what is to be learnt.

Not all the news is frivolous. The general's government, which lifted the republican censorship as soon as it was installed in office, has now resorted to seizing the current issues of Paris's two liveliest political weeklies. From the provinces, particularly the south-west, where many of the French exiles from North Africa have settled in the past three years, there have come ominous straws in the wind. The poujadists have been busy, staging rallies where the name of the general has received the reverse of acclaim. At Pau and Auxerre there have been clashes between soldiers and left-wing demonstrators during ceremonies to mark the anniversary of General de Gaulle's first appeal from London on June 18, 1940. In Toulouse the editor of the Radical newspaper, the *Dépêche du Midi*, has reported attempted interference by members of the local committee of public safety, and the sale of the newspaper in a barracks nearby has been forbidden by the army commander. These are ugly signs of a spreading state of mind. The men who seek to profit from the weakness of French democracy are taking up their stations.

NORTH AFRICA

The General's Return

GENERAL DE GAULLE returns to Algeria on Wednesday; his purpose this time will not be served by oratory alone. Policy talks with the army's leaders, who still show every sign of preferring an intensification of the war to the search for a negotiated settlement, will provide an early test of his influence and political strength. Algiers itself seems to have become nervy at the thought of the approaching decisions. Voices have been raised within the Committee of Public Safety against the withdrawal of French troops in Tunisia into Bizerta, and against recognising the general's republican travelling companions, particularly M. Guy Mollet. The committee's last secret conclave emitted cries and sounds of forceful disagreement, but no communiqué. Its temper cannot have been improved by the knowledge that a band of Moslem women, whose emancipation is, according to M. André Malraux, one of the greater glories of *l'Algérie française*, had decided to demonstrate in front of General Massu's prefecture for the release of imprisoned rebels. The promise of a limited amnesty appears to have been taken literally.

The outcome of the Maghreb conference in Tunis showed a net gain for General de Gaulle's diplomatic concessions to the Tunisians and Moroccans. The Algerian rebels have not been able to announce their allies' approval for the formation of a government-in-exile, although FLN spokesmen in Cairo promptly affirmed that this was only a matter of time, and issued a ministerial list. This Cairo cabinet, however, does not include a prime minister; M. Ferhat Abbas, who might have been thought a strong candidate, is made responsible for the press and information. The Tunisians, to whom the French ambassador has now returned after a five-months' disapproving absence, emphasised that section of the communiqué which seemed to suggest a renewed effort by Tunis and Rabat to mediate between the French and the FLN, a step back from the unqualified support given to the FLN by the Maghreb parties at Tangier.

A correspondent in Tunis reports that a suggestion by General de Gaulle for a meeting between himself, the King of Morocco and President Bourguiba in Paris next month has already been accepted in principle by the North Africans. This initiative, which has American support, may not be unknown to M. Ferhat Abbas himself. Clearly it might bring to a head the decisive unresolved question between General de Gaulle and his supporters in Algiers: is an Algerian settlement by negotiation to be sought or not?

PARLIAMENT

No Dissent on Cyprus?

THE new Cyprus plan has set the Labour party a genuine problem to which its leaders seem to be reacting responsibly. The debate on the plan was taking place while this issue of *The Economist* is going to press. At the preceding meeting of the parliamentary party it was decided not to force a vote; but a minority of backbenchers may make trouble. Labour's difficulty arises from the fact that their official party policy calls for self-determination, and this is firmly excluded from the new plan. One section of the party has argued from this that Labour should flatly oppose the new plan. But the party leaders recognise that, whatever they may think is the ideal solution, the present one is probably the only hope in the situation which has developed both on the island, and between Greece and Turkey. They still think that had the Government acted more generously in the past, the present deadlock need never have been reached, but they agree that, given the deadlock, the only alternative to the present plan, or something like it, is chaos and bloodshed—for which they would share responsibility if it was felt they had either encouraged the Greeks, or provoked the Turks, by holding out the prospect of self-determination the moment Labour achieved power. The mood of the Labour leaders, therefore, is to dwell at length on what they regard as the Government's past shortcomings, but broadly to accept the present plan as an interim compromise. In taking this stand, they are fortified by their respect for the present Governor.

Labour backbenchers have not been made better disposed towards the new plan, however, by the fact that it has so pleased Lord Hinchingbrooke's little band of Tory Independents that they have chosen this moment to apply to have the whip restored to them. No doubt Mr Macmillan wishes they could have chosen a less embarrassing occasion to be reconciled to him, but the group is probably anxious to take the first reasonable excuse it can. Of the original group of eight, only four were of any weight, and three of these have since left it, isolating Lord Hinchingbrooke with four nonentities. The rebels save their faces with the formula that in the Oman affair last year, the Yemen affair this year, and now the retention of colonial status for Cyprus, they feel the Government is going "some way to halt the decline in Britain's prestige, influence and power, so manifest since the war." Mr Macmillan will hardly thank them for this pathetic little rodomontade, but for the sake of party peace they doubtless will be taken back.

EASTERN EUROPE

Warsaw's Deafening Silence

ALMOST throughout the satellite world the murders of Mr Nagy and his associates were greeted with a sickening chorus of approval and gratification. Only in Warsaw were they met by a deafening silence. No doubt the silence stimulated the rumours which have been going the rounds of the Polish capital. The most spectacular one—that Mr Gomulka is about to be replaced by a Stalinist because of his refusal to welcome the Hungarian murders—seems highly improbable. Mr Gomulka may well be under some pressure from the Stalinists within his own party. But the Russians cannot treat him in quite the cavalier way in which they deal with those of their east European puppets who completely lack any popular support.

Mr Gomulka, however, will lose his popularity among the Poles if he knuckles under to the Russians in an obvious way; his problem is to judge how far he can safely go in his independence. Mr Nagy's execution, which arouses strong feelings among the Poles generally (as well as, presumably, in Mr Gomulka himself), raises the problem in a particularly tricky form. Only in May Mr Gomulka went to Budapest and in effect gave his blessing to the Kadar regime; he is believed to have been given some assurances about Mr Nagy then. Reports from Warsaw now indicate that he has spelled out his attitude in a letter to his regional party organisations. In this he apparently said that he had no previous knowledge of the Hungarian executions; that he had not changed his views on Mr Nagy (which probably means that he still does not think Mr Nagy organised a "counter-revolution"); that he does not approve of the executions; but that they are to be treated as an internal Hungarian affair. Thus he maintained his independent attitude towards the Nagy affair while indicating that he did not intend to embarrass Moscow. Presumably he calculated that he could go thus far; a rather surprising article on the Polish Communists in the latest number of the Moscow *Kommunist* suggests that he reckoned he could count on Russian tolerance in one quarter, at least.

Marshal Tito Pulls No Punches

MARSHAL TITO is lucky enough not to have to make these careful calculations. No punches were pulled in the Jugoslav Note delivered in Budapest this week. It protested strongly against Mr Nagy's treatment and against the breach of agreement involved in his seizure in November, 1956; questioned the validity of the charges against him; expressed the suspicion that the Hungarian government was not a free agent; and rejected Hungarian allegations that Jugoslavia had helped to instigate the Hungarian rising. As the Note points out, similar allegations were made against Jugoslavia at the time of the Rajk trial and were later admitted to be a pack of lies.

The Jugoslavs have been suggesting in their press that the attacks on themselves and the fate of Mr Nagy are both really a part of a Stalinist campaign that is raging throughout eastern Europe. To the Jugoslavs their "revisionism" is a "more comprehensive and freer socialist development." At last week's Czechoslovak party congress it was flatly equated with treason, and the Jugoslavs found themselves competing with western imperialists as the chief target of abuse.

DISARMAMENT

No Summit for Boffins?

UNTIL Tuesday it seemed reasonable to expect that talks would duly begin at Geneva next week on means of supervising a suspension of atomic tests. A confrontation of boffins at the highest level was in the last stages of preparation. Sir John Cockcroft and Sir William Penney, flanked by distinguished American, Canadian and French nuclear experts, and supported by a squad of seismologists, stood ready to meet their Soviet and satellite opposite numbers. Admittedly the Russians had been dragged to this particular summit protesting all the way, but they formally agreed to come to the proposed rendezvous, and had even nominated some of their team.

On Tuesday *Pravda* suddenly declared that the refusal of the United States and Britain to suspend tests now made the talks futile anyway; and this utterance confirmed the fears of those western observers who had forecast that the Russians, even if they came to Geneva, would at any rate see to it that nothing useful was done there. But later the same day the Soviet government confirmed arrangements for the meeting, specifically agreed to Canada's participation, and nominated further representatives. Not until Wednesday did a shock wave, in the form of an official Soviet aide-memoire, hit the western capitals and confirm the political seismologists' gloomy interpretation of the meaning of the remote and obscure rumblings that had originated from Moscow earlier.

Mr Dulles quickly (and wisely) announced that American preparations for the Geneva talks would still go ahead, just in case. The Russians do not seem to be asking, in so

many words, for a suspension of tests in advance of the talks. They have asked, in rather obscure language, for a pledge linking the talks to a suspension, apparently regardless of what the experts' findings may be. This topsy-turvy tortuousness may very well, of course, be no more than a device for evading a discussion which might focus embarrassing attention on the fact that the biggest single obstacle to disarmament is the top-secret nature of the Soviet system. It is this difficulty that makes it vain to expect any practical progress in the general field of disarmament until the question of inspection has been properly explored. In view of the lack of exploration by the governments, it is perhaps the more heartening to be able to record that private initiative has been seeking to fill the gap. A detailed examination of some of the most vital aspects of inspection for disarmament has already been made by groups of scientists and other informed persons in America and Britain, and their findings, which will be published next month, may provide at least a starting point for talks at a higher level.

THE DRUGS BILL

Doctor and Manufacturer

In spite of all the concern that has been expressed about the rising national drugs bill, the truth is that the total (excluding the cost of drugs dispensed in hospitals) accounts for about the same proportion of the total cost of the health service now as in 1951-52. When the general rise in prices in this period is taken into account, as well as the rapid developments in drug therapy which have often been a means of saving hospital beds and medical and nursing time, it is perhaps surprising that the expenditure per head has not risen more. The interim report of the Hinchliffe committee on the cost of prescribing, which was published this week (HMSO, 9d.), says that "the increase in the total cost of drugs to the national health service is proportionately less than in other countries of Europe and the Commonwealth which have similar (but usually more restricted) systems of insurance." Nevertheless, the committee agrees that economies are possible, and its recommendations on how to achieve them fall into two groups—those aimed at the doctor and those aimed at the manufacturer.

So far as the doctor is concerned, the committee proposes that, first, information on the comparative costs of standard and proprietary drugs should be more readily available; second, more emphasis should be placed on instructing medical students in economical prescribing; and, third, more use should be made of the Ministry of Health's regional medical officers in advising established doctors on developments in drugs and in comparing one doctor's prescribing habits with another's. No one is likely to object to these recommendations.

More controversial is the proposal that drug manufacturers should be compelled by legislation to show the price of their products in the advertising literature sent to doctors. The industry's association already recommends this to its members, but some firms fail to do so, with the result that doctors cannot know the cost of some of the new drugs. The committee's other main recommendation for the industry is that the British Pharmacopœia Commission should give an "approved name" to a new drug before it is marketed. At present a year or two may elapse before it does so, by which time doctors have got so used to the proprietary name that when a similar but cheaper drug becomes available they may not prescribe it. If a doctor is familiar with the approved name from the beginning, he is more likely to use it on prescriptions. Most drug firms already apply immediately for an approved name. But they will not accept willingly the further proposal that the approved name should be given on all the literature and labels as prominently as the trade name. They will regard it as asking them to cut their own throats.

DOWNING STREET

Propping Up the Past

The report of the Committee on the Preservation of Downing Street has given cartoonists hostile to the government an excellent theme at an arid time, and everyone else seems to have accepted its recommendations with little comment. Presumably, therefore, they correspond to the country's predisposition to embalm its political institutions in historic edifices however obsolescent. After making what on practical ground seems an overwhelming case for demolishing Nos 10, 11 and 12 Downing Street and replacing them with a good modern structure adequate to the needs of a type of modern cabinet government which pivots on the life and routine of a hard-working well-organised chief minister, it comes down firmly and inevitably for modernisation behind a costly underpinning of the eighteenth-century exterior. The hull and historic rooms of these three houses, in no way architecturally remarkable and run up without the restraint of LCC regulations by a speculative builder over 250 years ago, are to be preserved; the upper storeys of No 12 which were lost in a fire in 1879 are—to put the matter frankly—to be faked on again; the rooms hallowed by tradition are to be preserved but given safe floors, and the rest is to be modernised so that the prime minister's staff will have something approaching tolerable offices to work in, in the numbers needed, with mod. con. which are modern, not circa 1880.

It was high time, of course, that something was decided. Aside from the fact that it costs £8,000 a year to keep these houses from falling apart, and even this will not keep them standing much longer, they are at once pitifully inadequate to a prime minister's needs, and fairly heavy on his private purse. There are not enough offices for staff, and any overflow pushes them into gilded but dust-sheeted bedchambers or embarrassing proximity to the prime minister's family's private life. The prime minister's wife, cabinet ministers, friends of the family, journalists on their lawful occasions all use the same front door, and sometimes become involved in comic contretemps in the vestibule. The place is a fire trap, and the size of parties must be tailored to the floor joists as carefully as making up an airliner's load. For £400,000 much of this can perhaps be remedied, as the committee proposes, but the result is unlikely to be really satisfactory, and it is a fair guess that it will quickly become inadequate again. A new house, combining cabinet offices, labour saving official residences, self-contained suites for guests, and preserving historic interiors *à l'américaine*, would cost little if any more and be far more comfortable and efficient for everyone. But it would not be Downing Street as the world knows it, and in the present condition of British architecture, it would probably be an eyesore too. In such an instinctive process as British party government it may be right to

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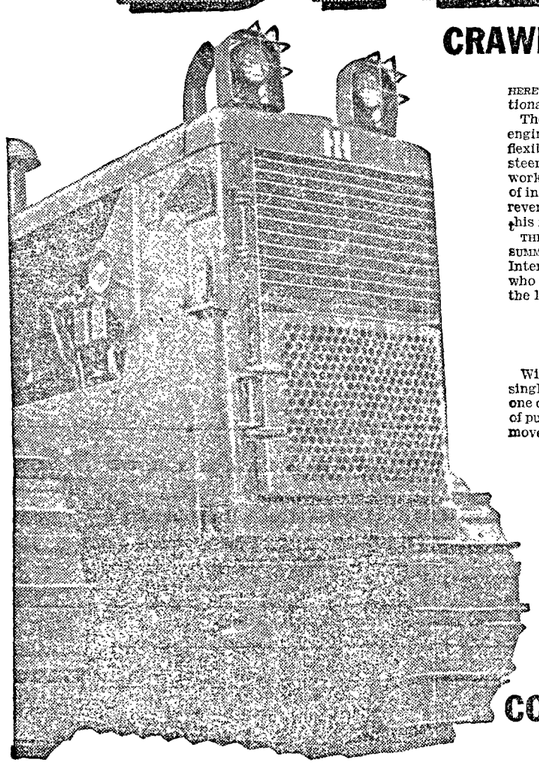
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SOVIET UNION

Two Newcomers

THE presidium of the Soviet Communist party, successor to the better known *politburo,* is the leading party organ in the Soviet Union. Its size and shape change frequently nowadays. Two years ago, after the party's twentieth congress, it comprised eleven full and six alternate (or "candidate") members. Now, after the expulsion of some old-timers and the wholesale inclusion of Mr Khrushchev's colleagues from the secretariat, the figures have risen to 15 and 10. Last week's reshuffle, bringing in Mr Podgorny and Mr Polansky as alternate members, is relatively minor. Alternate members attend meetings in a non-voting capacity; they also deputise for absent members.

Both newcomers owe their promotion to the offices they hold. Mr N. V. Podgorny is first secretary of the Ukrainian party (a post he inherited from Mr Kirichenko in December). He is thus an addition both to the number of Ukrainians, and to the number of Mr Khrushchev's former associates, in the top leadership. Mr Khrushchev was head of the Ukrainian party until 1950. Mr D. S. Polansky has been a party member for only 19 years, but he was promoted in March to the premiership of the Russian Republic—a job which has changed hands several times since Stalin's death—and this function has carried him into the presidium.

Loyalty to Mr Khrushchev, national representation, and the holding of certain important offices seem to be the criteria for promotion to the presidium. But more sweeping changes are likely. The new agricultural reform was probably not carried without opposition and the critics may soon pay for their attitude. The apparent switch in foreign policy and in policy for the Soviet block will not be complete without a much bigger shake-up in the Soviet leadership. The latest reshuffle is not the last.

GHANA

Uncrowned Republic?

DR NKRUMAH'S announcement that Ghana would become a republic within two years, and probably very soon, will not occasion much surprise, and perhaps there is not much point in taking offence at his selection of Cairo as the place in which to give the Crown notice to quit. This merely suggests that he has little else of interest to his hosts to talk about. His idea of the status of the Crown, or rather the dangers of its ancestral associations for Africans, was shown clearly enough in the early days of independence, when his treatment of the governor-general's office and dignities and of the British national anthem, and the appearance of his own effigy on stamps and coins, made many people wonder what sort of a governor-general he would get in succession to Sir Charles Arden-Clarke. But it ought to be recorded that since that period, which after all merely tele-

Elegance on Show

THIS week one of London's most sumptuous annual trading fairs, that of the antique dealers at Grosvenor House, came to an end. Eighty firms have vied for the attention—and the purses—of some 24,000 visitors, competing not only in the rarity of their wares, which include jewellery and paintings, but also in the subtleties of stand-lighting and exotic flower arrangements in wine-coolers and magnificent silver and gilt bowls. The fair's turnover is not known: a piece, when sold, is replaced by another, but nobody encourages statistical busybodies to record the deal.

A visitor who was heard by your correspondent to inquire, of some jewellery which seemed to sparkle too much, "Is it real?" produced a stunned silence. For this is the world of genuine antiquity, to the best ability of a committee of experts who vet each exhibit and concur that it was made before 1830. Genuineness, needless to say, has its price—over £200, for example, for a small kettle table (a reproduction sells for £3 to £4), and £1,250 for a George II desk on which only a year ago a cook had made pastry in one of the stately homes.

Business at the fair was apparently quieter than last year but by no means catastrophically so. American dealers were fewer and more cautious, partly because of the recession and partly because Americans can buy nowadays more readily at home as sales there multiply. But the American market is not as dominating throughout the trade as is popularly supposed: one of the top West-end dealers in antique furniture reckons that it accounts for only one-sixteenth of his turnover. Another commented that in the last two years the transatlantic demand had been overshadowed by the continental market. But the trade this year has missed the French custom, cut off by import restrictions and exchange control. The Italians, however, seem to have bought much as usual, as also—on a smaller scale—have the Portuguese and Spanish.

It is the trader in the ordinary run of unexceptional antiques that has felt the draught. This, however, is the bread-and-butter trade of the majority of dealers in the country. The mark-up which one dealer can hope to make in buying from another has almost certainly been reduced. To many of the smaller dealers, stock-carrying has been a serious problem on a reduced turnover. The cut in overdraft charges will have given them some relief.

But fine antiques are still considered a good hedge against inflation and the market for the rarest seems as firm as ever—"flourishing," is how one dealer described it. The difficulty these exclusive dealers have in finding the goods continues to grow and although their agents scour the countryside, sales of the kind they want are getting fewer. This has its advantage: within the category of fine antiques there are many distinctions of grades and the shortage now in this country of the most distinguished pieces has appreciated the value of the next best thing. This week, however, the dealers have been kept busy at Christie's auction-rooms where treasures of all kinds from the world-famous Chatsworth Collection came on the market.

At the first day of this sale, which was said to have gone well, fifty-eight lots of silver fetched £36,628. The experts usually find some surprise in big sales of this kind, an unexpectedly low or unexpectedly high price—such are the vagaries of the antiques world. According to the auctioneers, such ups and downs cancel each other out in the long run and sales have been averaging out year by year much the same. There is no sign of weakness in this top market.

ceped into a few weeks the treatment meted out to the Crown by the South African government over five years, Dr Nkrumah has been meticulous in ensuring that the governor-general shall be accorded the respect due to his office as the Queen's representative and as head of state; nd during the recent conference of independent African tates in Accra, he insisted that the governor-general should grace all the state occasions and take the salute at the eremonial march past. He made no secret of Ghana's ies with its British past, nor any excuses for his intention o keep British advisers, officials and technicians in his ervice. In Cairo this week he has emphasised that Ghana vill stay in the Commonwealth, like India; and like Mr Jehru, he is known to value his many personal friendships n Britain. He certainly hopes the Queen, either as Queen if Ghana or simply as "Head of the Commonwealth," will ome to Ghana next year.

But he has always insisted that respect for "African ersonality" requires a break with the imperial tradition. He may, too, be thinking in terms of an *Anschluss* with French Togoland, and of election cries for the future. But t is now more to the point to ask what sort of a republic ie will set up when the constitution is reviewed (which can ie done now the five provincial assemblies are being ormed). Will it be on the American model, which in Liberia, as in Latin America, tends to exalt the office of he chief executive towards dictatorship, benevolent or otherwise? Such a change would be drastic; and Ghana, like India and the other Commonwealth republics, is more likely to end with a parliamentary system of the British type, crowned by a presidential top hat. This is quite a symbol of authority in Africa, anyway. But if it confers dignity without power, it is an open question what eminent Ghanaian will want to wear it.

DEFENCE

Mobile Reserve

THE services' long-heralded mobile reserve, or "bushfire force," was set in movement last week. The 16th Independent Parachute Brigade Group and the Royal Artillery Field Regiment were moved from Britain to Cyprus with their ancillary troops in four phases spread over six days, followed by the 1st Guards Brigade who were delivered in Cyprus in four days. The Parachute Brigade and ancillaries consisted of approximately 3,000 men and 181,000 lb of baggage, a total airlift of about 380 tons; the 2,000 guardsmen and their 172,000 lb of luggage weighed 280 tons. The operation was not a "crash" one; it was no doubt phased to be as economical as possible and to take account of the limited airfields in Cyprus. It required, over the ten-day period, 5 Comets, 22 Hastings and 7 Beverleys of Transport Command (the first two lifting about 4½ tons per trip and the latter about 8 tons) and 20 Shackletons of Coastal Command carrying 3 tons per trip, England-Cyprus. It therefore in no way took up all the aircraft available, since RAF Transport Command has a squadron of Comets, i.e., ten of them, fifty Beverleys and a greater number of Hastings.

Since the troops were being moved to bases where equipment is stored, however, it was not necessary to fly their heavy equipment with them, as it might be to areas where no such dumps exist. Thus they did not take with them their 3-inch mortars which weigh 136 lb each, with 74 lb in addition per four-shell pack. Again, all the planes, other than the Comets, broke their journey at Malta, which reduced the proportion of their payload required for fuel. The Beverleys, for example, were carrying 80 men to Cyprus with two refuelling stops (France and Malta); on an uninterrupted flight they would only carry 30 to 40. It is therefore not possible to read off from this experience exactly what, if pushed, Air Transport Command is now capable of landing in the way of a fully equipped force at any trouble spot. The answer must depend on the distance of the area from Britain, the degree of full equipment, the rate of delivery, the use to which the force would be put, together with other independent variables. Five days' rations for the paratroops moved this week would weigh nearly 30 tons or 7 Comet-loads, and 200 rounds of small arms ammunition per man another 18 tons or 4 more Comet-loads. Working back from a brigade's vocabulary of stores it is clear that Transport Command with its present planes would have its hands full in landing even the paratroop brigade anywhere that lacked stockpiles large enough fully to receive, provision and equip it. Military logisticians, playing war-games with the aid of computers, are far from thinking that the age of the big airborne force has arrived. But in terms of short distances, such as between Cyprus and Lebanon, it is clear that Transport Command is in a position to act far faster than at the time of the Suez crisis.

BELGIUM

Moving Out of Stalemate

THE political air of Brussels has been lightened by two events this week. The assembly of the three European communities has voted for Brussels as seat of the new institutions, favouring it by a narrow margin over Strasbourg or Milan. Belgium, too, now has a government, after four weeks without one. The political stalemate left by the elections on June 1st has been resolved for the moment by the formation of a Christian Social (Catholic) cabinet under Mr Eyskens.

Uncertainties surround both developments. The elections, which brought down Belgium's previous coalition of Liberals and Socialists, gave the Catholics a majority in the senate, but in the lower house they are still in a minority. Their new government will be opposed by the Socialists. It will depend for its survival on Liberal abstentions. A broader coalition still seems necessary to give stable government.

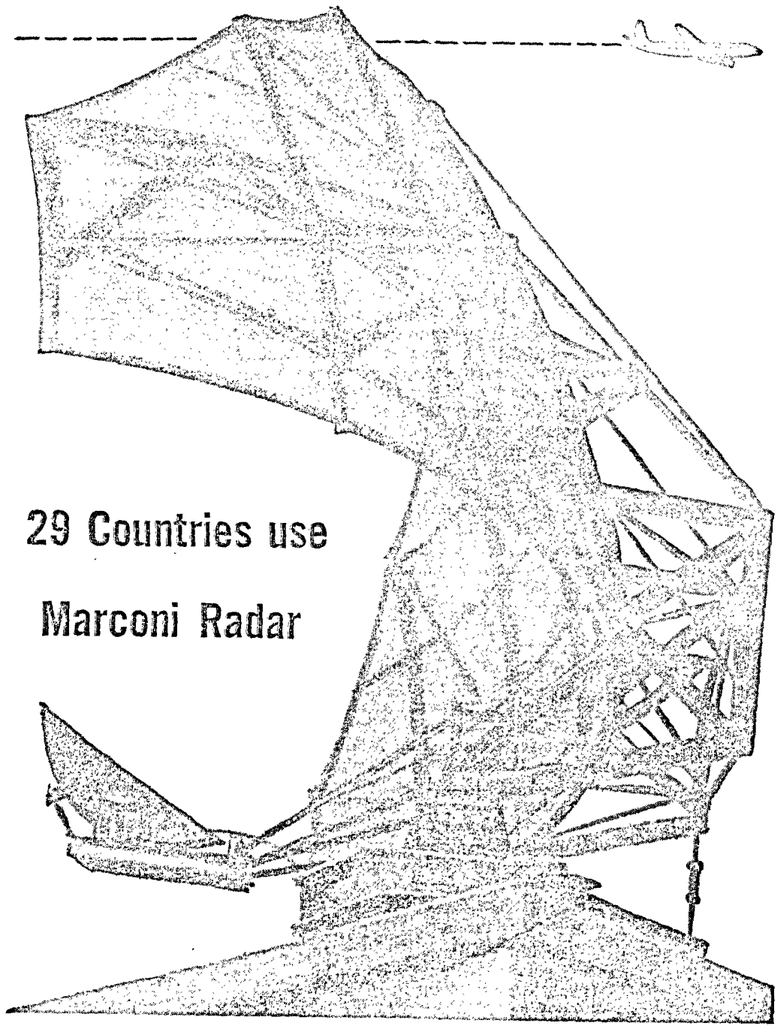
The final choice of "capital" for the European communities still has to be made by the ministers of the six member countries. The odds certainly favour Brussels; and the executive bodies of the communities, which are to merge closely together, are already settling there.

MY FAIR LADY

Under the Counter

WHEN *My Fair Lady* opened at the Drury Lane Theatre on April 30th it was the immediate success which had been expected of a show that had grossed $7.3 million in a two-year run in New York—and that may bring in only a little less here. The value of tickets sold before the play even opened was estimated at over £350,000; and the most popular seats, the stalls and grand circle, are now sold out until next January. With luck, of course, it is

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possible to get returned seats at the official prices, especially from agents in the provinces; and this week some tickets for matinée performances were still available from the theatre for late July. But for people who want to make sure of an evening ticket in the near future, what is pejoratively called the black market has moved in.

It operates through two main channels: by advertisements in the papers, and by pedlars outside the theatre door. Since April 29th the personal columns of *The Times* have carried notices to sell 315 seats, to buy 665 and to exchange 364. A typical notice in *The Times* to sell four seats would cost 35s. to insert; the original price of the seats would probably be £5 for the four; and the average price being secured seems to be around £5 each. Thus, against costs of £6 15s., the lucky advertiser would get receipts of £20, a profit of 200 per cent in a few months.

Who are the men engaged in this lucrative trade? An idea of this can be gained from a talk with the groups of men who sell seats outside the theatre before every performance. They are barrow-boy types, asking ridiculous prices (£12 10s. a stall) at first, but ready to bargain. They had little difficulty in evading the quite stringent limits imposed by the theatre on the number of seats which could be bought by any one person from the box office or by post; a number of accomplices applied for the tickets and these were pooled later. The market has become uneasy recently because of rumours about forged tickets, but one man indicated that, nevertheless, business was excellent. He had been selling hard and still had over 100 seats left for June and July performances, while some of the profits were being re-invested in tickets for later in the year. Moreover, the willingness of some of these sharpers to offer a "package deal" of seats for *My Fair Lady*, Wimbledon and Covent Garden make it clear that the market is organised on a substantial scale.

Many may think this unethical, but it is not illegal. And the really surprising thing that emerges is that more people have not tried to make more money out of a play that was, on American experience, assured of an overwhelming success (in New York the open market price for a good seat was around $50 for much of the first year). Drury Lane did raise its prices slightly for this show; but it is quite clear that it could have aimed much higher and, for the first three months, say, have doubled the prices of some seats for evening performances. Would people have found this more "shocking" or "unfair" than the present inevitable unofficial transactions? Why is it that all branches of the entertainments industry, much of which is in severe financial straits, are so averse to moving their prices competitively both down and up to what the market will bear?

Justice in Moscow

SOVIET justice grinds exceeding sure; its purpose is the protection of the state interest, not least in issues of trade relations with the outside world. A reminder to western governments dallying with the idea of improving east-west trade, and to the companies who sign contracts with Soviet trading corporations, of the remorseless state mechanism to which they must entrust themselves has just come from a decision by the Soviet foreign trade arbitration commission in Moscow. Last week, in the most important case to come before it in its twenty-five years' existence, this Soviet tribunal rejected an Israeli company's claim for more than $2 million damages for breach of contract by Sojuz Neftexport, the Soviet trading corporation for oil.

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In November, 1956, immediately after the Israeli invasion of Sinai, the Soviet oil corporation told two Israeli companies that export licences for the remainder of the year had been cancelled by the Soviet Ministry of Foreign Trade, which had also refused to grant licences for 1957 and 1958. In a diplomatic note Russia said the cancellations were a direct consequence of the aggression against Egypt. The original agreement under which Israeli companies imported Soviet oil was signed in 1953; the contract was renewed in the following two years, and earlier in 1956 agreements were signed for the three years 1956-58. In all, Israel was receiving some 30 per cent of its oil supplies from the Soviet Union at the time of the rupture. The seriousness of the loss and the difficulty of replacement from other sources at that time meant considerable damage to the Israelis. Their total claim against the Russians has not been made known. In the one contract fought as a test case before the Soviet court, the claim for over $2 million concerned some 131,000 tons of fuel oil, one-tenth of the total quantity to be replaced.

The Israeli decision to take the Soviet trading corporation to law was an unusual step (whether or not any Jugoslav concerns that may have suffered as a result of the present breach of relations between Moscow and Belgrade will think of doing the same remains to be seen). The Israelis were no doubt aware of the implacable nature of the Soviet system, but they clearly believed they had a case in Soviet law, and that the testing of the Soviet arbitration tribunal in a major dispute was well worth while. The Soviet argument seems to have relied on the *force majeure* clause in the contract. To this the Israelis replied that the Soviet corporation was, in fact, no more than a branch of the Ministry of Foreign Trade, directly controlled by the Ministry and transferring any surplus directly into the state budget. Hence it could be argued that because an organisation cannot exercise *force majeure* against itself, the corporation's claim that it had been compelled to break its contract must be invalid.

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The case illustrates the rigid principles on which Russia's foreign trade is conducted. The Soviet constitution lays down that foreign trade is a monopoly of the state, a monopoly conducted through the Ministry of Foreign Trade. Some twenty monopolistic state trading corporations exist. Primarily for accounting purposes, each has been given separate identity, but it has no legal will of its own and takes its instructions from the state authority. In addition, Soviet policy has been directed towards ensuring that arbitration in Moscow should be part and parcel of any contract signed with a foreign firm; Sweden is the one admitted exception.

To ensure favourable arbitration the Russians insist that contracts be made and signed in Moscow, that acceptances be received in Moscow and that payment be made within the Soviet Union. Only in exceptional circumstances, when the Russians want something badly enough, is this rule broken. If one trader digs his heels in, a competing trader can usually be found to accept the Soviet terms. Last year, when the Japanese tried to take a leaf out of the Russians' book and say that their trade would be conducted by a single corporation, the Russians replied that this was discrimination and wholly unacceptable. At the same time the Russians' publicity machine has steadily tried to build up a reputation for their own arbitration tribunal.

The Israelis found, however, that while their case was given a fair trial on the face of it, much was left to be desired in terms of western legal practice. There were twelve full sessions, argument was lengthy, Soviet lawyers gave full assistance and even voiced the Israeli case fearlessly in court. The introduction of expert opinion from distinguished western advocates was admitted. But when the Israelis demanded the calling of Soviet witnesses on questions of fact, the request was refused. On this much depended.

The case was thought at one stage to offer the Russians an opportunity to encourage trading relations with the free world by demonstrating the fairness and legality of their tribunal. But it seems that its reputation hitherto has been based on minor points, such as the quality of goods, responsibility for delays in shipping, and not on questions of legal principle. The puzzle remains whether the Soviet decision in the Israeli case was made as a matter of policy or whether, in fact, the Soviet legal system itself inevitably produces such a result. In either case the warning is plain enough.

CEYLON

An Island at Loggerheads

DEMOCRATIC liberties have now been suspended in Ceylon for a month. On Tuesday the Commonwealth Press Union was moved to protest to the prime minister, Mr Bandaranaike, against a total censorship of both news and comment "almost without precedent in a Commonwealth country in time of peace." On the same day, when the governor-general read the Speech from the Throne in Colombo, only the officially approved accounts of the parliamentary proceedings were allowed to be published in Ceylon or transmitted abroad. The government argues that freedom of the press might rekindle the communal passions which led to bloody clashes between Sinhalese and Tamils in late May, before the present state of emergency was imposed. But the lowering of this curtain of silence has inevitably produced a crop of wild rumours and almost equally alarming but apparently well-founded reports.

Since the troops were called out to restore order, the wave of murder, looting and arson that was sweeping the country seems to have abated, but there is no way of verifying the official claims that calm now prevails. And whatever the government's real intentions may be, the effect of its actions (and inactions) has undoubtedly been to spread such fears in the Tamil areas that many people there have looked upon the army as one of occupation rather than protection. Mr Chelvanayakam and the other Tamil parliamentary leaders of the Federal party have been kept under house arrest, and the party itself has been banned. Despite Mr Bandaranaike's appeals for restraint on all sides, the Tamil minority seems unhappily convinced that his government is either unable or unwilling to curb the militant partisans of Buddhism and the Sinhalese language.

Now two further disquieting developments are reported. European residents in Ceylon, and members of the Moslem and Burgher communities (the latter trace their descent from early Dutch and Portuguese settlers), have been receiving threatening leaflets which warn them to leave the island to save their lives. And in southern India, in the Tamil state of Madras, separatist groups whose activities were already worrying Delhi have taken up the cudgels on behalf of their fellow Tamil speakers in Ceylon. Agitation has even been started for the carving out of a new sovereign state embracing the Tamil areas of both India and Ceylon. Mr Nehru's government has reacted to this inflammable situation with praiseworthy caution. Mr Bandaranaike's might be well advised to follow suit.

EURATOM

Marriage of Convenience

THE infant European atomic energy authority has been given a start in the world by the proposed agreement with the United States announced on June 24th. It provides for a joint ten-year programme of research and reactor development costing $100 million in the first five years and financed on a fifty-fifty basis; and for the construction in Europe of about a thousand megawatts of power capacity by 1963 at a cost of $350 million. America will contribute $135 million towards this programme in the form of credits which Euratom will re-lend to the power or construction companies which are doing the work. The supply of fuel—at the low American domestic price—is guaranteed for twenty years; and America will buy up any surplus plutonium which is produced as a by-product. Most important, the Americans have agreed to leave to Euratom itself the task of inspection to ensure that fissile material is not used for warlike ends.

A fair assessment of what the agreement may mean in practice requires a good deal of imagination. It has not yet been ratified by Congress. Since the reactors using enriched uranium which are envisaged are not yet commercially viable, it is not very easy to tell what part they will play in the end in the supply of power to Europe. A thousand megawatts of capacity seems a meagre figure beside the 15,000 megawatts set as a target for Euratom by its three wise men last year. The community has in any case announced that that target will probably not be realised by the date they suggested—1970.

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Yet the new partnership has great potentialities. The agreement may well be ratified by Congress within the next two months. And both the research programme and the pilot plan for nuclear power could expand in time into something much bigger. The agreement should give Euratom a capital fund of cash and know-how enabling it to exert a powerful formative influence on the power programmes of member countries. America, for its part, would gain a testing ground for its reactors on a commercial scale as well as a foothold in the European market. Common commercial interest as well as political sympathy has inspired the agreement.

It is good news that friendly contacts have been made in London with Euratom representatives—the first step towards the negotiation of an agreement between Britain and the new community. As the only country that can offer atomic power stations over the counter today, Britain is at present in a strong position to dictate commercial terms to European countries that want atomic power soon. But Euratom's officials, fortified by the American agreement, believe that they too will soon have something to offer. In negotiating the terms of a lasting association with Britain, they feel that time is on their side.



LETTERS

Higher Education

SIR—Your recent articles on education show clearly the urgency of providing adequate facilities for higher education in the United Kingdom. In an examination I have made of the economics of this subject (shortly to be published) I have reached the conclusion that a comparatively large number of people are given higher education of a sort, but much of it is of a distinctly low quality. There has grown up a deep division between "university-type" institutions and the others—especially training colleges—which is not found abroad, and which cannot be justified by its results. The pressure to take up the small number of university places puts tremendous pressure on the grammar schools, with the narrowing and overburdening of the curriculum that all of us—schoolmasters and dons—lament. Those who do not go to universities have to take up a heavily vocational and restricted kind of course. This is especially the case in teacher-training colleges.

For men, the establishment of Colleges of Advanced Technology marks a break in this tradition of separation between universities and the other institutions. For women, however, who form over three-quarters of training-college students, the division still exists. In 1944 Professor Lauwerys suggested that the time was at hand to break the tradition for them. Let us abolish teacher-training colleges altogether, and replace them with liberal arts colleges catering for men and women and linked to the Colleges of Advanced Technology, providing a broad course for two years, and a vocational course in the third year for intending teachers, secretaries, social workers and other specialists. This policy would be little more expensive than adding to the number of teacher-training colleges, and it would open them up enormously.

The provision of adequate facilities for higher education is the most exciting social prospect in Britain today. It is one worthy of close attention. The Labour party, for example, has suggested a royal commission on universities. Surely, this should be on higher education as a whole. Further, the Labour party has decided to leave technical colleges in the hands of local government. This is a sure way of preventing the growth of the academic freedom which the University Grants Committee fought so hard to obtain for "civic" universities in the early nineteen twenties. A grants committee for Colleges of Advanced Technology and Liberal Arts could achieve wonders, and the cost would not be great.—Yours faithfully,

Oxford JOHN VAIZEY

Why Prices Rise

SIR—I am sorry to disagree with my old friend Lord Pethick-Lawrence, but his letter supports the mistaken Socialist view that higher prices are not mainly due to the action of trade unions in raising wages. No one wishes the wage-earner "not only to forgo a rise in his standard of living in a rising economy but to suffer an actual reduction owing to a stationary wage with rising prices."

In the ordinary way prices fall after a war, because people get back to productive work, instead of destructive. After the Hitler war prices have continued to rise because the trade unions have demanded annual increases of pay. In the world as a whole prices have risen less than here; indeed we are warned of the effect of lower prices on the primary-producing countries.

Surely everyone can see that higher wages for miners mean higher cost of nearly everything which has to be made or transported, with dearer coal, gas and electricity. Note, too, that a grant of higher pay to any large body of men means more money in the market competing for goods, with a consequent demand for higher pay all round.—Yours faithfully, J. E. ALLEN

Cambridge

Household Economy

SIR—My experience as a mother of two children below the age of three suggests that Mr Colin Clark, in one respect at least, is not so wide of the mark in his discussion of the value of housewives' services as your comment suggests.

You dispute whether the amount of work varies with the number of children. It seems to me that on the contrary something like the electoral cube root law holds—work increases faster than the number of children.

The wear and tear through attempting the impossible task of dealing simultaneously with the needs (real or fancied) of a child in the near crawling stage, and circumventing the malevolent designs of a toddler upon the herbaceous border or the dining-room wall-paper is a good deal greater than the mere sum of the work entailed by dealing with these problems separately. Economies of effort through scale are hard to achieve because the children's wants are often different, if not opposed—except for the major instance when they enter upon an unspoken (and unspeakable) alliance against their mother.

One of the principles of management, not unchallenged it is true in its most rigorous form, refers to a man's "span of control"—the number of subordinate managers he can competently supervise, said normally to be only five or six. In the case of children, less inhibited by convention or fear of the sack, the rot sets in far earlier, in fact as soon as there are more than one. With children, too, the usual device of delegation is ruled out as the solution.

On the other hand, one must agree with your general point. Who ever thought that rates of pay even roughly indicate the value of work done?—Yours faithfully, MAUREEN CRAWFORD

Bristol

Banking Unions

SIR—Your issue of June 14th refers to the booklet "A Giant's Strength," a study by the Inns of Court Conservative and Unionist Society, and your article refers particularly to strikes and the closed shop.

The National Union of Bank Employees has a strike clause which precludes such action without a ballot of the whole of the membership and although the clause is there, such action has not been contemplated. It is however a protection for the members, for the banks and the public. This union believes in 100 per cent organisation, but not the "closed shop" as usually understood; though some banks have in the past practised the closed shop in relation to their own internal staff organisation and, indeed, practise it now in respect of any change of employment as between banks.

Your article, however, did not touch upon recognition about which thoughts appear in the booklet referred to, and in which splinter unions are said to be the main cause of the problem of non-recognition. That cannot be said to be the reason for non-recognition of the National Union of Bank Employees by the banks, for we have been in existence for over forty years and have a substantial proportion of bank employees in our members and, indeed, in some banks a majority of the staff. Apart from Barclays Bank—the biggest of those which recognises the union—let us look at the Midland Bank where, after the formation of the trade union, an internal staff association was formed and dissolved by a vote of its membership in 1951. But in 1953 with the bank's endorsement another internal association was formed and recognised at once. It still has less members than NUBE in the Midland Bank and yet the injustice of non-recognition of the union still persists.—Yours faithfully, T. G. EDWARDS

National Union of Bank Employees, S.W.1

British Drivers Abroad

SIR—Your suggestion that British motorists who take their cars to the continent may be able to dispense with their "triptyques" will cause dismay. One of the reasons for continental travel will vanish. The removal of this evidence of their "U" standing would leave unexplained the arrogance and bad driving so prevalent among them.—Yours faithfully, L. S. DAWSON

Bramhall

BOOKS

Financing the Bolsheviks

Germany and the Revolution in Russia 1915-1918

Edited by Z. A. B. Zeman.
Oxford University Press. 157 pages. 25s.

THIS volume contains a selection of a hundred and thirty-seven documents extracted from the German archives which were captured during the war. Mr Zeman's aim is to give a picture of the policy of the German government towards the Revolution and of some of the information available to it on what was happening inside Russia. Since the documents here reproduced form only a small fraction of the total contents of the relevant files, it is unfortunate that Mr Zeman gives no indication of the basis on which he made his selection or of the contents of the remainder. The second criticism that can fairly be made is that Mr Zeman tells us virtually nothing about the Russian background in his introduction and notes. Yet without some knowledge of this framework the significance of these documents—which is immense—may largely be lost so far as the non-specialist reader is concerned.

These criticisms apart, the book deserves high praise. The translation seems excellent, the annotation useful without being tedious, and the editing meticulous. The real addition to knowledge which these documents provide is on the extent to which the bolsheviks were financed by the Germans. The source of the considerable funds over which the bolsheviks disposed in 1917 has hitherto been a matter for conjecture. All available evidence suggests that the party cash box was empty by the beginning of 1917. Yet a vast propaganda effort was launched between May and October, 1917 (under the direction of Molotov) which was probably one of the most effective causes of the disintegration of the army, and hence of the fall of the Provisional Government. Kerensky's government claimed to have evidence that the money came from the Germans, but failed to pursue its charges to the point of proof. The accusation was indignantly, and emotionally, denied by Lenin (who, however, went into hiding to avoid its investigation) and by his supporters at the time and thereafter. The famous Sisson Documents, all forged according to Mr George Kennan (and "partly forged" according to Weissman, the German State Commissar for Public Order, as we now know) did much to obscure the issue.

This collection at any rate establishes three facts. The first is that up to the February Revolution the Germans were attempting to subsidise the bolsheviks and defeatist socialists generally, but that, though they paid money over to their own agents, it is not clear how much of it, if any, reached Lenin. Secondly, after the February revolution the Germans were indirectly in touch with Lenin and "a steady flow of funds" was fed to the bolsheviks "through various channels" for their propaganda work. This appears from a dispatch of December 3, 1917, from the German State Secretary Kuehlmann to the Emperor. (Incidentally, this, one of the most informative documents in the collection, was published two years ago by Dr G. Katkov.) Thirdly, after the seizure of power substantial sums (forty million marks are mentioned, but it is not clear that all this money was in fact transferred) were paid to Lenin by the Germans in an effort to keep the destitute and precarious new government in power.

Since the continuation of these payments was clearly dependent upon Russia remaining out of the war, the whole question of Lenin's motives in forcing the peace of Brest-Litovsk on his reluctant party will now require reassessment by historians of this event. None of them so far has even considered this aspect of the matter.

Disappointing Empress

My Dearest Louise: *Letters of Marie-Louise and Napoleon 1813-14*

Edited by C.-F. Palmstierna.
Methuen. 267 pages. 25s.

ALTHOUGH the heavy Hapsburg face in the frontispiece seems hardly likely to launch a mighty host against the onion domes of Muscovy, yet, in a sense, it did. But it was not so much Marie-Louise's teutonic charms as the dynastic and strategic potentialities of the marriage that hypnotised Napoleon into the belief that with a Hapsburg-Bonaparte dynasty assured, and his right flank covered, he could quickly eliminate Russia. His success would have given fresh meaning to the old tag *Bella gerant alii, felix Austria nube.*

The marriage might then have been domestically felicitous too. Marie-Louise had offered little resistance to Napoleon's proposal, and none, apparently, to his premarital advances. In her cowlike way, she seems fond of him. Her long letters from Paris, sometimes wrongly dated, answered by his brief scribbles on the battlefields of his brilliant 1814 campaign, are jumbles of devotion (short-lived but possibly sincere), gossip about palace quarrels with which she is clearly incompetent to deal, and hypochondriacal descriptions of her ailments. His notes are telegraphically brief propagandist appreciations of the military situation, combined with advice to her—for he patiently clings to the illusion that she is a capable reigning consort. He writes affectionately, even after he is virtually certain of her adultery with Count Neipperg whom she eventually married. She wept angrily when Napoleon escaped from Elba and refused to read his letters. Inconstant wife, ineffectual mother, she bitterly disappointed him.

Most of Napoleon's letters in this volume were bought by the French government in 1934 when the great-grandson by the marriage unsentimentally auctioned them. But hers were missing until they were discovered in 1945 in the possession of the Swedish royal family, to whose ancestress, Désirée Bernadotte, Joseph Bonaparte had entrusted them. Désirée-Eugenie Clary (as she was before her marriage to Bernadotte) had been Napoleon's first love. He ends a letter to her in 1795 "yours for life." Only calf-love perhaps—but if he had not soon afterwards met Josephine he, and history, might have developed differently.

Such speculations, however, demand historical help which is lacking. Gratitude to Baron Palmstierna for editorial industry, to M. Jean Savant for biographical sketches, and to their translator must be tempered by sympathy for non-specialist readers who may need information about the forces arrayed against Napoleon, their motives and differences in the fateful year 1813-1814: it is not provided under "Historical Background" (jottings on Marie-Louise's household arrangements) or, in any coherent sense, by the scraps of narrative linking the letters.

The Prince Reassessed

Machiavelli and the Renaissance

By Federico Chabod. Translated from the Italian by David Moore, with an introduction by A. P. D'Entrèves.
Bowes and Bowes. 258 pages. 30s.

THIS volume of essays by the Professor of Modern History at Rome University forms a most welcome addition to Renaissance studies available in English. The first of them, an introduction to "The Prince," was originally published more than thirty years ago but is still indispensable: the last, a comprehensive and up-to-date bibliography of Renaissance studies, will be a useful working tool for present-day students. Together with the review of Renaissance historiography which the volume also includes it provides an excellent starting point for anyone about to plunge into this complex field of inquiry, and a signpost for those in danger of getting lost in the controversies that still swirl about the concept of the Renaissance.

On Machiavelli himself the author has many perceptive comments. Standing aside from the romantics who originally saw in him the advocate of liberty, or the incarnation of the "divine spark of patriotism," and critical too of the exaggerations of the followers of Croce, Professor Chabod carefully elaborates his own distinctive position.

For him the solution put forward by Machiavelli for Italy's political ills was a "vain dream," and its author a bad historian. Nevertheless, "The Prince" stands out both as "a synthesis and a condemnation of two centuries of Italian history" and a perceptive and valid comment on a historical development which Machiavelli clarified with certainty and precision. Absolute rule did not prove the immediate answer to Italy's problems, but its author saw the trend clearly enough. "The Prince," Professor Chabod points out, therefore "rightly became a subject of the most acute controversy and the Koran of the rulers of nations."

Newman's Answer

Newman, His Life and Spirituality

By Louis Bouyer.
Burns and Oates. 391 pages. 30s.

From Bossuet to Newman: *The Idea of Doctrinal Development*

By Owen Chadwick.
Cambridge University Press. 254 pages. 25s.

THE fascination of the life and thought, the character and, now, the spirituality of John Henry Newman seems to be perennial. The latest addition in English to the already enormous literature about him is a translation of a biography by the distinguished French Oratorian, Father Bouyer. The work claims to be "for the first time a study devoted equally to Newman the Anglican and Newman the Catholic." That part of the book which deals with the Oxford leader seems at times to the English, and more especially to the Anglican, reviewer rather laboured, as Father Bouyer is necessarily at pains to explain and interpret the history and customs of the Church of England to his French readers. Sometimes, for instance in the description of the boyhood "conversion," he makes heavy weather of this task, but on the whole his judgments are markedly just and sympathetic, even if in point of fact his historical detail is not always impeccable.

When he comes to write the painful story of the Birmingham Oratorian and his truly disgraceful treatment at the hands of his new spiritual leaders, Father Bouyer is more at home; here the work is obviously a labour of love, for the biographer feels that "in our perplexities, in our hopes, in our unshakeable trust in the Church, no voice from beyond the grave speaks to us like his, for there is none other that speaks so clearly to our hearts, none other that comes so directly from his own." Clearly Father Bouyer is in general sympathy with the task that Newman set himself as a member of the Roman Catholic communion, but for which he was time and again treated with suspicion both by the authorities and by many of his fellow converts—

> for me conversions were not the first thing, but the edification [building up] of Catholics. . . . I am afraid to make hasty converts of educated men, lest they should not have counted the cost, and should have difficulties after they have entered the Church. . . . The Church must be prepared for converts as well as converts for the Church.

As part of this task of preparation Newman felt he must provide for Roman Catholics a philosophical and historical justification of the process by which the doctrines of the church develop. In his important book on this subject, Dr Chadwick shows that, though Newman wrote the "Essay on Development" to satisfy himself about his change of allegiance and also to meet his ever-present fear of "liberalism" (a topic ignored by Father Bouyer), he defended it, in face of a very hostile reception in Rome, because he believed that some sort of rationale of doctrinal development was of critical importance to a church that was soon to define the doctrine of the Immaculate Conception. How far and in what way can newly defined or explicated doctrines be said to be adding to the body of revealed truth? That is the question which Newman set himself to answer. It will probably come as a surprise to most of the readers of Dr Chadwick's book that his answer was not accepted in the church of his adoption, and that in fact no answer to the question has yet been given. *Per contra,* in so far as in the Papal decree *Lamentabili* it was said that revelation must be held to have ended with the death of the last apostle, the theory put forward by Newman, along with the logical solution advanced by the Spanish Thomists Suarez and Lugo in the seventeenth century and brilliantly described by Dr Chadwick, seems to be ruled out of court: new definitions cannot be said to be "equivalent" to revelation.

It would not be surprising if Dr Chadwick's book causes nearly as much of a stir in the Roman dovecots as did Newman's rather over a hundred years ago. The twin problems of historical change and doctrinal authority, which the one recognised and the other analyses, are as alive today as they were then.

Prison Pioneer

John Howard Prison Reformer

By D. L. Howard.
Christopher Johnson. 186 pages. 18s.

IT is many years since a life was published of John Howard, eighteenth century pioneer of prison reform; it seems particularly appropriate that one should appear now, since prison and penal problems and reforms are receiving so much public attention.

Mr D. L. Howard's book is very readable and not too long, and gives a fascinating account and thoughtful appraisal of John Howard's work and influence. The portrait of a very remarkable man emerges from its pages; courageous, sincere, persistent and sensible. All his energies appear to have gone into his work as a reformer, whether of his own estates, prisons or lazarettos. Of his private life we know little; even the date of his birth is in doubt.

Howard was the first to undertake a factual and dispassionate piece of social research, a model of its kind to this day. He visited many prisons, both in this country and on the continent, gave a minutely detailed account of conditions in each, and added simple practical suggestions for their improvement. The accuracy of his observations was never called in doubt; it is surprising that he always managed to gain entry in view of his wholesale condemnation of the management. He later paid return visits, and when, as was too often the case, none of his suggestions had been implemented, he stated this also dispassionately and without apparent despondency.

Most of his suggestions have now been carried out, or are accepted as canons of prison reform: that prisons should be corrective rather than punitive; that they should have proper sanitation, fresh air, and that medical treatment should be available; that men, women and children should be segregated and lodged in individual cells; that chaplains should be appointed to give religious and moral instruction; that prisoners should be set to work; that the gaoler should be a salaried official, not dependent on his extortions from the prisoners for his livelihood; that justices should inspect prisons regularly.

Mr D. L. Howard thinks that many of these reforms might have come about sooner, had John Howard not lacked organising ability and the power to work with others. Nevertheless he made a real contribution to the increase of the sense of social responsibility, and his influence caused others to carry on

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'... one of the most valuable contributions that has been made by any book at any time—a considered design for what a world authority should be and how it should be constituted, and every practical question arising from that.... I ask every person who takes this problem of war seriously ... to study this book and to make up their mind what they will accept or what they will not accept in what it says, or whether they have an alternative.' LORD BEVERIDGE speaking in the House of Lords on 14 May 1958

'This is a courageous book, a blue-print for perpetual peace.... The new Covenant of the new United Nations is given clause by clause. Here is the text all ready for Mr Krushchev and Mr Eisenhower to consider if they ever mean business when they talk of peace and disarmament.' LEONARD WOOLF in the NEW STATESMAN

(Harvard University Press) 60s. *net*

OXFORD UNIVERSITY PRESS

where he left off. If reform has gone farther in many respects than he could have envisaged, there is little in modern thinking about it that is not a logical development of his thought.

The Dollar Shortage

International and Interregional Economics

By Seymour E. Harris.
McGraw-Hill. Economics Handbook Series. 564 pages. $7. 52s. 6d.

THIS is a very useful, if not entirely satisfactory, book. It is not entirely satisfactory because Professor Harris, as he admits himself, was not sure when to stop—or rather where to start. He wrote the final and longest section—"a fairly thorough study of the postwar disequilibrium in the first postwar decade"—first and then, working backwards, added four more sections, beginning, in the end, with a summary of the views of the classical economists. The trouble with the result is that a student—the series to which the book belongs is intended for students—who needs to read Part One will probably find Part Five too much for him, and anyone who can get full value from Part Five will surely have Part One in his blood.

That Professor Harris devotes the whole of a book with this title to the dollar shortage shows that he is not one of those who believe that it would disappear if the non-dollar countries would only take a few nineteenth century measures which are clearly politically impossible today. But he is not without hope. He examines all the solutions that have been offered and discusses the contribution each can make. Much will depend, he says, on trends in the cold and hot wars, and he is prepared to accept as fairly permanent such "temporary" contributions as military and economic aid from the United States and the expenditure of American forces overseas. This is, of course, an important assumption, as such unilateral transfers have closed more than 70 per cent of the gap since the war.

He thinks that the dollar problem has been greatly eased since the United States has used its rapid gains in productivity to increase incomes rather than to lower prices. And, writing before the Eisenhower Administration became more afraid of inflation than of fear itself, he counts on this being continued as a conscious policy, maintaining that imports have been increasing because American incomes have risen and not because of any lowering of prices caused by reductions in tariffs. He does not in fact believe that much good would come of further reductions in the American tariff and, with his special knowledge of the problems of New England, argues that the trouble caused by dislocation would outweigh the advantages. And, he asks, why should the industries threatened by imports carry the whole burden? Why should not the export industries take their share?

Indeed Mr Harris clearly thinks that the single most important factor in solving the dollar problem will be "the success of the non-dollar countries in capturing third markets from the United States." "We must depend," he says, "on their doing so." It is a pity he did not devote more space to this subject and particularly to the obstacles in the way of their doing it—particularly to the role of the Export-Import Bank in a world in which competition is so often in terms of length of credit rather than price. It is no simple matter to capture a market from a country rich enough to finance its exporters on the scale of the United States.

Vitai Lampada

The Social History of Lighting

By William T. O'Dea.
Routledge and Kegan Paul. 254 pages. 42s.

MR O'DEA, electrical engineer and keeper in the Science Museum, has produced an omnium gatherum of archæology and physics, sociology and chemistry, palæanthropology, and antiquarianism. He has handled his dauntingly miscellaneous theme as tidily as possible by dividing it into aspects—any attempt at historical sequence would have resulted in chaos—under such headings as "Light for Travel," "Light for Work," and so on. His survey begins about 15,000 years back, but he permits himself passing reference to yet earlier periods, as, for instance:

> Oakley, from archæological reasoning (see *Antiquity, No.* 118, *June,* 1956), places the earliest fire-makers at 350,000 years ago in China, 250,000 years ago in Europe, 50,000 to 100,000 years ago in Africa and West Asia.

Mr O'Dea declares that "the object of this work is to indicate the usage of light rather than to catalogue the vast variety of shapes that lamps have assumed." There emerges from his vastly ramified study recurrent evidence in support of the following generalisation: "From fifteen or more millennia before Christ to AD 1782 there was practically no improvement in lighting at all." A great step forward was the Argand lamp, 1782-4.

The book abounds in fascinating scraps of information, and the author exhibits a happy turn for illuminating comment derived from wide knowledge and reflection. It seems invidious to call attention to omissions from so rich a book, but Gerard ("Candlelight") van Honthorst deserves mention among painters of artificial light. Quotations from Greek and Latin—there is a section on torches—might have included Lucretius's: *quasi cursores vitai lampada tradunt.* It seems safe to anticipate a reprint, for which some small corrections may be noted. Gilbert White's Selborne appears as Selbourne (under White) in the index. A quotation from Daudet describes the sides of a lighthouse lantern: *les unes rampliés* [*sic*] *par une énorme lentille de cristal.* Horace Bénédict de Saussure appears as Henri Benedict de Sassure.

Mr O'Dea's accomplishments comprise a draughtsmanship adequate for illustrations in the text, which are additional to a series of admirable plates.

Dabbler in Inventions

He Lit the Lamp: *A Biography of Professor A. M. Low*

By Ursula Bloom.
Burke. 209 pages. 18s.

IF "Professor" Low had followed any other calling he would have been accepted as an amiable eccentric, but he chose to be an inventor, and the standards by which he is judged are correspondingly harsh. Miss Bloom sorted her way through 2,000 unnumbered pages of autobiographic notes found on Low's death in 1956 and used these to put flesh on the bare bones of her narrative. She, for one, believes Low was a failure and so does Lord Brabazon, who writes the bitter-sweet preface. But were they right?

A. M. Low was the child of a strong-minded mother, who hid her stays behind the piano and encouraged his noisy and sometimes noisome experiments. He was lighthearted, gregarious, with a roving eye and an abiding fear of poverty. For a clever, versatile engineer, inventions meant easy money, and he turned them out in prodigious variety: guided missiles, bombs, boxes for pigeons, whistling kettles, spark plugs, audiometers, X-ray plant, deaf aids and, in 1914, a crude form of television. If they did not find a ready market, he lost interest in them. Not for him the grinding hard work and the ultimate heartbreak of a Frank Whittle, and, equally, not for him the public recognition.

Miss Bloom has not attempted a critical assessment of Low as an engineer, but of the man himself. She condemns him for remaining all his life a dabbler in things scientific instead of the great man he might have been. With the cold eyes of friendship she criticises him for a congenital lack of application that made him flit from invention to invention, from woman to woman, never finishing anything, dissipating immense energies at motor race meetings, public dinners (which he loved), writing books like Professor Low's Book of Tricks (professor being a title which was not justified), while other men rediscovered principles that he had patented twenty years before. She judges the man from a faintly puritanical standpoint, which presupposes all work is good and hard work best of all. Low, the wide boy of science, would not have agreed.

Arab Development Bank?

Doubts and Dynamite

By Emile Bustani.
Wingate. 159 pages. 18s

MR BUSTANI has written a brisk account of the problems of the Middle East as seen by a successful Arab business man. His energy and imagination are to be admired. The Arab world could do with a dozen like him.

Britain, the United States and France are asked to recognise the strength of Arab nationalism and to make the arrangements necessary to live with it if the West is to continue to receive Middle East oil. Mr Bustani proposes an Arab Development Bank, which would be owned by the foreign oil companies and the oil-producing Arab countries. The chief purpose of the bank would be to lend money to the have-not Arab states for development purposes. The idea is a good one, but it is doubtful whether it would work as long as the Arabs are still divided among themselves. Would it not be better for, say, the governments of Iraq and Jordan to form a development bank and allow others to join if they are attracted by its success?

The oil companies are best left out of such an arrangement. Their activities are limited by concessions and parent company relations, and the American ones are fearful of banding together in any way lest the suspicions of the US Department of Justice are aroused.

The Grey Flannel Suit

The American Business System: *A Historical Perspective, 1900-1955*

By T. C. Cochran.
Harvard University Press. London: *Oxford University Press.* 227 pages. 38s.

IT is arguable whether the mid-twentieth century businessman is indigenous to America; certainly he is not found there exclusively. But his historical development parallels that of the United States, and there has often been a close causal relationship between the two. It is this relationship which the author, an American university professor, traces in this brief but interesting book. In the first half he illustrates the rise of American business and businessmen from their ethical and historical origins, noting carefully the technological, sociological, geographical, and political elements of their environment, which brought them to the apotheosis of their power in 1929. The remainder of the book deals with their fall from grace in the years of depression, and with the subsequent subtle changes wrought during the war and the years of postwar prosperity, both in small business and in the giant corporations with their hierarchy of professional managers.

The author takes no sides; he merely closes with a gentle reminder of the new responsibilities of ethical and cultural leadership which American business has often shirked in the past, and must meet in the future. Presenting a very broad perspective, he has not written at great depth; the reader already familiar with American economic history may find too much narration and documentation, too little speculation. For instance, while the influence of his environment on the American businessman is fully described, there is much more to be said on the obverse relationship, that is, the influence of the American businessman on his country's society and technology.

OTHER BOOKS

INVESTMENT FOR THE ORDINARY MAN. By Mortimer Langton Warren. *MacGibbon and Kee.* 135 pages. 15s.

INVESTOR'S PROGRESS, *from Money Box to Stocks and Shares.* By A. G. Ellinger. *Bowes and Bowes.* 158 pages. 10s. 6d.

YOUR GUIDE TO STOCKS AND SHARES. *Stock Exchange Precedents for the Public.* By "Nedlaw." *Nicholas Kaye.* 96 pages. 12s. 6d.

Why with one accord the publishers should have chosen this moment to launch a spate of books, all initiating the novice into Stock Exchange investment, is not clear. But the publishers know their market and these books fulfil a useful function. Mr Warren, who writes "Investment for the Ordinary Man," is secretary to the Church Commissioners for England. The Commissioners, with the advice of two top stockbroking firms, have trodden the path out of property and fixed interest stocks into equity investment with great benefit to church funds. The author has an experience to share with the uninitiated public. He is at pains to explain not only how investment works, but also that there is no moral wrong in it. "If I am accused of having oversimplified . . . I have done so deliberately." He has oversimplified at times, particularly in the extent to which he has played down the thought of investing for capital gain and of cashing capital profits. But it is a good book, if highly priced.

Mr Ellinger, an independent investment adviser by profession, has written "Investor's Progress" not for the beginner but for those who have not yet begun to invest. It is well and simply put, though naturally it is not his most serious work. Parts of it show signs of having been written some time ago.

"Your Guide to Stocks and Shares," though also written for beginners, is not on a par with the other two books. It is really a glossary of financial terms and of investment procedure. "Nedlaw" is a stockbroker of thirty-five years' experience and a lecturer on Stock Exchange problems.

NEW WAYS IN MANAGEMENT TRAINING. By *Geoffrey Hutton* and Cyril Sofer. *Tavistock Publications.* 127 pages. 15s.

There are over 500 technical colleges in this country, yet the part they play in the community has received little critical attention. This book describes a two years' study by the Tavistock Institute of Human Relations of the management and production engineering department at Acton Technical College and its relations with local industry. The conclusions are disquieting: first, that students' contact with each other was minimal and that there was very little spontaneous discussion of the course material, although the interchange of opinion is often said to be one of the valuable features of outside courses; second, that firms tended to regard the technical college as something that they service by providing students, part-time teachers, donations and members of the governing body, rather than as an institution which exists to help them; third, that the addition of management training to the curriculum of technical colleges has brought a new kind of subject in which the imparting of knowledge is of much less importance than the growth of understanding of one's own personality and of the personality of others. This kind of training requires a more experimental approach than is likely to be achieved under the present regulations governing technical college teaching or with the existing relations between technical colleges and firms.

This book should be read by those concerned with technical college policy and teaching and by social research workers in industry. A few enlightened top managers, if they read it, may be stimulated to try to build up a more effective collaboration with local technical colleges. Those concerned with management training in companies will find little to help them here unless it is the illuminating, if discouraging, account of the ambivalent attitude to all teaching—even if it is only how to drive a car.

ELIZABETHAN LITERATURE. By Helen Morris. Home University Library. *Oxford University Press.* 289 pages. 7s. 6d.

RESTORATION LITERATURE. By K. M. P. Burton. *Hutchinson University Library.* 240 pages. 10s. 6d.

Although both these surveys belong to series that incorporate the word "university" in their titles, they are not aimed at identical sections of the reading public. Mrs Morris assumes that her readers have virtually no knowledge of the period, which she proceeds to introduce to them with conspicuous verve and competence. She brings to her formidable task wide reading and a lively style; but, of necessity, her book is too sketchy for those who are not beginners.

Miss Burton, on the other hand, has produced a survey of English writers from 1660 to about 1700 at a level that should make her study genuinely useful to undergraduates and to readers familiar in a general way with currents of thought in the seventeenth century. The epoch has become far too closely identified with the frivolous heartlessness of Restoration Comedy; but Miss Burton demonstrates that it was, in fact, a time of serious readjustment; not a period when the imagination was much esteemed, and consequently not propitious for poets, but nevertheless worthy of far more attention than it commonly receives. The outstanding merit of her book is that it gives much greater weight to the philosophical, religious, scientific and political writers than to the entertainers.

APPLIED STATISTICS FOR ECONOMISTS. By P. H. Karmel. *Pitman.* 463 pages. 65s.

This text-book provides a preliminary course of statistical methods and applications to economic problems, based on lectures given in the University of Adelaide; examples and illustrations are drawn from Australian data.

COMMUNITY CHEST: A Case Study in Philanthropy. By John R. Seeley and others. *Toronto University Press.* London: *Oxford University Press.* 594 pages. 60s.

The community chest is a device much favoured in the United States and Canada for making charity more efficient; instead of scattering gifts of money over a large range of charitable objects, the public is encouraged to make gifts to the community chest from which the trustees make grants at their own discretion. This book describes the working of a community chest in Indianapolis where for some time the chest had been failing "to meet its goal."

PRINTERS AND TECHNOLOGY. *A History of the International Printing Pressmen and Assistants' Union.* By E. F. Baker. *Columbia University Press.* London: *Oxford University Press.* 545 pages. 55s.

A documentary history of an American union. The pressmen broke from the International Typographical Union in 1889 to form their own organisation, and the book analyses and appraises its progress.

AMERICAN SURVEY

AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Democrats Look for a President

WASHINGTON, DC

WITH the economy still in recession and Republican candidates behaving, as Vice President Nixon unkindly remarked, "like a bunch of cannibals" in their dread of being carried out of public life on Mr Sherman Adams's vicuna coat-tails, the Democrats are pardonably smug on the surface. But just below the surface they have plenty to worry about—especially the shortage of really convincing talent at the top and the gloomy prospect of another split along the colour bar which divides their party.

Most of the voting figures since 1954 suggest that the political tide turned in that year and is now strongly Democratic. But political tides have been arrested before now, notably by Mr Truman in 1948. Many observers feel that, although the odds in 1960 will probably be against Mr Nixon, who is almost certain to be the Republicans' presidential candidate, he could well overcome them by a strenuous attempt to seize his great opportunity. So, while the thorough trouncing of the Republicans which is expected in November may make the victory of almost any Democratic candidate in 1960 seem inevitable, the Democrats would feel much happier if they could point with assurance to a plausible likeness of a President among their politically eligible leaders.

The popular favourite, Senator John Kennedy of Massachusetts, has been keeping up a killing pace of speaking engagements throughout the country ever since the last election and has received a quite exceptional amount of personal publicity in all the widely-read news magazines. He will certainly be well known two years from now, when the Democrats choose their presidential candidates. He suffers, however, from some substantial handicaps: he is a Roman Catholic, rich, a Senator and extremely youthful in appearance, whereas the most eligible presidential candidate is supposed to be a Protestant, a man of the people, a State Governor and a symbol of assured maturity.

Moreover, some influential people on the left wing of the party have not forgiven him for being equivocal over the late Senator McCarthy, who was popular with Mr Kennedy's Irish constituents in Boston, and for making conciliatory gestures to the South, which supplied him with a substantial part of the vote that very nearly won him the vice-presidential nomination in 1956. Some of these handicaps may be discounted. The very extent of the support he received from the South may indicate that the religious issue, which delivered part of that region to the Republicans in 1928, when Democrats chose the only Catholic presidential candidate ever to stand, might not be nearly so significant now. On the other hand, strong feeling against Roman Catholics is not only confined to the South—it persists also in important areas of the Middle West—and the extent of Mr Kennedy's southern support in 1956 may have been misleading. It was thrown to him as the likeliest candidate to block the ambitions of Senator Kefauver, who was detested as a renegade southerner.

Still, in a contest of youthful, vigorous and photogenic personalities, Mr Kennedy might not be a bad entry to back against Mr Nixon, provided he can match the impression, which the Vice President has assiduously created about himself, that maturity is fast setting in. Neither man has had any executive experience. Both are earnestly preparing themselves for the possibility that the highest conceivable responsibility might fall to them by holding long sessions with academic authorities and men of affairs. Mr Nixon has the advantage of having been longer in the national eye and of being familiar with the work of the Presidency, at least as an exceptionally privileged observer.

Mr Kennedy had not until this year any very solid achievement to his credit in his present job, which is that of legislation. But in this session of Congress he has emerged as a skilled craftsman and conciliator, rather in the manner of Senator Lyndon Johnson. He piloted two important labour Bills through the Senate and showed some considerable capacity for leadership in inducing the heads of the trade union movement to reverse their opposition to the second and more controversial measure. Although he was unable to produce results from his attempt to use the emergency needs of the recession as a lever for overhauling and extending the entire system of unemployment insurance, he got credit, in some liberal quarters which view him with suspicion, for having captained a good fight in the direct tradition of the New Deal. With his controversial riders on economic aid to India and to communist satellites as evidence of independence of mind, he has made himself felt on the Senate Foreign Relations Committee.

NEVERTHELESS, there is a persistent feeling in the bones of many Democrats that Senator Kennedy will not quite do. But apart from him, who is there? The traditional training school for Presidents is a governorship, which gives experience of administration and political management, though none whatever of defence or foreign affairs, which are likely to be the two biggest problems facing a President. Mr Harriman had international experience before he became Governor of New York, but for all his strenuous physical exertions and the resolute heartiness with which he pursues partisan politics in the state capital, there are probably too many people who think he is too old and is playing a part which is out of character. This leaves Governor Williams of Michigan, who is intimately associated in the public mind with the controversial economic ideas of Mr Walter Reuther, the trade union leader, and Governor Meyner of New Jersey, who is a pleasant enough man who wins state elections and administers capably, but who seems out of his depth with the broader issues.

When they have run through this short list the Democratic talent spotters usually turn back with a sigh to the Senate. They give a curt nod of recognition to such old familiars as Senators Kefauver and Symington, whose names always get included, and their eyes linger for a moment on Senator Humphrey of Minnesota. This Senator is youngish, phenomenally energetic, and possesses an extraordinary grasp of a wide range of issues on the domestic and the international scene. On most of them he has enlightened and far-sighted views, which he expresses with felicity and a dash of originality. What then is wrong with Senator Humphrey? The answer is a little difficult to pin down, though more easily understandable when he is seen in action. Perhaps he talks too often for too long about too many subjects in too aggravating a voice, so that he gives an impression of superficial smartness which greatly belies his talents. At any rate, he did poorly when he tried for the vice-presidential nomination in 1956—although he was said to be Mr Stevenson's favourite—and it is thought that he could not win the presidential nomination in 1960.

Often enough, as the result of this kind of a review of current form, Democrats come back to the name of their most distinguished figure, Mr Adlai Stevenson, who lies under the curse of the two-time loser. He has said that he will not be a candidate again and he would certainly not agree to undergo, yet again, the punishing ordeal of fighting presidential primaries, the preliminary elections at which party members indicate their preferences. But the impression is growing that Mr Stevenson's arm could be twisted if the party were really hard put to find a candidate who would strike the public as being a manifestly greater figure than Mr Nixon.

Moreover, by 1960 a "big name," however tarnished by prior defeat, may well be needed to rescue the party from another crisis over its relations with its southern anchor. With the postponement of racial integration at the high school in Little Rock and the major confrontation of irreconcilable federal and state law which is scheduled for September in Virginia, the question of the federal government's part in implementing the Supreme Court's decisions will probably become again the most explosive one in domestic politics. If so, dangerous disagreements are likely at the next Democratic nominating convention between the southern leaders who dominate the party in Congress and the northerners whose numerical strength is only truly shown when it comes to selecting a President.

Little Rock Overturned

LAST year, in Little Rock, Arkansas, federal troops upheld the order of a federal judge that Negro children should be admitted to the white high school. Now his successor on the bench, a southerner with a reputation for fair-mindedness, has decided that the remaining Negro children should be sent back to the coloured school next autumn. The school board is to be granted a 2½-year respite before it is required to make a new start on its plan to abolish racial segregation by stages.

On the evidence of the school board, which last autumn was prepared to play its part, Judge Lemley had good grounds for turning back the clock. Unquestionably, education has been gravely impaired by the constant harassment of the Negro students by some of the white ones and by the presence of soldiers. In February the school board, lacking any support from the federal government to set out against the opposition of the state government, decided to surrender and ask the court to withdraw the Negro children until 1961 when, unless he is granted an unprecedented fourth term, Governor Faubus will no longer be in a position to interfere.

For the moment, at least, Governor Faubus, who encourcouraged defiance of the original court order to win segregationist votes, has cause to rejoice. Even if the Court of Appeals eventually over-rules Judge Lemley, it can hardly do so before July 29th, when the voters go to polls to decide whether Mr Faubus is to have a third term. Throughout the resistant and now jubilant South, the retreat at Little Rock will be read as an invitation to violence as the approved way of frustrating the Supreme Court's decision. In beleaguered Little Rock itself, even the *Arkansas Gazette*, which has supported racial integration, welcomes a breathing space. But even in Little Rock there is no guarantee that in 1961 the new Governor, or public opinion, will be more compliant. And the South has had a breathing space ever since 1954 and has used it, not to prepare for peaceful change, but to throw up legal barricades.

The Administration itself has frittered away these years, without bestirring itself to prepare or lead public opinion. The visit of four outstanding Negro leaders to the White House on Monday for an audience with the President which they had been seeking for a year provided, by accident, a timely platform, but Mr Eisenhower refused to take advantage of it, although among the proposals which were laid before him was one for a White House conference on ways and means of securing peaceful compliance with the Supreme Court's rulings. What is being watched for now is the decision of the Department of Justice on whether it should ask to be heard, as a friend of the court, so that the wider issues involved in Judge Lemley's decision can be considered by the Court of Appeals.

Self-help for Filipinos

AMERICANS have a soft spot in their hearts for the Philippines which they launched as an independent republic in 1946 and which is an outpost of democracy in the Far East, as well as being the firmest of their anti-Communist allies in Asia. President Garcia had no shame about appealing to that "soft spot" when he spoke to a joint session of Congress last week about his country's need for American loans if it is to continue to be the show-case of democracy in the Far East. But while Congress applauded this well-worn theme, the Administration has been guided by its head rather than its heart, and Mr Garcia left Washington after his three-day official visit with no more than a first year's instalment of the $350 million in long-term loans which he sought for his five-year scheme to industrialise the islands and exploit their undoubted resources.

Too rapid an attempt to raise the standard of living, along with corruption and gross abuse of the foreign exchange regulations, have promoted inflation and reduced the republic's reserves to $140 million from $356 million in 1950; last year the deficit on foreign account amounted to $125 million. The austerity instituted last January by Mr

Garcia, but soon relaxed, has not righted the balance of trade against the pull of recession abroad and a bad drought at home ; in the first quarter of 1958 exports were lower and imports higher than they had been in the first quarter of 1957.

Mr Garcia has tried to save his face by adding up his chickens before they are out of the egg. He claims that he has been virtually assured of $289 million in aid. But all he can really count on is a $75 million line of credit from the Export-Import Bank which can only be spent in the high-priced American market. The Philippines already had a $46 million credit—now extinguished—which they had not used for this very reason. Mr Eisenhower has also promised that, if Congress passes the appropriation for the Development Loan Fund, careful consideration will be given to Filipino projects amounting to not more than $50 million. A $74 million loan from the Export-Import Bank for a steel mill and a $24 million one from the World Bank for hydro-electric projects are also possible. Economic aid, that is, will be forthcoming only for projects which seem reasonably certain to contribute to economic progress, and only if the Philippine Republic puts its finances in order —a measure of supervision for under-developed countries which others in the queue for aid would have resented all the more if an exception had been made for the Filipinos.

Sweets for the Miners

THE Administration succeeded in inducing the House of Representatives to extend the Reciprocal Trade Agreements Act for an unprecedented five years without additional protective devices by plying members with a mixture of pressures and concessions to the interests opposing the Bill. Particular attention was paid to the metal mining industry, which was first offered a new stabilisation plan, at which it turned up its nose, and then given a more acceptable sweetener at the last minute by a special scheme for stockpiling copper. As the Senate, where this industry is even more influential, began its work on the trade Bill, the Administration added some sugar to the stabilisation programme on whch Senators plan to vote before taking final action on reciprocal trade.

What the Administration Proposes

Copper :—stockpiling for one year.
Amount to be bought ..... 150,000 tons
Maximum price a pound ..... 27½ cents
Present market price a pound ..... 25 cents

Lead :—stabilisation for five years.
Yearly limit on amount bought ..... 350,000 tons
Support price a pound :—
On first 500 tons sold each quarter .... 17 cents
On additional sales ..... 14⅜ cents
Present market price a pound ..... 11½ cents

Zinc :—stabilisation for five years.
Yearly limit on amount bought ..... 550,000 tons
Support price a pound :—
On first 500 tons sold each quarter .... 14½ cents
On additional sales ..... 12⅜ cents
Present market price a pound ..... 10 cents

Similar stabilisation schemes are proposed for **fluorspar** and **tungsten** and last year's unsuccessful proposals for production bonuses to encourage the output of **beryl, chromite** and **columbium-tantalum** have been reintroduced.

The programme seems almost certain to come out of the Senate committee with stockpiling proposals for lead and zinc as well as copper. The Secretary of the Interior, Mr Seaton, is now understood to be ready to accept this government purchasing of lead and zinc, even though it will be in addition to his price support proposals, not an alternative as is his own scheme for stockpiling copper. This is intended to remove from the market the troublesome surplus which has accumulated during the current recession and Mr Seaton has been assured by the copper industry that government buying will only be needed for one year. The lead and zinc industries can hardly give him similar assurances since their surpluses are of long standing and since the government was in fact stockpiling both these metals from 1954 until last month.

In an attempt to enlist small mining companies on the side of his original proposals, Mr Seaton has now offered higher price supports for the first 500 tons to be sold each quarter. The Senate committee is also considering raising the levels at which the prices of any subsequent output would be supported and the limits on the amount which the Administration would be prepared to subsidise by paying producers the difference between the market price and the support price. To producers the great advantage of tariffs and quotas as a form of protection is their comparative permanency, while the stabilisation plan, temporary in itself, is rendered even more uncertain by the habitual reluctance of Congress to provide the necessary funds each year. Various ways around this difficulty have been suggested and the Senate committee is reported to be leaning towards one which would allow the Interior Department to finance the programme by direct borrowing from the Treasury.

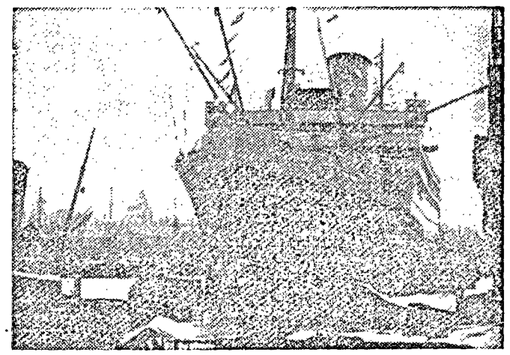
What will come of all this in the Senate itself and subsequently in the House of Representatives is very uncertain but meanwhile the President has been able to postpone his decision on the Tariff Commission's recommendations that higher duties should be levied on imports of lead and zinc—a decision which would inevitably have offended either domestic producers or foreign allies ; but next week the duty on copper, suspended almost without a break since 1947, will automatically be reimposed.

Opportunity Still Knocks

FROM A SPECIAL CORRESPONDENT

ONE advantageous point from which to observe the recession is that comparatively new adjunct of higher education, the college placement office. These agencies exist to help graduates to find the right jobs, and employers to find the right graduates. They have certainly felt the recession. But the picture for this year's graduates is not uniformly gloomy, and all concerned—graduate, prospective employer, and placement officer—have been almost as careful to hedge against the bulls as against the bears.

For the placement officer, the present slump has provided the first serious check since the war. His work has grown amazingly, largely because of the increase in the sizes of graduating classes, but also because of the tendency for American business firms to become national in scope. Hiring employees, like selling a product, is increasingly done on a national or at least a regional, rather than a local, basis. A student's invitations to interviews with prospective



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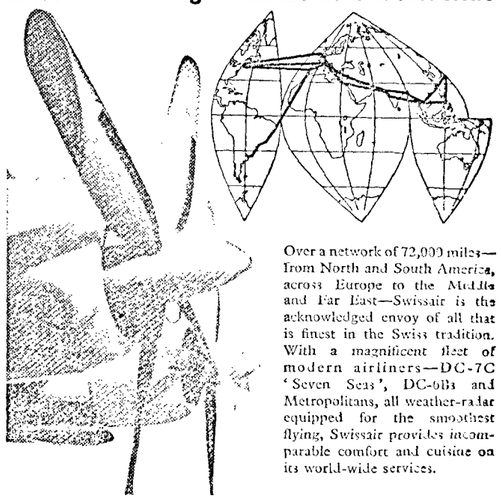
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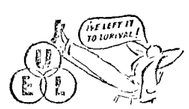
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employers are said to diminish by three-fourths if he writes on his application, "will not relocate."

The colleges, faced with annual invasions by recruiting teams from industry and business, have set up teams of their own to receive, classify, and make available to companies the records and desires of their graduates, to assist in bringing prospective employer and employee together, and to help the student to find the right job. Last year, about 3,500 companies were engaged in recruiting at the colleges; and being interviewed was beginning to take so much of a prospective graduate's time that at least one university simply set aside a three-day period for this purpose, so as to minimise the distraction from studies.

The recession has, of course, done something to restore a buyer's market in talent. Some companies have privately admitted that their main reason for sending their representatives to the colleges this year is to keep in touch with their friends in the placement offices. Many report reduced needs, compared with 1957. But a survey by the Midwest College Placement Association indicates that last year companies managed to fill only about two-thirds of their vacancies in technical jobs, and four-fifths of their non-technical ones, so that although the sights are lower this year, there may be little or no reduction in the numbers actually hired. The major companies, who tend to fare best in this new national competition for talent, did relatively well in 1957; hence their demand has fallen off the most. The non-technical areas have suffered; management's enthusiasm for the graduate in the arts has proved somewhat fragile, although there are still appeals for "the well-rounded specialist." Most vulnerable are women without technical specialities, and men subject to conscription.

On the other hand, even the University of Detroit, in what should probably now be termed a receded area, reports that recruitment is close to normal, despite the automobile makers' woes. The existence of the national market for talent softens the blow in such places; besides, there are the arrears of the past still to be made up. Last year at Rice Institute in Texas there were said to be an average of fourteen offers of jobs for each graduate. It is quite typical of this rather eccentric slump that, for all the outcry over reduced opportunities for employment, starting salaries for both technical and non-technical graduates have once again risen on the average, although by only 4 per cent, the smallest increase since 1951. Inexperienced engineers are beginning at $470 a month, and non-technical men at $415, as against $250 and $221 a decade ago.

THERE has been much speculation about the effect of the slump upon the attitudes of employers and prospective employees. Until recently, the competition for bright young graduates has been strenuous indeed. Last year the General Electric Company spent on recruitment some $750 for each graduate hired. Now that the shoe is at least partially on the other foot, have the students become less *blasé*, more eager to please, and perhaps more careful about their choice of jobs? Students' attitudes are difficult to assess. When they are asked how they weigh offers of jobs, most students talk of "opportunities for advancement" and "interesting, challenging work," leaving such mundane considerations as salary to the last. Yet, as one placement officer somewhat cynically put it,

> When it comes to the matter of deciding which job offers the greatest opportunity for advancement, it always turns out to be the one that offers the highest starting pay.

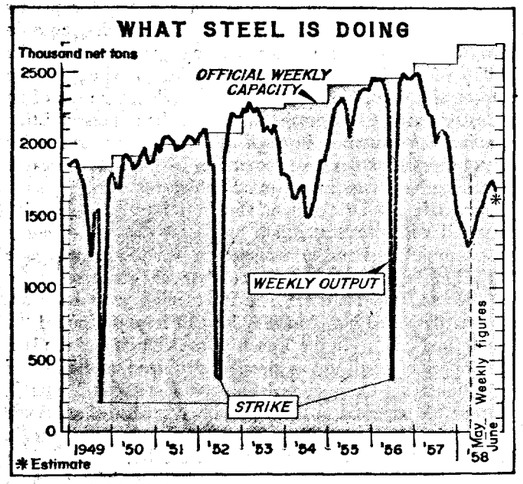
Much has been made of today's security-minded undergraduate, whose opening gambit to a prospective employer is to ask about the company's pension plan. But there are grounds for suspecting that students ask recruiters about such fringe benefits mainly because they feel that they are expected to show an intelligent interest in the company's policies. Nor are such long-range concerns necessarily excessive, given the strong tendency nowadays for the major companies, at least, to engage no one more than five years out of college, and to fill vacancies in the higher ranks entirely by promotions from within the company. At any rate, there is general agreement that this year's graduates show more interest than last year's in relatively low-paying but secure posts—in banks, insurance companies, even in government—and are asking searching questions about the ability of particular firms or industries to withstand the impact of a depression. However, a student's notion of an industry's nature and prospects tends to be impressionistic; genuine opportunities in such generally depressed fields as railways or textiles have sometimes gone begging because of a negative image in the minds of graduates.

A decade ago Dr Seymour Harris, a Harvard economist, attracted widespread attention by predicting that openings in the professions and in management would not keep pace with the rapidly expanding number of graduates from colleges and universities. The intervening years have not necessarily belied him, but they have at least postponed the anticipated crisis. In fields such as the church and the law, the supply of graduates is already adequate; as the federal government's "Occupational Outlook Handbook" puts it, the bar "is expected to remain highly competitive and some law school graduates may have to seek employment in related work"—as indeed lawyers have been doing since Cicero. Yet in this year of the sputnik, the chief fear seems to be that American institutions of higher learning may not be training enough first-rate minds for the job market. For such graduates, there is not yet any real dearth of opportunity.

Steel Has Second Thoughts

LAST week Mr Clifford Hood, president of the United States Steel Corporation, cryptically announced that, as a result of present conditions in the steel industry, his company intended to postpone the increase in its prices, which had been expected to be general throughout the industry on July 1st, until the situation had "clarified" itself. Mr Hood's unusual statement served to cloud the situation further for the moment. Earlier several steel companies had claimed that they could not afford to absorb all, if any, of the higher costs arising out of the increases in steelworkers' wages, averaging 20 cents an hour, which are due on July 1st under the 1956 contract. Prices had therefore been expected to go up by an average of from $4 to $6 a ton; but US Steel, the largest firm in the industry, traditionally leads the way in major price changes, and the other companies are now obediently considering whether, with about one-third of their productive capacity idle, there ought in fact to be a price increase at all. Nevertheless, though the actual date is now uncertain, it still seems likely that prices will be raised sooner or later; they went up by approximately $6 a ton last July, when there was a similar addition to wages, and the steel companies have since then absorbed a further cost-of-living rise in wages without increasing prices.

Steel production has climbed satisfactorily during the last eight weeks. The improvement in demand was partly in anticipation of higher prices in July, but current demand has also increased slightly, particularly from the construction industries and agricultural users. In addition, metal fabricators' stocks of steel are now at their lowest point in nearly three years and must soon be replenished. Even so, production is declining this week and July is customarily a slack month for the steel industry. It is therefore possible that prices will stay at their present levels until mid-August, when substantial demand should



at last be forthcoming from the motor industry, in preparation for its 1959 models. Thus the outlook is not very hopeful for the materialisation of the signs of recovery recently stipulated by Dr Arthur Burns, formerly chairman of the President's Council of Economic Advisers. He holds that steel operations during the summer will provide the first real key to the economic future. In his view, as reported in *Newsweek* magazine, if the present rate of output is maintained or increased during the next two months, then the recession can be considered to be nearly over; if, on the other hand, steel output falls back to around 55 per cent of capacity, then the improvement of the last few weeks will have been "just a flurry."

Challenge to America

THE third of the studies on the problems Americans face today and tomorrow, now being produced under the auspices of the Rockefeller Brothers' Fund, offers a solid and stimulating background, provided by experienced and practical laymen, for Washington's current rethinking of how to put the country's approach to its modern international responsibilities on a permanent and long-term basis. Like Mr Macmillan, this report on America's foreign economic policy emphasises the importance of America's own economic growth and stability to the progress of the whole free world, but the experts argue that this progress is being held up by the failure to develop a framework within which "industrialised and newly developed regions can co-operate in fulfilling the aspirations of their peoples." The free world needs to organise itself to withstand the impact of the Soviet trade offensive and can best do so, according to the report, not by world-wide agreements, but by regional groupings through which trade barriers could be lowered and other forms of economic, social and political co-operation could be fostered. Such arrangements are one of several ways advocated in the report for encouraging more American private investment abroad. This, in the authors' view, is the most effective means of exporting the dynamism that characterises the American economy, yet private investment, they believe, has been seriously neglected as a constructive force.

Thinking that the best way to make the American people, and perhaps their leaders too, understand what ought to be done and how to do it is to begin work on their own doorstep, the report considers in some detail how such a regional system might be organised for the western hemisphere. This would also be the easiest place to begin, since there has already been a good deal of practice in co-operating with Latin Americans and Canadians, and since recent newspaper headlines have made it clear to everyone that something needs to be done urgently. The report recommends, as an example of what the experts have in mind for other regions, that an Inter-American Economic Conference should at once be called to consider how to moderate fluctuations in commodity prices, how to promote genuine economic growth and development in the hemisphere, how to establish a common market and an inter-American payments union, how to work together for better housing, education, health and for other social improvements, and how to promote high levels of multilateral world trade and economic growth while doing all this.

Threat to Co-operation

FROM A CORRESPONDENT IN COLORADO

EVEN in the unlikely event that the Administration finds an acceptable answer to the problems of farm prices and acreage controls, it has stored up another agricultural difficulty for itself, one which has been much less widely publicised—that of the Rural Electrification Administration which enables electricity to be supplied to farmers on a co-operative basis. Originally, in the early New Deal days, the Administration offered low-cost, long-term loans to private electricity companies if they would extend their power lines into the countryside to serve the farms, of which only about 10 per cent were then supplied with electricity from a central generating station. The companies thought that this was bait to tempt them into a money-losing business, and practically all of them refused. Only then, in 1936, did Congress create the REA with President Roosevelt's backing. It was to extend long-term loans at attractive low rates of interest to farmers who would organise co-operative companies to provide their own electrical service.

This was one of the New Deal's most successful social measures. More than 1,000 of these co-operatives were organised and, by its twentieth anniversary in 1956, REA systems were serving nearly 90 per cent of all farm families. By then even more farms had electricity, since the private companies, goaded by competition from the co-operatives, had also spread out. The co-operatives have borrowed some $3.5 billion at the low standard interest rate of 2 per cent; a few have failed, but the overwhelming majority are repaying on time or ahead of it, and their total repayments to the Treasury are now more than $500 million, or about 15 per cent of the amount borrowed, plus interest. Loans to permit farmers who co-operate to supply themselves with telephone service—a later addition spurred by the discovery that in 1940 only 25 per cent of farms had such service—have shown almost as good a record of repayment.

The private electricity companies have never ceased to fight the co-operatives, and have succeeded in buying out a few. The majority of local REAs, except in the West where most of the federally-owned generating stations are found, have had to buy their electricity from private companies, and have never ceased to agitate for the next logical step—co-operation by co-operatives to build generating facilities of their own. Moreover, most of the first networks were built to standards which would only permit the minimum supply of power to farms; since farms, like other industries in America, are entering the age of automation, their demands for electricity have multiplied. It is estimated that the co-operatives will need at least $1 billion a year of additional capital for an indefinite period if they are to bring their systems up to modern standards and supply the ever-increasing demand for electricity.

Meanwhile the farmers who head the co-operatives have become steadily more disaffected with the policies of the Eisenhower Administration which, in this area as in some others, has been trying to draw back from the social measures of the Democratic New Deal and, it is charged, has shown increasing friendliness toward the private electric industry. Mr Clyde Ellis, a fiery ex-Congressman, who heads the national Association of REA Co-operatives, insists that the Administration is secretly hostile to any further expansion of the REA, something which is of course denied. Now the dispute is coming into the open through two Bills backed by the Administration.

THE first would abandon the traditional interest rate of 2 per cent on future REA loans, and would compel the co-operatives after this to pay, in effect, the going rate of interest for government borrowing. Spokesmen for the REA argue firstly that, because of the low interest which the government has had to pay in the past, the co-operatives piled up a "credit" of about $50 million, the excess of the interest which they have paid to the government over the amount which the government had to pay for the money they borrowed. Secondly, since so much of the cost of electricity consists of the repayment of loans and interest, it is argued that higher interest rates would make current too expensive for most farmers, particularly now that their incomes have gone down, and might mean that many local co-operatives would fail—and private companies are usually waiting nearby to snatch up the wreckage at a bargain price.

The second Bill, one which has heated the wrath of REA supporters almost to incandescence, would create a "revolving fund." One feature of this system would be that co-operatives might borrow from private sources; thereupon the federal government would surrender to the private lender the first lien which it holds upon the facilities of the local co-operatives. The REA leaders say that this is merely a roundabout way of delivering the co-operatives into the hands of the private companies; Mr Ellis indeed calls the Bill "another salvo by our enemies to destroy our programme" and many farmers agree with him. Further, the Bill is criticised as stripping the independent head of the REA of virtually all his authority and vesting it instead in the Secretary of Agriculture, a political appointee. Actually the chances of both Bills are slim at this Congress but both will be remembered by voters in the farm states next November.

Analysing both Bills, REA supporters point out that since the REA was a social as well as an economic programme the co-operatives had to undertake to supply whole areas, instead of just groups of easy-to-serve, neighbouring farms, so that the cost of transmission lines has been extraordinarily high. Secondly, with many farms now being deserted, there has also been some abandonment of REA services, so that the capital and service costs are becoming proportionately higher for those still supplied; in Illinois, with 140,000 people in co-operatives, some 11,000 individual services have been abandoned, representing an original capital investment of about $7,000,000. Thirdly, schedules for servicing and repaying debts were written so as to increase slightly with the years, with the idea that the REA's would be able to repay more as they became more solidly established. In Illinois, for example, it is said that such costs will mount to $3.7 million a year within a decade, as against about $2.2 million now, in addition to new financing that will be necessary to rebuild much of the system in order to meet growing demands for current.

Finally, the present Administrator of the REA, Mr Hamil, a former ranchman from Colorado who helped to establish one of the country's first—and largest and most successful—co-operatives, which serves an area larger than the state of Connecticut, finds himself in an increasingly uncomfortable position, with much of his authority to approve large loans having been taken away from him. He recently said that sooner or later the REA co-operatives must change over to a totally self-supporting status but that a private electricity company feels uncomfortable unless it maintains an equity of 50 per cent in its property, while the national percentage for electricity co-operatives is now about 15 per cent. So the change cannot come yet, nor for a long time.

SHORTER NOTES

The House faithfully honoured the promise of congressional leaders not to cut taxes when it extended the present rates of excise and corporation taxes which otherwise would automatically drop on June 30th. But by big bi-partisan majorities the Senate has voted to repeal the wartime federal taxes on transport, a concession to the railways which may help to bring down prices all round, and which would cost the government $700 million a year of the $2.6 billion the Treasury hoped to retain. The House is expected to stand firm for a more modest measure of relief or none at all.

* * *

Beginning on August 7th, summonses will be served on pedestrians in New York who cross streets against the traffic lights. Laws to protect pedestrians against themselves are enforced in many American cities, particularly in the West.

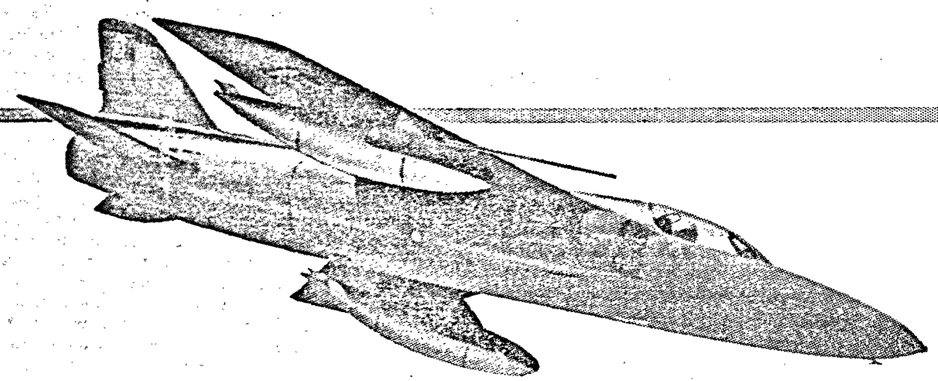
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Middle Westerners who want to lose weight have a choice at their supermarkets of eight low-calorie frozen dinners; these cost from 99 cents to $1.50 cents each and contain fewer than 275 calories.

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THE WORLD OVERSEAS

No Showdown in Lebanon

FROM OUR CORRESPONDENT IN BEIRUT

THE struggle drags on in Lebanon without a glimmer of hope for a compromise solution. Both sides remain as firmly as ever entrenched in their political and military positions. The stalemate is due partly to the even balance of forces in the country, partly to a reluctance to shed blood, and partly to the essentially negative positions that both sides have adopted. President Chamoun refuses to resign until the expiry of his term of office on September 24th. The opposition refuses to accept any other solution. "Supposing the President persists?" your correspondent asked Abdullah al-Yafi, leader of the opposition National Front and Sami Solh's predecessor in the prime minister's office. "Then the present situation will persist," was the unhesitating reply. One must concede, with the appropriate shades of gloom, that the opposition seems quite strong enough to keep the country in a state of more than semi-paralysis until September 24th, if not longer.

Abdullah al-Yafi, and those around him, insist that their only immediate aim is the resignation of the President. Beyond that all is fluid. The President's departure, in their view, would permit a return to calm, in which atmosphere the future of the nation could be debated without acrimony. All the opposition leaders have nailed their colours to the mast of Lebanese independence. But, in the view of Yafi and his friends, it is still too early to speak of such matters as future foreign policy. Commenting on the recent declaration in favour of neutrality put out by Charles Helou, a leading contender for the presidential succession, Yafi said that the subject should be reserved for the Great Debate. It seems that the possibility of closer alignment with the United Arab Republic is being kept in mind, though it must be stressed that alignment does not mean fusion.

Middle-of-the-road Lebanese are looking forward with misty hopes to July 24th. The Speaker of the Chamber, Adel Osseiran, has summoned the deputies to assemble on that date to elect a new president. Yet even there the outlook is fuzzy. Since the crisis began, the government has twice asked Parliament to convene; each time it failed to muster a quorum. Will it fail again on July 24th? Apart from that dismal possibility, the opposition maintains that the present Chamber was rigged, and is therefore totally unrepresentative of the true state of public opinion. It seems distinctly possible, therefore, that any candidate approved by the Chamber would be unacceptable to the opposition.

If anything, the position looks more hopeless today than a fortnight ago. The president was incensed at the fighting that broke out round his house during the Beirut fighting, in which he himself took a sportsman's part. The prime minister was indignant at the sacking of his residence and the wholesale destruction and removal of his personal belongings. Warrants have again been taken out for the arrest of opposition leaders, this time to the number of fifteen, including Saeb Salam and Abdullah al-Yafi. But one has heard that one before. Certainly, the arrest of Saeb Salam could only be effected by bloody battle, since his fortress house in the Basta quarter of Beirut is the heart and symbol of resistance. Doubtless the army could do it. But does it want to fight?

All the evidence is that nobody wants a serious showdown. The two-day fighting in Beirut, which was magnified by enthusiastic story-tellers into a series of pitched battles in the streets, died down without the slightest change in the situation. It is probable that it broke out accidentally, though there is also support for the suggestion that it was deliberately provoked to impress the newly-arrived United Nations observers with opposition strength. Once shooting begins, it is always fun to continue, with only mildly lethal intent, until fatigue supervenes. That is perhaps the fairest comment on the so-called "battle of Beirut."

The army, under General Chehab, has been the embodiment of caution. It has been content to hold the ring in the bigger towns, and to chivvy the bands in the countryside with a view to reducing their nuisance value. This quiescence can be attributed to two considerations. In the first place, the struggle now transcends legalistic forms. It has become a political struggle, and the general has always insisted that he, and his army, are outside politics. In the second place, nearly half the troops are Moslems and Druses. The opposition claims that desertions have taken place on a large scale. There is no substantial evidence to support the claim. But the cohesion of the army is due largely to the discretion with which it has been committed. Its reaction to an order to storm, say, the Moslem quarter of Tripoli is necessarily unpredictable; and General Chehab must have serious qualms about any action that might undermine the discipline of the only force standing between the country and total anarchy.

Meanwhile, the United Nations observers are touring the country in their white jeeps, enjoying cordial receptions wherever they go. In the event of their finding contraband in arms, they are supposed to observe, report and perhaps try to cajole the muleteers into retracing their steps. There is reason to suppose that their presence will discourage smuggling, of which, in any case, there have been very few published reports in recent weeks. The opposition dismisses the activity of the observers as "irrelevant" to the situation. It already has enough arms to go on with, as the waste of ammunition during the Beirut firing amply demonstrated.

Has the government, in calling in the observers, shot its bolt? Has it any other measures up its sleeve for dealing with the situation? "Govern or get out"—in those words a leading Beirut daily lectured the authorities. It went on to say that governing meant, in effect, either working towards a compromise solution or crushing the opposition by force. The first alternative is unacceptable to president and prime minister. The second is unacceptable (apparently) to the commander-in-chief. It is against a background of

despairing thoughts such as these that supporters of the government began to canvass suggestions of intervention from the West, either under article 51 of the United Nations Charter or under the terms of the Eisenhower Doctrine.

Various more or less delphic utterances by President Eisenhower, Mr Dulles, the commander of the Sixth Fleet, and Mr Selwyn Lloyd have been scrutinised hopefully by those who favour Anglo-American intervention. It is to be hoped that they are living in cloud-cuckoo land. The only useful purpose that British parachutists and American marines could serve would be to crush the centres of opposition. This they could easily do. But such action would provoke a storm of Arab hate, reaching far beyond the borders of Lebanon, matching in intensity that which followed Suez. How long could the Arab Federal State of Iraq and Jordan last? And what price Arab oil?

Cyprus Looks at the Plan

FROM OUR CORRESPONDENT IN NICOSIA

THE events of the past week—the policy statement from London, the talks in Athens with the Greek Cypriot mayors, the Governor's sudden visit to London and the news of his offer to meet Grivas—have left the average Cypriot more confused than ever. Yet the week has not been without its positive features: the British plan has not caused the explosive reaction that many had feared and the security authorities, who were being criticised two weeks ago as ineffective, now have some reason to congratulate themselves that they have the situation in hand.

But if violence has for the moment been checked, the air has been rent by voices inveighing against some new-found flaw in the British proposals. On the Turkish side, the theme is, of course, simple; the monolithic adherence to partition shows no sign of weakening. The local Turkish leaders are making the maximum propaganda capital out of their scheme of setting up separate Turkish municipalities. In Limassol this week they had their first ominous (though minor) clash with the Greeks over municipal sovereignty. But the municipalities scheme may possibly have a certain face-saving value at present for the Turks who have thundered "partition or death" so fortissimo in recent weeks that some quick propaganda action is necessary for their own followers. If Ankara were prepared to accept the British plan, which most people here consider treats the Turks generously, the Cyprus government would probably not stand in the way of setting up separate municipalities.

Among the Greeks, certain definite issues are emerging from the controversy over the British proposals. Inevitably it is charged that the formation of two separate legislatures means a kind of partition in disguise. The Governor himself has gone to great pains to correct this impression, and has stressed to the Greeks that no geographical division of the island is envisaged. But the Greeks are not yet convinced. The plain truth is that in the present temper of the island it is hard to see any Turkish minority getting very generous treatment from a Greek majority if both were in the same assembly—despite the facile assurances of the Greeks over the years that they have "no quarrel with the Turks."

The Greeks are also perturbed about the budgetary arrangements. They want to know who is paying for what—and how. This is one of many points left open, although if general principles were agreed to, they should doubtless be capable of solution. But a major grumble of the Greeks for a long time has been that in various ways they are made "to subsidise the Turks," and the whole question would have to be thrashed out in considerable detail. The Greeks are also suspicious of the proposed arrangement whereby the Greek and Turkish commissioners would join the Governor in the executive triumvirate. This device is seen as a sinister manœuvre to enable the Turkish government to have an unwarranted say in the running of the island. It has been suggested in one influential quarter that it would be better to have a Greek Cypriot and a Turkish Cypriot alongside the Governor—though it is hard to envisage any of the present leading personalities fitting into this role. Despite all that has happened in recent months, to the Greek Cypriots the Cyprus problem is still a "simple" issue—between the British Government and the people of the island.

But by far the most serious criticism concerns the final section in which Britain expresses willingness, at an appropriate time, to share the sovereignty of the island with the Greek and Turkish governments. The Greek Cypriot takes this to mean that self-determination is for ever excluded and that the island will be a colony for ever. Thus what has won praise outside the island as an eminently sensible suggestion is arousing alarm and anger here.

Despite all this criticism an optimistic feeling can be detected among ordinary people that in some mysterious way things are getting better and that a settlement will be found. The grim shadow of Eoka, however, is still in the background and none of the moderates, who see some merit in the plan will openly support it, if only as a basis for discussion; for they fear that if things should go awry, the day might come when their "moderation" might be remembered and they would be branded as "traitors."

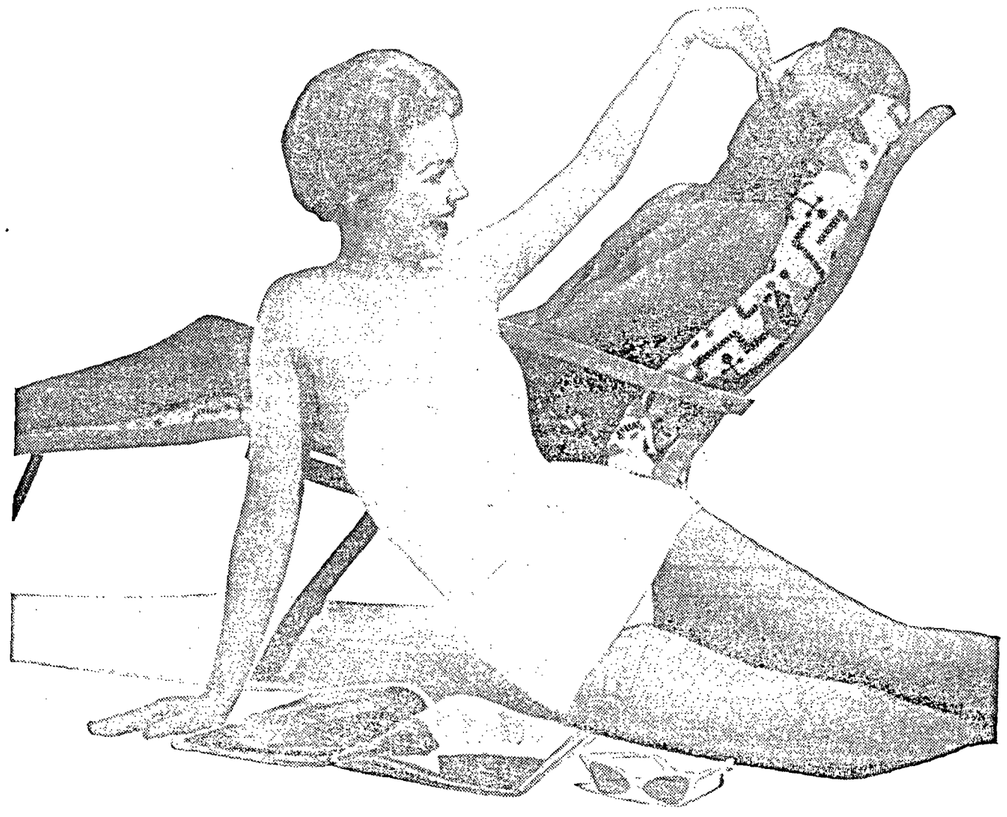
Germany's Railway Optimists

FROM OUR BONN CORRESPONDENT

IN Germany full-blown engine-drivers, guards, and signalmen are civil servants; their assistants live in hope of one day qualifying likewise for the security and prestige of the *Beamte*. This is a consoling thought to the management of the federal railways (the Bundesbahn) as they contemplate a scene of debt and deficit as sombre as that confronting British Railways. For in Germany the law forbids civil servants to strike, and consequently it is most unlikely that in the foreseeable future there will be any really awkward demands from the key west German groups of railwaymen for higher pay. The sixty per cent of the staff who do not rank as civil servants seem to be content for the time being with the 46-hour week introduced for them on June 1st (though not for the civil servants) along with the promise of a 45-hour week to begin on October 1st, even though not a single extra man is being taken on to make good what was originally estimated to be tantamount to the loss of 29,000 workers, whose replacement would cost an additional DM181 million (about £15.3 million) a year.

Their nerves are good and their hopes high at Bundesbahn headquarters in Frankfurt. They need to be. The deficit of 515 million marks (£43.7 million) in 1956 rose to one of 750 million marks (£63.7 million) in 1957. And the

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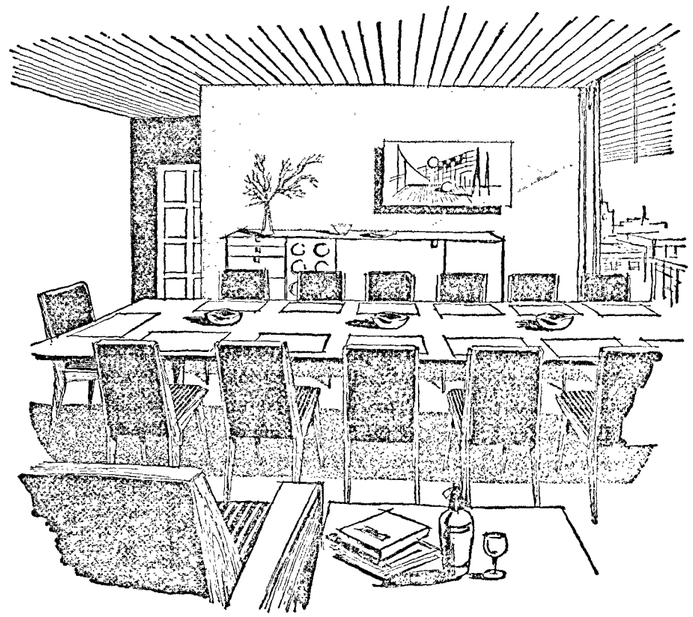
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expectations of higher revenue from the increased charges that came into force last February—8.7 per cent more for passengers, and in general 14 per cent for freight—are not being fulfilled. There has been a notable decrease in goods traffic, which normally accounts for roughly two-thirds of Bundesbahn revenue. This is due in part to anticipatory stockpiling. But everywhere less coal, ore, and steel are on the move. Some six million tons of coal are banked at the pitheads waiting for orders. In spite of this considerable disappointment, there is scarcely a wisp of doubt at Frankfurt that the Bundesbahn, which has not showed a profit since 1951, will sooner or later pay its own way again. One ground for optimism is that it is saddled with a unique, but temporary, burden—that of the refugees. As successor to the Reichsbahn, the Bundesbahn is obliged either to employ or to pension all railwaymen fugitive from eastern Germany or former German territory beyond the Oder-Neisse line. The bill runs to some 200 million marks yearly, roughly a third of the total deficit.

But optimism flows just as vigorously from renewed confidence in the commercial indispensability of railways. In spite of the incomparable Autobahn network, the federal railways were still carrying 54.7 per cent of western Germany's goods traffic in 1957. (As much as 30 per cent went by water; less than 15 per cent by road, some of it in Bundesbahn lorries). The Bundesbahn believes steadfastly in its own future, and in dark moments cheers itself up by thinking, if not of the Swiss railways with their fabulous operating surplus of approximately £64,000 a kilometre, then at any rate of the Netherlands with one of £425 a kilometre. But first, modernisation, upon which 20 billion marks (£2,000 million) is to be spent over a period of ten years.

Modernisation means chiefly electrification, automation, and rationalisation. Altogether 1,800 miles of track, approaching a tenth of the whole network, have been electrified. This summer the electrifiers are moving down the left bank of the Rhine towards Cologne and their advance party has already reached Bonn. Locomotives of the long-electrified southern network, which is linked with the Austrian, Italian, and Swiss systems, can now operate as far north as Remagen. (Wine-growers along the Rhine between Mainz and Remagen are said to be deploring the prospective loss of the free fertiliser of which nearly a ton has been falling daily in this area in the form of soot from the coal-fired steam locomotives.) The Bundesbahn will not commit itself about the pace of further electrification.

But no more steam locomotives are being built. The 9,500 now in service are to be replaced gradually by electric and diesel locomotives, which have been found to be respectively 35 per cent and 25 per cent cheaper to run than their obsolescent stable mates. Already 615 electric and some 500 diesel, diesel-electric, and diesel-hydraulic locomotives are in service. There are also 925 diesel coaches and petrol-driven rail buses. The first of the Bundesbahn's own power stations—cheap power is one of the secrets of the Swiss railways' success—is in operation in Upper Bavaria. Others are projected.

Automation, particularly through application of electronics, is a newer field of hopeful and vigorous enterprises. The Bundesbahn's special pride of the moment is the signal box at Frankfurt station, from which only ten men control all the points and signals throughout the complex six miles approach to this very busy terminus. This installation, the range of which is to be extended to 18 miles, cost 20 million marks (about £1.7 million), but it is proving so remunerative that similar arrangements are to be introduced elsewhere. The number of permanent-way inspectors is being reduced by the use of electronically controlled testing coaches. Electronic devices regulate what it is believed will prove to be an economical two-direction single-track system now being tried out on 25 miles of line near Bebra. Hopelessly unprofitable lines are being allowed to run down and will presently be abolished. The post office's yellow mail buses continue to relieve the railways of the responsibility of carrying passengers and parcels in some of the remoter parts of the country.

So far the railwaymen have nowhere shown any serious resentment of the processes of automation and rationalisation. It is for the sake of safety, not of labour relations, that two men man the electric or diesel locomotive hauling a passenger train. On similarly hauled freight trains one man does the job, with an initiated guard in reserve not far from the locomotive. The average German railway worker is remarkably proud of his firm and likes to see things going well. The guard-cum-conductor (*Schaffner*) of a long-distance passenger train (who, let it not be forgotten, is a civil servant) considers it his business to ensure that every traveller not only has a ticket but is also comfortably seated. He has something of the avuncular omnipotence of a ship's captain. The punctuality of the German trains is a product of pride and teamwork all along the line. One of the Bundesbahn's significant little pleasures is to hand on punctually to the next country an international through train that arrived late at the German frontier.

Brave Egyptian World

BY OUR SPECIAL CORRESPONDENT

PRESIDENT NASSER'S preoccupation with the paraphernalia of diplomatic buccaneering, such as armaments and broadcast propaganda, diverts attention from the revolutionary government's successes—and flops—at home. One of the successes is the completion this year of the land reform programme. All estates of more than 200 acres (or 300 acres if the landowner has children) have been sliced into allotments for smallholders, and although the scheme barely takes the crust off Egypt's overwhelming problem of having too many people on too little fertile land, it has made landowners out of some 200,000 families who previously were underpaid labourers or insecure tenants. It has also confuted those who say that whatever the social arguments in favour of carving up big estates, the economic answer is always a drop in production. The land reform areas are run on a co-operative basis: the smallholder has two or three separate plots of about an acre each, but every plot is part of a large area entirely devoted to a single crop, and output is at least as high as it was before.

Now that all the land within the scope of the scheme has been distributed, the initiators of land reform are left with a certain amount of time on their hands. This forceful group of youngish men is headed by Sayed Marei, who at first worked under the minister of agriculture but before long was minister himself. With land reform out of the way, Sayed Marei and his ministry are ready for new battle against any slower-moving, woollier-minded civil servants who might stand in the way of agricultural development.

The scope of new projects is necessarily restricted until Egypt can squeeze some more water out of the Nile. There are experiments with drainage water and artesian wells, and

from time to time small areas are won from the desert. Serious reclamation schemes are in cold storage with the hopes for the High Dam. Meanwhile, the ministry of agriculture has fought and won a battle for control of some of the land that the Waqf ministry used to hold in trust for the upkeep of hospitals, schools and mosques. On top of this it has taken over the running of the Liberation (Tahrir) province, and is now turning ambitious eyes towards the programme for rural welfare.

Liberation Province is Egypt's showpiece oasis. It was also, before the ministry of agriculture cut it down to size, one of the government's most expensive miscalculations. About 40,000 acres are being reclaimed from the desert between Alexandria and Cairo, with water diverted from land in the delta to the east. The scheme has had spectacular success in showing what can be grown on sand: a bleak stretch of desert has blossomed into a garden of oranges, melons, strawberries and roses. As window dressing it is a fine display; as a practical experiment for a country that is badly off it is lamentable. It was administered by a more or less autonomous organisation in Cairo whose directors made some crashing blunders, including the building of a citrus canning plant long before there was a chance of the orange trees bearing fruit, and the creation of factories churning out retail goods which no one in the area could possibly afford to buy. A new village was built beyond the limits of the irrigated land apparently in the hope that once the buildings sat there fair and square, nobody could refuse them water. These extravagances are now being lopped off one by one. The Cairo office has been disbanded, the factories closed down, and all agricultural luxuries severely pruned by the no-nonsense methods of the ministry of agriculture. But its experts are more perplexed when they come up against the provinces' involved plan for social welfare.

Ideas of social responsibility came late to Egypt, but since the revolution a handful of pioneers have by their enthusiasm tried to make up for the wasted years. The universities are turning out doctors and teachers in encouraging numbers; the buildings for them to work in are more difficult to produce because there is always some other use for the money. Although schools and hospitals have shot up, there is still only accommodation for half the children who should go to elementary school, and only 7,000 beds for 300,000 tubercular patients. Liberation Province provides an egregious example of social planning run wild.

In one area four hundred families were chosen to cultivate the new land. To qualify, the parents have to be between 23 and 30, have two or three children, and pass rigorous tests on health and social habits. They are not allowed to bring any relations or dependants. On arrival they are provided with a house, a uniform—and a dossier. Every month or so, the social workers fill up lengthy forms on the villagers' general behaviour, hygiene and marital relations. Every cupboard and cooking pot has to be open to inspection, and every villager to have a clean and smiling face—or the social worker wants to know why. Theoretically the land belongs collectively to the families but since there is far too much work to do, some 10,000 labourers have to be imported from nearby delta villages. The labourers have no dossiers and can wear what they like, but otherwise do much the same work as the selected few.

The experts from the ministry of agriculture are a bit dumfounded by this other kind of brave new world. They object to it partly because they suspect that the social theories are a waste of time and money, partly because they dislike the system of hierarchy. But what to do with the 400 families? They cannot be given the land and told to get on with it; it will still be years before the desert crops start to bring in a fair return. On the other hand the ministry does not want to snatch away their privileged status by turning them back into labourers.



The next conflict between the pragmatic approach of the ministry of agriculture and the idealism of the social pioneers will be over the rural community centres. This is a bigger battlefield: the plan is to have 864 of these centres all over Egypt, each covering four or five villages and serving 15,000 inhabitants. So far about 260 have been established. Each centre consists of a hospital, school and meeting place and is run jointly by a doctor, headmaster and social worker. Doctors, nurses and teachers are desperately needed; most of them are devotedly working twenty-five hours a day. But the function of the social worker is less obvious. He advises the peasants on seed and stock, he is in charge of co-operative marketing schemes; in some of the centres, he tries to ease the pressure on land by teaching local crafts and trades. The theories are first class; so often, is the practice. But sometimes money or enthusiasm seems to have run out before the schemes can be completed. Incubators that were to have provided the peasants with Rhode Island reds are shown off proudly, but they are empty of eggs or chicks; carpentry, pottery or weaving workshops are splendidly equipped but have as yet no students.

The administration of the rural welfare schemes is now to be centralised under some kind of national planning board. Sayed Marei's ambition is to have the final say on this board. He contends that the hit-and-miss methods of the ministry of social affairs are a luxury that Egypt cannot afford, and that the running of each centre must be tied more strictly to what is agriculturally and economically feasible. According to the ministry of agriculture the cart has been put before the horse, social services must wait on agricultural profits, and the pioneering experiments of the community centres are not much more than well-meaning

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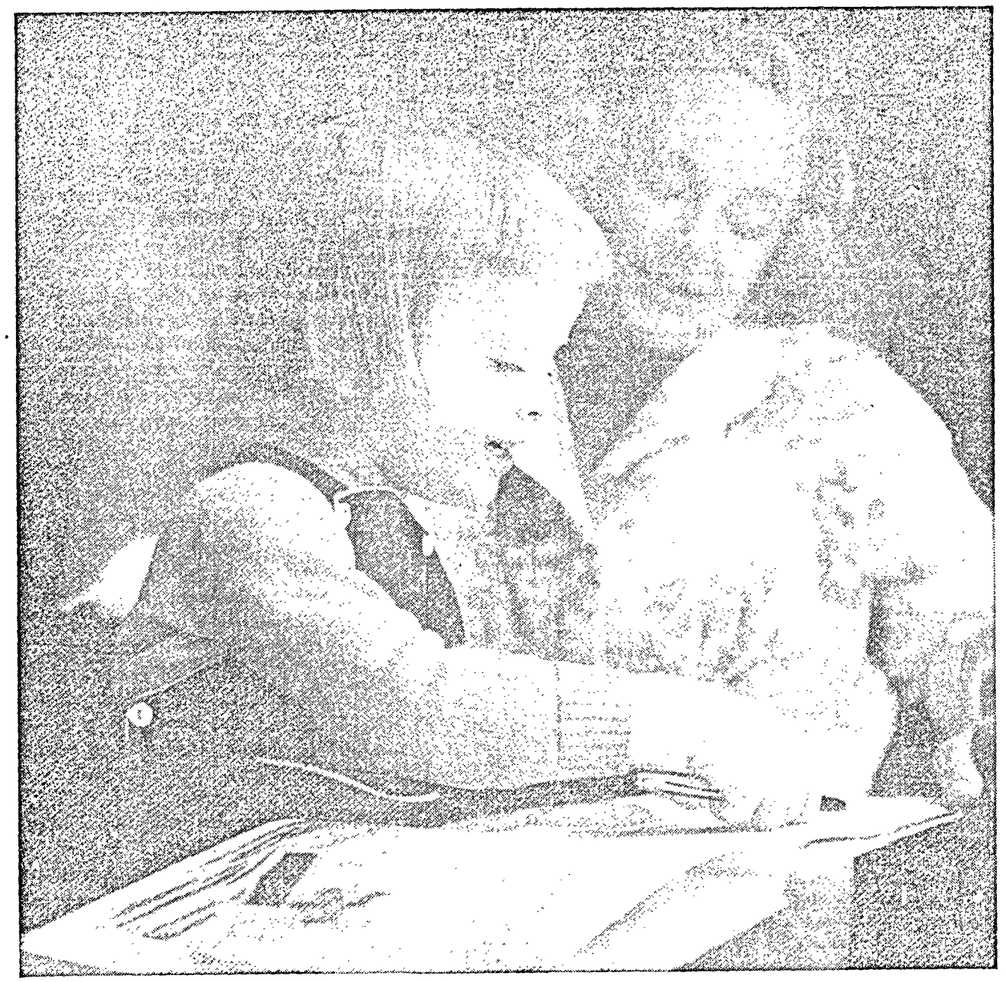
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fuddy-duddy idealism. Who will win? The odds are on Sayed Marei, for Egypt cannot indeed afford many social services when foreign adventure makes so insistent a call on limited funds.

Danube Blues

FROM A CORRESPONDENT

For more than a century the traffic on the Danube has reflected the political tensions more than the economic prosperity of Europe. The international tug of war on the river started in the second quarter of last century, with Russia pulling strongly at the delta end. Nowadays the game is still played; but it has lost much of its 19th-century vigour. Though the Danube is the longest river in Europe and the only natural link between the West and the East, it is depressingly free from shipping. The difference between the stream of traffic on the Rhine and the solitary boats making their way up and down the Danube is striking.

Russia established itself on the sand-logged Danubian delta in the eighteen-thirties. Russian interest in the river's shipping was small: the occupation of the Chilia arm, and later of the delta to the south, was, for Russia, another step in the advance towards Constantinople. The Crimean war and the subsequent treaty of Paris put a stop to this. The European Danube Commission, created by the powers at the Paris conference, was made responsible for the regulation of shipping on the lower reaches of the Danube. Under the auspices of the commission the sand was cleared from the delta and Russia was kept at a safe distance from it. Shipping between the West and the Black Sea increased considerably in the eighteen-seventies and eighteen-eighties; the growing economic expansion of Europe along the Danube was regarded, by successive Russian governments, as a "serious limitation of our freedom of movement."

At the Versailles conference in 1919, the Danube was declared an "international waterway" and the European Commission was replaced by the International Commission. In spite of the changes brought about by the war, the peace treaty, and the erection of assorted economic barriers by the successor states of the Hapsburg Empire, the Danube remained, in the period between the two wars, a European waterway.

By the occupation of Bessarabia, and with it of the Chilia arm of the delta, in 1940, Russia became a Danubian country again. For Germany, this was another concession calculated to ensure Russian neutrality, so precious at the time; for the Soviet Union it was the first step into Central Europe. In the same year, Germany summoned a conference to Vienna to deal with the inheritance of the deceased International Commission. Although this conference was expected to discuss purely technical questions concerning the stretch of the Danube between Ulm and Braila, Mr Vyshinsky asked Schulenburg, the German Ambassador to Moscow, for an invitation to the conference for the Soviet Union, "as we are interested in all Danubian problems."

In 1945 the Russians controlled the best part of the river as far as Linz, the limit of the Soviet zone of occupation in Austria. A year later the grandiose project of the Black Sea canal—still not completely realised—was put forward. The Rumanians were made to join the Sovromtransport, the Soviet shipping company, with all their fleet. When, however, the company went into liquidation shortly afterwards, they were able to buy their ships back. For several years after the war, most of the shipping companies of the east Danubian countries had to carry two managing directors, one of them Russian. In spite of their war losses, the Jugoslavs managed to retain the largest Danubian fleet; but soon a rivalry developed between them and the Hungarians who, helped by Soviet subsidies, took the first place as the largest Danubian shipbuilding country. After the Hungarian revolt there were some signs that the Jugoslavs intended to use the respite from Hungarian competition to forge ahead with their own shipbuilding and investment programme. The Jugoslav government granted a credit of about £20 million to its Danubian shipping company; of this sum, 12 per cent was planned to provide ships for passenger traffic. The investment was also intended for the building up of the Belgrade wharf into the largest transit station in south-eastern Europe, designed to handle 2,200,000 tons in a year.

This side of the curtain, the boats of the two Austrian companies, DDSG and Comos, and of the Bavarian Lloyd mostly ply their trade on the Vienna-Linz-Regensburg route. The DDSG lost four-fifths of its property, mainly to the Hungarians, after the war. When it first resumed its activities in 1947, it operated from Linz and only upstream



from there; five years later the company was allowed to return to Vienna. Austrian and German Danube shipping are faced with similar problems. The companies are private, but the state is the principal shareholder. This makes for difficulties as far as capital investment is concerned, and investment is what they badly need. Most of their cargo ships were originally built for a waterway of 1,750 miles; on short routes they tend to be uneconomical. And yet less than 5 per cent of the shipping they carry ever crosses the eastern frontier of Austria. The companies also have to compete with the artificially low freight charges of the shipping companies of the people's democracies. But as it is impossible to insure a cargo carried by a Jugoslav, Hungarian, Rumanian or Bulgarian ship, business men are not tempted by lower shipping costs. The first glimmer of hope for the DDSG, as far as its eastern trade is concerned, is the contract with the Soviet Union, which came into operation at the beginning of April this year, to carry 100,000 tons of coal and the same amount of iron ore along the whole length of the Danube into Austria. The contract is renewable annually and the Austrians believe that the quota will be increased in the future.

At present the Russians hold all the trump cards. Their control over the Danubian delta is firmly established. Through the Permanent Danube Commission, constituted in Sofia in 1956, and through the Belgrade Convention, they exercise a high degree of influence over the Danubian

shipping of south-eastern Europe. Yet at the Belgrade conference there were indications that the Jugoslav government regarded the Convention as a first step towards a Danubian confederation: a programme which had often figured in political discussions before the war. Although the Austrians were invited to Belgrade, they could hardly have negotiated from their uncertain position before the conclusion of the State Treaty in 1955. Now they are free to do so, and if there is ever to be a wider Danubian agreement, it will be Jugoslavia and Austria who will have to take the lead. Both countries enjoy special international positions, and it might be easier for them than for any other Danubian government to steer clear of complications arising from the chronic tension between eastern and western Europe. The settlement of the fortunes of the whole Danube might be a step towards easing the tension.

Mexican Opportunities—I

FROM A CORRESPONDENT

But for the sale of two Britannias, the British share in Mexico's foreign trade in 1957 would have amounted to only 1.9 per cent. Even with the sale of the two aircraft (which have both encountered mechanical difficulties), Britain's part in Mexican imports totalled less than 3 per cent. The reasons for this poor showing are tiresomely classical: an unwillingness on the part of British manufacturers to acquaint themselves with Mexican needs and realities; a vague presupposition that Mexico is just another of those Latin American republics in which men with large hats drowse in the sun or fire old rifles in the air; and, above all, a lack of interest in following up business opportunities when they do arise. Britain's competitors—leaving the United States aside—are not committing the same errors. The German presence in Mexico is making itself felt: in a Volkswagen assembly plant, set up as a result of a barter deal in cotton, in a large new fertiliser plant, in the readiness of a leading German electrical firm to open a permanent office in Mexico City.

But why should the British manufacturer, whose order book may be comfortably filled, pay any particular regard to the Mexican market? The answer is two-fold: the Mexican economy is, in the words of one expert observer, "not expanding but exploding"; and this explosion is taking place against a background of fiscal and political stability which sharply distinguishes Mexico from the rest of Latin America.

In nearly every sector, the economic indicators yield the image of immense progress and of a business boom sustained at an extraordinary level since early 1955. The population, now put at about 33 million, is expanding at an annual rate of 3.1 per cent—the second highest rate in the world. By 1960, Mexico City is expected to have a population of 5.3 million (not a wholly comfortable prospect to a city where more than half the inhabitants live in substandard dwellings). The rate of industrial progress is similarly impressive: adjusted for price changes, national production rose 7 per cent in 1957 as compared with the previous year. The sale of electrical energy has been increasing at an annual rate of more than 12 per cent. This is nearly twice the world's average rate of growth. The gross national product, which amounted to some 56 billion pesos in 1953, exceeded 100 billion in 1957. Even allowing for devaluation, for the rise in prices and for the high birth-rate, these figures point to an incontrovertible increase in prosperity. To receive graphic confirmation of the general trend, one need only walk through Mexico City as it builds and rebuilds after last year's earthquake, or travel on one of the new highways into the interior.

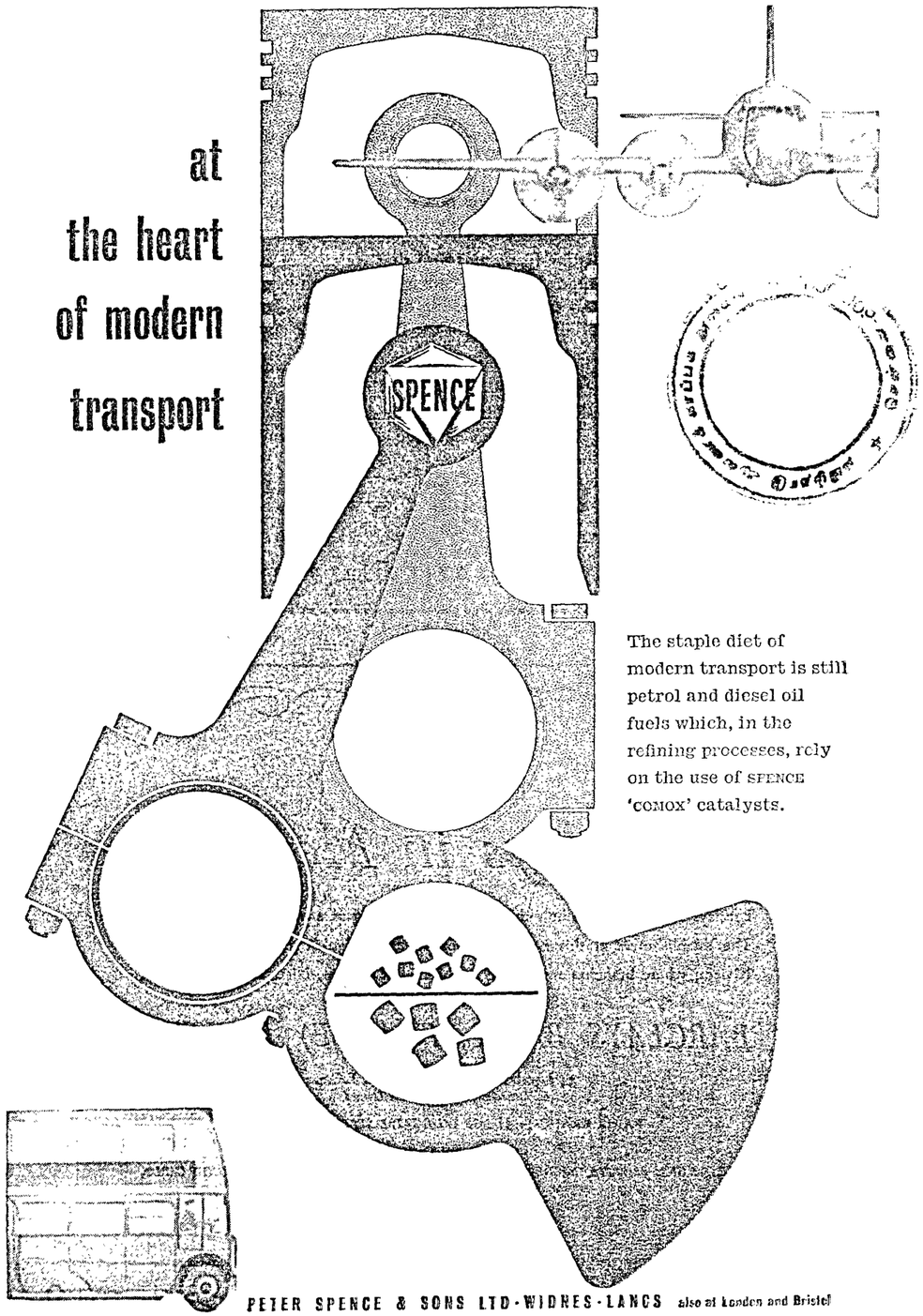
The American recession is providing a searching test at the basic soundness of the Mexican economy. Mexico's principal industry is, by a substantial margin, the tourist trade. More and more visitors from all over the world are discovering each year what this land with its fierce beauty, radiant climate and low prices has to offer them. Some 576,000 tourists visited Mexico in 1957; net earnings from the tourist trade during that year totalled $361 million. The immense majority of visitors come from the north. Will the American recession interrupt this vital flow of dollars? So far, there are no real indications of a decline. But it is too early to tell. The winter tourist tends to be well off anyway. What will happen to the summer tourist who comes from the middle and professional classes and who comes across the border by car? No one knows the answer. But there are people who believe that the American recession will bring more tourists to Mexico rather than less. They contend that many Americans who feel the pinch, but who none the less want to take their holiday abroad, will cancel projected trips to Europe and come to Mexico instead. Mexico is nearer, cheaper and yet as foreign (to all but southern Californians) as any land can be. But even the most convinced supporters of this theory concede that they are thinking of a limited recession. A full-scale American depression could, for a time at least, destroy the tourist trade.

The second and related problem is that of the *braceros*—the Mexican agricultural workers who are annually contracted, under international agreement, by North American planters and fruit growers. In 1957, 436,000 *braceros* went to the United States for periods varying from six weeks to six months. Their work contributed $34 million to the Mexican economy—a figure which does not include dollar earnings deposited by individual labourers in American banks. There are already strong hints that fewer *braceros*—perhaps 150,000 to 200,000 fewer—will be allowed across the border this year. This may, however, be no more than a temporary result of abnormal rainfall and late crops in the southern and southwestern United States.

Mexico is, generally speaking, well placed to ride out an economic crisis. Monetary reserves in hand stood at $439 million on April 11th. In addition, the government disposes of the usual drawing rights on the International Monetary Fund as well as of the possibility of obtaining $75 million from the United States Treasury on the basis of the United States-Mexican Stabilisation Agreement. This agreement was renewed for a two-year period on December 30, 1957. For reasons of its own security, the United States is committed to the support of the peso. Even during times of domestic economic difficulty, Washington cannot afford a really severe crisis in Mexican affairs. With subtle insight, Mexicans keep alive in the minds of American businessmen and diplomats the old phantom of a left-wing Mexico, faintly Trotskyite and openly "anti-Yankee." Mexicans have found that in negotiations with the United States Treasury such phantoms have their uses.

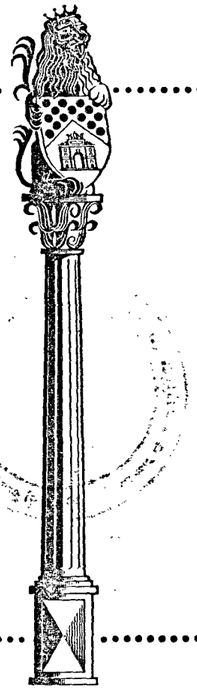
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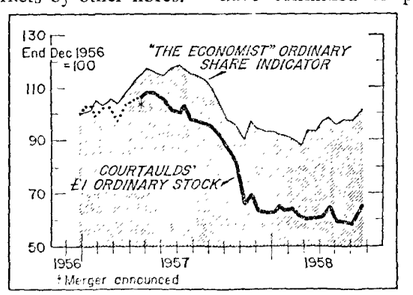
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THE BUSINESS WORLD

Courtaulds after the Merger

WHAT has induced the sharp recession in the rayon industry throughout the world? What has put Courtaulds on short time and cut the combined profits of Courtaulds and of British Celanese by £2½ million in the year to March 31st? Why is Japanese rayon filament production cut by half, European output by up to 40 per cent and output in Canada and the United States far below capacity? Since the merger with British Celanese the directors of Courtaulds are masters of nearly the whole British rayon industry, as well as of large empires overseas. Their report attempts an historical answer to these questions. In the post-war years Courtaulds expanded its productive capacity to catch up with a world textile shortage. Against a background of rising costs for new plant, for raw materials and for labour, the shortage was overcome and prices were held low. In this country man-made fibres secured a larger share of the textile trade. But in the same period the true synthetics, of which nylon and Terylene are examples, have made even faster strides and output of them is now large. When they observe that nylon has virtually eliminated viscose filament yarn from the hosiery trade, the directors record what every woman knows.

So the present plight of rayon arises from a surplus of capacity now that the world shortage of textiles has been overtaken and from the penetration—partly temporary—of rayon's former markets by other fibres. In dress goods, the pendulum of fashion has swung in favour of cotton. In hosiery, underwear and corsetry the newer synthetics have been ousting rayon; even the development of warp knitting in which both Courtaulds and British Celanese played a leading part in this country has been helpful to the newer synthetics.



Though the directors admit it only by implication, one can presume that there is a price incentive in these changes. Viscose filament rayon, though still the cheapest textile raw material, offers less inducement on price to manufacturers now either in mixture with or in substitution for other fibres. It seems to have been direct competition with cheap cottons to which the directors referred when they complained of "imports of cotton piece goods from India, Pakistan and Hong Kong which are completely unrestricted by way of quota or duty." But it is curious that the directors of a great international business living by foreign trade and overseas investment see nothing odd in demanding both protection against Commonwealth goods in Britain and still higher protection against British and other goods in Canada.

The "most difficult year for the rayon industry not only in this country but throughout the world," had little to relieve its starkness. The directors offer no forecast about the end of these troubles. Shareholders will hope that the chairman, Sir John Hanbury-Williams, will have more to say about the outlook and about the current trading, at the meeting on July 16th. Meanwhile there are two aspects of the company's business that offer a little more encouragement. The non-textile activities of the group—British Cellophane, Colodense (which converts cellulose films into bags), and the whole plastic and chemical sections—have continued to prosper. So did British Nylon Spinners in which Courtaulds and ICI are equal partners. It is now disclosed that British Nylon Spinners (whose accounts for the year 1957 were reviewed last week), not only paid an increased dividend, but this year has lent £4 million to each of its shareholders. The loans are free of interest and nominally repayable at three months' notice and they seem to have

been made out of money surplus to any foreseeable requirement. The Nylon company must have retained about £10 million of quick assets, and its projected expansion at Doncaster is to cost only between £3 million and £4 million. Courtaulds has put its £4 million loan mainly into short-dated gilt-edged (nothing longer dated than 1965 is held in the parent company's accounts and nothing longer than 1967 in those of British Celanese). So the two parent companies have paid themselves the nearest thing to a non-taxable dividend that the law allows, and in doing so Courtaulds has managed to make itself look more than ever like a gilt-edged trust with holdings up from £12.4 million to £18.4 million. At present Courtaulds clearly has no work for reserves on this scale. The climate is hardly favourable for investment in rayon, and there are at present only two major developments (both outside the rayon field) in progress —the "Courtelle" acrylic factory at Grimsby and a new factory for British Cellophane at Barrow.

To be over-supplied with cash and under-supplied with business is not a happy state as many a small rubber company could tell this textile giant. It is a symptom of middle age and it produces restive shareholders. They will expect of Sir John Hanbury-Williams next month an estimate of the outlook and a statement of Courtaulds' plans. Already loss of cachet by the company's ordinary stock has been marked—as the chart shows. Some of the events recorded in the present balance sheet—notably the maximum loss of £536,000 on the sale of FNF Machinery Manufacturing to the Thomas Tilling group are also irritating.

Most important of all, will stockholders share their chairman's confidence that the timing and the terms of the merger with British Celanese were right? By the end of the past financial year, the chairman asserts, "the concept of two groups had itself disappeared . . . a new tightly knit group was functioning satisfactorily and . . . the expected benefits of the merger were already being felt." It may be noted that the combined pay roll has been reduced from 38,593 to 31,481, though that is the result of trade recession as well as of the merger. But after this bold claim, the next sentence records that "in recent years the profitability of the operations of British Celanese has been falling steadily and sharply." The benefits already being felt last year must have accrued chiefly to former ordinary stockholders of Celanese who accepted the exchange into Courtaulds; they get an 8 per cent dividend, although British Celanese (with net income down by £280,000 to £370,000) pays nothing to its new parent.

For the holder of the ordinary stock, now standing at 23s. 3d. xd against last year's peak of 37s. 9d. and yielding 6.8 per cent, the future is less easy to assess. It is obviously not rosy, but much of the bad news and some of the fears must by now be discounted in the price. The over-strong cash holdings and current development plans suggest that a liberal dividend policy ought to be possible even in lean times. Courtaulds' share of British Nylon Spinners' profits alone would cover last year's dividend, so that there is time for new ideas and new vitality to show themselves. A new policy, it seems, must put less emphasis on the cheap end of the trade.

Secondly, hard times for viscose and acetate rayon—Courtaulds' basic products—will enforce still more diversification upon the group, as is happening to other textile companies. A large slice of the business already is non-textile and a large slice non-rayon, and these slices are now paying best. With the basis of a chemical industry in its control and research and experimental facilities firmly established, the temptation to seek for new products and new outlets must be strong. Such a radical change of emphasis in a company largely geared to the cheap end of textiles must take time to achieve. But diversification may still be the best long-run answer.

PRICES OF FIBRES

(pence per lb)

	June, 1956	June, 1957	June, 1958
Fibro	24	24	24
Nylon Staple (1½ denier)	123	123	123
Terylene Staple (1½ denier)	126	126	126
Courtelle Staple	...	100	100
American Cotton (1" spot)	31·03	26·99	26·15
Wool (46s. clean)	69	85	52
Silk (Japanese grade 2a)	419	399	384
Flax (raw scutched Courtrais)	29·5	29·0	25½

CONSUMPTION OF FIBRES

(million lb, estimated)

	1950		1956		1957*	
	World	UK	World	UK	World	UK
Cotton	16,054	1,017	18,695	728	18,400	757
Wool (clean basis)	2,640	518	2,853	475	2,880	482
Rayon (filament)	1,927	167	2,234	159	2,270	145
Rayon (staple)	1,570	153	2,992	207	3,150	208
Other synthetic	135	10	684	51	900	71

*Rough estimates

PROFITS AND ASSETS

Year ended March 31	British Celanese 1957 £'000s	British Celanese 1958 £'000s	Courtaulds 1957 £'000s	Courtaulds 1958* £'000s	Group 1958† £'000s
Gross trading profit	**2,526**	**1,671**	**17,375**	**15,719**	**17,390**
Other income	171	150	2,379	2,546	2,696
Total income	**2,697**	**1,821**	**19,754**	**18,265**	**20,086**
Depreciation	964	1,042	4,472	4,890	5,932
Taxation	965	294	6,595	6,686	6,980
Net income	**651**	**371**	**8,567**	**6,567**	**6,938**
Ordinary dividend	195	...	2,772	2,454	2,454
Retained earnings	77	52	5,135	3,235	3,287
Gross fixed assets	**27,843**	**27,983**	**118,636**	**126,156**	**154,139**
Net fixed assets	16,183	15,748	88,099	91,481	107,229
Net current assets‡	10,995	11,106	43,521	42,611	53,717
Government securities	4,931	4,559	12,432	13,837	18,396
Cash, etc.	1,043	265	6,696	8,462	8,727
Short-term borrowings	...	...	829	4,031	4,031
Stocks	5,718	5,515	27,691	27,394	32,909
Debtors	2,200	1,990	11,595	10,386	12,376
Creditors	1,616	996	8,251	7,665	8,661

* Figures for Courtaulds excluding British Celanese calculated by deducting the 1957-58 figures for British Celanese from the consolidated 1957-58 accounts.

† These figures are for the Courtaulds group including British Celanese are taken from the consolidated 1957-58 accounts.

‡ Net current assets include British Government securities.

Testing Time for British Diesels

Diesel engine manufacturers are exporters *par excellence*. Of the total output of the British industry a good three-quarters is exported, either directly in the form of separate engines and parts, or indirectly when already installed in other machinery or vehicles. Without this export trade the industry could not achieve the volume of output it needs to bring unit costs down to economic levels. It therefore watches the graph of its export sales with an exceptionally keen eye; and when a consistent rise begins to level off, or even in some lines to begin to fall, as it did in 1957, the industry's self-analysis may have to be uncomfortably rigorous. Some of the blame can be fairly put on external factors beyond the industry's control, such as the recent upheavals in the Middle East, the growth of local manufacture in export markets, and the acute balance of payments difficulties which forced India, for example, to make drastic cuts in imports. But Britain's main competitors in this field—Germany, the United States, and, on a smaller scale, Japan—suffered from the same difficulties. Why then were they able to maintain their rapid growth in export sales in 1957?

Part of the answer may lie in the differences in the structure of the industries manufacturing diesel engines in these three main producing countries. Broadly speaking, the business of making compression ignition engines falls into three main groups: industrial (including locomotives); marine (including both propulsion and auxiliary equipment); and road vehicle (including agricultural tractors). To some extent firms tend to specialise in one or other of these groups and, within any group, on engines of a certain size range—heavy marine engines for example, or light vehicle diesel engines. But the boundaries are very blurred. According to the figures published by the Board of Trade, those makers in the United Kingdom whose primary concern is with industrial engines turned out £31.4 million worth of industrial compression ignition engines in 1957 (of which over £21 million were exported, directly or indirectly); but the same firms also made £7.4 million worth of marine diesel propulsion units and £4.3 million worth of marine auxiliary diesel units. Similarly, several makers of diesel vehicle engines, such as Perkins, whose fortunes are linked closely with the motor vehicle and tractor industries, are also important suppliers of industrial and marine engines. Some engine makers make nothing but engines; others make engines mainly to fit them into their own machinery; others, like the diesel engine makers in the Hawker Siddeley group, are part of a highly diversified complex of companies with common capital resources.

For these reasons it is very difficult to establish the degree of concentration of ownership and the degree of specialisation amongst the British makers of diesel engines. But even a cursory comparison with the German and American industries shows up important differences. The key fact of American competition in this field is the dominance of the General Motors Corporation. Outside the vehicle field it probably accounts for three-quarters of the total diesel engine business in the United States, and a somewhat smaller proportion of exports. Its strength in export markets lies chiefly in the smaller sizes of engine which are produced on such a large scale in Detroit that export prices fully reflect the benefits of mass production. In other fields, such as heavy marine diesels, which are more or less custom-built, American prices are rarely competitive in export markets—except with the assistance of Export-Import Bank loans which are tied to American equipment. In Germany, two firms, Klöckner-Humboldt-Deutz and Maschinenfabrik - Augsburg - Nürnberg (MAN), dominate the industrial diesel business. Between them they are responsible for perhaps 50 per cent of the total output, and a similar proportion of German exports.

In Britain, by contrast, the major part of the industry's output is provided by about a dozen competing firms or groups, no one of which stands head and shoulders above the rest in capital resources or range of output. There are many small firms in all three countries, and the total number of firms engaged in diesel production is surprisingly similar—about 50 each in Britain, Germany and the United States—but in the export markets in particular, British makers are usually competing with fewer but large German and American firms. There tend, moreover, to be more overlapping and competition between British exporters to any one market than between German exporters to the same market. German firms tend to concentrate their bids on particular lines; it is rare, for example, for Deutz and MAN to be found bidding against each other. But three or more British makers may be found bidding against each other on the same foreign tender.

There is a feeling in the industry that this wider competition among British makers may have two undesirable consequences. When a British firm gets a contract, it may have been forced down to a much less remunerative price than it would have needed to quote to beat only the German and American competition. And when several competing British firms are in the field no one firm, nor the group collectively, will be able to count on the official support which the single German bidder can expect from his government's overseas trade representatives. More individualist than the German producers, British diesel makers do not co-ordinate their export bidding in any way through a trade association; nor

have any export consortia been formed. But there are, very obviously, offsetting advantages to this keen competition between British firms in overseas markets—and complaints that this internal competition squeezes profit margins unduly make little sense when the contract is lost to German competition because, as has often recently been the case, the British price is too high. The main causes of the decline in British diesel exports in comparison with German must surely be looked for elsewhere.

TECHNICAL factors clearly play some part. As the table shows, the decline in exports of industrial compression ignition engines in 1957 was concentrated mainly in the smaller sizes—under 50 bhp—and was largely offset by gains in the larger sizes. To some extent this reflects the continued success of German air-cooled engines, which were first developed during the war for service in North Africa and which gave Germany an important technical advantage in the civilian market when it came back into world competition some time after the war. The air-cooled diesel engine is not particularly cheap, but it has distinct operational advantages in cold climates (though it is by no means confined to them) and low maintenance costs. About 15

BRITISH EXPORTS OF INDUSTRIAL DIESELS

	Direct Value (£'000)		Indirect Value (£'000)	
	1956	1957	1956	1957
Up to 50 bhp....	8,037	6,814	2,528	1,926
51–300 bhp	3,204	3,512	2,469	2,035
301–1,500 bhp ...	2,834	2,670	1,044	1,215
Over 1,500 bhp..	1,880	2,509	929	461
Total	15,955	15,506	6,970	5,687

Source : Board of Trade; British Internal Combustion Engine Manufacturers' Association; and "The Oil Engine and Gas Turbine."

German firms make air-cooled diesels, in ranges up to 300 hp, and although eight British makers have now entered the field, with engines up to 110 hp, they have much ground to catch up.

In other respects, the technical advantage probably lies with Britain. No German maker can produce high speed diesels as light and as compact as some of the British models. And in the heavy supercharged marine diesels up to about 12,000 hp, British makers have an enviable reputation—though the main weight of the research effort on the largest marine diesels of all, up to 22,000 hp, seems to be in Switzerland and Germany. The advantage may also lie with Britain, rather than with Germany, in the production of injection apparatus for diesel engines, which form a substantial part of the cost, especially of the smaller engines. Technically, therefore, with the exception of its belated start on air-cooled engines, the British industry should not be at any disadvantage. Price, rather than quality, may be the deciding factor in meeting German competition.

During the early postwar years, when German industry was only slowly being reconstructed, the British and American diesel makers had the field to themselves. When the Germans first came back they had one disadvantage—the difficulty of breaking into markets in which British and American firms had become established—and two advantages: new plant and equipment, laid out for mass production of a wide range of engine sizes; and short order books which enabled them to offer much quicker delivery than their British competitors. In time, as the British order books shortened, and the German books lengthened, this last advantage has lessened. But the aggressive selling techniques developed by German firms to break into new markets have persisted, and part, at least, of the recent German success is due to a willingness to quote very low prices, as a form of loss leader, in order to secure a foothold in new markets hitherto supplied by British or American diesels. The same principle has been applied to credit terms, though the advantages gained by German exporters may have been exaggerated, and however generous the institutional arrangements, some part, at least, of the cost of providing long credit must fall on the exporter.

More significant, but more difficult to establish, is the extent to which lower German prices reflect lower costs of production. Germany has an advantage in wage costs, and Britain in materials costs, but both gaps are narrowing. Many British makers too have re-equipped their factories and changed production layouts in order to take advantage of mass production methods. But, partly because of the dominant position of Deutz, Germany seems to have secured the benefits of large scale production over a wider range of engines. Further, there tend to be less frequent changes in the design of German engines. Models that are substantially the same as those marketed in the early postwar years—though sometimes cunningly masked by some new frills—are still selling well. By this means, German firms may be able to spread design and heavy tooling expenses over a longer run of output than their British competitors and, after the plant has been fully written off, cut prices sharply without making a loss.

This is fair competition and the British industry must look to its guns. Japanese competition too is becoming increasingly important, especially in Asian markets with the help of easy credit terms, and the Japanese might well spring some technical surprises on the West before long. Research into industrial gas turbines, which has been disappointing in Europe and America, has been given priority in Japan. Another dark horse, the free piston engine, is being backed by a research effort in Britain which, although not very large, is probably better co-ordinated than any abroad. But for the immediate future, the industry's success will be determined more by its organisation in production and in selling abroad than in research. There have been some attempts to rationalise production within several large groups of diversified producers. But in seeking fresh capital resources for re-equipment and expansion, and in spreading the risks by diversifying, the industry has still not been able to achieve the concentration of research and production effort that it will need to meet its competitors on equal terms.

BUSINESS NOTES

IN THE MARKETS

Settling Down at 5 per cent

MINIMUM reactions in the markets have followed the reduction to 5 per cent in Bank rate. Compared with the day before the announcement, gilt-edged were by the middle of this week a fraction lower, the *Financial Times* index of Government stocks standing at 83.25 on Wednesday, against 83.62 a week earlier. Industrials have advanced a fraction, *The Economist* indicator showing a rise of only 0.8 at 192.8 on the week. For the last few days the movement of the industrial market has on the whole been downwards. Few Bank rate changes have produced smaller movements in the market. That was only partly because few have been so accurately foreseen. It also reflects the fact the authorities have decided to remain seated firmly on the long-term rate of interest. It reflects also the repercussions on the market of troubles in the Lebanon, of a little weakness in sterling, and of the market's inferences from the Federation of British Industries' latest economic poll.

Holding the long-term rate of interest steady means in practice continuing to offer the Funding 5½ per cent stock (1982-84) at an unchanged price. The price was raised just before the stock went ex interest, which happened to be a few days before the Bank rate decision. There has been little change since; the current price of 99¾, if allowance is made for accumulated interest, shows hardly any change compared with Wednesday of last week. The policy of holding the price down, however, presents some problems of adjustment to those who have to plan other gilt-edged issues. Just what is the right price now for a first quality home corporation issue? This week the occasion of the lower Bank rate was used to break away from the 5¼ per cent series of corporation issues. Liverpool came to market for £6 million on a 5½ per cent stock, 1974-76, offered at 97½ to give a gross redemption yield of £5 14s. 6d., but lenders did not like the terms and 82 per cent of the stock was left with the underwriters.

Only the shortest sighted of City Councils can rejoice at getting its money on terms so finely drawn. Presumably there must now be an interval to be filled with other kinds of borrowing before corporation borrowers can come forward again. The real problem here is to establish a differential between corporation loans and a British Government loan whose status is slightly higher and which happens to be on continuous offer; the investor's answer seems to be that about two points is barely enough. The facts that the new AEI debenture, planned before the Bank rate decision, got off to a fine start and at once established a premium of 1½ points, while the Associated Biscuit Manufacturers' debenture was heavily over-subscribed, hardly affect the argument. Investment demand for sound industrial debentures largely exceeds the supply, and there is no continuous flow of new issues of them—as there will be with the home corporations if the market can accommodate them.

The Seasonal Swing

THE market is not now talking Bank rate down further. Guesses about interest rates can be quite hopelessly wrong, but the assumption of those who have to assume something is that interest rates might now be on a plateau on which they could with luck remain for some time. If, the argument runs, the autumn pressure on sterling is no more than seasonal, then the Bank of England must have taken it into account in the latest Bank rate reduction and might therefore be disposed to hold the present rate through the autumn. In that event there would be good prospects of some further reduction at the end of the year when the pendulum begins to swing back. A more than normal seasonal pull against sterling, forcing Bank rate up this autumn, would obviously be a danger sign.

Already the seasonal pull against sterling, though not heavy, is in evidence and the theory is being put to the test. Sterling held firm just after the reduction in Bank rate, at over $2.81, but this week it has touched $2.80½, while rates against Continental currencies, and notably against the mark, have also weakened. But the authorities have given no significant amount of support. The main cause of the recent adverse movement has been the seasonal demand from purchases of oil and tobacco. There has been little evidence of secondary psychological strain, and the forward rates have held firm. The forward discount against New York is a little below the interest parity.

These movements may suggest to some investors that an immediate further move in interest rates need not be expected and that it might pay better to wait and see how long the authorities remain seated on the long term interest rate. But some interest rates have still needed adjustment and others have probably still to come. The rates that local authorities pay in the mortgage market have moved slightly as the table shows:

	Before Bank Rate per cent	Now per cent
Seven day loans.....	5½–5⅝	5⅛
2–5 year mortgages	6⅛	6⅛
10 year mortgages	6⅛	6–6⅛

The Public Works Loan Board has not yet revised its rates but it would cause little surprise if it did so soon.

Bill Rates Now

LAST week's reduction of ½ per cent in Bank rate was followed by a cut of less than ¼ per cent in the Treasury bill rate at the Friday tender. The common bid submitted by the discount market "syndicate" was indeed adjusted by a fraction less than at the preceding tender, the increase of 1s. (compared with 1s. 1d.) bringing it up to £98 18s. 6d per cent; but as outside tenderers made rather larger increases in their bids, which at the previous tender had been outpaced by the syndicate, the average rate of discount fell by almost exactly the same amount, ½ per cent, to 4⅛ per cent. This is a shade above the rate immediately

before last September's increase in Bank rate from 5 to 7 per cent. At this level, as will be seen from the table, the margin below Bank rate, at nearly ¾ per cent, is notably wider than it was just after the previous reductions in Bank rate; yet now, at last Bank rate is at a level from which its next move could be in either direction. The market will certainly keep a close watch on sterling through the summer months of seasonal strain, and on the trend of money rates overseas. On both these counts, the latest portents argue against the likelihood of a further early reduction in Bank rate. This week the Treasury bill rate

BILL RATE AND BANK RATE

Bank rate	Treasury Bill Rate *before* and after change	Margin *before* and after change
5½—5 per cent, Feb., 1957	4·54 4·23	0·96 0·77
5 —7 per cent, Sept., 1957	4·23 6·60	0·77 0·40
7 —6 per cent, March, 1958	6·03 5·56	0·97 0·44
6 —5½ per cent, May, 1958	5·20 4·82	0·80 0·63
5½—5 per cent, June, 1958	4·51 4·29	0·97 0·71

in the United States showed its fourth successive rise, to a shade above 1 per cent, following the low point of 0.63 per cent at end-May. A Washington rumour that the policy of the Federal Reserve had switched from "increased ease" to maintaining "existing ease" was subsequently denied. But these uncertainties suggest that the scope for a further fall in London bill rates in coming weeks may be smaller than after the earlier Bank rate reductions.

The table brings out some interesting historical correlations. On each of the three recent occasions on which a cut in Bank rate has been widely expected and "discounted"—in February last year, in March this year, and last week—the margin of bill rates below Bank rate has been nearly the same, at between 0.96-0.99 per cent. And the level of Bill rate before and after the latest change in Bank rate from 5½ to 5 per cent happens to have been almost exactly the same as on the occasion of the similar change in February, 1957—when the general atmosphere was quite different.

MIDDLE EAST OIL

"Participation"

THE concession agreement announced this week between the National Iranian Oil Company and a small Canadian concern, Sapphire Petroleums, is the third in succession—following those between NIOC and the Italian ENI group last year, and between NIOC and the Standard Oil Company of Indiana last month—to include the principle of the equal participation by the host government not only in the profits but also in the ownership of the operating company. Persia's new Petroleum Law does not preclude other arrangements, but the government has now made it clear, both in commenting on the law and in awarding new concessions, that participation in ownership is what it wants. The recent agreements between the governments of Saudi Arabia and Kuwait and a Japanese consortium also provide for government participation in ownership, but only in the more limited sense that each government may subscribe at par for ten per cent of the share capital of the operating company if it wishes to after oil is struck.

If one host government in the Middle East is offered better terms or receives a higher revenue per ton from one company, consultations between other companies and their host governments usually have to follow. With the full force of publicity—including as a novel feature the publication of each new agreement in full very shortly after it has been signed—to spur it on, it is not surprising that the Iraq government, for example, is already reported to be considering making new demands on the Iraq Petroleum Company. Any talks Nuri es Said, the Prime Minister of the Iraq-Jordan Federation, may have during his visit to London this week may well turn on what is meant by "better terms." To secure the political attractions of "participation," the Persian government has deliberately forgone much larger cash bonus payments and the security of the world-wide marketing outlets offered by the major integrated groups; the Saudi Arabian and Kuwait governments have done the same. But the real problem for Iraq, even more than for other Middle East producers, especially now that world demand is rising less rapidly for a time, is to find more outlets for its oil—and for a crude oil that contains a relatively large fraction of naphtha when most marketers want primarily fuel oil. Clearly the revenues earned by host governments in the Middle East are now more than ever dependent on the marketing facilities of the major oil groups. And in those circumstances the logical thing for a host government to do would be to make its oil less costly, and not more costly, than that of its neighbours. But at the same time the major oil groups cannot afford to ignore the real attractions to Arab nationalism of a partnership which extends beyond a share of the takings to a share in the ownership of the production facilities. This form of partnership does not upset the fifty:fifty profit-sharing principle. And it could have the advantage of showing host governments, even more clearly than does the "royalty oil" that they have been unable to sell on their own, just how important market outlets are in determining the maximum revenue their country can earn.

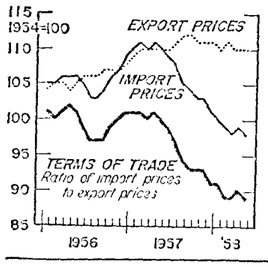
MOTORS

Still Breaking Records

IN spite of the Pressed Steel strike, which probably cut output by the British Motor Corporation and Rootes to the extent of some 10,000 vehicles, the motor industry was still producing at record levels in May. Its weekly output of 21,851 cars and 6,395 commercial vehicles was a record for any May in the industry's history, and the weekly average for the first five months continues to be a record: and in fact, though the weekly rate last month is still rather below that of March, in terms of unit output per working day it may well have been higher. This is extraordinarily impressive: the industry continues to do far better than most observers in other industries, and some inside it, expected could last.

Moreover, it is not catering for the powerful home demand at the expense of exports. The home market is obviously taking a bigger proportion of output than in the depressed first half of last year; but exports of cars in May were in fact a record, 47,892 for the month, and the United States is still the biggest overseas market. Neither at home nor abroad are commercial vehicles selling as well as cars: though output and exports are better than they have been for a couple of years, they are still markedly below the peak levels of 1955-56. Of the major companies, Ford is now working to more than its rated capacity. Vauxhall production is building up towards full capacity on its extended car plant, and the other "big three," BMC, Rootes and Standard, are all producing well above last year's levels.

IMPORT PRICES DOWN AGAIN



Import prices fell slightly again in May, after the previous month's seasonal rise. Export prices were unchanged, bringing the terms of trade back to their March level.

Wool, metal ores and scrap, and softwood were the main imports that became cheaper

Interim Report from the Railways

THE eye of vision was always needed to see the distant fruits of modernisation on British Railways. It still is. When the Transport Commission claim that their results in 1957 were not far short of expectations, they mean that the loss on their total operations was not painfully bigger than they had bargained for. They see the need to get on faster with modernisation and to secure further economies. Their confidence in the commercial future of British Railways "and indeed of their whole undertaking" is unimpaired. Some interim evidence is offered to support this dictum, and at this early stage of modernisation, the general public could not expect much more. It must dig into its pocket to meet last year's deficit of £68.1 million—and go on hoping.

Together with the 1956 deficit, that makes £125.6 million out of the £250 million that the commission can borrow from the Exchequer to meet the deficits accruing up to 1962. On present guesses, the deficit for 1958 might be a bit lower, but it could easily be that by the end of this year three-quarters of the borrowing powers had been used up—with another four years of potential deficits to go. The total of the Special Account set up a year ago to remove the red figures from the commission's revenue account is already £202 million. It amounts to a rescue operation on the grand scale.

Fuel rationing greatly helped the commission in the early months of 1957; but by the early summer that stimulus had been lost, costs of wages and coal increased again, and by the time fares and charges had been increased in the late summer, freight traffic was no longer expanding. Rising costs and falling turnover are no recipe for making railways pay. But on the passenger side, British Railways did well, and particularly where the services had been modernised. The commission are entitled to make much of this. They talk of "excellent financial results" from new capital expenditures; these "fine results" show that the customers will use the railways if the service is right and that diesel trains produce a quick return on capital.

This air of discovery of things that other countries seem to have proved long since is engaging. But the headaches will come in fitting a modernised freight service into an economy that has more transport than it needs, and in making the buses pay. It is futile to cavil at the uneconomic nature of much truck operation under C licence or of private motoring—and much wiser to concentrate, as the commission insist that they must, on getting their own costs down. Diesel locomotives, vacuum brakes, automatic coupling (work on which is described as "promising" with the answer "now in sight," so that we may presently see here the operating standards that prevail on such advanced railway systems as that of Iraq), new lay out at goods yards and better terminal handling—all these are the condition of making freight services pay. Getting them will be a much harder slog than installing a batch of bright railcars and smartening up the local timetables to fit them. Not until a lot more capital has been spent on these things will there be any prospect of marked reductions in costs and an opportunity for aggressive selling of railway freight service. One cannot build 53 new or modernised marshalling yards overnight, even though they may be well worth their capital cost, for they will allow 190 yards to be closed or partially closed.

Year after year the commission's reports have shown how the fall in the value of money affects their costs while their charges lag behind. The commission's own part in this process through its wage agreements would make a nice subject for side argument. But in real terms railway transport is among the better bargains that depreciated money can buy. An average hour's work last year bought 42 miles of train travel against 25 miles in 1948, and something of the same advantage is enjoyed by freight and bus passengers. Politics as well as economics affect the commission's power to match their charges to current levels of cost. They have a bigger interest than any other major industry in stable money values, for only with stable money can they entertain any serious hope of improving their revenues by 5 per cent and cutting their costs by 5 per cent and so getting rid of the annual deficit.

But there are no signs of pessimism in the latest report and no wish on the part of the commission to be relieved of any part of the discipline imposed on them by the special Act of February last year. In an economy no longer buoyantly expanding, BTC must naturally be worried about the volume of transport service that it can profitably sell. On the evidence of the 1957 report, however, any doubts on this score have not been allowed to get in the way of technical improvement and management reorganisation. The railways could have spent a good deal more on capital last year than they were allowed to do—but they did spend £137 million, which was one-third more than in 1956, and they have got another £25 million back from last year's cut to be spent on diesel locomotives and rolling stock in 1958-59. In the changed economic atmosphere, they may find that more investment money will presently be on offer, and they should be ready to make quick use of it while the signal is still green.

Meanwhile, the general public can welcome the first sign that new capital for the railways is being made to pay, and to that extent can be encouraged to expect well of the rest. There is no firm ground for rosy optimism about the future of the railways but at least there seems to be enough encouragement from the results of this early stage of modernisation to suggest that the sourer pessimists might be wrong.

THE STOCK EXCHANGE

Only a Little Ginger

A LANDMARK in stock exchange history comes with the announcement of the chairman, Sir John Braithwaite, that he will not seek re-election in a year's time. He will then have completed ten years of a notable chairmanship and the members, whatever their views on stock exchange reform, will have cause to be grateful to him. But the ginger group, campaigning for stock exchange reform, must have been disappointed with the results of the voting last week. Only two of their six candidates, Mr McKechnie and Mr Shaw, were among the successful twelve. All seven of the retiring members up for re-election were elected and the remaining three vacancies were filled by "independents" belonging to no group. The cause of reform naturally has not died with this election. Nor did these reformers first bring it to life. The point has been fairly made that many of their proposals had been raised by the late Mr Hargreaves Parkinson more than twenty years ago. In a heavy poll the reformers polled roughly as expected: they felt sure, it is believed, of at least 900 votes; their most successful candidate, Mr Shaw, polled just over 1,300, which was still far behind the head of the poll, where Mr Knox drew just over 1,800 votes. Mr Knox after the election was appointed joint deputy chairman with Lord Ritchie of Dundee.

The two successful candidates of the ginger group will find fellow spirits on the Council though they will be far from dominating it. It is odd that the defeat of their colleagues should coincide with the visit to London this week of the chairman and the non-member president of the Toronto Stock Exchange, where much that the London ginger group campaigned for is already in force. The president, Mr A. J. Trebilcock—a lawyer by training—can claim that thanks to a ginger group the Toronto Exchange has already been rebuilt once and a further rebuilding to take care of needs expected in a few years' time is in contemplation. The recording of prices at Toronto is fully electronic.

DRY DOCKS

Room for the Big Tankers

OF the thousand or so tankers now on order throughout the world, more than 600 will be vessels larger than 30,000 tons deadweight, and more than 90 of these will be larger than 50,000 tons. Meanwhile, there are already in service over 150 tankers larger than 30,000 tons. This actual and anticipated increase in the number and size of tankers has revealed a shortage of dry docks large enough to accommodate them for essential surveys and repairs. Only seventeen commercial dry docks in the United Kingdom are capable of docking a 30-000-tonner, which requires a length of about 670 ft. and a width of 85 ft. Only three, at Tilbury, Southampton and Liverpool, could take vessels of 65,000 tons, and these are fully occupied with large passenger liners for most of the year. A new dry dock shortly to come into use at Falmouth has a length of 820 ft. and a width of 120 ft., which will accommodate a 65,000-tonner; and Vickers-Armstrongs have just announced that they are to build a new dry dock on the Tyne which will be 850 ft. long and 145 ft. wide.

The new Vickers yard will be able to take vessels of 80,000 tons, and it will be capable of being later extended to 1,000 ft., so that it could cater for tankers of up to 120,000 tons. Under construction at Newport and Birkenhead are docks that will go up to 50,000 tons, one at Swansea for 30,000-tonners, and there are schemes in hand for large docks at Milford Haven (1,000 ft. by 150 ft.) and Greenock (1,200 ft. by 120 ft.). This last proposal may qualify for the Government financial assistance offered in the last Budget to anyone building large dry docks in areas where there is unemployment.

PLUTONIUM

Mr Maudling Half Explains

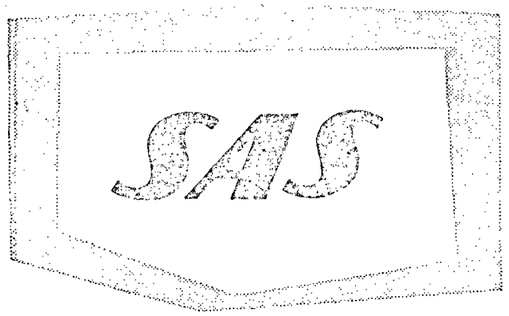
THE first government statement about the decision to equip four nuclear power stations so that they can, if need be, produce weapon-grade plutonium was made by the Paymaster General on Monday. He asserted that the addition of this equipment would "not in any way impair the efficiency of the stations." In essence, however, the difference in technique between running the stations at optimum efficiency for generating power and of running them for optimum plutonium output (as is now the case at Calder Hall) makes it impossible to tell whether the reactors are operating efficiently or not. One of the stations affected is the 500,000 kW station at Hinkley Point, which is nearly twice the size of the first two stations now under construction for the Generating Board. The design of Hinkley Point is a considerable advance on these and the guesses are that it could produce electricity at less than ½d. per unit compared with rather more than ½d. per unit for earlier stations. Whether such a reduction in costs can be achieved depends on the amount of work that the reactor can get out of each ton of fuel. After capital costs, the rate of "burn-up" of fuel is the most critical factor in the cost of atomic power.

If Hinkley Point is used to manufacture plutonium of weapon grade, this expectation about costs will never be put to the test for the compromise between producing power and plutonium will call for the more frequent removal of the fuel elements in order to extract the weapon grade plutonium built up in them during the process of reaction, and there will be no datum of performance from the running of the reactor flat out for power.

OIL REFINERIES

Esso at Milford Haven

EVEN those to whom it will bring new trade and employment must be saddened by the thought of a large oil refinery at Milford Haven. But in its announcement last week that work on the site is to start immediately, the Esso Petroleum Company gave specific undertakings to mitigate its effect on the beauty and amenities of the Haven and the surrounding countryside. As one of the few remaining sites for a deep water terminal capable of berthing the largest super tankers Milford Haven probably has no peer in Britain. Because of this Esso is prepared to incur the heavy "private" costs of elaborate measures to control pollution in an attempt to reduce the "social" costs



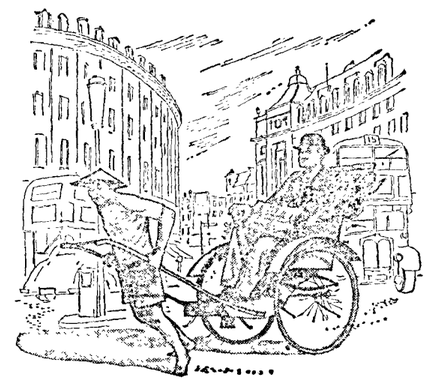
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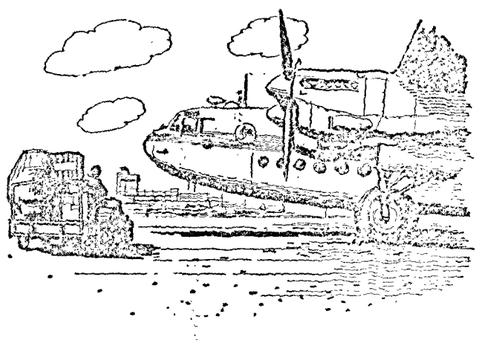
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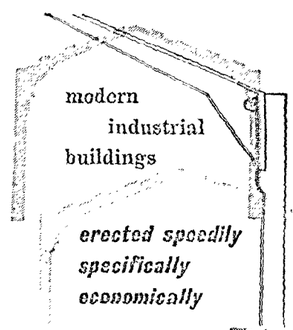
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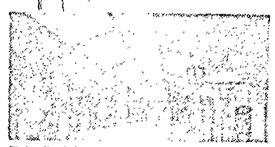
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incurred by the refinery and to preserve the goodwill of consumers.

Tankers arriving to load finished products from the refinery must carry some ballast, but this will be discharged, as happens at the Fawley refinery on Southampton Water, into special shore tanks, from which it can be passed through separators to remove any oil from the water before it is returned to the sea. Air cooling systems will be installed—again on the Fawley model—rather than salt water cooling which, by its tendency to cause corrosion and leaks in the oil pipes, might have discharged polluted water. Again, as at Fawley, the Milford Haven refinery will have extra high stacks to reduce the air pollution in the immediate neighbourhood. And like almost all modern refineries, it will also incorporate plant to reduce the sulphur content of the distillate fuels it makes. At Fawley refinery some £750,000 had to be invested in anti-pollution equipment and on top of that it costs £100,000 a year to prevent pollution. Milford Haven's refinery is smaller and less complex, but the cost of anti-pollution measures there is unlikely to be much lower. It would be surprising if oil refineries and chemical plants on the Continent accepted legal or moral obligations to pay as much to reduce social costs as they do in Britain.

COAL

Mining by Water

One of the technical developments in Russian coal-mining that most impressed a National Coal Board team that toured the Kuzbass, Donbass and Rostov coalfields in mid-1956 was "hydraulic mining": the board is now going to try out this technique at a drift mine at Trelewis in Glamorgan. Essentially, this is a further development of NCB experiments with the hydraulic transport of coal by pipeline: here one uses high-pressure jets of water to break down coal from the face, to wash it away through a screen into a sump at pit-bottom, and then to pump-up the slurry of very small coal and water into setting tanks, from which cleaned water comes to the hydraulic system.

At Trelewis, where the coal is of medium hardness in a rising seam, it is expected that the jets of water at pressures from 600 to 1,200 lb per square inch will be enough alone to bring down the coal: in the experimental mine in Russia that the team saw in 1956 the coal was sometimes loosened first by the established technique of "pulsed infusion" (itself a kind of hydraulic "shot-firing" by which shocks are directed into the coalface through water). The British hydraulic mining will begin at the top of headings driven to the higher edge of the seam at Trelewis and "retreat" downwards, which should help the water flow to wash the broken coal down. At the outset the larger coal will be screened out of the water above the sump and hauled to the surface by conveyor: later, the mining engineers hope to pump up this "lump" coal too.

In Russia, productivity three to five times as high as in conventional mining had been achieved with these methods (3½-4½ tons per manshift "overall" in an experimental mine and 12-15 tons per manshift underground in part of an existing conventional mine): power consumption for compressing the water was about 32 kwh per ton in mid-1956 but was hoped to come down to 26 kwh, and the power can be generated on the surface without the usual coalmining expense of flameproof equipment. There is virtually no danger of conventional explosion (though water at 20-40 atmospheres with a velocity of say 300 feet per second could have some lethal qualities all its own if a pipe or manifold were to burst): the underground equipment is fairly simple and easy to move. For the operator, this sounds to be a pretty messy and uncomfortable job, though not a laborious one: but the output per manshift could turn out to be as great as in opencast mining, so that the miner should at least be paid well for his soaking labours.

ATOMIC ENERGY

OEEC Takes Stock

The OEEC's European Nuclear Energy Agency came officially into being in February of this year and the steering committee that drafted its policy has now published a first report on plans for the new agency. These prompt the suspicion that in spite of protestations to the contrary, the OEEC organisation is more likely to be competitive with, than complementary to, the Euratom organisation of the six Common Market countries. Like Euratom, OEEC has spent a great deal of time discussing the need for nuclear power in Europe, but the ultimate purchasers of power stations are the electricity authorities of different countries and the OEEC agency's practical work to date has been concerned not with present but with future forms of power.

It is building in Belgium—a country that belongs to Euratom—a chemical plant for the small-scale treatment of used fuel elements. The plant itself is a pilot venture with a capacity sufficient only for Europe's research reactors. A few days ago OEEC completed the formalities by which it will actively sponsor in Norway—a non-Euratom country—the building and testing of a Norwegian-designed boiling water reactor, the first heavy water reactor to be built on this system. This could be the prototype of future power stations, and the Norwegian effort will be helped by financial contributions from other OEEC members who will have access to the results of the work. A similar arrangement has been under discussion with Britain, which again does not belong to Euratom, but the reactor first considered has now been dropped from Harwell's programme. A small reactor of the tricky "homogeneous" type was built at Harwell, and it was thought that Harwell and OEEC between them might build a bigger version at the new research station at Winfrith Heath. But the results at Harwell were not encouraging; the plan for a big reactor was dropped and OEEC support is now likely to be switched to the high temperature version of the classic Calder Hall reactor that is now being built at Winfrith Heath in two sizes, one very small "zero energy" plant and a second much bigger reactor of perhaps 10 MW.

RUBBER

Supplies in Balance

This month's meeting of the International Rubber Study Group in Hamburg has produced useful additions to the fund of knowledge available to the rubber market. The Study Group's estimates of production and consumption of natural rubber come out almost exactly in balance; production is put at 1,920,000 tons and consumption at 1,915,000 tons. The market had been assuming that there would be a surplus this year though not a large one. These figures

suggest that there need be no problem at all. Such estimates, however, are always exposed to wide margins of error: no one knows what the Russians will consume. The best that can be said about the estimate is that the Russians, whose consumption is estimated from exports to them and is therefore in effect calculable two months in advance, have already contracted for a high proportion of the tonnage they are expected to consume this year, so that the possible margin for over-estimating is not enormous. There must always be some doubt about any Indonesian estimates of production but the latest news, particularly from Sumatra, does not suggest to market people that the estimate of Indonesian output this year—680,000 tons—is likely to be exceeded.

There is also a big doubt about the future of consumption of natural rubber in the United States this year. That is estimated at 482,000 tons, it being argued that consumption in the early part of the year has been so low and stocks run down so sharply that it was right and necessary to allow for some recovery towards the end of the year. A little recent buying by the United States of July rubber suggests that this may already have started. The Americans, much more readily than usual, have also given an assurance that they are not about to dispose of rubber from their strategic stockpile. "The present disposal policies remain unchanged. . . . Materials in the United States stockpile in excess of objectives are not to be disposed of if disposal would disrupt the market." With that assurance the rubber trade is feeling that a firmer basis has been established at the Hamburg meeting and a firm price for spot rubber at around 23d. per pound has followed.

TIN

USSR—RSVP

PERTURBED by Russian and, to a lesser extent, Chinese sales of tin, the International Tin Council, having made discreet approaches as long ago as April, has taken the obvious step of officially inviting Russia to join the International Tin Agreement as a producer member. How will the Russians reply? The Council seems to believe its invitation to be a test of whether the Russian self-professed interest in the well-being of the underdeveloped countries is genuine. The marxist counter is obvious: the Russians might talk of a cartel of exploiters. But that would be mere word play. Looking to her own economic self-interest, why should Russia join in the agreement and voluntarily curtail her exports when without joining they can use the control to provide them with a guaranteed minimum price for an unrestricted output? So long as the buffer stock scheme does not collapse, it pays, though it may be uncooperative, to remain an outsider.

The Council's resolution to invite Russian participation is to be accompanied by a fresh approach to the United States, the world's biggest consumer of tin, Western Germany and Japan. Should the United States change from benevolent neutrality towards the agreement to active participation within it, Western Germany and Japan would probably follow suit. But the American contribution—the fact that it refrains from selling its formidable stock—is already worth having.

At last week's meeting, the voting power of the members of the agreement was slightly changed, with the United Kingdom's votes being raised from 370 to 388. The Council also agreed in principle to quota restrictions for the last quarter of the year, though details of permissible exports will not be fixed until the next meeting at the end of July. Until the end of September the 40 per cent export restrictions will remain in force.

OIL RESERVES

No Widow's Cruse?

FEW statistics are subject to as much misinterpretation as the figures of "proved" oil reserves. The common fallacy is to relate these proved reserves to current world consumption of oil and deduce that the reserves will be exhausted in so many years' time. This calculation made in 1951 would have given the oil industry a 24-year life; the same calculation made in 1957 raises its life expectancy to 40 years—and in the meantime no less than 4,558 million tons of oil have been produced and consumed. The answer is that many more reserves are "proved" every year than are produced and consumed—and only about one per cent of the sedimentary basins of the world have been intensively explored for oil so far.

A more sobering comparison was made by Dr Schumacher, the Economic Adviser to the National Coal Board, in which he related "possible" reserves—the highest possible figure of the reserves that might be "proved" in future—to the consumption of oil on the assumption that consumption continues to rise at a cumulative rate of over 6 per cent a year, as it has for the last fifty years. This gave him a life expectancy for the oil industry of only about 35 years, up to the early 'nineties, unless either the figure of possible reserves were too low or the consumption of oil rose less rapidly than in the past. Dr Schumacher anticipated criticism of his "possible" reserves by using the highest figure he had ever seen published, including natural gas, and also including oil from shale and tar sands which are at present far too costly to exploit. But even on this basis the total recoverable world oil reserves, which Dr Schumacher quoted as 200,000 million tons, would be less than six times the total of the world oil reserves already proved—without counting proved reserves of natural gas or oil from shale or tar sands.

The geologists have accepted this challenge. In a recent article in the Bulletin of the American Association of Petroleum Geologists, Mr Lewis Weeks, the chief geologist of Standard Oil (New Jersey), puts the world's potential recoveries of oil and gas higher than his more conservative colleagues—although he still regards his own estimates as conservative. Mr Weeks estimates world potential reserves, both proved and unproved, of crude oil and natural gas liquids that could be recovered by conventional primary producing methods under today's economic conditions at 1,425 billion barrels—about 200,000 million tons, or roughly the same as the estimates quoted by Dr Schumacher. But in addition to these primary resources, Mr Weeks thinks, secondary recovery methods may eventually produce as much oil again; natural gas reserves with a calorific equivalent of another 1,000 billion barrels of oil have also to be taken into account; and as Mr Weeks allows for no rise in the real cost of finding and producing oil he has not included oil from shale, tar sands, lignite or coal. The oil industry's "actuaries" have no reason to be Jeremiahs.

HELICOPTERS

Landing in London

TWO Government departments, two local authorities and a public corporation have approved Westland Aircraft's application to build a helicopter landing platform on the south bank of the Thames not far from Battersea Park and rejected a similar application from Rotorports to erect a platform near Vauxhall Bridge. The scheme will cost Westland £60,000; if work starts in August the station should be ready by the end of the year.

Who will use it? Westland, as helicopter manufacturers, have enough evidence to show that a good many helicopters, military as well as civil, would make flights to London if a landing site was available. Since the helicopter station on the South Bank was closed the one site in fairly regular use has been the lawn of Buckingham Palace. The amount of traffic that might come into a public station is put at

HOW INDUSTRY SEES IT

Below What Capacity?

MORE than three-quarters of the 554 firms that replied to a questionnaire from the Federation of British Industries about their state of business at the end of May said that their present level of output was below capacity. This would be undoubtedly the most striking result of the survey (the second that the FBI has carried out this year) if anybody knew quite what it meant. The federation's economic policy committee wrestled with definitions of capacity to advise its industrial respondents, and decided finally to suggest none (and its deadpan question "Is your present level of output below capacity?" was perhaps less than ideally "neutral").

Capacity is often virtually impossible to measure in many complex manufacturing plants, and in practice not at all accurately measured in most others. The FBI would hope that its member companies, in replying, were thinking of "capacity" as the utmost that they could comfortably and profitably maintain from existing plant: but it does not know how they reckoned it. Nor does this form of questionnaire offer quantitative answers on this or any subject. All one can deduce is that at face value, most concerns in this cross-section of big industry and small, in Britain in mid-1958, think they could reasonably be doing more business than they are. It is best considered alongside another key question: "Do you feel more, or less, optimistic about the general business situation than you did three months ago?" Most of the "top people" in business replying felt just about the same: but more than 30 per cent were more pessimistic, and less than 20 per cent were more optimistic.

The FBI's chosen form of questionnaire simply asks businessmen to record how a variety of factors have changed during a given period: up, down, or not at all. Its sample is not a bad one of the whole of industry, in terms of size of firm and broad divisions of activity, reckoned by the share of employment and production these different categories represent. But in terms of numbers, big firms are far more adequately covered and these tend, as in the first survey, to be on the whole more pessimistic, and reporting more adverse trends, than small firms. As between industrial groups, the companies in food, drink and tobacco seem to be strongly up from the average on output and orders, and those in textiles, clothing and footwear to be markedly down. The "voting" is as in the United Nations, every answer counting one: Imperial Chemical Industries (except when its divisions, big firms in themselves, may answer separately in different industrial groups) ranks no more than equal with any of the 144 firms replying that have less than 200 employees.

A large proportion of the answers to any of the questions in the table so far have been, and perhaps would always be, "No change." With this as a proviso of which one cannot yet assess the importance, one is inclined to look for trends in the balance of answers between "up" and "down." In February, the balance was slightly "up" for output and on work in progress and stocks of finished goods (which may or may not suit a firm at any given time): on home and export deliveries, hours worked, numbers employed and new orders, more firms were reporting "down" than "up," and the same applied to profit margins. At the end of May, the picture was a little gloomier: on almost every factor surveyed, the balance showed more firms "down" than "up," with the probably unwelcome exceptions of unit costs and stocks of work in progress and finished goods. But as the FBI comments, there were still an encouraging number reporting higher home and export deliveries, and new orders still increasing.

The mirror-image of this effective disinflation was reflected in the labour market: with the most decided "majority" in the whole survey, 59 per cent of firms found it easier to get the labour they needed at the end of May than three months before, and only 2 per cent of them were still finding it harder. On this year's key question of investment, with five months of the year gone, businessmen were still on balance expecting to authorise less capital spending in 1958 than in 1957 (which means to do less construction in 1959-60, say than in 1958-59), but this number of voices at any rate, is no greater than four months ago.

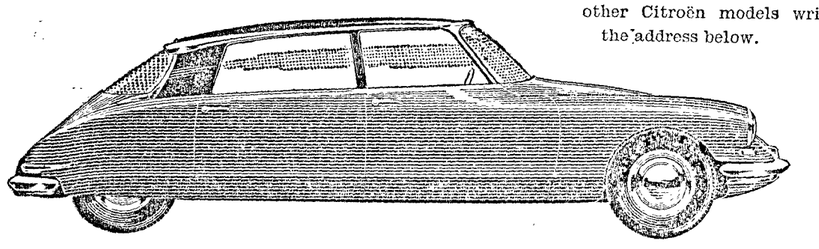
	Six months to mid-February (Percentage of total replies: largest percentage in bold type)			Three months to end-May		
	Up	Same	Down	Up	Same	Down
New orders	25	29	**45**	22	33	**41**
Output	35	33	32	25	**44**	30
Home deliveries	30	35	33	26	**41**	30
Export deliveries	26	34	32	18	**40**	31
Hours worked	9	**63**	27	11	**58**	30
Numbers employed	22	49	29	14	**57**	29
Profit margins	6	33	**60**	5	42	**52**
Stocks of :—						
Raw materials	28	38	31	17	44	37
Work in progress	30	43	22	34	40	23
Finished goods	34	37	26			
Length of order books				10	35	**48**
Costs per unit				32	51	15
Selling prices				3	**66**	30
Capital authorisations—1958, compared with 1957 :—	At mid-February			At end-May		
Buildings	13	26	51	18	28	**50**
Plant, etc.	20	28	**43**	23	29	**46**

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20 helicopters a week carrying perhaps 100 to 125 passengers. Once the platform is built, no elaborate facilities are needed and the company intends to charge a low landing fee of 25 shillings for a 4-seat helicopter.

Westland's licence runs for seven years. The first users are expected to be private and chartered helicopters; these are not burdened with requirements about carrying floats and anchors that were imposed on BEA's regular helicopter services. Chelsea may have its own views about the prospect of helicopters drumming their way along the river. Yet Westland's experiment deserves to be welcomed on the grounds of its modest cost and of the opportunity it provides for assessing the value of helicopters for inter-city travel.

SHORTER NOTES

British shipping companies wishing to raise capital in this country, though they will have to continue to apply for consent from the Capital Issues Committee, will now find it easier to secure short-term loans from the banks to finance their shipbuilding programmes. That much was revealed by a Treasury spokesman when, in amplifying a statement by the Minister of Transport, Mr. Harold Watkinson, he said that "applicants will now find that, whereas consent may previously have been given on condition that the finance was raised from non-banking sources, no such conditions will be attached to consents given in the future." The concession is smaller than shipowners had been led to expect by Mr Watkinson's original statement.

* * *

The Government is to build a new factory at Swansea to house the Prestcold refrigeration division of Pressed Steel, Ltd., which will move there from the company's Cowley and Theale factories when the factory is completed early in 1960. This will be a factory of 600,000 square feet floor space, costing up to £2 million: Pressed Steel will take a 21-year lease on it with an option of renewal. Eventually the plant will employ 4,000 people: only key people, on a voluntary basis, will be transferred from the existing factories, and the company expects to transfer the rest of their labour force on to motor body manufacture.

* * *

The lawsuit over Sir Charles Colston's proposal to wind up a £300,000 trust for Hoover employees and ex-employees was settled last week. The £300,000 paid to Lady Colston is to be repaid and held on the trust under the original and supplementary settlements; the three existing trustees are to retire, and Sir Charles is to appoint three other trustees nominated by Hoover Ltd., and to thereafter release his power of appointment of new trustees. As a result of the action certain educational charities will be somewhat disappointed: but the six employees of Hoover Limited have agreed that on the termination of the trust in 1968, £100,000 shall be distributed between New Hall, Cambridge; Bristol University; Colston's School, Bristol; and Stowe School.

* * *

The American Northeast Airlines is not expected to take delivery of the six Britannia airliners that it has on order, in spite of the fact that the Bristol Aeroplane company has met all the conditions laid down. Northeast may instead buy 10 Vickers-Armstrong Viscounts, the smaller aircraft being better suited to the limited traffic on Northeast's routes. Five of the Britannias may be taken by BOAC on terms that have yet to be decided.

* * *

Mr Graham Page last week withdrew his private Wages Bill. This bill would have permitted, within rather narrow limits, the payment of wages by cheque, which at present might be held to contravene the Truck Acts. The Parliamentary Secretary to the Minister of Labour said he would "consult" the Minister about the matter, but gave no further undertaking.

COMPANY AFFAIRS

ROLLS-ROYCE

"THE Government White Paper on Defence altered the whole future of the aircraft and aero engine industry, and finally defined the change of emphasis from the provision of equipment for the fighting services to the fiercely competitive business of selling aircraft and engines in the international markets." This is how Lord Kindersley, the chairman of Rolls-Royce, describes the malaise of the British aircraft industry. He does so as the spokesman of the strongest unit within that industry. That strength, recognised in the yield of 4.6 per cent offered by the company's £1 ordinary stock at 87s. 6d., goes beyond figures, though these must be judged satisfactory with sales rising last year from nearly £80 million to over £91 million, with profits, after charging more for depreciation and development, edging up from £4,605,000 to £4,701,000 and with the ordinary dividend left unchanged at 20 per cent on the increased capital. Such figures meant that Rolls-Royce could come successfully to the market and raise £10 million by the rights issue of ordinary stock last year, with the result that the spending of nearly £6 million on capital account last year and outstanding commitments of nearly £3½ million can be faced with equanimity.

The real strength of Rolls-Royce lies in the technical qualities of its aero engines for its interests in motor cars, oil engines and nuclear reactors can be looked upon as useful sideshows. Rolls-Royce supplies engines to almost every aircraft manufacturer in this country and to a great number in other countries as well. Hence it is in Rolls-Royce's interest to see, first, a growing international market for aircraft and, secondly, a strong British aircraft industry. Rolls-Royce has already geared itself to an international market for last year the increase in sales, Lord Kindersley explains, was "almost entirely attributable to deliveries of aero engines for civil airlines and overseas governments" and over the year its order book

grew from £90 million to £112 million, again "attributable to work for civil aircraft and foreign governments including a substantial order from the German government for 'B' range petrol engines for army vehicles."

As for the need for a strong domestic aircraft industry Lord Kindersley argues: "A sound aero engine business demands a comprehensive range of engines. The cost of maintaining the kind of development organisation and facilities for this purpose can only be defrayed from a very substantial turnover, of which only a small proportion can be expected to come from the nationalised corporations and the British

	1956 £'000s	1957 £'000s
Home sales	55,373	57,291
Export sales	24,499	33,884
Total sales	**79,872**	**91,175**
Outstanding orders	90,000	112,000
Research and development expenditure	3,006	4,331
Depreciation	1,869	2,218
Gross profit	**4,605**	**4,701**
Royalties & other income	726	669
Total income	5,331	5,370
Taxation	3,200	3,050
Net income	**2,131**	**2,320**
Ordinary dividends	863	1,126
Retained profit	1,267	1,194
Gross profit/total sales (%)	*5·8*	*5·2*
Ordinary dividend (%)	*20·0*	*20·0*

independent operators. Even with our military programmes today we are dependent upon exports for more than 50 per cent of our total engine production, and a substantial part of this is represented by sales of military equipment to foreign governments. If the domestic effort on military types is to decline, this market will inevitably go to the USA."

He adds: "If our stockholders are to be asked to carry an increasing share of the substantial cost, they are entitled to expect the Government to give some practical demonstration that they are wholehearted in their desire to see the industry succeed in its task."

HANDLEY PAGE

WHEN an investor turns from the accounts of Rolls-Royce to that of any other aircraft company he must be struck by the contrast. Defence orders are running down, the Government has cut its development aid, and the "rationalisation" of the industry is noised abroad. All the British aircraft companies have to ask themselves: where do we stand? Investors in aircraft shares ask themselves the same question and one of the answers is that the 5s. ordinary shares in Handley Page—one of the oldest companies in the industry—stand at 6s. and on the repeated dividend of 15 per cent yield 12½ per cent. What reassurance will they draw from Sir Frederick Handley Page's statement accompanying the full accounts for 1957?

The fall in the group's profits from £680,546 to £316,707, Sir Frederick says, is largely attributable to delays in the production and delivery of "Victor" bombers, caused by the demand from the Ministry of Supply for extensive modifications. But, he adds, "we are likely to continue to function at full capacity on the production of the Victors and on their maintenance for several years to come."

But, outside these military orders, what are the prospects? The group, like other aircraft companies, is short of money: its stocks have risen from £4,505,700 to £5,917,383 and its bank overdrafts from £220,759 to £1,385,837—a high figure to set against net assets of £3,710,448. Moreover, the group itself has had to pay for the development of the short-ranged civil aircraft, the "Herald"; last year it spent £518,698 on the development of this aircraft, changing its engines from pistons to turbo-props and bringing the total expenditure up to £2,003,360; in addition the group has invested £1,005,882 in jigs, tools and production facilities for this venture. Over £3 million on one aircraft is a big investment for a company of the size of Handley Page and investors must wonder what number of "Heralds" the directors hope to sell. They will note that Sir Frederick also says: "It is foolhardy to put all eggs in one basket. For that reason and in the light of the present condition of the aircraft industry, the nucleus of a commercial division, newly formed by us, is actively investigating the possibility of broadening the basis of your company's production."

FINE SPINNERS

YIELDS of 12 per cent are now common on cotton shares, so that the shares of the big combines have to be looked upon as income stocks, with a big risk element appended. In the year to March 31st, Fine Spinners earned enough to repeat its ordinary dividend of 10 per cent for the third consecutive year. This payment was made but short-earned in 1955-56, in 1956-57 it was barely earned, but in 1957-58 the cover on the dividend was slightly improved. The group's trading profits advanced from £1,864,048 to £2,102,787 and the net profit rose by £95,103 to £509,256. The ordinary dividend costs £321,424, and the amount retained has almost doubled from £69,059 to £127,358. Unfortunately this is not quite the unbroken improvement it appears to be: last December the directors said that the results in the first half of the year reflected a period of good trading, but that conditions had since deteriorated. At 16s. 6d., the £1 ordinary units yield 12.1 per cent. That does not look far off the mark, for Fine Spinners, which has not been slow in rationalising its production, specialises in the better quality cotton yarns least affected by the inroads of cheap imports from the East.

BLEACHERS' ASSOCIATION

BLEACHERS' 12½ per cent ordinary dividend for the year to March 31st was subjected to "very careful consideration" before it was decided to maintain it, for profits continued to slip downwards. In the latest year the fall was slight; gross profits declined by £34,216 to £1,246,106 and net profits by £15,521 to £337,122. The dividend, which has now ruled for four consecutive years, absorbs £137,236, while £175,000, including £50,000 arising from an unused tax provision, is put to reserve. Mr Philip Wright, the chairman, explains that since last July order books in the producing sections of the cotton industry have contracted steadily. Imports from the Commonwealth continued to increase in 1957. Bleachers' Association continues to finish much of this cloth, but Mr Wright thinks that it is only a matter of time before the finishers too, including Bleachers, lose the trade. Exports from Britain were affected both by the growth of local production and by balance of payments difficulties which compelled primary producing countries to cut down imports. In the chairman's view "the contraction in the cotton industry which is already taking place will continue," and like others he hopes for a solution by diversifying the business. That at best is a long-term hope. For this year, though the immediate prospects are most discouraging, the weakness in demand, he believes, is partly transient and he hopes that the current year's results will not be too far below those of the past year. At 11s. the 10s. ordinary units yield 11.4 per cent.

LAND SECURITIES INVESTMENT TRUST

MR HAROLD SAMUEL, the chairman of Land Securities Investment Trust, describes the policy of this property group as "one of continued expansion." The expansion is not based on anticipated benefits from the Rent Act, for Land Securities has little rent controlled property on its books. It is based on redevelopment—the building of blocks of offices and shops. These are let at up-to-date rentals. In the year to March 31st the book value of the group's freehold and leasehold properties rose from £29.8 million to £31.9 million and the way was prepared for further expansion by the issue of £3.5 million of debenture stock.

The net rent roll of the group expanded from £1,357,325 to £1,437,713 and its net income from £222,812 to £253,673. That was sufficient to allow payment of a 7 per cent ordinary dividend (against 5½ per cent); the new dividend, absorbing £181,125, and the preference dividend, absorbing £71,156, take nearly all the net earnings. Distribution policies so far up to the hilt will benefit from the change to a single tier profits tax and Mr Samuel, though he admits "the difficulties of forecasting future profits," feels able not merely to predict an improvement in net earnings but to forecast a dividend of not less than 12 per cent for the year to March 31, 1959. The 10s. ordinary shares now stand at 21s. so that the projected dividend yield is 5.7 per cent.

BRITISH AND COMMONWEALTH SHIPPING

SINCE the end of May, when the directors of British and Commonwealth Shipping announced an ordinary dividend of 20 per cent (against 17½ per cent) and another 5 per cent scrip issue, the company's 10s. shares have risen 7s. to 37s. 9d. (to yield, assuming 20 per cent again on the increased capital, 5.6 per cent). That is a big rise when freight rates are low and tankers and dry cargo vessels are laid up. It is a big rise, too, when it seems unlikely that British and Commonwealth Shipping will be able this year to hold its trading surplus at the 1957 level of £11,994,000 or even the 1956 level of £11,053,000; in both these years the company gained from some months of high freight rates and in 1957 from the carry-over of uncompleted voyage accounts.

But the recent buyers of the shares may find some justification for their venture in the accounts for 1957. On earnings, they will note the directors' comment:

"Essentially, this is not a tramp business; in the main we provide regular services, and it is this regularity of service which attracts a regular volume of cargo and passenger trade. . . . Accordingly, while high rates and other favourable factors may provide the cream, the bread and butter depends on our ability to keep our liner services fully employed."

Nor is the group heavily committed to tankers, and it has now decided not to build three tankers scheduled for delivery in 1959, 1961 and 1964 and to use the berths thus made available to build three dry cargo vessels. The group's capital commitments amount to nearly £38 million, of which nearly £16 million is covered by net current assets. To cover the rest of the programme, the directors say, "earnings must be maintained at a reasonably high level but not one which should be beyond our capacity to achieve." These are refreshing words from an industry which, even with investment allowances of 40 per cent, has often made much of its problem of financing replacement.

LORAINE-RIEBEECK

LORAINE was one of the big disappointments among the Orange Free State gold mines. But no finance house closes down a mine if there is a chance of getting some return on its investment. Anglo American, the finance house for Loraine, has now used the surgeon's knife.

The plan is to merge Loraine with the contiguous Riebeeck from the Anglo-Transvaal stable. Riebeeck is still some time away from production and the merger should save capital expenditure by making use of some of Loraine's assets, including underground and surface equipment, a reduction plant, offices, workshops and houses. Development of the southern section of Loraine will continue on a reduced scale and will be linked with the development of the northern section of Riebeeck. If the merger is approved by shareholders, the new combined area will be managed by Anglo-Transvaal. Between them, Anglo-Transvaal and Anglo American will own the dominant shareholding.

To effect the merger, the share capital of Loraine in 10s. units will be reduced from £8,226,686 to £1,645,337, and the reconstructed Loraine will buy all the assets of Riebeeck in exchange for 9 million of its 10s. shares. Riebeeck will distribute these shares to its shareholders in the proportion of nine new Loraine shares in exchange for every seven Riebeeck shares. At the same time Anglo American will waive £711,000 of its loan to Loraine, reducing that loan to £3,446,000, and will lend the newly merged company another £1 million. The Anglo American loans will be free of interest until one year after production starts at the Riebeeck Number 1 shaft. Another £3 million will ultimately be raised by a rights issue. Not until that issue is made can Anglo American exercise its rights to convert 25 per cent of its loan of £3,446,000 into shares in the new company. The merger caused a flurry in the price of the shares; Loraine's 10s. units went up from 2s. 1½d. to 3s. before coming back to 2s. 6d.

London Stock Exchange

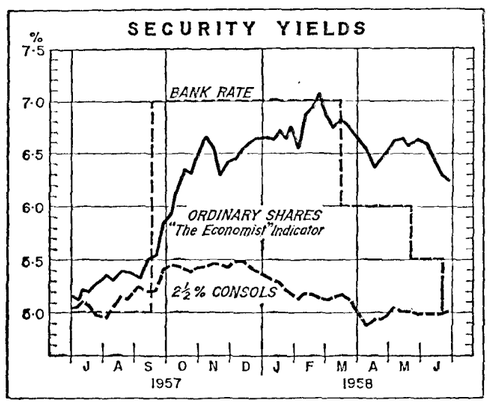
FIRST DEALINGS:	June 8	July 2	July 16
LAST DEALINGS:	July 1	July 15	Aug. 5
ACCOUNT DAY:	July 8	July 22	Aug. 12

INTEREST in gilt-edged stocks slackened after the reduction in Bank rate. Prices improved slightly up to the end of the week but reacted to show small losses in the week to Wednesday's close. The rise in industrial shares carried the "Financial Times" index of ordinary shares to a peak of 179.6 on Monday, when the number of bargains marked rose to 11,761, but the whole of the rise was not held; the troubles in the Lebanon restrained investors and the results of the latest FBI survey were a depressing influence. Over the week *The Economist* indicator showed a fractional rise of 0.8 points to this year's peak of 192.5.

Bank stocks improved by 1s. in some cases and insurance stocks made considerable gains on balance, though they reacted later. Among breweries, Tennant Brothers gained 3s. to 49s. following the higher dividend. After rising to their best levels this year, a reaction in leading store shares left few gains and occasional losses on balance. The May production figures failed to help motor shares, which declined. Paper shares were irregular, Bowater falling 1s. 3d. while Wiggins Teape gained 2s. 6d. George Newnes jumped 5s. 6d. to 56s. 6d. on the increase in dividend. Property shares rose again; Bell London rose 8s. 9d. to 57s. 9d. on the merger proposals.

The new 6 per cent debenture of Associated Electrical Industries quickly established a premium of about 1½ points and the 6 per cent debenture of Associated Biscuit Manufacturers was stagged and heavily over subscribed, but the £6 million 5½ per cent issue of Liverpool Corporation failed to attract investors.

Oil stocks weakened, Shell Transport falling 5s. 9d. to 143s. 1½d. Kaffirs revived, especially the new mines among which Western Holdings and Free State Geduld were prominent.



STOCK EXCHANGE INDICATORS

"The Economist" Indicator

1958	Indicator*	Yield %	1958 High	1958 Low	1957 High	1957 Low
May 28	183·6	6·63				
June 4	184·2	6·59				
" 11	188·0	6·43				
" 18	191·7	6·30	192·5 (June 25)	166·1 (Feb. 26)	225·0 (July 10)	171·2 (Nov. 6)
" 25	192·5	6·25				

"Financial Times" Indices

1958	Ord. Index†	Ord. Yield %	Fixed Int.‡	2½% Consols Yield %	Bargains Marked	1958	1957
						High	High
June 18	175·2	6·50	90·40	4·98	9,917	179·6	207·6
" 19	177·8	6·40	90·60	4·98	9,402	(June 23)	(July 9)
" 20	178·8	6·36	90·72	4·98	8,579		
" 23	179·6	6·33	90·70	4·98	11,761	Low	Low
" 24	178·6	6·37	90·50	5·01	9,493	154·4	159·0
" 25	177·4	6·41	90·50	5·00	8,615	(Feb. 25)	(Nov. 5)

Bases :—* 1953 = 100. † July 1, 1935 = 100. ‡ 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1958 High	Prices, 1958 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, June 18, 1958	Price, June 25, 1958	Net Yield, June 25, 1958 § £ s. d.	Gross Yield, June 25, 1958 £ s. d.
98⅛	96⅛	War Loan 3%.....1955-59	98 17/32	98 15/32	3 14 6	4 4 3
95⅛	90⅝	Funding 2½%.....1956-61	95 7/32	95 7/32	3 1 4	4 4 10
98⅞	96 13/32	Conversion 2½%...1958-59	98 7/32	98 5/32	3 9 4	4 4 10
96⅞	93 25/32	Exchequer 2½%.....1960	96 15/32	96⅛	3 3 5	4 4 10
98¼	95 ½	Exchequer 3%.....1960	97¾	98⅛	2 12 4	4 3 0
98¼	95 ½	Exchequer 3%.....1962	99 1/32	99 ½	2 10 4	4 12 8
99 13/32	95 ½	Conversion 4½%.....1963	99 13/32	93 11/32	3 2 11	4 9 7
94¼	88⅜	Exchequer 3%.....1962-63	93 11/32	93 11/32	3 2 11	4 9 7
100 13/32	99 7/32	Conversion 4½%.....1963	100 7/32	100⅛	2 13 3	4 13 10
89¼	83⅜	Savings Bds. 3%.1955-65	89¼	89¼	3 10 5	4 19 5
81⅞	77⅛	Funding 3%.....1959-69	81⅜	81	3 18 10	5 8 5
89½	86⅜	Funding 4%.....1960-90	87½	87¼	10 4 10 / 2 13 9	12 5 5 / 4 16 6
79	75	Savings Bds. 3%.1960-70	78 13/32	78⅜	4 0 4	5 10 11
90 5/32	84⅜	Exchequer 2½%.1963-64	90⅜	90⅜	3 6 7	4 9 8
81⅛	78⅜	Savings Bds. 2½%.1964-67	81⅜	81⅜	4 0 1	5 4 6
73⅜	69⅜	Savings Bds. 3%.1965-75	73⅜	73⅛	3 19 0	5 11 0
102 7/32	99⅛	Exchequer 5½%...1966	102 11/32	102 11/32	2 18 0	5 6 4
83 13/32	78⅝	Funding 3%.....1966-68	*83 13/32	81 15/32*	3 13 4	5 6 7
94 13/32	91⅛	Victory 4%.....1920-76	*94⅛	94	3 2 1	4 19 3
85 15/32	81⅜	Conversion 3½%.....1969	85 15/32	85 11/32	3 14 5	5 8 5
98 15/32	97¼	Conversion 5½%.....1974	97¾	97 15/32	3 4 3	5 9 8
76⅛	71⅛	Treasury 3½%...1977-80	75¼	75¼	3 12 11	5 8 8
76 15/32	70⅜	Treasury 3½%...1979-81	76	75⅛	3 12 10	5 9 8
101⅛	98⅛	Funding 5½%.....1982-84	99 7/32*	99 5/32*	3 3 6	5 10 2
65⅜	60	Redemption 3%...1986-96	65¼	65¼	3 7 2	5 2 3
72 13/32	64⅜	Funding 3½%..1999-2004	73 5/32*	73 5/32*	3 3 10	5 2 0
75⅝	69 5/32	Consols 4% after Feb. 1957	75⅝	75⅝	3 2 5	5 8 4
68⅛	63⅜	War Loan 3½% after 1952	66⅛	66⅛	3 0 8	5 5 8
66 13/32	62⅜	Conv. 3½% after Apr. 1961	66⅛	66⅛	3 1 0	5 6 7
58⅜	54⅜	Treas. 3% after Apr. 1966	58⅛	58⅛	2 19 6	5 4 0
51 15/32	46⅞	Consols 2½%.....	50½*	50½*	2 17 4	4 19 8
49⅜	46⅜	Treas. 2½% after Apr. 1975	49⅞	49⅞	2 18 8	5 2 6
95⅛	90⅜	Br. Electric 4½%.1957-69	95½	94 15/32	3 4 9	5 6 3
75⅜	72 15/32	Br. Electric 3%...1968-73	75⅝	75⅛	3 19 11	5 10 11
72⅛	68⅜	Br. Electric 3%...1974-77	72 15/32	72⅛	3 16 8	5 8 7
86 15/32	82⅜	Br. Electric 4½%.1974-79	86⅜	86⅜	3 7 9	5 8 5
76⅜	72 15/32	Br. Electric 3½%.1976-79	76⅛	76⅛	3 12 11	5 8 8
87⅛	82 15/32	Br. Gas 4%.....1969-72	87	87⅛	3 10 11	5 9 7
82⅝	79⅛	Br. Gas 3½%.....1969-71	82⅛	82⅛	3 14 9	5 9 2
66	60⅜	Br. Gas 3%.....1990-95	66	65⅛	3 7 4	5 1 11
75⅜	72 15/32	Br. Transport 3%.1968-73	75 15/32	75⅛	3 19 11	5 10 11
75⅜	72 15/32	Br. Transport 4%.1972-77	82⅜*	82⅛	3 11 1	5 9 7
84⅛	79⅛	Br. Transport 4%.1978-88	65⅜*	65⅜*	3 12 6	5 6 5
66⅛	60 13/32	Br. Transport 3%.1978-88				

Prices, 1958 High	Prices, 1958 Low	DOMINION, CORPORATION AND FOREIGN BONDS	Price, June 18, 1958	Price, June 25, 1958	Yield, June 25, 1958 £ s. d.
88⅛	83	Agric. Mortgage 5%.....1950-80	86½	86½	5 18 7
79⅝	76⅛	Australia 3½%.....1965-69	79½	79½	5 15 2
95⅜	92⅛	Birmingham 5%.....1973-75	93	93	5 13 2
94⅛	90⅛	East Africa 5½%.....1977-83	94¼	94¼	6 4 3
100⅜	95½	L.C.C. 5½%.....1977-81	99¾	99⅞	5 10 10
62⅜	56	Met. Water Board 'B' 3%.1934-2003	62⅜	62¼	5 3 5
82	78	New Zealand 4½%.....1976-78	80	80	5 14 5
71⅛	69	S. Rhodesia 2½%.....1965-70	70½	70½	6 0 5
92½	83	German 7% (Br. Enfaced 5%)..1924	90½	90½	...
167½	160	Japan 5% (Enfaced).....1907	165	164	...

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, June 18, 1958	Price, June 25, 1958	Yield, June 25, 1958 £ s. d.
		% %	BANKS & DISCOUNT			
29/9	28/-	4 a	5 b Bk. Ldn. & S. Amer. £1	29/3	29/3	6 3 1
44/-	39/9	6 a	6 b Barclays Bank.....£1	42/3	43/-	5 11 8
30/-	27/6	4 b	4 a Barclays D.C.O. ...£1	28/-	28/6	5 12 3
43/6	35/6	7½a	7½b Chartered Bank....£1	43/-	43/3	6 18 9
47/9	41/3	6½a	6½b Lloyds Bank £1	45/3	46/3	5 12 4
63/9	57/6	9 a	9 b Midland Bank £1	61/3	62/-	5 16 2
35/6	29/6	5 a	5 b Nat. Discount 'B' ..£1	34/3	34/3	5 16 9
50/9	49/9	6½a	6½b Union Discount....£1	50/9	50/9	4 18 6
			INSURANCE			
38/-	32/9	15 a	21½b Commercial Union 5/-	34/3	35/3	5 4 0
132/6	113/9	40 a	69 b Legal & General ..5/-	122/6	127/6	3 13 5
101/3	86/3	†20 a	†50 b Pearl 5/-	90/-	92/6	6 11 8
176/3	154/-	†132½c	†147½c Prudential 'A' 4/-	170/-	173/9	5 18 1
			BREWERIES, ETC.			
36/3	31/-	36 b	10 a Bass 5/-	35/9*	36/-*	6 7 9
24/-	19/7½	18½c	7½c Distillers.....6/8	23/6	23.7½	5 5 10
41/3	37/-	15 b	10 a Guinness.....10/-	41/-	40/9	6 2 9
90/6	75/6	8 a	17 b Whitbread 'A' £1	90/-	85/6*	5 11 9
			MOTORS & AIRCRAFT			
14/4½	8/7½	3½a	6½b Bristol Aeroplane 10/-	8/9	9/1½	10 13 2
8/5½	6/7½	12½c	4 a British Motor.....5/-	8/1½	8/3	7 11 6
40/9	31/9	3 a	6 b Ford Motor £1	39/6	39/6	4 11 2
30/9	24/9	7 b	3 a Hawker Siddeley....£1	26/7½	28/6	7 0 5
44/9	39/-	12½c	12½c Leyland Motors....£1	41/9	42/-	5 19 0
93/-	82/9	5 a	15 b Rolls-Royce £1	88/9	87/6	4 11 5
8/1½	6/7½	8 c	8 c Standard Motor...5/-	6/11½	6/10½	5 16 4

Prices, 1958 High	Prices, 1958 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, June 18, 1958	Price, June 25, 1958	Yield, June 25, 1958 £ s. d.
		% %	STEEL & ENGINEERING			
49/3	41/10½	7 a	6½b Babcock & Wilcox..£1	48/-	47/3	5 10 0
25/4½	21/7½	4 a	6 b Dorman Long £1	22/-	22/9	3 15 10
54 7½	45/-	5 a	10 b Guest, Keen N'fold..£1	52 10½	54 7½	5 19 5
34/6	28/3	†2 a	†4 b Allied Herbert £1	33/-	34/6	6 1 0
52/3	41/-	4 a	7 b Metal Box £1	50 9*	51 9*	4 5 9
24/3	20/-	8 b	3 a Stewarts & Lloyds..£1	20 7½*	21 7½*	10 3 5
57/3	43/-	5 a	13 b Swan Hunter.....£1	55 9	56/3	6 8 0
21/3	17/9	7½b	4 a United Steel.....£1	18 4½	19 4½	11 17 5
32/9	23/6	2½a	7½b Vickers £1	29/1½	30/-	6 15 5
			ELECTRICAL			
52/-	47/-	15 c	21a Assoc. Elec. Inds...£1	50/-	50/-	6 0 0
45/9	39/3	4 a	8½b Br. Ins. Callenders.£1	45/3	43/9	5 14 3
43½c	24/7½	6½a	6 b Decca Record 4/-	25/9	25 10½	6 15 3
36/3	28/-	15 c	15 c Elect. & Mus. Inds.10/-	35/-	34/6	4 7 0
56/3	41/6	4 a	10 b English Electric ...£1	53/-	52 6	5 6 8
38/9	29/9	8 b	3½a General Electric £1...	33/6	33 6	6 17 5
			TEXTILES			
16/3	12 4½	3 a	3 b Bradford Dyers....£1	12 4½	12 4½	9 14 0
45/9	39/3	4 a	8½b Br. Ins. Callenders.£1	45/3	43/9	5 14 3
43½c	24/7½	6½a	6 b Decca Record 4/-	25/9	25 10½	6 15 3
36/3	28/-	15 c	15 c Elect. & Mus. Inds.10/-	35/-	34/6	4 7 0
56/3	41/6	4 a	10 b English Electric ...£1	53/-	52 6	5 6 8
38/9	29/9	8 b	3½a General Electric £1...	33/6	33 6	6 17 5
			TEXTILES			
16/3	12 4½	3 a	3 b Bradford Dyers....£1	12 4½	12 4½	9 14 0
23/3	19/6	2½c	6½b Coats, J. & P. £1	20 4½	21 1½	8 5 7
23 7½	19/7½	3 a	5 b Courtaulds £1	22 1½*	23 3*	6 17 8
34/7½	29/10½	5 a	12½b Lancashire Cotton..£1	34 3	34 6	10 2 10
35/4½	31/4½	12½b	2½a Patons & Baldwins..£1	32/3	33 3	9 0 5
			SHOPS & STORES			
22/3	18/6	6 a	12 b Boots Pure Drug..5/-	21 7½	22 3	4 0 9
41/6	33/6	20 b	7½a Debenhams 10/-	39 3	39 9	5 18 5
24/6	17/3	50 b	15 a Gt. Universal 'A'..5/-	24 6½	25 4½	6 10 0
45/1½	37/3	10 a	22½b Marks & Spen. 'A' 5/-	43 9	44 6	5 7 5
27/11½	21/-	12½a	20 b United Drapery...5/-	26/3	26 9	6 1 5
42/10½	34/7½	15¾a	26¾b Woolworth.....5/-	42 1½	40 6	4 18 10
			SHIPPING			
33/-	29/-	6¼a	13½b Brit. & Com'wealth 10/-	36 6	37 9	5 6 0
13/9	16/6	2 a	8 b Cunard £1	18/3	18 6	10 16 2
33/3	27/3	9⅜c	10½c Furness Withy.....£1	33/3	33/-	6 11 0
30/6	22/-	3 a	8 b P. & O. Deferred...£1	30/-	30/-	7 6 8
			MISCELLANEOUS			
22½c	18	a	a Allied Bakeries 'A' 5/-	31/-	31/-	4 8 3
39/9	31/-	3 a	6 b Assoc. Port. Cem...£1	38 9	38 3	5 14 3
18 7½	13 4½	11 a	9 b Boocham Group...5/-	18/3	18/-	5 11 3
36/-	25/6	4½a	8 b Bowater Paper £1	35 7½	34 3	7 6 0
48/-	36/9	4 a	8 b Br. Aluminium £1	43 6	44 1½	5 9 0
47/9	37/7½	†10 a	†63b Br. Amer. Tob. ...10/-	47 4½	47 3	6 2 10
24/3	19/9	7½a	17½b B.E.T. 'A' Defd...5/-	23 7½	23 6	5 6 5
35/6	28/3	4 a	6 b Br. Oxygen £1	34/6	35/-	5 14 3
19/-	14/4½	3 a	11 b Dunlop Rubber...10/-	18 7½	18 4½	7 12 5
45/6	36/4½	4 a	8 b Imp. Chemical.....£1	44 9	44 9	5 7 2
44/3	37/-	8½a	11½b Imp. Tobacco £1	44/3	44 9	8 18 10
35/3	28/-	5 b	2½c J. Lucas (Inds.).....£1	34 9	35/3	4 5 2
16/1½	12/6	5 a	8½b Monsanto Chem...5/-	15 6	15 3	4 8 8
14/9	13/7½	5 b	5 a Ranks 10/-	14 3	14 4½	6 19 2
36/-	27/9	5 a	9 b A. E. Reed £1	34 9*	35 -*	8 0 0
14/3	11/8½	22½c	22½c Sears Holdings 'A' 5/-	12 7½	12 6½	8 19 11
56/6	48/9	12 b	4½a Tate & Lyle.....£1	54/3	56/6	5 16 10
55/6	48/6	7½b	7½a Tube Investments..£1	54 6	55 -	5 9 0
64/-	52/1½	12½b	5 a Turner & Newall...£1	59/3	61 1½	4 18 2
80/4½	70/6	6 a	11½b Unilever Ltd.....£1	77/3	76/3	4 11 10
100/-	77/-	14½b	4 a United Dominions..£1	99/-	99/-	3 14 9
30/9	26/-	†14¾a	†10 b United Molasses .10/-	29/9	30/3	8 3 0
			OIL			
106/3	79/6	†5 a	†10 b British Petroleum..£1	105 10½	102 6	5 1 9
78/-	59/1½	†5 a	†7½b Burmah £1	72/-	71/-	6 6 8
£17⅞	£13⅞	7½a	17½b Royal Dutch....20 fl.	£16⅞	£16	2 19 1
151/3	117 6	†5 a	†13½b Shell £1	148 10½	145 11½	4 11 2
74/6	41/6	...	... Ultramar 10/-	69 9	67 6	... d
			MINES, ETC.			
142/6	115/-	20 a	60 b Anglo-American .10/-	138 9	142 6	5 12 3
25/6	19/6	12½a	†10 b Cons. Tea & Lands.£1	22 9	25 -	13 13 2
51/6	41/6	6½a	12½b Cons. Zinc Corp. ...£1	51 6	45 6	7 11 8
101/10½	80	80 a	120 b De Beers Def. Reg. 5/-	100 7½	100 7½	9 18 10
83 11/32	76/-	20 b	40 a Free State Geduld.5/-	85 7½	83 11½	6 16 1
7/6	6/6	30 c	30 c London Tin 4/-	7 3	7 3	15 11 0
52/9	45/6	50 a	50 b President Brand ..5/-	50/-	52 6	9 10 6
17/6	12/10½	16¾b	1¾a Rho. Selection Tst. 5/-	16 4½	16 4½	...
28½	20	175 b	25 a Rhokana Corp. £1	28 -	25½	...
54/6	46/-	12½a	37½b United Sua Betong..£1	51/-	52 3	10 2 10
95/3	84/4½	60 b	60 a Western Holdings..5/-	95 9	96 3	6 4 8

New York Closing Prices $

	June 18	June 25		June 18	June 25		June 18	June 25
Alcoa	69⅜	70½	DuPont de Nm.	187	182½	N.Y. Central	17½	17½
Aluminium Ltd.	27½	25⅞	Ford Motor	41⅞	41½	Sears R. & R.	23⅜	23⅛
Am. Smelting	45¼	44⅛	Gen. Elect.	53⅛	53	Shell Oil	75⅛	74⅛
Amer. Tel.	178½	177	Gen. Motors	53⅝	53⅞	Std. Oil of N.J.	54⅛	54⅝
Anaconda	43	45½	Goodyear	79⅝	81¼	Tri-Cont'l Cp.	35¼	35½
Beth. Steel	41⅞	42⅝	Gulf Oil	115¾	114½	Union Carbide	99	98⅛
Can. Pacific	28	27½	Int. Bus. M.	372½	365	U.S. Steel	65⅞	64
Chrysler Cpn.	48½	47	Int'l. Nickel	80½	77½	Westinghse. E.	56⅜	55½
Crown Zeller.	49½	33½	Int'l. Paper	98½	96¼	Woolworth	47½	45⅞

* Ex dividend. † Tax free. ‡ Assumed average life approx. 9½ years. § Less tax at 8s. 6d. in £. ‖ Ex capitalisation. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) On 15%. (h) On 30%. (i) On 15%. (l) To latest date.

STATISTICS

The following list shows the most recent dates on which each statistical page appeared.

World Trade ..... April 19th

BRITISH		OVERSEAS	
Prices and Wages.....	June 7th	Western Europe:	
Production and Consumption	June 21st	Production and Trade.....	This week
Manpower.....	June 14th	British Commonwealth	June 14th
External Trade.....	This week	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	June 21st
Industrial Profits	April 19th	United States	June 7th

UK External Trade

Imports are valued *cif*; exports *fob*. Total trade unless otherwise stated.

	Unit	Monthly averages 1955	1956	1957	1957 Mar.	April	May	1958 Feb.	Mar.	April	May
VALUE											
Imports:											
Total	£ million	323·6	323·8	339·6	361·8	349·7	374·5	288·2	321·0	310·6	308·4
Food, drink and tobacco	,,	120·1	120·7	124·7	140·3	125·7	135·7	111·0	124·4	125·4	120·7
Basic materials	,,	93·7	91·9	97·4	98·8	97·0	109·6	70·8	82·6	77·5	73·6
Mineral fuels and lubricants	,,	34·0	34·5	38·9	44·8	47·1	45·8	33·8	34·2	34·3	37·8
Manufactures	,,	74·7	75·5	77·4	76·8	79·1	82·3	71·7	78·9	72·9	75·4
Exports of UK produce:											
Total	,,	242·1	264·3	277·1	297·1	272·2	302·9	265·4	278·1	265·5	287·3
Manufactures	,,	199·0	218·3	229·5	247·4	226·9	252·1	222·1	234·5	225·9	243·3
Re-exports	,,	9·9	12·2	11·1	16·4	8·6	11·8	12·0	16·1	11·8	14·6
Balance of trade (exports *less* imports):	,,	− 71·6	− 47·3	− 51·4	− 48·4	− 68·9	− 59·8	− 10·9	− 26·7	− 33·4	− 6·4
VOLUME											
Imports	1954=100	111	111	115	118[3]	...	114[4]	106	114	113	...
Exports	,,	107	114	116	117[3]	...	118[4]	111	113	111	...
BY AREA											
Imports:											
Dollar area—total	£ million	70·1	71·0	80·4	85·7	87·8	89·8	61·3	62·5	58·5	66·6
,, USA	,,	35·0	34·0	40·2	46·4	47·3	46·3	27·5	29·7	27·6	25·0
,, Canada	,,	28·6	29·0	26·7	24·4	23·6	26·8	20·9	21·3	19·4	30·1
Non-sterling OEEC countries	,,	78·4	79·6	80·8	78·2	73·7	87·5	73·4	79·8	75·8	78·7
Sterling area	,,	130·9	126·5	129·3	154·3	139·5	145·0	109·9	128·9	125·0	116·1
Exports:											
Dollar area—total	,,	34·8	45·2	47·8	46·9	52·3	49·6	45·6	49·3	47·4	55·2
,, USA	,,	16·6	21·6	21·5	23·2	20·5	22·8	24·5	24·6	20·2	24·3
,, Canada	,,	12·1	15·2	16·7	14·4	24·8	18·0	12·8	16·6	17·9	21·7
Non-sterling OEEC countries	,,	67·5	75·1	78·2	94·5	76·2	89·7	74·1	80·2	72·1	77·0
Sterling area	,,	120·9	122·4	127·2	131·3	120·0	134·8	124·8	131·2	124·0	129·9
Balance of trade (exports *less* imports):											
Dollar area	,,	− 35·3	− 25·8	− 32·6	− 38·8	− 35·5	− 40·2	− 15·7	− 13·2	− 11·1	− 11·4
Non-sterling OEEC countries	,,	− 10·9	− 4·5	− 2·6	+ 16·3	+ 2·5	+ 2·2	+ 0·7	+ 0·4	− 3·7	− 1·7
Sterling area	,,	− 10·0	− 4·1	− 2·1	− 23·0	− 19·5	− 16·2	+ 14·9	+ 2·3	− 1·0	+ 13·8
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	374·3	398·4	377·6	418·9	324·0	304·0	309·5	322·6	318·5	393·4
Meat	,,	67·0	72·4	74·2	106·5	74·7	79·6	68·1	87·1	79·7	80·7
Sugar, unrefined	,,	186·2	194·3	235·6	222·0	289·5	270·2	246·5	254·3	283·6	243·5
Raw cotton [1]	,,	24·2	27·0	30·7	35·8	27·2	34·2	27·8	24·5	28·5	19·1
Raw wool, sheep's and lambs' [1]	mn. lb.	55·1	53·2	51·6	68·6	62·0	62·2	45·4	67·9	71·1	52·7
Rubber, natural and synthetic [1]	'000 tons	24·6	18·2	22·7	8·7	21·5	20·1	17·6	14·1	21·9	6·5
Softwood	'000 stds.	140·0	104·8	120·0	59·6	64·8	113·3	52·1	39·7	44·6	73·4
Woodpulp	'000 tons	186·9	183·3	178·2	141·2	143·1	229·0	154·4	139·6	129·9	195·2
Crude petroleum	mn. galls.	601	618	605	595	647	713	645	651	760	725
Exports of UK produce:											
Coal, including bunkers	'000 tons	1,196	836	686	709	654	826	453	371	316	452
Woven piece-goods—cotton	mn. sq. yds.	46	40	38	42	38	41	36	40	32	34
,, ,, wool [2]	'000 sq yds.	8,965	9,107	9,028	10,160	9,111	9,122	8,947	10,001	6,812	7,818
Passenger cars and chassis	number	32,545	27,886	35,522	35,925	34,621	41,612	42,057	44,475	38,586	47,802
Commercial vehicles and chassis	,,	11,656	10,866	10,214	10,658	10,653	12,024	10,913	11,427	8,873	10,243
Agricultural tractors	,,	8,720	7,482	9,414	8,568	8,880	10,828	8,549	9,911	10,424	10,155
Machinery—electrical	£'000	5,158	5,314	5,602	6,010	5,669	5,457	5,797	6,221	6,140	6,665
,, other	,,	34,687	38,657	42,211	44,997	41,228	45,925	42,138	46,107	44,981	47,669
Chemicals, elements and compounds	,,	4,422	4,948	5,219	5,861	5,322	5,869	5,121	5,281	4,870	5,663

[1] Retained imports. [2] Excluding knits from January, 1956. [3] Average for first quarter. [4] Average for second quarter.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, FR	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey	United Kingdom
INDUSTRIAL PRODUCTION (1) (1953 = 100)													
1948	54	87	82	79	...	52	70	62	70	70	90	69	83
1956	138	122	114	133	139	134	102	128	123	122	114	128	112
1957	146	123	117	145	147	145	102	138	126	126	118	...	114
1957, November	156	125	120	159	162	159	109	140	128	135	124	...	122
„ December	142	121	114	163	151	155		133	116	119	124	...	112
1958, January	140	119	117	155	144	156	...	139	121	123	123	...	114
„ February	148	120	120	163	145	142	...	...	113	135	...	...	119
„ March	...	...	123	160	144	...	...	...	123	131	125	...	119[7]
VALUE OF EXTERNAL TRADE (2)													
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas[3]	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lira	mn. £
IMPORTS (c. i. f.)													
1948	243	7,249	285	55·03	264[4]	152[4]	11·36	70·36	414	319	413	64·2	168·0
1956	2,110	13,635	755	162·12	2,315	1,159	15·20	165·31	1,180	721	953	95·1	311·6
1957	2,445	14,302	782	187·16	2,624	1,312	15·40	183·88	1,300	759	1,016	95·3	328·5
1957, November	2,479	13,840	815	175·78	2,753	1,372	17·10	174·92	1,226	774	1,062	111·6	308·9
„ December	2,631	13,994	762	210·11	2,747	1,435	15·30	205·86	1,152	757	980	90·3	301·4
1958, January	2,341	13,318	890	216·02	2,692	1,399	14·81	160·83	1,179	733	1,225	81·8	312·5
„ February	2,152	12,203	685	194·05	2,383	1,184	15·39	162·87	1,090	720	955	69·0	276·2
„ March	2,480	13,636	687	223·83	2,575	...	18·23	...	1,016	...	1,050	99·1	304·3[8]
EXPORTS (f. o. b.)													
1948	165	6,171	228	36·18	151[4]	39[4]	4·11	47·93	226	172	332	45·9	131·6
1956	1,840	13,177	640	132·45	2,571	475	9·01	111·74	906	460	833	71·2	264·3
1957	2,120	13,275	676	155·86	2,995	549	10·94	132·50	981	489	924	80·6	277·1
1957, November	2,093	13,132	748	170·91	3,183	1,032	11·35	131·46	1,075	436	957	98·2	285·9
„ December	2,251	12,787	743	194·96	3,265	1,102	9·96	134·47	960	513	912	127·2	282·4
1958, January	1,727	14,167	696	174·48	2,598	575	9·97	122·87	938	432	916	105·2	277·8
„ February	1,875	12,466	656	173·84	2,953	457	9·67	124·87	913	411	748	82·8	269·1
„ March	2,092	12,973	736	186·48	3,076	...	11·84	...	1,012	...	768	69·2	278·1[9]
BALANCE													
1948	− 78	− 1,078	− 57	−19·90	− 113	− 113	− 7·25	−22·37	− 188	− 138	− 81	− 13·3	− 36·4
1956	− 270	− 458	− 115	−29·67	+ 256	− 684	− 6·19	−53·60	− 274	− 261	− 114	− 23·9	− 47·3
1957	− 325	− 1,027	− 106	−31·30	+ 372	− 763	− 4·46	−56·58	− 319	− 270	− 122	− 12·7	− 51·4
1957, November	− 381	− 708	− 67	− 4·87	+ 430	− 340	− 5·75	−43·46	− 151	− 338	− 105	− 13·4	− 22·0
„ December	− 380	− 1,207	− 19	−15·15	+ 518	− 333	− 5·34	−71·39	− 172	− 239	− 68	+ 35·9	− 19·0
1958, January	− 614	+ 849	− 194	−41·54	− 94	− 814	− 4·84	−38·01	− 181	− 256	− 309	+ 21·4	− 34·7
„ February	− 277	+ 263	− 29	−20·21	+ 555	− 727	− 5·72	−38·00	− 177	− 309	− 207	+ 22·8	− 10·8
„ March	− 388	− 663	+ 49	−37·35	+ 590	...	− 6·39	...	− 34	...	− 322	− 29·9	− 26·8[10]
VOLUME OF EXTERNAL TRADE (2) (1953 = 100)													
IMPORTS													
1948	43	86	59	84	...	...	90	57	64	71	85	46	83
1956	195	136	128	142	171	156	95	125	153	128	136	...	112
1957	223	139	131	143	192	174	89	137	160	123	141	...	116
1957, November	232	125	136[6]	124	205	182	90	133	158	123	143[11]	...	113
„ December	245	135		152	209	186	90	170	147	130		...	112
1958, January	218	...	...	157	205	183	85	...	153	125	150[11]	...	120
„ February	203	...	...	145	185	165	89	...	112	122		...	107
„ March	240	...	...	...	200	...	...	...	...	...		...	115[11]
EXPORTS													
1948	37	69	48	48	...	...	55	66	31	70	69	55	80
1956	160	136	120	120	165	117	98	147	139	133	128	...	119
1957	185	133	129	132	188	130	117	155	136	133	133	...	121
1957, November	187	124	140[6]	134	198	251	120	160	150	127	141[6]	...	124
„ December	194	125		152	205	276	105	167	136	138		...	123
1958, January	159	...	...	134	161	157	105	...	148	133	119[12]	...	121
„ February	164	...	...	134	182	118	102	...	137	121		...	116
„ March	188	...	...	...	195	...	...	...	...	...		...	118[12]

Mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark excludes mining; Greece, mining and manufactured gas; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Germany excludes West Berlin. (2) Special trade (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxemburg. Italy includes Trieste. (3) New drachma introduced May 1, 1954 (1 new drachma = 1,000 old drachmas). (4) Thousand million drachmas. (5) Bizonal area. (6) Average for fourth quarter. (7) April, 111. (8) April, 298·8; May, 233·8. (9) April, 265·5; May, 237·3. (10) April, −33·3; May, −5·5. (11) April, 114. (12) April 116. (13) Average for first quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended June 21, 1958, there was an "above-line" deficit (after allowing for Sinking Funds) of £42,936,000 compared with a deficit of £12,302,000 in the previous week and a deficit of £26,462,000 in the corresponding period of last year. There was a net receipt "below-line" of £21,376,000 leaving a total deficit of £153,998,000 compared with £124,951,000 in 1957–58.

£'000	Estimate, 1958–59	April 1, 1957, to June 22, 1957	April 1, 1958, to June 21, 1958	Week ended June 22, 1957	Week ended June 21, 1958
Ord. Revenue					
Income Tax	2312,500	273,450	298,507	17,033	22,429
Surtax	163,000	25,300	23,200	1,360	1,500
Death Duties	163,500	43,100	36,900	3,160	3,700
Stamps	56,250	15,200	12,500	1,200	1,000
Profits Tax, EPT & EPL	275,000	37,000	45,900	4,900	4,200
Other Inland Rev. Duties	...	50	70	...	...
Total Inland Rev.	2970,250	392,700	417,077	27,533	32,529
Customs	1256,940	276,694	297,086	23,758	25,618
Excise	932,310	194,110	203,565	3,155	3,835
Total Customs and Excise	2189,250	470,804	500,651	26,893	29,453
Motor Duties	104,000	11,255	11,556	*Dr.*	*Dr.*
PO (Net Receipts)	2,000	9,000	8,600	*6,400*	*5,700*
Broadcast Licences	34,000	3,800	4,100	...	...
Sundry Loans	30,000	8,201	9,828	268	1,814
Miscellaneous	110,000	40,040	12,826	1,726	985
Total	5439,500	944,800	964,638	56,020	59,081
Ord. Expenditure					
Debt Interest	695,000	160,474	163,547	6,133	13,048
Payments to N. Ireland Exchequer	73,000	12,947	13,167	...	...
Other Cons. Funds	10,000	1,278	982	...	112
Supply Services	4259,584	846,596	869,309	69,810	87,976
Total	5037,584	1021,294	1047,005	75,972	101136
Sinking Funds	38,000	6,358	6,015	510	880
"Above-line" Surplus or Deficit		82,853	88,382	26,462	42,936
"Below-line" Net Expenditure		42,049	65,616	3,652	21,376
Total Surplus or Deficit		124,951	153,998	30,114	21,560
Net Receipts from:					
Tax Reserve Certificates	58,645	60,970	1,572	6,710
Savings Certificates	6,100	12,600	−3,000	1,200
Defence Bonds	4,432	8,089	715	2,350
Premium Savings Bonds	11,050	13,855	3,850	1 080

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1957 June 22	2,430·0	1,714·1	248·1	...	4,392·2
1958 May 22	3,010·0	1,510 3	248·8	...	4,859·1
„ 21	4,491 2		257·1	...	4,848·2
April 5	3,120 0	1,502·1	236 6	...	4,859 0
„ 12	3,170·0	1,462 7	259·4	...	4,892·1
„ 19	3,150 0	1,580 6	259 0	...	4,989 6
„ 26	3,210·0	1,648 4	260·8	4·0	4,963·2
May 3	3,180 0	1,620 2	247 9	1 5	4,979 6
„ 10	3,150·0	1,561·3	259·3	2·3	4,928·9
„ 17	3,170·0	1,552·3	241 9	0·3	4,956 0
„ 24	3,140·0	1,570·5	269 6	...	4,912 0
„ 31	3,270·0	1,540·6	236 5	...	4,977·0
June 7	3,260 0	1,492·1	231·5	...	4,983·6
„ 14	3,230·0	1,476·5	217 1	...	4,929·6
„ 21	3,310 0	1,484 3	230·5	...	5,014·8

THE MONEY MARKET

THE Treasury bill rate just after last Thursday's reduction in Bank rate fell by ⅜ per cent, to 4⅜ per cent. The discount market raised its common bid by 1s., marking a reduction in its discount rate of 4s. per cent, while outside applicants made a rather larger adjustment; the upshot was that the average rate of discount on the whole allotment of £260 million dropped by 4s. 4d. per cent, and the proportionate allotment of tenders at the common bid fell from 65 to 42 per cent. Making allowance for individual bids submitted by discount houses, the market's total allotment rate may have been about 50 per cent. At yesterday's tender, the offer was cut by £10 million to £250 million—which for the first time for some weeks is below matching maturities.

Following the reduction in Bank rate, demand for bills from overseas and domestic sources has abated; and twice in the week to Wednesday the authorities have had to give large special assistance to Lombard Street, by buying bills. On Thursday last, one or two houses nonetheless found themselves in the Bank at the new rate. Dealings in September maturities have generally been at 4⅞ per cent, though on Wednesday, when credit conditions were comfortable, some banks conceded 4¾ per cent. Call money rates have ranged from the new clearing bank minimum of 3½ per cent to 4⅛ per cent at times for "overnight" money.

LONDON MONEY RATES

		June 25
Bank rate (from 5th)	5%	
Deposit rates (max.)		
Bank	3	
Discount houses	3	
Money		
Day-to-Day	3–4	
Treas. Bills 2 months	4⅛	
3 months	4⅛	
Discount rates		
Bank Bills: 60 days	4⅜–4⅝	
3 months	4⅜–4⅝	
4 months	4⅜–4⅝	
6 months	4⅜–4½	
Fine trade bills:		
3 months	5–5⅛	
4 months	5–5⅛	
6 months	5⅛–5⅜	

BANK OF ENGLAND RETURNS

(£ million)	June 26, 1957	June 18, 1958	June 25, 1958
Issue Department:			
Notes in circulation	1,955·5	2,034·0	2,038·3
Notes in banking dept.	14·9	16·4	12 1
Govt. debt and securities*	1,950·3	2,046·3	2,046·2
Other securities	0·7	0 7	0·8
Gold coin and bullion	0 4	0 4	0·4
Coin other than gold com.	5·0	5·0	5 0
Banking Department:			
Deposits:			
Public accounts	12·2	12·4	13·3
Bankers	230·3	267·6	250 5
Others	71 3	72·5	72 1
Total	300·5	292·6	345 9
Securities:			
Government	245·3	242·2	287·7
Discounts and advances	32 6	30·9	12·9
Other	15 2	18·8	18·9
Total	361·1	291·9	319 5
Banking department reserve	17·3	16·7	14·4
" Proportion "	6·7	6·4	4·5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £2,050 million from £2,000 million on March 26, 1958.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Three Months' Bills: Average Rate of Allotment	Allotted at Max. Rate*
1957 June 21	250·0	394·6	250·0	s. d. 77 1·35	% 55
1958 Mar. 21	260 0	359·2	260·0	111 1·52	52
„ 28	260·0	422·8	260 0	110 5·54	55
April 3	260 0	401·9	260 0	108 6·30	61
„ 11	260·0	422·0	260·0	106 6·19	59
„ 18	240·0	406·3	240·0	104 0·93	49
„ 25	250 0	426·8	250·0	103 6·97	40
May 2	220 0	433 5	220·0	101 1·03	46
„ 9	250·0	447·6	250·0	103 10·81	20
„ 16	260·0	422 1	250 0	103 11·49	84
„ 23	260·0	412 2	260·0	96 5·96	61
„ 30	260·0	416·0	260·0	96 3·84	49
June 6	270 0	445·4	270·0	94 5·72	59
„ 13	270·0	415·0	270·0	90 1·77	65
„ 20	260·0	414·1	260 0	85 9·63	42

* On June 20th tenders for 91 day Bills at £98 1s. 6d. secured 42 per cent, higher tenders being allotted in full. The offer this week was for £250 mn.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: June 25	Market Rates: Spot: June 19	June 20	June 21	June 23	June 24	June 25
United States $	2·78 2·82	2·80⅝ 2·81¼	2·81 2·81½	2·81 2·81½	2·81 2·81½	2·80⅝ 2·80¾	2·80⅞ 2·81
Canadian $		2·79½ 2·79¾	2·79½ 2·79¾	2·79½ 2·79¾	2·79½ 2·79¾	2·79⅝ 2·79¾	2·79⅝ 2·79¾
Belgian Fr.	1167·50 1184·50	1165 1170	1165 1170	1165 1170	1165 1170	1164–1165	1170·5
Swiss Fr.	12 15 12 15½	12 12·5	12 12·5	12 12·5	12 12·5	12 12·5	12 12·5
French Fr.	1139–1152	1139 1141	1139 1141	1139–1140	1139–1140	1139–1140	1139–1141
Dutch Gold	10·56 10 72	10·56 10·58	10·56 10·58	10·56 10·58	10·56 10·58	10·56 10·58	10·56 10·58
West German DM	11·67½ 11·87½	11 70 11·70½	11·69½ 11 70	11 69½ 11·70	11·69½ 11·70	11·68 11·68½	11·68½ 11·69
Portuguese Esc.	78 20 81 10	80 00 80·15	80 00 80 15	80·00 80·15	80·00 80·15	80·00 80·15	80·00 80·15
Italian Lire	1736½ 1662	1742 1742½	1742 1742½	1742 1742½	1742 1742½	1742 1742½	1742 1742½
Swedish Kr.	14 35 14 39	14 41 14 42	14 42 14 43	14 42 14 43	14 41 14 42	14 41 14 42	14 41 14 42
Danish Kr.	19 19½ 19 31½	19 32 19 34	19 32 19 34	19 32 19 34	19 32 19 34	19 33½ 19 35	19 33½ 19 35
Norwegian Kr.	19 85 20 15	20 01½ 20 03½	20 01½ 20 03½	20 01½ 20 03½	20 01½ 20 03½	20 01½ 20 03½	20 01½ 20 03½
One Month Forward Rates							
United States $		⅛c. pm	⅛c. pm	⅛c. pm	⅛c. pm	⅛c. pm	⅛–⅛c. pm
Canadian $		¼c. pm	¼c. pm	¼c. pm	¼c. pm	¼c. pm	¼c. pm
Belgian Fr.		8 dis	8 dis	8 dis	8 dis	8 dis	6 dis
Swiss Fr.		2¼ pm	2¼ pm	2¼ pm	2¼ pm	2¼ pm	3 2¼c. pm
French Fr.		⅛ pm	⅛ pm	⅛ pm	⅛ pm	⅛ pm	⅛–¼ pm
Dutch Gold		⅛ pm	⅛ pm	⅛ pm	⅛ pm	⅛ pm	⅛ pm
West German DM		1¼ pm	1¼ pm	1¼ pm	1¼ pm	1¼ pm	1¼–1⅜ pm
Portuguese Esc.		2 1 pm	2 1 pm	2 1 pm	2 1 pm	2 1 pm	2 1 pm
Italian Lire		11 pm	11 pm	11 pm	11 pm	11 pm	11–11½ pm
Swedish Kr.		1¼ pm	1¼ pm	1¼ pm	1¼ pm	1¼ pm	1¼–1⅜ pm
Danish Kr.		2¼ pm	2¼ pm	2¼ pm	2¼ pm	2¼ pm	2¼–2½ pm
Norwegian Kr.		50 pm	50 pm	50 pm	50 pm	50 pm	50 pm per
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/11½	250/–	250/–	249/9	249/11½	250/11

ROLLS-ROYCE LIMITED

TOTAL REVENUE REACHES NEW RECORD OF £91 MILLION IN YEAR OF MANY PROBLEMS

SUBSTANTIAL CONTRIBUTION TO EXPORT TRADE

CONDITIONS REQUIRED FOR SUCCESS OF BRITISH AERO ENGINE INDUSTRY

LORD KINDERSLEY ON ESSENTIALS FOR MEETING CHALLENGING AND CHANGING TIMES

The fifty-first annual general meeting of Rolls-Royce Limited will be held on July 15th at the Midland Hotel, Derby.

The following is an extract from the statement by the Chairman, The Right Honourable Lord Kindersley, CBE, MC, which has been circulated with the Reports and Accounts for the year ended December 31, 1957:

INCREASED TURNOVER

The total revenue for 1957 increased by £11 million to a new record of £91 million. This increase is almost entirely attributable to deliveries of aero engines for civil airlines and overseas governments—the result of orders taken in prior years and of research and development originating many years ago.

YEAR OF MANY PROBLEMS

1957 stands out as a year which has provided a series of problems in all branches of the engineering industry in which your company is concerned. The Government White Paper on Defence altered the whole future pattern of the aircraft and aero engine industry, and finally defined the change of emphasis from the provision of equipment for the fighting services to the fiercely competitive business of selling aircraft and engines in international markets.

Our motor car and oil engine business has been more immediately affected by other events. The aftermath of Suez, the credit squeeze, the September balance of payments crisis accompanied by the rise to 7 per cent in Bank Rate, the measures adopted by the government to stem inflation and restore confidence in sterling, and the creeping paralysis of the American recession with its worldwide effects, have all called for adjustment of thought and of policy to meet the changed and still changing circumstances. One cannot blink the fact that such a formidable list of events points to a period of uncertainty ahead of us, which is a challenge to meet the situation with cool judgment and with increased vigour and determination to secure a full share of those markets where our products can be sold.

It is in the nature of the products with which we are concerned that our business must increasingly depend upon exports. It is of paramount importance to the exporting industry as a whole that the government should prove successful in its efforts to bring stability to our national economic scene and enable exporters to compete in international markets in the knowledge that they are working from a firm base. It is also important to press for the opening of markets at present closed to us—I have in mind particularly China—who could become important customers for engineering products and transport equipment.

In our motor car business we have jealously guarded the quality of our cars



The Rt Hon Lord Kindersley

at the cost of much money spent on development, and we may justly claim that our cars are among the best ambassadors for British engineering in general. But it cannot be said too often that a healthy export business in cars can, in the long run, only be sustained from the firm base of a healthy home market. Our attempts to develop export markets are hampered not only by the restrictions imposed by foreign governments, but also at home by the imposition of purchase tax at its highest rate—a tax which may be defensible in relation to imported goods but which can hardly be defended when it strikes at the stability of a product of the most skilled engineering talent of this country.

The success of our oil engine business lies largely in our own hands. It is a highly competitive business, and only the maximum efficiency leading to competitive prices will secure for us a share of those markets from which the volume of our business must come.

FUTURE OF AERO ENGINE BUSINESS

But it is with the future of the aero engine business that I particularly wish to deal. I said last year that we had embarked on a task which virtually amounted to creating a new business, and I think that the nature of that business should be more widely understood. I believe it to be a basically sound business for this country because it is technically difficult; the market is world-wide but the competition is likely to remain restricted for some time to those industrialised countries with large technical resources.

As time goes on an increasing proportion of the turnover will be derived from the sale of spare parts which should provide a stable base, but this position can only be reached if we first sell our engines. We must offer products which are both technically and commercially competitive. If we are to be technically competitive, and to remain so, we must be in a position to match the Americans and the Russians in essential development facilities and be able to keep these continuously up to date.

A sound aero engine business demands a comprehensive range of engines. The cost of maintaining the kind of development organisation and facilities for this purpose can only be defrayed from a very substantial turnover, of which only a small proportion can be expected to come from the nationalised corporations and the British independent operators. Even with our military programmes today we are dependent upon exports for more than 50 per cent of our total engine production, and a substantial part of this is represented by sales of military equipment to foreign governments. If the domestic effort on military types is to decline, this market will inevitably go to the USA. The total output of British civil aircraft must therefore be encouraged to grow considerably if it is to provide the turnover to sustain an adequate programme of engine development. It is hardly necessary for me to draw attention to the advantages enjoyed by our American competitors who have a vast home market and government support for transport and large military aircraft on a scale unheard of here.

CONFIDENCE IN ABILITY TO MEET COMPETITION

This then is the nature of our problem, and our own accounts already show the impact of the change. We are encouraged to know that the government are giving the subject their earnest consideration. The task of competing technically does not daunt us—the current achievements of our engineering teams give us every confidence in their ability to meet the future. But if our stockholders are to be asked to carry an increasing share of the substantial cost, they are entitled to expect the government to give some practical demonstration that they are whole-hearted in their desire to see the industry succeed in its task. The maintenance of basic aerodynamic research, the fostering within the engine companies of research on engines aimed at extending our knowledge of the art, co-operation from Transport Command in the flight testing of new products—these are but a few examples of the kind of support which should not be in doubt, and indeed there are many other arrangements which must be the subject of review in the light of the changing circumstances.

During this transition period it is surely not a question of whether the country can afford the comparatively small costs involved in support of this nature, but rather whether the country can afford to run the risk of forgoing its share of this growing

market—a share which has been hard-won and which it would be tragic to lose for the sake of some temporary economy.

AERO ENGINES

The Avon engine in its many versions has remained the principal engine in production for the British Government during the past year. The installation of this engine in four continuing aircraft projects—the English Electric P1B, later version of the English Electric Canberra, the Supermarine Scimitar and the de Havilland Sea Vixen—makes it probable that the Avon will remain in production for some time to come.

Another military project upon which work is continuing is the Conway engine for the Handley Page Victor Mark 2, and during the past year this engine has passed a 150-hour type test at a rating of 17,250 lb thrust.

The Dart engine was again the backbone of our civil engine production programme in 1957. Deliveries of the Avon engine for civil aircraft also commenced. Your company's reputation for building civil gas turbine aero engines of the highest quality has been founded and upheld on the world's air routes by the Dart engine in the Vickers Viscount, but our representation is now widening as other projects which have been under development for some time approach their introduction to airline service.

The first Conway engines will be delivered this year to the Boeing Airplane Company for installation in Boeing 707-420 aircraft and to the Douglas Aircraft Company for the DC-8 aircraft. In the case of the Boeing aircraft your company is supplying not only the engine, but also thrust reversal and noise suppression equipment together with the "pod" in which the whole power unit is housed. The continuation in production of the Conway engine for some years has been ensured by the order placed by British Overseas Airways Corporation for 35 Conway-powered Vickers VC-10 airliners. By this addition to the wide range of aircraft types in which our engines are installed we have further extended the field of civil aviation in which we are actively competing.

The sales department and our engineering teams have been extremely active throughout the world, and the result of their work is reflected in an increased order book. This has been achieved in spite of keen competition and the fact that many airlines have found trading conditions extremely difficult; indeed, some have had to abandon their previously announced plans for further purchases of British equipment. Your company's engines are now in service with or on order by 56 airlines and 18 other operators in all parts of the world.

After outlining the orders for Commonwealth and Foreign Governments, Lord Kindersley continued:

DEVELOPMENT

The programme of development has in recent years involved substantial capital expenditure of which the high altitude test facility is the largest single item. This is now operating and will make a valuable contribution to the development of both civil and military engines. It is the only privately owned facility of its kind in Western Europe and we look forward to seeing it used in support of the continuing requirements of the NATO countries.

The size of our engineering organisation is probably equalled only in America. I have already referred to the fact that our business demands a comprehensive range of engines. The mere names Avon, Dart, Conway and Tyne give little clue to the extent of the work involved in developing each of these engines for particular aircraft installations as distinct from the task of achieving technical excellence. In addition to the list of engines which I have just named we are continuing an interesting programme in connection with our light-weight jet engine, the RB 108, which is being developed for further experimental work on vertical lift.

The year closed with considerable public attention being focused on the choice of aircraft and engine to meet the requirements of British European Airways for a short-range jet liner. The choice of a Rolls-Royce jet engine of the by-pass type was further confirmation of our technical judgment in pursuing this line of development.

ROCKET MOTORS

Considerable progress has been made on this work during the past year. Engine testing is being carried out on temporary facilities. The construction of the Spadeadam engine test site in Cumberland by the Ministry of Works is well advanced and it is expected that if the present progress is maintained the first portions will be handed over for use during the next year. With the completion of these facilities the development of our motors will proceed more rapidly and in close association with de Havilland Propellers Limited who are developing the missile.

NUCLEAR ENGINEERING

Much useful collaboration has taken place with Vickers Limited and Foster, Wheeler Limited in connection with the Admiralty project for the design of nuclear machinery for installation in a submarine.

In addition to the studies which we have been doing for the Admiralty, during the year an experimental reactor known as "Neptune" was designed by the company and erected at Harwell. This is now in commission and is providing valuable information on the nuclear problems associated with the reactor for HMS Dreadnought.

MOTOR CARS

During the first three months of 1957 motor car sales at home were acutely affected by the petrol rationing which was a consequence of the Suez crisis. Thereafter the factory worked to capacity until the latter part of the year, when production was again curtailed because of the normal seasonal decline in demand, aggravated by credit restrictions. There has since been an improvement in home demand, but at the time of writing the motor car factory at Crewe is still not working to capacity in all sections and it would be unrealistic to expect any significant change for the better until the general economic conditions of the country become more favourable.

HANDICAP OF PURCHASE TAX

In this connection I have to refer once again to purchase tax on motor cars which remains at the highest rate of 60 per cent and which is the biggest single factor in limiting our home market. I have already pointed out that in the long-term home trade is the foundation on which the overseas business is based.

Overseas markets have been energetically attacked, but a variety of restrictions—often unpredictable—imposed by certain overseas governments continue not only to limit immediate sales, but create an unstable background against which it is difficult to build up a satisfactory distributive organisation.

OIL ENGINES

Oil Engine Division. — Continuous development has improved the reliability and durability of the product and at the same time it has been found possible to increase the horse-power output of the range. A turbocharged version of the engine has been developed and is now being marketed.

Orders have been secured from a number of new customers in the earth-moving field.

RAIL TRACTION ACTIVITIES

During the last two or three years the company has been energetically pursuing the application of its oil engines and transmissions to rail cars and shunting locomotives. We feel we have the knowledge and experience to be able to make a contribution in this important field. I am glad to be able to report considerable progress.

CONDENSED STATEMENT OF ACCOUNTS FOR 1957

Net Assets	£
Cash	1,810,319
Debtors	17,127,944
Stocks	21,538,040
	40,476,963
Less current liabilities	16,597,542
Net current assets	23,879,261
Interests in other companies	1,236,730
Property and plant	15,006,701
	£40,122,792
Financed From:	£
Share capital	9,795,331
Reserves, including Share Premiums	20,748,564
Debenture Stock	3,327,000
Deferred liabilities	6,251,897
	£40,122,792
Income, Profit and Dividend	£
Income	91,424,595
Profit before tax	5,370,334
Profit after tax	2,320,334
Net dividend (20%)	1,126,245

PENSION POINTS: 2

Plans for a higher standard of state pensions and how this can best be achieved are being widely discussed. In this series of advertisements the Life Offices' Association and Associated Scottish Life Offices draw attention to some aspects of the problem which they believe to be important.

Pension rights of nine million workers

There are now some nine million workers in occupational pension schemes. Every one of them has a direct interest in any proposal for an extension of the National Pension scheme because of the effect that this might have on his individual pension rights and future benefits.

Increased state pensions might lead to reduced private benefits because if employers had to make bigger contributions to the state they might not be able or willing to continue with their own schemes even on a reduced scale. The impact of an extended state scheme might be such as to make other schemes unworkable.

Even if occupational schemes were permitted—on conditions—to operate as alternatives to any extended state scheme benefits, there would be serious financial and administrative difficulties which for many schemes would probably prove to be insurmountable.

Occupational schemes could also be prejudiced indirectly by the introduction of an over-ambitious state scheme which would add to inflationary pressure and so reduce the real value of benefits.

Issued by

THE LIFE OFFICES' ASSOCIATION

33 KING STREET, CHEAPSIDE, LONDON, E.C.2. *Established 1839*

and

ASSOCIATED SCOTTISH LIFE OFFICES

23 ST. ANDREW SQUARE, EDINBURGH, 2. *Established 1841*

A Home for your Savings...



SAVINGS ACCOUNTS

for regular monthly savers

3½% + ½% = 4% PER ANNUM

BONUS EACH YEAR

INCOME TAX PAID BY THE SOCIETY

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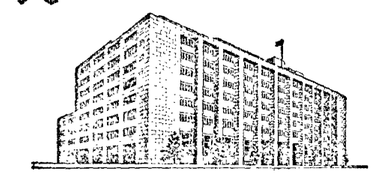
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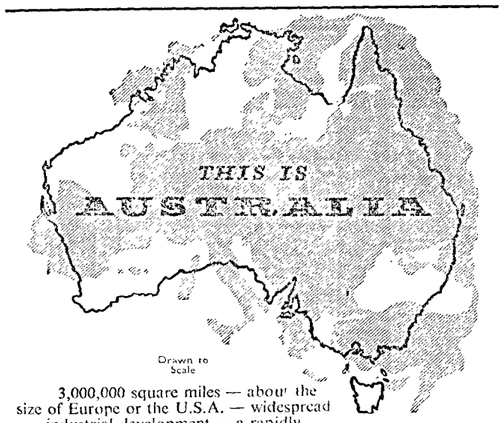
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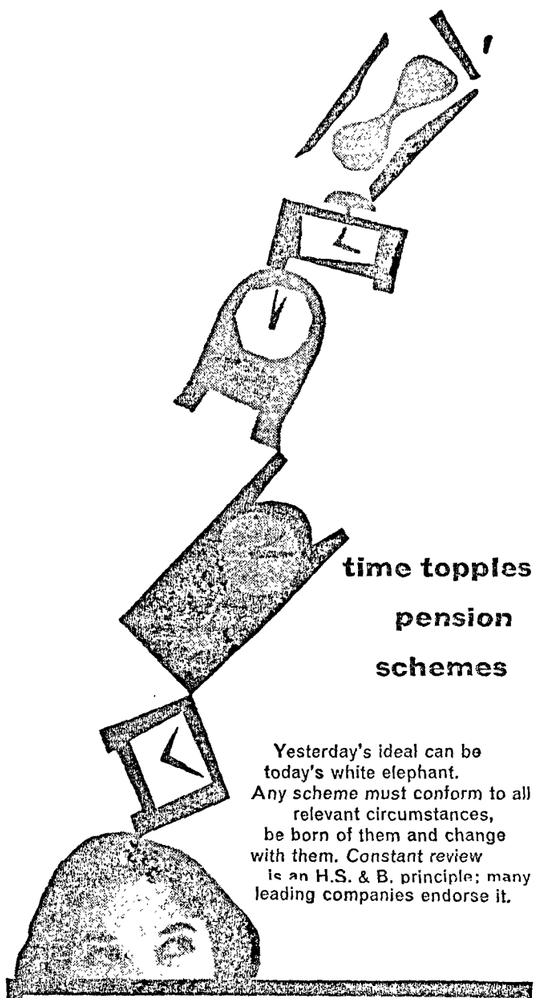
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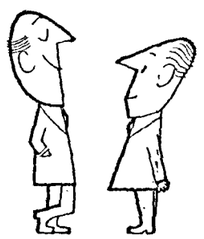
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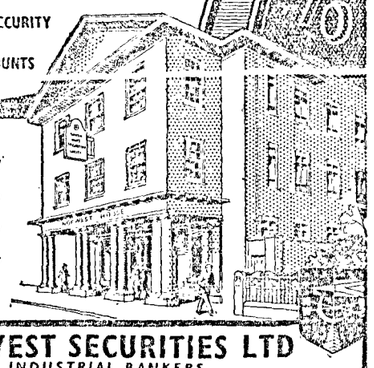
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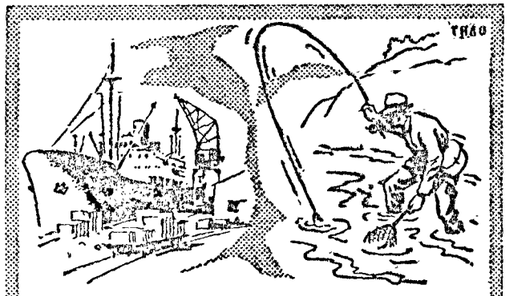
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COMPANY MEETINGS

THE BRITISH PLASTER BOARD (HOLDINGS) LIMITED

LESS FAVOURABLE CONDITIONS SATISFACTORILY MET

DIVERSIFICATION AT HOME AND EXPANSION OVERSEAS

SIR GRAHAM HAYMAN ON GROUNDS FOR CONFIDENCE IN THE FUTURE

The forty-first annual general meeting of The British Plaster Board (Holdings) Limited will be held on July 18th at Bath House, 82, Piccadilly, London, W.1.

The following is the statement of the Chairman, Sir Graham Hayman, which has been circulated with the report and accounts for the year ended March 31, 1958:

Mr R. G. Forsyth retired in May of this year after twenty-six years' service with the Company. He served first as Secretary and was appointed a full-time executive Director in 1947. Mr Forsyth has thus been closely concerned with the growth of the Group from the time we became a public company in 1932. I would like to pay special tribute to his excellent work during his many years of service and to wish him, on behalf of all his colleagues, happiness and good health during his retirement.

In June of this year Mr N. M. Barrow, our Group Secretary, was appointed a Director of the Company. Mr Barrow has readily and ably assumed increased responsibilities in our central management, and I am confident that his experience and ability will be of value to your Board. I strongly recommend your confirmation of this appointment.

I would like to record our sincere congratulations to Mr G. S. Thorvaldson, QC, the Chairman of our Canadian subsidiary, Western Gypsum Products Limited, on the honour conferred upon him on his appointment as a Senator of Canada.

Since my last statement we have learned with great regret of the death of Mr F. W. Anthony, who, on his retirement in 1952, had been a Director of the Company for seventeen years, and remained a Director of several subsidiary companies up to the time of his death in February last. I have also to record with regret the sudden death in November last of Sir Harold Cartmel-Robinson, who was one of the most valued Directors of our Rhodesian subsidiary.

REVIEW OF ACCOUNTS

I mentioned in my last statement that the companies in the Group supplying material for the British building industry were, at that time, suffering from the general contraction of trade. This trend continued for the remainder of the year under review and it was, therefore, not unexpected that the overall group profit would be lower than the year before. On the other hand, the policy applied over recent years of diversifying our interests in this country and of expanding abroad has enabled us to meet the less favourable conditions in the British building industry and to produce results for the year which are better than might otherwise have been possible, the Group total profit for the year being £2,280,000, which is £300,000 lower than the record results of the previous year.

After providing for taxation and adding items totalling £58,000 which relate to adjustments in respect of prior years, there remains £958,000 available for appropriation by the Group, compared with £1,143,000 last year. Subsidiary companies have retained £190,000 as reserves or unappropriated profits, and £250,000 has been added to the General Reserve of the Holding Company.

The Directors recommend the payment of a final dividend on the Ordinary Stock of 7½ per cent, which, together with the interim dividend of 5 per cent paid in January, 1958, makes a total for the year of 12½ per cent.

TRADING ACTIVITIES IN UNITED KINGDOM

Our plasterboard companies in particular experienced some reduction in turnover during the year, and since then the seasonal rise in demand for this product has been a little below normal and conditions are less buoyant than usual. This falling off in sales was to be anticipated in view of the marked reduction in building programmes. Sales of gypsum plasters, however, were good, in spite of the less favourable conditions prevailing.

In the roofing felt industry, trade was active though keenly competitive conditions continued to operate. During the year, D. Anderson & Son Limited completed the installation of a high speed roofing manufacturing machine of most modern design and large capacity which is now operating satisfactorily. To obtain increased benefit from this machine, Andersons have taken over the production of a range of felts for our other roofing subsidiary, Blackwells and National Roofings Limited.

The general pattern of trade of C. Davidson & Sons Limited and its subsidiaries was one of increasing competition for the available business. Improved productivity enabled profits to be maintained almost at last year's level. Generally, customers have been running down their stocks, but the Group is well placed to take advantage of more normal trading conditions when they return.

There has been a steady improvement in the turnover of the steel drop forgings produced by our engineering subsidiary. In the case of our brass stampings and valve-making units, the continued uncertainty about the price of copper during the year tended, however, to make customers unwilling to hold stocks and has resulted in difficult trading conditions.

OVERSEAS

In my statement last year I reported the acquisition of a substantial gypsum deposit by our Canadian subsidiary and the purchase of Westroc Industries Limited, a company producing rock-wool insulation products in Vancouver. Our new acquisitions are being integrated with the activities of Western Gypsum Products Limited, and the whole output of our Calgary plasterboard and plaster plant is now based on the new gypsum deposit. Quite apart from our participation in the general industrial development, present indications are that there should be an increase in the number of houses to be built in Canada during this year, which should benefit our plants considerably. The trend of sales of all our products in Canada is encouraging. In view of the importance of our growing investment in Canada, the Board decided to appoint Mr D. V. Damerell as resident Parent Board Director in charge of our interests in that country.

Our South African associated company, Gypsum Industries Limited, is obtaining an increasing share of the building trade market which has suffered some curtailment through credit restrictions, but earnings continue to be satisfactory.

In Rhodesia, our sales from the small paper board plant were making good progress in the second half of 1957, but this has been temporarily checked by the restrictive credit policy adopted as a result of the Rhodesian Government's financial measures which compelled customers to reduce stocks and order only for their immediate requirements.

In Sweden, our associated company, Svenska Aktiebolaget Gyproc, has quickly reached full scale operation at its new plasterboard plant at Varberg and plans have been prepared to increase productive capacity to meet the growing market in Scandinavia.

The plaster mill of SA Gyproc-Benelux, our Belgian associated company, is now in production and the plasterboard plant is expected to be in operation by the end of 1958.

In France, plasterboard is now recognised as a standard building material, and a substantial extension to the factory of Placoplatre SA, one of our associated companies, has become necessary. Trading results are favourable.

I reported last year that your Company had acquired a substantial minority interest in Platrieres Modernes de Grozon. The capital of this concern has now been increased, enabling the company to carry out a programme of mechanisation and improvement which will increase productivity and reduce costs generally.

EXPORT TRADE

In normal conditions the volume of exports by our Group from the United Kingdom is small in relation to our home sales, since by their nature the transport costs of many of our products are heavy in relation to their value. Thus, whilst the effect on our earnings is not large, I think I should draw attention to the fact that during this year, balance of payment difficulties have had an adverse effect on our exports to the Commonwealth and particularly on the export of plasterboard and plasters to New Zealand.

As indicated in my last statement, there is a growing tendency for European countries to develop the use of gypsum materials, and your Company's policy is to participate in these projects involving local manufacture whenever desirable and practicable. Obviously this policy will tend to reduce opportunities for export to those countries, but the establishment of the Common Market in Europe, and the probable creation of the European Free Trade area give added justification for the policy we have adopted, which up to the present has produced satisfactory results.

FUTURE PROSPECTS

Efforts are continually being made to create new outlets for this Group's products, and our reorganised and expanded research facilities are expected to make a valuable contribution to our general development. The Company is also making a special effort to demonstrate the value of its products in the more modern building designs, such as dry construction, prefabricated components and gypsum concrete roof decks. The Group should also benefit from the growing awareness of local and other authorities of the value of gypsum plasterboard having regard to its excellent fire resisting and thermal insulation properties. Nevertheless, in view of the present contraction in building programmes, I do not foresee any substantial improvement in trading conditions in the building materials industry in this country in the immediate future, but with a relaxation of the present restrictions, our prospects should be encouraging.

It is heartening to see, at last, some results of the determined efforts being made by the Government to arrest the trend of increasing costs and prices. If these efforts are supported by each section of the community, of which there has been some evidence, conditions may soon be reached in which the brakes can still further be taken off the economy, thus enabling industry as a whole to resume a policy of expansion without the excessively inflationary conditions which have obtained in recent years.

So far as your Group is concerned, it is considered that the spread and diversification of our activities overseas, combined with what we believe are the long term prospects for the Home market, give good grounds for our confidence in the future.

PERSONNEL

Throughout the year our relationships with the various Trade Unions of which our employees are members have continued to be friendly and constructive, and in the few cases where redundancy has arisen through the need to reduce production, our plans have been recognised by the Unions concerned as being eminently fair.

I am sure you will wish to be associated with the Board in thanking all employees throughout the Group for their continued loyalty and co-operation.

THE ASSOCIATED PORTLAND CEMENT MANUFACTURERS LIMITED

EMINENTLY SATISFACTORY RESULTS

OVERSEAS WORKS ACHIEVE RECORD PRODUCTION

MR J. A. E. REISS ON GROWING IMPORTANCE OF THE DEVELOPMENT OF SPECIAL CEMENTS

The Annual General Meeting of The Associated Portland Cement Manufacturers Limited was held on June 25th in London, Mr J. A. E. Reiss, B.E.M. (Chairman and Managing Director) presiding.

The following is an extract from his circulated statement which accompanied the Report and Accounts sent to Stockholders:

VAST CAPITAL EXPENDITURE

The total capital expenditure of our Group during 1957 was £5,776,944 and during the 12 years since the last war we have expended on capital account no less than £42,369,525 —this has been done without our issuing fresh capital.

The Associated Portland Cement Manufacturers Limited holds over 80 per cent of the equity of The British Portland Cement Manufacturers Limited and 100 per cent of the Alpha Cement Limited equity, so a clearer picture of our past year's working in the United Kingdom is produced by combining the results of these three Companies than is shown in the Consolidated Accounts which include our overseas interests.

The trading surplus increased by £136,000 to £11,027,000. We set aside for depreciation £2,436,000 which was £98,000 more than a year ago and the allocation for replacement of fixed assets of £725,000 was the same; the total provision under these headings was £3,161,000. After providing for depreciation and replacement we were left with £7,866,000. Provision for Taxation decreased by £107,000 to £4,263,000.

Directors' and Trustees' emoluments, Debenture Service, Subvention payments to Subsidiary Companies and transfers to General and Contingencies Reserves together absorbed £2,298,000—an increase of £267,000, leaving for distribution £6,000 less than last year. It is proposed that the dividends to be paid shall remain the same as those paid in respect of 1956.

These results can be considered eminently satisfactory in view of the falling off in the Home Trade market in the second half of the year and I am sure you will wish me to send your congratulations to all who are working for the Group.

PAST YEAR

The goodwill enjoyed by your Company with its customers was decisively proved by the fact that we were able to increase our share of the trade under these changed and more difficult conditions.

In my last statement I reported on the undertaking that the Cement Industry had given not to increase Home prices for the 12 months ending June 30, 1957. At that date an increase of just under 7s. a ton had to be made in the Home price to meet additional costs, principally those of fuel and power.

A further undertaking was given by the Industry to maintain the new prices for another 12 months period unless there was an increase in the cost of coal or unless something unexpected or exceptional happened during that period.

Once again we had a difficult year in the Export Trade. Competition from eastern Europe was not quite as severe as in the previous year but a great deal of new production was started up in different parts of the world with the result that total world exports showed a decrease.

Despite these factors and increasing Japanese competition aided by subsidised freight rates, we exported over a million tons, albeit at substantially decreased prices, and thus maintained our share of world exports.

THIS YEAR

Estimates for the falling off in the Building Industry this year are as high as 20 per cent. Owing to the very mild winter last year it was expected that deliveries at Home would fall very considerably below those of the first few months of 1957. However, in spite of some quite bad weather the forecasts have proved to be pessimistic and on present indications it would be reasonable to assume that deliveries in the Home Trade will not be more than 10 per cent down on last year.

The impact of this loss of tonnage may well not be unduly severe because it must be remembered that your Company has been producing since the war at a rate considerably in excess of the design capacity of its works. When every ounce of cement is needed some sacrifice in efficiency is inevitable particularly in regard to fuel consumption, and a large amount of night and week-end work at penal overtime rates becomes necessary in order to process the raw materials.

The present trend of trade is, therefore, giving our works the opportunity of returning to more normal operating conditions, and since the middle of last year very satisfactory savings in fuel consumption have been achieved, whilst several old and uneconomical kilns which were pressed into service during the period of peak demand have once again been closed down.

This has inevitably meant that there has been a certain labour redundancy but happily this has been on a small scale. I am sure you will be glad to hear that those for whom work could no longer be found, generally had no difficulty in obtaining other employment.

DEVELOPMENT OF SPECIAL CEMENTS

A great deal of attention is being paid to the production of types of cement for specialised purposes as it is felt that there is a great field open for such products which has not been satisfactorily catered for in this Country up till now.

During the year we introduced a new type of Oil Well Cement, as well as a Hydrophobic Cement sold under the name of "Hydracrete," which can be stored for long periods in damp climates without deterioration—this has been very well received in some of our principal export markets and is now being delivered in large quantities to the new Royal Air Force base in the Maldive Islands.

Our Research Department continues to be actively engaged on new developments of this kind from which we expect to receive an increasingly good return in future years.

CONFIDENCE IN 'PLYMOUTH' INVESTMENT

Negotiations are at present in hand to acquire the cement works of the Amalgamated Limestone Corporation Limited, at Plymouth and it is expected that these will be brought to a successful conclusion in the near future.

We have great confidence in our Plymouth investment which will place us in an unassailable position in that part of the Country.

EXPORTS

So far as exports are concerned we expect another difficult year with decreasing profit margins. On the other hand we are supplying certain large contracts abroad, and expect only a small decrease in volume.

OVERSEAS WORKS

Since the end of the war our interests overseas have been greatly expanded and the works achieved a record production of over 2 million tons last year which is more than three times as much as the overseas production in 1948.

These interests make a growing contribution to our profits and, while there are indications of an easing in the demand for cement in some countries, prospects generally are regarded as satisfactory.

CONCLUSION

The Blue Circle Group of Companies has for many years been the largest cement manufacturing and distributing organisation in the world and I am sure it is your wish that it should remain so. To achieve this your Directors attach great importance to the maximum possible expansion abroad where big possibilities are still open to us as you will see from my remarks on our overseas operations.

The greatest prospects at the moment lie within the British Commonwealth, but we shall keep a close watch on opportunities arising in other parts of the world.

The Report and Accounts were adopted.

PLATT BROTHERS AND COMPANY (HOLDINGS) LIMITED

MR K. H. PRESTON'S REVIEW

The sixtieth annual general meeting of Platt Brothers and Company (Holdings) Limited was held on June 24th at Oldham.

The following is an extract from the circulated statement of the Chairman, Mr K. H. Preston:

Important changes, as you will know, were made in the structure of the Company and the Group during 1957. Your Subsidiaries—Textile Machinery Makers Limited, Tweedales & Smalley Limited and Prince-Smith & Stells Limited—became wholly owned by the purchase of the minority shareholdings, and the capital of your Company was reorganised and increased as you will see from the Balance Sheet. In addition, controlling interests were acquired in the three new Subsidiaries referred to in your Directors' Report.

I am pleased to tell you that the profits for 1957 of the Subsidiaries included in the Group Accounts for 1956 show a considerable improvement over that year and the new Subsidiaries which are included for the first time in the Group Accounts have also made a worthwhile contribution to the improved results.

The Group profit for 1957, after charging taxation and deducting the share of the profit attributable to minority interests, is £796,054 and your Directors are recommending a final dividend of 11 per cent which, with the interim dividend of 4 per cent already paid, will make the total distribution 15 per cent as compared with 12½ per cent paid for the previous year.

TEXTILE MACHINERY MAKERS LIMITED

I referred last year to the noteworthy business which we were developing through the manufacture of machinery for the brewery and soft drinks industry at the Bolton works of Dobson & Barlow Limited. We first made this machinery under sub-contract to Barry-Wehmiller Limited of the UK, an offshoot of the Barry-Wehmiller Machinery Company which manufactures at St. Louis, Missouri, and is one of the leading producers of machinery for the brewery and soft drinks industry in the USA.

Barry-Wehmiller of the UK holds the selling and manufacturing rights from Barry-Wehmiller, St. Louis, for all the latter's products covering a large part of the world: the shares in the UK Company were originally held in equal proportions by the American Company and by English interests. As we are anxious to expand even more actively than at present this line of business, in February of this year Platt Holdings acquired the English shareholding in Barry-Wehmiller Limited of the UK, and look forward in close conjunction with our American partners to the further development and growth of the Company and its products which will now all be manufactured at Bolton.

During the year the Company introduced a new ring spinning frame, the MR3, judged by many competent authorities to be the best machine of its sort in the world.

A new type of spinning ring has been developed which gives a better performance on the spinning frame, and many thousands have been supplied. Arrangements have been made for two firms of specialist ring makers, one in America and the other in this country, to make these new rings under licence.

In addition, a new high production comber, known as the Hartford Comber, was put on to the market. This machine has a production rate more than twice that of the machine which it replaces and is already operating with success in a number of English and Continental mills.

In collaboration with John Bright & Bros., Limited, the well-known manufacturers of tyre cord, the company has produced a new machine for the tyre cord industry known as the Platt/Bright twister cabler. This machine performs the work which has hitherto been done on two separate twisting and cabling frames, with a consequent saving in materials, handling, floor space and labour requirements.

Orders have now been received for a number of the new Platt-Josephy high production woollen carding sets: this set has recently undergone prolonged and highly successful operational tests in a well-known Yorkshire mill.

TWEEDALES AND SMALLEY LIMITED

During the year this subsidiary produced the first units of the new "Clean-o-Matic" blow-room machinery for opening and cleaning of cotton. This line of equipment, much of which has been developed in close liaison with the British Cotton Industry Research Association, incorporates the new "Tweedales-Shirley" hopper opener, which together with the "Shirley" opener, forms the basis for a highly efficient opening and cleaning line. Many spinners, both at home and abroad, have expressed great interest in this development and a number of lines are now being delivered.

PRINCE-SMITH & STELLS LIMITED

For the third year in succession the output of your subsidiary constituted a record. Notwithstanding this high level of activity the Company's order book at the end of the year stood higher than at the beginning.

Since the introduction of the Raper Autoleveller at the last Manchester Textile Machinery Exhibition, over 5,500 Raper Autoleveller units have been installed in 36 different countries.

A new system of carpet yarn production has been evolved and, in conjunction with Textile Machinery Makers Limited, machinery production will shortly commence. This system, which is based on the direct coupling of the woollen Card with the PSC ("Prince-Smith's Centrifugal") Spinner, comes within the general meaning of "automation", and has been welcomed by a number of leading carpet yarn spinners.

HAYWARD TYLER & COMPANY LIMITED

I regard the profit of this new Subsidiary for 1957 as very satisfactory and a great credit to the Board of Directors.

The Company has received orders for pumps for all of the new atomic power stations being built or to be built in this country.

A licence to manufacture steam turbines for use with the Company's centrifugal cargo pumps has been arranged with Aktiebolaget de Lavals of Stockholm, and these will be manufactured in the Scottish factory at East Kilbride.

LE GRAND, SUTCLIFF AND GELL LIMITED

The profit of this Subsidiary is substantially higher than for the previous year, a very creditable performance.

During the period under review this Company has been passing through a stage of re-organisation and development which has resulted in a considerable addition to its strength and potentialities. New products have been developed, the range of customers has been increased and additional plant and equipment has given more effective and greater capacity for manufacture.

EPSYLON INDUSTRIES LIMITED

In November, 1957, your Company acquired a controlling interest in Epsylon Industries Limited of Feltham, Middlesex, designers and manufacturers of electronic equipment.

This Company specialises in magnetic recording equipment for the Armed Forces, for Government Departments, for industry and for the entertainment world. Amongst its products are computer stores for use in connection with electronic brains, tape recorders for commercial and private use, and high fidelity equipment for recording and re-transmitting both speech and music. This Company, which has hitherto been mainly concerned with research and development in instrumentation, has a substantial forward order book and it is the intention to develop and expand its manufacturing activities.

GROUP FUTURE PROSPECTS

The forward order books of your subsidiary companies are, in general, satisfactory.

Although orders for textile machinery for the Home market have been disappointing, the reduction in Home orders has been more than offset by orders for export.

Whilst there has been a curtailment of purchases by the oil industry, I consider this is a temporary phase and I am confident about the future prospects.

Orders for pumps for atomic and other power stations are very satisfactory and already it is clear that production in 1959 will exceed that of 1957 and 1958.

Unless there is a sudden and pronounced falling off in orders in the immediate future, I anticipate that the turnover of the Group for the current year will equal that of 1957, and I look forward to another year's satisfactory trading results.

The report and accounts were adopted.

ST. JOHN D'EL REY

The Annual General Meeting of the St. John d'el Rey Mining Co. Ltd., was held on June 25th in London, Mr Leo Model, Chairman, presiding.

The following is an extract from his circulated statement:

In February this year the M.A. Hanna Company acquired along with me and my associates a controlling interest in St. John d'el Rey. Due to compulsory wage increases decreed by the Brazilian Government in 1956 a very serious deterioration in the operating position of the Company had been reached by October last, when £600,000 cash was thereafter subscribed by me and an equivalent amount of Debenture Stock issued. The Managing Director and I visited Brazil for the purpose of opening new discussions with the Brazilian Government. As a result, a Government Commission was formed in the early part of December last to inquire into the national gold industry as a whole. Subsequently, the Council of SUMOC decided to grant emergency financial assistance to the gold mining industry in Brazil, until June 30, 1958, with a possibility of extension for a further period of six months. Discussions have been entered into with the Brazilian authorities towards renewal.

The new board has begun plans to explore the Company's large iron deposits with a view to creating an important iron ore export operation which is of vital interest to the economy of Brazil. The Hanna Coal & Ore Corporation are undertaking detailed exploration of the iron ore reserves. This investigation will take at least one year before further definite decisions can be taken.

A technical appraisal of the future prospects of the Company's gold mines is being carried out and will it is hoped point a way to the more economical operation of the mines.

The General Manager and Staff in Brazil have done excellent work in the past year under very difficult conditions.

The report and accounts were adopted.

THE SANDVIK STEEL WORKS COMPANY LIMITED

Sandviken, Sweden

PRODUCTION AND SALES REACHED A NEW HIGH BUT PROSPECTS FOR 1958 LESS ENCOURAGING

COMPANY CELEBRATES CENTENARY OF FIRST BESSEMER PRODUCTION BLAST

The ninetieth annual meeting of The Sandvik Steel Company was held on May 3rd at Sandviken, Mr K. F. Göransson presiding. The following is an extract of the report circulated with the accounts:

The results for the year were eminently satisfactory and the sale of iron, steel and coromant manufactures amounted to Kr.244,629,664, a record in the company's history. Orders remained high at the beginning of 1957 and production was maintained at a high level throughout the year and about 61 per cent of the output was exported.

However, as the year progressed the world-wide decline in the demand for steel began to become reflected in diminishing orders for all of the company's lines of manufacture. The orders on hand at the end of the year were less than at the beginning, resulting in materially reducing the time of deliveries. Prices remained stable throughout the year.

Wage earning employees averaged 5,136 (5,152 in 1956) and salaried staff 1,726 (1,726). Wages, salaries and directors' fees amounted altogether to Kr.87,891,737 as against 83,135,088 the previous year.

The supply of labour remained good throughout 1957.

RESULTS

The company's net profits for 1957 amount to Kr.5,767,546 which added to Kr.3.5 million held in [illegible] over from the previous year makes a total of Kr.17,810,118 available for distribution as follows:

	Kronor
Reserve fund	3,500,000
Statutory reserve	660,000
To the disposition of the Board	300,000
Dividend of Kr.8:—per share	4,800,000
Balance carried forward	8,550,118
Total	Kr.17,810,118

The report and accounts were adopted.

CAPITAL ISSUES

At an extra meeting held on November 22, 1957, a recommendation of the Board was approved to increase the share capital from Kr.60 million to Kr.80 million by the issue of 200,000 new shares at a nominal value of Kr.100: The issue was offered to old shareholders at the rate of Kr.120 per share. The new issue was fully subscribed and paid in at the end of January this year.

The new capital will be used for expanding the facilities of the company's Coromant factory at Västberga, in Stockholm, and for new plant at Sandviken.

The UK subsidiary Sandvik Swedish Steels, Limited, also increased its equity by £98,998 during the year.

The capital of the Finnish subsidiary OY Suomen Sandvik was increased by Mk 10 million by utilizing frozen Finnish assets.

The Brazilian subsidiary Acos Sandvik AS also increased its share capital by 8 million Cruzeiros for the purpose of financing a new plant for local manufacture of Coromant drill steel.

The company also invested Kr.1,184,100 in new shares issued by the Norberg Grufaktiebolag.

BESSEMER CENTENARY

The meeting was also informed of the plans for celebrating the centenary of the successful adaption of the Bessemer process in regular steel production achieved by the founder of the company Mr G. F. Göransson in the summer of 1858.

Newly discovered documentary material in the company's archives, as well as in the British foreign office, throws a fresh light on the weekly developments leading to the successful blow in the morning of July 18, 1858 which turned the frustrating invention into a stabilized process for mass producing steel.

Briefly, the records show that Mr Göransson had purchased one-fifth of the Swedish rights to the Bessemer invention in May 1857, when the reputation of the process was at its lowest ebb. After installing two tilting convertors at his small blast furnace at Edsken he began experimenting on November 3rd, but throughout the winter he experienced the same failures as the British licence holders.

After [illegible] disappointing weeks the original converters were discarded and a new fixed vessel was installed, based on drawings obtained from Bessemer. Tests with the new converter began on March 4th and gave the same negative results whereupon, in collaboration with the Swedish Iron Masters Institute, a number of important changes were successively made on the converter until in the summer the roof had been considerably lowered (to save heat) and the total area of the tuyeres gradually increased to twice their original size and, in consequence, the air pressure reduced and the volume of air in the blast greatly increased.

After having been provided with a new lining and tuyeres the converter was put back into service in the morning of July 18, 1858. From the very first blow the converter proved eminently successful. The time of the blast was reduced from 25 to 10 minutes, the temperature of the charge remained satisfactory and the output of useful ingots rose to 70 per cent. In the following weeks the output of excellent steel ingots rose to 80 per cent and remained at this level for the duration of the Edsken plant. The Bessemer process had been turned into an economically successful method of mass producing steel.

Steel production at Edsken ceased in 1865 and the blast furnace was shut down in 1879, after which the plant was allowed to fall into ruin. In connection with the centenary The Sandvik Steel Works, Limited, which was formed as a consequence of the successful pilot operations at Edsken, has restored the remains of the old plant as a monument to the birth of the steel age.

THE AUSTRALIAN ESTATES COMPANY LIMITED

COMPANY'S STEADY GROWTH AND RECORD YEAR

SIR DENYS LOWSON ON CURRENT AUSTRALIAN PROBLEMS

The Annual General Meeting of The Australian Estates Company Limited will be held on July 9th in London

Sir Denys Lowson, Bart, the Chairman, in the course of his remarks, which have been circulated to stockholders, says:

ACCOUNTS

Stockholders will have seen from the accounts that the gross trading profit amounted to £1,405,866, which is nearly £200,000 more than in 1956, and is the second highest in the company's history. It has only been surpassed by the trading profit for the year 1951, when the average price of wool was about 50 per cent higher than in 1957.

The dividend proposed on the Ordinary stock requires £102,862, which will allow the carry forwards of the parent company and subsidiaries to be increased by no less than £240,869.

The total dividend recommended is in fact less than one-quarter of the total amount actually available for the ordinary stockholders in respect of 1957; before the allocation to reserves, etc., and the increased carry forwards.

Your Company has provisionally qualified as an Overseas Trade Corporation. The main effect of the OTC legislation is that the Company's trading profits overseas are taxable in this country only to the extent that they are distributed in the form of dividends, etc. Unfortunately, this OTC legislation does not at present extend to overseas subsidiary companies. The taxation liability arising in this country is therefore [illegible] affected by whether the Company's business overseas is run through branches as is much of our business, in which case full relief is available, or by means of local subsidiary companies.

For many reasons the latter is often the preferable method today of carrying on business in a country overseas. There is a strong tendency for this method to be accentuated, and in many cases to become essential, particularly if it is desired at any time to secure local interest or participation.

Unfortunately, in spite of considerable pressure on the British Government when the 1957 Finance Bill was being debated in our House of Commons, the Government were not prepared to extend the benefits of the OTC legislation to OTC subsidiaries. In our case a considerable and increasing part of our business is in fact controlled and operated by our Australian subsidiaries. It is therefore my earnest hope that, when the Government have had a chance to see how the present legislation works out, they will find it possible to carry their policy to its logical conclusion, and treat overseas subsidiaries as entitled to the same benefits as overseas trading branches.

PASTORAL

The season in Victoria was affected by a rainfall which was generally below average, but there were no undue difficulties. In New South Wales an unusually low rainfall was experienced; while in Queensland widespread drought conditions ruled for most of the year, except in the far north Gulf Country.

Although for several years past the Company has been making extensive additions to its more permanent water supplies, tank water was seriously diminished, since throughout the year insufficient rain fell to give a good run-off in the creeks and thereby to replenish the tanks. The additional bores which we have put down in recent years have therefore been of great assistance.

Owing to the indifferent season, it was necessary to sell an unusually large number of wethers, and also old ewes; and our sheep numbers at the end of the year fell by about 15 per cent, compared with the end of 1956. However, the number of our breeding ewes is only slightly down, and their low average age of from one to five years is appreciably better than what has been normal in the past.

SUGAR

Raw sugar produced in Australia in 1957 rose by about 82,000 tons to 1,290,000 tons, the second highest output on record, being exceeded only by the 1954 season's outturn. Queensland production was 1,254,000 tons compared with 1,184,000 tons in 1956.

A somewhat higher proportion of the raw sugar output was exported; the figures for 1957 being approximately 57 per cent for export and 43 per cent for Australian consumption.

The British Commonwealth Sugar Agreement has again been extended for another year; and it will therefore continue in operation to the end of 1965.

Our Kalamia Mill crushed just over 380,000 tons of cane, compared with 353,000 tons in 1956. Another mill crushed 390,000 tons of cane compared with 339,000 tons during the previous year. There was a substantial increase in the average crushing rate per hour at both mills; the result of plant improvements during recent years, and the better condition of the cane supplied. The total sugar produced by our two mills together was approximately 113,000 tons; or more than one-twelfth of the total Australian production.

The Mackay bulk sugar terminal opened on schedule, and operated smoothly throughout the season. Ships were loaded at an average rate of 576 tons per actual loading hour; and the average time a ship was in port was reduced from three weeks to under three days. Two more ports, Lucinda Point and Bundaberg, are being converted to bulk-handling of sugar. Both are expected to be in operation during the 1958 season; with Townsville, possibly, next year.

AGENCY

Our wool stores at Melbourne and Brisbane handled a record quantity of wool during the year; the latter partly as a result of an accumulation of wool carried forward from 1956 owing to industrial trouble in Queensland. The sales of stock were high; partly due to the season, and growers' desire to lighten their properties.

We have continued our policy of rebuilding and modernising in turn our various agencies, and expanding the services which we offer to our clients.

RESEARCH

During the year the Company held useful instruction schools for station managers and staff, for both sheep and cattle properties; and we again acknowledge gratefully the valuable assistance we received both in Queensland and New South Wales from the Departments of Agriculture and Stock, the universities and the CSIRO. With increasing knowledge from research, the holding of pastoral schools is, we think, the best way in which to acquaint our staffs with the progress of science, and to improve our management.

Owing to the dry season, little progress was made with our agricultural projects for growing sorghum; but further experimental work is being carried on, and the stocks of sorghum which are held at Terrick, in Central Queensland, are likely to be most useful if drought conditions continue in 1958.

WOOL

The effect of the poor season in 1957 was a fall in the volume of the Commonwealth wool clip of about 370,000 bales, or about 8 per cent, as compared with the quantity received into Australian brokers' stores for the year July, 1956-June, 1957.

A comparison of the number of bales actually sold in Australia and the proceeds of the clips over the last five years is as under:

Season	Bales	£ (A.)	Average per lb. Pence
1953/54.....	3,846,212	390,622,263	81·97
1954/55.....	3,955,601	352,814,670	71·28
1955/56.....	4,297,338	333,834,936	61·23
1956/57.....	4,836,897	483,020,133	79·93
1957/58 (est.):	4,466,000	340,000,000	61·50

Great Britain was again the largest buyer at the Australian auctions, although they took fewer bales than in the previous year. They were followed by France, Japan, Italy—in that order.

GENERAL

It is expected that the income from wool for the 1957-58 season will be lower than in the previous year by some £A140 million; but it will still contribute the major part of the export income of Australia.

Industrial and manufacturing activity continued to grow throughout the year; and the number of workers in secondary industry now is well over one million, as compared with about 530,000 some 15 years ago. It is estimated that secondary industry now produces goods to the value of nearly £3,800 million per annum, as compared with £500 million 15 years ago, or nearly eightfold. The population of Australia is now almost 10 million.

The whole of our staff has merited our thanks and appreciation for their continued good work; and of course in particular our Australian director and general manager, Mr G. S. Colman. For many years past he has given of his best without stint. His wide knowledge and experience, extending over more than three decades with the Company, allow him to anticipate many of the problems which are bound to occur from month to month in the running and ordering of a great pastoral agency, and sugar organisation.

FUTURE PROSPECTS

I regret to say that it is unlikely we shall be able to show in 1958 the same good results as in 1957. After many years of good seasons, we are now encountering adverse ones; such as have occurred in Australia from time to time in its past history. While some of our properties have had fair rains since January, many of them have only had falls below the average, and will need good relief in the next six months. An unfavourable season, when pastures are bad, must naturally affect adversely the growth of the wool clip; and also cause lambings to fall.

However, the history of the pastoral industry in Australia has shown that the whole situation can change in 24 hours if good rains come. The sugar outlook appears favourable; and we look forward to presenting you in 12 months' time with another sound balance sheet, a reasonable return and a year of continued solid progress.

SAUNDERS VALVE COMPANY LIMITED

LARGER TURNOVER BUT SMALLER PROFIT

EFFECT OF RISING COSTS

MR J. C. BILLINGHAM ON THE OUTLOOK

The annual general meeting of Saunders Valve Company Limited, will be held on July 17th at 23 Blomfield Street, London, E.C.

The following is an extract from the circulated statement by the chairman, Mr J. C. Billingham, FCA:

As we expected, the past year has not been without its trading difficulties, and these are reflected to some extent in the profit results now before Shareholders. In fact, turnover showed a modest increase as compared with the previous year, but as I warned Shareholders last year, reduced profit margins, arising from a studied policy of holding prices overseas and a continued tendency for costs of manufacture to rise at home, have taken their toll. In the second half of the year there was an appreciable falling away in export orders which was the principal factor responsible for the diminished rate of profit.

The consolidated Profit and Loss Account discloses a trading profit of £269,901 compared with £317,110 for the previous year. Taxation requires £124,528, leaving an amount available for appropriation of £145,373 compared with £165,598 for 1956-7. We are asking you to approve a distribution of 11 per cent, as in the previous year, as a Final Dividend, absorbing with the Interim Dividend of 4½ per cent and the relevant profits tax £65,488, thus leaving £79,885.

TEN YEARS' EXPANSION

The Company has now completed over ten years' operations since its incorporation in January, 1948, and we have included in this year's Statement comparative figures covering the period from May 1, 1947, to March 31, 1958. These figures indicate not only the steady growth of the Company's profits over this period but also the build-up of its resources.

Since April 30, 1948, there has been an increase of £411,905 in the book value of fixed assets and of £503,414 in the working capital necessary to carry on the business, whose turnover has in this time increased no less than fivefold. The net assets of the Company have advanced over these years by £801,130 as against an amount subscribed by Shareholders of £141,250 as a consequence of the rights issue in 1955. Clearly it would have been difficult during these years to have provided adequately the steady additional capital needs of this growing business in any other way than by retention of profits on the scale indicated.

EUROPEAN COMMON MARKET

Turning to the future, we are watching with particular interest the Trade Area surrounding a European Common Market. Exports of Saunders Diaphragm Valves remain at a remarkably high level—58 per cent of total Diaphragm Valve sales—and an increasing proportion of these go to European users. Naturally the inclusion of Britain within the proposed area would bring advantage to the Company, enabling it to retain and further to extend and consolidate its existing European business. On the other hand, should Britain stand aloof we should probably be faced with new difficulties to overcome.

Our policy towards those countries which are not susceptible to sales from the United Kingdom has been to arrange for local manufacture through foreign licensees. During the past year further additional arrangements of this kind have been made. It may similarly prove necessary in the coming year to extend such arrangements for foreign manufacture under licence. In order that shareholders may appreciate the relationship between the amount of our income from this source and the rest of the Company's profits I can report that during the past year our gross income from foreign licences amounted approximately to £30,000.

INCREASING WORLD-WIDE DEMAND

Taking the long view, there seems no doubt that world-wide demand for industrial valves in all their ramifications is a steadily increasing one, and it is the responsibility of your Board to see that Saunders Valve Company Limited secures its fair share of this increasing world consumption. For the immediate future home demand is well maintained up to the present time and export business should improve.

Our aircraft branch at Hereford has experienced a difficult year endeavouring to satisfy an industry which has on the whole been more immediately concerned with development changes than with volume production; however, we have a substantial head of orders at this centre and we have no reason to doubt that satisfactory profits will flow therefrom.

It is always difficult to attempt to forecast the future of a business whose interests are so widespread, but that spread has been shown in the past to be in itself a stabilising factor in our affairs.

In the absence of a general recession of major proportions or of substantially increased costs, your Directors have no reason to expect any appreciable decline in the Company's prosperity. When demand increases the Company is now well placed to meet it and benefit accordingly.

SUMMARY OF PROFITS AND GROWTH OF NET ASSETS 1st MAY, 1947-31st MARCH, 1958

	1947/48	1948/49	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56 (11 months)	1956/57	1957/58	
1. Issued share capital..	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 350,000	£ 500,000	£ 500,000	
2. Fixed assets	80,767	105,991	122,342	139,269	157,569	162,089	167,623	358,666	338,097	428,289	492,672	
3. Goodwill and patents	114,189	122,019	122,035	121,035	120,035	93,887	Nil	Nil	Nil	Nil	Nil	
4. Working capital (Current assets less liabilities)	175,978	167,999	208,994	253,785	336,922	417,794	489,567	347,461	679,231	677,517	679,392	
Net assets at book value	370,934	396,009	453,371	514,089	614,526	673,770	657,190	706,127	1,017,328	1,105,806	1,172,064	Total for period 1947/1958
5. Profits earned before taxation appropriated as under	85,327	96,825	138,745	148,721	211,114	229,603	218,527	256,031	311,461	317,110	269,901	2,283,365
6. Taxation	57,000	63,000	89,733	98,078	145,302	166,586	127,222	127,219	60,485	172,032	145,453	1,252,110
7. Dividends (net)	6,875	22,000	22,000	21,375	23,625	27,125	27,500	28,375	38,525	43,700	44,563	305,663
8. Retained in business.	21,452	11,825	27,012	29,268	42,187	35,892	63,805	100,437	212,451	101,378	79,885	725,592
	£85,327	£96,825	£138,745	£148,721	£211,114	£229,603	£218,527	£256,031	£311,461	£317,110	£269,901	£2,283,365

ARTHUR BALFOUR & COMPANY

FACTORS AFFECTING TRADING

The fifty-ninth annual general meeting of Arthur Balfour & Co. Limited was held on June 23rd at Sheffield, The Right Honourable The Lord Riverdale of Sheffield (chairman and managing director) presiding.

The following is an extract from his circulated statement:

I have to report results less favourable this year than for the year 1956, but in doing so I consider these results to be not unsatisfactory and indeed better than might have been the case in an atmosphere of still rising costs, narrowing margins and tougher competition at home and overseas.

All the manufacturing divisions worked at levels which were not markedly dissimilar from those of the previous year.

Alloys, ever a serious factor, moved downward in price with no shortage of supply and in so doing had an adverse effect on the values of stock and work in progress.

Subsidiary Companies' results have fluctuated, but in total contributed less to the Group results. The profits of the Group at £349,621, before taxation but after exchange adjustments, compare with £526,853. Taxation absorbs £169,189.

Export trade has tended to become more difficult. As an example, severe restrictions on Indian imports were imposed for balance of payment reasons. I have no good news from South America, and in North America and Canada recessions have commenced. The tendency to narrower margins also applies to our Australian business.

During the year, our financial and engineering resources have been concentrated on a project to modernise and increase the capacity of our high frequency melting end and all the ancillary processes. By the frequency melting unit be operating a high power per ton in the world, backed by modern handling techniques. It is our hope and belief that this will enable us to meet competition with increasing confidence.

RENATIONALISATION

I may be expected to refer to the possibility of renationalisation of the steel industry in certain eventualities. No unit of this Group of Companies was previously nationalised. It is difficult to see how, in the case of this Company and your stake in it, nationalisation could be of any benefit to our operations or the results of the Group, or in turn to the nation. Surely it is possible to hope that common sense and business judgment may be applied to this question and so avoid the risk of grave damage to the whole economy of the country that might follow political and doctrinaire proposals.

On the present and future outlook I have never found it more difficult to forecast. In the early months of this year the plant has been operated at reasonable levels though deliveries have exceeded orders. Margins are if anything tighter. There are so many factors in world as well as domestic affairs which can affect us, many of them beyond our control, some of them likely to be adverse rather than favourable. It is difficult therefore to be optimistic. It is our challenge to make the best and the most of the opportunities and I have never been happier about the quality of our products and the service we can give.

The report was adopted and a total distribution of 8 per cent approved.

LONDON TIN CORPORATION

CHAIRMAN'S STATEMENT

The thirty-second Annual General Meeting of London Tin Corporation Limited will be held on July 15th at The Chartered Insurance Institute, 20 Aldermanbury, London, E.C.

The following is the statement by the Chairman, Mr J. Ivan Spens, OBE, which has been circulated with the report and accounts for the year ended March 31, 1958.

ACCOUNTS

The net profit for the year, after providing for taxation, was £644,768, which compares with £714,726 for the eleven months ended on March 31, 1957.

The dividends totalling 30 per cent, less Income Tax at 8s. 6d. in the £, already paid in respect of the year took £624,146 and left a balance for the year of £20,622 to be added to the carry forward which now stands at £310,212.

Although the gross income from investments was a little lower than for the previous period the important item in the Accounts is taxation which this year takes £686,000 (after allowing for £75,000 no longer required in respect of previous years) and compares with a total of £652,000 for the previous period. This increase is due in the main to the incidence of the Finance Act, 1957, whereby a part of our income from Overseas Trade Corporations had to bear the Profits Tax of which it was formerly relieved. The flat rate of Profits Tax proposed in the Finance Bill, 1958, will mitigate this situation in the current year so far as the actual tax liability is concerned but the Bill still makes no provision to restore relief from Profits Tax in respect of income from investments in Overseas Trade Corporations. Shareholders were informed during the year that the Finance Act, 1957, would adversely affect the distributable profits of this Corporation and that representations were being made to the Re- taken up during the [illegible] Parliament of the Finance Bill, 1958.

CONTROL OF TIN EXPORTS

Control of exports of tin from the six countries contributory to the International Tin Agreement was introduced by the International Tin Council with effect from December 15, 1957, and has since been extended to September 30, 1958. Meantime, the Council will decide what measure of control beyond that date is necessary.

Since December 15, 1957, the overall cutback in production for export has been approximately at the rate of 40 per cent per annum based on the total production of the contributory countries for the twelve months ended September 30, 1957, but the actual rate applicable in each individual country varies.

PRICE OF TIN

The average London cash price of tin metal during the year under review was £743 per ton. The highest price reached was £782 per ton and the lowest £730 per ton which is the Buffer Stock floor price. The International Tin Council has authorised the Buffer Stock Manager to operate, should opportunity offer, within the middle price range of £780 to £830 per ton until September 30, 1958. This authority, however, is subject to review by the Council at its regular Meetings.

MALAYA

Malaya achieved independence at the end of August, 1957, and the sympathetic consideration and good will of Government previously enjoyed by the tin mining industry continues under the new Constitution.

At the close of the year under review there were 36 dredges in Malaya under the management of Anglo-Oriental (Malaya) Limited. Of these 27 were in operation, one was being reconstructed and eight were idle. The idle dredges included three closed down because of export control, two scheduled to be dismantled and sold, and one hitherto idle for security reasons which can be overhauled and recommissioned when convenient. The other two will be kept for the present in case any suitable shallow areas become available for them to work. Every opportunity of further prospecting continues to be taken as the security situation improves.

The total output of tin concentrate from the mines managed by Anglo-Oriental (Malaya) Limited during the year under review was 13,740 tons which compares with 16,346 tons in the previous twelve months. The greater part of this output was exported during the year but the balance was produced for permitted stock after the inception of export control in order to keep the dredges as far as possible in continuous production.

THAILAND

The output of tin concentrate from the mines under the management of Anglo-Oriental (Malaya) Limited in Thailand during the year under review was 1,413 tons compared with 1,762 tons in the previous twelve months. This fall was due, in the main, to the low rate of quota allocated to dredges by the Thai authorities during the first quota period to March 31, 1958.

BURMA

The general conditions in Burma are unfavourable to mining although the security position has to some extent improved. The [illegible] which I reported last year to be on trial have since been brought into production but their output is small and probably it will not be possible to maintain them in continuous and economic operation.

NIGERIA

The mines under the management of A. O. Nigeria Limited produced 4,397 tons of tin concentrate and 576 tons of columbite which compares with 4,529 and 758 tons respectively for the previous twelve months. The mining of primary columbite having been suspended during the previous year because of the poor demand for the product, the output for the year under review arose entirely from the treatment of tin-bearing alluvial. This, together with the enforced cut-back in tin production, necessitated a considerable retrenchment of Staff which is much regretted. Prospecting and research, however, are both being actively continued.

DIRECTORS

It is with deep regret we record the death of Mr Richmond Temple on March 13, 1958. He had devoted his energies to the affairs of this Corporation and of the tin mining industry for a long period of years and we remember him with esteem and with gratitude for his work.

Mr J. L. Farrington, who is Chairman and General Manager of A. O. Nigeria Limited, and is at present in Nigeria, was recently appointed to the Board. In accordance with the Articles of Association he retires at the Annual General Meeting and offers himself for re-election.

GENERAL

During the year under review Lord Colyton accompanied me to Malaya and Nigeria where we were able to visit mines under our management and to have discussions with the Directors of our management Companies. The objects of major importance to the tin mining industry in both these spheres are, on the one hand, intensive prospecting to endeavour to find fresh ore reserves, and, on the other, research to improve the methods of mining and the processes to make possible the profitable exploitation of ore deposits which may be found at greater depth. The work is costly and much of it can prove abortive but it is imperative to provide for the future, and Governments can and should assist by a liberal policy of alienation of land for mining. Our managements are alert to these important objectives and will continue to pursue them. I am pleased to record the impression we gained of the efficiency of our organisation in each of these countries and the loyalty and energy of Chinese, Malayan, Indian and African senior staff and employees.

The prospects for the current year must be influenced by the price of tin and the rate of cut-back in production. If both these factors continue throughout the year at their present levels our income from our large portfolio of tin mining shares will certainly be much lower than last year. It is unfortunately impossible at this early stage to indicate to what extent the Corporation's dividend for the year will eventually be affected although some reduction is probably inevitable.

LONSDALE INVESTMENT TRUST LIMITED

GROUP EARNINGS AGAIN INCREASED

The eleventh annual general meeting of Lonsdale Investment Trust Limited will be held on July 15th in London.

The following is the statement of the chairman, Mr T. L. McC. Lonsdale, circulated with the Accounts:

The Report and Accounts show that the Group's earnings again increased. The gross income from the Trust's general investments increased by £34,954 to £323,827, due partly to dividend increases and partly to additional funds employed as a result of the Debenture issue made in July, 1957.

The same gross dividend as last year, £120,000, was received from Robert Benson, Lonsdale & Co. Limited, and after deducting expenses, interest payable and taxation, the Net Profit of the Trust amounted to £206,639, compared with £193,208 in the previous year.

The Board now recommend payment of a final dividend of 11 per cent, making with the interim dividend of 4 per cent already paid, a total dividend of 15 per cent for the year against 14 per cent for the previous year. The amount carried forward will then be increased by £42,322 and will amount to £298,341. Of the proposed total dividend of 15 per cent nearly 12½ per cent was covered by the Trust's revenue other than the dividend received from Robert Benson, Lonsdale & Co. Limited.

In order to lessen the disparity between the interim and final dividend payments, the Board intend in the current year to increase the interim dividend from 4 per cent to 5 per cent, but this must not be interpreted as signifying the likelihood of an increase in the total dividend.

ROBERT BENSON, LONSDALE & CO. LIMITED

As regards Robert Benson, Lonsdale & Co. Limited, the consolidated profits after taxation amounted to £188,601, of which £90,601 was retained in that Company and its subsidiaries. This compares with £153,447 and £84,447 respectively for the previous year. The attached ten-year statement of earnings and reserves shows the cumulative effect of retentions on the reserves of the main subsidiary and of the Group.

Reflecting the generally lower prices for equity shares in this country and the USA, the valuation of the Trust's general investments, though substantially above book value, shows some reduction in the appreciation as compared with last year and this applies also to the valuation of the investments held by Robert Benson, Lonsdale & Co. Limited.

CLASSIFICATION OF INVESTMENTS

This year a schedule of the classification of investments according to the nature of business has been attached, which is in more detail than the statement which was in previous years included in the Directors' Report; from it you will see that the Trust's industrial and commercial investments are well distributed with no great concentration in any particular field. You will also note that a considerable proportion of the Trust's general investments in North America consists of holdings in Banks, Financial Institutions and Public Utilities, from which the income during the current year has continued to be very satisfactory in spite of the recession there.

The recent proposed change in the basis for charging Profits Tax and the removal of the contingent liability attaching to undistributed profits is a great improvement, although the new rate is high. The new method is simpler, and [illegible] the problems of new financing to be approached with greater flexibility. Further, the reserves to be retained in a business can now be decided by a realistic appraisal of its probable requirements and not by reference to a criterion which is irrelevant to its efficiency.

THE CURRENT YEAR

So far in the current year dividend reductions, which have been mostly in dollar investments, have been more than offset by dividend increases on other holdings, mainly British. Indeed, in view of the recession in the USA, the major falls in commodity prices and the contraction in international trade and credit restrictions here, the recent results and performance of British companies have been heartening; the testing time, however, may lie ahead of, rather than behind, us. Unless the rather sanguine expectations of a substantial upturn in industrial activity in the USA in the autumn are realised, it seems optimistic to expect the overall results and dividends of British companies to continue to be so favourable.

With regard to Robert Benson, Lonsdale & Co. Limited, the activity which produced such satisfactory results last year has continued since the year end and the Company is currently interested in, or has under consideration, a number of projects both at home and in various parts of the Commonwealth. However, the prevailing uncertainties both at home and abroad in the fields of politics and economics make it difficult to forecast the results for the current year.

BRAZILIAN TRACTION, LIGHT AND POWER COMPANY LIMITED

(Incorporated under the Laws of Canada)

At the Annual Meeting held on June 24th in Toronto Mr Henry Borden, CMG, QC, presided. Dr R. L. Hearn, a former Chairman of the Ontario Hydro-Electric Power Commission, and Monsieur Pierre Ansiaux of Brussels, Belgium, a member of the Supreme Court of that country, were elected for the first time. All other Directors were re-elected. The President announced the appointment of Mr Mitchell W. Sharp, formerly Deputy Minister of Trade and Commerce in the Canadian Government, as Vice-President of the Company.

The shareholders confirmed the By-laws providing for the appointment of Honorary Directors, increasing the number of Directors to twenty-two and renewing the authority for the payment of dividends in shares. In presenting the latter By-law to the meeting the President stated that confirmation will not necessarily mean that the Directors would act on the authority given by it.

The President referred to the preferred rate of exchange which by the law of Brazil is applicable to certain transactions of public utilities and stated that recently the overall cost of the dollar for service of registered debt had been increased from 51.32 cruzeiros to 58.82 cruzeiros to the dollar while the payment of imported equipment considered essential for the economic development is now 70.00 cruzeiros to the dollar. Referring to the prospective financial picture for 1958, the President said that, in spite of higher cruzeiro earnings resulting primarily from increases in the amounts of electric energy and gas sold and expanded telephone facilities, there will inevitably be a further reduction in the Company's earnings in 1958 when expressed in dollars.

The President [illegible] Brazil [illegible] exchange owing to decreased coffee exports and an increase in total imports, but stated that there were factors working to improve the overall exchange picture, including the establishment of local industries in Brazil, development of its petroleum resources and increases in certain exports other than coffee.

The President referred to the effect of inflation in Brazil on the Company's operations in increased costs of construction, in steadily increasing wages, in increasing costs for all local material purchased and in the increased cost of foreign exchange. In addition he said in the electrical services the operating Companies are restricted by the provisions of the Brazilian Water Code which limits them to a ten per cent rate of return and, moreover, ten per cent on investment computed at historical cost in cruzeiros, and continuing he said, "The local investor nowadays in Brazil finds ten per cent a wholly unacceptable rate of return and in our case this ten per cent, by the application of the principle of historical cost, is reduced to something like five per cent of book value, which represents a still lower rate of return on present-day fair values." The President added that "In Brazil today short term Government loans yield up to ten per cent and equity stock demands a fifteen per cent dividend. It will be seen, therefore, how essential it is to have some new legislation in Brazil applicable to public utilities providing for an upward revision of the rate base and an increase in the allowable rate of return."

As to telephones, he said that, while the Water Code did not apply to the Telephone

Service, the rates for such service were inadequate and the Telephone Companies would not really be successful in raising local money for much needed expansion until rates are very considerably raised to a point where they represent a reasonable rate of return on the fair value of the plant in service.

The President reported on the appointment of an Administrative Council in the São Paulo Light Company consisting of distinguished Brazilian citizens who will give advice and help in connection with the affairs of that subsidiary. The President stated that he should not like to leave the shareholders with the impression that the future is unrelievedly gloomy. "The immediate difficulties," he said, "that Brazil must overcome are formidable, but there are signs of future developments holding great promise." He referred to the recent exchange of letters between the President of Brazil and the President of the United States and added that out of this exchange will come solutions for some of Brazil's economic problems.

In conclusion the President referred to the fantastic rate of growth in Brazil and said that the Company had no choice but to exert every effort to expand the essential services for which it is responsible in Brazil and thereby continue to make these services available to an ever increasing number of Brazilians.

ISTITUTO MOBILIARE ITALIANO
"IMI"
Italian Finance Corporation, Rome, Italy

The Twenty-sixth Annual General Meeting of *Istituto Mobiliare* Italiano (IMI) was held in Rome on May 20, 1958, under the chairmanship of Mr Stefano *Siglienti*.

The Board of Directors in its Report described the Italian economic position as satisfactory and made a very detailed survey of the activities of IMI for the fiscal year April, 1957-March, 1958. It stressed the great volume of IMI operations carried out during that period and the good results achieved.

New applications received amounted to more than Lit.221.450 million, up to the same record level registered for the fiscal year 1956-57. Credits granted reached the amount of Lit.92.038 million due to ordinary loans for Lit.86.439 million—a 3.7 per cent increase over the fiscal year 1956-57—and accounting for only Lit.5.599 million to the special loans made by means of Government funds and on the behalf of the European Coal and Steel Community.

A very encouraging feature was the export credit operations of IMI, which deserved special mention. The 1957-58 figures (over 15.028 million lire) showed a rise of 49.7 per cent over the previous year.

The Report also underlines the important measures the Authorities have assumed to support transactions on capital goods exportation and expresses the hope that benefits already acquired by the export credits measures should not be impaired in the future and that the Authorities would make further advances out of the funds provided for by the law and budget allocations.

Outstanding loans at March 31, 1958, show a 5.3 per cent rise over the corresponding period of 1957 up to the material amount of 642.758m. lire. Ordinary loans increase largely offset the reduction noted in the special loans transactions.

New bonds issued during the fiscal year 1957-58 amounted to Lit.63.927m., so that by March 31, 1958, the total of outstanding bonds reached the amount of Lit.326.008m. showing a net increase of Lit.41.933m.

Reserve funds and net profits again showed a net increase and went up respectively from 25.722 to 30.269m. lire and from 1.557m. lire to 1.647m. lire. As a result the General Assembly approved the resolution submitted by the Board of Directors for the distribution of a dividend of 8 per cent on the paid-up capital and a contribution of a sum of 1.168m. lire to the reserves, which have thus risen to Lit.31.437.

FORSTER'S GLASS CO. LTD
HIGHER SALES

The Thirty-ninth annual general meeting of Forster's Glass Company Limited will be held on July 16th in London.

The following is an extract from the circulated Statement by the Chairman, Colonel Sir Charles Ponsonby, Bart, TD, DL, on the report and accounts for the year ended March 31, 1958:

The year's profit of £171,209 compares favourably with that of last year, having regard to an increased provision for depreciation of £12,235, a provision of £5,000 for obsolescence and an additional £8,743 for pension benefits.

In my last report I told you that we had been reluctantly compelled to increase our selling prices on June 24, 1957, by approximately 7½ per cent. During the nine months of the year in which these higher prices have operated, costs have continued to rise. The result as far as profit and sales are concerned has therefore followed the same pattern as the previous year, the volume of sales being again slightly higher but the profit lower.

In all the circumstances I consider this result to be not unsatisfactory. It has been achieved in the face of intensified competition in the expanding field of packaging, which includes containers made from plastics, metal and paper in addition to glass. We are confident that the glass bottle and jar will more than hold their own in this field.

There is a possibility that the trade recession or "levelling out" which the United States is undergoing may be reflected in this country. There is, however, no sign of this happening at the present time in the glass container industry, and demand for your company's products is running at a higher level than last year.

BUSINESS AND PERSONAL

NEWPORT, ISLE OF WIGHT.—Finest Multiple position: Freehold Business Premises, 129 HIGH STREET, three floors, extensive shop, store and workroom accommodation. Frontage 28 ft. 8 in., depth 240 ft., site area 7,000 sq. ft., floor area 10,000 sq. ft. Vacant Possession. Auction Sale Newport, Wednesday, July 16th. Auctioneers: Way, Riddett & Co., Newport, I.W.

CHAIRMAN of Investment Group, able to introduce large scale permanent and semi-permanent funds, wishes to acquire an interest in a merchant or private bank or to make satisfactory arrangements. Write Box 963.

£1,000 Sterling becomes over £A1,400 in two years when invested in Apex Building Society, Melbourne, Australia. Write for booklet, Apex Building Society, Victoria House, Strand, W.C.1.

MARKETS IN FRENCH CANADA.—A private consulting service available on conditions in the Province of Quebec. Sterling account if desired.—P.O. BOX 41, UPPER TOWN, QUEBEC, QUE., CANADA.

WALL STREET ASSOCIATES offer for your convenience their office facilities at 37 Wall Street, New York 5, N.Y. Services include telephone and mail accommodations as well as distribution of subscribers' printed mail.—For further information please address the above.

BOLIVIA, COLOMBIA, COSTA RICA, CUBA, DOMINICAN REPUBLIC, ECUADOR, GUATEMALA, HAITI, HONDURAS, MEXICO, NICARAGUA, PANAMA, PERU, SALVADOR, VENEZUELA.

Manufacturers and exporters desirous to expand business in the 15 Republics are invited to communicate with advertiser.

First-hand experience of countries and conditions, personal connections with leading importers, etc.

Highest references in U.K. and abroad. Write Box 961.

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LIBERALS! (And others). Here is an issue on which everyone accepts the liberal point of view. Duff Gordon's El Cid is such a good sherry, it demands liberality.

DARLING. Daddy furious because you borrowed the autographed copy of "Endymion" and his new National Benzole road maps. Please return asap at once.—JUDY.

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CITY OF COVENTRY

Mortgage Loans

(TRUSTEE SECURITIES)

SIX PER CENT FOR SEVEN YEARS

Special terms will be quoted for loans of £10,000 and over.

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LLOYDS BANK LIMITED
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MIDLAND BANK LIMITED
THE NATIONAL BANK LIMITED
NATIONAL PROVINCIAL BANK LIMITED
WESTMINSTER BANK LIMITED
WILLIAMS DEACON'S BANK LIMITED
THE COMMITTEE OF LONDON CLEARING BANKERS.

R. H. BARKSHIRE, Secretary.

10 Lombard Street, London, E.C.3.
June 19, 1958.

EDUCATIONAL

COLLEGE OF TECHNOLOGY
Portsmouth

FULL-TIME COURSE FOR THE B.Sc.(ECON.) DEGREE OF LONDON UNIVERSITY

Enrolments for this three-year Course can now be accepted for the Session 1958/59. Applications should be addressed to the Head of the Commerce Department. Entrance requirements are:

G.C.E. passes in any five subjects, of which at least two must be at Advanced level
OR G.C.E. passes in any four subjects, of which at least three must be at Advanced level.

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Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the examinations for Lond. Univ., B.Sc.Econ. [illegible] Moderate fees, instalments. [illegible] Wolsey Hall students passed Lond. Univ. B.Sc.Econ. exams. 1951-57. Prospectus from C. D. PARKER, M.A., LL.D., Director of Studies Dept. P.16, WOLSEY HALL, OXFORD.

SECRETARIAL TRAINING especially for university graduates and older students. Six-month and intensive 14-week courses.—Write, Organising Secretary, PITMAN'S, 2 Addison Road, W.14. PARK 8392.

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METROPOLITAN COLLEGE, ST. ALBANS
or call at 30 Queen Victoria Street, London, E.C.4.

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APPOINTMENTS

MSL have been retained to advise on the appointment of a

CHIEF ACCOUNTANT

for one of the leading textile organisations in São Paulo, Brazil. The Chief Accountant will be responsible to the Financial Comptroller for financial costing and management accounting and will control a department of about 190.

Candidates between 35-45 must be qualified accountants, (preferably Chartered) and have at least five years' experience of manufacturing industry as chief or assistant chief accountant. They should have first hand knowledge of standard costing and budgetary control. They must be prepared to learn Portuguese.

Initial salary will depend on age and experience but will be about the equivalent of £4,000 to £5,000 in Brazilian currency. This is a permanent post in South America, but home leave of 4 months will be granted every 4 years and passages for wife and children will be paid.

All information will be disclosed to our clients until candidates know their identity and have given permission after personal discussion. Please send brief details in confidence, quoting reference S.934, to D. M. Sidney.

MANAGEMENT SELECTION LIMITED
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ECONOMIST

Male graduate in Economics or Statistics required as no senior assistant in a new department of an old established international food manufacturing company in headquarters in London. The person appointed will be expected, after collation and analysis of relevant material, to make market appraisals for many products both in the United Kingdom and overseas. Age limits 25-33 years. Previous experience in this type of work and a knowledge of French are desirable. The salary and [illegible] are good and a Pension Scheme is in [illegible]

[illegible] Ltd., Thames Road [illegible] Street, Hull.

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[illegible] FOR THE POST OF SECRETARY

[illegible] Panned by certified copies of at least two testimonials. Applicants should have general scientific experience, rather than specialised experience, with administrative ability and some administrative experience in research institutions. They should be between the ages of 35 and 45.

The duties involved will cover the general administration of the South African Forest Association's Experiment Station at Mount Edgecombe, Natal, and its branches, including staff control and the direction and supervision of [illegible]

THE UNIVERSITY OF MANCHESTER

Applications are invited from graduates for the post of ASSISTANT CATALOGUER in the University Library. Library experience is desirable but not essential. A degree in Economics, Politics or some other branch of social study would be an additional qualification. Salary scale £[illegible]-£850 per annum with membership of F.S.S.U. and Children's Allowance Scheme.—Applications should be sent, not later than July 5, 1958, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

ACTUARIAL OPPORTUNITIES IN USA

The Equitable Life Assurance Society of the United States has several openings at its Home Office in New York for men interested in an actuarial career in the United States. Candidates should be up to about age 30 and have passed some or all of the examinations of the Institute of Actuaries, or of the Faculty of Actuaries.

Those interested should write to Mr. Harry Walker, Second Vice President and Associate Actuary of the Equitable, at 393 Seventh Avenue, New York 1, New York, U.S.A., stating their qualifications, including age, education and experience. Interviews with Equitable representatives will be arranged in Edinburgh on July 21 and in London on July 22nd and 23rd.

THE FOREIGN OFFICE wishes to appoint a TUTOR for discussions on British policy and international relations with leaders of European public opinion at Wilton Park, Steyning, Sussex. Bilingual French essential, German desirable. Degree in History, Economics or other Social Sciences also required. The post is unestablished. Accommodation. Salary £1,140 x £30-£1,170 x £35-£1,310 x £40-£1,430. APPLICATIONS BY SEPTEMBER 15th, to Ministry of Labour and National Service, Professional and Executive Register (Reference P.E.1325), Atlantic House, Farringdon Street, London, E.C.4. Only those selected for interview will be informed.

AN ASSISTANT FOR THE INVESTMENT MANAGER is required by a substantial Insurance Company in the Midlands. Age range 26-30. Commencing salary not less than £850 per annum with non-contributory pension scheme. Replies, which will be treated as confidential, stating age, experience etc., to Box 962.

SALES AND SALES MANAGEMENT

An OPPORTUNITY which offers more scope and potential than the one offered now by a NATIONAL COMPANY would be difficult to find.

Several able men of ambition are sought to be trained in the North of England for future SALES MANAGEMENT positions.

Our training methods are renowned for both their thoroughness and success. We have a remarkable history of expansion which is still continuing. Our business is in the Grocery and Allied Trades and we are leaders in our field. Conditions of work are comparable with the best. We offer a career with a future, all promotion being from within our own organisation. If you are 21-33 physically fit, mentally agile, well educated and believe in your own ability—and can quickly prove your worth—please reply, stating preference for interview at Nottingham, Leeds, Newcastle, Glasgow or London, to Box 964.

THE ASSOCIATION OF UNIVERSITY TEACHERS

APPOINTMENT OF EXECUTIVE SECRETARY

Applications are invited for this newly established post. The Executive Secretary will be responsible for the general administration of the work of the Association and particularly for the carrying out of its policy, which involves high level negotiation and some public relations work.

Salary within the range £1,750 to £2,500 according to qualifications and experience, plus children's allowance and superannuation.

Further particulars may be obtained from the Honorary [illegible] Secretary, A.U.T., Laurie House, 21, Dawson Place, London, W.2., to whom applications (8 copies) should be sent before 24th July, 1958.

THE Pig Industry Development Authority require a statistical officer to provide the Authority with appreciations of the statistics of pig production, processing and marketing and to assist in the examination of the economic aspects of the industry. The officer will be [illegible] secretary to the Authority's Distribution, Marketing and Economics Committee.

Candidates should have a good background knowledge of agricultural economics and hold a degree or professional qualification preferably in economics with statistics [illegible] in statistics.

The appointment will be on the scale £1,475-£2,000 and will be subject to the provisions of a contributory pension scheme. The initial salary will be fixed according to [illegible] e and experience.

There is no form of application. Applications should be submitted to the Chief Officer, Pig Industry Development Authority, 30, Chester Terrace, London, N.W.1, not later than Wednesday, 9th July, 1958.

CITY OF LIVERPOOL EDUCATION COMMITTEE

QUARRY BANK HIGH SCHOOL FOR BOYS.
Headmaster: W. E. Pubjoy, M.A.
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Graduate Master to teach Economics to Scholarship level, with some History. Graded Post £325 available for suitably qualified applicant. A temporary appointment would be considered.

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ASSISTANT STATISTICIAN required in the TECHNICAL ENGINEERING and STATISTICS SECTION at BANKSIDE HOUSE HEADQUARTERS, London, S.E.1. Candidates should hold a University Degree in statistics or mathematics, or should have wide experience of the application of the theory of the most advanced techniques of mathematical statistics. A background of engineering experience is also desirable. The successful candidate will be required to work in a Sub-Section dealing mainly with research investigations of a mathematical or statistical nature into problems arising out of the operation of conventional and nuclear power stations, the duties including the development of methods of analysis, assessing the implications of the results, and presenting them in the form of reports. He will be required to develop computational procedures, and will have opportunities to develop the use of an electronic computer in the work of the Section. Salary will be within the scale, £1,105 to £1,315 per annum. Applications, stating age, present position and salary, and giving full details of experience, should be forwarded to S. S. Scott, Chief Personnel Officer, 24/30, Holborn, London, E.C.1, by 11th July. Envelopes should be marked "Confidential" Ref. T/178.

THE ECONOMIST INTELLIGENCE UNIT LIMITED

will be making a number of appointments to its research staff to assist in meeting the increasing demand for the Unit's services in the fields of economic and market research. Candidates for these posts must have very good academic qualifications and experience of work in industrial, commercial or financial companies or organisations, or of work on the economics of agriculture.—Applications should be accompanied by full particulars of age, academic and other qualifications, including knowledge of foreign languages, experience since leaving university, and present salary, and should be sent to reach "Research," 22 Ryder Street, St. James's, London, S.W.1, not later than July 28.

GRADUATE APPRENTICESHIPS AND MANAGEMENT TRAINEESHIPS

GLACIER METAL COMPANY LIMITED

This Company, the largest manufacturer of Plain Bearings in Europe, announces four vacancies in each of the following courses for the current year:—

GRADUATE APPRENTICESHIPS

This course has two objectives:

(1) A practical training in engineering during which the Graduate "learns his tools", has actual experience of setting and operating machines, operates production procedures, and covers all kinds of engineering and the principles of workshop practice. Modern activity methods of teaching are used i.e., to the maximum extent possible Graduates carry out the operations they are learning.

(2) Theoretical training in industrial organisation, within a syllabus based on research work carried out by the Company.

The course is based on London and normally lasts two years, although Graduates making good progress can expect to finish [illegible] time. Selection takes into account both academic level and all-round personal qualities.

Salary from £550 to £800 p.a. according to qualifications, age and experience.

MANAGEMENT TRAINEESHIPS

The object of this course is specifically to provide recruits for eventually filling senior posts in the Company. It covers some two years of general training, of which a part is spent abroad. As well as formal training events, the course consists of a number of periods during which Trainees carry out actual jobs of work in the main areas of Company activity. Each period is centred around a project during which the trainee is expected to study some particular aspect of the job in hand. Regular career discussions are held with Trainees.

Entrants should have a University degree and should have completed a recognised apprenticeship.

Selection will be based on both an academic record and personal qualities.

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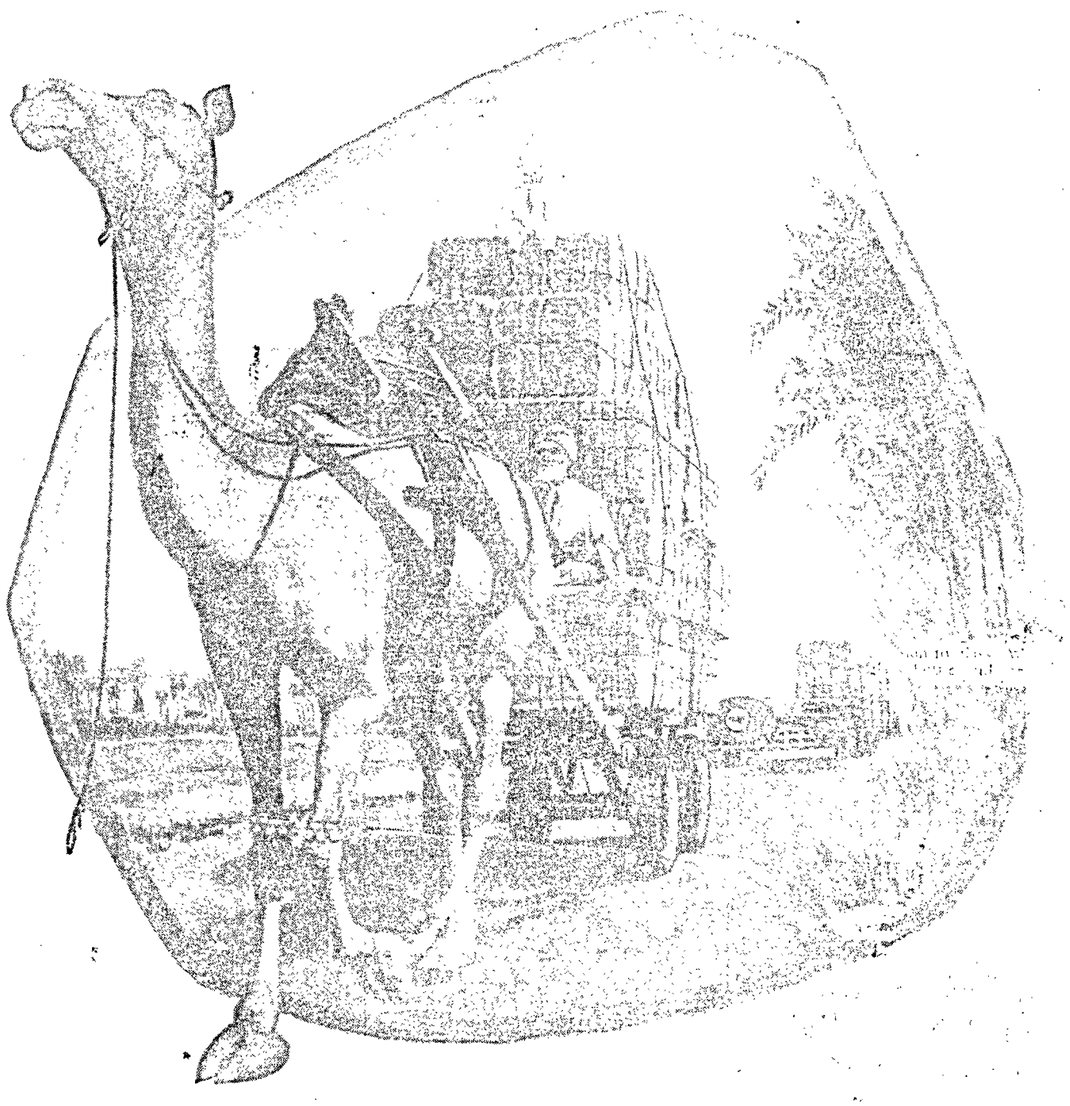
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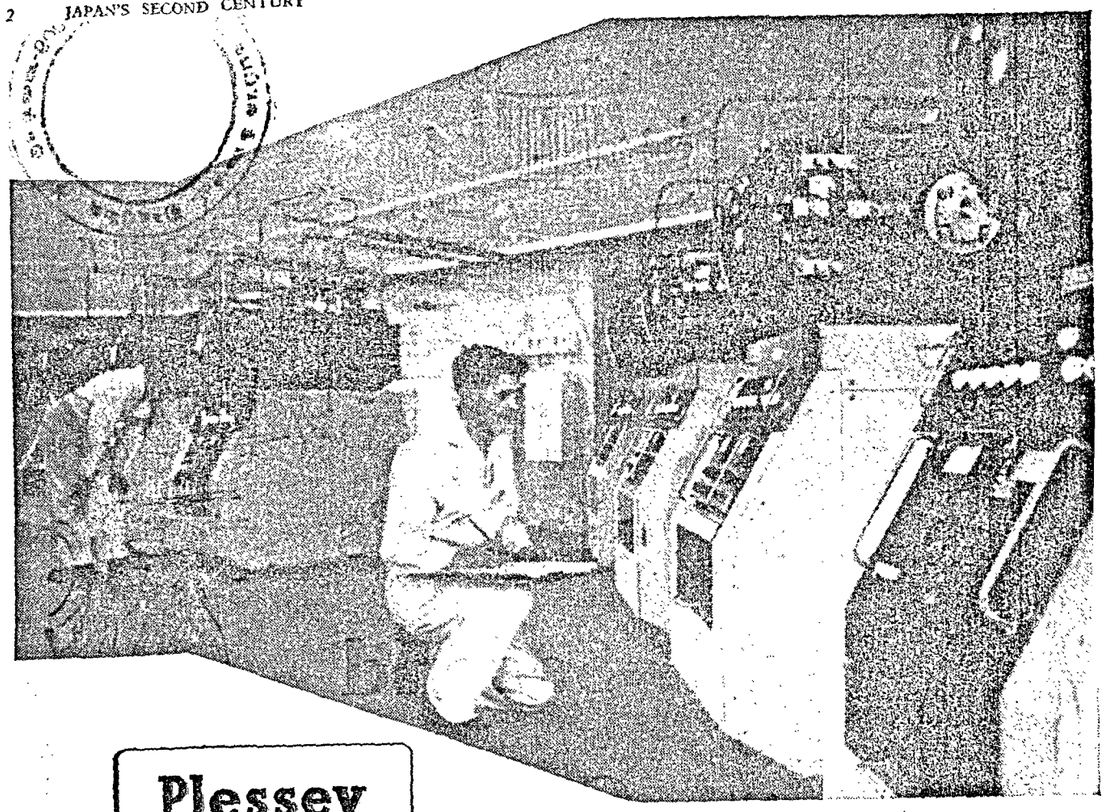
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新日本の諸問題

Japan's Second Century

A survey of the problems facing Japan in its attempt to find economic and political stability



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Burst Fuel Element Detection Equipment

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Japan retained its lead as a major shipbuilding nation of the world by launching a total of 2,421,433 G/T in 1957, according to the Lloyd's Register of Shipping.

Animation of Japan's shipbuilding industry in 1957 was largely attributable to active exports. Exports of ships in that year reached 1,433,500 G/T, topping in value the list of major export items and contributing markedly towards the nation's balance of international payments. Japan's shipbuilding industry owes its energetic recovery after the war principally to various liftup measures taken by shipbuilders, such as modernization of welding processes and transportation equipments, increased production of larger-type diesel engines, expansion of stocks for building larger-type vessels and larger output of good turbines. Thus, the annual shipbuilding capacity, which slipped to only 800,000 tons immediately after the war, has recovered to well over 2.2 million tons.

The adoption of new welding processes and the use of top-quality ship plates and other steel materials have also resulted in the production of lighter hulls, the economization of labour, the elevation of operation efficiency of stocks and the shortening of construction periods. As well noted in the amount of export ships, Japan's shipbuilding technique has thus attained the highest level of international standards.

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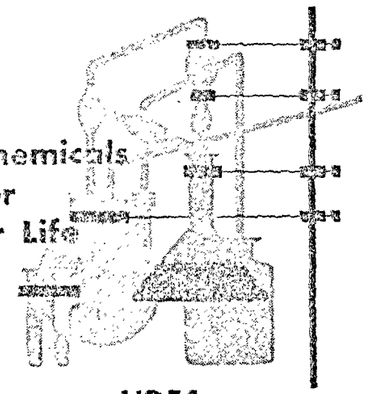
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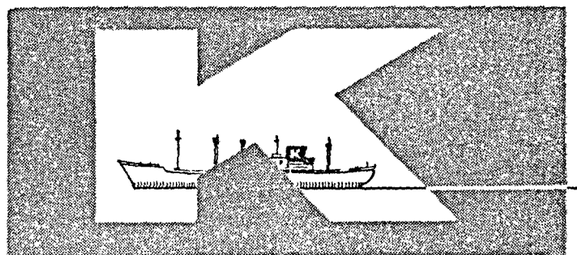
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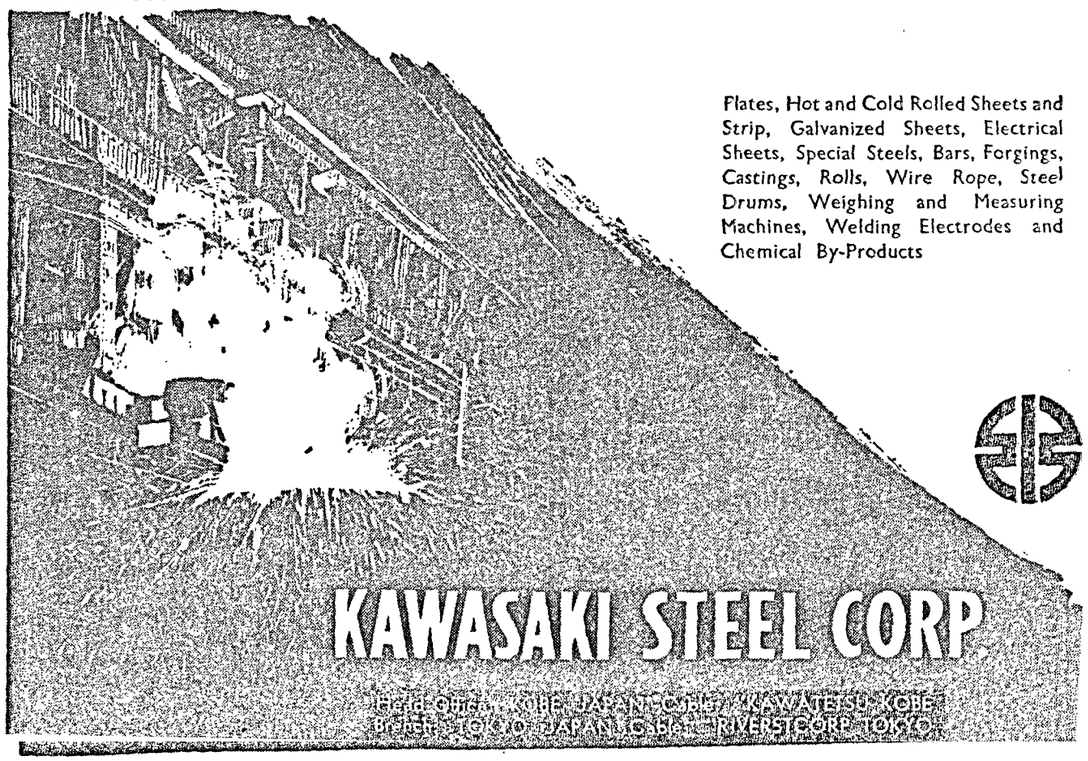
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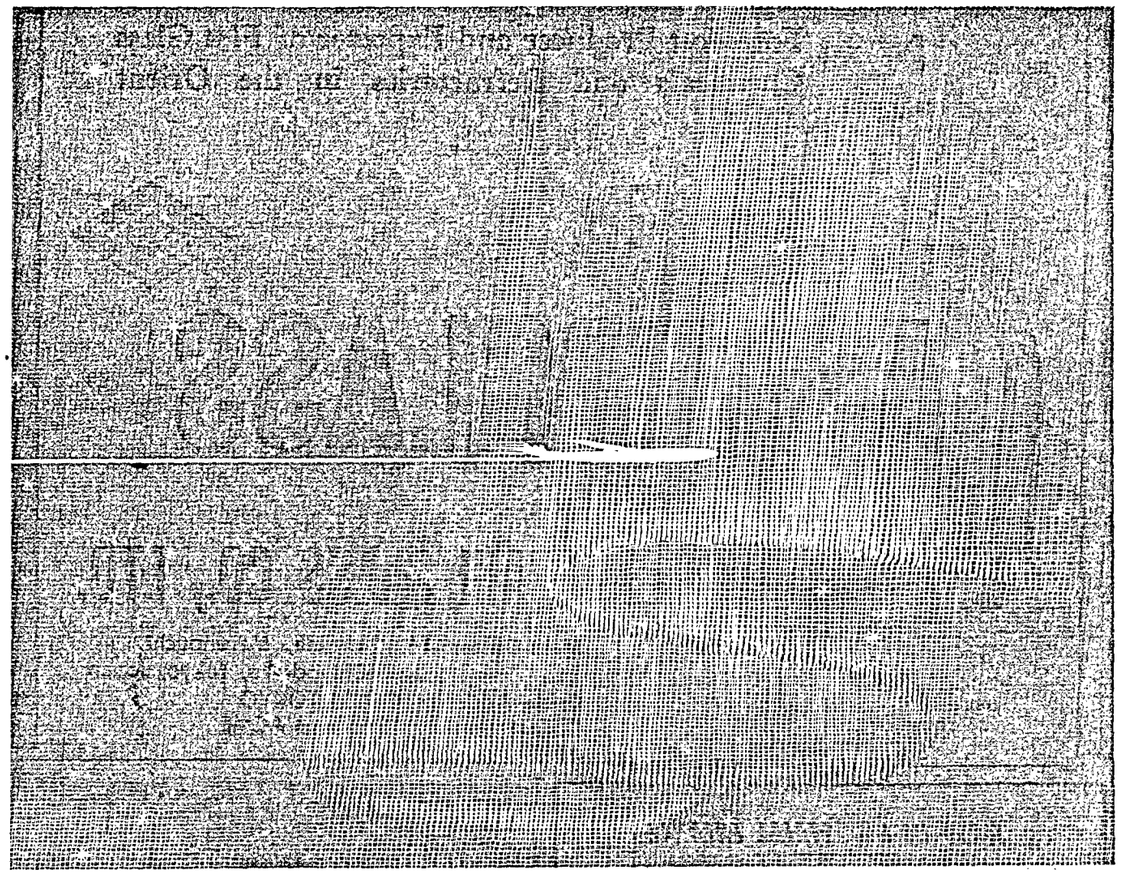
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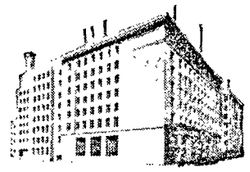
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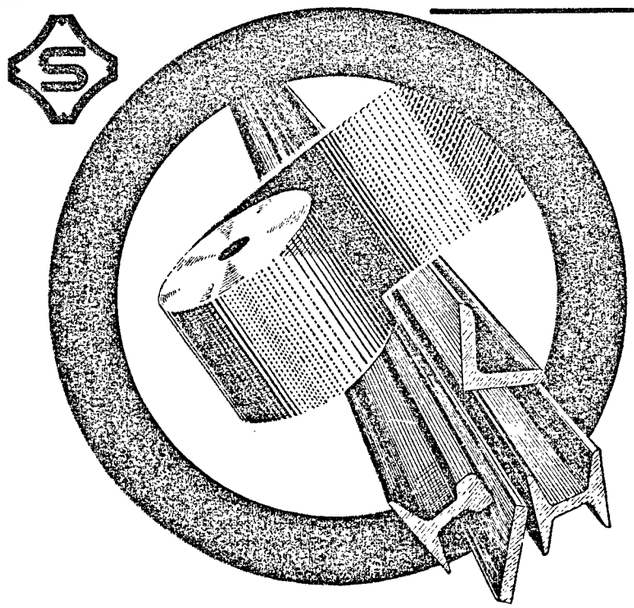
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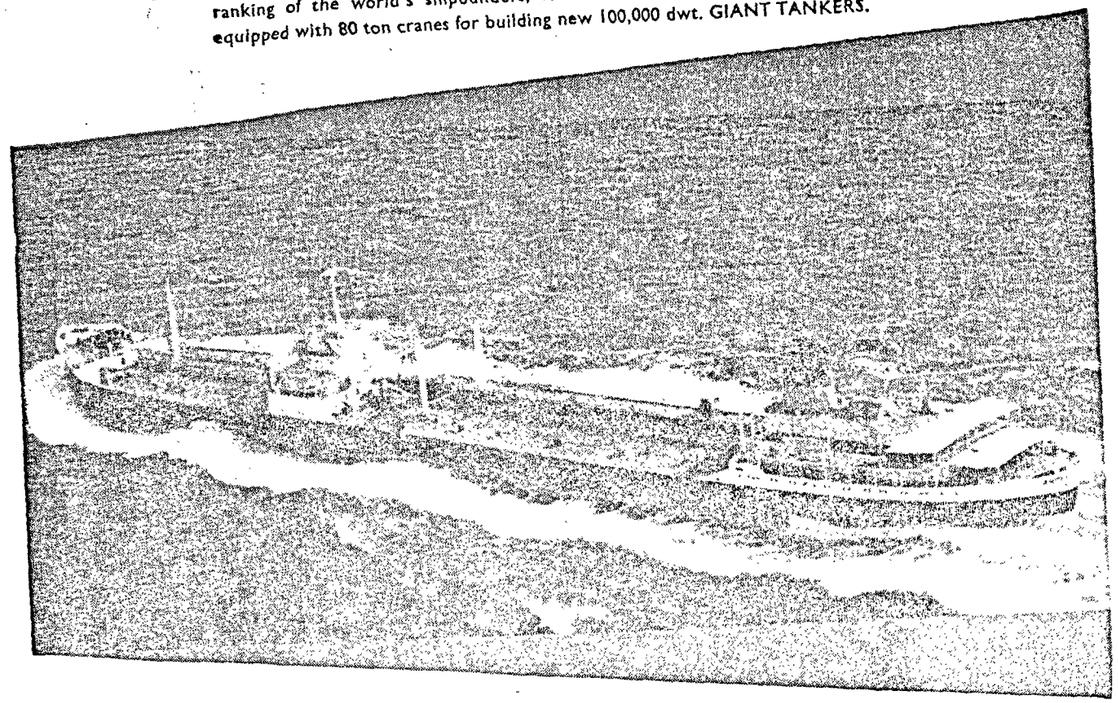
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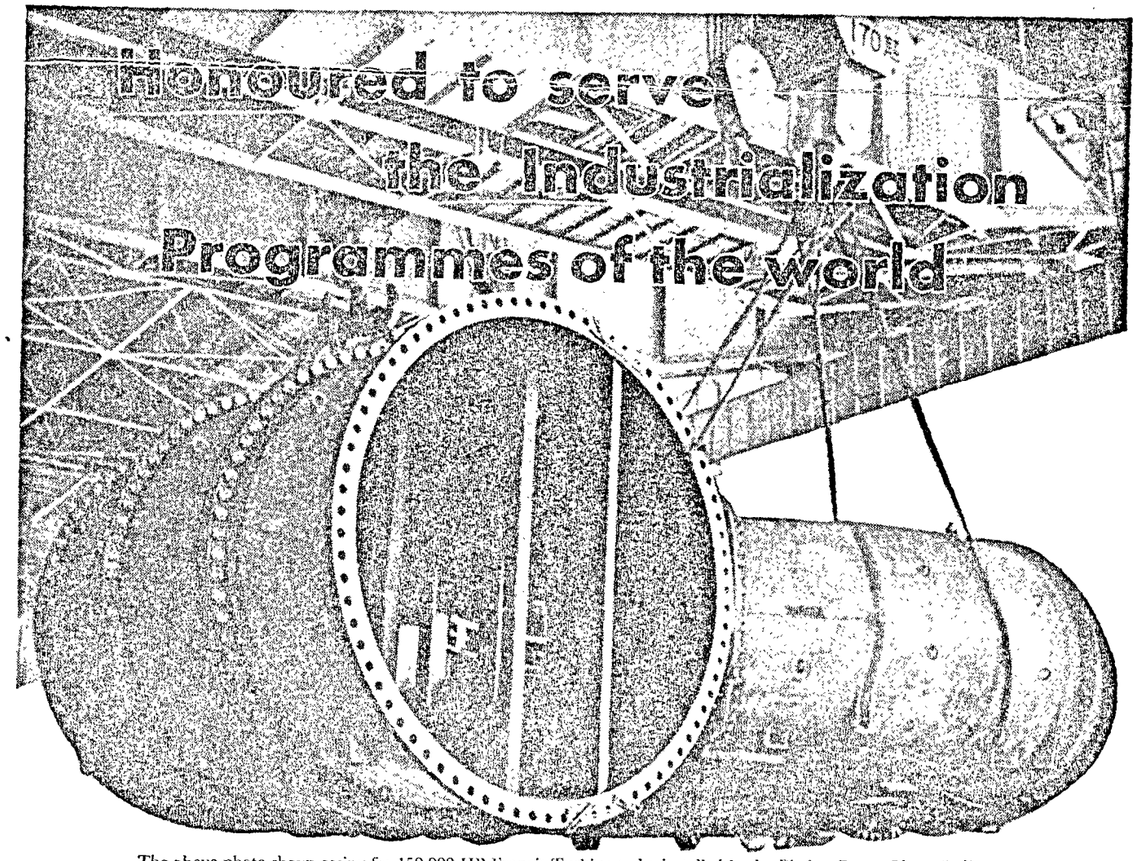
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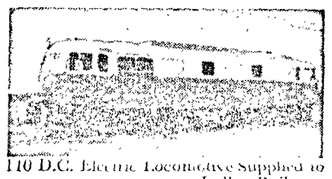
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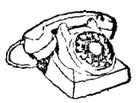
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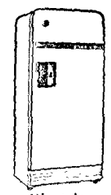


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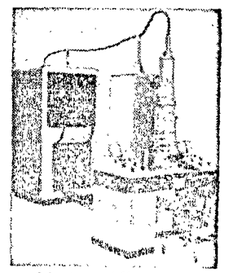
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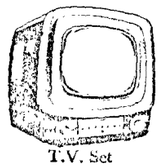

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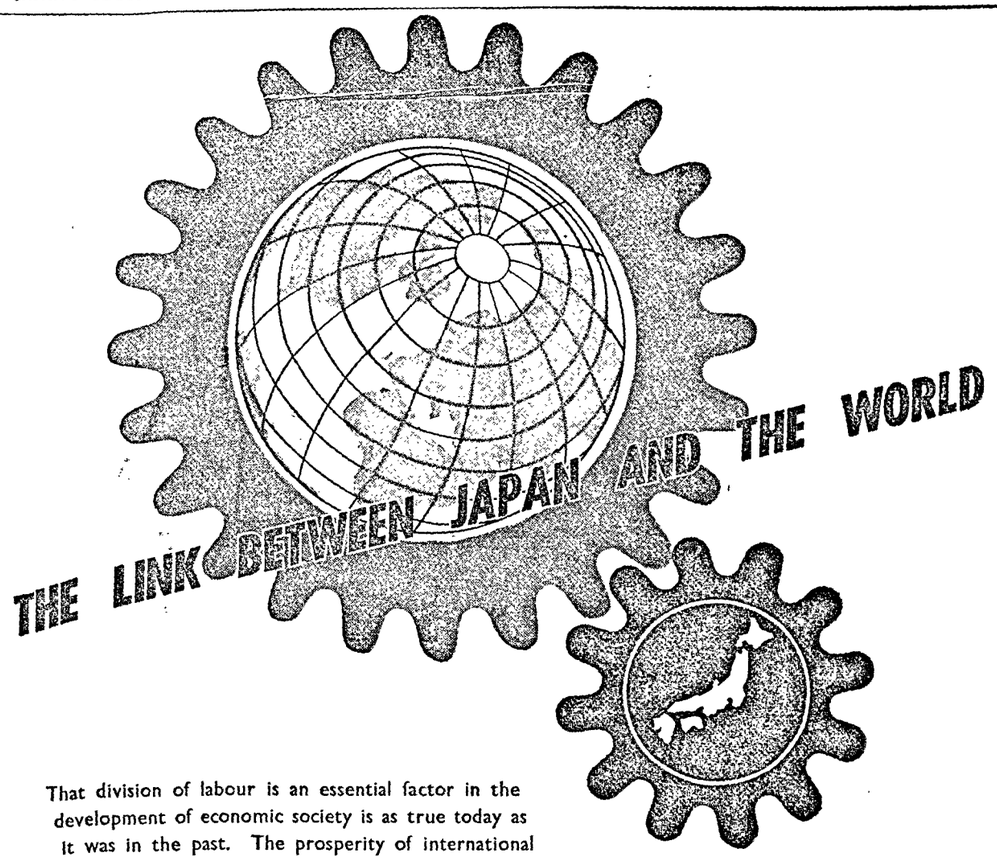

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In the Balance

ALMOST exactly a century ago, in the early summer of 1858, the American envoy who had followed Commodore Perry's squadron into Tokyo Bay signed the trade treaty which reawakened Japan to its first intercourse with the modern world. Ninety years ago, at the beginning of 1868, the young Emperor Meiji issued the restoration edict that took control of the country out of the hands of the last *shogun*, the heir of the military dictators who had wielded power more or less since the twelfth century. The long Rip Van Winkle sleep of Japanese feudalism had ended. Since then, Japan has been first the darling and then the despair of western liberals. By intelligently copying the West, it promised to be Asia's standard-bearer on the road to western prosperity. Then, by abusing its newfound industrial strength, it very nearly succeeded in converting eastern Asia into the empire of a semi-fascist dictatorship. As their second century in the modern world opens, the Japanese are making a second—and, so far, more promising—attempt to create a new civilisation out of an old nation.

Kipling's hoary nonsense about East and West is still quoted about Japan. The two have met, and yet it occasionally seems as if, like oil and water, they have failed to mingle properly. The aerials of a million television sets now sprout on the Japanese skyline, but many of them, perched above the thatch of village farmers' huts, have a highly incongruous look to western eyes. Again, the Japanese are assiduous readers, but the language they read, with its basically Chinese script, is far too cumbersome and complex to be convenient for discussion of modern technical matters. Nevertheless, in proportion to the population, Japanese newspapers have circulations bigger than those of the United States, and not very much less than those of Britain. And, for the Japanese, "reading" is not simply a matter of skipping from pictures to comic-strips and back; some of the mass-circulation dailies (notably the commendable *Asahi*, with a readership of four million) carry a considerable number of serious articles on politics and economics, and a visit to a city bookstall will glean an impressive harvest of intelligent periodicals as well as the usual array of glossy paperbacks.

The contrast is all the more violent when the visitor turns to the life of the average countryman on his tiny smallholding of a farm—still backward, still bound to the necessity of back-breaking labour six and seven days a week, still a foreigner to western notions of entertainment and culture. Perhaps the contrast helps to explain one oddity. Like the British, but even more noticeably, the

PARTIES AND POWER

At the opening of its present session, the 467 seats in the House of Representatives—the lower house of the Japanese Diet—were divided as follows :—

Liberal-Democrats	291
Socialists	157
Communists	2
Others	2
Vacancies	(15)

The Liberal-Democrats are the product of a merger in 1955 between two formerly separate conservative groups ; in the same year the right-wing and left-wing socialists reunited to form a single party. Except for two coalition governments in 1947-8, in which the socialists took part, the conservatives have been in power since the constitution took effect in 1947. The present administration, under the premiership of Mr Kishi, has been in office since February last year. The next election must be held by February of next year, and may take place this spring.

Japanese appear to keep their reading habits and their voting preferences in separate compartments ; the opinions of the newspapers they buy lie on the whole to the left of centre, but the governments they elect stand solidly on the right. The peasants, still one of the main props of the conservatives, have not yet been exposed to the impact of radical ideas as fully as the townsmen.

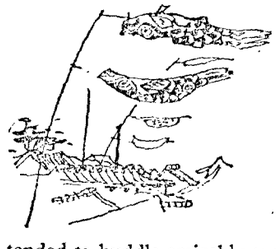
A similar phenomenon can be observed in the labour market, where old ways have not yet accommodated themselves completely to the usual practices of western industry. A Japanese employer is, by the standards of his colleagues in the West, both a lucky and an unlucky man. Managers who have had experience abroad say that few workers can be trained for skilled jobs so quickly as the Japanese—particularly the nimble-fingered and intelligent womenfolk, who make up a third of the entire industrial labour force and often monopolise the kind of workshop from which their British sisters would be excluded by the men. Perhaps because old habits of discipline die hard, labour relations are still relatively good, although the trade unions acquired real power for the first time after the war and are still testing their muscles. The usual pattern of events is for a rash of disputes to break out in the spring and autumn, when the more militant left-wing unions stage verbally ferocious "offensives," but for most of the disputes to be settled without any lasting bitterness. Except for the bad year of 1952, which was marred by a long and angry strike in the coal mines, the Japanese have lost fewer working days through industrial disputes in recent years, in relation to the size of their labour force, than the British.

But there is another side to all this for the employer: tradition also imposes on him obligations that his colleagues in the West do not share. Usually, when a workman has been taken on to the regular pay-roll of a company, he is regarded as having entered into a lifelong relationship with it. One consequence is that places have to be kept for the slothful and the inefficient even though better men may be available. Another is that many companies, whose wage bills would make British and American competitors green with envy, are also impelled by a sense of avuncular responsibility to spend large amounts on welfare and recreation schemes for their workpeople. In many ways this is an admirable attitude ; but it does not make for maximum mobility or efficiency of labour.

It is in the political arena, however, that the attempts of the Japanese to live up to western standards deserve most attention. The judgment must be that, on the whole, they have achieved a greater degree of stability than the pessimists might have expected, but that this stability is founded on the success of their economy since the war ; if the foundation cracks, the political superstructure may crumble as well. The occasional disorders in the Diet (which is little worse in this respect than, say, the Italian parliament has sometimes been) have been duly noted in the foreign press, but not enough credit has been paid to an equally important, and far more encouraging, aspect of postwar politics: the almost complete failure of the extremist parties on either the left wing or the right to gain any significant influence.

In the last three elections, when a consistent 75 per cent of the electorate have trudged to the polls, the communists have collected only two per cent of the votes. They now hold a mere brace of seats in the House of Representatives, although some socialists of the far left, and a few supporters of the old Labour-Farmer group, occasionally add to the number of toes on the party line. At the other end of the spectrum, the ultra-nationalism of the nineteen-thirties has reappeared in a number of ex-officers' societies. The redoubtable Colonel Tsuji, who planned the attack on Singapore in 1942, has regained a seat in the Diet, and perhaps a score of Liberal-Democrats are tinged with sentiments like his. But, except for the influence they may have exercised in the "revisionist" campaign—described in the next section—these survivals of the far right are distinguished chiefly by their bark ; and those of the wartime leaders who have returned to positions of real power in the Liberal-Democrat government—like the premier, Mr Kishi, who served in Tojo's war cabinet—appear to be making a genuine effort to accommodate themselves to parliamentary democracy.

One reason why the extremists have failed is that conditions are not propitious for them. The right wing, which before the war flourished on the powerful sentiment in favour of expansion into east Asia, now has nowhere to suggest as a possible *Lebensraum* ; and the communists have been harried by the police even more zealously than their comrades in America. But a more important reason is to be found in a peculiarity of the two democratic parties. Unlike the parties of Britain and America, which have tended to huddle amicably together on a middle ground of shared beliefs. They have their respective centres of gravity fairly far out to right and left. In the Liberal-Democrats' case, this shows itself in an enthusiasm for changing parts of the society the Americans imposed on Japan after the war and replacing them with parts copied from an older pattern ; an enthusiasm, be it noted, that is apparently not yet shared by the larger part of the population. In the socialists' case, it shows itself in the vitality of the pre-1955 leftist faction,



both within the united party and in Sohyo, the big trade union confederation which the faction dominates. The tendency to lean to the left is partly accounted for by the socialists' isolation from the mainsprings of social democracy in western Europe ; the Japanese party, asserting that its European counterparts are not interested enough in the special problems of Asia, turns back to a sterile re-reading of Marxist textbooks.

In one way, this tendency of the parties to lie away from the centre is a blessing. It means that Japanese voters who want to make a vociferous protest at the polls can find a means of expression without having recourse to the non-democratic parties. But in another way it contains the



seeds of danger. At the moment, the most striking characteristic of the electorate is the large body of moderate opinion which displays no marked zest for doctrinaire radicalism of either right or left. While this exists, it imposes a restraining influence on the centrifugal tendencies of both parties. These middle-of-the-road voters come chiefly from two groups, the farmers and the owners of the vast numbers of small businesses in the cities. The seventeen million peasants and their families, happy with the land they acquired when the Americans ordered the big estates to be broken up after the war, are still attached to the post-war reforms and, on the other side, suspicious of Marxist theories about land ownership. The small business men—and there are something like five million self-employed people in industry—still tend to give most of their votes to the conservatives, but are unresponsive to conservative wishes to change the war-renouncing section of the constitution. Thus Japanese politics are something like a see-saw, hanging in delicate balance on a central point ; if that moves, the whole balance may be imperilled.

So long as the moderates stay moderate, it seems that the conservatives will be able to remain in power for some time. In the last three elections, the socialists have slowly improved their proportion of the poll from a little over a fifth to not much under a third (though some of this represents only a recovery of support lost in the difficult years of 1947-48). They are now beginning to make inroads, in both town and country, upon the central mass of voters ; yet it will probably be two or three elections hence, even if they are able to continue their present rate of progress, before they get within striking distance of power. But it is possible to foresee that an economic crisis, by bringing distress to farmers and small *entrepreneurs*, might cause the central block to slide away from the centre ; and the volatility of the Japanese voter might then take the whole country plunging to one non-democratic extreme or the other. Which extreme it would be is anyone's guess. The odds are that it would be to the right, since a nationalist appeal is likely to find a wider audience, especially outside the towns, than a communist one. But it is difficult to forecast confidently exactly what would happen in the confusion and despair that would follow a breakdown of the economy.

This is to take the most pessimistic view. There are certain qualities in both parties that might grease the slipway to extremism if ever a movement away from democracy made itself felt. The notoriously factional nature of the Liberal-Democrats—their division into cliques based more on personal loyalty than shared beliefs, and as much on opportunism as either—might help an emergent "national saviour" of the right wing to gather round himself a cluster of parliamentarians eager for the electoral (and other) plums he could gather for them in time of trouble. The socialists also have their factions, but these are more ideological in character ; their chief weakness is their seemingly incurable readiness to turn their left ear to the delicious but dangerous siren songs of Marxist theorising. So far, however, neither tendency has gone too far. The great bulk of Japan's right and left, though the cleavage between them is wider than it is in Britain, still lie within the bounds of liberal democracy.

Whether or not they stay within these bounds depends, in the end, on whether Japan solves its economic problems. The testing time is likely to be the next eight or ten years. As later articles suggest, this is the period during which the greatest demands will be made on the economy—and during which the country's democratic backbone will still not have hardened properly. It will probably be enough if the economy does as well as it has done in the last half-dozen years, but there are signs that it will have difficulty in keeping up the pace. The Japanese might well feel rueful at the task set them ; it would test any statesman's athletic prowess to run an economic race while balanced on a political tightrope. The rest of the world, watching with critical eyes, ought at least to wish them luck.

WHO GETS THE VOTES

Since the end of the American occupation, in the spring of 1952, there have been three general elections for the House of Representatives. The proportion of the poll cast for the various parties in these elections was as follows (to the nearest decimal point) :—

	Oct., 1952	Apr., 1953	Feb., 1955	
Liberals	47·9	*47·7	†26·6	Now united as Liberal-Democrats
Progressives	18·2	17·9	—	
Democrats	—	—	36·6	
Right Socialists	11·6	13·5	13·9	Now united
Left Socialists	9·6	13·1	15·4	
Communists	2·5	1·9	2·0	
Others	10·2	5·9	5·5	

* Divided into "Yoshida" and "Hatoyama" factions.

† After the defection of a section of the party to help form the Democrats.

The percentage of the electors going to the poll was respectively 76·4, 74·2 and 75·8, with men voting rather more heavily than women.

Look Back in Yearning

The government's critics say it is trying to "turn back the clock." How serious is the trend?

IN 1947, the Japanese swallowed at one gulp a constitution concocted by the Americans to cure their political ills. The "MacArthur constitution" was compiled from American and British constitutional experience, and translated from an English text; sometimes so badly translated that puzzled politicians had to refer to the original. It demoted the almost sacred Emperor to a symbol of popular sovereignty, and forever renounced war as a means of national policy. It also created an elected upper house of the Diet, and decentralised government by providing for elected prefectural governors with control over education and police.

The medicine never sat entirely easily on Japanese stomachs. Since last summer a Constitution Revision Council—set up originally in 1956 by the Liberal-Democrats but boycotted by the socialists, and now sitting without them—has been examining proposals for altering the 1947 constitution. A good many Liberal-Democrats want to change it in a number of ways. They would like to rewrite Article 9, the famour war-renouncing clause, to bring it into accord with the fact that Japan now has arms and intends to have more. They propose that the Emperor should regain a little substance as "head" of the state, not just its "symbol." Some, with an austerely conservative social philosophy, would like to tone down the references to the "rights and duties" of the people in favour of some concept like "welfare and responsibilities." The entirely elective nature of the upper house displeases them, on the ground that it simply duplicates the House of Representatives. It is also suspected of lacking tone, because 80 of its 250 seats are currently held by socialists, mostly trade union leaders, and two by communists; the reformers would like at least 25 seats, and preferably a third of the whole, to be occupied by government nominees selected not for their mass appeal but because they are distinguished citizens—and also, no doubt, solid conservatives. Outside Tokyo, the amenders would like to replace the 46 prefectures with ten large "regions," each headed not by an elected governor—as they have been since the war—but by a government-appointed administrator.



Many Japanese, not all of them socialists, regard these proposals with regret and suspicion. Article 9 may no longer accord with reality; but reality, in the shape of a defence force that not only exists, by virtue of some semantic juggling with the constitution, but is in process of being expanded, is by no means universally popular. The first, and so far the only, victims of atomic warfare, the Japanese tend to cherish Article 9 as if it were in itself a magic talisman against a repetition. The socialists, indeed, insist that it is, declaring that in the age of missiles even a conventional defence force will serve merely to "attract the lightning" without being able to ward it off when it comes.

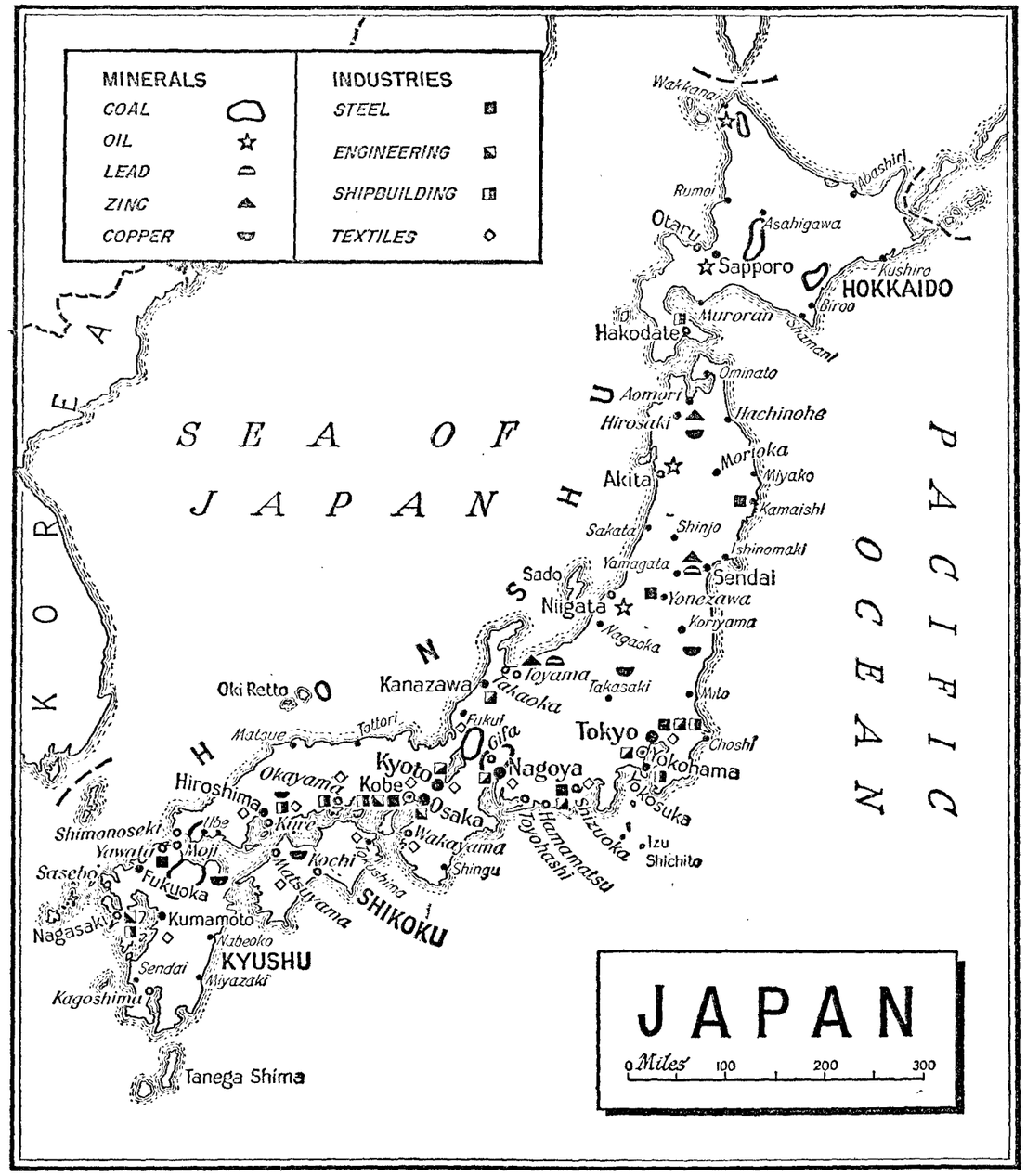
But there is an even more immediate objection than this. A good many Japanese suspect that revision of Article 9 would be merely the first step on the road to conscription, for without conscription it is difficult to see how the defence forces could be expanded much further; and, for the present at least, the Japanese would be the world's most reluctant conscripts.

Equally pungent objections are voiced against the other proposals for constitutional revision. The idea of exalting the Emperor's status is regarded by its opponents as designed not to enhance his popular prestige, which has probably never been greater, but to re-gild the tarnished old prewar concept of the "nation-state," in the name of which so many evils were committed not long ago. Some conservatives' desire to modify the concept of popular rights in the constitution conjures up, for the nervous, the same mental image of the nineteen-thirties. A streak of firm-handed paternalism runs through Japanese conservatism; signs of it may also be detected in the proposals to deprive the Diet's second chamber of even a part of its elective character, and to put the government's men in charge of the provinces in place of elected governors.

The first two steps towards revision were taken in 1954, in the time of Mr Yoshida's government. One was directed against the teachers, a body with marked and sometimes irresponsible left-wing sympathies; in addition to being forbidden to strike, they were banned from taking part in politics. The other measure re-asserted centralised control over the prefectural police forces outside the major cities by abolishing their local autonomy. These measures were not passed without a severe struggle in the Diet. At one stage the socialists tried to throw the Speaker bodily out of the chamber, and in the end the legislation was finally approved by conservative members sitting alone after the socialists had walked out.

Since then there has been nothing so spectacular, and meanwhile the conservatives' chances of obtaining the two-thirds majority of each house that is necessary for revising the constitution seem to have diminished rather than increased. But Mr Kishi's government has in its year of office shown a taste for flank attacks in default of a frontal assault. The ministry of education proposes to devise "proficiency tests" for teachers—which the teachers' union declares are intended to root out those whose ideological inclinations the government disapproves of—as well as to revive the good old concept of *shushin*, or ethical instruction. On the labour front, the government has stretched clause 17 of the Public Utilities Labour Law (which forbids strikes by railway workers, coal-miners, power company workers, and government employees) to cover several forms of protest action besides strikes: "workshop rallies," slowdowns, and also sympathetic strikes by other workers. It proposes to increase the penalties, which may include imprisonment, for workers who act "illegally." These steps have been energetically criticised by Mr Ray Coutts and Mr Victor Feather, who recently visited Japan on behalf of the International Confederation of Free Trade Unions, and who believe that such measures violate the guarantee contained in Article 28 of the constitution, protecting the workers' right to organise and to act collectively.

In defence of their determination to have a showdown with their opponents, the conservatives assert that the socialists have allowed their politics to become dominated by Sohyo, the bigger and more left-wing of Japan's two trade union confederations, and that they are thus encouraging "violence." "Violence" is one of the three evils Mr Kishi has pledged himself to eradicate from Japanese life, along with poverty and political corruption. There is just a grain of justification in this. The socialists, despite a public renunciation of violence, have on two or three occasions shown a brawny disregard for the politer conventions of parliament, and an un-Anglo-Saxon reluctance to submit quietly to defeat because their own innings will come later. Sohyo's regular spring and autumn "offensives" on the industrial front have clearly political motives, and are regarded by many socialists as far more important for the



political education of the masses than mere debates in the Diet. Sohyo represents over three million workers, or almost half the country's organised labour ; the great mass of temporary workers, and employees of small enterprises, have not yet been reached by the unions. Two-thirds of Sohyo's members are government employees of one kind or another, and among them are the 600,000 teachers, who tend to militant Marxism and some of whom are prone to preach too enthusiastically to their pupils. In all, out of the 310 delegates at the Sohyo convention last summer, there were only a handful of known communists but perhaps 60 fellow-travellers and allies of the extreme left.

The Japanese realise that those who control the schools and the newspapers are in the end likely to control the country. The conservatives are plainly anxious to get tighter control over the former. The press is mostly edited by men of liberal sentiments who are frequently critical of the government, and who seem to receive remarkable latitude from their employers ; but some Liberal-Democrats have recently been talking rather ominously about the "violence of the press." The word "violence" may prove capable of being stretched as much as the Public Utilities Labour Law : the Japanese language has an Orwellian elasticity that is a joy to politicians.

THE JAPANESE AND THEIR WORK

	(Thousands)		
Total population (1956)			*90,300*
Major cities (1955) :—			
Tokyo	6,969	Kyoto	1,204
Osaka	2,547	Yokohama	1,144
Nagoya	1,337	Kobe	979
Total labour force (1957)			*43,674*
Agriculture, forestry and fishing			17,030
Mining			593
Manufacturing and construction			10,022
Wholesale, retail and finance			7,329
Transport and communications			2,159
Others			5,996
Totally unemployed			545

It seems remarkable, and may be disquieting, that Japan's ruling conservatives should persist in their attempts to modify the postwar political structure in the face of what amounts to considerable opposition. A public opinion poll conducted by one of Japan's leading newspapers has suggested that 52 per cent of the electorate opposes constitutional revision. The Liberal-Democrats protest that they are not trying to put back the clock, but merely to set it at the correct time. The socialists, who upbraid the Liberal-Democrats for being too subservient to America, have ironically enough become the warmest defenders of the "MacArthur constitution," though they look on it merely as a convenient springboard for a leap into a kind of future the general never dreamed of. But there are many signs that a large number of Japanese want no very radical changes in either direction, towards either conservative or Marxist authoritarianism. True conservatives, they would apparently like things to stay much as they are. Such a state of affairs would put Japan among the world's most politically unexciting countries, on a level with the never-changing Scandinavians, and would not be without its own dangers.

IT would be wrong to assume that Japan was poised on the brink of black reaction. Most European liberals would agree that some repairs and alterations are needed in the political structure that the Americans slapped together with such zestful improvisation after the war. In particular, the schools and universities were infected by some of the more dubious concepts of American education, and in some places standards of higher instruction have sagged. If reform in education went no further than a tightening of standards, and a prohibition of the more outrageous forms of political proselytising by teachers, it would be respectable enough. A nominal change in the Emperor's status would do no harm if his prestige was not subsequently used for political purposes. Alterations in the system of local government are tolerable so long as they are chiefly designed to relieve the urgent financial difficulties in which local authorities have found themselves since the war.

But there are so manys *ifs*. The worrying thing is that the party which wants to make the changes has so many links with the politicians who permitted reaction before the war, and the party which opposes the changes is still largely committed to the academic forms of dogmatic Marxism. Fortunately, the central mass of moderate opinion among the electorate still seems to be strong enough to prevent any disastrous plunge to the right or left. But its moderating influence might well vanish if Japan subsided into a deep and prolonged economic crisis.

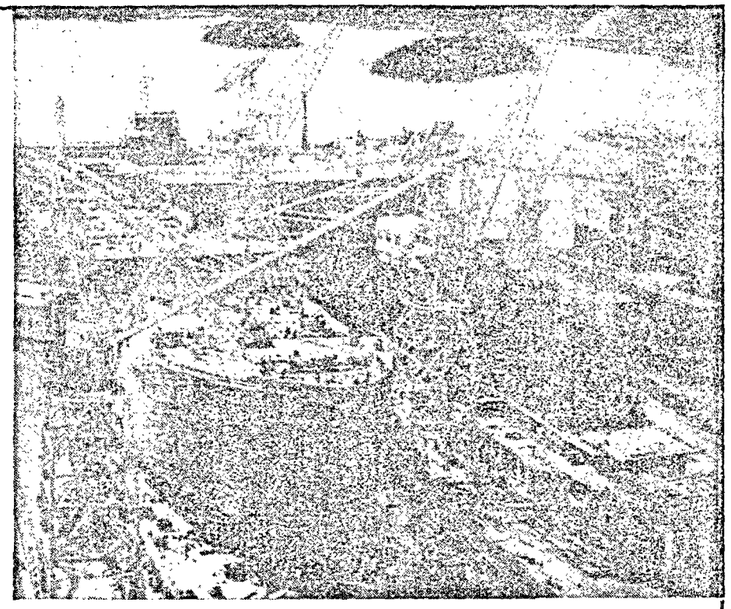
The Hundred Million Question

Too many people, too little space : and the trouble will get worse before it gets better

A SUNDAY afternoon in summer is the best time to see into the heart of Japan's problems. The stranger will observe it most clearly if he approaches it in bird's eye view, from one of the airliners that ply along the country's southern coastline. Here the tangle of mountains that make up most of Japan unravel themselves towards the sea, and a few small pockets of level land, all that nature has been able to spare the Japanese in the way of plains, open on to the shore. Green and lush, and cut by handsome rivers, in the early morning they might be somewhere in Devon or Sussex, except for the peaks brooding in the background ; on a holiday, by the time the sun is well into the sky, the beaches and the river banks are transformed into the front at Blackpool or Coney Island. Japan's ninety millions are coming out to play. A population that will soon be twice the size of Britain's, packed into an island home which is only fifty per cent bigger than Britain in total area and two-thirds of which is mountain and forest, is the root of almost all the troubles that confront the Japanese.

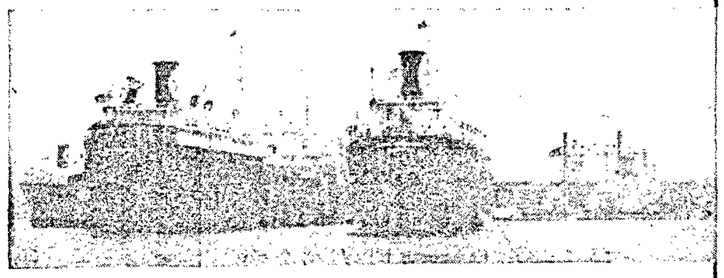
It was once ominously prophesied that when the population climbed to 90 million it would have reached the "explosion point." The point was reached more than a year ago, shortly before greater Tokyo outgrew London and symbolically became entitled to the distinction of the world's largest, if not handsomest, city. The explosion has not yet occurred, and if it does come it will be a different kind of explosion from the one that people foresaw before the war : not an explosion outwards into renewed colonialist

Established 1881



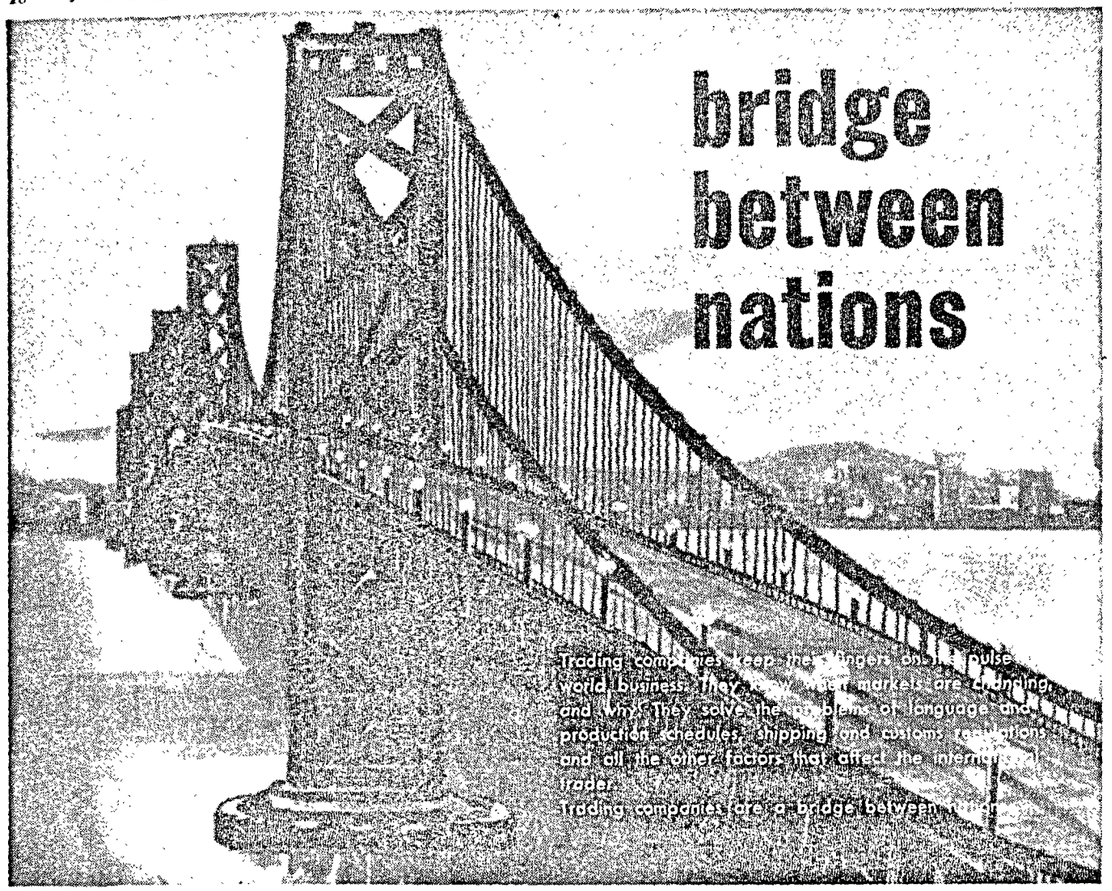
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aggression—because Japan is now hemmed in by neighbours more powerful than itself—but rather an internal collapse of the economic and political system. The structure has been creaking loudly during the last year, and all the time the pressure of numbers steadily increases. This is not just a temporary difficulty, a postwar boom in babies that will fall away within a few years. Nothing, except a blight of national sterility, can stop Japan's population from rising continually and inexorably for the next two or three decades. It is calculated that mothers-to-be who are already alive will carry it past the 100-million mark in 1971, and that it will go on growing after that, though a little more slowly, until in 1990 it reaches a peak of about 107 million—two-thirds of the present population of the United States in a land less



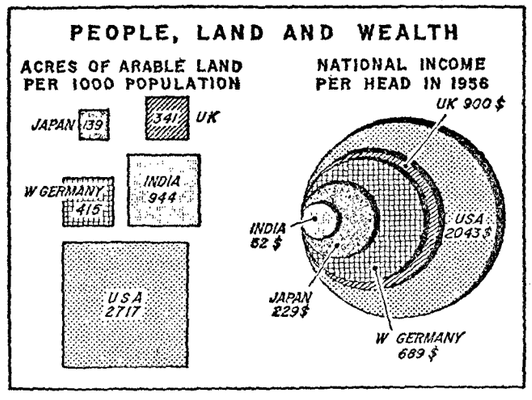
than one-twentieth of its size. Only then, as more and more Japanese pass into old age, will it falteringly begin to turn downward again.

All this is not the result of an expansion of the classic Asian pattern, in which the vast number who die young from disease is exceeded only by the even vaster number of babies born in a society uninhibited by western breeding habits. Japan's death rate and birth rate are both low enough to place it in this respect among the world's advanced countries. Today the average Japanese baby can expect to be protected by medical science well enough to live until he is over 60, twice as long as the average Indian; his younger brother born a decade hence can expect to survive an extra six or seven years and thus live almost as long as an Englishman. The birth rate is equally "European," being roughly on a level with that of France. Indeed, the statisticians reckon that in a few years' time a Japanese will be no more apt to procreate than a Swede and no more prone to die than a New Zealander. The problem of the next three decades arises chiefly because the death rate started to fall, under the influence of medicine and better living standards, twenty years before birth control cut decisively into the rate of reproduction.

Those twenty years, particularly the few just after the last war, produced a "bulge" in the population that has yet to make its full effect felt. And the birth control now being practised is of an abnormal kind; it is largely control by abortion, not by contraception. Although the manufacture and advertising of contraceptives were made legal after the war, far fewer people seem to have had recourse to them than to the Eugenics Protection Law of 1948, which permitted abortion for any undefined "physical or economic reasons." It is calculated that for every pregnancy prevented by contraception two or more are ended by abortion; and in the last couple of years there have been almost as many abortions as live births. The risks to health are obvious. It may be that unrestricted abortion, which many people mistrust and would like to control, will not be available indefinitely as an instrument for keeping down the population.

In their struggle for a livelihood the Japanese get little aid from geography. A glance at the map of the western Pacific shows why. Four lines of mountainous vertebrae converge across the ocean like a St. Andrew's cross—the Ryukyu islands from the south-west, the Bonins from the south, the Kuriles from the north-east and the Sakhalin chain from the north—and Japan lies spreadeagled where they meet in a jumble of peaks and volcanoes and narrow valleys. Apart from the ribbon of flat land round the coast, there are only half a dozen plains as much as 40 miles across. Hence the unending pattern of the landscape: paddyfields rising in tiers like an amphitheatre, paddyfields perched in cups of the hills, paddyfields cut out of a twenty-yard patch of level woodland. Only one acre out of every seven is arable, and to this one acre eight times as many people look for food as, say, in France.

The Japanese are superb farmers. They get a higher crop yield per acre than probably any other people in the world; but now they are close up against the limit. In the good years before the war it was necessary to import only one eighth of the staple foods needed. Now, as the number of mouths keeps on growing, the proportion has risen to a fifth—although rice is still kept partly rationed—and it may well rise still further. There are schemes to open up fresh land to agriculture, which show varying degrees of wishful thinking—by cutting deeper into the forests, or (in imitation of Soviet dreams) by sprinkling the barren northern uplands of Hokkaido with dark dust to catch the sun's enlivening rays. But as virgin land gives way to agriculture on one side the crawling city suburbs encroach on it from the other. Despite the good intentions, less land is under cultivation now than before the war. In any case, the new land would be too high and too dry to make good paddyfields, and although his diet now contains a good deal



more bread than it used to the Japanese still shows a stubborn preference for rice—when he can get it. Even if substantial areas of new land can be turned over to farming, and even if the peasants on their tiny plots—two-thirds of them on less than 2½ acres per household—can be coaxed into more rational methods of agriculture, it is difficult to believe that the nation's dependence on imports of food will not go on increasing for some time to come.

Despite all this, the Japanese are still better off than their

Asian neighbours. The food supply, in terms of calories, fluctuates too much with the vagaries of the harvest, and in the cities at any rate people have not yet climbed back to prewar standards of nourishment; but the average Japanese, everlastingly pecking at his snacks of rice and fish, gets about 2,100 calories a day, which does not make him as plump as an American but keeps him alive and reasonably zestful (so long as he stays an average Japanese: he does not have to fall very far to get unpleasantly close to hunger). In terms of national income per head, the extra wealth created by industry has borne the Japanese upwards to a point where they can begin to claim a "European" standard of life. They rank, in fact, with Europe's poor peasant countries, Greece and Portugal; their average national income, measured in dollars, is four times bigger than the Indian, if only a quarter of the British or the French. The moral is plain. If the problems posed by their swelling population are to be solved, if the Japanese are to fulfil their hopes of being the first Asians to break decisively out of Asiatic poverty, it is to their industry and to their ability to export the right products of industry that they must look. A sufficiency of food, and beyond that the comforts of a decent life, can be achieved only if they find answers to the complex difficulties facing them in production and trade.

Mathematics and Brick Walls

At home, the economy has certain weaknesses; but its greatest problem lies abroad

FROM the simple fact that there are too many of them, a number of conclusions flow which confront the Japanese with the exact logic of a mathematical equation. To provide for a certain number of extra mouths, the national income has to be expanded by a known amount; this calls for a calculable increase in industrial production, which in turn demands a foreseeable rise in the amount of imports they will need. The nightmare comes when they try to put the equation into practice. The problem is not merely to provide the population with material goods. It is also to provide them with work, for the political structure is far too fragile to withstand a massive and prolonged rise in the volume of unemployment.

With a total labour force of over 43 million, the government is enabled to boast of an unemployment rate of well under two per cent by the simple device of counting as employed anyone doing more than an hour's work a week. How many men and women there are without enough work can be guessed in various ways. One of the few stable facts of Japanese life is that the country's narrow acreage of farm land can give real employment to only about 14 million people; the figure has been roughly the same since the Meiji restoration 90 years ago, and when the farm population swells (as it did after the wartime destruction of the cities) it only means that farmers' families are taking in friends and relatives more or less on charity. Add to this the number of those doing only a fragmentary week's work in factories and the mushrooming service industries, and the total of seriously under-employed probably comes to something like seven million—a sixth of the labour force.

This is not all. As the population grows, the number of people seeking jobs will grow too—by a million or more a year until 1965, then more slowly as old age takes an increasing toll. Quite simply, it is reckoned that if the national economy cannot be expanded at a rate faster than four or five per cent a year (a figure itself comfortably in excess of what Britain manages) not only will the pool of surplus labour not dry up, it will grow even bigger. Only if the pace of growth reaches six per cent a year or more until 1965 will be problem start to be solved. But a total annual expansion of this size calls for an increase of 8 per cent or more a year in industrial production—since agriculture cannot be expected to provide very much of the new growth—and that, in turn, because Japan's own natural resources are running out, demands a rise in imports at the staggering rate of about ten per cent every year.

That is the task. In setting about it, the Japanese started with some of the same advantages as the Germans. They could build new factories from scratch out of the war's ruins; they needed to divert only a small fraction of their resources into armaments; and even their fertility, like Germany's influx of refugees, gives the economy an impetus as well as a challenge. But here the resemblance ends. It is not generally realised how meagre are Japan's resources of the things that industry needs. The fast-running rivers that drop down from the central mountains yield a rich supply of hydro-electric power, more than any other country enjoys except the United States and Canada. Coal, however, is found in quantity only in the far north and the far west, and that is likely to run out after another half century. Many of the Kyushu seams in the west are desperately narrow and expensive to work, and in any case there is very little top-grade coking coal, four-fifths of which has to

JAPAN'S DEPENDENCE ON IMPORTS IN 1956

	Production	Net imports	Per cent dependence on imports
	'000 metric tons		
Rice (1951/56 average)	9,627	1,050	10·9
Wheat and barley	3,715	3,199	46·3
Iron ore	1,052	7,870	88·2
Coking coal*	8,714	3,356	27·8
Crude petroleum	77†	2,549†	97·1
Soya beans	455	717	61·2
Salt (1955/56 average)	594	2,174	78·5

* Including semi-coking coal. † Million gallons.

be imported. Cotton and wool for the vast textile industry come wholly from abroad. There is practically no oil, and only a meagre sprinkling of iron ore. In these and the other raw materials most important for industry—like rubber, zinc, bauxite and phosphates—Japan relies on foreign sources to a frightening extent; in all, between 80 and 90 per cent are imported.

A second major handicap lies in what might be called the physical and financial sub-structure of industry. The Japanese railway train, teetering primly round a bend on its unduly narrow 3½-foot gauge, is a symbol of the antique inadequacy of the country's transport system. At least the railways cover the countryside more comprehensively than

the roads, and the owner of one of the trim little Datsun or Toyopet saloons produced by the car industry, as he bumps from pothole to pothole, can envy the train traveller his relatively smooth passage. The government has been negotiating with the World Bank for a loan to construct a decent truck road from Tokyo to Nagoya, in the industrial core of the country. But one new artery will not revive the whole circulation system, and the mounting expense and difficulty of transport within Tokyo's sprawling expanse are already beginning to make manufacturers look elsewhere. There is an equally rudimentary look, to British or American eyes, about the Japanese system of financing

INDUSTRY'S POSTWAR UPSURGE
(Industrial production: 1934–1936 = 100)

	1946	1951	1955	1956	1957*
All Industries	30·7	114·4	180·7	220·5	254·6
Mining	52·2	110·8	117·7	129·7	151·9
Metals	15·6	144·0	218·7	265·9	267·7
Machinery	51·4	197·1	249·7	395·8	458·6
Textiles	12·2	58·0	85·9	100·0	114·9
Chemicals	26·3	140·7	318·4	368·2	478·0
Food and tobacco	38·7	104·7	206·7	235·9	241·1

* Monthly index for November

industry. With a relatively undeveloped capital market, industry depends heavily on the banks, who themselves depend heavily on the Bank of Japan. In recent years a third to a half of all industrial funds have come from the banks, and much of this has been long term loans for equipment. A more flexible and diversified method of supplying capital would be invigorating.

THE planners' greatest problem, however, is undoubtedly the division of Japanese industry into virtually two worlds: the core of glistening, large-scale modern enterprises, often fit to be compared with the best in the world, and the myriads of tiny and frequently ramshackle family concerns that cluster around them. Like the Indians, the Japanese realise that "cottage industries" are inevitable in a country where the giving of work is important as the raising of productivity; but a circus consisting largely of elephants and fleas presents some peculiar problems for the animal-trainer. As recently as 1954, nine-tenths of the total number of establishments, employing a third of the manufacturing labour force, had fewer than 20 workers apiece. At the other end of the scale, a tiny number of giants with over 1,000 men each (there was only one such establishment for every thousand with less than 20) produced a much larger share of total output with only half as much labour. In many industries the two kinds are linked together in the chain of production; a great new shining factory in Osaka or Tokyo may depend for small parts or half-finished materials on a score of primitive family firms conducted in neighbouring back-garden sheds.

Of course, the degree of concentration in any given industry varies with the advantages of large-scale production. An economist will find it significant that the sectors in which the big firms have fared best this decade, compared with the small ones, are the burgeoning chemical and machinery industries. In the last four years the component parts of the old *zaibatsu* cartels, the commercial octopuses that were chopped up on American orders at the end of the war, have been reaching out their tentacles to each other again; although the financial control is much less centralised than it used to be, the Mitsui and Mitsubishi trading empires have now regained much of their prewar pattern. Nevertheless, the degree of concentration in industry as a whole shows no signs of growing; and the little firms, with their low productivity and their early Victorian labour relations, still play a considerable role in the economy.

The phœnix upsurge of industry since 1949, when Mr Joseph Dodge was called in by the American occupation forces to put the economy to rights, has tended to blind observers to the magnitude of Japan's difficulties. Admittedly, this success has been spectacular. Production has soared up out of the war's-end shambles, passing the figures of prewar "normalcy" in 1951 and going on to double them and—in the chemical and machinery industries—to treble and quadruple them. Textiles alone have failed to share in *Jimmu keiki*, "the best there ever was"; the national income has gone up on average by nine per cent a year in the last few years—more than is necessary from now until 1965. But much of the thrust behind this advance has come from fortuitous factors—postwar rebuilding, the "Korean" boom, and American aid. And last spring the economy ran with a crash into a brick wall. As the hectic boom of 1956 progressed, the strain began to show in

PRODUCTION OF SOME COMMODITIES IN 1956

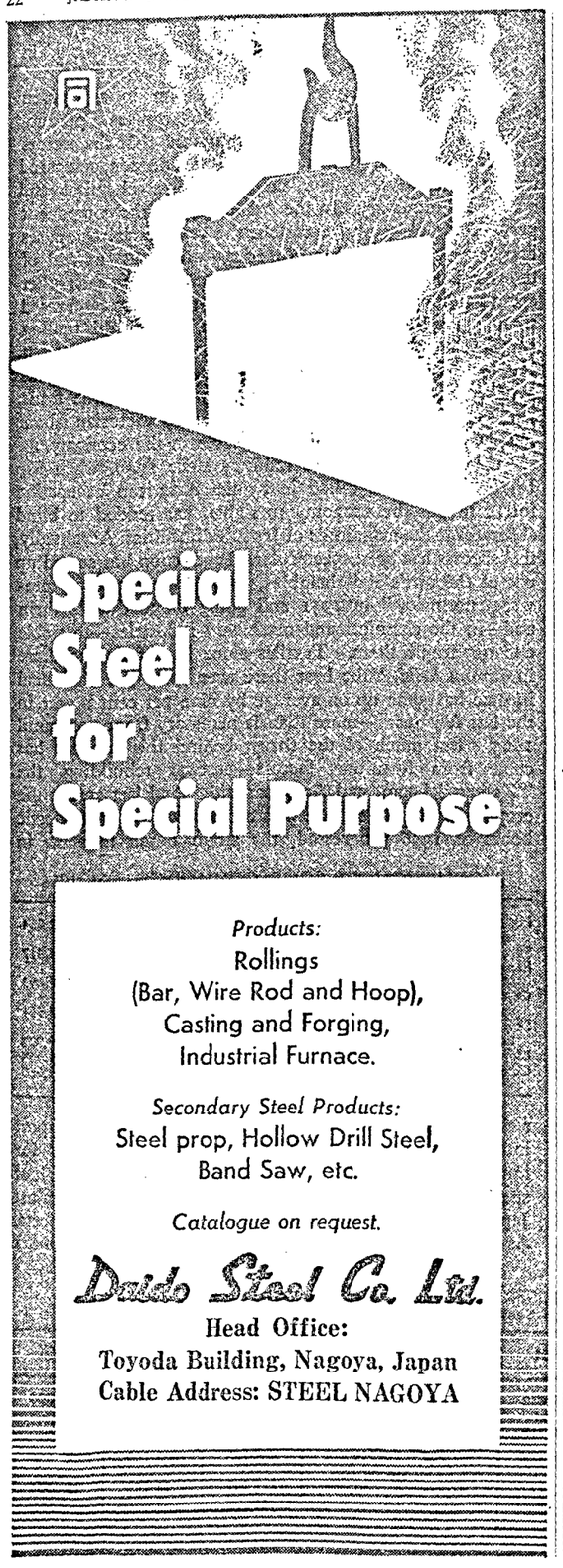
Pig iron ('000 metric tons)	5,987	Silk fabrics ('000 sq. yds.)	212,854
Steel ('000 metric tons)	11,106	Cotton fabrics ('000 sq. yds.)	3,479,617
Electrolytic copper ('000 metric tons)	126	Rayon fabrics ('000 sq. yds.)	920,693
Cement ('000 metric tons)	13,024	Spun rayon fabrics ('000 sq. yds.)	1,112,251
Sewing machines (number)	1,897,788	Machine tools ('000 dollars)	19,928
Bicycles (number)	1,397,340	Ships ('000 gross tons)	1,504
Cameras (number)	1,306,699	Elec. power (mn. kWh.)	73,560

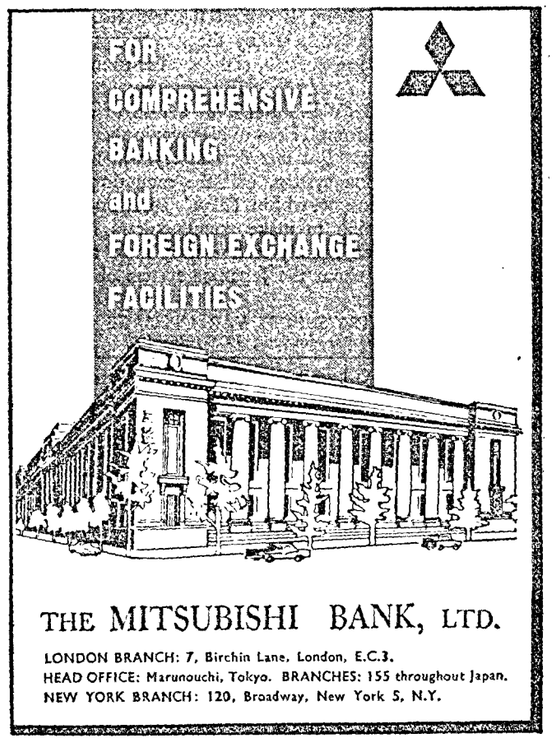
a shortage of capacity in the coal, steel, power and transport industries. Then the swollen demands of industry for imported raw materials (made worse by a good deal of speculative buying from abroad) came up headlong against Japan's inability to pay for them by selling enough exports. As the reserves of foreign exchange fell, the government

SUPPLY OF INDUSTRIAL FUNDS
(Million Yen)

	1935	1951	1952	1953	1954	1955	1956
Capital market funds (stocks, shares and debentures)	842	105,628	159,334	207,089	160,541	123,974	316,086
Own capital (depreciation and retained profits)	1,280	496,219	447,485	660,489	618,690	724,564	n.a.
Banks (including other financial institutions)	370	640,217	796,495	735,838	405,168	466,168	1,087,666
Government finance and special accounts	—13*	72,172	97,256	93,052	117,547	98,182	104,734

* Net decrease.







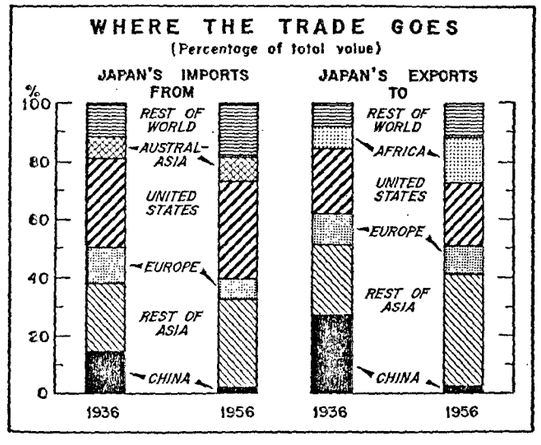
was forced to slow the economy down: bank rate was raised, a credit squeeze enforced, and restrictions imposed on the financing of imports.

By the end of last year these measures had worked well enough to bring imports and exports roughly back into equilibrium again, though by then the country had been stripped to its underclothes of foreign exchange and production had begun to fall. But this experience was a sample of the dilemma Japan faces. The nation's industry has proved in the last few years that it can produce enough to give the Japanese now living, and those yet to come, a steadily improving standard of life—if Japan can pay for enough raw materials from abroad. If it cannot, the same process may occur again and again: first an acceleration of investment and production, to keep pace with the insistent demands of the population statistics, and then a painful thud as the balance of payments runs into trouble. Britain, which has a similar problem, should sympathise; Japan suffers from it much more acutely. On the one hand, an urgent necessity to go very fast indeed; on the other, a speed limit imposed by the world's reluctance to buy enough Japanese goods. If Japan is not to bump along from crisis to crisis, it has to find new and bigger markets overseas.

Heartbreak of a Salesman

Where are the Japanese to sell their goods?
So many doors are shut to them

WHERE the boots of the Imperial Army tramped 16 years ago, the shoes of the salesmen now pad on their soft inquiring way. Their destinations are Manila and Jakarta, Peking, Rangoon and Saigon; and, beyond that, the other capitals that the soldiers aspired to but never reached. The briefcases that their wearers carry contain some awesome requirements. Last year the value of the goods that Japan sold abroad, though well above the previous year's total, fell short of the cost of things it bought by some £520 million, or 30 per cent. The gap, which would have been larger but for the deflationary measures imposed in the early summer, was partly closed by the profits on invisible trade, including the dollars spent by the American forces in Japan; but even after they were counted it cut the remaining reserves of gold and foreign exchange by a third. Somehow the difference has to be made up. In addition, in the next eight years Japan has to find a way of paying for a 10 per cent rise in imports



every year, in order to keep the economy expanding at the required speed; each million that is added to the population may cost up to an extra £14 million a year in food and textile materials alone. All in all, this means that by 1965, if American assistance stays at the same level, Japan will have to export roughly twice as much as it does now, to a world that appears to be increasingly unwilling to help it do so.

In a decade in which all other statistics have been rising triumphantly past prewar levels, trade has remained obstinately earthbound. Imports, at least, passed the 1934-36 volume a couple of years ago, but exports have yet to catch up with it. Japan's failure to share in the general expansion of world commerce has several causes. Traders, who in the nineteen-thirties were able to follow the army's bayonets into China, now have to use persuasion elsewhere. China itself is virtually closed to them by the allied embargo imposed during the Korean war. The new nationalist states of south east Asia, still mistrustful and hostile after the war, are building industries of their own to make many of the things Japan used to sell them. The result is that the Japanese now enjoy only half as large a share of the world total of business as they enjoyed before the war; they have lost their place as one of the great trading nations.

This sluggishness has been accompanied by a radical change both in trading partners and in the kind of goods exchanged. The iron ore and coking coal that flowed in from Manchuria and northern China before the war now have to be obtained elsewhere—coal from the United States, ore from Malaya, India and the Philippines as well as America. Independent Korea and Formosa are no longer willing to buy and sell as much as they were forced to when occupied. One or two other Asian countries have moved up in importance, especially Siam and Burma as providers of the essential rice supplies. But fundamentally the whole emphasis of trade has been twisted round from eastern Asia to face in new directions: towards America,

JAPAN'S BALANCE OF PAYMENTS
(million dollars)

	1951	1953	1954	1955	1956
Receipts	2,241	2,120	2,309	2,668	3,225
Exports	1,297	1,156	1,532	1,954	2,402
Invisibles	943	964	777	713	823
Payments	1,909	2,314	2,209	2,174	2,931
Imports	1,725	2,101	1,962	1,848	2,470
Invisibles	184	213	248	326	461
Deficit (−) or Surplus (+)	+331	−194	+100	+494	+293
*Special dollar receipts**	n.a.	812	603	557	595

* Various items of dollar income arising from presence of United States forces plus some other small dollar items.

southern Asia and Africa (to the anguish of the business men of Osaka, whose heads were turned the wrong way). Asia as a whole, instead of taking a half of Japan's exports as it did in the mid-1930s takes only two-fifths ; simultaneously, its share of Japan's imports has fallen—and the United States, going up as Asia goes down, provides a third instead of its prewar quarter. The consequence is that, in addition to acquiring a permanent dollar problem, Japan has now become firmly plugged in to the American economy ; and, like Europe, it is exposed to any fall in voltage emanating from there.

The changing structure of the economy is reflected in the kind of shipments going in and out. Food, which accounted for only a modest fraction of imports before the war, has swollen to about a quarter of the total over the last few years. Roughly another fifth—nearly twice as much as in the nineteen-thirties—is made up of the prime requirements of heavy industry: coal, oil, ores and steel scrap. (These two items changed places in relative importance during last year's boom, since the industrialists' demand for raw materials was even more urgent than the need for food.) These are the sectors in which imports have gone up most spectacularly. The biggest drop in imports has been cotton—from more than a quarter of the total to less than a sixth—for the stagnant textile industry. Heavy industry is usurping the place of light, as the economy grows more mature. On the export side, textiles have also been the chief sufferer, since the first act of every new-born Asian nation seems to be to prove its statehood by throwing up a cotton mill as soon as it hoists its flag. In the face of this competition Japan's sales of cotton and silk fabrics have steadily dropped. To some extent they have been replaced by rayon products, and textiles as a whole still account for a third of exports. But the evidence is plain that the future lies with the new and expanding industries. Steel and other metals, machinery, ships, tools and precision instruments—by last year these had risen steadily to form a third of all exports, and there is a potentially growing demand for them in both the old and the new countries.



But exactly how and where is Japan to sell more? Except as world trade as a whole rises, the Japanese cannot hope to make very great advances in the dollar countries and in much of the sterling area, where they are confronted with a hedge of tariffs and quotas, with consumer prejudices and governments brandishing Article 35 of Gatt. Small wonder that traders look wistfully over the narrow seas to China, that once great market through whose ports only a trickle of trade now passes. China possesses many of the raw materials that Japanese heavy industry wants, and never lets a chance pass of saying how much it would love to buy the goods Japan makes. Undoubtedly the present embargo on trade with China is unreasonable, and should be amended as soon as American public opinion can be persuaded. But it is necessary to be realistic about what will then be possible. The things Japan would chiefly like from China are iron ore, coking coal and soya beans. Even if, by a miracle, it could take all its requirements of these from Chinese sources, they would still amount to little more than 10 per cent of the present total of Japanese imports. But, in view of what is known of China's production figures and the double demands of industrialisation and exports to Russia, it is virtually certain that the Chinese cannot spare as much as this. Their total output of iron ore is little more than enough for Japan's annual demand, and their own new steel mills are hungry for this. A few other things, like salt and animal feeds, might help to push up the total of trade three or four times above the present slender figures. But another calculation, by an American economist, has reinforced the belief that the Japanese cannot put too much hope in the communist segment of the world. Even if they took all the communist block's exports of the half-dozen commodities of which it has a big enough surplus to meet Japanese requirements (and this includes items like Polish coal, already committed to other buyers), they would still be doing little over a tenth of their trade with the block. This is not the Aladdin's-lamp transformation that so many Japanese dream of.

There remain the countries of south east and southern Asia, the Middle East and Africa: Japan's white hope. Last summer Mr Kishi offered a plan to President Eisenhower, by which the Americans would furnish the south east Asian states with a development fund of several hundred million dollars to spend on goods bought mainly from Japan. The idea met an equally cool reception from Congress, then in an economising mood, and from the states involved, who want the dollars but would rather spend them in America and Europe ; one of Japan's crosses is the fact that its steel and machinery prices are often higher than those of its competitors, because the competitors possess their own raw materials and have spread modern techniques more widely throughout their industries. Too often Japan is the marginal seller: the last to edge its way into many markets, it is also the first to be edged out again when things become difficult.

All that the Japanese can do, for the time being, is to make as many *ad hoc* arrangements as possible that will encourage southern Asia to buy Japanese. This is the kernel of Mr Kishi's much-advertised "economic diplomacy," a not very precise term which embraces a variety of measures but indicates the heart of the matter: that Japan's power in the world depends on its solvency. An £18 million credit has just been negotiated with India, and smaller loans are being offered to seven south east Asian countries. Mr Fujiyama, the foreign minister, has concluded a reparations agreement with Indonesia this year which may stimulate a market there for many goods. This, the last major reparations issue still unsettled, virtually winds up the unfinished business left over from the war. But Japan still faces the uncomfortable fact that most of the countries to which its chief hopes are pinned, in addition to being still suspicious of Japanese intentions, are also very poor. It looks with mixed feelings on the present world fall in commodity prices, which may bring relief to its import bill but will also tend to make some of these countries even poorer. Not surprisingly, its hopes still turn toward America, fountain-head of the dollars that could help both them and it. Without some kind of intervention, the clouds that have been threatening for the past year are liable to grow still blacker.



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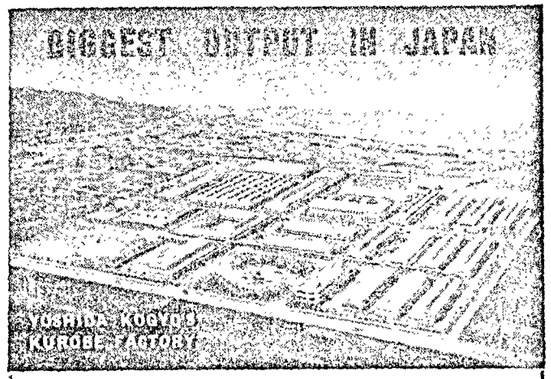
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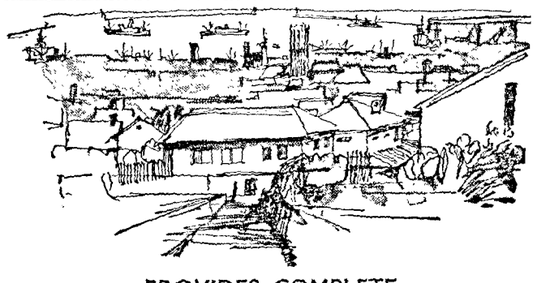
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Odd Trader Out

The past still leaves its mark on Japan's commercial relations with the world

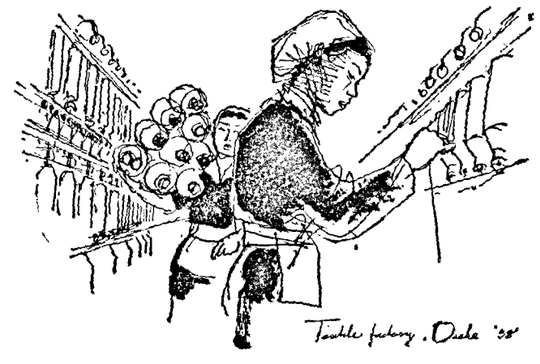
THE bogey-figure of a little yellow man from Japan in large glinting spectacles has long haunted the nightmares of the honest Lancashire weaver and the Bavarian toy-maker. After Japan burst into the white trader's preserves fifty years ago, its products came to stand in the eyes of many western traders for low price and sweated labour, for a talent and speed in imitation which outdid invention itself, and for the possession in extreme form of that quality so characteristic of developing nations, communist or free—the will to beat the West at its own game. There is no doubt that before the war there was truth behind these sentiments. Ruinous dumping of Japanese cottons, the sudden appearance in Woolworth's of a flood of cheap knick-knacks, straightforward copying of Paisley shawls and willow-pattern plates (even stamped on occasion with the insolent inscription, "Made in England"): all these posed real problems for Lancashire and Stoke in the years of depression. And war added a host of other prejudices to the commercial resentments against the Japanese.

However, the practices which aroused competitors' ire before the war have long since returned home to plague their parent. Japan's skill at imitation and its lack of commercial scruples—as well as its plain ability to make certain goods more cheaply than its rivals—have encouraged other trading nations to treat it as an economic leper, subjecting its exports to discriminatory tariffs and quotas. There is a vicious circle here. Japan's industrial revolution and soaring population compel it to find markets. But the very desperation of its efforts to sell has closed many doors in its face. Many a respectable housewife of the trading world, knowing the wiles of this importunate salesman, with his array of bootbrushes and paper clips, his tray of cheap fountain pens, has barred the door and placed a large notice outside: "No hawkers from Japan."

The removal of the stains upon its name has therefore become an urgent commercial necessity for Japan, as it has struggled painfully back into the markets of the world since 1945. In the last few years both government and business leaders have made constant efforts to curb malpractices, both through industrial federations and through statutory powers. Complaints from Britain that textile designs were being copied led to searching talks between the industries of the two countries in 1954. As a result the Japanese industry set up a centre entrusted with the registration of all designs and the prevention of imitation. The policeman has had considerable success (the British committee not long ago expressed "great satisfaction" at the results attained) and the example was followed last year by the Japanese potteries. Both centres are making useful contributions to what is perhaps the only lasting answer to the problem—the creation of lively Japanese designs which can lead taste instead of following it.

The Japanese are now losing some of the cost advantage which formerly so annoyed competitors. In large industries, where union wage rates apply, labour costs in Japan can be as much as two-thirds of those in Britain, even though the average is a good deal lower. In heavy industry—steel, and to some extent engineering—the high cost of imported materials has pushed up costs above those of western Europe. Even in cotton, though labour costs are probably still about half Britain's, Japan is no longer at the bottom of the list. Against India and China it is being forced to compete on quality instead of price; and the Japanese are now so familiar with the protective reactions which are aroused whenever they are successful in a foreign market that government and industry have combined to operate a system of "orderly marketing" quotas, limiting the expansion of exports to many areas.

BUT it is easier to besmirch a reputation than to polish it up. Lancashire is not easily persuaded that its ingenious competitor has quite given up old ways. In terms of costs, small family firms in labour-intensive industries still enjoy an obvious advantage over European competitors. Nor has imitation entirely ceased. The rough copying of a trade mark—say, some simple animal shape—and the use of "European-looking" packaging, which can easily mislead illiterate purchasers, are habits that die hard. The tiny family business in Osaka in some industry which has excess capacity—making cottons, sewing-machines, consumer oddments—cannot afford scruples; and it is not easy to catch the copycat, particularly if the imitation is rough and only partial. Willingness to learn is a great industrial asset, and even if straightforward imitation could be stopped the habit of borrowing the best ideas from advanced industrial nations seems likely to persist for many years. But is this really immoral—or confined to the Japanese? Short of capital,



but endowed with abundant labour, many small Japanese firms find it is good business to cut spending on research and development and produce on the cheap. Two points should be emphasised. One is that the sphere in which Japan is still suspected of unfair trading is a limited one, accounting for only a small part of its total exports. The other is that low prices are not of themselves something improper; they may be merely enviable.

The responsibility for the present situation does not lie entirely at Japan's door. Its need for markets is genuine and urgent. If rough and ready trading methods have helped to raise barriers against Japan, the discrimination which its exporters encounter in so many markets has

in turn forced them to adopt desperate expedients in the effort to sell. The Japanese often argue that such copying of textile designs as persists is inspired by merchants overseas. The local Indian trader in some west or east African market which has been dominated by a large British company sends a sample of Lancashire stuff to his Japanese supplier to show *him* what will sell. The British competitor may well reply that it is no defence to argue, when you burgle a house, that someone else has opened the door. Nevertheless, there are genuine problems facing an exporting nation that seeks to elbow its way into markets where not only tariffs but consumer habits and marketing channels have been made by someone else. Somehow this odd man out amongst the trading nations has to be allowed to find a place in the sun.

Japan's isolation as a trader found political expression until 1955 in its exclusion from the General Agreement on Tariffs and Trade. It was then admitted to the club, but not as a full member. A staunch group of old members, led by Britain, still refuses to grant to Japan the full benefit of the "most favoured nation" treatment which is the core of Gatt. Yet many countries of the western world have gradually been opening their markets to Japanese goods. The United States, in particular, has been fairly generous to Japan since the war, and was the first among the great trading powers to grant most-favoured-nation treatment. The population of Japanese origin scattered through California has provided a stable outlet for a few Japanese goods, such as tuna fish, and a way into the market for some other products. Japanese sewing-machines and cottons have had spectacular successes. But, even in America, Japan's success has brought the usual nemesis, an increase in protection. Under the threat of worse, the Japanese sewing-machine industry agreed to a severe "voluntary" limitation of its exports to save the American industry from collapse. And Japanese exports, of course, suffer from more general protective measures. Woollen manufacturers, like their British counterparts, have plenty of tales to tell about the absurd seasonal vicissitudes which have stemmed from the tariff quota on woollens. Rich though the American market is, it is also unreliable.

In Europe, the Belgians and Dutch have for some time been fairly liberal, and Professor Erhard has steadily broadened German import quotas on Japanese goods so that Japanese cameras and toys are offering serious competition to the powerful home industries in certain price ranges. But in very few European countries is Japan permitted to compete on truly equal terms in the sectors where its goods are most competitive. At present a new trade agreement is being negotiated with Britain. On the whole, Japan cannot yet expect much alleviation of the present restrictions, which limit its exports almost entirely to food and raw materials. If quotas were eased, the Japanese would probably gain considerably in only a few sectors. But the domestic political consequences of such a relaxation might be great, and Britain can point out that Japan for its part continues to give heavy protection to some of its own industries. Perhaps the calculation would be different if there were a greater awareness in this country of how much the people of that island on the other side of the world still tend to look to Britain for friendship and help.

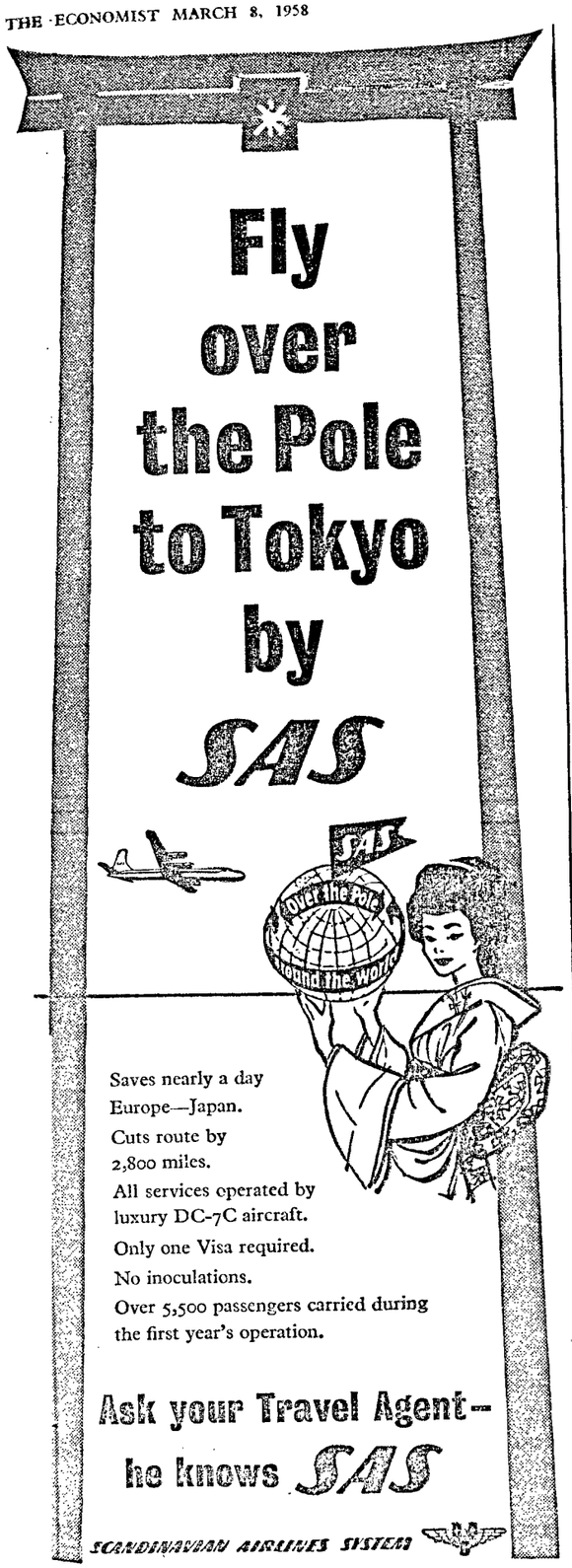
SHUNNED by much of Europe, Japan is bound to look for markets mainly in the Afro-Asian world. Here the withering of commonwealth preferences is working in its favour. India, Pakistan, Ceylon and West Africa, though protecting their own industries, treat the Japanese on equal terms with other exporters as far as quota restrictions are concerned. Among the old Commonwealth countries, New Zealand and South Africa are still inhospitable to Japanese imports. But last year a major shift in Australia's policy took place. Hitherto it has allowed Japan scarcely a taste of the feast which many European exporters of consumer goods have been enjoying in the past ten years. But while Britain's limitations as a market for wool and wheat are becoming more and more evident, Japan's demands are swelling steadily. Australia has now recognised the importance of this growing market in the far East, and has virtually extended most-favoured-*nation* treatment to the Japanese. It is true that the concession is highly qualified. "Peril points" for the reintroduction of quotas have been worked out. And the principle will become permanent only if, after three years, the Australians find that their own light industries have not suffered too much. The Japanese are handling this precious gift with care, and are carefully limiting the growth of their exports.

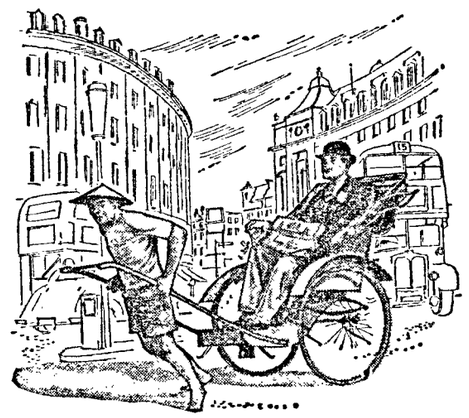
Discrimination against Japan is on the wane in Asia and Africa; but these new markets have severe limitations. Other producers—India, the communist countries—are offering a challenge in the low-price field. Japan's low-cost industries are just those which every young developing country first sets up. For exporters of capital goods the young countries are full of promise, but it is a promise which may only be fulfilled at the price of constant credits—which Japan, poor in capital, is ill-qualified to provide. In time, the crowded Japanese islands must become a staple exporter of capital goods and of products of a high industrial technology. But Japan still has far to go in technology; and it feels painfully its exclusion from the secure, richer markets of the developed western world.

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Changes in certain commodities since before the war. (1,008 Yen=£1)

Commodity	IMPORTS			Commodity	EXPORTS		
	Average, 1934–36	1956			Average, 1934–36	1956	
	Per cent	Mn. Yen	Per cent		Per cent	Mn. Yen	Per cent
Wool and cotton	38·2	252,647	21·7	Cotton and rayon yarns and fabrics	26·1	190,167	21·1
Foodstuffs	8·0	234,224	20·2	Machinery and ships	6·1	174,095	19·3
Coal and oil	8·1	145,445	12·5	Iron and steel products	2·6	80,420	8·9
Chemicals and machinery	n.a.	116,810	10·0	Foodstuffs	7·8	63,447	7·0
Iron ore	1·2	52,747	4·5	Chemicals	3·2	38,403	4·3
Soya beans	2·1	30,473	2·6	Cement	0·3	13,681	1·5





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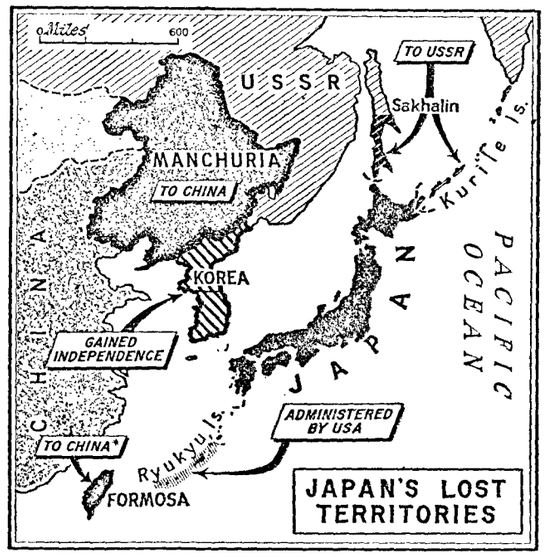
Japan's foreign policy is starting to stir a little —within the straitjacket imposed by the hard facts of today's world

A NON-COMBATANT crouching in a shell hole in no-man's-land has few opportunities for displaying his skill at tactics. Japan's place on the map severely limits the extent to which it can pursue an active foreign policy of its own. On one side looms the vast continental bulk of the two great communist powers, China and Russia, with whom the breaches of the last war have not yet been formally repaired and whose social system is quite alien to Japanese traditions. On the other side, across the Pacific, stands the United States, which defeated Japan in the war and which now holds the power to make or break its economy. In the divided world of the mid-century, Japanese who dream the hopeless dreams of unqualified independence may be excused for picturing themselves as caught between two devils and the deep blue sea.

During the premiership of Mr Hatoyama, which lasted until the end of 1956, Japanese foreign policy consisted of three chief aims : to secure a peace treaty with Russia, to increase trade with China, and to achieve greater equality in relations with the United States. These cards remain, but Mr Kishi has added some of his own and has also reshuffled the pack. Relations with Russia and China have now moved lower down the list. At the same time, Japan has shown new initiative in two ways : in its "economic diplomacy" in south eastern Asia—a part of the world that was not neglected by Mr Hatoyama, but is being even more ardently wooed by Mr Kishi—and in its emergence in the United Nations as a spiritual Scandinavia, mediating placidly between the heated contestants of the various blocks. Although diplomatic relations with Russia were restored after the Moscow negotiations of 1956, the prospects of a complete peace treaty have receded into the distance. Mr Fujiyama, the foreign minister, has said that unless Russia hands back some of the southern Kurile islands which it gained after the war, "normal relations will be impossible"; and so far he has not been shaken by Moscow's attempts to bully him with restrictions on Japanese fishing in the seas off Siberia. An expansion of trade with China is still sought, but Japan has declared that it will not recognise the Peking government, and the premier has been briskly peddling his notion of a south east Asian development plan in a series of visits to Asian countries that pointedly included Formosa.

All this, and Mr Kishi's claim to have opened a new era in Japan's relations with the United States, have provoked the Chinese communists into accusing him of being "America's mouthpiece." Last year he went to Washington, played golf with President Eisenhower, and brought home the "gift" of a large-scale withdrawal of American troops from Japan. No matter that the withdrawal had already been decided upon in principle by the Pentagon ; the fact remains that Mr Kishi considerably impressed his hosts as a man well aware of the communist danger.

It is true that the Americans stopped well short of committing themselves to financing his south east Asia development plan. But Mr Kishi is a patient man, and he has by no means given up hope. He originally proposed that the United States should contribute upwards of $300 million to a development fund for the south east Asian countries to draw on, and that Japan's role would be to supply the capital equipment and the technical expertise to be purchased with the money. Almost everywhere he went on his travels, his plan was compared, often rudely, with the ill-famed "co-prosperity sphere" of before the war—by which, under the guise of "co-operation," Japan proposed to milk the other countries to its own advantage. Many of the nations concerned would prefer a multilateral aid scheme in which the funds were distributed by some kind of international organisation. Why, critics have also asked, should Japan be allowed to insert itself as a middleman in what would in practice be an American-financed aid plan for the rest of Asia ? In reply, Mr Kishi has once more assured his nervous Asian neighbours that the Japanese have no sinister intentions. To meet the critics' wishes, he now proposes that any development funds that are forthcoming should be placed in a common pool and administered jointly by the



* Now Nationalist Chinese government.

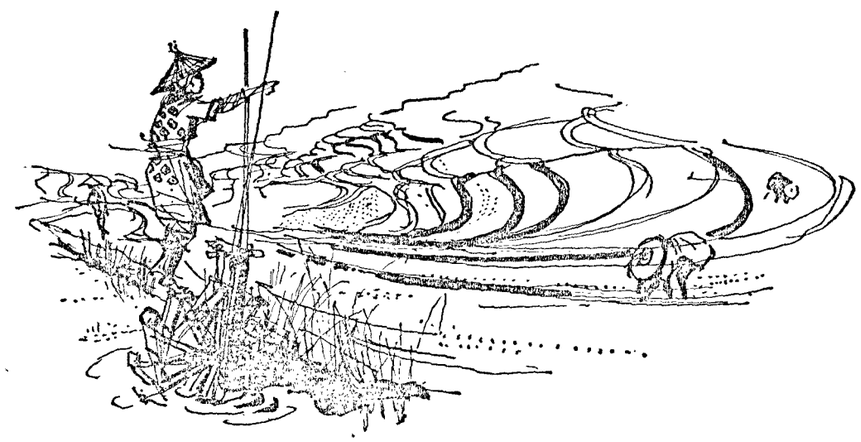
countries concerned, with all countries having an equal voice ; and Japan itself is starting by putting £5 million into the pool.

This has been christened "economic diplomacy," but the old-fashioned political variety is not being entirely neglected. Japan was admitted to the United Nations at the end of 1956, and as an American *protégé* its rise has been rapid ; this year it took a seat as a non-permanent member of the Security Council. At the same time, a degree of at least verbal independence from America is being asserted. Last year, the Japanese delegate proposed a resolution in the General Assembly, calling for the suspension of nuclear bomb tests, which was simultaneously and firmly rejected by both Russia and the United States—an uncommon

combination which the Japanese foreign office hailed with pride because it "proved Japan's impartiality." Mr Kishi has lamented both the arms race and the American yearning to "negotiate from strength." He suggests that Asia is well suited to the role of mediator between the two great blocks, and that Japan in particular, being Asian itself, has a better understanding of Asian psychology than the United States. Mr Fujiyama, echoing his leader, has called on both America and Russia to "respect the views of third countries." Japan seems to be making a bid for the halo of moral leadership in Asia that Mr Nehru has long worn. The difference—and the difficulty—is that Japan specifically eschews ideological neutrality, and 1941 is still a little too recent for the halo to sit quite straight.

THIS attempt not to appear in Asian eyes as merely an instrument of American policy has, however, to be reconciled with the necessity of keeping close ties with the West. These ties are most evident in the continuing presence of American forces on Okinawa in the Ryukyu islands, over which the San Francisco peace treaty left to Japan only a dim "residual sovereignty," and of air bases in Japan itself. These are a source of continual friction: it is easy for the government's critics to claim that the bases in Japan take land that the Japanese themselves badly need, and that if Okinawa were handed back by the Americans the Russians could be put under an obligation to do the same with some of the southern Kuriles. Mr Kishi is under constant pressure from the socialists to disentangle Japan entirely from the American alliance and to persuade the airmen to quit their remaining bases. But, if Japan is to count on any real military defence at all, it must still depend on the Americans for it. Even by 1960, its own ground forces will still number only 180,000 men; their fire-power is light, their weapons are American and not of the most modern kind, and their morale and discipline are, in many units, lax. The air force and navy are equally rudimentary. The only combat aircraft are some obsolescent Sabres; and, although the navy is relatively a little stronger—it included 16 destroyer-type vessels last year—it is doubtful whether it is yet equal to any more serious function than protecting Japanese fishing craft from the pounces of South Korean gunboats.

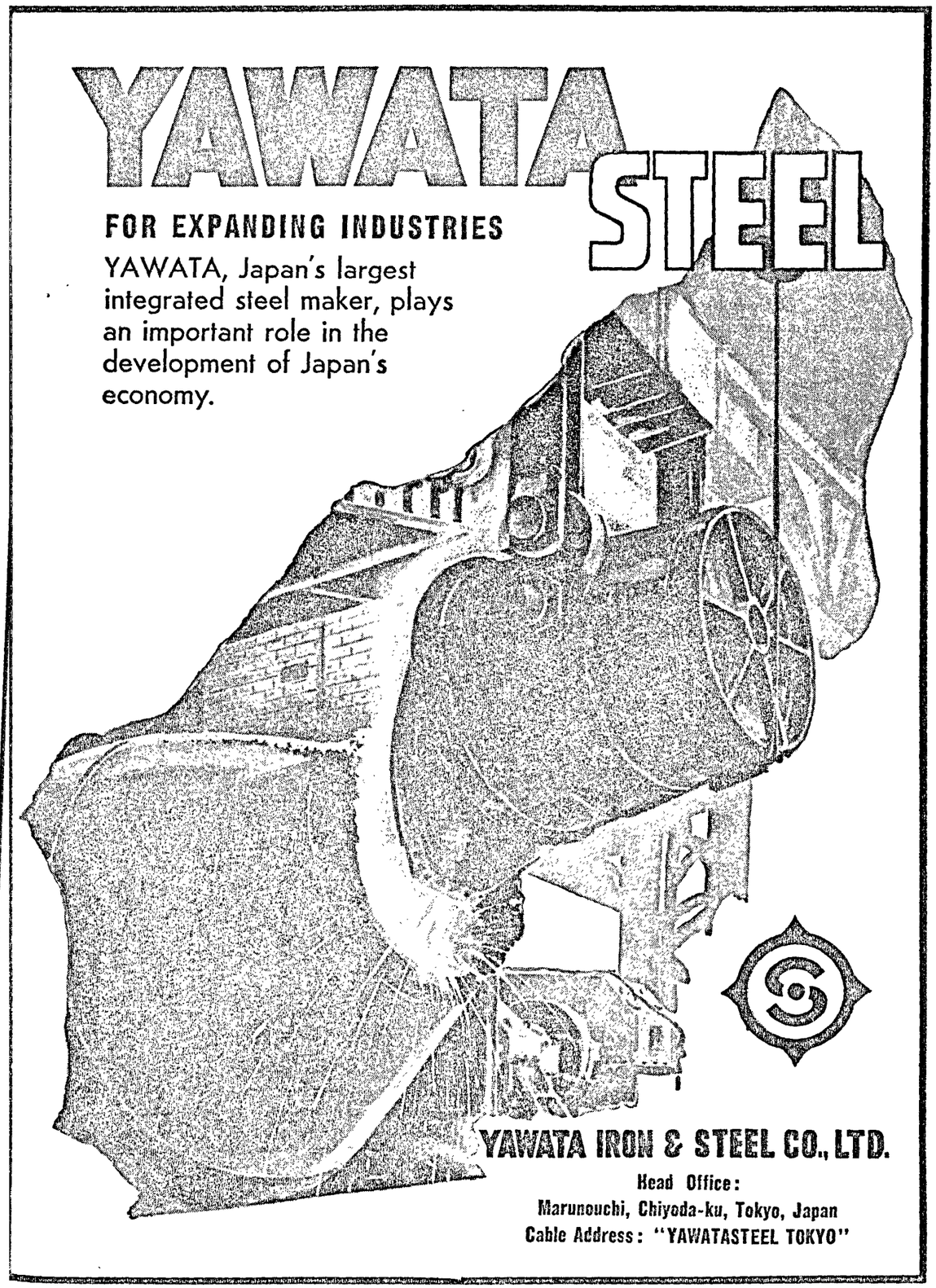
At the moment the army's strategy assumes that an attack, if one comes, will be directed against Hokkaido; the largest corps is kept there, and the staff has prepared a plan to reinforce it from the other islands. Since the total force that can be deployed comes to no more than about seven



divisions, this makes military sense only on one of two assumptions: either that the Americans will rush more reinforcements in, or that the Japanese forces are simply a tripwire to entangle the invaders' feet until the bombers of Strategic Air Command come into action against their bases. But perhaps, in their hearts, the Japanese leaders apply to their own country the maxim they publicly apply to the rest of Asia: that arms alone are not enough to save it from communism.

The history of Japan might be roughly summed up as ten centuries spent under varying degrees of Chinese influence, followed by two centuries of isolation dramatically ended by Japan's emergence as an armed industrial state bent on establishing its hegemony over eastern Asia. The attempt not only failed, it left Japan facing a new China that had embarked on a programme of industrialisation even more ambitious than its own. Some observers, including Professor Toynbee, believe that in the long run Japan will be unable to resist China's gravitational pull. Japanese intellectuals, who now tread the road to Peking at the rate of 2,000 a year, often come away disillusioned and muttering that "we did not escape from one well-run prison only to seek admission to another." But the old magnetism remains, and it is pulling hard on the traders. If the West were to show no response at all to Mr Kishi's ambitious plans for south east Asia, and if the lobbyists in Washington were to start tightening the squeeze on American imports from Japan, heads might begin to turn eastward again.

The policy of Mr Kishi and Mr Fujiyama embodies a very important truth: that if the Japanese cannot look to China for their economic future, they must look to the ring of countries that stretch from the Philippines and Indonesia to north and west Africa. In many ways, Japan's postwar resurgence has been as astonishing as Germany's. It has concluded reparations agreements with almost all its wartime victims, and has started offering aid to small neighbours like Cambodia and Laos. Japanese firms and technicians are busy in India, Ceylon and Pakistan. A Japanese department store is to be shipped to Teheran, complete with Japanese salesgirls. In Cairo, a Japanese mission has gravely discussed with Colonel Nasser the possibility of helping Egypt to build the Aswan High Dam, and Japan is hoping to drill for oil in the Middle East. It would be remarkable if "economic diplomacy" were not coloured by political ambition. The Japanese fully expect to play once more a leading role in Asia and the world. Less than six years after the American occupation, they are cautiously, but with increasing confidence, making their voice heard again.



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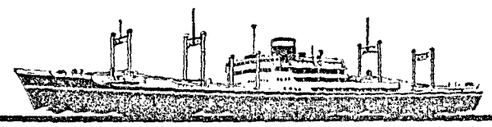
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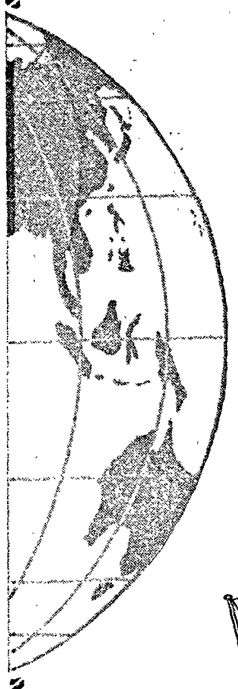
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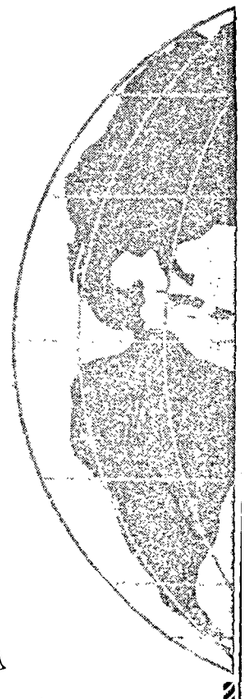
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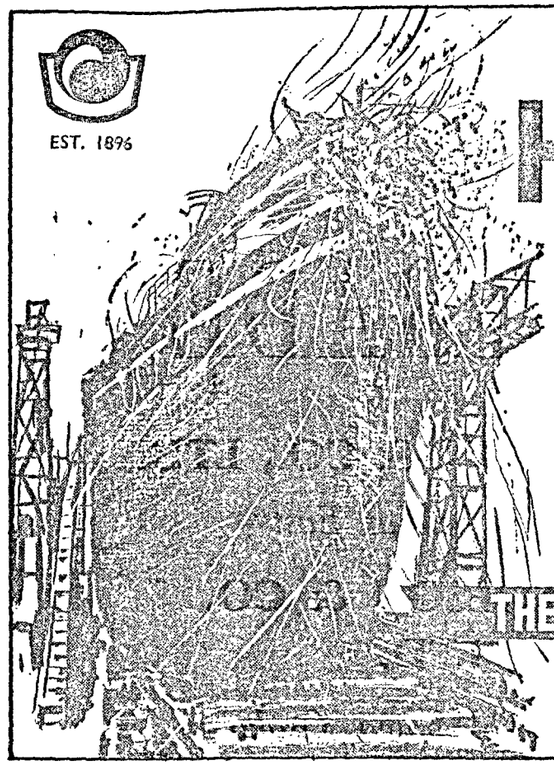
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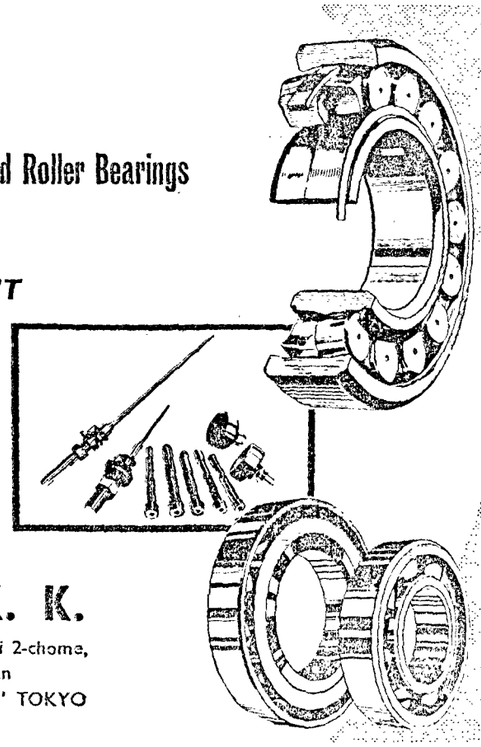
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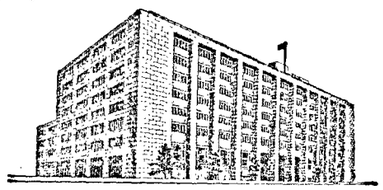
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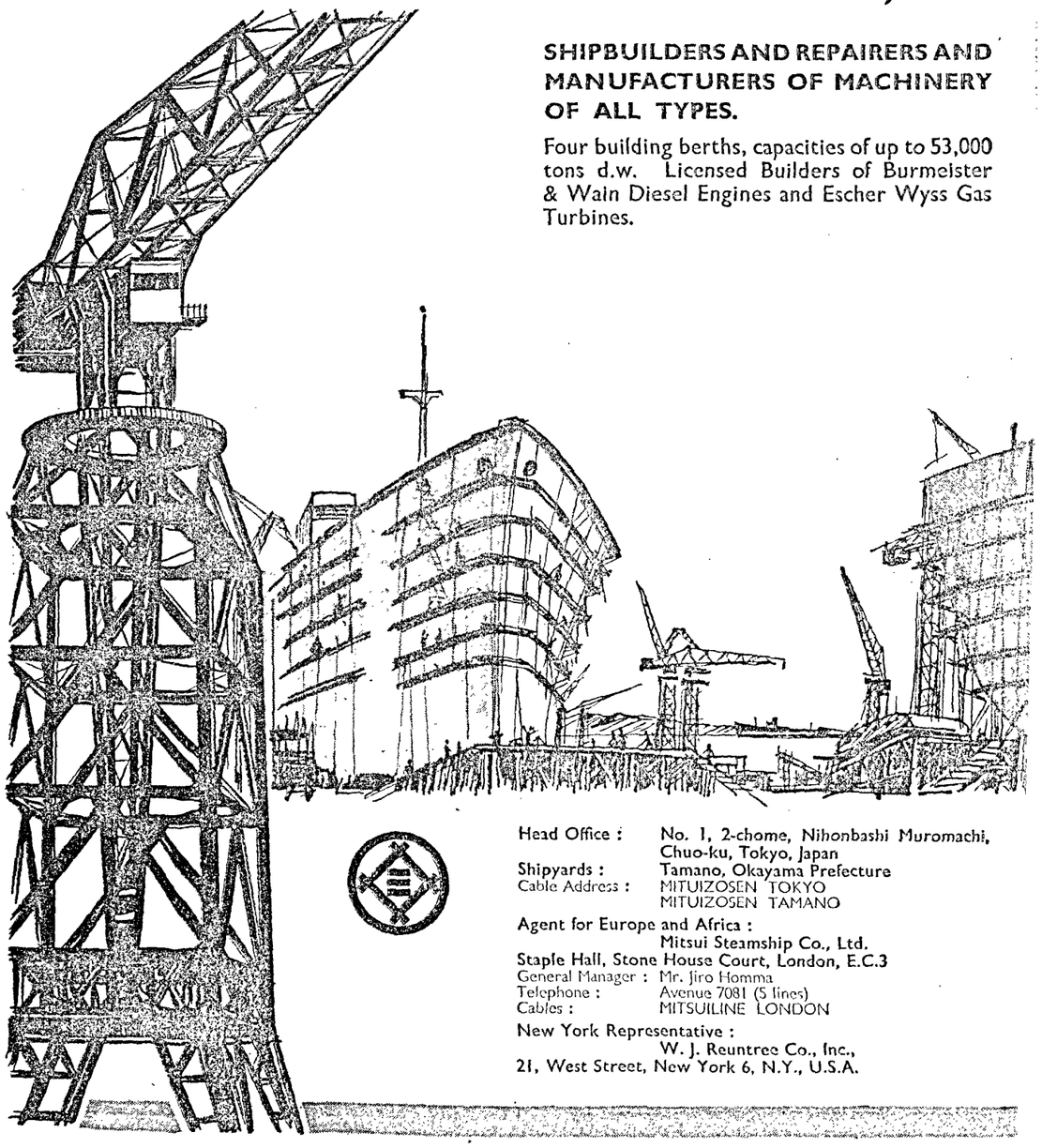
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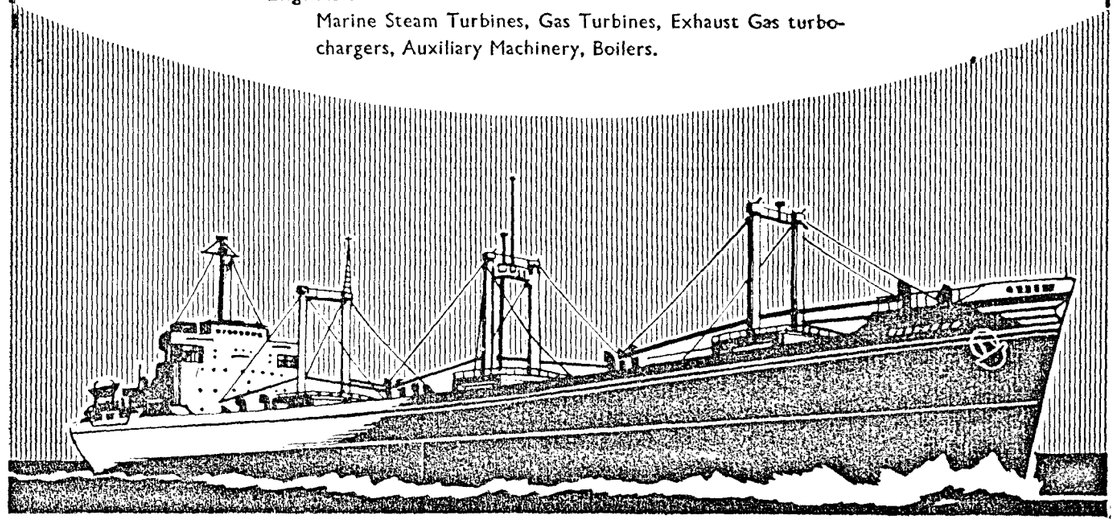
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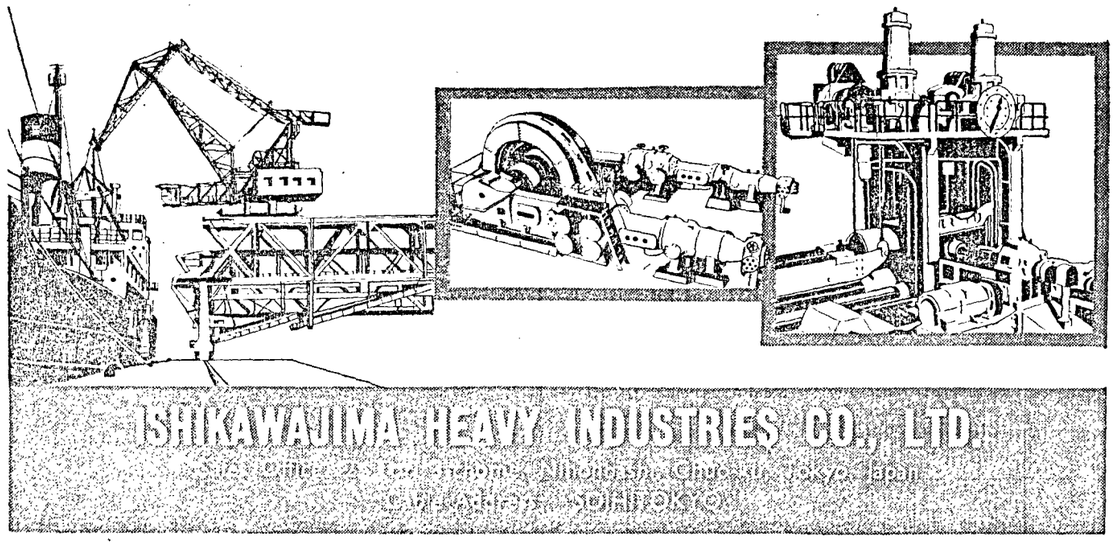
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Spring Books

Dickens Reappraised

AFTER Easter the Oxford University Press completes* the achievement of producing all Dickens's work in a new illustrated edition. In this collection, the publishers have done all that publishers can to ensure that old lovers of Dickens return to his works and that new readers are encouraged to begin. Print and format are clear and attractive; the illustrations are the original ones; each volume has a specially written introduction. The potential reader is thus left with no external excuse to resist the books. With the appearance of this new edition, resistance must henceforth be explained only by prejudice against the writer himself.

How strong are such resistances? Dickens has no doubt recovered strongly from the falling off in public favour which, lasting over two or three generations, is often the aftermath of an artist's death. Yet there are large numbers of people who find the great man unreadable, and the reasons they give are not negligible. Some are put off by the shapelessness and careless episodic construction that are particularly noticeable in such early novels as "Nicholas Nickleby," but linger on even in masterpieces of the great period. "Bleak House," for all its power, is not without this sense of an imperfectly achieved form and structure. This weakness was, no doubt, dictated by the serial form in which the novels appeared. As Dickens developed his art, he learnt better how to maintain an underlying unity and we know from his notebooks how intricate were the themes that he attempted to weave from chapter to chapter. In the great masterpieces these themes have the consistency of the *leitmotiven* in Wagnerian opera. But in many of the novels, form escapes him and the reader loses patience amid the piling up of adventures and subsidiary characters.

Then there are those whom the mawkish sentimentality of some episodes sickens for all the rest. Dickens has real and almost unendurable pathos. The death of Jo in "Bleak House" makes a violent but legitimate assault upon the emotions. But the pathos is not always real. Even the most fervent lover of Dickens may shrink in distaste from Bella's coy domesticity in the later chapters of "Our Mutual Friend" and certainly few modern ears can tolerate the species of near blank verse into which the early Dickens tended to lapse when he particularly wanted to heighten his effects. The closing pages of "Martin Chuzzlewit" must be near the nadir of grandiloquence.

There are others again who cannot tolerate the large elements of caricature—not always successful—in Dickens's portrayal of human beings. One can leave on one side his relative failure to create any truly sympathetic younger women. What is here in question is something more gross—the total unreality of certain creations, particularly in the wealthier sections of society. A Sir Mulberry Hawke or a Lord Verisopht are as farcical as their names suggest. And no one who has read the Phineas Finn novels of Trollope can fail to be impressed by the contrast between his ability to capture the moods and manners of nineteenth century parliamentary life and the stiff stylised fooling at the expense of politics that Dickens offers us in "Bleak House."

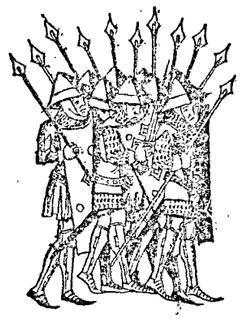
And yet when all the weaknesses and all the unattractive features of Dickens's style and methods are admitted, what a vast and powerful work remains. The lapses fall away, the absurdities give ground. The overwhelming, teeming sense of life and creation swamps all minor imperfections. Surely no English writer save Shakespeare has brought into being so vast a world of living creatures, who grip the imagination with an authenticity that real men and women often lack. The authority of their being is achieved in print by writing them rather larger than life. There never has been unction like that of Mr Chadband or villainy to equal Uriah Heep's.

But Dickens presents us with far more subtle characterisations than these. Sir Leicester Dedlock—Dickens's only fully successful aristocrat—is more than a man of high breeding and narrow mind. His delicacy, his generosity and his agonised love for his wife make the pages of his hopeless vigil moving with an intensity that reveals to us how fully—almost without our being aware of it—the man has been drawn as a living, complex human being.

Two of Dickens's younger men stand out as equally successful characterisations in depth and without caricature. The quiet corruption of Pip's values and standards in "Great Expectations" is a full scale study in psychological development—which is precisely what the bolder method

* "Master Humphrey's Clock" and "A Child's History of England" (introduced by Derek Hudson); "The Uncommercial Traveller, Reprinted Pieces, etc." (introduced by Leslie C. Staples). Both to be published on April 10th. All the volumes are now 15s. each.

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of caricature lacks. In "David Copperfield," the story draws much of its colour and all its unity from the reader's awareness of the growing maturity and disillusion of David himself. These changes may not have the direct impact of, say, a Traddles or a Micawber, but they linger in the mind with the authenticity of life itself.

Yet if this sense of living men and women is the first and greatest element in Dickens's genius, it is matched by another power which is in some ways more mysterious—his capacity to fix his people rootedly in the great social organisms to which they belong. The novels portray people and they portray worlds as well. Many of these worlds filled Dickens with horror and repulsion. The blind inhumanities of nascent industrialism in "Hard Times," the ghastly labyrinths of the legal system in "Bleak House," the closed bureaucracy of the Tite Barnacles in "Little Dorrit"—all these Dickens sees with a profound awareness of their organic, self-sustaining evil and of the corruptions to which they expose both those whom they martyr and those whom they serve. Those critics who deny Dickens any claim to be thought a social reformer can perhaps point with some justice to his lack of any alternatives—the Cheeryble brothers are not the answer to the acquisitive society. But they cannot deny the passion and conviction with which he exposed the encrusted evils of his day or sought by every means to make men's consciences alive to the inhumanities they had taken for granted.

The critics of today are, moreover, less certain than some of the critics of the thirties that they see more clearly than Dickens the full and fitting answer to the problems of the huge, mass, commercialised industrialised society. Megalopolis can be reached by any route and its pressures and heartlessnesses weigh on its citizens, collective and free alike. The image of the prison which dominates "Little Dorrit" is not simply the debtors' prison. It has much more in common with Kafka's prison, the image of a faceless, inhuman social order in which prisoners and free men alike are penned. The atmosphere of the last and greatest novels is social criticism carried beyond the range of this or that institution. It achieves a psychological depth which the readers of Dickens's own time probably did not fathom. We look into the sick heart of humanity itself.

And this is probably another way of saying that Dickens is above all a poet of gigantic power. Certain evocations—the fog which opens "Bleak House," the first scene on the river in "Our Mutual Friend"—have the sombre magnificence of a great painting or a vast symphony or of epic verse. To read the last of the novels is to walk in a world magnified to an heroic degree by the scale of Dickens's poetic imagination. Behind the small human concerns we obscurely sense the struggles of titans. It is the "rulers of this world of darkness" that are in command and we come from the novels purged as by great drama or great poetry and made aware of the full grandeur of the human scene.

Irish Hurly-Burly

Himself and I

By Anne O'Neill-Barna.
Heinemann. 296 pages. 16s.

ONE'S heart sinks at the first sight of a new book about Irish life, especially when its publishers describe it as "an unabashedly honest and warmly amusing account of the Irish countryside." This, one feels, is the kind of thing that is best left to Miss Honor Tracy—and look what happened to her and she wandering the roads of Spain. So it must be said at once and quite firmly that the publishers are perfectly right. It is a thoroughly amusing book.

The writer is an American who was not content to be born in Brooklyn but insisted on being romantic about Ireland. Her attitude was pushed to the extreme of marrying the head of one of the ancient Irish clans. This seems an American compromise with the more usual descent from Irish kings; but the truth is that she seems a bit mixed hereabouts and is inclined to mix up ancient Irish and ancient Scots society. That should not be done by a writer who was once an authority on myths; it is well known that the Scots stood to the Irish as the Australians to the English. Anyhow, a combination of high romance and high descent resulted in a decision to settle down in Ireland; and the rest of the book describes the process of imposing the Irish way of life on American citizens. It appears that the old tricks of absorption, once so successful on Normans and Cromwellians, are still in working order; Mrs O'Neill-Barna will be writing to the *Irish Times* at any moment to protest against (a) the banning or (b) the unbanning of some book. After not more than the usual amount of bargaining and failures to disclose material details, a house was bought (as literary convention now demands, from Protestant Anglo-Irish; but surely not all the erstwhile Ascendancy are living in the ditches?) sixty miles from Dublin. It must be in a queer part of the country because there is never a word of a racecourse or golf links.

But it is densely populated with priests, nuns, civic guards, retired colonels (this is a mistake—rural Ireland runs to plenty of majors and captains, but colonels are rather English), female do-gooders, optimistic contractors, pessimistic farm labourers, local politicians, language revivalists, total abstainers and all and all. This sounds as if the book is awful, but in fact it is really well done. It is funny, and Mrs O'Neill-Barna (but were there Barnas in ancient Ireland?) strikes home amazingly often. To read this book is to understand why so many leave the hurly-burly of the Irish countryside for the deep peace of Birmingham.

Personality and Poet

Byron: *A Biography*

By Leslie A. Marchand.
Murray. 1,264 pages. 3 vols. £7 7s.

THIS book does what all good documentary biographies should do; it allows its subject to speak in his own authentic voice on every possible occasion. And since Byron was an exceptionally honest man, especially when it came to writing or talking about himself, Professor Marchand has shown sagacity in letting the poet's pungent, vigorous phrases do their full share of the work of establishing Byron's personality in the reader's mind. He possesses, too, that disinterested regard for truth which is an indispensable requisite of any biographer who attempts to write a "definitive" life. He is a painstaking investigator—indeed, there is something intimidating about the industry that accumulates between five and six thousand microfilm rolls of manuscript material from European sources, and over sixteen hundred from the Murray archives; and we may be thankful that, having assembled his facts, he sorts and presents them without a predetermined thesis in his mind.

This "Life" is not an "interpretation" of Byron; it is not even anything so partial as a portrait. There have been a great many partisan lives of Byron, some magnifying and some denigrating him, some slightly patronising in tone, others almost idolatrous. Professor Marchand never censures and does not comment more than is needful. Nevertheless, he has managed to condense his vast mass of material into a readable narrative; his judicious use of footnotes is especially commendable, for they often indicate facts and possibilities that he has had to refrain from developing at full length in the text. His narrative style does not compare in elegance with that of Sir Harold Nicolson, M. Maurois or Mr Quennell, but his aims are far more comprehensive than were theirs.

It is much to be hoped that a cheaper edition may soon be issued, for delightful as it is to handle these sumptuous pages, seven guineas is a lot of money and three largish volumes occupy a lot of shelf space. Incidentally it is a pity that the (rather inadequate) map of Byron's Greece should be included in the first and not in the third volume; and a few misprints and inaccuracies have somehow escaped detection.

Although no startling disclosures are made in this book, the chapters on Byron's childhood and boyhood, more amply documented than any previous account of his early years, do provide many clues to the understanding of his paradoxical character. His mother, who later became intolerable, not only to him but also to most other people, is shown in a comparatively sympathetic light during the period when she was doing her best to bring up the little boy in Aberdeen, desperately short of money and friends. But Byron's unexpected succession to the barony at the age of ten was bad for her, and very bad for him. The sudden change from the obscurity and penury of his Scottish childhood to the glamour of a title and Newstead (half derelict though it was) clearly was a factor in his later extravagances and love of display. And when we discover that his Calvinistic nursemaid, May Gray, used to read the Bible with him and surreptitiously encourage him in precocious sex-play, we have one fresh clue to his later obsessive guilt-consciousness. Small wonder that Byron so hated religious hypocrisy and cant.

Few men in the history of Europe have possessed such a power of fascination as Byron, a power that resides in his personality rather than in his poetry. Tom Moore long ago commented on the unreasonableness of trying to judge a genius by conventional standards; Lady Blessington, too, who took his genius for granted, thought him quite beyond the understanding of ordinary people. The paradox is that nowadays his poetic genius is virtually ignored; yet in spite of the fact that we do not read Byron, we love to read about him. Here is the fullest opportunity yet offered to become intimately acquainted with this strangely compounded human being, this man of extremes: excruciatingly sensitive, yet capable of coarse callousness; brave and generous, yet vain, arrogant and irresponsible; a striker of attitudes, yet one of the most devastatingly honest of men.

Kenyon Revised

Our Bible and the Ancient Manuscripts

By F. Kenyon.
Eyre and Spottiswoode. 352 pages. 42s.

NO greater tribute can be paid to Sir Frederick Kenyon's book than to recall that it was first published in 1895 and that the edition of 1939 continued to be reprinted until 1951. In the swiftly moving field of biblical scholarship this is a wonder indeed. Then came the discoveries of the Dead Sea Scrolls, the progressive decipherment of Hittite cuneiform and the solution of some of the problems raised by Minoan script. Wisely, it has been decided to re-edit Kenyon's survey in the light of these new developments rather than to attempt to cover afresh ground which he had mastered and most of which remains as he knew it. The Rev A. W. Adams has added entirely new sections in the early chapters which deal with archæology and palæography, and has included in his survey the most recent translations of the Bible in England and the United States.

As far as can be seen, his textual revisions have been done with great tact and as little actual re-writing as was possible. The illustrations include new and valuable plates. Unquestionably, this remains, or rather is once again, the best work of its kind accessible to the general reader.

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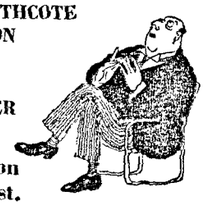
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JOHN MURRAY

The Odour of Sanctity

The Sanctity of Life and the Criminal Law

By Glanville Williams.
Faber. 319 pages. 30s.

Two of the subjects Dr Williams discusses in this book—artificial insemination and attempted suicide—are subjects of current debate. This timeliness is all the more remarkable in that the book is based on a series of lectures delivered at Columbia University and elsewhere in New York City early in 1956. The date may explain the absence of any discussion of capital punishment, for prolonged argument was then about to give rise to the Homicide Act of 1957. (But in his revision of the book for the English edition he has taken account of its effects.) The place accounts for the valuable analysis of the various laws the American states possess concerning his chosen subjects.

In each section of the book—chapters are devoted to infanticide, contraception, sterilisation, abortion and euthanasia in addition to artificial insemination and suicide—Dr Williams describes the present laws, both here and in other countries, and their history. He gives a just description of the attitude of the churches and an accurate account of the *medical facts.* Old debates on these thorny matters are recapitulated and the personal, social, eugenic and demographic consequences of the law are examined. He makes proposals for reform in each case, some familiar, some less so, and tries to forecast the probable consequences—though he does not always go far enough into the practical effects.

Dr Williams's own standpoint is quite clearly that of a humanitarian reformer, which is refreshing in a lawyer, and he ruthlessly demolishes the religious and moralist arguments for leaving things as they are. Many people take hard knocks: Malthus for his pessimism; Augustine and Aquinas for their asceticism; those who maintain the doctrine of double effect for their casuistry. But the arguments of the other side are presented fairly.

The most difficult problem of all—abortion—receives the most extensive discussion. The present policy of leaving it underground where it has "the ignominy that it deserves"—to quote the Archbishop of Canterbury—results in the death of an unknown number of women in England and the United States each year. These deaths of women in their prime are largely preventible and may well exceed their deaths in, for example, childbirth—or from poliomyelitis. But to prevent them by allowing abortion to anyone who wished would impose a vast new burden on the hospitals and their staffs—one that they could not undertake with existing facilities. This is an aspect of the problem that Dr Williams does not touch on. He does point out, however, that less thorough solutions seem to be curiously ineffective. In Sweden and Denmark, where the law has been made more liberal, there has been a tenfold increase in legal abortions, but no decrease has occurred in the number of illegal ones, for it is an entirely different class of woman that is given a legal abortion. In Japan, too, where over a million legal abortions were performed in 1954, it is estimated that an equal number of clandestine abortions were done. Even a partial solution of the problem of the unwanted pregnancy will probably have to await the arrival of a really reliable oral contraceptive and its marketing free of the restraints that moralists will no doubt try to impose.

The time is ripe for fresh debates on this and some of the other problems dealt with here, and this humane, knowledgeable and very readable book will provide the reformer with some highly effective ammunition. They will not necessarily agree with all Dr Williams's arguments. In particular, his plea for euthanasia goes much farther than most reformers, other than those who belong to the Euthanasia Society, will tolerate. Nor does he distinguish sufficiently between what should be permitted by law and what should be granted as a right: if abortion, artificial insemination, sterilisation are legally permitted, does this mean that they have to be carried out on all who demand them, and at public expense? Nevertheless it is the publication of such books and the discussion they give rise to that stir up the informed opinion that is the essential preliminary to reform. The Home Secretary can then no longer say, as he so recently said in Parliament in reply to a question about suicide and attempted suicide, that he had no evidence that a change in the law would be generally acceptable.

Cabinets and Committees

Cabinet Government and War 1890-1940

By John Ehrman.
Cambridge University Press, 138 pages. 16s.

The British people are rightly proud of their parliamentary government and of the general smoothness with which cabinets work. But, as this book shows, it has largely been a matter of learning from trial and error.

Perhaps the greatest contributors to the development of the modern cabinet organisation have been the two world wars, particularly the second one. The first saw the introduction of the cabinet secretariat and the recording of cabinet conclusions. These were major reforms for which the credit must go to David Lloyd George and Maurice Hankey. The second world war—after Mr Churchill became Prime Minister—saw a development of cabinet and official committees more effective and efficient than anything that had gone before. The political credit belongs to Winston Churchill and John Anderson; but very full marks should be awarded to two civil servants—Edward Bridges and Norman Brook. Unfortunately these last three names do not appear in the index of this book. The wartime developments were carried on and improved upon by the Labour governments of 1945-51, probably the first peacetime governments to have a thought-out, effective cabinet and cabinet committee organisation.

A lot of research has gone into Mr Ehrman's excellent book. It consists of the Lees Knowles lectures delivered by him at Cambridge in 1957, though the volume reads well as a book. What is depressing is the long time it shows that governments took to learn—or was it the unwillingness of ministers to effect bold changes until an enemy was at the country's throat in 1940 and to a lesser extent in 1917?

Not until Haldane became Secretary for War in 1906 did reforms at the War Office become noticeable, despite plenty of inquiries in the nineteenth century.

> From the later sixties to 1880 [says Mr Ehrman] no fewer than seventeen Royal Commissions, eighteen Select Committees, nineteen Committees of officers inside the War Office, and thirty-five Committees of Military Officers had considered matters of policy affecting the army.

The results were small. Even the Admiralty had to be pushed and dragged along to tolerate a proper naval staff. However, early in the twentieth century the Committee of Imperial Defence was established, owing much, for its successful establishment, to Balfour and to Haldane. Even so, from the Admiralty, Fisher was able to defy it for quite a time as First Sea Lord.

For over two years after 1914 the Asquith government was in a world war with a cabinet organisation too similar to that of peacetime. Whatever his motives—still a matter of sharp dispute between their two families—Lloyd George's conception of cabinet organisation for war was superior to that of Asquith. Nevertheless, much of his cabinet committee set-up was more trial and error than plan—though much better than what had gone before. After that war, however, we largely drifted back to the old inadequate order of things. The organisation of the Chamberlain government was by no means good enough; we had to wait for Churchill and his colleagues in 1940. And it hardly needs saying that it is supremely doubtful if that organisation would be suitable for a third world war.

If the departments are badly laid out and inefficient, co-ordination alone under committees or senior ministers will not be effective. As Mr Ehrman says:

> For in fact it was useless to expect co-ordinating bodies to prove effective until the bodies to be co-ordinated had themselves been rendered so. The Departments must be remodelled before the inter-Departmental Committees could function properly.

For students of government and for politicians as well, Mr Ehrman's book is of real value.

Cross Purposes

Henry James and H. G. Wells

Edited by Leon Edel and Gordon N. Ray.
Hart-Davis. 272 pages. 21s.

Henry James and H. G. Wells met in 1898. James, always kind to young talent, took to him at once. For many years they met and corresponded. More of James's letters have survived than of Wells's, and there is no record of their meetings; but there is enough to show how their relations developed. At first all went smoothly, but as the years advanced and Wells's talents and reputation developed, it became more and more clear that they had little in common. James regarded novel writing as an end in itself; Wells regarded it as a means to an end, and, as he grew older, a less and less satisfactory means. James's letters were always kind, but more and more critical. In 1911 Wells delivered a talk on the contemporary novel, which showed how far he was from James, and soon after letters to others showed that James had given up hope of him: "He has cut loose from literature clearly—practically altogether; he will still do a lot of writing probably but it won't be that." In 1914 James wrote two long articles on "The Younger Generation," which showed how little he thought of Wells's novels; and shortly after Wells, in his curious boutade "Boon," published a funny but venomous parody and critique of James. One or two letters passed thereafter, which only confirmed their differences; and shortly after James died. Years later Wells analysed these differences in a partial but penetrating passage of his "Experiment in Autobiography."

Mr Edel and Mr Ray have edited these absorbing documents with an admirable introduction. It makes one of the most interesting books to have appeared for a long time. It illuminates the art of the novel, human nature and the passage of time. It deals most explicitly with the art of the novel; it is our good luck that two men so incompatible should have been friends for so long. The interesting thing is that, so far as one can judge, James never really understood what Wells was up to; whereas Wells, admittedly with the advantage of survival into a time when passion was spent, was much clearer, though not fair, about James. The human story is as fascinating. James comes out far better; he had the advantage of both an established position and good manners. But when Wells used his vulgarer weapons James suffered most.

Finally, there is the fascination of seeing how men reacted at the time, and how we react now. The present-day reader can afford to be eclectic and to see the virtues of both; for all their brilliance, they could not. Both stressed the wide range of the novel; but, when it came to the point, each excluded the other's talents and aims. And, just because they were writers, their differences were publicly recorded in wounding words.

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Proustian Fantasia

Six Proust Reconstructions

By Pamela Hansford Johnson.
Macmillan. 304 pages. 21*s*.

PASTICHE can be caricature, whether broad as the starred passages of Miss Stella Gibbons's "Cold Comfort Farm" or as subtle as Max Beerbohm's "Christmas Garland." But it can also, eschewing all exaggeration, be a most illuminating form of creative criticism, interpreting, commenting, and transposing the original, and like all good criticism giving the reader the benefit of a keener sensibility and more intimate knowledge than his own. Miss Pamela Hansford Johnson's "Reconstructions" are superlative examples of this second type—which must, indeed, be very good if it is to be any good at all. To do them justice one should, no doubt, have met them first in the medium for which they were originally designed; that is, the radio. The last in particular, the scintillating "Window at Montjouvain" (in which Vinteuil's Septuor, the triumph of a life that had seemed to end in frustration and shame, symbolises the Time Regained which contains the promise of the narrator's own similar triumph) demands its musical component almost as urgently as an opera libretto. But even in cold print they are a delight.

The first, "The Duchess at Sunset," is in some ways the most ambitious; relying on the timelessness of Proust's characters it lifts them clean out of their epoch and transplants them to the occupied Paris of 1941. Here are the Guermantes cautiously freezing off Marcel (identified, in this one instance, with his creator and thus dangerously non-Aryan); Mme. Verdurin predictably filling her salon with music-loving German officers; the egregious Nornois an obvious Vichyite, Albertine perhaps—always perhaps—a double agent; while, off stage, Charles Swann broadcasts from London, St-Loup has joined the Free French, and Bergotte is in a concentration camp. And Charlus? But it would be a pity to ruin, by hopelessly crude summary, Miss Hansford Johnson's account of his behaviour and his motives.

In fact, "The Duchess at Sunset," first conceived of the "Reconstructions," is not, despite its brilliance, the most successful. The author never puts a foot wrong, but by the same token she misses a characteristic that distinguishes Proust from all other novelists except, perhaps, Mr E. M. Forster: the predilection for ambivalence, the propensity to show some astonishing unsuspected reaction, display some unsurmisable facet of character. Not that she is—it would be surprising if she were—insensitive to this trait. She is at her best in "Madame de Charlus" and "Saint-Loup," both of which, filling in gaps in Proust's narrative, reveal the underlying unity beneath just such violent inconsistencies. The first (taking an inspired line through André Gide) shows Charlus as a devoted husband; the second convincingly resolves the extraordinary discord between the early and the later Saint-Loup. "Swann in Love" comes nearest to straight dramatisation; "Albertine Regained" is pure mischief—Albertine's story told by herself, more in sorrow than in anger, probably (one understands) with incorrigible mendacity, but carrying quite as much conviction as poor Marcel's jealous reconstruction or the tainted evidence that supports it.

The running commentary that links the "Reconstructions" is acute, witty and wise. No one who has been touched by the fascination of Proust's world should miss this book; and even to those hitherto untouched it may unhesitatingly be recommended on its independent merits.

Mem Sahib

Journal of the Siege of Lucknow

By Maria Germon.
Constable. 136 pages. 15*s*.

NOTHING in imperial history captured the Victorian imagination so much as the Indian Mutiny. The well at Cawnpore became the symbol of horror, an excuse for bloody retribution. The Residency at Lucknow became the symbol of heroism, an excuse for self-satisfaction. And just as the spectators were enthralled, so the participants seemed conscious of their historic role. Few sieges have been so prolific in diaries and memoirs as was Lucknow. Recently, the recollections of a private of the line, Henry Metcalfe, were published, and now the diary of a wife of an officer, once privately printed, has been re-published. The diary is edited by Michael Edwardes, who before the war wrote a full account of the Lucknow siege, and it has an introduction by Mr Colin Welch, who was among those who tried to put the Mutiny in perspective on the occasion of the centenary last year.

Any diary turns historical events upside down. Everything is exposed in personal terms, the small tribulation looming as large as the great victory or disaster. And why not? The diarist is concerned with himself or herself. Maria Germon was certainly concerned with herself, her husband Charlie and her own small circle. Fortitude, endurance, heroism are expressed in terms of "light infantry" (a euphemism for lice) in the hair, of inadequate rations of food, of that baby dying of cholera or of that soldier decapitated by a round shot. Muddle and disorder are expressed in terms of personal fatigue and pain. Such a diary as this, plainly and clearly written, does not tell the reader what the siege of Lucknow was or what it meant to British India, but it does tell the reader what it was like. For that reason, even though it adds no new facts to knowledge, it was worth resurrecting and worth publishing, as it is, in an attractive format. It is, however, rather a pity that such a slim volume has to be so expensive.

The Rational Century

The Search for Good Sense

By F. L. Lucas.
Cassell. 354 pages. 25*s*.

MR LUCAS is a humanist, and like Johnson and Jowett before him he holds a poor opinion of useless learning. But he himself certainly possesses much more learning than he can readily use. His style has an old-fashioned air because it is based on a command of several literatures, ancient and modern, and does not hesitate to draw upon them. Moreover Mr Lucas has the learned man's indisposition to pass over even an unimportant fact if it be relevant. Thus, citing Johnson's congenial opinion that books are trash unless they help their readers "better to enjoy life, or better to endure it," he adds a footnote drawing attention to a place in Boswell where Johnson seems rather to contradict this; nor does the footnote close before we have been reminded of Dr and Mrs Kennedy, who spent some forty-two years in computing the exact season of the creation of the world. Mr Lucas, in fact, has a pleasing connoisseurship in the futile erudition he deprecates.

His main thesis is simple, and he gives it to us in eight words of Jane Austen's: "To be rational in anything is great praise." The eighteenth century subscribed to this view without at all realising how hard it is for men ever to merit that praise securely:

> The eighteenth century, we can see now, monstrously underestimated the difficulty of being rational. It was as if a man should attribute disturbances in his cellar to a few rats; when beneath his foundations flowed really a subterranean river, full of strange forms of life far less easy to control.

Today, when it looks as if control may break down altogether, the eighteenth century surely has its lessons for us. Even in its excess of rationality there is a lesson. "Apollo was wiser, who gave Dionysus a share—though a lesser share—in his own Delphic shrine."

Johnson, Chesterfield, Boswell and Goldsmith are the characters in whom Mr Lucas helps us to watch the struggle for good sense at work. The value of the spectacle consists in its having been so notably a struggle in every case. Johnson was passionate, bigoted and incipiently psychotic; Chesterfield was always on the verge of being a shallow and frigid worldling; Boswell was vain and dissolute; Goldsmith was uneasy and absurd. But each pursued with devotion the quest for intellectual honesty; and our instruction and entertainment arise largely from watching the governing purpose at work upon four markedly contrasting temperaments.

Mr Lucas is unobtrusively and urbanely informative, provocative of radical thought upon the purposes of literary study, and—above all—one who evidently enjoys writing for our enjoyment. His book flatly refutes Lord Melbourne's assertion, quoted on page 146, that it is boring to be educated, boring to educate, and boring to talk about education

The Extra Skin

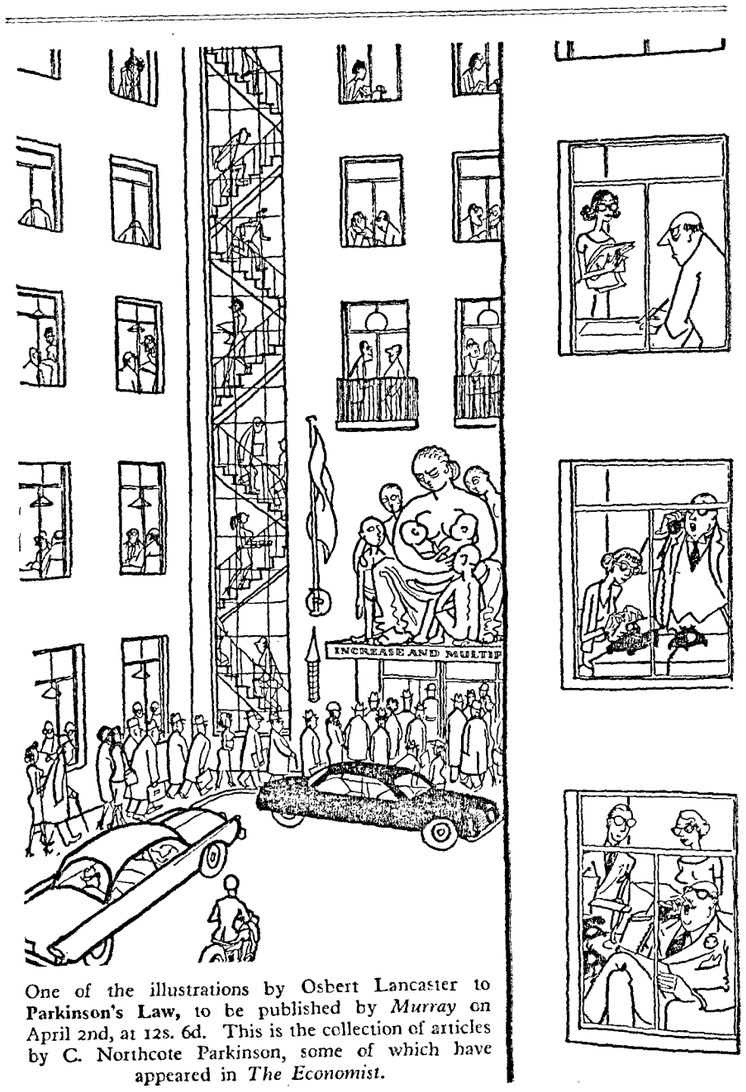
At Home

By William Plomer.
Cape. 253 pages. 16*s*.

MR PLOMER'S second volume of autobiography, which covers his life in England since the twenties, is fascinating but rather depressing. His main interests, he says, are writing and personal relations. As a writer he has long justified himself beyond the need for comment. In personal relations, his book shows him to be a faithful and perceptive friend, whose memoirs are only limited in scope by affection and reticence. But there is more to his life than that. He was plainly born with one skin too few, and suffers intensely from many public injustices. His tastes and prejudices are not those of the surrounding bourgeoise. He has therefore, in his own words, grown an extra skin, some of whose exfoliations can be seen in his writings.

For the public, this is a good thing, since it has led to fascinating novels and poems. But the survey of its growth in his autobiography is less encouraging. Like other skins, it shows callouses where it is most rubbed. It appears to leave him insensitive about his own faults, to the point of self-satisfaction. His dislike of much that he sees around him leads to some of the vices of a private world: he shows contempt for modest and stupid virtues in human types that he does not like, and he is given to acidulous moralising, as of a spinster in a stuffy room watching the red-faced vulgarians in the street.

But even this part of his book is fascinating as *mémoires pour servir*; and when he talks of his friends one has no reservations.



One of the illustrations by Osbert Lancaster to **Parkinson's Law,** to be published by *Murray* on April 2nd, at 12*s*. 6*d*. This is the collection of articles by C. Northcote Parkinson, some of which have appeared in *The Economist*.

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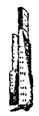
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LONGMANS

Poor Poll

Oliver Goldsmith

By Ralph M. Wardle.
Constable. 340 pages. 25s.

"It was Goldsmith's misfortune"—Mr Wardle tells us rather surprisingly on page 3 of this extremely solid academic study—"that he was a jigger fallen among goons." Goons—Dr Johnson, it seems, was a goon—lack the playful mind, and are baffled by the genial eye and light touch of the jigger. If a jigger is also brash—and Goldsmith was thoroughly brash—things are not at all likely to go well.

But in fact, and as Mr Wardle's book shows abundantly, many things went well enough. An Irish adventurer and vagabond, improvident, generous and with little tenacity of purpose, Goldsmith never had it in him to organise his life at a higher level than that of the hand-to-mouth literary hack. Nevertheless he enjoyed the affection and respect of some of the most eminent persons of the age.

Johnson was resolved that the young Boswell should be under no misapprehension here. "Dr Goldsmith," he announced firmly at an early meeting with his future biographer, "is one of the first men we have." And when the Literary Club was formed a few years later, Johnson, Reynolds and Burke saw to it that Goldsmith was one of the nine charter members. For had not this largely vain and absurd Irishman published "The Traveller"—"a production," Johnson had declared, "to which, since the death of Pope, it will not be easy to find anything equal"? Had he not written "The Vicar of Wakefield"—which Johnson indeed found somewhat faulty, but which Scott was to idolise, and Goethe to acclaim as a work sovereign with him at a critical moment of his mental development? Goldsmith scribbled shamelessly—it was that or go to gaol—and Mr Wardle faithfully chronicles and discusses his labours: "The History of England in a Series of Letters to a Nobleman," "The History of Earth and Animated Nature," "An Enquiry into the Present State of Polite Learning" and all the rest of them. But time and again Goldsmith's genius rose superior to his necessities, and among the best contemporary judges his reputation stood as high as it has ever done since.

It is strange, no doubt, that a man who thus wrote like an angel should talk like poor Poll; and yet stranger that admiring friends, distinguished for their politeness and humanity, should have taken so much licence to make fun of him. He was under some uneasy compulsion, it is clear, to elect discomfiture, to obtrude and burlesque his own ineptitudes. And this sort of self-depreciation, like any other, provokes ridicule and contempt far more frequently than it elicits sympathy. The great joke about Goldsmith was that all his little jokes went wrong. On the narrow stage of literary London he was all but the protagonist ("one of the first men we have") and at the same time constrained to the role of clown. Mr Wardle is aware of this personal drama and analyses it with competence. But the chief value of his book lies in its full and scholarly record of Oliver Goldsmith's astonishingly versatile literary career.

The Country Town

Where London Ends

By E. W. Martin.
Phœnix. 312 pages. 30s.

This book is a study of English provincial life after 1750, and is the complement of an earlier work, "The Secret People," which treated of the English village. It is a long book, over 300 pages, attractively produced, and is approximately divided into two: a broad study of the country town in historical terms, and a group of chapters on individual aspects—education, local government, religion, and so on. The author has clearly done an immense amount of preparation. He has assembled a great many facts, and quotes literally from a whole range of authorities, often very tellingly.

The book, however, is not so much an ordered exposition as a discussion, and a very interesting one. Mr Martin is not thinking sociologically or historically so much as philosophically. He uses his complex material in order to meditate upon the wider issues of civilisation, and to provoke thought. For this reason, the book will appeal most of all to the reader who already knows the elements of the subject, and who has a clear idea of the structure of provincial life and its historical background. He will then be adequately equipped to profit from Mr Martin's contemplative approach: for example, to assess the statement that the Nonconformists were active and successful in industry because they were denied an intellectual outlet in the universities and public services; to dispute the comment that regionalism is a psychological state rather than an economic or political fact; or to sympathise or otherwise with Berdyaev's feeling that the middle-class has become a slave to technical progress, and has not only killed spiritual values in so doing, but has actually created a destructive philosophy.

What is the provincial answer? Mr Martin does not try to be specific, perhaps wisely. He offers the generalisation of "urban-rural partnership," with the country town acting as the link between the metropolis and the true countryside, if anything remains of it. In other words, he leaves the reader to draw his own conclusions. It cannot be said, therefore, that "Where London Ends" adds much to factual knowledge of the subject. Only patient research into economic and social statistics can do that. But statistics alone do not give the whole answer; and a humanistic approach, such as is to be found in this book, is needed to interpret the facts, or to provoke others to do so.

The Gladiators

Six Studies in Quarrelling

By Vincent Brome.
Cresset Press. 198 pages. 21s.

Mr Vincent Brome, author, some years ago, of an uneven, shockingly written, but undeniably lively biography of H. G. Wells, has returned to the literary and political controversies of the period in a book which has all the qualities and defects of its predecessor. As scissors-and-paste work it is brilliant; and let no one decry scissors and paste, which, well or ill wielded, are the biographer's and critic's essential tools. As narrative, as critical comment, and as English prose, it is just plain awful. Slickly superficial portraiture and history, forcible-feeble, cliché-ridden writing, make its perusal a really painful experience; there is hardly a stylistic abomination that Mr Brome does not perpetrate, and one can imagine Henry James—whose estrangement from H. G. Wells constitutes one of the "quarrels"—revolving in his grave at the thought of being delivered over to such a chronicler. Yet the intrinsic fascination of these various clashes (Shaw-Wells; H. A. Jones - Wells - Shaw; Belloc - Wells; Belloc - Coulton; Shaw - Chesterton; Wells-James) is so great, the editing which has gone into their presentation is so competent, that in spite of everything the book is a success. Hackles vertical, teeth on edge, one reads on.

Not all the "quarrels" really deserve the name. Shaw and Chesterton never quarrelled. They disagreed, hyperbolically, vociferously, and with vast mutual enjoyment, but entirely without personal animus or the least falling off of affection. The Wells-James "quarrel" was a very one-sided affair—which is best understood by reading the collection of their letters reviewed on page 5 of this supplement.

The others offer a nice selection of ingredients. The Wells-Shaw rows—in the bosom of the Fabian Society and later over Russia—were just rows, sheer pugnacity being the prime cause, temperamental difference playing a minor part, and differences of conviction rather determining the form than providing the motive for controversy. In the Jones-Wells-Shaw campaign, which degenerated on Jones's side from rational argument to sheer screeching hysteria, it is not mere divergence but diametric irreconcilability of conviction that matters. In the long-drawn-out, unforgiving engagements between Belloc and Wells, Belloc and Coulton, an even more irreconcilable intellectual opposition is given extra edge and venom by a cat-and-dog personal dislike.

One element is common to them all; superlative gladiatorial skill and tenacity. It is in his presentation of this element that Mr Brome scores, and for his merits as an impresario of the arena much can be forgiven him.

Jove's Planet

The Planet Jupiter

By B. M. Peek.
Faber. 283 pages. 42s

For fifteen years this author of—to quote the blurb—"for the first time in a single volume a comprehensive survey of the knowledge that has been slowly accumulating about the greatest planet in the solar system" was director of the Jupiter section of the British Astronomical Association; and for thirty-five years he has been a keen student of "Jove's planet." The outcome of such a labour of love is—as is not always the case—worthy alike of author and publishers. The work is exhaustive, covering the veering satellites strung out on their apparent axis, spectroscopy, photography, "the great red spot," radio "noise" from Jupiter, and the planet's composition. From a beginner's glossary and a masterly introduction in general terms to recondite tables, records, diagrams, mathematics and measurements, the book lives up to its dust-wrapper's eulogy; and that, too, is seldom true of any work.

British astronomers have a sort of proprietary interest in the largest of the nine planets. He is above the horizon here at the time of a December opposition for about sixteen hours each night, high up, so that good viewing is possible.

Although amateurs working with small telescopes cannot "get" the great red spot, and differentiate his remarkable zones, they can know the thrill of easy discernment of his moons, strung out widely in those great spaces or dodging round him, and of the incredibly straight lines of zones across his "body." A 4-inch refractor clearly shows the satellites' shadows on this body, and (patiently tended) reveals the satellites dancing in and out of light, coming into and fading out of human vision some 4.83 x 10^8 miles from our sun. The author says that the homogeneity of the planet's chemical composition "all-through" cannot be dismissed as a possibility, though all we can see with human eyes through telescopes is the cloudy and gassy envelope. Radio-telescopy will take us further "in"; hence the intriguing chapters on the "noises" from Jupiter and on spectroscopy; and the author makes the interesting suggestion that Jupiter's massive rotation may impart much of his obvious and "inexhaustible" energy to his turbulent atmosphere, on the lines of the ebb and flow of our tides.

The plates, records of observations, tables and so on are first class. It is a pleasure to commend such a work to professional and amateur, and to congratulate a devoted author and his technically proficient publishers and printers, who have served all astronomers so well.

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HART-DAVIS

The Sumerians

History Begins at Sumer

By S. N. Kramer.
Thames and Hudson. 333 pages. 35s.

THE revelation of the brilliant urban civilisation of the Sumerians, which flourished in southern Iraq in the third millennium BC, must rank as one of the major archæological discoveries of our times. The earliest and most creative civilisation of Western Asia, its rise coincided with that of Egypt, which it in some degree influenced. Of all the achievements of the Sumerians, the most significant for the intellectual development of man was the invention of writing. Because they wrote on imperishable tablets of clay, much of their rich and varied literature has survived to be found by the archæologist and studied by modern scholars. In 1956, Professor Kramer, a leading American Sumerologist, gave an account of literary texts that he had personally copied and translated in "From the Tablets of Sumer," published in the United States. "History Begins at Sumer" is the British edition, with additional plates.

In this absorbing and fascinating book his aim has been to present a cross-section of the spiritual and cultural achievements of the Sumerians and to assess their contribution to the progress of human thought. To this end he has chosen documents that illustrate the origin of elements basic to civilisation: government, law and justice, social reform, education, literature, philosophy and ethics, agriculture, and medicine. In his discussion of the texts, many of which are quoted at length, he explains their significance in terms of Sumerian thought and their relevance to the development of our own civilisation. Of particular interest is his discussion of Sumerian influence on bibilical literature. The most striking parallel is provided by the story of the Flood, but Sumerian literature and myths dealing with the creation of the world and man, with resurrection and paradise, also foreshadow biblical themes.

Perhaps the most vivid impression given by this book is the essential humanity of these long-vanished Sumerians. In their proverbs and the delightful stories of their schooldays we find reflections of our own aspirations, dilemmas and foibles and we meet familiar characters: for example, the discontented wife, "a restless woman in the house adds ache to pain"; or the neglected husband, "my wife is in church and here am I starving at home."

Were the Sumerians the first people to settle in Iraq or were they preceded by some other ethnic group? In Professor Kramer's opinion the earliest civilisation was developed by Iranians and Semites and the Sumerians were comparatively late comers. The weakness of this interesting hypothesis, which is based on an analogy between an assumed Heroic Age of the Sumerians and Chadwick's Herioc Ages of European civilisation, is that it is not supported by the archæological evidence. The material culture of the earliest villages developed without interruption into the civilisation with which the Sumerians are associated when written records begin, and there is no evidence of the period of stagnation which he assumes preceded and made possible Sumerian domination. The view that the first settlers came from Iran, though often advanced, lacks proof. The archæological record also seems to require a higher chronology than that advocated by Professor Kramer.

Research

Lytton Strachey—His Mind and Art

By Charles Richard Sanders.
Yale University Press. London: *Oxford University Press.* 381 pages. 36s.

IT is not clear whether the cause is human nature or a reflex conditioned by literary weeklies, but the centenary of an author's birth seems to be the right time to relaunch his reputation. On that count Professor Sanders's book comes some twenty years too soon. It is almost certain that Lytton Strachey has found a permanent niche in our literature; and, even if this is disproved by time, it can be said now that he influenced men's minds so that some things will never again be seen quite in the same way. But it is too soon to assess his final place. Many of his original admirers are still active, and many more of the next generation who reacted against him. Before the reassessment, both sides must have withered into tolerance; and his view of life, so unfashionable today, must have become far enough removed to be judged without passion. After all, it is only forty years since "Eminent Victorians" was published; and forty years before that, Cardinal Manning, Florence Nightingale and General Gordon were all alive and kicking.

But this is a work of professional scholarship, and its value hardly depends on the opportuneness of its publication. Mr Sanders tells disarmingly how, during the war, he wanted to relax by doing some research on a light and amusing subject, which would give him opportunity for adverse comment to balance the praise, and so make him seem judicious. But the more he read Strachey's works, the better they seemed, till justice became incompatible with balance. But he was not discouraged; and his research has rewarded him with various papers and two books.

The earlier one was a readable account of the Strachey family; in this one he has analysed pretty well everything that Strachey wrote about literature and biography (including the anonymous reviews, which he has run to earth) and everything that has been written about him; he has run all this, as it were, through the punched-card machine and set it out by subjects, with a short biographical sketch and a commentary which is civilised, well written but scarcely memorable. The general reader may be put off or amused, according to temperament, by the rigour with which he follows the rules of the research game. A quotation from someone else, however dim, counts a point; influences and correlations trump direct statements; anything that can fairly be labelled "important" counts double; and the score is rung up in footnotes. If one may borrow a quotation from Strachey, *le secret d'ennuyer c'est de tout dire**, but the book will be useful to anyone who wants to rehabilitate Strachey when his centenary comes round in 1980, and it makes good browsing now.

* *Spectator*, 100 (June 6, 1908, pages 899-900.) See reference in "Lytton Strachey," by Charles Richard Sanders, 1957, page 181, footnote 37.

Pensioner's Vademecum

The £ s. d. of Retirement

By Cecil Chisholm.
Phœnix. 142 pages. 12s. 6d.

THIS admirable little book is a sequel and supplement to the same author's "Retire and Enjoy It," and is as full as its predecessor of meaty and practical good sense agreeably presented. A short first chapter recapitulates the message of the earlier book—be prepared, retire "10" rather than retire "from," beware of drifting—and adds a few unsentimental words on a topic which "Retire and Enjoy It" left untouched: that "second retirement" which must be faced when the grasshopper becomes a burden. Then follow, making up the first part of the book, a survey of pension and annuity alternatives, and chapters dealing with investment and the management of savings—a subject on which the author brings to bear a lifetime's experience as a financial journalist. (The facts of chronic inflation are faced with a realism verging on the pessimistic.)

Part II turns from the maintenance of income to its spending; its discussion of household budgets is the best thing of its kind since, over twenty years ago, Nigel Balchin wrote his "Income and Outcome." So good is it, indeed (despite one or two oddities like the treatment of purchase tax and excise) that one wishes Mr Chisholm had shifted his viewpoint and addressed, like Mr Balchin, the public in general. For virtually everything in this section—and a great deal in Part I—is equally relevant to the needs of the young couple setting up house on a shoestring, or the means-tested professional family taking the strain of higher education, or indeed anyone who, facing a change of circumstances or resolved to break out of a routine that has become unsatisfactory, must try to make every florin do the work of half-a-crown. As things are, many of the younger potential beneficiaries of Mr Chisholm's knowledgeableness and wisdom are likely to be misled by the title; or, even if not misled, quite possibly deterred by a sense of personal incongruity from asking for it in bookshop or library. Those who overcome their inhibitions will find themselves skipping surprisingly little.

Weyman's France Revisited

Assault on Olympus: *The Rise of the House of Gramont*

By W. H. Lewis.
Deutsch. 240 pages. 18s.

WE are back again among the Gentlemen of France. But they seem less gentlemanly than in Weyman's day. Among his cloaked swordsmen were a few who (perhaps under the influence of someone resembling d'Artagnan's Lady de Winter) had gone to the bad; but most of them spent their time in harmless swordplay, horseplay, and light flirtation. Mr Lewis's gallants, however, break vigorously and promiscuously through every clause in the moral code. They would regard a cry of "marked cards!" as a friendly compliment; and their ladies are "kind" or "cruel" in the most primitive sense.

The "Red Robes" are here too. Mr Lewis detests Richelieu, somewhat surprisingly believes that anyone (including Louis XIII whose throne he saved) would have gladly liquidated him; but presents a hero who, unable to subsist indefinitely as cardsharper and gigolo, remained faithful to the Cardinal. For running through the qualities that transformed Antoine Comte de Guiche (despatched to Paris at the age of fourteen with a spare shirt and little money) into a Marshal of France and Duke of Gramont was a strong thread of loyalty.

It was interwoven, however, with a shrewd discretion, and an ability to clown his way out of embarrassments that ensured his emergence unscathed from the military frivolities of the Fronde. The Regent Anne trusted him and her Cardinal Mazarin allowed his brother to cheat him at cards. The young Louis XIV always respected him, and never resented his bluntness.

But bluntness, even if flavoured with humour, would not account for Gramont's diplomatic successes; it was his patience and finesse that helped to steer Louis's marriage negotiations through the usual Spanish procrastinations, while his ability to outdrink German princelings facilitated Louis's designs on Germany. Antoine deserved his dukedom, and his place in the centre of Mr Lewis's crowded pageant, though he is sometimes elbowed out of sight by his family, whose erraticities provide Mr Lewis's liveliest stories but occasionally confuse the narrative.

As, no doubt, they confused the Duke. His relations would never have climbed Olympus without him; one or other was always in difficulties, and at times Antoine must have been tempted to cut the rope. His heir's imprudences included intrigue with a royal mistress; his daughter gracelessly refused to live in Monaco with her unattractive ducal husband and was the life and soul of almost every scandal at the French court; and his second son, who eventually carried on the hard-won title, was thrice exiled. But we must be grateful to these ambitious, reckless gascons whose adventures and memoirs have given Mr Lewis the material for the tale he tells with such enjoyable gusto.

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Gone from Jericho

Given to Salt: *The Struggle for the Dead Sea Concession*

By M. A. Novomeysky.
Parrish. 286 pages. 25s.

ON a broiling afternoon in mid-May 1948, your reviewer motored down from Amman to Jericho to check for himself some of the rumours that were flying round at the start of the Palestine war. One was that no one had had the time, or the men, to spare for ordering the Arab Legion to preserve a potential asset—the Palestine Potash works at the north end of the Dead Sea. It was true. He found triumphant Beduin tugging away lengths of piping made to carry potash or bromine and now destined—at best—for use as cattle troughs. So ended Chapter II of the saga of which this book constitutes Chapter I. The third, still in process and untold in English, covers the Israeli feat of precipitous road-building and persevering reconstitution of the potash works at the other end of the Dead Sea.

The story begins in 1920. Mr Novomeysky (now in his eighties and still a director of Palestine Potash Limited) was then a Siberian mining engineer in his prime. He was also a Jew and a Zionist. Versed, from experience on Lake Baikal, in processes of extracting salts by evaporation, he was undaunted by the then physical snags in working a concession in the Jordan valley—a bad climate, no transport, no fuel, no money. The handicaps he did not reckon with were psychological—handicaps that were to dog him for the whole of the nine years covered by this book. He did not get the concession until 1929.

Was it misfortune or design that produced such frustrations as to lead a Colonial Office official at one point to "wish the sea were really dead"? Each time success seems within grasp there appears either a ghost applicant waving an Ottoman *firman,* or a civil servant whispering that Du Pont is in the field, or an MP concerned to ensure that no Arab rights are promised away, or a financier back-pedalling because he is interested chiefly in profits and Mr Novomeysky chiefly in "making that salt lake serve the land of Palestine."

Throughout the drama, the principal *personæ* play their parts in character. Though it is in British interests to find potash from a non-German source, the Colonial Office moves at the pace of the nation that cannot decide whether to build a ring road round Oxford. Meantime, Mr Novomeysky inflexibly pursues —with occasional very genuine handshakes for Arabs—his objective of furthering Zionist ends, including Jewish immigration; throughout, he senses and resents British anxiety to give the enterprise a British flavour not just for national reasons but also because, without it, directors bent on furthering Zionism might gallop away with Arab rights. All comes right only when he decides to join forces with a group of peers and old blues and typically Pall Mall advocates of fair play. In the years after the book's end, it is the Arab talent for destruction that spoils this grand design. Neither the Lyttons nor the Tennants nor the Novomeyskys are accountable for a result that was meant to be just, but turns out in favour of Israel.

The book, though exciting, is for connoisseurs. Few casual readers will be interested in its wealth of solicitors' letters, passages from Hansard and drafts for concession agreements. But it constitutes required reading, and most revealing reading, to anyone interested in Zionism or the working of the British mandate for Palestine.

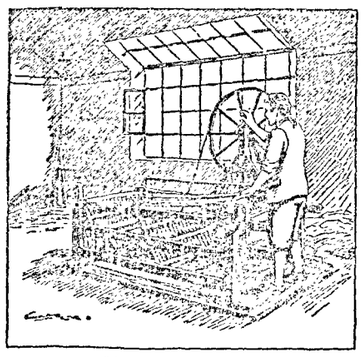
Who Invented What

Inventors of Our World

By Joachim Leithäuser.
Weidenfeld and Nicholson. 257 pages. 25s.

THIS is not simply a book for boys, though it has some of the extravagant gusto, free-wheeling from fact to fact, that child's guides to what makes the wheels go round often display. It is in fact concerned with who first made the wheels go round, a popular history of the origins of modern technology that is lively, journalistic, and very easy to read.

Mr Leithäuser's stated objective sounds slightly ponderous: "a simple portrayal of the true evolution of modern technology." What he has written is



James Hargreaves's Spinning Jenny

not: it is a sweeping graphic adventure tale of inventors and their achievements, essentially anecdotal, selective and fast-moving.

Compressed into a book as short as this, the history of invention simply bristles with good stories; the author sets each of his selections down quickly and neatly, then darts on to the next. It is only where he feels some grandiose generalisation or sociological comment would be in order, and composes his writing for this weighty (and windy) task, that the narrative falters. And to do Mr Leithäuser justice, he pretty soon gets impatient with the large vague generalisation himself; his odd, twinkling facts are always crowding back and leaving the high thinking suspended in mid-air.

Rowing Controversy

The English Style of Rowing

By P. Haig-Thomas and M. A. Nicholson.
Faber. 164 pages. 18s.

AT least since the beginning of the century there has developed, every few years, a controversy about the best technique of oarsmanship. Until the war, it could usually be claimed by the partisans of the classical English style of rowing that in due course they had established its supremacy. Mr Haig-Thomas was more than fifty years ago himself a most distinguished and successful exponent, and as a coach has played a leading part in re-establishing the true gospel from time to time. The younger author is a postwar president of the Cambridge University Boat Club, and now a master at Eton, which was the cradle of the classical style, developed by Edmond Warre, the famous headmaster of Eton, and by de Haviland, who for many years coached the Eton eight.

The major heresy that challenged the classical orthodoxy was the Fairbairn style. The Fairbairn school had a great deal in its favour. Its leader, Steve Fairbairn, had genius as a coach and as a leader of men. The successful development of oarsmanship according to his school demanded long hours of physically strenuous effort: great mileage of rowing and, in that mileage, emphasis always on the "natural" way of doing things. The classical school, on the other hand, demanded not so much mileage of strenuous physical effort as intense mental effort, with every stroke rowed directed to achieving the perfect co-ordination of movement into a synthesis that is much less natural, much more artificial, than Fairbairn required. The Fairbairn style required the maximum relaxation of all those muscles that were not obviously and directly essential to propelling the boat through the water. With the classical style of rowing, there was never so complete a degree of relaxation even when high proficiency was achieved; and until a fair degree of proficiency was achieved, relaxation had to take quite a secondary place. Those men who rowed well in the Fairbairn style had much satisfaction in rowing, and an excellent prospect of winning many races in any company except the highest. The devotee of the classical school spent nearly the whole of his rowing life in discontent, but might hope to find a reward in an ecstasy—lasting probably no more than a few minutes in a year of rowing in good company—when eight men, or four men, were co-ordinating their movements as they should, and making the boat travel as it should. No one who has known that rare ecstasy can doubt that the classical style at its best cannot be beaten.

Messrs Haig-Thomas and Nicholson give a clear and authoritative account of what it is to row in the classical style. They argue, convincingly, that the Fairbairn style, while it produced a plethora of crews capable of winning races against orthodox crews short of a really high standard, never produced one capable of beating a firstclass crew. They maintain that, in the present state of rowing, a style prevails that lacks the best of either school. They build up a logical case which is strong, though not quite overwhelming, for believing that the classical school offers the best hope of producing the fastest eights possible from the background of English rowing. It is to be hoped that their book will start a revival of the classic style, and that their case will be proved by a resurgence of English rowing from its present sorry state.

Bentley Boys

W.O.: *The Autobiography of W. O. Bentley*

By W. O. Bentley.
Hutchinson. 223 pages. 21s.

BETWEEN the years 1922 and 1931 the Bentley motor car gave pleasure to sportsmen and attracted a variety of financiers. Since its demise in the slump that struck Wall Street and closed the old Bentley Company, interest in this high performance car has never waned. Today the Bentley Drivers Club flourishes, its members going to great lengths to preserve examples of every version of the "W.O." Bentley and to unearth every possible fact, technical and historical, concerning them. Certainly more is known today about these great vintage cars than anyone knew of them in their production era—except their modest creator, Walter O. Bentley.

Now the designer of the Bentley car has compiled his autobiography and the truth is at long last plainly disclosed. The author describes how his early love of steam—he served his engineering apprenticeship in the Great Northern locomotive shops at Doncaster—gradually changed to an acceptance of internal combustion. Racing early motor-cycles for pleasure gave way to racing certain French cars in order to publicise them. The first world war proved W. O. Bentley to be a talented aero-engine designer, and the Armistice saw him marketing a car of his own make.

His autobiography tells the simple truth about the setbacks he experienced and the racing victories his cars achieved. He alone knows what really happened; he devotes a chapter to those legendary characters, his drivers, which is supremely entertaining because he is the only man who knew the "Bentley Boys" intimately.

During the second world war, when petrol and motor news were scarce commodities, the motor press devoted much space to the history of motoring. The result is that many books published subsequently merely repeat information that came to light weekly and monthly in the war years. Here "W.O." has an advantage; his autobiography presents the reader with hitherto unknown facts. For this reason, and because the vintage Bentley is held in such high esteem, this book will be a motoring "best seller."

Apart from going into those technical matters which put his cars first past the winning post after twenty-four hours' racing at Le Mans four years in succession and which sold over 3,000 of these costly vehicles to the public, W. O. Bentley tells bitterly of how his liquidated company was snatched from under the nose of D. Napier and Son by a "disguised" bid on behalf of Rolls-Royce. After he left Rolls-Royce the war killed his V12 Lagonda, and, later, litigation all but extinguished Bentley's 2½-litre, which he designed for the Lagonda Company. Such disappointments could well have caused the famous patron of the "Bentley Boys" to dwell on the happier days at Brooklands and Le Mans. Instead, to his credit, he has set down an impartial history of his career, told in a way that carries complete conviction.

Strange People

Kingdom of the Saints

By Ray B. West.
Cape. 389 pages. 30s.

WHICH leader told his people, a hundred and one years ago, that they should fight to the end, "in the mountains, in the canyons, upon the plains, on the hills, along the mighty streams and by the rivulets"? It is unlikely that anyone who knows the answer to this question will need to read Mr West's book. But for those to whom the Utah War and Brigham Young's role in it are shadowy recollections, if recollections at all, for those in fact who want to have the extraordinary Mormon story retold in sympathetic and lively style, "Kingdom of the Saints" is probably the best single book available. The first half, devoted mainly to Joseph Smith, is surpassed by Fawn Brodie's "No One Knows My History," but the rest of the story—the exodus, the settlement, the troubles and the triumphs of Zion—cannot be found elsewhere in so compact and reliable a form.

Mr West writes as an ex-Mormon, in the sense that he has lost his faith in the Mormon religion, but also as someone whose upbringing guaranteed, as he says, that "there was a sense in which I would forever be a Mormon." This undoubtedly helps him to portray his heroes (with all their faults they are that) comprehendingly, and frees his book from the sneers, faint or loud, which most "non-official" Mormon historians have indulged in. But the respect inherent in such an approach leaves the Mormons still remote from full comprehension; they are like creatures from some strange Far Western mythology, possessed obviously of remarkable powers, yet still somehow synthetic, like their religion and their culture. Had Mr West paused in his story-telling long enough to give his readers a generous depiction and analysis of Mormon theology and government, clerical and lay, this gap in our understanding might have been reduced. As it is he has given us Genesis, Exodus and Joshua with little Deuteronomy and hardly a word of Leviticus.

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NELSON

The Great Adventurers

The World Unveiled

By Paul Herrmann.
Hamish Hamilton. 507 pages. 42s.

GERMAN popularisers sometimes put one in mind of a dance of elephants. Even when dealing with a subject that of its own nature lifts the heart with excitement, a prolix stylist, who shovels quantities of miscellaneous information at the reader, can obscure the grandeur of his theme. Some of the information given in this book at considerable length is good, some bad; but none of it is organised into a coherent scheme of presentation.

Mr Herrmann's book (apparently the second instalment of the story of man's widening knowledge of the earth which he inhabits) is sub-titled "The story of exploration from Columbus to Livingstone." Such a story was well told for the general reader in a work, also translated from the German, of Dr Leithäuser three years ago. The present book, on a more extensive though not a grander scale, in fact recounts the careers of various notable explorers chosen at random. North America, Asia and the Polar regions are not mentioned. Tasman gets one sentence, but Barth and Nachtigal get forty-two pages between them, and there is even room for the author's motor trip across the Sahara. The motives and problems of exploration are never analysed, nor the means of solving them adequately described. But for those—and there are many—who love digressions about syphilis, Easter Island, Inca customs, Heyerdahl's theories, this book will provide plenty of reading. It is handsomely produced and profusely illustrated, though some of the prints chosen are a mistake in the sense that they are neither contemporary nor accurate.

A Stage Obituary

St. James's: *Theatre of Distinction*

By W. Macqueen-Pope.
W. H. Allen. 256 pages. 25s.

SNOWFLAKES falling from a grey sky on to the proscenium of the St. James's Theatre made a sad sight in London this month to touch the hearts even of those who realised the impracticability of keeping it in being. This book is in effect an affectionate memorial to it, although it was not conceived as such, being one in a series of theatre histories by Mr Macqueen-Pope.

The St. James's Theatre, built at a cost of £50,000, opened in the Christmas season of 1835—not, however, with legitimate drama, then the monopoly under royal patent of Covent Garden and Drury Lane, but with comic opera or burletta as it was then called. Failure dogged the early years of the St. James's, but theatre generally was in those days at a low ebb.

We have to move forward more than half a century to the late Victorian and Edwardian days to find this theatre, with others, in its heyday. With time lending enchantment, the profusion of talent that came to the London stage in those years strikes awe. The St. James's, under its famous actor-manager George Alexander, had its own special glories. It had, for instance, the summer night in 1893 when Mrs Patrick Campbell captured her London audience with Pinero's *Mrs Tanqueray*; it had George Alexander in *Lady Windermere's Fan* and *The Importance of Being Earnest*, Forbes-Robertson in *The Passing of the Third Floor Back*. Even then there were failures: there was the unruly night in 1895 when the patrons of the St. James's booed loud and long at the author of *Guy Domville*, the astonished Henry James.

Mr Macqueen-Pope brings the story up to date with sadness only at the end. He loved the St. James's passionately and perhaps he has written his history with too much adoration for the sophisticated. Perhaps he could have included, with advantage, more excerpts from the press notices of the times. What were Mr Shaw's reactions to those late Victorian ventures? But possibly the overriding impression left by this book is the apparent impossibility of keeping a theatre for long on an even keel. Even the most prudent of managers back hopeless losers. Should we blame the dramatists for not writing good plays or the producers for not picking them or the theatregoers for a fickle taste?

UNITED NATIONS

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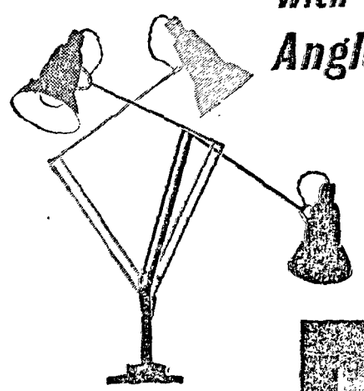
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BRITISH BANKING 1958

The Bank and the Public
Vindicating Bank Rate
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The Bank and the Public

THE one mercy about politics is that it is always in search of new middens to scratch over. It is a mere four months since the House of Commons endured one of its least appetising debates, on the Bank of England, in which Mr Harold Wilson sought both to extenuate the part that he had played in the setting up of the Parker Tribunal and also to lay down his ideas about the way in which the Bank should be run in future. In one afternoon he and his colleagues managed to jeopardise any basis of mutual respect between a future Labour government with Mr Wilson as Chancellor and the City itself. For that piece of wrecking his party—and the country—may have to pay at some future time. But the damage has been done. New sensations have replaced the Bank in the politicians' attention. And the general public is left little the wiser about the genuine case that can be made for having a Bank, as distinct from a creature of the Treasury, or about the valid criticisms that can be levelled at the Bank for its failure in the past to persuade the public at large that its viewpoint on monetary policy, as distinct from its technical expertise in carrying that policy out, is something that the country needs.

It has been said of Lord Norman that not only did he have some difficulty in explaining himself to more than one person at a time; he actually resented having to do so and avoided the necessity whenever possible. As for uninstructed opinion, he ignored it as of no account. It has long ceased to be that kind of Bank. The manifestation of a person who felt towards his decisions (and usually good decisions) had given way, years before the Bank became public property, to the exercise of central banking functions based on principle and on knowledge—what the present Governor has well described as the prime requirement of operational competence.

Yet today that competence—which even the sourest critic would not deny—is not enough. Each day, some new arcanum is broken open and it is useless to complain that the intelligent part of the public is being tiresome or impertinent in demanding to know what goes on in secret places. As for the uninstructed part, it is worth pondering the effort (and the money) that institutions, industries and companies all over the world spend in creating an acceptable aura around themselves. Not that they are unacceptable; they almost invariably are. But whereas a minority can be convinced of the fact by the evidence, the majority have to be instilled with a mental picture of what constitutes a Good Thing by the arts of persuasion rather than by any strict demonstration of reason. This may be disagreeable—even vulgar—and sincere people can easily be tempted to dismiss it with contempt. The misfortune is that these arts become increasingly necessary in the modern world; not even the most withdrawn institution can afford to ignore them.

It is not yet evident that this point is fully seized in Threadneedle Street. "Our policy," the Governor has said, "has been to move gradually in the direction of saying more about what we are doing and giving more background." That indeed is true and the Governor himself has lately been making a notable contribution to the general understanding of the Bank's actions and views in a series of public speeches that can be no light addition to his responsibilities. But there is still something very tentative about the Bank's

The growth of an Idea

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The system of decentralisation through Local Head Offices is not confined to this country. Branch managers can deal with practically any banking question you put to them; but if they have to refer to higher authority most of them need go only to their Local Directors in Norwich or Nairobi, in Cardiff or Capetown, rather than to a remote Head office in London.

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search for a new attitude in its relations with the public. Some spokesmen for the Bank would deny that there is any change in attitude or any need for one; the Old Lady, they would say, may bow to fashion and shorten her skirts discreetly, but it would not be seemly to do more than reveal a glimpse of what goes on. The Bank is, indeed, far more approachable than it was and working journalists who do their best to interpret its viewpoint to a wider public have reason to be grateful for that. But where the Bank still shows hesitation is in projecting itself in the public mind, not indeed as "a separate, and perhaps rival empire" to the Treasury, but as a co-partner in the work of economic policy-making. The simple and only democratic principle is that in the last resort economic decision must rest with sovereign government. The point is that within that principle it is possible either for the Bank to appear as a secondary agency through which the Government exercises its policy or as a source of economic judgment formed independently and above the ruck of politics. Unfortunately, the picture that the general public has is of a subservient central bank. The late Sir Stafford Cripps's lamentable quip —"The Bank is my creature"—still strikes horribly deep.

ON the broadest questions of the part that the Bank will in future play in the exercise of monetary authority, the judgment of the Radcliffe Committee will be crucial. There is no advantage to be gained in trying to draw an amateur blueprint of organisation and functions of the Treasury and the Bank when wise men are devoting intense study to these problems. "This review," the Governor has said, "will help us all to see where, without sacrificing the strength of tradition, further improvements can usefully be made." The appeal to tradition is entirely permissible, but it must not be paramount. Where, as in this country, the responsibilities for monetary affairs are interwoven, the direct impact of people's feelings about any move in economic policy falls upon the government, as it should. The Bank may feel that the move may be right or wrong; it may give the government the benefit of sage advice based on the lessons of experience and the proven instincts of tradition. But if all this is conducted exclusively behind the veil, how is the public to know or appreciate the unique value of the Bank's contribution as a source of second opinion in these matters?

So while it is right to welcome the changes by which the Bank is endeavouring to make itself better known (and even to welcome the marked impetus in that direction that has proceeded from the Parker Tribunal hearings) they represent only a beginning. The need is for a much wider understanding of what the Bank is doing and what its views are at the important points of decision on the economic trend line. This is the limit to which constructive criticism of the Bank can be pushed. To represent it as an attempt to set up the Bank as a rival to the Treasury is really something of a caricature. The only proper relations between the two were decided long before Dr Dalton nationalised the Bank in 1946. The transfer of decisions from the Bank to the Treasury that Lord Norman deplored after the suspension of the gold standard in 1931 introduced a decisive change in the balance of forces between them. By 1937 even he, edging in thought towards what Sir Stafford Cripps was to say so devastatingly more than ten years later, asked the governors of the Empire central banks meeting in London to remember that he was an instrument of the Treasury, as well as a central banker. But, he went on, "the two are not incompatible, especially in these days, and I would not say that I am in any way embarrassed by divided loyalties."

THAT might serve as a guiding principle today. The work of the Bank can only benefit from being more widely understood as the essential warp in the fabric of monetary policy. If the Bank is uncertain in explaining itself or if it supposes that the public takes a discreet reserve to be synonymous with importance, its influence is bound to be less effective than it ought to be. It may be true that the Bank of England is not invested with the same authority that some other central banks enjoy in the field of monetary policy. It is undoubtedly true that many of the public misconceptions about the Bank have been encouraged by the defensive and sometimes even negative posture that it adopted in the decade after nationalisation. In this posture there was an acceptable element of good manners, not always matched at the other end of the town. But it meant that an opportunity was being missed for preventing mischievous comments from getting an unchallenged start and for quenching many of the doubts about the relations of the Bank with the Treasury and with the City that some well-disposed people, for want of information, have come to harbour. The same point, indeed, could be directed against the City as a whole; there is no area of activity in the British economy that suffers so much from ignorance and prejudice, and not least on the part of people who would hate to describe themselves as anti-capitalist. It springs from the same cause—lack of knowledge consistently and widely imparted.

Probably the Bank is tired by now of prodding about its annual report. For years, this document has represented the negative side of the Bank at its worst. It may not wish to go in for the mass production of statistics—there are plenty of other people in that business. But there is no comparison between the bare annual account that the Bank renders of its activities and the reports of central banks in many other countries. Mr Bulganin's annual reports, one may be sure, will have more to say about the State Bank he now administers than Mr Cobbold's have so far found to say about his. It is not necessary to go to the monthly lengths of the Federal Reserve Board's distinguished bulletin to achieve the required purpose. Yet it is arguable that the need for explanation is all the greater here because there is no counterpart to the periodical explanations that Mr William Martin is called to give to Congressional Committees about the Federal Reserve Board's policies and intentions.

It should not need saying that these are intended as constructive comments, based on the belief that the Bank's role can be made more effective, even though it can never become overriding. The value of a second opinion is not less important in monetary policy than in other affairs. Popular governments have deposed central banks from ultimate power, just as they have deposed absolute monarchs. But there are moments when the decisions and the guidance of a constitutional monarch are still of critical importance—when the popular influence of the Crown becomes invested with a rare but effective authority. In some ways, that might serve as a model for the Bank. It must be non-political; it must be popularly understood; but it ought on the decisive occasions to be prepared to declare its independent views.

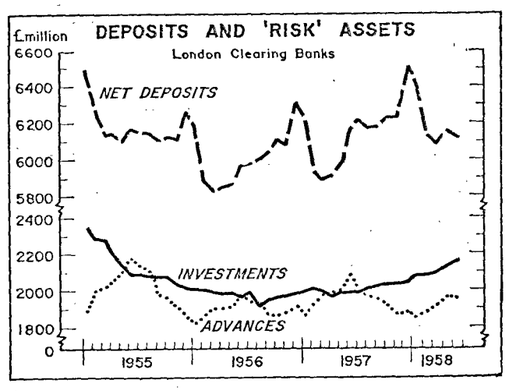
Vindicating Bank Rate

The quick success of the high Bank rate had at first a paradoxical result—it speeded up the expansion of credit. But in recent months it has gradually brought the expansionary forces under control

In the eight months following the crisis of last September, as the ensuing article spells out, Britain replenished the gold and dollar reserves to the extent of £336 million, without counting the $250 million drawn under the "Suez" credit granted by the Export-Import Bank; and during the first six months of that period—which is as far as the available statistics go—it repaid short-term external liabilities, in the form of sterling balances, to the extent of £135 million. Also during this period the big banks thought it worth while to return in force to the gilt-edged market, and towards the end of it the monetary authorities carried through one of the most strikingly successful conversions of government debt on record, securing a 96 per cent response. Shortly afterwards, on the eve of the second reduction in the Bank rate conceded this year, the Governor of the Bank of England, Mr Cameron Cobbold, affirmed that there is now a "real foundation of progress towards stable prices and a stable exchange situation." In spite of current labour troubles—or because of them—that is not an unfair assessment of the prospect. And, certainly, this is the first time since the war that such a claim can be made with any real assurance.

These three sets of facts measure the progress that has been made, by pointing the contrast between conditions now and those of last autumn, in three major spheres—the state of the reserves and sterling, the mood of the gilt-edged market, and the prospect for prices and wages. A variety of forces, not excluding such international influences as the further improvement in Britain's terms of external trade, have contributed to this transformation. But those who have consistently appealed for boldness in the use of monetary policy are entitled to point out that this dramatic change in the financial climate started from the very moment of the emergency measures of September 19th, and that the only novel device among them was the utterly unexpected raising of Bank rate by 2 per cent, to 7 per cent, its highest since 1920-21. It is not clear how far the authorities expected the resultant drastic rise in the cost of borrowing to be in itself a brake upon expenditure; nor is it possible to guess how considerable those direct effects have been. But it is certain that the 7 per cent rate was cast for a highly important psychological role; and it is equally clear that it amply filled that part—as the one means of convincing public opinion that a real stand was at last to be made against inflation. In this sense at least the claims made for the Bank rate weapon by its champions have been vindicated.

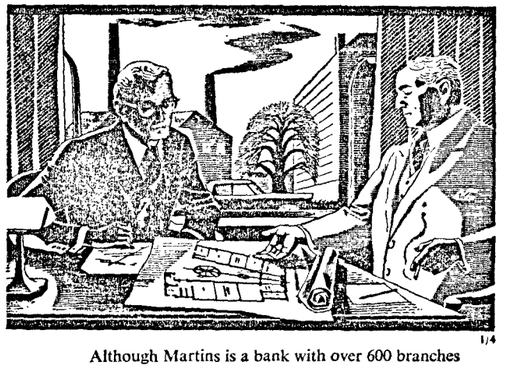
It is much less easy to demonstrate the specific mechanics by which this bold wielding of the interest rate has worked on and through the banking system so as to exert restraint upon the economy. During the first few months of the penal rate there was indeed the seeming paradox that the volume of credit as a whole was rapidly expanded. Bank advances, it is true, had started to decline several months before the announcement of the September measures, and in the ensuing three months this movement went much further. The monthly statements of the clearing banks had shown during the third quarter of 1957 an apparent decline in advances to borrowers other than the State boards by £113 million, from the mid-year peak of £2,022 million, though the true decline must have been somewhat smaller than this (because of the swelling of the end-June total by the seasonal rise in the extraneous transit items). Then, in the fourth quarter, after charges for bank advances had been raised to rates ranging up to 9 per cent, and after the clearing banks had been persuaded to work to a new quantitative limit, the published total declined by a further £107 million; that figure must have been distorted in the opposite direction, so that the true decline in the fourth quarter was probably appreciably larger than in the third. This restraint of advances was not reflected, however, in the behaviour of bank deposits: aggregate net deposits of the clearing banks rose during the first three months of the 7 per cent Bank rate much more than seasonally—by £280 million to £6,516 million, their highest for three years and only £40 million below the all-time peak touched just before this whole phase of anti-inflationary policy opened in early 1955.



The proximate cause of this steepening of the curve of credit expansion was a sharp increase in the needs of the public sector. The State boards increased their borrowings by £34 million, and a spectacular increase occurred in the demands of the central government. In spite of a decline of nearly £20 million in the banks' portfolios of commercial bills, the aggregate liquid assets of the banks showed the extraordinary rise of £386 million, which was the counterpart of an extremely steep rise in government borrowing on Treasury bills: in the three months following the rise in Bank rate, the outstanding issue of tender bills rose by £360 million, compared with a rise of merely £10 million in the corresponding period of 1956. By the year-end, therefore, a large proportion of the exceptional reduction achieved in the bill issue early in 1957 had been replaced: the reduction shown on a twelve months' comparison had



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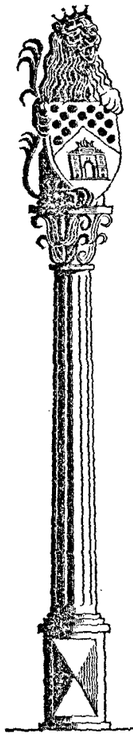
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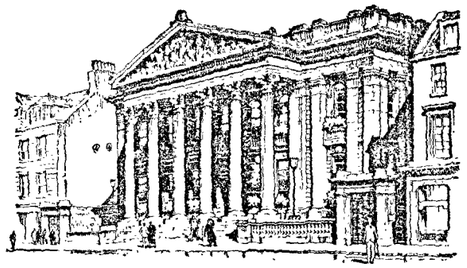
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narrowed from £430 million in early April to only £140 million by end-December (to a total of £3,460 million).

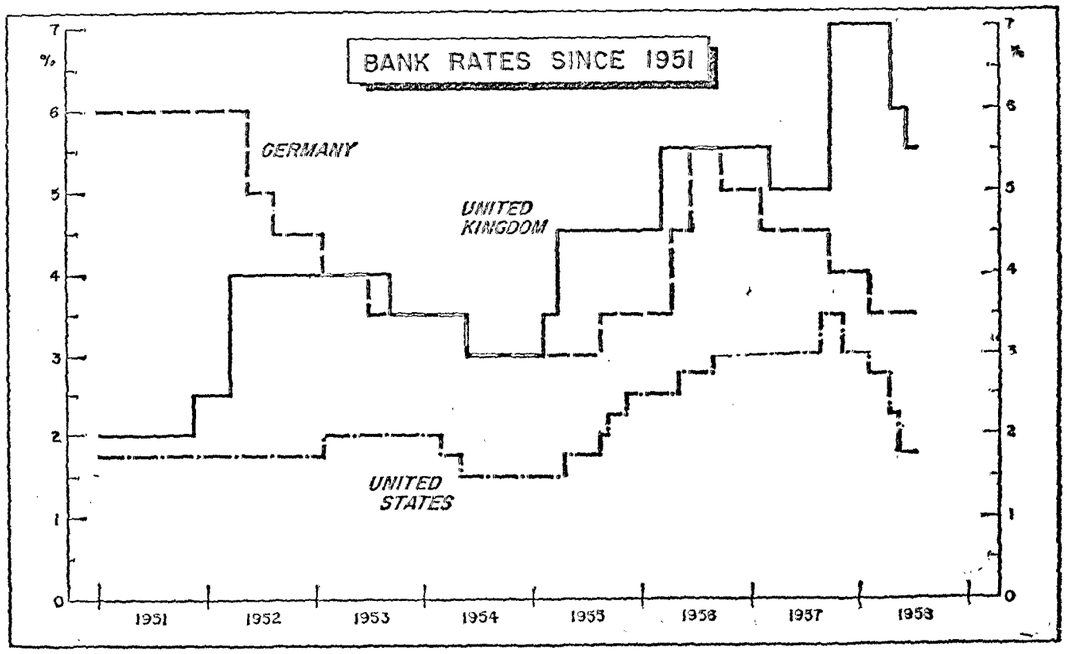
This steep increase in borrowings on floating debt was not attributable to any deterioration in the budgetary accounts: the "overall" Exchequer deficit for the fourth quarter of 1957 was little changed from that of the previous year. The major new influence was the dramatic turn-round in the exchange markets, so that the Exchange Equalisation Account, instead of being a source of finance for the Treasury by relending to it sterling received from sales of gold and exchange, became a large borrower of sterling for finance of the gold reflux. This increase in the offerings of securities on behalf of the Exchange Account was not, moreover, accompanied by any corresponding reversal of the trend of demand for such securities from external sources. On the contrary, the net repayment of overseas-held sterling balances was only moderately smaller in the fourth quarter of 1957 than in the third quarter—it amounted to £102 million, compared with £125 million.

From the point of view of the domestic banking system, therefore, the first effect of the September measures was to change the external influence upon the volume of credit from a contractionary to a strongly expansionary one, without immediately diminishing the major existing expansionary influence of domestic origin. This influence was the plight of the gilt-edged market. From the late spring onwards the flight that developed from fixed interest securities had made it progressively more difficult for the authorities to pursue their intended policy of borrowing from the public rather than from the banking system. By August, indeed, it had seemed to many people that the mechanism of credit control was rapidly approaching breaking point; although in that month, as also in September, the effects were concealed by the catastrophic rate of gold efflux, so that in spite of the difficulties of government finance, the total of bank deposits declined.

The fundamental remedy for this situation was the drastic rise in Bank rate, since that and the associated measures offered some grounds for hope that the long decline in the purchasing power of money would be arrested. It also offered even surer reasons for expecting the next movement of Bank rate to be downwards. But these forces could not be expected to restore the absorptive power of the gilt-edged market overnight. The very process by which they worked was by administering at first a profound shock, from which the market needed time to recover. Gilt-edged securities had been forced to levels that made them "historically cheap"; but the big investors still would not move until they could measure the quality of the follow-through, could judge whether the stern language of 7 per cent did indeed set the tone for government policy as a whole, especially on the wages front.

In the early phase of the high rate, therefore, all the major factors except the continuing fall in advances were making for credit expansion, for the government had also to contend with a decline in its borrowings on non-marketable securities—savings securities and tax reserve certificates. Even in this phase, however, some important restraints were at work within the banking system, quite apart from the restraints exerted through the wider capital market. The attraction of the abnormal 5 per cent paid on deposit account balances was causing a pronounced switch of funds from active to inactive accounts (a movement that continued, indeed, even after this year's first reduction in Bank rate).

Secondly, the fact that the banks were reluctant to return in strength to the gilt-edged market meant that the rise in their liquid assets involved much less than normal risk of a secondary expansion of credit. The authorities had in any event a weapon to hand for preventing any such expan-

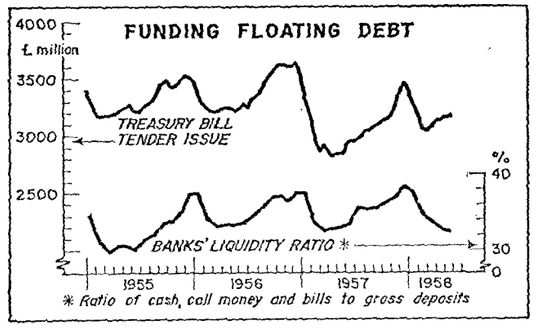


sion, and were evidently more prepared to use it than they had been on many former occasions. The government broker, acting for the "departments," could, and did, stand ready to supply any considerable demand for gilt-edged. Any such sales, even when made to banks as distinct from the public, had the effect of absorbing bank liquidity without an associated rise in bank deposits (such as happens when the banks buy from the public) and of preventing a premature rise in the gilt-edged market.

Since the turn of the year, this seeming paradox of credit expansion at high rates has gradually disappeared. The complex balance of forces playing upon the volume of credit has been shifted. The strength of sterling and the rebuilding of the gold reserves, the restraint shown in the budget and in economic policy generally, the maintenance of a reasonably tough line in wages policy—these, and other factors, have provided a firm foundation for the gilt-edged market and have enabled the government to resume funding operations on a massive scale.

Hence a major new contractionary force has been created within the domestic economy to withstand the expansionary pressure of the big current surplus that Britain is now running on its external balance of payments and the effects of the reflux of funds. In the tax-gathering first three months of this year the contraction of bank deposits was somewhat larger than in the corresponding period last year, and in the subsequent two months the expansion of deposits was somewhat less. In May, indeed, there was a significant contra-seasonal fall, so that over the five months the total has declined by £397 million, or fully £70 million more than the decline in the similar period of 1957. The net decline of £55 million over the full nine months since the penal rise in Bank rate is, indeed, only a little short of the corresponding movement in 1956-57; but the seasonally adjusted *index of net deposits* compiled by Lloyds Bank, which rose from 107.6 to 109.9 (1948=100) from September to December, is still, at 109.3, perceptibly above its September level.

The funding operations that made this change of trend possible have been aided, of course, by a decline in short money rates and by the associated reductions of Bank rate to 6 per cent on March 20 and 5½ per cent on May 21. The banks themselves have thus become the more ready to join in the return to the gilt-edged market. Since end-1957 they have added no less than £115 million to their investment portfolios, raising them to their highest for three years. Hence the check to the growth of bank deposits has been accompanied by a drying up of the excess liquidity created at the end of 1957. In each of the past two months the liquidity ratio has fallen, when normally it would have been rising, so that since December it has been reduced from 38.5 to 32.4 per cent. This means that, so long as the gilt-edged market retains its absorptive power, the authorities should have no difficulty in preventing a resumption of credit expansion at any undue pace. But it also means that the power of the banks to give support to the market is becoming more circumscribed.



Sterling's Strength through Tribulation

The impressive recovery of the central gold and dollar reserves in the face of continuing repayments of sterling area balances has revived talk of an impending move to formal convertibility. Is this realistic?

At mid-1958, sterling enters its phase of seasonal strain stronger and better cushioned than for many years past. It has displayed in the first months of 1958 a persistent resilience against adverse psychological influences of a kind that in each of the past three years were sufficient to check and even reverse the favourable seasonal influences on commercial account. The reserves in the first five months of 1958 have risen by more than at any time since 1950; and whereas the gold then was carried in by the perilous tide of the Korean boom in commodity prices and was accompanied by a steep rise in sterling liabilities, the recent strengthening of the reserves has been achieved in the face of continuing strains from the rest of the sterling area, and in combination with large repayments of sterling liabilities. Commodity prices have been weak, and the growing development expenditures of the overseas sterling countries have increasingly been financed by drawings on London balances. It can safely be said that the total improvement in Britain's overseas monetary strength, arising from both the increases in the gold reserves and the reduction in sterling liabilities, has been without precedent throughout the postwar period.

Yet a short six months ago sterling stood shaken on the aftermath of its third major crisis in three years. Could the measures of September 19th prove effective where so many previous efforts had failed? As foreign holders of sterling quickly appreciated, there was a fundamental distinction between the September effort and its predecessors. In the autumn of 1955, Mr Butler's strong denial that no changes in the sterling parity or the sterling margins were in prospect was sufficient to check the immediate run produced by fears of a move to floating rates; but the undercurrent of foreign distrust of the pound remained. A year later, when the Suez crisis brought fears to a head, ministerial affirmations were not enough; $561 million



If you want a thing done well...

"Foundation stones" my old grandfather used to say, "are a great mistake". They were, in his view, almost invariably laid by the wrong sort of people and usually in the wrong sort of places.

Stonemasons, however, he approved of; in fact craftsmen of all kinds – "if you want a thing done well, don't do it yourself, send for a craftsman" was another of his defiant sayings. This, however, did not prevent him practising a succession of crafts as gentlemanly hobbies, among them glass-blowing (mostly wall-thermometers) and the carving of oriental temples, in ebony or ivory, for hanging gold watches in by the bedside.

John Lethbridge the local stone-cutter was a favourite of his and he often offered John the money to set himself up as a monumental mason; an unlikely project since neither of them had a head for business. 'Young Jack' Lethbridge, the son, did eventually set up – as a roadwork contractor. But by that time there was a branch of Lloyds Bank in the village and it was the Bank that enabled him to get off to a good start.

Lethbridge's is a big firm now and employs people from miles around. The village has grown into a town, and the present Manager of the Bank was telling me that he has, well, perhaps I had better not reveal how many local businesses on his books, to say nothing of his brigade (he's very T.A.) of private customers which I gather includes a platoon or two of the skilled men at Lethbridge's.

J. M.

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before the speculative run, reached $384 million. Simultaneously, in the year to end-March, the sterling liabilities were reduced by £251 million.

The drastic monetary measures of September, therefore, have proved far more successful than any crisis measures before. Admittedly, the central battle against domestic inflation is not won yet; and a continuation of America's recession holds obvious dangers. But the gains of the past few months have given sterling its much needed breathing space.

It is against this background that rumours have proliferated in the exchange markets of an impending move to full and formal convertibility, by a unification of American account sterling and transferable sterling. On this question, official action during the crisis phase itself is regarded by many market observers as a significant portent.

IF one looks back on the handling of the crisis by the authorities, two facts stand out. The first is that no recourse was made at the time to physical controls to protect the reserve; the second is that there was no perceptible widening of the discounts on the spot rates against dollars in the unofficial markets. The one retreat from the freedom of the London market built up over recent years was in the circumstances a legitimate one. Under notices issued by the Bank of England, banks in the United Kingdom were instructed to provide no further refinance facilities to non-residents. It was further stated that sterling credits for the purchase of sterling goods by non-residents might no longer provide for payment by the issue of usance drafts.

These refinance facilities had for some time been used to build up bear positions in sterling. A typical case would be the finance of shipments of rubber from Malaya through London to Germany. In the normal course this would be arranged by a sight draft; the shipper in Malaya would get his cash by negotiating his draft with a local bank, and the bank would then send this to London where it would become payable by the ultimate buyer against the presentation of the documents. It had been found, however, that the buyers in Germany would postpone their own payment by arranging for a three months' credit in London in order to finance the payment of the sight draft. By this "refinance credit" the need to find the sterling would be deferred for three months or, alternatively, the ultimate buyer would be given the advantage of buying his sterling at the big discount quoted in the forward market. There was nothing illicit or unusual in such transactions, since there was a genuine movement of goods behind them, but they gave merchants an easy means of speculation. The authorities have since relaxed the restrictions on these facilities; but as confidence in sterling has been re-established, demand for refinance facilities has fallen steeply away.

No other restrictive steps were taken last September, either by tightening exchange control or by reimposing import restrictions. Moreover, once the crisis was over the authorities continued their forward march in each of these fields. During the last quarter of 1957 a further liberalisation of import licensing for certain dollar goods was announced; this affected a comparatively unimportant segment of trade, but the action was significant. The relaxation in the field of exchange control was important in itself. In February of this year the Bank of England issued a notice lifting the restrictions on the repatriation of Bank of England notes into the United Kingdom. The proceeds of imports of notes may now be credited to the non-resident sterling account of the sender. Travellers leaving the United Kingdom after a temporary residence may similarly have credited to the appropriate accounts the proceeds of sterling notes up to a maximum of £50 for any one traveller, provided the notes were obtained in the United Kingdom by the debit of an appropriate non-resident account or were brought into the United Kingdom by the traveller.

This relaxation removed at one stroke the discount at which sterling banknotes had been quoted in the main overseas centres. In the most active of the foreign markets for sterling notes, that in Zurich, the rate in February was 11.64 francs, marking a discount of 5 per cent on the spot rate for funds; following the Bank of England's announcement the rate jumped immediately to around 12 francs to the pound, which, allowing for the cost of sending notes to London, is in line with the rate for sterling in the official exchange markets. This relaxation of exchange control, therefore, put an end to a formerly important variety of cheap sterling overseas.

FOR some months now indeed there has been no quotation for sterling overseas below the support point of $2.78 for officially convertible sterling. Even in the worst phase of pressure last summer there was no significant widening in the spread of the three main rates for non-resident sterling accounts, though the spread was far larger than it is today. In June of last year the spot rate in the official market, that is for American account sterling, was $2.78⅞; transferable sterling stood at $2.77¼ and security sterling at $2.60. At the height of the crisis in September, the transferable rate had slipped to $2.76¾, but security sterling had strengthened to $2.67½. By the end of the first week of November official sterling had crossed the parity of $2.80, while transferable sterling had strengthened to $2.78¼ and security sterling to $2.75. This concurrent strengthening of sterling and the narrowing of the spread between the three principal rates has continued since; for the past few months, while official sterling has been knocking against its upper limit of $2.82, both transferable and security sterling have been quoted at near $2.79.

The strength of security sterling has in part been attributable to considerable non-resident participation in large capital issues made on behalf of such concerns as British Petroleum and Shell Transport, in which there is a substantial non-British shareholding. It also reflects an increasing volume of American investment in sterling securities, including gold shares. The strength of transferable sterling has been due in part to the replenishing of working balances in London by Continental bankers and merchants who, at least until their latest doubts about labour disputes in Britain, were reversing the short positions in sterling that had been built up in last year's crisis, and before. For the most part, however, the strength of transferable sterling has been attributable to commercial demand. Far from intervening in support of the transferable rate, the Exchange Account has been selling transferable sterling against dollars in order to hold the rate down.

This conjuncture has naturally led to considerable discussion of the pros and cons of recognising the homogeneity of the two categories of sterling and, therefore, of proceeding to their formal unification. In support of such a move it has been suggested that it would secure for sterling the

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stepping up of the number of cheques they pay in to their accounts.

It might be expected that the banks, at least, welcome the prospect of additional business, first from more cheques drawn upon them, and thereafter, almost certainly, in the shape of new customers from a class that so far is unfamiliar with the benefits of a banking account. In fact the banks too find the possibilities alarming. A gradual increase in the number of customers would obviously be welcome, though many bankers are not at all sure that banking in its present British shape is adapted to handling "wage-earning" business. But the issue of large numbers of wage cheques to wage-earners without banking accounts could flood some branches with encashment business on the two days—Friday and Saturday—which are already the busiest in the banking week. The banks have some experience of a peak rush of this kind, in branches where large employers pay salaries by cheque to small salary earners who have no banking accounts. The wage flood would be at once larger and four times as frequent; and for the banks to pass the cost of the extra work to the cheque-drawing employer would not always be easy. For the shopkeeper, of course, it would be impossible.

AGAINST this background Mr Graham Page, who was responsible for last year's Cheques Act, which virtually abolished endorsements (and quite incidentally nearly abolished receipts as well), has introduced his Wages Bill. The Bill provides for the payment of wages to workmen "on location" by postal order or money order, and for the legalisation of profit-sharing schemes in which the workman has a contractual right to the shares; but its main purpose is to deal with the Truck Act anomaly. Unfortunately, in the face of the opposition outlined above, Mr Page has drafted his reform so mildly that its practical use would be limited.

Section 1 of Mr Page's bill provides: "Where a workman consents to payment of his wages into a bank account specified by him, any payment so made . . . shall be valid if it is made by means of an order to a banker." This makes payment possible either by crossed cheque or by bankers' order, and of course the workman's consent is required; but the requirement that there must be an account nominated by the workman would cut almost to nothing any immediate benefit to employers from the passing of the Bill. Only a very small minority of wage-earners have bank accounts, and special cheque payments to the small section of workmen who have them might cause more trouble than economy. Whether any sizable number of wage-earners could be prevailed upon to open accounts must be a very debatable question.

It is of incidental interest that the original beneficiaries of the Truck Acts were "artificers"; the exact scope of the benefit of the truck legislation today is uncertain. Probably "manual workers" is a more accurate description of the artificers' heirs than "wage earners": the distinction is not as simple as that between workers paid weekly and workers paid at longer intervals, and the clerk who is paid weekly can probably not insist on cash. Even so, what is a manual worker? Could the bus conductors returning to work be paid by cheque without risk of adding legal complications to the other troubles of the London Transport Executive? The question turns on definition; and of course one of the odd facts in this very odd business is that some few manual workers are already, and have been for many years, paid by cheque.

One day, indeed, someone may get impatient and a test case could then conceivably produce a surprising result. A common sense ruling by the Courts, based on interpretation of the true intention of the Truck Acts, would effect a change more radical than any agreed reform is likely to do. In the meantime the cheque is being used for most of the £4,000 million a year of salary payments, and for hardly any of the £7,000 million a year of wage payments, while the provision of armoured car services for wage deliveries is a new form of business enterprise. It is an extravagant consequence of a curious and unintended twist of legal history.

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Canada's Money Row

BY OUR OTTAWA CORRESPONDENT

An open clash between government and central bank took place during the recent election campaign; now the recession gives a new complexion to this unfortunate dispute

THE Bank of Canada approaches its silver jubilee while passing through the stormiest phase in its history. It has been involved in bitter public and political controversy. On a general plane, the issues that have been raised in Canada are closely in tune with the debate about the appropriate relations between government and central bank which in recent years has been heard in most of the major western trading nations. The undercurrents of Canada's controversy have some parallels in Britain, as well as in the United States, Germany, the Low Countries and Scandinavia; the heat of the controversy has rarely been equalled. Domestic politics and individual personalities have brought matters in Canada dangerously near a showdown. In the financial houses of Toronto some people have been expecting to hear almost every week since last June that Mr James Coyne, the Governor of the Bank of Canada, has resigned. Toronto newspapers have several times reported "showdown" meetings between Mr Coyne and Mr Donald Fleming, the Conservative Minister of Finance.

When Mr Fleming became finance minister last summer, he came to office, like any politician who has been long in opposition, "not in entire forgetfulness, and not in utter nakedness, but trailing clouds of" election speeches. And a principal theme of Mr Fleming's attacks on the previous government had been the evil effect of a "tight money" policy. He had insisted that the government, not the Bank, must take responsibility for the restriction of credit, which he believed—rightly—to have been unpopular. When,



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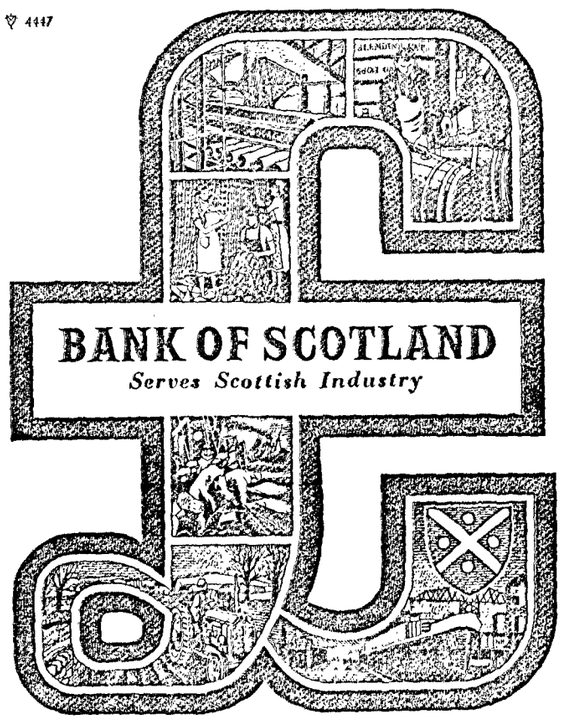
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therefore, he took office (to the surprise equally of himself and the country), it was popularly assumed that he must immediately reverse the course of monetary policy; and that this must result in a clash with Mr Coyne that could end only with the Governor's resignation. Some serious financial observers were so alarmed about the possibility of monetary policy being subordinated to the whims of the electors that they proposed the establishment of a Royal Commission to investigate the relations of the central bank to the government.

How the government and the Bank would have resolved their differences if the boom had kept on at the pace of 1956 and early 1957 is an interesting historical speculation. In fact by the end of August the central bankers observed such a falling-off in the demand for credit that they started to relax, and interest rates began to fall. By the time Parliament met in October, Mr Fleming could proudly declare that the Conservatives had reversed the Liberal wickedness of tight money. A meeker or more philosophical Governor than Mr Coyne might have been happy to let it go at that. But Mr Coyne felt that he had a duty to try to explain to the Canadian people what was really happening. He took the opportunity in his annual report to repeat that it was excessive demand for money, not contraction of the money supply, that had raised interest rates. The money supply, he said, had kept on increasing, and the Bank of Canada had never tried to reduce it. If "tight money" means contracting the money supply, he said, then "there has never been a tight money policy in Canada."

This report appeared in the middle of the second election campaign, in which the Minister of Finance was still talking about the evil of tight money. Mr Fleming promptly issued a statement. He said that the Governor put "his own interpretation on 'tight money policy' but the public attached a different meaning to the phrase," and the government would "continue its efforts" to "ease the tight money condition." In this semantic argument the Governor got the worst of it. What he meant to say would have been clearer if he had used an analogy. He might have written: "Suppose my wife puts on a lot of weight, until her girdle becomes uncomfortable. Would you call that a 'tight girdle policy'?"

The girdle is not pinching now. Bank deposits (including those of the government) plus currency circulating outside the banks are up by almost $1,000 million, more than 10 per cent, over their level a year ago, and demands of private borrowers are much reduced. The banks' general loans to business in Canada are slightly below their level last year; but holdings of Treasury bills have increased by $122 million and of other government securities by $515 million. Moreover a new stimulus has been provided by the federal government's anti-recession programme. In April the government successfully raised $950 million in a four-barrelled issue, with coupons of 2½ per cent for 1959 maturities, of 3 per cent for 1961s, 3½ per cent for 1970s, and 3¾ per cent for 1978s. Of the proceeds, $600 million was needed to refund a war loan. Another $400 million of wartime loan falls due on October 1st and a further $950 million at the beginning of January next. In addition to all this refunding, the budget deficit, which some people expect to be as large as $1,000 million, will require a substantial addition to the government's debt. Additional hundreds of millions must also be raised for advances to crown companies which have been urged to bring forward their capital works. Some $350 million has already been voted by Parliament for housing loans.

If the government, with its need for new borrowing, has accepted a realistic view of interest rates, the Bank of Canada has accepted the demands of the recession for monetary ease. But there remains in the background the potential conflict between the short-run need to stimulate the economy and the long-run need to combat inflation. A difference, at least of emphasis, must be expected between the central bankers' primary responsibility to defend the currency and the political leaders' primary concern with the current level of employment.

Canada has been through a number of phases in its view of central banking. The Bank of Canada was established in 1934 by the Conservative government of the late R. B. Bennett, who made it a privately owned institution and always insisted that it should be free from political control. The Liberals, under Mackenzie King, from the first wanted the Bank of Canada to be publicly owned and controlled, and after a few indecisive moves they finally nationalised it in 1938. The boom period of 1955-1957 was in fact the first occasion for the central bank to try out its full authority to restrain excessive expansion. With more limited capabilities and aims the Bank of Canada pursued anti-inflationary policies during other postwar periods, notably after Korea. But it was not then considered as anything more than an auxiliary support for other action by the government. In the post-Korean inflation Canada still had no functioning market in short-term money. The government of the day welcomed monetary restraint as a contributory aid to its own anti-inflationary policies. But it was itself running big budget surpluses; it was allocating scarce materials to priority users; it was using the tax laws to defer depreciation allowances on "unessential" projects; it was regulating consumer credit.

In these last two years, by contrast, the task of restraining inflation has been left entirely to the central bank. Apart from some fiscal support in the 1956 budget, the government took no direct action to fight inflation. Mr Coyne and his colleagues must sometimes have felt that they were the only people in Canada who wanted to check the progressive depreciation of money. They also found that bank advances were singularly unresponsive to the central bank's touch on the brake. At the crucial point late in 1955, the chartered banks made a "gentleman's agreement" with the Bank of Canada and with each other to give no more "term loans" to business. But it was then discovered that, in the competition for big accounts, the banks had made advance commitments for business loans amounting to several hundreds of millions. At the central bank's first attempt to tighten the screw on credit, therefore, the banks sold holdings of government bonds to a much greater extent than most observers had expected.

The banks have a statutory obligation to maintain their cash at not less than 8 per cent of their deposits. When the pinch came at the end of 1955, this cash ratio seemed less important than the secondary reserve of other liquid assets. The Bank of Canada's power to influence monetary affairs seemed to be in danger of frustration unless the banks accepted some minimum standard for liquid assets. So a gentleman's agreement was also made to build up liquid assets (meaning day-to-day loans and Treasury Bills) to an

additional 7 per cent of deposits. But this agreement was not reached without some hard feelings ; and though it may have been necessary at the time, it was a move of such fundamental importance that many people think it should have been taken only by legislation.

A third way in which the central bank found the initial impact of its control being dulled was in the practice of the Canadian banks of taking "personal savings deposits" (which pay interest on a minimum balance) and treating these like current account deposits as backing for loans. Experience showed that even throughout the depression of the thirties, personal savings were almost immune from changes in the financial climate. Suggestions for segregating personal savings from other deposits were made to the banks early in 1957, and not accepted. Mr Coyne wrote about them in his annual report, which appeared just before the 1957 election; and he was then repudiated by the Liberal Minister of Finance, Mr Walter Harris.

THE combined effect of all these limitations was that the Bank of Canada's attempt to prevent undue expansion, introduced in the autumn of 1955, did not begin to take effect for nearly nine months. Canada's international transactions added further complications. Monetary restraint has a far more powerful effect on small enterprise than on large and wealthy corporations. In Canada's case the large and wealthy are the foreign-owned corporations, which were drawing in a huge inflow of foreign capital. The Bank of Canada had no easy means of discouraging investment from these sources ; indeed, at this point its weapons of raising interest rates acted as an added inducement to foreign investors.

Hence in curbing the total volume of investment money competing for goods and services and labour, it could be argued that the central bank imposed a disproportionately heavy burden on the smaller Canadian corporations and on the smaller municipalities which could not borrow in the New York market. For some of them this did mean an unfair degree of hardship. For Canada it may have meant postponing projects on which the rate of return appeared to be higher than on some of the projects carried through. This inherent difficulty in Canada's economy causes particular trouble when monetary policy is left to carry the whole burden of restraining inflation. It justifies some of Mr Fleming's criticisms of the effect of "tight money." It led some of the Liberal ministers at one time to consider other methods of curbing the boom, either by changing depreciation allowances or by adopting Britain's system of screening new borrowing through a Capital Issues Committee. None of these proposals was adopted.

The weapons of the central bank are of general application. What then is the central banker to do? However much he may dislike imposing sanctions that bear especially heavily on the smaller Canadian enterprises, he must still look first to his solemn mission of defending the currency. The one thing he cannot do is to acquiesce when a politician is tempted to say "Inflation doesn't matter." And if the government of the day insists on opposing him, the only course open to the Governor of the Bank of Canada, as the situation is now understood here, is to resign. That necessity, happily, has not yet arisen.

The State in India's Finances

BY A CORRESPONDENT

The banks in India have hitherto trodden a difficult path. Will the Mundhra affair dampen the enthusiasm of Mr Nehru's government for control and regimentation as part of its drive towards socialism?

THE commission of inquiry into the purchase last autumn by the State Life Insurance Corporation of investments in the Mundhra industrial group, which led to the resignation of Mr T. T. Krishnamachari as Indian Finance Minister and to a departmental investigation, still in progress, into the conduct of certain officers of the Finance Ministry in these ill-fated transactions, could have a profound and lasting impact on the pattern of India's finances and of India's economic society. The Mundhra affair has served to concentrate public attention on the role of the state as investor and final arbiter of Indian investment policy. While always prepared to believe the worst about private enterprise, Indian public opinion has never accustomed itself hitherto to the possibility that the government itself could be unbusinesslike or incompetent or make costly errors in a field in which precise and accurate judgments are of the utmost importance.

The result is that the Mundhra affair and associated events have left Indian opinion a little stunned and breathless ; for once, government has shown itself just as fallible and liable to error as any operator on the highly speculative Calcutta or Bombay markets and, having got into difficulties, just as evasive as any hard faced punter. The result has been a sharp bout of disillusionment ; Delhi's pronouncements in the sphere of investment will no longer carry the authority of holy writ. But it remains to be seen whether this one major mistake, and the ensuing scandal, will dampen the Nehru government's partiality for control and regimentation in the sphere of finance as part of its plan for the establishment of a Socialist pattern of society.

The reaction has shown a strong tendency to go to extremes. On the one hand there are those who say that the whole affair has demonstrated the state's inability to manage large investment operations, that an intelligent clerk would have perceived the warning lights that eluded the minister and the three or four senior officials concerned with the purchase by the Life Insurance Corporation of a million pounds worth of shares in the Mundhra Group of companies. After all, was not the ostensible motive for nationalisation of life insurance to protect the policy holder against the risk of fraud and incompetence on the part of the private insurer?

On the other hand there are those who say that the remedy for this sort of malpractice is not less but more state



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control of the investment operations, and that those who made the Mundhra investment were merely outsmarted by a financial adventurer whose record was such as to require that each detail of an investment in his companies should have been subjected to the closest scrutiny. The trouble, it is argued, arose because the officials were much too trusting of a man who seems to personify everything which, in the eyes of the Indian politician, is wrong with private enterprise. Thus, far from resolving the issue the Mundhra affair has intensified and confused the controversy over the relative merits of governmental and private activity in trade and finance.

IN practice it would be exceedingly difficult, if not impossible, for an administration as heavily committed to the philosophy of state enterprise as is the government of India to make anything like a precipitate retreat from the apparently fixed positions it has taken up in the field of investment and finance. It would be no more practicable for the Indian government to unscramble the omelette in which such nationalised institutions as the State Bank and the Life Insurance Corporation are principal elements than it would be for the British Government to hand back the railways and the coal mines to their former owners. Moreover, certain of the basic assumptions of the second five-year plan rest upon the effective control of savings and investment by the authorities. It will be wise to assume, therefore, that the government of India's intrusion into the higher spheres of investment and finance is of a permanent character.

The real point at issue is whether the government will seek to regiment and supervise the banking system and the capital market still further, or whether it will decide that collectivist policies have gone far enough for the foreseeable future, and that it should rely upon the co-operation rather than the coercion of private institutions. Referring to the relations between the commercial banks and the central banking authorities Mr C. H. Bhabha, chairman of the Indian Banks' Association, recently put the matter thus : "Instead of thinking in terms of more controlling legislation and wider powers, cultivation of more cordial and intimate relations and establishment of mutual trust and confidence would go a great way in quickening the progress of banking in this country."

An example of the kind of wet-nurse activities to which the commercial banks object is provided in the recent decision to relax selectively the restrictions on bank advances against food grains, which were imposed in consequence of the heavy speculative activity that developed in these commodities during 1957. The Reserve Bank directed that advances on food grains should be cut down by a significant amount. The scheduled banks soon found that this edict was acting as a serious deterrent to the operations of new branches, most of which (with the government's positive encouragement) are being established in the agricultural districts where crop finance is the chief item of banking business. One of the stock allegations against the commercial banks is that they have failed to extend their activities into the rural areas of the interior where, it must be admitted, banking facilities are mainly conspicuous by their absence.

None the less, the joint stock banks have in recent years made a very real effort to bring their services into districts where it inevitably takes a very long time to put a new branch on to a paying basis. The limitation on credits and overdrafts granted against stocks of food grains made it certain that the opening of such new branches would be an even more speculative venture, and representations were accordingly made to the Reserve Bank, which took the point promptly enough. A recent notification accordingly provides that the advances against food grains made by new branch offices will not be included in the aggregate of such advances of individual banks for the purposes of the original Reserve Bank directive, "provided that the new offices are at centres where, within a radius of 20 miles, there are no offices of other scheduled banks and provided the advances made by each office or branch against food grains in its possession or control do not exceed Rs 1 lakh ; this exemption will, however, cease to be effective after the opening of a branch or office by another scheduled bank in any of these centres, but in any case will operate for a minimum period of one year." The petty and bureaucratic character of this concession to reality is, alas, only too typical of the State's other excursions into the realms of finance and investment.

THE banker, the investor and the entrepreneur are inevitably left with the strong impression that they are to be watched and corrected like children: in the particular matter quoted above, the harassed manager of a branch in an agricultural district is liable to have to reverse his lending policy if perchance a competitor appears on the distant horizon twenty miles away. Despite all the pushing and prodding and exhortation that Indian banking receives from the government and the legislature, its development has not kept pace with the country's economic growth. Practically no new banking venture has been launched in the past decade while, according to Mr Bhabha, the existing banks tend to think chiefly in terms of consolidation or even of contracting their activities.

Indeed, mainly as a result of amalgamations and mergers among the smaller fry, the total number of banks operating in India actually declined from 517 to 405 between 1952 and 1956. The total number of branches of Indian (as distinct from foreign) banks rose by less than one hundred (from 3,900 to 3,999) over the same period, which would hardly seem to be proportionate to the mounting tempo of the economy during those years. Furthermore, the main increase in branches seems to have been in those of state-owned or state-controlled institutions, whose rate of expansion is prescribed by government. The commercial banks cannot afford to move too far ahead of genuine demand for fresh banking services ; but Indian bankers claim that official policies, and in particular the hurdles that have to be surmounted to obtain permission to open a new branch, have acted as a serious deterrent to expansion of facilities.

Periodically proposals for the nationalisation of India's banks emanate from private members on the back benches of Parliament, but the experience of the recent past suggests that the government will be reluctant to embark upon further large measures of nationalisation in the financial sphere. It is not forgotten that the nationalisation of life insurance was somewhat hurriedly undertaken and it will be a long time before the dust of the affair of the Life Insurance Corporation settles. But the authorities in New Delhi will doubtless continue to prescribe policies in banking and investment in a good deal of detail

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தமிழ்நாடு ஆவணக்காப்பக நூலகம்,
எழும்பூர், சென்னை-600 008.

ஆவணைத்தாள்.

சே எண் : 162853 ப. எண் :

வழங்கிய நாள். (1)	திரும்பிய நாள். (2)	வழங்கிய நாள். (1)	திரும்பிய நாள். (2)

S.F. 259A-6— 1,60,000—30-1-64.